
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 26, 2016

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 26, 2016, the registrant issued the press release attached hereto as Exhibit 99 and incorporated herein by reference regarding the declaration of dividend and results of operations for the three months ended March 31, 2016.

Common stock cash dividend of \$0.12 per share declared on April 25, 2016, payable on May 24, 2016 to shareholders of record on May 18, 2016.

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 26, 2016

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 April 26, 2016 announcing declaration of dividend and results of operation for the three months ended March 31, 2016.

Summit State Bank Reports Net Income for First Quarter 2016 and Declaration of Dividend

SANTA ROSA, CA – (April 26, 2016) – Summit State Bank (Nasdaq: SSBI) today reported net income for the quarter ended March 31, 2016 of \$1,328,000 and diluted earnings per share of \$0.27. 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 May 24, 2016 to shareholders of record on May 18, 2016.

Net Income and Results of Operations

“We continue to generate strong performance as a result of the high quality of our community banking team and their deep care of our local Sonoma County community. We are continuing to attract and expand full banking relationships by our hard earned reputation for providing the best customer service experience through *The Summit Way* brand of community banking. This has resulted in Summit being named *The Best Company to do Business with in Sonoma County* – Gold Medal Winner by the readers of Northbay Biz magazine,” said James Brush, President and CEO.

For the quarter ended March 31, 2016, Summit State Bank had net income available for common stockholders of \$1,328,000 and diluted earnings per share of \$0.27 compared to \$1,688,000 in net income available for common stockholders, or \$0.35 diluted earnings per share, for the same quarter in 2015.

The first quarter of 2016 included net securities gains of \$133,000 which were realized when bonds in the Bank’s portfolio received early calls. The first quarter of 2015 included a gain on sale of foreclosed property of \$1,125,000.

Annualized return on average assets for the first quarter of 2016 was 1.02% and annualized return on average equity was 9.2%. The Bank’s efficiency ratio was 57.7% and the net interest margin was 3.68% during the first quarter of 2016. The first quarter of 2015, with the benefit of the \$1,125,000 gain on foreclosed property, had an annualized return on average assets of 1.51%, annualized return on average equity of 12.6%, efficiency ratio of 48.6% and net interest margin of 3.75%.

Net interest income increased 13% between the quarters to \$4,703,000 in 2016 compared to \$4,155,000 in the first quarter of 2015. The increase was primarily due to higher volume of loans which offset the decline in the net interest margin. Net loans increased to \$360 million at March 31, 2016 compared to \$292 million at March 31, 2015.

“We are experiencing nice loan activity in line with 2015 growth. This is due to our strong team’s well established reputation for providing excellent customer service with

prompt turnaround to our expanding client base through our *Summit Way* culture and the current vibrant economy in Sonoma County. We are deeply committed to our local Sonoma County community and look forward to another great year of helping it flourish,” said Brandy Seppi, Chief Credit Officer and Executive Vice President.

Deposits increased 11% between March 31, 2016 and 2015, with the increase primarily in demand deposit accounts which increased 19% at March 31, 2016 over March 31, 2015.

Nonperforming assets increased to \$2,690,000 and represented 0.52% of assets at March 31, 2016 compared to \$1,631,000 or 0.34% at March 31, 2015. The increase was due to three loans added to nonperforming during the first quarter of 2016 which are secured by real property with adequate values.

Total assets at March 31, 2016 were \$522 million, a 10% increase over the \$474 million on March 31, 2015.

About Summit State Bank

Summit State Bank, a local community bank, has total assets of \$522 million and total equity of \$59 million at March 31, 2016. 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: Best Company to do Business with in Sonoma County by the Northbay Biz magazine; Best Places to Work in the North Bay by the North Bay Business Journal; Super Performing Bank by Findley Reports; and Top 75 Corporate Philanthropists in the San Francisco Bay Area by the San Francisco Business Times. 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, 2016	March 31, 2015
	(Unaudited)	(Unaudited)
Interest income:		
Interest and fees on loans	\$ 4,111	\$ 3,373
Interest on federal funds sold	2	1
Interest on investment securities and deposits in banks	867	956
Dividends on FHLB stock	54	48
Total interest income	5,034	4,378
Interest expense:		
Deposits	239	179
FHLB advances	92	44
Total interest expense	331	223
Net interest income before provision for loan losses	4,703	4,155
Provision for loan losses	-	-
Net interest income after provision for loan losses	4,703	4,155
Non-interest income:		
Service charges on deposit accounts	182	157
Rental income	138	133
Net securities gain	133	-
Net gain on other real estate owned	-	1,125
Loan servicing, net	1	2
Other income	-	126
Total non-interest income	454	1,543
Non-interest expense:		
Salaries and employee benefits	1,587	1,412
Occupancy and equipment	265	309
Other expenses	1,046	1,047
Total non-interest expense	2,898	2,768
Income before provision for income taxes	2,259	2,930
Provision for income taxes	931	1,208
Net income	\$ 1,328	\$ 1,722
Less: preferred dividends	-	34
Net income available for common stockholders	\$ 1,328	\$ 1,688
Basic earnings per common share	\$ 0.28	\$ 0.35
Diluted earnings per common share	\$ 0.27	\$ 0.35
Basic weighted average shares of common stock outstanding	4,784	4,782
Diluted weighted average shares of common stock outstanding	4,831	4,838

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

	<u>March 31, 2016</u> (Unaudited)	<u>December 31, 2015</u>	<u>March 31, 2015</u> (Unaudited)
ASSETS			
Cash and due from banks	\$ 21,127	\$ 15,583	\$ 22,421
Federal funds sold	2,000	2,000	2,000
Total cash and cash equivalents	<u>23,127</u>	<u>17,583</u>	<u>24,421</u>
Time deposits with banks	744	744	1,240
Investment securities:			
Held-to-maturity, at amortized cost	5,989	5,988	6,981
Available-for-sale (at fair market value; amortized cost of \$115,088, \$127,735 and \$130,875)	116,966	128,599	133,483
Total investment securities	<u>122,955</u>	<u>134,587</u>	<u>140,464</u>
Loans, less allowance for loan losses of \$4,735, \$4,731 and 5,270	359,553	343,217	292,277
Bank premises and equipment, net	5,613	5,498	5,744
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	-	-	-
Accrued interest receivable and other assets	<u>3,370</u>	<u>4,916</u>	<u>3,409</u>
Total assets	<u>\$ 522,182</u>	<u>\$ 513,365</u>	<u>\$ 474,375</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits:			
Demand - non interest-bearing	\$ 110,193	\$ 98,062	\$ 72,987
Demand - interest-bearing	55,082	56,281	65,529
Savings	27,298	27,644	26,705
Money market	59,018	59,445	62,908
Time deposits that meet or exceed the FDIC insurance limit	52,793	53,953	54,160
Other time deposits	<u>102,717</u>	<u>101,861</u>	<u>83,923</u>
Total deposits	407,101	397,246	366,212
Federal Home Loan Bank advances	53,800	55,800	37,000
Accrued interest payable and other liabilities	<u>2,703</u>	<u>2,994</u>	<u>1,627</u>
Total liabilities	<u>463,604</u>	<u>456,040</u>	<u>404,839</u>
Shareholders' equity			
Preferred stock, no par value; 20,000,000 shares authorized; Series B shares issued and outstanding 0, 0 and 13,750; per share redemption of \$1,000 for total liquidation preference of \$13,750	-	-	13,666
Common stock, no par value; shares authorized - 30,000,000 shares; issued and outstanding 4,793,061, 4,783,170 and 4,782,770	36,711	36,704	36,683
Retained earnings	20,874	20,120	17,674
Accumulated other comprehensive income	<u>993</u>	<u>501</u>	<u>1,513</u>
Total shareholders' equity	<u>58,578</u>	<u>57,325</u>	<u>69,536</u>
Total liabilities and shareholders' equity	<u>\$ 522,182</u>	<u>\$ 513,365</u>	<u>\$ 474,375</u>

Financial Summary
(In thousands except per share data)

	At or for the Three Months Ended	
	March 31, 2016	March 31, 2015
	(Unaudited)	(Unaudited)
Statement of Income Data:		
Net interest income	\$ 4,703	\$ 4,155
Provision for loan losses	-	-
Non-interest income	454	1,543
Non-interest expense	2,898	2,768
Provision for income taxes	931	1,208
Net income	\$ 1,328	\$ 1,722
Less: preferred dividends	-	34
Net income available for common stockholders	\$ 1,328	\$ 1,688
Selected per Common Share Data:		
Basic earnings per common share	\$ 0.28	\$ 0.35
Diluted earnings per common share	\$ 0.27	\$ 0.35
Dividend per share	\$ 0.12	\$ 0.12
Book value per common share (2)(3)	\$ 12.22	\$ 11.68
Selected Balance Sheet Data:		
Assets	\$ 522,182	\$ 474,375
Loans, net	359,553	292,277
Deposits	407,101	366,212
Average assets	522,255	463,475
Average earning assets	513,647	449,989
Average shareholders' equity	58,140	67,890
Average common shareholders' equity	58,140	54,224
Nonperforming loans	2,690	1,631
Other real estate owned	-	-
Total nonperforming assets	2,690	1,631
Troubled debt restructures (accruing)	3,491	3,562
Selected Ratios:		
Return on average assets (1)	1.02%	1.51%
Return on average common equity (1)	9.19%	12.62%
Efficiency ratio (4)	57.68%	48.58%
Net interest margin (1)	3.68%	3.75%
Common equity tier 1 capital ratio	13.1%	14.3%
Tier 1 capital ratio	13.1%	18.2%
Total capital ratio	14.3%	19.4%
Tier 1 leverage ratio	10.3%	13.9%
Common dividend payout ratio (5)	43.22%	34.00%
Average equity to average assets	11.13%	14.65%
Nonperforming loans to total loans (2)	0.74%	0.55%
Nonperforming assets to total assets (2)	0.52%	0.34%
Allowance for loan losses to total loans (2)	1.30%	1.77%
Allowance for loan losses to nonperforming loans (2)	176.02%	323.16%

(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

