

February 5, 2018

Dear Shareholders:

For 2017, we reported diluted per-share earnings of \$0.98, an increase of 5.4% year-over-year. During the fourth quarter of 2017, a \$15.6 million charge to income taxes was recorded related to the re-measurement of net deferred tax assets resulting from the new federal tax legislation enacted in December 2017. Excluding the impact of this tax charge, we reported diluted per-share earnings of \$1.07 for 2017, an increase of 15.0% year-over-year. Pre-provision net revenue<sup>1</sup> increased approximately \$41 million, or 18.7%, year-over-year. Our return on average assets was 0.88% and our return on average common shareholders' equity (tangible)<sup>1</sup> was 10.33% for 2017; excluding the impact of the tax charge, these ratios<sup>1</sup> were 0.96% and 11.27%, respectively.

2017 was another solid year for your company as we hit record levels in revenue and net income, excluding the impact of the tax charge. Our financial results in 2017 reflected continued progress in executing our growth strategies, and the benefit of multiple interest rate increases by the Federal Reserve. We generated meaningful positive operating leverage, a goal that we set out at the beginning of the year.

Our average loan portfolio increased 7.8% year-over-year, driven by growth in most loan types. Our commercial pipeline at December 31, 2017 was at a level that we believe will allow us to produce mid-single digit average overall loan growth in 2018. Asset quality has remained relatively stable, and delinquencies and net charge-offs to average loans continued to be near historically low levels.

Excluding securities gains, non-interest income increased by 6.0% year-over-year. Year-over-year, non-interest income growth was lower than expected due, in large part, to mortgage banking. While mortgage originations increased 9.0% year-over-year, 2017 saw a shift in production with 50% of all originations being retained in the portfolio versus being sold. Although the growth in the portfolio contributed to an increase in net interest income, the shift had a negative impact to gain on sale income year-over-year.

Investment management and trust services income grew at a strong pace year-over-year, and our commercial loan interest rate swap, treasury services and Small Business Administration lending businesses all made notable contributions, as did debit and credit card income.

Turning to expenses, our non-interest expenses increased 7.4% year-over-year. The efficiency ratio<sup>1</sup> for 2017 improved to 64.5%, within our goal of 60.0% - 65.0%.

In 2018, we will continue to invest in upgrading our systems and optimizing our customer delivery channels while preparing for bank charter consolidation. In addition, we plan on sharing some of the benefits from the new tax legislation with our employees, and increasing our investment in the communities we serve through our Fulton Forward™ initiative.

Expense management is a top priority, and we continually look for ways to make our organization more efficient while continuing to invest in our company to support a larger organization that can benefit from economies of scale.

On the capital front, during 2017 we increased our quarterly common dividend by \$0.01 to \$0.11 per share, and paid a \$0.03 per share special dividend in the 4th quarter. We did not repurchase any common stock during the year, but have approximately \$31.5 million remaining under our current share repurchase program authorization that was recently extended through December 31, 2018.

Turning to regulatory matters, emerging from the Bank Secrecy Act/Anti-Money Laundering ("BSA/AML") Consent Orders remains a top priority for us. In October 2017, we announced that the Office of the Comptroller of the Currency had terminated the Consent Orders issued to three of our bank subsidiaries, Fulton Bank, N.A., FNB Bank, N.A. and Swineford National Bank.

We continue to work diligently to achieve a similar resolution with respect to the remaining BSA/AML Consent Orders. In the meantime, we continue to prepare for the consolidation of our affiliate banks into a single bank, and move the organization forward in other ways by focusing on growth, efficiency and profitability to drive shareholder value.

In closing, I want to again extend my gratitude for your continued confidence in Fulton Financial Corporation. Be assured that every member of our dedicated team is working hard to enhance the value of your investment.

Very truly yours,



E. Philip Wenger  
Chairman and CEO

[Click here](#) to view news from our company, including our most recent earnings press release and accompanying financial tables. This letter may contain forward-looking statements with respect to our financial condition, results of operations or business. Forward-looking statements can be identified by the use of words such as "may," "should," "will," "could," "estimates," "predicts," "potential," "continue," "anticipates," "believes," "plans," "expects," "future," "intends" and similar expressions which are intended to identify forward-looking statements. Do not unduly rely on forward-looking statements. These forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties, some of which are beyond our control and ability to predict, that could cause actual results to differ materially from those expressed in the forward-looking statements.

A discussion of certain risks and uncertainties affecting us, and some of the factors that could cause our actual results to differ materially from those described in the forward-looking statements, can be found in the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2016 and other periodic reports which we file from time to time with the Securities and Exchange Commission and are available in the Investor Relations section of our website [www.fult.com](http://www.fult.com) and on the Securities and Exchange Commission's website [www.sec.gov](http://www.sec.gov). We undertake no obligation, other than as required by law, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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<sup>1</sup> Pre-provision net revenue, return on average common shareholders' equity (tangible), efficiency ratio, and return on average assets adjusted to exclude the impact of the tax charge in the fourth quarter of 2017 are non-GAAP financial measures. Please refer to the tables accompanying our earnings press release for the fourth quarter of 2017 (available by clicking the link above, or by visiting [www.fult.com](http://www.fult.com) and selecting the Investor Relations tab) for a reconciliation of these measures to the most comparable GAAP measures.