



# 2016 SECOND QUARTER RESULTS

## NASDAQ: FULT

DATA AS OF JUNE 30, 2016  
UNLESS OTHERWISE NOTED

# FORWARD-LOOKING STATEMENTS

This presentation may contain forward-looking statements with respect to Fulton Financial Corporation's financial condition, results of operations and business. Do not unduly rely on forward-looking statements. Forward-looking statements can be identified by the use of words such as "may," "should," "will," "could," "estimates," "predicts," "potential," "continue," "anticipates," "believes," "plans," "expects," "future," "intends" and similar expressions which are intended to identify forward-looking statements. Management's "2016 Outlook" contained herein is comprised of forward-looking statements.

Forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties, some of which are beyond the Corporation's control and ability to predict, that could cause actual results to differ materially from those expressed in the forward-looking statements. The Corporation undertakes no obligation, other than as required by law, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

A discussion of certain risks and uncertainties affecting the Corporation, and some of the factors that could cause the Corporation's actual results to differ materially from those described in the forward-looking statements, can be found in the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2015 and Quarterly Report on Form 10-Q for the quarter ended March 31, 2016, which have been filed with the Securities and Exchange Commission and are available in the Investor Relations section of the Corporation's website ([www.fult.com](http://www.fult.com)) and on the Securities and Exchange Commission's website ([www.sec.gov](http://www.sec.gov)).

The Corporation uses certain non-GAAP financial measures in this presentation. These non-GAAP financial measures are reconciled to the most comparable GAAP measures at the end of this presentation.

# SECOND QUARTER HIGHLIGHTS

**Diluted Earnings Per Share:** \$0.23 in 2Q16, 4.5% increase from 1Q16 and 9.5% increase from 2Q15

**Pre-Provision Net Revenue:** \$53.3 million, 4.9% increase from 1Q16 and 9.7% increase from 2Q15

## Linked Quarter

**Loan and Core Deposit Growth:** 0.8% increase in average loans, while average core deposits increased 1.6%

**Net Interest Income & Margin:** Net interest income was flat, reflecting a 3 basis point decrease in net interest margin, offset by the impact of loan growth

**Non-Interest Income<sup>(1)</sup> & Non-Interest Expense:** 9.2% increase in non-interest income and a 1.0% increase in non-interest expense

**Asset Quality:** \$981,000 increase in provision for credit losses with improvement in all credit metrics. Annualized net charge-off rate decreased from 20 basis points to 10 basis points.

## Year-over-Year

**Loan and Core Deposit Growth:** 5.9% increase in average loans and 10.2% increase in average core deposits

**Net Interest Income & Margin:** 4.9% increase in net interest income and net interest margin unchanged

**Non-Interest Income<sup>(1)</sup> & Non-Interest Expense:** 4.5% increase in non-interest income and a 2.8% increase in non-interest expense

**Asset Quality:** \$311,000 increase in provision for credit losses. Improvement in all credit metrics.

(1) Excluding securities gains.

# INCOME STATEMENT SUMMARY

	2016	Change from	
		1Q16	2Q15
	(dollars in thousands, except per-share data)		
<b>Net Interest Income</b>	\$ 128,916	\$ (138)	\$ 5,996
<b>Provision for Credit Losses</b>	2,511	981	311
<b>Non-interest Income</b>	46,061	3,871	1,987
<b>Securities Gains</b>	76	(871)	(2,339)
<b>Non-interest Expense</b>	121,637	1,224	3,283
<b>Income before Income Taxes</b>	50,905	657	2,050
<b>Income Taxes</b>	11,155	(836)	(1,020)
<b>Net Income</b>	\$ 39,750	\$ 1,493	\$ 3,070
<b>Earnings Per Share (Diluted)</b>	\$ 0.23	\$ 0.01	\$ 0.02
<b>ROA <sup>(1)</sup></b>	0.88%	0.02%	0.02%
<b>ROE (tangible) <sup>(2)</sup></b>	10.26%	0.19%	0.43%
<b>Efficiency ratio <sup>(2)</sup></b>	67.6%	(0.7%)	(1.4%)

➤ **Net Income** of \$39.8 million; a 3.9% increase from 1Q16 and an 8.4% increase from 2Q15. Earnings per share increased 4.5% from 1Q16 and 9.5% from 2Q15.

➤ **Net Interest Income**

- From 1Q16: Flat, reflecting a 3 bp decrease in net interest margin (NIM), offset by the impact of a 0.7% increase in average earning assets
- From 2Q15: Increase of 4.9% due to a 5.3% increase in average earning assets

➤ **Loan Loss Provision**

\$2.5 million provision in 2Q16; Asset quality metrics continue to improve

➤ **Non-Interest Income**

- From 1Q16 : Increase of 9.2% driven by increases in commercial loan interest rate swap fees, merchant fees, life insurance income, debit card fees, and gains on sales of SBA loans
- From 2Q15 : Increase of 4.5% due to increased commercial loan interest rate swap fees, other service charges, and gains on sales of SBA loans, partially offset by decrease in mortgage banking income

➤ **Non-Interest Expenses**

- From 1Q16: Increase of 1.0% due to higher professional fees and salaries and benefits, partially offset by net decreases in outside services, equipment and occupancy expenses
- From 2Q15: Increase of 2.8% due mainly to higher salaries and benefits, professional fees, data processing and software, partially offset by a decrease in expenses for outside services

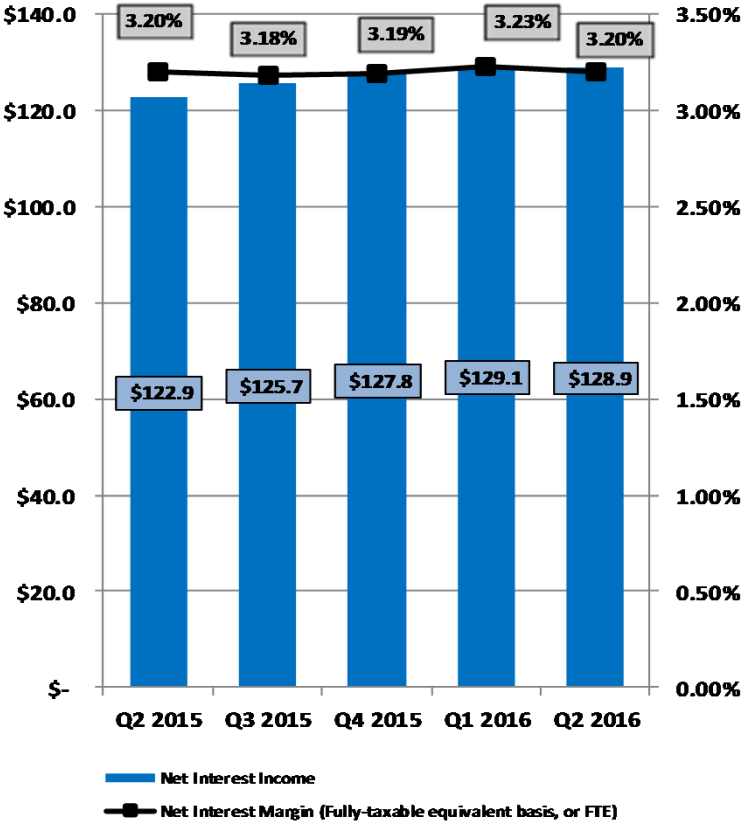
(1) ROA is return on average assets determined by dividing net income for the period indicated by average assets.

(2) Non-GAAP based financial measure. Please refer to the calculation and management's reasons for using this measure on the slide titled "Non-GAAP Reconciliation" at the end of this presentation.

# NET INTEREST INCOME AND MARGIN

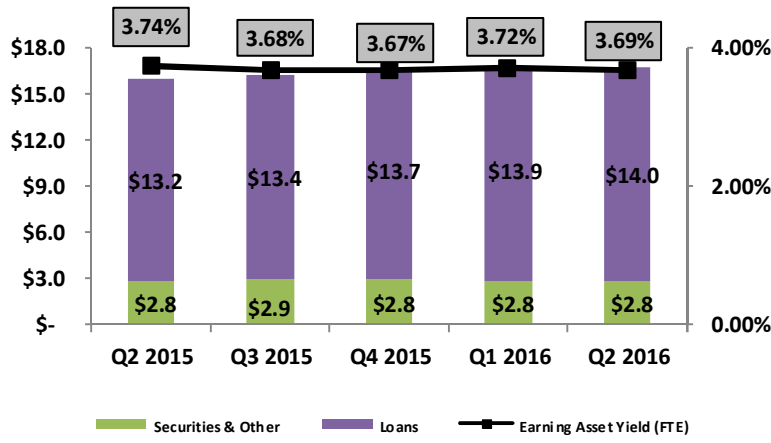
## Net Interest Income & Net Interest Margin

(\$ IN MILLIONS)



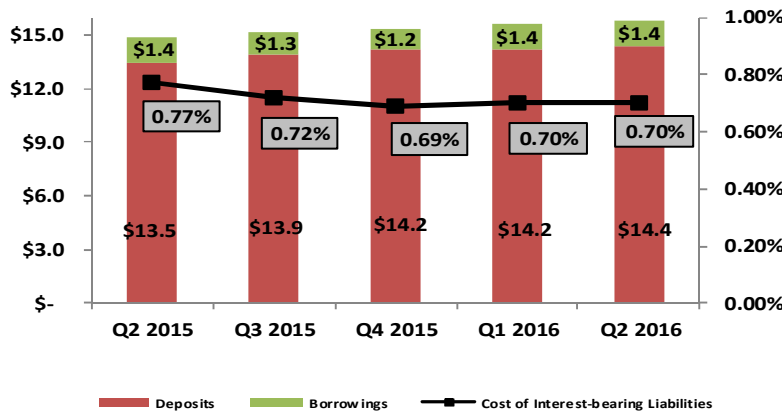
## Average Interest-Earning Assets & Yields

(\$ IN BILLIONS)



## Average Liabilities & Rates

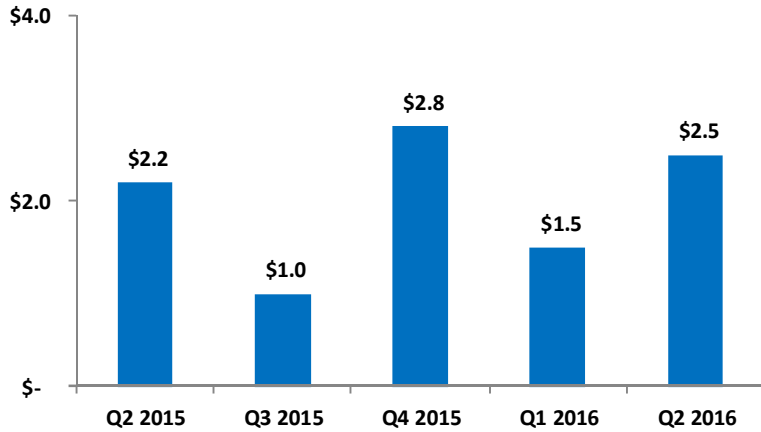
(\$ IN BILLIONS)



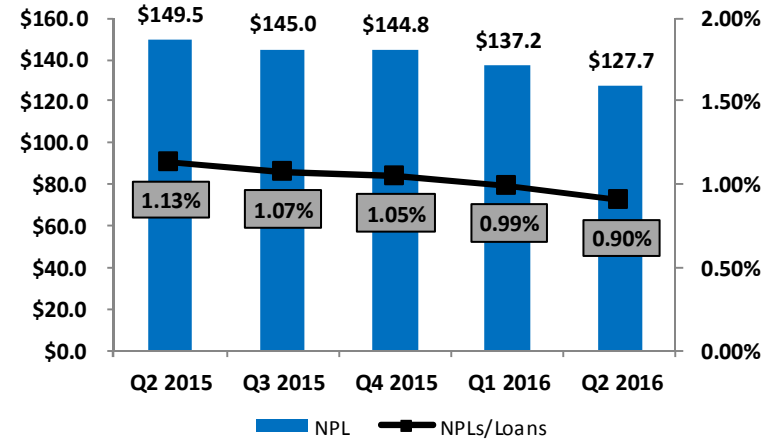
# ASSET QUALITY

(\$ IN MILLIONS)

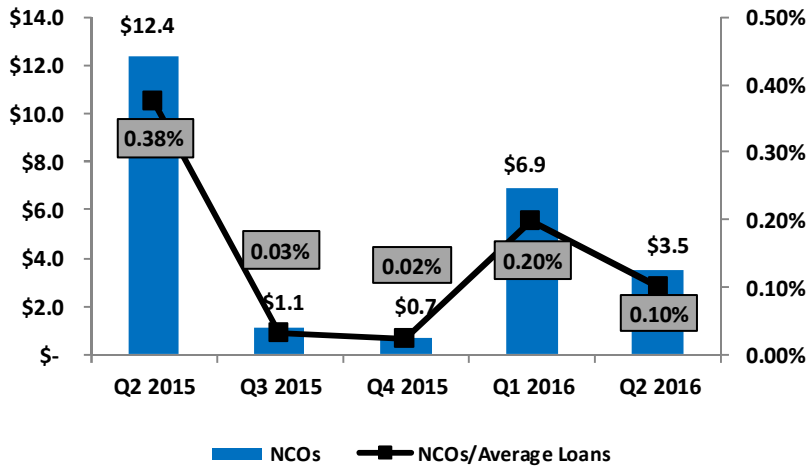
Provision for Credit Losses



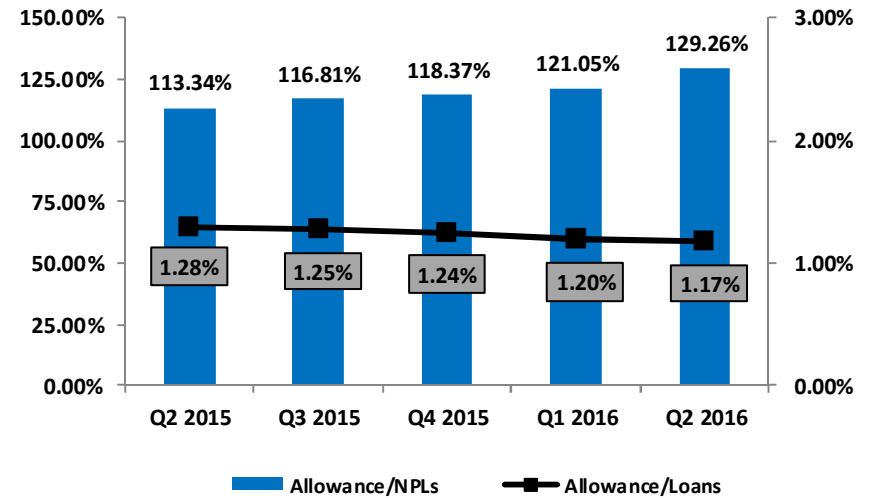
Non-Performing Loans (NPLs) & NPLs to Loans



Net Charge-offs (NCOs) and NCOs to Average Loans



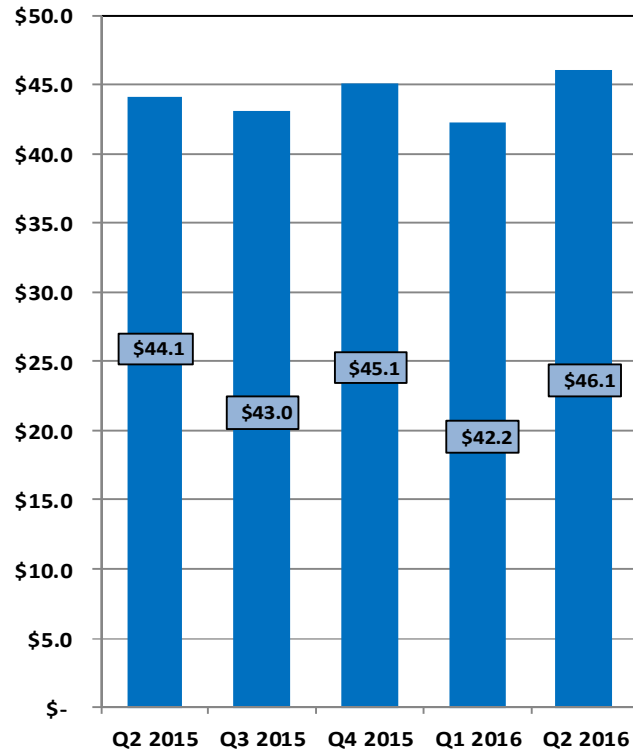
Allowance for Credit Losses (Allowance) to NPLs & Loans



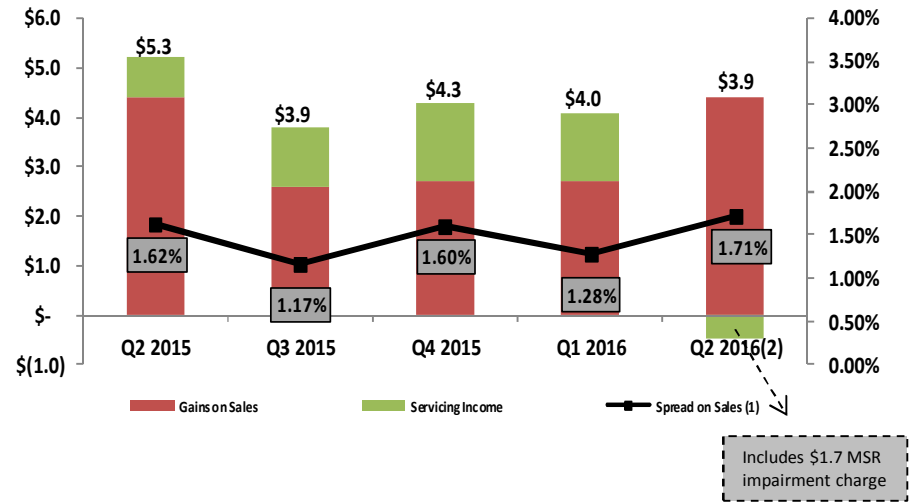
# NON-INTEREST INCOME

(\$ IN MILLIONS)

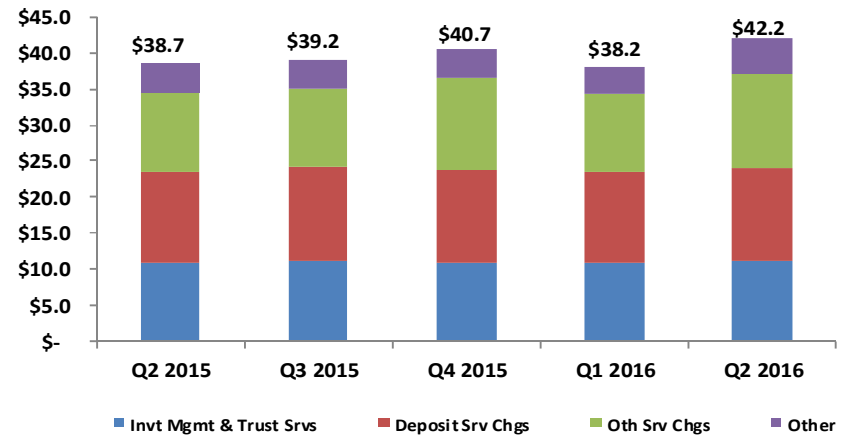
## Non-interest Income, Excluding Securities Gains



## Mortgage Banking Income & Spreads



## Other Non-interest Income



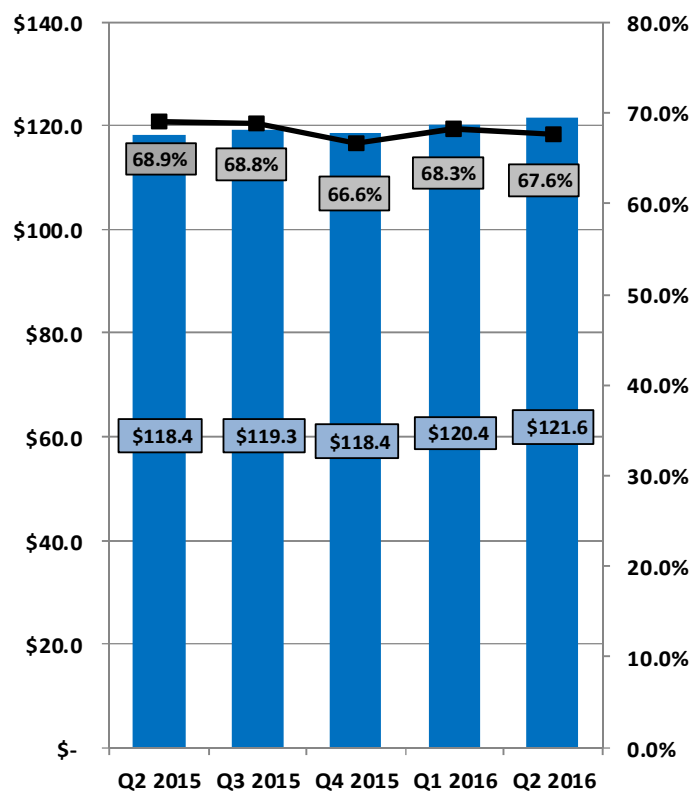
(1) Represents Gains on Sales divided by total new commitments to originate residential mortgage loans for customers.

(2) Servicing income includes \$1.7 million Mortgage Servicing Right (MSR) impairment charge in Q2 2016.

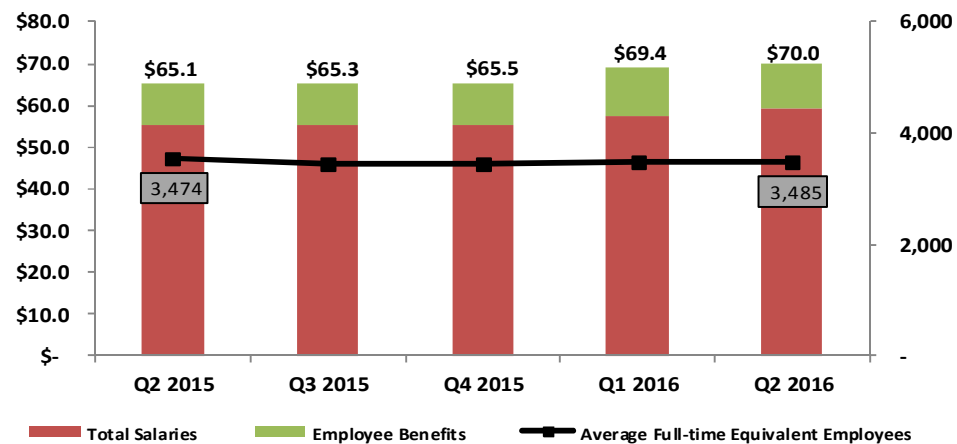
# NON-INTEREST EXPENSES

(\$ IN MILLIONS)

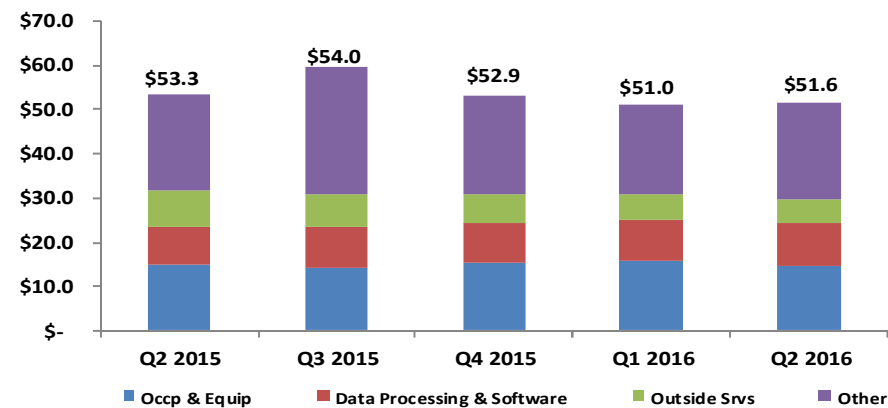
## Non-interest Expense & Efficiency Ratio (1)



## Salaries and Employee Benefits & Staffing



## Other Non-interest Expenses



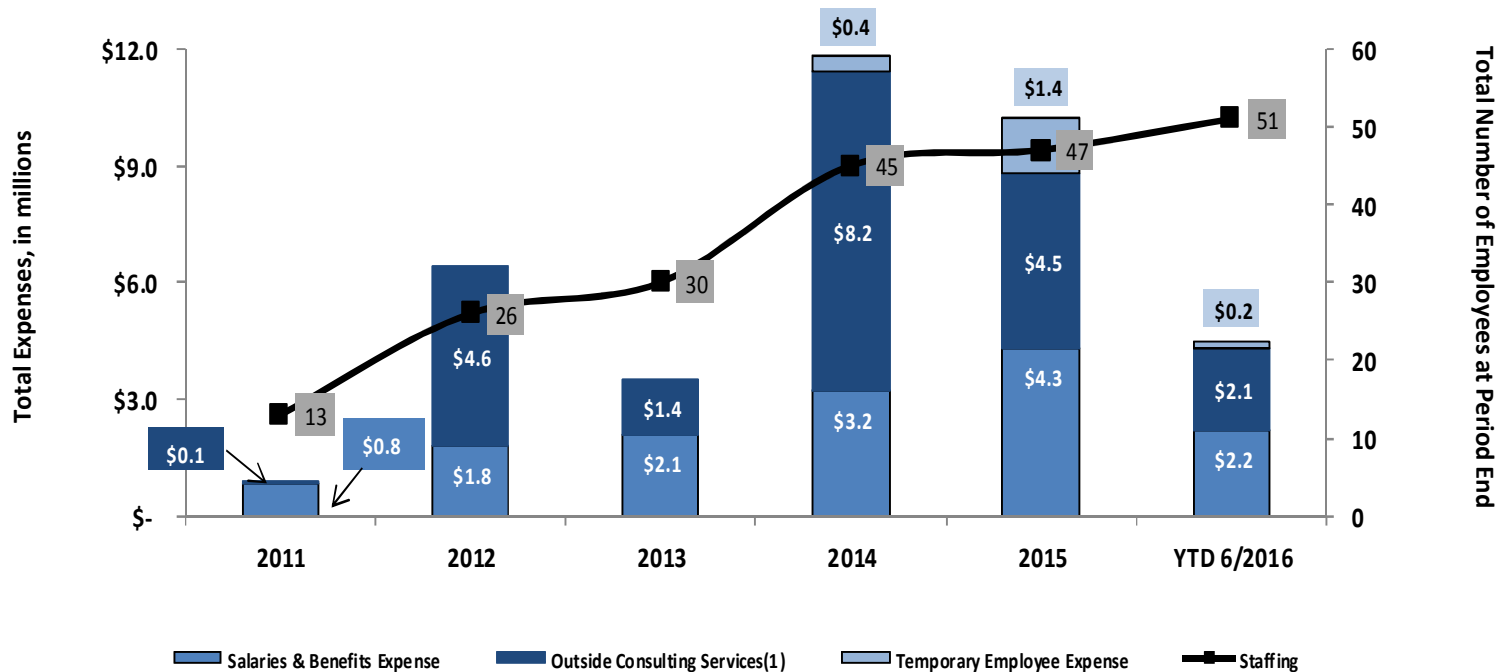
(1) Non-GAAP based financial measure. Please refer to the calculation and management's reasons for using this measure on the slide titled "Non-GAAP Reconciliation" at the end of this presentation.



# COMPLIANCE & RISK MANAGEMENT

- Strengthening Risk Management and Compliance infrastructures
- Address deficiencies within BSA/AML compliance
- BSA/AML enforcement actions at the Corporation and banking subsidiaries
- Significant investments in personnel, outside services and systems

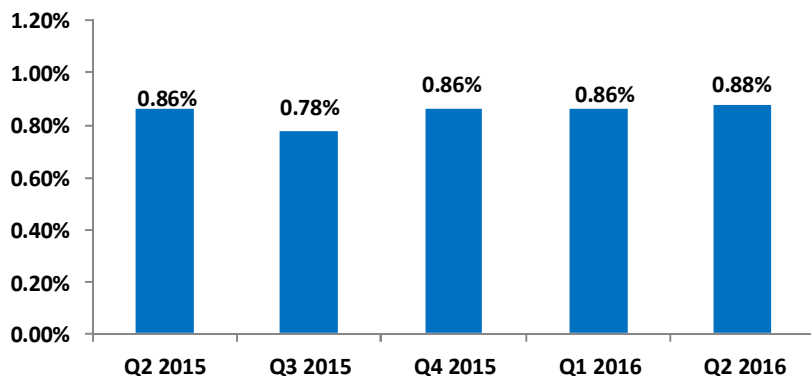
BSA/AML Compliance Program Expenses and Staffing



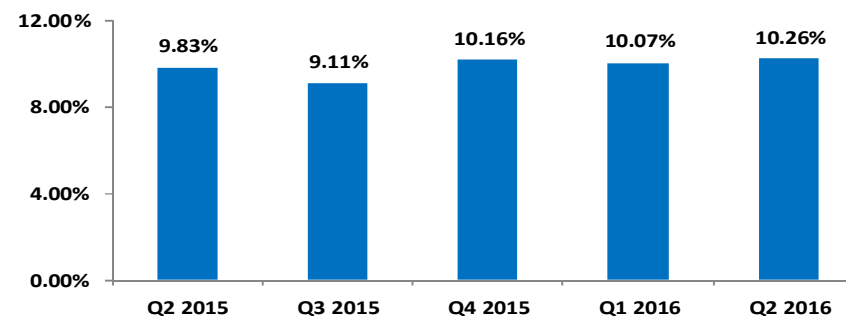
(1) Represents third-party consulting and legal services directly related to BSA/AML compliance program.

# PROFITABILITY & CAPITAL

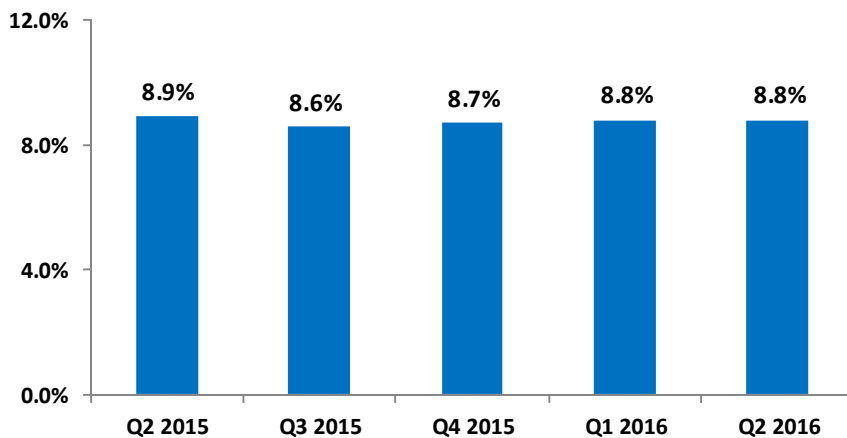
ROA<sup>(1)</sup>



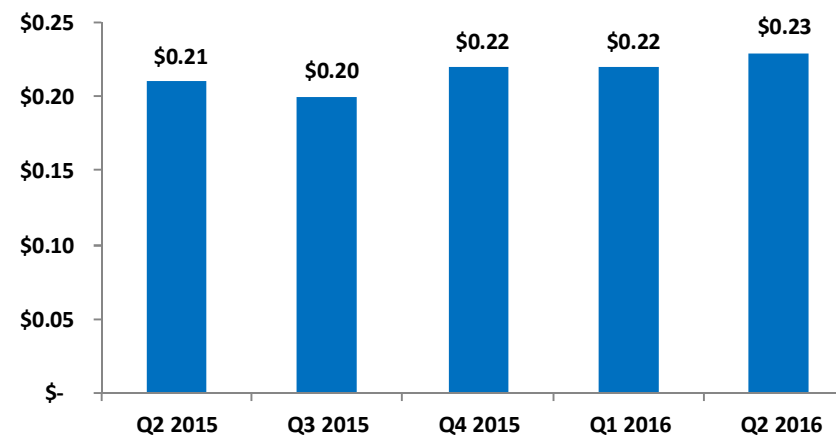
ROE (tangible)<sup>(2)</sup>



Tangible Common Equity Ratio<sup>(2)</sup>



Diluted Earnings Per Common Share



(1) ROA is return on average assets determined by dividing net income for the period indicated by average assets

(2) Non-GAAP based financial measure. Please refer to the calculation and management's reasons for using this measure on the slide titled "Non-GAAP Reconciliation" at the end of this presentation.

# 2016 OUTLOOK

*The following outlook remains unchanged from prior quarter:*

- **Loans & Deposits:** Annual average growth rate in the mid- to high-single digits
- **Asset Quality:** Provision driven primarily by loan growth
- **Non-Interest Income (Excluding Securities Gains):** Mid- to high-single digit growth rate
- **Non-Interest Expense (Excluding Loss on Redemption of TruPS):** Low- to mid-single digit growth rate
- **Capital:** Focus on utilizing capital to support growth and provide appropriate returns to our shareholders

*The following outlook has been updated:*

- **Net Interest Margin**
  - **Original:** Stable on an annual basis, with modest volatility (+/- 0 to 3 basis points) on a quarterly basis
  - **Updated:** Absent any further rate increases, expect low-single digit quarterly compression

# NON-GAAP RECONCILIATION

**Note:** The Corporation has presented the following non-GAAP (Generally Accepted Accounting Principles) financial measures because it believes that these measures provide useful and comparative information to assess trends in the Corporation's results of operations and financial condition. Presentation of these non-GAAP financial measures is consistent with how the Corporation evaluates its performance internally and these non-GAAP financial measures are frequently used by securities analysts, investors and other interested parties in the evaluation of companies in the Corporation's industry. Investors should recognize that the Corporation's presentation of these non-GAAP financial measures might not be comparable to similarly-titled measures of other companies. These non-GAAP financial measures should not be considered a substitute for GAAP basis measures and the Corporation strongly encourages a review of its condensed consolidated financial statements in their entirety.

	Three Months Ended				
	Jun 30 2015	Sep 30 2015	Dec 31 2015	Mar 31 2016	Jun 30 2016
	(dollars in thousands)				
<b>Efficiency ratio</b>					
Non-interest expense	\$ 118,354	\$ 124,889	\$ 118,439	\$ 120,413	\$ 121,637
Less: Intangible amortization	(106)	(5)	(6)	-	-
Less: Loss on redemption of TruPS	-	(5,626)	-	-	-
Numerator	<u>\$ 118,248</u>	<u>\$ 119,258</u>	<u>\$ 118,433</u>	<u>\$ 120,413</u>	<u>\$ 121,637</u>
Net interest income (fully taxable equivalent)	\$ 127,445	\$ 130,250	\$ 132,683	\$ 134,026	\$ 133,890
Plus: Total Non-interest income	46,489	44,774	45,839	43,137	46,137
Less: Investment securities gains	(2,415)	(1,730)	(776)	(947)	(76)
Denominator	<u>\$ 171,519</u>	<u>\$ 173,294</u>	<u>\$ 177,746</u>	<u>\$ 176,216</u>	<u>\$ 179,951</u>
Efficiency ratio	<u>68.9%</u>	<u>68.8%</u>	<u>66.6%</u>	<u>68.3%</u>	<u>67.6%</u>

	Three Months Ended				
	Jun 30 2015	Sep 30 2015	Dec 31 2015	Mar 31 2016	Jun 30 2016
	(dollars in thousands)				
<b>Return on Average Shareholders' Equity (ROE) (Tangible)</b>					
Net income	\$ 36,680	\$ 34,251	\$ 38,535	\$ 38,257	\$ 39,750
Plus: Intangible amortization, net of tax	69	3	4	-	-
Numerator	<u>\$ 36,749</u>	<u>\$ 34,254</u>	<u>\$ 38,539</u>	<u>\$ 38,257</u>	<u>\$ 39,750</u>
Average shareholders' equity	\$ 2,031,788	\$ 2,022,829	\$ 2,036,769	\$ 2,058,799	\$ 2,089,915
Less: Average goodwill and intangible assets	(531,618)	(531,564)	(531,556)	(531,556)	(531,556)
Average tangible shareholders' equity (denominator)	<u>\$ 1,500,170</u>	<u>\$ 1,491,265</u>	<u>\$ 1,505,213</u>	<u>\$ 1,527,243</u>	<u>\$ 1,558,359</u>
Return on average common shareholders' equity (tangible), annualized	<u>9.83%</u>	<u>9.11%</u>	<u>10.16%</u>	<u>10.07%</u>	<u>10.26%</u>

# NON-GAAP RECONCILIATION (CON'T)

	Jun 30 2015	Sep 30 2015	Dec 31 2015	Mar 31 2016	Jun 30 2016
<i>(dollars in thousands)</i>					
<b><u>Tangible Common Equity to Tangible Assets (TCE Ratio)</u></b>					
Shareholders' equity	\$ 2,024,817	\$ 2,025,904	\$ 2,041,894	\$ 2,073,309	\$ 2,106,997
Less: Intangible assets	(531,567)	(531,562)	(531,556)	(531,556)	(531,556)
Tangible shareholders' equity (numerator)	<u>\$ 1,493,250</u>	<u>\$ 1,494,342</u>	<u>\$ 1,510,338</u>	<u>\$ 1,541,753</u>	<u>\$ 1,575,441</u>
Total assets	\$ 17,365,462	\$ 17,838,059	\$ 17,914,718	\$ 18,122,254	\$ 18,479,697
Less: Intangible assets	(531,567)	(531,562)	(531,556)	(531,556)	(531,556)
Total tangible assets (denominator)	<u>\$ 16,833,895</u>	<u>\$ 17,306,497</u>	<u>\$ 17,383,162</u>	<u>\$ 17,590,698</u>	<u>\$ 17,948,141</u>
Tangible Common Equity to Tangible Assets	<u>8.9%</u>	<u>8.6%</u>	<u>8.7%</u>	<u>8.8%</u>	<u>8.8%</u>

	Three Months Ended				
	Jun 30 2015	Sep 30 2015	Dec 31 2015	Mar 31 2016	Jun 30 2016
<i>(in thousands)</i>					
<b><u>Pre-Provision Net Revenue</u></b>					
Net interest income	\$ 122,920	\$ 125,694	\$ 127,799	\$ 129,054	\$ 128,916
Non-interest income	46,489	44,774	45,839	43,137	46,137
Less: Investment securities gains	(2,415)	(1,730)	(776)	(947)	(76)
Total Revenue	<u>166,994</u>	<u>168,738</u>	<u>172,862</u>	<u>171,244</u>	<u>174,977</u>
Non-interest expense	118,354	124,889	118,439	120,413	121,637
Less: Loss on redemption of TruPS	-	(5,626)	-	-	-
Total Non-interest expense, as adjusted	<u>118,354</u>	<u>119,263</u>	<u>118,439</u>	<u>120,413</u>	<u>121,637</u>
<b>Pre-Provision Net Revenue</b>	<u>\$ 48,640</u>	<u>\$ 49,475</u>	<u>\$ 54,423</u>	<u>\$ 50,831</u>	<u>\$ 53,340</u>

# FULTON FINANCIAL CORPORATION



[www.fult.com](http://www.fult.com)