SUMMIT BANCSHARES INC /TX/
Form 10-K
March 27, 2002

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF
THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001 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.)

1300 SUMMIT AVENUE, FORT WORTH, TEXAS 76102
(Address of principal executive offices)

(817) 336-6817
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

None	Not Applicable
(Title of Class)	(Name of each exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act:

COMMON STOCK, $1.25 PAR VALUE

(Title of Class)

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 __

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

The aggregate market value of the shares of voting stock held by non-affiliates of the registrant at March 11, 2002 was approximately $105,751,000.

The number of shares of common stock, $1.25 par value, outstanding at March 11,

2002 was 6,264,261 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Registrant's Proxy Statement dated March 13, 2002 filed pursuant to Regulation 14A of the Securities Exchange Act of 1934 for the 2002 Annual Meeting of Shareholders of Summit Bancshares, Inc., are incorporated by reference into Part III.

PART I

ITEM 1. BUSINESS.

THE CORPORATION. Summit Bancshares, Inc. (the "Corporation"), a corporation incorporated under the laws of the state of Texas in 1979, is a bank holding company registered under the Bank Holding Company Act of 1956, as amended (the "BHC Act"). The Corporation maintains its principal office at 1300 Summit Avenue, Suite 604, Fort Worth, Texas 76102. The Corporation's principal activity is the ownership and management of its direct and indirect wholly-owned subsidiaries, Summit Delaware Financial Corporation and Summit Bank, National Association (the "Bank"). Effective May 14, 2001, Summit Community Bank, N.A. merged with and into Summit National Bank and Summit National Bank changed its name to Summit Bank, National Association. Also Summit Bancservices, Inc. was liquidated effective May 14, 2001 and its assets were contributed by the Corporation to Summit Bank, N.A. All operations of Summit Bancservices will be continued in the Bank. All significant intercompany balances and transactions have been eliminated in consolidation.

At December 31, 2001 the Corporation had consolidated total assets of $635,956,000, consolidated total loans of 430,754,000, consolidated total deposits of $543,803,000 and consolidated total shareholders' equity of $60,536,000.

The Corporation provides advice and services to the Bank and coordinates its activities in the areas of financial accounting controls and reports, internal audit programs, regulatory compliance, financial planning and employee benefit programs. However, the Bank operates under the day-to-day management of its own officers and directors.

The Corporation's major source of income is dividends received from the Bank which are restricted as discussed on page 12. Dividend payments by the Bank are determined on the basis of its earnings, deposits and capital.

The Corporation's business is neither seasonal in nature nor in any manner related to or dependent upon patents, licenses, franchises or concessions and the Corporation has not spent material amounts on research activities.

THE BANK. The services offered by the Bank are generally those offered by commercial banks of comparable size in their respective areas. Certain of the principal services offered by the Bank are described below.

COMMERCIAL BANKING. The Bank provides general commercial banking services for corporate and other business clients principally located in Tarrant County, Texas. Loans are made for a wide variety of purposes, including interim construction and mortgage financing on real estate and financing of equipment and inventories.

CONSUMER BANKING. The Bank provides a full range of consumer banking

services, including interest and non-interest-bearing checking accounts, various savings programs, installment and real estate loans, money transfers, on-site ATM facilities and safe deposit facilities.

SECURITIES SERVICES. Summit Bancshares, Inc. through an agreement with LM Financial Partners, Inc. offers investment brokerage services. LM Financial Partners, Inc., a subsidiary of Legg Mason, Inc. is a registered broker-dealer and member of the National Association of Securities Dealers, Inc. (Investment executives are available at the Subsidiary and can provide information about tax-free municipals, government securities, stocks, mutual funds, or annuities.)

Certain information with respect to the Bank as of February 28, 2002 is set forth in the following table.

	As of February 28, 2002 (In Thousands)				
Name and Address of the Bank	Organization Date	Acquisition Date	Total Assets	Total Loans	Total Deposit
SUMMIT BANK, N.A. 1300 Summit Avenue Fort Worth, TX 76102	1975	1980	$641,606	$457,472	$538,19

COMPETITION. There is significant competition among bank holding companies in Tarrant County, Texas and the Corporation believes that such competition among such bank holding companies will continue in the future.

Additionally, the Subsidiary encounters intense competition in the commercial banking business, primarily from other banks represented in their respective market areas, many of which have far greater assets and financial resources. The Bank also encounters intense competition in the commercial banking businesses from savings and loan associations, credit unions, factors, insurance companies, commercial and captive finance companies and certain other types of financial institutions located in its own and in other major metropolitan areas in the United States, many of which are larger in terms of capital, resources and personnel.

EMPLOYEES. As of December 31, 2001 the Corporation and the Bank collectively had a total of 185 full-time employees and 18 part-time employees.

REGULATION AND SUPERVISION

The Corporation and the Bank are subject to federal and state law applicable to businesses generally and also to federal and state laws specifically applicable to financial institutions and financial institution holding companies. The laws and regulations governing financial institutions and their parent holding companies are intended primarily for the protection of depositors, the deposit insurance funds of the Federal Deposit Insurance Corporation, and the banking system as a whole and not for the protection of shareholders or creditors. Those laws give regulatory authorities broad enforcement powers over banks and bank holding companies including the power to require remedial actions and to impose substantial fines and other penalties for violation of laws, regulations, or orders of regulatory authorities.

The following description of statutory and regulatory provisions is not intended to be a complete description of those provisions and is qualified in its entirety by reference to the applicable statutes and regulations. Any change in applicable statutes or regulations or the policies of regulatory authorities may have a material effect on the business, operations, and prospects of the Corporation and the Bank. The Corporation is unable to predict the nature or extent of the affect on its business and earnings that fiscal or monetary policies, economic controls, or changes in federal or state statutes or regulations or regulatory policies may have in the future.

THE CORPORATION

GENERAL. The Corporation is a bank holding company within the meaning of the BHC Act and as such is subject to regulation, supervision, and examination by the Board of Governors of the Federal Reserve System (the "FRB"). Under federal law, bank holding companies are subject to restrictions on the types of activities in which they may engage and to a wide range of supervisory requirements and actions, including periodic examinations and reporting requirements and regulatory enforcement actions for any violations of laws, regulations, or policies. The FRB has authority to order a bank holding company to cease and desist from unsafe or unsound practices, to assess civil money penalties against holding companies and affiliated individuals who violate the BHC Act or FRB regulations or orders, and to order termination by a bank holding company of any activities or control of any nonbank subsidiary which the FRB believes constitutes a serious risk to the financial safety, soundness, or stability of a subsidiary bank and is inconsistent with sound banking principles or the purposes of various provisions of law.

The Corporation is a legal entity, separate and distinct from its subsidiaries. As a result, the Corporation's right to participate in the distribution of assets of any subsidiary upon liquidation or reorganization of the subsidiary will be subject to the prior claims of depositors and creditors of the subsidiary. In the event of a liquidation or reorganization of the Bank, the claims of depositors and creditors of the Bank will have priority over the rights of the Corporation and its shareholders and creditors.

SCOPE OF PERMISSIBLE ACTIVITIES. The BHC Act prohibits a bank holding company, with certain limited exceptions, from directly or indirectly engaging in, or from directly or indirectly acquiring ownership or control of more than 5% of any class of voting shares of any company engaged in, any activities other than banking or managing or controlling banks or certain other subsidiaries or other activities determined by the FRB to be so closely related to banking as to be a proper incident thereto. Some of the activities which have been determined by FRB regulation to be closely related to banking are making or servicing loans, performing certain data processing services, acting as an investment or financial advisor to certain investment trusts or investment companies, and providing certain securities brokerage services. In approving or disapproving a

bank holding company's acquisition of a company engaged in bank-related activities or participation itself in bank-related activities, the FRB considers a number of factors and weighs the expected benefits to the public (such as greater convenience and increased competition or gains in efficiency) against possible adverse effects (such as undue concentration of resources, decreased or unfair competition, conflicts of interest, or unsound banking practices). In considering these factors, the FRB may differentiate between a bank holding company's commencement of activities itself and its acquisition of a going concern already engaged in those activities.

The Gramm-Leach-Bliley Act (the "GLB Act"), which became law on November 12, 1999, amended the BHC Act to permit the creation of a "financial holding company," a new type of bank holding company with powers exceeding those of a traditional bank holding company. A financial holding company may engage in, and hold shares of any company engaged in, any activity which the FRB determines by regulation or order to be financial in nature, or incidental to such financial activity or complimentary to a financial activity, and not to pose a substantial risk to the safety or soundness of depository institutions or the financial system generally. Among the activities which will be considered to be financial in nature are lending, investing or safeguarding money or securities, underwriting insurance or annuities or acting as an insurance principal, agent, or broker, providing financial or investment advice, issuing or selling interests in pools of assets a bank could hold, underwriting, dealing in, or making a market in securities, engaging in any activity which, prior to enactment of the GLB Act, the FRB determined to be closely related to banking, and, subject to certain limitations, merchant banking activities. The amendments to the BHC Act made by the GLB Act, which became effective on March 11, 2000, allow qualifying bank holding companies to provide a wide variety of financial services previously reserved for insurance companies and securities

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firms. To become a financial holding company, a bank holding company must file with its Federal Reserve Bank a declaration that it elects to become a financial holding company along with a certification that all depository institutions controlled by the company are well-capitalized and well managed. Such a declaration will become effective 30 days after filing unless the FRB notifies the bank holding company prior to that time that its declaration is ineffective. Once the declaration becomes effective, the bank holding company can commence activities permitted to a financial holding company unless the FRB imposes supervisory limitations on the company. The FRB serves as the primary "umbrella" regulator of a financial holding company. The primary regulatory authority of a financial holding company subsidiary will depend upon the activities in which the subsidiary is engaged.

The Corporation has elected to become a financial holding company, and its election became effective on February 4, 2002. The Corporation cannot at this time fully evaluate the effect on the Corporation and the Bank of the changes made by the GLB Act, including possible new opportunities for expansion of the Corporation's activities by its becoming a financial holding company and changes in competition for the Corporation and the Bank.

SAFETY AND SOUNDNESS. Bank holding companies may not engage in unsafe or unsound banking practices. For example, with some exceptions for well-capitalized and well-managed companies, FRB regulations require a bank holding company to give the FRB prior notice of any redemption or repurchase of its own equity securities if the consideration to be paid, together with the consideration paid for any repurchases or redemptions in the preceding twelve-month period, is

equal to 10% or more of the company's consolidated net worth. The FRB may disapprove a redemption or repurchase if it finds the transaction would constitute an unsafe or unsound practice or would violate any law or regulation. A holding company may not impair the financial soundness of a subsidiary bank by causing it to make funds available to nonbanking subsidiaries or their customers when such a transaction would not be prudent. In some circumstances, the FRB may take the position that paying a dividend would constitute an unsafe or unsound banking practice. The policy of the FRB is generally that a bank holding company should pay cash dividends on common stock only out of income available over the past year and only if prospective earnings retention is consistent with the organization's future needs and financial condition. This policy provides that a bank holding company should not maintain a level of cash dividends that undermines the company's ability to serve as a source of strength to its banking subsidiaries.

The FRB may exercise various administrative remedies to enforce safety and soundness standards, including issuing orders requiring parent bank holding companies and their nonbanking subsidiaries to refrain from actions believed by the FRB to constitute a serious risk to the financial safety, soundness, or stability of a subsidiary bank.

SOURCE OF STRENGTH TO THE BANK. FRB regulations require a bank holding company to serve as a source of financial and managerial strength to its subsidiary banks and commit resources to their support. This concept has become known as the "source of strength" doctrine. The FRB takes the position that a bank holding company should stand ready to use available resources to provide adequate capital funds to its subsidiary banks during periods of financial adversity and should maintain the financial flexibility and capital-raising capacity necessary to obtain resources for assisting its subsidiary banks if required. A bank holding company which fails to meet its obligations to serve as a source of strength to its subsidiary banks may be considered by the FRB to be engaged in an unsafe and unsound banking practice and in violation of FRB regulations. Further, the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA") requires a bank holding company to guarantee, up to certain limits, an undercapitalized subsidiary bank's compliance with any capital restoration plan approved by the bank's primary federal regulatory authority. See IMPOSITION OF LIABILITY FOR UNDERCAPITALIZED SUBSIDIARIES below.

ENFORCEMENT. The Financial Institution Reform, Recovery and Enforcement Act of 1989 ("FIRREA") expanded the FRB's authority to prohibit activities of bank holding companies and their nonbanking subsidiaries which are unsafe or unsound banking practices or constitute violations of laws or regulations. Bank regulatory authorities may issue cease and desist orders which may, among other things, require affirmative action to correct conditions resulting from such a violation or practice, including restitution, reimbursement, and indemnification or guaranty against loss. Under FIRREA, a bank holding company or financial institution may also be ordered to restrict its growth, dispose of certain assets, or take other appropriate action as determined by the ordering agency.

FIRREA increased the amount of civil money penalties that the FRB and other regulatory agencies may assess for certain activities conducted on a knowing or reckless basis, if those activities cause a substantial loss to a depository institution. The penalties may reach as much as $1,000,000 per day. FIRREA also expanded the scope of individuals and entities against whom such penalties may be assessed.

FIRREA contains a "cross-guarantee" provision which makes commonly controlled insured depository institutions liable to the Federal Deposit Insurance Corporation (the "FDIC") for any losses incurred, or which the FDIC reasonably anticipates incurring, in connection with the failure of an affiliated insured depository institution or assistance provided such an institution in danger of failure. By law, the "cross-guarantee" liability to the FDIC of an insured

depository institution has priority over the rights of the institution's shareholders including those of any parent holding company.

ANTI-TYING RESTRICTIONS. Bank holding companies and their affiliates are prohibited from tying the provision of certain services, such as extensions of credit, to certain other services offered by a holding company or its affiliates.

REPORTING AND EXAMINATION. The Corporation is required to file quarterly and annual reports with the Federal Reserve Bank of Dallas (the "Federal Reserve Bank") and to provide such additional information as the Federal Reserve Bank may require pursuant to the BHC Act. The Federal Reserve Bank may examine the Corporation and any nonbank subsidiary and charge the Corporation for the cost of such an examination. The Corporation is also subject to reporting and disclosure requirements under state and federal securities laws.

CAPITAL ADEQUACY REQUIREMENTS. The FRB monitors the capital adequacy of bank holding companies using a combination of risk-based guidelines and leverage ratios. Under the risk-based capital guidelines, asset categories are assigned different risk weights

based generally on perceived credit risk. These risk weights are multiplied by corresponding asset balances to determine a "risk-weighted" asset base. Certain off-balance sheet items are added to the risk-weighted asset base by converting them to balance sheet components. For the purposes of the guidelines, a bank holding company's qualifying total capital is defined as the sum of its "Tier 1" and "Tier 2" capital elements, with the "Tier 2" element being limited to an amount not exceeding 100% of the "Tier 1" element. "Tier 1" capital includes, with certain limitations, common stockholders' equity, qualifying perpetual noncumulative and cumulative preferred stock, and minority interests in consolidated subsidiaries. "Tier 2" capital includes, with some limitations, certain other preferred stock as well as qualifying debt instruments and all or part of the allowance for possible loan losses.

The FRB guidelines require a minimum ratio of qualifying total capital to total risk-weighted assets of 8.0% (of which at least 4.0% must be in the form of "Tier 1" capital). At December 31, 2001, the Corporation's ratios of "Tier 1" and qualifying total capital to risk-weighted assets were 13.1% and 14.3%, respectively. At such date, both ratios exceeded regulatory minimums.

The FRB uses a leverage ratio as an additional tool to evaluate the capital adequacy of bank holding companies. The leverage ratio is defined as a company's "Tier 1" capital divided by its adjusted average total consolidated assets. The FRB guidelines require a minimum ratio of 3.0% "Tier 1" capital to total assets for bank holding companies having the highest regulatory rating. For other bank holding companies, the minimum ratio of "Tier 1" capital to total assets is 4.0%. Companies with supervisory, financial, or managerial weaknesses, as well as those anticipating or experiencing significant growth, are expected to maintain capital ratios well above the minimum levels. The Corporation's leverage ratio at December 31, 2001, was 9.4% which exceeded the regulatory minimum.

A bank holding company which fails to meet the applicable capital standards will be at a disadvantage in several respects. For example, FRB policy discourages the payment of dividends by a bank holding company if payment would adversely

affect capital adequacy and borrowing by a company with inadequate capital for the purpose of paying dividends. In some circumstances, a failure to meet the capital guidelines may also result in enforcement action by the FRB.

IMPOSITION OF LIABILITY FOR UNDERCAPITALIZED SUBSIDIARIES. FDICIA requires bank regulators to take "prompt corrective action" to resolve insured depository institutions problems. In the event an institution becomes "undercapitalized," it must submit a capital restoration plan to its federal regulatory agency. The regulatory agency will not accept the plan unless it meets certain criteria. One requirement for acceptance of a capital restoration plan is that each company "having control of" the undercapitalized institution must guarantee, up to certain limits, the subsidiary's compliance with the capital restoration plan. The Corporation has control of the Bank for purposes of this statute. See below THE BANK - CAPITAL ADEQUACY Requirements below.

Under FDICIA, the aggregate liability of all companies controlling a particular insured depository institution is generally limited to the lesser of 5% of the institution's assets at the time it became undercapitalized or the amount necessary to bring the institution into compliance with applicable capital standards. FDICIA grants greater powers to regulatory authorities in situations where an institution becomes "significantly" or "critically" undercapitalized or fails to submit a timely and acceptable capital restoration plan or to implement an accepted capital restoration plan. A bank holding company controlling an undercapitalized insured depository institution may be required to obtain prior FRB approval of proposed dividends or a consent to merger or to divest itself of the troubled institution or other affiliates.

In the event of a proceeding for a bank holding company under Chapter 11 of the U.S. Bankruptcy Code, the trustee (or the debtor-in-possession) will, by law, be deemed to have assumed, and required immediately to cure any deficit under, any commitment made by the company to a federal regulatory agency to maintain the capital of an insured depository institution, and any claim based upon such a commitment will have a priority of payment.

ACQUISITIONS BY BANK HOLDING COMPANIES. The BHC Act prohibits a bank holding company, with some limited exceptions, from acquiring direct or indirect control of more than 5% of the outstanding shares of any class of voting stock of, or substantially all of the assets of, any bank or bank holding company, or merging or consolidating with another bank holding company, without the prior approval of the FRB. In approving acquisitions of a bank or bank holding company by a bank holding company, the FRB is required to consider the financial and managerial resources and future prospects of the bank holding company and the banks concerned, the convenience and needs of the communities to be served, and various competitive factors. The FRB is required in every case to consider the effectiveness of the company in combating money laundering. The Attorney General of the United States may, within 30 days after approval of an acquisition by the FRB, bring an action challenging such acquisition under the federal antitrust laws, in which case the effectiveness of such approval is stayed pending a final ruling by the courts. In some circumstances, any such action must be brought in less than 30 days after FRB approval.

The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (the "Interstate Banking Act") permits adequately capitalized and managed bank holding companies to acquire banks located in other states, regardless of whether the acquisition would be prohibited by applicable state law. An out-of-state bank holding company seeking to acquire ownership or control of a state or national bank located in Texas, or of any bank holding company owning or controlling a state bank or a national bank located in Texas, must obtain the prior approval of both the FRB and the Banking Commissioner of Texas. If the FRB approves an acquisition which the Texas Banking Commissioner disapproves, the Commissioner may accept the FRB decision or attempt to have the decision overturned by a federal court. Under the Interstate Banking Act, a bank holding

company and its insured depository institution affiliates may not complete an acquisition which would cause it to control more than 10% of total deposits in insured depository institutions nationwide or to control 30% or more of total deposits in insured depository institutions in the home state of the bank sought to be acquired. However, state deposit concentration caps adopted by various states, such as Texas, which limit control of in-state insured deposits to a greater extent than the Interstate Banking Act will be given effect. Texas has adopted a deposit concentration cap of 20% of in-state insured deposits; therefore, the Texas state deposit concentration cap will lower the otherwise applicable 30% federal deposit concentration cap. State law may establish a minimum age (not to exceed five years) of local banks subject to interstate acquisition. The minimum age established by Texas is five years.

ACQUISITION OF BANK HOLDING COMPANIES. The Change in Bank Control Act of 1978 prohibits a person or group of persons from acquiring "control" of a bank holding company unless the FRB has been given prior notice and has not disapproved the acquisition. Acquisition of 25% or more of any class of voting shares of a bank holding company constitutes acquisition of "control." The FRB presumes that the acquisition of 10% or more of any class of voting stock of a bank holding company constitutes acquisition of control if either the company has securities registered under Section 12 of the Exchange Act, as does the Corporation, or if no other person will own or control a greater percentage of that class of voting securities immediately after the transaction. That presumption can be rebutted by showing the FRB that the acquisition will not in fact result in control. In addition, any entity would be required to obtain the approval of the FRB under the BHC Act before acquiring 25% or more (or more than 5% in the case of an acquiror that is a bank holding company) of the outstanding common stock of the Corporation or otherwise exercising control or a "controlling influence" over the Corporation.

THE BANK

GENERAL. The Bank is a national banking association organized under the National Bank Act, as amended, (the "National Bank Act") and is subject to regulatory supervision and examination by the Office of the Comptroller of the Currency (the "OCC"). Pursuant to such regulation, the Bank is subject to various restrictions and supervisory requirements, and potentially to enforcement actions. The OCC regularly examines national banks with respect to, among other matters, capital adequacy, reserves, loan portfolio, investments and management practices. The Bank must furnish quarterly and annual reports to the OCC, and the OCC may exercise cease and desist and other enforcement powers over the Bank if its actions represent unsafe or unsound practices or violations of law. Since the deposits of the Bank are insured by the Bank Insurance Fund ("BIF") of the Federal Deposit Insurance Company (the "FDIC"), the Bank is also subject to regulation and supervision by the FDIC and, under some circumstances, to special examination by the FDIC. Because the FRB regulates the Corporation, the FRB has supervisory authority which affects the Bank.

Banks are subject to the credit policies of governmental authorities that affect the national supply of bank credit. Such policies influence the overall growth of bank loans, investments, and deposits and may affect interest rates charged on loans and paid on deposits. The monetary policies of the FRB have had a significant effect on the results of operations of commercial banks in the past and may be expected to continue to do so in the future.

SCOPE OF PERMISSIBLE ACTIVITIES. The National Bank Act provides the rights,

privileges, and powers of national banks and defines the activities in which national banks may engage. Permitted activities for a national bank include making, arranging, purchasing, or selling loans, purchasing, holding, and conveying real estate under certain conditions, dealing in investment securities in certain circumstances, and, generally, engaging in the "business of banking" and activities that are "incidental" to banking. Activities deemed "incidental" to the business of banking include the borrowing and lending of money, receiving deposits (including deposits of public funds), holding or selling stock or other property acquired in connection with security on a loan, discounting and negotiating evidences of debt, acting as guarantor (if the bank has a "substantial interest in the performance of the transaction"), issuing letters of credit to or on behalf of its customers, operating a safe deposit business, providing check guarantee plans, issuing credit cards, operating a loan production office, selling loans under repurchase agreements, selling money orders at offices other than bank branches, providing consulting services to banks, and verifying and collecting checks.

In addition to expanding permitted activities for qualifying bank holding companies, the GLB Act also permits the creation of a "financial subsidiary" which can be used by a national bank to engage in many of the activities permitted for a financial holding company. The Corporation cannot at this time fully evaluate the effect on the Bank of this change made by the GLB Act.

BRANCHING. National banks located in Texas may establish a branch anywhere in Texas with prior OCC approval. For this purpose, a national bank is located in Texas if it has either its main office or a branch in Texas. In acting on a branch application, the OCC considers a number of factors, including financial history, capital adequacy, earnings prospects, character of management, needs of the community and consistency with corporate powers.

The Interstate Banking Act, which expanded the authority of bank holding companies to engage in interstate bank acquisitions regardless of state law prohibitions, also allows banks to merge across state lines and thereafter have interstate branches by continuing to operate, as a main office or a branch, any office of any bank involved in the merger. States were, however, permitted to "opt-out" of interstate mergers by enacting laws meeting certain requirements. The Texas Legislature "opted out" of the interstate branching provisions during its 1995 Session. However, the Texas "opt-out" legislation, which by its terms was to have expired in September of 1999, proved to be ineffective to prohibit interstate mergers involving banks in Texas because it did not meet the requirement of the Interstate Banking Act. The Texas Banking Commissioner determined that, under federal law, the "opt-out" legislation was ineffective to prohibit interstate mergers and began accepting applications for interstate merger and branching transactions for state-chartered institutions before the September, 1999, expiration date of the Texas "opt-out" legislation as enacted. As a consequence, the Texas "opt-out" legislation did not have the effect of prohibiting interstate merger and branching transactions otherwise allowed under federal law.

The Interstate Banking Act also allows a bank to open new branches in a state in which it does not already have banking operations if the laws of that state permit a de novo branch of an out-of-state bank. A "de novo branch" is a branch office of a bank originally established as a branch and not one becoming a branch by acquisition or merger. In 1995, Texas elected not to permit de novo branching, but the Texas legislation prohibiting de novo branching proved ineffective. In 1999, the Texas law was amended to permit entry into Texas by an out-of-state bank's establishing a de novo branch in Texas if the laws of the home state of the out-of-state bank permit a Texas bank to establish a de novo branch there. Out-of-state banks are also permitted to enter Texas by merger with an in-state bank if the resulting bank in such a merger would not control 20% or more of total in-state deposits and the in-state bank has been

in existence and operation for at least five years. An out-of-state bank that has established or acquired a branch in Texas may establish or acquire additional in-state branches to the same extent that a Texas bank may acquire or establish branches in Texas.

RESTRICTIONS ON TRANSACTIONS WITH AFFILIATES. The Bank is subject to federal statutes which limit transactions with the Corporation and other affiliates. One set of restrictions is found in Section 23A of the Federal Reserve Act, which limits loans to, purchases of assets from, and investments in "affiliates" of the Bank. The term "affiliates" would include the Corporation and any of its subsidiaries. Section 23A imposes limits on the amount of such transactions and also requires certain levels of collateral for such loans. In addition, Section 23A limits the amount of loans or extensions of credit to third parties which are collateralized by the securities or obligations of the Corporation or its subsidiaries.

Another set of restrictions is found in Section 23B of the Federal Reserve Act. Among the other things, Section 23B requires that certain transactions between the Bank and its affiliates must be on terms substantially the same, or at least as favorable to the Bank, as those prevailing at the time for comparable transactions with or involving other nonaffiliated companies. In the absence of such comparable transactions, any transaction between the Bank and an affiliate must be on terms and under circumstances, including credit underwriting standards and procedures that, in good faith, would be offered to or would apply to nonaffiliated companies. The Bank is also subject to certain prohibitions against advertising that suggest that the Bank is responsible for the obligations of its affiliates.

The regulations and restrictions on transactions with affiliates may limit the Corporation's ability to obtain funds from the Bank for the Corporation's cash needs, including funds for payment of dividends and operating expenses.

Under the Federal Reserve Act and FRB Regulation O, there are restrictions on loans to directors, executive officers, principal shareholders and their related interests (collectively referred to herein as "insiders") which apply to all banks with deposits insured by the FDIC and their subsidiaries and holding companies. These restrictions include limits on loans to one borrower and conditions that must be met before such loans can be made. There is also an aggregate limitation on all loans to insiders and their related interests. In the aggregate, these loans may not exceed the bank's total unimpaired capital and surplus. In some circumstances the OCC may determine that a lesser amount is appropriate. Insiders are subject to enforcement actions for knowingly accepting loans in violation of applicable restrictions.

Federal law and regulations also prohibit or limit "golden parachute payments" by FDIC- insured depository institutions and their holding companies. Golden parachute payments are defined generally as payments made by an insured depository institution or its holding company to a director, officer, employee, or other affiliated person contingent upon termination of the person's employment by the depository institution or its holding company when the institution or holding company is in troubled condition as determined by regulatory authorities. Indemnification payments are also prohibited or limited in certain instances.

INTEREST RATE LIMITS AND LENDING REGULATIONS. The Bank is subject to various

state and federal statutes relating to the extension of credit and the making of loans. The maximum legal rate of interest that the Bank may charge on a loan depends on a variety of factors such as the type of borrower, purpose of the loan, amount of the loan and date the loan is made. Texas statutes establish maximum legal rates of interest for various lending situations. Penalties are provided by law for charging interest in excess of the maximum lawful rate.

Loans made by banks located in Texas are subject to numerous other federal and state laws and regulations, including Truth-in-Lending Act, the Texas Finance Code, the Equal Credit Opportunity Act, the Real Estate Settlement Procedures Act, and the Home Mortgage Disclosure Act. These laws provide remedies for the borrower and penalties for the lender for failure of the lender to comply with such laws. The scope and requirements of these laws and regulations have expanded in recent years, and claims by borrowers under these laws and regulations may increase.

RESTRICTIONS ON BANK DIVIDENDS. Substantially all of the Corporation's cash revenues are derived from dividends paid by the Bank. Dividends payable by the Bank are restricted under the National Bank Act. See ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS - DIVIDENDS. The Bank's ability to pay dividends is further restricted by the requirement that the Bank maintain adequate levels of capital in accordance with guidelines promulgated from time to time by the OCC. Moreover, the prompt corrective action provisions of FDICIA and implementing regulations prohibit a bank from paying dividends or management fees if, following the payment, the bank would be in any of the three capital categories for undercapitalized institutions. See CAPITAL ADEQUACY REQUIREMENTS below.

EXAMINATIONS. The OCC periodically examines and evaluates national banks. Based upon such evaluations, the OCC may require revaluation of certain assets of a bank and require the bank to establish specific reserves to allow for the difference between the regulatory-determined value and the book value of such assets. The OCC is authorized to assess the institution an annual fee based on, among other things, the costs of conducting the examinations.

CAPITAL ADEQUACY REQUIREMENTS. OCC regulations require national banks to maintain minimum risk-based capital ratios similar to those for bank holding companies discussed above. The applicable regulations establish five capital levels, ranging from "well capitalized" to "critically undercapitalized." A national bank is considered "well capitalized" if it has a total risk-based capital ratio of 10.0% or greater, a Tier 1 risk-based capital ratio of 6.0% or greater, and a leverage ratio of 5.0% or greater, and if it is not subject to an order, written agreement, capital directive, or prompt corrective action directive to meet and maintain a specific capital level for any capital measure. A national bank is considered "adequately capitalized" if it has a total risk-based capital ratio of 8.0% or greater, a Tier 1 risk-based capital ratio of at least 4.0% and leverage capital ratio of 4.0% or greater (or a leverage ratio of 3.0% or greater if the institution was given the highest rating in its most recent report of examination) and the bank does not meet the definition of a "well capitalized" bank. A national bank is considered "undercapitalized" if it has a total risk-based capital ratio that is less than 8.0%, a Tier 1 risk-based capital ratio that is less than 4.0%, or a leverage ratio that is less than 4.0% (or a leverage ratio that is less than 3.0% if the

institution received the highest rating in its most recent report of examination). A "significantly undercapitalized" national bank is one which has

a total risk-based capital ratio that is less than 6.0%, a Tier 1 risk-based capital ratio that is less than 3.0%, or a leverage ratio that is less than 3.0%. A "critically undercapitalized" national bank is one which has a ratio of tangible equity to total assets that is equal to or less than 2.0%.

At December 31, 2001, the Bank was "well capitalized." See ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - CAPITAL RESOURCES.

CORRECTIVE MEASURES FOR CAPITAL DEFICIENCIES. FDICIA requires the federal banking regulators to take "prompt corrective action" with respect to capital-deficient insured depository institutions with the overall goal of limiting losses to the depository insurance fund. FDICIA contains broad restrictions on certain activities of undercapitalized institutions involving asset growth, acquisitions, branch establishment and expansion into new lines of business.

With certain exceptions, national banks will be prohibited from making capital distributions, including dividends, or paying management fees to a holding company if the payment of such distributions or fees will cause them to become undercapitalized. Furthermore, undercapitalized national banks will be required to file capital restoration plans with the OCC. Such a plan will not be accepted unless, among other things, the banking institution's holding company guarantees the plan up to a certain specified amount. Any such guarantee from a depository institution's holding company is entitled to a priority of payment in bankruptcy. Undercapitalized national banks also will be subject to restrictions on growth, acquisitions, branching, and engaging in new lines of business unless they have an approved capital plan that permits otherwise. A bank which is not well capitalized may not accept brokered deposits without prior regulatory approval and will be subject to limitations on interest rates which it offers on deposits. The OCC also may, among other things, require an undercapitalized national bank to issue shares or obligations, which could be voting stock, to recapitalize the institution or, under certain circumstances, to divest itself of any subsidiary.

The OCC and other Federal banking agencies are authorized by FDICIA to take various enforcement actions against any significantly undercapitalized national bank and any national bank that fails to submit an acceptable capital restoration plan or fails to implement a plan accepted by the OCC. These powers include, among other things, requiring the institution to be recapitalized, prohibiting asset growth or requiring asset reduction, restricting interest rates paid, requiring FRB prior approval of any capital distributions by any bank holding company which controls the institution, requiring divestiture by the institution of its subsidiaries or by the holding company of the institution itself, requiring new election of directors, and requiring the dismissal of directors and officers.

Significantly and critically undercapitalized national banks may be subject to more extensive control and supervision. A critically undercapitalized institution may be prohibited from, among other things, entering into any material transaction not in the ordinary course of business, amending its charter or bylaws, or engaging in certain transactions with affiliates. In addition, critically undercapitalized institutions generally will be prohibited from making payments of principal or interest on outstanding subordinated debt. Within 90 days of a national bank's becoming critically undercapitalized, the OCC must appoint a receiver or conservator unless certain findings are made with respect to the prospect for the institution's continued viability.

DEPOSIT INSURANCE ASSESSMENTS. The FDIC is required by the Federal Deposit Insurance Act to assess all banks a fee in order to fund adequately the Bank Insurance Fund (the "BIF") so as to resolve any insured bank that is declared insolvent by its primary regulator. FDICIA required the FDIC to establish a

risk-based deposit insurance premium schedule. The risk-based assessment system is used to calculate deposit insurance assessments made on BIF member banks to maintain the designated reserves for the fund. In addition, the FDIC can impose special assessments to repay borrowings from the U.S. Treasury, the Federal Financing Bank, and BIF member banks. Under the risk-based system, banks are assessed insurance premiums according to how much risk they are deemed to present to the BIF. Such premiums currently range from zero percent of insured deposits to 0.27% of insured deposits. Banks with higher levels of capital and involving a low degree of supervisory concern are assessed lower premiums than those banks with lower levels of capital and a higher degree of supervisory concern. The Bank is currently being assessed at the lowest rate of zero percent.

Under the Deposit Insurance Funds Act of 1996 (the "Funds Act"), beginning in 1997 banks insured under the BIF were required to pay a part of the interest on bonds issued by the Financing Corporation ("FICO") in the late 1980s to recapitalize the defunct Federal Savings and Loan Insurance Corporation. Before the Funds Act, FICO payments were made only by depository institutions which were members of the Savings Association Insurance Fund (the "SAIF"). Under the Funds Act, until January 1, 2000, BIF members were assessed for FICO payments at only one-fifth the rate of assessment on SAIF members. The Funds Act required that, as of January 1, 2000, all BIF- and SAIF- insured institutions pay FICO assessments at the same rate. For the first quarter of 2002, FICO rates have been set at .0182% for both BIF and SAIF members. The FICO assessment rates for both BIF and SAIF members for 2001 were:

Fourth Quarter	.0184%
Third Quarter	.0188%
Second Quarter	.0190%
First Quarter	.0196%

INTERNAL OPERATING REQUIREMENTS. FDICIA requires FDIC-insured depository institutions with over $500 million in assets to file an annual report with the FDIC and its primary federal regulator and any appropriate state banking agency within 90 days after the end of its fiscal year. The report must contain financial statements audited by an independent public accountant; a statement of management's responsibilities for (1) preparing the financial statements and for maintaining internal controls; (2) financial reporting and complying with designated safety and soundness laws and regulations; and (3) assessing the effectiveness of the institution's internal controls and compliance with safety and soundness laws and regulations. The independent public accountant also must report separately on the institution's internal controls and certain of the statements made by management in the report. The requirement of an

annual audit of the Bank can be satisfied by an annual audit of the Corporation. The annual report must be available for public inspection. Each institution to which the annual report requirement applies must also have an independent audit committee entirely made up of outside directors. The audit committee's duties must include reviewing with management and the independent public accounts the basis for the annual report. The requirement of an audit committee for the Bank can be satisfied by the services of an audit committee of the Corporation.

COMMUNITY REINVESTMENT ACT. The Community Reinvestment Act of 1977 ("CRA") and the regulations issued by the OCC to implement that law are intended to encourage banks to help meet the credit needs of their service area, including low and moderate income neighborhoods, consistent with the safe and sound

operations of the banks. These regulations also provide for regulatory assessment of a bank's record in meeting the needs of its service area when considering applications to establish branches, merger applications and applications to acquire the assets and assume the liabilities of another bank. FIRREA requires federal banking agencies to make public a rating of a bank's performance under the CRA. In the case of a bank holding company, the CRA performance record of its subsidiary bank is reviewed in connection with the filing of an application to acquire ownership or control of shares or assets of a bank or to merge with any other bank holding company. An unsatisfactory record can substantially delay or block the transaction. A less than satisfactory CFA rating can limit the extent to which a bank and its affiliates can take advantage of the expanded range of activities permitted by the GLB Act.

CUSTOMER PRIVACY. The GLB Act enacted new measures to protect the security, confidentiality, and integrity of information concerning customers of financial institutions. The federal banking agencies were directed by the GLB Act to adopt rules of carry out those measures, and were given broad authority to enforce the privacy provisions of the Act and rules adopted to carry out those provisions. The agencies have adopted guidelines for safeguarding customer information which became effective July 1, 2001. The agencies' guidelines require each financial institution to establish an information security program which will identify and assess risks that may threaten the confidentiality of customer information. The institution must develop a written plan containing policies and procedures to manage and control those risks and implement and test the plan. The plan must be adjusted on a continuing basis for changes in technology, the sensitivity of customer information, and internal and external threats to information security. A financial institution's policy for protecting the confidentiality and security of nonpublic personal information must be disclosed to the customer at the time the customer relationship is established and at least annually thereafter.

EXPANDING ENFORCEMENT AUTHORITY

One of the major effects of FDICIA was the increased ability of banking regulators to monitor the activities of banks and their holding companies. The Federal banking agencies have extensive authority to police unsafe or unsound practices and violations of applicable laws and regulations by depository institutions and their holding companies. For example, the FDIC may terminate the deposit insurance of any institution which it determines has engaged in an unsafe or unsound practice. The agencies can also assess civil money penalties, issue cease and desist or removal orders, seek judicial enforcement of their orders, and publicly disclose such actions.

CHANGING REGULATORY STRUCTURE

Legislative and regulatory proposals regarding changes in banking, regulations of banks, thrifts and other financial institutions, are being considered by the executive branch of the federal government, Congress, and various state governments, including Texas. Certain of these proposals, if adopted, could significantly change the regulation of banks and the financial service industry. The Corporation cannot predict accurately whether any of these proposals will be adopted or, if adopted, how these proposals will affect the Corporation or the Bank. Also, there likely will be regulatory changes to deal with the expanded permissible activities permitted for financial holding companies and financial subsidiaries of national banks. The Corporation cannot predict at this time the effect of regulatory changes resulting from the enactment of the GLB Act. The USA Patriot Act of 2001, which was signed into law on October 26, 2001, imposed upon financial institutions new requirements for obtaining information, reporting, and record keeping designed to prevent money laundering.

EFFECT ON ECONOMIC ENVIRONMENT

The policies of regulatory authorities, including the monetary policy of the

FRB, have a significant effect on the operating results of bank holding companies and their subsidiaries. Among the means available to the FRB to affect the money supply are open market operations in U.S. Government securities, control of borrowings at the "discount window," changes in the discount rate on member bank borrowing, changes in reserve requirements against member bank deposits and against certain borrowings by banks and their affiliates and the placing of limits on interest rates that member banks may pay on time and savings deposits. These means are used in varying combinations to influence overall growth and distribution of bank loans, investments, and deposits, and their use may affect interest rates charged on loans or paid for deposits. FRB monetary policies have materially affected the operating results of commercial banks in the past and are expected to continue to do so in the future. The Corporation cannot predict the nature of future monetary policies and the effect of such policies on the business and earnings of the Corporation and the Bank.

ITEM 2. PROPERTIES.

The principal offices of the Corporation are located at 1300 Summit Avenue, Fort Worth, Texas 76102. The Corporation and Summit Bank, N.A., the subsidiary, lease space at this address from an unrelated third-party through leases that expire December 31, 2004 and December 31, 2009, respectively. Summit Bank, N.A. owns a detached motor bank facility.

Summit Bank, N.A. owns the building at 3859 Camp Bowie Boulevard, Fort Worth, Texas. There are no encumbrances on this property.

The Alta Mesa office of Summit Bank, N.A. is located at 3000 Alta Mesa Boulevard, Fort Worth, Texas. The building is owned by the Corporation with the bank office using approximately 25% of the facility. The remainder of the building is fully leased. There are no encumbrances on the property.

The Northeast office and motor bank facility of Summit Bank, N.A., at 9001 Airport Freeway, North Richland Hills, Texas, is leased from a third-party under a lease agreement expiring in April 2008. Summit Bank, N.A. owns a tract of land adjacent to the Northeast office to be used for building of a new motor bank facility that would be owned by the bank.

The Fossil Creek office of Summit Bank, N.A., at 3851 NE Loop 820, Fort Worth, Texas is located in a building that is a joint venture between Summit Bank, N.A. and an unrelated third party. The Fossil Creek office occupies approximately 28% of the building under a long-term lease with the joint venture.

Summit Bank, N.A. owns approximately 1.5 acres near the intersection of Davis Boulevard and Shady Grove in Northeast Tarrant County. This unimproved property is to be used to establish a new branch office in late 2002.

Summit Bank, N.A. owns an improved tract of land that serves as the site of its operations center. This site is located at 500 Eighth Avenue, Fort Worth, Texas.

ITEM 3. LEGAL PROCEEDINGS.

In the opinion of management, there are no material pending legal proceedings, other than ordinary routine litigation incidental to the Corporation's business, to which it or its subsidiary is a party or of which any of their property is

the subject.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

No matters were submitted to a vote of security holders through the solicitation of proxies or otherwise, during the fourth quarter of 2001.

ITEM 4A. EXECUTIVE OFFICERS OF THE CORPORATION.

The executive officers of the Corporation, each elected to serve at the pleasure of the Board of Directors until the next annual meeting of the Board of Directors to be held on April 16, 2002, their respective ages, and their present positions with the Corporation are as follows:

Name	Age	Position With the Corporation
Philip E. Norwood	52	Chairman/President/CEO
Bob G. Scott	64	Executive Vice President and Chief Operating Officer

The business experience of each of these executive officers during the past five (5) years is set forth below:

Mr. Norwood currently serves as Chairman of the Board, President and CEO of Summit Bancshares, Inc. and Chairman of the Board, President and CEO of Summit Bank, N.A. He began serving as Chairman of the Board of the Corporation in 1998 and has served as President and CEO since 1993. He has also served as a Director of the Corporation since 1984. During the month of May 2001, Summit Bank, N.A. evolved as a result of the successful merger of the two previous subsidiaries, Summit Community Bank, N.A. and Summit National Bank. It was at that time that Mr. Norwood began serving as the Chairman of the Board, President and CEO of Summit Bank, N.A. Beginning January 1998 through the merger, he served as Chairman of the Board of Summit Community Bank, N.A.. He also served Summit Community Bank, N.A. as President from 1994 and as a Director from January 1990. Additionally, Mr. Norwood served as a Director of Summit National Bank from March 1983 to January 1996 and President from January 2001 until the merger.

Mr. Scott became Executive Vice President, Chief Operating Officer, Secretary and Treasurer in January 1998 and continues to serve in these capacities. He served as Senior Vice President and Chief Financial Officer from June 1994 to January 1998. From February 1992 to June 1994 Mr. Scott was a Senior Vice President with Alexander and Alexander of Texas, Inc. Prior to February 1992, Mr. Scott was a financial officer with Team Bancshares, Inc., Fort Worth, Texas and with Texas American Bancshares, Inc., Fort Worth, Texas.

No family relationships exist among the executive officers and directors of the Corporation.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

MARKET INFORMATION. Since May 3, 1993 the Corporation's Common Stock has been traded on the Nasdaq Stock Market under the symbol "SBIT." The following table sets forth the high and low stock prices as quoted for the Corporation's Common Stock for the periods indicated:

	High	Low
2001 Fiscal Year:		
First Quarter	$ 22.50	$ 17.09
Second Quarter	19.85	17.13
Third Quarter	21.10	18.70
Fourth Quarter	19.00	17.25
2000 Fiscal Year:		
First Quarter	$ 18.50	$ 14.50
Second Quarter	17.75	15.38
Third Quarter	18.06	14.75
Fourth Quarter	22.19	17.00

On March 11, 2002 the closing price reported for the Common Stock was $20.00. The foregoing quotations reflect prices quoted by market makers of the Corporation's Common Stock, without retail markup, markdown or commissions, and may not necessarily represent actual transactions.

SHAREHOLDERS. At the close of business on March 11, 2002 there were 563 shareholders of record of Common Stock of the Corporation. The number of beneficial shareholders is unknown to the Corporation at this time.

DIVIDENDS. The Corporation has paid regular cash dividends on its common stock on a quarterly basis since the beginning of 1993. The following table sets forth, for each quarter since the beginning of 2000, the quarterly dividends paid by the Corporation on its Common Stock for the indicated periods.

2001	Dividends Per Share
First Quarter	$ 0.11
Second Quarter	$ 0.11

Third Quarter	$ 0.11
Fourth Quarter	$ 0.11
2000	
First Quarter	$ 0.10
Second Quarter	$ 0.10
Third Quarter	$ 0.10
Fourth Quarter	$ 0.10

Although the Board of Directors intends to continue to pay quarterly cash dividends in the future, there can be no assurance that cash dividends will continue to the paid in the future or, if paid, that such cash dividends will be comparable to cash dividends previously paid by the Corporation, since future dividend policy is subject to the discretion of the Board of Directors of the Corporation and will depend upon a number of factors, including future earnings of the Corporation, the financial condition of the Corporation, the Corporation's cash needs, general business conditions and the amount of dividends paid to the Corporation by the Bank.

The principal source of the Corporation's cash revenues is dividends received from the Bank. Pursuant to the National Bank Act, no national bank may pay dividends from its paid-in capital. All dividends must be paid out of current or retained net profits, after deducting reserves for losses and bad debts. The National Bank Act further restricts the payment of dividends out of net profits by prohibiting a national bank from declaring a dividend on its shares of common stock until the surplus fund equals the amount of capital stock or, if the surplus fund does not equal the amount of capital stock, until one-tenth of a bank's net profits for the preceding half year in the case of quarterly or semi-annual dividends, or the preceding two half-year periods in the case of annual dividends, are transferred to the surplus fund. The approval of the OCC is required prior to the payment of a dividend if the total of all dividends declared by a national bank in any calendar year would exceed the total of its net profits for that year combined with its net profits for the two preceding years. Under FDICIA, the Bank may not pay a dividend if, after paying the dividend, the Bank would be undercapitalized.

In addition, the appropriate regulatory authorities are authorized to prohibit banks and bank holding companies from paying dividends which would constitute an unsafe and unsound banking practice. The Bank and the Corporation are not currently subject to any regulatory restrictions on their dividends.

ITEM 6. SELECTED FINANCIAL DATA.

The following table sets forth summary historical data for the past five years (in thousands except ratios and per share data). All share and per share information has been restated to reflect a two-for-one stock split in 1997. This data should be read in conjunction with the Consolidated Financial Statements of the Corporation and the Notes thereto, appearing elsewhere in this report, and the information contained in the Management's Discussion and Analysis of Financial Condition and Results of Operation also contained in this report.

	Years Ended De		
	2001	2000	199
Summary of Earnings:			
Interest Income	$ 44,497	$ 47,609	$ 40,
Interest Expense	15,527	18,870	13,
Net Interest Income	28,970	28,739	26,
Provision for Loan Losses	1,755	2,606	1,
Securities Gains (Losses)	-0-	(2)	
Non-interest Income	4,516	3,780	3,
Non-interest Expense	18,265	16,170	15,
Earnings Before Income Taxes	13,466	13,741	14,
Income Tax Expense	4,664	4,765	4,
Net Income	$ 8,802	$ 8,976	$ 9,
Balance Sheet Data (at period-end):			
Total Assets	$ 635,956	$ 619,121	$ 564,
Investment Securities	160,136	149,647	156,
Loans, Net of Unearned Discount	430,754	380,016	355,
Allowance for Loan Losses	6,015	5,399	5,
Demand Deposits	150,040	146,083	128,
Total Deposits	543,803	539,666	480,
Short Term Borrowings	28,366	19,910	32,
Shareholders' Equity	60,536	55,571	48,
Per Share Data:			
Net Income - Basic	$ 1.39	$ 1.41	$ 1
Net Income - Diluted	1.36	1.38	1
Book Value - Period-End	9.67	8.73	7
Dividends Declared and Paid	0.44	0.40	0
Weighted Average Shares Outstanding (000)	6,318	6,364	6,
Average Common Share Equivalents (000)	153	160	
Selected Performance Ratios:			
Return on Average Assets	1.41%	1.54%	1
Return on Average Shareholders' Equity	15.01	17.57	19
Net Interest Margin (tax equivalent)	4.93	5.25	5
Efficiency Ratio	54.55	49.71	50
Asset Quality Ratios:			
Non-Performing Loans to Total Loans - Period-End	0.96%	0.58%	0
Non-Performing Assets to Total Assets - Period-End	0.72	0.61	0
Allowance for Loan Losses to Total Loans - Period-End	1.40	1.42	1
Allowance for Loan Losses to Non-Performing Loans - Period-End	146.0	247.0	21
Net Charge-Offs (Recoveries) to Average Loans	0.28	0.64	0
Capital Ratios:			
Shareholders' Equity to Total Assets - Period-End	9.52%	8.98%	8
Average Shareholders' Equity to Average Assets	9.40	8.74	8
Total Risk-based Capital to Risk Weighted Assets - Period-End*	14.34	14.97	14
Leverage Ratio - Period-End*	9.20	8.88	8

*Calculated in accordance with Federal Reserve guidelines currently in effect.

QUARTERLY RESULTS (UNAUDITED)

A summary of the unaudited results of operations for each quarter of 2001 and 2000 follows (in thousands except for per share data):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2001				
Interest Income	$ 12,086	$ 11,554	$ 10,897	$ 9,960
Interest Expense	4,900	4,272	3,731	2,624
Net Interest Income	7,186	7,282	7,166	7,336
Provision for Loan Losses	180	310	370	895
Non-interest Income	1,038	1,111	1,145	1,222
Non-interest Expense	4,823	4,452	4,373	4,617
Income Tax Expense	1,110	1,255	1,236	1,063
Net Income	2,111	2,376	2,332	1,983
Per Share Data:				
Net Income:				
Basic	$ 0.33	$ 0.38	$ 0.37	$ 0.31
Diluted	0.32	0.37	0.36	0.31
Dividends Paid	0.11	0.11	0.11	0.11
Stock Price Range:				
High	22.50	19.85	21.10	19.00
Low	17.09	17.13	18.70	17.25
Close	17.88	18.82	18.96	18.08

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2000				
Interest Income	$ 11,150	$ 11,551	$ 12,230	$ 12,678
Interest Expense	4,091	4,443	4,985	5,351
Net Interest Income	7,059	7,108	7,245	7,327
Provision for Loan Losses	232	1,496	577	301
Non-interest Income	908	918	918	1,034
Non-interest Expense	3,993	4,449	3,708	4,020
Income Tax Expense	1,292	734	1,338	1,401
Net Income	2,450	1,347	2,540	2,639
Per Share Data:				
Net Income:				

Basic	$ 0.38	$ 0.22	$ 0.40	$ 0.41
Diluted	0.37	0.21	0.39	0.41
Dividends Paid	0.10	0.10	0.10	0.10
Stock Price Range:				
High	18.50	17.75	18.06	22.19
Low	14.50	15.38	14.75	17.00
Close	15.50	17.25	17.88	21.69

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

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, accompanying notes, and selected financial data appearing elsewhere in this report.

PERFORMANCE SUMMARY. Net income for 2001 was $8.8 million, a decrease of $.2 million, or 1.9%, compared to $9.0 million recorded for 2000. On a weighted average share basis, net income for 2001 was $1.36 per diluted share as compared to $1.38 per diluted share for 2000, a decrease of 1.4%. The decline in earnings during 2001 reflects merger expenses of $598,000 recorded in the first quarter. Excluding these expenses after-tax earnings would have been $9.2 million, or $1.42 per diluted shares. Also impacting 2001 earnings was an increase in provision for loan losses in the fourth quarter due to increased loan charge-offs. See discussion on page 21, "Allowance for Loan Losses."

Continuing to reflect the positive growth of the Corporation, loans increased 13.4% over the previous year-end to $431 million at December 31, 2001. Total fundings (deposits and short term borrowings) experienced growth also, increasing 2.3% over the same period to $572 million. Shareholders' equity was $61 million at year-end, an increase of 8.9%.

Net income for 2000 was $9.0 million compared to net income of $9.2 million for 1999, a decrease of 2.7%. The decrease in earnings for 2000 was attributable to a significant increase in provision for loan losses and a writedown of foreclosed assets. The increase in provision for loan losses was related to the charge-off of $1.7 million on one loan and $.5 million on another during 2000.

The following table shows selected key performance ratios over the last three (3) years:

	2001	2000	1999

Return on Average Assets (ROA)	1.41%*	1.54%	1.72%
Return on Average Shareholders' Equity (ROE)	15.01*	17.57	19.66
Shareholders' Equity to Assets - Average	9.40	8.74	8.71
Dividend Payout Ratio	31.61	28.38	22.25

*Excluding merger-related expenses ROA and ROE would have been 1.47% and 15.68%, respectively.

The ratio, return on assets, is calculated by dividing net income by average total assets for the year. The return on equity ratio is calculated by dividing net income by average shareholders' equity for the year. The equity to assets ratio is calculated by dividing average shareholders' equity by average total assets for the year. The dividend payout is determined by dividing the total dividends paid by the total net income.

NET INTEREST INCOME. Net interest income is the difference between interest earned on earning assets and interest paid for the funds supporting those assets. The largest category of earning assets consists of loans to businesses and individuals. The second largest is investment securities. Net interest income is the principal source of the Corporation's earnings. Interest rate fluctuations, as well as changes in the amount and type of earning assets and liabilities supporting those assets, affect net interest income. Interest rates primarily are determined by national and international market trends, as well as competitive pressures in the Corporation's operating markets. For analytical purposes, income from tax-exempt assets, primarily securities issued by or loans made to state and local governments, is adjusted by an increment which equates tax-exempt income to interest from taxable assets.

Net interest income (tax equivalent) for 2001 was $29.0 million, an increase of $.2 million, or .8% compared to the prior year. The net increase reflected a $3.1 million decrease in interest income which was offset by a $3.3 million decrease in interest expense. The Corporation's yield on earning assets decreased to 7.57% for 2001 from 8.70% for 2000. Rates paid on the Corporation's interest-bearing liabilities decreased to 3.67% for 2001 from 4.76% for 2000. These shifts in yield on earning assets and cost of interest-bearing liabilities resulted in the net interest margin decreasing from 5.25% for 2000 to 4.93% for 2001. The slight increase in net interest income was due to the 7.7% growth in average loans and the 2.7% growth in average demand deposits during 2001, offsetting the 32 basis point decline in net interest margin. Although the average demand deposits as a percent of average total deposits decreased to 25.5% in 2001 from 26.7% in 2000, this ratio remains very positive compared to the Corporation's peers.

SUMMARY OF INTEREST EARNING ASSETS AND INTEREST BEARING LIABILITIES

Although the year-end detail provides satisfactory indicators of general trends, the daily average balance sheets are more meaningful for analysis purposes than year-end data because averages reflect the day-to-day fluctuations that are common to bank balance sheets. Also, average balances for interest earning assets and interest-bearing liabilities can be related directly to the components of interest income and interest expense on the statements of income. This provides the basis for analysis of rates earned and paid, and sources of

increases and decreases in net interest income as derived from changes in volumes and rates. The following schedule presents average balance sheets for the most recent three years in a format that highlights earning assets and interest-bearing liabilities.

	Years Ended December 31,					
	2001			2000		
(Dollars in Thousands)	Average Balance	Interest	Average Yield/ Rate	Average Balance	Interest	Average Yield/ Rate
Interest Earning Assets:						
Federal Funds Sold and Due From Time	$44,689	$1,972	4.41%	$24,659	$1,571	6.37%
Investment Securities (Taxable)	139,875	7,966	5.70	148,598	9,253	6.23
Investment Securities (Tax-exempt)(2)	231	17	7.36	348	26	7.50
Loans, Net of Unearned Discount(1)	402,763	34,548	8.58	373,997	36,768	9.83
Total Earning Assets	587,558	44,503	7.57	547,602	47,618	8.70
Other Assets:						
Cash and Due From Banks	24,259			24,140		
Other Assets	17,922			19,122		
Allowance for Loan Losses	(5,816)			(6,167)		
Total Assets	$623,923			$584,697		
Interest-Bearing Liabilities:						
Interest-Bearing Transaction Accounts	$167,853	4,298	2.56	$158,476	6,168	3.89
Savings	101,295	3,367	3.32	93,594	4,472	4.78
Certificates of Deposit under $100,000 and IRA's	77,968	4,198	5.39	67,605	3,808	5.63
Certificates of Deposit $100,000 or more	56,848	3,061	5.38	50,625	2,978	5.88
Other Time	723	43	5.91	778	44	5.70
Other Borrowings	18,518	560	3.02	25,748	1,400	5.44
Total Interest-Bearing Liabilities	423,205	15,527	3.67	396,826	18,870	4.76
Other Liabilities:						
Demand Deposits	138,880			135,165		
Other Liabilities	3,188			1,607		
Shareholders' Equity	58,650			51,099		
Total Liabilities and Shareholders' Equity	$623,923			$584,697		

Net Interest Income and

Margin (T/E Basis)(2)	$28,976	4.93%	$28,748	5.25%
	==========		=======	

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

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

Net interest margin, the net return on interest earning assets which is computed by dividing net interest income by average total earning assets, was 4.93% for 2001, a 32 basis point decrease from the previous year. This decrease in the margin reflected a lower yield on earning assets in 2001 of 113 basis points compared to the prior year somewhat offset by a lower cost of funds of 109 basis points compared to the prior year. Part of the reason for this was the change in mix of liabilities with the average balance of certificates of deposit accounting for 32% of total funding in 2001 compared to 30% in 2000, resulting in the net interest spread decreasing from 3.94% to 3.90%. These certificates can not be repriced as quickly as variable rate assets.

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The table below presents the portions of the net change in net interest income due to changes in volume or rate for each of the years ended December 31, 2001 and 2000 on a fully tax equivalent basis. Non-accruing loans have been included in assets for these computations, thereby reducing yields on total loans. The changes in interest due to both rate and volume in the rate/volume analysis table below have been allocated to volume or rate change in proportion to the absolute amounts of the change in each.

	2001 vs. 2000 Increase (Decrease) Due to Changes in:			
(Dollars in Thousands)	Volume	Rate	Total	Volum
Interest Earning Assets:				
Federal Funds Sold and Due From Time	$ 1,276	$ (875)	$ 401	$ 1
Investment Securities (Taxable)	(543)	(744)	(1,287)	2
Investment Securities (Tax-exempt)	(9)	-0-	(9)	(
Loans, Net of Unearned Discount	2,828	(5,048)	(2,220)	4,0
Total Change in Interest Income	3,552	(6,667)	(3,115)	4,4
Interest-Bearing Liabilities:				
Transaction Accounts & Savings	733	(3,708)	(2,975)	3
Certificates of Deposit and Other Time	946	(474)	472	1,4
Other Borrowings	(393)	(447)	(840)	1
Total Change in Interest Expense	1,286	(4,629)	(3,343)	1,9
Changes in Net Interest Income	$ 2,266	$(2,038)	$ 228	$ 2,4

Net interest income for 2001 increased $228,000, or .8% over the prior year. In this same period total interest income decreased 6.5% and total interest expense decreased 17.7%.

NON-INTEREST INCOME. Non-interest income is an important contributor to net earnings. The major component of the Corporation's non-interest income is various charges and fees earned on deposit accounts and related services. The following table summarizes the changes in non-interest income during the past three years (dollars in thousands):

	2001		2000	
	Amount	% Change	Amount	% Chang
Service Charges on Deposit Accounts	$ 2,400	20.1%	$ 1,998	(0.2
Non-recurring Income	-0-	--	65	--
Gain (Loss) on Sale of Investment Securities	-0-	--	(2)	--
Other Non-interest Income	2,116	23.2	1,717	22.1
Total Non-interest Income	$ 4,516	19.5%	$ 3,778	(0.6

Service charges on deposits increased in 2001 primarily as a result of increased analysis income on commercial accounts due to the reduction in the earnings credit rate earned by customers on balances maintained to cover the cost of services provided by the Corporation. Also, insufficient funds charges on deposit accounts increased in 2001.

The non-recurring income in 2000 was primarily interest recovered on loans either charged-off in prior years or loans that were on non-accrual status in prior years. Non-recurring income in 1999 included refunds of state franchise tax of $155,000, gain on sale of land of $105,000, a forfeited deposit of $100,000 related to a proposed sale of foreclosed property, and interest recovered on loans either charged-off in prior years or loans that were on non-accrual status in prior years of $114,000.

The increase in other non-interest income in 2001 is primarily due to an increase in investment services income, letter of credit fees and collection fees. The increase in other non-interest income in 2000 is primarily due to an increase in debit card fees and mortgage brokerage/origination fees.

NON-INTEREST EXPENSE. Non-interest expense includes all expenses of the Corporation other than interest expense, provision for loan losses and income tax expense. The following table summarizes the changes in the non-interest expenses for the past three years (dollars in thousands):

	2001		2000	
	Amount	% Change	Amount	% C
Salaries and Employee Benefits	$10,564	11.4%	$ 9,480	
Occupancy Expense - Net	1,294	30.3	993	
Furniture and Equipment Expense	1,472	5.8	1,391	
Other Real Estate Owned Expense	224	(30.9)	324	
Merger Related Expense	598	100.0	-0-	
Other Expenses:				
Business Development	734	22.1	601	
Insurance - Other	129	11.2	116	
Legal and Professional Fees	634	(26.8)	866	
Other Taxes	125	7.8	116	
Postage and Courier	348	4.8	332	
Printing and Supplies	362	(1.9)	369	
Regulatory Fees and Assessments	244	3.0	237	
Other Operating Expenses	1,537	14.3	1,345	
Total Other Expenses	4,113	3.3	3,982	
Total Non-interest Expense	$18,265	13.0%	$16,170	

Total non-interest expense increased 13.0% in 2001 over 2000 reflecting increases in salaries and benefits, occupancy expenses, business development expenses and merger related expenses incurred to merge the Corporation's subsidiaries. As a percent of average assets, non-interest expenses were 2.93%, 2.77%, and 2.83%, in 2001, 2000 and 1999, respectively. The "efficiency ratio" (non-interest expenses divided by total non-interest income plus net interest income) was 54.55% for 2001 or 52.76% when merger related expenses are excluded from non-interest expenses. The efficiency ratio measures what percentage of total revenues are absorbed by non-interest expense. These measures of operating efficiency compare very favorably to other financial institutions in the Corporation's peer groups.

The increase in salaries and employee benefits for 2001 is due to routine salary merit increases, additions to staff, and an increase in the cost of employee insurance. The average number of full-time equivalent employees increased by 6 in 2001 to an average full-time equivalent of 185.5. At year end 2001, the full-time equivalent staff was 194 versus 178.5 at the same time the prior year. In late 2001, the Corporation hired a Chief Credit Officer, two senior credit officers and certain related support staff. These new employees are expected to make a contribution to growth and earnings in early 2002 as they are experienced in the Corporation's market.

The increase in occupancy expense is primarily a result of a reduction in rental income as lease space at one of the banking facilities was vacant for a portion of the year and a lower rental rate was received from a major new tenant compared to the rate earned from the vacating tenant.

The increase in expenses for business development were primarily associated with advertising cost related to a name/brand identity advertising campaign launched after the merger of the Corporation's subsidiaries in May 2001.

Legal and professional fees increased in 2000 and reflected increases in

attorney fees related to certain problem loans and fees paid to consultants and attorneys for assistance in general corporate issues.

Regulatory fees and assessments increased in 2000 primarily due to increases in the FDIC assessment for deposit insurance.

FEDERAL AND STATE INCOME TAX EXPENSE. The Corporation has adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." See Note 10 of the Corporation's Notes to Consolidated Financial Statements for details of tax expense. The Corporation provided $4.7 million for federal income taxes for 2001, resulting in an effective tax rate of 34.6%.

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INVESTMENT SECURITIES. The following table presents the consolidated investment securities portfolio at amortized cost as of December 31, 2001, all of which are classified as Available-for-Sale (see Note 1 of the Notes to Consolidated Financial Statements for a discussion of this designation), by stated maturity and with the weighted average interest yield for each range of maturities. The yields on tax-exempt obligations are computed on a fully taxable equivalent basis using statutory rates for federal income taxes.

	December 31, 2001					
	Due 1 Year or Less		Due 1 to 5 Years		Due 5 to 10 Years	
	Amount	Yield	Amount	Yield	Amount	Yield
(Dollars in Thousands)						
U.S. Treasury Securities	$ 5,041	6.26%	$ 987	6.45%	$ -0-	--%
U.S. Government Agencies	18,042	5.16	108,975	4.97	2,010	5.84
U.S. Government Agency Mortgage Back Securities	-0-	--	2,737	5.61	-0-	--
Obligations of States and Political Subdivisions	125	7.42	988	5.04	518	5.74
Other Securities	-0-	--	-0-	--	-0-	--
Total	$ 23,208	5.41%	$ 113,687	5.00%	$2,528	5.82%

The yield on the investment securities portfolio of the Corporation at December 31, 2001 was 4.98% and the weighted average life of the portfolio on that date was approximately 1.9 years. At December 31, 2000 the yield of the portfolio was 6.22% and the weighted average life was 2.3 years.

Note 2 to the Corporation's Notes to Consolidated Financial Statements shown in this report reflects the estimated fair values for various categories of investment securities as of December 31, 2001 and 2000. As of December 31, 2001, there was a net unrealized gain of $2,568,000 in the portfolio, or 1.6% of the amortized cost of those securities.

The following table summarizes the book value (fair value for Available-for-Sale securities) of investment securities held by the Corporation as of December 31 for the past five years (in thousands):

	December 31,			
	2001	2000	1999	1998
U.S. Treasury Securities	$ 6,207	$ 17,162	$ 27,974	$ 41,672
U.S. Government Agencies and Corporations	131,149	120,559	113,535	87,791
U.S. Government Agency Mortgage Backed Securities	19,822	10,409	13,079	16,440
Obligations of States and Political Subdivisions	1,616	240	637	1,037
Federal Reserve Bank and Federal Home Loan Bank Stock	1,342	1,277	1,215	1,072
Total	$160,136	$149,647	$156,440	$148,012

In 2001, approximately $60.1 million of investment securities were sold, resulting in no gain or loss on the sale.

LOANS. The following schedule classifies loans according to type as of December 31 for the past five years (dollars in thousands):

	December 31,						
	2001	% of Total	2000	% of Total	1999	% of Total	1998
Commercial	$184,716	42.9%	$167,818	44.2%	$156,847	44.2%	$133,0
Real Estate Mtg - Commercial	107,600	25.0	94,066	24.7	85,825	24.1	72,4
Real Estate Mtg - Residential	44,522	10.3	37,996	10.0	34,771	9.8	27,9
Real Estate Construction	60,548	14.1	47,183	12.4	43,875	12.3	40,4
Loans to Individuals, Net of Unearned Discount	33,368	7.7	32,953	8.7	34,096	9.6	31,8

Total Loans, Net of Unearned Income	$430,754	100.0%	$380,016	100.0%	$355,414	100.0%	$305,8

The preceding loan distribution table reflects that total loans increased $50.7 million (13.4%) between year-end 2001 and 2000. Although this dollar increase was significant, the Corporation is continuing to apply stringent credit criteria on all loan applications. At December 31, 2001, loans were 79.2% of deposits compared to 70.4% at the previous year-end reflecting a somewhat slower growth in deposits compared to loans. Average loans were 74.1% of average deposits in 2001 compared to 73.9% in 2000.

Primarily, the commercial loan customers of the Corporation are small to medium-sized businesses and professionals and executives. The Corporation offers a variety of commercial loan products that include revolving lines of credit, letters of credit, working capital loans and loans to finance accounts receivable, inventory and equipment. Generally, these commercial loans have floating rates of interest with terms of maturity of three years or less.

A significant portion of the $108 million commercial real estate mortgage portfolio is loans to finance owner-occupied real estate. At December 31, 2001, $84 million of loans, approximately 78% of the commercial real estate mortgage portfolio, had been made for this purpose. Also, approximately 59% of the loans in the commercial real estate mortgage portfolio have variable rates of interest with a significant portion of the remaining portfolio having balloon terms at five to seven years and/or rate adjustment clauses.

Real estate construction loans are made primarily to finance construction of single family residences in the Corporation's market area of Tarrant County. Construction loans generally are secured by first liens on real estate and have floating interest rates. The Corporation's lending activities in this area are primarily with borrowers that have been in the building trade for many years and with which the Corporation has long standing relationships. The Corporation's lending officers meet quarterly with consultants that carefully track the residential building activities within the market. The Corporation will adjust its construction lending activities based on the trends of housing starts and absorption rates in the market.

The Corporation also lends to consumers for purchases of various consumer goods, such as automobiles, boats and home improvements. The terms of these loans typically are five years or less and are well secured with liens on products purchased or other assets. These loans are primarily made to customers who have other relationships with the bank. The Corporation does not issue credit cards and does not have any credit card loans outstanding.

The following table presents commercial loans and real estate construction loans at December 31, 2001, based on scheduled principal repayments and the total amount of loans due after one year classified according to sensitivity to changes in interest rates (in thousands):

	One Year or Less	Over One Year Through Five Years	Over Five Years	Total
Commercial	$ 156,630	$ 25,673	$ 2,413	$ 184,716

Real Estate Construction	55,713	2,549	2,286	60,548
Totals	$ 212,343	$ 28,222	$ 4,699	$ 245,264

Of the loans maturing after one year, all have fixed rates of interest, with many having rate adjustment clauses during the remaining term of the loan that allow for periodic adjustments to rates.

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ALLOWANCE FOR LOAN LOSSES. The allowance for loan losses is established through charges to earnings in the form of a provision for loan losses. Loans, or portions thereof, which are considered to be uncollectible are charged against this allowance and subsequent recoveries, if any, are credited to the allowance. The allowance represents the amount which, in management's judgment, will be adequate to absorb future charge-offs of existing loans which may become uncollectible. The adequacy of the allowance is determined by management's periodic evaluation of the loan portfolio and by the employment of third party loan review specialists. All known problem loans, unknown inherent risks generally associated with bank lending, past loan loss experience, delinquency ratios and current and projected economic conditions are taken into account in evaluating the adequacy of the allowance.

The Corporation has adopted Statement of Financial Accounting Standards No. 114, "Accounting by Creditors for Impairment of a Loan" ("SFAS No. 114"), as amended by Statement of Financial Accounting Standards No. 118, "Accounting by Creditors for Impairment of a Loan-- Income Recognition and Disclosure" ("SFAS No. 118"). These standards specify how allowances for certain impaired loans should be determined and the accounting for in-substance foreclosures.

Loans are generally placed on non-accrual status when principal or interest is past due 90 days or more and the loan is not both well-secured and in the process of collection, or immediately, if in the opinion of management, full collection of principal or interest is doubtful. Loans are charged against the allowance for loan losses when management believes that the collectibility of the principal is unlikely.

The following table presents average loans net of unearned income and an analysis of the allowance for loan losses (dollars in thousands):

	Years Ended December 31		
	2001	2000	1999
Average Loans Outstanding	$ 402,763	$ 373,997	$ 331,963
Analysis of Allowance for Loan Losses:			
Balance, Beginning of Year	$ 5,399	$ 5,169	$ 4,724
Charge-Offs:			

Commercial	1,280	2,429	376
Real Estate Mortgage	4	-0-	3
Real Estate Construction	-0-	-0-	230
Loans to Individuals	123	171	118
Total Charge-Offs	1,407	2,600	727
Recoveries:			
Commercial	80	140	93
Real Estate Mortgage	164	10	44
Real Estate Construction	-0-	-0-	-0-
Loans to Individuals	24	74	34
Total Recoveries	268	224	171
Net Charge-Offs (Recoveries)	1,139	2,376	556
Provision Charged to Operating Expense	1,755	2,606	1,001
Balance, End of Year	$ 6,015	$ 5,399	$ 5,169
Ratio of Net Charge-Offs (Recoveries) to Average Loans Outstanding	0.28%	0.64%	0.16%

The decrease in provision for loan losses in 2001 from 2000 primarily recognizes a lower loan charge-off rate in 2001 compared to 2000. In 2000, a charge-off of $1.7 million was made on one loan and $500,000 on another. In the fourth quarter of 2001, a charge-off of $713,000 was made on one loan and $245,000 was made on another. These charge-offs, although above those of recent years, are not thought to reflect a change in the Corporation's lending strategy or a dramatic change in the local economic environment.

The following table reflects the allowance for loan losses compared to total loans at the end of each year (dollars in thousands):

	December 31,			
	2001	2000	1999	19
Total Loans	$ 430,754	$ 380,016	$ 355,414	$ 305
Allowance for Loan Losses	6,015	5,399	5,169	4
Allowance for Loan Losses as a Percent of Total Loans	1.40%	1.42%	1.45%	
Allowance for Loan Losses as a Percent of Non-Performing Loans	146.0	247.0	211.0	

The following table illustrates the allocation of the allowance for loan losses to the various loan categories (dollars in thousands); see the table on page 20 for the percent of specific types of loans to total loans:

	December 31,						
	2001		2000		1999		
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount
Allowance For Loan Losses:							
Commercial	$3,336	55.5%	$2,066	38.3%	$2,686	52.0%	$2,713
Real Estate Mortgage	1,613	26.8	1,095	20.3	1,050	20.3	818
Real Estate Construction	635	10.6	381	7.1	371	7.2	452
Loans to Individuals	365	6.0	374	6.9	375	7.3	372
Unallocated Portion	66	1.1	1,483	27.4	687	13.2	369
Total	$6,015	100.0%	$5,399	100.0%	$5,169	100.0%	$4,724

The allocation is determined by providing specific reserves against each criticized loan plus a general allocation against the remaining balance of the portfolio based on experience factors. The general allocation is based upon the Corporation's loss experience over a period of years and is adjusted for subjective factors such as economic trends, performance trends, and concentrations of credit. In 2001, the general allocation rate of the allowance was increased by approximately 15% because of changes in these factors. Management of the Corporation believes that the allowance for loan losses at December 31, 2001, is adequate to cover losses inherent in the portfolio. There can be no assurance that the Corporation will not sustain loan losses in future periods which could be substantial in relation to the size of the current allowance. The total allowance is available to absorb losses from any segment of loans.

NON-PERFORMING ASSETS. Non-performing assets consist of non-accrual loans, renegotiated loans and other real estate and other foreclosed assets. Non-accrual loans are those on which the accrual of interest has been suspended and on which the interest is recorded as earned when it is received. Loans are generally placed on non-accrual status when principal or interest is past due 90 days or more and the loan is not both well-secured and in the process of collection, or immediately, if in the opinion of management, full collection of principal or interest is doubtful. At the time a loan is placed on non-accrual status, interest previously recorded but not collected is reversed and charged against current interest income.

Renegotiated loans are loans on which the interest and/or the principal has been reduced due to a deterioration in the borrower's financial condition. Even though these loans are actually performing, they are included in non-performing assets because of the loss of revenue related to the reduction of interest and/or principal.

Other real estate is real estate acquired through foreclosure or through partial settlement of debts and which is awaiting sale and disposition. At the time of acquisition, other real estate is recorded at the lower of estimated fair value or the loan balance or settlement agreement with any write-down charged to the allowance for loan losses. Any further write-downs, expenses related to the property, and any gain or loss resulting from the sale of the property are recorded in current operating expenses.

The Corporation is required, by the regulatory authorities, to have other real estate evaluated periodically. In the event the new evaluation value is less than the carrying value of the property, the excess is written off to expense. Some properties are written down below their evaluation values when management feels the economic value of the property has declined below the evaluation value.

The following table summarizes the non-performing assets and loans 90 days past due and still accruing as of December 31 for the past five years, (dollars in thousands):

	December 31,			
	2001	2000	1999	1998
Non-accrual Loans	$4,115	$2,182	$2,450	$5,049
Renegotiated Loans	-0-	-0-	3	6
Other Real Estate & Other Foreclosed Assets	444	1,595	1,947	281
Total Non-Performing Assets	$4,559	$3,777	$4,400	$5,336
As a Percent of:				
Total Assets	0.72%	0.61%	0.78%	1.00%
Total Loans and Other Real Estate & Other Foreclosed Assets	1.06	0.99	1.23	1.74
Loans Past Due 90 Days or More and Still Accruing	$ 16	$ 10	$ -0-	$ 3

Non-accrual loans at December 31, 2001, were comprised of $2,738,000 in commercial loans, $740,000 in real estate mortgages, $470,000 in real estate construction loans and $167,000 in consumer loans. Subsequent to year end, the Corporation collected $944,000 on one of the commercial loans on non-accrual at year end. Other Foreclosed Assets includes one asset which is the projected wholesale value of text books taken in lieu of foreclosure of a borrower that closed operations.

The impact on interest income from the above non-accrual loans and renegotiated loans for the past five (5) years is provided below (in thousands):

	Years Ended December 31,				
	2001	2000	1999	1998	1997
Gross Amount of Interest That Would Have Been Recorded at Original Rate	$ 340	$ 600	$ 427	$ 537	$ 272
Interest Included in Income	195	206	68	312	154
Interest Not Recorded in Income	$ 145	$ 394	$ 359	$ 225	$ 118

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 noted 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 loan account have weakened to a point where more frequent monitoring is warranted.

Non-accrual loans normally include weaker Substandard loans and loans that are considered to be Doubtful.

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

	December 31,				
	2001	2000	1999	1998	1997
Non-Performing Loans	$ 4,115	$ 2,182	$ 2,453	$ 5,055	$ 2,112
Criticized Loans	24,879	11,536	11,804	10,468	9,295
Allowance for Loan Losses	6,015	5,399	5,169	4,724	4,065
Allowance for Loan Losses as a Percent of:					
Non-Performing Loans	146.0%	247.0%	211.0%	94.0%	193.0
Criticized Loans	24.0	47.0	44.0	45.0	44.0

An independent third party loan review was completed in mid 2001. In addition, a

regulatory examination was completed as of late 2001. Based on the findings of these reviews and exams management considers the loan portfolio to be adequately reserved.

Criticized loans, loans classified as OAEM, Substandard or Doubtful as noted above, have increased in 2001. 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 the year 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.

DEPOSITS. The primary source of the Corporation's funds is deposits. The majority of the Corporation's deposits are considered "core" deposits, that is, deposits that are not subject to material changes due to customer withdrawal because of market rate changes. The Corporation does not accept brokered deposits. Average demand deposits increased $3.7 million, or 2.7% in 2001. These deposits represented 25.5% of total deposits. Average interest-bearing deposits increased $33.6 million, or 9.1%. The deposit types' daily average balance and related average rates paid during each of the last three (3) years are as follows (dollars in thousands):

	2001		2000	
	Amount	Rate Paid	Amount	Rate Pa
Noninterest-Bearing Demand Deposits	$138,880		$135,165	
Interest-Bearing Deposits:				
Interest-Bearing Transaction Accounts	167,853	2.56%	158,476	3.89%
Savings	101,295	3.32	93,594	4.78
Certificates of Deposit under $100,000 and IRA's	77,968	5.39	67,605	5.63
Certificates of Deposit of $100,000 or More	56,848	5.38	50,625	5.88
Other Time Deposits	723	5.90	778	5.70
Total Interest-Bearing Deposits	404,687	3.70%	371,078	4.71%
Total Deposits	$543,567		$506,243	

The remaining maturity on certificates of deposit of $100,000 or more as of December 31, 2001, 2000 and 1999 is presented below (in thousands):

Maturity	2001	% of Total	2000	% of Total	1999	% of Total
3 months or less	$19,522	41.0%	$16,267	27.0%	$18,144	46.4%
3 to 6 months	12,405	26.0	15,334	25.5	7,846	20.1
6 to 12 months	13,527	28.4	24,191	40.2	11,776	30.1
Over 12 months	2,190	4.6	4,403	7.3	1,312	3.4

BORROWINGS. Securities sold under repurchase agreements generally represent borrowings with maturities ranging from one to thirty days. These borrowings are with significant commercial customers of the Corporation that require short-term liquidity for their funds. In addition, the Corporation borrows Federal Funds periodically for liquidity purposes. Information relating to these borrowings is summarized as follows:

	December 31,		
	2001	2000	1999
Securities Sold Under Repurchase Agreements:			
Average Balance	$17,470	$20,797	$20,488
Year-End Balance	14,816	19,910	28,091
Maximum Month-End Balance During Year	20,374	25,019	30,309
Interest Rate:			
Average	2.94%	5.19%	4.04%
Year-End	0.75	5.44	3.38
Federal Funds Purchased:			
Average Balance	$ 567	$ 22	$ 679
Year-End Balance	8,550	-0-	-0-
Maximum Month-End Balance During Year	8,550	950	4,000
Interest Rate:			
Average	2.76%	5.96%	5.04%
Year-End	1.92	-0-	-0-

The Corporation has available a line of credit with the Federal Home Loan Bank of Dallas, which allows the borrowing on a collateralized basis at a fixed term. At December 31, 2001, the Corporation had $5.0 million of borrowings outstanding at a rate of 1.92% which were scheduled to mature in January 2002. For the year ended December 31, 2001 the Corporation had average borrowings of $452,000. At December 31, 2000, the Corporation had no such borrowings.

INTEREST RATE SENSITIVITY. The objectives of monitoring and managing the interest rate risk of the balance sheet are to contribute to earnings by minimizing adverse changes in net interest income as a result of changes in the direction and level of interest rates and to provide liquidity to satisfy cash flow requirements to meet customers' fluctuating demands.

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

An asset-sensitive position in a given period will result in more assets than liabilities being subject to repricing; therefore, market interest-rate changes will be reflected more quickly in asset rates. If interest rates decline, such a position will have an adverse effect on net interest income. Conversely, in a liability-sensitive position, where liabilities reprice more quickly than assets in a given period, a decline in market rates will benefit net interest income.

A mix of earning assets and interest-bearing liabilities in which relatively equal volumes reprice each period represents a matched interest sensitivity "GAP" position; any excess of these assets or liabilities results in an interest sensitive GAP.

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The following table, commonly referred to as a "static GAP report", indicates the interest rate-sensitivity position at December 31, 2001 and may not be reflective of positions in subsequent periods (dollars in thousands):

	Due in 30 Days Or Less	Due in 31-180 Days	Due in 181 Days to One Year	Total Rate Sensitive
Interest Earning Assets:				
Loans	$ 263,841	$ 22,821	$ 16,936	$ 303,5
Investment Securities	9,753	22,347	31,423	63,5
Federal Funds Sold & Due From Time	2,284	-0-	-0-	2,2
Total Earning Assets	275,878	45,168	48,359	369,4
Interest-Bearing Liabilities:				
Interest-Bearing Transaction Accounts and Savings	281,274	-0-	-0-	281,2
Certificates of Deposits (less than) $100,000 & IRA's	5,033	30,090	22,012	57,1
Certificates of Deposits (greater than) $100,000	6,226	25,701	13,527	45,4
Other Time Deposits	150	150	166	4
Short Term Borrowings	28,366	-0-	-0-	28,3
Total Interest-Bearing Liabilities	321,049	55,941	35,705	412,6
Period Interest Sensitivity GAP	$ (45,171)	$(10,773)	$ 12,654	$(43,2
Cumulative GAP	$ (45,171)	$(55,944)	$(43,290)	
Period GAP to Total Assets	(7.10)%	(1.69)%	1.99 %	
Cumulative GAP To Total Assets	(7.10)%	(8.79)%	(6.80)%	

In the preceding table under the "After 1 Year" category, $88,102,000 in investment securities will reprice or mature within one to three years and another $4,081,000 will reprice or mature within three to five years. The average maturity of the investment portfolio is approximately 1.9 years. Also, the above table reflects the call dates versus maturity dates and periodic principal amortization of investment securities.

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 certain interest-bearing transaction 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 the Corporation's management to the earning assets and interest-bearing liabilities in the static GAP report via a simulation model, the cumulative GAP to total assets ratio at one year of (6.80%) was reversed to a positive 17.64% "beta adjusted" GAP position. Management feels that the "beta adjusted" GAP risk technique more accurately reflects the Corporation's GAP position.

In addition to GAP analysis, the Corporation uses an interest rate risk simulation model and shock analysis to test the interest rate sensitivity of net interest income and the balance sheet, respectively. Contractual maturities and repricing opportunities of loans are incorporated in the model as are prepayment assumptions, maturity data and call options within the investment portfolio. Assumptions based on past experience are incorporated into the model for nonmaturity deposit accounts. Based on the December 31, 2001 simulation analysis, it is estimated that a 200 basis point rise in rates over the next 12 month period would have an impact of approximately 5.2% on net interest income for the period, while a 200 basis point decline in rates over the same period would have an impact of approximately (15.3)% on net interest income for the period. The results are primarily from the behavior of demand, money

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market and savings deposits. The Corporation has found that, historically, interest rates on these deposits change more slowly in a rising rate environment than in a declining rate environment. This assumption is incorporated into the simulation model and is generally not fully reflected in a GAP analysis. 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 to be and does not provide a forecast of the effect actual changes in market rates will have on the Corporation.

The following table reflects the spreads and margins for the past three (3) years:

	2001	2000	1999
Yield on Earning Assets (T/E)	7.57%	8.70%	8.06%
Cost of Funds	3.67	4.76	3.86
Net Interest Spread (T/E)	3.90	3.94	4.20
Net Interest Margin (T/E)	4.93	5.25	5.31

CAPITAL RESOURCES. At December 31, 2001 shareholders' equity totaled $60.5 million, an increase of $5.0 million or 8.9% for the year. This increase reflects retained earnings, i.e., earnings net of dividends to shareholders, and the impact of the repurchase of shares of common stock of the Corporation. In 2001, $2.7 million of stock was repurchased.

Bank regulatory authorities have established risk-based capital guidelines for U.S. banking organizations. The objective of these efforts is to provide a more consistent system for comparing capital positions of banking organizations and to reflect the level of risk associated with holding various categories of assets. The guidelines define Tier 1 capital and Tier 2 capital. The only components of Tier 1 and Tier 2 capital, for the Corporation, are equity capital and a portion of the allowance for loan losses, respectively. These two components combine to become Total Capital. 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, whereas 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. Off-balance sheet items at December 1999, 2000 and 2001 included unfunded loan commitments and letters of credit. The minimum ratio for qualifying Total Capital is 8%, of which 4% must be Tier 1 capital.

The Federal Reserve Board and the Comptroller of the Currency also have a capital to total assets (leverage) guideline. These guidelines establish a minimum level of Tier 1 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 1 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 table below illustrates the Corporation's and its Subsidiary compliance with the regulatory guidelines as of December 31, 2001 (dollars in thousands):

	The Consolidated Corporation	Summit Bank,N.A.
Total Assets	$635,956	$635,944
Risk Weighted Assets	449,408	449,406
Equity Capital (Tier 1)	58,842	57,218
Qualifying Allowance For		

Loan Losses	5,622	5,622
Total Capital	$ 64,464	$ 62,840
Leverage Ratio	9.20%	8.95%
Risk Capital Ratio:		
Tier 1 Capital	13.10%	12.73%
Total Capital	14.34	13.98

The Corporation had an unrealized gain on Available-for-Sale securities, net of deferred taxes, of $1,694,000 as of December 31, 2001. Under regulatory requirements, the unrealized gain or loss on Available-for-Sale securities is not included in the calculation of risk-based capital.

As can be seen in the preceding table, the Corporation and its Subsidiary exceed the risk-based capital and leverage requirements set by the regulators as of December 31, 2001.

Also, as of December 31, 2001, the Corporation and its Subsidiary met the criteria for classification as a "well-capitalized" institution under the rules of the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA").

LIQUIDITY. Liquidity is defined as the Corporation's ability to meet deposit withdrawals, provide for the legitimate credit needs of customers, and take advantage of certain investment opportunities as they arise. While maintaining adequate liquid assets to fulfill these functions, it must also maintain compatible levels of maturity and rate concentrations between its sources of funds and earning assets. The liability structure of the Corporation is short-term in nature and the asset structure is likewise oriented towards short maturities.

The Corporation's primary "internal" source of liquidity is its federal funds sold and its marketable investment securities, particularly those with shorter maturities. Federal funds sold and investment securities maturing within 30 days represented $9.8 million or 1.5% of total assets. Additionally, the Corporation's ability to sell loan participations and purchase federal funds serves as secondary sources of liquidity. The Subsidiary has approved federal funds lines at other banks.

The liquidity of the Corporation is enhanced by the fact that 91.1% of total deposits at December 31, 2001, were "core" deposits. Core deposits for this purpose are defined as total deposits less public funds and certificates of deposit greater than $100,000. Also, the Corporation's loan to deposit ratio averaged a somewhat conservative 74.1% for the year.

The Parent Company's income, which provides funds for the payment of dividends to shareholders and for other corporate purposes, is derived from the investment in its subsidiary. See Note 16 - Dividends from the Subsidiary for limitations on dividends payable by the Subsidiary.

IMPACT OF INFLATION. The effects of inflation on the local economy and on the

Corporation's operating results have been relatively modest for the past several years. Since substantially all of the Corporation's assets and liabilities are monetary in nature, such as cash, investments, loans and deposits, their values are less sensitive to the effects of inflation than to changing interest rates, which do not necessarily change in accordance with inflation rates. The Corporation attempts to control the impact of interest rate fluctuations by managing the relationship between its interest rate sensitive assets and liabilities.

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.

ITEM 7A. QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

For information regarding the market risk of the Corporation's financial instruments, see "Management's Discussion and Analysis of Financial Condition and Results of Operations - Interest Rate Sensitivity and Liquidity." The Corporation's principal market risk exposure is to interest rates.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

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Management's Responsibility for Financial Reporting	32
Consolidated Balance Sheets of Summit Bancshares, Inc. and Subsidiaries as of	

December 31, 2001 and 2000 33

Consolidated Statements of Income of Summit Bancshares, Inc. and Subsidiaries for the Years Ended December 31, 2001, 2000 and 1999 34

Statements of Changes in Shareholders' Equity of Summit Bancshares, Inc. and Subsidiaries for the Years Ended December 31, 2001, 2000 and 1999 (Consolidated and Parent Company Only) 35

Consolidated Statement of Cash Flows of Summit Bancshares, Inc. and Subsidiaries for the Years Ended December 31, 2001, 2000 and 1999 36

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders
of Summit Bancshares, Inc.
Fort Worth, Texas

We have audited the accompanying consolidated balance sheets of Summit Bancshares, Inc. and Subsidiaries as of December 31, 2001 and 2000, and the related statements of income, changes in shareholders' equity and cash flows for each of the three years in the period ending December 31, 2001. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Summit Bancshares, Inc. and Subsidiaries, as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ending December 31, 2001, in conformity with accounting principles generally accepted in the United States of America.

/s/ Stovall, Grandey, & Whatley, L.L.P.

STOVALL, GRANDEY, & WHATLEY, L.L.P.

Fort Worth, Texas
January 18, 2002

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The management of the Corporation is responsible for the preparation of the financial statements, related financial data and other information in this annual report. The consolidated financial statements have been prepared in accordance with general accepted accounting principles generally accepted in the United States of America and include amounts based on management's estimates and judgment where appropriate. Financial information appearing throughout this annual report is consistent with the financial statements.

In meeting its responsibility both for the integrity and fairness of these financial statements and information, management depends on the accounting systems and related internal accounting controls that are designed to provide reasonable assurances that transactions are authorized and recorded in accordance with established procedures and that assets are safeguarded and that proper and reliable records are maintained.

The concept of reasonable assurance is based on the recognition that the cost of a system of internal controls should not exceed the related benefits. As an integral part of the system of internal controls, the Corporation retains auditors who monitor compliance with and evaluate the effectiveness of the system of internal controls and coordinate audit coverage with the independent auditors.

The Audit Committee of the Board of Directors of the Corporation and its Subsidiaries, which are composed entirely of directors independent of management, meet regularly with management, regulatory examiners, internal auditors, the loan review consultants and independent auditors to discuss financial reporting matters, internal controls, regulatory reports, internal auditing and the nature, scope and results of audit efforts. Internal audit and loan review personnel report directly to the Audit Committee. The banking regulators, internal auditors and independent auditors have direct access to the Audit Committee.

The consolidated financial statements have been audited by Stovall, Grandey & Whatley, L.L.P., independent auditors, who render an independent opinion on management's financial statements. Their appointment was recommended by the Audit Committee and approved by the Board of Directors and by the shareholders. The audit by the independent auditors provides an additional assessment of the degree to which the Corporation's management meets its responsibility for financial reporting. Their opinion on the financial statements is based on auditing procedures, which include their consideration of the internal control structure and performance of selected tests of transactions and records, as they deem appropriate. These auditing procedures are designed to provide an additional reasonable level of assurance that the financial statements are fairly presented in accordance with general accepted accounting principles in all material respects.

/s/ Philip E. Norwood	/s/ Bob G. Scott
PHILIP E. NORWOOD CHAIRMAN OF THE BOARD, PRESIDENT AND CHIEF EXECUTIVE OFFICER	BOB G. SCOTT EXECUTIVE VICE PRESIDENT AND CHIEF OPERATING OFFICER

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PART I - FINANCIAL INFORMATION

SUMMIT BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	2001
ASSETS	
CASH AND DUE FROM BANKS - NOTE 1	$
FEDERAL FUNDS SOLD & DUE FROM TIME	
INVESTMENT SECURITIES - NOTE 2	
Securities Available-for-Sale, at fair value	
Securities Held-to-Maturity, at cost (fair value of $21,949,000 at December 31, 2000)	
LOANS - NOTES 3 AND 11	
Loans, Net of Unearned Discount	
Allowance for Loan Losses	
LOANS, NET	
PREMISES AND EQUIPMENT - NOTE 4	
ACCRUED INCOME RECEIVABLE	
OTHER REAL ESTATE - NOTE 5	
OTHER ASSETS	
TOTAL ASSETS	$
LIABILITIES AND SHAREHOLDERS' EQUITY	
DEPOSITS - NOTE 6	
Noninterest-Bearing Demand	$
Interest-Bearing	
TOTAL DEPOSITS	
SHORT TERM BORROWINGS - NOTE 7	
ACCRUED INTEREST PAYABLE	
OTHER LIABILITIES	

TOTAL LIABILITIES

COMMITMENTS AND CONTINGENCIES - NOTES 4, 8, 13, 15 AND 17

SHAREHOLDERS' EQUITY - NOTES 12, 14 AND 18
Common Stock - $1.25 Par Value; 20,000,000 shares authorized; 6,262,961 and 6,362,278 shares issued and outstanding at December 31, 2001 and 2000, respectively.
Capital Surplus
Retained Earnings
Accumulated Other Comprehensive Income - Unrealized Gain on Available-for-Sale Investment Securities, Net of Tax
Treasury Stock at Cost (1,000 shares at December 31, 2001)

TOTAL SHAREHOLDERS' EQUITY

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY $

The accompanying Notes should be read with these financial statements.

SUMMIT BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	For the Years Ended D	
	2001	2000
	(In Thousands, Except P	
INTEREST INCOME		
Interest and Fees on Loans	$ 34,548	$ 36,
Interest and Dividends on Investment Securities:		
Taxable	7,966	9,
Exempt from Federal Income Taxes	11	
Interest on Federal Funds Sold and Due From Time	1,972	1,
TOTAL INTEREST INCOME	44,497	47,
INTEREST EXPENSE		
Interest on Deposits	14,967	17,
Interest on Short Term Borrowings	559	1,
Interest on Note Payable	1	
TOTAL INTEREST EXPENSE	15,527	18,

NET INTEREST INCOME	28,970	28,
LESS: PROVISION FOR LOAN LOSSES - NOTE 3	1,755	2,
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	27,215	26,
NON-INTEREST INCOME		
Service Charges and Fees on Deposits	2,400	1,
Loss on Sale of Investment Securities	-0-	
Other Income	2,116	1,
TOTAL NON-INTEREST INCOME	4,516	3,
NON-INTEREST EXPENSE		
Salaries and Employee Benefits - NOTE 15	10,564	9,
Occupancy Expense - Net	1,294	
Furniture and Equipment Expense	1,472	1,
Other Real Estate Owned Expense - Net	224	
Merger Related Expense - NOTE 9	598	
Other Expense - NOTE 9	4,113	3,
TOTAL NON-INTEREST EXPENSE	18,265	16,
INCOME BEFORE INCOME TAXES	13,466	13,
APPLICABLE INCOME TAXES - NOTE 10	4,664	4,
NET INCOME	$ 8,802	$ 8,
NET INCOME PER SHARE - NOTE 14		
Basic	$ 1.39	$ 1
Diluted	1.36	1

The accompanying Notes should be read with these financial statements.

SUMMIT BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999

Accumulat
Other

	Common Stock				Comprehen Income - Unrealize (Loss) o
	Shares	Amount	Capital Surplus	Retained Earnings	Investmen Securitie
	(Dollars in Thousands, Except Per Share D				
BALANCE AT January 1, 1999	6,471,827	$ 8,090	$ 6,329	$ 31,271	$ 5
Stock Options Exercised	63,320	79	140		
Purchases of Stock Held in Treasury					
Retirement of Stock Held in Treasury	(173,900)	(217)		(2,967)	
Cash Dividend $.32 Per Share				(2,052)	
Net Income for the Year Ended 1999				9,222	
Securities Available-for-Sale Adjustment					(1,7
Total Comprehensive Income - NOTE 23					
BALANCE AT December 31, 1999	6,361,247	7,952	6,469	35,474	(1,1
Stock Options Exercised	81,238	101	209		
Purchases of Stock Held in Treasury					
Retirement of Stock Held in Treasury	(80,207)	(100)		(1,248)	
Cash Dividend - $.40 Per Share				(2,547)	
Net Income for the Year Ended 2000				8,976	
Securities Available-for-Sale Adjustment					1,4
Total Comprehensive Income - NOTE 23					
BALANCE AT December 31, 2000	6,362,278	7,953	6,678	40,655	2
Stock Options Exercised	38,200	48	187		
Purchases of Stock Held in Treasury					
Retirement of Stock Held in Treasury	(137,517)	(172)		(2,509)	
Cash Dividend - $.44 Per Share				(2,782)	
Net Income for the Year Ended 2001				8,802	
Securities Available-for-Sale Adjustment					1,4

Total Comprehensive Income - NOTE 23					
BALANCE AT December 31, 2001	6,262,961	$ 7,829	$ 6,865	$ 44,166	$ 1,6

The accompanying Notes should be read with these financial statements.

SUMMIT BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For The Years Ended Dec	
	2001	2000
	(In Thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$ 8,802	$ 8,976
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	1,058	1,054
Net Premium Amortization (Accretion) of Investment Securities	240	(142)
Provision for Loan Losses	1,755	2,606
Deferred Income Tax Benefit	(480)	(194)
Net Loss on Sale of Investment Securities	-0-	2
Writedown of Other Real Estate	11	426
Writedown of Foreclosed Assets	300	-0-
Net Gain From Sale of Other Real Estate	(308)	(151)
Net (Gain) Loss From Sale of Premises and Equipment	1	-0-
Net Increase in Accrued Income and Other Assets	(252)	(1,280)
Net Increase (Decrease) in Accrued Expenses and Other Liabilities	(723)	232
Total Adjustments	1,602	2,553
NET CASH PROVIDED BY OPERATING ACTIVITIES	10,404	11,529
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net (Increase) Decrease in Federal Funds Sold	44,177	(28,449)
Proceeds from Matured and Prepaid Investment Securities		
o Held-to-Maturity	15,000	1,285
o Available-for-Sale	85,127	82,218
Proceeds from Sales of Investment Securities	60,139	59,922
Purchase of Investment Securities		
o Held-to-Maturity	-0-	-0-
o Available-for-Sale	(168,860)	(134,263)
Loans Originated and Principal Repayments, Net	(51,670)	(27,367)
Recoveries of Loans Previously Charged-Off	268	224
Proceeds from Sale of Premises and Equipment	126	23
Proceeds from Sale of Other Real Estate and Repossessed Assets	716	666
Purchases of Premises and Equipment	(1,191)	(639)

NET CASH USED BY INVESTING ACTIVITIES	(16,168)	(46,380)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net Increase in Demand Deposits, Savings Accounts and Interest-Bearing Transaction Accounts	34,868	14,728
Net Increase (Decrease) in Certificates of Deposit	(30,731)	44,392
Net Increase (Decrease) in Repurchase Agreements	8,456	(12,181)
Payments of Cash Dividends	(2,782)	(2,547)
Proceeds from Stock Options Exercised	235	310
Purchase of Treasury Stock	(2,699)	(1,348)
NET CASH PROVIDED BY FINANCING ACTIVITIES	7,347	43,354
NET INCREASE (DECREASE) IN CASH AND DUE FROM BANKS	1,583	8,503
CASH AND DUE FROM BANKS AT BEGINNING OF YEAR	27,595	19,092
CASH AND DUE FROM BANKS AT END OF YEAR	$ 29,178	$ 27,595
SUPPLEMENTAL SCHEDULE OF OPERATING AND INVESTING ACTIVITIES		
Interest Paid	$ 16,013	$ 18,355
Income Taxes Paid	5,555	5,097
Other Real Estate Acquired and Other Assets Acquired in Settlement of Loans	-0-	1,538
Bank Financed Sales of Other Real Estate	440	1,250

The accompanying Notes should be read with these financial statements.

SUMMIT BANCSHARES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING 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 and Summit Bank, National Association (the "Bank"). Effective May 14, 2001, Summit Community Bank, N.A. merged with and into Summit National Bank and Summit National Bank changed its name to Summit Bank, National Association. Also Summit Bancservices, Inc. was liquidated effective May 14, 2001 and its assets were contributed by the Corporation to Summit Bank, N.A. All operations of Summit Bancservices will be continued in the Bank. 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 their levels of deposits. During 2001 the average cash balance maintained at the Federal Reserve Bank was approximately $966,000. Compensating balances held at correspondent banks, to minimize service charges, averaged approximately $19,598,000 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 2001 and 2000 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 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. Direct costs related to loan originations are not separately allocated to loans but are charged to non-interest expense in the period incurred. The net effect of not recognizing such fees and related costs over the life of the related loan is not considered to be material to the financial statements. 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.

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

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 writedown 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 2000 and 1999 financial statements to conform to the 2001 presentation.

EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE

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 common 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 2 - INVESTMENT SECURITIES

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

	December 31, 2001			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fa Va
Investment Securities - Available-for-Sale				
U.S. Treasury Securities	$ 6,028	$ 179	$ -0-	$ 6
U.S. Government Agencies and Corporations	129,027	2,258	(136)	131
U.S. Government Agency Mortgage Backed Securities	19,540	282	-0-	19
Obligations of States and Political Subdivisions	1,631	2	(17)	1
Federal Reserve Bank and Federal Home Loan Bank Stock	1,342	-0-	-0-	1
Total Available-for-Sale Securities	157,568	2,721	(153)	160
Total Investment Securities	$157,568	$ 2,721	$ (153)	$160

During the second quarter of 2001, $7 million of securities previously classified as Held-to-Maturity securities were reclassified to Available-for-Sale securities related to the merger of the two bank subsidiaries. The unrealized gain on the reclassified securities of $52,000 was added to the Available-for-Sale Investment Securities balance. All Investment Securities are now carried on the consolidated balance sheet as of December 31, 2001 at fair value. The unrealized gain of $2,568,000 is included in the Available-for-Sale Investment Securities balance. The unrealized gain, net of tax, is included in Shareholders' Equity.

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NOTE 2 - INVESTMENT SECURITIES (CON'T)

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

	December 31, 2000			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fa Va

Investment Securities - Held-to-Maturity				
U.S. Treasury Securities	$ 4,001	$ 8	$ -0-	$ 4
U.S. Government Agencies and Corporations	18,020	7	(87)	17
Total Held-to-Maturity Securities	22,021	15	(87)	21
Investment Securities - Available-for-Sale				
U.S. Treasury Securities	13,075	92	(6)	13
U.S. Government Agencies and Corporations	102,164	603	(228)	102
U.S. Government Agency Mortgage Backed Securities	10,438	41	(70)	10
Obligations of States and Political Subdivisions	240	-0-	-0-	
Federal Reserve Bank and Federal Home Loan Bank Stock	1,277	-0-	-0-	1
Total Available-for-Sale Securities	127,194	736	(304)	127
Total Investment Securities	$149,215	$ 751	$ (391)	$149

In the previous schedule the amortized cost of Total Held-to-Maturity Securities of $22,021,000 and the estimated fair value of Total Available-for-Sale Securities of $127,626,000 are reflected in Investment Securities on the consolidated balance sheet as of December 31, 2000 for a total of $149,647,000. A net unrealized gain of $432,000 is included in the Available-for-Sale Investment Securities balance. The unrealized gain, net of tax benefit, is included in Shareholders' Equity.

A summary of the amortized cost and estimated fair value of debt securities by contractual maturity as of December 31, 2001, is shown below (in thousands). Expected maturities will differ from contractual maturities because borrowers may have the right to call or repay obligations with or without call or prepayment penalties.

	December 31, 2001	
	Amortized Cost	Fair Value
Available-for-Sale:		
Due in One Year or Less	$ 23,208	$ 23,468
Due after One Year through Five Years	113,687	115,758
Due after Five Years through Ten Years	2,528	2,525
Due after Ten Years	18,145	18,385
Total	$ 157,568	$ 160,136

Included in the investment securities is $17,042,000 and $8,323,000 at December 31, 2001 and December 31, 2000, respectively, of mortgage-backed securities having stated maturities after five years. The estimated maturities on these securities are between two and seven years as of December 31, 2001, based on

estimated prepayments of the underlying mortgages. Eighty-six percent of these securities have rates that will reset within one year and annually thereafter.

Investment securities with amortized cost of $46,043,000 and $46,866,000 at December 31, 2001 and 2000, respectively, were pledged to secure federal, state and municipal deposits and for other purposes as required or permitted by law. Also, the fair values of those pledged securities totaled $47,241,000 and $46,804,000 at December 31,2001 and 2000, respectively.

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Proceeds from sales of investment securities were $60,139,000 during 2001, $59,922,000 during 2000 and $71,214,000 during 1999. The 2001 sales were made at book value resulting in no gain or loss. Net losses from the sale of securities of $2,000 and $3,000 were realized in 2000 and 1999, respectively. The total amount of proceeds from securities sales have been from sales of securities included in the Available-for-Sale category.

The Corporation does not own any investment securities of any one issuer (excluding U.S. Government or U.S. Government Agency Securities) of which aggregate adjusted cost exceeds 10% of the consolidated shareholders' equity at December 31, 2001 and 2000, respectively.

NOTE 3 - LOANS AND ALLOWANCE FOR LOAN LOSSES

The loan portfolio consists of various types of loans made principally to borrowers located in Tarrant County, Texas. The book values of loans by major type follow (in thousands):

	December 31,	
	2001	2000
Commercial	$ 184,716	$ 167,818
Real Estate Mortgage - Commercial	107,600	94,066
Real Estate Mortgage - Residential	44,522	37,996
Real Estate Construction	60,548	47,183
Loans to Individuals	33,376	32,996
Less: Unearned Discount	(8)	(43)
	430,754	380,016
Allowance for Loan Losses	(6,015)	(5,399)
Loans - Net	$ 424,739	$ 374,617

At December 31, 2001 and 2000 the recorded investment in loans that are considered to be impaired under Statement of Financial Accounting Standards No. 114 was $3,777,000 and $2,122,000, respectively. These loans were on non-accrual status. The related allowance for loan losses for these loans was $853,000 and $497,000, respectively. The average recorded investment in impaired loans during the year ended December 31, 2001 was approximately $3,072,000. For 2001 the

Corporation recognized no interest income on any loan classified as impaired.

Loans on which accrued interest has been discontinued or reduced amounted to approximately $4,115,000, $2,182,000, and $2,453,000 at December 31, 2001, 2000 and 1999 respectively. If interest on these loans had been recorded in accordance with their original terms such income would have approximated $340,000 for 2001, $600,000 for 2000 and $427,000 for 1999. Interest income on those loans included in net income was $195,000 for 2001, $206,000 for 2000 and $68,000 for 1999.

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

	Year Ended December 31,		
	2001	2000	1999
Balance, Beginning of Year	$ 5,399	$ 5,169	$ 4,724
Provisions, Charged to Income	1,755	2,606	1,001
Loans Charged-Off	(1,407)	(2,600)	(727)
Recoveries of Loans Previously Charged-Off	268	224	171
Net Loans Charged-Off	(1,139)	(2,376)	(556)
Balance, End of Year	$ 6,015	$ 5,399	$ 5,169

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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):

	Year Ended December 31,	
	2001	2000
Land	$ 2,317	$ 2,320
Buildings and Improvements	8,247	7,845
Furniture & Equipment	7,540	8,134
Total Cost	18,104	18,299
Less: Accumulated Depreciation and Amortization	9,973	10,175
Net Book Value	$ 8,131	$ 8,124

Depreciation and amortization charged to expense amounted to $1,058,000, $1,054,000 and $1,081,000 for the years ended December 31, 2001, 2000 and 1999, respectively.

The Corporation has invested in a joint venture with a third party to own one of the Corporation's bank facilities. The investment in the joint venture is accounted for on the equity basis and had a book value of $1,390,000 at December 31, 2001.

At December 31, 2001, the Corporation and subsidiaries had certain noncancelable operating leases which cover premises with future minimum annual rental payments as follows (in thousands):

2002	$ 540
2003	550
2004	560
2005	476
2006	476
Thereafter	2,656

It is expected that in the normal course of business, leases that expire will be renewed or replaced by leases on other property.

Rental income and rental expense of premises included in the consolidated financial statements is computed as follows (in thousands)

	Year Ended December 31,		
	2001	2000	1999
Total Rental Income	$ 383	$ 475	$ 390
Less: Rental Expense	591	511	413
Net Rental Expense	$ (208)	$ (36)	$ (23)

NOTE 5 - OTHER REAL ESTATE

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

	December 31,		
	2001	2000	1999
Other Real Estate	$ -0-	$ 286	$ 1,947
Valuation Reserve	-0-	-0-	-0-
Net Other Real Estate	$ -0-	$ 286	$ 1,947

Direct write-downs of other real estate charged to income amounted to $11,000 and $426,000 for the years ended December 31, 2001 and 2000, respectively. There were no direct write-downs of other real estate for the year ended December 31, 1999.

NOTE 6 - DEPOSITS AND RELATED EXPENSE

At December 31, 2001, 2000 and 1999, deposits and related interest expense for the related years ended December 31, consisted of the following (in thousands):

	Deposits			
	2001	2000	1999	2001
Noninterest-Bearing	$150,040	$146,083	$128,685	
Demand Deposits				
Interest-Bearing Deposits:				
Interest-Bearing Transaction Accounts and Money Market Funds	175,965	156,348	154,304	$ 4,298
Savings	105,308	94,014	98,728	3,367
Certificates of Deposits under $100,000 & IRA's	64,380	82,248	58,973	4,198
Certificates of Deposits $100,000 or more	47,644	60,195	39,078	3,061
Other	466	778	778	43
Total	393,763	393,583	351,861	$ 14,967
Total Deposits	$543,803	$539,666	$480,546	

The Corporation has no brokered deposits and there are no major concentrations of deposits.

The remaining maturity on certificates of deposit of $100,000 or more as of December 31, 2001, 2000 and 1999 is presented below (in thousands):

Maturity	2001	% of Total	2000	% of Total	1999	% of Total
3 months or less	$19,522	41.0%	$16,267	27.0%	$18,144	46.4%
3 to 6 months	12,405	26.0	15,334	25.5	7,846	20.1
6 to 12 months	13,527	28.4	24,191	40.2	11,776	30.1
Over 12 months	2,190	4.6	4,403	7.3	1,312	3.4

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 and to Federal Funds Purchased is summarized as follows (in thousands):

	December 31,		
	2001	2000	1999
Securities Sold Under Repurchase Agreements:			
Average Balance	$17,470	$20,797	$20,488
Year-End Balance	14,816	19,910	28,091
Maximum Month-End Balance During Year	20,374	25,019	30,309
Interest Rate:			
Average	2.94%	5.19%	4.04%
Year-End	0.75	5.44	3.38
Federal Funds Purchased:			
Average Balance	$ 567	$ 22	$ 679
Year-End Balance	8,550	-0-	-0-
Maximum Month-End Balance During Year	8,550	950	4,000
Interest Rate:			
Average	2.76%	5.96%	5.04%
Year-End	1.92	-0-	-0-

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 December 31, 2001, $5.0 million of borrowings were outstanding at a rate of 1.92% which will mature in January 2002. For the year ended December 31, 2001, the Corporation had average borrowings of $452,000. At December 31, 2000, there were no borrowings outstanding.

NOTE 8 - NOTES PAYABLE

The note payable at the Parent Company in 2000 was an intercompany note and, therefore, is reflected in the Parent Company financial statements but is eliminated in the consolidated financial statements.

On September 15, 2001, 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 matures on September 15, 2002, 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. There were no borrowings outstanding on these lines of credit at December 31, 2001.

NOTE 9 - OTHER NON-INTEREST EXPENSE

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

Year Ended December 31,

	2001	2000	1999
Business Development	$ 734	$ 601	$ 602
Legal and Professional Fees	634	866	619
Printing and Supplies	362	369	379
Regulatory Fees and Assessments	244	237	183
Other	2,139	1,909	1,875
Total	$4,113	$3,982	$3,658

The Merger Related Expenses reported in the first quarter of 2001 include expenses, accrued and incurred, related to the merger of the Corporation's subsidiaries as reported in Note 1 Basis of Presentation and Principles of Consolidation. The expenses include the cost of severance payments to a former chief executive officer of one of the units and legal and professional fees and other expenses related to the merger and to the name change to Summit Bank, N.A.

NOTE 10 - INCOME TAXES

The consolidated provisions for income taxes consist of the following (in thousands):

	Year Ended December 31,		
	2001	2000	1999
Federal Income Tax Expense			
Current	$ 5,144	$ 4,959	$ 5,278
Deferred (benefit)	(480)	(194)	(385)
Total Federal Income Tax Expense	$ 4,664	$ 4,765	$ 4,893
Effective Tax Rates	34.6%	34.7%	34.7%

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):

	Year Ended December 31,		
	2001	2000	1999
Federal Income Taxes at Statutory Rate of 34.0%	$ 4,621	$ 4,716	$ 4,847
Effect of Tax Exempt Interest Income	(3)	(6)	(12)
Non-deductible Expenses	65	66	64
Other	(19)	(11)	(6)

Income Taxes Per Income Statement	$ 4,664	$ 4,765	$ 4,893

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

	December 31,		
	2001	2000	1999
Current Tax Asset (Liability)	$ 493	$ 68	$ (70)
Deferred Tax Asset	1,432	1,693	2,257
Total Included in Other Assets	$ 1,925	$ 1,761	$ 2,187

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):

	Year Ended December 31,		
	2001	2000	1999
Federal Deferred Tax Assets:			
Allowance for Loan Losses	$1,859	$1,494	$1,357
Valuation Reserves - Other Real Estate	104	5	-0-
Interest on Non-accrual Loans	237	238	189
Deferred Compensation	555	505	458
Unrealized Losses on Available-for-Sale Securities	-0-	-0-	611
Other	9	20	19
Gross Federal Deferred Tax Assets	2,764	2,262	2,634
Federal Deferred Tax Liabilities:			
Depreciation and Amortization	286	318	321
Accretion	150	104	56
Unrealized Gains on Available-for-Sale Securities	873	147	-0-
Other	23	-0-	-0-
Gross Federal Deferred Tax Liabilities	1,332	569	377
Net Deferred Tax Asset	$1,432	$1,693	$2,257

NOTE 11 - RELATED PARTY TRANSACTIONS

During 2001 and 2000 the Bank had transactions which were made in the ordinary course of business with certain of their and the Corporation's officers, directors and their affiliates. All loans included in such transactions were made on substantially the same terms, including interest rate and collateral, as those prevailing at the time for comparable transactions with other persons and all loans are current as to principal and interest payments. A summary of these transactions follows (in thousands):

	Balance at Beginning of Year	Net Additions	Net Amounts Collected
For the Year ended December 31, 2001:			
23 Directors and Officers	$ 3,241	$ 4,321	$ (1,247)
For the Year ended December 31, 2000:			
25 Directors and Officers	$ 3,488	$ 987	$ (1,234)

NOTE 12 - 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 its subsidiary 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.

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

	Year Ended December 31,			
	2001		2000	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding, Beginning of Year	359,559	$ 9.96	445,497	$ 8.95
Granted	124,600	18.55	15,000	16.77
Exercised	(38,200)	6.16	(81,238)	3.71
Canceled	-0-	-0-	(19,700)	17.47
Outstanding, End of Year	445,959	$ 12.69	359,559	$ 9.96

Exercisable at End of Year	320,679	$ 10.47	302,327	$ 8.74
Weighted Average Fair Value of Options Granted During the Year		$ 4.70		$ 5.34

The options outstanding at December 31, 2001, have exercise prices between $3.00 and $20.10 with a weighted average exercise price of $12.69 and a weighted average remaining contractual life of 7.28 years. At December 31, 2001, there remained 362,700 shares reserved for future grants of options under the 1997 Plan. Stock options have been adjusted retroactively for the effects of stock splits.

The Corporation accounts for this plan under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," under which no compensation cost has been recognized for options granted. Had compensation cost for the plan been determined consistent with Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," the Corporation's net income and earnings per share would have been reduced by insignificant amounts on a pro forma basis for the years ended December 31, 2001 and 2000. The fair value of the options granted in 2001 and 2000 were estimated as of the date of grant using an accepted options pricing model with the following weighted-average assumptions: risk-free interest rate of 4.26% and 6.11% respectively; expected dividend yield of 3.55% and 3.14%, respectively; expected volatility of 27.34% and 27.39%, respectively; and expected life of 7.28 years.

NOTE 13 - 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):

	December 31,	
	2001 Contract Amount	2000 Contrac Amount
Financial Instruments Whose Contract Amounts Represent Credit Risk:		
Loan Commitments Including Unfunded Lines of Credit	$131,337	$120,20
Standby Letters of Credit	6,294	2,53

Loan commitments are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally

have fixed expiration dates or other termination clauses and may require payment of a fee. Standby letters of credit are conditional commitments by the Corporation to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

Since many of the loan commitments and letters of credit 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 Corporation originates real estate, commercial and consumer loans primarily to customers in the Tarrant County area. Although the Corporation has a diversified loan portfolio, a substantial portion of its customers' ability to honor their contracts is dependent upon the local economy and the real estate market.

The Corporation maintains funds on deposit at correspondent banks which at times exceed the federally insured limits. Management of the Corporation monitors the balance in the account and periodically assesses the financial condition of correspondent banks.

NOTE 14 - EARNINGS PER SHARE

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

	Year Ended December 31,		
	2001	2000	1999
Net income	$ 8,802	$ 8,976	$ 9,222
Weighted average number of common shares used in Basic EPS	6,317,991	6,364,492	6,410,762
Effect of dilutive stock options	153,032	159,467	244,787
Weighted number of common shares and dilutive potential common stock used in Diluted EPS	6,471,023	6,523,959	6,655,549

The incremental shares for the assumed exercise of the outstanding options was determined by application of the treasury stock method.

NOTE 15 - EMPLOYEE BENEFIT PLANS

PENSION PLAN

The Corporation had a defined benefit pension plan covering substantially all of its employees. The benefits were based on years of service and the employee's compensation history. The employee's compensation used in the benefit calculation were the highest average for any five consecutive years of employment within the employee's last ten years of employment.

Effective August 31, 1998, the accrual of benefits under this plan were suspended. In February 1999, the Board of Directors chose to terminate the plan effective April 15, 1999. The assets held in trust were distributed to the plan participants in mid-1999 under terms of the plan.

During 1999 the Corporation expensed $321,000 in support of the plan.

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. In 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.

For the years ending December 31, 2001 and 2000, the Corporation expensed $353,000 and $334,000, respectively, in support of the plan.

MANAGEMENT SECURITY PLAN

In 1992, the Corporation established a Management Security Plan to provide key employees with retirement, death or disability benefits. The expense charged to operations for such future obligations was $256,000, $203,000 and $223,000 during 2001, 2000, and 1999, respectively.

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 for other than cause and under certain changes in control.

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).

COMPENSATED ABSENCES

Employees of the Corporation are entitled to paid vacation, paid sick days and other personal days off, depending on job classification, length of service, and other factors. It is impracticable to estimate the amount of compensation for future absences, and, accordingly, no liability has been recorded in the accompanying financial statements. The Corporation's policy is to recognize the costs of compensated absences when actually paid to employees.

NOTE 16 - DIVIDENDS FROM SUBSIDIARIES

The primary source of funds for the Parent Company is cash dividends received from the Bank. The amount of dividends that the Bank may pay in any one year, without approval of the Comptroller of the Currency, is the sum of the retained net profits for the preceding two years plus its total of the net profits for the current year. Under this formula, in 2002 the Bank can legally initiate dividend payments of $12,449,000 plus an additional amount equal to its net profits, as defined, for 2002 to the date of any such dividend payment. The Bank is also restricted from paying dividends that would cause the Bank to be under-capitalized.

Internal dividend policies limit dividends paid by the Bank if its equity capital levels fall below certain minimums determined by the Bank's Boards of Directors.

NOTE 17- LITIGATION

The Corporation 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 18 - STOCK REPURCHASE PLAN

On April 18, 2000, the Board of Directors approved a stock repurchase plan. The plan authorized management to purchase up to 322,232 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 2001 and 2000, 138,517 and 80,207 shares, respectively, were purchased by the Corporation through the open market.

Under similar programs approved by the Board in the years 1994 through 1999, 464,280 shares in the aggregate were purchased in those years, reflecting two-for-one stock splits in years 1995 and 1997.

NOTE 19 - REGULATORY CAPITAL COMPLIANCE

The Corporation and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. These requirements assign risk factors to all assets, including off-balance sheet items such as loan commitments and standby letters of credit. Failure to meet minimum capital requirements can cause certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Corporation's consolidated financial statement. Capital is separated into two categories, Tier 1 and Tier 2, which combine for Total Capital. At December 2001 and 2000, the Corporation's and the Bank's Tier 1 capital consists of their respective shareholders' equity and Tier 2 consists of the allowance for loan losses subject to certain limitations. The guidelines require Total Capital of 8% of risk-weighted assets, of which 4% must be Tier I capital.

In conjunction with risk-based capital guidelines, the regulators have issued capital leverage guidelines. The leverage ratio consists of Tier 1 capital as a percent of total assets. The minimum leverage ratio for all financial institutions is 3%, with a higher minimum ratio dependent upon the condition of the individual financial institution. The 3% minimum was established to make certain that all financial institutions have a minimum capital level to support their assets, regardless of risk profile.

In addition to the minimum guidelines stated above, the regulatory authorities have established minimums for an institution to be classified as "well capitalized." A financial institution is deemed to be well capitalized if the institution has a total risk-based capital ratio of 10% or greater, a Tier 1 risk-based capital ratio of 6% or greater, and a Tier 1 leverage ratio of 5% or

greater and the institution is not subject to an order, written agreement, capital directive or prompt corrective action directive to meet and maintain a specific capital level for any capital measure. The Corporation and the Bank currently exceed all minimum capital requirements and are considered to be "well capitalized", the highest rating, by the regulatory authorities. Management is not aware of any conditions or events that would have changed the Corporation's capital rating since December 31, 2001.

The Corporation and the Banks' (and its predecessor for 2000) regulatory capital positions as of December 31, 2001, and 2000 were as follows (dollars in thousands):

	Actual		For Capital Adequacy Purposes	
	Amount	Ratio	Amount	Ratio
CONSOLIDATED:				
As of December 31, 2001				
Total Capital (to Risk Weighted Assets)	$ 64,464	14.34%	$ 35,953	8.0
Tier I Capital (to Risk Weighted Assets)	58,842	13.10%	17,976	4.0
Tier I Capital (to Average Assets)	58,842	9.41%	18,762	3.0
As of December 31, 2000				
Total Capital (to Risk Weighted Assets)	$ 60,329	14.97%	$ 32,244	8.0
Tier I Capital (to Risk Weighted Assets)	55,286	13.72%	16,122	4.0
Tier I Capital (to Average Assets)	55,286	9.04%	18,339	3.0
SUMMIT BANK, N.A.:				
As of December 31, 2001				
Total Capital (to Risk Weighted Assets)	$ 62,840	13.98%	$ 35,952	8.0
Tier I Capital (to Risk Weighted Assets)	57,218	12.73%	17,976	4.0
Tier I Capital (to Average Assets)	57,218	9.15%	18,767	3.0
SUMMIT BANK, N.A.: *				
As of December 31, 2000				
Total Capital (to Risk Weighted Assets)	$ 56,181	14.12%	$ 31,884	8.0
Tier I Capital (to Risk Weighted Assets)	51,561	12.96%	15,943	4.0
Tier I Capital (to Average Assets)	51,561	8.51%	18,221	3.0

* The capital position for Summit Bank, N. A. at December 31, 2000 represents the combined capital position of its predecessors Summit National Bank and Summit Community Bank, N.A., at December 31, 2000.

NOTE 20- SUBSEQUENT EVENT

On January 15, 2002, the Board of Directors of the Corporation approved a

quarterly dividend of $.12 per share to be paid on February 15, 2002 to shareholders of record on February 1, 2002.

NOTE 21 - FAIR VALUES OF FINANCIAL INSTRUMENTS

Statement of Financial Accounting Standards No. 107 ("SFAS 107"), "Disclosures about Fair Value of Financial Instruments" requires disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate that value. In cases where quoted market prices are not available, fair values are based on estimates using present value tables or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. SFAS 107 excludes certain financial instruments and all non-financial instruments from its disclosure requirements.

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):

	Year Ended December 31,			
	2001		2000	
	Carrying	Fair	Carrying	Fair

	Amount	Value	Amount	Value
Financial Assets				
Cash and due from banks	$ 29,178	$ 29,178	$ 27,595	$ 27,595
Federal funds sold and due from time	2,284	2,284	46,461	46,461
Securities	160,136	160,136	149,647	149,575
Loans	430,754	439,537	380,016	377,276
Reserve for loan losses	(6,015)	(6,015)	(5,399)	(5,399)
Financial Liabilities				
Deposits	543,803	545,136	539,666	539,834
Short term borrowings	28,366	28,357	19,910	19,908
Off-balance Sheet Financial Instruments				
Loan commitments		131,337		120,209
Letters of credit		6,294		2,536

NOTE 22 - COMPREHENSIVE INCOME

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

	Year Ended December 31,		
	2001	2000	1999
Net Income	$ 8,802	$ 8,976	$ 9,222
Other Comprehensive Income:			
Unrealized gain (loss) on securities Available-for-Sale, net of tax	1,409	1,471	(1,746)
Comprehensive Income	$10,211	$10,447	$ 7,476

NOTE 23- CONDENSED PARENT COMPANY FINANCIAL STATEMENTS

BALANCE SHEETS	December 31,	
	2001	2000
ASSETS	(In Thousands)	
CASH IN SUBSIDIARY BANKS		
Demand	$ 1,621	$ 25
Time	-0-	977

INVESTMENTS IN SUBSIDIARIES		
Bank Subsidiaries	58,922	51,846
Non-Bank Subsidiary	-0-	268
NOTE RECEIVABLE FROM SUBSIDIARY	-0-	703
PREMISES AND EQUIPMENT - NET	-0-	1,471
OTHER ASSETS	3	2,512
TOTAL ASSETS	$60,546	$57,802
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Note Payable to Subsidiary	$ -0-	$ 533
Other Liabilities	10	1,698
SHAREHOLDERS' EQUITY	60,536	55,571
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$60,546	$57,802

STATEMENTS OF INCOME

	For th
	2001
INCOME	
Dividends from Subsidiaries	$ 6,090
Interest	29
Other Income	70
TOTAL INCOME	6,189
EXPENSES	
Interest	19
Salaries and Employee Benefits	-0-
Occupancy and Furniture - Net	-0-
Other Expense	209
TOTAL EXPENSE	228
INCOME BEFORE INCOME TAX BENEFIT AND EQUITY IN UNDISTRIBUTED EARNINGS OF SUBSIDIARIES	5,961
INCOME TAX BENEFIT	44
INCOME BEFORE EQUITY IN UNDISTRIBUTED EARNINGS OF SUBSIDIARIES	6,005

EQUITY IN UNDISTRIBUTED EARNINGS OF SUBSIDIARIES	2,797
NET INCOME	$ 8,802

STATEMENTS OF CASH FLOWS

	For th
	2001
CASH FLOWS FROM OPERATING ACTIVITIES	
Net Income	$ 8,802
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:	
Depreciation and Amortization	-0-
Deferred Federal Income Taxes (Benefit)	-0-
Undistributed Earnings of Subsidiaries	(2,797)
Net Decrease (Increase) in Other Assets	1,377
Net Increase (Decrease) in Other Liabilities	(1,687)
NET CASH PROVIDED BY OPERATING ACTIVITIES	5,695
CASH FLOWS FROM INVESTING ACTIVITIES	
Payment on Advance (Net Funding) to Subsidary	703
Purchases of Premises and Equipment	-0-
NET CASH USED BY INVESTING ACTIVITIES	703
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal Payments on Notes Payable	(533)
Payments of Cash Dividends	(2,782)
Receipts from Stock Options Exercised	235
Purchase of Treasury Stock	(2,699)
NET CASH USED BY FINANCING ACTIVITIES	(5,779)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	619
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,002
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,621

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

There have been no changes in accountants and no disagreements with accountants on any matter of accounting principles or practices or financial statement disclosures during the twenty-four (24) month period ended December 31, 2001.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The information set forth under the caption "PROPOSAL NO. 1: ELECTION OF DIRECTORS" on pages 3 through 7of the Corporation's Proxy Statement dated March 13, 2002, relating to the 2002 Annual Meeting of Shareholders of the Corporation, the information set forth under the caption "STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT" on pages 13 through 14 of such Proxy Statement, and the information set forth under the caption "EXECUTIVE OFFICERS OF THE CORPORATION" on page 11 of Part I of this report is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION.

The information set forth under the caption "EXECUTIVE COMPENSATION AND OTHER INFORMATION" on pages 15 through 22 of the Corporation's Proxy Statement dated, March 13, 2002 relating to the 2002 Annual Meeting of Shareholders of the Corporation, is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The information with respect to shareholders of the Corporation who are known to be beneficial owners of more than five percent (5%) of the outstanding shares of Common Stock of the Corporation set forth under the caption "STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT" on pages 13 through 14 of the Corporation's Proxy Statement dated March 13, 2002, relating to the 2002 Annual Meeting of Shareholders of the Corporation, is incorporated herein by reference. The information relating to the beneficial ownership of the outstanding shares of Common Stock of the Corporation by its directors and executive officers set forth under the caption "STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT" on pages 13 through 14 of the Corporation's Proxy Statement dated March 13, 2002, relating to the 2002 Annual Meeting of Shareholders of the

Corporation, is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information set forth under the caption "CERTAIN TRANSACTIONS" on page 25 of the Corporation's Proxy Statement dated March 13, 2002, relating to the 2002 Annual Meeting of Shareholders of the Corporation, is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

(a) (1) FINANCIAL STATEMENTS. The following financial statements are included in Part II, Item 8:

Independent Auditor's Report

Consolidated Balance Sheets of Summit Bancshares, Inc. and Subsidiaries as of December 31, 2001 and 2000

Consolidated Statements of Income of Summit Bancshares, Inc. and Subsidiaries for the Years Ended December 31, 2001, 2000 and 1999

Statements of Changes in Shareholders' Equity of Summit Bancshares, Inc. and Subsidiaries for the Years Ended December 31, 2001, 2000 and 1999 (Consolidated and Parent Company Only)

Consolidated Statement of Cash Flows of Summit Bancshares, Inc. and Subsidiaries for the Years Ended December 31, 2001, 2000 and 1999

Notes to Financial Statements

(2) FINANCIAL STATEMENT SCHEDULES. Financial statement schedules are omitted because of the absence of conditions under which they are required or because the required information is given in the financial statements or notes thereto.

(3) EXHIBITS. The following exhibits are filed as a part of this report:

3(a) Restated Articles of Incorporation of the Corporation as of July 21, 1998 (incorporated herein by reference to Exhibit 3(a) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1998).*

3(b) Amended and Restated Bylaws of the Corporation dated April 21, 1998 (incorporated herein by reference to Exhibit 3(b) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1998).*

4(a) Summit Bancshares, Inc.'s Rights Agreement dated April 17, 1990 (incorporated herein by reference to

Exhibit 1 to the Corporation's Current Report on Form 8-K dated April 18, 1990 filed on April 24, 1990).*

10(a) Lease Agreement dated August 28, 1985 by and between Alta Mesa National Bank, as lessor, and the Corporation, as lessee (incorporated herein by reference to Exhibit 10(a) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1985).*

10(b) Lease Agreement dated October 1, 1986 by and between the Corporation, as lessor, and Alta Mesa National Bank, as lessee (incorporated herein by reference to Exhibit 10(f) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1986).*

10(c) Promissory Note dated December 21, 1989 in the original principal amount of $1,400,000 executed by Summit Bancshares, Inc. and payable to the order of Summit National Bank (incorporated herein by reference to Exhibit 10(s) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1989).*

10(d) Lease Agreement dated February 14, 1992 by and between Zell/Merrill Lynch Real Estate Opportunity Partners Limited Partnership, as landlord, and Summit Bancshares, Inc., as tenant (incorporated herein by reference to Exhibit 10(I) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1992).*

10(e) First Amendment dated May 3, 1994 to Lease Agreement dated February 14, 1992 by and between Zell/Merrill Lynch Real Estate Opportunity Partners Limited Partnership, as landlord, and Summit Bancshares, Inc., as tenant (incorporated herein by reference to Exhibit 10(k) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1994).*

10(f) Management Security Plan of Summit Bancshares, Inc. effective September 1, 1992; Management Security Plan Agreement between Summit Bancshares, Inc. and F. S. Gunn; and Management Security Plan Agreement between Summit Bancshares, Inc. and James L. Murray (incorporated herein by reference to Exhibit 10(k) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1992).*

10(g) Commercial-Industrial Lease Agreement dated January 1, 1993 by and between Summit National Bank, as landlord, and Summit Bancservices, Inc., as tenant (incorporated herein by reference to Exhibit 10(m) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1992).*

10(h) 1993 Incentive Stock Option Plan of Summit Bancshares, Inc. (incorporated herein by reference to Exhibit 10(n) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1993).*

10(i) Loan Agreement dated July 12, 1995, between the Corporation and The Frost National Bank (incorporated herein by reference to Exhibit 10 to the Corporation's Quarterly Report on Form 10-Q for the three months ended June 30, 1995).*

10(j) Lease Agreement dated July 6, 1989 by and between Zell/Merrill Lynch Real Estate Opportunity Partners Limited Partnership, as landlord, and Summit National Bank as tenant (incorporated herein by reference to Exhibit 10(r) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1995).*.

10(k) First Amendment dated July 15, 1996 to Loan Agreement dated July 12, 1995, between the Corporation and The Frost National Bank (incorporated herein by reference to Exhibit 10(s) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1997).*

10(l) 1997 Incentive Stock Option Plan of Summit Bancshares, Inc. (incorporated herein by reference to Annex I to the Corporation's Proxy Statement for Annual Meeting of Shareholders, dated March 17, 1997).*

10(m) Second Amendment dated July 15, 1997 to Loan Agreement dated July 12, 1995, between the Corporation and The Frost National Bank (incorporated herein by reference to Exhibit 10(m) to the Corporation's Annual Report or Form 10-K for the year ended December 31, 1997).*

10(n) Second Lease Amendment and Extension Agreement to the Lease Agreement dated July 6, 1989, as amended by the Amendment of Lease dated August 12, 1993, by and between EOP-Summit Limited Partnership (as successor in interest to Zell/Merrill Lynch Real Estate Opportunity Partners Limited Partnership), as landlord, and Summit National Bank, as tenant (incorporated herein by reference to Exhibit 10(n) to the Corporation's Annual Report or Form 10-K for the year ended December 31, 1997).*

10(o) Agreement of Limited Partnership of IDI Summit, Ltd. dated November 6, 1997, between Summit Community Bank, N.A. and Innovative Developers, Inc. (incorporated herein by reference to Exhibit 10(o) to the Corporation's Annual Report or Form 10-K for the year ended December 31, 1997).*

10(p) Lease Agreement dated November 6, 1997 between Summit Community Bank, N.A., as tenant, and IDI - Summit, Ltd., as landlord (incorporated herein by reference to Exhibit 10(p) to the Corporation's Annual Report or Form 10-K for the year ended December 31, 1997).*

10(q) Second Amendment dated July 8, 1998 to Lease

Agreeement dated February 13, 1992 by and between Zell/Merrill Lynch Real Estate Opportunity Partners Limited Partnership, as landlord, and Summit Bancshares, Inc., as tenant (incorporated herein by reference to Exhibit 10(q) to the Corporation's Annual Report or Form 10-K for the year ended December 31, 1998).*

10(r) Third Amendment dated July 15, 1998 to Loan Agreement dated July 12, 1995, between the Corporation and the Frost National Bank (incorporated herein by reference to Exhibit 10(r) to the Corporation's Annual Report or Form 10-K for the year ended December 31, 1998).*

10(s) Third Amendment dated October 22, 1999 to Lease Agreeement dated February 13, 1992 by and between EOP-Summit Limited Partnership (as successors in interest to Zell/Merrill Lynch Real Estate Opportunity Partners Limited Partnership), as landlord, and Summit Bancshares, Inc., as tenant (incorporated herein by reference to Exhibit 10(s) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1999).*

10(t) Fourth Amendment dated July 15, 1999, to Loan Agreement dated July 12, 1995, between the Corporation and the Frost National Bank (incorporated herein by reference to Exhibit 10(t) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1999).*

10(u) Fifth Amendment dated July 15, 2000, to Loan Agreement dated July 12, 1995, between the Corporation and the Frost National Bank (incorporated herein by reference to Exhibit 10(u) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 2000).*

10(v) Severance Agreement between the Corporation and Philip E. Norwood, dated as of October 24, 2000 (incorporated herein by reference to Exhibit 10(v) to the Corporation Annual Report on Form 10K for the year ended December 31, 2000).*

10(w) Severance Agreement between the Corporation and Jeffrey M. Harp, dated as of October 24, 2000 (incorporated herein by reference to Exhibit 10(w) to the Corporation Annual Report on Form 10K for the year ended December 31, 2000).*

10(x) Loan Agreement dated September 15, 2001, between the Corporation and the Frost National Bank (incorporated herein by reference to Exhibit 10 to the Corporation's Quarterly Report on Form 10-Q for three months ended September 30, 2001).*

21	Subsidiaries of the Corporation.
23	Consent of Stovall, Grandey & Whatley, independent certified public accountants.

(b) REPORTS ON FORM 8-K.

The Corporation did not file during the last quarter covered by this report any reports on Form 8-K.

* A copy of this Exhibit is available to any shareholders, at the actual cost of reproduction upon written request to the Corporation.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

DATE: March 22, 2002

By: /s/ Philip E. Norwood
Philip E. Norwood, Chairman

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities indicated on this 22rd day of March, 2002.

SIGNATURE	TITLE
/s/ Philip E. Norwood Philip E. Norwood	Chairman, President, CEO and Direct (Principal Executive Officer)
/s/ Bob G. Scott Bob G. Scott	Chief Operating Officer, Executive Secretary and Treasurer (principal and principal accounting officer)
/s/ D. Jerrell Farr D. Jerrell Farr	Director
/s/ Elliott S. Garsek	Director

Elliott S. Garsek

/s/ Ronald J. Goldman Ronald J. Goldman	Director
/s/ F.S. Gunn F.S. Gunn	Director
/s/ Robert L. Herchert Robert L. Herchert	Director
/s/ Jay J. Lesok Jay J. Lesok	Director
/s/ William W. Meadows William W. Meadows	Director
/s/ James L. Murray James L. Murray	Director
/s/ Byron B. Searcy Byron B. Searcy	Director
/s/ Roderick D. Stepp Roderick D. Stepp	Director

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EXHIBIT INDEX

EXHIBIT		PAGE NO.
3(a)	Restated Articles of Incorporation of the Corporation	

as of July 21, 1998 (incorporated herein by reference to Exhibit 3(a) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1998).*

3(b) Amended and Restated Bylaws of the Corporation dated April 21, 1998 1998 (incorporated herein by reference to Exhibit 3(a) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1998).*

4(a) Summit Bancshares, Inc.'s Rights Agreement dated April 17, 1990 (incorporated herein by reference to Exhibit 1 to the Corporation's Current Report on Form 8-K dated April 18, 1990 filed on April 24, 1990).*

10(a) Lease Agreement dated August 28, 1985 by and between Alta Mesa National Bank, as lessor, and the Corporation, as lessee (incorporated herein by reference to Exhibit 10(a) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1985).*

10(b) Lease Agreement dated October 1, 1986 by and between the Corporation, as lessor, and Alta Mesa National Bank, as lessee (incorporated herein by reference to Exhibit 10(f) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1986).*

10(c) Promissory Note dated December 21, 1989 in the original principal amount of $1,400,000 executed by Summit Bancshares, Inc. and payable to the order of Summit National Bank (incorporated herein by reference to Exhibit 10(s) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1989).*

10(d) Lease Agreement dated February 14, 1992 by and between Zell/Merrill Lynch Real Estate Opportunity Partners Limited Partnership, as landlord, and Summit Bancshares, Inc., as tenant (incorporated herein by reference to Exhibit 10(I) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1992).*

10(e) First Amendment dated May 3, 1994 to Lease Agreement dated February 14, 1992 by and between Zell/Merrill Lynch Real Estate Opportunity Partners Limited Partnership, as landlord, and Summit Bancshares, Inc., as tenant (incorporated herein by reference to Exhibit 10(k) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1994).*

10(f) Management Security Plan of Summit Bancshares, Inc. effective September 1, 1992; Management Security Plan Agreement between Summit Bancshares, Inc. and F. S. Gunn; and Management Security Plan Agreement between Summit Bancshares, Inc. and James L. Murray (incorporated herein by reference to Exhibit 10(k) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1992).*

10(g) Commercial-Industrial Lease Agreement dated January 1, 1993 by and between Summit National Bank, as

	landlord, and Summit Bancservices, Inc., as tenant (incorporated herein by reference to Exhibit 10(m) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1992).*
10(h)	1993 Incentive Stock Option Plan of Summit Bancshares, Inc. (incorporated herein by reference to Exhibit 10(n) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1993).*

10(i)	Loan Agreement dated July 12, 1995, between the Corporation and The Frost National Bank (incorporated herein by reference to Exhibit 10 to the Corporation's Quarterly Report on Form 10-Q for the three months ended June 30, 1995).*
10(j)	Lease Agreement dated July 6, 1989 by and between Zell/Merrill Lynch Real Estate Opportunity Partners Limited Partnership, as landlord, and Summit National Bank as tenant (incorporated herein by reference to Exhibit 10(r) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1995).*
10(k)	First Amendment dated July 15, 1996 to Loan Agreement dated July 12, 1995, between the Corporation and The Frost National Bank (incorporated herein by reference to Exhibit 10(s) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1997).*
10(l)	1997 Incentive Stock Option Plan of Summit Bancshares, Inc. (incorporated herein by reference to Annex I to the Corporation's Proxy Statement for Annual Meeting of Shareholders, dated March 17, 1997).*
10(m)	Second Amendment dated July 15, 1997 to Loan Agreement dated July 12, 1995, between the Corporation and The Frost National Bank (incorporated herein by reference to Exhibit 10(m) to the Corporation's Annual Report or Form 10-K for the year ended December 31, 1997).*
10(n)	Second Lease Amendment and Extension Agreement to the Lease Agreement dated July 6, 1989, as amended by the Amendment of Lease dated August 12, 1993, by and between EOP-Summit Limited Partnership (as successor in interest to Zell/Merrill Lynch Real Estate Opportunity Partners Limited Partnership), as landlord, and Summit National Bank, as tenant (incorporated herein by reference to Exhibit 10(n) to the Corporation's Annual Report or Form 10-K for the

year ended December 31, 1997).*

10(o) Agreement of Limited Partnership of IDI Summit, Ltd. dated November 6, 1997, between Summit Community Bank, N.A. and Innovative Developers, Inc. (incorporated herein by reference to Exhibit 10(0) to the Corporation's Annual Report or Form 10-K for the year ended December 31, 1997).*

10(p) Lease Agreement dated November 6, 1997 between Summit Community Bank, N.A., as tenant, and IDI - Summit, Ltd., as landlord (incorporated herein by reference to Exhibit 10(p) to the Corporation's Annual Report or Form 10-K for the year ended December 31, 1997).*

10(q) Second Amendment dated July 8, 1998 to Lease Agreeement dated February 13, 1992 by and between Zell/Merrill Lynch Real Estate Opportunity Partners Limited Partnership, as landlord, and Summit Bancshares, Inc., as tenant (incorporated herein by reference to Exhibit 10(q) to the Corporation's Annual Report or Form 10-K for the year ended December 31, 1998).*

10(r) Third Amendment dated July 15, 1998 to Loan Agreement dated July 12, 1995, between the Corporation and the Frost National Bank (incorporated herein by reference to Exhibit 10(r) to the Corporation's Annual Report or Form 10-K for the year ended December 31, 1998).*

10(s) Third Amendment dated October 22, 1999 to Lease Agreeement dated February 13, 1992 by and between EOP-Summit Limited Partnership (as successors in interest to Zell/Merrill Lynch Real Estate Opportunity Partners Limited Partnership), as landlord, and Summit Bancshares, Inc., as tenant (incorporated herein by reference to Exhibit 10(s) to the Corporation's Annual Report or Form 10-K for the year ended December 31, 1999).*

10(t) Fourth Amendment dated July 15, 1999, to Loan Agreement dated July 12, 1995, between the Corporation and the Frost National Bank (incorporated herein by reference to Exhibit 10(t) to the Corporation's Annual Report or Form 10-K for the year ended December 31, 1999).*

10(u) Sixth Amendment dated September 15, 2001 to Loan Agreement dated July 12, 1995, between Corporation and the Frost National Bank

10(v) Formation of Summit Delaware Financial Corporation

10(w)	Fifth Amendment dated September 15, 2001, to Loan Agreement dated July 12, 1995, between the Corporation and the Frost National Bank (incorporated herein by reference to Exhibit 10(t) to the Corporation's Annual Report or Form 10-K for the year ended December 31, 2001).*
21	Subsidiaries of the Corporation.
23	Consent of Stovall, Grandey & Whatley, independent certified public accountants.