

News Release

For Immediate Release

Contact: Thomas Duryea, President and CEO, Summit State Bank (707) 568-4920

Summit State Bank Reports Continued Profitability

SANTA ROSA, CA – (January 27, 2011) – Summit State Bank (Nasdaq: SSBI) today reported net income for the year ended December 31, 2010 of \$1,807,000 or \$0.26 per common share.

Net Income and Results of Operations

The Bank had net income of \$1,807,000 and net income available for common stockholders, which deducts the preferred dividends, of \$1,255,000, or \$0.26 per diluted share, for the year ended December 31, 2010 compared to net income of \$2,081,000 and net income available for common stockholders of \$1,571,000, or \$0.33 per diluted share, for the year ended December 31, 2009. Net income available for common stockholders and diluted earnings per share for the quarter ended December 31, 2010 were \$298,000 and \$0.06 compared to \$218,000 and \$0.05 for the same period in 2009.

“The Bank's core operating performance continues to strengthen, even in light of additional loan loss provisions,” said Thomas Duryea, President and CEO.

Net interest income was \$15,333,000 for 2010, an increase of \$240,000 compared to 2009 and the provision for loan losses expense increased by \$210,000 to \$3,860,000 in 2010 compared to \$3,650,000 in 2009.

The Bank's net interest margin was 4.55% for the year ended December 31, 2010, compared to 4.47% in 2009. For the fourth quarter of 2010, the Bank's net interest margin was 4.45% compared to 4.56% for the fourth quarter of 2009.

The Bank's efficiency ratio, which expresses operating costs as a percentage of revenues, was 58% for the year 2010 compared to 56% in 2009. The efficiency ratio includes expenses related to problem loan monitoring and resolution.

Core deposits, defined as demand, savings and money market deposits, increased 8.2% to \$101,927,000 at December 31, 2010 from \$94,184,000 at December 31, 2009. “Our focus over the past three years on building our demand and money market account totals continues to show success despite the difficult environment. Non-interest-bearing deposits increased 50% or \$7.9 million to \$23.6 million at December 31, 2010 compared to December 31, 2009,” said Dennis Kelley, Chief Financial Officer.

The Bank’s regulatory capital remains well above the required capital ratios with a Tier 1 capital leverage ratio of 14.6%, a Tier 1 risk-based capital ratio of 18.6% and a Total risk-based capital ratio of 19.8% at December 31, 2010.

Nonperforming assets at December 31, 2010 included \$12,713,000 in loans on non-accrual or past due 90 days or more, and \$759,000 in foreclosed real estate. This compares to nonperforming assets of \$14,104,000 at September 30, 2010 and \$11,697,000 at December 31, 2009.

The allowance for loan losses was \$6,058,000 at December 31, 2010 compared to \$4,737,000 at December 31, 2009. The ratio of the allowance for loan losses to total loans was 2.12% at December 31, 2010 compared to 2.37% of total loans at September 30, 2010 and 1.62% at December 31, 2009. Changes in the allowance for loan losses between December 31, 2010 and 2009 included provision for loan losses expense of \$3,860,000 and net loan charge-offs of \$2,539,000.

Total assets increased to \$347,933,000 at December 31, 2010 compared to \$340,400,000 at December 31, 2009. “Growth has been slow due to muted local loan demand, however we have been successful at attracting more full banking relationships that include the core deposits of both the business and the business owners which will strengthen the Bank’s performance when interest rates rise,” stated Mr. Duryea.

“Our strong commitment to the local businesses in Sonoma County continues to drive our strong net interest margin, efficiency ratio, and core deposit growth resulting from our key focus on being a full relationship Bank.” said Mr. Duryea.

About Summit State Bank

"Summit State Bank has total assets of \$348 million and total equity of \$55 million at December 31, 2010. Headquartered in Sonoma County, the Bank provides diverse financial products and services throughout Sonoma, Napa, San Francisco, and Marin Counties. Summit State Bank received the Gold Medal award for Best Business Bank from the Northbay Biz Magazine and has also 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 for earnings per share data)

| | Three Months Ended | | Twelve Months Ended | |
|---|-------------------------------------|-------------------------------------|----------------------------------|-------------------|
| | December 31, 2010 (Unaudited) | December 31, 2009 (Unaudited) | December 31, 2010 (Unaudited) | December 31, 2009 |
| Interest income: | | | | |
| Interest and fees on loans | \$ 4,272 | \$ 4,541 | \$ 17,466 | \$ 18,856 |
| Interest on Federal funds sold | 7 | 1 | 26 | 1 |
| Interest on investment securities and deposits in banks | 343 | 343 | 1,384 | 1,790 |
| Dividends on FHLB stock | 3 | - | 10 | 6 |
| | <u>4,625</u> | <u>4,885</u> | <u>18,886</u> | <u>20,653</u> |
| Total interest income | | | | |
| Interest expense: | | | | |
| Deposits | 712 | 936 | 3,056 | 4,540 |
| FHLB advances | 95 | 200 | 497 | 1,020 |
| | <u>807</u> | <u>1,136</u> | <u>3,553</u> | <u>5,560</u> |
| Total interest expense | | | | |
| Net interest income before provision for loan losses | 3,818 | 3,749 | 15,333 | 15,093 |
| Provision for loan losses | 1,000 | 1,200 | 3,860 | 3,650 |
| | <u>2,818</u> | <u>2,549</u> | <u>11,473</u> | <u>11,443</u> |
| Net interest income after provision for loan losses | | | | |
| Non-interest income: | | | | |
| Service charges on deposit accounts | 112 | 91 | 401 | 391 |
| Office leases | 128 | 132 | 529 | 594 |
| Net securities gains | - | - | 150 | 28 |
| Loan servicing, net | 9 | 10 | 40 | 58 |
| Securities impairment | - | - | (24) | (17) |
| Other income | 36 | 15 | 167 | 45 |
| | <u>285</u> | <u>248</u> | <u>1,263</u> | <u>1,099</u> |
| Total non-interest income | | | | |
| Non-interest expense: | | | | |
| Salaries and employee benefits | 1,168 | 1,014 | 4,788 | 4,266 |
| Occupancy and equipment | 397 | 438 | 1,598 | 1,710 |
| Other expenses | 792 | 739 | 3,167 | 3,023 |
| | <u>2,357</u> | <u>2,191</u> | <u>9,553</u> | <u>8,999</u> |
| Total non-interest expense | | | | |
| Income before provision for income taxes | 746 | 606 | 3,183 | 3,543 |
| Provision for income taxes | 310 | 251 | 1,376 | 1,462 |
| | <u>\$ 436</u> | <u>\$ 355</u> | <u>\$ 1,807</u> | <u>\$ 2,081</u> |
| Net income | | | | |
| Less: preferred dividends | 138 | 137 | 552 | 510 |
| | <u>\$ 298</u> | <u>\$ 218</u> | <u>\$ 1,255</u> | <u>\$ 1,571</u> |
| Net income available for common stockholders | | | | |
| Basic earnings per common share | \$ 0.06 | \$ 0.05 | \$ 0.26 | \$ 0.33 |
| Diluted earnings per common share | \$ 0.06 | \$ 0.05 | \$ 0.26 | \$ 0.33 |
| Basic weighted average shares of common stock outstanding | 4,745 | 4,745 | 4,745 | 4,745 |
| Diluted weighted average shares of common stock outstanding | 4,783 | 4,747 | 4,779 | 4,766 |

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

| | December 31, 2010 | December 31, 2009 |
|--|------------------------------------|------------------------------------|
| | (Unaudited) | |
| ASSETS | | |
| Cash and due from banks | \$ 4,542 | \$ 2,933 |
| Federal funds sold | 7,940 | - |
| Total cash and cash equivalents | 12,482 | 2,933 |
| Available-for-sale investment securities - amortized cost of \$33,472 at December 31, 2010 and \$27,393 at December 31, 2009 | 33,642 | 27,400 |
| Loans, less allowance for loan losses of \$6,058 in 2010 and \$4,737 in 2009 | 279,639 | 288,277 |
| Bank premises and equipment, net | 7,304 | 7,721 |
| Investment in Federal Home Loan Bank stock, at cost | 2,614 | 2,942 |
| Goodwill | 4,119 | 4,119 |
| Other Real Estate Owned | 759 | - |
| Accrued interest receivable and other assets | 7,374 | 7,008 |
| Total assets | \$ 347,933 | \$ 340,400 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Deposits: | | |
| Demand - non interest-bearing | \$ 23,594 | \$ 15,706 |
| Demand - interest-bearing | 24,421 | 22,206 |
| Savings | 15,849 | 12,783 |
| Money market | 38,063 | 43,489 |
| Time deposits, \$100 thousand and over | 113,187 | 97,855 |
| Other time deposits | 64,863 | 72,214 |
| Total deposits | 279,977 | 264,253 |
| Federal Home Loan Bank (FHLB) advances | 12,000 | 20,120 |
| Accrued interest payable and other liabilities | 647 | 522 |
| Total liabilities | 292,624 | 284,895 |
| Shareholders' equity | | |
| Preferred stock, no par value; 20,000,000 shares authorized; shares issued and outstanding - 8,500 in 2010 and 2009; per share redemption of \$1,000 for total liquidation preference of \$8,500 | 8,117 | 7,989 |
| Common stock, no par value; shares authorized - 30,000,000 shares; issued and outstanding 4,744,720 at December 31, 2010 and December 31, 2009 | 36,311 | 36,275 |
| Common stock warrant | 622 | 622 |
| Retained earnings | 10,161 | 10,615 |
| Accumulated other comprehensive income (loss), net of taxes | 98 | 4 |
| Total shareholders' equity | 55,309 | 55,505 |
| Total liabilities and shareholders' equity | \$ 347,933 | \$ 340,400 |

Earnings Summary (In Thousands)

| | Three Months Ended | | Twelve Months Ended | |
|--|--------------------|----------------------|---------------------|----------------------|
| | December 31, 2010 | December 31, 2009 | December 31, 2010 | December 31, 2009 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Statement of Income Data: | | | | |
| Net interest income | \$ 3,818 | \$ 3,749 | \$ 15,333 | \$ 15,093 |
| Provision for loan losses | 1,000 | 1,200 | 3,860 | 3,650 |
| Non-interest income | 285 | 248 | 1,263 | 1,099 |
| Non-interest expense | 2,357 | 2,191 | 9,553 | 8,999 |
| Provision for income taxes | 310 | 251 | 1,376 | 1,462 |
| Net income | <u>\$ 436</u> | <u>\$ 355</u> | <u>\$ 1,807</u> | <u>\$ 2,081</u> |
| Less: preferred dividends | 138 | 137 | 552 | 510 |
| Net income available for common stockholders | <u>\$ 298</u> | <u>\$ 218</u> | <u>\$ 1,255</u> | <u>\$ 1,571</u> |
| Selected per Common Share Data: | | | | |
| Basic earnings per common share | \$ 0.06 | \$ 0.05 | \$ 0.26 | \$ 0.33 |
| Diluted earnings per common share | \$ 0.06 | \$ 0.05 | \$ 0.26 | \$ 0.33 |
| Book value per common share (2)(3) | \$ 9.95 | \$ 10.01 | \$ 9.95 | \$ 10.01 |
| Selected Balance Sheet Data: | | | | |
| Assets | \$ 347,933 | \$ 340,400 | \$ 347,933 | \$ 340,400 |
| Loans, net | 279,639 | 288,277 | 279,639 | 288,277 |
| Deposits | 279,977 | 264,253 | 279,977 | 264,253 |
| Average assets | 353,405 | 343,461 | 351,386 | 353,790 |
| Average earnings assets | 340,501 | 326,142 | 336,905 | 337,705 |
| Average shareholders' equity | 56,376 | 56,010 | 56,197 | 56,190 |
| Average common shareholders' equity | 47,752 | 47,427 | 47,540 | 47,643 |
| Nonperforming loans | 12,713 | 11,653 | 12,713 | 11,653 |
| Total nonperforming assets | 13,472 | 11,697 | 13,472 | 11,697 |
| Selected Ratios: | | | | |
| Return on average assets (1) | 0.49% | 0.41% | 0.51% | 0.59% |
| Return on average common equity (1) | 2.48% | 1.82% | 2.64% | 3.30% |
| Return on average common tangible equity (1) | 2.71% | 2.00% | 2.89% | 3.61% |
| Efficiency ratio | 57.45% | 54.82% | 57.56% | 55.58% |
| Net interest margin (1) | 4.45% | 4.56% | 4.55% | 4.47% |
| Tier 1 leverage capital ratio | 14.6% | 15.1% | 14.6% | 15.1% |
| Tier 1 risk-based capital ratio | 18.6% | 18.1% | 18.6% | 18.1% |
| Total risk-based capital ratio | 19.8% | 19.3% | 19.8% | 19.3% |
| Common dividend payout ratio (4) | 143.29% | 195.87% | 136.10% | 108.72% |
| Average equity to average assets | 15.95% | 16.31% | 15.99% | 15.88% |
| Nonperforming loans to total loans (2) | 4.45% | 3.98% | 4.45% | 3.98% |
| Nonperforming assets to total assets (2) | 3.87% | 3.44% | 3.87% | 3.44% |
| Allowance for loan losses to total loans (2) | 2.12% | 1.62% | 2.12% | 1.62% |
| Allowance for loan losses to nonperforming loans (2) | 47.65% | 40.65% | 47.65% | 40.65% |

(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