

FULTON FINANCIAL CORP
Form 10-Q
August 08, 2014

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 June 30, 2014, 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
(Address of principal executive offices)

17604
(Zip Code)

(717) 291-2411
(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 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 check mark 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 check mark 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 –187,792,000 shares outstanding as of July 31, 2014.

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FULTON FINANCIAL CORPORATION
FORM 10-Q FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2014
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Item 1. Financial Statements

CONSOLIDATED BALANCE SHEETS

(in thousands, except per-share data)

	June 30, 2014 (unaudited)	December 31, 2013
ASSETS		
Cash and due from banks	\$258,837	\$218,540
Interest-bearing deposits with other banks	222,894	163,988
Federal Reserve Bank and Federal Home Loan Bank stock	82,624	84,173
Loans held for sale	36,079	21,351
Available for sale investment securities	2,497,776	2,568,434
Loans, net of unearned income	12,839,511	12,782,220
Less: Allowance for loan losses	(191,685)	(202,780)
Net Loans	12,647,826	12,579,440
Premises and equipment	225,168	226,021
Accrued interest receivable	42,116	44,037
Goodwill and intangible assets	532,432	533,076
Other assets	487,887	495,574
Total Assets	\$17,033,639	\$16,934,634
LIABILITIES		
Deposits:		
Noninterest-bearing	\$3,484,125	\$3,283,172
Interest-bearing	9,209,534	9,208,014
Total Deposits	12,693,659	12,491,186
Short-term borrowings:		
Federal funds purchased	384,011	582,436
Other short-term borrowings	624,296	676,193
Total Short-Term Borrowings	1,008,307	1,258,629
Accrued interest payable	16,647	15,218
Other liabilities	246,831	222,830
Federal Home Loan Bank advances and long-term debt	968,395	883,584
Total Liabilities	14,933,839	14,871,447
SHAREHOLDERS' EQUITY		
Common stock, \$2.50 par value, 600 million shares authorized, 218.0 million shares issued in 2014 and 217.8 million shares issued in 2013	545,066	544,568
Additional paid-in capital	1,436,759	1,432,974
Retained earnings	514,988	463,843
Accumulated other comprehensive loss	(9,161)	(37,341)
Treasury stock, at cost, 29.0 million shares in 2014 and 25.2 million shares in 2013	(387,852)	(340,857)
Total Shareholders' Equity	2,099,800	2,063,187
Total Liabilities and Shareholders' Equity	\$17,033,639	\$16,934,634

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(in thousands, except per-share data)	Three months ended		Six months ended June	
	June 30 2014	2013	30 2014	2013
INTEREST INCOME				
Loans, including fees	\$131,440	\$135,032	\$263,270	\$269,162
Investment securities:				
Taxable	12,418	14,516	25,684	27,913
Tax-exempt	2,298	2,343	4,646	4,824
Dividends	325	364	657	754
Loans held for sale	214	384	348	879
Other interest income	1,207	439	2,089	868
Total Interest Income	147,902	153,078	296,694	304,400
INTEREST EXPENSE				
Deposits	8,685	9,498	16,581	19,899
Short-term borrowings	540	700	1,173	1,209
Long-term debt	10,779	10,815	21,477	21,583
Total Interest Expense	20,004	21,013	39,231	42,691
Net Interest Income	127,898	132,065	257,463	261,709
Provision for credit losses	3,500	13,500	6,000	28,500
Net Interest Income After Provision for Credit Losses	124,398	118,565	251,463	233,209
NON-INTEREST INCOME				
Service charges on deposit accounts	12,552	14,651	24,263	28,762
Investment management and trust services	11,339	10,601	22,297	20,697
Other service charges and fees	10,526	9,508	19,453	18,018
Mortgage banking income	5,741	10,997	9,346	19,170
Other	3,602	3,694	6,907	7,590
Investment securities gains, net:				
Net gains on sales of investment securities	1,124	2,892	1,124	5,365
Other-than-temporary impairment losses	(12)	(27)	(12)	(27)
Investment securities gains, net	1,112	2,865	1,112	5,338
Total Non-Interest Income	44,872	52,316	83,378	99,575
NON-INTEREST EXPENSE				
Salaries and employee benefits	63,623	63,490	123,189	124,702
Net occupancy expense	11,464	11,447	25,067	23,291
Other outside services	7,240	5,315	11,052	8,175
Data processing	4,331	4,509	8,127	8,412
Professional fees	3,559	3,395	6,463	6,442
Equipment expense	3,360	3,893	6,962	7,801
Software	3,209	3,094	6,134	5,842
FDIC insurance expense	2,615	3,001	5,304	5,848
Marketing	2,337	1,922	3,921	3,794
Other real estate owned and repossession expense	748	1,941	1,731	4,795
Operating risk loss	716	1,860	2,544	3,626
Intangible amortization	315	535	630	1,069
Other	12,657	12,728	24,604	24,269
Total Non-Interest Expense	116,174	117,130	225,728	228,066
Income Before Income Taxes	53,096	53,751	109,113	104,718

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Income taxes	13,500	13,169	27,734	24,909
Net Income	\$39,596	\$40,582	\$81,379	\$79,809

PER SHARE:

Net Income (Basic)	\$0.21	\$0.21	\$0.43	\$0.41
Net Income (Diluted)	0.21	0.21	0.43	0.41
Cash Dividends	0.08	0.08	0.16	0.16

See Notes to Consolidated Financial Statements

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(in thousands)

	Three months ended		Six months ended	
	June 30		June 30	
	2014	2013	2014	2013
Net Income	\$39,596	\$40,582	\$81,379	\$79,809
Other Comprehensive Income (Loss), net of tax:				
Unrealized gain (loss) on securities	12,990	(36,958)	26,923	(36,833)
Reclassification adjustment for postretirement amendment gains included in net income	—	—	(944)	—
Reclassification adjustment for securities gains included in net income	(723)	(1,862)	(723)	(3,470)
Non-credit related unrealized gain on other-than-temporarily impaired debt securities	323	355	512	1,438
Unrealized gain on derivative financial instruments	34	34	68	68
Unrecognized pension and postretirement income	—	—	2,144	—
Amortization of net unrecognized pension and postretirement items	104	328	200	656
Other Comprehensive Income (Loss)	12,728	(38,103)	28,180	(38,141)
Total Comprehensive Income	\$52,324	\$2,479	\$109,559	\$41,668

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (UNAUDITED)
SIX MONTHS ENDED JUNE 30, 2014 AND 2013

(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, 2013	192,652	\$544,568	\$1,432,974	\$463,843	\$ (37,341)	\$(340,857)	\$2,063,187
Net income				81,379			81,379
Other comprehensive income (loss)					28,180		28,180
Stock issued, including related tax benefits	381	498	763			2,809	4,070
Stock-based compensation awards			3,022				3,022
Acquisition of treasury stock	(4,000)					(49,804)	(49,804)
Common stock cash dividends - \$0.16 per share				(30,234)			(30,234)
Balance at June 30, 2014	189,033	\$545,066	\$1,436,759	\$514,988	\$ (9,161)	\$(387,852)	\$2,099,800
Balance at December 31, 2012	199,225	\$542,093	\$1,426,267	\$363,937	\$ 5,675	\$(256,316)	\$2,081,656
Net income				79,809			79,809
Other comprehensive income (loss)					(38,141)		(38,141)
Stock issued, including related tax benefits	854	1,544	(455)			3,586	4,675
Stock-based compensation awards			3,207				3,207
Acquisition of treasury stock	(6,421)					(71,337)	(71,337)
Common stock cash dividends - \$0.16 per share				(31,137)			(31,137)
Balance at June 30, 2013	193,658	\$543,637	\$1,429,019	\$412,609	\$ (32,466)	\$(324,067)	\$2,028,732

See Notes to Consolidated
Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(in thousands)

Six months ended June	
30	
2014	2013