SMITH & NEPHEW PLC
Form 6-K
May 17, 2007

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16
of the Securities Exchange Act of
1934

May 15, 2007

Commission File Number 001-14978

SMITH & NEPHEW plc
(Registrant's name)

15 Adam Street
London, England WC2N 6LA
(Address of registrant's principal executive offices)

[Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.]

Form 20-F X Form 40-F ___

[Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1).]

Yes ___ No X

[Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7).]

Yes ___ No X

[Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing information to the Commission pursuant to Rule 12g3-2 (b) under the Securities Exchange Act of 1934.]

Yes ___ No X

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2 (b) : 82- n/a.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Smith & Nephew plc
(Registrant)

Date: May 15, 2007

By: /s/ Paul Chambers

Paul Chambers
Company Secretary

NOTIFICATION OF TRANSACTIONS OF DIRECTORS, PERSONS DISCHARGING MANAGERIAL RESPONSIBILITY OR CONNECTED PERSONS

This form is intended for use by an issuer to make a RIS notification required by DR 3.1.4R(1).

(1) An issuer making a notification in respect of a transaction relating to the shares or debentures of the issuer should complete boxes 1 to 16, 23 and 24.
(2) An issuer making a notification in respect of a derivative relating the shares of the issuer should complete boxes 1 to 4, 6, 8,13, 14, 16, 23 and 24.
(3) An issuer making a notification in respect of options granted to a director/person discharging managerial responsibilities should complete boxes 1 to 3 and 17 to 24.
(4) An issuer making a notification in respect of a financial instrument relating to the shares of the issuer (other than a debenture) should complete boxes 1 to 4, 6, 8, 9, 11, 13, 14, 16, 23 and 24.

Please complete all relevant boxes should in block capital letters.

1. Name of the issuer

Smith & Nephew plc

2. State whether the notification relates to (i) a transaction notified in accordance with DR 3.1.4R(1)(a); or

(ii) DR 3.1.4(R)(1)(b) a disclosure made in accordance with section 324 (as extended by section 328) of the Companies Act 1985; or

(iii) both (i) and (ii)

(i)

3. Name of person discharging managerial responsibilities/director

Paul Williams...................................

4. State whether notification relates to a person connected with a person discharging managerial responsibilities/director named in 3 and identify the connected person

N/A...................................

5. Indicate whether the notification is in respect of a holding of the person referred to in 3 or 4 above or in respect of a non-beneficial interest

Paul Williams ....

6. Description of shares (including class), debentures or derivatives or financial instruments relating to shares

Ordinary shares of US 20 cents each..........................

7. Name of registered shareholders(s) and, if more than one, the number of shares held by each of them

Paul Williams ....

8 State the nature of the transaction

Acquisition of shares under Dividend Re-investment Plan.......................
....

9. Number of shares, debentures or financial instruments relating to shares acquired

171...................................

10. Percentage of issued class acquired (treasury shares of that class should not be taken into account when calculating percentage)

Less than 0.01%..........................

11. Number of shares, debentures or financial instruments relating to shares

disposed

....

12. Percentage of issued class disposed (treasury shares of that class should not be taken into account when calculating percentage)

....

13. Price per share or value of transaction

623.57 pence per share....................................

14. Date and place of transaction

11 May 2007....................................

15. Total holding following notification and total percentage holding following notification (any treasury shares should not be taken into account when calculating percentage)

63,503 ordinary shares of US 20 cents each. Less than 0.01%...................
....

16. Date issuer informed of transaction

14 May 2007....................................

If a person discharging managerial responsibilities has been granted options by the issuer complete the following boxes

17 Date of grant

18. Period during which or date on which it can be exercised

19. Total amount paid (if any) for grant of the option

20. Description of shares or debentures involved (class and number)

21. Exercise price (if fixed at time of grant) or indication that price is to be fixed at the time of exercise

22. Total number of shares or debentures over which options held following notification

23. Any additional information

24. Name of contact and telephone number for queries

Phil Higgins –Assistant Company Secretary – 020 7960 2228

Name and signature of duly authorised officer of issuer responsible for making notification

Phil Higgins – Assistant Company Secretary

Date of notification

15 May 2007

ing-right:2px;">

Non-accrual TDRs (1)
24,616

30,209

31,245

32,587

51,175

Total TDRs
$
92,237

$
98,320

$
116,753

$
98,762

$
118,984

(1) Included within non-accrual loans in the preceding table.

Total TDRs modified during 2014 and still outstanding as of December 31, 2014 totaled $16.4 million. Of these loans, $7.1 million, or 36.3%, had a payment default, which the Corporation defines as a single missed scheduled payment, subsequent to modification during 2014. Total TDRs modified during 2013 and still outstanding as of December 31, 2013 totaled $28.6 million. Of these loans, $9.8 million, or 34.3%, had a payment default subsequent to modification during 2013.

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The following table presents the changes in non-accrual loans for the years ended December 31:

	Commercial Industrial, Financial and Agricultural	Real Estate - Commercial Mortgage	Real Estate - Construction	Real Estate - Residential Mortgage	Real Estate - Home Equity	Consumer	Leasing	Total
	(in thousands)							
Balance of non-accrual loans at December 31, 2012	$65,695	$ 54,960	$ 31,426	$ 21,103	$ 11,625	$ 13	$ 10	$ 184,832
Additions	41,804	40,195	13,769	19,277	12,566	573	266	128,450
Payments	(31,336)	(32,236)	(14,195)	(3,222)	(3,453)	(4)	(35)	(84,481)
Charge-offs (1)	(29,754)	(20,412)	(6,572)	(9,612)	(6,289)	(575)	(241)	(73,455)
Transfers to OREO	(4,788)	(702)	(3,166)	(2,306)	(332)	—	—	(11,294)
Transfers to accrual status	(4,911)	(1,239)	(341)	(2,958)	(845)	(5)	—	(10,299)
Balance of non-accrual loans at December 31, 2013	36,710	40,566	20,921	22,282	13,272	2	—	133,753
Additions	38,578	31,509	4,627	10,125	10,406	2,331	803	98,379
Payments	(17,937)	(18,603)	(7,185)	(2,047)	(3,321)	(7)	—	(49,100)
Charge-offs (1)	(24,517)	(6,005)	(1,210)	(2,918)	(5,486)	(2,321)	(803)	(43,260)
Transfers to OREO	(763)	(2,976)	(805)	(4,329)	(2,199)	—	—	(11,072)
Transfers to accrual status	(2,302)	(54)	—	(3,070)	(2,189)	(5)	—	(7,620)
Balance of non-accrual loans at December 31, 2014	$29,769	$ 44,437	$ 16,348	$ 20,043	$ 10,483	$—	$—	$ 121,080

(1) Excludes charge-offs of loans on accrual status.

Non-accrual loans decreased $12.7 million, or 9.5%, in 2014 due mainly to a decrease in non-accrual loan additions from $128.5 million in 2013 to $98.4 million in 2014, while balances continued to be reduced through payments and charge-offs.

The following table presents non-performing loans, by type, as of the dates shown and the changes in non-performing loans for the most recent year:

	December 31					2014 vs. 2013 Increase (Decrease)	
	2014	2013	2012	2011	2010	$	%
	(dollars in thousands)						
Real estate – commercial mortgage	$45,237	$44,068	$57,120	$113,806	$93,720	$1,169	2.7 %
Commercial – industrial, financial and agricultural	30,388	38,021	66,954	80,944	87,455	(7,633)	(20.1)
Real estate – residential mortgage	28,995	31,347	34,436	16,336	50,412	(2,352)	(7.5)
Real estate – construction	16,399	21,267	32,005	60,744	84,616	(4,868)	(22.9)
Real estate – home equity	14,740	16,983	17,204	11,207	10,188	(2,243)	(13.2)
Consumer	2,590	2,543	3,315	3,384	2,154	47	1.8
Leasing	133	48	19	107	227	85	177.1
Total non-performing loans	$138,482	$154,277	$211,053	$286,528	$328,772	$(15,795)	(10.2)%

Non-performing commercial loans decreased $7.6 million, or 20.1%, in comparison to December 31, 2013. Geographically, the decrease primarily occurred in the Pennsylvania ($10.9 million, or 41.1%) market, partially offset by increases in the New Jersey ($2.6 million, or 41.0%), and Virginia ($1.1 million, or 52.3%) markets.
Non-performing residential mortgages decreased $2.4 million, or 7.5%, in comparison to December 31, 2013. Geographically, the decrease occurred primarily in the New Jersey ($2.2 million, or 29.2%) and Delaware ($969,000, or 43.6%) markets, partially offset by an increase in the Virginia ($1.2 million, or 15.2%) market.
Non-performing construction loans decreased $4.9 million, or 22.9%, in comparison to December 31, 2013. Geographically, the decrease occurred in the Pennsylvania ($1.8 million, or 15.8%), New Jersey ($1.7 million, or 37.4%) and Maryland ($1.2 million, or 28.1%) markets.

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The following table summarizes OREO, by property type, as of December 31:

	2014	2013
	(in thousands)	
Residential properties	$6,656	$7,052
Commercial properties	3,453	5,586
Undeveloped land	1,913	2,414
Total OREO	$12,022	$15,052

As noted under the heading "Critical Accounting Policies" within Management's Discussion, the Corporation's ability to identify potential problem loans in a timely manner is key to maintaining an adequate allowance for credit losses. For commercial loans, commercial mortgages and construction loans to commercial borrowers, an internal risk rating process is used to monitor credit quality. For a complete description of the Corporation's risk ratings, refer to the "Allowance for Credit Losses" section within Note A, "Summary of Significant Accounting Policies," in the Notes to Consolidated Financial Statements. The evaluation of credit risk for residential mortgages, home equity loans, construction loans to individuals, consumer loans and lease receivables is based on aggregate payment history, through the monitoring of delinquency levels and trends.

Total internally risk rated loans were $9.6 billion and $9.2 billion as of December 31, 2014 and 2013, respectively.

The following table presents internal risk ratings of special mention or lower for commercial loans, commercial mortgages and construction loans to commercial borrowers, by class segment, as of December 31:

	Special Mention		2014 vs. 2013 Increase (Decrease)		Substandard or Lower		2014 vs. 2013 Increase (Decrease)		Total Criticized Lo	
	2014	2013	$	%	2014	2013	$	%	2014	2013
	(dollars in thousands)									
Real estate - commercial mortgage	$127,302	$141,013	$(13,711)	(9.7)%	$170,837	$196,922	$(26,085)	(13.2)%	$298,139	$337,9
Commercial - secured	120,584	111,613	8,971	8.0	110,544	125,382	(14,838)	(11.8)	231,128	236,99
Commercial -unsecured	7,463	11,666	(4,203)	(36.0)	6,810	2,755	4,055	147.2	14,273	14,421
Total commercial - industrial, financial and agricultural	128,047	123,279	4,768	3.9	117,354	128,137	(10,783)	(8.4)	245,401	251,41
Construction - commercial residential	27,495	30,946	(3,451)	(11.2)	40,066	55,309	(15,243)	(27.6)	67,561	86,255
Construction - commercial	12,202	3,508	8,694	247.8	5,586	10,621	(5,035)	(47.4)	17,788	14,129
Total real estate - construction (excluding construction - other)	39,697	34,454	5,243	15.2	45,652	65,930	(20,278)	(30.8)	85,349	100,38
Total	$295,046	$298,746	$(3,700)	(1.2)%	$333,843	$390,989	$(57,146)	(14.6)%	$628,889	$689,7

% of total risk rated loans	3.1	%	3.2	%	3.5	%	4.2	%	6.6	%	7.4

As of December 31, 2014, total loans with risk ratings of substandard or lower were $57.1 million, or 14.6%, less than 2013, while special mention loans were $3.7 million, or 1.2%, lower. Overall reductions in criticized loans, while not the sole factor for measuring allocations on the above loan types, contributed to a decrease in allocations for impaired loans of $2.3 million, or 3.7%, in 2014.

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The following table presents a summary of delinquency status and rates, as a percentage of total loans, for loans that do not have internal risk ratings, by class segment, as of December 31:

	Delinquent (1)				Non-performing (2)				Total Past Due			
	2014		2013		2014		2013		2014		2013	
	$	%	$	%	$	%	$	%	$	%	$	%
	(dollars in thousands)											
Real estate - home equity	$10,931	0.63 %	$16,029	0.91%	$14,740	0.85%	$16,983	0.96%	$25,671	1.48%	$33,012	1.87%
Real estate - residential mortgage	26,934	1.96	23,279	1.74	28,995	2.10	31,347	2.34	55,929	4.06	54,626	4.08
Real estate - construction - other	—	—	—	—	332	0.56	548	0.80	332	0.56	548	0.80
Consumer - direct	2,891	2.64	3,586	2.70	2,414	2.21	2,391	1.81	5,305	4.85	5,977	4.51
Consumer - indirect	2,574	1.65	3,312	2.20	176	0.11	152	0.10	2,750	1.76	3,464	2.30
Total Consumer	5,465	2.06	6,898	2.44	2,590	0.97	2,543	0.89	8,055	3.03	9,441	3.33
Leasing and other and Overdrafts	523	0.44	581	0.62	133	0.11	48	0.05	656	0.55	629	0.67
Total	$43,853	1.23 %	$46,787	1.32%	$46,790	1.32%	$51,469	1.45%	$90,643	2.55%	$98,256	2.77%

(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, 2014, delinquency rates for the above class segments decreased, primarily due to a decrease in home equity delinquencies, partially offset by a slight increase in residential mortgages 30 to 89 days past due.

The following table summarizes the allocation of the allowance for loan losses:

	2014		2013		2012		2011		2010	
	Allowance	% of Loans In Each Category	Allowance	% of Loans In Each Category	Allowance	% of Loans In Each Category	Allowance	% of Loans In Each Category	Allowance	% of Loans In Each Category
	(dollars in thousands)									
Real estate - commercial mortgage	$53,493	39.6 %	$55,659	39.9 %	$62,928	38.4 %	$85,112	36.8 %	$40,831	36.8 %
Commercial - industrial, financial and agricultural	51,378	28.4	50,330	28.4	60,205	29.7	74,896	31.0	101,436	31.0
Real estate - residential mortgage	29,072	10.5	33,082	10.5	34,536	10.4	22,986	8.3	17,425	8.3

Consumer, home equity, leasing & other	33,085	16.2	34,852	16.7	27,895	16.7	17,321	17.2	14,963	17.2
Real estate - construction	9,756	5.3	12,649	4.5	17,287	4.8	30,066	6.7	58,117	6.7
Unallocated	7,360	N/A	16,208	N/A	21,052	N/A	26,090	N/A	41,499	N/A
	$184,144	100.0 %	$202,780	100.0 %	$223,903	100.0 %	$256,471	100.0 %	$274,271	100.0 %

N/A – Not applicable

Management believes that the $184.1 million allowance for loan losses as of December 31, 2014 is sufficient to cover incurred losses in the loan portfolio. See additional disclosures in Note A, "Summary of Significant Accounting Policies," and Note D, "Loans and Allowance for Credit Losses," in the Notes to Consolidated Financial Statements and "Critical Accounting Policies," in Management's Discussion.

Other Assets

Other assets increased $30.7 million, or 5.6%, to $569.7 million as of December 31, 2014. The increase resulted primarily from a $37.7 million increase in additional investments in partnerships that generate tax credits under various federal programs (Tax

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Credit Investments), and a $14.8 million increase increases in the fair value of commercial interest rate swaps. These increases were partially offset by a decrease in net deferred tax assets, mainly due to an unrealized gain on available for sale investment securities as of December 31, 2014 as compared to an unrealized loss as of December 31, 2013.
Deposits and Borrowings
The following table summarizes the increases in ending deposits, by type:

	2014	2013	Increase $	%
	(dollars in thousands)			
Noninterest-bearing demand	$3,640,623	$3,283,172	$357,451	10.9 %
Interest-bearing demand	3,150,612	2,945,210	205,402	7.0
Savings	3,504,820	3,344,882	159,938	4.8
Total demand and savings	10,296,055	9,573,264	722,791	7.6
Time deposits	3,071,451	2,917,922	153,529	5.3
Total deposits	$13,367,506	$12,491,186	$876,320	7.0 %

Non-interest bearing demand deposits increased $357.5 million, or 10.9%, primarily due to an increase in business account balances. Interest-bearing demand accounts increased $205.4 million, or 7.0%, due to a $110.9 million, or 10.2%, increase in municipal account balances and a $75.7 million, or 4.3%, increase in personal account balances.
The $159.9 million, or 4.8%, increase in savings account balances was due to a $98.1 million, or 20.5%, increase in municipal account balances and a $77.2 million, or 3.7%, increase in personal account balances, partially offset by a $15.4 million, or 2.0%, decrease in business account balances.
The $153.5 million, or 5.3%, increase in time deposits was in accounts with balances less than $100,000, with original maturity terms of four to five years, partially offset by a $32.5 million decrease in time deposits with balances of $100,000 or more.
The increase in personal interest-bearing demand and savings account balances resulted from a combination of factors, including the Corporation's promotional efforts, customers' migration away from certificates of deposit and increased savings by customers.
The following table summarizes the changes in ending borrowings, by type:

	2014	2013	Increase (Decrease) $	%
	(dollars in thousands)			
Short-term borrowings:				
Customer repurchase agreements	$158,394	$175,621	$(17,227)	(9.8)%
Customer short-term promissory notes	95,106	100,572	(5,466)	(5.4)
Total short-term customer funding	253,500	276,193	(22,693)	(8.2)
Federal funds purchased	6,219	582,436	(576,217)	(98.9)
Short-term FHLB Advances (1)	70,000	400,000	(330,000)	(82.5)
Total short-term borrowings	329,719	1,258,629	(928,910)	(73.8)
Long-term debt:				
FHLB Advances	673,107	513,854	159,253	31.0
Other long-term debt	466,306	369,730	96,576	26.1
Total long-term debt	1,139,413	883,584	255,829	29.0
Total borrowings	$1,469,132	$2,142,213	$(673,081)	(31.4)%

(1) Represents FHLB advances with an original maturity term of less than one year.
The $928.9 million decrease in total short-term borrowings was a result of the increase in deposits exceeding the increase in total loans, as well as the decrease in investment securities. The $159.3 million, or 31.0%, increase in FHLB advances was a result of a change in funding mix from short-term federal funds purchased and short-term FHLB advance to long-term FHLB advances. The $96.6 million, or 26.1%, increase in other long-term debt was the

result of the issuance of $100.0 million in subordinated debt in November 2014.

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Other Liabilities

Other liabilities increased $53.4 million, or 22.4%, to $291.5 million as of December 31, 2014. The increase was primarily due to a $17.5 million increase in commitments to Tax Credit Investments, a $14.8 million increase in the fair value of commercial interest rate swaps and an $11.2 million increase in accrued salaries and benefits due to an increase in the defined benefit pension plan obligation.

Shareholders’ Equity

Total shareholders’ equity decreased $66.5 million, or 3.2%, to $2.0 billion, or 11.7% of total assets, as of December 31, 2014. The decrease was due primarily to $175.3 million of common stock repurchases and $62.9 million of dividends on shares outstanding, partially offset by $157.9 million of net income and a $51.1 million net increase in after-tax unrealized holding gains on available for sale investment securities.

In October 2013, the Corporation announced that its board of directors had approved a share repurchase program pursuant to which the Corporation was authorized to repurchase up to 4.0 million shares, or approximately 2.1% of its outstanding shares, through March 2014. During the first quarter of 2014, the Corporation repurchased 4.0 million shares under this repurchase plan at an average cost of $12.45 per share, completing this repurchase program on February 19, 2014.

In May 2014, the Corporation announced that its board of directors had approved a share repurchase program pursuant to which the Corporation was authorized to repurchase up to 4.0 million shares, or approximately 2.1% of its outstanding shares, through December 31, 2014. During the third quarter of 2014, 4.0 million shares were repurchased by the Corporation at an average cost of $11.36 per share, completing this repurchase program on August 25, 2014.

In November 2014, the Corporation entered into an accelerated share repurchase agreement (ASR) with a third party to repurchase $100 million of shares of its common stock. Final settlement of the ASR is scheduled for no later than April 17, 2015, and may occur earlier at the option of the third party. For further discussion see Note N, "Shareholders' Equity," in the Notes to the Consolidated Financial Statements.

The Corporation and its subsidiary banks are subject to regulatory capital requirements administered by various banking regulators. Failure to meet minimum capital requirements can trigger certain actions by regulators that could have a material effect on the Corporation’s financial statements. The regulations require that banks maintain minimum amounts and ratios of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and Tier I capital to average assets (as defined). As of December 31, 2014, the Corporation and each of its bank subsidiaries met the minimum capital requirements. In addition, all of the Corporation’s bank subsidiaries’ capital ratios exceeded the amounts required to be considered "well capitalized" as defined in the regulations. See also Note K, "Regulatory Matters," in the Notes to Consolidated Financial Statements.

The following table summarizes the Corporation’s capital ratios in comparison to regulatory requirements at December 31:

	2014	2013	Regulatory Minimum for Capital Adequacy
Total capital (to risk weighted assets)	14.7%	15.0%	8.0%
Tier I capital (to risk weighted assets)	12.3%	13.1%	4.0%
Tier I capital (to average assets)	10.0%	10.6%	4.0%

In July 2013, the FRB approved final rules (the U.S. Basel III Capital Rules) establishing a new comprehensive capital framework for U.S. banking organizations and implementing the Basel Committee on Banking Supervision's December 2010 framework for strengthening international capital standards. The U.S. Basel III Capital Rules substantially revise the risk-based capital requirements applicable to bank holding companies and depository

institutions.

The new minimum regulatory capital requirements established by the U.S. Basel III Capital Rules became effective for the Corporation on January 1, 2015, and become fully phased in on January 1, 2019.

When fully phased in, the U.S. Basel III Capital Rules will require the Corporation and its bank subsidiaries to:

- Meet a new minimum Common Equity Tier 1 capital ratio of 4.50% of risk-weighted assets and a Tier 1 capital ratio of 6.00% of risk-weighted assets;

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- Continue to require the current minimum Total capital ratio of 8.00% of risk-weighted assets and the minimum Tier 1 leverage capital ratio of 4.00% of average assets;
- Maintain a "capital conservation buffer" of 2.50% above the minimum risk-based capital requirements, which must be maintained to avoid restrictions on capital distributions and certain discretionary bonus payments; and
- Comply with a revised definition of capital to improve the ability of regulatory capital instruments to absorb losses as a result of which certain non-qualifying capital instruments, including cumulative preferred stock and trust preferred securities, will be excluded as a component of Tier 1 capital for institutions of the Corporation's size.

The U.S. Basel III Capital Rules use a standardized approach for risk weightings that expand the risk-weightings for assets and off balance sheet exposures from the current 0%, 20%, 50% and 100% categories to a much larger and more risk-sensitive number of categories, depending on the nature of the assets and off-balance sheet exposures and resulting in higher risk weights for a variety of asset categories.

As of December 31, 2014 the Corporation believes its current capital levels would meet the fully-phased in minimum capital requirements, including capital conservation buffer, as prescribed in the U.S. Basel III Capital Rules.

Contractual Obligations and Off-Balance Sheet Arrangements

The Corporation has various financial obligations that require future cash payments. These obligations include the payment of liabilities recorded on the Corporation's consolidated balance sheet as well as contractual obligations for purchased services or for operating leases.

The following table summarizes the Corporation's significant contractual obligations to third parties, by type, that were fixed and determinable as of December 31, 2014:

	Payments Due In				
	One Year or Less	One to Three Years	Three to Five Years	Over Five Years	Total
	(in thousands)				
Deposits with no stated maturity (1)	$10,296,055	$—	$—	$—	$10,296,055
Time deposits (2)	1,592,986	792,382	609,283	76,800	3,071,451
Short-term borrowings (3)	329,719	—	—	—	329,719
Long-term debt (3)	184,950	550,717	127,007	276,739	1,139,413
Operating leases (4)	16,226	28,965	21,173	51,840	118,204
Purchase obligations (5)	16,519	19,823	4,870	—	41,212
Uncertain tax positions (6)	1,944	—	—	—	1,944

(1) Includes demand deposits and savings accounts, which can be withdrawn by customers at any time.
(2) See additional information regarding time deposits in Note H, "Deposits," in the Notes to Consolidated Financial Statements.
(3) See additional information regarding borrowings in Note I, "Short-Term Borrowings and Long-Term Debt," in the Notes to Consolidated Financial Statements.
(4) See additional information regarding operating leases in Note P, "Leases," in the Notes to Consolidated Financial Statements.
(5) Includes information technology, telecommunication and data processing outsourcing contracts.
(6) Includes accrued interest. See additional information related to uncertain tax positions in Note L, "Income Taxes," in the Notes to Consolidated Financial Statements.

In addition to the contractual obligations listed in the preceding table, the Corporation is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit, which involve, to varying degrees, elements of credit and interest rate risk that are not recognized on the consolidated balance sheet. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Standby letters of credit are conditional commitments issued to guarantee the financial or performance obligation of a customer to a third party. Commitments and standby letters of credit do not necessarily

represent future cash needs as they may expire without being drawn.

The following table presents the Corporation's commitments to extend credit and letters of credit as of December 31, 2014 (in thousands):

Commercial and other	$2,743,415
Home equity	1,294,205
Commercial mortgage and construction	351,444
Total commitments to extend credit	$4,389,064
Standby letters of credit	$382,465
Commercial letters of credit	32,304
Total letters of credit	$414,769

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the exposure to economic loss that arises from changes in the values of certain financial instruments. The types of market risk exposures generally faced by financial institutions include interest rate risk, equity market price risk, debt security market price risk, foreign currency price risk and commodity price risk. Due to the nature of its operations, only equity market price risk, debt security market price risk and interest rate risk are significant to the Corporation.

Equity Market Price Risk

Equity market price risk is the risk that changes in the values of equity investments could have a material impact on the financial position or results of operations of the Corporation. As of December 31, 2014, the Corporation's equity investments consisted of $41.8 million of common stocks of publicly traded financial institutions and $5.8 million of other equity investments.

The equity investments most susceptible to market price risk are the financial institutions stocks, which had a cost basis of $27.7 million and a fair value of $41.8 million as of December 31, 2014, including an investment in a single financial institution with a cost basis of $20.0 million and a fair value of $30.4 million. The fair value of this investment accounted for 72.7% of the fair value of the common stocks of publicly traded financial institutions. No other investment within the financial institutions stock portfolio exceeded 5% of the portfolio's fair value. In total, gross unrealized gains and gross unrealized losses in this portfolio were approximately $14.1 million and $5,000, respectively, as of December 31, 2014.

Management continuously monitors the fair value of its equity investments and evaluates current market conditions and operating results of the issuers. Periodic sale and purchase decisions are made based on this monitoring process. None of the Corporation's equity securities are classified as trading.

In addition to its equity portfolio, investment management and trust services income may be impacted by fluctuations in the equity markets. A portion of this revenue is based on the value of the underlying investment portfolios, many of which include equity investments. 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 would be negatively impacted. In addition, the Corporation's ability to sell its brokerage services in the future will be dependent, in part, upon consumers' level of confidence in financial markets.

Debt Security Market Price Risk

Debt security market price risk is the risk that changes in the values of debt securities, unrelated to interest rate changes, could have a material impact on the financial position or results of operations of the Corporation. The Corporation's debt security investments consist primarily of U.S. government sponsored agency issued mortgage-backed securities and collateralized mortgage obligations, state and municipal securities, U.S. government debt securities, auction rate securities and corporate debt securities. All of the Corporation's investments in mortgage-backed securities and collateralized mortgage obligations have principal payments that are guaranteed by U.S. government sponsored agencies.

Municipal Securities

As of December 31, 2014, the Corporation owned $245.2 million of municipal securities issued by various municipalities. Ongoing uncertainty with respect to the financial strength of municipal bond insurers places much greater emphasis on the underlying strength of issuers. Continued pressure on local tax revenues of issuers due to adverse economic conditions could have an adverse impact on the underlying credit quality of issuers. The Corporation evaluates existing and potential holdings primarily based on the creditworthiness of the issuing municipality and then, to a lesser extent, on any underlying credit enhancement. Municipal securities can be supported by the general obligation of the issuing municipality, allowing the securities to be repaid by any means available to the issuing municipality. As of December 31, 2014, approximately 95% of municipal securities were supported by the general obligation of corresponding municipalities. Approximately 88% of these securities were school district issuances, which are also supported by the states of the issuing municipalities.

Auction Rate Securities

As of December 31, 2014, the Corporation's investments in student loan auction rate securities, also known as auction rate certificates (ARCs), had a cost basis of $108.8 million and a fair value of $100.9 million.
ARCs are long-term securities that were structured to allow their sale in periodic auctions, resulting in both the treatment of ARCs as short-term instruments in normal market conditions and fair values that could be derived based on periodic auction prices. However, beginning in 2008, market auctions for these securities began to fail due to an insufficient number of buyers, resulting in an illiquid market. Therefore, as of December 31, 2014, the fair values of the ARCs currently in the portfolio were derived using significant unobservable inputs based on an expected cash flows model which produced fair values which were materially different from those that would be expected from settlement of these investments in the current market. The expected cash flows model,

prepared by a third-party valuation expert, produced fair values which assumed a return to market liquidity sometime within the next five years. The Corporation believes that the trusts underlying the ARCs will self-liquidate as student loans are repaid.

The credit quality of the underlying debt associated with the ARCs is also a factor in the determination of their estimated fair value. As of December 31, 2014, all of the ARCs were rated above investment grade, with approximately $5.4 million, or 5%, "AAA" rated and $95.5 million, or 95%, "AA" rated. All of the loans underlying the ARCs have principal payments which are guaranteed by the federal government. At December 31, 2014, all of the Corporation's ARCs were current and making scheduled interest payments.

During 2014, ARCs with a total book value of $51.2 million were redeemed at par and ARCs with a total book value of $11.9 million were sold, with no gain or loss upon sale. As of December 31, 2014, all ARCs were current and making scheduled interest payments. Based on management's evaluations, ARCs with a fair value of $100.9 million were not subject to any other-than-temporary impairment charges as of December 31, 2014. The Corporation does not have the intent to sell and does not believe it will more likely than not be required to sell these securities prior to a recovery of their fair value to amortized cost, which may be at maturity.

Corporate Debt Securities

The Corporation holds corporate debt securities in the form of pooled trust preferred securities, single-issuer trust preferred securities and subordinated debt issued by financial institutions, as presented in the following table as of December 31, 2014:

	Amortized Cost	Estimated Fair Value
	(in thousands)	
Single-issuer trust preferred securities	$47,569	$42,016
Subordinated debt	47,530	50,023
Pooled trust preferred securities	2,010	4,088
Corporate debt securities issued by financial institutions	$97,109	$96,127

The fair values for pooled trust preferred securities and certain single-issuer trust preferred securities were based on quotes provided by third-party brokers who determined fair values based predominantly on internal valuation models which were not indicative prices or binding offers.

The Corporation's investments in single-issuer trust preferred securities had an unrealized loss of $5.6 million as of December 31, 2014. The Corporation did not record any other-than-temporary impairment charges for single-issuer trust preferred securities in 2014, 2013 or 2012. Seven of the Corporation's 20 single-issuer trust preferred securities held were rated below investment grade by at least one ratings agency, with an amortized cost of $14.5 million and an estimated fair value of $12.4 million as of December 31, 2014. The majority of the single-issuer trust preferred securities rated below investment grade were rated "BB" or "Ba". Three single-issuer trust preferred securities with an amortized cost of $4.7 million and an estimated fair value of $3.8 million as of December 31, 2014 were not rated by any ratings agency.

As of December 31, 2014, all five of the Corporation's pooled trust preferred securities with a total amortized cost of $2.0 million and an estimated fair value of $4.1 million, were rated below investment grade by at least one ratings agency, with ratings ranging from "C" to "Ca". The class of securities held by the Corporation was below the most senior tranche, with the Corporation's interests being subordinate to other investors in the pool.

The amortized cost of pooled trust preferred securities is the purchase price of the securities, net of cumulative credit related other-than-temporary impairment charges, determined using an expected cash flow model. The most significant input to the expected cash flows model is the expected payment deferral rate for each pooled trust preferred security. The Corporation evaluates the financial metrics, such as capital ratios and non-performing asset ratios, of the individual financial institution issuers that comprise each pooled trust preferred security to estimate its expected deferral rate.

During 2014, the Corporation recorded $18,000 of other-than-temporary impairment charges for pooled trust preferred securities. Additional impairment charges for corporate debt securities issued by financial institutions may be necessary in the future depending upon the performance of the individual investments.
See Note C, "Investment Securities," in the Notes to Consolidated Financial Statements for further discussion related to the Corporation's other-than-temporary impairment evaluations for debt securities, and see Note R, "Fair Value Measurements," in the Notes to Consolidated Financial Statements for further discussion related to the fair values of debt securities.

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Interest Rate Risk, Asset/Liability Management and Liquidity
Interest rate risk creates exposure in two primary areas. First, changes in rates have an impact on the Corporation's liquidity position and could affect its ability to meet obligations and continue to grow. Second, movements in interest rates can create fluctuations in the Corporation's net interest income and changes in the economic value of its equity.
The Corporation employs various management techniques to minimize its exposure to interest rate risk. An Asset/Liability Management Committee (ALCO), consisting of key financial and senior management personnel, meets on a regular basis. The ALCO is responsible for reviewing the interest rate sensitivity and liquidity positions of the Corporation, approving asset and liability management policies, and overseeing the formulation and implementation of strategies regarding balance sheet positions.
From a liquidity standpoint, the Corporation must maintain a sufficient level of liquid assets to meet the cash needs of its customers, who, as depositors, may want to withdraw funds or who, as borrowers, need credit availability. Liquidity is provided on a continuous basis through scheduled and unscheduled principal and interest payments on outstanding loans and investments and through the availability of deposits and borrowings. The Corporation also maintains secondary sources that provide liquidity on a secured and unsecured basis to meet short-term and long-term needs.
The consolidated statements of cash flows provide details related to the sources and uses of cash. The Corporation generated $210.4 million in cash from operating activities during 2014, mainly due to net income, as adjusted for non-cash charges, including the provision for credit losses and depreciation and amortization. Investing activities resulted in a net cash outflow of $275.5 million in 2014 due mainly to a net increase in loans, a decrease in short-term investments and purchases of securities, partially offset by proceeds from maturities of securities. Financing activities resulted in a net cash outflow of $47.8 million in 2014 due to a net decrease in short-term borrowings and outflows related to the acquisition of treasury stock and dividends paid to shareholders, partially offset by cash inflows from increases in demand and savings deposits, time deposits and long-term debt.
Liquidity must also be managed at the Fulton Financial Corporation parent company level. For safety and soundness reasons, banking regulations limit the amount of cash that can be transferred from subsidiary banks to the parent company in the form of loans and dividends. Generally, these limitations are based on the subsidiary banks' regulatory capital levels and their net income. The Corporation meets its cash needs mainly through dividends from subsidiary banks. Secondary sources of liquidity include loans from subsidiary banks and external borrowings. Management continuously monitors liquidity and capital needs and will implement appropriate strategies, as necessary, to meet regulatory and business requirements.
As of December 31, 2014, liquid assets (defined as cash and due from banks, short-term investments, deposits in other financial institutions, Federal funds sold, loans held for sale and securities available for sale) totaled $2.9 billion, or 16.8% of total assets, as compared to $3.1 billion, or 18.1% of total assets, as of December 31, 2013.
The following table presents the expected maturities of available for sale investment securities, at estimated fair value, as of December 31, 2014 and the weighted average yields of such securities (calculated based on historical cost):

	Maturing							
	Within One Year		After One But Within Five Years		After Five But Within Ten Years		After Ten Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	(dollars in thousands)							
U.S. Government securities	$200	0.12 %	$—	— %	$—	— %	$—	— %
U.S. Government sponsored agency securities	4	0.63	57	1.49	10	1.26	143	3.06
State and municipal (1)	15,629	4.97	37,303	5.68	169,354	5.31	22,929	7.20
ARCs (2)	—	—	—	—	—	—	100,941	1.66
Corporate debt securities	1,018	6.86	42,782	4.33	6,323	3.70	47,911	2.62
Total	$16,851	5.02 %	$80,142	4.96 %	$175,687	5.26 %	$171,924	2.60 %
	$902,313	1.91 %						

Collateralized mortgage obligations (3)		
Mortgage-backed securities (3)	$928,831	2.48 %

(1) Weighted average yields on tax-exempt securities have been computed on a fully taxable-equivalent basis assuming a tax rate of 35% and statutory interest expense disallowances.

(2) Maturities of ARCs are based on contractual maturities.

(3) Maturities for mortgage-backed securities and collateralized mortgage obligations are dependent upon the interest rate environment and prepayments on the underlying loans. For the purpose of this table, all balances and weighted average rates are shown in one period. As of December 31, 2014, the weighted average remaining lives of collateralized mortgage obligations and mortgage-backed securities were four and five years, respectively.

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The Corporation's investment portfolio consists mainly of mortgage-backed securities and collateralized mortgage obligations which have stated maturities that may differ from actual maturities due to borrowers' ability to prepay obligations. Cash flows from such investments are dependent upon the performance of the underlying mortgage loans and are generally influenced by the level of interest rates. As rates increase, cash flows generally decrease as prepayments on the underlying mortgage loans decrease. As rates decrease, cash flows generally increase as prepayments increase.

The following table presents the approximate contractual maturity and interest rate sensitivity of certain loan types subject to changes in interest rates as of December 31, 2014:

	One Year or Less	One Through Five Years	More Than Five Years	Total
	(in thousands)			
Commercial, financial and agricultural:				
Adjustable and floating rate	$953,886	$1,680,947	$468,107	$3,102,940
Fixed rate	228,867	251,182	142,578	622,627
Total	$1,182,753	$1,932,129	$610,685	$3,725,567
Real estate – mortgage (1):				
Adjustable and floating rate	$1,168,533	$3,093,396	$2,072,034	$6,333,963
Fixed rate	458,956	1,065,751	452,241	1,976,948
Total	$1,627,489	$4,159,147	$2,524,275	$8,310,911
Real estate – construction:				
Adjustable and floating rate	$185,815	$195,112	$183,583	$564,510
Fixed rate	66,444	27,052	32,595	126,091
Total	$252,259	$222,164	$216,178	$690,601

(1) Includes commercial mortgages, residential mortgages and home equity loans.

Contractual maturities of time deposits of $100,000 or more outstanding as of December 31, 2014 were as follows (in thousands):

Three months or less	$176,128
Over three through six months	143,441
Over six through twelve months	322,708
Over twelve months	605,960
Total	$1,248,237

The Corporation maintains liquidity sources in the form of demand and savings deposits, time deposits, repurchase agreements and short-term promissory notes. Additional liquidity can generally be obtained from these sources, if necessary, by increasing interest rates. The positive impact to liquidity resulting from higher interest rates could have a detrimental impact on the net interest margin and net income if rates on interest-earning assets do not have a corresponding increase.

Borrowing availability with the FHLB and Federal Reserve Bank, along with Federal funds lines at various correspondent banks, provides the Corporation with additional liquidity.

Each of the Corporation's subsidiary banks is a member of the FHLB and has access to FHLB overnight and term credit facilities. As of December 31, 2014, the Corporation had $673.1 million of term advances outstanding from the FHLB with an additional borrowing capacity of approximately $2.6 billion under these facilities. Advances from the FHLB are secured by FHLB stock, qualifying residential mortgages, investments and other assets.

As of December 31, 2014, the Corporation had aggregate availability under Federal funds lines of $1.2 billion, with $6.2 million of that amount outstanding. A combination of commercial real estate loans, commercial loans and securities are pledged to the Federal Reserve Bank of Philadelphia to provide access to Federal Reserve Bank Discount Window borrowings. As of December 31, 2014 and 2013, the Corporation had $1.1 billion and $2.0 billion, respectively, of collateralized borrowing availability at the Discount Window, and no outstanding borrowings. The $900.0 million decrease in availability at the Discount Window was primarily the result of certain pledged loans that were shifted from the Federal Reserve Bank to be used as collateral with the Federal Home Loan Bank of Pittsburgh in order to optimize the Corporation's borrowing capacity.

The following table provides information about the Corporation's interest rate sensitive financial instruments as of December 31, 2014. The table presents expected cash flows and weighted average rates for each of the Corporation’s significant interest rate sensitive financial instruments, by expected maturity period. None of the Corporation's financial instruments are classified as trading. All dollars amounts are in thousands.

	Expected Maturity Period							Estim
	2015	2016	2017	2018	2019	Beyond	Total	Fair V
Fixed rate loans (1)	$986,066	$497,696	$360,687	$368,169	$209,002	$646,177	$3,067,797	$3,05
Average rate	3.80 %	4.38 %	4.32 %	4.60 %	4.54 %	3.87 %	4.12 %	
Floating rate loans (1) (2)	2,313,130	1,506,899	1,227,062	1,057,203	1,359,071	2,576,533	10,039,898	9,975
Average rate	3.80 %	3.92 %	3.93 %	3.92 %	3.82 %	3.91 %	3.88 %	
Fixed rate investments (3)	359,025	320,657	282,801	224,078	188,874	744,167	2,119,602	2,129
Average rate	2.80 %	2.78 %	2.78 %	2.61 %	2.58 %	2.76 %	2.74 %	
Floating rate investments (3)	4	4,969	113,720	32	23	40,582	159,330	146,5
Average rate	0.63 %	0.94 %	2.00 %	2.04 %	1.47 %	1.44 %	1.83 %	
Other interest-earning assets	375,652	—	—	—	—	64,953	440,605	440,6
Average rate	0.40 %	—	—	—	—	4.49 %	1.01 %	
Total	$4,033,877	$2,330,221	$1,984,270	$1,649,482	$1,756,970	$4,072,412	$15,827,232	$15,7
Average rate	3.40 %	3.86 %	3.72 %	3.90 %	3.77 %	3.68 %	3.67 %	
Fixed rate deposits (4)	$1,356,322	$448,515	$351,761	$115,882	$424,705	$22,001	$2,719,186	$2,73
Average rate	0.71 %	1.03 %	1.33 %	1.66 %	2.13 %	1.85 %	1.11 %	
Floating rate deposits (5)	4,896,773	815,596	458,211	380,987	318,055	138,075	7,007,697	6,990
Average rate	0.15 %	0.11 %	0.10 %	0.09 %	0.09 %	0.13 %	0.14 %	
Fixed rate borrowings (6)	186,334	236,722	315,566	593	125,330	258,373	1,122,918	1,136
Average rate	3.67 %	4.00 %	4.85 %	4.67 %	1.85 %	5.59 %	4.31 %	
Floating rate borrowings (7)	329,718	—	—	—	—	16,496	346,214	335,8
Average rate	0.13 %	—	—	—	—	2.39 %	0.24 %	
Total	$6,769,147	$1,500,833	$1,125,538	$497,462	$868,090	$434,945	$11,196,015	$11,1
Average rate	0.36 %	1.00 %	1.82 %	0.46 %	1.34 %	3.55 %	0.80 %	

(1) Amounts are based on contractual payments and maturities, adjusted for expected prepayments. Excludes $4.0 million of overdraft balances.

(2) Line of credit amounts are based on historical cash flow assumptions, with an average life of approximately 5 years.

(3) Amounts are based on contractual maturities; adjusted for expected prepayments on mortgage-backed securities and collateralized mortgage obligations and
expected calls on agency and municipal securities. Excludes equity securities, as such investments do not have maturity dates.

(4) Amounts are based on contractual maturities of time deposits.

(5) Estimated based on history of deposit flows.
(6) Amounts are based on contractual maturities of debt instruments, adjusted for possible calls. Amounts also include junior subordinated deferrable interest
debentures.
(7) Amounts include Federal funds purchased, short-term promissory notes and securities sold under agreements to repurchase, which mature in less than 90 days,
in addition to junior subordinated deferrable interest debentures.

The preceding table and discussion addressed the liquidity implications of interest rate risk and focused on expected cash flows from financial instruments. Expected maturities, however, do not necessarily reflect the net interest income impact of interest rate changes. Certain financial instruments, such as adjustable rate loans, have repricing periods that differ from expected cash flow periods.

Included within the $10.0 billion of floating rate loans above are $3.5 billion of loans, or 35.0% of the total, that float with the prime interest rate, $2.0 billion, or 19.9%, of loans which float with other interest rates, primarily the London Interbank Offered Rate (LIBOR), and $4.5 billion, or 45.1%, of adjustable rate loans. The $4.5 billion of adjustable rate loans include loans that are fixed rate instruments for a certain period of time, and then convert to floating rates.

The following table presents the percentage of adjustable rate loans, as of December 31, 2014, stratified by the period until their next repricing:

Fixed Rate Term	Percent of Total Adjustable Rate Loans
One year	30.6%
Two years	18.3
Three years	15.8
Four years	16.0
Five years	10.4
Greater than five years	8.9

The Corporation uses two complementary methods to measure and manage interest rate risk. They are simulation of net interest income and estimates of economic value of equity. Using these measurements in tandem provides a reasonably comprehensive summary of the magnitude of the Corporation's interest rate risk, level of risk as time evolves, and exposure to changes in interest rates.

Simulation of net interest income is performed for the next twelve-month period. A variety of interest rate scenarios are used to measure the effects of sudden and gradual movements upward and downward in the yield curve. These results are compared to the results obtained in a flat or unchanged interest rate scenario. Simulation of net interest income is used primarily to measure the Corporation’s short-term earnings exposure to rate movements. The Corporation’s policy limits the potential exposure of net interest income, in a non-parallel instantaneous shock, to 10% of the base case net interest income for a 100 basis point shock in interest rates, 15% for a 200 basis point shock and 20% for a 300 basis point shock. A "shock" is an immediate upward or downward movement of interest rates. The shocks do not take into account changes in customer behavior that could result in changes to mix and/or volumes in the balance sheet, nor do they account for competitive pricing over the forward 12-month period.

The following table summarizes the expected impact of abrupt interest rate changes on net interest income (due to the current level of interest rates, the 200 and 300 basis point downward shock scenarios are not shown):

Rate Shock (1)	Annual change in net interest income	% Change in net interest income
+300 bp	+ $70.6 million	+ 14.5%
+200 bp	+ $44.9 million	+ 9.2%
+100 bp	+ $19.0 million	+ 3.9%
–100 bp	– $19.4 million	– 4.0%

(1) These results include the effect of implicit and explicit floors that limit further reduction in interest rates.

Economic value of equity estimates the discounted present value of asset cash flows and liability cash flows. Discount rates are based upon market prices for like assets and liabilities. Abrupt changes or "shocks" in interest rates, both upward and downward shocks of interest rates are used to determine the comparative effect of such interest rate movements relative to the unchanged environment. This measurement tool is used primarily to evaluate the longer-term repricing risks and options in the Corporation’s balance sheet. The Corporation's policy limits the economic value of equity that may be at risk, in a non-parallel instantaneous shock, to 10% of the base case economic value of equity for a 100 basis point shock in interest rates, 20% for a 200 basis point shock and 30% for a 300 basis point shock. As of December 31, 2014, the Corporation was within economic value of equity policy limits for every 100 basis point shock.

Item 8. Financial Statements and Supplementary Data

CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except per-share data)

	December 31	
	2014	2013
Assets		
Cash and due from banks	$105,702	$218,540
Interest-bearing deposits with other banks	358,130	163,988
Federal Reserve Bank and Federal Home Loan Bank stock	64,953	84,173
Loans held for sale	17,522	21,351
Available for sale investment securities	2,323,371	2,568,434
Loans, net of unearned income	13,111,716	12,782,220
Allowance for loan losses	(184,144)	(202,780)
Net Loans	12,927,572	12,579,440
Premises and equipment	226,027	226,021
Accrued interest receivable	41,818	44,037
Goodwill and intangible assets	531,803	533,076
Other assets	527,869	495,574
Total Assets	$17,124,767	$16,934,634
Liabilities		
Deposits:		
Noninterest-bearing	$3,640,623	$3,283,172
Interest-bearing	9,726,883	9,208,014
Total Deposits	13,367,506	12,491,186
Short-term borrowings:		
Federal funds purchased	6,219	582,436
Other short-term borrowings	323,500	676,193
Total Short-Term Borrowings	329,719	1,258,629
Accrued interest payable	18,045	15,218
Other liabilities	273,419	222,830
Federal Home Loan Bank advances and long-term debt	1,139,413	883,584
Total Liabilities	15,128,102	14,871,447
Shareholders' Equity		
Common stock, $2.50 par value, 600 million shares authorized, 218.2 million shares issued in 2014 and 217.8 million shares issued in 2013	545,555	544,568
Additional paid-in capital	1,420,523	1,432,974
Retained earnings	558,810	463,843
Accumulated other comprehensive loss	(17,722)	(37,341)
Treasury stock, 39.3 million shares in 2014 and 25.2 million shares in 2013	(510,501)	(340,857)
Total Shareholders' Equity	1,996,665	2,063,187
Total Liabilities and Shareholders' Equity	$17,124,767	$16,934,634

See Notes to Consolidated Financial Statements

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CONSOLIDATED STATEMENTS OF INCOME
(dollars in thousands, except per-share data)

	2014	2013	2012
Interest Income			
Loans, including fees	$530,308	$540,667	$564,616
Investment securities:			
Taxable	50,651	54,321	67,349
Tax-exempt	8,977	9,475	10,362
Dividends	1,338	1,411	1,275
Loans held for sale	786	1,551	2,064
Other interest income	4,018	2,264	1,830
Total Interest Income	596,078	609,689	647,496
Interest Expense			
Deposits	35,110	36,770	56,895
Short-term borrowings	1,608	2,420	1,068
Long-term debt	44,493	43,305	45,205
Total Interest Expense	81,211	82,495	103,168
Net Interest Income	514,867	527,194	544,328
Provision for credit losses	12,500	40,500	94,000
Net Interest Income After Provision for Credit Losses	502,367	486,694	450,328
Non-Interest Income			
Service charges on deposit accounts	49,293	55,470	61,502
Investment management and trust services	44,605	41,706	38,239
Other service charges and fees	39,896	36,957	44,345
Mortgage banking income	17,107	30,656	44,600
Gain on sale of Global Exchange	—	—	6,215
Other	14,437	14,871	18,485
Investment securities gains, net:			
Other-than-temporary impairment losses	(122)	(202)	(1,107)
Less: Portion of loss recognized in other comprehensive loss (before taxes)	92	78	298
Net other-than-temporary impairment losses	(30)	(124)	(809)
Net gains on sales of investment securities	2,071	8,128	3,835
Investment securities gains, net	2,041	8,004	3,026
Total Non-Interest Income	167,379	187,664	216,412
Non-Interest Expense			
Salaries and employee benefits	251,021	253,240	243,915
Net occupancy expense	48,130	46,944	44,663
Other outside services	28,404	18,856	17,752
Data processing	17,162	16,555	14,936
Equipment expense	13,567	15,419	14,243
Software	12,758	11,560	9,520
Professional fees	12,097	13,150	11,522
FDIC insurance expense	10,958	11,605	11,996
Supplies and postage	9,795	10,210	9,516
Marketing	8,133	7,705	8,240
Telecommunications	6,870	7,362	6,884
Operating risk loss	4,271	9,290	9,454
Other real estate owned and repossession expense	3,270	7,364	11,182

Intangible amortization	1,259	2,438	3,031
FHLB advances prepayment penalty	—	—	3,007
Other	31,551	29,735	29,433
Total Non-Interest Expense	459,246	461,433	449,294
Income Before Income Taxes	210,500	212,925	217,446
Income taxes	52,606	51,085	57,601
Net Income	$157,894	$161,840	$159,845
Per Share:			
Net Income (Basic)	$0.85	$0.84	$0.80
Net Income (Diluted)	0.84	0.83	0.80
Cash Dividends	0.34	0.32	0.30

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)

	2014	2013	2012
Net Income	$157,894	$161,840	$159,845
Other Comprehensive Income (Loss), net of tax:			
Unrealized gain (loss) on securities	33,734	(49,607)	1,569
Reclassification adjustment for securities gains included in net income	(1,327)	(5,203)	(1,967)
Reclassification adjustment for postretirement plan curtailment gain included in net income	(944)	—	—
Non-credit related unrealized gain on other-than-temporarily impaired debt securities	780	1,977	1,330
Unrealized gain on derivative financial instruments	136	136	136
Unrecognized pension and postretirement (cost) income	(13,168)	8,369	(4,207)
Amortization of net unrecognized pension and postretirement income	408	1,312	859
Other Comprehensive Income (Loss)	19,619	(43,016)	(2,280)
Total Comprehensive Income	$177,513	$118,824	$157,565

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands, except per share data)

	Common Stock						
	Shares Outstanding	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance at December 31, 2011	200,164	$540,386	$1,423,727	$264,059	$ 7,955	$(243,588)	$1,992,539
Net income				159,845			159,845
Other comprehensive loss					(2,280)		(2,280)
Stock issued, including related tax benefits	1,176	1,707	(2,294)			7,631	7,044
Stock-based compensation awards			4,834				4,834
Acquisition of treasury stock	(2,115)					(20,359)	(20,359)
Common stock cash dividends - $0.30 per share				(59,967)			(59,967)
Balance at December 31, 2012	199,225	$542,093	$1,426,267	$363,937	$ 5,675	$(256,316)	$2,081,656
Net income				161,840			161,840
Other comprehensive loss					(43,016)		(43,016)
Stock issued, including related tax benefits	1,427	2,475	1,377			6,386	10,238
Stock-based compensation awards			5,330				5,330
Acquisition of treasury stock	(8,000)					(90,927)	(90,927)
Common stock cash dividends - $0.32 per share				(61,934)			(61,934)
Balance at December 31, 2013	192,652	$544,568	$1,432,974	$463,843	$ (37,341)	$(340,857)	$2,063,187
Net income				157,894			157,894
Other comprehensive income					19,619		19,619
Stock issued, including related tax benefits	781	987	1,684			5,611	8,282
Stock-based compensation awards			5,865				5,865
Acquisition of treasury stock	(14,509)					(175,255)	(175,255)
Deferred accelerated stock repurchase			(20,000)				(20,000)
Common stock cash dividends - $0.34 per share				(62,927)			(62,927)

Balance at December 31, 2014	178,924	$545,555	$1,420,523	$558,810	$ (17,722)	$(510,501)	$1,996,665

See Notes to Consolidated Financial Statements

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CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income	$157,894	$161,840	$159,845
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for credit losses	12,500	40,500	94,000
Depreciation and amortization of premises and equipment	24,555	25,911	22,575
Net amortization of investment security premiums	5,120	10,002	12,151
Deferred income tax expense	18,523	11,825	17,007
Investment securities gains, net	(2,041)	(8,004)	(3,026)
Gains on sales of mortgage loans	(10,063)	(24,609)	(46,310)
Proceeds from sales of mortgage loans held for sale	654,654	1,424,896	1,825,562
Originations of mortgage loans held for sale	(640,762)	(1,353,739)	(1,800,142)
Amortization of intangible assets	1,259	2,438	3,031
Gain on sale of Global Exchange	—	—	(6,215)
Stock-based compensation	5,865	5,330	4,834
Excess tax benefits from stock-based compensation	(81)	(302)	(39)
Decrease in accrued interest receivable	2,219	1,749	5,312
(Increase) decrease in other assets	(8,803)	37,236	15,791
Increase (decrease) in accrued interest payable	2,827	(4,112)	(6,356)
Decrease in other liabilities	(13,294)	(29,344)	(3,508)
Total adjustments	52,478	139,777	134,667
Net cash provided by operating activities	210,372	301,617	294,512
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sales of securities available for sale	32,227	267,126	244,702
Proceeds from maturities of securities available for sale	417,559	637,851	878,375
Purchase of securities available for sale	(164,769)	(776,352)	(1,127,394)
(Increase) decrease in short-term investments	(174,922)	(3,202)	12,853
Net cash received from sale of Global Exchange	—	—	11,834
Net increase in loans	(360,982)	(699,961)	(302,486)
Net purchases of premises and equipment	(24,561)	(24,209)	(38,024)
Net cash used in investing activities	(275,448)	(598,747)	(320,140)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase in demand and savings deposits	722,791	472,439	579,759
Net increase (decrease) in time deposits	153,529	(465,416)	(630,612)
(Decrease) increase in short-term borrowings	(928,910)	390,230	271,366
Additions to long-term debt	262,113	—	5,700
Repayments of long-term debt	(6,284)	(10,669)	(151,596)
Net proceeds from issuance of common stock	8,201	9,936	7,005
Excess tax benefits from stock-based compensation	81	302	39
Dividends paid	(64,028)	(46,525)	(71,972)
Acquisition of treasury stock	(175,255)	(90,927)	(20,359)
Deferred accelerated stock repurchase payment	(20,000)	—	—
Net cash (used in) provided by financing activities	(47,762)	259,370	(10,670)
Net Decrease in Cash and Due From Banks	(112,838)	(37,760)	(36,298)
Cash and Due From Banks at Beginning of Year	218,540	256,300	292,598

Cash and Due From Banks at End of Year	$105,702	$218,540	$256,300
Supplemental Disclosures of Cash Flow Information			
Cash paid during period for:			
Interest	$78,384	$86,607	$109,524
Income taxes	16,778	32,605	30,985

See Notes to Consolidated Financial Statements

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business: Fulton Financial Corporation (Parent Company) is a multi-bank financial holding company which provides a full range of banking and financial services to businesses and consumers through its six wholly owned banking subsidiaries: Fulton Bank, N.A., Fulton Bank of New Jersey, The Columbia Bank, Lafayette Ambassador Bank, FNB Bank, N.A. and Swineford National Bank. In addition, the Parent Company owns the following non-bank subsidiaries: Fulton Reinsurance Company, LTD, Fulton Financial Realty Company, Central Pennsylvania Financial Corp., FFC Management, Inc., FFC Penn Square, Inc. and Fulton Insurance Services Group, Inc. Collectively, the Parent Company and its subsidiaries are referred to as the Corporation.
The Corporation’s primary sources of revenue are interest income on loans and investment securities and fee income on its products and services. Its expenses consist of interest expense on deposits and borrowed funds, provision for credit losses, other operating expenses and income taxes. The Corporation’s primary competition is other financial services providers operating in its region. Competitors also include financial services providers located outside the Corporation’s geographical market as a result of the growth in electronic delivery systems. The Corporation is subject to the regulations of certain Federal and state agencies and undergoes periodic examinations by such regulatory authorities.
The Corporation offers, through its banking subsidiaries, a full range of retail and commercial banking services in Pennsylvania, Delaware, Maryland, New Jersey and Virginia. Industry diversity is the key to the economic well-being of these markets, and the Corporation is not dependent upon any single customer or industry.
Basis of Financial Statement Presentation: The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States (U.S. GAAP) and include the accounts of the Parent Company and all wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated. The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosed amount of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. The Corporation evaluates subsequent events through the date of the filing of this report with the Securities and Exchange Commission (SEC).

Federal Reserve Bank and Federal Home Loan Bank Stock: Certain of the Corporation's wholly owned banking subsidiaries are members of the Federal Reserve Bank and Federal Home Loan Bank and are required by federal law to hold stock in these institutions according to predetermined formulas. These restricted investments are carried at cost on the consolidated balance sheets and are periodically evaluated for impairment. Each of the Corporation’s subsidiary banks is a member of the Federal Home Loan Bank for the region encompassing the headquarters of the subsidiary bank. Memberships are maintained with the Atlanta, New York and Pittsburgh regional Federal Home Loan Banks (collectively referred to as the FHLB).

Investments: Debt securities are classified as held to maturity at the time of purchase when the Corporation has both the intent and ability to hold these investments until they mature. Such debt securities are carried at cost, adjusted for amortization of premiums and accretion of discounts using the effective yield method. The Corporation does not engage in trading activities, however, since the investment portfolio serves as a source of liquidity, all debt securities and marketable equity securities are classified as available for sale. Securities available for sale are carried at estimated fair value with the related unrealized holding gains and losses reported in shareholders’ equity as a component of other comprehensive income, net of tax. Realized securities gains and losses are computed using the specific identification method and are recorded on a trade date basis.
Securities are evaluated periodically to determine whether declines in value are other-than-temporary. For its investments in equity securities, most notably its investments in stocks of financial institutions, the Corporation

evaluates the near-term prospects of the issuers in relation to the severity and duration of the impairment. Equity securities with fair values less than cost are considered to be other-than-temporarily impaired if the Corporation does not have the ability and intent to hold the investments for a reasonable period of time that would be sufficient for a recovery of fair value.

Impaired debt securities are determined to be other-than-temporarily impaired if the Corporation concludes at the balance sheet date that it has the intent to sell, or believes it will more likely than not be required to sell, an impaired debt security before a recovery of its amortized cost basis. Credit losses on other-than-temporarily impaired debt securities are recorded through earnings, regardless of the intent or the requirement to sell. Credit loss is measured as the difference between the present value of an impaired debt security's expected cash flows and its amortized cost. Non-credit related other-than-temporary impairment charges are recorded

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as decreases to accumulated other comprehensive income as long as the Corporation has no intent or expected requirement to sell the impaired debt security before a recovery of its amortized cost basis.

Fair Value Option: As permitted under FASB ASC Subtopic 825-10, the Corporation has elected to measure mortgage loans held for sale at fair value. Derivative financial instruments related to mortgage banking activities are also recorded at fair value, as detailed under the heading "Derivative Financial Instruments" below. The Corporation determines fair value for its mortgage loans held for sale based on the price that secondary market investors would pay for loans with similar characteristics, including interest rate and term, as of the date fair value is measured. Changes in fair values during the period are recorded as components of mortgage banking income on the consolidated statements of income. Interest income earned on mortgage loans held for sale is classified within interest income on the consolidated statements of income.

Loans and Revenue Recognition: Loan and lease financing receivables are stated at their principal amount outstanding, except for mortgage loans held for sale, which are carried at fair value, as detailed above. Interest income on loans is accrued as earned. Unearned income on lease financing receivables is recognized on a basis which approximates the effective yield method. Premiums and discounts on purchased loans are amortized as adjustments to interest income using the effective yield method.

In general, a loan is placed on non-accrual status once it becomes 90 days delinquent as to principal or interest. In certain cases a loan may be placed on non-accrual status prior to being 90 days delinquent if there is an indication that the borrower is having difficulty making payments, or the Corporation believes it is probable that all amounts will not be collected according to the contractual terms of the loan agreement. When interest accruals are discontinued, unpaid interest previously credited to income is reversed. Non-accrual loans may be restored to accrual status when all delinquent principal and interest has been paid currently for six consecutive months or the loan is considered secured and in the process of collection. The Corporation generally applies payments received on non-accruing loans to principal until such time as the principal is paid off, after which time any payments received are recognized as interest income. If the Corporation believes that all amounts outstanding on a non-accrual loan will ultimately be collected, payments received subsequent to its classification as a non-accrual loan are allocated between interest income and principal.

A loan that is 90 days delinquent may continue to accrue interest if the loan is both adequately secured and is in the process of collection. Past due status is determined based on contractual due dates for loan payments. An adequately secured loan is one that has collateral with a supported fair value that is sufficient to discharge the debt, and/or has an enforceable guarantee from a financially responsible party. A loan is considered to be in the process of collection if collection is proceeding through legal action or through other activities that are reasonably expected to result in repayment of the debt or restoration to current status in the near future.

Loans and lease financing receivables deemed to be a loss are written off through a charge against the allowance for loan losses. Closed-end consumer loans are generally charged off when they become 120 days past due (180 days for open-end consumer loans) if they are not adequately secured by real estate. All other loans are evaluated for possible charge-off when it is probable that the balance will not be collected, based on the ability of the borrower to pay and the value of the underlying collateral. Principal recoveries of loans previously charged off are recorded as increases to the allowance for loan losses.

Loan Origination Fees and Costs: Loan origination fees and the related direct origination costs are deferred and amortized over the life of the loan as an adjustment to interest income generally using the effective yield method. For mortgage loans sold, net loan origination fees and costs are included in the gain or loss on sale of the related loan.

Troubled Debt Restructurings (TDRs): Loans whose terms are modified are classified as TDRs if the Corporation grants the borrowers concessions and it is determined that those borrowers are experiencing financial difficulty. Concessions granted under a TDR typically involve a temporary deferral of scheduled loan payments, an extension of a loan's stated maturity date or a reduction in the interest rate. Non-accrual TDRs can be restored to accrual status if principal and interest payments, under the modified terms, are current for six consecutive months after modification.

Allowance for Credit Losses: The allowance for credit losses consists of the allowance for loan losses and the reserve for unfunded lending commitments. The allowance for loan losses represents management's estimate of incurred losses in the loan portfolio as of the balance sheet date and is recorded as a reduction to loans. The reserve for unfunded lending commitments represents management's estimate of incurred losses in its unfunded loan commitments and is recorded in other liabilities on the consolidated balance sheets. The allowance for credit losses is increased by charges to expense, through the provision for credit losses, and decreased by charge-offs, net of recoveries. Management believes that the allowance for loan losses and the reserve for unfunded lending commitments are adequate as of the balance sheet date; however, future changes to the allowance or reserve may be necessary based on changes in any of the factors discussed in the following paragraphs.

Maintaining an adequate allowance for credit losses is dependent upon various factors, including the ability to identify potential problem loans in a timely manner. For commercial loans, commercial mortgages and construction loans to commercial borrowers,

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an internal risk rating process is used. The risk rating process allows management to identify riskier credits in a timely manner and to allocate resources to managing troubled assets. The Corporation believes that internal risk ratings are the most relevant credit quality indicator for these types of loans. The migration of loans through the various internal risk rating categories is a significant component of the allowance for credit loss methodology for these loans, which bases the probability of default on this migration. Assigning risk ratings involves judgment. Risk ratings are initially assigned to loans by loan officers and are reviewed on a regular basis by credit administration staff. The Corporation's loan review officers provide a separate assessment of risk rating accuracy. Ratings may be changed based on the ongoing monitoring procedures performed by loan officers or credit administration staff, or if specific loan review assessments identify a deterioration or an improvement in the loan.

The following is a summary of the Corporation's internal risk rating categories:

- Pass: These loans do not currently pose undue credit risk and can range from the highest to average quality, depending on the degree of potential risk.
- Special Mention: These loans constitute an undue and unwarranted credit risk, but not to the point of justifying a classification of substandard. Loans in this category are currently acceptable, but are nevertheless potentially weak.
- Substandard or Lower: These loans are inadequately protected by current sound worth and paying capacity of the borrower. There exists a well-defined weakness or weaknesses that jeopardize the normal repayment of the debt.

The Corporation does not assign internal risk ratings for smaller balance, homogeneous loans, such as: home equity, residential mortgage, consumer, lease receivables and construction loans to individuals secured by residential real estate. For these loans, the most relevant credit quality indicator is delinquency status. The migration of loans through the various delinquency status categories is a significant component of the allowance for credit loss methodology for these loans, which bases the probability of default on this migration.

The Corporation’s allowance for loan losses includes: 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 measured for impairment under FASB ASC Subtopic 450-20.

A loan is considered to be impaired if it is probable that all amounts will not be collected according to the contractual terms of the loan agreement. Impaired loans consist of all loans on non-accrual status and accruing TDRs. An allowance for loan losses is established for an impaired loan if its carrying value exceeds its estimated fair value. Impaired loans to borrowers with total outstanding commitments greater than or equal to $1.0 million are evaluated individually for impairment. Impaired loans to borrowers with total outstanding commitments less than $1.0 million are pooled and measured for impairment collectively.

All loans evaluated for impairment under FASB ASC Section 310-10-35 are measured for losses on a quarterly basis. As of December 31, 2014 and 2013, substantially all of the Corporation’s impaired loans to borrowers with total outstanding loan balances greater than or equal to $1.0 million were measured based on the estimated fair value of each loan’s collateral. Collateral could be in the form of real estate, in the case of impaired commercial mortgages and construction loans, or business assets, such as accounts receivable or inventory, in the case of commercial and industrial loans. Commercial and industrial loans may also be secured by real property.

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

As of December 31, 2014 and 2013, approximately 81% and 79%, respectively, of impaired loans with principal balances greater than or equal to $1.0 million, whose primary collateral is real estate, were measured at estimated fair value using state certified third-party appraisals that had been updated within the preceding 12 months.
When updated appraisals are not obtained for loans evaluated for impairment under FASB ASC Section 310-10-35 that are secured by real estate, fair values are estimated based on the original appraisal values, as long as the original appraisal indicated a strong loan-to-value position and, in the opinion of the Corporation's internal credit administration staff, there has not been a significant deterioration in the collateral value since the original appraisal was performed. Original appraisals are typically used only when

the estimated collateral value, as adjusted appropriately for the age of the appraisal, results in a current loan-to-value ratio that is lower than the Corporation's loan-to-value requirements for new loans, generally less than 70%.
For impaired loans with principal balances greater than or equal to $1.0 million secured by non-real estate collateral, such as accounts receivable or inventory, estimated fair values are determined based on borrower financial statements, inventory listings, accounts receivable agings or borrowing base certificates. Indications of value from these sources are generally discounted based on the age of the financial information or the quality of the assets. Liquidation or collection discounts are applied to these assets based upon existing loan evaluation policies.
All loans not evaluated for impairment under FASB ASC Section 310-10-35 are evaluated for impairment under FASB ASC Subtopic 450-20, using a pooled loss evaluation approach. In general, these loans include residential mortgages, home equity loans, consumer loans, and lease receivables. Accruing commercial loans, commercial mortgages and construction loans are also evaluated for impairment under FASB ASC Subtopic 450-20.
The Corporation segments its loan portfolio by general loan type, or "portfolio segments," as presented in the table under the heading, "Loans, net of unearned income," within Note D, "Loans and Allowance for Credit Losses." Certain portfolio segments are further disaggregated and evaluated collectively for impairment based on "class segments," which are largely based on the type of collateral underlying each loan. For commercial loans, class segments include loans secured by collateral and unsecured loans. Construction loan class segments include loans secured by commercial real estate, loans to commercial borrowers secured by residential real estate and loans to individuals secured by residential real estate. Consumer loan class segments are based on collateral types and include direct consumer installment loans and indirect automobile loans.

The Corporation calculates allowance allocation needs for loans measured under FASB ASC Subtopic 450-20 through the following procedures:

- The loans are segmented into pools with similar characteristics, as noted above. Commercial loans, commercial mortgages and construction loans to commercial borrowers are further segmented into separate pools based on internally assigned risk ratings. Residential mortgages, home equity loans, consumer loans, and lease receivables are further segmented into separate pools based on delinquency status.

- A loss rate is calculated for each pool through a migration analysis of historical losses as loans migrate through the various risk rating or delinquency categories. Estimated loss rates are based on a probability of default and a loss given default.

- The loss rate is adjusted to consider qualitative factors, such as economic conditions and trends.

- The resulting adjusted loss rate is applied to the balance of the loans in the pool to arrive at the allowance allocation for the pool.

The allocation of the allowance for credit losses is reviewed to evaluate its appropriateness in relation to the overall risk profile of the loan portfolio. The Corporation considers risk factors such as: local and national economic conditions; trends in delinquencies and non-accrual loans; the diversity of borrower industry types; and the composition of the portfolio by loan type. An unallocated allowance is maintained for factors and conditions that exist at the balance sheet date, but are not specifically identifiable, and to recognize the inherent imprecision in estimating and measuring loss exposure.
Premises and Equipment: Premises and equipment are stated at cost, less accumulated depreciation and amortization. The provision for depreciation and amortization is generally computed using the straight-line method over the estimated useful lives of the related assets, which are a maximum of 50 years for buildings and improvements, 8 years for furniture and 5 years for equipment. Leasehold improvements are amortized over the shorter of the useful life or the non-cancelable lease term. Interest costs incurred during the construction of major bank premises are capitalized.

Other Real Estate Owned: Assets acquired in settlement of mortgage loan indebtedness are recorded as other real estate owned (OREO) and are included in other assets on the consolidated balance sheets, initially at the lower of the estimated fair value of the asset less estimated selling costs or the carrying amount of the loan. Costs to maintain the assets and subsequent gains and losses on sales are included in OREO and repossession expense on the consolidated statements of income.

Mortgage Servicing Rights: The estimated fair value of mortgage servicing rights (MSRs) related to residential mortgage loans sold and serviced by the Corporation is recorded as an asset upon the sale of such loans. MSRs are amortized as a reduction to servicing income over the estimated lives of the underlying loans.

MSRs are stratified and evaluated for impairment by comparing each stratum's carrying amount to its estimated fair value. Fair values are determined through a discounted cash flows valuation completed by a third-party valuation expert. Significant inputs

to the valuation include expected net servicing income, the discount rate and the expected lives of the underlying loans. Expected life is based on the contractual terms of the loans, as adjusted for prepayment projections. To the extent the amortized cost of the MSRs exceeds their estimated fair value, a valuation allowance is established through a charge against servicing income, included as a component of mortgage banking income on the consolidated statements of income. If subsequent valuations indicate that impairment no longer exists, the valuation allowance is reduced through an increase to servicing income.
Derivative Financial Instruments: The Corporation manages its exposure to certain interest rate and foreign currency risks through the use of derivatives. None of the Corporation's outstanding derivative contracts are designated as hedges and none are entered into for speculative purposes. Derivative instruments are carried at fair value, with changes in fair values recognized in earnings as components of non-interest income or non-interest expense on the consolidated statements of income.

Derivative contracts create counterparty credit risk with both the Corporation's customers and with institutional derivative counterparties. The Corporation manages counterparty credit risk through its credit approval processes, monitoring procedures and obtaining adequate collateral, when the Corporation determines it is appropriate to do so and in accordance with counterparty contracts.

Mortgage Banking Derivatives
In connection with its mortgage banking activities, the Corporation enters into commitments to originate certain fixed-rate residential mortgage loans for customers, also referred to as interest rate locks. In addition, the Corporation enters into forward commitments for the future sales or purchases of mortgage-backed securities to or from third-party counterparties to hedge the effect of changes in interest rates on the values of both the interest rate locks and mortgage loans held for sale. Forward sales commitments may also be in the form of commitments to sell individual mortgage loans at a fixed price at a future date. The amount necessary to settle each interest rate lock is based on the price that secondary market investors would pay for loans with similar characteristics, including interest rate and term, as of the date fair value is measured. Gross derivative assets and liabilities are recorded within other assets and other liabilities, respectively, on the consolidated balance sheets, with changes in fair values during the period recorded within mortgage banking income on the consolidated statements of income.

Interest Rate Swaps
The Corporation enters into interest rate swaps with certain qualifying commercial loan customers to meet their interest rate risk management needs. The Corporation simultaneously enters into interest rate swaps with dealer counterparties, with identical notional amounts and terms. The net result of these interest rate swaps is that the customer pays a fixed rate of interest and the Corporation receives a floating rate. These interest rate swaps are derivative financial instruments that are recorded at their fair value within other assets and liabilities on the consolidated balance sheets. Changes in fair value during the period are recorded within other non-interest expense on the consolidated statements of income.

Foreign Exchange Contracts
The Corporation enters into foreign exchange contracts to accommodate the needs of its customers. Foreign exchange contracts are commitments to buy or sell foreign currency on a future date at a contractual price. The Corporation offsets its foreign exchange contract exposure with customers by entering into contracts with third-party correspondent financial institutions to mitigate its exposure to fluctuations in foreign currency exchange rates. The Corporation also holds certain amounts of foreign currency with international correspondent banks. The Corporation's policy limits the total net foreign currency open positions, which includes all outstanding contracts and foreign account balances, to $500,000. Gross derivative assets and liabilities are recorded within other assets and other liabilities, respectively, on the consolidated balance sheets, with changes in fair values during the period recorded within other service charges and fees on the consolidated statements of income.

Balance Sheet Offsetting: Although certain financial assets and liabilities may be eligible for offset on the consolidated balance sheets as they are subject to master netting arrangements or similar agreements, the Corporation elects to not offset such qualifying assets and liabilities.

The Corporation is a party to interest rate swap transactions with financial institution counterparties and customers. Under these agreements, the Corporation has the right to net settle multiple contracts with the same counterparty in the event of default on, or termination of, any one contract. Cash collateral is posted by the party with a net liability position in accordance with contract thresholds and can be used to settle the fair value of the interest rate swap agreements in the event of default.

The Corporation also enters into agreements with customers in which it sells securities subject to an obligation to repurchase the same or similar securities, referred to as repurchase agreements. Under these agreements, the Corporation may transfer legal control over the assets but still maintain effective control through agreements that both entitle and obligate the Corporation to repurchase the assets. Therefore, repurchase agreements are reported as secured borrowings, classified within short-term borrowings on the consolidated balance sheets, while the securities underlying the repurchase agreements remain classified with

investment securities on the consolidated balance sheets. The Corporation has no intention of setting off these amounts, therefore, these repurchase agreements are not eligible for offset.

Income Taxes: The provision for income taxes is based upon income before income taxes, adjusted primarily for the effect of tax-exempt income, non-deductible expenses and credits received from investments in partnerships that generate such credits under various federal programs (Tax Credit Investments). Certain items of income and expense are reported in different periods for financial reporting and tax return purposes resulting in temporary net income differences between financial reporting and tax returns. The tax effects of these temporary differences are recognized currently in the deferred income tax provision or benefit. Deferred tax assets or liabilities are computed based on the difference between the financial statement and income tax bases of assets and liabilities using the applicable enacted marginal tax rate. The deferred income tax provision or benefit is based on the changes in the deferred tax asset or liability from period to period.

The Corporation accounts for uncertain tax positions by applying a recognition threshold and measurement attribute for tax positions taken or expected to be taken on a tax return. Recognition and measurement of tax positions is based on management’s evaluations of relevant tax code and appropriate industry information about audit proceedings for comparable positions at other organizations. Virtually all of the Corporation’s unrecognized tax benefits relate to positions that are taken on an annual basis on state tax returns. Increases to unrecognized tax benefits will occur as a result of accruing for the nonrecognition of the position for the current year. Decreases will occur as a result of the lapsing of the statute of limitations or through settlements of positions with the tax authorities.

Stock-Based Compensation: The Corporation grants equity awards to employees, consisting of stock options, restricted stock, restricted stock units (RSUs) and performance based restricted stock units (PSUs) under its Amended and Restated Equity and Cash Incentive Compensation Plan (Employee Equity Plan). In addition, employees may purchase stock under the Corporation’s Employee Stock Purchase Plan (ESPP).

The Corporation also grants stock equity awards to non-employee members of its board of directors under the 2011 Directors’ Equity Participation Plan (Directors’ Plan). Under the Directors’ Plan, the Corporation can grant equity awards to non-employee holding company and subsidiary bank directors in the form of stock options, restricted stock or common stock.

Stock option fair values are estimated through the use of the Black-Scholes valuation methodology as of the date of grant. Stock options carry terms of up to ten years. Restricted stock, RSUs and a majority of PSUs are based on the trading price of the Corporation's stock on the date of grant and earn dividends during the vesting period, which are forfeitable if the awards do not vest. The fair value of certain PSUs are estimated through the use of the Monte Carlo valuation methodology as of the date of grant.

Equity awards issued under the Employee Equity Plan are generally granted annually and become fully vested over or after a three-year vesting period. The vesting period for non-performance based awards represents the period during which employees are required to provide service in exchange for such awards. Equity awards under the Directors' Plan generally vest immediately upon grant. Certain events, as defined in the Employee Equity Plan and the Directors' Plan, result in the acceleration of the vesting of equity awards.

The fair value of stock options, restricted stock and RSUs granted to employees is recognized as compensation expense over the vesting period for such awards. Compensation expense for PSUs is also recognized over the vesting period, however, compensation expense for PSUs may vary based on the expectations for actual performance relative to defined performance measures.

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

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

	2014	2013	2012
	(in thousands)		
Weighted average common shares outstanding (basic)	186,219	193,334	199,067
Impact of common stock equivalents	962	1,020	972
Weighted average common shares outstanding (diluted)	187,181	194,354	200,039

In 2014, 2013 and 2012, 2.8 million, 3.6 million and 5.2 million stock options, respectively, were excluded from the diluted earnings per share computation as their effect would have been anti-dilutive.

Disclosures about Segments of an Enterprise and Related Information: The Corporation does not have any operating segments which require disclosure of additional information. While the Corporation owns six separate banks, each engages in similar activities, provides similar products and services, and operates in the same general geographical area. The Corporation’s non-banking activities are immaterial and, therefore, separate information has not been disclosed.

Financial Guarantees: Financial guarantees, which consist primarily of standby and commercial letters of credit, are accounted for by recognizing a liability equal to the fair value of the guarantees and crediting the liability to income over the term of the guarantee. Fair value is estimated based on the fees currently charged to enter into similar agreements with similar terms.

Business Combinations and Intangible Assets: The Corporation accounts for its acquisitions using the purchase accounting method. Purchase accounting requires that all assets acquired and liabilities assumed, including certain intangible assets that must be recognized, be recorded at their estimated fair values as of the acquisition date. Any purchase price exceeding the fair value of net assets acquired is recorded as goodwill.

Goodwill is not amortized to expense, but is tested for impairment at least annually. A quantitative annual impairment test is not required if, based on a qualitative analysis, the Corporation determines that the existence of events and circumstances indicate that it is more likely than not that goodwill is not impaired. Write-downs of the balance, if necessary as a result of the impairment test, are charged to expense in the period in which goodwill is determined to be impaired. The Corporation performs its annual test of goodwill impairment as of October 31st of each year. If certain events occur which indicate goodwill might be impaired between annual tests, goodwill must be tested when such events occur. Based on the results of its annual impairment test, the Corporation concluded that there was no impairment in 2014, 2013 or 2012. See Note F, "Goodwill and Intangible Assets," for additional details.

Intangible assets are amortized over their estimated lives. Some intangible assets have indefinite lives and are, therefore, not amortized. All intangible assets must be evaluated for impairment if certain events occur. Any impairment write-downs are recognized as expense on the consolidated statements of income.

Variable Interest Entities: FASB ASC Topic 810 provides guidance on when to consolidate certain Variable Interest Entities(VIE’s) in the financial statements of the Corporation. VIE’s are entities in which equity investors do not have a controlling financial interest or do not have sufficient equity at risk for the entity to finance activities without additional financial support from other parties. VIEs are assessed for consolidation under ASC Topic 810 when the Corporation holds variable interests in these entities. The Corporation consolidates VIEs when it is deemed to be the primary beneficiary. The primary beneficiary of a VIE is determined to be the party that has the power to make decisions that most significantly affect the economic performance of the VIE and has the obligation to absorb losses or the right to receive benefits that in either case could potentially be significant to the VIE.

The Parent Company owns all of the common stock of four subsidiary trusts, which have issued securities (Trust Preferred Securities) in conjunction with the Parent Company issuing junior subordinated deferrable interest debentures to the trusts. The terms of the junior subordinated deferrable interest debentures are the same as the terms of the Trust Preferred Securities. The Parent Company’s obligations under the debentures constitute a full and unconditional guarantee by the Parent Company of the obligations of the trusts. The provisions of FASB ASC Topic

810 related to subsidiary trusts, as interpreted by the SEC, disallow consolidation of subsidiary trusts in the financial statements of the Corporation. As a result, Trust Preferred Securities are not included on the Corporation's consolidated balance sheets. The junior subordinated debentures issued by the Parent Company to the subsidiary trusts, which have the same total balance and rate as the combined equity securities and Trust Preferred Securities issued by the subsidiary trusts, remain in long-term debt. See Note I, "Short-Term Borrowings and Long-Term Debt," for additional information.

The Corporation has made certain Tax Credit Investments under various Federal programs that promote investment in low and moderate income housing and local economic development. Tax Credit Investments are amortized under the effective yield method over the life of the Federal income tax credits generated as a result of such investments, generally seven to ten years. As of

December 31, 2014 and 2013, the Corporation's Tax Credit Investments, included in other assets on the consolidated balance sheets, totaled $155.6 million and $129.2 million, respectively. The net income tax benefit associated with these investments, which consists of the amortization of the investments, net of tax benefits, and the income tax credits earned on the investments, and is recorded in income taxes on the consolidated income statements, was $10.4 million, $10.3 million and $9.6 million in 2014, 2013 and 2012, respectively. None of the Corporation's Tax Credit Investments were consolidated based on FASB ASC Topic 810 as of December 31, 2014 or 2013.
Fair Value Measurements: FASB ASC Topic 820 establishes a fair value hierarchy for the inputs to valuation techniques used to measure assets and liabilities at fair value using the following three categories (from highest to lowest priority):

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

The Corporation has categorized all assets and liabilities required to be measured at fair value on both a recurring and nonrecurring basis into the above three levels. See Note R, "Fair Value Measurements," for additional details.

New Accounting Standards: In April 2014, the FASB issued ASC Update 2014-08, "Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity." ASC Update 2014-08 changes the criteria for reporting discontinued operations, including a change in the definition of what constitutes the disposal of a component and additional disclosure requirements. For public business entities, ASC Update 2014-08 is effective for disposals that occur within annual periods beginning after December 15, 2014. For the Corporation, this standards update is effective with its March 31, 2015 quarterly report on Form 10-Q. The adoption of ASC Update 2014-08 is not expected to have a material impact on the Corporation's consolidated financial statements.

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

In June 2014, the FASB issued ASC Update 2014-11, "Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures." In addition to new disclosure requirements, ASC Update 2014-11 requires that all repurchase-to-maturity transactions be accounted for as secured borrowings rather than as sales of financial assets. Also, all transfers of financial assets executed contemporaneously with a repurchase agreement with the same counterparty must be accounted for separately, the result of which would be the treatment of such transactions as secured borrowings. For public business entities, ASC Update 2014-11 is effective for interim and annual reporting periods beginning after December 15, 2014. For the Corporation, this standards update is effective with its March 31, 2015 quarterly report on Form 10-Q. The adoption of ASC Update 2014-11 is not expected to have a material impact on the Corporation's consolidated financial statements.

In June 2014, the FASB issued ASC Update 2014-12, "Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period." ASC Update 2014-12 clarifies guidance related to accounting for share-based payment awards with terms that allow an employee to vest in the award regardless of whether the employee is rendering service on the date a performance target is achieved. ASC Update 2014-12 requires that a performance target that affects vesting, and that could be achieved after the requisite service period, be treated as a performance condition. As such, the performance target should not be reflected in estimating the grant-date fair value of the award. For public business entities, ASC Update 2014-12 is effective for interim and annual reporting periods beginning after December 15, 2014, with earlier adoption permitted. For the Corporation, this standards update is effective with its March 31, 2015 quarterly report on Form 10-Q. The adoption of ASC Update 2014-12 is not expected to have a material impact on the Corporation’s consolidated financial statements.

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In August 2014, the FASB issued ASC Update 2014-14, "Receivables - Troubled Debt Restructuring by Creditors." ASC Update 2014-14 clarifies TDR guidance related to the classification and measurement of certain government-sponsored loan guarantee programs upon foreclosure. For public business entities, ASC Update 2014-14 is for effective interim and annual reporting periods beginning after December 15, 2014, with earlier adoption permitted. For the Corporation, this standards update is effective with its March 31, 2015 quarterly report on Form 10-Q. The adoption of ASC Update 2014-14 is not expected to have a material impact on the Corporation's consolidated financial statements.

In August 2014, the FASB issued ASC Update 2014-15, "Presentation of Financial Statements - Going Concern." ASC Update 2014-15 provides guidance regarding management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related disclosures. The standards update describes how an entity's management should assess whether there are conditions and events, considered in the aggregate, that raise substantial doubt about an entity's ability to continue as a going concern within one year after the date that the financial statements are issued. For public business entities, ASC Update 2014-15 is effective for annual reporting periods ending after December 15, 2016, with earlier adoption permitted. For the Corporation, this standards update is effective with its December 31, 2016 annual report on Form 10-K. The adoption of ASC Update 2014-15 is not expected to have a material impact on the Corporation's consolidated financial statements.
In November 2014, the FASB issued ASC Update 2014-16, "Derivatives and Hedging: Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share is More Akin to Debt or to Equity." ASC Update 2014-16 was issued to reduce existing diversity in the accounting for hybrid financial instruments issued in the form of a share, such as redeemable convertible preferred stock. ASC Update 2014-16 applies to all entities that are issuers of, or investors in, hybrid financial instruments that are issued in the form of a share, and is effective for public business entities' annual reporting periods beginning after December 15, 2015, with earlier adoption permitted. For the Corporation, this standards update is effective with its March 31, 2016 annual report on Form 10-Q. The adoption of ASC Update 2014-16 is not expected to have a material impact on the Corporation's consolidated financial statements.

In November 2014, the FASB issued ASC Update 2014-17, "Business Combinations: Pushdown Accounting." ASC Update 2014-17 was issued to provide guidance on whether and at what threshold an acquired entity can apply pushdown accounting in its separate financial statements. ASC Update 2014-17 applies to the separate financial statements of an acquired entity upon the occurrence of an event in which an acquirer obtains control of the acquired entity. This update was effective upon issuance and did not have an impact on the Corporation's consolidated financial statements.

In January 2015, the FASB issued ASC Update 2015-01, "Income Statement - Extraordinary and Unusual Items." ASC Update 2015-01 was issued to eliminate the concept of extraordinary items from U.S. GAAP. net of tax, after income from continuing operations. ASC Update 2015-01 amends existing extraordinary items disclosure guidance. Under the amended guidance, reporting entities will no longer separately disclose extraordinary items net of tax, after income from continuing operations in the income statement. ASC Update 2015-01 is effective for annual reporting periods beginning after December 15, 2015, with earlier adoption permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. The Corporation intends to adopt this standards update effective with its March 31, 2016 quarterly report on Form 10-Q and does not expect the adoption of ASC Update 2015-01 to have a material impact on its consolidated financial statements.

Reclassifications: Certain amounts in the 2013 and 2012 consolidated financial statements and notes have been reclassified to conform to the 2014 presentation.

NOTE B – RESTRICTIONS ON CASH AND DUE FROM BANKS

The Corporation's subsidiary banks are required to maintain reserves, in the form of cash and balances with the Federal Reserve Bank, against their deposit liabilities. The amounts of such reserves as of December 31, 2014 and 2013 were $97.0 million and $93.1 million, respectively.

NOTE C – INVESTMENT SECURITIES

The following tables present the amortized cost and estimated fair values of investment securities, which were all classified as available for sale, as of December 31:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(in thousands)			
2014				
Equity securities	$33,469	$14,167	$(13)	$47,623
U.S. Government securities	200	—	—	200
U.S. Government sponsored agency securities	209	5	—	214
State and municipal securities	238,250	7,231	(266)	245,215
Corporate debt securities	99,016	5,126	(6,108)	98,034
Collateralized mortgage obligations	917,395	5,705	(20,787)	902,313
Mortgage-backed securities	914,797	16,978	(2,944)	928,831
Auction rate securities	108,751	—	(7,810)	100,941
	$2,312,087	$49,212	$(37,928)	$2,323,371
2013				
Equity securities	$33,922	$12,355	$(76)	$46,201
U.S. Government securities	525	—	—	525
U.S. Government sponsored agency securities	720	7	(1)	726
State and municipal securities	281,810	6,483	(3,444)	284,849
Corporate debt securities	100,468	5,685	(7,404)	98,749
Collateralized mortgage obligations	1,069,138	8,036	(44,776)	1,032,398
Mortgage-backed securities	949,328	13,881	(17,497)	945,712
Auction rate securities	172,299	234	(13,259)	159,274
	$2,608,210	$46,681	$(86,457)	$2,568,434

Securities carried at $1.7 billion as of December 31, 2014 and 2013 were pledged as collateral to secure public and trust deposits and customer repurchase agreements.

Equity securities include common stocks of financial institutions (estimated fair value of $41.8 million at December 31, 2014 and $40.6 million at December 31, 2013) and other equity investments (estimated fair value of $5.8 million at December 31, 2014 and $5.6 million at December 31, 2013).

As of December 31, 2014, the financial institutions stock portfolio had a cost basis of $27.7 million and an estimated fair value of $41.8 million, including an investment in a single financial institution with a cost basis of $20.0 million and an estimated fair value of $30.4 million. This investment accounted for 72.7% of the estimated fair value of the Corporation's investments in the common stocks of publicly traded financial institutions. No other investment in the financial institutions stock portfolio exceeded 5% of the portfolio's estimated fair value.

The amortized cost and estimated fair values of debt securities as of December 31, 2014, by contractual maturity, are shown in the following table. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Estimated Fair Value
	(in thousands)	
Due in one year or less	$16,698	$16,851
Due from one year to five years	76,704	80,142
Due from five years to ten years	170,783	175,687
Due after ten years	182,241	171,924
	446,426	444,604
Collateralized mortgage obligations	917,395	902,313
Mortgage-backed securities	914,797	928,831
	$2,278,618	$2,275,748

The following table presents information related to gross gains and losses on the sales of equity and debt securities, and losses recognized for other-than-temporary impairment of investments:

	Gross Realized Gains	Gross Realized Losses	Other-than-temporary Impairment Losses	Net Gains
	(in thousands)			
2014:				
Equity securities	$335	$—	$(12)	$323
Debt securities	2,058	(322)	(18)	1,718
Total	$2,393	$(322)	$(30)	$2,041
2013:				
Equity securities	$4,391	$(28)	$(27)	$4,336
Debt securities	3,787	(22)	(97)	3,668
Total	$8,178	$(50)	$(124)	$8,004
2012:				
Equity securities	$2,620	$—	$(356)	$2,264
Debt securities	1,215	—	(453)	762
Total	$3,835	$—	$(809)	$3,026

The following table presents a summary of other-than-temporary impairment charges recorded as decreases to investment securities gains on the consolidated statements of income, by investment security type:

	2014	2013	2012
	(in thousands)		
Equity securities - financial institution stocks	$12	$27	$356
Pooled trust preferred securities	18	97	19
Auction rate securities	—	—	434
Total debt securities	18	97	453
Total other-than-temporary impairment charges	$30	$124	$809

Other-than-temporary impairment charges related to investments in common stocks of financial institutions were due to the severity and duration of the declines in fair values of certain financial institution stocks, in conjunction with

management's assessment of the near-term prospects of each specific financial institution. The credit related other-than-temporary impairment charges for debt securities were determined based on expected cash flows models.

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The following table presents a summary of the cumulative credit related other-than-temporary impairment charges, recognized as components of earnings, for debt securities held by the Corporation at December 31:

	2014	2013	2012
	(in thousands)		
Balance of cumulative credit losses on debt securities, beginning of year	$(20,691)	$(23,079)	$(22,781)
Additions for credit losses recorded which were not previously recognized as components of earnings	(18)	(97)	(453)
Reductions for securities sold during the period	4,460	2,468	—
Reductions for increases in cash flows expected to be collected that are recognized over the remaining life of the security	7	17	155
Balance of cumulative credit losses on debt securities, end of year	$(16,242)	$(20,691)	$(23,079)

The following table presents the gross unrealized losses and estimated fair values of investments, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, as of December 31, 2014:

	Less Than 12 months		12 Months or Longer		Total	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
	(in thousands)					
State and municipal securities	3,282	(4)	19,640	(262)	22,922	(266)
Corporate debt securities	4,952	(17)	36,849	(6,091)	41,801	(6,108)
Collateralized mortgage obligations	46,121	(179)	592,119	(20,608)	638,240	(20,787)
Mortgage-backed securities	36,791	(40)	235,368	(2,904)	272,159	(2,944)
Auction rate securities	—	—	100,941	(7,810)	100,941	(7,810)
Total debt securities	91,146	(240)	984,917	(37,675)	1,076,063	(37,915)
Equity securities	5	(1)	77	(12)	82	(13)
	$91,151	$(241)	$984,994	$(37,687)	$1,076,145	$(37,928)

The Corporation's collateralized mortgage obligations and mortgage-backed securities have contractual terms that generally do not permit the issuer to settle the securities at a price less than the amortized cost of the investment. Because the decline in market value of these securities is attributable to changes in interest rates and not credit quality, and because the Corporation does not have the intent to sell and does not believe it will more likely than not be required to sell any of these securities prior to a recovery of their fair value to amortized cost, the Corporation did not consider these investments to be other-than-temporarily impaired as of December 31, 2014.

The unrealized holding losses on student loan auction rate certificates (ARCs) are attributable to liquidity issues resulting from the failure of periodic auctions. The Corporation had previously purchased ARCs for investment management and trust customers as short-term investments with fair values that could be derived based on periodic auctions under normal market conditions. During 2008 and 2009, the Corporation purchased ARCs from these customers due to the failure of these periodic auctions, which made these previously short-term investments illiquid. As of December 31, 2014, all of the ARCs were rated above investment grade, with approximately $5.4 million, or 5%, "AAA" rated and $95.5 million, or 95%, "AA" rated. All of the loans underlying the ARCs have principal payments which are guaranteed by the federal government.

During 2014, ARCs with a total book value of $51.2 million were redeemed at par and ARCs with a total book value of $11.9 million were sold with no gain or loss upon sale. As of December 31, 2014, all ARCs were current and making scheduled interest payments. Based on management's evaluations, ARCs with a fair value of $100.9 million

were not subject to any other-than-temporary impairment charges as of December 31, 2014. The Corporation does not have the intent to sell and does not believe it will more likely than not be required to sell these securities prior to a recovery of their fair value to amortized cost, which may be at maturity.

For its investments in equity securities, particularly its investments in common stocks of financial institutions, management evaluates the near-term prospects of the issuers in relation to the severity and duration of the impairment. Based on that evaluation and the Corporation's ability and intent to hold those investments for a reasonable period of time sufficient for a recovery of fair

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value, the Corporation does not consider those investments with unrealized holding losses as of December 31, 2014 to be other-than temporarily impaired.
The majority of the Corporation's available for sale corporate debt securities are issued by financial institutions. The following table presents the amortized cost and estimated fair values of corporate debt securities as of December 31:

	2014		2013	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(in thousands)			
Single-issuer trust preferred securities	$47,569	$42,016	$47,481	$40,531
Subordinated debt	47,530	50,023	47,405	50,327
Pooled trust preferred securities	2,010	4,088	2,997	5,306
Corporate debt securities issued by financial institutions	97,109	96,127	97,883	96,164
Other corporate debt securities	1,907	1,907	2,585	2,585
Available for sale corporate debt securities	$99,016	$98,034	$100,468	$98,749

The Corporation's investments in single-issuer trust preferred securities had an unrealized loss of $5.6 million as of December 31, 2014. The Corporation did not record any other-than-temporary impairment charges for single-issuer trust preferred securities in 2014, 2013 or 2012. Seven of the Corporation's 20 single-issuer trust preferred securities held were rated below investment grade by at least one ratings agency, with an amortized cost of $14.5 million and an estimated fair value of $12.4 million as of December 31, 2014. All of the single-issuer trust preferred securities rated below investment grade were rated "BB" or "Ba." Three single-issuer trust preferred securities with an amortized cost of $4.7 million and an estimated fair value of $3.8 million as of December 31, 2014 were not rated by any ratings agency.

During the year ended December 31, 2014, the Corporation sold three pooled trust preferred securities with a total amortized cost of $728,000, for a gain of $1.7 million. As of December 31, 2014, all five of the Corporation's pooled trust preferred securities, with an amortized cost of $2.0 million and an estimated fair value of $4.1 million, were rated below investment grade by at least one ratings agency, with ratings ranging from "C" to "Ca". The class of securities held by the Corporation was below the most senior tranche, with the Corporation's interests being subordinate to other investors in the pool. The Corporation determines the fair value of pooled trust preferred securities based on quotes provided by third-party brokers.

The amortized cost of pooled trust preferred securities is the purchase price of the securities, net of cumulative credit related other-than-temporary impairment charges, determined using an expected cash flow model. The most significant input to the expected cash flows model is the expected payment deferral rate for each pooled trust preferred security. The Corporation evaluates the financial metrics, such as capital ratios and non-performing asset ratios, of the individual financial institution issuers that comprise each pooled trust preferred security to estimate its expected deferral rate.
Based on management's evaluations, corporate debt securities with a fair value of $98.0 million were not subject to any additional other-than-temporary impairment charges as of December 31, 2014. The Corporation does not have the intent to sell and does not believe it will more likely than not be required to sell any of these securities prior to a recovery of their fair value to amortized cost, which may be at maturity.

As mandated by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), in December 2013, five regulatory bodies issued final rulings (the Final Rules) implementing certain prohibitions and restrictions on the ability of a banking entity and non-bank financial company supervised by the Federal Reserve Board to engage in proprietary trading and have certain ownership interests in, or relationships with, a "covered fund" (the so-called "Volcker Rule"). The Final Rules generally treat as a covered fund any entity that would be an investment company

under the Investment Company Act of 1940 (1940 Act) but for the application of the exemptions from SEC registration set forth in Section 3(c)(1) (fewer than 100 beneficial owners) or Section 3(c)(7) (qualified purchasers) of the 1940 Act. The Final Rules also require regulated entities to establish an internal compliance program that is consistent with the extent to which it engages in activities covered by the Volcker Rule, which must include making regular reports about those activities to regulators. Although the Final Rules provide some tiering of compliance and reporting obligations based on size, the fundamental prohibitions of the Volcker Rule apply to banking entities of any size, including the Corporation. Banking entities have until July 21, 2015 to conform their activities and investments to the requirements of the Final Rules. The Corporation does not engage in proprietary trading or in any other activities prohibited by the Final Rules. Based on the Corporation's evaluation of its investments, none fall within the definition of a "covered fund" and would need to be disposed of by July 21, 2015. Therefore, it does not currently expect that the Final Rules will have a material effect on its business, financial condition or results of operations.

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NOTE D – LOANS AND ALLOWANCE FOR CREDIT LOSSES

Loans, net of unearned income

Loans, net of unearned income are summarized as follows as of December 31:

	2014	2013
	(in thousands)	
Real estate – commercial mortgage	$5,197,155	$5,101,922
Commercial – industrial, financial and agricultural	3,725,567	3,628,420
Real estate – home equity	1,736,688	1,764,197
Real estate – residential mortgage	1,377,068	1,337,380
Real estate – construction	690,601	573,672
Consumer	265,431	283,124
Leasing and other	127,562	99,256
Overdrafts	4,021	4,045
Loans, gross of unearned income	13,124,093	12,792,016
Unearned income	(12,377)	(9,796)
Loans, net of unearned income	$13,111,716	$12,782,220

The Corporation has extended credit to the officers and directors of the Corporation and to their associates. These related-party loans are made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated persons and do not involve more than the normal risk of collection. The aggregate dollar amount of these loans, including unadvanced commitments, was $252.6 million and $149.1 million as of December 31, 2014 and 2013, respectively. During 2014, additions totaled $120.2 million and repayments and other changes in related-party loans totaled $16.7 million.

The total portfolio of mortgage loans serviced by the Corporation for unrelated third parties was $4.9 billion as of December 31, 2014 and 2013.

Allowance for Credit Losses

The following table presents the components of the allowance for credit losses as of December 31:

	2014	2013	2012
	(in thousands)		
Allowance for loan losses	$184,144	$202,780	$223,903
Reserve for unfunded lending commitments	1,787	2,137	1,536
Allowance for credit losses	$185,931	$204,917	$225,439

The following table presents the activity in the allowance for credit losses for the years ended December 31:

	2014	2013	2012
	(in thousands)		
Balance at beginning of year	$204,917	$225,439	$258,177
Loans charged off	(44,593)	(80,212)	(140,366)
Recoveries of loans previously charged off	13,107	19,190	13,628
Net loans charged off	(31,486)	(61,022)	(126,738)
Provision for credit losses	12,500	40,500	94,000
Balance at end of year	$185,931	$204,917	$225,439

The following table presents the activity in the allowance for loan losses by portfolio segment for the years ended December 31 and loans, net of unearned income, and their related allowance for loan losses, by portfolio segment, as of December 31:

	Real Estate - Commercial Mortgage	Commercial - Industrial, Financial and Agricultural	Real Estate - Home Equity	Real Estate - Residential Mortgage	Real Estate - Construction	Consumer	Leasing and other and Overdrafts	Unallocated (1)	Total
	(in thousands)								
Balance at December 31, 2012	$62,928	$60,205	$22,776	$34,536	$17,287	$2,367	$2,752	$21,052	$223,90
Loans charged off	(20,829)	(30,383)	(8,193)	(9,705)	(6,572)	(1,877)	(2,653)	—	(80,212
Recoveries of loans previously charged off	3,494	9,281	860	548	2,682	1,518	807	—	19,190
Net loans charged off	(17,335)	(21,102)	(7,333)	(9,157)	(3,890)	(359)	(1,846)	—	(61,022
Provision for loan losses (2)	10,066	11,227	12,779	7,703	(748)	1,252	2,464	(4,844)	39,899
Balance at December 31, 2013	55,659	50,330	28,222	33,082	12,649	3,260	3,370	16,208	202,780
Loans charged off	(6,004)	(24,516)	(5,486)	(2,918)	(1,209)	(2,325)	(2,135)	—	(44,593
Recoveries of loans previously charged off	1,960	4,256	1,025	451	3,177	1,322	916	—	13,107
Net loans charged off	(4,044)	(20,260)	(4,461)	(2,467)	1,968	(1,003)	(1,219)	—	(31,486
Provision for loan losses (2)	1,878	21,308	4,510	(1,543)	(4,861)	758	(352)	(8,848)	12,850
Balance at December 31, 2014	$53,493	$51,378	$28,271	$29,072	$9,756	$3,015	$1,799	$7,360	$184,14
Allowance for loan losses at December 31, 2014									
Measured for impairment under FASB ASC Subtopic 450-20	$36,778	$38,348	$19,047	$10,480	$6,485	$2,980	$1,799	$7,360	$123,27
Evaluated for impairment under FASB ASC Section 310-10-35	16,715	13,030	9,224	18,592	3,271	35	—	N/A	60,867
	$53,493	$51,378	$28,271	$29,072	$9,756	$3,015	$1,799	$7,360	$184,14
Loans, net of unearned income at December 31, 2014									

Measured for impairment under FASB ASC Subtopic 450-20	$5,133,896	$3,690,561	$1,723,230	$1,325,717	$665,012	$265,393	$119,206	N/A	$12,92
Evaluated for impairment under FASB ASC Section 310-10-35	63,259	35,006	13,458	51,351	25,589	38	—	N/A	188,70
	$5,197,155	$3,725,567	$1,736,688	$1,377,068	$690,601	$265,431	$119,206	N/A	$13,11
Allowance for loan losses at December 31, 2013									
Measured for impairment under FASB ASC Subtopic 450-20	$41,215	$36,263	$19,163	$11,337	$8,778	$3,248	$3,370	$16,208	$139,5
Evaluated for impairment under FASB ASC Section 310-10-35	14,444	14,067	9,059	21,745	3,871	12	—	N/A	63,198
	$55,659	$50,330	$28,222	$33,082	$12,649	$3,260	$3,370	$16,208	$202,7
Loans, net of unearned income at December 31, 2013									
Measured for impairment under FASB ASC Subtopic 450-20	$5,041,598	$3,583,665	$1,749,560	$1,286,283	$542,634	$283,111	$93,505	N/A	$12,58
Evaluated for impairment under FASB ASC Section 310-10-35	60,324	44,755	14,637	51,097	31,038	13	—	N/A	201,86
	$5,101,922	$3,628,420	$1,764,197	$1,337,380	$573,672	$283,124	$93,505	N/A	$12,78

(1) The Corporation's unallocated allowance, which was approximately 4% and 8% of the total allowance for credit losses as of December 31, 2014 and December 31, 2013, respectively, was, in the opinion of management, reasonable and appropriate given that the estimates used in the allocation process are inherently imprecise.

(2) For the year ended December 31, 2014, the provision for loan losses excluded a $350,000 decrease in the reserve for unfunded lending commitments. The total provision for credit losses, comprised of allocations for both funded and unfunded loans, was $12.5 million for the year ended December 31, 2014. For the year ended December 31, 2013, the provision for loan losses excluded a $601,000 increase in the reserve for unfunded lending commitments. The total provision for credit losses, comprised of allocations for both funded and unfunded loans, was $40.5 million for the year ended December 31, 2013.

N/A – Not applicable.

Impaired Loans

The following table presents total impaired loans by class segment as of December 31:

	2014			2013		
	Unpaid Principal Balance	Recorded Investment	Related Allowance	Unpaid Principal Balance	Recorded Investment	Related Allowance
	(in thousands)					
With no related allowance recorded:						
Real estate - commercial mortgage	$25,802	$23,236	$—	$28,892	$24,494	$—
Commercial - secured	17,599	14,582	—	23,890	21,383	—
Real estate - home equity	—	—	—	399	300	—
Real estate - residential mortgage	4,873	4,873	—	—	—	—
Construction - commercial residential	18,041	14,801	—	18,468	13,265	—
Construction - commercial	1,707	1,581	—	3,471	2,451	—
	68,022	59,073		75,120	61,893	
With a related allowance recorded:						
Real estate - commercial mortgage	49,619	40,023	16,715	43,282	35,830	14,444
Commercial - secured	24,824	19,335	12,165	34,267	22,324	13,315
Commercial - unsecured	1,241	1,089	865	1,113	1,048	752
Real estate - home equity	19,392	13,458	9,224	20,383	14,337	9,059
Real estate - residential mortgage	56,607	46,478	18,592	63,682	51,097	21,745
Construction - commercial residential	14,007	7,903	2,675	22,594	12,777	2,646
Construction - commercial	1,501	1,023	459	3,660	1,997	924
Construction - other	452	281	137	719	548	301
Consumer - indirect	20	19	18	2	2	2
Consumer - direct	19	19	17	11	11	10
	167,682	129,628	60,867	189,713	139,971	63,198
Total	$235,704	$188,701	$60,867	$264,833	$201,864	$63,198

As of December 31, 2014 and 2013, there were $59.1 million and $61.9 million, respectively, of impaired loans that did not have a related allowance for loan loss. The estimated fair values of the collateral securing these loans exceeded their carrying amount, or the loans have been charged down to realizable collateral values. Accordingly, no specific valuation allowance was considered to be necessary.

The following table presents average impaired loans, by class segment, for the years ended December 31:

	2014		2013		2012	
	Average Recorded Investment	Interest Income Recognized (1)	Average Recorded Investment	Interest Income Recognized (1)	Average Recorded Investment	Interest Income Recognized (1)
	(in thousands)					
With no related allowance recorded:						
Real estate - commercial mortgage	$ 23,467	$ 320	$ 28,603	$ 489	$ 41,575	$ 538
Commercial - secured	18,928	119	30,299	173	26,443	50
Commercial - unsecured	—	—	26	—	52	—
Real estate - home equity	180	1	262	1	433	2
Real estate - residential mortgage	1,532	31	695	25	989	45
Construction - commercial residential	15,421	227	19,847	256	27,361	185
Construction - commercial	1,907	—	3,480	2	3,492	19
	61,435	698	83,212	946	100,345	839
With a related allowance recorded:						
Real estate - commercial mortgage	38,240	524	44,136	706	64,739	755
Commercial - secured	20,991	129	27,919	153	45,217	97
Commercial - unsecured	895	3	1,411	5	2,604	6
Real estate - home equity	13,976	108	14,092	65	8,017	23
Real estate - residential mortgage	50,281	1,178	52,251	1,210	44,791	1,446
Construction - commercial residential	8,723	136	11,219	168	19,284	130
Construction - commercial	1,900	—	2,468	3	2,233	17
Construction - other	387	—	523	1	974	7
Consumer - indirect	7	—	1	—	—	—
Consumer - direct	16	1	19	—	84	—
Leasing and other and overdrafts	—	—	11	—	83	—
	135,416	2,079	154,050	2,311	188,026	2,481
Total	$ 196,851	$ 2,777	$ 237,262	$ 3,257	$ 288,371	$ 3,320

(1) All impaired loans, excluding accruing TDRs, were non-accrual loans. Interest income recognized for the years ended December 31, 2014, 2013 and 2012 represents amounts earned on accruing TDRs.

Credit Quality Indicators and Non-performing Assets
The following table presents internal credit risk ratings for real estate - commercial mortgages, commercial - secured loans,
commercial - unsecured loans, construction - commercial residential loans and construction - commercial loans as of December 31:

	Pass		Special Mention		Substandard or Lower		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	(dollars in thousands)							
Real estate - commercial mortgage	$4,899,016	$4,763,987	$127,302	$141,013	$170,837	$196,922	$5,197,155	$5,101,922
Commercial - secured	3,333,486	3,167,168	120,584	111,613	110,544	125,382	3,564,614	3,404,163
Commercial -unsecured	146,680	209,836	7,463	11,666	6,810	2,755	160,953	224,257
Total commercial - industrial, financial and agricultural	3,480,166	3,377,004	128,047	123,279	117,354	128,137	3,725,567	3,628,420
Construction - commercial residential	136,109	117,680	27,495	30,946	40,066	55,309	203,670	203,935
Construction - commercial	409,631	286,802	12,202	3,508	5,586	10,621	427,419	300,931
Total real estate - construction (excluding construction - other)	545,740	404,482	39,697	34,454	45,652	65,930	631,089	504,866
Total	$8,924,922	$8,545,473	$295,046	$298,746	$333,843	$390,989	$9,553,811	$9,235,208
% of Total	93.4 %	92.6 %	3.1 %	3.2 %	3.5 %	4.2 %	100.0 %	100.0 %

The following table presents the delinquency and non-performing status of home equity, real estate - residential mortgages, construction loans to individuals, consumer, leasing and other loans by class segment as of December 31:

	Performing		Delinquent (1)		Non-performing (2)		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	(dollars in thousands)							
Real estate - home equity	$1,711,017	$1,731,185	$10,931	$16,029	$14,740	$16,983	$1,736,688	$1,764,197
Real estate - residential mortgage	1,321,139	1,282,754	26,934	23,279	28,995	31,347	1,377,068	1,337,380
	59,180	68,258	—	—	332	548	59,512	68,806

Real estate - construction - other								
Consumer - direct	104,018	126,666	2,891	3,586	2,414	2,391	109,323	132,643
Consumer - indirect	153,358	147,017	2,574	3,312	176	152	156,108	150,481
Total consumer	257,376	273,683	5,465	6,898	2,590	2,543	265,431	283,124
Leasing and other and overdrafts	118,550	92,876	523	581	133	48	119,206	93,505
Total	$3,467,262	$3,448,756	$43,853	$46,787	$46,790	$51,469	$3,557,905	$3,547,012
% of Total	97.5 %	97.2 %	1.2 %	1.3 %	1.3 %	1.5 %	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.

The following table presents non-performing assets as of December 31:

	2014	2013
	(in thousands)	
Non-accrual loans	$121,080	$133,753
Accruing loans greater than 90 days past due	17,402	20,524
Total non-performing loans	138,482	154,277
Other real estate owned	12,022	15,052
Total non-performing assets	$150,504	$169,329

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The following table presents loans whose terms were modified under TDRs as of December 31:

	2014	2013
	(in thousands)	
Real-estate - residential mortgage	$31,308	$28,815
Real-estate - commercial mortgage	18,822	19,758
Construction - commercial residential	9,241	9,889
Commercial - secured	5,170	7,933
Real estate - home equity	2,975	1,365
Commercial - unsecured	67	112
Consumer - direct	19	11
Consumer - indirect	19	—
Construction - commercial	—	228
Total accruing TDRs	67,621	68,111
Non-accrual TDRs (1)	24,616	30,209
Total TDRs	$92,237	$98,320

(1)Included within non-accrual loans in the preceding table.

As of December 31, 2014 and 2013, there were $3.9 million and $9.6 million, respectively, of commitments to lend additional funds to borrowers whose loans were modified under TDRs.

The following table presents TDRs by class segment as of December 31, 2014 and 2013 that were modified during the years ended December 31, 2014 and 2013:

	2014		2013	
	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment
	(dollars in thousands)			
Real estate - commercial mortgage	8	$6,841	16	$9,439
Construction - commercial residential	3	3,616	3	5,285
Real estate - residential mortgage	23	2,407	49	9,611
Real estate - home equity	30	1,551	36	2,602
Commercial - secured	11	1,955	8	1,699
Consumer - indirect	4	20	—	—
Consumer - direct	7	7	12	1
Commercial - unsecured	—	—	1	12
	86	$16,397	125	$28,649

The following table presents TDRs, by class segment, as of December 31, 2014 and 2013 that were modified during the years ended December 31, 2014 and 2013 and had a post-modification payment default during their respective year of modification. The Corporation defines a payment default as a single missed scheduled payment:

	2014		2013	
	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment
	(dollars in thousands)			
Construction - commercial residential	2	$1,803	1	$568
Real estate - commercial mortgage	2	1,660	6	3,683
Real estate - residential mortgage	11	1,430	19	4,211
Commercial - secured	4	1,208	2	108
Real estate - home equity	11	961	15	1,249
Consumer - direct	1	1	—	—
	31	$7,063	43	$9,819

The following table presents past due status and non-accrual loans by portfolio segment and class segment as of December 31:

	2014							
	31-59 Days Past Due	60-89 Days Past Due	≥ 90 Days Past Due and Accruing	Non-accrual	Total ≥ 90 Days	Total Past Due	Current	Total
	(in thousands)							
Real estate - commercial mortgage	$14,399	$3,677	$800	$44,437	$45,237	$63,313	$5,133,842	$5,197,155
Commercial - secured	4,839	958	610	28,747	29,357	35,154	3,529,460	3,564,614
Commercial - unsecured	395	65	9	1,022	1,031	1,491	159,462	160,953
Total Commercial - industrial, financial and agricultural	5,234	1,023	619	29,769	30,388	36,645	3,688,922	3,725,567
Real estate - home equity	8,048	2,883	4,257	10,483	14,740	25,671	1,711,017	1,736,688
Real estate - residential mortgage	18,789	8,145	8,952	20,043	28,995	55,929	1,321,139	1,377,068
Construction - commercial	—	—	—	2,604	2,604	2,604	424,815	427,419
Construction - commercial residential	160	—	—	13,463	13,463	13,623	190,047	203,670
Construction - other	—	—	51	281	332	332	59,180	59,512
Total Real estate - construction	160	—	51	16,348	16,399	16,559	674,042	690,601
Consumer - direct	2,034	857	2,414	—	2,414	5,305	104,018	109,323
Consumer - indirect	2,156	418	176	—	176	2,750	153,358	156,108
Total Consumer	4,190	1,275	2,590	—	2,590	8,055	257,376	265,431
Leasing and other and overdrafts	357	166	133	—	133	656	118,550	119,206
	$51,177	$17,169	$17,402	$121,080	$138,482	$206,828	$12,904,888	$13,111,716

	2013							
	31-59 Days Past Due	60-89 Days Past Due	≥ 90 Days Past Due and Accruing	Non-accrual	Total ≥ 90 Days	Total Past Due	Current	Total
	(in thousands)							
Real estate - commercial mortgage	$15,474	$4,009	$3,502	$40,566	$44,068	$63,551	$5,038,371	$5,101,922
Commercial - secured	8,916	1,365	1,311	35,774	37,085	47,366	3,356,797	3,404,163
Commercial - unsecured	332	125	—	936	936	1,393	222,864	224,257
Total Commercial - industrial, financial and agricultural	9,248	1,490	1,311	36,710	38,021	48,759	3,579,661	3,628,420
Real estate - home equity	13,555	2,474	3,711	13,272	16,983	33,012	1,731,185	1,764,197
Real estate - residential mortgage	16,969	6,310	9,065	22,282	31,347	54,626	1,282,754	1,337,380
Construction - commercial	14	375	—	4,220	4,220	4,609	296,322	300,931
Construction - commercial residential	—	270	346	16,153	16,499	16,769	187,166	203,935
Construction - other	—	—	—	548	548	548	68,258	68,806
Total Real estate - construction	14	645	346	20,921	21,267	21,926	551,746	573,672
Consumer - direct	2,091	1,495	2,391	—	2,391	5,977	126,666	132,643
Consumer - indirect	2,864	448	150	2	152	3,464	147,017	150,481
Total Consumer	4,955	1,943	2,541	2	2,543	9,441	273,683	283,124
Leasing and other and overdrafts	559	22	48	—	48	629	92,876	93,505
	$60,774	$16,893	$20,524	$133,753	$154,277	$231,944	$12,550,276	$12,782,220

NOTE E – PREMISES AND EQUIPMENT

The following is a summary of premises and equipment as of December 31:

	2014	2013
	(in thousands)	
Land	$37,667	$37,815
Buildings and improvements	287,271	281,904
Furniture and equipment	176,808	170,970
Construction in progress	21,055	14,195
	522,801	504,884
Less: Accumulated depreciation and amortization	(296,774)	(278,863)
	$226,027	$226,021

NOTE F – GOODWILL AND INTANGIBLE ASSETS

The following table summarizes the changes in goodwill:

	2014	2013	2012
	(in thousands)		
Balance at beginning of year	$530,607	$530,656	$536,005
Sale of Global Exchange	—	—	(5,295)
Other goodwill deductions	(14)	(49)	(54)

Balance at end of year	$530,593	$530,607	$530,656

In December 2012, the Corporation's Fulton Bank, N.A. subsidiary sold its Global Exchange Group division (Global Exchange) for a gain of $6.2 million. Global Exchange provided international payment solutions to meet the needs of companies, law firms and professionals. As a result of this divestiture, $5.3 million of goodwill allocated to Global Exchange was written-off and included as a reduction to the gain on sale recorded in non-interest income on the consolidated statements of income.

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As a result of the divestiture of Global Exchange, gross intangible assets totaling $2.3 million ($266,000, net of accumulated amortization) that were allocated to Global Exchange were written-off and included as a reduction to the gain on sale recorded in non-interest income on the consolidated statements of income for the year ended December 31, 2012.

All of the Corporation's reporting units passed the 2014 goodwill impairment test, resulting in no goodwill impairment charges in 2014. Two reporting units, with total allocated goodwill of $170.4 million, had fair values that exceeded adjusted net book values by less than 5%. The remaining five reporting units, with total allocated goodwill of $360.2 million, had fair values that exceeded net book values by approximately 27% in the aggregate.

The estimated fair values of the Corporation's reporting units are subject to uncertainty, including future changes in the trading and acquisition multiples of comparable financial institutions and future operating results of reporting units which could differ significantly from the assumptions used in the valuation of reporting units.

The following table summarizes intangible assets as of December 31:

	2014			2013		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
	(in thousands)					
Amortizing:						
Core deposit	$50,279	$(50,054)	$225	$50,279	$(48,839)	$1,440
Other	9,123	(9,101)	22	9,123	(9,057)	66
Total amortizing	59,402	(59,155)	247	59,402	(57,896)	1,506
Non-amortizing	963	—	963	1,263	(300)	963
	$60,365	$(59,155)	$1,210	$60,665	$(58,196)	$2,469

Core deposit intangible assets are amortized using an accelerated method over the estimated remaining life of the acquired core deposits. Other amortizing intangible assets, consisting primarily of premiums paid on branch acquisitions in prior years that did not qualify for business combinations accounting under FASB ASC Topic 810. As December 31, 2014, all amortizing intangible assets had a weighted average remaining life of less than one year.

Amortization expense related to intangible assets totaled $1.3 million, $2.4 million and $3.0 million in 2014, 2013 and 2012, respectively. Amortization expense for 2015 is expected to be $247,000 with no remaining amortization in future years.

NOTE G – MORTGAGE SERVICING RIGHTS

The following table summarizes the changes in MSRs, which are included in other assets on the consolidated balance sheets:

	2014	2013
	(in thousands)	
Amortized cost:		
Balance at beginning of year	$42,452	$39,737
Originations of mortgage servicing rights	5,047	12,072
Amortization expense	(5,351)	(9,357)
Balance at end of year	$42,148	$42,452
Valuation allowance:		
Balance at beginning of year	$—	$(3,680)
Reversals	—	3,680
Balance at end of year	$—	$—
Net MSRs at end of year	$42,148	$42,452

MSRs represent the economic value of existing contractual rights to service mortgage loans that have been sold. Accordingly, actual and expected prepayments of the underlying mortgage loans can impact the value of MSRs.
The Corporation estimates the fair value of its MSRs by discounting the estimated cash flows from servicing income, net of expense, over the expected life of the underlying loans at a discount rate commensurate with the risk associated with these assets. Expected life is based on the contractual terms of the loans, as adjusted for prepayment projections. No adjustment to the valuation

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allowance was necessary for the year ended December 31, 2014. A $3.7 million decrease to the valuation allowance was recorded for the year ended December 31, 2013.

The Corporation accounts for MSRs at the lower of amortized cost or fair value. The estimated fair value of MSRs were $46.0 million and $49.3 million as of December 31, 2014 and 2013, respectively. As a result of the MSR fair values exceeding book values, no increases to the valuation allowance were necessary for the years ended December 31, 2014 or 2013.

Estimated MSR amortization expense for the next five years, based on balances as of December 31, 2014 and the contractual remaining lives of the underlying loans, follows (in thousands):

Year	
2015	$10,224
2016	9,028
2017	7,717
2018	6,283
2019	4,717

NOTE H – DEPOSITS

Deposits consisted of the following as of December 31:

	2014	2013
	(in thousands)	
Noninterest-bearing demand	$3,640,623	$3,283,172
Interest-bearing demand	3,150,612	2,945,210
Savings and money market accounts	3,504,820	3,344,882
Time deposits	3,071,451	2,917,922
	$13,367,506	$12,491,186

Included in time deposits were certificates of deposit equal to or greater than $100,000 of $1.2 billion and $1.1 billion as of December 31, 2014 and 2013, respectively. The scheduled maturities of time deposits as of December 31, 2014 were as follows (in thousands):

Year	
2015	$1,592,986
2016	422,414
2017	369,968
2018	109,299
2019	499,984
Thereafter	76,800
	$3,071,451

NOTE I – SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings as of December 31, 2014, 2013 and 2012 and the related maximum amounts outstanding at the end of any month in each of the three years then ended are presented below. The securities underlying the repurchase agreements remain in available for sale investment securities.

	December 31			Maximum Outstanding		
	2014	2013	2012	2014	2013	2012
	(in thousands)					
Federal funds purchased	$6,219	$582,436	$592,470	$577,581	$848,179	$636,562
Short-term FHLB advances (1)	70,000	400,000	—	600,000	600,000	25,000
Customer repurchase agreements	158,394	175,621	156,238	244,729	215,305	258,734
Customer short-term promissory notes	95,106	100,572	119,691	95,106	115,129	152,570
	$329,719	$1,258,629	$868,399			

(1) Represents FHLB advances with an original maturity term of less than one year.

As of December 31, 2014, the Corporation had aggregate availability under Federal funds lines of $1.2 billion, with $6.2 million of that amount outstanding. A combination of commercial real estate loans, commercial loans and securities are pledged to the Federal Reserve Bank of Philadelphia to provide access to Federal Reserve Bank Discount Window borrowings. As of December 31, 2014 and 2013, the Corporation had $1.1 billion and $2.0 billion, respectively, of collateralized borrowing availability at the Discount Window, and no outstanding borrowings.

The following table presents information related to customer repurchase agreements:

	2014		2013		2012	
	(dollars in thousands)					
Amount outstanding as of December 31	$158,394		$175,621		$156,238	
Weighted average interest rate at year end	0.13	%	0.12	%	0.16	%
Average amount outstanding during the year	$197,432		$186,851		$206,842	
Weighted average interest rate during the year	0.10	%	0.11	%	0.12	%

FHLB advances and long-term debt included the following as of December 31:

	2014		2013	
	(in thousands)			
FHLB advances	$673,107		$513,854	
Subordinated debt	300,000		200,000	
Junior subordinated deferrable interest debentures	171,136		171,136	
Unamortized issuance costs and other	(4,830	)	(1,406	)
	$1,139,413		$883,584	

Excluded from the preceding table is the Parent Company's revolving line of credit with its subsidiary banks. As of December 31, 2014 and 2013, there were no amounts outstanding under this line of credit. This line of credit, with a total commitment of $100.0 million, is secured by equity securities and insurance investments and bears interest at London Interbank Offered Rate (LIBOR) plus 2.00%. Although balances drawn on the line of credit and related interest income and expense are eliminated in the consolidated financial statements, this borrowing arrangement is senior to the subordinated debt and the junior subordinated deferrable interest debentures.

FHLB advances mature through March 2027 and carry a weighted average interest rate of 3.43%. As of December 31, 2014, the Corporation had an additional borrowing capacity of approximately $2.6 billion with the FHLB. Advances from the FHLB are secured by FHLB stock, qualifying residential mortgages, investments and other assets.

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The following table summarizes the scheduled maturities of FHLB advances and long-term debt as of December 31, 2014 (in thousands):

Year	
2015	$184,950
2016	236,015
2017	314,702
2018	—
2019	127,007
Thereafter	276,739
	$1,139,413

In November 2014, the Corporation issued $100 million of ten-year subordinated notes, which mature on November 15, 2024 and carry a fixed rate of 4.50% and an effective rate of approximately 4.87% as a result of issuance costs. Interest is paid semi-annually in May and November. In May 2007, the Corporation issued $100 million of ten-year subordinated notes, which mature on May 1, 2017 and carry a fixed rate of 5.75% and an effective rate of approximately 5.96% as a result of issuance costs. Interest is paid semi-annually in May and November. In March 2005, the Corporation issued $100 million of ten-year subordinated notes, which mature April 1, 2015 and carry a fixed rate of 5.35% and an effective rate of approximately 5.49% as a result of issuance costs. Interest is paid semi-annually in October and April.

The Parent Company owns all of the common stock of four subsidiary trusts, which have issued Trust Preferred Securities in conjunction with the Parent Company issuing junior subordinated deferrable interest debentures to the trusts. The Trust Preferred Securities are redeemable on specified dates, or earlier if certain events arise.

The following table provides details of the debentures as of December 31, 2014 (dollars in thousands):

Debentures Issued to	Fixed/ Variable	Interest Rate		Amount	Maturity	Callable	Call Price
Columbia Bancorp Statutory Trust	Variable	2.91	%	$6,186	06/30/34	03/31/14	100.0
Columbia Bancorp Statutory Trust II	Variable	2.13	%	4,124	03/15/35	03/15/14	100.0
Columbia Bancorp Statutory Trust III	Variable	2.01	%	6,186	06/15/35	03/15/14	100.0
Fulton Capital Trust I	Fixed	6.29	%	154,640	02/01/36	N/A	N/A
				$171,136			

N/A – Not applicable.

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NOTE J – DERIVATIVE FINANCIAL INSTRUMENTS

The following table presents the notional amounts and fair values of derivative financial instruments as of December 31:

	2014		2013	
	Notional Amount	Asset (Liability) Fair Value	Notional Amount	Asset (Liability) Fair Value
	(in thousands)			
Interest Rate Locks with Customers				
Positive fair values	$89,655	$1,391	$75,217	$867
Negative fair values	301	(6)	11,393	(59)
Net interest rate locks with customers		1,385		808
Forward Commitments				
Positive fair values	—	—	87,904	1,263
Negative fair values	93,802	(1,164)	2,373	(5)
Net forward commitments		(1,164)		1,258
Interest Rate Swaps with Customers				
Positive fair values	468,080	19,716	111,899	2,105
Negative fair values	25,418	(198)	105,673	(2,993)
Net interest rate swaps with customers		19,518		(888)
Interest Rate Swaps with Dealer Counterparties				
Positive fair values	25,418	198	105,673	2,993
Negative fair values	468,080	(19,716)	111,899	(2,105)
Net interest rate swaps with dealer counterparties		(19,518)		888
Foreign Exchange Contracts with Customers				
Positive fair values	11,616	810	2,150	24
Negative fair values	5,250	(441)	12,775	(343)
Net foreign exchange contracts with customers		369		(319)
Foreign Exchange Contracts with Correspondent Banks				
Positive fair values	5,287	446	17,348	498
Negative fair values	13,572	(876)	5,872	(48)
Net foreign exchange contracts with correspondent banks		(430)		450
Net derivative fair value asset		$160		$2,197

The following table presents the fair value gains and losses on derivative financial instruments for the years ended December 31:

	2014	2013	2012	Statements of Income Classification
	(in thousands)			
Interest rate locks with customers	$577	$(5,949)	$2,879	Mortgage banking income
Forward commitments	(2,422)	1,466	2,503	Mortgage banking income
Interest rate swaps with customers	20,406	(7,978)	4,346	Other non-interest expense
Interest rate swaps with counterparties	(20,406)	7,978	(4,346)	Other non-interest expense
Foreign exchange contracts with customers	688	(108)	(1,487)	Other service charges and fees
Foreign exchange contracts with correspondent banks	(880)	507	1,648	Other service charges and fees

Net fair value (losses) gains on derivative financial instruments	$(2,037)	$(4,084)	$5,543

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The Corporation has elected to record mortgage loans held for sale at fair value. The following table presents a summary of mortgage loans held for sale and the impact of the fair value election on the consolidated financial statements as of and for the years ended December 31, 2014 and 2013:

	Cost (1)	Fair Value	Balance Sheet Classification	Fair Value (Loss) Gain	Statements of Income Classification
	(in thousands)				
December 31, 2014:					
Mortgage loans held for sale	$17,080	$17,522	Loans held for sale	$263	Mortgage banking income
December 31, 2013:					
Mortgage loans held for sale	21,172	21,351	Loans held for sale	(1,975)	Mortgage banking income

(1) Cost basis of mortgage loans held for sale represents the unpaid principal balance.

The fair values of interest rate swap agreements the Corporation enters into with customers and dealer counterparties may be eligible for offset on the consolidated balance sheets as they are subject to master netting arrangements or similar agreements. The Corporation elects to not offset assets and liabilities subject to such arrangements on the consolidated financial statements. The following table presents the Corporation's financial instruments that are eligible for offset, and the effects of offsetting, on the consolidated balance sheets as of December 31:

	Gross Amounts Recognized on the Consolidated Balance Sheets	Gross Amounts Not Offset on the Consolidated Balance Sheets		
		Financial Instruments (1)	Cash Collateral (2)	Net Amount
	(in thousands)			
2014				
Interest rate swap assets	$19,914	$(206)	$—	$19,708
Interest rate swap liabilities	$19,914	$(206)	$(19,210)	$498
2013				
Interest rate swap assets	$5,098	$(2,104)	$—	$2,994
Interest rate swap liabilities	$5,098	$(2,104)	$(730)	$2,264

(1) For interest rate swap assets, amounts represent any derivative liability fair values that could be offset in the event of counterparty or customer default. For interest rate swap liabilities, amounts represent any derivative asset fair values that could be offset in the event of counterparty or customer default.

(2) Amounts represent cash collateral posted on interest rate swap transactions with financial institution counterparties. Interest rate swaps with customers are collateralized by the underlying loans to those borrowers.

NOTE K – REGULATORY MATTERS

Regulatory Capital Requirements

The Corporation's subsidiary banks are subject to regulatory capital requirements administered by banking regulators. Failure to meet minimum capital requirements can trigger certain mandatory – and possibly additional discretionary – actions by regulators that, if undertaken, could have a direct material effect on the Corporation's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the subsidiary banks must meet specific capital guidelines that involve quantitative measures of the subsidiary banks' assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The subsidiary banks' capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the subsidiary banks to maintain minimum amounts and ratios of Total and Tier I capital to risk-weighted assets, and of Tier I capital to average assets (as defined in the regulations). Management believes, as of December 31, 2014, that all of its bank subsidiaries met the capital adequacy requirements to which they were subject.

As of December 31, 2014 and 2013, the Corporation's four significant subsidiaries, Fulton Bank, N.A., Fulton Bank of New Jersey, The Columbia Bank and Lafayette Ambassador Bank, were well capitalized under the regulatory framework for prompt corrective action based on their capital ratio calculations. To be categorized as well capitalized, these banks must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the following table. There are no conditions or events since December 31, 2014 that management believes have changed the institutions' categories.

The following tables present the Total risk-based, Tier I risk-based and Tier I leverage requirements for the Corporation and its significant subsidiaries with total assets in excess of $1 billion.

	2014								
	Actual			For Capital Adequacy Purposes			Well Capitalized		
	Amount	Ratio		Amount	Ratio		Amount	Ratio	
	(dollars in thousands)								
Total Capital (to Risk-Weighted Assets):									
Corporation	$1,970,569	14.7	%	$1,076,013	8.0	%	N/A	N/A	
Fulton Bank, N.A.	1,065,445	13.2		643,791	8.0		804,739	10.0	%
Fulton Bank of New Jersey	347,235	13.1		211,823	8.0		264,779	10.0	
The Columbia Bank	203,109	13.5		119,934	8.0		149,917	10.0	
Lafayette Ambassador Bank	167,800	15.9		84,407	8.0		105,508	10.0	
Tier I Capital (to Risk-Weighted Assets):									
Corporation	1,655,853	12.3		538,007	4.0	%	N/A	N/A	
Fulton Bank, N.A	977,547	12.1		321,896	4.0		482,843	6.0	%
Fulton Bank of New Jersey	313,843	11.9		105,911	4.0		158,867	6.0	
The Columbia Bank	184,331	12.3		59,967	4.0		89,950	6.0	
Lafayette Ambassador Bank	154,817	14.7		42,203	4.0		63,305	6.0	
Tier I Capital (to Average Assets):									
Corporation	1,655,853	10.0		663,421	4.0	%	N/A	N/A	
Fulton Bank, N.A	977,547	10.5		373,288	4.0		466,610	5.0	%
Fulton Bank of New Jersey	313,843	9.4		133,580	4.0		166,975	5.0	
The Columbia Bank	184,331	9.4		78,186	4.0		97,733	5.0	
Lafayette Ambassador Bank	154,817	10.8		57,132	4.0		71,416	5.0	

N/A – Not applicable as "well capitalized" applies to banks only.

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	2013								
	Actual			For Capital Adequacy Purposes			Well Capitalized		
	Amount	Ratio		Amount	Ratio		Amount	Ratio	
	(dollars in thousands)								
Total Capital (to Risk-Weighted Assets):									
Corporation	$1,987,737	15.0	%	$1,056,974	8.0	%	N/A	N/A	
Fulton Bank, N.A.	1,053,214	13.1		641,218	8.0		801,523	10.0	%
Fulton Bank of New Jersey	343,341	13.8		199,120	8.0		248,900	10.0	
The Columbia Bank	215,648	15.4		111,675	8.0		139,594	10.0	
Lafayette Ambassador Bank	155,475	14.2		87,566	8.0		109,458	10.0	
Tier I Capital (to Risk-Weighted Assets):									
Corporation	$1,736,567	13.1		$528,487	4.0	%	N/A	N/A	
Fulton Bank, N.A	941,546	11.8		320,609	4.0		480,914	6.0	%
Fulton Bank of New Jersey	308,210	12.4		99,560	4.0		149,340	6.0	
The Columbia Bank	198,135	14.2		55,837	4.0		83,756	6.0	
Lafayette Ambassador Bank	140,733	12.9		43,783	4.0		65,675	6.0	
Tier I Capital (to Average Assets):									
Corporation	$1,736,567	10.6		$654,532	4.0	%	N/A	N/A	
Fulton Bank, N.A	941,546	10.0		375,647	4.0		469,558	5.0	%
Fulton Bank of New Jersey	308,210	9.6		128,250	4.0		160,312	5.0	
The Columbia Bank	198,135	10.6		75,098	4.0		93,873	5.0	
Lafayette Ambassador Bank	140,733	10.1		55,563	4.0		69,454	5.0	

N/A – Not applicable as "well capitalized" applies to banks only.

Dividend and Loan Limitations

The dividends that may be paid by subsidiary banks to the Parent Company are subject to certain legal and regulatory limitations. Dividend limitations vary, depending on the subsidiary bank's charter and primary regulator 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. The total amount available for payment of dividends by subsidiary banks was approximately $243 million as of December 31, 2014, based on the subsidiary banks maintaining enough capital to be considered well capitalized, as defined above.

Under current Federal Reserve regulations, the subsidiary banks are limited in the amount they may loan to their affiliates, including the Parent Company. Loans to a single affiliate may not exceed 10%, and the aggregate of loans to all affiliates may not exceed 20% of each bank subsidiary's regulatory capital.

U.S. Basel III Capital Rules

In July 2013, the Federal Reserve Board approved final rules (the U.S. Basel III Capital Rules) establishing a new comprehensive capital framework for U.S. banking organizations and implementing the Basel Committee on Banking Supervision's December 2010 framework for strengthening international capital standards. The U.S. Basel III Capital Rules substantially revise the risk-based capital requirements applicable to bank holding companies and depository institutions.

The new minimum regulatory capital requirements established by the U.S. Basel III Capital Rules became effective for the Corporation on January 1, 2015, and become fully phased in on January 1, 2019.

When fully phased in, the U.S. Basel III Capital Rules will require the Corporation and its bank subsidiaries to:

- Meet a new minimum Common Equity Tier 1 capital ratio of 4.50% of risk-weighted assets and a minimum Tier 1 capital of 6.00% of risk-weighted assets;

- Continue to require the current minimum Total capital ratio of 8.00% of risk-weighted assets and the minimum Tier 1 leverage capital ratio of 4.00% of average assets;

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- Maintain a "capital conservation buffer" of 2.50% above the minimum risk-based capital requirements, which must be maintained to avoid restrictions on capital distributions and certain discretionary bonus payments; and
- Comply with a revised definition of capital to improve the ability of regulatory capital instruments to absorb losses. Certain non-qualifying capital instruments, including cumulative preferred stock and trust preferred securities, will be excluded as a component of Tier 1 capital for institutions of the Corporation's size.

The U.S. Basel III Capital Rules use a standardized approach for risk weightings that expand the risk-weightings for assets and off-balance sheet exposures from the current 0%, 20%, 50% and 100% categories to a much larger and more risk-sensitive number of categories, depending on the nature of the assets and off-balance sheet exposures and resulting in higher risk weights for a variety of asset categories.
As of December 31, 2014, the Corporation believes its current capital levels would meet the fully-phased in minimum capital requirements, including capital conservation buffers, as prescribed in the U.S. Basel III Capital Rules.

Regulatory Enforcement Orders

In July 2014, three wholly owned banking subsidiaries of the Corporation, Fulton Bank, N.A., Swineford National Bank and FNB Bank, N.A., each entered into a Stipulation and Consent to the Issuance of a Consent Order with their primary federal banking regulatory agency, the Office of the Comptroller of the Currency (OCC), consenting to the issuance by the OCC of a Consent Order (collectively, together with each Stipulation and Consent to the Issuance of a Consent Order, the OCC Consent Orders). The OCC Consent Orders relate to identified deficiencies in a centralized Bank Secrecy Act and anti-money laundering compliance program (the BSA/AML Compliance Program), which was designed to comply with the requirements of the Bank Secrecy Act, the USA Patriot Act of 2001 and related anti-money laundering regulations (collectively, the BSA/AML Requirements), as disclosed by the Corporation in a Current Report on Form 8-K filed with the SEC on July 18, 2014. The OCC Consent Orders require, among other things, that the banking subsidiaries review, assess and take actions to strengthen and enhance their the BSA/AML Compliance Program, including elements of the BSA/AML Compliance Program relating to: internal controls designed to ensure compliance with the BSA/AML Requirements; the periodic risk assessment process relating to the BSA/AML Requirements; customer due diligence procedures; enhanced due diligence procedures for higher-risk customers; procedures for monitoring for, identifying, investigating and reporting suspicious activity, or known or suspected violations of law; the qualifications and sufficiency of staff responsible for carrying out the BSA/AML Compliance Program; and training related to the BSA/AML Requirements.

In September 2014, the Corporation and its wholly owned banking subsidiary, Lafayette Ambassador Bank (Lafayette), entered into a Cease and Desist Order Issued Upon Consent (the Cease and Desist Order) with their primary federal banking regulatory agency, the Board of Governors of the Federal Reserve System (the FRB), as disclosed by the Corporation in a Current Report on Form 8-K filed with the SEC on September 9, 2014. The Cease and Desist Order relates to identified deficiencies in the BSA/AML Compliance Program, which was designed to comply with the BSA/AML Requirements. The requirements of the Cease and Desist Order are similar to the requirements of the OCC Consent Orders. In addition, the Cease and Desist Order requires, among other things, that the Corporation engage an independent third-party firm to conduct a comprehensive assessment of the BSA/AML Compliance Program, and that Lafayette engage an independent third-party firm to conduct a retrospective review of account and transaction activity from January 1, 2014 to June 30, 2014 associated with high-risk customers to determine whether suspicious activity was properly identified and reported in accordance with the BSA/AML Requirements. Based on the results of this transaction review, the FRB may require a review of transactions for additional time periods.

As disclosed by the Corporation in a Current Report on Form 8-K filed with the SEC on December 29, 2014, in December 2014, The Columbia Bank (Columbia), a wholly-owned banking subsidiary of the Corporation, entered into a Stipulation and Consent to the Issuance of a Consent Order with the Federal Deposit Insurance Corporation (the

FDIC) consenting to the issuance by the FDIC of a Consent Order (the FDIC Consent Order). In addition, Columbia entered into a Stipulation and Consent to the Issuance of a Consent Order with the Commissioner of Financial Regulation for the State of Maryland (the Commissioner), consenting to the issuance by the Commissioner of a Consent Order, and an Acknowledgement of Adoption of FDIC Consent Order by the Commissioner of Financial Regulation, pursuant to which, the Commissioner and Columbia agreed that, upon issuance of the FDIC Consent Order, the FDIC Consent Order shall be binding between the Commissioner and Columbia with the same legal effect as if the Commissioner had issued a separate Consent Order that included all of the provisions of the FDIC Consent Order. The FDIC Consent Order relates to identified deficiencies in the BSA/AML Compliance Program, which was designed to comply with the BSA/AML Requirements. The requirements of the FDIC Consent Order are similar to the requirements of the OCC Consent Orders and the Cease and Desist Order. In addition, the FDIC Consent Order requires, among other things, that: (i) the Board of Directors of Columbia designate a permanent, qualified and experienced Bank Secrecy Act officer that: is acceptable to the FDIC and the Commissioner; reports monthly to the Board of Directors of Columbia; and is provided with sufficient authority

and resources to implement the BSA/AML Compliance Program; and (ii) Columbia conduct a retrospective review of currency transaction aggregation reports and Currency Transaction Reports from May 1, 2013 through the effective date of the FDIC Consent Order to determine whether transactions by a common conductor were properly identified and reported.

On February 25, 2015, Fulton Bank of New Jersey (FBNJ), the Corporation's sixth wholly owned banking subsidiary, entered into a Stipulation and Consent to the Issuance of a Consent Order with the FDIC consenting to the issuance by the FDIC of a Consent Order (the 2015 FDIC Consent Order). In addition, on February 25, 2015, FBNJ entered into a Consent Order with the Commissioner of Banking and Insurance for the State of New Jersey (the New Jersey Consent Order and, together with the FDIC Consent Order, the 2015 Consent Orders). The 2015 Consent Orders impose substantially identical requirements and relate to identified deficiencies in the BSA/AML Compliance Program, which was designed to comply with the BSA/AML Requirements. The requirements of the 2015 Consent Orders are similar to the requirements of the FDIC Consent Order, except that FBNJ is required to review and enhance its periodic risk assessment process relating to the BSA/AML Requirements, and FBNJ is not required to conduct a retrospective review of past currency transaction aggregation reports and Currency Transaction Reports. See Part II, Item 9B "Other Information" for additional information regarding the 2015 Consent Orders.

NOTE L – INCOME TAXES

The components of the provision for income taxes are as follows:

	2014	2013	2012
	(in thousands)		
Current tax expense (benefit):			
Federal	$32,957	$38,573	$41,151
State	1,126	687	(557)
	34,083	39,260	40,594
Deferred tax expense (benefit):			
Federal	18,523	15,357	17,007
State	—	(3,532)	—
	18,523	11,825	17,007
Income tax expense	$52,606	$51,085	$57,601

The differences between the effective income tax rate and the federal statutory income tax rate are as follows:

	2014	2013	2012
Statutory tax rate	35.0 %	35.0 %	35.0 %
Tax-exempt income	(5.4)	(5.2)	(5.0)
Low income housing investments	(4.9)	(4.9)	(4.4)
Change in valuation allowance	(0.8)	(2.0)	(0.6)
Bank owned life insurance	(0.5)	(0.5)	(0.8)
State income taxes, net of federal benefit	1.2	1.1	0.6
Executive compensation	0.1	0.1	0.5
Non-deductible goodwill	—	—	0.9
Other, net	0.3	0.4	0.3
Effective income tax rate	25.0 %	24.0 %	26.5 %

The net deferred tax asset recorded by the Corporation is included in other assets and consists of the following tax effects of temporary differences as of December 31:

	2014	2013
	(in thousands)	
Deferred tax assets:		
Allowance for credit losses	$68,407	$75,525
Postretirement and defined benefit plans	16,017	9,561
State loss carryforwards	12,960	13,724
Deferred compensation	12,486	12,099
Other-than-temporary impairment of investments	8,126	10,378
Other accrued expenses	7,335	9,987
Unrealized holding losses on securities available for sale	—	13,922
Other	8,433	10,850
Total gross deferred tax assets	133,764	156,046
Deferred tax liabilities:		
Mortgage servicing rights	15,004	15,118
Direct leasing	12,399	7,948
Acquisition premiums/discounts	8,200	7,631
Premises and equipment	7,897	9,864
Unrealized holding gains on securities available for sale	3,949	—
Intangible assets	1,382	1,498
Other	7,960	4,112
Total gross deferred tax liabilities	56,791	46,171
Net deferred tax asset, before valuation allowance	76,973	109,875
Valuation allowance	(10,187)	(11,880)
Net deferred tax asset	$66,786	$97,995

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income and/or capital gain income during periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies, such as those that may be implemented to generate capital gains, in making this assessment.

The valuation allowance relates to state deferred tax assets and net operating loss carryforwards for which realizability is uncertain. As of December 31, 2014 and 2013, the Corporation had state net operating loss carryforwards of approximately $451 million and $475 million, respectively, which are available to offset future state taxable income, and expire at various dates through 2034.

The Corporation has $8.2 million of deferred tax assets resulting from unrealized other-than-temporary impairment losses on investment securities, which would be characterized as capital losses for tax purposes. If realized, the income tax benefits of these potential capital losses can only be recognized for tax purposes to the extent of capital gains generated during carryback and carryforward periods. Other deferred tax assets include $3.1 million related to realized capital losses on sales of investment securities that have not been deducted on tax returns as there were no capital gains available for offset in the current or carryback periods. These losses will begin to expire in 2016. If sufficient capital gains are not realized during this period, some or all of this deferred tax asset may need to be written off through a charge to income tax expense. The Corporation has the ability to generate sufficient offsetting capital gains in future periods through the execution of certain tax planning strategies, which may include the sale and leaseback of some or all of its branch and office properties. As such, no valuation allowance for the deferred tax assets

related to the realized or unrealized capital losses is considered necessary as of December 31, 2014.

Based on the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Corporation will realize the benefits of its deferred tax assets, net of the valuation allowance, as of December 31, 2014.

Uncertain Tax Positions

The following summarizes the changes in unrecognized tax benefits for the years ended December 31:

	2014	2013	2012
	(in thousands)		
Balance at beginning of year	$1,651	$1,453	$9,438
Prior period tax positions	188	—	(378)
Current period tax positions	269	318	203
Settlement with taxing authority	—	—	(7,171)
Lapse of statute of limitations	(164)	(120)	(639)
Balance at end of year	$1,944	$1,651	$1,453

Virtually all of the Corporation's unrecognized tax benefits are for positions that are taken on an annual basis on state tax returns. Increases to unrecognized tax benefits will generally occur as a result of accruing for the nonrecognition of the position for the current year. Decreases will occur as a result of the lapsing of the statute of limitations for the oldest outstanding year which includes the position. These offsetting increases and decreases are likely to continue in the future, including over the next twelve months. While the net effect on future total unrecognized tax benefits cannot be reasonably estimated, approximately $64,000 is expected to reverse in 2015 due to lapsing of the statute of limitations. Decreases can also occur through the settlement of a position with the taxing authority.

The $188,000 increase for prior period tax positions in 2014 resulted from changes in state case law, which impacted the estimated amount of positions taken in prior years that will ultimately be recognized.

As of December 31, 2014, if recognized, all of the Corporation's unrecognized tax benefits would impact the effective tax rate. Not included in the table above is $640,000 of federal tax expense on unrecognized state tax benefits which, if recognized, would also impact the effective tax rate. Interest accrued related to unrecognized tax benefits is recorded as a component of income tax expense. Penalties, if incurred, would also be recognized in income tax expense. The Corporation recognized approximately $47,000 of interest and penalty expense, net of reversals, in income tax expense related to unrecognized tax positions in 2014. The Corporation recognized as a benefit approximately $3,000 and $84,000 of interest and penalties in income tax expense related to unrecognized tax positions in 2013 and 2012, respectively, as a result of reversals exceeding current period expenses. As of December 31, 2014 and 2013, total accrued interest and penalties related to unrecognized tax positions were approximately $485,000 and $439,000, respectively.

The Corporation and its subsidiaries file income tax returns in the federal and various state jurisdictions. In most cases, unrecognized tax benefits are related to tax years that remain subject to examination by the relevant taxing authorities. With few exceptions, the Corporation is no longer subject to federal, state and local examinations by tax authorities for years before 2011.

NOTE M – EMPLOYEE BENEFIT PLANS

The following summarizes the Corporation's expense under its retirement plans for the years ended December 31:

	2014	2013	2012
	(in thousands)		
401(k) Retirement Plan	$8,643	$11,807	$11,983
Pension Plan	1,514	2,477	1,834
	$10,157	$14,284	$13,817

401(k) Retirement Plan – A defined contribution plan that includes two contribution features:

- Employer Profit Sharing – elective contributions based on a formula providing for an amount not to exceed 5% of each eligible employee's covered compensation. Employees hired after July 1, 2007 are not eligible for this contribution. Beginning January 1, 2015, the Corporation suspended all contributions to the plan.
-

401(k) Contributions – eligible employees may defer a portion of their pre-tax covered compensation on an annual basis, with employer matches of up to 5% of employee contributions. Employee and employer contributions under these features are 100% vested.

Defined Benefit Pension Plan – Contributions to the Corporation's defined benefit pension plan (Pension Plan) are actuarially determined and funded annually, if necessary. The Corporation recognizes the funded status of its Pension Plan and postretirement benefits plan on the consolidated balance sheets and recognizes the changes in that funded status through other comprehensive income. See the heading "Postretirement Benefits" below for a description of the Corporation's postretirement benefits plan.

Pension Plan

The net periodic pension cost for the Pension Plan, as determined by consulting actuaries, consisted of the following components for the years ended December 31:

	2014	2013	2012
	(in thousands)		
Service cost (1)	$367	$202	$157
Interest cost	3,413	3,087	3,223
Expected return on assets	(3,240)	(3,194)	(3,230)
Net amortization and deferral	974	2,382	1,684
Net periodic pension cost	$1,514	$2,477	$1,834

(1) The Pension Plan was curtailed effective January 1, 2008. Pension plan service cost for all years presented was related to administrative costs associated with the plan and not due to the accrual of additional participant benefits.

The following table summarizes the changes in the projected benefit obligation and fair value of plan assets for the plan years ended December 31:

	2014	2013
	(in thousands)	
Projected benefit obligation at beginning of year	$73,362	$84,032
Service cost	367	202
Interest cost	3,413	3,087
Benefit payments	(5,164)	(3,009)
Change due to change in assumptions	22,055	(10,773)
Experience gain	(954)	(177)
Projected benefit obligation at end of year	$93,079	$73,362
Fair value of plan assets at beginning of year	$55,448	$54,772
Actual return on assets	1,446	3,685
Benefit payments	(5,164)	(3,009)
Fair value of plan assets at end of year	$51,730	$55,448

The following table presents the funded status of the Pension Plan, included in other liabilities on the consolidated balance sheets, as of December 31:

	2014	2013
	(in thousands)	
Projected benefit obligation	$(93,079)	$(73,362)
Fair value of plan assets	51,730	55,448
Funded status	$(41,349)	$(17,914)

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The following table summarizes the changes in the unrecognized net loss included as a component of accumulated other comprehensive loss:

	Unrecognized Net Loss	
	Gross of tax	Net of tax
	(in thousands)	
Balance as of December 31, 2012	$29,984	$19,490
Recognized as a component of 2013 periodic pension cost	(2,382)	(1,548)
Unrecognized gains arising in 2013	(11,441)	(7,437)
Balance as of December 31, 2013	16,161	10,505
Recognized as a component of 2014 periodic pension cost	(974)	(633)
Unrecognized losses arising in 2014	22,895	14,882
Balance as of December 31, 2014	$38,082	$24,754

The total amount of unrecognized net loss that will be amortized as a component of net periodic pension cost in 2015 is expected to be $3.6 million.
The following rates were used to calculate net periodic pension cost and the present value of benefit obligations as of December 31:

	2014	2013	2012
Discount rate-projected benefit obligation	3.75 %	4.75 %	3.75 %
Expected long-term rate of return on plan assets	6.00 %	6.00 %	6.00 %

As of December 31, 2014, 2013 and 2012, the discount rate used to calculate the present value of benefit obligations was determined using the Citigroup Average Life discount rate table, as adjusted based on the Pension Plan's expected benefit payments and rounded to the nearest 0.25%.

As of December 31, 2014, the mortality table used to calculate the present value of benefit obligations was determined using the RP-2014 White Collar Mortality Table, compared to the IRS 2014 Static Mortality Table as of December 31, 2013.
The 6.00% long-term rate of return on plan assets used to calculate the net periodic pension cost was based on historical returns, adjusted for expectations of long-term asset returns based on the December 31, 2014 weighted average asset allocations. The expected long-term return is considered to be appropriate based on the asset mix and the historical returns realized.

The following table presents a summary of the fair values of the Pension Plan’s assets as of December 31:

	2014		2013	
	Estimated Fair Value	% of Total Assets	Estimated Fair Value	% of Total Assets
	(dollars in thousands)			
Equity mutual funds	$8,503		$5,882	
Equity common trust funds	6,018		8,418	
Equity securities	14,521	28.1 %	14,300	25.8 %
Cash and money market funds	8,957		10,574	
Fixed income mutual funds	9,845		9,579	
Corporate debt securities	4,971		7,815	
U.S. Government agency securities	3,856		3,938	
Fixed income securities and cash	27,629	53.4 %	31,906	57.5 %
Other alternative investment funds	9,580	18.5 %	9,242	16.7 %
	$51,730	100.0 %	$55,448	100.0 %

Investment allocation decisions are made by a retirement plan committee. The goal of the investment allocation strategy is to match certain benefit obligations with maturities of fixed income securities. Pension Plan assets are invested with a conservative growth objective, with target asset allocations of approximately 25% in equities, 55% in fixed income securities and cash and 20% in alternative investments. Alternative investments may include managed futures, commodities, real estate investment trusts,

master limited partnerships, and long-short strategies with traditional stocks and bonds. All alternative investments are in the form of mutual funds, not individual contracts, to enable daily liquidity.
The fair values for all assets held by the Pension Plan, excluding equity common trust funds, are based on quoted prices for identical instruments and would be categorized as Level 1 assets under FASB ASC Topic 810. Equity common trust funds would be categorized as Level 2 assets under FASB ASC Topic 810.
Estimated future benefit payments are as follows (in thousands):

Year	
2015	$2,889
2016	3,123
2017	3,388
2018	3,758
2019	3,881
2020 – 2024	23,574
	$40,613

Postretirement Benefits
The Corporation provides medical benefits and life insurance benefits under a postretirement benefits plan (Postretirement Plan) to certain retired full-time employees who were employees of the Corporation prior to January 1, 1998. Prior to February 1, 2014 certain full-time employees became eligible for these discretionary benefits if they reached retirement age while working for the Corporation.

Effective February 1, 2014, the Corporation amended the Postretirement Plan, making all active full-time employees ineligible for benefits under this plan. As a result of this amendment, the Corporation recorded a $1.5 million curtailment gain as a reduction to salaries and employee benefits in 2014, as determined by consulting actuaries. The curtailment gain resulted from the recognition of the remaining pre-curtailment prior service cost as of December 31, 2013. In addition, this amendment resulted in a $3.4 million decrease in the accumulated postretirement benefit obligation and a corresponding increase in unrecognized prior service cost credits.

The components of the expense for postretirement benefits other than pensions are as follows:

	2014	2013	2012
	(in thousands)		
Service cost	$15	$228	$211
Interest cost	206	322	346
Expected return on plan assets	—	(1)	(2)
Net amortization and deferral	(347)	(363)	(363)
Net postretirement benefit cost	$(126)	$186	$192

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The following table summarizes the changes in the accumulated postretirement benefit obligation and fair value of plan assets for the years ended December 31:

	2014	2013
	(in thousands)	
Accumulated postretirement benefit obligation at beginning of year	$8,169	$9,272
Service cost	15	228
Interest cost	206	322
Benefit payments	(209)	(230)
Experience gain	(532)	(423)
Change due to change in assumptions	1,261	(1,000)
Effect of curtailment	(3,358)	—
Accumulated postretirement benefit obligation at end of year	$5,552	$8,169
Fair value of plan assets at beginning of year	$23	$45
Employer contributions	194	208
Benefit payments	(209)	(230)
Fair value of plan assets at end of year	$8	$23

The following table presents the funded status of the Postretirement Plan, included in other liabilities on the consolidated balance sheets as of December 31:

	2014	2013
	(in thousands)	
Accumulated postretirement benefit obligation	$(5,552)	$(8,169)
Fair value of plan assets	8	23
Funded status	$(5,544)	$(8,146)

The following table summarizes the changes in items recognized as a component of accumulated other comprehensive loss:

	Gross of tax			
	Unrecognized Prior Service Cost	Unrecognized Net Loss (Gain)	Total	Net of tax
	(in thousands)			
Balance as of December 31, 2012	$(1,847)	$ 297	$(1,550)	$(1,008)
Recognized as a component of 2013 postretirement benefit cost	363	—	363	236
Unrecognized gains arising in 2013	—	(1,434)	(1,434)	(932)
Balance as of December 31, 2013	(1,484)	(1,137)	(2,621)	(1,704)
Recognized as a component of 2014 postretirement benefit cost, before curtailment	32	10	42	26
Unrecognized gains arising in 2014, prior to curtailment	—	(313)	(313)	(203)
Curtailment gain	1,452	—	1,452	944
Recognized as a component of 2014 postretirement benefit cost, after curtailment	235	70	305	199
Unrecognized gains arising in 2014, after curtailment	(3,358)	1,034	(2,324)	(1,511)
Balance as of December 31, 2014	$(3,123)	$ (336)	$(3,459)	$(2,249)

For measuring the postretirement benefit obligation, the annual increase in the per capita cost of health care benefits was assumed to be 6% in year one, declining to an ultimate rate of 5.5% by year two. This health care cost trend rate

has a significant impact on the amounts reported. Assuming a 1.0% increase in the health care cost trend rate above the assumed annual increase, the accumulated postretirement benefit obligation would increase by approximately $430,000 and the current period expense would increase by approximately $10,000. Conversely, a 1.0% decrease in the health care cost trend rate would decrease the accumulated postretirement benefit obligation by approximately $380,000 and the current period expense by approximately $10,000.

The following rates were used to calculate net periodic postretirement benefit cost and the present value of benefit obligations as of December 31:

	2014	2013	2012
Discount rate-projected benefit obligation	3.75 %	4.75 %	3.75 %
Expected long-term rate of return on plan assets	3.00 %	3.00 %	3.00 %

As of December 31, 2014 and 2013, the discount rate used to calculate the accumulated postretirement benefit obligation was determined using the Citigroup Average Life discount rate table, as adjusted based on the Postretirement Plan's expected benefit payments and rounded to the nearest 0.25%.

As of December 31, 2014, the mortality table used to calculate the accumulated postretirement benefit obligation was determined using the RP-2014 White Collar Mortality Table, compared to the IRS 2014 Static Mortality Table as of December 31, 2013.

Estimated future benefit payments under the Postretirement Plan are as follows (in thousands):

Year	
2015	$404
2016	400
2017	392
2018	389
2019	384
2020 – 2024	1,809
	$3,778

NOTE N – SHAREHOLDERS' EQUITY

Accumulated Other Comprehensive Income (Loss)

The following table presents the components of other comprehensive income (loss) for the years ended December 31:

	Before-Tax Amount (in thousands)	Tax Effect	Net of Tax Amount
2014:			
Unrealized gain on securities	$51,901	$(18,167)	$33,734
Reclassification adjustment for securities gains included in net income (1)	(2,041)	714	(1,327)
Non-credit related unrealized gains on other-than-temporarily impaired debt securities	1,200	(420)	780
Unrealized gain on derivative financial instruments	209	(73)	136
Unrecognized pension and postretirement cost	(20,258)	7,090	(13,168)
Reclass adjustment for postretirement plan gain included in net income (2)	(1,452)	508	(944)
Amortization of net unrecognized pension and postretirement income (2)	627	(219)	408
Total Other Comprehensive Income	$30,186	$(10,567)	$19,619
2013:			
Unrealized loss on securities	$(76,319)	$26,712	$(49,607)
Reclassification adjustment for securities gains included in net income (1)	(8,004)	2,801	(5,203)
Non-credit related unrealized gains on other-than-temporarily impaired debt securities	3,042	(1,065)	1,977
Unrealized gain on derivative financial instruments	209	(73)	136
Unrecognized pension and postretirement income	12,875	(4,506)	8,369
Amortization of net unrecognized pension and postretirement income (2)	2,019	(707)	1,312
Total Other Comprehensive Loss	$(66,178)	$23,162	$(43,016)
2012:			
Unrealized gain on securities	$2,414	$(845)	$1,569
Reclassification adjustment for securities gains included in net income (1)	(3,026)	1,059	(1,967)
Non-credit related unrealized gains on other-than-temporarily impaired debt securities	2,046	(716)	1,330
Unrealized gain on derivative financial instruments	209	(73)	136
Unrecognized pension and postretirement cost	(6,470)	2,263	(4,207)
Amortization of net unrecognized pension and postretirement income (2)	1,321	(462)	859
Total Other Comprehensive Loss	$(3,506)	$1,226	$(2,280)

(1) Amounts reclassified out of accumulated other comprehensive income. Before-tax amounts included within "Investment securities gains, net" on the consolidated statements of income. See Note C, "Investment Securities," for additional details.

(2) Amounts reclassified out of accumulated other comprehensive income. Before-tax amounts included within "Salaries and employee benefits" on the consolidated statements of income. See Note M, "Employee Benefit

Plans," for additional details.

The following table presents changes in each component of accumulated other comprehensive income (loss), net of tax, for the years ended December 31:

	Unrealized Gain (Losses) on Investment Securities Not Other-Than-Temporarily Impaired	Unrealized Non-Credit Gains (Losses) on Other-Than-Temporarily Impaired Debt Securities	Unrecognized Pension and Postretirement Plan Income (Cost)	Unrealized Effective Portions of Losses on Forward-Starting Interest Rate Swaps	Total
	(in thousands)				
Balance as of December 31, 2011	$27,054	$ (1,011)	$ (15,134)	$ (2,954)	$7,955
Current-period other comprehensive income (loss)	1,275	1,624	(4,207)	—	(1,308)
Amounts reclassified from accumulated other comprehensive income (loss)	(1,967)	—	859	136	(972)
Balance as of December 31, 2012	26,362	613	(18,482)	(2,818)	5,675
Other comprehensive income (loss) before reclassifications	(49,607)	1,977	8,369	—	(39,261)
Amounts reclassified from accumulated other comprehensive income (loss)	(4,265)	(938)	1,312	136	(3,755)
Balance as of December 31, 2013	(27,510)	1,652	(8,801)	(2,682)	(37,341)
Other comprehensive income (loss) before reclassifications	33,734	780	(14,112)	—	20,402
Amounts reclassified from accumulated other comprehensive income (loss)	(244)	(1,083)	408	136	(783)
Balance as of December 31, 2014	$5,980	$ 1,349	$ (22,505)	$ (2,546)	$(17,722)

Common Stock Repurchase Plans

In January 2013, the Corporation announced that its board of directors had approved a share repurchase program pursuant to which the Corporation was authorized to repurchase of up to 8.0 million shares, or approximately 4.0% of its outstanding shares, through June 30, 2013. During 2013, the Corporation repurchased 8.0 million shares, completing this repurchase program.

In October 2013, the Corporation announced that its board of directors had approved a share repurchase program pursuant to which the Corporation was authorized to repurchase up to 4.0 million shares, or approximately 2.1% of its outstanding shares, through March 2014. During the first quarter of 2014, the Corporation repurchased 4.0 million shares under this repurchase program at an average cost of $12.45 per share, completing this repurchase program on February 19, 2014.

In May 2014, the Corporation announced that its board of directors had approved a share repurchase program pursuant to which the Corporation was authorized to repurchase up to 4.0 million shares, or approximately 2.1% of its outstanding shares, through December 31, 2014. During the third quarter of 2014, the Corporation repurchased 4.0 million shares under this repurchase program at an average cost of $11.36 per share, completing this repurchase program on August 25, 2014.

In November 2014, the Corporation entered into an accelerated share repurchase agreement (ASR) with a third party to repurchase $100 million of shares of its common stock. Under the terms of the ASR, the Corporation paid $100

million to the third party in November 2014 and received an initial delivery of 6.5 million shares, representing 80% of the shares expected to be delivered under the ASR, based on the closing price for the Corporation's shares on November 13, 2014. The final number of shares to be repurchased under the ASR will depend upon the daily volume-weighted average prices of the Corporation's shares, less a discount, over the term of the ASR. The ASR contains customary terms for such transactions, including mechanisms to determine the number of shares or the amount of cash that will be delivered at settlement, circumstances under which adjustments may be made to the transaction, circumstances under which the transaction may be terminated prior to its scheduled maturity and customary representations and warranties made by the parties. Final settlement of the ASR is scheduled for no later than April 17, 2015, and may occur earlier at the option of the third party.

NOTE O – STOCK-BASED COMPENSATION PLANS

The following table presents compensation expense and related tax benefits for all equity awards recognized in the consolidated statements of income:

	2014	2013	2012
	(in thousands)		
Compensation expense	$5,865	$5,330	$4,834
Tax benefit	(1,608)	(1,475)	(1,253)
Stock-based compensation, net of tax	$4,257	$3,855	$3,581

The tax benefit shown in the preceding table is less than the benefit that would be calculated using the Corporation's 35% statutory federal tax rate. Tax benefits are only recognized over the vesting period for awards that ordinarily will generate a tax deduction when exercised, in the case of non-qualified stock options, or upon vesting, in the case of restricted stock. The Corporation did not grant any non-qualified stock options in 2014. Non-qualified stock options granted in 2013 and 2012 were 50,000 and 15,000 non-qualified stock options, respectively.

The following table presents compensation expense and related tax benefits for restricted stock awards, RSUs and PSUs recognized in the consolidated statements of income, and included as a component of total stock-based compensation within the preceding table:

	2014	2013	2012
	(in thousands)		
Compensation expense	$4,345	$3,705	$3,506
Tax benefit	(1,510)	(1,297)	(1,227)
Restricted stock compensation, net of tax	$2,835	$2,408	$2,279

The following table provides information about stock option activity for the year ended December 31, 2014:

	Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (in millions)
Outstanding as of December 31, 2013	5,567,701	$13.25		
Granted	288,626	12.61		
Exercised	(215,047)	9.62		
Forfeited	(435,502)	14.73		
Expired	(903,314)	14.95		
Outstanding as of December 31, 2014	4,302,464	$12.89	4.4 years	$4.5
Exercisable as of December 31, 2014	3,546,500	$13.13	3.5 years	$4.0

The following table provides information about nonvested stock options, restricted stock, RSUs and PSUs granted under the Employee Option Plan and Directors' Plan for the year ended December 31, 2014:

	Nonvested Stock Options		Restricted Stock/RSUs/PSUs	
	Options	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Nonvested as of December 31, 2013	1,071,266	$2.35	943,039	$10.90
Granted	288,626	3.14	553,343	12.51
Vested	(514,734)	2.29	(389,328)	9.83
Forfeited	(89,194)	2.49	(43,967)	10.61
Nonvested as of December 31, 2014	755,964	$2.68	1,063,087	$11.83

As of December 31, 2014, there was $7.4 million of total unrecognized compensation cost related to nonvested stock options, restricted stock, RSUs and PSUs that will be recognized as compensation expense over a weighted average period of two years. As of December 31, 2014, the Employee Option Plan had 11.4 million shares reserved for future grants through 2023 and the Directors' Plan had 410,000 shares reserved for future grants through 2021.

The following table presents information about stock options exercised:

	2014	2013	2012
	(dollars in thousands)		
Number of options exercised	215,047	451,102	141,305
Total intrinsic value of options exercised	$568	$1,612	$402
Cash received from options exercised	$2,068	$3,650	$987
Tax deduction realized from options exercised	$568	$1,416	$322

Upon exercise, the Corporation issues shares from its authorized, but unissued, common stock to satisfy the options. The fair value of stock option awards under the Employee Option Plan was estimated on the grant date using the Black-Scholes valuation methodology, which is dependent upon certain assumptions, as summarized in the following table:

	2014		2013		2012	
Risk-free interest rate	2.44	%	1.27	%	1.68	%
Volatility of Corporation's stock	28.05	%	27.64	%	26.60	%
Expected dividend yield	2.36	%	2.48	%	2.54	%
Expected life of options	7 Years		7 Years		7 Years	

The expected life of the options was estimated based on historical activity. Volatility of the Corporation's stock was based on historical volatility for the period commensurate with the expected life of the options. The risk-free interest rate is the zero-coupon U.S. Treasury rate commensurate with the expected life of the options on the date of the grant. Based on the assumptions above, the Corporation calculated an estimated fair value per option of $3.14, $2.49 and $2.22 for options granted in 2014, 2013 and 2012, respectively. The Corporation granted 288,626 options in 2014, 617,869 options in 2013 and 470,528 options in 2012.

The fair value of certain PSUs with market based performance conditions granted in 2014 under the Employee Option Plan was estimated on the grant date using the Monte Carlo valuation methodology performed by a third-party valuation expert, which is dependent upon certain assumptions, as summarized in the following table:

Risk-free interest rate	0.91	%
Volatility of Corporation's stock	29.63	%
Expected life of options	3 Years	

The expected life of the PSUs with fair values measured using the Monte Carlo valuation methodology was based on the defined performance period of three years. Volatility of the Corporation's stock was based on historical volatility for the period commensurate with the expected life of the PSUs. The risk-free interest rate is the zero-coupon U.S. Treasury rate commensurate with the expected life of the PSUs on the date of the grant. Based on the assumptions above, the Corporation calculated an estimated fair value per PSU granted in 2014 of $10.33.

Under the ESPP, eligible employees can purchase stock of the Corporation at 85% of the fair market value of the stock on the date of purchase. The ESPP is considered to be a compensatory plan and, as such, compensation expense is recognized for the 15% discount on shares purchased. The following table summarizes activity under the ESPP:

	2014	2013	2012
ESPP shares purchased	132,640	141,608	165,456
Average purchase price per share (85% of market value)	$10.31	$10.02	$8.35
Compensation expense recognized (in thousands)	$241	$251	$244

NOTE P – LEASES

Certain branch offices and equipment are leased under agreements that expire at varying dates through 2035. Most leases contain renewal provisions at the Corporation's option. Total rental expense was approximately $18.1 million in 2014, $19.0 million in 2013 and $19.4 million in 2012.

Future minimum payments as of December 31, 2014 under non-cancelable operating leases with initial terms exceeding one year are as follows (in thousands):

Year	
2015	$16,226
2016	15,176
2017	13,789
2018	11,517
2019	9,656
Thereafter	51,840
	$118,204

NOTE Q – COMMITMENTS AND CONTINGENCIES

Commitments

The Corporation is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since a portion of the commitments is expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Corporation evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained upon extension of credit is based on management's credit evaluation of the customer. Collateral held varies but may include accounts receivable, inventory, property, equipment and income producing commercial properties. The Corporation records a reserve for unfunded commitments, included in other liabilities on the consolidated balance sheets, which represents management's estimate of losses inherent in these commitments. See Note D, "Loans and Allowance for Credit Losses," for additional information.

Standby letters of credit are conditional commitments issued to guarantee the financial or performance obligation of a customer to a third party. The credit risk involved in issuing letters of credit is similar to that involved in extending loan facilities. These obligations are underwritten consistently with commercial lending standards. The maximum exposure to loss for standby letters of credit is equal to the contractual (or notional) amount of the instruments.

The following table presents commitments to extend credit and letters of credit:

	2014	2013
	(in thousands)	
Commercial and other	$2,743,415	$2,673,415
Home equity	1,294,205	1,245,589
Commercial mortgage and construction	351,444	360,574
Total commitments to extend credit	$4,389,064	$4,279,578
Standby letters of credit	$382,465	$391,445
Commercial letters of credit	32,304	36,344
Total letters of credit	$414,769	$427,789

Residential Lending
Residential mortgages are originated and sold by the Corporation and consist primarily of conforming, prime loans sold to government sponsored agencies such as the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan

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Mortgage Corporation (Freddie Mac). The Corporation also sells certain residential mortgages to non-government sponsored agency investors.

The Corporation provides customary representations and warranties to investors that specify, among other things, that the loans have been underwritten to the standards established by the investor. The Corporation may be required to repurchase a loan or reimburse the investor for a credit loss incurred on a loan if it is determined that the representations and warranties have not been met. Such repurchases or reimbursements generally result from an underwriting or documentation deficiency. During the first quarter of 2014, the Corporation entered into a settlement agreement with a secondary market investor. Under this agreement, the Corporation agreed to pay this investor $4.5 million to settle all outstanding and potential future repurchase requests under a series of specified loan purchase agreements with that secondary market investor. The result of this settlement was a reduction to outstanding repurchase requests of $7.5 million and a reduction to reserves for repurchases of $5.1 million. As of December 31, 2014 and 2013, total outstanding repurchase requests totaled approximately $917,000 and $6.1 million, respectively.

From 2000 to 2011, the Corporation sold loans to the FHLB under its Mortgage Partnership Finance Program (MPF Program). No loans were sold under this program in 2014, 2013 or 2012. The Corporation provided a "credit enhancement" for residential mortgage loans sold under the MPF Program whereby it would assume credit losses in excess of a defined "First Loss Account" (FLA) balance, up to specified amounts. The FLA is funded by the FHLB of Pittsburgh based on a percentage of the outstanding principal balance of loans sold. As of December 31, 2014, the unpaid principal balance of loans sold under the MPF Program was approximately $153 million. As of December 31, 2014 and 2013, the reserves for estimated credit losses related to loans sold under the MPF Program were $2.3 million and $2.5 million, respectively. Required reserves are calculated based on delinquency status and estimated loss rates established through the Corporation's existing allowance for credit loss methodology for residential mortgage loans.

As of December 31, 2014 and 2013, the reserve for losses on residential mortgage loans sold was $3.2 million and $8.6 million, respectively, including both reserves for credit losses under the MPF Program and reserves for representation and warranty exposures. Management believes that the reserves recorded as of December 31, 2014 are adequate. However, declines in collateral values, the identification of additional loans to be repurchased, or a deterioration in the credit quality of loans sold under the MPF Program could necessitate additional reserves, established through charges to earnings, in the future.

Other Contingencies

The Corporation and its subsidiaries are involved in various legal proceedings in the ordinary course of 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. In addition, from time to time, the Corporation is the subject of investigations or other forms of regulatory or governmental inquiry covering a range of possible issues and, in some cases, these may be part of similar reviews of the specified activities of other industry participants. These inquiries could lead to administrative, civil or criminal proceedings, and could possibly result in fines, penalties, restitution or the need to alter the Corporation’s business practices, and cause the Corporation to incur additional costs. The Corporation’s practice is to cooperate fully with regulatory and governmental investigations.

As of the date of this report, the Corporation believes that any liabilities, individually or in the aggregate, which may result from the final outcomes of pending proceedings will not have a material adverse effect on the financial position, the operating results and/or the liquidity of the Corporation. However, legal proceedings are often unpredictable, and the actual results of such proceedings cannot be determined with certainty.

See also, Note K "Regulatory Matters," under the sub-heading "Regulatory Enforcement Orders."

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NOTE R – FAIR VALUE MEASUREMENTS

As required by FASB ASC Topic 820, all assets and liabilities measured at fair value on both a recurring and nonrecurring basis have been categorized based on the method of their fair value determination.

The following tables present summaries of the Corporation's assets and liabilities measured at fair value on a recurring basis and reported on the consolidated balance sheets as of December 31:

	2014			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Mortgage loans held for sale	$—	$17,522	$—	$17,522
Available for sale investment securities:				
Equity securities	47,623	—	—	47,623
U.S. Government securities	—	200	—	200
U.S. Government sponsored agency securities	—	214	—	214
State and municipal securities	—	245,215	—	245,215
Corporate debt securities	—	90,126	7,908	98,034
Collateralized mortgage obligations	—	902,313	—	902,313
Mortgage-backed securities	—	928,831	—	928,831
Auction rate securities	—	—	100,941	100,941
Total available for sale investment securities	47,623	2,166,899	108,849	2,323,371
Other assets	17,682	21,305	—	38,987
Total assets	$65,305	$2,205,726	$108,849	$2,379,880
Other liabilities	$17,737	$21,084	$—	$38,821

	2013			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Mortgage loans held for sale	$—	$21,351	$—	$21,351
Available for sale investment securities:				
Equity securities	46,201	—	—	46,201
U.S. Government securities	—	525	—	525
U.S. Government sponsored agency securities	—	726	—	726
State and municipal securities	—	284,849	—	284,849
Corporate debt securities	—	89,662	9,087	98,749
Collateralized mortgage obligations	—	1,032,398	—	1,032,398
Mortgage-backed securities	—	945,712	—	945,712
Auction rate securities	—	—	159,274	159,274
Total available for sale investment securities	46,201	2,353,872	168,361	2,568,434
Other assets	15,779	7,227	—	23,006
Total assets	$61,980	$2,382,450	$168,361	$2,612,791
Other liabilities	$15,648	$5,161	$—	$20,809

The valuation techniques used to measure fair value for the items in the table above are as follows:

- Mortgage loans held for sale – This category consists of mortgage loans held for sale that the Corporation has elected to measure at fair value. Fair values as of December 31, 2014 and December 31, 2013 were measured as the price that secondary market investors were offering for loans with similar characteristics. See Note A, "Summary of Significant Accounting Policies" for details related to the Corporation's election to measure assets and liabilities at fair value.
- Available for sale investment securities – Included within this asset category are both equity and debt securities. Level 2 available for sale debt securities are valued by a third-party pricing service commonly used in the banking industry.

The pricing service uses pricing models that vary based on asset class and incorporate available market information, including quoted prices of investment securities with similar characteristics. Because many fixed income securities do not trade on a daily basis, pricing models use available information, as applicable, through processes such as benchmark yield curves, benchmarking of like securities, sector groupings, and matrix pricing.
Standard market inputs include: benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data, including market research publications. For certain security types, additional inputs may be used, or some of the standard market inputs may not be applicable.

Management tests the values provided by the pricing service by obtaining securities prices from an alternative third-party source and comparing the results. This test is done for approximately 80% of the securities valued by the pricing service. Generally, differences by security in excess of 5% are researched to reconcile the difference.

- Equity securities – Equity securities consist of stocks of financial institutions ($41.8 million at December 31, 2014 and $40.6 million at December 31, 2013) and other equity investments ($5.8 million at December 31, 2014 and $5.6 million at December 31, 2013). These Level 1 investments are measured at fair value based on quoted prices for identical securities in active markets.
- U.S. Government securities/U.S. Government sponsored agency securities/State and municipal securities/Collateralized mortgage obligations/Mortgage-backed securities – These debt securities are classified as Level 2 investments. Fair values are determined by a third-party pricing service, as detailed above.
- Corporate debt securities – This category consists of subordinated debt issued by financial institutions ($50.0 million at December 31, 2014 and $50.3 million at December 31, 2013), single-issuer trust preferred securities issued by financial institutions ($42.0 million at December 31, 2014 and $40.5 million at December 31, 2013), pooled trust preferred securities issued by financial institutions ($4.1 million at December 31, 2014 and $5.3 million at December 31, 2013) and other corporate debt issued by non-financial institutions ($1.9 million at December 31, 2014 and $2.6 million at December 31, 2013).

Level 2 investments include subordinated debt, other corporate debt issued by non-financial institutions and $38.2 million and $36.7 million of single-issuer trust preferred securities held at December 31, 2014 and 2013, respectively. The fair values for these corporate debt securities are determined by a third-party pricing service, as detailed above.
Level 3 investments include investments in pooled trust preferred securities and certain single-issuer trust preferred securities ($3.8 million at December 31, 2014 and $3.8 million at December 31, 2013). The fair values of these securities were determined based on quotes provided by third-party brokers who determined fair values based predominantly on internal valuation models which were not indicative prices or binding offers. The Corporation's third-party pricing service cannot derive fair values for these securities primarily due to inactive markets for similar investments. Level 3 values are tested by management primarily through trend analysis, by comparing current values to those reported at the end of the preceding calendar quarter, and determining if they are reasonable based on price and spread movements for this asset class.

- Auction rate securities – Due to their illiquidity, ARCs are classified as Level 3 investments and are valued through the use of an expected cash flows model prepared by a third-party valuation expert. The assumptions used in preparing the expected cash flows model include estimates for coupon rates, time to maturity and market rates of return. The most significant unobservable input to the expected cash flows model is an assumed return to market liquidity sometime within the next five years. If the assumed return to market liquidity was lengthened beyond the next five years, this would result in a decrease in the fair value of these ARCs. The Corporation believes that the trusts underlying the ARCs will self-liquidate as student loans are repaid. Level 3 values are tested by management through the performance of a trend analysis of the market price and discount rate. Changes in the price and discount rates are compared to changes in market data, including bond ratings, parity ratios, balances and delinquency levels.
- Other assets – Included within this category are the following:
- Level 1 assets, consisting of mutual funds that are held in trust for employee deferred compensation plans ($16.4 million at December 31, 2014 and $15.3 million at December 31, 2013) and the fair value of foreign currency exchange contracts ($1.3 million at December 31, 2014 and $522,000 at December 31, 2013). The mutual funds and

foreign exchange prices used to measure these items at fair value are based on quoted prices for identical instruments in active markets.

- Level 2 assets, representing the fair value of mortgage banking derivatives in the form of interest rate locks and forward commitments with secondary market investors ($1.4 million at December 31, 2014 and $2.1 million at December 31, 2013) and the fair value of interest rate swaps ($19.9 million at December 31, 2014 and $5.1 million at December 31, 2013). The fair values of the interest rate locks, forward commitments and interest rate swaps represent the amounts that would be required to settle the derivative financial instruments at the balance sheet date. See Note J, " Financial Instruments," for additional information.
- Other liabilities – Included within this category are the following:
- Level 1 employee deferred compensation liabilities which represent amounts due to employees under deferred compensation plans ($16.4 million at December 31, 2014 and $15.3 million at December 31, 2013) and the fair value of foreign currency exchange contracts ($1.3 million at December 31, 2014 and $391,000 at December 31, 2013). The fair values of these liabilities are determined in the same manner as the related assets, as described under the heading "Other assets," above.
- Level 2 liabilities, representing the fair value of mortgage banking derivatives in the form of interest rate locks and forward commitments with secondary market investors ($1.2 million at December 31, 2014 and $64,000 at December 31, 2013) and the fair value of interest rate swaps ($19.9 million at December 31, 2014 and $5.1 million at December 31, 2013). The fair values of these liabilities are determined in the same manner as the related assets, which are described under the heading "Other assets" above.

The following table presents the changes in available for sale investment securities measured at fair value on a recurring basis using unobservable inputs (Level 3) for the years ended December 31:

	Pooled Trust Preferred Securities	Single-issuer Trust Preferred Securities	ARCs
	(in thousands)		
Balance as of December 31, 2012	$6,927	$3,360	$149,339
Realized adjustments to fair value (1)	1,604	—	—
Unrealized adjustments to fair value (2)	1,981	412	11,688
Sales	(4,987)	—	(25)
Settlements - calls	(219)	—	(2,725)
Discount accretion (3)	—	9	997
Balance as of December 31, 2013	5,306	3,781	159,274
Sales	(1,888)	—	(11,912)
Realized adjustments to fair value (1)	(18)	—	—
Unrealized adjustments to fair value (2)	923	32	3,970
Settlements - calls	(239)	—	(51,212)
Discount accretion (3)	4	7	821
Balance as of December 31, 2014	$4,088	$3,820	$100,941

(1) Realized adjustments to fair value represent credit related other-than-temporary impairment charges and gains on sales of investment securities, both included as components of investment securities gains on the consolidated statements of income.

(2) Pooled trust preferred securities, single-issuer trust preferred securities and ARCs are classified as available for sale investment securities; as such, the unrealized adjustment to fair value was recorded as an unrealized holding gain (loss) and included as a component of available for sale investment securities on the consolidated balance sheets.

(3) Included as a component of net interest income on the consolidated statements of income.

Certain financial assets are not measured at fair value on an ongoing basis but are subject to fair value measurement in certain circumstances, such as upon their acquisition or when there is evidence of impairment. The following table presents financial assets measured at fair value on a nonrecurring basis and reported on the consolidated balance sheets at December 31:

	2014			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Net loans	$—	$—	$127,834	$127,834
Other financial assets	—	—	54,170	54,170
Total assets	$—	$—	$182,004	$182,004

	2013			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Net loans	$—	$—	$138,666	$138,666
Other financial assets	—	—	57,504	57,504
Total assets	$—	$—	$196,170	$196,170

The valuation techniques used to measure fair value for the items in the table above are as follows:

- Net loans – This category consists of loans that were evaluated for impairment under FASB ASC Section 310-10-35 and have been classified as Level 3 assets. The amount shown is the balance of impaired loans, net of the related allowance for loan losses. See Note D, "Loans and Allowance for Credit Losses," for additional details.
- Other financial assets – This category includes OREO ($12.0 million at December 31, 2014 and $15.1 million at December 31, 2013) and MSRs ($42.1 million at December 31, 2014 and $42.5 million at December 31, 2013), both classified as Level 3 assets.

Fair values for OREO were based on estimated selling prices less estimated selling costs for similar assets in active markets.

MSRs are initially recorded at fair value upon the sale of residential mortgage loans to secondary market investors. MSRs are amortized as a reduction to servicing income over the estimated lives of the underlying loans. MSRs are stratified and evaluated for impairment by comparing each stratum's carrying amount to its estimated fair value. Fair values are determined at the end of each quarter through a discounted cash flows valuation, prepared by a third-party valuation expert. Significant inputs to the valuation include expected net servicing income, the discount rate and the expected life of the underlying loans. Expected life is based on the contractual terms of the loans, as adjusted for prepayment projections. The weighted average annual constant prepayment rate and the weighted average discount rate used in the December 31, 2014 valuation were 12.6% and 9.1%, respectively. Management tests the reasonableness of the significant inputs to the third-party valuation in comparison to market data.

As required by FASB ASC Section 825-10-50, the following table details the book values and the estimated fair values of the Corporation's financial instruments as of December 31, 2014 and 2013. A general description of the methods and assumptions used to estimate such fair values is also provided.

	2014		2013	
	Book Value	Estimated Fair Value	Book Value	Estimated Fair Value
	(in thousands)			
FINANCIAL ASSETS				
Cash and due from banks	$105,702	$105,702	$218,540	$218,540
Interest-bearing deposits with other banks	358,130	358,130	163,988	163,988
Federal Reserve Bank and FHLB stock	64,953	64,953	84,173	84,173
Loans held for sale (1)	17,522	17,522	21,351	21,351
Securities available for sale (1)	2,323,371	2,323,371	2,568,434	2,568,434
Loans, net of unearned income (1)	13,111,716	13,030,543	12,782,220	12,688,774
Accrued interest receivable	41,818	41,818	44,037	44,037
Other financial assets (1)	169,764	169,764	146,933	146,933
FINANCIAL LIABILITIES				
Demand and savings deposits	$10,296,055	$10,296,055	$9,573,264	$9,573,264
Time deposits	3,071,451	3,069,883	2,917,922	2,927,374
Short-term borrowings	329,719	329,719	1,258,629	1,258,629
Accrued interest payable	18,045	18,045	15,218	15,218
Other financial liabilities (1)	172,786	172,786	124,440	124,440
FHLB advances and long-term debt	1,139,413	1,142,980	883,584	875,984

(1) These financial instruments, or certain financial instruments within these categories, are measured at fair value on the Corporation's consolidated balance sheets. Descriptions of the fair value determinations for these financial instruments are disclosed above.

Fair values of financial instruments are significantly affected by the assumptions used, principally the timing of future cash flows and discount rates. Because assumptions are inherently subjective in nature, the estimated fair values cannot be substantiated by comparison to independent market quotes and, in many cases, the estimated fair values could not necessarily be realized in an immediate sale or settlement of the instrument. The aggregate fair value amounts presented do not necessarily represent management's estimate of the underlying value of the Corporation.

For short-term financial instruments, defined as those with remaining maturities of 90 days or less, and excluding those recorded at fair value on the Corporation's consolidated balance sheets, book value was considered to be a reasonable estimate of fair value.

The following instruments are predominantly short-term:

Assets	Liabilities
Cash and due from banks	Demand and savings deposits
Interest-bearing deposits	Short-term borrowings
Accrued interest receivable	Accrued interest payable

Federal Reserve Bank and FHLB stock represent restricted investments and are carried at cost on the consolidated balance sheets.

Estimated fair values for loans and time deposits were estimated by discounting future cash flows using the current rates at which similar loans would be made to borrowers and similar deposits would be issued to customers for the same remaining maturities. Fair values estimated in this manner do not fully incorporate an exit price approach to fair value, as defined in FASB ASC Topic 820.

The fair values of FHLB advances and long-term debt were estimated by discounting the remaining contractual cash flows using a rate at which the Corporation could issue debt with similar remaining maturities as of the balance sheet date. These borrowings would be categorized within Level 2 liabilities under FASB ASC Topic 820.

NOTE S – CONDENSED FINANCIAL INFORMATION - PARENT COMPANY ONLY
CONDENSED BALANCE SHEETS
(in thousands)

	December 31			December 31	
	2014	2013		2014	2013
ASSETS			LIABILITIES AND EQUITY		
Cash	$137	$8	Long-term debt	$465,936	$368,487
Other assets	10,053	2,526	Payable to non-bank subsidiaries	84,676	42,944
Receivable from subsidiaries	29,120	21,849	Other liabilities	81,682	66,313
			Total Liabilities	632,294	477,744
Investments in:					
Bank subsidiaries	2,174,786	2,109,696			
Non-bank subsidiaries	414,863	406,852	Shareholders' equity	1,996,665	2,063,187
Total Assets	$2,628,959	$2,540,931	Total Liabilities and Shareholders' Equity	$2,628,959	$2,540,931

CONDENSED STATEMENTS OF INCOME

	2014	2013	2012
	(in thousands)		
Income:			
Dividends from subsidiaries	$139,150	$114,438	$142,000
Other	120,543	106,297	88,380
	259,693	220,735	230,380
Expenses	152,243	138,164	124,525
Income before income taxes and equity in undistributed net income of subsidiaries	107,450	82,571	105,855
Income tax benefit	(10,549)	(10,744)	(10,847)
	117,999	93,315	116,702
Equity in undistributed net income (loss) of:			
Bank subsidiaries	33,134	56,552	46,350
Non-bank subsidiaries	6,761	11,973	(3,207)
Net Income	$157,894	$161,840	$159,845

CONDENSED STATEMENTS OF CASH FLOWS

	2014	2013	2012
	(in thousands)		
Cash Flows From Operating Activities:			
Net Income	$157,894	$161,840	$159,845
Adjustments to reconcile net income to net cash provided by operating activities:			
Stock-based compensation	5,865	5,330	4,834
Excess tax benefits from stock-based compensation	(81)	(302)	(39)
(Increase) decrease in other assets	(7,120)	1,893	(6,340)
Equity in undistributed net income of subsidiaries	(39,895)	(68,525)	(43,143)
Increase in other liabilities and payable to non-bank subsidiaries	37,354	26,946	6,885
Total adjustments	(3,877)	(34,658)	(37,803)
Net cash provided by operating activities	154,017	127,182	122,042
Cash Flows From Investing Activities:			
Investments in non-bank subsidiaries	—	—	(32,649)
Net cash used in investing activities	—	—	(32,649)
Cash Flows From Financing Activities:			
Repayments of long-term debt	—	—	(4,125)
Additions to long-term debt	97,113	—	—
Net proceeds from issuance of common stock	8,201	9,936	7,005
Excess tax benefits from stock-based compensation	81	302	39
Dividends paid	(64,028)	(46,525)	(71,972)
Acquisition of treasury stock	(175,255)	(90,927)	(20,359)
Deferred accelerated stock repurchase payment	(20,000)	—	—
Net cash used in financing activities	(153,888)	(127,214)	(89,412)
Net Increase (Decrease) in Cash and Cash Equivalents	129	(32)	(19)
Cash and Cash Equivalents at Beginning of Year	8	40	59
Cash and Cash Equivalents at End of Year	$137	$8	$40

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Management Report on Internal Control Over Financial Reporting

The management of Fulton Financial Corporation is responsible for establishing and maintaining adequate internal control over financial reporting. Fulton Financial Corporation's internal control system is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2014, using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control – Integrated Framework (2013). Based on this assessment, management concluded that, as of December 31, 2014, the company's internal control over financial reporting is effective based on those criteria.

/s/ E. PHILIP WENGER
E. Philip Wenger
Chairman, Chief Executive Officer and President

/s/ PATRICK S. BARRETT
Patrick S. Barrett
Senior Executive Vice President and
Chief Financial Officer

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Fulton Financial Corporation:

We have audited the accompanying consolidated balance sheets of Fulton Financial Corporation and subsidiaries (the Company) as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2014. We also have audited the Company's internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Fulton Financial Corporation and subsidiaries as of December 31, 2014 and 2013, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles. Also in our opinion, Fulton Financial Corporation and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control - Integrated Framework (2013) issued by COSO.

/s/ KPMG LLP
Philadelphia, Pennsylvania
February 27, 2015

QUARTERLY CONSOLIDATED RESULTS OF OPERATIONS (UNAUDITED)
(in thousands, except per-share data)

	Three Months Ended			
	Mar 31	Jun 30	Sep 30	Dec 31
FOR THE YEAR 2014				
Interest income	$148,792	$147,902	$149,790	$149,594
Interest expense	19,227	20,004	20,424	21,556
Net interest income	129,565	127,898	129,366	128,038
Provision for credit losses	2,500	3,500	3,500	3,000
Non-interest income	38,506	44,872	41,900	42,101
Non-interest expenses	109,554	116,174	115,798	117,720
Income before income taxes	56,017	53,096	51,968	49,419
Income tax expense	14,234	13,500	13,402	11,470
Net income	$41,783	$39,596	$38,566	$37,949
Per share data:				
Net income (basic)	$0.22	$0.21	$0.21	$0.21
Net income (diluted)	0.22	0.21	0.21	0.21
Cash dividends	0.08	0.08	0.08	0.10
FOR THE YEAR 2013				
Interest income	$151,322	$153,078	$152,832	$152,457
Interest expense	21,678	21,013	20,299	19,505
Net interest income	129,644	132,065	132,533	132,952
Provision for credit losses	15,000	13,500	9,500	2,500
Non-interest income	47,259	52,316	47,357	40,732
Non-interest expenses	110,936	117,130	116,605	116,762
Income before income taxes	50,967	53,751	53,785	54,422
Income tax expense	11,740	13,169	13,837	12,339
Net income	$39,227	$40,582	$39,948	$42,083
Per share data:				
Net income (basic)	$0.20	$0.21	$0.21	$0.22
Net income (diluted)	0.20	0.21	0.21	0.22
Cash dividends	0.08	0.08	0.08	0.08

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure
Not applicable.

Item 9A. Controls and Procedures
Disclosure Controls and Procedures
The Corporation carried out an evaluation, under the supervision and with the participation of the Corporation's management, including the Corporation's Chief Executive Officer and Chief Financial Officer, of the effectiveness of its disclosure controls and procedures, as defined in Exchange Act Rules 13a-15(e) and 15d-15(e). Based upon the evaluation, the Corporation's Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2014, the Corporation's disclosure controls and procedures are effective. Disclosure controls and procedures are controls and procedures that are designed to ensure that information required to be disclosed in the Corporation's reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.
The "Management Report on Internal Control over Financial Reporting" and the "Report of Independent Registered Public Accounting Firm" may be found in Item 8, "Financial Statements and Supplementary Data" of this document.
Changes in Internal Controls
There was no change in the Corporation's "internal control over financial reporting" (as such term is defined in Rule 13a-15(f) under the Exchange Act) that occurred during the last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Corporation's internal control over financial reporting.

Item 9B. Other Information

On February 25, 2015, the Corporation's wholly owned banking subsidiary, Fulton Bank of New Jersey (FBNJ), entered into a Stipulation and Consent to the Issuance of a Consent Order with the Federal Deposit Insurance Corporation (the FDIC) consenting to the issuance by the FDIC of a Consent Order (the 2015 FDIC Consent Order). In addition, on February 25, 2015, FBNJ entered into a Consent Order with the Commissioner of Banking and Insurance for the State of New Jersey (the New Jersey Consent Order and, together with the FDIC Consent Order, the 2015 Consent Orders). The 2015 Consent Orders impose substantially identical requirements and relate to identified deficiencies in a centralized Bank Secrecy Act and anti-money laundering compliance program (the BSA/AML Compliance Program), which was designed to comply with the requirements of the Bank Secrecy Act, the USA Patriot Act of 2001 and related anti-money laundering regulations (collectively, the BSA/AML Requirements).

The 2015 Consent Orders are similar to the regulatory enforcement orders issued to the Corporation and its other banking subsidiaries relating to the BSA/AML Compliance Program, which are summarized in Part II, Item 8, "Financial Statements and Supplementary Data - Notes to Consolidated Financial Statements - Note K - Regulatory Matters" of this Form 10-K. The 2015 Consent Orders generally require, among other things, that FBNJ review, assess and take actions to strengthen and enhance the BSA/AML Compliance Program, including increasing oversight of the BSA/AML Compliance Program by the Board of Directors of FBNJ; designating a qualified Bank Secrecy Act officer that is acceptable to the FDIC and the Commissioner of Banking and Insurance for the State of New Jersey, that reports monthly to the Board of Directors of FBNJ and is provided with sufficient authority and resources to implement and enforce the BSA/AML Compliance Program; enhancing the periodic risk assessment process relating to the BSA/AML Requirements; revising internal controls designed to ensure compliance with the BSA/AML Requirements, including enhancing customer due diligence procedures and establishing enhanced due diligence procedures for higher-risk customers; and reviewing and enhancing procedures for monitoring for, identifying, investigating and reporting suspicious activity, or known or suspected violations of law in accordance with the BSA/AML Requirements.

The foregoing description of the Stipulation and Consent to the Issuance of a Consent Order, the 2015 FDIC Consent Order and the New Jersey Consent Order are qualified in their entirety by reference to the full text of each of those documents, copies of which are filed with this Form 10-K as exhibits 99.1, 99.2 and 99.3, respectively.

PART III

Item 10. Directors, Executive Officers and Corporate Governance
Incorporated by reference herein is the information appearing under the headings "Information about Nominees, Directors and Independence Standards," "Related Person Transactions," "Section 16(a) Beneficial Ownership Reporting Compliance," "Code of Conduct," "Procedure for Shareholder Nominations," and "Other Board Committees" within the Corporation’s 2014 Proxy Statement. The information concerning executive officers required by this Item is provided under the caption "Executive Officers" within Item 1, Part I, "Business" in this Annual Report.
The Corporation has adopted a code of ethics (Code of Conduct) that applies to all directors, officers and employees, including the Chief Executive Officer, the Chief Financial Officer and the Corporate Controller. A copy of the Code of Conduct may be obtained free of charge by writing to the Corporate Secretary at Fulton Financial Corporation, P.O. Box 4887, Lancaster, Pennsylvania 17604-4887, and is also available via the internet at www.fult.com.

Item 11. Executive Compensation
Incorporated by reference herein is the information appearing under the headings "Information Concerning Compensation" and "Human Resources Committee Interlocks and Insider Participation" within the Corporation’s 2015 Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters
Incorporated by reference herein is the information appearing under the heading "Security Ownership of Directors, Nominees, Management and Certain Beneficial Owners" within the Corporation’s 2015 Proxy Statement, and information appearing under the heading "Securities Authorized for Issuance under Equity Compensation Plans" within Item 5, "Market for Registrant’s Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities" in this Annual Report.

Item 13. Certain Relationships and Related Transactions, and Director Independence
Incorporated by reference herein is the information appearing under the headings "Related Person Transactions" and "Information about Nominees, Directors and Independence Standards" within the Corporation’s 2015 Proxy Statement, and the information appearing in "Note D - Loans and Allowance for Credit Losses," of the Notes to Consolidated Financial Statements in Item 8, "Financial Statements and Supplementary Data" in this Annual Report.

Item 14. Principal Accounting Fees and Services
Incorporated by reference herein is the information appearing under the heading "Relationship With Independent Public Accountants" within the Corporation’s 2015 Proxy Statement.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as part of this report:

1. Financial Statements — The following consolidated financial statements of Fulton Financial Corporation and subsidiaries are incorporated herein by reference in response to Item 8 above:
   - (i) Consolidated Balance Sheets - December 31, 2014 and 2013.
   - (ii) Consolidated Statements of Income - Years ended December 31, 2014, 2013 and 2012.
   - (iii) Consolidated Statements of Comprehensive Income - Years ended December 31, 2014, 2013 and 2012.
   - (iii) Consolidated Statements of Shareholders' Equity - Years ended December 31, 2014, 2013 and 2012.
   - (iv) Consolidated Statements of Cash Flows - Years ended December 31, 2014, 2013 and 2012.
   - (v) Notes to Consolidated Financial Statements
   - (vi) Report of Independent Registered Public Accounting Firm
2. Financial Statement Schedules — All financial statement schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and have therefore been omitted.
3. Exhibits — The following is a list of the Exhibits required by Item 601 of Regulation S-K and filed as part of this report:

3.1	Articles of Incorporation, as amended and restated, of Fulton Financial Corporation as amended – Incorporated by reference to Exhibit 3.1 of the Fulton Financial Corporation Form 8-K dated June 24, 2011.
3.2	Bylaws of Fulton Financial Corporation as amended – Incorporated by reference to Exhibit 3.1 of the Fulton Financial Corporation Current Report on Form 8-K/A dated September 16, 2014.
4.1	An Indenture entered into on March 28, 2005 between Fulton Financial Corporation and Wilmington Trust Company as trustee, relating to the issuance by Fulton Financial Corporation of $100 million aggregate principal amount of 5.35% subordinated notes due April 1, 2015 – Incorporated by reference to Exhibit 4.1 of the Fulton Financial Corporation Current Report on Form 8-K dated March 31, 2005.
4.2	Purchase Agreement entered into between Fulton Financial Corporation, Fulton Capital Trust I, FFC Management, Inc. and Sandler O'Neill & Partners, L.P. with respect to the Trust's issuance and sale in a firm commitment public offering of $150 million aggregate liquidation amount of 6.29% Capital Securities – Incorporated by reference to Exhibit 1.1 of the Fulton Financial Corporation Current Report on Form 8-K dated January 20, 2006.
4.3	First Supplemental Indenture entered into on May 1, 2007 between Fulton Financial Corporation and Wilmington Trust Company as trustee, relating to the issuance by Fulton of $100 million aggregate principal amount of 5.75% subordinated notes due May 1, 2017 – Incorporated by reference to Exhibit 4.1 of the Fulton Financial Corporation Current Report on Form 8-K dated May 1, 2007.
4.4	An Indenture entered into on November 17, 2014 between Fulton Financial Corporation and Wilmington Trust, National Association as trustee, relating to the issuance by Fulton of $100 million aggregate principal amount of 4.50% subordinated notes due November 15, 2024 – Incorporated by reference to Exhibit 4.1 of the Fulton Financial Corporation Current Report on Form 8-K dated November 12, 2014.
10.1	Amended Employment Agreement between Fulton Financial Corporation and Craig H. Hill dated November 12, 2008 – Incorporated by reference to Exhibit 10.2 of the Fulton Financial Corporation Current Report on Form 8-K dated November 14, 2008.
10.2	Amended Employment Agreement between Fulton Financial Corporation and James E. Shreiner dated November 12, 2008 – Incorporated by reference to Exhibit 10.4 of the Fulton Financial Corporation Current Report on Form 8-K dated November 14, 2008.
10.3	

	Amended Employment Agreement between Fulton Financial Corporation and E. Philip Wenger dated November 12, 2008 – Incorporated by reference to Exhibit 10.5 of the Fulton Financial Corporation Current Report on Form 8-K dated November 14, 2008.
10.4	Employment Agreement between Fulton Financial Corporation and Craig A. Roda dated August 1, 2011 – Incorporated by reference to Exhibit 10.1 of the Fulton Financial Corporation Current Report on Form 8-K dated August 5, 2011.
10.5	Employment Agreement between Fulton Financial Corporation and Philmer H. Rohrbaugh dated November 1, 2012 – Incorporated by reference to Exhibit 10.1 of the Fulton Financial Corporation Current Report on Form 8-K dated October 22, 2012.

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10.6	Employment Agreement between Fulton Financial Corporation and Meg R. Mueller dated July 1, 2013 – Incorporated by reference to Exhibit 10.1 of the Fulton Financial Corporation Current Report on Form 8-K dated June 21, 2013.
10.7	Employment Agreement between Fulton Financial Corporation and Curtis J. Myers dated July 1, 2013 – Incorporated by reference to Exhibit 10.2 of the Fulton Financial Corporation Current Report on Form 8-K dated June 21, 2013.
10.8	Employment Agreement between Fulton Financial Corporation and Angela M. Sargent dated July 1, 2013 – Incorporated by reference to Exhibit 10.1 of the Fulton Financial Corporation Current Report on Form 8-K dated June 21, 2013.
10.9	Employment Agreement between Fulton Financial Corporation and Patrick S. Barrett dated November 4, 2013 – Incorporated by reference to Exhibit 10.1 of the Fulton Financial Corporation Current Report on Form 8-K dated October 24, 2013.
10.10	Form of Death Benefit Only Agreement to Senior Management – Incorporated by reference to Exhibit 10.9 of the Fulton Financial Corporation Annual Report on Form 10K dated March 1, 2007.
10.11	Fulton Financial Corporation Amended and Restated Equity and Cash Incentive Compensation Plan – Incorporated by reference to Exhibit 10.1 of the Fulton Financial Corporation Current Report on Form 8-K dated May 3, 2013.
10.12	Form of Option Award and Form of Restricted Stock Award under the Fulton Financial Corporation Amended and Restated Equity and Cash Incentive Compensation Plan between Fulton Financial Corporation and Officers of the Corporation – Incorporated by reference to Exhibits 10.1 and 10.2 of the Fulton Financial Corporation Current Report on Form 8-K dated June 19, 2013.
10.13	Form of Amendment to Stock Option Agreement for John M. Bond – Incorporated by reference to Exhibit 10.1 of the Fulton Financial Corporation Current Report on Form 8-K dated December 22, 2006.
10.14	Amended and Restated Fulton Financial Corporation Employee Stock Purchase Plan – Incorporated by reference to Exhibit A to Fulton Financial Corporation's definitive proxy statement, dated March 26, 2014.
10.15	Fulton Financial Corporation Deferred Compensation Plan, as amended and restated effective January 1, 2014 – Incorporated by reference to Exhibit 10.1 of the Fulton Financial Corporation Current Report on Form 8-K dated December 20, 2013.
10.16	Form of Supplemental Executive Retirement Plan – For Use with Executives with no Pre-2008 Accruals – Incorporated by reference to Exhibit 10.2 of the Fulton Financial Corporation Current Report on Form 8-K dated December 26, 2007.
10.17	Form of Amended and Restated Supplemental Executive Retirement Plan - For Use with Executives with Pre-409A Accruals – Incorporated by reference to Exhibit 10.3 of the Fulton Financial Corporation Current Report on Form 8-K dated December 26, 2007.
10.18	Form of Amended and Restated Supplemental Executive Retirement Plan – For Use with Executives First Covered After 2004 but Before 2008 – Incorporated by reference to Exhibit 10.4 of the Fulton Financial Corporation Current Report on Form 8-K dated December 26, 2007.
10.19	Agreement between Fulton Financial Corporation and Fiserv Solutions, Inc. dated June 23, 2011. Portions of this exhibit have been redacted and are subject to a confidential treatment request filed with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended. The redacted material was filed separately with the Securities and Exchange Commission. – Incorporated by reference to Exhibit 10.1 of the Fulton Financial Corporation Quarterly Report on Form 10-Q dated August 8, 2011.
10.20	Fulton Financial Corporation Variable Compensation Plan Summary Description – Incorporated by reference to Exhibit 99.1 of the Fulton Financial Corporation Current Report on Form 8-K dated March 18, 2011.
10.21	

	Fulton Financial Corporation Directors' Equity Participation Plan – Incorporated by reference to Exhibit A to Fulton Financial Corporation's definitive proxy statement, dated March 24, 2011.
10.22	Form of Restricted Stock Agreement between Fulton Financial Corporation and Directors of the Corporation as of July 1, 2011 – Incorporated by reference to Exhibit 10.1 of the Fulton Financial Corporation Quarterly Report on Form 10-Q dated August 8, 2011.
10.23	Forms of Time-Vested Restricted Stock Unit Award Agreement and Performance Share Restricted Stock Unit Award Agreement between Fulton Financial Corporation and Certain Employees of the Corporation as of March 18, 2014 – Incorporated by reference to Exhibits 10.1 and 10.2 of the Fulton Financial Corporation Current Report on Form 8-K dated March 18, 2014.
10.24	Form of Master Confirmation between Fulton Financial Corporation and Goldman, Sachs & Co. - Incorporated by reference to Exhibit 10.1 of the Fulton Financial Corporation Current Report on Form 8-K dated November 12, 2014.
21	Subsidiaries of the Registrant.
23	Consent of Independent Registered Public Accounting Firm.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.1	Stipulation and Consent to the Issuance of a Consent Order between the Federal Deposit Insurance Corporation and Fulton Bank of New Jersey - filed herewith.
99.2	Consent Order issued by the Federal Deposit Insurance Corporation - filed herewith.
99.3	Consent Order between the Commission of Banking and Insurance for the State of New Jersey and Fulton Bank of New Jersey - filed herewith.
101	Interactive data file containing the following financial statements formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets at December 31, 2014 and December 31, 2013; (ii) the Consolidated Statements of Income for the years ended December 31, 2014, 2013 and 2012; (iii) the Consolidated Statements of Comprehensive Income for the years ended December 31, 2014, 2013 and 2012;(iv) the Consolidated Statements of Shareholders’ Equity for the years ended December 31, 2014, 2013 and 2012; (v) the Consolidated Statements of Cash Flows for the years ended December 31, 2014, 2013 and 2012; and, (iv) the Notes to Consolidated Financial Statements – filed herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

FULTON FINANCIAL CORPORATION
(Registrant)

Dated: February 27, 2015

By: /S/ E. PHILIP WENGER
E. Philip Wenger, Chairman, Chief Executive Officer and President

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been executed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Capacity	Date
/S/ PATRICK S. BARRETT Patrick S. Barrett	Senior Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 27, 2015
/S/ JOHN M. BOND, JR. John M. Bond, Jr.	Director	February 27, 2015
/S/ LISA CRUTCHFIELD Lisa Crutchfield	Director	February 27, 2015
/S/ CRAIG A. DALLY Craig A. Dally	Director	February 27, 2015
/S/ MICHAEL J. DEPORTER Michael J. DePorter	Executive Vice President and Controller (Principal Accounting Officer)	February 27, 2015
/S/ DENISE L. DEVINE Denise L. Devine	Director	February 27, 2015
/S/ PATRICK J. FREER Patrick J. Freer	Director	February 27, 2015
/S/ GEORGE W. HODGES George W. Hodges	Director	February 27, 2015
/S/ ALBERT MORRISON Albert Morrison, III	Director	February 27, 2015

Signature	Capacity	Date
/S/ R SCOTT SMITH, JR. R. Scott Smith, Jr.	Director	February 27, 2015
/S/ GARY A. STEWART Gary A. Stewart	Director	February 27, 2015
/S/ ERNEST J. WATERS Ernest J. Waters	Director	February 27, 2015
/S/ E. PHILIP WENGER E. Philip Wenger	Chairman, Chief Executive Officer and President (Principal Executive Officer)	February 27, 2015

EXHIBIT INDEX

Exhibits Required Pursuant to Item 601 of Regulation S-K-

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