

FULTON FINANCIAL CORP
Form 10-Q
May 05, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20459

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, 2016, 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 No. 0-10587

FULTON FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

PENNSYLVANIA

(State or other jurisdiction of incorporation or organization)

23-2195389

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

One Penn Square, P.O. Box 4887, Lancaster, Pennsylvania 17604

(Address of principal executive offices)

(Zip Code)

(717) 291-2411

(Registrant's telephone number, including area code)

Indicate by checkmark 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 checkmark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) 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 checkmark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Indicate by checkmark whether the registrant is a shell company (as defined in 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:

Common Stock, \$2.50 Par Value –173,466,000 shares outstanding as of April 29, 2016.

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FULTON FINANCIAL CORPORATION
 FORM 10-Q FOR THE THREE MONTHS ENDED MARCH 31, 2016
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Item 1. Financial Statements

CONSOLIDATED BALANCE SHEETS

(in thousands, except per-share data)

	March 31, 2016 (unaudited)	December 31, 2015
ASSETS		
Cash and due from banks	\$83,479	\$101,120
Interest-bearing deposits with other banks	346,582	230,300
Federal Reserve Bank and Federal Home Loan Bank stock	61,478	62,216
Loans held for sale	19,719	16,886
Available for sale investment securities	2,516,205	2,484,773
Loans, net of unearned income	13,870,701	13,838,602
Less: Allowance for loan losses	(163,841)	(169,054)
Net Loans	13,706,860	13,669,548
Premises and equipment	228,057	225,535
Accrued interest receivable	44,379	42,767
Goodwill and intangible assets	531,556	531,556
Other assets	583,939	550,017
Total Assets	\$18,122,254	\$17,914,718
LIABILITIES		
Deposits:		
Noninterest-bearing	\$4,134,861	\$3,948,114
Interest-bearing	10,269,419	10,184,203
Total Deposits	14,404,280	14,132,317
Short-term borrowings:		
Federal funds purchased	32,645	197,235
Other short-term borrowings	320,238	300,428
Total Short-Term Borrowings	352,883	497,663
Accrued interest payable	13,567	10,724
Other liabilities	312,561	282,578
Federal Home Loan Bank advances and long-term debt	965,654	949,542
Total Liabilities	16,048,945	15,872,824
SHAREHOLDERS' EQUITY		
Common stock, \$2.50 par value, 600 million shares authorized, 218.9 million shares issued in 2016 and 2015	547,262	547,141
Additional paid-in capital	1,452,471	1,450,690
Retained earnings	664,236	641,588
Accumulated other comprehensive loss	(5,137)	(22,017)
Treasury stock, at cost, 45.5 million shares in 2016 and 44.7 million shares in 2015	(585,523)	(575,508)
Total Shareholders' Equity	2,073,309	2,041,894
Total Liabilities and Shareholders' Equity	\$18,122,254	\$17,914,718

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(in thousands, except per-share data)	Three months ended	
	March 31	
	2016	2015
INTEREST INCOME		
Loans, including fees	\$ 134,079	\$ 129,777
Investment securities:		
Taxable	12,003	11,282
Tax-exempt	2,040	2,087
Dividends	160	348
Loans held for sale	131	173
Other interest income	898	2,105
Total Interest Income	149,311	145,772
INTEREST EXPENSE		
Deposits	10,727	9,823
Short-term borrowings	268	77
Long-term debt	9,262	12,291
Total Interest Expense	20,257	22,191
Net Interest Income	129,054	123,581
Provision for credit losses	1,530	(3,700)
Net Interest Income After Provision for Credit Losses	127,524	127,281
NON-INTEREST INCOME		
Service charges on deposit accounts	12,558	11,569
Investment management and trust services	10,988	10,889
Other service charges and fees	10,750	9,363
Mortgage banking income	4,030	4,688
Net gains on sales of investment securities	947	4,145
Other	3,864	4,083
Total Non-Interest Income	43,137	44,737
NON-INTEREST EXPENSE		
Salaries and employee benefits	69,372	64,990
Net occupancy expense	12,220	13,692
Other outside services	6,056	5,750
Data processing	5,400	4,768
Software	3,921	3,318
Equipment expense	3,371	3,958
FDIC insurance expense	2,949	2,822
Supplies and postage	2,579	2,369
Professional fees	2,333	2,871
Marketing	1,624	1,233
Telecommunications	1,488	1,716
Other real estate owned and repossession expense	638	1,362
Operating risk loss	540	827
Intangible amortization	—	130
Other	7,922	8,672
Total Non-Interest Expense	120,413	118,478
Income Before Income Taxes	50,248	53,540
Income taxes	11,991	13,504

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Net Income	\$38,257	\$40,036
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PER SHARE:

Net Income (Basic)	\$0.22	\$0.22
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Net Income (Diluted)	0.22	0.22
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Cash Dividends	0.09	0.09
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See Notes to Consolidated Financial Statements

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(in thousands)

	Three months ended March 31	
	2016	2015
Net Income	\$38,257	\$40,036
Other Comprehensive Income, net of tax:		
Unrealized gain on securities	17,026	9,992
Reclassification adjustment for securities gains included in net income	(616)	(2,695)
Non-credit related unrealized gain on other-than-temporarily impaired debt securities	—	125
Amortization of unrealized loss on derivative financial instruments	4	34
Amortization of net unrecognized pension and postretirement items	466	466
Other Comprehensive Income	16,880	7,922
Total Comprehensive Income	\$55,137	\$47,958

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (UNAUDITED)
THREE MONTHS ENDED MARCH 31, 2016 AND 2015

(in thousands, except per-share data)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
	Shares Outstanding	Amount					
Balance at December 31, 2015	174,176	\$547,141	\$1,450,690	\$641,588	\$ (22,017)	\$(575,508)	\$2,041,894
Net income				38,257			38,257
Other comprehensive income					16,880		16,880
Stock issued, including related tax benefits	134	121	345			1,181	1,647
Stock-based compensation awards			1,436				1,436
Acquisition of treasury stock	(917)					(11,196)	(11,196)
Common stock cash dividends - \$0.09 per share				(15,609)			(15,609)
Balance at March 31, 2016	173,393	\$547,262	\$1,452,471	\$664,236	\$ (5,137)	\$(585,523)	\$2,073,309
Balance at December 31, 2014	178,924	\$545,555	\$1,420,523	\$558,810	\$ (17,722		