

FULTON FINANCIAL CORP
Form 10-Q
August 04, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2017, 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. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check

mark if the registrant has elected not to use the

extended transition period for complying with any new
or revised financial accounting standards provided
pursuant to Section 13(a) of the Exchange Act.

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 -174,941,000 shares outstanding as of July 28, 2017.

FULTON FINANCIAL CORPORATION
 FORM 10-Q FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017
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Item 1. Financial Statements

CONSOLIDATED BALANCE SHEETS

(in thousands, except per-share data)

	June 30, 2017 (unaudited)	December 31, 2016
ASSETS		
Cash and due from banks	\$94,938	\$118,763
Interest-bearing deposits with other banks	322,514	233,763
Federal Reserve Bank and Federal Home Loan Bank stock	70,328	57,489
Loans held for sale	62,354	28,697
Available for sale investment securities	2,488,699	2,559,227
Loans, net of unearned income	15,346,617	14,699,272
Less: Allowance for loan losses	(172,342)	(168,679)
Net Loans	15,174,275	14,530,593
Premises and equipment	217,558	217,806
Accrued interest receivable	47,603	46,294
Goodwill and intangible assets	531,556	531,556
Other assets	637,610	620,059
Total Assets	\$19,647,435	\$18,944,247
LIABILITIES		
Deposits:		
Noninterest-bearing	\$4,574,619	\$4,376,137
Interest-bearing	10,782,742	10,636,727
Total Deposits	15,357,361	15,012,864
Short-term borrowings:		
Federal funds purchased	206,269	278,570
Other short-term borrowings	488,590	262,747
Total Short-Term Borrowings	694,859	541,317
Accrued interest payable	7,804	9,632
Other liabilities	357,680	329,916
Federal Home Loan Bank advances and other long-term debt	1,037,961	929,403
Total Liabilities	17,455,665	16,823,132
SHAREHOLDERS' EQUITY		
Common stock, \$2.50 par value, 600 million shares authorized, 220.8 million shares issued in 2017 and 219.9 million shares issued in 2016	551,936	549,707
Additional paid-in capital	1,473,549	1,467,602
Retained earnings	782,541	732,099
Accumulated other comprehensive loss	(24,875)	(38,449)
Treasury stock, at cost, 45.9 million shares in 2017 and 45.8 million shares in 2016	(591,381)	(589,844)
Total Shareholders' Equity	2,191,770	2,121,115
Total Liabilities and Shareholders' Equity	\$19,647,435	\$18,944,247

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(in thousands, except per-share data)	Three months ended		Six months ended	
	June 30 2017	2016	June 30 2017	2016
INTEREST INCOME				
Loans, including fees	\$148,440	\$134,643	\$291,006	\$268,722
Investment securities:				
Taxable	11,474	11,159	23,388	23,162
Tax-exempt	2,856	2,320	5,705	4,360
Dividends	109	135	238	295
Loans held for sale	201	188	388	319
Other interest income	801	864	1,643	1,762
Total Interest Income	163,881	149,309	322,368	298,620
INTEREST EXPENSE				
Deposits	12,884	10,887	24,685	21,614
Short-term borrowings	974	217	1,829	485
Federal Home Loan Bank advances and other long-term debt	8,460	9,289	16,712	18,551
Total Interest Expense	22,318	20,393	43,226	40,650
Net Interest Income	141,563	128,916	279,142	257,970
Provision for credit losses	6,700	2,511	11,500	4,041
Net Interest Income After Provision for Credit Losses	134,863	126,405	267,642	253,929
NON-INTEREST INCOME				
Other service charges and fees	14,342	12,983	26,779	23,733
Service charges on deposit accounts	12,914	12,896	25,314	25,454
Investment management and trust services	12,132	11,247	23,940	22,235
Mortgage banking income	6,141	3,897	10,737	7,927
Investment securities gains, net	1,436	76	2,542	1,023
Other	5,406	5,038	9,732	8,902
Total Non-Interest Income	52,371	46,137	99,044	89,274
NON-INTEREST EXPENSE				
Salaries and employee benefits	74,496	70,029	143,732	139,401
Net occupancy expense	12,316	11,811	24,979	24,031
Other outside services	7,708	5,508	13,254	11,564
Data processing	4,619	5,476	8,905	10,876
Software	4,435	3,953	9,128	7,874
Amortization of tax credit investments	3,151	—	4,149	—
Equipment expense	3,034	2,872	6,393	6,243
Professional fees	2,931	3,353	5,668	5,686
FDIC insurance expense	2,366	2,960	4,424	5,909
Marketing	2,234	1,916	4,220	3,540
Other	15,405	13,759	30,118	26,926
Total Non-Interest Expense	132,695	121,637	254,970	242,050
Income Before Income Taxes	54,539	50,905	111,716	101,153
Income taxes	9,072	11,155	22,869	23,146
Net Income	\$45,467	\$39,750	\$88,847	\$78,007
PER SHARE:				
Net Income (Basic)	\$0.26	\$0.23	\$0.51	\$0.45

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Net Income (Diluted)	0.26	0.23	0.51	0.45
Cash Dividends	0.11	0.10	0.22	0.19
See Notes to Consolidated Financial Statements				

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(in thousands)

	Three months ended June 30		Six months ended June 30	
	2017	2016	2017	2016
Net Income	\$45,467	\$39,750	\$88,847	\$78,007
Other Comprehensive Income, net of tax:				
Unrealized gain on securities	10,268	12,839	14,541	29,865
Reclassification adjustment for securities gains included in net income	(932)	(49)	(1,651)	(665)
Amortization of unrealized loss on derivative financial instruments	—	4	—	8
Amortization of net unrecognized pension and postretirement items	341	32		