

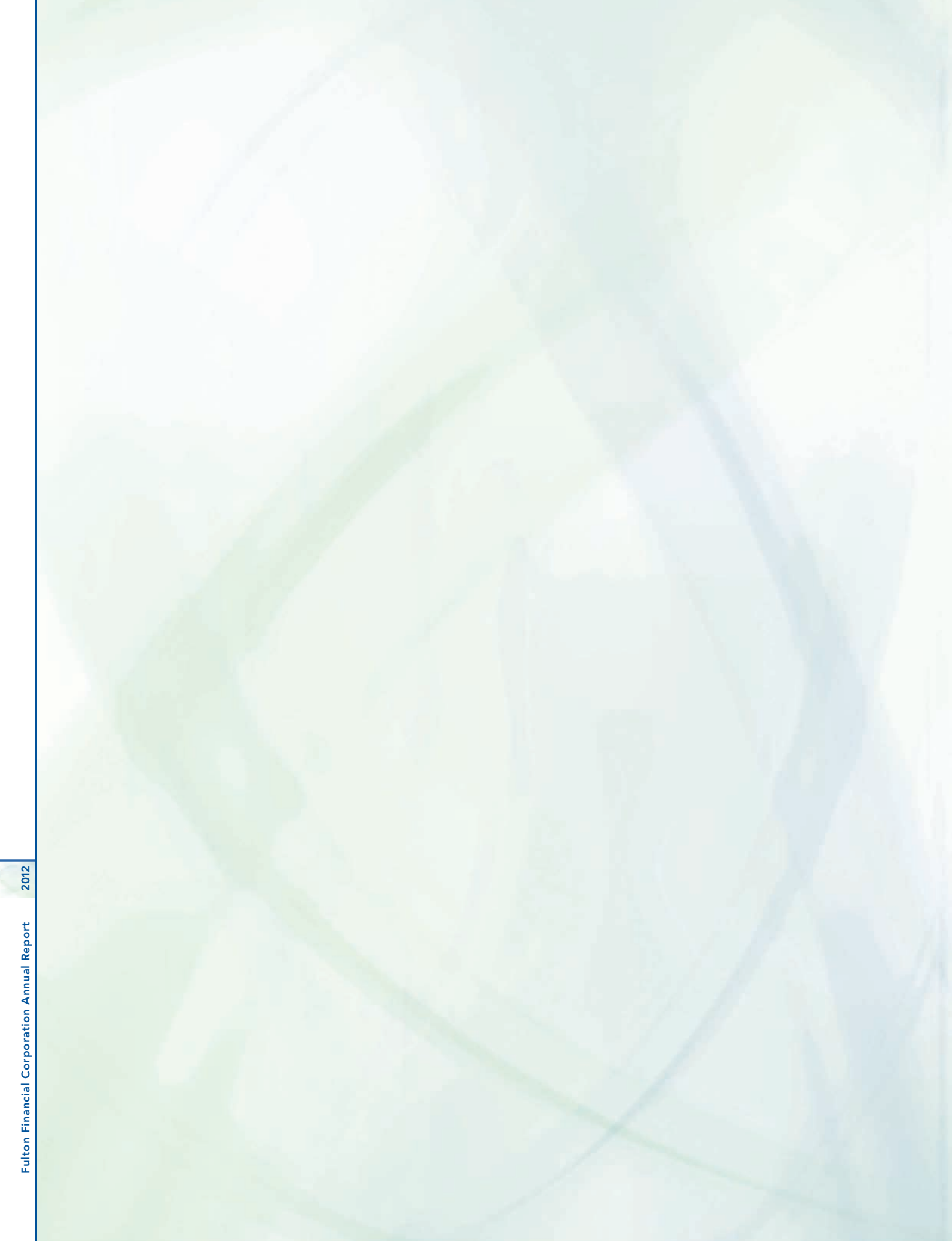
# 2012 ANNUAL REPORT

Fulton Financial Corporation

**FULTON FINANCIAL**  

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**CORPORATION**





**E. Philip Wenger**  
*Chairman, President and  
Chief Executive Officer*



**Charles J. Nugent**  
*Senior Executive Vice President/  
Chief Financial Officer*



**James E. Shreiner**  
*Senior Executive Vice President/  
Operations and Credit*

Dear Shareholder,

I am pleased to report to you that through the hard work of our 3,800 employees, Fulton Financial Corporation produced solid financial results and continued to focus on increasing shareholder value. In addition to growing our earnings per share and return on assets, we improved our asset quality and, as a result, were able to reduce our provision for credit losses. We also grew our core deposit base, again increased our non-interest income year over year and continued to manage expenses.

Given our financial performance and strong capital position, we were pleased to raise our quarterly cash dividend to shareholders twice during the year. We have also been buying back a portion of our stock under share repurchase programs that we announced in the second quarter of 2012 and in the first quarter of 2013.

### **Financial Highlights**

Our diluted earnings per share of \$0.80 for 2012 represented a 9.6% increase over 2011. The Corporation's net income of \$159.8 million increased 9.8% over 2011. Our return on average assets for 2012 was 0.98%, which compares favorably to our peers. This was an increase from 0.90% for 2011. One of the most encouraging aspects of 2012 was the loan growth that we experienced late in the year. Growing our loan balances has been a challenge for us in this economic environment, but during the fourth quarter, we were able to generate the highest rate of quarterly loan growth that we have seen since the middle of 2008. Because interest income on loans is one of the most significant components of our total revenue stream, we continue to work hard to achieve loan growth.

In conjunction with our loan growth, overall loan quality improved as well. For the year ended December 31, 2012, the provision for credit losses decreased by \$41 million, or 30.4%, compared to 2011. Non-performing loans decreased \$75.5 million, or 26.3%, over the same period.

Non-interest income is also an important component of our overall financial performance. Over the last decade, we have grown this area at a compounded annual growth rate of over 7%. In 2012, we continued this upward trend by increasing non-interest income by 16.6% year over year. Fulton Mortgage Company contributed significantly to this growth. With the sustained low interest rate environment in 2012, residential mortgage refinancing activity was robust throughout the entire year, contributing to our ability to generate more than \$44 million in mortgage banking revenue.

### **A Challenging Operating Environment**

The business environment in which we operate has changed drastically over the last several years.

The areas of enterprise risk management and compliance have received increased attention from the regulatory

agencies with which we work. Virtually every aspect of the Corporation's operations is subject to extensive regulation and, in the current economic, political and regulatory climate, the Corporation and its bank subsidiaries are subject to heightened regulatory scrutiny, especially given our company's size and complexity. Implementation of the 2010 Dodd-Frank Act continues. It requires the development and adoption of many regulations, a significant number of which have yet to be finalized.

These additional regulatory requirements have increased our cost structure and are likely to continue to do so in the future. We have added staff and worked with outside consultants to supplement our existing regulatory and compliance expertise. We will continue to employ a very disciplined expense management strategy to enable us to satisfy increased regulatory requirements while working to grow the company.

**Through the hard work of our 3,800 employees, Fulton Financial Corporation produced solid financial results and continued to focus on increasing shareholder value.**

Throughout all of last year, we continued to position the Corporation for future growth and profitability in what we trust will be a gradual return to a more normal level of economic activity over the next several years. We believe the key to our future success lies in our longstanding commitment to our customers and in our proven relationship banking strategy. The promise that we have made to our customers to Care, Listen, Understand and Deliver is the foundation for

that strategy. Our team members embrace and keep that promise. As a result, over 90% of our customers tell us that they are "Extremely Satisfied" or "Very Satisfied" with their experience with us.

### **Highlights and Milestones**

Organic growth is a key priority for us, particularly since the merger and acquisition environment remains

relatively quiet. We believe that strategically placed new branch offices are important as we seek to provide increased location convenience to our customers.

Last year we opened six branches. Fulton Bank, N.A. opened two new branches in Pennsylvania: Warrington in Bucks County and Exton in Chester County. The Columbia Bank opened two new branches in Anne Arundel County at Seven Oaks and Waugh Chapel. Fulton Bank of New Jersey opened two new branches in the Garden State: Madison in Morris County and Manahawkin in Ocean County. These new branches, net of branch consolidations, bring our total number of branch offices across our five-state market to 267.

We also achieved organic growth by aggressively seeking core retail checking and small business accounts throughout the year. Customers were able to receive a name-brand e-reader after opening an account and utilizing certain services within a designated time frame. The deposits provided by this successful promotional campaign will provide funds to lend back into our respective communities.



**Craig H. Hill**

*Senior Executive Vice President/  
Human Resources, Corporate Communications  
and Administrative Services*



**Craig A. Roda**

*Senior Executive Vice President/  
Community Banking*



**Philmer H. Rohrbaugh**

*Senior Executive Vice President/  
Chief Risk Officer*

## Customer Experience

The most cost-effective way to grow loans and deposits occurs when one satisfied customer tells a prospective customer about the superior experience provided by one of our team members. That is why we have placed so much emphasis on delivering the finest personal and professional banking experience we possibly can to each and every customer.

Our advertising message, “Listening is Just the Beginning,” is a reminder of our relationship strategy in the marketplace. Customers are responding very positively to the commitment we have made to them. They recommend us to friends and family and also expand their existing account relationships because of our careful evaluation and subsequent recommendations regarding their financial needs. We remain absolutely convinced that exemplary service is the most significant differentiator in creating relationship value for customers and prospective customers.

## Our Team

In preparation for becoming Chief Executive Officer of the Corporation on January 1, 2013, I had the privilege of meeting with our entire team in a series of “town hall” meetings during the fall of 2012. These meetings gave me an opportunity to reinforce my personal commitment to our customer promise as well as listen to the issues that are important to our team members. Each year, I have the privilege of experiencing firsthand the genuine caring our employees have for their customers and co-workers.

At the meetings, I discussed our core values, our relationship strategy and our financial performance along with the challenges and opportunities that lie ahead. I am proud of our employees and of the many contributions they have made to this company in the past, and I am more confident than ever about their ability to move us into the future successfully.

In November, Phil Rohrbaugh joined the Corporation's senior management team. As Senior Executive Vice President/Chief Risk Officer, Phil now oversees all of our risk management activities and ensures that the organization's operations continue to be conducted in accordance with ethical business practices, company policies, and legal and regulatory requirements. We are confident that Phil's expertise and previous professional experience, most recently as managing partner of KPMG, LLP's Chicago office, will enhance the activities we have undertaken to formalize our risk management program and to expand it to meet the needs of the rapidly changing financial environment in which we operate.

### Technology Upgrades

Two years ago, we embarked on a multi-year effort to upgrade our core data processing platform. This is a very significant project which requires sizable commitments of both human and financial resources. In selecting the new platform, we chose to continue our relationship with Fiserv, Inc., the business provider that has provided our information technology platform for several decades. During 2012, we worked with the Fiserv team to develop and test this core processing technology for use at our company.

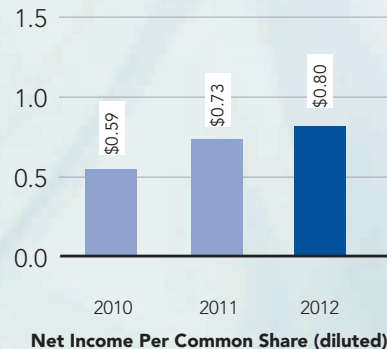
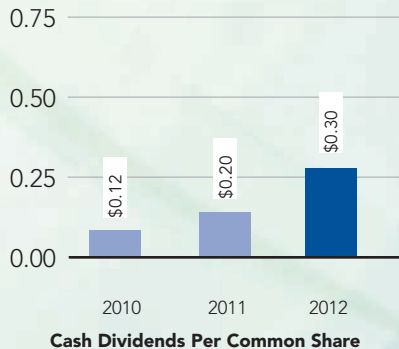
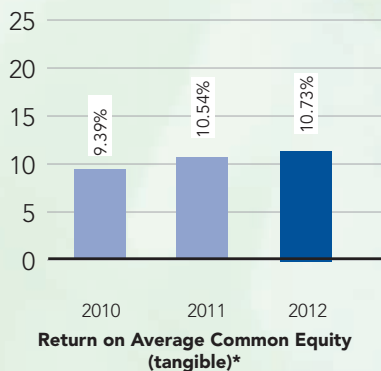
We expect to complete the major phases of this important project by the end of 2013. We are optimistic that our new integrated core platform system will enable us to achieve operational efficiencies and also to benefit from upgraded sales and sales management capabilities designed to help us more effectively personalize our products and services to meet the financial needs of each individual customer.

### Generating and Deploying Capital

Since the beginning of the financial crisis several years ago, there has been ongoing regulatory dialogue about the appropriate level of capital that a bank should maintain. Fulton Financial Corporation's subsidiary banks currently exceed all regulatory definitions of "well-capitalized" for Tier 1 risk-based, total risk-based, and leverage capital ratios. And because of our solid financial performance, we continue to increase our capital base. However, the value of having this excess capital is found in our ability to deploy it profitably on behalf of our shareholders. We are currently utilizing our capital in three ways: re-investing into profitable business lines, repurchasing up to eight million shares of our stock through June 30 of this year and paying a quarterly cash dividend, which today is yielding approximately 3%. We constantly evaluate our capital levels to explore how we can deploy capital prudently and profitably to enhance shareholder value.

### Corporate Governance

We are experiencing some changes in the composition of our board of directors. In July 2012, Willem Kooyker retired. He had served as a Fulton Financial Corporation director since 2005, and had previously served as a director of another bank that was acquired by our company. At our upcoming Annual Shareholders' Meeting on April 29, three additional directors -- Jeffrey Albertson, Rufus Fulton, Jr. and Donald Leshner, Jr. -- will also retire. Each has been a part of our company for many years, and each has played an important role in guiding this company. As you may recall, Rufus Fulton served for many years as our company's Chairman and CEO. We will miss them all and thank them for the insight they have provided during their tenures.



\*Net income available to common shareholders, adjusted for intangible amortization (net of tax), divided by average common shareholders' equity, net of goodwill and intangible assets.

In December 2012, two new directors joined the board: Denise Devine and Ernest Waters. These new directors have considerable experience in many aspects of business strategy, finance and organizational management, and we welcome their perspective and leadership.

### Our Priorities for 2013

In an industry that has changed and will continue to change very rapidly, we continually examine our priorities given the challenges and opportunities that lie ahead. All seven of the following priorities are very important, but some present more significant challenges than others. In the coming year, we will focus on:

- growing earnings per share;
- growing our loan portfolio;
- improving our asset quality;
- increasing our stable base of core deposits;
- managing the net interest margin;
- managing expenses; and
- increasing our return on assets and equity.

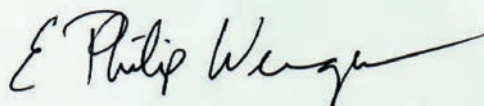
Of the above priorities, we believe the most challenging will be managing our net interest margin in this unprecedented low interest rate environment. While deposit interest rates are low, yields on loans are low as well. We would expect continued pressure on our net interest margin until we see an upturn in interest rates, and frankly, that does not look likely in the near term. However, as a result of the interest rate environment, our residential mortgage business completed another banner year in 2012 as customers continue to refinance their mortgages. Protracted low interest rates on deposit accounts have also prompted customers to seek investment and wealth management alternatives through Fulton Financial Advisors. In 2012, both of these areas made very important contributions to our revenue stream.

I want to take this opportunity to thank you for your confidence in our company and for including Fulton Financial Corporation in your investment strategy.

I can assure you that we are all working hard to provide a competitive and reasonable total return on your investment and to position the company appropriately for what is and will continue to be a more complex and challenging operating environment.

I hope you will join us for our 2013 Annual Shareholders Meeting at the Lancaster Marriott at Penn Square in Lancaster, Pennsylvania on Monday, April 29th at 10:00 a.m. The audio portion of the meeting will also be available online. You can listen to the program and view the slides by visiting the Investor Relations section of our corporate website at [www.fult.com](http://www.fult.com).

Sincerely,



E. Philip Wenger  
Chairman, President and Chief Executive Officer

## FINANCIAL HIGHLIGHTS

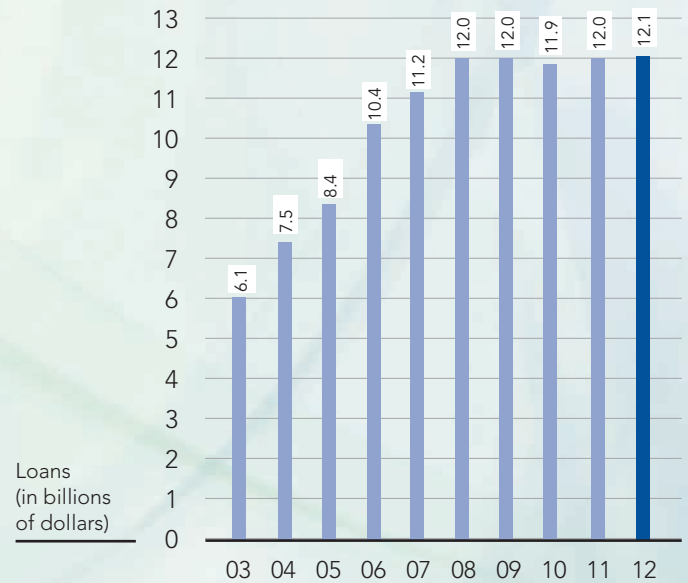
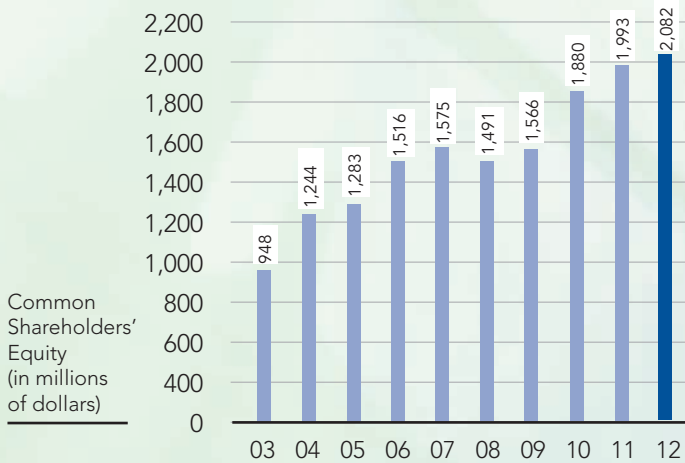
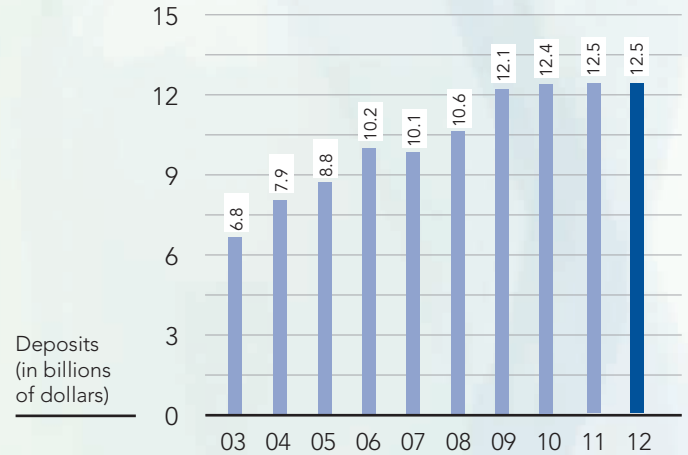
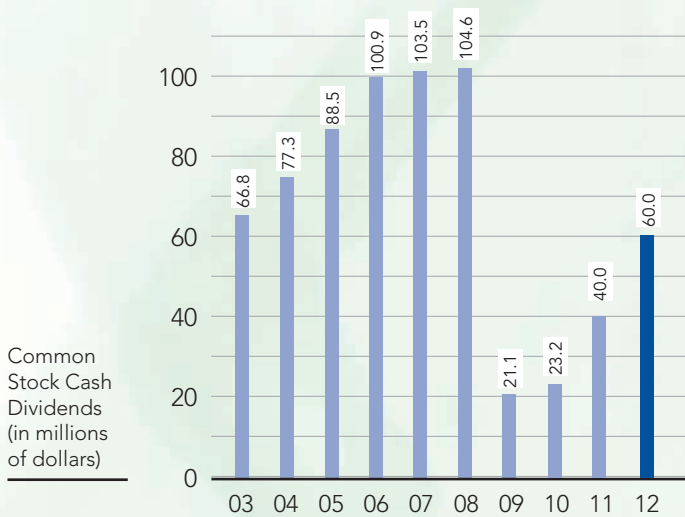
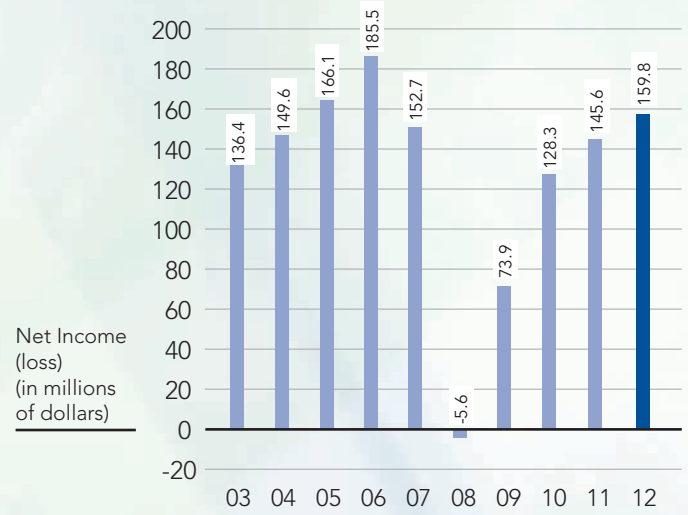
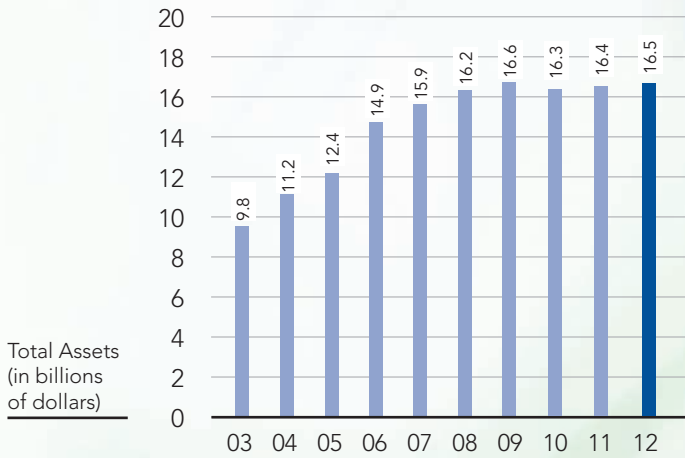
### AS OF OR FOR THE YEAR ENDED DECEMBER 31

(Dollars in thousands, except per-share data)

BALANCE SHEET DATA	2012	2011	2010	Percent Change	
				2012/2011	2011/2010
Total assets	\$16,528,000	\$16,371,000	\$16,275,000	1.0%	0.6%
Loans, net of unearned income	12,145,000	11,969,000	11,933,000	1.5%	0.3%
Deposits	12,473,000	12,526,000	12,389,000	(0.4%)	1.1%
Common shareholders' equity	2,082,000	1,993,000	1,880,000	4.5%	6.0%
<b>PER COMMON SHARE DATA</b>					
Net income (diluted)	\$0.80	\$0.73	\$0.59	9.6%	23.7%
Common stock cash dividends	0.30	0.20	0.12	50.0%	66.7%
Shareholders' equity (tangible)	7.76	7.24	6.69	7.2%	8.2%

# 10 YEARS IN REVIEW

(2003-2012)





## INVESTOR INFORMATION

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#### STOCK LISTING

Common shares of Fulton Financial Corporation are traded under the symbol "FULT" and are listed in the NASDAQ Global Select Market.

#### CASH DIVIDENDS

The Fulton Financial Corporation Board of Directors decides whether to declare a quarterly cash dividend in the third month of each quarter (i.e., March, June, September and December).

#### DIVIDEND REINVESTMENT PLAN AND DIRECT DEPOSIT OF CASH DIVIDENDS

Fulton Financial Corporation offers its shareholders the convenience of a Dividend Reinvestment and Stock Purchase Plan and direct deposit of cash dividends.

Holders of stock may have their quarterly dividends automatically reinvested in additional shares of the Corporation's common stock by utilizing the Dividend Reinvestment Plan.

Shareholders participating in the Plan may also make voluntary cash contributions not to exceed \$5,000 per month.

In addition, shareholders have the option of having their cash dividends sent directly to their financial institution for deposit into their checking or savings account.

Shareholders may receive information on either the Dividend Reinvestment Plan and Stock Purchase Plan, including a plan prospectus, or direct deposit of cash dividends by writing to:

Stock Transfer Department  
Fulton Financial Advisors  
P.O. Box 3215  
Lancaster, PA 17604-3215  
or by calling: 717-291-2546 or toll-free:  
1-800-626-0255.

### GO GREEN!

Would you like to help your company manage expenses? Vote your shares online or by phone as outlined on the voter instruction form enclosed in this proxy packet.

Would you like to receive your proxy materials sooner? Sign to receive your materials electronically when you vote your shares online at [www.proxyvote.com](http://www.proxyvote.com).



### INVESTOR INFORMATION AND DOCUMENTS

A copy of the Corporation's Annual Report, Form 10-K, Proxy Statement and other documents filed with the Securities and Exchange Commission can be viewed on the Corporation's website at [www.fult.com](http://www.fult.com). In addition, copies of the Form 10-K and Proxy Statement may be obtained without charge to shareholders by writing to:

Corporate Secretary  
Fulton Financial Corporation  
P.O. Box 4887  
Lancaster, PA 17604-4887

News, stock information, Corporate presentations and other information can be found on the Corporation's website at [www.fult.com](http://www.fult.com).

The Annual Meeting of Shareholders of Fulton Financial Corporation will be held on Monday, April 29, 2013 at 10:00 a.m. at the Lancaster Marriott at Penn Square in downtown Lancaster, PA.

To make a reservation, please return the Annual Meeting Response Card you received with your proxy statement. Your reservation will help ensure that we have adequate seating for all shareholders who plan to join us that day.

# SENIOR MANAGEMENT, DIRECTORS & ADVISORY BOARD MEMBERS

## FULTON FINANCIAL CORPORATION SENIOR MANAGEMENT

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Chief Executive Officer*

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*Senior Executive  
Vice President/  
Chief Financial Officer*

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*Senior Executive  
Vice President/  
Operations and Credit*

Craig H. Hill,  
*Senior Executive  
Vice President/  
Human Resources,  
Corporate Communications  
and Administrative Services*

Craig A. Roda,  
*Senior Executive  
Vice President/  
Community Banking*

Philmer H. Rohrbaugh,  
*Senior Executive Vice President/  
Chief Risk Officer*

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Denise L. Devine  
Patrick J. Freer  
Rufus A. Fulton, Jr.  
George W. Hodges  
Donald W. Leshner, Jr.  
Albert Morrison III  
R. Scott Smith, Jr.  
Gary A. Stewart  
Ernest J. Waters  
E. Philip Wenger

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John A. Scaldara, Jr.  
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David K. Williams, Jr.

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Fulton Bank of New Jersey  
Swineford National Bank  
Lafayette Ambassador Bank  
FNB Bank, N.A.  
The Columbia Bank

*Residential mortgage lending offered through:*  
Fulton Mortgage Company

*Investment management and  
planning services offered through:*  
Fulton Financial Advisors &  
Clermont Wealth Strategies