

News Release

For Immediate Release

Contact: Dennis Kelley, Senior VP and CFO, Summit State Bank (707) 568-4910

Summit State Bank Reports Fourth Quarter and Year-end Earnings

Santa Rosa, CA – (January 30, 2007) – Summit State Bank (NASDAQ: SSBI) today reported net income of \$2,808,000 or \$0.69 per diluted share for the year ended December 31, 2006, as compared to \$3,131,000 or \$0.93 per diluted share for the prior year. Net income was \$641,000 or \$0.13 per diluted share for the fourth quarter ended December 31, 2006. This compares to net income of \$920,000 or \$0.27 per diluted share for the fourth quarter of 2005. Earnings and dividends per share information for all periods presented give effect to the 2-for-1 stock split issued in June 2006.

On August 16, 2006, SSB completed an underwritten public offering of 1,432,700 shares of common stock. These shares increased the diluted weighted average shares outstanding for the year and fourth quarter ending December 31, 2006 over the same periods in 2005 by 21% and 43%, respectively. The \$0.24 decline in diluted earnings per share for the annual periods was comprised of a \$0.10 decline attributable to the decline in net income and \$0.14 decline attributable to the increase in diluted weighted average shares outstanding. The diluted earnings per share decline in the fourth quarter of \$0.14 as compared to the prior year was comprised of a decline of \$0.08 attributable to the decline in net income and \$0.06 decline attributable to the increase in diluted weighted average shares outstanding.

Total shareholders' equity was \$47,812,000 at December 31, 2006 compared to \$27,043,000 at December 31, 2005. At December 31, 2006 there were 4,794,720 common shares outstanding with a per share book value of \$9.97 compared to 3,361,430 shares outstanding at December 31, 2005 with a per share book value of \$8.05.

For the year-ended December 31, 2006, the return on average assets was .92%, return on average equity was 7.64% and return on average tangible equity was 8.60% compared to return on average assets of 1.06%, return on average equity of 11.86% and return on average tangible equity of 14.05% for the year-ended December 31, 2005. Annualized return on average assets was .82% for the three months ended December 31, 2006 compared to 1.05% for the fourth quarter of 2005. Annualized return on average equity was 5.32% and on average tangible equity was 5.82% for the fourth quarter of 2006, compared to a return on average equity of 13.17% and return on average tangible equity of 15.47% for the fourth quarter of 2005.

The Bank experienced a decline in net income during the fourth quarter and for the year of 2006 when compared to the same periods in 2005, primarily attributable to both a decline in noninterest income and an increase in salaries and employee benefits, which was partially offset by an increase in net interest income for the year ended December 31, 2006.

Net Interest Income

Net interest income increased \$646,000 or 6% to \$11,032,000 for the year-ended December 31, 2006 compared to \$10,386,000 for the year-ended December 31, 2005, resulting in a net interest margin of 3.87% for 2006 compared to 3.76% for 2005.

Net interest income declined \$79,000 or 3% to \$2,712,000 during the fourth quarter of 2006 compared to \$2,791,000 for the same quarter of 2005. The net interest margin increased to 3.71% for the fourth quarter of 2006, compared to 3.38% for the fourth quarter of 2005.

Noninterest Income

Total noninterest income for the year decreased \$539,000 to \$1,320,000 compared to \$1,859,000 in 2005. The decline was primarily due to a \$347,000 decline in net gains on SBA guaranteed loan sales and a \$253,000 decline in service charge income which occurred primarily due to the discontinuation of a deposit product line in June 2005 which also had high processing expenses related to it.

For the fourth quarter 2006, total noninterest income was \$317,000, as compared to \$402,000 for the fourth quarter of 2005. The decline was primarily due to lower gains on the sale of SBA guaranteed loans which were \$37,000 for the fourth quarter of 2006, compared to \$101,000 for the fourth quarter of 2005.

Noninterest Expense

Total noninterest expense increased \$757,000 or 12% to \$7,238,000 for 2006 in comparison with 2005. Salaries and employee benefits increased \$620,000 or 20% and occupancy and equipment costs increased \$136,000 or 11%. Occupancy costs increased due to increased insurance, taxes and amortization expense of improvements related to the Bank owned head office building.

For the fourth quarter of 2006, noninterest expense increased \$381,000 or 25% to \$1,888,000, compared to the same quarter in 2005. Salaries and employee benefits increased \$208,000 or 27% to \$979,000. Other operating expenses increased \$150,000 or 37% between the fourth quarters as a result of increased marketing expense and costs related to the management of the higher number of loan and deposit accounts.

The increase in salaries and employee benefits for the quarterly and annual periods in 2006 compared to 2005 was primarily the result of increased staffing and training in order to position the Bank for future growth. The Bank has been able to attract experienced personnel from other local institutions which have enhanced the Bank's marketing and operating efforts.

Loan and Deposit Activity

Total loans as of December 31, 2006 were \$256,596,000, an increase of \$16,771,000 or 7%, compared to total loans of \$239,825,000 at December 31, 2005.

Total deposits were \$232,974,000 at December 31, 2006, compared to \$301,754,000 at December 31, 2005. The decrease in total deposits since December 31, 2005 was, primarily, the result of scheduled withdrawals of an extraordinarily large \$86 million tax deferred exchange transaction, which by its nature, was a temporary deposit.

Total assets were \$312,950,000 at December 31, 2006, a decline of \$32,838,000 or 9%, compared to \$345,788,000 at December 31, 2005. The decline was the result of fluctuations in deposits from the Real Estate 1031 Exchange program as described above.

Nonperforming Assets

Loans on nonaccrual were \$2,383,000 or 0.9% of gross loans at December 31, 2006. This was a \$1,316,000 increase over the nonaccrual loan total of \$1,067,000 at September 30, 2006. One loan, comprising 62% of the nonaccrual balances, was placed on nonaccrual status in the fourth quarter and is collateralized by a mortgage on commercial real property. The total nonaccrual amount at December 31, 2006 consisted of five loans. The Small Business Administration (SBA) guarantees back \$435,000 of the nonaccrual loan balances.

There was no provision for loan losses for the fourth quarter of 2006 compared to \$111,000 in the fourth quarter of 2005. The decrease in the provision reflects the determination of the adequacy of the allowance for loan losses. At December 31, 2006, the allowance for loan losses to gross loans was 1.46% and the allowance for loan losses to nonaccrual loans was 157% at December 31, 2006.

Other Events

An application to open a branch office in Petaluma, California was filed with the Bank's regulators. FDIC approval of the application has been received and management anticipates the opening of the branch in the second quarter of 2007. Petaluma is the second largest city in Sonoma County which is the Bank's primary service area.

About Summit State Bank

Summit State Bank had total assets of \$313 million and total equity of \$48 million at December 31, 2006. It provides diverse financial products and services which are marketed through Sonoma County, California with offices located in Santa Rosa, Rohnert Park and Windsor. Summit State Bank stock is traded on the Nasdaq Global Market under the symbol SSBI.

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. These forward-looking statements are subject to risks and uncertainties. Actual results may differ materially from those set forth in or implied by forward-looking statements. These risks are described from time to time in Summit State Bank's filings with the Federal Deposit Insurance Corporation, including its Registration Statement on Form 10 and quarterly reports on Form 10-Q.

Summit State Bank disclaims any intent or obligation to update these forward-looking statements.

SUMMIT STATE BANK AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
For the Three Months and Twelve Months Ended December 31, 2006 and December 31, 2005
(In thousands except for earnings per share data)

	<u>Three Months Ended</u>		<u>Twelve Months Ended</u>	
	<u>December 31,</u> <u>2006</u> <u>(Unaudited)</u>	<u>December 31,</u> <u>2005</u> <u>(Unaudited)</u>	<u>December 31,</u> <u>2006</u> <u>(Unaudited)</u>	<u>December, 31</u> <u>2005</u>
Interest income:				
Interest and fees on loans	\$ 4,912	\$ 4,046	\$ 18,507	\$ 14,455
Interest on Federal funds sold	25	620	297	1,131
Interest on investment securities and deposits in banks	430	332	1,536	1,025
Dividends on FHLB stock	41	10	114	57
Total interest income	<u>5,408</u>	<u>5,008</u>	<u>20,454</u>	<u>16,668</u>
Interest expense:				
Deposits	2,354	2,079	8,040	5,497
Securities sold under repurchase agreements	2	2	13	13
FHLB Advances	340	136	1,370	772
Total interest expense	<u>2,696</u>	<u>2,217</u>	<u>9,423</u>	<u>6,282</u>
Net interest income before provision for loan losses	2,712	2,791	11,031	10,386
Provision for loan losses	<u>-</u>	<u>111</u>	<u>253</u>	<u>444</u>
Net interest income after provision for loan losses	<u>2,712</u>	<u>2,680</u>	<u>10,778</u>	<u>9,942</u>
Non-interest income:				
Service charges	74	92	337	590
Office leases	177	147	658	558
Gains on sales of loans	37	101	99	446
Real estate exchange fees	6	16	42	109
Loan servicing	19	21	65	71
Other income	4	25	120	85
Total non-interest income	<u>317</u>	<u>402</u>	<u>1,321</u>	<u>1,859</u>
Non-interest expense:				
Salaries and employee benefits	979	771	3,675	3,055
Occupancy and equipment	354	331	1,350	1,214
Other expenses	555	405	2,213	2,212
Total non-interest expense	<u>1,888</u>	<u>1,507</u>	<u>7,238</u>	<u>6,481</u>
Income before provision for income taxes	1,141	1,575	4,861	5,320
Provision for Income taxes	<u>500</u>	<u>655</u>	<u>2,053</u>	<u>2,189</u>
Net income	<u>\$ 641</u>	<u>\$ 920</u>	<u>\$ 2,808</u>	<u>\$ 3,131</u>
Basic earnings per share	<u>\$ 0.13</u>	<u>\$ 0.27</u>	<u>\$ 0.70</u>	<u>\$ 0.93</u>
Diluted earnings per share	<u>\$ 0.13</u>	<u>\$ 0.27</u>	<u>\$ 0.69</u>	<u>\$ 0.93</u>
Basic Weighted average shares of common stock outstanding	<u>4,794,720</u>	<u>3,361,430</u>	<u>4,029,839</u>	<u>3,361,430</u>
Diluted Weighted average shares of common stock outstanding	<u>4,839,045</u>	<u>3,377,930</u>	<u>4,074,164</u>	<u>3,377,930</u>

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

	December 31, 2006	December 31, 2005
	(Unaudited)	
ASSETS		
Cash and due from banks	\$ 10,606	\$ 2,186
Federal funds sold	-	63,370
Total cash and cash equivalents	10,606	65,556
Time deposits in banks	457	1,635
Available-for-sale investment securities - at fair value	25,829	19,547
Held-to-maturity investment securities	5,000	5,000
Loans, less allowance for loan losses of \$3,736 in 2006 and \$3,617 in 2005	252,860	236,208
Bank premises and equipment, net	8,175	8,652
Investment in Federal Home Loan Bank stock, at cost	1,699	1,451
Goodwill	4,119	4,119
Accrued interest receivable and other assets	4,205	3,620
Total assets	\$ 312,950	\$ 345,788
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Demand - non interest-bearing	\$ 11,842	\$ 11,291
Demand - interest-bearing	11,957	14,247
Savings	19,331	112,398
Money market	47,143	53,867
Certificates of deposit, \$100,000 and over	79,863	59,187
Other certificates of deposit	62,838	50,764
Total deposits	232,974	301,754
Securities sold under repurchase agreements	257	175
Federal Home Loan Bank (FHLB) advances	31,460	15,200
Accrued interest payable and other liabilities	447	1,616
Total liabilities	265,138	318,745
Shareholders' equity		
Common stock	36,698	17,395
Retained earnings	11,256	9,914
Accumulated other comprehensive loss, net of taxes	(142)	(266)
Total shareholders' equity	47,812	27,043
Total liabilities and shareholders' equity	\$ 312,950	\$ 345,788

**Earnings Summary
(In Thousands)**

	Three Months Ended		Twelve Months Ended	
	December 31, 2006	December 31, 2005	December 31, 2006	December 31, 2005
	(Unaudited)	(Unaudited)	(Unaudited)	
Statement of Income Data:				
Net interest income	\$ 2,712	\$ 2,791	\$ 11,032	\$ 10,386
Provision for loan losses	0	111	253	444
Noninterest income	317	402	1,320	1,859
Noninterest expense	1,888	1,507	7,238	6,481
Provision for income taxes	500	655	2,053	2,189
Net income	<u>\$ 641</u>	<u>\$ 920</u>	<u>\$ 2,808</u>	<u>\$ 3,131</u>
Selected per Share Data:				
Basic earnings per share	\$ 0.13	\$ 0.27	\$ 0.70	\$ 0.93
Diluted earnings per share	\$ 0.13	\$ 0.27	\$ 0.69	\$ 0.93
Book value per share	\$ 9.97	\$ 8.05	\$ 9.97	\$ 8.05
Selected Ratios: (1)				
Return on average assets	0.82%	1.05%	0.92%	1.06%
Return on average equity	5.32%	13.17%	7.64%	11.86%
Return on average tangible equity	5.82%	15.47%	8.60%	14.05%
Efficiency ratio	62.33%	47.20%	58.60%	52.93%
Net interest margin	3.71%	3.38%	3.87%	3.76%
Dividend payout ratio	69.23%	33.33%	51.43%	38.71%
Average equity to average assets	15.42%	8.00%	12.10%	8.96%
Nonperforming loans to total loans	0.93%	0.30%	0.93%	0.30%
Allowance for loan losses to total loans	1.46%	1.51%	1.46%	1.51%

(1) All ratios in the table are annualized with the exception of efficiency ratio, dividend payout ratio, and average equity to average assets.