

Summit Bank



SUMMIT BANCSHARES INC. 2018 ANNUAL REPORT

FINANCIAL HIGHLIGHTS

FOR THE YEAR ENDED	2018	2017	2016	2015	2014
Net Income	\$3,081,791	\$1,847,759	\$2,037,603	\$2,333,654	\$2,915,310
Earnings per common share	\$2.58	\$1.54	\$1.58	\$1.79	\$2.24
Earnings per common share - assuming dilution	\$2.58	\$1.54	\$1.58	\$1.79	\$2.24
AT YEAR END (in thousands)					
Deposits	\$231,125	\$230,128	\$210,007	\$198,696	\$188,985
Loans (Net)	172,161	150,371	115,973	133,804	120,278
Assets	267,629	263,318	241,125	229,598	218,314
Shareholders' Equity	31,286	28,562	27,325	27,532	25,485
Non-performing Loans to Total Loans	0.97%	0.07%	0.00%	0.00%	0.00%
Allowance to Non-performing Loans	2.07	33.96	-	-	-
Common Equity Tier 1 Capital	15.12%	15.12%	17.20%	16.60%	16.68%
Tier 1 Capital	15.12%	15.12%	17.20%	16.60%	16.68%
Total Capital	16.38%	16.38%	18.46%	17.86%	17.94%
Leverage Ratio	11.01%	11.01%	11.07%	11.69%	10.48%

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, the range of high and low bids for such common stock for each calendar quarter since January 2017 is contained below. The following prices reflect retail mark-up and may not represent actual transactions.

	HIGH	LOW	DIVIDENDS DECLARED
2018			
First Quarter	\$30.02	\$30.00	\$0.15
Second Quarter	\$32.21	\$32.15	
Third Quarter	\$37.29	\$37.23	\$0.15
Fourth Quarter	\$43.42	\$43.37	
Total			<u>\$0.30</u>
2017			
First Quarter	\$23.10	\$23.03	\$0.14
Second Quarter	24.71	24.65	--
Third Quarter	26.38	26.34	0.14
Fourth Quarter	28.68	28.67	--
Total			<u>\$0.28</u>

The Company presently intends to continue the policy of 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 #10.

DEAR FELLOW SHAREHOLDERS

2018 was another successful one for Summit Bank and extended what is now our 36-year legacy of continuous annual and monthly profitability since we opened the doors in 1982. Our after tax profit was \$3,082,000 or \$2.58 per share. We are very proud of this long history of profitability and stability and consider it a tribute to the trust and confidence you placed in us when you became a shareholder.

2018 was a year where Summit Bank received the following recognition.

- Findley Reports recognized us for the 14th time as a Super Premier performing bank, following 15 years as a Premier performing bank and five years as a Commendable performing bank.
- “Five Star” ranking as one of the strongest financial institutions in the country by Bauer Financial
- Net Interest Margin ranked in the top 10% of all banks nationwide
- “Top 100 Corporate Philanthropist in the San Francisco Bay Area” by San Francisco Business Times

2018 saw our total assets grew to \$267,629,000 from \$263,318,000 with loans increasing from \$150,371,000 to \$172,160,000 representing 14.49% in total loan growth. Our Return on Assets was 1.17% compared to 0.74% last year and Return on Equity was 10.79% compared to 6.71% in 2017. In 2017, there was a one-time adjustment of \$750,000 to the Deferred Tax Asset due to change in tax laws, which caused a decrease in our net income compared to previous year. We are aware that the new tax laws impacts our financial performance in the future.

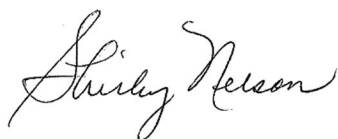
Our stock’s book value increased 9.53% from \$23.93 to \$26.21 and our Risk Based Capital Ratio increased from 16.38% to 16.68%, which is well in excess of the Regulatory standard of 10% for a Well Capitalized Bank.

In September 2018, our Walnut Creek branch relocated to our new building at 1701 N. California Boulevard in downtown Walnut Creek.

It appears that interest rates will level off in the near future, which will impact interest margins and should have a slowing effect on interest income from loans. We expect that the interest rates on deposits will level off or increase at a slow pace.

We will continue to apply our conservative views to all aspects of banking fundamentals with a strong focus on prudent lending. We look forward to celebrating our 37th anniversary and having another successful year in 2019.

I want to thank our Board members who provide oversight and direction of our policies and goals that further the success we have enjoyed for so many years. Our Board has the right mix of background perspectives and can counsel on what is necessary with the daily challenges we face. Our Board is complemented with the best management group in the Bay Area. They have a wealth of knowledge about the bank and our clients. They are passionate about customer service and creating shareholder value. I sincerely thank all our employees for their hard work and dedication.



SHIRLEY W. NELSON
Chairman and CEO

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 2018 was \$3,082,000 compared to \$1,848,000 in 2017, and \$2,038,000 in 2016. The increase in the year 2018's net income from the year 2017 was caused primarily due to loan growth and an increase in the prime rate and the change in tax laws which caused an adjustment of \$750,000 to the Deferred Tax Asset in 2017. The net income of \$3,082,000 for 2018 represents diluted earnings per share of \$2.58 which compared to diluted earnings per share of \$1.54 in 2017, and diluted earnings per share of \$1.58 per share in 2016.

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 22% 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 13% matures after one year while 42% 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 2018 was \$11,667,000, an increase from \$9,402,000 posted in 2017 and an increase as compared to 8,626,000 in 2016. The increase in 2018 was primarily the result of four increases in prime rate and loan growth. Average earning assets increased by 2.06% in 2018 to \$243,671,000 from \$238,763,000 in 2017 and as compared to 229,293,000 in 2016. Average total deposits were increased by 4.03% to \$231,911,000 in 2018 from \$222,933,000 in 2017 and increased 10.35% as compared to \$210,158,000 in 2016.

Average loans outstanding decreased by 19.21% in 2018 to \$160,242,000 as compared to \$134,422,000 in 2017 and \$135,780,000 in 2016. Average outstanding investments decreased 20.04% to \$83,429,000 in 2018 as compared to \$104,341,000 in 2017 and \$93,512,000 in 2016. The yield on average earning assets was 4.96% in 2018 as compared to 4.11% in 2017 and 3.55% in 2016. The increase in 2018 was due to an increase in prime rate as well as an increase in interest rates on Due from Time deposits.

Interest expense increased 1.98% to \$412,000 in 2018 from \$404,000 in 2017 and as compared to \$494,000 in 2016. The increase in 2018 was primarily centered in the average rates paid on deposits. Average interest-bearing deposits increased 5.67% to \$117,210,000 in 2018 compared to \$110,925,000 in 2017 and \$117,894,000 in 2016. Average non-interest bearing deposits increased 2.40% in 2018 to \$114,702,000 as compared to \$112,008,000 in 2017 and \$92,264,000 in 2016. Overall cost of funds in 2018 was 0.35% as compared to 0.36% in 2017 and 0.42% in 2016. The decrease in the overall cost of funds was a direct result of a decrease in customers' time deposits and savings accounts interest rates.

Non-Interest Income and Expense

Non-interest income, consisting primarily of service charges on deposit accounts and other income, was \$811,000 in 2018, a decrease of 49.47% from \$1,605,000 in 2017, and an increase from \$776,000 in 2016. Total service charge income from deposit accounts decreased 11.10% to \$509,000 in 2018 from \$572,000 in 2017 and \$499,000 in 2016 and total income from other charges decreased 70.73% to \$302,000 in 2018 from \$1,033,000 in 2017 and \$277,000 in 2016. The increase of Non-interest income in 2017 was primarily due to income recognized from the sale of OREO properties and other income received from miscellaneous services.

Non-interest expenses increased 15.17% to \$8,037,000 in 2018 from \$6,978,000 in 2017, and \$6,017,000 in 2016. Salary expense increased 9.81% to \$4,949,000 in 2018 from \$4,507,000 in 2017 and \$3,595,000 in 2016. Legal expenses increased by \$223,000 in 2018 over 2017 and decreased by \$23,000 in 2017 over 2016. Legal expenses related primarily to M & A services and services rendered in connection with securing the satisfactory payoffs of non-accrual loans, including previously unrecognized interest income on those loans, in both 2017 and 2018. FDIC assessment expense increased to \$81,000 in 2018 from \$75,000 in 2017 and \$106,000 in 2016, primarily due to an increase in factors in estimating the assessment.

The Company's allowance for loan losses as a percent of loans was 1.97% as of December 31, 2018 as compared to 2.18% as of December 31, 2017 and 3.09% as of December 31, 2016. There were no accrual for loan loss provision in 2017 and 2016 as there were recoveries in 2016 from the charged off loans. The change of the percentage was a result of the increase in total loans combined with a reversal of the allowance of \$350,000 in 2017. At this time management believes that the allowance is appropriate. There were no charge offs in 2018 and 2017.

Provision for Income Taxes

The provision for income taxes reflects a combined Federal and California effective tax rate of 29.50% in 2018, compared to 57.80% in 2017 and 40.0% in 2016, 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 Company'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, 2018, the Company had \$20,264,000 in cash and cash equivalents compared to \$23,673,000 as of December 31, 2017 and \$35,257,000 as of December 31, 2016. The decrease in 2018 was primarily due to a decrease in balances with correspondent bank accounts. The ratio of net loans to deposits as of December 31, 2018 was 74.5% compared to 65.3% as of December 31, 2017 and 55.2% as of December 31, 2016.

The Company 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 \$96,080,000 at December 31, 2018 as compared to \$117,281,000 at December 31, 2017, and \$154,780,000 at December 31, 2016. This is equivalent to 36.0%, 45.0% and 64.0%, of total assets at the corresponding year-ends, respectively. The decrease was mainly due to the fed funds sold, loans and due from time deposits maturing in one year.

The Bank's Walnut Creek Branch was relocated in September 2018 to our own building at 1701 N. California Boulevard in Walnut Creek and occupied the bottom floor of the building while continuing to lease the upper floors to the existing tenants. 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 its underwriting of loans to healthcare professionals.

Non-Performing Assets

As of December 31, 2018 the Company had one non-performing asset of \$1,665,000 and as of December 31, 2017 the Company had one non-performing asset of \$98,500.

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, 2018 AND 2017**

ASSETS	2018	2017
Cash and due from banks	\$ 7,264,111	\$ 11,923,112
Federal funds sold	13,000,000	11,750,000
Cash and cash equivalents	20,264,111	23,673,112
Time deposits with other financial institutions	59,989,000	75,365,000
Debt securities held to maturity, at cost (fair value of \$397,760 at December 31, 2018 and \$398,692 at December 31, 2017)	397,978	399,009
Loans (Net of related deferred loan fees)	175,615,468	153,715,511
Less: allowance for loan losses	<u>3,454,212</u>	<u>3,344,781</u>
Net loans	172,161,256	150,370,730
Premises and equipment, net	5,387,502	4,364,014
Bank Owned Life Insurance	4,926,118	4,792,955
Deferred Tax Assets	2,171,000	1,849,000
Interest receivable and other assets	2,332,002	2,504,049
Total Assets	\$ 267,628,967	\$ 263,317,869

LIABILITIES AND SHAREHOLDERS' EQUITY

Deposits:		
Demand	\$ 110,088,879	\$ 109,907,805
Interest-bearing transaction accounts	90,318,910	88,958,810
Savings	9,602,505	9,686,887
Time certificates \$250,000 and over	14,098,189	10,855,573
Other time certificates	7,016,629	10,719,085
Total deposits	231,125,112	230,128,160
Interest payable and other liabilities	5,217,965	4,627,518
Total Liabilities	236,343,077	234,755,678
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;		
1,193,641 shares outstanding at December 31, 2018 and 2017	2,322,188	2,322,188
Retained Earnings	28,963,702	26,240,003
Total Shareholders' Equity	31,285,890	28,562,191
Total Liabilities and Shareholders' Equity	\$ 267,628,967	\$ 263,317,869

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

**SUMMIT BANCSHARES, INC. AND SUBSIDIARY CONSOLIDATED STATEMENTS OF INCOME
AND COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016**

	2018	2017	2016
INTEREST INCOME:			
Interest and fees on loans	\$ 10,386,370	\$ 8,518,332	\$ 8,278,641
Interest on time deposits with other financial institutions	1,349,386	998,068	757,233
Interest on U.S. government agency securities	7,058	3,620	2,292
Interest on federal funds sold	359,845	286,166	82,046
Total interest income	12,102,659	9,806,186	9,120,212
INTEREST EXPENSE:			
Interest on savings deposits	5,426	7,963	10,873
Interest on interest-bearing transaction accounts	226,498	222,088	241,803
Interest on time deposits	180,113	173,966	241,103
Total interest expense	412,037	404,016	493,778
Net interest income	11,690,622	9,402,170	8,626,434
Provision for loan losses	75,000	(350,000)	-
Net interest income after provision for loan losses	11,615,622	9,752,170	8,626,434
NON-INTEREST INCOME:			
Service charges on deposit accounts	508,767	572,270	499,415
Other Income	282,509	1,032,808	276,810
Total non-interest income	791,276	1,605,078	776,226
NON-INTEREST EXPENSE:			
Salaries and employee benefits	4,948,638	4,506,500	3,595,062
Occupancy expense	690,113	630,380	553,829
Equipment expense	501,593	472,527	482,684
FDIC assessment	81,000	75,000	105,750
Legal expense	277,894	52,000	75,000
Insurance expense	90,644	86,807	86,103
Other	1,447,426	1,155,105	1,118,226
Total non-interest expense	8,037,308	6,978,319	6,016,654
Income before income taxes	4,369,590	4,378,929	3,386,006
Provision for income taxes	1,287,799	2,531,170	1,348,403
Net income and comprehensive income	\$ 3,081,791	\$ 1,847,759	\$ 2,037,603
EARNINGS PER SHARE			
Earnings per common share (basic)	\$ 2.58	\$ 1.54	\$ 1.58
Earnings per common share (diluted)	\$ 2.58	\$ 1.54	\$ 1.58

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, 2018, 2017, AND 2016**

	NUMBER OF SHARES OUTSTANDING	COMMON STOCK	RETAINED EARNINGS	TOTAL
Balance at January 1, 2016	1,300,178	\$ 3,387,558	\$ 24,144,650	\$ 27,532,208
Issuance of Cash Dividends, \$.24 per share	-	-	(312,043)	(312,043)
Repurchase of Common Stock	(95,188)	(951,880)	(980,435)	(1,932,315)
Net Income	-	-	2,037,603	2,037,603
Balance at December 31, 2016	1,204,990	2,435,678	24,889,775	27,325,453
Issuance of Cash Dividends, \$.28 per share	-	-	(335,808)	(335,808)
Repurchase of Common Stock	(11,349)	(113,490)	(161,723)	(275,213)
Net Income	-	-	1,847,759	1,847,759
Balance at December 31, 2017	1,193,641	2,322,188	26,240,003	28,562,191
Issuance of Cash Dividends, \$.30 per share	-	-	(358,092)	(358,092)
Net Income	-	-	3,081,791	3,081,791
Balance at December 31, 2018	1,193,641	\$ 2,322,188	\$ 28,963,702	\$ 31,285,890

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, 2018, 2017 AND 2016**

	2018	2017	2016
NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Net Income	\$ 3,081,791	\$ 1,847,759	\$ 2,037,603
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization and accretion	72,445	44,440	46,641
Provision for loan losses	75,000	(350,000)	-
Deferred income tax expense (benefit)	(235,000)	1,248,000	(581,000)
(Increase) decrease in other assets	393,057	(1,179,159)	403,203
Gain on sale of OREO	-	(823,590)	-
BOLI Income	(133,163)	(145,005)	(139,832)
Increase (decrease) in other liabilities	405,437	1,144,126	422,164
Net cash provided by operating activities	3,659,567	1,786,571	2,188,779
CASH FLOWS FROM INVESTING ACTIVITIES:			
(Increase) decrease in time deposits with other financial institutions	15,376,000	4,451,000	(2,459,000)
Maturity of debt securities	-	3,964	2,588
(Purchase) redemption of FHLB stock	(123,000)	(23,900)	35,900
Net (increase) decrease in loans to customers	(21,865,526)	(34,356,473)	17,875,231
Recoveries on loans previously charged-off	-	-	(43,963)
Purchases of premises and equipment	(1,094,902)	(4,355,110)	(4,943)
Proceeds from sale of OREO	-	1,400,090	-
Net cash provided by (used in) investing activities	(7,707,428)	(32,880,429)	15,405,813
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase in demand, interest bearing transaction, and savings deposits	1,456,792	25,610,799	14,941,071
Net decrease in time deposits	(459,840)	(5,489,805)	(3,630,120)
Repurchase of common stock	-	(275,213)	(1,932,315)
Dividends paid	(358,092)	(335,808)	(312,043)
Net cash provided by financing activities	638,860	19,509,973	9,066,593
Net increase (decrease) in cash and cash equivalents	(3,409,001)	(11,583,885)	26,661,185
Cash and cash equivalents at the beginning of the year	23,673,112	35,256,997	8,595,812
Cash and cash equivalents at the end of the year	\$ 20,264,111	\$ 23,673,112	\$ 35,256,997

Supplemental Cash Flow Disclosure

Income taxes paid	\$ 1,305,800	\$ 2,089,153	\$ 1,681,000
Interest paid	\$ 397,555	\$ 417,743	\$ 514,358
Loan to facilitate sale of other real estate	\$ -	\$ 475,000	\$ -

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

**SUMMIT BANCSHARES, INC. AND SUBSIDIARY NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS DECEMBER 31, 2018**

1. Summary of Significant Accounting Policies

The accounting and reporting policies of Summit Bancshares, Inc. 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 Summit Bancshares, Inc. and the Bank, collectively referred to herein as the “Company”. Significant inter-company transactions have been eliminated in consolidation. The Company’s stock is listed and traded in the over-the-counter markets and is therefore considered a public business entity for 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.

Time Deposits with Other Financial Institutions

Time deposits with other financial institutions are carried at cost and have maturities at origination ranging from six months to two years. The Company 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.

Debt Securities

All debt 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 Company 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.

Premises and Equipment

Premises and equipment are carried at cost, net of accumulated depreciation and amortization. Depreciation on premises, furniture and equipment is calculated on a straight-line basis over the estimated useful life of the property, generally thirty nine years for premises, 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.

Federal Home Loan Bank ("FHLB") Stock

The Company is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on the ultimate recovery of par value. Both cash and stock dividends are reported as income. The Company's investment in FHLB stock was \$679,100 and \$556,100 at December 31, 2018 and 2017, respectively.

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 nonaccrual 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 collectability. 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.

Allowance for Loan Losses

The allowance for loan losses is a valuation allowance for probable incurred credit losses. Loan losses are charged against the allowance when management believes the collectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged off. Amounts are charged-off when available information confirms that specific loans or portions thereof, are uncollectible. This methodology for determining charge-offs is consistently applied to each portfolio segment.

The allowance consists of specific and general reserves. Specific reserves relate to loans that are individually classified as impaired. A loan is impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. Factors considered in determining impairment include payment status, collateral value and the probability of collecting all amounts when due. 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 Company selects the measurement method on a loan-by-loan basis except that collateral-dependent loans for which foreclosure is probable are measured at the fair value of the collateral.

The Company recognizes interest income on impaired loans based on its existing methods of recognizing interest income on nonaccrual loans. Loans, for which the terms have been modified resulting in a concession, and for which the borrower is experiencing financial difficulties, are considered troubled debt restructurings and classified as impaired with measurement of impairment as described above.

If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral. Smaller balance, homogeneous loans are collectively evaluated for impairment.

General reserves cover non-impaired loans and are based on historical loss rates for each portfolio segment, adjusted for the effects of qualitative or environmental factors that are likely to cause estimated credit losses as of the evaluation date to differ from the portfolio segment's historical loss experience. Qualitative factors include consideration of the following: changes in lending policies and procedures; changes in economic conditions, changes in the nature and volume of the portfolio; changes in the experience, ability and depth of lending management and other relevant staff; changes in the volume and severity of past due, nonaccrual and other adversely graded loans; changes in the loan review system; changes in the value of the underlying collateral for collateral-dependent loans; concentrations of credit and the effect of other external factors such as competition and legal and regulatory requirements.

Portfolio segments identified by the Company include commercial, real estate and construction, and consumer loans. Relevant risk characteristics for these portfolio segments generally include debt service coverage, loan-to-value ratios and financial performance on non-consumer loans and credit scores, debt-to income, collateral type and loan-to-value ratios for consumer loans.

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, 2018 and 2017, there were no OREO properties.

Revenue Recognition - Noninterest Income

The Company adopted the provisions of ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), on January 1, 2018 and all subsequent ASUs that modified Topic 606. Results for reporting periods beginning after December 31, 2017 are presented under Topic 606, while prior period amounts have not been adjusted and continue to be reported in accordance with Topic 605. The Company recognizes revenue as it is earned and noted no impact to its revenue recognition policies as a result of the adoption of ASU 2014-09. All of the Company's revenue from contracts with customers within the scope of ASC 606 is recognized in non-interest income.

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 Company 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.

Fair Value of Financial Instruments

The fair value of financial instruments approximate carrying value as of December 31, 2018 and 2017.

Comprehensive Income

The Company had no items of other comprehensive income for the twelve months ended December 31, 2018, 2017 and 2016. Accordingly, total comprehensive income was equal to net income for each of those periods.

Reclassifications

Some items in the prior year financial statements were reclassified to conform to the current presentation. Reclassifications had no effect on prior year net income or shareholders' equity.

Subsequent Events

The Company has evaluated subsequent events for recognition and disclosure through March 29, 2019, which is the date the financial statements were available to be issued.

Recent Accounting Guidance Not Yet Effective

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The most significant change for lessees is the requirement under the new guidance to recognize right-of-use assets and lease liabilities for all leases not considered short-term leases, which is generally defined as a lease term of less than 12 months. This change will result in lessees recognizing right-of-use assets and lease liabilities for most leases currently accounted for as operating leases under current lease accounting guidance. The amendments in this Update are effective for interim and annual periods beginning after December 15, 2018 for public business entities and one year later for all other entities. Based on leases outstanding at December 31, 2018, the Company does not expect this ASU to have a material impact on the income statement, but does anticipate an increase in assets and liabilities when this ASU becomes effective on January 1, 2019 approximately equal to the minimum lease payments disclosed in Note 11, discounted at an incremental borrowing rate.

In June 2016, the FASB issued ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments (Topic 326)*. This ASU significantly changes how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. In issuing the standard, the FASB is responding to criticism that today's guidance delays recognition of credit losses. The standard will replace today's "incurred loss" approach with an "expected loss" model. The new model, referred to as the current expected credit loss ("CECL") model, will apply to: (1) financial assets subject to credit losses and measured at amortized cost, and (2) certain off-balance sheet credit exposures. This includes, but is not limited to, loans, leases, held-to-maturity securities, loan commitments, and financial guarantees. The CECL model does not apply to available-for-sale ("AFS") debt securities. For AFS debt securities with unrealized losses, entities will measure credit losses in a manner similar to what they do today, except that the losses will be recognized as allowances rather than reductions in the amortized cost of the securities. As a result, entities will recognize improvements to estimated credit losses immediately in earnings rather than as interest income over time, as they do today. The ASU also simplifies the accounting model for purchased credit-impaired debt securities and loans. ASU 2016-13 also expands the disclosure requirements regarding an entity's assumptions, models, and methods for estimating the allowance for loan and lease losses. In addition, public business entities will need to disclose the amortized cost balance for each class of financial asset by credit quality indicator, disaggregated by the year of origination. ASU No. 2016-13 is effective for interim and annual reporting periods beginning after December 15, 2019 for SEC filers, one year later for non SEC filing public business entities and two years later for nonpublic business entities. Early adoption is permitted for interim and annual reporting periods beginning after December 15, 2018. Entities will apply the standard's provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (i.e., modified retrospective approach). The Company is currently evaluating the provisions of ASU No. 2016-13 for potential impact on its financial statements and disclosures.

2. Debt Securities

The amortized cost and estimated fair values of investments in debt securities held to maturity as of December 31, 2018 and 2017 are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2018				
U.S. Treasury Securities	\$ 397,978	\$ -	\$ (218)	\$ 397,760
December 31, 2017				
U.S. Treasury Securities	\$ 399,009	\$ -	\$ (317)	\$ 398,692

In analyzing an issuer'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 losses are deemed to be other-than-temporary.

The amortized cost and estimated fair value of debt securities at December 31, 2018, by contractual maturities are shown below.

	Amortized Cost	Estimated Fair Value
Due in one year or less	\$ 397,978	\$ 397,760

There were no sales of investments in debt securities during 2018 or 2017. At December 31, 2018, securities carried at \$397,978 were pledged to secure public deposits, as required by law.

3. Loans and Allowance for Loan Losses

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

A summary of loans as of December 31, 2018, and 2017 (net of unearned loan fees of \$1,072,000 and \$966,000, respectively), is as follows:

	<u>2018</u>	<u>2017</u>
Real estate construction loans	\$ 11,219,842	\$ 9,963,781
Real estate loans	116,466,188	95,196,304
Commercial loans	47,350,371	47,438,244
Consumer loans	579,067	1,117,182
	<u>175,615,468</u>	<u>153,715,511</u>
Less: Allowance for loan losses	<u>(3,454,212)</u>	<u>(3,344,781)</u>
	<u>\$ 172,161,256</u>	<u>\$ 150,370,730</u>

The changes in the allowance for loan losses for the years ended December 31, 2018, 2017, and 2016 are as follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Balance, beginning of period	\$ 3,344,781	\$ 3,694,781	\$ 3,650,818
Provision for loan losses	75,000	(350,000)	-
Recoveries	34,431	-	43,963
Loans charged-off	-	-	-
Balance, end of period	<u>\$ 3,454,212</u>	<u>\$ 3,344,781</u>	<u>\$ 3,694,781</u>

SUMMIT BANCSHARES, INC.

The following table presents the activity in the allowance for loan losses for the year 2018 and 2017 and the recorded investment in loans and impairment method as of December 31, 2018 and 2017 by portfolio segment:

	Real Estate and Construction	Commercial	Consumer	Total
December 31, 2018				
Allowance for Loan Losses:				
Beginning of Year	\$ 2,227,772	\$ 1,093,024	\$ 23,985	\$ 3,344,781
Provisions	(165,167)	289,386	(49,219)	75,000
Charge-offs	-	-	-	-
Recoveries	-	-	34,431	34,431
End of Year	<u>\$ 2,062,605</u>	<u>\$ 1,382,410</u>	<u>\$ 9,197</u>	<u>\$ 3,454,212</u>
Reserves:				
Specific	\$ -	\$ 593,939	\$ -	\$ 593,939
General	2,062,605	788,471	9,197	2,860,273
	<u>\$ 2,062,605</u>	<u>\$ 1,382,410</u>	<u>\$ 9,197</u>	<u>\$ 3,454,212</u>
Loans Evaluated for Impairment:				
Individually	\$ -	\$ 1,888,541	\$ -	\$ 1,888,541
Collectively	127,686,030	45,461,830	579,067	173,726,927
	<u>\$ 127,686,030</u>	<u>\$ 47,350,371</u>	<u>\$ 579,067</u>	<u>\$ 175,615,468</u>
December 31, 2017				
Allowance for Loan Losses:				
Beginning of Year	\$ 2,507,778	\$ 1,058,328	\$ 128,675	\$ 3,694,781
Provisions	(280,006)	34,696	(104,690)	(350,000)
Charge-offs	-	-	-	-
Recoveries	-	-	-	-
End of Year	<u>\$ 2,227,772</u>	<u>\$ 1,093,024</u>	<u>\$ 23,985</u>	<u>\$ 3,344,781</u>
Reserves:				
Specific	\$ -	\$ 16,502	\$ -	\$ 16,502
General	2,227,772	1,076,522	23,985	3,328,279
	<u>\$ 2,227,772</u>	<u>\$ 1,093,024</u>	<u>\$ 23,985</u>	<u>\$ 3,344,781</u>
Loans Evaluated for Impairment:				
Individually	\$ -	\$ 333,048	\$ -	\$ 333,048
Collectively	105,160,085	47,105,196	1,117,182	153,382,463
	<u>\$ 105,160,085</u>	<u>\$ 47,438,244</u>	<u>\$ 1,117,182</u>	<u>\$ 153,715,511</u>

SUMMIT BANCSHARES, INC.

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as current financial information, historical payment experience, collateral adequacy, credit documentation, and current economic trends, among other factors. The Company analyzes loans individually by classifying the loans as to credit risk. This analysis is performed on an ongoing basis as new information is obtained. The Company uses the following definitions for risk ratings:

Pass - Loans classified as pass include loans not meeting the risk ratings defined below.

Special Mention - Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

Substandard - Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Impaired - A loan is considered impaired, when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. Additionally, all loans classified as troubled debt restructurings are considered impaired.

The risk category of loans by class of loans was as follows as of December 31, 2018 and 2017.

December 31, 2018	Pass	Special Mention	Substandard	Impaired	Total
Commercial Real Estate:					
Construction and Land					
Development	\$ 11,219,842	\$ -	\$ -	\$ -	\$ 11,219,842
Other	115,751,209	189,123	525,856	-	116,466,188
Commercial	42,540,545	2,435,573	485,712	1,888,541	47,350,371
Consumer	579,067	-	-	-	579,067
	<u>\$ 170,090,663</u>	<u>\$ 2,624,696</u>	<u>\$ 1,011,568</u>	<u>\$ 1,888,541</u>	<u>\$ 175,615,468</u>
December 31, 2017					
Commercial Real Estate:					
Construction and Land					
Development	\$ 10,438,781	\$ -	\$ -	\$ -	\$ 10,438,781
Other	94,184,047	-	537,257	-	94,721,304
Commercial	45,034,169	544,906	1,529,121	330,048	47,438,244
Consumer	1,117,182	-	-	-	1,117,182
	<u>\$ 150,774,179</u>	<u>\$ 544,906</u>	<u>\$ 2,066,378</u>	<u>\$ 330,048</u>	<u>\$ 153,715,511</u>

SUMMIT BANCSHARES, INC.

Past due and nonaccrual loans presented by loan class were as follows as of December 31, 2018 and 2017:

	Still Accruing		
	30-89 Days	Over 90 Days	Nonaccrual
	Past Due	Past Due	
December 31, 2018			
Commercial	\$ -	\$ -	\$ 1,665,041
December 31, 2017			
Commercial	\$ 1,831,472	\$ -	\$ 98,576

Information relating to individually impaired loans presented by class of loans was as follows as of December 31, 2018 and 2017:

	Unpaid Principal Balance	Recorded Investment	Impaired Loans		Related Allowance	Average Recorded Investment
			Specific Allowance			
			Without	With		
December 31, 2018						
Commercial	\$ 1,927,599	\$ 1,888,541	\$ -	\$ 1,888,541	\$ 593,939	\$ 1,910,007
December 31, 2017						
Commercial	\$ 330,048	\$ 330,048	\$ -	\$ 330,048	\$ 16,502	\$ 423,583

No interest income was recognized on impaired loans in 2018 and 2017.

The Company allocated \$593,939 and \$16,502 of specific reserves on loans with a recorded investment of \$1,888,541 and \$330,048 whose terms have been modified in troubled debt restructurings ("TDR") as of December 31, 2018 and 2017, respectively. The Company has committed to lend no additional amounts to customers with outstanding loans that are classified as troubled debt restructurings as of December 31, 2018 and 2017. In 2018, the Company modified two loans with the same borrower with a December 31, 2018 balance of \$1,665,041, resulting in TDR status. The Company also modified two loans as TDR's in 2017 with a carrying value of \$330,048 as of December 31, 2017. The modifications resulted in a lowered monthly payment to accommodate insufficient cash flow. The recorded investment before and after the modification that resulted in TDR status was not materially different from the year-end amount noted above. There were no troubled debt restructurings for which there was a payment default within twelve months following the modification during the years ended December 31, 2018 and 2017.

4. Related Party Transactions

The Company 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 collectability or present other unfavorable features. As of December 31, 2018 and 2017, loans outstanding to directors, officers, and principal shareholders and their known associates were \$0 and \$2,463,993 respectively. In 2018, advances on current directors' loans were \$0 and collections were \$2,463,993. In 2017, advances on current directors' loans were \$1,310,493 and collections were \$0. As of December 31, 2018 and 2017 total deposits of directors, officers and principal shareholders and their known associates totaled \$11,046,173 and \$13,946,902 respectively.

5. Premises and Equipment

Premises and equipment consisted of the following:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
December 31, 2018			
Land	\$ 2,001,610	\$ -	\$ 2,001,610
Building	3,412,417	84,397	3,328,020
Leasehold improvements	1,202,182	1,177,839	24,343
Furniture and equipment	2,375,919	2,342,390	33,529
Total	<u>\$ 8,992,128</u>	<u>\$ 3,604,626</u>	<u>\$ 5,387,502</u>
December 31, 2017			
Land	\$ 2,001,610	\$ -	\$ 2,001,610
Building	2,347,688	24,823	2,322,865
Leasehold improvements	1,200,098	1,176,359	23,740
Furniture and equipment	2,347,830	2,332,030	15,799
Total	<u>\$ 7,897,226</u>	<u>\$ 3,533,212</u>	<u>\$ 4,364,014</u>

Depreciation and amortization included in occupancy and equipment expenses was \$71,414, \$48,060, and \$48,933 for the years ended December 31, 2018, 2017, and 2016 respectively.

6. Income Taxes

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Current:			
Federal	\$ 957,736	\$ 948,034	\$ 1,430,403
State	565,063	335,136	499,000
Total current	<u>1,522,799</u>	<u>1,283,170</u>	<u>1,929,403</u>
Deferred:			
Federal	(155,000)	369,000	(437,000)
State	(80,000)	129,000	(144,000)
Deferred Tax Asset Adjustment for Enacted Change in Tax Rates	-	750,000	-
Total deferred	<u>(235,000)</u>	<u>1,248,000</u>	<u>(581,000)</u>
Total taxes	<u>\$ 1,287,799</u>	<u>\$ 2,531,170</u>	<u>\$ 1,348,403</u>

Income tax expense for 2017 includes a downward adjustment of net deferred tax assets in the amount \$750,000, recorded as a result of the enactment of H.R.1, the Tax Cuts and Jobs Act on December 22, 2017. The Act reduced corporate Federal tax rates from 34% to 21% effective January 1, 2018.

SUMMIT BANCSHARES, INC.

The components of the net deferred tax asset of the Company as of December 31, 2018, 2017 and 2016, were as follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Deferred Tax Assets:			
Allowance for loan losses	\$ 598,000	\$ 576,000	\$ 1,441,000
State taxes	120,000	98,000	174,000
Depreciation	60,000	56,000	82,000
Other real estate owned	-	-	155,000
Deferred Salary	1,060,000	1,004,000	1,262,000
Other, net	<u>246,000</u>	<u>115,000</u>	<u>(17,000)</u>
Net Deferred Tax Asset	<u>\$ 2,084,000</u>	<u>\$ 1,849,000</u>	<u>\$ 3,097,000</u>

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:

	<u>2018</u>		<u>2017</u>		<u>2016</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Federal income tax expense, based on the statutory federal income tax rate	\$ 918,000	21.00%	\$ 1,489,000	34.00%	\$ 1,151,000	34.00%
State franchise taxes, net of federal income tax benefit	382,000	8.70%	305,000	7.00%	242,000	7.10%
Deferred tax asset adjustment	-	-	750,000	17.10%	-	-
Other, net	<u>(12,201)</u>	<u>(.20%)</u>	<u>(12,830)</u>	<u>(.30%)</u>	<u>(44,597)</u>	<u>(1.10%)</u>
Tax provision	<u>\$ 1,287,799</u>	<u>29.50%</u>	<u>\$ 2,531,170</u>	<u>57.80%</u>	<u>\$ 1,348,403</u>	<u>40.00%</u>

The Company records 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, 2018. We do not expect the total amount of unrecognized tax benefits to significantly increase or decrease within the next twelve months.

The Company is subject to federal income tax and income tax of the state of California. Federal income tax returns for the years ended December 31, 2017, 2016 and 2015 are open to audit by the federal authorities and California state tax returns for the years ended December 31, 2017, 2016, 2015 and 2014, are open to audit by state authorities.

7. Time Deposits

Time deposits issued as of December 31, 2018, had \$18,424,836 maturing in the year 2019, \$213,242 maturing in 2020, \$138,708 maturing in 2021, and the remaining \$2,338,032 maturing in 2022.

8. Borrowings

The Company has available or unused federal funds lines of credit agreements with other banks. The maximum borrowings available under these lines totaled \$13,400,000 at December 31, 2018. There were no borrowings outstanding under these agreements at December 31, 2018 and December 31, 2017.

The Company 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, 2018, this line provided for a maximum borrowing capacity of \$17,569,000. There was no outstanding balance as of December 31, 2018. At December 31, 2018, this borrowing line was collateralized by mortgage loans with a book value of \$22,883,689.

9. Regulatory Capital

The Bank is 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 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 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, 2018, that the Bank has met all capital adequacy requirements.

As of December 31, 2018, 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.

In July, 2013, the federal bank regulatory agencies approved the final rules implementing the Basel Committee on Banking Supervision's capital guidelines for U.S. banks (Basel III rules). The new rules, Basel III, became effective on January 1, 2015, with certain of the requirements phased-in over a multi-year schedule, and fully phased in by January 1, 2019. Under the Basel III rules, the Bank must hold a capital conservation buffer above the adequately capitalized risk-based capital ratios. The capital conservation buffer is being phased in from 0.0% in 2016 to 2.5% by 2019. The capital conservation buffer for 2018 is 1.875%. The net unrealized gain or loss on available for sale securities is not included in computing regulatory capital.

SUMMIT BANCSHARES, INC.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of total, Tier 1 and CET1 capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier 1 capital (as defined) to average assets (as defined). Management believes, as of December 31, 2018, that the Bank meets all capital adequacy requirements to which it is subject.

The Company's 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, 2018						
Total Capital						
(to Risk Weighted Assets)						
Consolidated	\$ 33,828,000	16.68%	\$ 16,227,462	8.00%	\$ 20,284,328	10.00%
Bank	33,158,000	16.39%	16,185,840	8.00%	20,232,300	10.00%
Common Equity Tier 1 Capital						
(to Risk Weighted Assets)						
Consolidated	31,286,000	15.42%	9,127,947	4.50%	13,184,813	6.50%
Bank	30,616,000	15.13%	9,104,535	4.50%	13,150,995	6.50%
Tier 1 Capital						
(to Risk Weighted Assets)						
Consolidated	31,286,000	15.42%	12,170,597	6.00%	16,227,462	8.00%
Bank	30,616,000	15.13%	12,139,380	6.00%	16,185,840	8.00%
Tier 1 Capital						
(to Average Assets)						
Consolidated	31,286,000	11.45%	10,931,371	4.00%	13,664,214	5.00%
Bank	30,616,000	11.22%	10,910,560	4.00%	13,638,200	5.00%
As of December 31, 2017						
Total Capital						
(to Risk Weighted Assets)						
Consolidated	\$ 30,935,000	16.38%	\$ 15,108,480	8.00%	\$ 18,885,600	10.00%
Bank	29,909,000	15.89%	15,058,320	8.00%	18,822,900	10.00%
Common Equity Tier 1 Capital						
(to Risk Weighted Assets)						
Consolidated	28,562,000	15.12%	8,498,520	4.50%	12,275,640	6.50%
Bank	27,544,000	14.63%	8,470,305	4.50%	12,234,885	6.50%
Tier 1 Capital						
(to Risk Weighted Assets)						
Consolidated	28,562,000	15.12%	11,331,360	6.00%	15,108,480	8.00%
Bank	27,544,000	14.63%	11,293,740	6.00%	15,058,320	8.00%
Tier 1 Capital						
(to Average Assets)						
Consolidated	28,562,000	11.01%	10,379,080	4.00%	12,973,850	5.00%
Bank	27,544,000	10.61%	10,379,280	4.00%	12,974,100	5.00%

10. 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, 2018, the Bank could pay dividends to the Company of up to approximately \$4,942,548 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, 2018 were \$2,514,000.

11. 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 \$465,482, \$489,316 and \$456,055, for the years ended December 31, 2018, 2017, and 2016.

At December 31, 2018, the approximate future minimum payments for non-cancelable leases with initial or remaining terms in excess of one year were as follows:

<u>Year Ending</u>	<u>Amount</u>
2019	\$ 318,569
2020	283,507
2021	229,013
2022	235,893
Thereafter	1,174,045
Total Minimum Payments Required	<u>\$ 2,241,027</u>

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.

12. Employee Plans

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, 85% of compensation up to \$18,000 with a Catch Up contribution of \$6,000 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, \$108,524 was contributed in 2018, \$99,456 in 2017 and \$70,309 in 2016.

Stock Appreciation Plan

The Company adopted the 2018 Stock Appreciation Plan (“Plan”) effective January 1, 2017 for the purpose of encouraging staff to see Summit as a place where long term commitment is rewarded by providing additional incentive compensation to employees contributing to the successful operation of the Company. The Plan provides for a base of 50 phantom shares to be issued for the first year of service with that base increased at each employment anniversary date by 5 additional shares. Phantom shares vest 5 years after the date of hire and the Plan provided that shares granted to employees with 5 years or more of employment at the Company are subject to immediate vesting. The base value of each phantom share issued is the fair market value of the stock on the date of grant.

A summary of the status of the phantom unvested shares under the Plan as of December 31, 2018 and 2017, and changes during the years then ended, follows:

	2018		2017	
	Unvested Shares	Weighted-Average Grant Date Value	Unvested Shares	Weighted-Average Grant Date Value
Balance, beginning of year	1,135	\$ 20.69	-	\$ -
Granted	2,915	33.78	29,165	20.69
Vested	(2,865)	31.83	(28,030)	20.69
Forfeited	(50)	20.30	-	-
Balance, end of year	<u>1,135</u>	<u>\$ 29.33</u>	<u>1,135</u>	<u>\$ 20.69</u>

Compensation expense associated with the stock appreciation plan was \$185,302 in 2018, \$245,807 in 2017 and zero in 2016.

Salary Continuation and Deferred Compensation Plans

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 salary continuation plan was \$246,195 in 2018, \$387,150 in 2017, and \$374,565 in 2016.

13. 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, 2018 and 2017, financial instruments whose contract amounts represent credit risk are as follows:

	Contract Amount	
	2018	2017
Commitments to extend credit in the future	\$ 38,663,441	\$ 33,596,875
Standby letters of credit	124,811	67,500
Total	<u>\$ 38,788,252</u>	<u>\$ 33,664,375</u>

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.

14. Fair Value Measurements

The Company 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 value 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 and Nonrecurring Basis

The Company does not have any assets measured at fair value on a recurring or nonrecurring basis as of December 31, 2018 or 2017.

15. Definitive Agreement

Faciam Holdings, Inc. ("Faciam") and Summit Bancshares, Inc. ("Summit") entered into a definitive agreement ("Agreement") on November 27, 2018 providing for the acquisition of Summit and Summit Bank ("Bank") in an all cash deal. Under the terms of the Agreement, Summit shareholders will receive \$56.13 per share, subject to adjustment. In addition, it is anticipated that Summit shareholders will receive a special dividend at the time of closing, the amount of which will be determined by the Summit Board of Directors in consultation with the appropriate regulatory agencies and subject to the terms of the Agreement.

After the acquisition, the Bank will continue to operate under current Bank management with five current directors joining six new directors expected to be appointed by Faciam.

The proposed transaction is subject to the approvals of Summit shareholders as well as regulatory agencies and is expected to close mid-year 2019.

SUMMIT BANCSHARES, INC.

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

The following are the balance sheets as of December 31, 2018 and 2017 and the related statements of income and cash flows for the years ended December 31, 2018, 2017 and 2016 for Summit Bancshares, Inc. (parent company only):

BALANCE SHEET	2018		2017	
ASSETS:				
Cash	\$	148,290	\$	549,077
Loan participation with subsidiary (net of allowance for loss reserve of \$0 at December 31, 2018 and \$0 at December 31, 2017)		303,085		250,000
Investment in subsidiary		30,616,292		27,544,387
Other assets		218,223		218,727
Total Assets	\$	31,285,890	\$	28,562,191

LIABILITIES:				
Income taxes payable	\$	-	\$	-
Total Liabilities		-		-
Shareholders' Equity:				
Common Stock		2,322,188		2,322,188
Retained Earnings		28,963,702		26,240,003
Total Shareholders' Equity		31,285,890		28,562,191
Total Liabilities and Shareholders' Equity	\$	31,285,890	\$	28,562,191

STATEMENTS OF INCOME (year ended December 31)	2018		2017		2016	
INCOME:						
Interest on short-term investments and loans	\$	15,509	\$	7,711	\$	46,933
Rental and other income		1,728		2,614		8,200
Total income		17,237		10,325		55,133
EXPENSE:						
Miscellaneous expense		2,852		11,662		1,702
Total expense		2,852		11,662		1,702
Income (loss) before income tax and equity in earnings of subsidiary		14,385		(1,337)		53,431
Provision for income taxes		4,499		(557)		22,203
Income (loss) before equity in earnings of subsidiary		9,886		(780)		31,228
Equity in earnings of subsidiary						
Distributed		-		-		2,000,000
Undistributed		3,071,905		1,848,539		6,375
Net Income	\$	3,081,791	\$	1,847,759	\$	2,037,603

SUMMIT BANCSHARES, INC.

**SUMMIT BANCSHARES, INC. STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED
DECEMBER 31, 2018, 2017, AND 2016**

	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:			
Interest received	\$ 17,170	\$ 8,340	\$ 49,545
Fees Received	1,728	2,614	8,200
Cash paid to suppliers	(1,844)	(1,217)	(1,704)
Income taxes paid (received)	(6,664)	557	(193,827)
Net cash provided by (used in) operating activities	10,390	10,294	(137,786)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net decrease (increase) in loans	(53,085)	(250,000)	900,000
Securities	-	-	-
Dividend received from subsidiary	-	-	2,000,000
Net cash provided by (used in) investing activities	(53,085)	(250,000)	2,900,000
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repurchase of Common Stock	-	(275,212)	(1,932,316)
Dividends paid	(358,092)	(\$335,807)	(\$312,043)
Net cash (used in) financing activities	(358,092)	(611,019)	(2,244,359)
Net increase (decrease) in cash and cash equivalents	(400,787)	(850,725)	517,855
Cash at the beginning of the year	549,077	1,399,802	881,947
Cash at the end of the year	\$ 148,290	\$ 549,077	\$ 1,399,802
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Net Income	\$ 3,081,791	\$ 1,847,759	\$ 2,037,603
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	-	-	-
Non-cash earnings from subsidiary	(3,071,905)	(1,848,539)	(2,006,375)
(Increase) Decrease in other assets	504	11,074	(169,014)
Total adjustments	(3,071,401)	(1,837,465)	(2,175,389)
Net cash provided by (used in) operating activities	\$ 10,390	\$ 10,294	\$ (137,786)



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

Independent Auditor's Report

The Board of Directors and Shareholders of
Summit Bancshares, Inc.
Oakland, California

We have audited the accompanying consolidated financial statements of Summit Bancshares Inc. and Subsidiary (the "Company"), which are comprised of the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of income and comprehensive income, changes in shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2018, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Summit Bancshares Inc. and Subsidiary as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2018, in accordance with accounting principles generally accepted in the United States of America.

Vavrinek, Trine, Day & Co., LLP

Laguna Hills, California
March 29, 2019

CORPORATE DIRECTORY

Directors of Summit Bancshares, Inc. and Summit Bank

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Berkeley*

*Jerrald R. Goldman, M.D.
*Orthopaedic Surgeon
Oakland*

Jason Hill
*President
R.G. Hilland Company
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Kikuo Nakahara
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Oakland*

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*President and CEO
MadisonPark Financial Corp.
Oakland*

Robert Dillon
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Brooker & Co – CPAs
San Ramon*

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Summit Bank Officers

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Executive Chairman

Tom Duryea
CEO

Steven P. Nelson
President and COO

Denise Dodini
*Executive Vice President
Chief Credit Officer*

Mani Ganesamurthy
*Senior Vice President
Chief Financial Officer*

Mark Rapier
*Senior Vice President
Chief Risk Officer*

Krystle Johnson
*Vice President
Compliance Officer/Operations
Administrator*

Helen Shipp
*Vice President
Loan Operations Manager*

Yong Bai
*Senior Vice President
Major Relationship Manager*

Marcia Gerg
*Vice President
Senior Relationship Manager*

George Yang
*Vice President
Relationship Manager*

Mark Leyva
*Assistant Vice President
Relationship Officer*

Anna Sukhovnin
*Assistant Vice President
Relationship Manager*

Kyle Woodstrom
Commercial Loan Officer

Vlatko Stamenkov
Credit Analyst

Kelly Coday
*BSA Officer and Branch
Services Manager*

Sherry Glover
Branch Services Manager

Zack Noman
Branch Services Manager

Summit Bank Foundation

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Executive Director

Summit Bank Foundation Board of Directors

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Chairman

Joe Rainero
*President
Kinder's BBQ*

Mani Ganesamurthy
Chief Financial Officer

Susan Casper
Retired

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Coit Financial Group

James Falaschi
Transbay Holdings

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Law Offices Al Knoll

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Alameda County*

David Ruegg
Rue-Ell Enterprises

Anne Marie Taylor
John Muir Health Foundation

Bill Wheeler
Black Tie Transportation

Summit Bank Foundation Medical Advisory Council

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UCSF*

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Endocrinologist

Stuart S. London, M.D.
Radiologist - Retired

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FRS Director, UCSF

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Oncologist, UCSF

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Nephrologist*

Wade S. Smith, PhD, M.D.
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Director, UCSF*

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Independent Auditors

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LLP
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Registrar & Transfer Agent

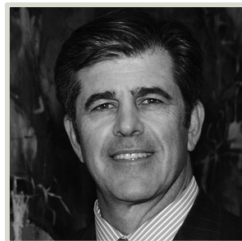
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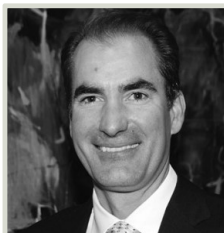
BOARD OF DIRECTORS



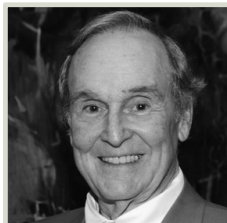
SHIRLEY W. NELSON
Summit Bank
Chairman: Loan Committee, 401(k) Profit Sharing Committee; Member: Directors' Personnel Committee, Strategic Planning Committee, Investment & Funds Management



JOHN PROTOPAPPAS
Madison Park Financial Corporation
Chairman: Directors' Personnel Committee; Member: Loan Committee, Investment & Funds Management Committee, Strategic Planning Committee



JASON HILL
R.G. Hill & Company
Member: Audit & Compliance Committee, Loan Committee, E-Technology & Security Committee, Strategic Planning Committee, Investment & Funds Management Committee, 401(k) Profit Sharing Committee



JOHN NOHR
Chairman: Investment & Funds Management Committee; Member: Directors' Personnel Committee, Audit & Compliance Committee, 401(k) Profit Sharing Committee, Loan Committee, E-Technology & Security Committee, Strategic Planning Committee



GEORGE HOLLIDGE
Chairman: Strategic Planning Committee, E-Technology & Security Committee; Member: Audit & Compliance Committee, Loan Committee, 401(k) Profit Sharing Committee, Directors' Personnel Committee, Investment & Funds Management Committee



BOB DILLON
Brooker & Co., CPAs
Vice-Chairman: Audit Committee; Member: Investment & Funds Management Committee, E-Technology & Security Committee, Strategic Planning Committee, 401(k) Profit Sharing Plan Committee



KIKUO NAKAHARA – Deceased
Chairman: Audit & Compliance Committee; Member: 401(k) Profit Sharing Committee, Investment & Funds Management Committee, Loan Committee

ADMINISTRATIVE OFFICERS



SHIRLEY W. NELSON
Executive Chairman



THOMAS DURYEYEA
Chief Executive Officer



STEVEN P. NELSON
President and Chief Operating Officer



DENISE DODINI
Executive Vice President and Chief Credit Officer



MANI GANESAMURTHY
Senior Vice President and Chief Financial Officer

SUMMIT BANK FOUNDATION

Summit Bank Foundation was founded in 1998 and was established to develop and promote financial literacy programs throughout Alameda, Contra Costa, and San Francisco Counties to support general education endeavors throughout the East Bay, and to recognize and encourage corporate volunteerism and support of the nonprofit community. In 2013, Summit Bank Foundation added the funding of cancer research at UCSF Helen Diller Cancer Research Center to its already impressive funding portfolio of providing educational scholarships to students in Oakland. In 2018, Summit Bank Foundation broadened its research funding to the Translational Cardiac Stem Program led by Dr. Yerem Yeghiazarians.

Summit Bank Foundation has helped to fund clinical trials for lymphoma, breast cancer, acute myeloid leukemia, and multiple myeloma. These trials have been led by Wei Ai, MD, PhD, Oncologist, Clinical Professor; Mark Moasser, MD, Oncologist, Professor; Gabriel Mannis, MD, Hematologist/Oncologist, Assistant Professor; Lloyd Damon, MD, Clinical Professor, Director, Hematologic Malignancies and Bone Marrow Transplant at UCSF Helen Diller Cancer Research Center; and Wade Smith, MD, PhD, Vice-Chair of Neurology at UCSF and Chief of the Neurovascular Division.

We are deeply grateful to our donors who have extended their support to help make a difference in so many lives. Funding research allows us to provide these wonderful doctors with invaluable support. Our support allows them to dedicate more of their resources and time to identifying new treatment protocols, publish their findings, and share these with doctors all over the world.

Our Mission

- >> To garner funds in support of cancer and other research at UCSF
- >> Aid doctors in pursuing a cure for cancer and other diseases
- >> To provide a channel for innovation and progressive research
- >> To provide scholarships to students from Castlemont High School and McClymonds High School in Oakland, and Bishop O'Dowd in East Oakland, using the income from restricted funds.



Dr. Yerem Yeghiazarians, MD,
Interventional Cardiologist, Professor

SUMMIT BANK FOUNDATION MEDICAL ADVISORY COUNCIL



Wei Ai, M.D.
*Oncologist, Clinical Professor
of Medicine, UCSF Helen
Diller Family Cancer Center*



**Eddie C. Cheung,
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Radiologist, Retired



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Summit Bank

SUMMIT BANCSHARES INC. 2018 ANNUAL REPORT

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