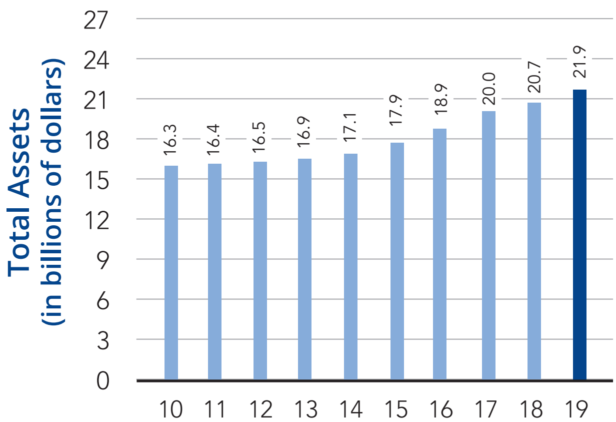
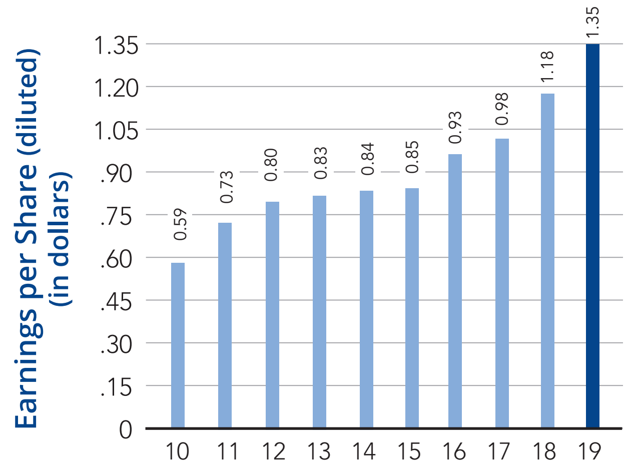
ANNUAL REPORT 2019

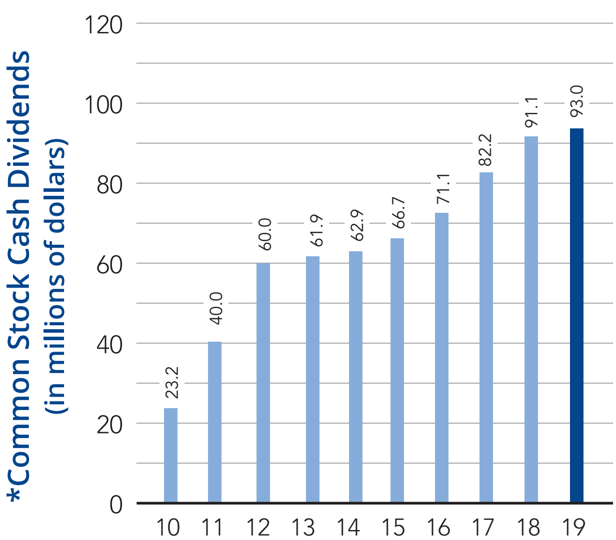
FULTON FINANCIAL CORPORATION

FULTON FINANCIAL
CORPORATION

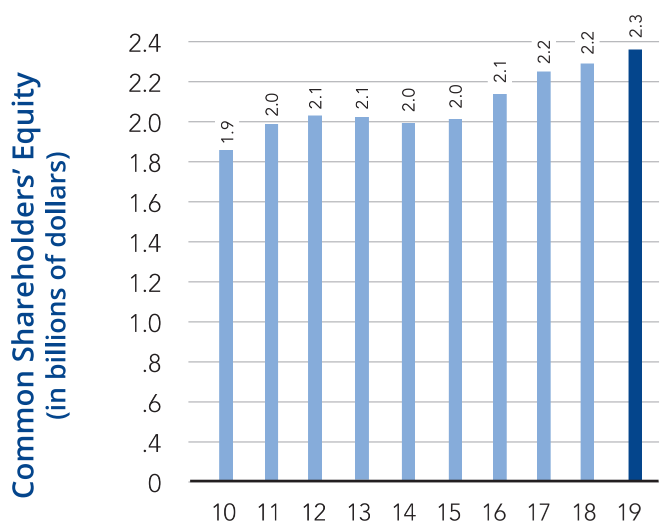
2010-2019

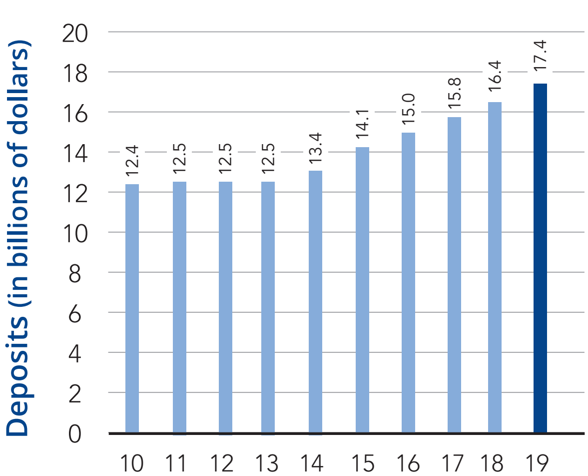


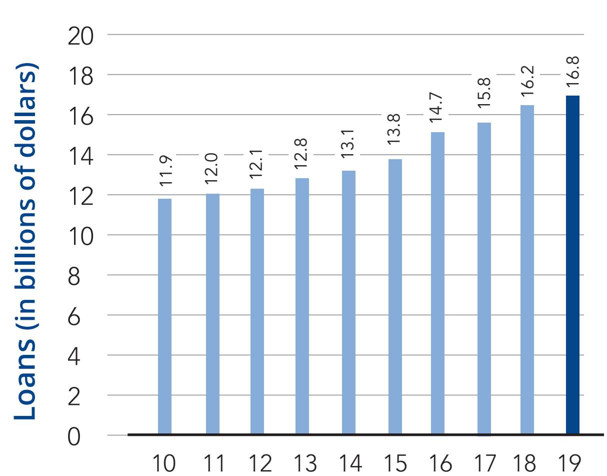




*As we have traditionally reported, these represent CASH dividends only (not stock dividends).







FULTON FINANCIAL CORPORATION

Dear Shareholder:

Overall, 2019 was another good year for our company as we hit record levels of revenue and net income. Our financial results in 2019 reflected our continued progress in executing our growth strategies while fulfilling our corporate purpose by changing lives for the better. We completed several key corporate objectives during 2019. Our last remaining BSA/AML consent order was terminated. We completed our multi-year initiative to consolidate all of our affiliate banks into Fulton Bank, and the Department of Justice informed us that it completed its fair lending investigation of Fulton without taking any action against the company. Achieving these objectives will help unify our brand and facilitate growth going forward, and I would like to thank our dedicated and hardworking team members for making this possible.

We continue to grow in Philadelphia and Baltimore. Each market is served by a team of commercial and consumer relationship managers who are helping us take advantage of what we view as tremendous long-term growth opportunities. In Philadelphia, we opened three financial centers in 2019, and have one more targeted to open in 2021. In Baltimore, we opened one financial center and a loan production office in 2019, and we have one financial center targeted to open in early 2020 and one in 2021. While we have been selectively opening new financial centers, we have also regularly reevaluated our existing financial center network. We have consolidated 37 financial centers[1], or approximately 14% of our network, since 2014. We believe there may be more opportunities to consolidate over time as customer preferences continue to shift toward digital channels.

In addition to consolidation, we have been working on a multi-year project to optimize all of our delivery channels, including our financial centers. Optimizing will allow us to focus on higher-value activities geared towards advice and sales and create a greater focus on the customer experience. To date, approximately 25% of our financial centers are already operating in this optimized format.

We launched a new state-of-the-art commercial loan origination system in the second half of 2019. We are excited about the new system as it streamlines the underwriting process, keeps our customers more informed and allows our relationship managers to focus more on maintaining and acquiring business. In early January of 2020, we also launched a new mortgage loan origination system. The new system should lead to greater efficiencies, increased revenue opportunities and a better customer experience.

From a talent perspective, we continue to invest in people to drive growth. In 2019, we increased our commercial revenue producer headcount by 5%. In consumer banking, our headcount was down 2% in 2019, driven by financial center consolidation. Despite this decrease, we saw an increase of 12% in revenue-producing mortgage headcount.

Strategically, the deployment of capital for the enhancement of long-term shareholder value remains one of our highest priorities. After 13 years of being on the sidelines from an M&A perspective, we deployed some of our excess capital to purchase two wealth management businesses in 2019 with approximately $320 million in assets under management or administration. Our wealth management division has approximately $11 billion in assets under management or administration as of year-end 2019. We also repurchased $111 million of our common stock, a total of 6.8 million shares and paid common stock dividends of $93 million, resulting in a return to shareholders of 88% of our 2019 net income.

Before I talk about our strategic priorities for 2020, I wanted to address Fulton's response to the coronavirus pandemic. Our company's brand – "It's Personal" – is not just about words, it's about actions. As we face the effects of the coronavirus together, Fulton and its subsidiary bank, Fulton Bank, are continuing efforts to support affected individuals, families and businesses by offering special programs to help ease the financial and economic impact in the communities we serve.

We understand the hardship our employees and customers may face as a result of business and school closures, reduced business and/or work hours, and social distancing, and we're prepared on an individualized and personal basis, to help them through these challenging times.

Fulton Bank is "well capitalized" and has more than ample liquidity to continue its primary mission – serving the banking needs of people and businesses in the communities in which it operates. Going forward, these are the engines that fuel the economy necessary to drive our country forward.

None of us knows at this moment where we will be in this life journey one year from now, but as Chairman and CEO of your company, I intend to maintain my focus on leading our management and employees through this difficult time so that we can all continue to change our customer's lives for the better.

As we do this, in 2020, we will continue to endeavor to make the following strategic priorities a reality so that Fulton can be here to serve you long into the future!

Growing the Company:
- Investing in talent to enhance our growth in targeted markets and businesses
- Investing in digital and customer intelligence capabilities to help us to acquire new relationships and further engage with existing clients
- Investing in capabilities to support the customer digital experience
- Implementing new branch formats and expanding in urban markets

Serving Our Communities:
- Serving all segments of our communities through the expansion of our Fulton Forward™ initiative, which focuses on four key areas: Affordable Housing & Home Ownership; Job Training & Workforce Development; Financial Education & Economic Empowerment; and Diversity & Inclusion

Achieving Operational Excellence:
- Focusing on achieving operational efficiency through enterprise process design, improvement and automation
- Investing in and using best-in-class systems, practices, and capabilities to provide efficient and effective experiences for our customers and employees

Sustaining and Scaling Effective Risk and Compliance Activities
- Sustaining risk management, compliance and systems to ensure all stakeholder expectations are met
- Implementing technology enhancements to automate controls and monitoring

In closing, I want to again, extend my gratitude for your continued confidence in Fulton. Please be assured that every member of our team is working hard to enhance the value of your investment. Most of all, may you have good health and happiness in the coming year.

Very truly yours,

E Philip Wenger

E. Philip Wenger
Chairman and CEO

[1]Net of new branch opening.

This letter contains forward-looking statements with respect to our financial condition, results of operations and business. Do not unduly rely on forward-looking statements. Forward-looking statements can be identified by the use of words such as “may,” “should,” “will,” “could,” “estimates,” “predicts,” “potential,” “continue,” “anticipates,” “believes,” “plans,” “expects,” “future,” “intends,” “projects,” the negative of these terms and other comparable terminology. These forward-looking statements may include projections of, or guidance on, our future financial performance, expected levels of future expenses, anticipated growth strategies, descriptions of new business initiatives and anticipated trends in our business or financial results.

Forward-looking statements are neither historical facts, nor assurance of future performance. Instead, they are based on current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions, and speak only as of the date when made. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control, and actual results and financial condition may differ materially from those indicated in the forward-looking statements. A discussion of certain risks and uncertainties affecting us, and some of the factors that could cause our actual results to differ materially from those described in the forward-looking statements, can be found in the sections entitled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the year ended December 31, 2019, which accompanies this letter. We undertake no obligation, other than as required by law, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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SENIOR MANAGEMENT AND BOARD OF DIRECTORS

AS OF DECEMBER 31, 2019

FULTON FINANCIAL CORPORATION

SENIOR MANAGEMENT

E. Philip Wenger
Chairman and Chief Executive Officer

Curtis J. Myers
President and Chief Operating Officer

David M. Campbell
Senior Executive Vice President and Director of Strategic Initiatives and Operations

Beth Ann L. Chivinski
Senior Executive Vice President and Chief Risk Officer

Mark R. McCollom
Senior Executive Vice President and Chief Financial Officer

Meg R. Mueller
Senior Executive Vice President and Head of Commercial Banking

Angela M. Sargent
Senior Executive Vice President and Chief Information Officer

Angela M. Snyder
Senior Executive Vice President and Head of Consumer Banking

Daniel R. Stolzer
Senior Executive Vice President and Chief Legal Officer and Corporate Secretary

Bernadette M. Taylor
Senior Executive Vice President and Chief Human Resources Officer

FULTON FINANCIAL CORPORATION

BOARD OF DIRECTORS

E. Philip Wenger, Chair
Jennifer Craighead Carey
Lisa Crutchfield
Denise L. Devine
Steven S. Etter
Patrick J. Freer
Carlos E. Graupera
George W. Hodges
James R. Moxley, III
Curtis J. Myers
Scott A. Snyder
Ronald H. Spair
Mark F. Strauss
Ernest J. Waters

Fulton Bank

BOARD OF DIRECTORS

Curtis J. Myers, Chair
Jennifer Craighead Carey
Lisa Crutchfield
Denise L. Devine
Steven S. Etter
Patrick J. Freer
Carlos E. Graupera
George W. Hodges
Dolores Laputka
George Keith Martin
James R. Moxley, III
Antoinette M. Pergolin
Ivy E. Silver
Scott A. Snyder
Ronald H. Spair
Mark F. Strauss
Ernest J. Waters
E. Philip Wenger

ADVISORY BOARD MEMBERS

AS OF DECEMBER 31, 2019

DELAWARE

DELAWARE/CECIL

Katherine Wilkinson, Chair
Kelly Albanese Bedder
Jeffrey M. Fried
Donald S. Hicks
Terry A. Megee
Nancy G. Michener
David K. Williams, Jr.

MARYLAND

HAGERSTOWN

Susan Mades, Co-Chair
Matt Hess, Co-Chair
Paul N. Crampton, Jr.
Doris E. Lehman
Paul C. Mellott, Jr.
Gregory Snook
Michael S. Zampelli

NEW JERSEY

CENTRAL NEW JERSEY

Sean Murray, Chair
Paul Gergel
Rachel Lilienthal Stark
Hetal Parikh
Allen Weiss

NORTHERN NEW JERSEY

Tammy Case, Co-Chair
Adam Kuras, Co-Chair
Christopher S. Bateman
Gurpreet S. Pasricha
Shelby C. Rhodes
Anthony J. Santye, Jr.
Norman L. Worth

SOUTHERN NEW JERSEY

Andrew G. Agger, Chair
Donna Buzby
James R. Donnelly, Jr.
Wanda P. Hardy
Traci H. Jordan
Edward Remster

VIRGINIA

CENTRAL VIRGINIA

Karen Frye, Chair
Robert H. Keiter
George Keith Martin
J. Keith Middleton
Lloyd M. Poe
Robert E. Porter, Jr.

HAMPTON ROADS

Jean Galliano, Chair
Joanna Brumsey
William L. Stauffer, Jr., Esq.

PENNSYLVANIA

BRANDYWINE

Andrew Stump, Chair
Harry DiDonato
Dallas Krapf
James D. McLeod, Jr.
Michael J. O'Rourke
Kathryn V. Snyder

BUXMONT

Lou Lombardi, Chair
Anthony D. Cino
Rosemary Espanol
Elmer F. Hansen, III
Lawrence J. Stuardi
Robert Walton

CAPITAL

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James C. Byerly
Samuel T. Cooper III, Esq.
Justin D. McClure
Beth A. Peiffer
Angela M. Ulen
Steven C. Wilds, Esq.

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Eric G. Burkey
Marcelino Colon
William P. Gage
William G. Koch, Sr., CPA
Chris G. Kraras
Diane M. Smith

LANCASTER

Philip N. Smith, Chair
Galen Eby
Dean A. Hoover
Robert A. Hostetter, CPA, ABV®
Louis G. Hurst
Cinthia M. Kettering
Tony Legenstein
Kent M. Martin
Edward W. Monborne
Lori Pickell
David W. Sweigart, III
Harold W. Weik, Jr.
John D. Yoder
J. David Young, Jr., Esq.

LEBANON

Kristen K. Watts, Chair
Barry E. Ansel
Jonathan R. Beers
Donald H. Dreibelbis
Robert J. Funk
Wendie DiMatteo Holsinger
Kenneth C. Sandoe

LEHIGH VALLEY

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Joseph A. Bubba
Gary A. Clewell
Thomas A. Daub
Nicholas C. Hindle
Murtaza Jaffer
Jamie P. Musselman
Richard J. Principato
Susan C. Yee

NORTHERN PENNSYLVANIA

Kristen Watts, Co-Chair
Heather Underkoffler, Co-Chair
Dr. Albert J. Alley, DO
Elizabeth A. Dupuis
James D. Hawkins
Kenneth A. Holdren
Thomas J. Kearney
Jeffrey M. Krauss
William D. Robinson
Daniel Rogers, Jr.
Thomas F. Songer, III
Wendy S. Tripoli

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Reggie Fuller, Chair
Gail Ball
James Gould
Ellis Guiles
Stephen D. Marshall
Michael J. Mitchell
Donn G. Scott

YORK

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Vernon L. Bracey
Kevin Eisenhart
Jevon L. Holland
Jeffrey L. Rehmeyer, II
Gary A. Stewart, Jr.
Christine R. Wardrop

BALTIMORE/WASHINGTON

WASHINGTON DC METRO

Joe Durham, Chair
Thomas M. Crutchfield
Manuel A. Ojeda

SPECIALIZED

AGRICULTURAL

Ted Bowers, Chair
James A. Angelucci
Robert N. Barley
Phoebe R. Bitler
Andrew S. Bollinger
William Hostetter
Scott I. Sechler

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P.O. Box 4887
One Penn Square
Lancaster, Pennsylvania 17604

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS TO BE HELD TUESDAY, MAY 19, 2020 AT 10:00 A.M.

TO THE SHAREHOLDERS OF FULTON FINANCIAL CORPORATION:

NOTICE IS HEREBY GIVEN that, pursuant to the call of its Board of Directors, the Annual Meeting of the shareholders of FULTON FINANCIAL CORPORATION ("Fulton") will be held on Tuesday, May 19, 2020, at 10:00 a.m., at the Lancaster Marriott* at Penn Square, 25 South Queen Street, Lancaster, Pennsylvania, for the purpose of considering and voting upon the following matters:

1. ELECTION OF DIRECTORS. The election of fourteen (14) director nominees to serve for one-year terms;

2. EXECUTIVE COMPENSATION PROPOSAL. A non-binding say on pay ("Say-on-Pay") resolution to approve the compensation of the named executive officers for 2019;

3. RATIFICATION OF INDEPENDENT AUDITOR. The ratification of the appointment of KPMG LLP as Fulton's independent auditor for the fiscal year ending December 31, 2020; and

4. OTHER BUSINESS. Such other business as may properly be brought before the meeting and any adjournments thereof.

Only those shareholders of record at the close of business on February 28, 2020, shall be entitled to be given notice of, to attend and to vote at the Annual Meeting. Please take a moment now to cast your vote over the Internet or by telephone in accordance with the instructions set forth on the enclosed proxy card, or, alternatively, if you received paper copies of the Proxy Statement and proxy card, to complete, sign and date the enclosed proxy card and return it in the postage-paid envelope provided. Shareholders attending the Annual Meeting in person may vote in person, online by using the 16-digit control number that appears on the Notice of Internet Availability of Proxy Materials, proxy card and the instructions that accompanied the proxy materials, even if they have previously voted by proxy.

Voting via the Internet or by telephone is fast and convenient, and your vote is immediately tabulated and confirmed. Your Proxy is revocable and may be withdrawn at any time before it is voted at the meeting. **You are cordially invited to attend the Annual Meeting. If you plan on attending, please see the instructions contained within the proxy statement.**

A copy of Fulton's Annual Report on Form 10-K accompanies this Proxy Statement.

Sincerely,

Daniel R. Stolzer
Corporate Secretary

Enclosures
April 2, 2020

* As a precaution relating to the coronavirus or COVID-19, Fulton is planning for the possibility that the Annual Meeting may be held solely by means of remote communication. If Fulton takes this step, Fulton will announce the decision to do so in advance via a press release and details on how to participate will also be available at www.fult.com.

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PROXY STATEMENT

Dated and To Be Mailed on or about: April 2, 2020

FULTON FINANCIAL CORPORATION

P.O. Box 4887, One Penn Square
Lancaster, Pennsylvania 17604
(717) 291-2411

ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 19, 2020 STARTING AT 10:00 A.M.

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EXHIBITS

FULTON FINANCIAL CORPORATION

ANNUAL MEETING SUMMARY

<table>
<tr><th></th><th colspan="4"></th></tr>
<tr><td>When and Where</td><td colspan="4">The Annual Meeting of the shareholders of Fulton (the “Annual Meeting”) will be held on Tuesday, May 19, 2020, at 10:00 a.m., at the Lancaster Marriott at Penn Square, 25 South Queen Street, Lancaster, Pennsylvania. To vote and/or obtain an admission ticket to attend the Annual Meeting, go to the "Register for Meeting" link at www.proxyvote.com.

The Board of Directors has approved an agenda for the Annual Meeting consisting of three proposals, as described in the meeting notice and in more detail in this document, and such other business as may be properly brought before the Annual Meeting.</td></tr>
<tr><td rowspan="4">Matters to be Voted on and Vote Recommendations</td><td colspan="4"><u>Proposal One (Page 10)</u>

The election of the fourteen (14) director nominees identified in this Proxy Statement.</td></tr>
<tr><td colspan="4"><u>Proposal Two (Page 59)</u>

The approval of the non-binding Say-on-Pay resolution to approve the compensation of the named executive officers for 2019.</td></tr>
<tr><td colspan="4"><u>Proposal Three (Page 61)</u>

The ratification of the appointment of KPMG LLP as Fulton’s independent auditor for the fiscal year ending December 31, 2020.</td></tr>
<tr><td colspan="4">The Board of Directors recommends that shareholders vote <u>FOR</u> the election of each of the fourteen (14) director nominees identified in this Proxy Statement, <u>FOR</u> the approval of the non-binding Say-on-Pay resolution to approve the compensation of the named executive officers for 2019, and <u>FOR</u> the ratification of the appointment of KPMG LLP as Fulton’s independent auditor for the fiscal year ending December 31, 2020.</td></tr>
<tr><td>How to Vote Your Shares</td><td>You can vote your shares via the Internet by visiting www.proxyvote.com and entering your control number.</td><td>You can vote your shares by telephone by calling 1-800-690-6903 and using your control number.</td><td>If you received a paper copy of the Proxy Statement, you can vote your shares by signing and returning your proxy card by U.S. mail.</td><td>You can vote <u>in person at the Annual Meeting</u> with your proxy card or legal proxy if shares are held in street name. (See Voting Shares Held in Street Name on Page 5 for more information).</td></tr>
<tr><td>Electronic Delivery</td><td colspan="4">If you would like to save paper and reduce the costs incurred by Fulton in printing and mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and Annual Reports on Form 10-K electronically via e-mail or the Internet. To sign up for electronic delivery, please go to www.proxyvote.com and have your proxy card and control number in hand when you access the website, then follow the instructions at www.proxyvote.com to obtain your records and to create an electronic voting instruction form. Follow the instructions for voting by Internet and, when prompted, indicate that you agree to receive or access shareholder communications electronically in future years.</td></tr>
</table>

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GENERAL INFORMATION

Introduction

Fulton, a Pennsylvania business corporation and registered financial holding company, was organized pursuant to a plan of reorganization adopted by Fulton Bank ("Fulton Bank") and implemented on June 30, 1982. On that date, Fulton Bank became a wholly owned subsidiary of Fulton, and the shareholders of Fulton Bank became shareholders of Fulton. Since that time, Fulton has acquired other banks (all of which have since been merged into Fulton Bank), and Fulton Bank adopted a national charter (and adopted the name Fulton Bank, National Association).

In addition, Fulton has several other direct subsidiaries, including: Fulton Insurance Services Group, Inc. (which engages in the sale of various life insurance products); Fulton Financial Realty Company (which owns or leases certain properties on which branch and operational facilities are located); Central Pennsylvania Financial Corp. (which owns, directly or indirectly, certain limited partnership and limited liability company interests, principally in low- to moderate-income housing developments); and FFC Management, Inc. (which holds certain investment securities and other passive investments).

RSVP, Date, Time and Place of Meeting

The Annual Meeting will be held on Tuesday, May 19, 2020, at 10:00 a.m., at the Lancaster Marriott at Penn Square, 25 South Queen Street, Lancaster, Pennsylvania.

You are cordially invited to attend the Annual Meeting. In order for Fulton to plan and prepare for the proper number of shareholders, if you plan on attending, you will need an admission ticket and personal photo identification for admission. You may print your own admission ticket and you must bring it to the meeting. Tickets can be printed by accessing Shareholder Meeting Registration at www.proxyvote.com and following the instructions provided. To vote and/or obtain an admission ticket to attend the Annual Meeting, go to the "Register for Meeting" link at www.proxyvote.com.

If you received a Notice of Internet Availability of Proxy Materials, or if you requested proxy materials by email, please go to www.proxyvote.com if you plan to attend the Annual Meeting for further instructions.

Light refreshments will be available starting at 9:00 a.m., and the business meeting will start promptly at 10:00 a.m.

Shareholders are encouraged to arrive early. Public parking is available in downtown Lancaster. For a list of parking locations, please consult the Lancaster Parking Authority website at www.lancasterparkingauthority.com. Each shareholder may be asked to present valid government issued photo identification, such as a driver's license, and proof of share ownership, as of February 28, 2020, such as a copy of a brokerage statement or a copy of your ballot. Large bags, cameras, cell phones, recording devices and other electronic devices will not be permitted at the Annual Meeting, and individuals not complying with this request are subject to dismissal from the Annual Meeting. In the event of an adjournment, postponement or emergency that may change the Annual Meeting's time, date, physical or virtual location, Fulton will make an announcement, issue a press release and post information at www.fult.com to notify shareholders, as appropriate. The contents of our website are not incorporated into this Proxy Statement and should not be considered part of this document.

As part of Fulton's effort to maintain a safe and healthy environment at the Annual Meeting, Fulton is closely monitoring statements issued by the World Health Organization (www.who.int) and the Centers for Disease Control and Prevention (www.cdc.gov), as well as other federal, state and local governmental agencies and officials regarding the novel coronavirus disease, COVID-19. For that reason, Fulton reserves the right to reconsider the date, time, and/or means of convening the Annual Meeting, including convening the Annual Meeting solely by means of remote communications, under Article I of Fulton's Bylaws and as permitted by Pennsylvania law. If Fulton takes this step, Fulton will announce the decision to do so in advance, and details on how to participate will be issued by press release, posted on our website at www.fult.com and filed with the SEC as additional proxy material. Fulton also encourages attendees to review guidance from public health authorities on this issue.

Shareholders Entitled to Vote and Attend Meeting

Attendance at the Annual Meeting will be limited to shareholders of record at the close of business on February 28, 2020 (the "Record Date"), their authorized representatives and guests of Fulton. Only those shareholders of record as of the Record Date shall be entitled to receive notice of, attend and vote at the Annual Meeting.

Purpose of Meeting

Fulton shareholders will be asked to consider and vote upon the following matters at the Annual Meeting: (i) the election of fourteen (14) director nominees to serve for one-year terms; (ii) the non-binding Say-on-Pay resolution to approve the compensation of the named executive officers for 2019; (iii) the ratification of the appointment of KPMG LLP as Fulton's independent auditor for the fiscal year ending December 31, 2020; and (iv) such other business as may be properly brought before the Annual Meeting and any adjournments thereof.

Solicitation of Proxies

This Proxy Statement is furnished in connection with the solicitation of proxies, in the accompanying form, by the Board of Directors of Fulton for use at the Annual Meeting to be held at 10:00 a.m. on Tuesday, May 19, 2020, and any adjournments or postponements thereof. Fulton is making this solicitation and will pay the entire cost of preparing, assembling, printing, mailing and distributing the notices and these proxy materials and soliciting votes. In addition to the mailing of the notices and these proxy materials, the solicitation of proxies or votes may be made in person, by mail, telephone or by electronic communication by Fulton's directors, officers and employees, who will not receive any additional compensation for such solicitation activities. Fulton has engaged Equiniti (US) Services LLC to aid in the solicitation of proxies in order to assure a sufficient return of votes on the proposals to be presented at the Annual Meeting. The fee for such services is estimated at $6,000, plus reimbursement for reasonable research, distribution and mailing costs.

Arrangements will be made with brokerage houses and other custodians, nominees and fiduciaries for the forwarding of solicitation material to the beneficial owners of stock held of record by such persons, and Fulton will reimburse them for reasonable out-of-pocket expenses incurred by them in connection with such activities.

Revocability and Voting of Proxies

The execution and return of the enclosed proxy card, or voting by another method, will not affect a shareholder's right to attend the Annual Meeting and to vote in person. A shareholder may revoke any proxy given pursuant to this solicitation by delivering written notice of revocation to the Corporate Secretary or Assistant Corporate Secretary of Fulton, sending a new proxy card at any time before the shares are voted by the proxy at the Annual Meeting, or by voting by another method at any time before the applicable deadline for voting set forth on the proxy card. Unless revoked, any proxy given pursuant to this solicitation will be voted at the Annual Meeting, including any adjournment or postponement thereof, in accordance with the written instructions of the shareholder giving the proxy. In the absence of specific voting instructions, all proxies will be voted <u>FOR</u> the election of each of the fourteen (14) director nominees identified in this Proxy Statement, <u>FOR</u> the approval of the non-binding Say-on-Pay resolution to approve the compensation of the named executive officers for 2019, and <u>FOR</u> the ratification of the appointment of KPMG LLP as Fulton's independent auditor for the fiscal year ending December 31, 2020. Although the Board of Directors knows of no other business to be presented, in the event that any other matters are properly brought before the Annual Meeting, any proxy given pursuant to this solicitation will be voted in the discretion of the proxyholders named on the proxy card, as permitted by Rule 14a-4(c) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). If you are a registered shareholder of record who holds stock in certificates or in book entry with Fulton's transfer agent and you do not cast your vote, no votes will be cast on your behalf on any of the items of business at the Annual Meeting.

Shares held for the account of shareholders who participate in the Dividend Reinvestment and Stock Purchase Plan and for the account of employees, and former employees, who participate in the Employee Stock Purchase Plan (the "ESPP") will be voted in accordance with the instructions of each shareholder as set forth in his or her proxy. If a shareholder who participates in these plans does not return a proxy, the shares held for the shareholder's account will not be voted.

Shares held for the account of employees, and former employees, of Fulton and its subsidiaries who participate in the Fulton Financial Common Stock Fund of the Fulton Financial Corporation 401(k) Retirement Plan (the "401(k) Plan"), will be voted by Fulton Financial Advisors ("FFA"), a division of Fulton Bank, as plan trustee ("Plan Trustee") in accordance with the instructions of each participant as set forth in the proxy card sent to the participant with respect to such shares. To allow sufficient time for the Plan Trustee to vote, participants' voting instructions must be received by May 14, 2020.

Each participant in the 401(k) Plan (or the beneficiary of a deceased participant) is entitled to direct the Plan Trustee how to vote shares of common stock of Fulton which are allocated to his or her account under the 401(k) Plan on any matter on which other holders of Fulton's common stock are entitled to vote. If no direction is given, then the 401(k) Plan shares will not be voted by the Plan Trustee. The Plan Trustee has established procedures that are designed to safeguard the confidentiality of information about each 401(k) Plan participant's purchase, holding, sale and voting of the common stock. If a 401(k) Plan participant has questions about these procedures or concerns about the confidentiality of this information, please contact the Retirement Plan Administrative Committee and direct the inquiry to Fulton Financial Corporation, Attn: RPAC – Benefits, P.O. Box 4887, One Penn Square, Lancaster, PA 17604.

Voting Shares Held in Street Name

If you hold shares in street name with a bank or broker, it is important that you instruct your bank or broker how to vote your shares if you want your shares to be voted on the election of directors (Proposal 1 of this Proxy Statement), and on the non-binding Say-on-Pay resolution to approve the compensation of the named executive officers for 2019 (Proposal 2 of this Proxy Statement). If you hold your shares in street name and you do not instruct your bank or broker how to vote your shares in the election of directors or any non-routine matters, such as Proposal 2 of this Proxy Statement, no votes will be cast on your behalf for the election of directors or Proposal 2. Your bank or broker will, however, continue to have discretion to vote any uninstructed shares on the ratification of the appointment of Fulton's independent auditor (Proposal 3 of this Proxy Statement) and other matters that your bank or broker considers routine. If you hold shares in street name with a bank or broker and you wish to vote your shares in person at the Annual Meeting, you will need to obtain a "legal proxy" from your bank or broker authorizing you to vote the shares at the Annual Meeting.

Voting of Shares and Principal Holders Thereof

At the close of business on the Record Date, Fulton had 163,840,643 shares of common stock outstanding and entitled to vote. There is no other class of capital stock outstanding. As of the Record Date, 3,765,997 shares of Fulton common stock were held by FFA, as the Plan Trustee, or in a fiduciary capacity for fiduciary accounts. The shares held in this manner, in the aggregate, represent approximately 2.30% of the total shares outstanding. Shares that are held in the applicable plan are voted by the beneficiaries. Shares for which FFA serves as a co-fiduciary will be voted by the co-fiduciary, unless the co-fiduciary declines to accept voting responsibility, in which case, FFA will vote to abstain on all proposals. Shares for which FFA serves as sole trustee of a revocable trust, shares for which FFA acts as agent for an investment management account, and shares for which FFA acts as custodian for a custodial account, are voted by the settlor of the revocable trust and the principal of the agency or custodial account unless the governing document provides for FFA to vote the shares, in which case FFA will vote to abstain on all proposals. Shares for which FFA is acting as sole trustee of an irrevocable trust or as guardian of the estate of a minor or an incompetent person are voted by FFA, and in such cases, FFA will vote to abstain on all proposals.

The holders of a majority of the outstanding common stock present in person or by proxy at the Annual Meeting constitute a quorum for the conduct of business. The judge of election will treat shares of Fulton common stock represented by a properly signed and returned proxy which casts a vote on any matter, other than a procedural matter, as present at the Annual Meeting for purposes of determining a quorum, without regard to whether the proxy is marked or designated as casting a vote or abstaining on a particular matter. Likewise, the judge of election will treat shares of common stock represented by broker non-votes as present for purposes of determining a quorum if such shares have been voted on any matter other than a procedural matter.[1]

Each share is entitled to one vote on all matters submitted to a vote of the shareholders. A majority of the votes cast at a meeting at which a quorum is present is required in order to approve any matter submitted to a vote of the shareholders, except for the election of directors, or in cases where the vote of a greater number of shares is required by law or under Fulton's Articles of Incorporation or Bylaws. In the case of the election of directors, the fourteen (14) candidates receiving the highest number of votes cast at the Annual Meeting shall be elected to the Board of Directors for terms of one (1) year. Assuming the presence of a quorum, the affirmative vote of a majority of the votes cast is required for approval of the non-binding Say-on-Pay resolution to approve the compensation of the named executive officers for 2019 and the ratification of Fulton's independent auditor.

[1] Broker non-votes are shares of common stock held in record name by brokers or nominees as to which (i) instructions have not been received from the beneficial owners or persons entitled to vote; and (ii) the broker or nominee does not have discretionary voting power to vote such shares on a particular proposal.

Abstentions and broker non-votes (provided, in the case of broker non-votes, such non-votes represent shares that have been voted on any matter other than a procedural matter) will be counted as shares that are present at the Annual Meeting for determining the presence of a quorum, but will not be counted as votes cast on the election of directors, the non-binding Say-on-Pay resolution to approve the compensation of the named executive officers for 2019, or the ratification of Fulton's independent auditor. Because abstentions and broker non-votes are not counted as votes cast, they will have no effect on the election of directors, the non-binding Say-on-Pay resolution concerning executive compensation or the ratification of Fulton's independent auditor.

To the knowledge of Fulton, on the Record Date, no person or entity owned of record, or beneficially, more than 5% of the outstanding common stock of Fulton, except those listed on Page 18 under "Security Ownership of Directors, Nominees, Management and Certain Beneficial Owners."

Internet Availability of Proxy Materials

**Important Notice Regarding the Availability of Proxy Materials
for the Annual Meeting to be Held on May 19, 2020**

In accordance with the rules of the Securities and Exchange Commission (the "SEC"), Fulton is advising its shareholders that Fulton is furnishing proxy materials (i.e., this Proxy Statement, 2019 Annual Report on Form 10-K and proxy card) to some of Fulton's shareholders on the Internet at www.proxyvote.com rather than mailing paper copies of the materials to those shareholders. As a result, some shareholders will receive a Notice of Internet Availability of Proxy Materials and other shareholders will receive paper copies of this Proxy Statement, the 2019 Annual Report on Form 10-K and proxy card. The Notice of Internet Availability of Proxy Materials contains instructions on how to access this Proxy Statement, the 2019 Annual Report on Form 10-K and proxy card over the Internet, instructions on how to vote shares, as well as instructions on how to request a paper copy of the proxy materials, if shareholders so desire. Fulton believes electronic delivery should expedite the receipt of materials, significantly lower costs and help to conserve natural resources.

Whether shareholders receive the Notice of Internet Availability of Proxy Materials or paper copies of the proxy materials, the Proxy Statement, the 2019 Annual Report on Form 10-K, the proxy card and any amendments to the foregoing materials that are required to be furnished to shareholders, are available for review online at www.proxyvote.com.

This Proxy Statement and Fulton's 2019 Annual Report on Form 10-K also are available in the Investor Relations section of Fulton's website at www.fult.com. Shareholders may access this material by choosing the "Investor Relations" tab at the top of the page, and then "SEC Filings" from the items listed in the Investor Relations section.

Recommendation of the Board of Directors

The Board of Directors recommends that shareholders vote <u>FOR</u> the election of each of the fourteen (14) director nominees identified in this Proxy Statement, <u>FOR</u> the approval of the non-binding Say-on-Pay resolution to approve the compensation of the named executive officers for 2019, and <u>FOR</u> the ratification of the appointment of KPMG LLP as Fulton's independent auditor for the fiscal year ending December 31, 2020.

Shareholder Proposals

Under SEC rules, shareholder proposals intended to be considered for inclusion in Fulton's Proxy Statement and form of proxy for the 2021 Annual Meeting must be received at the principal executive offices of Fulton at One Penn Square, Lancaster, Pennsylvania no later than December 3, 2020. In addition, any shareholder proposal not received at Fulton's principal executive offices by February 16, 2021, which is forty-five (45) calendar days before the one (1) year anniversary of the date Fulton released the previous year's annual meeting Proxy Statement to shareholders, will be considered untimely and, if presented at the 2021 Annual Meeting, the proxy holders will be able to exercise discretionary authority in voting on any such proposal to the extent authorized by Rule 14a-4(c) under the Exchange Act. All shareholder proposals must comply with Rule 14a-8 under the Exchange Act, as well as Fulton's Bylaws.

Generally, under applicable SEC rules, a shareholder may not submit more than one proposal, and the proposal, including any accompanying supporting statement, may not exceed 500 words. In order to be eligible to submit a proposal, a shareholder must have continuously held at least $2,000 in market value of Fulton common stock for at least one year before the date the proposal is submitted. Any shareholder submitting a shareholder proposal to Fulton must also provide Fulton with a written statement verifying ownership of stock and confirming the shareholder's intention to continue to hold the stock through the date of the 2021 Annual Meeting. The shareholder, or a qualified representative, must attend the 2021 Annual Meeting in person to present the proposal. The shareholder must also continue to hold the applicable amount of Fulton common stock through the date of the 2021 Annual Meeting.

Contacting the Board of Directors

Any shareholder of Fulton who desires to contact the Board of Directors may do so by writing to: Board of Directors, Fulton Financial Corporation, P.O. Box 4887, One Penn Square, Lancaster, PA 17604. These written communications will be provided to the Chair of the Executive Committee of the Board of Directors who will determine further distribution based on the nature of the information in the communication. For example, communications concerning accounting, internal accounting controls or auditing matters will be shared with the Chair of the Audit Committee of the Board of Directors.

Code of Conduct

Fulton's Code of Conduct (the "Code of Conduct") governs the conduct of its directors, officers and employees. Fulton provides the Code of Conduct to each director, officer and employee when starting their position, and they are required to annually acknowledge their review of the Code of Conduct. The last material update of Fulton's Code of Conduct was in 2016 after a review by the Nominating and Corporate Governance Committee. Fulton's employees and directors are expected to recognize and avoid conflicts of interest situations in which personal interest or relationships interfere with, might interfere with, or appear to interfere with, their responsibilities to Fulton. A current copy of the Code of Conduct can be obtained, without cost, by writing to the Corporate Secretary at: Fulton Financial Corporation, P.O. Box 4887, One Penn Square, Lancaster, PA 17604. The current Code of Conduct, future amendments and any waivers are also posted and available on Fulton's website at www.fult.com.

Corporate Governance Guidelines

Fulton has adopted Corporate Governance Guidelines (the "Governance Guidelines") that include guidelines and Fulton's policy regarding the following topics: (1) the size of the Board of Directors; (2) director qualifications; (3) a majority vote standard; (4) service on other boards and director change in status; (5) meeting attendance and review of meeting materials; (6) director access to management and independent advisors; (7) designation of a Lead Director; (8) executive sessions; (9) Chief Executive Officer ("CEO") evaluation and succession planning; (10) Board of Directors and committee evaluations; (11) stock ownership guidelines; (12) communications by interested parties; (13) Board of Directors and committee minutes; (14) Codes of Conduct; and (15) disclosure and update of the Governance Guidelines.

The Governance Guidelines were last updated effective October 1, 2019 to add a stock ownership guideline for directors of Fulton Bank who are not also directors of Fulton. The Governance Guidelines were amended, effective January 1, 2019, to increase the stock ownership guidelines for Fulton's non-employee directors from $175,000 to $300,000. See Stock Ownership Guidelines on Page 45 for additional information regarding the change and Fulton's stock ownership guidelines for non-employee directors and officers. A copy of the current Governance Guidelines can be obtained, without cost, by writing to the Corporate Secretary at: Fulton Financial Corporation, P.O. Box 4887, One Penn Square, Lancaster, PA 17604. The Governance Guidelines are also posted and available on Fulton's website at www.fult.com.

SELECTION OF DIRECTORS

General Information

The Bylaws of Fulton provide that the Board of Directors shall consist of at least five (5) but not more than thirty-five (35) persons, and that the Board of Directors shall, from time to time, determine the number of directors. The Board of Directors has, by resolution, fixed the number of the Board of Directors at fourteen (14) as of the Annual Meeting. Pursuant to Fulton's Bylaws, as amended, all nominees elected to the Board of Directors are elected for one-year terms.

A majority of the Board of Directors may increase or decrease the number of directors between meetings of the shareholders. Any vacancy occurring in the Board of Directors, whether due to an increase in the number of directors, resignation, retirement, death or any other reason, may be filled by appointment by the remaining directors. Any director who is appointed to fill a vacancy shall hold office until the next Annual Meeting of the shareholders and until a successor is elected and shall have qualified.

Fulton's Bylaws limit the age of director nominees, and no person may be nominated for election as a director who will attain the age of seventy-two (72) years on or before the date of the Annual Meeting at which he or she is to be elected. In addition, Fulton has adopted a Voluntary Resignation Policy, last amended in January 2014, for directors that generally requires a director to tender his or her resignation when the director's effectiveness as a member of the Board of Directors may be substantially impaired. Circumstances that require a resignation to be submitted include, but are not limited to: (i) a director failing to attend at least 62.5% of meetings of the Board of Directors or its committees without a valid excuse; (ii) unless such an event is promptly cured to the satisfaction of Fulton, any extension of credit by subsidiary bank of Fulton for which the director or a related interest of the director is an obligor or guarantor is: a) classified by Fulton as nonaccrual, sixty (60) or more days past due, or restructured; b) assigned a risk rating of "substandard" or less; or c) not in material compliance with Board of Governors of the Federal Reserve System's Regulation O (12 C.F.R. Part 215) ("Regulation O"); or (iii) a nominee for director does not receive a majority of the votes cast in an uncontested election for the Board of Directors. While the policy sets forth events which might require a director to tender his or her resignation, it also directs Fulton's Board of Directors to consider carefully, on a case-by-case basis, whether or not Fulton should accept such a resignation.

Majority Vote Standard

In January 2014, Fulton's Nominating and Corporate Governance Committee recommended, and the Board of Directors adopted, a majority vote standard for uncontested director elections by revising the Governance Guidelines and the Voluntary Resignation Policy for directors. In an uncontested election for the Board of Directors at a Fulton annual meeting of shareholders, any nominee for director who does not receive a majority of the votes cast is required to promptly tender his or her resignation following certification of the shareholder vote. As further described in the Governance Guidelines, the Nominating and Corporate Governance Committee shall consider the resignation tendered and recommend to the Board of Directors whether to accept it. Since Fulton's adoption of a majority vote standard, all directors have been elected by a majority of the votes cast at each annual meeting.

Procedure for Shareholder Nominations

Section 3 of Article II of Fulton's Bylaws requires shareholder nominations of director candidates to be made in writing and delivered or mailed to the Chairman of the Board or the Corporate Secretary not less than the earlier of (a) one hundred twenty (120) days prior to any meeting of shareholders called for the election of directors or (b) the deadline for submitting shareholder proposals for inclusion in a Proxy Statement and form of proxy as calculated under Rule 14a-8(e) promulgated by the SEC under the Exchange Act. For the 2021 Annual Meeting, this deadline date is December 3, 2020. Further, the notice to the Chairman of the Board or the Corporate Secretary of a shareholder nomination shall set forth: (i) the name and address of the shareholder who intends to make the nomination and a representation that the shareholder is a holder of record of stock of Fulton entitled to vote at such meeting and intends to be present in person or by proxy at such meeting to nominate the person or persons to be nominated; (ii) the name, age, business address and residence address of each nominee proposed in such notice; (iii) the principal occupation or employment of each such nominee; (iv) the number of shares of capital stock of Fulton that are beneficially owned by each such nominee; (v) a statement of qualifications of the proposed nominee and a letter from the nominee affirming that he or she will agree to serve as a director of Fulton, if elected by the shareholders; (vi) a description of all arrangements or understandings between the shareholder submitting the notice and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the shareholder; and (vii) such other information regarding each nominee proposed by the shareholder as would have been required to be included in the Proxy Statement filed pursuant to the proxy rules of the SEC had each nominee been nominated by or at the direction of the Board of Directors. The chairman of the meeting shall determine whether nominations have been made in accordance with the requirements of the Bylaws and, if the chairman determines that a nomination is defective, the nomination and any votes cast for the nominee shall be disregarded. Shareholder nominees are subject to the same standard of review as nominees of Fulton's Board of Directors or its Nominating and Corporate Governance Committee.

Director Qualifications and Board Diversity

In considering any individual nominated for membership on the Board of Directors, including those nominated by a shareholder, Fulton considers a variety of factors, including whether the candidate is recommended by executive management, the individual's professional and personal qualifications, including business experience, education and community and charitable activities, the individual's familiarity with one or more of the communities in which Fulton is located or is seeking to locate, and the diversity the individual may provide to the Board of Directors and its committees. Fulton does not have a separate written policy regarding how diversity is to be considered in the director nominating process. Generally, however, Fulton takes into account diversity in a variety of ways, including business experience, community service, skills, professional background and other qualifications, as well as diversity in race, national origin and gender, in considering individual candidates. Fulton's Governance Guidelines provide that Fulton's Board of Directors should be sufficient in size to achieve diversity in business experience, community service and other qualifications among non-employee directors while still facilitating substantive discussions in which each director can participate meaningfully. The Nominating and Corporate Governance Committee is responsible for the Governance Guidelines and for recommending director nominees to the Board of Directors. The Nominating and Corporate Governance Committee also considers nominees for director that are recommended by various persons or entities, including, but not limited to, non-management directors, Fulton's Chief Executive Officer, other senior officers and third parties. Information on the experience, qualifications, attributes or skills of Fulton's director nominees is described under "Director Nominee Biographical Information" below.

The Nominating and Corporate Governance Committee believes there is a balance between seasoned directors with knowledge of and insight into Fulton and Fulton Bank, and new directors who contribute fresh ideas, perspectives and viewpoints to the Board of Directors' deliberations. While the Board of Directors has not established term limits for Fulton directors, Fulton has a mandatory retirement age of seventy-two (72) for directors. The Nominating and Corporate Governance Committee reviews each director's age and continuation of service on the Board of Directors at the end of his or her term. The Nominating and Corporate Governance Committee members and the Board of Directors are focused on maintaining directors that provide increasing contributions to Fulton over time and have routinely considered candidates who first served on the board of directors of one of Fulton's subsidiary banks. The Nominating and Corporate Governance Committee reviews the composition of the Board of Directors at least annually to ensure that the Board of Directors reflects the appropriate balance of knowledge, experience, skills, expertise and diversity.

Director Service on Fulton Bank Board of Directors

In September 2019, Fulton completed the consolidation of all its banking subsidiaries into Fulton Bank. All Fulton directors that were not already also directors of Fulton Bank were elected as directors of Fulton Bank. Effective with this consolidation, Fulton directors no longer receive any additional compensation for bank subsidiary board service.

ELECTION OF DIRECTORS – PROPOSAL ONE

General Information

For the 2020 Annual Meeting, the Board of Directors has fixed the number of directors at fourteen (14). Pursuant to Fulton's Bylaws, as amended, nominees to the Board of Directors are elected for one-year terms. The Board of Directors has nominated the following fourteen (14) persons for election to the Board of Directors for a term of one year:

2020 Director Nominees

Jennifer Craighead Carey	Lisa Crutchfield	Denise L. Devine
Steven S. Etter	Patrick J. Freer	Carlos E. Graupera
George W. Hodges	James R. Moxley III	Curtis J. Myers
Scott A. Snyder	Ronald H. Spair	Mark F. Strauss
Ernest J. Waters	E. Philip Wenger	

Each of the above director nominees is presently a director of Fulton and also serves on the board of directors of Fulton Bank. Following the recommendation of the Nominating and Corporate Governance Committee, the Board of Directors approved the nomination of the above individuals. However, in the event that any of the foregoing 2020 director nominees are unable to accept nomination or election, any proxy given pursuant to this solicitation will be voted in favor of such other persons as the Board of Directors may recommend. The Board of Directors has no reason to believe that any of its director nominees will be unable to accept nomination or to serve as a director, if elected at the Annual Meeting.

Vote Required

The fourteen (14) candidates receiving the highest number of votes cast at the Annual Meeting shall be elected to the Board of Directors. Abstentions and broker non-votes will be counted as shares that are present at the Annual Meeting, but will not be counted as votes cast in the election of directors. As described under Majority Vote Standard on Page 8, in an uncontested election of directors, the Governance Guidelines require any nominee for director who does not receive a majority of the votes cast to promptly tender his or her resignation following certification of the shareholder vote.

Recommendation of the Board of Directors

The Board of Directors recommends that shareholders vote FOR the election of each of the fourteen (14) director nominees identified in this Proxy Statement to serve for one-year terms.

Information about Nominees, Directors and Independence Standards

Information concerning the experience, qualifications, attributes or skills of the fourteen (14) persons nominated by Fulton for election to the Board of Directors at the 2020 Annual Meeting is set forth below, including whether they were determined by the Board of Directors to be independent for purposes of the NASDAQ listing standards.

Fulton is a NASDAQ listed company and follows the NASDAQ listing standards for Board of Directors and committee independence. The Board of Directors determined that eleven (11) of Fulton's fourteen (14) director nominees are independent, as defined in the applicable NASDAQ listing standards. Specifically, the Board of Directors found that director nominees Crutchfield, Devine, Etter, Freer, Graupera, Hodges, Moxley, Snyder, Spair, Strauss and Waters met the definition of independent director in the NASDAQ listing standards and that each of these directors is free of any relationships that would interfere with his or her individual exercise of independent judgment.

In addition, the current members of the Audit Committee, the Human Resources Committee (the "HR Committee") and the Nominating and Corporate Governance Committee of the Board of Directors meet the requirements for independence under the NASDAQ listing standards, and the rules and regulations of the SEC for service on the Audit Committee, the HR Committee or the Nominating and Corporate Governance Committee, as applicable. In reviewing director independence, the Board of Directors considered the relationships and other arrangements, if any, of each director. The other types of relationships and transactions that were reviewed and considered are more fully described in "Related Person Transactions" on Page 24.

Director Nominee Biographical Information

The following information regarding each director nominee's background, experience, qualifications, attributes or skills represents the information that led Fulton to conclude that these persons should be nominated to serve as a director of Fulton.

JENNIFER CRAIGHEAD CAREY - Age: 51

- 2020 Annual Meeting Nominee
- Fulton Director since 2019 and Fulton Bank Director since 2012
- 2019 – 2020 Fulton Committees: Risk – Vice Chair

Ms. Craighead Carey has been a partner of Barley Snyder LLP since 2001, and chaired the firm's Employment Law group from 2005 to 2019. She concentrates her practice in the areas of labor and employment law, as well as school law. She regularly provides advice to employers on a myriad of employment issues and has handled numerous labor arbitrations both in the public and in private sector.

She has handled cases at both the administrative level and routinely handles litigation in the Federal District Courts in both the Eastern and Middle Districts of Pennsylvania. Ms. Craighead Carey regularly practices before the Pennsylvania Human Relations Commission (PHRC) and the Equal Employment Opportunity Commission (EEOC) as well as administrative agencies throughout the country, handling all manner of discrimination and retaliation claims. Ms. Craighead Carey is a graduate of Dickinson School of Law, with a J.D., cum laude, a comment writer for the Dickinson Law Review, a member of the Woolsack Honor Society recognizing superior academic achievement, and a member of Minority Law Students Association. She has received the designation of being a "Pennsylvania Super Lawyer" from 2010 through 2019.

Ms. Craighead Carey is active in the community and currently a board member of the Lancaster City Alliance. She is a former board member of the Lancaster Chamber of Commerce & Industry and a past chair of United Way of Lancaster County. She has been a director of Fulton Bank since 2012, and has over 20 years of legal, risk management, and employment experience. In addition, she is familiar with the markets in which Fulton operates.

LISA CRUTCHFIELD - Age: 57

- 2020 Annual Meeting Nominee and Independent
- Fulton Director since 2014 and Fulton Bank Director since 2019
- 2019 – 2020 Fulton Committees: Executive – Member; Nominating and Corporate Governance – Chair; and Risk - Member

Lisa Crutchfield is the managing principal of Hudson Strategic Advisers, LLC, an economic analysis and strategic advisory firm serving the energy industry since 2016. She has served as a consultant to the energy industry since 2012. Prior to her entrepreneurial ventures, Ms. Crutchfield served as executive vice president and chief regulatory, risk and compliance officer for National Grid USA from 2008 to 2011. In this role, Ms. Crutchfield also served as a executive director on the board of National Grid USA. She also has served in executive leadership roles at Exelon Corporation (PECO), TIAA-CREF and Duke Energy Corporation. Ms. Crutchfield led the efforts to liberalize the electric generation and gas markets in Pennsylvania when she served as a utility regulator. Ms. Crutchfield currently serves on the board of directors of Unitil Corporation (NYSE:UTL) since 2012, Vistra Energy (NYSE:VST) since 2020 and The Main Street America Group Advisory Board since 2018.

Ms. Crutchfield brings more than 20 years of experience leading corporate teams and has extensive knowledge of the financial services industry, as she began her career as a commercial and investment banker. Moreover, she brings expertise in risk management, regulation and compliance. She earned the designation by the National Association of Corporate Directors ("NACD") as a Governance Leadership Fellow in 2019. Ms. Crutchfield is a graduate of Yale University with a B.A. in economics and political science. She also earned an MBA from Harvard Business School, with distinction in finance.

DENISE L. DEVINE - Age: 64

- 2020 Annual Meeting Nominee and Independent
- Fulton Director since 2012 and Fulton Bank Director since 2019
- 2019 – 2020 Fulton Committees: Audit - Member and financial expert; Executive – Vice Chair; and Human Resources – Chair

Ms. Devine is the founder and since 2014 has served as the Chief Executive Officer of FNB Holdings, LLC, a company dedicated to initiatives in the health and wellness space. Ms. Devine was also founder and Chief Executive Officer of Nutripharm, Inc., a company that has generated a portfolio of composition and process patents to create innovative natural food, beverage, pharmaceutical and nutraceutical products that facilitate nutrition and lifelong health. Ms. Devine, a certified public accountant, also previously served as Chief Financial Officer for Energy Solutions International and in financial management positions for Campbell Soup Company. Ms. Devine has served as Chair of the Pennsylvania State Board of Accountancy and on the Board of the American Institute of CPAs. Ms. Devine was a member of the Board of Trustees of Villanova University from 2005 to 2015, where she was the Chair of the Audit and Risk Committee. She has served on the Board of Ben Franklin Technology Partners of Southeastern Pennsylvania since 2016 and was appointed to the Board of Ben Franklin Technology Development Authority in 2018. Ms. Devine has been a director of AgroFresh Solutions, Inc. (NASDAQ: AGFS) since 2018 and a director of Cubic Corporation (NYSE: CUB) since 2019.

Ms. Devine has substantial management, business and finance experience, which adds valuable outside experience to Fulton's Board of Directors and its committees. She has completed courses and was recognized by NACD as a Board Leadership Fellow since 2016. She received an MBA from the Wharton School of the University of Pennsylvania, an M.S. in Taxation from Villanova Law School, and a B.S. in Accounting from Villanova University, where she graduated first in her class.

STEVEN S. ETTER - Age: 66

- 2020 Annual Meeting Nominee and Independent
- Fulton Director since 2019 and Fulton Bank Director since 2012
- 2019 – 2020 Fulton Committees: Audit - Member and financial expert; and Human Resources – Member

Since 2014, Mr. Etter has been the President and CEO of Harrisburg News Company, a division of Hudson News Distributors LLC, which is a regional magazine, book and newspaper wholesale distribution company. Prior to its consolidation with Hudson News, Mr. Etter served from 1998 to 2014 as the President and CEO of Harrisburg News Company.

A graduate of the University of Miami with a B.A. in finance and marketing, he is a member of its President's Council, which is comprised of a select advisory group of prominent alumni. Mr. Etter also is an Emeritus Director of the Whitaker Center for Science and the Arts, a non-profit center for the arts, education, entertainment and cultural enrichment, located in Harrisburg, Pennsylvania. Mr. Etter has been active in numerous business endeavors, professional associations, charitable and community organizations during his long career, including serving as a former board member of WITF, a public radio and television station that broadcasts in central Pennsylvania.

As a Chief Executive Officer and successful business owner, Mr. Etter brings extensive business skills, financial expertise and regional market knowledge to Fulton's Board of Directors. Mr. Etter has been a director of Fulton Bank since 2012, and prior to joining the bank board, he was a long-time member of Fulton Bank's Harrisburg Advisory Board.

PATRICK J. FREER - Age: 70

- 2020 Annual Meeting Nominee and Independent
- Fulton Director since 1996 and Fulton Bank Director since 2019
- 2019 – 2020 Fulton Committees: Human Resources – Member; and Nominating and Corporate Governance Committee – Vice Chair

Mr. Freer was a director of Lebanon Valley Farmers Bank, formerly known as Farmers Trust Bank, from 1980 until it was combined with Fulton Bank in 2007. In 2019, he rejoined the Fulton Bank Board. From 1974 to 2019, he has been employed by Strickler Insurance Agency, Inc. (insurance broker) and served as the President, since 1998, and was the Chairman until he retired in 2019. Mr. Freer is a Certified Insurance Counselor.

Mr. Freer brings to the Fulton Board of Directors extensive knowledge of insurance, investments, finance and risk management, as well as valuable knowledge of Fulton through his tenure on its Board of Directors and as a bank director from 1980 to 2007.

Mr. Freer has long been an active member in his community, helping with numerous capital campaigns and community projects. Mr. Freer has been a board member of the American Cancer Society, Lebanon County Economic Development Authority, Center of Lebanon Association and the Lebanon County Mental Health Association and has served as past president of the Lebanon County Christian Ministries and the Lebanon Valley Sertoma Club.

CARLOS E. GRAUPERA - Age: 70

- 2020 Annual Meeting Nominee and Independent
- Fulton Director since 2019 and Fulton Bank Director since 2006
- 2019 – 2020 Fulton Committees: Nominating and Corporate Governance Committee – Member; and Risk Committee – Member

Since 1973, Mr. Graupera has been the Chief Executive Officer and Executive Director of the Spanish American Civic Association ("SACA"), a Lancaster, Pennsylvania based non-profit. SACA is a Latino founded and managed community-based organization whose mission is to enable the community it serves to integrate itself into the social, economic, and political mainstream of life. Toward this end, SACA provides case management, employment, behavioral health, services to the elderly, continuing education, vocational training, and services to at-risk youth. SACA also operates WLCH, a radio station, and TeleCentro, a cable television station, along with a number of subsidiary entities to assist in SACA's Latino community efforts.

Mr. Graupera has been a director of the La Academia Partnership Charter School since 1999. The school is the only tuition-free charter school in Lancaster County, and offers students in grades 6 through 12 a unique opportunity to focus on 21st century learning. It has a five-year goal of becoming a dual-language school with a STEM focus.

Mr. Graupera is very active in the Lancaster community, and has substantial community development, management, business and finance experience, which provides a diverse and valuable set of outside experience and skill to Fulton's Board of Directors and Fulton Bank where he has served as a director since 2006.

GEORGE W. HODGES - Age: 69

- 2020 Annual Meeting Nominee and Independent
- Fulton Director since 2001 and Fulton Bank Director since 2012
- 2019 – 2020 Fulton Committees: Audit - Member and financial expert; and Human Resources – Member

Mr. Hodges has been a director of Fulton since 2001, and served as Fulton's Lead Director from 2010 until June 2018. He has been a director of York Water Company (NASDAQ:YORW) from 2000 to present and served as Chairman since 2011, director of The Wolf Organization, Inc. from 2008 to 2015 (regional distributor and sourcing company of kitchen and bath products and specialty building products), a director of Burnham Holdings, Inc. from 2006 to present, the parent company of fourteen subsidiaries that are leading domestic manufacturers of boilers and related HVAC products and accessories (including furnaces, radiators and air conditioning systems), for residential, commercial and industrial applications, and has served on the boards of various for profit, non-profit and community organizations. Mr. Hodges served as non-executive Chairman of the Board of The Wolf Organization from 2008 to 2009. Prior to being Chairman, Mr. Hodges was a member of the Office of the President of The Wolf Organization from 1986 to 2008.

In addition, Mr. Hodges has served as a director of Fulton Bank N.A. since 2012 and was a director of Drovers & Mechanics Bank, until it was merged into Fulton Bank, N.A. in 2001.

Mr. Hodges brings considerable financial expertise and business knowledge to the Fulton Board of Directors, both through his business experience and service on other boards. In addition, Mr. Hodges has completed the requirements for the NACD Board Leadership Fellow Program since 2011.

JAMES R. MOXLEY III (Independent Lead Director) Age: 59

- 2020 Annual Meeting Nominee and Independent
- Fulton Director since 2015, Fulton Bank Director since 2019 and The Columbia Bank Director from 1999 to 2019
- 2019 – 2020 Fulton Committees: Executive – Chair; Nominating and Corporate Governance – Member; and Risk –Member

Mr. Moxley currently serves as Fulton's Lead Director. In addition to being a director of Fulton, prior to joining the Fulton Bank board in 2019, Mr. Moxley was a director of The Columbia Bank since 1999. He is admitted and licensed to practice law in Maryland and a former real estate attorney with Venable, Baetjer and Howard, now known as Venable LLP (law firm). Since 1992, Mr. Moxley has served as a Principal of Security Development Corporation (a Washington-Baltimore real estate land development company engaged primarily in retail and multifamily projects).

He is a past Board Chair and has been a trustee of Glenelg Country School from 1996 to present. He has also served as a trustee of the Howard Hospital Foundation from 2014 to present, as a Founding Director of the Real Estate Charitable Foundation of Maryland from 2015 to present, and is active on numerous civic boards and committees in Maryland.

Mr. Moxley received a J.D. degree and A.B. in Economics (magna cum laude) from Duke University. He has completed the requirements and has been recognized by the NACD as a Board Leadership Fellow since 2017. Mr. Moxley brings banking expertise to Fulton's Board of Directors that he gained as a director of The Columbia Bank. He also has extensive business, tax, and legal experience related to the acquisition, financing, and development of commercial and residential real estate. Mr. Moxley's longstanding board service at Fulton Bank and its predecessors in Maryland also imparts corporate governance and supervisory skills.

CURTIS J. MYERS (President and COO of Fulton) Age: 51

- 2020 Annual Meeting Nominee
- Fulton Director since 2019 and Fulton Bank Director since 2009
- 2019 – 2020 Fulton Committees: None

Mr. Myers has been the President and Chief Operating Officer of Fulton since January 1, 2018. He first became an executive officer of Fulton in July 2013 and has held a number of executive positions with Fulton Bank since 1990.

He is also the Chairman, Chief Executive Officer, Chief Operating Officer and President of Fulton Bank. He was promoted to Chairman and Chief Executive Officer in May 2018 and became the President and Chief Operating Officer of Fulton Bank in 2009. He has served as a director of Fulton Bank since 2009.

Mr. Myers has participated in a number of industry organizations and has been active in the local community for many years. He has been involved with the Pennsylvania Bankers Association, is a past chair of the American Heart Association of Lancaster County, a past board member of the YMCA of Lancaster County, and a past board member of the United Way of Lancaster County. He has served as the Treasurer of the Fulton Theatre Company since 2011, a director of TEC Centro since 2017, and is the current chair of the Salvation Army (Lancaster) and has been a director of this local non-profit since 1995. Starting in 2019, Mr. Myers joined the Operation HOPE Northeast Advisory Board and the ABA Stonier Graduate School of Banking Advisory Board.

Mr. Myers brings a myriad of banking knowledge, executive leadership, financial expertise and other valuable skills to Fulton's Board of Directors. He holds a Bachelor of Science in Business Administration from Shippensburg University and a Master's degree in Business Administration from Saint Joseph's University. He is also a graduate of the Stonier Graduate School of Banking.

SCOTT A. SNYDER, PhD - Age: 54

- 2020 Annual Meeting Nominee and Independent
- Fulton Director since 2016 and Fulton Bank Director since 2019
- 2019 – 2020 Fulton Committees: Executive – Member; Nominating and Corporate Governance – Member; and Risk - Chair

Dr. Snyder is currently a Partner at Heidrick Consulting leading the Digital Transformation and Innovation Offerings for the firm. He recently served as Senior Vice President, Managing Director, and Chief Technology and Innovation Officer from August 2016 until March 2018 for Safeguard Scientifics, Inc. (NYSE:SFE), a provider of capital and relevant expertise to fuel the growth of technology-driven businesses in healthcare, financial services and digital media. From 2011 until August of 2016, he served as the president and chief strategy officer of the Boston- and Philadelphia-based Mobiquity, Inc., a mobile tech company that focuses on digital strategy and engineering enhanced mobile experiences. Since 2016, he has served as the Chair of the Mobiquity advisory board. In addition, Dr. Snyder is a senior fellow in the Management Department at the Wharton School and an adjunct faculty member in the School of Engineering and Applied Science at the University of Pennsylvania.

Dr. Snyder earned his B.S., M.S. and Ph.D. in Systems Engineering from the University of Pennsylvania, and an Executive Certificate from the University of Southern California.

Dr. Snyder brings business acumen, experience in the technology sector and leadership in digital innovation to the Fulton Board of Directors. Dr. Snyder has extensive expertise in the development of digital solutions, mobile business strategy and mobile security. In 2017, Dr. Snyder also successfully completed the NACD Cyber-Risk Oversight Program and earned a CERT Certificate in Cybersecurity Oversight, issued by the Software Engineering Institute at Carnegie Mellon University.

RONALD H. SPAIR - Age: 64

- 2020 Annual Meeting Nominee and Independent
- Fulton Director since 2015 and Fulton Bank Director since 2019
- 2019 – 2020 Fulton Committees: Audit – Chair and financial expert; Executive – Member; and Human Resources – Member

Mr. Spair served as the Chief Financial Officer, Chief Operating Officer and a member of the Board of Directors of OraSure Technologies, Inc. (NASDAQ:OSUR), a diagnostic and medical device company headquartered in Bethlehem, Pennsylvania, since September 2006, and as Executive Vice President and Chief Financial Officer since November 2001. In June 2018, he retired from the board and as an officer of OraSure Technologies, Inc.

From 2013 to May 2018 Mr. Spair served on the board of Life Science – PA, which was formerly known as Pennsylvania Biotechnology Association, a state trade association for the life sciences community in the Commonwealth of Pennsylvania. He is a certified public accountant, a chartered global management accountant and holds an MBA from Rider College.

Mr. Spair brings his public company executive experience and financial expertise to Fulton's Board of Directors. Mr. Spair has also had extensive experience negotiating mergers and acquisitions, development and licensing transactions and corporate financings.

MARK F. STRAUSS - Age: 68

- 2020 Annual Meeting Nominee and Independent
- Fulton Director since 2016, Fulton Bank Director since 2019 and Fulton Bank of New Jersey from 2011 to 2019
- 2019 – 2020 Fulton Committees: Human Resources – Vice Chair; and Nominating and Corporate Governance – Member

Mr. Strauss has served as director of a Fulton Bank since 2019, as a director of Fulton Bank of New Jersey from 2011 to 2019, and as a director of Skylands Community Bank prior to its merger with Fulton Bank of New Jersey in 2011. From October 2010 to his retirement in December 2017, he served as Senior Vice President of Corporate Strategy and Business Development at American Water Works Company, Inc. (NYSE: AWK), the largest and most geographically diverse publicly traded U.S. water and wastewater utility company. Mr. Strauss was responsible for working with the senior management team to link overall strategy and major growth efforts for American Water's regulated and competitive operations.

From December 2006 to September 2010, Mr. Strauss served as President of American Water Enterprises, which owns and operates several of American Water's market-based businesses. In this role, Mr. Strauss oversaw American Water's non-regulated business units that offer operations and maintenance contract services across the United States and Canada, including water and wastewater management for military bases, service-line protection programs, design, construction and operation of community onsite water and wastewater systems, and other innovative solutions that address a variety of challenges facing the industry.

Mr. Strauss has legal and executive skills and, prior to his retirement from American Water Works Company, he was also an attorney licensed to practice law in New Jersey.

ERNEST J. WATERS - Age: 70

- 2020 Annual Meeting Nominee and Independent
- Fulton Director since 2012 and Fulton Bank Director since 2011
- 2019 – 2020 Fulton Committees: Audit - Member and financial expert; and Risk – Member

In addition to serving as a director of Fulton, Mr. Waters has also been a director of Fulton Bank since 2011. Mr. Waters retired from Metropolitan Edison, a FirstEnergy company, in 2009, where he served as the Area Vice President and Area Manager. Mr. Waters joined the FirstEnergy companies (an investor-owned utility) in 1976 and held various positions in Auditing and Marketing during his tenure. He also served as an expert accounting witness in setting rates before the Pennsylvania Public Utility Commission. Prior to joining the FirstEnergy companies, Mr. Waters was a public accountant and business consultant in Philadelphia. He is a former certified public accountant and holds an MBA from the University of Pittsburgh. Since 2007, Mr. Waters has served on the Board of Directors of the York Water Company (NASDAQ: YORW) where he chairs its Nominating and Corporate Governance Committee and is a member of the Audit Committee. In addition, Mr. Waters has served at leadership and committee levels with numerous community and nonprofit organizations. He is a past Chairman of the Board of York Hospital and recently completed a nine-year tenure as member of the Board, and chair of the Audit Committee for Wellspan Health, York Hospital's parent company.

Mr. Waters has business, regulatory, leadership, board service and accounting expertise that brings valuable perspectives to Fulton's Board of Directors. He has also completed the requirements for the NACD Board Leadership Fellow Program since 2014. In 2017, Mr. Waters also successfully completed the NACD Cyber-Risk Oversight Program and earned a CERT Certificate in Cybersecurity Oversight, issued by the Software Engineering Institute at Carnegie Mellon University.

E. PHILIP WENGER (Chairman of the Board and CEO of Fulton) Age: 62

- 2020 Annual Meeting Nominee
- Fulton Director since 2009 and Fulton Bank Director since 2019, and from 2003 to 2009
- 2019 – 2020 Fulton Committees: Executive – Member

Mr. Wenger became Chairman of the Board and Chief Executive Officer of Fulton Financial Corporation effective on January 1, 2013. He also served as President from 2008 to 2017, and Chief Operating Officer of Fulton Financial Corporation from 2008 to 2012. Mr. Wenger was a director of Fulton Bank from 2003 to 2009, Chairman of Fulton Bank from 2006 to 2009 and has been employed by Fulton in a number of positions since 1979.

In addition, Mr. Wenger currently serves on the Board of Directors for the Pennsylvania Chamber of Commerce, the Economic Development Company of Lancaster County, and as a member of the Penn State Harrisburg Board of Advisers. Mr. Wenger is also a member of the Operation HOPE Global board of directors, a global financial dignity and economic empowerment nonprofit corporation. He is a past chair of the Lancaster Chamber of Commerce, past chair of the Advisory Board of Stonier Graduate School of Banking, past member of the American Bankers Association board of directors, a former board member of the Lancaster County YMCA Foundation and Crispus Attucks Community Center. Since 2019, he has been a director of Burnham Holdings, Inc., the parent company of fourteen subsidiaries that are leading domestic manufacturers of boilers and related HVAC products and accessories (including furnaces, radiators and air conditioning systems), for residential, commercial and industrial applications.

Mr. Wenger possesses an extensive knowledge of the many aspects of banking operations through more than thirty years of experience in the financial services industry. He has gained valuable insight through his experience in different banking areas, including retail banking, commercial banking, bank operations and systems.

Security Ownership of Directors, Nominees, Management and Certain Beneficial Owners

The following table sets forth the number of shares of common stock beneficially owned [1] as of the Record Date, the latest practicable date, by each director, director nominee, and the named executive officers, Mr. Wenger, Mr. McCollom, Mr. Myers, Ms. Snyder and Ms. Chivinski, (collectively, the "Named Executive Officers" or the "Executives;" and individually, a "Named Executive Officer" or an "Executive") and those persons known to be the beneficial owner of more than 5% of Fulton's common stock. Except as to the beneficial owners and other principal holders listed below, to the knowledge of Fulton, no person or entity owned, of record or beneficially, on the Record Date more than 5% of the outstanding common stock of Fulton. Unless otherwise indicated in a footnote, shares shown as beneficially owned by each director, each director nominee and each Executive are held individually by the person. The directors, director nominees, the Executives and other executive officers of Fulton, as a group, owned of record and beneficially 1,407,024 shares of Fulton common stock, representing 0.86% of such shares then outstanding. Shares representing less than one percent of the outstanding shares are shown with a "*" below.

Director, Nominee and Management Beneficial Owners	Title	Total Shares Beneficially Owned [2 3 4]	Total Shares and Director Stock Units [5]	% of Class
Jennifer Craighead Carey	Director and Nominee	143	4,050	*
Lisa Crutchfield	Director and Nominee	11,938	15,845	*
Denise L. Devine	Director and Nominee	19,617 [6]	23,524	*
Steven S. Etter	Director and Nominee	190,000	193,907	*
Patrick J. Freer	Director and Nominee	116,439 [7]	120,346	*
Carlos E. Graupera	Director and Nominee	11,234	15,141	*
George W. Hodges	Director and Nominee	42,922 [8]	46,829	*
James R. Moxley III	Director and Nominee	133,603 [9]	137,510	*
Scott A. Snyder	Director and Nominee	6,540	10,447	*
Ronald H. Spair	Director and Nominee	19,072 [10]	22,979	*
Mark F. Strauss	Director and Nominee	24,550 [11]	28,457	*
Ernest J. Waters	Director and Nominee	28,468 [12]	32,375	*
E. Philip Wenger	Director, Nominee, Chairman of the Board and Chief Executive Officer	369,217 [13]	369,217	*
Mark R. McCollom	Senior Executive Vice President and Chief Financial Officer	698	698	*
Curtis J. Myers	Director, Nominee, President and Chief Operating Officer	140,055 [14]	140,055	*
Angela M. Snyder	Senior Executive Vice President and Head of Consumer Banking	15,712	15,712	*
Beth Ann Chivinski	Senior Executive Vice President and Chief Risk Officer	64,152 [15]	64,152	*
Total Ownership	Directors, Director Nominees, Named Executive Officers and executive officers as a Group (25 Persons)	1,407,024	1,453,907	0.86%

Beneficial Owners Holding More than 5%	Title	Total Shares Beneficially Owned	% of Class
BlackRock, Inc. [16] **55 East 52nd Street New York, NY 10055**	N/A	19,687,170	12.0%
The Vanguard Group [17] **100 Vanguard Blvd. Malvern, PA 19355**	N/A	15,760,039	9.60%
Dimensional Fund Advisors LP [18] **Building One 6300 Bee Cave Road Austin, TX 78746**	N/A	13,393,918	8.16 %

[1] Beneficial ownership is determined in accordance with SEC Rule 13d-3, which provides that a person is deemed to own any stock for which that person has or shares: (i) voting power, which includes the power to vote or to direct the voting of the stock; or (ii) investment power, which includes the power to dispose or direct the disposition of the stock; or (iii) the right to acquire beneficial ownership within 60 days after the Record Date.

[2] Includes 122,393 shares issuable upon the exercise of vested stock options, which have been treated as outstanding shares for purposes of calculating the percentage of outstanding shares owned by each individual as a group.

[3] As of the Record Date, none of the listed individuals had pledged Fulton stock and Fulton's Insider Trading Policy currently prohibits the pledging of shares by Fulton directors and Executives.

[4] Fulton has established stock ownership guidelines for Fulton directors and certain officers. As of January 1, 2019, Fulton non-employee directors were required to hold $300,000 of eligible Fulton stock. All non-employee directors and the Executives were in compliance with Fulton's stock ownership guidelines as of December 31, 2019 See a description of Fulton's stock ownership guidelines on Page 45 for more information.

[5] Includes a total of 46,883 unvested director stock units awarded in 2019 to the twelve non-employee directors. The director stock units awarded to each of the directors will vest on June 1, 2020 unless the director has elected to defer vesting until retirement or departure from the Board of Directors.

[6] Ms. Devine's ownership includes 1,000 shares held jointly with her spouse.

[7] Mr. Freer's ownership includes 97,040 shares held jointly with his spouse.

[8] Mr. Hodges' ownership includes 21,430 shares held in a 401(k) plan, 200 shares held in Irrevocable Trust for children and 8,091 shares held by The Hodges Family Foundation, Inc. Mr. Hodges has disclaimed beneficial ownership of the shares held by The Hodges Family Foundation, Inc.

[9] Mr. Moxley's ownership includes 39,115 shares held by The Moxley Family Trust, 1,149 shares held solely by his spouse, 17,214 shares held by Mr. Moxley as custodian for his children and 20,000 shares held in a 401(k) plan.

[10] Mr. Spair's ownership includes 10,000 shares held jointly with his spouse.

[11] Mr. Strauss' ownership includes 4,834 shares held jointly with his spouse and 6,426 shares held in an IRA.

[12] Mr. Waters' ownership includes 10,395 shares held in an IRA.

[13] Mr. Wenger's ownership includes 144,297 shares held jointly with his spouse and 85,109 shares held in the 401(k) Plan. Also includes 3,269 shares held in the 401(k) Plan by his spouse and 361 shares held by Mr. Wenger as custodian for his children.

[14] Mr. Myers' ownership includes 48,301 shares held in the 401(k) Plan, 42,015 shares which may be acquired pursuant to the exercise of vested stock options and 14,109 shares held jointly with his spouse.

[15] Ms. Chivinski's ownership includes 9,182 shares held in the 401(k) Plan.

[16] This information is based solely on a Schedule 13G filed with the SEC February 4, 2020 by BlackRock, Inc., which reported sole voting power as to 19,276,485 shares and sole dispositive power as to 19,687,170 shares, as of December 31, 2019.

[17] This information is based solely on a Schedule 13G/A filed with the SEC on February 12, 2020 by The Vanguard Group, which reported sole voting power as to 159,709 shares and sole dispositive power as to 15,602,091 shares, shared voting power as to 23,534 shares and shared dispositive power as to 157,948 shares, as of December 31, 2019.

[18] This information is based solely on a Schedule 13G filed with the SEC on February 12, 2020 by Dimensional Fund Advisors LP, which reported sole voting power as to 13,165,986 shares and sole dispositive power as to 13,393,918 shares, as of December 31, 2019.

INFORMATION CONCERNING THE BOARD OF DIRECTORS

Meetings and Committees of the Board of Directors

There were eight (8) regular and two (2) special meetings of the Board of Directors and a total of forty (40) meetings of the committees of the Board of Directors during 2019. No director attended fewer than 75% of (i) all meetings of the Board of Directors, (ii) all of the meetings of the committees of the Board of Directors on which a director served, or (iii) the aggregate number of meetings of the Board of Directors and of the committees of the Board of Directors on which he or she served in 2019.

The Board of Directors of Fulton has the following five regular standing committees: Audit, Executive, Human Resources, Nominating and Corporate Governance and Risk. Fulton also established the Special Joint Board Compliance Committee (the "Compliance Committee") as further described below. The following table represents the membership on each Fulton committee as of the date of this Proxy Statement:

Current Directors 2019-2020 Fulton Committee Members	Audit	Executive	Human Resources	Nominating and Corporate Governance	Risk	Compliance **
Jennifer Craighead Carey					Vice Chair	Member
Lisa Crutchfield		Member		Chair	Member	
Denise L. Devine	Vice Chair	Vice Chair	Chair			
Steven S. Etter	Member		Member			
Patrick J. Freer			Member	Vice Chair		
Carlos E. Graupera				Member	Member	
George W. Hodges	Member		Member			
James R. Moxley III		Chair		Member	Member	Member
Curtis J. Myers					Member *	Member
Scott A. Snyder		Member		Member	Chair	
Ronald H. Spair	Chair	Member	Member			
Mark F. Strauss			Vice Chair	Member		Vice Chair
Ernest J. Waters	Member				Member	Chair
E. Philip Wenger		Member			Member *	Member

* Ex-officio member per bylaws.

** Fulton discontinued the Compliance Committee in June 2019.

Human Resources Committee Interlocks and Insider Participation

HR Committee. Fulton maintains a Human Resources Committee (defined above as the "HR Committee"), and all members of the HR Committee meet the independence requirements of the NASDAQ listing standards for membership on compensation committees. More information regarding the HR Committee can be found in the "Compensation Discussion and Analysis" section of this Proxy Statement beginning on Page 29. There are no interlocking relationships, as defined in applicable SEC regulations, involving members of the HR Committee. Certain directors may have indirect relationships described in "Related Person Transactions" beginning on Page 24. The HR Committee is responsible for approving or recommending to the Board of Directors the compensation for the Executives, oversight of Fulton's cash and equity-based incentive compensation plans, the ESPP and the 401(k) Plan, approving employment agreements for the Executives and other officers of Fulton and fulfilling other broad-based human resources duties. The HR Committee met a total of nine (9) times in 2020. The HR Committee is governed by a formal charter, which was last amended in September 2019, and which is available on Fulton's website at www.fult.com.

Other Board Committees

Audit Committee. All members of the Audit Committee meet the independence requirements of the NASDAQ listing standards, and the rules and regulations of the SEC for membership on audit committees. Each of the members of the Audit Committee has been determined to qualify, been designated by the Board of Directors, and agreed to serve, as an Audit Committee "financial expert" as defined by SEC regulations. The Audit Committee met twelve (12) times during 2019.

The Audit Committee is governed by a formal charter, which was last amended in September 2019, and which is available on Fulton's website at www.fult.com. The Audit Committee's pre-approval policy and procedure for audit and non-audit services is set forth in its charter. The functions of the Audit Committee include: sole authority to appoint, evaluate, retain, or terminate the independent auditor; direct responsibility for the compensation and oversight of the work of the independent auditor; oversight of the overall relationship with the independent auditor; meeting with the independent auditor to review the scope of audit services; reviewing and discussing with management and the independent auditor annual and quarterly financial statements and related disclosures; overseeing the internal audit function, including hiring and replacing the chief audit executive; reviewing related person transactions; establishing procedures and handling complaints concerning accounting, internal accounting controls, or auditing matters; and those risk management matters outlined in the Audit Committee Charter. In addition, with respect to any bank subsidiary of Fulton that has not established its own independent audit committee, it is intended that Fulton's Audit Committee, in carrying out its responsibilities, will also satisfy the obligations imposed on such bank subsidiary of Fulton relating to the establishment and duties of an independent audit committee as set forth in Section 36 of the Federal Deposit Insurance Act and its implementing regulations.

Based on its review and discussion of the audited 2019 financial statements of Fulton with management and KPMG LLP, the independent auditor of the Fulton's financial statements, the Audit Committee recommended to the Board of Directors that the financial statements be included in the Annual Report on Form 10-K for filing with the SEC. A copy of the report of the Audit Committee of its findings that resulted from its financial reporting oversight responsibilities is attached as Exhibit A.

Nominating and Corporate Governance Committee. All members of the Nominating and Corporate Governance Committee meet the independence requirements of the NASDAQ listing standards. The Nominating and Corporate Governance Committee met eight (8) times during 2019.

The Nominating and Corporate Governance Committee is responsible for, among other things, recommending to the Board of Directors nominees for election to the Board of Directors and assisting the Board of Directors with corporate governance matters, including the review and approval of all changes to the Code of Conduct, Governance Guidelines and the responsibility for guidelines and procedures to be used by directors in completing Board of Directors evaluations used in monitoring and evaluating the performance of the Board of Directors and committees. The Nominating and Corporate Governance Committee is also responsible for determining whether Fulton's directors and Executives are in compliance with Fulton's stock ownership guidelines. The Nominating and Corporate Governance Committee is governed by a formal charter, which was last amended in September 2019, and is available on Fulton's website at www.fult.com.

Executive Committee. The Executive Committee did not meet during 2019. Except for the powers expressly excluded in Section 5 of Article III of the Bylaws, the Executive Committee exercises the powers of the Board of Directors between board meetings.

Risk Committee. Fulton's Risk Committee met nine (9) times during 2019. The Risk Committee is responsible for providing oversight of the risk management functions and practices of Fulton, including assisting the Board of Directors with its oversight of Fulton's policies, procedures and practices relating to assessment and management of Fulton's enterprise-wide risks, including those risks identified in Fulton's Enterprise Risk Management Policy, which currently include strategic risk, credit risk, market risk, liquidity risk, operational risk, legal risk, compliance and regulatory risk and reputational risk. The Risk Committee Chair is an independent director and was found by Fulton's Board of Directors to possess the requisite experience in identifying, assessing and managing risk exposures at large, complex firms. The Risk Committee is governed by a formal charter, which was last amended in September 2019, and is available on Fulton's website at www.fult.com.

Compliance Committee. The Special Joint Board Compliance Committee (defined above as the "Compliance Committee") was established to assist the Board of Directors and the Boards of Fulton's subsidiary banks in fulfilling their respective responsibilities to oversee compliance with the enforcement orders relating to Bank Secrecy Act and anti-money laundering ("BSA/AML") compliance matters at Fulton and its subsidiary banks and to oversee Fulton's management of certain other compliance risks. The Compliance Committee met two (2) times during 2019. During 2019, the final BSA/AML enforcement orders were terminated, and following those terminations, Fulton discontinued the Compliance Committee.

Board's Role in Risk Oversight

While each of Fulton's committees is responsible for overseeing the management of certain risks, Fulton's Risk Committee is primarily responsible for overseeing the management of such risks for Fulton, and the entire Board of Directors is regularly informed through committee reports and review of committee meeting minutes about such risks. Fulton's Risk Committee is primarily responsible for overseeing the management of Fulton's enterprise-wide risks, and the Board of Directors continues to regularly review information regarding Fulton's exposure to strategic risk, credit risk, market risk, liquidity risk, operational risk, compliance and regulatory risk, legal risk and reputational risk, as well as Fulton's strategies to monitor, control and mitigate its exposure to these risks. In addition, the HR Committee is responsible for overseeing the management of risks relating to all of Fulton's compensation plans. The Audit Committee shares with the Risk Committee a general oversight role in Fulton's risk management process in the context of the Audit Committee's responsibility for financial reporting and its evaluation and assessment of the adequacy of Fulton's internal control structure. The Nominating and Corporate Governance Committee manages risks associated with the independence of the Board of Directors, potential conflicts of interest and governance matters.

The Board of Directors also relies upon Fulton's Chief Risk Officer and other members of Fulton's Enterprise Risk Management Committee, which is Fulton's officer-level risk management committee, to oversee existing and emerging risks and serve as a primary review forum prior to escalation to the Risk Committee and the Board of Directors. This officer-level risk management committee provides management-level oversight for Fulton's risk management and compliance programs. In addition, annually, Fulton's Board of Directors adopts a formal Risk Appetite Statement which sets forth both the qualitative and quantitative parameters within which Fulton executes its business strategies. This document also outlines the general framework within which Fulton manages risk in the context of Fulton's core values and its management philosophy, which seeks to balance the risk it assumes in serving its customers and communities with the return it earns for its shareholders.

Fulton's framework for enterprise risk management consists of three "lines of defense:" 1) business units, bank operations, shared services and corporate staff office functions (collectively known as front line units) have primary responsibility for risk management and compliance, and they each drive process deployment, risk identification and management, policies and procedures, training and communication and reporting; 2) independent risk management units (consisting of risk management, compliance, loan review, vendor risk management, fraud risk management, Bank Secrecy Act compliance, corporate information security office and other risk management units) have oversight responsibility and define governance requirements for risk management and compliance, and these units educate, advise and monitor front line unit risk and compliance activities in discrete areas; and 3) Fulton's Internal Audit function independently validates the effectiveness of internal controls and risk management activities within front line units and independent risk management units in those areas, and periodically reports results to management and the Board of Directors.

Fulton's risk appetite is centered on Fulton's objective to consistently increase and enhance shareholder value, while managing risk at an acceptable level. Fulton's Board of Directors, and the committees that monitor risk, assess and oversee the management of risk, including the establishment, tracking and reporting of key risk indicators within the primary risk categories of strategic, credit, market, liquidity, operational, legal, compliance and regulatory and reputational risk. Fulton's key risk indicator thresholds reflect Fulton's objective to consistently increase and enhance shareholder value and maintain capital at a level and quality that supports Fulton's long-term strategic objectives as well as comply with regulatory guidelines. Finally, Fulton engages in ongoing risk assessments, capital management and stress testing to ensure that Fulton has adequate capital to absorb potential losses under various stress scenarios.

Cybersecurity risk is a key consideration in the operational risk management capabilities at Fulton. Under the direction of its Chief Information Security Officer, Fulton maintains a formal information security management program, which is subject to oversight by, and reporting to, the Risk Committee of the Board of Directors. Given the nature of Fulton's operations and business, including Fulton's reliance on relationships with various third-party providers in the delivery of financial services, cybersecurity risk may manifest itself through various business activities and channels, and it is thus considered an enterprise-wide risk and subject to control and monitoring at various levels of management throughout the business. In accordance with its charter, the Risk Committee of the Board of Directors oversees and reviews reports on significant matters of actual, threatened or potential breaches of corporate security, including cybersecurity. Fulton also maintains specific cyber insurance through its corporate insurance program, the adequacy of which is subject to review and oversight by the Risk Committee of the Board of Directors.

Lead Director and Fulton's Leadership Structure

Director Moxley has served as Fulton's Lead Director and the independent Chair of the Executive Committee since June 2018. He is also a member of the Nominating and Corporate Governance Committee and Risk Committee. The Board of Directors has made a determination that a structure which includes a Lead Director and a combined Chairman/CEO is appropriate for Fulton. Pursuant to the Governance Guidelines, the Board of Directors designates for a term of at least one (1) year, and publicly discloses in Fulton's Proxy Statement, the independent non-employee director who will lead the non-employee directors' executive sessions and preside at all meetings of the Board of Directors at which the Chairman is not present. The Governance Guidelines also require that the Lead Director shall, as appropriate: serve as a liaison between the Chairman and the independent directors; approve information sent to the Board of Directors; approve meeting schedules to assure that there is sufficient time for discussion of all agenda items; and have the authority to call meetings of the independent directors.

Similar to many public companies, the leadership structure of Fulton combines the positions of Chairman and CEO. This structure permits the CEO to manage Fulton's daily operations and provides a single voice for Fulton when needed. Fulton believes that separation of these roles is not necessary because the Lead Director acts to counterbalance the combined Chairman and CEO positions. In addition, as of December 31, 2019, approximately 79% of Fulton's directors (11 out of 14) were determined to be independent under applicable NASDAQ standards, which provides an appropriate level of independent oversight at Board of Directors meetings and executive sessions. Finally, Fulton's HR Committee, Nominating and Corporate Governance Committee and Audit Committee are all currently, and will continue to be, comprised solely of independent directors.

Executive Sessions

The independent directors of the Fulton Board of Directors met four (4) times in executive session in 2019 at which only independent directors were present. Fulton's Lead Director conducted these executive sessions of the independent directors.

Annual Meeting Attendance

Pursuant to Fulton's Governance Guidelines, Fulton expects directors to attend the Annual Meeting in person unless their absence is excused. All members of the Board of Directors attended the 2019 Annual Meeting, except for Directors George W. Hodges and Ronald H. Spair, whose attendance at the 2019 Annual Meeting of Shareholders was excused.

Director Education and Board of Directors Development

Fulton encourages its directors to attend outside seminars and educational programs as part of its corporate governance and general board education process. These educational opportunities are in addition to the education and development presentations that are provided during Fulton Board of Directors meetings and seminars. For example, third parties are periodically asked to provide the Board of Directors with presentations on governance, the economy, regulatory, compliance and a variety of other topics of interest. In addition, Directors Crutchfield, Devine, Hodges, Moxley and Waters have each completed the requirements for the NACD Board Leadership Fellow Program for 2019 and prior years. In order to become NACD Board Leadership Fellows, individuals must demonstrate their knowledge of the leading trends and practices that define exemplary corporate governance, and commit to developing professional insights through a sophisticated course of ongoing study. In 2017, Dr. Snyder and Mr. Waters also successfully completed the NACD Cyber-Risk Oversight Program and earned a CERT Certificate in Cybersecurity Oversight, issued by the Software Engineering Institute at Carnegie Mellon University. With the oversight of the Nominating and Corporate Governance Committee, Fulton will continue to promote board development and ensure directors are kept current in a selection of topics via onsite programs sponsored by Fulton, and external and remote learning opportunities available for corporate directors.

Legal Proceedings

There are no material legal proceedings to which any director, officer, nominee, affiliate or principal shareholder, or any associate thereof, is a party adverse to Fulton, or in which any such person has a material interest adverse to Fulton.

Related Person Transactions

Financial Products and Services: Some of the current directors and executive officers of Fulton, including the Executives, their family members and the companies with which they are associated, were customers of, and/or had banking transactions with, Fulton's bank subsidiaries during 2019. These transactions included deposit accounts, trust relationships, loans and other financial products and services provided in the ordinary course of business by Fulton's bank subsidiaries. All loans and commitments to lend made to such persons and to the companies with which they are associated were made in the ordinary course of business, on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable loans with persons not related to the lender, and did not involve more than a normal risk of collectability or present other unfavorable features. It is anticipated that similar transactions will be entered into in the future. By using Fulton's products and services, directors and executive officers have the opportunity to become familiar with the wide array of products and services offered by Fulton's bank subsidiaries to customers.

Other Transactions: Applicable SEC regulations require Fulton to disclose transactions with certain related persons where the annual amount involved exceeds $120,000. However, a person who has a position or relationship with a firm, corporation, or other entity that engages in a transaction with Fulton is not deemed to have a material interest in a transaction where the interest arises only from such person's position as a director of the firm, corporation or other entity and/or arises only from the ownership by such person in the firm, corporation or other entity if that ownership is under 10%, excluding partnerships. Amounts paid to entities in which a related person does not have a material interest or that were obtained by a low bid pursuant to a formal request for proposal to provide services are not required to be disclosed. Fulton may have engaged in various transactions on customary terms with companies where directors, nominees or officers and immediate family members may be directors, officers, partners, or employees, and it is possible that Fulton's directors, nominees and executive officers may not have knowledge of those transactions.

During 2019, Fulton did not have any related person transactions in excess of $120,000 requiring specific disclosure, except for the direct payment of fees to Barley Snyder LLP in the amount of $3.35 million, and donations and other payments to the Spanish American Civic Association for Equality, Inc. ("SACA") in the amount of $211,000. Jennifer Craighead Carey is a director nominee for the Annual Meeting and was a partner with less than a 10% interest in the law firm of Barley Snyder LLP during 2019. The payment to Barley Snyder LLP represents the total direct amount paid for all invoices processed by Fulton and its subsidiaries during 2019. Ms. Craighead Carey was not directly engaged as counsel for any Fulton matter, nor did she bill any hours on Fulton engagements during 2019. Fulton anticipates engaging Barley Snyder LLP for legal services in the future. Carlos E. Graupera is a director nominee for the Annual Meeting and he and his spouse were officers of SACA and its related entities during 2019. SACA is a Latino founded and managed community-based organization whose mission is to enable the community it serves to integrate itself into the social, economic, and political mainstream of life in Lancaster County, Pennsylvania. Amounts paid include contributions to SACA and its affiliates for the Neighborhood Assistance Project and other activities to advance their mission in the Lancaster, Pennsylvania community. Some of the contributions to SACA qualify as Pennsylvania tax credits for Fulton. The total payments and contributions to SACA by Fulton were less than 5% of total revenues reported by SACA in its 2019 Annual Report. Fulton anticipates providing future support for SACA and other community organizations in the future.

Fulton considered the transactions between Fulton and members of the Board of Directors and executive officers that do not require specific disclosure, when it made the determinations that eleven (11) of Fulton's fourteen (14) director nominees, or approximately 79% of the director nominees who are standing for election at the Annual Meeting, are independent in accordance with the NASDAQ listing standards. See "Information about Nominees, Directors and Independence Standards" on Page 10 for more information.

Family Relationships: SEC regulations generally require disclosure of any employment relationship or transaction with a related person where the amount involved exceeds $120,000. In fiscal year 2019, there were no family relationships requiring disclosure among any of the members of the Board of Directors, board nominees and executive officers of Fulton. In addition, as of December 31, 2019, other family relationships existed among executive officers and some of the approximately 3,500 full-time equivalent employees of Fulton and its subsidiaries. These Fulton employees participate in compensation, benefit and incentive plans on the same basis as other similarly situated employees.

Related Person Transaction Policy and Procedures: Fulton does not have a separate policy specific to related person transactions. Under the Code of Conduct, however, employees and directors are expected to recognize and avoid those situations where personal interest or relationships might interfere, or appear to interfere, with their responsibilities to Fulton. The Code of Conduct also requires thoughtful attention to the problem of conflicts and the exercise of the highest degree of good judgment. Under the Code of Conduct, directors must provide prompt notice to Fulton of all new or changed business activities, related person relationships and board directorships as they arise.

In addition, Fulton and Fulton Bank are subject to Federal Reserve Regulation O, which governs loans by federally regulated banks to certain insiders, including an executive officer, director or 10% controlling shareholder of the applicable bank or bank holding company, or an entity controlled by such executive officer, director or controlling shareholder (an "Insider"). Fulton Bank is required to follow a Regulation O policy that prohibits Fulton Bank from making loans to an Insider unless the loan (i) is made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable loans with persons not related to the lender; and (ii) does not involve more than the normal risk of repayment or present other unfavorable features. Fulton and Fulton Bank are examined periodically by bank regulators and Fulton's Internal Audit Department for compliance with Regulation O to ensure that internal controls exist within Fulton to monitor Fulton's compliance with Regulation O.

In accordance with Fulton's Audit Committee Charter and NASDAQ listing standards, the Audit Committee is charged with the responsibility to conduct, at least annually, an appropriate review and oversight of all transactions with related persons as defined in applicable SEC regulations. This responsibility in the Audit Committee Charter includes reviewing an annual report regarding the related person transactions, if any, with each member of Fulton's Board of Directors, the Executives and other relevant related persons during the prior year. In the event of a potentially significant related person transaction arises, Fulton's Chief Legal Officer will review the facts and circumstances with the Committee at an interim date. At a meeting in February 2020, the Audit Committee reviewed and approved a report of all potential related person transactions identified during 2019.

Delinquent Section 16(a) Reports

Section 16(a) of the Exchange Act requires Fulton's executive officers, including the Executives, its principal accounting officer, its directors, and any persons owning 10% or more of Fulton's common stock, to file with the SEC, in their personal capacities, initial statements of beneficial ownership on Form 3, statements of changes in beneficial ownership on Form 4 and annual statements of beneficial ownership on Form 5. During 2019, persons filing such beneficial ownership statements were required by SEC regulation to furnish Fulton with copies of all such statements filed with the SEC. The rules of the SEC regarding the filing of such statements require that "late filings" of such statements be disclosed in Fulton's Proxy Statement. Based solely on Fulton's review of Forms 3 and 4 and amendments thereto furnished to Fulton during the 2019 fiscal year, including Forms 5 and amendments thereto furnished to Fulton, and on written representations from Fulton's directors, the Executives and Fulton's other executive officers, Fulton believes that all such statements were timely filed in 2019.

Board of Directors and Committee Evaluations

Pursuant to its charter, the Nominating and Corporate Governance Committee reviews and recommends to the Board of Directors guidelines and procedures to be used by directors in monitoring and evaluating the performance of the Board of Directors and its committees. The Board of Directors and its committees, except the Executive Committee, conduct an annual self-evaluation of the performance of the Board of Directors and committees. Anonymous board and committee evaluation questionnaires were last completed in the fourth quarter of 2019. The results were compiled by Fulton's in-house corporate counsel and presented to the Nominating and Corporate Governance Committee in December 2019 and the members of each committee also received a summary report of the results of that committee's questionnaire. The Nominating and Corporate Governance Committee reported the results to the Board of Directors at its December 2019 regular meeting, and the Board of Directors and each of the committees discussed the summary of its respective annual evaluations.

Compensation of Directors

Non-employee directors serving as a member of the Board of Directors currently receive a combination of cash and equity compensation paid by Fulton for service on the Board of Directors and its committees. Fulton directors do not receive compensation from any third party for their Fulton board service. Equity compensation paid to non-employee directors is granted pursuant to the Amended and Restated Directors' Equity Participation Plan (the "2019 Director Equity Plan"), which was approved by shareholders at the 2019 Annual Meeting. The equity compensation paid to Fulton non-employee directors during 2019 was in the form of shares of Fulton restricted stock units that fully vest one year after the grant date. During 2019, the 2019 Director Equity Plan provided that the maximum number of shares, in the aggregate, under all types of awards granted to any one participant in any one calendar year, excluding elections to receive cash fees in the form of Fulton shares, shall not exceed the greater of 20,000 shares, or a number of shares with a fair market value on the date of the grant of $200,000.00.

Salaried officers of Fulton do not receive additional compensation for service on the Board of Directors. Thus, Mr. Wenger and Mr. Myers did not receive any director fees or additional compensation in 2019 for serving as members of the Board of Directors. The Board of Directors reviews Fulton's non-employee director compensation annually with the assistance of the HR Committee and a report from the HR Committee's independent compensation consultant.

The Board of Directors approved, effective January 1, 2019, the elimination of meeting attendance fees for service on the Board of Directors and standing committees, an increase in the quarterly cash retainer from $8,750 to $17,500, and provided non-employee directors with the ability to defer equity awards to retirement as described below. In conjunction with the director compensation changes, the Nominating and Corporate Governance Committee increased the non-employee director stock ownership guideline from $175,000 to $300,000, as outlined under Stock Ownership Guidelines on Page 45. As of September 2019, the Board of Directors eliminated the payment of additional director fees paid to Fulton Directors who also serve on the Fulton Bank Board of Directors.

Fulton also reimburses directors for Board of Directors service-related expenses incurred in serving as directors of Fulton and provides non-employee directors with a $50,000 term life insurance policy during their service as directors. Certain directors have elected to participate in the Fulton Deferred Compensation Plan, under which a director may elect to defer a portion of his or her cash director's fees as those fees are earned and to receive those fees, together with any returns earned on investments selected by the participating director, in a lump sum or in installments over a period of up to twenty (20) years following retirement. The non-employee directors of Fulton who have established accounts to defer a portion of the cash fees paid to them in 2019 are Directors Devine, Freer, Spair and Waters. Certain directors of Fulton also serve on the boards of Fulton's subsidiary banks, and these directors were compensated with a retainer, meeting fees, or both for their service on each of those individual boards, and amounts paid are reflected in footnote 4 in the Director Compensation Table on Page 27. However, effective in September 2019, non-employee directors of Fulton who served on the board of Fulton Bank no longer received additional retainer or meeting fees for serving on that board. The following is a summary of the structure and amounts of compensation paid to non-employee directors for service on the Board of Directors and its committees:

Non-employee Director Fees	Amount
Quarterly director retainer	$17,500 in cash
Additional quarterly retainer paid to the Lead Director	$7,500 in cash
Additional quarterly retainer paid to committee chairs [1]	$3,125 in cash
Annual equity retainer [2, 3]	Fulton restricted stock units equivalent to $60,000

[1] An additional quarterly retainer is not paid to the chair of the Executive Committee.

[2] Non-employee directors who are elected by Fulton shareholders at the Annual Meeting will receive a 2020 annual equity retainer in restricted stock units ("DSU Awards"). The DSU Awards are for Board of Directors service from May 2020 to May 2021. The number of restricted stock units comprising the DSUs Awards will be based on the closing price of Fulton's common stock on the grant date, or the prior trading day, if the grant date is not a trading day, rounded up to the next whole share. Until such time as the DSU Awards are fully vested, settled and paid in Fulton common stock, the equity award will accrue "Dividend Equivalents" that are reinvested in similar restricted stock units, with the same vesting and settlement terms applicable to the original DSU Awards. The DSU Awards fully vest after one year of service, or, if earlier, the date of the next annual meeting of shareholders. Directors who retire or leave the Board of Directors for other reasons prior to completing their full term may forfeit a prorated portion of their DSU Awards for not completing a full one-year term of service. The prorated portion of a DSU Award forfeited will be based on the remaining portion of the one-year term not served by the director, unless the HR Committee waives the proration due to a change in control, death, disability or other reason as determined by the HR Committee. The DSU Awards will settle in Fulton common stock and will vest and be paid on the first anniversary of the date of grant, unless a director irrevocably elected in writing to defer settlement and payment until after the end of his or her board service as described below.

[3] A director may elect to defer settlement and payment of his or her DSU Award, but must make that election by December 31 of the year prior to the grant date. A non-employee director may elect to receive payment of a vested DSU Award either as a lump sum, or paid in equal annual installments over three years, commencing on January 15 of the year following the director's departure from the Board of Directors. A deferred DSU Award will continue to accrue dividends as dividend equivalents, which will be paid in Fulton common stock once the DSU Award is settled and paid.

The following table summarizes all of the compensation paid to each non-employee director of Fulton who served during 2019:

DIRECTOR COMPENSATION TABLE

Name [1]	Fees Earned or Paid in Cash ($)	Stock Awards [2] ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation [3 4] ($)	Total ($)
Jennifer Craighead Carey	48,667	60,000	0	0	0	0	108,667
Lisa Crutchfield	82,500	60,000	0	0	0	0	142,500
Denise L. Devine	82,500	60,000	0	0	0	0	142,500
Steven S. Etter	46,667	60,000	0	0	0	0	106,667
Patrick J. Freer	70,000	60,000	0	0	0	0	130,000
Carlos E. Graupera	46,667	60,000	0	0	0	0	106,667
George W. Hodges	70,000	60,000	0	0	0	0	130,000
Albert Morrison III	31,167	0	0	0	0	0	31,167
James R. Moxley III	108,250	60,000	0	0	0	0	168,250
R. Scott Smith, Jr.	29,167	0	0	0	0	0	29,167
Scott A. Snyder	76,250	60,000	0	0	0	0	136,250
Ronald H. Spair	82,500	60,000	0	0	0	0	142,500
Mark F. Strauss	77,000	60,000	0	0	0	0	132,000
Ernest J. Waters	75,125	60,000	0	0	0	0	135,125

[1] Directors listed represent all the non-employee directors of Fulton serving during 2019. Directors Morrison and Smith retired at the 2019 Annual Meeting after reaching Fulton's mandatory retirement age of seventy-two (72).

[2] Fulton's non-employee directors were granted Fulton common stock (rounded to next whole share) as part of their 2019 compensation pursuant to the 2019 Director Equity Plan. The amounts in this column consist of a $60,000 stock award granted on June 1, 2019 consisting of 3,807 stock units having a grant date fair value of $15.76 per share (the closing price of Fulton common stock on May 31, 2019, because June 1, 2019 was not a trading day). These stock awards were granted as restricted stock units, to vest June 1, 2020, and the amount shown does not reflect the value of any dividends equivalents paid during 2019.

[3] Unless otherwise noted, the amount excludes perquisites and other personal benefits with an aggregate value of less than $10,000. Fulton's methodology to calculate the aggregate incremental cost of perquisites and other personal benefits was to use the amount disbursed for the item. Where a benefit involved assets owned by Fulton, an estimate of the incremental cost was used.

[4] During 2019, some of Fulton's directors also served on the boards of directors of Fulton's subsidiary banks and received additional fees for that service prior to September 2019, when Fulton discontinued the payment of such fees. The fees paid for this subsidiary board service are excluded from the amounts listed in the table. During 2019, Director Graupera received $46,667 in fees from Fulton Bank, Director Hodges received $25,167 in fees from Fulton Bank, Director Moxley received $12,213 in fees from The Columbia Bank, Director Strauss received $4,450 and $9,000 in fees from Fulton Bank of New Jersey and Fulton Bank, and Director Waters received $28,916 in fees from Fulton Bank.

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INFORMATION CONCERNING EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This section of the Proxy Statement explains the design and operation of Fulton's executive compensation program with respect to the compensation paid to Fulton's named executive officers (the "Named Executive Officers") or (the "Executives") for 2019. Listed in the table below are Fulton's Named Executive Officers and base salary, cash incentive bonus and long-term incentive components of their compensation for fiscal year 2019. You can find more complete information about all elements of compensation for the Named Executive Officers in the following discussion and in the Summary Compensation Table that appears on Page 47.

Named Executive Officers [1]	Title	2019 Base Salary	2019 Annual Cash Incentive Bonus	2019 Long-Term Incentive (PSUs) [2]
E. Philip Wenger	Chairman and Chief Executive Officer	$1,042,919	$627,185	$1,274,798
Mark R. McCollom	Senior Executive Vice President and Chief Financial Officer	$433,173	$214,529	$423,585
Curtis J. Myers	President and Chief Operating Officer	$549,231	$272,006	$508,305
Angela M. Snyder	Senior Executive Vice President and Head of Consumer Banking	$392,404	$138,813	$287,788
Beth Ann L. Chivinski	Senior Executive Vice President and Chief Risk Officer	$388,420	$137,403	$284,861

(1) For a complete list of the members of Fulton's senior management team, please see Page 14 of Fulton's Annual Report on Form 10-K for the year ended December 31, 2019.

(2) Value at date of grant in the Summary Compensation Table that appears on Page 47 and not necessarily the value the Executive will realize upon vesting.

Table of Contents for the Compensation Discussion and Analysis

1. Executive Summary

Fulton's HR Committee is responsible for establishing and overseeing compensation programs for the Executives that comply with Fulton's compensation philosophy. Fulton believes that the compensation of the Named Executive Officers should reflect Fulton's overall performance as well as the contributions of the Executives to that performance. Variable compensation awards ("VCP Awards") and long-term equity awards in the form of performance shares ("Performance Shares") earned by the Executives under Fulton's Amended and Restated Equity and Cash Incentive Compensation Plan (the "2013 Plan") are determined based on predetermined performance goals and the HR Committee's assessment, in the exercise of its discretion, of Fulton's and each Executive's attainment of those goals in the preceding year.

The independent directors of the Board of Directors approve compensation decisions for the CEO and the other Executive Officers, after careful review and in light of the recommendation of the independent members of the HR Committee. An independent compensation consultant provides advice, information and objective opinions to the HR Committee on Fulton's executive compensation programs, policies and practices. The HR Committee and the Board of Directors also receive advice from members of Fulton's Legal and Human Resources Departments.

A summary of some of Fulton's executive compensation and related corporate governance practices is provided below. In light of the strong level of shareholder support for Fulton's executive compensation proposal at Fulton's 2019 Annual Meeting of Shareholders, the HR Committee believes these governance and compensation practices reflect appropriate governance and are closely aligned with shareholder interests.

Governance and Compensation Practices	
• HR Committee comprised exclusively of independent directors • Perform annual say-on-pay advisory vote • Retain an independent executive compensation consultant whose independence is reviewed annually • Link pay to performance with a high percentage of performance-based incentive compensation • Align Executive long-term incentive compensation with shareholder returns through performance share units • Maintain stock ownership requirements for Executives • Review share utilization annually	• Clawback Policy in place and last amended 2016 • Insider trading policy in place, including anti-hedging and anti-pledging provisions • Change in Control agreements require a "double trigger" before severance benefits are paid • Cap on incentive compensation payments for the Executives, including Fulton's CEO • Conduct an annual incentive compensation risk assessment, the ensuring Fulton's incentive practices comply with Interagency Guidance on Sound Incentive Compensation Policies

Fulton's Management's Discussion and Analysis of Financial Condition and Results of Operations in Fulton's Annual Report on Form 10-K for the year ended December 31, 2019, which is being made available to shareholders together with this Proxy Statement, contains an overview of Fulton's 2019 performance. Some key accomplishments and financial highlights identified therein for the year ended December 31, 2019 were:

- Net income of $226.3 million, or $1.35 per share. For the year ended December 31, 2019, net income per diluted share increased 14% to $1.35 in comparison to the $1.18 reported for 2018. The increase in net income was driven by a lower provision for credit losses and higher net interest income, non-interest income and securities gains, partially offset by higher non-interest expense.

- Termination of the remaining BSA/AML regulatory orders. The last remaining BSA/AML consent orders were terminated in 2019.

- Successful consolidation of Fulton's subsidiary banks into Fulton Bank. Fulton completed a multi-year initiative to consolidate all of Fulton's subsidiary banks into Fulton Bank. Achieving this milestone not only helped unify Fulton's brand, but also facilitated growth moving forward.

- Continued organic growth into fast growing urban markets. Fulton continued to grow in Philadelphia and Baltimore. Both markets have a team of commercial and consumer relationship managers serving the markets to help Fulton take advantage of what are viewed as tremendous long-term growth opportunities.

- Record year of revenues and net income. Financial results in 2019 reflected continued progress in executing Fulton's growth strategies, enabling Fulton to report record levels of revenue and net income.

- Average loan growth of 4%. Loan growth was recognized across most loan portfolios. In Fulton's consumer line of business, the mortgage company continued to grow at a strong pace by increasing market share and benefiting from the low rate environment. In Fulton's commercial line of business, there was double-digit growth in loan originations, which was partially offset with higher prepayments as the lending environment remained extremely competitive throughout the year.

- Average deposit growth of 6%. Deposit growth was another bright spot in 2019. Similar to loan growth, deposit growth occurred across most deposit products, but was driven primarily by Fulton's commercial business. The loan to deposit ratio ended the year at approximately 97%, comfortably within Fulton's historical operating range.

The HR Committee took a number of actions relating to compensation for the Executives during 2019, as summarized in the table below:

<table>
<tr><th>Element</th><th>HR Committee Actions</th></tr>
<tr><td>Salaries</td><td>• Mr. Wenger, Mr. McCollom, Ms. Snyder and Ms. Chivinski, each received a 2.5% annual base salary increase for 2019.
• Mr. Myers received a 10% base salary increase to account for positioning relative to peers and reflect increased responsibilities at Fulton Bank.
All increases were effective April 1, 2019 as outlined on Page 38.</td></tr>
<tr><td>VCP Awards</td><td>• Set target VCP Award amounts as a percentage of salary for Mr. Wenger at 85%, for Mr. McCollom and Mr. Myers at 70%, and at 50% for each of the other Executives.
• Approved scorecards with a series of performance criteria that would be used to determine the amount of the VCP Awards, if any, that would be paid to each of the Executives.
• Conditioned the payment of VCP Awards for 2019 performance on Fulton having a minimum return on average equity (“ROE”) of 10.087% and positive net income for 2019.
• Evaluated Fulton’s and each Executive’s performance relative to the performance criteria and determined that the Executives should receive VCP Awards for 2019 performance, as a percentage of base salary in 2019, and a percentage of target, as follows:
<table>
<tr><th>Executive</th><th>Actual VCP Awards
as a % of base salary</th><th>Actual VCP Awards
as a % of target</th></tr>
<tr><td>Mr. Wenger</td><td>60.1%</td><td>75.8%</td></tr>
<tr><td>Other Executives</td><td>Ranged from 35.4% to 49.3%</td><td>75.8%</td></tr>
</table></td></tr>
<tr><td rowspan="4">LTI Awards</td><td>• Approved the 2019 Performance Shares in the form of performance-based restricted stock units.
• The number of Performance Shares awarded to each of the Executives was based on a target dollar amount equal to 125% of base salary for Mr. Wenger, 100% of base salary for Mr. McCollom and Mr. Myers, and 75% of base salary for the other Executives, as of January 1, 2019, which was then converted to a number of Performance Shares on the grant date by dividing the target dollar amount by the closing price of Fulton’s common stock on the grant date.
• The actual number of shares of Fulton common stock, if any, that the Executives may receive upon vesting on May 1, 2022, following the end of the performance period and determination of the achievement of the Performance Shares by the HR Committee, may be higher or lower than the target number granted.
• The Performance Shares were allocated by the HR Committee among three components, each having different vesting terms, as summarized below:</td></tr>
<tr><td>Component A, representing 37.5% of the target dollar amount for the Executives:
• Component A Performance Shares will vest only if Fulton has net income during calendar year 2021 (the calendar year before potential vesting of the Performance Shares on May 1, 2022) at least equal to the dividends declared on Fulton common stock during the four calendar quarters immediately preceding the grant date (the “Profit Trigger”).
• The number of shares that may be received upon vesting of Component A Performance Shares is determined based on Fulton’s 2019 return on average assets (“ROA”) measured against an absolute ROA goal equivalent to 100% of Fulton’s budgeted ROA for 2019.
• Fulton’s actual ROA for 2019 of 1.065% reduced the number of shares of stock that may be received upon vesting of the Component A Performance Shares to 58.12% of the original target number of Component A Performance Shares. The vesting of these Component A Performance Shares on May 1, 2022 remains subject to the Profit Trigger requirement.</td></tr>
<tr><td>Component B, representing 37.5% of the target dollar amount for the Executives:
• The number of shares that may be received upon vesting of Component B Performance Shares on May 1, 2022 is determined based on Fulton’s total shareholder return (“TSR”) during the period from May 1, 2019 through March 31, 2022 measured relative to Fulton’s 2019 peer group.</td></tr>
<tr><td>Component C, representing 25% of the target dollar amount for the Executives:
• The number of shares that may be received upon vesting of the Component C Performance Shares will not vary based on performance or other factors, but the potential vesting of Component C Performance Shares on May 1, 2022 is subject to the Profit Trigger requirement.</td></tr>
</table>

2. Shareholder Say-on-Pay Proposal Historical Results

Since 2011, Fulton has annually submitted a non-binding Say-on-Pay Proposal to its shareholders for approval. At the 2017 Annual Meeting, 73.72% of Fulton's shareholders, excluding abstentions, voted in favor of a one-year frequency of conducting future non-binding Say-on-Pay votes for shareholders to approve the compensation of the Named Executive Officers. Pursuant to SEC Rules, Fulton is required to provide an opportunity for shareholders to vote on the frequency of the Say-on-Pay proposals, commonly known as a "Say-When-on-Pay" proposal, at least once every six (6) years. The 2020 annual non-binding Say-on-Pay Proposal is set forth on Page 59.

Fulton views the results of past Say-on-Pay Proposals as support for its previous compensation policies and decisions, and the Board of Directors and its HR Committee will consider the vote on the 2019 non-binding proposal as a barometer of shareholder support for the current compensation programs for the Executives. Fulton's shareholders have consistently approved its Say-on-Pay Proposals with an average of approximately 97% of shares voted being cast "FOR" the Say-on-Pay Proposals over the last five (5) years. Following are the vote results over the past five years on Fulton's prior Say-on-Pay Proposals:

Shares Voted FOR (excluding abstentions) as a Percentage of total vote FOR and AGAINST Fulton's Say-on-Pay Proposal					
Year	**2019**	**2018**	**2017**	**2016**	**2015**
% Voted FOR	97.57%	97.73%	97.63%	96.56%	96.15%

The HR Committee, which is composed exclusively of independent directors, believes that the prior votes of Fulton's shareholders confirms the philosophy and objective of linking Fulton's executive compensation to its operating objectives and the enhancement of shareholder value. Fulton views this continued level of shareholder support as an affirmation of Fulton's current pay practices and, as a result, no significant changes were made to Fulton's executive compensation pay practices for 2019. The HR Committee will continue to consider the outcome of Fulton's say-on-pay votes when making future compensation decisions for the Named Executive Officers.

3. Pay for Performance

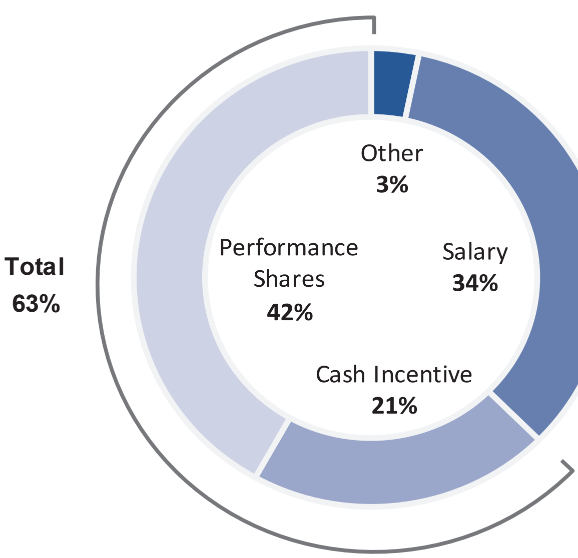
The core of Fulton's compensation philosophy is to link "pay to performance" on both a short-term and long-term basis. VCP annual cash awards are "at-risk" and subject to financial performance thresholds to trigger plan funding. Once financial performance hurdles are attained, the VCP funding level is determined by scorecard performance factors, and funding can further be adjusted by the HR Committee in its discretion, if applicable, for corporate performance results using a corporate modifier. Additionally, the HR Committee has the discretion to adjust award payouts for individual Executives, or to not make any award payout. The 2019 Performance Share awards, like the prior year awards, are "at-risk" because, in addition to the amount of annual awards being linked to Fulton's performance, these awards are subject to vesting and possible forfeiture dependent upon Fulton achieving specified levels of financial performance. In addition, the Performance Shares only increase in value if Fulton's share price increases over the term of the award. The HR Committee believes that the VCP Awards and Performance Shares awarded under the 2013 Plan further Fulton's business plan and further the HR Committee's objective to ensure that the interests of the Executives, both short-term and long-term, are aligned with the interests of Fulton's shareholders.

The following charts show the compensation mix for Mr. Wenger and the other Executives, with 2019 VCP Awards, 2019 Performance Shares, 2019 Salary, and all other compensation received in 2019 based on amounts in the Summary Compensation Table that appears on Page 47.

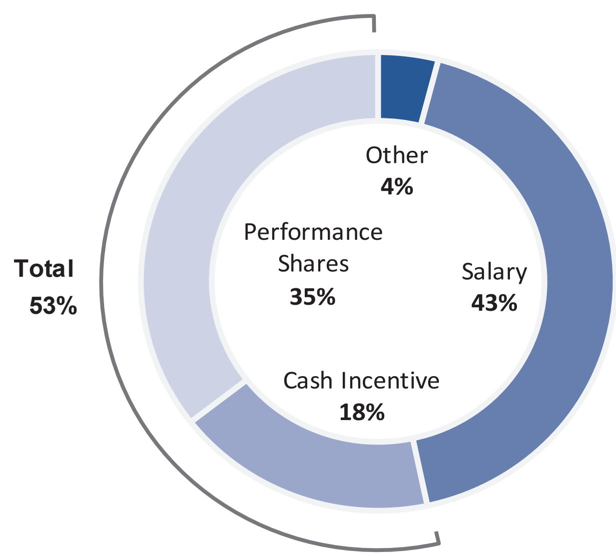
For 2019, Mr. Wenger's "performance pay" was 63% of total compensation, and the average "performance pay" for the other Executives was 53% of total compensation.

2019 Compensation Mix– Performance Based Pay

CEO and Average for Other Executives



Mr. Wenger



Average for other Executives

4. Compensation Philosophy

Objectives: Fulton's executive compensation philosophy and programs are intended to achieve three objectives:

Align interests of the Executives with shareholder interests	Fulton believes that the interests of the Named Executive Officers should be closely aligned with those of its shareholders. Fulton attempts to align these interests by evaluating the Executives' performance in relation to key financial measures, which correlate with consistent long-term shareholder value and increasing profitability, without compromising Fulton's culture and overall risk profile.
Link "pay to performance"	Fulton believes in a close link between pay to the Executives and the overall performance of Fulton on both a short-term and long-term basis. It seeks to reward the Executives for their contributions to Fulton's financial and non-financial achievements and to differentiate rewards to the Executives based on their individual contributions.
Attract, motivate and retain talent	Fulton believes its long-term success is closely tied to the attraction, motivation and retention of highly talented employees and a strong management team. While a competitive compensation package is essential in competing for and retaining talented employees in a competitive market, Fulton also believes that non-monetary factors, such as a desirable work environment and successful working relationships between employees and managers, are critical to providing a rewarding employee experience.

To achieve these three objectives, Fulton provides the following elements of Executive compensation:

Base Salary	Fulton generally targets Executive base salaries near the market median at comparable peer companies, with individual job responsibilities, experience and performance also considered in making base salary determinations.
Annual Cash Incentive Awards	Annual cash incentives, in the form of VCP Awards, are designed to focus the attention of the Executives on the achievement of annual business goals. Under the 2013 Plan, at-target performance awards are designed to position total cash compensation near the market median. The 2013 Plan provides the Executives with the opportunity to earn awards above market median for superior performance.
Equity Awards	Fulton provides long-term incentive equity awards in the form of Performance Shares, in order to focus the Executives' attention on delivering long-term performance results and shareholder value. The equity awards incorporate retention-based vesting terms, and are designed to provide a long-term earning opportunity, ensuring focus on the long-term stability and performance of the organization. Fulton believes in equity award levels that are fair and market competitive, both in isolation and in the context of total direct compensation.
Benefits	Fulton believes in providing benefits that are market competitive to all employees, which provides peace of mind and encourage the Executives to remain with Fulton. Retirement benefits are designed to provide reasonable long-term financial security.
Perquisites	Fulton believes in providing the Executives and other officers of Fulton with basic perquisites that are necessary for conducting Fulton's business.

5. HR Committee Membership and Role

The HR Committee is currently comprised of six (6) independent directors, all of whom are appointed to serve annually by the Board of Directors. Each member of the HR Committee qualifies as an independent director under the NASDAQ listing standards and meets the additional NASDAQ independence requirements specific to compensation committee members. No member of the HR Committee is a party to a related person transaction as more fully described in “Related Person Transactions” on Page 24 of this Proxy Statement. There are no interlocking relationships, as defined in the regulations of the SEC, involving members of the HR Committee. For a further discussion on director independence, see the “Information about Nominees, Directors and Independence Standards” section on Page 10 of this Proxy Statement.

Pursuant to its charter, which is available on Fulton’s website at www.fult.com, and consistent with NASDAQ rules, the role of the HR Committee is, among other things, to review and approve, or make recommendations to the Board of Directors with respect to, the base salaries and other compensation paid or granted to the Executives, to administer Fulton’s equity and other compensation plans and to take such other actions, within the scope of its charter, as the HR Committee deems necessary or appropriate. The HR Committee relies upon such performance data, statistical information and other data regarding executive compensation programs, including information provided by Fulton’s Human Resources Department, Fulton’s officers and outside advisors, as it deems appropriate. The HR Committee has unrestricted access to individual members of management and employees and may ask them to attend any HR Committee meeting or to meet with any member of the HR Committee. The HR Committee also has the power and discretion to retain, at Fulton’s expense, such independent counsel and other advisors or experts as it deems necessary or appropriate to carry out its duties.

Fulton’s executive compensation process consists of establishing targeted overall compensation for each Executive and then allocating that targeted total compensation among base salary, cash incentive compensation and equity awards. Fulton does not have a policy or an exact formula with regard to the allocation of compensation between cash and non-cash elements, except that the HR Committee has established a methodology and an award matrix for cash incentive compensation payments and equity awards under the 2013 Plan, as described in more detail below. Consistent with Fulton’s compensation philosophy, however, the HR Committee determines the amount of each type of compensation for the Executives by: reviewing publicly available executive compensation information of peer group companies (as defined and listed below); consulting with outside advisors and experts; considering the complexity, scope and responsibilities of the individual’s position; consulting with the CEO with respect to the other Executives; assessing possible demand for the Executives by competitors and other companies; and evaluating the compensation appropriate to attract executives to Fulton’s headquarters in Lancaster, Pennsylvania.

6. Role of Management

Management assists the HR Committee in recommending agenda items for its meetings and by gathering and producing information for these meetings. As requested by the HR Committee, the CEO, other Executives and other officers, including members of Fulton’s in-house corporate counsel, participate in HR Committee meetings to provide background information, compensation recommendations for other officers, performance evaluations and other items requested by the HR Committee. As part of the performance evaluation process, all the Executives meet with the CEO to discuss their overall performance. The CEO reviews the performance of the other Executives and shares his comments and recommendations with respect to the performance of the other Executives with the HR Committee. The HR Committee, without the CEO present, reviews the CEO’s overall performance and routinely has executive sessions without management present. The Executives are not present for the HR Committee’s discussions, deliberations and decisions with respect to their individual compensation. The HR Committee Charter, last amended in 2019, provides that the CEO may not be present during HR Committee voting or HR Committee deliberations regarding the CEO’s compensation. The Board of Directors, in executive session, with only the independent directors present, has historically made all final determinations regarding the compensation of the Executives, after considering recommendations made by the HR Committee.

7. Use of Consultants

The HR Committee retained Frederic W. Cook & Co., Inc. ("FW Cook") as its independent compensation consultant for 2019. FW Cook performed a variety of assignments during 2019 at the direction of the HR Committee, including conducting a compensation market analysis related to Fulton's Executives, scorecard review, an overall compensation policy review, work related to the design of Fulton's incentive compensation plans, a comprehensive review of Fulton's director compensation programs and providing general compensation advice regarding Fulton's Executives. As part of the 2019 engagement, FW Cook was instructed by the HR Committee to compare Fulton's current compensation practices and executive compensation programs with those of Fulton's peers, evolving industry best practices and regulatory guidance. Based on that comparison, FW Cook was asked to recommend changes in Fulton's executive compensation practices that were consistent with Fulton's executive compensation philosophy and objectives as described above. The specific instructions given to the consultant and fees to be paid were generally outlined in engagement letters that described the scope and performance of duties under each project. Fulton does not have a policy that limits the other services that an executive compensation consultant may perform. FW Cook reported to the HR Committee that it and its affiliates did not provide additional services to Fulton or its affiliates in 2019.

At its February 2019 meeting, the HR Committee considered the independence of FW Cook for the 2019 engagement in light of the SEC rules and NASDAQ listing standards related to compensation committee consultants. The HR Committee requested and received a report from FW Cook addressing its independence as a compensation consultant to the HR Committee, including the following factors: (1) other services provided to Fulton by FW Cook; (2) fees paid by Fulton as a percentage of FW Cook's total revenue; (3) policies or procedures maintained by FW Cook that are designed to prevent a conflict of interest; (4) any business or personal relationships between the individual consultants performing work for the HR Committee and a member of the HR Committee; (5) any Fulton stock owned by the individual consultants performing work for the HR Committee; (6) any business or personal relationships between Fulton's executive officers, FW Cook and the individual consultants performing work for the HR Committee; and (7) other factors deemed relevant to FW Cook's independence from management. The HR Committee discussed these considerations and concluded that the work performed by FW Cook and its consultants involved in the engagements did not raise any conflict of interest, and further concluded that FW Cook continues to satisfy the applicable rules and standards related to the independence of compensation committee consultants.

8. Use of a Peer Group

In evaluating the market competitiveness of the compensation paid to the Executives, the HR Committee, with the assistance of its compensation consultant, FW Cook, reviews the compensation paid to the Executives in comparison with compensation paid to executives with similar responsibilities within a defined peer group of similar financial institutions. FW Cook assists the HR Committee in reviewing the suitability of Fulton's peer group annually and such review took place in late 2018 for determining the 2019 peer group. The HR Committee, consistent with the recommendation of FW Cook, approved the peer group appearing in the table below as the peer group for 2019 (the "2019 Peer Group"). The aggregate analysis of the executive compensation practices of the companies in the 2019 Peer Group was used by the HR Committee in the review of overall compensation and in setting 2019 base salaries for the Executives. During 2019, the 2019 Peer Group was also used as the peer group for the Performance Shares, as discussed below.

Similar to the review and selection of prior peer groups, the 2019 Peer Group was evaluated and selected based on a range of factors, including asset size, revenue composition, number of employees, market capitalization, geographic focus, business model, and ownership profile. MB Financial, Inc. and TCF Financial Corp. were peers in 2018, but were removed from the 2019 Peer Group because they were acquired, or announced a merger transaction and were no longer considered sufficiently similar in asset size to continue as peers. IBERIABANK Corp. announced a merger transaction in late 2019 with First Horizon National Corp. and was removed from the peer group as a result.

The following table provides the twenty (20) members of the 2019 Peer Group, their stock trading symbols and the location of their principal executive offices as of December 31, 2019:

2019 Peer Group	Ticker	City State
Atlantic Union Bankshares Corp [1]	AUB	Richmond VA
BancorpSouth Bank	BXS	Tupelo MS
Commerce Bancshares, Inc.	CBSH	Kansas City MO
First Midwest Bancorp, Inc.	FMBI	Itasca IL
F.N.B. Corp.	FNB	Pittsburgh PA
Hancock Whitney Corporation.	HWC	Gulfport MS
IBERIABANK Corp. [2]	IBKC	Lafayette LA
Investors Bancorp, Inc.	ISBC	Short Hills NJ
Northwest Bancshares, Inc.	NWBI	Warren PA
Old National Bancorp	ONB	Evansville IN
Prosperity Bancshares, Inc.	PB	Houston TX
Provident Financial Services, Inc.	PFS	Jersey City NJ
Trustmark Corp.	TRMK	Jackson MS
UMB Financial Corp.	UMBF	Kansas City MO
Umpqua Holdings Corp.	UMPQ	Portland OR
United Bankshares, Inc.	UBSI	Charleston WV
United Community Banks, Inc.	UCBI	Blairsville GA
Valley National Bancorp	VLY	Wayne NJ
Webster Financial Corp.	WBS	Waterbury CT
Wintrust Financial Corp.	WTFC	Rosemont IL

1. Union Bankshares, Inc. became Atlantic Union Bankshares Corporation during 2019.
2. IBERIABANK Corp. announced a merger in late 2019 with First Horizon National Corp. (FHN) and was removed from the 2019 peer group at that time.

9. Elements of Executive Compensation

Fulton's executive compensation program currently provides a mix of base salary, cash incentive and long-term equity-based incentives, as well as retirement benefits, health plans and other benefits as follows:

Base Salary: Consistent with its compensation philosophy, Fulton generally seeks to set base salary for the Executives in line with the market median. Fulton sets salaries on an individual basis and seeks to provide base salary appropriate for the person's position, experience, responsibilities and performance.

In making recommendations to the Board of Directors regarding the appropriate base salaries for 2019, the HR Committee considered Peer Group pay practices, as well as other sources of market pay information for the financial services industry. The HR Committee also consulted with FW Cook when formulating recommendations to the Board of Directors. Mr. Myers received a 10% based salary increase to account for positioning relative to peers and reflect increased responsibilities at Fulton Bank. Mr. Wenger, Mr. McCollom, Ms. Snyder and Ms. Chivinski each received 2.5% base salary increases. All increases were effective April 1, 2019 and included a review of the Executives' competitive positioning to market using relevant peer data and the salary increases paid to other Fulton officers. FW Cook provided the HR Committee with a report and Fulton's CEO also provided his recommendations to the HR Committee for the other Executives. The 2018 and 2019 base salaries for each of the Executives, along with the 2019 annual percent increases effective April 1, 2019, were:

Executive	2018 Base Salary	2019 Base Salary	2019 Increase
E. Philip Wenger	$1,023,241	$1,048,822	2.5%
Mark R. McCollom	$425,000	$435,625	2.5%
Curtis J. Myers	$510,000	$561,000	10.0%
Angela M. Snyder	$385,000	$394,625	2.5%
Beth Ann L. Chivinski	$381,091	$390,618	2.5%

VCP Awards: Fulton's VCP Awards are designed to reward Executives for achieving fiscal year financial, risk management, and business goals. No annual cash incentive is paid unless Fulton achieves a predetermined ROE performance threshold and a net income goal. Once those thresholds are achieved, the financial, risk management and business metrics are evaluated against goals that were established at the start of the fiscal year in a balanced scorecard. These scorecard performance results determine overall VCP Award payouts, with potential adjustment for positive or negative performance based on factors not reflected in the scorecards. The HR Committee set the 2019 ROE threshold equivalent to 80% of Fulton's 2019 budgeted ROE, which was viewed as an attainable goal, but not a level that guaranteed payment of an annual cash incentive. For the 2019 VCP Awards, in addition to the ROE goal, the HR Committee included a positive net income trigger for the fiscal year. Both the ROE performance threshold and the net income goal are designed to ensure annual cash incentives are funded only if Fulton is profitable.

At its January 2020 meeting, the HR Committee determined that:

- The 2019 ROE threshold of 8.48% had been achieved, as Fulton had an actual 2019 ROE of 9.875%; and
- The 2019 positive net income trigger had been achieved, as Fulton had 2019 actual positive net income in excess of $220 million.

The VCP Awards were designed to be substantially based on formulaic scorecard results with the HR Committee retaining discretion to adjust any VCP Award, as appropriate.

In early 2019, the HR Committee reviewed and approved the scorecard performance metrics for the 2019 VCP plan year. The 2019 scorecards consisted of six subcategories, which were allocated among Financial Results, Risk Management and Business Objectives categories with weightings of 50%, 35% and 15% respectively. Up to a 35% corporate modifier could be applied based on the HR Committee's structured discretion, whereby scorecard results set the overall pool, but the HR Committee has the ability to make adjustments up or down to align with performance and events not otherwise captured by the actual scorecard metrics. However, no corporate modifier was utilized in 2019.

The Named Executive Officers, including the CEO, were assigned the same 2019 scorecard, containing identical Financial and Risk Management performance categories and metrics. The 2019 Business Objective was also the same for the Named Executive Officers, including the CEO, and was Fulton's "Employee Engagement Index", as measured based on 2019 employee survey results. The CEO had a higher payout opportunity than the other Executives, who were placed in bands to determine their VCP Award opportunity. The 2019 scorecard was assessed with possible scores ranging from 0 to 5 for each factor. Where scorecard results fall in between the scores for threshold, target and maximum award levels, the VCP Award is interpolated on a straight-line basis.

The VCP Awards were calculated based on scorecard results, with payouts to be made in accordance with the following 2019 VCP Award Matrix:

2019 VCP Award Matrix				
	Payment as a % of Eligible 2019 Base Salary [1]			
Executive	**VCP Threshold (25% of Target) Scorecard Result 2**	**VCP Target Scorecard Result 3**	**VCP Maximum (150% of Target) Scorecard Result 4.5 or better**	**VCP Band**
E. Philip Wenger	21.25%	85%	127.5%	A
Mark R. McCollom and Curtis J. Myers	17.5%	70%	105%	B
Angela M. Snyder and Beth Ann L. Chivinski	12.5%	50%	75%	C

[1] For purposes of determining VCP Awards, eligible earnings was the actual base salary paid to each Executive during 2019.

At its February 2020 meeting, the HR Committee reviewed the Executives' overall 2019 performance and scorecard results, and determined that each of the Executives achieved a level of performance in 2019 that qualified for a VCP Award below the target award based on a total scorecard result of 2.61. The HR Committee reviewed the results for each of the scorecard performance subcategories and determined a VCP Award calculation for each of the Executives at 70.8% of target.

The following is a summary of the 2019 Executive scorecards and results used for the 2019 VCP Awards.

2019 Executive Scorecard									
Performance Categories	**Performance Sub-categories**								
Financial Results	**Score Rating**	0	1	2 Threshold	3 Target	4	5 Maximum	**Weight**	**Weighted Score**
	• EPS	< $1.298	$1.298	$1.371	$1.443	$1.515	> $1.587	30%	0.51
	• ROE	< 9.541%	9.541%	10.071%	10.601%	11.131%	> 11.661%	20%	0.30
Risk Management								**Weight**	**Weighted Score**
	• Capital Ratings. Liquidity and Market Risk							15%	0.60
	• Asset Quality: Non-performing Assets to Total Assets							15%	0.56
	• Corporate Rollup-Regulatory Exams (Compliance)							5%	0.20
Business Objectives								**Weight**	**Weighted Score**
	• Employee Engagement Index							15%	0.44
								Total Score	2.61

The HR Committee has authority to exercise its discretion to increase or decrease the calculated VCP Awards, up to 35% on an individual basis, provided that the adjustment does not cause an Executive's VCP Award to exceed 150% of that Executive's VCP Award target. In prior years, the HR Committee has applied this discretion to help maintain proper alignment between scorecard results and incentive awards by taking other factors into account. Fulton adopted the corporate modifier feature to help ensure that VCP Awards appropriately reflect risk and unexpected circumstances that arise during the year, to account for the possibility of unintended outcomes determined solely by a formula, and to more appropriately align pay with performance in cases where formulaic scores do not fully reflect all aspects of Fulton's and the Executives' individual performance results for the year.

For 2019, the HR Committee reviewed the calculated scores and resulting VCP Award levels and determined no adjustment to the incentive award calculation was necessary. The scorecard result for 2019 for all the Executives was 2.61. The following is a tabular summary of the 2019 VCP Award target, scorecard result, the actual VCP Award paid for 2019, and the VCP Award as a percentage of eligible base salary for each Executive.

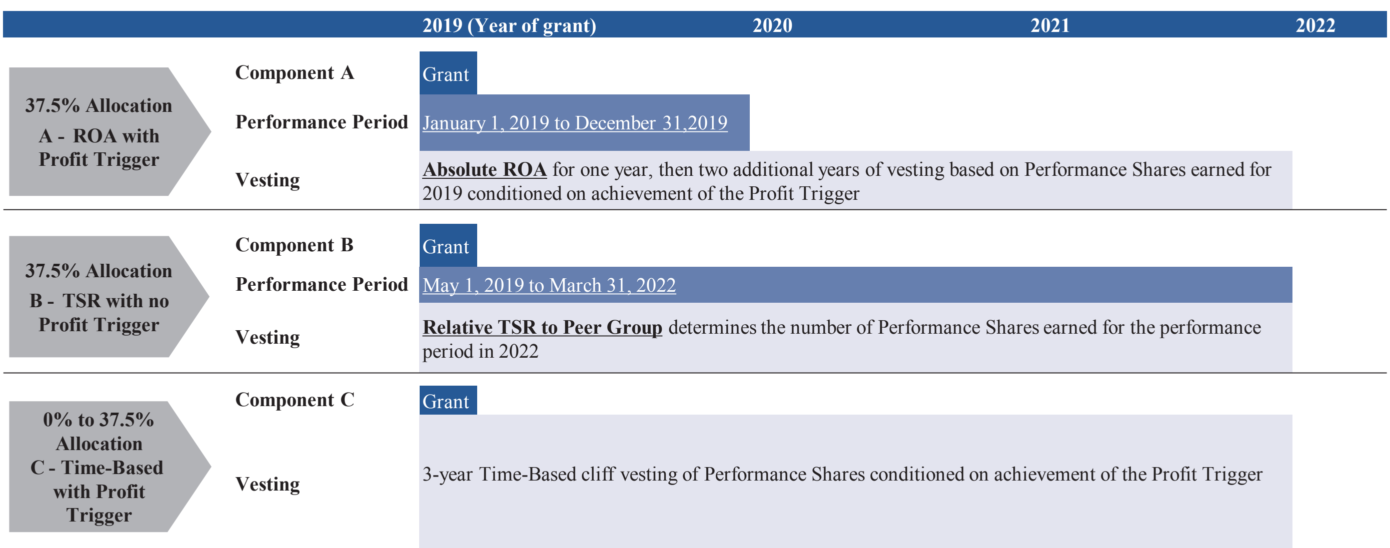
Executive	VCP Award Target for 2019	VCP Award Paid for 2019 [1]	% of Eligible Base Salary
E. Philip Wenger	$886,481	$627,185	60.1%
Mark R. McCollom	$303,221	$214,529	49.5%
Curtis J. Myers	$384,461	$272,006	49.5%
Angela M. Snyder	$196,202	$138,813	35.4%
Beth Ann L. Chivinski	$194,210	$137,403	35.4%

[1] VCP Award paid for 2019 to each Executive. Each VCP Award was 70.8% of target. The amounts paid are also included in the Summary Compensation Table on Page 47.

Equity Awards: For 2019, the number of Performance Shares granted to each of the Executives generally represents a target dollar amount of Performance Shares established by the HR Committee, based on recommendations from FW Cook, equal to a percentage of base salary, as of January 1, 2019, of 125% for the CEO, 100% for Mr. McCollom and Mr. Myers, and 75% for the other Executives, and assuming a value for each Performance Share equal to the closing price of Fulton's common stock on the grant date. The HR Committee did not award any Performance Shares above target dollar amount to any Executive in 2019.

The Performance Shares were granted to the Executives on May 1, 2019. The actual number of shares of Fulton common stock, if any, that the Executives may receive upon vesting of the Performance Shares on the third anniversary of the date of grant may be higher or lower than the number of Performance Shares granted to the Executives. The aggregate number of Performance Shares granted to each of the Executives was allocated by the HR Committee among three components, as summarized below:

2019 Equity Award Structure



The performance goals and potential payouts for ROA and TSR Components A and B for 2019 were:

Category	Component A Absolute ROA Performance Criteria	Component A Payout Potential (% of target)	Component B TSR Performance Relative to Peers	Component B Payout Potential (% of target)
Threshold	80% of Budget	25%	25th Percentile TSR	25%
Target	100% of Budget	100%	50th Percentile TSR	100%
Maximum	120 % of Budget	150%	80th Percentile TSR	150%

The following provides more detail related to the 2019 Components:

Component A (Absolute ROA With Profit Trigger) 37.5% Target	• Component A, representing 37.5% of the target dollar amount of Performance Shares granted, for which the number of shares of Fulton common stock that may be received upon vesting is based on Fulton's 2019 ROA measured relative to a target set at 100% of Fulton's budgeted ROA for 2019 and further conditioned upon Fulton achieving the Profit Trigger. • Based on Fulton's 2019 reported ROA performance of 1.065%, which fell between threshold and target levels, the number of Performance Shares that may vest was reduced to 58.12% of the original number of Component A Performance Shares granted to the Executives to reflect performance between the threshold and target levels, interpolated on a straight-line basis. The potential number of Component A Performance Shares that may vest, if the Profit Trigger is achieved, will not further change during the remainder of the three-year performance period, except for the accrual of dividend equivalents on the Component A Performance Shares that actually vest.
Component B (Relative TSR) 37.5% Target	• Component B, representing 37.5% of the target dollar amount of Performance Shares granted, for which the number of shares of Fulton common stock that may be received upon vesting of the Performance Shares will be determined based on Fulton's TSR during the period from May 1, 2019 through March 31, 2022 relative to that of the 2019 Peer Group.
Component C (Time-Based with Profit Trigger) 25% Target	• Component C, representing 25% of target dollar amount for the Executives, unless the HR Committee has exercised discretion to vary the award (from 0 to 37.5% of the targeted amount of Performance Shares). • All the Named Executive Officers received a Component C award at 25% of target. The Executives will receive all or none of these Performance Shares, subject to achievement of the Profit Trigger.

Performance Shares that actually vest, together with dividend equivalents accrued during the performance period on those Performance Shares, are settled in shares of Fulton common stock on a 1-for-1 basis after the expiration of the three-year performance period and satisfaction of vesting criteria under the 2013 Plan. Further, Components A and B are adjusted after their respective one- and three-year performance periods, but are forfeited if the corresponding threshold performance level for ROA or TSR is not achieved. In addition, Components A and C are designed to be forfeited if the Profit Trigger is not achieved. Finally, unless waived by the HR Committee upon an eligible retirement, if the Executive does not satisfy the continuous service requirement in the 2013 Plan, all Performance Shares awarded are forfeited.

The following table depicts the grant date fair value of the Performance Shares, the total number of Performance Shares at target performance, and the allocation of the Performance Shares among Components A, B and C granted to each of the Executives on May 1, 2019.

Executive	Grant Date Fair Value of Performance Shares [1]	Total Performance Shares Awarded [2]	Component A (ROA Goal) Shares Awarded [3]	Component B (TSR Goal) Shares Awarded	Component C Shares Awarded
E. Philip Wenger	$1,274,798	75,326	28,248	28,248	18,830
Mark R. McCollom	$423,585	25,029	9,386	9,386	6,257
Curtis J. Myers	$508,305	30,035	11,263	11,263	7,509
Angela M. Snyder	$287,788	17,005	6,377	6,377	4,251
Beth Ann L. Chivinski	$284,861	16,832	6,312	6,312	4,208

[1] See footnote 4 to the Summary Compensation Table on Page 47 for additional information regarding the grant date fair value of the Performance Shares.
[2] Shares listed do not include accrued dividend equivalents.
[3] Based on Fulton's ROA for the year ended December 31, 2019, the number of Component A Performance Shares that may vest, subject to the achievement of the Profit Trigger, has been reduced to 58.12% of the original award amount. Such shares may be further reduced to zero if the Profit Trigger is not met at the end of the performance period.

Employee Stock Purchase Plan: The Employee Stock Purchase Plan ("ESPP") was designed to advance the interests of Fulton and its shareholders by encouraging Fulton's employees and the employees of its subsidiary banks and other subsidiaries to acquire a stake in the future of Fulton by purchasing shares of the common stock of Fulton. During 2019, Fulton limited payroll deduction and annual employee participation in the ESPP to the lesser of $15,000 or 15% of a participant's pay. The Executives participating in the ESPP are eligible to purchase shares through the ESPP at a discount, currently 15%, on the same basis as other Fulton employees participating in the ESPP. Starting in 2020, the limits on payroll deduction and annual employee participation in the ESPP will be a maximum of $15,000 annually, with no limitation based on a participant's pay.

Defined Contribution Plan – 401(k) Plan: Fulton provides a qualified defined contribution plan, in the form of a 401(k) Plan, to the Executives and other employees and provides for employer matching contributions that satisfy a non-discrimination "safe-harbor" available to 401(k) retirement plans. This safe-harbor employer matching contribution is equal to 100% of each dollar a participant elects to contribute to the 401(k) Plan, but the amount of contributions that are matched by Fulton is limited to 5% of eligible compensation. The Executives participating in the 401(k) Plan are eligible to receive the same employer matching contribution as other Fulton employees participating in the 401(k) Plan.

Deferred Compensation Plan: Fulton's nonqualified deferred compensation plan permits directors and advisory board members to elect to defer receipt of cash director fees and certain eligible senior officers can elect to defer receipt of cash compensation. It also enables Fulton to credit certain senior officers, including the Executives, with full employer matching contributions each year equal to the contributions they would have otherwise been eligible to receive under the 401(k) Plan, if not for the limits imposed by the Internal Revenue Code, as amended (the "Tax Code") on the amount of compensation that can be taken into account under a tax-qualified retirement plan. Fulton's deferred compensation contributions for the Executives in 2019 are stated in footnote 8 of the "Summary Compensation Table" on Page 47. The deferred compensation plan accounts of each participant are held and invested under the Fulton Nonqualified Deferred Compensation Benefits Trust, with FFA, serving as trustee. The participants are permitted to individually direct the investment of the deferred amounts into various investment options under the Nonqualified Deferred Compensation Benefits Trust.

Death Benefits: The estates of each of the Executives are eligible for a payment equal to two (2) times base salary (plus an amount equal to applicable individual income taxes due on such amounts) from Fulton pursuant to individual Death Benefit Agreements between Fulton and each Executive, should the Executive die while actively employed by Fulton. Upon the Executive's retirement, the post-retirement benefit payable upon the individual's death is reduced to $5,000 for Mr. Wenger, Mr. Myers, Ms. Snyder and Ms. Chivinski in their Death Benefit Agreements, while the Death Benefit Agreement for, Mr. McCollom does not provide for any post-retirement death benefit payment. Fulton does not provide retiree death benefits for its full-time employees unless specifically provided for in an employee's Death Benefit Agreement.

Health, Dental and Vision Benefits: Fulton offers a comprehensive benefits package for health, dental and vision insurance coverage to all full-time employees, including the Executives, and their eligible spouses and children. Fulton pays a portion of the premiums for the coverage selected, and the amount paid varies with each health, dental and vision plan. All of the Executives have elected one of the standard employee coverage plans available.

Other Executive Benefits: Fulton provides the Executives with a variety of perquisites and other personal benefits that the HR Committee believes are necessary to facilitate the conduct of Fulton's business by the Executives and are reasonable and consistent with the overall compensation program for the CEO and the other Executives. In addition, these benefits enable Fulton to attract and retain talented senior officers for key positions, as well as provide the Executives and other senior officers with opportunities to be involved in their communities and directly interact with current and prospective customers of Fulton. The 2019 amounts are included in the "All Other Income" column of the "Summary Compensation Table" on Page 47 of this Proxy Statement. The Executives are provided with company-owned automobiles or a car allowance, club memberships and other executive benefits consistent with their positions. Fulton does not have a direct or indirect interest in any corporate aircraft. Generally, the Executives travel on commercial aircraft, by train or in vehicles provided by Fulton. In addition, if spouses accompany an Executive when traveling on business or attending a corporate event, Fulton pays the travel and other expenses associated with certain spousal travel for the Executive. Fulton also includes spousal travel and personal vehicle use as part of the Executive's reported W-2 income.

10. Employment Agreements

Fulton believes that a company should provide reasonable severance benefits to employees. For most employees, Fulton has a policy that, in general, provides for severance benefits to be paid upon a reduction in force or position elimination. These severance arrangements are intended to provide the employees with a sense of security in making the commitment to dedicate their professional careers to the success of Fulton. With respect to the Executives and certain other employees, the severance benefits provided reflect the fact that it may be difficult for them to find comparable employment within a reasonable period of time. The levels of these benefits for the Executives in the event of a change in control of Fulton are discussed in footnote 6 in the "Potential Payments Upon Termination and Golden Parachute Compensation Table" on Page 54 under "Termination Without Cause or for Good Reason – Upon or After a Change in Control".

Fulton has entered into employment agreements with certain of its key employees, including each of the Executives. Fulton's employment agreement with Mr. Wenger was entered into on June 1, 2006, and amended on November 12, 2008. Fulton entered into separate employment agreements and change in control agreements with the other Executives, all effective as of January 1, 2018. The employment agreements and change in control agreements with the Executives (individually, an "Employment Agreement," and collectively, the "Employment Agreements"), continue until terminated, and each provides that the Executive is to receive a base salary, which is set annually, is entitled to participate in Fulton's incentive bonus programs as in effect from time to time, and will participate in Fulton's retirement plans, welfare benefit plans and other benefit programs.

The Employment Agreements with the Executives contain restrictions on the sharing of confidential information, as well as non-competition and non-solicitation covenants that continue for one year following termination of employment. The non-competition and non-solicitation covenants will not apply if the Executive terminates employment for good reason or if the Executive's employment is terminated without cause, as defined in the Employment Agreements. These provisions of the Employment Agreements are further outlined in the "Potential Payments Upon Termination and Golden Parachute Compensation Table" section on Page 54. The Employment Agreements Fulton executed with the Executives do not contain an excise tax gross-up for taxes applicable to termination payments as a result of the Executive's termination, except that the Employment Agreement executed with Mr. Wenger, the only legacy agreement, provides for an excise tax gross up. The Employment Agreements with the other Executives provide that, in the event a payment to be made in connection with their termination of employment would result in the imposition of an excise tax under Section 4999 of the Tax Code, such payment would be retroactively reduced, if necessary, to the extent required to avoid such excise tax imposition and, if any portion of the amount payable the Executive is determined to be non-deductible pursuant to the regulations promulgated under Section 280G of the Tax Code, Fulton would be required to pay to the Executive only the amount determined to be deductible under Section 280G.

11. Compensation Plan Risk Review

At its January 2020 meeting, the HR Committee conducted its annual risk review of all compensation plans in effect as of December 31, 2019. At this meeting, Beth Ann L. Chivinski, Fulton's Chief Risk Officer ("CRO"), discussed her review of Fulton's compensation plans. The CRO informed the HR Committee that based on her review, the design of Fulton's compensation plans do not appear to promote undue risk-taking. The HR Committee considered various factors that have the effect of mitigating risk and, with the assistance of Fulton's CRO, Legal and Human Resources staff members, reviewed Fulton's compensation policies to determine whether any portion of such compensation encourages excessive risk-taking. The HR Committee has reviewed and considered all of such plans and practices and does not believe that Fulton's compensation policies and practices create risks that are reasonably likely to have a material adverse effect on Fulton.

12. Other Compensation Elements

Discussion of Equity Award Process: Fulton does not have a formal written policy as to when equity awards are granted during the year. In March 2019, Fulton awarded Performance Shares and time-based restricted stock units to eligible participants under the 2013 Plan with a grant date of May 1, 2019, so that the equity awards could be considered by the HR Committee at the same time as the cash incentive awards under the 2013 Plan. Fulton does not backdate options or grant options retroactively, and does not coordinate option grants with the release of positive or negative corporate news. The 2013 Plan, which amended and restated the 2004 Stock Option and Compensation Plan, does not permit the award of discounted options, the reload of stock options, or the re-pricing of stock options. Pursuant to the terms of the 2013 Plan, option prices are determined based on the closing price on the grant date. Under the 2013 Plan, an option exercise price may not be less than 100% of the fair market value of Fulton's stock on the date of grant. The 2013 Plan defines fair market value to be the closing price on the date of grant, or if no sales of shares were reported on any stock exchange or quoted on any interdealer quotation system on that day, the price on the next preceding trading day on which such price was quoted.

Stock Hedging and Pledging Policy and Stock Trading Procedures: Fulton has adopted an Insider Trading Policy to facilitate securities law compliance in a number of areas. Pursuant to this policy, which was last updated in 2018, Fulton requires that all directors, officers, and employees of Fulton and its affiliates adhere to certain procedures when trading in Fulton common stock or any other security issued by Fulton or its subsidiaries. Among other requirements, directors, officers and employees of Fulton and its subsidiaries that know of material, non-public information about Fulton may not (i) buy or sell Fulton stock while the information remains non-public, or (ii) disclose the information to relatives, friends or any other person. In addition, the Executives and directors of Fulton and Fulton's banking subsidiaries and certain other officers are prohibited from engaging in speculative transactions involving Fulton's securities. This prohibition encompasses "short sales" and "puts," along with other trading that anticipates a decline in price. These instruments can involve "a bet against Fulton," raise issues about the insider knowledge of the person involved or create a conflict of interest and are therefore prohibited by Fulton's policy. Since 2014, Fulton's Insider Trading Policy has prohibited the pledging of shares, but grandfathered any pledges made prior to the amendment in 2014. None of the Fulton's current directors or the Named Executive Officers currently pledge any shares of Fulton common stock.

Stock Ownership Guidelines: Fulton believes that broad-based stock ownership by non-employee directors, officers and employees is an effective method to align the interests of its directors, officers and employees with the interests of its shareholders. In 2009, Fulton first adopted Governance Guidelines that included formal Fulton common stock ownership guidelines for non-employee directors and the Executives. The director ownership guideline was updated in December 2018, to be effective January 1, 2019, to require that each director own at least $300,000 of eligible Fulton common stock within the later of five (5) full calendar years of first becoming a director, or five (5) full calendar years after the guideline was changed. Current Fulton directors have until December 31, 2023 to achieve this new and enhanced equity ownership guideline. Similar stock ownership guidelines exists for the Executives. The guidelines for the Executives were last updated and approved in 2017, with the recommended ownership guidelines calculated as a multiple of the Executive's annual base salary, depending upon the position of the Executive as follows:

Executive Position	CEO	President	CFO	Other Executives
Fulton Common Stock Ownership Guideline as a Multiple of Annual Base Salary	3.0	1.5	1.5	1.0

Compliance with the stock ownership guidelines is determined annually based on stock ownership and the closing price of Fulton's common stock as of December 31 of the prior year. Ownership excludes stock options and other unvested restricted stock or Performance Share Awards, but includes all other shares beneficially owned and reported on an individual's Form 3, Form 4 or Form 5 filed with the SEC, including shares owned individually, deferred vested stock unit awards, shares held in retirement accounts, indirect ownership and jointly held shares of Fulton common stock. Once an Executive or director has achieved the ownership guideline, he or she remains in compliance with the ownership guideline regardless of changes in base salary or the price of Fulton's common stock, as long as he or she retains the same number of shares or a higher amount. However, if an Executive is promoted to CEO, President or CFO with a base salary increase, he or she would be permitted to satisfy the new stock ownership requirement for the new position and base salary over a period of five (5) full calendar years. Except for Mr. McCollom and Ms. Snyder, all of the Executives currently employed by Fulton have satisfied the stock ownership guidelines as of December 31, 2019. Mr. McCollom and Ms. Snyder are required to achieve their targeted stock ownership by December 31, 2022 to satisfy the stock ownership guideline for their current positions. As of December 31, 2019, all of Fulton's non-employee directors have satisfied the new $300,000 ownership guideline, except Directors Craighead Carey, Crutchfield, Graupera and Snyder. Under the Governance Guidelines, these directors are required to achieve the enhanced targeted stock ownership level by December 31, 2023. Prior to 2019, the required stock ownership amount for non-employee directors was $175,000.

Management Succession: The topic of management succession is discussed and reviewed at least annually at Fulton. At the December 2019 meeting of the Board of Directors, during an executive session of the Board of Directors, senior officers in Fulton's Human Resources Department discussed and reviewed the succession planning processes used by management to identify successors for each Executive at Fulton.

Clawback Policies: In 2016, the HR Committee amended Fulton's Compensation Recovery Clawback Policy ("Clawback Policy") to govern clawback provisions for all participants, including the Executives, in the 2013 Plan, and subject to limited exceptions, other incentive compensation plans. The Clawback Policy identifies the events, such as: 1) a restatement of Fulton's, or any affiliate's, financial statements (other than a restatement caused by a change in applicable accounting rules or interpretations), the result of which is that any performance-based compensation paid would have been lower, had it been calculated based on such restated results; 2) the discovery that a performance metric or calculation used in determining performance-based compensation was materially inaccurate; 3) a violation of Fulton's Code of Conduct, the result of which creates a significant financial or reputational impact for Fulton; and 4) a departing or departed employee has allegedly violated the non-solicitation restrictions set forth in Fulton's employment policies or such employee's employment agreement.

In addition, the Dodd-Frank Wall Street Reform and Consumer Protection Act mandates that the SEC adopt rules that require publicly traded companies to adopt a formal clawback policy. Pending final clawback rules from the SEC, the HR Committee will continue to monitor and consider the use of clawbacks and update the Clawback Policy for any new or amended compensation agreements and plans with the Executives and other employees. During 2019, the HR Committee was not asked to consider any instance or situation where a clawback may have been required or attempted for a Named Executive Officer or other senior officer of Fulton.

Human Resources Committee Report

The HR Committee reviewed and discussed the foregoing Compensation Discussion and Analysis with management and, based on the review and discussions, the HR Committee recommended to the Board of Directors that the Compensation Discussion and Analysis above be incorporated in Fulton's Annual Report on Form 10-K for the year ended December 31, 2019, and the 2020 Proxy Statement, as applicable.

As described above in the Compensation Discussion and Analysis section, in performing its compensation risk evaluation, the HR Committee met with the CRO regarding the material risks facing Fulton, and consulted with Legal and Human Resources personnel about Fulton's various compensation plans. Based on the foregoing review, the HR Committee concluded that Fulton's compensation policies and practices in 2019 did not create risks that are reasonably likely to have a material adverse effect on Fulton.

Human Resources Committee

Denise L. Devine, Chair
Mark F. Strauss, Vice Chair
Steven S. Etter
Patrick J. Freer
George W. Hodges
Ronald H. Spair

SUMMARY COMPENSATION TABLE

Name and Principal Position [1]	Year	Salary [2] ($)	Bonus [3] ($)	Stock Awards [4] ($)	Option Awards [5] ($)	Non-Equity Incentive Plan Compensation [6] ($)	Change in Pension Value and Non-qualified Deferred Compensation Earnings [7] ($)	All Other Compensation [8] ($)	Total ($)
E. Philip Wenger Chairman and Chief Executive Officer of Fulton	2019	1,042,919	0	1,274,798	0	627,185	0	98,654	3,043,556
	2018	1,017,482	0	1,134,491	0	566,051	0	118,936	2,836,960
	2017	992,665	0	1,182,002	0	892,422	0	107,889	3,174,978
Mark R. McCollom [9] Senior Executive Vice President and Chief Financial Officer of Fulton	2019	433,173	0	423,585	0	214,529	0	39,710	1,110,997
	2018	425,000	0	386,381	0	194,714	0	29,229	1,035,324
	2017	49,038	125,000	249,984	0	0	0	1,325	425,347
Curtis J. Myers President and Chief Operating Officer of Fulton	2019	549,231	0	508,305	0	272,006	0	61,013	1,390,555
	2018	510,000	0	463,673	0	233,657	0	65,477	1,272,807
	2017	417,480	0	285,757	0	225,836	0	50,261	979,334
Angela M. Snyder [10] Senior Executive Vice President and Head of Consumer Banking	2019	392,404	0	287,788	0	138,813	0	44,495	863,500
	2018	385,000	0	262,512	0	125,991	0	42,861	816,364
	2017	-	-	-	-	-	-	-	-
Beth Ann L. Chivinski Senior Executive Vice President and Chief Risk Officer	2019	388,420	0	284,861	0	137,403	0	27,627	838,311
	2018	374,956	0	241,708	0	122,704	0	34,006	773,374
	2017	352,508	0	276,860	0	197,816	0	31,753	858,937

[1] Titles and positions listed are as of Fulton's fiscal year-end of December 31, 2019.

[2] This column represents the base salary amounts paid to and earned by each of the Executives named in this table for the years indicated. On March 17, 2020, upon the recommendation of the HR Committee, the Board of Directors set the 2020 annual base salaries for Mr. Wenger, Mr. McCollom, Mr. Myers, Ms. Snyder and Ms. Chivinski at $1,048,822, $435,625, $561,000, $394,625, and $390,618, respectively.

[3] The HR Committee did not award any bonus payments in 2019, 2018 or 2017 to the Executives, except Mr. McCollom received a cash bonus upon his acceptance of employment with Fulton and a discretionary 2017 bonus approved by the HR Committee.

[4] Amounts represent the grant date fair values of Performance Shares, except that the amount listed for Mr. McCollom under 2017 represents the grant date fair value, based on $18.00 per share, of a time-based restricted stock unit award of 13,888 shares, which will vest three years from the date of grant. There were no forfeitures of Performance Shares during 2019, 2018 and 2017 by any of the Executives.

The following is a summary of the grant date fair values of the Performance Shares granted to the Executives in 2019, 2018 and 2017.

Name	Grant Date	Performance Share Grant Date Fair Value Assuming Highest Performance Level Achieved ($)	Number of Performance Shares Granted to Executive (#)	Per Share Grant Date Fair Value With Non-Market Conditions ($)	Per Share Grant Date Fair Value With Market Conditions ($)	Weighted Average Per Share Grant Date Fair Value ($)
E. Philip Wenger	5/1/2019	1,758,687	75,327	16.98	16.83	16.92
	5/1/2018	1,545,754	73,187	17.05	12.92	15.36
	5/1/2017	1,620,832	65,102	18.70	17.25	18.17
Mark R. McCollom [9]	5/1/2019	584,367	25,029	16.98	16.83	16.92
	5/1/2018	526,461	24,926	17.05	12.92	15.36
	5/1/2017	-	-	-	-	-
Curtis J. Myers	5/1/2019	701,240	30,035	16.98	16.83	16.92
	5/1/2018	631,760	29,912	17.05	12.92	15.36
	5/1/2017	391,831	15,738	18.70	17.25	18.17
Angela M. Snyder [11]	5/1/2019	397,026	17,005	16.98	16.83	16.92
	5/1/2018	357,682	16,935	17.05	12.92	15.36
	5/1/2017	-	-	-	-	-
Beth Ann L. Chivinski	5/1/2019	392,985	16,833	16.98	16.83	16.92
	5/1/2018	329,341	15,593	17.05	12.92	15.36
	5/1/2017	370,353	15,208	18.70	17.25	18.17

In the table above, the per share grant date fair value for Performance Shares with non-market-based performance conditions was equal to the closing price of Fulton common stock on the date the shares were granted. The per-share grant date fair value for Performance Shares granted with market-based performance conditions is estimated based on the use of a Monte Carlo valuation methodology. For additional information concerning the valuation of Performance Shares with market-based performance conditions granted in 2019, 2018 and 2017, including the assumptions made in determining those valuations, see Fulton's Annual Report on Form 10-K for the years ended December 31, 2019, December 31, 2018 and December 31, 2017, respectively, under Item 8 – Financial Statements and Supplementary Data, "Note 15 – Stock-Based Compensation Plans."

[5] Fulton did not grant options in 2019, 2018 or 2017 to the Executives, and there were no forfeitures of options during those periods by any of the Executives.

[6] The amounts reported in this column are VCP Awards that are substantially based on performance goal achievement and on individual scorecard results as described further beginning on Page 39.

[7] Fulton has determined that the Executives did not receive above-market earnings on their nonqualified deferred compensation plan accounts, and therefore, such earnings are not required to be reported in this column for 2019, 2018 or 2017. All participants in the nonqualified deferred compensation plan, which also includes senior officers other than the Executives, are permitted to select various investment options listed in footnote 2 of the "Nonqualified Deferred Compensation Table" on Page 53. The rate of return for an individual participant's account is based on the performance of the various investment options selected by each participant.

[8] All Other Compensation includes Fulton's payments for qualified employer matching contributions, nonqualified employer matching contributions, club membership fees, automobile perquisites, plus other personal benefits received by each of the Executives. The methodology used to calculate the aggregate incremental cost of perquisites and other personal benefits was to use the amount disbursed for the items. Where a benefit involved assets owned by Fulton, an estimate of the incremental cost was used. The automobile perquisite amounts include the financial benefit that the Executive received, such as the personal use value of a company-owned automobile or the taxable automobile allowance, as reported on the Executive's W-2. The "Other Perquisites" column in the table below includes personal travel, and other small benefits that individually are less than the greater of $25,000, or ten percent of all perquisites received by the Executive.

Name	Year	Qualified Retirement Plan Company Contribution ($)	Nonqualified Deferred Compensation Plan Company Contribution ($)	Club Memberships ($)	Automobile Perquisites ($)	Other Compensation and Perquisites ($)	Total All Other Compensation ($)
	2019	14,000	66,448	12,070	3,546	2,590	98,654
E. Philip Wenger	2018	13,750	81,745	16,988	3,426	3,027	118,936
	2017	13,500	71,139	17,547	3,600	2,103	107,889
	2019	14,000	0	6,810	18,000	900	39,710
Mark R. McCollom	2018	0	0	12,200	15,000	2,029	29,229
	2017	0	0	0	1,250	75	1,325
	2019	14,000	25,451	11,071	3,313	7,178	61,013
Curtis J. Myers	2018	13,750	23,368	16,753	2,919	8,687	65,477
	2017	13,500	16,592	15,985	3,284	900	50,261
	2019	13,982	12,226	8,589	1,965	7,733	44,495
Angela M. Snyder [10]	2018	13,315	11,951	8,589	1,569	7,437	42,861
	2017	-	-	-	-	-	-
	2019	14,000	11,556	0	1,171	900	27,627
Beth Ann L. Chivinski	2018	13,750	14,889	0	4,467	900	34,006
	2017	13,500	11,753	0	5,600	900	31,753

[9] Mr. McCollom was hired on November 20, 2017 and he became Fulton's Chief Financial Officer effective March, 2, 2018.

[10] Ms. Snyder became a Named Executive Officer of Fulton for the first time in 2018. Pursuant to SEC rules, Ms. Snyder's compensation for 2017 is not included.

GRANTS OF PLAN-BASED AWARDS TABLE

			Estimated Future or Possible Payouts Under Non-Equity Incentive Plan Awards [2]			Estimated Future or Possible Payouts Under Equity Incentive Plan Awards [3]			All Other Stock Awards: Number of Shares of Stock or Units	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards	Closing Price on Grant Date	Grant Date Fair Value of Stock and Option Awards [4]
Name	Grant Date	Approval Date [1]	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	(#)	(#)	($/Sh)	($/Sh)	($)
E. Philip Wenger	5/1/2019	3/19/2019	-	-	-	32,956	75,327	103,575	-	-	-	16.98	1,274,798
E. Philip Wenger	-	3/19/2019	221,620	886,481	1,329,721	-	-	-	-	-	-	-	-
Mark R. McCollom	5/1/2019	3/19/2019	-	-	-	10,950	25,029	34,415	-	-	-	16.98	423,585
Mark R. McCollom	-	3/19/2019	75,805	303,221	454,832	-	-	-	-	-	-	-	-
Curtis J. Myers	5/1/2019	3/19/2019	-	-	-	13,140	30,035	41,299	-	-	-	16.98	508,305
Curtis J. Myers	-	3/19/2019	96,115	384,461	576,692	-	-	-	-	-	-	-	-
Angela M. Snyder	5/1/2019	3/19/2019	-	-	-	7,440	17,005	23,382	-	-	-	16.98	287,788
Angela M. Snyder	-	3/19/2019	49,050	196,202	294,303	-	-	-	-	-	-	-	-
Beth Ann L. Chivinski	5/1/2019	3/19/2019	-	-	-	7,364	16,833	23,145	-	-	-	16.98	284,861
Beth Ann L. Chivinski	-	3/19/2019	48,552	194,210	291,315	-	-	-	-	-	-	-	-

[1] The grants of Performance Shares were approved at the March 2019 HR Committee and Board of Directors meetings, pursuant to the 2013 Plan, with a grant date of May 1, 2019. Based on the recommendation of the HR Committee, the independent directors of the Board of Directors also approved the non-equity incentive plan awards under the 2013 Plan on March 19, 2019.

[2] The Executives were eligible to receive VCP Awards for 2019 pursuant to the 2013 Plan that is discussed beginning on Page 39. Amounts are calculated based on 2019 base salary paid while employed as an Executive.

[3] The amounts in this column represent the number of Performance Shares granted to the Executives on May 1, 2019 based on the closing price of $16.98 for Fulton's common stock on that date. The Performance Shares were allocated among three components, Component A, Component B and Component C for each of the Executives, as set forth in the table on Page 42. Performance Shares may become earned and vested based on the actual performance level achieved, over various performance periods with respect to the following performance measures: (i) Component A Performance Shares may be earned and vested based on the actual performance level achieved with respect to an absolute ROA target for 2019 and subject to satisfaction of the Profit Trigger; (ii) Component B Performance Shares may be become earned and vested based on the actual performance level achieved with respect to the relative TSR for the period of May 1, 2019 through March 31, 2022; and (iii) Component C Performance Shares may be earned and vested if the Profit Trigger is achieved. With respect to Component A Performance Shares and Component B Performance Shares, the actual number of Performance Shares earned and vested will be based on the actual performance level and will be interpolated on a straight-line basis for pro-rata achievement of the performance goals, if applicable, rounded down to the nearest whole number. Performance Shares also accrue dividend equivalents, which will be added to the award upon vesting on May 1, 2022.

[4] See footnote 4 to the Summary Compensation Table on Page 47 for additional information regarding the grant date fair value of the Performance Shares. The grant date fair value of each equity award is computed in accordance with FASB ASC Topic 718.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END TABLE

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($) [1]	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($) [1]
E. Philip Wenger [2]	-	-	-	-	-	-	-	59,423	$1,035,736
E. Philip Wenger [3]	-	-	-	-	-	-	-	86,092	$1,500,587
E. Philip Wenger [4]	-	-	-	-	-	-	-	79,061	$1,378,037
Mark R. McCollom [3]	-	-	-	-	-	-	-	29,321	$511,062
Mark R. McCollom [4]	-	-	-	-	-	-	-	26,270	$457,888
Mark R. McCollom	-	-	-	-	-	14,825	$258,399	-	-
Curtis J. Myers	7,500	0	0	9.475	6/30/2020	-	-	-	-
Curtis J. Myers	12,375	0	0	10.880	6/30/2021	-	-	-	-
Curtis J. Myers	11,263	0	0	10.475	3/31/2022	-	-	-	-
Curtis J. Myers	10,877	0	0	11.580	3/31/2023	-	-	-	-
Curtis J. Myers [2]	-	-	-	-	-	-	-	14,364	$250,368
Curtis J. Myers [3]	-	-	-	-	-	-	-	35,186	$613,297
Curtis J. Myers [4]	-	-	-	-	-	-	-	31,524	$549,469
Angela M. Snyder [2]	-	-	-	-	-	-	-	4,213	$73,430
Angela M. Snyder [3]	-	-	-	-	-	-	-	19,920	$347,214
Angela M. Snyder [4]	-	-	-	-	-	-	-	17,848	$311,095
Beth Ann L. Chivinski [2]	-	-	-	-	-	-	-	14,104	$245,834
Beth Ann L. Chivinski [3]	-	-	-	-	-	-	-	18,342	$319,705
Beth Ann L. Chivinski [4]	-	-	-	-	-	-	-	17,667	$307,929

[1] Market value of Performance Shares shown is based on the closing price of Fulton common stock of $17.43 on December 31, 2019, the last trading day of 2019. The number of Performance Shares includes dividend equivalents for all dividends that have been paid by Fulton from the Performance Share grant date through December 31, 2019.

The Performance Shares are allocated among three components, Component A, Component B and Component C, for each of the Executives. Performance Shares allocated to Component A are presented based on actual ROA performance during the first year of the performance period; Performance Shares allocated to Component B are presented assuming the target level of performance for 2017, 2018 and 2019, based on relative TSR performance through December 31, 2019; and Performance Shares allocated to Component C are presented using the actual number of shares granted, since the number of shares that may vest upon completion of the performance period will not change.

As of December 31, 2019, the relative TSR performance that determines the number of Performance Shares allocated to Component B of the 2017 awards that would be earned and vested was below the target level, and the relative TSR performance levels that determine the number of 2018 and 2019 Performance Shares allocated to Component B that would be earned and vested were above the target levels.

All such Performance Shares are subject to the achievement of the applicable performance criteria for the designated performance period, and continued service with Fulton on the vesting date. The actual earning and vesting of these Performance Shares could vary materially from the amounts in the table at the end of the performance period. Dividend equivalents accrued during the performance period, which may be earned and vest on the Performance Shares, are included in the number of Performance Shares.

[2] Performance Shares granted on May 1, 2017. If the performance criteria are achieved and other requirements under the 2013 Plan are satisfied, these Performance Shares will vest on May 1, 2020.

[3] Performance Shares granted on May 1, 2018. If the performance criteria are achieved and other requirements under the 2013 Plan are satisfied, these Performance Shares will vest on May 1, 2021.

[4] Performance Shares granted on May 1, 2019. If the performance criteria are achieved and other requirements under the 2013 Plan are satisfied, these Performance Shares will vest on May 1, 2022.

OPTION EXERCISES AND STOCK VESTED TABLE

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise [1] (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting [2] ($)
E. Philip Wenger	0	0	62,160	1,055,470
Mark R. McCollom	0	0	0	0
Curtis J. Myers	5,158	57,202	12,777	216,953
Angela M. Snyder	0	0	6,002	101,906
Beth Ann L. Chivinski	0	0	7,285	123,702

[1] Mr. Myers exercised options granted in 2009 by paying cash for the full amount of the exercise price.

[2] Except for Mr. McCollom, all of the Executives had Performance Shares that vested during 2019. Shares that vested on May 1, 2019 for Mr. Wenger, Mr. Myers, Ms. Snyder and Ms. Chivinski were valued at $16.98 per share, the closing price of Fulton's common stock on May 1, 2019.

PENSION BENEFITS TABLE [3]

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit ($)	Payments During Last Fiscal Year ($)
E. Philip Wenger	NA	-	-	-
Mark R. McCollom	NA	-	-	-
Curtis J. Myers	NA	-	-	-
Angela M. Snyder	NA	-	-	-
Beth Ann L. Chivinski	NA	-	-	-

[3] During 2019, none of the Executives participated in or had an account balance in any qualified or nonqualified defined benefit plans sponsored by Fulton or any Fulton subsidiary bank.

NONQUALIFIED DEFERRED COMPENSATION TABLE

Name	Executive Contributions in Last FY ($)	Registrant Contributions in Last FY [1] ($)	Aggregate Earnings in Last FY [2] ($)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at Last FYE [3] ($)
E. Philip Wenger	137,284	66,448	492,164	0	2,285,104
Mark R. McCollom	0	0	0	0	0
Curtis J. Myers	66,520	25,451	102,050	0	535,830
Angela M. Snyder	69,604	12,226	102,582	0	546,702
Beth Ann L. Chivinski	11,667	11,556	6,184	0	136,975

[1] Fulton's contributions toward nonqualified deferred compensation for each of the Executives are listed in this column. The Executives' contributions are matched at the same 100% of the first 5% of compensation deferred as provided in the 401(k) Plan. However, while the Executives were permitted to contribute up to 100% of their eligible salary and cash bonus during 2019, these matching contributions are made based on an Executive's eligible salary and bonus that exceeds the federal limit of $280,000 for 2019. See the table contained in footnote 8 of the "Summary Compensation Table" on Page 47. Amounts listed as Registrant Contributions in this Nonqualified Deferred Compensation Table are also included as part of the Executives' "Total All Other Compensation" in the Summary Compensation Table. 2019 contributions were credited to each of the Executive's accounts in early 2020.

[2] The Executives direct the investment of their Nonqualified Deferred Compensation contributions into various standard investment options offered from a set menu of investment funds. In 2019, the available investment funds included Federated Total Return Bond Fund (FTRBX), Morgan Stanley International Opportunity Portfolio (MNOPX), FMI International Institutional (FMIYX), Goldman Sachs Core Fixed Income Fund (GSFIX), Goldman Sachs Financial Square Government Fund (FGTXX), Janus Henderson Enterprise I (JMGRX), MFS Value Fund I (MEIIX), T. Rowe Price Growth Stock Fund (PRGFX), T. Rowe Price Retirement 2010 (TRPAX), T. Rowe Price Retirement 2020 (TRBRX), T. Rowe Price Retirement 2030 (TRPCX), T. Rowe Price Retirement 2040 (TRPDX), T. Rowe Price Retirement 2050 (TRPMX), T. Rowe Price Retirement 2060 (TRPLX), T. Rowe Price Small-Cap Value Fund I (PRVIX),Vanguard 500 Index Fund Admiral (VFIAX), Vanguard Inflation-Protected Securities Fund Admiral (VAIPX), Vanguard Mid-Cap Value Index Fund Admiral (VMVAX), Vanguard Mid-Cap Index Fund Admiral (VIMAX), Vanguard Short-Term Bond Index Fund Admiral (VBIRX), Vanguard Small Cap Growth Index Fund Admiral (VSGAX), Vanguard Small-Cap Index Fund Admiral (VSMAX), Vanguard Small-Cap Value Index Fund Admiral (VSIAX), Vanguard STAR Fund (VGSTX) and Vanguard Windsor II Fund Admiral (VWNAX).

The Executives may change their individual elections by completing a new election form. Accumulated balances in the Deferred Compensation Plan become payable upon the later of a participant attaining age 62, or the participant's separation of service from Fulton. Participants in the Deferred Compensation Plan, including the Executives, may elect to receive benefits either in a single, lump sum payment, or in equal monthly or annual installments over a period of not more than twenty (20) years. Participants are permitted to request withdrawals from contributions credited prior to January 1, 2005 and earnings thereon, to defray certain medical expenses or prevent eviction or foreclosure from the participant's principal residence, and from contributions credited on or after January 1, 2005 and earnings thereon, to alleviate a severe financial hardship due to injury or illness of the participant or the participant's spouse or dependents, a casualty loss to the participant's property, imminent foreclosure or eviction from the participant's primary residence or unpaid funeral expenses for the participant's spouse or dependents. A discussion of the Deferred Compensation Plan is included on Page 43.

[3] Balances include the 2019 contributions made by Fulton and credited to the Executives' accounts in early 2020. The aggregate amounts shown in this column include the following amounts that were reported as compensation to the Executives in the Summary Compensation Tables in Fulton's previous proxy statements:

For Mr. Wenger, a total of $632,646 was reported (2007 to 2019);

For Mr. Myers, a total of $88,316 was reported (2016 to 2019);

For Ms. Snyder, a total of $24,177 was reported (2018 to 2019); and

For Ms. Chivinski, a total of $23,309 was reported (2017) and Ms. Chivinski was not a Named Executive Officer in the 2019 Proxy.

POTENTIAL PAYMENTS UPON TERMINATION AND GOLDEN PARACHUTE COMPENSATION TABLE

Potential Payments as of December 31, 2019 [1]						
Executive	**Voluntary Termination [2] or Termination for Cause [3]**	**Termination Without Cause or for Good Reason – Before a Change in Control [4 5]**	**Termination Without Cause or for Good Reason – Upon or After a Change in Control [6 7 8]**	**Termination Due to Retirement [9]**	**Termination Due to Disability [10 11]**	**Termination Due to Death [12 13]**
E. Philip Wenger						
Cash ($)	0	1,042,919	3,870,681	0	1,147,211	2,085,837
Equity ($)	0	0	3,411,920	0	3,411,920	3,411,920
Pension/NQDC($)	0	0	193,534	0	0	0
Perquisites and Benefits($)	0	12,000	74,000	0	18,000	0
Tax Reimbursement($)	0	0	0	0	0	1,316,468
TOTAL ($)	0	1,054,919	7,550,135	0	4,577,130	6,814,225
Mark R. McCollom						
Cash ($)	0	647,702	1,238,683	0	476,490	866,346
Equity ($)	0	0	1,058,304	1,058,304	1,058,304	1,058,304
Pension/NQDC($)	0	0	64,770	0	0	0
Perquisites and Benefits($)	0	12,000	34,000	0	18,000	0
Tax Reimbursement($)	0	0	0	0	0	546,791
TOTAL ($)	0	659,702	2,395,757	1,058,304	1,552,794	2,471,441
Curtis J. Myers						
Cash ($)	0	821,237	1,642,473	0	604,154	1,098,461
Equity ($)	282,683	282,683	1,492,971	282,683	1,492,971	1,492,971
Pension/NQDC($)	0	0	82,124	0	0	0
Perquisites and Benefits($)	0	12,000	34,000	0	18,000	0
Tax Reimbursement($)	0	0	0	0	0	693,289
TOTAL ($)	282,683	1,115,920	3,251,568	282,683	2,115,125	3,284,721
Angela M. Snyder						
Cash ($)	0	578,969	1,157,938	0	431,644	784,808
Equity ($)	0	0	616,888	0	616,888	616,888
Pension/NQDC($)	0	0	57,897	0	0	0
Perquisites and Benefits($)	0	12,000	34,000	0	18,000	0
Tax Reimbursement($)	0	0	0	0	0	495,327
TOTAL ($)	0	590,969	1,866,723	0	1,066,532	1,897,023
Beth Ann L. Chivinski						
Cash ($)	0	586,236	1,172,471	0	427,262	776,839
Equity ($)	0	0	763,809	0	763,809	763,809
Pension/NQDC($)	0	0	58,624	0	0	0
Perquisites and Benefits($)	0	12,000	34,000	0	18,000	0
Tax Reimbursement($)	0	0	0	0	0	490,299
TOTAL ($)	0	598,236	2,028,904	0	1,209,071	2,030,947

[1] All amounts listed under Equity in this table are the value of the Executive's Performance Shares or time-based restricted stock units and vested and "in the money" stock options valued based on the closing price of Fulton's common stock of $17.43 on December 31, 2019, the last trading day of 2019.

[2] **Voluntary Termination:** In the event an Executive's employment is voluntarily terminated by the Executive other than for "Good Reason," which is defined in the Employment Agreement and described in footnote 4 below, Fulton's obligations are limited to the payment of the Executive's base salary through the effective date of the Executive's termination, together with any applicable expense reimbursements and all accrued and unpaid benefits and vested benefits in accordance with the applicable employee benefit plans. No other payments are required, and under the 2013 Plan, unexercised stock options and Performance Shares are forfeited by the Executive as a result of voluntary termination. The amount listed under Equity is the value of the Executive's vested and "in the money" stock options.

[3] **Termination for Cause:** If an Executive's employment is terminated for "Cause," Fulton is not obligated to make any further payments to the Executive under the Employment Agreement, other than amounts (including salary, expense reimbursement, etc.) accrued under the Employment Agreements as of the date of such termination. Under the 2013 Plan, unexercised stock options and Performance Shares are forfeited by an Executive terminated for Cause, which is generally defined in the Employment Agreement to include the commission of certain felonies or misdemeanors, use of alcohol or other drugs which interferes with the performance by the Executive of the Executive's duties, intentional refusal or failure by the Executive to perform duties, or conduct that brings public discredit on, or injures the reputation of, Fulton. The value listed under Equity is the value of the Executive's vested and "in the money" stock options.

[4] **Termination Without Cause or for Good Reason – Before a Change in Control:** If an Executive terminates the Executive's employment for "Good Reason" or the Executive's employment is terminated by Fulton "Without Cause," the Executive is entitled to receive the Executive's base salary for a period of one year and a cash bonus for the fiscal year in which the termination date occurs at the target payout level, pro-rated to the date of termination, except that for Mr. Wenger, both the payment and the amount of the cash bonus shall be at the discretion of the HR Committee and as approved by Fulton's Board of Directors. The Executive also would continue to participate in employee health and other benefit plans for which the Executive is eligible during the one-year period. If the Executive is not eligible to continue to participate in any employee benefit plan, the Executive will be compensated on an annual basis, in advance, for such plan in an amount equal to the cost Fulton would have incurred, had the Executive been eligible to participate in such plan, plus any permitted gross-up for any taxes applicable thereto. Under the 2013 Plan, unexercised stock options are forfeited by an Executive terminated Without Cause or for Good Reason. Good Reason is defined in the Employment Agreement to include a breach by Fulton of its material obligations without remedy, a significant change in the Executive's authority, duties, compensation or benefits, or a relocation of the Executive outside a specified distance from where the Executive previously was based. Without Cause is defined in the Employment Agreement to include any reason other than for Cause.

[5] Cash amount listed for each Executive includes a severance payment based on the Executive's 2019 base salary. The amounts listed under Cash assume no discretionary bonus was paid to Mr. Wenger, but the payments to the other Executives in the table assume the payment of their 2019 cash bonuses. Equity amounts listed are the value of unexercised stock options. Perquisites/ Benefits include a monthly estimate of $1,000 for the value of health and other benefit expenses paid by Fulton for the one-year severance period attributed to each Executive.

[6] **Termination Without Cause or for Good Reason – Upon or After a Change in Control:** The Executives and other employees have contributed to the building of Fulton into the successful enterprise it is today, and Fulton believes that it is important to protect them in the event of a "Change in Control." Further, Fulton believes that the interests of shareholders will be best served if the interests of the Executives are aligned with them, and providing Change in Control benefits should eliminate or mitigate any reluctance of the Executives to pursue potential Change in Control transactions that may be in the best interests of shareholders. The HR Committee has determined that the potential Change in Control benefits it offers the Executives are typical for the financial services industry and reasonable relative to the overall value of Fulton.

A Change in Control with respect to Mr. Wenger is defined in his Employment Agreement to include: the acquisition of the beneficial ownership of more than 50% of the total fair market value or voting power of the stock of Fulton by any one person or group of persons acting in concert; a change in the composition of the Board of Directors of Fulton during any period of 12 consecutive months such that a majority of the Board of Directors is replaced by directors whose appointment or election was not endorsed by a majority of the Board of Directors before such appointment or election; or the acquisition by any person or group of persons acting in concert during any 12 month period of 30% or more of the total voting power of the stock of Fulton, or of 40% or more of the total assets (on a gross fair market value basis) of Fulton.

With respect to the other Executives in the table, a Change in Control is defined in the Employment Agreements to occur when: during any period of not more than 36 months, the individuals that constituted Fulton's Board of Directors at the beginning of such period, with certain exceptions, cease to constitute at least a majority of Fulton's Board of Directors; beneficial ownership of more than 30% of the outstanding voting power of the stock of Fulton is acquired by any person, with certain exceptions; a merger or consolidation involving Fulton is consummated, unless at least 50% of the voting power of the resulting entity is represented by Fulton voting securities outstanding prior to such merger or consolidation, no person beneficially has the power to vote 30% or more of the voting power of the resulting entity, and at least a majority of the members of the board of directors of the resulting entity were members of Fulton's Board of Directors prior to the execution of the agreement which effectuated such merger or consolidation; the sale of all or substantially all of the assets of Fulton is consummated; or Fulton's shareholders approve a plan of liquidation or dissolution.

If, during the period beginning 90 days before a Change in Control and ending two years after such Change in Control, an Executive is terminated by Fulton Without Cause or an Executive resigns for Good Reason, Fulton would be required to pay the Executive two times the sum of the Executive's: (i) annual base salary immediately before the Change in Control; and (ii) the highest annual cash bonus or other incentive compensation awarded to the Executive over the prior three years. The Executive also would be entitled to receive: (i) an amount equal to that portion of Fulton's retirement plan, 401(k) plan or deferred compensation plan contributions for the Executive which were not vested, plus the amount of any federal, state or local income taxes due on such amount; (ii) an amount equivalent to two years of Fulton retirement plan contributions to each tax qualified or nonqualified retirement plan in which the Executive was a participant immediately prior to the Executive's termination or resignation; (iii) payment of up to $10,000 for outplacement services; and (iv) continuation of other employee welfare benefits for a period of two years. With respect to Mr. Wenger, if he would not be eligible to continue to participate in any employee welfare benefit plan, he would be compensated on an annual basis, in advance, for such plan in an amount equal to the cost Fulton would have incurred, had he been eligible to participate in such plan, plus any permitted gross-up for any taxes applicable thereto. In addition, Mr. Wenger would be entitled to receive continuation of other executive perquisites, such as club memberships and an employer-provided automobile, for a period of two years. The other Executives are not entitled to receive continuation of other executive perquisites, such as club memberships and employer-provided automobiles, however, the other Executives have the ability to purchase, at book value, any employer-provided automobile used by the Executive at the time of the their termination.

Mr. Wenger's Employment Agreement provides that, in the event any payment or distribution by Fulton to or for the benefit of Mr. Wenger would be subject to excise tax as a Golden Parachute, Mr. Wenger would be entitled to receive an additional payment equal to the total excise tax imposed. The determination that a "gross-up" payment is required and its amount is to be made by a tax adviser, and Fulton is responsible for the adviser's fees and expenses. Fulton's compensation consultant advised the HR Committee in 2006 that this "gross-up provision" was a typical provision in such agreements. In keeping with Fulton's objective to offer a competitive contract when they were offered, this provision was included in the Employment Agreements in 2006, but more recent agreements, such as the agreements with the other Executives do not contain a "gross-up provision." Further, pursuant to the terms of the Employment Agreements for the other Executives, their total payments are reduced to the extent required to avoid a federal excise tax imposed under Section 280G of the Tax Code.

Generally, the 2013 Plan provides for vesting of unvested stock options and time-based restricted stock units upon termination of employment during the 12-month period following a Change in Control. However, with respect to Performance Shares, in the event of a Change in Control, all incomplete performance periods with respect of such Performance Shares in effect on the date the Change in Control occurs shall end on the date of such change, and the HR Committee shall (i) determine the extent to which performance goals with respect to each such performance period have been met based upon such audited or unaudited financial information then available as it deems relevant and (ii) cause such portion or all of the Performance Shares to vest with respect to performance goals for each such performance period based upon the HR Committee's determination of the degree of attainment of performance goals or, if not determinable, the values assume the applicable "target" levels of performance have been attained.

[7] Cash amounts listed are two times 2019 base salary as of year-end and the highest VCP Awards paid for the last three years for each Executive. Mr. Myers' cash amount has been reduced by $56,721 pursuant to the terms of the Executive's Employment Agreement, which represents the reduction required to avoid a federal excise tax imposition pursuant to the regulations promulgated under Section 280G of the Tax Code.

Equity amount is the value of all "in the money" stock options, unvested time-based stock unit awards and unvested Performance Shares, which would vest as described in the last paragraph of footnote 6 above, as of December 31, 2019. Perquisites and Benefits include $10,000 for outplacement services, $1,000 per month during the severance period for the estimated value of health and other benefit expenses paid by Fulton attributed to each Executive, and, with respect to Mr. Wenger, an additional $20,000 per year for club memberships, vehicle and other expenses paid by Fulton, for his severance period.

[8] Amount listed under Pension/NQDC represents the aggregate dollar value of Fulton's contributions to the 401(k) Plan, Nonqualified Deferred Compensation Plan and other retirement benefits as a result of this termination event.

[9] **Termination Due to Retirement:** In the event an Executive terminates his employment due to retirement, Fulton is obligated to pay the Executive's base salary through the effective date of the Executive's retirement, together with any applicable expense reimbursements and all accrued and unpaid benefits and vested benefits in accordance with the applicable employee benefit plans. In addition, pursuant to the 2013 Plan, in the event an Executive terminates employment due to retirement at the earlier of (i) achieving age 60 with at least 10 years of service to Fulton or any affiliate or (ii) achieving age 62 with at least five years of service to Fulton or any affiliate, unvested stock options and time-based restricted stock units awarded under Fulton's plans would automatically vest. Pursuant to the 2013 Plan, the Performance Shares do not automatically vest upon retirement, but, subject to review and approval by the HR Committee, performance continues to be measured and the shares may vest based on the original vesting schedule according to the performance level actually achieved. Assuming that all the Executives attained the earlier of (i) achieving age 60 with at least 10 years of service to Fulton or any affiliate or (ii) achieving age 62 with at least five years of service to Fulton or any affiliate and retired as of December 31, 2019. The Executives would generally have one or two years from the date of retirement, but not beyond the original option expiration date, to exercise their stock options.

[10] **Termination Due to Disability:** Following an Executive's "Disability", defined in the Employment Agreements to be a medically determinable physical or medical impairment that is expected to result in death or to last for at least 12 months, and that either renders the Executive unable to engage in any substantial gainful activity or qualifies the Executive for benefits under a Fulton disability plan, the employment of the Executive would terminate automatically, in which event Fulton is not thereafter obligated to make any further payments under the Employment Agreement, other than amounts (including salary, expense reimbursement, etc.) accrued as of the date of such termination, plus an amount equal to at least six months' base salary as in effect immediately prior to the date of the Disability. After this six month salary continuation period, for as long as the Executive continues to be disabled, the Executive will continue to receive at least 60% of the Executive's base salary until the earlier of the Executive's death or December 31 of the calendar year in which the Executive attains age 65. To the extent it does not duplicate benefits already being provided, an Executive will also receive those benefits customarily provided by Fulton to disabled former employees, which benefits shall include, but are not limited to, life, medical, health, accident insurance and a survivor's income benefit.

[11] Cash amount for all the Executives is six months at full salary, then 60% of salary for an assumed period of 12 months. Perquisites and Benefits include a monthly estimate of $1,000 for the value of health and other benefit expenses paid by Fulton for an assumed period of 18 months. Equity amount is the value of all "in the money" options, time-based restricted stock units and Performance Shares, which would vest as described in the last paragraph of footnote 6 above. In the event an Executive terminates employment due to disability, unvested options, Performance Shares and time-based restricted stock units awarded under Fulton's option plans would automatically vest. The Executives would have one year from the date of disability, but not beyond the original option expiration date, to exercise stock options.

[12] **Termination Due to Death:** In the event of a termination of employment as a result of an Executive's death, the Executive's dependents, beneficiaries or estate, as the case may be, would receive such survivor's income and other benefits as they may be entitled to under the terms of Fulton's benefit programs, which includes the Life Insurance benefit of twice base salary amount plus a tax reimbursement due as a result of the payment under the Death Benefits described on Page 43.

[13] In the event an Executive terminates employment due to death, unvested options, Performance Shares and time-based restricted stock units awarded under Fulton's option plans would automatically vest, with Performance Shares vesting as described in the last paragraph of footnote 6 above. The estate of the Executive would have one year from the date of death to, but not beyond the original option expiration date, to exercise stock options.

CEO PAY RATIO DISCLOSURE

As required by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, and Item 402(u) of Regulation S-K, Fulton is providing the following information about the ratio of the annual total compensation paid to our "median employee," and the annual total compensation of Mr. Wenger (our "CEO"), for the year ended December 31, 2019.

Pay Ratio Summary
• For 2019, the annual total compensation of our selected median employee was $48,922.
• The 2019 annual total compensation of our CEO, as reported in the Summary Compensation Table on Page 47, was $3,043,556.
• Based on this information, for 2019 we reasonably estimate that the ratio of the annual total compensation of our CEO to our median employee was 62.2 to 1.
• Our pay ratio estimate has been calculated in a manner consistent with Item 402(u) of Regulation S-K using the data and assumptions summarized below.

For 2019, the median employee that was used for purposes of calculating the 2019 ratio of the annual total compensation of our CEO to the median of the annual total compensation of all employees is the same employee that was identified for purposes of our 2017 pay ratio disclosure. There has been no change in our employee population or employee compensation arrangements since that median employee was identified for 2017 that we believe would significantly impact our pay ratio disclosure. As of December 31, 2017, to identify the median employee from our employee population at that time, we compared the amount of salary, wages, cash bonus, stock awards, employer contributions to our 401(k) Plan and all other compensation items paid to our employee population for 2017. We identified our median employee using this consistently applied compensation measure that excluded our CEO. In making this determination, we annualized the compensation of our permanent full-time and part-time employees who were hired in 2017 and did not work for Fulton for the entire fiscal year, but were still employed as of December 31, 2017. Since the SEC rules permit a company to use a previously identified median employee, the ratio above is calculated using the previously identified median employee who is still employed by Fulton as of December 31, 2019.

For the 2019 pay ratio, once we identified our median employee as described above, we combined all of the elements of such employee's compensation for 2019 consistent with the requirements of Item 402(c)(2)(x) of Regulation S-K. With respect to the annual total compensation of our CEO, the same process and amount reported in the "Total" column of our 2019 Summary Compensation Table included in this Proxy Statement on Page 47 was used.

The SEC rules for identifying the median employee and calculating the pay ratio based on that employee's annual total compensation allow companies to adopt a variety of methodologies, to apply certain exclusions, and to make reasonable estimates and assumptions that reflect their compensation practices. As such, the pay ratio reported by other companies may not be comparable to the pay ratio reported above, as other companies may have different employment and compensation practices and may utilize different methodologies, exclusions, estimates, and assumptions in calculating their own pay ratios.

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NON-BINDING SAY-ON-PAY RESOLUTION TO APPROVE THE COMPENSATION OF THE NAMED EXECUTIVE OFFICERS – PROPOSAL TWO

Pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the "Dodd-Frank Act," Fulton is providing its shareholders with the opportunity to vote on an advisory (non-binding) resolution at the 2020 Annual Meeting to approve the compensation of Fulton's named executive officers for 2019 as described in the Compensation Discussion and Analysis, and the tabular disclosures of the Named Executive Officers' compensation ("Compensation Tables") in this Proxy Statement. This proposal, commonly known as a "Say-on-Pay" Proposal, gives shareholders the opportunity to endorse or not endorse Fulton's Executive pay program. At Fulton's 2019 Annual Meeting, Fulton presented a similar proposal to its shareholders, and approximately 98% of the shareholders who cast a vote on this proposal voted in favor of, and approved, Fulton's Say-on-Pay proposal. The HR Committee considered the number of votes cast in favor of Fulton's prior Say-on-Pay proposal to be a positive endorsement of Fulton's current pay programs and practices. Fulton will continue to monitor the level of support for each Say-on-Pay proposal. However, because the shareholder vote is not binding, the outcome of the this year's vote, or any future vote, may not be construed as overruling any decision by Fulton's Board of Directors or HR Committee regarding executive compensation.

At Fulton's Annual Meeting in 2017, Fulton submitted to shareholders a non-binding proposal, asking shareholders whether Fulton should submit its Say-on-Pay proposal to shareholders every one (1), two (2) or three (3) years. This type of proposal is commonly known as a "Say-When-on-Pay" proposal, and under current SEC rules, is required to be presented to shareholders no less frequently than once every six (6) years. The shareholders approved Fulton's recommendation that the Say-on-Pay proposal should be submitted to shareholders on an annual basis. Although Fulton believes that having an annual Say-on-Pay vote is appropriate, Fulton's HR Committee and Board of Directors will continue to evaluate the frequency of the non-binding Say-on-Pay proposal and might recommend that shareholders approve a different frequency in the future. Fulton intends to submit a new Say-When-on-Pay proposal to shareholders on or before the Fulton Annual Meeting in 2023.

As further described in the "Compensation Discussion and Analysis" section of this Proxy Statement, starting on Page 29, Fulton's executive compensation philosophy and program are intended to achieve three (3) objectives: (i) align interests of the Executives with shareholder interests; (ii) link the Executives' pay to performance; and (iii) attract, motivate and retain executive talent. Fulton's Executive compensation program currently includes a mix of base salary, incentive bonus, equity-based plans, retirement plans, health plans and other benefits. Fulton believes that its compensation program, policies and procedures are reasonable and appropriate and compare favorably with the compensation programs, policies and procedures of its peers.

The Board of Directors recommends that shareholders, in a non-binding proposal, vote "FOR" the following resolution:

> **"RESOLVED, that the compensation paid to Fulton's Named Executive Officers for 2019, as disclosed in this Proxy Statement pursuant to Item 402 of SEC Regulation S-K, including the Compensation Discussion and Analysis and the Compensation Tables contained in this Proxy Statement, is hereby APPROVED."**

Approval of the non-binding resolution regarding the compensation of the Named Executive Officers would require that the number of votes cast in favor of the proposal exceed the number of votes cast against it. Abstentions and broker non-votes will not be counted as votes cast and, therefore, will not affect the determination as to whether the proposal is approved.

Because your vote is advisory, it will not be binding upon Fulton. However, Fulton's HR Committee and Board of Directors will take into account the outcome of the vote when considering future Executive compensation arrangements, but no determination has been made as to what action, if any, the HR Committee or Board of Directors might take if shareholders do not approve this advisory proposal.

Recommendation of the Board of Directors

The Board of Directors recommends that the shareholders vote <u>FOR</u> the non-binding resolution to approve the compensation of the Named Executive Officers for 2019.

RELATIONSHIP WITH INDEPENDENT PUBLIC ACCOUNTANTS

For the years ended December 31, 2019 and December 31, 2018, Fulton engaged KPMG LLP ("KPMG"), independent registered public accountants, to audit Fulton's financial statements. The fees incurred for services rendered by KPMG for the years ended December 31, 2019 and 2018 are summarized in the following table:

Services and Fees	2019	2018
Audit Fees – Annual Audit and Quarterly Reviews [1]	$ 2,007,500	$ 2,204,000
Audit Fees – Issuance of Comfort Letters and Consents	35,000	–
Audit Fees – Statutory Audit	53,000	52,000
Audit Fees Subtotal	2,035,500	2,256,000
Audit Related Fees [2]	–	–
Tax Fees [3]	62,000	66,000
All Other Fees	–	–
TOTAL	$ 2,157,500	$ 2,322,000

[1] Amounts presented for 2019 are based upon the audit engagement letter and additional fees paid. Final billings for 2019 may differ.

[2] Fees paid for a required agreed-upon procedures report related to student lending and audits of financial statements of certain employee benefits plans.

[3] Fees paid for tax services relating to federal and state tax matters.

The appointment of KPMG for the fiscal year ended December 31, 2020 was approved by the Audit Committee of the Board of Directors of Fulton at a meeting on February 19, 2020. Representatives of KPMG are expected to be present at the 2020 Annual Meeting with the opportunity to make a statement and will be available to respond to appropriate questions.

The Audit Committee has carefully considered whether the provision of the non-audit services described above, which were performed by KPMG in 2019 and 2018, would be incompatible with maintaining the independence of KPMG in performing its audit services and has determined that, in its judgment, the independence of KPMG has not been compromised.

All fees paid to KPMG in 2019 and 2018 were pre-approved by the Audit Committee. The Audit Committee pre-approves all auditing and permitted non-auditing services, including the fees and terms thereof, to be performed by its independent auditor, subject to the de minimus exceptions for non-auditing services permitted by the Exchange Act. However, these types of services are approved prior to completion of the services. The Audit Committee may form and delegate authority to subcommittees consisting of one or more members, when appropriate, including the authority to grant pre-approvals of audit and permitted non-audit services. Any decisions of such subcommittees to grant pre-approvals are presented to the full Audit Committee for ratification at its next scheduled meeting.

Based on its review and discussion of the audited 2019 financial statements of Fulton with management and KPMG, the Audit Committee recommended to the Board of Directors that the financial statements be included in the Annual Report on Form 10-K for filing with the SEC. A copy of the report of the Audit Committee of its findings that resulted from its financial reporting oversight responsibilities is attached as Exhibit A.

RATIFICATION OF INDEPENDENT AUDITOR – PROPOSAL THREE

Fulton's Audit Committee has selected the firm of KPMG to continue as Fulton's independent auditor for the fiscal year ending December 31, 2020. Although shareholder approval of the selection of KPMG is not required by law, the Board of Directors believes that it is advisable to give shareholders an opportunity to ratify this selection as it is a common practice among other publicly traded companies and consistent with sound corporate governance practices. Assuming the presence of a quorum at the Annual Meeting, the affirmative vote of the majority of the votes cast is required to ratify the appointment of KPMG as Fulton's independent auditor for the fiscal year ending December 31, 2020.

If Fulton's shareholders do not approve this proposal at the 2020 Annual Meeting, the Audit Committee will consider the results of the shareholder vote on this proposal when selecting an independent auditor for 2021. However, no determination has been made as to what other specific action, if any, the Audit Committee would take if shareholders do not ratify the appointment of KPMG at the 2020 Annual Meeting.

KPMG has conducted the audit of the financial statements of Fulton and its subsidiaries for the years ended December 31, 2002 through December 31, 2019. Representatives of KPMG who are expected to be present at the meeting, will be given an opportunity to make a statement if they desire to do so, and will be available to answer appropriate questions from shareholders.

Recommendation of the Board of Directors

The Board of Directors recommends that shareholders vote FOR ratification of the appointment of KPMG LLP as Fulton's independent auditor for the fiscal year ending December 31, 2020.

ADDITIONAL INFORMATION

Annual Report on Form 10-K

A copy of Fulton's Annual Report on Form 10-K for the year-ended December 31, 2019, as filed with the SEC, including financial statements, is available without charge to shareholders upon written request addressed to the Corporate Secretary, Fulton Financial Corporation, P.O. Box 4887, One Penn Square, Lancaster, Pennsylvania 17604.

The Fulton Annual Report on Form 10-K for year-ended December 31, 2019 and this Proxy Statement are posted and available on Fulton's website at www.fult.com. Copies of the current governance documents and future updates, including but not limited to the Fulton Code of Conduct, Audit Committee Charter, HR Committee Charter, Nominating and Corporate Governance Committee Charter, Risk Committee Charter and Fulton's Governance Guidelines, are also posted and available on Fulton's website at www.fult.com. The contents of our website are not incorporated into this Proxy Statement by provision of this link, or other links in this Proxy Statement.

Householding of Proxy Materials

Only one (1) Proxy Statement is being delivered to multiple security holders sharing an address unless Fulton has received contrary instructions from one or more of the security holders. Fulton will promptly deliver, upon written or oral request, a separate copy of this Proxy Statement to a security holder at a shared address to which a single copy of the document was delivered. Such a request should be made to the Corporate Secretary, Fulton Financial Corporation, P.O. Box 4887, One Penn Square, Lancaster, Pennsylvania 17604, (717) 291-2411. Requests to receive a separate mailing for future Proxy Statements or to limit multiple copies to the same address should be made orally or in writing to the Corporate Secretary at the foregoing address or phone number.

Sign Up for Electronic Delivery

If you would like to save paper and reduce the costs incurred by Fulton in printing and mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please go to www.proxyvote.com and have your proxy card and control number in hand when you access the website, then follow the instructions at www.proxyvote.com to obtain your records and to create an electronic voting instruction form. Follow the instructions for voting by Internet and, when prompted, indicate that you agree to receive or access shareholder communications electronically in future years.

OTHER MATTERS

The Board of Directors of Fulton knows of no matters other than those discussed in this Proxy Statement, which will be presented at the 2020 Annual Meeting. However, if any other matters are properly brought before the meeting, any proxy given pursuant to this solicitation will be voted in accordance with the recommendations of the Board of Directors of Fulton.

BY ORDER OF THE BOARD OF DIRECTORS

E. Philip Wenger

E. PHILIP WENGER
Chairman of the Board and
Chief Executive Officer

Lancaster, Pennsylvania
April 2, 2020

EXHIBIT A

REPORT OF AUDIT COMMITTEE

February 19, 2020

To the Board of Directors of Fulton Financial Corporation:

We have reviewed and discussed with management Fulton Financial Corporation’s audited financial statements as of, and for the year ended, December 31, 2019.

We have discussed with representatives of KPMG LLP, Fulton Financial Corporation’s independent auditor, the matters required to be discussed by the applicable requirements of the Public Company Accounting Oversight Board (“PCAOB”) and the Securities and Exchange Commission.

We have received and reviewed the written disclosures and the letter from the independent auditor required by the PCAOB Ethics and Independence Rule 3526, *Communication with Audit Committees Concerning Independence*, as amended, by the PCAOB, and have discussed with the auditor the auditor’s independence.

Based on the reviews and discussions referred to above, we recommend to the Board of Directors that the financial statements referred to above be included in Fulton Financial Corporation’s Annual Report on Form 10-K for the year ended December 31, 2019.

Ronald H. Spair, Chair
Denise L. Devine, Vice Chair
Steven S. Etter
George W. Hodges
Ernest J. Waters

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2019, or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number: 0-10587

FULTON FINANCIAL CORPORATION
(Exact name of registrant as specified in its charter)

Pennsylvania	23-2195389
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One Penn Square P. O. Box 4887 Lancaster, Pennsylvania	17604
(Address of principal executive offices)	(Zip Code)

(717) 291-2411
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of exchange on which
Common Stock, $2.50 par value	FULT	The Nasdaq Stock Market, LLC

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark whether the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically if any, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and " emerging growth company" in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filer	☒ Accelerated filer	☐ Emerging growth company	☐
Non-accelerated filer	☐ Smaller reporting company	☐	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the voting Common Stock held by non-affiliates of the registrant, based on the average bid and asked prices on June 30, 2019, the last business day of the registrant's most recently completed second fiscal quarter, was approximately $2.6 billion. The number of shares of the registrant's Common Stock outstanding on February 7, 2020 was 164,294,000.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Definitive Proxy Statement of the Registrant for the Annual Meeting of Shareholders to be held on May 19, 2020 are incorporated by reference in Part III.

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PART I

Item 1. Business

General

Fulton Financial Corporation was incorporated under the laws of Pennsylvania on February 8, 1982 and became a bank holding company through the acquisition of all of the outstanding stock of Fulton Bank, N.A. ("Fulton Bank") on June 30, 1982. In this Report, "the Corporation" refers to Fulton Financial Corporation and its subsidiaries that are consolidated for financial reporting purposes, except that when referring to Fulton Financial Corporation as a public company, as a bank holding company or as a financial holding company, or to the common stock or other securities issued by Fulton Financial Corporation, references to "the Corporation" refer solely to Fulton Financial Corporation. References to "the Parent Company" refer solely to Fulton Financial Corporation. In 2000, the Corporation became a financial holding company as defined in the GLB Act, which gave the Corporation the ability to expand its financial services activities under its holding company structure. See "Competition" and "Supervision and Regulation." The Corporation directly owns 100% of the common stock of Fulton Bank and eight non-bank entities. As of December 31, 2019, the Corporation had approximately 3,500 full-time equivalent employees.

The common stock of the Corporation is listed for quotation on the Global Select Market of The Nasdaq Stock Market under the symbol FULT. The Corporation's Internet address is www.fult.com. Electronic copies of the Corporation's 2019 Annual Report on Form 10-K are available free of charge by visiting "Investor Relations" at www.fult.com. Electronic copies of quarterly reports on Form 10-Q and current reports on Form 8-K are also available at this Internet address. These reports, as well as any amendments thereto, are posted on the Corporation's website as soon as reasonably practicable after they are electronically filed with the Securities and Exchange Commission ("SEC").

Banking and Financial Services Subsidiary

The Corporation, through its banking subsidiary, Fulton Bank, delivers financial services within its five-state market area (Pennsylvania, Delaware, Maryland, New Jersey and Virginia) in a personalized, community-oriented style that emphasizes relationship banking. As recently as 2018, the Corporation had six banking subsidiaries. During 2018, the Corporation began the process of consolidating its banking subsidiaries into Fulton Bank, which was completed in September 2019. The consolidation process resulted in the Corporation conducting its core banking business through a single bank subsidiary, Fulton Bank, which reduced the number of government agencies that regulate the Corporation's banking operations.

The Corporation operates in areas that are home to a wide range of manufacturing, distribution, health care and other service companies. The Corporation is not dependent upon one or a few customers or any one industry, and the loss of any single customer or a few customers would not have a material adverse impact on the Corporation. However, a large portion of the Corporation's loan portfolio is comprised of commercial loans, commercial mortgage loans and construction loans. See Item 1A. "Risk Factors - Economic and Credit Risks - The composition of the Corporation's loan and lease portfolio and competition for loans and leases subject the Corporation to credit risk."

The Corporation offers a full range of consumer and commercial banking products and services in its market area. Personal banking services include various checking account and savings deposit products, certificates of deposit and individual retirement accounts. The Corporation offers a variety of consumer lending products to customers in its market areas. Secured consumer loan products include home equity loans and lines of credit, which are underwritten based on loan-to-value limits specified in the Corporation's lending policy. The Corporation also offers a variety of fixed, variable and adjustable rate products, including construction loans and jumbo residential mortgage loans. Residential mortgages are offered through Fulton Mortgage Company, which operates as a division of Fulton Bank. Consumer loan products also include automobile loans, personal lines of credit and checking account overdraft protection.

Commercial banking services are provided to small and medium sized businesses (generally with sales of less than $150 million) in the Corporation's market area. The Corporation's policies limit the maximum total lending commitment to a single borrower to $55.0 million as of December 31, 2019, which is significantly below the Corporation's regulatory lending limit. In addition, the Corporation has established lower total lending limits based on the Corporation's internal risk rating of the borrower and for certain types of lending commitments. Commercial lending products include commercial, financial, agricultural and real estate loans. Variable, adjustable and fixed rate loans are provided, with variable and adjustable rate loans generally tied to an index, such as the Prime Rate or the London Interbank Offered Rate ("LIBOR"), as well as interest rate swaps. The Corporation's commercial lending policy encourages relationship banking and provides strict guidelines related to customer creditworthiness and collateral requirements for secured loans. In addition, equipment finance leasing, letters of credit, cash management services and traditional deposit products are offered to commercial customers.

Wealth management services, which include investment management, trust, brokerage, insurance and investment advisory services, are offered to consumer and commercial customers in the Corporation's market area by Fulton Financial Advisors, a division of Fulton Bank.

The Corporation delivers products and services through traditional branch banking, with a network of full service branch offices. Electronic delivery channels include a network of automated teller machines, telephone banking, mobile banking and online banking. The variety of available delivery channels allows customers to access their account information and perform certain transactions, such as depositing checks, transferring funds and paying bills, at virtually any time of the day. Fulton Bank has 230 branches, not including remote service facilities (mainly stand-alone automated teller machines), and its main office is located in Lancaster, Pennsylvania.

Non-Bank Subsidiaries

The Corporation owns 100% of the common stock of five non-bank subsidiaries, which are consolidated for financial reporting purposes: (i) Fulton Financial Realty Company, which holds title to or leases certain properties where Corporation branch offices and other facilities are located; (ii) Central Pennsylvania Financial Corp., which owns limited partnership interests in partnerships invested primarily in low- and moderate-income housing projects; (iii) FFC Management, Inc., which owns certain passive investments; (iv) FFC Penn Square, Inc., which owns trust preferred securities ("TruPS") issued by a subsidiary of Fulton Bank; and (v) Fulton Insurance Services Group, Inc., which engages in the sale of various life insurance products.

The Corporation also owns 100% of the common stock of three non-bank subsidiaries which are not consolidated for financial reporting purposes. The following table provides information for these non-bank subsidiaries, whose sole assets consist of junior subordinated deferrable interest debentures issued by the Corporation, as of December 31, 2019:

Subsidiary	State of Incorporation	Total Assets (in thousands)
Columbia Bancorp Statutory Trust	Delaware	$ 6,186
Columbia Bancorp Statutory Trust II	Delaware	4,124
Columbia Bancorp Statutory Trust III	Delaware	6,186

Competition

The banking and financial services industries are highly competitive. Within its geographic region, the Corporation faces direct competition from other commercial banks, varying in size from local community banks to regional and national banks, credit unions and non-bank entities. As a result of the wide availability of electronic delivery channels, the Corporation also faces competition from financial institutions that do not have a physical presence in the Corporation's geographic markets.

The industry is also highly competitive due to the various types of entities that now compete aggressively for customers that were traditionally served only by the banking industry. Under the current financial services regulatory framework, banks, insurance companies and securities firms may affiliate under a financial holding company structure, allowing their expansion into non-banking financial services activities that had previously been restricted. These activities include a full range of banking, securities and insurance activities, including securities and insurance underwriting, issuing and selling annuities and merchant banking activities. Moreover, the Corporation faces increased competition from certain non-bank entities, such as financial technology companies and marketplace lenders, which in many cases are not subject to the same regulatory compliance obligations as the Corporation. While the Corporation does not currently engage in many of the activities described above, further entry into these businesses may enhance the ability of the Corporation to compete in the future.

Supervision and Regulation

The Corporation operates in an industry that is subject to laws and regulations that are enforced by a number of federal and state agencies. Changes in these laws and regulations, including interpretation and enforcement activities, could impact the cost of operating in the financial services industry, limit or expand permissible activities or affect competition among banks and other financial institutions.

The Corporation is a registered bank holding company, and has elected to be treated as a financial holding company, under the Bank Holding Company Act of 1956, as amended ("BHCA"). The Corporation is regulated, supervised and examined by the Board of Governors of the Federal Reserve System ("Federal Reserve Board"). Fulton Bank is a national banking association chartered under the laws of the United States and is primarily regulated by the Office of the Comptroller of the Currency ("OCC"). In addition, the Consumer Financial Protection Bureau ("CFPB") examines Fulton Bank for compliance with most federal consumer financial protection laws, including the laws relating to fair lending and prohibiting unfair, deceptive or abusive acts or practices in connection with the offer, sale or provision of consumer financial products or services, and for enforcing such laws with respect to Fulton Bank and its affiliates.

Federal statutes that apply to the Corporation and its subsidiaries include the Gramm-Leach-Bliley Act ("GLB Act"), the BHCA, the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"), the Federal Reserve Act, the National Bank Act and the Federal Deposit Insurance Act, among others. In general, these statutes, regulations promulgated thereunder, and related interpretations establish the eligible business activities of the Corporation, certain acquisition and merger restrictions, limitations on intercompany transactions (such as loans and dividends), cash reserve requirements, lending limitations, compliance with unfair, deceptive and abusive acts and practices prohibitions, limitations on investments, and capital adequacy requirements, among other things. Such laws and regulations are intended primarily for the protection of depositors, customers and the Federal Deposit Insurance Fund ("DIF"), as well as to minimize risk to the banking system as a whole, and not for the protection of the Corporation's shareholders or non-depository creditors.

The following discussion is general in nature and seeks to highlight some of the more significant regulatory requirements to which the Corporation is subject, but does not purport to be complete or to describe all applicable laws and regulations.

BHCA - The Corporation is subject to regulation and examination by the Federal Reserve Board, and is required to file periodic reports and to provide additional information that the Federal Reserve Board may require. The BHCA regulates activities of bank holding companies, including requirements and limitations relating to capital, transactions with officers, directors and affiliates, securities issuances, dividend payments and extensions of credit, among others. The BHCA permits the Federal Reserve Board, in certain circumstances, to issue cease and desist orders and other enforcement actions against bank holding companies (and their non-banking affiliates) to correct or curtail unsafe or unsound banking practices. In addition, the Federal Reserve Board must approve certain proposed changes in organizational structure or other business activities before they occur. The BHCA imposes certain restrictions upon the Corporation regarding the acquisition of substantially all of the assets of, or direct or indirect ownership or control of, any bank for which it is not already the majority owner.

Source of Strength - Federal banking law requires bank holding companies such as the Corporation to act as a source of financial strength and to commit capital and other financial resources to each of their banking subsidiaries. This support may be required at times when the Corporation may not be able to provide such support without adversely affecting its ability to meet other obligations, or when, absent such requirements, the Corporation might not otherwise choose to provide such support. If the Corporation is unable to provide such support, the Federal Reserve Board could instead require the divestiture of the Corporation's subsidiaries and impose operating restrictions pending the divestiture. If a bank holding company commits to a federal bank regulator that it will maintain the capital of its bank subsidiary, whether in response to the Federal Reserve Board's invoking its source of strength authority or in response to other regulatory measures, that commitment will be assumed by the bankruptcy trustee and the bank will be entitled to priority payment in respect of that commitment.

The Economic Growth, Regulatory Relief, and Consumer Protection Act - In May 2018, the Economic Growth, Regulatory Relief, and Consumer Protection Act ("Economic Growth Act") became law. Among other things, the Economic Growth Act amended certain provisions of the Dodd-Frank Act to raise the total asset threshold for mandatory applicability of enhanced prudential standards for bank holding companies to $250 billion and to allow the Federal Reserve Board to apply enhanced prudential standards to bank holding companies with between $100 billion and $250 billion in total assets to address financial stability risks or safety and soundness concerns. The Economic Growth Act's increased threshold took effect immediately for bank holding companies with total assets of less than $100 billion, including the Corporation.

The Economic Growth Act also enacted other important changes, for which the banking agencies issued certain corresponding proposed and interim final rules, including:

- Raising the total asset threshold for Dodd-Frank Act company-run stress tests from $10 billion to $250 billion;
- Prohibiting federal banking agencies from imposing higher capital requirements for High Volatility Commercial Real Estate ("HVCRE") exposures unless such exposures meet the statutory definition for high volatility acquisition, development or construction ("ADC") loans in the Economic Growth Act;
- Exempting from appraisal requirements certain transactions involving real property in rural areas and valued at less than $400,000;

- Providing that reciprocal deposits are not treated as brokered deposits in the case of a "well capitalized" institution that received a "outstanding" or "good" rating on its most recent examination to the extent the amount of such deposits does not exceed the lesser of $5 billion or 20% of the bank's total liabilities;
- Directing the CFPB to provide guidance on the applicability of the TILA-RESPA Integrated Disclosure rule to mortgage assumption transactions and construction-to-permanent home loans, as well the extent to which lenders can rely on model disclosures that do not reflect recent regulatory changes.

Given Fulton Bank's size, a number of additional benefits afforded to community banks under applicable asset thresholds are not available to Fulton Bank.

Consumer Financial Protection Laws and Enforcement - The CFPB and the federal banking agencies continue to focus attention on consumer protection laws and regulations. The CFPB is responsible for promoting fairness and transparency for mortgages, credit cards, deposit accounts and other consumer financial products and services and for interpreting and enforcing the federal consumer financial laws that govern the provision of such products and services. Federal consumer financial laws enforced by the CFPB include, but are not limited to, the Equal Credit Opportunity Act ("ECOA"), Truth in Lending Act ("TILA"), the Truth in Savings Act, Home Mortgage Disclosure Act, Real Estate Settlement Procedures Act ("RESPA"), the Fair Debt Collection Practices Act, and the Fair Credit Reporting Act. The CFPB is also authorized to prevent any institution under its authority from engaging in an unfair, deceptive, or abusive act or practice in connection with consumer financial products and services. As a residential mortgage lender, the Corporation is subject to multiple federal consumer protection statutes and regulations, including, but not limited to, those referenced above.

In particular, fair lending laws prohibit discrimination in the provision of banking services. Fair lending laws include ECOA and the Fair Housing Act ("FHA"), which outlaw discrimination in credit and residential real estate transactions on the basis of prohibited factors including, among others, race, color, national origin, gender, and religion. A lender may be liable for policies that result in a disparate treatment of, or have a disparate impact on, a protected class of applicants or borrowers. If a pattern or practice of lending discrimination is alleged by a regulator, then that agency may refer the matter to the U.S. Department of Justice ("DOJ") for investigation. Failure to comply with these and similar statutes and regulations can result in the Corporation becoming subject to formal or informal enforcement actions, the imposition of civil money penalties and consumer litigation.

The CFPB has exclusive examination and primary enforcement authority with respect to compliance with federal consumer financial protection laws and regulations by institutions under its supervision and is authorized, individually or jointly with the federal banking agencies, to conduct investigations to determine whether any person is, or has, engaged in conduct that violates such laws or regulations. The CFPB may bring an administrative enforcement proceeding or civil action in federal district court. In addition, in accordance with a memorandum of understanding entered into between the CFPB and the DOJ, the two agencies have agreed to coordinate efforts related to enforcing the fair lending laws, which includes information sharing and conducting joint investigations; however, the extent to which such coordination may actually occur is unpredictable and may change over time as the result of a number of factors, including changes in leadership at the DOJ and CFPB, as well as changes in the enforcement policies and priorities of each agency. As an independent bureau funded by the Federal Reserve Board, the CFPB may impose requirements that are more stringent than those of the other bank regulatory agencies.

As an insured depository institution with total assets of more than $10 billion, Fulton Bank is subject to the CFPB's supervisory and enforcement authorities. The Dodd-Frank Act also permits states to adopt stricter consumer protection laws and state attorneys general to enforce consumer protection rules issued by the CFPB. As a result, Fulton Bank operates in a stringent consumer compliance environment.

Ability-to-pay rules and qualified mortgages - Under CFPB rules that implement TILA, mortgage lenders are required to make a reasonable and good faith determination, based on verified and documented information, that a consumer applying for a residential mortgage loan has a reasonable ability to repay the loan according to its terms. These rules prohibit creditors, such as Fulton Bank, from extending residential mortgage loans without regard for the consumer's ability to repay and add restrictions and requirements to residential mortgage origination and servicing practices. In addition, these rules restrict the imposition of prepayment penalties and compensation practices relating to residential mortgage loan origination. Mortgage lenders are required to determine consumers' ability to repay in one of two ways. The first alternative requires the mortgage lender to consider eight underwriting factors when making the credit decision. The mortgage lender may also originate "qualified mortgages," which are entitled to a presumption that the creditor making the loan satisfied the ability-to-repay requirements. In general, a qualified mortgage is a residential mortgage loan that does not have certain high risk features, such as negative amortization, interest-only payments, balloon payments, or a term exceeding 30 years. In addition, to be a qualified mortgage, the points and fees paid by a consumer cannot exceed 3% of the total loan amount, and the borrower's total debt-to-income ratio must be no higher than 43% (subject to certain limited exceptions for loans eligible for purchase, guarantee or insurance by a government sponsored enterprise or a federal agency).

Integrated disclosures under the Real Estate Settlement Procedures Act and the Truth in Lending Act - Under CFPB rules, mortgage lenders are required to provide a loan estimate, not later than the third business day after submission of a loan application, and a closing disclosure at least three days prior to the loan closing. The loan estimate must detail the terms of the loan, including, among other things, expenses, projected monthly mortgage payments and estimated closing costs. The closing disclosure must include, among other things, closing costs and a comparison of costs reported on the loan estimate to actual charges to be applied at closing.

Volcker Rule - Provisions of the Dodd-Frank Act, commonly known as the "Volcker Rule," prohibit banks and their affiliates from engaging in proprietary trading and investing in and sponsoring hedge funds and private equity funds and other private funds that are, among other things, offered within specified exemptions to the Investment Company Act, known as "covered funds," subject to certain exemptions. In October 2019, the federal banking agencies, the Commodity Futures Trading Commission and the SEC (the "Volcker Rule Regulators") finalized amendments, effective on January 1, 2020, but with a required compliance date of January 1, 2021, to their regulations implementing the Volcker Rule, tailoring compliance requirements based on the size and scope of a banking entity's trading activities and clarifying and amending certain definitions, requirements and exemptions. In January 2020, the Volcker Rule Regulators issued a proposal intended to clarify and amend certain definitions, requirements and exemptions relating to covered funds and the currently effective regulations. The Corporation is currently evaluating the potential impact of the recently finalized and proposed amendments, and the ultimate impact of the amendments on the Corporation's investing and trading activities will depend on, among other things, further rulemaking and guidance from the Volcker Rule Regulators and the development of market practices and standards.

Capital Requirements - The Corporation and Fulton Bank are subject to risk-based requirements and rules issued by the federal banking agencies (the "Basel III Rules") that are based upon the final framework of the Basel Committee for strengthening capital and liquidity regulation. Under the Basel III Rules, the Corporation and Fulton Bank apply the standardized approach in measuring their risk-weighted assets ("RWA") and regulatory capital.

Under the Basel III Rules, the Corporation and Fulton Bank are subject to the following minimum capital ratios:

- A minimum Common Equity Tier 1 ("CET1") capital ratio of 4.50% of RWA;
- A minimum Tier 1 capital ratio of 6.00% of RWA,; and
- A minimum Total capital ratio of 8.00% of RWA.

The Basel III Rules also include a "capital conservation buffer" of 2.5%, composed entirely of CET1 capital, in addition to the minimum capital to RWA ratios outlined above, resulting in effective minimum CET1, Tier 1 and total capital ratios of 7.0%, 8.5% and 10.5%, respectively. The capital conservation buffer is designed to absorb losses during periods of economic stress. Banking institutions with a capital ratio above the minimum, but below the conservation buffer, will face constraints on dividends, equity repurchases, and compensation based on the amount of the shortfall and the institution's "eligible retained income" (that is, four quarter trailing net income, net of distributions and tax effects not reflected in net income). If Fulton Bank fails to maintain the required minimum capital conservation buffer, the Corporation will be subject to limits, and possibly prohibitions, on its ability to obtain capital distributions from Fulton Bank. If the Corporation does not receive sufficient cash dividends from Fulton Bank, it may not have sufficient funds to pay dividends on its capital stock, service its debt obligations or repurchase its common stock. In addition, the restrictions on payments of discretionary cash bonuses to executive officers may make it more difficult for the Corporation to retain key personnel. As of December 31, 2019, the Corporation and Fulton Bank met the minimum capital requirements, including the capital conservation buffer, as prescribed in the Basel III Rules.

The Corporation and Fulton Bank are also required to maintain a minimum Tier 1 leverage ratio (Tier 1 capital to a quarterly average of non-risk weighted total assets) of 4%. The Corporation and Fulton Bank are not subject to the Basel III Rules' countercyclical buffer or the supplementary leverage ratio.

The Basel III Rules provide for a number of deductions from and adjustments to CET1. These include, for example, goodwill, other intangible assets, and deferred tax assets ("DTAs") that arise from net operating loss and tax credit carryforwards net of any related valuation allowance. Mortgage servicing rights ("MSRs"), DTAs arising from temporary differences that could not be realized through net operating loss carrybacks and investments in non-consolidated financial institutions must also be deducted from CET1 to the extent that they exceed certain thresholds. In July 2019, the federal banking agencies adopted final rules intended to simplify the capital treatment for certain DTAs, MSRs, investments in non-consolidated financial entities and minority interests for banking organizations, such as the Corporation and Fulton Bank, that are not subject to the advanced approaches framework (the "Capital Simplification Rules"). The Capital Simplification Rules were effective for the Corporation as of January 1, 2020.

The Corporation and Fulton Bank, as non-advanced approaches banking organizations, made a one-time, permanent election under the Basel III Rules to exclude the effects of certain components of accumulated other comprehensive income ("AOCI") included in shareholders' equity under U.S. GAAP in determining regulatory capital ratios.

Under the Basel III Rules, certain off-balance sheet commitments and obligations are converted into RWA, that together with on-balance sheet assets, are the base against which regulatory capital is measured. The Basel III Rule defined the risk-weighting categories for bank holding companies and banks that follow the standardized approach, such as the Corporation and Fulton Bank, based on a risk-sensitive analysis, depending on the nature of the exposure.

The Capital Simplifications Rules adopted in July 2019 eliminated the standalone prior approval requirement in the Basel III Capital Rules for any repurchase of common stock. In certain circumstances, the Corporation's repurchases of its common stock may be subject to a prior approval or notice requirement under other regulations or policies of the Federal Reserve Board. Any redemption or repurchase of preferred stock or subordinated debt remains subject to the prior approval of the Federal Reserve Board.

In December 2017, the Basel Committee published the last version of the Basel III accord, generally referred to as "Basel IV." Among other things, these standards revise the Basel Committee's standardized approach for credit risk (including by recalibrating risk weights and introducing new capital requirements for certain "unconditionally cancellable commitments," such as unused credit card and home equity lines of credit) and provides a new standardized approach for operational risk capital. Under the Basel framework, these standards will generally be effective on January 1, 2022, with an aggregate output floor phasing in through January 1, 2027. Under the current U.S. capital rules, operational risk capital requirements and a capital floor apply only to advanced approaches institutions, and not to the Corporation or Fulton Bank. The impact of Basel IV on the Corporation and Fulton Bank will depend on the manner in which it is implemented by the federal banking agencies.

As noted above, the federal banking agencies have implemented the provisions of the Economic Growth Act that provide certain capital relief pursuant a new and narrower definition of HVCRE exposures that are subject to a heightened risk weight.

Stress Testing and Capital Planning - As a result of the Economic Growth Act and implementing regulations adopted by the Federal Reserve Board and OCC, the Corporation and Fulton Bank are no longer subject to company-run stress testing requirements under the Dodd-Frank Act. The Federal Reserve Board continues to supervise the Corporation's capital planning and risk management practices through the regular supervisory process.

Current Expected Credit Losses Transitional Provisions - In June 2016, the Financial Accounting Standards Board ("FASB") issued an accounting standard update, "Financial Instruments-Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments," which replaces the existing "incurred loss" model for recognizing credit losses with an "expected loss" model referred to as the Current Expected Credit Loss ("CECL") model. Under the CECL model, the Corporation is required to present certain financial assets carried at amortized cost, such as loans held for investment and held-to-maturity debt securities, at the net amount expected to be collected. The measurement of expected credit losses is based on information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. In December 2018, the federal banking agencies approved a final rule modifying their regulatory capital rules and providing an option to phase in over a period of three years the day-one regulatory capital effects of the CECL model. The final rule also revises the agencies' other rules to reflect the update to the accounting standards. The new CECL standard became effective for the Corporation on January 1, 2020. See "Note 1 - Summary of Significant Accounting Policies - Recently Issued Accounting Standards" in the Notes to Consolidated Financial Statements in Item 8. "Financial Statements and Supplementary Data" for additional information on CECL and its impact on the Corporation's allowance for credit losses and regulatory capital.

Prompt Corrective Action - The Federal Deposit Insurance Corporation Improvement Act ("FDICIA") established a system of prompt corrective action to attempt to resolve the problems of undercapitalized institutions. The FDICIA, among other things, establishes five capital categories for FDIC-insured banks: "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized" and "critically undercapitalized." An insured depository institution is treated as well capitalized if its total risk-based capital ratio is 10.00% or greater, its Tier 1 risk-based capital ratio is 8.00% or greater, its CET1 risk-based capital ratio is 6.50% or greater and its Tier 1 leverage capital ratio is 5.00% or greater, and it is not subject to any order or directive to meet a specific capital level. As of December 31, 2019, Fulton Bank's capital ratios were above the minimum levels required to be considered "well capitalized" by the OCC.

Under this system, the federal banking agencies are required to take certain, and authorized to take other, prompt corrective actions against undercapitalized institutions, the severity of which increase as the capital category of an institution declines, including restrictions on growth of assets and other forms of expansion. Generally, a capital restoration plan must be filed with the institution's primary federal regulator within 45 days of the date an institution receives notice that it is "undercapitalized," "significantly undercapitalized" or "critically undercapitalized." Although prompt corrective action regulations apply only to depository institutions and not to bank holding companies, the holding company must guarantee any such capital restoration plan in certain circumstances. The liability of the parent holding company under any such guarantee is limited to the lesser of five percent of the bank's assets at the time it became "undercapitalized" or the amount needed to comply. The parent holding company might also be liable for civil money damages for failure to fulfill that guarantee. In the event of the bankruptcy of the parent holding company, such guarantee would take priority over the parent's general unsecured creditors.

In addition, regulators consider both risk-based capital ratios and other factors that can affect a bank's financial condition, including (i) concentrations of credit risk, (ii) interest rate risk, and (iii) risks from non-traditional activities, along with an institution's ability to manage those risks, when determining capital adequacy. This evaluation is made during the institution's safety and soundness examination. An institution may be downgraded to, or deemed to be in, a capital category that is lower than is indicated by its capital ratios if it is determined to be in an unsafe or unsound condition or if it receives an unsatisfactory examination rating with respect to certain matters.

Brokered Deposits - The FDICIA and FDIC regulations limit the ability of an insured depository institution, such as Fulton Bank, to accept, renew or roll over brokered deposits unless the institution is well-capitalized under the prompt corrective action framework described above, or unless it is adequately capitalized and obtains a waiver from the FDIC. In addition, less than well-capitalized banks are subject to restrictions on the interest rates they may pay on deposits. In December 2019, the FDIC issued a proposed rule that seeks to bring brokered deposits regulations in line with modern deposit taking methods and that may reduce the amount of deposits that would be classified as brokered. The impact on the Corporation and Fulton Bank from any changes to the brokered deposit regulations will depend on the final form of the proposed rule and the development of market practices and structures.

Loans and Dividends from Bank Subsidiary - There are various restrictions on the extent to which Fulton Bank can make loans and other extensions of credit (including credit exposure arising from repurchase and reverse repurchase agreements, securities borrowing and derivative transactions) to, or enter into certain transactions with, its affiliates, which include the Corporation and its non-bank subsidiaries. In general, these restrictions require that such transactions: are limited, as to any one of the Corporation or its non-bank subsidiaries, to 10% of Fulton Bank's regulatory capital (20% in the aggregate to all such entities); satisfy certain qualitative limitations, including that any covered transaction be made on an arm's length basis; and, in the case of extensions of credit, be secured by designated amounts of specified collateral.

For safety and soundness reasons, banking regulations also limit the amount of cash that can be transferred from Fulton Bank to the Parent Company in the form of dividends. Generally, dividends are limited to the lesser of the amounts calculated under an earnings retention test and an undivided profits test. Under the earnings retention test, without the prior approval of the OCC, a dividend may not be paid if the total of all dividends declared by a bank in any calendar year is in excess of the current year's net income combined with the retained net income of the two preceding years. Under the undivided profits test, a dividend may not be paid in excess of a bank's undivided profits. In addition, banks are prohibited from paying dividends when doing so would cause them to fall below the regulatory minimum capital levels. See "Note 11 - Regulatory Matters," in the Notes to Consolidated Financial Statements in Item 8 "Financial Statements and Supplementary Data" for additional information regarding regulatory capital and dividend and loan limitations.

Federal Deposit Insurance - The deposits of Fulton Bank are insured up to the applicable limits by the DIF, generally up to $250,000 per insured depositor. Fulton Bank pays deposit insurance premiums based on assessment rates established by the FDIC. The FDIC has established a risk-based assessment system under which institutions are classified and pay premiums according to their perceived risk to the DIF. In addition, the FDIC possesses backup enforcement authority over a depository institution holding company, such as the Corporation, if the conduct or threatened conduct of such holding company poses a risk to the DIF, although such authority may not be used if the holding company is generally in sound condition and does not pose a foreseeable and material risk to the DIF.

FDIC assessment rates for large institutions that have more than $10 billion in assets, such as Fulton Bank, are calculated based on a "scorecard" methodology that seeks to capture both the probability that an individual large institution will fail and the magnitude of the impact on the DIF if such a failure occurs, based primarily on the difference between the institution's average of total assets and average tangible equity. The FDIC has the ability to make discretionary adjustments to the total score, up or down, based upon significant risk factors that are not adequately captured in the scorecard. For large institutions, including Fulton Bank, after accounting for potential base-rate adjustments, the total assessment rate could range from 1.5 to 40 basis points on an annualized basis. An institution's assessment is determined by multiplying its assessment rate by its assessment base, which is asset based.

The Tax Cuts and Jobs Act of 2017 (the "Tax Act"), which was signed into law on December 22, 2017, disallows the deduction of FDIC deposit insurance premium payments for banking organizations with total consolidated assets of $50 billion or more. For banks with less than $50 billion in total consolidated assets, such as Fulton Bank, the premium deduction is phased out based on the proportion of the bank's assets exceeding $10 billion.

Anti-Money Laundering Requirements and the USA Patriot Act - The USA PATRIOT Act of 2001 ("Patriot Act"), which amended the Bank Secrecy Act of 1970 ("BSA"), and other anti-money laundering ("AML") laws and regulations impose affirmative obligations on a wide range of financial institutions to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing.

Among other requirements, the Patriot Act and related regulations impose the following requirements on financial institutions:

- Establishment of AML programs;
- Establishment of a program specifying procedures for obtaining identifying information from customers seeking to open new accounts, including verifying the identity of customers within a reasonable period of time;
- Establishment of enhanced due diligence policies, procedures and controls designed to detect and report money laundering; and
- Prohibition on correspondent accounts for foreign shell banks and compliance with recordkeeping obligations with respect to correspondent accounts of foreign banks.

Failure to comply with the requirements of the Patriot Act and other AML laws and regulations could have serious legal, financial, regulatory and reputational consequences. In addition, bank regulators will consider a holding company's effectiveness in combating money laundering when ruling on BHCA and Bank Merger Act applications. In addition, financial institutions are subject to customer due diligence requirements, issued by the Financial Crimes Enforcement Network, to identify and verify the identity of natural persons, known as beneficial owners, who own, control, and profit from legal entity customers when those customers open accounts. The Corporation has adopted policies, procedures and controls to address compliance with the Patriot Act and other AML laws and regulations, and will continue to revise and update its policies, procedures and controls to reflect required changes. See Item 1A. "Risk Factors - Legal, Compliance and Reputational Risks - Failure to comply with the BSA, the Patriot Act and related AML requirements, or with sanctions laws, could subject the Corporation to enforcement actions, fines, penalties, sanctions and other remedial actions."

Commercial Real Estate Guidance - Under guidance issued by the federal banking agencies, the agencies have expressed concerns with institutions that ease commercial real estate underwriting standards, and have directed financial institutions to maintain underwriting discipline and exercise risk management practices to identify, measure and monitor lending risks. The agencies have also issued guidance that requires a financial institution to employ enhanced risk management practices if the institution is exposed to significant concentration risk. Under that guidance, an institution is potentially exposed to significant concentration risk if (i) total reported loans for construction, land development, and other land represent 100% or more of total capital or (ii) total reported loans secured by multi-family and non-farm residential properties, loans for construction, land development, and other land loans otherwise sensitive to the general commercial real estate market, including loans to commercial real estate related entities, represent 300% or more of total capital, and the outstanding balance of the institution's commercial real estate loan portfolio has increased by 50% or more during the prior 36 months.

Community Reinvestment - Under the Community Reinvestment Act of 1977 ("CRA"), Fulton Bank has a continuing and affirmative obligation, consistent with its safe and sound operation, to ascertain and meet the credit needs of its entire community, including low- and moderate-income areas. The CRA does not establish specific lending requirements or programs for financial institutions, nor does it limit an institution's discretion to develop the types of products and services that it believes are best suited to its particular community. The CRA requires an institution's primary federal regulator, in connection with its examination of the institution, to assess the institution's record of meeting the credit needs of its community and to take such record into account in its evaluation of certain applications by such institution. The assessment focuses on three tests: (1) a lending test, to evaluate the institution's record of making loans, including community development loans, in its designated assessment areas; (2) an investment test, to evaluate the institution's record of investing in community development projects, affordable housing, and programs benefiting low- or moderate-income individuals and areas and small businesses; and (3) a service test, to evaluate the institution's delivery of banking services throughout its CRA assessment area, including low- and moderate-income areas. The CRA also requires all institutions to make public disclosure of their CRA ratings. As of December 31, 2019, Fulton Bank was rated as "satisfactory." Regulations require that Fulton Bank publicly disclose certain agreements that are in fulfillment of CRA. Fulton Bank is not a party to any such agreements at this time.

In December 2019, the OCC and the FDIC issued a notice of proposed rulemaking with the stated intention to (i) clarify which activities qualify for CRA credit; (ii) update where activities count for CRA credit; (iii) create a more transparent and objective method for measuring CRA performance; and (iv) provide for more transparent, consistent, and timely CRA-related data collection, recordkeeping, and reporting. However, the Federal Reserve Board has not joined the proposed rulemaking. The impact on Fulton Bank from any changes to the CRA regulations will depend on the final form of the proposed rule and how it is implemented and applied.

Standards for Safety and Soundness - Pursuant to the requirements of FDICIA, as amended by the Riegle Community Development and Regulatory Improvement Act of 1994 ("Riegle-Neal Act"), the federal bank regulatory agencies adopted guidelines establishing general standards relating to internal controls, information systems, internal audit systems, loan documentation, credit underwriting, interest rate risk exposure, asset growth, asset quality, earnings, compensation, fees and benefits. In general, the guidelines require, among other things, appropriate systems and practices to identify and manage the risks and exposures specified in the guidelines. In addition, the agencies have adopted regulations that authorize, but do not require, an agency to order an institution that has been given notice by an agency that it is not satisfying any of such safety and soundness standards to submit a compliance plan. If the institution fails to submit an acceptable compliance plan or fails in any material respect to implement an accepted compliance plan, the regulator must issue an order directing corrective actions and may issue an order directing other actions of the types to which a significantly undercapitalized institution is subject under the "prompt corrective action" provisions of FDICIA. If the institution fails to comply with such an order, the regulator may seek to enforce such order in judicial proceedings and to impose civil money penalties.

The guidelines prohibit excessive compensation as an unsafe and unsound practice and describe compensation as excessive when the amounts paid are unreasonable or disproportionate to the services performed by an executive officer, employee, director or principal shareholder. The federal banking agencies have issued guidance that provides that, to be consistent with safety and soundness principles, a banking organization's incentive compensation arrangements should: (1) provide employees with incentives that appropriately balance risk and reward; (2) be compatible with effective controls and risk management; and (3) be supported by strong corporate governance, including active and effective oversight by the banking organization's board of directors. Monitoring methods and processes used by a banking organization should be commensurate with the size and complexity of the organization and its use of incentive compensation.

During the second quarter of 2016, as required by the Dodd-Frank Act, the federal bank regulatory agencies and the SEC proposed revised rules on incentive-based compensation arrangements at specified regulated entities having at least $1 billion in total assets (including the Corporation and Fulton Bank), but these proposed rules have not been finalized.

Privacy Protection and Cybersecurity - Fulton Bank is subject to regulations implementing the privacy protection provisions of the GLB Act. These regulations require Fulton Bank to disclose its privacy policy, including identifying with whom it shares "nonpublic personal information," to customers at the time of establishing the customer relationship and annually thereafter. The regulations also require Fulton Bank to provide its customers with initial and annual notices that accurately reflect its privacy policies and practices. In addition, to the extent its sharing of such information is not covered by an exception, Fulton Bank is required to provide its customers with the ability to "opt-out" of having Fulton Bank share their nonpublic personal information with unaffiliated third parties.

Fulton Bank is subject to regulatory guidelines establishing standards for safeguarding customer information. These regulations implement certain provisions of the GLB Act. The guidelines describe the federal bank regulatory agencies' expectations for the creation, implementation and maintenance of an information security program, which would include administrative, technical and physical safeguards appropriate to the size and complexity of the institution and the nature and scope of its activities. The standards set forth in the guidelines are intended to ensure the security and confidentiality of customer records and information, protect against any anticipated threats or hazards to the security or integrity of such records and protect against unauthorized access to or use of such records or information that could result in substantial harm or inconvenience to any customer. These guidelines, along with related regulatory materials, increasingly focus on risk management and processes related to information technology and the use of third parties in the provision of financial services. In October 2016, the federal banking agencies issued an advance notice of proposed rulemaking on enhanced cybersecurity risk-management and resilience standards that would apply to large and interconnected banking organizations and to services provided by third parties to these firms. As proposed, these enhanced standards would apply only to depository institutions and depository institution holding companies with total consolidated assets of $50 billion or more; however, it is possible that if these enhanced standards are implemented, the Federal Reserve Board will consider them in connection with the examination and supervision of banking organizations below the $50 billion threshold. The federal banking agencies have not yet taken further action on these proposed standards.

In addition, certain states have enacted laws establishing consumer privacy protections and data security requirements in their respective states. For example, the California Consumer Privacy Act (“CCPA”) gives California residents new rights to receive certain disclosures regarding the collection, use, and sharing of “Personal Information,” as well as rights to access, delete, and restrict the sale of certain personal information collected about them. The CCPA went into effect on January 1, 2020, and Fulton Bank will need to comply with the CCPA in serving the small number of its customers that are residents of California. Privacy and data security legislation remained a priority issue in 2019. Attempts by state and local governments to regulate consumer privacy have the potential to create a patchwork of differing and/or conflicting state regulations.

Federal Reserve System - Federal Reserve Board regulations require depository institutions to maintain cash reserves against specified deposit liabilities. The dollar amount of a depository institution's reserve requirement is determined by applying the reserve ratios specified in the Federal Reserve Board's Regulation D to an institution's reservable liabilities (primarily net transaction accounts such as NOW and demand deposit accounts). A reserve of 3% must be maintained against aggregate transaction account balances of between $16.9 million and $127.5 million (subject to adjustment by the Federal Reserve Board) plus a reserve of 10% (subject to adjustment by the Federal Reserve Board within a range of between 8% and 14%) against that portion of total transaction account balances in excess of $127.5 million. The first $16.9 million of otherwise reservable balances (subject to adjustment by the Federal Reserve Board) are exempt from the reserve requirements. Fulton Bank is in compliance with the foregoing requirements.

Required reserves must be maintained in the form of either vault cash, an account at a Federal Reserve Bank or a pass-through account as defined by the Federal Reserve Board. Pursuant to the Emergency Economic Stabilization Act of 2008, the Federal Reserve Banks pay interest on depository institutions' required and excess reserve balances. The interest rate paid on required reserve balances is currently the average target federal funds rate over the reserve maintenance period. The rate on excess balances will be set equal to the lowest target federal funds rate in effect during the reserve maintenance period.

Acquisitions - The BHCA requires a bank holding company to obtain the prior approval of the Federal Reserve Board before:

- the company may acquire direct or indirect ownership or control of any voting shares of any bank or savings and loan association, if after such acquisition the bank holding company will directly or indirectly own or control more than five percent of any class of voting securities of the institution;
- any of the company's subsidiaries, other than a bank, may acquire all or substantially all of the assets of any bank or savings and loan association; or
- the company may merge or consolidate with any other bank or financial holding company.

Prior regulatory approval is also generally required for mergers, acquisitions and consolidations involving other insured depository institutions. In reviewing acquisition and merger applications, the bank regulatory authorities will consider, among other things, the competitive effect of the transaction, financial and managerial issues, including the capital position of the combined organization, convenience and needs factors, including the applicant's CRA record, the effectiveness of the subject organizations in combating money laundering activities, and the transaction's effect on the stability of the U.S. banking or financial system.

The Change in Bank Control Act prohibits a person, entity or group of persons or entities acting in concert, from acquiring "control" of a bank holding company or bank unless the Federal Reserve Board has been given prior notice and has not objected to the transaction. Under Federal Reserve Board regulations, the acquisition of 10% or more (but less than 25%) of the voting stock of a corporation would, under the circumstances set forth in the regulations, create a rebuttable presumption of acquisition of control of the corporation.

Permissible Activities - As a bank holding company, the Corporation may engage in the business of banking, managing or controlling banks, performing servicing activities for subsidiaries, and engaging in activities that the Federal Reserve Board has determined, by order or regulation, are so closely related to banking as to be a proper incident thereto. As a financial holding company, the Corporation may also may engage in or acquire and retain the shares of a company engaged in activities that are financial in nature or incidental or complementary to activities that are financial in nature as long as the Corporation continues to meet the eligibility requirements for financial holding companies, including that the Corporation and each of its U.S. depository institution subsidiaries remain "well-capitalized" and "well-managed."

A depository institution is considered "well-capitalized" if it satisfies the requirements of the Prompt Corrective Action framework described above. A depository institution is considered "well-managed" if it received a composite rating and management rating of at least "satisfactory" in its most recent examination. If a financial holding company ceases to be well-capitalized and well-managed, the financial holding company must enter into a non-public confidential agreement with the Federal Reserve Board to comply with all applicable capital and management requirements. Until the financial holding company returns to compliance, the Federal Reserve Board may impose limitations or conditions on the conduct of its activities, and the company may not commence any new non-banking financial activities permissible for financial holding companies or acquire a company engaged in such financial activities without prior approval of the Federal Reserve Board. If the company does not timely return to compliance, the Federal Reserve Board may require divestiture of the financial holding company's banking subsidiaries. Bank holding companies and banks must also be well-capitalized and well-managed in order to acquire banks located outside their home state. A financial holding company will also be limited in its ability to commence non-banking financial activities or acquire a company engaged in such financial activities if any of its insured depository institution subsidiaries fails to maintain a "satisfactory" rating under the CRA.

Activities that are "financial in nature" include securities underwriting, dealing and market making, advising mutual funds and investment companies, insurance underwriting and agency, merchant banking, and activities that the Federal Reserve Board, in consultation with the Secretary of the Treasury, determines to be financial in nature or incidental to such financial activity.

"Complementary activities" are activities that the Federal Reserve Board determines upon application to be complementary to a financial activity and that do not pose a safety and soundness issue.

Enforcement Powers of Federal Banking Regulators - The Federal Reserve Board and other U.S. banking agencies have broad enforcement powers with respect to an insured depository institution and its holding company, including the power to (i) impose cease and desist orders, substantial fines and other civil penalties, (ii) terminate deposit insurance, and (iii) appoint a conservator or receiver. Failure to comply with applicable laws or regulations could subject the Corporation or Fulton Bank, as well as their officers and directors, to administrative sanctions and potentially substantial civil and criminal penalties.

In addition, under the BHCA, the Federal Reserve Board has the authority to require a bank holding company to terminate any activity or to relinquish control of a non-bank subsidiary upon the Federal Reserve Board's determination that such activity or control constitutes a serious risk to the financial soundness and stability of a depository institution subsidiary of the bank holding company.

Federal Securities Laws - The Corporation is subject to the periodic reporting, proxy solicitation, tender offer, insider trading, corporate governance and other requirements under the Securities Exchange Act of 1934. Among other things, the federal securities laws require management to issue a report on the effectiveness of its internal controls over financial reporting. In addition, the Corporation's independent registered public accountants are required to issue an opinion on the effectiveness of the Corporation's internal control over financial reporting. These reports can be found in Part II, Item 8, "Financial Statements and Supplementary Data." Certifications of the Chief Executive Officer and the Chief Financial Officer as required by the Sarbanes-Oxley Act of 2002 and the resulting SEC rules can be found in the "Signatures" and "Exhibits" sections.

Executive Officers

The executive officers of the Corporation are as follows:

Name	Age (1)	Office Held and Term of Office
E. Philip Wenger	62	Director of the Corporation since 2009 and Director of Fulton Bank, N.A since 2019. Chairman of the Board and Chief Executive Officer of the Corporation since January 2013. Mr. Wenger previously served as President of the Corporation from 2008 to 2017, Chief Operating Officer of the Corporation from 2008 to 2012, a Director of Fulton Bank, N.A. from 2003 to 2009, Chairman of Fulton Bank, N.A. from 2006 to 2009 and has been employed by the Corporation in a number of positions since 1979.
Mark R. McCollom	55	Senior Executive Vice President and Chief Financial Officer of the Corporation since March of 2018. Mr. McCollom joined the Corporation in November 2017 as Senior Executive Vice President and Chief Financial Officer Designee. Before joining the corporation he was a Senior Managing Director, Chief Administrative Officer and COO of Griffin Financial Group, LLC. Prior to his role at Griffin Financial Group, Mr. McCollom was the Chief Financial Officer of Sovereign Bancorp, Inc. He has over 30 years of experience in the financial services industry.
Curtis J. Myers	51	Director of the Corporation since 2019 and Director of Fulton Bank, N.A. since 2009. President and Chief Operating Officer of the Corporation since January 1, 2018. Chairman and Chief Executive Officer of Fulton Bank, N.A. since May 2018. Mr. Myers served as Senior Executive Vice President of the Corporation from July 2013 to December 2017. President and Chief Operating Officer of Fulton Bank, N.A. since February 2009. He served as Executive Vice President of the Corporation since August 2011. Mr. Myers has been employed by Fulton Bank, N.A. in a number of positions since 1990.
David M. Campbell	58	Senior Executive Vice President, and Director of Strategic Initiatives and Operations since December 2014. Mr. Campbell joined the Corporation as Chief Administrative Officer of Fulton Financial Advisors, a division of Fulton Bank, N.A. in 2009, and was promoted to President of Fulton Financial Advisors in 2010. He has more than 30 years of experience in financial services.
Beth Ann L. Chivinski	59	Senior Executive Vice President and Chief Risk Officer of the Corporation effective June 1, 2016. Previously, she served as the Corporation’s Chief Audit Executive April 2013 to June 2016 and was promoted to Senior Executive Vice President of the Corporation in 2014. Prior to that, she served as the Corporation’s Executive Vice President, Controller and Chief Accounting Officer from June 2004 to March 31, 2013. Ms. Chivinski has worked in various positions with the Corporation since 1994.
Meg R. Mueller	55	Senior Executive Vice President and Head of Commercial Business since January 1, 2018. Ms. Mueller served as Chief Credit Officer of the Corporation from 2010 - 2017 and was promoted to Senior Executive Vice President of the Corporation in 2013. Ms. Mueller has been employed by the Corporation in a number of positions since 1996.
Angela M. Sargent	52	Senior Executive Vice President and Chief Information Officer of the Corporation since July 2013. Ms. Sargent served as Executive Vice President and Chief Information Officer from 2002 to 2013 and has been employed by the Corporation in a number of positions since 1992.
Angela M. Snyder	55	Senior Executive Vice President and Head of Consumer Banking since January 1, 2018. She heads the Corporation's Consumer Banking line of business. Ms. Snyder joined the Corporation in 2002 as President of Woodstown National Bank she then served as Chairwoman, President and CEO of Fulton Bank of New Jersey until 2019, when the Corporation consolidated that bank into Fulton Bank, N.A. Ms Snyder served as Chairwoman of the New Jersey Bankers Association in 2017. She has more than 30 years of experience in the financial services industry.
Daniel R. Stolzer	63	Senior Executive Vice President, Chief Legal Officer and Corporate Secretary since January 1, 2018. Mr. Stolzer joined the Corporation in 2013 as Executive Vice President, General Counsel and Corporate Secretary. Prior to joining the Corporation, Mr. Stolzer served as chief counsel special projects at PNC Financial Services Group in Pittsburgh, PA and deputy general counsel at KeyCorp in Cleveland, OH. He has more than 30 years of experience working in financial services law beginning with work at several law firms, including Cadwalader, Wickersham & Taft in New York City where he was a member of the Corporate Securities and Capital Markets practice groups.
Bernadette M. Taylor	58	Senior Executive Vice President, and Chief Human Resource Officer since May 2015. In 2001, she was promoted to Senior Vice President of employee services. She served as Executive Vice President of employee services, employment, and director of human resources before her promotion in 2015 to Chief Human Resources Officer. Dr. Taylor joined the Corporation in 1994 as Corporate Training Director at Fulton Financial Corporation.

(1) As of December 31, 2019

Item 1A. Risk Factors

An investment in the Corporation's securities involves certain risks, including, among others, the risks described below. In addition to the other information contained in this report, you should carefully consider the following risk factors.

ECONOMIC AND CREDIT RISKS.

Difficult conditions in the economy and the financial markets may materially adversely affect the Corporation's business and results of operations.

The Corporation's results of operations and financial condition are affected by conditions in the economy and the financial markets generally. The Corporation's financial performance is highly dependent upon the business environment in the markets where the Corporation operates and in the United States as a whole. Unfavorable or uncertain economic and market conditions can be caused by: declines in economic growth, business activity or investor or business confidence; limitations on the availability, or increases in the cost, of credit and capital; changes in the rate of inflation or in interest rates; high unemployment; governmental fiscal and monetary policies; the level of, or changes in, prices of raw materials, goods or commodities; global economic conditions; trade policies and tariffs affecting other countries as well as retaliatory policies and tariffs by such countries; geopolitical events; natural disasters; public health crises, such as epidemics and pandemics; acts of war or terrorism; or a combination of these or other factors.

Specifically, the business environment impacts the ability of borrowers to pay interest on, and repay principal of, outstanding loans and leases and the value of collateral, if any, securing those loans and leases, as well as demand for loans, leases and other products and services the Corporation offers. If the quality of the Corporation's loan and lease portfolio declines, the Corporation may have to increase its provision for credit losses, which would negatively impact its results of operations, and could result in charge-offs of a higher percentage of its loans. Unlike large, national institutions, the Corporation is not able to spread the risks of unfavorable local economic conditions across a large number of diversified economies and geographic locations. If the communities in which the Corporation operates do not grow, or if prevailing economic conditions locally or nationally are unfavorable, its business could be adversely affected. In addition, increased market competition in a lower demand environment could adversely affect the profit potential of the Corporation.

The Corporation is subject to certain risks in connection with the establishment and level of its allowance for credit losses.

The allowance for credit losses consists of the allowance for loan and lease losses, which is recorded as a reduction to loans and leases on the consolidated balance sheet, and the reserve for unfunded lending commitments, which is included in other liabilities on the consolidated balance sheet. While the Corporation believes that its allowance for credit losses as of December 31, 2019 was sufficient to cover incurred losses in the loan and lease portfolio on that date, the Corporation may need to increase its provision for credit losses in future periods due to changes in the risk characteristics of the loan and lease portfolio, thereby negatively impacting its results of operations.

The allowance for credit losses represents management's estimate of losses inherent in the loan and lease portfolio as of the balance sheet date. Management's estimate of losses inherent in the loan and lease portfolio is dependent on the proper application of its methodology for determining its allowance needs. The most critical judgments underpinning that methodology include: the ability to identify potential problem loans and leases in a timely manner; proper collateral valuation of loans and leases evaluated for impairment; proper measurement of allowance needs for pools of loans and leases evaluated for impairment; and an overall assessment of the risk profile of the loan and lease portfolio.

The Corporation determines the appropriate level of the allowance for credit losses based on many quantitative and qualitative factors, including, but not limited to: the size and composition of the loan and lease portfolio; changes in risk ratings; changes in collateral values; delinquency levels; historical losses; and economic conditions. In addition, as the Corporation's loan and lease portfolio grows, it will generally be necessary to increase the allowance for credit losses through additional provisions for credit losses, which will impact the Corporation's operating results.

If the Corporation's assumptions and judgments regarding such matters prove to be inaccurate, its allowance for credit losses might not be sufficient, and additional provisions for credit losses may be necessary. Depending on the amount of such provisions for credit losses, the adverse impact on the Corporation's earnings could be material.

Furthermore, banking regulators may require the Corporation to make additional provisions for credit losses or otherwise recognize further loan and lease charge-offs or impairments following their periodic reviews of the Corporation's loan and lease portfolio, underwriting procedures and allowance for credit losses. Any increase in the Corporation's allowance for credit losses or loan and lease charge-offs as required by such regulatory agencies could have a material adverse effect on the Corporation's financial condition and results of operations. See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations-Financial Condition-Provision and Allowance for Credit Losses."

The FASB's Accounting Standards Update 2016-13, effective for the Corporation as of January 1, 2020, substantially changes the accounting for credit losses on loans, leases and other financial assets held by banks, financial institutions and other organizations. The new standard requires the recognition of credit losses on loans, leases and other financial assets based on an entity's current estimate of expected losses over the lifetime of each loan, lease or other financial asset, referred to as the Current Expected Credit Loss ("CECL") model, as opposed to the existing "incurred loss" model, which required recognition of losses on loans, leases and other financial assets only when those losses were "probable." In December 2018, the bank regulatory agencies approved a final rule modifying the agencies' regulatory capital rules and providing an option to phase in over a period of three years the day-one regulatory capital effects of adoption of the CECL model. The Corporation expects to recognize a one-time cumulative-effect adjustment to the allowance for credit losses as of the date of adoption of the CECL model. The determination of the one-time cumulative-effect adjustment, and the determination of the allowance for credit losses in future periods, under the CECL model depend significantly upon the Corporation's assumptions and judgments with respect to a variety of factors, including the performance of the loan and lease portfolio, the weighted-average remaining lives of different classifications of loans and leases within the loan and lease portfolio and current and forecasted economic conditions, as well as changes in the rate of growth in the loan and lease portfolio and changes in the composition of the loan and lease portfolio, among other factors. As under the existing incurred loss model, if the Corporation's assumptions and judgments regarding such matters prove to be inaccurate, its allowance for credit losses might not be sufficient, and additional provisions for credit losses might need to be made. Depending on the amount of such provisions for credit losses, the adverse impact on the Corporation's earnings could be material. See "Note 1 - Summary of Significant Accounting Policies - Recently Issued Accounting Standards" in the Notes to Consolidated Financial Statements in Item 8. "Financial Statements and Supplementary Data."

The composition of the Corporation's loan and lease portfolio and competition for loans and leases subject the Corporation to credit risk.

Approximately 72% of the Corporation's loan and lease portfolio was in commercial loans, commercial mortgage loans, and construction loans at December 31, 2019. Commercial loans, commercial mortgage loans and construction loans generally involve a greater degree of credit risk than residential mortgage loans and consumer loans because they typically have larger balances and are likely to be more sensitive to broader economic factors and conditions. Because payments on these loans often depend on the successful operation and management of businesses and properties, repayment of such loans may be affected by factors outside the borrower's control, such as adverse conditions in the real estate markets, adverse economic conditions or changes in governmental regulation.

Furthermore, intense competition among both bank and non-bank lenders, coupled with moderate levels of recent economic growth, could increase pressure on the Corporation to relax its credit standards and/or underwriting criteria in order to achieve the Corporation's loan growth targets. A relaxation of credit standards or underwriting criteria could result in greater challenges in the repayment or collection of loans should economic conditions, or individual borrower performance, deteriorate to a degree that could impact loan performance. Additionally, competitive pressures could drive the Corporation to consider loans and customer relationships that are outside of the Corporation's established risk appetite or target customer base. See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations-Financial Condition-Loans and Leases."

MARKET RISKS.

The Corporation is subject to interest rate risk.

The Corporation cannot predict or control changes in interest rates. The Corporation is affected by fiscal and monetary policies of the federal government, including those of the Federal Reserve Board, which regulates the national money supply and engages in other lending and investment activities in order to manage recessionary and inflationary pressures, many of which affect interest rates charged on loans and leases and paid on deposits.

Net interest income is the difference between interest earned on interest-earning assets and interest paid on interest-bearing liabilities. Net interest income is the most significant component of the Corporation's net income, accounting for approximately 75% of total revenues in 2019. Changes in market interest rates, in the shape of the yield curve or in spreads between different market interest rates can have a material effect on the Corporation's net interest margin, or the difference between interest earned on loans, leases and investments and interest paid on deposits and borrowings. The rates on some interest-earning assets, such as loans, leases and investments, and interest-bearing liabilities, such as deposits and borrowings, adjust concurrently with, or within a brief period after, changes in market interest rates, while others adjust only periodically or not at all during their terms. Thus, changes in market interest rates might, for example, result in a decrease in the interest earned on interest-earning assets that is not accompanied by a corresponding decrease in the interest paid on interest-bearing liabilities, or the decrease in interest paid might be at a slower pace, or in a smaller amount, than the decrease in interest earned, reducing the Corporation's net interest income and/or net interest margin. See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations-Net Interest Income."

Changes in interest rates may also affect the average life of loans and certain investment securities, most notably mortgage-backed securities. Decreases in interest rates can result in increased prepayments of loans and certain investment securities, as borrowers or issuers refinance to reduce their borrowing costs. Under those circumstances, the Corporation would be subject to reinvestment risk to the extent that it is not able to reinvest the cash received from such prepayments at rates that are comparable to the rates on the loans and investment securities which are prepaid. Conversely, increases in interest rates may extend the average life of fixed rate assets, which could restrict the Corporation's ability to reinvest in higher yielding alternatives, and may result in customers withdrawing certificates of deposit early so long as the early withdrawal penalty is less than the interest they could receive as a result of the higher interest rates.

Changes in interest rates also affect the fair value of interest-earning investment securities. Generally, the value of interest-earning investment securities moves inversely with changes in interest rates. In the event that the fair value of an investment security declines below its amortized cost, the Corporation is required to determine whether the decline constitutes an other-than-temporary impairment. The determination of whether a decline in fair value is other-than-temporary depends on a number of factors, including whether the Corporation has the intent and ability to retain the investment security for a period of time sufficient to allow for any anticipated recovery in fair value. If a determination is made that a decline is other-than-temporary, an other-than-temporary impairment charge is recorded.

The planned phasing out of LIBOR as a financial benchmark presents risks to the financial instruments originated or held by the Corporation.

The London Interbank Offered Rate ("LIBOR") is the reference rate used for many of the Corporation's transactions, including variable and adjustable rate loans, derivative contracts, borrowings and other financial instruments. However, a reduced volume of interbank unsecured term borrowing, coupled with legal and regulatory proceedings related to rate manipulation by certain financial institutions, has led to international reconsideration of LIBOR as a financial benchmark. The United Kingdom Financial Conduct Authority ("FCA"), which regulates the process for establishing LIBOR, announced in July 2017 that the FCA intends to stop persuading, or compelling, banks to submit rates for the calculation of LIBOR after 2021.

Regulators, industry groups and certain committees (e.g., the Alternative Reference Rates Committee) have, among other things, published recommended fallback language for LIBOR-linked financial instruments, identified recommended alternatives for certain LIBOR rates (e.g., the Secured Overnight Financing Rate as the recommended alternative to U.S. Dollar LIBOR), and proposed implementations of the recommended alternatives in floating rate instruments. At this time, it is not possible to predict whether these recommendations and proposals will be broadly accepted, whether they will continue to evolve, and what the effect of their implementation may be on the markets for floating-rate financial instruments. The uncertainty surrounding potential reforms, including the use of alternative reference rates and changes to the methods and processes used to calculate rates, may have an adverse effect on the trading market for LIBOR-based securities, loan yields, and the amounts received and paid on derivative contracts and other financial instruments. In addition, the implementation of LIBOR reform proposals may result in increased compliance and operational costs.

Changes in interest rates can affect demand for the Corporation's products and services.

Movements in interest rates can cause demand for some of the Corporation's products and services to be cyclical. For example, demand for residential mortgage loans has historically tended to increase during periods when interest rates were declining and to decrease during periods when interest rates were rising. As a result, the Corporation may need to periodically increase or decrease the size of certain of its businesses, including its personnel, to more appropriately match increases and decreases in demand and volume. The need to change the scale of these businesses is challenging, and there is often a lag between changes in the businesses and the Corporation's reaction to these changes.

Price fluctuations in securities markets, as well as other market events, such as a disruption in credit and other markets and the abnormal functioning of markets for securities, could have an impact on the Corporation's results of operations.

The market value of the Corporation's securities investments, which include mortgage-backed securities, state and municipal securities, auction rate securities, and corporate debt securities, as well as the revenues the Corporation earns from its trust and investment management services business, are particularly sensitive to price fluctuations and market events. Declines in the values of the Corporation's securities holdings, combined with adverse changes in the expected cash flows from these investments, could result in other-than-temporary impairment charges.

The Corporation's investment management and trust services revenue, which is partially based on the value of the underlying investment portfolios, can also be impacted by fluctuations in the securities markets. If the values of those investment portfolios decrease, whether due to factors influencing U.S. or international securities markets, in general, or otherwise, the Corporation's revenue could be negatively impacted. In addition, the Corporation's ability to sell its brokerage services is dependent, in part, upon consumers' level of confidence in securities markets. See Item 7A. "Quantitative and Qualitative Disclosures About Market Risk."

LIQUIDITY RISK.

***Changes in interest rates or disruption in liquidity markets may adversely affect the Corporation's sources of funding*.**

The Corporation must maintain sufficient sources of liquidity to meet the demands of its depositors and borrowers, support its operations and meet regulatory expectations. The Corporation's liquidity management policies and practices emphasize core deposits and repayments and maturities of loans, leases and investments as its primary sources of liquidity. These primary sources of liquidity can be supplemented by Federal Home Loan Bank ("FHLB") advances, borrowings from the Federal Reserve Bank, proceeds from the sales of loans and use of liquidity resources of the Corporation, including capital markets funding. Lower-cost, core deposits may be adversely affected by changes in interest rates, and secondary sources of liquidity can be more costly to the Corporation than funding provided by deposit account balances having similar maturities. In addition, adverse changes in the Corporation's results of operations or financial condition, downgrades in the Corporation's credit ratings, regulatory actions involving the Corporation, or changes in regulatory, industry or market conditions could lead to increases in the cost of these secondary sources of liquidity, the inability to refinance or replace these secondary funding sources as they mature, or the withdrawal of unused borrowing capacity under these secondary funding sources.

The Corporation relies on customer deposits as its primary source of funding. A substantial majority of the Corporation's deposits are in non-maturing accounts, which deposit customers can withdraw on demand or upon several days' notice. Factors, many of which are outside the Corporation's control, can cause fluctuations in both the level and cost of customer deposits. These factors include competition for customer deposits from other financial institutions and non-bank competitors, changes in interest rates, the rates of return available from alternative investments or asset classes, changes in customer confidence in the Corporation or in financial institutions generally, and the liquidity needs of the Corporation's deposit customers. Further, deposits from state and municipal entities, primarily in non-maturing, interest-bearing accounts, are a significant source of deposit funding for the Corporation, representing approximately 12% of total deposits at December 31, 2019. State and municipal customers frequently maintain large deposit account balances substantially in excess of the per-depositor limit of FDIC insurance, and may be more sensitive than other depositors to changes in interest rates and the other factors discussed above. Advances in technology, such as online banking, mobile banking, digital payment platforms and the acceleration of financial technology innovation, have also made it easier to move money, potentially causing customers to switch financial institutions or switch to non-bank competitors. Movement of customer deposits into higher-yielding deposit accounts offered by the Corporation, the need to offer higher interest rates on deposit accounts to retain customer deposits, or the movement of customer deposits into alternative investments or deposits of other banks or non-bank providers could increase the Corporation's funding costs, reduce its net interest margin and/or create liquidity challenges.

Market conditions have been negatively impacted by disruptions in the liquidity markets in the past, and such disruptions or an adverse change in the Corporation's results of operations or financial condition could, in the future, have a negative impact on secondary sources of liquidity. If the Corporation is not able to continue to rely primarily on customer deposits to meet its liquidity and funding needs, continue to access secondary, non-deposit funding sources on favorable terms or otherwise fails to manage its liquidity effectively, the Corporation's ability to continue to grow may be constrained, and the Corporation's liquidity, operating margins, results of operations and financial condition may be materially adversely affected. See Item 7A. "Quantitative and Qualitative Disclosures About Market Risk-Interest Rate Risk, Asset/Liability Management and Liquidity."

LEGAL, COMPLIANCE AND REPUTATIONAL RISKS.

The Corporation and Fulton Bank are subject to extensive regulation and supervision and may be adversely affected by changes in laws and regulations or any failure to comply with laws and regulations.

Virtually every aspect of the Corporation's and Fulton Bank's operations is subject to extensive regulation and supervision by federal and state regulatory agencies, including the Federal Reserve Board, OCC, FDIC, CFPB, DOJ, UST, SEC, HUD, state attorneys general and state banking, financial services, securities and insurance regulators. Under this regulatory framework, regulatory agencies have broad authority in carrying out their supervisory, examination and enforcement responsibilities to address compliance with applicable laws and regulations, including laws and regulations relating to capital adequacy, asset quality, liquidity, risk management and financial accounting and reporting, as well as laws and regulations governing consumer protection, fair lending, privacy, information security and cybersecurity risk management, third-party vendor risk management, and AML and anti-terrorism laws, among other aspects of the Corporation's business. Failure to comply with these regulatory requirements, including inadvertent or unintentional violations, may result in the assessment of fines and penalties, or the commencement of informal or formal regulatory enforcement actions against the Corporation or Fulton Bank. Other negative consequences can also result from such failures, including regulatory restrictions on the Corporation's activities, including restrictions on the Corporation's ability to grow through acquisition, reputational damage, restrictions on the ability of institutional investment managers to invest in the Corporation's securities and increases in the Corporation's costs of doing business.

The U.S. Congress and state legislatures and federal and state regulatory agencies continually review banking and other laws, regulations and policies for possible changes. Changes in applicable federal or state laws, regulations or governmental policies may affect the Corporation and its business. The effects of such changes are difficult to predict and may produce unintended consequences. New laws, regulations or changes in the regulatory environment could limit the types of financial services and products the Corporation may offer, alter demand for existing products and services, increase the ability of non-banks to offer competing financial services and products, increase compliance burdens, or otherwise adversely affect the Corporation's business, results of operations or financial condition.

Compliance with banking and financial services statutes and regulations is also important to the Corporation's ability to engage in new activities or to expand upon existing activities. Regulators continue to scrutinize banks through longer and more intensive examinations. Federal and state banking agencies possess broad powers to take supervisory actions, as they deem appropriate. These supervisory actions may result in higher capital requirements, higher deposit insurance premiums and limitations on the Corporation's operations and expansion activities that could have a material adverse effect on its business and profitability. The Corporation has dedicated significant time, effort, and expense over time to comply with regulatory and supervisory standards and requirements imposed by the Corporation's regulators, and the Corporation expects that it will continue to do so. If the Corporation fails to develop at a reasonable cost the systems and processes necessary to comply with the standards and requirements imposed by these rules, it could have a material adverse effect on the Corporation's business, financial condition, or results of operations.

Failure to comply with the BSA, the Patriot Act and related AML requirements, or with sanctions laws, could subject the Corporation to enforcement actions, fines, penalties, sanctions and other remedial actions.

Regulators have broad authority to enforce AML and sanctions laws. Failure to comply with AML and sanctions laws or to maintain an adequate compliance program can lead to significant monetary penalties and reputational damage, and federal regulators evaluate the effectiveness of an applicant in combating money laundering when considering approval of applications to acquire, merge, or consolidate with another banking institution, or to engage in other expansionary activities. There have been a number of significant enforcement actions by regulators, as well as state attorneys general and the DOJ, against banks, broker-dealers and non-bank financial institutions with respect to AML and sanctions laws and some have resulted in substantial penalties, including criminal pleas. Enforcement actions have included the Federal Reserve Board's Consent Order against the Corporation in 2014 (the "Consent Order"), which was terminated in May 2019, in connection with alleged deficiencies in the Corporation's BSA/AML compliance program. Any violation of law or regulation, possibly even inadvertent or unintentional violations, could result in the fines, sanctions or other penalties described above, including one or more additional consent orders against Fulton Bank or the Corporation, which could have significant reputational or other consequences and could have a material adverse effect on our business, financial condition and results of operations.

Additional expenses and investments have been incurred in recent years as the Corporation expanded its hiring of personnel and use of outside professionals, such as consulting and legal services, and made capital investments in operating systems to strengthen and support the Corporation's BSA/AML compliance program, as well as the Corporation's broader compliance and risk management infrastructures. The expense and capital investment associated with all of these efforts, including those undertaken in connection with the Consent Order, have had an adverse effect on the Corporation's results of operations in recent periods and could have a material adverse effect on the Corporation's results of operations in one or more future periods.

The Dodd-Frank Act continues to have a significant impact on the Corporation's business and results of operations.

The Dodd-Frank Act has had a substantial impact on many aspects of the financial services industry. The Corporation has been impacted, and will likely continue to be impacted in the future, by the so-called Durbin Amendment to the Dodd-Frank Act, which reduced debit card interchange revenue of banks, and revised FDIC deposit insurance assessments. The Corporation has also been impacted by the Dodd-Frank Act in the areas of corporate governance, capital requirements, risk management and regulation under federal consumer protection laws.

The CFPB, which was established pursuant to the Dodd-Frank Act, has imposed enforcement actions against a variety of bank and non-bank market participants with respect to a number of consumer financial products and services. These actions have resulted in those participants expending significant time, money and resources to adjust to the initiatives being pursued by the CFPB. These enforcement actions may serve as precedent for how the CFPB interprets and enforces consumer protection laws, including practices or acts that are deemed to be unfair, deceptive or abusive, with respect to all supervised institutions, which may result in the imposition of higher standards of compliance with such laws. Other federal financial regulatory agencies, including the OCC, as well as state attorneys general and state banking agencies and other state financial regulators, also have been increasingly active in this area with respect to institutions over which they have jurisdiction. See Item 1. "Business-Supervision and Regulation."

Changes in U.S. federal, state or local tax laws may negatively impact the Corporation's financial performance.

The Corporation is subject to changes in tax law that could increase the Corporation's effective tax rates. These law changes may be retroactive to previous periods and as a result could negatively affect the Corporation's current and future financial performance. In December 2017, the Tax Act was signed into law, which resulted in significant changes to the U.S. Internal Revenue Code of 1986, as amended (the "Code"). The Tax Act reduced the Corporation's Federal corporate income tax rate to 21% beginning in 2018. However, the Tax Act also imposed limitations on the Corporation's ability to take certain deductions, such as the deduction for FDIC deposit insurance premiums, which partially offset the increase in net income from the lower tax rate.

In addition, a number of the changes to the Code are set to expire in future years. There is substantial uncertainty concerning whether those expiring provisions will be extended, or whether future legislation will further revise the Code.

Negative publicity could damage the Corporation's reputation and business.

Reputation risk, or the risk to the Corporation's earnings and capital from negative public opinion, is inherent in the Corporation's business. Negative public opinion could result from the Corporation's actual, alleged or perceived conduct in any number of activities, including lending practices, litigation, corporate governance, regulatory, compliance, mergers and acquisitions, and disclosure, sharing or inadequate protection of customer information, and from actions taken by government agencies and community organizations in response to that conduct. In addition, unfavorable public opinion regarding the broader financial services industry, or arising from the actions of individual financial institutions, can have an adverse effect on the Corporation's reputation. Because the Corporation conducts its businesses under the "Fulton" brand, negative public opinion about one line of business could affect the Corporation's other lines of businesses. Further, the increased use of social media platforms facilitates the rapid and widespread dissemination of information, including inaccurate, misleading, or false information, which could magnify the potential harm to the Corporation's reputation. Any of these or other events that impair the Corporation's reputation can affect the Corporation's ability to attract and retain customers and employees, and access sources of funding and capital, any of which could have materially adverse effect on the Corporation's results of operations and financial condition.

From time to time the Corporation may be the subject of litigation and governmental or administrative proceedings. Adverse outcomes of any such litigation or proceedings may have a material adverse impact on the Corporation's business and results of operations as well as its reputation.

Many aspects of the Corporation's business involve substantial risk of legal liability. From time to time, the Corporation has been named or threatened to be named as defendant in various lawsuits arising from its business activities (and in some cases from the activities of companies that were acquired). In addition, the Corporation is periodically the subject of governmental investigations and other forms of regulatory or governmental inquiry. For example, the Corporation is responding to an investigation by the staff of the Division of Enforcement of the U.S. Securities and Exchange Commission regarding certain accounting determinations that could have impacted the Corporation's reported earnings per share. Like other large financial institutions, the Corporation is also subject to risk from potential employee misconduct, including non-compliance with policies and improper use or disclosure of confidential information. These lawsuits, investigations, inquiries and other matters could lead to administrative, civil or criminal proceedings, or result in adverse judgments, settlements, fines, penalties, restitution, injunctions or other types of sanctions, or the need for the Corporation to undertake remedial actions, or to alter its business, financial or accounting practices. Substantial legal liability or significant regulatory actions against the Corporation could materially adversely affect the Corporation's business, financial condition or results of operations and/or cause significant reputational harm. The Corporation establishes reserves for legal claims when payments associated with the claims become probable and the costs can be reasonably estimated. For matters where a loss is not probable, or the amount of the loss cannot be reasonably estimated by the Corporation, no loss reserve is established. However, the Corporation may still incur potentially significant legal costs for a matter, even if a reserve has not been established.

The Corporation can provide no assurance as to the outcome or resolution of legal or administrative actions or investigations, and such actions and investigations may result in judgments against the Corporation for significant damages or the imposition of regulatory restrictions on the Corporation's operations. Resolution of these types of matters can be prolonged and costly, and the ultimate results or judgments are uncertain due to the inherent uncertainty in the outcomes of litigation and other proceedings.

STRATEGIC AND EXTERNAL RISKS.

The Corporation may not be able to achieve its growth plans.

The Corporation's business plan includes the pursuit of profitable growth. Under current economic, competitive and regulatory conditions, profitable growth may be difficult to achieve due to one or more of the following factors:

- In the current interest rate environment, it may become more difficult for the Corporation to further increase its net interest margin or its net interest margin may come under downward pressure. As a result, income growth will likely need to come from growth in the volume of earning assets, particularly loans, and an increase in non-interest income. However, customer demand and competition could make such income growth difficult to achieve; and
- The Corporation may seek to supplement organic growth through acquisitions, but may not be able to identify suitable acquisition opportunities, obtain the required regulatory approvals or successfully integrate acquired businesses.

To achieve profitable growth, the Corporation may pursue new lines of business or offer new products or services, all of which can involve significant costs, uncertainties and risks. Any new activity the Corporation pursues may require a significant investment of time and resources, and may not generate the anticipated return on that investment. Sustainable growth requires that the Corporation manage risks by balancing loan and deposit growth at acceptable levels of risk, maintaining adequate liquidity and capital, hiring and retaining qualified employees, successfully managing the costs and implementation risks with respect to strategic projects and initiatives, and integrating acquisition targets while managing costs. In addition, the Corporation may not be able to effectively implement and manage any new activities. External factors, such as the need to comply with additional regulations, the availability, or introduction, of competitive alternatives in the market, and changes in customer preferences may also impact the successful implementation of any new activity. Any new activity could have a significant impact on the effectiveness of the Corporation's system of internal controls. If the Corporation is not able to adequately identify and manage the risks associated with new activities, the Corporation's business, results of operations and financial condition could be materially and adversely impacted.

The Corporation faces a variety of risks in connection with completed and potential acquisitions.

The Corporation may seek to supplement organic growth through acquisitions of banks or branches, or other financial businesses or assets. Acquiring other banks, branches, financial businesses or assets involves a variety of risks commonly associated with acquisitions, including, among other things:

- The possible loss of key employees and customers of the acquired business;
- Potential disruption of the acquired business and the Corporation's business;
- Exposure to potential asset quality issues of the acquired business;
- Potential exposure to unknown or contingent liabilities of the acquired business including, without limitation, liabilities for regulatory and compliance issues;
- Potential changes in banking or tax laws or regulations that may affect the acquired business; and
- Potential difficulties in integrating the acquired business, resulting in the diversion of resources from the operation of the Corporation's existing businesses.

Acquisitions typically involve the payment of a premium over book and market values, and therefore, some dilution of the Corporation's tangible book value and net income per common share may occur in connection with any future transaction. Failure to realize the expected revenue increases, cost savings, increases in geographic or product presence, and/or other projected benefits from an acquisition could have a material adverse effect on the Corporation's business, financial condition and results of operations. In addition, the Corporation faces significant competition from other financial services institutions, some of which may have greater financial resources than the Corporation, when considering acquisition opportunities. Accordingly, attractive opportunities may not be available and there can be no assurance that the Corporation will be successful in identifying, completing or integrating future acquisitions.

The competition the Corporation faces is significant and may reduce the Corporation's customer base and negatively impact the Corporation's results of operations.

There is significant competition among commercial banks in the market areas served by the Corporation. In addition, the Corporation also competes with other providers of financial services, such as savings and loan associations, credit unions, consumer finance companies, securities firms, insurance companies, commercial finance and leasing companies, the mutual funds industry, full service brokerage firms and discount brokerage firms, some of which are subject to less extensive regulation than the Corporation and have different cost structures. Some of the Corporation's competitors have greater resources, higher lending limits, lower cost of funds and may offer other services not offered by the Corporation. The Corporation also experiences competition from a variety of institutions outside its market areas. Some of these institutions conduct business primarily over the Internet and, as a result, may be able to realize certain cost savings and offer products and services at more favorable rates and with greater convenience to the customer. The financial services industry could become even more competitive as a result of legislative, regulatory and technological changes and continued consolidation. In addition, technology has lowered barriers to entry and made it possible for non-banks to offer products and services traditionally provided by banks, such as funds transfers, payment services, residential mortgage loans, consumer loans and wealth and investment management services. Competition with non-banks, including technology companies, to provide financial products and services is intensifying. In particular, the activity of financial technology companies ("Fintechs") has grown significantly over recent years and is expected to continue to grow. Fintechs have and may continue to offer bank or bank-like products.

Competition may adversely affect the rates the Corporation pays on deposits and charges on loans, and could result in the loss of fee income, as well as the loss of customer deposits and the income generated from those deposits, thereby potentially adversely affecting the Corporation's profitability and its ability to continue to grow. The Corporation's profitability and continued growth depends upon its continued ability to successfully compete in the market areas it serves. See Item 1. "Business-Competition."

If the goodwill that the Corporation has recorded or records in the future in connection with its acquisitions becomes impaired, it could have a negative impact on the Corporation's results of operations.

In the past, the Corporation supplemented its internal growth with strategic acquisitions of banks, branches and other financial services companies. In the future, the Corporation may seek to supplement organic growth through additional acquisitions. If the purchase price of an acquired company exceeds the fair value of the company's net assets, the excess is carried on the acquirer's balance sheet as goodwill. As of December 31, 2019, the Corporation had $532.7 million of goodwill recorded on its balance sheet. The Corporation is required to evaluate goodwill for impairment at least annually. Write-downs of the amount of any impairment, if necessary, are to be charged to earnings in the period in which the impairment occurs. There can be no assurance that future evaluations of goodwill will not result in impairment charges.

Changes in accounting policies, standards, and interpretations could materially affect how the Corporation reports its financial condition and results of operations.

The preparation of the Corporation's financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements, as well as revenues and expenses during the period. A summary of the accounting policies that the Corporation considers to be most important to the presentation of its financial condition and results of operations, because they require management's most difficult judgments as a result of the need to make estimates about the effects of matters that are inherently uncertain, including those related to the allowance for credit losses, goodwill, income taxes, and fair value measurements, is set forth in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations-Critical Accounting Policies" and within "Note 1-Summary of Significant Accounting Policies," in the Notes to Consolidated Financial Statements in Item 8. "Financial Statements and Supplementary Data."

A variety of factors could affect the ultimate values of assets, liabilities, income and expenses recognized and reported in the Corporation's financial statements, and these ultimate values may differ materially from those determined based on management's estimates and assumptions. In addition, the FASB, regulatory agencies, and other bodies that establish accounting standards from time to time change the financial accounting and reporting standards governing the preparation of the Corporation's financial statements. For example, see "The Corporation is subject to certain risks in connection with the establishment and level of its allowance for credit losses" above for a discussion of CECL and its impact on the Corporation's allowance for credit losses. Further, those bodies that establish and interpret the accounting standards (such as the FASB, the Securities and Exchange Commission, and banking regulators) may change prior interpretations or positions regarding how these standards should be applied. These changes can be difficult to predict and can materially affect how the Corporation records and reports its financial condition and results of operations.

OPERATIONAL RISKS.

The Corporation is exposed to many types of operational and other risks, and the Corporation's framework for managing risks may not be effective in mitigating risk.

The Corporation is exposed to many types of operational risk, including the risk of human error or fraud by employees and other third parties, intentional and inadvertent misrepresentation by loan applicants, borrowers or guarantors, unsatisfactory performance by employees and vendors, clerical and record-keeping errors, computer and telecommunications systems malfunctions or failures and reliance on data that may be faulty or incomplete. In an environment characterized by continual, rapid technological change, as discussed below, when the Corporation introduces new products and services, or makes changes to its information technology systems and processes, these operational risks are increased. Any of these operational risks could result in the Corporation's diminished ability to operate one or more of its businesses, financial loss, potential liability to customers, inability to secure insurance, reputational damage and regulatory intervention, which could materially adversely affect the Corporation.

The Corporation's risk management framework is subject to inherent limitations, and risks may exist, or develop in the future, that the Corporation has not anticipated or identified. If the Corporation's risk management framework proves to be ineffective, the Corporation could suffer unexpected losses and could be materially adversely affected.

The Corporation's operational risks include risks associated with third-party vendors and other financial institutions.

The Corporation relies upon certain third-party vendors to provide products and services necessary to maintain its day-to-day operations, including, notably, responsibility for the core processing system that services Fulton Bank. Accordingly, the Corporation's operations are exposed to the risk that these vendors might not perform in accordance with applicable contractual arrangements or service level agreements. The failure of an external vendor to perform in accordance with applicable contractual arrangements or service level agreements could be disruptive to the Corporation's operations, which could have a material adverse effect on the Corporation's financial condition or results of operations, and damage its reputation. Further, third-party vendor risk management has become a point of regulatory emphasis recently. A failure of the Corporation to follow applicable regulatory guidance in this area could expose the Corporation to regulatory sanctions.

The commercial soundness of many financial institutions may be closely interrelated as a result of credit, trading, execution of transactions or other relationships between the institutions. As a result, concerns about, or a default or threatened default by, one institution could lead to significant market-wide liquidity and credit problems, losses or defaults by other institutions. This risk is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges, with which the Corporation interacts on a daily basis, and therefore could adversely affect the Corporation.

Any of these operational or other risks could result in the Corporation's diminished ability to operate one or more of its businesses, financial loss, potential liability to customers, inability to secure insurance, reputational damage and regulatory intervention, which could materially adversely affect the Corporation.

The Corporation's internal controls may be ineffective.

One critical component of the Corporation's risk management framework is its system of internal controls. Management regularly reviews and updates the Corporation's internal controls, disclosure controls and procedures, and corporate governance policies and procedures. Any system of controls, however well designed and operated, is based in part on certain assumptions and can provide reasonable, but not absolute, assurances that the objectives of the controls are met. Any failure or circumvention of the Corporation's controls and procedures or failure to comply with regulations related to controls and procedures could have a material adverse effect on the Corporation's business, results of operations, financial condition and reputation. See Item 9A. "Controls and Procedures."

Loss of, or failure to adequately safeguard, confidential or proprietary information may adversely affect the Corporation's operations, net income or reputation.

The Corporation's business is highly dependent on information systems and technology and the ability to collect, process, transmit and store significant amounts of confidential information regarding customers, employees and others on a daily basis. While the Corporation performs some of the functions required to operate its business directly, it also outsources significant business functions, such as processing customer transactions, maintenance of customer-facing websites, including its online and mobile banking functions, and developing software for new products and services, among others. These relationships require the Corporation to allow third parties to access, store, process and transmit customer information. As a result, the Corporation may be subject to cyber security risks directly, as well as indirectly through the vendors to whom it outsources business functions and the downstream service providers of those vendors. The increased use of smartphones, tablets and other mobile devices, as well as cloud computing, may also heighten these and other operational risks. Cyber threats could result in unauthorized access, loss or destruction of confidential information or customer data, unavailability, degradation or denial of service, introduction of computer viruses or ransomware and other adverse events, causing the Corporation to incur additional costs (such as repairing systems or adding new personnel or protection technologies). Cyber threats may also subject the Corporation to regulatory investigations, litigation or enforcement actions require the payment of regulatory fines or penalties or undertaking costly remediation efforts with respect to third parties affected by a cyber security incident, all or any of which could adversely affect the Corporation's business, financial condition or results of operations and damage its reputation.

Like other financial institutions, the Corporation continuously experiences malicious cyber activity directed at its websites, computer systems, software, networks and its users. This malicious activity includes attempts at unauthorized access, implantation of computer viruses or malware, and denial-of-service attacks. The Corporation also experiences large volumes of phishing and other forms of social engineering attempted for the purpose of perpetrating fraud against the Corporation, its employees or its customers. While, to date, malicious cyber activity, cyber attacks and other information security breaches have not had a material adverse impact on the Corporation, there can be no assurance that such events will not have a material adverse impact on the Corporation's business, results of operations, financial condition or reputation in the future.

The Corporation uses monitoring and preventive controls to detect and respond to data breaches and cyber threats involving its own systems before they become significant. The Corporation regularly evaluates its systems and controls and implements upgrades as necessary. The Corporation also attempts to reduce its exposure to its vendors' data privacy and cyber incidents by performing initial vendor due diligence that is updated periodically for critical vendors, negotiating service level standards with vendors, negotiating for indemnification from vendors for confidentiality and data breaches, and limiting third-party access to the least privileged level necessary to perform outsourced functions, among other things. The additional cost to the Corporation of data and cyber security monitoring and protection systems and controls includes the cost of hardware and software, third party technology providers, consulting and forensic testing firms, insurance premium costs and legal fees, in addition to the incremental cost of personnel who focus a substantial portion of their responsibilities on data and cyber security.

There can be no assurance that the measures employed by the Corporation to detect and combat direct or indirect cyber threats will be effective. In addition, because the methods of cyber attacks change frequently or, in some cases, are not recognized until launched, the Corporation may be unable to implement effective preventive control measures or proactively address these methods and the probability of a successful attack cannot be predicted. The Corporation's or a vendor's failure to promptly identify and counter a cyber attack may result in increased costs and other negative consequences, such as the loss of, or inability to access, data, degradation or denial of service and introduction of computer viruses. Although the Corporation maintains insurance coverage that may, subject to policy terms and conditions, cover certain aspects of cyber risks, such insurance coverage may be inapplicable or otherwise insufficient to cover any or all losses. Further, a successful cyber security attack that results in a significant loss of customer data or compromises the Corporation's ability to function would have a material adverse effect on the Corporation's business, reputation, financial condition and results of operation.

Account data compromise events at large retailers, health insurers, a national consumer credit reporting agency and others in recent years have resulted in heightened legislative and regulatory focus on privacy, data protection and information security. New or revised laws and regulations may significantly impact the Corporation's current and planned privacy, data protection and information security-related practices, the collection, use, sharing, retention and safeguarding of consumer and employee information, and current or planned business activities. Compliance with current or future privacy, data protection and information security laws to which the Corporation is subject could result in higher compliance and technology costs and could restrict the Corporation's ability to provide certain products and services, which could materially and adversely affect the Corporation's profitability. The Corporation's failure to comply with privacy, data protection and information security laws could result in potentially significant regulatory and governmental investigations and/or actions, litigation, fines, sanctions and damage to the Corporation's reputation and its brand.

The Corporation is subject to a variety of risks in connection with origination and sale of loans.

The Corporation originates residential mortgage loans and other loans, such as loans guaranteed, in part, by the U.S. Small Business Administration, all or portions of which are later sold in the secondary market to government sponsored enterprises or agencies, such as the Federal National Mortgage Association (Fannie Mae), and other non-government sponsored investors. In connection with such sales, the Corporation makes certain representations and warranties with respect to matters such as the underwriting, origination, documentation or other characteristics of the loans sold. The Corporation may be required to repurchase a loan, or to reimburse the purchaser of a loan for any related losses, if it is determined that the loan sold was in violation of representations or warranties made at the time of the sale, and, in some cases, if there is evidence of borrower fraud, in the event of early payment default by the borrower on the loan, or for other reasons. The Corporation maintains reserves for potential losses on certain loans sold, however, it is possible that losses incurred in connection with loan repurchases and reimbursement payments may be in excess of any applicable reserves, and the Corporation may be required to increase reserves and may sustain additional losses associated with such loan repurchases and reimbursement payments in the future, which could have a material adverse effect on the Corporation's financial condition or results of operations.

In addition, the sale of residential mortgage loans and other loans in the secondary market serves as a source of non-interest income and liquidity for the Corporation, and can reduce its exposure to risks arising from changes in interest rates. Efforts to reform government sponsored enterprises and agencies, changes in the types of, or standards for, loans purchased by government sponsored enterprises or agencies and other investors, or the Corporation's failure to maintain its status as an eligible seller of such loans may limit the Corporation's ability to sell these loans. The inability of the Corporation to continue to sell these loans could reduce the Corporation's non-interest income, limit the Corporation's ability to originate and fund these loans in the future, and make managing interest rate risk more challenging, any of which could have a material adverse effect on the Corporation's results of operations and financial condition.

The Corporation continually encounters technological change.

The financial services industry is continually undergoing rapid technological change with frequent introductions of new technology-driven products and services. The effective use of technology increases efficiency and enables financial institutions to better serve customers and to reduce costs. The Corporation's future success depends, in part, upon its ability to address the needs of its customers by using technology to provide products and services that will satisfy customer demands, as well as to create additional efficiencies in the Corporation's operations. The costs of new technology, including personnel, can be high, in both absolute and relative terms. Many of the Corporation's financial institution competitors have substantially greater resources to invest in technological improvements. In addition, new payment, credit and investment and wealth management services developed and offered by non-bank or non-traditional competitors pose an increasing threat to the products and services traditionally provided by financial institutions like the Corporation. The Corporation may not be able to effectively implement new technology-driven products and services, be successful in marketing these products and services to its customers, or effectively deploy new technologies to improve the efficiency of its operations. Failure to successfully keep pace with technological change affecting the financial services industry could have a material adverse impact on the Corporation's business, financial condition and results of operations.

There can be no assurance, given the past pace of change and innovation, that the Corporation's technology, either purchased or developed internally, will meet or continue to meet the needs of the Corporation and the needs of its customers.

In addition, advances in technology, as well as changing customer preferences favoring access to the Corporation's products and services through digital channels, could decrease the value of the Corporation's branch network and other assets. If customers increasingly choose to access the Corporation's products and services through digital channels, the Corporation may find it necessary to consolidate, close or sell branch locations or restructure its branch network. These actions could lead to losses on assets, expenses to reconfigure branches and the loss of customers in affected markets. As a result, the Corporation's business, financial condition or results of operations may be adversely affected.

The Corporation may not be able to attract and retain skilled people.

The Corporation's success depends, in large part, on its ability to attract and retain skilled people. Competition for talented personnel in most activities engaged in by the Corporation can be intense, and the Corporation may not be able to hire sufficiently skilled people or to retain them. The unexpected loss of services of one or more of the Corporation's key personnel could have a material adverse impact on the Corporation's business because of their skills, knowledge of the Corporation's markets, years of industry experience and the difficulty of promptly finding qualified replacement personnel.

RISKS RELATED TO AN INVESTMENT IN THE CORPORATION'S SECURITIES.

The Corporation's future growth may require the Corporation to raise additional capital in the future, but that capital may not be available when it is needed or may be available only at an excessive cost.

The Corporation is required by regulatory agencies to maintain adequate levels of capital to support its operations. The Corporation anticipates that current capital levels will satisfy regulatory requirements for the foreseeable future. The Corporation, however, may at some point choose to raise additional capital to support future growth. The Corporation's ability to raise additional capital will depend, in part, on conditions in the financial markets at that time, which are outside of the Corporation's control. Accordingly, the Corporation may be unable to raise additional capital, if and when needed, on terms acceptable to the Corporation, or at all.

If the Corporation cannot raise additional capital when needed, its ability to expand operations through internal growth and acquisitions could be materially impacted. In the event of a material decrease in the Corporation's stock price, future issuances of equity securities could result in dilution of existing shareholder interests.

Capital requirements have been adopted by U.S. banking regulators that may limit the Corporation's ability to return earnings to shareholders or operate or invest in its business.

The Corporation and Fulton Bank are subject to capital requirements under the Basel III Rules. Failure to meet the established capital requirements could result in the federal banking regulators placing limitations or conditions on the activities of the Corporation or Fulton Bank or restricting the commencement of new activities, and such failure could subject the Corporation or Fulton Bank to a variety of enforcement remedies, including limiting the ability of the Corporation or Fulton Bank to pay dividends, issuing a directive to increase capital and terminating FDIC deposit insurance. In addition, the failure to comply with the capital conservation buffer will result in restrictions on capital distributions and discretionary cash bonus payments to executive officers. As of December 31, 2019, the Corporation's current capital levels met the minimum capital requirements, including the capital conservation buffer, as set forth in the Basel III Rules. See Item 1. "Business-Supervision and Regulation-Capital Requirements."

In addition, the implementation of certain regulations with regard to regulatory capital could disproportionately affect the Corporation's regulatory capital position relative to that of its competitors, including those who may not be subject to the same regulatory requirements.

The Corporation is a holding company and relies on dividends and other payments from its subsidiaries for substantially all of its revenue and its ability to make dividend payments, distributions and other payments.

Fulton Financial Corporation is a separate and distinct legal entity from its bank and non-bank subsidiaries, and depends on the payment of dividends and other payments and distributions from its subsidiaries, principally Fulton Bank, for substantially all of its revenues. As a result, the Corporation's ability to make dividend payments on its common stock depends primarily on compliance with applicable federal regulatory requirements and the receipt of dividends and other distributions from its subsidiaries. There are various regulatory and prudential supervisory restrictions, which may change from time to time, that impact the ability of Fulton Bank to pay dividends or make other payments to the Corporation. There can be no assurance that Fulton Bank will be able to pay dividends at past levels, or at all, in the future. If the Corporation does not receive sufficient cash dividends or is unable to borrow from Fulton Bank, then the Corporation may not have sufficient funds to pay dividends to its shareholders, repurchase its common stock or service its debt obligations. See Item 1. "Business-Supervision and Regulation-Loans and Dividends from Bank Subsidiary."

In addition, the Corporation has pursued a strategy of capital management under which it has sought to deploy its capital, through stock repurchases, increased regular dividends and special dividends, in a manner that is beneficial to the Corporation's shareholders. This capital management strategy is subject to regulatory supervision. In July 2019, the Federal Reserve Board eliminated the standalone prior approval requirement in the capital rules for repurchase or redemption of common stock. In certain circumstances, however, the Corporation's repurchases of its common stock may be subject to a prior approval or notice requirement under the regulations or policies of the Federal Reserve Board. As a result, the Corporation may not be able to enter the market for stock repurchases on a timely basis when the Corporation's board of directors and management believe such repurchases to be most opportune, or at all.

A downgrade in the credit ratings of the Corporation or Fulton Bank could have a material adverse impact on the Corporation.

Moody's Investors Service, Inc. and DBRS, Inc. continuously evaluate the Corporation and Fulton Bank, and their ratings of the Corporation's and Fulton Bank's long-term and short-term debt are based on a number of factors, including financial strength, as well as factors not entirely within the Corporation's and Fulton Bank's control, such as conditions affecting the financial services industry generally. In light of these reviews and the continued focus on the financial services industry generally, the Corporation and Fulton Bank may not be able to maintain their current respective ratings. Ratings downgrades by any of these credit rating agencies could have a significant and immediate impact on the Corporation's funding and liquidity through cash obligations, reduced funding capacity and collateral triggers. A reduction in the Corporation's or Fulton Bank's credit ratings could also increase the Corporation's and Fulton Bank's borrowing costs and limit their access to the capital markets.

Downgrades in the credit or financial strength ratings assigned to the counterparties with whom the Corporation transacts could create the perception that the Corporation's financial condition will be adversely impacted as a result of potential future defaults by such counterparties. Additionally, the Corporation could be adversely affected by a general, negative perception of financial institutions caused by the downgrade of other financial institutions. Accordingly, ratings downgrades for other financial institutions could affect the market price of the Corporation's stock and could limit the Corporation's access to or increase its cost of capital.

Anti-takeover provisions could negatively impact the Corporation's shareholders.

Provisions of banking laws, Pennsylvania corporate law and of the Corporation's Amended and Restated Articles of Incorporation and Bylaws could make it more difficult for a third party to acquire control of the Corporation or have the effect of discouraging a third party from attempting to acquire control of the Corporation. To the extent that these provisions discourage such a transaction, holders of the Corporation's common stock may not have an opportunity to dispose of part or all of their stock at a higher price than that prevailing in the market. These provisions may also adversely affect the market price of the Corporation's stock. In addition, some of these provisions make it more difficult to remove, and thereby may serve to entrench, the Corporation's incumbent directors and officers, even if their removal would be regarded by some shareholders as desirable.

Certain provisions of Pennsylvania corporate law applicable to the Corporation and the Corporation's Amended and Restated Articles of Incorporation and Bylaws include provisions which may be considered to be "anti-takeover" in nature because they may have the effect of discouraging or making more difficult the acquisition of control of the Corporation by means of a hostile tender offer, exchange offer, proxy contest or similar transaction. These provisions are intended to protect the Corporation's shareholders by providing a measure of assurance that the Corporation's shareholders will be treated fairly in the event of an unsolicited takeover bid and by preventing a successful takeover bidder from exercising its voting control to the detriment of the other shareholders. However, these provisions, taken as a whole, may also discourage a hostile tender offer, exchange offer, proxy solicitation or similar transaction relating to the Corporation's common stock, even if the accomplishment of a given transaction may be favorable to the interests of shareholders.

The ability of a third party to acquire the Corporation is also limited under applicable banking regulations. The BHCA requires any "bank holding company" (as defined in that Act) to obtain the approval of the Federal Reserve Board prior to acquiring more than 5% of the Corporation's outstanding common stock. Any person other than a bank holding company is required to obtain prior approval of the Federal Reserve Board to acquire 10% or more of the Corporation's outstanding common stock under the Change in Bank Control Act of 1978 and, under certain circumstances, such approvals are required at an even lower ownership percentage. Any holder of 25% or more of the Corporation's outstanding common stock, other than an individual, is subject to regulation as a bank holding company under the BHCA. In addition, the delays associated with obtaining necessary regulatory approvals for acquisitions of interests in bank holding companies also tend to make more difficult certain methods of effecting acquisitions. While these provisions do not prohibit an acquisition, they would likely act as deterrents to an unsolicited takeover attempt.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The Corporation's full-service banking branch properties as of December 31, 2019 totaled 230 branches. Of those branches, 96 were owned and 134 were leased. Remote service facilities (mainly stand-alone automated teller machines) are excluded from these totals. The Corporate headquarters is located in Lancaster, Pennsylvania. The Corporation owns two dedicated operations centers, located in East Petersburg, Pennsylvania and Mantua, New Jersey.

Item 3. Legal Proceedings

The information presented in the "Legal Proceedings" section of "Note 18 - Commitments and Contingencies" in the Notes to Consolidated Financial Statements is incorporated herein by reference.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Common Stock

As of December 31, 2019, the Corporation had 164.2 million shares of $2.50 par value common stock outstanding held by approximately 29,000 holders of record. The closing price per share of the Corporation's common stock on February 14, 2020 was $16.82. The common stock of the Corporation is traded on the Global Select Market of The Nasdaq Stock Market under the symbol FULT.

The following table presents the quarterly high and low prices of the Corporation's stock and per share cash dividends declared for each of the quarterly periods in 2019 and 2018:

	Price Range		Per Share Dividend
	High	Low	
2019			
First Quarter	**$ 17.39**	**$ 14.85**	**$ 0.13**
Second Quarter	**17.57**	**15.49**	**0.13**
Third Quarter	**17.28**	**15.23**	**0.13**
Fourth Quarter	**18.00**	**15.28**	**0.17**
2018			
First Quarter	$ 19.55	$ 17.05	$ 0.12
Second Quarter	18.02	16.50	0.12
Third Quarter	18.45	15.05	0.12
Fourth Quarter	17.60	14.38	0.16

Restrictions on the Payments of Dividends

The Corporation is a separate and distinct legal entity from its banking and nonbanking subsidiaries, and depends on the payment of dividends from its subsidiaries, principally its banking subsidiary, for substantially all of its revenues. As a result, the Corporation's ability to make dividend payments on its common stock depends primarily on compliance with applicable federal regulatory requirements and the receipt of dividends and other distributions from its subsidiaries. There are various regulatory and prudential supervisory restrictions, which may change from time to time, that impact the ability of its banking subsidiaries to pay dividends or make other payments to the Corporation. For additional information regarding the regulatory restrictions applicable to the Corporation and its subsidiaries, see "Supervision and Regulation," in Item 1. "Business;" Item 1A. "Risk Factors - The Corporation is a holding company and relies on dividends and other payments from its subsidiaries for substantially all of its revenue and its ability to make dividend payments, distributions and other payments," under "Risks Related to an Investment in the Corporation's Securities;" and "Note 11 - Regulatory Matters," in the Notes to Consolidated Financial Statements in Item 8. "Financial Statements and Supplementary Data."

Securities Authorized for Issuance under Equity Compensation Plans

The following table provides information about options outstanding under the Corporation's Amended and Restated Equity and Cash Incentive Compensation Plan ("Employee Equity Plan") and the number of securities remaining available for future issuance under the Employee Equity Plan, the Amended and Restated Directors' Equity Participation Plan and the Employee Stock Purchase Plan as of December 31, 2019:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (1)	Weighted-average exercise price of outstanding options, warrants and rights (2)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in first column) (3)
Equity compensation plans approved by security holders	1,872,596	$ 11.12	12,021,567
Equity compensation plans not approved by security holders	—	—	—
Total	1,872,596	$ 11.12	12,021,567

(1) The number of securities to be issued upon exercise of outstanding options, warrants and rights includes 865,068 performance-based restricted stock units ("PSUs"), which is the target number of PSUs that are payable under the Employee Equity Plan, though no shares will be issued until achievement of applicable performance goals, and includes 507,268 time-vested restricted stock units ("RSUs") granted under the Employee Equity Plan.

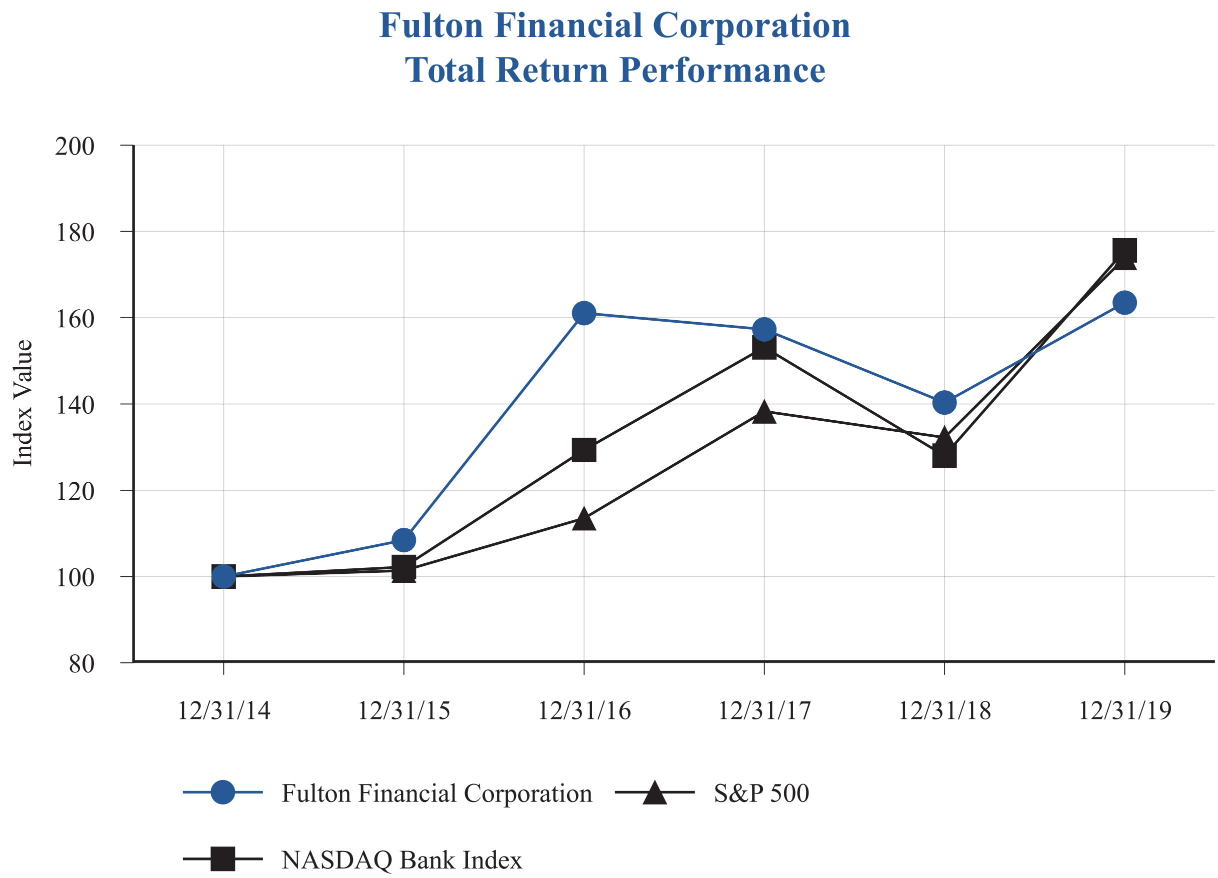
(2) The weighted-average exercise price of outstanding options, warrants and rights does not take into account outstanding PSUs and RSUs granted under the Employee Equity Plan.

(3) Consists of 10,137,000 shares that may be awarded under the Employee Equity Plan, 259,599 shares that may be awarded under the Amended and Restated Directors' Equity Participation Plan and 1,624,968 shares that may be purchased under the Employee Stock Purchase Plan. Excludes accrued purchase rights under the Employee Stock Purchase Plan as of December 31, 2019 as the number of shares to be purchased is indeterminable until the shares are issued.

Performance Graph

The following graph shows cumulative total shareholder return (i.e., price change, plus reinvestment of dividends) on the common stock of Fulton Financial Corporation during the five-year period ended December 31, 2019, compared with (1) the NASDAQ Bank Index and (2) the Standard and Poor's 500 index ("S&P 500"). The graph is not indicative of future price performance.

The graph below is furnished under this Part II, Item 5 of this Form 10-K and shall not be deemed to be "soliciting material" or to be "filed" with the SEC or subject to Regulation 14A or 14C, or to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended.



	Year Ending December 31					
Index	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Fulton Financial Corporation	$ 100.00	$ 108.44	$ 161.06	$ 157.29	$ 140.33	$ 163.49
S&P 500	$ 100.00	$ 101.38	$ 113.51	$ 138.29	$ 132.23	$ 173.86
NASDAQ Bank Index	$ 100.00	$ 102.21	$ 129.34	$ 153.13	$ 128.02	$ 175.61

Item 6. Selected Financial Data

5-YEAR CONSOLIDATED SUMMARY OF FINANCIAL RESULTS
(dollars in thousands, except per-share data)

	2019	2018	2017	2016	2015
SUMMARY OF INCOME					
Interest income	**$ 825,306**	$ 758,514	$ 668,866	$ 603,100	$ 583,789
Interest expense	**176,917**	128,058	93,502	82,328	83,795
Net interest income	**648,389**	630,456	575,364	520,772	499,994
Provision for credit losses	**32,825**	46,907	23,305	13,182	2,250
Investment securities gains, net	**4,733**	37	9,071	2,550	9,066
Non-interest income, excluding net investment securities gains	**211,427**	195,488	198,903	187,628	172,773
Loss on redemption of trust preferred securities	**—**	—	—	—	5,626
Prepayment penalty on FHLB advances	**4,326**	—	—	—	—
Non-interest expense [1]	**563,410**	546,104	525,579	489,519	474,534
Income before income taxes	**263,988**	232,970	234,454	208,249	199,423
Income taxes	**37,649**	24,577	62,701	46,624	49,921
Net income	**$ 226,339**	$ 208,393	$ 171,753	$ 161,625	$ 149,502
PER SHARE					
Net income (basic)	**$ 1.36**	$ 1.19	$ 0.98	$ 0.93	$ 0.85
Net income (diluted)	**1.35**	1.18	0.98	0.93	0.85
Cash dividends	**0.56**	0.52	0.47	0.41	0.38
RATIOS					
Return on average assets	**1.06%**	1.03%	0.88%	0.88%	0.86%
Return on average equity	**9.81**	9.24	7.83	7.69	7.38
Return on average tangible equity [2]	**12.84**	12.09	10.33	10.30	10.01
Net interest margin	**3.36**	3.40	3.28	3.18	3.21
Efficiency ratio [2]	**63.7**	63.8	64.5	67.2	68.6
Dividend payout ratio	**41.5**	44.1	48.0	44.1	44.7
PERIOD-END BALANCES					
Total assets	**$ 21,886,040**	$ 20,682,152	$ 20,036,905	$ 18,944,247	$ 17,914,718
Investment securities	**2,867,378**	2,686,973	2,547,956	2,559,227	2,484,773
Loans and leases, net of unearned income	**16,837,526**	16,165,800	15,768,247	14,699,272	13,838,602
Deposits	**17,393,913**	16,376,159	15,797,532	15,012,864	14,132,317
Short-term borrowings	**883,241**	754,777	617,524	541,317	497,663
FHLB advances and long-term debt	**881,769**	992,279	1,038,346	929,403	949,542
Shareholders' equity	**2,342,176**	2,247,573	2,229,857	2,121,115	2,041,894
AVERAGE BALANCES					
Total assets	**$ 21,258,040**	$ 20,183,202	$ 19,580,367	$ 18,371,173	$ 17,406,843
Investment securities	**2,778,846**	2,662,800	2,547,914	2,469,564	2,347,810
Loans and leases, net of unearned income	**16,430,347**	15,815,263	15,236,612	14,128,064	13,330,973
Deposits	**16,766,561**	15,832,606	15,481,221	14,585,545	13,747,113
Short-term borrowings	**849,679**	785,923	533,564	395,727	323,772
FHLB advances and long-term debt	**942,600**	977,573	1,034,444	959,142	1,023,972
Shareholders' equity	**2,306,070**	2,255,764	2,193,863	2,100,634	2,026,883

(1) Excluding loss on redemption of trust preferred securities and prepayment penalty on FHLB advances.

(2) Ratio represents a financial measure derived by methods other than Generally Accepted Accounting Principles ("GAAP"). See reconciliation of this non-GAAP financial measure to the most directly comparable GAAP measure under the following heading, "Supplemental Reporting of Non-GAAP Based Financial Measures" below.

Supplemental Reporting of Non-GAAP Based Financial Measures

This Annual Report on Form 10-K contains supplemental financial information, as detailed below, which has been derived by methods other than Generally Accepted Accounting Principles ("GAAP"). The Corporation has presented these non-GAAP financial measures because it believes that these measures provide useful and comparative information to assess trends in the Corporation's results of operations. Presentation of these non-GAAP financial measures is consistent with how the Corporation evaluates its performance internally, and these non-GAAP financial measures are frequently used by securities analysts, investors and other interested parties in the evaluation of companies in the Corporation's industry. Management believes that these non-GAAP financial measures, in addition to GAAP measures, are also useful to investors to evaluate the Corporation's results. Investors should recognize that the Corporation's presentation of these non-GAAP financial measures might not be comparable to similarly-titled measures of other companies. These non-GAAP financial measures should not be considered a substitute for GAAP basis measures, and the Corporation strongly encourages a review of its consolidated financial statements in their entirety. Following are reconciliations of these non-GAAP financial measures to the most directly comparable GAAP measure as of and for the year ended December 31:

	2019	2018	2017	2016	2015
	(in thousands, except per share data and percentages)				
Return on average tangible equity					
Net income	**$ 226,339**	$ 208,393	$ 171,753	$ 161,625	$ 149,502
Plus: Intangible amortization, net of tax	**1,127**	—	—	—	161
Numerator	**$ 227,466**	$ 208,393	$ 171,753	$ 161,625	$ 149,663
Average common shareholders' equity	**$ 2,306,070**	$ 2,255,764	$ 2,193,863	$ 2,100,634	$ 2,026,883
Less: Average goodwill and intangible assets	**(534,120)**	(531,556)	(531,556)	(531,556)	(531,618)
Average tangible shareholders' equity (denominator)	**$ 1,771,950**	$ 1,724,208	$ 1,662,307	$ 1,569,078	$ 1,495,265
Return on average tangible equity	**12.84%**	12.09%	10.33%	10.30%	10.01%
Efficiency ratio					
Non-interest expense	**$ 567,736**	$ 546,104	$ 525,579	$ 489,519	$ 480,160
Less: Amortization of tax credit investments	**(6,021)**	(11,449)	(11,028)	—	—
Less: Intangible amortization	**(1,427)**	—	—	—	(247)
Less: Loss on redemption of trust preferred securities	**—**	—	—	—	(5,626)
Less: Prepayment penalty on FHLB advances	**(4,326)**	—	—	—	—
Numerator	**$ 555,962**	$ 534,655	$ 514,551	$ 489,519	$ 474,287
Net interest income (fully taxable equivalent) (1)	**$ 661,356**	$ 642,577	$ 598,565	$ 541,271	$ 518,464
Plus: Total non-interest income	**216,160**	195,525	207,974	190,178	181,839
Less: Investment securities gains, net	**(4,733)**	(37)	(9,071)	(2,550)	(9,066)
Denominator	**$ 872,783**	$ 838,065	$ 797,468	$ 728,899	$ 691,237
Efficiency ratio	**63.7%**	63.8%	64.5%	67.2%	68.6%
Non-performing assets to tangible shareholders' equity and allowance for credit losses ("Texas Ratio")					
Non-performing assets (numerator)	**$ 147,986**	$ 150,196	$ 144,582	$ 144,453	$ 155,913
Tangible equity	**$ 1,806,873**	$ 1,716,017	$ 1,698,301	$ 1,589,559	$ 1,510,338
Plus: Allowance for credit losses	**166,209**	169,410	176,084	171,325	171,412
Tangible shareholders' equity and allowance for credit losses (denominator)	**$ 1,973,082**	$ 1,885,427	$ 1,874,385	$ 1,760,884	$ 1,681,750
Texas Ratio	**7.50%**	7.97%	7.71%	8.20%	9.27%

(1) Presented on a fully taxable equivalent basis, using a 21% federal tax rate for 2018 through 2019 and 35% for 2015 through 2017.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("Management's Discussion") relates to Fulton Financial Corporation (the "Corporation"), a financial holding company registered under the Bank Holding Company Act and incorporated under the laws of the Commonwealth of Pennsylvania in 1982, and its wholly owned subsidiaries. Management's Discussion should be read in conjunction with the consolidated financial statements and other financial information presented in this report.

FORWARD-LOOKING STATEMENTS

The Corporation has made, and may continue to make, certain forward-looking statements with respect to its financial condition, results of operations and business. Do not unduly rely on forward-looking statements. Forward-looking statements can be identified by the use of words such as "may," "should," "will," "could," "estimates," "predicts," "potential," "continue," "anticipates," "believes," "plans," "expects," "future," "intends," "projects," the negative of these terms and other comparable terminology. These forward looking statements may include projections of, or guidance on, the Corporation's future financial performance, expected levels of future expenses, anticipated growth strategies, descriptions of new business initiatives and anticipated trends in the Corporation's business or financial results.

Forward-looking statements are neither historical facts, nor assurance of future performance. Instead, they are based on current beliefs, expectations and assumptions regarding the future of the Corporation's business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of the Corporation's control, and actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, you should not unduly rely on any of these forward-looking statements. Any forward-looking statement is based only on information currently available and speaks only as of the date when made. The Corporation undertakes no obligation, other than as required by law, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Many factors could affect future financial results including, without limitation:

- the impact of adverse conditions in the economy and financial markets on the performance of the Corporation's loan and lease portfolio and demand for the Corporation's products and services;
- increases in non-performing assets, which may require the Corporation to increase the allowance for credit losses, charge off loans and leases and incur elevated collection and carrying costs related to such non-performing assets;
- investment securities gains and losses, including other-than-temporary declines in the value of securities which may result in charges to earnings;
- the effects of market interest rates, and the relative balances of interest rate-sensitive assets to interest rate-sensitive liabilities, on net interest margin and net interest income;
- the planned phasing out of LIBOR as a benchmark reference rate;
- the effects of changes in interest rates on demand for the Corporation's products and services;
- the effects of changes in interest rates or disruptions in liquidity markets on the Corporation's sources of funding;
- the effects of the extensive level of regulation and supervision to which the Corporation and Fulton Bank, N.A. ("Fulton Bank" or "the Bank") are subject;
- the effects of the significant amounts of time and expense associated with regulatory compliance and risk management;
- the potential for negative consequences from regulatory violations, investigations and examinations, or failure to comply with the BSA, the Patriot Act and related AML requirements, including potential supervisory actions, the assessment of fines and penalties, the imposition of sanctions and the need to undertake remedial actions;
- the continuing impact of the Dodd-Frank Act on the Corporation's business and results of operations;
- the effects of, and uncertainty surrounding, new legislation, changes in regulation and government policy, which could result in significant changes in banking and financial services regulation;
- the effects of actions by the federal government, including those of the Federal Reserve Board and other government agencies, that impact money supply and market interest rates;
- the effects of changes in U.S. federal, state or local tax laws;
- the effects of negative publicity on the Corporation's reputation;
- the effects of adverse outcomes in litigation and governmental or administrative proceedings;
- the potential to incur losses in connection with repurchase and indemnification payments related to sold loans;
- the Corporation's ability to achieve its growth plans;
- completed and potential acquisitions may affect costs and the Corporation may not be able to successfully integrate the acquired business or realize the anticipated benefits from such acquisitions;
- the effects of competition on deposit rates and growth, loan rates and growth and net interest margin;

- the Corporation's ability to manage the level of non-interest expenses, including salaries and employee benefits expenses, operating risk losses and goodwill impairment;
- the effects of changes in accounting policies, standards, and interpretations on the Corporation's reporting of its financial condition and results of operations;
- the impact of operational risks, including the risk of human error, inadequate or failed internal processes and systems, computer and telecommunications systems failures, faulty or incomplete data and an inadequate risk management framework;
- the impact of failures of third parties upon which the Corporation relies to perform in accordance with contractual arrangements;
- the failure or circumvention of the Corporation's system of internal controls;
- the loss of, or failure to safeguard, confidential or proprietary information;
- the Corporation's failure to identify and to address cyber-security risks, including data breaches and cyber-attacks;
- the Corporation's ability to keep pace with technological changes;
- the Corporation's ability to attract and retain talented personnel;
- capital and liquidity strategies, including the Corporation's ability to comply with applicable capital and liquidity requirements, and the Corporation's ability to generate capital internally or raise capital on favorable terms;
- the Corporation's reliance on its subsidiaries for substantially all of its revenues and its ability to pay dividends or other distributions; and
- the effects of any downgrade in the Corporation's or Fulton Bank's credit ratings on their borrowing costs or access to capital markets.

OVERVIEW

The Corporation is a financial holding company, which, through its wholly owned banking subsidiary, provides a full range of retail and commercial financial services in Pennsylvania, Delaware, Maryland, New Jersey and Virginia. During 2018, the Corporation consolidated two of its wholly owned banking subsidiaries into its lead bank, Fulton Bank, and during 2019, the remaining three wholly owned banking subsidiaries were consolidated into Fulton Bank.

The Corporation generates the majority of its revenue through net interest income, or the difference between interest earned on loans and investments and interest paid on deposits and borrowings. Growth in net interest income is dependent upon balance sheet growth and maintaining or increasing the net interest margin, which is net interest income (fully taxable-equivalent, or "FTE") as a percentage of average interest-earning assets. The Corporation also generates revenue through fees earned on the various services and products offered to its customers and through gains on sales of assets, such as loans, investments and properties. Offsetting these revenue sources are provisions for credit losses on loans and leases and off-balance sheet credit risks, non-interest expenses and income taxes.

The following table presents a summary of the Corporation's earnings and selected performance ratios:

	2019	2018
Net income (in thousands)	**$ 226,339**	$ 208,393
Diluted net income per share	**$ 1.35**	$ 1.18
Return on average assets	**1.06%**	1.03%
Return on average equity	**9.81%**	9.24%
Return on average tangible equity (1)	**12.84%**	12.09%
Net interest margin (2)	**3.36%**	3.40%
Efficiency ratio (1)	**63.7%**	63.8%
Non-performing assets to total assets	**0.68%**	0.73%
Annualized net charge-offs to average loans and leases	**0.22%**	0.34%

(1) Ratio represents a financial measure derived by methods other than U.S. Generally Accepted Accounting Principles ("GAAP"). See reconciliation of this non-GAAP financial measure to the most directly comparable GAAP measure under the heading, "Supplemental Reporting of Non-GAAP Based Financial Measures," in Item 6. Selected Financial Data.

(2) Presented on an FTE basis, using a 21% Federal tax rate and statutory interest expense disallowances. See also the "Net Interest Income" section of Management's Discussion.

Following is a summary of the financial highlights for the year ended December 31, 2019:

- Net Income Per Share Growth - Diluted net income per share increased $0.17, or 14.4%, to $1.35 in 2019 compared to $1.18 in 2018. The growth in net income per share was due to a $17.9 million, or 8.6%, increase in net income and the impact of an 8.8 million, or 5.0%, decrease in weighted average diluted shares outstanding in comparison to 2018. The increase in net income was driven by a $17.9 million, or 2.8%, increase in net interest income, a $14.1 million decrease in the provision for credit losses, a $15.9 million, or 8.1%, increase in non-interest income, and a $4.7 million increase in investment securities gains, partially offset by a $21.6 million, or 4.0%, increase in non-interest expense and a $13.1 million increase in income taxes.

- Net Interest Income Growth - The $17.9 million increase in net interest income resulted from growth in interest-earning assets, partially offset by the impact of a lower net interest margin.

    - Net Interest Margin - For the year ended December 31, 2019, the net interest margin decreased 4 basis points, or 1.2%, in comparison to 2018, driven by an 18 basis point increase in yields on interest-earning assets, being more than offset by a 22 basis point increase in the cost of funds.

    - Loan and Lease Growth - Average loans and leases increased $615.1 million, or 3.9%, in comparison to 2018, with notable increases in residential and commercial mortgages and commercial loans. Loan and lease growth occurred throughout all geographic markets.

    - Deposit Growth - Average deposits increased $934.0 million, or 5.9%, in comparison to 2018. The increase was the result of growth in all deposit types. At December 31, 2019, the loan-to-deposit ratio was 96.8%, as compared to 98.7% at December 31, 2018.

- Provision for Credit Losses - The provision for credit losses decreased $14.1 million, to $32.8 million, for the year ended December 31, 2019. During 2018, the Corporation recorded a $36.8 million provision related to fraud committed by a single, large commercial relationship ("Commercial Relationship"). In 2019, the Corporation recorded a $20.0 million provision for a certain commercial borrower.

- Non-Interest Income - Non-interest income, excluding securities gains, increased $15.9 million, or 8.2%, in comparison to 2018. Increases were experienced in wealth management, commercial and consumer banking and mortgage banking.

- Investment Securities Gains - Investment securities gains totaled $4.7 million in 2019, as compared to $37,000 in 2018. During the third quarter of 2019, the Corporation completed a balance sheet restructuring, which included the sale of approximately $400 million of investment securities and a corresponding prepayment of Federal Home Loan Bank ("FHLB") advances. As a result of these transactions, $4.5 million of investment securities gains were realized. See Note 3, "Investment Securities," in the Notes to Consolidated Financial Statements for additional details.

- Non-Interest Expense - Non-interest expense increased $21.6 million, or 4.0%, in comparison to 2018, driven largely by higher salaries and employee benefits expense, other outside services and data processing and software expenses. Partially offsetting these increases was a reduction in amortization of tax credit investments, FDIC insurance expense due to the recognition of $3.2 million in assessment credits in 2019 and professional fees. In addition, the Corporation recorded $4.3 million of prepayment penalties on certain FHLB advances in conjunction with the above-mentioned balance sheet restructuring.

    In connection with the consolidation of the Corporation's subsidiary banks into Fulton Bank ("Charter Consolidation"), expenses totaling $10.9 million and $3.6 million were incurred in 2019 and 2018, respectively.

- Income Taxes - Income tax expense for 2019 resulted in an effective tax rate ("ETR") of 14.3%, as compared to 10.5% for 2018. The increase in the ETR was primarily a result of higher income before income taxes and from realizing a one-time tax benefit associated with legislative changes enacted in New Jersey in the third quarter of 2018. The ETR is generally lower than the federal statutory rate of 21% due to tax-exempt interest income earned on loans, investments in tax-free municipal securities and investments in community development projects that generate tax credits under various federal programs.

CRITICAL ACCOUNTING POLICIES

The following is a summary of those accounting policies that the Corporation considers to be most important to the presentation of its financial condition and results of operations, because they require management's most difficult judgments as a result of the need to make estimates about the effects of matters that are inherently uncertain. See additional information regarding these critical accounting policies in "Note 1 - Summary of Significant Accounting Policies," in the Notes to the Consolidated Financial Statements in Item 8. "Financial Statements and Supplementary Data."

Allowance for Credit Losses - The allowance for credit losses consists of the allowance for loan and lease losses and the reserve for unfunded lending commitments. The allowance for loan and lease losses represents management's estimate of incurred losses in the portfolio as of the balance sheet date and is recorded as a reduction to loans and/or leases. The reserve for unfunded lending commitments represents management's estimate of losses inherent in its unfunded loan and lease commitments and letters of credit and is recorded in other liabilities on the consolidated balance sheet.

The Corporation's allowance for loan and lease losses includes: 1) specific allowances allocated to loans and leases evaluated for impairment under the Financial Accounting Standards Board's Accounting Standards Codification ("ASC") Section 310-10-35; and 2) allowances calculated for pools of loans and leases evaluated for impairment under ASC Subtopic 450-20.

Management's estimate of incurred losses in the loan and lease portfolio is based on a methodology that includes the following critical judgments:

- ***Identification of potential problem loans and leases in a timely manner.*** For commercial loans, commercial mortgages and construction loans to commercial borrowers, an internal risk rating process is used. The Corporation believes that internal risk ratings are the most relevant credit quality indicator for these types of loans. The migration of loans through the various internal risk rating categories is a significant component of the allowance for credit losses methodology for these loans, which bases the probability of default on this migration. Assigning risk ratings involves judgment. The Corporation's loan review officers provide an independent assessment of risk rating accuracy. Ratings may be changed based on the ongoing monitoring procedures performed by loan officers or credit administration staff, or if specific loan review assessments identify a deterioration or an improvement in the loan.

  The Corporation does not assign internal risk ratings for residential mortgages, home equity loans, consumer loans, lease receivables, and construction loans to individuals secured by residential real estate, as these portfolios consist of a larger number of loans with smaller balances. Instead, these portfolios are evaluated for risk through the monitoring of delinquency status.

- ***Proper collateral valuation of impaired loans and leases evaluated for impairment under ASC Section 310-10-35.*** Substantially all of the Corporation's impaired loans and leases to borrowers with total outstanding loan and lease balances greater than or equal to $1.0 million are measured based on the estimated fair value of each loan and lease's collateral. Collateral could be in the form of real estate, in the case of impaired commercial mortgages and construction loans, or business assets, such as accounts receivable or inventory, in the case of commercial loans. Commercial loans may also be secured by real property.

  For loans secured by real estate, estimated fair values are determined primarily through appraisals performed by state certified third-party appraisers, discounted to arrive at expected net sale proceeds. For collateral-dependent loans, estimated real estate fair values are also net of estimated selling costs. When a real estate-secured loan becomes impaired, a decision is made regarding whether an updated appraisal of the real estate is necessary. This decision is based on various considerations, including: the age of the most recent appraisal; the loan-to-value ratio based on the original appraisal; the condition of the property; the Corporation's experience and knowledge of the real estate market; the purpose of the loan; market factors; payment status; the strength of any guarantors; and the existence and age of other indications of value such as broker price opinions, among others. The Corporation generally obtains updated appraisals performed by state certified third-party appraisers for impaired loans secured predominately by real estate every 12 months.

  When updated appraisals are not obtained for loans evaluated for impairment under FASB ASC Section 310-10-35 that are secured by real estate, fair values are estimated based on the original appraisal values, as long as the original appraisal indicated an acceptable loan-to-value position and, in the opinion of the Corporation's internal credit administration staff, there has not been a significant deterioration in the collateral value since the original appraisal was performed.

- ***Proper measurement of allowance needs for pools of loans and leases under FASB ASC Subtopic 450-20.*** For loan and lease loss allocation purposes, loans and leases are segmented into pools with similar characteristics. These pools are established by general loan and lease type, or "portfolio segments," as presented in the table under the heading, "Loans and Leases, net of unearned income," within "Note 4 - Loans and Leases and Allowance for Credit Losses," in the Notes to Consolidated Financial Statements in Item 8. "Financial Statements and Supplementary Data." Certain portfolio segments are further disaggregated and evaluated collectively for impairment based on "class segments," which are largely based on the type of collateral underlying each loan or lease. For commercial loans, class segments include loans secured by collateral and unsecured loans. Construction loan class segments include loans secured by commercial real estate, loans to commercial borrowers secured by residential real estate and loans to individuals secured by residential real estate. Consumer loan class segments are based on collateral types and include direct consumer installment loans, home equity loans and indirect automobile loans. Equipment lease financing includes commercial vehicle, construction, manufacturing and medical equipment leases.

Commercial loans, commercial mortgages and construction loans to commercial borrowers are further segmented into separate pools based on internally assigned risk ratings. Residential mortgages, home equity loans, consumer loans, and lease receivables are further segmented into separate pools based on delinquency status.

A loss rate is calculated for each pool through a migration analysis based on historical losses as loans and leases migrate through the various risk rating or delinquency categories. Estimated loss rates are based on a probability of default and a loss given default. The loss rate is adjusted to consider qualitative factors, such as economic conditions and trends.

- ***Overall assessment of the risk profile of the loan and lease portfolio.*** The allocation of the allowance for credit losses is reviewed to evaluate its appropriateness in relation to the overall risk profile of the loan and lease portfolio. The Corporation considers risk factors such as: local and national economic conditions; trends in delinquencies and non-accrual loans and leases; the diversity of borrower industry types; and the composition of the portfolio by loan and lease type. Prior to 2017, the Corporation maintained an unallocated allowance for credit losses for factors and conditions that exist at the balance sheet date, but are not specifically identifiable, and to recognize the inherent imprecision in estimating and measuring loss exposure. In 2017, enhancements were made to allow for the impact of these factors and conditions to be quantified in the allowance allocation process. Accordingly, an unallocated allowance for credit losses is no longer necessary.

For additional details related to the allowance for credit losses, see "Note 4 - Loans and Leases and Allowance for Credit Losses," in the Notes to Consolidated Financial Statements in Item 8. "Financial Statements and Supplementary Data."

Goodwill - Goodwill recorded in connection with acquisitions is not amortized to expense, but is tested at least annually for impairment. A quantitative annual impairment test is not required if, based on a qualitative analysis, the Corporation determines that the existence of events and circumstances indicate that it is more likely than not that goodwill is not impaired. The Corporation completes its annual goodwill impairment test in October of each year.

Reporting unit valuation is inherently subjective, with a number of factors based on assumptions and management judgments. Among these are future growth rates for the reporting units, selection of comparable market transactions, discount rates and earnings capitalization rates. Changes in assumptions and results due to economic conditions, industry factors and reporting unit performance could result in different assessments of the fair values of reporting units and could result in impairment charges.

For additional details related to the annual goodwill impairment test, see "Note 6 - Goodwill and Intangible Assets," in the Notes to Consolidated Financial Statements in Item 8. "Financial Statements and Supplementary Data."

Income Taxes – The provision for income taxes is based upon income before income taxes, adjusted for the effect of certain tax-exempt income, non-deductible expenses and credits. In addition, certain items of income and expense are reported in different periods for financial reporting and tax return purposes. The tax effects of these temporary differences are recognized currently in the deferred income tax provision or benefit. Deferred tax assets or liabilities are computed based on the difference between the financial statement and income tax bases of assets and liabilities using the applicable enacted marginal tax rate.

The Corporation must also evaluate the likelihood that deferred tax assets will be recovered through future taxable income. If any such assets are more likely than not to not be recovered, a valuation allowance must be recognized. The assessment of the carrying value of deferred tax assets is based on certain assumptions, changes in which could have a material impact on the Corporation's consolidated financial statements.

On a periodic basis, the Corporation evaluates its income tax positions based on tax laws, regulations and financial reporting considerations, and records adjustments as appropriate. Recognition and measurement of tax positions is based upon management's evaluations of current taxing authorities' examinations of the Corporation's tax returns, recent positions taken by the taxing authorities on similar transactions and the overall tax environment.

Fair Value Measurements – Assets and liabilities are categorized in a fair value hierarchy for the inputs to valuation techniques used to measure at fair value based on the following categories (from highest to lowest priority):

- Level 1 – Inputs that represent quoted prices for identical instruments in active markets.
- Level 2 – Inputs that represent quoted prices for similar instruments in active markets, or quoted prices for identical instruments in non-active markets. Also includes valuation techniques whose inputs are derived principally from observable market data other than quoted prices, such as interest rates or other market-corroborated means.
- Level 3 – Inputs that are largely unobservable, as little or no market data exists for the instrument being valued.

The determination of fair value for assets categorized as Level 3 items involves a great deal of subjectivity due to the use of unobservable inputs. In addition, determining when a market is no longer active and placing little or no reliance on distressed market prices requires the use of management's judgment. The Corporation's Level 3 assets include available for sale debt securities in the form of pooled trust preferred securities, certain single-issuer trust preferred securities issued by financial institutions and auction rate securities. The Corporation also categorizes impaired loans and leases, net of allowance, other real estate owned ("OREO") and mortgage servicing rights ("MSRs") as Level 3 assets measured at fair value on a nonrecurring basis.

The Corporation engages third-party valuation experts to assist in valuing interest rate swap derivatives and most available-for-sale investment securities, both measured at fair value on a recurring basis, and MSRs, which are measured at fair value on a non-recurring basis. The pricing data and market quotes the Corporation obtains from outside sources are reviewed internally for reasonableness.

For additional details see "Note 19 - Fair Value Measurements," in the Notes to Consolidated Financial Statements in Item 8. "Financial Statements and Supplementary Data."

Recently Issued Accounting Standards

For a description of accounting standards recently issued, but not yet adopted by the Corporation, see "Recently Issued Accounting Standards," in "Note 1 - Summary of Significant Accounting Policies" in the Notes to Consolidated Financial Statements in Item 8. "Financial Statements and Supplementary Data."

RESULTS OF OPERATIONS

Net Interest Income

Net interest income is the most significant component of the Corporation's net income. The Corporation manages the risk associated with changes in interest rates through the techniques described within Item 7A, "Quantitative and Qualitative Disclosures About Market Risk." The following table provides a comparative average balance sheet and net interest income analysis for 2019 compared to 2018 and 2017. Interest income and yields are presented on an FTE basis, using a 21% federal tax rate for 2019 and 2018 and 35% for 2017, as well as statutory interest expense disallowances. The discussion following this table is based on these tax-equivalent amounts.

	2019			2018			2017		
	Average Balance	**Interest (1)**	**Yield/ Rate**	Average Balance	Interest (1)	Yield/ Rate	Average Balance	Interest (1)	Yield/ Rate
					(dollars in thousands)				
ASSETS									
Interest-earning assets:									
Loans and leases, net of unearned income (2)	**$16,430,347**	**$ 747,119**	**4.55%**	$15,815,263	$ 691,954	4.38%	$15,236,612	$ 620,803	4.07%
Taxable investment securities (3)	**2,278,448**	**62,556**	**2.74**	2,246,555	56,039	2.49	2,132,426	47,029	2.21
Tax-exempt investment securities (3)	**500,398**	**17,998**	**3.57**	416,119	15,285	3.65	407,157	17,794	4.37
Equity securities (3)	**—**	**—**	**—**	126	5	3.97	8,331	500	6.00
Total investment securities	**2,778,846**	**80,554**	**2.89**	2,662,800	71,329	2.68	2,547,914	65,323	2.56
Loans held for sale	**25,795**	**1,351**	**5.24**	22,970	1,159	5.05	20,008	876	4.38
Other interest-earning assets	**445,008**	**9,249**	**2.08**	382,569	6,193	1.62	451,015	5,066	1.12
Total interest-earning assets	**19,679,996**	**838,273**	**4.26**	18,883,602	770,635	4.08	18,255,549	692,068	3.79
Noninterest-earning assets:									
Cash and due from banks	**119,144**			104,595			108,523		
Premises and equipment	**239,376**			231,762			219,960		
Other assets (3)	**1,385,689**			1,123,857			1,168,759		
Less: Allowance for loan and lease losses	**(166,165)**			(160,614)			(172,424)		
Total Assets	**$21,258,040**			$20,183,202			$19,580,367		
LIABILITIES AND EQUITY									
Interest-bearing liabilities:									
Demand deposits	**$ 4,384,059**	**$ 33,348**	**0.76%**	$ 4,063,929	$ 22,789	0.56%	$ 3,831,865	$ 12,976	0.34%
Savings deposits	**5,018,381**	**41,823**	**0.83**	4,684,023	27,226	0.58	4,468,205	13,477	0.30
Brokered deposits	**245,483**	**5,779**	**2.35**	121,863	2,480	2.04	49,126	613	1.25
Time deposits	**2,869,344**	**50,825**	**1.77**	2,675,670	35,217	1.32	2,721,724	30,726	1.13
Total interest-bearing deposits	**12,517,267**	**131,775**	**1.05**	11,545,485	87,712	0.76	11,070,920	57,792	0.52
Short-term borrowings	**849,679**	**14,543**	**1.70**	785,923	8,489	1.07	533,564	2,779	0.52
FHLB advances and long-term debt	**942,600**	**30,599**	**3.25**	977,573	31,857	3.26	1,034,444	32,932	3.18
Total interest-bearing liabilities	**14,309,546**	**176,917**	**1.24**	13,308,981	128,058	0.96	12,638,928	93,503	0.74
Noninterest-bearing liabilities:									
Demand deposits	**4,249,294**			4,287,121			4,410,301		
Total deposits	**16,766,561**			15,832,606			15,481,221		
Other liabilities	**393,130**			331,336			337,275		
Total Liabilities	**18,951,970**			17,927,438			17,386,504		
Total Interest-bearing liabilities and non interest-bearing deposits ("Cost of Funds")	**18,558,840**		**0.95**	17,596,102		0.73	17,049,229		0.55
Shareholders' equity	**2,306,070**			2,255,764			2,193,863		
Total Liabilities and Shareholders' Equity	**$21,258,040**			$20,183,202			$19,580,367		
Net interest income/net interest margin (FTE)		**661,356**	**3.36%**		642,577	3.40%		598,565	3.28%
Tax equivalent adjustment		**(12,967)**			(12,121)			(23,201)	
Net interest income		**$ 648,389**			$ 630,456			$ 575,364	

(1) Includes dividends earned on equity securities.
(2) Average balances include non-performing loans and leases.
(3) Average balances include amortized historical cost for available for sale securities; the related unrealized holding gains (losses) are included in other assets.

The following table summarizes the changes in FTE interest income and interest expense resulting from changes in average balances (volumes) and changes in rates:

	2019 vs. 2018 Increase (decrease) due to change in			2018 vs. 2017 Increase (decrease) due to change in		
	Volume	**Rate**	**Net**	Volume	Rate	Net
	(in thousands)					
Interest income on:						
Loans and leases	**$ 27,465**	**$ 27,702**	**$ 55,167**	$ 24,166	$ 46,985	$ 71,151
Taxable investment securities	**797**	**5,720**	**6,517**	2,622	6,388	9,010
Tax-exempt investment securities	**2,744**	**(31)**	**2,713**	395	(2,904)	(2,509)
Equity securities	**(5)**	**—**	**(5)**	(368)	(127)	(495)
Loans held for sale	**148**	**44**	**192**	139	144	283
Other interest-earning assets	**1,117**	**1,939**	**3,056**	(854)	1,981	1,127
Total interest income	**$ 32,266**	**$ 35,374**	**$ 67,640**	$ 26,100	$ 52,467	$ 78,567
Interest expense on:						
Demand deposits	**$ 1,912**	**$ 8,647**	**$ 10,559**	$ 842	$ 8,971	$ 9,813
Savings deposits	**2,055**	**12,542**	**14,597**	683	13,066	13,749
Brokered deposits	**2,870**	**429**	**3,299**	1,311	556	1,867
Time deposits	**2,740**	**12,868**	**15,608**	(527)	5,018	4,491
Short-term borrowings	**735**	**5,319**	**6,054**	1,746	3,964	5,710
FHLB advances and long-term debt	**(1,126)**	**(132)**	**(1,258)**	(1,839)	764	(1,075)
Total interest expense	**$ 9,186**	**$ 39,673**	**$ 48,859**	$ 2,216	$ 32,339	$ 34,555

Note: Changes which are partially attributable to both volume and rate are allocated to the volume and rate components presented above based on the percentage of the direct changes that are attributable to each component.

Comparison of 2019 to 2018

The Federal Open Market Committee ("FOMC") increased the target federal funds rate ("Fed Funds Rate") by 25 basis points in each of March, June, September and December of 2018. During 2019, the FOMC decreased the Fed Funds Rate by 25 basis points in each of August, September and October. These changes in the Fed Funds Rate resulted in corresponding increases or decreases to the index rates for the Corporation's variable and adjustable rate loans, primarily the prime rate and the London Interbank Offered Rate ("LIBOR") as well as for certain interest-bearing liabilities.

FTE net interest income increased $18.8 million, or 2.9%, to $661.4 million in 2019. Net interest margin decreased 4 basis points to 3.36% in 2019 from 3.40% in 2018. As summarized above, FTE interest income increased $35.4 million as the result of an 18 basis point increase in the yield on interest-earning assets, and increased $32.3 million as the result of a $796.4 million, or 4.2%, increase in average interest-earning assets, primarily loans and leases. The average yield on the loan and lease portfolio increased 17 basis points, to 4.55%, largely due to the aforementioned increases in the Fed Funds Rate in 2018 and corresponding increases to loan index rates. All variable and certain adjustable rate loans repriced to higher rates as a result of these interest rate increases, and yields on new loan originations exceeded the average yield on the loan portfolio. Adjustable rate loans reprice on dates specified in the loan agreements, which may be later than the date the Fed Funds Rate and related loan index rates increase or decrease. Therefore, the benefit of increases or the reverse effect of decreases in index rates on adjustable rate loans may not be fully realized until future periods.

Interest expense increased $48.9 million, with a 28 basis point increase in the rate on average interest-bearing liabilities contributing $39.7 million to this increase. The rates on average interest-bearing time, savings accounts and demand deposits increased 45, 25 and 20 basis points, respectively. These rate increases contributed $12.9 million, $12.5 million and $8.6 million, respectively, to the increase in interest expense. In addition, the 63 basis point increase in the rates on short-term borrowings contributed $5.3 million to the increase in interest expense.

Assuming no further changes in the Fed Funds Rate, as a result of the interest rate decreases in the second half of 2019, yields on the loan portfolio are likely to decrease in the future. Deposit cost changes typically lag the changes in the loan yields as most deposit rates are not directly tied to an index.

Average loans and leases and average FTE yields, by type, are summarized in the following table:

	2019		2018		Increase (Decrease) in Balance	
	Balance	**Yield**	Balance	Yield	$	%
	(dollars in thousands)					
Real estate - commercial mortgage	**$ 6,463,783**	**4.56%**	$ 6,314,349	4.38%	$ 149,434	2.4%
Commercial - industrial, financial and agricultural	**4,473,549**	**4.52**	4,314,584	4.32	158,965	3.7
Real estate - residential mortgage	**2,441,684**	**4.05**	2,085,258	3.93	356,426	17.1
Real estate - home equity	**1,382,908**	**5.23**	1,493,620	4.91	(110,712)	(7.4)
Real estate - construction	**928,183**	**4.79**	965,835	4.45	(37,652)	(3.9)
Consumer	**448,205**	**4.42**	361,186	4.54	87,019	24.1
Equipment lease financing	**279,489**	**4.40**	270,967	4.60	8,522	3.1
Other	**12,546**	**N/A**	9,464	N/A	3,082	32.6
Total loans and leases	**$ 16,430,347**	**4.55%**	$15,815,263	4.38%	$ 615,084	3.9%

N/A - Not applicable

Average loans and leases increased $615.1 million, or 3.9%, which contributed $27.5 million to the increase in FTE interest income. In addition, the average yield on the loan and lease portfolio increased 17 basis points, contributing $27.7 million to the increase in FTE interest income. As mentioned above, the increase in average yields on loans and leases was driven by the repricing of existing variable and adjustable rate loans as a result of increases in the prime rate and LIBOR during 2018 that were only partially offset by decreases in those same rates that occurred in the second half of 2019.

Average investment securities increased $116.0 million, or 4.4%, in comparison to 2018, which contributed $9.2 million to the increase in FTE interest income. The average yield on investment securities increased 21 basis points, contributing $5.7 million to the increase in FTE interest income. Other interest-earning assets increased $62.4 million, or 16.3%, primarily the result of an increase in cash pledged with counterparties for commercial loan interest rate swap contracts. The yield on other interest-earning assets increased 46 basis points in comparison to 2018, as a result of the Fed Funds Rate increases during 2018 that were only partially offset by the decreases during 2019, resulting in a $1.9 million increase in FTE interest income.

Average deposits and interest rates, by type, are summarized in the following table:

	2019		2018		Increase (Decrease) in Balance	
	Balance	**Rate**	Balance	Rate	$	%
	(dollars in thousands)					
Noninterest-bearing demand	**$ 4,249,294**	**—%**	$ 4,287,121	—%	$ (37,827)	(0.9)%
Interest-bearing demand	**4,384,059**	**0.76**	4,063,929	0.56	320,130	7.9
Savings and money market accounts	**5,018,381**	**0.83**	4,684,023	0.58	334,358	7.1
Total demand and savings	**13,651,734**	**0.44**	13,035,073	0.38	616,661	4.7
Brokered deposits	**245,483**	**2.35**	121,863	2.04	123,620	101.4
Time deposits	**2,869,344**	**1.77**	2,675,670	1.32	193,674	7.2
Total deposits	**$ 16,766,561**	**0.79%**	$15,832,606	0.55%	$ 933,955	5.9 %

Average interest-bearing deposits contributed $44.1 million to the increase in interest expense, increasing $971.8 million, or 8.4%, in comparison to 2018. The average cost of interest-bearing deposits increased 29 basis points to 1.05% in 2019 from 0.76% in 2018, due to increases in the rates on all types of interest-bearing deposits as a result of the Fed Funds Rate increases and related market competition that occurred in 2018, and was only partially impacted by decreases to the Fed Funds Rate that occurred in 2019.

Average brokered deposits increased $123.6 million, to $245.5 million, as a result of continued growth of brokered deposit programs introduced in 2018.

Average borrowings and interest rates, by type, are summarized in the following table:

	2019		2018		Increase (Decrease) in Balance	
	Balance	**Rate**	Balance	Rate	$	%
			(dollars in thousands)			
Short-term borrowings:						
Total short-term customer funding [(1)]	**355,983**	**0.77**	446,668	0.48	(90,685)	(20.3)%
Federal funds purchased	**132,578**	**2.20**	229,715	1.70	(97,137)	(42.3)
Short-term FHLB advances and other borrowings [(2)]	**361,118**	**2.43**	109,540	2.20	251,578	229.7
Total short-term borrowings	**849,679**	**1.70**	785,923	1.07	63,756	8.1
FHLB advances and other long-term debt:						
FHLB advances	**555,229**	**2.38**	590,948	2.46	(35,719)	(6.0)
Other long-term debt	**387,371**	**4.48**	386,625	4.47	746	0.2
Total FHLB advances and other long-term debt	**942,600**	**3.25**	977,573	3.26	(34,973)	(3.6)
Total borrowings	**$ 1,792,279**	**2.51%**	$ 1,763,496	2.29%	$ 28,783	1.6 %

(1) Includes repurchase agreements and short-term promissory notes.
(2) Represents "FHLB" advances with an original maturity term of less than one year.

Total average borrowings increased $28.8 million, or 1.6%, while the total average cost of these funds increased 22 basis points, to 2.51%. Total average short-term borrowings increased $63.8 million, or 8.1%, due to an increase in short-term FHLB advances and other borrowings, partially offset by decreases in average short-term customer funding and federal funds purchased. The cost of average short-term borrowings increased 63 basis points to 1.70% in 2019, largely due to the annual average impact of Fed Funds Rate increases.

Average FHLB advances decreased $35.7 million, or 6.0%, and the average rate decreased 8 basis points as higher rate advances were paid off or matured and replaced with advances at lower average rates.

Comparison of 2018 to 2017

FTE net interest income increased $44.0 million, or 7.4%, to $642.6 million in 2018. Net interest margin increased 12 basis points to 3.40% in 2018 from 3.28% in 2017. Interest rate increases on both interest-earning assets and interest-bearing liabilities and the corresponding increases in FTE interest income and interest expense were largely the result of 25 basis point rate increases to the Fed Funds Rate in December of 2017 and March, June and September of 2018. The additional 25 basis point increase to the Fed Funds Rate in December of 2018 did not have a significant impact on the Corporation's financial results for the year ended December 31, 2018. The increases in the Fed Funds Rate resulted in corresponding increases to the index rates for the Corporation's variable and adjustable rate loans, primarily the prime rate and LIBOR.

As summarized above, FTE interest income increased $52.5 million as the result of a 29 basis point increase in the yield on interest-earning assets, and increased $26.1 million as the result of a $628.1 million, or 3.4%, increase in average interest-earning assets, primarily loans. The average yield on the loan portfolio increased 31 basis points, to 4.38%, largely due to the aforementioned increases in the Fed Funds Rate and corresponding increases to loan index rates. All variable and certain adjustable rate loans repriced to higher rates during 2018, and yields on new loan originations exceeded the average yield on the loan portfolio. Adjustable rate loans reprice on dates specified in the loan agreements, which may be later than the date the Fed Funds Rate and related loan index rates increase or decrease. Therefore, the benefit of increases in index rates on adjustable rate loans may not be fully realized until future periods.

Interest expense increased $34.6 million, with a 22 basis point increase in the rate on average interest-bearing liabilities contributing $32.3 million to this increase. The rates on average interest-bearing demand deposits and savings accounts increased 22 basis points and 28 basis points, respectively. These rate increases contributed $9.0 million and $13.1 million to the increase in interest expense, respectively. In addition, the 19 basis point and 55 basis point increases in the rates on time deposits and short-term borrowings contributed $5.0 million and $4.0 million, respectively, to the increase in interest expense.

Average loans and leases and average FTE yields, by type, are summarized in the following table:

	2018		2017		Increase (Decrease) in Balance	
	Balance	Yield	Balance	Yield	$	%
			(dollars in thousands)			
Real estate - commercial mortgage	**$ 6,314,349**	**4.38%**	$ 6,161,731	4.04%	$ 152,618	2.5%
Commercial - industrial, financial and agricultural	**4,314,584**	**4.32**	4,236,810	4.01	77,774	1.8
Real estate - home equity	**1,493,620**	**4.91**	1,582,705	4.38	(89,085)	(5.6)
Real estate - residential mortgage	**2,085,258**	**3.93**	1,779,270	3.80	305,988	17.2
Real estate - construction	**965,835**	**4.45**	921,879	4.08	43,956	4.8
Consumer	**361,186**	**4.54**	304,162	4.99	57,024	18.7
Equipment lease financing	**270,967**	**4.60**	244,740	4.45	26,227	10.7
Other	**9,464**	**N/A**	5,315	N/A	4,149	78.1
Total loans and leases	**$ 15,815,263**	**4.38%**	$ 15,236,612	4.07%	$ 578,651	3.8%

N/A - Not applicable

Average loans and leases increased $578.7 million, or 3.8%, which contributed $24.2 million to the increase in FTE interest income. In addition, the average yield on the loan and lease portfolio increased 31 basis points, contributing $47.0 million to the increase in FTE interest income. As mentioned above, the increase in average yields on loans was driven by the repricing of existing variable and adjustable rate loans as a result of increases in the prime rate and LIBOR.

Average investment securities increased $114.9 million, or 4.5%, in comparison to 2017, which contributed $2.6 million to the increase in FTE interest income. The average yield on investment securities increased 12 basis points, contributing $3.4 million to the increase in FTE interest income. Other interest-earning assets decreased $68.4 million, or 15.2%, reflecting lower balances on deposit with the Federal Reserve Bank ("FRB"). The yield on other interest-earning assets increased 50 basis points in comparison to 2017, as a result of the Fed Funds Rate increases, resulting in a $1.1 million increase in FTE interest income.

Average deposits and interest rates, by type, are summarized in the following table:

	2018		2017		Increase (Decrease) in Balance	
	Balance	Rate	Balance	Rate	$	%
			(dollars in thousands)			
Noninterest-bearing demand	$ 4,287,121	—%	$ 4,410,301	—%	$ (123,180)	(2.8)%
Interest-bearing demand	4,063,929	0.56	3,831,865	0.34	232,064	6.1
Savings and money market accounts	4,684,023	0.58	4,468,205	0.30	215,818	4.8
Total demand and savings	13,035,073	0.38	12,710,371	0.12	324,702	2.6
Brokered deposits	121,863	2.04	49,126	1.25	72,737	148.1
Time deposits	2,675,670	1.32	2,721,724	1.13	(46,054)	(1.7)
Total deposits	$ 15,832,606	0.55%	$15,481,221	0.37%	$ 351,385	2.3 %

Average interest-bearing deposits contributed $29.9 million to the increase in interest expense, increasing $474.6 million, or 4.3%, in comparison to 2017. The average cost of interest-bearing deposits increased 24 basis points, to 0.76%, in 2018 from 0.52% in 2017, due to increases in the rates on all types of interest-bearing deposits.

The $324.7 million, or 2.6%, increase in average total demand and savings account balances was primarily due to a $388.4 million, or 6.5%, increase in personal account balances, a $147.0 million increase in other account balances partially offset by decreases of $173.9 million, or 3.9%, and $36.8 million, or 1.9%, in business account balances and state and municipal account balances, respectively.

Total average borrowings increased $195.5 million, or 12.5%, while the total average cost of these funds increased one basis point to 2.29%. The increase in average short-term borrowings reflects the need for additional funding to support average loan growth, which outpaced increases in average deposits.

Average borrowings and interest rates, by type, are summarized in the following table:

	2018		2017		Increase in Balance	
	Balance	Rate	Balance	Rate	$	%
			(dollars in thousands)			
Short-term borrowings:						
Total short-term customer funding [1]	446,668	0.48	297,418	0.19	149,250	50.2 %
Federal funds purchased	229,715	1.70	163,102	0.92	66,613	40.8
Short-term FHLB advances [2]	109,540	2.20	73,044	0.94	36,496	50.0
Total short-term borrowings	785,923	1.07	533,564	0.52	252,359	47.3
FHLB advances and other long-term debt:						
FHLB Advances	590,948	2.46	640,737	2.31	(49,789)	(7.8)
Other long-term debt	386,625	4.47	393,707	4.61	(7,082)	(1.8)
Total FHLB advances and other long-term debt	977,573	3.26	1,034,444	3.18	(56,871)	(5.5)
Total borrowings	$ 1,763,496	2.29%	$ 1,568,008	2.28%	$ 195,488	12.5 %

(1) Includes repurchase agreements and short-term promissory notes.
(2) Represents FHLB advances with an original maturity term of less than one year.

Total average short-term borrowings increased $252.4 million, or 47.3%, due to an increase in average customer short-term promissory notes, federal funds purchased and short-term FHLB advances. The cost of average short-term borrowings increased 55 basis points, to 1.07%, in 2018, largely due to the Fed Funds Rate increases.

Average FHLB advances and other long-term debt decreased $56.9 million due mainly to the $49.8 million decrease in FHLB advances. The average rate on FHLB advances and other long-term debt increased 8 basis points, the net result of a 15 basis point increase on the rate of the FHLB advances, largely due to the Fed Funds Rate increases, and a 14 basis point decrease in other long-term debt.

Provision for Credit Losses

The provision for credit losses decreased $14.1 million, to $32.8 million, for the year ended December 31, 2019. During 2018, the Corporation recorded a $36.8 million provision related to fraud committed by the Commercial Relationship. In 2019, the Corporation recorded a $20.0 million provision for a certain commercial borrower. See additional details under "Provision and Allowance for Credit Losses" in the "Financial Condition" section below.

The provision for credit losses is recognized as an expense in the consolidated statements of income and is the amount necessary to adjust the allowance for credit losses to its appropriate balance, as determined through the Corporation's allowance methodology. The Corporation determines the appropriate level of the allowance for credit losses based on many quantitative and qualitative factors, including, but not limited to: the size and composition of the loan and lease portfolio, changes in risk ratings, changes in collateral values, delinquency levels, historical losses and economic conditions. See further discussion of the Corporation's allowance methodology under the heading "Critical Accounting Policies" above. For details related to the Corporation's allowance and provision for credit losses, see "Provision and Allowance for Credit Losses," under "Financial Condition" below.

Non-Interest Income and Expense

Comparison of 2019 to 2018

Non-Interest Income

The following table presents the components of non-interest income:

	2019	2018	Increase (Decrease) $	Increase (Decrease) %
	(dollars in thousands)			
Wealth management	**$ 55,678**	$ 52,148	$ 3,530	6.8%
Commercial banking:				
Merchant and card	**24,077**	23,427	650	2.8
Cash management	**18,392**	17,581	811	4.6
Commercial loan interest rate swap	**14,875**	9,831	5,044	51.3
Other	**13,773**	13,090	683	5.2
Total commercial banking	**71,117**	63,929	7,188	11.2
Consumer banking:				
Card	**20,515**	19,497	1,018	5.2
Overdraft	**17,949**	17,606	343	2.0
Other	**11,039**	11,319	(280)	(2.5)
Total consumer banking	**49,503**	48,422	1,081	2.2
Mortgage banking:				
Gain on sales of mortgage loans	**17,881**	13,021	4,860	37.3
Mortgage servicing	**5,218**	6,005	(787)	(13.1)
Total mortgage banking	**23,099**	19,026	4,073	21.4
Other	**12,030**	11,963	67	0.6
Total, excluding net investment securities gains	**211,427**	195,488	15,939	8.2
Investment securities gains, net	**4,733**	37	4,696	N/M
Total non-interest income	**$ 216,160**	$ 195,525	$ 20,635	10.6%

N/M - Not meaningful

Excluding net investment securities gains, non-interest income increased $15.9 million, or 8.2%, for the year ended December 31, 2019, as compared to the same period in 2018, with increases across all major categories

Wealth management fees increased $3.5 million, or 6.8%, resulting primarily from growth in brokerage income due to an increase in client asset levels and improved overall market performance, as well as the acquisitions of two small wealth management firms in 2019.

Total commercial banking income increased $7.2 million, or 11.2%, compared to 2018, driven mainly by an increase in commercial loan interest rate swap fees along with increases in merchant and card income and cash management fees.

Total consumer banking increased $1.1 million, or 2.2%, compared to 2018, driven primarily by card income.

Mortgage banking income increased $4.1 million, or 21.4%, mainly due to gains on sales of mortgage loans. The increase in gains resulted from both higher volumes of loans sold and higher spreads on sales.

Investment securities gains increased $4.7 million compared to 2018 mainly attributed to the sale of approximately $400 million of investment securities and a corresponding prepayment of FHLB advances. This balance sheet restructuring occurred in the third quarter of 2019. See Note 3, "Investment Securities," in the Notes to Consolidated Financial Statements for additional details.

Non-Interest Expense

The following table presents the components of non-interest expense:

	2019	2018	Increase (Decrease) $	Increase (Decrease) %
	(dollars in thousands)			
Salaries and employee benefits	**$ 311,934**	$ 303,202	$ 8,732	2.9%
Net occupancy	**52,826**	51,678	1,148	2.2
Data processing and software	**44,679**	41,286	3,393	8.2
Other outside services	**39,989**	33,758	6,231	18.5
Equipment	**13,575**	13,243	332	2.5
Professional fees	**13,134**	14,161	(1,027)	(7.3)
Marketing	**9,848**	8,854	994	11.2
State taxes	**8,894**	9,590	(696)	(7.3)
FDIC insurance	**7,780**	10,993	(3,213)	(29.2)
Amortization of tax credit investments	**6,021**	11,449	(5,428)	(47.4)
Prepayment penalty on FHLB advances	**4,326**	—	4,326	N/M
Intangible amortization	**1,427**	—	1,427	N/M
Other	**53,303**	47,890	5,413	11.3
Total	**$ 567,736**	$ 546,104	$ 21,632	4.0%

N/M - Not meaningful

In 2019, $10.9 million of expenses were incurred related to Charter Consolidation, as compared to $3.6 million in 2018, a $7.3 million increase. The 2019 expenses were primarily in salaries and benefits ($1.9 million of severance expense), other outside services ($6.6 million), intangible amortization ($1.0 million write-off) and advertising ($650,000).

The following provides explanations for the more significant fluctuations in expense levels, excluding charter consolidation costs, by category:

- Salaries and employee benefits increased $6.8 million (excluding charter consolidation costs) mainly due to an increase in employee salaries (annual merit increases). Healthcare and 401(k) plan matching expense also increased, but were partially offset by lower defined benefit pension expense driven by changes in the discount rate compared to 2018.

- Net occupancy expense increased $1.1 million, or 2.2%, due mainly to the addition of new properties.

- Data processing and software increased $3.4 million, or 8.2%, reflecting higher transaction volumes and costs related to growth and technology initiatives.

- Marketing increased $1.0 million, or 11.2%, due to additional promotions, primarily related to deposits.

- FDIC insurance expense decreased $3.2 million, or 29.2%, due to the recognition of assessment credits in 2019.

- Amortization of tax credit investments decreased $5.4 million as 2018 included amortization for one significant investment which generated a corresponding credit to income taxes.

- 2019 includes approximately $4.3 million of penalties related to the prepayment of certain FHLB advances in conjunction with the previously mentioned balance sheet restructuring.

- Other expenses increased $5.4 million due to losses on sale of fixed assets, telecommunications expense and operating risk losses.

Comparison of 2018 to 2017

Non-Interest Income

The following table presents the components of non-interest income:

	2018	2017	Increase (Decrease) $	Increase (Decrease) %
	(dollars in thousands)			
Wealth management	$ 52,148	$ 49,249	$ 2,899	5.9 %
Commercial banking:				
Merchant and card	23,427	21,191	2,236	10.6
Cash management	17,581	14,444	3,137	21.7
Commercial loan interest rate swap	9,831	11,694	(1,863)	(15.9)
Other	13,090	18,400	(5,310)	(28.9)
Total commercial banking	63,929	65,729	(1,800)	(2.7)
Consumer banking:				
Card	19,497	18,479	1,018	5.5
Overdraft	17,606	18,717	(1,111)	(5.9)
Other	11,319	11,723	(404)	(3.4)
Total consumer banking	48,422	48,919	(497)	(1.0)
Mortgage banking:				
Gain on sales of mortgage loans	13,021	13,036	(15)	(0.1)
Mortgage servicing	6,005	6,892	(887)	(12.9)
Total mortgage banking	19,026	19,928	(902)	(4.5)
Other	11,963	15,078	(3,115)	(20.7)
Total, excluding net investment securities gains	195,488	198,903	(3,415)	(1.7)
Investment securities gains, net	37	9,071	(9,034)	N/M
Total non-interest income	$ 195,525	$ 207,974	$ (12,449)	(6.0)%

N/M - Not meaningful

Excluding investment securities gains, non-interest income decreased $3.4 million, or 1.7%, for the year ended December 31, 2018, as compared to the same period in 2017.

Wealth management fees increased $2.9 million, or 5.9%, with growth in both trust commissions and brokerage income, due to overall market performance and continued focus on asset gathering.

Total commercial banking income decreased $1.8 million, or 2.7%, primarily due to decreases in commercial loan interest rate swaps, resulting from lower new commercial loan originations in 2018, and other commercial banking income being partially offset by increases in merchant and card income and cash management fees.

Total commercial banking income decreased $497,000, or 1.0%, primarily due to decreases in overdraft fees, which were partially offset by an increase in card income.

Mortgage servicing income decreased $887,000, or 12.9%, due to the inclusion in 2017 of a $1.3 million reduction to the MSR valuation allowance, recorded as an increase to mortgage servicing income.

Other income decreased $3.1 million, or 20.7%, as 2017 included a $5.1 million litigation settlement gain.

Investment securities gains decreased $9.0 million, as 2017 included gains on sales of financial institution common stocks.

Non-Interest Expense

The following table presents the components of non-interest expense:

	2018	2017	Increase (Decrease) $	Increase (Decrease) %
		(dollars in thousands)		
Salaries and employee benefits	$ 303,202	$ 290,130	$ 13,072	4.5%
Net occupancy	51,678	49,708	1,970	4.0
Data processing and software	41,286	38,735	2,551	6.6
Other outside services	33,758	27,501	6,257	22.8
Professional fees	14,161	12,688	1,473	11.6
Equipment	13,243	12,935	308	2.4
Amortization of tax credit investments	11,449	11,028	421	3.8
FDIC insurance	10,993	11,049	(56)	(0.5)
State Taxes	9,590	10,051	(461)	(4.6)
Marketing	8,854	8,034	820	10.2
Other	47,890	53,720	(5,830)	(10.9)
Total	$ 546,104	$ 525,579	$ 20,525	3.9%

The $13.1 million, or 4.5%, increase in salaries and employee benefits expense was driven by a $13.3 million, or 5.4%, increase in salaries, reflecting annual merit increases and higher incentive and stock compensation. In addition, expenses for stock compensation and certain incentive compensation plans were higher in 2018. Benefits expenses decreased slightly, as severance costs were more than offset by lower defined benefit pension expense, as a result of interest rate increases, and lower health insurance costs, as a result of more favorable claims experience.

Net occupancy expenses increased $2.0 million, or 4.0%, primarily due to higher snow removal and utilities costs, and additional depreciation and amortization related to branch renovations.

Data processing and software expense increased $2.6 million, or 6.6%, reflecting higher transaction volumes, new processing platforms and contractual increases in fees and charges. In addition, 2017 expense was lower as a result of renegotiated contracts.

Other outside services increased $6.3 million, or 22.8%, largely due to consulting services related to various banking and technology initiatives, as well as costs associated with the Charter Consolidation.

Professional fees increased $1.5 million, or 11.6%, driven by higher legal expenses. The Corporation incurs fees related to various legal matters in the normal course of business. These fees can fluctuate based on the timing and extent of these matters.

Other expenses decreased $5.8 million, or 10.9%, due to a $2.3 million decrease in write-offs of accumulated capital expenditures related to in-process technology initiatives in commercial banking in 2017 as well as a decrease in operating risk loss and other real estate expenses.

Income Taxes

Income tax expense for the year ended December 31, 2019 was $37.6 million, a $13.1 million, or 53.2%, increase from $24.6 million for the same period in 2018. The Corporation's ETR was 14.3% for the year ended December 31, 2019, as compared to 10.5% in the same period of 2018. The increase in income tax expense and the ETR primarily resulted from higher income before income taxes and from realizing a one-time tax benefit associated with legislative changes enacted in New Jersey in the third quarter of 2018. The ETR is generally lower than the federal statutory rate of 21% due to tax-exempt interest income earned on loans, investments in tax-free municipal securities and investments in community development projects that generate tax credits under various federal programs.

FINANCIAL CONDITION

The table below presents condensed consolidated ending balance sheets.

	December 31, 2019	December 31, 2018	Increase (Decrease) $	Increase (Decrease) %
	(dollars in thousands)			
Assets				
Cash and cash equivalents	**$ 517,791**	$ 445,687	$ 72,104	16.2%
FRB and FHLB stock	**97,422**	79,283	18,139	22.9
Loans held for sale	**37,828**	27,099	10,729	39.6
Investment securities	**2,867,378**	2,686,973	180,405	6.7
Loans and leases, net of allowance	**16,673,904**	16,005,263	668,641	4.2
Premises and equipment	**240,046**	234,529	5,517	2.4
Goodwill and intangibles	**535,303**	531,556	3,747	0.7
Other assets	**916,368**	671,762	244,606	36.4
Total Assets	**$ 21,886,040**	$ 20,682,152	$ 1,203,888	5.8%
Liabilities and Shareholders' Equity				
Deposits	**$ 17,393,913**	$ 16,376,159	$ 1,017,754	6.2%
Short-term borrowings	**883,241**	754,777	128,464	17.0
FHLB advances and long-term debt	**881,769**	992,279	(110,510)	(11.1)
Other liabilities	**384,941**	311,364	73,577	23.6
Total Liabilities	**19,543,864**	18,434,579	1,109,285	6.0
Total Shareholders' Equity	**2,342,176**	2,247,573	94,603	4.2
Total Liabilities and Shareholders' Equity	**$ 21,886,040**	$ 20,682,152	$ 1,203,888	5.8%

Cash and Cash Equivalents

The $72.1 million, or 16.2%, increase in cash and cash equivalents mainly resulted from additional collateral required to be posted with counterparties for derivative contracts.

FRB and FHLB Stock

FRB and FHLB stock increased $18.1 million, or 22.9%, due to a $19.6 million increase in FRB stock partially offset by a $1.5 million decrease in FHLB stock. Additional FRB stock was required to be purchased as a result of the Charter Consolidation.

Investment Securities

The following table presents the carrying amount of investment securities as of December 31:

	2019	2018
	(in thousands)	
Available for Sale		
U.S. Government sponsored agency securities	**$ —**	$ 31,632
State and municipal securities	**652,927**	279,095
Corporate debt securities	**377,357**	109,533
Collateralized mortgage obligations	**693,718**	832,080
Residential mortgage-backed securities	**177,312**	463,344
Commercial mortgage-backed securities	**494,297**	261,616
Auction rate securities	**101,926**	102,994
Total available for sale securities	**$ 2,497,537**	$2,080,294
Held to Maturity		
State and municipal securities	**$ —**	$ 156,134
Residential mortgage-backed securities	**369,841**	450,545
Total held to maturity securities	**$ 369,841**	$ 606,679

Total available for sale securities increased $417.2 million, or 20.1%, to $2.5 billion at December 31, 2019. Cash flows from maturities, sales and repayments of residential mortgage-backed securities, U.S. Government sponsored agency securities and securities with shorter expected durations were reinvested in other investment categories in order to diversify the portfolio into securities with longer expected durations to reduce the Corporation's asset-sensitive interest rate risk profile. Total held to maturity securities decreased $236.8 million, or 39.0%, primarily as a result of the transfer of state and municipal securities from the held to maturity classification to the available for sale classification as permitted through the early adoption of ASU 2019-04, as disclosed in "Note 1 - Basis of Presentation" and "Note 3 -Investment Securities" in the Notes to Consolidated Financial Statements. The $80.7 million, or 17.9%, decrease in residential mortgage-backed securities was the result of principal repayments and premium amortization. There were no purchases or transfers into held to maturity securities during 2019.

Loans and Leases

The following table presents ending loans and leases outstanding, by type, as of the dates shown, and the changes in balances for the most recent year:

	December 31,					2019 vs. 2018 Increase (Decrease)	
	2019	2018	2017	2016	2015	$	%
	(dollars in thousands)						
Real estate – commercial mortgage	**$ 6,700,776**	$ 6,434,285	$ 6,364,804	$ 6,018,582	$ 5,462,330	$ 266,491	4.1%
Commercial – industrial, financial and agricultural	**4,446,701**	4,404,548	4,300,297	4,087,486	4,088,962	42,153	1.0
Real estate – residential mortgage	**2,641,465**	2,251,044	1,954,711	1,601,994	1,376,160	390,421	17.3
Real estate – home equity	**1,314,944**	1,452,137	1,559,719	1,625,115	1,684,439	(137,193)	(9.4)
Real estate – construction	**971,079**	916,599	1,006,935	843,649	799,988	54,480	5.9
Consumer	**463,164**	419,186	313,783	291,470	268,588	43,978	10.5
Equipment lease financing and other	**322,625**	311,866	291,556	246,704	170,914	10,759	3.4
Overdrafts	**3,582**	2,774	4,113	3,662	2,737	808	29.1
Loans and leases, gross of unearned income	**16,864,336**	16,192,439	15,795,918	14,718,662	13,854,118	671,897	4.1
Unearned income	**(26,810)**	(26,639)	(27,671)	(19,390)	(15,516)	(171)	0.6
Loans and leases, net of unearned income	**$ 16,837,526**	$ 16,165,800	$ 15,768,247	$ 14,699,272	$ 13,838,602	$ 671,726	4.2%

Total loans and leases, net of unearned income, increased $671.7 million, or 4.2%, as of December 31, 2019 compared to December 31, 2018, primarily due to growth in residential and commercial mortgage loans, partially offset by a decline in home equity loans.

The Corporation does not have a significant concentration of credit risk with any single borrower, industry or geographic location within its footprint. As of December 31, 2019, approximately $7.7 billion, or 45.6%, of the loan and lease portfolio was comprised of commercial mortgage and construction loans. The Corporation's policies limit the maximum total lending commitment to an individual borrower to $55.0 million as of December 31, 2019. In addition, the Corporation has established lower total lending limits for certain types of lending commitments, and lower total lending limits based on the Corporation's internal risk rating of an individual borrower at the time the lending commitment is approved. As of December 31, 2019, the Corporation had 172 relationships with total borrowing commitments between $20.0 million and $55.0 million.

The following table summarizes the industry concentrations within the commercial mortgage and the commercial-industrial, financial and agricultural loan portfolios as of December 31:

	2019	2018
Real estate (1)	**41.4%**	35.9%
Health care	**8.1**	7.8
Agriculture	**7.1**	7.3
Construction (2)	**6.2**	5.7
Manufacturing	**6.0**	5.5
Other services (except public administration)	**4.7**	4.5
Retail	**4.2**	4.6
Educational services	**4.1**	4.6
Accommodation and food services	**4.1**	3.7
Wholesale trade	**3.6**	3.5
Professional, scientific, and technical services	**2.9**	2.8
Arts, entertainment, and recreation	**2.2**	2.3
Public administration	**2.0**	2.3
Transportation and warehousing	**1.2**	1.3
Other	**2.2**	8.2
Total	**100.0%**	100.0%

(1) Includes commercial loans to borrowers engaged in the business of: renting, leasing or managing real estate for others; selling and/or buying real estate for others; and appraising real estate.
(2) Includes commercial loans to borrowers engaged in the construction industry.

Commercial loans and commercial mortgage loans also include shared national credits, which are participations in loans or loan commitments of at least $100 million that are shared by three or more banks. The Corporation only participates in shared national credits to borrowers located in its geographic markets and these are subject to the Corporation's standard underwriting policies. As of December 31, 2019, commercial loan shared national credits increased $4.6 million, or 6.8%, in comparison to 2018, to $72.1 million. As of December 31, 2019 and 2018 none of the shared national credits were past due.

Provision and Allowance for Credit Losses

The Corporation accounts for the credit risk associated with lending activities through the allowance for credit losses and the provision for credit losses.

A summary of the Corporation's credit loss experience follows:

	2019	2018	2017	2016	2015
			(dollars in thousands)		
Loans and leases, net of unearned income outstanding at end of year	**$16,837,526**	$ 16,165,800	$ 15,768,247	$ 14,699,272	$ 13,838,602
Average balance of loans and leases, net of unearned income	**$16,430,347**	$ 15,815,263	$ 15,236,612	$ 14,128,064	$ 13,330,973
Balance of allowance for credit losses at beginning of year	**$ 169,410**	$ 176,084	$ 171,325	$ 171,412	$ 185,931
Loans and leases charged off:					
Commercial – industrial, financial and agricultural	**42,410**	52,441	19,067	15,276	15,639
Real estate - home equity and consumer	**4,694**	6,127	4,567	7,712	5,831
Equipment lease financing and other	**2,560**	2,521	3,035	3,815	2,656
Real estate – commercial mortgage	**1,837**	2,045	2,169	3,580	4,218
Real estate – residential mortgage	**1,545**	1,574	687	2,326	3,612
Real estate – construction	**143**	1,368	3,765	1,218	201
Total charged off	**53,189**	66,076	33,290	33,927	32,157
Recoveries of loans and leases previously charged off:					
Commercial – industrial, financial and agricultural	**8,721**	4,994	7,771	8,981	5,264
Real estate - home equity and consumer	**1,994**	2,393	1,969	2,466	2,492
Real estate – construction	**2,591**	1,829	1,582	3,924	2,824
Real estate – commercial mortgage	**2,202**	1,622	1,668	3,373	2,801
Equipment lease financing and other	**666**	1,037	968	842	685
Real estate – residential mortgage	**989**	620	786	1,072	1,322
Total recoveries	**17,163**	12,495	14,744	20,658	15,388
Net loans and leases charged off	**36,026**	53,581	18,546	13,269	16,769
Provision for credit losses	**32,825**	46,907	23,305	13,182	2,250
Balance at end of year	**$ 166,209**	$ 169,410	$ 176,084	$ 171,325	$ 171,412
Components of Allowance for Credit Losses:					
Allowance for loan and lease losses	**$ 163,622**	$ 160,537	$ 169,910	$ 168,679	$ 169,054
Reserve for unfunded lending commitments (1)	**2,587**	8,873	6,174	2,646	2,358
Allowance for credit losses	**$ 166,209**	$ 169,410	$ 176,084	$ 171,325	$ 171,412
Selected Asset Quality Ratios:					
Net charge-offs to average loans and leases	**0.22%**	0.34%	0.12%	0.09%	0.13%
Allowance for loan losses to total loans and leases	**0.97%**	0.99%	1.08%	1.15%	1.22%
Allowance for credit losses to total loans and leases	**0.99%**	1.05%	1.12%	1.17%	1.24%
Non-performing assets (2) to total assets	**0.68%**	0.73%	0.72%	0.76%	0.87%
Non-performing assets (2) to total loans and leases and OREO	**0.88%**	0.93%	0.92%	0.98%	1.13%
Non-accrual loans to total loans and leases	**0.74%**	0.80%	0.79%	0.82%	0.94%
Allowance for credit losses to non-performing loans and leases	**117.75%**	121.29%	130.67%	130.15%	118.37%
Non-performing assets (2) to tangible shareholders' equity and allowance for credit losses (3) ("Texas Ratio")	**7.50%**	7.97%	7.71%	8.20%	9.27%

(1) Reserve for unfunded lending commitments is recorded within other liabilities on the consolidated balance sheets.
(2) Includes accruing loans and leases past due 90 days or more.
(3) Ratio represents a financial measure derived by methods other than Generally Accepted Accounting Principles ("GAAP"). See reconciliation of this non-GAAP financial measure to the most directly comparable GAAP measure under the heading, "Supplemental Reporting of Non-GAAP Based Financial Measures," in Item 6. "Selected Financial Data."

The provision for credit losses decreased $14.1 million in comparison to 2018. In 2019, the Corporation recorded a $20.0 million provision for a certain commercial borrower, which was subsequently charged off in 2019. In 2018, the Corporation recorded a provision of $36.8 million for a credit loss related to the Commercial Relationship and recorded a $33.9 million charge-off.

The following table presents the changes in non-accrual loans and leases for the years ended December 31:

	Commercial - Industrial, Financial and Agricultural	Real Estate - Commercial Mortgage	Real Estate - Construction	Real Estate - Residential Mortgage	Real Estate - Home Equity	Consumer	Equipment Lease Financing	Total
	(in thousands)							
Balance of non-accrual loans and leases at December 31, 2017	$ 52,904	$ 34,822	$ 12,197	$ 15,691	$ 9,135	$ —	$ —	$ 124,749
Additions	91,057	19,507	1,433	3,707	5,252	3,040	20,243	144,239
Payments	(39,887)	(15,961)	(4,872)	(1,120)	(1,951)	—	—	(63,791)
Charge-offs (1)	(52,441)	(2,045)	(1,368)	(1,574)	(3,087)	(3,040)	(974)	(64,529)
Transfers to OREO	(1,027)	(3,206)	—	(1,999)	(1,982)	—	—	(8,214)
Transfers to accrual status	(457)	(2,728)	—	(37)	(660)	—	—	(3,882)
Balance of non-accrual loans and leases at December 31, 2018	**50,149**	**30,389**	**7,390**	**14,668**	**6,707**	**—**	**19,269**	**128,572**
Additions	**65,893**	**35,369**	**100**	**8,384**	**4,851**	**3,403**	**1,334**	**119,334**
Payments	**(24,810)**	**(28,770)**	**(3,588)**	**(2,341)**	**(2,276)**	**—**	**(3,157)**	**(64,942)**
Charge-offs (1)	**(42,410)**	**(1,837)**	**(143)**	**(1,545)**	**(1,291)**	**(3,403)**	**(918)**	**(51,547)**
Transfers to OREO	**(144)**	**(680)**	**(124)**	**(2,433)**	**(582)**	**—**	**—**	**(3,963)**
Transfers to accrual status	**(572)**	**(1,305)**	**(17)**	**(57)**	**(405)**	**—**	**—**	**(2,356)**
Balance of non-accrual loans and leases at December 31, 2019	**$ 48,106**	**$ 33,166**	**$ 3,618**	**$ 16,676**	**$ 7,004**	**$ —**	**$ 16,528**	**$ 125,098**

(1) Excludes charge-offs of loans and leases on accrual status.

Non-accrual loans and leases decreased $3.5 million, or 2.7%, in 2019. Non-accrual loans and leases to total loans and leases decreased to 0.74% at December 31, 2019, as compared to 0.80% at December 31, 2018.

The following table presents non-performing assets as of December 31:

	2019	2018	2017	2016	2015
			(in thousands)		
Non-accrual loans and leases (1) (2) (3)	**$ 125,098**	$ 128,572	$ 124,749	$ 120,133	$ 129,523
Loans and leases 90 days or more past due and still accruing (2)	**16,057**	11,106	10,010	11,505	15,291
Total non-performing loans and leases	**141,155**	139,678	134,759	131,638	144,814
OREO	**6,831**	10,518	9,823	12,815	11,099
Total non-performing assets	**$ 147,986**	$ 150,196	$ 144,582	$ 144,453	$ 155,913

(1) In 2019, the total interest income that would have been recorded if non-accrual loans and leases had been current in accordance with their original terms was approximately $7.0 million. The amount of interest income on non-accrual loans and leases that was recognized in 2019 was approximately $4.7 million.

(2) Accrual of interest is generally discontinued when a loan or lease becomes 90 days past due. In certain cases a loan or lease may be placed on non-accrual status prior to being 90 days delinquent if there is an indication that the borrower is having difficulty making payments, or the Corporation believes it is probable that all amounts will not be collected according to the contractual terms of the agreement. When interest accruals are discontinued, unpaid interest previously credited to income is reversed. Non-accrual loans and leases may be restored to accrual status when all delinquent principal and interest has been paid currently for six consecutive months or the loan or lease is considered to be adequately secured and in the process of collection. Certain loans and leases, primarily adequately collateralized residential mortgage loans, may continue to accrue interest after reaching 90 days past due.

(3) Excluded from non-performing assets as of December 31, 2019 were $55.2 million of loans modified under trouble debt restructurings ("TDRs"). These loans were evaluated for impairment under ASC Section 310-10-35, but continue to accrue interest and are, therefore, not included in non-accrual loans and leases.

The following table presents non-performing loans and leases, by type, as of the dates shown, and the changes in non-performing loans and leases for the most recent year:

	December 31,					2019 vs. 2018 Increase (Decrease)	
	2019	2018	2017	2016	2015	$	%
	(dollars in thousands)						
Commercial – industrial, financial and agricultural	**$ 49,491**	$ 51,269	$ 54,309	$ 43,460	$ 44,071	$ (1,778)	(3.5)%
Real estate – commercial mortgage	**37,279**	32,153	35,447	39,319	41,170	5,126	15.9
Real estate – residential mortgage	**22,411**	19,101	20,971	23,655	28,484	3,310	17.3
Real estate – home equity	**10,568**	9,769	11,507	13,154	14,683	799	8.2
Real estate – construction	**4,306**	7,390	12,197	9,842	12,460	(3,084)	(41.7)
Consumer	**458**	409	296	1,891	2,440	49	12.0
Equipment lease financing	**16,642**	19,587	32	317	1,506	(2,945)	(15.0)
Total non-performing loans and leases	**$141,155**	$139,678	$134,759	$131,638	$144,814	$ 1,477	1.1 %

Non-performing loans and leases increased $1.5 million, or 1.1%, in comparison to December 31, 2018. As a percentage of total loans, non-performing loans and leases were 0.84% at December 31, 2019, a decrease from 0.86% at December 31, 2018.

The following table presents TDRs as of December 31:

	2019	2018	2017	2016	2015
	(in thousands)				
Real estate – residential mortgage	**$ 21,551**	$ 24,102	$ 26,016	$ 27,617	$ 28,511
Real estate – home equity	**15,068**	16,665	15,558	8,594	4,556
Real estate – commercial mortgage	**13,330**	15,685	13,959	15,957	17,563
Commercial – industrial, financial and agricultural	**5,193**	5,143	10,820	6,627	5,953
Consumer	**8**	10	26	39	33
Real estate – construction	**—**	—	—	726	3,942
Total accruing TDRs	**55,150**	61,605	66,379	59,560	60,558
Non-accrual TDRs [(1)]	**20,825**	28,659	29,051	27,850	31,035
Total TDRs	**$ 75,975**	$ 90,264	$ 95,430	$ 87,410	$ 91,593

(1) Included within non-accrual loans in the preceding table.

Total TDRs modified during 2019 and still outstanding as of December 31, 2019 were $10.6 million. Of these loans, $2.0 million, or 18.5%, had a payment default during 2019, which the Corporation defines as a single missed scheduled payment, subsequent to modification. TDRs modified during 2018 and still outstanding as of December 31, 2018 totaled $18.4 million. Of these loans, $5.0 million, or 27.0%, had a payment default subsequent to modification during 2018.

The following table summarizes OREO, by property type, as of December 31:

	2019	2018
	(in thousands)	
Residential properties	**$ 3,078**	$ 3,665
Commercial properties	**2,058**	4,127
Undeveloped land	**1,695**	2,726
Total OREO	**$ 6,831**	$ 10,518

As noted under the heading "Critical Accounting Policies" within Management's Discussion, the Corporation's ability to identify potential problem loans and leases in a timely manner is key to maintaining an adequate allowance for credit losses. For commercial loans, commercial mortgages and construction loans to commercial borrowers, an internal risk rating process is used to monitor credit quality. For a complete description of the Corporation's risk ratings, refer to the "Allowance for Credit Losses" section within "Note 1 - Summary of Significant Accounting Policies," in the Notes to Consolidated Financial Statements in Item 8. "Financial Statements and Supplementary Data." The evaluation of credit risk for residential mortgages, home equity loans, construction loans to individuals, consumer loans and equipment lease financing is based on aggregate payment history, through the monitoring of delinquency levels and trends.

Total internally risk rated loans were $12.0 billion and $11.7 billion as of December 31, 2019 and 2018, respectively. The following table presents criticized loans, or those with internal risk ratings of special mention or lower for commercial loans, commercial mortgages and construction loans to commercial borrowers, by class segment, as of December 31:

	Special Mention		2019 vs. 2018 Increase (Decrease)		Substandard or Lower		2019 vs. 2018 Increase (Decrease)		Total Criticized Loans	
	2019	2018	$	%	**2019**	2018	$	%	**2019**	2018
	(dollars in thousands)									
Real estate - commercial mortgage	**$ 137,163**	$ 170,827	$ (33,664)	(19.7)%	**$ 134,206**	$ 133,995	$ 211	0.2%	**$ 271,369**	$ 304,822
Commercial - secured	**171,442**	193,470	(22,028)	(11.4)	**195,884**	129,026	66,858	51.8	**367,326**	322,496
Commercial - unsecured	**9,665**	4,016	5,649	140.7	**3,876**	3,963	(87)	(2.2)	**13,541**	7,979
Total commercial - industrial, financial and agricultural	**181,107**	197,486	(16,379)	(8.3)	**199,760**	132,989	66,771	50.2	**380,867**	330,475
Construction - commercial residential	**2,897**	6,912	(4,015)	(58.1)	**3,461**	6,881	(3,420)	(49.7)	**6,358**	13,793
Construction - commercial	**1,322**	1,163	159	13.7	**2,676**	2,533	143	5.6	**3,998**	3,696
Total construction (excluding construction - other)	**4,219**	8,075	(3,856)	(47.8)	**6,137**	9,414	(3,277)	(34.8)	**10,356**	17,489
Total	**$ 322,489**	$ 376,388	$ (53,899)	(14.3)%	**$ 340,103**	$ 276,398	$ 63,705	23.0%	**$ 662,592**	$ 652,786
% of total risk rated loans	**2.7%**	3.2%			**2.8%**	2.4%			**5.5%**	5.6%

As of December 31, 2019, total loans with risk ratings of special mention decreased by $53.9 million, and total loans with a risk rating of substandard or lower increased by $63.7 million, resulting in an overall increase in total criticized loans of $9.8 million, or 1.5%, higher than 2018. The decrease in special mention loans was driven by certain large-pay offs as well as the shifting of loans into the sub-standard or lower rating in both real estate commercial mortgage and commercial secured loans. The $66.9 million increase in commercial secured was primarily the result of the aforementioned shifts from special mention as well other commercial relationships now being classified as substandard or lower during 2019.

The following table presents, by class segment, a summary of delinquency status and rates, as a percentage of total loans and leases, for loans and leases that do not have internal risk ratings as of December 31:

	Delinquent [(1)]				Non-performing [(2)]				Total			
	2019		2018		**2019**		2018		**2019**		2018	
	$	%	$	%	$	%	$	%	$	%	$	%
	(dollars in thousands)											
Real estate - home equity	**$ 12,341**	**0.94%**	$ 10,702	0.74%	**$ 10,568**	**0.80%**	$ 9,769	0.67%	**$ 22,909**	**1.74%**	$ 20,471	1.41%
Real estate - residential mortgage	**34,291**	**1.30**	28,988	1.29	**22,411**	**0.85**	19,101	0.85	**56,702**	**2.15**	48,089	2.14
Real estate - construction - other	**895**	**0.95**	—	—	**809**	**0.86**	490	0.68	**1,704**	**1.81**	490	0.68
Consumer - direct	**465**	**0.72**	338	0.60	**190**	**0.30**	66	0.12	**655**	**1.02**	404	0.72
Consumer - indirect	**4,685**	**1.17**	3,405	0.94	**268**	**0.07**	343	0.09	**4,953**	**1.24**	3,748	1.03
Total Consumer	**5,150**	**1.11**	3,743	0.89	**458**	**0.10**	409	0.10	**5,608**	**1.21**	4,152	0.99
Equipment lease financing	**4,012**	**1.34**	1,302	0.45	**16,642**	**5.56**	19,587	6.80	**20,654**	**6.90**	20,889	7.25
Total	**$ 56,689**	**1.19%**	$ 44,735	1.00%	**$ 50,888**	**1.06%**	$ 49,356	1.10%	**$ 107,577**	**2.24%**	$ 94,091	2.10%

(1) Includes all accruing loans and leases P30D days to P89D days past due.
(2) Includes all accruing loans and leases P90D days or more past due and all non-accrual loans and leases.

Total non-risk weighted loans increased $13.5 million, or 14.3%.

The following table summarizes the allocation of the allowance for loan and lease losses:

	2019		2018		2017		2016		2015	
	Allowance	**% In Each Category (1)**	Allowance	% In Each Category (1)	Allowance	% In Each Category (1)	Allowance	% In Each Category (1)	Allowance	% In Each Category (1)
	(dollars in thousands)									
Real estate - commercial mortgage	**$ 45,610**	**39.6%**	$ 52,889	39.7%	$ 58,793	40.3%	$ 46,842	40.9%	$ 47,866	39.5%
Commercial - industrial, financial and agricultural	**68,602**	**26.4**	58,868	27.2	66,280	27.2	54,353	27.8	57,098	29.5
Real estate - residential mortgage	**19,771**	**15.7**	18,921	13.9	16,088	12.4	22,929	10.9	21,375	9.9
Consumer, home equity, equipment lease financing	**25,196**	**12.5**	24,798	13.5	22,129	13.7	33,567	14.7	27,458	15.3
Real estate - construction	**4,443**	**5.8**	5,061	5.7	6,620	6.4	6,455	5.7	6,529	5.8
Unallocated	**—**	**N/A**	—	N/A	—	N/A	4,533	N/A	8,728	N/A
Total	**$ 163,622**	**100.0%**	$ 160,537	100.0%	$ 169,910	100.0%	$ 168,679	100.0%	$ 169,054	100.0%

N/A – Not applicable
(1) Represents the percentage of loans and/or leases in each category

Management believes that the $163.6 million allowance for loan losses as of December 31, 2019 was sufficient to cover incurred losses in the loan portfolio. See additional disclosures in "Note 1 - Summary of Significant Accounting Policies," and "Note 4 - Loans and Leases and Allowance for Credit Losses," in the Notes to Consolidated Financial Statements in Item 8. "Financial Statements and Supplementary Data;" and "Critical Accounting Policies" above.

Goodwill and Intangible Assets

Goodwill and intangible assets, net of amortization, increased $3.7 million, or 0.7%, as a result of the acquisitions of the assets of two wealth management business with approximately $320 million in assets under management or administration in 2019, partially offset by approximately $1.0 million trade name intangible write-off due to the Charter Consolidation.

Other Assets

Other assets increased $244.6 million, or 36.4%, to $916.4 million as of December 31, 2019, primarily driven by right-of-use assets recorded as a result of the adoption of ASU 2016-02 ($102.8 million), additional investments in bank-owned life insurance ($100.0 million) and higher fair values of commercial loan interest rate swap derivatives ($82.8 million). See Note 1, "Summary of Significant Accounting Policies," and Note 17, "Leases," in the Notes to Consolidated Financial Statements for additional disclosures resulting from ASU 2016-02 adoption.

Deposits and Borrowings

The following table presents ending deposits, by type, as of December 31:

			Increase	
	2019	2018	$	%
	(dollars in thousands)			
Noninterest-bearing demand	**$ 4,453,324**	$ 4,310,105	$ 143,219	3.3%
Interest-bearing demand	**4,720,188**	4,240,974	479,214	11.3
Savings and money market accounts	**5,153,941**	4,926,937	227,004	4.6
Total demand and savings	**14,327,453**	13,478,016	849,437	6.3
Brokered deposits	**264,531**	176,239	88,292	50.1
Time deposits	**2,801,929**	2,721,904	80,025	2.9
Total deposits	**$ 17,393,913**	$ 16,376,159	$ 1,017,754	6.2%

The following table presents ending borrowings, by type as of December 31:

	2019	2018	Increase (Decrease) $	Increase (Decrease) %
	(dollars in thousands)			
Short-term borrowings:				
Total short-term customer funding (1)	**$ 383,241**	$ 369,777	$ 13,464	3.6%
Short-term FHLB advances (2)	**500,000**	385,000	115,000	29.9
Total short-term borrowings	**883,241**	754,777	128,464	17.0
FHLB advances and other long-term debt:				
FHLB advances	**491,024**	601,978	(110,954)	(18.4)
Other long-term debt	**390,745**	390,301	444	0.1
Total FHLB advances and other long-term debt	**881,769**	992,279	(110,510)	(11.1)
Total borrowings	**$ 1,765,010**	$ 1,747,056	$ 17,954	1.0%

(1) Includes repurchase agreements and short-term promissory notes.
(2) Represents FHLB advances with an original maturity term of less than one year.

Total short-term borrowings increased $128.5 million, or 17.0%, mainly due to a $115.0 million increase in short-term FHLB advances. The decrease in total FHLB advances and other long-term debt was the result of a $111.0 million decrease in long-term FHLB advances as a result of pay-offs and maturing advances that were not replaced, but resulted in the increase to short-term borrowings.

Other Liabilities

Other liabilities increased $73.6 million, or 23.6%, to $384.9 million as of December 31, 2019. The increase resulted primarily from the recognition of a lease liability of $109.6 million as a result of the adoption of ASU 2016-02, partially offset by a decrease in the defined benefit plan obligation as a result of additional funding in 2019. See Note 1, "Summary of Significant Accounting Policies," and Note 17, "Leases," in the Notes to Consolidated Financial Statements for additional disclosures resulting from ASU 2016-02 adoption.

Shareholders' Equity

Total shareholders' equity increased $94.6 million, or 4.2%, to $2.3 billion, or 10.7% of total assets, as of December 31, 2019. The increase was due primarily to $226.3 million of net income, a $58.9 million net increase in accumulated other comprehensive income, $7.4 million of stock-based compensation awards and $6.4 million of common stock issued, partially offset by $111.5 million of common stock repurchases and $93.0 million of common stock cash dividends.

See "Note 14 - Shareholders' Equity" in the Notes to the Consolidated Financial Statements in Item 8. "Financial Statements and Supplementary Data." for details of the Corporation's share repurchase programs and activities. Under all repurchase programs, repurchased shares are added to treasury stock, at cost. As permitted by securities laws and other legal requirements, and subject to market conditions and other factors, purchases may be made from time to time in open market or privately negotiated transactions, including, without limitation, through accelerated share repurchase transactions.

The Corporation and its wholly owned subsidiary bank, Fulton Bank, are subject to regulatory capital requirements administered by various banking regulators. Failure to meet minimum capital requirements can trigger certain actions by regulators that could have a material effect on the Corporation's financial statements. The regulations require that banks and bank holding companies maintain minimum amounts and ratios of total, Tier I and Common Equity Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and Tier I capital to average assets (as defined).

The following table summarizes the Corporation's capital ratios in comparison to regulatory requirements at December 31:

	2019	2018	Regulatory Minimum for Capital Adequacy	Regulatory Minimum with Capital Conservation Buffers
Total capital (to risk-weighted assets)	**11.8%**	12.8%	8.0%	10.5%
Tier I capital (to risk-weighted assets)	**9.7%**	10.2%	6.0%	8.5%
Common equity tier I (to risk-weighted assets)	**9.7%**	10.2%	4.5%	7.0%
Tier leverage capital (to average assets)	**8.4%**	9.0%	4.0%	4.0%

In July 2013, the FRB approved final rules (the "U.S. Basel III Capital Rules") establishing a new comprehensive capital framework for U.S. banking organizations and implementing the Basel Committee on Banking Supervision's December 2010 framework for strengthening international capital standards. The U.S. Basel III Capital Rules substantially revise the risk-based capital requirements applicable to bank holding companies and depository institutions.

The U.S. Basel III Capital Rules require the Corporation and its bank subsidiary to:

- Meet a minimum Common Equity Tier 1 capital ratio of 4.50% of risk-weighted assets and a Tier 1 capital ratio of 6.00% of risk-weighted assets;
- Continue to require a minimum Total capital ratio of 8.00% of risk-weighted assets and a Tier 1 leverage capital ratio of 4.00% of average assets; and
- Comply with a revised definition of capital to improve the ability of regulatory capital instruments to absorb losses as a result of which certain non-qualifying capital instruments, including cumulative preferred stock and TruPS, will be excluded as a component of Tier 1 capital for institutions of the Corporation's size.

As of January 1, 2019, the Corporation and its bank subsidiary were also required to maintain a "capital conservation buffer" of 2.50% above the minimum risk-based capital requirements, which must be maintained to avoid restrictions on capital distributions and certain discretionary bonus payments.

The U.S. Basel III Capital Rules use a standardized approach for risk weightings that expand the risk-weightings for assets and off-balance sheet exposures from the previous 0%, 20%, 50% and 100% categories to a much larger and more risk-sensitive number of categories, depending on the nature of the assets and off-balance sheet exposures, resulting in higher risk weights for a variety of asset categories.

As of December 31, 2019, Fulton Bank was well capitalized under the regulatory framework for prompt corrective action based on its capital ratio calculations. To be categorized as well capitalized, the bank must maintain minimum total risk-based, Tier I risk-based, Common Equity Tier I risk-based and Tier I leverage ratios as set forth in the table above. There are no conditions or events since December 31, 2019 that management believes have changed the institution's categories. See "Note 11 - Regulatory Matters," in the Notes to Consolidated Financial Statements in Item 8. "Financial Statements and Supplementary Data."

Contractual Obligations and Off-Balance Sheet Arrangements

The Corporation has various financial obligations that require future cash payments. These obligations include payments for liabilities recorded on the Corporation's consolidated balance sheets as well as contractual obligations for purchased services.

The following table summarizes the Corporation's significant contractual obligations to third parties, by type, that were fixed and determinable as of December 31, 2019:

	Payments Due In				
	One Year or Less	One to Three Years	Three to Five Years	Over Five Years	Total
			(in thousands)		
Deposits with no stated maturity [1]	$ 14,591,984	$ —	$ —	$ —	$ 14,591,984
Time deposits [2]	1,633,430	966,287	152,185	47,100	2,799,002
Short-term borrowings [3]	883,241	—	—	—	883,241
Long-term debt [3]	—	258,636	604,230	18,903	881,769
Lease liabilities [4]	18,695	33,860	26,516	42,394	121,465
Purchase obligations [5]	20,160	41,848	1,801	—	63,809
Uncertain tax positions [6]	3,214	—	—	—	3,214

(1) Includes demand deposits, savings accounts and brokered deposits, which can be withdrawn at any time.
(2) See additional information regarding time deposits in "Note 8 - Deposits," in the Notes to Consolidated Financial Statements in Item 8. "Financial Statements and Supplementary Data."
(3) See additional information regarding borrowings in "Note 9 - Short-Term Borrowings and Long-Term Debt," in the Notes to Consolidated Financial Statements in Item 8. "Financial Statements and Supplementary Data."
(4) See additional information regarding operating leases in "Note 17 - Leases," in the Notes to Consolidated Financial Statements in Item 8. "Financial Statements and Supplementary Data."
(5) Includes information technology, telecommunication and data processing outsourcing contracts.
(6) Includes accrued interest. See additional information related to uncertain tax positions in "Note 12 - Income Taxes," in the Notes to Consolidated Financial Statements in Item 8. "Financial Statements and Supplementary Data."

In addition to the contractual obligations listed in the preceding table, the Corporation is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby and commercial letters of credit, which involve, to varying degrees, elements of credit and interest rate risk that are not recognized on the consolidated balance sheets. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Standby letters of credit are conditional commitments issued to guarantee the financial or performance obligation of a customer to a third party. Commercial letters of credit are conditional commitments issued to facilitate foreign or domestic trade transactions for customers. Commitments and standby and commercial letters of credit do not necessarily represent future cash needs, as they may expire without being drawn.

The following table presents the Corporation's commitments to extend credit and letters of credit as of December 31, 2019 (in thousands):

Commercial, industrial, financial, and agricultural	$ 3,997,401
Real estate - home equity	1,523,494
Real estate - commercial mortgage and real estate - construction	1,168,624
Total commitments to extend credit	$ 6,689,519
Standby letters of credit	$ 303,020
Commercial letters of credit	50,432
Total letters of credit	$ 353,452

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the exposure to economic loss that arises from changes in the values of certain financial instruments. The types of market risk exposures generally faced by financial institutions include interest rate risk, equity market price risk, debt security market price risk, foreign currency price risk and commodity price risk. Due to the nature of its operations, foreign currency price risk and commodity price risk are not significant to the Corporation.

Interest Rate Risk, Asset/Liability Management and Liquidity

Interest rate risk creates exposure in two primary areas. First, changes in rates have an impact on the Corporation’s liquidity position and could affect its ability to meet obligations and continue to grow. Second, movements in interest rates can create fluctuations in the Corporation’s net interest income and changes in the economic value of its equity.

The Corporation employs various management techniques to minimize its exposure to interest rate risk. An Asset/Liability Management Committee is responsible for reviewing the interest rate sensitivity and liquidity positions of the Corporation, approving asset and liability management policies, and overseeing the formulation and implementation of strategies regarding balance sheet positions.

The Corporation uses two complementary methods to measure and manage interest rate risk. They are simulation of net interest income and estimates of economic value of equity. Using these measurements in tandem provides a reasonably comprehensive summary of the magnitude of the Corporation's interest rate risk, level of risk as time evolves, and exposure to changes in interest rates.

Simulation of net interest income is performed for the next 12-month period. A variety of interest rate scenarios are used to measure the effects of sudden and gradual movements upward and downward in the yield curve. These results are compared to the results obtained in a flat or unchanged interest rate scenario. Simulation of net interest income is used primarily to measure the Corporation’s short-term earnings exposure to rate movements. The Corporation’s policy limits the potential exposure of net interest income, in a non-parallel instantaneous shock, to 10% of the base case net interest income for a 100 basis point shock in interest rates, 15% for a 200 basis point shock and 20% for a 300 basis point shock. A "shock" is an immediate upward or downward movement of interest rates. The shocks do not take into account changes in customer behavior that could result in changes to mix and/or volumes in the balance sheet, nor does it take into account the potential effects of competition on the pricing of deposits and loans over the forward 12-month period.

Contractual maturities and repricing opportunities of loans are incorporated in the simulation model as are prepayment assumptions, maturity data and call options within the investment portfolio. Assumptions based on past experience are incorporated into the model for non-maturity deposit accounts. The assumptions used are inherently uncertain and, as a result, the model cannot precisely measure future net interest income or precisely predict the impact of fluctuations in market interest rates on net interest income. Actual results will differ from the model's simulated results due to timing, amount and frequency of interest rate changes as well as changes in market conditions and the application and timing of various management strategies.

The following table summarizes the expected impact of abrupt interest rate changes, i.e. a non-parallel instantaneous shock, on net interest income as of December 31, 2019 (due to the current level of interest rates, the 300 basis point downward shock scenario is not shown):

Rate Shock (1)	Annual change in net interest income	% Change in net interest income
+300 bp	+ $68.0 million	+ 10.3%
+200 bp	+ $46.3 million	+ 7.0%
+100 bp	+ $23.7 million	+ 3.6%
–100 bp	– $37.1 million	– 5.6%
–200 bp	– $79.6 million	– 12.1%

(1) These results include the effect of implicit and explicit interest rate floors that limit further reduction in interest rates.

Economic value of equity estimates the discounted present value of asset and liability cash flows. Discount rates are based upon market prices for like assets and liabilities. Abrupt changes or "shocks" in interest rates, both upward and downward, are used to determine the comparative effect of such interest rate movements relative to the unchanged environment. This measurement tool is used primarily to evaluate the longer-term repricing risks and options in the Corporation’s balance sheet. The Corporation's policy limits the economic value of equity that may be at risk, in a non-parallel instantaneous shock, to 10% of the base case economic value of equity for a 100 basis point shock in interest rates, 20% for a 200 basis point shock and 30% for a 300 basis point shock. As of December 31, 2019, the Corporation was within economic value of equity policy limits for every 100 basis point shock.

Commercial Interest Rate Swaps

The Corporation enters into interest rate swaps with certain qualifying commercial loan customers to meet their interest rate risk management needs. The Corporation simultaneously enters into interest rate swaps with dealer counterparties, with identical notional amounts and terms. The net result of these interest rate swaps is that the customer pays a fixed rate of interest and the Corporation receives a floating rate. These interest rate swaps are derivative financial instruments and the gross fair values are recorded in other assets and liabilities on the consolidated balance sheets, with changes in fair value during the period recorded in other non-interest expense on the consolidated statements of income.

Liquidity

The Corporation must maintain a sufficient level of liquid assets to meet the cash needs of its customers, who, as depositors, may want to withdraw funds or who, as borrowers, need credit availability. Liquidity is provided on a continuous basis through scheduled and unscheduled principal and interest payments on investments and outstanding loans and through the availability of deposits and borrowings. The Corporation also maintains secondary sources that provide liquidity on a secured and unsecured basis to meet short-term and long-term needs.

The Corporation maintains liquidity sources in the form of demand and savings deposits, brokered deposits, time deposits, repurchase agreements and short-term promissory notes. The Corporation can access additional liquidity from these sources, if necessary, by increasing the rates of interest paid on those accounts and borrowings. The positive impact to liquidity resulting from paying higher interest rates could have a detrimental impact on the net interest margin and net interest income if rates on interest-earning assets do not experience a proportionate increase. Borrowing availability with the FHLB and the FRB, along with federal funds lines at various correspondent banks, provides the Corporation with additional liquidity.

Fulton Bank is a member of the FHLB and has access to FHLB overnight and term credit facilities. As of December 31, 2019, the Corporation had $991.0 million of short- and long-term advances outstanding from the FHLB with an additional borrowing capacity of approximately $3.7 billion under these facilities. Advances from the FHLB are secured by qualifying commercial real estate and residential mortgage loans, investments and other assets.

As of December 31, 2019, the Corporation had aggregate availability under federal funds lines of $1.7 billion, with no outstanding borrowings against that amount. A combination of commercial real estate loans, commercial loans and securities are pledged to the FRB of Philadelphia to provide access to FRB Discount Window borrowings. As of December 31, 2019, the Corporation had $334.3 million of collateralized borrowing availability at the Discount Window, and no outstanding borrowings.

Liquidity must also be managed at the Corporation parent company level. For safety and soundness reasons, banking regulations limit the amount of cash that can be transferred from subsidiary banks to the parent company in the form of loans and dividends. Generally, these limitations are based on the subsidiary banks' regulatory capital levels and their net income. See "Note 11 - Regulatory Matters - Dividend and Loan Limitations" in the Notes to Consolidated Financial Statements in Item 8. "Financial Statements and Supplementary Data" for additional information concerning limitations on the dividends that may be paid to the Corporation, and loans that may be granted to the Corporation. Management continues to monitor the liquidity and capital needs of the parent company and will implement appropriate strategies, as necessary, to remain adequately capitalized and to meet its cash needs.

The Corporation's sources and uses of funds were discussed in general terms in the "Net Interest Income" section of Management's Discussion and Analysis. The consolidated statements of cash flows provide additional information. The Corporation's operating activities during 2019 generated $127.7 million of cash, mainly due to net income of $226.3 million, partially offset by the net impact of other operating activities of $98.6 million as a result of increases in bank-owned life insurance and net changes to fair values of derivative assets and liabilities. Cash used in investing activities was $893.3 million, due to net increases in investments and loans. Net cash provided by financing activities was $837.7 million due mainly to increases in deposits exceeding the net decrease in long-term debt and the acquisition of treasury stock.

The following table presents the expected maturities of available for sale investment securities, at estimated fair value, and held to maturity investment securities, at amortized cost, as of December 31, 2019 and the weighted average yields on such securities (calculated based on historical cost):

	Maturing							
	Within One Year		After One But Within Five Years		After Five But Within Ten Years		After Ten Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
Available for sale	(dollars in thousands)							
State and municipal [(1)]	$ 675	3.02%	$ 15,963	4.21%	$ 7,423	6.43%	$ 628,866	3.97%
Corporate debt securities	2,155	2.01	18,287	3.58	348,465	3.80	101,926	3.06
Auction rate securities [(2)]	—	—	—	—	—	—	8,450	4.10
Total	$ 2,830	2.25%	$ 34,250	3.87%	$ 355,888	3.85%	$ 739,242	3.83%
Held to maturity								
Residential mortgage-backed securities [(3)]	$ —	—%	$ —	—%	$ —	—%	$ 156,134	4.16%
Available for sale								
Collateralized mortgage obligations [(3)]	$ 693,719	2.89%						
Residential mortgage-backed securities [(3)]	177,312	2.45%						
Commercial mortgage-backed securities [(3)]	494,297	2.72%						
Held to maturity								
Residential mortgage-backed securities [(3)]	$ 369,841	2.08%						

(1) Weighted average yields on tax-exempt securities have been computed on a fully taxable-equivalent basis assuming a federal tax rate of 21% and statutory interest expense disallowances.
(2) Maturities of auction rate securities are based on contractual maturities.
(3) Maturities for mortgage-backed securities and collateralized mortgage obligations are dependent upon the interest rate environment and prepayments on the underlying loans. For the purpose of this table, all balances and weighted average rates are shown in one period. As of December 31, 2019, the weighted average remaining lives of collateralized mortgage obligations and mortgage-backed securities were four and six years, respectively.

The Corporation's investment portfolio consists mainly of mortgage-backed securities and collateralized mortgage obligations which have stated maturities that may differ from actual maturities due to borrowers' ability to prepay obligations. Cash flows from such investments are dependent upon the performance of the underlying mortgage loans and are generally influenced by the level of interest rates. As rates increase, cash flows generally decrease as prepayments on the underlying mortgage loans decrease. As rates decrease, cash flows generally increase as prepayments increase.

The following table presents the approximate contractual maturities of fixed rate loans and loan types subject to changes in interest rates as of December 31, 2019:

	One Year or Less	One Through Five Years	More Than Five Years	Total
	(in thousands)			
Commercial - industrial, financial and agricultural				
Adjustable and floating rate	$ 743,150	$ 2,050,214	$ 423,071	$ 3,216,435
Fixed rate	591,667	562,871	75,728	1,230,266
Total	$ 1,334,817	$ 2,613,085	$ 498,799	$ 4,446,701
Real estate – mortgage [(1)]:				
Adjustable and floating rate	$ 1,408,557	$ 4,571,459	$ 2,487,116	$ 8,467,132
Fixed rate	626,095	1,081,456	482,502	2,190,053
Total	$ 2,034,652	$ 5,652,915	$ 2,969,618	$ 10,657,185
Real estate – construction:				
Adjustable and floating rate	$ 279,844	$ 354,663	$ 230,064	$ 864,571
Fixed rate	96,543	7,383	2,582	106,508
Total	$ 376,387	$ 362,046	$ 232,646	$ 971,079

(1) Includes commercial mortgages, residential mortgages and home equity loans.

Contractual maturities of time deposits as of December 31, 2019 were as follows (in thousands):

Year	
2020	$ 1,636,357
2021	529,378
2022	436,909
2023	109,044
2024	43,141
Thereafter	47,100
	$ 2,801,929

Contractual maturities of time deposits of $100,000 or more outstanding, included in the table above, as of December 31, 2019 were as follows (in thousands):

Three months or less	$ 239,122
Over three through six months	202,469
Over six through twelve months	378,698
Over twelve months	546,961
Total	$ 1,367,250

Debt Security Market Price Risk

Debt security market price risk is the risk that changes in the values of debt securities, unrelated to interest rate changes, could have a material impact on the financial position or results of operations of the Corporation. The Corporation's debt security investments consist primarily of U.S. government sponsored agency issued mortgage-backed securities and collateralized mortgage obligations, state and municipal securities, auction rate securities and corporate debt securities. All of the Corporation's investments in mortgage-backed securities and collateralized mortgage obligations have principal payments that are guaranteed by U.S. government sponsored agencies.

State and Municipal Securities

As of December 31, 2019, the Corporation owned state and municipal securities issued by various states and municipalities with a total fair value of $652.9 million. Uncertainty with respect to the financial strength of state and municipal bond insurers places emphasis on the underlying strength of issuers. Pressure on local tax revenues of issuers due to adverse economic conditions could have an adverse impact on the underlying credit quality of issuers. The Corporation evaluates existing and potential holdings primarily based on the underlying creditworthiness of the issuing state or municipality and then, to a lesser extent, on any credit enhancement. State and municipal securities can be supported by the general obligation of the issuing state or municipality, allowing the securities to be repaid by any means available to the issuing state or municipality. As of December 31, 2019, approximately 99% of state and municipal securities were supported by the general obligation of corresponding states or municipalities. Approximately 55% of these securities were school district issuances, which are also supported by the states of the issuing municipalities.

Auction Rate Securities

As of December 31, 2019, the Corporation's investments in student loan auction rate securities, also known as auction rate certificates ("ARCs"), had a cost basis of $107.4 million and an estimated fair value of $101.9 million. The fair values of the ARCs currently in the portfolio were derived using significant unobservable inputs based on an expected cash flows model which produced fair values that may not represent those that could be expected from settlement of these investments in the current market. The expected cash flows model produced fair values which assumed a return to market liquidity sometime within the next five years. The Corporation believes that the trusts underlying the ARCs will self-liquidate as student loans are repaid.

The credit quality of the underlying debt associated with the ARCs is also a factor in the determination of their estimated fair value. As of December 31, 2019, all of the ARCs were rated above investment grade. All of the loans underlying the ARCs have principal payments which are guaranteed by the federal government. At December 31, 2019, all of the Corporation's ARCs were current and making scheduled interest payments.

Corporate Debt Securities

The Corporation holds corporate debt securities in the form of single-issuer trust preferred securities and subordinated debt and senior debt issued by financial institutions. As of December 31, 2019, these securities had an amortized cost of $370.4 million and an estimated fair value of $377.4 million.

See "Note 3 - Investment Securities," in the Notes to Consolidated Financial Statements in Item 8. "Financial Statements and Supplementary Data" for further discussion related to the Corporation’s other-than-temporary impairment evaluations for debt securities, and see "Note 19 - Fair Value Measurements," in the Notes to Consolidated Financial Statements in Item 8. "Financial Statements and Supplementary Data" for further discussion related to the fair values of debt securities.

CONSOLIDATED BALANCE SHEETS

(dollars in thousands, except per-share data)

	December 31, 2019	December 31, 2018
Assets		
Cash and due from banks	$ 132,283	$ 103,436
Interest-bearing deposits with other banks	385,508	342,251
Total Cash and Cash Equivalents	517,791	445,687
Federal Reserve Bank and Federal Home Loan Bank stock	97,422	79,283
Loans held for sale	37,828	27,099
Investment securities:		
Available for sale, at estimated fair value	2,497,537	2,080,294
Held to maturity, at amortized cost	369,841	606,679
Loans and leases, net of unearned income	16,837,526	16,165,800
Allowance for loan and lease losses	(163,622)	(160,537)
Net Loans and Leases	16,673,904	16,005,263
Premises and equipment	240,046	234,529
Accrued interest receivable	60,898	58,879
Goodwill and intangibles	535,303	531,556
Other assets	855,470	612,883
Total Assets	$ 21,886,040	$ 20,682,152
Liabilities		
Deposits:		
Noninterest-bearing	$ 4,453,324	$ 4,310,105
Interest-bearing	12,940,589	12,066,054
Total Deposits	17,393,913	16,376,159
Short-term borrowings	883,241	754,777
Accrued interest payable	8,834	10,529
Federal Home Loan Bank advances and long-term debt	881,769	992,279
Other liabilities	376,107	300,835
Total Liabilities	19,543,864	18,434,579
Shareholders' Equity		
Common stock, $2.50 par value, 600 million shares authorized, 222.4 million shares issued in 2019 and 221.8 million shares issued in 2018	556,110	554,377
Additional paid-in capital	1,499,681	1,489,703
Retained earnings	1,079,391	946,032
Accumulated other comprehensive loss	(137)	(59,063)
Treasury stock, 58.2 million shares in 2019 and 51.6 million shares in 2018	(792,869)	(683,476)
Total Shareholders' Equity	2,342,176	2,247,573
Total Liabilities and Shareholders' Equity	$ 21,886,040	$ 20,682,152

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF INCOME

(dollars in thousands, except per-share data)

	2019	2018	2017
Interest Income			
Loans, including fees	$ 737,932	$ 683,042	$ 603,961
Investment securities:			
Taxable	62,556	56,039	47,028
Tax-exempt	14,218	12,076	11,566
Dividends	—	5	369
Loans held for sale	1,351	1,159	876
Other interest income	9,249	6,193	5,066
Total Interest Income	825,306	758,514	668,866
Interest Expense			
Deposits	131,775	87,712	57,791
Short-term borrowings	14,543	8,489	2,779
Long-term debt	30,599	31,857	32,932
Total Interest Expense	176,917	128,058	93,502
Net Interest Income	648,389	630,456	575,364
Provision for credit losses	32,825	46,907	23,305
Net Interest Income After Provision for Credit Losses	615,564	583,549	552,059
Non-Interest Income			
Wealth management	55,678	52,148	49,249
Commercial banking	71,117	63,929	65,730
Consumer banking	49,503	48,422	48,918
Mortgage banking	23,099	19,026	19,928
Other	12,030	11,963	15,078
Non-interest income before investment securities gains	211,427	195,488	198,903
Investment securities gains, net	4,733	37	9,071
Total Non-Interest Income	216,160	195,525	207,974
Non-Interest Expense			
Salaries and employee benefits	311,934	303,202	290,130
Net occupancy	52,826	51,678	49,708
Data processing and software	44,679	41,286	38,735
Other outside services	39,989	33,758	27,501
Equipment	13,575	13,243	12,935
Professional	13,134	14,161	12,688
Federal Deposit Insurance Corporation ("FDIC")	7,780	10,993	11,049
Amortization of tax credit investments	6,021	11,449	11,028
Prepayment penalty on Federal Home Loan Bank ("FHLB") advances	4,326	—	—
Intangible amortization	1,427	—	—
Other	72,045	66,334	71,805
Total Non-Interest Expense	567,736	546,104	525,579
Income Before Income Taxes	263,988	232,970	234,454
Income taxes	37,649	24,577	62,701
Net Income	$ 226,339	$ 208,393	$ 171,753
Per Share:			
Net Income (Basic)	$ 1.36	$ 1.19	$ 0.98
Net Income (Diluted)	1.35	1.18	0.98
Cash Dividends	0.56	0.52	0.47

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

	2019	2018	2017
Net Income	**$ 226,339**	$ 208,393	$ 171,753
Other Comprehensive (Loss) Income, net of tax:			
Unrealized gains (losses) on available for sale investment securities:			
Unrealized gain (loss) on securities	**56,919**	(24,326)	10,432
Reclassification adjustment for securities gains included in net income	**(3,686)**	(30)	(5,894)
Amortization of net unrealized losses on securities transferred to held to maturity	**6,285**	2,098	—
Non-credit related unrealized (loss) gain on other-than-temporarily impaired debt securities	**(680)**	222	185
Net unrealized gains (losses) on available for sale investment securities	**58,838**	(22,036)	4,723
Defined benefit pension plan and postretirement benefits:			
Unrecognized pension and postretirement (cost) income	**(937)**	1,400	(609)
Amortization of net unrecognized pension and postretirement income	**1,025**	1,648	1,361
Net unrealized gains on defined benefit pension and postretirement plans	**88**	3,048	752
Other Comprehensive Income (Loss)	**58,926**	(18,988)	5,475
Total Comprehensive Income	**$ 285,265**	$ 189,405	$ 177,228

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands, except per share data)

	Common Stock						
	Shares Outstanding	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Treasury Stock	Total
Balance at December 31, 2016	174,040	$ 549,707	$ 1,467,602	$ 732,099	$ (38,449)	$ (589,844)	$ 2,121,115
Net income				171,753			171,753
Other comprehensive income					5,475		5,475
Stock issued, including related tax benefits	1,130	2,525	5,578			435	8,538
Stock-based compensation awards			5,209				5,209
Common stock cash dividends - $0.47 per share				(82,233)			(82,233)
Balance at December 31, 2017	175,170	$ 552,232	$ 1,478,389	$ 821,619	$ (32,974)	$ (589,409)	$ 2,229,857
Net income				208,393			208,393
Other comprehensive loss					(18,988)		(18,988)
Stock issued	977	2,062	3,432			1,241	6,735
Stock-based compensation awards	33	83	7,882				7,965
Acquisition of treasury stock	(5,996)					(95,308)	(95,308)
Reclassification of stranded tax effects [1]				7,101	(7,101)		—
Common stock cash dividends - $0.52 per share				(91,081)			(91,081)
Balance at December 31, 2018	**170,184**	**$ 554,377**	**$ 1,489,703**	**$ 946,032**	**$ (59,063)**	**$ (683,476)**	**$ 2,247,573**
Net income				**226,339**			**226,339**
Other comprehensive income					**58,926**		**58,926**
Stock issued	**883**	**1,733**	**2,565**			**2,064**	**6,362**
Stock-based compensation awards			**7,413**				**7,413**
Acquisition of treasury stock	**(6,849)**					**(111,457)**	**(111,457)**
Common stock cash dividends - $0.56 per share				**(92,980)**			**(92,980)**
Balance at December 31, 2019	**164,218**	**$ 556,110**	**$ 1,499,681**	**$ 1,079,391**	**$ (137)**	**$ (792,869)**	**$ 2,342,176**

See Notes to Consolidated Financial Statements

(1) Result of adoption of Accounting Standard Update ("ASU") 2018-02. See Note 1 to Consolidated Financial Statements for further details.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income	**$ 226,339**	$ 208,393	$ 171,753
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for credit losses	**32,825**	46,907	23,305
Depreciation and amortization of premises and equipment	**28,200**	28,156	28,096
Amortization of tax credit investments	**32,810**	38,606	37,185
Net amortization of investment security premiums	**9,387**	9,297	10,107
Deferred income tax (benefit) expense	**(165)**	(15,749)	24,896
Re-measurement of net deferred tax asset	**—**	(809)	15,635
Investment securities gains, net	**(4,733)**	(37)	(9,071)
Gain on sales of mortgage loans held for sale	**(17,882)**	(13,021)	(13,036)
Proceeds from sales of mortgage loans held for sale	**916,725**	795,756	644,400
Originations of mortgage loans held for sale	**(909,572)**	(778,304)	(634,197)
Intangible amortization	**1,427**	—	—
Amortization of issuance costs and discounts on long-term debt	**842**	813	845
Stock-based compensation	**7,413**	7,965	5,209
Other changes, net	**(195,903)**	(31,153)	(17,369)
Total adjustments	**(98,626)**	88,427	116,005
Net cash provided by operating activities	**127,713**	296,820	287,758
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sales of available for sale securities	**710,739**	54,638	184,734
Proceeds from paydowns and maturities of held to maturity securities	**83,121**	35,900	—
Proceeds from principal repayments and maturities of available for sale securities	**234,702**	290,681	417,673
Purchases of securities available for sale	**(1,138,070)**	(558,949)	(584,921)
Purchase of Federal Reserve Bank and Federal Home Loan Bank stock	**(18,139)**	(18,522)	(3,272)
Net increase in loans and leases	**(708,048)**	(447,849)	(1,087,521)
Net purchases of premises and equipment	**(33,717)**	(39,883)	(33,092)
Net cash paid for acquisitions	**(5,174)**	—	—
Net change in tax credit investments	**(18,760)**	(56,733)	(28,932)
Net cash used in investing activities	**(893,346)**	(740,717)	(1,135,331)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase in demand and savings deposits	**849,437**	435,872	782,525
Net increase in time deposits	**168,317**	142,755	2,143
Increase in short-term borrowings	**128,464**	137,253	76,207
Additions to long-term debt	**485,000**	50,000	223,251
Repayments of long-term debt	**(596,056)**	(100,165)	(115,153)
Net proceeds from issuance of common stock	**6,362**	6,735	8,538
Dividends paid	**(92,330)**	(89,654)	(80,368)
Acquisition of treasury stock	**(111,457)**	(95,308)	—
Net cash provided by financing activities	**837,737**	487,488	897,143
Net Increase in Cash and Cash Equivalents	**72,104**	43,591	49,570
Cash and Cash Equivalents at Beginning of Year	**445,687**	402,096	352,526
Cash and Cash Equivalents at End of Year	**$ 517,791**	$ 445,687	$ 402,096
Supplemental Disclosures of Cash Flow Information			
Cash paid during period for:			
Interest	**$ 178,612**	$ 126,846	$ 93,817
Income taxes	**9,193**	13,547	6,537
Supplemental schedule of certain noncash activities			
Transfer of available for sale securities to held to maturity securities	**$ —**	$ 641,672	$ —
Transfer of held to maturity securities to available for sale securities	**158,898**	—	—

See Notes to Consolidated Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business: Fulton Financial Corporation ("Corporation" or "Parent Company") is a financial holding company which provides a full range of banking and financial services to businesses and consumers through its wholly owned banking subsidiary, Fulton Bank, N.A. ("Fulton Bank" or the "Bank"). In addition, the Parent Company owns the following non-bank subsidiaries: Fulton Financial Realty Company, Central Pennsylvania Financial Corp., FFC Management, Inc., FFC Penn Square, Inc. and Fulton Insurance Services Group, Inc. Collectively, the Parent Company and its subsidiaries are referred to as the Corporation.

The Corporation's primary sources of revenue are interest income on loans, investment securities and other interest-earning assets and fee income earned on its products and services. Its expenses consist of interest expense on deposits and borrowed funds, provision for credit losses, other operating expenses and income taxes. The Corporation's primary competition is other financial services providers operating in its region. Competitors also include financial services providers located outside the Corporation's geographic market as a result of the growth in electronic delivery channels. The Corporation is subject to the regulations of certain federal and state agencies and undergoes periodic examinations by such regulatory authorities.

The Corporation offers, through its banking subsidiary, a full range of retail and commercial banking services in Pennsylvania, Delaware, Maryland, New Jersey and Virginia. Industry diversity is the key to the economic well-being of these markets and the Corporation is not dependent upon any single customer or industry. In 2017, the Corporation had six banking subsidiaries. During 2018, the Corporation consolidated two of its wholly owned banking subsidiaries into its lead bank, Fulton Bank, and during 2019, the remaining three wholly-owned banking subsidiaries were consolidated into Fulton Bank.

Basis of Financial Statement Presentation: The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States ("GAAP") and include the accounts of the Parent Company and all wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosed amount of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. The Corporation evaluates subsequent events through the date of the filing of this report with the Securities and Exchange Commission ("SEC").

Cash and Cash Equivalents and Restricted Cash: Cash and cash equivalents consists of cash and due from banks and interest bearing deposits with other banks, which includes restricted cash. Restricted cash comprises cash balances required to be maintained with the Federal Reserve Bank ("FRB"), based on customer transaction deposit account levels, and cash balances provided as collateral on derivative contracts and other contracts. See Note 2, "Restrictions on Cash and Cash Equivalents" for additional information.

FRB and FHLB Stock: The Bank is a member of the FRB and FHLB and is required by federal law to hold stock in these institutions according to predetermined formulas. These restricted investments are carried at cost on the consolidated balance sheets and are periodically evaluated for impairment.

Investments: Debt securities are classified as held to maturity ("HTM") at the time of purchase when the Corporation has both the intent and ability to hold these investments until they mature. Such debt securities are carried at cost, adjusted for amortization of premiums and accretion of discounts using the effective yield method. The Corporation does not engage in trading activities; however, since the investment portfolio serves as a source of liquidity, most debt securities are classified as available for sale ("AFS"). AFS securities are carried at estimated fair value with the related unrealized holding gains and losses reported in shareholders' equity as a component of other comprehensive income, net of tax. Realized securities gains and losses are computed using the specific identification method and are recorded on a trade date basis.

Securities are evaluated periodically to determine whether declines in value are other-than-temporary. Impaired debt securities are determined to be other-than-temporarily impaired if the Corporation concludes at the balance sheet date that it has the intent to sell, or believes it will more likely than not be required to sell, an impaired debt security before a recovery of its amortized cost basis. Credit losses on other-than-temporarily impaired debt securities are recorded through earnings, regardless of the intent or the requirement to sell. Credit loss is measured as the difference between the present value of an impaired debt security's expected cash flows and its amortized cost. Non-credit related other-than-temporary impairment ("OTTI") charges are recorded as decreases to accumulated other comprehensive income as long as the Corporation has no intent or expected requirement to sell the impaired debt security before a recovery of its amortized cost basis.

The Corporation early adopted ASU 2019-04, "Codification Improvements to Topic 326, Financial Instruments - Credit Losses, Topic 815, Derivative and Hedging, and Topic 825, Financial Instruments," in the third quarter of 2019, which permitted the one-time reclassification of certain HTM securities to AFS under Topic 815, specific to the transition guidance of ASU update 2017-12, which the Corporation adopted on January 1, 2019. See “Note 3 - Investment Securities” for additional information on this reclassification. The portion of this standards update related to codification improvements specific to Topic 326 will be implemented upon the Corporation’s adoption of ASU 2016-13 in the first quarter of 2020. Additional codification improvements to Topic 825, specifically ASU 2016-01, which the Corporation adopted as of January 1, 2018, did not have an impact on the Corporation's consolidated financial statements.

Fair Value Option: The Corporation has elected to measure mortgage loans held for sale at fair value. Derivative financial instruments related to mortgage banking activities are also recorded at fair value, as detailed under the heading "Derivative Financial Instruments," below. The Corporation determines fair value for its mortgage loans held for sale based on the price that secondary market investors would pay for loans with similar characteristics, including interest rate and term, as of the date fair value is measured. Changes in fair values during the period are recorded as components of mortgage banking income on the consolidated statements of income. Interest income earned on mortgage loans held for sale is classified in interest income on the consolidated statements of income.

Loans and Lease Receivables: Loan and leases are stated at their principal amount outstanding, except for mortgage loans held for sale, which are carried at fair value. Interest income on loans is accrued as earned. Unearned income on lease financing receivables is recognized on a basis which approximates the effective yield method.

In general, a loan or lease is placed on non-accrual status once it becomes 90 days delinquent as to principal or interest. In certain cases a loan or lease may be placed on non-accrual status prior to being 90 days delinquent if there is an indication that the borrower is having difficulty making payments, or the Corporation believes it is probable that all amounts will not be collected according to the contractual terms of the loan or lease agreement. When interest accruals are discontinued, unpaid interest previously credited to income is reversed. Non-accrual loans and leases may be restored to accrual status when all delinquent principal and interest has been paid currently for six consecutive months or the loan or lease is considered secured and in the process of collection. The Corporation generally applies payments received on non-accruing loans and leases to principal until such time as the principal is paid off, after which time any payments received are recognized as interest income. If the Corporation believes that all amounts outstanding on a non-accrual loan or lease will ultimately be collected, payments received subsequent to its classification as a non-accrual loan or lease are allocated between interest income and principal.

A loan or lease that is 90 days delinquent may continue to accrue interest if the loan or lease is both adequately secured and is in the process of collection. Past due status is determined based on contractual due dates for loan payments. An adequately secured loan or lease is one that has collateral with a supported fair value that is sufficient to discharge the debt, and/or has an enforceable guarantee from a financially responsible party. A loan or lease is considered to be in the process of collection if collection is proceeding through legal action or through other activities that are reasonably expected to result in repayment of the debt or restoration to current status in the near future.

Loans and leases deemed to be a loss are written off through a charge against the allowance for loan or lease losses. Closed-end consumer loans are generally charged off when they become 120 days past due (180 days for open-end consumer loans) if they are not adequately secured by real estate. All other loans and leases are evaluated for possible charge-off when it is probable that the balance will not be collected, based on the ability of the borrower to pay and the value of the underlying collateral. Principal recoveries of loans or leases previously charged off are recorded as increases to the allowance for loan or lease losses.

Loan Origination Fees and Costs: Loan origination fees and the related direct origination costs are deferred and amortized over the life of the loan as an adjustment to interest income using the effective yield method. For mortgage loans sold, net loan origination fees and costs are included in the gain or loss on sale of the related loan, as components of mortgage banking.

Troubled Debt Restructurings ("TDRs"): Loans whose terms are modified are classified as TDRs if it is determined that those borrowers are experiencing financial difficulty and the Corporation grants the borrowers concessions. Concessions, whether negotiated or imposed by bankruptcy, granted under a TDR typically involve a temporary deferral of scheduled loan payments, an extension of a loan’s stated maturity date or a reduction in the interest rate. Non-accrual TDRs can be restored to accrual status if principal and interest payments, under the modified terms, are current for six consecutive months after modification.

Allowance for Credit Losses: The allowance for credit losses consists of the allowance for loan and lease losses and the reserve for unfunded lending commitments. The allowance for loan and lease losses represents management's estimate of incurred losses in the loan and lease portfolio as of the balance sheet date and is recorded as a reduction to loans and leases. The reserve for unfunded lending commitments represents management's estimate of incurred losses in its unfunded loan commitments and other off-balance sheet credit exposures, such as letters of credit, and is recorded in other liabilities on the consolidated balance sheets. The allowance for credit losses is increased by charges to expense, through the provision for credit losses, and decreased by charge-offs, net of recoveries. Management believes that the allowance for loan and lease losses and the reserve for unfunded lending commitments are adequate as of the balance sheet date; however, future changes to the allowance or reserve may be necessary based on changes in any of the factors discussed in the following paragraphs.

Maintaining an appropriate allowance for credit losses is dependent upon various factors, including the ability to identify potential problem loans and leases in a timely manner. For commercial loans, commercial mortgages and construction loans to commercial borrowers, an internal risk rating process is used. The Corporation believes that internal risk ratings are the most relevant credit quality indicator for these types of loans. The migration of loans through the various internal risk rating categories is a significant component of the allowance for credit loss methodology for these loans, which bases the probability of default on this migration. Assigning risk ratings involves judgment. The Corporation's loan review officers provide a separate assessment of risk rating accuracy. Risk ratings may be changed based on the ongoing monitoring procedures performed by loan officers or credit administration staff, or if specific loan review assessments identify a deterioration or an improvement in the loan.

The following is a summary of the Corporation's internal risk rating categories:

- Pass: These loans do not currently pose undue credit risk and can range from the highest to average quality, depending on the degree of potential risk.

- Special Mention: These loans have a heightened credit risk, but not to the point of justifying a classification of substandard. Loans in this category are currently acceptable, but are nevertheless potentially weak.

- Substandard or Lower: These loans are inadequately protected by current sound worth and paying capacity of the borrower. There exists a well-defined weakness or weaknesses that jeopardize the normal repayment of the debt.

The Corporation does not assign internal risk ratings for smaller balance, homogeneous loans and leases, such as home equity, residential mortgage, consumer, lease receivables and construction loans to individuals secured by residential real estate. For these loans and leases, the most relevant credit quality indicator is delinquency status. The migration of loans and leases through the various delinquency status categories is a significant component of the allowance for credit loss methodology for these loans and leases, which bases the probability of default on this migration.

The Corporation's allowance for loan and lease losses includes: 1) specific allowances allocated to loans and leases evaluated for impairment under the Financial Accounting Standards Board's Accounting Standards Codification ("ASC") Section 310-10-35; and 2) allowances calculated for pools of loans evaluated for impairment under ASC Subtopic 450-20.

A loan or lease is considered to be impaired if it is probable that all amounts will not be collected according to the contractual terms of the loan or lease agreement. Impaired loans and leases consist of all loans and leases on non-accrual status and accruing TDRs. An allowance for loan and lease losses is established for an impaired loan or lease if its carrying value exceeds its estimated fair value. Impaired loans and leases to borrowers with total outstanding commitments greater than or equal to $1.0 million are evaluated individually for impairment. Impaired loans and leases to borrowers with total outstanding commitments less than $1.0 million are pooled and evaluated for impairment collectively.

All loans and leases evaluated for impairment under ASC Section 310-10-35 are measured for losses on a quarterly basis. As of December 31, 2019 and 2018, substantially all of the Corporation's impaired loans and leases to borrowers with total outstanding loan or lease balances greater than or equal to $1.0 million were measured based on the estimated fair value of each loan or lease's collateral. Collateral could be in the form of real estate, in the case of impaired commercial mortgages and construction loans, or business assets, such as accounts receivable or inventory, in the case of commercial and industrial loans. Commercial and industrial loans may also be secured by real property.

For loans and leases secured by real estate, estimated fair values are determined primarily through appraisals performed by state certified third-party appraisers, discounted to arrive at expected net sale proceeds. For collateral dependent loans, estimated real estate fair values are also net of estimated selling costs. When a real estate secured loan becomes impaired, a decision is made regarding whether an updated appraisal of the real estate is necessary. This decision is based on various considerations, including: the age of the most recent appraisal; the loan-to-value ratio based on the original appraisal; the condition of the property; the

Corporation's experience and knowledge of the real estate market; the purpose of the loan or lease; market factors; payment status; the strength of any guarantors; and the existence and age of other indications of value such as broker price opinions, among others. The Corporation generally obtains updated appraisals performed by state certified third-party appraisers for impaired loans and leases secured predominantly by real estate every 12 months.

As of December 31, 2019 and 2018, approximately 93% and 89%, respectively, of impaired loans or leases with principal balances greater than or equal to $1.0 million, whose primary collateral is real estate, were measured at estimated fair value using appraisals performed by state certified third-party appraisers that had been updated within the preceding 12 months.

When updated appraisals are not obtained for loans and leases secured by real estate and evaluated for impairment under ASC Section 310-10-35, fair values are estimated based on the original appraisal values, as long as the original appraisal indicated an acceptable loan-to-value position and, in the opinion of the Corporation's internal credit administration staff, there has not been a significant deterioration in the collateral value since the original appraisal was performed.

For impaired loans and leases with principal balances greater than or equal to $1.0 million secured by non-real estate collateral, such as accounts receivable or inventory, estimated fair values are determined based on borrower financial statements, inventory listings, accounts receivable agings or borrowing base certificates. Indications of value from these sources are generally discounted based on the age of the financial information or the quality of the assets. Liquidation or collection discounts are applied to these assets based upon existing loan evaluation policies.

All loans and leases not evaluated for impairment under ASC Section 310-10-35 are evaluated for impairment under ASC Subtopic 450-20, using a pooled loss evaluation approach. Loans and leases are segmented into pools with similar characteristics and a consistently developed loss factor is then applied to all loans in these pools. Certain portfolio segments are further disaggregated and evaluated collectively for impairment based on class segments. For commercial loans, class segments include loans secured by collateral and unsecured loans. Construction loan class segments include loans secured by commercial real estate, loans to commercial borrowers secured by residential real estate and loans to individuals secured by residential real estate. Consumer loan class segments are based on collateral types and include direct consumer installment loans, home equity loans and indirect automobile loans.

The Corporation segments its loan and lease portfolio by general loan and lease type, or "portfolio segments," as presented in the table under the heading, "Loans and leases, net of unearned income," within Note 4, "Loans and Leases and Allowance for Credit Losses." Certain portfolio segments are further disaggregated and evaluated collectively for impairment based on "class segments," which are largely based on the type of collateral underlying each loan and lease. For commercial loans, class segments include loans secured by collateral and unsecured loans. Construction loan class segments include loans secured by commercial real estate, loans to commercial borrowers secured by residential real estate and loans to individuals secured by residential real estate. Consumer loan class segments are based on collateral types and include direct consumer installment loans and indirect automobile loans.

The Corporation calculates allowance for loan and lease loss allocation needs for loans evaluated under ASC Subtopic 450-20 through the following procedures:

- The loans and leases are segmented into pools with similar characteristics, as noted above. Commercial loans, commercial mortgages and construction loans to commercial borrowers are further segmented into separate pools based on internally assigned risk ratings. Residential mortgages, home equity loans, consumer loans, and lease receivables are further segmented into separate pools based on delinquency status;
- A loss rate is calculated for each pool through an analysis of historical losses as loans and leases migrate through the various risk rating or delinquency categories. Estimated loss rates are based on a probability of default and a loss rate forecast;
- The loss rate is adjusted to consider qualitative factors, such as economic conditions and trends; and
- The resulting adjusted loss rate is applied to the balance of the loans and leases in the pool to arrive at the allowance allocation for the pool.

The allocation of the allowance for credit losses is reviewed to evaluate its appropriateness in relation to the overall risk profile of the loan and lease portfolio. The Corporation considers risk factors such as: local and national economic conditions; trends in delinquencies and non-accrual loans and leases; the diversity of borrower industry types; and the composition of the portfolio by loan and lease type.

Premises and Equipment: Premises and equipment are stated at cost, less accumulated depreciation and amortization. The provision for depreciation and amortization is generally computed using the straight-line method over the estimated useful lives of the related assets, which are a maximum of 50 years for buildings and improvements, 8 years for furniture and 5 years for equipment. Leasehold improvements are amortized over the shorter of the useful life or the non-cancelable lease term. See Note 5, "Premises and Equipment" for additional information.

Other Real Estate Owned ("OREO"): Assets acquired in settlement of mortgage loan indebtedness are recorded as OREO and are included in other assets on the consolidated balance sheets, initially at the lower of the estimated fair value of the asset, less estimated selling costs, or the carrying amount of the loan. Costs to maintain the assets and subsequent gains and losses on sales are included in other non-interest expense on the consolidated statements of income.

Mortgage Servicing Rights ("MSRs"): The estimated fair value of MSRs related to residential mortgage loans sold and serviced by the Corporation is recorded as an asset upon the sale of such loans. MSRs are amortized as a reduction to servicing income over the estimated lives of the underlying loans.

MSRs are stratified and evaluated for impairment by comparing each stratum's carrying amount to its estimated fair value. Fair values are determined through a discounted cash flows valuation completed by a third-party valuation expert. Significant inputs to the valuation include expected net servicing income, the discount rate and the expected lives of the underlying loans. Expected life is based on the contractual terms of the loans, as adjusted for prepayment projections. To the extent the amortized cost of the MSRs exceeds their estimated fair value, a valuation allowance is established through a charge against servicing income, included as a component of mortgage banking income on the consolidated statements of income. If subsequent valuations indicate that impairment no longer exists, the valuation allowance is reduced through an increase to servicing income. See Note 7, "Mortgage Servicing Rights" for additional information.

Derivative Financial Instruments: The Corporation manages its exposure to certain interest rate and foreign currency risks through the use of derivatives. None of the Corporation's outstanding derivative contracts are designated as hedges and none are entered into for speculative purposes. Derivative instruments are carried at fair value, with changes in fair value recognized in earnings as components of non-interest income or non-interest expense on the consolidated statements of income.

Derivative contracts create counterparty credit risk with both the Corporation's customers and with institutional derivative counterparties. The Corporation manages counterparty credit risk through its credit approval processes, monitoring procedures and obtaining adequate collateral, when the Corporation determines it is appropriate to do so and in accordance with counterparty contracts.

Mortgage Banking Derivatives

In connection with its mortgage banking activities, the Corporation enters into commitments to originate certain fixed-rate residential mortgage loans for customers, also referred to as interest rate locks. In addition, the Corporation enters into forward commitments for the future sales or purchases of mortgage-backed securities to or from third-party counterparties to hedge the effect of changes in interest rates on the values of both the interest rate locks and mortgage loans held for sale. Forward sales commitments may also be in the form of commitments to sell individual mortgage loans at a fixed price at a future date. The amount necessary to settle each interest rate lock is based on the price that secondary market investors would pay for loans with similar characteristics, including interest rate and term, as of the date fair value is measured.

Interest Rate Swaps

The Corporation enters into interest rate swaps with certain qualifying commercial loan customers to meet their interest rate risk management needs. The Corporation simultaneously enters into interest rate swaps with dealer counterparties, with identical notional amounts and terms. The net result of these interest rate swaps is that the customer pays a fixed rate of interest and the Corporation receives a floating rate. The Bank exceeds $10 billion in total assets and is required to clear all eligible interest rate swap contracts with a central counterparty. As a result, the Bank is subject to the regulations of the Commodity Futures Trading Commission.

Foreign Exchange Contracts

The Corporation enters into foreign exchange contracts to accommodate the needs of its customers. Foreign exchange contracts are commitments to buy or sell foreign currency on a specific date at a contractual price. The Corporation limits its foreign exchange exposure with customers by entering into contracts with institutional counterparties to mitigate its foreign exchange risk. The Corporation also holds certain amounts of foreign currency with international correspondent banks ("Foreign Currency Nostro

Accounts"). The Corporation limits the total overnight net foreign currency open positions, which is defined as an aggregate of all outstanding contracts and Foreign Currency Nostro Account balances, to $500,000. See "Note 10 - Derivative Financial Instruments" for additional information.

Balance Sheet Offsetting: Although certain financial assets and liabilities may be eligible for offset on the consolidated balance sheets because they are subject to master netting arrangements or similar agreements, the Corporation elects to not offset such qualifying assets and liabilities.

The Corporation is a party to interest rate swap transactions with financial institution counterparties and customers. Under these agreements, the Corporation has the right to net-settle multiple contracts with the same counterparty in the event of default on, or termination of, any one contract. Cash collateral is posted by the party with a net liability position in accordance with contract thresholds and can be used to settle the fair value of the interest rate swap agreements in the event of default. A daily settlement occurs through a clearing agent for changes in the fair value of centrally cleared derivatives. Not all of the derivatives are required to be cleared through a daily clearing agent. As a result, the total fair values of interest rate swap derivative assets and derivative liabilities recognized on the consolidated balance sheets are not equal and offsetting.

The Corporation is also a party to foreign currency exchange contracts with financial institution counterparties, under which the Corporation has the right to net-settle multiple contracts with the same counterparty in the event of default on, or termination of, any one contract. As with interest rate swap contracts, cash collateral is posted by the party with a net liability position in accordance with contract thresholds and can be used to settle the fair value of the foreign currency exchange contracts in the event of default.

The Corporation also enters into agreements with customers in which it sells securities subject to an obligation to repurchase the same or similar securities, referred to as repurchase agreements. Under these agreements, the Corporation may transfer legal control over the assets but still maintain effective control through agreements that both entitle and obligate the Corporation to repurchase the assets. Therefore, repurchase agreements are reported as secured borrowings, classified in short-term borrowings on the consolidated balance sheets, while the securities underlying the repurchase agreements remain classified with investment securities on the consolidated balance sheets. The Corporation has no intention of setting off these amounts, therefore, these repurchase agreements are not eligible for offset. For additional details on balance sheet offsetting, see "Note 10 - Derivative Financial Instruments."

Income Taxes: The Corporation utilizes the asset and liability method in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based upon the difference between the values of the assets and liabilities as reflected in the financial statements and their related tax basis using enacted tax rates in effect for the year in which the differences are expected to be recovered or settled. As changes in tax law or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. In assessing the realizability of deferred tax assets ("DTAs"), management considers whether it is more likely than not that some portion or all of the DTAs will not be realized. The ultimate realization of DTAs is dependent upon the generation of future taxable income and tax planning strategies which will create taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, the amount of taxes paid in available carryback years, projected future taxable income, and, if necessary, tax planning strategies in making this assessment. A valuation allowance is provided against deferred tax assets unless it is more likely than not that such deferred tax assets will be realized.

ASC Topic 740, "Income Taxes" creates a single model to address uncertainty in tax positions, and clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in an enterprise's financial statements. It also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. The liability for unrecognized tax benefits is included in other liabilities within the consolidated balance sheets.

Effective January 1, 2018, the Corporation adopted ASU 2018-02, "Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income." This standards update permits a reclassification from accumulated other comprehensive income ("AOCI") to retained earnings of the stranded tax effects resulting from the application of the Tax Cuts and Jobs Act of 2017 ("Tax Act"), which changed the federal corporate income tax rate from a top rate of 35% to a flat rate of 21%. Upon adoption, the Corporation elected to reclassify $7.1 million of stranded tax effects from AOCI to retained earnings at the beginning of the period of adoption. The Corporation's policy for releasing income tax effects from accumulated other comprehensive income is to release them as investments are sold or mature and as pension and post-retirement liabilities are extinguished. See Note 12, "Income Taxes" for additional information.

Stock-Based Compensation: The Corporation grants equity awards to employees, consisting of stock options, restricted stock, restricted stock units ("RSUs") and performance-based restricted stock units ("PSUs") under its Amended and Restated Equity and Cash Incentive Compensation Plan ("Employee Equity Plan"). In addition, employees may purchase stock under the Corporation's Employee Stock Purchase Plan ("ESPP").

The Corporation also grants equity awards to non-employee members of its board of directors and subsidiary bank board of directors under the 2011 Directors' Equity Participation Plan, which was amended and approved by shareholders as the Amended and Restated Directors' Equity Participation Plan in 2019 ("Directors' Plan"). Under the Directors' Plan, the Corporation can grant equity awards to non-employee holding company and subsidiary bank directors in the form of stock options, restricted stock, RSUs or common stock. Recent grants of equity awards under the Directors' Plan have been limited to RSUs.

Equity awards issued under the Employee Equity Plan are generally granted annually and become fully vested over or after a three-year vesting period. The vesting period for non-performance-based awards represents the period during which employees are required to provide service in exchange for such awards. Equity awards under the Directors' Plan are generally granted annually and become fully vested after a one-year vesting period. Certain events, as defined in the Employee Equity Plan and the Directors' Plan, result in the acceleration of the vesting of equity awards. Restricted stock, RSUs and PSUs earn dividends during the vesting period, which are forfeitable if the awards do not vest.

The fair value of stock options, restricted stock and RSUs granted to employees is recognized as compensation expense over the vesting period for such awards. Compensation expense for PSUs is also recognized over the vesting period, however, compensation expense for PSUs may vary based on the expectations for actual performance relative to defined performance measures.

The fair value of restricted stock, RSUs and a majority of PSUs are based on the trading price of the Corporation's stock on the date of grant. The fair value of certain PSUs are estimated through the use of the Monte Carlo valuation methodology as of the date of grant. See Note 15, "Stock-Based Compensation Plans" for additional information. The Corporation has not issued stock options since 2014 and accordingly, there is no compensation expense for this instrument.

Disclosures about Segments of an Enterprise and Related Information: The Corporation does not have any operating segments which require disclosure of additional information.

Financial Guarantees: Financial guarantees, which consist primarily of standby and commercial letters of credit, are accounted for by recognizing a liability equal to the fair value of the guarantees and crediting the liability to income over the term of the guarantee. Fair value is estimated based on the fees currently charged to enter into similar agreements with similar terms.

Goodwill and Intangible Assets: The Corporation accounts for its acquisitions using the purchase accounting method. Purchase accounting requires that all assets acquired and liabilities assumed, including certain intangible assets that must be recognized, be recorded at their estimated fair values as of the acquisition date. Any purchase price exceeding the fair value of net assets acquired is recorded as goodwill.

During the fourth quarter of 2019, the Corporation early adopted ASU 2017-04 "Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment." This standards update eliminates the requirement to perform the "step two" impairment test, which the Corporation has not needed to perform since its impairment test completed in 2012. The Corporation performed a qualitative analysis, as permitted in Topic 350, in 2019 and no impairment indicators were identified through this analysis.

Goodwill is not amortized to expense, but is tested for impairment at least annually. Write-downs of the balance, if necessary as a result of the impairment test, are charged to expense in the period in which goodwill is determined to be impaired. The Corporation performs its annual test of goodwill impairment as of October 31st of each year. If certain events occur which indicate goodwill might be impaired between annual tests, goodwill would be tested when such events occur.

Intangible assets are amortized over their estimated lives. Some intangible assets have indefinite lives and are, therefore, not amortized. All intangible assets must be evaluated for impairment if certain events occur. Any impairment write-downs are recognized as non-interest expense on the consolidated statements of income. See "Note 6 - Goodwill and Intangible Assets," for additional details.

Variable Interest Entities ("VIEs"): ASC Topic 810 provides guidance on when to consolidate certain VIEs in the financial statements of the Corporation. VIEs are entities in which equity investors do not have a controlling financial interest or do not have sufficient equity at risk for the entity to finance activities without additional financial support from other parties. VIEs are assessed for consolidation under ASC Topic 810 when the Corporation holds variable interests in these entities. The Corporation consolidates VIEs when it is deemed to be the primary beneficiary. The primary beneficiary of a VIE is determined to be the party that has the power to make decisions that most significantly affect the economic performance of the VIE and has the obligation to absorb losses or the right to receive benefits that in either case could potentially be significant to the VIE.

Subsidiary Trusts

The Parent Company owns all of the common stock of three subsidiary trusts, which have issued securities (Trust Preferred Securities) in conjunction with the Parent Company issuing junior subordinated deferrable interest debentures to the trusts. The terms of the junior subordinated deferrable interest debentures are the same as the terms of the Trust Preferred Securities ("TruPS"). The Parent Company's obligations under the debentures constitute a full and unconditional guarantee by the Parent Company of the obligations of the trusts. The provisions of ASC Topic 810 related to subsidiary trusts, as interpreted by the SEC, disallow consolidation of subsidiary trusts in the financial statements of the Corporation. As a result, TruPS are not included on the Corporation's consolidated balance sheets. The junior subordinated debentures issued by the Parent Company to the subsidiary trusts, which have the same total balance and rate as the combined equity securities and TruPS issued by the subsidiary trusts, remain in long-term debt. See "Note 9 - Short-Term Borrowings and Long-Term Debt," for additional information.

Tax Credit Investments

The Corporation makes investments in certain community development projects, the majority of which, generate tax credits under various federal programs, including qualified affordable housing projects, New Markets Tax Credit Investments ("NMTC") projects and historic rehabilitation projects (collectively, "Tax Credit Investments" or "TCIs"). These investments are made throughout the Corporation's market area as a means of supporting the communities it serves. The Corporation typically acts as a limited partner or member of a limited liability company in its TCIs and does not exert control over the operating or financial policies of the partnership or limited liability company. Tax credits earned are subject to recapture by federal taxing authorities based upon compliance requirements to be met at the project level.

Because the Corporation owns 100% of the equity interests in its NMTC, these investments were consolidated based on ASC Topic 810 as of December 31, 2019 and 2018. Investments in affordable housing projects were not consolidated based on management's assessment of the provisions of ASC Topic 810.

TCIs are tested for impairment when events or changes in circumstances indicate that it is more likely than not that the carrying amount of the investment will not be realized. An impairment loss is measured as the amount by which the current carrying value exceeds its aggregated remaining value of the tax benefits of the investment. There were no impairment losses recognized for the Corporation's TCIs in 2019, 2018 or 2017. For additional details, see "Note 12 - Income Taxes."

Fair Value Measurements: Assets and liabilities are categorized in a fair value hierarchy for the inputs to valuation techniques used to measure assets and liabilities at fair value using the following three categories (from highest to lowest priority):

- Level 1 - Inputs that represent quoted prices for identical instruments in active markets.
- Level 2 - Inputs that represent quoted prices for similar instruments in active markets, or quoted prices for identical instruments in non-active markets. Also includes valuation techniques whose inputs are derived principally from observable market data other than quoted prices, such as interest rates or other market-corroborated means.
- Level 3 - Inputs that are largely unobservable, as little or no market data exists for the instrument being valued.

The Corporation has categorized all assets and liabilities required to be measured at fair value on both a recurring and nonrecurring basis into the above three levels. See "Note 19 - Fair Value Measurements," for additional details.

In 2008, the Corporation received Class B restricted shares of Visa, Inc. ("Visa") as part of Visa's initial public offering. In accordance with ASC Update 2016-01, these securities are considered equity securities without readily determinable fair values. As such, the approximately 133,000 Visa Class B shares owned as of December 31, 2019 were carried at a zero cost basis.

Revenue Recognition: The Corporation adopted ASC Update 2014-09, "Revenue from Contracts with Customers" using the modified retrospective method applied to all open contracts as of January 1, 2018 with no material impact on its consolidated financial statements. This update established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle prescribed by this standards update is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The sources of revenue for the Corporation are interest income from loans, leases and investments, net of interest expense on deposits and borrowings, and non-interest income. Non-interest income is earned from various banking and financial services that the Corporation offers through its subsidiary bank. Revenue is recognized as earned based on contractual terms, as transactions occur, or as services are provided. Following is further detail of the various types of revenue the Corporation earns and when it is recognized:

Interest income: Interest income is recognized on an accrual basis according to loan and lease agreements, securities contracts or other such written contracts.

Wealth management services: Consists of trust commission income, brokerage income, money market income and insurance commission income. Trust commission income consists of advisory fees that are based on market values of clients' managed portfolios and transaction fees for fiduciary services performed, both of which are recognized as earned. Brokerage income includes advisory fees which are recognized as earned on a monthly basis and transaction fees that are recognized when transactions occur. Money market income is based on the balances held in trust accounts and is recognized monthly. Insurance commission income is earned and recognized when policies are originated. Currently, no investment management and trust service income is based on performance or investment results.

Commercial and consumer banking income: Consists of cash management, overdraft, non-sufficient fund fees and other service charges on deposit accounts as well as branch fees, automated teller machine fees, debit and credit card income and merchant services fees. Also included are letter of credit fees, foreign exchange income and commercial loan interest rate swap fees. Revenue is primarily transactional and recognized when earned, at the time the transactions occur.

Mortgage banking income: Consists of gains or losses on the sale of residential mortgage loans and mortgage loan servicing income.

Other Income: Includes gains on sales of Small Business Association loans, cash surrender value of life insurance, and other miscellaneous income.

Leases: Effective January 1, 2019, the Corporation adopted ASU 2016-02, "Leases (Topic 842)." This standards update requires a lessee to recognize for all leases with an initial term greater than twelve months: (1) a right-of-use ("ROU") asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term; and (2) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, each measured on a discounted basis. The Corporation adopted this standards update in the first quarter of 2019 using the modified retrospective method, which eliminates the requirement to restate the earliest prior period presented in an entity's financial statements. As such, financial information will not be updated and the disclosures required under the new standard will not be provided for dates and periods before January 1, 2019 and continue to be reported in accordance with previous guidance (Topic 840). This standards update provides for a number of practical expedients in transition. The Corporation elected to apply the package of practical expedients permitted within the new standard, which, among other things, allowed it to carryforward the prior conclusions on lease identification, lease classification and initial direct costs. In addition, the Corporation elected to not separate lease and non-lease components. The Corporation did not elect the practical expedient to apply hindsight in determining the lease term and in assessing impairment of the ROU assets.

As a lessee, the majority of the operating lease portfolio consists of real estate leases for the Corporation's branches, land and office space. The operating leases have remaining lease terms of 1 year to 20 years, some of which include options to extend the leases for 5 years or more. ROU assets and lease liabilities are not recognized for leases with an initial term of 12 months or less. The Corporation does not have any finance leases as the lessee.

Certain real estate leases have lease payments that adjust based on annual changes in the Consumer Price Index ("CPI"). The leases that are dependent upon CPI are initially measured using the index or rate at the commencement date and are included in the measurement of the lease liability.

Operating lease expense represents fixed lease payments for operating leases recognized on a straight-line basis over the applicable lease term. Variable lease expense represents the payment of real estate taxes, insurance and common area maintenance based on the Corporation's pro-rata share.

Sublease income consists mostly of operating leases for space within the Corporation's offices and branches and is recorded as a reduction to net occupancy expense on the consolidated statements of income. See "Note 17 - Leases" for additional information and expanded lessee disclosures.

Defined Benefit Pension Plan: Net periodic pension costs are funded based on the requirements of federal laws and regulations. The determination of net periodic pension costs is based on assumptions about future events that will affect the amount and timing of required benefit payments under the plan. These assumptions include demographic assumptions such as retirement age and mortality, a discount rate used to determine the current benefit obligation, form of payment election and a long-term expected rate of return on plan assets. Net periodic pension expense includes interest cost, based on the assumed discount rate, an expected return on plan assets, amortization of prior service cost or credit and amortization of net actuarial gains or losses. For the Corporation, there is no service cost as the plan was curtailed in 2008, with no additional benefits accruing. Net periodic pension cost is recognized in salaries and employee benefits on the consolidated statements of income. For additional details, see "Note 16 - Employee Benefit Plans."

Recently Issued Accounting Standards:

Standard	Description	Date of Anticipated Adoption	Effect on Financial Statements
ASC Update 2016-13 Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments	The new impairment model prescribed by this standards update is a single impairment model for all financial assets (i.e., loans and HTM investments). The recognition of credit losses would be based on an entity's current estimate of expected losses (referred to as the Current Expected Credit Loss model, or "CECL"), as opposed to recognition of losses only when they are probable under current GAAP. This update also requires new disclosures for financial assets measured at amortized cost, loans and available-for-sale debt securities. Entities will apply the standard's provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is adopted. This adjustment will also be recognized in regulatory capital. This update is effective for interim and annual reporting periods beginning after December 15, 2019. Early adoption is permitted. In November 2018, ASC Update 2018-19, "Codifications Improvements to Topic 326, Financial Instruments - Credit Losses" was issued which clarifies that receivables arising from operating leases are accounted for using lease guidance and not as financial instruments. ASC Update 2019-04, 2019-05 and 2019-11 were issued to provide certain clarifications and transition relief to adopting this standards update.	First Quarter of 2020	The Corporation intends to adopt these standards updates effective with its March 31, 2020 quarterly report on Form 10-Q. The allowance for credit losses ("ACL") will be based on the Corporation's historical loss experience, borrower characteristics, forecasts of future economic conditions and other relevant factors. The Corporation will use models and other loss estimation techniques that are responsive to changes in forecasted economic conditions to interpret borrower and economic factors in order to estimate the ACL. The Corporation will also apply qualitative factors to account for information that may not be reflected in quantitatively derived results, or other relevant factors to ensure the ACL reflects the best estimate of current expected credit losses. Preliminary expected loss estimates have been determined and the Corporation believes that the total allowance for credit losses will increase between 25% to 35% as a result of the adoption of CECL. The Corporation is in the process of finalizing the review of the most recent model run, conducting scenario testing, and finalizing certain assumptions including economic forecasts and qualitative adjustments. The Corporation will be adopting the option to phase in over a three-year period the day-one impact of this standards update on regulatory capital afforded to it in the Final Rule published in the Federal Register on February 14, 2019 by Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System and the Federal Deposit Insurance Corporation.
ASC Update 2018-13 Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement	This update changes the fair value measurement disclosure requirements of ASC Topic 820 "Fair Value Measurement." Among other things, the update modifies the disclosure objective paragraphs of ASC 820 to eliminate: (1) "at a minimum" from the phrase "an entity shall disclose at a minimum;" and (2) other similar disclosure requirements to promote the appropriate exercise of discretion by entities.	First Quarter 2020	The Corporation intends to adopt this standards update effective with its March 31, 2020 quarterly report on Form 10-Q. This standard will impact the Corporation's disclosures relating to fair value measurement. The Corporation does not expect the adoption of this update to have a material impact on its consolidated financial statements.

Standard	Description	Date of Anticipated Adoption	Effect on Financial Statements
ASC Update 2018-14 Compensation - Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20): Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans	This update amends ASC Topic 715-20 to add, remove, and clarify disclosure requirements related to defined benefit pension and other postretirement plans. This update is effective for annual reporting periods beginning after December 15, 2020. Early adoption is permitted.	First Quarter 2021	The Corporation intends to adopt this standards update effective with its March 31, 2021 quarterly report on Form 10-Q. This standard will impact the Corporation's disclosure relating to employee benefit plans, but the Corporation does not expect the adoption of this update to have a material impact on its consolidated financial statements.
ASC Update 2018-15 Intangibles - Goodwill and Other - Internal Use Software (Topic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract	This update requires a customer in a cloud computing arrangement that is a service contract to follow the internal-use software guidance in ASC Subtopic 350-40 to determine which implementation costs to capitalize as assets. This update is effective for annual or interim reporting periods beginning after December 15, 2019. Early adoption is permitted.	First Quarter 2020	The Corporation intends to adopt this standards update effective with its March 31, 2020 quarterly report on Form 10-Q and does not expect the adoption of this update to have a material impact on its consolidated financial statements.
ASC Update 2019-12 Income Taxes (Topic 740) - Simplifying the Accounting for Income Taxes	This update simplifies the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. It also improves consistent application of, and simplifies GAAP for, other areas of Topic 740 by clarifying and amending existing guidance. This update is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Early adoption of the amendments is permitted.	First Quarter 2021	The Corporation intends to adopt this standards update effective with its March 31, 2021 quarterly report on Form 10-Q and does not expect the adoption of this update to have a material impact on its consolidated financial statements.

Reclassifications: Certain amounts in the 2018 and 2017 consolidated financial statements and notes have been reclassified to conform to the 2019 presentation.

NOTE 2 – RESTRICTIONS ON CASH AND CASH EQUIVALENTS

The Corporation is required to maintain reserves against its deposit liabilities. These reserves are in the form of cash and balances with the FRB, included in "interest-bearing deposits with other banks." On the consolidated balance sheets, the amounts of such reserves as of December 31, 2019 and 2018 were $218.9 million and $156.8 million, respectively.

In addition, collateral is posted by the Corporation with counterparties to secure derivative contracts and other contracts, which is included in "interest-bearing deposits with other banks". On the consolidated balance sheets, the amounts of such collateral as of December 31, 2019 and 2018 were $199.6 million and $45.1 million, respectively.

NOTE 3 – INVESTMENT SECURITIES

The following tables present the amortized cost and estimated fair values of investment securities, as of December 31:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(in thousands)			
2019				
Available for Sale				
State and municipal securities	**$ 638,125**	**$ 15,826**	**$ (1,024)**	**$ 652,927**
Corporate debt securities	**370,401**	**8,490**	**(1,534)**	**377,357**
Collateralized mortgage obligations	**682,307**	**11,726**	**(315)**	**693,718**
Residential mortgage-backed securities	**177,183**	**1,078**	**(949)**	**177,312**
Commercial mortgage-backed securities	**489,603**	**6,471**	**(1,777)**	**494,297**
Auction rate securities	**107,410**	**—**	**(5,484)**	**101,926**
Total	**$ 2,465,029**	**$ 43,591**	**$ (11,083)**	**$ 2,497,537**
Held to Maturity				
Residential mortgage-backed securities	**$ 369,841**	**$ 13,864**	**$ —**	**$ 383,705**
Total	**$ 369,841**	**$ 13,864**	**$ —**	**$ 383,705**
2018				
Available for Sale				
U.S. Government sponsored agency securities	$ 31,586	$ 185	$ (139)	$ 31,632
State and municipal securities	282,383	2,178	(5,466)	279,095
Corporate debt securities	111,454	1,432	(3,353)	109,533
Collateralized mortgage obligations	841,294	2,758	(11,972)	832,080
Residential mortgage-backed securities	476,973	1,583	(15,212)	463,344
Commercial mortgage-backed securities	264,165	524	(3,073)	261,616
Auction rate securities	107,410	—	(4,416)	102,994
Total	$ 2,115,265	$ 8,660	$ (43,631)	$ 2,080,294
Held to Maturity				
State and municipal securities	$ 156,134	$ 1,166	$ (93)	$ 157,207
Residential mortgage-backed securities	450,545	3,667	—	454,212
Total	$ 606,679	$ 4,833	$ (93)	$ 611,419

On July 1, 2019, the Corporation transferred state and municipal securities from the held to maturity classification to the available for sale classification as permitted through the early adoption of ASU 2019-04, as disclosed in "Note 1 - Basis of Presentation." The amortized cost of the securities transferred was $158.9 million and the estimated fair value was $168.5 million. The Corporation has the positive intent and ability to hold the remainder of the held to maturity portfolio, consisting of residential mortgage-backed securities, to maturity.

On August 1, 2018, the Corporation transferred debt securities with an amortized cost of $665.5 million and an estimated fair value of $641.7 million from the available for sale classification to the held to maturity classification. These securities consisted of residential mortgage-backed securities ($505.5 million amortized cost and $485.3 million estimated fair value) and state and municipal securities ($160.0 million amortized cost and $156.4 million estimated fair value) and were transferred as the Corporation had the positive intent and ability to hold these securities to maturity. The transfer of debt securities into the held to maturity category from the available for sale category was recorded at fair value on the date of transfer. The net unrealized gains or losses at the transfer date are included in AOCI and are being amortized over the remaining lives of the securities. This amortization is expected to offset the amortization of the related premium or discount created by the investment securities transfer into the held to maturity classification, with no expected impact on future net income.

Securities carried at $462.6 million at December 31, 2019 and $973.4 million at December 31, 2018, were pledged as collateral to secure public and trust deposits and customer repurchase agreements.

The amortized cost and estimated fair values of debt securities as of December 31, 2019, by contractual maturity, are shown in the following table. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available for Sale		Held to Maturity	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(in thousands)			
Due in one year or less	$ 2,830	$ 2,830	$ —	$ —
Due from one year to five years	33,027	34,250	—	—
Due from five years to ten years	348,800	355,888	—	—
Due after ten years	731,279	739,242	—	—
	1,115,936	1,132,210	—	—
Residential mortgage-backed securities[(1)]	177,183	177,312	369,841	383,705
Commercial mortgage-backed securities[(1)]	489,603	494,297	—	—
Collateralized mortgage obligations [(1)]	682,307	693,718	—	—
Total	$ 2,465,029	$ 2,497,537	$ 369,841	$ 383,705

(1) Maturities for mortgage-backed securities and collateralized mortgage obligations are dependent upon the interest rate environment and prepayments on the underlying loans.

The following table presents information related to gross gains and losses on the sales of equity and debt securities:

	Gross Realized Gains	Gross Realized Losses	Net Gains (Losses)
		(in thousands)	
2019:			
Debt securities	**$ 11,554**	**$ (6,821)**	**$ 4,733**
Total	**$ 11,554**	**$ (6,821)**	**$ 4,733**
2018:			
Equity securities	$ 9	$ —	$ 9
Debt securities	1,656	(1,628)	28
Total	$ 1,665	$ (1,628)	$ 37
2017:			
Equity securities	$ 13,558	$ —	$ 13,558
Debt securities	315	(4,802)	(4,487)
Total	$ 13,873	$ (4,802)	$ 9,071

The following table presents a summary of the cumulative credit related OTTI charges, recognized as components of earnings, for debt securities held by the Corporation at December 31, 2019 and 2018:

	Year ended December 31	
	2019	2018
Balance of cumulative credit losses on debt securities, beginning of period	**$ (11,510)**	$ (11,510)
Reductions for securities sold during the period	**10,520**	—
Balance of cumulative credit losses on debt securities, end of period	**$ (990)**	$ (11,510)

The following tables present the gross unrealized losses and estimated fair values of investments, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, as of December 31:

	Less Than 12 months			12 Months or Longer			Total	
	Number of Securities	Estimated Fair Value	Unrealized Losses	Number of Securities	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
2019				(dollars in thousands)				
Available for Sale								
State and municipal securities	**44**	**$ 136,344**	**$ (1,024)**	**—**	**$ —**	**$ —**	**$ 136,344**	**$ (1,024)**
Corporate debt securities	**5**	**30,719**	**(346)**	**8**	**18,759**	**(1,188)**	**49,478**	**(1,534)**
Collateralized mortgage obligations	**5**	**33,865**	**(190)**	**1**	**5,330**	**(125)**	**39,195**	**(315)**
Residential mortgage-backed securities	**5**	**12,247**	**(40)**	**26**	**127,373**	**(909)**	**139,620**	**(949)**
Commercial mortgage-backed securities	**7**	**121,340**	**(1,777)**	**—**	**—**	**—**	**121,340**	**(1,777)**
Auction rate securities	**—**	**—**	**—**	**177**	**101,926**	**(5,484)**	**101,926**	**(5,484)**
Total available for sale [(1)]	**66**	**$ 334,515**	**$ (3,377)**	**212**	**$ 253,388**	**$ (7,706)**	**$ 587,903**	**$ (11,083)**

(1) No held to maturity securities were in an unrealized loss position as of December 31, 2019.

	Less Than 12 months			12 Months or Longer			Total	
	Number of Securities	Estimated Fair Value	Unrealized Losses	Number of Securities	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
2018				(dollars in thousands)				
Available for Sale								
U.S. Government sponsored agency securities	1	$ 4,961	$ (31)	1	$ 5,770	$ (108)	$ 10,731	$ (139)
State and municipal securities	33	72,950	(1,292)	38	83,770	(4,174)	156,720	(5,466)
Corporate debt securities	8	24,419	(227)	14	25,642	(3,126)	50,061	(3,353)
Collateralized mortgage obligations	39	136,563	(1,050)	89	388,173	(10,922)	524,736	(11,972)
Residential mortgage-backed securities	17	18,220	(222)	110	402,779	(14,990)	420,999	(15,212)
Commercial mortgage-backed securities	1	9,778	(35)	25	197,326	(3,038)	207,104	(3,073)
Auction rate securities	—	—	—	177	102,994	(4,416)	102,994	(4,416)
Total available for sale	99	$ 266,891	$ (2,857)	454	$ 1,206,454	$ (40,774)	$ 1,473,345	$ (43,631)
Held to maturity								
State and municipal securities	6	20,601	(93)	—	—	—	20,601	(93)
Total	105	$ 287,492	$ (2,950)	454	$ 1,206,454	$ (40,774)	$ 1,493,946	$ (43,724)

The Corporation's collateralized mortgage obligations and mortgage-backed securities have contractual terms that generally do not permit the issuer to settle the securities at a price less than the amortized cost of the investment. Because the decline in fair value of these securities is attributable to changes in interest rates and not credit quality, and because the Corporation does not have the intent to sell and does not believe it will more likely than not be required to sell any of these securities prior to a recovery of their fair value to amortized cost, the Corporation did not consider these investments to be other-than-temporarily impaired as of December 31, 2019.

As of December 31, 2019, all auction rate certificates ("ARCs") were rated above investment grade. All of the loans underlying the ARCs have principal payments which are guaranteed by the federal government. All of the loans were current and making scheduled payments and, based on management's evaluations, were not subject to any OTTI charges as of December 31, 2019. The Corporation does not have the intent to sell and does not believe it will more likely than not be required to sell these securities prior to a recovery of their fair value to amortized cost, which may be at maturity.

Based on management's evaluations, no corporate debt securities were subject to any OTTI charges as of December 31, 2019. The Corporation does not have the intent to sell and does not believe it will more likely than not be required to sell any of these securities prior to a recovery of their fair value to amortized cost, which may be at maturity.

NOTE 4 – LOANS AND LEASES AND ALLOWANCE FOR CREDIT LOSSES

Loans and leases, net of unearned income

Loans and leases, net of unearned income are summarized as follows as of December 31:

	2019	2018
	(in thousands)	
Real estate – commercial mortgage	**$ 6,700,776**	$ 6,434,285
Commercial – industrial, financial and agricultural	**4,446,701**	4,404,548
Real estate – residential mortgage	**2,641,465**	2,251,044
Real estate – home equity	**1,314,944**	1,452,137
Real estate – construction	**971,079**	916,599
Consumer	**463,164**	419,186
Equipment lease financing	**322,625**	311,866
Overdrafts	**3,582**	2,774
Loans and leases, gross of unearned income	**16,864,336**	16,192,439
Unearned income	**(26,810)**	(26,639)
Loans and leases, net of unearned income	**$ 16,837,526**	$ 16,165,800

The Corporation has extended credit to officers and directors of the Corporation and to their associates. These related-party loans are made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated persons and do not involve more than the normal risk of collection. The aggregate dollar amount of these loans, including unadvanced commitments, was $90.1 million and $116.4 million as of December 31, 2019 and 2018, respectively. During 2019, additions totaled $4.2 million and repayments totaled $30.5 million for related-party loans.

Allowance for Credit Losses

The following table presents the components of the allowance for credit losses as of December 31:

	2019	2018	2017
		(in thousands)	
Allowance for loan and lease losses	**$ 163,622**	$ 160,537	$ 169,910
Reserve for unfunded lending commitments	**2,587**	8,873	6,174
Allowance for credit losses	**$ 166,209**	$ 169,410	$ 176,084

The following table presents the activity in the allowance for credit losses for the years ended December 31:

	2019	2018	2017
		(in thousands)	
Balance at beginning of year	**$ 169,410**	$ 176,084	$ 171,325
Loans and leases charged off	**(53,189)**	(66,076)	(33,290)
Recoveries of loans and leases previously charged off	**17,163**	12,495	14,744
Net loans and leases charged off	**(36,026)**	(53,581)	(18,546)
Provision for credit losses	**32,825**	46,907	23,305
Balance at end of year	**$ 166,209**	$ 169,410	$ 176,084

The following tables present the activity in the allowance for loan and lease losses by portfolio segment for the years ended December 31 and loans and leases, net of unearned income, and their related allowance for loan and lease losses, by portfolio segment, as of December 31:

	Real Estate - Commercial Mortgage	Commercial - Industrial, Financial and Agricultural	Real Estate - Home Equity	Real Estate - Residential Mortgage	Real Estate - Construction	Consumer	Equipment lease financing and other	Total
				(in thousands)				
Balance at December 31, 2017	$ 58,793	$ 66,280	$ 18,127	$ 16,088	$ 6,620	$ 2,045	$ 1,957	$ 169,910
Loans and leases charged off	(2,045)	(52,441)	(3,087)	(1,574)	(1,368)	(3,040)	(2,521)	(66,076)
Recoveries of loans and leases previously charged off	1,622	4,994	1,127	620	1,829	1,266	1,037	12,495
Net loans and leases (charged off) recovered	(423)	(47,447)	(1,960)	(954)	461	(1,774)	(1,484)	(53,581)
Provision for loan and lease losses (1)	(5,481)	40,035	2,744	3,787	(2,020)	2,946	2,197	44,208
Balance at December 31, 2018	**52,889**	**58,868**	**18,911**	**18,921**	**5,061**	**3,217**	**2,670**	**160,537**
Loans and leases charged off	**(1,837)**	**(42,410)**	**(1,291)**	**(1,545)**	**(143)**	**(3,403)**	**(2,560)**	**(53,189)**
Recoveries of loans and leases previously charged off	**2,202**	**8,721**	**688**	**989**	**2,591**	**1,306**	**666**	**17,163**
Net loans and leases (charged off) recovered	**365**	**(33,689)**	**(603)**	**(556)**	**2,448**	**(2,097)**	**(1,894)**	**(36,026)**
Provision for loan and lease losses (1)	**(7,644)**	**43,423**	**(564)**	**1,406**	**(3,066)**	**2,642**	**2,914**	**39,111**
Balance at December 31, 2019	**$ 45,610**	**$ 68,602**	**$ 17,744**	**$ 19,771**	**$ 4,443**	**$ 3,762**	**$ 3,690**	**$ 163,622**
Allowance for loan and lease losses at December 31, 2019								
Collectively evaluated for impairment	**$ 39,683**	**$ 58,487**	**$ 7,938**	**$ 10,562**	**$ 4,066**	**$ 3,756**	**$ 3,690**	**$ 128,182**
Individually evaluated for impairment	**5,927**	**10,115**	**9,806**	**9,209**	**377**	**6**	**—**	**35,440**
	$ 45,610	**$ 68,602**	**$ 17,744**	**$ 19,771**	**$ 4,443**	**$ 3,762**	**$ 3,690**	**$ 163,622**
Loans and leases, net of unearned income								
Collectively evaluated for impairment	**$ 6,654,280**	**$ 4,393,402**	**$1,292,872**	**$ 2,603,239**	**$ 967,461**	**$ 463,156**	**$ 282,869**	**$16,657,279**
Individually evaluated for impairment	**46,496**	**53,299**	**22,072**	**38,226**	**3,618**	**8**	**16,528**	**180,247**
	$ 6,700,776	**$ 4,446,701**	**$1,314,944**	**$ 2,641,465**	**$ 971,079**	**$ 463,164**	**$ 299,397**	**$16,837,526**
Allowance for loan and lease losses at December 31, 2018								
Collectively evaluated for impairment	$ 45,634	$ 46,355	$ 8,541	$ 9,527	$ 4,268	$ 3,210	$ 2,670	$ 120,205
Individually evaluated for impairment	7,255	12,513	10,370	9,394	793	7	—	40,332
	$ 52,889	$ 58,868	$ 18,911	$ 18,921	$ 5,061	$ 3,217	$ 2,670	$ 160,537
Loans and leases, net of unearned income								
Collectively evaluated for impairment	$ 6,388,212	$ 4,349,255	$1,428,764	$ 2,212,274	$ 909,209	$ 419,175	$ 268,733	$15,975,622
Individually evaluated for impairment	46,073	55,293	23,373	38,770	7,390	11	19,268	190,178
	$ 6,434,285	$ 4,404,548	$1,452,137	$ 2,251,044	$ 916,599	$ 419,186	$ 288,001	$16,165,800

(1) For the year ended December 31, 2019, the provision for loan and lease losses excluded a $6.3 million decrease in the reserve for unfunded lending commitments. The total provision for credit losses, comprised of allocations for both funded and unfunded loans, was $32.8 million for the year ended December 31, 2019. For the year ended December 31, 2018, the provision for loan losses excluded a $2.7 million increase in the reserve for unfunded lending commitments. The total provision for credit losses was $46.9 million for the year ended December 31, 2018.

N/A – Not applicable.

Impaired Loans

The following table presents total impaired loans and leases by class segment as of December 31:

	2019			2018		
	Unpaid Principal Balance	**Recorded Investment**	**Related Allowance**	Unpaid Principal Balance	Recorded Investment	Related Allowance
			(in thousands)			
With no related allowance recorded:						
Real estate - commercial mortgage	**$ 25,005**	**$ 22,702**	**$ —**	$ 25,095	$ 23,481	$ —
Commercial	**53,533**	**30,208**	**—**	33,493	26,585	—
Real estate - residential mortgage	**4,494**	**4,332**	**—**	3,149	3,149	—
Real estate - construction	**6,338**	**2,487**	**—**	8,980	5,083	—
Equipment lease financing	**19,269**	**16,528**	**—**	19,269	19,268	—
	108,639	**76,257**		89,986	77,566	
With a related allowance recorded:						
Real estate - commercial mortgage	**29,581**	**23,794**	**5,927**	29,005	22,592	7,255
Commercial	**37,992**	**23,091**	**10,115**	37,706	28,708	12,513
Real estate - home equity	**25,039**	**22,072**	**9,806**	26,599	23,373	10,370
Real estate - residential mortgage	**38,483**	**33,894**	**9,209**	39,972	35,621	9,394
Real estate - construction	**3,875**	**1,131**	**377**	5,984	2,307	793
Consumer	**8**	**8**	**6**	11	11	7
	134,978	**103,990**	**35,440**	139,277	112,612	40,332
Total	**$ 243,617**	**$ 180,247**	**$ 35,440**	$ 229,263	$ 190,178	$ 40,332

As of December 31, 2019 and 2018, there were $76.3 million and $77.6 million, respectively, of impaired loans and leases that did not have a related allowance for loan loss. The estimated fair values of the collateral securing these loans and leases exceeded their carrying amount, or the loans and leases have been charged down to realizable collateral values. Accordingly, no specific valuation allowance was considered to be necessary.

The following table presents average impaired loans and leases, by class segment, for the years ended December 31:

	2019		2018		2017	
	Average Recorded Investment	**Interest Income Recognized (1)**	Average Recorded Investment	Interest Income Recognized (1)	Average Recorded Investment	Interest Income Recognized (1)
			(in thousands)			
With no related allowance recorded:						
Real estate - commercial mortgage	**$ 26,163**	**$ 368**	$ 25,258	$ 368	$ 22,793	$ 281
Commercial	**25,777**	**122**	33,395	259	31,357	182
Real estate - residential mortgage	**3,875**	**94**	3,727	91	4,631	107
Real estate - construction	**3,559**	**—**	6,943	—	7,255	12
Equipment lease financing	**17,814**	**—**	—	—	—	—
	77,188	**584**	69,323	718	66,036	582
With a related allowance recorded:						
Real estate - commercial mortgage	**25,428**	**351**	24,300	345	27,193	338
Commercial	**25,717**	**126**	24,888	185	24,112	137
Real estate - home equity	**23,004**	**845**	24,426	794	21,704	534
Real estate - residential mortgage	**34,407**	**829**	36,387	896	39,093	903
Real estate - construction	**1,573**	**—**	2,683	—	6,160	11
Consumer	**9**	**—**	16	1	33	2
Equipment lease financing	**83**	**—**	3,854	—	285	—
	110,221	**2,151**	116,554	2,221	118,580	1,925
Total	**$ 187,409**	**$ 2,735**	$ 185,877	$ 2,939	$ 184,616	$ 2,507

(1) All impaired loans and leases, excluding accruing TDRs, were non-accrual loans and leases. Interest income recognized for the years ended December 31, 2019, 2018 and 2017 represents amounts earned on accruing TDRs.

Credit Quality Indicators and Non-performing Assets

The following table presents internal credit risk ratings for the indicated loan class segments as of December 31:

	Pass		Special Mention		Substandard or Lower		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
				(dollars in thousands)				
Real estate - commercial mortgage	**$ 6,429,407**	$ 6,129,463	**$ 137,163**	$ 170,827	**$ 134,206**	$ 133,995	**$ 6,700,776**	$ 6,434,285
Commercial - secured	**3,830,847**	3,902,484	**171,442**	193,470	**195,884**	129,026	**4,198,173**	4,224,980
Commercial -unsecured	**234,987**	171,589	**9,665**	4,016	**3,876**	3,963	**248,528**	179,568
Total commercial - industrial, financial and agricultural	**4,065,834**	4,074,073	**181,107**	197,486	**199,760**	132,989	**4,446,701**	4,404,548
Construction - commercial residential	**100,808**	104,079	**2,897**	6,912	**3,461**	6,881	**107,166**	117,872
Construction - commercial	**765,562**	723,030	**1,322**	1,163	**2,676**	2,533	**769,560**	726,726
Total construction (excluding construction - other)	**866,370**	827,109	**4,219**	8,075	**6,137**	9,414	**876,726**	844,598
Total	**$ 11,361,611**	$ 11,030,645	**$ 322,489**	$ 376,388	**$ 340,103**	$ 276,398	**$ 12,024,203**	$ 11,683,431
% of Total	**94.5%**	94.4%	**2.7%**	3.2%	**2.8%**	2.4%	**100.0%**	100.0%

The following table presents delinquency and non-performing status for loans and leases that did not have internal credit risk ratings, by class segment, as of December 31:

	Performing		Delinquent (1)		Non-performing (2)		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	(dollars in thousands)							
Real estate - home equity	**$ 1,292,035**	$ 1,431,666	**$ 12,341**	$ 10,702	**$ 10,568**	$ 9,769	**$ 1,314,944**	$ 1,452,137
Real estate - residential mortgage	**2,584,763**	2,202,955	**34,291**	28,988	**22,411**	19,101	**2,641,465**	2,251,044
Real estate - construction - other	**92,649**	71,511	**895**	—	**809**	490	**94,353**	72,001
Consumer - direct	**63,582**	55,629	**465**	338	**190**	66	**64,237**	56,033
Consumer - indirect	**393,974**	359,405	**4,685**	3,405	**268**	343	**398,927**	363,153
Total consumer	**457,556**	415,034	**5,150**	3,743	**458**	409	**463,164**	419,186
Equipment lease financing	**278,743**	267,112	**4,012**	1,302	**16,642**	19,587	**299,397**	288,001
Total	**$ 4,705,746**	$ 4,388,278	**$ 56,689**	$ 44,735	**$ 50,888**	$ 49,356	**$ 4,813,323**	$ 4,482,369
% of Total	**97.8%**	97.9%	**1.2%**	1.0%	**1.0%**	1.1%	**100.0%**	100.0%

(1) Includes all accruing loans and leases 30 days to 89 days past due.
(2) Includes all accruing loans and leases 90 days or more past due and all non-accrual loans.

The following table presents total non-performing assets as of December 31:

	2019	2018
	(in thousands)	
Non-accrual loans and leases	**$ 125,098**	$ 128,572
Loans and leases 90 days or more past due and still accruing	**16,057**	11,106
Total non-performing loans and leases	**141,155**	139,678
OREO	**6,831**	10,518
Total non-performing assets	**$ 147,986**	$ 150,196

The following table presents past due status and non-accrual loans and leases, by portfolio segment and class segment, as of December 31:

	2019					
	30-59 Days Past Due	60-89 Days Past Due	≥ 90 Days Past Due and Accruing	Non-accrual	Current	Total
	(in thousands)					
Real estate - commercial mortgage	**$ 10,912**	**$ 1,543**	**$ 4,113**	**$ 33,166**	**$ 6,651,042**	**$ 6,700,776**
Commercial - secured	**2,062**	**2,296**	**986**	**47,506**	**4,145,323**	**4,198,173**
Commercial - unsecured	**240**	**334**	**399**	**600**	**246,955**	**248,528**
Total Commercial - industrial, financial and agricultural	**2,302**	**2,630**	**1,385**	**48,106**	**4,392,278**	**4,446,701**
Real estate - home equity	**9,635**	**2,706**	**3,564**	**7,004**	**1,292,035**	**1,314,944**
Real estate - residential mortgage	**26,982**	**7,309**	**5,735**	**16,676**	**2,584,763**	**2,641,465**
Construction - commercial	**—**	**900**	**—**	**19**	**768,641**	**769,560**
Construction - commercial residential	**820**	**—**	**64**	**3,414**	**102,868**	**107,166**
Construction - other	**895**	**—**	**624**	**185**	**92,649**	**94,353**
Total Real estate - construction	**1,715**	**900**	**688**	**3,618**	**964,158**	**971,079**
Consumer - direct	**278**	**187**	**190**	**—**	**63,582**	**64,237**
Consumer - indirect	**3,950**	**735**	**268**	**—**	**393,974**	**398,927**
Total Consumer	**4,228**	**922**	**458**	**—**	**457,556**	**463,164**
Equipment lease financing	**552**	**3,460**	**114**	**16,528**	**278,743**	**299,397**
Total	**$ 56,326**	**$ 19,470**	**$ 16,057**	**$ 125,098**	**$16,620,575**	**$16,837,526**

	2018					
	30-59 Days Past Due	60-89 Days Past Due	≥ 90 Days Past Due and Accruing	Non-accrual	Current	Total
	(in thousands)					
Real estate - commercial mortgage	$ 12,206	$ 1,500	$ 1,765	$ 30,388	$ 6,388,426	$ 6,434,285
Commercial - secured	5,227	938	1,068	49,299	4,168,448	4,224,980
Commercial - unsecured	1,598	—	51	851	177,068	179,568
Total Commercial - industrial, financial and agricultural	6,825	938	1,119	50,150	4,345,516	4,404,548
Real estate - home equity	7,144	3,558	3,061	6,708	1,431,666	1,452,137
Real estate - residential mortgage	20,796	8,192	4,433	14,668	2,202,955	2,251,044
Construction - commercial	—	—	—	19	726,707	726,726
Construction - commercial residential	2,489	—	—	6,881	108,502	117,872
Construction - other	—	—	—	490	71,511	72,001
Total Real estate - construction	2,489	—	—	7,390	906,720	916,599
Consumer - direct	267	71	66	—	55,629	56,033
Consumer - indirect	2,908	497	343	—	359,405	363,153
Total Consumer	3,175	568	409	—	415,034	419,186
Equipment lease financing	1,005	297	319	19,268	267,112	288,001
Total	$ 53,640	$ 15,053	$ 11,106	$ 128,572	$15,957,429	$16,165,800

The following table presents TDRs as of December 31:

	2019	2018
	(in thousands)	
Real-estate - residential mortgage	**$ 21,551**	$ 24,102
Real estate - home equity	**15,068**	16,665
Real-estate - commercial mortgage	**13,330**	15,685
Commercial	**5,193**	5,143
Consumer	**8**	10
Total accruing TDRs	**55,150**	61,605
Non-accrual TDRs (1)	**20,825**	28,659
Total TDRs	**$ 75,975**	$ 90,264

(1) Included within non-accrual loans in the preceding table.

The following table presents TDRs by class segment and type of concession for loans that were modified during the years ended December 31:

	2019		2018		2017	
	Number of Loans	**Post-Modification Recorded Investment**	Number of Loans	Post-Modification Recorded Investment	Number of Loans	Post-Modification Recorded Investment
	(dollars in thousands)					
Commercial	**16**	**$ 5,378**	8	$ 4,226	24	$ 15,548
Real estate - commercial mortgage	**2**	**263**	6	8,261	10	2,911
Real estate - home equity	**59**	**2,706**	96	5,087	97	7,656
Real estate - residential mortgage	**6**	**2,252**	7	801	10	1,904
Real estate - construction	—	—	—	—	2	1,615
Total	**83**	**$ 10,599**	117	$ 18,375	143	$ 29,634

The following table presents TDRs, by class segment, that were modified during the years ended December 31, 2019, 2018 and 2017 that had a post-modification payment default during their respective year of modification. A payment default is defined as a single missed scheduled payment:

	2019		2018		2017	
	Number of Loans	**Recorded Investment**	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment
			(dollars in thousands)			
Real estate -construction	—	$ —	2	$ 448	4	$ 2,152
Real estate - residential mortgage	**2**	**521**	5	717	5	577
Commercial	**5**	**442**	1	2,163	6	1,571
Real estate - home equity	**18**	**1,003**	30	1,635	25	1,575
Total	**25**	**$ 1,966**	38	$ 4,963	40	$ 5,875

NOTE 5 – PREMISES AND EQUIPMENT

The following is a summary of premises and equipment as of December 31:

	2019	2018
	(in thousands)	
Land	**$ 38,836**	$ 35,160
Buildings and improvements	**350,609**	325,831
Furniture and equipment	**158,064**	150,566
Construction in progress	**9,594**	24,993
	557,103	536,550
Less: Accumulated depreciation and amortization	**(317,057)**	(302,021)
Total	**$ 240,046**	$ 234,529

NOTE 6 – GOODWILL AND INTANGIBLE ASSETS

Goodwill totaled $532.7 million and $530.6 million as of December 31, 2019 and 2018, respectively. A non-amortizing trade name intangible asset that totaled $1.0 million as of December 31, 2018 was written off during 2019 as a result of the consolidation of the Corporation's banking subsidiaries into Fulton Bank. The increase in total goodwill of $2.1 million was the result of acquisitions of the assets of two wealth management businesses in 2019. The Corporation's reporting units passed the 2019 goodwill impairment test, resulting in no goodwill impairment charges in 2019.

The estimated fair values of the Corporation's reporting units are subject to uncertainty, including future changes in fair values of banks in general and future operating results of reporting units, which could differ significantly from the assumptions used in the current valuation of reporting units.

NOTE 7 – MORTGAGE SERVICING RIGHTS

The following table summarizes the changes in MSRs, which are included in other assets on the consolidated balance sheets:

	2019	2018
	(in thousands)	
Amortized cost:		
Balance at beginning of year	**$ 38,573**	$ 37,663
Originations of MSRs	**7,546**	6,756
Amortization	**(6,852)**	(5,846)
Balance at end of year	**$ 39,267**	$ 38,573

MSRs represent the economic value of existing contractual rights to service mortgage loans that have been sold. The total portfolio of mortgage loans serviced by the Corporation for unrelated third parties was $4.9 billion and $4.8 billion as of December 31, 2019 and 2018, respectively. Actual and expected prepayments of the underlying mortgage loans can impact the value of MSRs. The Corporation accounts for MSRs at the lower of amortized cost or fair value.

The fair value of MSRs is estimated by discounting the estimated cash flows from servicing income, net of expense, over the expected life of the underlying loans at a discount rate commensurate with the risk associated with these assets. Expected life is based on the contractual terms of the loans, as adjusted for prepayment projections. The fair values of MSRs were $45.2 million and $50.2 million as of December 31, 2019 and 2018, respectively.

Total MSR amortization expense, recognized as a reduction to mortgage banking income in the consolidated statements of income, was $6.9 million and $5.8 million in 2019 and 2018, respectively. Estimated MSR amortization expense for the next five years, based on balances as of December 31, 2019 and the estimated remaining lives of the underlying loans, follows (in thousands):

Year	
2020	$ 6,591
2021	6,144
2022	5,648
2023	5,101
2024	4,499

NOTE 8 – DEPOSITS

Deposits consisted of the following as of December 31:

	2019	2018
	(in thousands)	
Noninterest-bearing demand	**$ 4,453,324**	$ 4,310,105
Interest-bearing demand	**4,720,188**	4,240,974
Savings and money market accounts	**5,153,941**	4,926,937
Total demand and savings	**14,327,453**	13,478,016
Brokered deposits	**264,531**	176,239
Time deposits	**2,801,929**	2,721,904
Total Deposits	**$ 17,393,913**	$ 16,376,159

The scheduled maturities of time deposits as of December 31, 2019 were as follows (in thousands):

Year	
2020	$ 1,636,357
2021	529,378
2022	436,909
2023	109,044
2024	43,141
Thereafter	47,100
	$ 2,801,929

Included in time deposits were certificates of deposit equal to or greater than $100,000 of $1.4 billion and $1.2 billion as of December 31, 2019 and 2018, respectively. Time deposits of $250,000 or more were $472.8 million and $425.1 million as of December 31, 2019 and 2018, respectively.

NOTE 9 – SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings as of December 31, 2019, 2018 and 2017 and the related maximum amounts outstanding at the end of any month in each of the three years then ended are presented below. The securities underlying the repurchase agreements remain in available for sale investment securities.

	December 31,			Maximum Outstanding		
	2019	2018	2017	**2019**	2018	2017
	(in thousands)					
Federal funds purchased	**$ —**	$ —	$ 220,000	**$ 274,998**	$ 525,000	$ 387,110
Short-term FHLB advances (1)	**500,000**	385,000	—	**825,000**	385,000	250,000
Customer repurchase agreements	**56,707**	43,500	172,017	**64,745**	181,989	233,274
Customer short-term promissory notes	**326,534**	326,277	225,507	**339,461**	365,689	237,298
Total Short-term borrowings	**$ 883,241**	$ 754,777	$ 617,524			

(1) Represents FHLB advances with an original maturity term of less than one year.

As of December 31, 2019, the Corporation had aggregate availability under federal funds lines of $1.7 billion. A combination of commercial real estate loans, commercial loans and securities were pledged to the FRB to provide access to FRB Discount Window borrowings. As of December 31, 2019 and 2018, the Corporation had $334.3 million and $505.2 million, respectively, of collateralized borrowing availability at the FRB Discount Window, and no outstanding borrowings.

The following table presents information related to customer repurchase agreements:

	2019	2018	2017
	(dollars in thousands)		
Amount outstanding as of December 31	**$ 56,707**	$ 43,500	$ 172,017
Weighted average interest rate as of December 31	**0.69%**	0.25%	0.13%
Average amount outstanding during the year	**$ 58,383**	$ 138,198	$ 188,974
Weighted average interest rate during the year	**0.67%**	0.21%	0.12%

FHLB advances with an original maturity of one year or more and long-term debt included the following as of December 31:

	2019	2018
	(in thousands)	
FHLB advances	**$ 491,024**	$ 601,978
Subordinated debt	**250,000**	250,000
Senior notes	**125,000**	125,000
Junior subordinated deferrable interest debentures	**16,496**	16,496
Unamortized discounts and issuance costs	**(751)**	(1,195)
	$ 881,769	$ 992,279

Excluded from the preceding table is the Parent Company's revolving line of credit with Fulton Bank. As of December 31, 2019 and 2018, there were no amounts outstanding under this line of credit. This line of credit, with a total commitment of $75.0 million, is secured by insurance investments and bears interest at the London Interbank Offered Rate ("LIBOR") for maturities of one month plus 2.00%. The amount that the Corporation is permitted to borrow under this commitment at any given time is subject to a formula based on a percentage of the value of the collateral pledged. Although balances drawn on the line of credit and related interest income and expense are eliminated in the consolidated financial statements, this borrowing arrangement is senior to the subordinated debt and the junior subordinated deferrable interest debentures.

FHLB advances mature through March 2027 and carry a weighted average interest rate of 1.94%. As of December 31, 2019, the Corporation had additional borrowing capacity of approximately $3.7 billion with the FHLB. Advances from the FHLB are secured by FHLB stock, qualifying residential mortgages, investments and other assets.

The following table summarizes the scheduled maturities of FHLB advances with an original maturity of one year or more and long-term debt as of December 31, 2019 (in thousands):

Year	
2020	$ —
2021	48,441
2022	210,195
2023	214,536
2024	389,694
Thereafter	18,903
	$ 881,769

In March 2017, the Corporation issued $125.0 million of senior notes, with a fixed rate of 3.60% and an effective rate of 3.95%, as a result of discounts and issuance costs, which mature on March 16, 2022. Interest is paid semi-annually in September and March. In June 2015, the Corporation issued $150.0 million of subordinated notes, which mature on November 15, 2024 and carry a fixed rate of 4.50% and an effective rate of 4.69% as a result of discounts and issuance costs. Interest is paid semi-annually in May and November. In November 2014, the Corporation issued $100.0 million of subordinated notes, which mature on November 15, 2024 and carry a fixed rate of 4.50% and an effective rate of 4.87% as a result of discounts and issuance costs. Interest is paid semi-annually in May and November.

As of December 31, 2019, the Parent Company owned all of the common stock of three subsidiary trusts, which have issued TruPS in conjunction with the Parent Company issuing junior subordinated deferrable interest debentures to the trusts. The TruPS are redeemable on specified dates, or earlier if certain events arise.

The following table provides details of the debentures as of December 31, 2019 (dollars in thousands):

Debentures Issued to	Fixed/ Variable	Interest Rate	Amount	Maturity	Callable	Call Price
Columbia Bancorp Statutory Trust	Variable	4.59%	$ 6,186	06/30/34	03/31/20	100.0
Columbia Bancorp Statutory Trust II	Variable	3.78%	4,124	03/15/35	03/15/20	100.0
Columbia Bancorp Statutory Trust III	Variable	3.66%	6,186	06/15/35	03/15/20	100.0
			$ 16,496			

NOTE 10 – DERIVATIVE FINANCIAL INSTRUMENTS

The following table presents the notional amounts and fair values of derivative financial instruments as of December 31:

	2019		2018	
	Notional Amount	**Asset (Liability) Fair Value**	Notional Amount	Asset (Liability) Fair Value
	(in thousands)			
Interest Rate Locks with Customers				
Positive fair values	**$ 132,260**	**$ 1,123**	$ 101,700	$ 1,148
Negative fair values	**9,783**	**(53)**	1,646	(12)
Forward Commitments				
Positive fair values	**75,000**	**63**	1,540	3
Negative fair values	**180,000**	**(371)**	83,562	(1,066)
Interest Rate Swaps with Customers				
Positive fair values	**2,903,489**	**143,484**	1,185,144	33,258
Negative fair values	**376,705**	**(695)**	1,386,046	(30,769)
Interest Rate Swaps with Dealer Counterparties				
Positive fair values	**376,705**	**695**	1,386,046	28,143
Negative fair values	**2,903,489**	**(75,327)**	1,185,144	(16,338)
Foreign Exchange Contracts with Customers				
Positive fair values	**3,373**	**38**	5,881	105
Negative fair values	**7,283**	**(154)**	9,690	(251)
Foreign Exchange Contracts with Correspondent Banks				
Positive fair values	**9,028**	**192**	9,220	287
Negative fair values	**4,976**	**(45)**	6,831	(130)

The following table presents the fair value gains (losses) on derivative financial instruments for the years ended December 31:

	Statement of Income Classification	**2019**	2018	2017
		(in thousands)		
Mortgage banking derivatives [(1)]	Mortgage banking	**$ 689**	$ (748)	$ (1,926)
Interest rate swaps	Other expense	**122**	1	(89)
Foreign exchange contracts	Other income	**20**	(75)	9
Net fair value gains on derivative financial instruments		**$ 831**	$ (822)	$ (2,006)

(1) Includes interest rate locks with customers and forward commitments.

Fair Value Option

The Corporation has elected to measure mortgage loans held for sale at fair value. The following table presents a summary of mortgage loans held for sale and the impact of the fair value election on the consolidated financial statements as of December 31,:

	2019	2018
	(in thousands)	
Amortized cost [(1)]	**$ 37,396**	$ 26,407
Fair value	**37,828**	27,099

(1) Cost basis of mortgage loans held for sale represents the unpaid principal balance.

Losses related to changes in fair values of mortgage loans held for sale were $260,000 for the year ended December 31, 2019 and gains related to changes in fair values of mortgage loans held for sale were $231,000 and $472,000 for the years ended December 31, 2018 and 2017, respectively, which are recorded on the consolidated income statements as an adjustment to mortgage banking income.

Balance Sheet Offsetting

The fair values of interest rate swap agreements and foreign exchange contracts the Corporation enters into with customers and dealer counterparties may be eligible for offset on the consolidated balance sheets if they are subject to master netting arrangements or similar agreements. The Corporation elects to not offset assets and liabilities subject to such arrangements on the consolidated financial statements. The following table presents the financial instruments that are eligible for offset, and the effects of offsetting, on the consolidated balance sheets as of December 31:

	Gross Amounts Recognized on the Consolidated Balance Sheets	Gross Amounts Not Offset on the Consolidated Balance Sheets: Financial Instruments (1)	Gross Amounts Not Offset on the Consolidated Balance Sheets: Cash Collateral (2)	Net Amount
	(in thousands)			
2019				
Interest rate swap derivative assets	**$ 144,179**	**$ (757)**	**$ —**	**$ 143,422**
Foreign exchange derivative assets with correspondent banks	**192**	**(45)**	**—**	**147**
Total	**$ 144,371**	**$ (802)**	**$ —**	**$ 143,569**
Interest rate swap derivative liabilities	**$ 76,022**	**$ (757)**	**$ (75,265)**	**$ —**
Foreign exchange derivative liabilities with correspondent banks	**45**	**(45)**	**—**	**—**
Total	**$ 76,067**	**$ (802)**	**$ (75,265)**	**$ —**
2018				
Interest rate swap derivative assets	$ 61,401	$ (12,955)	$ (23,270)	$ 25,176
Foreign exchange derivative assets with correspondent banks	287	(130)	—	157
Total	$ 61,688	$ (13,085)	$ (23,270)	$ 25,333
Interest rate swap derivative liabilities	$ 47,107	$ (22,786)	$ (22,786)	$ 1,535
Foreign exchange derivative liabilities with correspondent banks	130	(130)	—	—
Total	$ 47,237	$ (22,916)	$ (22,786)	$ 1,535

(1) For interest rate swap assets, amounts represent any derivative liability fair values that could be offset in the event of counterparty or customer default. For interest rate swap liabilities, amounts represent any derivative asset fair values that could be offset in the event of counterparty or customer default.

(2) Amounts represent cash collateral (pledged by the Corporation) or received from the counterparty on interest rate swap transactions and foreign exchange contracts with financial institution counterparties. Interest rate swaps with customers are collateralized by the same collateral securing the underlying loans to those borrowers. Cash collateral amounts are included in the table only to the extent of the net derivative fair values.

NOTE 11 – REGULATORY MATTERS

Regulatory Capital Requirements

The Corporation and the Bank are subject to regulatory capital requirements administered by banking regulators. Failure to meet minimum capital requirements can trigger certain mandatory – and possibly additional discretionary – actions by regulators that, if undertaken, could have a direct material effect on the Corporation's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of its assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

U.S. Basel III Capital Rules

In July 2013, the FRB approved final rules (the "U.S. Basel III Capital Rules") establishing a new comprehensive capital framework for U.S. banking organizations and implementing the Basel Committee on Banking Supervision's December 2010 framework for strengthening international capital standards. The U.S. Basel III Capital Rules substantially revised the risk-based capital requirements applicable to bank holding companies and depository institutions.

The minimum regulatory capital requirements established by the U.S. Basel III Capital Rules became effective on January 1, 2015, and became fully phased in on January 1, 2019. The U.S. Basel III Capital Rules require the Corporation and the Bank to:

- Meet a minimum Common Equity Tier 1 capital ratio of 4.50% of risk-weighted assets and a minimum Tier 1 capital of 6.00% of risk-weighted assets;

- Meet a minimum Total capital ratio of 8.00% of risk-weighted assets and a minimum Tier 1 leverage capital ratio of 4.00% of average assets;

- Maintain a "capital conservation buffer" of 2.50% above the minimum risk-based capital requirements, which must be maintained to avoid restrictions on capital distributions and certain discretionary bonus payments; and

- Comply with a revised definition of capital to improve the ability of regulatory capital instruments to absorb losses. Certain non-qualifying capital instruments, including cumulative preferred stock and TruPS, are excluded as a component of Tier 1 capital for institutions of the Corporation's size.

The U.S. Basel III Capital Rules use a standardized approach for risk weightings that expand the risk-weightings for assets and off-balance sheet exposures from the previous 0%, 20%, 50% and 100% categories to a much larger and more risk-sensitive number of categories, depending on the nature of the assets and off-balance sheet exposures, resulting in higher risk weights for a variety of asset categories.

Effective January 1, 2019, the Corporation and the Bank were also required to maintain a "capital conservation buffer" of 2.50% above the minimum risk-based capital requirements. The rules provide that the failure to maintain the "capital conservation buffer" results in restrictions on capital distributions and discretionary cash bonus payments to executive officers. As a result, under the U.S. Basel III Capital Rules, if the Bank fails to maintain the required minimum capital conservation buffer, the Corporation will be subject to limits, and possibly prohibitions, on its ability to obtain capital distributions from such subsidiaries. If the Corporation does not receive sufficient cash dividends from the Bank, it may not have sufficient funds to pay dividends on its common stock, service its debt obligations or repurchase its common stock.

As of December 31, 2019, the Corporation's capital levels met the fully phased-in minimum capital requirements, including the new capital conservation buffers, as prescribed in the U.S. Basel III Capital Rules.

As of December 31, 2019, the Bank was well capitalized under the regulatory framework for prompt corrective action based on their capital ratio calculation. As of December 31, 2018, each of the Corporation's subsidiary banks was well capitalized under the regulatory framework for prompt corrective action based on their capital ratio calculations. To be categorized as well capitalized, these banks were required to maintain minimum total risk-based, Tier I risk-based, Common Equity Tier I risk-based and Tier I leverage ratios as set forth in the following table. There are no conditions or events since December 31, 2019 that management believes have changed the institutions' categories.

The following tables present the Total risk-based, Tier I risk-based, Common Equity Tier I risk-based and Tier I leverage requirements under the U.S. Basel III Capital Rules, as of December 31:

	2019					
	Actual		For Capital Adequacy Purposes		Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(dollars in thousands)					
Total Capital (to Risk-Weighted Assets):						
Corporation	**$ 2,179,197**	**11.8%**	**$ 1,481,425**	**8.0%**	**N/A**	**N/A**
Fulton Bank, N.A.	**2,224,505**	**12.1**	**1,473,880**	**8.0**	**$ 1,842,350**	**10.0%**
Tier I Capital (to Risk-Weighted Assets):						
Corporation	**$ 1,796,987**	**9.7%**	**$ 1,111,068**	**6.0%**	**N/A**	**N/A**
Fulton Bank, N.A	**2,058,295**	**11.2**	**1,105,410**	**6.0**	**$ 1,473,880**	**8.0%**
Common Equity Tier I Capital (to Risk-Weighted Assets):						
Corporation	**$ 1,796,987**	**9.7%**	**$ 833,301**	**4.5%**	N/A	N/A
Fulton Bank, N.A	**2,014,295**	**10.9**	**829,057**	**4.5**	**$ 1,197,527**	**6.5%**
Tier I Leverage Capital (to Average Assets):						
Corporation	**$ 1,796,987**	**8.4%**	**$ 850,727**	**4.0%**	**N/A**	**N/A**
Fulton Bank, N.A	**2,058,295**	**9.8**	**844,341**	**4.0**	**$ 1,055,426**	**5.0%**

N/A – Not applicable as "well capitalized" applies to banks only.

	2018					
	Actual		For Capital Adequacy Purposes		Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(dollars in thousands)					
Total Capital (to Risk-Weighted Assets):						
Corporation	$ 2,200,257	12.8%	$ 1,380,905	8.0%	N/A	N/A
Fulton Bank, N.A.	1,319,090	12.1	871,413	8.0	$ 1,089,267	10.0%
Fulton Bank of New Jersey	418,207	13.3	250,999	8.0	313,748	10.0
The Columbia Bank	266,661	12.9	165,676	8.0	207,094	10.0
Lafayette Ambassador Bank	180,604	16.0	90,077	8.0	112,596	10.0
Tier I Capital (to Risk-Weighted Assets):						
Corporation	$ 1,764,847	10.2%	$ 1,035,679	6.0%	N/A	N/A
Fulton Bank, N.A	1,225,797	11.3	653,560	6.0	$ 871,413	8.0%
Fulton Bank of New Jersey	378,962	12.1	188,249	6.0	250,999	8.0
The Columbia Bank	242,668	11.7	124,257	6.0	165,676	8.0
Lafayette Ambassador Bank	169,835	15.1	67,558	6.0	90,077	8.0
Common Equity Tier I Capital (to Risk-Weighted Assets):						
Corporation	$ 1,764,847	10.2%	$ 776,759	4.5%	N/A	N/A
Fulton Bank, N.A	1,181,797	10.8	490,170	4.5	$ 708,023	6.5%
Fulton Bank of New Jersey	378,962	12.1	141,187	4.5	203,936	6.5
The Columbia Bank	242,668	11.7	93,192	4.5	134,611	6.5
Lafayette Ambassador Bank	169,835	15.1	50,668	4.5	73,187	6.5
Tier I Leverage Capital (to Average Assets):						
Corporation	$ 1,764,847	9.0%	$ 783,118	4.0%	N/A	N/A
Fulton Bank, N.A	1,225,797	10.0	487,992	4.0	$ 609,989	5.0%
Fulton Bank of New Jersey	378,962	9.4	162,098	4.0	202,623	5.0
The Columbia Bank	242,668	10.1	96,269	4.0	120,336	5.0
Lafayette Ambassador Bank	169,835	10.9	62,520	4.0	78,150	5.0

N/A – Not applicable as "well capitalized" applies to banks only.

Dividend and Loan Limitations

The dividends that may be paid by the Bank to the Parent Company are subject to certain legal and regulatory limitations. The total amount available for payment of dividends by the Bank to the Corporation was approximately $150 million as of December 31, 2019, based on the Bank maintaining enough capital to be considered well capitalized under the U.S. Basel III Capital Rules.

Under current regulations, the Bank is limited in the amount it may loan to its affiliates, including the Parent Company. Loans to a single affiliate may not exceed 10%, and the aggregate of loans to all affiliates may not exceed 20% of the Bank's regulatory capital.

NOTE 12 – INCOME TAXES

The components of the provision for income taxes are as follows:

	2019	2018	2017
		(in thousands)	
Current tax expense:			
Federal	**$ 32,610**	$ 35,783	$ 19,553
State	**5,204**	5,352	2,617
	37,814	41,135	22,170
Deferred tax (benefit) expense:			
Federal	**(1,271)**	(16,841)	39,885
State	**1,106**	283	646
	(165)	(16,558)	40,531
Total income tax expense	**$ 37,649**	$ 24,577	$ 62,701

The differences between the effective income tax rate and the federal statutory income tax rate are as follows:

	2019	2018	2017
Statutory tax rate	**21.0%**	21.0%	35.0%
Tax credit investments	**(4.6)**	(6.1)	(7.8)
Tax-exempt income	**(3.9)**	(4.1)	(6.6)
Bank owned life insurance	**(0.4)**	(0.4)	(0.4)
State income taxes, net of federal benefit	**0.2**	2.0	(0.5)
Change in valuation allowance	**1.8**	(0.1)	1.2
Re-measurement of net deferred tax asset due to the Tax Act	**—**	(0.3)	6.7
Executive compensation	**—**	0.1	0.1
Other, net	**0.2**	(1.6)	(1.0)
Effective income tax rate	**14.3%**	10.5%	26.7%

The net deferred tax asset recorded by the Corporation is included in other assets and consists of the following tax effects of temporary differences as of December 31:

	2019	2018
	(in thousands)	
Deferred tax assets:		
Tax credit carryforwards	**$ 43,133**	$ 27,615
Allowance for credit losses	**37,081**	37,906
State loss carryforwards	**16,324**	11,605
Other accrued expenses	**8,797**	7,232
Deferred compensation	**7,752**	7,064
Tax credit investments	**6,799**	4,529
Stock-based compensation	**2,930**	2,743
Postretirement and defined benefit plans	**599**	5,079
OTTI	**462**	1,803
Unrealized holding losses on securities	**—**	12,489
Other	**3,784**	3,855
Total gross deferred tax assets	**127,661**	121,920
Deferred tax liabilities:		
Equipment lease financing	**42,273**	31,466
MSRs	**8,686**	8,560
Premises and equipment	**6,282**	3,579
Acquisition premiums/discounts	**5,266**	5,294
Unrealized holding gains on securities available for sale	**4,223**	—
Intangible assets	**1,136**	1,292
Other	**12,387**	12,178
Total gross deferred tax liabilities	**80,253**	62,369
Net deferred tax asset, before valuation allowance	**47,408**	59,551
Valuation allowance	**(16,324)**	(11,605)
Net deferred tax asset	**$ 31,084**	$ 47,946

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income and/or capital gain income during periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies, such as those that may be implemented to generate capital gains, in making this assessment.

The valuation allowance relates to state deferred tax assets and net operating loss carryforwards for which realizability is uncertain. As of December 31, 2019 and 2018, the Corporation had state net operating loss carryforwards of approximately $392.0 million and $347.3 million, respectively, which are available to offset future state taxable income, and expire at various dates through 2038.

Based on the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Corporation will realize the benefits of its deferred tax assets, net of the valuation allowance, as of December 31, 2019.

As of December 31, 2019, the Corporation had tax credit carryforwards related to TCIs of approximately $43 million. The corporation recorded a deferred tax asset of $43.1 million, reflecting the benefit of these tax credit carryforwards. Such deferred tax asset will begin to expire in 2038 if not yet utilized.

Uncertain Tax Positions

The following table summarizes the changes in unrecognized tax benefits for the years ended December 31:

	2019	2018	2017
		(in thousands)	
Balance at beginning of year	**$ 2,726**	$ 2,550	$ 2,438
Current period tax positions	**292**	593	523
Lapse of statute of limitations	**(501)**	(417)	(411)
Balance at end of year	**$ 2,517**	$ 2,726	$ 2,550

Virtually all of the Corporation's unrecognized tax benefits are for positions that are taken on an annual basis on state tax returns. Increases to unrecognized tax benefits will occur as a result of accruing for the nonrecognition of the position for the current year. Decreases will occur as a result of the lapsing of the statute of limitations for the oldest outstanding year which includes the position. These offsetting increases and decreases are likely to continue in the future, including over the next twelve months. While the net effect on total unrecognized tax benefits during this period cannot be reasonably estimated, approximately $460,000 is expected to reverse in 2020 due to lapsing of the statute of limitations. Decreases can also occur throughout the settlement of positions with taxing authorities.

As of December 31, 2019, if recognized, all of the Corporation's unrecognized tax benefits would impact the effective tax rate. Not included in the table above is $549,000 of federal income tax benefit on unrecognized state tax benefits which, if recognized, would also impact the effective tax rate. Interest accrued related to unrecognized tax benefits is recorded as a component of income tax expense. Penalties, if incurred, would also be recognized in income tax expense. The Corporation recognized approximately $22,000 and $59,000 in 2019 and 2018, respectively, for interest and penalties in income tax expense related to unrecognized tax positions. As of December 31, 2019 and 2018, total accrued interest and penalties related to unrecognized tax positions were approximately $697,000 and $675,000, respectively.

The Corporation files income tax returns in the federal and various state jurisdictions. In most cases, unrecognized tax benefits are related to tax years that remain subject to examination by the relevant taxing authorities. With few exceptions, the Corporation is no longer subject to federal, state and local examinations by tax authorities for years before 2016.

Tax Credit Investments ("TCIs")

The TCIs are included in other assets, with any unfunded equity commitments recorded in other liabilities on the consolidated balance sheets. Certain TCIs qualify for the proportional amortization method and are amortized over the period the Corporation expects to receive the tax credits, with the expense included within income taxes on the consolidated statements of income. Other TCIs are accounted for under the equity method of accounting, with amortization included within non-interest expense on the consolidated statements of income. This amortization includes equity in partnership losses and the systematic write-down of investments over the period in which income tax credits are earned. All of the TCIs are evaluated for impairment at the end of each reporting period.

The following table presents the balances of the Corporation's TCIs and related unfunded commitments as of December 31:

	2019	2018
Included in other assets:	(in thousands)	
Affordable housing tax credit investments, net	**$ 153,351**	$ 170,401
Other tax credit investments, net	**64,354**	72,584
Total TCIs, net	**$ 217,705**	$ 242,985
Included in other liabilities:		
Unfunded affordable housing tax credit commitments	**$ 16,684**	$ 23,196
Other tax credit liabilities	**55,105**	59,823
Total unfunded tax credit commitments and liabilities	**$ 71,789**	$ 83,019

The following table presents other information relating to the Corporation's TCIs for the years ended December 31:

	2019	2018	2017
		(in thousands)	
Components of income taxes:			
Affordable housing tax credits and other tax benefits	**$ (30,642)**	$ (30,721)	$ (25,642)
Other tax credit investment credits and tax benefits	**(4,542)**	(6,385)	(15,791)
Amortization of affordable housing investments, net of tax benefit	**22,184**	21,569	16,958
Deferred tax expense	**954**	1,341	6,201
Total reduction in income tax expense	**$ (12,046)**	$ (14,196)	$ (18,274)
Amortization of TCIs:			
Affordable housing tax credits investment	**$ 3,344**	$ 3,355	$ —
Other tax credit investment amortization	**2,677**	8,094	11,028
Total amortization of TCIs	**$ 6,021**	$ 11,449	$ 11,028

NOTE 13 – NET INCOME PER SHARE

Basic net income per common share is calculated as net income divided by the weighted average number of shares outstanding.

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

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

	2019	2018	2017
		(in thousands)	
Weighted average common shares outstanding (basic)	**166,902**	175,395	174,721
Impact of common stock equivalents	**890**	1,148	1,211
Weighted average common shares outstanding (diluted)	**167,792**	176,543	175,932

NOTE 14 – SHAREHOLDERS' EQUITY

Accumulated Other Comprehensive Income (Loss)

The following table presents the components of other comprehensive income (loss) for the years ended December 31:

	Before-Tax Amount	Tax Effect	Net of Tax Amount
		(in thousands)	
2019:			
Unrealized gain on AFS securities	**$ 73,085**	**$ (16,166)**	**$ 56,919**
Reclassification adjustment for available for sale securities gains included in net income (1)	**(4,733)**	**1,047**	**(3,686)**
Amortization of net unrealized losses on available for sale securities transferred to HTM (2) (3)	**8,070**	**(1,785)**	**6,285**
Non-credit related unrealized loss on other-than-temporarily impaired debt securities	**(873)**	**193**	**(680)**
Unrecognized pension and postretirement cost	**(1,203)**	**266**	**(937)**
Amortization of net unrecognized pension and postretirement income (4)	**1,316**	**(291)**	**1,025**
Total Other Comprehensive Income	**$ 75,662**	**$ (16,736)**	**$ 58,926**
2018:			
Unrealized loss on AFS securities	$ (31,235)	$ 6,909	$ (24,326)
Reclassification adjustment for available for sale securities gains included in net income (1)	(37)	7	(30)
Amortization of net unrealized losses on available for sale securities transferred to HTM (2)	2,694	(596)	2,098
Non-credit related unrealized loss on other-than-temporarily impaired debt securities	285	(63)	222
Unrecognized pension and postretirement income	1,798	(398)	1,400
Amortization of net unrecognized pension and postretirement income (4)	2,116	(468)	1,648
Total Other Comprehensive Loss	$ (24,379)	$ 5,391	$ (18,988)
2017:			
Unrealized gain on AFS securities	$ 16,051	$ (5,619)	$ 10,432
Reclassification adjustment for available for sale securities gains included in net income (1)	(9,071)	3,177	(5,894)
Non-credit related unrealized loss on other-than-temporarily impaired debt securities	285	(100)	185
Unrecognized pension and postretirement cost	(937)	328	(609)
Amortization of net unrecognized pension and postretirement income (4)	2,092	(731)	1,361
Total Other Comprehensive Income	$ 8,420	$ (2,945)	$ 5,475

(1) Amounts reclassified out of accumulated other comprehensive income (loss). Before-tax amounts included in "Investment securities gains, net" on the consolidated statements of income. See "Note 3 - Investment Securities," for additional details.

(2) Amounts reclassified out of accumulated other comprehensive income (loss). Before-tax amounts included as a reduction to "Interest Income" on the consolidated statements of income. See "Note 3, - Investment Securities," for additional details.

(3) Before-Tax amount includes a $3.7 million reclassification of unrealized loss related to the early adoption of ASU 2019-04, as disclosed in "Note 1 - Summary of Significant Accounting Policies" from "Amortization of net unrealized losses on available for sale securities transferred to HTM" to "Unrealized gain on securities."

(4) Amounts reclassified out of accumulated other comprehensive income (loss). Before-tax amounts included in "Salaries and employee benefits" on the consolidated statements of income. See "Note 13 - Employee Benefit Plans," for additional details.

The following table presents changes in each component of accumulated other comprehensive income (loss), net of tax, for the years ended December 31:

	Unrealized Gain (Losses) on Investment Securities Not Other-Than-Temporarily Impaired	Unrealized Non-Credit Gains (Losses) on Other-Than-Temporarily Impaired Debt Securities	Unrecognized Pension and Postretirement Plan Income (Cost)	Total
		(in thousands)		
Balance as of December 31, 2016	$ (23,047)	$ 273	$ (15,675)	$ (38,449)
Other comprehensive income before reclassifications	10,432	185	(609)	10,008
Amounts reclassified from accumulated other comprehensive income (loss)	(5,894)	—	1,361	(4,533)
Balance as of December 31, 2017	(18,509)	458	(14,923)	(32,974)
Other comprehensive loss before reclassifications	(24,326)	222	1,400	(22,704)
Amounts reclassified from accumulated other comprehensive income (loss)	(30)	—	1,648	1,618
Amortization of net unrealized losses on AFS transferred to HTM	2,098	—	—	2,098
Reclassification of stranded tax effects	(3,887)	—	(3,214)	(7,101)
Balance as of December 31, 2018	**(44,654)**	**680**	**(15,089)**	**(59,063)**
Other comprehensive gain before reclassifications	**56,919**	**(680)**	**(937)**	**55,302**
Amounts reclassified from accumulated other comprehensive (loss) income	**(3,686)**	**—**	**1,025**	**(2,661)**
Amortization of net unrealized losses on AFS securities transferred to HTM	**6,285**	**—**	**—**	**6,285**
Balance as of December 31, 2019	**$ 14,864**	**$ —**	**$ (15,001)**	**$ (137)**

Common Stock Repurchase Plans

In October 2019, the Corporation's board of directors approved a share repurchase program pursuant to which the Corporation is authorized to repurchase up to $100.0 million of its outstanding shares of common stock, or approximately 3.9% of its outstanding shares, through December 31, 2020. No shares had been repurchased under this program through December 31, 2019.

In March 2019, the Corporation's board of directors approved a share repurchase program pursuant to which the Corporation was authorized to repurchase up to $100.0 million of its outstanding shares of common stock, or approximately 3.5% of its outstanding shares, through December 31, 2019. During 2019, the Corporation repurchased approximately 6.1 million shares under this program for a total cost of $100.0 million, or $16.28 per share, completing this program.

In November 2018, the Corporation's board of directors approved a share repurchase program pursuant to which the Corporation was authorized to repurchase up to $75.0 million of its outstanding shares of common stock, or approximately 2.7% of its outstanding shares, through December 31, 2019. During 2019 and 2018, the Corporation repurchased approximately 706,000 and 4.1 million shares, respectively, under this program for a total cost of $75.0 million, or $15.57 per share, completing this program.

In November 2017, the Corporation's board of directors approved an extension to a share repurchase program pursuant to which the Corporation was authorized to repurchase up to $50.0 million of its outstanding shares of common stock, or approximately 2.3% of its outstanding shares, through December 31, 2018. During 2018, the Corporation repurchased approximately 1.9 million shares under this program for a total cost of approximately $31.5 million, or $16.71 per share, completing this program.

NOTE 15 – STOCK-BASED COMPENSATION PLANS

The following table presents compensation expense and related tax benefits for all equity awards recognized in the consolidated statements of income:

	2019	2018	2017
		(in thousands)	
Compensation expense	**$ 7,413**	$ 7,965	$ 5,209
Tax benefit	**(1,610)**	(2,625)	(3,994)
Total stock-based compensation, net of tax	**$ 5,803**	$ 5,340	$ 1,215

The tax benefits as a percentage of compensation expense, as shown in the preceding table, were 21.7%, 33.0% and 76.7% in 2019, 2018 and 2017, respectively. These percentages differ from the Corporation's statutory tax rates of 21% for 2019 and 2018 and 35% for 2017 ("Tax Rates"). Tax benefits are only recognized over the vesting period for awards that ordinarily will generate a tax deduction when exercised, in the case of non-qualified stock options, or upon vesting, in the case of restricted stock, RSUs and PSUs. Tax benefits in excess of the Tax Rates resulted from incentive stock option exercises that triggered a tax deduction when they were exercised, and excess tax benefits realized on vesting RSUs and PSUs during the period.

The following table presents compensation expense and related tax benefits for restricted stock awards, RSUs and PSUs recognized in the consolidated statements of income, and included as a component of total stock-based compensation in the preceding table:

	2019	2018	2017
		(in thousands)	
Compensation expense	**$ 6,621**	$ 7,124	$ 4,922
Tax benefit	**(1,509)**	(1,585)	(1,559)
Stock-based compensation, net of tax	**$ 5,112**	$ 5,539	$ 3,363

The following table provides information about stock option activity for the year ended December 31, 2019:

	Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (in millions)
Outstanding and exercisable as of December 31, 2018	658,768	$ 10.75		
Exercised	(150,296)	9.73		
Forfeited	(4,128)	11.31		
Expired	(4,084)	5.27		
Outstanding and exercisable as of December 31, 2019	500,260	$ 11.12	3.1 years	$ 3.2

The following table provides information about nonvested restricted stock, RSUs and PSUs granted under the Employee Equity Plan and Directors' Plan for the year ended December 31, 2019:

	Restricted Stock/RSUs/PSUs(1)	
	Shares	Weighted Average Grant Date Fair Value
Nonvested as of December 31, 2018	1,368,493	$ 15.49
Granted	454,951	15.51
Vested	(407,872)	12.38
Forfeited	(43,236)	16.61
Nonvested as of December 31, 2019	1,372,336	$ 16.39

(1) There were no nonvested stock options at December 31, 2019 or 2018.

As of December 31, 2019, there was $10.1 million of total unrecognized compensation cost (pre-tax) related to restricted stock, RSUs and PSUs that will be recognized as compensation expense over a weighted average period of two years. As of December 31, 2019, the Employee Equity Plan had 10.1 million shares reserved for future grants through 2023, and the Directors' Plan had 260,000 shares reserved for future grants through 2021.

The following table presents information about stock options exercised:

	2019	2018	2017
		(dollars in thousands)	
Number of options exercised	**150,296**	214,845	411,292
Total intrinsic value of options exercised	**$ 1,028**	$ 1,616	$ 2,955
Cash received from options exercised	**$ 1,446**	$ 2,210	$ 4,644
Tax benefit from options exercised	**$ 188**	$ 291	$ 989

Upon exercise, the Corporation issues shares from its authorized, but unissued, common stock to satisfy the options.

The fair value of certain PSUs with market-based performance conditions granted under the Employee Equity Plan was estimated on the grant date using the Monte Carlo valuation methodology performed by a third-party valuation expert. This valuation is dependent upon certain assumptions, as summarized in the following table:

	2019	2018	2017
Risk-free interest rate	**2.27%**	2.63%	1.43%
Volatility of Corporation’s stock	**23.00%**	23.50%	22.45%
Expected life of PSUs	**3 Years**	3 Years	3 Years

The expected life of the PSUs with fair values measured using the Monte Carlo valuation methodology was based on the defined performance period of three years. Volatility of the Corporation’s stock was based on historical volatility for the period commensurate with the expected life of the PSUs. The risk-free interest rate is the zero-coupon U.S. Treasury rate commensurate with the expected life of the PSUs on the date of the grant. Based on the assumptions above, the Corporation calculated an estimated fair value per PSU with market-based performance conditions granted in 2019, 2018 and 2017 of $16.83, $12.92 and $17.25, respectively.

Under the ESPP, eligible employees can purchase stock of the Corporation at 85% of the fair market value of the stock on the date of purchase. The ESPP is considered to be a compensatory plan and, as such, compensation expense is recognized for the 15% discount on shares purchased. The following table summarizes activity under the ESPP:

	2019	2018	2017
ESPP shares purchased	**136,576**	110,200	98,000
Average purchase price per share (85% of market value)	**$ 14.03**	$ 14.74	$ 15.28
Compensation expense recognized (in thousands)	**$ 338**	$ 287	$ 261

NOTE 16 – EMPLOYEE BENEFIT PLANS

The following summarizes retirement plan expense for the years ended December 31:

	2019	2018	2017
		(in thousands)	
401(k) Retirement Plan	**$ 8,976**	$ 8,482	$ 8,121
Pension Plan	**2,484**	3,435	4,168
	$ 11,460	$ 11,917	$ 12,289

The 401(k) Retirement Plan is a defined contribution plan under which eligible employees may defer a portion of their pre-tax covered compensation on an annual basis, with employer matches of up to 5% of employee compensation. Employee and employer contributions under these features are 100% vested.

Contributions to the Defined Benefit Pension Plan ("Pension Plan") are actuarially determined and funded annually, if necessary. The Corporation recognizes the funded status of its Pension Plan on the consolidated balance sheets and recognizes the changes in that funded status through other comprehensive income. The Pension Plan has been curtailed, with no additional benefits accruing to participants.

Pension Plan

The net periodic pension cost for the Pension Plan, as determined by consulting actuaries, consisted of the following components for the years ended December 31:

	2019	2018	2017
		(in thousands)	
Interest cost	**$ 3,257**	$ 3,053	$ 3,320
Expected return on assets	**(2,754)**	(2,047)	(1,804)
Net amortization and deferral	**1,981**	2,429	2,652
Net periodic pension cost	**$ 2,484**	$ 3,435	$ 4,168

The following table summarizes the changes in the projected benefit obligation and fair value of plan assets for the plan years ended December 31:

	2019	2018
	(in thousands)	
Projected benefit obligation at beginning of year	**$ 79,426**	$ 89,482
Interest cost	**3,257**	3,053
Benefit payments	**(4,114)**	(5,796)
Change in assumptions	**8,259**	(8,051)
Experience (loss) gain	**(624)**	738
Projected benefit obligation at end of year	**$ 86,204**	$ 79,426
Fair value of plan assets at beginning of year	**$ 57,825**	$ 54,061
Employer contributions [(1)]	**20,755**	13,042
Actual return on plan assets	**9,210**	(3,482)
Benefit payments	**(4,114)**	(5,796)
Fair value of plan assets at end of year	**$ 83,676**	$ 57,825

(1) The Corporation funds at least the minimum amount required by federal law and regulations. The Corporation contributed $20.8 million and $13.0 million to the Pension Plan during 2019 and 2018, respectively.

The following table presents the funded status of the Pension Plan, included in other liabilities on the consolidated balance sheets, as of December 31:

	2019	2018
	(in thousands)	
Projected benefit obligation	**$ (86,204)**	$ (79,426)
Fair value of plan assets	**83,676**	57,825
Funded status	**$ (2,528)**	$ (21,601)

The following table summarizes the changes in the unrecognized net loss included as a component of accumulated other comprehensive income (loss):

	Unrecognized Net Loss	
	Before tax	Net of tax
	(in thousands)	
Balance as of December 31, 2017	$ 28,559	$ 18,564
Recognized as a component of 2018 periodic pension cost	(2,429)	(1,892)
Unrecognized gains arising in 2018	(1,783)	(1,389)
Re-measurement adjustments for tax rate changes	—	3,678
Balance as of December 31, 2018	**24,347**	**18,961**
Recognized as a component of 2019 periodic pension cost	**(1,981)**	**(1,543)**
Unrecognized losses arising in 2019	**1,180**	**919**
Balance as of December 31, 2019	**$ 23,546**	**$ 18,337**

The total amount of unrecognized net loss that will be amortized as a component of net periodic pension cost in 2020 is expected to be $2.1 million.

The following rates were used to calculate net periodic pension cost and the present value of benefit obligations as of December 31:

	2019	2018	2017
Discount rate-projected benefit obligation	**3.25%**	4.25%	3.50%
Expected long-term rate of return on plan assets	**5.00%**	5.00%	5.00%

The discount rates used were determined using the Citigroup Average Life discount rate table, as adjusted based on the Pension Plan's expected benefit payments and rounded to the nearest 0.25%.

The 5.00% long-term rate of return on plan assets used to calculate the net periodic pension cost was based on historical returns, adjusted for expectations of long-term asset returns based on the December 31, 2019 weighted average asset allocations. The expected long-term return is considered to be appropriate based on the asset mix and the historical returns realized.

The following table presents a summary of the fair values of the Pension Plan's assets as of December 31:

	2019		2018	
	Estimated Fair Value	**% of Total Assets**	Estimated Fair Value	% of Total Assets
		(dollars in thousands)		
Equity mutual funds	**$ 26,377**		$ 18,532	
Equity common trust funds	**11,810**		9,062	
Equity securities	**38,187**	**45.6%**	27,594	47.7%
Cash and money market funds	**21,182**		10,754	
Fixed income mutual funds	**14,370**		11,523	
Corporate debt securities	**3,124**		2,985	
U.S. Government agency securities	**3,078**		—	
Fixed income securities and cash	**41,754**	**49.9%**	25,262	43.7%
Other alternative investment funds	**3,735**	**4.5%**	4,969	8.6%
Total	**$ 83,676**	**100.0%**	$ 57,825	100.0%

Investment allocation decisions are made by a retirement plan committee. The goal of the investment allocation strategy is to match certain benefit obligations with maturities of fixed income securities. Alternative investments may include managed futures, commodities, real estate investment trusts, master limited partnerships, and long-short strategies with traditional stocks and bonds. All alternative investments are in the form of mutual funds, not individual contracts, to enable daily liquidity.

The fair values for all assets held by the Pension Plan, excluding equity common trust funds, are based on quoted prices for identical instruments and would be categorized as Level 1 assets under the fair value hierarchy. Equity common trust funds would be categorized as Level 2 assets under the fair value hierarchy.

Estimated future benefit payments are as follows (in thousands):

Year	
2020	$ 4,239
2021	4,395
2022	4,454
2023	4,569
2024	4,651
2025 – 2029	24,330
	$ 46,638

Postretirement Benefits

The Corporation provides medical benefits and life insurance benefits under a postretirement benefits plan ("Postretirement Plan") to certain retired full-time employees who were employees of the Corporation prior to January 1, 1998. Prior to February 1, 2014, certain full-time employees became eligible for these discretionary benefits if they reached retirement age while working for the Corporation. The Corporation recognizes the funded status of the postretirement plan on the consolidated balance sheets and recognizes the changes in that funded status through other comprehensive income.

The components of the net benefit for postretirement benefits other than pensions are as follows:

	2019	2018	2017
		(in thousands)	
Interest cost	**$ 61**	$ 57	$ 68
Net amortization and deferral	**(556)**	(559)	(565)
Net postretirement benefit	**$ (495)**	$ (502)	$ (497)

This table summarizes the changes in the accumulated postretirement benefit obligation for the years ended December 31:

	2019	2018
	(in thousands)	
Accumulated postretirement benefit obligation at beginning of year	**$ 1,520**	$ 1,700
Interest cost	**61**	57
Benefit payments	**(187)**	(205)
Experience gain	**17**	35
Change in assumptions	**39**	(67)
Accumulated postretirement benefit obligation at end of year	**$ 1,450**	$ 1,520

The fair values of the plan assets were $0 as of both December 31, 2019 and 2018. The funded status of the Postretirement Plan, included in other liabilities on the consolidated balance sheets as of both December 31, 2019 and 2018 was $1.5 million.

The following table summarizes the changes in items recognized as a component of accumulated other comprehensive income (loss):

	Before tax			
	Unrecognized Prior Service Cost	Unrecognized Net Loss (Gain)	Total	Net of tax
		(in thousands)		
Balance as of December 31, 2017	$ (4,404)	$ (1,159)	$ (5,563)	$ (3,617)
Recognized as a component of 2018 postretirement benefit cost	464	95	559	435
Unrecognized gains arising in 2018	—	(32)	(32)	(25)
Re-measurement adjustments for tax rate changes in 2018	—	—	—	(721)
Balance as of December 31, 2018	**(3,940)**	**(1,096)**	**(5,036)**	**(3,928)**
Recognized as a component of 2019 postretirement benefit cost	**464**	**92**	**556**	**433**
Unrecognized gains arising in 2019	**—**	**56**	**56**	**44**
Balance as of December 31, 2019	**$ (3,476)**	**$ (948)**	**$ (4,424)**	**$ (3,451)**

The following rates were used to calculate net periodic postretirement benefit cost and the present value of benefit obligations as of December 31:

	2019	2018	2017
Discount rate-projected benefit obligation	**3.25%**	4.25%	3.50%
Expected long-term rate of return on plan assets	**3.00%**	3.00%	3.00%

The discount rates used to calculate the accumulated postretirement benefit obligation were determined using the Citigroup Average Life discount rate table, as adjusted based on the Postretirement Plan's expected benefit payments and rounded to the nearest 0.25%.

Estimated future benefit payments under the Postretirement Plan are as follows (in thousands):

Year		
2020	$	178
2021		165
2022		153
2023		140
2024		128
2025 – 2029		481
	$	1,245

NOTE 17 – LEASES

The Corporation has operating leases for branches, corporate offices and land.

The following table presents the components of lease expense, which is included in net occupancy expense on the consolidated statements of income (in thousands):

		2019
Operating lease expense	$	18,852
Variable lease expense		2,924
Sublease income		(791)
Total lease expense	$	20,985

Supplemental consolidated balance sheet information related to leases was as follows (dollars in thousands):

Operating Leases	Balance Sheet Classification		2019
ROU assets	Other assets	$	102,779
Lease liabilities	Other liabilities	$	109,608
Weighted average remaining lease term			8.1 years
Weighted average discount rate			3.05%

The discount rate used in determining the lease liability for each individual lease was the FHLB fixed advance rate which corresponded with the remaining lease term as of January 1, 2019 for leases that existed at adoption and as of the lease commencement or modification date for leases subsequently entered into.

Supplemental cash flow information related to operating leases was as follows (in thousands):

		2019
Cash paid for amounts included in the measurement of lease liabilities	$	18,563
ROU assets obtained in exchange for lease obligations		117,496

Lease payment obligations for each of the next five years and thereafter, with a reconciliation to the Corporation's lease liability were as follows (in thousands):

Year	Operating Leases
2020	$ 18,695
2021	17,582
2022	16,278
2023	14,106
2024	12,410
Thereafter	42,394
Total lease payments	121,465
Less: imputed interest	(11,857)
Present value of lease liabilities	$ 109,608

As of December 31, 2019, the Corporation had not entered into any material leases that have not yet commenced.

In 2018, under Topic 840, future minimum lease payments for operating leases having initial or remaining noncancellable lease terms in excess of one year as of December 31, 2018 were $18.0 million, $17.3 million, $15.7 million, $13.7 million, $11.4 million for years 2019 through 2023, respectively, and $43.3 million in the aggregate for all years thereafter.

NOTE 18 – COMMITMENTS AND CONTINGENCIES

Commitments

The Corporation is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since a portion of the commitments is expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Corporation evaluates each customer’s creditworthiness on a case-by-case basis. The amount of collateral, if any, obtained upon extension of credit is based on management’s credit evaluation of the customer. Collateral held varies but may include accounts receivable, inventory, property, equipment and income producing commercial properties.

Standby letters of credit are conditional commitments issued to guarantee the financial or performance obligation of a customer to a third party. Commercial letters of credit are conditional commitments issued to facilitate foreign and domestic trade transactions for customers. The credit risk involved in issuing letters of credit is similar to that involved in extending loan facilities. These obligations are underwritten consistently with commercial lending standards. The maximum exposure to loss for standby and commercial letters of credit is equal to the contractual (or notional) amount of the instruments.

The Corporation records a reserve for unfunded commitments, included in other liabilities on the consolidated balance sheets, which represents management’s estimate of losses inherent in commitments to extend credit and letters of credit. See "Note 4 - Loans and Leases and Allowance for Credit Losses," for additional information.

The following table presents the Corporation's commitments to extend credit and letters of credit:

	2019	2018
	(in thousands)	
Commercial, industrial, financial and agricultural	**$ 3,997,401**	$ 3,642,545
Real estate - home equity	**1,523,494**	1,475,066
Real estate - commercial mortgage and real estate - construction	**1,168,624**	1,188,972
Total commitments to extend credit	**$ 6,689,519**	$ 6,306,583
Standby letters of credit	**$ 303,020**	$ 309,352
Commercial letters of credit	**50,432**	48,682
Total letters of credit	**$ 353,452**	$ 358,034

Residential Lending

The Corporation originates and sells residential mortgages to secondary market investors. The Corporation provides customary representations and warranties to secondary market investors that specify, among other things, that the loans have been underwritten to the standards of the secondary market investor. The Corporation may be required to repurchase specific loans, or reimburse the investor for a credit loss incurred on a sold loan if it is determined that the representations and warranties have not been met. Under some agreements with secondary market investors, the Corporation may have additional credit exposure beyond customary representations and warranties, based on the specific terms of those agreements.

The Corporation maintains a reserve for estimated credit losses related to loans sold to investors. As of December 31, 2019 and 2018, the total reserve for losses on residential mortgage loans sold was $3.2 million and $2.1 million, respectively, including reserves for both representation and warranty and credit loss exposures.

Legal Proceedings

The Corporation is involved in various pending and threatened claims and other legal proceedings in the ordinary course of its business activities. The Corporation evaluates the possible impact of these matters, taking into consideration the most recent information available. A loss reserve is established for those matters for which the Corporation believes a loss is both probable and reasonably estimable. Once established, the reserve is adjusted as appropriate to reflect any subsequent developments. Actual losses with respect to any such matter may be more or less than the amount estimated by the Corporation. For matters where a loss is not probable, or the amount of the loss cannot be reasonably estimated by the Corporation, no loss reserve is established.

In addition, from time to time, the Corporation is involved in investigations or other forms of regulatory or governmental inquiry covering a range of possible issues and, in some cases, these may be part of similar reviews of the specified activities of other companies. These inquiries or investigations could lead to administrative, civil or criminal proceedings involving the Corporation, and could result in fines, penalties, restitution, other types of sanctions, or the need for the Corporation to undertake remedial actions, or to alter its business, financial or accounting practices. The Corporation's practice is to cooperate fully with regulatory and governmental inquiries and investigations.

As of the date of this report, the Corporation believes that any liabilities, individually or in the aggregate, which may result from the final outcomes of pending legal proceedings, or regulatory or governmental inquiries or investigations, will not have a material adverse effect on the financial condition of the Corporation. However, legal proceedings, inquiries and investigations are often unpredictable, and it is possible that the ultimate resolution of any such matters, if unfavorable, may be material to the Corporation's results of operations in any future period, depending, in part, upon the size of the loss or liability imposed and the operating results for the period, and could have a material adverse effect on the Corporation's business. In addition, regardless of the ultimate outcome of any such legal proceeding, inquiry or investigation, any such matter could cause the Corporation to incur additional expenses, which could be significant, and possibly material, to the Corporation's results of operations in any future period.

SEC Investigation

The Corporation is responding to an investigation by the staff of the Division of Enforcement of the SEC regarding certain accounting determinations that could have impacted the Corporation's reported earnings per share. The Corporation believes that its financial statements filed with the SEC in Forms 10-K and 10-Q present fairly, in all material respects, its financial condition, results of operations and cash flows as of or for the periods ending on their respective dates. The Corporation is cooperating fully with the SEC and at this time cannot predict when or how the investigation will be resolved.

Kress v. Fulton Bank, N.A.

On October 15, 2019, a former Fulton Bank teller supervisor, D. Kress filed a putative class action lawsuit on behalf of herself and other similarly situated non-exempt, hourly employees in the U.S. District Court for the District of New Jersey, D. Kress v. Fulton Bank, N.A., Case No. 1:19-cv-18985. Fulton Bank accepted service of process on January 20, 2020. The lawsuit alleges that Fulton Bank did not record or otherwise account for the amount of time which non-exempt employees who are paid based on their time worked, spent conducting branch opening security procedures. The allegation is that, as a result, Fulton Bank did not properly compensate those employees for their regular and overtime wages. The lawsuit alleges that by doing so, Fulton violated: (i) the federal Fair Labor Standards Act and seeks back overtime wages for a period of three years, liquidated damages and attorney fees and costs; (ii) the New Jersey State Wage and Hour Law and seeks back overtime wages for a period of six years, treble damages and attorney fees and costs; and (iii) the New Jersey Wage Payment Law and seeks back wages for a period of six years, treble damages and attorney fees and costs. The lawsuit also asserts New Jersey common law claims seeking compensatory damages and interest.

NOTE 19 – FAIR VALUE MEASUREMENTS

The following tables present assets and liabilities measured at fair value on a recurring basis and reported on the consolidated balance sheets:

	2019			
	Level 1	**Level 2**	**Level 3**	**Total**
		(in thousands)		
Loans held for sale	$ —	$ 37,828	$ —	$ 37,828
Available for sale investment securities:				
State and municipal securities	—	652,927	—	652,927
Corporate debt securities	—	374,957	2,400	377,357
Collateralized mortgage obligations	—	693,718	—	693,718
Residential mortgage-backed securities	—	177,312	—	177,312
Commercial mortgage-backed securities	—	494,297	—	494,297
Auction rate securities	—	—	101,926	101,926
Total available for sale investment securities	—	2,393,211	104,326	2,497,537
Other assets:				
Investments held in Rabbi Trust	22,213	—	—	22,213
Derivative assets	230	145,365	—	145,595
Total assets	$ 22,443	$ 2,576,404	$ 104,326	$ 2,703,173
Other Liabilities				
Deferred compensation liabilities	$ 22,213	$ —	$ —	$ 22,213
Derivative liabilities	199	76,447	—	76,646
Total liabilities	$ 22,412	$ 76,447	$ —	$ 98,859

	2018			
	Level 1	Level 2	Level 3	Total
		(in thousands)		
Loans held for sale	$ —	$ 27,099	$ —	$ 27,099
Available for sale investment securities:				
U.S. Government sponsored agency securities	—	31,632	—	31,632
State and municipal securities	—	279,095	—	279,095
Corporate debt securities	—	106,258	3,275	109,533
Collateralized mortgage obligations	—	832,080	—	832,080
Residential mortgage-backed securities	—	463,344	—	463,344
Commercial mortgage-backed securities	—	261,616	—	261,616
Auction rate securities	—	—	102,994	102,994
Total available for sale investment securities	—	1,974,025	106,269	2,080,294
Other assets:				
Investments held in Rabbi Trust	18,415	—		18,415
Derivative assets	392	62,552	—	62,944
Total assets	$ 18,807	$ 2,063,676	$ 106,269	$ 2,188,752
Other Liabilities				
Deferred compensation liabilities	$ 18,415	$ —	$ —	$ 18,415
Derivative liabilities	381	48,185	—	48,566
Total liabilities	$ 18,796	$ 48,185	$ —	$ 66,981

The valuation techniques used to measure fair value for the items in the preceding tables are as follows:

- Loans held for sale – This category includes mortgage loans held for sale that are measured at fair value. Fair values as of December 31, 2019 and 2018 were measured as the price that secondary market investors were offering for loans with similar characteristics. See "Note 1 - Summary of Significant Accounting Policies" for details related to the Corporation's election to measure assets and liabilities at fair value.

- Available for sale investment securities – Included in this asset category are debt securities. Level 2 available for sale debt securities are valued by a third-party pricing service commonly used in the banking industry. The pricing service uses pricing models that vary based on asset class and incorporate available market information, including quoted prices of investment securities with similar characteristics. Because many fixed income securities do not trade on a daily basis, pricing models use available information, as applicable, through processes such as benchmark yield curves, benchmarking of like securities, sector groupings and matrix pricing.

  Standard market inputs include: benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data, including market research publications. For certain security types, additional inputs may be used, or some of the standard market inputs may not be applicable.

  Management tests the values provided by the pricing service by obtaining securities prices from an alternative third-party source and comparing the results. This test is performed for approximately 95% of the securities valued by the pricing service. Generally, differences by security in excess of 5% are researched to reconcile the difference.

  - State and municipal securities/Collateralized mortgage obligations/Residential mortgage-backed securities/Commercial mortgage-backed securities – These debt securities are classified as Level 2 investments. Fair values are determined by a third-party pricing service, as detailed above.

  - Corporate debt securities – This category consists of subordinated and senior debt issued by financial institutions ($362.3 million at December 31, 2019 and $86.1 million at December 31, 2018), single-issuer trust preferred securities issued by financial institutions ($11.2 million at December 31, 2019 and $18.6 million at December 31, 2018), pooled trust preferred securities issued by financial institutions ($0 at December 31, 2019 and $875,000 at December 31, 2018) and other corporate debt issued by non-financial institutions ($3.9 million at December 31, 2019 and December 31, 2018).

    Level 2 investments include subordinated debt and senior debt, other corporate debt issued by non-financial institutions and $8.8 million and $16.3 million of single-issuer trust preferred securities held at December 31, 2019 and 2018, respectively. The fair values for these corporate debt securities are determined by a third-party pricing service, as detailed above.

    Level 3 investments include the Corporation's investments in pooled trust preferred securities ($0 at December 31, 2019 and $875,000 at December 31, 2018) and certain single-issuer trust preferred securities ($2.4 million at December 31, 2019 and December 31, 2018). The fair values of these securities were determined based on quotes provided by third-party brokers who determined fair values based predominantly on internal valuation models which were not indicative prices or binding offers. The Corporation's third-party pricing service cannot derive fair values for these securities primarily due to inactive markets for similar investments. Level 3 values are tested by management primarily through trend analysis, by comparing current values to those reported at the end of the preceding calendar quarter, and determining if they are reasonable based on price and spread movements for this asset class.

  - Auction rate securities – Due to their illiquidity, ARCs are classified as Level 3 investments and are valued through the use of an expected cash flows model prepared by a third-party valuation expert. The assumptions used in preparing the expected cash flows model include estimates for coupon rates, time to maturity and market rates of return. The most significant unobservable input to the expected cash flows model is an assumed return to market liquidity sometime within the next five years. If the assumed return to market liquidity was lengthened beyond the next five years, this would result in a decrease in the fair value of these ARCs. The Corporation believes that the trusts underlying the ARCs will self-liquidate as student loans are repaid. Level 3 values are tested by management through the performance of a trend analysis of the market price and discount rate. Changes in the price and discount rates are compared to changes in market data, including bond ratings, parity ratios, balances and delinquency levels.

  - Investments held in Rabbi Trust - This category consists of mutual funds that are held in trust for employee deferred compensation plans that the Corporation has elected to measure at fair value. Shares of mutual funds are valued based on net asset value, which represents quoted market prices for the underlying shares held in the mutual funds, and as such, are classified as Level 1.

  - Derivative assets - Fair value of foreign currency exchange contracts classified as Level 1 assets ($230,000 at December 31, 2019 and $392,000 at December 31, 2018). The mutual funds and foreign exchange prices used to measure these items at fair value are based on quoted prices for identical instruments in active markets.

    Level 2 assets, representing the fair value of mortgage banking derivatives in the form of interest rate locks and forward commitments with secondary market investors ($1.2 million at December 31, 2019 and $1.2 million at

December 31, 2018) and the fair value of interest rate swaps ($144.2 million at December 31, 2019 and $61.4 million at December 31, 2018). The fair values of the interest rate locks, forward commitments and interest rate swaps represent the amounts that would be required to settle the derivative financial instruments at the balance sheet date. See "Note 10 - Derivative Financial Instruments," for additional information.

- Deferred compensation liabilities – Fair value of amounts due to employees under deferred compensation plans, classified as Level 1 liabilities and are included in other liabilities on the consolidated balance sheets. The fair values of these liabilities are determined in the same manner as the related assets, as described under the heading "Investments held in Rabbi Trust" above.

- Derivative liabilities - Level 1 liabilities, representing the fair value of foreign currency exchange contracts ($199,000 at December 31, 2019 and $381,000 at December 31, 2018). The fair values of these liabilities are determined in the same manner as the related assets.

  Level 2 liabilities, representing the fair value of mortgage banking derivatives in the form of interest rate locks and forward commitments with secondary market investors ($424,000 at December 31, 2019 and $1.1 million at December 31, 2018) and the fair value of interest rate swaps ($76.0 million at December 31, 2019 and $47.1 million at December 31, 2018).

  The fair values of these liabilities are determined in the same manner as the related assets, which are described under the heading "Derivative assets" above.

The following table presents the changes in available for sale investment securities measured at fair value on a recurring basis using unobservable inputs (Level 3) for the years ended December 31:

	Pooled Trust Preferred Securities	Single-issuer Trust Preferred Securities	Auction Rate Securities
		(in thousands)	
Balance as of December 31, 2017	$ 707	$ 3,050	$ 98,668
Realized adjustments to fair value	—	71	—
Unrealized adjustments to fair value (1)	168	221	4,326
Settlements - calls	—	(950)	—
Discount accretion (2)	—	8	—
Balance as of December 31, 2018	**$ 875**	**$ 2,400**	**$ 102,994**
Sales	**(770)**	**—**	**—**
Unrealized adjustments to fair value (1)	**(105)**	**(4)**	**(1,068)**
Discount accretion (2)	**—**	**4**	**—**
Balance as of December 31, 2019	**$ —**	**$ 2,400**	**$ 101,926**

(1) Pooled trust preferred securities, single-issuer trust preferred securities and ARCs are classified as available for sale investment securities; as such, the unrealized adjustment to fair value was recorded as an unrealized holding gain (loss) and included as a component of "available for sale at estimated fair value" on the consolidated balance sheets.
(2) Included as a component of "net interest income" on the consolidated statements of income.

Certain financial instruments are not measured at fair value on an ongoing basis but are subject to fair value measurement in certain circumstances, such as upon their acquisition or when there is evidence of impairment. The following table presents Level 3 financial instruments measured at fair value on a nonrecurring basis:

	2019	2018
	(in thousands)	
Net loans and leases	**$ 144,807**	$ 149,846
OREO	**6,831**	10,518
MSRs(1)	**45,193**	50,200
Total assets	**$ 196,831**	$ 210,564

(1) Amounts shown are estimated fair value. MSRs are recorded on the Corporation's consolidated balance sheets at amortized cost. See "Note 5 - Mortgage Servicing Rights" for additional information.

The valuation techniques used to measure fair value for the items in the table above are as follows:

- Net loans and leases – This category consists of loans and leases that were individually evaluated for impairment and have been classified as Level 3 assets. The amount shown is the balance of impaired loans and leases, net of the related allowance for loan losses. See "Note 4 - Loans and Leases and Allowance for Credit Losses," for additional details.

- OREO – This category consists of OREO classified as Level 3 assets, for which the fair values were based on estimated selling prices less estimated selling costs for similar assets in active markets.

- MSRs - This category consists of MSRs, which were initially recorded at fair value upon the sale of residential mortgage loans to secondary market investors, and subsequently carried at the lower of amortized cost or fair value. MSRs are amortized as a reduction to servicing income over the estimated lives of the underlying loans. MSRs are stratified and evaluated for impairment by comparing each stratum's carrying amount to its estimated fair value. Fair values are determined at the end of each quarter through a discounted cash flows valuation performed by a third-party valuation expert. Significant inputs to the valuation included expected net servicing income, the discount rate and the expected life of the underlying loans. Expected life is based on the contractual terms of the loans, as adjusted for prepayment projections. The weighted average annual constant prepayment rate and the weighted average discount rate used in the December 31, 2019 valuation were 10.5% and 9.5%, respectively. Management tests the reasonableness of the significant inputs to the third-party valuation in comparison to market data.

The following table details the book values and the estimated fair values of the Corporation's financial instruments as of December 31, 2019 and 2018. A general description of the methods and assumptions used to estimate such fair values is also provided.

	2019				
		Estimated Fair Value			
	Carrying Amount	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS	(in thousands)				
Cash and cash equivalents	**$ 517,791**	**$ 517,791**	**$ —**	**$ —**	**$ 517,791**
FRB and FHLB stock	**97,422**	**—**	**97,422**	**—**	**97,422**
Loans held for sale	**37,828**	**—**	**37,828**	**—**	**37,828**
Available for sale investment securities	**2,497,537**	**—**	**2,393,211**	**104,326**	**2,497,537**
Held to maturity investment securities	**369,841**	**—**	**383,705**	**—**	**383,705**
Net loans and leases	**16,673,904**	**—**	**—**	**16,485,122**	**16,485,122**
Accrued interest receivable	**60,898**	**60,898**	**—**	**—**	**60,898**
Other assets	**431,565**	**234,176**	**145,365**	**52,024**	**431,565**
FINANCIAL LIABILITIES					
Demand and savings deposits	**$ 14,327,453**	**$ 14,327,453**	**$ —**	**$ —**	**$ 14,327,453**
Brokered deposits	**264,531**	**223,982**	**40,549**	**—**	**264,531**
Time deposits	**2,801,930**	**—**	**2,828,988**	**—**	**2,828,988**
Short-term borrowings	**883,241**	**883,241**	**—**	**—**	**883,241**
Accrued interest payable	**8,834**	**8,834**	**—**	**—**	**8,834**
FHLB advances and long-term debt	**881,769**	**—**	**878,385**	**—**	**878,385**
Other liabilities	**221,542**	**142,508**	**76,447**	**2,587**	**221,542**

	2018				
		Estimated Fair Value			
	Carrying Amount	Level 1	Level 2	Level 3	Total
	(in thousands)				
FINANCIAL ASSETS					
Cash and cash equivalents	$ 445,687	$ 445,687	$ —	$ —	$ 445,687
FRB and FHLB stock	79,283	—	79,283	—	79,283
Loans held for sale	27,099	—	27,099	—	27,099
Available for sale investment securities	2,080,294	—	1,974,025	106,269	2,080,294
Held to maturity investment securities	606,679	611,419	—	—	611,419
Net loans and leases	16,005,263	—	—	15,446,895	15,446,895
Accrued interest receivable	58,879	58,879	—	—	58,879
Other assets	235,782	124,138	62,552	49,092	235,782
FINANCIAL LIABILITIES					
Demand and savings deposits	$ 13,478,016	$ 13,478,016	$ —	$ —	$ 13,478,016
Brokered deposits	176,239	176,239	—	—	176,239
Time deposits	2,721,904	—	2,712,296	—	2,712,296
Short-term borrowings	754,777	754,777	—	—	754,777
Accrued interest payable	10,529	10,529	—	—	10,529
FHLB advances and long-term debt	992,279	—	970,985	—	970,985
Other liabilities	218,061	161,003	48,185	8,873	218,061

Fair values of financial instruments are significantly affected by the assumptions used, principally the timing of future cash flows and discount rates. Because assumptions are inherently subjective in nature, the estimated fair values cannot be substantiated by comparison to independent market quotes and, in many cases, the estimated fair values could not necessarily be realized in an immediate sale or settlement of the instrument. The aggregate fair value amounts presented do not necessarily represent management's estimate of the underlying value of the Corporation.

For short-term financial instruments, defined as those with remaining maturities of 90 days or less, and excluding those recorded at fair value on the Corporation's consolidated balance sheets, book value was considered to be a reasonable estimate of fair value.

The following instruments are predominantly short-term:

Assets	Liabilities
Cash and cash equivalents	Demand and savings deposits
Accrued interest receivable	Short-term borrowings
	Accrued interest payable

FRB and FHLB stock represent restricted investments and are carried at cost on the consolidated balance sheets, which is a reasonable estimate of fair value.

As of December 31, 2019, fair values for loans and leases and time deposits were estimated by discounting future cash flows using the current rates, as adjusted for liquidity considerations, at which similar loans and leases would be made to borrowers and similar deposits would be issued to customers for the same remaining maturities. Fair values of loans and leases also include estimated credit losses that would be assumed in a market transaction, which represents estimated exit prices.

Brokered deposits consists of demand and saving deposits, which are classified as level 1, and time deposits, which are classified as Level 2. The fair value of these deposits are determined in a manner consistent with the respective type of deposits discussed above.

NOTE 20 – CONDENSED FINANCIAL INFORMATION - PARENT COMPANY ONLY

CONDENSED BALANCE SHEETS

	December 31,	
	2019	2018
	(in thousands)	
ASSETS		
Cash and cash equivalents	**$ 10,841**	$ 30,941
Other assets	**1,087**	7,072
Receivable from subsidiaries	**78,025**	51,646
Investments in:		
Bank subsidiary [(1)]	**2,555,448**	2,451,651
Non-bank subsidiaries	**419,145**	425,670
Total Assets	**$ 3,064,546**	$ 2,966,980
LIABILITIES AND EQUITY		
Long-term debt	**$ 387,756**	$ 386,913
Payable to non-bank subsidiaries	**276,768**	247,801
Other liabilities	**57,846**	84,693
Total Liabilities	**722,370**	719,407
Shareholders' equity	**2,342,176**	2,247,573
Total Liabilities and Shareholders' Equity	**$ 3,064,546**	$ 2,966,980

(1) Consisted of one bank in 2019 and 2018 consisted of multiple banks which have been consolidated into one bank in 2019.

CONDENSED STATEMENTS OF INCOME

	2019	2018	2017
		(in thousands)	
Income:			
Dividends from subsidiaries	**$ 209,000**	$ 150,000	$ 66,500
Other [(1)]	**191,978**	188,165	171,490
	400,978	338,165	237,990
Expenses	**218,837**	210,333	199,981
Income before income taxes and equity in undistributed net income of subsidiaries	**182,141**	127,832	38,009
Income tax benefit	**(5,798)**	(7,100)	(5,448)
	187,939	134,932	43,457
Equity in undistributed net income (loss) of:			
Bank subsidiary [(1)]	**44,926**	74,631	111,226
Non-bank subsidiaries	**(6,526)**	(1,170)	17,070
Net Income	**$ 226,339**	$ 208,393	$ 171,753

(1) Consists primarily of management fees received from subsidiary bank(s) which consisted of one bank in 2019 and 2018 consisted of multiple banks which have been consolidated into one bank in 2019.

CONDENSED STATEMENTS OF CASH FLOWS

	2019	2018	2017
		(in thousands)	
Cash Flows From Operating Activities:			
Net Income	**$ 226,339**	$ 208,393	$ 171,753
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization of issuance costs and discount of long-term debt	**842**	813	845
Stock-based compensation	**7,413**	7,967	4,740
(Increase) decrease in other assets	**(20,449)**	6,327	(17,882)
Equity in undistributed net income of subsidiaries	**(38,400)**	(73,460)	(128,298)
Increase in other liabilities and payable to non-bank subsidiaries	**1,580**	36,273	31,241
Total adjustments	**(49,014)**	(22,080)	(109,354)
Net cash provided by operating activities	**177,325**	186,313	62,399
Cash Flows From Investing Activities	—	—	—
Cash Flows From Financing Activities:			
Repayments of long-term debt	**—**	—	(100,000)
Additions to long-term debt	**—**	—	123,251
Net proceeds from issuance of common stock	**6,362**	6,733	9,007
Dividends paid	**(92,330)**	(89,654)	(80,368)
Acquisition of treasury stock	**(111,457)**	(95,308)	—
Net cash used in financing activities	**(197,425)**	(178,229)	(48,110)
Net (Decrease) Increase in Cash and Cash Equivalents	**(20,100)**	8,084	14,289
Cash and Cash Equivalents at Beginning of Year	**30,941**	22,857	8,568
Cash and Cash Equivalents at End of Year	**$ 10,841**	$ 30,941	$ 22,857

Management Report on Internal Control Over Financial Reporting

The management of Fulton Financial Corporation is responsible for establishing and maintaining adequate internal control over financial reporting. Fulton Financial Corporation's internal control system is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Corporation's internal control over financial reporting as of December 31, 2019, using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control – Integrated Framework (2013). Based on this assessment, management concluded that, as of December 31, 2019, the Corporation's internal control over financial reporting is effective based on those criteria.

/s/ E. PHILIP WENGER

E. Philip Wenger
Chairman and Chief Executive Officer

/s/ MARK R. MCCOLLOM

Mark R. McCollom
Senior Executive Vice President
and Chief Financial Officer

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Fulton Financial Corporation:

Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying consolidated balance sheets of Fulton Financial Corporation and subsidiaries (the Company) as of December 31, 2019 and 2018, the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2019, and the related notes (collectively, the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019 based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgment. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Assessment of the allowance for loan losses related to loans collectively evaluated for impairment

As discussed in Notes 1 and 4 to the consolidated financial statements, the Company's allowance for loan losses related to non-impaired and impaired loans collectively evaluated for impairment (ALL) was $128.2 million and $35.4 million, respectively, of a total allowance for loan losses of $163.6 million as of December 31, 2019. Impaired loans with total outstanding commitments of less than $1.0 million, and non-impaired loans are pooled and evaluated for impairment collectively based on historical losses. The Company estimated the ALL using a historical loss methodology that calculates a loss rate for each pool of loans, segmented by loan type, based on a probability of default (PD) and loss given default (LGD). The PD is based on the historical migration of loans through risk rating categories for commercial loans, commercial mortgages and construction loans, and based on historical migration of loans through delinquency categories for residential mortgages, home equity loans, consumer loans and leases. The LGD is based on historical losses. Such amounts are adjusted for certain qualitative factors.

We identified the assessment of the ALL as a critical audit matter because it involved significant measurement uncertainty requiring complex auditor judgment, and knowledge and experience in the industry. This assessment encompassed the evaluation of the ALL methodology, inclusive of the methodologies used to estimate (1) the PD and LGD and their key factors and assumptions, including the risk ratings for commercial loans, commercial mortgages, and construction loans, (2) how loans with similar characteristics are pooled, and (3) the assumptions and methodologies used to estimate the allocation for qualitative factors.

The primary procedures we performed to address the critical audit matter included the following. We tested certain internal controls over the development and approval of the ALL methodology, and determination of the key factors and assumptions used to estimate historical losses and qualitative factors. We tested the Company's process to develop the ALL estimate. Specifically, we tested the sources of data, factors, and assumptions used by considering the relevance and reliability, and considering additional factors and alternative assumptions. We involved credit risk professionals with industry knowledge and experience who assisted in:

- Evaluating the Company's ALL methodology for compliance with U.S. generally accepted accounting principles,
- Evaluating the assumptions and methodologies used in calculating the PD and LGD,
- Determining whether loans are pooled by similar risk characteristics, and
- Evaluating the methodology used to develop the resulting qualitative factors and the effect of those factors on the ALL compared with relevant credit risk factors and consistency with credit trends.

In addition, we tested individual loan risk ratings for a selection of commercial loans, commercial mortgages and construction loans by involving credit risk professionals with industry knowledge and experience.

/s/ KPMG LLP

We have served as the Company's auditor since 2002.

Philadelphia, Pennsylvania
February 21, 2020

QUARTERLY CONSOLIDATED RESULTS OF OPERATIONS (UNAUDITED)
(in thousands, except per-share data)

	Three Months Ended			
	March 31	**June 30**	**September 30**	**December 31**
2019				
Interest income	**$ 204,700**	**$ 210,034**	**$ 208,414**	**$ 202,159**
Interest expense	**41,385**	**45,490**	**47,153**	**42,889**
Net interest income	**163,315**	**164,544**	**161,261**	**159,270**
Provision for credit losses	**5,100**	**5,025**	**2,170**	**20,530**
Non-interest income	**46,751**	**54,315**	**59,813**	**55,281**
Non-interest expenses	**137,824**	**144,168**	**146,770**	**138,974**
Income before income taxes	**67,142**	**69,666**	**72,133**	**55,047**
Income tax expense	**10,479**	**9,887**	**10,025**	**7,258**
Net income	**$ 56,663**	**$ 59,779**	**$ 62,108**	**$ 47,789**
Per share data:				
Net income (basic)	**$ 0.33**	**$ 0.36**	**$ 0.38**	**$ 0.29**
Net income (diluted)	**0.33**	**0.35**	**0.37**	**0.29**
Cash dividends	**0.13**	**0.13**	**0.13**	**0.17**
2018				
Interest income	$ 177,687	$ 186,170	$ 194,048	$ 200,609
Interest expense	26,369	30,103	33,921	37,665
Net interest income	151,318	156,067	160,127	162,944
Provision for credit losses	3,970	33,117	1,620	8,200
Non-interest income	45,875	49,094	51,033	49,523
Non-interest expenses	136,661	133,345	135,413	140,685
Income before income taxes	56,562	38,699	74,127	63,582
Income tax expense	7,082	3,502	8,494	5,499
Net income	$ 49,480	$ 35,197	$ 65,633	$ 58,083
Per share data:				
Net income (basic)	$ 0.28	$ 0.20	$ 0.37	$ 0.33
Net income (diluted)	0.28	0.20	0.37	0.33
Cash dividends	0.12	0.12	0.12	0.16

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

The Corporation carried out an evaluation, under the supervision and with the participation of the Corporation’s management, including the Corporation’s Chief Executive Officer and Chief Financial Officer, of the effectiveness of its disclosure controls and procedures, as defined in Exchange Act Rules 13a-15(e) and 15d-15(e). Based upon the evaluation, the Corporation’s Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2019, the Corporation’s disclosure controls and procedures are effective. Disclosure controls and procedures are controls and procedures that are designed to ensure that information required to be disclosed in the Corporation’s reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms.

The "Management Report on Internal Control over Financial Reporting" and the "Report of Independent Registered Public Accounting Firm" may be found in Item 8, "Financial Statements and Supplementary Data" of this document.

Changes in Internal Controls

There was no change in the Corporation’s "internal control over financial reporting" (as such term is defined in Rule 13a-15(f) under the Exchange Act) that occurred during the last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Corporation’s internal control over financial reporting.

Item 9B. Other Information

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Incorporated by reference herein is the information appearing under the headings "Information about Nominees, Directors and Independence Standards," "Related Person Transactions," "Section 16(a) Beneficial Ownership Reporting Compliance," "Code of Conduct," "Procedure for Shareholder Nominations," and "Other Board Committees" within the Corporation’s 2020 Proxy Statement. The information concerning executive officers required by this Item is provided under the caption "Executive Officers" within Item 1, Part I, "Business" in this Annual Report.

The Corporation has adopted a code of ethics (Code of Conduct) that applies to all directors, officers and employees, including the Chief Executive Officer, the Chief Financial Officer and the Corporate Controller. A copy of the Code of Conduct may be obtained free of charge by writing to the Corporate Secretary at Fulton Financial Corporation, P.O. Box 4887, Lancaster, Pennsylvania 17604-4887, and is also available via the Internet at www.fult.com.

Item 11. Executive Compensation

Incorporated by reference herein is the information appearing under the headings "Information Concerning Executive Compensation" and "Human Resources Committee Interlocks and Insider Participation" within the Corporation’s 2020 Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Incorporated by reference herein is the information appearing under the heading "Security Ownership of Directors, Nominees, Management and Certain Beneficial Owners" within the Corporation’s 2020 Proxy Statement, and information appearing under the heading "Securities Authorized for Issuance under Equity Compensation Plans" within Item 5, "Market for Registrant’s Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities" in this Annual Report.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Incorporated by reference herein is the information appearing under the headings "Related Person Transactions" and "Information about Nominees, Directors and Independence Standards" within the Corporation’s 2020 Proxy Statement, and the information appearing in "Note 4 - Loans and Leases and Allowance for Credit Losses," of the Notes to Consolidated Financial Statements in Item 8, "Financial Statements and Supplementary Data" in this Annual Report.

Item 14. Principal Accounting Fees and Services

Incorporated by reference herein is the information appearing under the heading "Relationship With Independent Public Accountants" within the Corporation’s 2020 Proxy Statement.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as part of this report:

1. Financial Statements — The following consolidated financial statements of Fulton Financial Corporation and subsidiaries are incorporated herein by reference in response to Item 8 above:
   - (i) Consolidated Balance Sheets - December 31, 2019 and 2018.
   - (ii) Consolidated Statements of Income - Years ended December 31, 2019, 2018 and 2017.
   - (iii) Consolidated Statements of Comprehensive Income - Years ended December 31, 2019, 2018 and 2017.
   - (iii) Consolidated Statements of Shareholders' Equity - Years ended December 31, 2019, 2018 and 2017.
   - (iv) Consolidated Statements of Cash Flows - Years ended December 31, 2019, 2018 and 2017.
   - (v) Notes to Consolidated Financial Statements.
   - (vi) Report of Independent Registered Public Accounting Firm.
2. Financial Statement Schedules — All financial statement schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and have therefore been omitted.

3.1	Articles of Incorporation, as amended and restated, of Fulton Financial Corporation as amended – Incorporated by reference to Exhibit 3.1 of the Fulton Financial Corporation Current Report Form 8-K filed June 24, 2011.
3.2	Bylaws of Fulton Financial Corporation as amended – Incorporated by reference to Exhibit 3.1 of the Fulton Financial Corporation Current Report on Form 8-K/A filed September 23, 2014.
4.1	An Indenture entered into on November 17, 2014 between Fulton Financial Corporation and Wilmington Trust, National Association as trustee, relating to the issuance by Fulton Financial Corporation of $250 million aggregate principal amount of 4.50% subordinated notes due November 15, 2024 – Incorporated by reference to Exhibit 4.1 of the Fulton Financial Corporation Current Report on Form 8-K filed November 17, 2014.
4.2	First Supplemental Indenture entered into on November 17, 2014 between Fulton Financial Corporation and Wilmington Trust, National Association as trustee, relating to the issuance by Fulton Financial Corporation of $250 million aggregate principal amount of 4.50% subordinated notes due November 15, 2024 - Incorporated by reference to Exhibit 4.2 of the Fulton Financial Corporation Current Report on Form 8-K filed November 17, 2014.
4.3	Form of Note (Included in Exhibit 4.2).
4.4	An Indenture entered into on March 16, 2017 between Fulton Financial Corporation and Wilmington Trust, National Association as trustee, relating to the issuance by Fulton Financial Corporation of $125 million aggregate principal amount of 3.60% senior notes due March 16, 2022 - Incorporated by reference to Exhibit 4.1 of the Fulton Financial Corporation Current Report on Form 8-K filed March 16, 2017.
4.5	First Supplemental Indenture entered into on March 16, 2017 between Fulton Financial Corporation and Wilmington Trust Company as trustee, relating to the issuance by Fulton Financial Corporation of $125 million aggregate principal amount of 3.60% senior notes due March 16, 2022 - Incorporated by reference to Exhibit 4.2 of the Fulton Financial Corporation Current Report on Form 8-K filed March 16, 2017.
4.6	Form of Note (Included in Exhibit 4.2).
4.7	Description of Fulton Financial Corporation Securities - filed herewith.
10.1	Amended Employment Agreement between Fulton Financial Corporation and E. Philip Wenger dated November 12, 2008 – Incorporated by reference to Exhibit 10.5 of the Fulton Financial Corporation Current Report on Form 8-K filed November 14, 2008.
10.2	Form of Executive Employment Agreement between Fulton Financial Corporation and certain Executive Officers of Fulton Financial Corporation - Incorporated by reference to Exhibit 10.1 of the Fulton Financial Corporation Current Report on Form 8-K filed January 4, 2018.
10.2.1	Schedule of Executive Employment Agreements between Fulton Financial Corporation and certain Executive Officers of Fulton Financial Corporation - Incorporated by reference to Exhibit 10.4.1 of the Fulton Financial Corporation Annual Report on Form 10-K for the fiscal year ended December 31, 2017.
10.3	Form of Key Employee Change in Control Agreement between Fulton Financial Corporation and certain Executive Officers of Fulton Financial Corporation, Incorporated by reference to Exhibit 10.2 of the Fulton Financial Corporation Current Report on Form 8-K filed January 4, 2018.

10.3.1	Schedule of Key Employee Change in Control Agreements between Fulton Financial Corporation and certain Executive Officers of Fulton Financial Corporation - Incorporated by reference to Exhibit 10.5.1 of the Fulton Financial Corporation Annual Report on Form 10-K for the fiscal year ended December 31, 2017.
10.4	Form of Death Benefit Only Agreement to Senior Management - Incorporated by reference to Exhibit 10.9 of the Fulton Financial Corporation Annual Report on Form 10-K for the fiscal year ended December 31, 2006.
10.5	Fulton Financial Corporation Amended and Restated Equity and Cash Incentive Compensation Plan – Incorporated by reference to Exhibit 10.1 of the Fulton Financial Corporation Current Report on Form 8-K filed May 3, 2013.
10.6	Amendment No. 1 to Fulton Financial Corporation Amended and Restated Equity and Cash Incentive Compensation Plan - Incorporated by reference to Exhibit 10.1 of the Fulton Financial Corporation Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2016.
10.7	Amendment No. 2 to Fulton Financial Corporation Amended and Restated Equity and Cash Incentive Compensation Plan - Incorporated by reference to Exhibit 10.9 of the Fulton Financial Corporation Annual Report on Form 10-K for the fiscal year ended December 31, 2017.
10.8	Form of Option Award and Form of Restricted Stock Award under the Fulton Financial Corporation Amended and Restated Equity and Cash Incentive Compensation Plan between Fulton Financial Corporation and Officers of the Corporation – Incorporated by reference to Exhibits 10.1 and 10.2, respectively, of the Fulton Financial Corporation Current Report on Form 8-K filed June 19, 2013.
10.9	Amended and Restated Fulton Financial Corporation Employee Stock Purchase Plan – Incorporated by reference to Exhibit A to Fulton Financial Corporation's definitive proxy statement, filed March 26, 2014.
10.10	Amendment No. 1 to the Amended and Restated Fulton Financial Corporation Employee Stock Purchase Plan - filed herewith.
10.11	Fulton Financial Corporation Deferred Compensation Plan, as amended and restated effective December 1, 2015 – Incorporated by reference to Exhibit 10.12 of the Fulton Financial Corporation Annual Report on Form 10-K for the fiscal year ended December 31, 2015.
10.12	First Amendment effective January 1, 2019 to the Fulton Financial Corporation Deferred Compensation Plan - Incorporated by reference to Exhibit 10.1 of the Fulton Financial Corporation Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2019.
10.13	Agreement between Fulton Financial Corporation and Fiserv Solutions, Inc. dated July 11, 2016 - Incorporated by reference to Exhibit 10.1 of the Fulton Financial Corporation Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2016. Portions of this exhibit have been redacted and are subject to a confidential treatment request filed with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended. The redacted material was filed separately with the Securities and Exchange Commission.
10.14	Fulton Financial Corporation Amended and Restated Directors' Equity Participation Plan – Incorporated by reference to Exhibit 10.1 of Fulton Financial Corporation's Current Report on Form 8-K filed May 23, 2019.
10.15	Fulton Financial Corporation Non-Employee Director Compensation - filed herewith.
10.16	Form of Director Stock Unit Award Agreement under the Directors' Equity Participation Plan, as amended - Incorporated by reference to Exhibit 10.15 of the Fulton Financial Corporation Annual Report on Form 10-K for the fiscal year ended December 31, 2018.
10.17	Form of Restricted Stock Award Agreement between Fulton Financial Corporation and Directors of the Corporation as of July 1, 2011 – Incorporated by reference to Exhibit 10.2 of the Fulton Financial Corporation Quarterly Report on Form 10-Q for quarterly period ended June 30, 2011.
10.18	Forms of Time-Vested Restricted Stock Unit Award Agreement and Performance Share Restricted Stock Unit Award Agreement between Fulton Financial Corporation and Certain Employees of the Corporation as of March 18, 2014 – Incorporated by reference to Exhibits 10.1 and 10.2, respectively, of the Fulton Financial Corporation Current Report on Form 8-K filed March 24, 2014.
10.19	Form of Master Confirmation between Fulton Financial Corporation and Goldman, Sachs & Co. - Incorporated by reference to Exhibit 10.1 of the Fulton Financial Corporation Current Report on Form 8-K filed November 17, 2014.
21	Subsidiaries of the Registrant.
23	Consent of Independent Registered Public Accounting Firm.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	Interactive data files pursuant to Rule 405 of Regulation S-T (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Income, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Shareholders' Equity, (v) Consolidated Statements of Cash Flows, and (vi) Notes to Consolidated Financial Statements.
104	Cover page interactive data file (formatted as inline XBRL and contained in Exhibit 101)

Item 16. Form 10-K Summary

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

FULTON FINANCIAL CORPORATION
(Registrant)

Dated: February 21, 2020

By: /S/ E. PHILIP WENGER
E. Philip Wenger,
Chairman and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been executed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Capacity	Date
/S/ JENNIFER CRAIGHEAD CAREY **Jennifer Craighead Carey**	Director	February 21, 2020
/S/ LISA CRUTCHFIELD **Lisa Crutchfield**	Director	February 21, 2020
/S/ MICHAEL J. DEPORTER **Michael J. DePorter**	Executive Vice President and Controller (Principal Accounting Officer)	February 21, 2020
/S/ DENISE L. DEVINE **Denise L. Devine**	Director	February 21, 2020
/S/ STEVEN S. ETTER **Steven S. Etter**	Director	February 21, 2020
/S/ PATRICK J. FREER **Patrick J. Freer**	Director	February 21, 2020
/S/ CARLOS E. GRAUPERA **Carlos E. Graupera**	Director	February 21, 2020
/S/ GEORGE W. HODGES **George W. Hodges**	Director	February 21, 2020
/S/ MARK R. MCCOLLOM **Mark R. McCollom**	Senior Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 21, 2020

Signature	Capacity	Date
/S/ JAMES R. MOXLEY, III **James R. Moxley, III**	Director	February 21, 2020
/S/ CURTIS J. MYERS **Curtis J. Myers**	Director, President and Chief Operating Officer	February 21, 2020
/S/ SCOTT A. SNYDER **Scott A. Snyder**	Director	February 21, 2020
/S/ RONALD H. SPAIR **Ronald H. Spair**	Director	February 21, 2020
/S/ MARK F. STRAUSS **Mark F. Strauss**	Director	February 21, 2020
/S/ ERNEST J. WATERS **Ernest J. Waters**	Director	February 21, 2020
/S/ E. PHILIP WENGER **E. Philip Wenger**	Chairman and Chief Executive Officer (Principal Executive Officer)	February 21, 2020

EXHIBIT INDEX

Exhibits Required Pursuant to Item 601 of Regulation S-K

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31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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104 Cover page interactive data file (formatted as inline XBRL and contained in Exhibit 101)

Exhibit 21 - Subsidiaries of the Registrant

The following are the subsidiaries of Fulton Financial Corporation:

Subsidiary	State of Incorporation or Organization	Name Under Which Business is Conducted
Fulton Bank, N.A. One Penn Square P.O. Box 4887 Lancaster, Pennsylvania 17604	United States of America	Fulton Financial Advisors Clermont Wealth Strategies Fulton Mortgage Company
Fulton Financial Realty Company One Penn Square P.O. Box 4887 Lancaster, Pennsylvania 17604	Pennsylvania	Fulton Financial Realty Company
Central Pennsylvania Financial Corp. 100 W. Independence Street Shamokin, PA 17872	Pennsylvania	Central Pennsylvania Financial Corp.
FFC Management, Inc. P.O. Box 609 Georgetown, DE 19947	Delaware	FFC Management, Inc.
Fulton Insurance Services Group, Inc. One Penn Square P.O. Box 7989 Lancaster, Pennsylvania 17604	Pennsylvania	Fulton Insurance Services Group, Inc.
FFC Penn Square, Inc. P.O. Box 609 Georgetown, DE 19947	Delaware	FFC Penn Square, Inc.
Columbia Bancorp Statutory Trust 7168 Gateway Drive Columbia, MD 21046	Delaware	Columbia Bancorp Statutory Trust
Columbia Bancorp Statutory Trust II 7168 Gateway Drive Columbia, MD 21046	Delaware	Columbia Bancorp Statutory Trust II
Columbia Bancorp Statutory Trust III 7168 Gateway Drive Columbia, MD 21046	Delaware	Columbia Bancorp Statutory Trust III

Exhibit 23

Consent of Independent Registered Public Accounting Firm

The Board of Directors

Fulton Financial Corporation:

We consent to the incorporation by reference in the registration statements (No. 333-05471, No. 333-05481, No. 333-44788, No. 333-81377, No. 333-64744, No. 333-76594, No. 333-76600, No. 333-76596, No. 333-107625, No. 333-114206, No. 333-116625, No. 333-121896, No. 333-126281, No. 333-131706, No. 333-135839, No. 333-145542, No. 333-168237, No. 333-175065, No. 333-189457, No. 333-128894, No. 333-197728 and No. 333-175065) on Form S-8 and on the registration statements (No. 333-37835, No. 333-61268, No. 333-123532, No. 333-130718, No. 333-156339, No. 333-189459, No. 333-189488, No. 333-156396, No. 333-197730 and No. 333-221393) on Form S-3 of Fulton Financial Corporation of our report dated February 21, 2020, with respect to the consolidated balance sheets of Fulton Financial Corporation as of December 31, 2019 and 2018, the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2019, and the related notes (collectively, the "consolidated financial statements"), and the effectiveness of internal control over financial reporting as of December 31, 2019, which report appears in the December 31, 2019 annual report on Form 10-K of Fulton Financial Corporation.

/s/ KPMG LLP

Philadelphia, Pennsylvania

February 21, 2020

Exhibit 31.1 – Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, E. Philip Wenger certify that:

1. I have reviewed this annual report on Form 10-K of Fulton Financial Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 21, 2020

/s/ E. Philip Wenger

E. Philip Wenger
Chairman and Chief Executive Officer

Exhibit 31.2 – Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Mark R. McCollom, certify that:

1. I have reviewed this annual report on Form 10-K of Fulton Financial Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 21, 2020

/s/ Mark R. McCollom

Mark R. McCollom
Senior Executive Vice President and Chief Financial Officer

Exhibit 32.1 – Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, E. Philip Wenger, Chief Executive Officer of Fulton Financial Corporation, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, certify that:

The Form 10-K of Fulton Financial Corporation, containing the consolidated financial statements for the year ended December 31, 2019, fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934. The information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Fulton Financial Corporation.

Dated: February 21, 2020

/s/ E. Philip Wenger

E. Philip Wenger
Chairman and Chief Executive Officer

Exhibit 32.2 – Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, Mark R. McCollom, Chief Financial Officer of Fulton Financial Corporation, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, certify that:

The Form 10-K of Fulton Financial Corporation, containing the consolidated financial statements for the year ended December 31, 2019, fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934. The information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Fulton Financial Corporation.

Dated: February 21, 2020

/s/ Mark R. McCollom

Mark R. McCollom
Senior Executive Vice President and Chief Financial Officer

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INVESTOR INFORMATION

Investor Information
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 $25,000 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 up to receive your materials electronically when you vote your shares online at www.proxyvote.com.

Investor Information and Documents

A copy of the Corporation's Annual Report, on 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. 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.

The Annual Meeting of Shareholders of Fulton Financial Corporation will be held on Tuesday, May 19, 2020, at 10:00 a.m. See the Corporation's Proxy Statement and other documents filed with the Securities and Exchange Commission for more information.

Banking Subsidiary:
Fulton Bank, N.A.

Residential mortgage lending offered through:
Fulton Mortgage Company

Investment management and
planning services offered through:
Fulton Financial Advisors and
Fulton Private Bank