

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): October 29, 2012

Summit State Bank

(Exact name of registrant as specified in its charter)

California 32203 94-2878925
(State or other jurisdiction of (FDIC Insurance Certificate (IRS Employer Identification
incorporation) No.) Number)

500 Bicentennial Way
Santa Rosa, California 95403
(Address of principal executive offices) (Zip Code)

(707) 568-6000
(Registrant's telephone number, including area code)

N/A

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))

Item 2.02. Results of Operations and Financial Condition.

On October 29, 2012, the registrant issued the press release attached hereto as Exhibit 99 and incorporated herein by reference regarding the declaration of dividends and financial results of the three and nine months ended September 30, 2012.

Common stock cash dividend of \$0.09 per share declared on October 29, 2012 payable on November 23, 2012 to shareholders of record on November 15, 2012.

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: October 29, 2012

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 October 29, 2012 announcing declaration of dividend and financial results for the three and nine months ended September 30, 2012.

Summit State Bank Reports over 100% Increase in Profitability and Declaration of Dividend

SANTA ROSA, CA – (October 29, 2012) – Summit State Bank (Nasdaq: SSBI) today reported net income for the quarter ended September 30, 2012 of \$977,000, a 139% increase over the quarter ended September 30, 2011. The regular quarterly dividend of \$0.09 per share was declared for common shareholders.

Dividend

The Board of Directors today declared a \$0.09 quarterly common stock dividend to be paid on November 23 to shareholders of record on November 15.

Net Income and Results of Operations

The Bank had net income of \$977,000 and net income available for common stockholders of \$883,000, or \$0.19 per diluted share, for the quarter ended September 30, 2012 compared to net income of \$409,000 and net income available for common stockholders of \$207,000, or \$0.04 per diluted share, for the quarter ended September 30, 2011. For the nine months ended September 30, 2012 and 2011, net income available for common stockholders was \$1,986,000 and \$1,198,000 and diluted earnings per share was \$0.42 and \$0.25.

“Our profitability growth is largely a result of our ongoing success in driving a greater number of full banking relationships into Summit through the focus and hard work of our top quality team. The continuing growth in core deposits is providing us the proper funding for increasing loans into Sonoma County as part of our *\$50,000,000 Small Business Lending* program to benefit our community,” said Thomas Duryea, President and CEO.

Net interest income increased to \$3,989,000 for the third quarter of 2012 compared to \$3,873,000 for the same quarter in 2011. Net interest income declined \$128,000 between the nine month periods. The increase in the net interest income for the quarter was primarily due to a 7.2% increase in average earning assets which offset a decline in the net interest margin to 3.96% compared to 4.11% for the third quarter of 2011. The net interest margin decline was the result of investments purchased to replace called investments, with lower replacement yields and loans originated or renewed at lower yields.

Non-interest income for the third quarter of 2012 was \$1,737,000. This included income recorded from a property defect settlement in the amount of \$1,363,000. Non-interest income was \$374,000 in the third quarter of 2012 compared to \$278,000 in the third quarter 2011, net of security gains and the non-recurring building settlement monies. The increase in net non-interest income was from rental income on foreclosed commercial property of \$117,000.

“The net interest margin continues to be a challenge for all banks in this present low rate environment. Its impact has been partially offset by the continuing increase in lower cost core deposits, asset growth, non-interest income, and flat operating expenses,” said Dennis Kelley, Chief Financial Officer.

Core deposits, defined as demand, money market and savings, increased 26% between September 30, 2012 and 2011, with non-interest bearing demand deposits increasing 53%. Core Deposits represent 48% of total deposits compared to 39% at September 30, 2011.

“We have continued to reduce the Bank’s funding costs by actively opening new relationship deposit accounts which have a lower cost than time deposits to enhance our community banking franchise value and long term sustainability to serve our community,” stated Thomas Duryea.

The Bank’s efficiency ratio, which expresses operating costs as a percentage of revenues, excluding securities’ gains and the impact of the building settlement described above, was 55% for the third quarter of 2012 compared to 61% for the same quarter in 2011. For the nine months ended September 30, 2012 and 2011, the efficiency ratio was 58% and 60%, respectively. Operating expense between the quarters remained relatively stable at \$2,564,000 at September 30, 2012 compared to \$2,528,000 at September 30, 2011 and therefore the decline in the efficiency ratio was driven by increased revenues.

Total Assets increased 11% to \$429,722,000 at September 30, 2012 compared to \$387,625,000 at December 31, 2011. Net loans increased 5% to \$283,318,000 at September 30, 2012 compared to \$269,963,000 at December 31, 2011.

Nonperforming assets declined to 3.0% at September 30, 2012 compared to 4.2% at June 30, 2012. Nonperforming assets at September 30, 2012 consisted of \$8,210,000 of loans on non-accrual and \$4,845,000 of foreclosed real estate. This compares favorably to nonperforming assets of \$12,009,000 in loans on non-accrual and \$5,101,000 in foreclosed real estate at June 30, 2012.

“Our non-performing loans as a percentage of total loans decreased from 4.32% at June 30, 2012 to 2.83% at September 30, 2012 as we were able to make noticeable progress in problem loan resolutions in the third quarter through the hard work of our credit team. We remain committed to continuing improvement, which should further strengthen the bank’s performance” said, Bill Fogarty, Chief Credit Officer

The provision for loan losses was \$1,500,000 for third quarter of 2012 and \$3,360,000 for the nine month period compared to \$1,600,000 and \$3,000,000 for the same periods in 2011. The provision in the third quarter of 2012 enabled bank to resolve a number of former problem credits which partially contributed to net charge-offs for the quarter of \$1,888,000. The allowance for loan losses to total loans represented 2.23% and 2.53% at September 30, 2012 and 2011.

The Bank’s regulatory capital remains well above the required capital ratios with a Tier 1 capital leverage ratio of 14%, a Tier 1 risk-based capital ratio of 17% and a Total risk-based capital ratio of 18% at September 30, 2012.

About Summit State Bank

Summit State Bank has total assets of \$430 million and total equity of \$62 million at September 30, 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 BALANCE SHEETS
(In thousands except share and per share data)

	September 30, 2012 (Unaudited)	December 31, 2011 (Unaudited)	September 30, 2011 (Unaudited)
ASSETS			
Cash and due from banks	\$ 21,916	\$ 8,290	\$ 19,169
Federal funds sold	-	-	-
Total cash and cash equivalents	<u>21,916</u>	<u>8,290</u>	<u>19,169</u>
Time deposits with banks	2,977	-	-
Available-for-sale investment securities - amortized cost of \$98,403 in 2012 and \$87,001 in 2011	100,750	88,660	79,914
Loans, less allowance for loan losses of \$6,454 in 2012 and \$5,411 in 2011	283,318	269,963	271,687
Bank premises and equipment, net	5,325	6,731	6,883
Investment in Federal Home Loan Bank stock, at cost	2,265	2,190	2,296
Goodwill	4,119	4,119	4,119
Other Real Estate Owned	4,845	1,074	4,319
Accrued interest receivable and other assets	<u>4,207</u>	<u>6,598</u>	<u>6,695</u>
Total assets	<u><u>\$ 429,722</u></u>	<u><u>\$ 387,625</u></u>	<u><u>\$ 395,082</u></u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits:			
Demand - non interest-bearing	\$ 51,840	\$ 31,022	\$ 33,712
Demand - interest-bearing	26,808	25,743	26,861
Savings	21,800	20,201	22,678
Money market	59,693	47,455	43,616
Time deposits, \$100 thousand and over	124,300	140,680	143,357
Other time deposits	<u>47,981</u>	<u>46,957</u>	<u>54,319</u>
Total deposits	<u>332,422</u>	<u>312,058</u>	<u>324,543</u>
Federal Home Loan Bank (FHLB) advances	34,000	13,750	7,000
Accrued interest payable and other liabilities	<u>1,151</u>	<u>808</u>	<u>2,189</u>
Total liabilities	<u><u>367,573</u></u>	<u><u>326,616</u></u>	<u><u>333,732</u></u>
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	13,666
Common stock, no par value; shares authorized - 30,000,000 shares; issued and outstanding 4,744,720 at September 30, 2012 and December 31, 2011	36,387	36,352	36,341
Common stock warrant	-	-	-
Retained earnings	10,735	10,030	10,077
Accumulated other comprehensive income, net of taxes	<u>1,361</u>	<u>961</u>	<u>1,266</u>
Total shareholders' equity	<u><u>62,149</u></u>	<u><u>61,009</u></u>	<u><u>61,350</u></u>
Total liabilities and shareholders' equity	<u><u>\$ 429,722</u></u>	<u><u>\$ 387,625</u></u>	<u><u>\$ 395,082</u></u>

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

	Three Months Ended		Nine Months Ended	
	September 30, 2012 (Unaudited)	September 30, 2011 (Unaudited)	September 30, 2012 (Unaudited)	September 30, 2011 (Unaudited)
Interest income:				
Interest and fees on loans	\$ 3,718	\$ 3,915	\$ 11,190	\$ 12,546
Interest on Federal funds sold	-	-	-	5
Interest on investment securities and deposits in banks	725	710	2,410	1,826
Dividends on FHLB stock	3	1	8	5
Total interest income	<u>4,446</u>	<u>4,626</u>	<u>13,608</u>	<u>14,382</u>
Interest expense:				
Deposits	441	669	1,450	1,995
FHLB advances	16	84	155	256
Total interest expense	<u>457</u>	<u>753</u>	<u>1,605</u>	<u>2,251</u>
Net interest income before provision for loan losses	3,989	3,873	12,003	12,131
Provision for loan losses	<u>1,500</u>	<u>1,600</u>	<u>3,360</u>	<u>3,000</u>
Net interest income after provision for loan losses	<u>2,489</u>	<u>2,273</u>	<u>8,643</u>	<u>9,131</u>
Non-interest income:				
Service charges on deposit accounts	137	140	390	388
Office leases	122	116	376	395
Net securities gains	1	655	750	655
Loan servicing, net	6	6	23	20
Other income	<u>1,471</u>	<u>16</u>	<u>1,680</u>	<u>18</u>
Total non-interest income	<u>1,737</u>	<u>933</u>	<u>3,219</u>	<u>1,476</u>
Non-interest expense:				
Salaries and employee benefits	1,342	1,217	3,975	3,847
Occupancy and equipment	351	374	1,088	1,214
Other expenses	<u>871</u>	<u>937</u>	<u>2,675</u>	<u>2,697</u>
Total non-interest expense	<u>2,564</u>	<u>2,528</u>	<u>7,738</u>	<u>7,758</u>
Income before provision for income taxes	1,662	678	4,124	2,849
Provision for income taxes	<u>685</u>	<u>269</u>	<u>1,700</u>	<u>1,173</u>
Net income	<u>\$ 977</u>	<u>\$ 409</u>	<u>\$ 2,424</u>	<u>\$ 1,676</u>
Less: preferred dividends	<u>94</u>	<u>202</u>	<u>438</u>	<u>478</u>
Net income available for common stockholders	<u>\$ 883</u>	<u>\$ 207</u>	<u>\$ 1,986</u>	<u>\$ 1,198</u>
Basic earnings per common share	\$ 0.19	\$ 0.04	\$ 0.42	\$ 0.25
Diluted earnings per common share	\$ 0.19	\$ 0.04	\$ 0.42	\$ 0.25
Basic weighted average shares of common stock outstanding	4,745	4,745	4,745	4,745
Diluted weighted average shares of common stock outstanding	4,746	4,745	4,746	4,745

Earnings Summary
(In Thousands)

	Three Months Ended		Nine Months Ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Statement of Income Data:				
Net interest income	\$ 3,989	\$ 3,873	\$ 12,003	\$ 12,131
Provision for loan losses	1,500	1,600	3,360	3,000
Non-interest income	1,737	933	3,219	1,476
Non-interest expense	2,564	2,528	7,738	7,758
Provision for income taxes	685	269	1,700	1,173
Net income	<u>\$ 977</u>	<u>\$ 409</u>	<u>\$ 2,424</u>	<u>\$ 1,676</u>
Less: preferred dividends	94	202	438	478
Net income available for common stockholders	<u>\$ 883</u>	<u>\$ 207</u>	<u>\$ 1,986</u>	<u>\$ 1,198</u>
Selected per Common Share Data:				
Basic earnings per common share	\$ 0.19	\$ 0.04	\$ 0.42	\$ 0.25
Diluted earnings per common share	\$ 0.19	\$ 0.04	\$ 0.42	\$ 0.25
Dividend per share	\$ 0.09	\$ 0.09	\$ 0.27	\$ 0.27
Book value per common share (2)(3)	\$ 10.22	\$ 10.05	\$ 10.22	\$ 10.05
Selected Balance Sheet Data:				
Assets	\$ 429,722	\$ 395,082	\$ 429,722	\$ 395,082
Loans, net	283,318	271,687	283,318	271,687
Deposits	332,422	324,543	332,422	324,543
Average assets	415,966	387,308	403,041	372,623
Average earning assets	400,834	373,872	386,638	358,809
Average shareholders' equity	61,879	59,863	61,463	57,109
Average common shareholders' equity	48,213	47,831	47,797	47,247
Nonperforming loans	8,210	9,639	8,210	9,639
Total nonperforming assets	13,055	13,958	13,055	13,958
Selected Ratios:				
Return on average assets (1)	0.93%	0.42%	0.80%	0.60%
Return on average common equity (1)	7.29%	1.72%	5.55%	3.39%
Efficiency ratio (4)	55.30%	60.90%	57.87%	59.90%
Net interest margin (1)	3.96%	4.11%	4.15%	4.52%
Tier 1 leverage capital ratio	13.8%	14.6%	13.8%	14.6%
Tier 1 risk-based capital ratio	17.0%	18.5%	17.0%	18.5%
Total risk-based capital ratio	18.2%	19.7%	18.2%	19.7%
Common dividend payout ratio (5)	48.36%	206.3%	64.50%	71.29%
Average equity to average assets	14.88%	15.46%	15.25%	15.33%
Nonperforming loans to total loans (2)	2.83%	3.46%	2.83%	3.46%
Nonperforming assets to total assets (2)	3.04%	3.53%	3.04%	3.53%
Allowance for loan losses to total loans (2)	2.23%	2.53%	2.23%	2.53%
Allowance for loan losses to nonperforming loans (2)	78.62%	73.18%	78.62%	73.18%

(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 in 2012, the building settlement

(5) Common dividends divided by net income available