

## Offices

### **Santa Rosa**

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

### **Rohnert Park**

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

### **Montgomery Village**

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

### **Windsor**

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

www.summitstatebank.com



**SUMMIT  
STATE BANK**

**Keeping  
Your  
Interest  
First**

**SECOND QUARTER REPORT  
2006**

## Financial Highlights for the Six Months Ending June 30, 2006

Annualized Return on Average Assets	0.96%
Annualized Return on Average Equity	10.50%
Annualized Return on Average Tangible Equity	12.35%
Tier 1 Capital Leverage Ratio	8.3%
Tier 1 Risk-Based Capital Ratio	9.2%
Total Risk Based Capital Ratio	10.4%
Book Value per Share	\$8.23
Shares Outstanding at end of period	3,361,020
Growth over last 12 months:	
Assets	13%
Loans	14%
Deposits	11%
Stockholders' Equity	6%

### 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*  
Thomas Duryea, *Sr. Vice President/Chief Credit Officer*  
Josh Cox, *Sr. Vice President/Marketing Director*  
Diane Berthinier, *Sr. Vice President/Sr. Operations Manager*  
Jacqueline A. Peterson, *Reg. Vice President/Branch Manager*  
Nancy Farber, *Corporate Secretary*  
Linda Bertauche, *Vice President/Compliance Officer*  
Sheila Cargill, *Vice President/Loan Operations*  
Patricia Davis, *Vice President/Human Resources*  
Marshall MacDonald, *Vice President/Construction Loan Officer*  
Gail Baker, *Assistant Vice President/Branch Manager*  
D Marlowe, *Assistant Vice President/Branch Manager*  
Judy Reynolds, *Assistant Vice President/Branch Manager*  
Brenda Towle, *Assistant Vice President/Branch Manager*  
Becca Youngberg, *Assistant Vice President/Branch Manager*  
Patty Hoagland, *Assistant Vice President/Director of Info Svcs*

## To Our Shareholders and Friends:

Summit State Bank reported earnings of \$683,000 or \$0.20 per share for the second quarter ending June 30, 2006 compared to net income of \$770,000 or \$0.23 per share for the second quarter 2005.

Net Income for the six months ending June 30, 2006 showed an increase of 3.3% over the prior year with earnings of \$1,433,000 or \$0.42 per share compared to \$1,388,000 or \$0.41 per share in 2005.

The run up in short term rates has had the greatest impact in the Commercial/Industrial segment of the Loan Portfolio, reducing the volume of Government Guaranteed (SBA) Loan Sales. Fortunately, the Bank's relatively neutral Balance Sheet structure has reduced the impact of higher rates and their effect on Net Interest Margin.

Total Assets grew 5% during the quarter, with Loans growing 3%, and Deposits holding essentially flat.

We are committed to growth in Deposits, continuing growth in Total Assets, and pursuing opportunities that will enhance shareholder value. Toward those ends, we will be taking action in the third quarter to increase capital for future growth and branch expansion opportunities and implementing an extensive core deposit growth campaign.

Sincerely,

John C. Lewis  
*Chairman and Chief Executive Officer*

Terrance M. Davis  
*President and Chief Operating Officer*


**Statement of Condition**

in dollars (unaudited)	As of June 30, 2006	As of June 30, 2005
Cash and Investments	\$ 33,273,000	\$ 30,935,000
Loans Receivable, net	246,708,000	217,222,000
Premises and Fixed Assets (net)	8,406,000	8,996,000
Stock in Federal Home Loan Bank	2,609,000	1,393,000
Accrued Interest Receivable and Other Assets	8,413,000	7,069,000
<b>Total Assets</b>	<b>299,409,000</b>	<b>265,615,000</b>
Deposits	236,394,000	213,160,000
Advances from FHLB & Other Borrowings	34,666,000	26,004,000
Other Liabilities	679,000	313,000
<b>Total Liabilities</b>	<b>271,739,000</b>	<b>239,477,000</b>
Capital Stock	17,402,000	17,395,000
Retained Earnings	10,743,000	8,776,000
Accumulated Other Comprehensive Loss, net of tax	(475,000)	(33,000)
<b>Total Stockholders' Equity</b>	<b>27,670,000</b>	<b>26,138,000</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$299,409,000</b>	<b>\$265,615,000</b>

Additional financial and other information can be found at [www.summitstatebank.com](http://www.summitstatebank.com) under the Shareholder Relations tab.


**Statement of Operations**

in dollars (unaudited)	Quarter Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Interest on Loans	\$4,554,000	\$3,509,000	\$8,824,000	\$6,642,000
Interest on Investments	366,000	309,000	967,000	559,000
<b>Total Interest Income</b>	<b>4,920,000</b>	<b>3,818,000</b>	<b>9,791,000</b>	<b>7,201,000</b>
Interest on Deposit Accounts	1,759,000	1,008,000	3,625,000	1,863,000
Interest on Borrowed Funds	469,000	219,000	672,000	443,000
<b>Total Interest Expense</b>	<b>2,228,000</b>	<b>1,227,000</b>	<b>4,297,000</b>	<b>2,306,000</b>
Provision for Loan Loss	111,000	111,000	222,000	222,000
<b>Net Interest Income After Provision for Loan Losses</b>	<b>2,581,000</b>	<b>2,480,000</b>	<b>5,272,000</b>	<b>4,673,000</b>
Deposit Service Fees	78,000	226,000	162,000	386,000
Gain on Sale of Loans	5,000	29,000	22,000	120,000
Other Income	251,000	214,000	472,000	384,000
<b>Total Other Income</b>	<b>334,000</b>	<b>469,000</b>	<b>656,000</b>	<b>872,000</b>
Salaries and Employee Benefits	890,000	754,000	1,767,000	1,546,000
Occupancy and Equipment	339,000	274,000	661,000	551,000
Other Expenses	496,000	612,000	1,030,000	1,089,000
<b>Total Operating Expense</b>	<b>1,725,000</b>	<b>1,640,000</b>	<b>3,458,000</b>	<b>3,186,000</b>
<b>Income Before Provision for Income Taxes</b>	<b>1,190,000</b>	<b>1,309,000</b>	<b>2,470,000</b>	<b>2,359,000</b>
Provision for Income Taxes	507,000	539,000	1,037,000	971,000
<b>Net Income</b>	<b>\$683,000</b>	<b>\$770,000</b>	<b>\$1,433,000</b>	<b>\$1,388,000</b>
<b>Basic Earnings per Share</b>	<b>\$0.20</b>	<b>\$0.23</b>	<b>\$0.43</b>	<b>\$0.41</b>
<b>Diluted Earnings per Share</b>	<b>\$0.20</b>	<b>\$0.23</b>	<b>\$0.42</b>	<b>\$0.41</b>