SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

Annual report pursuant to section 13 and 15(d)

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FULTON FINANCIAL CORP
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SIC: **6021** National commercial banks

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

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

For the fiscal year ended December 31, 1998, or

[_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _______ to _____

Commission File Number: 0-10587

FULTON FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

PENNSYLVANIA	23-2195389
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

One Penn Square, P. O. Box 4887, Lancaster, Pennsylvania	17604
(Address of principal executive offices)	(Zip Code)

(717) 291-2411

(Registrant's telephone number, including area code)

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

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

Title of each class	Name of each Exchange on which registered
Common Stock, $2.50 Par Value	None

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

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

The aggregate market value of 57,900,511 shares of common stock held by non-affiliates, calculated based on the average of the bid and asked prices on March 12, 1999, was approximately $1.3 billion.

As of March 12, 1999 there were 62,892,076 shares of Fulton Financial Corporation common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the following documents are incorporated by reference:

Document	Part of Form 10-K into which incorporated
Definitive Proxy Statement of Fulton Financial Corporation dated March 11, 1999	Part III

PART I

Item 1. Description of Business

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Fulton Financial Corporation (the Corporation) is a Pennsylvania business corporation which was organized on February 8, 1982 and became a bank holding company through the acquisition of all of the outstanding stock of Fulton Bank on June 30, 1982. Fulton Financial Corporation provides a wide variety of retail and commercial banking and investment management and trust services to customers located primarily in central and eastern Pennsylvania, southern New Jersey, northern Maryland and southern Delaware through its eleven wholly-owned banking subsidiaries: Fulton Bank, Lebanon Valley Farmers Bank, Swineford National Bank, Lafayette Ambassador Bank, FNB Bank, N.A., Great Valley Bank, Hagerstown Trust Company, Delaware National Bank, The Bank of Gloucester County, The Woodstown National Bank & Trust Company, and The Peoples Bank of Elkton.

In addition, Fulton Financial Corporation owns all of the outstanding stock of four nonbank subsidiaries: (i) Fulton Financial Realty Company, which holds title to or leases certain properties upon which Fulton Bank and Lebanon Valley Farmers Bank branch offices and other Fulton Bank facilities are located; (ii) Fulton Life Insurance Company, which engages in the business of reinsuring credit life and accident and health insurance directly related to extensions of credit by the banking subsidiaries of the Corporation; (iii) Central Pennsylvania Financial Corporation which owns certain limited partnership interests in partnerships invested in low and moderate income housing projects and two nonbank companies in various stages of liquidation; and (iv) FFC Management, Inc. which owns certain investment securities and other passive investments.

Fulton Financial Corporation is registered with the Federal Reserve Board in accordance with the requirements of the Federal Bank Holding Company Act of 1956, as amended, and is subject to regulation by the Federal Reserve Board, the Office of the Comptroller of the Currency, the Pennsylvania Department of Banking, the State of Maryland and the New Jersey Department of Banking.

The common stock of Fulton Financial Corporation is listed for quotation on the National Market System of the National Association of Securities Dealers Automated Quotation System under the symbol FULT.

All of the banking subsidiaries face significant competition from commercial banks, savings banks, credit unions and various nonbank providers of financial services. None of the Corporation's banking subsidiaries is dependent upon any single customer, and the loss of any single customer or a few customers would not have a material adverse impact on any of the banking subsidiaries. The table below summarizes selected information about the Corporation and its banking subsidiaries.

<TABLE>
<CAPTION>

Banking Subsidiary	Main Office Location	Total Assets	Total Deposits	No. of Employees Full-time	No. of Employees Part-time
		(in millions)			
<S>	<C>	<C>	<C>	<C>	<C>
Fulton Bank	Lancaster, PA	$2,148	$1,642	827	269
Lebanon Valley Farmers Bank	Lebanon, PA	688	565	165	37
Swineford National Bank	Hummels Wharf, PA	253	209	77	41
Lafayette Ambassador Bank	Easton, PA	770	642	276	69
FNB Bank, N.A.	Danville, PA	305	244	81	22
Great Valley Bank	Reading, PA	317	220	82	19
Hagerstown Trust Company	Hagerstown, MD	391	325	163	21
Delaware National Bank	Georgetown, DE	144	118	65	14
The Bank of Gloucester County	Woodbury, NJ	334	295	111	55
The Woodstown National Bank & Trust Co.	Woodstown, NJ	301	255	76	45
The Peoples Bank of Elkton	Elkton, MD	120	88	38	1
Fulton Financial (Parent Company)	Lancaster, PA	N/A	N/A	106	4
				2,067	597

</TABLE>

Fulton Financial Corporation maintains branch offices in twenty counties across four mid-Atlantic states. In ten of these counties, the Corporation ranks in the top three in deposit market share (based on deposits as of June 30, 1998). The following table summarizes information about the counties in which the Corporation has branch offices and its market position in each county.

<TABLE>
<CAPTION>

	Population (1998	Banking	No. of Financial Institutions Banks/	No. of Financial Institutions Credit	Deposit Market Share (6/30/98)

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County	State	Estimate)	Subsidiary	Thrifts	Unions	Rank	%
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Lancaster	PA	455,000	Fulton Bank	20	12	1	24.8%
Dauphin	PA	248,000	Fulton Bank	22	13	5	5.2
Cumberland	PA	209,000	Fulton Bank	16	10	11	2.0
York	PA	374,000	Fulton Bank	22	23	18	0.8
Chester	PA	419,000	Fulton Bank	35	11	23	0.7
Lebanon	PA	117,000	Lebanon Valley Farmers Bank	11	2	1	40.4
Snyder	PA	38,000	Swineford National Bank	6	0	1	35.3
Union	PA	41,000	Swineford National Bank	8	1	6	5.8
Northumberland	PA	95,000	Swineford National Bank	18	3	14	2.6
			FNB Bank, N.A.			3	8.2
Montour	PA	18,000	FNB Bank, N.A.	4	3	1	49.5
Lycoming	PA	118,000	FNB Bank, N.A.	12	13	14	0.9
Columbia	PA	64,000	FNB Bank, N.A.	10	0	7	5.4
Northampton	PA	259,000	Lafayette Ambassador Bank	19	19	3	11.6
Lehigh	PA	297,000	Lafayette Ambassador Bank	23	19	5	4.9
Berks	PA	354,000	Great Valley Bank	19	21	8	4.5
Montgomery	PA	714,000	Great Valley Bank	42	38	42	0.1
Washington	MD	128,000	Hagerstown Trust Company	10	3	1	22.0
Cecil	MD	81,000	Peoples Bank of Elkton	7	3	2	15.1
Sussex	DE	136,000	Delaware National Bank	12	4	6	1.2
Gloucester	NJ	248,000	Bank of Gloucester County	26	6	3	11.0
			Woodstown National Bank			10	3.1
Salem	NJ	69,000	Woodstown National Bank	9	5	2	18.1

</TABLE>

Fulton Bank

Fulton Bank (Fulton) is a full-service commercial bank which was originally chartered as a national banking association on February 8, 1882, and converted to a Pennsylvania bank and trust company on July 1, 1974. As a state-chartered bank whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC) and which is not a member of the Federal Reserve System, Fulton is subject to regulation and periodic examination by the FDIC and the Pennsylvania Department of Banking.

Fulton offers a full range of general retail and commercial banking services, including the following: demand, savings and time deposits; commercial, consumer and mortgage loans; vehicle and equipment leasing and financing; VISA and MasterCard credit cards; VISA debit cards; and a wide range of international services such as letters of credit and currency exchange. Fulton maintains a network of automated teller machines, which is integrated with the MACtm regional and CIRRUStm national automated teller systems, as well as telephone banking services through the Bank-By-Phone system and PC banking through the internet.

Fulton has trust powers and maintains a staff of investment, trust and financial professionals. Personal services available through the Investment Management and Trust Services Department of Fulton include trust and estate planning, investment management, estate settlement, private banking, investments and brokerage services, a mutual fund asset allocation program, and IRA rollovers. Institutional services available include full service retirement plan

management and 401(k) programs, cash reserve investment management accounts, administrative and investment services for Foundations and Endowments and comprehensive corporate trust services.

Fulton maintains correspondent relationships with major banks in New York, Philadelphia, Pittsburgh, Baltimore and Charlotte and through them offers a variety of collection and funds transfer services. Fulton is a member of the Federal Home Loan Bank of Pittsburgh.

Fulton's market area consists of the south-central region of Pennsylvania, primarily Lancaster County, Dauphin County, and portions of Cumberland, Chester and York Counties. For marketing purposes, the Fulton Bank trade area is divided into two primary regions -- the Lancaster County Region and the Capital Region (consisting of Dauphin and Cumberland Counties) -- and two secondary regions (York County and Chester County).

Approximately 70 percent of the business of Fulton is derived from the Lancaster County Region, where its administrative headquarters, 30 branch offices and eight remote service facilities are located. Approximately 30 percent of the business of Fulton is derived from its other regions, where its remaining 18 branch offices are located. Fulton's market areas have exhibited stable economies and have experienced low unemployment rates. Diversity is the key to the economic well-being of the Lancaster County Region. There are numerous manufacturing companies located in the Lancaster Region having 500 or more employees. The Lancaster County Region also ranks as one of the top agricultural production areas in the country.

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While the Capital Region also has a wide range of industry, its economy is anchored by the thousands of workers who are employed by the state government in the capitol city of Harrisburg and by the employees of several large service organizations, including Capital Blue Cross/Pennsylvania Blue Shield which is located in Cumberland County. Government employment figures are fairly constant and are therefore an important factor in the below-average unemployment rate experienced in the Capital Region.

Lebanon Valley Farmers Bank

Lebanon Valley Farmers Bank (LVFB), was formed through the merger of Lebanon Valley National Bank (acquired by the Corporation on March 27, 1998) with Farmers Trust Bank, an existing affiliate bank of the Corporation, which was chartered under the laws of the Commonwealth of Pennsylvania in 1892. LVFB is a member of the Federal Reserve System and its deposits are insured by the FDIC. LVFB is subject to regulation and periodic examination by the Federal Reserve Bank of Philadelphia and by the Pennsylvania Department of Banking. In addition to its administrative headquarters located in Lebanon, Pennsylvania, LVFB maintains fifteen branch offices and five remote service facility. The market area of LVFB consists of Lebanon County, Pennsylvania.

LVFB offers a full range of general retail and commercial banking services, including demand, savings and time deposits, and commercial, consumer, and mortgage loans. LVFB maintains automated teller machines which are integrated with the MACtm regional and CIRRUStm national automated teller systems. LVFB maintains correspondent relationships with major banks in New York and Philadelphia and through them offers a variety of collection and funds transfer services. LVFB is a member of the Federal Home Loan Bank of Pittsburgh.

LVFB has trust powers and offers a variety of services through its Trust Department, including estate planning, executorships, estate administration, living trusts, life insurance trusts, testamentary trusts, custodianships, guardianships, investment management accounts, escrow accounts and mutual fund asset allocation accounts.

Swineford National Bank

Swineford National Bank (Swineford) is a national banking association which was chartered in 1903. Swineford is a member of the Federal Reserve System and its deposits are insured by the FDIC. As a national banking association, Swineford is subject to regulation and periodic examination by the Office of the Comptroller of the Currency. In addition to its administrative headquarters located in Hummels Wharf, Pennsylvania, Swineford maintains six branch offices. Swineford's market area is located entirely in Pennsylvania and includes Snyder, Northumberland and Union Counties.

Swineford offers a full range of general retail and commercial banking services, including demand, savings and time deposits and commercial, consumer and mortgage loans. Swineford maintains automated teller machines which are integrated with the MACtm regional and CIRRUStm national automated teller systems. Swineford maintains a correspondent relationship with major banks in New York, Philadelphia and Pittsburgh and through them offers a variety of collection and funds transfer services. Swineford is a member of the Federal Home Loan Bank of Pittsburgh.

Lafayette Ambassador Bank

Lafayette Ambassador Bank (Lafayette) is a full-service commercial bank which was originally chartered under the laws of the Commonwealth of Pennsylvania in 1922 as Lafayette Trust Bank. During 1988, Lafayette Trust Bank and Pen Argyl National Bank, both wholly-owned subsidiaries of Fulton Financial Corporation, merged to form Lafayette Bank. During 1991, Second National Bank of Nazareth, a wholly-owned subsidiary of Fulton Financial Corporation serving the same market area, was merged into Lafayette Bank. During 1998, Ambassador Bank of the Commonwealth merged with Lafayette Bank to form Lafayette Ambassador Bank

As a state-chartered bank whose deposits are insured by the FDIC and which is not a member of the Federal Reserve System, Lafayette is subject to regulation and periodic examination by the FDIC and by the Pennsylvania Department of Banking. In addition to its administrative headquarters located in the City of Easton, Lafayette currently maintains 21 branch offices, all of which are located in Northampton County and Lehigh County, Pennsylvania.

Lafayette offers a full range of general retail and commercial banking services, including demand, savings and time deposits, and commercial, consumer and mortgage loans. Lafayette maintains automated teller machines which are integrated with the MACtm regional and CIRRUStm national automated teller systems. Lafayette maintains correspondent relationships with major banks in New York, Philadelphia, Pittsburgh and Charlotte and through them offers a variety of collection and funds transfer services. Lafayette is a member of the Federal Home Loan Bank of Pittsburgh.

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Lafayette has trust powers and offers a variety of services through its Trust Department, including estate planning, estate administration, living trusts, life insurance trusts, testamentary trusts, custodianships, guardianships, investment management accounts, escrow accounts, and IRA rollover accounts.

FNB Bank, N.A.

FNB Bank, N.A. (FNB) is a national banking association which was chartered in 1864. FNB is a member of the Federal Reserve System and its deposits are insured by the FDIC. As a national banking association, FNB is subject to regulation and periodic examination by the Office of the Comptroller of the Currency. In addition to its administrative headquarters located in Danville, Pennsylvania, FNB currently maintains eight branch offices. The market area of FNB is located entirely in Pennsylvania and includes Montour, Lycoming, Northumberland and Columbia Counties.

FNB offers a full range of general retail and commercial banking services, including demand, savings and time deposits and commercial, consumer and mortgage loans. FNB maintains automated teller machines which are integrated with the MACtm regional automated teller system. FNB maintains a correspondent relationship with major banks in New York, Philadelphia and Pittsburgh and through them offers a variety of collection and funds transfer services. FNB is a member of the Federal Home Loan Bank of Pittsburgh.

FNB has trust powers and offers a variety of services including estate planning, executorships, estate administration, living trusts, life insurance trusts, testamentary trusts, agency accounts, guardianships and asset management accounts.

Great Valley Bank

Great Valley Bank (Great Valley) was organized as a Pennsylvania chartered mutual savings association in 1974. During 1991, Great Valley converted to a Pennsylvania chartered stock savings bank. As a state-chartered savings bank whose deposits are insured by the FDIC and which is not a member of the Federal Reserve System, Great Valley is subject to regulation and periodic examination by the FDIC and by the Pennsylvania Department of Banking. In addition to its administrative headquarters located in the City of Reading, Great Valley maintains eight branch offices and one remote service facility. The market area of Great Valley includes Berks County, Pennsylvania and a portion of Montgomery County, Pennsylvania.

Great Valley offers retail banking services, principally in the form of demand, savings and time deposits, as well as commercial, mortgage and consumer loans. Great Valley maintains a correspondent banking relationship with a major bank in Philadelphia and is a member of the Federal Home Loan Bank of Pittsburgh.

Hagerstown Trust Company

Hagerstown Trust Company (Hagerstown) is a full-service commercial bank which was chartered under the laws of the State of Maryland in 1933. As a state-chartered bank whose deposits are insured by the FDIC and which is not a member of the Federal Reserve System, Hagerstown is subject to regulation and periodic examination by the FDIC and by the Bank Commissioner of the State of Maryland. In addition to its administrative headquarters located in Hagerstown, Maryland, Hagerstown maintains thirteen branch offices, all of which are within Washington County, Maryland.

Hagerstown offers a full range of general retail and commercial banking services, including demand, savings and time deposits and commercial, consumer and mortgage loans. Hagerstown maintains automated teller machines which are integrated with MACtm and HONORtm regional and CIRRUStm national automated teller systems. Hagerstown maintains correspondent relationships with major banks in Philadelphia, New York, Richmond, Baltimore and Charlotte. Hagerstown is a member of the Federal Home Loan Bank of Atlanta.

Hagerstown has trust powers and offers a variety of services including estate administration, estate planning, living trusts, life insurance trusts, testamentary trusts, custodianships, guardianships, investment management accounts, agency accounts, escrow accounts, employee benefits, pension and profit sharing accounts, and mutual fund accounts.

Delaware National Bank

Delaware National Bank (Delaware) is a national banking association chartered in 1979. Delaware is a member of the Federal Reserve System and its deposits are insured by the FDIC. Delaware is subject to regulation and periodic

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examination by the Office of the Comptroller of the Currency. Delaware maintains six branch offices in addition to an operations and administrative facility, all of which are located within Sussex County, Delaware.

Delaware offers a full range of banking services including retail and commercial checking, savings and time deposits, and consumer, mortgage, and commercial loans. At this time, Delaware does not have trust powers and does not offer investment or discount brokerage services. Delaware currently maintains automated teller machines on the MACtm regional automated teller system. Delaware maintains a correspondent relationship with major banks in New York, Baltimore and Wilmington and is a member of the Federal Home Loan Bank of Pittsburgh.

The Bank of Gloucester County

The Bank of Gloucester County (Gloucester) is a state bank chartered by the State of New Jersey in 1989. The deposits of Gloucester are insured by the FDIC and the bank is subject to regulation and periodic examinations by both the State of New Jersey and the FDIC. Gloucester maintains nine branch offices in addition to an operations facility and operates solely within Gloucester County, New Jersey.

Gloucester offers a full range of banking services including retail and commercial checking, savings and time deposits, and consumer, mortgage and commercial loans. In 1998, Gloucester also began offering investment and discount brokerage services although the bank does not currently have trust powers. Gloucester has automated teller machines on the MACtm regional automated teller system. Gloucester maintains correspondent relationships with major banks in Philadelphia, Pittsburgh and Charlotte and is a member of the Federal Home Loan Bank of New York.

The Woodstown National Bank & Trust Company

The Woodstown National Bank & Trust Company (Woodstown) is a national banking association which was chartered in 1920. Woodstown is a member of the Federal Reserve System and its deposits are insured by the FDIC. As a national banking association, Woodstown is subject to regulation and periodic examination by the Office of the Comptroller of the Currency. Woodstown maintains seven full service branch offices located in Salem and Gloucester Counties, New Jersey.

Woodstown offers a full range of banking services, including retail and commercial checking, savings and time deposits, and consumer, mortgage and commercial loans. In 1998, Woodstown also began offering investment and discount brokerage services. Through its trust operations, Woodstown provides investment management, estate settlement and planning and trust management services. Woodstown maintains automated teller machines on the MACtm regional automated teller system. Woodstown maintains correspondent relationships with major banks in Philadelphia, Pittsburgh and Charlotte and is a member of the Federal Home Loan Bank of New York.

The Peoples Bank of Elkton

The Peoples Bank of Elkton (Elkton) is a state bank chartered by the State of Maryland in 1924. The deposits of Elkton are insured by the FDIC and the Bank is subject to regulation and periodic examinations by both the FDIC and the State of Maryland. Elkton maintains two branch offices and one remote service facility within Cecil County, Maryland.

Elkton offers a full range of banking services, including retail and commercial checking, savings and time deposits, and consumer, mortgage and commercial loans. Elkton maintains automated teller machines on the MACtm regional automated teller system. At this time, Elkton does not have trust powers and does not offer investment or discount brokerage services. Elkton maintains correspondent relationships with major banks in Philadelphia, Baltimore and Charlotte and is a member of the Federal Home Loan Bank of Atlanta.

Certain additional statistical information relating to the business of Fulton Financial Corporation is set forth in the following tables.

FULTON FINANCIAL CORPORATION
COMPARATIVE AVERAGE BALANCE SHEETS AND NET INTEREST INCOME ANALYSIS

<TABLE>
<CAPTION>

	Year Ended December 31					
(Dollars in thousands)	1998			1997		
	Average		Yield/	Average		Yield/

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ASSETS	Balance	Interest	Rate	Balance	Interest	Rate
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Interest-earning assets:						
Loans and leases (1)	$ 3,967,807	$ 338,564	8.53%	$ 3,765,384	$ 324,815	8.63%
Taxable investment securities (2) ..	984,233	60,704	6.17	855,670	53,005	6.19
Tax-exempt investment securities (2)	96,640	4,788	4.95	76,501	4,301	5.62
Equity securities (2)	71,369	3,503	4.91	57,544	2,823	4.91
Short-term investments	31,180	1,733	5.56	40,161	2,304	5.74
Total interest-earning assets	5,151,229	409,292	7.95	4,795,260	387,248	8.08
Noninterest-earning assets:						
Cash and due from banks	211,258			190,345		
Premises and equipment	74,550			70,480		
Other assets (2)	161,709			138,509		
Less: Allowance for loan losses	(58,766)			(56,144)		
Total Assets	$ 5,539,980			$ 5,138,450		

<CAPTION>

LIABILITIES AND SHAREHOLDERS' EQUITY						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Interest-bearing liabilities:						
Demand deposits	$ 530,967	$ 8,404	1.58%	$ 494,788	$ 9,111	1.84%
Savings deposits	1,019,357	25,751	2.53	1,001,277	25,658	2.56
Time deposits	2,261,698	125,505	5.55	2,131,177	118,560	5.56
Short-term borrowings	210,933	9,241	4.38	227,805	10,828	4.75
Long-term debt	161,962	8,904	5.50	66,139	3,996	6.04
Total interest-bearing liabilities ...	4,184,917	177,805	4.25	3,921,186	168,153	4.29
Noninterest-bearing liabilities:						
Demand deposits	666,104			607,306		
Other	101,166			86,736		
Total Liabilities	4,952,187			4,615,228		
Shareholders' equity	587,793			523,222		
Total Liabilities and Shareholders' Equity	$ 5,539,980			$ 5,138,450		
Net interest income		231,487			219,095	
Net yield on interest-earning assets .			4.49%			4.57%
Tax equivalent adjustment (3)		5,144			5,850	
Net interest margin		$ 236,631	4.59%		$ 224,945	4.69%

<CAPTION>

	1996		
ASSETS	Average Balance	Interest	Yield/ Rate
<S>	<C>	<C>	<C>
Interest-earning assets:			
Loans and leases (1)	$ 3,381,599	$ 293,487	8.68%
Taxable investment securities (2) ..	869,361	51,619	5.94
Tax-exempt investment securities (2)	84,335	4,776	5.66
Equity securities (2)	43,303	2,318	5.35
Short-term investments	25,296	1,436	5.68
Total interest-earning assets	4,403,894	353,636	8.03
Noninterest-earning assets:			
Cash and due from banks	187,768		
Premises and equipment	65,928		
Other assets (2)	120,226		
Less: Allowance for loan losses	(51,817)		
Total Assets	$ 4,725,999		

<CAPTION>

LIABILITIES AND SHAREHOLDERS' EQUITY			
<S>	<C>	<C>	<C>
Interest-bearing liabilities:			
Demand deposits	$ 506,763	$ 9,753	1.92%
Savings deposits	986,981	25,247	2.56
Time deposits	1,887,129	104,378	5.53
Short-term borrowings	200,020	9,441	4.72
Long-term debt	42,012	2,618	6.23

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Total interest-bearing liabilities ...	3,622,905	151,437	4.18
Noninterest-bearing liabilities:			
Demand deposits	553,155		
Other	74,696		
Total Liabilities	4,250,756		
Shareholders' equity	475,243		
Total Liabilities and Shareholders' Equity	$ 4,725,999		
Net interest income		202,199	
Net yield on interest-earning assets .			4.59%
Tax equivalent adjustment (3)		5,399	
Net interest margin		$ 207,598	4.71%

</TABLE>

(1) Includes nonperforming loans.

(2) Balances include amortized historical cost for available for sale securities. The related unrealized holding gains on securities of $44,171 in 1998, $20,509 in 1997 and $10,812 in 1996 are included in other assets.

(3) Based on marginal Federal income tax rate and statutory interest expense disallowances.

FULTON FINANCIAL CORPORATION
RATE/VOLUME TABLE

The following table sets forth for the periods indicated a summary of changes in interest income and interest expense resulting from corresponding volume and rate changes:

<TABLE>
<CAPTION>

	1998 vs. 1997 Increase (decrease) due to change in			1997 vs. 1996 Increase (decrease) due to change in		
	Volume	Rate	Net	Volume	Rate	Net
	(in thousands)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Interest income on:						
Loans and leases	$ 17,462	$ (3,713)	$ 13,749	$ 33,308	$ (1,980)	$ 31,328
Taxable investment securities	7,964	(265)	7,699	(813)	2,199	1,386
Tax-exempt investment securities ...	1,132	(645)	487	(444)	(31)	(475)
Equity securities	678	2	680	762	(257)	505
Short-term investments	(515)	(56)	(571)	844	24	868
Total interest-earning assets	$ 26,721	$ (4,677)	$ 22,044	$ 33,657	$ (45)	$ 33,612
Interest expense on:						
Demand deposits	$ 666	$ (1,373)	$ (707)	$ (230)	$ (412)	$ (642)
Savings deposits	463	(370)	93	366	45	411
Time deposits	7,261	(316)	6,945	13,498	684	14,182
Short-term borrowings	(802)	(785)	(1,587)	1,311	76	1,387
Long-term debt	5,789	(881)	4,908	1,503	(125)	1,378
Total interest-bearing liabilities	$ 13,377	$ (3,725)	$ 9,652	$ 16,448	$ 268	$ 16,716

</TABLE>

Note: The rate/volume variances are allocated in the table above by applying the changes in volume times the prior period rate and by applying the changes in rate times the current period volume on a consistent basis throughout.

FULTON FINANCIAL CORPORATION
INVESTMENT PORTFOLIO

The following table sets forth the carrying amount of investment securities held to maturity (HTM) and available for sale (AFS) as of the dates shown:

<TABLE>
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December 31

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	1998			1997			1996		
	HTM	AFS	Total	HTM	AFS	Total	HTM	AFS	Total
	(in thousands)								
United States Treasury and U.S. Government agencies and Corporations	$ 24,287	$ 287,850	$ 312,137	$ 67,391	$ 265,677	$ 333,068	$ 161,236	$ 254,984	$ 416,220
State and municipal	34,457	124,926	159,383	52,815	21,507	74,322	69,403	17,932	87,335
Other securities	449	6,978	7,427	483	--	483	1,326	2,614	3,940
Equity securities	--	110,866	110,866	--	104,324	104,324	--	67,184	67,184
Mortgage-backed securities	117,430	675,501	792,931	222,365	332,686	555,051	300,550	111,252	411,802
Totals	$ 176,623	$1,206,121	$1,382,744	$ 343,054	$ 724,194	$1,067,248	$ 532,515	$ 453,966	$ 986,481

</TABLE>

FULTON FINANCIAL CORPORATION
MATURITY DISTRIBUTION OF INVESTMENT SECURITIES

The following tables set forth the maturities of investment securities at December 31, 1998 and the weighted average yields of such securities (calculated based upon historical cost).

<TABLE>
<CAPTION>

HELD TO MATURITY (at amortized 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)							
United States Treasury and U.S. Government agencies and corporations	$ 14,776	6.86%	$ 7,162	6.02%	$ 1,259	6.27%	$ 1,090	7.61%
State and municipal (1)	7,782	7.53	17,207	7.73	5,076	7.86	4,392	9.83
Other securities	--	--	405	7.82	44	6.25	--	--
Totals	$ 22,558	7.09%	$ 24,774	7.24%	$ 6,379	7.53%	$ 5,482	9.39%
Mortgage-backed securities (2) ...	$117,430	6.30%						

<CAPTION>
AVAILABLE FOR SALE (at estimated fair value)

	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)							
United States Treasury and U.S. Government Agencies and corporations	$ 64,814	6.00%	$220,024	6.27%	$ 3,012	6.72	$ --	--%
State and municipal (1)	1,914	6.39	1,505	6.74	100,453	6.11	21,054	8.22%
Other	2,291	6.49	4,687	6.59	--	--	--	--
Totals	$ 69,019	6.03%	$226,216	6.28%	$103,465	6.13%	$ 21,054	8.22%
Mortgage-backed securities (2) ...	$675,501	6.10						

</TABLE>

(1) Weighted average yields on tax-exempt securities have been computed on a

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fully tax-equivalent basis assuming a tax rate of 35 percent.

(2) Maturities for mortgage-backed securities are dependent upon the interest rate environment and prepayments on the underlying loans.

(3) For the purpose of this table, the entire balance and weighted average rate is shown in one period.

FULTON FINANCIAL CORPORATION
LOAN PORTFOLIO BY TYPE

The following table sets forth the amount of loans outstanding (including unearned income) as of the dates shown (1):

<TABLE>
<CAPTION>

	December 31				
	1998	1997	1996	1995	1994
			(in thousands)		
<S>	<C>	<C>	<C>	<C>	<C>
Commercial, financial and agricultural	$ 559,517	$ 535,842	$ 496,746	$ 477,967	$ 457,987
Real-estate - construction	130,051	150,470	128,196	114,620	114,115
Real-estate - mortgage	2,596,364	2,519,511	2,285,047	2,053,275	1,952,430
Consumer	698,323	709,405	643,932	535,070	473,507
Leasing and other	56,200	57,425	43,255	38,586	29,261
	$4,040,455	$3,972,653	$3,597,176	$3,219,518	$3,027,300

</TABLE>

(1) At December 31, 1998, Fulton Financial Corporation did not have any loan concentrations to borrowers engaged in the same or similar industries that exceeded 10% of total loans.

MATURITY & SENSITIVITY OF LOANS TO CHANGES IN INTEREST RATES

The following table summarizes the maturity and sensitivity of loans to changes in interest rates as of December 31, 1998:

<TABLE>
<CAPTION>

	One Year or Less	One Through Five Years	More Than Five Years	Total
		(in thousands)		
<S>	<C>	<C>	<C>	<C>
Floating rate	$ 359,315	$ 444,108	$ 243,314	$1,046,737
Fixed rate	790,007	1,593,423	610,288	2,993,718
Totals	$1,149,322	$2,037,531	$ 853,602	$4,040,455

</TABLE>

FULTON FINANCIAL CORPORATION
RISK ELEMENTS IN LOAN PORTFOLIO

The following table presents information concerning the aggregate amount of nonaccrual, past due and restructured loans and other nonperforming assets (4):

<TABLE>
<CAPTION>

	December 31				
	1998	1997	1996	1995	1994
			(in thousands)		
<S>	<C>	<C>	<C>	<C>	<C>
Nonaccrual loans (1) (2) (3)	$19,281	$20,819	$16,548	$16,350	$20,869
Accruing loans past due 90 days or more	11,109	10,529	8,162	9,676	7,305
Other real estate	1,420	1,537	2,829	3,019	5,144
Totals	$31,810	$32,885	$27,539	$29,045	$33,318

</TABLE>

(1) Includes impaired loans as defined by Statement of Financial Accounting

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Standards No. 114 of approximately $12.8 million at December 31, 1998.

(2) As of December 31, 1998, the gross interest income that would have been recorded during 1998 if nonaccrual loans had been current in accordance with their original terms was approximately $1.9 million. The amount of interest income on those nonaccrual loans that was included in 1998 net income was approximately $1.3 million. At December 31, 1998, $17.0 million of nonaccrual loans are considered to be adequately secured.

(3) Accrual of interest is generally discontinued when a loan becomes 90 days past due as to principal and interest. When interest accruals are discontinued, interest credited to income is reversed. Nonaccrual loans are restored to accrual status when all delinquent principal and interest becomes current or the loan is considered secured and in the process of collection. Certain loans, primarily residential mortgages, that are determined to be sufficiently collateralized may continue to accrue interest after reaching 90 days past due.

(4) Excluded from the amounts presented above at December 31, 1998 are $29.2 million in domestic commercial loans for which payments were current, but as to which the borrowers were experiencing significant financial difficulties. These loans are subject to constant management attention and their classification is reviewed monthly.

FULTON FINANCIAL CORPORATION
SUMMARY OF LOAN LOSS EXPERIENCE

An analysis of the Corporation's loss experience is as follows:

<TABLE>
<CAPTION>

	Year Ended December 31				
	1998	1997	1996	1995	1994
	(dollars in thousands)				
<S>	<C>	<C>	<C>	<C>	<C>
Loans outstanding at end of year	$4,030,391	$3,961,644	$3,597,176	$3,219,518	$3,027,300
Daily average balance of loans and leases ..	$3,967,807	$3,765,854	$3,381,599	$3,078,455	$2,698,516
Balance of allowance for loan losses at beginning of year	$ 57,557	$ 53,893	$ 50,201	$ 49,396	$ 42,020
Loans charged-off:					
Commercial, financial and agricultural	2,412	2,682	2,152	2,282	2,875
Real estate - construction	--	--	34	--	144
Real estate - mortgage	1,403	1,636	1,270	2,366	1,333
Consumer	5,191	4,854	2,947	2,168	1,477
Leasing and other	134	70	50	59	33
Total loans charged-off	9,140	9,242	6,453	6,875	5,862
Recoveries of loans previously charged-off:					
Commercial, financial and agricultural	1,223	2,150	1,576	1,846	1,666
Real estate - construction	--	--	182	44	125
Real estate - mortgage	926	709	1,378	530	593
Consumer	1,265	1,289	1,036	883	586
Leasing and other	2	15	22	20	29
Total recoveries	3,416	4,163	4,194	3,323	2,999
Net loans charged-off	5,724	5,079	2,259	3,552	2,863
Provision for loan losses	5,582	8,417	5,951	4,357	3,769
Allowance purchased	--	326	--	--	6,470
Balance at end of year	$ 57,415	$ 57,557	$ 53,893	$ 50,201	$ 49,396
Ratio of net charge-offs during period to average loans	0.14%	0.13%	0.07%	0.12%	0.11%
Ratio of allowance for loan losses to loans Outstanding at end of year	1.42%	1.45%	1.50%	1.56%	1.63%

</TABLE>

FULTON FINANCIAL CORPORATION
ALLOCATION OF ALLOWANCE FOR LOAN LOSSES

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The allowance for loan losses has been allocated as follows to provide for the possibility of losses being incurred within the following categories of loans at the dates indicated:

<TABLE>
<CAPTION>

	December 31									
	1998		1997		1996		1995		1994	
	(dollars in thousands)									
	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
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Commercial, financial & agriculture	$13,433	13.8%	$10,993	13.5%	$11,299	13.8%	$12,615	14.8%	$16,946	15.1%
Real estate - construction & mortgages	19,895	67.5	12,086	67.2	14,756	67.1	14,311	67.4	15,279	68.3
Consumer, leasing & other	6,740	18.7	7,262	19.3	3,863	19.1	3,708	17.8	3,323	16.6
Unallocated	17,347	--	27,216	--	23,975	--	19,567	--	13,848	--
Totals	$57,415	100.0%	$57,557	100.0%	$53,893	100.0%	$50,201	100.0%	$49,396	100.0%

</TABLE>

(1) The Corporation allocates the allowance for loan losses in three components: (1) specific accounts; (2) 50% of doubtful, 15% of substandard and 10% of fair internally risk rated loans (excluding those subject to specific allocation under (1)); and (3) based upon historical averages for the remaining balances. As of December 31, 1998, the Corporation has allocated $13.4 million based on four-year historical averages, as follows: $2.7 million commercial, $6.6 million consumer, $4.0 million mortgage, and $120,000 leasing. Additional allocations of the allowance for loan losses include: $1.1 million for specific accounts; $18.3 million for fair rated loans; $6.6 million for substandard rated loans; $547,000 for doubtful rated loans.

(2) Charge-offs for 1999 are not anticipated to exceed $6.1 million: commercial - $1.9 million; consumer - $3.2 million; and mortgage - $1.0 million. The overall risk factors in the portfolio are best evidenced by a 30 day and over delinquency rate in the 1.75% to 2.00% range and overall credit risk ratings of satisfactory and above for 80% of the commercial and real estate portfolios.

FULTON FINANCIAL CORPORATION
DEPOSITS

The average daily balances of deposits and rates paid on such deposits are summarized for the periods indicated in the following table:

<TABLE>
<CAPTION>

	Year Ended December 31					
	1998		1997		1996	
	Amount	Rate	Amount	Rate	Amount	Rate
	(dollars in thousands)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Noninterest-bearing demand deposits	$ 666,104	--%	$ 607,306	--%	$ 553,155	--%
Interest-bearing demand deposits ..	530,967	1.58	494,788	1.84	506,763	1.92
Savings deposits	1,019,357	2.53	1,001,277	2.56	986,981	2.56
Time deposits	2,261,698	5.55	2,131,177	5.56	1,887,129	5.53
Totals	$4,478,126	3.57%	4,234,548	3.62%	$3,934,028	3.54%

</TABLE>

Maturities of time deposits of $100,000 or more outstanding at December 31, 1998 are summarized as follows:

Time Deposits
$100,000
or more

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	(in thousands)
Three months or less..................	$117,586
Over three through six months..........	51,065
Over six through twelve months.........	65,730
Over twelve months....................	65,249
Totals...............................	$299,630

FULTON FINANCIAL CORPORATION
SHORT-TERM BORROWINGS

The following table presents information related to Federal funds purchased and securities sold under agreements to repurchase. No other categories of short-term borrowings exceeded 30% of shareholders' equity at December 31, 1998.

	December 31		
	1998	1997	1996
	(dollars in thousands)		
Amount outstanding at December 31	$231,746	$242,640	$221,906
Weighted average interest rate at year end	4.31%	4.66%	4.79%
Maximum amount outstanding at any month end	$263,319	$259,952	$254,995
Average amount outstanding during the year	$210,933	$227,805	$200,020
Weighted average interest rate during the year..	4.38%	4.75%	4.72%

FULTON FINANCIAL CORPORATION
RETURN ON EQUITY AND ASSETS

The ratio of net income to average shareholders' equity and to average total assets and certain other ratios are as follows:

	Year Ended December 31				
	1998	1997	1996	1995	1994
Percentage of net income to:					
Average shareholders' equity	15.06%	14.60%	13.87%	13.85%	13.47%
Average total assets	1.60	1.49	1.39	1.36	1.33
Percentage of dividends declared per common share to basic net income per share	41.3	40.8	41.5	38.4	37.8
Percentage of average shareholders' equity to average total assets	10.6	10.2	10.1	9.8	9.9

Item 2. Properties

The administrative headquarters of Fulton Financial Corporation and Fulton Bank is located in a six-story building at the northeast corner of Penn Square in the City of Lancaster, Pennsylvania. This building, together with fourteen properties upon which Fulton Bank branch offices are located, are owned in fee by Fulton Bank, free and clear of encumbrances. Six properties upon which Fulton Bank branch offices are located and four properties upon which remote service facilities are located are leased by Fulton Bank from nonaffiliated persons. Twenty-seven properties upon which Fulton Bank branch offices are located and two properties upon which remote service facilities are located are owned or leased by Fulton Financial Realty Company and subleased to Fulton Bank. Office space is leased by Fulton Financial Realty Company and subleased to Fulton Financial Corporation and Fulton Bank. These leases expire intermittently over the years through the year 2008 and most are subject to renewal options. The Fulton Bank Administrative Service Center is located on property which is owned free and clear of encumbrances by Fulton Financial Realty Company.

The administrative headquarters of Lebanon Valley Farmers Bank (LVFB) is located in a three-story building at 555 Willow Street in Lebanon, Pennsylvania.

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This building and 13 branch offices are owned in fee by LVFB, free and clear of encumbrances. One of the properties upon which a LVFB branch office is located is leased by Fulton Financial Realty Company and subleased to LVFB, while three additional properties are owned by Fulton Financial Realty Company and leased to LVFB for branch offices. LVFB has two remote service facilities, which are leased from nonaffiliated persons. These leases expire intermittently over the years through the year 2004 and are subject to renewal options.

The administrative headquarters and operations center of Swineford National Bank are located in a one-story building on Routes 11 and 15 in Hummels Wharf, Pennsylvania. In addition to a branch located at the site of the operations center, Swineford National Bank operates five other branch offices. The Hummels Wharf property and four branch offices are owned free and clear of encumbrances by Swineford National Bank. One additional property used for a branch office is leased by Swineford National Bank from a non-affiliated person. This lease expires in 2002.

The administrative headquarters of Lafayette Ambassador Bank is located in a three-story building at 360 Northampton Street, Easton, Pennsylvania. Lafayette Ambassador Bank maintains two other sites housing administrative operations of the bank. In addition to these three buildings, which are owned in fee by Lafayette Ambassador Bank, free and clear of encumbrances, eight branch offices and another structure are also owned in fee by Lafayette Ambassador Bank, free and clear of encumbrances. Fourteen additional properties are leased by Lafayette Ambassador Bank from nonaffiliated persons. These leases expire intermittently over the years through the year 2024 and are subject to renewal options.

The administrative headquarters of FNB Bank, N.A. is located at 354 Mill Street, Danville, Pennsylvania. This building and five branch offices are owned in fee by FNB Bank, N.A. free and clear of encumbrances. Two other branch facilities are leased by FNB Bank, N.A. from nonaffiliated persons. These leases expire intermittently over the years through the year 2014 and are subject to renewal options.

The administrative headquarters of Great Valley Bank is located in a two-story building at 210 North Fifth Street, Reading, Pennsylvania. This building and two branches are owned in fee by Great Valley Bank, free and clear of encumbrances. Five branch offices are leased by Great Valley Bank from nonaffiliated persons. These leases expire intermittently over the years through the year 2015 and are subject to renewal options.

The administrative headquarters of Hagerstown Trust Company is located in a three story building at 83 West Washington Street, Hagerstown, Maryland. This building and eleven branch offices are owned in fee by Hagerstown Trust Company, free and clear of encumbrances. Two branch offices and seven remote facilities are leased by Hagerstown Trust Company from non-affiliated persons. These leases expire intermittently over the years through the year 2006 and are subject to renewal options.

The administrative headquarters and operations center for Delaware National Bank are located at 9 South Dupont Highway, Georgetown, in Sussex County, Delaware. The facility is approximately 8,000 square feet on the first and second floors of a former bank operations facility leased from a non-affiliated entity. One bank branch office is leased from a non-affiliated entity. This lease expires in 2011. Four branch offices are owned free and clear of encumbrances by Delaware National Bank.

The administrative headquarters of The Bank of Gloucester County is located at 100 Park Avenue, Woodbury, in Gloucester County, New Jersey. This building and six branch offices are owned by the bank, free and clear of encumbrances. The operations center and two branch offices are leased from non-affiliated entities at market rates for varying terms.

The administrative headquarters of The Woodstown National Bank & Trust Company is located at 1 South Main Street, Woodstown, in Salem County, New Jersey. This building and five branch offices are owned by the bank, free and clear of encumbrances. A sixth branch office is located on land leased by the bank from a non-affiliated entity. This lease will expire in 2002 and the bank has a buyout option to purchase the land upon the expiration of the lease.

The administrative headquarters of The Peoples Bank of Elkton is located at 130 North Street, Elkton, in Cecil County, Maryland. This building is owned by the bank, free and clear of encumbrances. The bank's other branch office is operated under a lease agreement which expires in 2000.

Item 3. Legal Proceedings

There are no legal proceedings pending against Fulton Financial Corporation or any of its subsidiaries which are expected to have a material impact upon the financial position and/or the operating results of the Corporation.

Item 4. Submission of Matters to a Vote of Security Holders

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No matters were submitted to a vote of security holders of Fulton Financial Corporation during the fourth quarter of 1998.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

The information appearing under the heading "Capital Resources" and "Common Stock" in Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" is incorporated herein by reference.

Item 6. Selected Financial Data

FULTON FINANCIAL CORPORATION AND SUBSIDIARIES
5-YEAR CONSOLIDATED SUMMARY OF OPERATIONS

	For the Year				
	1998	1997	1996	1995	1994
	(Dollars in thousands, except per-share data)				
SUMMARY OF INCOME					
Interest income	$ 409,292	$ 387,248	$ 353,636	$ 330,070	$ 276,076
Interest expense	177,805	168,153	151,437	143,616	103,589
Net interest income	231,487	219,095	202,199	186,454	172,487
Provision for loan losses ..	5,582	8,417	5,951	4,357	3,769
Other income	60,641	48,713	41,653	37,673	33,192
Other expenses	158,203	149,538	144,174	135,674	127,012
Income before income taxes..	128,343	109,853	93,727	84,096	74,898
Income taxes	39,832	33,448	27,815	23,998	21,180
Net income	$ 88,511	$ 76,405	$ 65,912	$ 60,098	$ 53,718
PER-SHARE DATA (1)					
Net income (basic)	$ 1.41	$ 1.22	$ 1.06	$ 0.97	$ 0.87
Net income (diluted)	1.40	1.21	1.05	0.96	0.86
Cash dividends	0.582	0.498	0.440	0.372	0.329
PERIOD-END BALANCES					
Total assets	$5,838,663	$5,377,654	$4,936,072	$4,595,925	$4,316,039
Net loans	3,972,976	3,904,087	3,535,202	3,160,369	2,975,093
Deposits	4,592,969	4,418,543	4,072,400	3,845,567	3,575,747
Long-term debt	296,018	53,045	67,498	56,698	48,209
Shareholders' equity	608,334	564,491	500,294	462,636	412,929
AVERAGE BALANCES					
Average shareholders' equity	587,793	523,222	475,243	434,057	398,908
Average total assets	5,539,980	5,138,450	4,725,999	4,408,258	4,029,498

(1) Adjusted for stock dividends and stock splits.

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

This discussion concerns Fulton Financial Corporation (the Corporation), a bank holding company incorporated under the laws of the Commonwealth of Pennsylvania in 1982, and its wholly-owned subsidiaries. This discussion and analysis should be read in conjunction with the consolidated financial statements and other financial information presented in this report.

The Corporation has made, and may continue to make, certain forward-looking statements with respect to growth strategy, market risk, expenses, the effect of competition on net interest margin and net interest income, investment strategy and income growth, deposit and loan growth, Year 2000 readiness and other financial and business matters for future periods. The Corporation cautions that these forward-looking statements are subject to various assumptions, risks and

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uncertainties. Because of the possibility of change in the underlying assumptions, actual results could differ materially from these forward-looking statements.

In addition to the factors identified herein, the following could cause actual results to differ materially from such forward-looking statements: pricing pressures on loan and deposit products, actions of bank and nonbank competitors, changes in local and national economic conditions, changes in regulatory requirements, actions of the Federal Reserve Board, the Corporation's success in merger and acquisition integration and customers' acceptance of the Corporation's products and services.

The Corporation's forward-looking statements are relevant only as of the date on which such statements are made. By making any forward-looking statements, the Corporation assumes no duty to update them to reflect new, changing or unanticipated events or circumstances.

MERGER ACTIVITY

The Corporation has continued to acquire banks with similar operating philosophies. Through external growth, the Corporation has extended its geographical market into four Mid-Atlantic states and has strengthened its presence in its existing markets. While the Corporation also relies on the internal growth of its existing franchise, acquisitions will continue to be an important strategy in the future. In the past two years, the Corporation completed four separate acquisitions.

Ambassador Bank of the Commonwealth. - On September 11, 1998, the Corporation completed its acquisition of Ambassador Bank of the Commonwealth (Ambassador), a $275 million bank located in Allentown, Pennsylvania. As provided under the terms of the merger agreement, each of the 1.9 million shares of Ambassador's common stock was exchanged for 1.4 shares of the Corporation's common stock. In addition, the 417,000 options and warrants to acquire Ambassador stock were exchanged for approximately 409,000 shares of the Corporation's common stock. The Corporation issued 3.1 million shares of its common stock in connection with the merger. As a result of the acquisition, Ambassador was merged with and into Lafayette Bank, one of the Corporation's existing affiliate banks, which changed its name to "Lafayette Ambassador Bank."

Keystone Heritage Group, Inc. - On March 27, 1998, the Corporation completed its acquisition of Keystone Heritage Group, Inc. (Keystone), a $650 million bank holding company located in Lebanon, Pennsylvania. As provided under the terms of the merger agreement, each of the approximately 4.0 million shares of Keystone's common stock was exchanged for 2.288 shares of the Corporation's common stock. In addition, each of the 70,000 options to acquire Keystone stock was converted to options to acquire the Corporation's stock. The Corporation issued 9.1 million shares of its common stock in connection with the merger.

In order to effect the acquisition, Keystone was merged with and into the Corporation. Its sole banking subsidiary, Lebanon Valley National Bank (Lebanon Valley), was merged with and into Farmers Trust Bank, one of the Corporation's existing affiliate banks, which changed its name to "Lebanon Valley Farmers Bank." Lebanon Valley's deposits, loans and branches located in Lancaster and Dauphin Counties were transferred by Lebanon Valley Farmers Bank to Fulton Bank immediately after the merger was completed.

The Peoples Bank of Elkton - On August 31, 1997, the Corporation completed its acquisition of The Peoples Bank of Elkton (Elkton) of Elkton, Maryland. As provided under the terms of the merger agreement, Elkton became a wholly-owned subsidiary of the Corporation and each of the outstanding shares of the common stock of Elkton was converted into 5.2 shares of the Corporation's common stock. The Corporation issued 1.2 million shares of its common stock in connection with the merger. Elkton, with approximately $120 million in assets as of December 31, 1998, operates two branch offices in Cecil County, Maryland. As a result of the merger, Elkton became the Corporation's second banking subsidiary in Maryland and eleventh overall.

The Woodstown National Bank & Trust Company - On February 28, 1997, the Corporation completed its acquisition of The Woodstown National Bank & Trust Company (Woodstown) of Woodstown, New Jersey. As provided under the terms of the merger agreement, Woodstown became a wholly-owned subsidiary of the Corporation and each of the outstanding shares of Woodstown common stock was converted into 2.2 shares of the Corporation's common stock. The Corporation issued 4.0 million shares of its common stock in connection with the merger. Woodstown, with approximately $300 million in total assets as of December 31, 1998, operates seven branch offices in Salem and Gloucester Counties. As a result of the merger, Woodstown became the Corporation's second banking subsidiary in New Jersey and tenth overall.

The acquisitions of Ambassador, Keystone, Elkton and Woodstown were accounted for as poolings of interests and all financial statements and financial information contained herein have been restated to include the accounts and results of operations of these companies for all periods presented.

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RESULTS OF OPERATIONS

Overview

The Corporation continued to generate steady earnings growth in 1998. Net income for the year was $88.5 million or $1.40 per diluted share. This was an increase of $12.1 million or 15.8% over 1997 net income of $76.4 million. Diluted net income per share increased 15.7% over the $1.21 realized in 1997. Net income for 1997 was $10.5 million or 15.9% greater than 1996, while diluted net income per share represented an increase of 15.2% over $1.05 in 1996.

The recent earnings trend has been consistent over the past three years and is largely attributable to growth, a strong net interest margin, expense controls and good asset quality. However, certain items that could be considered non-recurring in each of the periods are notable. The table below summarizes net income and adjusts for certain of these items to arrive at "core" or adjusted net income. The adjustments shown reflect the after-tax impact on net income.

	1998	1997	1996
	(Dollars in thousands, except per-share amounts)		
Net income (reported)	$ 88,511	$ 76,405	$ 65,912
Investment securities gains	(7,384)	(4,131)	(2,098)
Merger/conversion expenses	1,373	846	714
SAIF charge	--	--	1,634
Adjusted net income	$ 82,500	$ 73,120	$ 66,162
% increase over prior year	12.8%	10.5%	13.4%
Adjusted net income per-share (diluted)	$ 1.31	$ 1.15	$ 1.05
% increase over prior year	13.9%	9.5%	12.9%

Investment securities gains and merger expenses are shown as adjustments since many in the industry consider them to be non-recurring items. However, the Corporation does have a history of both. Security gains are derived mainly from the Corporation's investments in equities of other financial institutions. Gains are realized when, in the opinion of management, the investments have reached full valuation. Given the size of this portfolio ($78.0 million in market value with $28.9 million in unrealized gains at December 31, 1998), it is probable that the Corporation will continue to realize gains in future periods.

Merger expenses represent professional fees paid to complete mergers. With the Corporation's external growth strategy, it is probable that similar expenses will be incurred in the future. The SAIF charge in 1996 represents the Corporation's share of the industry-wide FDIC assessment to recapitalize the underfunded Savings Association Insurance Fund.

After adjusting for these items, the Corporation's net income still reflects steady growth over the past three years, with increases of 12.8% in 1998, 10.5% in 1997 and 13.4% in 1996. In 1998, 1997 and 1996, the Corporation achieved returns on average assets of 1.60%, 1.49% and 1.39%, respectively, and returns on average shareholders' equity of 15.06%, 14.60% and 13.87%. Excluding the effect of unrealized gains on securities, the Corporation's return on average equity was 15.80% in 1998, 15.07% in 1997 and 14.15% in 1996.

Net Interest Income

Net interest income is the most significant component of net income. The ability to manage net interest income over a variety of interest rate and economic environments is critical to the success of a banking entity. Net interest income growth is dependent upon the growth of the Corporation's balance sheet and maintenance of yields on earning assets and costs of interest-bearing liabilities. See also the discussion of "Interest Rate Risk" later in this section.

In the past year, the Corporation experienced a decrease in loan growth as a result of slower economic growth and increased competition from banks and non-banks alike. While the recent competition for loans has increased, management has not sacrificed the Corporation's credit standards in order to increase loan volume. Although this strategy may prevent additional loan losses in the future, it has had an impact on net interest income. Excess funds that would have been invested in new loans were placed in lower-yielding assets such as investments. This has caused downward pressure on the Corporation's margin and has slowed net interest income growth.

Net interest income for 1998 was $231.5 million, a $12.4 million or 5.7% increase over 1997. This was a decline from the $16.9 million or 8.4% increase

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realized in 1997. Furthermore, the Corporation's net interest margin declined to 4.59% in 1998 from 4.69% in 1997 and 4.71% in 1996. The "Comparative Average Balance Sheets and Net Interest Income Analysis" on page 19 and the "Rate/Volume Table" on page 20 summarize the components of net interest income and illustrate variances as a result of changes in interest rates versus growth in assets and liabilities.

1998 v. 1997

Interest income increased $22.0 million or 5.7% from $387.2 million in 1997 to $409.3 million in 1998. Of this increase, $26.7 million was a result of a $356.0 million or 7.4% increase in average earning assets, offset by a $4.7 million decrease due to a drop in the average yield from 8.08% in 1997 to 7.95% in 1998. Average loans increased $202.4 million or 5.4% in 1998. Additional increases were realized in investment securities, which increased $162.5 million or 16.4% from $989.7 million in 1997 to $1.2 billion in 1998.

The 13 basis point decline in the average yield was driven by two primary factors. First, the average yield on loans decreased 10 basis points to 8.53% in 1998 from 8.63% in 1997. Secondly, the mix of interest earning assets changed from 78.5% loans and 21.5% investments in 1997 to 77.0% loans and 23.0% investments in 1998. Lower yields on investments (overall, 5.99% in 1998 and 6.08% in 1997) relative to loans and a higher percentage of investments in 1998 caused a further reduction in the overall yield.

The 10 basis point reduction in loan yields is closely correlated with the nine basis point decrease in the Corporation's average prime lending rate from 1997 (8.44%) to 1998 (8.35%). The prime rate is an indicator of the interest rate environment in general.

Interest expense increased $9.7 million or 5.7% to $177.8 million in 1998 from $168.2 million in 1997. As with interest income, this increase was mainly volume driven ($13.4 million) as average interest bearing liabilities increased $263.7 million, offset by a $3.7 million decrease due to a slight decline in rates from 4.29% in 1997 to 4.25% in 1998. Average interest-bearing deposits showed the largest increase, $184.8 million or 5.1%. Most of this increase was in time deposits, which increased $130.5 million or 6.1%. Long-term debt, which consists mainly of advances from the Federal Home Loan Bank, increased $95.8 million or 144.9%.

The overall cost of interest-bearing liabilities decreased only four basis points, despite the general fall in rates throughout the industry. This was mainly due to the fact many of the Corporation's deposits (59% in 1998) were in certificates of deposit which had not yet realized the impact of rate reductions. This is shown by the average cost of CD's remaining fairly constant at 5.55% in comparison to 5.56% in 1997. This was somewhat offset by non-interest bearing demand deposits which outpaced time deposits in percentage increase (9.7% vs. 6.1%) and provide a no-cost funding source which strengthens the overall net interest margin.

With interest rates relatively low, the Corporation also turned to borrowings as an alternative funding source. In an effort to reduce rate sensitivity, the Corporation locked in longer-term borrowings with the FHLB. The average cost of such borrowings in 1998 was approximately 5.50% as compared to 6.04% in 1997. In general, the cost of these funds has been less than comparable-term certificates of deposit.

1997 v. 1996

Interest income increased $33.6 million or 9.5% from $353.6 million in 1996 to $387.2 million in 1997. This increase was mainly due to balance sheet growth. Average earning assets increased $391.4 million or 8.9% to $4.8 billion, almost entirely as a result of strong loan growth during 1997 ($383.8 million or 11.3%). Investments remained fairly stable as loan demand consumed all of the additional funds provided during the period.

The average yield on earning assets increased slightly to 8.08% in 1997 from 8.03% in 1996. The average prime lending rate in 1997 was 8.44% as compared to 8.27% in 1996. The yield on the Corporation's loan portfolio, however, was not reflective of this rate environment as average loan yields actually decreased five basis points. This situation was due to two main factors: a) competitive pressures; and b) a change in the mix of the Corporation's loan portfolio to a larger percentage of fixed rate loans, which are less sensitive to short term rate fluctuations.

Offsetting the decline in loan yields was an increase in yields on investments. This occurred as the Corporation's investment strategy shifted from U.S. Treasury and agency issues to mortgage-backed securities. Maturing funds were invested more heavily in mortgage-backed securities which generally achieve a higher return with only moderate increases in credit risk.

Interest expense increased $16.7 million or 11.0% to $168.2 million in 1997 from $151.4 million in 1996. As with interest income, this increase was mainly volume driven as average interest bearing liabilities increased $298.3 million.

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Average interest-bearing deposits increased $245.4 million or 7.3%. Unlike 1998, which saw increases in all deposit types, the 1997 increase was realized entirely in time deposits ($244.0 million or 12.9%). The overall cost of interest-bearing liabilities increased 11 basis points, mainly as a result of time deposits, which realized an increase in cost as the Corporation focused on this funding source to support loan growth.

Provision and Allowance for Loan Losses

Additions to the allowance for loan losses are charged to income through the provision for loan losses when, in the opinion of management and based on continuing analyses of the loan portfolio, it is believed that the allowance is not adequate. Management considers various factors in assessing the adequacy of the allowance for loan losses and determining the provision for the period. Among these are charge-off history and trends, risk classification of significant credits, adequacy of collateral, the mix and risk characteristics of loan types in the portfolio, and the balance of the allowance relative to total and nonperforming loans. Additional consideration is given to local and national economic conditions. The Corporation's policy is individually applied to each of the eleven affiliate banks. Resulting provisions and allowances are aggregated for consolidated financial reporting.

The tables below summarize non-performing assets and net charge-offs by major loan category as of or for the years ended December 31, 1998, 1997 and 1996 (dollars in thousands).

<TABLE>
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Nonperforming Assets

	1998		1997		1996	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Real estate loans	$ 17,449	54.9%	$ 20,955	63.7%	$ 15,184	55.1%
Commercial & industrial loans	7,130	22.4	5,169	15.7	5,820	21.1
Consumer loans	5,811	18.3	5,224	15.9	3,706	13.5
Other real estate owned	1,420	4.4	1,537	4.7	2,829	10.3
Total	$ 31,810	100.0%	$ 32,885	100.0%	$ 27,539	100.0%
Non-performing assets/Total assets..	0.54%		0.61%		0.56%	
Non-performing loans/Total loans ...	0.75%		0.79%		0.69%	

<CAPTION>

Net Charge-Offs

	1998		1997		1996	
	Amount	% Change	Amount	% Change	Amount	% Change
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Real estate loans	$ 477	(48.5)%	$ 927	NA%	$ (256)	(114.3)%
Commercial & industrial loans	1,189	123.4	532	(7.6)	576	32.1
Consumer loans	4,058	12.1	3,620	86.7	1,939	46.5
Total	$ 5,724	12.7%	$ 5,079	124.8%	$ 2,259	(36.4)%
Net charge-offs/ Average loans	0.14%		0.13%		0.07%	

</TABLE>

The provision for loan losses for 1998 totaled $5.6 million, compared to the 1997 and 1996 provisions of $8.4 million and $6.0 million, respectively. The total provision for 1998 was comparable to the level of net charge-offs for the year, $5.7 million or 0.14% of average loans outstanding. The $2.8 million or 33.7% decrease in the provision in 1998 was a result of two situations. First of all, the overall credit quality of the Corporation's portfolio showed improvement over 1997, as reflected by nonperforming assets to total assets of 0.54% (0.61% in 1997) and nonperforming loans to total loans of 0.75% (0.79% in 1997). Secondly, loans increased only 1.7% in 1998 as compared to 10.4% in 1997, reducing the need for a general provision for new loan volume.

Despite the improvements in asset quality, a provision was considered necessary in 1998 as a result of changes in the mix of the Corporation's

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nonperforming assets and charge-offs. In recent years, the Corporation has expanded its indirect automobile lending. While this has contributed to balance sheet and interest income growth, these loans generally have higher losses. In 1998, total consumer charge-offs (which include indirect loans), increased $438,000 or 12.1% over 1997 and accounted for over 70% of the Corporation's net charge-offs. While loan growth in 1998 slowed, based on charge-off and delinquency history, it is probable that additional losses exist in this portfolio.

The provision for loan losses increased $2.5 million or 41.4% to $8.4 million in 1997 as compared to $6.0 million in 1996. This increase was a result of several negative factors during the period. First of all, nonperforming assets to total assets increased to 0.61% as compared to 0.56% in 1996 and nonperforming loans to total loans increased to 0.79% as compared to 0.69% in 1996. Secondly, losses on consumer lending increased $1.7 million or 86.7%. Finally, loan growth in 1997 was strong, particularly in consumer lending, meaning new loans with higher

inherent risk were being added to the Corporation's portfolio. Based on these factors, management considered additional provisions to be appropriate.

The Corporation's allowance methodology resulted in 70% of the total balance being allocated to specific loans and loan types at December 31, 1998 as compared to 58% at December 31, 1997. These allocations were based upon the review and classification of specific large credits as fair, substandard, doubtful and loss and applying reserve percentages that are estimates of probable loss incurred based on the above noted factors. (currently 15%, 50% and 100% for the noted categories). In addition, portfolios with large numbers of smaller balance accounts (consumer and residential mortgages) are classified based on loss history and other factors which estimate the loss levels inherent in the portfolios. In management's opinion, based on its allowance methodology and its consideration of the noted factors, the allowance for loan losses of $57.4 million at December 31, 1998 is adequate.

Other Income

Noninterest income was $60.6 million for 1998. This represented an increase of $11.9 million or 24.5% over the 1997 total of $48.7 million, which, in turn, was 16.9% higher than the 1996 total of $41.7 million. Excluding investment securities gains, the increase was $6.9 million or 16.3% in 1998 and $3.9 million or 10.2% in 1996. Every category of noninterest income increased during 1998 and 1997, mainly as a result of growth and the introduction of new products, services and charges.

Investment management and trust services income reached a record level of $12.5 million in 1998, an increase of $2.1 million or 19.8%, following a 1997 increase of $1.2 million or 13.2%. The growth during 1998 and 1997 was due to increased marketing of traditional trust, retirement and investment services as well as the continued success of several new investment management programs. The customized Cash Reserve Investment Management (CRIM) product continued to grow as an important vehicle for companies, municipalities, and not-for-profit institutions looking to enhance the return on their short-term invested funds.

In late 1997, the Corporation added Investment and Brokerage Services. Registered brokerage representatives are being introduced available throughout the Corporation's branch network to assist customers with mutual funds and annuities and to offer discount brokerage services. This business has exceeded the Corporation's expectations and is well positioned for growth in the future.

Service charges on deposit accounts increased $1.8 million or 9.9% during 1998, after increasing $1.8 million or 11.2% in 1997. These increases were a result of the growth in the average balance of fee-based demand and savings deposits, which increased 5.3% in 1998 and 2.7% in 1997. In addition, over the past three years the Corporation has modified the fee structures at certain affiliate banks and introduced certain additional fees, such as foreign ATM fees. The Corporation uses a product review and development process through which all products and services provided by the Corporation's subsidiary banks are reviewed on a rotating basis. This review allows the Corporation to formally assess product features and pricing in comparison to its competitors.

Other service charges and fees increased $2.0 million or 16.9% during 1998 and $902,000 or 8.2% in 1997. The most significant component of these increases was the introduction of ATM surcharges in September, 1997. These charges totaled $1.3 million in 1998 and $300,000 in 1997. Also included in other service charges and fees for 1998 were gains on sales of fixed assets of approximately $650,000.

Gains on sales of mortgage loans increased $1.1 million or 49.0% to $3.4 million in 1998 after remaining stable from 1996 to 1997. This was a result of the decline in residential mortgage loan rates during 1998 and the resulting level of refinance activity. The Corporation sells substantially all fixed rate conforming loans in the secondary market and generally retains the servicing rights on such loans. This practice reduces the Corporation's interest rate risk and provides additional liquidity. In addition, the Corporation generates

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servicing income on such sold loans. Servicing income, which is included in other service charges and fees, increased $121,000 or 9.3% during 1998.

Investment securities gains increased $5.0 million or 78.8% to $11.4 million in 1998. In 1997, such gains increased $3.1 million or 96.9%. The majority of the gains realized during 1998 and 1997 were generated from the sale of equity securities. As previously discussed, management monitors the Corporation's available for sale securities and makes periodic sale and investment decisions based on its assessment of the investments' values. The increase in 1998 was due to the strong performance of the Corporation's equity portfolio.

Other Expenses

Noninterest expenses for 1998 increased $8.7 million or 5.8% to $158.2 million, from the 1997 total of $149.5 million, after increasing $7.9 million or 5.6% during 1997 (excluding the one-time SAIF charge of $2.5 million recorded in 1996). The Corporation's efficiency ratio, which is the ratio of noninterest expenses to fully taxable equivalent revenues (excluding investment securities gains), improved to 55.3% in 1998 from 55.9% in 1997 and 57.6% in 1996 (excluding SAIF).

Salaries and employee benefits expense, which accounts for the largest portion of other expenses, increased $4.2 million or 5.3% to $83.5 million during 1998, as compared to an increase of $5.5 million or 7.4% in 1997. The salary portion of the increase in 1998 was $3.2 million or 5.3%. The Corporation experienced an increase in average full-time equivalent employees (FTE's) from 2,296 in 1997 to 2,332 in 1998. This increase resulted from the mergers with Keystone Heritage and Ambassador as excess employees were gradually absorbed into the Corporation and from the expansion of the Corporation's products and services. These additional employees added approximately $950,000 in salary expense during the year. Excluding these additions, salary expense increased 3.8% due to normal merit increases and promotions.

The salaries component of the 1997 increase was approximately $4.2 million or 7.4%. The average number of FTE's during the period increased to 2,296 in 1997 from 2,265 in 1996, contributing approximately $800,000 to expense. This increase in FTE's was attributable to growth. Excluding these additional employees, salaries expense increased approximately 6.0%

Employee benefits increased $985,000 or 5.3% in 1998 and $1.3 million or 7.5% in 1997. Most of the increases in both years were due to normal increases in the cost of health insurance and additional retirement plan expense due to the increase in the number of employees. In addition, $300,000 was accrued for certain post-employment benefits in 1997.

Despite the increases in salaries and benefits expenses, the Corporation has seen improvement in salaries and benefits expense measures. The salaries and benefits efficiency ratio was 29.4% in 1998, which was an improvement over 29.9% in 1997 and 30.0% in 1996.

Net occupancy expense decreased $130,000 or 1.0% during 1998, compared to an increase of $1.1 million or 9.5% in 1997. Equipment expense decreased $518,000 or 5.4% in 1998, after increasing $1.1 million or 12.8% in 1997. The 1998 decreases were due to the consolidation and divesting of certain branches acquired in the Lebanon Valley merger as well as the disposal of certain equipment previously used by Lebanon Valley for its in-house data processing function.

The Corporation continues to make strategic investments in its branch network and technology. The costs of such investments in 1998 were offset by the savings noted above. Investments in technology have been carefully balanced with the Corporation's commitment to its branch network, which continues to be the customers' preferred delivery channel in the Corporation's markets. The Corporation will continue to face the challenge of developing and offering modern conveniences to customers while maintaining its community and branch banking focus. In 1998, the Corporation began offering PC banking as an alternative approach for its customers to complete certain banking transactions.

FDIC assessment expense remained relatively constant from 1997 to 1998 as no significant changes in the assessment rate structure occurred. The 1997 expense was $2.5 million or 76.3% lower than 1996 due to the one-time SAIF assessment of $2.5 million recorded in 1996.

Special services expense, which represents the cost of outside data processing, increased $2.7 million or 34.1% to $10.6 million during 1998 after increasing only $227,000 or 3.0% in 1997. The Corporation has a contract with a third-party to perform the main data processing functions for all of the Corporation's affiliate banks. The increase in 1998 was primarily a result of the conversion of Lebanon Valley National Bank from an in-house system to the Corporation's third party data processor, with offsetting savings being realized in occupancy and equipment expenses. The Corporation has also incurred additional cost as a result of conversion to a new mortgage processing system and a new trust system.

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Other expenses increased $2.5 million or 6.3% to $41.3 million during 1998 after decreasing $113,000 or 0.3% during 1997. The 1998 increase included an additional $350,000 in operating risk losses, which are losses incurred in the normal course of banking business due to forgeries, robberies and fraud. Stationary and supplies expense increased $528,000 or 12.6% as a result of converting Lebanon Valley and Ambassador. Telephone expense increased $723,000 or 25.3% with the expansion of the Corporation's data communications network. Merger-related expenses increased $527,000 or 62.3% as a result of the two acquisitions completed during 1998.

The decrease in 1997 was due mainly to fewer operating risk losses (decrease of $649,000 or 46.8%) and a decrease in the cost of the Corporate-owned life insurance plan due to a change in the underlying contracts (decrease in expense of $481,000 or 270.2%). These decreases were offset by other expense increases incurred as a result of growth.

Income Taxes

Income tax expense continued to increase both in absolute dollars and as a percentage of pretax income. The effective tax rate was 31.0% in 1998 compared to 30.4% and 29.7% in 1997 and 1996, respectively. The Corporation's variances from the federal statutory rate of 35% are generally due to tax exempt income, investments in low and moderate income housing partnerships (which qualify for federal tax credits), and certain merger-related expenses which are not deductible. Although the Corporation's tax-free investments increased in 1998, the effect was more than offset by the additional merger expenses incurred. Net credits in low income housing partnerships were $2.7 million in 1998, $2.3 million in 1997 and $2.5 million in 1996.

FULTON FINANCIAL CORPORATION AND SUBSIDIARIES
AVERAGE CONSOLIDATED BALANCE SHEETS
<TABLE>
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	December Monthly Averages		
	1998	1997	1996
ASSETS		(in thousands)	
<S>	<C>	<C>	<C>
Cash and due from banks	$ 225,172	$ 194,136	$ 185,950
Interest-bearing deposits with other banks	1,885	2,874	6,141
Federal funds sold	--	41,021	10,367
Investment securities	1,382,729	1,058,170	973,789
Loans, including loans held for sale	4,031,292	3,936,260	3,619,887
Less: Allowance for loan losses	(58,197)	(57,646)	(54,977)
Net Loans	3,973,095	3,878,614	3,564,910
Premises and equipment	75,926	72,907	67,965
Other assets	134,644	119,286	121,578
Total Assets	$ 5,793,451	$ 5,367,008	$ 4,930,700
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits:			
Noninterest-bearing	$ 709,158	$ 627,929	$ 593,869
Interest-bearing	3,808,427	3,766,976	3,455,215
Total Deposits	4,517,585	4,394,905	4,049,084
Short-term borrowings	271,631	271,165	251,648
Long-term debt	296,035	51,016	54,517
Other liabilities	99,123	94,565	76,462
Total Liabilities	5,184,374	4,811,651	4,431,711
Total Shareholders' Equity	609,077	555,357	498,989
Total Liabilities and Shareholders' Equity	$ 5,793,451	$ 5,367,008	$ 4,930,700

</TABLE>

FINANCIAL CONDITION

The Corporation functions as a financial intermediary and its financial condition is analyzed in terms of its sources and uses of funds. The table above

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highlights the trends in the balance sheet over the past two years. Because annual averages tend to conceal trends and ending balances can be distorted by one-day fluctuations, the December monthly averages for each of the last three years are provided to give a better indication of trends in the balance sheet. All references within the discussion that follows are to these December average balances unless specifically noted otherwise.

The Corporation's assets continued to grow during 1998, reaching $5.8 billion, an increase of $426 million or 7.9% as compared to 1997. The 1998 increase was due to increases in funds through deposits and long-term borrowings. As discussed in the net interest income section, these funds were invested primarily in investment securities as loan demand slowed during the year. Total assets in 1997 were $436 million or 8.8% higher than 1996. Unlike 1998, the 1997 increase was generally a result of strong loan demand.

Loans

Loans outstanding (net of unearned income) increased $95.0 million or 2.4% for 1998, compared to a 1997 increase of $316.4 million or 8.7%.

Although loan growth slowed in 1998, the Corporation was able to grow its commercial mortgage portfolio by $151.2 million or 17.8%. This growth was attained by leveraging new markets. As a result of the low interest rate environment, most borrowers opted for fixed rate loans. This was reflected in fixed rate commercial mortgages, which accounted for $149 million of the total increase.

Almost all other categories of loans reflected lower demand in 1998. Consumer loans, consisting of automobile financing, student loans, credit cards and home equity lines of credit, increased only $40.2 million or 3.4%. Commercial loans decreased $31.4 million or 3.5%. Residential mortgages decreased $67.0 million or 7.7%.

The run-off of the residential mortgage loan portfolio occurred because of the low interest rate environment. Existing borrowers, primarily those with adjustable rate loans, refinanced to lower fixed rate loans. The Corporation's policy is to sell all fixed rate loans in the secondary market and, generally, retain the servicing rights. The volume of refinance activity is evident in the amount of loans sold in the secondary market during 1998, $220 million as compared to $129 million in 1997.

Mortgage loans held for sale increased $6.0 million from 1997 to $8.0 million at December 31, 1998. This increase also reflects the higher level of refinance activity during 1998.

The loan growth in 1997 was realized mainly in commercial loans ($195.2 million or 27.4% increase) and consumer loans ($119.3 million or 11.3% increase). Commercial mortgages also increased moderately, showing growth of $50.1 million or 6.3%

Investment Securities

In 1998, excess funds were used to purchase investment securities. Investment securities increased $313.9 million or 30.5% in 1998. In a continuation of a trend noted in prior years, the Corporation invested new funds primarily in mortgage-backed securities (MBS) to earn a higher yield than U.S. Treasury and agency securities. MBS investments increased $237.5 million or 43.4% in 1998. The Corporation's MBS investments do not include subordinated or residual cash flows or other higher-risk features.

The Corporation also began investing in tax-free state and municipal bonds as the fully taxable equivalent yields became more favorable in comparison to similar taxable issues. Tax-free investments increased $70.7 million or 99.8% in 1998. Increasing these investments created more diversification in the investment portfolio.

The Corporation continues to manage a portfolio of equity investments which consists of Federal Home Loan Bank and other government agency stock ($32.6 million) and stock of other financial institutions ($49.1 million cost and $78.0 million market value at December 31, 1998). Management periodically sells bank stocks when the valuation and market conditions warrant such sales.

In 1998, the Corporation continued to classify the majority of its new investment purchases as available for sale (AFS) in order to manage the Corporation's liquidity position. As of December 31, 1998, $1.2 billion or 87.2% of the Corporation's investment portfolio was classified as available for sale (an increase of $481.9 million or 66.5% over 1997), while only $176.6 million or 12.8% was classified as held to maturity (HTM) (a decrease of $166.4 million or 48.5% from 1997).

Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" requires that all investment securities be classified as either (i) held to maturity, (ii) available for

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sale, or (iii) a trading security. The Corporation possesses both the intent, subject to credit impairment, and ability to hold debt securities classified as HTM to maturity.

Other Assets

Total other assets increased $25.7 million or 29.2% from December 31, 1997 to December 31, 1998. The majority of this increase was due to the payoff of the $15.5 million loan on the Corporation's corporate-owned life insurance (COLI) plan. This loan, which was recorded as an offset to the accumulated cash surrender value on the COLI plan, was paid off since recent changes in the tax laws reduced the benefits of leveraged COLI plans. Additional increases included $3.0 million in the net deferred tax asset as the deferred tax liability on available for sale investment securities was reduced to reflect the lower unrealized gains.

During 1998, the Corporation continued its participation in affordable housing and community development projects through investments in partnerships. Equity commitments totaling $5.7 million were made to three new projects. The Corporation made its initial investment of this type during 1989 and is now involved in 34 projects, all located in the various communities served by its subsidiary banks. The carrying value of such investments was approximately $28.3 million at December 31, 1998. With these investments, the Corporation not only improves the quantity and quality of available housing for low income individuals in its service area in support of its subsidiary bank's Community Reinvestment Act compliance effort, but also becomes eligible for tax credits under federal and, in some instances, state programs.

Deposits and Borrowings

The Corporation has historically been able to rely on deposit growth as a relatively low-cost funding source for loans. In recent years, increased competition from other financial services providers has made attracting deposits more difficult. In 1998, deposits grew $122.7 million or 2.8% to $4.5 billion. This growth was realized mainly in demand and savings deposits, which increased $139.4 million or 6.5%, offset by reductions in time deposits of $16.7 million or 0.7%. While overall growth was difficult, the Corporation did benefit from positive gains in non-interest bearing deposits, which increased $81.2 million or 12.9%.

During 1998, the Corporation took advantage of lower rates to lock in long-term borrowings from the Federal Home Loan Bank. Long-term debt increased $245.0 million or 480% over 1997. These borrowings were generally used to fund new loans and improve the Corporation's interest rate gap position (see "Market Risk"), while additional funds from loan payoffs and deposit growth were generally used to purchase investment securities.

In 1997, the Corporation experienced stronger loan growth. Long-term debt was not as attractive as a funding source, so the Corporation focused on time deposits to generate necessary funds. Time deposits increased $265.5 million or 13.4% in 1997, compared to demand and savings deposits, which increased $80.3 million or 3.9%.

Shareholders' Equity

Shareholders' equity continued to be an important funding source, with a 1998 balance of $609.1 million, an increase of $53.7 million or 9.7% from $555.4 million in 1997. In spite of increasing dividends, the Corporation maintained a strong rate of internal capital generation (net income less dividends paid divided by beginning equity). This internal capital growth was 9.2% in 1998 and 9.1% 1997. Growth in capital is dependent upon strong earnings and a prudent dividend policy, represented by payout ratios of 41.2% for 1998 and 37.4% for 1997. The increase in dividend payout in 1998 was due to the two companies acquired in 1998 having lower payout ratios historically. In restating historical financial statements, the prior period was reduced.

In April, 1998, the Board of Directors approved a plan to repurchase up to 250,000 shares of the Corporation's common stock through October 31, 1998. This plan was later extended through March 31, 1999. Treasury stock acquired under this plan is used for the Corporation's Employee Stock Purchase Plan, Incentive Stock Option Plan and other benefit plans. Through December 31, 1998, 206,300 shares had been repurchased under the plan.

The Corporation and its subsidiary banks are subject to various regulatory capital requirements administered by banking regulators. Failure to meet minimum capital requirements can initiate 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, 1998, the Corporation and each of its subsidiaries met the minimum capital requirements. In addition, the Corporation and each of its subsidiaries' capital ratios exceeded the amounts required to be considered "well-capitalized" as defined in the regulations.

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The Corporation's total and Tier I risk-based capital ratios have generally placed the Corporation near the middle of its self-defined peer group over the past year. The Corporation's ratio of Tier 1 capital to average assets, however, has generally placed it in the top quartile in comparison to its peers.

YEAR 2000

The Corporation's business, operations and financial condition may be affected by the "Year 2000 Problem" where certain computer and other electronic information processing systems may not be able to properly recognize dates after 1999. A financial institution's ability to process financial data such as deposits, loans and trust accounts through its various data processing systems is the most obvious area of exposure to the Year 2000 Problem. In addition, a financial institution's ability to collect payments on loans could be impacted if borrowers are unable to make payments as a result of their own Year 2000 deficiencies. Furthermore, financial institutions could be affected by the Year 2000 readiness of business customers, vendors and correspondents, customer perception of the problem, and regulatory influences, among other things.

The Corporation has formed committees at each subsidiary bank and at the Corporation to identify, evaluate and manage the risks related to the Year 2000 Problem. A comprehensive plan adopted by the Board of Directors of the Corporation establishes a five step process - awareness, assessment, renovation, validation and implementation - to address the Year 2000 Problem. The plan establishes priorities for addressing the Year 2000 Problem, with systems classified as being most mission critical receiving the highest priority treatment. The primary focus of the plan is on assuring that information technology systems will be operable, but it also addresses non-information technology issues such as embedded technology in security and other systems.

The awareness and assessment phases of the plan have been completed. The renovation of all mission critical systems, including third party systems, is substantially complete. The Corporation is currently in the validation and implementation phases for its mission critical systems, which will be substantially complete by June 30, 1999. The Corporation is also in the process of completing business contingency plans for all critical processes within the organization. These plans will be substantially complete by June 30, 1999. During the last half of 1999, the Corporation will re-inspect all processes, beginning with the most critical, for continual assurance that contingency planning adequately addresses potential disruptions.

Federal bank regulatory agencies have issued Year 2000 project guidelines for financial institutions from time to time and have also conducted examinations of the Corporation and its banks on the Corporation's plans to address the Year 2000 Problem. The Corporation has used such guidance to establish Year 2000 work tasks for each phase.

Through December 31 1998, the Corporation has incurred approximately $1.1 million in expenses related to the Year 2000. In addition, capital expenditures to replace non-compliant hardware, software and other equipment have totaled approximately $3.0 million. Through 1999, the Corporation anticipates incurring an additional $1.5 million in expenses and $2.7 million in capital expenditures.

While these costs are related to the Year 2000 Problem, many also represent significant improvements to the technology infrastructure for Fulton Financial Corporation and its bank subsidiaries. Improvements at Fulton Bank include migrating to a new branch automation solution and new data processing solutions for the bank's investment management and trust services department and leasing department. At Hagerstown Trust Company, they include a new personal computing and local area network solution and changing the check processing solution to the same system used at all other subsidiary banks. Across the entire Corporation, local area networks have been upgraded as required and the first phase for a wide area telecommunications network has been installed to support the investment management and trust services data processing system and the branch automation system. Each subsidiary bank also has upgraded their telephone systems, including the automated voice response systems, as needed.

Since third-party service providers perform most major data processing functions of the Corporation, the Corporation does not anticipate that it will incur any material costs to address the Year 2000 Problem other than those discussed above. The Corporation expects, at this time, that the Year 2000 Problem should have no material adverse effect on the products and services it offers or on competitive conditions; however, further testing with mission critical third-party service providers will be necessary to validate the readiness of these providers for this change. Similarly, the Corporation believes that the Year 2000 Problem should have no material adverse effect on the Corporation's business, operations or financial condition, based on up surveys of its major business loan customers and other actions designed to evaluate the risks associated with the Year 2000 Problem, however, it cannot rule out the possibility that the Year 2000 Problem might have such an effect. The Corporation will continue to evaluate such risks throughout 1999.

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Federal bank regulators have initiated a series of examinations of all financial institutions to assess their progress in addressing the Year 2000 Problem and have indicated that institutions which have not adequately addressed the issue will be subject to various sanctions, including denial of, or delay in acting on, regulatory applications. The Corporation believes that it has made sufficient progress on the Year 2000 Problem to minimize the likelihood of regulatory sanctions.

Item 7a. Quantitative and Qualitative Disclosures about Market Risk

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 banking entities include interest rate risk, equity market price risk, foreign currency risk and commodity price risk. Due to the nature of its operations, only equity 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. The Corporation's equity investments consist of common stocks of publicly traded financial institutions (cost basis of approximately $49.1 million) and U.S. Government and agency stock (cost basis of approximately $32.6 million). The Corporation's equity investments had a total estimated fair value of $110.9 million at December 31, 1998. The $29.1 million unrealized gain is primarily attributable to the financial institutions stock.

Although the book value of equity investments accounted for only 1.4% of the Corporation's total assets, the unrealized gains on the portfolio represent a potential source of revenue. The Corporation has a history of periodically realizing gains from this portfolio and, if values were to decline significantly, this revenue source could be lost.

The Corporation manages its equity market price risk by investing only in regional financial institutions. Management continuously monitors the fair value of its equity investments and evaluates current market conditions and operating results of the companies. Periodic sale and purchase decisions are made based on this monitoring process. None of the Corporation's equity securities are classified as trading. Future cash flows from these investments are not provided here since none of them have maturity dates.

Interest Rate Risk:

Interest rate risk creates exposure in two primary areas. First of all, changes in rates have an impact on the Corporation's liquidity position and could affect its ability to meet obligations and continue to grow. Secondly, movements in interest rates can create fluctuations in the Corporation's net 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 weekly basis. The ALCO is responsible for reviewing the interest rate sensitivity position of the Corporation, approving asset and liability management policies, and overseeing the formulation and implementation of strategies regarding balance sheet positions and earnings. The primary goal of asset/liability management is to address the liquidity and net income risks noted above.

From a liquidity standpoint, the Corporation must maintain a sufficient level of liquid assets to meet the ongoing cash flow requirements of customers, who, as depositors, may want to withdraw funds or who, as borrowers, need credit availability. Liquidity sources are found on both sides of the balance sheet. Liquidity is provided on a continuous basis through scheduled and unscheduled principal reductions and interest payments on outstanding loans and investments. Liquidity is also provided through the availability of deposits and borrowings.

At December 31, 1998, liquid assets (defined as cash and due from banks, short-term investments, securities available for sale, and non-mortgage-backed securities held to maturity due in one year or less) totaled $1.4 billion or 25.5% of total assets. This represents an increase from the December 31, 1997 total of $977.1 million or 18.2% of total assets. Liquidity is also provided by non-mortgage-backed securities held to maturity due from one to five years, which totaled $36.6 million and $72.9 million at December 31, 1998 and 1997, respectively. Principal payments received on the held to maturity mortgage-backed securities portfolio also provide liquidity. The

Corporation had $117.4 million of such mortgage-backed securities at December 31, 1998 and $221.5 million at December 31, 1997.

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The loan portfolio provides an additional source of liquidity due to the Corporation's ability to participate in the secondary mortgage market. Sales of residential mortgages into the secondary market of $219.7 million and $128.9 million in 1998 and 1997, respectively, provided the necessary funding which allowed the Corporation to meet the needs of its customers for new mortgage financing.

From a funding standpoint, the Corporation has been able to rely over the years on a stable base of "core" deposits. Even though the Corporation has experienced notable changes in the composition and interest sensitivity of this deposit base, it has been able to rely on the steady growth of this base to provide needed liquidity.

The Corporation also has access to sources of large denomination or jumbo time deposits and repurchase agreements as potential sources of liquidity. However, the Corporation has attempted to minimize its reliance upon these more volatile short-term funding sources and to use them primarily to meet the requirements of its existing customer base or when it is profitable to do so.

Each of the Corporation's subsidiary banks are members of the Federal Home Loan Bank (FHLB), which provides them access to FHLB overnight and term credit facilities. At December 31, 1998, the Corporation had $295.4 million in term advances from the FHLB with an additional $827 million of borrowing capacity (including both short-term funding on its lines of credit and long-term borrowings). This availability, along with Federal funds lines at various correspondent commercial banks, provides the Corporation with additional liquidity.

The following table provides information about the Corporation's interest rate sensitive financial instruments. The table provides expected cash flows and weighted average rates for each significant interest rate sensitive financial instrument, by expected maturity period. None of the Corporation's financial instruments are classified as trading.

<TABLE>
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FULTON FINANCIAL CORPORATION
INTEREST RATE SENSITIVITY
(dollars in thousands)

	Expected Maturity Period							
	1999	2000	2001	2002	2003	Beyond	Total	Estimated Fair Value
Fixed rate loans (1)	$ 790,007	$ 603,395	$ 477,147	$ 293,565	$ 219,316	$ 600,224	$2,983,654	$3,010,726
Average rate (1)	8.21%	8.10%	8.04%	8.03%	7.91%	7.76%	8.65%	
Floating rate loans (2)	359,315	159,513	125,005	100,609	58,981	243,314	1,046,737	1,042,343
Average rate	8.76%	8.41%	8.70%	8.69%	8.32%	8.26%	8.56%	
Fixed rate investments (3)	434,888	360,373	136,270	87,815	138,796	94,442	1,252,584	1,261,038
Average rate	5.98%	6.18%	6.24%	6.31%	6.27%	6.81%	6.22%	
Floating rate investments (3)	11,720	344	5	--	--	--	12,069	12,156
Average rate	4.93%	6.61%	5.22%	--	--	--	4.98%	
Other interest-earning assets	10,962	--	--	--	--	--	10,962	10,962
Average rate	5.85%	--	--	--	--	--	5.85%	
Total	$1,606,892	1,123,625	$ 738,427	$ 481,989	$ 417,093	$ 937,980	$5,306,006	$5,337,225
Average rate	7.70%	7.47%	7.82%	7.85%	7.42%	7.72%	7.68%	
Fixed rate deposits (4)	$1,422,818	$ 506,424	$ 112,401	$ 59,035	$ 28,819	$ 24,331	$2,153,828	$2,170,950
Average rate	5.17%	5.69%	5.68%	5.91%	5.53%	5.77%	5.35%	
Floating rate deposits (5)	692,309	77,975	67,186	67,186	67,186	707,714	1,679,556	1,679,556
Average rate	2.44%	1.20%	1.27%	1.27%	1.27%	1.32%	1.77%	
Fixed rate borrowings (6)	11,113	20,110	26,569	69	27,937	210,220	296,018	296,063
Average rate	5.47%	6.19%	4.80%	5.67%	4.99%	5.05%	5.12%	
Floating rate borrowings (7)	235,585	--	--	--	--	--	235,585	235,585
Average rate	4.11%	--	--	--	--	--	4.11%	
Total	$2,361,825	$ 604,509	$ 206,156	$ 126,290	$ 123,942	$ 942,265	$4,364,987	$4,382,154
Average rate	4.06%	5.13%	4.13%	3.44%	3.10%	2.27%	3.89%	

</TABLE>

Assumptions:

1) Amounts are based on contractual maturities, adjusted for expected prepayments.
2) Average rates are shown on a fully taxable equivalent basis using an effective tax rate of 35%.
3) Amounts are based on contractual maturities, adjusted for expected prepayments on mortgage-backed securities.
4) Amounts are based on contractual maturities of time deposits.

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5) Money market and Super NOW deposits are shown in first year. NOW and savings accounts are spread based on history of deposit flows.
6) Amounts are based on contractual maturities of Federal Home Loan Bank advances.
7) Amounts are Federal Funds purchased and securities sold under agreements to repurchase, which mature in less than 90 days.

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

The Corporation uses three complementary methods to measure and manage interest rate risk. They are static gap analysis, simulation of earnings, and estimates of economic value of equity. Using these measurements in tandem provides a reasonably comprehensive summary of the magnitude of interest rate risk in the Corporation, level of risk as time evolves, and exposure to changes in interest rate relationships.

Static gap provides a measurement of repricing risk in the Corporation's balance sheet as of a point in time. This measurement is accomplished through stratification of the Corporation's assets and liabilities into predetermined repricing periods. The assets and liabilities in each of these periods are summed and compared for mismatches within that maturity segment. Core deposits having noncontractual maturities are placed into repricing periods based upon historical balance performance. Repricing for mortgage loans held and for mortgage-backed securities includes the effect of expected cash flows. Estimated prepayment effects are applied to these balances based upon industry projections for prepayment speeds. The Corporation's policy limits the cumulative 6-month gap to plus or minus 15 percent of total earning assets. The cumulative 6-month gap as of December 31, 1998 was .94. The following is a summary of the interest sensitivity gaps for four different time intervals as of December 31, 1998:

	Daily Adjustable	0-90 Days	91-180 Days	181-365 Days
GAP.................	1.05	0.77	0.82	1.18
CUMULATIVE GAP......	1.05	0.93	0.94	1.00

Simulation of net interest income and of net income is performed for the next twelve-month period. A variety of interest rate scenarios is 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 earnings 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 to 10% of the base case net interest income for every 100 basis point "shock" in interest rates. A "shock' is an immediate upward or downward movement of interest rates across the yield curve based upon changes in the prime rate. At December 31, 1998 the Corporation had a larger exposure to upward rate shocks, with net interest income at risk of loss over the next twelve months of 1%, 3% and 5% where interest rates are shocked upward by 100, 200 and 300 basis points, respectively.

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. 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. A policy limit of 10% of economic equity may be at risk for every 100 basis point "shock" movement in interest rates. As of December 31, 1998, upward shocks of 100, 200 and 300 basis points were estimated to have negative effects upon economic value of 4%, 7% and 9%, respectively.

Common Stock

As of December 31, 1998, the Corporation had 62,895,564 shares of $2.50 par value common stock outstanding held by 15,738 shareholders of record. The common stock of the Corporation is traded on the national market system of the National Association of Securities Dealers Automated Quotation System (NASDAQ) under the symbol FULT.

The following table presents the quarterly high and low prices of the Corporation's common stock and per-share cash dividends declared for each of the quarterly periods in 1998 and 1997. Per-share amounts have been retroactively adjusted to reflect the effect of stock dividends declared.

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	Price Range		Per-Share
	High	Low	Dividend
1998			
First Quarter.......	26 1/2	23 51/64	$ 0.138
Second Quarter......	30 1/16	23 13/16	0.144
Third Quarter.......	26 3/8	19 5/8	0.150
Fourth Quarter......	23	17	0.150
1997			
First Quarter.......	18 35/64	14 29/32	$ 0.117
Second Quarter......	22 13/32	17 13/16	0.127
Third Quarter.......	24 13/64	21 1/2	0.127
Fourth Quarter......	26	22 13/32	0.127

Item 8. Financial Statements and Supplementary Data

FULTON FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except per-share data)

<TABLE>
<CAPTION>

	December 31	
	1998	1997
Assets		
<S>	<C>	<C>
Cash and due from banks	$ 247,558	$ 208,289
Interest-bearing deposits with other banks	2,975	2,634
Mortgage loans held for sale	7,987	1,946
Investment securities:		
Held to maturity (estimated fair value- $177,939 in 1998 and $343,871 in 1997)	176,623	343,054
Available for sale	1,206,121	724,194
Loans	4,040,455	3,972,653
Less: Allowance for loan losses	(57,415)	(57,557)
Unearned income	(10,064)	(11,009)
Net Loans	3,972,976	3,904,087
Premises and equipment	75,715	73,047
Accrued interest receivable	34,942	32,336
Other assets	113,766	88,067
Total Assets	$ 5,838,663	$ 5,377,654
Liabilities		
Deposits:		
Noninterest-bearing	$ 759,585	$ 649,687
Interest-bearing	3,833,384	3,768,856
Total Deposits	4,592,969	4,418,543
Short-term borrowings:		
Securities sold under agreements to repurchase	212,225	178,726
Federal funds purchased	19,521	63,914
Demand notes of U.S. Treasury	3,839	5,661
Total Short-Term Borrowings	235,585	248,301
Accrued interest payable	34,255	33,227
Other liabilities	71,502	60,047
Long-term debt	296,018	53,045
Total Liabilities	5,230,329	4,813,163
Shareholders' Equity		
Common stock ($2.50 par)		
Shares: Authorized 200,000,000		
Issued 63,054,678 (62,596,402 in 1997)		
Outstanding 62,895,564 (62,530,241 in 1997)	157,638	126,497

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	1998	1997
Capital surplus	293,897	326,402
Retained earnings	136,668	84,634
Accumulated other comprehensive income	23,619	28,257
Less: Treasury stock (159,114 shares in 1998 and 66,161 shares in 1997)	(3,488)	(1,299)
Total Shareholders' Equity	608,334	564,491
Total Liabilities and Shareholders' Equity	$ 5,838,663	$ 5,377,654

</TABLE>
See notes to consolidated financial statements

FULTON FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

(Dollars in thousands, except per-share data)

	Year Ended December 31		
	1998	1997	1996
Interest Income			
Loans, including fees	$338,564	$324,815	$293,487
Investment securities:			
Taxable	60,704	53,005	51,619
Tax-exempt	4,788	4,301	4,776
Dividends	3,503	2,823	2,318
Federal funds sold	1,515	1,994	1,234
Interest-bearing deposits with other banks	218	310	202
Total Interest Income	409,292	387,248	353,636
Interest Expense			
Deposits	159,660	153,329	139,378
Short-term borrowings	9,241	10,828	9,441
Long-term debt	8,904	3,996	2,618
Total Interest Expense	177,805	168,153	151,437
Net Interest Income	231,487	219,095	202,199
Provision for Loan Losses	5,582	8,417	5,951
Net Interest Income After Provision for Loan Losses	225,905	210,678	196,248
Other Income			
Trust department	12,452	10,398	9,182
Service charges on deposit accounts	19,609	17,849	16,054
Other service charges and fees	13,836	11,840	10,938
Gain on sale of mortgage loans	3,384	2,271	2,252
Investment securities gains	11,360	6,355	3,227
	60,641	48,713	41,653
Other Expenses			
Salaries and employee benefits	83,517	79,301	73,823
Net occupancy expense	12,996	13,126	11,982
Equipment expense	9,070	9,588	8,497
FDIC assessment expense	724	765	3,227
Special services	10,558	7,872	7,646
Other	41,338	38,886	38,999
	158,203	149,538	144,174
Income Before Income Taxes	128,343	109,853	93,727
Income Taxes	39,832	33,448	27,815
Net Income	$ 88,511	$ 76,405	$ 65,912
Per-Share Data:			
Net Income (Basic)	$ 1.41	$ 1.22	$ 1.06
Net Income (Diluted)	1.40	1.21	1.05
Cash Dividends	0.582	0.498	0.440

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FULTON FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Dollars in thousands, except per-share data)	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total
Balance at January 1, 1996	$ 109,385	$ 206,057	$ 140,239	$ 9,246	$ (2,291)	$ 462,636
Comprehensive Income:						
Net income			65,912			65,912
Other - unrealized gain on securities (net of $308,000 tax expense)				572		572
Total comprehensive income						66,484
Stock dividends issued - 10% (4,127,553 shares, including 154,089 Shares of treasury stock)	7,225	46,859	(56,363)		2,206	(73)
Stock issued (351,181 shares, including 103,840 Shares of treasury stock)	425	(1,757)			1,464	132
Acquisition of treasury stock (104,844 shares)					(1,482)	(1,482)
Cash dividends - $0.440 per share			(27,403)			(27,403)
Balance at December 31, 1996	117,035	251,159	122,385	9,818	(103)	500,294
Comprehensive Income:						
Net income			76,405			76,405
Other - unrealized gain on securities (net of $9.9 million tax expense)				18,439		18,439
Total comprehensive income						94,844
Stock dividends issued - 10% (4,494,568 shares)	8,989	73,962	(83,045)			(94)
Stock issued (254,460 shares)	473	1,281				1,754
Acquisition of treasury stock (52,500 shares)					(1,196)	(1,196)
Cash dividends - $0.498 per share			(31,111)			(31,111)
Balance at December 31, 1997	126,497	326,402	84,634	28,257	(1,299)	564,491
Comprehensive Income:						
Net income			88,511			88,511
Other - unrealized loss on securities (net of $2.5 million tax benefit)				(4,638)		(4,638)
Total comprehensive income						83,873
Stock split paid in the form of a 25% Stock dividend (11,985,361 shares)	29,963	(30,088)				(125)
Stock issued (615,998 shares, including 157,722 Shares of treasury stock)	1,178	(2,417)			3,489	2,250
Acquisition of treasury stock (250,675 shares)					(5,678)	(5,678)
Cash dividends - $0.582 per share			(36,477)			(36,477)
Balance at December 31, 1998	$ 157,638	$ 293,897	$ 136,668	$ 23,619	$ (3,488)	$ 608,334

See notes to consolidated financial statements

FULTON FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)	Year Ended December 31		
	1998	1997	1996
Cash Flows from Operating Activities:			
Net income	$ 88,511	$ 76,405	$ 65,912
Adjustments to Reconcile Net Income to Net Cash Provided by			

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Operating Activities:			
Provision for loan losses	5,582	8,417	5,951
Depreciation and amortization of premises and equipment	8,965	9,690	7,931
Net amortization of investment security premiums	359	315	838
Deferred income tax (benefit) expense	(329)	841	468
Gain on sale of investment securities	(11,360)	(6,355)	(3,227)
Gain on sale of mortgage loans	(3,384)	(2,271)	(2,252)
Proceeds from sale of mortgage loans	219,745	128,929	119,130
Originations of mortgage loans held for sale	(222,402)	(122,460)	(122,409)
Amortization of intangible assets	1,399	1,493	1,536
(Increase) decrease in accrued interest receivable	(2,606)	(213)	655
(Increase) decrease in other assets	(24,080)	(10,151)	37
Increase in accrued interest payable	1,028	5,804	271
(Decrease) increase in other liabilities	(3,494)	14,649	(9,148)
Total adjustments	(30,577)	28,688	(219)
Net cash provided by operating activities	57,934	105,093	65,693
Cash Flows from Investing Activities:			
Proceeds from sales of securities available for sale	25,872	133,723	58,729
Proceeds from maturities of securities held to maturity	173,056	216,859	248,465
Proceeds from maturities of securities available for sale	251,311	103,430	92,756
Purchase of securities held to maturity	(6,606)	(27,738)	(143,050)
Purchase of securities available for sale	(743,044)	(470,603)	(223,280)
(Increase) decrease in short-term investments	(341)	3,506	2,698
Net increase in loans	(74,471)	(377,302)	(380,784)
Purchase of premises and equipment, net	(11,633)	(13,958)	(14,275)
Net cash used in investing activities	(385,856)	(432,083)	(358,741)
Cash Flows from Financing Activities:			
Net increase in demand and savings deposits	202,648	62,481	83,952
Net (decrease) increase in time deposits	(28,222)	283,662	142,881
Addition to long-term debt	263,612	13,747	27,878
Repayment of long-term debt	(20,639)	(28,200)	(17,078)
(Decrease) increase in short-term borrowings	(12,716)	21,911	96,575
Dividends paid	(33,939)	(29,810)	(26,623)
Net proceeds from issuance of common stock	2,125	1,660	59
Acquisition of treasury stock	(5,678)	(1,196)	(1,482)
Net cash provided by financing activities	367,191	324,255	306,162
Net Increase (Decrease) in Cash and Due From Banks	39,269	(2,735)	13,114
Cash and Due From Banks at Beginning of Year	208,289	211,024	197,910
Cash and Due From Banks at End of Year	$ 247,558	$ 208,289	$ 211,024
Supplemental Disclosures of Cash Flow Information			
Cash paid during the year for:			
Interest	$ 176,777	$ 162,349	$ 151,166
Income taxes	$ 36,040	$ 29,138	$ 22,853

</TABLE>

See notes to consolidated financial statements

FULTON FINANCIAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business: Fulton Financial Corporation (Parent Company) provides a full range of banking and financial services to businesses and consumers through its wholly-owned banking subsidiaries: Fulton Bank, Lebanon Valley Farmers Bank, Swineford National Bank, Lafayette Ambassador Bank, FNB Bank, N.A., Great Valley Bank, Hagerstown Trust Company, Delaware National Bank, The Bank of Gloucester County, The Woodstown National Bank & Trust Company and The Peoples Bank of Elkton. In addition, the Parent Company owns four non-banking subsidiaries: Fulton Financial Realty Company, Fulton Life Insurance Company, Central Pennsylvania Financial Corporation and FFC Management, Inc. Collectively, the Parent Company and its subsidiaries are referred to as the Corporation.

The Corporation's primary source of revenue is 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 loan losses and other operating expenses. The Corporation's primary competition is other financial services providers operating in its region. With the growth in

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electronic and other alternative delivery channels in recent years, competition has expanded to include other bank and non-bank entities not physically located in the Corporation's geographical market. 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 eleven banking subsidiaries, a full range of retail and wholesale banking services throughout sixteen central and eastern Pennsylvania counties, two Maryland counties, one Delaware county and two New Jersey counties. Approximately 50% of the Corporation's business is conducted in the south central Pennsylvania region. Industry diversity is the key to the economic well-being of this region 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 generally accepted accounting principles (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 GAAP-basis financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements as well as revenues and expenses during the period. Actual results could differ from those estimates.

Investments: Debt securities acquired 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, many debt securities and all 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 as a separate component of shareholders' equity, net of tax. Realized security gains and losses are computed using the specific identification method and are recorded on a trade date basis.

Revenue Recognition: Loan and lease financing receivables are stated at their principal amount outstanding, except for mortgages held for sale which are carried at the lower of aggregate cost or market value. Interest income on loans is accrued as earned. Unearned income on installment loans is recognized on a basis which approximates the interest method.

Accrual of interest income is generally discontinued when a loan becomes 90 days past due as to principal or interest. When interest accruals are discontinued, unpaid interest credited to income is reversed. Nonaccrual loans are restored to accrual status when all delinquent principal and interest become current or the loan is considered secured and in the process of collection.

Loan Origination Fees and Costs: Loan origination fees and the related direct origination costs are offset and the net amount is deferred and amortized over the life of the loan as an adjustment to interest income. For mortgage loans sold, the net amount is included in gain (or loss) upon the sale of the related mortgage loan.

Allowance for Loan Losses: The allowance for loan losses is increased by charges to income and decreased by charge-offs, net of recoveries. Management's periodic evaluation of the adequacy of the allowance for loan losses is based on the Corporation's past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrowers' ability to repay, the estimated fair value of the underlying collateral, and current economic conditions. Management believes that the allowance for loan losses is adequate, however, future additions to the allowance may be necessary based on changes in economic conditions.

Impaired loans, as defined by Statement of Financial Accounting Standards No. 114, "Accounting by Creditors for Impairment of a Loan," are measured based on the present value of expected future cash flows discounted at the loan's effective interest rate, or at the loan's observable market price or fair value of the collateral if the loan is collateral dependent. A loan is considered to be impaired when, based on current information and events, it is probable that the Corporation will be unable to collect all amounts due according to the contractual terms of the loan agreement.

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 39 years for buildings and improvements and eight years for furniture and equipment. 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 and are included in other

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assets initially at the lower of the estimated fair value of the asset or the carrying amount of the loan. Costs to maintain the assets and subsequent gains and losses on sales are included in other income and other expense.

Income Taxes: The provision for income taxes is based upon the results of operations, adjusted primarily for the effect of tax-exempt income and net credits received as a result of investments in low and moderate income housing partnerships. Certain items of income and expense are reported in different periods for financial reporting and tax return purposes. The tax effects of these temporary differences are recognized currently in the deferred income tax provision or benefit. Deferred tax assets or liabilities are computed based on the difference between the financial statement and income tax bases of assets and liabilities using the applicable enacted marginal tax rate. Deferred income tax expenses or benefits are based on the changes in the deferred tax asset or liability from period to period.

Net Income Per Share: The Corporation adopted Statement of Financial Accounting Standards No. 128, "Earnings Per Share" (Statement 128), on December 31, 1997. Statement 128 requires dual presentation of basic and diluted net income per share on the face of the income statement for all entities with complex capital structures. The Corporation's basic net income per share is calculated as net income divided by the weighted average number of shares outstanding. For diluted net income per share, net income is 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 solely of outstanding stock options (See Note J).

A reconciliation of the weighted average shares outstanding used to calculate basic net income per share and diluted net income per share follows (in thousands):

	1998	1997	1996
Weighted average shares outstanding (basic)........	62,697	62,482	62,242
Impact of common stock equivalents................	471	877	764
Weighted average shares outstanding (diluted)......	63,168	63,359	63,006

Accounting for Stock-Based Compensation: The Corporation adopted Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (Statement 123) in 1996. This statement requires a fair value approach to valuing compensation expense associated with stock options and employee stock purchase plans. This statement encourages, but does not require, the use of this method for financial statement purposes. Companies that do not elect to adopt this statement for financial statement purposes are required to present pro-

forma footnote disclosures of net income and earnings per share as if the fair value approach were used. The Corporation has adopted the disclosure requirements of this statement only and, accordingly, there has been no impact on the consolidated financial statements other than additional disclosures as provided in Note J.

Reporting Comprehensive Income: The Corporation adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" (Statement 130) in 1998. Statement 130 establishes standards for the reporting and display of comprehensive income and its components in a full set of general purpose financial statements. The objective of Statement 130 is to report a measure of all changes in equity that result from economic events of the period other than transactions with owners. Comprehensive income is the total of net income and all other non-owner changes in equity. Currently, other non-owner changes in equity include only unrealized gains and losses on available for sale investment securities.

The following table summarizes the reclassification adjustment for realized security gains (net of taxes) for each of the indicated periods:

	1998	1997	1996
		(in thousands)	
Unrealized holding gains arising during period .	$ 2,746	$22,570	$ 2,670
Less: reclassification adjustment for gains included in net income	7,384	4,131	2,098
Net unrealized gains (losses) on securities	$(4,638)	$18,439	$ 572

Disclosures about Segments of an Enterprise and Related Information: Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" (Statement 131) became effective in

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1998. This statement requires that public business enterprises report financial and descriptive information about its reportable operating segments. Based on the guidance provided by the statement, the Corporation does not have any operating segments which require such additional information. While the Corporation owns eleven 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 insignificant and do not require separate information. The descriptive information related to competition, concentration of credit risks and other operating factors is applicable to the consolidated Corporation.

Employers' Disclosures about Pensions and Other Post-Retirement Benefits: In February, 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 132, "Employers' Disclosures about Pensions and Other Post-Retirement Benefits." This statement amends the disclosure requirements previously covered by FASB Statements No. 87, 88 and 106 by standardizing the disclosure requirements of such plans, requiring additional information on changes in the benefit obligations and fair values of plan assets, and eliminating certain disclosures that are no longer considered to be useful. Statement 132 does not change the measurement or recognition of expense related to these plans. Statement 132 was effective for 1998 and the required disclosures are provided in Note I.

Accounting for Derivative Instruments and Hedging Activities: In June, 1998, the FASB issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (Statement 133). This statement expanded the previous definition of derivatives to include certain additional transactions. Entities are required to record derivatives at their fair values and recognize any changes in fair value in current period earnings, unless specific hedge criteria are met. Statement 133 is effective for years beginning after June 15, 1999. The Corporation does not expect the adoption of Statement 133 to have a material effect on its balance sheet or net income.

Reclassifications and Restatements: Certain amounts in the 1997 and 1996 consolidated financial statements and notes have been reclassified to conform to the 1998 presentation. All share and per-share data have been restated to reflect the impact of the five for four stock split paid in the form of a 25% stock dividend on May 27, 1998.

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 average amount of such reserves during 1998 and 1997 was approximately $51.6 million and $45.2 million, respectively.

NOTE C -- INVESTMENT SECURITIES

The following tables summarize the amortized cost and estimated fair values of investment securities as of December 31 (in thousands):

<TABLE>
<CAPTION>

1998 Held to Maturity	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Government and Agency securities	$ 24,287	$ 250	$ --	$ 24,537
State and municipal securities	34,457	649	(20)	35,086
Debt securities issued By foreign governments ..	405	1	(3)	403
Corporate debt securities	44	--	(3)	41
Mortgage-backed securities ...	117,430	541	(99)	117,872
	$ 176,623	$ 1,441	$ (125)	$ 177,939
1998 Available for Sale				
Equity securities	$ 81,719	$ 29,695	$ (548)	$ 110,866
U.S. Government and Agency securities	285,168	2,787	(105)	287,850
State and municipal securities	123,451	1,891	(416)	124,926
Corporate debt securities	6,892	86	--	6,978
Mortgage-backed securities ...	672,519	4,273	(1,291)	675,501
	$ 1,169,749	$ 38,732	$ (2,360)	$ 1,206,121

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1997 Held to Maturity				
U.S. Government and Agency securities	$ 67,391	$ 402	$ (207)	$ 67,586
State and municipal securities	52,815	853	(49)	53,619
Debt securities issued By foreign governments ..	405	1	(3)	403
Corporate debt securities	78	--	(6)	72
Mortgage-backed securities ...	222,365	683	(857)	222,191
	$ 343,054	$ 1,939	$ (1,122)	$ 343,871
1997 Available for Sale				
Equity securities	$ 63,662	$ 40,692	$ (30)	$ 104,324
U.S. Government and Agency securities	264,518	1,546	(387)	265,677
State and municipal securities	20,713	804	(10)	21,507
Mortgage-backed securities ...	331,602	1,944	(860)	332,686
	$ 680,495	$ 44,986	$ (1,287)	$ 724,194

</TABLE>

The amortized cost and estimated fair value of debt securities at December 31, 1998 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.

<TABLE>
<CAPTION>

	Held to Maturity		Available for Sale	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(in thousands)			
<S>	<C>	<C>	<C>	<C>
Due in one year or less	$ 22,558	$ 23,836	$ 68,782	$ 69,019
Due from one year to five years	24,774	25,225	224,037	226,216
Due from five years to ten years	6,379	5,418	102,675	103,465
Due after ten years	5,482	5,588	20,017	21,054
	59,193	60,067	415,511	419,754
Mortgage-backed securities	117,430	117,872	672,519	675,501
	$ 176,623	$ 177,939	$1,088,030	$1,095,255

</TABLE>

Gains totaling $11.3 million, $6.2 million and $3.0 million were realized on the sale of equity securities during 1998, 1997 and 1996, respectively. Gains totaling $66,000, $176,000 and $261,000 were realized on the sale of available for sale debt securities during 1998, 1997 and 1996, respectively.

Securities carried at $592.4 million and $590.9 million at December 31, 1998 and 1997, respectively, were pledged as collateral to secure public and trust deposits and for other purposes.

NOTE D -- LOANS AND ALLOWANCE FOR LOAN LOSSES

Gross loans are summarized as follows as of December 31:

	1998	1997
	(in thousands)	
Commercial, financial and agricultural	$ 559,517	$ 535,842
Real estate--construction	130,051	150,470
Real estate--mortgage:		
First and second--residential	1,329,225	1,352,445
Commercial	1,267,139	1,167,066
Consumer	698,323	709,405
Leasing and other	56,200	57,425

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$4,040,455	$3,972,653

Changes in the allowance for loan losses were as follows for the years ended December 31:

	1998	1997	1996
		(in thousands)	
Balance at January 1	$ 57,557	$ 53,893	$ 50,201
Loans charged off	(9,140)	(9,242)	(6,453)
Recoveries of loans previously charged off	3,416	4,163	4,194
Net loans charged off	(5,724)	(5,079)	(2,259)
Provision for loan losses	5,582	8,417	5,951
Allowance purchased	--	326	--
Balance at December 31	$ 57,415	$ 57,557	$ 53,893

Nonaccrual loans aggregated approximately $19.3 million at December 31, 1998, $20.8 million at December 31, 1997 and $16.5 million at December 31, 1996. Interest of approximately $1.9 million, $1.4 million and $1.6 million was not recognized as interest income due to the nonaccrual status of loans during 1998, 1997 and 1996, respectively.

The recorded investment in loans that were considered to be impaired as defined by Statement 114 was $14.0 million and $18.5 million at December 31, 1998 and 1997, respectively. Of these loans, $12.8 million were included in nonaccrual loans at December 31, 1998 and $17.6 million were included in nonaccrual loans at December 31, 1997. At December 31, 1998, $13.0 million of impaired loans had a related allowance for loan losses of $2.0 million and $1.0 million of impaired loans did not have an allowance for loan losses as a result of write-downs. At December 31, 1997, $11.1 million of impaired loans had a related allowance for loan losses of $1.9 million. The average recorded investment in impaired loans during the years ended December 31, 1998, 1997 and 1996 was approximately $13.2 million, $13.8 million and $16.6 million, respectively.

The Corporation applies all payments received on nonaccruing impaired loans to principal until such time as the principal is paid off, after which time any additional payments received are recognized as interest income. Payments received on accruing impaired loans are applied to principal and interest according to the original terms of the loan. The Corporation recognized interest income of approximately $100,000, $171,000 and $338,000 on impaired loans in 1998, 1997 and 1996, respectively.

The Corporation has granted loans to the officers and directors of the Corporation and to their associates. 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 collectibility. The aggregate dollar amount of these loans was $83.5 million and $70.8 million at December 31, 1998 and 1997, respectively. During 1998, $37.4 million of new loans were made and repayments totaled $24.7 million.

The total portfolio of mortgage loans serviced by the Corporation for unrelated third parties at December 31, 1998 and 1997 was $598.2 million and $520.1 million, respectively.

NOTE E -- PREMISES AND EQUIPMENT

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

	1998	1997
	(in thousands)	
Premises and leasehold improvements	$ 84,822	$ 86,675
Furniture and equipment	57,390	60,045
Construction in progress	5,974	2,337
	148,186	149,057
Less: Accumulated depreciation and amortization	(72,471)	(76,010)
	$ 75,715	$ 73,047

NOTE F -- LONG-TERM DEBT

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Long-term debt included the following as of December 31:

	1998	1997
	(in thousands)	
Federal Home Loan Bank advances	$295,350	$ 52,312
Other	668	733
	$296,018	$ 53,045

As of December 31, 1998, the Corporation had a series of collateralized Federal Home Loan Bank advances totaling $295.4 million. These advances mature through January, 2025, and carry a weighted average interest rate of 5.13%. As of December 31, 1998 the Corporation had an additional borrowing capacity of approximately $827 million with the Federal Home Loan Bank. Borrowings from the Federal Home Loan bank are secured by qualifying residential mortgages, investments and other assets. The following table summarizes the scheduled maturity periods of Federal Home Loan Bank advances as of December 31, 1998:

Year	Amount Maturing
(in thousands)	
1999............	$ 10,756
2000............	48,042
2001............	77,500
2003............	157,500
Thereafter.......	1,552
	$ 295,350

NOTE G - REGULATORY MATTERS

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. Under such limitations, the total amount available for payment of dividends by subsidiary banks was approximately $169 million at December 31, 1998.

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 capital and surplus. At December 31, 1998, the maximum amount available for transfer from the subsidiary banks to the Parent Company in the form of loans and dividends was approximately $203 million.

Regulatory Capital Requirements

The Corporation's subsidiary banks are subject to various regulatory capital requirements administered by banking regulators. Failure to meet minimum capital requirements can initiate 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 (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I capital to average assets (as defined). Management believes, as of December 31, 1998, that all of its bank subsidiaries meet the capital adequacy requirements to which they are subject.

As of December 31, 1998, the Corporation's three significant subsidiaries -- Fulton Bank, Lebanon Valley Farmers 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, 1998 that management believes have changed the institutions' categories.

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The following tables present the total risk-based, Tier I risk-based and Tier I leverage requirements for the Corporation and its significant subsidiaries. At December 31, 1998, the significant subsidiaries were Fulton Bank, Lebanon Valley Farmers Bank and Lafayette Ambassador Bank. At December 31, 1997, the significant subsidiaries were Fulton Bank, Lebanon Valley National Bank and Lafayette Bank. Actual capital amounts and ratios are also presented.

As of December 31, 1998 (Dollars in thousands)

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital (to Risk Weighted Assets):						
Corporation	$621,124	15.1%	$328,191	8.0%	$410,238	10.0%
Fulton Bank	209,004	11.8	141,514	8.0	176,892	10.0
Lebanon Valley Farmers Bank	66,377	14.0	37,987	8.0	47,484	10.0
Lafayette Ambassador Bank	74,765	13.7	43,708	8.0	54,635	10.0
Tier I Capital (to Risk Weighted Assets):						
Corporation	$569,768	13.9%	$164,095	4.0%	$246,143	6.0%
Fulton Bank	188,403	10.7	70,757	4.0	106,135	6.0
Lebanon Valley Farmers Bank	60,425	12.7	18,993	4.0	28,490	6.0
Lafayette Ambassador Bank	68,354	12.5	21,854	4.0	32,781	6.0
Tier I Capital (to Average Assets):						
Corporation	$569,768	9.9%	$172,182	3.0%	$286,969	5.0%
Fulton Bank	188,403	9.2	61,787	3.0	102,978	5.0
Lebanon Valley Farmers Bank	60,425	10.6	17,063	3.0	28,439	5.0
Lafayette Ambassador Bank	68,354	12.5	16,466	3.0	27,444	5.0

As of December 31, 1997 (Dollars in thousands)

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital (to Risk Weighted Assets):						
Corporation	$567,515	14.1%	$321,559	8.0%	$401,949	10.0%
Fulton Bank	193,892	12.7	121,807	8.0	152,258	10.0
Lebanon Valley National Bank	73,030	14.2	41,115	8.0	51,393	10.0
Lafayette Bank	44,092	13.7	25,685	8.0	32,106	10.0
Tier I Capital (to Risk Weighted Assets):						
Corporation	$517,685	12.9%	$160,779	4.0%	$241,169	6.0%
Fulton Bank	176,392	11.6	60,903	4.0	91,355	6.0
Lebanon Valley National Bank	66,580	12.9	20,557	4.0	30,836	6.0
Lafayette Bank	40,060	12.5	12,842	4.0	19,264	6.0
Tier I Capital (to Average Assets):						
Corporation	$517,685	10.0%	$154,716	3.0%	$257,861	5.0%
Fulton Bank	176,392	9.9	53,229	3.0	88,715	5.0
Lebanon Valley National Bank	66,580	10.4	22,510	4.0	31,887	5.0
Lafayette Bank	40,060	9.1	13,163	3.0	21,939	5.0

NOTE H - INCOME TAXES

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

	Year ended December 31		
	1998	1997	1996
Current tax expense -			
Federal	$ 40,031	$ 32,582	$ 26,968
State	130	25	379

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	40,161	32,607	27,347
Deferred tax expense	(329)	841	468
	$ 39,832	$ 33,448	$ 27,815

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

	Year ended December 31		
	1998	1997	1996
Statutory tax rate	35.0%	35.0%	35.0%
Effect of tax-exempt income	(2.6)	(2.9)	(3.4)
Effect of low income housing investments	(2.1)	(2.1)	(2.7)
Other, net	0.7	0.5	0.8
Effective income tax rate	31.0%	30.5%	29.7%

The net deferred tax asset recorded by the Corporation consisted of the following tax effects of temporary differences at December 31:

	1998	1997
	(in thousands)	
Allowance for loan losses	$ 19,794	$ 19,651
Deferred loan fees	335	996
Direct leasing	(5,840)	(4,430)
Deferred compensation	2,340	2,134
Postretirement benefits	3,184	3,136
Fixed asset depreciation	(565)	(476)
Other	2,499	407
	21,747	21,418
Unrealized holding gains on securities available for sale	(12,730)	(15,286)
	$ 9,017	$ 6,132

As of December 31, 1998 and 1997, the Corporation has not established any valuation allowance against deferred tax assets since these tax benefits are realizable either through carryback availability against prior years' taxable income or the reversal of existing deferred tax liabilities.

NOTE I - EMPLOYEE BENEFIT PLANS

Substantially all employees of the Corporation are covered by one of the following plans:

Profit Sharing Plan - A noncontributory defined contribution plan where employer contributions are based on a formula providing for an amount not to exceed 15% of each eligible employee's annual salary (10% for employees hired subsequent to January 1, 1996). Participants are 100% vested in balances after five years of service.

Defined Benefit Pension Plan and 401(k) Plan - Contributions to the defined benefit plan are actuarially determined and funded as accrued. Plan assets are invested in guaranteed investment contracts, U.S. Treasury Securities, money market funds and common stock investment funds. Employees covered under the defined benefit plan are also eligible to participate in a 401(k) Plan. This Plan allows employees to defer up to 15% of their pre-tax salary on an annual basis. At its discretion, the Corporation may also make a matching contribution up to 3%.

Employees who become eligible for a retirement plan after January 1, 1999 will participate in the Profit Sharing Plan and no new participants will be added to the Defined Benefit Plan and 401(k) Plan. The terms of the Profit Sharing Plan have been modified to add a 401(k) feature which allows participants to defer up to 5% of their pre-tax salary on an annual basis, with no employer match.

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

	1998	1997	1996
		(in thousands)	

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Profit-sharing plan	$ 3,962	$ 3,322	$ 3,089
Defined benefit plan	1,330	1,492	1,487
401(k) plan	711	804	746
	$ 6,003	$ 5,618	$ 5,322

Defined Benefit Pension Plan

The net periodic pension cost for the Corporation's defined benefit plan, as determined by consulting actuaries, consisted of the following components for the years ended December 31:

	1998	1997	1996
	(in thousands)		
Service cost - benefits earned during period	$ 1,507	$ 1,387	$ 1,349
Interest cost on projected benefit obligation	1,639	1,500	1,331
Actual return on assets	(1,366)	(3,874)	(1,390)
Net amortization and deferral	(450)	2,479	197
Net periodic pension cost	$ 1,330	$ 1,492	$ 1,487

The valuation date of the defined benefit plan is September 30. The following table summarizes the changes in the projected benefit obligation and fair value of plan assets for the indicated periods:

	Oct. 1, 1997 Through Sept. 30, 1998	Oct. 1, 1996 Through Sept. 30, 1997
	(in thousands)	
Projected benefit obligation, beginning	$ 23,967	$ 21,025
Service cost	1,507	1,387
Interest cost	1,639	1,500
Distributions	(831)	(629)
Change due to change in assumptions	944	1,410
Experience loss at 9/30	(69)	(726)
Projected benefit obligation, ending	$ 27,157	$ 23,967
Fair value of plan assets, beginning	$ 23,592	$ 18,272
Employer contributions	1,979	2,075
Actual return on assets	1,366	3,874
Distributions	(831)	(629)
Fair value of plan assets, ending	$ 26,106	$ 23,592

The funded status of the plan and the amounts recognized in the consolidated balance sheets as of December 31, 1998 and 1997 follows:

	1998	1997
	(in thousands)	
Projected benefit obligation	$ 27,157	$ 23,967
Fair value of plan assets	26,106	23,592
Funded status	(1,051)	(375)
Employer contributions, 10/1 through 12/31	148	574
Unrecognized net transition asset	272	358
Unrecognized prior service cost	39	47
Unrecognized net loss (gain)	265	(1,149)
Pension liability recognized in the consolidated balance sheets	$ (327)	$ (545)

The following rates were used to calculate net periodic pension cost and present value of benefit obligations:

	1998	1997	1996
Discount rate-projected benefit obligation	6.50%	7.00%	7.25%

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Rate of increase in compensation level	4.00	4.50	4.75
Expected long-term rate of return on plan assets	8.00	8.00	8.00

Postretirement Benefits

The Corporation currently provides medical and life insurance benefits to retired full-time employees who were employees of the Corporation prior to January 1, 1998 Substantially all of the Corporation's full-time employees may become eligible for these discretionary benefits if they reach normal retirement age while working for the Corporation. The components of the expense for postretirement benefits other than pensions are as follows:

	1998	1997	1996
	(in thousands)		
Service cost-benefits earned during the period	$ 251	$ 217	$ 230
Interest cost on accumulated benefit obligation	377	369	367
Actual return on plan assets	(10)	(10)	(6)
Net amortization and deferral	(296)	(309)	(269)
Net nonpension postretirement benefit cost	$ 322	$ 267	$ 322

The following table summarizes the changes in the projected benefit obligation and fair value of plan assets for the years ended December 31, 1998 and 1997:

	1998	1997
	(in thousands)	
Projected benefit obligation, beginning	$ 5,662	$ 5,579
Service cost	251	217
Interest cost	377	369
Benefit payments	(386)	(326)
Change due to change in experience	(124)	(341)
Change due to change in assumptions	10	164
Projected benefit obligation, ending	$ 5,790	$ 5,662
Fair value of plan assets, beginning	$ 196	$ 189
Employer contributions	379	323
Actual return on assets	10	10
Benefit payments	(386)	(326)
Fair value of plan assets, ending	$ 199	$ 196

The funded status of the plan and the amounts recognized in the consolidated balance sheets as of December 31, 1998 and 1997 follows:

	1998	1997
	(in thousands)	
Projected benefit obligation	$ 5,790	$ 5,662
Fair value of plan assets	199	196
Funded status	(5,591)	(5,466)
Unrecognized prior service cost	(2,037)	(2,263)
Unrecognized net loss	(1,276)	(1,232)
Post-retirement benefits liability recognized in the consolidated balance sheets	$(8,904)	$(8,961)

For measuring the postretirement benefit obligation, a 7.5% increase in the per capita cost of health care benefits was assumed for 1998. This rate was assumed to gradually decline to 6.0% in 2000 and remain at that level thereafter. This health care cost trend rate has a significant impact on the amounts reported. Assuming a 1% increase in the health care cost trend rate, the accumulated postretirement benefit obligation would increase by approximately $742,000 and the current period expense would increase by approximately $99,000. Conversely, a 1% decrease in the health care cost trend rate would decrease the accumulated postretirement benefit obligation by approximately $615,000 and the current period expense by approximately $80,000. The discount rate used in determining the accumulated postretirement benefit obligation was 6.50% and 7.00% at December 31, 1998 and 1997, respectively.

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NOTE J - STOCK-BASED COMPENSATION PLANS AND SHAREHOLDERS' EQUITY

Incentive Stock Option Plan and Employee Stock Purchase Plan

The Corporation has an Incentive Stock Option Plan (Option Plan) and an employee stock purchase plan (ESPP). The Option Plan, which was adopted in 1996, replaced a prior plan that originated in 1986 and expired in 1996. The terms of the plans are substantially the same. Under the Option Plan, options are granted to key personnel for terms of up to 10 years at option prices equal to the fair market value of the Corporation's stock on the date of grant. Options granted are 100% vested immediately upon grant. The Plan has reserved 1.5 million shares for grant under this plan through 2006. The number of options granted in any year is dependent upon the Corporation's performance relative to that of a self-defined peer group. A summary of stock option activity under the current and prior plan follows:

	Stock Options	Option Price Per Share: Range	Option Price Per Share: Weighted Average
Balance at January 1, 1996 ...	1,415,736	$ 3.83 - $13.15	$ 8.55
Granted	226,465	9.51 - 13.91	12.59
Exercised	(337,403)	3.83 - 13.15	6.49
Canceled	(86)	10.04	10.04
Balance at December 31, 1996 .	1,304,712	3.83 - 13.91	9.78
Granted	244,495	11.64 - 21.70	18.76
Exercised	(299,743)	3.83 - 13.91	9.04
Balance at December 31, 1997 .	1,249,464	3.83 - 21.70	11.69
Granted	250,200	24.81	24.81
Exercised	(226,936)	3.83 - 21.70	10.40
Balance at December 31, 1998 .	1,272,728	$ 3.83 - $24.81	$14.49

The following table summarizes information concerning options outstanding at December 31, 1998:

Range of Exercise Prices	Unexercised Stock Options	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price
$0.00 - $5.00	97,918	5.10	$ 3.93
$5.00 - $10.00	254,045	3.69	8.29
$10.00 - $15.00	510,935	6.43	12.30
$15.00 - $20.00	--	--	--
$20.00 - $25.00	409,830	9.19	23.60
	1,272,728	6.67	$ 14.49

The ESPP allows eligible employees to purchase stock in the Corporation at 85% of the fair market value of the stock on the date of exercise. Under the terms of the ESPP, 64,211 shares, 55,422 shares and 72,492 shares were issued in 1998, 1997 and 1996, respectively. A total of 624,631 shares have been issued since the inception of the ESPP in 1986. As of December 31, 1998, 45,240 shares have been reserved for future issuances under the ESPP.

The Corporation accounts for both the Option Plan and the ESPP under Accounting Principles Board Opinion No. 25, and, accordingly, no compensation expense has been recognized in the financial statements of the Corporation. Had compensation cost for these plans been recorded in the financial statements of the Corporation consistent with the fair value provisions of Statement 123, the Corporation's net income and net income per share would have been reduced to the following pro-forma amounts (in thousands, except per-share data):
<TABLE>
<CAPTION>

<S>		<C> 1998	<C> 1997	<C> 1996
Net income:	As reported............	$ 88,511	$ 76,405	$ 65,912
	Proforma................	87,391	75,306	65,149
Net income per share (basic):	As reported............	$ 1.41	$ 1.22	$ 1.06
	Proforma................	1.39	1.21	1.05

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Net income per share (diluted): As reported............	$ 1.40	$ 1.21	$ 1.05
Proforma................	1.38	1.19	1.03
Weighted average fair value of options granted..........	$ 5.60	$ 4.73	$ 2.96

</TABLE>

Because the Statement 123 method has not been applied to options granted prior to January 1, 1995, the resulting pro-forma compensation cost may not be representative of that to be expected in future years. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for grants:

	1998	1997	1996
Risk-free interest rate	5.50%	6.44%	6.74%
Volatility of Corporation's stock ...	18.63	18.80	20.30
Expected dividend yield	2.42	2.50	3.20
Expected life of options	6 Years	6 Years	6 Years

Shareholder Rights

In 1989, the Corporation declared a dividend distribution of one Right for each outstanding share of common stock to existing shareholders of record. In addition, each share of common stock issued subsequent to the record date of the dividend also entitles the holder to one Right. Upon distribution, each Right entitles the holder to

purchase one share of common stock or, depending on events, receive common stock having a value equal to two times the exercise price of the Right. The purchase price was $90 per share in 1989 and is currently $32.52 due to stock dividends and splits. The Rights are not exercisable or transferable apart from the common stock prior to distribution. Distribution of the Rights will occur ten business days following (1) a public announcement that a person or group of persons ("Acquiring Person") has acquired or obtained the right to acquire beneficial ownership of 20% or more of the outstanding shares of common stock (the "Stock Acquisition Date") or (2) the commencement of a tender offer or exchange offer that would result in a person or group beneficially owning 25% or more of such outstanding shares of common stock. The Rights are redeemable in full, but not in part, by the Corporation at any time until ten business days following the Stock Acquisition Date, at a price of $0.01 per Right. The Rights will expire at the close of business on June 20, 1999, unless earlier redeemed.

NOTE K - LEASES

Certain branch offices and equipment are leased under agreements which expire at varying dates through 2025. Most leases contain renewal provisions at the Corporation's option. Total rental expense was approximately $3.4 million in 1998, $3.2 million in 1997 and $2.9 million in and 1996. Future minimum payments as of December 31, 1998 under noncancelable operating leases are as follows:

Year	Minimum Rent
(in thousands)	
1999............	$ 2,759
2000............	2,553
2001............	2,233
2002............	2,117
2003............	2,060
Thereafter.......	20,619
	$ 32,341

NOTE L - COMMITMENTS AND CONTINGENCIES

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, letters of credit, and guarantees which involve, to varying degrees, elements of credit and interest rate risk that are not recognized in the consolidated balance sheets.

Exposure to credit loss in the event of non-performance by the other party to the financial instrument for commitments to extend credit is represented by the contractual notional amount of those instruments. The Corporation uses the same credit policies in making commitments as it does for on-balance-sheet instruments. The Corporation had outstanding commitments to fund loans of $1.1 billion and $994.0 million as of December 31, 1998 and 1997, respectively.

Commitments to extend credit are agreements to lend to a customer as long

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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, plant and equipment and income producing commercial properties. Commitments under outstanding standby letters of credit were $119.1 million at December 31, 1998 and $89.9 million at December 31, 1997.

From time to time, the Corporation and its subsidiary banks may be defendants in legal proceedings relating to the conduct of their banking business. Most of such legal proceedings are a normal part of the banking business,

and in management's opinion, the financial position and results of operations of the Corporation would not be affected materially by the outcome of such legal proceedings.

NOTE M - FAIR VALUE OF FINANCIAL INSTRUMENTS

The following are the estimated fair values of the Corporation's financial instruments as of December 31 followed by a general description of the methods and assumptions used to estimate such fair values. These fair values are significantly affected by assumptions used, principally the timing of future cash flows and the discount rate. 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. Further, certain financial instruments and all nonfinancial instruments are excluded. Accordingly, the aggregate fair value amounts presented do not necessarily represent management's estimation of the underlying value of the Corporation.

	1998		1997	
FINANCIAL ASSETS	Book Value	Estimated Fair Value	Book Value	Estimated Fair Value
	(in thousands)			
Cash and due from banks	$ 247,558	$ 247,558	$ 208,289	$ 208,289
Interest-bearing deposits with other banks	2,975	2,975	2,634	2,634
Mortgage loans held for sale	7,987	7,987	1,946	1,946
Securities held to maturity	176,623	177,939	343,054	343,871
Securities available for sale	1,206,121	1,206,121	724,194	724,194
Net loans	3,972,976	3,995,654	3,904,087	3,939,530
Accrued interest receivable	34,942	34,942	32,336	32,336

	1998		1997	
FINANCIAL LIABILITIES	Book Value	Estimated Fair Value	Book Value	Estimated Fair Value
	(in thousands)			
Demand and savings deposits	$ 2,380,606	$ 2,380,606	$ 2,177,958	$ 2,177,958
Time deposits	2,212,363	2,229,485	2,240,585	2,245,316
Short-term borrowings	235,585	235,585	248,301	248,301
Accrued interest payable	34,255	34,255	33,227	33,227
Other financial liabilities	31,180	31,180	24,259	24,259
Long-term debt	296,018	296,063	53,045	53,104

For short-term financial instruments, defined as those with remaining maturities of 90 days or less, the carrying amount 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
	Other financial liabilities

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For those components of the above-listed financial instruments with remaining maturities greater than 90 days, fair values were determined by discounting contractual cash flows using rates which could be earned for assets with similar remaining maturities and, in the case of liabilities, rates at which the liabilities with similar remaining maturities could be issued as of the balance sheet date.

As indicated in Note A, securities available for sale are carried at their estimated fair values. The estimated fair values of securities held to maturity as December 31, 1998 and 1997 were generally based on quoted market prices, broker quotes or dealer quotes.

For short-term loans and variable rate loans which reprice within 90 days, the carrying value was considered to be a reasonable estimate of fair value. For other types of loans, fair value was estimated by discounting future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. In addition, for loans secured by real estate, appraisal values for the collateral were considered in the fair value determination.

The fair value of long-term debt was estimated by discounting the remaining contractual cash flows using a rate at which the Corporation could issue debt with a similar remaining maturity as of the balance sheet date.

The fair value of commitments to extend credit is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates. The fair value of standby letters of credit is based on fees currently charged for similar agreements or on the estimated cost to terminate them or otherwise settle the obligations.

NOTE N - MERGERS

Ambassador Bank of the Commonwealth. - On September 11, 1998, the Corporation completed its acquisition of Ambassador Bank of the Commonwealth (Ambassador), a $275 million bank located in Allentown, Pennsylvania. As provided under the terms of the merger agreement, each of the 1.9 million shares of Ambassador's common stock was exchanged for 1.4 shares of the Corporation's common stock. In addition, the 417,000 options and warrants to acquire Ambassador stock were exchanged for approximately 409,000 shares of the Corporation's common stock. The Corporation issued 3.1 million shares of its common stock in connection with the merger, which was accounted for as a pooling of interests. As a result of the acquisition, Ambassador was merged with and into Lafayette Bank, one of the Corporation's existing affiliate banks, which changed its name to "Lafayette Ambassador Bank."

Keystone Heritage Group, Inc. - On March 27, 1998, the Corporation completed its acquisition of Keystone Heritage Group, Inc. (Keystone Heritage), a $650 million bank holding company located in Lebanon, Pennsylvania. As provided under the terms of the merger agreement, each of the approximately 4.0 million shares of Keystone Heritage's common stock was exchanged for 2.288 shares of the Corporation's common stock. In addition, each of the 70,000 options to acquire Keystone Heritage stock was converted to options to acquire the Corporation's stock. The Corporation issued 9.1 million shares of its common stock in connection with the merger, which was accounted for as a pooling of interests.

In order to effect the acquisition, Keystone Heritage was merged with and into the Corporation. Its sole banking subsidiary, Lebanon Valley National Bank (Lebanon Valley), was merged with and into Farmers Trust Bank, one of the Corporation's existing affiliate banks, which changed its name to "Lebanon Valley Farmers Bank." Lebanon Valley's deposits, loans and branches located in Lancaster and Dauphin Counties were transferred by Lebanon Valley Farmers Bank to Fulton Bank immediately after the merger was completed.

The following table sets forth selected unaudited financial data for the Corporation and Keystone Heritage for the period January 1, 1998 through March 27, 1998. Amounts for Fulton Financial Corporation have not been restated to include Ambassador.

	Fulton Financial Corporation	Keystone Heritage
	(in thousands)	
Net interest income.............	$ 47,466	$ 6,555
Other income....................	13,032	1,308
Total income....................	$ 60,498	$ 7,863

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Net income	$ 19,066	$ 1,534

The effect of the Keystone Heritage and Ambassador mergers on the Corporation's previously reported revenues, net income and net income per share for the year ended December 31, 1997 and 1996 follows. Per-share amounts have been restated to reflect the impact of the five for four stock split paid in May, 1998 (dollars in thousands, except per-share data).

1997	Fulton Financial Corporation	Keystone Heritage	Ambassador	Restated
	(in thousands, except per-share data)			
Net interest income	$ 182,610	$ 27,133	$ 9,352	$ 219,095
Other income	41,055	7,159	499	48,713
Total income	$ 223,665	$ 34,292	$ 9,851	$ 267,808
Net income	$ 65,199	$ 9,270	$ 1,936	$ 76,405
Net income per share (basic)	$ 1.29	$ 2.34	$ 1.21	$ 1.22
Net income per share (diluted)	$ 1.28	$ 2.31	$ 1.08	$ 1.21

1996	Fulton Financial Corporation	Keystone Heritage	Ambassador	Restated
	(in thousands, except per-share data)			
Net interest income	$ 169,672	$ 25,480	$ 7,047	$ 202,199
Other income	34,983	5,931	739	41,653
Total income	$ 204,655	$ 31,411	$ 7,786	$ 243,852
Net income	$ 55,747	$ 8,720	$ 1,445	$ 65,912
Net income per share (basic)	$ 1.10	$ 2.15	$ 0.96	$ 1.06
Net income per share (diluted)	$ 1.10	$ 2.15	$ 0.86	$ 1.05

The Peoples Bank of Elkton

On August 31, 1997, the Corporation completed its acquisition of The Peoples Bank of Elkton (Elkton) of Elkton, Maryland. As provided under the terms of the merger agreement, Elkton became a wholly-owned subsidiary of the Corporation and each of the outstanding shares of the common stock of Elkton was converted into 5.2 shares of the Corporation's common stock. The Corporation issued 1.2 million shares of its common stock in connection with the merger. Elkton, with approximately $120 million in assets at December 31, 1998, operates two branch offices in Cecil County, Maryland. As a result of the merger, Elkton became the Corporation's second banking subsidiary in Maryland and eleventh overall.

The Woodstown National Bank & Trust Company

On February 28, 1997, the Corporation completed its acquisition of The Woodstown National Bank & Trust Company (Woodstown) of Woodstown, New Jersey. As provided under the terms of the merger agreement, Woodstown became a wholly-owned subsidiary of the Corporation and each of the outstanding shares of Woodstown common stock was converted into 2.2 shares of the Corporation's common stock. The Corporation issued 4.0 million shares of its common stock in connection with the merger. Woodstown, with approximately $300 million in total assets at December 31, 1998, operates seven branch offices in Salem and Gloucester Counties. As a result of the merger, Woodstown became the Corporation's second banking subsidiary in New Jersey and tenth overall.

The acquisitions of Elkton and Woodstown were accounted for as poolings of interest and all financial statements and financial information contained herein have been restated to include the accounts and results of operations of these companies for all periods presented.

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NOTE O - CONDENSED FINANCIAL INFORMATION - PARENT COMPANY ONLY

CONDENSED BALANCE SHEETS

	December 31	
	1998	1997
	(in thousands)	
ASSETS		
Cash, securities, and other assets	$ 425	$ 8,294
Receivable from nonbank subsidiaries	--	262
Investment in:		
Bank subsidiaries	511,863	496,249
Nonbank subsidiaries	120,509	90,080
Total Assets	$ 632,797	$ 594,885
LIABILITIES		
Short-term borrowings	$ 6,617	$ 16,000
Other liabilities	17,846	14,394
Total Liabilities	24,463	30,394
Shareholders' equity	608,334	564,491
Total Liabilities and Shareholders' Equity	$ 632,797	$ 594,885

CONDENSED STATEMENTS OF INCOME

<TABLE>
<CAPTION>

	Year ended December 31		
	1998	1997	1996
	(in thousands)		
<S>	<C>	<C>	<C>
Income:			
Dividends from bank subsidiaries	$ 69,592	$ 46,388	$ 36,546
Other	8,129	12,869	8,593
	77,721	59,257	45,139
Expenses	17,146	13,513	11,843
Income before income taxes and equity in undistributed net income (loss) of subsidiaries	60,575	45,744	33,296
Income tax benefit	(2,680)	(2,192)	(3,162)
	63,255	47,936	36,458
Equity in undistributed net income (loss) of:			
Bank subsidiaries	15,642	29,399	30,268
Nonbank subsidiaries	9,614	(930)	(814)
Net Income	$ 88,511	$ 76,405	$ 65,912

</TABLE>

<TABLE>
<CAPTION>

CONDENSED STATEMENTS OF CASH FLOWS

	Year Ended December 31		
	1998	1997	1996
	(in thousands)		
<S>	<C>	<C>	<C>
Cash Flows From Operating Activities:			
Net Income	$ 88,511	$ 76,405	$ 65,912
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Gain on sale of investment securities	--	(5,191)	(2,801)
Decrease in other assets	3,745	2,932	4,609
Increase in investment in subsidiaries	(25,256)	(28,469)	(29,454)

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Increase in other liabilities	911	2,496	160
Total adjustments	(20,600)	(28,232)	(27,486)
Net cash provided by operating activities	67,911	48,173	38,426
Cash Flows From Investing Activities:			
Investment in subsidiaries	(21,275)	(20,283)	(4,025)
Investment in real estate partnerships	--	(266)	(296)
Proceeds from sales of investment securities	--	8,571	6,022
Purchase of investment securities	--	(7,488)	(6,647)
Net cash used in investing activities	(21,275)	(19,466)	(4,946)
Cash Flows From Financing Activities:			
Net (decrease) increase in short-term borrowings	(9,383)	889	(5,389)
Dividends paid	(33,939)	(29,810)	(26,623)
Net proceeds from issuance of common stock	2,227	1,660	59
Acquisition of treasury stock	(5,780)	(1,196)	(1,482)
Net used in financing activities	(46,875)	(28,457)	(33,435)
Net (Decrease) Increase in Cash and Cash Equivalents	(239)	250	45
Cash and Cash Equivalents at Beginning of Year	258	8	(37)
Cash and Cash Equivalents at End of Year	$ 19	$ 258	$ 8
Supplemental Disclosures of Cash Flow Information			
Cash paid during the year for:			
Interest	$ 2,257	$ 3,416	$ 3,508
Income taxes	$ 36,040	$ 29,138	$ 22,853

</TABLE>

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Shareholders of Fulton Financial Corporation:

We have audited the accompanying consolidated balance sheets of Fulton Financial Corporation (a Pennsylvania corporation) and subsidiaries as of December 31, 1998 and 1997, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Keystone Heritage Group, Inc. and Ambassador Bank of the Commonwealth, which were acquired in 1998, or The Woodstown National Bank & Trust Company, which was acquired in 1997, in transactions accounted for as pooling of interests, as discussed in Note N. Such statements are included in the consolidated financial statements of Fulton Financial Corporation and reflect total assets and total interest income of 17 percent of the related consolidated totals in 1997 and total interest income of 22 percent of the related consolidated total in 1996. These statements were audited by other auditors whose reports have been furnished to us and our opinion, insofar as it relates to amounts included for Keystone Heritage Group, Inc., Ambassador Bank of the Commonwealth, and The Woodstown National Bank & Trust Company, is based solely upon the report of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Fulton Financial Corporation and subsidiaries as of December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998 in conformity with generally accepted accounting principles.

/s/ Arthur Andersen LLP

Lancaster, Pennsylvania
January 22, 1999

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Keystone Heritage Group, Inc.

We have audited the accompanying consolidated balance sheets of Keystone Heritage Group, Inc. and subsidiaries as of December 31, 1997 and 1996, and the related statements of income, stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Keystone Heritage Group, Inc. and subsidiaries as of December 31, 1997 and 1996 and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

January 30, 1998
Harrisburg, Pennsylvania

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Ambassador Bank of the Commonwealth
Allentown, Pennsylvania

We have audited the accompanying balance sheet of Ambassador Bank of the Commonwealth as of December 31, 1997, and the related statements of income, stockholders' equity and cash flows for the years ended December 31, 1997 and 1996. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ambassador Bank of the Commonwealth as of December 31, 1997, and the results of its operations and its cash flows for the years ended December 31, 1997 and 1996 in conformity with generally accepted accounting principles.

BEARD & COMPANY, INC.

Allentown, Pennsylvania
January 16, 1998

FULTON FINANCIAL CORPORATION
QUARTERLY CONSOLIDATED RESULTS OF OPERATIONS (UNAUDITED)
(In thousands, except per-share data)

Three Months Ended

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For the Year 1998	March 31	June 30	Sept. 30	Dec. 31
Interest income	$100,039	$101,672	$103,596	$103,985
Interest expense	43,442	44,172	44,925	45,266
Net interest income	56,597	57,500	58,671	58,719
Provision for loan losses	1,611	1,621	1,067	1,283
Other income	14,608	16,601	14,463	14,969
Other expenses	38,857	40,815	39,198	39,333
Income before income taxes	30,737	31,665	32,869	33,072
Income taxes	9,564	10,086	10,519	9,663
Net income	$ 21,173	$ 21,579	$ 22,350	$ 23,409
Per-share data:				
Net income (basic)	$ 0.34	$ 0.34	$ 0.36	$ 0.37
Net income (diluted)	0.33	0.34	0.35	0.37
Cash dividends	0.138	0.144	0.150	0.150

	Three Months Ended			
For the Year 1997	March 31	June 30	Sept. 30	Dec. 31
Interest income	$ 91,983	$ 95,811	$ 98,197	$101,257
Interest expense	39,496	41,036	43,043	44,578
Net interest income	52,487	54,775	55,154	56,679
Provision for loan losses	1,903	1,771	2,060	2,683
Other income	12,035	11,380	13,385	11,913
Other expenses	36,341	35,578	38,655	38,964
Income before income taxes	26,278	28,806	27,824	26,945
Income taxes	7,814	9,214	8,516	7,904
Net income	$ 18,464	$ 19,592	$ 19,308	$ 19,041
Per-share data:				
Net income (basic)	$ 0.30	$ 0.31	$ 0.31	$ 0.30
Net income (diluted)	0.29	0.31	0.30	0.30
Cash dividends	0.117	0.127	0.127	0.127

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

Incorporated by reference herein is the information appearing under the heading "Information about Nominees and Continuing Directors" on pages 5 through 11 of the 1999 Proxy Statement and under the heading "Executive Officers" on page 12 of the 1999 Proxy Statement.

Item 11. Executive Compensation

Incorporated by reference herein is the information appearing under the heading "Executive Compensation" on pages 12 and 13 of the 1999 Proxy Statement and under the heading "Compensation of Directors" on page 11 of the 1999 Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Incorporated by reference herein is the information appearing under the heading "Voting of Shares and Principal Holders Thereof" on page 3 of the 1999 Proxy Statement and under the heading "Information about Nominees and Continuing Directors" on pages 5 through 11 of the 1999 Proxy Statement.

Item 13. Certain Relationships and Related Transactions

Incorporated by reference herein is the information appearing under the heading "Transactions with Directors and Executive Officers" on page 16 of the 1999 Proxy Statement, and the information appearing in Note D - Loans and

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Allowance for Loan Losses, of the Notes to Consolidated Financial Statements in Item 8, "Financial Statements and Supplementary Data".

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(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, 1998 and 1997.

   (ii) Consolidated Statements of Income - Years ended December 31, 1998, 1997 and 1996.

   (iii) Consolidated Statements of Shareholders' Equity - Years ended December 31, 1998, 1997 and 1996.

   (iv) Consolidated Statements of Cash Flows - Years ended December 31, 1998, 1997 and 1996.

   (v) Notes to Consolidated Financial Statements

   (vi) Report of Independent Public Accountants.

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:

   (i) Articles of Incorporation as amended on April 13, 1990 and Bylaws of Fulton Financial Corporation, as amended on April 17, 1990 -Incorporated by reference from Exhibits 19(a) and 19(b) of the Fulton Financial Corporation Quarterly Report on Form 10-Q for the quarter ended March 31, 1990.

   (ii) Rights Amendment dated June 20, 1989 between Fulton Financial Corporation and Fulton Bank Incorporated by reference from Exhibit 1 of the Fulton Financial Corporation Current Report on Form 8-K dated June 21, 1989.

   (iii) Material Contracts - Executive Compensation Agreements and Plans:

      (a) Severance Agreements entered into as of April 17, 1984 and as of May 17, 1988 between Fulton Financial Corporation and the following executive officers: Robert D. Garner, Rufus A. Fulton, Jr., and R. Scott Smith, Jr. - Incorporated by reference from Exhibit 28 (a) of the Fulton Financial Corporation Quarterly Report on Form 10-Q for the quarter ended March 31, 1990.

      (b) Incentive Stock Option Plan adopted September 19, 1995 - Incorporated by reference from Exhibit A of Fulton Financial Corporation's 1996 Proxy Statement.

      (c) Severance Agreement entered into as of November 19, 1992 between Fulton Financial Corporation and Charles J. Nugent, Executive Vice President and Chief Financial Officer - Incorporated by reference from Exhibit 10 (c) of the Fulton Financial Corporation Annual Report on Form 10-K for the year ended December 31, 1992.

   (iv) Subsidiaries of the Registrant.

   (v) Consents of Independent Public Accountants

   (vi) Financial Data Schedule

(b) Reports on Form 8-K --

   1. Form 8-K dated January 30, 1998 reporting execution of a Merger Agreement between Fulton Financial Corporation and Ambassador Bank of the Commonwealth.

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2. Form 8-K dated March 31, 1998 (as amended by Form 8-K/A dated May 21, 1998) reporting consummation of the merger of Fulton Financial Corporation and Keystone Heritage Group, Inc.

3. Form 8-K dated May 18, 1998 reporting 30 days of post-merger combined operations of Fulton Financial Corporation and Keystone Heritage Group, Inc.

4. Form 8-K dated September 18, 1998 reporting consummation of the merger of Fulton Financial Corporation and Ambassador Bank of the Commonwealth.

5. Form 8-K dated November 20, 1998 reporting 30 days of post-merger combined operations of Fulton Financial Corporation and Ambassador Bank of the Commonwealth.

(c) Exhibits -- The exhibits required to be filed as part of this report are submitted as a separate section of this report.

(d) Financial Statement Schedules -- None required.

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: March 16, 1999

By: /s/ Rufus A. Fulton, Jr.
Rufus A. Fulton, Jr.,
President and Chief
Executive Officer

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

Signature	Capacity	Date
/s/Jeffrey G. Albertson Jeffrey G. Albertson	Director	March 16, 1999
/s/James P. Argires, M.D James P. Argires, M.D	Director	March 16, 1999
Donald M. Bowman, Jr.	Director	March 16, 1999
/s/Thomas D. Caldwell, Jr., Esq. Thomas D. Caldwell, Jr., Esq.	Director	March 16, 1999
/s/Beth Ann L. Chivinski Beth Ann L. Chivinski	Senior Vice President and Controller Principal Accounting Officer)	March 16, 1999
/s/Harold D. Chubb Harold D. Chubb	Director	March 16, 1999
/s/William H. Clark, Jr. William H. Clark, Jr.	Director	March 16, 1999

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Signature	Capacity	Date
/s/ Martin D. Cohen, Esq. Martin D. Cohen, Esq.	Director	March 16, 1999
/s/ Frederick B. Fichthorn Frederick B. Fichthorn	Director	March 16, 1999
/s/ Patrick J. Freer Patrick J. Freer	Director	March 16, 1999
/s/ Rufus A. Fulton, Jr. Rufus A. Fulton, Jr.	Chairman, President, Chief Executive Officer and Director (Principal Executive Officer)	March 16, 1999
/s/ Eugene H. Gardner Eugene H. Gardner	Director	March 16, 1999
Robert D. Garner	Director	March 16, 1999
/s/ Daniel M. Heisey Daniel M. Heisey	Director	March 16, 1999
Charles V. Henry III, Esq.	Director	March 16, 1999
/s/ J. Robert Hess J. Robert Hess	Director	March 16, 1999
/s/ Carolyn R. Holleran Carolyn R. Holleran	Director	March 16, 1999
/s/ Clyde W. Horst Clyde W. Horst	Director	March 16, 1999
/s/ Samuel H. Jones, Jr. Samuel H. Jones, Jr.	Director	March 16, 1999

Signature	Capacity	Date
Donald W. Lesher, Jr.	Director	March 16, 1999
/s/ Bernard J. Metz, Sr. Bernard J. Metz, Sr.	Director	March 16, 1999
/s/ Charles J. Nugent Charles J. Nugent.	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	March 16, 1999
/s/ Arthur M. Peters, Jr., Esq.	Director	March 16, 1999

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Arthur M. Peters, Jr., Esq.

	Director	March 16, 1999
Stuart H. Raub, Jr.		
/s/ William E. Rusling	Director	March 16, 1999
William E. Rusling		
/s/ Mary Ann Russell	Director	March 16, 1999
Mary Ann Russell		
/s/ John O. Shirk, Esq.	Director	March 16, 1999
John O. Shirk, Esq.		
	Director	March 16, 1999
James K. Sperry		
/s/ Kenneth G. Stoudt	Director	March 16, 1999
Kenneth G. Stoudt		

EXHIBIT INDEX

Exhibits Required Pursuant
to Item 601 of Regulation S-K

3. Articles of Incorporation as amended on April 13, 1990, and Bylaws of Fulton Financial Corporation as amended on April 17, 1990 - Incorporated by reference from Exhibits 19(a) and 19(b) of the Fulton Financial Corporation Quarterly Report on Form 10-Q for the quarter ended March 31, 1990.

4. (a) Rights Agreement dated June 20, 1989 between Fulton Financial Corporation and Fulton Bank - Incorporated by reference from Exhibit 1 of the Fulton Financial Corporation Current Report on Form 8-K dated June 21, 1989.

10. Material Contracts - Executive Compensation Agreements and Plans:

    (a) Severance Agreements entered into as of April 17, 1984 and as of May 17, 1988 between Fulton Financial Corporation and the following executive officers: Robert D. Garner, Rufus A. Fulton, Jr., and R. Scott Smith, Jr. - Incorporated by reference from Exhibit 28(a) of the Fulton Financial Corporation Quarterly Report on Form 10-Q for the quarter ended March 31, 1990.

    (b) Incentive Stock Option Plan and Amendment No. 1 to that Plan adopted February 17, 1987 - Incorporated by reference from Exhibit (a)(i) of the Fulton Financial Corporation Quarterly Report on Form 10-Q for the quarter ended March 31, 1987.

    (c) Severance Agreement entered into as of November 19, 1992 between Fulton Financial Corporation and Charles J. Nugent, Executive Vice President and Chief Financial Officer - Incorporated by reference from Exhibit 10(c) of the Fulton Financial Corporation Annual Report on Form 10-K for the year ended December 31, 1992.

21. Subsidiaries of the Registrant.

23. Consents of Independent Public Accountants.

27. Financial Data Schedule.

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Exhibit 21 - Subsidiaries of the Registrant

The following are the subsidiaries of Fulton Financial Corporation:

Subsidiary	State of Incorporation or Organization	Name Under Which Business is Conducted
Fulton Bank One Penn Square P.O. Box 4887 Lancaster, Pennsylvania 17604	Pennsylvania	Fulton Bank
Lebanon Valley Farmers Bank 555 Willow Street P. O. Box 1285 Lebanon, Pennsylvania 17042	Pennsylvania	Lebanon Valley Farmers Bank
Swineford National Bank 227 East Main Street Middleburg, Pennsylvania 17842	Pennsylvania	Swineford National Bank
Lafayette Ambassador Bank 360 Northampton Street Easton, Pennsylvania 18042	Pennsylvania	Lafayette Ambassador Bank
Fulton Financial Realty Company One Penn Square P.O. Box 4887 Lancaster, Pennsylvania 17604	Pennsylvania	Fulton Financial Realty Company
Fulton Life Insurance Company One Penn Square P.O. Box 4887 Lancaster, Pennsylvania 17604	Arizona	Fulton Life Insurance Company
FNB Bank, N.A. 354 Mill Street P.O. Box 279 Danville, Pennsylvania 17821	Pennsylvania	FNB Bank, N.A.
Great Valley Bank 210 North 5th Street P. O. Box 1342 Reading, Pennsylvania 19603	Pennsylvania	Great Valley Bank
Hagerstown Trust Company 83 West Washington Street Hagerstown, Maryland 21740	Maryland	Hagerstown Trust Company
Central Pennsylvania Financial Corp. One Penn Square P.O. Box 4887 Lancaster, Pennsylvania 17604	Pennsylvania	Central Pennsylvania Financial Corp.
Delaware National Bank	Delaware	Delaware National Bank

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Route 113 North P. O. Box 520 Georgetown, DE 19947		
The Bank of Gloucester County 100 Park Avenue P.O. Box 832 Woodbury, NJ 08096	New Jersey	The Bank of Gloucester County
FFC Management, Inc. 900 Market Street, Second Floor Wilmington, DE 19801	Delaware	FFC Management, Inc.
The Woodstown National Bank and Trust Company 1 South Main Street Woodstown, NJ 08098	New Jersey	The Woodstown National Bank & Trust Company
The Peoples Bank of Elkton 130 North Street P.O. Box 220 Elkton, MD 21922	Maryland	The Peoples Bank of Elkton

</TABLE>

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Exhibit 23 - Consent of Independent Public Accountants

To: Fulton Financial Corporation

As independent public accountants, we hereby consent to the incorporation of our report dated January 22, 1999 in this Form 10-K, into the Company's previously filed Registration Statement File No. 333-05481, File No. 33-5965 and File No. 33-37835.

/s/ Arthur Andersen LLP

Lancaster, Pa.,
March 25, 1999

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Exhibit 23.1 - Consent of Independent Public Accountants

The Board of Directors
Fulton Financial Corporation

We consent to the inclusion in the December 31, 1998 Form 10-K of Fulton Financial Corporation of our report dated January 30, 1998, with respect to the consolidated balance sheets of Keystone Heritage Group, Inc. and subsidiaries as of December 31, 1997 and 1996, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the years in the two-year period ended December 31, 1997, which report appears in the Form 8-K/A of Fulton Financial Corporation dated May 21, 1998.

/s/ KPMG LLP

Harrisburg, Pennsylvania
March 25, 1999

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Exhibit 23.2 - Consent of Independent Auditors

We hereby consent to the incorporation of our report dated January 16, 1998, with respect to the financial statements of Ambassador Bank of the Commonwealth for the year ended December 31, 1997, included in this Annual Report on Form 10-K of Fulton Financial Corporation ("The Company") for the year ended December 31, 1998, into the Company's previously filed Registration Statements No. 333-05481, No. 33-5965 and No. 33-37835.

/s/ BEARD & COMPANY, INC.

Allentown, PA
March 25, 1999

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