
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 28, 2011

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 28, 2011, the registrant issued the press release attached hereto as Exhibit 99 and incorporated herein by reference regarding the financial results for the quarter ended March 31, 2011 and financial position for March 31, 2011.

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 28, 2011

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 28, 2011 announcing the financial results for the quarter ended March 31, 2011 and financial position for March 31, 2011.

Summit State Bank Reports Continued Profitability; Strong Margins and Deposit Growth

SANTA ROSA, CA – (April 28, 2011) – Summit State Bank (Nasdaq: SSBI) today reported net income for the quarter ended March 31, 2011 of \$412,000 or \$0.06 per common share.

Net Income and Results of Operations

The Bank had net income of \$412,000 and net income available for common stockholders, which deducts the preferred dividends, of \$274,000, or \$0.06 per diluted share, for the quarter ended March 31, 2011 compared to net income of \$540,000 and net income available for common stockholders of \$402,000, or \$0.08 per diluted share, for the quarter ended March 31, 2010.

“Our net income continues to be driven by our expanding relationship base, strong core operations, and focus on efficiencies. Our focus has resulted in continuing strong margins and efficiency ratios in the first quarter,” stated Thomas Duryea, President and CEO.

Net interest income was level at \$3,831,000 for the first quarter of 2011 compared to \$3,880,000 for the same quarter in 2010. A 4.6% increase in average earning assets between the quarters offset the impact of a decline in the net interest margin to 4.53% for the first quarter of 2011 compared to 4.80% in the first quarter of 2010. The net interest margin however increased from 4.45% for the fourth quarter of 2010.

“Our margins continue to remain strong due largely to our key strategies introduced in the past few years”, said CFO, Dennis Kelley.

Occupancy expense remained the same for the quarters; however, other operating expenses increased 17.6% or \$132,000, predominantly due to \$117,000 incurred in relation to repairs and maintenance of the head office building.

The Bank’s efficiency ratio, which expresses operating costs as a percentage of revenues, was 63% for the first quarter of 2011 compared to 55% for the same quarter in 2010. Higher operating expenses also included increased credit collection costs and the addition of two full time employees from March 31, 2010 to 2011.

The provision for loan losses remained elevated at \$800,000 for first quarter 2011 due to the weak economic conditions and addressing former transaction focus, further impacting profit levels, but did decline \$210,000 between the first quarters of 2011 and 2010. Allowance for loan losses increased to \$6,723,000 at March 31, 2011 from \$6,058,000 at December 31, 2010, increasing the coverage of allowance for loan losses to gross loans to 2.34% from 2.11%. Nonperforming assets at March 31, 2011 included \$13,826,000 in loans on non-accrual and \$468,000 in foreclosed real estate. This compares to nonperforming assets of \$11,442,000 at March 31, 2010 and \$13,472,000 at December 31, 2010. “Nonperforming loans consist of ten borrowers and are primarily secured by real estate,” said Guy Dana, Chief Credit Officer.

Total assets increased to \$374,053,000 at March 31, 2011 compared to \$347,933,000 at December 31, 2010.

Total deposits increased 7.2% for the quarter over December 31, 2010 to \$300,108,000, with demand, money market and savings deposits increasing 11.8% to \$113,990,000.

The Bank's regulatory capital remains well above the required capital ratios with a Tier 1 capital leverage ratio of 14.4%, a Tier 1 risk-based capital ratio of 17.3% and a Total risk-based capital ratio of 18.6% at March 31, 2011.

About Summit State Bank

"Summit State Bank has total assets of \$374 million and total equity of \$55 million at March 31, 2011. 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 Premier Performing Bank, earning the highest Findley Reports designation of all Sonoma County-based banks. Summit State Bank received the Gold Medal award for Best Business Bank from the Northbay Biz Magazine and has also been recognized 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	
	March 31, 2011	March 31, 2010
	(Unaudited)	(Unaudited)
Interest income:		
Interest and fees on loans	\$ 4,133	\$ 4,473
Interest on Federal funds sold	5	2
Interest on investment securities and deposits in banks	436	359
Dividends on FHLB stock	2	2
Total interest income	4,576	4,836
Interest expense:		
Deposits	658	820
FHLB advances	87	136
Total interest expense	745	956
Net interest income before provision for loan losses	3,831	3,880
Provision for loan losses	800	1,010
Net interest income after provision for loan losses	3,031	2,870
Non-interest income:		
Service charges on deposit accounts	117	93
Office leases	138	126
Net securities gains	-	150
Loan servicing, net	7	12
Other income	-	46
Total non-interest income	262	427
Non-interest expense:		
Salaries and employee benefits	1,322	1,242
Occupancy and equipment	390	389
Other expenses	880	748
Total non-interest expense	2,592	2,379
Income before provision for income taxes	701	918
Provision for income taxes	289	378
Net income	\$ 412	\$ 540
Less: preferred dividends	138	138
Net income available for common stockholders	\$ 274	\$ 402
Basic earnings per common share	\$ 0.06	\$ 0.08
Diluted earnings per common share	\$ 0.06	\$ 0.08
Basic weighted average shares of common stock outstanding	4,745	4,745
Diluted weighted average shares of common stock outstanding	4,794	4,762

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

	March 31, 2011 (Unaudited)	December 31, 2010
ASSETS		
Cash and due from banks	\$ 9,486	\$ 4,542
Federal funds sold	-	7,940
Total cash and cash equivalents	9,486	12,482
Available-for-sale investment securities - amortized cost of \$60,841 in 2011 and \$33,472 in 2010	61,084	33,642
Loans, less allowance for loan losses of \$6,723 in 2011 and \$6,058 in 2010	280,284	280,398
Bank premises and equipment, net	7,185	7,304
Investment in Federal Home Loan Bank stock, at cost	2,510	2,614
Goodwill	4,119	4,119
Accrued interest receivable and other assets	9,385	7,374
Total assets	\$ 374,053	\$ 347,933
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Demand - non interest-bearing	\$ 31,077	\$ 23,594
Demand - interest-bearing	24,122	24,421
Savings	20,344	15,849
Money market	38,447	38,063
Time deposits, \$100 thousand and over	129,898	113,187
Other time deposits	56,220	64,863
Total deposits	300,108	279,977
Federal Home Loan Bank (FHLB) advances	17,100	12,000
Accrued interest payable and other liabilities	1,605	647
Total liabilities	318,813	292,624
Shareholders' equity		
Preferred stock, no par value; 20,000,000 shares authorized; shares issued and outstanding - 8,500 in 2011 and 2010; per share redemption of \$1,000 for total liquidation preference of \$8,500	8,149	8,117
Common stock, no par value; shares authorized - 30,000,000 shares; issued and outstanding 4,744,720 at March 31, 2011 and December 31, 2010	36,322	36,311
Common stock warrant	622	622
Retained earnings	10,007	10,161
Accumulated other comprehensive income, net of taxes	140	98
Total shareholders' equity	55,240	55,309
Total liabilities and shareholders' equity	\$ 374,053	\$ 347,933

Earnings Summary
(In Thousands)

	Three Months Ended	
	March 31, 2011	March 31, 2010
	(Unaudited)	(Unaudited)
Statement of Income Data:		
Net interest income	\$ 3,831	\$ 3,880
Provision for loan losses	800	1,010
Non-interest income	262	427
Non-interest expense	2,592	2,379
Provision for income taxes	289	378
Net income	\$ 412	\$ 540
Less: preferred dividends	138	138
Net income available for common stockholders	\$ 274	\$ 402
 Selected per Common Share Data:		
Basic earnings per common share	\$ 0.06	\$ 0.08
Diluted earnings per common share	\$ 0.06	\$ 0.08
Book value per common share (2)(3)	\$ 9.92	\$ 10.04
 Selected Balance Sheet Data:		
Assets	\$ 374,053	\$ 350,148
Loans, net	280,284	284,890
Deposits	300,108	274,894
Average assets	357,169	344,689
Average earnings assets	343,008	327,788
Average shareholders' equity	55,500	55,864
Average common shareholders' equity	46,761	47,252
Nonperforming loans	13,826	11,442
Total nonperforming assets	14,294	11,537
 Selected Ratios:		
Return on average assets (1)	0.47%	0.64%
Return on average common equity (1)	2.38%	3.45%
Return on average common tangible equity (1)	2.61%	3.78%
Efficiency ratio	63.33%	55.24%
Net interest margin (1)	4.53%	4.80%
Tier 1 leverage capital ratio	14.4%	15.08%
Tier 1 risk-based capital ratio	17.3%	18.29%
Total risk-based capital ratio	18.6%	19.53%
Common dividend payout ratio (4)	155.84%	106.22%
Average equity to average assets	15.54%	16.21%
Nonperforming loans to total loans (2)	4.82%	3.94%
Nonperforming assets to total assets (2)	3.82%	3.29%
Allowance for loan losses to total loans (2)	2.34%	1.87%
Allowance for loan losses to nonperforming loans (2)	48.63%	47.39%

(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