

FEDERAL TRUST CORP
Form 10-Q
June 12, 2009
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 March 31, 2009.

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 has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files.) 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 June 10, 2009

Table of Contents

FEDERAL TRUST CORPORATION AND SUBSIDIARIES

INDEX

	<u>Page</u>
<u>PART I. FINANCIAL INFORMATION</u>	
Item 1. <u>Financial Statements</u>	
<u>Consolidated Balance Sheets At March 31, 2009 (Unaudited) and At December 31, 2008</u>	2
<u>Consolidated Statements of Operations (Unaudited) Three Months Ended March 31, 2009 and 2008</u>	3
<u>Consolidated Statements of Stockholders Deficit (Unaudited) Three Months Ended March 31, 2009 and 2008</u>	4
<u>Consolidated Statements of Cash Flows (Unaudited) Three Months Ended March 31, 2009 and 2008</u>	5-6
<u>Notes to Consolidated Financial Statements (Unaudited)</u>	7-22
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	23-28
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	29
Item 4. <u>Controls and Procedures</u>	29
Item 4T. <u>Controls and Procedures</u>	29
<u>PART II. OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	29
Item 1A. <u>Risk Factors</u>	29
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	29
Item 3. <u>Defaults under Senior Securities</u>	30
Item 4. <u>Submission of Matters to a Vote of Security Holders</u>	30
Item 5. <u>Other Information</u>	30
Item 6. <u>Exhibits</u>	30
<u>SIGNATURES</u>	31

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

(\$ in thousands)

	At	
	March 31, 2009 (Unaudited)	December 31, 2008 (Audited)
Assets		
Cash and due from banks	\$ 3,886	\$ 5,793
Interest-earning deposits	52,637	39,756
Cash and cash equivalents	56,523	45,549
Securities available for sale	28,998	33,237
Loans, less allowance for loan losses of \$26,575 in 2009 and \$25,977 in 2008	440,224	450,172
Accrued interest receivable	2,571	2,845
Premises and equipment, net	17,817	18,039
Foreclosed assets	16,273	16,411
Federal Home Loan Bank of Atlanta stock	7,758	8,505
Mortgage servicing rights, net	349	375
Bank-owned life insurance	7,862	7,778
Other assets	1,762	1,979
Total assets	\$ 580,137	\$ 584,890
Liabilities and Stockholders Deficit		
Liabilities:		
Noninterest-bearing demand deposits	\$ 10,301	\$ 9,718
Interest-bearing demand deposits	26,749	28,048
Money-market deposits	81,362	68,802
Savings deposits	2,279	2,250
Time deposits	288,679	302,937
Total deposits	409,370	411,755
Federal Home Loan Bank of Atlanta advances	149,000	161,500
Other borrowings	20,000	
Junior subordinated debentures	5,155	5,155
Accrued interest payable	1,300	1,088
Official checks	1,094	834
Other liabilities	7,006	7,365
Total liabilities	592,925	587,697

Edgar Filing: FEDERAL TRUST CORP - Form 10-Q

Commitments and contingencies

Stockholders' deficit:		
Common stock, \$.01 par value, 15,000,000 shares authorized; 9,436,305 shares issued and outstanding	94	94
Additional paid-in capital	44,182	44,162
Accumulated deficit	(54,673)	(45,335)
Accumulated other comprehensive loss	(2,391)	(1,728)
Total stockholders' deficit	(12,788)	(2,807)
Total liabilities and stockholders' deficit	\$ 580,137	\$ 584,890

See Accompanying Notes to Consolidated Financial Statements.

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

(\$ in thousands, except per share information)

	Three Months Ended March 31,	
	2009	2008
Interest income:		
Loans	\$ 5,161	\$ 7,999
Securities - taxable	368	548
Securities - nontaxable	77	93
Other	12	366
Total interest income	5,618	9,006
Interest expense:		
Deposits	3,543	5,099
Borrowings	1,608	1,867
Total interest expense	5,151	6,966
Net interest income	467	2,040
Provision for loan losses	3,797	1,965
Net interest income after provision for loan losses	(3,330)	75
Other income:		
Service charges and fees	109	125
Gain on sale of loans held for sale	1	199
Net gain on sale of securities available for sale		58
Net loss on sale of foreclosed assets	(285)	(81)
Rental income	99	104
Increase in cash surrender value of life insurance policies	84	109
Other	30	53
Total other income	38	567
Other expenses:		
Salary and employee benefits	1,594	1,986
Occupancy expense	683	700
Professional services	199	331
Data processing	279	285
Marketing and advertising		63
Deposit insurance premium	530	307
Foreclosure expenses	191	152
Other-than-temporary impairment of securities available for sale	2,262	
Other	308	470
Total other expenses	6,046	4,294

Edgar Filing: FEDERAL TRUST CORP - Form 10-Q

Loss before income taxes	(9,338)	(3,652)
Income tax benefit		7,531
Net loss	\$ (9,338)	\$ (11,183)
Loss per share:		
Basic	\$ (.99)	\$ (1.19)
Diluted	\$ (.99)	\$ (1.19)
Weighted-average shares outstanding for (in thousands):		
Basic	9,436	9,394
Diluted	9,436	9,394
Cash dividends per share	\$	\$

See Accompanying Notes to Consolidated Financial Statements.

Table of Contents**FEDERAL TRUST CORPORATION AND SUBSIDIARIES****Consolidated Statements of Stockholders Equity (Deficit)****For the Three Months Ended March 31, 2009 and 2008**

(\$ in thousands)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Deficit	Unallocated ESOP Shares	Accumulated Other Comprehensive Loss	Total Stockholders Equity (Deficit)
Balance at December 31, 2007	9,436,305	\$ 94	\$ 44,433	\$ (3,755)	\$ (358)	\$ (728)	\$ 39,686
Comprehensive loss:							
Net loss (unaudited)				(11,183)			(11,183)
Change in unrealized loss on securities available for sale, net of deferred tax asset valuation allowance (unaudited)						(724)	(724)
Comprehensive loss (unaudited)							(11,907)
ESOP shares committed to be allocated			(74)		74		
Share-based compensation (unaudited)			25				25
Balance at March 31, 2008 (unaudited)	9,436,305	\$ 94	\$ 44,384	\$ (14,938)	\$ (284)	\$ (1,452)	\$ 27,804
Balance at December 31, 2008	9,436,305	\$ 94	\$ 44,162	\$ (45,335)	\$	\$ (1,728)	\$ (2,807)