FIRSTMERIT Corporation

Second Quarter 2015 Earnings Conference Call
Supplemental Information

July 28, 2015

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, 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.

2Q 2015 Highlights

- 65th consecutive quarter of profitability
- Net income of $56.6 million/$0.33 per diluted common share
  - Return on average assets of 0.90%
  - Return on average equity of 7.85%
- Dividend of $0.16 per common share
- Solid asset quality results
  - NCO ratio at 0.20%
  - NPA ratio at 0.87%
- Robust tangible common equity ratio of 8.09% at June 30, 2015

Income Statement Highlights

(In thousands, except per share amounts)	2015 2nd Qtr	2015 1st Qtr	2014 2nd Qtr	Change 2Q 2015 vs. 2015 1st Qtr	Change 2Q 2015 vs. 2014 2nd Qtr
Net interest income TE [(1)]	$ 189,018	$ 189,554	$ 199,666	(0.28)%	(5.33)%
TE adjustment [(1)]	3,900	3,931	4,089	(0.79)	(4.62)
Provision for originated loan losses	10,809	6,036	5,993	79.08	80.36
(Recapture)/provision for acquired loan losses	(952)	2,214	5,815	(143.00)	(116.37)
(Recapture)/provision for FDIC acquired loan losses	(891)	(2)	3,445	N/M	N/M
Noninterest income	66,582	65,847	72,560	1.12	(8.24)
Noninterest expense	161,674	160,652	167,400	0.64	(3.42)
Net income	56,584	57,139	59,519	(0.97)	(4.93)
Diluted EPS	0.33	0.33	0.35	—	(5.71)

(1) 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 $185.1 million, $185.6 million and $195.6 million for the three months ended June 30, 2015, March 31, 2015 and June 30, 2014, respectively. The taxable-equivalent adjustment to net interest income was $3.9 million, $3.9 million and $4.1 million for the three months ended June 30, 2015, March 31, 2015 and June 30, 2014, respectively.

N/M - Not meaningful

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Asset Yields / Liability Costs[1]

(Dollars in thousands)		2Q 2015			1Q 2015			2Q 2014	
Total investment securities and federal funds sold	$	6,771,729	2.41%	$	6,667,758	2.50%	$	6,654,981	2.47%
Originated loans		13,092,972	3.47%		12,689,791	3.51%		11,092,101	3.67%
Acquired loans		2,203,001	8.12%		2,406,173	7.93%		3,109,531	7.93%
FDIC acquired loans		281,388	5.46%		331,217	5.76%		500,687	7.50%
Total loans		15,577,361	4.19%		15,427,181	4.27%		14,702,319	4.73%
Total earning assets		22,352,721	3.65%		22,100,417	3.73%		21,367,496	4.02%
Demand – non interest bearing	$	5,722,240	—%	$	5,728,763	—%	$	5,515,807	—%
Demand – interest bearing		3,203,836	0.10%		3,209,285	0.10%		3,066,201	0.10%
Savings and money market accounts		8,467,845	0.26%		8,542,154	0.26%		8,580,928	0.26%
Certificates and other time deposits		2,288,741	0.44%		2,308,723	0.38%		2,333,859	0.52%
Total deposits		19,682,662	0.18%		19,788,925	0.17%		19,496,795	0.19%
Borrowings		2,188,043	0.99%		1,881,129	1.16%		1,722,242	1.28%
Total interest bearing liabilities		16,148,465	0.35%		15,941,291	0.35%		15,703,230	0.38%

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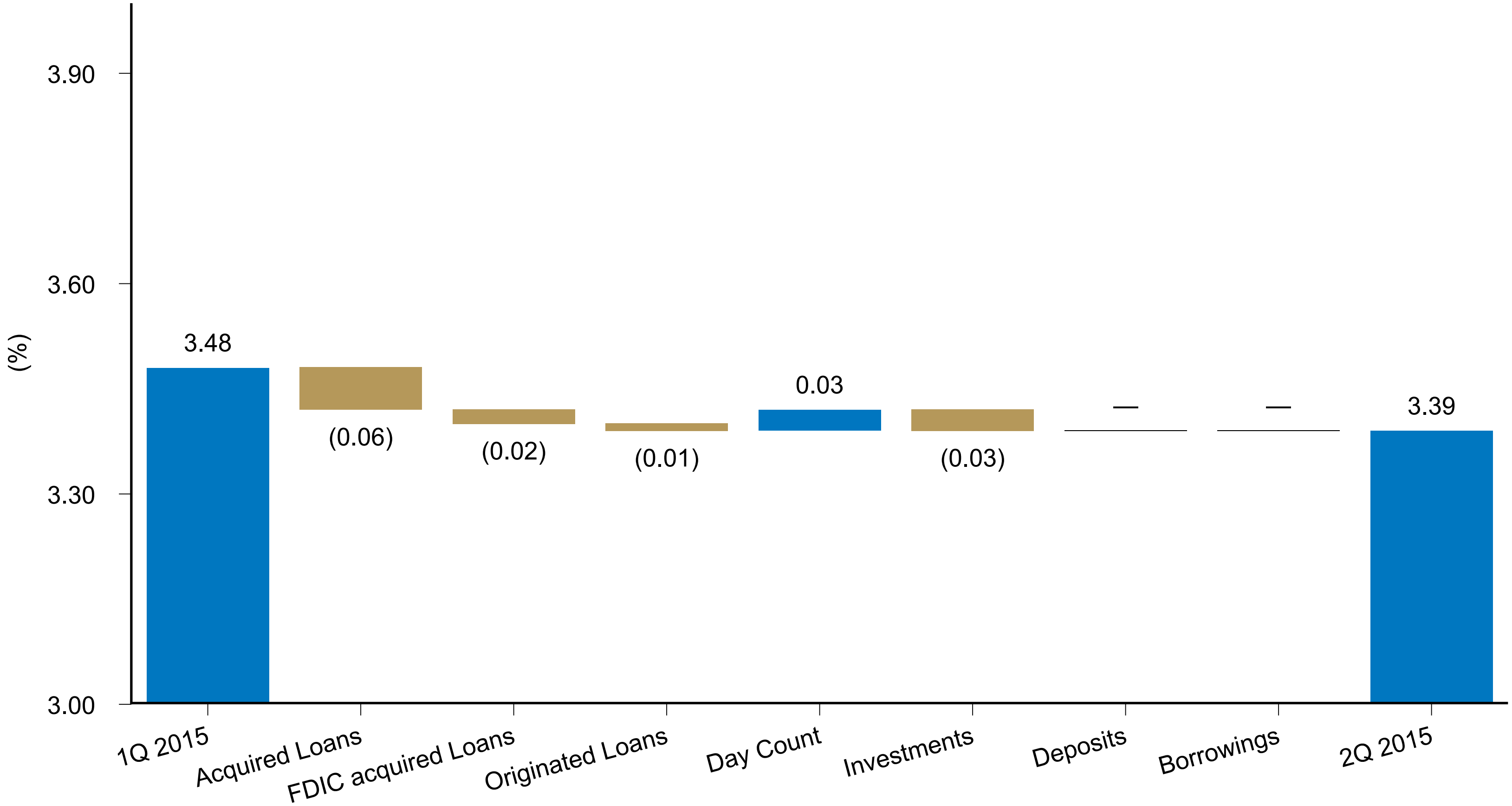
Net Interest Margin



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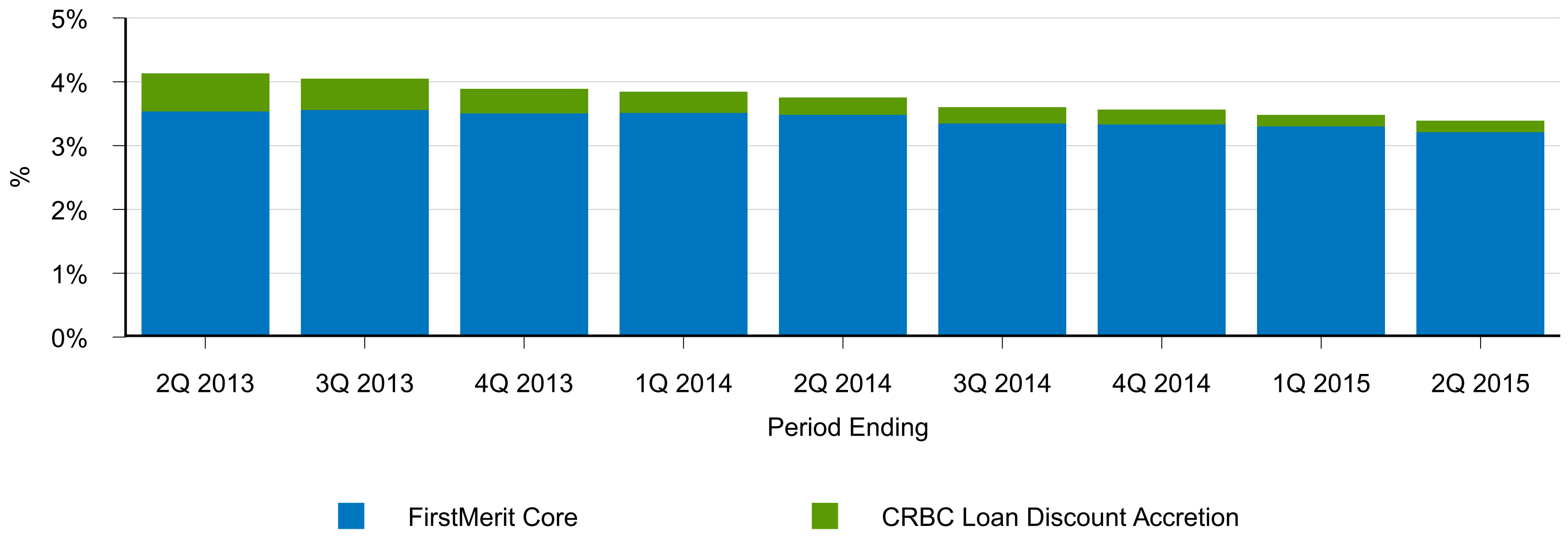
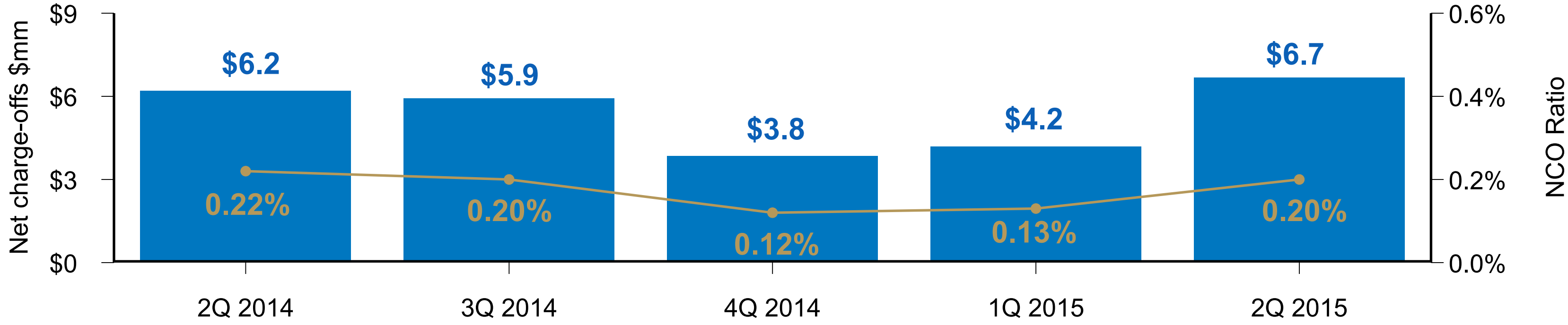
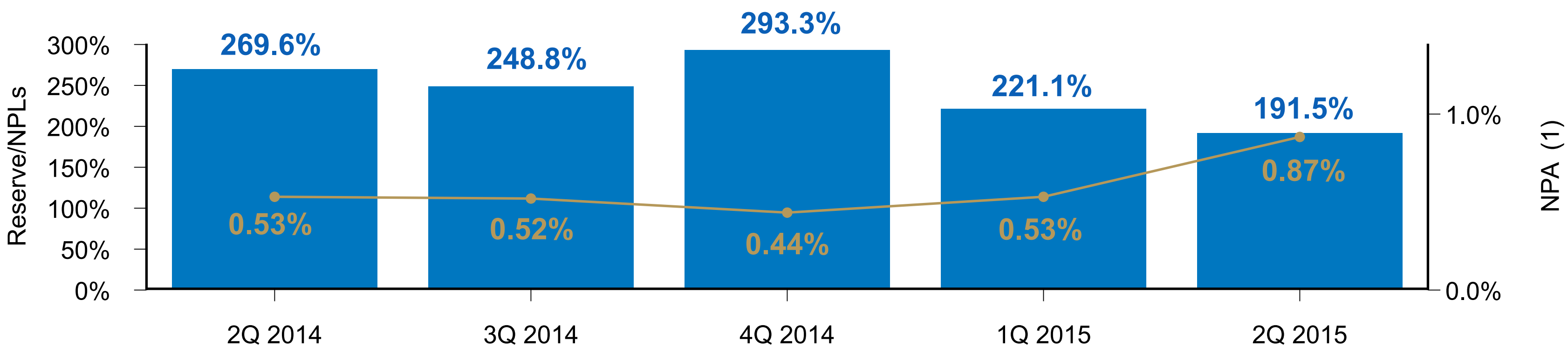
Total and Core Net Interest Margin



Net interest margin	2Q 2013	3Q 2013	4Q 2013	1Q 2014	2Q 2014	3Q 2014	4Q 2014	1Q 2015	2Q 2015
Consolidated	4.12%	4.05%	3.89%	3.84%	3.75%	3.60%	3.56%	3.48%	3.39%
FirstMerit Core	3.54%	3.56%	3.51%	3.51%	3.48%	3.35%	3.33%	3.30%	3.21%
CRBC Loan Discount Accretion	0.59%	0.49%	0.38%	0.33%	0.27%	0.25%	0.23%	0.18%	0.18%

Credit Results – Originated Loans





(1) As of June 30, 2015, $42.0 million of OREO was no longer covered by a FDIC loss share agreement, and therefore, was included in NPAs. OREO that remains covered by FDIC loss share agreements has considerable protection against credit risk and is not reported as NPAs.

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Fee Income

(Dollars in thousands)	2015 2nd Qtr	2015 1st Qtr	2014 2nd Qtr	Change 2Q 2015 vs. 2015 1st Qtr	Change 2Q 2015 vs. 2014 2nd Qtr
Trust department income	$ 10,820	$ 10,149	$ 10,070	6.61%	7.45 %
Service charges on deposits	16,704	15,668	18,528	6.61	(9.84)
Credit card fees	14,124	12,649	13,455	11.66	4.97
ATM and other service fees	6,345	6,099	5,996	4.03	5.82
Bank owned life insurance income	3,697	3,592	4,040	2.92	(8.49)
Investment services and insurance	3,871	3,704	3,852	4.51	0.49
Investment securities gains/(losses), net	567	354	80	60.17	608.75
Loan sales and servicing income	3,276	1,600	4,462	104.75	(26.58)
Other operating income	7,178	12,032	12,077	(40.34)	(40.56)
Total noninterest income	$ 66,582	$ 65,847	$ 72,560	1.12%	(8.24)%

Noninterest Expense

(Dollars in thousands)	2015 2nd Qtr	2015 1st Qtr	2014 2nd Qtr	Change 2Q 2015 vs. 2015 1st Qtr	Change 2Q 2015 vs. 2014 2nd Qtr
Salaries and wages	$ 67,485	$ 71,914	$ 69,892	(6.16)%	(3.44)%
Pension and employee benefits	18,535	18,612	19,573	(0.41)	(5.30)
Net occupancy expense	13,727	15,954	14,347	(13.96)	(4.32)
Equipment expense	12,592	11,025	12,267	14.21	2.65
Taxes, other than federal income taxes	2,032	2,014	2,576	0.89	(21.12)
Stationary, supplies and postage	3,370	3,528	3,990	(4.48)	(15.54)
Bankcard, loan processing and other costs	12,461	11,139	11,810	11.87	5.51
Advertising	3,103	2,747	3,801	12.96	(18.36)
Professional services	5,358	4,010	4,745	33.62	12.92
Telephone	2,599	2,574	2,857	0.97	(9.03)
Amortization of intangibles	2,598	2,598	2,933	—	(11.42)
FDIC expense	5,077	5,167	5,533	(1.74)	(8.24)
Other operating expenses	12,737	9,370	13,076	35.93	(2.59)
Total noninterest expense	$ 161,674	$ 160,652	$ 167,400	0.64%	(3.42)%

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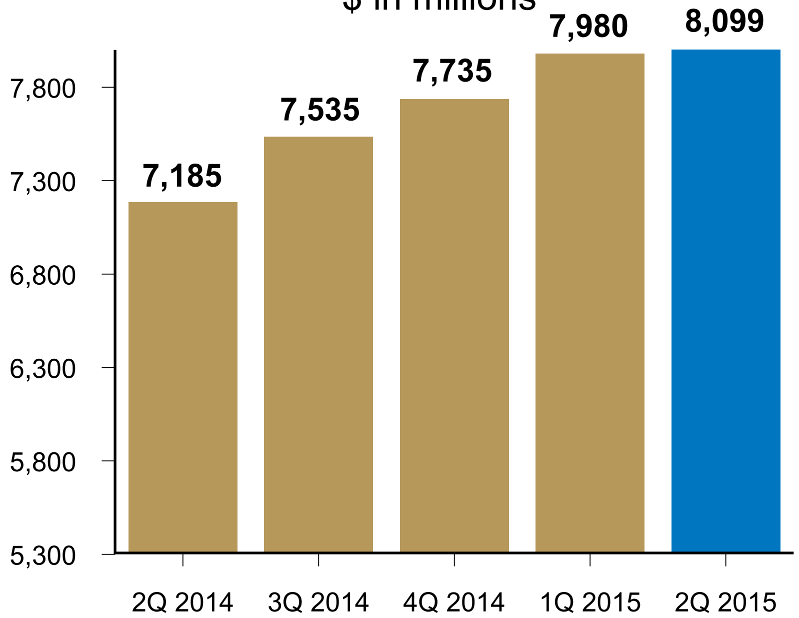
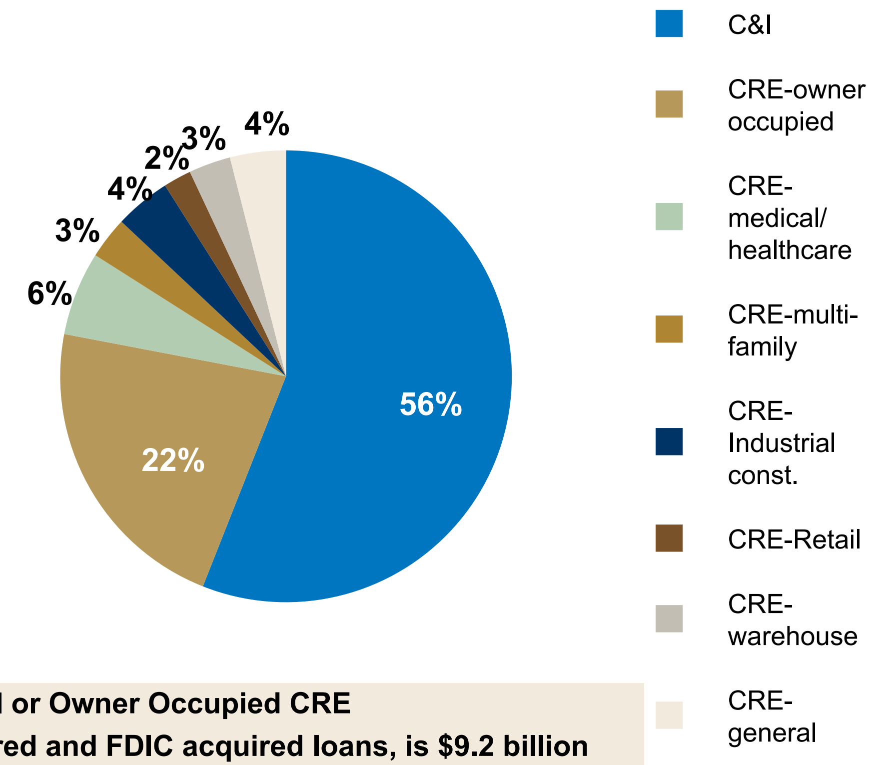
Originated Commercial Loan Portfolio(1)

Average Originated Commercial Loans

$ in millions



Average Originated Commercial Loan Composition



78% of Average Originated Loans are C&I or Owner Occupied CRE
Total Average Commercial Loan Portfolio, including acquired and FDIC acquired loans, is $9.2 billion

(1) Excludes acquired loans from Citizens and FDIC acquired loans.

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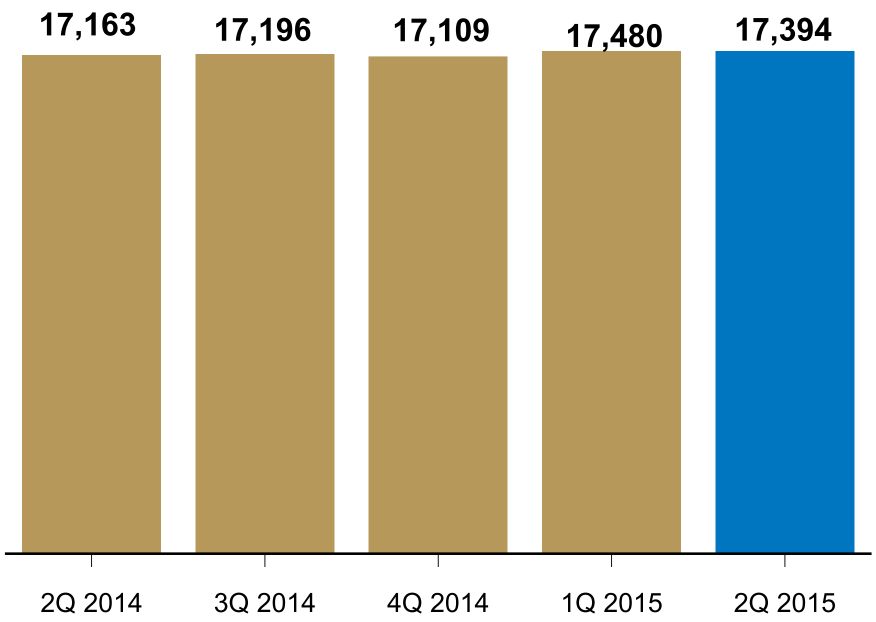
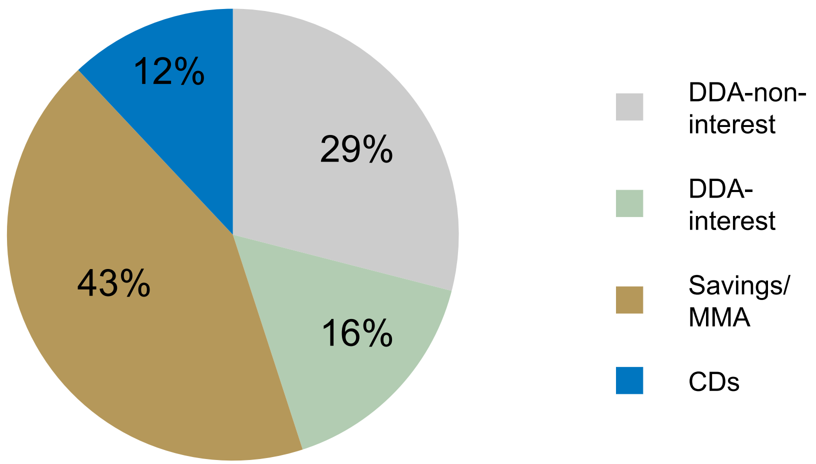
Deposits*

Average Core Deposits (1)

$ in millions



Average Total Deposits



88% of deposits are core deposits.

(1) Core deposits include all deposits less certificates of deposit.

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Capital Position

(Dollars in thousands)	**June 30, 2015**		**March 31, 2015**		**June 30, 2014**	
Consolidated						
Shareholders' equity (GAAP)	$2,887,957	11.42%	$2,888,786	11.50%	$2,791,738	11.36%
Common shareholders' equity (non GAAP) (1)	2,787,957	11.02%	2,788,786	11.10%	2,691,738	10.96%
CET1 capital (non GAAP) (1) (2)	2,029,902	10.48%	2,006,340	10.60%	NA	NA
Tier 1 common equity (non GAAP) (1) (2)	NA	NA	NA	NA	1,803,731	10.55%
Tier 1 capital (regulatory) (1) (2)	2,029,902	10.48%	2,006,340	10.60%	1,978,233	11.57%
Total risk-based capital (non GAAP) (1) (2)	2,638,561	13.62%	2,597,358	13.72%	2,377,307	13.90%
Tier 1 leverage ratio (2) (3)	2,029,902	8.36%	2,006,340	8.31%	1,978,233	8.46%
Tangible common equity (1)	1,980,392	8.09%	1,978,624	8.14%	1,873,112	7.89%

(1) See Reconciliation of Non-GAAP Measures.

(2) The Basel III capital rules, effective January 1, 2015, replace tier 1 common equity and the associated tier 1 common equity ratio with common equity tier 1 ("CET1") capital and the CET1 risk-based capital ratio. June 30, 2015 figures are preliminary and presented on a Basel III basis and reflect transitional capital requirements and phase-in provisions, including the standardized approach for calculating risk weighted assets. June 30, 2014 amounts and ratios are reported on a Basel I basis.

(3) The Tier 1 leverage ratio is calculated using Tier 1 capital

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Acquired Loans

(Dollars in thousands)	Impaired Acquired Loans	Nonimpaired Acquired Loans	Total Acquired Loans
As of Acquisition Date, April 12, 2013			
Loan balance [(1)]	$ 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%
Previous Five Quarters			
June 30, 2014			
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%
September 30, 2014			
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%
December 31, 2014			
Loan balance	$ 506,500	$ 2,142,390	$ 2,648,890
Remaining loan mark	83,291	92,210	175,501
Recorded investment	423,209	2,050,180	2,473,389
Discount	16.44%	4.30%	6.63%
March 31, 2015			
Loan balance	$ 464,372	$ 2,012,836	$ 2,477,208
Remaining loan mark	76,059	82,011	158,070
Recorded investment	388,313	1,930,825	2,319,138
Discount	16.38%	4.07%	6.38%
June 30, 2015			
Loan balance	$ 424,188	$ 1,808,924	$ 2,233,112
Remaining loan mark	68,024	73,279	141,303
Recorded investment	356,164	1,735,645	2,091,809
Discount	16.04%	4.05%	6.33%

(1) 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.

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Acquired Loans

Nonimpaired Acquired Loans - Purchase Discount

(Dollars in thousands)	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014
Beginning balance	$ 83,493	$ 94,543	$ 107,538	$ 121,736	$ 136,526
Scheduled accretion	(5,756)	(6,955)	(7,395)	(8,384)	(9,020)
Pay-offs	(3,315)	(2,305)	(3,820)	(4,129)	(3,578)
Accelerated prepayments	(1,023)	(1,525)	(1,598)	(1,401)	(1,794)
Total Income	(10,094)	(10,785)	(12,813)	(13,914)	(14,392)
Charge offs	(120)	(265)	(182)	(284)	(398)
Ending balance	$ 73,279	$ 83,493	$ 94,543	$ 107,538	$ 121,736
Muni loans mark, classified as investments	$ 1,002	$ 1,483	$ 2,333	$ 1,636	$ 2,604
Loans mark, classified as loans	72,277	82,010	92,210	105,902	119,132
Total mark on loans, above	$ 73,279	$ 83,493	$ 94,543	$ 107,538	$ 121,736

Nonimpaired Acquired Loans - Allowance

(Dollars in thousands)	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014
Beginning balance	$ —	$ —	$ —	$ —	$ —
Charge offs	(2,774)	(3,436)	(3,249)	(4,893)	(5,278)
Recoveries	1,183	1,258	1,092	1,711	1,466
Provision for loan losses	1,591	2,178	2,157	3,182	3,812
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 June 30, 2015, provision, equal to net charge-offs, of $1.6 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 June 30, 2015, the fair value discount on acquired nonimpaired loans was greater than the required allowance, therefore, no allowance for acquired nonimpaired loan losses was recorded.

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Acquired Loans

Impaired Acquired Loans - Accretable Yield and Carrying Amount

(Dollars in thousands)	Q2 2015 Accretable Yield	Q2 2015 Carrying Amount	Q1 2015 Accretable Yield	Q1 2015 Carrying Amount	Q4 2014 Accretable Yield	Q4 2014 Carrying Amount	Q3 2014 Accretable Yield	Q3 2014 Carrying Amount	Q2 2014 Accretable Yield	Q2 2014 Carrying Amount
Beginning balance	$ 118,756	$ 388,313	$ 119,450	$ 423,209	$ 126,424	$ 479,050	$ 137,442	$ 519,250	$ 142,284	$ 557,199
Additions	—	—	—	—	—	—	—	—	—	—
Accretion	(10,285)	10,285	(11,218)	11,218	(11,834)	11,834	(12,950)	12,950	(12,746)	12,746
Net Reclassifications from non-accretable to accretable	8,217	—	12,995	—	9,165	—	6,646	—	10,499	—
Payments, received, net	—	(42,434)	—	(46,114)	—	(67,675)	—	(53,150)	—	(50,695)
Disposals	(4,657)	—	(2,471)	—	(4,305)	—	(4,714)	—	(2,595)	—
Ending balance	$ 112,031	$ 356,164	$ 118,756	$ 388,313	$ 119,450	$ 423,209	$ 126,424	$ 479,050	$ 137,442	$ 519,250

Impaired Acquired Loans - Allowance

(Dollars in thousands)	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014
Beginning balance	$ 7,493	$ 7,457	$ 6,206	$ 4,977	$ 2,974
Charge offs	—	—	—	—	—
Recoveries	—	—	—	—	—
Provision/(recapture) for loan losses	(2,543)	36	1,251	1,229	2,003
Ending balance	$ 4,950	$ 7,493	$ 7,457	$ 6,206	$ 4,977

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 Q4 2013. The re-estimation performed in Q2 2015 resulted in recapture of previous impairment of $2.5 million.

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FDIC Acquired Loans

Impaired FDIC Acquired Loans - Accretable Yield and Carrying Amount

	Q2 2015		Q1 2015		Q4 2014		Q3 2014		Q2 2014	
(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	$ 29,867	$ 199,225	$ 37,511	$ 232,452	$ 51,945	$ 284,566	$ 53,655	$ 316,481	$ 63,003	$ 364,488
Accretion	(4,100)	4,100	(5,567)	5,567	(7,723)	7,723	(9,683)	9,683	(12,139)	12,139
Net Reclassifications from non-accretable to accretable	2,136	—	(56)	—	(3,449)	—	8,684	—	5,549	—
Payments, received, net	—	(45,517)	—	(38,794)	—	(59,837)	—	(41,598)	—	(60,146)
Disposals	(1,753)	—	(2,021)	—	(3,262)	—	(711)	—	(2,758)	—
Ending balance	$ 26,150	$ 157,808	$ 29,867	$ 199,225	$ 37,511	$ 232,452	$ 51,945	$ 284,566	$ 53,655	$ 316,481

Impaired FDIC Acquired Loans - Allowance

(Dollars in thousands)	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014
Beginning balance	$ 41,514	$ 40,496	$ 42,988	$ 45,109	$ 49,970
Net provision/(recapture)	928	4,225	313	2,827	(451)
Net (benefit)/recapture from FDIC loss share	(1,819)	(4,227)	915	(2,908)	3,897
Net (recapture)/provision for FDIC acquired loan losses	(891)	(2)	1,228	(81)	3,446
Increase/(decrease) in loss share receivable	1,819	4,227	(915)	2,908	(3,897)
Loans charged-off	(815)	(3,207)	(2,805)	(4,948)	(4,410)
Ending balance	$ 41,627	$ 41,514	$ 40,496	$ 42,988	$ 45,109

Loss Share Receivable

(Dollars in thousands)	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014
Beginning balance	$ 20,005	$ 22,033	$ 30,746	$ 43,981	$ 54,748
Accretion	(1,185)	(2,187)	(3,963)	(6,932)	(4,185)
Net recapture of /(provision from) impairment	1,819	4,227	(915)	2,908	(3,897)
FDIC reimbursement	(8,713)	(4,013)	(4,507)	(7,006)	(1,237)
FDIC acquired loans paid in full	(106)	(55)	672	(2,205)	(1,448)
Ending balance	$ 11,820	$ 20,005	$ 22,033	$ 30,746	$ 43,981

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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.

(Dollars in thousands)	**Q2 2015**	**Q1 2015**	**Q4 2014**	**Q3 2014**	**Q2 2014**
Shareholders' equity (GAAP)	$ 2,887,957	$ 2,888,786	$ 2,834,281	$ 2,820,431	$ 2,791,738
Less: Preferred stock	100,000	100,000	100,000	100,000	100,000
Common shareholders' equity (non-GAAP)	2,787,957	2,788,786	2,734,281	2,720,431	2,691,738
Less: Intangible assets	65,824	68,422	71,020	73,953	76,886
Goodwill	741,740	741,740	741,740	741,740	741,740
Tangible common equity (non-GAAP)	1,980,393	1,978,624	1,921,521	1,904,738	1,873,112
Total assets (GAAP)	$ 25,297,014	$ 25,118,120	$ 24,902,347	$ 24,608,207	$ 24,564,431
Less: Intangible assets	65,824	68,422	71,020	73,953	76,886
Goodwill	741,740	741,740	741,740	741,740	741,740
Tangible assets (non-GAAP)	$ 24,489,450	$ 24,307,958	$ 24,089,587	$ 23,792,514	$ 23,745,805
Tangible common equity to tangible assets ratio (non-GAAP)	8.09%	8.14%	7.98%	8.01%	7.89%

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Reconciliation of Non-GAAP Measures: Capital Position

The table below presents computations of Tier 1, total risk-based and CET1 capital which are all considered non-GAAP measures. The table below also reconciles the U.S. GAAP capital measures to the corresponding non-GAAP measures. Management uses these non-GAAP financial measures to assess the adequacy of capital and believes that regulators and 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 regulators and 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.

(Dollars in thousands)	**Q2 2015**	**Q1 2015**	**Q4 2014**	**Q3 2014**	**Q2 2014**
Shareholders' equity (GAAP)	$ 2,887,957	$ 2,888,786	$ 2,834,281	$ 2,820,431	$ 2,791,738
Less: Goodwill	741,740	741,740	741,740	741,740	741,740
Regulatory and other adjustments	116,315	140,706	88,080	131,530	71,765
Tier 1 capital (non-GAAP)	2,029,902	2,006,340	2,004,461	1,947,161	1,978,233
Less: Preferred stock	100,000	100,000	100,000	100,000	100,000
Trust preferred securities	—	—	—	—	74,502
Plus: Tier 1 capital adjustments	100,000	100,000	—	—	—
CET1 capital (non-GAAP) (1) (Basel III)	$ 2,029,902	2,006,340	N/A	N/A	N/A
Tier 1 common equity (non-GAAP) (1) (Basel I)	N/A	N/A	1,904,461	1,847,161	1,803,731
Plus: Tier 2 adjustments	608,659	591,018	649,432	396,976	399,074
Total risk-based capital (non-GAAP)	$ 2,638,561	$ 2,597,358	$ 2,653,893	$ 2,344,137	$ 2,377,307

(1) The Basel III capital rules, effective January 1, 2015, replace tier 1 common equity and the associated tier 1 common equity ratio with common equity tier 1 ("CET1") capital and the CET1 risk-based capital ratio. June 30, 2015 figures are preliminary and presented on a Basel III basis and reflect transitional capital requirements and phase-in provisions, including the standardized approach for calculating risk weighted assets. 2014 amounts and ratios are reported on a Basel I basis.

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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 2014 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 operations. 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.

(Dollars in thousands)	**Q2 2015**	**Q1 2015**	**Q4 2014**	**Q3 2014**	**Q2 2014**
Net income (GAAP)	$ 56,584	$ 57,139	$ 61,079	$ 63,898	$ 59,519
Net income adjustments					
Plus: Restructure expenses, net of taxes	—	1,149	564	—	—
Branch closure costs, net of taxes	1,149	783	—	—	2,646
Adjusted net income (non-GAAP)	*57,733*	*59,071*	*61,643*	*63,898*	*62,165*
Annualized net income (GAAP)	226,958	231,730	242,324	253,508	238,730
Annualized adjusted net income (non-GAAP)	*231,566*	*239,566*	*244,562*	*253,508*	*249,343*
Average assets (GAAP)	25,129,859	24,905,094	24,664,987	24,583,776	24,291,276
Average equity (GAAP)	2,892,432	2,866,362	2,849,618	2,807,886	2,768,352
Average tangible common equity (non-GAAP)	1,983,603	1,954,930	1,935,435	1,890,760	1,848,299
Return on average assets (GAAP)	0.90%	0.93%	0.98%	1.03%	0.98%
Adjusted return on average assets (non-GAAP)	*0.92%*	*0.96%*	*0.99%*	*1.03%*	*1.03%*
Return on average equity (GAAP)	7.85%	8.08%	8.50%	9.03%	8.62%
Adjusted return on average equity (non-GAAP)	*8.01%*	*8.36%*	*8.58%*	*9.03%*	*9.01%*
Return on average tangible common equity (non-GAAP)	11.44%	11.85%	12.52%	13.41%	12.92%
Adjusted return on average tangible common equity (non-GAAP)	*11.67%*	*12.25%*	*12.64%*	*13.41%*	*13.49%*

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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.

(Dollars in thousands)	**Q2 2015**	**Q1 2015**	**Q4 2014**	**Q3 2014**	**Q2 2014**
Net interest income (TE) (non-GAAP)	$ 189,018	$ 189,554	$ 196,509	$ 197,644	$ 199,666
Noninterest income (GAAP)	66,582	65,847	71,960	69,733	72,560
Noninterest income adjustments:					
Gains/(losses) on sales of securities	567	354	16	14	80
Branch closure costs	1,768	1,205	—	—	3,951
Adjusted noninterest income (non-GAAP)	67,783	66,698	71,944	69,719	76,431
Adjusted total revenue, TE excluding securities gains/(losses) (non-GAAP)	256,801	256,252	268,453	267,363	276,097
Noninterest expense (GAAP)	161,674	160,652	165,041	163,145	167,400
Noninterest expense adjustments:					
Less: Amortization of intangible assets	2,598	2,598	2,933	2,933	2,933
Restructure expenses	—	1,767	868	—	—
Branch closures costs and acquisition related expenses	—	—	—	—	120
Adjusted noninterest expense (non-GAAP)	159,076	156,287	161,240	160,212	164,347
Fee income ratio, as reported (non-GAAP)	25.88%	25.68%	26.80%	26.08%	26.63%
Efficiency ratio, as reported, excluding amortization of intangible assets and securities gains (losses) (non-GAAP)	62.37%	61.97%	60.39%	59.92%	60.43%
Efficiency ratio, as adjusted (non-GAAP)	61.95%	60.99%	60.06%	59.92%	59.53%

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Supplemental Information

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