

GOLD BANC CORP INC
Form 10-Q
May 15, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2003

or

**TRANSITION REPORT UNDER SECTION 13 OR 15(D) OF
THE EXCHANGE ACT**

For the transition period from _____ to _____

Commission file number 0-28936

GOLD BANC CORPORATION, INC.

(Exact name of registrant as specified in its charter)

Kansas

(State or other jurisdiction of incorporation or
organization)

11301 Nall Avenue, Leawood, Kansas

(Address of principal executive offices)

48-1008593

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

66211

(Zip code)

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(913) 451-8050

(Registrant's telephone number, including area code)

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 past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for past 90 days. Yes No

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date.

Class	Outstanding at April 28, 2003
Common Stock, \$1.00 par value	39,495,382

GOLD BANC CORPORATION, INC.
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PERIOD ENDED MARCH 31, 2003

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PART I FINANCIAL INFORMATION

ITEM 1: FINANCIAL STATEMENTS

GOLD BANC CORPORATION, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands)

(unaudited)

	March 31, 2003	December 31, 2002
Assets		
Cash and due from banks	\$ 84,299	\$ 96,215
Federal funds sold and interest-bearing deposits	29,193	193
Total cash and cash equivalents	113,492	96,408
Investment securities:		
Held-to-maturity	193,662	201,563
Available-for sale	670,247	531,037
Trading	4,237	3,485
Total investment securities	868,146	736,085
Mortgage loans held for sale, net	24,597	25,134
Loans, net	2,778,936	2,705,217
Allowance for loan losses	(32,705)	(33,439)
Premises and equipment, net	69,359	69,587
Goodwill, net	35,643	35,643
Intangible assets, net	6,648	6,835
Cash surrender value of bank owned life insurance	77,430	56,501
Accrued interest and other assets	49,418	113,752
Total assets	\$ 3,990,964	\$ 3,811,723
Liabilities and Stockholders Equity		
Liabilities:		
Deposits	\$ 2,804,222	\$ 2,716,569
Securities sold under agreements to repurchase	142,352	153,595
Federal funds purchased and other short-term borrowings	568	25,658
Subordinated debt and guaranteed preferred beneficial interests in Company's debentures	113,279	113,137

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Long-term borrowings	679,461	548,848
Accrued interest and other liabilities	19,386	26,142
Total liabilities	3,759,268	3,583,949
Stockholders' equity:		
Preferred stock, no par value; 50,000,000 shares authorized, no shares issued		
Common stock, \$1.00 par value; 50,000,000 shares authorized 44,216,692 issued at March 31, 2003 and 44,188,384 issued at December 31, 2002	44,217	44,188
Additional paid-in capital	118,407	118,257
Retained earnings	112,917	107,392
Accumulated other comprehensive income, net	2,707	3,489
Unearned compensation	(13,432)	(12,432)
	264,816	260,894
Less treasury stock - 4,721,510 shares at March 31, 2003 and at December 31, 2002	(33,120)	(33,120)
	231,696	227,774
Total liabilities and stockholders' equity	\$ 3,990,964	\$ 3,811,723

See accompanying notes to consolidated financial statements

GOLD BANC CORPORATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS

For the Three Months ended March 31, 2003 and 2002

(In thousands, except per share data)

(unaudited)

	March 31, 2003	March 31, 2002 (Restated)
Interest Income:		
Loans, including fees	\$ 42,464	\$ 38,866
Investment securities	9,936	8,337
Other	469	595
	52,869	47,798
Interest Expense:		
Deposits	15,485	15,397
Borrowings and other	7,847	8,441
	23,332	23,838
Net interest income	29,537	23,960
Provision for loan losses	3,550	5,035
Net interest income after provision for loan losses	25,987	18,925
Other income:		
Service fees	4,197	3,970
Investment trading fees and commissions	1,477	1,396
Net gains on sale of mortgage loans	744	695
Net securities gains (losses)	(3)	600
Information technology services	2,252	4,815
Other	2,020	2,354
	10,687	13,830
Other expense:		
Salaries and employee benefits	14,740	11,948
Net occupancy expense	1,873	1,478
Depreciation expense	1,745	1,509
Core deposit intangible amortization	188	125
Information technology services	1,565	3,171
Losses resulting from misapplication of bank funds		25
Other	7,687	6,512
	27,798	24,768

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Earnings before income tax		8,876		7,987
Income tax expense		2,167		1,930
Net earnings	\$	6,709	\$	6,057
Net earnings per share-basic and diluted	\$	0.18	\$	0.18

See accompanying notes to consolidated financial statements.

GOLD BANC CORPORATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY AND COMPREHENSIVE INCOME

For the Three Months Ended March 31, 2003, and March 31, 2002 (Restated)

(Dollars in thousands)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (loss)	Unearned Compensation	Treasury Stock	Total
Balance at December 31, 2001	\$	38,352	76,584	83,987	(8)	(3,440)	(30,935)	\$ 164,540
Net earnings for the three months ended March 31, 2002				6,057				6,057
Change in unrealized gain on available for-sale securities					(196)			(196)
Total comprehensive income for the three months ended March 31, 2002				6,057	(196)			5,811
Exercise of 51,927 stock options		52	56					108
Purchase of 304,500 shares of treasury stock							(2,185)	(2,185)
Increase in unearned compensation						(5,350)		(5,350)
Dividends paid (\$0.02 per common share)				(771)				(771)
Balance at March 31, 2002	\$	38,404	76,640	89,273	(204)	(8,790)	(33,120)	\$ 162,203
Balance at December 31, 2002	\$	44,188	118,257	107,392	3,489	(12,432)	(33,120)	\$ 227,774
Net earnings for the three months ended March 31, 2003				6,709				6,709
Change in unrealized gain on available for-sale securities					(782)			(782)
Total comprehensive income for the three months ended March 31, 2003				6,709	(782)			(5,927)
Exercise of 28,308 stock options		29	150					179
Increase in unearned compensation						(1,000)		(1,000)
Dividends paid (\$0.03 per common share)				(1,184)				(1,184)
Balance at March 31, 2003	\$	44,217	118,407	112,917	2,707	(13,432)	(33,120)	\$ 231,696

See accompanying notes to consolidated financial statements.

GOLD BANC CORPORATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Three Months ended March 31, 2003 and 2002

(In thousands)

(unaudited)

	March 31, 2003	March 31, 2002 (Restated)
Cash flows from operating activities:		
Net earnings	\$ 6,709	\$ 6,057
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Provision for loan losses	3,550	5,035
(Gains) losses on sales of securities	3	(600)
Amortization of investment securities premiums, net of accretion	866	(19)
Depreciation	1,745	1,509
Amortization of intangible assets	188	125
Gain on sale of mortgage loans held for sale	(744)	(695)
Increase in cash surrender value of bank owned life insurance	(929)	(1,103)
Net decrease (increase) in trading securities	(752)	3,896
Proceeds from sale of loans held for sale	56,165	28,154
Origination of loans held for sale, net of repayments	(54,884)	(55,623)
Other changes:		
Accrued interest receivable and other assets	63,327	6,153
Accrued interest payable and other liabilities	(6,004)	2,697
Net cash provided by (used in) operating activities	\$ 69,240	\$ (4,414)
Cash flows from investing activities:		
Net increase in loans	\$ (78,003)	\$ (157,363)
Principal collections and proceeds from sales and maturities of available-for-sale securities	103,314	232,646
Purchases of available-for-sale securities	(244,462)	(211,527)
Principal collections and proceeds from sales and maturities of held-to-maturity securities	10,529	200
Purchases of held-to-maturity securities	(3,087)	(9,306)
Purchase of bank owned life insurance policy	(20,000)	
Net additions to premises and equipment	(1,517)	(11,313)
Net cash used in investing activities	\$ (233,226)	\$ (156,663)
Cash flows from financing activities:		
Increase in deposits	\$ 87,653	\$ 216,465
Net decrease in short-term borrowings	(36,333)	(28,999)
Proceeds from FHLB & long-term borrowings	130,755	25,863
Proceeds from issuance of common stock	179	108
Purchase of treasury stock		(2,185)
Dividends paid	(1,184)	(771)
Net cash provided by financing activities	181,070	210,481

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Increase in cash and cash equivalents	17,084	49,404
Cash and cash equivalents, beginning of period	96,408	73,773
Cash and cash equivalents, end of period	\$ 113,492	\$ 123,177

Supplemental disclosure of cash flow information:

Cash paid for interest	\$ 25,525	\$ 24,071
Cash paid for income taxes	4,560	1,717

See accompanying notes to consolidated financial statements

GOLD BANC CORPORATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with the instructions for Form 10-Q. The consolidated financial statements should be read in conjunction with the audited financial statements included in Amendment No. 1 to our 2002 Annual Report on Form 10-K/A filed with the Securities and Exchange Commission on April 15, 2003 (the 2002 Annual Report).

The consolidated financial statements include the accounts of Gold Banc Corporation, Inc. and its subsidiary banks and companies. All significant intercompany balances and transactions have been eliminated.

The consolidated financial statements as of March 31, 2003 and for the three months ended March 31, 2003 and 2002 are unaudited but include all adjustments (consisting only of normal recurring adjustments) which we consider necessary for a fair presentation of our financial position and results of our operations and cash flows for those periods. The consolidated statements of earnings for the three months ended March 31, 2003 are not necessarily indicative of the results to be expected for the entire year.

2. Restatement and Impact on Earnings

As disclosed in our 2002 Annual Report, we have restated our financial statements for the years ended December 31, 2001 and 2000. The 2002 Annual Report included all of the adjustments relating to the restatement for such prior periods including those required by Staff Accounting Bulletin 99. We will also file amended Form 10-Qs with respect to the first three quarters of 2002 to reflect the restatement of the financial information presented therein. Based on discussions with the staff of the SEC, we do not plan to file amended Form 10-Ks or Form 10-Qs for 2001 or 2000. The accompanying consolidated financial statements for the three months ended March 31, 2002 are also restated for the effect of the adjustments described above.

The restatement principally related to certain transactions totaling approximately \$136,000, \$1.1 million and \$1.3 million in 2002, 2001 and 2000, respectively, in which Michael W. Gullion, our former Chief Executive Officer, diverted funds of Gold Bank-Kansas for personal use, as well as the use of his company credit card for personal use and improper reimbursement of personal expenses charged to his personal credit card. The transactions were discovered by an internal investigation conducted by our Audit Committee, with assistance from its independent legal counsel and forensic accountants. For a detailed discussion of the internal investigation and the transactions discovered therefrom, see Item 13 Certain Relationships and Related Transactions in the 2002 Annual Report.

The effect of the restatement is as follows:

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Restatements to Net Earnings
as Previously Reported
for the Three Months Ended
March 31, 2002

Pre-Tax	Tax Effect	After Tax	% Change to Reported
\$ (133)	\$ (183)	\$ 50	0.80%

(Dollars in thousands)

The impact of these amounts is as follows:

For the Three Months Ended March 31, 2002			
Basic Earnings (Loss) Per Share		Diluted Earnings (Loss) Per Share	
As reported	As restated	As reported	As restated
\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.18

3. Earnings per Common Share

Basic earnings per share is based upon the weighted average number of common shares outstanding during the periods presented. Diluted earnings per share includes the effects of all potentially dilutive common shares outstanding during each period. Employee stock options are our only potential common share equivalent.

The shares used in the calculation of basic and diluted income per share for the three months ended March 31, 2003 and March 31, 2002 are shown below (in thousands):

	For the three months ended March 31	
	2003	2002 (Restated)
Weighted average common shares outstanding	39,477	33,798
Unallocated ESOP Shares	(1,488)	(809)
Total basic average common shares outstanding	37,989	32,989
Stock options	197	65
Total diluted weighted average common shares outstanding	38,186	33,054

We account for employee options under the intrinsic-value method prescribed by Accounting Principles Board Opinion No. 25 Accounting for Stock Issued to Employees with pro forma disclosures of net earnings and earnings per share, as if the fair value method of accounting defined in SFAS No. 123 Accounting for Stock Based Compensation had been applied. SFAS No. 123 establishes a fair value based method of accounting for stock based employee compensation plans. Under the fair value method, compensation cost is measured at the grant date based on the value of the award and is recognized over the service period, which is usually the vesting period. Under SFAS No. 123, our net income and net income per share would have decreased as reflected in the following pro forma amounts:

	March 31, 2003	March 31, 2002
Net earnings as reported	\$ 6,709	\$ 6,057
Deduct: Total stock based employee compensation expense determined under fair valued based method for all awards, net of	75	75

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related tax effects		
Pro forma net earnings	6,634	5,982
Earnings per share:		
Basic-as reported	0.18	0.18
Basic-pro forma	0.18	0.18
Diluted-as reported	0.18	0.18
Diluted-pro forma	0.18	0.18

4. Intangible Assets and Goodwill

The following table presents information about our intangible assets which are being amortized in accordance with Statement of Financial Accounting Standards (SFAS) No. 142.

	March 31, 2003		March 31, 2002 (Restated)	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
(In thousands)				
Amortized intangible assets:				
Core deposit premium	\$ 7,508		\$ 860	