FEDERAL TRUST CORP
Form 10QSB
November 06, 2003
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

(Mark One)

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

For the quarterly period ended September 30, 2003

¨ **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 Small Business Issuer 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)

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)**	**6,591,338 shares** **Outstanding at October 31, 2003**

Transitional small business disclosure format (check one) Yes ¨ No x

Table of Contents

FEDERAL TRUST CORPORATION AND SUBSIDIARIES

INDEX

Table of Contents

FEDERAL TRUST CORPORATION AND SUBSIDIARIES

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Condensed Consolidated Balance Sheets

(In thousands)

	September 30, 2003	At December 31, 2002
	(Unaudited)	
Assets		
Cash and due from banks	$ 2,608	$ 4,318
Interest-earning deposits	1,570	14,515
Cash and cash equivalents	4,178	18,833
Securities available for sale	38,233	21,520
Loans, less allowance for loan losses of $2,520 in 2003 and $2,110 in 2002	368,281	308,598
Accrued interest receivable	2,267	2,186
Premises and equipment, net	11,650	8,357
Foreclosed assets	522	858
Federal Home Loan Bank stock, at cost	5,310	2,860
Mortgage servicing rights, net	1,067	1,325
Bank-owned life insurance	6,463	2,974
Other assets	1,273	543
Total assets	$ 439,244	$ 368,054
Liabilities and Stockholders Equity		
Liabilities:		
Noninterest-bearing demand deposits	$ 6,113	$ 6,112
Interest-bearing demand deposits	16,781	12,094
Money-market deposits	80,244	68,893
Savings deposits	9,569	9,319
Time deposits	190,006	182,113

Total deposits	302,713	278,531
Federal Home Loan Bank advances	92,200	54,200
Line of credit	1,752	915
Guaranteed preferred beneficial interest in junior subordinated debentures	5,000	
Capital lease obligation	3,405	2,139
Accrued interest payable	510	449
Official checks	2,035	1,778
Other liabilities	5,452	5,003
Total liabilities	413,067	343,015
Stockholders equity:		
Common stock	66	66
Additional paid-in capital	21,788	21,778
Retained earnings	5,039	3,180
Unallocated ESOP shares	(415)	
Accumulated other comprehensive income (loss)	(301)	15
Total stockholders equity	26,177	25,039
Total liabilities and stockholders equity	$ 439,244	$ 368,054

See Accompanying Notes to Condensed Consolidated Financial Statements.

Table of Contents

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,	
	2003	**2002**	**2003**	**2002**
Interest income:				
Loans	$ 4,652	$ 4,543	$ 14,486	$ 13,707
Securities	283	164	839	485
Other	46	110	165	293
Total interest income	4,981	4,817	15,490	14,485
Interest expense:				
Deposits	1,586	2,172	5,472	6,419
Other borrowings	620	627	1,952	1,835
Total interest expense	2,206	2,799	7,424	8,254
Net interest income	2,775	2,018	8,066	6,231
Provision for loan losses	70	30	395	190
Net interest income after provision for loan losses	2,705	1,988	7,671	6,041
Other income:				
Service charges and fees	95	85	257	270
Gain on sale of loans held for sale	148	43	399	395
Net gain on sale of securities available for sale		133	353	115
Rental income	89	113	280	285
Other	75	181	388	596
Total other income	407	555	1,677	1,661
Other expense:				
Salary and employee benefits	989	870	3,176	2,859
Occupancy expense	396	275	1,046	852
Data processing	152	112	389	300
Professional services	111	118	326	337
Other	409	287	1,366	1,046
Total other expense	2,057	1,662	6,303	5,394

Earnings before income taxes	1,055	881	3,045	2,308
Income taxes	339	322	989	831
Net earnings	$ 716	$ 559	$ 2,056	$ 1,477
Earnings per share:				
Basic	$ .11	$ .09	$ .31	$ .26
Diluted	$ .11	$ .09	$ .31	$ .26
Weighted-average shares outstanding for:				
Basic	6,591	6,412	6,591	5,789
Diluted	6,770	6,412	6,729	5,789
Cash dividends per share	$ .01	$	$ .03	$

See Accompanying Notes to Condensed Consolidated Financial Statements.

Table of Contents

FEDERAL TRUST CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements of Stockholders Equity

For the Nine Months Ended September 30, 2003 and 2002

($ in thousands)

	Common Stock					Accumulated Other Compre-	
	Shares	Amount	Additional Paid-In Capital	Retained Earnings	Unallocated ESOP Shares	hensive Income (Loss)	Total Stockholders Equity
Balance at December 31, 2001	5,409,449	$ 54	$ 17,492	$ 1,121	$	$ (136)	$ 18,531
Comprehensive income:							
Net earnings (unaudited)				1,477			1,477
Change in unrealized loss on securities available for sale, net of income taxes of $86 (unaudited)						151	151
Comprehensive income (unaudited)							1,628
Accretion of stock options for stock compensation programs (unaudited)			20				20
Issuance of common stock (unaudited)	1,181,889	12	4,259				4,271
Balance at September 30, 2002 (unaudited)	6,591,338	$ 66	$ 21,771	$ 2,598	$	$ 15	$ 24,450
Balance at December 31, 2002	6,591,338	$ 66	$ 21,778	$ 3,180		$ 15	$ 25,039
Comprehensive income:							
Net earnings (unaudited)				2,056			2,056
Change in unrealized gain on securities available for sale, net of income tax benefit of $191 (unaudited)						(316)	(316)
Comprehensive income (unaudited)							1,740
Accretion of stock options for stock compensation programs (unaudited)			10				10
Purchase of common shares for the ESOP Plan (unaudited)					(415)		(415)

Dividends paid, $.03 per share (unaudited)				(197)			(197)
Balance at September 30, 2003 (unaudited)	6,591,338	$ 66	$ 21,788	$ 5,039	$ (415)	$ (301)	$ 26,177

See Accompanying Notes to Condensed Consolidated Financial Statements.

4

Table of Contents

FEDERAL TRUST CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

(Unaudited)

(In thousands)

	Nine Months Ended September 30, 2003	Nine Months Ended September 30, 2002
Cash flows from operating activities:		
Net earnings	$ 2,056	$ 1,477
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	409	340
Net amortization of premiums and discounts on securities	358	119
Net amortization of loan origination fees, costs, premiums and discounts	1,453	773
Amortization of mortgage servicing rights	433	375
Provision for loan losses	395	190
Accretion of stock option expense	10	20
Net increase in cash surrender value of life insurance policies	(89)	(96)
Proceeds from sale of loans held for sale	23,861	27,309
Loans originated for resale	(13,911)	(11,645)
Gain on sale of loans held for sale	(399)	(395)
Gain on sales of securities available for sale	(353)	(115)
Cash provided by (used in) resulting from changes in:		
Accrued interest receivable	(81)	(392)
Other assets	(539)	472
Accrued interest payable	61	327
Official checks	257	(661)
Other liabilities	449	(1,145)
Net cash provided by operating activities	14,370	16,953
Cash flows from investing activities:		
Purchase of securities available for sale	(34,639)	(14,559)
Proceeds from principal repayments and sale of securities available for sale	17,414	17,626
Loan principal repayments, net of originations	50,079	7,570
Purchase of loans	(121,817)	(56,062)
Purchase of premises and equipment	(2,202)	(1,855)
Purchase of Federal Home Loan Bank stock	(2,450)	
Purchase of bank-owned life insurance	(3,400)	
Net proceeds from sale of foreclosed assets	817	794
Net cash used in investing activities	(96,198)	(46,486)
Cash flows from financing activities:		
Net increase in deposits	24,182	38,208
Net increase in Federal Home Loan Bank advances	38,000	2,200

Net increase (decrease) in line of credit	837	(1,800)
Principal repayments under capital lease obligation	(234)	(233)
Increase in guaranteed preferred beneficial interest in junior subordinated debentures	5,000	
Issuance of common stock in connection with limited rights offering, net of offering costs		3,971
Purchase of common shares for the ESOP Plan	(415)	
Dividends paid	(197)	
Net cash provided by financing activities	67,173	42,346
Net (decrease) increase in cash and cash equivalents	(14,655)	12,813
Cash and cash equivalents at beginning of period	18,833	11,566
Cash and cash equivalents at end of period	$ 4,178	$ 24,379

(continued)

Table of Contents

FEDERAL TRUST CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows, Continued

(Unaudited)

(In thousands)

	Nine Months Ended September 30,	
	2003	**2002**
Supplemental disclosure of cash flow information -		
Cash paid during the period for:		
Interest	$ 7,363	$ 7,928
Income taxes	$ 1,566	$ 664
Noncash transactions:		
Foreclosed assets acquired in settlement of loans	$ 481	$ 793
Accumulated other comprehensive income, change in unrealized gain on securities available for sale, net of tax	$ (316)	$ 151
Common stock issued in connection with capital land lease	$	$ 300
Transfer of loans in portfolio to loans held for sale	$ 12,838	$ 15,550
Securitization of loans held for sale	$	$ 3,310
Mortgage servicing rights recognized upon sale of loans held for sale	$ 175	$ 169
Premises and equipment under capital lease obligation	$ 1,500	$

See Accompanying Notes to Condensed Consolidated Financial Statements.

Table of Contents

FEDERAL TRUST CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

(1) Description of Business and Basis of Presentation

General. Federal Trust Corporation (Federal Trust) is a unitary savings and loan holding company. Federal Trust has two wholly-owned subsidiaries, Federal Trust Bank (the Bank) and Federal Trust Statutory Trust I (the Trust). Federal Trust s primary investment, however, is the ownership of the Bank. The Bank is a federally-chartered stock savings bank that provides a wide range of banking services to individual and corporate customers through its six offices located in Orange, Seminole and Volusia Counties, Florida. The Bank opened its sixth branch office in Orange City, Volusia County, Florida during September 2003. The Trust was formed in September 2003 for the sole purpose of issuing $5,000,000 of trust preferred securities as more fully described in Note 6. The Bank has one wholly-owned subsidiary, FTB Financial Services, Inc., that was formed to provide investment services to customers of the Bank. In September 2003, FTB Financial Services, Inc. ceased operations and is currently inactive.

The condensed consolidated financial statements, include the accounts of Federal Trust, the Bank, the Trust and the Bank s subsidiary (collectively, the Company). All significant intercompany accounts and transactions have been eliminated in consolidation.

In the opinion of management, the accompanying condensed consolidated financial statements contain all adjustments (principally consisting of normal recurring accruals) necessary to present fairly the financial position as of September 30, 2003, the results of operations for the three- and nine-month periods ended September 30, 2003 and 2002 and cash flows for the nine-month periods ended September 30, 2003 and 2002. The results of operations for the three- and nine-month periods ended September 30, 2003, are not necessarily indicative of the results to be expected for the entire year ended December 31, 2003. These statements should be read in conjunction with the consolidated financial statements included in the Company s Annual Report on Form 10 - KSB for the year ended December 31, 2002.

(2) Loans

The components of loans are summarized as follows (in thousands):

	At September 30, 2003	At December 31, 2002
Mortgage loans:		
Residential (1)	$ 279,547	$ 246,234
Commercial	70,451	44,766
Construction	10,380	12,258
Total mortgage loans	360,378	303,258

Commercial loans	9,055	6,768
Consumer loans	989	969
Total loans	370,422	310,995
Add (deduct):		
Allowance for loan losses	(2,520)	(2,110)
Net premiums, discounts, deferred fees and costs	3,228	2,902
Undisbursed portion of loans in process	(2,849)	(3,189)
Loans, net	$ 368,281	$ 308,598

(1) Includes $4.9 million and $1.8 million of loans held for sale at September 30, 2003 and December 31, 2002, respectively.

(continued)

Table of Contents

FEDERAL TRUST CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited), Continued

(2) Loans, Continued

The following is a summary of information regarding nonaccrual and impaired loans (in thousands):

	September 30, 2003	At December 31, 2002
Nonaccrual loans	$ 5,353	$ 5,579
Accruing loans past due ninety days or more	$	$
Total recorded investment in impaired loans	$ 7,449	$ 7,572
Recorded investment in impaired loans for which there is a related allowance for loan losses	$ 7,449	$ 7,572
Recorded investment in impaired loans for which there is no related allowance for loan losses	$	$
Allowance for loan losses related to impaired loans	$ 1,129	$ 1,144

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Interest income recognized and received on impaired loans	$ 21	$ 37	$ 60	$ 94
Average net recorded investment in impaired loans	$ 6,845	$ 4,824	$ 6,078	$ 4,209

The activity in the allowance for loan losses is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Balance at beginning of period	$ 2,461	$ 1,822	$ 2,110	$ 1,765
Provision for loan losses	70	30	395	190
Charge-offs	(13)	(46)	(30)	(159)
Recoveries	2	7	45	17
Balance at end of period	$ 2,520	$ 1,813	$ 2,520	$ 1,813

A provision for loan losses is charged to earnings based upon management s evaluation of the potential losses in its loan portfolio. During the three and nine months ended September 30, 2003, management made provisions of $70,000 and $395,000, respectively, based on its evaluation of the loan portfolio, as compared to the provisions of $30,000 and $190,000, respectively, made in the comparable periods in 2002. Management believes that the allowance is adequate, primarily as a result of the overall quality, and the high percentage of residential single family home loans, in the portfolio.

(continued)

Table of Contents

FEDERAL TRUST CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited), Continued

(3) Regulatory Capital

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank s and the Company s financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank s assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank s capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and percentages (set forth in the table below) of total and Tier I capital (as defined in the regulations) to risk-weighted assets and Tier I capital to average adjusted assets (as defined in the regulations). Management believes, as of September 30, 2003, that the Bank exceeds the minimum capital adequacy requirements to which it is subject.

In addition, as of September 30, 2003, the Bank met the requirements to be categorized as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain total risk-based, Tier I risk-based and Tier I leverage percentages as set forth in the table. There are no conditions or events since September 30, 2003 that management believes would change the institution s categorization as well capitalized. The following table summarizes the capital thresholds for each prompt corrective action capital category. An institution s capital category is based on whether it meets the threshold for all three capital ratios within the category. The Bank s actual capital amounts and percentages are also presented in the table ($ in thousands).

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	%	Amount	%	Amount	%
At September 30, 2003:						
Total capital (to risk-weighted assets)	$ 31,946	11.5%	$ 23,442	8.0%	$ 29,302	10.0%
Tier I capital (to risk weighted assets)	29,448	10.6	11,721	4.0	17,581	6.0
Tier I capital (to average adjusted assets)	29,448	6.8	17,388	4.0	21,735	5.0

(continued)

9

Table of Contents

FEDERAL TRUST CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited), Continued

(4) Earnings Per Share of Common Stock

The Company follows the provisions of Financial Accounting Standards No. 128, Earnings Per Share (SFAS No. 128). SFAS No. 128 provides accounting and reporting standards for calculating earnings per share. Basic earnings per share of common stock has been computed by dividing the net earnings for the period by the weighted-average number of shares outstanding. Diluted earnings per share is computed by dividing net earnings by the weighted-average number of shares outstanding including the dilutive effect of stock options computed using the treasury stock method. The following table presents the calculation of basic and diluted earnings per share of common stock (in thousands, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Weighted-average shares outstanding for basic earnings per share	6,591	6,412	6,591	5,789
Basic earnings per share	$ .11	$ .09	$ .31	$ .26
Total weighted-average shares outstanding for basic earnings per share computation	6,591	6,412	6,591	5,789
Additional dilutive shares using the average market value for the period utilizing the treasury stock method regarding stock options	179		138	
Weighted-average shares and equivalents outstanding for diluted earnings per share	6,770	6,412	6,729	5,789
Diluted earnings per share	$ .11	$ .09	$ .31	$ .26

(continued)

Table of Contents

FEDERAL TRUST CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited), Continued

(5) Federal Home Loan Bank Advances

A summary of advances from the Federal Home Loan Bank of Atlanta (FHLB) are as follows ($ in thousands):

Maturing During the Year Ending December 31,	Interest Rate	At September 30, 2003	At December 31, 2002
2003	6.39	$	$ 5,000
2003	1.30(1)		17,000
2003	1.30(1)	10,000	
2005	2.00	25,000	
2006	1.24(2)	5,000	
2006	.54(1)(2)	5,000	
2007	5.22	2,200	2,200
2007	1.26(2)	5,000	5,000
2008	1.98(3)	5,000	
2008	1.12(4)	5,000	
2008	1.01(4)	5,000	
2011	3.73(5)	25,000	25,000
		$ 92,200	$ 54,200

(1) Daily advance rate adjusts daily.
(2) FHLB has the option to call every three months.
(3) FHLB has the option to call every three months beginning in January 2005.
(4) FHLB has the option to call every three months beginning in June 2004.
(5) FHLB has a one-time call option in December 2004.

The security agreement with FHLB includes a blanket floating lien requiring the Company to maintain qualifying first mortgage loans as pledged collateral in an amount equal to at least, when discounted at 75% of the unpaid principal balances, 100% of these advances. The FHLB stock is also pledged as collateral for these advances.

(6) Guaranteed Preferred Beneficial Interest in Junior Subordinated Debentures

On September 17, 2003, the Trust sold adjustable-rate Trust Preferred Securities due September 17, 2033 in the aggregate principal amount of $5,000,000 (the Trust Preferred Securities) in a pooled trust preferred securities offering. The interest rate on the Trust Preferred Securities adjusts quarterly, to a rate equal to the then current three-month London Interchange Bank Offering Rate (LIBOR), plus 295 basis points. In addition, Federal Trust contributed capital of $155,000 to the Trust for the purchase of the common securities of the Trust. The proceeds from these sales were paid to Federal Trust in exchange for $5,155,000 of its adjustable-rate Junior Subordinated Debentures (the Debentures) due September 17, 2033. The Debentures have the same terms as the Trust Preferred Securities. Federal Trust used a portion of the proceeds to pay down its line of credit. The sole asset of the Trust, the obligor on the Trust Preferred Securities, is the Debentures.

(continued)

Table of Contents

FEDERAL TRUST CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited), Continued

(6) Guaranteed Preferred Beneficial Interest in Junior Subordinated Debentures, Continued

Federal Trust has guaranteed the Trust s payment of distributions on, payments on any redemptions of, and any liquidation distribution with respect to, the Trust Preferred Securities. Cash distributions on both the Trust Preferred Securities and the Debentures are payable quarterly in arrears on March 17, June 17, September 17 and December 17 of each year. Issuance costs of approximately $65,000 associated with the Trust Preferred Securities have been capitalized by Federal Trust and are being amortized over ten years (in thousands).

Name	Trust Preferred Securities Outstanding at September 30, 2003	Prepayment Option Date
Federal Trust Statutory Trust I	$ 5,000	September 17, 2008

The Trust Preferred Securities are subject to mandatory redemption: (i) in whole, but not in part, upon repayment of the Debentures at stated maturity or, at the option of Federal Trust, their earlier redemption in whole upon the occurrence of certain changes in the tax treatment or capital treatment of the Trust Preferred Securities, or a change in the law such that the Trust would be considered an investment company; and (ii) in whole or in part at any time on or after September 17, 2008 contemporaneously with the optional redemption by Federal Trust of the Debentures in whole or in part. The Debentures are redeemable prior to maturity at the option of Federal Trust: (i) on or after September 17, 2008, in whole at any time or in part from time to time; or (ii) in whole, but not in part, at any time within 90 days following the occurrence and continuation of certain changes in the tax treatment or capital treatment of the Trust Preferred Securities, or a change in law such that the Trust would be considered an Investment Company, required to be registered under the Investment Company Act of 1940.

(7) Stock Option Plans

Federal Trust has two stock options plans. The Key Employee Stock Compensation Program (the Employee Plan) is authorized to issue up to 475,000 shares as either incentive stock options, compensatory stock options, stock appreciation rights or performance shares. All awards granted under the Employee Plan have been incentive stock options. These options have ten year terms and vest ratably over various terms up to five years. At September 30, 2003, Federal Trust had 137,554 shares remaining under the Employee Plan available for future grants.

The Directors Stock Option Plan (the Director Plan) is authorized to issue up to 140,000 shares. All options granted under the Director Plan have ten year terms, vest immediately and are not exercisable for a period of six months after the grant date. At September 30, 2003, Federal Trust had 36,939 shares remaining under the Director Plan available for future grants.

(continued)

Table of Contents

FEDERAL TRUST CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited), Continued

(7) Stock Option Plans, Continued

During 1998, 350,000 options were granted under both stock option plans at an exercise price less than the then market price. This amount was being expensed over the related vesting periods of options still outstanding. These options were fully vested during the second quarter of 2003, consequently there was no compensation costs relating to these options during the three months ended September 30, 2003. Compensation costs relating to these options was approximately $7,000 for the three months September 30, 2002 and $10,000 and $20,000 for the nine months ended September 30, 2003 and 2002, respectively.

There were 15,000 stock options granted during the nine months ended September 30, 2003. There were no stock option transactions during the nine months ended September 30, 2002.

SFAS No. 123 requires pro forma fair value disclosures if the intrinsic value method is being utilized to calculate the fair value of options. For purposes of pro forma disclosures, the estimated fair value is included in expense in the period vesting occurs. The proforma information has been determined as if the Company had accounted for its stock options under the fair value method of SFAS No. 123. The Company accounts for its stock option plans under the recognition and measurement principles of APB No. 25. No stock-based employee compensation cost is reflected in net earnings, except for those options granted in 1998 as discussed above, as all stock options granted under the plans had an exercise price equal to the market value of the underlying common stock on the date of grant. The following table illustrates assumptions used in calculating the grant-date fair value and the effect on net earnings and basic and diluted earnings per share as if the Company had applied the fair value recognition provisions of SFAS No. 123 to stock-based employee compensation ($ in thousands, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	**2002**	**2003**	**2002**
Assumptions for grants during the period:				
Risk-free rate of return	N/A	N/A	4.26%	N/A
Annualized dividend yield	N/A	N/A	.80%	N/A
Expected life of options	N/A	N/A	10 years	N/A
Expected stock volatility	N/A	N/A	33%	N/A
Grant-date fair value of options issued during the period	N/A	N/A	$ 2.23	N/A
Net earnings, as reported	$ 716	$ 559	$ 2,056	$ 1,477
Deduct: Total stock-based employee compensation determined under the fair value based method for all awards, net of related tax benefit	(9)	(14)	(28)	(41)
Proforma net earnings	$ 707	$ 545	2,028	1,436

Basic earnings per share:				
As reported	$ .11	$ .09	$ .31	$ .26
Proforma	$ .11	$ .08	$ .31	$ .25
Diluted earnings per share:				
As reported	$ .11	$ .09	$ .31	$ .26
Proforma	$ .10	$ .08	$ .30	$ .25

(8) Reclassifications

Certain amounts in the 2002 condensed consolidated financial statements have been reclassified to conform to the presentation for 2003.

Table of Contents

FEDERAL TRUST CORPORATION AND SUBSIDIARIES

Review by Independent Accountants

Hacker, Johnson & Smith PA, the Company s independent accountants, have made a limited review of the financial data as of September 30, 2003, and for the three- and nine-month periods ended September 30, 2003 and 2002 presented in this document, in accordance with standards established by the American Institute of Certified Public Accountants.

Their report furnished pursuant to Article 10 of Regulation S-X is included herein.

14

Table of Contents

Independent Accountants Report

The Board of Directors

Federal Trust Corporation

Sanford, Florida:

We have reviewed the accompanying condensed consolidated balance sheet of Federal Trust Corporation and Subsidiaries (the Company) as of September 30, 2003, the related condensed consolidated statements of earnings for the three- and nine-month periods ended September 30, 2003 and 2002 and the related condensed consolidated statements of stockholders equity and cash flows for the nine-month periods ended September 30, 2003 and 2002. These financial statements are the responsibility of the Company s management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet as of December 31, 2002, and the related consolidated statements of earnings, stockholders equity and cash flows for the year then ended (not presented herein); and in our report dated February 11, 2003 we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2002, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Hacker, Johnson & Smith PA

HACKER, JOHNSON & SMITH PA

Orlando, Florida

October 24, 2003

Table of Contents

FEDERAL TRUST CORPORATION AND SUBSIDIARIES

Item 2. Management s Discussion and Analysis of

Financial Condition and Results of Operations

Comparison of September 30, 2003 and December 31, 2002

General

Federal Trust Corporation (Federal Trust) is a unitary savings and loan holding company. Federal Trust has two wholly-owned operating subsidiaries, Federal Trust Bank (the Bank) and Federal Trust Statutory Trust I (the Trust). Federal Trust s primary investment is the ownership of the Bank. The Bank is a federally-chartered stock savings bank that provides a wide range of banking services to individual and corporate customers through its six offices located in Orange, Seminole and Volusia Counties, Florida. The Bank opened its sixth branch office in Orange City, Volusia County, Florida during September 2003. The Trust was formed in September 2003 for the sole purpose of issuing $5,000,000 of trust preferred securities as more fully described in Note 6. The Bank has one wholly-owned subsidiary, FTB Financial Services, Inc., that was formed to provide investment services to customers of the Bank. In September 2003, FTB Financial Services, Inc., ceased operations and is currently inactive.

Forward Looking Statements

Readers should note, in particular, that this document contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), that involve substantial risks and uncertainties. When used in this document, or in the documents incorporated by reference herein, the words anticipate , believe , estimate , may , intend and expect and similar expressions ident certain of such forward-looking statements. Actual results, performance or achievements could differ materially from those contemplated, expressed or implied by the forward-looking statements contained herein. Actual results may differ materially, depending upon a variety of important factors, including competition, inflation, general economic conditions, changes in interest rates and changes in the value of collateral securing loans we have made, among other things.

Capital Resources

During the nine months ended September 30, 2003, the Company s primary source of funds consisted of net increases in Federal Home Loan Bank advances of $38.0 million and deposits of $24.2 million, principal repayments and sales of securities available for sale of $17.4 million, trust preferred securities of $5.0 million and net cash provided by operating activities of $14.4 million. The Company used its capital resources principally to purchase and originate loans, net of principal repayments of $71.7 million and to purchase securities available for sale of $34.6 million.

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, unused lines of credit, standby letters of credit and loans in process. These instruments involve, to varying degrees, elements of credit and interest-rate risk in excess of the amounts recognized in the condensed consolidated balance sheet. The contract amounts of those instruments reflect the extent of the Company s involvement in particular classes of financial instruments.

Table of Contents

FEDERAL TRUST CORPORATION AND SUBSIDIARIES

Item 2. Management s Discussion and Analysis

of Financial Condition and Results of Operations, Continued

The Company s exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit, unused lines of credit and loans in process is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments as it does for on-balance-sheet instruments.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total committed amounts do not necessarily represent future cash requirements. The Company evaluates each customer s credit worthiness on a case-by-case basis. The amount of collateral obtained, if it is deemed necessary by the Company upon extension of credit, is based on management s credit evaluation of the counter party.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers.

A summary of the amounts of the Company s financial instruments, with off-balance sheet risk at September 30, 2003, follows (in thousands):

	Contract Amount
Commitments to extend credit	$ 2,137
Unused lines of credit	$ 4,990
Standby letters of credit	$ 692
Loans in process	$ 2,849

Management believes the Company has adequate resources to fund all its commitments. At September 30, 2003, the Company had approximately $142.9 million in time deposits maturing in one year or less. Management also believes that, if so desired, it can adjust the rates on time deposits to retain or obtain new deposits in a changing interest rate environment.

Management believes the Bank was in compliance with all minimum capital requirements which it was subject to at September 30, 2003. See note 3 to the condensed consolidated financial statements.

Management is not aware of any trends, know demands, commitments or uncertainties which are expected to have a material impact on future operating results, liquidity or capital resources.

Table of Contents

FEDERAL TRUST CORPORATION AND SUBSIDIARIES

Results of Operations

The following table sets forth, for the periods indicated, information regarding: (i) the total dollar amount of interest income of the Company from interest-earning assets and the resultant average yields; (ii) the total dollar amount of interest expense on interest-bearing liabilities and the resultant average costs; (iii) net interest/dividend income; (iv) interest-rate spread; and (v) net interest margin.

	Three Months Ended September 30,					
	2003			2002		
	Average Balance	Interest and Dividends	Average Yield/ Cost	Average Balance	Interest and Dividends	Average Yield/ Cost
				($ in thousands)		
Interest-earning assets:						
Loans (1)	$ 367,314	$ 4,652	5.07%	$ 288,001	$ 4,543	6.31%
Securities	37,474	283	3.02	14,046	164	4.67
Other interest-earning assets (2)	6,666	46	2.76	19,436	110	2.26
Total interest-earning assets	411,454	4,981	4.84	321,483	4,817	5.99
Noninterest-earning assets	25,515			15,469		
Total assets	$ 436,969			$ 336,952		
Deposits and borrowings:						
Noninterest-bearing demand deposits	$ 6,805			$ 6,117		
Interest-bearing demand and money-market deposits	97,838	422	1.73	66,082	474	2.87
Savings deposits	9,425	35	1.49	4,715	33	2.80
Time deposits	182,118	1,129	2.48	177,777	1,665	3.75
Total deposits	296,186	1,586	2.14	254,691	2,172	3.41
Other borrowings (3)	103,615	620	2.39	50,210	627	5.00
Total deposits and borrowings	399,801	2,206	2.21	304,901	2,799	3.67
Noninterest-bearing liabilities	10,910			10,379		
Stockholders equity	26,258			21,672		
Total liabilities and stockholders equity	$ 436,969			$ 336,952		
Net interest income		$ 2,775			$ 2,018	

Interest-rate spread (4)	2.63%	2.32%
Net interest margin (5)	2.70%	2.51%
Ratio of average interest-earning assets to deposits and borrowings	1.03	1.05

(1) Includes nonaccrual loans.
(2) Includes Federal Home Loan Bank stock and interest-bearing deposits.
(3) Includes Federal Home Loan Bank advances, line of credit, capital lease obligation and guaranteed preferred beneficial interest in subordinated debentures.
(4) Interest-rate spread represents the difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities.
(5) Net interest margin is annualized net interest income divided by average interest-earning assets.

Table of Contents

FEDERAL TRUST CORPORATION AND SUBSIDIARIES

The following table sets forth, for the periods indicated, information regarding: (i) the total dollar amount of interest and dividend income of the Company from interest-earning assets and the resultant average yields; (ii) the total dollar amount of interest expense on interest-bearing liabilities and the resultant average costs; (iii) net interest/dividend income; (iv) interest-rate spread; and (v) net interest margin.

	Nine Months Ended September 30,					
	2003			2002		
	Average Balance	Interest and Dividends	Average Yield/ Cost	Average Balance	Interest and Dividends	Average Yield/ Cost
				($ in thousands)		
Interest-earning assets:						
Loans (1)	$ 358,250	$ 14,486	5.39%	$ 269,715	$ 13,707	6.78%
Securities	33,907	839	3.30	15,424	485	4.19
Other interest-earning assets (2)	7,831	165	2.81	16,676	293	2.34
Total interest-earning assets	399,988	15,490	5.16	301,815	14,485	6.40
Noninterest-earning assets	22,210			17,317		
Total assets	$ 422,198			$ 319,132		
Deposits and borrowings:						
Noninterest-bearing demand deposits	$ 7,094			$ 5,647		
Interest-bearing demand and money-market deposits	91,827	1,354	1.97	52,975	1,122	2.82
Savings deposits	9,611	129	1.79	3,878	87	2.99
Time deposits	185,926	3,989	2.86	175,839	5,210	3.95
Total deposits	294,458	5,472	2.48	238,339	6,419	3.59
Other borrowings (3)	93,710	1,952	2.78	50,618	1,835	4.83
Total deposits and borrowings	388,168	7,424	2.55	288,957	8,254	3.81
Noninterest-bearing liabilities	8,422			10,167		
Stockholders equity	25,608			20,008		
Total liabilities and stockholders equity	$ 422,198			$ 319,132		
Net interest income		$ 8,066			$ 6,231	
Interest-rate spread (4)			2.61%			2.59%
Net interest margin (5)			2.69%			2.75%

Ratio of average interest-earning assets to deposits and borrowings	1.03	1.04

(1) Includes nonaccrual loans.
(2) Includes Federal Home Loan Bank stock and interest-bearing deposits.
(3) Includes Federal Home Loan Bank advances, line of credit, capital lease obligation and guaranteed preferred beneficial interest in junior subordinated debentures.
(4) Interest-rate spread represents the difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities.
(5) Net interest margin is annualized net interest income divided by average interest-earning assets.

Table of Contents

FEDERAL TRUST CORPORATION AND SUBSIDIARIES

Comparison of the Three-Month Periods Ended September 30, 2003 and 2002

General. The Company had net earnings for the three-month period ended September 30, 2003, of $716,000 or $.11 per basic and diluted share, compared to $559,000 or $.09 per basic and diluted share for the same period in 2002. The increase in net earnings was primarily due to an increase in net interest income, partially offset by a decrease in other income and an increase in other expense.

Interest Income**.** Interest income increased by $164,000 or 3.4% to $5.0 million for the three-month period ended September 30, 2003, from $4.8 million for the same period in 2002. Interest income on loans increased $109,000 to $4.7 million in 2003, primarily as a result of an increase in the average balance of loans outstanding from $288.0 million in 2002 to $367.3 million in 2003, partially offset by a decrease in the average yield earned on loans from 6.31% for the three-month period ended September 30, 2002, to 5.07% for the comparable period in 2003. Interest income on securities increased by $119,000 for the three-month period ended September 30, 2003, over the same period in 2002, primarily as a result of an increase in the average balance of securities owned, partially offset by a decrease in the average yield. Management expects the rates earned on the portfolio to fluctuate with the changes in market interest rates and with general market conditions.

Interest Expense. Interest expense decreased by $593,000 or 21.2% during the three-month period ended September 30, 2003, compared to the same period in 2002. Interest on deposits decreased $586,000 or 27.0% to $1.6 million in 2003 from $2.2 million in 2002, as a result of a decrease in the average cost of deposits from 3.41% for the three-month period ended September 30, 2002, to 2.14% for the comparable period in 2003, partially offset by an increase in average deposits outstanding from $254.7 million in 2002 to $296.2 million in 2003. Interest on other borrowings decreased to $620,000 in 2003 from $627,000 in 2002, primarily as a result of the decrease in the average rate paid on other borrowings from 5.00% in 2002 to 2.39% in 2003, mostly offset by an increase in the average amount of other borrowings outstanding from $50.2 million to $103.6 million. Management expects to continue to use FHLB advances and other borrowings as a liability management tool.

Provision for Loan Losses. A provision for loan losses is charged to earnings based upon management s evaluation of the losses in its loan portfolio. During the quarter ended September 30, 2003, management recorded a provision for loan losses of $70,000 based on its evaluation of the loan portfolio, which was an increase of $40,000 from the same period in 2002. The allowance for loan losses at September 30, 2003 was $2.5 million or .68% of total loans outstanding, versus $2.1 million at December 31, 2002, or .68% of total loans outstanding. Management believes the allowance for loan losses at September 30, 2003 is adequate.

Other Income. Other income decreased $148,000 or 26.7% from $555,000 for the three-month period ended September 30, 2002, to $407,000 for the same period in 2003. The decrease in other income was primarily due to a decrease in gain on sale of securities available for sale, partially offset by an increase in gain on sale of loans held for sale. The Company did not sell any securities during the three months ended September 30, 2003. The increase in gain on sale of loans held for sale relates to the sale of a bulk loan package of residential loans to foreign national borrowers during the three-month period ended September 30, 2003.

Other Expense. Other expense increased $395,000 or 23.8% to $2.1 million for the three-month period ended September 30, 2003, from $1.7 million for the same period in 2002. Salaries and employee benefits increased $119,000 and occupancy expense increased $121,000 due to the staffing and opening of two branches in Orange City and Deltona, Florida in 2003, plus the Casselberry branch which opened in December 2002 and the overall growth of the Company.

Income Taxes. Income taxes for the three months ended September 30, 2003 was $339,000 (an effective rate of 32.1%), compared to $322,000 (an effective rate of 36.5%) for the same period in 2002. The decrease in the effective tax rate resulted from an increase in tax-exempt income.

Table of Contents

FEDERAL TRUST CORPORATION AND SUBSIDIARIES

Comparison of the Nine-Month Periods Ended September 30, 2003 and 2002

General. The Company had net earnings for the nine-month period ended September 30, 2003, of $2.1 million or $.31 per basic and diluted share, compared to $1.5 million or $.26 per basic and diluted share for the same period in 2002. The increase in net earnings was primarily due to increases in net interest income, partially offset by increases in the provision for loan losses and other expense.

***Interest Income*.** Interest income increased by $1.0 million or 6.9% to $15.5 million for the nine-month period ended September 30, 2003, from $14.5 million for the same period in 2002. Interest income on loans increased $779,000 or 5.7% to $14.5 million in 2003 from $13.7 million in 2002, primarily as a result of an increase in the average amount of loans outstanding from $269.7 million in 2002 to $358.3 million in 2003, partially offset by a decrease in the average yield earned on loans from 6.78% for the nine-month period ended September 30, 2002, to 5.39% for the comparable period in 2003. Interest income on securities increased by $354,000 for the nine-month period ended September 30, 2003, over the same period in 2002, primarily as a result of an increase in the average balance of securities owned, partially offset by a decrease in the average yield. Management expects the rates earned on the portfolio to fluctuate with the changes in market interest rates and with general market conditions.

Interest Expense. Interest expense decreased by $830,000 or 10.1% during the nine-month period ended September 30, 2003, compared to the same period in 2002. Interest on deposits decreased $947,000 or 14.8% to $5.5 million in 2003 from $6.4 million in 2002, as a result of a decrease in the average cost of deposits from 3.59% for the nine-month period ended September 30, 2002, to 2.48% for the comparable period in 2003, partially offset by an increase in average deposits outstanding from $238.3 million in 2002 to $294.5 million in 2003. Interest on other borrowings increased to $2.0 million in 2003 from $1.8 million in 2002, primarily as a result of the increase in the average balance of other borrowings from $50.6 million for the nine-month period ended September 30, 2002 to $93.7 million for the comparable 2003 period, mainly offset by a decrease in the average rate paid on other borrowings from 4.83% in 2002 to 2.78% in 2003. Management expects to continue to use FHLB advances and other borrowings as a liability management tool.

Provision for Loan Losses. A provision for loan losses is charged to earnings based upon management s evaluation of the losses in its loan portfolio. During the nine months ended September 30, 2003, management recorded a provision for loan losses of $395,000 based on its evaluation of the loan portfolio, which was a increase of $205,000 from the same period in 2002, primarily as a result of the increase in total loans outstanding. The allowance for loan losses at September 30, 2003, was $2.5 million or .68% of total loans outstanding, versus $2.1 million at December 31, 2002, or .68% of total loans outstanding. Management believes the allowance for loan losses at September 30, 2003 is adequate.

Other Income. Other income increased $16,000 or 1.0%. The increase in other income was primarily due to an increase of $238,000 in gain on sale of securities available for sale, partially offset by a decrease of $208,000 in other income. The gain on sale of securities available for sale resulted from the Company s decision to sell several securities during the period. The decrease in other income relates to a decrease in servicing income due to the Company s decision to engage a third party servicer of its residential mortgage loans during 2003.

Other Expense. Other expense increased $909,000 or 16.9% to $6.3 million for the nine-month period ended September 30, 2003, from $5.4 million for the same period in 2002. Salary and employee benefits increased $317,000 and occupancy expense increased $194,000 due to the staffing and opening of the branches in Orange City and Deltona, Florida in 2003, plus the Casselberry branch which opened in December 2002 and the overall growth of the Company.

Income Taxes. Income taxes for the nine months ended September 30, 2003, was $989,000 (an effective rate of 32.5%), compared to $831,000 (an effective rate of 36.0%) for the same period in 2002. The decrease in the effective tax rate resulted from an increase in tax-exempt income.

Table of Contents

FEDERAL TRUST CORPORATION AND SUBSIDIARIES

Item 3. Controls and Procedures

a. *Evaluation of Disclosure Controls and Procedures.* The Company maintains controls and procedures designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. Based upon their evaluation of those controls and procedures performed within 90 days of the filing date of this report, the Chief Executive and Chief Financial officers of the Company concluded that the Company s disclosure controls and procedures were adequate.

b. *Changes in Internal Controls.* The Company made no significant changes in its internal controls or in other factors that could significantly affect these controls subsequent to the date of the evaluation of those controls by the Chief Executive and Chief Financial Officers.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

There are no material pending legal proceedings to which Federal Trust Corporation or its subsidiaries is a party or to which any of their property is subject.

Table of Contents

FEDERAL TRUST CORPORATION AND SUBSIDIARIES

Item 6. Exhibits and Reports on Form 8-K

(a) *Exhibits.* The following exhibits are incorporated by reference into this report. The exhibits which are marked by a single asterisk (*) were previously filed as a part of, and are hereby incorporated by reference from the Company s Registration Statement on form SB-1, as effective with the Securities and Exchange Commission (SEC) on October 7, 1997, Registration No. 333-30883. The exhibits which are marked by a double asterisk (**) were previously filed with the SEC, and are hereby incorporated by reference from the Company s 1998 Definitive Proxy Statement. The exhibits which are marked with a triple asterisk (***) were previously filed with the SEC, and are hereby incorporated by reference from the Company s 1999 Definitive Proxy Statement. The exhibits which are marked with a quadruple asterisk (****) were previously filed with the SEC, and are hereby incorporated by reference from the Company s 1999 10-KSB. The exhibits which are marked with a quintuple asterisk (*****) were previously filed with the SEC, and are hereby incorporated by reference from the Company s June 30, 2002 Form 10-QSB. The exhibit numbers correspond to the exhibit numbers in the referenced documents.

Exhibit No.	Description of Exhibit
* 3.1	1996 Amended Articles of Incorporation and the 1995 Amended and Restated Articles of Incorporation of Federal Trust
* 3.2	1995 Amended and Restated Bylaws of Federal Trust
** 3.3	1998 Articles of Amendment to Articles of Incorporation of Federal Trust
*** 3.4	1999 Articles of Amendment to Articles of Incorporation of Federal Trust
* 4.0	Specimen of Common Stock Certificate
****10.1	Amended Employment Agreement By and Among Federal Trust, the Bank and James V. Suskiewich
****10.2	First Amendment to the Amended Employment Agreement By and Among Federal Trust, the Bank and James V. Suskiewich
****10.3	Amended Employment Agreement By and Among Federal Trust, the Bank and Aubrey W. Wright, Jr.
***** 10.4	Amendment to Federal Trust 1998 Key Employee Stock Compensation Program
***** 10.5	Amendment to Federal Trust 1998 Directors Stock Option Plan
31.1	Certification of Chief Executive Officer required by Rule 13a-14(a)/15d-14(a) under the Exchange Act
31.2	Certification of Chief Financial Officer required by Rule 13a-14(a)/15d-14(a) under the Exchange Act
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of Sarbanes-Oxley Act of 2002

(b) *Reports on Form 8-K.* On July 25, 2003, the Company filed a Form 8-K announcing that the Company issued a press release of its second quarter earnings.

On August 11, 2003, the Company filed a Form 8-K announcing that the Company issued a press release of a third quarter dividend declaration.

Table of Contents

FEDERAL TRUST CORPORATION AND SUBSIDIARIES

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FEDERAL TRUST CORPORATION
(Registrant)

Date: November 4, 2003	By:	/s/ James V. Suskiewich
		James V. Suskiewich President and Chief Executive Officer
Date: November 4, 2003	By:	/s/ Gregory E. Smith
		Gregory E. Smith Executive Vice President and Chief Financial Officer