
FEDERAL DEPOSIT INSURANCE CORPORATION

Washington, D.C. 20429

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): January 28,2013

Summit State Bank

(Exact name of registrant as specified in its charter)

<u>California</u> (State or other jurisdiction of incorporation)	<u>32203</u> (FDIC Insurance Certificate No.)	<u>94-2878925</u> (IRS Employer Identification Number)
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<u>500 Bicentennial Way</u> <u>Santa Rosa, California</u> (Address of principal executive offices)	<u>95403</u> (Zip Code)
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(707) 568-6000
(Registrant's telephone number, including area code)

N/A
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02. Results of Operations and Financial Condition.

On January 28, 2013, the registrant issued the press release attached hereto as Exhibit 99 and incorporated herein by reference regarding the declaration of dividends and results of operations for the three months and twelve months ended December 31, 2012.

Common stock cash dividend of \$0.09 per share declared on January 28, 2013 payable on February 23, 2013 to shareholders of record on February 15, 2013.

Item 9.01. Financial Statements and Exhibits

(c) Exhibits:

The exhibit list called for by this item is incorporated by reference to the Exhibit Index filed as part of this report.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

Dated: January 28, 2013

SUMMIT STATE BANK

By: /s/ Dennis E. Kelley
Dennis Kelley
*Senior Vice President
and Chief Financial Officer
(Duly Authorized Officer)*

Exhibit Index

<u>Exhibit Number</u>	<u>Description</u>
99	Press release of Summit State Bank dated January 28, 2013 announcing declaration of dividend and results of operation for the three and twelve months ended December 31, 2012.

Summit State Bank Reports a 55% increase in Earnings for 2012 and Declaration of Dividend

SANTA ROSA, CA – (January 28, 2013) – Summit State Bank (Nasdaq: SSBI) today reported net income for the year ended December 31, 2012 of \$3,448,000, a 55% increase over 2011. Earnings per share increased to \$0.62 in 2012 from \$0.33 in 2011.

The quarterly dividend of \$0.09 per share was declared payable on February 23 with a record date of February 15, 2013.

Net Income and Results of Operations

The bank had for the year ended December 31, 2012, net income of \$3,448,000, net income available for common stockholders, which deducts the preferred dividends, of \$2,927,000, and \$0.62 per diluted share, compared to net income of \$2,228,000, net income available for common stockholders of \$1,577,000, and \$0.33 per diluted share, for the year ended December 31, 2011

For the quarter ended December 31, 2012, Summit had net income of \$1,024,000, net income available for common stockholders of \$941,000, and diluted earnings per share of \$0.20 compared to \$552,000 in net income, \$379,000 net income available for common shareholders, or \$0.08 per diluted share, for the same period in 2011.

“Our continuing profitability growth, with 2012 being the best year yet in our 38 year history of serving Sonoma County, is the result of our ongoing success in earning more and more full relationships through the high level of service and care our Summit team is providing our customers, and increasing referrals from our satisfied customers. This has in turn produced strong growth in core deposits, largely demand deposits, providing us the proper funding to meet the lending needs of our community through our *\$50,000,000 Small Business Lending* program,” said Thomas Duryea, President and CEO.

Net interest income was \$16,249,000 for 2012, a 3.2% increase of \$499,000 compared to 2011. The fourth quarter 2012 net interest income was \$4,247,000, a 17% increase of \$628,000 compared to the fourth quarter of 2011. The increase in net interest income was primarily attributable to higher levels of core relationship deposits and increase in earning assets.

Core deposits, defined as demand, savings and money market deposits, increased \$43,000,000 or 35% to \$167,533,000 at December 31, 2012 from \$124,421,000 at December 31, 2011 with demand deposits increasing by \$30,842,000 or 54% from \$56,765,000 to \$87,607,000.

Total assets increased to \$444,896,000 at December 31, 2012 compared to \$387,625,000 at December 31, 2011.

Nonperforming assets at December 31, 2012 declined to \$9,684,000 compared to nonperforming assets of \$13,055,000 at September 30, 2012 and \$13,366,000 at December 31, 2011. Nonperforming assets include a \$4,100,000 foreclosed commercial property that is producing income for the bank. Non-performing loans to total loans decreased to 1.72% from 2.83% at September 30, 2012 and 4.46% at December 31, 2011.

The provision for loan losses expense declined by \$290,000 to \$3,360,000 in 2012 compared to \$3,650,000 in 2011. As a result of the decline in nonperforming loans, Summit did not make a provision for loan losses in the fourth quarter of 2012 compared to a \$650,000 provision in the fourth quarter of 2011.

“As we have made meaningful progress in problem loan resolution in 2012 with non-performing loans as percentage of total loans ranking favorably to our peers, we have accordingly been able to reduce our loan loss provisions producing more available income for our shareholders,” said Bill Fogarty, SVP and Chief Credit Officer.

The allowance for loan losses was \$5,749,000 at December 31, 2012 compared to \$5,411,000 at December 31, 2011. The ratio of the allowance for loan losses to total loans was 2.04% at December 31, 2012 compared to 1.96% at December 31, 2011. Changes in the allowance for loan losses between December 31, 2012 and 2011 included provision for loan losses expense of \$3,360,000 and net loan charge-offs of \$3,022,000.

The Bank’s efficiency ratio, which expresses operating costs as a percentage of revenues, held steady at 60% for the year 2012 and 2011. The efficiency ratio excludes net gains or losses on securities and in 2012 the proceeds from a legal settlement of which \$1,515,000 was recorded in the income statement in the third quarter. The efficiency ratio includes expenses related to problem loan resolutions.

The Bank’s net interest margin was 4.12% for the year ended December 31, 2012, compared to 4.34% in 2011. For the fourth quarter of 2012, the Bank’s net interest margin was 4.06% compared to 3.82% for the fourth quarter of 2011. The declines in net interest margin in 2012 were primarily due to an increase in investment securities to augment the Bank’s growth and the lower interest rate environment.

The Bank’s regulatory capital remains well above the required capital ratios with a Tier 1 capital leverage ratio of 13.4%, a Tier 1 risk-based capital ratio of 17.1% and a Total risk-based capital ratio of 18.4% at December 31, 2012.

About Summit State Bank

Summit State Bank has total assets of \$445 million and total equity of \$63 million at December 31, 2012. Headquartered in Sonoma County, the Bank provides diverse financial products and services throughout Sonoma, Napa, San Francisco, and Marin Counties. Summit State Bank is a Top Performing Bank, earning the highest Findley Reports designation of all Sonoma County-based banks. Summit State Bank received the

2012 Community Bank Award from the American Bankers Association. In addition, Summit has been recognized with the Gold Medal award for Best Business Bank from the Northbay Biz Magazine and as one of the North Bay's Best Places to Work by the North Bay Business Journal. Summit State Bank's stock is traded on the Nasdaq Global Market under the symbol SSBI. Further information can be found at www.summitstatebank.com.

Forward-looking Statements

Except for historical information contained herein, the statements contained in this news release, are forward-looking statements within the meaning of the "safe harbor" provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. This release may contain forward-looking statements that are subject to risks and uncertainties. Such risks and uncertainties may include but are not necessarily limited to fluctuations in interest rates, inflation, government regulations and general economic conditions, and competition within the business areas in which the Bank will be conducting its operations, including the real estate market in California and other factors beyond the Bank's control. Such risks and uncertainties could cause results for subsequent interim periods or for the entire year to differ materially from those indicated. You should not place undue reliance on the forward-looking statements, which reflect management's view only as of the date hereof. The Bank undertakes no obligation to publicly revise these forward-looking statements to reflect subsequent events or circumstances.

SUMMIT STATE BANK AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except for earnings per share data)

	Three Months Ended		Twelve Months Ended	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest income:				
Interest and fees on loans	\$ 3,832	\$ 3,509	\$ 15,022	\$ 16,055
Interest on Federal funds sold	-	-	-	5
Interest on investment securities and deposits in banks	824	785	3,234	2,611
Dividends on FHLB stock	14	2	22	7
	<u>4,670</u>	<u>4,296</u>	<u>18,278</u>	<u>18,678</u>
Interest expense:				
Deposits	396	594	1,847	2,589
FHLB advances	27	83	182	339
	<u>423</u>	<u>677</u>	<u>2,029</u>	<u>2,928</u>
Net interest income before provision for loan losses	4,247	3,619	16,249	15,750
Provision for loan losses	-	650	3,360	3,650
Net interest income after provision for loan losses	<u>4,247</u>	<u>2,969</u>	<u>12,889</u>	<u>12,100</u>
Non-interest income:				
Service charges on deposit accounts	129	126	519	514
Office leases	122	139	499	534
Net securities gains (losses)	(23)	99	728	754
Net gains (losses) on sale of other real estate owned	(69)	75	(89)	75
Loan servicing, net	5	6	29	26
Other income	112	5	1,812	23
	<u>276</u>	<u>450</u>	<u>3,498</u>	<u>1,926</u>
Non-interest expense:				
Salaries and employee benefits	1,329	1,288	5,303	5,135
Occupancy and equipment	420	387	1,509	1,601
Other expenses	1,032	801	3,709	3,498
	<u>2,781</u>	<u>2,476</u>	<u>10,521</u>	<u>10,234</u>
Income before provision for income taxes	1,742	943	5,866	3,792
Provision for income taxes	718	391	2,418	1,564
Net income	<u>\$ 1,024</u>	<u>\$ 552</u>	<u>\$ 3,448</u>	<u>\$ 2,228</u>
Less: preferred dividends	83	173	521	651
Net income available for common stockholders	<u>\$ 941</u>	<u>\$ 379</u>	<u>\$ 2,927</u>	<u>\$ 1,577</u>
Basic earnings per common share	\$ 0.20	\$ 0.08	\$ 0.62	\$ 0.33
Diluted earnings per common share	\$ 0.20	\$ 0.08	\$ 0.62	\$ 0.33
Basic weighted average shares of common stock outstanding	4,745	4,745	4,745	4,745
Diluted weighted average shares of common stock outstanding	4,749	4,745	4,746	4,745

SUMMIT STATE BANK AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
(In thousands except share and per share data)

	December 31, 2012	December 31, 2011
	(Unaudited)	
ASSETS		
Cash and due from banks	\$ 19,979	\$ 8,290
Federal funds sold	-	-
Total cash and cash equivalents	19,979	8,290
Time deposits with banks	2,977	-
Available-for-sale investment securities - amortized cost of \$123,026 in 2012 and \$87,001 in 2011	125,714	88,660
Loans, less allowance for loan losses of \$5,749 in 2012 and \$5,411 in 2011	275,877	269,963
Bank premises and equipment, net	5,160	6,731
Investment in Federal Home Loan Bank stock, at cost	2,265	2,190
Goodwill	4,119	4,119
Other Real Estate Owned	4,845	1,074
Accrued interest receivable and other assets	3,960	6,598
Total assets	\$ 444,896	\$ 387,625
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Demand - non interest-bearing	\$ 58,548	\$ 31,022
Demand - interest-bearing	29,059	25,743
Savings	23,257	20,201
Money market	56,669	47,455
Time deposits, \$100 thousand and over	128,785	140,680
Other time deposits	44,686	46,957
Total deposits	341,004	312,058
Federal Home Loan Bank (FHLB) advances	40,000	13,750
Accrued interest payable and other liabilities	1,022	808
Total liabilities	382,026	326,616
Shareholders' equity		
Preferred stock, no par value; 20,000,000 shares authorized; shares issued and outstanding - 13,750 series B in 2012 and 2011; per share redemption of \$1,000 for total liquidation preference of \$13,750	13,666	13,666
Common stock, no par value; shares authorized - 30,000,000 shares; issued and outstanding 4,744,720 at December 31, 2012 and December 31, 2011	36,396	36,352
Common stock warrant	-	-
Retained earnings	11,250	10,030
Accumulated other comprehensive income, net of taxes	1,558	961
Total shareholders' equity	62,870	61,009
Total liabilities and shareholders' equity	\$ 444,896	\$ 387,625

Earnings Summary
(In Thousands)

	Three Months Ended		Twelve Months Ended	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Statement of Income Data:				
Net interest income	\$ 4,247	\$ 3,619	\$ 16,249	\$ 15,750
Provision for loan losses	-	650	3,360	3,650
Non-interest income	276	450	3,498	1,926
Non-interest expense	2,781	2,476	10,521	10,234
Provision for income taxes	718	391	2,418	1,564
Net income	<u>\$ 1,024</u>	<u>\$ 552</u>	<u>\$ 3,448</u>	<u>\$ 2,228</u>
Less: preferred dividends	83	173	521	651
Net income available for common stockholders	<u>\$ 941</u>	<u>\$ 379</u>	<u>\$ 2,927</u>	<u>\$ 1,577</u>
Selected per Common Share Data:				
Basic earnings per common share	\$ 0.20	\$ 0.08	\$ 0.62	\$ 0.33
Diluted earnings per common share	\$ 0.20	\$ 0.08	\$ 0.62	\$ 0.33
Dividend per share	\$ 0.09	\$ 0.09	\$ 0.36	\$ 0.36
Book value per common share (2)(3)	\$ 10.37	\$ 9.98	\$ 10.37	\$ 9.98
Selected Balance Sheet Data:				
Assets	\$ 444,896	\$ 387,625	\$ 444,896	\$ 387,625
Loans, net	275,877	269,963	275,877	269,963
Deposits	341,004	312,058	341,004	312,058
Average assets	431,882	390,639	410,291	377,126
Average earning assets	415,690	375,861	393,941	363,042
Average shareholders' equity	62,851	61,224	61,812	58,109
Average common shareholders' equity	49,185	47,558	48,146	47,287
Nonperforming loans	4,839	12,292	4,839	12,292
Other real estate owned	4,845	1,074	4,845	1,074
Total nonperforming assets	9,684	13,366	9,684	13,366
Troubled debt restructures (accruing)	6,393	5,995	6,393	5,995
Selected Ratios:				
Return on average assets (1)	0.94%	0.56%	0.84%	0.59%
Return on average common equity (1)	7.61%	3.16%	6.08%	3.33%
Efficiency ratio (4)	61.17%	62.37%	60.45%	60.48%
Net interest margin (1)	4.06%	3.82%	4.12%	4.34%
Tier 1 leverage capital ratio	13.4%	14.5%	13.4%	14.5%
Tier 1 risk-based capital ratio	17.1%	18.6%	17.1%	18.6%
Total risk-based capital ratio	18.4%	19.8%	18.4%	19.8%
Common dividend payout ratio (5)	45.38%	112.7%	58.35%	108.31%
Average equity to average assets	14.55%	15.67%	15.07%	15.41%
Nonperforming loans to total loans (2)	1.72%	4.46%	1.72%	4.46%
Nonperforming assets to total assets (2)	2.18%	3.45%	2.18%	3.45%
Allowance for loan losses to total loans (2)	2.04%	1.96%	2.04%	1.96%
Allowance for loan losses to nonperforming loans (2)	118.80%	44.02%	118.80%	44.02%

(1) Annualized

(2) As of period end

(3) Total shareholders' equity, less preferred stock, divided by total common shares outstanding

(4) Excludes securities gains and for the twelve months of 2012, the building legal settlement

(5) Common dividends divided by net income available for common stockholders