
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): July 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 July 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 and six months ended June 30, 2015

Common stock cash dividend of \$0.12 per share declared on July 27, 2015, payable on August 25, 2015 to shareholders of record on August 17, 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: July 28, 2015

SUMMIT STATE BANK

By: Dennis 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 July 28, 2015 announcing declaration of dividend and results of operation for the three and six months ended June 30, 2015.

Summit State Bank Reports 36% Increase in Profitability and Declaration of Dividend

SANTA ROSA, CA – (July 28, 2015) – Summit State Bank (Nasdaq: SSBI) today reported net income for the quarter ended June 30, 2015 of \$1,746,000, a 36% increase over the quarter ended June 30, 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 August 25, 2015 to common shareholders of record on August 17, 2015.

Net Income and Results of Operations

The Bank had net income of \$1,746,000 and net income available for common stockholders of \$1,712,000, or \$0.35 per diluted common share, for the quarter ended June 30, 2015 compared to net income of \$1,281,000 and net income available for common stockholders of \$1,247,000, or \$0.26 per diluted common share, for the quarter ended June 30, 2014. For the six months ended June 30, 2015 and 2014, net income available for common stockholders and diluted earnings per common share were \$3,399,000 or \$0.70 and \$2,422,000 or \$0.50.

Net income for the second quarter periods benefited from the reversal of the allowance for loan losses of \$800,000 in 2015 and \$400,000 in 2014. Without these benefits pre-tax operating income increased 22% between the quarters. Additionally, the six month periods benefitted from gain on sale of foreclosed properties of \$1,125,000 and \$73,000 during the first quarter periods. Without the allowance for loan loss reversals and gain on foreclosed properties, the six month periods pre-tax operating income increased 5.6%.

“Our earnings continue to be driven by our community banking team’s strong efforts in attracting like-minded quality local small businesses, their owners, individuals, and non-profits to our *Summit Way* brand of community banking as loan activity has picked up nicely in the first half of 2015 ,” said Tom Duryea, President and CEO.

Return on average assets for the quarter and first six months of 2015 were 1.47% and 1.49% compared to 1.12% and 1.10% for the same periods in 2014. Return on average common equity for the six months ended June 30, 2015 was 12.5% compared to 9.8% in the first six months of 2014. Excluding the impact of the \$800,000 reversal of the allowance for loan losses in the second quarter of 2015, the return on average assets would have been 1.07% in the second quarter of 2015.

The net interest margin was stable at 3.73% in the second quarter of 2015 compared to 3.76% in the second quarter of 2014. The six month periods had a decline to 3.74% in 2015 compared to 3.84% in 2014. Net interest income increased 4.8% between the two second quarters and increased 1% between the six month periods. Total loans increased

8.2% at June 30, 2015 compared to March 31, 2015 and increased 13% from December 31, 2014.

“We have been experiencing a strong increase in local commercial loan activity driven by our community banking team’s growing reputation for delivering top customer service to our ever increasing portfolio of quality business relationships that continue to strengthen our local Sonoma County community.” said Brandy Seppi, Senior Vice President and Chief Credit Officer.

Non-interest operating expenses declined between the second quarter comparisons and the six month comparisons. The declines in operating expenses were largely loan related and only partially offset with an increase in occupancy expense.

The efficiency ratio for the second quarters of 2015 and 2014 were 54.5% and 61.0%. For the six month periods the ratios were 51.3% and 58.7% in 2015 compared to 2014.

Total assets increased 6% to \$492,283,000 at June 30, 2015 compared to \$463,470,000 at June 30, 2014, primarily driven by loan growth.

Deposit totals remained the same, but the mix of deposit types continued to improve with a 12% increase in demand, savings and money market deposits between June 30, 2015 and 2014 with demand deposits representing 66% of this growth. Demand, savings and money market deposits now constitute 62% of total deposits at June 30, 2015 compared to 55% at June 30, 2014.

Nonperforming assets declined to \$1,440,000 for June 30, 2015 compared to \$8,529,000 for June 30, 2014. This represents a decline in the ratio of nonperforming assets to total assets to 0.29% compared to 1.84%. The Bank reversed \$800,000 of the allowance for loan losses in the second quarter of 2015 as there is continued improvement in nonperforming assets. The coverage of allowance for loan losses to gross loans was 1.39% at June 30, 2015 compared to 1.69% at June 30, 2014.

Summit State Bank continues to concentrate on its location in the heart of Sonoma Wine Country, which has provided a diverse economic base for its banking activities. Our strategic plan has focused on supporting the net interest margin by lowering the Bank’s cost of funds by increasing the funding by core or transactional deposit accounts. The increased earning asset base has offset the decline in net interest margin that is being experienced in the industry. Continued focus on controlling expenses has resulted in period over period favorable comparisons and is aided with the ability to offer bank customers functional mobile and internet banking access.

“Summit has been able to efficiently manage costs while increasing our assets despite the competition in the banking community and the challenges of an improving local economy. We continue to attract commercial customer relationships based on our responsive and relationship focused *Summit Way* service culture,” said Linda Bertauche, Senior Vice President, Chief Operating Officer.

About Summit State Bank

Summit State Bank has total assets of \$492 million and total equity of \$69 million at June 30, 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)

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>June 30, 2015</u> (Unaudited)	<u>June 30, 2014</u> (Unaudited)	<u>June 30, 2015</u> (Unaudited)	<u>June 30, 2014</u> (Unaudited)
Interest income:				
Interest and fees on loans	\$ 3,474	\$ 3,454	\$ 6,848	\$ 7,002
Interest on federal funds sold	1	1	\$ 1	1
Interest on investment securities and deposits in banks	944	914	1,901	1,851
Dividends on FHLB stock	151	43	199	87
Total interest income	<u>4,570</u>	<u>4,412</u>	<u>8,949</u>	<u>8,941</u>
Interest expense:				
Deposits	174	218	353	440
FHLB advances	45	44	89	81
Total interest expense	<u>219</u>	<u>262</u>	<u>442</u>	<u>521</u>
Net interest income before provision for loan losses	4,351	4,150	8,507	8,420
Provision for loan losses	(800)	(400)	(800)	(400)
Net interest income after provision for loan losses	<u>5,151</u>	<u>4,550</u>	<u>9,307</u>	<u>8,820</u>
Non-interest income:				
Service charges on deposit accounts	181	152	337	286
Rental income	133	130	266	262
Net securities gain	52	13	52	13
Net gain on other real estate owned	-	-	1,125	73
Loan servicing, net	2	3	4	7
Other income	(8)	95	118	214
Total non-interest income	<u>360</u>	<u>393</u>	<u>1,902</u>	<u>855</u>
Non-interest expense:				
Salaries and employee benefits	1,304	1,372	2,717	2,740
Occupancy and equipment	341	321	650	613
Other expenses	896	1,072	1,942	2,085
Total non-interest expense	<u>2,541</u>	<u>2,765</u>	<u>5,309</u>	<u>5,438</u>
Income before provision for income taxes	2,970	2,178	5,900	4,237
Provision for income taxes	1,224	897	2,432	1,746
Net income	<u>\$ 1,746</u>	<u>\$ 1,281</u>	<u>\$ 3,468</u>	<u>\$ 2,491</u>
Less: preferred dividends	34	34	69	69
Net income available for common stockholders	<u>\$ 1,712</u>	<u>\$ 1,247</u>	<u>\$ 3,399</u>	<u>\$ 2,422</u>
Basic earnings per common share	\$ 0.36	\$ 0.26	\$ 0.71	\$ 0.51
Diluted earnings per common share	\$ 0.35	\$ 0.26	\$ 0.70	\$ 0.50
Basic weighted average shares of common stock outstanding	4,783	4,778	4,782	4,778
Diluted weighted average shares of common stock outstanding	4,839	4,824	4,838	4,822

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

	June 30, 2015	December 31, 2014	June 30, 2014
	(Unaudited)		(Unaudited)
ASSETS			
Cash and due from banks	\$ 21,341	\$ 21,313	\$ 18,225
Federal funds sold	2,000	2,000	1,893
Total cash and cash equivalents	23,341	23,313	20,118
Time deposits with banks	744	1,240	1,240
Investment securities:			
Held-to-maturity, at amortized cost	5,986	9,977	15,558
Available-for-sale (at fair market value; amortized cost of \$127,492, \$123,503 and \$116,082)	127,631	124,723	116,094
Total investment securities	133,617	134,700	131,652
Loans, less allowance for loan losses of \$4,477, \$5,143 and \$4,966	317,387	279,798	288,857
Bank premises and equipment, net	5,667	5,803	5,877
Investment in Federal Home Loan Bank stock, at cost	2,701	2,701	2,701
Goodwill	4,119	4,119	4,119
Other Real Estate Owned	-	4,051	4,051
Accrued interest receivable and other assets	4,707	3,950	4,855
Total assets	\$ 492,283	\$ 459,675	\$ 463,470
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits:			
Demand - non interest-bearing	\$ 85,929	\$ 73,707	\$ 70,609
Demand - interest-bearing	47,608	55,377	47,272
Savings	27,385	25,587	25,232
Money market	61,924	58,819	56,103
Time deposits that meet or exceed the FDIC insurance limit	53,628	53,563	54,131
Other time deposits	82,931	88,206	105,923
Total deposits	359,405	355,259	359,270
Federal Home Loan Bank (FHLB) advances	61,700	35,000	38,200
Accrued interest payable and other liabilities	1,929	1,836	1,009
Total liabilities	423,034	392,095	398,479
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 4,783,170, 4,778,370 and 4,778,370	36,691	36,646	36,631
Retained earnings	18,812	16,560	14,687
Accumulated other comprehensive income (loss)	80	708	7
Total shareholders' equity	69,249	67,580	64,991
Total liabilities and shareholders' equity	\$ 492,283	\$ 459,675	\$ 463,470

Financial Summary
(In Thousands)

	Three Months Ended		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Statement of Income Data:				
Net interest income	\$ 4,351	\$ 4,150	\$ 8,507	\$ 8,420
Provision for loan losses	(800)	(400)	(800)	(400)
Non-interest income	360	393	1,902	855
Non-interest expense	2,541	2,765	5,309	5,438
Provision for income taxes	1,224	897	2,432	1,746
Net income	<u>\$ 1,746</u>	<u>\$ 1,281</u>	<u>\$ 3,468</u>	<u>\$ 2,491</u>
Less: preferred dividends	34	34	69	69
Net income available for common stockholders	<u>\$ 1,712</u>	<u>\$ 1,247</u>	<u>\$ 3,399</u>	<u>\$ 2,422</u>
Selected per Common Share Data:				
Basic earnings per common share	\$ 0.36	\$ 0.26	\$ 0.71	\$ 0.51
Diluted earnings per common share	\$ 0.35	\$ 0.26	\$ 0.70	\$ 0.50
Dividend per share	\$ 0.12	\$ 0.11	\$ 0.24	\$ 0.22
Book value per common share (2)(3)	\$ 11.62	\$ 10.74	\$ 11.62	\$ 10.74
Selected Balance Sheet Data:				
Assets	\$ 492,283	\$ 463,470	\$ 492,283	\$ 463,470
Loans, net	317,387	288,857	317,387	288,857
Deposits	359,405	359,270	359,405	359,270
Average assets	477,990	457,740	470,772	457,684
Average earning assets	468,025	443,282	459,056	442,481
Average shareholders' equity	69,574	64,245	68,737	63,467
Average common shareholders' equity	55,908	50,579	55,071	49,801
Nonperforming loans	1,440	4,478	1,440	4,478
Other real estate owned	-	4,051	-	4,051
Total nonperforming assets	1,440	8,529	1,440	8,529
Troubled debt restructures (accruing)	3,638	4,099	3,638	4,099
Selected Ratios:				
Return on average assets (1)	1.47%	1.12%	1.49%	1.10%
Return on average common equity (1)	12.28%	9.89%	12.45%	9.81%
Efficiency ratio (4)	54.54%	61.04%	51.26%	58.71%
Net interest margin (1)	3.73%	3.76%	3.74%	3.84%
Common equity tier 1 capital ratio	13.9%	-	13.9%	-
Tier 1 capital ratio	17.6%	17.4%	17.6%	13.4%
Total capital ratio	18.8%	18.7%	18.8%	17.4%
Tier 1 leverage ratio	13.7%	13.4%	13.7%	18.7%
Common dividend payout ratio (5)	33.53%	42.18%	33.77%	43.39%
Average equity to average assets	14.56%	14.04%	14.60%	13.87%
Nonperforming loans to total loans (2)	0.45%	1.52%	0.45%	1.52%
Nonperforming assets to total assets (2)	0.29%	1.84%	0.29%	1.84%
Allowance for loan losses to total loans (2)	1.39%	1.69%	1.39%	1.69%
Allowance for loan losses to nonperforming loans (2)	310.82%	110.90%	310.82%	110.90%

(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