


**Statement of Condition**  
(in thousands)

in dollars (unaudited)	As of March 31, 2008	As of March 31, 2007
Cash and Investments	\$ 48,281	\$ 47,933
Loans Receivable, net	266,755	256,521
Premises and Fixed Assets (net)	8,291	8,228
Stock in Federal Home Loan Bank	2,546	2,181
Goodwill	4,119	4,119
Accrued Interest Receivable and Other Assets	4,227	4,359
<b>Total Assets</b>	<b>334,219</b>	<b>323,341</b>
Deposits	234,915	238,451
FHLB Advances & Other Borrowings	50,781	36,100
Other Liabilities	1,021	550
<b>Total Liabilities</b>	<b>286,717</b>	<b>275,101</b>
Capital Stock	36,238	36,956
Retained Earnings	11,258	11,413
Accumulated Other Comprehensive Income (loss) net of taxes	6	(129)
<b>Total Stockholders' Equity</b>	<b>47,502</b>	<b>48,240</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>334,219</b>	<b>323,341</b>

Quarterly report on Form 10-Q is available at [www.summitstatebank.com](http://www.summitstatebank.com) or by contacting Summit State Bank


**Statement of Income**  
(in thousands, except for earnings per share)

(unaudited)	Quarter Ended March 31,	
	2008	2007
Interest and Fees on Loans	\$ 4,741	\$ 4,962
Interest on Federal funds and Investments	701	571
<b>Total Interest Income</b>	<b>5,442</b>	<b>5,533</b>
Interest on Deposit Accounts	\$ 2,292	2,345
Interest on Borrowed Funds	503	424
<b>Total Interest Expense</b>	<b>2,795</b>	<b>2,769</b>
<b>Net Interest Income Before Provision for Loan Losses</b>	<b>2,647</b>	<b>2,764</b>
Provision for Loan Loss	155	71
<b>Net Interest Income after Provision for Loan Losses</b>	<b>2,492</b>	<b>2,693</b>
Deposit Service Fees	113	85
Gain on Sale of Loans		14
Office Lease Income	159	166
Other Income	18	29
<b>Total Other Income</b>	<b>290</b>	<b>294</b>
Salaries and Employee Benefits	1,292	999
Occupancy and Equipment	417	367
Other Expenses	681	614
<b>Total Operating Expense</b>	<b>2,390</b>	<b>1,980</b>
<b>Income Before Taxes</b>	<b>392</b>	<b>1,007</b>
Provision for Income Taxes	162	415
<b>Net Income</b>	<b>\$ 230</b>	<b>\$ 592</b>
<b>Diluted Earnings per Share</b>	<b>\$ 0.05</b>	<b>\$ 0.12</b>
<b>Diluted Weighted Average Shares Outstanding</b>	<b>4,747</b>	<b>4,842</b>

## 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

### Petaluma

701 Sonoma Mountain Parkway  
Petaluma, CA 94954  
(707) 283-1120

### Rohnert Park

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

### Windsor

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

[www.summitstatebank.com](http://www.summitstatebank.com)



**SUMMIT  
STATE BANK**

**Keeping  
Your  
Interest  
First**

**FIRST QUARTER REPORT  
2008**

## Financial Highlights for the Three Months Ending March 31, 2008

Annualized Return on Average Assets	0.27%
Annualized Return on Average Equity	1.94%
Annualized Return on Average Tangible Equity	2.12%

Book Value Per Share	\$10.01
Shares Outstanding at end of period	4,744,720

Growth over last 12 months:	
Assets	3%
Loans	4%
Deposits	-1%
Stockholders' Equity	-2%

## Directors 2008

John C. Lewis, Chairman of the Board	
John F. DeMeo	Allan J. Hemphill
Michael J. Donovan	Jeanne D. Hubbard
Richard A. Dorr	Ron Metcalfe
Thomas M. Duryea	Marshall T. Reynolds
Todd Fry	Robert B. St. Clair
George I. Hamamoto	Eugene W. Traverso

## Officers

Thomas M. Duryea, *President/CEO*  
Dennis E. Kelley, *SVP/CFO*  
Guy C. Dana, *SVP/CCO*  
Linda Bertauche, *SVP/Compliance*  
Sheila Cargill, *SVP/Loan Operations*  
Jan Southard, *SVP/Branch Administrator*  
Jacqueline A. Peterson, *RVP*  
Nancy Farber, *Corporate Secretary*  
Jeffrey Barnell, *VP/Marketing*  
Wayne Hoffer, *VP/Commercial Loans*  
Larry Lee, *VP/Commercial Real Estate Loans*  
Marshall MacDonald, *VP/Construction Loans*  
Twyla Jacobson, *Controller*  
Gail Baker, *AVP/Branch Manager*  
Brenda Flory, *AVP/Loan Operations*  
Cindy Hanson, *AVP/Branch Operations*  
Patty Hoagland, *AVP/Information Services*  
D Marlowe, *AVP/Branch Manager*  
Judy Reynolds, *AVP/Branch Manager*  
Candy Yandell, *AVP/Branch Manager*

## To Our Shareholders and Friends:

The first quarter was marked by changes in Summit's senior management team. I retired as the Chief Executive Officer and Terrance Davis resigned as the President and Chief Operating Officer. The Board promoted Tom Duryea, the Bank's Chief Lending Officer to President and CEO. Tom is implementing plans to improve the operating efficiency of the Bank, lower the cost of funds and to grow the bank through quality loans. One step toward greater operational efficiency was the entering into a contract to change our core data processor. The conversion will take place during the second and third quarters and should enhance our competitive position.

The Bank had net income of \$230,000, or \$0.05 per diluted share for the quarter ended March 31, 2008. This compares to net income of \$592,000, or \$0.12 per diluted share for the first quarter of 2007. Net income for the first quarter of 2008 was negatively impacted by \$191,000 of after tax expenses related to the change in senior officers and the change in our core data processor. Excluding the after tax impact of these expenses, net income for the first quarter of 2008 would have been \$421,000, or \$0.09 per diluted share.

The Bank's lending focus has been on commercial lending, commercial real estate and construction lending. Residential home mortgage lending has been minimal over the past several years and the Bank has not made loans that would be classified as subprime mortgage loans. Nonperforming assets at March 31, 2008 were modest at \$1,438,000 of loans on nonaccrual status.

The provision for loan losses was \$155,000 for the first quarter ended March 31, 2008 as compared to \$71,000 in the first quarter of 2007. The Bank had no loan charge-offs or loan recoveries during the first quarter of 2008. At March 31, 2008, the allowance for loan losses was \$3,776,000 and represented a ratio to gross loans of 1.40% and to nonperforming loans of 263%. These ratios compare to 1.37% and 169% at March 31, 2007.

The strong capital position of the Bank, together with our excellent loan quality, will enable the Bank to seize upon opportunities that arise while other institutions grapple with the problems that are in the news. We look forward to updating you on our progress as the year unfolds.

Thank you for your continued support of Summit State Bank.

Sincerely,

Thomas M. Duryea  
President & CEO

John C. Lewis  
Chairman