GOLD BANC CORP INC
Form 10-Q
August 09, 2004

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 June 30, 2004

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	48-1008593
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
11301 Nall Avenue, Leawood, Kansas	66211
(Address of principal executive offices)	(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 [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes [X] 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 August 6, 2004
Common Stock, $1.00 par value	40,097,826

GOLD BANC CORPORATION, INC.
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PERIOD ENDED JUNE 30, 2004

PART I FINANCIAL INFORMATION

ITEM 1: FINANCIAL STATEMENTS

GOLD BANC CORPORATION, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

(In thousands)
(unaudited)

	June 30, 2004	December 31, 2003
Assets		
Cash and due from banks	$ 64,662	$ 78,124
Federal funds sold and interest-bearing deposits	20,065	38,978
Total cash and cash equivalents	84,727	117,102
Investment securities:		
Available-for-sale	750,550	842,900
Held-to-maturity	284,601	133,492
Trading	3,560	9,692
Total investment securities	1,038,711	986,084
Mortgage loans held-for-sale, net	1,969	5,883
Loans, net	2,834,588	2,977,021
Premises and equipment, net	56,531	63,131
Goodwill	30,484	31,082
Other intangible assets, net	5,711	6,084
Accrued interest and other assets	54,544	52,117
Cash surrender value of bank-owned life insurance	81,196	80,218
Assets of discontinued operations	-	3,903
Total assets	$4,188,461	$4,322,625

See accompanying notes to consolidated financial statements

GOLD BANC CORPORATION, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

(In thousands)
(unaudited)

Liabilities and Stockholders' Equity	June 30, 2004	December 31, 2003
Liabilities:		
Deposits	$ 3,029,130	$ 3,164,443
Securities sold under agreements to repurchase	140,984	127,789

Federal funds purchased and other short-term borrowings	549	7,260
Subordinated debt	115,746	114,851
Long-term borrowings	597,789	631,526
Accrued interest and other liabilities	44,645	26,411
Liabilities from discontinued operations	-	628
Total liabilities	3,928,843	4,072,908
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 44,853,323 and 44,567,417 shares issued at June 30, 2004 and December 31, 2003	44,853	44,567
Additional paid-in capital	127,821	122,444
Retained earnings	143,299	132,082
Accumulated other comprehensive income (loss), net	(11,069)	(2,812)
Unearned compensation	(10,997)	(12,275)
	293,907	284,006
Less treasury stock (4,824,575 shares at June 30, 2004 and December 31, 2003)	(34,289)	(34,289)
	259,618	249,717
Total liabilities and stockholders' equity	$ 4,188,461	$ 4,322,625

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
(In thousands, except per share data)
(unaudited)

	June 30, 2004	June 30, 2003
Interest Income:		
Loans, including fees	$ 40,720	$ 43,239
Investment securities	9,758	9,595
Other	463	531
Total interest income	50,941	53,365
Interest Expense:		
Deposits	14,208	15,273
Borrowings and other	7,166	8,694
Total interest expense	21,374	23,967
Net interest income	29,567	29,398
Provision for loan losses	1,447	3,025

Net interest income after provision for loan losses	28,120	26,373
Other income:		
Service fees	4,543	4,354
Investment trading fees and commissions	726	1,414
Net gain on sale of mortgage loans	419	773
Net securities gains	36	976
Gain on sale of branch facilities	3,621	1,179
Gain on sale of credit card portfolio	1,156	--
Bank-owned life insurance	928	1,023
Other	1,949	1,041
Total other income	13,378	10,760
Other expense:		
Salaries and employee benefits	14,729	13,781
Net occupancy expense	1,733	1,875
Depreciation expense	1,610	1,680
Core deposit intangible amortization expense	188	188
Losses and expenses resulting from misapplication of bank funds, net of recoveries	--	900
Expense for the settlement of Qui Tam litigation, net	14,000	--
Other	7,712	8,646
Total other expense	39,972	27,070
Earnings from continuing operations before income taxes	1,526	10,063
Income tax expense	1,217	2,904
Net earnings from continuing operations	309	7,159
Net earnings from discontinued operations, net of tax	-	126
Net earnings	$ 309	$ 7,285
Net earnings from continuing operations per share - basic and diluted	$ 0.01	$ 0.19
Net earnings from discontinued operations per share - basic and diluted	$ -	$ -
Net earnings per share - basic and diluted	$ 0.01	$ 0.19

See accompanying notes to consolidated financial statements

GOLD BANC CORPORATION, INC. AND SUBSIDIARIES

Consolidated Statements of Earnings

For the Six Months ended
(In thousands, except per share data)
(unaudited)

	June 30, 2004	June 30, 2003
Interest Income:		
Loans, including fees	$ 83,404	$ 85,703
Investment securities	19,090	19,531
Other	1,052	1,000
Total interest income	103,546	106,234
Interest Expense:		
Deposits	28,731	30,758
Borrowings and other	14,619	16,540
Total interest expense	43,350	47,298
Net interest income	60,196	58,936
Provision for loan losses	4,311	6,575
Net interest income after provision for loan losses	55,885	52,361
Other income:		
Service fees	8,448	8,551
Investment trading fees and commissions	1,636	2,891
Net gain on sale of mortgage loans	806	1,517
Net securities gains	137	973
Gain on sale of branch facilities	20,574	1,179
Gain on credit card portfolio	1,156	--
Bank-owned life insurance	1,958	1,959
Other	3,410	2,135
Total other income	38,125	19,205
Other expense:		
Salaries and employee benefits	30,770	27,932
Net occupancy expense	3,495	3,696
Depreciation expense	3,177	3,385
Core deposit intangible amortization expense	375	375
Losses and expenses resulting from misapplication of bank funds, net of recoveries	--	1,150
Expense for the settlement of Qui Tam litigation, net	14,000	--
Other	19,072	15,862
Total other expense	70,889	52,400
Earnings from continuing operations before income taxes	23,121	19,166
Income tax expense	8,955	5,159
Net earnings from continuing operations	14,166	14,007

Net loss from discontinued operations, net of tax	(551)	(13)
Net earnings	$ 13,615	$ 13,994
Net earnings from continuing operations per share - basic and diluted	$ 0.36	$ 0.37
Net loss from discontinued operations per share - basic and diluted	$ (0.01)	$ --
Net earnings per share - basic and diluted	$ 0.35	$ 0.37

See accompanying notes to consolidated financial statements

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GOLD BANC CORPORATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME
For the Six Months Ended June 30, 2004, and June 30, 2003
(Dollars in thousands)
(unaudited)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (loss)
Balance at December 31, 2002	$ -	44,188	118,257	107,392	3,489
Net earnings for the six months ended June 30, 2003	-	-	-	13,994	-
Change in unrealized gain (loss) on available-for-sale securities	-	-	-	-	1,938
Total comprehensive income for the six months ended June 30, 2003	-	-	-	13,994	1,938
Exercise of 29,708 stock options	-	30	153	-	-
Increase in unearned compensation	-	-	-	-	-
Dividends paid ($0.06 per common share)	-	-	-	(2,368)	-
Balance at June 30, 2003	$ -	44,218	118,410	119,018	5,427
Balance at December 31, 2003	$ -	44,567	122,444	132,082	(2,812)
Net earnings for the six months ended June 30, 2004	-	-	-	13,615	-
Change in unrealized gain (loss) on					

available-for-sale securities	-	-	-	-	(8,257)
Total comprehensive income for the six months ended June 30, 2004	-	-	-	13,615	(8,257)
Exercise of 285,906 stock options	-	286	3,161	-	-
Allocation of 150,000 shares held by Employee Stock Ownership Plan	-	-	1,162	-	-
Recognition of stock based employee compensation	-	-	1,054	-	-
Dividends paid ($0.06 per common share)	-	-	-	(2,398)	-
Balance at June 30, 2004	$ -	44,853	127,821	143,299	(11,069)

See accompanying notes to consolidated financial statements.

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GOLD BANC CORPORATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Six Months Ended June 30, 2004 and 2003
(In thousands)
(unaudited)

	June 30, 2004	Ju
Cash flows from operating activities:		
Net earnings	$ 13,615	$
Loss from discontinued operations	551	
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Provision for loan losses	4,311	
Qui Tam Litigation settlement	14,000	
Allocation of ESOP Shares	2,332	
Stock-based employee compensation	2,087	
Net securities gains	(137)	
Gain on sale of bank branches	(20,574)	
Amortization of investment securities premiums, net of accretion	1,256	
Depreciation	3,177	
Amortization of intangible assets	375	
Gain on sale of mortgage loans held for sale	(806)	
Increase in cash surrender value of bank owned life insurance	(1,958)	
Net decrease in trading securities	6,132	
Proceeds from sale of loans held for sale	122,673	
Origination of loans held for sale, net of repayments	(117,953)	
Other changes:		
Accrued interest receivable and other assets	(4,627)	

Accrued interest payable and other liabilities...........		12,631
Net change in operating activities of discontinued operations..		2,724
Net cash provided by operating activities.................	$	39,809
Cash flows from investing activities:		
Net increase in loans.....................................	$	(80,310)
Principal collections and proceeds from maturities of available-for-sale securities............................		253,777
Purchases of available-for-sale securities.................		(335,112)
Principal collections and proceeds from maturities of held-to-maturity securities..................................		108,333
Purchases of held-to-maturity securities...................		(94,583)
Purchase of bank owned life insurance policy...............		-
Net additions to premises and equipment....................		(484)
Cash paid in branch sales, net of cash received............		(184,744)
Cash received in redemption of cash surrender value of life insurance...		980
Net cash used in investing activities......................	$	(332,143)
Cash flows from financing activities:		
Increase in deposits.......................................	$	293,799
Net decrease in short-term borrowings......................		(6,711)
Net (decrease) increase from FHLB & long-term borrowings....		(28,178)
Proceeds from issuance of common stock.....................		3,447
Dividends paid...		(2,398)
Net cash provided financing activities....................		259,959
Increase (decrease) in cash and cash equivalents...........		(32,375)
Cash and cash equivalents, beginning of period.............		117,102
Cash and cash equivalents, end of period...................	$	84,727
Supplemental disclosure of cash flow information:		
Cash paid for interest.....................................	$	41,897
Cash paid for income taxes.................................		3,777
Non-cash investing activities		
Transfer of investment securities from available-for-sale to held-to-maturity portfolio...............................		165,533

See accompanying notes to consolidated financial statements.

GOLD BANC CORPORATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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 our 2003 Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 15, 2004 (the "2003 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 and for the three and six months ended June 30, 2004 and 2003 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 six months ended June 30, 2004 are not necessarily indicative of the results to be expected for the entire year.

2. 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 and unvested restricted stock are our only potential common share equivalent.

The shares used in the calculation of basic and diluted earnings per share for the three and six months ended June 30, 2004 and, 2003 are shown below (in thousands):

	For the three months ended June 30		For the six mont ended June 30	
	2004	2003	2004	200
Weighted average common shares outstanding...........	40,031	39,496	39,896	39,4
Unallocated ESOP Shares............................	(1,256)	(1,546)	(1,275)	(1,5
Total basic average common shares outstanding........	38,775	37,950	38,621	37,9
Stock options and unvested restricted stock	415	178	401	1
Total diluted weighted average common shares outstanding......................................	39,190	38,128	39,022	38,1

3. Stock Based Compensation

We account for employee stock 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 earnings and net earnings per share would have decreased as reflected in the following pro forma amounts (in thousands, except per share amounts):

	For the three months ended June 30, 2004	For the three months ended June 30, 2003
Net earnings as reported	$ 309	$ 7,285
Add: stock-based compensation included in reported net earnings, net of related tax effects	$ 638	-
Deduct: Total stock based employee compensation expense determined under fair valued based method for all awards, net of related tax effects	855	107
Pro forma net earnings	$ 92	$ 7,178
Earnings per share:		
Basic-as reported	$ 0.01	$ 0.19
Basic-pro forma	0.00	0.19
Diluted-as reported	0.01	0.19
Diluted-pro forma	0.00	0.19

	For the six months ended June 30, 2004	For the six months ended June 30, 2003
Net earnings as reported	$ 13,615	$ 13,994
Add: stock-based compensation included in reported net earnings, net of related tax effects	$ 1,358	-
Deduct: Total stock based employee compensation expense determined under fair valued based method for all awards, net of related tax effects	1,792	182
Pro forma net earnings	$ 13,181	$ 13,812
Earnings per share:		
Basic-as reported	$ 0.35	$ 0.37
Basic-pro forma	0.34	0.36
Diluted-as reported	0.35	0.37
Diluted-pro forma	0.34	0.36

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.

	June 30, 2004	June 30, 2003

	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
	(In thousands)			
Amortized intangible assets:				
Core deposit premium................	$7,508	$1,796	$7,508	$1,046
Aggregate amortization expense for the six months ended...................		$375		$375

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

2004...	$751
2005...	$751
2006...	$751
2007...	$751
2008...	$751

Goodwilll at June 30, 2004 was $30.5 million, which is $598,000 less than the amount at December 31, 2003. The reduction of $598,000 was the result of selling seven branches of Gold Bank-Kansas during the first quarter of 2004. There was no impairment to goodwill from continuing operations recorded for the three and six months ended June 30, 2004 or 2003.

During 2002 and 2003, CompuNet Engineering (CompuNet) did not earn a majority of its revenue from providing services to financial institutions. As a result, the Company was required under the Bank Holding Company Act to divest itself of CompuNet. During the fourth quarter of 2003, the Company announced its intent to dispose of CompuNet. As a result of the expected disposition of this business, the Company recorded an impairment charge of $845,000 and $3.3 million in the third and fourth quarters of 2003, respectively, to reduce the estimated carrying value of the net assets (including the remaining goodwill) to their estimated fair value. The remaining goodwill of $207,000 was written off in the first quarter of 2004. The Company sold CompuNet on February 4, 2004.

5. Comprehensive Income

Comprehensive income was ($12.1) million and $10.0 million for the three months ended June 30, 2004 and June 30, 2003, respectively. Comprehensive income was $5.4 million and $15.9 million for the six months ended June 30, 2004 and June 30, 2003, 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 June 30, 2004 and June 30, 2003, we recorded reclassification adjustments of $23,000 and $622,000, respectively, associated with gains and losses included in net earnings for such periods. During the six months ended June 30, 2004 and June 30, 2003, we recorded reclassification adjustments of $89,000 and $624,000, respectively, associated with gains and losses included in net earnings for such periods

6. Mergers, Acquisitions, Dispositions and Consolidations

Merger 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 Office of the Kansas 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 the merger was consummated on April 2, 2004.

Sale of Weatherford, Geary and Cordell, Oklahoma branches. On February 13, 2004, Gold Bank-Oklahoma entered into an agreement for the sale of its branch locations in Weatherford, Geary and Cordell, Oklahoma to Bank of Western Oklahoma of Elk City. The sale of these Gold Bank-Oklahoma branches closed on May 7, 2004. As of the date of closing, the deposits and loans of these Gold Bank-Oklahoma branches were approximately $63.0 million and $18.9 million, respectively. In connection with the sale of these branches, we recorded a gain of approximately $3.6 million.

Proposed Merger of Gold Bank-Kansas and Gold Bank-Florida. On March 31, 2004, Gold Bank-Kansas filed an application with the FRB-KC and the OSBC to merge Gold Bank-Florida and Gold Bank-Kansas with Gold Bank-Kansas being the surviving entity. Currently, Gold Bank-Kansas is awaiting approval of its application. Upon approval, Gold Bank-Florida will merge into Gold Bank-Kansas on September 1, 2004.

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 had a notional amount equal to the outstanding principal amount of the related

subordinated debt, together with the same payment dates, maturity date and call provisions as the related subordinated debt. 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 subordinated debt. The interest rate swaps are derivative financial instruments and have been designated as fair value hedges of the subordinated debt.

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 $38.7 million notional amount swap agreement is also callable by the counter-party prior to its respective maturity date.

During the quarter ended June 30, 2004, we received net cash flows of $482 thousand under the one remaining agreement, which was recorded as a reduction of interest expense on the subordinated debt. During the six months ended June 30, 2004, we received net cash flows of $959 thousand under the remaining agreement, which was also recorded as a reduction of interest expense on the subordinated debt.

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 Federal Home Loan Bank ("FHLB") borrowings into floating rate obligations. Each swap has a notional amount equal to the outstanding principal amount of the related FHLB borrowing, together with the same payment dates, maturity date and call provisions as the related FHLB borrowing. Under five of the swaps, we pay interest at a variable rate equal to a spread over 30-day LIBOR, adjusted monthly, whereas on the remaining two instruments we pay interest quarterly. We receive a fixed rate payment 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 June 30, 2004, we received net cash flows of $1.1million under these agreements, which was recorded as a reduction of interest expense on the related FHLB borrowings. Included in other expense in the consolidated statement of operations for the quarter ended June 30, 2004 is a reduction in expense of $631,000 relating to the ineffectiveness of the hedging strategy. During the six months ended June 30, 2004, we received net cash flows of $2.2 million under these agreements, which is recorded as a reduction of interest expense on the related FHLB borrowings. Included in other expense in the consolidated statement of operations for the six months ended June 30, 2004 was an reduction of expense of $194,000 relating to the ineffectiveness of the hedging strategy.

8. Legal Proceedings

SEC Settlement

On May 4, 2004, the SEC accepted our settlement offer to consent to the entry of an order providing that we cease and desist from committing or causing any violations and future violations of Sections 13(a) and 13(b)(2) of the Securities Exchange Act of 1934 ("Exchange Act") and Rules 13a-1 and 13a-3 thereunder. On May 6, 2004, we filed a Current Report on Form 8-K that included the order. No fines or penalties were levied against us or any of our current directors, officers or employees.

Class Action Lawsuit

On March 10, 2004, a class action lawsuit was filed by Lori McBride on behalf of herself and all other similarly situated against us and nine of our directors in the District Court of Johnson County, Kansas. On June 6, 2004, this lawsuit was dismissed with prejudice.

Qui Tam Lawsuit

On June 15, 2004, we issued a press release announcing that a qui tam lawsuit is pending in the United States District Court for the Western District of Oklahoma against us, Gold Bank-Oklahoma and Gold Bank-

Kansas. A qui tam lawsuit is an action brought by a private party (known as a "relator") seeking to represent the interests of the government. The suit was filed under the federal False Claims Act ("FCA") which provides for recovery of treble damages, penalties and attorneys fees.

The lawsuit, which was brought by Roger L. Ediger (the relator) on behalf of the United States of America, was filed in camera and under seal, allegedly on October 24, 2002. We first became aware of the lawsuit on June 14, 2004, as a result of a judicial order requested by the relator's counsel that partially lifted the seal on the case to permit the relator's counsel to disclose to us the existence of the lawsuit and an amended complaint. We have not yet been served in the case. A qui tam action is regularly filed "in camera and under seal" (i.e. secretly, without notice to the public or to the defendants) to give the government time to investigate the claims and determine if it wants to intervene and take control of the action.

In the suit, which remains under seal, the relator alleges that we, and our subsidiary banks, Gold Bank-Oklahoma and Gold Bank-Kansas, and their predecessors, violated the FCA by submitting false certifications and claims to the Farm Service Agency ("FSA") and charging excessive interest rates and fees on agricultural loans subject to the FSA's Guaranteed Loan Program ("GLP") and Interest Assistance Program ("IAP"). The relator alleges that we knowingly charged interest rates and fees on FSA guaranteed loans in excess of the interest rates and fees we charged to our average agricultural customers, in violation of FSA regulations. Plaintiff seeks relief in the form of a cease and desist order against further violations of the FCA, treble damages equal to three times the amount of damages the United States sustained as a result of our actions, statutory civil money penalties up to $11,000 for each false claim, and attorneys' fees and expenses. The relator has demanded to be awarded the maximum amount allowed by law of any recovery.

Based upon our records and confirmed by payment records that we have obtained from FSA, we believe that during the period October 1996 through June 2004, approximately $9 million was paid to Gold Bank-Oklahoma and $1 million was paid to Gold Bank-Kansas from FSA under the GLP and IAP programs. During that period we believe that Gold Bank-Oklahoma (and its predecessor banks) had at least 675 FSA guaranteed loans and Gold Bank-Kansas (and its predecessor banks) had at least 150 FSA guaranteed loans. The relator contends that all FSA payments constitute "damages" suffered by the United States. In the event we are found liable on all of the relator's claims and none of our defenses were upheld in court, these damages will be trebled to $30 million. In such event, we could also be held liable for civil money penalties of between $5,000 and $11,000 per false claim. If one civil money penalty was assessed for each FSA loan (multiple certifications were made for most FSA guaranteed loans), the range of penalties could be between $4,825,000 to $9,075,000. In addition, we could be held liable for the relator's legal fees and expenses.

FSA regulations provide that the interest rate charged on a guaranteed loan may not exceed the rate the lender charges its average agricultural loan customer. The regulation does not define "average agricultural loan customer." The regulation implicitly requires a subjective judgment that is not mathematically precise, and therefore may be interpreted and construed in various ways.

We believe that the applicable statute of limitations is 6 years, and bars claims for actions that occurred prior to October 1996. The relator, however, contends that the applicable period for which claim can be made is 10 years. The financial data set forth above assumes that the applicable claims period is 6 years. We are not in a position to provide similar payment data for the period prior to 1996 due to the difficulty of obtaining information for the reasons described below. The government informs us, however, that if the claims period is 10 years, the FSA payments total about $15 million.

We have conducted an investigation of the FSA guaranteed loans involved in this lawsuit, but we do not currently have all of the loan documents within our possession. A significant number of the FSA loans in question were made in Oklahoma prior to March 2, 2000, the date on which we acquired CountryBanc Holding Company. Our computer and accounting records, and our loan files, in Oklahoma are incomplete with respect to years prior to our acquisition of that bank. Also, a significant number of branches in Oklahoma, and all of the branches in Kansas, that made these FSA guaranteed loans were sold within the last two years as part of our strategic plan to reallocate our capital to high growth metropolitan areas.

Silver Acquisition Corp. ("Silver") has informed Gold Banc that unless the financial effects of this lawsuit can be made more certain, it may be unable to obtain approval of the merger of Gold Banc with and into Silver by the OTS, which is one of the conditions to closing of the merger between us and Silver. We have therefore explored various means to address that uncertainty, including exploring a possible settlement of this lawsuit. In this regard, we have reached an oral agreement in principle with the U.S. Attorney's Office for Western District of Oklahoma to

settle this lawsuit for $16 million. We expect to have $2 million of insurance coverage and, as a result, have accrued a liability, net of insurance, for this settlement of $14 million in the quarter ended June 30, 2004. In addition, our current estimated tax benefit of the damage portion of the settlement resulted in a reduction of income tax expense of $3.85 million for the quarter and six months ended June 30, 2004. The net effect of the settlement is a $10.15 million reduction in net earnings for the quarter and six months ended June 30, 2004. However, the aforementioned settlement amount does not include any payment of legal fees for relator's counsel, the amount of which is currently not known by us and has not been agreed to.

The proposed settlement has to be approved by the United States Assistant Attorney General and a settlement agreement has to be negotiated and executed. In addition, Silver's consent to the settlement would be required the merger agreement. In the event this settlement is not consummated, we intend to vigorously defend this lawsuit. In addition, we may attempt to pursue other alternatives to provide some degree of certainty of the financial effects of this lawsuit, which may include attempting to obtain insurance to cover the potential liability either alone or in combination with establishing a liquidating trust to hold a specific amount of the merger consideration to address all or part of that potential liability. There can be no assurance that Silver will be able to obtain OTS approval of the merger even if the this lawsuit is ultimately settled or other means are utilized to resolve the financial effect of that lawsuit.

No negotiations have been held with Silver regarding the effect of this settlement on the Merger Agreement, although we have been informed that Silver will seek some adjustment in the purchase price of $16.60 per share, the purchase price escalator of $0.0023 per share for each day after July 23, 2004 by which the closing is delayed, or both. One aspect of these negotiations will be the possibility that the condition that we have at least $277 million in total equity at closing may not be satisfied.

9. Expense Resulting from Misapplication of Bank Funds, Net of Recoveries

During 2002, 2001 and 2000, Michael W. Gullion, our former Chief Executive Officer diverted funds to his account for personal use, as well as the use of our corporate credit card for personal use and improper reimbursement of personal expenses. Such amounts along with the costs of an investigation which uncovered the activity aggregated $136,000 and $1.1 million during 2002 and 2001.

During the year ended December 31, 2003, we reached an agreement with the former chief executive officer in which we received approximately $3.5 million of restitution. The restitution amount consisted of $1.2 million in cash and 212,864 shares of our common stock, and has been netted against the losses and expenses incurred in 2003 by us in connection with the investigation.

During the quarter ended June 30, 2003, the Company recorded $900,000 of expenses related to the investigation. During the six months ended June 30, 2003, the Company recorded $1.1 million of expenses related to the investigation.

10. Acquisition of Company

On February 25, 2004, we entered into a definitive merger agreement with Silver Acquisition Corporation ("Silver"), whereby Silver will acquire all of our outstanding common stock for $16.60 per share in cash, plus an additional $.0023 per share each day after July 23, 2004 that the closing of the merger is delayed. The merger is expected to take place promptly following satisfaction of the conditions in the merger agreement, including shareholder and regulatory approval.

As of the date of this filing, the website for the OTS stated that the due date for a decision by the OTS on the acceptance of Silver's application is scheduled for November 17, 2004. The actual due date may be earlier or later contingent upon various factors, including the submission by Silver of any additional information requested by the OTS. In addition, Silver has informed us that unless the financial effects of the qui tam lawsuit as described in note 8 can be made more certain, it may be unable to obtain regulatory approval. We are unable to predict whether such regulatory approval will be received, the timing of receipt thereof, or the effect, if any, of the qui tam lawsuit or its proposed settlement on the pending merger or the terms thereof.

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 six month periods ended June 30, 2004. This review should be read in conjunction with the consolidated financial statements and related notes appearing elsewhere in this report as well as our 2003 Annual Report on Form 10-K (the "2003 Annual Report"). Results of operations for the three and six month periods ended June 30, 2004 are not necessarily indicative of results to be attained for any other period.

Proposed Acquisition of Gold Banc

On February 25, 2004, we issued a press release announcing that we had entered into an Agreement and Plan of Merger (the "Merger Agreement") by and among us, Silver Acquisition Corp. ("Silver"), and SAC Acquisition Corp. The holders of a majority of our outstanding shares must approve the merger. It is also subject to the receipt of required regulatory approvals and the receipt by Silver of necessary financing.

Pursuant to the Merger Agreement, Gold Bank-Oklahoma merged into Gold Bank-Kansas. Pending regulatory approval, Gold Bank-Florida will be merged into Gold Bank-Kansas. Upon consummation of the merger of us into SAC Acquisition Corp., Gold Bank-Kansas will be converted into a federal savings bank. Following those transactions and the merger, the surviving parent would be a privately held savings and loan holding company regulated by the Office of Thrift Supervision (the "OTS").

As of the date of this filing, the website for the OTS stated that the due date for a decision by the OTS on the acceptance of Silver's application is scheduled for November 17, 2004. The actual due date may be earlier or later contingent upon various factors, including the submission by Silver of any additional information requested by the OTS. In addition, Silver has informed us that unless the financial effects of the qui tam lawsuit described in note 8 to the financial statements can be made more certain, it may be unable to obtain regulatory approval. We are unable to predict whether such regulatory approval will be received, the timing of receipt thereof, or the effect, if any, of the qui tam lawsuit or its proposed settlement on the pending merger or the terms thereof.

Selected Financial Data

The following table sets forth selected financial data for the three and six month periods ended June 30, 2004 and June 30, 2003 (dollars in thousands, except per share amounts):

	Three Months Ended June 30		Six Months Ended June 30,	
	2004	2003	2004	2003
Net Earnings	$ 309	$7,285	$13,615	$13,994
Earnings Per Share (basic)	$0.01	$0.19	$ 0.35	$0.37
Return on Average Assets	0.03%	0.72%	0.64%	0.71%
Return on Equity	0.46%	12.26%	10.28%	12.03%
Dividends to Net Earnings	389.79%	16.27%	17.62%	16.93%

	At June 30, 2004	At June 30, 2003
Stockholders' equity to total assets	6.20%	5.20%

Results of Operations

We had previously announced on July 21, 2004, that net earnings from continuing operations for the quarter ended June 30, 2004 were $10.46 million, or $0.27 per share. The previously announced six months earnings from continuing operations ended June 30, 2004 were $24.32 million or $0.62 per share. As a result of the oral settlement agreement in principle related to the Qui Tam lawsuit described in note 8 to our financial statements, our earnings were reduced by $10.15 million or $0.26 per share for the quarter. This reduced second quarter earnings to $309,000 or $0.01 per share and earnings for the first six months to $13.62 million or $0.35 per share.

Net Interest Income

Total interest income for the three months ended June 30, 2004 was $50.9 million compared to $53.4 million for the three months ended June 30, 2003 or a decrease of $2.4 million. This decrease primarily resulted from a $2.5 million decrease in loan interest. Average loans increased to $2.9 billion for the three months ended June 30, 2004 compared to $2.8 billion for the three months ended June 30, 2003. Total interest income for the six months ended June 30, 2004 was $103.5 million compared to $106.2 million for the six months ended June 30, 2003 or a decrease of $2.7 million. This decrease resulted from a $2.3 million decrease in loan interest and a $441,000 decrease in investment security interest. For the three months ended June 30, 2004, our average rate on a tax equivalent basis for earning assets was 5.17%, a decrease from 5.67% for the three months ended June 30, 2003. For the six months ended June 30, 2004, our average rate on a tax equivalent basis for earning assets was 5.24%, a decrease from 5.83% for the six months ended June 30, 2003. The decrease in the average rate on earning assets primarily results from the decrease in the prime rate that we charge to borrowers, as well as a decrease in the average yield on our investment securities portfolio.

Average earning assets were $4.0 billion for the three months ended June 30, 2004 compared with $3.8 billion for the three months ended June 30, 2003. Average earning assets were $4.0 billion for the six months ended June 30, 2004 compared with $3.7 billion for the six months ended June 30, 2003. The increase in average earning assets is attributable to our increase in loans and our increase in investments, which relates to our leverage strategy.

Total interest expense for the three months ended June 30, 2004 was $21.4 million; a $2.6 million, or 10.8%, decrease over the three months ended June 30, 2003. The decrease was primarily due to a $1.1 million decrease in interest on deposits and a $1.5 million decrease in interest on borrowings. Total interest expense for the six months ended June 30, 2004 was $43.4 million; a $3.9 million, or 8.4%, decrease over the six months ended June 30, 2003. The decrease was primarily due to a $2.0 million decrease in interest on deposits and a $1.9 million decrease in interest on borrowings. For the three months ended June 30, 2004, our average cost of funds was 2.37%, a decrease from 2.71% for the three months ended June 30, 2003. For the six months ended June 30, 2004, our average cost of funds was 2.38%, a decrease from 2.78% for the six months ended June 30, 2003. The decrease in the average cost of funds primarily relates to the reduced rates paid on deposits, as well as the decrease in interest expense associated with our FHLB borrowings due to the interest rate swap agreements.

Net interest income was $29.6 million for the three months ended June 30, 2004, compared to $29.4 million for the same period in 2003; an increase of 0.6%. Net interest income was $60.2 million for the six months ended June 30, 2004, compared to $58.9 million for the same period in 2003; an increase of 2.1%. Our net interest margin decreased from 3.14% for the three months ended June 30, 2003 to 3.02% for the three months ended June 30, 2004 on a tax equivalent basis. Net interest margin decreased from 3.25% for the six months ended June 30, 2003 to 3.06% for the six months ended June 30, 2004 on a tax equivalent basis. The increase in net interest income and the decrease in net interest margin was the result of the combination of an increase in the average balance of loans during the periods and a decrease in the average rate on loans receivable. For the three months ended June 30, 2004 compared to the three and six months ended June 30, 2003, average interest bearing liabilities increased $76.2 million compared to an increase of $191.6 million in average interest earning assets. For the six months ended June

30, 2004 compared to the three months ended June 30, 2003, average interest bearing liabilities increased $226.1 million compared to an increase of $315.0 million in average interest earning assets. The difference between the increase in average interest bearing liabilities and the increase in average interest earning assets is primarily due to an increase in non-interest bearing deposits during the relevant periods.

Provision/Allowance for Loan Losses

The success of a bank depends to a significant extent upon the quality of its assets, particularly loans. This is highlighted by the fact that net loans were 68% of our total assets as of June 30, 2004. Credit losses are inherent in the lending business. The risk of loss will vary with general economic conditions, the type of loan being made, the creditworthiness of the borrower over the term of the loan and the value of the collateral in the case of a collateralized loan, among other things.

The allowance for loan losses totaled $34.2 million and $34.0 million at June 30, 2004 and December 31, 2003, respectively, and represented 1.19% and 1.13% of total loans at each date. The provision for loan losses for the three months ended June 30, 2004 was $1.4 million compared to $3.0 million for the three months ended June 30, 2003. The provision for loan losses for the six months ended June 30, 2004 was $4.3 million compared to $6.6 million for the six months ended June 30, 2003. The decrease in the provision for loan losses for the three and six months ended June 30, 2004 compared to the three and six months ended June 30, 2003 was the result of a slower rate of increase in our loan portfolio during 2004 and an improvement in the credit quality of our loan portfolio. The decrease was partly due to the sale of the rural Kansas branches. Net charge-offs for the three months ended June 30, 2004 were $1.6 million compared to $2.3 million for the three months ended June 30, 2003. Net charge-offs for the six months ended June 30, 2004 were $2.3 million compared to $6.6 million for the three months ended June 30, 2003.

The allowance for loan losses is comprised of specific allowances assigned to certain classified loans and a general allowance. We continuously evaluate our allowance for loan losses to maintain an adequate level to absorb loan losses inherent in the loan portfolio. Factors contributing to the determination of specific allowances include the credit worthiness of the borrower, changes in the expected future receipt of principal and interest payments and/or changes in the value of pledged collateral. An allowance is recorded when the carrying amount of the loan exceeds the fair value of the collateral for certain collateral dependent loans. For purposes of determining the general allowance, the portfolio is segregated by loan types to recognize differing risk profiles among categories, and then further segregated by credit grades. Each credit grade is assigned a risk factor, or allowance allocation percentage. These risk factors are multiplied by the outstanding principal balance and risk-weighted by loan type to calculate the required allowance.

The allowance allocation percentages assigned to each credit grade have been developed based on an analysis of historical loss rates at our individual banks, adjusted for certain qualitative factors and management's experience. Qualitative adjustments for such things as general economic conditions, changes in credit policies and lending standards, and changes in the trend and severity of problem loans, can cause the estimation of future losses to differ from past experience. The unallocated portion of the general allowance serves to compensate for additional areas of uncertainty and considers industry comparable reserve ratios.

The methodology used in the periodic review of allowance adequacy, which is performed at least quarterly, is designed to be responsive to changes in actual credit losses. The changes are reflected in the general allowance and in specific allowances as the collectability of larger classified loans is continuously recalculated with new information.

We actively monitor our past due and non-performing loans in each bank subsidiary in an attempt to minimize credit losses, and monitor asset quality to maintain an adequate loan loss allowance. Although management believes our allowance for loan losses is adequate for each bank and on an aggregate basis, the allowance may not prove sufficient to cover future loan losses. Further, although management uses the best information available to make determinations with respect to the allowance for loan losses, future adjustments may be necessary if economic conditions differ substantially from the assumptions used, or adverse developments arise with respect to non-performing or performing loans. Accordingly, the allowance for loan losses may not be adequate to cover loan losses, and significant increases to the allowance may be required in the future if economic

conditions should worsen. Material additions to the allowance for loan losses would result in a decrease of our net earnings and stockholders' equity.

We consider non-performing assets to include all non-accrual loans, other loans past due 90 days or more as to principal and interest and still accruing, other real estate owned and repossessed assets. Total non-performing loans were $29.5 million and $32.4 million at June 30, 2004 and December 31, 2003, respectively. The $2.9 million decrease in non-performing loans can generally be attributed to the net effect on one $8 million loan which was returned to performing status in the first quarter of 2004. This was partially offset by another loan totaling $2.0 million being added to non-performing status in the second quarter of 2004. Total non-performing loans were 1.03% and 1.07% of gross loans at June 30, 2004 and December 31, 2003, respectively. Total non-performing assets were $35.6 million and $39.0 million at June 30, 2004 and December 31, 2003, respectively. The decrease in non-performing assets of $3.4 million can be generally attributed to the above mentioned loan activity. Total non-performing assets were 0.85% and 0.90% of total assets at June 30, 2004 and December 31, 2003, respectively.

Other Income

For the three months ended June 30, 2004, other income was $13.4 million compared to $10.8 million for the three months ended June 30, 2003, an increase of $2.6 million, or 24.3%. The net increase resulted primarily from gains on the sale of branch facilities of $3.6 million compared to $1.2 million in the same quarter of 2003. There was also an increase in service fees of $189,000 and an increase in other income of $2.1 million. Approximately $1.2 million of the increase in other income was attributed to the sale of the bank's credit card portfolio. These were offset by a decrease in investment trading fees and commissions of $688,000 and a decrease in net gains on sale of mortgage loans of $354,000. Net decreases were also recorded in net securities gains of $940,000 and bank owned life insurance of $95,000. The decrease in bank owned life insurance was the result of the sale of the seven branches.

For the six months ended June 30, 2004, other income was $38.1 million compared to $19.2 million for the six months ended June 30, 2003, an increase of $18.9 million, or 98.5%. The net increase resulted primarily from gains on the sale of branch facilities of $20.6 million compared to $1.2 million in the same period of 2003. There was also an increase in other income of $2.4 million. Approximately $1.2 million of the increase in other income was attributed to the sale of the bank's credit card portfolio. These were offset by a decrease in investment trading fees and commissions of $1.3 million, a decrease in net gains on sale of mortgage loans of $711,000. Net decreases were also recorded in net securities gains of $836,000 and bank owned life insurance of $1,000.

Other Expense

For the three months ended June 30, 2004, other expense was $40.0 million compared to $27.1 million for the same period of 2003. Salaries and employee benefits increased from $13.8 million in the second quarter of 2003 to $14.7 million in the second quarter of 2004, or an increase of $948,000. This increase was principally the result of compensation expense related to restricted stock awards to management of $982,000 and compensation expense related to the Company's ESOP plan of $637,000. These increases were partially offset by salary reductions resulting from the sale of branch locations and the associated staffing. Net occupancy expense declined from $1.9 million for the quarter ended June 30, 2003 to $1.7 million for the quarter ended June 30, 2004. Depreciation expense decreased from $1.7 million to $1.6 million from the quarter period ended June 30, 2003 to June 30, 2004, respectively. Core deposit intangible amortization expense was $188,000 during the second quarter of 2003 and 2004. We recorded a $900,000 charge resulting from misapplication of bank funds in the three months ended June 30, 2003 related to the actions of Michael Gullion, our former Chief Executive Officer. During the second quarter the Company established a liability for the settlement of the Qui Tam litigation. This liability was recorded with a charge to expense of $16.0 million with a corresponding reduction of $2.0 million for the applicable insurance coverage. The remaining expenses classified as other expense decreased from $8.6 million to $7.7 million, or $934,000. The Company also had acquisition expense of $337,000 during the second quarter of 2004 associated with the proposed sale of the Company. Other increases were supplies expense of $118,000 and consulting of $104,000.

For the six months ended June 30, 2004, other expense was $56.9 million compared to $52.4 million for the same period of 2003. Salaries and employee benefits increased from $27.9 million in the first half of 2003 to $30.8

million in the first half of 2004, or an increase of $2.8 million. This increase was the result of compensation expense related to restricted stock awards to management of $2.1 million and compensation expense related to the Company's ESOP plan of $1.2 million. These increases were partially offset by salary reductions resulting from the sale of branch locations and the associated staffing. Net occupancy expense declined from $3.7 million for the six months ended June 30, 2003 to $3.5 million for the six months ended June 30, 2004. This reduction was primarily the result of the sale of branch locations. Depreciation expense decreased from $3.4 million to $3.2 million for the six months ended June 30, 2003 to June 30, 2004, respectively. Core deposit intangible amortization expense was $375,000 during the first six months of 2003 and 2004. We recorded a $1.5 million charge resulting from misapplication of bank funds in the three six months ended June 30, 2003 related to the actions of Michael Gullion, our former Chief Executive Officer. During the second quarter the Company established a liability for the settlement of the Qui Tam litigation. This liability was recorded with a charge to expense of $16.0 million with a corresponding reduction of $2.0 million for the applicable insurance coverage. The remaining expenses classified as other expense increased from $15.9 million to $19.1 million or $3.2 million. This largest component of this increase was debt issuance costs of $2.0 million which were written off when the Company refinanced two of its three Trust Preferred obligations in the first quarter of 2004. The Company also had acquisition expense of $966,000 during the first six months of 2004 associated with the proposed sale of the Company. Other increases were consulting of $272,000, and accounting of $535,000.

Income Tax Expense

Our historical effective tax rate has been less than the statutory federal rate of 35% due primarily to tax-exempt interest income on municipal bonds and our investments in bank owned life insurance. Income tax expense for the three months ended June 30, 2004 and 2003 was $1.2 million and $2.9 million, respectively. The effective tax rate for each time period was 79.8% and 28.9%, respectively. Income tax expense for the six months ended June 30, 2004 and 2003 was $9.0 million and $5.2 million, respectively. The effective tax rate for each time period was 38.7% and 26.9%, respectively. The effective rate was significantly higher for the three and six month periods ended June 30, 2004 as compared to prior periods due to gains from branch sales and non-deductible expenses related to the pending acquisition and the nondeductible portion of ESOP compensation expense in comparison to tax-exempt income. Our current estimate of the tax benefit of the damage portion of the proposed Qui Tam settlement resulted in a reduction of income tax expense of $3.85 million for the three and six months ended June 30, 2004. However, the other portion of the Qui Tam settlement may not be deductible, which had the effect of increasing the effective tax rate for those periods.

Financial Condition

From December 31, 2003 to June 30, 2004, total assets declined from $4.3 billion to $4.2 billion. Cash and cash equivalents decreased from $117.1 million to $84.7 million. Net loans decreased from $3.0 billion to $2.8 billion. Investment securities were $1.0 billion at June 30, 2004, compared to $986.1 million at December 31, 2003; an increase of $52.6 million or 5.3%. Mortgage loans held for sale decreased from $5.9 million to $2.0 million. Net premises and equipment decreased from $63.1 million to $56.5 million. Cash surrender value of bank owned life insurance increased from $80.2 million to $81.2 million. Total liabilities decreased from $4.1 billion to $3.9 billion. Deposits decreased from $3.2 billion to $3.0 billion, from December 31, 2003 to June 30, 2004. Securities sold under agreements to repurchase increased from $127.8 million to $141.0 million. Total long and short-term borrowings decreased $32.8 million, or 4.4%, from December 31, 2003. Accrued interest and other liabilities increased from $26.4 million at December 31, 2003 to $44.6 million at June 30, 2004.

During the first six months of 2004, cash and cash equivalents decreased $32.4 million or 27.6% compared to balances at December 31, 2003. The primary cause of this decrease was the net cash paid in connection with the sale of bank branches in Kansas and Oklahoma.

During the first six months of 2004, net loans decreased $142.4 million, or 4.8%, compared to balances at December 31, 2003. Mortgage loans held for sale decreased $3.9 million over the balance at December 31, 2003. The decrease was due to the sale of branch facilities during the first quarter that resulted in loans of $197.9 million being sold with the branches. This was partially offset by increased loan balances in other locations.

Investment securities at June 30, 2004, increased $52.6 million compared to the balance at December 31, 2003. This increase resulted from a decrease of $36.3 million in US agency mortgage-backed securities and an increase of $158.8 million in US agency securities. The total investment securities portfolio amounted to $1.0 billion at June 30, 2004, and was comprised mainly of U.S. government and agencies (73.2%), mortgage-backed (19.7%), and other asset-backed (7.1%) investment securities. During the second quarter of 2004, certain bank investment securities were reclassified to held-to-maturity from available-for-sale securities. This action was taken to reduce our sensitivity to the interest rate environment and to prudently manage our capital and interest rate risk. The amount reclassified was $165.5 million in the second quarter of 2004. The Company additionally took the same action in the third quarter of 2004 with a reclassification of $149.0 million of securities from available-for-sale to held-to-maturity.

Bank owned life insurance at June 30, 2004, increased $978,000 compared to the balance sheet amount at December 31, 2003. The increase in the balance primarily resulted from the Company's earnings recorded on our investment in bank owned life insurance.

Total deposits decreased $135.3 million at June 30, 2004, compared to December 31, 2003, mainly due to the effect of the branch sales in the first and second quarter. Deposits at the branches sold were $363.3 million which were transferred with the sale transactions. Deposits increased at other locations which offset much of this decrease and resulted in a net decrease of $135.3 million.

Compared to 2003 year-end balances, borrowings at June 30, 2004, decreased $32.8 million. Our short-term borrowings of federal funds purchased and securities sold under agreements to repurchase vary depending on daily liquidity requirements. These borrowings remained fairly constant but increased $6.5 million during the first six months of 2004 to a combined balance of $141.5 million at June 30, 2004. Long term borrowings, consisting of FHLB advances, decreased $33.8 million to $597.8 million outstanding at June 30, 2004. The decrease in long-term borrowings is the result of a $50.0 million decrease in Leverage Repurchase Agreements. This was partially offset by an increase of $22.8 million in FHLB borrowings. Approximately $46.4 million of the Company's outstanding subordinated debt was called in March 2004 and was redeemed on April 22, 2004.

During the first six months of 2004, accrued interest and other liabilities increased from $26.4 million to $44.6 million as a direct result of the liability associated with the Qui Tam lawsuit proposed settlement.

Contractual Obligations and Commercial Commitments

The following table presents our contractual cash obligations, defined as operating lease obligations, principal and interest payments due on non-deposit obligations and guarantees with maturities in excess of one year, as of June 30, 2004 for the periods indicated.

		Payments Due by Period			
Contractual Cash Obligations	Total interest and principal	One Year and Less	One to Three Years	Four to Five Years	Mo Fi
		(dollars in thousands)			
Operating leases....................	$ 26,675	$ 2,330	$ 5,561	$ 3,843	
FHLB advances(1)....................	655,648	97,856	93,692	104,456	
Subordinated debt(1)................	76,956	856	3,413	3,417	
Trust preferred securities...........	239,694	3,622	11,362	11,362	
Total contractual obligations........	$ 998,973	$ 104,664	$ 114,028	$ 123,078	

(1) For floating interest rate obligations, based upon interest rate in effect on June 30, 2004.

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Liquidity and Capital Resources

Liquidity defines the ability of us and the Banks to generate funds to support asset growth, satisfy other disbursement needs, meet deposit withdrawals and other fund reductions, maintain reserve requirements and otherwise operate on an ongoing basis. The immediate liquidity needs of the Banks are met primarily by Federal Funds sold, short-term investments, deposits and the generally predictable cash flow (primarily repayments) from each Bank's assets. Intermediate term liquidity is provided by the Banks' investment portfolios. Each of the Banks has established a credit facility with the FHLB, under which it is eligible for short-term advances and long-term borrowings secured by real estate loans or mortgage-related investments. Our liquidity needs and funding are provided through non-affiliated bank borrowings, cash dividends and tax payments from our subsidiary Banks. Total loans decreased $146.3 million compared to December 31, 2003, while total deposits decreased $135.3 million compared to the same period. The majority of our deposits consist of time deposits which mature in less than one year. If we are unsuccessful in rolling over these deposits, then we will have to replace these funds with alternative sources of funding, mainly other short-term borrowings.

Cash and cash equivalents and investment securities totaled $1.1 billion, or 26.8%, of total assets at June 30, 2004 compared to $1.1 billion, or 25.5%, at December 31, 2003. Cash provided by operating activities for the six months ended June 30, 2004 was $39.8 million, consisting primarily of net earnings and proceeds from the sale of loans. Cash used in investing activities was $332.1 million, this was primarily attributable to an increase in loans of $80.3 million, the net increase in available for sale securities of $81.3 million, and cash paid, net of cash received with the purchase acquisition of $184.7 million. Cash provided by financing activities was $260.0 million, consisting primarily of an increase in deposits of $293.8 million and was partially offset by net payments of $34.9 million for both short-term and long-term borrowings.

We and our subsidiaries actively monitor our compliance with regulatory capital requirements. The elements of capital adequacy standards include strict definitions of core capital and total assets, which include off-balance sheet items such as commitments to extend credit. Under the risk-based capital method of capital measurement, the ratio computed is dependent on the amount and composition of assets recorded on the balance sheet and the amount and composition of off-balance sheet items, in addition to the level of capital. Historically, the Banks have increased core capital through retention of earnings or capital infusions. To be "well capitalized" a company's total risk-based capital ratio, tier 1 risk-based capital ratio and tier 1 leverage ratio would be at least 10.0%, 6.0% and 5.0%, respectively. Our total risk-based capital ratio, tier 1 risk-based capital ratio and tier 1 leverage ratio at June 30, 2004 were 11.85%, 9.87% and 7.60%, respectively. These same ratios at December 31, 2003 were 10.78%, 8.87% and 7.01%, respectively.

The principal source of funds at the holding company level is dividends from the Banks. The payment of dividends is subject to restrictions imposed by federal and state banking laws and regulations. At June 30, 2004, our subsidiary banks could pay $58.5 million in dividends to us and still remain well capitalized. Management believes funds generated from the dividends from our subsidiaries and our existing lines of credit will be sufficient to meet our current cash requirements. However, if we continue at our current rate of internal growth, we will need to raise additional equity to remain "well capitalized".

Credit Facilities

Our subsidiary banks have agreements with the Federal Home Loan Bank system to provide them with advances. As of June 30, 2004, our subsidiary banks had approximately $513.5 million of advances outstanding with the FHLB.

We had a revolving line of credit with LaSalle Bank National Association ("LaSalle Credit Line"). On July 1, 2003, we entered into an amendment with LaSalle Bank to reduce the maximum amount that we may borrow from $25 million to $10 million and extend the maturity date from July 1, 2003 to July 1, 2004. As of June 30, 2004, we had no outstanding balances on the LaSalle Credit Line. We are currently evaluating various financing alternatives for the future.

Under the Amended and Restated Loan Agreement dated as of February 8, 2002 ("ESOP Loan Agreement") of our Employees' Stock Ownership Plan (the "ESOP") with LaSalle Bank, the ESOP may borrow up

to $15 million. Loans under the ESOP Loan Agreement bear interest, at the ESOP's option, at either LaSalle Bank's Prime Base Rate or LIBOR plus 1.75%. As of June 30, 2004, the ESOP had approximately $10.5 million outstanding under the ESOP Loan Agreement, which it borrowed to purchase our common stock. We guarantee the ESOP's obligations under the ESOP Loan Agreement. We currently do not anticipate that the ESOP will need to borrow any further amounts under the ESOP Loan Agreement.

BOLI Policies

Our Bank subsidiaries have purchased bank-owned life insurance ("BOLI") policies with death benefits payable to the Banks on the lives of certain officers. These single premium, whole-life policies provide favorable tax benefits, but are illiquid investments. Federal guidelines limit a bank's aggregate investment in BOLI to 25% of the bank's capital and surplus, and its aggregate investment in BOLI policies from a single insurance company to 15% of the Bank's capital and surplus. All of the Banks' BOLI investments comply with federal guidelines. In January 2003, Gold Bank-Kansas, Gold Bank-Oklahoma and Gold Bank-Florida increased their BOLI investments by $14 million, $4 million and $2 million, respectively. As of June 30, 2004, Gold Bank-Kansas had $67.0 million of BOLI (equal to 22.0% of its capital and surplus) and Gold Bank-Florida had $14.1 million of BOLI (equal to 22.3% of its capital and surplus). The aggregate BOLI investment of each Bank is just below the maximum regulatory limit. The Banks monitor the financial condition and credit rating of each of the three life insurance companies that issued the BOLI policies. We believe that these BOLI investments will not have any significant impact on the capital or liquidity of our Bank subsidiaries.

Impact of Recently Issued Accounting Standards

In March 2004, the SEC staff released a Staff Accounting Bulletin that requires all registrants to account for mortgage loan interest rate lock commitments related to loans held for sale as written options, effective no later than for commitments entered into after March 31, 2004. The Company enters into such commitments with customers in connection with residential mortgage loan applications, however, the amount of these commitments is not material to the Company's consolidated financial statements. This guidance requires the Company to recognize a liability on its consolidated balance sheet equal to the fair value of the commitment at the time the loan commitment is issued. As a result, this guidance delays the recognition of any revenue related to these commitments until such time as the loan is sold, however, it will have no effect on the ultimate amount of revenue or cash flows recognized over time. The implementation did not have a significant impact on the consolidated financial statements.

Critical Accounting Policies

Our accounting policies are fundamental to understanding management's discussion and analysis of results of operations and financial condition. Many of our accounting policies require significant judgment regarding valuation of assets and liabilities. A summary of significant accounting policies is listed in the first note to the consolidated financial statements in the 2003 Annual Report. Critical accounting policies are both important to the portrayal of our financial condition and results, and require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

Allowance for Loan Losses

Our most critical accounting policy relates to the allowance for loan losses and involves significant management valuation judgments. We perform periodic and systematic detailed reviews of our lending portfolio to assess overall collectability. The level of the allowance for loan losses reflects our estimate of the collectability of the loan portfolio. Further discussion of the methodologies used in establishing this reserve is contained in the Provision/Allowance for Loan Losses section of this report.

We make various assumptions and judgments about the collectability of our loan portfolio and provide an allowance for losses based on a number of factors. If our assumptions are wrong, our allowance for loan losses may not be sufficient to cover loan losses. We may have to increase the allowance in the future. Material additions to our allowance for loan losses would have a material adverse effect on our net earnings and stockholders' equity.

Impairment of Goodwill Analysis

As required by the provisions of SFAS 142, we completed our initial valuation analysis to determine whether the carrying amounts of our reporting units were impaired. Our initial impairment review indicated that there was no impairment of goodwill as of December 31, 2002. As required by SFAS 142, we will be required to review the goodwill for impairment at least annually or more frequently based upon facts and circumstances related to a particular reporting unit.

The fair value of our non-bank financial subsidiaries fluctuates significantly based upon, among other factors, the net operating income of these subsidiaries. If these subsidiaries experience a sustained deterioration in their cash flow from operations then we may have to record a goodwill impairment charge in the future.

Deferred Income Taxes

SFAS 109, Accounting for Income Taxes, establishes financial accounting and reporting standards for the effect of income taxes. The objectives of accounting for income taxes are to recognize the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in an entity's financial statements or tax returns. Judgement is required in assessing the future tax consequences of events that have been recognized in our financial statements or tax returns. Fluctuations in the actual outcome of these future tax consequences could materially impact our financial position or our results of operations.

Forward Looking Information and Statements

The information included or incorporated by reference in this report contains certain forward-looking statements with respect to the financial condition, results of operations, plans, objectives, future financial performance and business of us and our subsidiaries, including, without limitation:

- statements that are not historical in nature
- statements preceded by, followed by or that include the words "believes," "expects," "may," "will," "should," "could," "anticipates," "estimates," "intends" or similar expressions
- the ability, likelihood or timing of completing the merger with Silver

Forward-looking statements are not guarantees of future performance or results. You are cautioned not to put undue reliance on any forward-looking statement which speaks only as of the date it was made. They involve risks, uncertainties and assumptions. Actual results may differ materially from those contemplated by the forward-looking statements due to, among others, the following factors:

- our ability to satisfy the terms and conditions of the Written Agreement with the OSBC and FRB-KC
- changes in interest margins on loans
- changes in allowance for loan losses
- changes in the interest rate environment
- competitive pressures among financial services companies may increase significantly
- general economic conditions, either nationally or in our markets, may be less favorable than expected
- legislative or regulatory changes may adversely affect the business in which we and our subsidiaries are engaged

- technological changes may be more difficult or expensive than anticipated
- changes may occur in the securities markets

These risks and other risks are described in Exhibit 99.1 to this Form 10-Q and are incorporated herein by reference.

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Asset/liability management refers to management's efforts to minimize fluctuations in net interest income caused by interest rate changes. This is accomplished by managing the repricing of interest rate sensitive interest-earning assets and interest-bearing liabilities. An interest rate sensitive balance sheet item is one that is able to reprice quickly, through maturity or otherwise. Controlling the maturity or repricing of an institution's liabilities and assets in order to minimize interest rate risk is commonly referred to as gap management. Close matching of the repricing of assets and liabilities will normally result in little change in net interest income when interest rates change. A mismatched gap position will normally result in changes in net interest income as interest rates change.

While we have not historically used interest rate swaps or other derivative instruments to manage interest rate exposure, in August 2002 we entered into three interest rate swap agreements with an aggregate notional amount of $82.5 million. The swaps effectively converted our fixed interest rate obligations under our three outstanding series of trust preferred securities to variable interest rate obligations, decreasing the asset sensitivity of our balance sheet by more closely matching our variable rate assets with variable rate liabilities. 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 paid a variable rate equal to a spread over 90-day LIBOR, adjusted quarterly, and received a fixed rate equal to the interest we are obligated to pay on the related 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 March 31, 2004. Under the swap agreements, no payments were due between the parties and no gain or loss was recognized by us. There are no current plans to replace the terminated swap agreements. However, we called both the $28.7 million Trust Preferred Offering and the $16.3 million Trust Preferred Offering. These were replaced with a debenture of $16.5 million with an interest rate of 5.8% and a $30.0 million debenture with a variable rate tied to LIBOR which is currently approximately 4.0%. The remaining swap agreement is also callable by the counterparty prior to its respective maturity date.

During the third quarter of 2003, we decreased the asset sensitivity of our balance sheet by entering into 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 of our fixed rate borrowings from the Federal Home Loan Bank System into floating rate obligations. We have no current plans to enter into any additional interest rate swap agreements.

Along with internal gap management reports, we and our subsidiary banks use an asset/liability modeling service to analyze each bank's current gap position. The system simulates the banks' asset and liability base and projects future net interest income results under several interest rate assumptions. We strive to maintain an aggregate gap position such that each 100 basis point change in interest rates will not affect net interest income by more than 10%.

The following table indicates that, at June 30, 2004, in the event of a sudden and sustained increase in prevailing market rates, our net interest income would be expected to increase, while a decrease in rates would indicate a decrease in net interest income.

Changes in Interest Rates	Net Interest Income	Actual Change	Percent Change Actual
200 basis point rise..........	$133,415,000	$6,896,000	5.45%
100 basis point rise..........	$131,089,000	$4,570,000	3.61%
Base Rate Scenario............	$126,519,000	--	--
50 basis point decline.........	$125,135,000	$(1,384,000)	(1.09%)
100 basis point decline........	$121,414,000	$(5,105,000)	(4.03%)

ITEM 4: CONTROLS AND PROCEDURES

As of the end of the period covered by this report, an evaluation was carried out under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon and as of the date of the evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective in all material respects to provide reasonable assurance that information required to be disclosed in the reports we file and submit under the Exchange Act is recorded, processed, summarized and reported as and when required.

There were no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2004 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1: LEGAL PROCEEDINGS

For a discussion of legal proceedings, including regulatory proceedings and formal actions taken by our banking regulators, see Note 8 "Legal Proceedings" to the consolidated financial statements contained in Part I, Item I of this report which is incorporated by reference hereunder.

ITEM 2: CHANGES IN SECURITIES AND USE OF PROCEEDS

None

ITEM 3: DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4: SUBMISSION OF MATTERS TO A VOTE OF SECURITY-HOLDERs

At the Annual Meeting of Shareholders on April 21, 2004, three Class II directors, Allen D. Petersen, J. Gary Russ and Donald C. McNeill, were elected for terms expiring in 2007. Voting results were as follows:

Allen D. Petersen

34,151,921	votes or	99.2%	FOR
266,596	votes or	0.8%	AGAINST
0	votes or	0%	BROKER NON-VOTES AND ABSTENTIONS

J. Gary Russ

33,439,204	votes or	97.2%	FOR
979,813	votes or	2.8%	AGAINST
0	votes or	0%	BROKER NON-VOTES AND ABSTENTIONS

Donald C. McNeill

27,049,237	votes or	78.6%	FOR
7,369,280	votes or	21.4%	AGAINST
0	votes or	0%	BROKER NON-VOTES AND ABSTENTIONS

Class III Directors continuing in office are William Randon, William R. Hagman, Jr. and Robert J. Gourley. Class III Directors' terms expire in 2005.

Class I Directors continuing in office are Malcolm M. Aslin, Daniel P. Connealy, D. Patrick Curran. Class I Directors' terms expire in 2006.

ITEM 5: OTHER INFORMATIOn

None

ITEM 6: EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits Required to be Filed by Item 601 of Regulation S-K

Exhibit Number	Description
31.1	Certification of Chief Executive Officer of Gold Banc Corporation, Inc., dated August 9, 2004, pursuant to Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2003.
31.2	Certification of Chief Financial Officer of Gold Banc Corporation, Inc., dated August 9, 2004, pursuant to Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2003.
32.1	Certification of Chief Executive Officer of Gold Banc Corporation, Inc. dated August 9, 2004, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, which is accompanying this Quarterly Report on Form 10-Q for the quarter ended June 30, 2004 and is not treated as filed in reliance upon ss. 601(b)(32) of Regulations S-K.

32.2	Certification of Chief Financial Officer of Gold Banc Corporation, Inc. dated August 9, 2004, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, which is accompanying this Quarterly Report on Form 10-Q for the quarter ended June 30, 2004 and is not treated as filed in reliance upon ss. 601(b)(32) of Regulations S-K.
99.1	Factors That May Affect Future Results of Operations, Financial Condition or Business for Gold Banc Corporation, Inc.
99.2	Press Release, dated August 9, 2004, disclosing an oral agreement in principle for settlement of qui tam litigation

(b) Reports on Form 8-K

We filed the following Current Reports on Form 8-K during the second quarter of 2004:

- On April 21, 2004, we filed a Current Report on Form 8-K announcing earnings and other select financial data for the quarter ended March 31, 2004.
- On May 6, 2004, we filed a Current Report on Form 8-K announcing that the Securities and Exchange Commission issued a cease and desist order against us.
- On June 7, 2004, we filed a Current Report on Form 8-K that clarified certain information set forth on the website for the Office of Thrift Supervision.
- On June 16, 2004, we filed a Current Report on Form 8-K announcing that a qui tam lawsuit had been filed against us and two of our subsidiaries.

SIGNATURES

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

GOLD BANC CORPORATION, INC.

By: /s/ RICK J. TREMBLAY

Rick J. Tremblay
Executive Vice President and Chief Financial Officer
(Authorized officer and principal financial officer of the registrant)

Date: August 9, 2004