

News Release

For Immediate Release

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Summit State Bank Reports 26% Increase in Third Quarter Net Income

SANTA ROSA, CA – (October 27, 2011) – Summit State Bank (NASDAQ: SSBI) today reported net income for the quarter ended September 30, 2011 of \$409,000 or \$0.04 per common share.

Net Income and Results of Operations

The Bank had net income of \$409,000 and net income available for common stockholders, which deducts the preferred dividends, of \$207,000, or \$0.04 per diluted share, for the quarter ended September 30, 2011. This represented a 26% increase compared to net income of \$325,000 and net income available for common stockholders of \$187,000, or \$0.04 per diluted share, for the quarter ended September 30, 2010.

Net income available for common stockholders was impacted from the timing of the payment of the preferred dividends paid at the retirement of the CPP preferred stock and the newly issued preferred stock from the Small Business Lending Fund of the U.S. Treasury. \$202,000 was recorded in preferred dividends in the third quarter of 2011 compared to \$138,000 in the third quarter of 2010.

Net income for the nine months ended September 30, 2011 was \$1,676,000, net income available for common stockholders was \$1,198,000 or \$0.25 per diluted share compared to net income of \$1,371,000, net income available for common stockholders of \$957,000 or \$0.20 per diluted share for nine months ending September 30, 2010.

“Net income for the quarter was positively impacted by the continuing expansion of full banking relationships including the key-core deposits. Increased provision for loan loss to address former transaction focus was positively offset by net securities gains,” said Thomas Duryea, President and CEO. The provision for loan losses was \$1,600,000 for the quarter ended September 30, 2011 and \$3,000,000 for the nine month period compared to \$1,150,000 for the same quarter last year and \$2,860,000 for the nine months ended September 30, 2010. “The provision allowed the bank to resolve significant nonperforming loans related to former transactional focus,” stated Mr. Duryea.

The net interest margin for the third quarter of 2011 fell to 4.11% as result of reversal of interest due to a loan transferred to nonaccrual status during the quarter and bank increasing its investment portfolio to aid liquidity and earning assets in line with peers. The nine month net interest margin for 2011 was 4.52%, “The net interest margin should

rebound. Margin pressure, however, will continue to be a challenge in the current economic environment,” said Dennis Kelley, Chief Financial Officer.

Total deposits increased 15.9% at September 30, 2011 compared to December 31, 2010 to \$324,543,000, with core or relationship based deposits- demand, money market and savings - increasing 24.5% to \$126,867,000.

Total assets increased to \$395,082,000 at September 30, 2011, a 13.6% increase compared to \$347,933,000 at December 31, 2010.

Nonperforming loans declined to \$9,639,000 at September 30, 2011 compared to \$10,145,000 at June 30, 2011 and \$13,472,000 at December 31, 2010. Additionally, there was \$4,319,000 in foreclosed real estate at September 30, 2011 compared to \$1,317,000 at June 30, 2011. The nonaccrual loans are primarily collateralized by real estate. Additionally at September 30, 2011 there were two loans totaling \$731,000 past due 30 to 89 days.

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 18.3% and a Total risk-based capital ratio of 19.6% at September 30, 2011. ”During the third quarter, the bank exchanged the preferred stock under the CPP program of the U.S. Treasury for additional preferred stock issued under the Small Business Lending Fund and retired the warrants that were issued to the U.S. Treasury,” said Dennis Kelley, Chief Financial Officer.

About Summit State Bank

Summit State Bank has total assets of \$395 million and total equity of \$61 million at September 30, 2011. Headquartered in Sonoma County, the Bank provides diverse financial products and services throughout Sonoma, Napa, San Francisco, and Marin Counties. Summit State Bank is a Premier Performing Bank, earning the highest Findley Reports designation of all Sonoma County-based banks. 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 | | Nine Months Ended | |
|---|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | September 30, 2011 (Unaudited) | September 30, 2010 (Unaudited) | September 30, 2011 (Unaudited) | September 30, 2010 (Unaudited) |
| Interest income: | | | | |
| Interest and fees on loans | \$ 3,915 | \$ 4,350 | \$ 12,546 | \$ 13,194 |
| Interest on Federal funds sold | - | 11 | 5 | 19 |
| Interest on investment securities and deposits in banks | 710 | 343 | 1,826 | 1,041 |
| Dividends on FHLB stock | 1 | 3 | 5 | 7 |
| | 4,626 | 4,707 | 14,382 | 14,261 |
| Total interest income | | | | |
| Interest expense: | | | | |
| Deposits | 669 | 737 | 1,995 | 2,344 |
| FHLB advances | 84 | 130 | 256 | 402 |
| | 753 | 867 | 2,251 | 2,746 |
| Total interest expense | | | | |
| Net interest income before provision for loan losses | 3,873 | 3,840 | 12,131 | 11,515 |
| Provision for loan losses | 1,600 | 1,150 | 3,000 | 2,860 |
| | 2,273 | 2,690 | 9,131 | 8,655 |
| Net interest income after provision for loan losses | | | | |
| Non-interest income: | | | | |
| Service charges on deposit accounts | 140 | 100 | 388 | 289 |
| Office leases | 116 | 140 | 395 | 401 |
| Net securities gains | 655 | - | 655 | 150 |
| Loan servicing, net | 6 | 10 | 20 | 31 |
| Securities impairment | - | (24) | - | (24) |
| Other income | 16 | 74 | 18 | 131 |
| | 933 | 300 | 1,476 | 978 |
| Total non-interest income | | | | |
| Non-interest expense: | | | | |
| Salaries and employee benefits | 1,217 | 1,201 | 3,847 | 3,620 |
| Occupancy and equipment | 374 | 410 | 1,214 | 1,201 |
| Other expenses | 937 | 774 | 2,697 | 2,375 |
| | 2,528 | 2,385 | 7,758 | 7,196 |
| Total non-interest expense | | | | |
| Income before provision for income taxes | 678 | 605 | 2,849 | 2,437 |
| Provision for income taxes | 269 | 280 | 1,173 | 1,066 |
| | 409 | 325 | 1,676 | 1,371 |
| Net income | | | | |
| Less: preferred dividends | 202 | 138 | 478 | 414 |
| | 207 | 187 | 1,198 | 957 |
| Net income available for common stockholders | | | | |
| Basic earnings per common share | \$ 0.04 | \$ 0.04 | \$ 0.25 | \$ 0.20 |
| Diluted earnings per common share | \$ 0.04 | \$ 0.04 | \$ 0.25 | \$ 0.20 |
| Basic weighted average shares of common stock outstanding | 4,745 | 4,745 | 4,745 | 4,745 |
| Diluted weighted average shares of common stock outstanding | 4,745 | 4,783 | 4,745 | 4,777 |

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

| | September 30, 2011 | December 31, 2010 | September 30, 2010 |
|---|-------------------------------|------------------------------|-------------------------------|
| | (Unaudited) | | (Unaudited) |
| ASSETS | | | |
| Cash and due from banks | \$ 19,169 | \$ 4,542 | \$ 5,119 |
| Federal funds sold | - | 7,940 | 12,835 |
| Total cash and cash equivalents | 19,169 | 12,482 | 17,954 |
| Available-for-sale investment securities - amortized cost of \$77,730 in 2011 and \$33,472 in 2010 | 79,914 | 33,642 | 31,260 |
| Loans, less allowance for loan losses of \$7,054 in 2011 and \$6,058 in 2010 | 271,687 | 280,398 | 282,748 |
| Bank premises and equipment, net | 6,883 | 7,304 | 7,403 |
| Investment in Federal Home Loan Bank stock, at cost | 2,296 | 2,614 | 2,723 |
| Goodwill | 4,119 | 4,119 | 4,119 |
| Accrued interest receivable and other assets | 11,014 | 7,374 | 6,809 |
| Total assets | \$ 395,082 | \$ 347,933 | \$ 353,016 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Deposits: | | | |
| Demand - non interest-bearing | \$ 33,712 | \$ 23,594 | \$ 27,558 |
| Demand - interest-bearing | 26,861 | 24,421 | 25,021 |
| Savings | 22,678 | 15,849 | 12,809 |
| Money market | 43,616 | 38,063 | 38,052 |
| Time deposits, \$100 thousand and over | 143,357 | 113,187 | 111,411 |
| Other time deposits | 54,319 | 64,863 | 69,041 |
| Total deposits | 324,543 | 279,977 | 283,892 |
| Federal Home Loan Bank (FHLB) advances | 7,000 | 12,000 | 12,000 |
| Accrued interest payable and other liabilities | 2,189 | 647 | 887 |
| Total liabilities | 333,732 | 292,624 | 296,779 |
| Shareholders' equity | | | |
| Preferred stock, no par value; 20,000,000 shares authorized; shares issued and outstanding - 13,750 in 2011 and 8,500 in 2010; per share redemption of \$1,000 for total liquidation preference of \$13,750 and \$8,500 | 13,666 | 8,117 | 8,085 |
| Common stock, no par value; shares authorized - 30,000,000 shares; issued and outstanding 4,744,720 at September 30, 2011 and December 31, 2010 | 36,341 | 36,311 | 36,300 |
| Common stock warrant | - | 622 | 622 |
| Retained earnings | 10,077 | 10,161 | 10,291 |
| Accumulated other comprehensive income, net of taxes | 1,266 | 98 | 939 |
| Total shareholders' equity | 61,350 | 55,309 | 56,237 |
| Total liabilities and shareholders' equity | \$ 395,082 | \$ 347,933 | \$ 353,016 |

Earnings Summary
(In Thousands)

| | Three Months Ended | | Nine Months Ended | |
|--|--------------------|--------------------|--------------------|--------------------|
| | September 30, 2011 | September 30, 2010 | September 30, 2011 | September 30, 2010 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Statement of Income Data: | | | | |
| Net interest income | \$ 3,873 | \$ 3,840 | \$ 12,131 | \$ 11,515 |
| Provision for loan losses | 1,600 | 1,150 | 3,000 | 2,860 |
| Non-interest income | 933 | 300 | 1,476 | 978 |
| Non-interest expense | 2,528 | 2,385 | 7,758 | 7,196 |
| Provision for income taxes | 269 | 280 | 1,173 | 1,066 |
| Net income | <u>\$ 409</u> | <u>\$ 325</u> | <u>\$ 1,676</u> | <u>\$ 1,371</u> |
| Less: preferred dividends | <u>202</u> | <u>138</u> | <u>478</u> | <u>414</u> |
| Net income available for common stockholders | <u>\$ 207</u> | <u>\$ 187</u> | <u>\$ 1,198</u> | <u>\$ 957</u> |
| Selected per Common Share Data: | | | | |
| Basic earnings per common share | \$ 0.04 | \$ 0.04 | \$ 0.25 | \$ 0.20 |
| Diluted earnings per common share | \$ 0.04 | \$ 0.04 | \$ 0.25 | \$ 0.20 |
| Book value per common share (2)(3) | \$ 10.05 | \$ 10.15 | \$ 10.05 | \$ 10.15 |
| Selected Balance Sheet Data: | | | | |
| Assets | \$ 395,082 | \$ 353,016 | \$ 395,082 | \$ 353,016 |
| Loans, net | 271,687 | 282,748 | 271,687 | 282,748 |
| Deposits | 324,543 | 283,892 | 324,543 | 283,892 |
| Average assets | 387,308 | 354,936 | 372,623 | 350,706 |
| Average earnings assets | 373,872 | 336,709 | 358,809 | 332,886 |
| Average shareholders' equity | 59,863 | 56,480 | 57,109 | 56,113 |
| Average common shareholders' equity | 47,831 | 47,806 | 47,247 | 48,454 |
| Nonperforming loans | 9,639 | 14,104 | 9,639 | 14,104 |
| Total nonperforming assets | 13,958 | 14,104 | 13,958 | 14,104 |
| Selected Ratios: | | | | |
| Return on average assets (1) | 0.42% | 0.36% | 0.60% | 0.52% |
| Return on average common equity (1) | 1.72% | 1.55% | 3.39% | 2.64% |
| Return on average common tangible equity (1) | 1.88% | 1.70% | 3.71% | 2.89% |
| Efficiency ratio | 52.60% | 57.61% | 57.01% | 57.60% |
| Net interest margin (1) | 4.11% | 4.52% | 4.52% | 4.62% |
| Tier 1 leverage capital ratio | 14.6% | 14.60% | 14.6% | 14.6% |
| Tier 1 risk-based capital ratio | 17.5% | 18.30% | 17.5% | 18.3% |
| Total risk-based capital ratio | 19.6% | 19.60% | 19.6% | 19.6% |
| Common dividend payout ratio (4) | 206.3% | 228.34% | 71.29% | 133.86% |
| Average equity to average assets | 15.46% | 15.91% | 15.33% | 16.00% |
| Nonperforming loans to total loans (2) | 3.46% | 4.87% | 3.46% | 4.87% |
| Nonperforming assets to total assets (2) | 3.53% | 4.00% | 3.53% | 4.00% |
| Allowance for loan losses to total loans (2) | 2.53% | 2.37% | 2.53% | 2.37% |
| Allowance for loan losses to nonperforming loans (2) | 73.18% | 48.67% | 73.18% | 48.67% |

(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