

SUMMIT BANCSHARES INC /TX/
Form 10-Q
May 10, 2005

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

Mark One

Quarterly report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2005 or

Transition report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934

For the Transition period from _____ to _____.

Commission File Number 0-11986

SUMMIT BANCSHARES, INC.

(Exact name of registrant as specified in its charter)

Texas

75-1694807

(State of Incorporation)

(I.R.S. Employer Identification No.)

3880 Hulen St., Fort Worth, Texas 76107

(Address of principal executive offices)

(817) 336-6817

(Registrant's telephone number, including area code)

No Change

(Former name, former address and former fiscal year if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was authorized to file such reports), and (2) has been subject to such filing requirements for the past 90 days. **Yes x No o**

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). **Yes x No o**

The number of shares of common stock, \$1.25 par value, outstanding at March 31, 2005 was 12,390,056 shares.

SUMMIT BANCSHARES, INC.

INDEX

	<u>Page No.</u>
<u>PART I - FINANCIAL INFORMATION</u>	
Item 1. <u>Financial Statements</u>	
<u>Consolidated Balance Sheets at March 31, 2005 and 2004 and at December 31, 2004</u>	3
<u>Consolidated Statements of Income for the Three Months Ended March 31, 2005 and 2004 and for the Year Ended December 31, 2004</u>	4
<u>Consolidated Statements of Changes in Shareholders' Equity for the Three Months Ended March 31, 2005 and 2004 and for the Year Ended December 31, 2004</u>	5
<u>Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2005 and 2004 and for the Year Ended December 31, 2004</u>	6
<u>Notes to Consolidated Financial Statements for the Three Months Ended March 31, 2005 and 2004 and for the Year Ended December 31, 2004</u>	7-20
<p>The March 31, 2005 and 2004 financial statements included herein are unaudited; however, such information reflects all adjustments (consisting solely of normal recurring adjustments), which are, in the opinion of management of the registrant, necessary to a fair statement of the results for the interim periods. The financial statements for the year ended December 31, 2004 included herein are headed unaudited. These financial statements were reported as audited in our Annual Report on Form 10-K for the year ended December 31, 2004 filed with the Securities and Exchange Commission but are required to be reflected herein as unaudited because of the absence of an independent auditor's report.</p>	
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	21-31
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	31
Item 4. <u>Controls and Procedures</u>	31
<u>PART II - OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	32
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	32
Item 3. <u>Defaults Upon Senior Securities</u>	32
Item 4. <u>Submission of Matters to a Vote of Security Holders</u>	32
Item 5. <u>Other Information</u>	32
Item 6. <u>Exhibits</u>	32

PART I - FINANCIAL INFORMATION**Item 1 - Financial Statements**SUMMIT BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	(Unaudited) March 31,		(Unaudited) December 31, 2004
	2005	2004	
(In Thousands)			
ASSETS			
CASH AND DUE FROM BANKS NOTE 1	\$ 28,823	\$ 27,738	\$ 27,219
FEDERAL FUNDS SOLD & DUE FROM TIME	8,998	43,243	5,020
INVESTMENT SECURITIES NOTE 3			
Securities Available-for-Sale, at fair value	214,222	181,879	223,351
LOANS NOTES 4, 14 AND 20			
Loans, Net of Unearned Discount	716,714	593,271	702,619
Allowance for Loan Losses	(10,519)	(8,320)	(10,187)
	<u>706,195</u>	<u>584,951</u>	<u>692,432</u>
LOANS, NET			
PREMISES AND EQUIPMENT NOTE 5	15,462	12,755	15,749
GOODWILL NOTE 6	8,993	-0-	8,042
OTHER INTANGIBLE ASSETS, NET NOTE 6	2,396	-0-	2,478
ACCRUED INCOME RECEIVABLE	4,954	3,631	4,814
OTHER REAL ESTATE NOTE 7	-0-	-0-	-0-
OTHER ASSETS	9,871	6,164	10,012
	<u>999,914</u>	<u>860,361</u>	<u>989,117</u>
TOTAL ASSETS	\$	\$	\$
LIABILITIES AND SHAREHOLDERS EQUITY			
DEPOSITS NOTE 8			
Noninterest-Bearing Demand	\$ 232,556	\$ 186,198	\$ 235,399
Interest-Bearing	565,002	470,186	556,865
	<u>797,558</u>	<u>656,384</u>	<u>792,264</u>
TOTAL DEPOSITS			
SHORT TERM BORROWINGS NOTE 9	109,885	129,691	103,972
NOTES PAYABLE NOTE 10	1,750	-0-	1,750
JUNIOR SUBORDINATED DEFERRABLE DEBENTURES NOTE 11	12,372	-0-	12,372
ACCRUED INTEREST PAYABLE	680	320	601
OTHER LIABILITIES	3,232	2,391	3,668
	<u>925,477</u>	<u>788,786</u>	<u>914,627</u>
TOTAL LIABILITIES			
COMMITMENTS AND CONTINGENCIES NOTES 15, 17, 19 AND 21			
SHAREHOLDERS EQUITY NOTES 16, 18 AND 22			
Common Stock - \$1.25 Par Value; 20,000,000 shares authorized; 12,419,356, 12,307,198 and 12,359,232 shares issued and outstanding at March 31, 2005 and 2004 and at December 31, 2004, respectively	15,524	7,692	15,449
Capital Surplus	7,971	7,453	7,705
Retained Earnings	53,959	54,481	51,810
Accumulated Other Comprehensive Income Unrealized Gain (Loss) on Available-for-Sale Investment Securities, Net of Tax (Benefit)	(2,475)	1,949	(474)
Treasury Stock at Cost (29,300 shares at March 31, 2005)	(542)	-0-	-0-

Edgar Filing: SUMMIT BANCSHARES INC /TX/ - Form 10-Q

TOTAL SHAREHOLDERS EQUITY	74,437	71,575	74,490
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	\$ 999,914	\$ 860,361	\$ 989,117

The accompanying Notes should be read with these financial statements.

SUMMIT BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	(Unaudited) For the Three Months Ended March 31,		(Unaudited) Year Ended December 31, 2004
	2005	2004	2004
(In Thousands, Except Per Share Data)			
INTEREST INCOME			
Interest and Fees on Loans	\$ 11,346	\$ 8,409	\$ 39,018
Interest and Dividends on Investment Securities:			
Taxable	1,926	1,718	7,409
Exempt from Federal Income Taxes	70	58	260
Interest on Federal Funds Sold and Due From Time	31	13	170
TOTAL INTEREST INCOME	13,373	10,198	46,857
INTEREST EXPENSE			
Interest on Deposits	2,332	1,641	7,677
Interest on Short Term Borrowings	624	274	1,423
Interest on Note Payable	23	-0-	62
Interest on Junior Subordinated Deferrable Debenture	161	-0-	344
TOTAL INTEREST EXPENSE	3,140	1,915	9,506
NET INTEREST INCOME	10,233	8,283	37,351
LESS: PROVISION FOR LOAN LOSSES NOTE 4	225	605	1,790
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	10,008	7,678	35,561
NON-INTEREST INCOME			
Service Charges and Fees on Deposits	982	906	4,248
Gain on Sale of Investment Securities	-0-	-0-	32
Other Income	898	661	2,962
TOTAL NON-INTEREST INCOME	1,880	1,567	7,242
NON-INTEREST EXPENSE			
Salaries and Employee Benefits - NOTE 17	4,269	3,368	15,329
Occupancy Expense - Net	604	438	2,206
Furniture and Equipment Expense	598	495	2,261
Other Real Estate Owned Expense - Net	3	-0-	44
Core Deposit Intangible Amortization	82	-0-	219
Other Expense NOTE 12	1,696	1,229	6,131
TOTAL NON-INTEREST EXPENSE	7,252	5,530	26,190
INCOME BEFORE INCOME TAXES	4,636	3,715	16,613
APPLICABLE INCOME TAXES NOTE 13	1,623	1,264	5,851
NET INCOME	\$ 3,013	\$ 2,451	\$ 10,762
NET INCOME PER SHARE NOTE 18			
Basic	\$ 0.24	\$ 0.20	\$ 0.87

Diluted	0.24	0.19	0.85
---------	------	------	------

The accompanying Notes should be read with these financial statements.

SUMMIT BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2005 AND 2004
AND FOR THE YEAR ENDED DECEMBER 31, 2004
(Unaudited)

	Common Stock		Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income - Net Unrealized Gain (Loss) on Investment Securities	Treasury Stock	Total Share- Holders Equity
	Shares	Amount					
(Dollars in Thousands, Except Per Share Data)							
Balance at January 1, 2004	6,152,329	\$ 7,690	\$ 7,421	\$ 52,988	\$ 688	\$ (103)	\$ 68,684
Stock Options Exercised	4,970	7	32				39
Retirement of Stock Held in Treasury	(3,700)	(5)		(98)		103	-0-
Cash Dividend - \$.14 Per Share				(860)			(860)
Net Income for the Three Months Ended March 31, 2004				2,451			2,451
Securities Available- for-Sale Adjustment					1,261		1,261
Total Comprehensive Income NOTE 25							3,712
Balance at March 31, 2004	6,153,599	7,692	7,453	54,481	1,949	-0-	71,575
Stock Options Exercised	50,300	62	252				314
Purchases of Stock Held in Treasury						(694)	(694)
Retirement of Stock Held in Treasury	(23,883)	(29)		(665)		694	-0-
Two-for-One Stock Split	6,179,216	7,724		(7,724)			-0-
Cash Dividend - \$.21 Per Share				(2,593)			(2,593)
Net Income for the Nine Months Ended December 31, 2004				8,311			8,311
Securities Available- for-Sale Adjustment					(2,423)		(2,423)
Total Comprehensive Income NOTE 25							5,888
Balance at December 31, 2004	12,359,232	15,449	7,705	51,810	(474)	-0-	74,490
Stock Options Exercised	60,124	75	266				341
Purchases of Stock Held in Treasury						(542)	(542)
Cash Dividend - \$.07 Per Share				(864)			(864)
Net Income for the Three Months Ended March 31, 2005				3,013			3,013
Securities Available- for-Sale Adjustment					(2,001)		(2,001)
Total Comprehensive Income NOTE 25							1,012

Edgar Filing: SUMMIT BANCSHARES INC /TX/ - Form 10-Q

Balance at March 31, 2005	<u>12,419,356</u>	<u>\$ 15,524</u>	<u>\$ 7,971</u>	<u>\$ 53,959</u>	<u>\$ (2,475)</u>	<u>\$ (542)</u>	<u>\$ 74,437</u>
---------------------------	-------------------	------------------	-----------------	------------------	-------------------	-----------------	------------------

The accompanying Notes should be read with these financial statements.

SUMMIT BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2005 AND 2004
AND FOR THE YEAR ENDED DECEMBER 31, 2004

	(Unaudited) For the Three Months Ended March 31,		(Unaudited) Year Ended December 31, 2004
	2005	2004	
(In Thousands)			
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income	\$ 3,013	\$ 2,451	\$ 10,762
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Depreciation and Amortization	487	364	1,669
Net Premium Amortization of Investment Securities	387	317	1,429
Amortization of Core Deposit Intangible	82	-0-	219
Provision for Loan Losses	225	605	1,790
Deferred Income Taxes Expense (Benefit)	240	(268)	(434)
Net Gain on Sale of Investment Securities	-0-	-0-	(32)
Net Gain From Sale of Other Real Estate & Repossessed Assets	-0-	(167)	(70)
Net Gain From Sale of Premises and Equipment	-0-	(1)	(37)
Net (Increase) Decrease in Accrued Income and Other Assets	832	(720)	(809)
Net Increase (Decrease) in Accrued Expenses and Other Liabilities	(357)	(494)	397
Total Adjustments	1,896	(364)	4,122
NET CASH PROVIDED BY OPERATING ACTIVITIES	4,909	2,087	14,884
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net (Increase) Decrease in Federal Funds Sold and Due From Time	(3,978)	(41,907)	19,738
Proceeds from Matured and Prepaid Investment Securities Available-for-Sale	6,140	17,034	120,254
Proceeds from Sales of Investment Securities			