

SUMMIT
STATE BANK



*Keeping
Your
Interest
First*

FIRST QUARTER REPORT
2006

SUMMIT STATE BANK
P.O. Box 6188, Santa Rosa, CA 95406


Statement of Condition

in dollars (unaudited)	As of March 31, 2006	As of March 31, 2005
Cash and Investments	\$ 29,705,000	\$ 34,834,000
Loans Receivable, net	238,499,000	203,691,000
Premises and Fixed Assets (net)	8,506,000	8,725,000
Stock in Federal Home Loan Bank	2,273,000	1,513,000
Goodwill	4,119,000	4,119,000
Accrued Interest Receivable and Other Assets	3,619,000	3,000,000
Total Assets	286,721,000	255,882,000
Deposits	238,182,000	204,112,000
Advances from FHLB & Other Borrowings	20,796,000	25,918,000
Other Liabilities	310,000	260,000
Total Liabilities	259,288,000	230,290,000
Capital Stock	17,395,000	17,395,000
Additional Paid-in Capital	0	0
Retained Earnings	10,362,000	8,309,000
Accumulated Other Comprehensive Loss, Net of Taxes	(324,000)	(112,000)
Total Stockholders' Equity	27,433,000	25,592,000
Total Liabilities and Stockholders' Equity	\$286,721,000	\$255,882,000



Statement of Income

in dollars (unaudited)	Quarter Ended March 31,	
	2006	2005
Interest and Fees on Loans	\$4,321,000	\$3,193,000
Interest on Federal Funds and Investments	602,000	251,000
Total Interest Income	4,923,000	3,444,000
Interest on Deposit Accounts	1,867,000	852,000
Interest on Borrowed Funds	204,000	228,000
Total Interest Expense	2,071,000	1,080,000
Net Interest Income	2,852,000	2,364,000
Deposit Service Fees	72,000	106,000
Gain on Sale of Loans	17,000	91,000
Office Lease Income	151,000	95,000
Other Income	52,000	77,000
Total Other Income	292,000	369,000
Income Before Operating Expense	3,144,000	2,733,000
Salaries and Employee Benefits	858,000	779,000
Occupancy and Equipment	323,000	277,000
Other Expenses	572,000	516,000
Total Operating Expense	1,753,000	1,572,000
Income Before Loan Loss and Taxes	1,391,000	1,161,000
Provision for Loan Loss	111,000	111,000
Provision for Income Taxes	530,000	432,000
Net Income	\$750,000	\$618,000
Earnings per Share	\$0.45	\$0.37

Financial Highlights for the Three Months Ending March 31, 2006

Annualized Return on Average Assets	0.95%
Annualized Return on Beginning Tangible Equity	13.27%
Annualized Return on Beginning Equity	11.25%
Tier 1 Capital Leverage Percentage	7.60%
Tier 1 Risk Based Capital Percentage	9.23%
Total Risk Based Capital Percentage	10.49%
Book Value per Share	\$16.32
Shares Outstanding at end of period	1,680,715
Growth over last 12 months:	
Assets	12%
Loans	17%
Deposits	17%
Stockholders' Equity	7%

Directors

John C. Lewis, *Chairman of the Board*

Terrance M. Davis	Allan J. Hemphill
John F. DeMeo	Jeanne D. Hubbard
Michael J. Donovan	Ron Metcalfe
Richard A. Dorr	Marshall T. Reynolds
Todd Fry	Robert B. St. Clair
George I. Hamamoto	Eugene W. Traverso

Officers

John C. Lewis, *Chief Executive Officer*
 Terrance M. Davis, *President/Chief Operating Officer*
 Dennis E. Kelley, *Sr. Vice President/Chief Financial Officer*
 Doug Haigh, *Sr. Vice President/Chief Credit Officer*
 Josh Cox, *Sr. Vice President/Marketing Director*
 Nancy Farber, *Corporate Secretary*
 Linda Bertauche, *Vice President/Compliance Officer*
 Diane Berthinier, *Vice President/Sr. Operations Manager*
 Sheila Cargill, *Vice President/Loan Operations*
 Patricia Davis, *Vice President/Human Resources*
 Michael Downey, *Vice President/Business Development*
 Tom Duryea, *Vice President/Commercial Loan Officer*
 Marshall MacDonald, *Vice President/Construction Loan Officer*
 Jacqueline A. Peterson, *Vice President/Business Develop.*
 Gail Baker, *Assistant Vice President/Branch Manager*
 Sheila Rhoda, *Assistant Vice President/Branch Manager*
 Brenda Towle, *Assistant Vice President/Branch Manager*

Offices

Santa Rosa
 500 Bicentennial Way
 Santa Rosa, CA 95403
 Admin (707) 568-6000
 Branch (707) 568-6100

Montgomery Village
 2300 Midway Drive
 Santa Rosa, CA 95405
 (707) 568-4975

Rohnert Park
 6305 Commerce Blvd.
 Rohnert Park, CA 94928
 (707) 568-4955

Windsor
 8836 Lakewood Drive
 Windsor, CA 95492
 (707) 568-4965

To Our Shareholders and Friends:

We are off to a good start for the year with First Quarter Net Income of \$750,000, a 21.35% increase over the same period last year. Earnings per share of \$0.45 for the quarter increased 21.6% over 2005.

Return on Average Assets (ROA) and Return on Beginning Equity (ROE) were .95% and 11.25%, respectively. Return on Beginning Tangible Equity was 13.27%.

The large deposits associated with our 1031 Tax Deferred Exchange Program left the Bank in the first quarter as predicted. Even so, total Deposits were up 16% over first quarter 2005, providing most of the funding for a 17.1% increase in Loans Receivable to \$238,499,000.

Total Assets grew by \$30,839,000 or 12.1% over first quarter 2005, and Stockholder Equity increased \$1,841,000, after Dividends.

We increased our investment in staff and marketing during the first quarter to focus on development of a retail core deposit strategy. The Board is currently evaluating data gathered over the past few months that will allow an informed decision as to site selection for our expansion strategy.

First quarter results were solid, and we remain optimistic that the sharp rise in short-term interest rates will not overly dampen business and real estate fundamentals that drive our commercial product lines.

Thank you for your continued support.

Sincerely,



John C. Lewis
Chairman and Chief Executive Officer



Terrance M. Davis
President and Chief Operating Officer