
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, 2015

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, 2015, 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, 2015

Common stock cash dividend of \$0.12 per share declared on April 27, 2015, payable on May 26, 2015 to shareholders of record on May 18, 2015.

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, 2015

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, 2015 announcing declaration of dividend and results of operation for the three months ended March 31, 2015.

Summit State Bank Reports 42% Increase in Profitability and Declaration of Dividend

SANTA ROSA, CA – (April 28, 2015) – Summit State Bank (Nasdaq: SSBI) today reported net income for the quarter ended March 31, 2015 of \$1,722,000, a 42% increase over the quarter ended March 31, 2014. A quarterly dividend of \$0.12 per share was declared for common shareholders.

Dividend

The Board of Directors declared a \$0.12 quarterly dividend to be paid on May 26, 2015 to shareholders of record on May 18, 2015.

Net Income and Results of Operations

The Bank had net income of \$1,722,000 and net income available for common stockholders of \$1,688,000, or \$0.35 per diluted share, for the quarter ended March 31, 2015 compared to net income of \$1,210,000 and net income available for common stockholders of \$1,176,000, or \$0.24 per diluted share, for the quarter ended March 31, 2014.

Net income for the first quarter of 2015 benefited from an after tax gain of \$662,000 on the successful sale of foreclosed property. Without the gain on sale of foreclosed properties in the first quarters of 2015 and 2014, net income declined \$107,000. This decline was attributable to a lower net interest margin and increased operating expenses related to increased lending staff commensurate with increased loan demand, partially offset by increased non-interest income.

Net interest income declined 2.7% or \$115,000 for the first quarter of 2015 compared to the same quarter in 2014. The net interest margin was 3.75% for the first quarter of 2015 compared to 3.92% in the first quarter of 2014.

The cost of funds continued to have a favorable decline, as the Bank successfully increased the amount of funding from non-interest bearing and interest bearing demand deposit accounts (DDA), which provide the lowest cost of funds. Average demand deposits increased 17% or \$19 million between the quarters. DDA now totals \$139 million or 38% of total deposits for the first quarter 2015 compared to \$119 million or 33% in the first quarter of 2014. Since the 2007 year end, cost of funds has dropped from the 81st percentile to the 15th percentile per the latest Uniform Bank Performance Report dated December 31, 2014.

“Building our core customer relationship based demand deposit accounts has been a key strategy for our community Bank,” said Thomas Duryea, President and CEO. “We are experiencing a growing pipeline of new loan prospects and we are working towards further increasing the volume of earning assets after booking over \$10 million near the quarter end.”

Non-interest income increased 7% without the gain on sale of foreclosed properties in the first quarter of 2015 compared to the first quarter of 2014. The increase was primarily attributed to higher service charge income on deposit accounts due to the increased demand deposits.

Operating expenses or non-interest expense, increased 3.6% between the first quarters, which was attributable to higher employee benefit costs and implementation of strategic initiatives. The number of full time equivalent employees remained at 61 for the two quarter ends. The Bank's efficiency ratio, which expresses operating costs as a percentage of revenues, was 49% for the first quarter of 2015 compared to 56% for the same quarter in 2014. Without the gain on sale of the foreclosed property, the efficiency ratio would have been 60.5% for the first quarter of 2015.

Total assets increased 3% to \$474,375,000 at March 31, 2015 compared to \$460,133,000 at March 31, 2014. The asset growth was funded by a \$25,291,000 increase in demand, savings and money market deposits between March 31, 2015 and 2014. The mix of deposits changed between the quarters in favor of demand, savings and money market deposits, which now comprises 62% of total deposits at March 31, 2015 compared to 57% at March 31, 2014, with the majority of the growth in lowest cost relationship based demand deposits.

Return on average assets and average common equity for the quarter ended March 31, 2015 was 1.51% and 12.6% compared to 1.07% and 9.7% for the first quarter of 2014.

Gross loans were \$297,547,000 at March 31, 2015 compared to \$293,054,000 at March 31, 2014.

“Loan production and the loan pipeline have grown considerably in the first quarter. This is a result of both the strong efforts of our community banking team and the steady and continuing improvement of the Sonoma County economy,” said Brandy Lee Seppi, Chief Credit Officer.

The Bank recorded no provision for loan losses for the first quarters of 2015 and 2014. The coverage of allowance for loan losses to gross loans was 1.77% at March 31, 2015 compared to 1.85% at March 31, 2014.

Nonperforming assets declined to \$1,631,000 from \$9,445,000 at March 31, 2015 compared to March 31, 2014. This represents a decline in the ratio of nonperforming assets to total assets to 0.34% compared to 2.05%.

About Summit State Bank

Summit State Bank, a community bank, has total assets of \$474 million and total equity of \$70 million at March 31, 2015. Headquartered in Sonoma County, the Bank specializes in providing exceptional services and solutions to aid in the success of local businesses and nonprofits throughout Sonoma, Napa, San Francisco, and Marin Counties. Summit State Bank was again named to the Top 75 Corporate Philanthropists list by the San Francisco Business Times and received the Top Corporate Philanthropy

Award by North Bay Business Journal. Summit has also been consistently recognized as a high performing bank by Findley Reports, received the 2013 Rising Star Award from the California Independent Bankers, the 2012 Community Bank Award from the American Bankers Association for its nonprofit work, and has 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 earnings per share data)

	Three Months Ended	
	March 31, 2015 (Unaudited)	March 31, 2014 (Unaudited)
Interest income:		
Interest and fees on loans	\$ 3,373	\$ 3,549
Interest on federal funds sold	1	1
Interest on investment securities and deposits in banks	956	936
Dividends on FHLB stock	48	43
Total interest income	4,378	4,529
Interest expense:		
Deposits	179	222
FHLB advances	44	37
Total interest expense	223	259
Net interest income before provision for loan losses	4,155	4,270
Provision for loan losses	-	-
Net interest income after provision for loan losses	4,155	4,270
Non-interest income:		
Service charges on deposit accounts	157	134
Rental income	133	132
Net securities gain	-	-
Net gain on other real estate owned	1,125	73
Loan servicing, net	2	3
Other income	126	120
Total non-interest income	1,543	462
Non-interest expense:		
Salaries and employee benefits	1,412	1,368
Occupancy and equipment	309	292
Other expenses	1,047	1,013
Total non-interest expense	2,768	2,673
Income before provision for income taxes	2,930	2,059
Provision for income taxes	1,208	849
Net income	\$ 1,722	\$ 1,210
Less: preferred dividends	34	34
Net income available for common stockholders	\$ 1,688	\$ 1,176
Basic earnings per common share	\$ 0.35	\$ 0.25
Diluted earnings per common share	\$ 0.35	\$ 0.24
Basic weighted average shares of common stock outstanding	4,782	4,778
Diluted weighted average shares of common stock outstanding	4,838	4,821

**SUMMIT STATE BANK AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS**

(In thousands except share and per share data)

	<u>March 31, 2015</u> (Unaudited)	<u>December 31, 2014</u>	<u>March 31, 2014</u> (Unaudited)
ASSETS			
Cash and due from banks	\$ 22,421	\$ 21,313	\$ 18,193
Federal funds sold	2,000	2,000	1,631
Total cash and cash equivalents	<u>24,421</u>	<u>23,313</u>	<u>19,824</u>
Time deposits with banks	1,240	1,240	1,985
Investment securities:			
Held-to-maturity, at amortized cost	6,981	9,977	15,558
Available-for-sale (at fair market value; amortized cost of \$130,875, \$123,503 and \$114,722)	133,483	124,723	113,016
Total investment securities	<u>140,464</u>	<u>134,700</u>	<u>128,574</u>
Loans, less allowance for loan losses of \$5,270, \$5,143 and \$5,432	292,277	279,798	287,622
Bank premises and equipment, net	5,744	5,803	5,790
Investment in Federal Home Loan Bank stock, at cost	2,701	2,701	2,578
Goodwill	4,119	4,119	4,119
Other Real Estate Owned	-	4,051	4,051
Accrued interest receivable and other assets	3,409	3,950	5,590
Total assets	<u>\$ 474,375</u>	<u>\$ 459,675</u>	<u>\$ 460,133</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits:			
Demand - non interest-bearing	\$ 72,987	\$ 73,707	\$ 70,752
Demand - interest-bearing	65,529	55,377	48,693
Savings	26,705	25,587	26,086
Money market	62,908	58,819	57,307
Time deposits that meet or exceed the FDIC insurance limit	54,160	53,563	54,125
Other time deposits	83,923	88,206	101,451
Total deposits	<u>366,212</u>	<u>355,259</u>	<u>358,414</u>
Federal Home Loan Bank (FHLB) advances	37,000	35,000	37,400
Accrued interest payable and other liabilities	1,627	1,836	1,062
Total liabilities	<u>404,839</u>	<u>392,095</u>	<u>396,876</u>
Shareholders' equity			
Preferred stock, no par value; 20,000,000 shares authorized; shares issued and outstanding - 13,750 Series B in 2015 and 2014; 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 4,782,770, 4,778,370 and 4,777,670	36,683	36,646	36,615
Retained earnings	17,674	16,560	13,966
Accumulated other comprehensive income (loss)	1,513	708	(990)
Total shareholders' equity	<u>69,536</u>	<u>67,580</u>	<u>63,257</u>
Total liabilities and shareholders' equity	<u>\$ 474,375</u>	<u>\$ 459,675</u>	<u>\$ 460,133</u>

Financial Summary
(In Thousands)

	Three Months Ended	
	March 31, 2015	March 31, 2014
	(Unaudited)	(Unaudited)
Statement of Income Data:		
Net interest income	\$ 4,155	\$ 4,270
Provision for loan losses	-	-
Non-interest income	1,543	462
Non-interest expense	2,768	2,673
Provision for income taxes	1,208	849
Net income	\$ 1,722	\$ 1,210
Less: preferred dividends	34	34
Net income available for common stockholders	\$ 1,688	\$ 1,176
 Selected per Common Share Data:		
Basic earnings per common share	\$ 0.35	\$ 0.25
Diluted earnings per common share	\$ 0.35	\$ 0.24
Dividend per share	\$ 0.12	\$ 0.11
Book value per common share (2)(3)	\$ 11.68	\$ 10.38
 Selected Balance Sheet Data:		
Assets	\$ 474,375	\$ 460,133
Loans, net	292,277	287,622
Deposits	366,212	358,414
Average assets	463,475	457,628
Average earning assets	449,989	441,671
Average shareholders' equity	67,890	62,679
Average common shareholders' equity	54,224	49,014
Nonperforming loans	1,631	5,394
Other real estate owned	-	4,051
Total nonperforming assets	1,631	9,445
Troubled debt restructures (accruing)	3,562	4,395
 Selected Ratios:		
Return on average assets (1)	1.51%	1.07%
Return on average common equity (1)	12.62%	9.73%
Efficiency ratio (4)	48.58%	56.49%
Net interest margin (1)	3.75%	3.92%
Common equity tier 1 capital ratio	14.3%	-
Tier 1 capital ratio	18.2%	17.2%
Total capital ratio	19.4%	18.5%
Tier 1 leverage ratio	13.9%	13.3%
Common dividend payout ratio (5)	34.00%	44.73%
Average equity to average assets	14.65%	13.70%
Nonperforming loans to total loans (2)	0.55%	1.84%
Nonperforming assets to total assets (2)	0.34%	2.05%
Allowance for loan losses to total loans (2)	1.77%	1.85%
Allowance for loan losses to nonperforming loans (2)	323.16%	100.72%

(1) Annualized

(2) As of period end

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

(4) Non-interest expenses to net interest and non-interest income, net of securities gains.

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