SUMMIT BANCSHARES INC /TX/
Form 10-Q
August 12, 2003

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

Mark One

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

For the quarterly period ended June 30, 2003; 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, 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. Yes |X| No |_|

The number of shares of common stock, $1.25 par value, outstanding at June 30, 2003 was 6,165,617 shares.

SUMMIT BANCSHARES, INC.

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The June 30, 2003 and 2002 and the December 31, 2002 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.

PART II - OTHER INFORMATION

PART I - FINANCIAL INFORMATION

Item 1 - Financial Statements

SUMMIT BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	(Unaudited) June 30,	
	2003	2
ASSETS		(In T
CASH AND DUE FROM BANKS - NOTE 1	$ 28,669	$
FEDERAL FUNDS SOLD & DUE FROM TIME	14,975	
INVESTMENT SECURITIES - NOTE 2		
Securities Available-for-Sale, at fair value	178,241	1
LOANS - NOTES 3, 11 AND 17		
Loans, Net of Unearned Discount	500,040	4
Allowance for Loan Losses	(7,412)	
LOANS, NET	492,628	4
PREMISES AND EQUIPMENT - NOTE 4	13,391	
ACCRUED INCOME RECEIVABLE	3,888	
OTHER REAL ESTATE - NOTE 5	-0-	
OTHER ASSETS	7,124	
TOTAL ASSETS	$ 738,916	$ 6
LIABILITIES AND SHAREHOLDERS' EQUITY		
DEPOSITS - NOTE 6		
Noninterest-Bearing Demand	$ 176,603	$ 1
Interest-Bearing	435,143	3
TOTAL DEPOSITS	611,746	5
SHORT TERM BORROWINGS - NOTE 7	55,627	
ACCRUED INTEREST PAYABLE	358	
OTHER LIABILITIES	2,456	
TOTAL LIABILITIES	670,187	6
COMMITMENTS AND CONTINGENCIES - NOTES 12, 14, 16 AND 18		
SHAREHOLDERS' EQUITY - NOTES 13, 15 AND 19		
Common Stock - $1.25 Par Value; 20,000,000 shares authorized; 6,165,617, 6,268,039 and 6,158,542 shares issued and outstanding at June 30, 2003 and 2002 and at December 31, 2002, respectively	7,707	
Capital Surplus	7,345	
Retained Earnings	50,358	
Accumulated Other Comprehensive Income - Unrealized Gain on Available-for-Sale Investment Securities, Net of Tax	3,335	
Treasury Stock at Cost (688, 12,600 and 20,000 shares at June 30, 2003 and 2002 and at December 31, 2002, respectively)	(16)	
TOTAL SHAREHOLDERS' EQUITY	68,729	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 738,916	$ 6

The accompanying Notes should be read with these financial statements.

SUMMIT BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	(Unaudited) For the Six Months Ended June 30, 2003	(Unaudited) For the Six Months Ended June 30, 2002	(Unaudi Year En Decembe 2002
	(In Thousands, Except Per Share Data		
INTEREST INCOME			
Interest and Fees on Loans	$ 15,357	$ 15,577	$ 31,2
Interest and Dividends on Investment Securities:			
Taxable	3,310	3,510	7,0
Exempt from Federal Income Taxes	94	37	1
Interest on Federal Funds Sold and Due From Time	37	91	2
TOTAL INTEREST INCOME	18,798	19,215	38,6
INTEREST EXPENSE			
Interest on Deposits	3,441	4,041	7,8
Interest on Short Term Borrowings	309	290	6
Interest on Note Payable	-0-	-0-	
TOTAL INTEREST EXPENSE	3,750	4,331	8,5
NET INTEREST INCOME	15,048	14,884	30,1
LESS: PROVISION FOR LOAN LOSSES - NOTE 3	540	1,015	3,1
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	14,508	13,869	27,0
NON-INTEREST INCOME			
Service Charges and Fees on Deposits	1,649	1,368	2,9
Gain on Sale of Investment Securities	12	2	1
Other Income	1,285	1,212	2,3
TOTAL NON-INTEREST INCOME	2,946	2,582	5,4
NON-INTEREST EXPENSE			
Salaries and Employee Benefits - NOTE 14	5,995	5,740	11,0
Occupancy Expense - Net	688	570	1,1
Furniture and Equipment Expense	876	772	1,5
Other Real Estate Owned and Foreclosed Asset Expense - Net	(13)	108	2
Other Expense - NOTE 9	2,497	2,134	4,2
TOTAL NON-INTEREST EXPENSE	10,043	9,324	18,3
INCOME BEFORE INCOME TAXES	7,411	7,127	14,1
APPLICABLE INCOME TAXES - NOTE 10	2,521	2,447	4,8
NET INCOME	$ 4,890	$ 4,680	$ 9,3

NET INCOME PER SHARE - NOTE 15

Basic	$ 0.79	$ 0.75	$ 1.
Diluted	0.78	0.73	1.

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 June 30,	
	2003	2002
	(In Thousands, Except Per Share Da	
INTEREST INCOME		
Interest and Fees on Loans	$7,868	$7,913
Interest and Dividends on Investment Securities:		
Taxable	1,599	1,662
Exempt from Federal Income Taxes	47	19
Interest on Federal Funds Sold and Due From Time	33	72
TOTAL INTEREST INCOME	9,547	9,666
INTEREST EXPENSE		
Interest on Deposits	1,781	2,044
Interest on Short Term Borrowings	153	155
TOTAL INTEREST EXPENSE	1,934	2,199
NET INTEREST INCOME	7,613	7,467
LESS: PROVISION FOR LOAN LOSSES - NOTE 3	240	470
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	7,373	6,997
NON-INTEREST INCOME		
Service Charges and Fees on Deposits	890	723
Gain on Sale of Investment Securities	12	2
Other Income	696	607
TOTAL NON-INTEREST INCOME	1,598	1,332
NON-INTEREST EXPENSE		
Salaries and Employee Benefits - NOTE 14	3,090	2,873
Occupancy Expense - Net	395	318
Furniture and Equipment Expense	447	368
Other Real Estate Owned and Foreclosed Asset Expense - Net	2	39
Other Expense	1,312	1,083
TOTAL NON-INTEREST EXPENSE	5,246	4,681
INCOME BEFORE INCOME TAXES	3,725	3,648
APPLICABLE INCOME TAXES - NOTE 10	1,268	1,254

NET INCOME	$2,457	$2,394
NET INCOME PER SHARE - NOTE 15		
Basic	$ 0.40	$ 0.38
Diluted	0.39	0.37

The accompanying Notes should be read with these financial statements.

SUMMIT BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2003 AND 2002
AND FOR THE YEAR ENDED DECEMBER 31, 2002
(Unaudited)

	Common Stock				Accumulated Other Comprehensive Income - Net Unrealized Gain on Investment Securities
	Shares	Amount	Capital Surplus	Retained Earnings	
		(Dollars in Thousands, Except Per Share Dat			
Balance at January 1, 2002	6,262,961	$ 7,829	$ 6,865	$ 44,166	$ 1,694
Stock Options Exercised	11,100	14	59		
Purchases of Stock Held in Treasury					
Retirement of Stock Held in Treasury	(6,022)	(8)		(107)	
Cash Dividend - .24 Per Share				(1,503)	
Net Income for the Six Months Ended June 30, 2002				4,680	
Securities Available-for-Sale Adjustment					78
Total Comprehensive Income - NOTE 22					
Balance at June 30, 2002	6,268,039	7,835	6,924	47,236	1,772
Stock Options Exercised	28,425	35	198		
Purchases of Stock Held in Treasury					
Retirement of Stock Held in Treasury	(137,922)	(172)		(2,730)	
Cash Dividend - .24 Per Share				(1,483)	
Net Income for the Six Months Ended December 31, 2002				4,637	
Securities Available-for-Sale Adjustment					1,089

Total Comprehensive Income - NOTE 22					
Balance at December 31, 2002	6,158,542	7,698	7,122	47,660	2,861
Stock Options Exercised	45,575	57	223		
Purchases of Stock Held in Treasury					
Retirement of Stock Held in Treasury	(38,500)	(48)		(711)	
Cash Dividend - .24 Per Share				(1,481)	
Net Income for the Six Months Ended June 30, 2003				4,890	
Securities Available-for-Sale Adjustment					474
Total Comprehensive Income - NOTE 22					
Balance at June 30, 2003	6,165,617	$ 7,707	$ 7,345	$ 50,358	$ 3,335

The accompanying Notes should be read with these financial statements.

SUMMIT BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2003 AND 2002
AND FOR THE YEAR ENDED DECEMBER 31, 2002

	(Unaudited) For the Six Months Ended June 30,	
	2003	2002
		(In Thousands)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$ 4,890	$ 4,680
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	617	545
Net Premium Amortization of Investment Securities	716	424
Provision for Loan Losses	540	1,015
Deferred Income Taxes Benefit	(156)	(235)
Net Gain on Sale of Investment Securities	(12)	(2)
Net Gain From Sale of Other Real Estate	-0-	-0-
Net (Gain) Loss From Sale of Premises and Equipment	(42)	11
Net (Increase) Decrease in Accrued Income and Other Assets	(1,105)	669
Net (Decrease) Increase in Accrued Expenses and Other Liabilities	(781)	(152)
Total Adjustments	(223)	2,275
NET CASH PROVIDED BY OPERATING ACTIVITIES	4,667	6,955

CASH FLOWS FROM INVESTING ACTIVITIES:		
Net (Increase) Decrease in Federal Funds Sold and Due From Time	(14,713)	(19,799)
Proceeds from Matured and Prepaid Investment Securities		
o Available-for-Sale	23,514	25,969
Proceeds from Sales of Investment Securities	42,041	49,976
Purchase of Investment Securities		
o Available-for-Sale	(70,271)	(60,430)
Loans Originated and Principal Repayments, Net	(31,247)	(36,907)
Recoveries of Loans Previously Charged-Off	518	56
Proceeds from Sale of Premises and Equipment	274	27
Proceeds from Sale of Other Real Estate & Repossessed Assets	1,142	388
Purchases of Premises and Equipment	(2,755)	(1,553)
NET CASH USED BY INVESTING ACTIVITIES	(51,497)	(42,273)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net Increase in Demand Deposits, Savings Accounts and Interest Bearing Transaction Accounts	20,059	20,309
Net Increase (Decrease) in Certificates of Deposit	9,738	(2,298)
Net Increase in Short Term Borrowings	18,372	17,263
Payments of Cash Dividends	(1,481)	(1,503)
Proceeds from Stock Options Exercised	280	73
Purchase of Treasury Stock	(372)	(378)
NET CASH PROVIDED BY FINANCING ACTIVITIES	46,596	33,466
NET DECREASE IN CASH AND DUE FROM BANKS	(234)	(1,852)
CASH AND DUE FROM BANKS AT BEGINNING OF PERIOD	28,903	29,178
CASH AND DUE FROM BANKS AT END OF PERIOD	$ 28,669	$ 27,326
SUPPLEMENTAL SCHEDULE OF OPERATING AND INVESTING ACTIVITIES		
Interest Paid	$ 3,746	$ 4,496
Income Taxes Paid	2,373	2,132
Other Real Estate Acquired and Other Assets Acquired in Settlement of Loans	-0-	-0-

The accompanying Notes should be read with these financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SUMMIT BANCSHARES, INC. AND SUBSIDIARIES
FOR THE SIX MONTHS ENDED JUNE 30, 2003 AND 2002 (UNAUDITED)
AND FOR THE YEAR ENDED DECEMBER 31, 2002 (UNAUDITED)

NOTE 1 - Summary of Significant Accounting Policies

The accounting and reporting policies of Summit Bancshares, Inc. are in accordance with accounting principles generally accepted in the United States of America and the prevailing practices within the banking industry. A summary of the more significant policies follows:

Basis of Presentation and Principles of Consolidation

The consolidated financial statements of Summit Bancshares, Inc. (hereinafter, collectively with its subsidiaries, the "Corporation"), include its accounts and its direct and indirect wholly-owned subsidiaries, Summit Delaware Financial Corporation, Summit Bank, National Association (the "Bank") and SIA Insurance Agency. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

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 periods. Actual results could differ from those estimates.

Cash and Due From Banks

The Bank is required to maintain certain noninterest-bearing cash balances at the Federal Reserve Bank based on its level of deposits. During the first six months of 2003, the average cash balance maintained at the Federal Reserve Bank was $2,188,000. Compensating balances held at other correspondent banks, to minimize service charges, averaged approximately $19,622,000 during the same period.

Investment Securities

The Corporation has adopted Statement of Financial Accounting Standards No. 115, Accounting for Certain Investments in Debt and Equity Securities ("SFAS 115"). At the date of purchase, the Corporation is required to classify debt and equity securities into one of three categories: held-to-maturity, trading or available-for-sale. At each reporting date, the appropriateness of the classification is reassessed. Investments in debt securities are classified as held-to-maturity and measured at amortized cost in the financial statements only if management has the positive intent and ability to hold those securities to maturity. Securities that are bought and held principally for the purpose of selling them in the near term are classified as trading and measured at fair value in the financial statements with unrealized gains and losses included in earnings. Investments not classified as either held-to-maturity or trading are classified as available-for-sale and measured at fair value in the financial statements with unrealized gains and losses reported, net of tax, in a separate component of shareholders' equity until realized.

The Corporation has the ability and intent to hold to maturity its investment securities classified as held-to-maturity; accordingly, no adjustment has been made for the excess, if any, of amortized cost over market. In determining the investment category classifications at the time of purchase of securities, management considers its asset/liability strategy, changes in interest rates and prepayment risk, the need to increase capital and other factors. Under certain circumstances (including the deterioration of the issuer's creditworthiness, a change in tax law, or statutory or regulatory requirements), the Corporation may change the investment security classification. In the periods reported for 2003 and 2002 the Corporation held no securities that would have been classified as trading securities.

All investment securities are adjusted for amortization of premiums and accretion of discounts. Amortization of premiums and accretion of discounts are recorded to income over the contractual maturity or estimated life of the individual investment on the level yield method. Gain or loss on sale of investments is based upon the specific identification method and the gain or loss is recorded in non-interest income. Income earned on the Corporation's investments in state and political subdivisions is not taxable.

Loans and Allowance for Loan Losses

Loans are stated at the principal amount outstanding less unearned discount, deferred fees and the allowance for loan losses. Unearned discount on installment loans is recognized as income over the terms of the loans by a method approximating the interest method. Interest income on all other loans is recognized based upon the principal amounts outstanding, the simple interest method. Loan origination fee income, net of direct loan origination costs, is deferred and amortized over the life of the related loan. The accrual of interest on a loan is discontinued when, in the opinion of management, there is doubt about the ability of the borrower to pay interest or principal. Interest previously earned, but uncollected on such loans, is written off. After loans are placed on non-accrual all payments received are applied to principal and no interest income is recorded until the loan is returned to accrual status or the principal has been reduced to zero.

NOTE 1 - Summary of Significant Accounting Policies (cont'd.)

The Corporation has adopted Statement of Financial Accounting Standards No. 114, "Accounting by Creditors for Impairment of a Loan," as amended by Statement of Financial Accounting Standards No. 118, "Accounting by Creditors for Impairment of a Loan - Income Recognition and Disclosure." Under this standard, the allowance for loan losses related to loans that are identified for evaluation in accordance with Statement No. 114 (impaired loans) is based on discounted cash flows using the loan's initial effective rate or the fair value of the collateral for certain collateral dependent loans.

The allowance for loan losses is comprised of amounts charged against income in the form of a provision for loan losses as determined by management. Management's evaluation is based on a number of factors, including the subsidiary's loss experience in relation to outstanding loans and the existing level of the allowance, prevailing and prospective economic conditions, and management's continuing review of the discounted cash flow values of impaired loans and its evaluation of the quality of the loan portfolio. Loans are charged against the allowance for loan losses when management believes that the collectibility of the principal is unlikely.

The evaluation of the adequacy of loan collateral is often based upon estimates and appraisals. Because of changing economic conditions, the valuations determined from such estimates and appraisals may also change. Accordingly, the Corporation may ultimately incur losses which vary from management's current estimates. Adjustments to the allowance for loan losses will be reported in the period such adjustments become known or are reasonably estimable.

Premises and Equipment

Land is carried at cost. Premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation expense is computed on the straight-line method based upon the estimated useful lives of the assets ranging from three to forty years. Maintenance and repairs are charged to non-interest expense. Renewals and betterments are added to the asset accounts and depreciated over the periods benefited. Depreciable assets sold or retired are removed from the asset and related accumulated depreciation accounts and any gain or loss is reflected in the income and expense accounts.

Other Real Estate

Other real estate is foreclosed property held pending disposition and is valued at the lower of its fair value or the recorded investment in the related loan. At foreclosure, if the fair value, less estimated costs to sell, of the real estate acquired is less than the Corporation's recorded investment in the related loan, a write-down is recognized through a charge to the allowance for loan losses. Any subsequent reduction in value is recognized by a charge to income. Operating expenses of such properties, net of related income, and gains and losses on their disposition are included in non-interest expense.

Federal Income Taxes

The Corporation joins with its subsidiaries in filing a consolidated federal income tax return. The subsidiaries pay to the parent a charge equivalent to their current federal income tax based on the separate taxable income of the subsidiaries.

The Corporation and the subsidiaries maintain their records for financial reporting and income tax reporting purposes on the accrual basis of accounting. Deferred income taxes are provided in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." Deferred income taxes are provided for accumulated temporary differences due to basic differences for assets and liabilities for financial reporting and income tax purposes.

Realization of net deferred tax assets is dependent on generating sufficient future taxable income. Although realization is not assured, management believes it is more likely than not that all of the net deferred tax assets will be realized. The amount of the net deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income are reduced.

Cash and Cash Equivalents

For the purpose of presentation in the Statements of Cash Flows, cash and cash equivalents are defined as those amounts included in the balance sheet caption "Cash and Due from Banks."

Reclassification

Certain reclassifications have been made to the 2002 financial statements to conform to the 2003 presentation.

Earnings Per Common and Common Equivalent Shares

Statement of Financial Accounting Standards No. 128 ("SFAS 128"), "Earnings Per Share," requires presentation of basic and diluted earnings per share. Basic earnings per share has been computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding for the reporting period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. Net income per share for all periods presented has been calculated in accordance with SFAS 128. Outstanding stock options issued by the Corporation represent the only dilutive effect reflected in diluted weighted average shares.

NOTE 1 - Summary of Significant Accounting Policies (cont'd.)

Stock Based Compensation

The Corporation accounts for stock-based compensation in accordance with the intrinsic value based method recommended by Accounting Principles Board Opinion No. 25, "Accounting for Stock issued to Employees." Under the intrinsic value based method, compensation cost is the excess, if any, of the quoted market price of the stock at grant date over the amount an employee must pay to acquire the stock. The impact on the financial statements of using the method is disclosed in Note 13, "Stock Option Plans" to the financial statements.

Audited Financial Statements

The consolidated balance sheet as of December 31, 2002, and the consolidated statements of income, changes in shareholders' equity and cash flows for the year ended December 31, 2002 are headed "unaudited" in these financial statements. These statements were reported in the Securities Exchange Commission Form 10-K as of December 31, 2002 as "audited" but are required to be reflected in these statements as unaudited because of the absence of an independent auditor's report.

NOTE 2 - Investment Securities

A summary of amortized cost and estimated fair values of investment securities is as follows (in thousands):

	June 30, 2003			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fai Valu
Investment Securities - Available-for-Sale				
U.S. Government Agencies and Corporations	$126,114	$ 4,349	$ -0-	$130,
U.S. Government Agency Mortgage Backed Securities	36,750	425	-0-	37,
Obligations of States and Political Subdivisions	5,181	278	-0-	5,
Community Reinvestment Act Investment Fund	3,000	-0-	-0-	3,
Federal Reserve and Federal Home Loan Bank Stock	2,144	-0-	-0-	2,
Total Available-for-Sale Securities	173,189	5,052	-0-	178,
Total Investment Securities	$173,189	$ 5,052	$ -0-	$178,

All investment securities are carried on the consolidated balance sheet as of June 30, 2003 at fair value. The net unrealized gain of $5,052,000 is included in the Available-for-Sale Investment Securities balance. The unrealized gain, net of tax, is included in Shareholders' Equity.

Included in the Other Securities category at June 30, 2003 is $1,824,000 of Federal Home Loan Bank Stock and $320,000 of Federal Reserve Stock which are classified as restricted investment securities, carried at cost, and evaluated for impairment. No impairment losses were recorded as of June 30, 2003. The Corporation is required to have stock holdings of Federal Home Loan Bank Stock equal to 5% of its outstanding advancements from the FHLB. The Corporation is also required to have stock holdings of Federal Reserve Stock equal to 6% of its Capital Stock and Surplus.

NOTE 2 - Investment Securities (cont'd.)

A summary of amortized cost and estimated fair values of investment securities is as follows (in thousands):

	June 30, 2002			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Investment Securities - Available-for-Sale				
U.S. Treasury Securities	$ 4,010	$ 87	$-0-	$ 4,097
U.S. Government Agencies and Corporations	110,384	2,405	(4)	112,785
U.S. Government Agency Mortgage Backed Securities	23,656	169	-0-	23,825
Obligations of States and Political Subdivisions	1,946	29	-0-	1,975
Federal Reserve and Federal Home Loan Bank Stock	1,632	-0-	-0-	1,632
Total Available-for-Sale Securities	141,628	2,690	(4)	144,314
Total Investment Securities	$141,628	$ 2,690	$ (4)	$144,314

All investment securities are carried on the consolidated balance sheet as of June 30, 2002 at fair value. The net unrealized gain of $2,686,000 is included in the Available-for-Sale Investment Securities balance. The unrealized gain, net of tax, is included in Shareholders' Equity.

Included in the Other Securities category at June 30, 2002 was $1,312,000 of Federal Home Loan Bank Stock and $320,000 of Federal Reserve Stock which are classified as restricted investment securities, carried at cost, and evaluated for impairment. No impairment losses were recorded as of June 30, 2002. The Corporation is required to have stock holdings of Federal Home Loan Bank Stock equal to 5% of its outstanding advancements from the FHLB. The Corporation is also required to have stock holdings of Federal Reserve Stock equal to 6% of its Capital Stock and Surplus.

NOTE 3 - Loans and Allowance for Loan Losses

The book values of loans by major type follow (in thousands):

	June 30, 2003	June 30, 2002	December 31, 2002
Commercial	$ 204,647	$ 198,853	$ 195,120
Real Estate Mortgage - Commercial	134,370	125,299	130,755
Real Estate Mortgage - Residential	54,594	47,170	48,447
Real Estate Construction	72,422	60,981	59,941

Loans to Individuals	34,007	34,674	34,882
Less: Unearned Discount	-0-	(3)	-0-
	500,040	466,974	469,145
Allowance for Loan Losses	(7,412)	(6,394)	(6,706)
Loans - Net	$ 492,628	$ 460,580	$ 462,439

NOTE 3 - Loans and Allowance for Loan Losses (cont'd.)

Transactions in the allowance for loan losses are summarized as follows (in thousands):

	Six Months Ended June 30, 2003	Six Months Ended June 30, 2002	Year Ended December 31, 2002
Balance, Beginning of Period	$ 6,706	$ 6,015	$ 6,015
Provisions, Charged to Income	540	1,015	3,140
Loans Charged-Off	(352)	(692)	(2,821)
Recoveries of Loans Previously Charged-Off	518	56	372
Net Loans Recovered (Charged-Off)	166	(636)	(2,449)
Balance, End of Period	$ 7,412	$ 6,394	$ 6,706

The provisions for loan losses charged to operating expenses during the six months ended June 30, 2003 and June 30, 2002 of $540,000 and $1,015,000, respectively, were considered adequate to maintain the allowance in accordance with the policy discussed in Note 1. For the year ended December 31, 2002, a provision of $3,140,000 was recorded.

At June 30, 2003, the recorded investment in loans that are considered to be impaired under Statement of Financial Accounting Standards No. 114 was $739,000 (of which $739,000 were on non-accrual status). The related allowance for loan losses for these loans was $387,000. The average recorded investment in impaired loans during the six months ended June 30, 2003 was approximately $2,142,000. For this period the Corporation recognized no interest income on these impaired loans.

NOTE 4 - Premises and Equipment

The investment in premises and equipment stated at cost and net of accumulated amortization and depreciation is as follows (in thousands):

	June 30,		December 31,

	2003	2002	2002
Land	$ 2,212	2,317	$ 2,317
Buildings and Improvements	10,536	8,572	9,830
Furniture & Equipment	10,222	8,122	9,168
Total Cost	22,970	19,011	21,315
Less: Accumulated Amortization and Depreciation	9,579	9,899	9,829
Net Book Value	$13,391	9,112	$11,486

NOTE 5 - Other Real Estate

The carrying value of other real estate is as follows (in thousands):

	June 30		December 31,
	2003	2002	2002
Other Real Estate	$ -0-	$ -0-	$ 1,142

There were no direct write-downs of other real estate charged to income for the six months ended June 30, 2003 or June 30, 2002. There were also no direct write-downs of other real estate charged to income for the year ended December 31, 2002.

Included in Other Assets at June 30, 2003 and June 30, 2002 were $125,000 and $56,000 of Other Foreclosed Assets. The 2003 assets were comprised of motor vehicles and the 2002 assets were comprised of an inventory of textbooks. There were no direct write-downs of these assets as of June 30, 2003 or for any period during 2002.

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NOTE 6 - Deposits

The book values of deposits by major type follow (in thousands):

	June 30,		December 31,
	2003	2002	2002
Noninterest-Bearing Demand Deposits	$176,603	$163,440	$167,745
Interest-Bearing Deposits:			
Interest-Bearing Transaction Accounts and Money Market Funds	197,130	178,526	184,458
Savings	112,476	109,656	113,948
Certificates of Deposits under $100,000 and IRA's	64,283	65,309	63,432
Certificates of Deposits $100,000 or more	60,938	44,567	52,050
Other	316	316	316
Total	435,143	398,374	414,204

Total Deposits	$611,746	$561,814	$581,949
	========	========	========

NOTE 7 - Short Term Borrowings

Securities sold under repurchase agreements generally represent borrowings with maturities ranging from one to thirty days. Information relating to these borrowings is summarized as follows (in thousands):

	Six Months Ended June 30, 2003	Six Months Ended June 30, 2002	Year Ended December 31, 2002
Securities Sold Under Repurchase Agreements:			
Average Balance	$20,695	$14,999	$20,141
Period-End Balance	28,627	21,621	22,955
Maximum Month-End Balance During Period	22,597	21,621	29,560
Interest Rate:			
Average	0.54%	0.81%	0.87%
Period-End	0.46%	1.06%	0.59%
Federal Home Loan Bank Advances:			
Average Balance	$24,945	$19,164	$17,989
Period-End Balance	27,000	24,009	14,300
Maximum Month-End Balance During Period	34,300	25,000	25,000
Interest Rate:			
Average	1.94%	2.22%	2.37%
Period-End	1.57%	1.74%	2.41%
Federal Funds Purchased:			
Average Balance	$ 2,802	$ 1,926	$ 1,178
Period-End Balance	-0-	-0-	-0-
Maximum Month-End Balance During Period	1,350	8,650	8,650
Interest Rate:			
Average	1.53%	2.02%	2.03%
Period-End	0.00%	0.00%	0.00%

The Corporation has available a line of credit with the Federal Home Loan Bank of Dallas which allows it to borrow on a collateralized basis at a fixed term. At June 30, 2003, the $27,000,000 of borrowings was outstanding under the line of credit at an average rate of 1.55%, the last $5,000,000 of which matures in May 2005. In addition, at June 30, 2003, the Corporation has $10,125,000 borrowed under an arrangement to purchase an investment security which matures in July 2003.

NOTE 8 - Notes Payable

On September 15, 2002, the Corporation obtained lines of credit from a bank under which the Corporation may borrow $11,000,000 at prime rate. The lines of credit are secured by stock of the Bank and mature on September 15, 2003, whereupon, if balances are outstanding, the lines convert to term notes having five year terms. The Corporation will not pay a fee for any unused portion of the lines. As of June 30, 2003, no funds had been borrowed under these lines nor were any borrowings outstanding.

NOTE 9 - Other Non-Interest Expense

The significant components of other non-interest expense are as follows (in thousands):

	Six Months Ended June 30, 2003	Six Months Ended June 30, 2002	Year Ended December 31, 2002
Business Development	$ 448	$ 393	$ 797
Legal and Professional Fees	330	341	774
Printing and Supplies	205	157	353
Regulatory Fees and Assessments	124	119	239
Other	1,390	1,124	2,121
Total	$2,497	$2,134	$4,284

NOTE 10 - Income Taxes

Federal income taxes included in the consolidated balance sheets were as follows (in thousands):

	June 30, 2003	June 30, 2002	December 31, 2002
Current Tax Asset (Liability)	$ 59	$ (57)	$ 347
Net Deferred Tax Asset	788	1,627	893
Total Included in Other Assets	847	$ 1,570	1,240

The net deferred tax asset at June 30, 2003 of $788,000 included $(1,718,000), a deferred tax liability related to unrealized gains on Available-for-Sale Securities.

The components of income tax expense were as follows (in thousands):

	Six Months Ended June 30, 2003	Six Months Ended June 30, 2002	Year Ended December 31, 2002
Federal Income Tax Expense:			
Current	$ 2,677	$ 2,682	$ 4,908
Deferred (benefit)	(156)	(235)	(62)
Total Federal Income Tax Expense	$ 2,521	$ 2,447	$ 4,846
Effective Tax Rates	34.00%	34.30%	34.20%

NOTE 10 - Income Taxes (cont'd.)

The reasons for the difference between income tax expense and the amount computed by applying the statutory federal income tax rate to operating earnings are as follows (in thousands):

	Six Months Ended June 30, 2003	Six Months Ended June 30, 2002	Year Ended December 31, 2002
Federal Income Taxes at Statutory Rate of 34.3%	$ 2,542	$ 2,454	4,858
Effect of Tax Exempt Interest Income	(45)	(26)	(68)
Non-deductible Expenses	35	34	67
Other	(11)	(15)	(11)
Income Taxes Per Income Statement	$ 2,521	$ 2,447	4,846

Deferred income tax expense (benefit) results from differences between amounts of assets and liabilities as measured for income tax return and financial reporting purposes. The significant components of federal deferred tax assets and liabilities are in the following table (in thousands):

	Six Months Ended June 30, 2003	Six Months Ended June 30, 2002	Year Ended December 31, 2002
Federal Deferred Tax Assets:			
Allowance for Loan Losses	$2,542	$2,099	$2,300
Valuation Reserves - Other Real Estate	2	105	2
Interest on Non-accrual Loans	210	242	273
Deferred Compensation	544	570	552
Other	9	-0-	-0-
Gross Federal Deferred Tax Assets	3,307	3,016	3,127
Federal Deferred Tax Liabilities:			
Depreciation and Amortization	563	288	542
Accretion	196	158	182
Unrealized Gains on Available-for-Sale Securities	1,718	913	1,474
Other	42	30	36
Gross Federal Deferred Tax Liabilities	2,519	1,389	2,234
Net Deferred Tax Asset	$ 788	$1,627	$ 893

NOTE 11 - Related Party Transactions

The Bank has transactions made in the ordinary course of business with certain of its officers, directors and their affiliates. All loans included in such transactions are made on substantially the same terms, including interest rate and collateral, as those prevailing at the time for comparable transactions with other persons. Total loans outstanding to such parties amounted to approximately $8,864,000 at December 31, 2002.

NOTE 12 - Commitments and Contingent Liabilities

In the normal course of business, there are various outstanding commitments and contingent liabilities, such as guarantees and commitments to extend credit, which are not reflected in the financial statements. No losses are anticipated as a result of these transactions. Commitments are most frequently extended for real estate, commercial and industrial loans.

At June 30, 2003, outstanding documentary and standby letters of credit totaled $5,438,000 and commitments to extend credit totaled $136,408,000.

NOTE 13 - Stock Option Plans

The Corporation has two Incentive Stock Option Plans, the 1993 Plan and the 1997 Plan, ("the Plans"). Each Plan has reserved 600,000 shares (adjusted for two-for-one stock splits in 1995 and 1997) of common stock for grants thereunder. The Plans provide for the granting to executive management and other key employees of Summit Bancshares, Inc. and subsidiaries incentive stock options, as defined under the current tax law. The options under the Plans will be exercisable for ten years from the date of grant and generally vest ratably over a five year period. Options will be and have been granted at prices which will not be less than 100-110% of the fair market value of the underlying common stock at the date of grant.

The following is a summary of transactions during the periods presented:

	Shares Under Option	
	Six Months Ended June 30, 2003	Year Ended December 31, 2002
Outstanding, Beginning of Period	418,934	453,459
Additional Options Granted During the Period	25,000	11,000
Forfeited During the Period	(8,050)	(6,000)
Exercised During the Period	(45,575)	(39,525)
Outstanding, End of Period	390,309	418,934

Options outstanding at June 30, 2003 ranged in price from $3.00 to $24.81 per share with a weighted average exercise price of $13.13 and 290,299 shares exercisable. At June 30, 2003, there remained 333,250 shares reserved for future grants of options under the 1997 Plan.

The Corporation accounts for this plan under the recognition and measurement principles of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," under which no compensation cost has been recognized for options granted. The following table illustrates the effect on net income and earnings per share if the Corporation had applied the fair value recognition provisions of FASB Statement No. 123, "Accounting for Stock-Based Compensation," to stock-based compensation:

	Six Months Ended June 30, 2003	Year Ended December 31, 2002
Net Income, as Reported	$ 4,890	$ 9,317

Deduct: Total stock-based compensation expense determined under fair value based method for all awards, net of related tax effects	(69)	(124)
Pro Forma Net Income	$ 4,821	$ 9,193
Earnings Per Share:		
Basic - as Reported	$ 0.79	$ 1.50
Basic - Pro Forma	0.78	1.48
Diluted - as Reported	0.78	1.46
Diluted - Pro Forma	0.77	1.44

NOTE 14 - Employee Benefit Plans

401(k) Plan

The Corporation implemented a 401(k) plan in December 1997 covering substantially all employees. The Corporation made no contribution to this plan in 1999 or 1998. In 2002, 2001 and 2000, the Corporation made matching contributions to the participant's deferrals of compensation up to 100% of the employee contributions not to exceed 6% of the employee's annual compensation.

The amount expensed in support of the plan was $208,000 and $205,000 during the first six months of 2003 and 2002, respectively, and $427,000 for the year 2002.

Supplemental Executive Retirement Plan

In 2002, the Corporation established a Supplemental Executive Retirement Plan to provide key employees with retirement, death or disability benefits. For currently employed employees, the plan replaces the previous Management Security Plan. The current plan is a defined contribution plan. The expense charged to earnings for such future obligations was $103,000 for the first six months of 2003 and $180,000 for the year 2002. There was no expense for the plan during the first six months of 2002.

Employment Contracts

The Chief Executive Officer of the Corporation has entered into a severance agreement providing for salary and fringe benefits in the event of termination, other than for cause, and under certain changes in control of the Corporation.

Other Post Retirement Benefits

The Corporation provides certain health care benefits for certain retired employees who bear all costs of these benefits. These benefits are covered under the "Consolidated Omnibus Budget Reconciliation Act" (COBRA).

NOTE 15 - Earnings per Share

The following data shows the amounts used in computing earnings per share and the weighted average number of shares of dilutive potential common stock (dollars in thousands):

	Six Months Ended June 30, 2003	Six Months Ended June 30, 2002	Year Ended December 31, 2002
Net income	$ 4,890	$ 4,680	$ 9,317
Weighted average number of common shares used in Basic EPS	6,163,981	6,261,419	6,224,028
Effect of dilutive stock options	129,713	180,333	171,533
Weighted number of common shares and dilutive potential common stock used in Diluted EPS	6,293,694	6,441,752	6,395,561

NOTE 16 - Financial Instruments with Off-Balance Sheet Risk

The Corporation 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 loan commitments, standby letters of credit and documentary letters of credit. The instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the financial statements.

The Corporation's exposure to credit loss in the event of non-performance by the other party of these loan commitments and standby letters of credit is represented by the contractual amount of those instruments. The Corporation uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

The total contractual amounts of financial instruments with off-balance sheet risk are as follows (in thousands):

	June 30, 2003	June 30, 2002
Financial Instruments Whose Contract Amounts Represent Credit Risk:		
Loan Commitments Including Unfunded Lines of Credit	136,408	$131,7
Standby Letters of Credit	5,438	7,4

Since many of the loan commitments may expire without being drawn upon, the total commitment amount does not necessarily represent future cash requirements. The Corporation evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Corporation upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral held varies but may include accounts receivable, inventory, property, plant and equipment, owner occupied real estate and income-producing commercial properties.

The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

NOTE 17 - Concentrations of Credit Risk

The Bank grants commercial, consumer and real estate loans in its direct market which is defined as Fort Worth and its surrounding area. The Board of Directors of the Bank monitors concentrations of credit by purpose, collateral and industry at least quarterly. Certain limitations for concentration are set by the Board. Additional loans in excess of these limits must have prior approval of the directors' loan committee. Although the Bank has a diversified loan portfolio, a substantial portion of its debtors' abilities to honor their contracts is dependent upon the strength of the local and state economy.

NOTE 18 - Litigation

The Bank is involved in legal actions arising in the ordinary course of business. It is the opinion of management, after reviewing such actions with outside legal counsel, that the settlement of these matters will not materially affect the Corporation's financial position.

NOTE 19 - Stock Repurchase Plan

On April 15, 2003, the Board of Directors approved a stock repurchase plan. The plan authorized management to purchase up to 308,900 shares of the Corporation's common stock over the next twelve months through the open market or in privately negotiated transactions in accordance with all applicable state and federal laws and regulations.

In the six months ended June 30, 2003, 19,188 shares were purchased by the Corporation through this and a similar repurchase plan through the open market.

NOTE 20 - Subsequent Event

On July 15, 2003, the Board of Directors of the Corporation approved a quarterly dividend of $.14 per share to be paid on August 15, 2003 to shareholders of record on August 1, 2003.

NOTE 21 - Fair Values of Financial Instruments

The following methods and assumptions were used by the Corporation in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents: The carrying amounts reported in the balance sheet for cash and due from banks and federal funds sold approximate those assets' fair values.

Investment securities (including mortgage-backed securities): Fair values for investment securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

Loans: For variable-rate loans, fair values are based on carrying values. The fair values for fixed rate loans such as mortgage loans (e.g., one-to-four family residential) and installment loans are estimated using discounted cash flow analysis. The carrying amount of accrued interest receivable approximates its fair value.

Deposit liabilities: The fair value disclosed for interest bearing and noninterest-bearing demand deposits, passbook savings, and certain types of money market accounts are, by definition, equal to the amount payable on demand at the reporting date or their carrying amounts. Fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on time deposits.

Short-term borrowings: The carrying amounts of borrowings under repurchase agreements approximate their fair values.

The estimated fair values of the Corporation's financial instruments are as follows (in thousands):

	June 30,		
	2003		20
	Carrying Amount	Fair Value	Carrying Amount
Financial Assets			
Cash and due from banks	$ 28,669	$ 28,669	$ 27,326
Federal funds sold and Due From Time	14,975	14,975	22,083
Securities	178,241	178,241	144,314
Loans	500,040	509,607	466,974
Allowance for loan losses	(7,412)	(7,412)	(6,394)
Financial Liabilities			
Deposits	611,746	609,555	561,814
Short Term Borrowings	55,627	55,867	45,629
Off-balance Sheet Financial Instruments			
Loan commitments		136,408	
Letters of credit		5,438	

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NOTE 22 - Comprehensive Income

The Corporation has adopted Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards No. 130 "Reporting Comprehensive Income." This standard requires an entity to report and display comprehensive income and its components. Comprehensive income is as follows (in thousands):

	Six Months Ended June 30,		Year Ended December 31,
	2003	2002	2002
Net Income	$ 4,890	4,680	$ 9,317
Other Comprehensive Income:			
Unrealized gain on securities available-for-sale, net of tax	474	78	1,167
Comprehensive Income	$ 5,364	$ 4,758	$10,484

Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations

Summary

Management's Discussion and Analysis of Financial Condition and Results of Operations of the Corporation analyzes the major elements of the Corporation's consolidated balance sheets and statements of income. This discussion should be read in conjunction with the consolidated financial statements and accompanying notes.

Net income for the second quarter of 2003 was $2,457,000, or $.39 diluted earnings per share, compared with $2,394,000, or $.37 diluted earnings per share, for the second quarter of 2002. Net income for the first six months of 2003 was $4,890,000 or $.78 diluted earnings per share, compared with $4,680,000 or $.73 diluted earnings per share for the first six months of the prior year. Per share amounts are based on average diluted shares outstanding of 6,293,694 for the first six months of 2003 and 6,441,752 for the comparable period of 2002 adjusted to reflect stock options granted.

Outstanding loans at June 30, 2003 of $500.0 million represented an increase of $33.1 million, or 7.1%, over June 30, 2002 and an increase of $30.9 million, or 6.6%, from December 31, 2002.

Total deposits at June 30, 2003 of $611.7 million represented an increase of $49.9 million, or 8.9%, over June 30, 2002 and an increase of $29.8 million, or 5.1%, from December 31, 2002.

The following table summarizes the Corporation's performance for the six months ended June 30, 2003 and 2002 (tax equivalent basis and dollars in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Interest Income	$ 9,581	$ 9,687	$18,866	$19,253
Interest Expense	1,934	2,199	3,750	4,331
Net Interest Income	7,647	7,488	15,116	14,922
Provision for Loan Losses	240	470	540	1,015
Net Interest Income After Provision for Loan Losses	7,407	7,018	14,576	13,907
Non-Interest Income	1,598	1,332	2,946	2,582
Non-Interest Expense	5,246	4,681	10,043	9,324
Income Before Income Tax	3,759	3,669	7,479	7,165
Income Tax Expense	1,302	1,275	2,589	2,485
Net Income	$ 2,457	$ 2,394	$ 4,890	$ 4,680
Net Income per Share- Basic	$ 0.40	$ 0.38	$ 0.79	$ 0.75

Diluted	0.39	0.37	0.78	0.73
Return on Average Assets	1.37%	1.46%	1.40%	1.46%
Return on Average Stockholders' Equity	14.55%	15.43%	14.72%	15.21%

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Summary of Earning Assets and Interest-Bearing Liabilities

The following schedule presents average balance sheets that highlight earning assets and interest-bearing liabilities and their related rates earned and paid for the second quarter of 2003 and 2002 (rates on tax equivalent basis):

	Three Months Ended June			
	2003			
	Average Balances	Interest	Average Yield/Rate	Average Balances
			(Dollars in Thousands)	
Earning Assets:				
Federal Funds Sold & Due From Time	$ 11,689	$ 33	1.13%	$ 16,488
Investment Securities (Taxable)	160,498	1,599	4.00%	138,271
Investment Securities (Tax-exempt)	5,102	71	5.62%	1,961
Loans, Net of Unearned Discount(1)	499,545	7,878	6.33%	462,467
Total Earning Assets	676,834	9,581	5.68%	619,187
Non-interest Earning Assets:				
Cash and Due From Banks	27,970			25,772
Other Assets	21,648			18,998
Allowance for Loan Losses	(7,382)			(6,428)
Total Assets	$ 719,070			$ 657,529
Interest-Bearing Liabilities:				
Interest-Bearing Transaction Accounts and Money Market Funds	$ 192,773	570	1.19%	$ 179,847
Savings	114,259	411	1.44%	109,879
Certificates of Deposit under $100,000 and IRA's	63,000	401	2.55%	63,245
Certificates of Deposit $100,000 or more	59,072	397	2.70%	44,502
Other Time	316	2	2.20%	316
Other Borrowings	48,866	153	1.26%	36,145
Total Interest-Bearing Liabilities	478,286	1,934	1.62%	433,934
Non-interest Bearing Liabilities:				
Demand Deposits	170,234			157,983
Other Liabilities	2,811			3,367
Shareholders' Equity	67,739			62,245
Total Liabilities and				

Shareholders' Equity	$ 719,070			$ 657,529
Net Interest Income and Margin (Tax-equivalent Basis)(2)		$ 7,647	4.53%	

(1) Loan interest income includes various loan fees and loan volumes include loans on non-accrual.
(2) Presented on tax equivalent basis ("T/E") using a federal income tax rate of 34% both years.

Summary of Earning Assets and Interest-Bearing Liabilities (cont'd.)

The following schedule presents average balance sheets that highlight earning assets and interest-bearing liabilities and their related rates earned and paid for the first six months of 2003 and 2002 (rates on tax equivalent basis):

	Six Months Ended June 30,			
	2003			
	Average Balances	Interest	Average Yield/Rate	Average Balances
	(Dollars in Thousands)			
Earning Assets:				
Federal Funds Sold & Due From Time	$ 6,517	$ 37	1.14%	$ 10,056
Investment Securities (Taxable)	163,042	3,310	4.09%	144,236
Investment Securities (Tax-exempt)	5,049	142	5.69%	1,929
Loans, Net of Unearned Discount(1)	487,985	15,377	6.35%	454,498
Total Earning Assets	662,593	18,866	5.74%	610,719
Non-interest Earning Assets:				
Cash and Due From Banks	26,810			24,950
Other Assets	21,667			18,902
Allowance for Loan Losses	(7,190)			(6,318)
Total Assets	$ 703,880			$ 648,253
Interest-Bearing Liabilities:				
Interest-Bearing Transaction Accounts and Money Market Funds	$ 184,956	1,033	1.13%	$ 176,683
Savings	115,407	807	1.41%	109,339
Certificates of Deposit under $100,000 and IRA's	63,013	827	2.65%	62,900
Certificates of Deposit $100,000 or more	56,724	770	2.74%	45,110
Other Time	316	4	2.22%	363
Other Borrowings	48,442	309	1.29%	36,089
Total Interest-Bearing Liabilities	468,858	3,750	1.61%	430,484

Non-interest Bearing Liabilities:				
Demand Deposits	165,151			152,415
Other Liabilities	2,871			3,315
Shareholders' Equity	67,000			62,039
	---------			---------
Total Liabilities and Shareholders' Equity	$ 703,880			$ 648,253
	=========			=========
Net Interest Income and Margin (Tax-equivalent Basis)(2)		$ 15,116	4.60%	
		=========		

(1) Loan interest income includes various loan fees and loan volumes include loans on non-accrual.

(2) Presented on tax equivalent basis ("T/E") using a federal income tax rate of 34% both years.

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Net Interest Income

Net interest income (tax equivalent) for the second quarter of 2003 was $7,647,000 which represented an increase of $159,000 or 2.1%, over the second quarter of 2002. In this same period, total interest income decreased $106,000 or 1.1% while total interest expense decreased $265,000 or 12.1% and reflects a 51 basis point decrease in the average national prime rate for loans in the second quarter of 2003 versus the second quarter of 2002. Although average loans and deposits for the second quarter of 2003 have grown 8.0% and 7.9%, respectively, over the same period in 2002, the current low interest rate environment and related interest rate compression have not allowed net interest income and net income to fully reflect this growth.

The following table summarizes the effects of changes in interest rates, average volumes of earning assets and interest bearing liabilities on net interest income (tax equivalent) for the periods ended June 30, 2003 and 2002:

ANALYSIS OF CHANGES IN NET INTEREST INCOME
(Dollars in Thousands)

	2nd Qtr. 2003 vs. 2nd Qtr. 2002 Increase (Decrease) Due to Changes in:			Six Months 2003 v Increase Due to C	
	Volume	Rate	Total	Volume	R
Interest Earning Assets:					
Federal Funds Sold	$ (21)	$ (18)	$ (39)	$ (32)	$
Investment Securities (Taxable)	267	(330)	(63)	458	
Investment Securities (Tax-exempt)	46	(3)	43	91	
Loans, Net of Unearned Discount	635	(682)	(47)	1,149	(1
	-------	-------	-------	-------	---
Total Interest Income	927	(1,033)	(106)	1,666	(2
	-------	-------	-------	-------	---
Interest-Bearing Liabilities:					

Deposits	176	(439)	(263)	294	
Other Borrowings	55	(57)	(2)	99	
Total Interest Expense	231	(496)	(265)	393	
Net Interest Income	$ 696	$ (537)	$ 159	$ 1,273	$(1

Allowance for Loan Losses and Non-Performing Assets

The Corporation's allowance for loan losses was $7,412,000, or 1.48% of total loans, as of June 30, 2003 compared to $6,394,000, or 1.37% of total loans, as of June 30, 2002.

Transactions in the provision for loan losses are summarized as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Balance, Beginning of Period	$ 7,365	$ 6,534	$ 6,706	$ 6,015
Provisions, Charged to Income	240	470	540	1,015
Loans Charged-Off	(272)	(650)	(352)	(692)
Recoveries of Loans Previously Charged-Off	79	40	518	56
Net Loans (Charged-Off) Recovered	(193)	(610)	166	(636)
Balance, End of Period	$ 7,412	$ 6,394	$ 7,412	$ 6,394

For the six months ended June 30, 2003 and 2002, net (recoveries) charge-offs were (.03)% and .14% of loans, respectively, not annualized.

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The following table summarizes the non-performing assets as of the end of the last five quarters (in thousands):

	June 30, 2003	March 31, 2003	December 31, 2002	September 30, 2002	J
Non-Accrual Loans	$1,458	2,226	$2,135	4,635	
Renegotiated Loans	-0-	-0-	-0-	-0-	
Other Real Estate Owned and Other Foreclosed Assets	125	125	1,268	288	
Total Non-Performing Assets	$1,583	2,351	$3,403	4,923	
As a Percent of:					
Total Assets	0.21%	0.34%	0.49%	0.72%	
Total Loans and Other Real Estate/ Foreclosed Assets	0.32%	0.48%	0.72%	1.04%	

Loans Past Due 90 days or More and Still Accruing	$ 14	$ 80	$ 16	$ 37

Non-accrual loans to total loans were .29% at June 30, 2003 and non-performing assets were .32% of loans and other real estate owned/foreclosed assets at the same date.

As of June 30, 2003, non-accrual loans were comprised of $865,000 in commercial loans, $418,000 in real estate mortgage loans and $175,000 in consumer loans. During the quarter ended June 30, 2003, payments of just less than $700,000 were collected on non-accrual loans but an additional $190,000 of loans were placed on non-accrual.

As of June 30, 2003, there was no other real estate owned. However, the Company has $125,000 in Other Foreclosed Assets, reported in Other Assets on the Balance Sheet, which represents several motor vehicles. These assets are in process of liquidation, however the process is expected to take several months. The cost of liquidation will be recorded as a current period expense.

The following table summarizes the relationship between non-performing loans, criticized loans and the allowance for loan losses (dollars in thousands):

	June 30, 2003	March 31, 2003	December 31, 2002	September 30, 2002	June 30, 2002
Non-Performing Loans	$ 1,458	$ 2,226	$ 2,135	$ 4,635	$ 3,870
Criticized Loans	26,917	23,061	23,067	22,284	25,398
Allowance for Loan Losses	7,412	7,365	6,706	6,334	6,394
Allowance for Loan Losses as a Percent of:					
Non-Performing Loans	508%	331%	314%	137%	165%
Criticized Loans	28%	32%	29%	28%	25%

Loans are graded on a system similar to that used by the banking industry regulators. The first level of criticized loans is "Other Assets Especially Mentioned" (OAEM). These loans are fundamentally sound but have potential weaknesses which may, if not corrected, weaken the asset or inadequately protect the bank's credit position at some future date. The second level is "Substandard," which are loans inadequately protected by current sound net worth, paying capacity or pledged collateral of the borrower. The last level of criticized loans, before they are charged off, is "Doubtful." Doubtful loans are considered to have inherent weaknesses because collection or liquidation in full is highly questionable. In addition to the above grading system, the Corporation maintains a separate "watch list" which further aids the Corporation in monitoring loan quality. Watch list loans show warning elements where the present status portrays one or more deficiencies that require attention in the short run or where pertinent ratios of the account have weakened to a point where more frequent monitoring is warranted.

Criticized loans, loans classified as OAEM, Substandard or Doubtful as noted above, have increased in the past year. A significant portion of this increase is due to enhanced classification procedures and the employment of a Chief Credit Officer in the third quarter of 2001 to assist in monitoring loan quality. The Corporation remains diligent in its efforts to identify any loan that might reflect weakness of the borrower as soon as possible. Management is not aware of any potential loan problems, that have not been disclosed, to which serious doubts exist as to the ability of the borrower to substantially comply with the present repayment terms.

Non-Interest Income

The major component of non-interest income is service charges on deposits. Other service fees are the majority of other non-interest income.

The following table reflects the changes in non-interest income during the periods presented (dollars in thousands):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2003	2002	% Change	2003	2002	% C
Service Charges on Deposit Accounts	$ 890	$ 723	23.1%	$1,649	$1,368	2
Gain on Sale of Securities	12	2	--	12	2	
Non-recurring Income	42	-0-	--	42	51	(1
Other Non-interest Income	654	607	7.7	1,243	1,161	
Total Non-interest Income	$1,598	$1,332	20.0%	$2,946	$2,582	1

The increase in other non-interest income in the second quarter of 2003 as compared to the same quarter last year is primarily due to increases in mortgage brokerage/origination fees, investment services fees and ATM/debit card service fees.

Non-interest Expense

Non-interest expenses include all expenses other than interest expense, provision for loan losses and income tax expense.

The following table summarizes the changes in non-interest expense during the periods presented (dollars in thousands):

	Three Months Ended June 30,			Six Months June 30	
	2003	2002	% Change	2003	2002
Salaries & Employee Benefits	3,090	$ 2,873	7.6%	$ 5,995	$ 5,740
Occupancy Expense - Net	395	318	24.2	688	570
Furniture and Equipment Expense	447	368	21.5	876	772
Other Real Estate and Foreclosed Asset Expense - Net	2	39	(94.9)	(13)	108
Other Expenses:					
Business Development	275	225	22.2	448	393
Insurance - Other	64	44	45.5	124	77
Legal & Professional Fees	162	168	(3.6)	330	341

Item Processing	187	65	187.7	357	139
Taxes - Other	16	22	(27.3)	27	36
Postage & Courier	93	85	9.4	179	172
Printing & Supplies	99	77	28.6	205	157
Regulatory Fees & Assessments	62	61	1.6	124	119
Other Operating Expenses	354	336	5.4	703	700
Total Other Expenses	1,312	1,083	21.1	2,497	2,134
Total Non-interest Expense	5,246	$ 4,681	12.1%	$ 10,043	$ 9,324

Total non-interest expense increased 12.1% in the second quarter of 2003 over 2002, reflecting increases in salaries and benefits, occupancy and equipment, item processing, business development and supplies expenses. As a percent of average assets, non-interest expenses were 2.93% in the second quarter of 2003 (annualized) and 2.86% in the same period of 2002. The "efficiency ratio" (non-interest expenses divided by total non-interest income plus net interest income) was 56.74% for the second quarter of 2003 compared to 53.07% for the second quarter of 2002. The efficiency ratio is higher compared to the Corporation's historical percentages due to relatively lower net interest income due to the rate compression caused by the lower interest rate environment.

The increase in salaries and benefits is due to salary merit raises, additions to staff and an increase in the cost of employee insurance. The additions to staff have included additions in the technology and operations areas along with the addition of several lending officers who were previously employed by a competing community bank that had been acquired by a large regional bank.

The increase in occupancy expense, equipment expense and supplies expense are primarily associated with the openings of two new branch facilities in the first six months of 2003 along with the move into a new facility to consolidate several back office functions including operations, credit and administration. In addition, equipment expenses and item processing expenses have also increased due to the core system conversion the Corporation experienced in the fourth quarter of 2002.

Item processing expenses in 2003 have increased over the prior year as a result of outsourcing the proof and statement rendering functions at the time of the core system conversion mentioned above.

Business development expenses have increased in 2003 compared to 2002 primarily associated with the cost of promoting the two new locations.

Interest Rate Sensitivity

Interest rate sensitivity is the relationship between changes in market interest rates and net interest income due to the repricing characteristics of assets and liabilities.

The following table, commonly referred to as a "static GAP report," indicates the interest rate sensitivity position at June 30, 2003 and may not be reflective of positions in subsequent periods (dollars in thousands):

	Matures or Reprices within:			Tota Rate Sensit One Y or L
	30 Days or Less	31-180 Days	181 to One Year	
Earning Assets:				
Loans	$ 248,540	$ 35,602	$ 43,071	$ 327
Investment Securities	13,349	22,152	35,622	71
Federal Funds Sold and Due From Time	14,975	-0-	-0-	14
Total Earning Assets	276,864	57,754	78,693	413
Interest Bearing Liabilities:				
Interest-Bearing Transaction Accounts and Savings	309,606	-0-	-0-	309
Certificate of Deposits under $100,000 and IRA's	5,557	19,618	16,898	42
Certificate of Deposits > $100,000	5,731	17,657	15,352	38
Short Term Borrowings	38,627	7,000	5,000	50
Total Interest Bearing Liabilities	359,521	44,275	37,250	441
Interest Sensitivity GAP	$ (82,657)	$ 13,479	$ 41,443	$ (27
Cumulative GAP	$ (82,657)	$ (69,178)	$ (27,735)	
Cumulative GAP to Total Earning Assets	(11.92%)	(9.98%)	(4.00%)	
Cumulative GAP to Total Assets	(11.19%)	(9.36%)	(3.75%)	

The preceding static GAP report reflects a cumulative liability sensitive position during the one year horizon. An inherent weakness of this report is that it ignores the relative volatility any one category may have in relation to other categories or market rates in general. For instance, the rate paid on NOW accounts typically moves slower than the three month T-Bill. Management attempts to capture this relative volatility by utilizing a simulation model with a "beta factor" adjustment which estimates the volatility of rate sensitive assets and/or liabilities in relation to other market rates.

Beta factors are an estimation of the long term, multiple interest rate environment relation between an individual account and market rates in general. For instance, NOW, savings and money market accounts, which are repriceable within 30 days will have considerably lower beta factors than variable rate loans and most investment categories. Taking this into consideration, it is quite possible for a bank with a negative cumulative GAP to total asset ratio to have a positive "beta adjusted" GAP risk position.

As a result of applying the beta factors established by management to the earning assets and interest bearing liabilities in the static GAP report via a simulation model, the negative cumulative GAP to total assets ratio at one year of (3.75%) was reversed to a positive 22.91% "beta adjusted" GAP position.

Management feels that the "beta adjusted" GAP risk technique more accurately reflects the Corporation's GAP position.

The Corporation manages its interest rate risk through structuring the balance sheet to maximize net interest income while maintaining an acceptable level of risk to changes in market interest rates. This process requires a balance between profitability, liquidity and interest rate risk.

To effectively measure and manage interest rate risk, the Corporation uses simulation analysis to determine the impact on net interest income and the market value of equity for changes in interest rates under various interest rate scenarios, balance sheet trends, and strategies. From these simulations, interest rate risk is quantified and appropriate strategies are developed and implemented. The overall interest rate risk position and strategies are reviewed by senior management, the Asset/Liability Management Committee and the Corporation's Board of Directors on an ongoing basis.

Based on simulation analysis of the interest rate sensitivity inherent in the Corporation's net interest income and market value of equity, as of June 30, 2003 and as adjusted by instantaneous rate changes upward and downward of up to 100 basis points, the Corporation is somewhat asset sensitive. The analysis indicates an instantaneous 100 basis point move upward in interest rates would increase net interest income by 6.1% and increase the market value of equity by 5.4%. These sensitivities are all within the threshold set by the Corporation's Asset/Liability Management Committee. Since there are limitations inherent in any methodology used to estimate the exposure to changes in market interest rates, this analysis is not intended to be a forecast to the actual effect of a change in market interest rates on the Corporation. The market value sensitivity analysis presented includes assumptions that the composition of the Corporation's interest sensitive assets and liabilities existing at period end will remain constant over the twelve month measurement period and that changes in market rates are parallel and instantaneous across the yield curve regardless of duration or repricing characteristics of specific assets or liabilities. Further, the analysis does not contemplate any actions that the Corporation might undertake in response to changes in market interest rates. Accordingly, this analysis is not intended and does not provide a precise forecast of the effect actual changes in market interest rates will have on the Corporation.

Capital

The Federal Reserve Board has guidelines for capital to total assets (leverage) and capital standards for bank holding companies. The Comptroller of the Currency also has similar guidelines for national banks. These guidelines require a minimum level of Tier I capital to total assets of 3 percent. A banking organization operating at or near these levels is expected to have well-diversified risk, excellent asset quality, high liquidity, good earnings and in general be considered a strong banking organization. Organizations not meeting these characteristics are expected to operate well above these minimum capital standards. Thus, for all but the most highly rated organizations, the minimum Tier I leverage ratio is to be 3 percent plus minimum additional cushions of at least 100 to 200 basis points. At the discretion of the regulatory authorities, additional capital may be required.

The Federal Reserve Board and Comptroller of the Currency also have risk-adjusted capital adequacy guidelines. Capital under these new guidelines is defined as Tier I and Tier II. At Summit Bancshares, Inc., the only components of Tier I and Tier II capital are shareholders' equity and a portion of the allowance for loan losses, respectively. The guidelines also stipulate that four categories of risk weights (0, 20, 50 and 100 percent), primarily based on the relative credit risk of the counterparty, be applied to the different types of balance sheet assets. Risk weights for all off-balance sheet exposures are determined by a two-step process whereby the face value of the off-balance sheet item is converted to a "credit equivalent amount" and that amount is assigned to the appropriate risk category.

The regulatory minimum ratio for total qualifying capital is 8.00% of which 4.00% must be Tier I capital. At June 30, 2003, the Corporation's Tier I capital represented 12.09% of risk weighted assets and total qualifying capital (Tier I and Tier II) represented 13.35% of risk weighted assets. Both ratios are well above current regulatory guidelines.

Also, as of June 30, 2003, the Corporation and the Bank met the criteria for classification as a "well-capitalized" institution under the rules of the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA").

The Corporation and the Bank's regulatory capital positions as of June 30, 2003, were as follows (dollars in thousands):

	Actual		For Capital Adequacy Purposes		To B Capital Prompt Action
	Amount	Ratio	Amount	Ratio	Amount
CONSOLIDATED:					
As of June 30, 2003					
Total Capital (to Risk Weighted Assets)	72,161	13.35%	$43,254	8.00%	
Tier I Capital (to Risk Weighted Assets)	65,394	12.09%	21,627	4.00%	
Tier I Capital (to Average Assets)	65,394	8.85%	22,167	3.00%	
SUMMIT BANK, N.A.:					
As of June 30, 2003					
Total Capital (to Risk Weighted Assets)	71,638	13.25%	$43,252	8.00%	54,06
Tier I Capital (to Risk Weighted Assets)	64,871	12.00%	21,626	4.00%	32,43
Tier I Capital (to Average Assets)	64,871	8.78%	22,167	3.00%	36,94

Critical Accounting Policies

The Securities and Exchange Commission ("SEC") has issued guidance for the disclosure of "critical accounting policies." The SEC defines "critical accounting policies" as those that are most important to the portrayal of a company's financial condition and results, and require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

The Corporation follows financial accounting and reporting policies that are in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The more significant of these policies are summarized in Note 1, Summary of Significant Accounting Policies, on page 9. Not all these significant accounting policies require management to make difficult, subjective or complex judgments. However, the policies noted below could be deemed to meet the SEC's definition of critical accounting policies.

Management considers the policies related to the allowance for possible loan losses as the most critical to the financial statement presentation. The total allowance for possible loan losses includes activity related to allowances calculated in accordance with Statement of Financial Accounting Standards ("SFAS") No. 114, "Accounting by Creditors for Impairment of a Loan." The allowance for possible loan losses is established through a provision for possible loan losses charged to current operations. The amount maintained in the allowance reflects management's continuing assessment of the potential losses inherent in the portfolio based on evaluations of industry concentrations, specific credit risks, loan loss experience, current loan portfolio quality, present economic, political and regulatory conditions and unidentified losses inherent in the current loan portfolio. Certain non-homogenous loans are accounted for under the provisions of SFAS No. 114. This standard requires an allowance to be established as a component of the allowance for loan losses for certain loans when it is probable that all amounts due pursuant to the contractual terms of the loan will not be collected. In these situations a reserve is recorded when the carrying amount of the loan exceeds the discounted cash flows using the loan's initial effective interest rate or the fair value of the collateral for certain collateral dependent loans. Income on impaired loans is recognized based on the collectibility of the principle amount. See "Loans and Allowance for Loan Losses" beginning of page 9 for further discussion of the risk factors considered by management.

Forward-Looking Statements

Certain statements contained in this document, which are not historical in nature, including statements regarding the Corporation's and/or management's intentions, strategies, beliefs, expectations, representations, plans, projections, or predictions of the future, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and are intended to be covered by the safe harbor provisions for forward-looking statements contained in such Act. We are including this statement for purposes of invoking these safe harbor provisions. Forward-looking statements are made based on assumptions involving certain known and unknown risks and uncertainties, many of which are beyond the Corporation's control, and other important factors that could cause actual results, performance or achievements to differ materially from the expectations expressed or implied by such forward-looking statements. These risk factors and uncertainties are listed from time to time in the Corporation's filings with the Securities and Exchange Commission, including but not limited to the annual report on Form 10-K for the year ended December 31, 2002.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There have been no material changes in market risks faced by the Corporation since December 31, 2002. For more information regarding quantitative and qualitative disclosures about market risk, please refer to the Corporation's Annual Report on Form 10-K as of and for the year ended December 31, 2002, and in particular, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations - Interest Rate Sensitivity and Liquidity."

Item 4. Controls and Procedures

Evaluation of disclosures controls and procedures - Within 90 days prior to the date of this report, the Corporation carried out an evaluation, under the supervision and with the participation of the Corporation's management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Corporation's disclosure controls and procedures. Based on this evaluation, the Corporation's Chief Executive Officer and Chief Financial Officer concluded that the Corporation's disclosure controls and procedures (as defined in Rules 13a - 14(c) and 15d - 14(c) under the Securities Exchange Act of 1934) are effective to ensure that information required to be disclosed by the Corporation in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, summarized and reported to the Corporation's management within the time periods specified in the Securities and Exchange Commission's rules and forms.

Changes in internal controls - Subsequent to the date of their evaluation, there were no significant changes in the Corporation's internal controls or in other factors that could significantly affect the Corporation's disclosure and control procedures, and there were no corrective actions with regard to significant deficiencies and material weaknesses based on such evaluation.

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PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Not applicable

Item 2. Change in Securities

Not applicable

Item 3. Defaults Upon Senior Securities

Not applicable

Item 4. Submission of Matters to a Vote of Security Holders

At the Corporation's annual shareholders' meeting, held on April 15, 2003, the shareholders of the Corporation:

- ratified the appointment by the Board of Directors of Stovall, Grandey & Whatley as independent auditors of the Corporation for its fiscal year ending December 31, 2003. The shareholder vote in this matter was 4,801,491 for, 8,000 against, and 14,940 abstaining.

- elected the Board of Directors, consisting of ten (10) persons. The following directors, constituting the entire Board of Directors, were elected:

	For	Against	Abstain
Elliott S. Garsek	4,235,562	-0-	588,869
Ronald J. Goldman	4,777,631	-0-	46,800
F.S. Gunn	4,275,812	-0-	548,619
Robert L. Herchert	4,780,631	-0-	43,800
Jay J. Lesok	4,782,131	-0-	42,300
William W. Meadows	3,973,274	-0-	851,157
James L. Murray	4,769,381	-0-	55,050

Philip E. Norwood	4,767,461	-0-	56,970
Byron B. Searcy	4,770,631	-0-	53,800
Roderick D. Stepp	4,824,431	-0-	-0-

Item 5. Other Information

Not applicable

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

11 Computation of Earnings Per Common Share

99.1 Certification of Chief Executive Officer of Summit Bancshares, Inc.

99.2 Certification of Chief Financial Officer of Summit Bancshares, Inc.

(b) On July 15, 2003, a report of Form 8-K was filed reporting the press release of July 14, 2003, as Summit Bancshares, Inc. announced the results of operations and financial condition for the second quarter of 2003.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SUMMIT BANCSHARES, INC.
Registrant

Date: 07-25-03 By: /s/ Philip E. Norwood

Philip E. Norwood, Chairman & President

Date: 07-25-03 By: /s/ Bob G. Scott

Bob G. Scott, Executive Vice President
and Chief Operating Officer
(Chief Accounting Officer)

EXHIBIT INDEX