FULTON FINANCIAL CORP
Form S-4/A
May 13, 2003
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As Filed With the Securities and Exchange Commission On May 13, 2003

Registration Statement No. 333-104268

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

PRE-EFFECTIVE AMENDMENT NO. 2

FORM S-4

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

FULTON FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

Pennsylvania	6720	23-2195389
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

One Penn Square

Lancaster, Pennsylvania 17604

717-291-2411

(Address, including zip code, and telephone number, including area code,

of registrant s principal executive offices)

Rufus A. Fulton, Jr.

Chairman and Chief Executive Officer

One Penn Square

Lancaster, Pennsylvania 17604

717-291-2411

(Name, address, including zip code, and telephone number, including area code,

of agent for service)

COPIES TO:

Paul G. Mattaini, Esquire

Kimberly J. Decker, Esquire

Barley, Snyder, Senft & Cohen, LLC

126 East King Street

Lancaster, Pennsylvania 17604-2893

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3245 Simpson Ferry Road

Camp Hill, Pennsylvania 17011

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Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after this Registration Statement becomes effective.

If the securities being registered on this Form are to be offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box: ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box, and list Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

CALCULATION OF REGISTRATION FEE

Title Of Each Class Of Securities To Be Registered	Amount To Be Registered (1)	Proposed Maximum Offering Price Per Unit (2)(3)	Proposed Maximum Aggregate Offering Price (2)(3)	Amount Of Registration Fee
		PREVIOUSLY PAID		

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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Proxy Statement/ Prospectus

PREMIER BANCORP, INC.

PROXY STATEMENT

FOR ANNUAL MEETING OF SHAREHOLDERS

July 10, 2003

American Stock Exchange Symbol: PPA

FULTON FINANCIAL CORPORATION

PROSPECTUS FOR

5,121,037 SHARES OF FULTON FINANCIAL COMMON STOCK

Nasdaq National Market Symbol: FULT

This document constitutes a proxy statement of Premier Bancorp, Inc. in connection with the solicitation of proxies by the Board of Directors of Premier for use at the annual meeting of shareholders to be held at the Doylestown Country Club, Green Street, Doylestown, Pennsylvania, on Thursday, July 10, 2003, at 9:00 a.m., local time. At the meeting, Premier shareholders will be asked to consider and vote on the following proposals:

1. To elect five Class 2 directors to the Board of Directors of Premier;

2. To approve and adopt the Agreement and Plan of Merger, dated January 16, 2003, between Premier and Fulton Financial Corporation which provides, among other things, for the merger of Premier with and into Fulton and the conversion of each share of common stock of Premier outstanding immediately prior to the merger into 1.407 shares (subject to adjustment) of Fulton common stock, plus cash in lieu of any fractional share interest;

3. To adjourn the meeting if necessary to allow Premier time to solicit more votes in favor of the merger agreement; and

4. To transact such other business as may properly be brought before the annual meeting.

This document also constitutes a prospectus of Fulton filed as part of a registration statement filed with the Securities and Exchange Commission relating to up to 5,121,037 shares of Fulton common stock being registered for this transaction. On ______, 2003, the closing price of Fulton s common stock was $______ , making the value of 1.407 shares of Fulton common stock equal to $______ on that date. The closing price of Premier s common stock on that date was $______ . These prices will fluctuate between now and the closing of the merger. This document does not cover any resale of the Fulton stock being registered for this transaction by any shareholders deemed to be affiliates of Fulton or Premier. Premier and Fulton have not authorized any person to make use of this document in connection with any such resale.

Premier and Fulton provided all information related to their respective companies.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this document. Any representation to the contrary is a criminal offense.

These securities are not savings or deposit accounts or other obligations of any bank or nonbank subsidiary of any of the parties, and they are not insured by the Federal Deposit Insurance Corporation or any governmental agency.

All investors should review the Risk Factors, set forth on page 15.

The date of this document is ______, 2003. This document was first sent to shareholders on or about June __, 2003.

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You should rely only on the information contained in this document or to which this document has referred you. Premier and Fulton have not authorized anyone to provide you with information that is different. You should not assume that the information in this document is accurate as of any date other than the date on the front of the document.

The document incorporates important business and financial information about Fulton and Premier that is not included in or delivered with the document. This information is available without charge to security holders upon written or oral request to the following persons at either Premier or Fulton:

George R. Barr, Jr., Secretary
Fulton Financial Corporation
One Penn Square
Lancaster, PA 17602
717-291-2411

John J. Ginley, Secretary
Premier Bancorp, Inc.
379 North Main Street
Doylestown, PA 18901
215-345-5100

To obtain timely delivery of requested documents, you must request the information no later than July 2, 2003.

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C	Opinion of Boenning & Scattergood, Inc.	C-1

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QUESTIONS AND ANSWERS ABOUT THE MERGER

Q1: What do I need to do now?

A: After you have carefully read this document, indicate on your proxy card how you want your shares to be voted, then sign and mail it in the enclosed prepaid return envelope as soon as possible, so that your shares may be represented and voted at the annual meeting to be held on July 10, 2003.

Q2: If my shares are held in street name by my broker, will my broker vote my shares for me?

A: Maybe. Your broker will vote your shares only if you provide instructions on how to vote. You should follow the directions provided by your broker. Without instructions, your shares will not be voted on the merger agreement.

Q3: Can I change my vote after I have mailed my signed proxy card?

A: Yes. There are three ways for you to revoke your proxy and change your vote. First, you may send a written notice to the person to whom you submitted your proxy stating that you would like to revoke your proxy. Second, you may complete and submit a new proxy card with a later date. Third, you may vote in person at the annual meeting. If you have instructed a broker to vote your shares, you must follow directions received from your broker to change your vote.

Q4: Should I send in my stock certificates now?

A: No. Shortly after the merger is completed, Fulton will send you written instructions for exchanging your stock certificates. Fulton will request that you return your Premier stock certificates at that time.

Q5: When do you expect to merge?

A: Fulton and Premier expect to complete the merger no later than the third quarter of 2003. In addition to the approval of Premier shareholders, Fulton must also obtain regulatory approvals. Fulton and Premier expect to receive all necessary approvals no later than the third quarter of 2003.

Q6: Who should I call with questions or to obtain additional copies of this document?

A: You should call either:

George R. Barr, Jr., Secretary
Fulton Financial Corporation
One Penn Square
Lancaster, PA 17604
717-291-2411

John J. Ginley, Secretary
Premier Bancorp, Inc.
379 North Main Street
Doylestown, PA 18901
215-345-5100

Q7: If my shares are held in an IRA, who votes those shares?

A. You vote shares held by you in an IRA as though you held those shares directly.

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SUMMARY

This summary highlights selected information from this document. Because this is a summary, it does not contain all of the information that is important to you. To understand the merger fully, you should carefully read this entire document and the attached exhibits. See Where You Can Find More Information on page 68 for reference to additional information available to you regarding Fulton and Premier.

Agreement to Merge (See page 18)

Fulton and Premier entered into a merger agreement on January 16, 2003. The merger agreement provides that each share of Premier common stock outstanding on the effective date of the merger will be exchanged for 1.407 shares (subject to adjustment) of Fulton common stock, and Premier will merge with Fulton. A copy of the merger agreement is attached to this document as Exhibit A and is incorporated herein by reference. On ______, 2003, Fulton declared a 5% stock dividend payable on ______, 2003 to shareholders of record on ______, 2003. All amounts relating to Fulton common stock in this document have been restated to reflect this stock dividend.

Each Premier Share Will Be Exchanged For 1.407 Shares Of Fulton Common Stock (See page 32)

If the merger is completed, you will receive 1.407 shares of Fulton common stock for each share of Premier common stock you own. Fulton will not issue any fractional shares. Premier common shareholders will receive a cash payment for any fractional shares based on the market price of Fulton common stock during a period leading up to completion of the merger. On ______, 2003, the closing price of Fulton common stock was $______, making the value of 1.407 shares of Fulton common stock equal to $______ on that date. Because the market price of Fulton stock fluctuates, you will not know when you vote what the shares will be worth when issued in the merger.

If the average price of Fulton common stock is below $10.65 for a ten day period just before the merger, and if the price of Fulton common stock has also declined 20% more than the decline (if any) in the average NASDAQ Bank Index for the same period as compared to the NASDAQ Bank Index on January 15, 2003, Premier may terminate the merger. Neither party would owe the other any penalty or fee as a result of termination of the merger agreement. The market price termination provisions will be based on an average of the closing bid and asked prices for the Fulton common stock for the ten (10) consecutive trading days immediately preceding the date which is two (2) business days prior to the closing date of the merger. See Termination; Effect of Termination on page 39.

The market prices of both Fulton and Premier common stock will fluctuate prior to the merger. You should obtain current market quotations for Fulton common stock and Premier common stock.

Comparative Per Share Data

Fulton and Premier have summarized below the per share information for each company on an historical, pro forma combined and equivalent basis. You should read this information in conjunction with the historical financial statements and the related notes contained in the annual and quarterly reports and other documents Fulton and Premier have filed with the SEC or attached to this document. See Where You Can Find More

Information on page 68. The Fulton pro forma information gives effect to the merger, assuming that 1.407 shares of Fulton common stock are issued for each outstanding share of Premier common stock.

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[1] Based upon the product of the Conversion Ratio (1.407) and the closing price of Fulton common stock on January 15, 2003 and ______, 2003, respectively.

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Selected Historical and Pro Forma

Combined Per Share Data (A)

Fulton	**As of or for the Year Ended December 31, 2002**
Historical Per Common Share:	
Average Shares Outstanding (Basic)	107,768,000
Average Shares Outstanding (Diluted)	108,474,000
Book Value	$8.14
Cash Dividends	$0.558
Net Income (Basic)	$1.23
Net Income (Diluted)	$1.23
Fulton, Premier Combined	
Pro Forma Per Common Share:	
Average Shares Outstanding (Basic)	112,503,000
Average Shares Outstanding (Diluted)	113,390,000
Book Value	$8.60
Cash Dividends	$0.558
Net Income (Basic)	$1.19
Net Income (Diluted)	$1.18

(A) The above combined pro forma per share equivalent information is based on average shares outstanding during the period except for the book value per share which is based on period end shares outstanding. Financial information reflects the acquisition of Premier accounted for under the purchase method of accounting applied to historical financial information as of and for the year ended December 31, 2002. Per share dividends reflect Fulton s historic payment history. Net income utilized in the calculation of income per share does not reflect any anticipated expense savings, revenue enhancements or capital restructuring anticipated by Fulton as a result of this transaction.

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Selected Historical and Pro Forma

Combined Per Share Data (A)

Premier	As of or for the Year Ended December 31, 2002
Historical Per Common Share:	
Average Shares Outstanding (Basic)	3,365,467
Average Shares Outstanding (Diluted)	3,493,716
Book Value	$7.81
Cash Dividends	$0.00
Net Income (Basic)	$1.26
Net Income (Diluted)	$1.22
Equivalent Pro Forma Per Common Share:	
Book Value	$12.10
Cash Dividends	$ 0.785
Net Income (Basic)	$ 1.68
Net Income (Diluted)	$ 1.67

(A) The above combined pro forma per-share equivalent information is based on average shares outstanding during the period except for the book value per share which is based on period end shares outstanding. The number of shares in each case has been adjusted for stock dividends and stock splits by each institution through the periods. The equivalent pro forma per common share information is derived by applying the exchange ratio of 1.407 shares of Fulton $2.50 per share par value common stock for each Premier $0.33 per share par value common stock to the Fulton, Premier combined pro forma per common share information.

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Selected Financial Data

The following tables show selected historical consolidated summary financial data for both Fulton and Premier. This information is derived from the consolidated financial statements of Fulton and Premier incorporated by reference in, or included with, this document. See Where You Can Find More Information on page 68.

Fulton Financial Corporation

Selected Historical Financial Data

(In thousands, except per share data)

	2002	2001	2000	1999	1998
FOR THE YEAR					
Interest income	$ 469,288	$ 518,680	$ 519,661	$ 465,221	$ 450,195
Interest expense	158,219	227,962	243,874	199,128	199,430
Net interest income	311,069	290,718	275,787	266,093	250,765
Provision for loan losses	11,900	14,585	15,024	9,943	6,848
Other income	115,783	102,744	76,980	68,002	65,999
Other expenses	225,536	218,921	186,472	177,026	173,274
Income before income taxes	189,416	159,956	151,271	147,126	136,642
Income taxes	56,468	46,367	44,437	42,499	41,635
Net income	$ 132,948	$ 113,589	$ 106,834	$ 104,627	$ 95,007
PER-SHARE DATA					
Net income (basic)	$ 1.23	$ 1.05	$ 1.00	$ 0.97	$ 0.88
Net income (diluted)	1.23	1.04	1.00	0.96	0.87
Cash dividends	0.558	0.505	0.451	0.406	0.366
AT YEAR END					
Total assets	$ 8,387,778	$ 7,770,711	$ 7,364,804	$ 6,787,424	$ 6,433,612
Net loans	5,317,068	5,373,020	5,374,659	4,882,606	4,420,481
Deposits	6,245,528	5,986,804	5,502,703	5,051,512	5,048,924
Long-term debt	535,555	456,802	559,503	460,573	358,696
Shareholders equity	863,742	811,454	731,171	662,749	654,070
AVERAGE BALANCES					
Shareholders equity	$ 838,213	$ 779,014	$ 673,971	$ 663,841	$ 633,056
Total assets	7,900,500	7,520,071	7,019,523	6,533,632	6,093,496

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Premier Bancorp, Inc.

Selected Historical Financial Data

(In thousands, except for per share data)

	2002	2001	2000	1999	1998
For the Year					
Interest income	$ 32,794	$ 29,651	$ 26,693	$ 21,929	$ 16,516
Interest expense	15,265	16,625	15,294	11,420	8,922
Net interest income	17,529	13,026	11,399	10,509	7,594
Provision for loan losses	870	818	528	719	505
Other income	937	594	319	124	357
Other expenses	10,953	9,405	8,454	6,744	4,903
Income before income taxes	6,643	3,397	2,736	3,170	2,543
Income taxes	1,929	863	675	765	788
Net income	$ 4,714	$ 2,534	$ 2,061	$ 2,405	$ 1,755
LESS: preferred stock dividends	$ 468	$	$	$	$
Net income applicable to common shareholder	$ 4,246	$ 2,534	$ 2,061	$ 2,405	$ 1,755
Per Share Data					
Net income (basic)	$ 1.26	$ 0.79	$ 0.67	$ 0.80	$ 0.67
Net income (diluted)	1.22	0.74	0.60	0.70	0.56
Cash dividends					
At Year End					
Total assets	$ 609,972	$ 450,569	$ 355,201	$ 318,660	$ 249,193
Net loans	355,598	310,876	235,552	196,121	138,100
Deposits	456,486	358,282	303,293	237,481	191,226
Long-term debt	60,000	30,000			15,000
Subordinated debt	1,500	3,500	1,500	1,500	1,500
Shareholders equity	38,436	19,609	16,455	12,647	11,767
Average Balances					
Shareholders equity	$ 29,297	$ 18,549	$ 13,510	$ 13,671	$ 10,933
Total assets	525,217	399,102	339,758	291,040	214,118

No Federal Income Tax On Shares Received In Merger (See page 41)

Premier shareholders generally will not recognize gain or loss for federal income tax purposes for the shares of Fulton common stock they receive in the merger. Fulton s attorneys have issued a legal opinion to this effect, which is included as an exhibit to the registration statement filed with the SEC for the shares to be issued in the merger. Premier shareholders will be taxed on cash received instead of any fractional share. Tax matters are complicated, and tax results may vary among shareholders. Fulton and Premier urge you to contact your own tax advisor to understand fully how the merger will affect you.

Share Information And Market Prices

Fulton common stock trades on the National Market System of the NASDAQ Stock Market under the symbol FULT . Premier common stock trades on the American Stock Exchange under the trading symbol PPA . The table below shows the last sale prices of Fulton common stock, Premier common stock and the equivalent price per share of Premier common stock based on the exchange ratio on January 15, 2003 and ______, 2003.

On January 15, 2003, the last trading day before public announcement of the merger agreement, the per share closing price for Fulton common stock was $17.75. Based on such closing price for such date and the conversion ratio of 1.407 shares of Fulton common stock for each share of Premier common stock, the pro forma value of the shares of Fulton common stock to be received in exchange for each share of Premier common stock was $24.97.

On January 15, 2003, the last trading day before public announcement of the merger agreement, the per share closing price for Premier common stock was $17.85.

The foregoing historical and pro forma equivalent per share market information is summarized in the following table.

	Historical Price Per Share	Pro Forma Equivalent Price Per Share[1]
Fulton Common Stock		
Closing Price on January 15, 2003	$ 17.75	N/A
Closing Price on ______, 2003		N/A
Premier Common Stock		
Closing Price on January 15, 2003	$ 17.85	$ 24.97
Closing Price on ______, 2003		$

[1] Based upon the product of the Conversion Ratio (1.407) and the closing price of Fulton common stock on January 15, 2003 and __________, 2003, respectively.

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Exchange Ratio Is Fair From A Financial Point Of View According To Premier s Financial Advisor (See page 21)

Boenning & Scattergood, Inc. has given an opinion to the Premier Board that, as of January 16, 2003 and as of [date], the exchange ratio in the merger is fair from a financial point of view to Premier s shareholders. The full text of this opinion is attached as Exhibit C to this document. Fulton and Premier encourage you to read the opinion carefully. Premier has agreed to pay Boenning & Scattergood, Inc. a fee equal to approximately $915,000. A portion of this fee was paid upon engagement, a portion when the fairness opinion was issued and an additional portion will be paid upon completion of the merger.

No Dissenters Rights Of Appraisal (See page 42)

Premier s shareholders are not entitled to exercise dissenters rights under the provisions of Subchapter D of Chapter 15 of the Pennsylvania Business Corporation Law of 1988, as amended.

Your Rights As Shareholders Will Change After The Merger (See page 65)

Upon completion of the merger, you will become a shareholder of Fulton. Fulton s Articles of Incorporation and Bylaws and Pennsylvania law determine the rights of Fulton s shareholders. The rights of shareholders of Fulton differ in certain respects from the rights of shareholders of Premier. The most significant of these differences include:

- Premier shareholders may exercise cumulative voting rights in the election of directors. Fulton shareholders may not;
- Fulton restricts transactions with 10% beneficial owners. Premier does not;
- Fulon has a shareholders rights plan. Premier does not; and
- Premier shareholders have the right to call an annual or special meeting and to act without a meeting by written consent. Fulton shareholders do not.

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The Companies (See page 45 for Fulton, page 49 for Premier)

Fulton Financial Corporation

One Penn Square

Lancaster, Pennsylvania 17604

717-291-2411

Fulton Financial Corporation is a Pennsylvania business corporation and a registered financial holding company that maintains its headquarters in Lancaster, Pennsylvania. As a financial holding company, Fulton engages in general commercial and retail banking and trust business, and also in related financial businesses, through its 19 directly-held bank and nonbank subsidiaries. Fulton s bank subsidiaries currently operate 125 banking offices in Pennsylvania, 19 banking offices in Maryland, 12 banking offices in Delaware, and 37 banking offices in New Jersey. As of December 31, 2002, Fulton had consolidated total assets of approximately $8.4 billion.

The principal assets of Fulton are its ten wholly-owned bank subsidiaries:

Fulton Bank, a Pennsylvania bank and trust company which is not a member of the Federal Reserve System;

Lebanon Valley Farmers Bank, a Pennsylvania bank and trust company which is a member of the Federal Reserve System;

Swineford National Bank, a national banking association which is a member of the Federal Reserve System;

Lafayette Ambassador Bank, a Pennsylvania bank and trust company which is a member of the Federal Reserve System;

FNB Bank, National Association, a national banking association which is a member of the Federal Reserve System;

Hagerstown Trust Company, a Maryland trust company which is not a member of the Federal Reserve System;

Delaware National Bank, a national banking association which is a member of the Federal Reserve System;

The Bank, a New Jersey bank which is not a member of the Federal Reserve System;

The Peoples Bank of Elkton, a Maryland bank which is not a member of the Federal Reserve System; and

Skylands Community Bank, a New Jersey bank which is not a member of the Federal Reserve System.

In addition, Fulton has nine wholly-owned nonbank direct subsidiaries:

Fulton Financial Realty Company, which leases to Fulton its corporate headquarters and primary operations center as well as three unaffiliated tenants at the corporate headquarters property;

Fulton Reinsurance Company, LTD, which engages in the business of reinsuring credit life, accident and health insurance that is directly related to extensions of credit by Fulton s bank subsidiaries;

Central Pennsylvania Financial Corp., which owns two inactive non-banking subsidiaries, as well as limited partnership interests in partnerships invested in low and moderate income housing projects for Community Reinvestment Act purposes;

FFC Management, Inc., which owns equity investments in various financial institutions, mostly commercial banks, and corporate owned life insurance policies;

Fulton Financial Advisors, National Association, a limited purpose national banking association with trust powers;

Dearden, Maguire, Weaver and Barrett, LLC, an investment management and advisory firm;

Fulton Insurance Services Group, Inc., an insurance agency;

FFC Penn Square, Inc., which holds approximately $44 million of trust preferred securities issued by an affiliate; and

Drovers Capital Trust I, which has issued and outstanding approximately $5.5 million of trust preferred securities.

Premier Bancorp, Inc.

379 North Main Street

Doylestown, PA 18901

215-345-5100

Premier, a Pennsylvania corporation, is the holding company for Premier Bank, a Pennsylvania state chartered bank. At December 31, 2002, Premier had total consolidated assets of approximately $610 million, deposits of approximately $456 million and shareholders equity of approximately $38 million. Premier Bank has seven branches located in Bucks, Northampton and Montgomery Counties, Pennsylvania. Premier Bank is engaged principally in the business of taking deposits and making commercial loans, residential mortgage loans, consumer loans and home equity and property improvement loans. Premier has two wholly-owned non-bank subsidiaries, PBI Capital Trust and Premier Capital Trust II.

Premier Bank also owns a 99% membership in, and Premier owns a 1% membership interest in, each of Lenders Abstract, LLC and Premier Bank Insurance Services, LLC.

Premier Board Recommends Shareholder Approval (See page 20)

The Premier Board believes that the merger is in the best interests of Premier and its shareholders and recommends that you vote FOR approval of the merger agreement.

Vote Required To Approve Merger Agreement (See page 17)

Approval of the merger agreement requires the affirmative vote of the holders of at least 66 2/3% of Premier s outstanding common stock. The directors and executive officers of Premier and their affiliates together own about 44.77% of Premier s outstanding common stock as of March 31, 2003. The directors and executive officers of Premier have signed voting agreements pursuant to which they have agreed to vote their shares in favor of the merger.

Brokers who hold shares of Premier common stock as nominees will not have authority to vote such shares with respect to the merger unless shareholders provide them with voting instructions.

The merger does not require the approval of Fulton s shareholders.

Annual Meeting To Be Held July 10, 2003 (See page 16)

Premier will hold its annual meeting of shareholders on Thursday, July 10, 2003, at 9:00 a.m., local time, at the Doylestown Country Club, Green Street, Doylestown, Pennsylvania.

At the meeting, you will vote on the election of five Class 2 directors, the merger agreement, a proposal to adjourn the meeting to solicit additional proxies, if necessary, in the event there are not sufficient votes at the time of the annual meeting to approve the merger agreement, and any other business that properly arises.

Election of Directors (See page __)

One of the items to be presented at the annual meeting is the election of five Class 2 directors. The term of Class 2 directors to be elected is three years. However, the five persons elected as Class 2 directors will only serve on the Premier board until the merger closes. If the shareholders do not approve the merger or the merger does not close, the directors will continue to serve out their term of office.

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Record Date Set At June 2, 2003; Voting (See page 16)

You are entitled to vote at the annual meeting if you owned shares of Premier common stock at the close of business on June 2, 2003, the record date. June 2, 2003, there were ____________ shares of Premier common stock outstanding. You will have one vote at the meeting for each share of Premier common stock you owned on June 2, 2003 for all matters except the election of directors, for which you are entitled to exercise cumulative voting rights**.**

Conditions That Must Be Satisfied For The Merger To Occur (See page 33)

The following conditions must be met for Fulton and Premier to complete the merger in addition to other customary conditions:

approval of the merger by Premier s shareholders;

the absence of legal restraints that prevent the completion of the merger;

receipt of a legal opinion that the merger will be tax-free to shareholders, except for any cash received in lieu of fractional shares;

the continuing accuracy of the parties representations in the merger agreement;

receipt of all required regulatory approvals; and

the continuing effectiveness of the registration statement filed with the SEC.

Regulatory Approvals Required (See page 40)

Fulton and Premier cannot complete the merger unless Fulton obtains the approvals of the Federal Reserve Board and the Pennsylvania Department of Banking. Fulton has filed the required applications and notices seeking approval of the merger. Although Fulton and Premier believe regulatory approvals will be received in a timely manner, Fulton and Premier cannot be certain when or if they will be obtained.

Termination And Amendment Of The Merger Agreement (See page 39)

Premier and Fulton can mutually agree at any time to terminate the merger agreement without completing the merger. Either party can also terminate the merger agreement in the following circumstances:

- if any condition precedent to a party s obligations under the merger agreement is unsatisfied on September 30, 2003, through no fault of the other party, provided that this date may be extended until December 31, 2003, if closing has not occurred because regulatory approval has not then been received;

- if the other party has materially breached a representation, warranty or covenant and has not cured such breach within thirty days of receiving written notice of the breach; or

- the market price of Fulton common stock for a ten day period just before the merger is $10.65, and the decline in Fulton Common Stock is at least 20% greater than the decline, if any, generally experienced in bank stocks as measured against an index.

In addition, Fulton may terminate the merger agreement if Premier s Board of Directors exercises its fiduciary duty with respect to a proposed acquisition of Premier by someone other than Fulton.

Fulton and Premier can agree to amend the merger agreement in any way, except that after the shareholders meeting they cannot decrease the consideration you will receive in the merger. Either company can waive any of the requirements of the other company in the merger agreement, except that neither company can waive any required regulatory approval.

Fulton To Continue As Surviving Corporation (See page 31)

Fulton will continue as the surviving corporation after the merger. The Boards of Directors and executive officers of Fulton and its subsidiaries will not change as a result of the merger, except that:

Fulton will appoint to its Board of Directors one of Premier s current directors who will serve until Fulton s 2004 annual meeting, and Fulton will nominate such person to serve for a three year term at such meeting;

All of Premier Bank s current directors are expected to remain on Premier Bank s Board following the merger.

Warrant Agreement Makes Third Party Offers for Premier More Expensive (See page 37)

In connection with the merger agreement, Premier granted Fulton a warrant to purchase up to 835,000 shares of Premier common stock at an exercise price of $17.85 per share. The warrant acts to discourage other companies from acquiring Premier by making third party offers for Premier more expensive. It also provides compensation to Fulton in the event that the merger falls through because another party gains control of Premier. Generally, Fulton may exercise this warrant only if another party seeks to gain control of Premier. We do not believe that any of the events which would permit Fulton to exercise the warrant have occurred as of the date of this document.

The warrant agreement and warrant are attached to this document as Exhibit B.

Financial Interests of Management In The Merger (See page 43)

When considering the recommendation of the Premier Board, you should be aware that some directors and officers have interests in the merger which may conflict with their interests as shareholders. These interests include:

Each of Premier s current Chairman, Clark S. Frame, President and Chief Executive Officer, John C. Soffronoff, and Senior Vice President and Secretary, John J. Ginley, have entered into employment agreements with Premier Bank that will become effective upon completion of the merger. These employment agreements will replace existing change in control agreements which each of Messers. Soffronoff and Ginley had with Premier;

Officers and directors hold stock options to purchase Premier stock that will convert into options to purchase Fulton stock. As of ______, 2003, the difference between the aggregate exercise price and the market value of the shares underlying the options held by executive officers and directors, which represents the economic value of the options, was approximately $______;

- As of ______, 2003, managment and the board of directors of Premier own, in the aggregate, ______ shares of common stock of Premier. Consequently, the management and board members of Premier will receive, in the aggregate, ________ shares of Fulton common stock when the merger occurs;

- Following the merger, Fulton will indemnify, and provide liability insurance to, directors of Premier; and
- Following the merger, the current members of Premier s board of directors will remain directors of Premier Bank, and the compensation for non-employee directors of Premier Bank will remain unchanged.

Forward Looking Information

This document contains and incorporates some forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include statements regarding intent, belief or current expectations about matters including statements as to beliefs, expectations, anticipations, intentions or similar words. Forward-looking statements are also statements that are not statements of historical fact. Forward-looking statements are subject to risks, uncertainties and assumptions. These include, by their nature:

- the effects of changing economic conditions in Fulton s and Premier s market areas and nationally;

- credit risks of commercial, real estate, consumer and other lending activities;

- significant changes in interest rates;

- changes in federal and state banking laws and regulations which could impact operations;

- funding costs;

- other external developments which could materially affect the business and operations of Fulton and Premier;

- the ability of Fulton to assimilate Premier after the merger; and

- other risks detailed from time to time in Premier s and Fulton s SEC filings, including forms 10-Q and 10-K.

If one or more of these risks or uncertainties occurs or if the underlying assumptions prove incorrect, actual results, performance or achievements in 2003 and beyond could differ materially from those expressed in, or implied by, the forward-looking statements.

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RISK FACTORS

An investment in the Fulton common stock in connection with the merger involves the risks described below. In addition to the other information contained in this proxy statement/prospectus, you should carefully consider the following risk factors in deciding whether to vote for approval of the merger agreement.

RISK FACTORS RELATED TO THE MERGER

Fluctuations in Market Price of Fulton Common Stock May Cause the Value of the Merger Consideration to Decrease and Premier s Board of Directors may abandon the merger.

Upon completion of the merger, your shares of Premier common stock will be converted into shares of Fulton common stock. While the merger consideration has been structured to provide that Premier shareholders will receive for each of their shares of Premier common stock, 1.407 shares of Fulton common stock, the value of 1.407 shares of Fulton common stock at the time of the merger is uncertain. Stock price changes may result from a variety of factors that are beyond the control of Fulton, including, among other things, changes in Fulton s business, operations and prospects, regulatory considerations and general market and economic conditions.

Although the aggregate market value of the Fulton common stock that you will receive in the merger is not fixed, Premier will have the right to terminate the merger agreement and abandon the merger before the closing if:

- The average trading price for Fulton common stock for the 10 consecutive days immediately preceding the date which is two business days before the effective date of the merger is less than $10.65 per share; and
- The average trading price for Fulton common stock for the 10 consecutive days immediately preceding the date which is two business days before the effective date of the merger is less than the amount per share equal to $17.75 multiplied by .80 multiplied by the quotient of the Average NASDAQ Bank Index for the 10 trading days immediately preceding the two business days prior to the effective date over the NASDAQ Bank Index on January 15, 2003.

Accordingly, at the time you vote with respect to the merger, you will not know the market value or the number of the shares of Fulton common stock that you will receive in the merger nor will you know whether Premier s Board of Directors will opt to terminate the merger agreement if the above conditions occur.

The price of Fulton common stock may vary from its price on the date of this proxy statement/prospectus, the date of the Premier annual meeting and the date for determining the average trading price discussed above. Because the date the merger is completed will be later than the date of the annual meeting, the price of the Fulton common stock on the date of the annual meeting may not be indicative of its price on the date the merger is completed.

You Will Have Less Influence as a Shareholder of Fulton Than as a Shareholder of Premier.

As a Premier shareholder, you currently have the right to vote in the election of the board of directors of Premier and on other matters affecting Premier. The merger will transfer control of Premier to Fulton and to the shareholders of Fulton. When the merger occurs, you will become a shareholder of Fulton with a percentage ownership of Fulton that is smaller than your percentage ownership of Premier. Because of this, you will have less influence on the management and policies of Fulton than you now have on the management and policies of Premier.

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Future Results for Fulton could differ materially from its Historical Results or Forward- Looking Statements in its filings with the SEC.

Fulton s filings with the Securities and Exchange Commission include descriptions of a number of factors affecting its performance which shareholders of Premier should consider. Premier Shareholders should review these filings with these factors in mind. Fulton believes the most material of these factors can be summarized as follows:

♦ **Net Interest Income and Net Interest Margin**. Net interest income is the most significant component of Fulton s net income, accounting for approximately 75% of total revenues in 2002. The ability to manage net interest income over a variety of interest rate and economic environments is important to the success of a financial institution. Net interest income growth is generally dependent upon balance sheet growth and maintaining or growing the net interest margin. Fulton s net interest income has been impacted by a series of reductions to short-term interest rates enacted by the Federal Reserve Board (FRB) over the past two years. These rate reductions resulted in significant decreases to Fulton s prime lending rate as well as a decline in the general interest rate environment. The rate reductions initially had a negative impact on Fulton s net interest income and net interest margin as its assets, particularly floating rate loans, repriced to lower rates more quickly than its time deposits. During 2002, however, Fulton s longer-term liabilities repriced to lower rates resulting in an increase to Fulton s net interest margin. The positive impact of the time deposit repricing on the net interest margin peaked in mid-2002. The most recent rate cut by the FRB in late 2002 contributed to a slight downward trend in the margin over the last quarter of 2002. If rates remain low in the future, the net interest margin may continue to trend lower.

♦ **Credit Risk**. The credit risk associated with lending activities is accounted for by Fulton through its allowance and provision for loan losses. The provision is the expense recognized in the income statement to adjust the allowance to its proper balance, as determined through the application of Fulton s allowance methodology procedures. These procedures include the evaluation of the risk characteristics of the portfolio and documentation in accordance with applicable accounting standards. Management of Fulton believes that the allowance balance at March 31, 2003 is sufficient to cover losses inherent in the loan portfolio on that date and is appropriate based on applicable accounting standards. However, trends that could indicate the need for a higher provision include the general national and regional economies and the continued growth in Fulton s commercial loan and commercial mortgage portfolios, which are inherently more risky.

♦ **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 Fulton. Fulton s equity investments consist primarily of common stocks of publicly traded financial institutions. Although the carrying value of equity investments accounted for only 1.0% of Fulton s total assets, the unrealized gains on the portfolio represent a potential source of revenue and, if values were to decline significantly, this revenue source could be lost. Management of Fulton 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. Certain of Fulton s equity

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investments have shown negative returns in tandem with the general performance of equity markets. Fulton has evaluated, based on current accounting guidance, whether the decreases in value of any of these investments constitute other than temporary impairment which would require a write-down through a charge to earnings. In the first quarter of 2003, Fulton recorded a write-down for specific equity securities which were deemed to exhibit other than temporary impairment in value. If the performance of certain equity securities does not improve over the next twelve months, additional impairment charges may be necessary. In addition to its equity portfolio, Fulton s investment management and trust services could be impacted by fluctuations in the securities markets. A portion of Fulton s trust revenue is based on the value of the underlying investment portfolios. If securities markets contract, Fulton s revenue could be negatively impacted. In addition, the ability of Fulton to sell its brokerage services is dependent, in part, upon consumers level of confidence in the outlook for rising securities prices.

♦ **Merger and Acquisition Activity**. Fulton has historically supplemented its internal growth with strategic acquisitions of banks, branches and other financial services companies. There can be no assurance that Fulton will be able to effect future acquisitions on favorable terms or that Fulton will be able to assimilate acquired institutions successfully. Applicable accounting standards adopted recently require that the purchase method of accounting be used for all business combinations and eliminated the use of pooling of interests for transactions initiated subsequent to June 30, 2001. Under purchase accounting, if the purchase price of an acquired company exceeds the fair value of the company s net assets, the excess is carried on the acquiror s balance sheet as goodwill. Goodwill is to be evaluated for impairment at least annually. Write-downs of the amount of any impairment, if necessary, are to be charged to the results of operations in the period in which the impairment is determined. Fulton performed its initial test of goodwill impairment on January 1, 2002 and its annual test of goodwill impairment on October 31, 2002. Based on the results of these tests, the Corporation concluded that there was no impairment and no write-downs were recorded. There can be no assurance that the future evaluations of goodwill will not result in findings of impairment and write-downs.

♦ **Other Expenses**. Fulton strives to control its level of non-interest expenses. However, some of these expenses are beyond Fulton s control. For example, Fulton s defined benefit plan expense increased 83.2% in 2002. This trend is expected to continue into 2003, with a projected increase of 56.4%. This expense is greatly impacted by the return realized on invested plan assets. With the recent turndown in the equity markets, these returns have lagged the growth in the projected benefit obligation, resulting in an increase in expense. If this trend continues, Fulton s expense may continue to grow.

♦ **Competition**. The banking and financial services industries are highly competitive. Within its geographical region, Fulton s subsidiaries face direct competition from other commercial banks, varying in size from local community banks to larger regional and national banks, and credit unions. With the growth in electronic commerce and distribution channels, Fulton s banks also face competition from banks not physically located in Fulton s geographic markets.

The competition in the industry has also increased as a result of the passage of various legislation. Under such legislation, banks, insurance companies or securities firms may affiliate

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under a financial holding company structure, allowing expansion into non-banking financial services activities that were previously restricted. These include a full range of banking, securities and insurance activities, including securities and insurance underwriting, issuing and selling annuities and merchant banking activities. While Fulton does not currently engage in all of these activities, the ability to do so without separate approval from the Federal Reserve Board enhances the ability of Fulton and financial holding companies in general to compete more effectively in all areas of financial services.

As a result of this legislation, there is more competition for customers that were traditionally served by the banking industry. While the legislation increased competition, it also provided opportunities for Fulton to expand its financial services offerings. Fulton also competes through the variety of products that it offers and the quality of service that it provides to its customers. However, there is no guarantee that these efforts will insulate Fulton from competitive pressure which could impact its pricing decisions for loans, deposits and other services and ultimately impact financial results.

♦ **Supervision and Regulation**. Fulton is a registered financial holding company and its subsidiary banks are depository institutions whose deposits are insured by the Federal Deposit Insurance Corporation. Fulton and its subsidiaries are subject to various regulations and examinations by regulatory authorities. In general, various statutes establish the corporate governance and eligible business activities of Fulton, certain acquisition and merger restrictions, limitations on inter-company transactions such as loans and dividends, and capital adequacy requirements, among other regulations. While these statutes are generally designed to minimize potential loss to depositors and the FDIC insurance funds, they do not eliminate risk and compliance with such statutes increases Fulton s expense, requires management s attention and can be a disadvantage from a competitive standpoint with respect to non-regulated competitors.

♦ **Monetary and Fiscal Policy**. Fulton and its subsidiary banks are affected by fiscal and monetary policies of the federal government, including those of the Federal Reserve Board, which regulates the national money supply in order to manage recessionary and inflationary pressures. Among the techniques available to the Federal Reserve Board are engaging in open market transactions of U.S. Government securities, changing the discount rate and changing reserve requirements against bank deposits. Their use may also affect interest rates charged on loans and paid on deposits. The effect of monetary policies on the earnings of Fulton cannot be predicted.

THE ANNUAL MEETING

We are providing this document to holders of Premier common stock to solicit your proxy for use at the annual meeting of Premier shareholders and any adjournments or postponements of the meeting.

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Time, Date and Place

The annual meeting of Premier s shareholders will be held at 9:00 a.m., local time, on Thursday, July 10, 2003, at the Doylestown Country Club, located at Green Street, Doylestown, Pennsylvania 18901.

Matters to be Considered

The purposes of the annual meeting are to elect five Class 2 directors to the Board of Directors, to consider and approve and adopt the merger agreement, to approve a proposal to adjourn the meeting if more time is needed to solicit proxies and to transact such other business as may properly come before the annual meeting or any adjournment or postponement of the annual meeting. At this time, the Premier board of directors is unaware of any matters, other than set forth in the preceding sentence, that may be presented for action at the annual meeting.

A vote for approval of the merger agreement is a vote for approval of the merger of Premier into Fulton and for the exchange of Premier common stock for Fulton common stock. If the merger is completed, Premier common stock will be cancelled and you will receive 1.407 shares (subject to adjustment for stock splits, stock dividends and similar matters) of Fulton common stock in exchange for each share of Premier common stock that you hold. Fulton will pay cash in lieu of issuing any fractional share interests to you.

Shares Outstanding and Entitled to Vote; Record Date

The close of business on June 2, 2003 has been fixed by Premier s board of directors as the record date for the determination of holders of Premier common stock entitled to notice of and to vote at the annual meeting and any adjournment or postponement of the annual meeting. At the close of business on the record date, 3,417,515 shares of Premier common stock were outstanding and entitled to vote. Each share of Premier common stock entitles the holder to one vote at the annual meeting on all matters properly presented at the annual meeting, except for the election of five (5) Class 2 directors, where cumulative voting is permitted.

How to Vote Your Shares

Shareholders of record may vote by mail or by attending the annual meeting and voting in person. If you choose to vote by mail, simply mark the enclosed proxy card, date and sign it, and return it in the postage paid envelope provided.

If your shares are held in the name of a bank, broker or other holder of record, you will receive instructions from the holder of record that you must follow in order for your shares to be voted. Also, please note that if the holder of record of your shares is a broker, bank or other nominee and you wish to vote in person at the annual meeting, you must bring a letter from the broker, bank or other nominee confirming that you are the beneficial owner of the shares.

Any shareholder executing a proxy may revoke it at any time before it is voted by:

- delivering to the Secretary of Premier prior to the annual meeting a written notice of revocation addressed to John J. Ginley, Corporate Secretary, Premier Bancorp, Inc., 379 North Main Street, Doylestown, Pennsylvania 18901;
- delivering to Premier prior to the annual meeting a properly executed proxy with a later date; or
- attending the annual meeting and voting in person.

Attendance at the annual meeting will not, in and of itself, constitute revocation of a proxy.

Each proxy returned to Premier (and not revoked) by the holder of Premier common stock will be voted in accordance with the instructions indicated thereon. If no instructions are indicated, the proxy will be voted **FOR** election of each of the nominees, **FOR** approval and adoption of the merger agreement, and **FOR** each proposal.

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At this time, the Premier board of directors is unaware of any matters, other than set forth above, that may be presented for action at the annual meeting or any adjournment or postponement of the annual meeting. If other matters are properly presented, however, the persons named as proxies will vote in accordance with their judgment with respect to such matters. The persons named as proxies by a shareholder may propose and vote for one or more adjournments or postponements of the annual meeting to permit additional solicitation of proxies in favor of approval and adoption of the merger agreement, but no proxy voted against the merger agreement will be voted in favor of any such adjournment or postponement.

Vote Required

A quorum, consisting of the holders of a majority of the issued and outstanding shares of Premier common stock, must be present in person or by proxy before any action may be taken at the annual meeting. Abstentions will be treated as shares that are present for purposes of determining the presence of a quorum but will not be counted in the voting on a proposal.

Cumulative voting rights exist only with respect to the election of directors. This means that each shareholder has the number of votes equal to the number of directors to be elected multiplied by the number of shares owned and is entitled to cast the whole number of votes for one nominee or to distribute them among two or more nominees, as the shareholder determines. The proxy holders also have the right to vote cumulatively and to distribute their votes among nominees as they consider advisable, unless a shareholder indicates on his or her proxy how he or she desires the votes to be cumulated for voting purposes. On all other matters to come before the annual meeting, each share of common stock is entitled to one vote for each share owned.

If a quorum is present, the five nominees for Class 2 Director receiving a majority of the votes cast by the shareholders entitled to vote will be elected. The proxy holders will not cast votes withheld or broker non-votes for or against any director nominees.

The affirmative vote of 66 $^{2}/3$% of the outstanding shares of Premier common stock, in person or by proxy, is necessary to approve and adopt the merger agreement on behalf of Premier.

Premier intends to count shares of Premier common stock present in person at the annual meeting but not voting, and shares of Premier common stock for which it has received proxies but with respect to which holders of such shares have abstained on any matter, as present at the annual meeting for purposes of determining whether a quorum exists. Because approval and adoption of the merger agreement requires the affirmative vote of 66 $^{2}/3$% of the outstanding shares of Premier common stock, such nonvoting shares and abstentions will not be counted in determining whether or not the required number of shares have been voted to approve and adopt the merger agreement. Therefore, they will effectively act as a vote against the merger. In addition, under applicable rules, brokers who hold shares of Premier common stock in street name for customers who are the beneficial owners of such shares are prohibited from giving a proxy to vote shares held for such customers in favor of the approval of the merger agreement without specific instructions to that effect from such customers. Accordingly, shares held by customers who fail to provide instructions with respect to their shares of Premier common stock to their broker will not be voted for or against the merger. However, failing to vote effectively acts as a vote against the merger agreement. Such broker non-votes, if any, will be counted as present for determining the presence or absence of a quorum for the transaction of business at the annual meeting or any adjournment or postponement thereof.

The directors and executive officers of Premier collectively owned approximately 44.77% of the outstanding shares of Premier common stock as of the record date for the annual meeting (inclusive of stock options exercisable within 60 days). Premier s directors have entered into Voting

Agreements with Fulton pursuant to which they have agreed to vote all of their shares in favor of the merger agreement. See Security Ownership of Certain Beneficial Owners and Management, beginning on page 61.

Solicitation of Proxies

Premier will pay for the costs of mailing this document to its shareholders, as well as all other costs incurred by it in connection with the solicitation of proxies from its shareholders on behalf of its board of directors. In addition to solicitation by mail, the directors, officers and employees of Premier and its subsidiaries may solicit proxies from

shareholders of Premier in person or by telephone, facsimile or other electronic methods without compensation other than reimbursement by Premier for their actual expenses.

Arrangements also will be made with brokerage firms and other custodians, nominees and fiduciaries for the forwarding of solicitation material to the beneficial owners of Premier common stock held of record by such persons, and Premier will reimburse such firms, custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses in connection therewith. You should not send in your stock certificates with your proxy card. As described below under the caption The Merger Exchange of Premier Stock Certificates on page 33, you will receive materials for exchanging shares of Premier common stock shortly after the merger.

THE MERGER

The following information is intended to summarize the material aspects of the merger agreement. This description is only a summary. We have attached the full merger agreement and the warrant agreement to this document as Exhibit A and Exhibit B, respectively, and we incorporate each in this document by reference. We urge all shareholders to read the merger agreement carefully.

The merger agreement provides that:

- Premier will merge into Fulton; and

- You, as a shareholder of Premier, will receive 1.407 shares (subject to adjustment for stock splits, stock dividends and similar events) of Fulton common stock for each share of Premier that you own if the merger is completed.

The Board of Directors of Premier has unanimously approved and adopted the merger agreement and believes the merger is in your best interests. Premier s Board of Directors recommends that you vote FOR the merger agreement.

Background of Merger

From time to time over the past several years, Premier s management and board of directors have considered various strategic alternatives as part of their continuing efforts to enhance Premier s community banking franchise and to maximize shareholder value. These strategic alternatives have included continuing as an independent institution, acquiring branch offices or other community banks, establishing related lines of business, issuing trust preferred securities and preferred stock, and entering into a strategic merger with similarly-sized or larger institutions. The board also has sought to enhance shareholder value through a stock dividend and a share repurchase program.

In October 2002, the Board of Directors authorized Clark S. Frame, Chairman of the Board, and John C. Soffronoff, President and Chief Executive Officer, to prepare information for the Board of Directors regarding a review of the strategic options available to the Board of Directors and to meet with Boenning & Scattergood, Inc. (Boenning). The Board of Directors authorized assessment of strategic options and engagement of Boenning as Premier Bancorp, Inc. s financial advisor. Assessment of Premier s strategic options was made subject to the Board of

Directors further consideration and action. Later that month, Clark S. Frame, John C. Soffronoff, Bruce E. Sickel and John J. Ginley from Premier met with representatives of Boenning to review and discuss business and valuation issues, potential interest levels of possible transaction candidates, and whether, given available information, it might be in the best interests of Premier and its constituencies to engage in a business combination with another financial institution.

Premier engaged Boenning on October 25, 2002. After that date, Boenning contacted 11 financial institutions, one of which was Fulton Financial Corporation. Of the 11 contacted financial institutions, seven executed confidentiality agreements with Boenning, including Fulton on October 30, 2002. Information regarding Premier was provided to each of the seven financial institutions that executed the confidentiality agreement.

On November 1, 2002, representatives of Boenning, on behalf of Premier, met with Rufus A. Fulton, Jr., Chairman and Chief Executive Officer, and R. Scott Smith, Jr., President and Chief Operating Officer, of Fulton Financial Corporation to discuss Fulton s interest in expanding its banking presence in the Bucks, Montgomery and

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Northampton county markets. Based on Fulton s interest in the geographic region, Boenning advised Fulton of Premier s interest in exploring a potential affiliation with Fulton. After further discussion and the exchange of information on Premier, Fulton notified Boenning of its desire to pursue a potential affiliation with Premier and to have a meeting with representatives of its management team. Between October 30 and November 8, 2002, Boenning met with the representatives of five other financial institutions regarding exploration of a potential affiliation with Premier.

A meeting with representatives of Boenning, Fulton and Premier occurred on November 12, 2002, whereby Fulton and Premier discussed strategic visions and the future of each company and the financial services industry in general. Based on their similar philosophies, Fulton and Premier agreed to continue to explore a potential combination between their respective companies.

Between November 12 and 19, 2002, Boenning and/or Premier also met with four other financial institutions which had previously executed confidentiality agreements to discuss the strategic visions and future of those companies.

On November 20, 2002, Fulton submitted a confidential non-binding indication of interest, including a range of potential financial terms, to Premier via Boenning. On November 27, 2002, two of the four other financial institutions that Boenning had met with also submitted written indications of interest through Boenning.

At Premier s December 4, 2002, special meeting of the Board of Directors, representatives of Boenning presented to the Board the confidential non-binding indications of interest including the one received from Fulton Financial Corporation, dated November 20, 2002. Terms of the indications of interest were discussed, including financial terms. Information regarding each of the companies submitting an indication of interest was presented to and discussed by the board of directors. At this meeting, Premier s Board authorized continued discussions with Fulton and one other company and the conduct of due diligence on Premier by Fulton and one other company. Due diligence on Premier was conducted between December 9-12, 2002.

On December 12, 2002, at Premier s regularly scheduled Board of Directors meeting, Messrs. Frame and Soffronoff provided a status report of the two companies results of due diligence and further discussions between the parties. On December 13, 2002, Boenning was informed by the other company that had performed due diligence on Premier that it was no longer interested in pursuing a business combination with Premier. Also, on December 13, 2002, representatives of Boenning telephoned Mr. Fulton to generally discuss Fulton s due diligence review of Premier and to request information on Fulton. On December 16, 2002, Fulton and Boenning executed a confidentiality agreement and confidential financial information of Fulton was provided to Boenning including Forms 10-K for the last 3 years, Forms 10-Q for the last 4 quarters, the most recent asset liability report and share repurchase information.

On December 17, 2002, Fulton submitted a revised indication of interest to Premier via Boenning. At the December 19, 2002, Premier Board of Directors special meeting, which was attended by representatives of Boenning and Shumaker Williams, P.C., Fulton s December 17, 2002 indication of interest was reviewed and discussed. Transaction terms were discussed with and by the Board of Directors, including proposed financial terms. Information regarding the proposed transaction and Fulton Financial Corporation were reviewed and discussed by the board of directors. At this meeting, the Board of Directors rejected Fulton s revised proposal as presented but authorized continued negotiations with Fulton.

On December 23, 2002, at a meeting among representatives of Boenning, Premier and Fulton, the parties discussed price and other matters related to the proposed transaction. Over the next week, several telephone calls between representatives of Boenning, Premier and Fulton occurred in which financial and other issues were discussed.

On January 6, 2003, Fulton submitted a second revised confidential indication of interest to Premier via Boenning. At a January 7, 2003 Premier Board of Directors special meeting, in which representatives of Boenning and Shumaker Williams, P.C. were present, proposed transaction terms were discussed with the Board of Directors, including financial terms. The January 6, 2003 Fulton revised confidential non-binding indication of interest was reviewed and discussed by the Board of Directors. Clark S. Frame, Chairman of the Board, John C. Soffronoff, President and Chief Executive Officer, and Premier s representatives were authorized to continue negotiations with Fulton and to conduct due diligence regarding Fulton for further consideration and action by the Board of Directors. On January 8, 2003, Premier, through Boenning, sent a due diligence request list to Fulton, and on January 9, 2003, representatives of Boenning telephoned Fulton representatives and discussed due diligence items.

On January 10, 2003, several telephone calls were made between representatives of Boenning, Premier and Fulton to discuss deal points, including financial terms. Also on January 10, 2003, due diligence was conducted on Fulton by Premier and its representatives, and a draft of the proposed merger agreement and related agreements were forwarded to Premier and its legal counsel by Fulton s legal counsel. From January 12-15, 2003, legal counsel for both Premier and Fulton, together with the parties and their representatives, negotiated the merger agreement and related documents.

On January 16, 2003, Premier s Board of Directors held a special meeting at which representatives of Boenning and Shumaker Williams, P.C. were present. The results of Premier s due diligence on Fulton was discussed by the Board of Directors. Boenning and counsel briefed the Board on final negotiations concerning the merger agreement and related matters. During this meeting, Boenning delivered its opinion to the Premier Board of Directors that, as of such date, the exchange ratio in the merger was fair to the holders of Premier common stock from a financial point of view. The Board of Directors, with special counsel, reviewed the agreement and its terms. The Board of Directors discussed the deal terms including financial terms. Following review by the Premier Board of Directors of the foregoing matters, the Premier Board unanimously approved the merger agreement and the transactions contemplated by the merger agreement. The board of directors of Premier believes that the transaction and its terms are in the best interests of the Premier shareholders and Premier s other constituencies. Immediately following the conclusion of the Premier Board Meeting on January 16, 2003, the parties executed the definitive agreement and related documents and made a public announcement of the transaction.

Recommendation of the Premier Board of Directors and Reasons for the Merger

The Premier board has unanimously approved the merger agreement and unanimously recommends that Premier shareholders vote **FOR** approval and adoption of the merger agreement.

The Premier board has determined that the merger is fair to, and in the best interests of, Premier and its shareholders. In approving the merger agreement, the Premier board consulted with Boenning with respect to the financial aspects and fairness of the exchange ratio from a financial point of view and with its legal counsel as to its legal duties and the terms of the merger agreement. In arriving at its determination, the Premier board also considered all material factors, including the following:

- the board s familiarity with and review of information concerning the business, results of operations, financial condition, competitive position and future prospects of Premier;

- the current and prospective environment in which Premier operates, including national, regional and local economic conditions, the competitive environment for banks and other financial institutions generally and the increased regulatory burdens on financial institutions and public companies generally and the trend toward consolidation in the banking industry and in the financial services industry;

- the financial presentation of Boenning and the opinion of Boenning that, as of the date of such opinion, the exchange ratio of 1.34 (now, as a result of Fulton s 5% stock dividend, 1.407) shares of Fulton common stock per share was fair, from a financial point of view, to the holders of Premier common stock (see Opinion of Premier s Financial Advisor, beginning on page 21);

- the historical market prices of Premier common stock and the fact that the 1.407 per share merger consideration represented a 39.9% premium over the per share closing price of Premier common stock on January 15, 2003 and a 73.5% premium over the per share

closing prices of Premier common stock one month prior to the merger announcement (see Market Price of and Dividends on Fulton Common Stock on page 43 and Market Price of and Dividends on Premier Common Stock on page 50);

results that could be expected to be obtained by Premier if it continued to operate independently, and the likely benefits to shareholders of such course, as compared with the value of the merger consideration being offered by Fulton;

the financial attributes of Fulton and Fulton s common stock, dividend yield, liquidity and corporate fundamentals;

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the effects of the merger on Premier s depositors and customers and the communities served by Premier, which was deemed to be favorable given that they would be served by a geographically diversified organization which had greater resources than Premier;

the historical performance of Fulton;

the future business prospects of Fulton;

the ability for Premier s Board to continue to maintain the Premier Bank brand name for at least three years following the merger; and

the effects of the merger on Premier s employees, including the prospects for employment with a large, growing organization such as Fulton.

The discussion and factors considered by Premier board are not intended to be exhaustive, but includes all material factors considered. In approving the merger agreement, Premier s board did not assign any specific or relative weights to any of the foregoing factors, and individual directors may have weighted factors differently.

Opinion of Premier s Financial Advisor

Pursuant to an engagement letter dated as of October 25, 2002, as amended, Premier retained Boenning to act as its exclusive financial advisor in connection with Premier s consideration of a possible business combination. In connection with the merger with Fulton, the Premier board requested Boenning to render its opinion as to the fairness of the exchange ratio to the holders of Premier common stock from a financial point of view. At the January 16, 2003 meeting at which Premier s board considered the merger agreement, Boenning rendered its opinion to the board that, based upon and subject to the various considerations set forth therein, as of January 16, 2003, the exchange ratio was fair to the holders of Premier common stock from a financial point of view. We will refer to the opinion as of January 16, 2003 as the January Opinion and the opinion as of [May 2], 2003 as the Proxy Opinion.

The full text of Boenning s Proxy Opinion, which sets forth the assumptions made, matters considered and limitations of the review undertaken, is attached as Exhibit C to this proxy statement/prospectus, is incorporated herein by reference, and should be read in its entirety in connection with this document. The summary of the opinion of Boenning set forth below is qualified in its entirety by reference to the full text of the opinion attached as Exhibit C to this document.

Boenning was selected to act as Premier s financial advisor in connection with its strategic alternatives based upon its qualifications, expertise, reputation and experience. Boenning has formerly acted as financial advisor, lead underwriter and placement agent to Premier at various times on a contractual basis. Boenning has knowledge of, and experience with the Pennsylvania and surrounding banking markets, as well as banking organizations operating in those markets, and was selected by Premier because of its knowledge of, experience with, and reputation in the financial services industry. Boenning, as part of its investment banking business, is engaged regularly in the valuation of assets, securities and companies in connection with various types of asset and securities transactions, including mergers, acquisitions, public offerings, private placements, and valuations for various other purposes and in the determination of adequate consideration in such transactions. In the ordinary course of its business as a broker-dealer, Boenning may, from time to time, purchase securities from, and sell securities to, Premier and Fulton. In the ordinary course of business, Boenning may actively trade the securities of Premier and Fulton for its own account and for the accounts of customers and accordingly may at any time hold a long or short position in such securities. Boenning serves as a market maker in Fulton s common stock.

On January 16, 2003, Premier s board of directors approved and executed the merger agreement. Prior to the approval, Boenning delivered its January Opinion to Premier s Board stating that, as of such date, the exchange ratio pursuant to the merger agreement was fair to the shareholders of Premier from a financial point of view. Boenning reached the same opinion as of the date of its Proxy Opinion. The full text of the Proxy Opinion which sets forth assumptions made, matters considered and limits on the review undertaken is attached as Exhibit C to this document.

No limitations were imposed by Premier s board of directors upon Boenning with respect to the investigations made or procedures followed by Boenning in rendering the January Opinion or the Proxy Opinion.

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In arriving at its opinion, Boenning, among other things:

- reviewed the merger agreement;
- reviewed and analyzed the stock market performance of Premier and Fulton;
- studied and analyzed the consolidated financial and operating data of Premier and Fulton;
- considered the terms and conditions of the merger between Premier and Fulton as compared with the terms and conditions of bank, bank holding company, and financial holding company mergers and acquisitions which Boenning deemed comparable;
- met and/or communicated with certain members of Premier s and Fulton s senior management to discuss their respective operations, historical financial statements, and future prospects;
- reviewed a draft of this registration statement (in the case of the Proxy Opinion);
- compared the financial performance of Premier and Fulton and the prices and trading activity of the stocks of Premier and Fulton with those of certain other publicly-traded banks, bank holding companies, and financial holding companies and their securities which Boenning deemed comparable;
- discussed the strategic objectives of the merger and the plans for the combined company with senior executives of Premier and Fulton, including estimates of the cost savings and other synergies projected by Fulton for the combined company;
- participated in discussions and negotiations among representatives of Premier and Fulton and their advisors; and
- conducted such other financial analyses, studies and investigations as it deemed appropriate.

In connection with rendering its January Opinion and Proxy Opinion, Boenning assumed that in the course of obtaining the necessary regulatory and governmental approvals for the merger, no restriction will be imposed on Fulton or Premier that would have a material adverse effect on the contemplated benefits of the merger. Boenning also assumed that there will not occur any change in applicable law or regulation that would cause a material adverse change in the prospects or operations of Fulton after the merger.

Boenning relied, without independent verification, upon the accuracy and completeness of all of the financial and other information reviewed by and discussed with it for purposes of its opinions. With respect to Premier s and Fulton s financial forecasts and other information reviewed by Boenning in rendering its opinions, Boenning assumed that such information was reasonably prepared on bases reflecting the best currently available estimates and judgments of the management of Premier and Fulton as to their most likely future performance and the cost savings and other potential synergies (including the amount, timing and achievability thereof) anticipated to result from the merger. Boenning did not make an independent evaluation or appraisal of the assets (including loans) or liabilities of Premier or Fulton nor was it furnished with any such appraisal. Boenning also did not independently verify, and has relied on and assumed, that all allowances for loan and lease losses set forth in

the balance sheets of Premier and Fulton were adequate and complied fully with applicable law, regulatory policy and sound banking practice as of the date of such financial statements. In addition, Boenning did not review credit files of either Premier or Fulton.

The following is a summary of the material analyses prepared by Boenning and presented to Premier s Board in connection with the January Opinion and analyzed by Boenning in connection with the January Opinion and the Proxy Opinion. In connection with delivering its Proxy Opinion, Boenning updated certain analyses described below to reflect current market conditions and events occurring since the date of the January Opinion. The reviews and updates led Boenning to conclude that it was not necessary to change the conclusions it had reached in connection with rendering the January Opinion. Additionally, none of the analyses prepared by Boenning in connection with the issuance of the January Opinion or the Proxy Opinion failed to, as a whole, support Boenning s conclusion that the exchange ratio was fair to the holders of Premier common stock from a financial point of view.

Summary of Transaction. Boenning calculated the implied pricing and valuation multiples based on the implied per share transaction price of $28.27 (derived by multiplying the exchange ratio of 1.407 by the last reported per share sale price of Fulton of $20.09 as of [May 2], 2003). Based on Premier s last twelve months net income for the period ended March 31, 2003 of $4.631 million, common shareholders equity of $27.890 million, common shareholders tangible equity of $27.890 million, and price per

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common share of $17.85 (the last reported per common share price of Premier as of January 15, 2003, the day prior to the announcement of the transaction), the key valuation statistics were as follows:

Aggregate Consideration[1]	$	101.5 million
Consideration Per Common Share	$	28.27
Aggregate Consideration / Last Twelve Months Reported Net Income		21.9x
Aggregate Consideration / Common Shareholders Equity		363.9%
Aggregate Consideration / Tangible Common Shareholders Equity		363.9%
Consideration Per Common Share / Market Price Per Common Share at Announcement		58.4%

1 Includes the implied value to option holders in excess of their exercise price.

Summary of Financial Analysis. The following tables summarize and compare the implied transaction values per share associated with the exchange ratio offered by Fulton for Premier with the implied per share values developed from the analysis employed by Boenning. The exception to this is the Hurdle Rate Analysis which derives an diluted earnings per share (EPS) growth rate rather than an implied price per share. The EPS growth rate equates to the EPS growth rate Premier would have to achieve in order for the projected per share value, as calculated under various assumptions, to be equal to the value implied by the exchange ratio and estimated cash dividends to be received by Fulton. In addition to these valuation methodologies, Boenning also compared Fulton s operating, financial and market performance relative to a group of comparable companies. Each of the valuation methodologies is described below in greater detail. In order to fully understand the financial analyses prepared by Boenning you should read the tables together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses.

Valuation Methodologies:

	Implied Consideration Value Per Common Share		Analysis Implied Range Per Share	
Comparables Companies Analysis				
De Novo Comparables	$	28.27	$ 13.33	$ 19.22
Size Comparables	$	28.27	$ 12.80	$ 20.55
Discounted Dividend Analysis	$	28.27	$ 14.80	$ 27.40
Comparable Transactions Analysis				
National Comparables	$	28.27	$ 17.61	$ 32.90
Regional Comparables	$	28.27	$ 19.82	$ 35.05
Recent Comparables	$	28.27	$ 16.17	$ 27.07
Performance Comparables	$	28.27	$ 21.15	$ 37.41
De Novo Comparables	$	28.27	$ 18.06	$ 33.99

Hurdle Rate Analysis:

	Implied Transaction Value	Analysis Implied 5 Year Compounded

		Annual EPS Growth Rate	
Hurdle Rate Analysis	N/A	17.9%	30.5%

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Pro Forma Relative Value Analysis:

	Premier	Pro Forma Fulton Equivalent
Common share values as of and for the Twelve Months Ended March 31, 2003		
Diluted Earnings Per Share	$ 1.32	$ 1.74
Cash Dividend	$ 0.00[1]	$ 0.90
Book Value	$ 8.16	$ 12.31[2]
Tangible Book Value	$ 8.16	$ 10.40[2]

Pro Forma Contribution Analysis:

	Implied Pro Forma Ownership of Premier Common Shareholders	Contribution by Premier to Selected Financial Categories
Contribution Analysis	4%	3% 7%

[1] The analysis did not consider the $.05 cash dividend per common share that Fulton has permitted Premier to declare and pay quarterly on its common stock per the terms of the merger agreement. This dividend was an extraordinary dividend that resulted from the merger agreement rather than the ordinary course of business and is therefore excluded.

[2] Equivalents may include certain assumed consolidation adjustments.

Comparable Companies Analysis. Boenning compared selected publicly available financial, operating and stock market data for Premier with those of two peer groups in order to compare Premier s historical financial and operating performance with the peers and examine the exchange ratio offered by Fulton relative to the market valuations of the peers. The financial and operating data is as of March 31, 2003, except where noted, and the stock market data is as of [May 2], 2003. The first group, referred to as the de novo peer group, consisted of SEC reporting banks, bank holding companies, and financial holding companies headquartered in Delaware, Maryland, New Jersey, New York, Ohio, Pennsylvania and Virginia that were founded between 1990 and 1993. The companies in the De Novo Peer Group were:

Annapolis Bancorp, Inc., Annapolis, Maryland;

East Penn Bank, Emmaus, Pennsylvania (financial and operating data as of December 31, 2002);

Easton Bancorp, Inc., Easton, Maryland (financial and operating data as of December 31, 2002);

Long Island Financial Corporation, Islandia, New York;

SVB Financial Services, Inc., Somerville, New Jersey; and

Unity Bancorp, Inc, Clinton, New Jersey.

The second group, referred to as the size peer group , consisted of SEC-reporting banks, bank holding companies, and financial holding companies headquartered in Pennsylvania with assets between $500 million and $700 million as of March 31, 2003 except where noted. The financial and operating data is as of March 31, 2003, except where noted, and the stock market data is as of [May 2], 2003. The companies in the Size Peer Group were

Bryn Mawr Bank Corporation, Bryn Mawr;

Chester Valley Bancorp, Inc., Downingtown;

CNB Financial Corporation, Clearfield (financial and operating data as of December 31, 2002);

Fidelity D & D Bancorp, Inc., Dunmore (financial and operating data as of December 31, 2002);

First Chester County Corporation, West Chester;

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Franklin Financial Services Corporation, Chambersburg (financial and operating data as of December 31, 2002);

IBT Bancorp, Inc., Irwin (financial and operating data as of December 31, 2002);

Leesport Financial Corp., Wyomissing;

NSD Bancorp, Inc., Pittsburgh (financial and operating data as of December 31, 2002);

QNB Corp, Quakertown; and

Republic First Bancorp, Inc., Philadelphia.

The results of these comparisons, based on March 31, 2003 financial information (except where noted) and stock price data as of [May 2], 2003, are set forth in the following table.

	Premier	De Novo Median	Size Median
	($s in Millions, except per share values)		
Assets	$ 597	$ 342	$ 584
Common Equity Capital / Assets	4.7%	6.7%	8.1%
Loans / Deposits	82.5%	75.0%	86.6%
Nonperforming Assets[1] / Assets	0.79%	0.53%	0.47%
Return on Average Assets	0.82%	0.70%	0.95%
Return on Average Common Equity	18.99%	11.80%	12.14%
Non-Interest Income / Average Assets	0.16%	0.76%	0.94%
Non-Interest Expense / Average Assets	2.04%	3.17%	2.67%
Efficiency Ratio[2]	57.4%	70.8%	60.0%
Net Interest Margin	3.56%	4.10%	3.74%
Four Year Average Results:			
Return on Average Assets	0.74%	0.63%	1.08%
Return on Average Common Equity	14.15%	9.42%	12.41%
Efficiency Ratio[2]	62.9%	73.5%	63.6%
Net Interest Margin	3.64%	4.12%	3.94%
Compound Annual Growth Rate[3]			
Assets	21.3%	14.6%	9.0%
Loans	20.6%	16.9%	7.9%
Deposits	21.1%	14.5%	8.5%
Common Equity Market Capitalization	$ 96	$ 44	$ 80
Price / 52 Week High Price	100.0%	96.7%	96.0%
Price to:			
Book Value Per Common Share	343.0%	168.9%	162.1%
Tangible Book Value Per Common Share	343.0%	168.9%	195.0%
LTM[4] Earnings Per Common Share	21.2x	14.8x	15.9x

Dividend Yield[5]	0.00%	0.45%	2.89%
LTM[4, 5] Dividend Payout Ratio	0.0%	8.3%	40.1%
Avg. Weekly Volume / Common Shares Outstanding	0.47%	0.21%	0.22%

[1] Defined as total nonaccrual loans plus other real estate owned plus accruing loans that are 90 days past due.

[2] Defined as non-interest expense less intangible amortization divided by the sum of net interest income plus non-interest income.

[3] Reflects that compound annual growth rate from fiscal year 1999 to March 31, 2003, except where noted.

[4] LTM stands for the latest twelve months.

[5] Analysis did not consider the $.05 cash dividend per common share that Fulton has permitted Premier to declare and pay quarterly on its common stock per the terms of the merger agreement. This dividend was an extraordinary dividend that resulted from the merger agreement rather than the ordinary course of business and is therefore excluded.

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Boenning also compared selected publicly available financial, operating and stock market data for Fulton with those of a peer group of selected publicly traded bank and financial holding companies that had assets between $4 billion and $20 billion headquartered in the Mid-Atlantic region. This analysis was performed in order to compare Fulton s historical financial and operating performance with comparable institutions and to examine its market valuation relative to its peer group. The financial and operating data is as of March 31, 2003, except where noted, and the stock market data is as of [May 2], 2003. The companies in the peer group were:

Commerce Bancorp, Inc., Cherry Hill, New Jersey;

First Commonwealth Financial Corporation, Indiana, Pennsylvania;

Hudson United Bancorp, Mahwah, New Jersey;

Mercantile Bankshares Corporation, Baltimore, Maryland;

Provident Bankshares Corporation, Baltimore, Maryland;

Riggs National Corporation, Washington, D.C.;

Susquehanna Bancshares, Inc., Lititz, Pennsylvania;

The Trust Company of New Jersey, Jersey City, New Jersey (financial and operating data as of December 31, 2002);

Valley National Bancorp, Wayne, New Jersey; and

Wilmington Trust Corporation, Wilmington, Delaware.

The results of these comparisons, based on March 31, 2003 financial information, except where noted, and stock price data as of [May 2], 2003 are set forth in the following table.

	Fulton	Peer Median
	($s in Millions)	
Assets	$ 8,430	$ 7,424
Common Equity Capital / Assets	10.3%	6.5%
Loans / Deposits	83.4%	79.7%
Nonperforming Assets[1] / Assets	0.44%	0.41%
Return on Average Assets	1.67%	1.13%

Return on Average Common Equity	15.82%	15.97%
Non-Interest Income / Average Assets	1.38%	1.52%
Non-Interest Expense / Average Assets	2.81%	3.12%
Efficiency Ratio[2]	52.1%	60.7%
Net Interest Margin	4.25%	3.95%
Four Year Average Results:		
Return on Average Assets	1.58%	1.10%
Return on Average Common Equity	15.51%	15.65%
Efficiency Ratio[2]	52.9%	58.5%
Net Interest Margin	4.32%	3.95%
Compound Annual Growth Rate[3]		
Assets	6.9%	5.7%
Loans	3.0%	4.4%
Deposits	7.3%	6.6%
Common Equity Market Capitalization	$ 2,120	$ 1,214
Price / 52 Week High Price	99.6%	91.3%
Price to:		
Book Value Per Common Share	245.5%	197.2%
Tangible Book Value Per Common Share	267.7%	209.7%
LTM[4] Earnings Per Common Share	16.2x	14.3x
Dividend Yield	3.19%	3.36%
LTM[4] Dividend Payout Ratio	46.1%	45.8%
Avg. Weekly Volume / Common Shares Outstanding	0.81%	1.17%

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[1] Defined as total nonaccrual loans plus other real estate owned plus accruing loans that are 90 days past due.

[2] Defined as non-interest expense less intangible amortization divided by the sum of net interest income plus non-interest income.

[3] Reflects that compound annual growth rate from fiscal year 1999 to March 31, 2003, except where noted.

[4] LTM stands for latest twelve months.

No company, however, used in this analysis is identical to Premier, Fulton or the transaction. Accordingly, an analysis of the result of the foregoing is not mathematical; rather, it involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies and other factors that would affect the public trading values of the companies or company to which they are being compared.

Discounted Dividend Analysis. Using a discounted dividend analysis, Boenning estimated the present value of the future cash flows that would accrue to a holder of a share of Premier common stock over a five-year period. This analysis was performed in order to compare the value implied by the exchange ratio offered by Fulton to a range of estimated implied values for Premier common stock based on projected future cash flows. This stand-alone analysis was based on several assumptions, including a range of price to earnings multiples of 13x to 17x to Premier s terminal year common earnings per share, a range of EPS growth rates based upon Premier management s five year projected earnings per share growth rate of 15%, and Premier s current common stock cash dividend payout ratio of 0%. The analysis did not consider the $.05 cash dividend per common share that Fulton has permitted Premier to declare and pay quarterly on its common stock per the terms of the merger agreement. This dividend was an extraordinary dividend that resulted from the merger agreement rather than the ordinary course of business and is therefore excluded. The range of multiples applied to Premier s estimated five-year earnings per share value reflected a variety of scenarios regarding the growth and profitability prospects of Premier and valuation for banking securities in general. The terminal values and projected annual cash dividends were then discounted to present value using a discount rate of 12%. This discount rate was used in order to reflect an expected rate of return required by holders or prospective buyers of Premier s common stock. The analysis indicated that, based upon the aforementioned assumptions, the per common share of the present value of Premier s common stock, on a stand-alone basis, ranged from $14.80 $27.40 with a median value of $20.39. The table below summarizes the results under different assumption scenarios.

	Terminal Multiple				
	13.0x	**14.0x**	**15.0x**	**16.0x**	**17.0x**
EPS Growth Rate (%)					
10.0	$ 14.80	$ 16.05	$ 17.20	$ 18.34	$ 19.49
12.5	16.31	17.56	18.81	20.07	21.32
15.0	17.80	19.17	20.39	21.91	23.28
17.5	19.40	20.90	22.39	23.88	25.37
20.0	21.11	22.73	24.36	25.98	27.40

In connection with the discounted dividend analysis performed, Boenning considered and discussed with Premier s board how the present value analysis would be affected by changes in the underlying assumptions, including variations with respect to the growth rate of assets, net interest spread, non-interest income, non-interest expenses and dividend payout ratio. Boenning noted that the discounted dividend stream and terminal value analysis is a widely used valuation methodology, but the assumptions that must be made, and the results of this analysis, are not necessarily indicative of actual values or future results.

Comparable Transactions Analysis. Boenning also compared the per share values to Premier common shareholders implied by the exchange ratio offered by Fulton of latest twelve months earnings, book value, tangible book value, assets and deposits with the price per common share implied by the multiples paid in recent acquisitions of banks, bank holding companies, and financial holding companies that Boenning deemed comparable. The transactions deemed comparable by Boenning included both interstate and intrastate bank, bank holding company, and financial holding company acquisitions announced after June 30, 2001, in which the selling institution s assets were between $250 million and $1 billion as of the most recent period publicly available prior to announcement. Boenning compared this national group as a whole as well as certain of its subgroups, including a regional group, a recently announced group and a performance group, with the Premier/Fulton transaction. The regional group included transactions

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involving banks, bank holding companies, and financial holding companies in which the acquired company was located in Mid-Atlantic region. The recently announced group included transactions involving banks, bank holding companies, and financial holding companies which were announced after January 1, 2003. The performance group included transactions involving banks, bank holding companies, and financial holding companies which had a return on average common equity between 15% and 25% at the time of announcement as well as year over year asset growth greater than 15%. In addition to the national, regional, recently announced and performance groups, Boenning also compared transactions involving de novo banking companies that were founded between 1990 and 1993 that were headquartered in Connecticut, Delaware, Maryland, New Jersey, New York, Ohio, Pennsylvania and Virginia and the Premier/Fulton transaction. This analysis was conducted in order to compare the value implied by the exchange ratio offered by Fulton to comparable transactions. The results of these comparisons, are set forth in the following table.

	Fulton/ Premier	National Median	Regional Median	Recent Median	Performance Median	De Novo Median
	($s in Millions, except per share values)					
Number of Transactions	N/A	66	9	10	9	11
Seller Information:						
Assets	$ 597	$ 393	$ 416	$ 405	$ 359	$ 104
Common Equity Capital / Assets	4.7%	8.0%	7.1%	8.0%	7.8%	8.7%
LTM[1] Return on Average Assets	0.82%	1.06%	0.94%	1.07%	1.56%	0.96%
LTM[1] Return on Average Common Equity	18.99%	13.24%	12.66%	13.83%	18.37%	11.86%
NPAs[2] / Assets	0.79%	0.28%	0.12%	0.21%	0.09%	0.18%
Implied Per Share Values:						
Book Value	$ 28.27	$ 17.61	$ 19.82	$ 16.17	$ 22.35	$ 18.06
Tangible Book Value	28.27	19.47	22.20	16.56	23.95	18.95
LTM[1] Earnings	28.27	26.03	27.40	27.07	21.15	27.40
Deposits	28.27	29.83	31.70	22.91	36.26	28.10
Assets	28.27	32.90	35.05	26.06	37.41	33.99

1 LTM stands for latest twelve months.

2 Defined as total nonaccrual loans and other real estate owned.

No company or transaction, however, used in this analysis is identical to Premier, Fulton or the transaction. Accordingly, an analysis of the result of the foregoing is not mathematical; rather, it involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies and other factors that would affect the public trading values of the companies or company to which they are being compared.

Pro Forma Relative Value and Contribution Analyses. Boenning analyzed the estimated changes in the amount of earnings, book value and cash dividends represented by one share of Premier common stock prior to the merger with the value implied by the exchange ratio offered by Fulton. These analyses were conducted in order to determine the estimated impact upon Premier per common share values implied by the exchange ratio offered by Fulton. The analysis indicated the following information:

Common share values as of and for the twelve months ended March 31, 2003	Premier	Pro Forma Fulton Equivalent

Diluted Earnings	$	1.32	$	1.74
Cash Dividend	$	0.00[1]	$	0.90
Book Value	$	8.16	$	12.31[2]
Tangible Book Value	$	8.16	$	10.40[2]

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[1] Analysis does not consider the $.05 cash dividend per common share that Fulton has permitted Premier to declare and pay quarterly on its common stock per the terms of the merger agreement. This dividend was an extraordinary dividend that resulted from the merger agreement rather than the ordinary course of business and is therefore excluded.

[2] Equivalents may include certain assumed consolidation adjustments.

In reviewing the pro forma combined earnings, equity and assets of Fulton based on the merger with Premier, Boenning analyzed the contribution that Premier would have made to the combined company s earnings, assets, loans, deposits and equity as of March 31, 2003. Boenning also reviewed the percentage ownership that Premier shareholders would hold in the combined company. This analysis was conducted in order to compare the relative amount of these categories Premier is contributing to the pro forma entity with the ownership percentage implied by the exchange ratio offered by Fulton. Boenning has not expressed any opinion as to the actual value of Fulton common stock when issued in the merger or the price at which Fulton common stock will trade after the merger. The analysis indicated the following information as of and for the twelve months ended March 31, 2003:

	Premier	**Fulton[1]**
Net Income Applicable to Common Shareholders	3%	97%
Assets	6%	94%
Loans	6%	94%
Deposits	7%	93%
Common Shareholders Equity	3%	97%
Ownership	4%	96%

[1] Equivalents may include certain assumed consolidation adjustments.

Hurdle Rate Analysis. Using a range of discount rates and a range of terminal price to earnings per common share multiples, Boenning estimated a range of compound annual earnings per common share growth rates required over a five year period for Premier to obtain an implied per common share stand alone market price comparable to the value implied by the exchange ratio offered by Fulton on a present value basis. This analysis was performed in order to examine the required earnings per common share growth rates that would be required to offer shareholders similar value to that implied by the exchange ratio and estimated cash dividends to be received by Fulton. Boenning calculated a range of future values of the per common share implied value of the Fulton transaction over a five-year period based on a range of discount rates from 10% to 14%. The range of discount rates reflected the expected rate of return required by holders or prospective buyers of Premier common stock. Using a range of price to earnings per common share multiples of 12.5x to 17.5x to reflect the growth and profitability prospects of Premier as well as general market valuations for comparable banking companies, Boenning calculated Premier s potential earnings per common share at the end of five years by dividing the price to common earnings per share multiples into the range of future values. The annual growth rate was calculated based on the potential earnings per common share values at

the end of five years and Premier s earnings per common share value of $1.22 for the year ended December 31, 2002. Boenning then compared the resulting earnings growth rates with Premier s historical and estimated future earnings per common share growth rates.

In connection with the hurdle rate analysis performed, Boenning considered and discussed with Premier s board how the analysis would be affected by changes in the underlying assumptions, including variations with respect to the range of discount rates and price per common share earnings multiples used. The table below summarizes the results under different assumption scenarios.

	Discount Rate		
Terminal Multiple	**10.0%**	**12.0%**	**14.0%**
12.5x	26.2%	28.3%	30.5%
13.5x	24.2%	26.3%	28.5%
15.0x	21.6%	23.7%	25.8%
16.5x	19.3%	21.4%	23.4%
17.5x	17.9%	20.0%	22.0%

In connection with rendering its January Opinion and Proxy Opinion, Boenning performed what it deemed were the material financial analyses. Although the evaluation of the fairness, from a financial point of view, of the exchange ratio in the Merger was to some extent a subjective one based on the experience and judgment of Boenning and not merely the result of mathematical analysis of financial data, Boenning principally relied on the previously discussed financial valuation methodologies in its determinations. Boenning believes its analyses must be considered as a whole and that selecting portions of such analyses and factors considered by Boenning without considering all such analyses and factors could create an incomplete view of the process underlying Boenning s opinion. In its analyses, Boenning made numerous assumptions with respect to business, market, monetary and economic conditions, industry performance and other matters, many of which are beyond Premier and Fulton s control. Any estimates contained in Boenning s analyses are not necessarily indicative of future results or values, which may be significantly more or less favorable than such estimates.

In reaching its opinion as to fairness, none of the analyses or factors considered by Boenning was assigned any particular weighting by Boenning. As a result of its consideration of the aggregate of all factors present and analyses performed, Boenning reached the conclusion, and opined, that the exchange ratio pursuant to the merger agreement was fair to the shareholders of Premier from a financial point of view.

Boenning s Proxy Opinion was based solely upon the information available to it and the economic, market and other circumstances as they existed as of the date its Proxy Opinion was delivered; events occurring after the date of its Proxy Opinion could materially affect the assumptions used in preparing its Proxy Opinion. Boenning has not undertaken to reaffirm and revise its Proxy Opinion or otherwise comment upon any events occurring after the date of the Proxy Opinion.

The full text of the Boenning Proxy Opinion, dated as of [May 2], 2003, which sets forth assumptions made and matters considered, is attached as Exhibit C to this document. Premier s shareholders are urged to read the Proxy Opinion in its entirety. Boenning s Proxy Opinion is directed only to the exchange ratio pursuant to the merger agreement from a financial point of view, is for the information of the board of directors of Premier, and does not address any other aspect of the merger nor does it constitute a recommendation to any holder of Premier common stock as to how such holder should vote at the Premier annual meeting.

The foregoing provides only a summary of the Proxy Opinion of Boenning and is qualified in its entirety by reference to the full text of that opinion, which is set forth in Exhibit C to this document.

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Compensation of Boenning & Scattergood

Premier and Boenning entered into an agreement relating to the services to be provided by Boenning in connection with the merger. Premier agreed to pay Boenning a cash fee of $15,000 upon execution of the engagement agreement. In addition, concurrently with the execution of a definitive agreement, Premier agreed to pay Boenning a cash fee equal to 1% of the market value of the aggregate consideration offered in exchange for the outstanding shares of Premier common stock in the merger with $150,000 of such fee payable upon the issuance of Boenning s fairness opinion and the balance payable at the time of the closing of the merger. Based on the 1.407 per share exchange ratio payable in the merger and the number of shares of Premier common stock and common stock equivalents outstanding on the record date for the annual meeting, this fee will amount to approximately $900,000. Pursuant to the Boenning engagement agreement, as amended, Premier also agreed to reimburse Boenning for reasonable out-of-pocket expenses incurred in connection with its retention, not to exceed $15,000 without Premier s prior approval, and to indemnify it against certain liabilities.

Boenning has provided other investment banking services to Premier in the past and has received compensation for such services.

Fulton s Board Of Directors Reasons For The Merger

The acquisition of Premier was attractive to Fulton s Board of Directors because it presented an opportunity to acquire a performing financial institution in a geographic market which would contribute to the expansion and strengthening of Fulton s presence in Bucks, Northampton and Montgomery Counties, Pennsylvania, and which fit the profile of Fulton s desired markets in terms of economic growth and demographics.

The Fulton board of directors met at a special board meeting on November 19, 2002, and approved the nature and amount of consideration that could be offered by management, and authorized the Chairman of the Board, President and any Executive Vice President to negotiate and sign the form of the definitive agreement. At a regular board meeting on January 21, 2003, the Fulton board of directors unanimously approved and ratified the definitive merger agreement and related documents and the execution of the merger agreement.

Effect Of The Merger

Upon completion of the merger, Premier will merge with and into Fulton, and the separate legal existence of Premier will cease. As a consequence of the merger, all property, rights, debts and obligations of Premier will automatically transfer to and vest in Fulton, in accordance with Pennsylvania law. Fulton, as the surviving corporation, will be governed by the Articles of Incorporation and Bylaws of Fulton in effect immediately prior to completion of the

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merger. The directors and executive officers of Fulton prior to the merger will continue, in their respective capacities, as the directors and executive officers of Fulton after the merger, except that Fulton will appoint to its Board of Directors one current director of Premier.

Exchange Ratio

On the effective date of the merger, each outstanding share of Premier common stock will automatically convert into 1.407 shares of Fulton common stock. You will receive cash instead of receiving fractional share interests of Fulton common stock.

Fulton will adjust the number of shares of Fulton common stock issuable in exchange for shares of Premier common stock to take into account any stock splits, stock dividends, reclassifications or other similar events that may occur involving Fulton common stock prior to closing.

On the effective date of the merger, each outstanding option to purchase shares of Premier common stock will automatically convert into an option to purchase Fulton common stock. The number of shares of Fulton common stock issuable upon exercise will equal the number of shares of Premier common stock subject to the option multiplied by 1.407, rounded to the nearest whole share. The exercise price for a whole share of Fulton common stock will equal the stated exercise price of the option divided by 1.407. Shares issuable upon the exercise of such options to acquire Fulton common stock will remain subject to the terms of the plans and grant agreements of Premier under which Premier issued the options.

Treatment of Stock Options and Preferred Stock

At the effective time of the merger, each outstanding and unexercised option to purchase shares of Premier common stock issued under a Premier stock option plan, whether or not then vested and exercisable, will be cancelled and substituted for an option to purchase Fulton common stock on the following terms: (i) the number of shares of Fulton common stock which may be acquired will be equal to the product of the number of shares of Premier common stock covered by the Premier option multiplied by the conversion ratio, provided that any fractional share will be rounded to the nearest whole share; (ii) the exercise price per share of Fulton common stock will be equal to the exercise price per share of Premier common stock of the related Premier option, divided by the conversion ratio, provided that the exercise price will be rounded to the nearest whole cent; (iii) the duration and other terms of the Fulton stock option will be identical to the duration and other terms of the Premier option, except that all references to Premier will be deemed to be references to Fulton and its affiliates, where the context so requires and will remain exercisable until the stated expiration date of the corresponding Premier option.

The outstanding shares of Premier s Series A Preferred Stock will not be converted into Fulton common stock. All of the outstanding shares of Premier s Series A Preferred Stock will be redeemed in accordance with its terms as of or prior to the effective time of the merger. (See Redemption of Preferred Stock on page 43).

Effective Date Of The Merger

The effective date of the merger will occur within thirty days following the receipt of all regulatory and shareholder approvals. Fulton and Premier may also mutually agree on a different date. Fulton and Premier presently expect that the effective date of the merger will occur no later than the third quarter of 2003.

On or prior to the effective date of the merger, Fulton and Premier will file articles of merger with the Pennsylvania Department of State and such document will set forth the effective date of the merger. Either Fulton or Premier can terminate the merger agreement if, among other reasons, the merger does not occur on or before September 30, 2003, and the terminating party has not breached or failed to perform any of its obligations under the merger agreement. However, either party may extend this date to December 31, 2003, if closing has not occurred by September 30, 2003 because regulatory approval is still pending. See Termination; Effect of Termination on page 39.

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Exchange Of Premier Stock Certificates

No later than three business days after receipt of a final shareholders list following the effective date of the merger, Fulton will send a transmittal form to each record owner of Premier common stock. The transmittal form will contain instructions on how to surrender certificates representing Premier common stock for certificates representing Fulton common stock.

You should not forward any Premier stock certificates until you have received transmittal forms from Fulton. You should not return stock certificates with the enclosed proxy card.

Until you exchange your certificates representing Premier common stock, you will not receive the certificates representing Fulton common stock into which your Premier shares have converted. In addition, at its option, Fulton may withhold dividends on the Fulton shares if you fail to exchange your certificates. When you surrender your Premier certificates, you will receive any unpaid dividends without interest. For all other purposes, however, each certificate which represents shares of Premier common stock outstanding at the effective date of the merger will evidence ownership of the shares of Fulton common stock into which those shares converted as a result of the merger. Neither Fulton nor Premier will have liability for any amount paid in good faith to a public official pursuant to any applicable abandoned property, escheat or similar law.

Conditions To The Merger

The obligations of Fulton and Premier to complete the merger are subject to various conditions, which include, among other customary provisions for transactions of this type, the following:

- approval of the merger agreement by Premier s shareholders;
- receipt of all required regulatory approvals, including the expiration or termination of any notice and waiting periods;
- the absence of any action, suit or proceeding, pending or threatened, which seeks to modify, enjoin or prohibit or otherwise adversely and materially affect the transaction contemplated by the merger agreement;
- delivery of a tax opinion to each of Fulton and Premier;
- the absence of any material and adverse change in the condition, assets, liabilities, business or operations or future prospects of either party;
- the accuracy in all material respects as of the date of the merger agreement and as of the effective date of the merger of the representations and warranties of the other party, except as to any representation or warranty which specifically relates to an earlier

date and except as otherwise contemplated by the merger agreement;

the other party s material performance of all its covenants and obligations; and

other conditions customary for similar transactions, such as the receipt of officer certificates and legal opinions.

Except for the requirements of shareholder approval, regulatory approvals and the absence of any legal action preventing the merger, each of the conditions described above may be waived in the manner and to the extent described in Amendment; Waivers on page 39. As of the date of this document, Fulton s counsel has delivered the required tax opinion.

Representations and Warranties

The merger agreement contains customary representations and warranties relating to:

- the corporate organizations of Fulton, Premier and Premier Bank and their respective subsidiaries;
- the capital structures of Fulton and Premier;
- the approval and enforceability of the merger agreement;
- the consistency of financial statements with generally accepted accounting principles;
- the filing of tax returns and payment of taxes;
- the absence of material adverse changes, since September 30, 2002, in the condition, assets, liabilities, business or operations of either Fulton or Premier, on a consolidated basis;
- the absence of undisclosed material pending or threatened litigation;
- compliance with applicable laws and regulations;
- retirement and other employee plans and matters relating to the Employee Retirement Income Security Act of 1974;
- the quality of title to assets and properties;
- the maintenance of adequate insurance;
- the performance of material contracts;
- the absence of undisclosed brokers or finders fees;
- the absence of material environmental violations, actions or liabilities;

- the consistency of the allowance for loan losses with generally accepted accounting principles and all applicable regulatory criteria; and

- the accuracy of information supplied by Fulton and Premier in connection with the Registration Statement filed by Fulton with the SEC, this document and all applications filed with regulatory authorities for approval of the merger.

The merger agreement also contains other representations and warranties by Premier relating to:

- transactions between Premier and certain related parties;

- the filing of all regulatory reports;

- the lack of any regulatory agency proceeding or investigation into the business or operations of Premier or any of its subsidiaries; and

- the receipt by the Premier Board of Directors of a written fairness opinion.

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Business Pending The Merger

Under the merger agreement, between the date the merger agreement was signed and the date the merger occurs, Premier and its subsidiaries agreed, among other things, to:

- use all reasonable efforts to carry on their respective businesses in the ordinary course;
- use all reasonable efforts to preserve their respective business organizations, to retain the services of their present officers and employees and to maintain their relationships with customers, suppliers and others with whom they have business dealings;
- maintain all of their structures, equipment and other property in good repair;
- use all reasonable efforts to preserve or collect all material claims and causes of action;
- maintain insurance policies;
- materially perform their obligations under all material contracts;
- maintain their books of account and other records in the ordinary course of business;
- comply in all material respects with all regulations and laws that apply;
- not amend their Articles of Incorporation or bylaws;
- not enter into any material contract or incur any material liability or obligation except in the ordinary course of business;
- not make any material acquisition or disposition of properties or assets that would exceed $200,000 except for ordinary course loan and investment activity;
- not take any action that would be a material breach of any representation, warranty or covenant;
- not declare, set aside or pay any dividend or other distribution on its capital stock, except as otherwise specifically set forth in the merger agreement (see Dividends on page 35);
- not authorize, purchase, redeem, issue or sell any shares of Premier common stock or any other equity or debt securities;

not increase the rate of compensation of, pay a bonus or severance compensation to, or create or amend employment agreements for any officer, director, employee or consultant, except as otherwise required or permitted by the merger agreement, except that they may grant and pay routine periodic salary increases in accordance with past practices;

not enter into certain related party transactions; and

not open or close any branches or automated banking facilities except as otherwise permitted in the merger agreement.

Dividends

The merger agreement permits Premier to pay a regular quarterly cash dividend not to exceed $.05 per share of Premier common stock outstanding for the first and second quarter of 2003. If the merger is not completed on or before June 30, 2003, Premier may, for each quarter thereafter until the effective date of the merger, pay a dividend in an amount equal to the amount Premier s shareholders would have received had the merger been effective on July 16,

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2003; provided that Premier may not pay its shareholders a dividend for any quarter in which such shareholders are entitled to receive a dividend from Fulton for the same quarter. Subject to applicable regulatory restrictions, if any, Premier Bank may pay cash dividends sufficient to permit payment of the dividends by Premier. Neither Premier nor Premier Bank may pay any other dividend without the prior written consent of Fulton. Premier may continue to pay its regular quarterly cash dividends on its preferred stock in accordance with its terms.

No Solicitation Of Transactions

The merger agreement prohibits Premier or any of its affiliates or representatives from:

- responding to, soliciting, initiating or encouraging any inquiries relating to an acquisition of Premier or its subsidiaries by a party other than Fulton, or engaging in negotiations with respect to such a transaction;
- withdrawing approval or recommendation of the merger agreement or the merger except under limited circumstances concerning a third party s proposal to acquire Premier or its subsidiaries;
- approving or recommending a third party s proposal to acquire Premier or its subsidiaries; or
- causing Premier to enter into any kind of agreement with a third party relating to the third party s proposal to acquire Premier or its subsidiaries unless the Premier Board of Directors determines in good faith and with the advice of outside counsel that failure to do so would be reasonably likely to constitute a breach of its fiduciary duties and the applicable proposal is superior to Fulton s acquisition terms.

However, if at any time the Board of Directors of Premier determines in good faith, based on the advice of outside counsel, that failure to consider a third party s proposal would be reasonably likely to constitute a breach of its fiduciary duties, Premier, in response to a written acquisition proposal that was unsolicited and that is reasonably likely to lead to a better proposal, may:

- give the third party non-public information relating to Premier or its subsidiaries pursuant to a customary confidentiality agreement; and
- participate in negotiations regarding such proposal.

Premier agreed to notify Fulton if it receives any inquiries or proposals relating to an acquisition by a party other than Fulton.

Board of Directors Covenant to Recommend the Merger Agreement

Premier s directors and executive officers entered into voting agreements by which they agreed to vote all shares of voting capital stock beneficially owned by them in favor of the merger agreement. The Premier board of directors is permitted to withdraw, modify or change in a

manner adverse to Fulton, its recommendation to the Premier shareholders with respect to the merger agreement and the merger only if:

- after consultation with its outside legal counsel, the board of directors determines in good faith that failing to take such action, in response to an unsolicited bona fide written superior proposal (as defined in the merger agreement), would be reasonably likely to constitute a breach of its fiduciary duties under applicable law;
- the applicable acquisition proposal is a superior proposal; and
- Premier has complied in all material respects with the requirements described under No Solicitation of Transactions , above.

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Warrant Agreement and Warrant

General

In connection with the merger agreement, Premier executed a warrant agreement, dated January 16, 2003, which permits Fulton to purchase Premier common stock under the circumstances described below. Under the warrant agreement, Fulton received a warrant to purchase up to 835,000 shares of Premier common stock. This number represents approximately 19.5% of the issued and outstanding shares of Premier common stock on January 16, 2003, taking into consideration the shares issuable under the warrant. The exercise price per share to purchase Premier common stock under the warrant is $17.85, subject to adjustment. The warrant is only exercisable if certain events specified in the warrant occur. These triggering events are described below. None of the triggering events have occurred to the best of Fulton s or Premier s knowledge as of the date of this document.

Effect of Warrant Agreement

Attempts to acquire Premier or an interest in Premier, as described under Exercise of Warrant , below, would cause the warrant to become exercisable. Fulton s exercise of the warrant would significantly increase a potential acquirer s cost of acquiring Premier compared to the cost that would be incurred without the warrant agreement. Therefore, the warrant agreement, together with Premier s agreement not to solicit other transactions relating to the acquisition of Premier by a third party, may have the effect of discouraging other persons from making a proposal to acquire Premier.

Terms of Warrant Agreement

The following is a brief summary of the material provisions of the warrant agreement, and we qualify this discussion by reference to the full warrant agreement and warrant. A complete copy of the warrant agreement and warrant is included as Exhibit B to this document, and is incorporated in this document by reference. Fulton and Premier urge you to read it carefully.

Exercise of the Warrant

The warrant is exercisable only upon the occurrence of one of the following events:

- if Premier breaches any covenant in the merger agreement which would permit Fulton to terminate the merger agreement and which occurs following a third party s proposal to merge with or acquire or lease all or substantially all of the assets of Premier or one of its subsidiaries, or to acquire 25% or more of the voting power of Premier or one of its subsidiaries;

if Premier s shareholders fail to approve the merger and, at the time of the shareholders meeting, a third party proposal to merge with or acquire or lease all or substantially all of the assets of Premier or one of its subsidiaries, or to acquire 25% or more of the voting power of Premier or a subsidiary has been announced;

if a person other than Fulton acquires beneficial ownership of 25% or more of Premier common stock;

if a person or group, other than Fulton, enters into an agreement or letter of intent with Premier to merge or consolidate with Premier, to acquire all or substantially all of the assets or liabilities of Premier or one of its subsidiaries, or to acquire beneficial ownership of 25% or more of the voting power of Premier or one of its subsidiaries;

if a person or group, other than Fulton, commences a tender offer or exchange offer and within six months consummates a merger with or acquisition of Premier or 25% of the voting power of Premier or one of its subsidiaries; or

if Fulton or Premier terminates the merger agreement because Premier s Board of Directors takes certain actions inconsistent with Fulton s acquisition of Premier.

If the warrant becomes exercisable, Fulton may exercise the warrant by presenting the warrant to Premier along with:

- a written notice of exercise;
- payment to Premier of the exercise price for the number of shares specified in the notice of exercise; and
- a certificate specifying the events which have occurred which cause the warrant to be exercisable.

Termination of the Warrant

The warrant terminates on the earlier of:

- the effective date of the merger; or
- termination of the merger agreement in accordance with its terms (other than a termination by Fulton caused by Premier s Board taking action), except that if one of the events described above which causes the warrant to be exercisable occurs prior to termination of the merger agreement, the warrant shall not terminate until twelve months after such event;
- if the warrant has not previously been exercised, twelve months after the occurrence of one of the events described above which causes the warrant to be exercisable; or
- December 31, 2004.

Adjustments

In the event of any change in Premier common stock by reason of stock dividends, split-ups, recapitalizations, combinations, conversions, divisions, exchanges of shares or the like, the number and kind of shares issuable under the warrant are adjusted appropriately.

Repurchase of Warrant or Warrant Shares

Under the warrant agreement, Fulton has the right to require Premier to repurchase the warrant or, in the event the warrant has been exercised in whole or in part, redeem the shares obtained upon such exercise. In the case of a repurchase of shares obtained upon exercise of the warrant, the redemption price per share is to be equal to the highest of: (i) 110% of the exercise price, (ii) the highest price paid or agreed to be paid for any

share of common stock by an acquiring person (defined as any person who or which is the beneficial owner of 25% or more of the Premier common stock) during the one year period immediately preceding the date of redemption, and (iii) in the event of a sale of all or substantially all of Premier s assets: (x) the sum of the price paid in such sale for such assets and the current market value of the remaining assets of Premier as determined by a recognized investment banking firm selected by Fulton and reasonably acceptable to Premier, divided by (y) the number of shares of Premier common stock then outstanding. If the price paid consists in whole or in part of securities or assets other than cash, the value of such securities or assets shall be their then current market value as determined by a recognized investment banking firm selected by Fulton and reasonably acceptable to Premier.

In the case of a repurchase of the warrant, the redemption price is to be equal to the product obtained by multiplying: (i) the number of shares of Premier common stock represented by the portion of the warrant that Fulton is requiring Premier to repurchase, times (ii) the excess of the redemption price over the exercise price.

Registration Rights

Premier granted Fulton the right to request registration under the Securities Act of 1933 for the shares of Premier common stock which are issuable upon exercise of the warrant.

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Amendment; Waivers

Subject to any applicable legal restrictions, at any time prior to completion of the merger, Fulton and Premier may:

- amend the merger agreement, except that any amendment relating to the consideration to be received by the Premier shareholders in exchange for their shares must be approved by the Premier shareholders;
- extend the time for the performance of any of the obligations or other acts of Fulton and Premier required in the merger agreement; or
- waive any term or condition in the merger agreement to the extent permitted by law.

Termination; Effect Of Termination

Fulton and Premier may terminate the merger agreement at any time prior to completion of the merger by mutual written consent.

Either Fulton or Premier may terminate the merger agreement at any time prior to completion of the merger if:

- any condition precedent to its obligations under the merger agreement remains unsatisfied as of September 30, 2003 through no fault of its own; provided that either party may extend this date to December 31, 2003, if the merger has not occurred by September 30, 2003 because regulatory approval is still pending.
- there has been a material breach by the other party of a representation, warranty or covenant in the merger agreement and such breach has not been cured within thirty days after written notice of such breach has been given; or
- the Board of Directors of Premier, acting in good faith and consistent with its fiduciary duties, takes certain actions in connection with an acquisition of Premier by a party other than Fulton, which it believes is more favorable to Premier s shareholders.

In addition, Premier may terminate the merger agreement if the price of Fulton common stock just before completion of the merger is less than $10.65, and the price of Fulton common stock has also declined 20% more than the decline (if any) in the average NASDAQ Bank Index for the same period as compared to the NASDAQ Bank Index on January 15, 2003. Neither party would owe the other any penalty or fee as a result of termination of the merger agreement. The market price termination provisions will be based on an average of the closing bid and asked prices for the Fulton common stock for the ten (10) consecutive trading days immediately preceding the date which is two (2) business days prior to the closing date of the merger. Specifically, the index comparison is calculated as follows:

- eighty percent of the last sale price for Fulton common stock on January 15, 2003, (which last sale price was $17.75) times

the average NASDAQ Bank Index for the 10 business day period described below, divided by the NASDAQ Bank Index on January 15, 2003 (which was 2,286.60). The NASDAQ Bank Index can be found at www.nasdaq.com by viewing stock information for the symbol IXBK .

We anticipate that the merger will close in the third quarter of 2003. Neither Premier nor Fulton can predict whether the market price of Fulton s common stock will increase, decrease or remain stable between the date of this document and the end of the period in which the average closing market price is determined.

In the event that either Fulton or Premier terminates the merger agreement, neither Fulton nor Premier will have any continuing liability or obligation other than the obligation dealing with confidentiality and any liabilities resulting from a breach by the other of a material term or condition of the merger agreement. However, if the merger terminates under certain circumstances, described above, Fulton will have the right to exercise the warrant.

Management And Operations After The Merger

The Board of Directors and executive officers of Fulton and its subsidiaries will not change as a result of the merger, except as follows:

- Fulton will appoint to its Board of Directors one current director of Premier to serve until Fulton s 2004 annual meeting and will nominate him at that meeting to serve for a 3-year term;

- Premier Bank s current directors will remain as directors of Premier Bank. The current Premier director who will serve as a Fulton director is Clark S. Frame.

In addition, Fulton agreed, for a period of three years, to

- preserve the business structure of Premier Bank as a Pennsylvania commercial bank (provided that Fulton may cause Premier Bank s branch offices located in Northampton County, Pennsylvania to be transferred to another bank subsidiary of Fulton); and

- preserve and use the present name of Premier Bank.

Employment; Severance

Upon completion of the merger, Fulton will use its best efforts to continue the employment of persons who were full-time employees of Premier or Premier Bank. Where that is not possible for whatever reason, Fulton will make severance payments to affected persons.

If employment is involuntarily terminated, without cause, within one year of the effective date of the merger, severance benefits will consist of the greater of three month s salary (at then current levels) or one week s salary plus one week s salary for each year of service with Premier, up to a maximum of twenty-six weeks salary.

In the event employment is involuntarily terminated, without cause, after one year, severance payments will be made in accordance with Fulton s then existing severance policy. Any such person will be given full credit for each year of service as a Premier employee.

Employee Benefits

The employee benefits provided to former Premier employees after the merger s effective date will be substantially equivalent to the employee benefits, in the aggregate, provided by Premier for at least three years after the effective date of the merger, or until Fulton or its subsidiaries can

no longer satisfy the applicable qualified retirement plan discrimination testing under the Internal Revenue Code. Each Premier employee who becomes an employee of Fulton or of a Fulton subsidiary will be entitled to full credit for each year of service with Premier for purposes of determining eligibility for vesting in Fulton s employee benefit plans, programs and policies.

Regulatory Approvals

Fulton and Premier must obtain regulatory approvals before the merger can be completed, but cannot assure you that these regulatory approvals will be obtained or when they will be obtained.

It is a condition to completion of the merger that Fulton and Premier receive all necessary regulatory approvals to the merger, without the imposition by any regulator of any condition or requirements that would so materially and adversely impact the economic or business benefits of the merger that, had such condition or requirement been known, Fulton and Premier would not, in the exercise of reasonable judgment, have entered into the merger transaction. Fulton and Premier cannot assure you that the regulatory approvals of the merger will not contain terms, conditions or requirements which would have such an impact.

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Fulton and Premier are not aware of any material governmental approvals or actions that are required to complete the merger, except as described below. If any other approval or action is required, the parties expect that they will seek such approval or action.

The merger is subject to the prior approval of the Board of Governors of the Federal Reserve System pursuant to the Bank Holding Company Act of 1956, as amended. Under this law, the Federal Reserve Board generally may not approve any proposed transaction:

That would result in a monopoly or that would further a combination or conspiracy to monopolize banking in the United States, or

That could substantially lessen competition in any section of the country, that would tend to create a monopoly in any section of the country, or that would be in restraint of trade, unless the Federal Reserve Board finds that the public interest in meeting the convenience and needs of the community served clearly outweighs the anti-competitive effects of the proposed transaction.

The Federal Reserve Board is also required to consider the financial and managerial resources and future prospects of the bank holding companies and banks concerned, as well as the convenience and needs of the community to be served. Consideration of financial resources generally focuses on capital adequacy. Consideration of convenience and needs includes the parties performance under the Community Reinvestment Act of 1977.

The merger may not be completed until the 30th day following the date of the Federal Reserve Board approval, although the Federal Reserve Board may reduce that period to 15 days. During this period, the United States Department of Justice has the opportunity to challenge the transaction on antitrust grounds. The commencement of any antitrust action would stay the effectiveness of the Federal Reserve Board s approval, unless a court of competent jurisdiction specifically ordered otherwise.

Fulton filed notice of the proposed merger with the Federal Reserve Bank of Philadelphia on April 1, 2003, seeking prior approval of the merger from the Federal Reserve Bank, pursuant to authority delegated to it by the Federal Reserve Board. As of the date of this document, the Federal Reserve Bank has not yet approved or disapproved the merger.

The merger is also subject to the prior approval of the Pennsylvania Department of Banking under the provisions of the Pennsylvania Banking Code of 1965, as amended. Fulton filed notice seeking approval of the proposed merger with the Department of Banking on April 1, 2003. As of the date of this document, the Department of Banking has not yet approved or disapproved the merger.

Material Contracts

There have been no other material contracts or other transactions between Premier and Fulton since signing the merger agreement, nor have there been any material contracts, arrangements, relationships or transactions between Premier and Fulton during the past five years, other than in connection with the merger agreement and as described in this document.

Material Federal Income Tax Consequences

To complete the merger, Fulton and Premier must receive an opinion of Barley, Snyder, Senft & Cohen, LLC, counsel to Fulton, that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code, and that Fulton and Premier will each be a party to the reorganization within the meaning of Section 368(b) of the Code. Barley Snyder has provided this opinion and has consented to its inclusion in the registration statement.

In the opinion of Barley, Snyder, Senft & Cohen, LLC, the material federal income tax consequences of the merger will be as follows:

Fulton and Premier will not recognize gain or loss in the merger;

Premier s shareholders will not recognize any gain or loss upon receipt of Fulton common stock in exchange for Premier common stock, except that shareholders who receive cash proceeds for fractional interests will recognize gain or loss equal to the difference between such proceeds and the tax basis allocated to their fractional share interests, and such gain or loss will constitute capital gain or loss if the shareholders held their Premier common stock as a capital asset at the effective date of the merger;

the tax basis of shares of Fulton common stock Premier s shareholders receive in the merger will be the same as the tax basis of their shares of Premier common stock less any basis that would be allocable to a fractional share of Fulton common stock for which cash is received; and

the holding period of the Fulton common stock that Premier s shareholders receive in the merger will include the holding period of their shares of Premier common stock, provided that they hold their Premier common stock as a capital asset at the time of the merger.

This is not a complete description of all the federal income tax consequences of the merger and, in particular, does not address tax considerations that may affect the treatment of shareholders who acquired their Premier common stock pursuant to the exercise of employee stock options or otherwise as compensation, or shareholders which are exempt organizations or who are not citizens or residents of the United States. Each shareholder s individual circumstances may affect the tax consequences of the merger to such shareholder. In addition, this discussion does not address the tax consequences of the merger under applicable state, local, or foreign laws. Accordingly, you should consult a tax advisor to discuss the specific tax consequences of the merger to you.

Accounting Treatment

Fulton will account for the acquisition using the purchase method of accounting. Purchase accounting requires Fulton to allocate the total purchase price of the acquisition to the assets acquired and liabilities assumed, based on their respective fair values at the acquisition date, with any remaining unallocated acquisition cost being recorded as goodwill. Resulting goodwill balances are then subject to an impairment review on at least an annual basis. The results of Premier s operations will be included in Fulton s financial statements prospectively from the date of the acquisition.

The total purchase price is estimated to be approximately $90 million, which includes the cost of Fulton stock to be issued, Premier options to be converted and certain acquisition related costs. The total purchase price will be allocated to the net assets acquired as of the merger effective date, based on fair market values at that date. Fulton expects to record a core deposit intangible asset and goodwill as a result of the acquisition accounting.

The Selected Historical and Pro Forma Combined Per Share Data has been prepared based on Premier s net assets and the fair market values of those net assets as calculated by Premier as of December 31, 2002. In addition, the core deposit intangible was estimated to be $20 million, representing 7% of demand and savings deposits, and was assumed to be amortized over 8 years using an accelerated method. These assumptions resulted in goodwill of approximately $50 million. The actual amounts to be recorded by Fulton to reflect the purchase are dependent on various factors, including but not limited to, the interest rate environment and final valuations for loans and deposits and other assets and liabilities, including the core deposit intangible, and may differ materially from the estimates provided herein.

NASDAQ Listing

The obligation of Premier and Fulton to complete the merger is subject to the condition that Fulton common stock to be issued in the merger be authorized for quotation on the National Market tier of the NASDAQ Stock Market.

Expenses

Fulton and Premier will each pay all their own costs and expenses, including fees and expenses of financial consultants, accountants and legal counsel, except that Fulton will pay for the cost of printing and mailing this document.

Resale Of Fulton Common Stock

The Fulton common stock issued in the merger will be freely transferable under the Securities Act of 1933 except for shares issued to any Premier shareholder who is an affiliate of Premier or Fulton for purposes of SEC Rule 145. This document does not cover resale of Fulton common stock received by any affiliate of Premier or Fulton. Each director and executive officer of Premier will enter into an agreement with Fulton providing that, as an affiliate, he or she will not transfer any Fulton common stock received in the merger except in compliance with the securities laws.

Dissenters Rights

Premier shareholders are not entitled to dissenters right under Subchapter D of Chapter 15 of the Pennsylvania Business Corporation Law of 1988.

Dividend Reinvestment Plan

Fulton currently maintains a shareholder dividend reinvestment plan. This plan provides shareholders of Fulton with a simple and convenient method of investing cash dividends, as well as voluntary cash payments, in additional shares of Fulton common stock without payment of any brokerage commission or service charge. Fulton expects to continue to offer this plan after the effective date of the merger, and shareholders of Premier who become shareholders of Fulton will be eligible to participate in the plan.

Redemption of Preferred Stock

Premier s Series A 9.25% Non-Cumulative Perpetual Preferred Stock is governed by the Statement of Rights, Designations and Preferences amending Premier s Articles of Incorporation. All outstanding shares of Premier s Series A Preferred Stock will be redeemed as of or prior to the effective time of the merger in accordance with its redemption terms. The Statement of Rights provides that the Series A Preferred Stock may not be redeemed prior to June 14, 2007 except in the event of a change of control of Premier. The merger of Premier with Fulton constitutes a change of control. If the Series A Preferred Stock is redeemed prior to June 13, 2003, each share of Series A Preferred Stock will be redeemed at $25.625 per share. If the Series A Preferred Stock is redeemed after June 13, 2003, each share of Series A Preferred Stock will be redeemed at $25.50 per share. The aggregate payment of the redemption price to each holder of Series A preferred stock will be rounded down to the nearest whole cent. Premier will send a notice of redemption to each Series A preferred shareholder not less than 30 days prior to the date set for redemption. The notice will describe the redemption procedure in detail.

Financial Interests Of Management in the Merger

When you are considering the recommendation of Premier s board of directors with respect to approving the merger agreement and the merger, you should be aware that Premier directors and executive officers have interests in the merger as individuals which are in addition to, or different from, their interests as shareholders of Premier. The Premier board of directors was aware of these factors and considered them, among other matters, in approving the merger agreement and the merger. These interests are described below.

Share Ownership and Stock Options

As of the record date, the directors and executive officers of Premier own approximately 1,442,632 shares of Premier common stock, and hold options to purchase approximately 222,170 shares of Premier common stock. On the effective date of the merger, each option will convert into an option to acquire Fulton common stock. The number of shares of Fulton common stock issuable upon the exercise of the converted option will equal the number of shares of Premier common stock covered by the option multiplied by 1.34, and the exercise price for a whole share of Fulton common stock will be the stated exercise price of the option divided by 1.34. Shares issuable upon the exercise of options to acquire Fulton common stock will be issuable in accordance with the terms of the respective plans and grant agreements of Premier under which Premier issued the options.

Change of Control Agreements

Under the merger agreement, Fulton agreed to honor various contractual obligations which have been entered into by Premier and/or its subsidiaries and some of their executive officers, including change of control agreements between Premier, Premier Bank and each of Messrs. Soffronoff, Ginley and Sickel. These agreements generally provide that, in the event that a change of control of Premier or Premier Bank occurs, Premier or Premier Bank shall pay to the executive a lump sum cash severance payment equal to two times the executive s current annual direct salary if the executive leaves or is terminated following the change of control within certain time frames. However, as part of the merger agreement, Messrs. Soffronoff and Ginley agreed to waive their change of control payments and instead accepted employment agreements with Premier Bank that became effective on the date of the merger. These new agreements are described below.

Assuming that his employment by Premier and Premier Bank was terminated following consummation of the merger in the third quarter of 2003 and that Fulton did not offer Mr. Sickel a position having equivalent responsibilities, authority, compensation and benefits as he received immediately prior to the change of control, the amount of the cash severance that would be payable to Mr. Sickel under his change of control agreement with Premier and Premier Bank is $358,000.

Employment Agreements

Messrs. Frame, Ginley and Soffronoff entered into employment agreements with Premier Bank which will become effective on, and are contingent upon, the effectiveness of the merger. Each agreement provides that the respective officer shall be employed for a period of three years from the effective date of the merger. Under their respective agreements, Messrs. Frame, Soffronoff and Ginley are entitled to an annual salary of $160,000, $240,000

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and $235,000, respectively, and will also be entitled to benefits comparable to those offered by Premier Bank on January 16, 2003, including pension, profit sharing, medical and disability benefit programs and other Premier employee benefit plans and Fulton s bonus programs.

For each of Messrs. Frame, Soffronoff and Ginley, in the event his employment was terminated without cause as defined in the agreement, Premier Bank has agreed to pay him the salary and benefits described above for the remaining term of the agreement. Each of them is also entitled to receive two times his salary in the event of a change in control, as defined in the agreement, of Premier Bank or of Fulton. The agreement also provides that for the longer of one year after the termination of his employment or the period of time by which any payment he is to receive is measured, the executive will not compete with Premier Bank.

These employment agreements with Premier Bank replace the Change in Control Agreements that each of Messers. Soffronoff and Ginley had previously entered into with Premier and Premier Bank.

Indemnification and Insurance

The merger agreement provides that Fulton shall indemnify and hold harmless each present and former director, officer and employee of Premier or a Premier subsidiary, determined as of the effective time of the merger, against any costs or expenses, judgments, fines, losses, claims, damages or liabilities incurred in connection with any claim, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative, arising out of matters existing or occurring at or prior to the effective time of the merger, whether asserted or claimed prior to or after the effective time of the merger, arising in whole or in part out of, or pertaining to (i) the fact that he or she was a director, officer or employee of Premier or any of its subsidiaries, or is or was serving at the request of Premier or Premier Bank as a director, officer or employee of an affiliate, or (ii) the merger agreement or any of the transactions contemplated thereby, to the fullest extent permitted by law.

In addition, the merger agreement provides that Fulton shall maintain Premier s existing directors and officers liability insurance policy for acts or omissions occurring prior to the effective time of the merger for the benefit of persons who are currently covered by such insurance policy for a period of four years following the effective time of the merger. Fulton may, however, substitute new policies in lieu of Premier s existing policies if the new policies provide at least the same coverage and amounts containing terms and conditions which are substantially no less advantageous.

Currently, all of Premier and Premier Bank s insurance policies are purchased through Richard B. Ryon Insurance, an agency in which director Richard F. Ryon is a partner.

Directors Fees

Each of Premier s current directors will serve in one or more of the following capacities after the effective date of the merger:

One Premier director, Clark S. Frame, will serve as director of Fulton; and

All Premier Bank directors will continue to serve as directors of Premier Bank.

As such, each non-employee director will be entitled to receive fees for his or her service in such capacity equal to the fees received by him or her from Premier for a period of three years.

Other than as set forth above, no director or executive officer of Premier has any direct or indirect material interest in the merger, except insofar as ownership of Premier common stock might be deemed such an interest. See Security Ownership of Certain Beneficial Owners and Management, beginning on page 61.

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INFORMATION ABOUT FULTON FINANCIAL

General

As permitted by the rules of the SEC, financial and other information relating to Fulton that is not included in or delivered with this document, including information relating to Fulton s directors and executive officers, is incorporated herein by reference. See WHERE YOU CAN FIND MORE INFORMATION on page 68 and INCORPORATION BY REFERENCE on page 68.

Market Price Of And Dividends On Fulton Common Stock And Related Shareholder Matters

The Fulton common stock trades on the NASDAQ National Market under the symbol FULT . As of December 31, 2002, Fulton had 17,251 shareholders of record. The table below shows for the periods indicated the amount of dividends paid per share and the quarterly ranges of high and low sales prices for Fulton common stock as reported by the NASDAQ National Market. Stock price information does not necessarily reflect mark-ups, mark-downs or commissions. Per share amounts have been retroactively adjusted to reflect the effect of stock dividends declared.

	Price Range Per Share		Per Share
	High	Low	Dividend
2003			
First Quarter	$ 18.19	$ 16.69	$ 0.143
Second Quarter (through ____,2003)			
2002			
First Quarter	$ 19.28	$ 16.11	$ 0.130
Second Quarter	19.41	17.36	0.143
Third Quarter	18.66	15.91	0.143
Fourth Quarter	18.21	16.11	0.143
2001			
First Quarter	$ 16.74	$ 14.47	$ 0.116
Second Quarter	17.10	13.92	0.130
Third Quarter	17.52	15.36	0.130
Fourth Quarter	17.30	15.70	0.130

For certain limitations on the ability of Fulton s subsidiaries to pay dividends to Fulton, see Fulton s Annual Report on Form 10-K for the year ended December 31, 2002, which is incorporated herein by reference. See WHERE YOU CAN FIND MORE INFORMATION on page 68.

On January 15, 2003, the last full trading day prior to public announcement of the proposed merger, the high, low and last sales price of Fulton common stock were as follows:

High:	$18.10
Low:	$17.73
Last Sales price:	$17.75

On______, 2003, the most recent practicable date prior to the printing of this document, the high, low and last sales price of Fulton common stock was as follows:

High:	$
Low:	$
Last Sales price:	$

You should obtain current market quotations prior to making any decisions about the merger.

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Indemnification

The Bylaws of Fulton provide for indemnification of its directors, officers, employees and agents to the fullest extent permitted under the laws of the Commonwealth of Pennsylvania, provided that the person seeking indemnification acted in good faith, in a manner he or she reasonably believed to be in the best interests of Fulton, and without willful misconduct or recklessness. Fulton has purchased insurance to indemnify its directors, officers, employees and agents under certain circumstances.

0 9.3 years $0 13.93 594,039 8.3 years 0 13.93 37,975 8.3 years 0 14.52 162,010 8.3 years 0 14.52 16,200 8.3 years 0

14.00 788,549 8.3 years 0 14.11 54,175 8.3 years 0

At September 30, 2012, all unvested stock options outstanding are expected to vest.

On December 29, 2010, the Company granted a restricted stock award of 13,026 shares of the Company s common stock to a senior executive of the Company. The holder of this award participates fully in the rewards of stock ownership of the Company, including voting rights and dividend rights. This award was determined to have a fair value of $13.93 per share based on the average price at which the Company s common stock traded on the date of grant. Forty percent of the award will vest on December 29, 2012, and the remainder will vest in three equal annual installments commencing on December 29, 2013. At September 30, 2012, no restricted common shares were vested. All restricted common shares are expected to vest.

At September 30, 2012, the Company has accrued a liability of $48 thousand representing the maximum cash payment for performance-based stock appreciation rights (SARs) granted in the fiscal year ended June 30, 2011. The SARs expire in December of 2020.

The estimated amount and timing of future pre-tax stock-based compensation expense to be recognized are as follows.

	Fiscal Years Ending June 30,					
	2013	2014	2015	2016	2017	Total
	(Dollars in thousands)					
Stock options	$ 309	$ 399	$ 380	$ 250	$ 64	$ 1,402
Restricted stock	27	36	36	18	0	117
	$ 336	$ 435	$ 416	$ 268	$ 64	$ 1,519

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6. Discontinued Operations

On August 31, 2011, the Company sold customer lists and certain fixed assets of its wholly-owned subsidiary, Northeast Bank Insurance Group, Inc. (NBIG), to local insurance agencies in two separate transactions. The Varney Agency, Inc. of Bangor, Maine, purchased the assets of nine NBIG offices in Anson, Auburn, Augusta, Bethel, Livermore Falls, Scarborough, South Paris, Thomaston and Turner, Maine. The NBIG office in Berwick, Maine, which operates under the name of Spence & Matthews, was acquired by Bradley Scott, previously a member of NBIG s senior management team. The following is a summary of the sale transactions recorded during the quarter ended September 30, 2011 (dollars in thousands).

Sale proceeds	$ 9,726
Less:	
Customer lists and other intangible assets, net	7,379
Fixed assets, net of accumulated depreciation	157
Severance and other direct expenses	661
Pre-tax gain recognized	$ 1,529

Subsequent to the quarter ended September 30, 2011, the Company recognized additional gain on sale of discontinued operations of $37 thousand representing contingent proceeds received, net of expenses. The total gain on sale of discontinued operations was $1.6 million for Fiscal 2012.

Operations associated with NBIG for the periods presented have been classified as discontinued operations in the accompanying consolidated statements of income. The Company has eliminated all intercompany transactions in presenting discontinued operations for each period. In connection with the transaction, the Company repaid borrowings associated with NBIG totaling $2.1 million.

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7. Earnings Per Share (EPS)

EPS is computed by dividing net income allocated to common shareholders by the weighted average common shares outstanding. The following table shows the weighted average number of shares outstanding for the periods indicated. Shares issuable relative to stock options granted have been reflected as an increase in the shares outstanding used to calculate diluted EPS, after applying the treasury stock method. The number of shares outstanding for basic and diluted EPS is presented as follows:

	Three months Ended September 30, 2012	2011
	(Dollars in thousands, except share and per share data)	
Net income	$ 1,034	$ 529
Preferred stock dividends	(53)	(53)
Accretion of preferred stock	(45)	(45)
Net income (loss) available to common shareholders	$ 936	$ 431
Weighted average shares used in calculation of basic earnings per share	10,383,441	3,494,498
Incremental shares from assumed exercise of dilutive securities	0	19,047
Weighted average shares used in calculation of diluted earnings per share	10,383,441	3,513,545
Earnings per common share:		
Income (loss) from continuing operations	$ 0.09	$ (0.13)
Income from discontinued operations	0.00	0.25
Earnings per common share	$ 0.09	$ 0.12
Diluted earnings per common share:		
Income (loss) from continuing operations	$ 0.09	$ (0.13)
Income from discontinued operations	0.00	0.25
Diluted earnings per common share	$ 0.09	$ 0.12

Anti-dilutive options and warrants excluded from the calculation of dilutive earnings per share follow.

	Three Months Ended September 30, 2012	2011
Stock options	788,549	756,049
Warrants	67,958	0
	856,507	756,049

8. Fair Value Measurements

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Company s own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. If there has been a significant decrease in the volume and level of activity for the asset or liability, regardless of the valuation technique(s) used, the objective of a fair value measurement remains the same. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. The Company uses prices and inputs that are current

as of the measurement date, including in periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many instruments. This condition could cause an instrument to be reclassified from one level to another.

ASC 820 defines fair value and establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below:

Level 1 Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 Valuations based on significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for instruments categorized in Level 3. A financial instrument s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

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Valuation techniques   There have been no changes in the valuation techniques used during the current period.

Assets and Liabilities Measured at Fair Value on a Recurring Basis:

Available-for-sale securities   Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Examples of such instruments include publicly-traded common and preferred stocks. If quoted prices are not available, then fair values are estimated by using pricing models (*i.e.*, matrix pricing) and market interest rates and credit assumptions or quoted prices of securities with similar characteristics and are classified within Level 2 of the valuation hierarchy. Examples of such instruments include government agency and government sponsored agency mortgage-backed securities, as well as certain preferred and trust preferred stocks. Level 3 securities are securities for which significant unobservable inputs are utilized.

Derivative financial instruments   The valuation of the Company s interest rate swaps and caps are determined using widely accepted valuation techniques including discounted cash flow analyses on the expected cash flows of derivatives. These analyses reflect the contractual terms of the derivatives, including the period to maturity, and use observable market-based inputs, including interest rate curves and implied volatilities. Unobservable inputs, such as credit valuation adjustments are insignificant to the overall valuation of the Company s derivative financial instruments. Accordingly, the Company has determined that its interest rate derivatives fall within Level 2 of the fair value hierarchy.

The fair value of derivative loan commitments and forward loan sale agreements are estimated using the anticipated market price based on pricing indications provided from syndicate banks. These commitments and agreements are categorized as Level 2. The fair value of such instruments was nominal at each date presented.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis:

Impaired Loans   Valuations of impaired loans measured at fair value are determined by a review of collateral values. Certain inputs used in appraisals are not always observable, and therefore impaired loans are generally categorized as Level 3 within the fair value hierarchy.

Repossessed collateral   The fair values of other real estate owned and other repossessed collateral are estimated based upon appraised values less estimated costs to sell. Certain inputs used in appraisals are not always observable, and therefore repossessed collateral may be categorized as Level 3 within the fair value hierarchy. When inputs used in appraisals are primarily observable, they are classified as Level 2.

Fair Value of other Financial Instruments:

Cash and cash equivalents   The fair value of cash, due from banks, interest bearing deposits and FHLB overnight deposits approximates their relative book values, as these financial instruments have short maturities.

FHLB and Federal Reserve stock   The carrying value of FHLB stock and Federal Reserve stock approximates fair value based on redemption provisions of the FHLB and the Federal Reserve.

Loans   Fair values are estimated for portfolios of loans with similar financial characteristics. The fair value of performing loans is calculated by discounting scheduled cash flows through the estimated maturity using estimated market discount rates that reflect the credit and interest rate risk inherent in the loan. The estimates of maturity are based on the Company s historical experience with repayments for each loan classification, modified, as required, by an estimate of the effect of current economic conditions, lending conditions and the effects of estimated prepayments.

Loans held for sale   The fair value of loans held-for-sale is estimated based on bid quotations received from loan dealers.

Interest receivable   The fair value of this financial instrument approximates the book value as this financial instrument has a short maturity. It is the Company s policy to stop accruing interest on loans past due by more than ninety days. Therefore, this financial instrument has been adjusted for estimated credit loss.

Deposits   The fair value of deposits with no stated maturity, such as noninterest-bearing demand deposits, savings, NOW accounts and money market accounts, is equal to the amount payable on demand. The fair values of time deposits are based on the discounted value of contractual cash flows. The discount rate is estimated using the rates currently offered for deposits of similar remaining maturities. The fair value estimates do not include the benefit that results from the low-cost funding provided by the deposit liabilities compared to the cost of borrowing funds in the market. If that value were considered, the fair value of the Company s net assets could increase.

Borrowings The fair value of the Company s borrowings with the FHLB is estimated by discounting the cash flows through maturity or the next repricing date based on current rates available to the Company for borrowings with similar maturities. The fair value of the Company s short-term borrowings, capital lease obligations, structured repurchase agreements and other borrowings is estimated by discounting the cash flows through maturity based on current rates available to the Company for borrowings with similar maturities.

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Off-Balance Sheet Credit-Related Instruments Fair values for off-balance-sheet, credit-related financial instruments are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties credit standing. The fair value of such instruments was nominal at each date presented.

Assets and liabilities measured at fair value on a recurring basis are summarized below.

	September 30, 2012			
	Total	Level 1	Level 2	Level 3
	(Dollars in thousands)			
Assets				
Securities available-for-sale				
U.S. Government agency securities	$ 45,750	$ 0	$ 45,750	$ 0
Agency mortgage-backed securities	91,319	0	91,319	0
Other assets interest rate caps	0	0	0	0
Liabilities				
Other liabilities interest rate swap	$ 575	$ 0	$ 575	$ 0

	June 30, 2012			
	Total	Level 1	Level 2	Level 3
	(Dollars in thousands)			
Assets				
Securities available-for-sale				
U.S. Government agency securities	$ 45,808	$ 0	$ 45,808	$ 0
Agency mortgage-backed securities	87,456	0	87,456	0
Other assets interest rate caps	1	0	1	0
Liabilities				
Other liabilities interest rate swap	$ 580	$ 0	$ 580	$ 0

There were no significant transfers between the three levels of the fair value hierarchy for the quarters ended September 30, 2012 and 2011.

Assets measured at fair value on a nonrecurring basis are summarized below.

	September 30, 2012			
	Total	Level 1	Level 2	Level 3
	(Dollars in thousands)			
Impaired loans	$ 841	$ 0	$ 0	$ 841
Repossessed collateral	1,129	0	0	1,129

	June 30, 2012			
	Total	Level 1	Level 2	Level 3
	(Dollars in thousands)			
Impaired loans	$ 1,103	$ 0	$ 0	$ 1,103
Repossessed collateral	834	0	0	834

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The following table presents the estimated fair value of the Company s financial instruments.

	Carrying Amount	Fair Value Measurements at September 30, 2012			
		Total	Level 1	Level 2	Level 3
			(Dollars in thousands)		
Financial assets:					
Cash and cash equivalents	$ 102,572	$ 102,572	$ 102,572	$ 0	$ 0
Available-for-sale securities	137,069	137,069	0	137,069	0
Regulatory stock	5,473	5,473	0	5,473	0
Loans held for sale	12,986	13,005	0	13,005	0
Loans, net	374,525	396,947	0	0	396,947
Accrued interest receivable	1,751	1,751	0	1,751	0
Interest rate caps	0	0	0	0	0
Financial liabilities:					
Deposits	455,775	460,273	0	460,273	0
FHLB advances	43,331	45,662	0	45,662	0
Structured repurchase agreements	35,821	36,868	0	36,868	0
Short-term borrowings	484	484	0	484	0
Capital lease obligation	1,869	2,167	0	2,167	0
Subordinated debentures	8,146	8,324	0	0	8,324
Interest rate swaps	575	575	0	575	0

	Carrying Amount	Fair Value Measurements at June 30, 2012			
		Total	Level 1	Level 2	Level 3
			(Dollars in thousands)		
Financial assets:					
Cash and cash equivalents	$ 128,274	$ 128,274	$ 128,274	$ 0	$ 0
Available-for-sale securities	133,264	133,264	0	133,264	0
Regulatory stock	5,473	5,473	0	5,473	0
Loans held for sale	9,882	9,896	0	9,896	0
Loans, net	355,430	374,062	0	0	374,062
Accrued interest receivable	1,840	1,840	0	1,840	0
Interest rate caps	1	1	0	1	0
Financial liabilities:					
Deposits	422,188	425,782	0	425,782	0
FHLB advances	43,450	45,747	0	45,747	0
Structured repurchase agreements	66,183	67,314	0	67,314	0
Short-term borrowings	1,209	1,209	0	1,209	0
Capital lease obligation	1,911	2,202	0	2,202	0
Subordinated debentures	8,106	8,597	0	0	8,597
Interest rate swaps	580	580	0	580	0

9. Derivatives and Hedging Activities

The Company has stand alone derivative financial instruments in the form of interest rate caps that derive their value from a fee paid and are adjusted to fair value based on index and strike rate, and a swap agreement that derives its value from the underlying interest rate. These transactions involve both credit and market risk. The notional amounts are amounts on which calculations, payments and the value of the derivative are based. Notional amounts do not represent direct credit exposures. Direct credit exposure is limited to the net difference between the calculated amounts to be received and paid, if any. Such differences, which represent the fair value of the derivative instruments, are recognized as derivative assets and derivative liabilities.

The Company is exposed to credit-related losses in the event of nonperformance by the counterparties to these agreements. The Company controls the credit risk of its financial contracts through credit approvals, limits and monitoring procedures, and does not expect any counterparties to fail their obligations. Institutional counterparties must have an investment grade credit rating and be approved by the

Company s Board of Directors. The Company deals only with primary dealers. The Company s credit exposure on interest rate swaps is limited to the net positive fair value and accrued interest of all swaps with each counterparty.

At September 30, 2012 and June 30, 2012, the Company had cash totaling $800 thousand in a margin account with the dealer bank associated with its interest rate swap.

Risk Management Policies Hedging Instruments

The Company evaluates the effectiveness of entering into any derivative instrument agreement by measuring the cost of such an agreement in relation to the reduction in net income volatility within an assumed range of interest rates.

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Interest Rate Risk Management Cash Flow Hedging Instruments

The Company uses long-term variable rate debt as a source of funds for use in the Company s lending and investment activities and other general business purposes. These debt obligations expose the Company to variability in interest payments due to changes in interest rates. If interest rates increase, interest expense increases. Conversely, if interest rates decrease, interest expense decreases. Management believes it is prudent to limit the variability of a portion of its interest payments and, therefore, generally hedges a portion of its variable-rate interest payments. To meet this objective, management entered into interest rate caps whereby the Company receives variable interest payments above a specified interest rate and swap agreements whereby the Company receives variable interest rate payments and makes fixed interest rate payments during the contract period.

The Company holds two interest rate caps that expire on September 30, 2014. The swap agreement provides for the Company to receive payments at a variable rate determined by a specified index (three month LIBOR) in exchange for making payments at a fixed rate.

Information pertaining to outstanding interest rate caps and swap agreements used to hedge variable rate debt is as follows.

During the three months ended September 30, 2012 and 2011, no interest rate cap or swap agreements were terminated prior to maturity. Changes in the fair value of interest rate caps and swaps designated as hedging instruments of the variability of cash flows associated with long-term debt are reported in other comprehensive income. These amounts subsequently are reclassified into interest expense as a yield adjustment in the same period in which the related interest on the long-term debt affects earnings. Risk management results for the three months ended September 30, 2012 and 2011 related to the balance sheet hedging of long-term debt indicates that the hedges were effective.

The Company recorded interest income of $25 thousand related to hedge ineffectiveness in each of the three months ended September 30, 2012 and 2011. This ineffectiveness related to the Company s interest rate swap. The Company expects to record interest income of $100 thousand related to ineffectiveness in the next twelve months.

The Company reclassified interest expense of $7 thousand and $4 thousand related to the effective portion of purchased interest rate caps during the three months ended September 30, 2012 and 2011, respectively. The Company expects to record interest expense of $28 thousand related to its purchased interest rate caps in the next twelve months.

	September 30, 2012		June 30, 2012	
	Interest Rate Caps	Interest Rate Swap	Interest Rate Caps	Interest Rate Swap
	(Dollars in thousands)			
Notional amount	$ 6,000	$ 10,000	$ 6,000	$ 10,000
Weighted average pay rate		4.69%		4.69%
Weighted average receive rate		2.35%		2.36%
Strike rate based on three month LIBOR	2.51%		2.51%	
Weighted average maturity in years	2.00	2.42	2.25	2.67
Unrealized loss	$ 63	$ 335	$ 69	$ 315

The following sets forth the fair values and location of derivatives designated as hedging instruments.

September 30, 2012
(Dollars in thousands)

Asset Derivatives	Balance Sheet Location	Fair Value
Interest rate caps	Other assets	$ 0

Liability Derivatives	Balance Sheet Location	Fair Value
Interest rate swap	Other liabilities	$ 575

June 30, 2012

(Dollars in thousands)

Asset Derivatives	Balance Sheet Location	Fair Value
Interest rate caps	Other assets	$ 1

Liability Derivatives	Balance Sheet Location	Fair Value
Interest rate swap	Other liabilities	$ 580

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10. Other Comprehensive (Loss) Income

The components of other comprehensive (loss) income follow.

	Three Months Ended September 30, 2012			2011		
	Pre-tax Amount	Tax Expense (Benefit)	After-tax Amount	Pre-tax Amount	Tax Expense (Benefit)	After-tax Amount
	(Dollars in thousands)					
Unrealized holding gains on available-for-sale securities	$ 157	$ 53	$ 104	$ 1,635	$ 556	$ 1,079
Less: Realized gains (losses)	792	269	523	(53)	(18)	(35)
Unrealized (losses) gains on available-for-sale securities, net	(635)	(216)	(419)	1,688	574	1,114
Unrealized gains on cash flow hedges	6	2	4	(199)	(68)	(131)
Less: Realized gains	18	6	12	22	8	14
Unrealized losses on cash flow hedges, net	(12)	(4)	(8)	(221)	(76)	(145)
Total other comprehensive (loss) income	$ (647)	$ (220)	$ (427)	$ 1,467	$ 498	$ 969

Accumulated other comprehensive (loss) income is comprised of the following.

	September 30, 2012	June 30, 2012
	(Dollars in thousands)	
Unrealized (loss) gain on available-for-sale securities	$ (10)	$ 624
Tax effect	3	(212)
Net-of-tax amount	(7)	412
Unrealized loss on cash flow hedges	(399)	(384)
Tax effect	137	130
Net-of-tax amount	(262)	(254)
Accumulated other comprehensive (loss) income	$ (269)	$ 158

11. Troubled Asset Relief Capital Purchase Program

On December 12, 2008, in connection with the Company s participation in the federal government s TARP Capital Purchase Program, the Company issued 4,227 shares of Fixed Rate Cumulative Perpetual Preferred Stock, Series A, liquidation preference $1,000 per share (the Series A Preferred Stock), and a warrant to purchase 67,958 shares of the Company s common stock (the TARP Warrant) to the U.S. Department of the Treasury (the Treasury) for aggregate proceeds of $4.2 million.

The Series A Preferred Stock qualifies as Tier 1 capital and pays cumulative dividends at a rate of 5% per annum until February 14, 2014. Thereafter, the dividend rate will increase to 9% per annum. On and after February 15, 2012, the Company may, at its option, redeem shares of Series A Preferred Stock, in whole or in part, at any time and from time to time, for cash at a per share amount equal to the sum of the liquidation preference per share plus any accrued and unpaid dividends. Any redemption of a share of Series A Preferred Stock would be at one hundred percent (100%) of its issue price, plus any accrued and unpaid dividends and the Series A Preferred Stock may be redeemed without

regard to whether the Company has replaced such funds from any other source, or to any waiting period.

The TARP Warrant is exercisable at $9.33 per share at any time on or before December 12, 2018. The number of shares of the Company s common stock issuable upon exercise of the TARP Warrant and the exercise price per share will be adjusted if specific events occur. Treasury has agreed not to exercise voting power with respect to any shares of common stock issued upon exercise of the TARP Warrant. Neither the Series A Preferred Stock nor the TARP Warrant will be subject to any contractual restrictions on transfer, except that the Treasury may not transfer a portion of the Warrant with respect to, or exercise the TARP Warrant for, more than one-half of the shares of common stock underlying the TARP Warrant prior to the date on which the Company has received aggregate gross proceeds of not less than $4.2 million from one or more qualified equity offerings.

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the consolidated financial statements, notes and tables included in Northeast Bancorp s Annual Report on Form 10-K for the fiscal year ended June 30, 2012, filed with the Securities and Exchange Commission.

A Note about Forward Looking Statements

This report contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended, such as statements relating to the Company s financial condition, prospective results of operations, future performance or expectations, plans, objectives, prospects, loan loss allowance adequacy, simulation of changes in interest rates, capital spending and finance sources, and revenue sources. These statements relate to expectations concerning matters that are not historical facts. Accordingly, statements that are based on management s projections, estimates, assumptions, and judgments constitute forward-looking statements. These forward-looking statements, which are based on various assumptions (some of which are beyond the Company s control), may be identified by reference to a future period or periods, or by the use of forward-looking terminology such as believe , expect , estimate , anticipate , continue , plan , approximately , intend , objective , goal , project , or other similar terms or variations the future or conditional verbs such as will , may , should , could , and would . In addition, the Company may from time to time make such oral written forward-looking statements in future filings with the Securities and Exchange Commission (including exhibits thereto), in its reports to shareholders, and in other communications made by or with the Company s approval.

Such forward-looking statements reflect the Company s current views and expectations based largely on information currently available to its management, and on the Company s current expectations, assumptions, plans, estimates, judgments, and projections about its business and industry, and they involve inherent risks and uncertainties. Although the Company believes that these forward-looking statements are based on reasonable estimates and assumptions, they are not guarantees of future performance and are subject to known and unknown risks, uncertainties, contingencies, and other factors. Accordingly, the Company cannot give you any assurance that its expectations will, in fact, occur or that its estimates or assumptions will be correct. The Company cautions you that actual results could differ materially from those expressed or implied by such forward-looking statements as a result of, among other factors, changes in interest rates and real estate values; competitive pressures from other financial institutions; the effects of a continuing deterioration in general economic conditions on a national basis or in the local markets in which the Company operates, including changes which adversely affect borrowers ability to service and repay the Company s loans; changes in loan defaults and charge-off rates; changes in the value of securities and other assets, adequacy of loan loss reserves, or deposit levels necessitating increased borrowing to fund loans and investments; changes in government regulation; changes in the rules of participation for the TARP Capital Purchase Program promulgated by the U.S. Department of the Treasury under the Emergency Economic Stabilization Act of 2008, which may be changed unilaterally and restrictively by legislative or regulatory actions; establishment of a consumer financial protection bureau with the broad authority to implement new consumer protection regulations; the risk that the Company may not be successful in the implementation of its business strategy; the risk that intangibles recorded in the Company s financial statements will become impaired; changes in assumptions used in making such forward-looking statements; and the other risks and uncertainties detailed in the Company s Annual Report on Form 10-K for the fiscal year ended June 30, 2012 as updated in the Company s Quarterly Reports on Form 10-Q and other filings submitted to the Securities and Exchange Commission. These forward-looking statements speak only as of the date of this report and the Company does not undertake any obligation to update or revise any of these forward-looking statements to reflect events or circumstances occurring after the date of this report or to reflect the occurrence of unanticipated events.

Description of Business and Strategy

Business Overview

Northeast Bancorp (we, our, us, Northeast or the Company), a Maine corporation chartered in April 1987, is a bank holding company registe with the Board of Governors of the Federal Reserve System (Federal Reserve) under the Bank Holding Company Act of 1956, as amended. The Company s primary subsidiary and principal asset is its wholly-owned banking subsidiary, Northeast Bank (the Bank or Northeast Bank), which has ten banking branches. The Bank, which was originally organized in 1872 as a Maine-chartered mutual savings bank and was formerly known as Bethel Savings Bank F.S.B., is a Maine state-chartered bank and a member of the Federal Reserve System. As such, the Company and the Bank are currently subject to the regulatory oversight of the Federal Reserve and the State of Maine Bureau of Financial Institutions (the Bureau).

On December 29, 2010, the merger of the Company and FHB Formation LLC, a Delaware limited liability company (FHB), was consummated. As a result of the merger, the surviving company received a capital contribution of $16.2 million (in addition to the approximately $13.1 million in cash consideration paid to former shareholders), and the former members of FHB collectively acquired approximately 60% of the Company s outstanding common stock. The Company applied the acquisition method of accounting, as described in Accounting Standards Codification (ASC) 805, *Business Combinations* (ASC 805) to the merger, which represents an acquisition by FHB of Northeast, with Northeast as the surviving company.

In connection with the transaction, as part of the regulatory approval process, the Company and the Bank made certain commitments to the Federal Reserve and the Bureau, the most significant of which are (i) to maintain a Tier 1 leverage ratio of at least 10%, (ii) to

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maintain a total risk-based capital ratio of at least 15%, (iii) to limit purchased loans to 40% of total loans, (iv) to fund 100% of the Company s loans with core deposits (defined as non-maturity deposits and non-brokered insured time deposits), and (v) to hold commercial real estate loans (including owner-occupied commercial real estate) to within 300% of total risk-based capital. The Company and the Bank are currently in compliance with all commitments to the Federal Reserve and the Bureau.

As of September 30, 2012, the Company, on a consolidated basis, had total assets of $670.9 million, total deposits of $455.8 million, and stockholders equity of $118.9 million. The Company gathers retail deposits through its Community Banking Division s banking offices in Maine and through its online affinity deposit program, ableBanking; originates loans through its Community Banking Division; and purchases performing commercial real estate loans at a discount through its Loan Acquisition and Servicing Group (LASG). The Company operates the Community Banking Division from Lewiston, Maine, which operates ten full-service branches, some with investment centers, and four loan production offices that serve individuals and businesses located in western and south-central Maine and southern New Hampshire. The Company operates ableBanking and the LASG from its offices in Boston, Massachusetts.

In August of 2011, the Company sold the customer lists and certain other assets of its insurance agency division, Northeast Bank Insurance Group (NBIG). The operations of NBIG have been reported as discontinued operations in the consolidated financial statements and in the discussion herein.

In May of 2012, the Company raised net proceeds of $52.7 million through the sale of shares of its common stock.

Unless the context otherwise requires, references herein to the Company include the Company and its subsidiary on a consolidated basis.

Strategy

The Company s goal is to prudently grow its franchise, while maintaining sound operations and risk management, by implementing the following strategies:

Measured growth of the purchased loan portfolio. The LASG purchases performing commercial real estate loans, on a nationwide basis, at a discount from their outstanding principal balances, producing yields higher than those normally achieved on our originated loan portfolio.

Loans are purchased on a nationwide basis from a variety of sources, including banks, insurance companies, investment funds and government agencies, either directly or indirectly through a broker. We expect that loans purchased by the LASG will, subject to compliance with applicable regulatory commitments, represent an increasing percentage of our total loan portfolio in the future.

Focus on core deposits. The Bank offers a full line of deposit products to customers in the Community Banking Division s market area through its ten-branch network. In addition, we launched our online affinity deposit program, ableBanking, a division of Northeast Bank in the quarter ended June 30, 2012. One of the Company s strategic goals is for ableBanking to provide an additional channel through which to raise core deposits to fund the acquisition of loans by the LASG.

Continuing our community banking tradition. The Community Banking Division retains a high degree of local autonomy and operational flexibility to better serve its customers. The Community Banking Division s focus on sales and service is expected to allow us to attract and retain core deposits in support of balance sheet growth, and to continue to generate new loans, particularly through the efforts of the residential mortgage origination team.

Critical Accounting Policies

Critical accounting policies are those that involve significant judgments and assessments by management, and which could potentially result in materially different results under different assumptions and conditions. The reader is encouraged to review each of the policies included in Form 10-K for the year ended June 30, 2012 to gain a better understanding of how Northeast s financial performance is measured and reported. There has been no material change in critical accounting policies during the three months ended September 30, 2012.

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Overview

Net income for the quarter ended September 30, 2012 was $1.0 million, or $0.09 per diluted common share, compared to net income of $529 thousand, or $0.12 per diluted common share, for the quarter ended September 30, 2011. The 2011 quarter included a $594 thousand net loss, or $0.13 per diluted share, from continuing operations and $1.1 million of net income, or $0.25 per diluted common share, from discontinued operations. Weighted average common shares outstanding increased to 10.4 million in the quarter ended September 30, 2012 from 3.5 million in the quarter ended September 30, 2011 as a result of the Company s public offering of common stock in May 2012.

The Company s net interest margin was 3.80% for the quarter ended September 30, 2012, compared to 3.11% in the quarter ended September 30, 2011, an increase principally attributable to net loan growth in the LASG portfolio. The average balance of purchased loans totaled $83.4 million during the quarter ended September 30, 2012, compared to $11.1 million during the quarter ended September 30, 2011.

During the quarter ended September 30, 2012, the LASG purchased loans totaling $31.3 million, and grew the purchased loan portfolio on a net basis to $107.4 million at quarter end. Additionally, the LASG originated $8.8 million in commercial loans, thereby increasing its originated book to $12.6 million at quarter end. An overview of LASG portfolio results for the three months ended September 30, 2012 follows.

	Purchased	Originated	Total LASG
		(Dollars in thousands)	
Purchased or originated during the three months ended September 30, 2012:			
Unpaid principal balance	$ 42,273	$ 8,799	$ 51,072
Net investment basis (1)	31,349	8,799	40,148
Totals as of September 30, 2012:			
Unpaid principal balance	$ 133,510	$ 12,594	$ 146,104
Net investment basis	107,442	12,595	120,037
Returns during the three months ended September 30, 2012:			
Yield	15.13%	9.54%	14.58%
Total Return (2)	17.41%	9.54%	16.63%

(1) Net investment basis of loans purchased in the quarter ended September 30, 2012 includes $326 thousand advanced on a purchased loan.
(2) The total return on purchased loans represents scheduled accretion, accelerated accretion, gains on asset sales, and other noninterest income recorded in connection with purchased loans during the period divided by the average invested balance, on an annualized basis.

Financial Condition

Overview

Total assets increased by $1.7 million, or 0.3%, to $670.9 million at September 30, 2012, compared to June 30, 2012. The principal components of the change in the balance sheet were as follows:

1. Loan growth of $18.9 million, or 5.3%, principally due to net growth of $23.0 million in the Bank s purchased loan portfolio and $7.5 million of commercial loans originated by the LASG, offset in part by net amortization and payoffs of $11.6 million in the Community Banking Division loan portfolio. In conjunction with one purchased pool, the Bank acquired the right to service the guaranteed portion of $44 million of SBA loans at an average annual gross servicing fee equal to approximately 1%.

2. Deposit growth of $33.6 million, or 8.0%, consisting of a $10.5 million increase in deposits raised through ableBanking, the Bank s online affinity deposit platform, $15.5 million raised through the Bank s community banking branch network, and $7.6 million generated through deposit listing service referrals.

3. A $31.2 million, or 25.8%, decrease in borrowings, the result primarily of the repayment of structured repurchase agreements totaling $30.0 million during the quarter.

4. A $25.7 million decrease in cash and equivalents, principally the result of loan growth during the quarter.

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Assets

Cash, Short-term Investments and Securities

Cash and short-term investments were $102.6 million as of September 30, 2012, a decrease of $25.7 million, or 20.0%, from $128.3 million at June 30, 2012. This decrease is principally the result of the following balance sheet changes: i) net loan growth of $18.9 million, ii) net increases in investment securities and loans held for sale of $3.8 million and $3.1 million, respectively, iii) the repayment of structured repurchase agreements totaling $30.0 million, and iv) net deposit growth of $33.6 million.

Available-for-sale securities, consisting of securities issued by government agencies and government-sponsored enterprises, totaled $137.1 million as of September 30, 2012. At quarter end, securities with a fair value of $54.9 million were pledged for outstanding borrowings.

Loan Portfolio

Total loans, excluding loans held for sale, amounted to $375.2 million as of September 30, 2012, an increase of $18.9 million, or 5.3%, from $356.3 million as of June 30, 2012. The increase consisted of growth in the purchased loan portfolio of $23.0 million, partially offset by a $4.1 million decrease in originated loans. The net decrease in originated loans consisted of an $11.5 million decrease in loans originated by the Community Banking Division and a net increase of $7.5 million of LASG originated commercial loans. The decrease in Community Banking Division loans was principally due to net runoff in residential and commercial real estate loan portfolios.

The Company continues to sell most of its originated fixed-rate residential real estate loans in the secondary market. The principal balance of residential real estate loans sold during the three months ended September 30, 2012 totaled $35.1 million, resulting in net gains of $756 thousand.

The composition of the Company s loan portfolio follows.

	September 30, 2012			
	Community Banking Division	LASG	Total	Percent of Total
	(Dollars in thousands)			
Originated loans:				
Residential real estate	$ 89,394	$ 151	$ 89,545	23.87%
Home equity	40,576	0	40,576	10.81%
Commercial real estate	93,692	8,396	102,088	27.21%
Construction	508	0	508	0.14%
Commercial business	15,153	4,048	19,201	5.12%
Consumer	15,833	0	15,833	4.22%
Subtotal	255,156	12,595	267,751	71.37%
Purchased loans:				
Residential real estate	0	3,655	3,655	0.97%
Commercial real estate	0	103,787	103,787	27.66%
Subtotal	0	107,442	107,442	28.63%
Total	$ 255,156	$ 120,037	$ 375,193	100.00%

	June 30, 2012			
	Community Banking Division	LASG	Total	Percent of Total
	(Dollars in thousands)			

Originated loans:				
Residential real estate	$ 90,793	$ 151	$ 90,944	25.53%
Home equity	42,696	0	42,696	11.98%
Commercial real estate	97,146	3,050	100,196	28.12%
Construction	1,187	0	1,187	0.33%
Commercial business	17,732	1,880	19,612	5.51%
Consumer	17,149	0	17,149	4.81%
Subtotal	266,703	5,081	271,784	76.28%
Purchased loans:				
Residential real estate	0	3,931	3,931	1.10%
Commercial real estate	0	80,539	80,539	22.62%
Subtotal	0	84,470	84,470	23.72%
Total	$ 266,703	$ 89,551	$ 356,254	100.00%

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Classification of Assets

Loans are classified as non-performing when 90 days past due, unless a loan is well-secured and in process of collection. Loans less than 90 days past due, for which collection of principal or interest is considered doubtful, also may be designated as non-performing. In both situations, accrual of interest ceases. The Company typically maintains such loans as non-performing until the respective borrowers have demonstrated a sustained period of payment performance.

In cases where a borrower experiences financial difficulties and the Company makes certain concessionary modifications to contractual terms, the loan is classified as a troubled debt restructuring (TDR). Concessionary modifications may include adjustments to interest rates, extensions of maturity, and other actions intended to minimize economic loss and avoid foreclosure or repossession of collateral. Nonaccrual loans that are restructured generally remain on nonaccrual for a minimum period of six months to demonstrate that the borrower can meet the restructured terms. If the restructured loan is on accrual status prior to being modified, it is reviewed to determine if the modified loan should remain on accrual status. If the borrower s ability to meet the revised payment schedule is not reasonably assured, the loan is classified as a nonaccrual loan. Loans classified as TDRs remain classified as such until the loan is paid off.

Other nonperforming assets include other real estate owned (OREO) and other personal property securing loans repossessed by the Company. The real estate and personal property collateral for commercial and consumer loans is written down to its estimated realizable value upon repossession. Revenues and expenses are recognized in the period when received or incurred on other real estate and in substance foreclosures. Gains and losses on disposition are recognized in noninterest income.

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The following table shows details the Company s nonperforming assets and other credit quality indicators as of September 30, 2012 and June 30, 2012. The net increase in nonperforming assets during the quarter was principally due to the acquisition of a loan pool in late September that included $667 thousand of nonperforming loans.

	Non-Performing Assets at September 30, 2012		
	Community Banking Division	LASG	Total
	(Dollars in thousands)		
Loans:			
Residential real estate	$ 3,184	$ 0	$ 3,184
Home equity	289	0	289
Commercial real estate	626	667	1,293
Construction	0	0	0
Commercial business	133	0	133
Consumer	181	0	181
Subtotal	4,413	667	5,080
Repossessed collateral	1,129	1,516	2,645
Total	$ 5,542	$ 2,183	$ 7,725
Ratio of nonperforming loans to total loans			1.35%
Ratio of nonperforming assets to total assets			1.15%
Ratio of loans past due to total loans			1.65%
Nonperforming loans that are current			$ 674
Commercial loans risk rated substandard or worse			$ 2,717
Troubled debt restructurings:			
On accrual status			$ 2,010
On nonaccrual status			$ 611

	Non-Performing Assets at June 30, 2012		
	Community Banking Division	LASG	Total
	(Dollars in thousands)		
Loans:			
Residential real estate	$ 3,090	$ 0	$ 3,090
Home equity	220	0	220
Commercial real estate	417	1,055	1,472
Construction	0	0	0
Commercial business	1,008	0	1,008
Consumer	324	0	324
Subtotal	5,059	1,055	6,114
Repossessed collateral	834	0	834
Total	$ 5,893	$ 1,055	$ 6,948
Ratio of nonperforming loans to total loans			1.72%
Ratio of nonperforming assets to total assets			1.04%
Ratio of loans past due to total loans			1.95%
Nonperforming loans that are current			$ 377
Commercial loans risk rated substandard or worse			$ 2,486
Troubled debt restructurings:			

On accrual status	$ 1,165
Nonaccrual status	$ 139

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Allowance for Loan Losses

In connection with the application of the acquisition method of accounting for the merger on December 29, 2010, the allowance for loan losses was reduced to zero when the loan portfolio was marked to its then current fair value. Since that date, the Company has provided for an allowance for loan losses as new loans are originated or in the event that credit exposure in the pre-merger loan portfolio or other acquired loans exceeds the exposure estimated when initial fair values were determined.

The Company s allowance for loan losses was $668 thousand as of September 30, 2012, which represents a decrease of $156 thousand from $824 thousand as of June 30, 2012. The decrease during the quarter ended September 30, 2012 was principally due to the partial charge-off related to one commercial loan relationship totaling $203 thousand. Loan loss reserves related to this credit were allocated in a prior period.

The following table details ratios related to the allowance for loan losses for the periods indicated.

	September 30, 2012	June 30, 2012	September 30, 2011
Allowance for loan losses to nonperforming loans	13.15%	13.48%	9.55%
Allowance for loan losses to total loans	0.18%	0.23%	0.22%

While management believes that it uses the best information available to make its determinations with respect to the allowance, there can be no assurance that the Company will not have to increase its provision for loan losses in the future as a result of changing economic conditions, adverse markets for real estate or other factors.

Other Assets

The cash surrender value of the Company s bank-owned life insurance (BOLI) assets increased $123 thousand, or 0.9% to $14.4 million at September 30, 2012, compared to $14.3 million at June 30, 2012. Increases in cash surrender value are recognized in other income and are not subject to income taxes. Borrowing on or surrendering a policy may subject the Company to income tax expense on the increase in cash surrender value. For these reasons, management considers BOLI an illiquid asset. BOLI represented 11.6% of the Company s total risk-based capital at September 30, 2012.

Intangible assets totaled $4.2 million and $4.5 million at September 30, 2012 and June 30, 2012, respectively. The $265 thousand decrease was the result of core deposit intangible asset amortization during the period.

Deposits, Borrowed Funds, Capital Resources and Liquidity

Deposits

The Company s principal source of funding is its core deposit accounts. At September 30, 2012, non-maturity accounts and certificates of deposit with balances less than $250 thousand represented 98.2% of total deposits.

Total deposits increased $33.6 million to $455.8 million as of September 30, 2012 from $422.2 million as of June 30, 2012. The increase was the result of a $10.5 million increase in deposits raised through ableBanking, the Bank s online affinity deposit platform, $15.5 million raised through the Bank s community banking branch network, and $7.6 million generated through deposit listing service referrals. The composition of total deposits at September 30, 2012 and June 30, 2012 follows.

	September 30, 2012		June 30, 2012	
	Amount	% of Total	Amount	% of Total
	(Dollars in thousands)			
Demand deposits	$ 47,071	10.33%	$ 45,323	10.74%
NOW accounts	56,448	12.39%	57,477	13.61%
Regular and other savings	30,562	6.71%	32,727	7.75%
Money market deposits	48,896	10.73%	45,024	10.66%

Total non-certificate accounts	182,977	40.16%	180,551	42.76%
Term certificates less than $250 thousand	264,032	57.92%	232,948	55.18%
Term certificates of $250 thousand or more	8,766	1.92%	8,689	2.06%
Total certificate accounts	272,798	59.84%	241,637	57.24%
Total deposits	$ 455,775	100.00%	$ 422,188	100.00%

Borrowed Funds

Advances from the FHLB were $43.3 million and $43.5 million at September 30, 2012 and June 30, 2012, respectively. At September 30, 2012, the Company had pledged investment securities with a fair value of $12.3 million, as well as certain residential real estate loans, commercial real estate loans, and FHLB deposits free of liens or pledges to secure outstanding advances and available additional borrowing capacity.

Structured repurchase agreements were $35.8 million and $66.2 million at September 30, 2012 and June 30, 2012, respectively. During the quarter, the Company repaid structured repurchase agreements totaling $30.0 million. At September 30, 2012, the Company had pledged investment securities with a fair value of $42.7 million as collateral for outstanding structured repurchase agreements.

Short-term borrowings, consisting of sweep accounts, were $484 thousand and $1.2 million as of September 30, 2012 and June 30, 2012, respectively. At September 30, 2012, sweep accounts were secured by a letter of credit issued by the FHLB totaling $2.0 million.

Liquidity

The following table is a summary of the liquidity the Company had the ability to access as of September 30, 2012, in addition to traditional retail deposit products.

Brokered time deposits	$ 166,141	Subject to policy limitation of 25% of total assets
Federal Home Loan Bank of Boston	10,116	Subject to eligible and qualified collateral
Federal Reserve Discount Window Borrower-in-Custody	277	Subject to the pledge of indirect auto loans
Total unused borrowing capacity	176,534	
Unencumbered investment securities	82,128	
Total sources of liquidity	$ 258,662	

Retail deposits and other core deposit sources including deposit listing services are used by the Company to manage its overall liquidity position. While the Company currently does not seek wholesale funding such as FHLB advances and brokered deposits, the ability to raise them remains an important part of its liquidity contingency planning. While management closely monitors and forecasts the Company s liquidity position, it is affected by asset growth, deposit withdrawals and other contractual obligations and commitments. The accuracy of management s forecast assumptions may increase or decrease the Company s overall available liquidity.

At September 30, 2012, the Company had $258.7 million of immediately accessible liquidity, defined as cash that could be raised within seven days through collateralized borrowings, brokered deposits or security sales. This position represented 39% of total assets. The Company also had $102.6 million of cash and cash equivalents at September 30, 2012. This relatively high level of short-term liquidity is intended, in part, for future purchases of commercial loans by the LASG.

Management believes that there are adequate funding sources to meet its liquidity needs for the foreseeable future. Primary funding sources are the repayment of principal and interest on loans, the renewal of time deposits, the potential growth in the deposit base, and the credit availability from the FHLB and the Federal Reserve s Borrower-in-Custody program. Management does not believe that the terms and conditions that will be present at the renewal of these funding sources will significantly impact the Company s operations, due to its management of the maturities of its assets and liabilities.

Capital

The carrying amount and unpaid principal balance of junior subordinated debentures totaled $8.1 million and $16.5 million, respectively, as of September 30, 2012. This debt represents qualifying Tier 1 capital for the Company, up to a maximum of 25% of total Tier 1 capital. At September 30, 2012, the carrying amounts of the junior subordinated notes, net of the Company s $496 thousand investment in the affiliated trusts, qualified as Tier 1 capital.

Under the terms of the Treasury s TARP Capital Purchase Program, in which the Company participates, the Company must have the consent of Treasury to redeem, purchase, or acquire any shares of its common stock or other equity or capital securities, other than in connection with

benefit plans consistent with past practice and certain other circumstances specified in the purchase agreement entered into by Treasury and the Company.

Total stockholders equity was $118.9 million and $119.1 million at September 30, 2012 and June 30, 2012, respectively. The change reflects net income for the period, dividends paid on common and preferred stock, and other comprehensive loss during the period. Book value per outstanding common share was $11.04 at September 30, 2012 and $11.07 at June 30, 2012. Tier 1 capital to total average assets of the Company was 18.37% as of September 30, 2012 and 19.91% at June 30, 2012.

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In addition to the risk-based capital requirements, the Federal Reserve requires top-rated bank holding companies to maintain a minimum leverage capital ratio of Tier 1 capital (defined by reference to the risk-based capital guidelines) to its average total consolidated assets of at least 3.0%. For most other bank holding companies (including the Company), the minimum leverage capital ratio is 4.0%. Bank holding companies with supervisory, financial, operational or managerial weaknesses, as well as bank holding companies that are anticipating or experiencing significant growth, are expected to maintain capital ratios well above the minimum levels.

The Federal Reserve s capital adequacy standards also apply to state-chartered banks which are members of the Federal Reserve System, such as the Bank. Moreover, the Federal Reserve has promulgated corresponding regulations to implement the system of prompt corrective action established by Section 38 of the Federal Deposit Insurance Act. Under these regulations, a bank is well capitalized if it has: (i) a total risk-based capital ratio of 10.0% or greater; (ii) a Tier 1 risk-based capital ratio of 6.0% or greater; (iii) a leverage capital ratio of 5.0% or greater; and (iv) is not subject to any written agreement, order, capital directive or prompt corrective action directive to meet and maintain a specific capital level for any capital measure. A bank is adequately capitalized if it has: (1) a total risk-based capital ratio of 8.0% or greater; (2) a Tier 1 risk-based capital ratio of 4.0% or greater; and (3) a leverage capital ratio of 4.0% or greater (3.0% under certain circumstances) and does not meet the definition of a well capitalized bank.

The Federal Reserve also must take into consideration: (i) concentrations of credit risk; (ii) interest rate risk; and (iii) risks from non-traditional activities, as well as an institution s ability to manage those risks, when determining the adequacy of an institution s capital. This evaluation will be made as a part of the institution s regular safety and soundness examination. The Bank is currently considered well-capitalized under all regulatory definitions.

Further, the Bank and the Company are subject to capital commitments with the Federal Reserve and the Maine Bureau of Financial Institutions that require higher minimum capital ratios. These commitments require that the Company and the Bank (i) maintain a Tier 1 leverage ratio of at least 10%, (ii) maintain a total risk-based capital ratio of at least 15%, The Bank and the Company were in compliance with these commitments at September 31, 2012.

The Company s and the Bank s regulatory capital ratios are set forth below.

	Actual		Minimum Capital Requirements		Minimum To Be Well Capitalized Under Prompt Correction Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Dollars in thousands)			
September 30, 2012:						
Total capital to risk weighted assets:						
Company	$ 124,657	31.30%	$ 31,861	³8.0%	$ N/A	N/A
Bank	86,340	21.67%	31,874	³8.0%	39,843	³10.0%
Tier 1 capital to risk weighted assets:						
Company	123,989	31.13%	15,932	³4.0%	N/A	N/A
Bank	81,357	20.42%	15,937	³4.0%	23,905	³6.0%
Tier 1 capital to average assets:						
Company	123,989	18.37%	26,998	³4.0%	N/A	N/A
Bank	81,357	12.16%	26,762	³4.0%	33,453	³5.0%
June 30, 2012:						
Total capital to risk weighted assets:						
Company	$ 124,452	33.34%	$ 29,863	³8.0%	$ N/A	N/A
Bank	75,081	20.14%	29,824	³8.0%	37,280	³10.0%
Tier 1 capital to risk weighted assets:						
Company	123,628	33.12%	14,931	³4.0%	N/A	N/A
Bank	70,414	18.89%	14,910	³4.0%	22,365	³6.0%

Tier 1 capital to average assets:						
Company	123,628	19.91%	24,837	³4.0%	N/A	N/A
Bank	70,414	11.43%	24,642	³4.0%	30,802	³5.0%

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Off-balance Sheet Arrangements and Aggregate Contractual Obligations

The Company 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, unused lines of credit and standby letters of credit. These instruments involve, to varying degrees, elements of credit and interest-rate risk in excess of the amounts recognized in the condensed consolidated balance sheet. The contract or notional amounts of these instruments reflect the extent of the Company s involvement in particular classes of financial instruments.

The Company s exposure to credit loss in the event of nonperformance by the counterparty to the financial instrument for commitments to extend credit, unused lines of credit and standby letters of credit is represented by the contractual amount of those instruments. To control the credit risk associated with entering into commitments and issuing letters of credit, the Company uses the same credit quality, collateral policies and monitoring controls in making commitments and letters of credit as it does with its lending activities. The Company evaluates each customer s creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management s credit evaluation.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total committed amounts do not necessarily represent future cash requirements.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers.

Unused lines of credit and commitments to extend credit typically result in loans with a market interest rate.

A summary of the amounts of the Company s contractual obligations and other commitments with off-balance sheet risk at September 30, follows.

Contractual obligations	Total	Less Than 1 Year	1-3 Years	4-5 Years	After 5 Years
	(Dollars in thousands)				
FHLB advances	$ 42,500	$ 15,000	$ 12,500	$ 10,000	$ 5,000
Structured repurchase agreements	35,000	20,000	15,000	0	0
Junior subordinated debentures	16,496	0	0	0	16,496
Short-term borrowings	484	484	0	0	0
Capital lease obligation	2,278	264	535	612	867
Total long-term debt	96,758	35,748	28,035	10,612	22,363
Operating lease obligations (1)	9,820	796	2,134	1,931	4,959
Total contractual obligations	$ 106,578	$ 36,544	$ 30,169	$ 12,543	$ 27,322

Commitments with off-balance sheet risk	Total	Less Than 1 Year	1-3 Years	4-5 Years	After 5 Years
	(Dollars in thousands)				
Commitments to extend credit (2)(4)	$ 8,214	$ 8,214	$ 0	$ 0	$ 0
Commitments related to loans held for sale (3)	9,912	9,912	0	0	0
Unused lines of credit (4)(5)	36,025	17,434	3,435	3,041	12,115
Standby letters of credit (6)	417	416	1	0	0
Total commitments with off-balance sheet risk	$ 54,568	$ 35,976	$ 3,436	$ 3,041	$ 12,115

(1) Represents an off-balance sheet obligation.
(2) Represents commitments outstanding for residential real estate, commercial real estate, and commercial business loans.
(3) Commitments for residential real estate loans that will be held for sale upon origination.
(4) Loan commitments and unused lines of credit for commercial and construction loans expire or are subject to renewal in twelve months or less.
(5) Represents unused lines of credit from commercial, construction, and home equity loans.
(6) Standby letters of credit generally expire in twelve months.

Management believes that the Company has adequate resources to fund all of its commitments.

The Company has written options limited to those residential real estate loans designated for sale in the secondary market and subject to a rate lock. These rate-locked loan commitments are used for trading activities, not as a hedge. The fair value of the outstanding written options at September 30, 2012 was nominal.

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Results of Operations Continuing Operations

General

Net income from continuing operations for the three months ended September 30, 2012 was $1.0 million, compared to a loss of $594 thousand for the three months ended September 30, 2011. The increase in net income from continuing operations in the quarter ended September 30, 2012 was principally due to increased net interest income of $1.8 million, increased security gains of $845 thousand, increased gains recognized on repossessed collateral of $528 thousand, and increased gains on the sales of residential mortgages of $100 thousand, partially offset by increased noninterest expense of $903 thousand, consisting of higher employee compensation, occupancy and equipment expense, and loan acquisition and collection costs.

In the quarter ended September 30, 2012, higher average balances in the Company s purchased loan portfolio, compared to the comparable 2011 quarter, contributed significantly to increased net interest income and earnings for the quarter. The Company s total return on its purchased loan portfolio, a measure that includes gains on asset sales, as well as interest, scheduled accretion and accelerated accretion, totaled 17.41% for the quarter ended September 30, 2012. The following table details the components of the return on purchased loans during the three months ended September 30, 2012 and 2011.

	Three Months Ended September 30,			
	2012		2011	
	Income	Return (1)	Income	Return (1)
	(Dollars in thousands)			
Regularly scheduled interest and accretion	$ 1,911	9.01%	$ 200	7.19%
Transactional income:				
Gain on sale of real estate owned	473	2.23%	0	0.00%
Other noninterest income	36	0.17%	0	0.00%
Accelerated accretion and loan fees	1,273	6.00%	0	0.00%
Total	$ 3,693	17.41%	$ 200	7.19%

(1) The total return on purchased loans represents interest and noninterest income recorded during the period divided by the average invested balance, on an annualized basis.

Net Interest Income

Net interest income for the three months ended September 30, 2012 and 2011 was $6.1 million and $4.3 million, respectively. The increase of $1.8 million was largely attributable to growth in the LASG loan portfolio, which earned an average yield of 14.6% for the quarter ended September 30, 2012 on an average outstanding balance of $92.7 million. The following table summarizes interest income and related yields recognized on the Company s loans.

	Three Months Ended September 30,					
	2012			2011		
	Average Balance	Interest Income	Yield	Average Balance	Interest Income	Yield
	(Dollars in thousands)					
Community Banking Division	$ 270,758	$ 3,936	5.77%	$ 304,041	$ 4,937	6.46%
LASG:						
Originated	9,193	221	9.54%	1,141	29	10.11%
Purchased	83,475	3,184	15.13%	11,066	200	7.19%
Total LASG	92,668	3,405	14.58%	12,207	229	7.44%

Total	$ 363,426	$ 7,341	8.01%	$ 316,248	$ 5,137	6.46%

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In the quarter ended September 30, 2012, net interest income was negatively affected by a lower level of noncash accretion of fair value adjustments resulting from the merger than in the comparable 2011 quarter. The effect of such accretion will continue to diminish as financial instruments held at the merger mature or prepay. The following table summarizes the effects of such accretion.

	Three Months Ended September 30,					
	2012			2011		
	Average Balance	Income (Expense)	Effect on Yield / Rate	Average Balance	Income (Expense)	Effect on Yield / Rate
	(Dollars in thousands)					
Interest-earning assets:						
Investment securities	$ 131,796	$ (3)	-0.01%	$ 147,692	$ (61)	-0.16%
Loans	363,426	104	0.11%	316,248	355	0.45%
Other interest-earning assets	141,616	0	0.00%	84,112	0	0.00%
Total interest-earning assets	$ 636,838	$ 101	0.06%	$ 548,052	$ 294	0.21%
Interest-bearing liabilities:						
Interest-bearing deposits	393,267	276	0.28%	351,197	372	0.42%
Short-term borrowings	1,251	0	0.00%	1,141	0	0.00%
Borrowed funds	100,186	481	1.90%	113,746	579	2.03%
Junior subordinated debentures	8,124	(40)	-1.95%	7,971	(35)	-1.75%
Total interest-bearing liabilities	$ 502,828	$ 717	0.57%	$ 474,055	$ 916	0.77%
Total effect of noncash accretion on:						
Net interest income		$ 818			$ 1,210	
Net interest margin		0.51%			0.88%	

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The Company s interest rate spread and net interest margin increased by 59 basis points and 69 basis points, respectively, for the quarter ended September 30, 2012 compared to the quarter ended September 30, 2011. These increases were principally the result of the aforementioned increase in purchased loans. The following sets forth the average balance sheets, interest income and interest expense, and average yields and costs for the three months ended September 30, 2012 and 2011.

	Three Months Ended September 30,					
	2012			2011		
	Average Balance	Interest Income/ Expense	Average Yield/ Rate	Average Balance	Interest Income/ Expense	Average Yield/ Rate
	(Dollars in thousands)					
Assets:						
Interest-earning assets:						
Investment securities (1)	$ 131,796	$ 347	1.04%	$ 147,692	$ 639	1.72%
Loans (2) (3)	363,426	7,341	8.01%	316,248	5,137	6.46%
Regulatory stock	5,473	6	0.43%	5,761	12	0.83%
Short-term investments (4)	136,143	83	0.24%	78,351	47	0.24%
Total interest-earning assets	636,838	7,777	4.84%	548,052	5,835	4.24%
Cash and due from banks	3,177			2,920		
Other non-interest earning assets	37,695			38,809		
Total assets	$ 677,710			$ 589,781		
Liabilities & Stockholders Equity:						
Interest-bearing liabilities:						
NOW accounts	$ 56,595	$ 42	0.29%	$ 56,182	$ 69	0.49%
Money market accounts	47,349	53	0.44%	45,981	51	0.44%
Savings accounts	31,347	11	0.14%	33,439	26	0.31%
Time deposits	257,976	872	1.34%	215,595	691	1.28%
Total interest-bearing deposits	393,267	978	0.99%	351,197	837	0.95%
Short-term borrowings	1,251	6	1.90%	1,141	5	1.74%
Borrowed funds	100,186	502	1.99%	113,746	532	1.86%
Junior subordinated debentures	8,124	193	9.43%	7,971	183	9.13%
Total interest-bearing liabilities	502,828	1,679	1.32%	474,055	1,557	1.31%
Interest-bearing liabilities of discontinued operations (5)	0			1,140		
Non-interest bearing liabilities:						
Demand deposits and escrow accounts	49,815			44,553		
Other liabilities	6,223			4,478		
Total liabilities	558,866			524,226		
Stockholders equity	118,844			65,555		
Total liabilities and stockholders equity	$ 677,710			$ 589,781		
Net interest income		$ 6,098			$ 4,278	

Interest rate spread	3.52%	2.93%
Net interest margin (6)	3.80%	3.11%

(1) Interest income and yield are stated on an annualized fully tax-equivalent basis using a 34% tax rate.
(2) Includes loans held for sale.
(3) Nonaccrual loans are included in the computation of average, but unpaid interest has not been included for purposes of determining interest income.
(4) Short term investments include FHLB overnight deposits and other interest-bearing deposits.
(5) The average balance of borrowings associated with discontinued operations has been excluded from interest expense, interest rate spread, and net interest margin.
(6) Net interest margin is calculated as net interest income divided by total interest-earning assets, on an annualized basis.

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The following table presents the extent to which changes in volume and interest rates of interest earning assets and interest bearing liabilities have affected the Company s interest income and interest expense during the periods indicated. Information is provided in each category with respect to (i) changes attributable to changes in volume (changes in volume multiplied by prior period rate), (ii) changes attributable to changes in rates (changes in rates multiplied by prior period volume) and (iii) change attributable to a combination of changes in rate and volume (change in rates multiplied by the changes in volume). Changes attributable to the combined impact of volume and rate have been allocated proportionately to the changes due to volume and the changes due to rate.

	Three Months Ended September 30, 2012 Compared to the Three Months Ended September 30, 2011		
	Change Due to Volume	Change Due to Rate	Total Change
	(Dollars in thousands)		
Interest earning assets:			
Investments securities	$ (63)	$ (229)	$ (292)
Loans	844	1,360	2,204
Regulatory stock	(1)	(5)	(6)
Short-term investments	35	1	36
Total increase in interest income	815	1,127	1,942
Interest bearing liabilities:			
Interest bearing deposits	146	(5)	141
Short-term borrowings	1	0	1
Borrowed funds	(65)	35	(30)
Junior subordinated debentures	4	6	10
Total increase in interest expense	86	36	122
Total increase in net interest income	$ 729	$ 1,091	$ 1,820

Provision for Loan Losses

Quarterly, the Company determines the amount of the allowance for loan losses that is adequate to provide for losses inherent in the Company s loan portfolios, with the provision for loan losses determined by the net change in the allowance for loan losses. For loans acquired with deteriorated credit quality, a provision for loan losses is recorded when estimates of future cash flows are lower than had been previously expected (i.e., there are reduced expected cash flows or higher net charge-offs than had been previously expected, requiring additional provision for loan losses). See Part I. Item I. Notes to Unaudited Consolidated Financial Statements Note 4: Loans, Allowance for Loan losses and Credit Quality for further discussion.

The provision for loan losses for periods subsequent to the merger reflects the impact of adjusting loans to their then fair values, as well as the elimination of the allowance for loan losses in accordance with the acquisition method of accounting. Subsequent to the merger, the provision for loan losses has been recorded based on estimates of inherent losses in newly originated loans and for incremental reserves required for pre-merger loans based on estimates of deteriorated credit quality post-merger.

The provision for loan losses for the three months ended September 30, 2012 and 2011 was $228 thousand and $400 thousand, respectively. The decrease in the Company s loan loss provision resulted principally from lower levels of nonperforming and impaired loans requiring specific allocations within the Company s allowance for loan losses.

Noninterest Income

Noninterest income totaled $3.2 million for the three months ended September 30, 2012 compared to $1.7 million the three months ended September 30, 2011, an increase of $1.5 million. This increase was principally due to net gains recognized on repossessed collateral of $451 thousand for the three months ended September 30, 2012, compared to a net loss of $77 thousand for the quarter ended September 30, 2012, an

increase of $100 thousand, or 15.2%, on sales of residential mortgage loans, compared to the quarter ended September 30, 2011 and net securities gains of $792 thousand for the quarter ended September 30, 2012, compared to a net loss of $53 thousand in the quarter ended September 30, 2011.

The net gain recognized on repossessed collateral during the quarter ended September 30, 2012 principally resulted from $473 thousand realized on the sale of real estate previously securing a purchased loan. Increases in security gains resulted from the sale of a substantial portion of the Company s available-for-sale investment portfolio during the period. The Company reinvested the sales proceeds in government guaranteed mortgage-backed securities similar in composition to the securities sold, albeit at lower market yields. Increased gains on residential mortgage loan sales resulted principally from the volume of fixed-rate loan originations during the period, an increase driven by an increased level of mortgage loan refinance and purchase activity. The Company sold $35.1 million in residential mortgages during the three months ended September 30, 2012, compared to $27.3 million in quarter ended September 30, 2011.

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Noninterest Expense

Noninterest expense totaled $7.5 million for the three months ended September 30, 2012 compared to $6.6 million the three months ended September 30, 2011, an increase of $903 thousand. The primary components of this increase were an increase of $172 thousand in loan acquisition and collection costs, a $340 thousand increase in employee compensation, and a $229 thousand increase in occupancy and equipment expense.

The aforementioned increases were associated with the implementation of the Company s business strategy over the past twelve months. Loan costs, such as acquisition diligence, collections, and servicing have increased principally due to growth in the Company s purchased loan portfolio. Employee compensation has increased principally due to staff increases in LASG, ableBanking, and risk management, finance, and back-office operations. Full-time equivalent employees totaled 205 at September 30, 2012, compared to 192 at September 30, 2011. Increased occupancy and equipment expenses are principally due to depreciation and maintenance associated with investments in new business initiatives, such as ableBanking.

Income Taxes

The Company s income tax expense was $484 thousand, or an effective rate of 31.9%, for the quarter ended September 30, 2012, as compared to a tax benefit of $403 thousand for the quarter ended September 30, 2011. The effective rate for quarter ended September 30, 2012 differs from the Company s statutory rate because of the level of projected annual pre-tax income and favorable book to tax differences, such as tax credits and tax exempt life insurance income. The tax benefit realized in the quarter ended September 30, 2011 was the result of a net loss from continuing operations, in addition favorable book to tax differences.

Results of Operations Discontinued Operations

In the quarter ended September 30, 2011, the Company sold intangible assets (principally customer lists) and certain fixed assets of NBIG to local insurance agencies in two separate transactions. The Varney Agency, Inc. of Bangor, Maine, purchased the assets of nine NBIG offices in Anson, Auburn, Augusta, Bethel, Livermore Falls, Scarborough, South Paris, Thomaston and Turner, Maine. The NBIG office in Berwick, Maine, which now operates under the name of Spence & Matthews, was acquired by a member of NBIG s senior management team. In connection with the transaction, the Company also repaid borrowings associated with NBIG totaling $2.1 million.

The Company no longer conducts any significant operations in the insurance agency business, and therefore has classified the operating results of NBIG, and the associated gain on sale of the division, as discontinued operations in the consolidated financial statements. See Part I. Item I. Notes to Unaudited Consolidated Financial Statements Note 6: Discontinued Operations for further details.

Net income from discontinued operations for the quarter ended September 30, 2011 was $1.1 million. Income for the quarter included a $1.5 million pre-tax gain on sale of the assets of NBIG, and pre-tax income associated with operations of $186 thousand. Income taxes associated with discontinued operations totaled $592 thousand, or an effective rate of 34.6%, for the quarter ended September 30, 2011.

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Item 3. Quantitative and Qualitative Disclosure about Market Risk

Not required for smaller reporting companies.

Item 4. Controls and Procedures

The Company maintains controls and procedures designed to ensure that information required to be disclosed in the reports the Company files or submits under the Securities Exchange Act of 1934 (Exchange Act) is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission, and that such information is accumulated and communicated to the Company s management, including the Chief Executive Officer and Chief Financial Officer (the Company s principal executive officer and principal financial officer, respectively), as appropriate to allow for timely decisions regarding timely disclosure. In designing and evaluating disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost/benefit relationship of possible controls and procedures.

The Company s management, with the participation of the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of its disclosure controls and procedures (as defined in Rules 13a 15(e) and 15d 15(e) under the Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10-Q.

Based on this evaluation of the Company s disclosure controls and procedures, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures were effective as of September 30, 2012.

There were no changes in the Company s internal controls over financial reporting (as defined in Rule 13a 15(f) of the Exchange Act) that occurred during the quarter ended September 30, 2012 that have materially affected, or is reasonably likely to materially affect, the Company s internal controls over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

Not required for smaller reporting companies.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

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Item 6. Exhibits

Exhibits No.	Description
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Rule 13a-14(a)). *
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Rule 13a-14(a)). *
32.1	Certificate of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Rule 13a-14(b)). **
32.2	Certificate of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Rule 13a-14(b)). **
101	The following materials from Northeast Bancorp s Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 formatted in XBRL: (i) Consolidated Balance Sheets at September 30, 2012 and June 30, 2012; (ii) Consolidated Statements of Income for the three months ended September 30, 2012 and 2011; (iii) Consolidated Statements of Comprehensive Income for the three months ended September 30, 2012 and 2011; (iv) Consolidated Statements of Changes in Shareholders Equity for the three months ended September 30 2012 and 2011; (v) Consolidated Statements of Cash Flows for the three months ended September 30, 2012 and 2011; and (v) Notes to Unaudited Consolidated Financial Statements. ***

* Filed herewith

** Furnished herewith

*** Pursuant to Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this Quarterly Report on Form 10-Q is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933, as amended, and Section 18 of the Securities Exchange Act of 1934, as amended.

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SIGNATURES

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

Date: November 14, 2012

NORTHEAST BANCORP

By: /s/ Richard Wayne
Richard Wayne
President and CEO

By: /s/ Claire S. Bean
Claire S. Bean
Chief Financial Officer

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NORTHEAST BANCORP

Index to Exhibits

Exhibits No.	Description
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Rule 13a-14(a)). *
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Rule 13a-14(a)). *
32.1	Certificate of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Rule 13a-14(b)). **
32.2	Certificate of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Rule 13a-14(b)). **
101	The following materials from Northeast Bancorp s Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 formatted in XBRL: (i) Consolidated Balance Sheets at September 30, 2012 and June 30, 2012; (ii) Consolidated Statements of Income for the three months ended September 30, 2012 and 2011; (iii) Consolidated Statements of Comprehensive Income for the three months ended September 30, 2012 and 2011; (iv) Consolidated Statements of Changes in Shareholders Equity for the three months ended September 30 2012 and 2011; (v) Consolidated Statements of Cash Flows for the three months ended September 30, 2012 and 2011; and (v) Notes to Unaudited Consolidated Financial Statements. ***

* Filed herewith
** Furnished herewith
*** Pursuant to Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this Quarterly Report on Form 10-Q is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933, as amended, and Section 18 of the Securities Exchange Act of 1934, as amended.