
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 22, 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 October 22, 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 nine months ended September 30, 2015

Common stock cash dividend of \$0.12 per share declared on October 21, 2015, payable on November 25, 2015 to shareholders of record on November 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: October 22, 2015

SUMMIT STATE BANK

By: Dennis Kelley
Dennis Kelley
*Executive 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 22, 2015 announcing declaration of dividend and results of operation for the three and nine months ended September 30, 2015.

Summit State Bank Reports 8% Increase in Profitability and Declaration of Dividend

SANTA ROSA, CA – (October 22, 2015) – Summit State Bank (Nasdaq: SSBI) today reported net income for the quarter ended September 30, 2015 of \$1,280,000, an 8% increase over the quarter ended September 30, 2014. A quarterly dividend of \$0.12 per share was declared for common shareholders.

Dividend

The Board of Directors declared a \$0.12 per share quarterly dividend to be paid on November 25, 2015 to shareholders of record on November 17, 2015.

Net Income and Results of Operations

The Bank had net income of \$1,280,000 and net income available for common stockholders of \$1,257,000, or \$0.26 per diluted share, for the third quarter ended September 30, 2015, compared to net income of \$1,183,000 and net income available for common stockholders of \$1,149,000, or \$0.24 per diluted share, for the quarter ended September 30, 2014.

Net income available for common stockholders and diluted earnings per common share for the nine months ended September 30, 2015 and 2014 were \$4,654,000 or \$0.96 and \$3,572,000 or \$0.74. The nine month periods benefitted from gains on sales of foreclosed properties of \$1,125,000 in 2015 and \$73,000 in 2014 during the first quarters ended March 31. Additionally, in the second quarters ended June 30, there were reversals from the allowance for loan loss of \$800,000 in 2015 and \$400,000 in 2014. Excluding these items, pretax net income for the nine months ended September 30, 2015 increased 6.4% from September 30, 2014.

Return on average assets for the quarter and first nine months of 2015 were 1.03% and 1.32% compared to 1.01% and 1.07% for the same periods in 2014.

Return on average common equity for the quarter and nine months ended September 30, 2015 was 8.8% and 11.2% compared to 8.8% and 9.5% for the same periods in 2014.

“The Bank continues to record strong operating performance as a result of our strong community banking team’s ability to attract and expand full banking relationships by providing the best customer service experience and customized financial solutions through *The Summit Way* brand of community banking,” said Thomas Duryea, President and CEO.

Total assets were \$505,564,000 at September 30, 2015 compared to \$463,376,000 at September 30, 2014, representing an annual increase of 9.1%.

The increase in assets was predominantly from a 15% increase in loans.

“We are pleased with exceeding the \$500 million asset mark at the end of the third quarter with a strong loan pipeline as a result of our team’s deep connections in our local Sonoma County community,” said Brandy Seppi, Chief Credit Officer and Executive Vice President.

The asset growth was funded primarily by a \$25,322,000 or 12% increase in demand, savings and money market deposits between the quarter ended September 30, 2015 compared to quarter ended September 30, 2014. Demand deposits currently represent 36% of total deposits.

“We have achieved strong loan growth and are concentrating on continuing to increase our funding of loans through core deposit relationships which drive franchise and shareholder value, and provide the proper foundation to continue to support our community’s small businesses and nonprofits in the future,” said Linda Bertauche, Chief Operating Officer and Executive Vice President”

Nonperforming assets declined to \$1,395,000 from \$7,385,000 at September 30, 2015 compared to September 30, 2014. This represents a decline in the ratio of nonperforming assets to total assets to 0.28% compared to 1.59%.

The coverage of allowance for loan losses to gross loans was 1.39% at September 30, 2015 compared to 1.71% at September 30, 2014, as a result of the reversal of \$1,800,000 in the allowance for loss provisions between the dates and the 15% increase in loan volumes.

Net interest income increased 4% and 2% for the 2015 three and nine month periods as loan volumes increased 15% between September 30, 2015 and 2014. The net interest margin was 3.69% compared to 3.81% between the third quarters of 2015 and 2014 and the nine month periods of 3.72% compared to 3.83% in 2014.

Non-interest operating expenses declined in the third quarter of 2015 compared to the same quarter of 2014 by 5% primarily attributable to lower loan collection expenses.

The efficiency ratios for the third quarters of 2015 and 2014 were 56.1% and 59.4%. For the nine month periods the ratios were 52.8% and 58.9% in 2015 compared to 2014.

Summit State Bank retired all the preferred stock issued by the Small Business Lending Fund in the amount of \$13,750,000 in the third quarter ended September 30, 2015. Regulatory capital ratios continue to be in excess of the well capitalized ratios as defined by the FDIC.

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. Strategic plans have focused on supporting the net interest margin by lowering the Bank’s cost of funds through increased funding of core or relationship-based deposit accounts. The net interest income generated by the increased earning asset base has offset the decline in net interest margin that is being experienced in the industry. Continued focus on gaining greater operating efficiencies has resulted in period over period favorable financial comparisons and is aided by the ability to offer Bank customers industry leading mobile and internet banking access.

About Summit State Bank

Summit State Bank, a local community bank, has total assets of \$506 million and total equity of \$57 million at September 30, 2015. Headquartered in Sonoma County, the Bank specializes in providing exceptional customer service and customized financial solutions to aid in the success of local small businesses and nonprofits throughout Sonoma, Napa, San Francisco, and Marin Counties.

Summit State Bank's workforce resembles the diverse community it serves. Presently, 80% of management are women and minorities with 50% represented on the Executive Management Team. Through the inclusion and engagement of its workforce, Summit State Bank has earned many prestigious awards including: Top 75 Corporate Philanthropists in the Bay Area by the San Francisco Business Times; Super Performing Bank by Findley Reports; Best Places to Work by the North Bay Business Journal; and Best Company to do Business with in Sonoma County by the Northbay Biz magazine.

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>Nine Months Ended</u>	
	<u>September 30, 2015</u> (Unaudited)	<u>September 30, 2014</u> (Unaudited)	<u>September 30, 2015</u> (Unaudited)	<u>September 30, 2014</u> (Unaudited)
Interest income:				
Interest and fees on loans	\$ 3,766	\$ 3,612	\$ 10,615	\$ 10,614
Interest on federal funds sold	1	1	2	2
Interest on investment securities and deposits in banks	917	926	2,816	2,778
Dividends on FHLB stock	67	49	267	135
Total interest income	<u>4,751</u>	<u>4,588</u>	<u>13,700</u>	<u>13,529</u>
Interest expense:				
Deposits	192	215	545	655
FHLB advances	50	43	139	124
Total interest expense	<u>242</u>	<u>258</u>	<u>684</u>	<u>779</u>
Net interest income before provision for loan losses	4,509	4,330	13,016	12,750
Provision for loan losses	-	-	(800)	(400)
Net interest income after provision for loan losses	<u>4,509</u>	<u>4,330</u>	<u>13,816</u>	<u>13,150</u>
Non-interest income:				
Service charges on deposit accounts	188	159	525	445
Rental income	133	130	399	392
Net securities gain	55	60	108	73
Net gain on other real estate owned	-	-	1,125	73
Loan servicing, net	2	3	6	9
Other income	1	188	119	403
Total non-interest income	<u>379</u>	<u>540</u>	<u>2,282</u>	<u>1,395</u>
Non-interest expense:				
Salaries and employee benefits	1,499	1,412	4,217	4,152
Occupancy and equipment	327	383	976	996
Other expenses	886	1,060	2,831	3,144
Total non-interest expense	<u>2,712</u>	<u>2,855</u>	<u>8,024</u>	<u>8,292</u>
Income before provision for income taxes	2,176	2,015	8,074	6,253
Provision for income taxes	896	832	3,328	2,578
Net income	<u>\$ 1,280</u>	<u>\$ 1,183</u>	<u>\$ 4,746</u>	<u>\$ 3,675</u>
Less: preferred dividends	23	34	92	103
Net income available for common stockholders	<u>\$ 1,257</u>	<u>\$ 1,149</u>	<u>\$ 4,654</u>	<u>\$ 3,572</u>
Basic earnings per common share	\$ 0.26	\$ 0.24	\$ 0.97	\$ 0.75
Diluted earnings per common share	\$ 0.26	\$ 0.24	\$ 0.96	\$ 0.74
Basic weighted average shares of common stock outstanding	4,783	4,778	4,783	4,778
Diluted weighted average shares of common stock outstanding	4,838	4,834	4,838	4,827

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

	<u>September 30, 2015</u> (Unaudited)	<u>December 31, 2014</u>	<u>September 30, 2014</u> (Unaudited)
ASSETS			
Cash and due from banks	\$ 24,286	\$ 21,313	\$ 20,004
Federal funds sold	2,000	2,000	1,900
Total cash and cash equivalents	<u>26,286</u>	<u>23,313</u>	<u>21,904</u>
Time deposits with banks	744	1,240	1,240
Investment securities:			
Held-to-maturity, at amortized cost	5,987	9,977	13,951
Available-for-sale (at fair value; amortized cost of \$124,161, \$123,503 and \$118,969)	<u>125,681</u>	<u>124,723</u>	<u>119,208</u>
Total investment securities	131,668	134,700	133,159
Loans, less allowance for loan losses of \$4,664, \$5,143 and \$4,973	330,325	279,798	285,809
Bank premises and equipment, net	5,591	5,803	5,880
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	<u>4,130</u>	<u>3,950</u>	<u>4,513</u>
Total assets	<u>\$ 505,564</u>	<u>\$ 459,675</u>	<u>\$ 463,376</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits:			
Demand - non interest-bearing	\$ 93,988	\$ 73,707	\$ 73,224
Demand - interest-bearing	46,966	55,377	51,562
Savings	28,217	25,587	25,313
Money market	65,127	58,819	58,877
Time deposits that meet or exceed the FDIC insurance limit	53,988	53,563	53,768
Other time deposits	<u>105,320</u>	<u>88,206</u>	<u>102,152</u>
Total deposits	393,606	355,259	364,896
Federal Home Loan Bank (FHLB) advances	52,000	35,000	31,000
Accrued interest payable and other liabilities	<u>2,969</u>	<u>1,836</u>	<u>1,724</u>
Total liabilities	<u>448,575</u>	<u>392,095</u>	<u>397,620</u>
Shareholders' equity			
Preferred stock, no par value; 20,000,000 shares authorized; Series B shares issued and outstanding - 0 in 2015 and 13,750 in 2014; 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 4,783,170, 4,778,370 and 4,778,370	36,698	36,646	36,640
Retained earnings	19,410	16,560	15,311
Accumulated other comprehensive income	<u>881</u>	<u>708</u>	<u>139</u>
Total shareholders' equity	<u>56,989</u>	<u>67,580</u>	<u>65,756</u>
Total liabilities and shareholders' equity	<u>\$ 505,564</u>	<u>\$ 459,675</u>	<u>\$ 463,376</u>

Financial Summary
(In thousands except per share data)

	Three Months Ended		Nine Months Ended	
	September 30, 2015 (Unaudited)	September 30, 2014 (Unaudited)	September 30, 2015 (Unaudited)	September 30, 2014 (Unaudited)
Statement of Income Data:				
Net interest income	\$ 4,509	\$ 4,330	\$ 13,016	\$ 12,750
Provision for loan losses	-	-	(800)	(400)
Non-interest income	379	540	2,282	1,395
Non-interest expense	2,712	2,855	8,024	8,292
Provision for income taxes	896	832	3,328	2,578
Net income	<u>\$ 1,280</u>	<u>\$ 1,183</u>	<u>\$ 4,746</u>	<u>\$ 3,675</u>
Less: preferred dividends	<u>23</u>	<u>34</u>	<u>92</u>	<u>103</u>
Net income available for common stockholders	<u>\$ 1,257</u>	<u>\$ 1,149</u>	<u>\$ 4,654</u>	<u>\$ 3,572</u>
Selected per Common Share Data:				
Basic earnings per common share	\$ 0.26	\$ 0.24	\$ 0.97	\$ 0.75
Diluted earnings per common share	\$ 0.26	\$ 0.24	\$ 0.96	\$ 0.74
Dividend per share	\$ 0.12	\$ 0.11	\$ 0.36	\$ 0.33
Book value per common share (2)(3)	\$ 11.91	\$ 10.90	\$ 11.91	\$ 10.90
Selected Balance Sheet Data:				
Assets	\$ 505,564	\$ 463,376	\$ 505,564	\$ 463,376
Loans, net	330,325	285,809	330,325	285,809
Deposits	393,606	364,896	393,606	364,896
Average assets	494,934	466,107	478,915	460,523
Average earning assets	484,515	451,062	467,636	445,373
Average shareholders' equity	65,559	65,711	67,666	64,223
Average common shareholders' equity	56,498	52,044	55,552	50,557
Nonperforming loans	1,395	3,334	1,395	3,334
Other real estate owned	-	4,051	-	4,051
Total nonperforming assets	1,395	7,385	1,395	7,385
Troubled debt restructures (accruing)	3,585	4,960	3,585	4,960
Selected Ratios:				
Return on average assets (1)	1.03%	1.01%	1.32%	1.07%
Return on average common equity (1)	8.83%	8.76%	11.20%	9.45%
Efficiency ratio (4)	56.11%	59.36%	52.82%	58.93%
Net interest margin (1)	3.69%	3.81%	3.72%	3.83%
Common equity tier 1 capital ratio (5)	13.7%	-	13.7%	-
Tier 1 capital ratio	13.7%	13.3%	13.7%	13.3%
Total capital ratio	14.9%	17.7%	14.9%	17.7%
Tier 1 leverage ratio	10.6%	19.0%	10.6%	19.0%
Common dividend payout ratio (6)	45.51%	45.78%	36.96%	44.15%
Average equity to average assets	13.25%	14.10%	14.13%	13.95%
Nonperforming loans to total loans (2)	0.42%	1.15%	0.42%	1.15%
Nonperforming assets to total assets (2)	0.28%	1.59%	0.28%	1.59%
Allowance for loan losses to total loans (2)	1.39%	1.71%	1.39%	1.71%
Allowance for loan losses to nonperforming loans (2)	334.20%	149.17%	334.20%	149.17%

(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 equity tier 1 capital ratio requirement was effective January 1, 2015.

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