

FEDERAL TRUST CORP
Form 10-Q
November 08, 2006

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

(Mark One)

Quarterly report under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 2006

Transition report under Section 13 or 15(d) of the Exchange Act

For the transition period from _____ to _____

Commission File number 33-27139

FEDERAL TRUST CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

Florida

59-2935028

(State or Other Jurisdiction
of Incorporation or Organization)

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

**312 West 1st Street
Sanford, Florida 32771**

(Address of Principal Executive Offices)

(407) 323-1833

(Issuer's Telephone Number)

N/A

(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 twelve 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 (as defined in Rule 12b-2 of the Exchange Act):

Large Accelerated Filer

Accelerated Filer

Non-accelerated Filer

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

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Yes No
o x

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

9,351,542 shares

(class)

Outstanding at November 3, 2006

FEDERAL TRUST CORPORATION AND SUBSIDIARIES

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FEDERAL TRUST CORPORATION AND SUBSIDIARIES

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Condensed Consolidated Balance Sheets
(\$ in thousands, except per share amounts)

	At	
	September 30, 2006	December 31, 2005
	(Unaudited)	
Assets		
Cash and due from banks	\$ 6,593	\$ 6,572
Interest-earning deposits	965	6,424
	<u>7,558</u>	<u>12,996</u>
Cash and cash equivalents	7,558	12,996
Securities available for sale	68,314	50,080
Loans, less allowance for loan losses of \$4,754 in 2006 and \$4,477 in 2005	611,701	630,827
Accrued interest receivable	4,707	4,138
Premises and equipment, net	17,324	14,376
Foreclosed assets	36	556
Federal Home Loan Bank stock	8,714	10,273
Mortgage servicing rights, net	619	804
Bank-owned life insurance	7,163	6,964
Deferred tax asset	2,049	2,476
Other assets	1,767	1,926
	<u>729,952</u>	<u>735,416</u>
Total assets	\$ 729,952	\$ 735,416
Liabilities and Stockholders' Equity		
Liabilities:		
Non-interest-bearing demand deposits	\$ 13,400	\$ 13,628
Interest-bearing demand deposits	53,545	51,682
Money-market deposits	69,786	78,371
Savings deposits	3,178	4,062
Time deposits	359,389	323,319
	<u>499,298</u>	<u>471,062</u>
Total deposits	499,298	471,062
Federal Home Loan Bank advances	161,200	201,700
Other borrowings		4,100
Junior subordinated debentures	5,155	5,155
Capital lease obligation	2,550	2,764
Accrued interest payable	1,149	1,208
Official checks	1,030	1,589
Other liabilities	5,573	3,697
	<u>675,955</u>	<u>691,275</u>
Total liabilities	675,955	691,275
Stockholders' equity:		
Common stock, \$.01 par value, 15,000,000 shares authorized; 9,351,542 shares outstanding in 2006 and 8,299,343 in 2005	93	83
Additional paid-in capital	43,794	33,679
Retained earnings	10,793	11,459
Unallocated ESOP shares (27,002 shares in 2006 and 22,224 shares in 2005)	(206)	(157)
Accumulated other comprehensive loss	(477)	(923)
	<u>93</u>	<u>83</u>

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Total stockholders' equity	53,997	44,141
Total liabilities and stockholders' equity	\$ 729,952	\$ 735,416

See Accompanying Notes to Condensed Consolidated Financial Statements.

FEDERAL TRUST CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements of Earnings (Unaudited)
(\$ in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Interest income:				
Loans	\$ 9,788	\$ 7,788	\$ 29,809	\$ 22,082
Securities	993	510	2,357	1,450
Other	175	113	551	350
Total interest income	10,956	8,411	32,717	23,882
Interest expense:				
Deposits	5,371	3,367	14,615	8,642
Other	1,965	1,828	6,090	4,695
Total interest expense	7,336	5,195	20,705	13,337
Net interest income	3,620	3,216	12,012	10,545
Provision for loan losses	60	200	294	500
Net interest income after provision for loan losses	3,560	3,016	11,718	10,045
Other income:				
Service charges and fees	114	102	440	327
Gains on sales of loans held for sale	65	17	185	287
Net gains on sales of securities available for sale	80	80	63	208
Rental income	91	70	235	234
Increase in cash surrender value of bank-owned life insurance policies	62	60	180	175
Other	157	318	668	848
Total other income	569	647	1,771	2,079
Other expenses:				
Salary and employee benefits	1,798	1,246	5,374	3,716
Occupancy expense	524	417	1,468	1,225
Professional services	241	122	638	490
Data processing	203	157	574	468
Marketing and advertising	53	29	249	144
Other	452	356	1,265	1,048
Total other expenses	3,271	2,327	9,568	7,09