

TEAM FINANCIAL INC /KS
Form 10-Q
November 12, 2004

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2004

OR

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

For the transition period from to

Commission File Number: 000-26335

TEAM FINANCIAL, INC.

(Exact name of registrant as specified in its charter)

KANSAS

48-1017164

(State or other jurisdiction
of incorporation or organization)

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

8 West Peoria, Suite 200, Paola, Kansas 66071

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(Address of principal executive offices) (Zip Code)

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined by Rule 12b-2 of the Exchange Act).

Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS:

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

There were 3,988,478 shares of the Registrant's common stock, no par value, outstanding as of November 4, 2004.

Part I. Financial Information

Item 1.

Financial Statements

Unaudited Consolidated Statements of Financial Condition as of September 30, 2004 and December 31, 2003

Unaudited Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2004 and 2003

Unaudited Consolidated Statements of Comprehensive Income for the Three and Nine Months Ended September 30, 2004 and 2003

Unaudited Consolidated Statements of Changes In Stockholders Equity for the Nine Months Ended September 30, 2004

Unaudited Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2004 and 2003

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Management's Discussion and Analysis Of Financial Condition and Results Of Operations

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Item 4. Controls and Procedures

Part II. Other Information

Item 1. Legal Proceedings

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Item 6. Exhibits

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Exhibit 31.1 Certification of Chief Executive Officer Pursuant to Section 302 of Sarbanes- Oxley Act of 2002

Exhibit 31.2 Certification of Chief Financial Officer Pursuant to Section 302 of Sarbanes- Oxley Act of 2002

Exhibit 32.1 Certification of Chief Executive Officer Pursuant to 18 U.S.C. 1350

Exhibit 32.2 Certification of Chief Financial Officer Pursuant to 18 U.S.C. 1350

Team Financial, Inc. And Subsidiaries

Unaudited Consolidated Statements of Financial Condition

(Dollars In Thousands)

	September 30, 2004	December 31, 2003
Assets		
Cash and due from banks	\$ 13,375	\$ 14,135
Interest bearing bank deposits	3,976	4,667
Cash and cash equivalents	17,351	18,802
Investment securities:		
Available for sale, at fair value (amortized cost of \$199,687 and \$218,377 at September 30, 2004 and December 31, 2003, respectively)	201,969	221,252
Total investment securities	201,969	221,252
Loans receivable, net of unearned fees	381,904	348,095
Allowance for loan losses	(4,866)	(4,506)
Net loans receivable	377,038	343,589
Accrued interest receivable	3,884	4,002
Premises and equipment, net	16,064	14,132
Assets acquired through foreclosure	233	1,117
Goodwill	15,463	14,538
Intangible assets, net of accumulated amortization	5,182	5,830
Bank owned life insurance policies	18,291	17,756
Other assets	2,970	8,778
Total assets	\$ 658,445	\$ 649,796
Liabilities and Stockholders Equity		
Deposits:		
Checking deposits	\$ 163,782	\$ 165,448
Savings deposits	32,775	32,715
Money market deposits	53,282	47,804
Certificates of deposit	195,102	200,192
Total deposits	444,941	446,159
Federal funds purchased and securities sold under agreements to repurchase	22,416	7,180
Federal Home Loan Bank advances	111,962	111,234
Notes payable and other borrowings	3,500	3,232
Subordinated debentures	16,005	16,005
Accrued expenses and other liabilities	7,185	13,582
Total liabilities	606,009	597,392
Stockholders Equity:		
Preferred stock, no par value, 10,000,000 shares authorized, no shares issued		
Common stock, no par value, 50,000,000 shares authorized; 4,461,553 and 4,449,638 shares issued; 3,988,478 and 4,099,555 shares outstanding at September 30, 2004 and December 31, 2003, respectively	27,551	27,448
Capital surplus	292	292
Retained earnings	27,742	25,979
Treasury stock, 473,075 and 350,083 shares of common stock at cost at September 30, 2004 and December 31, 2003, respectively	(4,656)	(3,212)

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Accumulated other comprehensive income	1,507	1,897
Total stockholders' equity	52,436	52,404
Total liabilities and stockholders' equity	\$ 658,445	\$ 649,796

See accompanying notes to the unaudited consolidated financial statements

Team Financial, Inc. And Subsidiaries

Unaudited Consolidated Statements of Operations

(Dollars In Thousands, Except Per Share Data)

	Three Months Ended September 30		Nine Months Ended September 30	
	2004	2003	2004	2003
Interest Income:				
Interest and fees on loans	\$ 5,740	\$ 5,807	\$ 17,162	\$ 17,574
Taxable investment securities	1,847	1,606	5,568	5,275
Non-taxable investment securities	308	292	909	804
Other	18	26	74	131
Total interest income	7,913	7,731	23,713	23,784
Interest Expense:				
Deposits				
Checking deposits	144	108	397	424
Savings deposits	51	56	160	189
Money market deposits	121	121	357	441
Certificates of deposit	1,145	1,307	3,409	4,177
Federal funds purchased and securities sold under agreements to repurchase	48	12	82	34
FHLB advances payable	1,190	1,259	3,675	3,744
Notes payable and other borrowings	41	37	171	141
Subordinated debentures	388	388	1,165	1,165
Total interest expense	3,128	3,288	9,416	10,315
Net interest income before provision for loan losses	4,785	4,443	14,297	13,469
Provision for loan losses	261	832	821	1,319
Net interest income after provision for loan losses	4,524	3,611	13,476	12,150
Non-Interest Income:				
Service charges	1,086	966	2,928	2,667
Trust fees	179	159	491	433
Insurance agency commissions	1,281	1,377	3,393	3,687
Gain on sales of mortgage loans	241	946	961	2,368
Gain (loss) on sales of investment securities	(25)	145	(54)	295
Bank owned life insurance income	198	219	623	672
Other	366	706	1,126	1,587
Total non-interest income	3,326	4,518	9,468	11,709
Non-Interest Expenses:				
Salaries and employee benefits	3,459	3,389	10,346	10,372
Occupancy and equipment	780	653	2,280	2,042
Data processing	632	579	1,884	1,610
Professional fees	289	292	958	907

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Marketing	157	112	378	310
Supplies	104	121	295	331
Intangible asset amortization	227	309	740	985
Disposal of branch assets				258
Other	949	984	2,871	2,802
Total non-interest expenses	6,597	6,439	19,752	19,617
Income before income taxes	1,253	1,690	3,192	4,242
Income taxes	101	546	458	1,133
Net income	\$ 1,152	\$ 1,144	\$ 2,734	\$ 3,109
Shares applicable to basic income per share	4,036,234	4,091,169	4,072,913	4,097,041
Basic income per share	\$ 0.29	\$ 0.28	\$ 0.67	\$ 0.76
Shares applicable to diluted income per share	4,074,086	4,125,981	4,117,100	4,127,215
Diluted income per share	\$ 0.28	\$ 0.28	\$ 0.66	\$ 0.75

See accompanying notes to the unaudited consolidated financial statements

Team Financial, Inc. And Subsidiaries

Unaudited Consolidated Statements of Comprehensive Income

(Dollars In Thousands)

	Three Months Ended September 30		Nine Months Ended September 30	
	2004	2003	2004	2003
Net Income	\$ 1,152	\$ 1,144	\$ 2,734	\$ 3,109
Other comprehensive income (loss), net of tax:				
Unrealized gains (losses) on investment securities available for sale net of tax of \$1,280 and \$(1) for the three months ended September 30, 2004 and 2003, respectively; and \$(221) and \$(945) for the nine months ended September 30, 2004 and 2003, respectively.	2,484	(1,081)	(426)	(1,831)
Reclassification adjustment for gains (losses) included in net income net of tax of \$9 and \$(49) for the three months ended September 30, 2004 and 2003, respectively; and \$18 and \$(100) for the nine months ended September 30, 2004 and 2003, respectively.	16	(96)	36	(195)
Other comprehensive income (loss), net	2,500	(1,177)	(390)	(2,026)
Comprehensive income (loss)	\$ 3,652	\$ (33)	\$ 2,344	\$ 1,083

See accompanying notes to the unaudited consolidated financial statements

Team Financial, Inc. And Subsidiaries

Unaudited Consolidated Statements of Changes In Stockholders Equity

Nine Months Ended September 30, 2004

(Dollars In Thousands, Except Per Share Data)

	Common Stock	Capital surplus	Retained earnings	Treasury Stock	Accumulated other comprehensive income (loss)	Total stockholders equity
Balance, December 31, 2003	\$ 27,448	\$ 292	\$ 25,979	\$ (3,212)	\$ 1,897	\$ 52,404
Treasury stock purchased (122,992 shares)				(1,444)		(1,444)
Common stock issued in connection with compensation plans (11,915 shares)	103					103
Net income			2,734			2,734
Dividends (\$0.24 per share)			(971)			(971)
Other comprehensive loss net of \$(203) in taxes					(390)	(390)
Balance, September 30, 2004	\$ 27,551	\$ 292	\$ 27,742	\$ (4,656)	\$ 1,507	\$ 52,436

See accompanying notes to the unaudited consolidated financial statements

Team Financial, Inc. And Subsidiaries

Unaudited Consolidated Statements Of Cash Flows

(Dollars In Thousands)

	Nine Months Ended September 30,	
	2004	2003
Cash flows from operating activities:		
Net income	\$ 2,734	\$ 3,109
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	821	1,319
Depreciation and amortization	2,458	3,883
Change in bank owned life insurance	(535)	(623)
Net (gain) loss on sales of investment securities	54	(295)
FHLB stock dividends	(157)	
Net gain on sales of mortgage loans	(961)	(2,368)
Net loss on sales of assets	99	78
Disposal of branch assets		258
Proceeds from sale of mortgage loans	46,701	114,101
Origination of mortgage loans for sale	(47,078)	(103,368)
Net decrease (increase) in other assets	6,173	(635)
Net decrease in accrued expenses and other liabilities	(6,184)	(427)
Net cash provided by operating activities		