

FULTON FINANCIAL CORP
Form 10-Q
November 04, 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 September 30, 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 –173,271,000 shares outstanding as of October 28, 2016.

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FULTON FINANCIAL CORPORATION
 FORM 10-Q FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016
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Item 1. Financial Statements

CONSOLIDATED BALANCE SHEETS

(in thousands, except per-share data)

	September 30, 2016 (unaudited)	December 31, 2015
ASSETS		
Cash and due from banks	\$ 86,497	\$ 101,120
Interest-bearing deposits with other banks	368,031	230,300
Federal Reserve Bank and Federal Home Loan Bank stock	60,935	62,216
Loans held for sale	27,836	16,886
Available for sale investment securities	2,508,068	2,484,773
Loans, net of unearned income	14,391,238	13,838,602
Less: Allowance for loan losses	(162,526)	(169,054)
Net Loans	14,228,712	13,669,548
Premises and equipment	228,009	225,535
Accrued interest receivable	43,600	42,767
Goodwill and intangible assets	531,556	531,556
Other assets	617,818	550,017
Total Assets	\$ 18,701,062	\$ 17,914,718
LIABILITIES		
Deposits:		
Noninterest-bearing	\$ 4,210,099	\$ 3,948,114
Interest-bearing	10,742,380	10,184,203
Total Deposits	14,952,479	14,132,317
Short-term borrowings:		
Federal funds purchased	8,444	197,235
Other short-term borrowings	255,598	300,428
Total Short-Term Borrowings	264,042	497,663
Accrued interest payable	13,645	10,724
Other liabilities	376,174	282,578
Federal Home Loan Bank advances and long-term debt	965,286	949,542
Total Liabilities	16,571,626	15,872,824
SHAREHOLDERS' EQUITY		
Common stock, \$2.50 par value, 600 million shares authorized, 219.1 million shares issued in 2016 and 218.9 million shares issued in 2015	547,735	547,141
Additional paid-in capital	1,457,597	1,450,690
Retained earnings	710,833	641,588
Accumulated other comprehensive income (loss)	4,491	(22,017)
Treasury stock, at cost, 45.9 million shares in 2016 and 44.7 million shares in 2015	(591,220)	(575,508)
Total Shareholders' Equity	2,129,436	2,041,894
Total Liabilities and Shareholders' Equity	\$ 18,701,062	\$ 17,914,718

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(in thousands, except per-share data)	Three months ended		Nine months ended	
	September 30 2016	September 30 2015	September 30 2016	September 30 2015
INTEREST INCOME				
Loans, including fees	\$ 136,639	\$ 131,804	\$ 405,361	\$ 391,491
Investment securities:				
Taxable	10,874	11,252	34,036	33,478
Tax-exempt	2,550	1,904	6,910	5,872
Dividends	143	190	438	834
Loans held for sale	210	194	529	632
Other interest income	1,052	884	2,814	3,922
Total Interest Income	151,468	146,228	450,088	436,229
INTEREST EXPENSE				
Deposits	11,311	10,217	32,925	30,093
Short-term borrowings	254	92	739	272
Long-term debt	9,338	10,225	27,889	33,669
Total Interest Expense	20,903	20,534	61,553	64,034
Net Interest Income	130,565	125,694	388,535	372,195
Provision for credit losses	4,141	1,000	8,182	(500)
Net Interest Income After Provision for Credit Losses	126,424	124,694	380,353	372,695
NON-INTEREST INCOME				
Other service charges and fees	14,407	10,965	38,140	31,316
Service charges on deposit accounts	13,078	12,982	38,532	37,188
Investment management and trust services	11,425	11,237	33,660	33,137
Mortgage banking income	4,529	3,864	12,456	13,891
Investment securities gains, net	2	1,730	1,025	8,290
Other	4,708	3,996	13,610	12,178
Total Non-Interest Income	48,149	44,774	137,423	136,000
NON-INTEREST EXPENSE				
Salaries and employee benefits	70,696	65,308	210,097	195,365
Net occupancy expense	11,782	10,710	35,813	36,211
Other outside services	5,783	7,373	17,347	21,248
Data processing	4,610	5,105	15,486	14,767
Software	4,117	3,984	11,991	10,678
Equipment expense	3,137	3,595	9,380	10,888
Supplies and postage	2,559	2,708	7,844	7,803
Professional fees	2,535	2,828	8,221	8,430
FDIC insurance expense	1,791	2,867	7,700	8,574
Marketing	1,774	2,102	5,314	5,570
Telecommunications	1,411	1,587	4,358	4,920
Other real estate owned and repossession expense	742	1,016	1,745	2,507
Operating risk loss	556	1,136	2,082	2,637
Loss on redemption of trust preferred securities	—	5,626	—	5,626
Intangible amortization	—	5	—	241
Other	8,355	8,939	24,520	26,256
Total Non-Interest Expense	119,848	124,889	361,898	361,721
Income Before Income Taxes	54,725	44,579	155,878	146,974

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Income taxes	13,257	10,328	36,403	36,007
Net Income	\$41,468	\$34,251	\$119,475	\$110,967

PER SHARE:

Net Income (Basic)	\$0.24	\$0.20	\$0.69	\$0.63
Net Income (Diluted)	0.24	0.20	0.69	0.63
Cash Dividends	0.10	0.09	0.29	0.27

See Notes to Consolidated Financial Statements

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(in thousands)

	Three months ended September 30		Nine months ended September 30	
	2016	2015	2016	2015
Net Income	\$41,468	\$34,251	\$119,475	\$110,967
Other Comprehensive Income (Loss), net of tax:				
Unrealized (loss) gain on securities	(3,580)	7,857	26,285	5,841
Reclassification adjustment for securities gains included in net income	(1)	(1,124)	(666)	(5,388)
Reclassification adjustment for loss on derivative financial instruments included in net income	—	2,456	—	2,456
Non-credit related unrealized gain on other-than-temporarily impaired debt securities	—	—	—	125
Amortization of unrealized loss on derivative financial instruments	4	3	12	71
Amortization of net unrecognized pension and postretirement items	379	466	877	1,398
Other Comprehensive (Loss) Income	(3,198)	9,658	26,508	4,503
Total Comprehensive Income	\$38,270	\$43,909	\$145,983	\$115,470

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (UNAUDITED)
NINE MONTHS ENDED SEPTEMBER 30, 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				119,475			119,475
Other comprehensive income					26,508		26,508
Stock issued, including related tax benefits	454	594	2,099			2,833	5,526
Stock-based compensation awards			4,808				4,808
Acquisition of treasury stock	(1,486)					(18,545)	(18,545)
Common stock cash dividends - \$0.29 per share				(50,230)			(50,230)
Balance at September 30, 2016	173,144	\$547,735	\$1,457,597	\$710,833	\$ 4,491	\$(591,220)	\$2,129,436
Balance at December 31, 2014	178,924	\$545,555	\$1,420,523	\$558,810	\$ (17,722)	\$(510,501)	\$1,996,665
Net income				110,967			110,967
Other comprehensive loss					4,503		4,503
Stock issued, including related tax benefits	613	889	2,675			3,374	6,938
Stock-based compensation awards			4,371				4,371
Acquisition of treasury stock	(3,976)					(50,000)	(50,000)
Settlement of accelerated stock repurchase agreement	(1,790)		20,000			-(20,000)	—
Common stock cash dividends - \$0.27 per share				(47,540)			(47,540)
Balance at September 30, 2015	173,771	\$546,444	\$1,447,569	\$622,237	\$ (13,219)	\$(577,127)	\$2,025,904

See Notes to Consolidated
Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(in thousands)

	Nine months ended September 30	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$ 119,475	\$ 110,967
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	8,182	(500)
Depreciation and amortization of premises and equipment	20,547	20,302
Net amortization of investment securities premiums	7,434	5,369
Investment securities gains, net	(1,025)	(8,290)
Gain on sales of mortgage loans held for sale	(11,967)	(10,588)
Proceeds from sales of mortgage loans held for sale	493,457	599,557
Originations of mortgage loans held for sale	(492,440)	(598,384)
Amortization of intangible assets	—	241
Amortization of issuance costs on long-term debt	347	432
Stock-based compensation	4,808	4,371
Excess tax benefits from stock-based compensation	(58)	(86)
Loss on redemption of trust preferred securities	—	5,626
Increase in accrued interest receivable	(833)	(1,028)
Increase in other assets	(9,075)	(10,926)
Increase (decrease) in accrued interest payable	2,921	(3,318)
Increase in other liabilities	2,061	21,604
Total adjustments	24,359	24,382
Net cash provided by operating activities	143,834	135,349
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of securities available for sale	84,978	29,309
Proceeds from principal repayments and maturities of securities available for sale	426,932	317,813
Purchase of securities available for sale	(484,164)	(444,111)
Increase in short-term investments	(136,450)	(156,837)
Net increase in loans	(567,061)	(440,681)
Net purchases of premises and equipment	(23,021)	(19,980)
Net cash used in investing activities	(698,786)	(714,487)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in demand and savings deposits	880,795	852,611
Net decrease in time deposits	(60,633)	(135,723)
(Decrease) increase in short-term borrowings	(233,621)	101,912
Additions to long-term debt	16,000	347,778
Repayments of long-term debt	(603)	(510,038)
Net proceeds from issuance of common stock	5,468	6,852
Excess tax benefits from stock-based compensation	58	86
Dividends paid	(48,590)	(46,239)
Acquisition of treasury stock	(18,545)	(50,000)
Net cash provided by financing activities	540,329	567,239
Net Decrease in Cash and Due From Banks	(14,623)	(11,899)
Cash and Due From Banks at Beginning of Period	101,120	105,702
Cash and Due From Banks at End of Period	\$ 86,497	\$ 93,803

Supplemental Disclosures of Cash Flow Information:

Cash paid during the period for:

Interest	\$58,632	\$67,352
Income taxes	9,404	9,168

See Notes to Consolidated Financial Statements

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FULTON FINANCIAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1 – Basis of Presentation

The accompanying unaudited consolidated financial statements of Fulton Financial Corporation (the "Corporation") have been prepared in conformity with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and notes required by U.S. GAAP for complete financial statements. The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the amounts of assets and liabilities as of the date of the financial statements as well as revenues and expenses during the period. Actual results could differ from those estimates. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015. Operating results for the three and nine months ended September 30, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016. The Corporation evaluates subsequent events through the date of filing of this Form 10-Q with the Securities and Exchange Commission ("SEC").

Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASC Update 2014-09, "Revenue from Contracts with Customers." This standards update establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle prescribed by this standards update is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard applies to all contracts with customers, except those that are within the scope of other topics in the FASB ASC. The standard also requires significantly expanded disclosures about revenue recognition. During 2016, the FASB issued amendments to this standard (ASC Updates 2016-08, 2016-10, 2016-11 and 2016-12). These amendments provide further clarification to the standard. For public business entities, ASC Update 2014-09 is effective for interim and annual reporting periods beginning after December 15, 2017. Early application is not permitted. For the Corporation, this standards update is effective with its March 31, 2018 quarterly report on Form 10-Q. The Corporation is currently evaluating the impact of the adoption of ASC Update 2014-09 on its consolidated financial statements.

In January 2016, the FASB issued ASC Update 2016-01, "Financial Instruments - Overall: Recognition and Measurement of Financial Assets and Financial Liabilities." ASC Update 2016-01 provides guidance regarding the income statement impact of equity investments held by an entity and the recognition of changes in fair value of financial liabilities when the fair value option is elected. ASC Update 2016-01 is effective for public business entities' annual and interim reporting periods beginning after December 15, 2017, with earlier adoption permitted. The Corporation intends to adopt this standards update effective with its March 31, 2018 quarterly report on Form 10-Q and does not expect the adoption of ASC Update 2016-01 to have a material impact on its consolidated financial statements.

In February 2016, the FASB issued ASC Update 2016-02, "Leases." This standards update states that a lessee should recognize the assets and liabilities that arise from all leases with a term greater than 12 months. The core principle requires the lessee to recognize a liability to make lease payments and a "right-of-use" asset. The accounting applied by the lessor is relatively unchanged. The standards update also requires expanded qualitative and quantitative

disclosures. For public business entities, ASC Update 2016-02 is effective for interim and annual reporting periods beginning after December 15, 2018. ASC Update 2016-02 mandates a modified retrospective transition for all entities. Early application is permitted. The Corporation intends to adopt this standards update effective with its March 31, 2019 quarterly report on Form 10-Q. The Corporation is currently evaluating the impact of the adoption of ASC Update 2016-02 on its consolidated financial statements.

In March 2016, the FASB issued ASC Update 2016-09, "Stock Compensation: Improvements to Employee Share-Based Payment Accounting." The purpose of this standards update is to simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liability, and classification on the statement of cash flows. ASC Update 2016-09 is effective for interim and annual reporting periods beginning after December 15, 2016. Early application is permitted. For the Corporation, this standards update is effective with its March 31, 2017 quarterly report on Form 10-Q. The Corporation is currently evaluating the impact of the adoption of ASC Update 2016-09 on its consolidated financial statements and does not expect the adoption of ASC Update 2016-09 to have a material impact on its consolidated financial statements.

In June 2016, the FASB issued ASC Update 2016-13, "Financial Instruments - Credit Losses." The new impairment model prescribed by this standards update is a single impairment model for all financial assets (i.e., loans and investments). The recognition of credit losses would be based on an entity's current estimate of expected losses (referred to as the Current Expected Credit Loss model, or "CECL"), as opposed to recognition of losses only when they are probable (current practice). ASC Update 2016-13 is effective for interim and annual reporting periods beginning after December 15, 2019. Early adoption is permitted. The Corporation intends to adopt this standards update effective with its March 31, 2020 quarterly report on Form 10-Q. The Corporation is currently evaluating the impact of the adoption of ASC Update 2016-13 on its consolidated financial statements.

In August 2016, the FASB issued ASC Update 2016-15, "Statement of Cash Flows - Classification of Certain Cash Receipts and Cash Payments." This standards update provides guidance regarding the presentation of certain cash receipts and cash payments in the statement of cash flows, addressing eight specific cash flow classification issues, in order to reduce existing diversity in practice. ASC Update 2016-15 is effective for interim and annual reporting periods beginning after December 15, 2017. Early adoption is permitted. The Corporation intends to adopt this standards update effective with its March 31, 2018 quarterly report on Form 10-Q and does not expect the adoption of ASC Update 2016-15 to have a material impact on its consolidated financial statements.

Reclassifications

Certain amounts in the 2015 consolidated financial statements and notes have been reclassified to conform to the 2016 presentation.

NOTE 2 – Net Income Per Share

Basic net income per share is calculated as net income divided by the weighted average number of shares outstanding. Diluted net income per share is calculated as net income divided by the weighted average number of shares outstanding plus the incremental number of shares added as a result of converting common stock equivalents, calculated using the treasury stock method. The Corporation's common stock equivalents consist of outstanding stock options, restricted stock, restricted stock units ("RSUs") and performance-based restricted stock units ("PSUs"). PSUs are required to be included in weighted average shares outstanding if performance measures, as defined in each PSU award agreement, are met as of the end of the period.

A reconciliation of weighted average shares outstanding used to calculate basic net income per share and diluted net income per share follows:

	Three months ended September 30		Nine months ended September 30	
	2016	2015	2016	2015
	(in thousands)			
Weighted average shares outstanding (basic)	173,020	174,338	173,248	176,399
Impact of common stock equivalents	1,044	1,004	1,017	1,029
Weighted average shares outstanding (diluted)	174,064	175,342	174,265	177,428

For the three and nine months ended September 30, 2016, 447,000 and 712,000 stock options, respectively, were excluded from the diluted net income per share computation as their effect would have been anti-dilutive. For the three and nine months ended September 30, 2015, 1.5 million and 1.8 million stock options, respectively, were excluded from the diluted net income per share computation as their effect would have been anti-dilutive.

NOTE 3 – Accumulated Other Comprehensive Income

The following table presents changes in other comprehensive income:

	Before-Tax Amount	Tax Effect	Net of Tax Amount
	(in thousands)		
Three months ended September 30, 2016			
Unrealized loss on securities	\$(5,505)	\$ 1,925	\$(3,580)
Reclassification adjustment for securities gains included in net income ⁽¹⁾	(2)	1	(1)
Amortization of unrealized loss on derivative financial instruments ⁽²⁾	6	(2)	4
Amortization of net unrecognized pension and postretirement items ⁽³⁾	583	(204)	379
Total Other Comprehensive Loss	\$(4,918)	\$ 1,720	\$(3,198)
Three months ended September 30, 2015			
Unrealized gain on securities	\$ 12,088	\$(4,231)	\$ 7,857
Reclassification adjustment for securities gains included in net income ⁽¹⁾	(1,730)	606	(1,124)
Reclassification adjustment for loss on derivative financial instruments included in net income ⁽²⁾	3,778	(1,322)	2,456
Amortization of unrealized loss on derivative financial instruments ⁽²⁾	5	(2)	3
Amortization of net unrecognized pension and postretirement items ⁽³⁾	717	(251)	466
Total Other Comprehensive Income	\$ 14,858	\$(5,200)	\$ 9,658
Nine months ended September 30, 2016			
Unrealized gain on securities	\$ 40,441	\$(14,156)	\$ 26,285
Reclassification adjustment for securities gains included in net income ⁽¹⁾	(1,025)	359	(666)
Amortization of unrealized loss on derivative financial instruments ⁽²⁾	18	(6)	12
Amortization of net unrecognized pension and postretirement items ⁽³⁾	1,349	(472)	877
Total Other Comprehensive Income	\$ 40,783	\$(14,275)	\$ 26,508
Nine months ended September 30, 2015			
Unrealized gain on securities	\$ 8,987	\$(3,146)	\$ 5,841
Reclassification adjustment for securities gains included in net income ⁽¹⁾	(8,290)	2,902	(5,388)
Reclassification adjustment for loss on derivative financial instruments included in net income ⁽²⁾	3,778	(1,322)	2,456
Non-credit related unrealized gains on other-than-temporarily impaired debt securities	192	(67)	125
Amortization of unrealized loss on derivative financial instruments ⁽²⁾	110	(39)	71
Amortization of net unrecognized pension and postretirement items ⁽³⁾	2,151	(753)	1,398
Total Other Comprehensive Income	\$ 6,928	\$(2,425)	\$ 4,503

Amounts reclassified out of accumulated other comprehensive income. Before-tax amounts included in

(1) "Investment securities gains, net" on the consolidated statements of income. See Note 4, "Investment Securities," for additional details.

(2) Amounts reclassified out of accumulated other comprehensive income. Before-tax amounts included in "Interest expense" on the consolidated statements of income.

(3) Amounts reclassified out of accumulated other comprehensive income. Before-tax amounts included in "Salaries and employee benefits" on the consolidated statements of income. See Note 8, "Employee Benefit Plans," for additional details.

The following table presents changes in each component of accumulated other comprehensive income, net of tax:

	Unrealized Gains (Losses) on Investment Securities Not Other-Than- Temporarily Impaired (in thousands)	Unrealized Non-Credit (Losses) on Other-Than- Temporarily Impaired Debt Securities	Unrealized Gains on Forward-Starting Interest Rate Swaps	Unrealized Effective Portions of Losses on Forward-Starting Interest Rate Swaps	Unrecognized Pension and Postretirement Plan Income (Costs)	Total	
Three months ended September 30, 2016							
Balance at June 30, 2016	\$22,701	\$ 458	\$ (7	)	\$ (15,463	) \$7,689
Other comprehensive loss before reclassifications	(3,580) —	—	—	—	(3,580)
Amounts reclassified from accumulated other comprehensive income (loss)	(1	) —	4	—	379	382
Balance at September 30, 2016	\$19,120	\$ 458	\$ (3	)	\$ (15,084	) \$4,491
Three months ended September 30, 2015							
Balance at June 30, 2015	\$830	\$ 344	\$ (2,478	)	\$ (21,573	) \$(22,877)
Other comprehensive income before reclassifications	7,857	—	—	—	—	7,857	
Amounts reclassified from accumulated other comprehensive income (loss)	(1,124) —	3	—	466	(655)
Reclassification adjustment for loss on derivative financial instruments included in net income	—	—	2,456	—	—	2,456	
Balance at September 30, 2015	\$7,563	\$ 344	\$ (19	)	\$ (21,107	) \$(13,219)
Nine months ended September 30, 2016							
Balance at December 31, 2015	\$(6,499	) \$ 458	\$ (15	)	\$ (15,961	) \$(22,017)
Other comprehensive income before reclassifications	26,285	—	—	—	—	26,285	
Amounts reclassified from accumulated other comprehensive income (loss)	(666	) —	12	—	877	223
Balance at September 30, 2016	\$19,120	\$ 458	\$ (3	)	\$ (15,084	) \$4,491
Nine months ended September 30, 2015							
Balance at December 31, 2014	\$5,980	\$ 1,349	\$ (2,546	)	\$ (22,505	) \$(17,722)
Other comprehensive income before reclassifications	5,841	125	—	—	—	5,966	
Amounts reclassified from accumulated other comprehensive income (loss)	(4,258) (1,130)	71	1,398	(3,919)
Reclassification adjustment for loss on derivative financial instruments included in net income	—	—	2,456	—	—	2,456	
Balance at September 30, 2015	\$7,563	\$ 344	\$ (19	)	\$ (21,107	) \$(13,219)

NOTE 4 – Investment Securities

The following table presents the amortized cost and estimated fair values of investment securities, which were all classified as available for sale:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
(in thousands)				
September 30, 2016				
U.S. Government sponsored agency securities	\$ 137	\$ 3	\$	—\$ 140
State and municipal securities	394,162			