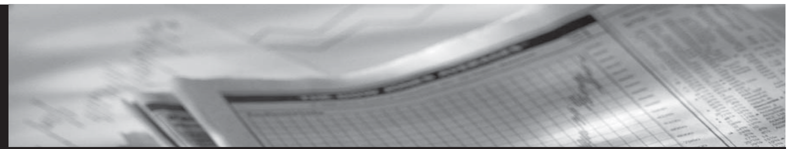
FINANCIAL HIGHLIGHTS

FOR THE YEAR ENDED	2008	2007	2006	2005	2004
Net Income	$2,088,279	$3,685,311	$3,740,612	$2,503,240	$1,624,358
Earnings per common share	$1.58	$2.37	$2.32	$1.47	$0.89
Earnings per common share - assuming dilution	$1.58	$2.37	$2.32	$1.47	$0.89
Cash Dividends per Share, declared	$0.375	$1.375	$0.375	$0.375	$0.375
AT YEAR END (in thousands)					
Deposits	$161,696	$160,158	$175,038	$145,422	$149,220
Loans (Net)	120,436	118,506	125,523	111,964	118,449
Assets	182,168	183,926	198,997	169,813	173,873
Shareholders' Equity	17,895	21,182	21,533	19,189	20,087
Non-performing Loans to Total Loans	2.70%	-	0.20%	-	1.51%
Allowance to Non-performing Loans	58.00%	-	11.06%	-	96.78%
Tier 1 Capital	12.62%	14.45%	14.03%	14.65%	14.34%
Total Capital	13.87%	15.60%	15.29%	15.91%	15.59%
Leverage Ratio	9.58%	11.28%	10.86%	11.02%	11.84%



Letter to Our Shareholders

There is no question the nation's economy is undergoing difficult times. We don't need to tell you that the events of 2008 will be one for the history books. We are encountering the worst financial stress that we have seen in our 40 year careers and no one can even suggest when the crisis will be over. It is certain the effects of this situation will be felt for many years to come.

Despite this unprecedented and historic tumultuous economy, we are very happy to tell you our bank's earnings may also be for the history books when compared to the performance of our competitors.

In 2008, there were 7,629 banks under $1 billion in total assets. Their average return of assets was .32%, while the average return on equity was 2.76%. Larger banks in contrast produced a return of assets of just .12% with a return on equity of 1.24%.

We take enormous pride that we have been able to produce a return on equity of 9.86% and a return on assets of 1.14% during this difficult period. In fact, in their June 2008 issue, U.S. Banker recognized us as number 41 in the nation among banks between $100 million and $3 billion in assets for our three-year return on assets.

Many banks have profited as a result of sub-prime lending and investments in securitized mortgage obligations. We have not, nor did we enter into either arena. As we stated to you last year, our strategy has been, and will continue to be, to focus on the basics of banking. This has served us so well over the past 27 years and has been the key to our 27 consecutive years of profitability.

Summit Bank has never wavered in our brand of basic business banking. We are committed to staying with these principles in the future. Summit Bank's management and directors are well aware of the challenges that lie ahead. We believe that interest rates will continue to be low during 2009. Consequently, we have implemented new strategies, which include placing interest rate floors on all loans to mitigate the erosion of our interest margins. This allows us to maintain a ratio to cover our expenses. In addition, we are reducing our overnight fund investments in exchange for longer terms to avoid the zero interest paid by the Fed on reserves. Our efficiency ratio continues to be excellent; nevertheless, we will be placing a stronger emphasis on controlling expenses, maintaining our productivity and controlling our cost of funds.

In addition, with the perceived uncertainty of the financial condition of the banking industry in general, we have opted to provide additional FDIC insurance coverage to our depositors by participating in the Temporary Liquidity Guarantee Program. This program allows us to offer additional FDIC insurance which would guarantee 100% of all account balances in eligible personal and business non-interest bearing checking accounts and up to $250,000 for all other interest bearing accounts. In order to offer this additional service Summit Bank pays an additional supplemental FDIC assessment fee, a fee we fully support in order to provide you with this exceptional service.

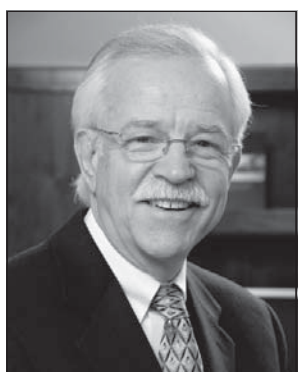
In 2009, we plan to focus primarily on risk management by assessing our liquidity risk, stress testing our loan portfolio on an ongoing basis and increasing our reserves dramatically. Our goal is to be pro active and prepare ourselves to look around the corner and expect the unexpected. We will take this very conservative step to protect us against the unknown effects of a potential further decline of the greater economy. In doing so, we anticipate that we will be well prepared to meet the needs of our community and take advantages of new opportunities in the future.

We will be taking a look at whether or not the payment of dividends is appropriate based upon our earnings and projections for capital needs until such time that we feel we are back to more stable times and the current crisis has abated.

No one can predict what the next twelve months will bring, but we know for certain the challenges will continue for all banks. Competition is more difficult than ever, but I am confident we will continue providing a positive return to you in what we expect to be the most difficult year in our history and perhaps for our country.

As always, we appreciate the continued support of our shareholders, customers and employees. As shareholders, we especially ask that you support us by doing business with the bank that you own and we will strive to be better tomorrow.


Shirley W. Nelson


C. Michael Ziemann


Steven P. Nelson

Shirley W. Nelson
Chairman and Chief Executive Officer

C. Michael Ziemann
President and Chief Financial Officer

Steven P. Nelson
Executive Vice President and Chief Operating Officer

Board of Directors

George Hollidge

George Hollidge has spent his entire life in the Bay Area. At the age of 15, he began working for his father's transmission company where his love of cars evolved from a mere passion to a successful career. George eventually took over the company in 1969 and ran it successfully for twenty-nine years before selling the business in 1998.

As one of Summit Bank's founders and directors, George recognizes the value of a well managed organization and champions Summit's ability to make each customer feel confident and in control of their finances. "In business, there is a comfort level in knowing who the big players are. As a customer of Summit Bank, I know there are a number of people I can call who have a direct effect on what's going on. The senior officers and directors are accessible, Mike and Shirley are accessible. If I have a problem or a question about one of my accounts, it is dealt with right away. If I need money tomorrow, I can get it. Summit offers a fast-action philosophy that provides customers with efficient, top-notch quality service in an intimate family environment."

Summit's smart conservative approach to lending is another area George sees as a defining quality that has allowed Summit the ability to sustain so many long term clients. "Summit doesn't evaluate a prospective loan opportunity simply based on an application. They take the time to visit a customers' property, kick the tires, evaluate the inventory and get to know the business in order to make the best decision that will benefit the customer and the bank at the same time. If you have a viable deal, Summit will make it happen. You don't see that kind of dedication at other banks."

As a member of the Loan Committee, George represents "a different perspective that keeps the board healthy." He also supports the board with his technological expertise and serves as the Chairman for the Strategic Planning and IT Committees and is a member of the Audit and Compliance Committee and the Loan Committee.

Eric Rudney, *Rudney Associates*

Eric Rudney is a native of the Bay Area. He is a graduate of U.C. Berkeley and attended Cal State East Bay for a Masters in Business with a concentration in Finance. Eric is a registered investment advisor in the East Bay with over twenty-five years of experience in investment planning and asset management. His clients include both high net worth and corporate clients. He manages assets for qualified retirement plans, corporations, partnerships, sole proprietorships and individuals.

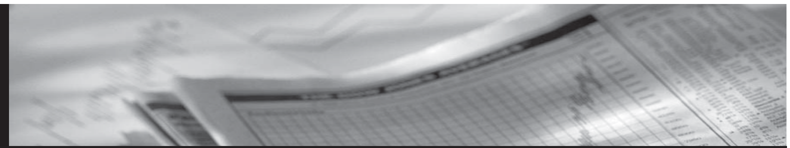
Eric is actively involved with many philanthropic organizations in the Bay Area such as BUILD, Children's Hospital Medical Center Foundation, Diablo Regional Arts Associations, Las Trampas, Inc. and the Wheelchair Foundation.

Eric is a member of the Diablo Valley Estate Planning Council and the Tri-Valley Estate Council.

Eric joined Summit Bank in November 2006 and enjoys being an integral part of such an amazing organization. He strongly believes in Summit's philosophy and shares in its commitment to its clients and the consistent approach to service.

He is the Chairman of the Investment and Funds Management Committee and a member of the Directors' Personnel Committee as well as the Audit and Compliance Committee.

Summit Bancshares, Inc.



Kikuo Nakahara, *H&R Block Tax & Business Services*

Kikuo Nakahara is the Director of H&R Block Tax & Business Services in Walnut Creek. Prior to this position he was a partner for Greene, Nakahara and Lew, an accounting firm that was named one of the Top 10 in the Bay Area before merging with American Express Tax & Business Services in 1994. In 2005, the Tax & Business Services sector of American Express was sold to H&R Block where Kikuo continues to supervise audit and accounting practices and offers support for his prior practices' relationships.

Over the years Kikuo's expertise in the accounting field coupled with his experiences as a minority business owner have helped him develop an extensive relationship with Summit Bank. "Summit Bank is unique. They are proactive in getting new business and creative with their loans. They make deals where other banks fail to bend and stretch in order to structure something that works with their clients' needs."

For Kikuo, Summit's focus on small businesses and women-owned businesses is a trademark that separates them from other small community banks. "Summit Bank represents the total service package. At Summit, they are not just selling a piece of business; they are selling as much as they can provide for each of their customers. They know the customers' needs and as a team, the employees at Summit Bank work hard to accommodate those needs."

Kikuo is one of the bank's founding directors and he currently serves as the Chairman for the Audit & Compliance Committee and serves on the 401K Profit Sharing Committee, Investment & Funds Management Committee and the Loan Committee. He is also a member of the American Institute of CPAs, Hawaii Society of CPAs and the California Society of CPAs.

John Protopappas, *Madison Park Financial Corporation*

John Protopappas happened upon the real estate industry rather by accident when he and his partner purchased an apartment building from a probate sale over twenty years ago. The knowledge John gained was enough to inspire a new career path and the development of a new company, Madison Park Financial Corporation. As a result, John's innovative approach has lead to the transformation of over forty neglected properties (including the historic Tribune Tower to the Telegraph Lofts at the site of the former Sears Roebuck store in Oakland) into mixed-use live/work spaces.

At Summit Bank, John knows his finances will be handled with the same level of attention and care that he gives to his buildings. "Even though I came on board as a director prior to being a customer, it was not long before I realized how customer oriented we are at Summit Bank. When you understand the service provided by the Summit Bank team, you realize the value the team adds to your business. Their quick decisions, professional service and competitive terms are priceless." At a recent business event, John's commitment was once again validated. "I mentioned to one of the bank's Senior Relationship Officers that I was looking for a loan for one of my new projects. The next day he called me to get the specifics of the loan and within days Summit had figured out a way to get it done!"

John actively assists the board of directors in determining the development strategy for the bank's growth, building on its foundation as a small community bank. "It is important for the bank to grow as our customers grow." John is the Chairman of the Investment & Funds Management Committee and serves on the Loan Committee, Director's Personnel Committee and Strategic Planning Committee for the board.

Mary Warren, *HMS Associates*

Mary Warren has worked as a government relations consultant since 1980 and is currently an associate of HMS Associates. She has held various management positions with the United States Postal Office over a 30-year period and has worked on the staffs of several state and federal elected officials. She also acted as the Vice President of Labor and Business for Alameda, Costa and Solano Counties.

Shirley Nelson's extraordinary display of hands-on leadership is one of the many reasons Mary confidently recommends Summit Bank to new clients. "There is an inherent security with having Shirley at the helm of the Summit Bank operation. She is deeply committed to the Oakland community and is focused on the needs of the small business owner. It is not often you see a CEO or a President that have been around as long as they have at Summit nor do you see as much pride and ownership as Shirley and Mike have. It is this demonstration of leadership from the top-down that has attributed to Summit's growth and their ability to maintain so many long-lasting client relationships. It is the reason I have remained a customer for so long, and why I will continue to be a customer with Summit Bank."

As a board member, Mary values Summit's "careful selection of board members to help provide guidance for the bank's continued growth and expansion." In addition to being part of the Audit & Compliance and the Investment & Funds Management Committees, Mary also helped establish the Hayward Advisory Board for Summit Bank's newest branch. Mary also participates on the Summit Bank Foundation Board of Directors and is involved on the Boards of the Oakland-Alameda Coliseum Authority, the One Hundred Club of Alameda County and is an Alameda County Honorary Deputy Sheriff.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The matters addressed in this Annual Report, with the exception of the historical information presented, may incorporate certain forward-looking statements involving risks and uncertainties, including the risks discussed under the heading "Certain Factors That May Affect Future Results" and elsewhere in this Report.

This section is a review of Summit Bancshares, Inc.'s (the "Company") results as reflected in the Consolidated Financial Statements. It discusses the principal items of income and expense and the factors affecting the Company's financial position. This discussion should be read together with the Selected Financial Data and Consolidated Financial Statements included elsewhere in the Annual Report.

The Company's wholly owned subsidiary; Summit Bank (the "Bank") has conducted the business of a commercial bank since 1982. It provides commercial credit and various checking and savings account products for small and mid-sized businesses and for professionals as well as individual consumers.

Summary of Earnings

The Company's net income for 2008 was $2,088,000 compared to $3,685,000 in 2007, and $3,741,000 in 2006. The decrease in the year 2008's net income from the year 2007 was caused by a decrease in the average prime rate and an increase in loan loss provision. The decrease in 2007 compared to the net income in 2006 was caused by a decrease in the average prime rate. The net income of $2,088,000 for 2008 represents diluted earnings per share of $1.58 compared to diluted earnings per share of $2.37 in 2007, and diluted earnings per share of $2.32 per share in 2006.

Net Interest Income

The primary source of income for the Company is Net Interest Income or "Gross Margin" which is the difference between interest earned on loans and investments and interest paid on deposits and other liabilities. In general, net interest income is affected by a change in interest rates. As interest rates rise or fall, so will the Company's net interest income, excluding changes in total assets. The primary reason for this is that the Company's investment portfolio earns income on a fixed interest rate basis while a majority of the lending portfolio earns income on a floating interest rate basis because loans are tied to the prime-lending rate. In addition, investments are held to maturity while 100% of the federal agency investments mature within one year. Regarding loans, approximately 45% of the loans outstanding mature within one year, while the longest maturity is ten years. In a rising interest rate environment, interest income on loans will generally rise faster than the investment income and vice versa. To offset any decline in interest income due to a declining interest rate environment, the Company monitors closely its interest expense on deposits. Of the total time certificates of deposit outstanding at year-end, approximately 3% matures after one year while 68% matures within 90 days. Thus the Company is able to minimize the effects of a declining interest rate environment by repricing these instruments on a more frequent basis than if the average maturity were longer than one year.

Net interest income for 2008 was $8,088,000, a decrease from $10,804,000 posted in 2007 and as compared to $11,437,000 in 2006.

The decrease in 2008 was primarily the result of a decrease in the average prime rate by 291 basis points as well as decrease in earning assets. As a comparison, the average prime rate has moved from 7.96% in 2006 to 8.07% in 2007 and to 5.16% in 2008. In addition, average earning assets decreased 2.4% from $183,234,000 in 2007 to $178,914,000 in 2008 and as compared to $169,544,000 in 2006. Average total deposits decreased 0.18% from $165,893,000 in 2007 to $165,600,000 in 2008 and increased 2.45% as compared to $161,544,000 in 2006, primarily due to the increase in high cost interest bearing deposits.

Average loans outstanding increased by 2.4% in 2008 to $122,119,000 as compared to $119,242,000 in 2007 and $123,142,000 in 2006. The increase in 2008 was centered in real estate loans. Average outstanding investments decreased 11.0% to $56,795,000 in 2008 as compared to $63,992,000 in 2007 and $46,402,000 in 2006. This was due to a decrease in the average loan to deposit ratio, which declined in 2008 to 73.8% as compared to 75.5% in 2007 and 76.2% in 2006. The yield on average earning assets was 5.60% in 2008 as compared to 7.3% in 2007 and 7.9% in 2006. The decrease in 2008 was due to the decrease in the prime-lending rate.

Interest expense decreased 21.2% to $2,676,000 in 2008 from $3,395,000 in 2007 and as compared to $2,945,000 in 2006. The decrease in 2008 was primarily centered in certificate of deposits accounts. Average interest-bearing deposits increased 2.0% to $111,438,000 compared to $109,160,000 in 2007 and $105,142,000 in 2006. Average non-interest bearing deposits decreased 4.53% in 2008 to $54,162,000 as compared to $56,703,000 in 2007 and $56,401,000 in 2006. This decrease was primarily due to the economic condition during the year. Overall cost of funds in 2008 was 3.05% as compared to 3.11% in 2007 and 2.45% in 2006. The decrease in the overall cost of funds was a direct result of the decrease in the prime-lending rate.

Non-Interest Income and Expense

Non-interest income, consisting primarily of service charges on deposit accounts, and other customer fees and charges, was $2,178,000 in 2008, an increase of 271% from $587,000 in 2007, and $511,000 in 2006. The increase is primarily due to the sale of land owned by the holding company in the amount of $1,750,000, resulting in a net gain of $1,420,000. Total service charge income from deposit accounts increased 85% to $584,000 in 2008 from $316,000 in 2007 and $299,000 in 2006, while total income from other charges increased 488% to $1,594,000 in 2008 from $271,000 in 2007 and $212,000 in 2006.

Non-interest expenses decreased 5.9% to $5,081,000 in 2008 from $5,400,000 in 2007, and $5,606,000 in 2006. Salary expense decreased 5.4% to $3,147,000 in 2008 from $3,326,000 in 2007 and $3,732,000 in 2006. The salary decrease was centered in a decrease in staff. Legal fees increased to $93,000 in 2008 from $60,000 in 2007 and $68,000 in 2006. Insurance expense decreased to $61,000 in 2008 from $64,000 in 2007 and $49,000 in 2006, primarily due to a decrease in worker's compensation insurance.

The Company's allowance for loan losses as a percent of loans was 1.6% as of December 31, 2008 as compared to 1.9% as of December 31, 2007 and 1.8% as of December 31, 2006. The provision of $1,848,000 for the year 2008 was directly related to the past due and charged off loans in 2008. This compares to the provision of $84,000 in 2007. At this time management has determined that the allowance is appropriate. Loans charged off in 2008 amounted to $2,313,000 compared to $0 in 2007.

Provision for Income Taxes

The provision for income taxes reflects a combined Federal and California effective tax rate of 37.4% in 2008, compared to 37.6% in 2007 and 39.1% in 2006, as described in Note 6 to the Financial Statements.

Liquidity and Capital

Liquidity is defined as the ability to meet present and future obligations either through the sale or maturity of existing assets or by the acquisition of funds through liability management. Additionally, the Bank's investment portfolio is managed to provide liquidity as well as appropriate rates of return. It is the Company's practice to hold securities until maturity rather than actively trade its portfolio. As of December 31, 2008, the Company had $18,815,000 in cash and cash equivalents compared to $31,485,000 as of December 31, 2007 and $39,343,000 as of December 31, 2006. The decrease in 2008 was primarily due to a decrease in federal funds sold and an increase in Time Deposits with other financial institutions. The ratio of net loans to deposits as of December 31, 2008 was 74.8% compared to 74.0% as of December 31, 2007 and 71.7% as of December 31, 2006.

The Bank maintains a portion of its assets in loans, time deposits with other financial institutions and investments with short-term maturities. More specifically, loans, time deposits with other financial institutions and investments due within one year totaled $89,016,000 at December 31, 2008 as compared to $68,286,000 at December 31, 2007, and $87,410,000 at December 31, 2006. This is equivalent to 48.9%, 37.1%, and 43.9% of total assets at the corresponding year-ends, respectively. The increase was due in part to the increased amount of loans maturing in one year and the increase in the amount of Time Deposits with other financial institutions. The increase in Time Deposits with other financial institutions was a direct result of FDIC increasing its insurance on interest bearing accounts to $250,000, which expires in December 2009.

During 2008, the Company repurchased 217,457 shares of its common stock at an average price of $22.44. The Company plans to stop its repurchase program as it is not economically appropriate to do so. In addition, the Company's subsidiary Bank remains more than well-capitalized under current regulatory requirements.

Credit and Deposit Concentration

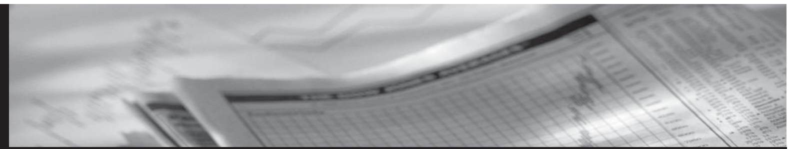
A part of the subsidiary Bank's marketing strategy is to offer quality financial services to physicians, other professionals and small business communities. The Company has been especially successful in targeting health care professionals. This segment has traditionally provided high levels of deposits and low loan losses. Over the past few years, the doctors and health care providers in the Company's communities have been adjusting to certain emerging trends in this industry. This includes higher percentages of patients on Medicare, closer scrutiny from insurance carriers, and movement to managed care and "capitation" contracts. Through this process, the Company has not experienced any noticeable deterioration in credit quality. The Company cannot predict the ultimate outcome of health care reform. However, the Company closely monitors the status of reform and considers the potential impact of any reform on its current customers and it's underwriting of loans to healthcare professionals.

Non-Performing Assets

As of December 31, 2008, the Company had $3,272,000 in non-performing assets compared to $133,000 as of December 31, 2007.

Certain Factors that May Affect Results

The primary factor, which may affect future results, is the fluctuation of interest rates in the market place more commonly referred to as interest rate risk. Interest rate risk is the exposure of a bank's current and future earnings and equity capital arising from adverse movements in interest rates. It results from the possibility that changes in interest rates may have an adverse effect on a bank's earnings and its underlying economic value. Changes in interest rates affect a bank's earnings by changing its net interest income and the level of other interest-sensitive income and operating expenses. As mentioned previously, the potential decrease in a declining interest rate environment would be minimized by an increase in assets as an increase in assets generally provides additional interest income. In addition, earnings and growth of the Company are and will be affected by general economic conditions, both domestic and international, and by monetary and fiscal policies of the United States Government, particularly the Federal Reserve Bank.

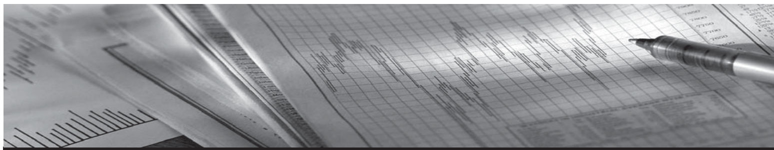


SUMMIT BANCSHARES, INC. AND SUBSIDIARY CONSOLIDATED STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2008 AND 2007

ASSETS		2008		2007
Cash and due from banks		$ 18,814,867		$ 7,750,360
Federal funds sold		-		23,735,000
Cash and cash equivalents		18,814,867		31,485,360
Time deposits with other financial institutions		32,681,000		24,451,000
Investment securities held to maturity, at cost (fair value of $1,603,933 at December 31, 2008 and $1,577,196 at December 31, 2007)		1,598,472		1,571,565
Loans	122,334,699		120,850,483	
Less: allowance for loan losses	1,899,183		2,344,344	
Net loans		120,435,516		118,506,139
Premises and equipment, net		600,296		1,018,469
Interest receivable and other assets		8,038,087		6,893,333
Total Assets		$ 182,168,238		$ 183,925,866

LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Demand	$ 60,383,895	$ 51,765,005
Interest-bearing transaction accounts	50,697,185	56,608,453
Savings	2,218,962	1,916,515
Time certificates $100,000 and over	39,586,142	42,103,599
Other time certificates	8,809,682	7,764,566
Total deposits	161,695,866	160,158,138
Interest payable and other liabilities	2,577,166	2,586,023
Total Liabilities	164,273,032	162,744,161
Commitments and contingent liabilities		
Shareholders' Equity:		
Preferred Stock, no par value:		
2,000,000 shares authorized, no shares outstanding	-	-
Common Stock, no par value:		
3,000,000 shares authorized;		
1,300,178 shares outstanding at December 31, 2008 and		
1,517,635 shares outstanding at December 31, 2007	3,387,558	3,931,201
Retained Earnings	14,507,648	17,250,504
Total Shareholders' Equity	17,895,206	21,181,705
Total Liabilities and Shareholders' Equity	$ 182,168,238	$ 183,925,866

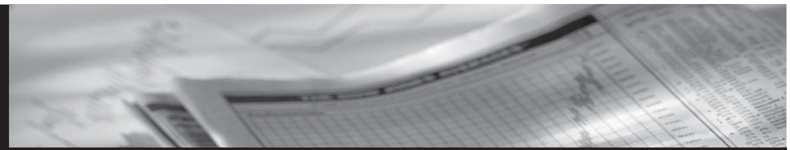
The accompanying notes are an integral part of these consolidated financial statements.



SUMMIT BANCSHARES, INC. AND SUBSIDIARY CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2008, 2007, AND 2006

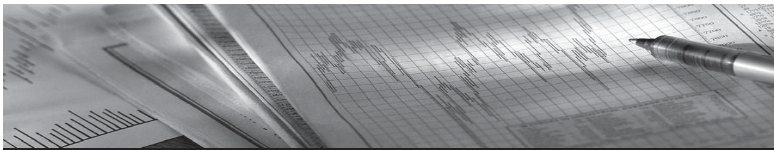
	2008	2007	2006
INTEREST INCOME:			
Interest and fees on loans	$9,142,749	$11,373,473	$12,110,537
Interest on time deposits with other financial institutions	1,212,504	1,417,715	1,066,504
Interest on U.S. government agency securities	53,039	73,882	72,783
Interest on federal funds sold	355,466	1,334,313	1,131,695
Total interest income	10,763,758	14,199,383	14,381,519
INTEREST EXPENSE:			
Interest on savings deposits	4,333	6,722	7,900
Interest on interest-bearing transaction accounts	757,403	987,757	838,364
Interest on time deposits	1,914,027	2,400,732	2,081,356
Interest on federal funds purchased	5	-	17,230
Total interest expense	2,675,768	3,395,211	2,944,850
Net interest income	8,087,990	10,804,172	11,436,669
Provision for loan losses	1,848,000	84,000	198,000
Net interest income after provision for loan losses	6,239,990	10,720,172	11,238,669
NON-INTEREST INCOME:			
Service charges on deposit accounts	583,945	315,516	298,641
Sale of Real Estate	1,419,777	-	-
Other customer fees and charges	174,497	271,292	212,144
Total non-interest income	2,178,219	586,808	510,785
NON-INTEREST EXPENSE:			
Salaries and employee benefits	3,146,861	3,325,525	3,732,333
Occupancy expense	509,087	473,820	458,817
Equipment expense	441,833	425,330	452,217
FDIC assessment	20,678	20,239	11,199
Legal expense	93,000	60,000	68,425
Insurance expense	60,945	63,858	48,503
Other	808,327	1,031,151	834,013
Total non-interest expense	5,080,731	5,399,923	5,605,507
Income before income taxes	3,337,478	5,907,057	6,143,947
Provision for income taxes	1,249,199	2,221,746	2,403,335
Net Income	$2,088,279	$3,685,311	$3,740,612
EARNINGS PER SHARE			
Earnings per common share (Basic)	$1.58	$2.37	$2.32
Earnings per common share (Diluted)	$1.58	$2.37	$2.32

The accompanying notes are an integral part of these consolidated financial statements.



SUMMIT BANCSHARES, INC. AND SUBSIDIARY CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2008, 2007, AND 2006

	NUMBER OF SHARES OUTSTANDING	COMMON STOCK	RETAINED EARNINGS	TOTAL
Balance at January 1, 2006	1,641,575	$4,243,451	$14,945,625	$19,189,076
Issuance of Cash Dividends,				
$.375 per share	-	-	(608,916)	(608,916)
Stock Options Exercised	-	-	-	-
Repurchase of Common Stock	(44,250)	(110,625)	(677,174)	(787,799)
Net Income	-	-	3,740,612	3,740,612
Balance at December 31, 2006	1,597,325	4,132,826	17,400,147	21,532,973
Issuance of Cash Dividends,				
$1.375 per share	-	-	(2,121,663)	(2,121,663)
Stock Options Exercised	960	-	11,069	11,069
Repurchase of Common Stock	(80,650)	(201,625)	(1,724,362)	(1,925,987)
Net Income	-	-	3,685,311	3,685,311
Balance at December 31, 2007	1,517,635	3,931,201	17,250,504	21,181,705
Issuance of Cash Dividends,				
$.375 per share	-	-	(494,206)	(494,206)
Stock Options Exercised	-	-	-	-
Repurchase of Common Stock	(217,457)	(543,643)	(4,336,930)	(4,880,572)
Net Income	-	-	2,088,279	2,088,279
Balance at December 31, 2008	1,300,178	$3,387,558	$14,507,648	$17,895,206



SUMMIT BANCSHARES, INC. AND SUBSIDIARY CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2008, 2007, AND 2006

	2008	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:			
Interest received	$9,909,772	$13,068,732	$13,092,617
Fees received	1,443,968	1,418,173	1,434,905
Cash received from the sale of land	500,000	-	-
Interest paid	(2,741,767)	(3,325,849)	(3,057,250)
Cash paid to suppliers and employees	(4,804,147)	(4,937,142)	(5,022,231)
Income taxes paid	(1,009,755)	(2,335,000)	(2,945,000)
Net cash provided by operating activities	3,298,071	3,888,914	3,503,041
CASH FLOWS FROM INVESTING ACTIVITIES:			
(Increase) decrease in time deposits with other financial institutions	(8,230,000)	694,000	1,578,000
Maturity of investment securities	1,597,947	3,970,684	3,146,000
Purchase of investment securities	(1,624,853)	(4,006,858)	(3,055,365)
Net (increase) decrease in loans to customers	(3,705,534)	6,778,238	(13,822,730)
Recoveries on loans previously charged-off	19,508	-	57,716
(Increase) in premises and equipment	(188,579)	(266,883)	(235,637)
Net cash provided by (used in) investing activities	(12,131,511)	7,169,181	(12,332,016)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase (decrease) in demand, interest bearing transaction, and savings deposits	3,010,067	(9,144,790)	14,602,630
Net increase (decrease) in time deposits	(1,472,342)	(5,734,586)	15,012,468
Federal Home Loan advance repayment	-	-	(3,000,000)
Exercise of stock options	-	11,069	-
Repurchase of common stock	(4,880,572)	(1,925,987)	(787,799)
Dividends paid	(494,206)	(2,121,663)	(608,916)
Net cash provided by (used in) financing activities	(3,837,053)	(18,915,957)	25,218,383
Net increase (decrease) in cash and cash equivalents	(12,670,493)	(7,857,862)	16,389,407
Cash and cash equivalents at the beginning of the year	31,485,360	39,343,222	22,953,815
Cash and cash equivalents at the end of the year	$18,814,867	$31,485,360	$39,343,222
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Net Income	$2,088,279	$3,685,311	$3,740,612
Adjustments to reconcile net income to net cash provided by operating activities:			
Gain on sale of land less cash received	(919,777)	-	-
Depreciation and amortization	275,138	229,054	147,866
Provision for loan losses	1,848,000	84,000	198,000
Deferred Income Tax Expense (benefit)	259,000	(86,000)	(227,000)
(Increase) in other assets	(152,360)	(239,118)	(499,839)
Increase in unearned loan fees	(91,351)	55,804	(81,738)
Increase in other liabilities	(8,858)	159,863	225,140
Total adjustments	1,209,792	203,603	(237,571)
Net cash provided by operating activities	$3,298,071	$3,888,914	$3,503,041

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2008

1. Summary of Significant Accounting Policies

The accounting and reporting policies of Summit Bancshares, Inc. (the Company), and its wholly owned subsidiary, Summit Bank (the Bank), a California state chartered bank, conform with accounting principles generally accepted in the United States of America and general practice within the banking industry. The following are descriptions of the more significant of these policies.

Nature of Operations

The Bank has conducted the business of a commercial bank since July 1, 1982. The Bank operates four branches and provides commercial credit and other banking services to small and mid sized businesses and professionals, including professional firms of physicians, attorneys, accountants, real estate developers, retailers, and service firms, wholesalers, and distributors.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

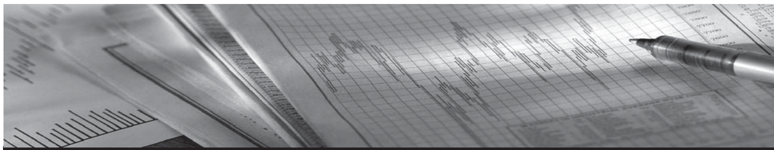
Basis of Presentation

The consolidated financial statements include the accounts of the Company and the Bank. Significant intercompany transactions have been eliminated in consolidation. Certain prior years' amounts have been reclassified to conform to current year presentation.

Investment Securities

All investment securities are classified as held to maturity and are carried at cost, adjusted for amortization of premium and accretion of discount using a method that approximates the effective interest method. Gains and losses on sale or redemption of securities are determined using the specific identification method. Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Bank to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

The Company's policy of classifying investment securities as held to maturity is based upon its ability and intent to hold such securities to maturity.



Time Deposits with Other Financial Institutions

Time deposits with other financial institutions are carried at cost and have maturities at origination ranging from 30 days to 730 days. The Bank does not invest more than $250,000 in one institution in order to maintain Federal Deposit Insurance Corporation (FDIC) insurance on deposits in financial institutions.

Premises and Equipment

Premises and equipment are carried at cost, net of accumulated depreciation and amortization. Depreciation on furniture and equipment is calculated on a straight line basis over the estimated useful life of the property, generally seven years for furniture and three to fifteen years for equipment. Leasehold improvements are amortized over the life of the related lease or the estimated life of the improvements, whichever is shorter.

Loans

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding unpaid principal balances reduced by any charge-offs or specific valuation accounts and net of any deferred fees or costs on originated loans, or unamortized premiums or discounts on purchased loans.

Loan origination fees and certain direct origination costs are capitalized and recognized as an adjustment of the yield of the related loans.

Loans on which the accrual of interest has been discontinued are designated as nonaccural loans. The accrual of interest on loans is discontinued when principal or interest is past due 90 days or when, in the opinion of management, there is a reasonable doubt as to collectibility. When loans are placed on nonaccrual status, all interest previously accrued but not collected is reversed against current period interest income. Income on nonaccrual loans is subsequently recognized only to the extent that cash is received and the loan's principal balance is deemed collectible. Interest accruals are resumed on such loans only when they are brought current with respect to interest and principal and when, in the judgment of management, the loans are estimated to be fully collectible as to all principal and interest.

The Bank considers a loan to be impaired when it is probable that the Bank will be unable to collect all amounts due (Principal and interest) according to the contractual terms of the loan agreement. Measurement of impairment is based on the expected future cash flows of an impaired loan, which are to be discounted at the loan's effective interest rate, or measured by reference to an observable market value, if one exists, or the fair value of the collateral for a collateral-dependent loan. The Bank selects the measurement method on a loan-by-loan basis except those collateral-dependent loans for which foreclosures are probable are measured at the fair value of the collateral. The Bank recognizes interest income on impaired loans based on its existing methods of recognizing interest income on nonaccrual loans.

Allowance for Loan Losses

The allowance for credit losses is increased by charges to income and decreased by charge-offs (net of recoveries). Reviews are performed to identify the risks inherent in the loan portfolio, assess the overall quality of the loan portfolio and to determine the adequacy of the allowance for credit losses and the related provision for loan losses to be charged to expense. Loans identified as less than "acceptable" are reviewed individually to estimate the amount of probable losses that need to be included in the allowance.

These reviews include analysis of financial information as well as evaluation of collateral securing the credit. Additionally, the Company considers the inherent risk present in the "acceptable" portion of the loan portfolio taking into consideration historical losses on pools of similar loans, adjusted for trends, conditions and other relevant factors that may affect repayment of the loans in these pools.

Other Real Estate Owned

Other real estate owned is comprised of properties acquired through foreclosure. These properties are carried at the lower of the recorded loan balance or their estimated fair value net of disposal costs. When the recorded loan balance exceeds the fair value of the property, the difference is charged to the allowance for loan losses at the time of acquisition. Subsequent declines in value from the recorded amount, if any, and gains or losses upon disposition are included in non-interest expense or income as appropriate. Operating expenses related to other real estate owned are charged to non-interest expense in the period incurred. As of December 31, 2008, the Bank didn't have any other real estate owned.

Income Taxes

Income taxes reported in the statements of income are computed at current tax rates, including deferred taxes resulting from temporary differences between the recognition of items for tax and financial reporting purposes.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, and federal funds sold. Generally, federal funds sold are purchased and sold for one-day periods.

Comprehensive Income

The Company had no items of other comprehensive income for the twelve months ended December 31, 2008, 2007 and 2006. Accordingly, total comprehensive income was equal to net income for each of those periods.

Segment Reporting

The Company is principally engaged in community banking activities through the four banking offices of its subsidiary bank. The community banking activities include accepting deposits, providing loans and lines of credit to local individuals and businesses, and investing in investment securities and money market instruments. The four banking offices have been aggregated into a single reportable segment. Because the Company's financial information is internally evaluated as a single operating segment, no separate segment information is presented. The combined results are reflected in these financial statements.

Stock Based Compensation

Effective January 1, 2006, the Company adopted the provisions of SFAS No. 123R Share Based Payment (SFAS No. 123R) under the modified prospective method. Accordingly, compensation expense for stock options is measured at grant date fair value and amortized over the requisite services period of the award. There was no impact on the Company's operations as a result of implementing SFAS No. 123R.

Recently Issued Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurement a standard that provides enhanced guidance for using fair value to measure assets and liabilities. The standard also responds to investors' requests for expanded information about the extent to which company's measure assets and liabilities at fair value, the information used to measure fair value, and the effect of fair value measurements on earnings. The standard applies whenever other standards require (or permit) assets or liabilities to be measured at fair value. Under the standard, fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the reporting entity transacts. The standard clarifies that fair value should be based on the assumptions market participants would use when pricing the asset or liability. In support of this principle, the standard establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data, for example, the reporting entity's own data. Under the standard, fair value measurements would be separately disclosed by level within the fair value hierarchy. This standard was implemented effective January 1, 2008 and did not have any material impact on our financial position, results of operations or cash flows.

In February 2007, the FASB issued SFAS No.159, The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of FASB Statement No.115. SFAS 159 permits an entity to choose to measure many financial instruments and certain other items at fair value. Most of the provisions of SFAS 159 are elective; however, the amendment to SFAS 115, Accounting for Certain Investments in Debt and Equity Securities, applies to all entities with available-for-sale or trading securities. For financial instruments elected to be accounted for at fair value, an entity will report the unrealized gains and losses in earnings. SFAS 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. The Bank did not elect the fair value option for any financial assets or financial liabilities as of January 1, 2008.

In September 2006, the FASB Emerging Issues Task Force finalized Issue No. 06-4, Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements. This issue requires that a liability be recorded during the service period when a split-dollar life insurance agreement continues after participants' employment or retirement. The required accrued liability will be based on either the post-employment benefit cost for the continuing life insurance or based on the future death benefit depending on the contractual terms of the underlying agreement. This issue was effective for fiscal years beginning after December 15, 2007. The impact of the adoption of EITF 06-4 was not material and is not reflected in the accompanying financial statements.

In December 2007, the FASB issued FAS No. 141 (revised 2007), Business Combinations ("SFAS 141(R)"), which establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in an acquiree, including the recognition and measurement of goodwill acquired in a business combination. SFAS No. 141(R) is effective for fiscal years beginning on or after December 15, 2008. Earlier adoption is prohibited. The adoption of this standard is not expected to have a material effect on the Bank's financial position or results of operations.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51, which will change the accounting and reporting for minority interest, which will be recharacterized as noncontrolling interest and classified as a component of equity within the consolidated balance sheets. SFAS No. 160 is effective as of beginning of the first fiscal year beginning on or after December 15, 2008. Earlier adoption is prohibited. The Bank does not expect the adoption of SFAS No. 160 to have a significant impact on its results of operations or financial position.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities, an amendment of SFAS No. 133". SFAS No. 161 amends and expands the disclosure requirements of SFAS No. 133 for derivative instruments and hedging activities. SFAS No. 161 requires qualitative disclosure about objectives and strategies for using derivative and hedging instruments, quantitative disclosures about fair value amounts of the instruments and gains and losses on such instruments, as well as disclosures about credit-risk features in derivative agreements. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. The adoption of this standard is not expected to have a material effect on the Bank's financial position or results of operations.

2. Investment Securities

The amortized cost and estimated fair values of investments in debt securities held to maturity as of December 31, 2008 and 2007 are as follows:

December 31, 2008	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. agencies	$1,598,472	$5,461	-	$1,603,933

December 31, 2007	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. agencies	$1,571,565	$5,631	-	$1,577,196

At December 31, 2008, the debt securities with unrealized gains have appreciated 0.34% from the Bank's amortized cost basis. These securities are guaranteed by the government agencies. These unrealized gains relate principally to current interest rates for similar types of securities. In analyzing an insurer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition. As management has the ability to hold debt securities until maturity, no gains are deemed to be other-than-temporary.

The amortized cost and estimated fair value of debt securities at December 31, 2008, by contractual maturities are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Estimated Fair Value
Due in one year or less	$1,598,472	$1,603,933
Total	$1,598,472	$1,603,933

There were no sales of investments in debt securities during 2008 or 2007. At December 31, 2008, securities carried at $1,598,472 were pledged to secure public deposits, as required by law.

3. Loans and Allowance for Loan Losses

A summary of loans as of December 31, 2008, and 2007 (net of unearned loan fees of $636,000 and $727,000, respectively), is as follows:

	2008	2007
Commercial loans	$43,281,977	$53,149,223
Real estate loans	51,889,775	42,760,099
Real estate construction loans	16,690,945	14,210,275
Installment loans	10,472,003	10,730,886
	122,334,699	120,850,483
Less: Allowance for loan losses	(1,899,183)	(2,344,344)
	$120,435,516	$118,506,139

The changes in the allowance for loan losses for the years ended December 31, 2008, 2007, and 2006 are as follows:

	2008	2007	2006
Balance, beginning of period	$2,344,344	$2,260,344	$2,023,172
Provision for loan losses	1,848,000	84,000	198,000
Recoveries	19,509		39,172
Loans charged-off	(2,312,670)	-	-
Balance, end of period	$1,899,183	$2,344,344	$2,260,344

The following table provides information with respect to the Company's past due loans and components for non performing assets at the dates indicated.

	Non-Performing Assets	
	December 31,	
	2008	2007
Loans 90 days or more past due and still accruing:		
Commercial	-	33,000
Real Estate	-	-
Non-accrual loans:		
Commercial	2,054,427	100,000
Real Estate	1,218,000	-
Consumer	-	-
Total Non-Performing Loans	$3,272,427	$133,000

The Company had three impaired loans at December 31, 2008, in the amount of $268,000 compared to $133,000 as of December 31, 2007 and no impaired loans as of December 31, 2006. The total valuation allowance related to these loans was $200,000 at December 31, 2008, $0 at December 31, 2007 and $0 at December 31, 2006. The average recorded investment in impaired loans during 2008, 2007 and 2006 was

$200,000, $228,000 and $386,000, respectively. Interest income recognized on impaired loans for the years ended December 31, 2008, 2007 and 2006, was $13,000, $8,000, $0, respectively.

The Bank grants commercial, construction, real estate, and installment loans to customers mainly in the California counties of Alameda and Contra Costa. Although the Bank has a diversified loan portfolio, a substantial portion of its loan portfolio is concentrated in real estate related loans.

4. Related Party Transactions

The Bank has, and expects to have in the future, banking transactions in the ordinary course of its business with directors, officers, and principal shareholders and their associates. In management's opinion and as required by federal law, loans to related parties are granted on the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with others, and do not involve more than normal risk of collectibility or present other unfavorable features. As of December 31, 2008, and 2007, loans outstanding to directors, officers, and principal shareholders and their known associates were $2,570,303 and $823,500 respectively. In 2008, advances on current directors' loans were $1,750,000, and collections were $3,197. In 2007, advances on such loans were $3,270,000, and collections were $3,023,073. As of December 31, 2008 total deposits of directors, officers and principal shareholders and their known associates totaled $4,683,333.

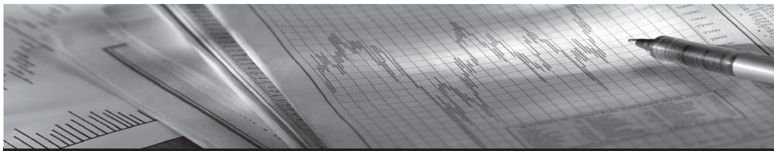
5. Premises and Equipment

Premises and equipment consisted of the following:

	Cost	Accumulated Depreciation	Net Book Value
December 31, 2008			
Leasehold improvements	$1,200,098	$1,075,763	$124,335
Furniture and equipment	2,464,546	1,988,585	475,961
Total	$3,664,644	$3,064,348	$600,296
December 31, 2007			
Land	$330,223	$ -	$330,223
Leasehold improvements	1,198,796	1,053,937	144,859
Furniture and equipment	2,278,661	1,735,274	543,387
Total	$3,807,680	$2,789,211	$1,018,469

Depreciation and amortization included in occupancy and equipment expenses was $275,138, $229,054, and $219,289 for the years ended December 31, 2008, 2007, and 2006, respectively.

During 2008 the Company sold land for a total purchase price of $1,750,000, generating a net gain before taxes of $1,419,777. The Company received $500,000 in cash and the balance in a promissory note for $1,250,000. The note accrues interest at 6.25% per annum and is payable interest only monthly with the principal amount due in August 2011.



6. Income Taxes

The provision (benefit) for income taxes consists of the following:

	2008	2007	2006
Current:			
Federal	$754,000	$1,769,000	$2,048,000
State	236,000	539,000	582,000
Total current	990,000	2,308,000	2,630,000
Deferred:			
Federal	235,000	17,000	(192,000)
State	24,000	(103,000)	(35,000)
Total deferred	259,000	(86,000)	(227,000)
Total taxes	$1,249,000	$2,222,000	$2,403,000

The components of the net deferred tax asset of the Company as of December 31, 2008, and 2007, were as follows:

	2008	2007
Deferred Tax Assets:		
Allowance for loan losses	$644,000	$917,000
State taxes	69,000	172,000
Depreciation	189,000	162,000
Deferred Salary	657,000	587,000
Other	133,000	113,000
Net Deferred Tax Asset	$1,692,000	$1,951,000

The provisions for income taxes applicable to operating income differ from the amount computed by applying the statutory federal tax rate to operating income before taxes. The reasons for these differences are as follows:

	2008		2007		2006	
	Amount	Percent	Amount	Percent	Amount	Percent
Federal income tax expense, based on the statutory federal income tax rate	$1,135,000	34.00%	$2,008,000	34.00%	$2,089,000	34.00%
State franchise taxes, net of federal income tax benefit	239,000	7.20%	423,000	7.20%	440,000	7.20%
Other, net	(125,000)	(3.80%)	(209,000)	(3.60%)	(126,000)	(2.10%)
Tax provision	$1,249,000	37.40%	$2,222,000	37.60%	$2,403,000	39.10%

We record interest and penalties related to uncertain tax positions as part of operating expense. There was no penalty or interest expense recorded as of December 31, 2008. We do not expect the total amount of unrecognized tax benefits to significantly increase or decrease within the next twelve months.

The Bank is subject to federal income tax and income tax of the state of California. Our federal income tax returns for the years ended December 31, 2007, 2006 and 2005 are open to audit by the federal authorities and our California state tax returns for the years ended December 31, 2007, 2006, 2005 and 2004, are open to audit by state authorities.

7. Time Deposits

Time deposits issued as of December 31, 2008, had $47,195,858 maturing in the year 2009, $66,900 maturing in 2010, $10,833 maturing in 2011, $998,211 maturing in 2012 and the remaining $124,022 maturing in 2013.

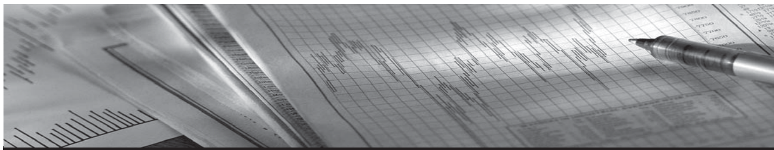
8. Borrowings

The Bank has available or unused federal funds lines of credit agreements with other banks. The maximum borrowings available under these lines totaled $11,600,000 at December 31, 2008. There were no borrowings outstanding under the agreements at December 31, 2008 and December 31, 2007.

The Bank maintains a secured line of credit with the Federal Home Loan Bank of San Francisco (FHLB). Based on the FHLB stock requirement at December 31, 2008, this line provided for a maximum borrowing capacity of $3,546,699. There was no outstanding balance as of December 31, 2008. At December 31, 2008, this borrowing line was collateralized by mortgage loans with a book value of $10,124,937. Interest expense related to FHLB borrowings totaled $0 in 2008, $0 in 2007 and $17,230 in 2006, respectively.

9. Shareholders' Equity and Earnings per Share

Basic Earnings Per Share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted Earnings Per Share is computed by dividing net income available to shareholders by the weighted average number of common shares outstanding and potential common shares, which include dilutive stock options. The computation of potential common stock equivalent shares is based on the weighted average market price of the Company's common stock throughout the period. The following is a reconciliation of the numerators and denominators of the basic and diluted EPS computations for the years ended December 31, 2008, 2007, and 2006.



	FOR THE YEAR ENDED								
	December 31, 2008			December 31, 2007			December 31, 2006		
	Income (Numerator)	Shares (Denominator)	Per Share Amount	Income (Numerator)	Shares (Denominator)	Per Share Amount	Income (Numerator)	Shares (Denominator)	Per Share Amount
Net Income	$2,088,279			$3,685,311			$3,740,612		
Basic EPS Income Available to Common Stockholders	2,088,279	1,319,971	$1.58	3,685,311	1,553,345	$2.37	3,740,612	1,610,710	$2.32
Effect of Dilutive Securities Stock Options					2,954			2,358	
Diluted EPS Income Available to Common Stockholders and Assumed Conversion	$2,088,279	1,319,971	$1.58	$3,685,311	1,556,299	$2.37	$3,740,612	1,613,068	$2.32

For the periods reported, the Company had no reconciling items between net income and income available to common shareholders. The last of the options expire in 2011.

10. Regulatory Capital

The Company and the Bank are subject to various regulatory capital requirements administered by federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off balance sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier 1 capital to risk weighted assets, and of Tier 1 capital to average assets. Management believes, as of December 31, 2008, that the Company and the Bank have met all capital adequacy requirements.

As of December 31, 2008, the most recent notification from Federal Deposit Insurance Corporation categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk based, Tier 1 risk based, and Tier 1 leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the institution's category.

The consolidated and Bank's actual capital amounts and ratios are also presented in the table.

	Actual		For Capital Adequacy Purposes		To be Well-Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2008						
Total Capital						
(to Risk Weighted Assets)						
Consolidated	$19,669,000	13.87%	$11,343,200	8.00%	$14,179,000	10.00%
Bank	17,523,000	12.60%	11,121,360	8.00%	13,901,700	10.00%
Tier 1 Capital						
(to Risk Weighted Assets)						
Consolidated	17,895,000	12.62%	5,671,600	4.00%	8,507,400	6.00%
Bank	15,785,000	11.35%	5,560,680	4.00%	8,341,020	6.00%
Tier 1 Capital						
(to Average Assets)						
Consolidated	17,895,000	9.58%	7,473,768	4.00%	9,342,209	5.00%
Bank	15,785,000	8.57%	7,370,594	4.00%	9,213,242	5.00%
As of December 31, 2007						
Total Capital						
(to Risk Weighted Assets)						
Consolidated	22,867,000	15.60%	11,723,200	8.00%	14,654,000	10.00%
Bank	18,752,000	13.05%	11,494,480	8.00%	14,368,100	10.00%
Tier 1 Capital						
(to Risk Weighted Assets)						
Consolidated	21,182,000	14.45%	5,861,600	4.00%	8,792,400	6.00%
Bank	16,951,000	11.80%	5,747,240	4.00%	8,620,860	6.00%
Tier 1 Capital						
(to Average Assets)						
Consolidated	21,182,000	11.07%	7,510,747	4.00%	9,388,434	5.00%
Bank	16,951,000	8.98%	7,366,355	4.00%	9,207,944	5.00%

11. Stock Option Plan

In 1992, the shareholders approved the 1992 Employee and Consultant Stock Option Plan (the "1992 Plan"), which was designed to replace the 1982 Incentive Stock Option Plan that expired on February 28, 1992, after which no new unallocated stock options may be granted. The 1992 Plan was designed to carry forward the remaining 329,340 options reserved but not granted under the 1982 Incentive Plan at the then current market price. No new additional shares of the Company have been reserved for issuance under the 1992 Plan although some shares have been forfeited and subsequently granted to other individuals.

On January 1, 2006, the Company adopted the provisions of SFAS No. 123R Share Based Payment (SFAS NO. 123R) requiring the measurement and recognition of all share-based compensation under the fair value method. Prior to January 1, 2006, the Company accounted for share-based awards under APB No. 25. The Company adopted SFAS No. 123R using the modified prospective transition method, therefore, prior period results are not restated and do not reflect the recognition of share-based compensation.

Share-based compensation expense is recorded for all awards granted after the adoption date and for the unvested portion of previously granted awards outstanding on the adoption date. Compensation cost related to the unvested portion of previously granted awards is based on the grant date fair value estimated in accordance with the original provision of SFAS No. 123. Compensation cost for awards granted after the adoption date is based on the grant date fair value estimated in accordance with the original provision of SFAS No. 123R. There was no compensation cost recorded during the year ended December 31, 2008, since the amount was not material.

A summary of option activity of the Company's stock option plan is presented below.

	Vested Shares	Weighted - Average Grant Date Fair Value
Vested, January 1, 2008	3,377	$ 7.69
Granted	-	-
Exercised	-	-
Vested	1,325	0.25
Forfeited	(1,000)	-
Expired	-	-
Vested, December 31, 2008	3,702	$ 7.69

As of December 31, 2008, there was no unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the Plan, which will vest over the next 2.54 years.

The total intrinsic value of options exercised during the year ended December 31, 2008, 2007 and 2006, was $0, $12,019, and $0 respectively. Cash received from options exercised under the Plan for the years ended December 31, 2008, 2007 and 2006 was $0, $11,069, and $0 respectively.

12. Restrictions

The Bank is regulated by the Federal Deposit Insurance Corporation, whose regulations do not specifically limit payment of dividends, and the State of California Department of Financial Institutions. California banking laws limit dividends that the Bank may transfer to the Company, to the lesser of retained earnings or net income less dividends paid for the last three years. Under these restrictions, at December 31, 2008, the Bank could pay dividends to the Company of up to approximately $1,271,721 without prior regulatory approval.

The Bank is required by federal regulations to maintain certain minimum average balances with the Federal Reserve. Required deposits held with the Federal Reserve at December 31, 2008, were $1,551,000.

13. Commitments and Contingent Liabilities

The Company is obligated for rental payments under certain operating lease and contract agreements. Total rental expense for all leases included in occupancy and equipment expenses was $387,367, $351,818 and $311,339, for the years ended December 31, 2008, 2007, and 2006.

At December 31, 2008, the approximate future minimum payments for non-cancelable leases with initial or remaining terms in excess of one year were as follows:

2009	$ 387,030
2010	352,708
2011	349,985
2012	272,215
2013	277,031
Total	$1,638,969

The Company is subject to various pending and threatened legal actions, which arose out of the normal course of business. There are currently no claims pending.

14. Pension Plan and Salary Continuation Program

Pension Plan

The Company provides pension benefits for all its eligible employees through a 401(k) Profit Sharing Program, which was adopted in 1984. Under the terms of the plan, eligible employees are allowed to contribute, under the 401(k) portion of the plan, up to 15% of their salaries. The Company in turn will match the employee's contribution up to a maximum of 4% of the employee's total annual compensation. Under this part of the plan, $41,341 was contributed in 2008, and $34,393 in 2007.

In addition, the Company may contribute up to 15% of eligible employees' annual compensation to the profit sharing portion of this plan. Such contributions were $0 in 2008, $0 in 2007, and $53,008 in 2006. Employees' interest in the contributions made by the Company on their behalf becomes 100% vested in accordance with the seven-year program. Any forfeited amounts are redistributed among the remaining participants in the plan.

Salary Continuation Plan

The Company has established a salary continuation plan and a deferred compensation plan for certain executives. Benefits under the salary continuation plan are payable for a period of 15 years upon retirement or death. The Company expenses annually an amount sufficient to accrue the present value of the benefit to be paid to the executives upon their retirement. Additionally, the key executives' beneficiaries are entitled to certain death benefits under the plan in the event the executive dies while employed by the Company.

In accordance with the provisions of the deferred compensation plan, participants may choose to defer a portion of their annual compensation. The Company expenses the compensation annually regardless of whether or not the officer has chosen to defer compensation. Benefits under the plan are payable over a fifteen year period. In the event of death, while an employee, the beneficiary will receive an amount that would have been paid to the employee. Death benefits payable under both plans is funded by life insurance policies purchased by the Company. Compensation expense associated with the plans was approximately $172,000 in 2008, $121,302 in 2007, and $253,109 in 2006.

15. Financial Instruments with Off Balance Sheet Risk

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, and standby letters of credit. These instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the statement of financial position. The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual notional amount of those instruments. The Company uses the same credit policies and procedures in making commitments and conditional obligations as it does for on balance sheet instruments. At December 31, 2008 and 2007, financial instruments whose contract amounts represent credit risk are as follows:

	Contract Amount	
	2008	2007
Commitments to extend credit in the future	$34,330,515	$43,107,406
Standby letters of credit	1,156,289	1,505,789
Total	$35,486,804	$44,613,195

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's credit worthiness on a case by case basis. The amount of collateral obtained if deemed necessary by the Company upon extension of credit is based on management's credit evaluation of the counter party. Collateral held varies but may include accounts receivable, inventory, property, plant, and equipment, and income producing commercial properties. Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. All guarantees expire within one year. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

16. Fair Value of Financial Instruments

As discussed in Note 1 above, the Bank adopted SFAS 157 on January 1, 2008. SFAS 157 defines fair value, establishes a framework for measuring fair value under U.S. GAAP and expands disclosures about fair value measurements. SFAS 157 applies whenever other accounting pronouncements require or permit assets or liabilities to be measured at fair value. SFAS 157 does not expand the use of fair value in any new circumstances.

Under SFAS 157, fair value is a market-based measurement and defined as the price that would be received for selling an asset or paid for transferring a liability in an orderly transaction between market participants at the measurement date. The transaction to sell the asset or transfer the liability is a hypothetical transaction at the measurement date, considered from the perspective of a market participant that holds the asset or owes the liability. In general, the transaction price will equal the exit price and, therefore, represent the fair value of the asset or liability at initial recognition. In determining whether a transaction price represents the fair value of the asset or liability at initial recognition, each reporting entity is required to consider factors specific to the asset or liability, the principal or most advantageous market for the asset or liability, and market participants with whom the entity would transact in the market

Fair Value Hierarchy

SFAS 157 established a fair value hierarchy to prioritize the inputs of the valuation techniques used to measure fair value. The inputs are evaluated and an overall level for the measurement is determined. This overall level is an indication of how market observable the fair value measurement is and defines the level of disclosure. SFAS 157 clarifies fair value in terms of the price in an orderly transaction between market participants to sell an asset or transfer a liability in the principal (or most advantageous) market for the asset or liability. The objective of a fair value measurement is to determine the price that would be received to sell the asset or paid to transfer the liability at the measurement date (an exit price). In order to determine the fair value, entities must determine the unit of account, highest and best use, principal market, and market participants. These determinations allow the reporting entity to define the inputs for fair value and level of hierarchy.

To increase consistency and comparability in fair value measures, the fair value measures, the fair value hierarchy prioritizes the inputs used in valuation techniques to measure fair value into three broad levels:

- Level 1 - quoted prices in active markets for identical assets or liabilities
- Level 2 - directly or indirectly observable inputs other than quoted prices, and
- Level 3 – unobservable inputs.

A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Fair Value on a Recurring Basis

The Bank doesn't have any SFAS 157 hierarchy level the financial assets and liabilities that are measured at fair value on a recurring basis on the Balance Sheet as of December 31, 2008.

Fair Value on a Nonrecurring Basis

The Bank measures certain loans at fair value on a nonrecurring basis. These loans are subject to fair value adjustments only in certain circumstances (i.e., when there is evidence of other-than-temporary impairment). The following table presents for each SFAS 157 hierarchy level the financial assets and liabilities that are measured at fair value on a non-recurring basis on the Balance Sheet as of December 31, 2008.

	As of December 31, 2008			
Fair Value Hierarchy	Total	Level 1	Level 2	Level 3
Impaired loans net of related allowance for loan loss	$68,000	-	-	$68,000
Total assets at fair value	$68,000	-	-	$68,000

The Company is required to disclose the fair value of financial instruments, both assets and liabilities recognized and not recognized in the balance sheet, for which it is practical to estimate fair value. Following is a summary of the estimated fair value for each class of financial instrument as of December 31, 2008, and December 31, 2007, and the methods and assumptions used to evaluate them:

2008	Carrying Value	Estimated Fair Value
Cash and due from banks	$18,814,867	$18,814,867
Investment securities	1,598,472	1,603,933
Time deposits with other financial institutions	32,681,000	33,085,336
Loans	120,435,516	118,506,139
Deposits		
Demand	60,383,895	60,383,895
Interest bearing transaction accounts	50,697,185	50,697,185
Savings	2,218,962	2,218,962
Time certificates	48,395,824	48,709,039

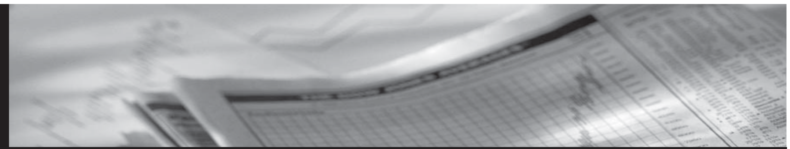
2007	Carrying Value	Estimated Fair Value
Cash and due from banks	$7,750,360	$7,750,360
Federal funds sold	23,735,000	23,735,000
Investment securities	1,571,565	1,577,196
Time deposits with other financial institutions	24,451,000	24,551,191
Loans	120,850,483	120,939,340
Deposits		
Demand	51,765,005	51,765,005
Interest bearing transaction accounts	56,608,453	56,608,453
Savings	1,916,515	1,916,515
Time certificates	49,868,165	50,030,768

Cash and due from banks have a relatively short period of time between their origination and their expected realization and are valued at their carrying amounts. The fair value of investment securities and time deposits with other financial institutions were estimated using quoted market prices or dealer quotes. For certain variable rate loans, fair value is estimated at carrying value, as these loans reprice to market frequently. The fair value of other types of loans is estimated by discounting the future cash flows, using the current rates at which similar loans would be made to similar borrowers with similar credit ratings and for the same remaining maturities. The fair value of loans is shown net of the related allowance for loan losses. The fair value of non-interest bearing, interest bearing transaction accounts and savings deposits is equal to their carrying value. The fair value of fixed maturity certificates of deposit is estimated using the rates currently offered for deposits of similar remaining maturities. The Bank has off balance sheet commitments comprising letters of credit and loan commitments with a contract amount of $1,156,289 and $34,330,515 respectively. The fair value of these off balance sheet commitments is not material.

17. Summit Bancshares, Inc. (parent company only)

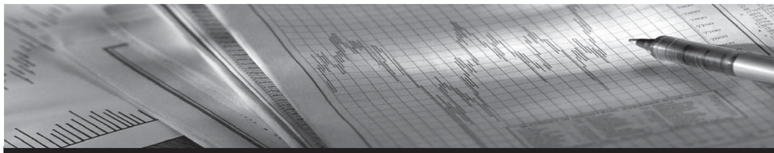
The following are the balance sheets as of December 31, 2008, and 2007, and the related statements of income and cash flows for the years ended December 31, 2008, 2007, and 2006, for Summit Bancshares, Inc. (parent company only)

Summit Bancshares, Inc.



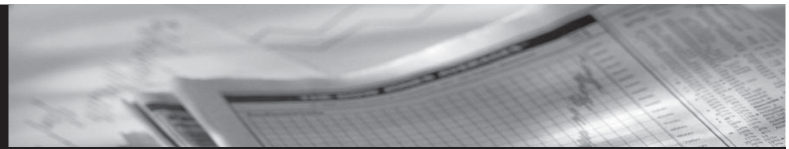
BALANCE SHEET	2008	2007
ASSETS:		
Cash	$751,573	$2,002,181
Loan participation with subsidiary (net of allowance for loss reserve of $147,000 at December 31, 2008 and $143,000 at December 31, 2007)	326,253	1,606,710
Land and building	-	330,223
Investment in subsidiary	15,786,213	16,952,105
Other assets	1,345,865	293,986
Total Assets	$18,209,904	$21,185,205
LIABILITIES:		
Accounts payable	$ -	$3,500
Income taxes payable	314,698	-
Total Liabilities	314,698	3,500
Shareholders' Equity:		
Common Stock	3,387,558	3,931,201
Retained Earnings	14,507,648	17,250,504
Total Shareholders' Equity	17,895,206	21,181,705
Total Liabilities and Shareholders' Equity	$18,209,904	$21,185,205

STATEMENTS OF INCOME (year ended December 31)	2008	2007	2006
INCOME:			
Interest on short-term investments and loans	$65,605	$133,493	$245,965
Gain on sale of Real Estate	1,419,777	-	-
Rental and other income	21,171	56,867	7,447
Total income	1,506,553	190,360	253,412
EXPENSE:			
Miscellaneous expense	44,182	65,942	55,440
Total expense	44,182	65,942	55,440
Income before income tax and equity in earnings of subsidiary	1,462,371	124,418	197,972
Provision for income taxes	608,199	51,746	82,335
Income before equity in earnings of subsidiary	854,172	72,672	115,637
Equity in earnings of subsidiary			
Distributed	2,400,000	3,000,000	1,800,000
Undistributed	-1,165,893	612,639	1,824,975
Net Income	$2,088,279	$3,685,311	$3,740,612



SUMMIT BANCSHARES, INC. STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2008, 2007, AND 2006

	2008	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:			
Interest received	$78,330	$136,089	$243,231
Rental income	7,000	26,871	-
Cash received from sale of land	500,000		
Other income (expense)	(1,416)	4,496	7,446
Cash paid to suppliers	(37,439)	(28,671)	(37,439)
Income taxes paid	(98,763)	(59,319)	(101,854)
Net cash provided by operating activities	447,712	79,466	111,384
CASH FLOWS FROM INVESTING ACTIVITIES:			
(Increase) decrease in investments	-	70,686	(50,790)
Net decrease in loans	1,276,458	1,096,280	241,560
Dividend received from subsidiary	2,400,000	3,000,000	1,800,000
Net cash provided by (used in) investing activities	3,676,458	4,166,966	1,990,770
CASH FLOWS FROM FINANCING ACTIVITIES:			
Stock options exercised	-	11,067	-
Repurchase of common stock	(4,880,572)	(1,925,987)	(787,799)
Dividends paid	(494,206)	(2,121,663)	(608,917)
Net cash (used in) financing activities	(5,374,778)	(4,036,583)	(1,396,716)
Net increase (decrease) in cash and cash equivalents	(1,250,608)	209,849	705,438
Cash at the beginning of the year	2,002,181	1,792,332	1,086,894
Cash at the end of the year	$751,573	$2,002,181	$1,792,332
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Net Income	$2,088,279	$3,685,311	$3,740,612
Adjustments to reconcile net income to net cash provided by operating activities:			
Gain on sale of land net of cash received	(919,777)	-	-
Provision for loan losses	4,000	9,000	18,000
Non-cash earnings from subsidiary	(1,234,107)	(3,612,639)	(3,624,975)
(Increase) Decrease in other assets	198,120	(5,706)	(22,253)
Increase in other liabilities	311,197	3,500	-
Total adjustments	(1,640,567)	(3,605,845)	(3,629,228)
Net cash provided by operating activities	$447,712	$79,466	$111,384



Independent Auditors' Report

The Board of Directors and Shareholders
Summit Bancshares, Inc.

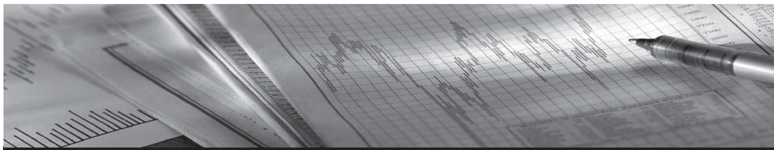
We have audited the accompanying consolidated statements of financial position of Summit Bancshares, Inc. (a California corporation) and subsidiary as of December 31, 2008 and 2007, and the related consolidated statements of income, change in shareholders' equity and cash flows for each of the years in the three year period ended December 31, 2008 These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Summit Bancshares, Inc. and subsidiary as of December 31, 2008 and 2007, and the results of their operations and their cash flows for each of the years in the three year period ended December 31, 2008 in conformity with accounting principles generally accepted in the United States of America.

Vavrinek, Trine, Day & Co., LLP

Palo Alto, California
April 8, 2009



Corporate Directory

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Lily Shin
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Assistant Vice President
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Senior Relationship Manager

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Exécutive Service Manager

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Summit Bank Foundation

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Summit Bank

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Kathy Moon, Esquire , Secretary

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Herman Miller, Inc.

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Law Offices of Alfred Knoll

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Sandy Seeno
Albert D. Seeno Construction

Leigh Steinberg
Steinberg & Moorad

The Honorable Ellen Tausch er
United States Congresswoman

Jim Wunderman
Bay Area Council

Martin Wyatt
Sports Director, KGO TV - Channel 7

MARKET PRICE OF THE COMPANY'S STOCK AND DIVIDENDS

The stock of the Company is not listed on any stock exchange but is publicly traded in limited and infrequent transactions in the "over the counter" market. According to information made available to the Company by the Market Maker, American Blue Chip, the range of high and low bids for such common stock for each calendar quarter since January 2007 is contained below. The following prices reflect retail mark - up and may not represent actual transactions

	HIGH	LOW	DIVIDENDS DECLARED
2008			
First Quarter	$21.33	$20.00	$ --
Second Quarter	20.77	20.17	.1875
Third Quarter	19.87	18.97	--
Fourth Quarter	17.50	14.27	.1875
Total			$0.3750
2007			
First Quarter	$22.50	$21.10	$ --
Second Quarter	24.90	24.80	1.1875
Third Quarter	25.30	24.60	--
Fourth Quarter	22.60	22.30	.1875
Total			$1.3750

Future dividends will depend upon the earnings of the Company, management's assessment of the future needs for funds, and the regulatory limitations outlined in Footnote #12.