

News Release

For Immediate Release

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Summit State Bank Reports over 100% Increase in 2009 Financial Results and Declaration of Dividend

SANTA ROSA, CA – (January 26, 2010) – Summit State Bank (Nasdaq: SSBI) today reported net income for the year ended December 31, 2009 of \$2,081,000. A dividend of \$0.09 per share on the Company's common stock was declared.

Net Income and Results of Operations

The Bank had net income of \$2,081,000 and net income available for common stockholders, which deducts the preferred dividends, of \$1,571,000, or \$0.33 per diluted share, for the year ended December 31, 2009 compared to a net income of \$1,009,000 and net income available for common stockholders of \$1,005,000, or \$0.21 per diluted share, for the year ended December 31, 2008. Net income for the three months ended December 31, 2009 was \$355,000 and net income available for common stockholders was \$218,000, or \$0.05 per diluted share, compared to net income of \$764,000 and net income available for common stockholders \$760,000, or \$0.16 per diluted share, for the same period in 2008.

Summit State Bank ranked #1 in net income in its 30 member bank peer group (publicly traded California banks - \$250-\$500 million in assets) for the recent 12 month period ending 9/30/09.

The Bank's regulatory capital remains well above the required capital ratios with a Tier 1 capital leverage ratio of 15.1%, a Tier 1 risk-based capital ratio of 18.1% and a Total risk-based capital ratio of 19.3% at December 31, 2009.

Net interest income increased \$406,000, or 12%, to \$3,749,000 during the fourth quarter of 2009 compared to \$3,343,000 for the same quarter of 2008. The annualized net interest margin increased to 4.56% for the fourth quarter of 2009, compared to 3.95% for the fourth quarter of 2008. The net interest margin increased to 4.47% for the 2009 year compared to 3.78% in 2008.

“Our net interest margin continues to increase as we continue to attract additional core deposits. Core deposits increased 56% during 2009 as we continue our focused attention on building full banking relationships that include both the deposits of the business and owners, which is the key part of the strategy initiated in early 2008. We are finding that our strong capital ratios, stronger operating results and high third party ratings such as receiving Bauer Financial's highest rating -5 Star Superior- for the past seven quarters, have benefited us in gaining new relationships,” said Thomas Duryea, President & CEO, Summit State Bank.

Non-interest expense increased \$219,000 or 11% for the fourth quarter of 2009 over the fourth quarter of 2008 and increased \$360,000, or 4%, for the year ended December 31, 2009 compared to 2008. The increase is primarily attributable to increased FDIC insurance premiums, including the special assessment in the second quarter of 2009.

The bank's efficiency ratio for the fourth quarter of 2009 was 55% and for the year ended December 31, 2009 was 56% compared to 56% in fourth quarter of 2008 and 78% for the year ended 2008.

The quarter ended December 31, 2009 was negatively impacted by a provision for loan losses of \$1,200,000 compared to a \$220,000 provision in the fourth quarter of 2008. For the year, the provision for loan losses was \$3,650,000 in 2009 compared to \$685,000 in 2008. Net loan charge-offs for the quarter were \$1,221,000 and for the year were \$2,929,000. The increased provision for loan losses was the result of the higher net charge-offs and increased non-performing loans. At December 31, 2009, the allowance for loan losses was \$4,737,000 and represented a ratio to gross loans of 1.62% and to nonperforming loans of 41%. These ratios compare to 1.61% and 51% at September 30, 2009.

Nonperforming assets at December 31, 2009 were \$11,653,000 compared to \$9,293,000 at September 30, 2009. Nonperforming loans to gross loans was 3.98% at December 31, 2009 which compares favorably to the banking industry. The bank has no foreclosed real estate owned at December 31, 2009 or 2008. Nonperforming loans consisted of loans to borrowers with a majority secured by real property. "The increase is the result of the severe economic downturn's impact on select longer term borrowers. Despite the increase in nonperforming loan totals, the number of loan relationships is low and manageable," said Thomas Duryea, President and CEO, Summit State Bank.

Total assets declined \$24.2 million or 7% to \$340,400,000 at December 31, 2009 compared to December 31, 2008, as the bank's investment portfolio experienced calls on its long-term government agency securities and loan reductions exceeded new loan generation. Gross loans declined \$10.6 million or 3.5% to \$293,014,000 at December 31, 2009 compared to December 31, 2008. "We are willing, and, most importantly, able to lend and have had good success in attracting new customers," stated Guy Dana, Chief Credit Officer, Summit State Bank.

The bank's lending focus has remained on business lending and commercial real estate with reduced focus since 2006 on construction lending. Residential home mortgage lending has been minimal over the past several years and the bank has not made loans that would be classified as subprime mortgage loans.

Dividend

On January 25, 2010, the Board of Directors declared a quarterly cash dividend of \$0.09 per share on the Company's common stock. The dividend is payable February 22, 2010 to shareholders of record as of the close of business on February 11, 2010. Additionally, a dividend on the preferred stock of \$106,250 was declared payable on February 16, 2010.

About Summit State Bank

Summit State Bank has total assets of \$340 million and total equity of \$56 million at December 31, 2009. Headquartered in Sonoma County, the Bank provides diverse financial products and services throughout Sonoma, Napa, San Francisco, and Marin Counties. 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)

	<u>Three Months Ended</u>		<u>Twelve Months Ended</u>	
	<u>December 31,</u> <u>2009</u> <u>(Unaudited)</u>	<u>December 31,</u> <u>2008</u>	<u>December 31,</u> <u>2009</u> <u>(Unaudited)</u>	<u>December, 31</u> <u>2008</u>
Interest income:				
Interest and fees on loans	\$ 4,541	\$ 4,726	\$ 18,856	\$ 18,848
Interest on Federal funds sold	1	-	1	69
Interest on investment securities and deposits in banks	343	602	1,790	2,523
Dividends on FHLB stock	-	7	6	114
Total interest income	<u>4,885</u>	<u>5,335</u>	<u>20,653</u>	<u>21,554</u>
Interest expense:				
Deposits	936	1,663	4,540	7,332
FHLB advances	200	329	1,020	1,879
Total interest expense	<u>1,136</u>	<u>1,992</u>	<u>5,560</u>	<u>9,211</u>
Net interest income before provision for loan losses	3,749	3,343	15,093	12,343
Provision for loan losses	<u>1,200</u>	<u>220</u>	<u>3,650</u>	<u>685</u>
Net interest income after provision for loan losses	<u>2,549</u>	<u>3,123</u>	<u>11,443</u>	<u>11,658</u>
Non-interest income:				
Service charges on deposit accounts	91	94	391	404
Office leases	132	181	594	669
Net securities gains	-	-	28	-
Loan servicing, net	10	2	58	46
Securities impairment	-	(134)	(17)	(2,457)
Other income	15	13	45	35
Total non-interest income	<u>248</u>	<u>156</u>	<u>1,099</u>	<u>(1,303)</u>
Non-interest expense:				
Salaries and employee benefits	1,014	946	4,266	4,343
Occupancy and equipment	438	443	1,710	1,735
Other expenses	739	583	3,023	2,561
Total non-interest expense	<u>2,191</u>	<u>1,972</u>	<u>8,999</u>	<u>8,639</u>
Income before provision for income taxes	606	1,307	3,543	1,716
Provision for income taxes	<u>251</u>	<u>543</u>	<u>1,462</u>	<u>707</u>
Net income	<u>\$ 355</u>	<u>\$ 764</u>	<u>\$ 2,081</u>	<u>\$ 1,009</u>
Less: preferred dividends	<u>137</u>	<u>4</u>	<u>510</u>	<u>4</u>
Net income available for common stockholders	<u>\$ 218</u>	<u>\$ 760</u>	<u>\$ 1,571</u>	<u>\$ 1,005</u>
Basic earnings per common share	\$ 0.05	\$ 0.16	\$ 0.33	\$ 0.21
Diluted earnings per common share	\$ 0.05	\$ 0.16	\$ 0.33	\$ 0.21
Basic weighted average shares of common stock outstanding	4,745	4,745	4,745	4,745
Diluted weighted average shares of common stock outstanding	4,747	4,745	4,766	4,745

SUMMIT STATE BANK AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
(In thousands)

	<u>December 31,</u> <u>2009</u> <u>(Unaudited)</u>	<u>December 31,</u> <u>2008</u>
ASSETS		
Cash and due from banks	\$ 2,933	\$ 3,650
Total cash and cash equivalents	2,933	3,650
Available-for-sale investment securities - amortized cost of \$27,408 in 2009 and \$41,088 in 2008	27,400	41,183
Loans, less allowance for loan losses of \$4,737 in 2009 and \$4,016 in 2008	288,277	299,645
Bank premises and equipment, net	7,721	7,816
Investment in Federal Home Loan Bank stock, at cost	2,941	2,942
Goodwill	4,119	4,119
Accrued interest receivable and other assets	7,009	5,225
Total assets	<u>\$ 340,400</u>	<u>\$ 364,580</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Demand - non interest-bearing	\$ 15,705	\$ 10,773
Demand - interest-bearing	22,205	13,597
Savings	12,749	10,068
Money market	44,039	26,123
Time deposits, \$100,000 and over	84,907	84,751
Other time deposits	84,648	107,451
Total deposits	264,253	252,763
Federal Home Loan Bank (FHLB) advances	20,120	55,420
Accrued interest payable and other liabilities	522	850
Total liabilities	<u>284,895</u>	<u>309,033</u>
Shareholders' equity		
Preferred stock (net) no par value; 20,000 shares authorized; 8,500 shares issued and outstanding at December 31, 2009 and 2008	7,989	7,868
Common stock, no par value; shares authorized - 30,000; shares issued and outstanding - 4,745 at December 31, 2009 and 2008	36,275	36,251
Common stock warrants	622	622
Retained earnings	10,615	10,752
Accumulated other comprehensive income (loss), net of taxes	4	54
Total shareholders' equity	55,505	55,547
Total liabilities and shareholders' equity	<u>\$ 340,400</u>	<u>\$ 364,580</u>

Earnings Summary
(In Thousands, except per share data)

	Three Months Ended		Twelve Months Ended	
	December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Statement of Income Data:				
Net interest income	\$ 3,749	\$ 3,343	\$ 15,093	\$ 12,343
Provision for loan losses	1,200	220	3,650	685
Non-interest income	248	156	1,099	(1,303)
Non-interest expense	2,191	1,972	8,999	8,639
Provision for income taxes	251	543	1,462	707
Net income	<u>\$ 355</u>	<u>\$ 764</u>	<u>\$ 2,081</u>	<u>\$ 1,009</u>
Less: preferred dividends	137	4	510	4
Net income available for common stockholders	<u>\$ 218</u>	<u>\$ 760</u>	<u>\$ 1,571</u>	<u>\$ 1,005</u>
Selected per Share Data:				
Basic earnings per common share	\$ 0.05	\$ 0.16	\$ 0.33	\$ 0.21
Diluted earnings per common share	\$ 0.05	\$ 0.16	\$ 0.33	\$ 0.21
Book value per common share (2)(3)	\$ 10.01	\$ 10.05	\$ 10.01	\$ 10.05
Selected Balance Sheet Data:				
Assets	\$ 340,400	\$ 364,580	\$ 340,400	\$ 364,580
Loans, net	288,277	299,645	288,277	299,645
Deposits	264,253	252,763	264,253	252,763
Average assets	343,461	351,969	353,790	343,403
Average earnings assets	326,142	336,161	337,705	326,496
Average equity	56,010	47,681	56,190	47,655
Average common equity	47,427	47,569	47,643	46,823
Nonperforming loans	11,653	1,046	11,653	1,046
Total nonperforming assets	11,653	1,088	11,653	1,088
Selected Ratios:				
Return on average assets (1)	0.41%	0.86%	0.59%	0.29%
Return on average common equity (1)	1.82%	6.34%	3.30%	2.15%
Return on average common tangible equity (1)	2.00%	6.94%	3.61%	2.35%
Efficiency ratio (5)	54.82%	56.36%	55.58%	78.25%
Net interest margin (1)	4.56%	3.95%	4.47%	3.78%
Tier 1 leverage capital ratio	15.1%	14.8%	15.1%	14.8%
Tier 1 risk-based capital ratio	18.1%	17.4%	18.1%	17.4%
Total risk-based capital ratio	19.3%	18.6%	19.3%	18.6%
Common dividend payout ratio (4)	195.87%	56.18%	108.72%	169.95%
Average equity to average assets	16.31%	13.55%	15.88%	13.88%
Nonperforming loans to total loans (2)	3.98%	0.34%	3.98%	0.34%
Nonperforming assets to total assets (2)	3.42%	0.30%	3.42%	0.30%
Allowance for loan losses to total loans (2)	1.62%	1.31%	1.62%	1.32%
Allowance for loan losses to nonperforming loans (2)	40.65%	383.94%	40.65%	383.94%

(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

(5) Non interest expenses to net interest income and noninterest income

