

FULTON FINANCIAL CORP  
Form 10-K  
February 29, 2012  
UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 10-K

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

For the fiscal year ended December 31, 2011,

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

Name of exchange on which registered

Common Stock, \$2.50 par value

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 x 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 x

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 x No ..

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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

Large accelerated filer x

Accelerated filer ..

Non-accelerated filer ..

Smaller reporting company"

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, 2011, the last business day of the registrant's most recently completed second fiscal quarter, was approximately \$2.1 billion. The number of shares of the registrant's Common Stock outstanding on January 31, 2012 was 200,303,000.

Portions of the Definitive Proxy Statement of the Registrant for the Annual Meeting of Shareholders to be held on April 30, 2012 are incorporated by reference in Part III.

## TABLE OF CONTENTS

Description	Page
PART I	
Item 1. <u>Business</u>	3
Item 1A. <u>Risk Factors</u>	10
Item 1B. <u>Unresolved Staff Comments</u>	18
Item 2. <u>Properties</u>	19
Item 3. <u>Legal Proceedings</u>	19
Item 4. Mine Safety Disclosures	19
PART II	
Item 5. <u>Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	20
Item 6. <u>Selected Financial Data</u>	23
Item 7. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	24
Item 7A. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	50
Item 8. <u>Financial Statements and Supplementary Data:</u>	
<u>Consolidated Balance Sheets</u>	57
<u>Consolidated Statements of Income</u>	58
<u>Consolidated Statements of Shareholders’ Equity and Comprehensive Income (Loss)</u>	59
<u>Consolidated Statements of Cash Flows</u>	60
<u>Notes to Consolidated Financial Statements</u>	61
<u>Management Report On Internal Control Over Financial Reporting</u>	107
<u>Report of Independent Registered Public Accounting Firm</u>	108
<u>Quarterly Consolidated Results of Operations (unaudited)</u>	109
Item 9. <u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	110
Item 9A. <u>Controls and Procedures</u>	110
Item 9B. <u>Other Information</u>	110
PART III	
Item 10. <u>Directors, Executive Officers and Corporate Governance</u>	111
Item 11. <u>Executive Compensation</u>	111
Item 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	111
Item 13. <u>Certain Relationships and Related Transactions, and Director Independence</u>	111
Item 14. <u>Principal Accounting Fees and Services</u>	111
PART IV	
Item 15. <u>Exhibits and Financial Statement Schedules</u>	112
<u>Signatures</u>	115
<u>Exhibit Index</u>	117

## PART I

### Item 1. Business

#### General

Fulton Financial Corporation (the 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 on June 30, 1982. In 2000, the Corporation became a financial holding company as defined in the Gramm-Leach-Bliley Act (GLB Act), which allowed the Corporation 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 six community banks and eleven non-bank entities. As of December 31, 2011, the Corporation had approximately 3,530 full-time equivalent employees.

The common stock of Fulton Financial 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](http://www.fult.com). Electronic copies of the Corporation’s 2011 Annual Report on Form 10-K are available free of charge by visiting “Investor Relations” at [www.fult.com](http://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 are posted as soon as reasonably practicable after they are electronically filed with the Securities and Exchange Commission (SEC).

#### Bank and Financial Services Subsidiaries

The Corporation’s six subsidiary banks are located primarily in suburban or semi-rural geographical markets throughout a five-state region (Pennsylvania, Delaware, Maryland, New Jersey and Virginia). Each of these banking subsidiaries delivers financial services in a highly personalized, community-oriented style, and many decisions are made by the local management team in each market. Where appropriate, operations are centralized through common platforms and back-office functions.

From time to time, in some markets and in certain circumstances, merging subsidiary banks allows the Corporation to leverage one bank’s stronger brand recognition over a larger market. It also enables the Corporation to create operating and marketing efficiencies and avoid direct competition between two or more subsidiary banks. For example, in October 2011, the former Skylands Community Bank subsidiary consolidated with the former The Bank subsidiary to become Fulton Bank of New Jersey. In 2010, the former Delaware National Bank subsidiary consolidated into Fulton Bank, N.A.

The Corporation’s subsidiary banks are located in areas that are home to a wide range of manufacturing, distribution, health care and other service companies. The Corporation and its banks are 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 any of the subsidiary banks.

Each of the subsidiary banks offers a full range of consumer and commercial banking products and services in its local market area. Personal banking services include various checking account and savings deposit products, certificates of deposit and individual retirement accounts. The subsidiary banks offer a variety of consumer lending products to creditworthy customers in their 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. Subsidiary banks also offer a variety of fixed and variable-rate products, including construction loans and jumbo loans.

Residential mortgages are offered through Fulton Mortgage Company, which operates as a division of each subsidiary bank. Consumer loan products also include automobile loans, automobile and equipment leases, personal lines of credit, credit cards and checking account overdraft protection.

Commercial banking services are provided to small and medium sized businesses (generally with sales of less than \$100 million) in the subsidiary banks’ market areas. The maximum total lending commitment to an individual borrower was \$33.0 million as of December 31, 2011, which is below the Corporation’s regulatory lending limit. Commercial lending options include commercial, financial, agricultural and real estate loans. Floating, adjustable and fixed rate loans are provided, with floating and adjustable rate loans generally tied to an index such as the Prime Rate or the London Interbank Offered Rate. The Corporation’s commercial lending policy encourages relationship banking and provides strict guidelines related to customer creditworthiness and collateral requirements. In addition, equipment leasing, credit cards, letters of credit, cash management services and traditional deposit products are offered to

commercial customers.

The Corporation also offers investment management, trust, brokerage, insurance and investment advisory services to consumer and commercial banking customers in the market areas serviced by the subsidiary banks.

The Corporation's subsidiary banks deliver their 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 and online banking. The variety of available delivery channels allows customers to access their account information and perform certain transactions, such as transferring funds and paying bills, at virtually any hour of the day.

3

---

The following table provides certain information for the Corporation's banking subsidiaries as of December 31, 2011.

Subsidiary	Main Office Location	Total Assets	Total Deposits	Branches (1)
(dollars in millions)				
Fulton Bank, N.A.	Lancaster, PA	\$9,015	\$6,695	118
Fulton Bank of New Jersey	Mt. Laurel, NJ	3,414	2,812	71
The Columbia Bank	Columbia, MD	2,001	1,528	40
Lafayette Ambassador Bank	Easton, PA	1,453	1,078	23
FNB Bank, N.A.	Danville, PA	387	306	8
Swineford National Bank	Middleburg, PA	290	238	7
				267

(1) Remote service facilities (mainly stand-alone automated teller machines) are excluded. See additional information in "Item 2. Properties."

#### Non-Bank Subsidiaries

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

The Corporation owns 100% of the common stock of five 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, 2011 (dollars in thousands):

Subsidiary	State of Incorporation	Total Assets
Fulton Capital Trust I	Pennsylvania	\$ 154,640
SVB Bald Eagle Statutory Trust I (1)	Connecticut	4,124
Columbia Bancorp Statutory Trust	Delaware	6,186
Columbia Bancorp Statutory Trust II	Delaware	4,124
Columbia Bancorp Statutory Trust III	Delaware	6,186

(1) Redeemed on January 31, 2012.

#### Competition

The banking and financial services industries are highly competitive. Within its geographical region, the Corporation's subsidiaries face direct competition from other commercial banks, varying in size from local community banks to larger regional and national

banks, credit unions and non-bank entities. With the growth in electronic commerce and distribution channels, the banks also face competition from financial institutions that do not have a physical presence in the Corporation's geographical markets.

The industry is also highly competitive due to the GLB Act. Under the GLB Act, banks, insurance companies or securities firms may affiliate under a financial holding company structure, allowing expansion into non-banking financial services activities that were previously restricted. These include a full range of banking, securities and insurance activities, including securities and insurance underwriting, issuing and selling annuities and merchant banking activities. While the Corporation does not currently engage in all of these activities, the ability to do so

without separate approval from the Federal Reserve Board (FRB) enhances the ability of the Corporation – and financial holding companies in general – to compete more effectively in all areas of financial services. As a result of the GLB Act, there is a great deal of competition for customers that were traditionally served by the banking industry. While the GLB Act increased competition, it also provided opportunities for the Corporation to expand its financial services offerings. The Corporation competes through the variety of products that it offers and the quality of service that it provides to its customers. However, there is no guarantee that these efforts will insulate the Corporation from competitive pressure, which could impact its pricing decisions for loans, deposits and other services and could ultimately impact financial results.

## Market Share

Although there are many ways to assess the size and strength of banks, deposit market share continues to be an important industry statistic. This publicly available information is compiled, as of June 30 of each year, by the Federal Deposit Insurance Corporation (FDIC). The Corporation's banks maintain branch offices in 53 counties across five states. In 11 of these counties, the Corporation ranked in the top three in deposit market share (based on deposits as of June 30, 2011). The following table summarizes information about the counties in which the Corporation has branch offices and its market position in each county.

County	State	Population (2011 Est.)	Banking Subsidiary	No. of Financial Institutions		Deposit Market Share (June 30, 2011)		
				Banks/ Thrifts	Credit Unions	Rank	%	
Lancaster	PA	517,000	Fulton Bank, N.A.	18	15	2	22.7	%
Berks	PA	414,000	Fulton Bank, N.A.	21	13	7	4.4	%
Bucks	PA	633,000	Fulton Bank, N.A.	36	22	17	2.0	%
Centre	PA	148,000	Fulton Bank, N.A.	17	4	15	1.7	%
Chester	PA	511,000	Fulton Bank, N.A.	39	9	12	2.6	%
Columbia	PA	66,000	FNB Bank, N.A.	6	2	5	4.8	%
Cumberland	PA	237,000	Fulton Bank, N.A.	19	7	14	1.7	%
Dauphin	PA	262,000	Fulton Bank, N.A.	18	11	6	4.3	%
Delaware	PA	563,000	Fulton Bank, N.A.	41	17	35	0.2	%
Lebanon	PA	133,000	Fulton Bank, N.A.	11	6	1	31.2	%
Lehigh	PA	350,000	Lafayette Ambassador Bank	22	15	10	3.6	%
Lycoming	PA	117,000	FNB Bank, N.A.	11	11	14	1.0	%
Montgomery	PA	791,000	Fulton Bank, N.A.	48	35	25	0.5	%
Montour	PA	18,000	FNB Bank, N.A.	4	3	2	29.5	%
Northampton	PA	305,000	Lafayette Ambassador Bank	17	13	3	14.3	%
Northumberland	PA	92,000	Swineford National Bank	18	4	14	1.5	%
			FNB Bank, N.A.			7	4.9	%
Schuylkill	PA	148,000	Fulton Bank, N.A.	20	3	9	3.9	%
Snyder	PA	39,000	Swineford National Bank	8	1	1	30.3	%
Union	PA	44,000	Swineford National Bank	8	3	6	6.1	%
York	PA	438,000	Fulton Bank, N.A.	17	16	4	10.7	%
New Castle	DE	543,000	Fulton Bank, N.A.	36	24	23	0.3	%
Sussex	DE	199,000	Fulton Bank, N.A.	14	5	5	7.0	%
Anne Arundel	MD	532,000	The Columbia Bank	32	14	31	0.1	%
Baltimore	MD	801,000	The Columbia Bank	54	34	25	0.7	%
Baltimore City	MD	642,000	The Columbia Bank	37	19	31	0.3	%
Cecil	MD	103,000	The Columbia Bank	7	4	3	11.6	%
Frederick	MD	233,000	The Columbia Bank	18	5	17	0.7	%
Howard	MD	290,000	The Columbia Bank	20	6	3	10.9	%
Montgomery	MD	999,000	The Columbia Bank	38	38	2	19.7	%
Prince George's	MD	845,000	The Columbia Bank	21	27	33	0.2	%
Washington	MD	149,000	The Columbia Bank	13	5	17	1.1	%
Atlantic	NJ	276,000		16	7	13	1.4	%



Edgar Filing: FULTON FINANCIAL CORP - Form 10-K

Burlington	NJ	450,000	Fulton Bank of New Jersey	22	15	19	0.6	%
Camden	NJ	523,000	Fulton Bank of New Jersey	20	10	11	2.1	%
Cumberland	NJ	161,000	Fulton Bank of New Jersey	12	5	11	2.1	%
Gloucester	NJ	296,000	Fulton Bank of New Jersey	23	6	2	13.2	%

5

---

Edgar Filing: FULTON FINANCIAL CORP - Form 10-K

County	State	Population (2011 Est.)	Banking Subsidiary	No. of Financial Institutions		Deposit Market Share (June 30, 2011)		
				Banks/ Thrifts	Credit Unions	Rank	%	
Hunterdon	NJ	132,000	Fulton Bank of New Jersey	15	7	12	3.0	%
Mercer	NJ	371,000	Fulton Bank of New Jersey	26	24	20	1.2	%
Middlesex	NJ	803,000	Fulton Bank of New Jersey	47	33	28	0.4	%
Monmouth	NJ	651,000	Fulton Bank of New Jersey	26	13	25	0.6	%
Morris	NJ	494,000	Fulton Bank of New Jersey	31	19	17	1.1	%
Ocean	NJ	585,000	Fulton Bank of New Jersey	23	8	17	0.7	%
Salem	NJ	67,000	Fulton Bank of New Jersey	8	5	1	27.2	%
Somerset	NJ	334,000	Fulton Bank of New Jersey	28	13	8	2.5	%
Sussex	NJ	152,000	Fulton Bank of New Jersey	12	1	11	0.7	%
Warren	NJ	111,000	Fulton Bank of New Jersey	13	4	3	11.0	%
Chesapeake	VA	226,000	Fulton Bank, N.A.	13	11	11	1.9	%
Fairfax	VA	1,059,000	Fulton Bank, N.A.	40	32	39	0.1	%
Henrico	VA	304,000	Fulton Bank, N.A.	23	18	20	0.1	%
Manassas	VA	37,000	Fulton Bank, N.A.	15	4	11	1.3	%
Newport News	VA	190,000	Fulton Bank, N.A.	12	9	14	0.6	%
Richmond City	VA	204,000	Fulton Bank, N.A.	16	13	17	0.2	%
Virginia Beach	VA	439,000	Fulton Bank, N.A.	16	13	11	1.9	%

#### Supervision and Regulation

The Corporation operates in an industry that is subject to various 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 following discussion summarizes the current regulatory environment for financial holding companies and banks, including a summary of the more significant laws and regulations.

Regulators – The Corporation is a registered financial holding company, and its subsidiary banks are depository institutions whose deposits are insured by the FDIC. The Corporation and its subsidiaries are subject to various regulations and examinations by regulatory authorities. The following table summarizes the charter types and primary regulators for each of the Corporation’s subsidiary banks.

Subsidiary	Charter	Primary Regulator(s)
Fulton Bank, N.A.	National	OCC
Fulton Bank of New Jersey	NJ	NJ/FDIC
The Columbia Bank	MD	MD/FDIC
Lafayette Ambassador Bank	PA	PA/FRB

FNB Bank, N.A.	National	OCC
Swineford National Bank	National	OCC
Fulton Financial (Parent Company)	N/A	FRB

OCC - Office of the Comptroller of the Currency.

Federal statutes that apply to the Corporation and its subsidiaries include the GLB Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), the Bank Holding Company Act (BHCA), the Federal Reserve Act and the Federal Deposit Insurance Act, among others. In general, these statutes 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, and capital adequacy requirements, among other statutes and regulations.

The Corporation is subject to regulation and examination by the FRB, and is required to file periodic reports and to provide additional information that the FRB may require. In addition, the FRB 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.

**Regulatory Reforms** – The Dodd-Frank Act was enacted in July 2010 and implemented significant financial regulatory reform. The scope of the Dodd-Frank Act impacts many aspects of the financial services industry, and it requires the development and adoption of many regulations, many of which have not yet been issued. The effects of the Dodd-Frank Act on the financial services industry will depend, in large part, upon the extent to which regulators exercise the authority granted to them under the Dodd-Frank Act and the approaches taken in implementing regulations. The Corporation has established a cross-functional team of senior officers that is responsible for monitoring the ongoing implementation of the Dodd-Frank Act and for advising management of the potential impact of the various provisions of the Dodd-Frank Act on the Corporation's business and operations.

The following is a listing of significant provisions of the Dodd-Frank Act, and, if applicable, the resulting regulatory rules adopted, that have, or will, most directly affect the Corporation and its subsidiaries:

**Federal deposit insurance** – On April 1, 2011, the FDIC's revised deposit insurance assessment base changed from total domestic deposits to average total assets, minus average tangible equity. In addition, the Dodd-Frank Act created a two scorecard system, one for large depository institutions that have more than \$10 billion in assets and another for highly complex institutions that have over \$50 billion in assets. See details under the heading "Federal Deposit Insurance" below.

**Debit card interchange fees** – In June 2011, the FRB adopted regulations which became effective on October 1, 2011 and set maximum permissible interchange fees issuers can receive or charge on debit card transactions. During the fourth quarter of 2011, debit card income decreased \$2.4 million, or 51.9%, compared to the third quarter of 2011.

**Interest on demand deposits** – Beginning in July 2011, depository institutions were no longer prohibited from paying interest on business transaction and other accounts.

**Incentive compensation** – As required by the Dodd-Frank Act, a joint interagency proposed regulation was issued in April 2011. The proposed rule would require the reporting of incentive-based compensation arrangements by a covered financial institution and prohibit incentive-based compensation arrangements at a covered financial institution that provide excessive compensation or that could expose the institution to inappropriate risks that could lead to material financial loss. The proposed rule, if adopted as currently proposed, could limit the manner in which the Corporation structures incentive compensation for its executives.

**Stress testing** – In June 2011, the banking agencies issued proposed guidance which described the manner in which stress testing should be employed as an integral component of risk management and as a component of capital and liquidity planning by certain banking organizations. Specifically, this proposed guidance would apply to banking organizations, including the Corporation, with total consolidated assets of more than \$10 billion and sets forth expectations that those banking organizations will conduct both regular periodic stress tests and ad hoc stress tests in response to emerging risks.

In addition to the above provisions, the Dodd-Frank Act also requires regulatory agencies to adopt the following other significant rules, that because of its business practices and size, are not likely to impact the Corporation, as follows:

The Dodd-Frank Act created the Consumer Financial Protection Bureau (CFPB). Effective July 21, 2011, the CFPB became responsible for administering and enforcing numerous federal consumer financial laws enumerated in the Dodd-Frank Act. The Dodd-Frank Act also provided that for banks with total assets of more than \$10 billion, the CFPB would have exclusive or primary authority to examine those banks for, and enforce compliance with the federal consumer financial laws. As of December 31, 2011, none of the Corporation's subsidiary banks had total assets of more than \$10 billion.

**Comprehensive Capital Analysis and Review Rules (CCAR Rules)** – In November 2011, the FRB adopted rules requiring bank holding companies with total consolidated assets of \$50 billion or more to submit annual capital plans to the FRB. The payment of dividends and the repurchase of stock may only be permitted under capital plans approved by the FRB. Based on its current asset size of \$16.4 billion, the Corporation is well below the \$50 billion threshold which would require compliance with the proposed CCAR Rules. However, while these rules would not be

applicable to the Corporation, regulators could evaluate whether proposed dividend payments or stock repurchases by the Corporation represent unsafe or unsound practices in the future.

• Volcker Rule – As required by the Dodd-Frank Act, a joint interagency proposed regulation was issued in October 2011 that

7

---

prohibits a banking entity and nonbank financial company supervised by the FRB from engaging in proprietary trading or having certain interests in, or relationships with, a hedge fund or private equity fund. The Corporation believes that it does not currently engage in the activities or have any interests or relationships, as defined in the proposed regulation, which are prohibited. However, the proposed regulation, if adopted, would place further compliance burdens on the Corporation to develop policies and procedures that ensure the Corporation, on an ongoing basis, does not engage in any activities or relationships which are prohibited.

**Capital Requirements** – There are a number of restrictions on financial and bank holding companies and FDIC-insured depository subsidiaries that are designed to minimize potential loss to depositors and the FDIC insurance funds. If an FDIC-insured depository subsidiary is “undercapitalized,” the bank holding company is required to ensure (subject to certain limits) the subsidiary’s compliance with the terms of any capital restoration plan filed with its appropriate banking agency. Also, a bank holding company is required to serve as a source of financial strength to its depository institution subsidiaries and to commit resources to support such institutions in circumstances where it might not do so absent such policy. Under the BHCA, the FRB has the authority to require a bank holding company to terminate any activity or to relinquish control of a non-bank subsidiary upon the FRB’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.

Bank holding companies are required to comply with the FRB’s risk-based capital guidelines that require a minimum ratio of total capital to risk-weighted assets of 8%. At least half of the total capital is required to be Tier 1 capital. In addition to the risk-based capital guidelines, the FRB has adopted a minimum leverage capital ratio under which a bank holding company must maintain a level of Tier 1 capital to average total consolidated assets of at least 3% in the case of a bank holding company which has the highest regulatory examination rating and is not contemplating significant growth or expansion. For all other bank holding companies, the minimum ratio of Tier 1 capital to total assets is 4%. Banking organizations with supervisory, financial, operational, or managerial weaknesses, as well as organizations that are anticipating or experiencing significant growth, are expected to maintain capital ratios well above the minimum levels. Moreover, higher capital ratios may be required for any bank holding company if warranted by its particular circumstances or risk profile. In all cases, bank holding companies should hold capital commensurate with the level and nature of the risks, including the volume and severity of problem loans, to which they are exposed.

In addition, although U.S. banking regulators have not yet proposed implementing regulations, the framework for strengthening international capital and liquidity regulations adopted by The Basel Committee on Banking Supervision (Basel) in December 2010 is expected to impose new minimum capital requirements for domestic banks, including the Corporation's banking subsidiaries, beginning January 1, 2013. For additional discussion of the anticipated new Basel minimum capital requirements, see Part II - Item 7 “Management's Discussion and Analysis of Financial Condition and Results of Operations” under the heading “Shareholder's Equity.”

**Loans and Dividends from Subsidiary Banks** – There are also various restrictions on the extent to which the Corporation and its non-bank subsidiaries can receive loans from its banking subsidiaries. In general, these restrictions require that such loans be secured by designated amounts of specified collateral and are limited, as to any one of the Corporation or its non-bank subsidiaries, to 10% of the lending bank’s regulatory capital (20% in the aggregate to all such entities).

The Corporation is also limited in the amount of dividends that it may receive from its subsidiary banks. Dividend limitations vary, depending on the subsidiary bank’s charter and whether or not it is a member of the Federal Reserve System. Generally, subsidiaries are prohibited from paying dividends when doing so would cause them to fall below the regulatory minimum capital levels. Additionally, limits may exist on paying dividends in excess of net income for specified periods. See “Note J – Regulatory Matters” in the Notes to Consolidated Financial Statements for additional information regarding regulatory capital and dividend and loan limitations.

**Federal Deposit Insurance** – Substantially all of the deposits of the Corporation’s subsidiary banks are insured up to the applicable limits by the Deposit Insurance Fund (DIF) of the FDIC, generally up to \$250,000 per insured depositor. The Corporation’s subsidiary banks are subject to deposit insurance assessments to maintain the DIF.

The subsidiary banks pay 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 Federal deposit insurance funds. The FDIC is not required to charge deposit insurance premiums when the ratio of deposit insurance reserves to insured deposits is maintained above specified levels. In May 2009, the FDIC levied a special assessment applicable to all insured depository institutions totaling 5 basis points of each institution's total assets less Tier 1 capital as of June 30, 2009, resulting in a pre-tax charge of \$7.7 million for the Corporation. In November 2009, the FDIC issued a ruling requiring insured depository institutions to prepay their estimated quarterly risk-based assessments for the fourth quarter of 2009 and for all of 2010, 2011 and 2012. As of December 31, 2011, the balance of

prepaid FDIC assessments included in other assets on the Corporation's consolidated balance sheet was \$34.6 million. In October 2010, as required by the Dodd-Frank Act, the FDIC adopted a DIF restoration plan to ensure a 1.35% fund reserve ratio by September 30, 2020. On at least a semi-annual basis, the FDIC will determine if a future adjustment of assessment rates will be needed based on its income and loss projections for the DIF. In November 2010, the FDIC issued a ruling which, effective December 31, 2010, provides unlimited coverage for non-interest bearing transaction accounts until December 31, 2012.

On April 1, 2011, as required by the Dodd-Frank Act, the deposit insurance assessment base changed from total domestic deposits to average total assets, minus average tangible equity. In addition, the FDIC also created a two scorecard system, one for large depository institutions that have \$10 billion or more in assets and another for highly complex institutions that have \$50 billion or more in assets. As of December 31, 2011, none of the Corporation's individual subsidiary banks had assets of \$10 billion or more and would, therefore, not meet the classification of large depository institutions.

USA Patriot Act – Anti-terrorism legislation enacted under the USA Patriot Act of 2001 (Patriot Act) expanded the scope of anti-money laundering laws and regulations and imposed significant new compliance obligations for financial institutions, including the Corporation's subsidiary banks. These regulations include obligations to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing. Failure to comply with the Patriot Act's requirements could have serious legal, financial and reputational consequences. The Corporation has adopted appropriate policies, procedures and controls to address compliance with the Patriot Act and will continue to revise and update its policies, procedures and controls to reflect required changes.

Sarbanes-Oxley Act of 2002 – The Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley), which was signed into law in July 2002, impacts all companies with securities registered under the Securities Exchange Act of 1934, including the Corporation. Sarbanes-Oxley created new requirements in the areas of corporate governance and financial disclosure including, among other things, (i) increased responsibility for Chief Executive Officers and Chief Financial Officers with respect to the content of filings with the SEC; (ii) enhanced requirements for audit committees, including independence and disclosure of expertise; (iii) enhanced requirements for auditor independence and the types of non-audit services that auditors can provide; (iv) accelerated filing requirements for SEC reports; (v) disclosure of a code of ethics; (vi) increased disclosure and reporting obligations for companies, their directors and their executive officers; and (vii) new and increased civil and criminal penalties for violations of securities laws. Many of the provisions became effective immediately, while others became effective as a result of rulemaking procedures delegated by Sarbanes-Oxley to the SEC.

Section 404 of Sarbanes-Oxley requires 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 Item 8, "Financial Statements and Supplementary Data." Certifications of the Chief Executive Officer and the Chief Financial Officer as required by Sarbanes-Oxley and the resulting SEC rules can be found in the "Signatures" and "Exhibits" sections.



Executive Officers

As of December 31, 2011, the executive officers of the Corporation are as follows:

Name	Age	Office Held and Term of Office
R. Scott Smith, Jr.	64	Chairman of the Board and Chief Executive Officer of Fulton Financial Corporation since December 2008; Chairman of the Board, President and Chief Executive Officer of Fulton Financial Corporation from January 2006 to December 2008; President and Chief Operating Officer of Fulton Financial Corporation from 2001 to 2005; and Executive Vice President of Fulton Financial Corporation and Chairman, President and Chief Executive Officer of Fulton Bank from 1998 to 2001.
E. Philip Wenger	54	President and Chief Operating Officer of Fulton Financial Corporation since December 2008; Senior Executive Vice President of Fulton Financial Corporation from January 2006 to December 2008 and Chairman of Fulton Bank from October 2006 to February 2009; Chief Executive Officer of Fulton Bank from January 2006 to October 2006; President and Chief Operating Officer of Fulton Bank from 2003 to 2006; and Senior Executive Vice President of the Lancaster, York and Chester County Divisions of Fulton Bank from 2001 to 2003.
Charles J. Nugent	63	Senior Executive Vice President and Chief Financial Officer of Fulton Financial Corporation since January 2001; and Executive Vice President and Chief Financial Officer of Fulton Financial Corporation from 1992 to 2001.
James E. Shreiner	62	Senior Executive Vice President of Fulton Financial Corporation since January 2006; and Executive Vice President of Fulton Financial Corporation and Executive Vice President of Fulton Bank from 2000 to 2005. Mr. Shreiner serves as the Corporation's Senior Risk Officer.
Craig A. Roda	55	Senior Executive Vice President of Fulton Financial Corporation since July 2011; and Chairman and Chief Executive Officer of Fulton Bank, N.A., since February 2009. Chief Executive Officer and President of Fulton Bank, N.A. from 2006 to 2009.
Craig H. Hill	56	Senior Executive Vice President of Fulton Financial Corporation since January 2006 and Executive Vice President/Director of Human Resources from 1999 through 2005. Mr. Hill serves as the Corporation's Senior Human Resources Officer.

Item 1A. Risk Factors

An investment in the Corporation's common stock 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.

While there have been recent indications that economic conditions are improving, the Corporation continues to operate in a difficult business environment.

From December 2007 through June 2009, the U.S. economy was in a recession. Business activity across a wide range of industries and regions in the United States was greatly reduced. Although economic conditions have begun to improve, the improvement has been sluggish and limited in scope. There can be no assurance that this improvement will continue and certain sectors, such as real estate and manufacturing, remain weak and unemployment remains high. Some state and local governments and many businesses are still experiencing serious financial difficulty.

The current challenges affecting the Corporation, some of which are addressed in more detail below, include the following:

Low market interest rates, which have been projected by many to continue for some time, have pressured net interest margins as interest-earning assets, such as loans and investments, have been reinvested or repriced at lower rates. Banks are also reluctant to invest in longer-term assets at historically low interest rates; Loan demand remains sluggish as consumers continue to reduce debt levels and increase savings and many businesses are reluctant to expand their operations. Confidence levels of both individuals and businesses in the economy appear to be improving but their confidence remains fragile; The time and expense associated with regulatory compliance and risk management efforts continues to increase. Thus, balancing the need to address regulatory changes and the desire to enhance shareholder value has become more challenging than it has been in the past; Bank regulators are scrutinizing banks through longer and more extensive bank examinations in both the safety and

soundness and compliance areas. In addition, both regulators and banks are being challenged with keeping up with the sweeping changes mandated by the Dodd-Frank Act;

The reputation of, and public confidence in, the banking industry appears to have suffered as a result of continuing criticisms of the industry by politicians and the media. In many cases, these criticisms have not differentiated community banking organizations, such as the Corporation, from larger, more diverse organizations that engaged in certain practices that many observers believe helped contribute to the recent difficulties in the financial markets and the economy generally;

The bank regulatory agencies have been challenged in implementing many of the regulations mandated by the Dodd-Frank Act on the timelines contemplated by such legislation, resulting in a lack of clear regulatory guidance to banks. The resulting uncertainty has caused banks to take a cautious approach to business initiatives and planning;

Beginning in October 2011, fee income has been adversely impacted by regulatory changes that have reduced debit card interchange revenue;

- Merger and acquisition activity has been restrained due to factors such as market volatility, lower market prices of the stock of potential buyers, lingering credit concerns, regulatory uncertainty and a disparity in price expectations between potential buyers and potential sellers. As a result, supplementing internal growth through acquisitions has been more difficult; and

Concerns about the European Union sovereign debt crisis have caused uncertainty for financial markets globally.

Difficult conditions in the economy and the capital 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 capital markets and the economy generally. The Corporation's financial performance is highly dependent upon on the business environment in the markets where the Corporation operates and in the United States as a whole. The business environment impacts the ability of borrowers to pay interest on and repay principal of outstanding loans and the value of collateral securing those loans, as well as demand for loans and other products and services the Corporation offers. A favorable business environment is generally characterized by, among other factors, economic growth, efficient capital markets, low inflation, low unemployment, high business and investor confidence, and strong business earnings. 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, increases in inflation or interest rates, high unemployment, natural disasters or a combination of these or other factors.

Included among the potential adverse effects of economic downturns on the Corporation are the following:

Economic downturns and the composition of the Corporation's loan portfolio could impact the level of loan charge-offs and the provision for credit losses and may affect the Corporation's net income. National, regional and local economic conditions can impact the Corporation's loan portfolio. For example, an increase in unemployment, a decrease in real estate values or increases in interest rates, as well as other factors, could weaken the economies of the communities the Corporation serves. Weakness in the market areas served by the Corporation may depress the Corporation's earnings and consequently its financial condition because:

borrowers may not be able to repay their loans;

the value of the collateral securing the Corporation's loans to borrowers may decline; and

the quality of the Corporation's loan portfolio may decline.

Any of these scenarios could require the Corporation 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.

Approximately \$5.2 billion, or 43.6%, of the Corporation's loan portfolio was in commercial mortgage and construction loans at December 31, 2011. The Corporation did not have a concentration of credit risk with any single

borrower, industry or geographical location. However, the performance of real estate markets and the weak economic conditions in general may adversely impact the performance of these loans.

In 2011, the Corporation's provision for credit losses was \$135.0 million. While the Corporation believes that its allowance for credit losses as of December 31, 2011 is sufficient to cover losses inherent in the loan portfolio on that date, the Corporation may be required to increase its provision for credit losses due to changes in the risk characteristics of the loan portfolio, thereby negatively impacting its results of operations.

Economic downturns or a protracted low-growth environment, particularly when these conditions affect the Corporation's geographic market areas, could reduce the demand for the Corporation's financial products, such as loans and deposits. The Corporation's success depends significantly upon the growth in population, employment and income levels, deposits, loans and housing starts in its geographic markets. 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; for example, in order to remain competitive, the Corporation may be required to offer interest rates on loans and deposits that might not be offered in different business conditions.

Negative developments in the financial industry and the credit markets may subject the Corporation to additional regulation. The Corporation and its subsidiaries are subject to regulation and examinations by various regulatory authorities. Negative developments in the financial industry and the domestic and international credit markets, and the impact of legislation in response to those developments, may negatively impact the Corporation's operations and financial condition. The potential exists for new federal or state regulations regarding lending and funding practices, capital requirements, deposit insurance premiums, other bank-focused special assessments and liquidity standards. Bank regulatory agencies have been active in responding to concerns and trends identified in examinations, which may result in the issuance of formal enforcement orders.

Changes in interest rates may have an adverse effect on the Corporation's net income.

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. Among the techniques available to the Federal Reserve Board are engaging in open market transactions of U.S. Government securities, changing the discount rate and changing reserve requirements against bank deposits. The use of these techniques may also affect interest rates charged on loans and paid on deposits.

Net interest income is the most significant component of the Corporation's net income, accounting for approximately 76% of total revenues in 2011. The narrowing of interest rate spreads, the difference between interest rates earned on loans and investments and interest rates paid on deposits and borrowings, could adversely affect the Corporation's net interest income and financial condition. Regional and local economic conditions, as well as fiscal and monetary policies of the federal government, including those of the Federal Reserve Board, may affect prevailing interest rates. The Corporation cannot predict or control changes in interest rates.

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.

As of December 31, 2011, the Corporation's equity investments consisted of Federal Home Loan Bank and Federal Reserve Bank stock (\$82.5 million), common stocks of publicly traded financial institutions (\$27.9 million), and other equity investments (\$6.7 million). The value of the securities in the Corporation's equity portfolio may be affected by a number of factors, including factors that impact the performance of the U.S. securities market in general and specific risks associated with the financial institution sector. General economic conditions and uncertainty surrounding the financial institution sector as a whole has impacted the value of these securities. Declines in bank stock values, in general, as well as deterioration in the performance of specific banks, could result in additional other-than-temporary impairment charges.

As of December 31, 2011, the Corporation had \$120.8 million of corporate debt securities issued by financial institutions. As with stocks of financial institutions, continued declines in the values of these securities, combined with adverse changes in the expected cash flows from these investments, could result in additional other-than-temporary impairment charges. Included in corporate debt securities as of December 31, 2011 were \$5.1 million in pooled trust preferred securities. Further deterioration in the ability of banks within pooled trust preferred holdings to make

contractual debt payments could result in an adverse impact on the credit-related valuation portion of these securities.

As of December 31, 2011, the Corporation had \$322.0 million of municipal securities issued by various municipalities in its investment portfolio. Ongoing uncertainty with respect to the financial viability of municipal insurers places much greater emphasis on the underlying strength of issuers. Increasing pressure on local tax revenues of issuers due to adverse economic conditions could also have a negative impact on the underlying credit quality of issuers. The Corporation evaluates existing and potential holdings primarily on the underlying credit-worthiness of the issuing municipality and then, to a lesser extent, on the credit enhancement corresponding to the individual issuance. As of December 31, 2011, approximately 94% of municipal securities were supported by the general obligation of corresponding municipalities. In addition, approximately 72% of these securities were school district issuances that are supported by the general obligation of the corresponding municipalities as of December 31, 2011.

The Corporation's investment management and trust division, Fulton Financial Advisors, previously held student loan auction rate

securities, also known as auction rate certificates (ARCs), for some of its customers' accounts. From the second quarter of 2008 through 2009, the Corporation purchased illiquid ARCs from customers of Fulton Financial Advisors. Total ARCs included in the Corporation's investment securities at December 31, 2011 were \$225.2 million. Continued uncertainty with respect to resolution of auction rate security market illiquidity, the current low interest rate environment and potential changes in repayment performance of certain student loans underlying the ARCs that are not guaranteed by the federal government could adversely affect the performance of individual holdings.

The Corporation's investment management and trust services income could also be impacted by fluctuations in the securities markets. A portion of this revenue is based on the value of the underlying investment portfolios. If the values of those investment portfolios decrease, whether due to factors influencing U.S. 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.

The supervision and regulation to which the Corporation is subject can be a competitive disadvantage.

The Corporation is a registered financial holding company, and its subsidiary banks are depository institutions whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC). The Corporation is extensively regulated under federal and state banking laws and regulations that are intended primarily for the protection of depositors, federal deposit insurance funds and the banking system as a whole. In general, these laws and regulations establish: the eligible business activities for the Corporation; certain acquisition and merger restrictions; limitations on intercompany transactions such as loans and dividends; capital adequacy requirements; requirements for anti-money laundering programs; and other compliance matters. Compliance with these statutes and regulations is important to the Corporation's ability to engage in new activities and to consummate additional acquisitions. While these statutes and regulations are generally designed to minimize potential loss to depositors and the FDIC insurance funds, they do not eliminate risk, and compliance with such statutes and regulations increases the Corporation's expense, requires management's attention and can be a disadvantage from a competitive standpoint with respect to non-regulated competitors.

Federal and state banking regulators also possess broad powers to take supervisory actions, as they deem appropriate. These supervisory actions may result in higher capital requirements, higher insurance premiums and limitations on the Corporation's activities that could have a material adverse effect on its business and profitability.

The federal government, the Federal Reserve Board and other governmental and regulatory bodies have taken, and may in the future take other actions, in response to the stress on the financial system. For example, the Federal Reserve Board recently announced its intention to maintain short-term interest rates near zero through at least late 2014. Such actions, although intended to aid the financial markets, and continued volatility in the markets could materially and adversely affect the Corporation's business, financial condition and results of operations, or the trading price of the Corporation's common stock.

In addition, the Corporation is subject to changes in federal and state tax laws as well as changes in banking and credit regulations, accounting principles, governmental economic and monetary policies and collection efforts by taxing authorities.

Financial reform legislation is likely to have a significant impact on the Corporation's business and results of operations; however, until more implementing regulations are adopted, the extent to which the legislation will impact the Corporation is uncertain.

On July 21, 2010, the President of the United States signed into law the Dodd-Frank Act. Among other things, the Dodd-Frank Act created the Financial Stability Oversight Council, with oversight authority for monitoring and regulating systemic risk, and the Bureau of Consumer Financial Protection, which will have broad regulatory and

enforcement powers over consumer financial products and services. The Dodd-Frank Act also changed the responsibilities of the current federal banking regulators, imposed additional corporate governance and disclosure requirements in areas such as executive compensation and proxy access, and limited or prohibited proprietary trading and hedge fund and private equity activities of banks.

The scope of the Dodd-Frank Act impacted many aspects of the financial services industry, and it requires the development and adoption of many regulations over the next several months and years. The effects of the Dodd-Frank Act on the financial services industry will depend, in large part, upon the extent to which regulators exercise the authority granted to them under the Dodd-Frank Act and the approaches taken in implementing regulations. Additional uncertainty regarding the effect of the Dodd-Frank Act exists due to the potential for additional legislative changes to the Dodd-Frank Act. The Corporation, as well as the broader financial services industry, is continuing to assess the potential impact of the Dodd-Frank Act (and its possible impact on customers' behaviors) on its business and operations but, at this stage, the extent of the impact cannot be fully determined with any degree of certainty. However, the Corporation has been impacted, and will likely continue to be in the future, by the so-called Durbin Amendment to the Dodd-Frank Act, which reduced debit card interchange revenue of banks; revised deposit insurance assessments;



and increased compliance costs. It also is likely to be impacted by the Dodd-Frank Act in the areas of corporate governance, capital requirements, risk management, stress testing and regulation under consumer protection laws.

Increases in FDIC insurance premiums may adversely affect the Corporation's earnings.

In response to the impact of economic conditions since December 2007 on banks generally and on the FDIC deposit insurance fund (DIF), the FDIC changed its risk-based assessment system and increased base assessment rates. On November 12, 2009, the FDIC adopted a rule requiring banks to prepay three years' worth of premiums to replenish the depleted insurance fund.

In February 2011, as required under the Dodd-Frank Act, the FDIC issued a ruling pursuant to which the assessment base against which FDIC assessments for deposit insurance are made was changed. Instead of FDIC insurance assessments being based upon an insured bank's deposits, FDIC insurance assessments are now generally based on an insured bank's total average assets, minus average tangible equity. With this change, the Corporation's overall FDIC insurance cost has declined. However, a change in the risk categories applicable to the Corporation's bank subsidiaries, further adjustments to base assessment rates and any special assessments could have a material adverse effect on the Corporation. In addition, should one of the Corporation's subsidiary banks have assets above \$10 billion for four consecutive quarters, a higher assessment could apply to that subsidiary for the purposes of calculating its FDIC insurance premium. The Corporation's largest subsidiary bank, Fulton Bank, N. A., had \$9.0 billion in assets as of December 31, 2011. Based on current regulations, the Corporation has estimated that Fulton Bank, N. A., would pay approximately \$1 million in additional FDIC insurance premiums if it were to reach the \$10 billion threshold.

The Dodd-Frank Act also requires that the FDIC take steps necessary to increase the level of the DIF to 1.35% of total insured deposits by September 30, 2020. In October 2010, the FDIC adopted a Restoration Plan to achieve that goal. Certain elements of the Restoration Plan are left to future FDIC rulemaking, as are the potential for increases to the assessment rates, which may become necessary to achieve the targeted level of the DIF. Future FDIC rulemaking in this regard may have a material adverse effect on the Corporation.

The Corporation may incur fines, penalties and other negative consequences from regulatory violations, possibly even inadvertent or unintentional violations.

The Corporation maintains systems and procedures designed to ensure that it complies with applicable laws and regulations. However, some legal or regulatory frameworks provide for the imposition of fines or penalties for noncompliance even though the noncompliance was inadvertent or unintentional and even though there was in place at the time systems and procedures designed to ensure compliance. For example, the Corporation is subject to regulations issued by the Office of Foreign Assets Control (OFAC) that prohibit financial institutions from participating in the transfer of property belonging to the governments of certain foreign countries and designated nationals of those countries. OFAC may impose penalties for inadvertent or unintentional violations even if reasonable processes are in place to prevent the violations. There may be other negative consequences resulting from a finding of noncompliance, including restrictions on certain activities. Such a finding may also damage the Corporation's reputation (see below) and could restrict the ability of institutional investment managers to invest in the Corporation's securities.

The heightened, industry-wide attention associated with the processing of residential mortgage foreclosures may adversely affect the Corporation's business.

As a result of the economic downturn which began in December, 2007, larger banks and mortgage servicing companies have been challenged with processing tens of thousands of foreclosures nationwide. In late 2010, the media began reporting on possible processing errors and documentation problems in mortgage foreclosures at several of the nation's largest banks and mortgage servicing businesses. It was reported that, in some foreclosures, the procedural steps (which often vary by state and in some cases by local jurisdictions within a state) required to complete a

foreclosure had not been followed. As a result, there were questions concerning the validity of some foreclosures. Since 2010 the foreclosure procedures used by banks and servicing companies have continued to come under scrutiny by consumer advocates, attorneys representing borrowers, state Attorney Generals and banking regulators.

As a financial institution, the Corporation offers a variety of residential mortgage loan products. A majority of the mortgage loans originated by the Corporation are made in the Corporation's five-state market. The Corporation also services loans owned by investors in accordance with the investors' guidelines. A small percentage of the Corporation's residential mortgage borrowers default on their mortgage loans. When this occurs, the Corporation attempts to resolve the default in a way that provides the greatest return to the Corporation or is in accordance with investor guidelines; typically, options are pursued that allow the borrower to remain the owner of their home. However, when these efforts are not successful, it becomes necessary for the Corporation to foreclose on the loan. The Corporation analyzes whether foreclosure is necessary on a case-by-case basis and the number of residential foreclosures undertaken by the Corporation is not substantial. The Corporation initiated approximately 400 and 300

residential foreclosure actions during 2010 and 2011, respectively, for residential loans the Corporation owned or serviced for investors.

Although the number of foreclosures undertaken by the Corporation on residential mortgage loans in its portfolio or that the Corporation services for others is substantially less than those of larger banks and mortgage servicers, the Corporation has received inquiries from banking regulators, title insurance companies and others regarding its foreclosure procedures. As a result of these inquiries and the publicity surrounding the mortgage foreclosure area nationally, the Corporation has reviewed the requirements for foreclosures in each of the states where most of its foreclosures occur and its own foreclosure procedures. The Corporation has also consulted with the law firms it uses to undertake foreclosures in each of the states in its primary markets and in other states where it has substantial mortgage lending activities regarding foreclosure procedures.

In addition, in 2011, banking regulators required financial institutions to perform a self-assessment of their foreclosure management process to identify any weaknesses in their processes and to determine whether these weaknesses resulted in any financial harm to borrowers. The Corporation performed such a self-assessment in 2011. The Corporation does not expect any deficiencies that it has discovered, or which it might discover in the future, as a result of these self-assessments and consultations will have a material impact on the financial position or results of operations of the Corporation. The Corporation will continue to monitor its foreclosure procedures, and other areas of the foreclosure process, as well as future legal and regulatory developments concerning mortgage foreclosure processes in general.

The Corporation's framework for managing risks may not be effective in mitigating risk and loss to the Corporation.

The Corporation's risk management framework seeks to mitigate risk and loss. The Corporation has established processes and procedures intended to identify, measure, monitor, report and analyze the types of risk to which the Corporation is subject, including liquidity risk, credit risk, market risk and reputational risk, among others. However, as with any risk management framework, there are inherent limitations to the Corporation's risk management strategies and there may exist, or develop in the future, risks 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.

Negative publicity could damage the Corporation's reputation.

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 adversely affect the Corporation's ability to keep and attract customers and expose it to adverse legal and regulatory consequences. Negative public opinion could result from the Corporation's actual or alleged conduct in any number of activities, including lending practices, corporate governance, regulatory, compliance, mergers and acquisitions, and disclosure, sharing or inadequate protection of customer information and from actions taken by government regulators and community organizations in response to that conduct. Because the Corporation conducts the majority of its businesses under the "Fulton" brand, negative public opinion about one business could affect the Corporation's other businesses.

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

The Corporation regularly collects, processes, transmits and stores significant amounts of confidential information regarding its customers, employees and others. This information is necessary for the conduct of the Corporation's business activities, including the ongoing maintenance of deposit, loan, investment management and other account relationships for the Corporation's customers, and receiving instructions and affecting transactions for those customers and other users of the Corporation's products and services. In addition to confidential information regarding its

customers, employees and others, the Corporation compiles, processes, transmits and stores proprietary, non-public information concerning its own business, operations, plans and strategies. In some cases, this confidential or proprietary information is collected, compiled, processed, transmitted or stored by third parties on behalf of the Corporation.

Information security risks have generally increased in recent years because of the proliferation of new technologies and the increased sophistication and activities of perpetrators of cyber-attacks. A failure in or breach of the Corporation's operational or information security systems, or those of the Corporation's third-party service providers, as a result of cyber-attacks or information security breaches or due to employee error, malfeasance or other disruptions could adversely affect our business, result in the disclosure or misuse of confidential or proprietary information, damage our reputation, increase our costs and/or cause losses. As a result, cyber security and the continued development and enhancement of the controls and processes designed to protect the Corporation's systems, computers, software, data and networks from attack, damage or unauthorized access remain a priority for the Corporation.

If this confidential or proprietary information were to be mishandled, misused or lost the Corporation could be exposed to significant

regulatory consequences, reputational damage, civil litigation and financial loss. Mishandling, misuse or loss of this confidential or proprietary information could occur, for example, if the confidential or proprietary information were erroneously provided to parties who are not permitted to have the information, either by fault of the systems or employees of the Corporation, or the systems or employees of third parties which have collected, compiled, processed, transmitted or stored the information on the Corporation's behalf, where the information is intercepted or otherwise inappropriately taken by third parties or where there is a failure or breach of the network, communications or information systems which are used to collect, compile, process, transmit or store the information.

Although the Corporation employs a variety of physical, procedural and technological safeguards to protect this confidential and proprietary information from mishandling, misuse or loss, these safeguards do not provide absolute assurance that mishandling, misuse or loss of the information will not occur, and that if mishandling, misuse or loss of the information did occur, those events will be promptly detected and addressed. Similarly, when confidential or proprietary information is collected, compiled, processed, transmitted or stored by third parties on behalf of the Corporation, the Corporation's policies and procedures require that the third party agree to maintain the confidentiality of the information, establish and maintain policies and procedures designed to preserve the confidentiality of the information, and permit the Corporation to confirm the third party's compliance with the terms of the agreement. Although the Corporation believes that it has adequate information security procedures and other safeguards in place, as information security risks and cyber threats continue to evolve, the Corporation may be required to expend additional resources to continue to enhance its information security measures and/or to investigate and remediate any information security vulnerabilities.

The Corporation will be completing a transition to a new core processing system. If the Corporation is not able to complete the transition as planned, or unanticipated events occur during the transition, the Corporation's operations, net income, or reputation could be adversely affected.

The Corporation will be transitioning to a new core processing system over the next two years. The core processing system is used to maintain customer and account records, reflect account transactions and activity, and support the Corporation's customer relationship management systems for substantially all of the Corporation's deposit and loan customers. The Corporation has assembled a team of officers and employees representing key business units and functional areas throughout the Corporation to plan and oversee the transition process. This team, working with the vendor for the core processing system and outside project management consultants, has developed a comprehensive work plan for completing the transition. The transition will be completed in several phases, with one or two of the Corporation's six subsidiary banks being transitioned to the new system in each phase. Extensive pre-transition testing of, and employee training in, processing routines and new core processing system operation will be conducted before each of the Corporation's subsidiary banks are transitioned to the new core processing system. The phased approach is expected to facilitate pre-transition system testing and employee training, reduce the potential impact of any unanticipated events that may arise during the conversion and enable the Corporation to allocate sufficient resources to both transition-related tasks and routine processing and customer service activities.

If the Corporation is not able to complete the transition to the new core processing system as expected in accordance with the work plan, or if unanticipated events occur during or following the transition, the Corporation may not be able to timely process transactions for its customers, those customers may not be able to complete transactions in or affecting their accounts that are maintained on the core processing system, or the Corporation may not be able to perform contractual and other obligations to its customers or other parties, such as payment networks in which the Corporation participates. Should any of these consequences occur, the Corporation may incur additional expense in its financial and regulatory reporting, in processing or re-processing transactions, and the Corporation may not be able to meet customer expectations for transaction processing and customer service, customers may lose confidence in the Corporation and close their accounts with the Corporation, and the Corporation may incur liability under contractual or other arrangements with customers or other parties. Any of these events, should they occur, could have a material and adverse impact on the Corporation's operations, net income, reputation or the trading price of the Corporation's

common stock, as well as expose the Corporation to civil liability or regulatory sanctions.

The Corporation's business is dependent on its network and information processing systems, and, in some cases, those of the Corporation's third-party vendors, and the disruption or failure of those systems may adversely affect the Corporation's operations, net income, or reputation.

The Corporation's business activities are dependent on its ability to accurately and timely process, record and monitor a large number of transactions. If any of its financial, accounting, network or other information processing systems fail or have other significant shortcomings, the Corporation could be materially adversely affected. Third parties with which the Corporation does business could also be sources of operational risk to the Corporation, including the risk that the third parties' own network and information processing systems could fail. Any of these occurrences could materially diminish the Corporation's ability to operate one or more of the Corporation's businesses, or result in potential liability to clients, reputational damage and regulatory intervention, any of which could materially adversely affect the Corporation.

The Corporation may be subject to disruptions or failures of the Corporation's financial, accounting, network and information processing systems arising from events that are wholly or partially beyond the Corporation's control, which may include, for example, computer viruses or electrical or telecommunications outages, natural disasters, disease pandemics or other damage to property or physical assets or terrorist acts. The Corporation has developed a comprehensive emergency recovery program, which includes plans to maintain or resume operations in the event of an emergency, such as a power outage or disease pandemic, and contingency plans in the event that operations or systems cannot be resumed or restored. The emergency recovery program is periodically reviewed and updated, and components of the emergency recovery program are regularly tested and validated. The Corporation also reviews and evaluates the emergency recovery programs of vendors which provide certain third-party systems that the Corporation considers critical. While the Corporation believes the emergency recovery program and its efforts to evaluate the emergency recovery programs of certain third-party systems providers help mitigate this risk, disruptions or failures affecting any of these systems may give rise to interruption in service to customers, damage to the Corporation's reputation and loss or liability to the Corporation.

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

The Corporation has historically supplemented its internal growth with strategic acquisitions of banks, branches and other financial services companies. 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. Companies must evaluate goodwill for impairment at least annually. A more frequent evaluation could be triggered by, for example, a broad price decline in the shares of comparable publicly traded financial institutions. Write-downs of the amount of any impairment, if necessary, are to be charged to earnings in the period in which the impairment occurs. Based on its annual goodwill impairment tests, the Corporation determined that no impairment charges were necessary in 2009, 2010 or 2011. During 2008, the Corporation recorded a \$90.0 million goodwill impairment charge. As of December 31, 2011, the Corporation had \$536.0 million of goodwill on its consolidated balance sheet. There can be no assurance that future evaluations of goodwill will not result in additional impairment charges.

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, as a result of the deregulation of the financial industry, 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 regulations than the Corporation is with respect to the products and services they provide and have different cost structures. Some of the Corporation's competitors, including certain super-regional and national bank holding companies that have made acquisitions in its market area, have greater resources than the Corporation has and, as such, may have 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 may thus be able to realize certain cost savings and offer products and services at more favorable rates and with greater convenience to the customer.

Competition may adversely affect the rates the Corporation pays on deposits and charges on loans, thereby potentially adversely affecting the Corporation's profitability. The Corporation's profitability depends upon its continued ability to successfully compete in the market areas it serves.

The Corporation's future growth and liquidity needs 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 at an excessive cost.

The Corporation is required by regulatory authorities 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 its continued growth. The Corporation's ability to raise additional capital will depend, in part, on conditions in the capital 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 further 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.



In addition to primary sources of liquidity in the form of principal and interest payments on outstanding loans and investments and deposits, the Corporation maintains secondary sources that provide it with additional liquidity. These secondary sources may include secured and unsecured borrowings from sources such as the Federal Reserve Bank and Federal Home Loan Bank and third-party commercial banks. The Corporation believes that it maintains a strong liquidity position and that it is well positioned to withstand current market conditions. However, 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.

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

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 subsidiaries, for substantially all of its revenues. As a result, the Corporation's ability to make dividend payments on its common stock depends primarily on certain federal and state regulatory considerations 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 it. For additional information regarding the regulatory restrictions on the Corporation and its subsidiaries, see "Item 1 Business - Supervision and Regulation."

If, in the opinion of the applicable regulatory authority, a bank under its jurisdiction is engaged in or is about to engage in an unsafe or unsound practice, such authority may require, after notice and hearing, that such bank cease and desist from such practice. Depending on the financial condition and results of operations of the Corporation's banking subsidiaries, the applicable regulatory authority might deem the Corporation to be engaged in an unsafe or unsound practice if its banking subsidiaries were to pay dividends. The Federal Reserve Board and the Office of the Comptroller of the Currency have issued policy statements generally requiring insured banks and bank holding companies only to pay dividends out of current operating earnings. In 2009, the Federal Reserve Board released a supervisory letter advising bank holding companies, among other things, that as a general matter a bank holding company should inform its Federal Reserve Bank and should eliminate, defer or significantly reduce its dividends if (1) the bank holding company's net income available to shareholders for the past four quarters, net of dividends previously paid during that period, is not sufficient to fully fund the dividends, (2) the bank holding company's prospective rate of earnings is not consistent with the bank holding company's capital needs and overall current and prospective financial condition, or (3) the bank holding company will not meet, or is in danger of not meeting, its minimum regulatory capital adequacy ratios.

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

Provisions of Pennsylvania 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. The Corporation's Amended and Restated Articles of Incorporation and Bylaws include certain 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 over 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, the anti-takeover provisions set forth in the Corporation's Amended and Restated Articles of Incorporation and Bylaws, taken as a whole, may discourage a hostile tender offer, exchange offer, proxy solicitation or similar transaction relating to the Corporation's common

stock. To the extent that these provisions actually 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. 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.

Item 1B. Unresolved Staff Comments

None.

## Item 2. Properties

The following table summarizes the Corporation's full-service branch properties, by subsidiary bank, as of December 31, 2011. Remote service facilities (mainly stand-alone automated teller machines) are excluded.

Subsidiary Bank	Owned	Leased	Total Branches
Fulton Bank, N.A.	46	72	118
Fulton Bank of New Jersey	39	32	71
The Columbia Bank	9	31	40
Lafayette Ambassador Bank	5	18	23
FNB Bank, N.A.	6	2	8
Swineford National Bank	5	2	7
Total	110	157	267

The following table summarizes the Corporation's other significant administrative properties. Banking subsidiaries also maintain administrative offices at their respective main banking branches, which are included within the preceding table.

Entity	Property	Location	Owned/Leased
Fulton Bank, N.A./Fulton Financial Corporation	Corporate Headquarters	Lancaster, PA	(1)
Fulton Financial Corporation	Operations Center	East Petersburg, PA	Owned
Fulton Bank, N.A.	Operations Center	Mantua, NJ	Owned
Lafayette Ambassador Bank	Operations Center	Bethlehem, PA	Owned (2)

Includes approximately 100,000 square feet which is owned by an independent third-party who financed the construction through a loan from Fulton Bank, N.A. The Corporation is leasing this space from the third-party in (1) an arrangement accounted for as a capital lease. The lease term expires in 2027. The Corporation owns the remainder of the Corporate Headquarters location. This property also includes a Fulton Bank, N.A. branch, which is included in the preceding table.

(2) Property sold in January 2012.

## Item 3. Legal Proceedings

The Corporation and its subsidiaries are involved in various legal proceedings in the ordinary course of the business of the Corporation. The Corporation periodically evaluates the possible impact of pending litigation matters based on, among other factors, the advice of counsel, available insurance coverage and recorded liabilities and reserves for probable legal liabilities and costs. 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 proceedings are not expected to have a material adverse effect on the financial position, the operating results and/or the liquidity of the Corporation. However, litigation is often unpredictable and the actual results of litigation cannot be determined with certainty and, therefore, the ultimate resolution of any matter and the possible range of liabilities associated with potential outcomes may need to be reevaluated in the future.

## 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, 2011, the Corporation had 200.2 million shares of \$2.50 par value common stock outstanding held by approximately 41,000 holders of record. The closing price per share of the Corporation's common stock on December 31, 2011 was \$9.81. 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 common stock and per common share cash dividends declared for each of the quarterly periods in 2011 and 2010.

	Price Range		Per Common Share Dividend
	High	Low	
2011			
First Quarter	\$11.54	\$9.81	\$0.04
Second Quarter	11.91	10.17	0.05
Third Quarter	11.27	7.44	0.05
Fourth Quarter	10.24	7.18	0.06
2010			
First Quarter	\$10.57	\$8.33	\$0.03
Second Quarter	11.75	9.30	0.03
Third Quarter	10.56	8.15	0.03
Fourth Quarter	10.64	8.51	0.03

## 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 subsidiaries, for substantially all of its revenues. As a result, the Corporation's ability to make dividend payments on its common stock depends primarily on certain federal and state regulatory considerations 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 it. For additional information regarding the regulatory restrictions applicable to the Corporation and its subsidiaries, see "Part I - Item 1 Business - Supervision and Regulation," "Part I - Item 1A Risk Factors - The Corporation is a holding company and relies on dividends from its subsidiaries for substantially all of its revenue and its ability to make dividends, distributions and other payments" and "Part II - Item 8 - Notes to Consolidated Financial Statements - Note J - Regulatory Matters" of this Report.

## Securities Authorized for Issuance under Equity Compensation Plans

The following table provides information about options outstanding under the Corporation's 2004 Stock Option and Compensation Plan and the number of securities remaining available for future issuance under the Corporation's 2004 Stock Option and Compensation Plan, 2011 Directors' Equity Participation Plan and Employee Stock Purchase Plan as of December 31, 2011:

Plan Category	Equity compensation plans approved by security holders	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in first column) (1)

Equity compensation plans approved by security holders	6,382,158	\$ 13.27	13,573,705
Equity compensation plans not approved by security holders	—	N/A	—
Total	6,382,158	\$ 13.27	13,573,705

(1) Consists of 12,443,879 shares that may be awarded under the 2004 Stock Option and Compensation Plan, 488,843 shares that may be awarded under the 2011 Directors' Equity Participation Plan and 640,983 of 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, 2011 as the number of shares to be purchased is indeterminable until the time shares are issued.

## Performance Graph

The graph below shows cumulative investment returns to shareholders based on the assumptions that (A) an investment of \$100.00 was made on December 31, 2006, in each of the following: (i) Fulton Financial Corporation common stock; (ii) the stock of all U. S. companies traded on The NASDAQ Stock Market; (iii) common stock of the peer group approved by the Board of Directors on September 21, 2004 (the 2010 Peer Group) consisting of bank and financial holding companies located throughout the United States with assets between \$6-20 billion which were not a party to a merger agreement as of the end of the period and (iv) common stock of the peer group approved by the Board of Directors on September 21, 2010 (the 2011 Peer Group) consisting of bank and financial holding companies located throughout the United States selected based on their asset size, loan distribution, revenue composition, geographic focus, business model, ownership and market capitalization and which were not a party to a merger agreement as of the end of the period and (B) all dividends were reinvested in such securities over the past five years. The graph is not indicative of future price performance.

In 2010, the Human Resources Committee of the Board of Directors made a decision, with the aid of a third-party consultant, to review, and based on that review, to update the Corporation's peer group to the 2011 Peer Group.

The following table presents a comparison of the 2011 Peer Group to the 2010 Peer Group:

Peer Group Member (Stock Symbol)	2011 Peer Group	2010 Peer Group
Associated Banc-Corp (ASBC)	X	X
BancorpSouth, Inc. (BXS)	X	X
Bank of Hawaii Corporation (BOH)		X
BOK Financial Corporation (BOKF)	X	X
Citizens Republic Bancorp (CRBC)		X
City National Corporation (CYN)	X	X
Commerce Bancshares, Inc. (CBSH)	X	X
Cullen/Frost Bankers, Inc. (CFR)	X	X
First Citizens BancShares, Inc. (FCNCA)		X
First Horizon National Corporation (FHN)	X	
FirstMerit Corporation (FMER)	X	X
First Midwest Bancorp, Inc. (FMBI)		X
First Niagara Financial Group, Inc. (FNFG)	X	
International Bancshares Corporation (IBOC)	X	X
Old National Bancorp (ONB)		X
People's United Financial, Inc. (PBCT)	X	
Susquehanna Bancshares, Inc. (SUSQ)	X	X
Synovus Financial Corp. (SNV)	X	
TCF Financial Corporation (TCB)	X	X
The South Financial Group, Inc. (TSFG)		X
Trustmark Corporation (TRMK)		X
UMB Financial Corporation (UMBF)	X	X
United Bankshares, Inc. (UBSI)		X
Valley National Bancorp (VLY)	X	X
Webster Financial Corp. (WBS)	X	

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 Commission or subject to Regulation 14A or 14C, or to the liabilities of Section 18 of the Exchange Act of 1934, as amended.

Index	Year Ending December 31					
	2006	2007	2008	2009	2010	2011
Fulton Financial Corporation	100.00	70.15	63.38	58.49	70.21	68.00
NASDAQ Composite	100.00	110.66	66.42	96.54	114.06	113.16
Fulton Financial 2010 Peer Group	100.00	83.42	78.97	70.75	80.95	73.60
Fulton Financial 2011 Peer Group	100.00	80.25	75.84	67.36	74.21	62.87
Issuer Purchases of Equity Securities	Not applicable.					

## Item 6. Selected Financial Data

## 5-YEAR CONSOLIDATED SUMMARY OF FINANCIAL RESULTS

(dollars in thousands, except per-share data)

	2011	2010	2009	2008	2007
<b>SUMMARY OF OPERATIONS</b>					
Interest income	\$693,698	\$745,373	\$786,467	\$867,494	\$939,577
Interest expense	133,538	186,627	265,513	343,346	450,833
Net interest income	560,160	558,746	520,954	524,148	488,744
Provision for credit losses	135,000	160,000	190,020	119,626	15,063
Investment securities gains (losses), net	4,561	701	1,079	(58,241 )	1,740
Other income, excluding investment securities gains (losses)	183,166	181,619	172,856	157,549	147,954
Gain on sale of credit card portfolio	—	—	—	13,910	—
Other expenses	416,476	408,325	415,537	408,787	407,125
Goodwill impairment	—	—	—	90,000	—
Income before income taxes	196,411	172,741	89,332	18,953	216,250
Income taxes	50,838	44,409	15,408	24,570	63,532
Net income (loss)	145,573	128,332	73,924	(5,617 )	152,718
Preferred stock dividends and discount accretion	—	(16,303 )	(20,169 )	(463 )	—
Net income (loss) available to common shareholders	\$145,573	\$112,029	\$53,755	\$(6,080 )	\$152,718
<b>PER COMMON SHARE</b>					
Net income (loss) (basic)	\$0.73	\$0.59	\$0.31	\$(0.03 )	\$0.88
Net income (loss) (diluted)	0.73	0.59	0.31	(0.03 )	0.88
Cash dividends	0.20	0.12	0.12	0.60	0.60
<b>RATIOS</b>					
Return on average assets	0.90	% 0.78	% 0.45	% (0.04 )	% 1.01
Return on average common shareholders' equity	7.45	6.29	3.54	(0.38 )	9.98
Return on average tangible common shareholders' equity (1)	10.54	9.39	5.96	9.33	18.16
Net interest margin	3.90	3.80	3.52	3.70	3.66
Efficiency ratio	54.28	53.33	57.77	56.44	61.29
Ending tangible common equity to tangible assets	9.15	8.47	6.30	5.97	6.03
Dividend payout ratio	27.40	20.34	38.70	N/M	68.00
<b>PERIOD-END BALANCES</b>					
Total assets	\$16,370,508	\$16,275,254	\$16,635,635	\$16,185,106	\$15,923,098
Investment securities	2,679,967	2,861,484	3,267,086	2,724,841	3,153,552
Loans, net of unearned income	11,968,970	11,933,307	11,972,424	12,042,620	11,204,424
Deposits	12,525,739	12,388,581	12,097,914	10,551,916	10,105,445
Short-term borrowings	597,033	674,077	868,940	1,762,770	2,383,944
Federal Home Loan Bank advances and long-term debt	1,040,149	1,119,450	1,540,773	1,787,797	1,642,133
Shareholders' equity	1,992,539	1,880,389	1,936,482	1,859,647	1,574,920
<b>AVERAGE BALANCES</b>					
Total assets	\$16,102,581	\$16,426,459	\$16,480,673	\$15,976,871	\$15,090,458
Investment securities	2,680,229	2,899,925	3,137,708	2,924,340	2,843,478



Edgar Filing: FULTON FINANCIAL CORP - Form 10-K

Loans, net of unearned income	11,904,529	11,958,435	11,975,899	11,595,243	10,736,566
Deposits	12,447,551	12,343,844	11,637,125	10,016,528	10,222,594
Short-term borrowings	495,791	587,602	1,043,279	2,336,526	1,574,495
Federal Home Loan Bank advances and long-term debt	1,034,475	1,326,449	1,712,630	1,822,115	1,579,527
Shareholders' equity	1,953,396	1,977,166	1,889,561	1,609,828	1,530,613

N/M – Not meaningful.

Net income (loss) available to common shareholders, as adjusted for intangible amortization (net of tax) and (1) goodwill impairment charges, divided by average common shareholders' equity, net of goodwill and intangible assets.

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

Management's Discussion and Analysis of Financial Condition and Results of Operations (Management's Discussion) concerns 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 and results of operations. Many factors could affect future financial results including, without limitation: the impact of adverse changes in the economy and real estate markets; increases in non-performing assets which may reduce the level of earning assets and require the Corporation to increase the allowance for credit losses, charge-off loans and to incur elevated collection and carrying costs related to such non-performing assets; acquisition and growth strategies; market risk; changes or adverse developments in political or regulatory conditions; a disruption in, or abnormal functioning of, credit and other markets, including the lack of or reduced access to markets for mortgages and other asset-backed securities and for commercial paper and other short-term borrowings; changes in the levels of, or methodology for determining, FDIC deposit insurance premiums and assessments; the effect of competition and interest rates on net interest margin and net interest income; investment strategy and other income growth; investment securities gains and losses; declines in the value of securities which may result in charges to earnings; changes in rates of deposit and loan growth or a decline in loans originated; relative balances of risk-sensitive assets to risk-sensitive liabilities; salaries and employee benefits and other expenses; amortization of intangible assets; goodwill impairment; capital and liquidity strategies; and other financial and business matters for future periods. 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," "intend" expressions which are intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to risks and uncertainties, some of which are beyond the Corporation's control and ability to predict, that could cause actual results to differ materially from those expressed in the forward-looking statements. The Corporation undertakes no obligation, other than as required by law, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

### OVERVIEW

#### Summary Financial Results

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/or maintaining or increasing the net interest margin, which is net interest income (fully taxable-equivalent) 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, or properties. Offsetting these revenue sources are provisions for credit losses on loans, operating expenses and income taxes.

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

	2011	2010		
Income before income taxes (in thousands)	\$196,411	\$172,741		
Net income (in thousands)	\$145,573	\$128,332		
Net income available to common shareholders (in thousands)	\$145,573	\$112,029		
Diluted net income per common share (1)	\$0.73	\$0.59		
Return on average assets	0.90	% 0.78		%
Return on average common equity (2)	7.45	% 6.29		%
Return on average tangible common equity (3)	10.54	% 9.39		%
Net interest margin (4)	3.90	% 3.80		%
Efficiency ratio	54.28	% 53.33		%
Non-performing assets to total assets	1.94	% 2.22		%
Net charge-offs to average loans	1.28	% 1.19		%

(1) Net income available to common shareholders divided by diluted weighted average common shares outstanding.

(2) Net income available to common shareholders divided by average common shareholders' equity.

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

(4) Presented on a fully taxable-equivalent basis, using a 35% Federal tax rate and statutory interest expense disallowances. See also "Net Interest Income" section of Management's Discussion.

2011 was characterized by improving, but still challenging, general economic conditions, a continuation of the low interest rate environment, and increasing regulatory and compliance changes. These factors, along with the Corporation's efforts to control discretionary spending in light of both current and future challenges, resulted in positive earnings growth and an improved capital position.

The following is a summary of the significant factors impacting the Corporation's financial performance in 2011: Improved Asset Quality - The Corporation's provision for credit losses decreased \$25.0 million, or 15.6%, to \$135.0 million in 2011 from \$160.0 million in 2010 due to improved credit quality metrics and reduced allocation needs. General market conditions stabilized in the Corporation's Pennsylvania, Maryland, Northern Delaware and Virginia markets, but remained more challenging in its New Jersey market. Despite improving economic conditions, many of the Corporation's borrowers remain stressed, impacting both the pace of asset quality improvement and the growth in loans.

Non-performing assets decreased \$44.4 million, or 12.3%, in 2011 compared to 2010 due to the continued resolution of distressed assets, including the sale of \$34.8 million of non-performing residential mortgages and home equity loans in December 2011 to a third-party investor. Non-performing assets at December 31, 2011 were at their lowest level since March 31, 2010 and delinquencies were at their lowest level since March 31, 2009. While net charge-offs increased, additional provisions for credit losses were not needed as allowance allocations were considered to be sufficient.

Growth in Net Interest Income and an Improved Net Interest Margin - Net interest income increased \$1.4 million, to \$560.2 million in 2011 from \$558.7 million in 2010. The net interest margin increased 10 basis points, to 3.90% in 2011 as compared to 3.80% in 2010. The increases in both net interest income and net interest margin were primarily attributable to decreases in funding costs as interest rates remained at historically low levels throughout the year. Partially offsetting the decrease in funding costs was a decline in yields on interest-earning assets of 24 basis points, or 4.8%, and a \$331.5 million, or 2.2%, decrease in average interest-earning assets.

While the net interest margin improved, growing earning assets remained a challenge. As a result, the positive impact to net interest income resulting from the increase in the margin was largely offset by the effect of the decrease in average interest-earning assets.

Other Income Growth, Despite Regulatory Headwinds - Total other income, excluding gains on sales of investment securities, increased \$1.5 million, or 0.9%. During 2011, the Corporation was able to achieve moderate growth in total other income in spite of regulatory changes which had a negative effect on certain fee categories, primarily overdraft

fees and interchange income on debit card transactions. Improvements in other fee categories that were driven by changes in fee structures and increased transaction volumes mitigated the impact of these changes. Total other income was also affected by a \$3.6 million, or 12.4%, decrease in mortgage banking income resulting from a \$3.3 million increase to mortgage banking income in 2010 for a correction in the methodology for determining the fair value of

25

---

commitments to originate fixed rate mortgages held for sale.

Moderate Other Expense Increase - Other expenses increased \$8.2 million, or 2.0%. The Corporation continued to experience upward pressure on its expenses as a result of continuing loan workout efforts and expanding regulatory and compliance requirements. Such increases were mitigated to a degree through continued control of discretionary expenses, such as marketing expense, which decreased \$1.5 million, or 13.4%, in 2011.

The efficiency ratio remained strong at 54.3% in 2011, although this also represented a moderate increase from 2010. The most significant variances were seen in salaries and employee benefits (\$10.9 million, or 5.1%, increase) and FDIC insurance expense (\$5.2 million, or 26.6%, decrease).

As a result of the increase in earnings outpacing the growth in the balance sheet, the Corporation's capital position improved in 2011. Total shareholders' equity increased \$112.2 million, or 6.0%, to \$2.0 billion at December 31, 2011. Regulatory capital also grew, as shown by an increase in the total risk-based capital ratio to 15.2% at December 31, 2011, as compared to 14.2% in the prior year. With the improvements in both capital levels and earnings, the Corporation was able to increase its shareholder dividends during 2011. The total dividend per share was \$0.20 in 2011 as compared to \$0.12 in 2010.

In 2012, the Corporation will continue to focus on increasing market share, prudently deploying capital, reducing credit costs and providing superior customer service. In an effort to improve both its operating efficiency and customer service, the Corporation will be converting and upgrading its core banking systems over the next two years. While there will be moderate cost increases associated with the implementation of these new systems, the Corporation will benefit from the ability to expand product offerings, enhance delivery channels and improve customer service.

## 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 in the "Market Risk" section of Management's Discussion. Fully taxable-equivalent (FTE) net interest income increased \$2.0 million, or 0.3%, to \$576.2 million in 2011 due to an increase in the net interest margin. Net interest margin increased 10 basis points, or 2.6%, from 3.80% in 2010 to 3.90% in 2011. The increase in net interest margin was the result of a 39 basis point, or 25.3%, decrease in funding costs, offset by 24 basis point, or 4.8%, decrease in yields on interest-earning assets. The following table provides a comparative average balance sheet and net interest income analysis for 2011 compared to 2010 and 2009. Interest income and yields are presented on an FTE basis, using a 35% federal tax rate and statutory interest expense disallowances. The discussion following this table is based on these tax-equivalent amounts.

(dollars in thousands)	2011			2010			2009		
	Average Balance	Interest (1)	Yield/Rate	Average Balance	Interest (1)	Yield/Rate	Average Balance	Interest (1)	Yield/Rate
<b>ASSETS</b>									
Interest-earning assets:									
Loans, net of unearned income (2)	\$11,904,529	\$605,671	5.09%	\$11,958,435	\$637,438	5.33%	\$11,975,899	\$655,384	5.47%
Taxable investment securities (3)	2,223,376	80,184	3.61	2,403,206	96,237	4.00	2,548,810	112,945	4.43
Tax-exempt investment securities (3)	330,087	18,521	5.61	357,427	20,513	5.74	451,828	25,180	5.57
Equity securities (3)	126,766	3,078	2.43	139,292	3,103	2.23	137,070	2,917	2.13
Total investment securities	2,680,229	101,783	3.80	2,899,925	119,853	4.13	3,137,708	141,042	4.50
Loans held for sale	43,470	1,958	4.50	69,157	3,088	4.47	105,067	5,390	5.13
Other interest-earning assets	160,664	358	0.22	192,888	505	0.26	21,255	196	0.92
Total interest-earning assets	14,788,892	709,770	4.80	15,120,405	760,884	5.04	15,239,929	802,012	5.27
Noninterest-earning assets:									
Cash and due from banks	274,527			268,615			305,410		
Premises and equipment	207,081			204,316			203,865		
Other assets (3)	1,108,359			1,114,678			952,597		
Less: Allowance for loan losses	(276,278 )			(281,555 )			(221,128 )		
Total Assets	\$16,102,581			\$16,426,459			\$16,480,673		
<b>LIABILITIES AND EQUITY</b>									

Edgar Filing: FULTON FINANCIAL CORP - Form 10-K

Interest-bearing liabilities:									
Demand deposits	\$2,391,043	\$5,312	0.22%	\$2,099,026	\$7,341	0.35%	\$1,857,081	\$7,995	0.43%
Savings deposits	3,359,109	11,536	0.34	3,124,157	19,889	0.63	2,425,864	19,487	0.80
Time deposits	4,297,106	66,235	1.54	5,016,645	95,129	1.90	5,507,090	153,344	2.78
Total interest-bearing deposits	10,047,258	83,083	0.83	10,239,828	122,359	1.19	9,790,035	180,826	1.85
Short-term borrowings	495,791	746	0.15	587,602	1,455	0.25	1,043,279	3,777	0.36
Long-term debt	1,034,475	49,709	4.81	1,326,449	62,813	4.74	1,712,630	80,910	4.72
Total interest-bearing liabilities	11,577,524	133,538	1.15	12,153,879	186,627	1.54	12,545,944	265,513	2.12
Noninterest-bearing liabilities:									
Demand deposits	2,400,293			2,104,016			1,847,090		
Other	171,368			191,398			198,078		
Total Liabilities	14,149,185			14,449,293			14,591,112		
Shareholders' equity	1,953,396			1,977,166			1,889,561		
Total Liabilities and Shareholders' Equity	\$16,102,581			\$16,426,459			\$16,480,673		
Net interest income/net interest margin (FTE)		576,232	3.90%		574,257	3.80%		536,499	3.52%
Tax equivalent adjustment		(16,072 )			(15,511 )			(15,545 )	
Net interest income		\$560,160			\$558,746			\$520,954	

(1)Includes dividends earned on equity securities.

(2)Includes non-performing loans.

(3)Includes amortized historical cost for available for sale securities; the related unrealized holding gains (losses) are included in other assets.

The following table sets forth a summary of changes in FTE interest income and expense resulting from changes in average balances (volumes) and changes in rates:

	2011 vs. 2010 Increase (decrease) due To change in			2010 vs. 2009 Increase (decrease) due To change in		
	Volume	Rate	Net (in thousands)	Volume	Rate	Net
Interest income on:						
Loans and leases	\$(2,861 )	\$(28,906 )	\$(31,767 )	\$(955 )	\$(16,991 )	\$(17,946 )
Taxable investment securities	(6,894 )	(9,159 )	(16,053 )	(6,221 )	(10,487 )	(16,708 )
Tax-exempt investment securities	(1,542 )	(450 )	(1,992 )	(5,398 )	731	(4,667 )
Equity securities	(292 )	267	(25 )	48	138	186
Loans held for sale	(1,157 )	27	(1,130 )	(1,669 )	(633 )	(2,302 )
Other interest-earning assets	(78 )	(69 )	(147 )	541	(232 )	309
Total interest-earning assets	\$(12,824 )	\$(38,290 )	\$(51,114 )	\$(13,654 )	\$(27,474 )	\$(41,128 )
Interest expense on:						
Demand deposits	\$918	\$(2,947 )	\$(2,029 )	\$962	\$(1,616 )	\$(654 )
Savings deposits	1,332	(9,685 )	(8,353 )	5,087	(4,685 )	402
Time deposits	(12,536 )	(16,358 )	(28,894 )	(12,705 )	(45,510 )	(58,215 )
Short-term borrowings	(202 )	(507 )	(709 )	(1,347 )	(975 )	(2,322 )
Long-term debt	(14,017 )	913	(13,104 )	(18,287 )	190	(18,097 )
Total interest-bearing liabilities	\$(24,505 )	\$(28,584 )	\$(53,089 )	\$(26,290 )	\$(52,596 )	\$(78,886 )

Changes which are partially attributable to both volume and rate are allocated to the volume and rate

Note: components presented above based on the percentage of the direct changes that are attributable to each component.

#### 2011 vs. 2010

FTE interest income decreased \$51.1 million, or 6.7%. A 24 basis point, or 4.8%, decrease in average rates resulted in a \$38.3 million decrease in interest income, while a \$331.5 million, or 2.2%, decrease in average interest-earning assets resulted in a \$12.8 million decrease in interest income.

Average loans decreased \$53.9 million as a result of generally weak demand due to economic conditions. The following table summarizes the changes in average loans by type:

	2011	2010	Increase (decrease)		
			\$	%	
	(dollars in thousands)				
Real estate - commercial mortgage	\$4,458,205	\$4,333,371	\$124,834	2.9	%
Commercial - industrial, financial and agricultural	3,681,321	3,681,692	(371 )	—	
Real estate - home equity	1,627,308	1,642,999	(15,691 )	(1.0	)
Real estate - residential mortgage	1,036,474	977,909	58,565	6.0	
Real estate - construction	700,071	889,267	(189,196 )	(21.3	)
Consumer	332,613	363,066	(30,453 )	(8.4	)
Leasing and other	68,537	70,131	(1,594 )	(2.3	)
Total	\$11,904,529	\$11,958,435	\$(53,906 )	(0.5	)%

Geographically, the \$124.8 million, or 2.9%, increase in commercial mortgages was within the Corporation's Pennsylvania (\$101.0 million, or 4.5%), New Jersey (\$18.4 million, or 1.5%) and Maryland (\$6.0 million, or 1.5%) markets, offset by a decline in the Virginia market (\$5.2 million, or 1.5%).

The \$58.6 million, or 6.0%, increase in residential mortgages was largely due to the Corporation's retention in portfolio of certain 10 and 15 year fixed rate mortgages and certain adjustable rate mortgages to partially mitigate the impact of decreases in average interest-earning assets. See further discussion regarding the impact of retaining these mortgages under the heading "Other Income and Expenses," below.





The \$189.2 million, or 21.3%, decrease in construction loans was a result of charge-offs and repayments exceeding originations, in addition to the conversion of commercial construction loans to permanent mortgages. Significant growth in construction loans is not likely to occur until housing and overall commercial real estate markets show greater stabilization. Geographically, the decline was primarily in the Corporation's Maryland (\$81.5 million, or 40.3%), Virginia (\$68.2 million, or 31.9%) and New Jersey (\$42.4 million, or 27.2%) markets.

The \$30.5 million, or 8.4%, decrease in consumer loans was due to a \$17.3 million decrease in direct consumer loans and a \$13.1 million decrease in the indirect automobile loan portfolio.

The average yield on loans during 2011 of 5.09% represented a 24 basis point, or 4.5%, decrease in comparison to 2010, despite the average prime rate remaining at 3.25% for both 2011 and 2010. The decrease in average yields on loans was attributable to repayments of higher-yielding loans and declining average rates on fixed and adjustable rate loans which, unlike floating rate loans, have a lagged repricing effect. In addition, approximately one-third of the floating rate portfolio is based on an index rate other than prime, such as the one-month London Interbank Offered Rate, or LIBOR, which decreased slightly on average from 2011 to 2010.

Average investments decreased \$219.7 million, or 7.6%, due largely to maturities or calls of collateralized mortgage obligations and state and municipal securities and redemptions of student loan auction rate securities. During 2011, the proceeds from the maturities and sales of securities were not fully reinvested into the portfolio because current rates on many investment options were not attractive. The average yield on investments decreased 33 basis points, or 8.0%, from 4.13% in 2010 to 3.80% in 2011, as the reinvestment of cash flows and purchases of taxable investment securities were at yields that were lower than the overall portfolio yield. Also contributing 4 basis points to the decrease in investment yield was an increase in net premium amortization of \$843,000 to \$6.0 million for 2011, compared to \$5.2 million in 2010 due to higher prepayments on mortgage-backed securities.

Loans held for sale decreased \$25.7 million, or 37.1%, due to a decrease in the volumes of loans sold, a result of lower refinance activity during 2011, and also due to the Corporation's retention of certain residential mortgages in portfolio. Other interest-earning assets decreased \$32.2 million, or 16.7%, as the Corporation reduced its average overnight investment position.

Interest expense decreased \$53.1 million, or 28.4%, to \$133.5 million in 2011 from \$186.6 million in 2010. Interest expense decreased \$28.6 million due to a 39 basis point, or 25.3%, decrease in the average cost of total interest-bearing liabilities. Interest expense decreased an additional \$24.5 million as a result of a \$576.4 million, or 4.7%, decrease in average interest-bearing liabilities.

The following table summarizes the changes in average deposits, by type:

	2011	2010	Increase (decrease)		
			\$	%	
	(dollars in thousands)				
Noninterest-bearing demand	\$2,400,293	\$2,104,016	\$296,277	14.1	%
Interest-bearing demand	2,391,043	2,099,026	292,017	13.9	
Savings	3,359,109	3,124,157	234,952	7.5	
Total demand and savings	8,150,445	7,327,199	823,246	11.2	
Time deposits	4,297,106	5,016,645	(719,539)	(14.3)	)
Total deposits	\$12,447,551	\$12,343,844	\$103,707	0.8	%

Total demand and savings accounts increased \$823.2 million, or 11.2%. The increase in noninterest-bearing accounts was primarily due to a \$235.9 million, or 16.1%, increase in business account balances due, in part, to businesses maintaining higher balances to offset service fees, as well as a migration away from the Corporation's cash management products due to the low interest rate environment. Also contributing to the increase in non-interest bearing accounts was a \$42.3 million, or 7.8%, increase in personal account balances. The increase in interest-bearing demand and savings accounts consisted of a \$329.1 million, or 27.1%, increase in municipal account balances, primarily due to attractive interest rates for insured deposit products relative to non-bank alternatives and a \$256.2 million, or 7.0%, increase in personal account balances. The increases in non-interest and interest bearing personal account balances was due to customers' migration away from certificates of deposit, as well as the Corporation's promotional efforts with a focus on building customer relationships.

The \$719.5 million, or 14.3%, decrease in time deposits was due to a \$713.1 million, or 14.2%, decrease in customer certificates of deposit and a \$6.4 million, or 64.5%, decrease in brokered certificates of deposit. The decrease in customer certificates of deposit was in accounts with original maturity terms of less than two years (\$706.9 million, or 22.5%) and jumbo certificates of deposit (\$146.9, or 39.7%), partially offset by an increase in accounts with original maturity terms of greater than two years (\$160.7 million, or 15.0%). The decreases in shorter-term and jumbo customer certificates of deposit reflected customer movement of balances to core accounts and longer-term deposits, as well as to the Corporation not competing aggressively for time deposit balances.

The average cost of interest-bearing deposits decreased 36 basis points, or 30.3%, from 1.19% in 2010 to 0.83% in 2011 due to a reduction in rates paid on all categories of deposits and the repricing of certificates of deposit to lower rates. Excluding early redemptions, \$3.5 billion of time deposits matured during 2011 at a weighted average rate of 1.20%, while \$3.2 billion of time deposits were issued at a weighted average rate of 0.66%.

The following table summarizes the decreases in average borrowings, by type:

	2011	2010	Decrease		
	(dollars in thousands)		\$	%	
<b>Short-term borrowings:</b>					
Customer repurchase agreements	\$208,144	\$252,634	\$(44,490)	(17.6)	)%
Customer short-term promissory notes	174,624	209,766	(35,142)	(16.8)	)
Total short-term customer funding	382,768	462,400	(79,632)	(17.2)	)
Federal funds purchased	113,023	125,202	(12,179)	(9.7)	)
Total short-term borrowings	495,791	587,602	(91,811)	(15.6)	)
<b>Long-term debt:</b>					
FHLB Advances	651,268	943,118	(291,850)	(30.9)	)
Other long-term debt	383,207	383,331	(124)	—	)
Total long-term debt	1,034,475	1,326,449	(291,974)	(22.0)	)
Total	\$1,530,266	\$1,914,051	\$(383,785)	(20.1)	)%

The \$79.6 million, or 17.2%, decrease in short-term customer funding resulted primarily from customers transferring funds from the cash management program to deposits due to the low interest rate environment. The \$12.2 million, or 9.7%, decrease in Federal funds purchased was due to increases in average deposits, combined with the decreases in investments and loans, the result of which was a reduced need for wholesale funding. The \$291.9 million decrease in FHLB advances was due to maturities, which were generally not replaced with new advances.

2010 vs. 2009

FTE interest income decreased \$41.1 million, or 5.1%. A 23 basis point, or 4.4%, decrease in average rates resulted in a \$27.5 million decrease in interest income, while a \$119.5 million, or 0.8%, decrease in average interest-earning assets resulted in a \$13.7 million decrease in interest income.

Overall loan demand continued to be weak during 2010. The Corporation continued to manage risk by reducing its exposure in certain loan types, particularly construction loans. Increases resulting from new originations were offset by decreases due to repayments and charge-offs.

Commercial mortgages increased \$197.9 million, or 4.8%. Geographically, the increase in commercial mortgages was within the Corporation's Pennsylvania (\$127.8 million, or 5.9%), Maryland (\$31.3 million, or 8.8%), New Jersey (\$21.1 million, or 1.8%) and Virginia (\$17.6 million, or 5.4%) markets.

Residential mortgages increased \$39.7 million, or 4.2%, largely due to the Corporation's retention in portfolio of certain 10 and 15 year fixed rate mortgages and certain adjustable rate mortgages to partially mitigate the impact of decreases in average interest-earning assets.

Construction loans decreased \$222.6 million, or 20.0%, primarily due to efforts to decrease credit exposure in this portfolio as new loan originations decreased during 2010. In addition, \$66.4 million of charge-offs recorded in 2010 contributed to the decrease. Geographically, the decline was primarily in the Corporation's Maryland (\$91.6 million, or 31.2%), Virginia (\$65.8 million, or 23.6%) and New Jersey (\$62.4 million, or 28.6%) markets.

The average yield on loans during 2010 of 5.33% represented a 14 basis point, or 2.6%, decrease in comparison to 2009, despite the average prime rate remaining at 3.25% for both 2010 and 2009. The decrease in average yields on loans was attributable to repayments of higher-yielding loans and declining average rates on fixed and adjustable rate loans which, unlike floating rate loans, have a lagged repricing effect. In addition, approximately one-third of the floating rate portfolio is based on an index rate other than prime, such as the one-month LIBOR, which decreased on average from 2009 to 2010.

Average investments decreased \$237.8 million, or 7.6%, due largely to maturities of mortgage-backed securities, state and municipal securities and U.S. government sponsored agency securities, partially offset by an increase in collateralized mortgage obligations.

During 2010, the proceeds from the maturities and sales of securities were not fully reinvested into the portfolio because current rates on many investment options were not attractive. The average yield on investments decreased 37 basis points, or 8.2%, from 4.50% in 2009 to 4.13% in 2010, as the reinvestment of cash flows and purchases of taxable investment securities were at yields that were lower than the overall portfolio yield.

Other interest-earning assets increased \$171.6 million, or 807.5%, due to a lack of attractive investment alternatives. Interest expense decreased \$78.9 million, or 29.7%, to \$186.6 million in 2010 from \$265.5 million in 2009. Of this decrease, \$52.6 million resulted from a 58 basis point, or 27.4%, decrease in the average cost of total interest-bearing liabilities. The remainder of the decrease in interest expense, \$26.3 million, resulted from a \$392.1 million, or 3.1%, decrease in average interest-bearing liabilities.

Total demand and savings accounts increased \$1.2 billion, or 19.5%, which was consistent with industry trends as economic conditions have slowed spending and encouraged saving. Noninterest-bearing accounts increased \$256.9 million, or 13.9%, primarily due to a \$217.8 million, or 17.5%, increase in business account balances. Interest-bearing demand and savings accounts increased \$940.2 million, or 22.0%, which consisted of a \$468.6 million, or 17.8%, increase in personal account balances, a \$284.9 million, or 30.7%, increase in municipal account balances and a \$186.8 million, or 26.1%, increase in business account balances. Growth in business account balances was due, in part, to businesses being required to keep higher balances on hand to offset service fees, as well as a migration away from the Corporation's cash management products due to low interest rates. The increase in personal account balances was a result of a decrease in customer certificates of deposit as well as the Corporation's promotional efforts with a focus on building customer relationships.

Time deposits decreased \$490.4 million, or 8.9%, which consisted of a \$353.4 million, or 6.6%, decrease in customer certificates of deposits and a \$137.1 million, or 93.2%, decrease in brokered certificates of deposit. The decrease in customer certificates of deposit was in accounts with original maturity terms of less than one year of \$901.6 million, or 33.8%, partially offset by an increase in accounts with original maturity terms of greater than one year of \$586.4 million, or 34.4%. As noted above, the decrease in short-term customer certificates of deposit was largely due to customers migrating funds to interest-bearing savings and demand accounts. The growth in longer-term certificates of deposit was due to the Corporation's continuing focus on building customer relationships, while at the same time extending funding maturities at reasonable rates over a longer time horizon. The decrease in brokered certificates of deposit occurred because the significant growth in customer funding reduced the need for non-core funding alternatives.

The average cost of interest-bearing deposits decreased 66 basis points, or 35.7%, from 1.85% in 2009 to 1.19% in 2010, primarily due to the maturities of higher-rate certificates of deposit. The average cost of time deposits decreased 88 basis points, or 31.7%. During 2010, \$5.2 billion of time deposits matured at a weighted average rate of 1.69%, while \$4.9 billion of time deposits were issued at a weighted average rate of 1.11%.

Short-term customer funding, consisting of customer repurchase agreements and customer short-term promissory notes, decreased \$79.5 million, or 14.7%. The decrease in short-term customer funding resulted primarily from customers transferring funds from the cash management program to deposits due to the low interest rate environment. Federal funds purchased and Federal Reserve Bank borrowings decreased \$374.2 million, or 74.9%, due to increases in customer deposit accounts, combined with the decreases in investments and loans, the result of which was a reduced funding need for the Corporation. FHLB advances decreased \$386.4 million, or 29.1%, due to maturities, which were generally not replaced with new advances.

#### Provision and Allowance for Credit Losses

The Corporation accounts for the credit risk associated with lending activities through its allowance for credit losses and provision for credit losses. The provision is the expense recognized on the consolidated statements of income to adjust the allowance to its proper balance, as determined through the application of the Corporation's allowance methodology procedures. These procedures include the evaluation of the risk characteristics of the portfolio and documentation in accordance with the Securities and Exchange Commission's (SEC) Staff Accounting Bulletin No. 102, "Selected Loan Loss Allowance Methodology and Documentation Issues."

The Corporation's established methodology for evaluating the adequacy of the allowance for credit losses considers both components of the allowance: 1) specific allowances allocated to loans evaluated for impairment under the Financial Accounting Standards Board's Accounting Standards Codification (FASB ASC) Section 310-10-35; and 2) allowances calculated for pools of loans evaluated for impairment under FASB ASC Subtopic 450-20.

Effective April 1, 2011, the Corporation revised and enhanced its allowance for credit loss methodology. This change in methodology did not impact the total allowance for credit losses. See the "Critical Accounting Policies" section of Management's Discussion for a discussion of the Corporation's allowance for credit loss evaluation methodology.

The development of the Corporation's allowance for credit losses is based first on a segmentation of its loan portfolio by general loan type, or "portfolio segments." Certain portfolio segments are further disaggregated and evaluated for impairment based on "class

segments,” which are largely based on the type of collateral underlying each loan. For commercial loans, class segments include loans secured by collateral and unsecured loans. Construction loan class segments include loans secured by commercial real estate and loans secured by residential real estate. Consumer loan class segments are based on collateral types and include direct consumer installment loans and indirect automobile loans.

A summary of the Corporation’s loan loss experience follows:

	2011	2010	2009	2008	2007	
	(dollars in thousands)					
Loans, net of unearned income outstanding at end of year	\$ 11,968,970	\$ 11,933,307	\$ 11,972,424	\$ 12,042,620	\$ 11,204,424	
Daily average balance of loans, net of unearned income	\$ 11,904,529	\$ 11,958,435	\$ 11,975,899	\$ 11,595,243	\$ 10,736,566	
Balance of allowance for credit losses at beginning of year	\$ 275,498	\$ 257,553	\$ 180,137	\$ 112,209	\$ 106,884	
Loans charged off:						
Commercial – industrial, financial and agricultural	52,301	35,865	34,761	18,592	6,796	
Real estate – construction	38,613	66,412	44,909	14,891	—	
Real estate – residential mortgage	32,533	6,896	7,056	5,868	355	
Real estate – commercial mortgage	26,032	28,209	15,530	7,516	851	
Consumer and home equity	9,686	11,210	10,770	5,188	3,678	
Leasing and other	2,168	2,833	6,048	4,804	2,059	
Total loans charged off	161,333	151,425	119,074	56,859	13,739	
Recoveries of loans previously charged off:						
Commercial – industrial, financial and agricultural	2,521	4,536	1,679	1,795	1,664	
Real estate – construction	1,746	1,296	1,194	17	—	
Real estate – residential mortgage	325	9	150	143	144	
Real estate – commercial mortgage	1,967	1,008	536	286	34	
Consumer and home equity	1,431	1,540	1,678	1,487	1,246	
Leasing and other	1,022	981	1,233	1,433	913	
Total recoveries	9,012	9,370	6,470	5,161	4,001	
Net loans charged off	152,321	142,055	112,604	51,698	9,738	
Provision for credit losses	135,000	160,000	190,020	119,626	15,063	
Balance at end of year	\$ 258,177	\$ 275,498	\$ 257,553	\$ 180,137	\$ 112,209	
Components of Allowance for Credit Losses:						
Allowance for loan losses	\$ 256,471	\$ 274,271	\$ 256,698	\$ 173,946	\$ 107,547	
Reserve for unfunded lending commitments (1)	1,706	1,227	855	6,191	4,662	
Allowance for credit losses	\$ 258,177	\$ 275,498	\$ 257,553	\$ 180,137	\$ 112,209	
Selected Asset Quality Ratios:						
Net charge-offs to average loans	1.28	% 1.19	% 0.94	% 0.45	% 0.09	%
Allowance for loan losses to loans outstanding	2.14	% 2.30	% 2.14	% 1.44	% 0.96	%
Allowance for credit losses to loans outstanding	2.16	% 2.31	% 2.15	% 1.50	% 1.00	%
	1.94	% 2.22	% 1.83	% 1.35	% 0.76	%



Non-performing assets (2) to total assets						
Non-performing assets to total loans and Other Real Estate Owned (OREO)	2.64	% 3.02	% 2.54	% 1.82	% 1.08	%
Non-accrual loans to total loans	2.15	% 2.35	% 1.99	% 1.34	% 0.68	%
Allowance for credit losses to non-performing loans	90.11	% 83.80	% 91.42	% 91.38	% 105.93	%
Non-performing assets to tangible common shareholders' equity and allowance for credit losses	18.60	% 22.50	% 24.00	% 19.68	% 11.71	%

(1) Reserve for unfunded lending commitments recorded within other liabilities on the consolidated balance sheets.

(2) Includes accruing loans past due 90 days or more.

The Corporation's provision for credit losses for 2011 totaled \$135.0 million, a \$25.0 million, or 15.6%, decrease from the \$160.0 million provision for credit losses in 2010, as the level of non-performing assets decreased, leading to a decrease in additional allocation needs.

While the provision for credit losses decreased, net charge-offs increased as losses previously provided for were realized. This relationship between the provision for credit losses and net charge-offs is not unusual, since the recognition of losses through the provision generally occurs before such losses are realized through a charge-off against the allowance for credit losses. Net charge-

offs increased \$10.3 million, or 7.2%, to \$152.3 million in 2011 from \$142.1 million in 2010. The increase in net charge-offs was primarily due to increases in residential mortgage net charge-offs (\$25.3 million, or 367.7%) and commercial loan net charge-offs (\$18.5 million, or 58.9%), partially offset by declines in construction loan net charge-offs (\$28.2 million, or 43.4%), commercial mortgage net charge-offs (\$3.1 million, or 11.5%) and consumer and other net charge-offs (\$2.1 million, or 18.4%).

The increase in residential mortgage net charge-offs was largely due to the sale of \$34.7 million of non-performing residential mortgages and \$152,000 of non-performing home equity loans to an investor in December 2011. Below is a summary of the transaction (in thousands):

Recorded investment in loans sold	\$34,810
Proceeds from sale, net of selling expenses	17,420
Total charge-off	\$(17,390 )

Existing allocation for credit losses on sold loans	\$(12,360 )
---	-------------

Of the \$152.3 million of net charge-offs recorded in 2011, 28.6% were for loans originated by the Corporation's bank in New Jersey, 28.6% in Pennsylvania, 21.8% in Virginia and 18.4% in Maryland. During 2011, individual charge-offs of \$1.0 million or greater totaled approximately \$44 million, of which approximately \$21 million were for commercial loans, approximately \$16 million were for construction loans, approximately \$6 million were for commercial mortgages loans and \$1.3 million was for a residential mortgage. For 2010, individual charge-offs of \$1.0 million or greater totaled approximately \$76 million, of which approximately \$52 million were for construction loans, approximately \$12 million were for commercial mortgages loans, and approximately \$12 million were for commercial loans.

The following table presents activity in the allowance for loan losses, by portfolio segment, for the year ended December 31, 2011:

	Real Estate Commercial Mortgage	Commercial Industrial, Financial and Agricultural	Real Estate Home Equity	Real Estate Residential Mortgage	Real Estate - Construction	Consumer	Leasing and other and Overdrafts	Unallocated (1)	Total
	(in thousands)								
Balance at January 1, 2011	\$40,831	\$101,436	\$6,454	\$17,425	\$58,117	\$4,669	\$3,840	\$41,499	\$274,271
Loans charged off	(26,032 )	(52,301 )	(6,397 )	(32,533 )	(38,613 )	(3,289 )	(2,168 )	—	(161,333 )
Recoveries of loans previously charged off	1,967	2,521	63	325	1,746	1,368	1,022	—	9,012
Net loans charged off	(24,065 )	(49,780 )	(6,334 )	(32,208 )	(36,867 )	(1,921 )	(1,146 )	—	(152,321 )
Provision for loan losses (2)	45,463	36,628	9,031	29,873	33,587	2,411	647	(23,119 )	134,521
Impact of change in allowance methodology	22,883	(13,388 )	3,690	7,896	(24,771 )	(3,076 )	(944 )	7,710	—
Provision for loan losses, including impact of change in allowance methodology	68,346	23,240	12,721	37,769	8,816	(665 )	(297 )	(15,409 )	134,521
	\$85,112	\$74,896	\$12,841	\$22,986	\$30,066	\$2,083	\$2,397	\$26,090	\$256,471

Balance at  
December 31,  
2011

The Corporation's unallocated allowance, which was approximately 10% and 15% as of December 31, 2011 and (1) December 31, 2010, respectively, was reasonable and appropriate as the estimates used in the allocation process are inherently imprecise.

(2) Provision for loan losses is net of a \$479,000 decrease in provision applied to unfunded commitments for the year ended December 31, 2011. The total provision for credit losses, comprised of allocations for both funded and unfunded loans, was \$135.0 million for the year ended December 31, 2011.

During 2011, the \$134.5 million provision for loan losses, including the impact of the Corporation's change in methodology, was allocated 50.8% to commercial mortgages, 28.1% to residential mortgages, 17.3% to commercial mortgages, 9.5% to home equity loans and 6.6% to construction loans. Allocations of the provision for loan losses to these loan types were offset by a negative provision to reduce the unallocated allowance by \$15.4 million, due to the Corporation's new reserve methodology, including an enhanced qualitative process that has further quantified inherent risks that were historically covered by the unallocated allowance.

Changes in allocations by portfolio segment are driven by indications of credit quality deterioration. The Corporation's allowance for loan loss methodology segments commercial loans, commercial mortgages and certain construction loans 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.

Edgar Filing: FULTON FINANCIAL CORP - Form 10-K

The following table presents internal risk ratings for commercial loans, commercial mortgages and certain construction loans by class segment as of December 31:

	Pass		Special Mention		Substandard or Lower		Total		
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	
	(dollars in thousands)								
Real estate - commercial mortgage	\$4,099,103	\$3,776,714	\$160,935	\$306,926	\$342,558	\$292,340	\$4,602,596	\$4,375,980	
Commercial - secured	2,977,957	2,903,184	166,588	244,927	249,014	323,187	3,393,559	3,471,298	
Commercial - unsecured	230,962	211,298	6,066	14,177	8,781	7,611	245,809	233,086	
Total commercial - industrial, financial and agricultural	3,208,919	3,114,482	172,654	259,104	257,795	330,798	3,639,368	3,704,384	
Construction - commercial residential	175,706	251,159	50,854	84,774	126,378	156,966	352,938	492,899	
Construction - commercial	186,049	222,357	7,022	10,221	16,309	11,859	209,380	244,437	
Total real estate - construction (excluding Construction - other)	361,755	473,516	57,876	94,995	142,687	168,825	562,318	737,336	
Total	\$7,669,777	\$7,364,712	\$391,465	\$661,025	\$743,040	\$791,963	\$8,804,282	\$8,817,700	
% of Total	87.1	% 83.5	% 4.5	% 7.5	% 8.4	% 9.0	% 100.0	% 100.0	%

As of December 31, 2011, total loans with risk ratings of substandard or lower decreased \$48.9 million, or 6.2%, in comparison to 2010. This decrease was due to a \$73.0 million, or 22.1%, decrease in commercial loans rated substandard or lower and a \$26.1 million, or 15.5%, decrease in construction loans class segments rated substandard or lower, partially offset by a \$50.2 million, or 17.2%, increase in commercial mortgage loans rated substandard or lower.

Special mention risk rated loans decreased \$269.6 million, or 40.8%, and comprised 4.5% of total risk rated loans as of December 31, 2011, as compared to 7.5% in 2010. Pass risk rated loans increased \$305.1 million, or 4.1%, and accounted for 87.1% of total risk rated loans as of December 31, 2011. This improvement from 83.5% in 2010 contributed to the decrease in allowance allocations in 2011.

The following table presents a summary of delinquency status for home equity, residential mortgage, consumer, leasing and other and certain construction loans by class segment:

	Performing		Delinquent (1)		Non-performing (2)		Total	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
	(dollars in thousands)							
Real estate - home equity	\$1,601,722	\$1,619,684	\$11,633	\$11,905	\$11,207	\$10,188	\$1,624,562	\$1,641,777
	1,043,733	909,247	37,123	36,331	16,336	50,412	1,097,192	995,990

Real estate - residential mortgage									
Real estate - construction	49,593	60,956	2,341	—	1,193	2,893	53,127	63,849	
- other									
Consumer - direct	34,263	45,942	657	935	518	212	35,438	47,089	
Consumer - indirect	151,112	166,531	2,437	2,275	183	290	153,732	169,096	
Consumer - other	122,894	129,911	3,354	2,413	2,683	1,652	128,931	133,976	
Total consumer	308,269	342,384	6,448	5,623	3,384	2,154	318,101	350,161	
Leasing and other and overdrafts	70,550	63,087	1,049	516	107	227	71,706	63,830	
Total	\$3,073,867	\$2,995,358	\$58,594	\$54,375	\$32,227	\$65,874	\$3,164,688	\$3,115,607	
% of Total	97.1	% 96.2	% 1.9	% 1.7	% 1.0	% 2.1	% 100.0	% 100.0	%

(1)Includes all accruing loans 30 days to 89 days past due.

(2)Includes all accruing loans 90 days or more past due and all non-accrual loans.

As of December 31, 2011, non-performing loans in the above class segments decreased \$33.6 million, or 51.1%, due largely to the sale of non-performing residential mortgages in December 2011.

The following table summarizes loan delinquencies as a percentage of loans, by portfolio segment, as of December 31:

	2011			2010				
	31-89 Days	≥90 Days	Total	31-89 Days	≥90 Days	Total		
Real estate – commercial mortgage	0.56	% 2.47	% 3.03	% 0.56	% 2.14	% 2.70	%	
Commercial – industrial, financial and agricultural	0.41	2.23	2.64	0.36	2.36	2.72		
Real estate – home equity	0.72	0.69	1.41	0.73	0.62	1.35		
Real estate – residential mortgage	3.38	1.49	4.87	3.65	5.06	8.71		
Real estate – construction	1.55	9.87	11.42	0.91	10.56	11.47		
Consumer	2.03	1.06	3.09	1.61	0.61	2.22		
Leasing and other and overdrafts	1.46	0.15	1.61	0.81	0.35	1.16		
Total	0.89	% 2.39	% 3.28	% 0.83	% 2.76	% 3.59	%	

Total dollars (in thousands)      \$106,393      \$286,528      \$392,921      \$99,330      \$328,772      \$428,102

The following table presents the aggregate amount of non-accrual and past due loans and OREO:

December 31		
2011	2010	2009