Fulton Bank

Commercial Management Trainee Program Enhancements

ABA STONIER GRADUATE SCHOOL OF BANKING CAPSTONE PROJECT

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Executive Summary

Fulton Bank was founded in 1882 and is the sole banking subsidiary of Fulton Financial Corporation, a regional financial holding company headquartered in Lancaster, Pennsylvania. Fulton provides a variety of financial services throughout its five-state footprint that includes Pennsylvania, New Jersey, Maryland, Delaware, and Virginia. Along with traditional banking services offered to businesses and individuals, Fulton provides investment management and planning services through its subsidiaries, Fulton Financial Advisors and Fulton Private Bank, and residential mortgage services through Fulton Mortgage Company. Over the years, growth has been achieved both organically and through strategic acquisitions, with total assets now exceeding $26 billion as of December 31, 2021.

Fulton continues to believe that its people are an integral part of their long-term success and a key differentiator in the markets they serve. Their value proposition combines a highly skilled team with its unique, target operating model that is centered around the customer. This commitment to talent is evident throughout the organization and its Management Trainee Program is a great example of that. Fulton has been committed to this formal training and development program for over 50 years. The success of the program is well documented with multiple alumni ascending to senior executive leadership roles at the bank during this time.

In 2020, Fulton confirmed its ongoing commitment to internal training and development with the creation of the Commercial Management Trainee Program. This version is like the traditional program but with a focus on developing talent for the Commercial line of business. As this new program was rolled out, several elements from the original design were omitted for various reasons. Additionally, as the inaugural class of Commercial Management Trainees have advanced through the program, it has provided leaders with valuable learning opportunities. The purpose of this project is to evaluate potential program enhancements that will drive performance and long-term retention of talent.

The project recommendations are centered in several key areas that include program framework revisions, enhancements to credit training, permanent placement, and retention strategies. The recommendations to the framework are focused on the front end of the trainee experience. These include better alignment and coordination with the bank's internship program, which can act as a feeder system to the trainee program. During the program's initial phase, another key enhancement is to improve the skills assessment of the trainee to make the program's second phase more effective. Lastly, the project recommends an overhaul of the credit training portion of the program to include foundational credit education and coordinated rotations through both the Business Loan Center and Commercial Credit departments.

The emphasis on credit training leads to the second set of recommendations for the project. To deliver a more robust credit foundation most successfully, a newly formed role is being proposed. A Credit Trainer position is being recommended to lead the training effort for both trainees as well as new hires in the BLC and Credit Departments. Based on changes to the bank's structure, this role will help coordinate training across multiple departments and assess skills as the trainee completes their rotation. The training position will also implement and conduct some foundational credit training, which would be a new element to the program. Given the importance of credit skills to many of the permanent placement roles, this additional investment is seen as a critical enhancement to the program.

Following the revamped credit training component of the program, recommendations are being made for the in-market phase that will ultimately lead to permanent placement. The enhancements outlined in these preceding phases are intended to aid in identifying skillsets and alignment with permanent roles for the trainee. To do this better, it is recommended that career tracks be created for positions that a trainee could transition to upon completion of the program. Focus areas for these roles would be in Credit, Product, Operations, and Sales. Key stakeholders from each group would be engaged to create a structured path through phase two of the program that would ultimately lead to a permanent role in one of these areas.

The final set of recommended enhancements focuses on key retention strategies to ensure that trainees remain engaged throughout their program experience. These strategies are centered around increasing the frequency of feedback and skills assessment to achieve optimum job alignment when permanently placed. Compensation and job titles will also be reviewed to ensure that salary and bonus structures are competitive and allow for the attraction of top talent. Specific to sales, the creation of an Associate role is also being proposed to increase the probability of success for those pursuing that specific career path.

One of the benefits to this project is that not all the recommended enhancements require a capital investment. Conversely, those that will, do not have an immediate correlation to revenue as the training program is an investment in the development of talent that will serve the bank and generate a return in future years. Given those variables, a three-year expense budget was created based on certain assumptions. Total estimated costs to implement were $276,250 in the first year and increased to $387,038 by the third year when all the initiatives would be fully implemented. Most of the expense is driven by the newly created Credit Trainer role and proposed increases to the trainee salary and bonus compensation structure.

The capital investment in the project is justified as it addresses three critical areas in the bank's talent strategy. Given the proportion of revenue generated by commercial banking activities, a continued focus on developing talent in this line of business is justified. Improving the overall effectiveness of career alignment with matching skills will drive increased retention rates. Related to retention, there is a cost advantage to internal hiring versus external hiring as these individuals matriculate through the organization during their careers.

Non-financial elements were also examined, which focused on identifying obstacles and developing strategies to overcome them. Those obstacles include lack of resources, budget limitations, lack of prioritization, cultural objections, and lack of engagement from market leadership. Market leadership is critical to the success of phase two of the program, which leads to permanent placement.

In summary, the project is about people and the continued belief that talent is the key differentiator to Fulton's long-term success. The talent strategy is robust and internal development programs remain a critical component to the long-term plan. A highly effective Commercial Management Trainee program will compliment external recruiting efforts and provide the bank with a diverse talent pool to fill critical roles.

Introduction and Background

Fulton Bank was founded in 1882 and is the sole banking subsidiary of Fulton Financial Corporation, a regional financial holding company headquartered in Lancaster, Pennsylvania. Fulton provides a variety of financial services throughout its five-state footprint that includes Pennsylvania, New Jersey, Maryland, Delaware, and Virginia. Within the Mid-Atlantic region, the bank operates approximately 200 financial centers and specialty offices and employs over 3,300 people. Along with traditional banking services aimed at meeting the needs of both individuals and businesses, Fulton also provides investment management and planning services through its subsidiaries, Fulton Financial Advisors and Fulton Private Bank. Additionally, the company offers residential mortgage services through Fulton Mortgage Company. Through its parent, Fulton Financial Corporation, the company is publicly owned, and its stock is traded on the NASDAQ Global Select Market under the symbol FULT with a market capitalization of $2.60 billion[1].

Fulton has experienced consistent asset growth over the years, reaching $25.9 billion for the most recent year ending December 31, 2020. Over the years, growth has been achieved both organically and through strategic acquisitions. In 1982, the holding company was formed and over the next 20 years, Fulton was a very active acquirer and expanded its presence throughout the region. Since that time in the early 2000's, the bank has focused on growing organically

[1] Fulton Financial Corporation Corporate Profile. Corporate Profile | Fulton Financial Corporation (fultonbank.com) (accessed August 6, 2021)

while also investing heavily in its Target Operating Model, Operations and Compliance areas. These investments were all deemed critical to its long-term viability and built the foundation to support future growth. Please reference Exhibit A in the Appendix to view a map of the current markets served within the Mid-Atlantic region.

In 2014, the bank transitioned from a decentralized structure with multiple, affiliate led banks to a model with one bank charter that is organized around the customer. The new Target Operating Model continued to embrace the importance of local decision making, relationship-based banking and a strong community focus; all key ingredients to what has made Fulton successful over the years. While preserving these attributes within its customer strategy and reporting structure, the bank is now organized by three primary business lines: Consumer, Commercial, and Shared Services.

The Consumer and Commercial business lines focus on serving the needs of individuals and businesses, respectively. Shared Services represents the operational and non-customer facing departments, all of which are centralized to drive efficient and effective delivery of these functional areas. As part of the Target Operating Model, the bank segmented its customer base and aligned its sales team to focus on the unique needs of its customers with the goal of creating value and driving growth. Exhibit B references both the Commercial and Consumer customer segments.

A final component to Fulton's value proposition is its market positioning. At nearly $26 billion in assets, Fulton is within the top 100 largest banks in the United States by asset size. The size of the bank provides sufficient scale to offer a wide array of products and services with the goal being to “out product” smaller banks within its competitive set. Equally important, is that size does not become an impediment to providing personalized customer service and acting as a trusted advisor. With this customer focus, Fulton strives to “out service” its larger competitor banks. The value proposition captures the best of both worlds; a community bank service model combined with products and service capabilities typically found at much larger institutions.

Market Share / Competitive Dynamic

Fulton continues to value and appreciate the differences that exist within its five-state footprint and the unique needs of their customers. It utilizes three regions (recently consolidated from four in 2021) and 18 markets to deliver its financial services directly to the customer, which also aligns to its reporting structure within the Consumer and Commercial lines of business. The three regions include Central Pennsylvania (PA counties to the west of Chester County, Berks County and Lehigh Valley), Southeast Pennsylvania & New Jersey and DelMarva (Delaware, Maryland and Virginia).

The bank has created a framework that has intentionally preserved a market focused, team-based approach to sales and customer service. While at the same time, through its Target Operating Model, created more consistency, focus and accountability at the business line level. This hybrid approach is intended to drive more value to the customer through business line leadership but avoid the risk of silos being created as teams continue to work together in their respective market. This blend of business line and market-based alignment is unique to Fulton and viewed as a competitive advantage.

Competition within Fulton's five-state geography continues to increase from both traditional banks and non-bank providers. The intensity of competition has also increased as Fulton operates in markets with extremely favorable demographics, in particular median household income, which is some of the highest in the country. Market share in the five-state footprint is dominated by larger institutions. This provides Fulton with a unique opportunity to differentiate from its primary competitors in these markets. It also provides challenges given the larger banks ability to invest heavily in technology, which accelerates growth with both consumer and commercial households.

The proceeding market share data is broken down by both region and market for 2020[2]. The detailed market level data can be found under Exhibit C in the Appendix. Please note that there was a realignment of the regions that occurred in 2021. Within the data below, Southeastern PA includes both Berks County and Lehigh Valley, who subsequently realigned to the Central PA region. Based on market share data, Fulton is the 9th largest depository bank by market share with all others in the top 10 being larger institutions. Fulton maintains the largest concentration of deposits in its Central PA region, which is also the smallest region by total market deposits. This region is home to Fulton's headquarters in Lancaster, PA and other surrounding counties, where its brand is well known, and it has a long track record of success. The Central PA region provides a stable foundation and customer base to support accelerated

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[2] SNL.com Fulton Financial Corporation FDIC Deposit Market Share Board Report Presentation. December 2020 (accessed August 6, 2021)

growth initiatives in the other regions. These regions have tremendous opportunity based on the market potential and Fulton's differentiated service and delivery model.

It should be noted that deposit growth rates are measured from July 1st through June 30th of the following year. In 2020, these growth rates were significantly impacted by the influx of government stimulus funding that occurred because of the COVID-19 pandemic. While the growth rates are unusually high, Fulton was able to grow at a faster rate than the overall market for the year. Fulton was a very active participant in the SBA Paycheck Protection Program, which supported a portion of this growth in 2020.

	2020									
Region	FBK Active Branches	Total Market Branches	FBK Branch Share	2020 Fair Share Index	Total FBK Deposits ($000)	Total Market Deposits ($000)	Market Share	Change in Market Share from 2019-20	% Growth in FBK Deposits 2019-20	% Growth in Market Deposits 2019-20
Central PA	65	723	8.99%	128.25	$ 8,044,178	$ 69,768,706	11.53%	0.51%	22.49%	17.03%
DelMarVa	55	2041	2.69%	13.54	$ 3,622,601	$ 993,078,821	0.36%	0.00%	20.90%	20.35%
New Jersey	63	1651	3.82%	50.44	$ 4,244,667	$ 220,530,322	1.92%	0.00%	17.94%	17.99%
Southeastern PA	47	1365	3.44%	58.89	$ 4,067,154	$ 200,569,724	2.03%	0.03%	22.12%	20.23%
Grand Total	**230**	**5780**	**3.98%**	**33.83**	**$ 19,978,600**	**$ 1,483,947,573**	**1.35%**	**0.01%**	**21.13%**	**19.82%**

Financial Performance

Please reference Exhibit D in the Appendix for the ratios and highlights from the past three years of performance for Fulton Financial Corporation. These results were consolidated from the annual 10-K report and accessed from Fulton's website[3]. As illustrated in the Appendix, Fulton has consistently grown both loans and deposits in recent years, all accomplished without the aid of bank acquisitions. In the most recent year, the SBA's Paycheck Protection Program

[3] Fulton Financial Corporation Financial Highlights. Financial Highlights | Fulton Financial Corporation (fultonbank.com) (accessed August 10, 2021)

supplemented loan growth by nearly $1.6 billion. These loans were the result of a government stimulus program aimed at supporting businesses through the COVID-19 pandemic.

The extremely low interest rate environment and pandemic related disruption both negatively impacted profitability metrics in 2020. Loan loss reserves were increased significantly from nearly $33 million to $77 million given the uncertainty of the pandemic's effect on the economy. Despite the challenges presented from the pandemic, Fulton's core banking performance remained stable and was bolstered by record results generated within its residential mortgage and wealth management areas.

Strategy / Implementation

Fulton Bank has roots in a Management Trainee Program that date back over 50 years to Rufus Fulton, a retired CEO who claimed to be the very first Management Trainee of the bank. Since that time, the Management Trainee Program has grown and evolved while remaining a key pillar in the bank's long-term talent development plan. Over the last 20 years, the program has been structured in a consistent manner. During the first half of each calendar year, through Human Resources, the bank would recruit, interview, and hire between six to 12 new Management Trainees on an annual basis. Once hired, these new employees would embark on a series of department rotations, experiencing many different aspects of Fulton's banking operations. The program was intended to last 18 to 24 months, with the trainees being permanently placed in a full-time role within the bank during that period. Typical starting positions have been Financial Center management roles in Consumer Banking, Credit Analyst positions in Commercial Banking or various roles within Shared Services such as Accounting, Marketing, or Operations.

In 2020, the Management Trainee Program was revamped for the first time in many years with the addition of a Commercial Management Trainee Program. This newly formed program looked very similar to the “traditional” program but was created to specifically develop a talent pipeline within Commercial Banking. Both the Traditional and Commercial Management Trainee programs had a similar framework of department rotations with the goal remaining a successful permanent placement into a full-time role. The creation of the Commercial Management Trainee program was the result of a collaborative effort that was led by Kristen Watts, SVP & Commercial Market Executive. Kristen led the initiative internally and in addition, prepared her Stonier Capstone Project on this topic in 2018.

Since the creation and launch of the Commercial Management Trainee Program in 2020, an inaugural class of trainees has embarked on this new journey. Through the experiences of this first class of Commercial Management Trainees, there has been opportunity to learn and assess the overall effectiveness of the program’s initial structure. It should also be noted that several areas identified within the original program design were not implemented at the onset for various reasons. This project will be examining lessoned learned from the initial class and recommending several program enhancements to increase long-term success and outcomes. Those recommended enhancements broadly include program framework revisions, emphasis on credit training, development of permanent placement career tracks and examining key retention strategies throughout the program experience.

Key Considerations

As referenced previously, the Commercial Management Trainee Program was rolled out in a way that was notably different than its original design. There were several factors behind this including budget constraints and input from senior management. Senior leadership felt strongly that the emphasis on Commercial Management Trainees should be embedded within the bank's existing Management Trainee Program structure. As a result of these factors, the original program design was modified to align with the framework already in place for the traditional program. Now that the Commercial Management Program has launched, this project will evaluate its initial performance, gather feedback from key stakeholders and provide recommendations on additional enhancements. The goal of these enhancements will be to create an optimal experience for each Management Trainee with a focus on the skills needed to drive successful permanent placements.

Other key considerations all directly align to Fulton's long-term talent strategy. As outlined in the bank's most recent strategic plan, the talent strategy is focused on maintaining a strong culture, driving engagement, ensuring a diverse and inclusive workforce and finally, evolving the talent pool to meet current and changing needs and wants of the customer[4]. Additionally, the strategic plan includes multiple growth initiatives that will be led by the Commercial Banking line of business. The proposed enhancements and effective development of

[4] Fulton Financial Corporation Strategic Plan 2021-2026 (accessed September 22, 2021)

participants in the Commercial Management Trainee program directly support Fulton's growth and talent strategic objectives.

Project Leaders Role

As an alumnus of the traditional Management Trainee program, the Project Leader has firsthand experience and a strong knowledge base to leverage for this project. In the Project Leader's current role with the bank, he has been involved in the recruiting and hiring process for the program on an annual basis for many years. The Project Leader was also involved in a committee that assisted with the creation and launch of the Commercial Management Trainee program. Through the first year of the Commercial Management Trainee program in 2020 through the present, the Project Leader has worked directly with Jessica Gombar, Talent Management Program Manager to assess progress and measure outcomes of the inaugural class of trainees. In her role, Jessica is the Manager for all incoming Commercial Management Trainees until the point in time when they transition to a home market for the second phase of the program. At that time, a Commercial Banking Team Leader or Commercial Market Executive assume direct management of the trainee, which is a role currently held by the Project Leader.

Through these multiple connections to the Management Trainee program and his own personal experience, the Project Leader is passionate about the program's importance to Fulton's long-term talent strategy. The Project Leader has identified several key program enhancements that will mutually benefit the participants and the bank. This project leadership role is significant as it provides the Project Leader with an opportunity to drive an initiative outside of his primary job function, which will result in professional growth. The large percentage of Fulton's revenue that is generated by the Commercial line of business and its corresponding strategic growth strategies emphasize the importance of this project. The Project Leader will have the opportunity to develop recommendations that will focus on developing top talent in Commercial Banking, talent retention strategies and aligning talent with key organizational needs to drive growth.

Recommendations

There are several key areas of the Commercial Management Trainee program that are recommended for review. The recommendations will begin with a review of the current program framework and analyzing potential gaps. To follow, two primary areas of opportunity will be addressed and include in-depth credit training and permanent placement strategies. Lastly, engagement and retention strategies will be evaluated to ensure long-term success of the program.

In its current configuration, the Commercial Management Trainee program framework includes two phases. The goal of the first phase is to get the trainees oriented to the bank and exposed to the various departments within Commercial Banking. The trainees report directly to Jessica Gombar, Talent Management Program Manager, during this phase and she is responsible for building their rotation schedules. The rotations are geared towards providing a high-level overview of the departments and general exposure to these various areas. Credit training was included within this first phase of the experience and included exposure to both the Business Loan Center (credit exposure from $500,000 to $2,500,000) and Commercial Credit (credit exposure greater than $2,500,000). During the first year of the program, it was identified that not all areas within Commercial Banking were represented and revisions were made for the 2021 class of trainees. The updated Phase I rotations guide can be referenced in Exhibit E.

As the framework exists in its current state, following the first phase of the program, trainees' transition to a home market and reporting shifts to a Commercial Banking Team Leader or Commercial Market Executive. Phase II of the program is much less defined in its current state as market leadership has the flexibility to work directly with the trainee and deepen their experiences within targeted areas of Commercial Banking. While the flexibility allows for a customized approach and unique experience for each trainee, it also puts additional burden on the market manager. These individuals must assess skillset, develop a plan, and collaborate with department managers to garner additional experiences for the trainee prior to permanent placement. Recommendations will follow on ways to better support market leadership in these areas, specifically looking at career tracks to utilize during this second phase of the program.

Framework Revisions

Within the current framework, several areas for improvement have been identified based on the experiences of the inaugural class of Commercial Management Trainees. First, there is risk that the two phases of the program become disjointed given there is a shift in reporting structure from a centralized model in Human Resources to various in-market leaders during Phase II. A significant part of management's responsibility during the program is to assess skills, guide and support the trainee through the experience. With different managers involved, there is risk in this process if market leadership is not involved from the onset.

In its current state, the Talent Management Program Manager is conducting meetings with the future in-market managers throughout Phase I of the program. These meetings are high level and consist of updates on rotation schedules and the trainee experiences to date. One of the issues identified has been the need to get the in-market managers more involved in the assessment of skills during the first phase of the program. Given these leaders will ultimately be responsible for guiding the trainee to permanent placement, it is critical that they have a full understanding of the trainee's strengths and areas for improvement throughout all phases of the program. To that point, it is recommended that the first phase of the program include a process to monitor and assess trainee skills throughout Phase I of the program. This change will allow for in-market managers to possess a greater understanding of the desires and skills of their respective trainee, which will lead to better outcomes in Phase II of the program.

Along with greater collaboration from management, an emphasis on credit training is another identified opportunity within the framework. In its current state, credit training occurs in Phase I and is intermixed with other exposure to the various departments. While those other experiences are geared towards providing an overview and general understanding of the department, the credit rotation is more in depth and foundational to assessing what career tracks may align best with the trainee's skillset. Given the high level of importance and different format required for the credit experience, it is recommended that credit training be moved from a core rotation in Phase I of the program to a longer, transitional phase woven in amongst Phases I and II. Credit training enhancements will be evaluated in more detail in the following section.

A final component to the review of the current program framework is the opportunity to drive consistency and linkage to the Commercial Banking Internship program. In recent years, Fulton has become more active and formalized its internship program across all facets of the organization. The Commercial Banking line of business has participated and increased its utilization of Interns with the primary goal being to gain exposure to top talent and aid in its recruiting efforts for its Commercial Management Trainee program. The utilization of Interns is a decision left to each market and the Intern experience has varied greatly with very little consistency from market to market.

As noted previously, credit training is a foundational element within Commercial Banking and Intern exposure to formal credit training has varied significantly. The opportunity to gain credit training as an Intern, can both improve the experience and increase preparedness for the Commercial Management Trainee program. The Project Leader has firsthand experience with previous Interns who have had varying degrees of credit training and was able to assess this as they matriculated to the Management Trainee program. Those who had the opportunity for some formal credit training as Interns, were much better prepared and accelerated through the trainee program at a more rapid pace. Based on this experience, it is recommended that some training aspects of the Commercial Banking Intern position be standardized across markets. With some targeted training and increased consistency in the internship experience, these individuals will not only improve their skills but be better prepared for future employment via the Commercial Management Trainee program.

Credit Training

Recommended enhancements to the credit training segment of the program are a critical element to this project. Several factors have impacted its effectiveness over the years, which could be argued is the most critical training provided during the program. Two of the most obvious challenges are tied to changes in Fulton's credit underwriting structure and staffing. Historically, credit training had been handled by the Commercial Credit department and led by a Senior Credit Analyst, who was specifically tasked with providing training to all new staff members and Management Trainees. Over time and specifically with the formation of the Business Loan Center (BLC), this began to change. The rollout of the BLC segregated credit underwriting by loan exposure, with borrowing relationships at $2,500,000 and less being handled through a more streamlined approach. The relationships over that threshold would continue to be handled by the Commercial Credit department with a more rigorous underwriting process. Staffing was also impacted and the role that previously handled all the training aspects was lost. The BLC formation and staffing changes also complicated the training process as Commercial Credit no longer worked on those relationships of smaller size and less complexity that were ideal for new hires and Management Trainees.

Given these factors, it has created challenges in providing the proper credit training to Management Trainees and enhancements are recommended. To help assess the opportunity, the Project Leader interviewed several key stakeholders from Commercial Credit and the BLC. Those individuals and their respective roles are as follows: Mark Smith, Director of Commercial Credit & BLC, Rodney Yoder, Commercial Credit Manager, Tina Crouse, BLC Credit & Compliance

Operations Manager and Evans Elias, Regional Commercial Credit Manager. In collaboration with this group of internal stakeholders, several recommendations are being made.

The first recommendation ties back to the framework revisions previously addressed. Along with creating a foundational credit experience as a transitional phase in the program, both credit departments would be prepared to host multiple trainees at once. Staffing is a critical element to the success of this recommended change in the model. The proposed solution is the creation of a role that will be primarily responsible for the training function in both the BLC and Commercial Credit. It is anticipated that this role would have some capacity to contribute in other ways, but the primary function would be training and equally important, helping to assess skillset of the trainees as they prepare for Phase II of the program.
Organization of the training is also equally important given the structural changes made by Fulton with the formation of the BLC. It is recommended that all trainees would start with a new rotation being added to their Phase I experience. This new rotation would be an introductory credit training course facilitated by the proposed trainer role using materials from an industry source such as the American Bankers Association. This would provide a base level assessment of each trainee's credit acumen. Following this, trainees would progress to tailored rotations through the BLC and then progress to Commercial Credit, which is larger and more complex underwriting and analysis. The training role would be actively involved in guiding trainees through all aspects of the credit experience.

The importance of this role in the trainee's development cannot be overstated as Phase II of the program will focus on successful permanent placements roles within Fulton. The credit training element and input from this individual will greatly contribute to determining which trainees are best suited for permanent roles that require strong credit skills and those where credit is of lesser importance. A training plan including criteria, activities, and length of rotations will all need to be developed, along with a job description for the proposed role.

Permanent Placement

As trainees' transition to market leadership during Phase II of the program, there is an identified need to further define a roadmap at this stage in the process. Under the current framework, in-market managers are primarily responsible for working alongside a trainee and establishing a successful plan that leads to permanent placement. The previous recommendations address opportunities to improve the overall framework, better train and prepare the trainees, assess their respective skillset, and provide more rigorous credit training. As the trainees enter the in-market phase, it is critical that not only are they better prepared, but so are their new managers to support them throughout the process. To address this area of opportunity, it is recommended that career tracks to be developed as a tool to lead to successful permanent placements.

This recommendation is well timed as during the first year of the Commercial Management Trainee program in 2020, a realignment within Commercial Banking occurred during the fourth quarter. This realignment provides an opportunity to create career paths that are consistent with the updated organizational structure of the line of business. The Commercial line of business has four distinct areas: Commercial Credit, Commercial Sales, Commercial Product & Strategy and Operations. Within Commercial Sales, there are three functional areas that include Commercial Markets, Middle Market & Specialized Banking and Product Sales. As

Fulton pursues its growth strategy, which is largely driven by initiatives within Commercial Banking, all these areas will need additional talent and resources to achieve its goals.

The next steps to formulate and define this recommendation would include the involvement from key stakeholders that oversee the various areas within Commercial Banking. Like the credit training recommendations, the Project Leader would propose interviewing and soliciting feedback from this group. Two critical questions that would be addressed are as follows:

1. What are the roles best suited to be filled by a Commercial Management Trainee at permanent placement within your business area?
2. What types of activities, special projects or rotational experiences would best prepare a Commercial Management Trainee for these roles?

Based on this feedback, the recommendation would be to build out a broad list of career options that could be matched to the skillset of a trainee. Additionally, market leaders would also have available a resource guide to prepare a trainee for permanent placement within these roles. Working together, the trainee and in-market manager will then develop an action plan with the assistance and support from department leaders.

The proposed list of potential permanent placement roles would be grouped into one of three tracks, which would include Credit, Product/Operations and Sales. These three categories all require different skillsets and cross over into all areas within Commercial Banking. Historically, trainees have typically been placed into a limited number of roles within Fulton. This recommendation not only broadens the options but is intentional around exposing the trainee to all aspects of the Commercial line of business. This ensures that Fulton is hiring a diverse candidate pool and leveraging its talent across the entire commercial bank.

Retention Strategies

Along with the recommended changes to the program structure, several key retention strategies have also been identified. While the structural program recommendations are the primary focus of this project, outcomes will be measured by the engagement, long-term performance, and retention of the trainee talent pool. The broad strategies include a focus on frequency of feedback, compensation and incentive payments and job title/role progression opportunities. A brief synopsis of each retention strategy is outlined below.

- The recommendation is to conduct frequent reviews and assessments with the trainee during the first phase of the program to include both the Talent Management Program Manager and Market Leader. The frequent touch points and involvement from both current and future manager will demonstrate the level of investment in the individual and provide critical information that will assist in the permanent placement action plan.
- In conjunction with the frequency of self-assessments and manager feedback, the recommendation is to examine the compensation structure for trainees. This could include frequency of compensation reviews and the opportunity to earn performance based or one-time incentive payments throughout the program.
- Lastly, it is recommended that trainee job titles commensurate with progression in the program be evaluated during the second phase of the program. A larger opportunity is the potential to explore an Associate position for certain permanent role placements. Sales roles, such as a Commercial Relationship Manager, could benefit from an intermediate step during the transition from the program. The Associate role would allow for the trainee to begin working in a placed sales position but would focus on the

behaviors and skills needed in the role with less focus on sales and production results during the initial placement phase.

Competitive Advantages

The recommended enhancements to the program structure and retention strategies will lead to multiple competitive advantages. First, it should be noted that many competitor banks in Fulton's territory do not offer or have abandoned a formal training program over the years. This creates a significant opportunity to differentiate when recruiting and attracting talent to the organization. Competition for talent is a threat not only from competitor banks but non-bank financial service providers as well. A highly effective training program will also correlate to overall employee engagement and stronger retention rates.

The recommendations within this project will provide more opportunity to assess talent for cultural fit, another key element when measuring engagement. The program enhancements will also create competitive advantages with sourcing talent and increasing the diversity of the talent pool. A stronger linkage to the internship program creates the opportunity to funnel talent through an entry point and provide a path to full time employment post-graduation via the Commercial Management Training program. From a strategic perspective, Fulton is also able to plan for long-term needs and develop its own talent for hard to fill entry or mid-level roles where time is available to do so.

Future Considerations

In addition to the specific enhancements and strategies outlined in this project, several future considerations were identified throughout the process. These primarily focused on front-end strategies that will lead to recruiting and attracting the best talent each year. These future strategic considerations are outlined below.

- Targeted recruiting efforts with a focus on increasing awareness of careers in Commercial Banking. Many of the newly hired Management Trainees have little or no understanding of Commercial Banking prior to their start at Fulton Bank. This provides a tremendous opportunity to drive a deeper awareness and generate excitement around potential careers in Commercial Banking with the broader talent pool.
- In conjunction with driving awareness, deepening partnerships with select colleges and universities presents another key opportunity. These partnerships could be through in-class activities such as guest speaking engagements or presentations as well as traditional on campus recruiting efforts.
- Leveraging the internship and trainee programs to focus on the bank's diversity and inclusion goals. Fulton has continued to emphasize the importance of a diverse workforce and the benefits that it provides the organization. The internship and trainee programs provide an avenue to do so in a strategic way that allows for the development of its own diverse talent.
- Maintaining engagement with trainees post permanent placement, specifically in the first three to five years of employment. During this critical period, examine ways to stay connected and support trainees as they begin their career. Potential ideas include alumni network activities and mentoring programs.

Recommendations Summary

In summary, the recommendations are outlined within four key areas of the Commercial Management Trainee program. These are framework revisions to the program, credit training enhancements, development of permanent placements tracks and retention strategies. Under each of these areas, there are specific enhancements and action items to pursue as part of the project timeline. Some of these items will require a capital investment whereas others will not, except for time from internal stakeholders. Those enhancements that will require a capital investment are noted and will be analyzed further in the upcoming Financial Impact section. Please see the summary of recommendations in the following chart.

Recommendation	Enhancement	Capital Investment
Framework Revisions	MT skills assessment process	
	Foundational credit training experience	
	Internship and MT program alignment	✓
Credit Training	Creation of Credit Trainer role	✓
	Implementation of credit training course	✓
	Credit training program design	
Permanent Placement Strategies	Creation of tracks with focus on Credit, Product/Operations, Sales	
	Identify permanent roles within each track	
Retention Strategies	Frequency of MT reviews/skills assessment	
	Review MT compensation structure & frequency of performance reviews	✓
	Review MT role/title progression in program	✓
	Explore Associate role for Sales positions	✓

Project Timeline

To date, a formal working group has not been created to evaluate this opportunity. The work has been more informal and primarily led by the Project Leader, Talent Management Program Manager, and a few key internal stakeholders. It is recommended that a project group be established to determine the viability of the recommendations outlined in this project. Additionally, the group will be tasked to identify risks and gaps in the current program model as well as assess the financial and non-financial impacts. An implementation schedule has been developed to help guide the project and can be found in Exhibit F of the Appendix.

Financial Impact

As outlined in the Recommendations Summary, the project includes various components and some of those will require a capital investment whereas others will not. In this section, those recommendations that will require a capital investment will be further analyzed. To start, these investments will be defined as a basis for the projections, assumptions, and analysis. It is also important to note that this project does not have a direct revenue outcome that can be clearly defined. Therefore, the following analysis will focus solely on the associated expenses and rationale to support the proposed investment.

The recommendation that will require the largest capital investment is the proposed addition of a credit training position. This would be a newly formed role and an add to the existing staffing complement within the Commercial Credit department. Costs associated with this recommendation would be annual salary and benefits along with some ancillary expenses to support the development of a formal curriculum. A significant part of the curriculum leads to a related recommendation, which is the introduction of an introductory credit training course. The course would be facilitated or led by the Credit Trainer and include an associated cost to access the curriculum and administer. This would be an annual expense, as each new class of Management Trainees would participate in the training.

A final component within the recommendations that will require a capital investment are those tied to retention strategies. Notably, these include a review of the Management Trainee compensation structure, frequency of pay adjustments, evaluation of additional variable compensation and a newly created Associate role for Commercial Sales positions. This investment will be analyzed as an incremental increase to the salaries and benefit expense already budgeted for the program.

Expense Budget

The expense budget outlined below was developed with the assistance of several internal stakeholder groups. For the proposed Credit Trainer role and credit training coursework, input was provided by the Commercial Credit department and Human Resources. Regarding the proposed retention expenses, the Talent Management Program Manager and Project Leader collaborated on those line items. Given the major impact of the additional expense will be realized in the second year, a three-year expense model was developed. In the successive two years, a 3% growth rate was applied to the salary related expenses. As is shown below, the incremental increase after the expenses are fully realized is minimal.

	2023	2024	2025
		3%	3%
Credit Trainer			
Salary	105,000	108,150	111,395
Benefits/Taxes	36,750	37,853	38,989
Training Materials	2,500	1,000	1,000
Credit Course			
Materials	24,000	24,000	24,000
Retention Expenses			
Salary Adjustment	108,000	109,800	111,654
Variable Compensation	-	60,000	60,000
Role Progression	-	40,000	40,000
TOTAL	**$276,250**	**$380,803**	**$387,038**

Assumptions

To develop a preliminary expense budget for the Credit Trainer role, the Project Leader consulted with managers from the Commercial Credit department. While the role will be primarily focused on the training aspects outlined previously, it is anticipated that the position will also contribute by performing higher level credit underwriting equivalent to that of the Lead Credit Analyst role. Based on the experience and skillset required for the Lead Credit Analyst role, it was assumed that the proposed Credit Trainer role would be graded at the same level. While a formal job description and salary grading process will need to be undertaken in the future, the Lead Credit Analyst role provides a baseline for the assumptions. That position is currently graded at a G12 within Fulton's salary hierarchy and carries a minimum salary of $78,200, midrange salary of $104,250 and maximum of $130,300.

For budgeting purposes, a starting salary consistent with the midpoint was proposed at $105,000. In addition, benefits and payroll taxes were assumed at 35% of salary based on guidance provided by the Human Resources department. The final assumption made for the

Credit Trainer position was a $2,500 allocation for the creation of training materials to support the curriculum. Based on these assumptions, the total projected first year expenses of the Credit Trainer role are $144,250.

The proposed addition of an introductory training course on Commercial Lending is the second area of potential investment. Based on the research and assumptions made by the Project Leader, the additional expense is relatively minimal. The Project Leader researched available materials through Moody's Analytics online course catalog. Courses are provided through a self-paced online format or in a virtual classroom. The self-paced online format cost was under $1,500 per attendee for the Commercial Lending course. Other related courses were offered through the virtual classroom format at an increased cost of approximately $4,500 per attendee[5]. Given that a dedicated training role would be in place to facilitate and support this training, the Project Leader is recommending the online format for the introductory training course. The cost was rounded up to $2,000 per attendee and assumed a Management Trainee class of 12 in the budget. Based on those assumptions, the total first year expense is $24,000 for the online training course.

The final component to the expense budget is several items aimed at retention of talent in the Commercial Management Trainee program. The Project Leader worked directly with the Talent Management Program Manager on these assumptions, which focus on three distinct areas of compensation. Those three areas include a review of the current salary and bonus structure,

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[5] Moody's Analytics Course Catalog Learning Solutions. Learning Solutions Courses, Online Trainings & Certifications (moodysanalytics.com) (accessed November 11, 2021)

evaluation of performance bonuses during the program and incremental salary adjustments based on role progression for those in a Commercial Sales career track.

Commercial Management Trainees are currently graded at a G05 within Fulton's salary hierarchy and start at a salary of approximately $45,000 per year with a $1,000 starting bonus. In addition, trainees receive a full complement of benefits and 18 days of paid time off. To remain competitive in the market and ensure the ability to attract top talent, it is recommended that the starting salary and bonus be increased. The recommendation was to increase the starting salary to $50,000 and the starting bonus to $5,000. The incremental increase equates to $9,000 in total and is assumed on a class of 12 Commercial Management Trainees. Those assumptions lead to a first-year increase of salary expense for the trainee class to $108,000.

The second component was a review of variable compensation for the Commercial Management Trainee program. Currently, the trainees are eligible for a holiday bonus, which is discretionary and typically equates to two weeks of salary. Through various forms of feedback during the first year of the program, the addition of a performance-based bonus has been contemplated. The purpose of this bonus would be to correlate performance and career progression with compensation. The recommendation is to award the Commercial Management Trainee a one-time bonus of $5,000 at the time they enter Phase II of the program. Phase II is the time at which they transition to market leadership and will be focused on a specific career track aligned with a permanent placement. As noted, the recommended payout is $5,000 and is assumed on a class size of 12 trainees. These assumptions equate to a total cost of $60,000 and based on timing, would not occur until the second year in the budget timeline.

The final compensation item evaluated with these retention strategies is a salary adjustment tied to role progression for those in a Commercial Sales career track. As previously outlined, one of the recommendations is to evaluate an Associate position for those pursuing a sales role at the bank. This Associate role would serve as a bridge from the management trainee program to a final placement in a sales position. The Associate role will allow for the individual to begin working within the sales function but with limited to no sales goals at the onset. This position will allow for more time to learn and grow into the role before being expected to achieve revenue goals, thus increasing the probability of long-term success.

With the addition of this new position, it is recommended that a formal title change also occur, and a commensurate salary adjustment be awarded. Given the disparity between starting salaries in Commercial Banking sales roles and that of Management Trainees, a salary adjustment of $5,000 is being recommended. This would align well with most starting salary positions for less experienced Commercial Relationship Managers or Product Sales roles. Based on an assumed class size of 12 trainees, it was assumed that two-thirds, or eight of those would migrate into sales positions. Based on the recommended $5,000 salary adjustment for up to eight trainees, an additional expense of $40,000 is budgeted. Given the timing of when these promotions would occur, they are projected to begin in the second year of the budget timeline.

The final assumptions of note in the expense budget timeline are those that carry forward into the second and third year. As noted previously, the full impact of the variable compensation and sales role progression expenses will not be realized until the second year of the budget. In addition, it was budgeted that all other salary related expenses increase at a rate of 3% in both the second and third year of the expense budget. As seen in the budget, the second year includes all expenses at a total slightly under $381,000 for all recommended enhancements to the program. In the third year, there is only a minor increase related to typical budgeted salary increases, which elevates the total expense to just over $387,000 in the third year.

Risks

The risk analysis of the proposed investments will be evaluated independently on each of three primary areas that will require added expense to the organization. The first of these areas is the addition of a credit training role within the Commercial Credit department. There were three primary risks identified as it relates to the financial investment being proposed. Given the unique skillset that will be required, identifying, and hiring a candidate to fulfill the role is a key risk. Related to that risk are the assumptions being made regarding salary expense. Given the bank's lack of history with this unique role, there is the potential that the salary assumptions will need to be adjusted. A final risk with this investment is budget constraints within the bank for new positions that are not directly linked to revenue generation.

All the identified risks would impact the assumptions and budgeted expenses in the proforma. In a best-case scenario, the budgeted salary and related expenses would be lower than expected. Conversely, in a worst-case scenario these expenses would be higher based the skillset needed to fulfill the role. A 10% adjustment was made on the best-case scenario, which would reduce the first-year expense from $144,250 to $129,825. Under the worst-case scenario, a 10% adjustment was also made, increasing the projected first year costs to $158,675. Under a scenario with increased expense relative to budget, the threat of losing support from bank management for the role also increases.

The second investment area is the proposed addition of an introductory credit and commercial lending course to the program framework. This investment is the smallest and poses the least amount of financial risk to the bank. There is obvious correlation to the size of the investment and risk to the bank but in addition, this investment has no long-term commitment or upfront cost associated with it. If the recommendation were to be adopted and implemented, outside of the initial sunk cost for those that participated, bank management could quickly abandon the usage of this coursework in future years. The training costs are incurred at the time of registration and as noted, there is no long-term financial commitment. The costs of the training are also publicly available, so estimated expenses can be done with a high degree of precision. Given that luxury, a scenario analysis is not applicable to the analysis of this investment.

The final area of investment was related to compensation and retention strategies of the Commercial Management Trainees as they matriculate through the program. Several key risks were identified as there were multiple financial investments proposed. The first risk of note would be that the current or proposed starting salary range is not competitive to attract top talent in the market. A related but separate risk is that once hired, the pace of increased compensation is not sufficient to retain the trainees through the program. A third risk, like that of the credit training role, is bank budget constraints that would limit the ability to implement the proposed compensation enhancements. This risk could also extend to the proposed

Associate role for Commercial Sales positions as it would extend the "investment" period in the individual before they begin generating revenue for the bank.

When evaluating the proposed investment in starting pay and bonus structure for the program, the best-case financial scenario would be it is determined these enhancements are not needed. Feedback from various stakeholders within the bank and historical data would infer otherwise. A more likely best-case would be that a smaller increase in compensation expense is necessary. The fully implemented costs in the second year equate to $169,800 and with a 5% reduction, a best-case scenario would reduce the costs to $161,310. A relatively small variance was used on the best case since the bank now has historical context to support these recommendations. Under the worst-case scenario, these enhancements are not sufficient, and expenses would further increase by 5% to $178,290. A similar methodology can be used with the incremental pay increase for those transitioning into Commercial Sales roles as the bank has the data to support the required compensation levels. The projected costs to implement were $40,000 and a 5% factor improves the best-case minimally to $38,000 and worst-case to $42,000.

Cost Benefit Analysis

Based on the estimated cost of investment for the various initiatives, it is the recommendation of the Project Leader that the benefits outweigh the cost. The benefits of these investments are focused in three primary areas. First, the continuation of a strong track record from the bank to develop its own talent for future leadership roles. The successful development of internal talent leads to the second benefit, which is improved retention rates. Lastly, there is a financial benefit to the organization when its able to promote from within as opposed to hiring externally. Each of these three benefit areas will be further evaluated in more detail below.

Internal talent development remains a critical component to Fulton's long-term strategy as evidenced by its ongoing commitment to the Management Trainee program. The proposed investments are aimed at not only maintaining but elevating the program in future years. These investments are critically timed as senior leaders within the company continue to age closer towards retirement. While the overall age demographics within the banking industry have shifted younger, the older age groups continue to have a stronghold on executive level positions[6]. That is not unusual, and Fulton is no different given the experience that is typically needed to fill these prominent roles. To be prepared and properly plan for succession, management trainee programs play a pivotal role as a primary feeder system to entry level manager positions, which ultimately flow up to higher level roles over time. Please reference the banking industry age data in Exhibit G, which was taken from Crowe's 2021 Bank Compensation and Benefits Highlights.

The retention of talent continues to be a primary goal of the bank and an area that needs to evolve with changes in employee preferences and the competitive landscape. The proposed investments to further enhance the Commercial Management Trainee program align directly with goals focused on retention. In consultation with representatives from Fulton's Human Resources department, several retention benefits were outlined. First, was the cost associated

[6] 2021 Crowe Bank Compensation and Benefits Survey Highlights. 2021 Crowe bank compensation and benefits survey highlights (accessed November 12, 2021)

with turnover, including hiring and training costs. As a result of turnover, productivity and efficiency gains are also lost. For customer facing roles at the bank, turnover creates disruption for the client experience. Lastly, high retention rates have been correlated to gains in overall employee engagement and morale.

According to Crowe's 2021 Bank Compensation and Benefits Highlights, turnover within the banking industry has continued to improve in recent years. Please reference Exhibit H, which shows nonofficer turnover reducing to 16.2% and officer turnover reducing to 3.3% in 2021. Contrary to the industry data, Fulton's turnover rates have seen an increasing trend during the years from 2019 through 2021. It should be noted that Consumer turnover has driven a large proportion of that increase. Also, in 2020, the bank reorganized and eliminated an unusually high number of positions, which involuntarily displaced a significant number of employees. If that were to be removed from the data, 2020 would have been a record low year in employee turnover and more in line with the industry data. If the data is isolated to only Commercial Banking, there is evidence of an increasing trend in turnover. The benefits gained from a highly effective Commercial Management Trainee program can have a direct impact on these trends. Please see the data specific to Fulton Bank below, which was provided by the Human Resources department.

Turnover	2019	2020	2021 *Annualized as of June 30th*
Commercial	10.43%	12.14%	16.34%
Consumer	20.27%	23.21%	28.68%
Shared Services	12.25%	11.65%	11.93%
TOTAL	**16.54%**	**18.18%**	**21.55%**

A key financial component to the cost-benefit analysis is the cost to promote from within versus external hiring. The investment made and proposed enhancements to the Commercial Management Trainee can clearly create long-term financial benefit when the cost of external hiring can be eliminated. Gartner prepared a study on the cost comparison and evaluated hiring expenses that included operational costs, marketing and advertising, sourcing costs, tools, and technology.

As illustrated in Exhibit I of the Appendix, the median cost to hire externally is more than double that of an internal hire[7]. The actual dollars are relatively small at a cost of $2,197 for internal hiring versus $4,623 for external hiring. That said, it's important to consider the number of open positions at Fulton has been as high as 10% in 2021, which equates to over 300 hiring requisitions. As it directly relates to the Commercial Management Trainee program, if retained, these individuals may hold a significant number of different positions at the bank over their careers, thus creating a notable cost benefit compared to external hiring for those roles.

Non-Financial Impact

Organizational Hurdles

Fulton Bank's commitment to developing its future leaders is well documented through the longevity and success of their Management Training program. The effort put forth in recent years to invest and launch a related program focused on Commercial Banking is an example of

[7] Gartner Internal Versus External Candidate Cost per Hire. Internal Versus External Candidate Cost per Hire (gartner.com) (accessed November 12, 2021)

this continued commitment. While the Commercial Management Training program was successfully launched in 2020, critical elements of the original program design were altered or not implemented. Several organizational hurdles have been identified that either contributed to the current program design or will need to be considered as part of the project recommendations. These hurdles include insufficient internal resources, budget constraints and lack of prioritization, cultural factors, and lack of commitment from market leadership.

When evaluating these potential hurdles, insufficient internal resources, budget constraints and lack of prioritization can all be grouped together. As outlined previously, the proposed recommendations will require a collaborative effort from various internal stakeholder groups not only representing the Commercial line of business but also groups within Shared Services such as Human Resources. These stakeholder groups will need to work together and dedicate their respective subject matter experts to the planning process. For the program enhancements that require a capital investment, budget constraints and lack of prioritization are potential challenges. These challenges are magnified when the investment is being made in an area that is not directly generating revenue for the bank.

The culture of Fulton Bank is well defined and a foundational tenet to how its employees think and interact with each other. While this strong culture is an attribute for the organization, it is also a potential hurdle in the context of differentiating its management training programs. In its original program design, the commercial program was positioned as a more esteemed alternative to the traditional program. This notion that one program was superior to the other conflicted with Fulton's culture and emphasis on valuing the team as opposed to the individual. With that, changes were made to align the newly formed commercial program as an equivalent to the traditional program. Given that background, further enhancements to the commercial program could be met with some cultural resistance if they are viewed as elevating the stature well above that of the traditional program.

The final hurdle to be examined is the potential lack of commitment from market leadership in its support of the Commercial Management Training program. Each trainee will spend the second half of their program experience embedded in one of Fulton's markets until they achieve permanent placement. The involvement and influence provided from market leadership cannot be understated in this program structure. The project includes recommended enhancements to this element to ensure market leadership is engaged throughout the entire process and an active supporter of the trainee. If this level of commitment from the market leader is lacking, it will have a significant impact on the overall trainee experience.

Overcoming the Hurdles

Each of the previously identified hurdles presents a unique challenge to the success of the project recommendations. The first is purely tied to resources, including human capital and fiscal constraints, both of which are tangible issues. These are magnified when evaluating new positions and a project reliant on the expertise and skillsets from various constituents, all with competing priorities of their own. The second hurdle is less tangible but no less impactful as culture is foundational and difficult to change within an organization. Lastly, active support from market leadership presents a new role and responsibility for this stakeholder group. This will require a clear understanding of expectations and agreement on the value proposition to both the Management Trainee and market leader.

To address the challenge tied to lack of internal resources, budget constraints and lack of prioritization, support from senior management is critical. An executive sponsor was part of the original program design, and the Project Leader is proposing the same with the recommended enhancements. The proposed executive sponsor is the Director of Commercial Sales, who was actively involved in the initial project work and has oversight for the commercial markets, specialized banking groups and commercial product areas. Given the importance of this role and connection to the program, this individual has a strong influence in the budgeting process and establishment of priorities within the Commercial Banking line of business. With an appropriate level of support from an executive sponsor and senior management, the probability of effectively resourcing these enhancements increases significantly.

Culture was the most evident hurdle when assessing challenges with the original program implementation. Part of Fulton's culture is built around valuing each team member for their respective contributions through the motto, "Work Together, Win Together." This statement embodies an approach that puts team before self and values all roles within the organization. Part of the cultural aspects with the original program design were focused on concerns with establishing a level of prestige with the commercial program as compared to the traditional program. Appendix J illustrates all of Fulton's values and guiding behaviors. Leveraging culture can also be used to emphasize the importance of these recommendations and how they align to our core values. In particular, the values focused on change, customer focus and performance all closely align to these project goals. These enhancements can be made in a way that does not contradict Fulton's culture but leverages why they are important for their long-term success.

Lack of commitment from market leadership represents the last of the identified project hurdles. Expectation setting will be a focal point of the proposed framework revisions that are part of the overall project scope. Specifically, this will include increased communication and established touchpoints with the trainee throughout the program's first phase. The value proposition will also be part of the project work, including a communication strategy with market leaders. The oversight and direct management of a trainee in Phase II of the program is an added responsibility for market leaders. Market leaders will play an important role in identifying future talent needs and be able to participate in the selection and development of these individuals, which will drive alignment and engagement.

Measurements

The metrics identified to assess the non-financial impact of the project recommendations are long-term in nature. As noted in the financial section, the Commercial Management Trainee program requires an upfront investment with returns realized over time. The metrics to gauge success will be focused on the individual trainee and look at various aspects of their career with Fulton Bank. These metrics can be aggregated and tracked over time to assess trends in individual performance as well as measure overall program success.

The first metric to be evaluated is annual performance review ratings for the trainee. During the program itself, these reviews are more frequent as feedback is provided after each department rotation. The performance review data during the Commercial Management

Program will be an indicator of the effectiveness in the recruiting, hiring, and onboarding process. Beyond the program, tracking of annual performance review data will help inform and confirm these processes are effective over the long-term. As the trainee progresses throughout their career with Fulton, promotion rates relative to peers will be another performance metric. An objective of the program will be to not only develop core players but also future stars within Commercial Banking. Assessing promotion rates of program alumni in conjunction with both potential and performance will add more insight into this measurement.

A related metric will be the assessment of trainee retention rates and measuring turnover on an annual basis. Given the level of investment made in these individuals, the goal of the program is to realize lower turnover rates within trainee alumni when compared to peers in the Commercial Banking line of business. The benefits of retaining employees have both a financial and non-financial impact on the bank. Within the financial section, the benefits of retention were quantified. In the non-financial section, the focus is on measuring overall program effectiveness through retention.

A final success metric assessing the non-financial impacts of the project will look at overall employee satisfaction. The bank already utilizes an annual survey to measure employee engagement and the same tool can be used to evaluate performance of the Commercial Management Trainee program. The survey provides data that filters respondents into one of four categories, including highly engaged, moderately engaged, barely engaged, or disengaged. Based on feedback, the data could be sorted to compare the overall engagement of trainee alumni to peers. The measurement would look at the percentage of highly engaged employees that are program alumni compared to the percentage for those that are not.

Organizational Impact

As the banking industry continues to change, Fulton Bank is evolving with clear objectives outlined in its corporate strategy, which can be found in Exhibit K of the Appendix. Those objectives center around growth, service, effective product offerings and efficient operations. To achieve those objectives, talent remains a key foundational element to its success. Since the onset of the COVID-19 pandemic in early 2020, changes within the banking industry have intensified and the need for talent accelerated at a more rapid pace. The effective utilization of talent development programs such as the Commercial Management Trainee program directly aligns to Fulton's strategic objectives and addresses these recent industry challenges.

The need for talent most closely aligns to the strategic objective focused on growth. As the talent pool continues to change within Fulton and the industry, it is imperative that the organization remains proactive in its efforts to develop future leaders. A highly effective Commercial Management Trainee program will be a competitive advantage in the marketplace. Some of the recommended program enhancements are focused on training and job preparedness. These elements are critical in an environment where Commercial Bankers differentiate based on their ability to add value to customer relationships. This can only occur with proper training and development to prepare these individuals for future roles within the company.

Organizations with a well-defined purpose will also have a competitive advantage in the fierce battle to attract and retain talent. While salary and benefits remain important to millennials, almost equally important are making an impact and working with great people[8]. Fulton has made a considerable effort to define its purpose, which is "Changing Lives for the Better," and to make a connection for each of its individual contributors to this vision. This is a powerful tool to leverage in its recruiting efforts and retention strategies, which ultimately benefit the organization and its customers.

A strategic element that aligns to growth is an effort by senior management to continue to evolve the organization into more of a performance culture. Driving performance deeper into the culture and aligning it to financial goals, will drive long-term profitability. Employee retention and engagement both correlate to long-term profitability as outlined in the financial section. Retaining talent limits disruption (both internally and externally) and avoids costs associated with re-training and hiring for open positions. Highly engaged employees see value in the organization, are more loyal and are generally high performers.

Success metrics were previously outlined and each of these will be monitored to assess the overall effectiveness of the program. These metrics are long-term in nature as the payback will come over time through a combination of individual performance, employee retention and engagement. Each of these areas correlate to long-term profitability of the bank and were quantified in the financial section.

[8] What Can Financial Institutions Do to Attract and Retain Top Talent in the Digital Era? What Can Financial Institutions Do to Attract and Retain Top Talent in the Digital Era? (wbresearch.com) (accessed December 29, 2021)

Conclusion

Based on the research and analysis conducted, the Project Leader highly recommends implementing the various enhancements to the Commercial Management Trainee program. While the trainee program model is well proven at Fulton, these enhancements will continue to keep it relevant as the banking landscape continues to evolve. There are several key benefits that support this recommendation to proceed.

The major components of the recommendations are focused on a more effective skills assessment process, deeper training opportunities and providing more clarity with permanent roles through career pathing during the program's second phase. All will increase the likelihood of successful placements that align to the individuals' strengths, which will lead to higher engagement, performance, and retention. Lastly, the retention strategies, both financial and non-financial clearly benefit the organization by intentionally striving to be the bank of choice in the markets served by Fulton.

Fulton Bank continues to believe that its people are the key ingredient to its long-term success. As competition continues to increase from inside and outside the industry, its ability to attract and retain top talent will be a differentiator in its performance and long-term viability. To do that effectively, the organization will need to further leverage its talent strategy and its training program is a fundamental component of that plan. An element of particular importance is that the program provides an entry point into the banking industry for those lacking experience. With proper training, this group will bring new ideas and a fresh perspective that will be critical for any bank to outperform in the rapidly changing environment we live in today.

Appendix

Exhibit A – Fulton Financial Corporation Map

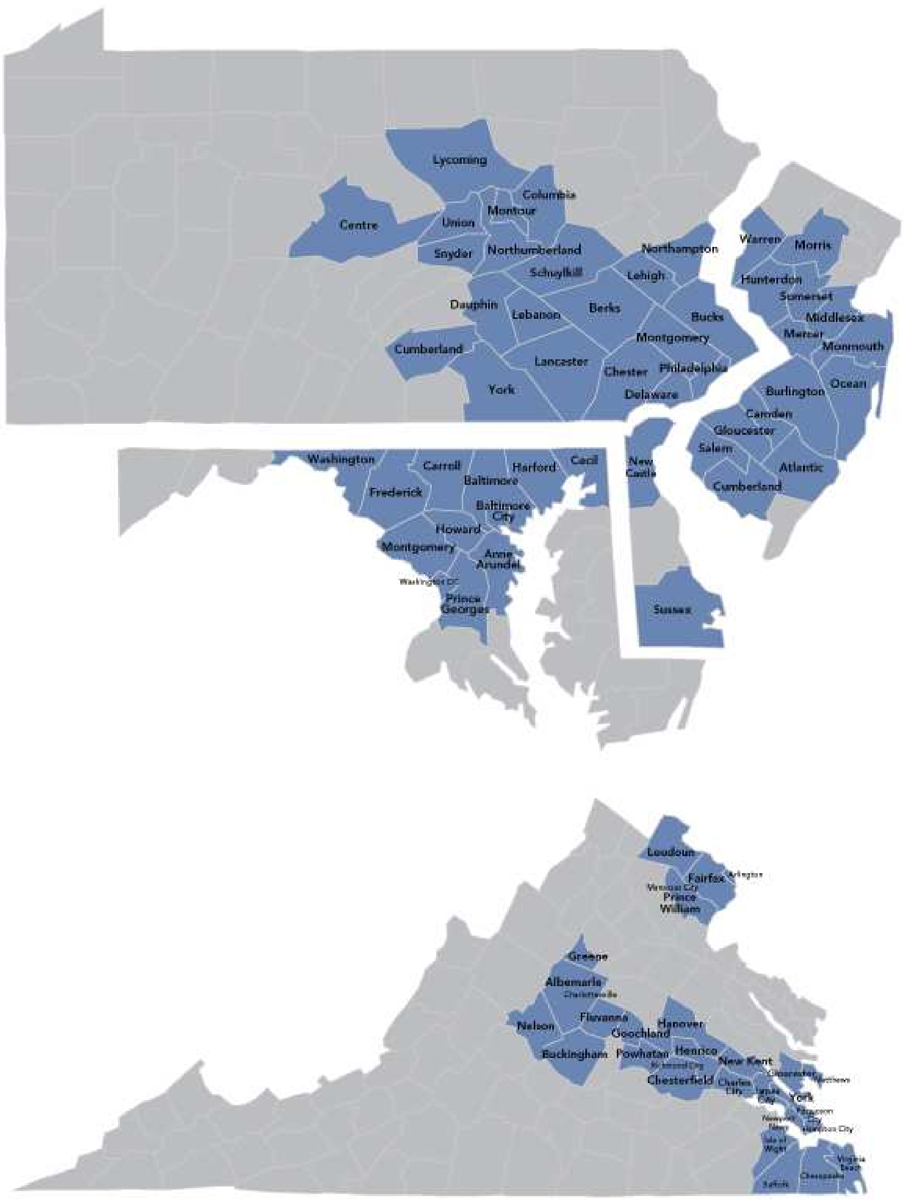

Exhibit B – Customer Segments

COMMERCIAL SEGMENT	REVENUE	LOAN EXPOSURE
SMALL BUSINESS	< $2,500,000	< $500,000
COMMERCIAL SEGMENT 1	< $10,000,000	< $2,500,000
COMMERCIAL SEGMENT 2	< $75,000,000	> $2,500,000
COMMERCIAL SEGMENT 3	> $75,000,000	N/A
SPECIALIZED SEGMENTS (AGRICULTURAL, COMMERCIAL REAL ESTATE, HEALTHCARE, COMMUNITY DEVELOPMENT, DEALER SERVICES)	N/A	N/A

CONSUMER SEGMENT	LIQUID ASSETS
MASS MARKET	< $100,000
MASS AFFLUENT	$100,000 - $1,000,000
AFFLUENT	$1,000,000 - $3,000,000
WEALTH	> $3,000,000

Exhibit C – Deposit Share Data by Market

	2020								
2020 Market	FFC Active Branches	Total Market Branches	FFC Branch Share	2020 Fair Share Index	Total FFC Deposits ($000)	Total Market Deposits ($000)	Market Share	Change in Market Share from 2019-20	% Growth in FFC Deposits 2019-20	% Growth in Market Deposits 2019-20
Brandywine	8	155	5.16%	67.67	$ 730,253	$ 20,908,558	3.49%	0.07%	17.8%	15.5%
BuxMont	9	538	1.67%	69.08	$ 731,612	$ 63,310,954	1.16%	0.08%	25.3%	16.5%
Capital	9	166	5.42%	66.43	$ 1,066,947	$ 29,623,635	3.60%	0.25%	26.6%	17.7%
Central NJ	14	870	1.61%	46.24	$ 906,651	$ 121,857,211	0.74%	-0.02%	17.1%	20.2%
Central VA	3	174	1.72%	6.29	$ 126,272	$ 116,353,349	0.11%	0.02%	22.5%	4.8%
Delaware Cecil	12	260	4.62%	4.32	$ 930,726	$ 467,334,655	0.20%	-0.01%	17.0%	23.3%
Greater Berks	10	164	6.10%	73.68	$ 1,008,870	$ 22,454,600	4.49%	0.67%	29.4%	10.2%
Hampton Roads	6	152	3.95%	32.68	$ 276,562	$ 21,441,487	1.29%	0.02%	16.4%	14.5%
Lancaster	23	181	12.71%	217.30	$ 4,021,550	$ 14,563,888	27.61%	0.86%	24.6%	20.7%
Lebanon	8	39	20.51%	156.43	$ 931,437	$ 2,902,691	32.09%	1.25%	19.1%	14.4%
Lehigh Valley	17	198	8.59%	96.25	$ 1,563,630	$ 18,921,583	8.26%	0.15%	18.6%	16.4%
Maryland	27	684	3.95%	48.48	$ 1,955,194	$ 102,169,711	1.91%	-0.06%	21.7%	25.8%
Northern NJ	16	361	4.43%	48.33	$ 1,094,472	$ 51,098,567	2.14%	0.12%	18.5%	12.0%
Northern PA	14	211	6.64%	98.73	$ 851,094	$ 12,991,751	6.55%	0.50%	20.9%	11.8%
Philadelphia Metro	3	310	0.97%	4.52	$ 32,789	$ 74,974,029	0.04%	-0.01%	13.8%	29.8%
Southern NJ	33	420	7.86%	60.02	$ 2,243,544	$ 47,574,544	4.72%	-0.05%	18.0%	19.2%
Washington DC Metro	7	771	0.91%	12.87	$ 333,847	$ 285,779,619	0.12%	0.01%	31.6%	21.5%
York	11	126	8.73%	138.72	$ 1,173,150	$ 9,686,741	12.11%	-0.17%	16.2%	17.8%
Grand Total	230	5,780	3.98%	33.83	$ 19,978,600	$ 1,483,947,573	1.35%	0.01%	21.1%	19.8%

Exhibit D – Financial Highlights

FINANCIAL HIGHLIGHTS

Financial Highlights			Custom Periods
Period Ended	2020 FY 12/31/2020	2019 FY 12/31/2019	2018 FY 12/31/2018
Balance Sheet ($000)			
Total Assets	25,906,733	21,886,040	20,682,152
Total Net Loans	18,707,139	16,711,732	16,032,362
Total Deposits	20,839,207	17,393,913	16,376,159
Equity Attributable to Parent Company	2,616,828	2,342,176	2,247,573
Total Equity	2,616,828	2,342,176	2,247,573
COVID-19 Financial Disclosure			
Paycheck Protection Program Loan	1,581,699	N/A	N/A
PPP Loan Ratio	8.46	N/A	N/A
COVID-19 Loan Modification	330,000	N/A	N/A
COVID-19 Loan Modification Ratio	1.76	N/A	N/A
Processing Fees on PPP Loans	N/A	N/A	N/A
Profitability (%)			
Net Income	178,040	226,339	208,393
Net Income Attributable to Parent	178,040	226,339	208,393
ROAA	0.73	1.06	1.03
Core ROAA	0.78	1.11	1.04
ROAE	7.35	9.81	9.24
ROATCE	9.50	12.80	12.09
Core ROAE	7.79	10.19	9.33
Net Interest Margin	2.86	3.36	3.40
Reported: Net Interest Margin	2.86	3.36	3.40
Efficiency Ratio	64.84	62.54	65.05
Noninterest Inc/ Operating Rev	26.46	24.59	23.67
Balance Sheet Ratios (%)			
Loans/ Deposits	90.70	96.80	98.72
Securities/ Assets	13.25	13.55	13.38
Total Equity/ Total Assets	10.10	10.70	10.87
Tangible Equity/ Tangible Assets	8.20	8.46	8.52
Tang Common Equity/ Tang Assets	7.44	8.46	8.52

Exhibit E – Phase I Rotation Guide

Commercial Management Trainee Program **Phase I: Foundational Exposure** Business Line Rotations to Begin Monday October 4, 2021		
Rotation	**Duration in Rotation**	**Manager(s)**
Commercial Operations	2 weeks	Joe Funk/Beth Bowers
Special Assets	1 week	Chris Demko
Appraisal	1 week	Jeff Gorman
Enterprise Sales Enablement	2 weeks	Matt Bills
Commercial Product & Strategy	1 week	Michele Richards
Treasury Management Sales Including Cash Management & Merchant Card Services	1 week	Mike Reese & Chad Rottmund
SBA	1 week	Chris Brown ** In Pottstown location (End of 2021/early 2022)
Equipment Finance	1 week	Jim Wagner
International	1 week	Amy Sahm
Fulton Financial Advisors (FFA)	1 weeks	Sal Marone ** Support from Melissa Underhill ** Follow-up specifically to confirm timing with enough notice
Consumer Banking/Retail Relationship/Support between Consumer and Commercial	3 weeks	Carol Beam & Reg Cons Execs ** Partner with Consumer Sales Managers to plan per Trainee/region (End of 2021/early 2022)
Specialized Commercial Lending Including Real Estate, Healthcare, Ag, Dealer Services, Commercial Community Development, Gov. Contracting	2 weeks	Sue Lonergan & Chris Sugra
Market Based Commercial Banking	1 week	Phil Smith

Appendix F – Project Timeline

Task Description	Responsible Party	Completion Due Date
Form Project Group	Project Leader	September 2022
Present Project Plan & Financial Analysis	Project Leader Project Group	September 2022
Initiative Prioritization	Project Group Executive Sponsor	October 2022
Form Working Groups for each Initiative	Project Group	October 2022
Design Credit Training Enhancements	Working Group A	December 2022
Design Permanent Placement Enhancements	Working Group B	December 2022
Design Framework and Retention Enhancements	Working Group C	December 2022
Job Description(s) & Compensation Review	Project Leader Human Resources	February 2023
Review & Finalize Implementation Plan	Project Group	March 2023
Present to Senior Management	Project Leader	March 2023
Implementation	Project Group	April 2023

Exhibit G – Banking Industry Age Data

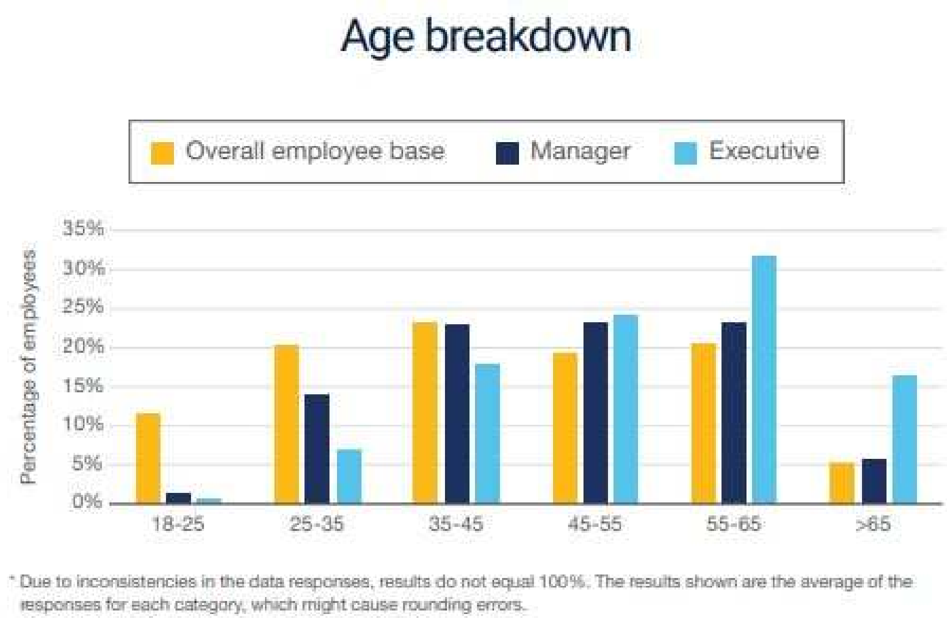

Exhibit H – Banking Industry Turnover Data

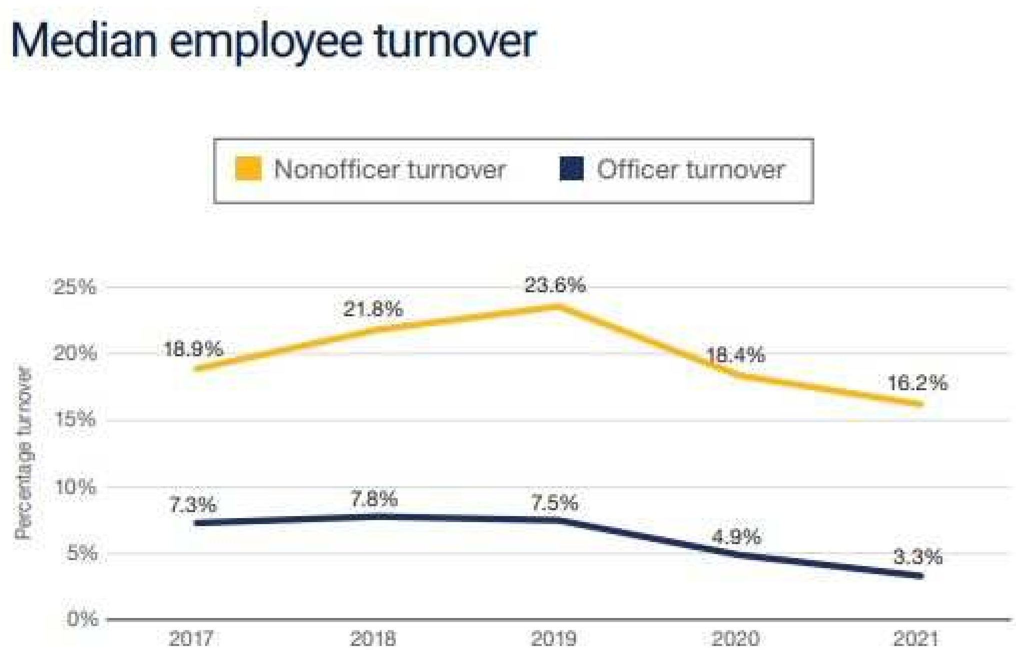

Exhibit I – Cost Per Hire

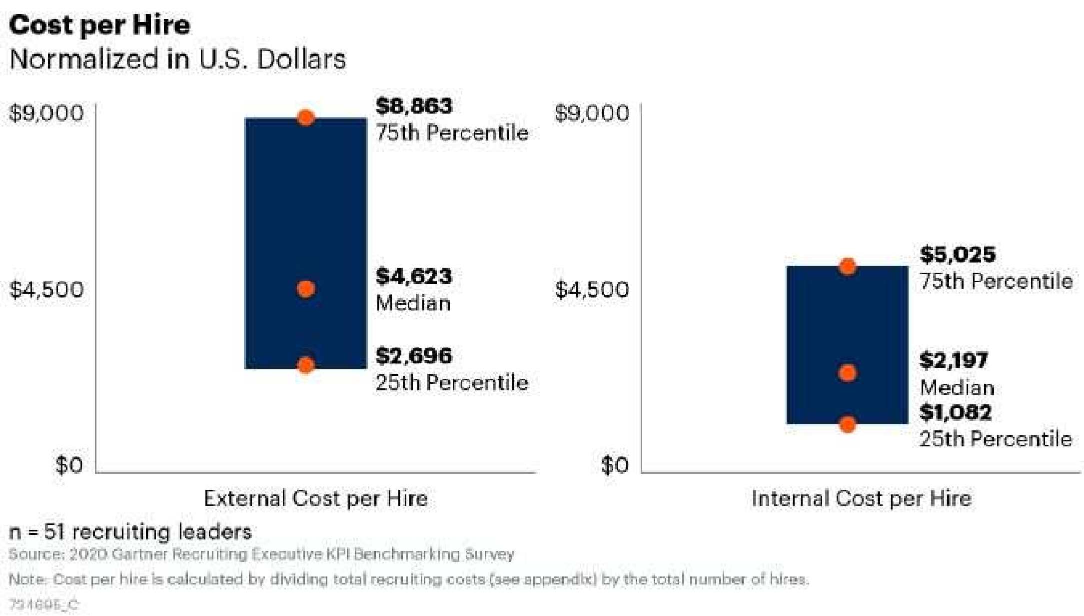

Exhibit J – FFC Values & Guiding Behaviors

CHANGE

We innovate by continuous learning and improving with a spirit of curiosity.

- We look for new ways to reach our goals.
- We encourage each other to share individual perspectives on topics.
- We strive for continual learning.

CUSTOMER FOCUS

We Care, Listen, Understand, and Deliver.

- We understand and anticipate the future needs of our customer.
- We consider the impact of decisions on customers.
- We deliver an exceptional experience.

PERFORMANCE

We are driven to out-perform our competitors. I own my results.

- We know and understand our objectives.
- We live our values while we deliver results.
- We provide and accept feedback.
- We do what needs to be done—even when it is hard.

COLLABORATION

We work together. We win together.

- We create trusting, respectful relationships.
- We challenge each other to be the best.
- We work toward a common goal.

ETHICS & INTEGRITY

We do what is right.

- We demonstrate the highest professional and ethical standards.
- We deliver on commitments.
- We are honest with people.

ORGANIZATIONAL HEALTH

We bring positive energy to all we do.

- We are purpose-driven and passionate.
- We recognize and celebrate effort and accomplishment.
- We support one another.

Exhibit K – FFC Corporate Strategy

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