Summit Bank

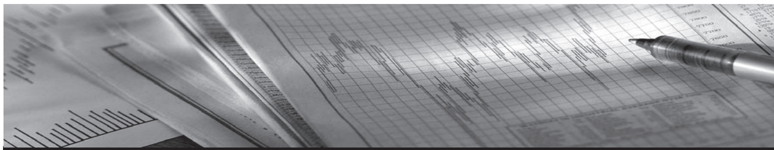
Annual Report 2009

annual report

Summit Bancshares, Inc.

FINANCIAL HIGHLIGHTS

FOR THE YEAR ENDED	2009	2008	2007	2006	2005
Net Income	$517,424	$2,088,279	$3,685,311	$3,740,612	$2,503,240
Earnings per common share	$0.40	$1.58	$2.37	$2.32	$1.47
Earnings per common share - assuming dilution	$0.40	$1.58	$2.37	$2.32	$1.47
Cash Dividends per Share, declared	-	$0.375	$1.375	$0.375	$0.375
AT YEAR END (in thousands)					
Deposits	$158,166	$161,696	$160,158	$175,038	$145,422
Loans (Net)	119,769	120,436	118,506	125,523	111,964
Assets	179,311	182,168	183,926	198,997	169,813
Shareholders' Equity	18,413	17,895	21,182	21,533	19,189
Non-performing Loans to Total Loans	4.63%	2.70%	-	0.20%	-
Allowance to Non-performing Loans	49.00%	58.00%	-	11.06%	-
Tier 1 Capital	13.17%	12.62%	14.45%	14.03%	14.65%
Total Capital	14.43%	13.87%	15.60%	15.29%	15.91%
Leverage Ratio	10.36%	9.58%	11.28%	10.86%	11.02%



Letter to our Shareholders

It hardly seems like a year ago when we wrote to you about the financial crisis and uncertainty facing all the banks in our country.

As we expected, 2009 proved to be the most critical, challenging and uncertain year most of us have ever imagined. It is unequivocally clear that this year has been the worst for us and inexplicably difficult for everyone in the financial industry. The turmoil in the financial markets that began in 2007 have only continued to worsen reaching the most serious impairment and the worst economic downturn since the Great Depression.

We were not exempt from problems and experienced some losses during the year; but as we promised you last year, we would manage the bank with an eye on the future and we would plan for the unexpected. Following this promise we set aside $2,303,000 into our loss reserve and paid an additional FDIC premium of about $475,000. Despite these unusual expenses, we still made a profit of $517,000. Our Capital position and liquidity remain strong at $18,412,630 or a Tier 1 Ratio of 13.17%. Deposits ended the year at $158,166,000, and loans were stable at $119,769,000.

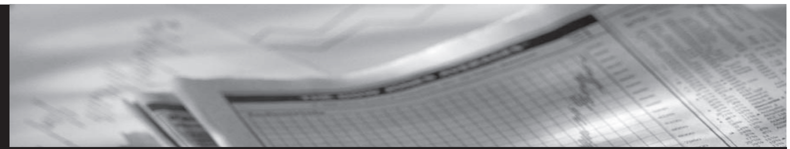
While our profits decreased dramatically, we are very pleased with these results, as most banks in the state reported losses and ended the year in the red. We cut expenses, as much as possible operationally, and we made the decision to close our Hayward Branch, cutting even more expenses. Clients of Hayward were moved to Oakland with no loss of deposits.

We believe the issues facing the industry will continue throughout 2010 and beyond, and decisions that could be made by our government could very well exacerbate the risk of the banking industry.

The Regulations and Regulatory burden that we have lived with for years has been horrendous, and now the possibility of having a single regulator would most likely increase these burdens dramatically. We personally would like to see the U.S. Government revive the Glass-Steagall Act, which was a 1933 Law that separated investment banking from commercial banking.

As a community bank, all of our business is local; all our loans are made to people in our community; and all our deposits come from local people and businesses. We can only hope that the politicians will be able to truly distinguish between community banks, banks too big to fail, and investment banks. So far, they have all used the term bank very broadly; and we would like to say once again that community banks were not the cause of this crisis, though we do believe the thousands of community banks across the country could very well be a big part of the solution.

We are a strong and seasoned bank with good core deposits and strong relationships with people in our community. We will continue to do business as usual, to the extent that we can, within Regulatory Guidelines that have basically taken character out of the equation of the Basic 5C's of Credit.



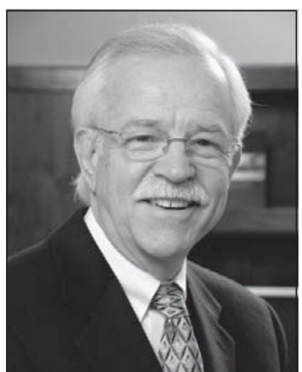
We fully expect that 2010 will be another difficult year, as the industry in general deals with some of the aftermath of the crisis in the greater economy and the continued problems in the weakened commercial real estate market.

As difficult a year as it was, all of us at Summit Bank faced it head on and we actively managed our assets and proudly produced admirable results on your behalf. The commitment shown by the individuals of Summit Bank is simply remarkable, and on behalf of the Board of Directors, we would like to take this opportunity to thank them for their hard work and dedication.

In 2010 we will continue to support our community by lending to our clients and local businesses, as we have done for the past 28 years, during good times and bad times. Twenty-eight years of success and twenty-eight years of consistent profitability is a direct tribute to the client base that we have developed. All of us at Summit Bank thank them for their loyalty, their character, and of course, their business.

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



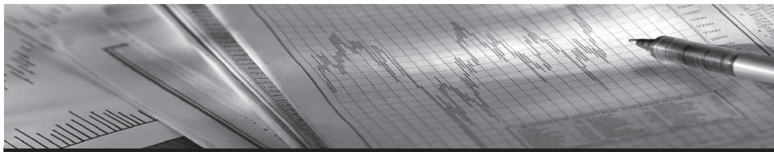
C. Michael Ziemann

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,
Chief Operating Officer
and Chief Information 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*

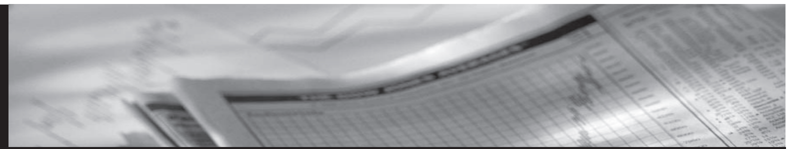
Eric Rudney is a native of the Bay Area. He is a graduate of U.C. Berkeley and attended Cal State East Bay for a Masters in Business with a concentration in Finance. Eric is a registered investment advisor in the East Bay with over twenty-five years of experience in investment planning and asset management. 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 2009 was $517,000 compared to $2,088,000 in 2008, and $3,685,000 in 2007. The decrease in the year 2009's net income from the year 2008 was caused by an increase in the FDIC assessment charges and also an increase in loan loss provision. The net income of $517,000 for 2009 represents diluted earnings per share of $0.40 compared to diluted earnings per share of $1.58 in 2008, and diluted earnings per share of $2.37 per share in 2007.

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 37% of the loans outstanding mature within one year, while the longest maturity is twelve 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 60% 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 2009 was $7,642,000, a decrease from $8,088,000 posted in 2008 and as compared to $10,804,000 in 2007.

The decrease in 2009 was primarily the result of decrease in earning assets. Average earning assets decreased 3.22% from $178,914,000 in 2008 to $173,159,000 in 2009 and as compared to $183,234,000 in 2007. Average total deposits decreased 3.68% from $165,600,000 in 2008 to $159,499,000 in 2009 and decreased 3.85% as compared to $165,893,000 in 2007.

Average loans outstanding decreased by 1.12% in 2009 to $120,748,000 as compared to $122,119,000 in 2008 and $119,242,000 in 2007. The decrease in 2009 was centered in commercial loans. Average outstanding investments decreased 7.72% to $52,411,000 in 2009 as compared to $56,795,000 in 2008 and $63,992,000 in 2007. The yield on average earning assets was 4.85% in 2009 as compared to 5.60% in 2008 and 7.3% in 2007. The decrease in 2009 was due to an increase in the non-performing loans.

Interest expense decreased 43.0% to $1,526,000 in 2009 from $2,676,000 in 2008 and as compared to $3,395,000 in 2007. The decrease in 2009 was primarily centered in certificate of deposits accounts. Average interest-bearing deposits increased 8.73% to $101,709,000 compared to $111,438,000 in 2008 and $109,160,000 in 2007. Average non-interest bearing deposits increased 6.70% in 2009 to $57,790,000 as compared to $54,162,000 in 2008 and $56,703,000 in 2007. Overall cost of funds in 2009 was 1.50% as compared to 3.05% in 2008 and 3.11% in 2007. 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 $688,000 in 2009, a decrease of 68.4% from $2,178,000 in 2008, and $587,000 in 2007. The decrease from 2008 was primarily due to the sale of land in 2008 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 decreased 17% to $484,000 in 2009 from $584,000 in 2008 and $316,000 in 2007, while total income from other charges decreased 87% to $204,000 in 2009 from $1,594,000 in 2008 and $271,000 in 2007. The increase in 2008 was due to the gain from the sale of land in 2008.

Non-interest expenses increased 0.5% to $5,107,000 in 2009 from $5,081,000 in 2008, and $5,400,000 in 2007. Salary expense decreased 15.8% to $2,650,000 in 2009 from $3,147,000 in 2008 and $3,326,000 in 2007. The salary decrease reflects a decrease in staff. Legal fees decreased to $90,000 in 2009 from $93,000 in 2008 and $60,000 in 2007. FDIC assessment expense increased to $492,000 in 2009 from $21,000 in 2008 and $20,000 in 2007, primarily due to an increase in quarterly assessment charges.

The Company's allowance for loan losses as a percent of loans was 2.24% as of December 31, 2009 as compared to 1.6% as of December 31, 2008 and 1.9% as of December 31, 2007. The provision of $2,303,000 for the year 2009 was directly related to the past due and charged off loans in 2009. This compares to the provision of $1,848,000 in 2008. At this time management has determined that the allowance is appropriate. Loans charged off in 2009 amounted to $1,538,000 compared to $2,313,000 in 2008.

Provision for Income Taxes

The provision for income taxes reflects a combined Federal and California effective tax rate of 43.8% in 2009, compared to 37.4% in 2008 and 37.6% in 2007, as described in Note 6 to the Financial Statements. The primary reason for the increase in the effective rate for 2009 was due to prior year tax assessments as a result of an audit of our enterprise zone net interest deduction by the State of California.

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, 2009, the Company had $15,038,000 in cash and cash equivalents compared to

$18,815,000 as of December 31, 2008 and $31,485,000 as of December 31, 2007. The decrease in 2009 was primarily due to a decrease in federal funds sold and balances with correspondent bank accounts. The ratio of net loans to deposits as of December 31, 2008 was 75.7% compared to 74.8% as of December 31, 2008 and 74.0% as of December 31, 2007.

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 $79,089,000 at December 31, 2009 as compared to $89,016,000 at December 31, 2008, and $68,286,000 at December 31, 2007. This is equivalent to 44.1%, 48.9%, and 37.1% of total assets at the corresponding year-ends, respectively. The decrease was mainly due to the amount of loans maturing in one year.

The Company plans to stop its stock 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

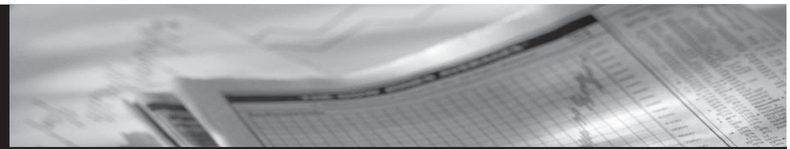
A part of the subsidiary Bank's marketing strategy is to offer quality financial services to physicians, other professionals and small business communities. The Company has been especially successful in targeting health care professionals. This segment has traditionally provided high levels of deposits 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, 2009, the Company had $5,551,000 in non-performing assets compared to $3,272,000 as of December 31, 2008.

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.

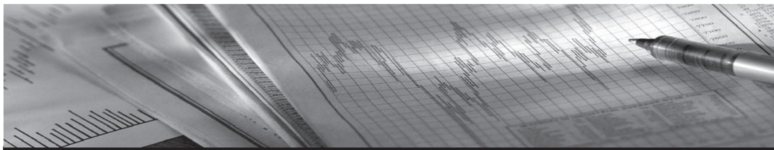


SUMMIT BANCSHARES, INC. AND SUBSIDIARY CONSOLIDATED STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2009 AND 2008

ASSETS		2009		2008
Cash and due from banks		$ 7,037,915		$ 18,814,867
Federal funds sold		8,000,000		-
Cash and cash equivalents		15,037,915		18,814,867
Time deposits with other financial institutions		33,582,000		32,681,000
Investment securities held to maturity, at cost (fair value of $722,932 at December 31, 2009 and $1,603,933 at December 31, 2008)		721,849		1,598,472
Loans	122,508,633		122,334,699	
Less: allowance for loan losses	2,739,371		1,899,183	
Net loans		119,769,262		120,435,516
Premises and equipment, net		441,951		600,296
Interest receivable and other assets		9,757,789		8,038,087
Total Assets		$ 179,310,766		$ 182,168,238

LIABILITIES AND SHAREHOLDERS' EQUITY	2009	2008
Deposits:		
Demand	$ 60,577,263	$ 60,383,895
Interest-bearing transaction accounts	50,614,686	50,697,185
Savings	2,120,272	2,218,962
Time certificates $100,000 and over	37,909,678	39,586,142
Other time certificates	6,944,108	8,809,682
Total deposits	158,166,007	161,695,866
Interest payable and other liabilities	2,732,129	2,577,166
Total Liabilities	160,898,136	164,273,032
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, 2009 and		
1,300,178 shares outstanding at December 31, 2008	3,387,558	3,387,558
Retained Earnings	15,025,072	14,507,648
Total Shareholders' Equity	18,412,630	17,895,206
Total Liabilities and Shareholders' Equity	$ 179,310,766	$ 182,168,238

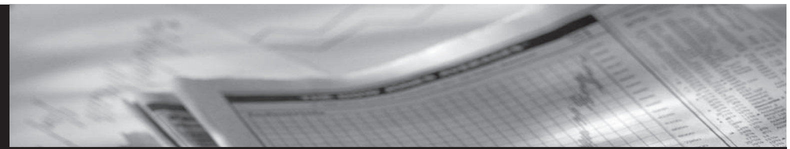
The accompanying notes are an integral part of these consolidated financial statements.



SUMMIT BANCSHARES, INC. AND SUBSIDIARY CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2009, 2008, AND 2007

	2009	2008	2007
INTEREST INCOME:			
Interest and fees on loans	$8,208,059	$9,142,749	$11,373,473
Interest on time deposits with other financial institutions	913,967	1,212,504	1,417,715
Interest on U.S. government agency securities	13,659	53,039	73,882
Interest on federal funds sold	32,001	355,466	1,334,313
Total interest income	9,167,686	10,763,758	14,199,383
INTEREST EXPENSE:			
Interest on savings deposits	4,624	4,333	6,722
Interest on interest-bearing transaction accounts	546,884	757,403	987,757
Interest on time deposits	974,350	1,914,027	2,400,732
Interest on federal funds purchased	-	5	-
Total interest expense	1,525,858	2,675,768	3,395,211
Net interest income	7,641,828	8,087,990	10,804,172
Provision for loan losses	2,303,000	1,848,000	84,000
Net interest income after provision for loan losses	5,338,828	6,239,990	10,720,172
NON-INTEREST INCOME:			
Service charges on deposit accounts	483,740	583,945	315,516
Sale of real estate	-	1,419,777	-
Other customer fees and charges	204,566	174,497	271,292
Total non-interest income	688,306	2,178,219	586,808
NON-INTEREST EXPENSE:			
Salaries and employee benefits	2,649,814	3,146,861	3,325,525
Occupancy expense	513,553	509,087	473,820
Equipment expense	435,065	441,833	425,330
FDIC assessment	491,692	20,678	20,239
Legal expense	89,639	93,000	60,000
Insurance expense	69,907	60,945	63,858
Other	857,085	808,327	1,031,151
Total non-interest expense	5,106,755	5,080,731	5,399,923
Income before income taxes	920,379	3,337,478	5,907,057
Provision for income taxes	402,955	1,249,199	2,221,746
Net Income	$517,424	$2,088,279	$3,685,311
EARNINGS PER SHARE			
Earnings per common share (Basic)	$0.40	$1.58	$2.37
Earnings per common share (Diluted)	$0.40	$1.58	$2.37

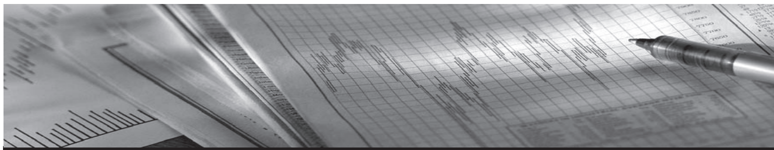
The accompanying notes are an integral part of these consolidated financial statements.



SUMMIT BANCSHARES, INC. AND SUBSIDIARY CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2009, 2008, AND 2007

	NUMBER OF SHARES OUTSTANDING	COMMON STOCK	RETAINED EARNINGS	TOTAL
Balance at January 1, 2007	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
Stock Options Exercised	-	-	-	-
Repurchase of Common Stock	-	-	-	-
Net Income	-	-	517,424	517,424
Balance at December 31, 2009	1,300,178	$3,387,558	$15,025,072	$18,412,630

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



SUMMIT BANCSHARES, INC. AND SUBSIDIARY CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2009, 2008, AND 2007

	2009	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:			
Interest received	$8,649,525	$9,909,772	$13,068,732
Fees received	1,316,970	1,443,968	1,418,173
Cash received from the sale of land	-	500,000	-
Interest paid	(1,697,282)	(2,741,767)	(3,325,849)
Cash paid to suppliers and employees	(5,005,277)	(4,804,147)	(4,937,142)
Income taxes paid	(433,163)	(1,009,755)	(2,335,000)
Net cash provided by operating activities	2,830,773	3,298,071	3,888,914
CASH FLOWS FROM INVESTING ACTIVITIES:			
(Increase) decrease in time deposits with other financial institutions	(901,000)	(8,230,000)	694,000
Maturity of investment securities	2,104,000	1,597,947	3,970,684
Purchase of investment securities	(1,227,377)	(1,624,853)	(4,006,858)
Net (increase) decrease in loans to customers	(2,970,968)	(3,705,534)	6,778,238
Recoveries on loans previously charged-off	-	19,508	-
(Increase) in premises and equipment	(82,521)	(188,579)	(266,883)
Net cash provided by (used in) investing activities	(3,077,866)	(12,131,511)	7,169,181
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase (decrease) in demand, interest bearing transaction, and savings deposits	12,179	3,010,067	(9,144,790)
Net increase (decrease) in time deposits	(3,542,038)	(1,472,342)	(5,734,586)
Exercise of stock options	-	-	11,069
Repurchase of common stock	-	(4,880,572)	(1,925,987)
Dividends paid	-	(494,206)	(2,121,663)
Net cash provided by (used in) financing activities	(3,529,859)	(3,837,053)	(18,915,957)
Net increase (decrease) in cash and cash equivalents	(3,776,952)	(12,670,493)	(7,857,862)
Cash and cash equivalents at the beginning of the year	18,814,867	31,485,360	39,343,222
Cash and cash equivalents at the end of the year	$15,037,915	$18,814,867	$31,485,360
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Net Income	$517,424	$2,088,279	$3,685,311
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	240,866	275,138	229,054
Provision for loan losses	2,303,000	1,848,000	84,000
Deferred Income Tax Expense (benefit)	(593,000)	711,000	(86,000)
(Increase) in other assets	(226,078)	(496,537)	(140,724)
OREO write off	572,228	-	-
BOLI Income	(114,220)	(107,823)	(98,394)
Increase in unearned loan fees	(24,410)	(91,351)	55,804
Increase in other liabilities	154,963	(8,858)	159,863
Total adjustments	2,313,349	1,209,792	203,603
Net cash provided by operating activities	$2,830,773	$3,298,071	$3,888,914

Supplemental Cash Flow Disclosures

	2009	2008	2007
Net noncash transfers to foreclosed property	$786,404	-	-

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009

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 three 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 inter-company 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 365 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, 2009 and 2008, the Bank had $786,404 and $0 in other real estate owned, respectively.

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. The Bank has adopted guidance issued by the Financial Accounting Standards Board ("FASB") that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Interest and penalties related to uncertain tax positions are recorded as part of income tax expense.

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

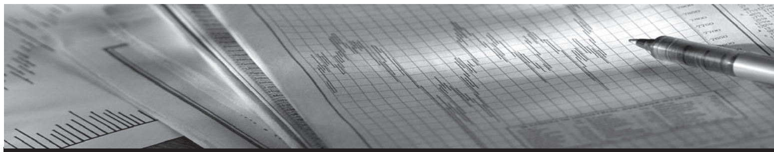
The Company had no items of other comprehensive income for the twelve months ended December 31, 2009, 2008 and 2007. Accordingly, total comprehensive income was equal to net income for each of those periods.

Segment Reporting

The Company is principally engaged in community banking activities through the three 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 three 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

The Bank recognizes the cost of employee services received in exchange for awards of stock options, or other equity instruments, based on the grant-date fair value of those awards. This cost is recognized over the period which an employee is required to provide services in exchange for the award, generally the vesting period. See Note 11 for additional information on the Bank's stock option plan.



Reclassifications

Certain reclassifications have been made in the 2008 and 2007 financial statements to conform to the presentation used in 2009. These reclassifications had no impact of the Bank's previously reported financial statements.

Subsequent events

The company has evaluated subsequent events for recognition and disclosure through March 16, 2010, which is the date the financial statements were available to be issued.

Adoption of New Accounting Standards

Subsequent Events

In May 2009, the FASB issued guidance which requires the effects of events that occur subsequent to the balance-sheet date be evaluated through the date the financial statements are either issued or available to be issued. Entities are to disclose the date through which subsequent events have been evaluated and whether that date is the date the financial statements were issued or the date the financial statements were available to be issued. Entities are required to reflect in their financial statements the effects of subsequent events that provide additional evidence about conditions at the balance-sheet date (recognized subsequent events). Entities are also prohibited from reflecting in their financial statements the effects of subsequent events that provide evidence about conditions that arose after the balance-sheet date (nonrecognized subsequent events), but requires information about those events to be disclosed if the financial statements would otherwise be misleading. This guidance was effective for annual financial periods ended after June 15, 2009 with prospective application. The company adopted the guidance for the year ended December 31, 2009 by including the required disclosures in Note A to the financial statements.

Fair Value Measurements

In April 2009, accounting standards were amended to provide additional guidance for determining the fair value of a financial asset or financial liability when the volume and level of activity for such asset or liability decreased significantly and also to provide guidance for determining whether a transaction is orderly. The amendments were effective for annual reporting periods ended after June 15, 2009. Adoption of the amendments in 2009 did not have a material impact on the company's financial statements.

In February 2008, the FASB issued instructions that delayed the effective date of fair value measurement for all non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value on a recurring basis (at least annually) for fiscal years beginning after November 15, 2008. Adoption of the fair value measurement rules in 2009 for non-financial assets and non-financial liabilities subject to the delay did not have a material impact on company's financial statements

Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles

In June 2009, accounting standards were revised to establish the Accounting Standards Codification (the "Codification") as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with Generally Accepted Accounting Principles ("GAAP"). The Codification does not change current GAAP, but is intended to simplify user access to all authoritative GAAP by providing all the authoritative literature related to a particular topic in one place. The Codification is effective for annual periods ended after September 15, 2009, and as of the effective date, all existing accounting standard documents were superseded. Adoption of the Codification in 2009 did not have a material impact on the company's financial statements.

Other-Than-Temporary Impairment

In April 2009, accounting standards were amended to provide expanded guidance concerning the recognition and measurement of other-than-temporary impairments of debt securities classified as available for sale or held to maturity. The amendments require an entity to recognize the credit component of an other-than-temporary impairment of a debt security in earnings and the noncredit component in other comprehensive income when the entity does not intend to sell the security and it is more likely than not that the entity will not be required to sell the security prior to recovery. Expanded disclosures are also required concerning such impairments. The amendments were effective for annual reporting periods ended after June 15, 2009. Adoption of the amendments in 2009 did not have a material impact on the company's financial statements.

Newly Issued Not Yet Effective Accounting Standards

In June 2009, accounting standards were amended to clarify when a transferor has surrendered control over transferred financial assets and thus is entitled to account for the transfer as a sale. The amendments establish specific conditions for accounting for the transfer of a financial asset, or a portion of a financial asset, as a sale. The amendments could impact when a loan participation or SBA loan sale may be accounted for as a sale and the related transferred asset derecognized by the Bank. This guidance is effective for transfers occurring on or after January 1, 2010. The Bank has not yet completed its evaluation of these amendments, but does not expect that they will have a material impact on its balance sheet or statement of operations.

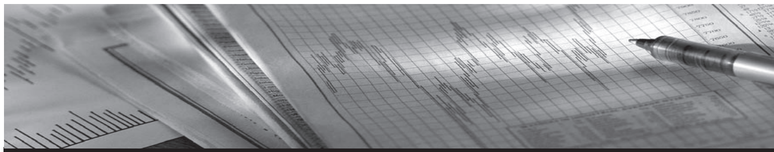
2. Investment Securities

The amortized cost and estimated fair values of investments in debt securities held to maturity as of December 31, 2009 and 2008 are as follows:

December 31, 2009	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. agencies	$721,849	$1,083	-	$722,932

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

At December 31, 2009, the debt securities with amortized cost have decreased 54.84% from the Bank's amortized cost basis from December 31, 2008 due to management's decision to decrease this type of investment. 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, 2009, by contractual maturities are shown below. .

	Amortized Cost	Estimated Fair Value
Due in one year or less	$721,849	$722,932
Total	$721,849	$722,932

There were no sales of investments in debt securities during 2009 or 2008. At December 31, 2009, securities carried at $721,849 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, 2009, and 2008 (net of unearned loan fees of $611,000 and $636,000, respectively), is as follows:

	2009	**2008**
Commercial loans	$34,650,195	$43,281,977
Real estate loans	62,109,778	51,889,775
Real estate construction loans	10,674,316	16,690,945
Installment loans	15,074,344	10,472,003
	122,508,633	122,334,699
Less: Allowance for loan losses	(2,739,371)	(1,899,183)
	$119,769,262	$120,435,516

The changes in the allowance for loan losses for the years ended December 31, 2009, 2008, and 2007 are as follows:

	2009	**2008**	**2007**
Balance, beginning of period	$1,899,183	$2,344,344	$2,260,344
Provision for loan losses	2,303,000	1,848,000	84,000
Recoveries	75,513	19,509	-
Loans charged-off	(1,538,325)	(2,312,670)	-
Balance, end of period	$2,739,371	$1,899,183	$2,344,344

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,	
	2009	2008
Loans 90 days or more past due and still accruing:		
Commercial	$297,911	$ -
Real Estate	-	-
Non-accrual loans:		
Commercial	-	2,054,427
Real Estate	5,252,886	1,218,000
Consumer	-	-
Total Non-Performing Loans	$5,550,797	$3,272,427

The Company had three impaired loans at December 31, 2009, in the amount of $4,360,000 compared to $3,272,000 as of December 31, 2008 and compared to $133,000 as of December 31, 2007. The total valuation allowance related to these loans was $216,000 at December 31, 2009, $200,000 at December 31, 2008 and $0 at December 31, 2007. The average recorded investment in impaired loans during 2009, 2008 and 2007 was $6,306,000, $200,000 and $228,000, respectively. Interest income recognized on impaired loans for the years ended December 31, 2009, 2008 and 2007, was $96,000, $13,000, $8,000, 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, 2009, and 2008, loans outstanding to directors, officers, and principal shareholders and their known associates were $4,496,420 and $2,570,303 respectively. In 2009, advances on current directors' loans were $2,270,000, and collections were $343,883. In 2008, advances on such loans were $1,750,000, and collections were $3,197. As of December 31, 2009 and 2008 total deposits of directors, officers and principal shareholders and their known associates totaled $2,199,360 and $4,683,334 respectively.

5. Premises and Equipment

Premises and equipment consisted of the following:

	Cost	Accumulated Depreciation	Net Book Value
December 31, 2009			
Leasehold improvements	$1,200,099	$1,096,456	$103,643
Furniture and equipment	2,547,067	2,208,759	338,308
Total	$3,747,166	$3,305,215	$441,951
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

Depreciation and amortization included in occupancy and equipment expenses was $240,866, $275,138, and $229,054 for the years ended December 31, 2009, 2008, and 2007, respectively.

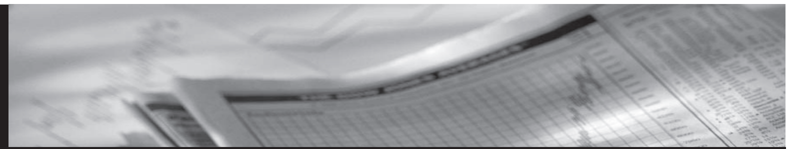
6. Income Taxes

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

	2009	**2008**	**2007**
Current:			
Federal	$687,000	$412,000	$1,769,000
State	309,000	126,000	539,000
Total current	996,000	538,000	2,308,000
Deferred:			
Federal	(448,000)	577,000	17,000
State	(145,000)	134,000	(103,000)
Total deferred	(593,000)	711,000	(86,000)
Total taxes	$403,000	$1,249,000	$2,222,000

The components of the net deferred tax asset of the Company as of December 31, 2009, and 2008, were as follows:

	2009	**2008**	**2007**
Deferred Tax Assets:			
Allowance for loan losses	$933,000	$644,000	$917,000
State taxes	$105,000	45,000	172,000
Installment sale	($417,000)	(417,000)	-
Depreciation	$176,000	189,000	162,000
Other real estate owned	$273,000	-	-
Deferred Salary	$714,000	657,000	587,000
Other	$49,000	122,000	113,000
Net Deferred Tax Asset	$1,833,000	$1,240,000	$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:

	2009		2008		2007	
	Amount	Percent	Amount	Percent	Amount	Percent
Federal income tax expense, based on the statutory federal income tax rate	$313,000	34.00%	$1,135,000	34.00%	$2,008,000	34.00%
State franchise taxes, net of federal income tax benefit	66,000	7.20%	239,000	7.20%	423,000	7.20%
Other, net	24,000	2.60%	(125,000)	(3.80%)	(209,000)	(3.60%)
Tax provision	$403,000	43.80%	$1,249,000	37.40%	$2,222,000	37.60%

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, 2009. 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, 2008, 2007 and 2006 are open to audit by the federal authorities and our California state tax returns for the years ended December 31, 2008, 2007, 2006 and 2005, are open to audit by state authorities.

7. Time Deposits

Time deposits issued as of December 31, 2009, had $43,534,754 maturing in the year 2010, $320,821 maturing in 2011, and the remaining $998,211 maturing in 2012.

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 $8,500,000 at December 31, 2009. There were no borrowings outstanding under these agreements at December 31, 2009 and December 31, 2008.

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, 2009, this line provided for a maximum borrowing capacity of $7,201,863. There was no outstanding balance as of December 31, 2009. At December 31, 2009, this borrowing line was collateralized by mortgage loans with a book value of $18,099,491. Interest expense related to FHLB borrowings totaled $0 in 2009, $0 in 2008 and $0 in 2007, 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, 2009, 2008, and 2007.

	FOR THE YEAR ENDED								
	December 31, 2009			December 31, 2008			December 31, 2007		
	Income (Numerator)	Shares (Denominator)	Per Share Amount	Income (Numerator)	Shares (Denominator)	Per Share Amount	Income (Numerator)	Shares (Denominator)	Per Share Amount
Net Income	$517,424			$2,088,279			$3,685,311		
Basic EPS Income Available to Common Stockholders	517,424	1,300,178	$0.40	2,088,279	1,319,971	$1.58	3,685,311	1,553,345	$2.37
Effect of Dilutive Securities									
Stock Options								2,954	
Diluted EPS Income Available to Common Stockholders and Assumed Conversion	$517,424	1,300,178	$0.40	$2,088,279	1,319,971	$1.58	$3,685,311	1,556,299	$2.37

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, 2009, that the Company and the Bank have met all capital adequacy requirements.

As of December 31, 2009, 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, 2009						
Total Capital						
(to Risk Weighted Assets)						
Consolidated	$20,172,000	14.43%	$11,181,280	8.00%	$13,976,600	10.00%
Bank	19,269,000	13.80%	11,171,120	8.00%	13,963,900	10.00%
Tier 1 Capital						
(to Risk Weighted Assets)						
Consolidated	18,413,000	13.17%	5,590,640	4.00%	8,385,960	6.00%
Bank	17,513,000	12.54%	5,585,560	4.00%	8,378,340	6.00%
Tier 1 Capital						
(to Average Assets)						
Consolidated	18,413,000	10.36%	7,108,079	4.00%	8,885,099	5.00%
Bank	17,513,000	9.96%	7,031,375	4.00%	8,789,219	5.00%
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%

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.

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 for awards granted after the adoption date is based on the grant date fair value estimated in accordance with guidance issued by the FASB. There was no compensation cost recorded during the year ended December 31, 2009, 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, 2009	3,702	$ 12.23
Granted	-	-
Exercised	-	-
Vested	-	-
Forfeited	-	-
Expired	-	-
Vested, December 31, 2009	3,702	$ 12.23

As of December 31, 2009, there was no unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the Plan, which will vest over the next 1.54 years.

The total intrinsic value of options exercised during the year ended December 31, 2009, 2008 and 2007, was $0, $0, and $12,019 respectively. Cash received from options exercised under the Plan for the years ended December 31, 2009, 2008 and 2007 was $0, $0, and $11,069 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, 2009, the Bank could pay dividends to the Company of up to approximately $35,550 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, 2009, were $2,679,000.

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 $398,317, $387,367 and $351,818, for the years ended December 31, 2009, 2008, and 2007.

At December 31, 2009, the approximate future minimum payments for non-cancelable leases with initial or remaining terms in excess of one year were as follows:

2010	$ 337,682
2011	333,588
2012	267,844
2013	272,529
2014	165,693
Total	$1,377,336

The Company is subject to various pending and threatened legal actions, which arise in 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, $45,184 was contributed in 2009, and $41,341 in 2008.

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 2009, $0 in 2008, and $0 in 2007. 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 $136,860 in 2009, $172,000 in 2008, and $121,302 in 2007.

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, 2009 and 2008, financial instruments whose contract amounts represent credit risk are as follows:

	Contract Amount	
	2009	2008
Commitments to extend credit in the future	$28,909,710	$34,330,515
Standby letters of credit	1,262,317	1,156,289
Total	$30,172,027	$35,486,804

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

The Bank adopted guidance issued by the FASB regarding fair value measurement on January 1, 2008. Such guidance defines fair value, establishes a framework for measuring fair value under U.S. GAAP and expands disclosures about fair value measurements. The guidance applies whenever other accounting pronouncements require or permit assets or liabilities to be measured at fair value. The guidance does not expand the use of fair value in any new circumstances.

Under the guidance issued by the FASB, 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

FASB guidance 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. The guidance 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.

Fair values is the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Current accounting guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

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 assets measured at fair value on a recurring basis as of December 31, 2009 and 2008.

Fair Value on a Nonrecurring Basis

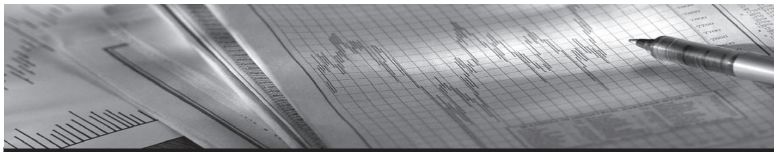
The Bank measures certain loans at fair value on a nonrecurring basis. These loans are subject to fair value adjustments only in certain circumstances (i.e., when there is evidence of other-than-temporary impairment). The following table presents for each SFAS 157 hierarchy level the financial assets and liabilities that are measured at fair value on a non-recurring basis on the Balance Sheet as of December 31, 2009 and 2008.

	As of December 31, 2009			
Fair Value Hierarchy	Total	Level 1	Level 2	Level 3
Impaired loans net of related allowance for loan loss	$4,143,465	-	-	$4,143,465
Other real estate owned	786,404			786,404
Total assets at fair value	$4,929,869	-	-	$4,929,869

	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, 2009, and December 31, 2008, and the methods and assumptions used to evaluate them:

Impaired loans, which are measured for impairment using the fair value of the collateral for collateral-dependent loans, had carrying amounts of $4,360,000 and $268,000, as of December 31, 2009 and 2008,



respectively with a valuation allowances of $216,000 and $200,000 for 2009 and 2008, respectively, resulting in equivalent additional loan loss provisions in those years.

Other real estate owned which are measured by the value of the property appraisal, had a carrying amount of $786,404 with a write off value of $572,000 for the period.

2009	**Carrying Value**	**Estimated Fair Value**
Cash and due from banks and Fed funds sold	$15,037,915	$15,037,915
Investment securities	721,849	722,932
Time deposits with other financial institutions	33,582,000	33,780,274
Loans	119,769,262	120,260,316
Bank owned life insurance	2,740,766	2,740,766
Accrued interest receivable	485,590	485,590
Deposits		
Demand	60,577,263	60,577,263
Interest bearing transaction accounts	50,614,686	50,614,686
Savings	2,120,272	2,120,272
Time certificates	44,853,786	45,153,291
Accrued interest payable	148,483	148,483

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
Bank owned life insurance	2,626,546	2,626,546
Accrued interest receivable	740,309	740,309
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
Accrued interest payable	319,907	319,907

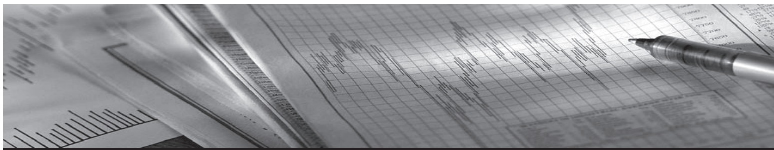
Cash and due from banks have a relatively short period of time between their origination and their expected realization and are valued at their carrying amounts. The fair value of investment securities and time deposits with other financial institutions were estimated using quoted market prices or dealer 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 $1,262,317 and $28,909,710 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, 2009, and 2008, and the related statements of income and cash flows for the years ended December 31, 2009, 2008, and 2007, for Summit Bancshares, Inc. (parent company only)

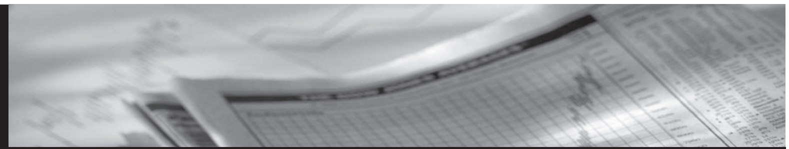
BALANCE SHEET	2009	2008
ASSETS:		
Cash	$967,078	$751,573
Loan participation with subsidiary (net of allowance for loss reserve of $136,000 at December 31, 2009 and $147,000 at December 31, 2008)	21,423	326,253
Investment in subsidiary	17,513,637	15,786,213
Other assets	112,854	1,345,865
Total Assets	$18,614,992	$18,209,904
LIABILITIES:		
Income taxes payable	$202,362	$314,698
Total Liabilities	202,362	314,698
Shareholders' Equity:		
Common Stock	3,387,558	3,387,558
Retained Earnings	15,025,072	14,507,648
Total Shareholders' Equity	18,412,630	17,895,206
Total Liabilities and Shareholders' Equity	$18,614,992	$18,209,904

STATEMENTS OF INCOME (year ended December 31)	2009	2008	2007
INCOME:			
Interest on short-term investments and loans	$87,897	$65,605	$133,493
Gain on sale of Real Estate	-	1,419,777	-
Rental and other income	2,847	21,171	56,867
Total income	90,744	1,506,553	190,360
EXPENSE:			
Miscellaneous expense	56,504	44,182	65,942
Total expense	56,504	44,182	65,942
Income before income tax and equity in earnings of subsidiary	34,240	1,462,371	124,418
Provision for income taxes	14,240	608,199	51,746
Income before equity in earnings of subsidiary	20,000	854,172	72,672
Equity in earnings of subsidiary			
Distributed	-	2,400,000	3,000,000
Undistributed	497,424	-1,165,893	612,639
Net Income	$517,424	$2,088,279	$3,685,311



SUMMIT BANCSHARES, INC. STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2009, 2008, AND 2007

	2009	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:			
Interest received	$95,969	$78,330	$136,089
Rental income	-	7,000	26,871
Fees Received	2,847	-	-
Cash received from sale of land	-	500,000	-
Notes Receivable charged off	20,000	-	-
Other income (expense)	-	(1,416)	4,496
Cash paid to suppliers	(47,504)	(37,439)	(28,671)
Income taxes paid	(151,637)	(98,763)	(59,319)
Net cash provided by (used in) operating activities	(80,325)	447,712	79,466
CASH FLOWS FROM INVESTING ACTIVITIES:			
(Increase) decrease in investments	-	-	70,686
Net decrease in loans	295,830	1,276,458	1,096,280
Dividend received from subsidiary	-	2,400,000	3,000,000
Net cash provided by (used in) investing activities	295,830	3,676,458	4,166,966
CASH FLOWS FROM FINANCING ACTIVITIES:			
Stock options exercised	-	-	11,067
Repurchase of common stock	-	(4,880,572)	(1,925,987)
Dividends paid	-	(494,206)	(2,121,663)
Net cash (used in) financing activities	0	(5,374,778)	(4,036,583)
Net increase (decrease) in cash and cash equivalents	215,505	(1,250,608)	209,849
Cash at the beginning of the year	751,573	2,002,181	1,792,332
Cash at the end of the year	$967,078	$751,573	$2,002,181
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Net Income	$517,424	$2,088,279	$3,685,311
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	9,000	4,000	9,000
Non-cash earnings from subsidiary	(497,424)	(1,234,107)	(3,612,639)
(Increase) Decrease in other assets	3,011	198,120	(5,706)
Increase in other liabilities	(112,336)	311,197	3,500
Total adjustments	(597,749)	(1,640,567)	(3,605,845)
Net cash provided by (used in) operating activities	($80,325)	$447,712	$79,466



Independent Auditor's Report

The Board of Directors and Shareholders
Summit Bancshares, Inc.

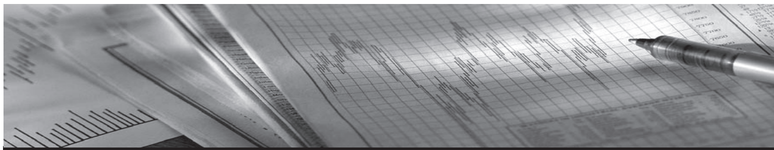
We have audited the accompanying consolidated statements of financial position of Summit Bancshares, Inc. (a California corporation) and subsidiary as of December 31, 2009 and 2008, and the related consolidated statements of income, change in shareholders' equity and cash flows for each of the years in the three year period ended December 31, 2009. 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 opinions.

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, 2009 and 2008, and the results of their operations and their cash flows for each of the years in the three year period ended December 31, 2009 in conformity with accounting principles generally accepted in the United States of America.

Vavrinek Trine Day + Co. LLP

Palo Alto, California
March 16, 2010



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*Emeritus

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Chief Credit Administrator

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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 2009 is contained below. The following prices reflect retail mark-up and may not represent actual transactions

	HIGH	LOW	DIVIDENDS DECLARED
2009			
First Quarter	$12.00	$7.00	$ --
Second Quarter	10.01	7.26	--
Third Quarter	8.80	7.95	--
Fourth Quarter	8.50	8.00	--
Total			$ --
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

The Company presently intends to continue the policy of not paying regular semi-annual cash dividends. 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.

annual report

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Summit Bancshares, Inc.

EQUAL HOUSING LENDER