

# FIRSTMERIT Corporation

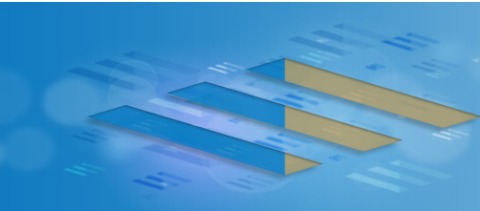
Third Quarter 2014 Earnings Conference Call  
Supplemental Information

*October 28, 2014*



# Forward-Looking Statements Disclosure

- This presentation may contain forward-looking statements relating to present or future trends or factors affecting the banking industry, and specifically the financial condition and results of operations, including without limitation, statements relating to the earnings outlook of the Corporation, as well as its operations, markets and products. Actual results could differ materially from those indicated. Among the important factors that could cause results to differ materially are interest rate changes, continued softening in the economy, which could materially impact credit quality trends and the ability to generate loans, changes in the mix of the Corporation's business, competitive pressures, changes in accounting, tax or regulatory practices or requirements, the Corporation's ability to realize the synergies and benefits contemplated by the acquisition of Citizens, such as it being accretive to earnings and expanding the Corporation's geographic presence, in the time frame anticipated or at all, and those risk factors detailed in the Corporation's periodic reports filed with the Securities and Exchange Commission. The Corporation undertakes no obligation to release revisions to these forward-looking statements or reflect events or circumstances after the date of this presentation.
- These slides contain non-GAAP financial measures. For purposes of Regulation G, a non-GAAP financial measure is a numerical measure of the registrant's historical or future financial performance, financial position or cash flows that excludes amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the most directly comparable measure calculated and presented in accordance with GAAP in the statement of income, balance sheet or statement of cash flows (or equivalent statements) of the issuer; or includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the most directly comparable measure so calculated and presented. In this regard, GAAP refers to generally accepted accounting principles in the United States. Pursuant to the requirements of Regulation G, FirstMerit Corporation has provided reconciliations within the slides, as necessary, of the non-GAAP financial measure to the most directly comparable GAAP financial measure.



# Q3 2014 Highlights

- 62<sup>nd</sup> consecutive quarter of profitability
- Net income of \$63.9 million/\$0.37 per diluted common share
  - Return on average assets of 1.03%
  - Return on average equity of 9.03%
- Dividend of \$0.16 per common share
- Solid asset quality results
  - NCO ratio at 0.20%
  - NPA ratio at 0.52%
- Robust tangible common equity ratio of 8.01% at September 30, 2014



# Income Statement Highlights

## Prior Quarter Comparison

- 3Q14 net income increased \$4.4 million, or 7.36%, compared with 2Q14

## Prior-Year Quarter Comparison

- 3Q14 net income increased \$23.2 million, or 56.94%, compared with 3Q13

	Financial Highlights		
	2014 3 <sup>rd</sup> Qtr	2014 2 <sup>nd</sup> Qtr	2013 3 <sup>rd</sup> Qtr
<i>(dollars in thousands except per share data)</i>			
Net interest income FTE <sup>(a)</sup>	\$ 197,644	\$ 199,666	\$ 207,079
FTE adjustment <sup>(a)</sup>	4,066	4,089	3,739
Provision for originated loan losses	4,862	5,993	2,523
Provision for acquired loan losses	4,411	5,815	2,033
Provision/(recapture) for covered loan losses	(81)	3,445	1,823
Noninterest income	69,733	72,560	71,090
Noninterest expense	163,145	167,400	210,599
Net income	63,898	59,519	40,715
Diluted EPS	0.37	0.35	0.23

<sup>(a)</sup> The interest income earned on certain earning assets is completely or partially exempt from federal and/or state income taxes. As such, these tax-exempt securities typically yield lower returns than taxable securities. To provide more meaningful comparisons of net interest margins for all earning assets, net interest income on a taxable-equivalent basis (TE) is used in calculating net interest margin by increasing the interest earned on tax-exempt assets to make it fully equivalent to interest income earned on taxable investments. This adjustment is not permitted under generally accepted accounting principles in the Consolidated Statements of Income. Net interest income was \$193.6 million, \$195.6 million and \$203.3 million for the three months ended September 30, 2014, June 30, 2014 and September 30, 2013, respectively. The taxable-equivalent adjustment to net interest income was \$4.1 million, \$4.1 million and \$3.7 million for the three months ended September 30, 2014, June 30, 2014 and September 30, 2013, respectively.



# Fee Income

## Prior Quarter Comparison

- 3Q14 noninterest income, *net of securities transactions*, decreased \$2.8 million, or 3.81%, compared with 2Q14

## Prior-Year Quarter Comparison

- 3Q14 noninterest income, *net of securities transactions*, decreased \$1.4 million, or 1.93%, compared with 3Q13

	Noninterest Income		
	2014 3 <sup>rd</sup> Qtr	2014 2 <sup>nd</sup> Qtr	2013 3 <sup>rd</sup> Qtr
<i>(dollars in thousands)</i>			
Trust department income	\$ 10,300	\$ 10,070	\$ 9,608
Service charges on deposits	18,684	18,528	22,146
Credit card fees	13,754	13,455	13,588
ATM and other service fees	6,182	5,996	5,216
Bank owned life insurance income	4,218	4,040	4,351
Investment services and insurance	3,606	3,852	3,403
Investment securities gains/(losses), net	14	80	—
Loan sales and servicing income	4,740	4,462	3,644
Other operating income	8,235	12,077	9,134
<b>Total noninterest income</b>	<b>\$ 69,733</b>	<b>\$ 72,560</b>	<b>\$ 71,090</b>

# Noninterest Expense

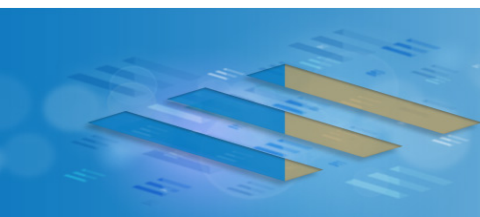
## Prior Quarter Comparison

- Total noninterest expense for 3Q14 decreased \$4.3 million, or 2.54%, compared with 2Q14

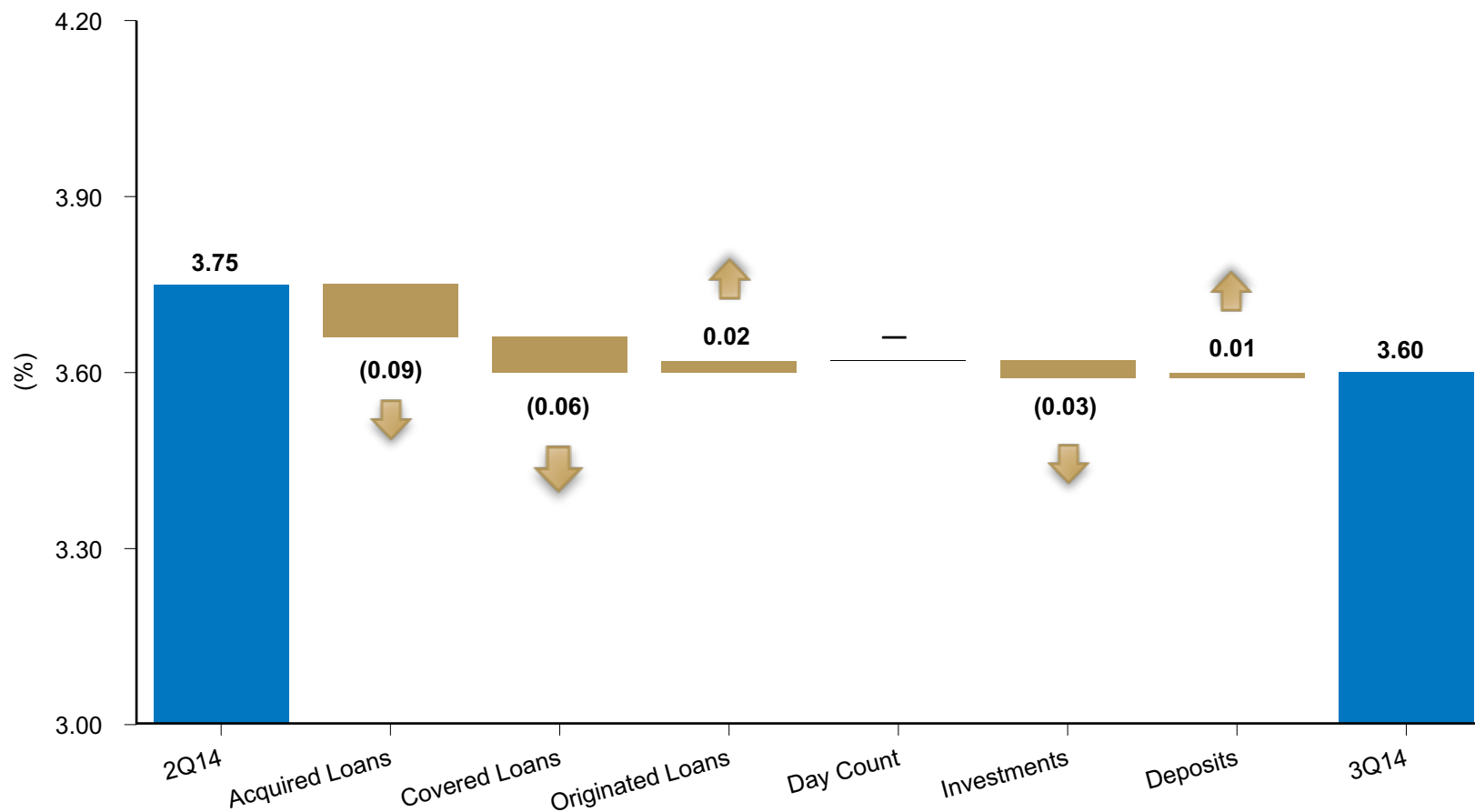
## Prior-Year Quarter Comparison

- Total noninterest expense for 3Q14, decreased \$47.5 million, or 22.53%, compared with 3Q13

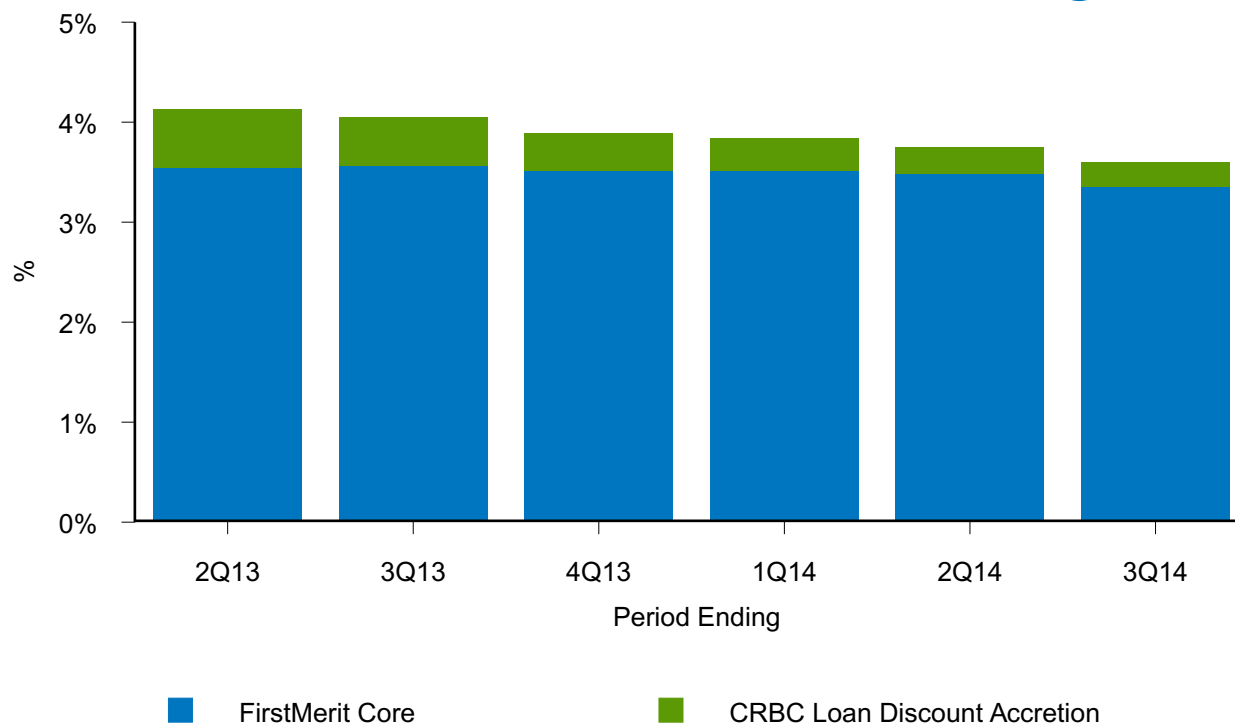
	Noninterest Expense		
	2014 3 <sup>rd</sup> Qtr	2014 2 <sup>nd</sup> Qtr	2013 3 <sup>rd</sup> Qtr
<i>(dollars in thousands)</i>			
Salaries, wages, pension, and employee benefits	\$ 90,593	\$ 89,465	\$ 97,390
Net occupancy expense	13,887	14,347	13,816
Equipment expense	12,188	12,267	11,040
Taxes, other than federal income taxes	1,286	2,576	2,785
Stationary, supplies and postage	3,723	3,990	3,801
Bankcard, loan processing and other costs	11,151	11,810	40,786
Advertising	3,942	3,801	4,432
Professional services	5,270	4,745	9,768
Telephone	2,831	2,857	3,326
Amortization of intangibles	2,933	2,933	2,972
FDIC expense	2,988	5,533	4,925
Other operating expenses	12,353	13,076	15,558
<b>Total noninterest expense</b>	<b>\$ 163,145</b>	<b>\$ 167,400</b>	<b>\$ 210,599</b>



# Net Interest Margin



# Total and Core Net Interest Margin



Net interest margin	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14
FirstMerit Consolidated	4.12%	4.05%	3.89%	3.84%	3.75%	3.60%
FirstMerit Core <sup>(1)</sup>	3.54%	3.56%	3.51%	3.51%	3.48%	3.35%
CRBC Loan Discount Accretion	0.59%	0.49%	0.38%	0.33%	0.27%	0.25%

<sup>(1)</sup> - Includes loan discount accretion on covered loans as amounts are immaterial.



# Asset Yields / Liability Costs\*

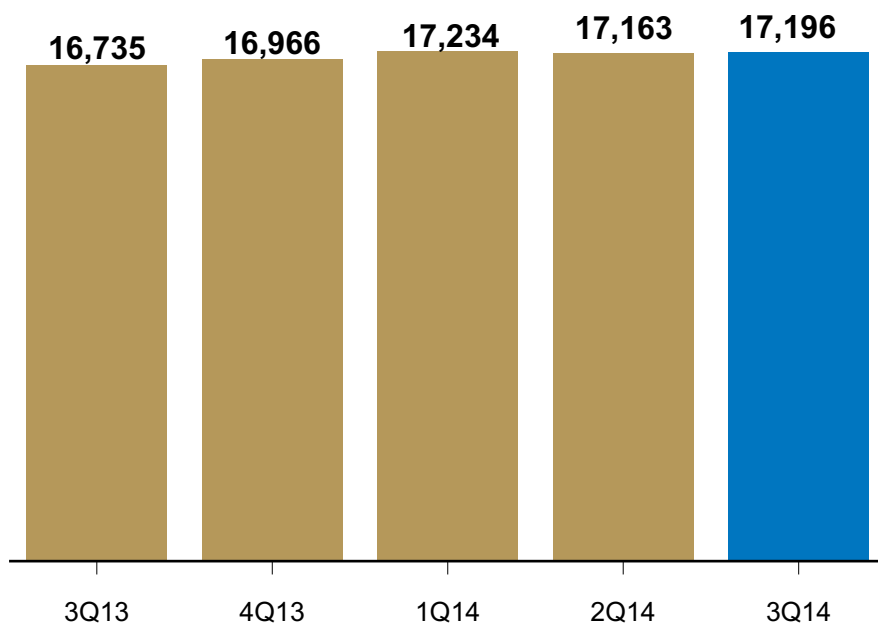
(dollars in thousands)	Q3 2014		Q2 2014		Q3 2013	
Total investment securities and federal funds sold	\$	6,638,710	2.44%	\$	6,654,981	2.47%
Originated loans		11,814,314	3.55%		11,092,101	3.67%
Acquired loans		2,888,074	8.03%		3,109,531	7.93%
Covered loans		445,712	5.77%		500,687	7.50%
Total loans		15,148,100	4.49%		14,702,319	4.73%
Total earning assets		21,804,243	3.86%		21,367,496	4.02%
Demand – non interest bearing	\$	5,603,104	—%	\$	5,515,807	—%
Demand – interest bearing		3,100,904	0.10%		3,066,201	0.10%
Savings and money market accounts		8,492,172	0.26%		8,580,928	0.26%
Certificates and other time deposits		2,335,620	0.48%		2,333,859	0.52%
Total deposits		19,531,800	0.19%		19,496,795	0.19%
Borrowings		1,941,835	1.11%		1,722,242	1.28%
Total interest bearing liabilities		15,870,531	0.37%		15,703,230	0.38%

(\*) The interest income earned on certain earning assets is completely or partially exempt from federal and/or state income taxes. As such, these tax-exempt securities typically yield lower returns than taxable securities. To provide more meaningful comparisons of net interest margins for all earning assets, net interest income on a taxable-equivalent basis (TE) is used in calculating net interest margin by increasing the interest earned on tax-exempt assets to make it fully equivalent to interest income earned on taxable investments. This adjustment is not permitted under generally accepted accounting principles in the Consolidated Statements of Income. Net interest income was \$193.6 million, \$195.6 million and \$203.3 million for the three months ended September 30, 2014, June 30, 2014 and September 30, 2013, respectively. The taxable-equivalent adjustment to net interest income was \$4.1 million, \$4.1 million and \$3.7 million for the three months ended September 30, 2014, June 30, 2014 and September 30, 2013, respectively.

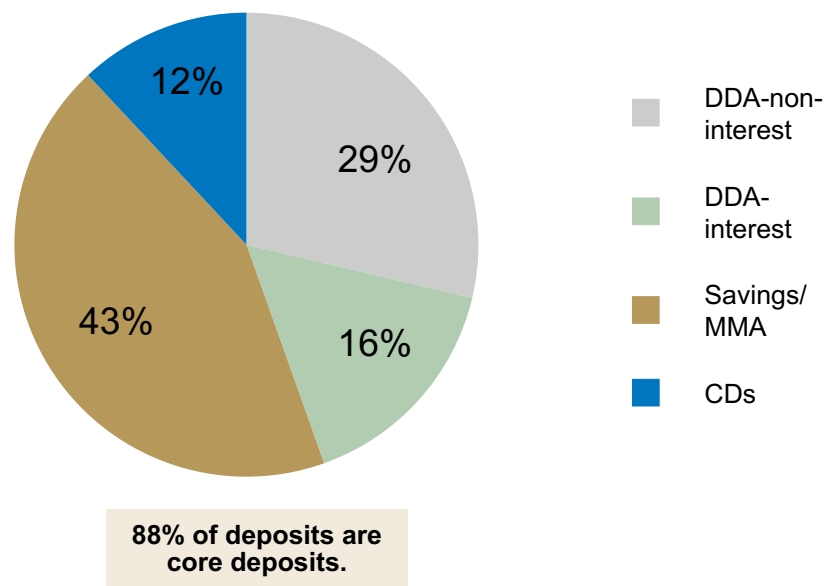


# Deposits\*

Average Core Deposits\*  
\$ in millions



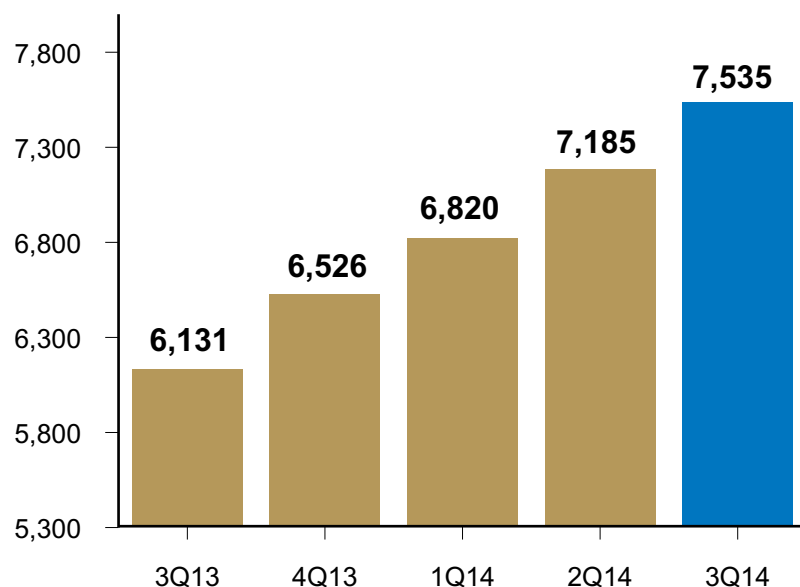
Average Total Deposits



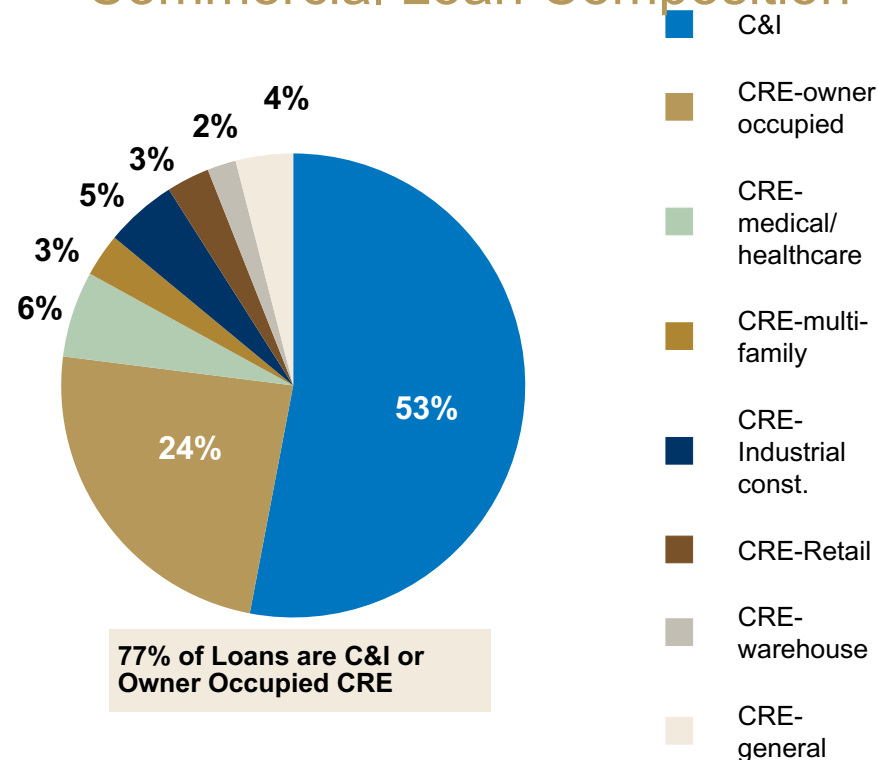
(\*) Core deposits include all deposits less certificates of deposit, average total deposit composition as of 9/30/2014.

# Commercial Loan Portfolio\*

Average Commercial Loans  
\$ in millions

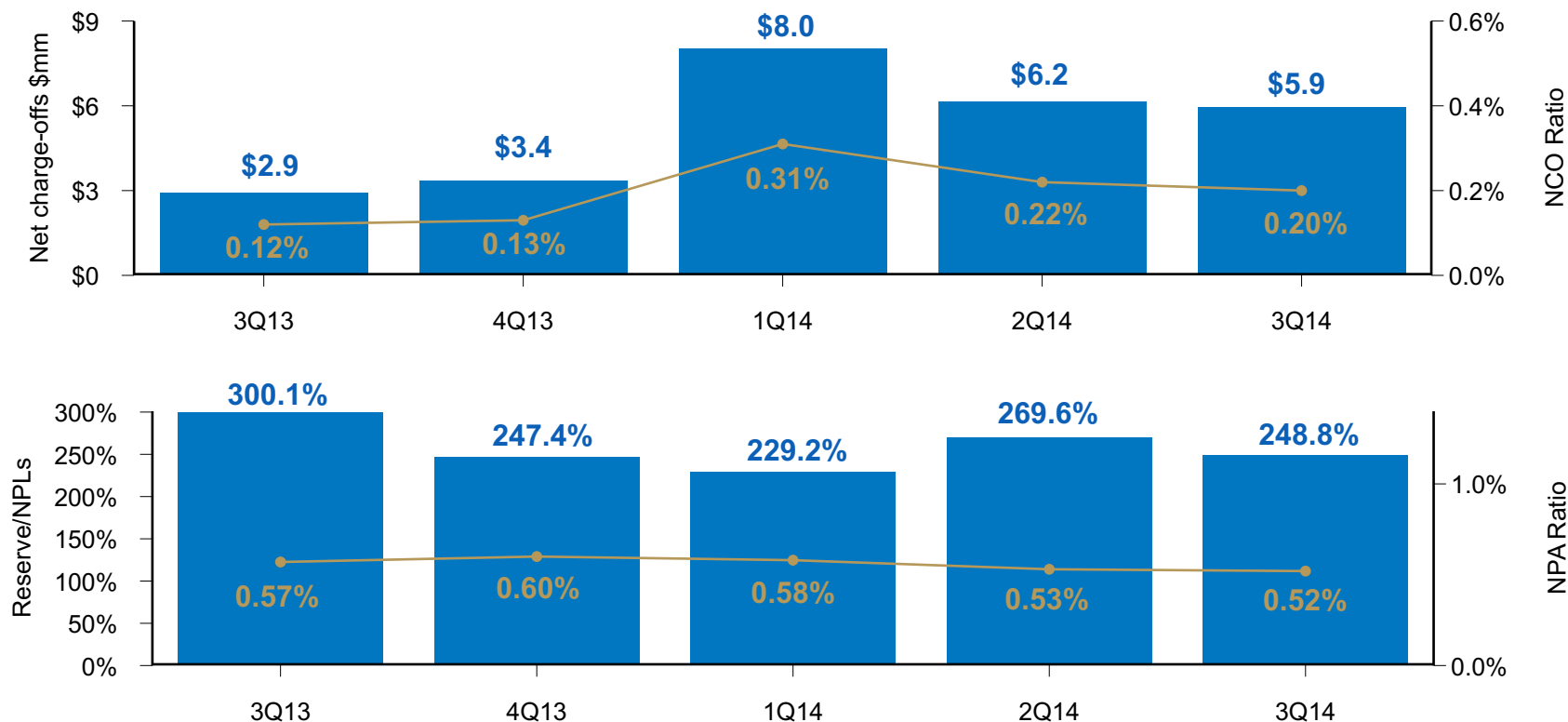


Commercial Loan Composition



(\*) Excludes acquired loans from Citizens and loans covered by loss sharing agreements with the FDIC.

# Credit Results – Originated Loans



# Capital Position

(dollars in thousands)	September 30, 2014		June 30, 2014		September 30, 2013	
<b>Consolidated</b>						
Total equity	\$2,820,431	11.46%	\$2,791,738	11.36%	\$2,654,645	11.00%
Common equity <sup>(a)</sup>	2,720,431	11.05%	2,691,738	10.96%	2,554,645	10.58%
Tangible common equity <sup>(a) (c)</sup>	1,904,738	8.01%	1,873,112	7.89%	1,727,458	7.41%
Tier 1 capital <sup>(a) (b) (c)</sup>	1,947,161	11.17%	1,978,233	11.57%	1,841,949	11.23%
Total risk-based capital <sup>(a) (b) (c)</sup>	2,344,137	13.45%	2,377,307	13.90%	2,244,202	13.68%
Tier 1 leverage <sup>(b) (c)</sup>	1,947,161	8.22%	1,978,233	8.46%	1,841,949	7.98%

<sup>(a)</sup> See Reconciliation of Non-GAAP Measures.

<sup>(b)</sup> September 30, 2014 data is estimated.

<sup>(c)</sup> September 30, 2013 data reflects purchase accounting adjustments which resulted in an increase to goodwill of approximately \$6.9 million from that previously reported.



## Reconciliation of Non-GAAP Measures: Tangible common equity and total assets

The table below presents computations of tangible common equity, tangible assets and the tangible common equity to tangible assets ratio, which are all considered non-GAAP measures. The table below also reconciles the U.S. GAAP performance measures to the corresponding non-GAAP measures. Management uses these non-GAAP financial measures to assess the quality of capital and believes that investors may find them useful in their analysis of the Corporation. Non-GAAP financial measures have inherent limitations, are not required to be uniformly applied and are not audited. Although these non-GAAP financial measures are frequently used by investors to evaluate a company, they have limitations as analytical tools, and should not be considered in isolation, or as a substitute for analysis of results as reported under GAAP. These non-GAAP measures are not necessarily comparable to similar measures that may be represented by other companies.

<i>(Dollars in thousands)</i>	<b>Q3 2014</b>	<b>Q2 2014</b>	<b>Q1 2014</b>	<b>Q4 2013</b>	<b>Q3 2013</b>
Shareholders' equity (GAAP)	\$ 2,820,431	\$ 2,791,738	\$ 2,742,966	\$ 2,702,894	\$ 2,654,645
Less: Preferred stock	100,000	100,000	100,000	100,000	100,000
Common shareholders' equity (non-GAAP)	2,720,431	2,691,738	2,642,966	2,602,894	2,554,645
Less: Intangible assets	73,953	76,886	79,819	82,755	85,447
Goodwill <sup>(a)</sup>	741,740	741,740	741,740	741,740	741,740
Tangible common equity (non-GAAP)	1,904,738	1,873,112	1,821,407	1,778,399	1,727,458
Total assets (GAAP)	\$ 24,608,207	\$ 24,564,431	\$ 24,498,661	\$ 23,912,028	\$ 24,137,730
Less: Intangible assets	73,953	76,886	79,819	82,755	85,447
Goodwill <sup>(a)</sup>	741,740	741,740	741,740	741,740	741,740
Tangible assets (non-GAAP)	\$ 23,792,514	\$ 23,745,805	\$ 23,677,102	\$ 23,087,533	\$ 23,310,543
Tangible common equity to tangible assets ratio (non-GAAP) <sup>(b)</sup>	8.01%	7.89%	7.69%	7.70%	7.41%

<sup>(a)</sup> December 31, 2013 and September 30, 2013 data reflects purchase accounting adjustments which resulted in an increase to goodwill of approximately \$1.9 million and \$6.9 million, respectively, from previously reported.



## Reconciliation of Non-GAAP Measures: Tier 1 common equity

The following table provides calculations of Tier 1 capital (regulatory) and Tier 1 common equity (non-GAAP). Traditionally, the Federal Reserve and other banking regulatory bodies have assessed a bank's capital adequacy based on Tier 1 capital, the calculation of which is prescribed in amount by federal banking regulations. These regulators are supplementing their assessment of the capital adequacy of a bank based on a variation of Tier 1 capital, known as Tier 1 common equity. While not prescribed in amount by federal banking regulations (under Basel I), analysts and banking regulators have assessed the Corporation's capital adequacy using the Tier 1 common equity measure. Because Tier 1 common equity is not formally defined by U.S. GAAP or prescribed in any amount by federal banking regulations (under Basel I), this measure is currently considered to be a non-GAAP financial measure and other entities may calculate it differently than the Corporation's disclosed calculations. Since analysts and banking regulators may assess the Corporation's capital adequacy using Tier 1 common equity, Management believes that it is useful to provide investors the ability to assess the Corporation's capital adequacy on this same basis.

Tier 1 common equity is often expressed as a percentage of risk-weighted assets. Under the risk-based capital framework, a company's balance sheet assets and credit equivalent amounts of off-balance sheet items are assigned to one of four broad risk categories. The aggregated dollar amount in each category is then multiplied by the risk-weighted category. The resulting weighted values from each of the four categories are added together and this sum is the risk-weighted assets total that, as adjusted, comprises the denominator of certain risk-based capital ratios. Tier 1 capital is then divided by this denominator (risk-weighted assets) to determine the Tier 1 capital ratio. Adjustments are made to Tier 1 capital to arrive at Tier 1 common equity (non-GAAP). Tier 1 common equity (non-GAAP) is also divided by the risk-weighted assets to determine the Tier 1 common equity ratio (non-GAAP). The amounts disclosed as risk weighted assets are calculated consistent with banking regulatory requirements.

<i>(Dollars in thousands)</i>	<b>Q3 2014</b>	<b>Q2 2014</b>	<b>Q1 2014</b>	<b>Q4 2013</b>	<b>Q3 2013</b>
Shareholders' equity (GAAP)	\$ 2,820,431	\$ 2,791,738	\$ 2,742,966	\$ 2,702,894	\$ 2,654,645
Plus: Net unrealized (gains) losses on available-for-sale securities	14,612	3,702	17,925	29,297	11,990
Defined benefit postretirement plan losses in accumulated other comprehensive income	34,971	35,805	37,579	37,579	71,623
Trust preferred securities	—	74,502	74,501	74,500	74,500
Less: Intangible assets	73,953	76,886	79,819	82,755	85,447
Goodwill <sup>(a)</sup>	741,740	741,740	741,740	741,740	741,740
Disallowed deferred tax asset <sup>(c)</sup>	105,483	107,090	129,200	137,027	141,625
Other adjustments <sup>(b)</sup>	1,677	1,798	1,774	1,944	1,997
Tier 1 capital (regulatory) <sup>(c)</sup>	1,947,161	1,978,233	1,920,438	1,880,804	1,841,949
Less: Preferred stock	100,000	100,000	100,000	100,000	100,000
Trust preferred securities	—	74,502	74,501	74,500	74,500
Tier 1 common equity (non-GAAP) <sup>(c)</sup>	1,847,161	1,803,731	1,745,937	1,706,304	1,667,449
Risk-weighted assets (regulatory) <sup>(c)</sup>	17,433,132	17,104,892	16,687,071	16,320,833	16,404,686
Tier 1 common equity ratio (non-GAAP) <sup>(c)</sup>	10.60%	10.55%	10.46%	10.45%	10.16%

<sup>(a)</sup> December 31, 2013 and September 30, 2013 data reflects purchase accounting adjustments which resulted in an increase to goodwill of approximately \$1.9 million and \$6.9 million, respectively, from previously reported.

<sup>(b)</sup> These include adjustments to other comprehensive income related to threshold deductions and other adjustments.

<sup>(c)</sup> September 30, 2014 data is estimated.



## Reconciliation of Non-GAAP Measures: Basel III Common Equity Ratio

The following table provides calculations of Tier 1 common, based on the Corporation's current understanding of the Final Basel III requirements, released in July 2013. The Corporation currently calculates its risk-based capital ratios under guidelines adopted by the Federal Reserve based on the 1988 Capital Accord ("Basel I") of the Basel Committee on Banking Supervision (the "Basel Committee"). In December 2010, the Basel Committee released its final framework for Basel III, which will strengthen international capital and liquidity regulation. In June 2012, U.S. Regulators released three separate Notices of Proposed Rulemaking covering U.S. implementation of the Basel III framework. In July 2013, U.S. Regulators released final rules covering the U.S. implementation of the Basel III framework, which will change capital requirements and place greater emphasis on common equity. For the Corporation, the Basel III framework will be phased in beginning in 2015 with full implementation complete beginning in 2019. The calculations provided below are estimates, based on the Corporation's current understanding of the final framework, including the Corporation's interpretation of the requirements, and informal feedback received through the regulatory process. The Corporation's understanding of the framework is evolving and will likely change as analysis and discussions with regulators continue. Because the Basel III implementation regulations are not formally defined by GAAP, these measures are considered to be non-GAAP financial measures, and other entities may calculate them differently from the Corporation's disclosed calculations. Since analysts and banking regulators may assess the Corporation's capital adequacy using the Basel III framework, we believe that it is useful to provide investors the ability to assess the Corporation's capital adequacy on the same basis.

<i>(Dollars in thousands)</i>		Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013
Shareholders' equity (GAAP)		\$ 2,820,431	\$ 2,791,738	\$ 2,742,966	\$ 2,702,894	\$ 2,654,645
Plus	Net unrealized (gains) losses on available-for-sale securities	14,612	3,702	17,925	29,297	11,990
	Defined benefit postretirement plans in accumulated other comprehensive income	34,971	35,805	37,579	37,579	71,623
Less:	Non-qualifying goodwill <sup>(a)</sup>	741,740	741,740	741,740	741,740	741,740
	Non-qualifying intangible assets <sup>(b)</sup>	73,953	76,886	79,819	82,755	85,447
	Other fully phased-in adjustments <sup>(c) (d)</sup>	174,716	174,837	174,813	207,906	176,497
Basel III tier 1 capital (regulatory) <sup>(d)</sup>		1,879,605	1,837,782	1,802,098	1,737,369	1,734,574
Less:	Preferred stock	100,000	100,000	100,000	100,000	100,000
Basel III tier 1 common equity (regulatory) <sup>(d)</sup>		1,779,605	1,737,782	1,702,098	1,637,369	1,634,574
Basel I risk-weighted assets (regulatory) <sup>(d)</sup>		17,433,132	17,104,892	16,687,071	16,320,833	16,404,686
Basel III risk-weighted assets (regulatory) <sup>(d)</sup>		18,191,746	17,863,506	17,445,685	17,114,143	17,337,237
Basel III tier 1 common equity ratio (non-GAAP) <sup>(d)</sup>		9.78%	9.73%	9.76%	9.57%	9.43%

<sup>(a)</sup> December 31, 2013, and September 30, 2013 data reflects purchase accounting adjustments which resulted in an increase to goodwill of approximately \$1.9 million, and \$6.9 million, respectively, from previously reported.

<sup>(b)</sup> Under Basel III, regulatory capital must be reduced by purchased credit card relationship intangible assets on a phased in basis with a 40% reduction beginning January 1, 2015 with a 100% reduction beginning January 1, 2018. These assets are partially allowed in Basel I capital.

<sup>(c)</sup> Estimates of fully phased-in adjustments for disallowed deferred tax assets, other comprehensive income related to threshold deductions and other fully phased-in adjustments.

<sup>(d)</sup> September 30, 2014 data is estimated.





## Reconciliation of Non-GAAP Measures: Adjusted net income

The following table presents net income as reported (GAAP) excluding the impact of acquisition related costs incurred during 2013 and 2012 to arrive at adjusted net income. Management believes these adjustments increase comparability of period-to-period results and uses these measures to assess performance and believes investors may find them useful in their analysis of the Corporation. It is possible that the activities related to the adjustments may recur; however, Management does not consider the activities related to the adjustments to be indications of ongoing operation. Return on average tangible common shareholders' equity is a non-GAAP measure that calculates the return on average common shareholders' equity excluding goodwill and intangible assets. This measure is useful for evaluating the performance of a business consistently, whether acquired or developed internally. Non-GAAP financial measures have inherent limitations, are not required to be uniformly applied and are not audited. Although these non-GAAP financial measures are frequently used by investors to evaluate a company, they have limitations as analytical tools, and should not be considered in isolation, or as a substitute for analysis of results as reported under GAAP. These non-GAAP measures are not necessarily comparable to similar measures that may be represented by other companies.

<i>(Dollars in thousands)</i>	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013
Net income (GAAP)	\$ 63,898	\$ 59,519	\$ 53,455	\$ 57,174	\$ 40,715
Net income adjustments					
Plus: Acquisition related expenses, net of taxes	—	78	628	3,874	21,722
Branch closure costs, net of taxes	—	2,568	—	676	—
<i>Adjusted net income (non-GAAP)</i>	<i>63,898</i>	<i>62,165</i>	<i>54,083</i>	<i>61,724</i>	<i>62,437</i>
Annualized net income (GAAP)	253,508	238,730	216,790	226,832	161,532
<i>Annualized adjusted net income (non-GAAP)</i>	<i>253,508</i>	<i>249,343</i>	<i>219,337</i>	<i>244,883</i>	<i>247,712</i>
Average assets (GAAP)	24,583,776	24,291,276	24,144,570	24,034,846	24,013,594
Average equity (GAAP)	2,807,886	2,768,352	2,733,226	2,673,635	2,661,546
Average tangible common equity (non-GAAP)	1,890,760	1,848,299	1,810,234	1,749,754	1,739,437
Return on average assets (GAAP)	1.03%	0.98%	0.90%	0.94%	0.67%
<i>Adjusted return on average assets (non-GAAP)</i>	<i>1.03%</i>	<i>1.03%</i>	<i>0.91%</i>	<i>1.02%</i>	<i>1.03%</i>
Return on average equity (GAAP)	9.03%	8.62%	7.93%	8.48%	6.07%
<i>Adjusted return on average equity (non-GAAP)</i>	<i>9.03%</i>	<i>9.01%</i>	<i>8.02%</i>	<i>9.16%</i>	<i>9.31%</i>
Return on average tangible common equity (non-GAAP)	13.41%	12.92%	11.98%	12.96%	9.29%
<i>Adjusted return on average tangible common equity (non-GAAP)</i>	<i>13.41%</i>	<i>13.49%</i>	<i>12.12%</i>	<i>14.00%</i>	<i>14.24%</i>



## Reconciliation of Non-GAAP Measures: Non-operating items

The table below presents non-interest income and noninterest expense (GAAP) excluding certain adjustments to arrive at adjusted noninterest income and noninterest expense (non-GAAP). The Corporation believes that the exclusion of these adjustments provides a meaningful base for period-to-period comparisons, which Management believes will assist investors in analyzing the operating results of the Corporation. These non-GAAP financial measures are also used by Management to assess the performance of the Corporation's business. It is possible that the activities related to the adjustments may recur; however, Management does not consider the activities related to the adjustments to be indications of ongoing operations. The Corporation believes that presentation of these non-GAAP financial measures will permit investors to assess the performance of the Corporation on the same basis as that applied by Management.

<i>(Dollars in thousands)</i>	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013
Net interest income (TE) (non-GAAP)	\$ 197,644	\$ 199,666	\$ 197,854	\$ 202,145	\$ 207,079
Noninterest income (GAAP)	69,733	72,560	67,270	72,420	71,090
<i>Noninterest income adjustments:</i>					
Gains (losses) on sales of securities	14	80	56	—	—
Branch closure costs	—	3,951	—	1,040	—
Adjusted noninterest income (non-GAAP)	69,719	76,431	67,214	73,460	71,090
Adjusted total revenue, TE excluding securities gains (losses) (non-GAAP)	267,363	276,097	265,068	275,605	278,169
Noninterest expense (GAAP)	163,145	167,400	169,331	178,620	210,599
<i>Noninterest expense adjustments:</i>					
Less: Amortization of intangible assets	2,933	2,933	2,936	2,692	2,972
Branch closures costs and acquisition related expenses	—	120	966	5,960	33,418
Adjusted noninterest expense (non-GAAP)	160,212	164,347	165,429	169,968	174,209
Fee income ratio, as reported (non-GAAP)	26.08%	26.63%	25.36%	26.38%	25.56%
Efficiency ratio, as reported, excluding amortization of intangible assets and securities gains (losses) (non-GAAP)	59.92%	60.43%	62.77%	64.08%	74.64%
Efficiency ratio, as adjusted (non-GAAP)	59.92%	59.53%	62.41%	61.67%	62.63%



# Acquired Loans

(Dollars in thousands)	Impaired Acquired Loans	Nonimpaired Acquired Loans	Total Acquired Loans
<b>As of Acquisition Date, April 12, 2013</b>			
Loan balance <sup>(1)</sup>	\$ 946,465	\$ 4,017,304	\$ 4,963,769
Fair value mark	126,750	220,015	346,765
Total fair value of loans acquired	819,715	3,797,289	4,617,004
Discount at Acquisition Date	13.39%	5.48%	6.99%
<b>Previous Five Quarters</b>			
<b>September 30, 2013</b>			
Loan balance	\$ 805,057	\$ 3,290,562	\$ 4,095,619
Remaining loan mark	134,190	168,596	302,786
Recorded investment	670,867	3,121,966	3,792,833
Discount	16.67%	5.12%	7.39%
<b>December 31, 2013</b>			
Loan balance	\$ 712,016	\$ 3,042,881	\$ 3,754,897
Remaining loan mark	111,016	147,683	258,699
Recorded investment	601,000	2,895,198	3,496,198
Discount	15.59%	4.85%	6.89%
<b>March 31, 2014</b>			
Loan balance	\$ 656,357	\$ 2,816,436	\$ 3,472,793
Remaining loan mark	99,158	133,653	232,811
Recorded investment	557,199	2,682,783	3,239,982
Discount	15.11%	4.75%	6.70%
<b>June 30, 2014</b>			
Loan balance	\$ 615,365	\$ 2,622,093	\$ 3,237,458
Remaining loan mark	96,115	119,132	215,247
Recorded investment	519,250	2,502,961	3,022,211
Discount	15.62%	4.54%	6.65%
<b>September 30, 2014</b>			
Loan balance	\$ 569,848	\$ 2,368,365	\$ 2,938,213
Remaining loan mark	90,798	105,092	195,890
Recorded investment	479,050	2,263,273	2,742,323
Discount	15.93%	4.44%	6.67%

<sup>1</sup> The outstanding balance of impaired and nonimpaired acquired loans at the Acquisition Date were \$1.1 billion and \$4.0 billion, respectively. The outstanding balance represents the undiscounted sum of all amounts, including principal, interest, fees and penalties, owed to the investor at the reporting date, whether or not currently due or charged-off.

# Acquired Loans

## Nonimpaired Acquired Loans - Purchase Discount

(Dollars in thousands)	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013
Beginning balance	\$ 121,736	\$ 136,526	\$ 153,925	\$ 174,350	\$ 199,344
Scheduled accretion	(8,384)	(9,020)	(10,552)	(13,288)	(13,605)
Pay-offs	(4,129)	(3,578)	(4,661)	(3,832)	(7,277)
Accelerated prepayments	(1,401)	(1,794)	(1,767)	(2,749)	(4,006)
Total Income	(13,914)	(14,392)	(16,980)	(19,870)	(24,887)
Charge offs	(284)	(398)	(419)	(556)	(107)
Ending balance	\$ 107,538	\$ 121,736	\$ 136,526	\$ 153,925	\$ 174,350
Muni loans mark, classified as investments	\$ 2,446	\$ 2,604	\$ 2,873	\$ 6,242	\$ (45,665)
Loans mark, classified as loans	105,092	119,132	133,653	147,683	220,015
Total mark on loans, above	\$ 107,538	\$ 121,736	\$ 136,526	\$ 153,925	\$ 174,350

## Nonimpaired Acquired Loans - Allowance

(Dollars in thousands)	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013
Beginning balance	\$ —	\$ —	\$ —	\$ —	—
Charge offs	(4,893)	(5,278)	(6,130)	(5,617)	—
Recoveries	1,711	1,466	537	843	—
Provision for loan losses	3,182	3,812	5,593	4,774	—
Ending balance	\$ —	\$ —	\$ —	\$ —	—

An allowance for nonimpaired acquired loans is estimated using a methodology similar to that used for originated loans. The allowance determined for each nonimpaired acquired loan is compared to the remaining fair value discount for that loan. If the computed allowance is greater, the excess is added to the allowance through a provision for loan losses. If the computed allowance is less, no additional allowance is recognized. Charge-offs and actual losses first reduce any remaining fair value discount for the loan and once the discount is depleted, losses are applied against the allowance established for that loan. Actual losses first reduce any remaining fair value discount for the loan. Once the discount is fully depleted, losses are applied against the allowance established for that loan.

During the three months ended September 30, 2014, provision, equal to net charge-offs, of \$3.2 million was recorded on nonimpaired acquired loans. These charged-off loans were mainly consumer loans that were written off in accordance with the Corporation's credit policies based on a predetermined number of days past due. As of September 30, 2014, the fair value discount on acquired nonimpaired loans was greater than the required allowance, therefore, no allowance for acquired nonimpaired loan losses was recorded.

# Acquired Loans

## Impaired Acquired Loans - Accretable Yield and Carrying Amount

	Q3 2014		Q2 2014		Q1 2014		Q4 2013		Q3 2013	
(Dollars in thousands)	Accretable Yield	Carrying Amount	Accretable Yield	Carrying Amount	Accretable Yield	Carrying Amount	Accretable Yield	Carrying Amount	Accretable Yield	Carrying Amount
Beginning balance	\$ 137,442	\$ 519,250	\$ 142,284	\$ 557,199	\$ 136,646	\$ 601,000	\$ 106,607	\$ 670,867	\$ 120,067	\$ 752,682
Additions	—	—	—	—	—	—	—	—	—	—
Accretion	(12,950)	12,950	(12,746)	12,746	(11,741)	11,741	(9,140)	9,140	(8,914)	8,914
Net Reclassifications from non-accretable to accretable	6,646	—	10,499	—	19,514	—	46,361	—	—	—
Payments, received, net	—	(53,150)	—	(50,695)	—	(55,542)	—	(79,007)	—	(90,729)
Disposals	(4,714)	—	(2,595)	—	(2,135)	—	(7,182)	—	(4,546)	—
Ending balance	\$ 126,424	\$ 479,050	\$ 137,442	\$ 519,250	\$ 142,284	\$ 557,199	\$ 136,646	\$ 601,000	\$ 106,607	\$ 670,867

## Impaired Acquired Loans - Allowance

(Dollars in thousands)	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013
Beginning balance	\$ 4,977	\$ 2,974	\$ 741	\$ —	\$ —
Charge offs	—	—	—	—	—
Recoveries	—	—	—	—	—
Provision for loan losses	1,229	2,003	2,233	741	—
Ending balance	\$ 6,206	\$ 4,977	\$ 2,974	\$ 741	\$ —

The allowance for acquired impaired loans is determined by comparing the present value of the cash flows expected to be collected to the carrying amount for a given pool of loans. Management reforecasts the estimated cash flows expected to be collected on acquired impaired loans on a quarterly basis. If the present value of expected cash flows for a pool is less than its carrying value, impairment is recognized by an increase in the allowance and a charge to the provision for loan losses. If the present value of expected cash flows for a pool is greater than its carrying value, any previously established allowance is reversed and any remaining difference increases the accretable yield which will be taken into interest income over the remaining life of the loan pool.

The first re-estimation of cash flows on the impaired loans since acquisition was completed in 4Q 2013. The re-estimation performed in Q3 2014 resulted in impairment of \$1.2 million.

# Covered Loans

## Impaired Covered Loans - Accretable Yield and Carrying Amount

	Q3 2014		Q2 2014		Q1 2014		Q4 2013		Q3 2013	
(Dollars in thousands)	Accretable Yield	Carrying Amount	Accretable Yield	Carrying Amount	Accretable Yield	Carrying Amount	Accretable Yield	Carrying Amount	Accretable Yield	Carrying Amount
Beginning balance	\$ 53,655	\$ 316,481	\$ 63,003	\$ 364,488	\$ 67,282	\$ 403,692	\$ 79,138	\$ 447,799	\$ 81,758	\$ 537,257
Accretion	(9,683)	9,683	(12,139)	12,139	(12,616)	12,616	(13,201)	13,201	(14,056)	14,056
Net Reclassifications from non-accretable to accretable	8,684	—	5,549	—	6,057	—	6,238	—	12,745	—
Payments, received, net	—	(41,598)	—	(60,146)	—	(51,820)	—	(57,308)	—	(103,514)
Disposals	(711)	—	(2,758)	—	2,280	—	(4,893)	—	(1,309)	—
Ending balance	\$ 51,945	\$ 284,566	\$ 53,655	\$ 316,481	\$ 63,003	\$ 364,488	\$ 67,282	\$ 403,692	\$ 79,138	\$ 447,799

## Impaired Covered Loans - Allowance

(Dollars in thousands)	Q3 2014		Q2 2014		Q1 2014		Q4 2013		Q3 2013	
Beginning balance	\$	45,109	\$	49,970	\$	44,027	\$	45,544	\$	49,069
Net provision/(recapture)		2,827		(451)		7,879		4,883		2,855
Net recapture/(provision) from FDIC loss share		(2,908)		3,897		(4,824)		(1,900)		(1,032)
Net provision for covered loan losses		(81)		3,446		3,055		2,983		1,823
Increase/(decrease) in loss share receivable		2,908		(3,897)		4,824		1,900		1,032
Loans charged-off		(4,948)		(4,410)		(1,936)		(6,400)		(6,380)
Ending balance	\$	42,988	\$	45,109	\$	49,970	\$	44,027	\$	45,544

## Loss Share Receivable

(Dollars in thousands)	Q3 2014		Q2 2014		Q1 2014		Q4 2013		Q3 2013	
Beginning balance	\$	43,981	\$	54,748	\$	61,827	\$	69,986	\$	83,910
Accretion		(6,932)		(4,185)		(5,863)		(4,979)		(5,226)
Net recapture of /(provision from) impairment		2,908		(3,897)		4,824		1,900		1,032
FDIC reimbursement		(7,006)		(1,237)		(5,087)		(4,004)		(7,284)
Covered loans paid in full		(2,205)		(1,448)		(953)		(1,076)		(2,446)
Ending balance	\$	30,746	\$	43,981	\$	54,748	\$	61,827	\$	69,986

# FIRSTMERIT Corporation

Third Quarter 2014 Earnings Conference Call  
Supplemental Information

*October 28, 2014*

