

FEDERAL TRUST CORP
Form 10-Q
August 18, 2008
Table of Contents

U.S. 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 June 30, 2008.

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: 001-31724.

FEDERAL TRUST CORPORATION

(Exact name of registrant as specified in its charter)

Florida

59-2935028

Edgar Filing: FEDERAL TRUST CORP - Form 10-Q

(State or other jurisdiction of
incorporation or organization)

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

312 West 1st Street

Sanford, Florida
(Address of principal executive offices)

(407) 323-1833

32771
(Zip Code)

Registrant's telephone number, including area code

Not applicable

(Former name, former address and former fiscal year, if changed since last report)

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 a large accelerated filer, an accelerated filer, or a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). YES NO

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date:

Common stock, par value \$.01 per share
(class)

9,436,305 Shares
Outstanding at August 8, 2008

Table of Contents

FEDERAL TRUST CORPORATION AND SUBSIDIARIES

INDEX

	Page
<u>PART I. FINANCIAL INFORMATION</u>	
Item 1. <u>Financial Statements</u>	
<u>Condensed Consolidated Balance Sheets At June 30, 2008 (Unaudited) and At December 31, 2007</u>	2
<u>Condensed Consolidated Statements of Operations (Unaudited) Three and Six Months Ended June 30, 2008 and 2007</u>	3
<u>Condensed Consolidated Statements of Stockholders' Equity (Unaudited) Six Months Ended June 30, 2008 and 2007</u>	4
<u>Condensed Consolidated Statements of Cash Flows (Unaudited) Six Months Ended June 30, 2008 and 2007</u>	5
<u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u>	7-17
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	18-25
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	26
Item 4. <u>Controls and Procedures</u>	26
<u>PART II. OTHER INFORMATION</u>	
Item 1A. <u>Risk Factors</u>	27
Item 4. <u>Submission of Matters to a Vote of Security Holders</u>	27
Item 5. <u>Other Events</u>	
Item 6. <u>Exhibits</u>	27
<u>SIGNATURES</u>	28

Table of Contents**FEDERAL TRUST CORPORATION AND SUBSIDIARIES****PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****Condensed Consolidated Balance Sheets**

(\$ in thousands, except share information)

	At	
	June 30, 2008 (Unaudited)	December 31, 2007 (Audited)
Assets		
Cash and due from banks	\$ 32,954	\$ 8,046
Interest-earning deposits	887	1,131
Cash and cash equivalents	33,841	9,177
Securities available for sale	37,347	52,449
Loans, less allowance for loan losses of \$16,557 in 2008 and \$13,869 in 2007	500,613	563,234
Accrued interest receivable	3,263	4,509
Premises and equipment, net	18,500	18,814
Foreclosed assets	12,228	9,522
Federal Home Loan Bank stock	8,663	8,129
Mortgage servicing rights, net	434	444
Bank-owned life insurance	7,686	7,504
Deferred tax asset, net of valuation allowance of \$11,813 in 2008 and \$0 in 2007		7,966
Other assets	5,458	8,516
Total assets	\$ 628,033	\$ 690,264
Liabilities and Stockholders' Equity		
Liabilities:		
Noninterest-bearing demand deposits	\$ 13,606	\$ 13,916
Interest-bearing demand deposits	49,114	80,275
Money-market deposits	57,206	57,608
Savings deposits	2,772	2,422
Time deposits	302,819	327,508
Total deposits	425,517	481,729
Federal Home Loan Bank advances	163,500	152,000
Other borrowings		16
Junior subordinated debentures	5,155	5,155
Accrued interest payable	1,761	2,597
Official checks	1,825	2,238
Other liabilities	8,416	6,843
Total liabilities	606,174	650,578
Stockholders' equity:		
Common stock, \$.01 par value, 65,000,000 shares authorized at June 30, 2008, and 15,000,000 shares authorized at December 31, 2007; 9,436,305 shares outstanding in 2008 and 2007	94	94

Edgar Filing: FEDERAL TRUST CORP - Form 10-Q

Additional paid-in capital	44,565	44,515
Accumulated deficit	(19,570)	(3,755)
Unallocated ESOP shares (42,386 shares in 2008 and 2007)	(440)	(440)
Accumulated other comprehensive loss	(2,790)	(728)
Total stockholders' equity	21,859	39,686
Total liabilities and stockholders' equity	\$ 628,033	\$ 690,264

See Accompanying Notes to Condensed Consolidated Financial Statements.

Table of Contents**FEDERAL TRUST CORPORATION AND SUBSIDIARIES****Condensed Consolidated Statements of Operations (Unaudited)**

(\$ in thousands, except per share information)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Interest income:				
Loans	\$ 7,213	\$ 9,704	\$ 15,212	\$ 19,403
Securities	559	819	1,200	1,663
Other	274	167	640	343
Total interest income	8,046	10,690	17,052	21,409
Interest expense:				
Deposits	4,124	5,576	9,223	10,943
Other	1,801	2,039	3,668	4,167
Total interest expense	5,925	7,615	12,891	15,110
Net interest income	2,121	3,075	4,161	6,299
Provision for loan losses	2,200	5,145	4,165	5,295
Net interest (expense) income after provision for loan losses	(79)	(2,070)	(4)	1,004
Other income:				
Service charges and fees	125	106	250	213
Gains on sales of loans held for sale		33	199	105
Net gains (loss) on sales of securities available for sale	(52)		6	35
Rental income	100	84	204	169
Increase in cash surrender value of bank owned life insurance policies	73	69	182	136
Other	58	144	111	254
Total other income	304	436	952	912
Other expenses:				
Salary and employee benefits	1,869	2,111	3,855	4,033
Occupancy expense	679	593	1,379	1,104
Professional services	419	374	750	634
Deposit insurance premium	334	33	641	48
Data processing	292	225	577	455
Foreclosure expenses	119	25	271	27
Net loss on sale and write downs of foreclosed assets	667	354	748	354
Marketing and advertising	80	115	143	231
Other	398	379	868	762
Total other expenses	4,857	4,209	9,232	7,648
Loss before income taxes	(4,632)	(5,843)	(8,284)	(5,732)
Income tax (benefit) expense		(2,291)	7,531	(2,340)

Edgar Filing: FEDERAL TRUST CORP - Form 10-Q

Net loss	\$ (4,632)	\$ (3,552)	\$ (15,815)	\$ (3,392)
Loss per share:				
Basic	\$ (.49)	\$ (.38)	\$ (1.68)	\$ (.36)
Diluted	\$ (.49)	\$ (.38)	\$ (1.68)	\$ (.36)
Weighted-average shares outstanding for (in thousands):				
Basic	9,394	9,361	9,394	9,352
Diluted	9,394	9,361	9,394	9,352
Cash dividends per share	\$	\$.04	\$	\$.08

See Accompanying Notes to Condensed Consolidated Financial Statements.

Table of Contents

FEDERAL TRUST CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements of Stockholders' Equity

For the Six Months Ended June 30, 2008 and 2007

(\$ in thousands)

	Common Stock	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Unallocated ESOP Shares
--	-------------------------	---	--	--