

FIRST FINANCIAL BANKSHARES INC

Form 10-Q

November 04, 2014

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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF**

**THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended September 30, 2014**

**Commission file number 0-7674**

**FIRST FINANCIAL BANKSHARES, INC.**

**(Exact name of registrant as specified in its charter)**

**Texas**  
**(State or other jurisdiction of incorporation**  
**or organization)**

**75-0944023**  
**(I.R.S. Employer**  
**Identification No.)**

**400 Pine Street, Abilene, Texas**  
**(Address of principal executive offices)**

**79601**  
**(Zip Code)**

**(325) 627-7155**

**(Registrant's telephone number, including area code)**

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 Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulations 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 check mark whether the registrant is a large accelerated filer, an accelerated filer, 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  (Do not check if a smaller reporting company)

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

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

<b>Class</b>	<b>Outstanding at November 4, 2014</b>
<b>Common Stock, \$0.01 par value per share</b>	<b>64,065,828</b>

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**PART I**

**FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

The consolidated balance sheets of First Financial Bankshares, Inc. (the Company ) at September 30, 2014 and 2013 and December 31, 2013, and the consolidated statements of earnings and comprehensive earnings for the three and nine months ended September 30, 2014 and 2013, and the consolidated statements of shareholders' equity and cash flows for the nine months ended September 30, 2014 and 2013, follow on pages 4 through 8.

**Table of Contents****FIRST FINANCIAL BANKSHARES, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS****(Dollars in thousands, except per share amounts)**

	September 30, 2014 2014      2013 (Unaudited)		December 31, 2013
<b>ASSETS</b>			
CASH AND DUE FROM BANKS	\$ 149,957	\$ 164,666	\$ 183,084
FEDERAL FUNDS SOLD	4,785	14,300	3,430
INTEREST-BEARING DEPOSITS IN BANKS	83,994	48,634	25,498
Total cash and cash equivalents	238,736	227,600	212,012
INTEREST-BEARING TIME DEPOSITS IN BANKS	19,234	34,352	31,917
SECURITIES AVAILABLE-FOR-SALE, at fair value	2,253,762	1,975,303	2,057,723
SECURITIES HELD-TO-MATURITY (fair value of \$560, \$810 and \$694 at September 30, 2014 and 2013, and December 31, 2013, respectively)	554	798	684
<b>LOANS</b>			
Held for investment	2,828,430	2,609,085	2,684,285
Less - allowance for loan losses	(36,388)	(34,800)	(33,900)
Net loans held for investment	2,792,042	2,574,285	2,650,385
Held for sale	11,266	5,724	5,163
Net loans	2,803,308	2,580,009	2,655,548
BANK PREMISES AND EQUIPMENT, net	101,437	94,676	95,505
INTANGIBLE ASSETS	97,429	97,429	97,485
OTHER ASSETS	61,351	65,468	71,334
Total assets	\$ 5,575,811	\$ 5,075,635	\$ 5,222,208
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
NONINTEREST-BEARING DEPOSITS	\$ 1,505,847	\$ 1,371,835	\$ 1,362,184
INTEREST-BEARING DEPOSITS	2,958,517	2,628,722	2,772,891
Total deposits	4,464,364	4,000,557	4,135,075
DIVIDENDS PAYABLE	8,969	8,314	8,318
SHORT-TERM BORROWINGS	341,909	466,500	463,888
OTHER LIABILITIES	101,804	32,023	27,280
Total liabilities	4,917,046	4,507,394	4,634,561
<b>COMMITMENTS AND CONTINGENCIES</b>			

**SHAREHOLDERS EQUITY**

Common stock - \$0.01 par value, authorized 80,000,000 shares; 64,065,828, 31,977,670, and 31,992,497 shares issued at September 30, 2014 and 2013, and December 31, 2013, respectively	641	320	320
Capital surplus	304,866	302,320	302,991
Retained earnings	314,363	261,052	273,972
Treasury stock (shares at cost: 532,256, 269,334, and 269,467 at September 30, 2014 and 2013, and December 31, 2013, respectively)	(5,797)	(5,364)	(5,490)
Deferred compensation	5,797	5,364	5,490
Accumulated other comprehensive earnings	38,895	4,549	10,364
<b>Total shareholders equity</b>	<b>658,765</b>	<b>568,241</b>	<b>587,647</b>
<b>Total liabilities and shareholders equity</b>	<b>\$ 5,575,811</b>	<b>\$ 5,075,635</b>	<b>\$ 5,222,208</b>

See notes to consolidated financial statements.

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**FIRST FINANCIAL BANKSHARES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF EARNINGS - (UNAUDITED)**

(Dollars in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
<b>INTEREST INCOME:</b>				
Interest and fees on loans	\$ 34,682	\$ 32,936	\$ 101,586	\$ 88,260
Interest on investment securities:				
Taxable	6,858	6,130	21,032	18,818
Exempt from federal income tax	8,335	7,480	24,543	21,122
Interest on federal funds sold and interest-bearing deposits in banks	80	109	257	405
<b>Total interest income</b>	<b>49,955</b>	<b>46,655</b>	<b>147,418</b>	<b>128,605</b>
<b>INTEREST EXPENSE:</b>				
Interest on deposits	999	1,038	2,894	2,758
Other	70	126	249	256
<b>Total interest expense</b>	<b>1,069</b>	<b>1,164</b>	<b>3,143</b>	<b>3,014</b>
Net interest income	48,886	45,491	144,275	125,591
<b>PROVISION FOR LOAN LOSSES</b>	<b>896</b>	<b>1,349</b>	<b>3,710</b>	<b>2,582</b>
Net interest income after provision for loan losses	47,990	44,142	140,565	123,009
<b>NONINTEREST INCOME:</b>				
Trust fees	4,772	4,138	13,897	11,884
Service charges on deposit accounts	4,402	4,798	12,623	13,009
ATM, interchange and credit card fees	5,093	4,404	14,291	12,315
Real estate mortgage operations	1,813	2,008	4,174	5,149
Net gain (loss) on sale of available-for-sale securities (includes \$1 and (\$108) for the three months ended September 30, 2014 and 2013, respectively, and (\$4) and \$147 for the nine months ended September 30, 2014 and 2013, respectively, related to accumulated other comprehensive earnings reclassification)	1	(108)	(4)	147
Net gain (loss) on sale of foreclosed assets	305	36	804	(263)
Other	938	1,799	3,816	4,019
<b>Total noninterest income</b>	<b>17,324</b>	<b>17,075</b>	<b>49,601</b>	<b>46,260</b>
<b>NONINTEREST EXPENSE:</b>				
Salaries and employee benefits	17,950	17,501	52,638	48,831
Net occupancy expense	2,297	2,164	6,804	5,995

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Equipment expense	2,758	2,490	8,045	7,146
FDIC insurance premiums	693	640	2,035	1,781
ATM, interchange and credit card expenses	1,819	1,474	4,995	4,161
Professional and service fees	1,205	1,363	3,249	3,198
Printing, stationery and supplies	632	534	1,960	1,504
Amortization of intangible assets	62	77	210	120
Other	6,624	9,291	21,553	20,181
<b>Total noninterest expense</b>	<b>34,040</b>	<b>35,534</b>	<b>101,489</b>	<b>92,917</b>
<b>EARNINGS BEFORE INCOME TAXES</b>	<b>31,274</b>	<b>25,683</b>	<b>88,677</b>	<b>76,352</b>
<b>INCOME TAX EXPENSE</b> (includes \$0 and (\$38) for the three months ended September 30, 2014 and 2013, respectively, and (\$1) and \$51 for the nine months ended September 30, 2014 and 2013, respectively, related to income tax expense from reclassification items)	7,843	6,121	21,705	18,723
<b>NET EARNINGS</b>	<b>\$ 23,431</b>	<b>\$ 19,562</b>	<b>\$ 66,972</b>	<b>\$ 57,629</b>
<b>EARNINGS PER SHARE, BASIC</b>	<b>\$ 0.37</b>	<b>\$ 0.31</b>	<b>\$ 1.05</b>	<b>\$ 0.91</b>
<b>EARNINGS PER SHARE, ASSUMING DILUTION</b>	<b>\$ 0.36</b>	<b>\$ 0.30</b>	<b>\$ 1.04</b>	<b>\$ 0.90</b>
<b>DIVIDENDS PER SHARE</b>	<b>\$ 0.14</b>	<b>\$ 0.13</b>	<b>\$ 0.41</b>	<b>\$ 0.39</b>

See notes to consolidated financial statements.



Table of Contents**FIRST FINANCIAL BANKSHARES, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS - (UNAUDITED)****(Dollars in thousands)**

	Three Months Ended September 30,		Three Months Ended September 30,	
	2014	2013	2014	2013
<b>NET EARNINGS</b>	\$ 23,431	\$ 19,562	\$ 66,972	\$ 57,629
<b>OTHER ITEMS OF COMPREHENSIVE EARNINGS:</b>				
Change in unrealized gain (loss) on investment securities available-for-sale, before income taxes	5,707	(29,688)	43,889	(71,791)
Reclassification adjustment for realized losses (gains) on investment securities included in net earnings, before income tax	(1)	108	4	(147)
Total other items of comprehensive earnings (losses)	5,706	(29,580)	43,893	(71,938)
Income tax benefit (expense) related to other items of comprehensive earnings	(1,997)	10,352	(15,362)	25,178
<b>COMPREHENSIVE EARNINGS:</b>	\$ 27,140	\$ 334	\$ 95,503	\$ 10,869

See notes to consolidated financial statements.

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**FIRST FINANCIAL BANKSHARES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY**

(Dollars in thousands, except per share amounts)

	Common Stock			Retained Earnings	Treasury Stock		Deferred Compensation	Accumulated	Total Shareholders Equity
	Shares	Amount	Capital Surplus		Amount	Other Comprehensive Earnings			
Balances at December 31, 2012	31,496,881	\$ 315	\$ 277,412	\$ 227,927	(266,845)	\$ (5,007)	\$ 5,007	\$ 51,309	\$ 556,963
Net earnings (unaudited)				57,629					57,629
Stock issued in acquisition of Orange Savings Bank, SSB (unaudited)	420,000	4	23,096						23,100
Stock option exercises (unaudited)	60,789	1	1,518						1,519
Cash dividends declared, \$0.39 per share (unaudited)				(24,504)					(24,504)
Change in unrealized gain in investment securities available-for-sale, net of related income taxes (unaudited)								(46,760)	(46,760)
Additional tax benefit related to directors deferred compensation plan (unaudited)			30						30
Shares purchased in connection with directors deferred compensation plan, net (unaudited)					(2,489)	(357)	357		

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Stock option expense (unaudited)			264							264
Balances at September 30, 2013 (unaudited)	31,977,670	\$ 320	\$ 302,320	\$ 261,052	(269,334)	\$ (5,364)	\$ 5,364	\$ 4,549		\$ 568,241
Balances at December 31, 2013	31,992,497	\$ 320	\$ 302,991	\$ 273,972	(269,467)	\$ (5,490)	\$ 5,490	\$ 10,364		\$ 587,647
Net earnings (unaudited)				66,972						66,972
Stock option exercises (unaudited)	50,571	1	1,076							1,077
Cash dividends declared, \$0.41 per share (unaudited)				(26,261)						(26,261)
Change in unrealized gain in investment securities available-for-sale, net of related income taxes (unaudited)								28,531		28,531
Additional tax benefit related to directors deferred compensation plan (unaudited)			267							267
Shares purchased in connection with directors deferred compensation plan, net (unaudited)					5,345	(307)	307			
Stock option expense (unaudited)			532							532
Two-for-one stock split in the form of a 100% stock dividend (unaudited)	32,022,760	320		(320)	(268,134)					
Balances at September 30, 2014 (unaudited)	64,065,828	\$ 641	\$ 304,866	\$ 314,363	(532,256)	\$ (5,797)	\$ 5,797	\$ 38,895		\$ 658,765

See notes to consolidated financial statements.

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**FIRST FINANCIAL BANKSHARES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS - (UNAUDITED)**

(Dollars in thousands)

	Nine Months Ended September 30,	
	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net earnings	\$ 66,972	\$ 57,629
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	6,244	6,376
Provision for loan losses	3,710	2,582
Securities premium amortization (discount accretion), net	14,739	13,680
Gain on sale of assets, net	(815)	(62)
Deferred federal income tax benefit	(844)	(309)
Change in loans held for sale	(6,103)	5,731
Change in other assets	8,936	2,642
Change in other liabilities	6,721	5,996
Total adjustments	32,588	36,636
Net cash provided by operating activities	99,560	94,265
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Cash paid for acquisition of Orange Savings Bank, SSB, less cash acquired		(25,706)
Net decrease in interest-bearing time deposits in banks	12,683	14,653
Activity in available-for-sale securities:		
Sales	3,590	121,420
Maturities	1,677,839	248,750
Purchases	(1,794,233)	(511,471)
Activity in held-to-maturity securities - maturities	130	263
Net increase in loans	(146,452)	(242,860)
Purchases of bank premises and equipment and other assets	(12,993)	(8,492)
Proceeds from sale of other assets	3,823	1,885
Net cash used in investing activities	(255,613)	(401,558)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net increase (decrease) in noninterest-bearing deposits	143,663	(7,402)
Net increase (decrease) in interest-bearing deposits	185,626	(10,575)
Net increase (decrease) in short-term borrowings	(121,979)	206,803
Common stock transactions:		
Proceeds from stock issuances	1,076	1,519
Dividends paid	(25,609)	(16,191)

Net cash provided by financing activities	182,777	174,154
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	26,724	(133,139)
<b>CASH AND CASH EQUIVALENTS, beginning of period</b>	212,012	360,739
<b>CASH AND CASH EQUIVALENTS, end of period</b>	\$ 238,736	\$ 227,600
<b>SUPPLEMENTAL INFORMATION AND NONCASH TRANSACTIONS</b>		
Interest paid	\$ 3,155	\$ 2,988
Federal income tax paid	21,281	17,386
Transfer of loans to foreclosed assets	1,085	1,610
Investment securities purchased but not settled	61,332	3,496
See notes to consolidated financial statements.		

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**FIRST FINANCIAL BANKSHARES, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**Note 1 - Basis of Presentation**

The unaudited interim consolidated financial statements include the accounts of the Company, a Texas corporation and a financial holding company registered under the Bank Holding Company Act of 1956, as amended, or BHCA, and its wholly-owned subsidiaries: First Financial Bank, National Association, Abilene, Texas; First Technology Services, Inc.; First Financial Trust & Asset Management Company, National Association; First Financial Investments, Inc.; and First Financial Insurance Agency, Inc.

Through our subsidiary bank, we conduct a full-service commercial banking business. Our banking centers are located primarily in Central, North Central, Southeast and West Texas. As of September 30, 2014, we had 62 financial centers across Texas, with eleven locations in Abilene, three locations in San Angelo and Weatherford, two locations in Cleburne, Stephenville and Granbury, and one location each in Acton, Albany, Aledo, Alvarado, Beaumont, Boyd, Bridgeport, Brock, Burseson, Cisco, Clyde, Decatur, Eastland, Fort Worth, Glen Rose, Grapevine, Hereford, Huntsville, Keller, Mauriceville, Merkel, Midlothian, Mineral Wells, Moran, New Waverly, Newton, Odessa, Orange, Port Arthur, Ranger, Rising Star, Roby, Southlake, Sweetwater, Trent, Trophy Club, Vidor, Waxahachie, and Willow Park. Our trust subsidiary has eight locations which are located in Abilene, Fort Worth, Lubbock, Odessa, Orange, San Angelo, Stephenville and Sweetwater, all in Texas.

In the opinion of management, the unaudited interim consolidated financial statements reflect all adjustments necessary for a fair presentation of the Company's financial position and unaudited results of operations and should be read in conjunction with the Company's audited consolidated financial statements, and notes thereto in the Company's Annual Report on Form 10-K, for the year ended December 31, 2013. All adjustments were of a normal recurring nature. However, the results of operations for the three and nine months ended September 30, 2014, are not necessarily indicative of the results to be expected for the year ending December 31, 2014, due to seasonality, changes in economic conditions and loan credit quality, interest rate fluctuations, regulatory and legislative changes and other factors. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted under U. S. Securities and Exchange Commission (SEC) rules and regulations. The Company evaluated subsequent events for potential recognition and/or disclosure through the date the consolidated financial statements were issued.

On May 31, 2013, the Company acquired 100% of the outstanding capital stock of Orange Savings Bank, SSB, a wholly-owned subsidiary of OSB Financial Services, Inc. The results of operations of Orange Savings Bank, SSB, subsequent to the acquisition date, are included in the consolidated earnings of the Company.

On October 28, 2014, the Company's Board of Directors authorized the repurchase of up to 1,500,000 common shares through September 30, 2017. The stock buyback plan authorizes management to repurchase the stock at such time as repurchases are considered beneficial to shareholders. Any repurchase of stock will be made through the open market, block trades or in privately negotiated transactions in accordance with applicable laws and regulations. Under the repurchase plan, there is no minimum number of shares that the Company is required to repurchase. Through September 30, 2014, no shares have been repurchased under the prior authorization that expired September 30, 2014.

Goodwill and other intangible assets are evaluated annually for impairment as of the end of the second quarter. No such impairment has been noted in connection with the current or any prior evaluations.





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On April 22, 2014, the Company's Board of Directors declared a two-for-one stock split in the form of a 100% stock dividend effective for shareholders of record on May 15, 2014 that was distributed on June 2, 2014. All per share amounts in this report have been restated to reflect this stock split. An amount equal to the par value of the additional common shares issued pursuant to the stock split was reflected as a transfer from retained earnings to common stock on the consolidated financial statements as of and for the nine months ended September 30, 2014.

**Note 3 - Earnings Per Share**

Basic earnings per common share is computed by dividing net income available to common shareholders by the weighted average number of shares outstanding during the periods presented. In computing diluted earnings per common share for the three and nine months ended September 30, 2014 and 2013, the Company assumes that all dilutive outstanding options to purchase common stock have been exercised at the beginning of the period (or the time of issuance, if later). The dilutive effect of the outstanding options is reflected by application of the treasury stock method, whereby the proceeds from the exercised options are assumed to be used to purchase common stock at the average market price during the respective periods. The weighted average common shares outstanding used in computing basic earnings per common share for the three months ended September 30, 2014 and 2013 were 64,059,675 and 63,940,810 shares, respectively. The weighted average common shares outstanding used in computing basic earnings per common share for the nine months ended September 30, 2014 and 2013 were 64,038,526 and 63,444,544 shares, respectively. The weighted average common shares outstanding used in computing fully diluted earnings per common share for the three months ended September 30, 2014 and 2013 were 64,304,985 and 64,243,542 shares, respectively. The weighted average common shares outstanding used in computing fully diluted earnings per common share for the nine months ended September 30, 2014 and 2013 were 64,302,615 and 63,706,588 shares, respectively.

**Note 4 - Interest-bearing Time Deposits in Banks and Securities**

Interest-bearing time deposits in banks totaled \$19,234,000 and \$31,917,000 at September 30, 2014 and December 31, 2013, respectively, and have original maturities generally ranging from one to two years. Of these amounts, \$17,699,000 and \$29,002,000 are time deposits with balances greater than \$100,000 at September 30, 2014 and December 31, 2013, respectively.

Management classifies debt and equity securities as held-to-maturity, available-for-sale, or trading based on its intent. Debt securities that management has the positive intent and ability to hold to maturity are classified as held-to-maturity and recorded at cost, adjusted for amortization of premiums and accretion of discounts, which are recognized as adjustments to interest income using the interest method. Securities not classified as held-to-maturity or trading are classified as available-for-sale and recorded at fair value, with all unrealized gains and unrealized losses judged to be temporary, net of deferred income taxes, excluded from earnings and reported in the consolidated statements of comprehensive earnings. Available-for-sale securities that have unrealized losses that are judged other-than-temporary are included in gain (loss) on sale of securities and a new cost basis is established. Securities classified as trading are recorded at fair value with unrealized gains and losses included in earnings.

The Company records its available-for-sale and trading securities portfolio at fair value. Fair values of these securities are determined based on methodologies in accordance with current authoritative accounting guidance. Fair values are volatile and may be influenced by a number of factors, including market interest rates, prepayment speeds, discount rates, credit ratings and yield curves. Fair values for investment securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on the quoted prices of similar instruments or

an estimate of fair value by using a range of fair value estimates in the market place as a result of the illiquid market specific to the type of security.

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When the fair value of a security is below its amortized cost, and depending on the length of time the condition exists and the extent the fair value is below amortized cost, additional analysis is performed to determine whether an other-than-temporary impairment condition exists. Available-for-sale and held-to-maturity securities are analyzed quarterly for possible other-than-temporary impairment. The analysis considers (i) whether we have the intent to sell our securities prior to recovery and/or maturity, (ii) whether it is more likely than not that we will have to sell our securities prior to recovery and/or maturity, (iii) the length of time and extent to which the fair value has been less than amortized cost, and (iv) the financial condition of the issuer. Often, the information available to conduct these assessments is limited and rapidly changing, making estimates of fair value subject to judgment. If actual information or conditions are different than estimated, the extent of the impairment of the security may be different than previously estimated, which could have a material effect on the Company's results of operations and financial condition.

The Company's investment portfolio consists of obligations of U. S. government sponsored-enterprises and agencies, mortgage pass-through securities, corporate bonds and general obligation or revenue based municipal bonds. Pricing for such securities is generally readily available and transparent in the market. The Company utilizes independent third party pricing services to value its investment securities, which the Company reviews as well as the underlying pricing methodologies for reasonableness and to ensure such prices are aligned with pricing matrices. The Company validates quarterly, on a sample basis, prices supplied by the independent pricing services by comparison to prices obtained from other third party sources.

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A summary of the Company's available-for-sale securities follows (in thousands):

	September 30, 2014			
	Amortized Cost Basis	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value
U.S. Treasury securities	\$ 520	\$	\$	\$ 520
Obligations of U.S. government sponsored enterprises and agencies	106,339	964	(2)	107,301
Obligations of states and political subdivisions	1,046,148	56,398	(577)	1,101,969
Corporate bonds and other	96,424	3,269		99,693
Residential mortgage-backed securities	803,072	14,395	(5,600)	811,867
Commercial mortgage-backed securities	134,769	31	(2,388)	132,412
<b>Total securities available-for-sale</b>	<b>\$ 2,187,272</b>	<b>\$ 75,057</b>	<b>\$ (8,567)</b>	<b>\$ 2,253,762</b>

	December 31, 2013			
	Amortized Cost Basis	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value
Obligations of U.S. government sponsored-enterprises and agencies	\$ 136,416	\$ 1,672	\$	\$ 138,088
Obligations of states and political subdivisions	974,608	27,980	(11,319)	991,269
Corporate bonds and other	105,490	3,550		109,040
Residential mortgage-backed securities	706,289	12,253	(7,922)	710,620
Commercial mortgage-backed securities	112,323		(3,617)	108,706
<b>Total securities available-for-sale</b>	<b>\$ 2,035,126</b>	<b>\$ 45,455</b>	<b>\$ (22,858)</b>	<b>\$ 2,057,723</b>

Disclosures related to the Company's held-to-maturity securities, which totaled \$554,000 and \$684,000 at September 30, 2014 and December 31, 2013, respectively, have not been presented due to insignificance.

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The Company invests in mortgage-backed securities that have expected maturities that differ from their contractual maturities. These differences arise because borrowers may have the right to call or prepay these obligations with or without a prepayment penalty. These securities include collateralized mortgage obligations (CMOs) and other asset backed securities. The expected maturities of these securities at September 30, 2014 were computed by using scheduled amortization of balances and historical prepayment rates.

The amortized cost and estimated fair value of available-for-sale securities at September 30, 2014, by contractual or expected maturity, as applicable, are shown below (in thousands):

	Amortized Cost Basis	Estimated Fair Value
Due within one year	\$ 76,858	\$ 77,722
Due after one year through five years	663,151	695,484
Due after five years through ten years	502,028	527,658
Due after ten years	7,394	8,619
Mortgage-backed securities	937,841	944,279
<b>Total</b>	<b>\$ 2,187,272</b>	<b>\$ 2,253,762</b>

The following tables disclose, as of September 30, 2014 and December 31, 2013, the Company's investment securities that have been in a continuous unrealized-loss position for less than 12 months and for 12 months or longer (in thousands):

	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
<b>September 30, 2014</b>						
Obligations of U.S. Government sponsored enterprises and Agencies	\$ 876	\$ 2	\$	\$	\$ 876	\$ 2
Obligations of states and political subdivisions	17,871	38	50,158	539	68,029	577
Residential mortgage-backed securities	82,382	450	134,271	5,150	216,653	5,600
Commercial mortgage-backed securities	6,435	15	102,353	2,373	108,788	2,388
<b>Total</b>	<b>\$ 107,564</b>	<b>\$ 505</b>	<b>\$ 286,782</b>	<b>\$ 8,062</b>	<b>\$ 394,346</b>	<b>\$ 8,567</b>

	Less than 12 Months Fair Value	12 Months or Longer	Total
<b>December 31, 2013</b>			
<b>Telecommunications 0.2%</b>			
Centaur Funding Corp., 9.08% <sup>(3)</sup>	1,968	\$ 2,472,300	

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\$ 2,472,300

**Thrifts & Mortgage Finance 0.5%**

Elmira Savings Bank FSB (The), 8.998% to 12/31/17 <sup>(4)</sup>	2,545	\$ 2,277,775
EverBank Financial Corp., Series A, 6.75%	154,900	3,834,550

\$ 6,112,325

**Total Preferred Stocks**

**(identified cost \$275,077,808) \$ 281,256,696**

**Corporate Bonds & Notes 6.5%**

Security	Principal Amount (000 s omitted)	Value
<b>Commercial Banks 1.0%</b>		
Banco do Brasil SA, 6.25% to 4/15/24, 12/29/49 <sup>(3)(4)</sup>	\$ 1,200	\$ 1,194,000
Banco Industriale Comercial SA, 8.50%, 4/27/20 <sup>(3)</sup>	1,050	1,090,687
Citigroup Capital III, 7.625%, 12/1/36	2,515	2,841,950
Groupe BPCE, 12.50% to 9/30/19, 8/29/49 <sup>(3)(4)</sup>	5,653	6,931,884
Regions Bank, 6.45%, 6/26/37	300	322,125
SunTrust Preferred Capital I, 4.00%, 6/29/49 <sup>(5)</sup>	400	336,000
		<b>\$ 12,716,646</b>

**Diversified Financial Services 0.7%**

HSBC Finance Capital Trust IX, 5.911% to 11/30/15, 11/30/35 <sup>(4)</sup>	\$ 1,600	\$ 1,632,000
Textron Financial Corp., 6.00% to 2/15/17, 2/15/67 <sup>(3)(4)</sup>	7,240	6,588,400
		<b>\$ 8,220,400</b>

**Electric Utilities 1.3%**

Electricite de France SA, 5.25% to 1/29/23, 1/29/49 <sup>(3)(4)</sup>	\$ 6,500	\$ 6,377,430
PPL Capital Funding, Inc., Series A, 6.70% to 3/30/17, 3/30/67 <sup>(4)</sup>	8,600	9,167,299
		<b>\$ 15,544,729</b>

**Food Products 0.1%**

Land O Lakes, Inc., 6.00%, 11/15/22 <sup>9)</sup>	\$ 1,128	\$ 1,209,780
		<b>\$ 1,209,780</b>

**Insurance 2.9%**

American International Group, Inc., Series A, 8.175% to 5/15/38, 5/15/58, 5/15/68 <sup>(4)(8)</sup>	\$ 3,830	\$ 4,998,150
MetLife, Inc., 10.75% to 8/1/34, 8/1/39, 8/1/69 <sup>(4)(8)</sup>	5,460	8,422,050
QBE Capital Funding II, LP, 6.797% to 6/1/17, 6/29/49 <sup>(3)(4)</sup>	2,115	2,117,648
QBE Capital Funding III, Ltd., 7.25% to 5/24/21, 5/24/41 <sup>(3)(4)</sup>	3,513	3,641,607
Swiss Re Capital I, LP, 6.854% to 5/25/16, 5/25/49 <sup>(3)(4)</sup>	4,758	5,079,165
XL Capital, Ltd., Series E, 6.50% to 4/15/17, 12/29/49 <sup>(4)</sup>	10,964	10,593,965
		<b>\$ 34,852,585</b>

**Pipelines 0.5%**

Enterprise Products Operating, LLC, 7.00% to 6/1/17, 6/1/67 <sup>(4)</sup>	\$ 2,920	\$ 3,156,213
Southern Union Co., 3.33%, 11/1/66 <sup>(5)</sup>	3,324	2,883,570

**\$ 6,039,783**

<b>Total Corporate Bonds &amp; Notes</b> <b>(identified cost \$70,128,156)</b>	<b>\$ 78,583,923</b>
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**Short-Term Investments 1.5%**

Description	Interest (000 s omitted)	Value
Eaton Vance Cash Reserves Fund, LLC, 0.12% <sup>(9)</sup>	\$ 18,591	\$ 18,590,532

<b>Total Short-Term Investments</b> <b>(identified cost \$18,590,532)</b>	<b>\$ 18,590,532</b>
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<b>Total Investments 134.8%</b> <b>(identified cost \$1,384,677,047)</b>	<b>\$ 1,628,784,035</b>
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<b>Other Assets, Less Liabilities (34.8)%</b>	<b>\$ (420,270,118)</b>
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<b>Net Assets 100.0%</b>	<b>\$ 1,208,513,917</b>
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The percentage shown for each investment category in the Portfolio of Investments is based on net assets.

ADR - American Depositary Receipt

PC - Participation Certificate

- (1) Security has been segregated as collateral with the custodian for borrowings under the Committed Facility Agreement.
- (2) Non-income producing security.
- (3) Security exempt from registration pursuant to Rule 144A under the Securities Act of 1933. These securities may be sold in certain transactions (normally to qualified institutional buyers) and remain exempt from registration. At January 31, 2013, the aggregate value of these securities is \$74,546,766 or 6.2% of the Fund's net assets.
- (4) Security converts to floating rate after the indicated fixed-rate coupon period.
- (5) Variable rate security. The stated interest rate represents the rate in effect at January 31, 2013.
- (6) Defaulted security.



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- (7) For fair value measurement disclosure purposes, security is categorized as Level 3.
- (8) The maturity dates shown are the scheduled maturity date and final maturity date, respectively. The scheduled maturity date is earlier than the final maturity date due to the possibility of earlier repayment.
- (9) Affiliated investment company available to Eaton Vance portfolios and funds which invests in high quality, U.S. dollar denominated money market instruments. The rate shown is the annualized seven-day yield as of January 31, 2013. Net income allocated from the investment in Eaton Vance Cash Reserves Fund, LLC for the fiscal year to date ended January 31, 2013 was \$3,259.

### Country Concentration of Portfolio

Country	Percentage of Total Investments	Value
United States	58.0%	\$ 944,756,813
United Kingdom	10.8	176,592,124
France	5.6	90,414,663
Switzerland	5.3	86,860,942
Australia	4.1	67,151,760
Germany	2.2	36,496,196
Japan	2.1	33,856,310
Norway	2.0	32,465,428

Country	Percentage of Total Investments	Value
Sweden	2.0%	\$ 31,776,913
Italy	1.5	24,353,110
Bermuda	1.4	22,675,284
Netherlands	1.1	17,884,440
Belgium	1.0	16,013,921
Canada	0.8	13,161,260
Cayman Islands	0.8	13,066,265
Spain	0.7	11,181,419
Ireland	0.5	7,792,500
Brazil	0.1	2,284,687
Iceland	0.0	0.0
<b>Total Investments</b>	<b>100.0%</b>	<b>\$ 1,628,784,035</b>

A summary of open financial instruments at January 31, 2013 is as follows:

#### Forward Foreign Currency Exchange Contracts

##### Sales

Settlement Date	Deliver	In Exchange For	Counterparty	Net Unrealized Depreciation
	Euro	United States Dollar		
2/28/13	16,065,505	21,672,929	Citibank NA	\$ (143,858)
	Euro	United States Dollar		
2/28/13	16,065,505	21,668,270	Standard Chartered Bank	(148,517)
	Euro	United States Dollar		
2/28/13	16,065,505	21,673,009	State Street Bank and Trust Co.	(143,778)
				<b>\$ (436,153)</b>

At January 31, 2013, the Fund had sufficient cash and/or securities to cover commitments under these contracts.

The Fund is subject to foreign exchange risk in the normal course of pursuing its investment objective. Because the Fund holds foreign currency denominated investments, the value of these investments and related receivables and payables may change due to future changes in foreign currency exchange rates. To hedge against this risk, the Fund enters into forward foreign currency exchange contracts. The Fund also enters into such contracts to hedge the currency risk of investments it anticipates purchasing.

At January 31, 2013, the aggregate fair value of derivative instruments (not considered to be hedging instruments for accounting disclosure purposes) in a liability position and whose primary underlying risk exposure is foreign exchange risk was \$436,153.

The cost and unrealized appreciation (depreciation) of investments of the Fund at January 31, 2013, as determined on a federal income tax basis, were as follows:

<b>Aggregate cost</b>	<b>\$ 1,386,245,308</b>
Gross unrealized appreciation	\$ 264,581,717

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Gross unrealized depreciation	(22,042,990)
<b>Net unrealized appreciation</b>	<b>\$ 242,538,727</b>

Under generally accepted accounting principles for fair value measurements, a three-tier hierarchy to prioritize the assumptions, referred to as inputs, is used in valuation techniques to measure fair value. The three-tier hierarchy of inputs is summarized in the three broad levels listed below.

Level 1 quoted prices in active markets for identical investments

Level 2 other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)

Level 3 significant unobservable inputs (including a fund's own assumptions in determining the fair value of investments)

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In cases where the inputs used to measure fair value fall in different levels of the fair value hierarchy, the level disclosed is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

At January 31, 2013, the hierarchy of inputs used in valuing the Fund's investments and open derivative instruments, which are carried at value, were as follows:

Asset Description	Level 1	Level 2	Level 3*	Total
<b>Common Stocks</b>				
Consumer Discretionary	\$ 65,745,840	\$ 24,017,328	\$	\$ 89,763,168
Consumer Staples	24,535,750	104,593,833		129,129,583
Energy	80,250,575	51,912,669		132,163,244
Financials	139,925,677	70,182,121		210,107,798
Health Care	40,988,300	110,424,030		151,412,330
Industrials	94,665,920	77,718,112		172,384,032
Information Technology	151,257,450			151,257,450
Materials	52,314,340	34,251,814		86,566,154
Telecommunication Services	16,392,000	61,220,964		77,612,964
Utilities	33,002,250	16,953,911		49,956,161
<b>Total Common Stocks</b>	<b>\$ 699,078,102</b>	<b>\$ 551,274,782**</b>	<b>\$</b>	<b>\$ 1,250,352,884</b>
<b>Preferred Stocks</b>				
Consumer Staples	\$	\$ 10,435,233	\$	\$ 10,435,233
Energy	3,116,960	5,377,103		8,494,063
Financials	110,634,603	115,034,272	0	225,668,875
Industrials		7,184,020		7,184,020
Telecommunication Services		2,472,300		2,472,300
Utilities	3,921,920	23,080,285		27,002,205
<b>Total Preferred Stocks</b>	<b>\$ 117,673,483</b>	<b>\$ 163,583,213</b>	<b>\$ 0</b>	<b>\$ 281,256,696</b>
Corporate Bonds & Notes	\$	\$ 78,583,923	\$	\$ 78,583,923
Short-Term Investments		18,590,532		18,590,532
<b>Total Investments</b>	<b>\$ 816,751,585</b>	<b>\$ 812,032,450</b>	<b>\$ 0</b>	<b>\$ 1,628,784,035</b>
<b>Liability Description</b>				
Forward Foreign Currency Exchange				
Contracts	\$	\$ (436,153)	\$	\$ (436,153)
<b>Total</b>	<b>\$</b>	<b>\$ (436,153)</b>	<b>\$</b>	<b>\$ (436,153)</b>

\* None of the unobservable inputs for Level 3 assets, individually or collectively, had a material impact on the Fund.

\*\* Includes foreign equity securities whose values were adjusted to reflect market trading of comparable securities or other correlated instruments that occurred after the close of trading in their applicable foreign markets.

Level 3 investments at the beginning and/or end of the period in relation to net assets were not significant and accordingly, a reconciliation of Level 3 assets for the fiscal year to date ended January 31, 2013 is not presented. At January 31, 2013, there were no investments transferred between Level 1 and Level 2 during the fiscal year to date then ended.

For information on the Fund's policy regarding the valuation of investments and other significant accounting policies, please refer to the Fund's most recent financial statements included in its semiannual or annual report to shareholders.



**Item 2. Controls and Procedures**

(a) It is the conclusion of the registrant's principal executive officer and principal financial officer that the effectiveness of the registrant's current disclosure controls and procedures (such disclosure controls and procedures having been evaluated within 90 days of the date of this filing) provide reasonable assurance that the information required to be disclosed by the registrant on this Form N-Q has been recorded, processed, summarized and reported within the time period specified in the Commission's rules and forms and that the information required to be disclosed by the registrant on this Form N-Q has been accumulated and communicated to the registrant's principal executive officer and principal financial officer in order to allow timely decisions regarding required disclosure.

(b) There have been no changes in the registrant's internal controls over financial reporting during the fiscal quarter for which the report is being filed that have materially affected, or are reasonably likely to materially affect the registrant's internal control over financial reporting.

**Signatures**

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Eaton Vance Tax-Advantaged Global Dividend Income Fund

By: /s/ Judith A. Saryan  
Judith A. Saryan  
President  
Date: March 25, 2013

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Judith A. Saryan  
Judith A. Saryan  
President  
Date: March 25, 2013

By: /s/ James F. Kirchner  
James F. Kirchner  
Treasurer  
Date: March 25, 2013