

SUMMIT BANCSHARES INC /TX/
Form 10-Q
November 08, 2006

**UNITED STATES
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 September 30, 2006 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 required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YesNo

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

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YesNo

x

The number of shares of common stock, \$1.25 par value, of the issuer outstanding at October 31, 2006 was 12,711,872 shares.

SUMMIT BANCSHARES, INC.

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<p>The September 30, 2006 and 2005 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, 2005 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, 2005 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>	
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PART I - FINANCIAL INFORMATION**Item 1 - Financial Statements**SUMMIT BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	(Unaudited) September 30,		(Unaudited) December 31, 2005
	2006	2005	2005
(In Thousands)			
ASSETS			
CASH AND DUE FROM BANKS NOTE 1	\$ 29,837	\$ 34,967	\$ 32,558
INTEREST-BEARING DEPOSITS	1,015	-0-	892
FEDERAL FUNDS SOLD	-0-	15,671	-0-
INVESTMENT SECURITIES NOTE 3			
Securities Available-for-Sale, at fair value	251,153	236,544	256,842
LOANS NOTES 4, 15 AND 21			
Loans, Net of Unearned Income	857,840	754,153	774,886
Allowance for Loan Losses	(10,399)	(11,131)	(11,208)
LOANS, NET	847,441	743,022	763,678
PREMISES AND EQUIPMENT NOTE 5	16,613	15,620	16,515
GOODWILL NOTE 6	9,060	9,060	9,060
OTHER INTANGIBLE ASSETS, NET NOTE 6	1,936	2,276	2,191
ACCRUED INCOME RECEIVABLE	7,264	5,651	6,273
OTHER REAL ESTATE NOTE 7	-0-	-0-	-0-
OTHER ASSETS	12,994	11,450	11,726
TOTAL ASSETS	\$ 1,177,313	\$ 1,074,261	\$ 1,099,735
LIABILITIES AND SHAREHOLDERS EQUITY			
DEPOSITS NOTE 8			
Noninterest-Bearing Demand	\$ 270,863	\$ 258,644	\$ 263,027
Interest-Bearing	657,935	607,384	615,749
TOTAL DEPOSITS	928,798	866,028	878,776
SHORT TERM BORROWINGS NOTE 9	141,370	111,370	121,859
NOTE PAYABLE NOTE 10	-0-	150	-0-
JUNIOR SUBORDINATED DEFERRABLE DEBENTURES NOTE 11	12,372	12,372	12,372
ACCRUED INTEREST PAYABLE	1,773	900	1,014
OTHER LIABILITIES	4,233	3,714	4,381
TOTAL LIABILITIES	1,088,546	994,534	1,018,402
COMMITMENTS AND CONTINGENCIES NOTES 16, 18, 20 AND 22			
SHAREHOLDERS EQUITY NOTES 17, 19 AND 23			
Common Stock - \$1.25 Par Value; 20,000,000 shares authorized; 12,600,722, 12,430,116 and 12,443,518 shares issued and outstanding at September 30, 2006 and 2005 and at December 31, 2005, respectively	15,751	15,538	15,554
Capital Surplus	9,628	8,082	8,170
Retained Earnings	66,804	58,362	60,964
	(3,416)	(2,236)	(3,349)

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Accumulated Other Comprehensive Income	Unrealized Loss on			
Available-for-Sale Investment Securities, Net of Tax Benefit				
Treasury Stock at Cost (988 and 300 shares at September 30, 2005 and December 31, 2005, respectively)		-0-	(19)	(6)
		<u> </u>	<u> </u>	<u> </u>
TOTAL SHAREHOLDERS EQUITY		88,767	79,727	81,333
		<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY		\$ 1,177,313	\$ 1,074,261	\$ 1,099,735
		<u> </u>	<u> </u>	<u> </u>

The accompanying Notes should be read with these financial statements.

SUMMIT BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	(Unaudited) For the Nine Months Ended September 30,		(Unaudited) Year Ended December 31, 2005
	2006	2005	
(In Thousands, Except Per Share Data)			
INTEREST INCOME			
Interest and Fees on Loans	\$ 48,827	\$ 36,905	\$ 51,064
Interest and Dividends on Investment Securities:			
Taxable	7,084	5,912	8,281
Exempt from Federal Income Taxes	370	228	324
Interest on Federal Funds Sold and Interest-Bearing Deposits	56	182	292
TOTAL INTEREST INCOME	56,337	43,227	59,961
INTEREST EXPENSE			
Interest on Deposits	13,208	8,169	11,663
Interest on Short Term Borrowings	4,860	2,313	3,317
Interest on Note Payable	1	55	57
Interest on Junior Subordinated Deferrable Debentures	701	522	731
TOTAL INTEREST EXPENSE	18,770	11,059	15,768
NET INTEREST INCOME	37,567	32,168	44,193
LESS: PROVISION FOR LOAN LOSSES NOTE 4	3,515	765	1,105
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	34,052	31,403	43,088
NON-INTEREST INCOME			
Service Charges and Fees on Deposits	2,968	2,964	3,938
Other Income	3,202	3,127	4,066
TOTAL NON-INTEREST INCOME	6,170	6,091	8,004
NON-INTEREST EXPENSE			
Salaries and Employee Benefits - NOTE 18	14,731	13,296	18,277
Occupancy Expense - Net	2,456	1,988	2,834
Furniture and Equipment Expense	1,887	1,756	2,341
Other Real Estate Owned Expense - Net	-0-	(11)	(11)
Intangible Asset Amortization	255	246	334
Other Expense NOTE 13	6,048	5,172	6,883
TOTAL NON-INTEREST EXPENSE	25,377	22,447	30,658
INCOME BEFORE INCOME TAXES	14,845	15,047	20,434
APPLICABLE INCOME TAXES NOTE 14	5,306	5,387	7,258
NET INCOME	\$ 9,539	\$ 9,660	\$ 13,176
NET INCOME PER SHARE NOTE 19			

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Basic	\$	0.76	\$	0.78	\$	1.06
Diluted		0.75		0.76		1.04

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 September 30,	
	2006	2005
	(In Thousands, Except Per Share Data)	
INTEREST INCOME		
Interest and Fees on Loans	\$ 17,308	\$ 13,203
Interest and Dividends on Investment Securities:		
Taxable	2,389	2,072
Exempt from Federal Income Taxes	138	86
Interest on Federal Funds Sold and Interest-Bearing Deposits	24	115
TOTAL INTEREST INCOME	19,859	15,476
INTEREST EXPENSE		
Interest on Deposits	5,002	3,185
Interest on Short Term Borrowings	1,764	878
Interest on Note Payable	-0-	12
Interest on Junior Subordinated Deferrable Debentures	249	188
TOTAL INTEREST EXPENSE	7,015	4,263
NET INTEREST INCOME	12,844	11,213
LESS: PROVISION FOR LOAN LOSSES NOTE 4	415	315
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	12,429	10,898
NON-INTEREST INCOME		
Service Charges and Fees on Deposits	1,046	992
Other Income	1,055	1,184
TOTAL NON-INTEREST INCOME	2,101	2,176
NON-INTEREST EXPENSE		
Salaries and Employee Benefits - NOTE 18	4,895	4,579
Occupancy Expense - Net	847	724
Furniture and Equipment Expense	648	587
Other Real Estate Owned Expense - Net	-0-	-0-
Intangible Asset Amortization	85	82
Other Expense NOTE 13	2,482	1,665
TOTAL NON-INTEREST EXPENSE	8,957	7,637
INCOME BEFORE INCOME TAXES	5,573	5,437
APPLICABLE INCOME TAXES NOTE 14	1,983	1,981
NET INCOME	\$ 3,590	\$ 3,456
NET INCOME PER SHARE - NOTE 19		

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Basic	\$	0.28	\$	0.28
Diluted		0.28		0.27

The accompanying Notes should be read with these financial statements.

SUMMIT BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005
AND FOR THE YEAR ENDED DECEMBER 31, 2005
(Unaudited)

	Common Stock		Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income - Net Unrealized Loss on Investment Securities	Treasury Stock	Total Share-Holders Equity
	Shares	Amount					
(Dollars in Thousands, Except Per Share Data)							
Balance at December 31, 2004	12,359,232	\$ 15,449	\$ 7,705	\$ 51,810	\$ (474)	\$ -0-	\$ 74,490
Stock Options Exercised	100,184	126	377				503
Purchases of Stock Held in Treasury						(561)	(561)
Retirement of Stock Held in Treasury	(29,300)	(37)		(505)		542	-0-
Cash Dividend - \$.21 Per Share				(2,603)			(2,603)
Net Income for the Nine Months Ended September 30, 2005				9,660			9,660
Securities Available- for-Sale Adjustment					(1,762)		(1,762)
Total Comprehensive Income NOTE 26							7,898
Balance at September 30, 2005	12,430,116	15,538	8,082	58,362	(2,236)	(19)	79,727
Stock Options Exercised	15,840	19	88				107
Purchases of Stock Held in Treasury						(33)	(33)
Retirement of Stock Held in Treasury	(2,438)	(3)		(43)		46	-0-
Cash Dividend - \$.07 Per Share				(871)			(871)
Net Income for the Three Months Ended December 31, 2005				3,516			3,516
Securities Available- for-Sale Adjustment					(1,113)		(1,113)
Total Comprehensive Income NOTE 26							2,403
Balance at December 31, 2005	12,443,518	15,554	8,170	60,964	(3,349)	(6)	81,333
Stock Options Exercised	196,704	246	1,330				1,576
Stock-Based Compensation Expense			128				128
Purchases of Stock Held in Treasury						(733)	(733)
Retirement of Stock Held in Treasury	(39,500)	(49)		(690)		739	-0-
Cash Dividend - \$.24 Per Share							