

TEAM FINANCIAL INC /KS
Form 10-K405
March 29, 2002

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

Annual report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended
December 31, 2001

Commission File Number: 000-26335

TEAM FINANCIAL, INC.

(Exact name of registrant as specified in its charter)

KANSAS

(State or other jurisdiction of incorporation or organization)

48-1017164

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

8 West Peoria, Suite 200, Paola, Kansas, 66071

(Address of principal executive offices) (Zip Code)

Registrant's telephone, including area code: **(913) 294-9667**

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

Common stock, no par value

(Title of class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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

The aggregate market value of the voting stock held by non-affiliates of the registrant, based on a March 6, 2002 closing price of \$8.81 as reported on the NASDAQ National Market, was \$20,450,970.

There were 4,179,242 shares of the Registrant's common stock, no par value, outstanding as of March 6, 2002.

DOCUMENTS TO BE INCORPORATED BY REFERENCE

Portions of Registrant's definitive proxy statement for its 2002 Annual Meeting of Shareholders to be filed within 120 days of December 31, 2001, will be incorporated by reference into Part III of this Form 10-K

Part I.

- Item 1. Business
- Item 2. Properties
- Item 3. Legal Proceedings
- Item 4. Submission of Matters to a Vote of Security Holders

Part II.

- Item 5. Market for Registrant's Common Stock and Related Stockholder Matters
- Item 6. Selected Financial Data
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Part III.

- Item 10. Directors and Executive Officers of the Registrant
- Item 11. Executive Compensation
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Part IV.

- Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K
- Signatures

PART I

Item 1. Business

General Description

Team Financial, Inc. (the Company) is a financial holding company incorporated in the State of Kansas. Its common stock is listed on the Nasdaq National Market (NASDAQ) under the symbol TFIN.

The Company offers full service community banking and financial services through 20 locations in the Kansas City metropolitan area, southeastern Kansas, western Missouri, the Omaha, Nebraska metropolitan area, and in Colorado Springs, Colorado. The Company's presence in Kansas consists of six locations in the Kansas City metro area, which includes the growth market of Johnson County, four locations in southeast Kansas and two locations along the I-70 corridor. The Company operates two locations in western Missouri, five in the growing metropolitan area of Omaha, Nebraska, and one in the growth market of Colorado Springs, Colorado.

The Company was formed in 1986. Since its formation, the Company has grown from \$85 million in assets to \$650 million in assets as of December 31, 2001. This growth was achieved through a combination of bank and branch acquisitions, the establishment of new branches, and by internal growth.

In mid 1999, the Company's common stock began trading on NASDAQ upon completion of a public offering in which the Company and the ESOP sold 850,000 and 300,000 shares, respectively of common stock at \$11.25 per share.

The ESOP owned 28.2% of the Company's outstanding common stock as of December 31, 2001. Management believes that the ESOP reflects the Company's corporate culture that employees are the integral component of a financial institution. Management intends to continue the ESOP, as it is a significant incentive to attract and retain qualified employees.

During the quarter ended March 31, 2000, the Company acquired Fort Calhoun Investment Co., and its subsidiary Fort Calhoun State Bank with total assets of approximately \$22.0 million. The acquisition compliments the Company's presence in the Omaha, Nebraska metropolitan area.

On September 18, 2001, the Company acquired 100% of the outstanding stock of Post Bancorp, Inc., owner of Colorado Springs National Bank for \$12.8 million, consisting of \$11.0 million in cash and \$1.8 million in common stock. The Company financed the cash portion of the Post Bancorp, Inc. purchase price through the issuance of 1,552,500, 9.50% Cumulative Trust Preferred Securities at \$10 per preferred security. The net proceeds were \$14,425,000 after deduction of offering expenses and underwriting commissions of \$1,100,000. The remaining net proceeds were used to pay down the Company's line of credit. The cumulative trust preferred securities trade on the NASDAQ national market under the symbol TFINP.

On February 7, 2002 the Company's wholly owned subsidiary, Community Bank signed a purchase and assumption agreement for the sale of its Chapman and Abilene, Kansas branch locations to First National Bank of Belleville, Kansas. The purchase is expected to be finalized in the second quarter of 2002 pending regulatory approval. The funds received from the sale of the Community Bank branches will be re-invested in the growth areas of the Kansas City metropolitan market and in the Colorado Springs metropolitan market along the front range of the Colorado Rocky Mountains.

The Company serves the needs and caters to the economic strengths of the local communities in which it operates and strives to provide a high level of personal and professional customer service. The Company offers a variety of financial services to its retail and commercial banking customers. These services include personal and corporate banking services, trusts and estate planning, personal investment financial counseling services.

The Company's full complement of lending services include:

a broad array of residential mortgage products, both fixed and adjustable rate

consumer loans, including home equity lines of credit, auto loans, recreational vehicle, and other secured and unsecured loans

specialized financing programs to support community development

mortgages for multi-family real estate

commercial real estate loans

commercial loans to businesses, including revolving lines of credit and term loans

construction lending

agricultural lending

The Company also provides a broad selection of deposit instruments. These include:

multiple checking and NOW accounts for both personal and business accounts

various savings accounts, including those for minors

money market accounts

tax qualified deposit accounts such as Individual Retirement Accounts

a broad array of certificate of deposit products

The Company also supports its customers by providing services such as:

functioning as a federal tax depository

providing access to merchant bankcard services

supplying various forms of electronic funds transfer

providing debit cards and credit cards

providing telephone banking.

Through its trust and estate planning and its personal investment financial counseling services, the Company offers a wide variety of mutual funds, equity investments, and fixed and variable annuities.

The Company participates in the wholesale capital markets through the management of its security portfolio and its use of various forms of wholesale funding. The Company's security portfolio contains a variety of instruments, including callable debentures, taxable and non-taxable debentures, fixed and adjustable rate mortgage backed securities, and collateralized mortgage obligations.

The Company's results of operations depend primarily on net interest income, which is the difference between interest income from interest-earning assets and interest expense on interest-bearing liabilities. The Company's operations are also affected by non-interest income, such as service charges, loan fees, and gains and losses from the sale of newly originated loans. The Company's principal operating expenses, aside from interest expense, consist of compensation and employee benefits, occupancy costs, data processing expense and provisions for loan losses.

Competition

The Company faces a high degree of competition. In its market areas, there are numerous small banks and several larger national and regional financial banking groups such as United Missouri Bank and U.S. Bank. The Company also competes with insurance companies, savings and loan associations, credit unions, leasing companies, mortgage companies, and other financial service providers. Many of the banks and other financial institutions with which the Company competes have capital resources and legal lending limits substantially in excess of the capital resources and legal lending limits of the Company.

The Company competes for loans and deposits principally based on the availability and quality of services provided, responsiveness to customers, interest rates, loan fees and office locations. The Company actively solicits deposit customers and competes by offering them high quality customer service and a complete product line. The Company believes its personalized customer service, broad product line and banking franchise enable it to compete effectively in its market area.

In order to compete with other financial service providers, the Company relies upon local community involvement, personal service, and the resulting personal relationships of its staff and customers, and the development and sale of specialized products and services tailored to meet its customers' needs.

The Company faces competition for its personnel. The Company competes through its emphasis as a community banking culture and through the use of its ESOP. Management believes that the Company is able to compete for personnel effectively in the Company's market areas because the ESOP provides incentives for employees to join the Company and motivation to enhance shareholder value.

The Company will also face significant competition from other financial institutions in any potential acquisitions. Many of these competitors have substantially greater resources than the Company.

The Company has three wholly owned bank subsidiaries. The table below presents information concerning these subsidiaries.

Name of Bank	Number of Banking Locations	Lending Limit	Asset Size at December 31, 2001
		(In Millions)	
TeamBank, N.A. Paola, Kansas a national banking association	17	\$ 6.1	\$ 522
Colorado Springs National Bank Colorado Springs, Colorado, a national banking association	1	1.1	86
Community Bank (1) Prairie Village, Kansas, a Kansas state chartered bank	2	0.9	41

(1) On February 7, 2002, the Company's wholly owned subsidiary, Community Bank signed a purchase and assumption agreement for the sale of its two branches.

Market Area Served

TeamBank, N.A. TeamBank, N.A. has banking locations in Kansas, Missouri, and Nebraska. TeamBank, N.A.'s primary Kansas service area is in Miami County, Kansas. Located in the Kansas City metropolitan area, Miami County adjoins Johnson County, Kansas.

TeamBank, N.A.'s Miami County branches are located in Paola, the county seat of Miami County, and Osawatomie, the second largest city in the county. TeamBank, N.A. also operates a branch in Ottawa, Kansas the county seat of the adjoining Franklin County, Iola Kansas; the county seat of Allen County; and operates two branches in Parsons, Kansas of Labette County. TeamBank, N.A. operates three branches in Johnson County, Kansas. TeamBank, N.A.'s primary Missouri service area is in Barton and Vernon counties, which adjoin each other and are located in the southwest section of Missouri along the Kansas-Missouri border. TeamBank, N.A. also operates five facilities in the Omaha, Nebraska metropolitan area. The primary Nebraska service area is in Washington, Douglas, and Sarpy Counties.

Community Bank. Community Bank has two banking locations in Kansas. Community Bank's primary service area is Dickinson County, Kansas along the I-70 corridor. On February 7, 2002, Community Bank completed a purchase and assumption agreement for the sale these branch locations. The sale is expected to be finalized in the second quarter of 2002 pending regulatory approval. The remaining Community Bank charter will be merged into TeamBank, N.A.

Colorado Springs National Bank. Colorado Springs National Bank has one banking location in Colorado Springs, Colorado. The primary service areas are El Paso County and Teller County along the front range of the Colorado Rocky Mountains.

Growth and Operating Strategies

The Company's growth strategy is focused on a combination of acquisitions, existing branch growth and establishing new branches.

Acquisitions. Management believes that the consolidation in the banking industry, along with the easing of branch banking throughout Kansas, Missouri, Nebraska, Colorado, Oklahoma and Iowa, as well as increased regulatory burdens, concerns about technology and marketing, are likely to lead owners of community banks within these areas to explore the possibility of sale or combination with a broader-based holding company such as the Company.

In addition, branching opportunities have arisen from time to time as a result of divestiture of branches by large national and regional bank holding companies of certain overlapping branches resulting from consolidations. As a result, branch locations have become available for purchase. The Company completed three branch acquisitions and three bank holding company acquisitions from 1997 through 2001. See note 15 to the Consolidated Financial Statements in Item 8.

Management's strategy in assimilating acquisitions is to emphasize revenue growth as well as continuously review the operations of the acquired entities and streamline operations where feasible. Management does not believe that implementing wholesale administrative cost reductions in acquired institutions are beneficial to the Company's long-term growth, because significant administrative changes in smaller banks can have an adverse impact on customer satisfaction in the acquired institution's community. However, management has determined that certain processing and accounting functions can be consolidated immediately upon acquisition to achieve higher productivity levels without compromising customer service. Increases in revenue growth are emphasized by offering customers a broader product line consistent with full service banking.

Branch Expansion. Since 1994, the Company has established three new branches. Because of the economic growth in the Omaha, Nebraska area, the Colorado Springs, Colorado area, as well as Johnson County, Kansas, over the past several years, management may consider branch expansion in these areas. However, the Company does not rule out branch expansion in other areas experiencing economic growth.

The Company has considered and intends to consider a variety of criteria when evaluating potential acquisition candidates or branching opportunities. These include:

the geographic market location of the potential acquisition target or branch and demographics of the surrounding community;

the financial soundness of a potential acquisition target;

opportunities to improve the efficiency and/or asset quality of an acquisition target through merger;

the effect of the acquisition on earnings per share and book value. The Company seeks to undertake acquisitions that will be accretive to earnings within 18 months of the acquisition;

whether the Company has sufficient management and other resources to integrate or add the operations of the target or branch; and

the investment required for, and opportunity costs of, the acquisition or branch.

Internal Growth. The Company believes that its largest source of internal growth is through its ongoing solicitation program conducted by bank presidents and lending officers, followed by referrals from customers. The primary reason for referrals is positive customer feedback regarding the Company's customer service and response time.

The Company's goal in continuing its expansion is to maintain a profitable, customer-focused financial institution. The Company believes that its existing structure, management, data and operational systems are sufficient to achieve further internal growth in asset size, revenues and capital without proportionate increases in operating costs. This growth should also allow the Company to increase the lending limits of its banks, thereby enabling it to increase its ability to serve the needs of existing and new customers. The Company's operating strategy has always been to provide high quality community banking services to its customers and increase market share through active solicitation of new business, repeat business and referrals from customers, and continuation of selected promotional strategies.

For the most part, the Company's banking customers seek a banking relationship with a service-oriented community banking organization. The Company's operational systems have been designed to facilitate personalized service. Management believes its banking locations have an atmosphere which facilitates personalized services and decision-making, yet are of sufficient financial size with broad product lines to meet customers' needs. Management also believes that economic expansion in the Company's market areas will continue to contribute to internal growth. Through the Company's primary emphasis on customer service and its management's banking experience, the Company intends to continue internal growth by attracting customers and primarily focusing on the following:

Products Offered The Company offers personal and corporate banking services, trusts and estate planning, mortgage origination, mortgage servicing, personal investment, and financial counseling services as well as telephone banking. It offers a full range of commercial banking services, checking accounts, ATM s, checking accounts with interest, savings accounts, money market accounts, certificates of deposit, NOW accounts, Individual Retirement Accounts, brokerage and residential mortgage services, branch banking, and Team Financial Visa debit cards and Visa/MC credit cards. The Company also offers installment loans, including auto, recreational vehicle, and other secured and unsecured loans sourced directly by its branches. See Loans below for a discussion of products the Company provides to commercial accounts.

Operational Efficiencies The Company seeks to maximize operational and support efficiencies consistent with maintaining high quality customer service. Where feasible, the Company s banks share a common information system designed to enhance customer service and improve efficiencies by providing system-wide voice and data communication connections. The Company has consolidated loan processing, bank

balancing, financial reporting, investment management, information systems, payroll and benefit management, loan review, and audits.

Marketing Activities The Company focuses on an active solicitation program for new business, as well as identifying and developing products and services that satisfy customer needs. The Company's marketing programs also utilize local print and promotional materials in each location. The Company also actively sponsors community events within its branch areas. The Company believes that active community involvement contributes to its long-term success.

Loans

The Company provides a broad range of commercial and retail lending services. Each of the Company's banks follow a uniform credit policy which contains underwriting and loan administration criteria, levels of loan commitment, loan types, credit criteria, concentration limits, loan administration, loan review and grading and related matters. In addition, the Company provides ongoing loan officer training and review, obtains outside independent loan reviews and operates a centralized processing and servicing center for loans. At December 31, 2001, substantially all loans outstanding were to customers within the Company's market areas.

Loan Administration. The Company maintains a loan committee approach to lending, which it believes yields positive results in both responsiveness to customer needs and asset quality. Each of the Company's subsidiary banks and some branches have a loan committee, which meets at least once per week to review and discuss loans. Each bank and some branches also have a loan level threshold, which, if exceeded, requires the approval of the Company's loan committee, which meets on an on-call basis. Loans greater than \$2.5 million require the approval of the Company's board of directors.

Interest rates charged on loans vary with the degree of risk, maturity, costs of underwriting and servicing, loan amount, and extent of other banking relationships maintained with customers, and are further subject to competitive pressures, availability of funds and government regulations.

Real Estate Loans. These loans include various types of loans for which the Company holds real property as collateral. Interest rates on these loans typically adjust annually. Real estate construction loans include commercial and residential real estate construction loans, but are principally made to builders to construct business buildings or single and multi-family residences. Real estate construction loans typically have maturities of six to 12 months, and charge origination fees. Terms may vary depending upon many factors, including location, type of project and financial condition of the borrower. It is the Company's standard practice in making commercial loans to receive real estate as collateral in addition to other appropriate collateral. Therefore, loans categorized in the other real estate loan category can be characterized as commercial loans, which are secured by real estate. Commercial loans secured by real estate typically have adjustable interest rates. The primary risks of real estate mortgage loans include the borrower's inability to pay and deterioration in value of real estate that is held as collateral.

Commercial Loans. These loans consist primarily of loans to businesses for various purposes, including revolving lines of credit and equipment financing. The loans secured by collateral other than real estate, generally mature within one year, have adjustable interest rates and are secured by inventory, accounts receivable, machinery, government guarantees, or other commercial assets. Revolving lines of credit are generally for business purposes, mature annually and have adjustable interest rates. The primary repayment risk of commercial loans is the failure of the borrower's business due to economic or financial factors.

Agricultural Loans. The Company makes a variety of agricultural loans which are included in real estate and commercial loans. These loans relate to equipment, livestock, crops and farmland. The primary risks of agricultural loans include the prices of crops and livestock, as well as weather conditions.

Installment Loans. Installment loans are primarily to individuals, are typically secured by the financed assets, generally have terms of two to five years and bear interest at fixed rates. These loans usually are secured by motor vehicles or other personal assets and in some instances are unsecured. The primary risk of consumer lending relates to the personal circumstances of the borrower.

Letters of Credit

In the ordinary course of business, the Company issues letters of credit. See note 16 to Item 8 - Financial Statements. The Company applies the same credit standards to these commitments as it uses in all its lending activities and has included these commitments in its lending risk evaluations. The Company's exposure to credit loss under letters of credit is represented by the amount of these commitments.

Employees

As of December 31, 2001, the Company had approximately 264 full-time equivalent employees. Neither the Company nor any of its subsidiaries is a party to any collective bargaining agreement. Management considers the Company's relationship with its employees to be good.

Principal Sources of Revenue

The Company's results of operations depend primarily on net interest income, which is the difference between interest income from interest-earning assets and interest expense on interest-bearing liabilities. The Company's operations are also affected by non-interest income, such as service charges, loan fees, and gains and losses from the sale of newly originated loans. The Company's principal operating expenses, aside from interest expense, consist of compensation and employee benefits, occupancy costs, data processing expense and provisions for loan losses.

Supervision and Regulation

Government Regulation

The Company and its banks are extensively regulated under federal and Kansas law. These laws and regulations are primarily intended to protect depositors and the deposit insurance fund of the Federal Deposit Insurance Corporation, not shareholders of the Company. The following information is qualified in its entirety by reference to the particular statutory and regulatory provisions. Any change in applicable laws, regulations or regulatory policies may have a material effect on the business, operations and prospects of the Company and its banks. The Company is unable to predict the nature or extent of the effects that fiscal or monetary policies, economic controls or new federal or state legislation may have on its business and earnings in the future.

The Company

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General. The Company operates as a financial holding company registered under the Gramm-Leach-Bliley Act (GLBA). This law permits former bank holding companies that have registered as financial holding companies to affiliate with securities firms and insurance companies and engage in other activities that are financial in nature. The Company intends to diversify into financial activities, such as insurance.

No regulatory approval is required for a financial holding company to acquire a company, other than a bank or savings association, engaged in activities that are financial in nature or incidental to activities that are financial in nature, as determined by the Federal Reserve Board. The GLBA defines financial in nature to include securities underwriting, dealing and market making; sponsoring mutual funds and investment companies; insurance underwriting and agency; merchant banking activities; and activities that the Board has determined to be closely related to banking. A national bank also may engage, subject to limitations on investment, in activities that are financial in nature, other than insurance underwriting, insurance company portfolio investment, real estate development and real estate investment, through a financial subsidiary of the bank, if the bank is well capitalized, well managed and has at least a satisfactory Community Reinvestment Act (CRA) rating.

Although it preserves the Federal Reserve as the umbrella supervisor of financial holding companies, the GLBA defers the administration of the non-banking activities to the customary regulators of insurers, broker-dealers, investment companies and banks. Thus, the various state and federal regulators of a financial holding company s operating subsidiaries would retain their jurisdiction and authority over such operating entities. As the umbrella supervisor, however, the Federal Reserve has the potential to affect the operations and activities of financial holding

companies' subsidiaries through its power over the financial holding company parent. The GLBA contains restrictions on financial institutions regarding the sharing of customer nonpublic personal information with non-affiliated third parties unless the customer has had an opportunity to opt out of the disclosure. The GLBA also imposes periodic disclosure requirements concerning a financial institution's policies and practices regarding data sharing with affiliated and non-affiliated parties.

Subsidiary banks of a financial holding company or national banks with financial subsidiaries must continue to be well capitalized and well managed in order to continue to engage in activities that are financial in nature without regulatory actions or restrictions, which could include divestiture of the financial in nature subsidiary or subsidiaries. In addition, a financial holding company or a bank may not acquire a company that is engaged in activities that are financial in nature unless each of the subsidiary banks of the financial holding company or the bank has CRA rating of satisfactory or better.

Acquisitions. As a financial holding company, the Company is required to obtain the prior approval of the Federal Reserve before acquiring direct or indirect ownership or control of more than 5% of the voting shares of a bank or financial holding company. The Federal Reserve will not approve any acquisition, merger or consolidation that would have a substantial anti-competitive effect, unless the anti-competitive effects of the proposed transaction are outweighed by a greater public interest in meeting the needs and convenience of the community. The Federal Reserve also considers managerial resources, current and projected capital positions and other financial factors in acting on acquisition or merger applications.

Capital Adequacy. The Federal Reserve monitors the regulatory capital adequacy of financial holding companies. As discussed below, the Company's banks are also subject to the regulatory capital adequacy requirements of the Federal Deposit Insurance Corporation, the Comptroller of the Currency, Kansas and Nebraska regulations, as applicable. The Federal Reserve uses a combination of risk-based guidelines and leverage ratios to evaluate the regulatory capital adequacy of the Company.

The Federal Reserve has adopted a system using risk-based capital adequacy guidelines to evaluate the regulatory capital adequacy of financial holding companies. The guidelines apply on a consolidated basis to financial holding companies with consolidated assets of at least \$150 million. Under the risk-based capital guidelines, different categories of assets are assigned to different risk categories based generally on the perceived credit risk of the asset. The risk weights of the particular category are multiplied by the corresponding asset balances and added together to determine a risk-weighted asset base. Some off balance sheet items, such as loan commitments in excess of one year, mortgage loans sold with recourse and letters of credit, are added to the risk-weighted asset base by converting them to a credit equivalent and assigning them to the appropriate risk category. For purposes of the Federal Reserve's regulatory risk-based capital guidelines, total capital is defined as the sum of core and secondary capital elements, with secondary capital being limited to 100% of core capital. For financial holding companies, core capital, also known as Tier 1 capital, generally includes common shareholders' equity, perpetual preferred stock and minority interests in consolidated subsidiaries, less goodwill and other intangible assets. No more than 25% of core capital elements may consist of cumulative preferred stock. Secondary capital, also known as Tier 2 capital, generally includes the allowance for loan losses limited to 1.25% of weighted risk assets, certain forms of perpetual preferred stock, as well as hybrid capital instruments. The Federal Reserve's regulatory guidelines require a minimum ratio of qualifying total capital to weighted risk assets of 8%, of which at least 4% should be in the form of core capital. At December 31, 2001, the Company's core capital was \$41.6 million.

In addition to the risk-based capital guidelines, the Federal Reserve, the Federal Deposit Insurance Corporation and the Comptroller of the Currency use a leverage ratio as an additional tool to evaluate capital adequacy. The leverage ratio is defined by the Federal Reserve to be a company's core capital divided by its average total consolidated assets, and the Comptroller of the Currency's and Federal Deposit Insurance Corporation's definitions are similar. Based upon the current capital status of the Company, the applicable minimum required leverage ratio is 4%.

The table below presents the Company's ratios of (1) total capital to risk-weighted assets, (2) core capital to risk-weighted assets and (3) core capital to average assets, at December 31, 2001.

Ratio	At December 31, 2001	
	Actual	Minimum Required
Total capital to risk weighted assets	11.72%	8.00%
Core capital to risk weighted assets	10.60%	4.00%
Core capital to average assets	6.92%	4.00%

Failure to meet the regulatory capital guidelines may result in the initiation by the Federal Reserve of appropriate supervisory or enforcement actions, including but not limited to delaying or denying pending or futures applications to acquire additional financial or bank holding companies.

The Banks

General. The Company owns two national chartered banks and one state chartered bank. TeamBank, N.A. and Colorado Springs National Bank, as national banks, are subject to regulations by the Office of the Comptroller of the Currency. Community Bank is regulated by the Kansas Office of the State Bank Commissioner and is subject to supervision and regulations by the Federal Deposit Insurance Corporation. The deposits of all of the banks are insured by the Federal Deposit Insurance Corporation.

Permissible Activities. A Kansas state chartered bank may not engage in any activity not permitted for national banks, unless the institution complies with applicable capital requirements and the Federal Deposit Insurance Corporation determines that the activity poses no significant risk to the Bank Insurance Fund. Community Bank is presently not involved in the types of transactions covered by this limitation.

Community Reinvestment Act. Enacted in 1977, the federal Community Reinvestment Act has become important to financial institutions, including their holding companies. Financial institutions have a continuing and affirmative obligation, consistent with safe and sound operations of such institutions, to serve the convenience and needs of the communities in which they are chartered to do business, including low- and moderate-income neighborhoods. The Community Reinvestment Act currently requires that regulators consider an applicant's Community Reinvestment Act record when evaluating certain applications, including charters, branches and relocations, as well as mergers and consolidations. The applicable federal regulators regularly conduct Community Reinvestment Act examinations to assess the performance of financial institutions and assign one of four ratings to the institution's records of meeting the credit needs of its community. During their last examinations, ratings of at least satisfactory were received by all of the Company's banks. As a result, management believes that the performance of the Company's banks under the Community Reinvestment Act will not impede regulatory approvals of any proposed acquisitions or branching opportunities.

Dividend Restrictions. Dividends paid by the Company's banks provide a substantial amount of the operating and investing cash flow of the Company. Under Kansas law, the current dividends can be paid only from undivided profits after deducting losses, but before declaring dividends a bank must transfer 25% of its net profits since the last preceding dividend to its surplus fund until the surplus fund equals the total capital stock.

With respect to national banks, the directors of any such bank may quarterly, semiannually, or annually declare a dividends of so much of the bank's undivided profits as they deem expedient, except until the bank's surplus fund equals its common capital at which time, no dividends may be declared unless the bank has carried to the surplus fund at least one-tenth of the bank's net income of the preceding half year in the case of quarterly or semiannual dividends, or at least one-tenth of its net income of the preceding two consecutive half-year periods in the case of annual dividends. However, the Comptroller of the Currency's approval is required if the total of all dividends declared by a bank in any calendar year exceeds the total of its net income of that year combined with its retained net income of the preceding two years, less any required transfers to surplus or a fund for the retirement of any preferred stock.

Examinations. The Company's banks are examined from time to time by their primary federal banking regulators. Based upon an evaluation, the examining regulator may revalue a bank's assets and require that it establish specific

reserves to compensate for the difference between the value determined by the regulator and the book value of the assets. The Kansas Office of the State Bank Commissioner also conducts examinations of state-chartered banks. The Kansas regulators may accept the results of a federal examination in lieu of conducting an independent examination. Kansas regulators have the authority to revalue the assets of a state-chartered institution and require it to establish reserves.

Capital Adequacy. The Federal Deposit Insurance Corporation and the Comptroller of the Currency have adopted regulations establishing minimum requirements for the capital adequacy of insured institutions. The requirements address both risk based capital and leverage capital, with risk-based assets and core and secondary capital being determined in basically the same manner as described above for financial holding companies. The Federal Deposit Insurance Corporation or the Comptroller of the Currency may establish higher minimum requirements if, for example, a bank has previously received special attention or has a high susceptibility to interest rate risk.

The Federal Deposit Insurance Corporation risk-based capital guidelines require state non-member banks and national banks to have a ratio of total capital to total risk-weighted assets of 8%, of which total capital at least 4% should be in the form of core capital.

The table below presents the regulatory capital ratios of Community Bank at December 31, 2001.

Ratio	At December 31, 2001	
	Actual	Minimum Required
Total capital to risk weighted assets	47.93%	8.00%
Core capital to risk weighted assets	47.12%	4.00%
Core capital to average assets	14.47%	4.00%

The Comptroller of the Currency risk-based capital guidelines require national banks to maintain a minimum ratio of total capital, after deductions, to weighted risk assets of 8%, and national banks and state non-member banks must have and maintain core capital in an amount equal to at least 3% of adjusted total assets; but for all but the most highly rated banks, the minimum core leverage ratio is to be 3% plus an additional cushion of at least 100 to 200 basis points. The applicable guideline for TeamBank, N.A. and Colorado Springs National Bank is 4%.

The table below presents the regulatory capital ratios of TeamBank N.A. and Colorado Springs National Bank at December 31, 2001.

Ratio	At December 31, 2001			
	TeamBank, N.A.		Colorado Springs National Bank	
	Actual	Minimum Required	Actual	Minimum Required
Total capital to risk weighted assets	11.92%	8.00%	19.17%	8.00%
Core capital to risk weighted assets	10.78%	4.00%	18.13%	4.00%
Core capital to average assets	7.55%	4.00%	9.20%	4.00%

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Banks with regulatory capital ratios below the required minimum are subject to administrative actions, including the termination of deposit insurance upon notice and hearing, or a temporary suspension of insurance without a hearing in the event the institution has no tangible capital.

The Federal Deposit Insurance Corporation and Comptroller of the Currency regulators have adopted regulations that define five capital levels: well capitalized, adequately capitalized, undercapitalized, severely undercapitalized and critically undercapitalized. An institution is critically undercapitalized if it has a tangible equity to total assets ratio that is equal to or less than 2%. An institution is well capitalized if it has a total risk-based capital ratio of 10% or greater, core risk-based capital ratio of 6% or greater, and a leverage ratio of 5% or greater, and the institution is not subject to an order, written agreement, capital directive, or prompt corrective action directive to meet and maintain a specific capital level for any capital measure. An institution is adequately capitalized if it has a total

risk-based capital ratio of 8% or greater, a core risk based capital ratio of 4% or greater, and a leverage ratio of 4% or greater.

The Federal Deposit Insurance Corporation Improvement Act requires the federal banking regulators to take prompt corrective action to resolve the problems of insured depository institutions, including capital-deficient institutions. In addition to requiring the submission of a capital restoration plan, the Federal Deposit Insurance Corporation Improvement Act contains broad restrictions on activities of institutions that are not adequately capitalized involving asset growth, acquisitions, branch establishment, and expansion into new lines of business. With limited exceptions, an insured depository institution is prohibited from making capital distributions, including dividends, and is prohibited from paying management fees to control persons if the institution would be undercapitalized after any distribution or payment.

As an institution's capital decreases, the powers of the federal regulators become greater. A significantly undercapitalized institution is subject to mandated capital raising activities, restrictions on interest rates paid and transactions with affiliates, removal of management, and other restrictions. The regulators have limited discretion in dealing with a critically undercapitalized institution and are virtually required to appoint a receiver or conservator if the capital deficiency is not promptly corrected.

Real Estate Lending Evaluations. The federal regulators have adopted uniform standards for evaluations of loans secured by real estate or made to finance improvements to real estate. Banks are required to establish and maintain written internal real estate lending policies consistent with safe and sound banking practices and appropriate to the size of the institution and the nature and scope of its operations. The regulations establish loan to value ratio limitations on real estate loans, which generally are equal to or less than the loan to value limitations established by the Company's banks.

Deposit Insurance Premiums. Deposits of the Company's banks are insured up to the regulatory limit by the FDIC and are subject to deposit assessments. The assessment schedule for banks ranges from 0 to 27 cents per \$100 of deposits, based on capital and supervisory factors. The banks' insured deposits are subject to assessment payable to Bank Insurance Fund. An institution's assessment is based on the assignment of the institution by the Federal Deposit Insurance Corporation to one of three capital groups and to one of three supervisory subgroups. The capital groups are well capitalized, adequately capitalized and undercapitalized. The three supervisory subgroups are Group A, for financially solid institutions with only a few minor weaknesses, Group B, for those institutions with weaknesses which, if uncorrected could cause substantial deterioration of the institution and increase the risk to the deposit insurance fund, and Group C, for those institutions with a substantial probability of loss to the fund absent effective corrective action. Currently, all four of the Company's banks are in Group A.

Branching Authority. Kansas law permits a Kansas bank to install remote service units, also known as automatic teller machines, throughout the state. Remote service units which are not located at the principal place of business of the bank or at a branch location of the bank must be available for use by other banks and their customers on a non-discriminatory basis. Federal law generally allows national banks to establish branches in locations, which do not violate state law.

Interstate Banking Legislation. The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, which became effective September 1995, has eliminated many of the historical barriers to the acquisition of banks by out-of-state financial holding companies. This law facilitates the interstate expansion and consolidation of banking organizations by permitting: (1) financial holding companies that are adequately capitalized and managed, subject to certain limitations, to acquire banks located in states outside their home states regardless of whether acquisitions are authorized under the laws of the host state; (2) the interstate merger of banks after June 1, 1997, subject to the right of individual states either to pass legislation providing for earlier effectiveness of mergers or to opt out of this authority prior to that date; (3) banks to establish new branches on an interstate basis provided that this action is specifically authorized by the law of the host state; (4) foreign banks to establish, with approval of the appropriate regulators in the United States, branches outside their home states to the same extent that national or state banks located in that state would be authorized to do so; and (5) banks to receive deposits, renew time deposits, close loans, service loans

and receive payments on loans and other obligations as agent for any bank or thrift affiliate, whether the affiliate is located in the same or different state.

Changing Regulatory Structure

The laws and regulations affecting banks and financial holding companies are in a state of flux. The rules and the regulatory agencies in this area have changed significantly over recent years, and there is reason to expect that similar changes will continue in the future. It is not possible to predict the outcome of these changes.

One of the major additional burdens imposed on the banking industry is the increased authority of federal agencies to regulate the activities of federal and state banks and their holding companies. The Federal Reserve, the Comptroller of the Currency and the Federal Deposit Insurance Corporation have extensive authority to police unsafe or unsound practices and violations of applicable laws and regulations by depository institutions and their holding companies. These agencies can assess civil money penalties and other laws have expanded the agencies' authority in recent years, and the agencies have not yet fully tested the limits of their powers. In addition, the Kansas Office of the State Bank Commissioner possesses broad enforcement powers to address violations of Kansas banking laws by banks chartered in Kansas.

Monetary Policy and Economic Environment

The policies of regulatory authorities, including the monetary policy of the Federal Reserve, have a significant effect on the operating results of financial holding companies and their subsidiaries. Among the means available to the Federal Reserve to affect the money supply are open market operations in U.S. Government securities, changes in the discount rate on member bank borrowings, and changes in reserve requirements against member bank deposits. These means are used in varying combinations to influence overall growth and distribution of bank loans, investments and deposits, and their use may affect interest rates charged on loans or paid on deposits.

The Federal Reserve's monetary policies have materially affected the operating results of commercial banks in the past and are expected to continue to do so in the future. The nature of future monetary policies and the effect of these policies on the business and earnings of the Company and its subsidiaries cannot be predicted.

Forward-Looking Statements

Certain statements contained in this Annual Report on Form 10-K, which are not statements of historical fact, constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act (the Act), including, without limitation, the statements specifically identified as forward-looking statements within this document. In addition, certain statements in future filings by the Company with the Securities and Exchange Commission, in press releases, or in oral and written statements made by or with the approval of the Company which are not statements of historical fact constitute forward-looking statements within the meaning of the Act. Examples of forward-looking statements included, but are not limited to: (i) projections of revenue, income or loss, earnings or loss per share, the payment or non-payment of dividends, capital structure and other financial items, (ii) statements of plans and objectives of the Company or its management or Board of Directors, including those relating to products or services, (iii) statements of future economic performance and (iv) statements that anticipate, expect, intend, plan, target, and similar expression are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

Forward-looking statements involve risks and uncertainties, which may cause actual results to differ materially from those in such statements. Factors that could cause actual results to differ from those discussed in the forward-looking statements include, but are not limited to : (i) the strength of the U.S. economy in general and the strength of the local economies in which operations are conducted; (ii) the effects of and changes in trade, monetary and fiscal policies and laws, including interest rate policies of the Federal Reserve Board; (iii) inflation, interest rates, market and monetary fluctuations; (iv) the timely development of and acceptance of new products and services and perceived overall value of these products and services by users; (v) changes in consumer spending, borrowing and savings habits; (vi) technological changes; (vii) acquisitions; (viii) the ability to increase market shares and control expenses; (ix) the effect of changes in laws and regulations (including laws and regulations concerning taxes, banking, and securities) with which the Company and its subsidiaries must comply; (x) the effect of changes in accounting policies and practices, as may be adopted by the regulatory agencies as well as the Financial Accounting Standards Board, (xi) changes in the Company's organization, compensation and benefits plans; (xii) the costs and

effects of litigation and of unexpected or adverse outcomes in such litigation; and (xiii) the success of the Company at managing risks involve in the foregoing.

Such forward-looking statements speak only as of the date on which such statements are made, and the Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made to reflect the occurrence of unanticipated events.

Item 2 Properties

The table below presents property information concerning the offices of the Company and its subsidiary banks at December 31, 2001.

Name and Address of Office	Year Opened	Type of Interest	Square footage of facility
Team Financial, Inc. 8 West Peoria Paola, Kansas 66071	1986	Leased	5,000
TeamBank, N.A., Paola Branch (Main Office) 1 South Pearl Paola, Kansas 66071	1986	Owned	17,951
East Bank - Paola Branch 1515 Baptiste Drive Paola, Kansas 66071	1988	Owned	9,630
TeamBank, N.A., DeSoto Branch 34102 West 92 Street DeSoto, Kansas 66018	1994	Owned	6,800
TeamBank, N.A., Lamar Branch 127 West 11th Street Lamar, Missouri 64759	1997	Leased	2,650
TeamBank, N.A., Nevada Branch 201 East Cherry Nevada, Missouri 64772	1997	Owned	16,000
TeamBank, N.A., Osawatomie Branch 6th and Brown Osawatomie, Kansas 66064	1993	Owned	4,756
TeamBank, N.A., Ottawa Branch 421 South Hickory Ottawa, Kansas 66067	1998	Owned	8,000
TeamBank, N.A., Spring Hill Branch 110 East Wilson Spring Hill, Kansas 66083	1994	Leased	600
TeamBank, N.A. Iola Branch 119 East Madison Iola, Kansas 66749	1990	Owned	13,768
TeamBank, N.A. - Parsons Branch (including drive in) 1902 Main Parsons, Kansas 66357	1992	Owned	11,000

TeamBank, N.A. - Prairie Village Branch 5206 West 95 th Street Prairie Village, Kansas 66207	1999	Owned	3,602
TeamBank N.A., Nebraska (Main Office) 1902 Harlan Drive Bellevue, Nebraska 68005	1996	Leased	4,679
TeamBank N.A., Nebraska - Bellevue Branch 7001 South 36th Bellevue, Nebraska 68147	1996	Leased	1,980
TeamBank, N.A., Nebraska - Omaha Branch 2809 South 160th Street, #20 Omaha, Nebraska 68130	1998	Leased	3,000
TeamBank, N.A. Fort Calhoun Branch 101 N. 14 th Street Fort Calhoun, Nebraska 68023	2000	Owned	4,250
Community Bank Chapman (Main Office) 446 N. Marshall Chapman, Kansas 67431	1999	Owned	8,847
Community Bank Abilene (1) Branch 418 N.W. 3 rd Abilene, Kansas 67410	1999	Owned	2,174
Community Bank Chapman (1) Leased building 102 East Fifth Street Chapman, Kansas 67431	1999	Owned	7,132
Colorado Springs National Bank Colorado Springs, Colorado (Main Office) 3100 North Nevada Avenue Colorado Springs, Colorado 80907	2001	Owned	7,859

(1) On February 7, 2002, the Company's wholly owned subsidiary, Community Bank, signed a purchase and assumption agreement for the sale of this branch.

Other than the Spring Hill branch, which is leased on a month-to-month basis, all of the leased properties are leased from unrelated third parties and are subject to long-term leases, none of which expire prior to the year 2003.

Item 3. Legal Proceedings

The Company is from time to time involved in routine litigation incidental to the conduct of its business. The Company believes that no pending litigation to which it is a party will have a material adverse effect on its liquidity, financial condition, or results of operations.

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

There were no matters submitted to a vote of our security holders during the fourth quarter of 2001.

Part II**Item 5. Market for Registrant's Common Stock and Related Stockholder Matters**

The following table sets forth, for the periods indicated, the amount of cash dividends paid on the Company's common stock and the high and low closing prices per share of the Company's common stock as reported on the Nasdaq National Market. These quotations represent the prices between dealers and do not include retail mark ups, mark downs or commissions and may not represent actual transactions.

Quarter Ended	Dividends Declared		Common Stock	
	Per Share		High	Low
2001:				
December 31, 2001	\$	0.05	\$ 8.590	\$ 8.000
September 30, 2001	\$	0.05	\$ 8.500	\$ 7.410
June 30, 2001	\$	0.05	\$ 8.150	\$ 6.938
March 31, 2001	\$	0.05	\$ 8.500	\$ 7.000
Year	\$	0.20		
2000:				
December 31, 2000	\$	0.05	\$ 8.375	\$ 6.188
September 30, 2000	\$	0.05	\$ 8.563	\$ 7.688
June 30, 2000	\$	0.05	\$ 8.500	\$ 7.250
March 31, 2000	\$	0.05	\$ 9.250	\$ 8.000
Year	\$	0.20		

At February 7, 2002 the Company had approximately 310 holders of record of its common stock; management estimates that the number of beneficial owners is significantly greater.

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The Company has paid yearly dividends on its common stock since 1987. In past years dividend payments were advantageous to the Company, because under the Internal Revenue Code, certain dividends paid to the ESOP were deductible as long as the ESOP had debt outstanding. However, since the Company's initial public offering in June 1999, the ESOP has not had significant debt outstanding. Notwithstanding the loss of the deductibility of dividends paid to the ESOP, the Company initiated quarterly dividends on its common stock of \$.05 per share beginning in April 1999. Although the Company currently intends to continue the payment of dividends, the Company cannot give any assurance that it will continue to pay or declare dividends on its common stock in the future.

Kansas law permits the Company to pay dividends on its common stock when it is solvent and when dividend payments would not render it insolvent. Under Kansas law, dividends may be declared and paid only out of the unsecured, unrestricted earned surplus of a corporation. The Company's ability to pay cash dividends largely depends on the amount of cash dividends paid to it by its subsidiary banks. Capital distributions, including dividends by financial institutions such as the Company's subsidiary banks, is subject to restrictions tied to the institutions' earnings and capital. Payment of dividends on the Company's common stock depends on payment of dividends to it by its subsidiary banks. Generally, without prior regulatory approval, the Company cannot pay dividends during any calendar year in excess of the sum of their earnings during that year and the two previous years, less any other distributions during that period. At December 31, 2001, the Company could have paid total dividends to the Company of approximately \$3.7 million without prior regulatory approval.

Item 6. Selected Financial Data

	At or for the years ended December 31,				
	2001	2000	1999	1998	1997
	(Dollars In Thousands, Except Per Share Data)				
Consolidated Statement of Operations data:					
Interest income	\$ 39,950	\$ 40,645	\$ 32,902	\$ 31,854	\$ 26,137
Interest expense	20,557	22,247	16,823	16,573	12,887
Net interest income	19,393	18,398	16,079	15,281	13,250
Provision for loan losses	1,435	1,001	902	1,486	1,095
Non-interest income	7,924	5,860	4,583	4,606	3,279
Non-interest expenses	20,886	18,835	15,471	15,384	12,667
Income taxes	1,462	1,229	1,120	673	553
Net income	3,534	3,193	3,169	2,344	2,214
Consolidated Statements of Financial Condition data:					
Total assets	650,310	539,605	518,205	442,352	386,996
Loans receivable	357,080	331,931	309,255	256,126	223,675
Allowance for loan losses	4,392	3,911	3,320	2,541	1,629
Investment securities available for sale	204,651	132,360	136,901	109,296	103,304
Investment securities held to maturity (1)		24,864	25,630	25,742	22,399
Non-performing assets (2)	5,268	4,563	3,205	3,578	1,962
Deposits	487,751	442,195	435,116	384,347	333,864
Stockholders equity (3)	45,370	39,799	37,569	25,401	22,642
Per Common Share:					
Shares applicable to basic income per share	3,989,098	3,916,980	3,403,478	2,765,632	2,645,000
Basic income per share	0.89	0.82	0.93	0.85	0.84
Shares applicable to diluted income per share	3,996,327	3,916,980	3,403,478	2,765,632	2,645,000
Diluted income per share	0.88	0.82	0.93	0.85	0.84
Book value per share (3)	10.86	10.25	9.16	8.49	7.68
Tangible book value per share (3)	6.84	7.44	6.67	6.53	6.21
Dividends paid per common share	0.20	0.20	0.20	0.23	0.23
Dividend payout ratio	22.47%	24.39%	21.51%	27.06%	27.38%
Key Ratios:					
Net interest margin (4)	3.95%	3.88%	3.95%	4.00%	4.36%
Return on average assets	0.64%	0.59%	0.70%	0.56%	0.67%
Return on average stockholders equity (3)	8.10%	8.61%	10.27%	10.00%	10.49%
Core risk based capital ratio (3)	10.60%	8.49%	9.45%	7.05%	6.97%
Total risk based capital ratio (3)	11.72%	9.65%	10.49%	8.00%	7.61%
Leverage ratio (3)	6.92%	5.50%	5.96%	4.50%	5.39%
Non-performing assets to total assets	0.81%	0.85%	0.62%	0.81%	0.51%
Non-performing loans to gross loans	1.04%	1.27%	0.78%	1.04%	0.71%
Allowance for loan losses to total loans	1.23%	1.18%	1.07%	0.99%	0.73%

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Allowance for loan losses to non-performing loans	118.83%	92.61%	137.59%	95.10%	102.13%
Ratio of earnings to combined fixed charges and preference security dividends (5):					
Including interest on deposits	1.15x	1.13x	1.17x	1.13x	1.15x
Excluding interest on deposits	1.61x	1.63x	1.94x	1.77x	2.01x

(1) Reclassified investment securities held to maturity to available for sale in connection with the adoption of SFAS 133 on January 1, 2001.

(2) Includes loans 90 days or more delinquent and still accruing interest, non-accrual loans, and other real estate owned.

(3) Includes redeemable common stock held by ESOP for years prior to 1999.

(4) On a tax equivalent basis.

(5) For purposes of calculating the ratio of earnings to fixed charges, earnings consist of income plus interest and net occupancy expense. Fixed charges consist of interest and net occupancy expense.

Item 7. Managements Discussion and Analysis of Financial Condition and Results of Operations

Business Environment and Risk Factors

Management's discussion and analysis should be read in conjunction with the audited Consolidated Financial Statements contained within this report, including the Notes thereto. The Company's future operating results may be affected by various trends and factors that are beyond the Company's control. These include the factors set forth in Forward-Looking Statements. Accordingly, past results and trends may not be reliable indicators of future results or trends. With the exception of historical information, the matters discussed below include forward-looking statements that involve risks and uncertainties. The Company cautions readers that a number of important factors discussed in this Report could affect the Company's actual results and cause actual results to differ materially from those in the forward-looking statements.

Overview

The Company is a financial holding company offering full service community banking and financial services through 20 locations in the Kansas City metropolitan area, southeastern Kansas, western Missouri, the Omaha, Nebraska metropolitan area, and the Colorado Springs, Colorado metropolitan area. The Company's presence in Kansas consists of six locations in the Kansas City metro area, three locations in southeast Kansas and two locations along the I-70 corridor in central Kansas. The Company operates three locations in western Missouri, five in the metropolitan area of Omaha, Nebraska, and one in Colorado Springs, Colorado. The Company's total assets over the past five years have more than doubled, growing from \$260.3 million at January 1, 1996 to \$650.3 million December 31, 2001. The growth in assets and the corresponding increase in earnings were achieved primarily through purchases of branches of large banks, the purchase of community banks in the eastern Kansas and Omaha area, and branch expansion, both growth at existing branches as well as the opening of new branches. Accompanying the acquisition growth were increased operating expenses resulting from growth as well as increase in provisions for loan losses and amortization expense of premiums paid in acquisitions and in some instances issuance of shares of common stock in conjunction with the acquisitions. This has resulted in level earnings per share during this period. The Company's experience is that it takes between 12 to 18 months to realize meaningful net income improvements from acquisitions and expansion due to its emphasis on retaining key employees rather than the immediate implementation of cost measures.

At December 31, 2001 total assets of the Company were \$650.3 million, an increase of \$110.7 million or 20.5% from \$539.6 million in total assets as of December 31, 2000. Total assets at December 31, 1999 were \$518.2 million. The increase in 2001 was primarily the result of the acquisition of Colorado Springs National Bank in the third quarter of 2001, with assets of \$71.5 million at acquisition. The increase in 2000 was primarily the result of the acquisition of Fort Calhoun Investment Co. in the first quarter of 2000, with assets of \$24.8 million at acquisition.

Net income totaled \$3.5 million for the year ended December 31, 2001 versus \$3.2 million for December 31, 2000. The 10.7% improvement for 2001 compared to 2000 was primarily the result of a \$2.1 million increase in non-interest income and a \$1.0 million increase in net interest income. These increases were offset by an increase in provision for loan loss expense of \$434,000 and an increase in non-interest expense of \$2.1 million. Net income remained flat for 2000 compared to 1999 as a result of a \$3.4 million increase in operating expense, which offset a \$2.3 million increase in net interest income and a \$1.3 million increase in other income.

Critical Accounting Policies

The accounting and reporting policies of the Company and its subsidiaries conform to accounting principles generally accepted in the United States of America. In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statement of financial condition and revenues and expenses for the period. Actual results could differ significantly from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses.

Allowance for Loan Losses

An allowance has been established for loan losses. The provision for loan losses charged to operations is based on management's judgment of current economic conditions and the credit risk of the loan portfolio. Management believes that this allowance is adequate for the losses inherent in the loan portfolio. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on changes in economic conditions. In addition, various regulatory agencies, as an integral part of the examination process, periodically review this allowance and may require the Company to recognize additions to the allowance based on their judgment about information available to them at the time of their examination.

Analysis of the Results of Operations

Net Interest Income

The Company's income is derived primarily from net interest income. Net interest income is the difference between interest income, principally from loans, investment securities and federal funds sold, and interest expense, principally on customer deposits and other borrowings. Changes in net interest income result from changes in volume and interest rates earned and expensed. Volume refers to the average dollar levels of interest-earning assets and interest-bearing liabilities.

The following tables set forth the average balances of interest-earning assets and interest-bearing liabilities, as well as the amount of interest income or interest expense and the average rate for each category of interest-earning assets and interest-bearing liabilities on a tax-equivalent basis assuming a 34% tax rate for the periods indicated. Included in the average balances are non-accruing loans. Loan fees are included in interest income. Average balances are computed on a daily basis.

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	Year Ended December 31, 2001			Year Ended December 31, 2000			Year Ended December 31, 1999		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
(Dollars In Thousands)									
Interest earning assets:									
Loans receivable, net (1) (2) (3)	\$ 339,258	\$ 30,045	8.86%	\$ 324,198	\$ 29,737	9.17%	\$ 267,695	\$ 23,825	8.90%
Investment securities-taxable	129,098	8,247	6.39%	139,223	9,499	6.82%	115,745	7,450	6.44%
Investment securities-nontaxable (4)	23,664	1,783	7.54%	22,971	1,782	7.76%	26,441	1,763	6.67%
Federal funds sold and interest-bearing deposits	17,934	626	3.49%	5,586	335	6.00%	12,894	467	3.62%
Total interest earning assets	\$ 509,954	40,701	7.98%	\$ 491,978	41,353	8.41%	\$ 422,775	33,505	7.93%
Interest bearing liabilities:									
Savings deposits and interest bearing checking	\$ 147,751	3,497	2.37%	\$ 145,081	4,385	3.02%	\$ 132,744	3,878	2.92%
Time deposits	249,231	13,601	5.46%	245,593	14,382	5.86%	207,731	10,878	5.24%
Federal funds purchased and securities sold under agreements to repurchase	6,477	223	3.44%	11,729	582	4.96%	9,865	490	4.97%
Notes payable and Federal Home Loan Bank advances	46,334	2,646	5.71%	42,697	2,898	6.79%	24,984	1,577	6.31%
Company obligated mandatorily redeemable preferred securities of subsidiary trust holding solely subordinated debentures	6,076	590	9.71%			0.00%			0.00%
Total interest bearing liabilities	\$ 455,869	20,557	4.51%	\$ 445,100	22,247	5.00%	\$ 375,324	16,823	4.48%
Net interest income (tax equivalent)		\$ 20,144			\$ 19,106			\$ 16,682	
Interest rate spread			3.47%			3.41%			3.45%
Net interest earning assets	\$ 54,085			\$ 46,878			\$ 47,451		
Net interest margin (4)			3.95%			3.88%			3.95%
Ratio of average interest bearing liabilities to average interest earning assets	89.39%			90.47%			88.78%		

(1) Loans are net of deferred fees.

(2) Non-accruing loans are included in the computation of average balances.

(3) The Company includes loan fees in interest income. These fees for the years ended December 31, 2001, 2000, and 1999 were \$795,000, \$844,000, and \$903,000, respectively.

(4) Yield is adjusted for the tax effect of tax-exempt securities. The tax effects for the years ended December 31, 2001, 2000, and 1999 were \$751,000, \$708,000, and \$603,000, respectively.

Total interest income on a tax equivalent basis for 2001 totaled \$40.7 million, representing a decrease of \$652,000 or 1.6%, from \$41.4 million for 2000. The decrease was primarily the result of a \$1.3 million decrease in interest income on average taxable investment securities. Interest

income on taxable investment securities decreased due to a 43 basis point decrease in the yield on the securities to 6.39% in 2001 from 6.82% in 2000, as well as a \$10.1 million decrease in the average balance of taxable investment securities to \$129.1 million in 2001 from \$139.2 million in 2000. During the year, the Company's average balance of taxable investment securities decreased primarily due to investment securities being called from the Company by the debt issuers, as the debt issuers chose to re-finance the debt at more favorable rates, and from accelerated principal payments received from the Company's mortgage backed securities. The company re-invested the proceeds from these securities at lower yields than the original investments decreasing the overall yield in the portfolio. Offsetting the decrease in interest income from taxable investment securities was an increase in interest income on loans receivable of \$308,000. The increase was due to a \$15.1 million increase in the average balance of loans receivable to \$339.3 million in 2001, generated by \$6.5 million of average internal loan growth and \$8.6 million in average loans receivable purchased with the acquisition of Colorado Springs National Bank in third quarter of 2001. The average rate on loans receivable decreased 31 basis points due to the decrease in interest rates during the year.

Total interest expense was \$20.1 million for 2001, a \$1.7 million, or 7.6% decrease, from \$22.2 million in 2000. The decrease in interest expense was primarily related to the decrease in interest rates during 2001 as the Federal

Reserve lowered the Federal Funds interest rate 475 basis points during the year. The Company decreased the average rate paid on savings deposits and interest bearing checking balances 65 basis points to 2.37% in 2001 from 3.02% in 2000 and the average rate paid on time deposits 40 basis points to 5.46% in 2001 from 5.86% in 2000. The average balance of federal funds purchased and securities sold under agreements to repurchase decreased \$5.3 million as a result of the Company's reduction in overnight federal funds purchased due to excess liquidity from the decrease in investment security balances. The average rate paid on federal funds purchased and securities sold under agreements to repurchase decreased 152 basis points to 3.44% for 2001 from 4.96% for 2000. The average rate on notes payable and Federal Home Loan Bank Advances decreased 108 basis points to 5.71% during 2001 from 6.79% during 2000. Offsetting the decrease in interest expense due to a reduction in interest rates was a \$6.1 million increase in the average balance of Company obligated mandatorily redeemable preferred securities of subsidiary trust holding solely subordinated debentures due to the issuance of \$15.5 million in 9.50% cumulative trust preferred securities in August of 2001 in conjunction with the purchase of Colorado Springs National Bank in September of 2001.

As a result of the changes described above, the net interest income on a tax equivalent basis increased to \$20.1 million for 2001, representing an increase of \$1.0 million, or 5.4%, from \$19.1 million during 2000.

Total interest income on a tax equivalent basis for 2000 totaled \$41.4 million, representing an increase of \$7.8 million or 23.4%, from \$33.5 million for 1999. The overall increase in interest income was primarily the result of the acquisition of ComBankshares, Inc. in December of 1999 adding \$46.0 million in average earning assets for the full year of 2000, and the acquisition of Fort Calhoun Investment Co. in the first quarter of 2000 adding \$16.9 million in average interest earning assets for 2000. Interest income on loans increased \$5.9 million, or 24.8%, as a result of the \$24.9 million increase in average loans from the acquisition of ComBankshares, Inc., the \$11.0 million increase in average loans from the acquisition of Fort Calhoun Investment, Co., and \$20.6 million of internal loan growth. Also contributing to the increase in interest income from loans receivable was a 0.27% increase in the yield on average loans receivable. Tax equivalent interest income on investment securities increased \$2.0 million, or 27.5%, primarily due to the acquisition of ComBankshares, Inc. and Fort Calhoun Investment Co. For 2000, the average combined investment balances increased by \$20.0 million or 14.1%.

Total interest expense was \$22.2 million for 2000, a \$5.4 million or 32.3% increase from \$16.7 million in 1999. Interest expense on savings and interest-bearing checking increased \$507,000, or 13.1%, primarily as a result of an increase in the average balance of these deposits of \$12.3 million, or 9.3% in 2000 compared to 1999. Interest expense on time deposits increased \$3.5 million, or 32.2%, as a result of an increase in the average balance of these deposits of \$37.9 million, or 18.2% in 2000 as well as a 62 basis point increase in the rate paid on these deposits for 2000. Interest expense on notes payable and Federal Home Loan Bank advances increased \$1.3 million or 83.8%, primarily as a result of an increase in average Federal Home Loan Bank borrowings of \$13.2 million used to fund the internal increase in loans receivable, and an increase in notes payable of \$4.5 million related to the acquisition of Fort Calhoun Investment, Co., and the borrowings related to the acquisition of 300,000 shares of the Company's common stock completed in December of 2000.

As a result of the changes described above, the net interest income on a tax equivalent basis increased to \$19.1 million for 2000, representing an increase of \$2.4 million, or 14.5%, from \$16.7 million during 1999.

The following table presents the components of changes in the Company's net interest income, on a tax equivalent basis, attributed to volume and rate. Changes in interest income or interest expense attributable to volume changes are calculated by multiplying the change in volume by the prior fiscal years average interest rate. The changes in interest income or interest expense attributable to change in interest rates are calculated by multiplying the change in interest rate by the prior fiscal years average volume. The changes in interest income or interest expense attributable to the combined impact of changes in volume and change in interest rate are calculated by multiplying the change in rate by the change in volume.

	Year Ended December 31, 2001 Compared To Year Ended December 31, 2000			Year Ended December 31, 2000 Compared To Year Ended December 31, 1999		
	Increase (Decrease) Due To:			Increase (Decrease) Due To:		
	Volume	Rate (In Thousands)	Net	Volume	Rate (In Thousands)	Net
Interest Income:						
Loans receivable, net (1) (2) (3)	\$ 1,381	\$ (1,073)	\$ 308	\$ 5,030	\$ 882	\$ 5,912
Investment securities-taxable	(690)	(562)	(1,252)	1,512	537	2,049
Investment securities-nontaxable (4)	54	(53)	1	(231)	250	19
Federal funds sold and interest-bearing deposits	740	(449)	291	(265)	133	(132)
Total Interest Income	1,485	(2,137)	(652)	6,046	1,802	7,848
Interest Expense:						
Savings deposits and interest bearing checking	80	(968)	(888)	360	147	507
Time deposits	213	(994)	(781)	1,984	1,520	3,504
Federal funds purchased and securities sold under agreements to repurchase	(261)	(98)	(359)	93	(1)	92
Notes Payable and Federal Home Loan Bank Advances	247	(499)	(252)	1,118	203	1,321
Company obligated mandatorily redeemable preferred securities of subsidiary trust holding solely subordinated debentures		590	590			
Total Interest Expense	279	(1,969)	(1,690)	3,555	1,869	5,424
Net change in net interest income	\$ 1,206	\$ (168)	\$ 1,038	\$ 2,491	\$ (67)	\$ 2,424

(1) Loans are net of deferred fees.

(2) Non-accruing loans are included in the computation of average balances.

(3) The Company includes loan fees in interest income. These fees for the years ended December 31, 2001, 2000, and 1999 were \$795,000, \$844,000, and \$903,000, respectively.

(4) Yield is adjusted for the tax effect of tax-exempt securities. The tax effects for the years ended December 31, 2001, 2000, and 1999 were \$751,000, \$708,000, and \$603,000, respectively.

Non-Interest Income

The following table sets forth the Company's other income for the indicated periods.

	Years Ended December 31,		
	2001	2000	1999
	(In Thousands)		
Service Charges	\$ 3,644	\$ 3,425	\$ 2,352
Trust Fees	554	566	597
Gain on sale of mortgage loans	1,762	515	413
Gain (loss) on sales of investment securities	6	(53)	1
Mortgage servicing fees	329	323	315
Credit card fees	165	192	126
ATM and debit card fees	248	225	168
Cash surrender value life of bank owned insurance	449		
Other	767	667	611
Total Non-Interest Income	\$ 7,924	\$ 5,860	\$ 4,583

Non-interest income was \$7.9 million for 2001, a \$2.1 million, or 35.2% increase from 2000. Gain on sale of mortgage loans accounted for \$1.2 million of the increase, increasing 242.2% for 2001. The increase in gain on sale of mortgage loans was the result of the increase in the volume of loans refinanced and originated and sold, due to a lower interest rate environment during the year. Management believes that the loans refinanced and originated in 2002 will not keep pace with that of 2001. Service charge income increased \$219,000, or 6.4% during 2001 from additional fee based services offered on deposit accounts along with an enhanced control over fee waivers under a program initiated during 2000. Income from the cash surrender value of bank owned life insurance increased \$449,000 during 2001 primarily due to the Company's \$15.7 million investment in Bank Owned Life Insurance policies on senior executives within the Company in July 2001.

Non-interest income was \$5.9 million for 2000, a \$1.3 million, or 27.9% increase from 1999. Service charges accounted for \$1.1 million, or 84.0% of the total increase from 1999. The increase in service charges was primarily generated from additional fee based services offered on deposit accounts along with an enhanced control over fee waivers as well as the acquisitions completed in 1999 and 2000. Gain on sale of mortgage loans increased \$102,000, or 24.7% from 1999, primarily resulting from the additional gain on sale of mortgage loans at Fort Calhoun Investment Co. after the Company acquired the bank in the first quarter of 2000.

Non-Interest Expense

The following table presents the Company's operating expenses for the indicated periods:

	Years Ended December 31,		
	2001	2000	1999

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	(In Thousands)					
Salaries and employee benefits	\$	10,572	\$	9,192	\$	7,654
Occupancy and equipment		2,312		2,138		1,782
Data processing		1,754		1,868		1,494
Professional fees		1,111		1,071		596
Marketing		277		275		291
Supplies		368		307		251
Goodwill and core deposit intangible asset amortization		777		722		453
Conversion		246		70		151
Other		3,469		3,192		2,799
Total Non-Interest Expense	\$	20,886	\$	18,835	\$	15,471

Non-interest expense was \$20.9 million for 2001, an increase of \$2.1 million, or 10.9%, compared to \$18.8 million for 2000. The increase for 2001 was primarily due to an increase in salaries and benefits expense, which increased \$1.4 million, or 15.0% to \$10.6 million for 2001 compared to \$9.2 million for 2000. The increase in salaries and benefits was largely due to a \$476,000 increase in bonus expense due to the Company meeting the targets under its bonus program, \$275,000 of salary expense related to the operations at Colorado Springs National Bank acquired in the third quarter of 2001, a \$253,000 increase in commissions paid to mortgage loan originators due to the increased originations during the year, and \$102,000 in current year expense to fund a salary continuation plan for executive officers implemented during the year. Occupancy and equipment expense increased \$174,000 or 8.1% to \$2.3 million for 2001 compared to \$2.1 million for 2000. The increase was related to additional building repairs and utility expense as well as from the operations of Colorado Springs National Bank. Conversion expense increased \$176,000 as the Company merged three of its subsidiary banks into the lead bank, TeamBank, N.A. in a continued effort to implement cost savings. Other expense increased \$277,000 or 8.7% to \$3.5 million for 2001 from \$3.2 million for 2000. The increase was related primarily to a \$177,000 increase in amortization expense on mortgage servicing rights due to accelerated prepayments from refinanced loans, a \$31,000 increase in mortgage servicing right valuation expense, and \$32,000 of premium expense related to the Bank Owned Life Insurance policies on the senior executives of the bank. Goodwill and core deposit intangible asset amortization increased \$55,000 for 2001 due to the amortization of the core deposit intangible related to the acquisition of Colorado Springs National Bank during the third quarter.

Non-interest expense was \$18.8 million for 2000, an increase of \$3.4 million, or 21.74%, compared to \$15.5 million for 1999. The increase is primarily attributable to the acquisitions of ComBankshares, Inc. in the fourth quarter of 1999 and Fort Calhoun Investment Co. in the first quarter of 2000, which contributed a combined \$2.6 million in additional operating expense for 2000. Salaries and benefits expense increased \$1.5 million, or 20.09%, from 1999. Net of the operations from the acquisitions, salaries and benefits expense increased \$143,000, or 1.87%. Occupancy and equipment expense increased 19.98%, or \$356,000 from 1999. Net of the operations from the acquisitions, occupancy and equipment increased 2.36%, or \$42,000. Data processing fees increased \$374,000, or 25.03% from 1999, of which \$134,000 is attributable to the operations from the acquisitions. Net of the operations from the acquisitions, data processing fees increased \$240,000, or 16.07%, due to increased volume from internal growth in conjunction with an annual price increase in the fees charged from the Company's data processing service provider. Professional fees increased \$475,000 for 2000, a 79.70% increase over 1999. The increase in professional fees is attributable to fees related to the modification of the Company's Employee Stock Ownership Plan, fees for consulting for real estate investment trusts established, and fees related to preliminary analysis regarding acquisition candidates. Other expense increased a total of \$393,000 for 2000, or 14.04% from 1999. The increase is a result of the additional expenses generated from the operations of the acquisitions. Goodwill and core deposit intangible asset amortization increased \$269,000 for 2000, or 59.4%, primarily as a result of amortization of goodwill established by premiums paid on the bank acquisitions in the fourth quarter of 1999 and the first quarter of 2000.

Income Tax Expense

The Company recorded income tax expense of \$1.5 million for 2001, compared to \$1.2 million for 2000, representing an increase of \$233,000, or 19.0%. The Company's effective tax rate increased to approximately 29.3% for 2001, compared to 27.8% for 2000. The Company's effective tax rate is less than the statutory federal rate of 34.0% due primarily to municipal interest income and the income tax benefit resulting from dividends passes through the ESOP to the ESOP participants. The increase in the effective tax rate for 2001 versus 2000 was due to the Company's recent acquisitions, including Colorado Springs National Bank in the third quarter of 2001. The goodwill amortization expense and core deposit intangible amortization expenses are not deductible for tax purposes. In addition, these acquired entities do not carry the same level of tax-deductible municipal interest income in their investment and loan portfolios, as the other banks.

The Company recorded income tax expense of \$1.2 million for 2000, versus \$1.1 million for 1999, representing an increase of 9.73%. The Company's effective tax rate increased to approximately 27.8% for 2000, up from 26.1% for 1999. The Company's effective tax rate is less than the statutory federal rate of 34.0% due primarily to municipal interest income and the income tax benefit resulting from dividends passed through the ESOP to the ESOP participants. The increase in the effective tax rate for 2000 over 1999 is primarily due to less municipal interest income as a percent of total income due to the additional net income generated from the operations of the

acquisition of ComBankshares, Inc. and Fort Calhoun Investment Co.. The acquisitions do not carry the same level of tax-deductible municipal interest income in their investment and loan portfolios.

Comprehensive Income

Comprehensive income is the total of net income and other comprehensive income. The Company's other comprehensive income component is composed of the change in equity resulting from an increase or decrease in the market value of the Company's available for sale investment securities, due to the changes in interest rates, net of tax.

Comprehensive income was \$4.2 million for 2001, a decrease of \$1.0 million from \$5.2 million for 2000. The decrease was primarily the result of a \$1.1 million decrease in other comprehensive income as the fair value of the Company's investment securities increased less during 2001 than the increase experienced in 2000.

Comprehensive income was \$5.2 million for 2000, an increase of \$4.6 million from \$615,000 in 1999. The increase was primarily the result of a \$4.6 increase in other comprehensive income as the fair value of the Company's investment securities increased for the year ended December 31, 2000 from the fair value for the year ended December 31, 1999.

Analysis of Financial Condition

Overview

Total assets were \$650.3 million at December 31, 2001, an increase of \$110.7 million or 20.5% from \$539.6 million in total assets as of December 31, 2000. The increase was primarily the result the acquisition of Colorado Springs National Bank in the third quarter of 2001, with assets of \$71.5 million at acquisition, and an increase in investment securities of \$33.9 million. The increase in investment securities was largely funded by Federal Home Loan Bank advances.

Loan Portfolio Composition

The following tables present the composition of the Company's loan portfolio by type of loan at the dates indicated.

	2001		December 31, 2000		1999	
	Principal Balance	Percent Of Total	Principal Balance	Percent Of Total	Principal Balance	Percent Of Total
(Dollars In Thousands)						
Loans secured by real estate						
One to four family	\$ 116,409	33.0%	\$ 115,913	35.3%	\$ 103,772	33.9%
Construction and land development	29,154	8.3	22,222	6.8	20,350	6.7
Other	80,080	22.7	56,393	17.2	43,245	14.1
Total	225,643	64.0	194,528	59.3	167,367	54.7
Commercial and agricultural	91,851	26.0	87,128	26.6	94,711	31.0
Installment and other	40,211	11.4	50,685	15.5	47,536	15.5
Gross Loans	357,705	101.4	332,341	101.3	309,614	101.2
Less unearned fees	(625)	(0.2)	(410)	(0.1)	(359)	(0.1)
Total loans receivable	357,080	101.2	331,931	101.2	309,255	101.1
Less allowance for loan losses	(4,392)	(1.2)	(3,911)	(1.2)	(3,320)	(1.1)
Total net loans receivable	\$ 352,688	100.0%	\$ 328,020	100.0%	\$ 305,935	100.0%

	1998		December 31, 1997	
	Principal Balance	Percent Of Total	Principal Balance	Percent Of Total
(Dollars In Thousands)				
Loans secured by real estate				
One to four family	\$ 85,093	33.6%	\$ 74,049	29.2%
Construction and land development	14,411	5.7	12,292	5.5
Other	25,809	10.2	26,816	12.1

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Total	125,313	49.4	113,157	51.0
Commercial and agricultural	95,155	37.5	75,679	34.1
Installment and other	35,975	14.2	35,154	15.8
Gross Loans	256,443	101.1	223,990	100.9
Less unearned fees	(317)	(0.1)	(315)	(0.1)
Total loans receivable	256,126	101.0	223,675	100.7
Less allowance for loan losses	(2,541)	(1.0)	(1,629)	(0.7)
Total net loans receivable	\$ 253,585	100.0%	\$ 222,046	100.0%

Total loans receivable were \$357.1 million at December 31, 2001 compared to \$331.9 million at December 31, 2000, representing an increase of \$25.2 million or 7.6%. The increase consists of \$30.5 million in loans from the acquisition of Colorado Springs National Bank in the third quarter of 2001. Net of the acquisition, total loans receivable decreased \$5.3 million. The decrease in total loans receivable was result of the Company's continued allocation of resources to the commercial, construction and land development, and commercial real estate markets and its decision to reduce areas of risk in the portfolio and exit the low margin dealer paper business. The Company's commitment to focus its resources on internal loan growth in the commercial, construction and land development, and commercial real estate markets produced internal loan growth of \$13.4 million. Offsetting this growth was the Company's decision to exit its low margin dealer paper business decreasing installment loans \$11.9 million net of the acquired loans. The Company also reduced its credit exposure to the Kansas and Missouri agricultural market resulting a decrease in agricultural loans of \$5.1 million for the year. Also contributing to the decrease in total loans receivable was the decision to exit the higher risk commercial leasing business decreasing lease financing receivables by \$2.9 million during 2001.

At December 31, 2000, total loans receivable were \$331.9 million compared to \$309.3 million at December 31, 1999, representing an increase of \$22.7 million. This increase consists of \$9.2 million of internal growth in loans and \$13.5 million from the acquisition of Fort Calhoun Investment Co. in the first quarter of 2000. The internal growth for the year resulted primarily from an increase in variable rate commercial loans secured by real estate.

At December 31, 1999, total loans receivable were \$309.3 million compared to \$256.1 million at December 31, 1998, representing an increase of \$53.1 million. This increase consists of \$26.6 million in internal growth in loans and \$26.5 million from the acquisition of ComBankshares, Inc. in the fourth quarter of 1999. The internal growth for the year resulted primarily from an increase in variable rate residential mortgage loans

Loans secured by real estate:

Real estate loans represent the largest type of loans of the Company. At December 31, 2001, these loans totaled \$225.6 million, a \$31.1 million or 16.0% increase from \$194.5 million at December 31, 2000. The increase was generated from \$14.8 million of internal loan growth and \$16.3 million of loans purchased with the acquisition of Colorado Springs National Bank. Included in real estate loans are construction and land development loans, non-farm, non-residential loans, and one to four family loans.

Construction and land development loans secured by real estate, increased \$6.9 million or 31.2% to \$29.2 million at December 31, 2001. Internal growth accounted for \$4.3 million of the \$6.9 million increase with \$2.6 million being contributed from the acquisition. The Company has experienced steady growth in this area increasing in each of the last five years to \$29.2 million at December 31, 2001 from \$12.3 million at December 31, 1997.

Non-farm, non-residential loans secured by real estate increased \$24.2 million or 64.6% to \$61.7 million at December 31, 2001. Internal loan growth accounted for \$11.1 million of this increase with \$13.1 million being contributed from the acquisition.

One to four family residential loans were \$116.4 million at December 31, 2001 compared to \$115.9 million at December 31, 2000. Substantially all of these loans were originated in the Company's market area. Included in real estate mortgage loans are real estate mortgage loans held for sale. The Company typically sells fixed rate mortgage loans to permanent investors with the servicing rights retained. Capitalized servicing rights are recorded at the time the loan is sold, thereby increasing the gain on sale by such amount. At December 31, 2001, the balance of real estate mortgage loans held for sale was \$16.4 million.

At December 31, 2000, real estate loans increased \$27.1 million or 16.23% to \$194.5 million from \$167.4 million at December 31, 1999. Real estate loans at December 31, 1999 increased by \$42.1 million, or 33.56%, compared to real estate mortgage loans of \$125.3 million at December 31, 1998.

Commercial and agricultural:

Commercial and agricultural loans were \$91.9 million at December 31, 2001, an increase of \$4.8 million or 5.4% from \$87.1 million at December 31, 2000. Commercial loans include loans to service, retail, wholesale, and light

manufacturing businesses and agricultural loans included loans to farmer for production and other agricultural needs.

At December 31, 2001, commercial loans were \$72.9 million compared to \$63.1 million at December 31, 2000, an increase of \$9.8 million or 15.5%. The increase was primarily contributed from \$11.8 million in commercial loans contributed by the acquisition of Colorado Springs National Bank. Commercial loans were \$62.7 million at December 31, 1999, and \$67.1 million at December 31, 1998.

Agricultural loans were \$18.9 million at December 31, 2001, a decrease of \$5.1 million or 21.2% from \$24.0 million at December 31, 2000. The decrease was the Company's decision to reduce its exposure to the Kansas and Missouri agricultural markets. At December 31, 1999, agricultural loans were \$24.3 million compared to \$25.0 million at December 31, 1998.

Installment and other:

Installment and other loans include automobile, residential, and other personal loans. The majority of these loans are installment loans with fixed interest rates. Installment and other loans were \$40.2 million at December 31, 2001, a decrease of \$10.5 million or 20.7% from \$50.7 million at December 31, 2000. Installment and other loans have been decreasing as a percentage of total loans over the past several years as the Company places more emphasis on growing the real estate and commercial portion of its loan portfolio. The Company also exited the dealer paper business during 2001. The slight increase in the mix of installment loans at December 31, 1999 was the result of the fourth quarter acquisition of ComBankshares, Inc. The Company also has a small portfolio of credit card loans.

The Company believes that its philosophy in extending credit is relatively conservative in nature, with a presumption that most credit should have both a primary and secondary source of repayment, and that the primary source should generally be operating cash flows, while the secondary source should generally be collateral or guarantees of principals, for business obligations. The Company's lending policy requires both loan officer and loan committee approval for significant credits.

At December 31, 2001 total loans receivable were 73.2% of total deposits and 54.9% of total assets.

Loan Maturities

The following tables present, at December 31, 2001 and 2000, loans by maturity in each major category of the Company's portfolio based on contractual repricing schedules. Actual maturities may differ from the contractual repricing maturities shown below as a result of renewals and prepayments. Loan renewals are re-evaluated using substantially the same credit procedures that are used when loans are made.

	December 31, 2001						Total
	One year or less	Over one year through five years		Over five years			
		Fixed Rate	Floating Rate	Fixed Rate	Floating Rate		
	(In Thousands)						
Loans secured by real estate							
One to four family	\$ 8,224	\$ 12,112	\$ 782	\$ 43,083	\$ 52,208	\$ 116,409	
Construction and land development	19,565	2,088			7,501	29,154	
Other	16,705	19,135	3,561	6,237	34,442	80,080	
Total	44,494	33,335	4,343	49,320	94,151	225,643	
Commercial and agricultural							
Installment and other	35,554	18,963	9,513	2,533	25,288	91,851	
Gross Loans	6,406	27,281	113	4,842	1,569	40,211	
Less unearned fees	86,454	79,579	13,969	56,695	121,008	357,705	
	625					625	
Total loans receivable	\$ 85,829	\$ 79,579	\$ 13,969	\$ 56,695	\$ 121,008	\$ 357,080	

	December 31, 2000						Total
	One year or less	Over one year through five years		Over five years			
		Fixed Rate	Floating Rate	Fixed Rate	Floating Rate		
	(In Thousands)						
Loans secured by real estate							
One to four family	\$ 19,186	\$ 12,717	\$ 43,024	\$ 23,601	\$ 17,385	\$ 115,913	
Construction and land development	17,635	1,989		60	2,538	22,222	
Other	18,587	12,201	3,909	4,838	16,858	56,393	
Total	55,408	26,907	46,933	28,499	36,781	194,528	
Commercial							
Installment and other	32,897	13,518	7,416	2,624	30,673	87,128	
Gross Loans	9,030	39,242	150	1,564	699	50,685	
Less unearned fees	97,335	79,667	54,499	32,687	68,153	332,341	
	410					410	
Total loans receivable	\$ 96,925	\$ 79,667	\$ 54,499	\$ 32,687	\$ 68,153	\$ 331,931	

Non-performing assets

Non-performing assets consist of non-performing loans and other real estate owned. Non-performing loans consist of loans 90 days or more delinquent and still accruing interest, nonaccrual loans, and restructured loans. When, in the opinion of management, a reasonable doubt exists as to the collectibility of interest, regardless of the delinquency status of a loan, the accrual of interest income is discontinued and any interest accrued to date is reversed through a charge to income. While a loan is on nonaccrual status, it is the Company's policy that interest income is recognized only after payment in full of principal. Generally, management places loans which are greater than 90 days past due on nonaccrual.

The following table presents information concerning the non-performing assets of the Company at the dates indicated.

	December 31,					
	2001	2000	1999	1998	1997	
	(Dollars In Thousands)					
Non-accrual loans	\$ 2,316	\$ 2,705	\$ 1,792	\$ 2,241	\$ 1,078	
Loans 90 days past due and still accruing	1,380	1,518	621	431	517	
Non-performing loans	3,696	4,223	2,413	2,672	1,595	
Other real estate owned	1,572	340	792	906	367	
Total non-performing assets	\$ 5,268	\$ 4,563	\$ 3,205	\$ 3,578	\$ 1,962	
Non-performing loans as a percentage of total loans	1.04%	1.27%	0.78%	1.04%	0.71%	
Non-performing assets as a percentage of total assets	0.81%	0.85%	0.62%	0.81%	0.51%	

Total non-performing assets totaled \$5.3 million at December 31, 2001 compared to \$4.6 million at December 31, 2000, representing an increase of \$705,000 or 15.5%. The increase in non-performing assets was primarily due to an increase in other real estate owned of \$1.2 million.

Non-performing loans decreased \$527,000 or 12.5% to \$3.7 million at December 31, 2001 from \$4.2 million at December 31, 2000.

Non-performing loans included four larger credits totaling, in aggregate, \$1.6 million. These loans were collateralized by real estate, had an aggregate specific allowance of \$275,000, and contained government program guarantees totaling \$810,000. Also included in non-performing loans were consumer loans totaling \$1.1 million.

Other real estate owned was \$1.6 million at December 31, 2001 compared to \$340,000 at December 31, 2000. Other real estate owned consisted of 13 properties held by the Company's subsidiary banks, of which four of the properties totaled, in aggregate \$1.2 million. These four properties consisted of 110 acres of commercial property in Omaha, Nebraska, a commercial building in Iola, Kansas, a 1-4 family property the Kansas City, Missouri, and a restaurant in Nevada, Missouri.

Impaired loans

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The Company considers a loan to be impaired when it is deemed probable by management that the Company will be unable to collect all contractual principal and interest payments in accordance with the terms of the original loan agreement. However, when determining whether a loan is impaired, management also considers the loan documentation, the current ratio of the loan's balance to collateral value, and the borrower's present financial position. Included as impaired loans are all loans contractually delinquent 90 days or more and all loans upon which accrual of interest has been suspended.

At December 31, 2001, the Company had impaired loans totaling \$3.7 million, which have related specific reserves of \$1.4 million. This compares favorably to \$4.2 million of impaired loans at December 31, 2000. The average recorded investment in impaired loans during the year ended December 31, 2001 was \$4.4 million. Interest income

collected and recognized on impaired loans during the period the loans were considered to be impaired for 2001 totaled \$154,000.

Allowance for Loan Losses

Management maintains its allowance for loan losses based on industry standards, historical experience and an evaluation of economic conditions. The Company regularly reviews delinquencies and loan portfolio quality. Based upon such factors, management makes various assumption and judgments about the ultimate collectibility of the loan portfolio and provides an allowance for potential loan losses based upon a percentage of the outstanding balances and for specific loans if their ultimate collectibility is considered questionable. Since certain lending activities involve greater risks, the percentage applied to specific loan types may vary. The allowance is increased by provisions for loan losses and reduced by loans charged off, net of recoveries.

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The following table sets forth information regarding changes in the allowance for loan losses of the Company for the periods indicated.

	Year Ended December 31,				
	2001	2000	1999	1998	1997
	(Dollars In Thousands)				
Average total loans	\$ 339,258	\$ 324,198	\$ 267,695	\$ 245,012	\$ 200,747
Total loans at end of period	\$ 357,080	\$ 331,931	\$ 329,924	\$ 256,126	\$ 223,675
Allowance at beginning of year	\$ 3,911	\$ 3,320	\$ 2,541	\$ 1,629	\$ 1,518
Loans charged off:					
Real Estate:					
One to four family	(99)	(15)	(20)	(14)	(6)
Construction	(141)				
Other	(38)	(32)			
Commercial	(441)	(217)	(198)	(169)	(655)
Lease financing receivables	(36)	(154)	(19)		
Installment and other	(930)	(570)	(542)	(540)	(481)
Total charge-offs	(1,685)	(988)	(779)	(723)	(1,142)
Recoveries					
Real Estate:					
One to four family	4		23	1	
Construction		4			
Other		4			
Commercial	67	50	38	28	59
Lease financing receivables	24	25	1		
Installment and other	254	142	161	120	99
Total recoveries	349	225	223	149	158
Net (charge-offs) recoveries	(1,336)	(763)	(556)	(574)	(984)
Provision for loan losses	1,435	1,001	902	1,486	1,095
Allowance of acquired bank	382	353	433		
Allowance at end of period	\$ 4,392	\$ 3,911	\$ 3,320	\$ 2,541	\$ 1,629
Ratio of net charge-offs to average total loans	0.39%	0.24%	0.21%	0.23%	0.49%
Allowance to total loans at end of period	1.23%	1.18%	1.07%	0.99%	0.73%
Allowance to nonperforming loans	118.83%	92.61%	137.59%	95.10%	102.13%

The allowance for loan losses has increased steadily over the last five years due to the increase of the commercial, construction and land development, and commercial real estate loans as a percent of total loans in the portfolio. These loans required a higher allowance for loan losses. The allowance for loan loss to total loans at December 31, 2001 increased to 1.23% primarily due to provisions taken for the Company's internal loan growth, as well as an increase of \$382,000 in the allowance existing at the acquisition of Colorado Springs National Bank during the third quarter of 2001.

Net charge-offs were \$1.3 million for the year ended 2001, compared to \$763,000 for 2000, \$556,000 for 1999, \$574,000 for 1998, and \$984,000 for 1997. The \$573,000 increase is primarily related to a \$248,000 increase in installment loan net charge-offs, \$207,000 of

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commercial loan net charge-offs, and \$104,000 net charge-offs from construction loans secured by real estate. The \$248,000 increase in installment loan net charge-offs was partially attributable to additional credit card portfolio charge-offs in preparation for the sale of the credit card portfolio, which was disposed of during the second quarter, charge-offs generated in conjunction with normal review and analysis which was completed after the merger of the bank charters occurring during the first quarter, and a general increase in installment loan charge-offs. The \$207,000 increase in commercial loans was largely the result of three large credits totaling \$282,000. The \$104,000 increase in construction loans secured by real estate was largely related to a real estate development loan of \$109,000 charged-off during the year. Charge-offs were higher in 1997 as a result of a large commercial loan customer, which filed for bankruptcy. As a result, charge-offs of \$557,000 were recognized on this loan.

The Company's lending personnel are responsible for continuous monitoring of the loan portfolio. Additionally, since 1997, the Company has retained an independent loan review company, which reviews the loan portfolio on a quarterly basis to determine compliance with loan policy, including the appropriateness of risk ratings assigned to individual loans, as well as the adequacy of the allowance for loan losses. The allowance for loan losses is based primarily on management's estimates of probable loan losses from the foregoing processes and historical experience. The Company's loan portfolio is also subject to periodic examination by regulatory agencies. These agencies may require charge-offs or additions to the allowance based upon their judgments about information available at the time of their examination.

The following tables present an allocation of the allowance for loan losses by loan category as of the dates indicated. The allocation tables should not be interpreted as an indication of the specific amounts, by loan classification, to be charged to the allowance. Management believes that the table may be a useful device for assessing the adequacy of the allowances as a whole. The table has been derived in part by applying historical loan loss ratios to both internally classified loans and the portfolio as a whole to determine the allocation of the loan losses attributable to each category of loans.

	2001		2000		1999		1998		1997	
	Amount of Gross Allowance	Loans in Category as of Percentage of Total	Amount of Gross Allowance	Loans in Category as of Percentage of Total	Amount of Gross Allowance	Loans in Category as of Percentage of Total	Amount of Gross Allowance	Loans in Category as of Percentage of Total	Amount of Gross Allowance	Loans in Category as of Percentage of Total
(Dollars In Thousands)										
Loans secured by real estate										
One to four family	\$ 139	32.6%	\$ 161	34.8%	\$ 250	33.6%	\$ 213	33.2%	\$ 185	33.1%
Construction and land development	248	8.2%	29	6.7%	16	6.6%	36	5.6%	31	5.5%
Other	658	22.4%	126	17.0%	85	14.0%	65	10.2%	67	12.1%
Commercial and agricultural	2,283	25.7%	2,211	26.2%	1,012	28.1%	945	36.8%	750	33.5%
Lease financing receivables	35	1.4%	76	2.4%	50	0				
Installment and other	889	9.7%	828	12.9%	836	15.2%	550	14.2%	537	15.8%
Unallocated	140		480		1,071		732		59	
	\$ 4,392	100.0%	\$ 3,911	100.0%	\$ 3,320	100.0%	\$ 2,541	100.0%	\$ 1,629	100.0%

The provision for loan losses takes into account many factors such as the Company's prior experience with loan losses and an evaluation of the risks in the loan portfolio at any given time, including changes in economic, operating, and other conditions of borrowers, the economies in the Company's areas of operations and to a lesser extent, the national economy and several other factors beyond the control of the Company. The allowance for loan losses allocated to other loans secured by real estate increased \$532,000 at December 31, 2001 versus December 31, 2000 due to the increase of \$23.7 million in other loans secured by real estate during the year. The allowance for loan losses allocated to construction and land development loans secured by real estate increased \$219,000 at December 31, 2001 versus December 31, 2000 due to the increase of \$6.9 million in construction and land development loans secured by real estate during the year.

Investments

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The Company invests a portion of its available funds in short-term and long-term instruments, including federal funds sold and investment securities. The Company's investment portfolio is designed to provide liquidity for cash-flow requirements, to assist in managing interest rate risk, and to provide collateral for certain public deposits and other borrowing arrangements. At December 31, 2001 and 2000, the investment portfolio was comprised principally of obligations of U.S. Government or its agencies, obligations of states and political subdivisions, and mortgage-backed securities.

The following table presents the Company's investments in certain securities accounted for as available for sale and held to maturity. Other investments is comprised of Federal Home Loan Bank stock, Federal Reserve Bank stock, mutual funds, and certain equity securities, all of which carry no stated maturity.

	December 31,		
	2001		2000
	(In Thousands)		
Securities available for sale:			
U.S. Treasury Securities and government agencies	\$	57,157	\$ 52,542
Obligations of state and political subdivisions		25,186	1,957
Mortgage-backed securities		113,007	70,159
Other		9,301	7,702
Total available for sale securities		204,651	132,360
Securities held to maturity:			
U.S. Treasury Securities and government agencies			2,300
Obligations of state and political subdivisions			21,920
Other			644
Total held to maturity securities			24,864
Total Investment securities	\$	204,651	\$ 157,224

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*. This statement requires the recognition of all derivative financial instruments as either assets or liabilities in the statement of financial position and measurement of those instruments at fair value. The accounting for gains and losses associated with changes in the fair value of a derivative and the effect on the consolidated financial statements will depend on its hedge designation and whether the hedge is highly effective in achieving offsetting changes in the fair value or cash flows of the asset or liability hedged. The Company adopted SFAS No. 133 on January 1, 2001. As permitted by SFAS No. 133, the Company transferred all of its securities on that date from the held to maturity portfolio to the available for sale. The transfer of these securities did not have a significant impact on the consolidated financial statements.

At December 31, 2001 and 2000, the investment portfolio did not contain investments which were considered to be derivatives, structured notes or similar instruments that are classified as High-Risk Securities as defined by the Federal Financial Institutions Examinations Council.

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The following tables set forth a summary of the maturities in the investment portfolio at December 31, 2001 and December 31, 2000.

	December 31, 2001									
	One year or less		Over one year through five years		Over one year through ten years		Over ten years		Total	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	(Dollars In Thousands)									
U.S. Treasury and agencies	\$ 10,589	5.31%	\$ 41,461	5.06%	\$ 5,107	6.73%	\$		\$ 57,157	5.26%
Obligations of states and political subdivisions	1,985	7.29%	8,170	6.54%	9,801	6.75%	5,230	7.11%	25,186	6.80%
Mortgage-backed securities	8,875	6.55%	45,824	6.21%	56,383	5.92%	1,925	5.36%	113,007	6.08%
Other (1)	6,376		2,925	7.58%					9,301	2.38%
	\$ 27,825		\$ 98,380		\$ 71,291		\$ 7,155		\$ 204,651	

	December 31, 2000									
	One year or less		Over one year through five years		Over one year through ten years		Over ten years		Total	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	(Dollars In Thousands)									
U.S. Treasury and agencies	\$ 4,152	6.20 %	\$ 35,585	6.58 %	\$ 15,105	6.92 %	\$		\$ 54,842	6.65 %
Obligations of states and political subdivisions	598	7.27 %	6,536	7.65 %	8,675	7.32 %	8,068	7.62 %	23,877	7.50 %
Mortgage-backed securities	6,447	6.52 %	33,007	6.57 %	21,732	7.08 %	8,973	7.46 %	70,159	6.85 %
Other (1)	5,856				1,818	7.21 %	672	10.00 %	8,346	2.38 %
	\$ 17,053		\$ 75,128		\$ 47,330		\$ 17,713		\$ 157,224	

(1) Other securities consist principally of Federal Home Loan Bank stock, Federal Reserve Bank stock, and mutual funds which have no stated maturity.

Deposits

The Company's primary source of funds has historically been customer deposits, which totaled \$487.8 million at December 31, 2001, a \$45.6 million increase from \$442.2 million at December 31, 2000. The increase was related to \$57.6 million in deposits assumed with the acquisition of Colorado Springs National Bank in the third quarter of 2001. Deposits totaled \$435.1 million at December 31, 1999.

The following table sets forth the average balances and weighted average rates for the Company's categories of deposits for the periods indicated.

	2001		Years Ended December 31, 2000		1999	
	Average Balance	Average Rate	Average Balance	Average Rate	Average Balance	Average Rate
	(Dollars In Thousand)					
Noninterest-bearing demand	\$ 50,528		\$ 50,068		\$ 42,706	
Interest-bearing demand	122,325	2.40%	120,832	3.14%	112,258	2.99%
Savings	25,426	2.23%	24,249	2.41%	20,486	2.64%
Time	249,231	5.46%	245,593	5.86%	207,731	5.24%
Total	\$ 447,510		\$ 440,742		\$ 383,180	

The following table summarizes at December 31, 2001 and December 31, 2000, the Company's certificates of deposit of \$100,000 or more by time remaining until maturity.

	December 31,	
	2001	2000
	(In Thousands)	
<u>Remaining maturity</u>		
Less than three months	\$ 26,014	\$ 28,828
Three months up to six months	14,995	16,187
Six months up to one year	12,034	23,636
One year and over	4,386	10,907
Total	\$ 57,429	\$ 79,558

Federal Home Loan Bank and Federal Reserve Bank Borrowings

The subsidiary banks are members of the Federal Home Loan Bank of Topeka (FHLB), which is one of 12 regional Federal Home Loan Banks. The FHLB system functions as a central bank providing credit for members. As members of the FHLB, the Company's subsidiary banks are

entitled to borrow funds from the FHLB and are required to own FHLB stock in an amount determined by a formula based upon total assets and FHLB borrowings. The Company's subsidiary banks may use FHLB borrowings to supplement deposits as a source of funds. At December 31, 2001, FHLB borrowings aggregated \$74.4 million, compared to \$30.9 million at December 31, 2000, and \$24.1 million at December 31, 1999. The increase of \$43.5 million in FHLB advances at December 31, 2001, compared to December 31, 2000, was the result of a leverage transaction where the Company borrowed \$48.0 million in FHLB advances during 2001 and purchased investment securities for an average spread of approximately 1.60%. At December 31, 2001, based on its FHLB stockholdings, the aggregate available and unused borrowing capacity of the Company's subsidiary banks was approximately \$58.0 million, which was available through a line of credit and term advances. FHLB borrowings are collateralized by FHLB stock and certain qualifying mortgage loans of the Company's subsidiary banks.

A variety of borrowing terms and maturities can be chosen from the FHLB. Maturities available range generally from one day up to 15 years. Interest rates can be either fixed or variable and prepayment options are available if

desired. The FHLB offers both amortizing and non-amortizing advances. To date, FHLB stock has been redeemable at the preset price of \$100 per share, but there can be no assurance that this policy will continue.

TeamBank, N.A. is a member bank of the Federal Reserve Bank of Kansas City and may use the Federal Reserve Bank discount window to meet short-term funding needs. These loans are available on a secured basis. Generally the banks pledge U.S. Government or qualifying municipal securities for these notes. None of the Company's subsidiary banks have utilized short-term Federal Reserve Bank borrowings for over five years.

Capital Resources

The Company monitors compliance with bank and financial holding company regulatory capital requirements, focusing primarily on risk-based guidelines. Under the risk-based capital method of capital measurement, the ratio computed is dependent upon 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. Included in the risk-based capital method are two measures of capital adequacy, core capital and total capital, which consists of core and secondary capital. Core capital, also known as Tier 1 capital, generally includes common shareholders' equity, perpetual preferred stock and minority interests in consolidated subsidiaries, less goodwill and intangible assets. No more than 25% of core capital elements may consist of cumulative preferred stock. Total risk based capital, also known as Tier 2 capital, generally includes the allowance for loan losses limited to 1.25% of weighted risk assets, certain forms of perpetual preferred stock, as well as hybrid capital instruments.

The following tables present the Company's capital ratios as of the indicated dates.

	Risk Based Capital Ratios					
	At December 31,					
	2001		2000		1999	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
(Dollars In Thousands)						
Core capital	\$ 41,637	10.60%	\$ 28,809	8.49%	\$ 30,133	9.45%
Core capital minimum requirement (1)	15,705	4.00%	13,567	4.00%	12,756	4.00%
Excess	\$ 25,932	6.60%	\$ 15,242	4.49%	\$ 17,377	5.45%
Total risk based capital	46,029	11.72%	32,720	9.65%	33,453	10.49%
Total risk based capital requirement	31,410	8.00%	27,135	8.00%	25,512	8.00%
Excess	\$ 14,619	3.72%	\$ 5,585	1.65%	\$ 7,941	2.49%
Total risk adjusted assets	\$ 392,620		\$ 339,183		\$ 318,896	

	Leverage Ratios					
	At December 31,					
	2000		1999		1998	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
(Dollars In Thousands)						
Core capital	\$ 41,637	6.92%	\$ 28,809	5.50%	\$ 30,133	5.94%
Core capital minimum requirement (2)	24,070	4.00%	20,944	4.00%	20,283	4.00%
Excess	\$ 17,567	2.92%	\$ 7,865	1.50%	\$ 9,850	1.94%
Average total assets	\$ 601,743		\$ 523,600		\$ 507,069	

(1) Based on risk-based capital guidelines of the Federal Reserve, a bank holding company is required to maintain a core capital to risk-adjusted assets ratio of 4% and a total capital, risk-based, to risk-adjusted assets ratio of 8%.

(2) The leverage ratio is defined as the ratio of core capital to average tangible assets. Based on Federal Reserve guidelines, a bank holding company generally is required to maintain a leverage ratio in excess of 4%.

Recent Accounting Pronouncements

In September 2000, FASB issued SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* a replacement of SFAS No. 125. This statement is effective for transfers and servicing of financial assets and extinguishment of liabilities occurring after March 31, 2001. The adoption of the standard did not have a significant impact on the consolidated financial statements of the Company.

In July 2001, the FASB issued SFAS No. 141, *Business Combinations*, and SFAS No. 142, *Goodwill and Other Intangible Assets*. SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001 as well as all purchase method business combinations completed after June 30, 2001. SFAS No. 141 also specifies criteria intangible assets acquired in a purchase method business combination must meet to be recognized and reported apart from goodwill, noting that any purchase price allocable to an assembled workforce may not be accounted for separately. SFAS No. 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead be tested for impairment at least annually in accordance with the provisions of SFAS No. 142. SFAS No. 142 requires intangible assets with definite useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed

for impairment in accordance with SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of*.

SFAS No. 142 will be effective January 1, 2002. Furthermore, any goodwill and any intangible assets determined to have an indefinite useful life that were acquired in a purchase business combination completed after June 30, 2001, have not been amortized, but will continue to be evaluated for impairment in accordance with the appropriate pre-SFAS No. 142 accounting literature. Goodwill and intangible assets acquired in business combinations completed before July 1, 2001 have continued to be amortized prior to the adoption of SFAS No. 142.

Upon adoption of SFAS No. 142, the Company will evaluate its existing intangible assets and goodwill that were acquired in prior purchase a business combinations, and will make any necessary reclassifications in order to conform with the new criteria for recognition apart from goodwill. Upon adoption of SFAS No. 142, the Company will be required to reassess the useful lives and residual values of all intangible assets acquired in purchase business combinations, and make any necessary amortization period adjustments by the end of the first interim period after adoption. In addition, to the extent an intangible assets is identified as having an indefinite useful life, a test will be required to be made of the intangible asset for impairment in accordance with the provisions of SFAS No. 142 within the first interim period. Any impairment loss will be measured as of the date of adoption and recognized as the cumulative effect of a change in accounting principle in the first interim period.

In connection with the transitional goodwill impairment evaluation, SFAS No. 142 will require an assessment of whether there is an indication that goodwill is impaired as of the date of adoption. This will be accomplished through the identification of the Company reporting units and determination of the carrying value of each reporting unit by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units as of the date of adoption. The Company will have up to six months from the date of adoption to determine the fair value of each reporting unit and compare it to the reporting unit's carrying amount. To the extent a reporting unit's carrying amount exceeds its fair value, an indication exists that the reporting unit's goodwill may be impaired then the second step of the transitional impairment test must be performed. In the second step, the implied fair value must be compare to the reporting unit's goodwill, determined by allocating the reporting unit's fair value to all of its assets (recognized and unrecognized) and liabilities in a manner similar to a purchase price allocation in accordance with SFAS No. 141, to the carrying amount, both of which would be measured as of the date of adoption. This second step is required to be completed as soon as possible, both no later than the end of the year of adoption. Any transitional impairment loss will be recognized as the cumulative effect of a change in accounting principle in the statement of earnings.

As of the date of adoption SFAS No. 142, the Company expects to have unamortized goodwill in the amount of \$12.0 million, all of which will be subject to the transition provisions of SFAS No. 141 and SFAS No. 142. Pre-tax amortization expense related to goodwill was \$355,000, \$334,000, and \$70,000 for the years ended December 31, 2001, 2000, and 1999, respectively. Because of the extensive effort needed to comply with adopting SFAS No. 141 and SFAS No. 142 it is not practicable to reasonably estimate whether any transitional impairment losses will be required to be recognized as the cumulative effect of change in accounting principle.

In October 2001, the FASB issued Statement No. 144, *Accounting for the Impairment or Disposal of Long-lived Assets*. This Statement supersedes Statement No. 121 but retains many of its fundamental provisions. Additionally, this Statement expands the scope of discontinued operations to include more disposal transactions. The provisions of this Statement are effective for financial statements issued for fiscal years beginning after December 15, 2001. The Company has not yet completed its evaluation of the impact this Statement will have when adopted.

Item 7a. Quantitative and Qualitative Disclosures about Market Risk

Liquidity

The Company continuously forecasts and manages its liquidity in order to satisfy cash flow requirements of depositors and borrowers and allow the Company to meet its own cash flow needs. The Company has developed internal and external sources of liquidity to meet its continued growth needs. These include, but are not limited to, the ability to raise deposits through branch promotional campaigns, maturity of overnight funds, short term investment securities classified as available-for-sale and draws on credit facilities established through the Federal

Home Loan Bank. The Company's most liquid assets are cash and cash equivalents and investment securities available-for-sale. The levels of these assets are dependent on the Company's operating, financing, lending, and investing activities during any given period. At December 31, 2001 and December 31, 2000, these liquid assets totaled \$243.5 million and \$157.7 million, respectively. Management believes the Company's sources of liquidity are adequate to meet expected cash needs for the foreseeable future.

Asset and Liability Management

Asset and 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-bearing assets and interest-bearing liabilities. Controlling the maturity of 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 repricing assets and liabilities will normally result in little change in net interest income when interest rates change. The Company monitors its assets and liability mix monthly in an effort to maintain consistent earnings performance through control of interest rate risk.

Below is a static gap schedule for the Company as of December 31, 2001. This is just one of several tools which may be used to measure and manage interest rate sensitivity. Earning assets and interest-bearing liabilities are presented below within selected time intervals based on their repricing and maturity characteristics. In this view, the sensitivity position is perfectly matched when an equal amount of assets and liabilities reprice during any given time period. Excess assets or liabilities repricing in a given time period results in the interest rate gap shown in the table. A positive gap indicates more assets than liabilities will reprice in that time period, while a negative gap indicates more liabilities than assets will reprice.

	Static Gap Analysis At December 31, 2001							Total
	3 Months Or Less	4 Through 12 Months	13 Through 36 Months	37 Through 60 Months	61 Through 120 Months	More Than 120 Months		
(Dollars In Thousands)								
Interest Earning Assets:								
Loans receivable, net of unearned income	\$ 113,084	\$ 107,722	\$ 39,093	\$ 40,486	\$ 34,604	\$ 22,091	\$ 357,080	
Investment securities available for sale	4,753	23,072	78,704	19,676	71,291	7,155	204,651	
Federal funds sold and interest bearing deposits	19,382						19,382	
Total interest earning assets	137,219	130,794	117,797	60,162	105,895	29,246	581,113	
Interest Bearing Liabilities:								
Savings deposits and interest-bearing checking	184,085						184,085	
Time deposits under \$100,000	42,199	89,838	42,631	4,459	125		179,252	
Time deposits over \$100,000	26,014	27,029	3,486	900			57,429	
Federal funds purchased and securities sold under agreements to repurchase	10,386						10,386	
Federal Home Loan Bank Advances		2,000	4,065	5,732	52,000	10,641	74,438	
Notes Payable		9,645		15,525			25,170	
Total interest bearing liabilities	262,684	128,512	50,182	26,616	52,125	10,641	530,760	

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Periodic Repricing Gap	(125,465)	2,282	67,615	33,546	53,770	18,605	50,353
Cumulative Repricing Gap	(125,465)	(123,183)	(55,568)	(22,022)	31,748	50,353	
Periodic Repricing Gap as a percent of interest earning assets	(91.43)%	1.74%	57.40%	55.76%	50.78%	63.62%	
Cumulative Repricing Gap as a percent of interest earning assets	(91.43)%	(94.18)%	(47.17)%	(36.60)%	29.98%	172.17%	

The table indicates that the Company is liability sensitive in the less than three-month period and is asset sensitive for all other periods. This means that during the first two period classifications, interest bearing liabilities reprice faster than interest earning assets, thereby improving net interest income when rates are falling and reducing net interest income when rates are rising. While the static gap method is a widely used measure of interest sensitivity, it is not, in management's opinion, the only indicator of the Company's rate sensitivity.

The following table indicates that at December 31, 2001, if there had been a sudden and sustained increase in prevailing market interest rates, the Company's 2002 interest income would be expected to increase, while a decrease in rates would indicate an decrease in income.

Change in Interest Rates	Net Interest Income	(Decrease) Increase	Percent Change
		(Dollars In Thousands)	
200 basis point rise	\$ 22,208	\$ 971	4.57%
100 basis point rise	21,723	486	2.29
base rate scenario	21,237		
100 basis point decline	20,562	(675)	(3.18)
200 basis point decline	18,714	(2,523)	(11.88)

The Company also believes it is appropriately positioned for future interest rate movements, although it may experience some fluctuation in net interest income due to short-term timing differences between the repricing of assets and liabilities.

Item 8.

Financial Statements and Supplementary Data

Index to Financial Statements

Independent Auditors Report

Consolidated Statements of Financial Condition as of December 31, 2001 and 2000

Consolidated Statements of Operations for the Fiscal Years Ended December 31, 2001, 2000 and 1999

Consolidated Statements of Comprehensive Income for the Fiscal Years Ended December 31, 2001, 2000, and 1999

Consolidated Statements of Changes In Stockholders Equity for the Fiscal Years Ended December 31, 2001, 2000, and 1999

Consolidated Statements of Cash Flows for the Fiscal Years Ended December 31, 2001, 2000, and 1999

Notes to Consolidated Financial Statements

INDEPENDENT AUDITORS REPORT

Board of Directors

Team Financial, Inc.:

We have audited the accompanying consolidated statements of financial condition of Team Financial, Inc. and subsidiaries as of December 31, 2001 and 2000 and the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2001. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

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

As discussed in Note 1 to the consolidated financial statements, effective July 1, 2001, the Company adopted the provisions of Statement of Financial Accounting Standards (SFAS) 141, *Business Combinations*, and certain provisions of SFAS No.142, *Goodwill and Other Intangible Assets*, as required for goodwill and intangible assets resulting from business combinations consummated after June 30, 2001.

KPMG LLP

Kansas City, Missouri

March 6, 2002