GOLD BANC CORP INC
Form 10-Q
November 14, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

x	QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 For the quarterly period ended September 30, 2003 or
o	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)	48-1008593 (I.R.S. Employer Identification No.)
11301 Nall Avenue, Leawood, Kansas (Address of principal executive offices)	**66211** (Zip code)

(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 x No o

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

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 November 3, 2003
Common Stock, $1.00 par value	39,445,547

GOLD BANC CORPORATION, INC.
INDEX TO 10-Q FOR THE QUARTERLY
PERIOD ENDED SEPTEMBER 30, 2003

PART I FINANCIAL INFORMATION

ITEM 1: FINANCIAL STATEMENTS

GOLD BANC CORPORATION, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands)

	September 30, 2003	December 31, 2002
Assets		
Cash and due from banks	$ 79,946	$ 96,215
Federal funds sold and interest-bearing deposits	8,945	193
Total cash and cash equivalents	88,891	96,408
Investment securities:		
Held-to-maturity	146,647	201,563
Available-for-sale	819,300	531,037
Trading	4,199	3,485
Total investment securities	970,146	736,085
Mortgage loans held for sale, net	13,552	25,134
Loans, net	2,887,498	2,705,217

Allowance for loan losses	(34,438)	(33,439)
Premises and equipment, net	65,025	69,587
Goodwill, net	34,798	35,643
Intangible assets, net	6,274	6,835
Cash surrender value of bank owned life insurance	79,466	56,501
Accrued interest and other assets	47,570	113,752
Total assets	$ 4,158,782	$ 3,811,723
Liabilities and Stockholders' Equity		
Liabilities:		
Deposits	$ 2,908,451	$ 2,716,569
Securities sold under agreements to repurchase	150,483	153,595
Federal funds purchased and other short-term borrowings	30,680	25,658
Subordinated debt and guaranteed preferred beneficial interests in Company s debentures	112,606	113,137
Long-term borrowings	691,965	548,848
Accrued interest and other liabilities	23,280	26,142
Total liabilities	3,917,465	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 44,270,122 issued at September 30, 2003 and 44,188,384 issued at December 31, 2002	44,270	44,188
Additional paid-in capital	118,681	118,257
Retained earnings	126,065	107,392
Accumulated other comprehensive income (loss), net	(1,267)	3,489
Unearned compensation	(12,143)	(12,432)

	275,606	260,894
Less treasury stock - 4,824,575 shares at September 30, 2003 and 4,721,510 shares at December 31, 2002	(34,289)	(33,120)
Total stockholders' equity	241,317	227,774
Total liabilities and stockholders' equity	$ 4,158,782	$ 3,811,723

See accompanying notes to consolidated financial statements

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GOLD BANC CORPORATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
For the Three Months Ended September 30, 2003 and 2002
(In thousands, except per share data)

	September 30, 2003	September 30 2002
		(Restated)
Interest Income:		
Loans, including fees	$ 44,841	$ 41,947
Investment securities	8,287	8,319
Other	451	688
	53,579	50,954
Interest Expense:		
Deposits	14,466	16,603
Borrowings and other	8,161	8,172
	22,627	24,775
Net interest income	30,952	26,179
Provision for loan losses	3,034	3,165
Net interest income after provision for loan losses	27,918	23,014
Other income:		
Service fees	4,571	4,334
Investment trading fees and commissions	1,102	1,397
Net gains on sale of mortgage loans	761	716
Net securities gains	199	1,479
Gain on sale of branch facilities	1,828	-
Information technology services	1,087	5,085
Bank-owned life insurance	1,024	785
Other	1,343	2,044
	11,915	15,840

Other expense:		
Salaries and employee benefits	14,857	13,419
Net occupancy expense	2,033	1,578
Depreciation expense	1,703	1,628
Core deposit intangible amortization	188	125
Goodwill impairment	845	-
Losses and expenses (recoveries) resulting from misapplication of bank funds	(1,818)	-
Information technology services	1,181	3,635
Other	9,186	8,378
	28,175	28,763
Earnings before income tax	11,658	10,091
Income tax expense	3,442	2,656
Net earnings	$ 8,216	$ 7,435
Net earnings per share-basic and diluted	$ 0.22	$ 0.21

See accompanying notes to consolidated financial statements.

GOLD BANC CORPORATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
For the Nine Months Ended September 30, 2003 and 2002
(In thousands, except per share data)

	September 30, 2003	September 30 2002
		(Restated)
Interest Income:		
Loans, including fees	$ 130,544	$ 121,890
Investment securities	27,817	25,281
Other	1,451	1,715
	159,812	148,886
Interest Expense:		

Deposits	45,224	48,069
Borrowings and other	24,703	25,244
	69,927	73,313
Net interest income	89,885	75,573
Provision for loan losses	9,609	13,120
Net interest income after provision for loan losses	80,276	62,453
Other income:		
Service fees	13,122	12,854
Investment trading fees and commissions	3,992	3,965
Net gains on sale of mortgage loans	2,278	1,554
Net securities gains	1,172	4,905
Gain on sale of branch facilities	3,007	2,381
Information technology services	6,720	14,680
Bank-owned life insurance	2,983	2,365
Other	3,469	3,834
	36,743	46,538
Other expense:		
Salaries and employee benefits	44,005	38,696
Net occupancy expense	5,832	4,594
Depreciation expense	5,166	4,674
Core deposit intangible amortization	563	375
Goodwill impairment	845	-
Losses and expenses (recoveries) resulting from misapplication of bank funds	(668)	103
Information technology services	5,064	10,123
Other	25,404	22,471
	86,211	81,036
Earnings before income tax	30,808	27,955
Income tax expense	8,598	7,423
Net earnings	$ 22,210	$ 20,532
Net earnings per share-basic	$ 0.59	$ 0.60

Net earnings per share-diluted	$	0.58	$	0.60

GOLD BANC CORPORATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME
For the Nine Months Ended September 30, 2003, and September 30, 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 nine months ended September 30, 2002								

-

-

-

20,532

-

-

-

20,532

Change in unrealized gain on available for-sale securities

-

-

-

-

6,456

-

-

6,456

Total comprehensive income for the nine months ended September 30, 2002

-

-

-

20,532

6,456

-

-

27,080

Exercise of 83,445 stock options

-

84

172

-

-

-

-

256

Purchase of 304,500 shares of treasury stock

-

-

-

-

-

-

(2,185
)

(2,185
)
Increase in unearned compensation

-

-

-

-

-

(6,243
)

-

(6,243
)
Dividends paid ($0.06 per common share)

-

-

-

(2,023
)

-

-

-

(2,023
)

Balance at September 30, 2002

$

-

38,436

76,756

102,496

6,448

	(9,683
)	
	(33,120
)	
$	
	181,333

Balance at December 31, 2002	
$	-
	44,188
	118,257
	107,392
	3,489
	(12,432)
	(33,120)
$	227,774

Net earnings for the nine months ended September 30, 2003	
	-
	-
	-
	22,210
	-
	-
	-
	22,210
Change in unrealized gain on available for-sale securities	
	-
	-
	-
	-
	(4,756)
	-
	-
	(4,756)

Total comprehensive income for the nine months ended September 30, 2003

-

-

-

22,210

(4,756

)

-

-

17,454

Exercise of 81,738 stock options

-

82

424

-

-

-

-

506

Decrease in unearned compensation

-

-

-

-

-

289

-

289

Acquisition of 583,065 shares of treasury stock through restitution agreement

-

-

-

-

-

-

(6,300
)

(6,300
)
Purchase of 50,000 shares of treasury stock

-

-

-

-

-

-

(596
)

(596
)
Sale of 530,000 shares of treasury stock

-

-

-

-

-

-

5,727

5,727

Dividends paid ($0.09 per common share)

-

-

-

(3,537
)

-

-

-

(3,537
)

Balance at September 30, 2003	
$	-
	44,270
	118,681
	126,065
	(1,267)
	(12,143)
	(34,289)
$	241,317

See accompanying notes to consolidated financial statements.

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GOLD BANC CORPORATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine Months Ended September 30, 2003 and 2002

(In thousands)
(unaudited)

	September 30, 2003	September 30, 2002
		(Restated)
Cash flows from operating activities:		
Net earnings	$ 22,210	$ 20,532
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Provision for loan losses	9,609	13,120
Allocation of ESOP Shares	289	-
Recovery from restitution agreement	(2,300)	-
Gains on sales of securities	(1,172)	(4,905)
Gain on sale of branches.	(3,007)	(2,381)
Amortization of investment securities premiums, net of accretion	4,963	590
Depreciation	5,166	4,674
Amortization of intangible assets	561	375
Gain on sale of mortgage loans held for sale	(2,278)	(1,554)
Goodwill impairment	845	-
Increase in cash surrender value of bank owned life insurance	(2,965)	(2,365)
Net (increase) decrease in trading securities	(714)	4,035
Proceeds from sale of loans held for sale	175,346	51,297
Origination of loans held for sale, net of repayments	(161,486)	(61,760)
Other changes:		
Accrued interest receivable and other assets	65,688	14,997
Accrued interest payable and other liabilities	(897)	5,735
Net cash provided by operating activities	$ 109,858	$ 42,853
Cash flows from investing activities:		
Net increase in loans	$ (211,404)	$ (351,706)
Purchase of note receivable	(4,000)	-
Principal collections and proceeds from sales and maturities of available-for-sale securities	393,092	597,285
Purchases of available-for-sale securities	(689,811)	(774,655)
Principal collections and proceeds from sales and maturities of held-to-maturity securities	55,905	-
Purchases of held-to-maturity securities	(3,062)	(59,183)
Purchase of bank owned life insurance policy	(20,000)	-
Net additions to premises and equipment	(2,980)	(24,967)
Cash received in purchase acquisitions, net of cash paid	(65,785)	149,014
Net cash used in investing activities	$ (548,045)	$ (464,212)

Cash flows from financing activities:		
Increase in deposits	$ 283,543	$ 409,705
Net increase in short-term borrowings	1,910	38,100
Proceeds from FHLB & long-term borrowings	143,117	3,206
Proceeds from issuance of common stock	506	256
Purchase of treasury stock	(596)	(2,185)
Proceeds from sale of treasury shares	5,727	-
Dividends paid	(3,537)	(2,023)
Net cash provided by financing activities	430,670	447,113
Increase (decrease) in cash and cash equivalents	(7,517)	25,754
Cash and cash equivalents, beginning of period	96,408	73,773
Cash and cash equivalents, end of period	$ 88,891	$ 99,527
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 72,562	$ 71,975
Cash paid for income taxes	9,255	3,359

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 inter-company balances and transactions have been eliminated.

The consolidated financial statements as of September 30, 2003 and for the three and nine months ended September 30, 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 and nine months ended September 30, 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 also filed 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 information for the three and nine months ended September 30, 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:

	Restatements to Net Earnings as Previously Reported			
	Pre-Tax	Tax Effect	After Tax	% Change to Reported
	(Dollars in thousands)			
Three Months Ended September 30, 2002	$ (254)	$ 184	$ (70)	(0.93%)
Nine Months Ended September 30, 2002	$ (642)	$ 550	$ (92)	(0.45%)

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The impact of these amounts is as follows:

	Basic Earnings Per Share		**Diluted Earnings Per Share**	
	As reported	As restated	As reported	As restated
Three Months Ended September 30, 2002	$ 0.22	$ 0.21	$ 0.22	$ 0.21
Nine Months Ended September 30,	$ 0.61	$ 0.60	$ 0.61	$ 0.60

2002

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 and nine months ended September 30, 2003 and September 30, 2002 are shown below (in thousands):

	For the three months ended September 30		**For the nine months ended September 30**	
	2003	2002	2003	2002
		(Restated)		(Restated)
Weighted average common shares outstanding	39,136	33,713	39,369	35,837
Unallocated ESOP Shares	(1,534)	(1,085)	(1,499)	(730)
Total basic average common shares outstanding	37,602	32,628	37,870	35,151
Stock options	224	220	179	44
Total diluted weighted average common shares outstanding	37,826	32,848	38,049	35,107

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 (in thousands, except per share amounts):

	For the three months ended	
	September 30, 2003	September 30, 2002
		(Restated)
Net earnings as reported	$ 8,216	$ 7,435
Deduct: Total stock based employee compensation expense determined under fair valued based method for all awards, net of related tax effects	107	75

Pro forma net earnings	$	8,109	$	7,360
Earnings per share:				
Basic-as reported	$	0.22	$	0.21
Basic-pro forma		0.22		0.21
Diluted-as reported		0.22		0.21
Diluted-pro forma		0.21		0.21

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	For the nine months ended			
	September 30, 2003		September 30, 2002	
Net earnings as reported	$	22,210	$	20,532
Deduct: Total stock based employee compensation expense determined under fair valued based method for all awards, net of related tax effects		289		225
Pro forma net earnings	$	21,921	$	20,307
Earnings per share:				
Basic-as reported	$	0.59	$	0.60
Basic-pro forma		0.58		0.60
Diluted-as reported		0.58		0.60
Diluted-pro forma		0.58		0.60

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.

	September 30, 2003				**September 30, 2002**			
					(Restated)			
	Gross Carrying Amount		Accumulated Amortization		Gross Carrying Amount		Accumulated Amortization	
			(In thousands)					
Amortized intangible assets:								
Core deposit premium	$	7,508	$	1,234	$	7,508	$	387
Aggregate amortization expense for the nine months ended			$	563			$	375

Estimated amortization expense (in thousands) for the years ending December 31:

2003	$751
2004	$751
2005	$751
2006	$751
2007	$751

Goodwill at September 30, 2003 was $34.8 million, which is $845,000 less than the amount at December 31, 2002. There was no impairment to goodwill recorded for the three or six months ended June 30, 2003. An impairment of $845,000 was recorded in the third quarter of 2003, which was directly related to the operations of CompuNet Engineering.

During 2002 and the first nine months of 2003, CompuNet Engineering did not comply with certain Federal Reserve regulations regarding the sources of its revenue. Management has determined that it is not possible to comply these regulations and maintain CompuNet Engineering as a viable entity. Management is currently seeking to sell our interest in CompuNet Engineering. In the event that CompuNet Engineering is sold for less than the carrying value of its associated assets and goodwill, we will be required to record a loss on the sale. The remaining goodwill associated with CompuNet Engineering was $3.7 million at September 30, 2003.

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5. Comprehensive Income

Comprehensive income was $1.5 million and $8.7 million for the three months ended September 30, 2003 and September 30, 2002, respectively. Comprehensive income was $17.4 million and $27.0 million for the nine months ended September 30, 2003 and September 30, 2002, respectively. The difference between comprehensive income and net earnings presented in the consolidated statements of earnings is attributed solely to unrealized gains and losses on available-for-sale securities. During the three months ended September 30, 2003 and September 30, 2002, we recorded reclassification adjustments of $129,000 and $961,000, respectively, associated with gains and losses included in net earnings for such periods. During the nine months ended September 30, 2003 and September 30, 2002, we recorded reclassification adjustments of $762,000 and $3.1 million, respectively, associated with gains included in net earnings for such periods.

6. Mergers, Acquisitions, Dispositions and Consolidations

Sale of Guymon Branch. On December 24, 2002, Gold Bank-Oklahoma entered into an agreement for the sale of its Guymon, Oklahoma branch location to City National Bank and Trust Company of Guymon, Oklahoma. The deposits and loans of this branch were approximately $36 million and $5.5 million, respectively, at the closing date. The sale of this branch closed on April 11, 2003, following receipt of regulatory approvals. In connection with the sale of the Guymon branch location, we recorded a gain of approximately $839 thousand. We believe the sale of this branch will not have a significant impact on our capital and liquidity or operations.

Sale of Wakita & Helena Branches. On March 4, 2003, Gold Bank-Oklahoma entered into an agreement for the sale of its Helena and Wakita, Oklahoma branch locations to Farmers Exchange Bank of Cherokee, Oklahoma. The aggregate deposits and loans of these Gold Bank-Oklahoma branches were approximately $17 million and $3 million, respectively, at the closing date. The sale of these branches closed on May 30, 2003 upon receipt of regulatory approvals. In connection with the sale of these branches, we recorded a gain of approximately $334 thousand. We believe the sale of these branches will not have a significant impact on our capital and liquidity or operations.

Sale of LaCgyne and Pleasanton Branches. On June 10, 2003, Gold Bank-Kansas entered into an agreement for the sale of its LaCgyne and Pleasanton, Kansas branch locations to Labette Bank. The aggregate deposits and loans of these Gold Bank-Kansas branches were approximately $38 million and $15 million, respectively, at the closing date. The sale of these branches closed on August 15, 2003 upon receipt of regulatory approvals. In connection with the sale of these branches, we recorded a gain of approximately $1.8 million. We believe the sale of these branches will not have a significant impact on our capital and liquidity or operations.

Consolidation of Gold Bank-Kansas and Gold Bank-Oklahoma. On August 11, 2003, Gold Bank-Kansas filed an application with the Federal Reserve Bank of Kansas City (the "FRB-KC") and the Kansas Office of the State Bank Commissioner (the "OSBC") to merge Gold Bank-Oklahoma and Gold Bank-Kansas with Gold Bank-Kansas being the surviving entity. In October 2003, Gold Bank-Kansas received approval of its application and expects the merger to be consummated on or before January 6, 2004. Gold Bank-Kansas expects to realize approximately $1.3 million in annual cost savings as a result of the merger due to a more efficient workforce and standardization of products and operating procedures. In addition, the merger will allow Gold Bank-Kansas to consolidate its efforts for future growth of its Midwestern franchises under one unified banking organization.

Sale of Gold Bank-Kansas and Gold Bank-Oklahoma branches. On September 16, 2003, we announced that we had entered into agreements for the sale of seven Gold Bank-Kansas branches and two Gold Bank-Oklahoma branches. The sale of these branches is part of an effort by us to focus on higher-growth metropolitan areas. An employee-investor group led by Leonard Wolfe, the regional Gold Bank-Kansas president in Marysville, Kansas, will be the purchaser of the Gold Bank-Kansas branches. BancFirst of Oklahoma City will be the purchaser of the two Gold Bank-Oklahoma branches. As of September 30, 2003, the deposits and loans of the seven Gold Bank-Kansas branches were approximately $330 million and $200 million, respectively. The deposits and loans of the two Gold Bank-Oklahoma branches were approximately $45 million and $20 million, respectively, as of September 30, 2003. We expect these transactions to close sometime during the fourth quarter of 2003. We believe the sale of these branches will not have a significant impact on our capital and liquidity or operations.

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7. Derivative Instruments

In August 2002, we entered into three interest rate swap agreements with an aggregate notional amount of $82.5 million. Each swap has a notional amount equal to the outstanding principal amount of the related trust preferred securities, together with the same payment dates, maturity date and call provisions as the related trust preferred securities. Under each of the swaps, we pay interest at a variable rate equal to a spread over 90-day LIBOR, adjusted quarterly, and we receive a fixed rate equal to the interest that we are obligated to pay on the related trust preferred securities. The interest rate swaps are derivative financial instruments and have been designated as fair value hedges of the trust preferred securities.

The $28.7 million notional amount swap agreement was called by the counter-party and terminated on April 7, 2003. The $16.3 million notional amount swap agreement was called by the counter-party and terminated on June 30, 2003. Under these swap agreements, no payments were due between the parties and no gain or loss was recognized by us when they were called. There are no current plans to replace these terminated swap agreements. The remaining swap agreement is also callable by the counter-party prior to its respective maturity date.

During the quarter ended September 30, 2003, we received net cash flows of $479 thousand under the one remaining agreement, which was recorded as a reduction of interest expense on the trust preferred securities. During the nine months ended September 30, 2003, we received net cash flows of $2.2 million under the three agreements, which was also recorded as a reduction of interest expense on the trust preferred securities.

In August 2003, we entered into seven interest rate swap agreements with an aggregate notional amount of $190 million for the purpose of effectively converting $190 million of fixed rate FHLB borrowings into floating rate obligations. Each swap has a notional amount equal to the outstanding principal amount of the related FHLB borrowings, together with the same payment dates, maturity date and call provisions as the related FHLB borrowings. Under each of the swaps, we pay interest at a variable rate equal to a spread over 30-day LIBOR, adjusted monthly, and we receive a fixed rate equal to the interest that we are obligated to pay on the related FHLB borrowings. The interest rate swaps are derivative financial instruments and have been designated as fair value hedges of the FHLB borrowings.

During the quarter ended September 30, 2003, we received net cash flows of $576 thousand under these agreements, which was recorded as a reduction of interest expense on the related FHLB borrowings.

8. Legal Proceedings

Regulatory Examinations and Supervisory Actions

During the first quarter of 2003, the OSBC and the FRB-KC conducted a joint safety and soundness examination of Gold Bank-Kansas. The FRB-KC also began a financial holding company examination of the Company. Concurrently with these examinations, we conducted an internal investigation that uncovered misappropriations and other improper conduct by our former CEO, Michael W. Gullion. For additional information relating to Mr. Gullion's misconduct, see our 2002 Annual Report.

We have received the joint report of examination for Gold Bank-Kansas and the financial holding company examination report. The "management" and "composite" CAMELS ratings for Gold Bank-Kansas in the joint report of examination were less than "satisfactory." Because of these CAMELS ratings, Gold Bank-Kansas is no longer a "well-managed" financial institution. In addition to the Gullion misconduct, the report of examination identified noncompliance or deficiencies by Gold Bank-Kansas in regard to:

l Regulation H (information technology, bank secrecy act, currency transaction reports, and suspicious activity reporting);

l Section 23A of the Federal Reserve Act (transactions with affiliates);

l Regulation O (loans to officers and directors); and

l Regulation Y and K.S.A. § 17-11-21 (appraisals).

The financial holding company examination report identified noncompliance or deficiencies by us in regard to:

l Section 23A of the Federal Reserve Act (transactions with affiliates);

l Regulation Y (information security);

l CompuNet's revenues from non-financial data processing activities; and

- Late filing of a regulatory report.

The joint examination report was based upon the condition and management of Gold Bank-Kansas as of December 31, 2002. The holding company examination report was based upon the condition and management of the Company as of March 31, 2003.

As a result of the examinations, we are subject to the following restrictions:

- We must provide 30 days prior written notice to the FRB-KC before adding or replacing any member of our board of directors, employing any person as a senior executive officer or changing the responsibilities of any senior executive officer so that the person would assume a different senior executive officer position.

- We are prohibited from making or contracting to make severance payments to any director, officer or employee in excess of the severance benefits we provided to all eligible employees without the prior written approval of the FRB-KC and the Federal Deposit Insurance Corporation.

- We are prohibited from making indemnification payments to any institution-affiliated party to pay or reimburse such person for any civil money penalty, judgement or legal expenses resulting from any administrative or civil action instituted by any federal banking agency.

On August 26, 2003, we and Gold Bank-Kansas entered into a written agreement (a "Written Agreement") with the OSBC and the FRB-KC. The Written Agreement is intended to address and remediate the deficiencies identified in the joint report of examination. The Written Agreement does not prohibit or limit the payment of dividends by Gold Bank-Kansas or us. We and Gold Bank-Kansas have already begun or completed nearly all the corrective actions set forth in the Written Agreement. As required by the Written Agreement, we and Gold Bank-Kansas have prepared and submitted a plan covering the review and development of:

- written procedures to strengthen Gold Bank-Kansas' internal controls;

- our internal audit program, including an assessment of the composition, independence and effectiveness of the audit committee of our Board of Directors;

- a written plan to improve the information technology function of us and all of our subsidiaries; and

- steps to comply with all appropriate laws and regulations.

In connection with the Written Agreement and the development and implementation of the plans required therein, we recently created and filled the positions of Director of Internal Audit, Director of Compliance, and a Director of Technology Security. In addition, the Boards of Directors of both us and Gold Bank-Kansas have established a Compliance Committee to monitor and coordinate compliance with the Written Agreement. The Compliance Committee is composed entirely of independent directors who provide monthly progress reports to the Boards of Directors of both us and Gold Bank-Kansas.

As a financial holding company under the Bank Holding Company Act (the "BHC Act"), each of our depository institution subsidiaries must remain both "well-capitalized" and "well-managed" for us to retain our status as a financial holding company with authority to engage in expanded financial activities. Because Gold Bank-Kansas has lost its "well-managed" rating, we are not in compliance with the requirements for financial holding companies under the BHC Act. We will not be in compliance with the requirements for financial holding companies until the "management" and "composite" ratings of Gold Bank-Kansas have been upgraded to "satisfactory" by the FRB and the OSCB. Our non-compliance with the requirements for financial holding companies does not prohibit or limit the payment of dividends by Gold Bank-Kansas and us.

On August 26, 2003, we entered into a written agreement with the FRB-KC (a "BHC Agreement") under the BHC Act intended to address and remediate the deficiencies identified in the financial holding company examination report. It also sets forth corrective steps we must take to restore the well managed rating of Gold Bank-Kansas and bring us into compliance with the requirements for a financial holding company on or before January 15, 2004. The BHC Agreement also requires that we take all the actions required by the Written Agreement to correct the deficiencies at Gold Bank-Kansas. It further requries that until the FRB-KC determines that we meet the requirements for a financial holding company, we may not, directly or indirectly, engage in an additional activity, or acquire any company under Section 4(k) of the BHC Act, without prior written approval of the Federal Reserve.

The banking regulators recently began an examination of Gold Bank-Kansas on November 3, 2003. We expect the results of this examination to enable Gold Bank-Kansas to regain its "well-managed" rating and permit us to retain our status as a financial holding company. For a discussion of the implications and alternatives if Gold Bank-Kansas does not regain its "well-managed" rating, see our Form 10-Q for the quarterly period ended March 31, 2003.

9. Gullion Restitution

On May 20, 2003, Gold Bank-Kansas entered into a restitution agreement with our former Chairman and Chief Executive Officer, Michael W. Gullion. On July 23, 2003, we purchased from an unaffiliated bank a $4 million loan to Mr. Gullion evidenced by a promissory note collateralized by substantially all of the shares of common stock of the Company owned by Mr. Gullion. On the same day, we exercised our option under the restitution agreement to purchase 583,065 shares of our common stock from Mr. Gullion for approximately $6.3 million. The purchase price of $10.805 per share was calculated in accordance with the restitution agreement and was equal to the 10-day average closing price of our common stock on the NASDAQ preceding the date on which the shares were purchased. We retained the sales proceeds to satisfy Mr. Gullion's obligation under the note payable that we purchased (aggregating approximately $4.0 million) and to satisfy Mr. Gullion's obligation under the restitution agreement (aggregating approximately $2.3 million).

As a result of the transaction, we acquired 583,065 shares of treasury stock and recorded income of approximately $2.3 million in the third quarter of 2003. That amount has been recorded as a recovery of the previously recorded losses and expenses resulting from Mr. Gullion's misappropriation of bank funds. We reissued some of these treasury shares in private sales. Five members of our Board of Directors purchased directly, or through an affiliate, an aggregate of 530,000 of these shares from us at a purchase price of $10.805 per share. On August 1, 2003, Daniel P. Connealy purchased 10,000 of these shares. On August 5, 2003, William Randon purchased 70,000 of these shares. On August 28, 2003, an affiliate of Patrick Curran purchased 100,000 of these shares. On September 3, 2003, an affiliate of Allen D. Peterson purchased 300,000 of these shares. On September 8, 2003, Robert B. Gourley purchased 50,000 of these shares. Resale of these shares will be restricted for two years in accordance with SEC regulations.

We have been actively negotiating a settlement with Mr. Gullion that would include payment by Mr. Gullion of additional restitution. We have made additional claims against Mr. Gullion for the following:

- $1.1 million for additional amounts that we believe Mr. Gullion either misappropriated from us or for which he failed to reimburse us;
- $1.5 million for the costs of investigation into Mr. Gullion's misconduct;
- $0.5 million of interest on the above items;
- $0.2 million of outstanding loans;
- $3.0 million representing the forfeiture of all cash compensation paid to Mr. Gullion since January 1, 1998; and
- the forfeiture of all stock options granted to Mr. Gullion since January 1, 1998.

While Mr. Gullion has disputed most of these claims, he has repaid with interest the $0.2 million of outstanding loans owed to us. Through his attorney, he has negotiated with us for the settlement of the other claims without litigation. Although no definitive settlement agreement has been reached, based upon the progress of the negotiations, we now expect that a satisfactory settlement agreement will be signed and additional restitution will be paid during the fourth quarter of 2003.

As part of the negotiations, Mr. Gullion has provided us with his personal financial statement showing a net worth substantially below the amount of the claims we have asserted. It is clear that we cannot recover the full amount of our claims from Mr. Gullion either through a settlement or litigation.

If we reach a written settlement agreement with Mr. Gullion and receive additional restitution, we plan to make this information publicly available through a press release and the filing of a current report on Form 8-K, which will include the settlement agreement as an exhibit.

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following financial review presents management's discussion and analysis of our consolidated financial condition and results of operations. This review highlights the major factors affecting results of operations and any significant changes in financial condition for the three and nine month periods ended September 30, 2003. This review should be read in conjunction with the consolidated financial statements and related notes appearing elsewhere in this report as well as Amendment No. 1 to our 2002 Annual Report on Form 10-K/A (the "2002 Annual Report"). Results of operations for the three and nine month periods ended September 30, 2003 are not necessarily indicative of results to be attained for any other period.

Strategic Direction and Goals

We continue to believe in the underlying soundness of our community banking model, which has been strengthened by the recent improvements in process and controls, while retaining a substantial amount of decision-making at the local level. We are also committed to a renewed focus on our core businesses of commercial banking and wealth management. As a result, we may seek to sell some of our non-core businesses.

We intend to focus our efforts in our existing faster growing, metropolitan markets: Kansas City (particularly Johnson County, Kansas) and four counties in Florida (Manatee, Charlotte, Sarasota and Hillsborough). Our branches in slower growth markets such as out-state Kansas (i.e., outside of metropolitan Kansas City) and out-state Oklahoma (i.e., outside of Oklahoma City and Tulsa) have lower growth opportunities, reduced margin opportunities, and higher cost of funds. As a result, these branches do not fit as well with our current growth and other strategic goals. On September 16, 2003, we announced that we had entered into agreements for the sale of seven out-state Kansas branches and two out-state Oklahoma branches. We are currently evaluating the possible sale of some or all of our remaining out-state branches in order to refine our strategic focus. We intend to use the proceeds from the sales of our out-state branches to fund loans in our higher growth markets, call and redeem some of our trust preferred securities or repurchase shares of our common stock. Also, the resulting reduction in our assets and liabilities from the sales of our out-state branches will increase our regulatory capital ratios.

At this time, Gold Bank-Florida benefits from being in a rapidly growing market and a sale of the bank would result in a high tax burden. Therefore, a sale of Gold Bank-Florida is unlikely in the foreseeable future.

During the third quarter of 2003, we decreased the asset sensitivity of our balance sheet by entering into interest rate swap agreements for a portion of our long-term fixed rate borrowings. By agreeing to pay a variable rate of interest that is currently lower than the fixed rates we are paying on our borrowings, we expect to increase our net interest margin and more closely match our variable rate assets with variable rate liabilities. We entered into seven interest rate swap agreements with an aggregate notional principal amount of $190 million for the purpose of effectively converting $190 million our fixed rate borrowings from the Federal Home Loan Bank System into floating rate obligations. In addition, we currently have in place an interest rate swap any additional agreement with respect to $37.6 million of our trust preferred securities. We have no current plans to enter into any additional interest rate swap agreements.

Our strategic objectives of this more refined focus are to improve profitability and the strength and flexibility of our balance sheet as well as to reduce asset sensitivity. In order to achieve these objectives, we have established the following strategic goals:

- equity capital ratio in the range of 8%,
- liquidity ratio of approximately 20%,
- loan to deposit ratio in the range of 90%,
- earnings per share growth in excess of 10%,
- return on equity in excess of 15%, and
- efficiency ratio of 60%.[1]

We are also targeting total annual expense reductions of $2.5 million. Management has identified and intends to eliminate approximately $1.7 million of annual expenses by the end of the first quarter of 2004.

On August 11, 2003, Gold Bank-Kansas filed and application with the FRB-KC and OSBC to merge Gold Bank-Oklahoma into Gold Bank-Kansas with Gold Bank-Kansas being the surviving entity. In October 2003, Gold Bank-Kansas received approval of its application and expects the merger to be consummated on or before January 6, 2004. We expect to realize approximately $1.3 million in annual cost savings as a result of the merger due to a more efficient workforce and standardization of products and operating procedures. In addition, the merger will allow Gold Bank-Kansas to consolidate its efforts for future growth of its Midwestern franchises under one unified banking organization.

Our focus on achieving the above goals makes it unlikely that we will pursue any acquisitions in the next 9 to 15 months.

Certain Financial Data

The following table sets forth certain financial data for the three and nine month periods ended September 30, 2003 and September 30, 2002 (dollars in thousands, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Net Earnings	$ 8,216	$ 7,435	$ 22,210	$ 20,532
Earnings Per Share (basic)	$ 0.22	$ 0.21	$ 0.59	$ 0.60
Return on Average Assets	0.79%	0.87%	0.74%	0.84%
Return on Equity	13.83%	16.74%	12.64%	16.09%
Dividend to Net Earnings	14.22%	9.08%	15.93%	9.85%

[1] We calculate the efficiency ratio as a ratio, expressed as a percentage, the numerator of which is non-interest expense (excluding any non-recurring expenses), and the denominator of which is the sum of net interest income before provision for loan losses, plus non-interest income (excluding any non-recurring income).

	At September 30, 2003	At September 30, 2002
Stockholders' equity to total assets	5.80%	4.97%

Recent Events and Restatement

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 also filed amended Form 10-Qs with respect to the first three quarters of 2002 to reflect the restatement of the financial information for such periods. 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 consolidated financial statements included elsewhere in this report restate our financial statements for the three and nine months ended September 30, 2002.

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. For a discussion of the amounts we have received and the additional amounts that we seek to recover from Mr. Gullion, see " Financial Condition Recovery of Restitution Amounts from Gullion" below.

The effect of the restatement (as described in Note 2 "Restatement and Impact on Earnings" of the consolidated financial statements) is as follows:

	Restatements to Net Earnings as Previously Reported			
	Pre-Tax	Tax Effect	After Tax	% Change to Reported
	(Dollars in thousands)			
Three Months Ended September 30, 2002	$ (254)	$ 184	$ (70)	(0.93%)
Nine Months Ended September 30, 2002	$ (642)	$ 550	$ (92)	(0.45%)

The impact of these amounts is as follows:

	Basic Earnings Per Share		**Diluted Earnings Per Share**	
	As reported	As restated	As reported	As restated
Three Months Ended September 30, 2002	$ 0.22	$ 0.21	$ 0.22	$ 0.21
Nine Months Ended September 30, 2002	$ 0.61	$ 0.60	$ 0.61	$ 0.60

Results of Operations

Net Interest Income