

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*

**THIRD QUARTER REPORT
2006**

Financial Highlights for the Nine Months Ending September 30, 2006

Annualized Return on Average Assets	0.96%
Annualized Return on Average Equity	8.77%
Annualized Return on Average Tangible Equity	10.02%
Tier 1 Capital Leverage Ratio	14.6%
Tier 1 Risk-Based Capital Ratio	16.5%
Total Risk Based Capital Ratio	17.7%
Book Value per Share	\$9.93
Shares Outstanding at end of period	4,794,720
Growth over last 12 months:	
Assets	-14%
Loans	7%
Deposits	-28%
Stockholders' Equity	79%

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, CEO & Chairman
Terrance M. Davis, President/COO
Dennis E. Kelley, SVP/CFO
Thomas Duryea, SVP/CCO
Josh Cox, SVP/Marketing
Diane Berthinier, SVP/Branch Administrator
Nancy Farber, Corporate Secretary
Jacqueline A. Peterson, RVP/Branch Manager
Linda Bertauche, VP/Compliance
Sheila Cargill, VP/Loan Operations
Patricia Davis, VP/Human Resources
Wayne Hoffer, VP/Commercial Loans
Marshall MacDonald, VP/Construction Loans
Gail Baker, AVP/Branch Manager
Brenda Flory, AVP/Loan Operations
Patty Hoagland, AVP/Information Services
D Marlowe, AVP/Branch Manager
Judy Reynolds, AVP/Branch Manager
Becca Youngberg, AVP/Branch Manager

To Our Shareholders and Friends:

Last year, assets and earnings were boosted in the third and fourth quarters by a very large temporary deposit of approximately \$86,000,000 from the 1031 Tax Deferred Exchange Program.

This year, without the advantage of such an unusual deposit, Third Quarter Net Income of \$734,000 was up slightly from Second Quarter earnings, but down from the \$823,000 reported in Third Quarter 2005. Year to date, Net Income was \$2,167,000, or \$44,000 less than the nine-month period of 2005.

For the nine months ended, September 30, 2006, annualized Return on Average Equity (ROE) was 8.77% while Annualized Return on Average Assets (ROA) was 0.96%. Earnings per share for the third quarter were 16 cents, down from the 24 cents (adjusted for the stock split issued in June 2006) reported in 2005, primarily due to the additional shares issued during the IPO, and secondarily due to lower earnings.

Deposits decreased \$86,357,000 due to the withdrawal of the 1031 Exchange monies mentioned above and impacted Total Assets with a decrease of \$50,345,000 to \$303,546,000.

Loans Receivable grew \$16,795,000 or 7.2%, to \$248,546,000; and Stockholders Equity increased \$20,968,000 year-over-year, resulting primarily from the successful Initial Public Offering (IPO) in July.

The Bank continues to enjoy organic growth in deposits and loans, albeit somewhat overshadowed by the movement of one very large deposit account. While the inverted yield curve and stiff deposit competition continues pressure on spreads, growth in volume continues to generate increased Net Interest Income. Our increased Capital is allowing us to pursue more frequent opportunities with larger clients and projects, and places us in a position to consider other opportunities as they occur.

Thank you for your continued support.

Sincerely,

John C. Lewis
Chairman and CEO

Terrance M. Davis
President and CEO


Statement of Condition

in dollars (unaudited)	As of September 30, 2006	As of September 30, 2005
Cash and Investments	\$ 36,453,000	\$ 104,415,000
Loans Receivable, net	248,546,000	231,751,000
Premises and Fixed Assets (net)	8,290,000	8,818,000
Stock in Federal Home Loan Bank	1,876,000	1,434,000
Accrued Interest Receivable and Other Assets	8,381,000	7,473,000
Total Assets	303,546,000	353,891,000
Deposits	224,751,000	311,108,000
Advances from FHLB & Other Borrowings	30,558,000	15,579,000
Other Liabilities	646,000	581,000
Total Liabilities	255,955,000	327,268,000
Capital Stock	36,724,000	17,395,000
Retained Earnings	11,047,000	9,297,000
Current Year Endings	(180,000)	(69,000)
Total Stockholders' Equity	47,591,000	26,623,000
Total Liabilities and Stockholders' Equity	\$303,546,000	\$353,891,000

Additional financial and other information can be found at www.summitstatebank.com under the Shareholder Relations tab.


Statement of Income

in dollars (unaudited)	Quarter Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Interest on Loans	\$4,771,000	\$3,768,000	\$13,595,000	\$10,409,000
Interest on Investments	484,000	691,000	1,450,000	1,251,000
Total Interest Income	5,255,000	4,459,000	15,045,000	11,660,000
Interest on Deposit Accounts	2,059,000	1,555,000	5,684,000	3,418,000
Interest on Borrowed Funds	369,000	204,000	1,041,000	647,000
Total Interest Expense	2,428,000	1,759,000	6,725,000	4,065,000
Provision for Loan Loss	31,000	111,000	253,000	333,000
Net Interest Income After Provision for Loan Losses	2,796,000	2,589,000	8,067,000	7,262,000
Deposit Service Fees	100,000	130,000	262,000	498,000
Gain on Sale of Loans	40,000	225,000	63,000	345,000
Other Income	205,000	229,000	677,000	613,000
Total Other Income	345,000	584,000	1,002,000	1,456,000
Salaries and Employee Benefits	929,000	738,000	2,696,000	2,284,000
Occupancy and Equipment	335,000	332,000	996,000	883,000
Other Expenses	628,000	718,000	1,658,000	1,807,000
Total Operating Expense	1,892,000	1,788,000	5,350,000	4,974,000
Income Before Provision for Income Taxes	1,249,000	1,385,000	3,719,000	3,744,000
Provision for Income Taxes	515,000	562,000	1,552,000	1,533,000
Net Income	\$734,000	\$823,000	\$2,167,000	\$2,211,000
Basic Earnings per Share	\$0.16	\$0.24	\$0.57	\$0.66
Diluted Earnings per Share	\$0.16	\$0.24	\$0.57	\$0.66
Basic Weighted Average Shares	4,579,000	3,361,000	3,772,000	3,361,000
Diluted Weighted Average Shares	4,625,000	3,361,000	3,817,000	3,361,000