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# 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): April 30, 2012

### 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 April 30, 2012, 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 ended March 31, 2012.

Common stock cash dividend of \$0.09 per share declared on April 30, 2012 payable on May 23, 2012 to shareholders of record on May 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: April 30, 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 April 30, 2012 announcing declaration of dividend and results of operation for the three months ended March 31, 2012.

## **Summit State Bank Reports 30% Increase in Profitability and Declaration of Dividend**

SANTA ROSA, CA – (April 30, 2012) – Summit State Bank (Nasdaq: SSBI) today reported net income for the quarter ended March 31, 2012 of \$613,000, a 30% increase over the quarter ended March 31, 2011, and an 11% increase over the last quarter ended December 31, 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 dividend to be paid on May 23 to shareholders of record on May 15.

### **Net Income and Results of Operations**

The Bank had net income of \$613,000 and net income available for common stockholders of \$441,000, or \$0.09 per diluted share, for the quarter ended March 31, 2012 compared to net income of \$477,000 and net income available for common stockholders of \$339,000, or \$0.07 per diluted share, for the quarter ended March 31, 2011.

“We continue to grow full banking relationships, many through direct referral by existing customers. In the first quarter, we opened a record number of relationship-based core deposit accounts, 300% higher than in the same quarter last year. This is further lowering our cost of funds and enabling us to get more loans into our community through our \$50 million Small Business Lending Program,” said Thomas Duryea, President and CEO.

Net interest income was up 2% at \$4,023,000 for the first quarter of 2012 compared to \$3,943,000 for the same quarter in 2011. Increase in average earning assets between the quarters was 8.8%, which helped to offset the net interest margin compression experienced in this current low interest rate environment. Net interest margin was 4.34% for the first quarter of 2012 compared to 4.66% in the first quarter of 2011 and was unchanged from 4.34% for the full year 2011.

Noninterest income was \$1,070,000 in the first quarter of 2012 compared to \$262,000 in the first quarter of 2011 due to the gains on securities of \$702,000 and rental income on foreclosed real estate (OREO) of \$103,000.

The Bank’s efficiency ratio, which expresses operating costs as a percentage of revenues, was 59% for the first quarter of 2012 compared to 62% for the same quarter in 2011. Operating expense between the quarters remained flat with \$2,600,000 in operating expense in 2012 compared to \$2,592,000 in 2011. “We continue to closely monitor our operating structure, always looking for new and more efficient use of our resources to improve performance,” said Linda Bertauche, Chief Operations Officer.

Total deposits increased for the quarter over December 31, 2011 to \$324,603,000 with core deposits defined as demand, money market and savings deposits representing 100% of the growth reflecting new customer growth and further expansion of existing relationships. “We continue to experience further growth in our core deposits, which remains a key focus of the bank. More core deposits help fund more loans for the Sonoma County community,” said Dennis Kelley, Chief Financial Officer.

Total assets increased 5% to \$406,830,000 at March 31, 2012 compared to \$387,625,000 at December 31, 2011.

Gross loans were \$274,077,000 at March 31, 2012 compared to \$275,374,000 at December 31, 2011. New loan generation was masked as problem loans were worked out of the bank during 2011 and the first quarter of 2012. The problem loans were primarily from the bank’s former transactional focus, which also represents most of the current non-accruals. In addition, \$4 million was transferred to OREO from loans during the first quarter. This OREO property, although held for sale, is now income producing with positive rents exceeding operating expense.

The provision for loan losses remained elevated at \$1,450,000 for first quarter 2012 due to the continued analysis of problem loans, continued depressed commercial real estate market and changes in regulatory requirements. Allowance for loan losses increased to \$6,835,000 at March 31, 2012 from \$5,411,000 at December 31, 2011, increasing the coverage of allowance for loan losses to gross loans to 2.49% from 1.96%. Nonperforming assets at March 31, 2012 included \$9,120,000 in loans on non-accrual and \$5,125,000 in OREO. This compares to nonperforming assets of \$14,294,000 at March 31, 2011 and \$13,366,000 at December 31, 2011. Nonaccrual loans consisted of 15 loans to 11 relationships and OREO consisted of three properties.

“We have made progress toward resolution and remain cautiously optimistic that the local real estate market has reached or is near its bottom and that the local economy is showing signs of improvement,” said Bill Fogarty, Chief Credit Officer.

The Bank’s regulatory capital remains well above the required capital ratios with a Tier 1 capital leverage ratio of 14.5%, a Tier 1 risk-based capital ratio of 17.7% and a Total risk-based capital ratio of 19.0% at March 31, 2012.

### About Summit State Bank

Summit State Bank has total assets of \$407 million and total equity of \$60 million at March 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](http://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)

	<b>Three Months Ended</b>	
	<b>March 31, 2012</b>	<b>March 31, 2011</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Interest income:		
Interest and fees on loans	\$ 3,790	\$ 4,245
Interest on Federal funds sold	-	5
Interest on investment securities and deposits in banks	845	436
Dividends on FHLB stock	2	2
	<u>4,637</u>	<u>4,688</u>
Total interest income		
Interest expense:		
Deposits	526	658
FHLB advances	88	87
	<u>614</u>	<u>745</u>
Total interest expense		
Net interest income before provision for loan losses	4,023	3,943
Provision for loan losses	1,450	800
	<u>2,573</u>	<u>3,143</u>
Net interest income after provision for loan losses		
Non-interest income:		
Service charges on deposit accounts	123	117
Office leases	136	138
Net securities gains	702	-
Loan servicing, net	6	7
Other income	103	-
	<u>1,070</u>	<u>262</u>
Total non-interest income		
Non-interest expense:		
Salaries and employee benefits	1,386	1,322
Occupancy and equipment	371	390
Other expenses	843	880
	<u>2,600</u>	<u>2,592</u>
Total non-interest expense		
Income before provision for income taxes	1,043	813
Provision for income taxes	430	336
	<u>613</u>	<u>477</u>
Net income		
Less: preferred dividends	172	138
	<u>441</u>	<u>339</u>
Net income available for common stockholders		
Basic earnings per common share	\$ 0.09	\$ 0.07
Diluted earnings per common share	\$ 0.09	\$ 0.07
Basic weighted average shares of common stock outstanding	4,745	4,745
Diluted weighted average shares of common stock outstanding	4,745	4,794

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

	<u>March 31,</u> <u>2012</u>	<u>December 31,</u> <u>2011</u>
	<u>(Unaudited)</u>	
<b>ASSETS</b>		
Cash and due from banks	\$ 18,771	\$ 8,290
Federal funds sold	-	-
Total cash and cash equivalents	<u>18,771</u>	<u>8,290</u>
Available-for-sale investment securities - amortized cost of \$95,271 in 2012 and \$87,001 in 2011	95,795	88,660
Loans, less allowance for loan losses of \$6,835 in 2012 and \$5,411 in 2011	267,242	269,963
Bank premises and equipment, net	6,596	6,731
Investment in Federal Home Loan Bank stock, at cost	2,085	2,190
Goodwill	4,119	4,119
Other Real Estate Owned	5,125	1,074
Accrued interest receivable and other assets	<u>7,097</u>	<u>6,598</u>
Total assets	<u>\$ 406,830</u>	<u>\$ 387,625</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Deposits:		
Demand - non interest-bearing	\$ 42,551	\$ 31,022
Demand - interest-bearing	26,844	25,743
Savings	20,649	20,201
Money market	56,087	47,455
Time deposits, \$100 thousand and over	128,020	140,680
Other time deposits	<u>50,452</u>	<u>46,957</u>
Total deposits	<u>324,603</u>	<u>312,058</u>
Federal Home Loan Bank (FHLB) advances	21,000	13,750
Accrued interest payable and other liabilities	<u>850</u>	<u>808</u>
Total liabilities	<u>346,453</u>	<u>326,616</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
Common stock, no par value; shares authorized - 30,000,000 shares; issued and outstanding 4,744,720 at March 31, 2012 and December 31, 2011	36,364	36,352
Retained earnings	10,044	10,030
Accumulated other comprehensive income, net of taxes	<u>303</u>	<u>961</u>
Total shareholders' equity	<u>60,377</u>	<u>61,009</u>
Total liabilities and shareholders' equity	<u>\$ 406,830</u>	<u>\$ 387,625</u>

**Earnings Summary**  
**(In Thousands)**

	Three Months Ended	
	March 31, 2012	March 31, 2011
	(Unaudited)	(Unaudited)
<b>Statement of Income Data:</b>		
Net interest income	\$ 4,023	\$ 3,943
Provision for loan losses	1,450	800
Non-interest income	1,070	262
Non-interest expense	2,600	2,592
Provision for income taxes	430	336
Net income	\$ 613	\$ 477
Less: preferred dividends	172	138
Net income available for common stockholders	\$ 441	\$ 339
<b>Selected per Common Share Data:</b>		
Basic earnings per common share	\$ 0.09	\$ 0.07
Diluted earnings per common share	\$ 0.09	\$ 0.07
Book value per common share (2)(3)	\$ 9.84	\$ 9.94
<b>Selected Balance Sheet Data:</b>		
Assets	\$ 406,830	\$ 374,118
Loans, net	267,242	280,284
Deposits	324,603	300,108
Average assets	391,165	357,169
Average earning assets	373,102	343,008
Average shareholders' equity	61,250	55,500
Average common shareholders' equity	47,584	46,761
Nonperforming loans	9,120	13,826
Total nonperforming assets	14,245	14,294
<b>Selected Ratios:</b>		
Return on average assets (1)	0.63%	0.54%
Return on average common equity (1)	3.73%	2.94%
Return on average common tangible equity (1)	4.08%	3.22%
Efficiency ratio (excludes net securities gains)	59.21%	61.64%
Net interest margin (1)	4.34%	4.66%
Tier 1 leverage captial ratio	14.5%	14.5%
Tier 1 risk-based captial ratio	17.7%	17.3%
Total risk-based captial ratio	19.0%	18.6%
Common dividend payout ratio (4)	96.83%	125.96%
Average equity to average assets	15.66%	15.54%
Nonperforming loans to total loans (2)	3.33%	4.82%
Nonperforming assets to total assets (2)	3.50%	3.82%
Allowance for loan losses to total loans (2)	2.49%	2.34%
Allowance for loan losses to nonperforming loans (2)	74.94%	48.63%
(1) Annualized		
(2) As of period end		
(3) Total shareholders' equity, less preferred stock, divided by total common shares outstanding		
(4) Common dividends divided by net income available for common stockholders		