

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

Petaluma

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

www.summitstatebank.com



**SUMMIT
STATE BANK**

**Keeping
Your
Interest
First**

SECOND QUARTER REPORT
2007

Financial Highlights for the Six Months Ending June 30, 2007

Annualized Return on Average Assets	0.62%
Annualized Return on Average Equity	4.15%
Annualized Return on Average Tangible Equity	4.54%
Tier 1 Capital Leverage Ratio	13.7%
Tier 1 Risk-Based Capital Ratio	15.5%
Total Risk Based Capital Ratio	16.7%
Book Value per Share	\$9.88
Shares Outstanding at End of Period	4,844,720
Growth over last 12 months:	
Assets	10%
Loans	7%
Deposits	4%
Stockholders' Equity	73%

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*
Linda Bertauche, *SVP/Compliance*
Diane Berthinier, *SVP/Branch Administrator*
Nancy Farber, *Corporate Secretary*
Jacqueline A. Peterson, *RVP/Branch Manager*
Sheila Cargill, *VP/Loan Operations*
Wayne Hoffer, *VP/Commercial Loans*
Twyla Jacobson, *Controller*
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*
Candy Yandell, *AVP/Branch Manager*

To Our Shareholders and Friends:

Earnings for the Second Quarter of 2007 were \$400,000 versus \$683,000 in the Second Quarter of 2006. While the Cost of Funds continues to be an issue, contributing to the \$283,000 decline was the \$260,000 provision to the Allowance for Loan and Lease Loss in the second quarter of 2007. For the first time since the granting of the Bank's charter in 1999, the collateral on a loan went into foreclosure, prompting the need for additional reserves.

In a year-over-year quarterly comparison, earnings were down \$0.12 per share with \$0.04 due to the increased number of shares from our IPO and \$0.08 from lower income.

Summit's Assets grew by 10.5% or \$31,000,000 over the preceding year, resulting primarily from \$17,000,000 growth in Loan Receivables and \$13,000,000 in increased Investments.

Funding the majority of the Asset growth was \$20,000,000 in increased Equity and a \$9,000,000 increase in Deposits.

The Petaluma Office opened in July, with a well-trained staff, custom service features, and local loan authority. As the Petaluma Office grows, there should be a moderating impact on the Cost of Funds, and the expectation over time is that will translate into an improved Net Interest Margin. While the industry fundamentals are not expected to change any time soon, we will continue to focus on providing high quality financial services in our marketplace.

Thank you for your continued support of Summit State Bank.

Sincerely,

John C. Lewis
Chairman and CEO

Terrance M. Davis
President and COO


Statement of Condition

in dollars (unaudited)	As of June 30, 2007	As of June 30, 2006
Cash and Investments	\$ 46,284,000	\$ 33,273,000
Loans Receivable, net	263,044,000	246,645,000
Premises and Fixed Assets (net)	8,482,000	8,406,000
Stock in Federal Home Loan Bank	3,305,000	2,609,000
Goodwill	4,119,000	4,119,000
Accrued Interest Receivable and Other Assets	5,498,000	4,294,000
Total Assets	330,732,000	299,346,000
Deposits	245,270,000	236,394,000
Advances from FHLB & Other Borrowings	36,721,000	34,666,000
Other Liabilities	873,000	616,000
Total Liabilities	282,864,000	271,676,000
Capital Stock	36,956,000	17,402,000
Retained Earnings	11,376,000	10,743,000
Accumulated Other Comprehensive Loss (net of taxes)	(464,000)	(475,000)
Total Stockholders' Equity	47,868,000	27,670,000
Total Liabilities and Stockholders' Equity	\$330,732,000	\$299,346,000

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 June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Interest on Loans	\$4,986,000	\$4,554,000	\$9,948,000	\$8,824,000
Interest on Investments	621,000	366,000	1,192,000	967,000
Total Interest Income	5,607,000	4,920,000	11,140,000	9,791,000
Interest on Deposit Accounts	2,426,000	1,759,000	4,771,000	3,625,000
Interest on Borrowed Funds	546,000	469,000	970,000	672,000
Total Interest Expense	2,972,000	2,228,000	5,741,000	4,297,000
Provision for Loan Loss	260,000	111,000	331,000	222,000
Net Interest Income After Provision for Loan Losses	2,375,000	2,581,000	5,068,000	5,272,000
Deposit Service Fees	95,000	78,000	181,000	162,000
Gain on Sale of Loans	27,000	5,000	41,000	22,000
Other Income	191,000	251,000	385,000	472,000
Total Other Income	313,000	334,000	607,000	656,000
Salaries and Employee Benefits	957,000	890,000	1,956,000	1,767,000
Occupancy and Equipment	390,000	339,000	757,000	661,000
Other Expenses	655,000	496,000	1,269,000	1,030,000
Total Operating Expense	2,002,000	1,725,000	3,982,000	3,458,000
Income Before Provision for Income Taxes	686,000	1,190,000	1,693,000	2,470,000
Provision for Income Taxes	286,000	507,000	701,000	1,037,000
Net Income	\$400,000	\$683,000	\$992,000	\$1,433,000
Diluted Earnings per Share	\$0.08	\$0.20	\$0.20	\$0.42
Diluted Weighted Average Shares	4,856,609	3,393,798	4,848,874	3,377,530