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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(X) QUARTERLY REPORT UNDER SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED
September 30, 2000

COMMISSION FILE NUMBER 0-10161

FIRSTMERIT CORPORATION
(Exact name of registrant as specified in its charter)

OHIO
(State or other jurisdiction of
incorporation or organization)

34-1339938
(IRS Employer Identification
Number)

III CASCADE PLAZA, 7TH FLOOR, AKRON, OHIO 44308-1103
(Address of Principal Executive Offices)

(330) 996-6300
(Telephone Number)

OUTSTANDING SHARES OF COMMON STOCK, AS OF
OCTOBER 31, 2000
87,736,069

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

FIRSTMERIT CORPORATION

PART I — FINANCIAL STATEMENTS

ITEM 1. FINANCIAL STATEMENTS

The following statements included in the quarterly unaudited report to shareholders are incorporated by reference:

Consolidated Balance Sheets as of September 30, 2000, December 31, 1999 and September 30, 1999

Consolidated Statements of Income for the three-month and nine-month periods ended September 30, 2000 and 1999

Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 1999 and 1998 and for the nine months ended September 30, 2000

Consolidated Statements of Cash Flows for the nine months ended September 30, 2000 and 1999

Notes to Consolidated Financial Statements as of September 30, 2000, December 31, 1999, and September 30, 1999

Management's Discussion and Analysis of Financial Conditions as of September 30, 2000, December 31, 1999 and September 30, 1999 and Results of Operations for the quarter and nine months ended September 30, 2000 and 1999 and for the year ended December 31, 1999.

FIRSTMERIT CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

(Unaudited, except December 31, 1999)	September 30	December 31	September 30
	2000	1999	1999
ASSETS			
Investment securities	\$ 2,214,269	2,394,034	2,065,242
Federal funds sold & other investments	100	25,100	1,140
Loans held for sale	202,733	46,005	27,586
Commercial loans	3,254,343	3,122,520	2,981,820
Mortgage loans	860,933	878,323	1,307,037
Installment loans	1,516,368	1,471,149	1,436,541
Home equity loans	446,876	408,343	396,272
Credit card loans	110,020	108,163	100,681
Manufactured housing loans	784,328	753,254	672,398
Leases	288,956	272,429	218,032
Total loans	7,261,824	7,014,181	7,112,781
Less allowance for possible loan losses	108,576	104,897	106,892
Net loans	7,153,248	6,909,284	7,005,889
Cash and due from banks	215,066	215,071	295,008
Premises and equipment, net	134,904	132,219	134,094
Intangible assets	154,676	162,374	159,951
Accrued interest receivable and other assets	297,218	231,390	237,053
	<u>\$10,372,214</u>	<u>10,115,477</u>	<u>9,925,963</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits:			
Demand-non-interest bearing	\$ 997,813	1,016,535	1,009,982
Demand-interest bearing	627,533	661,961	631,193
Savings and Money Market	1,785,142	1,687,983	1,705,227
Certificates and other time deposits	4,220,393	3,493,668	3,512,361
Total deposits	7,630,881	6,860,147	6,858,763
Securities sold under agreements to repurchase and other borrowings	1,707,561	2,281,243	2,053,896
Total funds	9,338,442	9,141,390	8,912,659
Accrued taxes, expenses, and other liabilities	136,854	140,512	148,409
Total liabilities	9,475,296	9,281,902	9,061,068
Shareholders' equity:			
Preferred Stock, without par value: authorized 7,000,000 shares	—	—	—
Preferred Stock, Series A, without par value: designated 800,000 shares; none outstanding	—	—	—
Cumulative convertible preferred stock, Series B, without par value: designated 220,000 shares; 106,558, 163,534, and 163,534 shares outstanding at September 30, 2000, December 31, 1999 and September 30, 1999, respectively	2,564	3,878	3,934
Common stock, without par value: authorized 300,000,000 shares; issued 91,979,362, 92,054,156 and 92,046,920 shares, respectively	127,937	127,937	127,937
Capital surplus	113,421	116,930	117,536
Accumulated other comprehensive income	(35,435)	(45,082)	(27,686)
Retained earnings	782,345	719,811	696,275
Treasury stock, at cost, 3,870,425, 3,678,904 and 2,244,648, shares respectively	(93,914)	(89,899)	(53,101)
Total shareholders' equity	896,918	833,575	864,895
	<u>\$10,372,214</u>	<u>10,115,477</u>	<u>9,925,963</u>

Certain previously reported amounts may have been reclassified to conform to current reporting presentation.

See notes to accompanying consolidated financial statements.

FIRSTMERIT CORPORATION
AVERAGE CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)	Unaudited			
	3rd Qtr 2000	2nd Qtr 2000	1st Qtr 2000	3rd Qtr YTD 2000
ASSETS				
Investment securities & federal funds sold	\$ 2,366,078	2,286,405	2,356,628	2,335,259
Loans held for sale	53,271	50,374	58,033	53,892
Commercial loans	3,285,203	3,275,629	3,198,639	3,248,538
Mortgage loans	877,575	892,438	898,918	889,598
Installment loans	1,517,726	1,502,518	1,474,474	1,498,313
Home Equity loans	440,469	426,009	411,928	426,189
Credit card loans	108,297	103,934	105,573	105,944
Manufactured housing loans	858,654	846,485	768,027	824,513
Leases	291,298	296,717	287,020	291,678
Loans less unearned income	7,379,222	7,343,730	7,144,579	7,284,773
Less allowance for possible loan losses	110,777	110,139	107,351	109,427
Net loans	7,268,445	7,233,591	7,037,228	7,175,346
Cash and due from banks	205,949	242,325	242,223	230,075
Premises and equipment, net	135,049	134,523	133,584	134,388
Accrued interest receivable and other assets	464,019	444,407	434,254	449,885
Total Assets	<u>\$10,492,811</u>	<u>10,391,625</u>	<u>10,261,950</u>	<u>10,378,845</u>
LIABILITIES				
Deposits:				
Demand-non-interest bearing	\$ 1,027,707	1,052,392	1,020,384	938,308
Demand-interest bearing	620,211	645,325	643,842	636,401
Savings and money market	1,791,848	1,808,127	1,747,456	1,877,695
Certificates and other time deposits	4,260,371	3,876,139	3,566,289	3,902,243
Total deposits	7,700,137	7,381,983	6,977,971	7,354,647
Securities sold under agreements to repurchase and other borrowings	1,774,955	2,030,837	2,287,852	2,032,653
Total funds	9,475,092	9,412,820	9,265,823	9,387,300
Accrued taxes, expenses and other liabilities	143,792	133,026	163,670	140,748
Total liabilities	9,618,884	9,545,846	9,429,493	9,528,048
SHAREHOLDERS' EQUITY	873,927	845,779	832,457	850,797
LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$10,492,811</u>	<u>10,391,625</u>	<u>10,261,950</u>	<u>10,378,845</u>

[Additional columns below]

[Continued from above table, first column(s) repeated]

(Dollars in thousands)	Unaudited			
	4th Qtr 1999	3rd Qtr 1999	2nd Qtr 1999	1st Qtr 1999
ASSETS				
Investment securities & federal funds sold	\$2,165,952	1,864,012	1,719,273	1,824,400
Loans held for sale	25,091	—	—	—
Commercial loans	3,028,292	2,929,115	2,821,088	2,648,284
Mortgage loans	1,176,400	1,401,899	1,675,442	1,707,232
Installment loans	1,462,200	1,418,423	1,330,759	1,168,905
Home Equity loans	403,086	391,277	380,361	348,220
Credit card loans	102,926	100,756	100,290	102,080
Manufactured housing loans	711,697	593,752	415,032	368,503
Leases	240,809	202,950	180,729	170,352
Loans less unearned income	7,125,410	7,038,172	6,903,701	6,513,576
Less allowance for possible loan losses	108,833	108,067	104,875	101,788
Net loans	7,016,577	6,930,105	6,798,826	6,411,788
Cash and due from banks	252,291	238,835	272,025	285,589

Cash and due from banks	252,291	238,835	272,025	285,589
Premises and equipment, net	134,932	136,448	139,026	140,149
Accrued interest receivable and other assets	399,693	428,498	400,547	402,371
Total Assets	<u>\$9,994,536</u>	<u>9,597,898</u>	<u>9,329,697</u>	<u>9,064,297</u>
LIABILITIES				
Deposits:				
Demand-non-interest bearing	\$1,034,130	1,036,066	1,080,078	1,066,573
Demand-interest bearing	656,777	659,437	694,590	659,189
Savings and money market	1,711,288	1,741,610	1,836,459	1,878,596
Certificates and other time deposits	<u>3,504,583</u>	<u>3,407,053</u>	<u>3,109,435</u>	<u>3,111,321</u>
Total deposits	6,906,778	6,844,166	6,720,562	6,715,679
Securities sold under agreements to repurchase and other borrowings	<u>2,099,156</u>	<u>1,718,674</u>	<u>1,538,493</u>	<u>1,239,299</u>
Total funds	9,005,934	8,562,840	8,259,055	7,954,978
Accrued taxes, expenses and other liabilities	<u>137,885</u>	<u>172,355</u>	<u>175,509</u>	<u>195,871</u>
Total liabilities	9,143,819	8,735,195	8,434,564	8,150,849
SHAREHOLDERS' EQUITY	<u>850,717</u>	<u>862,703</u>	<u>895,133</u>	<u>913,448</u>
LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$9,994,536</u>	<u>9,597,898</u>	<u>9,329,697</u>	<u>9,064,297</u>

Certain previously reported amounts may have been reclassified to conform to current reporting presentation.

See notes to accompanying consolidated financial statements.

FIRSTMERIT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
AND COMPREHENSIVE INCOME

	(Unaudited)			
	(In thousands except per share data)			
	Quarters Ended September 30,		Nine Months Ended September 30,	
	2000	1999	2000	1999
Interest income:				
Interest and fees on loans	\$164,165	148,582	476,447	430,136
Interest and dividends on securities	38,187	26,792	113,198	78,607
Total interest income	202,352	175,374	589,645	508,743
Interest expense:				
Demand-interest bearing	878	998	2,562	3,821
Savings	13,769	9,888	37,925	30,382
Certificates and other time deposits	66,173	44,063	170,558	123,314
Interest on securities sold under agreements to repurchase and other borrowings	29,206	22,454	94,534	56,841
Total interest expense	110,026	77,403	305,579	214,358
Net interest income	92,326	97,971	284,066	294,385
Provision for possible loan losses	5,447	6,913	25,507	32,968
Net interest income after provision for possible loan losses	86,879	91,058	258,559	261,417
Other income:				
Trust department income	5,230	4,636	16,065	13,417
Service charges on depositors' accounts	11,935	11,203	34,585	30,872
Credit card fees	8,289	7,001	23,795	19,453
Service fees — other	3,788	4,301	10,982	11,075
Manufactured housing income	1,344	2,910	2,917	5,741
Securities gains (losses)	26	(662)	(551)	7,415
Loan sales and servicing	3,831	2,192	8,334	6,055
Other operating income	7,628	6,953	24,020	18,979
Total other income	42,071	38,534	120,147	113,007
	128,950	129,592	378,706	374,424
Other expenses:				
Salaries, wages, pension and employee benefits	32,135	33,186	95,507	106,798
Net occupancy expense	5,021	5,333	15,677	16,205
Equipment expense	4,451	4,889	13,016	14,513
Amortization of intangibles	2,609	2,589	7,985	8,200
Other operating expense	25,888	24,911	72,725	103,538
Total other expenses	70,104	70,908	204,910	249,254
Income before Federal income taxes and extraordinary item	58,846	58,684	173,796	125,170
Federal income taxes	18,781	18,780	54,056	41,015
Income before extraordinary item	40,065	39,904	119,740	84,155
Extraordinary item, net of tax benefit of \$3,148 (extinguishment of debt)	—	—	—	(5,847)
Net income	\$ 40,065	39,904	119,740	78,308
Other comprehensive income (loss), net of taxes	16,717	(5,088)	9,647	(33,544)
Comprehensive Income	\$ 56,782	34,816	129,387	44,764
Basic net income per share:				
Income before extraordinary item	\$ 0.45	0.44	1.35	0.92
Extraordinary item	—	—	—	(0.06)
Basic net income after extraordinary charge	\$ 0.45	0.44	1.35	0.86
Diluted net income per share:				
Income before extraordinary item	\$ 0.45	0.44	1.35	0.92
Extraordinary item	—	—	—	(0.06)
Diluted net income after extraordinary charge	\$ 0.45	0.44	1.35	0.86
Dividends paid	\$ 0.22	0.20	0.64	0.56
Weighted-average shares outstanding — basic	88,252	90,087	88,302	90,711
Weighted-average shares outstanding — diluted	89,008	91,260	89,036	91,970

Certain previously reported amounts may have been reclassified to conform to current reporting practices.

See notes to accompanying consolidated financial statements.

Consolidated Statements of Changes in Shareholders’ Equity

FIRSTMERIT CORPORATION AND SUBSIDIARIES

(In thousands except per share data)

(2000 Amounts are unaudited)

	Preferred Stock	Common Stock	Capital Surplus	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Stock	Total Shareholders’ Equity
Balance at December 31, 1997	\$ 9,917	119,893	80,297	4,603	651,907	(118,940)	747,677
Net income	—	—	—	—	72,517	—	72,517
Cash dividends — common stock (\$0.66 per share) & preferred stock	—	—	—	—	(50,525)	—	(50,525)
Acquisition adjustment of fiscal year	—	—	—	—	(1,857)	—	(1,857)
Stock options exercised/debentures or preferred stock converted	(618)	400	3,717	—	(2,607)	12,111	13,003
Treasury shares purchased	—	—	—	—	—	(25,703)	(25,703)
Treasury shares reissued — acquisition	—	—	25,919	—	—	89,286	115,205
Treasury shares reissued — public offering	—	—	6,518	—	—	20,806	27,324
Stock dividends	—	1,929	(1,929)	—	—	—	0
Market adjustment investment securities	—	—	—	1,255	—	—	1,255
Other	—	165	3,323	—	(598)	4,870	7,760
Balance at December 31, 1998	9,299	122,387	117,845	5,858	668,837	(17,570)	906,656
Net income	—	—	—	—	119,871	—	119,871
Cash dividends — common stock (\$0.76 per share)	—	—	—	—	(68,627)	—	(68,627)
Cash dividends — preferred stock	—	—	—	—	(305)	—	(305)
Stock options exercised/debentures or preferred stock converted	(5,421)	5,596	(915)	—	—	12,549	11,809
Treasury shares purchased	—	—	—	—	—	(85,666)	(85,666)
Market adjustment investment securities	—	—	—	(50,940)	—	—	(50,940)
Other	—	(46)	—	—	35	788	777
Balance at December 31, 1999	3,878	127,937	116,930	(45,082)	719,811	(89,899)	833,575
Net income	—	—	—	—	119,740	—	119,740
Cash dividends — common stock (\$0.64 per share)	—	—	—	—	(56,875)	—	(56,875)
Cash dividends — preferred stock	—	—	—	—	(189)	—	(189)
Stock options exercised/debentures or preferred stock converted	(1,314)	—	(3,509)	—	—	7,727	2,904
Treasury shares purchased	—	—	—	—	—	(11,742)	(11,742)
Market adjustment investment securities	—	—	—	9,647	—	—	9,647
Other	—	—	—	—	(142)	—	(142)
Balance at September 30, 2000	\$ 2,564	127,937	113,421	(35,435)	782,345	(93,914)	896,918

See notes to accompanying consolidated financial statements.

FIRSTMERIT CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Nine Months Ended September 30, 2000 and 1999

(In thousands)

	Unaudited	
	2000	1999
Operating Activities		
Net income	\$ 119,740	78,308
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	25,507	32,968
Provision for depreciation and amortization	12,512	13,781
Amortization of investment securities premiums, net	464	1,811
Amortization of income for lease financing	(10,605)	(10,144)
Gains (losses) on sales of investment securities, net	551	(7,415)
Deferred federal income taxes	6,737	(4,618)
Increase in interest receivable	(14,217)	(16,335)
Increase in interest payable	32,016	12,895
Amortization of values ascribed to acquired intangibles	7,985	8,200
Other decreases	(100,834)	(68,852)
NET CASH PROVIDED BY OPERATING ACTIVITIES	79,856	40,599
Investing Activities		
Dispositions of investment securities:		
Available-for-sale — sales	121,709	570,361
Available-for-sale — maturities	215,707	369,120
Purchases of investment securities available-for-sale	(142,636)	(1,102,442)
Net decrease in federal funds sold	25,000	5,599
Net increase in loans and leases, except sales	(502,318)	(754,003)
Sales of loans	86,724	—
Purchases of premises and equipment	(18,962)	(16,147)
Sales of premises and equipment	3,765	9,113
NET CASH USED BY INVESTING ACTIVITIES	(211,011)	(918,399)
Financing Activities		
Net increase (decrease) in demand, NOW and savings deposits	44,009	(408,080)
Net increase in time deposits	726,725	420,865
Net increase (decrease) in securities sold under repurchase agreements and other borrowings	(573,682)	930,692
Repayment of mandatorily redeemable preferred securities	—	(11,022)
Cash dividends	(57,064)	(51,246)
Purchase of treasury shares	(11,742)	(46,597)
Proceeds from exercise of stock options	2,904	10,199
NET CASH PROVIDED BY FINANCING ACTIVITIES	131,150	844,811
Decrease in cash and cash equivalents	(5)	(32,989)
Cash and cash equivalents at beginning of year	215,071	327,997
Cash and cash equivalents at end of year	\$ 215,066	295,008
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:		
Cash paid during the year for:		
Interest, net of amounts capitalized	\$ 146,683	111,282
Income taxes	\$ 50,970	44,548

See accompanying notes to consolidated financial statements.

FirstMerit Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)
September 30, 2000, December 31, 1999 and September 30, 1999

1. Organization — FirstMerit Corporation (“Corporation”), is a bank holding company whose principal assets are the common stock of its wholly owned subsidiary, FirstMerit Bank, N. A. In addition FirstMerit Corporation owns all of the common stock of Citizens Investment Corporation, Citizens Savings Corporation of Stark County, FirstMerit Capital Trust I, FirstMerit Community Development Corporation, FirstMerit Credit Life Insurance Company, and SF Development Corp.
2. Acquisitions and Merger-related Costs — On October 23, 1998, the Corporation completed the acquisition of Security First Corp. (“Security First”), a \$771.1 million holding company headquartered in Mayfield Heights, Ohio. Under terms of the merger agreement, Security First was merged with and into the Corporation. The transaction was structured with a fixed exchange ratio of 0.8855 shares of FirstMerit common stock for each share of Security First common stock. At the time of the merger, the pooling-of-interests transaction was valued at \$22.58 per share, or approximately \$199 million. The accompanying consolidated financial statements, related notes and management’s discussion and analysis have all been restated to account for the acquisition as if it had happened at the beginning of each period presented. In conjunction with the Security First acquisition, the Corporation incurred merger-related and conforming accounting expenses of approximately \$17.2 million, before taxes, or \$12.8 million after taxes. The remaining liability of \$549 thousand at September 30, 2000 is expected to be paid during the fourth quarter of 2000 or reversed in the fourth quarter, as appropriate.

In conjunction with the Security First acquisition, on September 14, 1998, FirstMerit closed on the secondary underwritten public offering of 1.38 million shares of FirstMerit Common Stock. The reissuance of these shares was necessary to allow FirstMerit to treat the Security First merger as a pooling-of-interests for accounting purposes.

On February 12, 1999, the Corporation completed the acquisition of Signal Corp, a \$1.9 billion bank holding company headquartered in Wooster, Ohio. Under terms of the merger agreement, the fixed exchange ratio was 1.32 shares of FirstMerit common stock for each share of Signal common stock and one share of FirstMerit Series B preferred stock for each share of Signal Series B preferred stock. Based on the closing price of \$25.00 per common share and \$71.00 per Series B preferred share, the transaction, accounted for as a pooling-of-interests, was valued at approximately \$436 million. The accompanying consolidated financial statements, the related notes and management’s discussion and analysis have all been restated to account for the acquisition as if it had happened at the beginning of each period presented. Pro forma information for the separate entities and for the combined entity from January 1, 1999 through the February 12, 1999 acquisition date is not presented due to immateriality.

In conjunction with the Signal acquisition, the Corporation incurred merger-related and conforming accounting expenses of approximately \$52.8 million, before taxes, or \$38.1 million after taxes. The components of these costs and the remaining unpaid amounts at September 30, 2000 are shown in the following table. The unpaid liability at September 30, 2000 is expected to be paid during the fourth quarter of 2000 or reversed in the fourth quarter, as appropriate. Payment of remaining costs is not expected to have a material impact on liquidity.

(Dollars in thousands)			
Description of Cost	Estimated Liability at Acquisition	Remaining Liability December 31, 1999	Remaining Liability September 30, 2000
Salary, wages and benefits	\$ 7,736	—	—
Loan conversion expense	7,016	12	12
Professional services	8,856	—	—
Other operating expenses	10,014	1,120	621
Total Other Expenses	33,622	1,132	633
Provision for loan losses	10,200	—	—
Total Income Statement Effect	\$43,822	1,132	633

3. Segment Information — The Corporation provides a diversified range of banking and certain nonbanking financial services and products through its various subsidiaries. Management reports the Corporation’s results through its major segment classification — Supercommunity Banking. Included in this category are certain nonbank affiliates, eliminations of certain intercompany transactions and certain nonrecurring transactions. Also included are portions of certain assets, capital, and support functions not specifically identifiable with Supercommunity Banking. The Corporation’s business is conducted solely in the United States. The Corporation evaluates performance based on profit or loss from operations before income taxes. The following table presents a summary of financial results and significant performance measures for the three-month and nine-month periods ended September 30, 2000 and 1999. In the Earnings Summary and other sections of Management’s Discussion and Analysis, these same income statement categories and ratios are calculated excluding merger and other unusual expenses.

Dollars in thousands, except averages
in millions

in millions	Super		Parent Company		Corporate	
2000	Community Banking		Other Subsidiaries & Eliminations		Consolidated	
OPERATIONS:	3Q	YTD	3Q	YTD	3Q	YTD
Net interest income	\$96,419	290,088	(4,093)	(6,022)	92,326	284,066
Provision for loan losses	5,447	25,410	--	97	5,447	25,507
Other income	41,694	118,706	377	1,441	42,071	120,147
Other expenses	69,465	204,133	639	777	70,104	204,910
Net income	\$41,612	118,341	(1,547)	1,399	40,065	119,740
AVERAGES:						
Assets	\$10,949	10,320	NM	NM	10,493	10,379
Loans	7,667	7,283	NM	NM	7,379	7,285
Earnings assets	10,199	9,662	NM	NM	9,799	9,674
Deposits	8,698	7,371	NM	NM	7,700	7,355
Equity	\$ 0.904	0.873	NM	NM	0.874	0.851
RATIOS:						
ROCE (ROE)	NM	NM	NM	NM	18.29%	18.87%
ROA	NM	NM	NM	NM	1.52%	1.54%
Efficiency ratio	NM	NM	NM	NM	49.88%	48.30%

Dollars in thousands, except averages
in millions

in millions	Super		Parent Company		Corporate	
1999	Community Banking		Other Subsidiaries & Eliminations		Consolidated	
OPERATIONS:	3Q	YTD	3Q	YTD	3Q	YTD
Net interest income	\$96,669	295,830	1,302	(1,445)	97,971	294,385
Provision for loan losses	6,623	32,233	290	735	6,913	32,968
Other income	35,668	107,478	2,866	5,529	38,534	113,007
Other expenses	74,431	254,365	(3,523)	(5,111)	70,908	249,254
Income before extraordinary charge	33,859	73,780	6,045	10,375	39,904	84,155
Net income	\$33,859	67,933	6,045	10,375	39,904	78,308
AVERAGES:						
Assets	\$ 9,610	9,328	NM	NM	9,598	9,352
Loans	7,020	6,808	NM	NM	7,038	6,815
Earnings assets	8,832	8,622	NM	NM	8,902	8,618
Deposits	6,898	6,818	NM	NM	6,844	6,774
Equity	\$ 0.840	0.832	NM	NM	0.863	0.891
RATIOS:						
ROCE (ROE)	NM	NM	NM	NM	18.44%	11.79%
ROA	NM	NM	NM	NM	1.65%	1.12%
Efficiency ratio*	NM	NM	NM	NM	49.45%	51.44%

NM = Not Meaningful

* - Adjusted for merger-related and conforming expenses and an extraordinary item.

The table below presents revenues by product and service group for the periods shown:

Dollars in thousands 2000	Retail		Commercial		Trust		Total	
	3Q	YTD	3Q	YTD	3Q	YTD	3Q	YTD
Interest and fees	\$104,523	304,027	115,116	335,799	5,230	16,065	224,869	655,891
Service charges	12,566	36,425	3,157	9,142	—	—	15,723	45,567
Loan sales/service	3,831	8,334	—	—	—	—	3,831	8,334
Totals	\$120,920	348,786	118,273	344,941	5,230	16,065	244,423	709,792

Dollars in thousands 1999	Retail		Commercial		Trust		Total	
	3Q	YTD	3Q	YTD	3Q	YTD	3Q	YTD
Interest and fees	\$100,813	293,806	90,763	266,525	4,636	13,417	196,212	573,748
Service charges	11,768	33,377	3,736	8,570	—	—	15,504	41,947
Loan sales/service	2,192	6,055	—	—	—	—	2,192	6,055
Totals	\$114,773	333,238	94,499	275,095	4,636	13,417	213,908	621,750

4. Earnings per Share — The reconciliation of the numerator and denominator of basic earnings per share (“EPS”) with that of diluted EPS is presented as follows:

EARNINGS PER SHARE	3Q 2000	YTD 2000	3Q 1999	YTD 1999
Net income	\$40,065	119,740	39,904	78,308
Less: preferred stock dividends	(46)	(175)	(68)	(239)
Income available to common shareholders	\$40,019	119,565	39,836	78,069
Average common shares outstanding	88,252	88,302	90,087	90,711
Earnings per basic common share	0.45	1.35	0.44	0.86
Income available to common shareholders	\$40,019	119,565	39,836	78,069
Add: preferred stock dividends	46	175	68	239
Add: interest on convertible bonds, net	12	41	18	57
Income used in diluted EPS calculation	\$40,077	119,781	39,922	78,365
Average common shares outstanding	88,252	88,302	90,087	90,711
Common stock equivalents (CSEs) — stock options	377	273	577	610
CSEs — convertible debentures	83	99	142	144
CSEs — convertible preferred securities	296	362	454	505
Average common shares and common stock equivalents outstanding	89,008	89,036	91,260	91,970
Earnings per diluted common share	\$ 0.45	1.35	0.44	0.86

5. In June 1998, the FASB issued Statement No. 133 (as amended by SFAS No. 138), "Accounting for Derivative Instruments and Hedging Activities." These statements establish accounting and reporting standards for derivative instruments and requires an entity to recognize all derivatives as either assets or liabilities in the Balance Sheet and measure those instruments at fair value. If certain conditions are met, a derivative may be specifically designated as a hedge to various exposures. The accounting for changes in the fair value of a derivative (i.e., gains and losses) depends on the intended use of the derivative and its resulting designation. This statement was originally to be effective for all fiscal quarters beginning after June 15, 1999; however, the FASB issued Statement No. 137 which delayed implementation of these standards until the first quarter 2001. As of the date of this filing, these statements' expected impact to the Corporation's financial statements has yet to be quantified, but is not expected to materially change its earnings or financial condition.

6. In September 2000, the FASB issued Statement No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." Statement No. 140 revises the standards for accounting for securitizations and other transfers of financial assets and collateral, requires certain disclosures, but carries over most of the provisions of FASB Statement No. 125 without reconsideration. This Statement provides consistent standards for distinguishing transfers of financial assets that are sales from transfers that are secured borrowings. Statement No. 140 is effective for transfers occurring after March 31, 2001. This statement is effective for recognition and reclassification of collateral and for disclosures relating to securitization transactions and collateral for fiscal years ending after December 15, 2000. The Corporation does not anticipate the adoption of FAS 140 will have a material effect on its earnings or financial condition.

7. On March 16, 2000, the Corporation issued \$150 million of subordinated bank notes under a previously disclosed debt agreement. The notes bear interest at 8.625% and mature on April 1, 2010. Under the agreement, the aggregate principal outstanding at any one time may not exceed \$1.0 billion. The notes were offered only to institutional investors.

8. Management believes the interim unaudited consolidated financial statements reflect all adjustments consisting only of normal recurring accruals and reclassifications, necessary for fair presentation of the September 30, 2000 and 1999 and December 31, 1999 statements of condition and the results of operations for the quarters and nine-month periods ended September 30, 2000 and 1999. These results have been determined on the basis of generally accepted accounting principles.

9. The Corporation cautions that any forward looking statements contained in this report, in a report incorporated by reference to this report or made by management of the Corporation, involve risks and uncertainties and are subject to change based upon various factors. Actual results could differ materially from those expressed or implied. Reference is made to the section titled "Forward-looking Statements" in the Corporation's Form 10-K for the period ended December 31, 1999.

AVERAGE CONSOLIDATED BALANCE SHEETS (Unaudited)

Fully-tax Equivalent Interest Rates and Interest Differential

FIRSTMERIT CORPORATION AND SUBSIDIARIES (Dollars in thousands)	Three months ended			Year ended			Three months ended		
	September 30, 2000			December 31, 1999			September 30, 1999		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
ASSETS									
Investment securities:									
U.S. Treasury securities and U.S Government agency obligations (taxable)	\$ 1,817,239	29,156	6.38%	1,444,591	87,238	6.04%	1,427,155	21,820	6.07%
Obligations of states and political subdivisions (tax- exempt)	113,999	2,360	8.24%	130,416	10,618	8.14%	129,842	2,524	7.71%
Other securities	295,566	5,257	7.08%	317,799	19,275	6.07%	297,866	3,254	4.33%
Total investment securities	2,226,804	36,773	6.57%	1,892,806	117,131	6.19%	1,854,863	27,598	5.90%
Federal funds sold & other interest-earning assets	139,274	2,307	6.59%	5,041	204	4.05%	9,149	102	4.42%
Loans held for sale	53,271	866	6.47%	34,418	4,635	13.47%	—	—	—
Loans	7,379,222	163,361	8.81%	6,865,330	567,132	8.26%	7,038,172	148,652	8.38%
Total earning assets	9,798,571	203,307	8.25%	8,797,595	689,102	7.83%	8,902,184	176,352	7.86%
Allowance for possible loan losses	(110,777)			(105,918)			(108,067)		
Cash and due from banks	205,949			266,935			238,835		
Other assets	599,068			534,435			564,946		
Total assets	\$10,492,811			9,493,047			9,597,898		
LIABILITIES AND SHAREHOLDERS' EQUITY									
Deposits:									
Demand- non-interest bearing	\$ 1,027,707	—	—	1,055,306	—	—	1,036,066	—	—
Demand- interest bearing	620,211	878	0.56%	667,469	4,774	0.72%	659,437	998	0.60%
Savings	1,791,848	13,769	3.06%	1,791,390	40,327	2.25%	1,741,610	9,888	2.25%
Certificates and other time deposits	4,260,371	66,173	6.18%	3,284,516	169,783	5.17%	3,407,053	44,063	5.13%
Total deposits	7,700,137	80,820	4.18%	6,798,681	214,884	3.16%	6,844,166	54,949	3.19%
Federal funds purchased, securities sold under agreements to repurchase and other borrowings	1,753,505	29,206	6.63%	1,666,025	85,981	5.16%	1,718,674	22,454	5.18%
Total interest bearing liabilities	8,425,935	110,026	5.19%	7,409,400	300,865	4.06%	7,526,774	77,403	4.08%
Other liabilities	143,792			126,767			150,905		
Mandatorily redeemable preferred securities	21,450			21,450			21,450		
Shareholders' equity	873,927			880,124			862,703		
Total liabilities and shareholders' equity	\$10,492,811			9,493,047			9,597,898		
Net yield on earning assets	\$ 9,798,571	93,281	3.79%	8,797,595	388,237	4.41%	8,902,184	98,949	4.41%
Interest rate spread			3.06%			3.77%			3.78%

Notes: Interest income on tax-exempt securities and loans have been adjusted to a fully-taxable equivalent basis.

Non-accrual loans have been included in the average balances.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

FirstMerit Corporation reported third quarter 2000 net income of \$40.1 million, up 0.4% above the \$39.9 million earned in the third quarter of 1999. Diluted earnings per share were \$0.45 in the third quarter of 2000, compared with \$0.44 in the same period of 1999. For the nine months year-to-date, net income increased to \$119.7 million from \$116.4 million, when prior year merger and one-time after-tax charges of \$38.1 million are excluded. For the first nine months, diluted earnings per share were \$1.35 in 2000 and \$0.86 in 1999. Adjusted for one-time charges incurred in 1999, nine-months core earnings are up 6.3%, to \$1.35 in 2000 from \$1.27 in 1999.

Continued strong cost controls, sustained high credit quality, and growth in earning assets more than offset the impact of increased funding costs this quarter. Third quarter 2000 returns on average common equity (ROE) and average assets (ROA) were 18.3% and 1.52%, respectively, compared with prior year third quarter ratios of 18.4% and 1.65%, respectively. For the nine-months year-to-date, ROE and ROA were 18.9% and 1.54%, respectively.

Net interest income on a fully tax-equivalent basis was \$93.3 million for the third quarter of 2000 compared to \$98.9 million for the prior year quarter, a decrease of 5.7%. This decrease reflects a decline in net interest margin from 4.41% last year to 3.79% this current quarter, partially offset by a 10.1% increase in average earning assets.

Adjusted net revenue for the third quarter of 2000 was \$135.3 million, or \$1.52 per share, up 0.7% from the \$1.51 per share reported for the year ago quarter. The impact of margin compression offset growth in fee income and earning assets. Excluding gains/losses from the sale of securities, non-interest income was \$42.0 million, a 7.1% increase from the \$39.2 million reported a year ago. Loan sales and servicing, trust income and credit card fees contributed to fee growth this quarter, offset by declines in manufactured housing fee income and servicing fees. Third quarter 2000 fees accounted for 31.0% of net revenues compared to 28.4% in the third quarter of 1999.

Non-interest expense continues to be a focus of management attention. Non-interest expense totaled \$70.1 million in the third quarter of this year, down 1.1% from third quarter 1999 expense of \$70.9 million. Salary and benefits expense, net occupancy expense and equipment expense all reflect the impact of cost-cutting programs implemented earlier in the year. The efficiency ratio was 49.9% for this quarter versus 49.5% a year ago, and 48.3% year-to-date compared to 51.44% for the nine months ended September 30, 1999.

Period-end assets were \$10.4 billion, 4.5% ahead of 1999 year ago assets of \$9.9 billion. Average earning assets were up 10.1%, while period-end loans, excluding

lower-yielding mortgage loans, rose 10.3%. Average commercial loans increased 12.2%, while average consumer loans, excluding mortgage loans and manufactured housing, rose 11.6%.

Total deposits at September 30, 2000 were \$7.6 billion, an increase of 11.2% above year-ago 1999 levels. Time deposits, up 20.2%, accounted for most of the deposit growth.

The third quarter loan loss provision was \$5.4 million, down 21.2% from the third quarter 1999 provision of \$6.9 million. Net charge-offs for the quarter were \$7.0 million, or 0.38% of average loans outstanding on an annualized basis, unchanged from the net charge-off ratio of 0.38% last year. The allowance stands at 1.50% of period-end loans, again, unchanged from prior year. Non-performing assets as a percent of loans and other real estate were 0.43% this third quarter, compared with 0.36% at December 31, 1999 and 0.42% at September 30, 1999. Reserve coverage of non-performing assets was 3.5 times, down slightly from 3.6 times the prior year quarter.

Shareholders' equity was \$896.9 million at quarter end. Average equity to assets for this 2000 quarter was 8.33% compared to 8.99% last year. Common stock dividends paid were \$0.22 per share, representing a 48.9% payout ratio. This compares with a 45.5% payout ratio for the prior year quarter. At quarter end, there were 88.1 million shares outstanding.

The components of change in per share income for the three-month and nine-month periods ended September 30, 2000 and 1999 are summarized in the following table:

Changes in Earnings per Share	Reported Three months ended September 30, 2000/1999	Reported Nine months ended September 30, 2000/1999	Core Earnings Nine months ended September 30, 2000/1999
Diluted net income/core earnings per share September 30, 1999	\$ 0.44	0.86	1.27
Increases (decreases) due to:			
Net interest income — taxable equivalent	(0.03)	(0.12)	(0.12)
Provision for possible loan losses	(0.02)	0.08	(0.03)
Other income	—	0.07	0.07
Other expenses	0.03	0.50	0.13
Federal income taxes — taxable equivalent	0.02	(0.14)	(0.01)
Extraordinary item — extinguishment of debt	—	0.06	—
Change in share base	0.01	0.04	0.04
Net change in diluted net income per share	0.01	0.49	0.08
Diluted net income per share September 30, 2000	\$ 0.45	1.35	1.35

Net Interest Income

Net interest income, the Corporation’s principal source of earnings, is the difference between the interest income generated by earning assets (primarily loans and investment securities) and the total interest paid on interest bearing funds (namely

deposits and other borrowings). For the purpose of this discussion, net interest income is presented on a fully-taxable equivalent (“FTE”) basis, to provide a comparison among types of interest earning assets. That is, interest on tax-free securities and tax-exempt loans has been restated as if such interest were taxed at the statutory Federal income tax rate of 35%, adjusted for the non-deductible portion of interest expense incurred to acquire the tax-free assets.

Net interest income FTE for the quarter ended September 30, 2000 was \$93.3 million compared to \$98.9 million for the same period one year ago, a decrease of \$5.6 million. The decrease occurred because the rise in FTE interest income of \$27.0 million was more than offset by the increase in interest expense of \$32.6 million.

As shown in the following rate/volume table, FTE interest income rose \$27.0 million in third quarter 2000, compared to the same 1999 quarter, as both volume and rate gains contributed significantly. Specifically, higher interest income was produced as follows: increases in loan outstandings added \$8.4 million and higher securities balances added \$6.0 million; higher yields on loans contributed \$7.2 million and higher yields on securities added \$3.2 million.

The increase in interest expense of \$32.6 million, compared to the same 1999 quarter, was also a result of both rate and volume variances. The biggest factors for higher interest costs were increases related to higher average certificate of deposit and time (CD) balances (\$13.3 million); higher rates paid on CDs (\$8.9 million); higher wholesale borrowing rates (\$6.2 million) and higher savings and money market account rates (\$3.5 million).

For the year-to-date period, net interest income FTE declined \$10.7 million to \$287.0 million. The net decrease occurred as interest income FTE rose \$80.5 million while interest expense increased \$91.2 million. Higher loan volume added \$34.0 million to interest income, compared to last year’s nine-month period, higher securities balances added \$23.5 million and higher rates earned on all interest-bearing assets increased interest income by \$20.6 million. Interest expense rose as higher interest rates on customer deposits and wholesale borrowings increased interest expense by \$35.5 million and interest paid on higher funding volumes resulted in an increase in interest expense of \$55.7 million.

Changes in Net Interest Differential -
Fully-Tax Equivalent Rate/Volume Analysis
(Dollars in thousands)

	Quarters ended September 30, 2000 and 1999			Nine Months Ended September 30, 2000 and 1999		
	Increase (Decrease) Interest Income/Expense			Increase (Decrease) Interest Income/Expense		
	Volume	Yield Rate	Total	Volume	Yield Rate	Total
INTEREST INCOME						
Investment Securities	\$ 5,988	3,187	9,175	23,543	8,244	31,787
Loans and loans held for sale	8,416	7,159	15,575	34,029	12,262	46,291
Federal funds sold and others	2,155	50	2,205	2,377	105	2,482
Total interest income	\$16,559	10,396	26,955	59,949	20,611	80,560
INTEREST EXPENSE						
Interest on deposits:						
Demand-interest bearing	\$ (56)	(64)	(120)	(140)	(1,119)	(1,259)
Savings	386	3,495	3,881	1,198	6,345	7,543
Certificates and other time deposits	13,254	8,856	22,110	30,241	17,003	47,244
Federal Funds Purchased, REPOs & other borrowings	580	6,172	6,752	24,434	13,259	37,693
Total interest expense	\$14,164	18,459	32,623	55,733	35,488	91,221
Net interest income	\$ 2,395	(8,063)	(5,668)	4,216	(14,877)	(10,661)

Note: The variance created by a combination of rate and volume has been entirely allocated to the volume column.

Net Interest Margin

The net interest margin, net interest income FTE divided by average earning assets, is affected by changes in the level of earning assets, the proportion of earning assets funded by non-interest bearing liabilities, the interest rate spread, and changes in the corporate tax rates. A meaningful comparison of the net interest margin requires an adjustment for the changes in the statutory Federal income tax rate noted above. The following schedule shows the relationship of the tax equivalent adjustment and the net interest margin.

Net Interest Margin
(Dollars in thousands)

	Quarters Ended September 30,		Nine Months Ended September 30,	
	2000	1999	2000	1999
Net interest income per financial statements	\$ 92,326	97,971	284,066	294,393
Tax equivalent adjustment	955	978	2,948	3,288
Net interest income — FTE	93,281	98,949	287,014	297,681
Average earning assets	\$9,798,571	8,902,184	9,673,924	8,617,836
Net interest margin	3.79%	4.41%	3.96%	4.62%

Other Income

Other income for the quarter ended September 30, 2000 was \$42.1 million, an increase of \$3.5 million or 9.2%, over the \$38.6 million earned during the same period last year. Excluding securities sales, the increase in other income was \$2.8 million, or 7.3%. For the nine-month period, excluding securities gains, other income totaled \$120.7 million, up 14.3% from \$105.6 million a year ago.

Trust department income for the third quarter was \$5.2 million, up 12.8% from the \$4.6 million earned one year ago. Service charges on depositors’ accounts increased 6.5% to \$11.9 million from \$11.2 million for last year’s third quarter. Credit card fees, including merchant services, increased 18.4% to \$8.3 million for the quarter compared to \$7.0 million for the three months ended September 30, 1999. Other service fees, including Automated Teller Machine (ATM) revenue, decreased from \$4.3 million during the 1999 third quarter to \$3.8 million for the same current year period. Manufactured housing income was \$1.3 million for the quarter compared to \$2.9 million last year. Gains on sales of securities were \$26 thousand during the quarter compared to losses of \$662 thousand in 1999. Loan sales and servicing income was \$3.8 million in the 2000 quarter and \$2.2 million in 1999. Other operating income was \$7.6 million compared to \$7.0 million in 1999.

Nine-month 2000 results compared to the same 1999 period were as follows: trust department income increased 19.7%; service charges on depositors' accounts increased 12.0%; credit card and merchant service fees increased 22.3%; other service fees, which include ATM revenue, decreased slightly from \$11.1 million to \$11.0 million; manufactured housing income declined from \$5.7 million to \$2.9 million; securities losses of \$0.6 million were recorded during the first nine months of 2000 versus gains of \$7.4 million in 1999; loan sales and servicing increased 37.6% and other operating income increased \$5.0 million.

The Corporation continues to recognize other income as an important complement to net interest income as it provides a source of revenues not sensitive to the interest rate environment.

Other Expenses

Other expenses were \$70.1 million for the third quarter, a decrease of \$0.8 million from last year's comparable amount. Year-to-date 2000 operating costs totaled \$204.9 million, down \$10.7 million or 5.0% from the \$215.7 million recorded for the 1999 nine months, when first quarter 1999 merger costs of \$33.6 million are excluded.

The "lower-is-better" efficiency ratios for the 2000 and 1999 third quarters were 49.88% and 49.45%, respectively. The efficiency ratio through September 30, 2000 was 48.30%, an improvement of 314 basis points over the 51.44% recorded in 1999 when first quarter 1999 merger costs are excluded. The 2000 third quarter efficiency ratio indicates it took 49.88 cents of operating costs to generate every dollar of profit. The improvement in the efficiency ratio is primarily a result of lower operating costs when compared to the same period in 1999.

Salaries, wages, pension and employee benefits ("salaries and benefits"), the largest component of other expenses, totaled \$32.1 million for third quarter 2000, down \$1.1 million from last year's expense of \$33.2 million. For the nine-month period, salaries and benefits were \$95.5 million, down \$3.6 million or 3.6%, from the like-basis total of \$99.1 million in 1999, which excludes \$7.7 million of personnel merger costs.

Other operating expenses for the 2000 third quarter were \$25.9 million compared to \$24.9 million last year. Year-to-date 2000 other operating expenses totaled \$72.7 million, down \$4.9 million or 6.3% from the merger-costs-adjusted 1999 total of \$77.6 million.

FINANCIAL CONDITION

Investment Securities

All investment securities of the Corporation are classified as available for sale. The available for sale classification provides the Corporation with more flexibility to respond, through the portfolio, to changes in market interest rates, or to increases in loan demand or deposit withdrawals.

The book value and market value of investment securities classified as available for sale are as follows:

	September 30, 2000			
	Book Value	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
U.S. Treasury securities and U.S. Government agency obligations	\$ 792,765	121	13,705	779,181
Obligations of state and political subdivisions	112,719	490	692	112,517
Mortgage-backed securities	1,069,617	749	29,067	1,041,299
Other securities	292,829	420	11,977	281,272
	<u>\$2,267,930</u>	<u>1,780</u>	<u>55,441</u>	<u>2,214,269</u>
			Book Value	Market Value
Due in one year or less			\$ 169,322	167,561
Due after one year through five years			424,959	419,284
Due after five years through ten years			368,434	362,087
Due after ten years			<u>1,305,215</u>	<u>1,265,337</u>
			<u>\$2,267,930</u>	<u>2,214,269</u>

The book value and market value of investment securities including mortgage-backed securities and derivatives at September 30, 2000, by contractual maturity, are shown in the preceding table. Expected maturities will differ from contractual maturities based on the issuers’ right to call or prepay obligations with or without call or prepayment penalties.

The carrying value of investment securities pledged to secure trust and public deposits and for purposes required or permitted by law amounted to approximately \$1.8

billion at September 30, 2000 and \$1.7 billion at both December 31, 1999 and September 30, 1999.

Securities with remaining maturities over five years reflected in the foregoing schedule consist of mortgage and asset backed securities. These securities are purchased within an overall strategy to maximize future earnings taking into account an acceptable level of interest rate risk. While the maturities of these mortgage and asset backed securities are beyond five years, these instruments provide periodic principal payments and include securities with adjustable interest rates, reducing the interest rate risk associated with longer term investments.

Loans

Total loans outstanding at September 30, 2000 were \$7.262 billion compared to \$7.014 billion at December 31, 1999 and \$7.113 billion at September 30, 1999. Excluding mortgage loans, which have decreased 37.4% from the same quarter last year, average commercial and consumer loans grew \$0.865 billion or 15.4% during the last twelve months.

On a categorical basis, increases in average loan outstanding balances occurred in commercial loans, up \$356.1 million or 12.2%; manufactured housing loans, up \$264.9 million or 44.6%; installment loans, up \$99.3 million or 7.0%; home equity loans up \$49.2 million or 12.6% and credit card outstandings up \$7.5 million or 7.5%. The manufactured housing loan growth was primarily due to FirstMerit retaining a higher percentage of originated loans in its own loan portfolio (i.e., there were fewer sales to other banking institutions in 2000 compared to 1999). Average mortgage loans declined \$524.3 million or 37.4% as the Corporation continues to shift its loan mix away from lower-yielding mortgage loans and toward higher-yielding commercial and consumer credits.

Similar to the quarterly growth, 2000 year-to-date average loan outstandings increased in all categories except mortgage loans. For the nine-month periods, average loans totaled \$7.285 billion for 2000 and \$6.815 billion for the prior year. Average outstanding loans for both the quarter and nine-month periods equaled 75.3% of average earning assets.

Asset Quality

At September 30, 2000, total nonperforming assets, defined as nonaccrual loans, restructured loans and other real estate ("ORE"), were \$31.1 million or 0.43% of total outstanding loans and ORE. These same statistics for other recent quarter-ends were as follows: \$29.5 million or 0.40% at June 30, 2000, \$33.5 million or 0.46% at

March 31, 2000; \$25.3 million or 0.36% at December 31, 1999; and \$29.6 million or 0.42% at September 30, 1999.

Impaired loans are loans for which, based on current information or events, it is probable that a creditor will be unable to collect all amounts due according to the contractual terms of the loan agreement. Impaired loans must be valued based on the present value of the loans’ expected future cash flows at the loans’ effective interest rates, at the loans’ observable market prices, or the fair value of the underlying collateral. Under the Corporation’s credit policies and practices, and in conjunction with provisions within Statements No. 114 and No. 118, all nonaccrual and restructured commercial, agricultural, construction, and commercial real estate loans, meet the definition of impaired loans.

	(Dollars in thousands)		
	September 30, 2000	December 31, 1999	September 30, 1999
Impaired Loans:			
Non-accrual	\$24,824	20,159	25,562
Restructured	159	47	47
Total impaired loans	24,983	20,206	25,609
Other Loans:			
Non-accrual	1,671	1,905	2,708
Restructured	—	—	—
Total other nonperforming loans	1,671	1,905	2,708
Total nonperforming loans	26,654	22,111	28,317
Other real estate owned (ORE)	4,449	3,173	1,321
Total nonperforming assets	\$31,103	25,284	29,638
Loans past due 90 days or more accruing interest	\$25,583	30,878	30,000
Total nonperforming assets as a percent of total loans and ORE	0.43%	0.36%	0.42%
NA = Not Available			

There is no concentration of loans in any particular industry or group of industries. Most of the Corporation’s business activity is with customers located within the state of Ohio.

Allowance for Loan Losses

The allowance for possible loan losses at September 30, 2000 totaled \$108.6 million, or 1.50% of total loans outstanding compared to \$104.9 million, or 1.50% and \$106.9 million, or 1.50% at December 31, 1999 and September 30, 1999, respectively.

Dollars in thousands	Nine months ended September 30, 2000	Year ended December 31, 1999	Nine months ended September 30, 1999
Allowance — beginning of period	\$104,897	96,149	96,149
Acquisition adjustment/other	—	1,028	1,012
Loans charged off:			
Commercial, financial, agricultural	14,716	7,539	8,269
Installment to individuals	18,968	35,904	28,322
Real estate	1,880	3,350	473
Lease financing	1,322	1,043	794
Total charge-offs	36,886	47,836	37,858
Recoveries:			
Commercial, financial, agricultural	6,410	3,997	3,548
Installment to individuals	7,706	12,910	10,462
Real estate	433	540	26
Lease financing	509	679	585
Total recoveries	15,058	18,126	14,621
Net charge-offs	21,828	29,710	23,237
Provision for possible loan losses	25,507	37,430	32,968
Allowance — end of period	\$108,576	104,897	106,892
Annualized net charge offs as a percent of average loans	0.40%	0.43%	0.46%
Allowance for possible loan losses:			
As a percent of loans outstanding at end of period	1.50%	1.50%	1.50%
As a multiple of annualized net charge offs	3.72x	3.53x	3.44x

The Corporation's Credit Quality department manages credit risk by establishing common credit policies for its subsidiaries, which operate under the authority of the Corporation's Board of Directors Credit Committee, participating in approval of larger loans, conducting reviews of loan portfolios, providing centralized consumer underwriting, collections and loan operation services, and overseeing loan workouts. The Corporation's objective is to minimize losses from commercial lending activities and to maintain consumer losses at levels that are within desired risk parameters and consistent with growth and profitability objectives.

Deposits

The following schedule illustrates the change in composition of the average balances of deposits and average rates paid for the noted periods.

(Dollars in thousands)

	Three months ended September 30, 2000		Year ended December 31, 1999		Three months ended September 30, 1999	
	Average Balance	Average Rate	Average Balance	Average Rate	Average Balance	Average Rate
Non-interest DDA	\$1,027,707	—	1,055,306	—	1,036,066	—
Interest-bearing DDA	620,211	0.56%	667,469	0.72%	659,437	0.60%
Savings deposits	1,791,848	3.06%	1,791,390	2.25%	1,741,610	2.25%
CDs and other time	4,260,371	6.18%	3,284,516	5.17%	3,407,053	5.13%
	<u>\$7,700,137</u>	4.18%	<u>6,798,681</u>	3.16%	<u>6,844,166</u>	3.19%

Average CDs totaled \$4.260 billion for the quarter ended September 30, 2000, up 25.0% from \$3.407 billion for the same 1999 quarter. On a percentage basis, average CDs were 51% and 45% of average total interest bearing funds for the September 30, 2000 and 1999 quarters, respectively; average savings deposits, including money market accounts, were 21% of average interest bearing funds during the quarter ended September 30, 2000 and 23% for the same period last year; average interest-bearing demand deposits were 7% of total average interest bearing funds during 2000’s third quarter and 9% for the corresponding last year period; and average wholesale borrowings decreased from 23% of average interest-bearing funds during the three months ended September 30, 1999 to 21% for the September 30, 2000 quarter. During the three months ended September 30, 2000, average interest bearing liabilities funded approximately 86% of average earning assets compared to 85% in 1999 .

The following table summarizes the certificates and other time deposits in amounts of \$100 thousand or more, as of September 30, 2000, by time remaining until maturity.

(Dollars in thousands)	Amount
Maturing in:	
Under 3 months	\$ 651,624
3 to 12 months	466,267
Over 12 months	631,940
	<u>\$1,749,831</u>

Market Risk

The Corporation is exposed to market risks in the normal course of business. Changes in market interest rates may result in changes in the fair market value of the Corporation's financial instruments, cash flows, and net interest income. The corporation seeks to achieve consistent growth in net interest income and capital while managing volatility arising from shifts in market interest rates. The Asset and Liability Committee ("ALCO") oversees financial risk management, establishing broad policies that govern a variety of financial risks inherent in the Corporation's operations. ALCO monitors the Corporation's interest rates and sets limits on allowable risk annually. Market risk is the potential of loss arising from adverse changes in the fair value of financial instruments due to changes in interest rates, exchange rates, and equity prices. The Corporation's market risk is composed primarily of interest rate risk. Interest rate risk on the Corporation's balance sheet consists of mismatches of maturity gaps and indices, and options risk. Maturity gap mismatches result from differences in the maturity or repricing of asset and liability portfolios. Options risk exists in many of the Corporation's retail products such as prepayable mortgage loans and demand deposits. Options risk typically results in higher costs or lower revenue for the Corporation. Index mismatches occur when asset and liability portfolios are tied to different market indices which may not move in tandem as market interest rates change.

Interest rate risk is monitored using gap analysis, earnings simulation and net present value estimations. Combining the results from these separate risk measurement processes allows a reasonably comprehensive view of short-term and long-term interest rate risk in the Corporation. Gap analysis measures the amount of repricing risk in the balance sheet at a point in time. Earnings simulation involves forecasting net interest earnings under a variety of scenarios including changes in the level of interest rates, the shape of the yield curve, and spreads between market interest rates. ALCO also monitors the net present value of the balance sheet, which is the discounted present value of all asset and liability cash flows. Interest rate risk is quantified by changing the interest rates used for discounting cash flows and comparing the net present value to the original figure.

Capital Resources

Shareholders’ equity at September 30, 2000 totaled \$896.9 million compared to \$833.6 million at December 31, 1999 and \$864.9 million at September 30, 1999.

The following table reflects the various measures of capital:

	At September 30, 2000		At December 31, 1999		At September 30, 1999	
(In thousands)						
Total equity	\$ 896,918	8.65%	833,575	8.24%	864,895	8.71%
Common equity	894,354	8.62%	829,697	8.20%	860,961	8.67%
Tangible common equity (a)	739,678	7.24%	668,321	6.71%	701,009	7.18%
Tier 1 capital (b)	795,660	9.32%	734,492	8.81%	754,651	8.98%
Total risk-based capital (c)	1,054,733	12.36%	843,658	10.12%	865,806	10.30%
Leverage (d)	\$ 795,660	7.70%	734,492	7.47%	754,651	7.99%

- (a) Common equity less all intangibles; computed as a ratio to total assets less intangible assets.
- (b) Shareholders’ equity minus net unrealized holding gains on equity securities, plus or minus net unrealized holding losses or gains on available for sale debt securities, less goodwill; computed as a ratio to risk-adjusted assets, as defined in the 1992 risk-based capital guidelines.
- (c) Tier 1 capital plus qualifying loan loss allowance, computed as a ratio to risk-adjusted assets, as defined in the 1992 risk-based capital guidelines.
- (d) Tier 1 capital; computed as a ratio to the latest quarter’s average assets less goodwill.

The Federal Deposit Insurance Corporation Act of 1991 (“FDICIA”) set capital guidelines for a financial institution to be considered “well-capitalized.” These guidelines require a risk-based capital ratio of 10%, a Tier I capital ratio of 6% and a leverage ratio of 5%. At September 30, 2000, the Corporation’s risk-based capital equaled 12.36% of risk-adjusted assets, its Tier I capital ratio equaled 9.32% and its leverage ratio equaled 7.70%. The cash dividend of \$0.22 paid in the third quarter has an indicated annual rate of \$0.88 per share.

PART II. - OTHER INFORMATION

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

Exhibit Index

Exhibit Number

- | | |
|------|--|
| 3.1 | Amended and Restated Articles of Incorporation of FirstMerit Corporation, as amended (incorporated by reference from Exhibit 3.1 to the Form 10-K/ A filed by the Registrant on April 29, 1999) |
| 3.2 | Amended and Restated Code of Regulations of FirstMerit Corporation (incorporated by reference from Exhibit 3(b) to the Form 10-K filed by the registrant on April 9, 1998) |
| 4.1 | Shareholders Rights Agreement dated October 21, 1993, between FirstMerit Corporation and FirstMerit Bank, N.A., as amended and restated May 20, 1998 (incorporated by reference from Exhibit 4 to the Form 8-A/ A filed by the registrant on June 22, 1998) |
| 4.2 | Instrument of Assumption of Indenture between FirstMerit Corporation and NBD Bank, as Trustee, dated October 23, 1998 regarding FirstMerit Corporation's 6 1/4% Convertible Subordinated Debentures, due May 1, 2008 (incorporated by reference from Exhibit 4(b) to the Form 10-Q filed by the registrant on November 13, 1998) |
| 4.3 | Supplemental Indenture, dated as of February 12, 1999, between FirstMerit and Firststar Bank Milwaukee, National Association, as Trustee relating to the obligations of the FirstMerit Capital Trust I, fka Signal Capital Trust I (incorporated by reference from Exhibit 4.3 to the Form 10-K filed by the Registrant on March 22, 1999) |
| 4.4 | Indenture dated as of February 13, 1998 between Firststar Bank Milwaukee, National Association, as trustee and Signal Corp (incorporated by reference from Exhibit 4.1 to the Form S-4, No. 333-52581-01, filed by FirstMerit Capital Trust I, fka Signal Capital Trust I, on May 13, 1998) |
| 4.5 | Amended and Restated Declaration of Trust of FirstMerit Capital Trust I, fka Signal Capital Trust I, dated as of February 13, 1998 (incorporated by reference from Exhibit 4.5 to the Form S-4 No. 333-52581-01, filed by FirstMerit Capital Trust I, fka Signal Capital Trust I, on May 13, 1998) |
| 4.6 | Form Capital Security Certificate (incorporated by reference from Exhibit 4.6 to the Form S-4 No. 333-52581-01, filed by FirstMerit Capital Trust I, fka Signal Capital Trust I, on May 13, 1998) |
| 4.7 | Series B Capital Securities Guarantee Agreement (incorporated by reference from Exhibit 4.7 to the Form No. 333-52581-01, filed by FirstMerit Capital Trust I, fka Signal Capital Trust I, on May 13, 1998) |
| 4.8 | Form of 8.67% Junior Subordinated Deferrable Interest Debenture, Series B (incorporated by reference from Exhibit 4.7 to the Form S-4 No. 333-52581-01, filed by FirstMerit Capital Trust I, fka Signal Capital Trust I, on May 13, 1998) |
| 10.1 | 1982 Incentive Stock Option Plan of FirstMerit Corporation (incorporated by reference from Exhibit 4.2 to the Form S-8 (No. 33-7266) filed by the registrant on July 15, 1986)* |
| 10.2 | Amended and Restated 1992 Stock Option Program of FirstMerit Corporation (incorporated by reference from Exhibit 10.2 to the Form 10-K filed by the registrant on February 24, 1998)* |
| 10.3 | FirstMerit Corporation 1992 Directors Stock Option Program (incorporated by reference from Exhibit 10.2 to the Form 10-K filed by the registrant on February 24, 1998)* |
| 10.4 | FirstMerit Corporation 1995 Restricted Stock Plan (incorporated by reference from Exhibit (10)(d) to the Form 10-Q for the fiscal quarter ended March 31, 1995, filed by the registrant on May 15, 1995)* |

- 10.5 FirstMerit Corporation 1997 Stock Option Program (incorporated by reference from Exhibit 10.5 to the Form 10-K filed by the registrant on February 24, 1998)*
- 10.6 FirstMerit Corporation 1999 Stock Plan (incorporated by reference from Exhibit 10.39 to the Form S-8 filed by the Registrant on May 21, 1999)*
- 10.7 FirstMerit Corporation 1987 Stock Option and Incentive Plan (SF)1998 (incorporated by reference from Exhibit 10.7 to the Form 10-K filed by the registrant on March 10, 2000)*
- 10.8 FirstMerit Corporation 1996 Stock Option and Incentive Plan (SF) (incorporated by reference from Exhibit 10.8 to the Form 10-K filed by the registrant on March 10, 2000)*
- 10.9 FirstMerit Corporation 1994 Stock Option Plan (SF) (incorporated by reference from Exhibit 10.9 to the Form 10-K filed by the registrant on March 10, 2000)*
- 10.10 FirstMerit Corporation 1989 Stock Incentive Plan (SB) (incorporated by reference from Exhibit 10.10 to the Form 10-K filed by the registrant on March 10, 2000)*
- 10.11 FirstMerit Corporation Amended and Restated Stock Option and Incentive Plan (SG) (incorporated by reference from Exhibit 10.11 to the Form 10-K filed by the registrant on March 10, 2000)*
- 10.12 FirstMerit Corporation Non-Employee Director Stock Option Plan (SG) (incorporated by reference from Exhibit 4.3 to the Form S-8/ A (No. 333-63797) filed by the registrant on February 12, 1999)*
- 10.13 FirstMerit Corporation 1997 Omnibus Incentive Plan (SG) (incorporated by reference from Exhibit 10.13 to the Form 10-K filed by the registrant on March 10, 2000)*
- 10.14 FirstMerit Corporation 1993 Stock Option Plan (FSB) (incorporated by reference from Exhibit 10.14 to the Form 10-K filed by the registrant on March 10, 2000)*
- 10.15 Amended and Restated FirstMerit Corporation Executive Deferred Compensation Plan (incorporated by reference from Exhibit 10(h) to the Form 10-K filed by the registrant on February 25, 1997)*
- 10.16 Amended and Restated FirstMerit Corporation Director Deferred Compensation Plan (incorporated by reference from Exhibit 10(i) to the Form 10-K filed by the registrant on February 25, 1997)*
- 10.17 FirstMerit Corporation Executive Supplemental Retirement Plan (incorporated by reference from Exhibit 10 (d) to the Form 10-K filed by the registrant on March 15, 1996)*
- 10.18 Amended and Restated Membership Agreement with respect to the FirstMerit Corporation Executive Supplemental Retirement Plan (incorporated by reference from Exhibit 10.39 to the Form 10-K filed by the Registrant on March 22, 1999)*
- 10.19 FirstMerit Corporation Unfunded Supplemental Benefit Plan (incorporated by reference from Exhibit 10.11 to the Form 10-K filed by the registrant on February 24, 1998)*
- 10.20 First Amendment to the FirstMerit Corporation Unfunded Supplemental Benefit Plan (incorporated by reference from Exhibit 10(v) to the Form 10-K filed by the registrant on March 2, 1995)*
- 10.21 FirstMerit Corporation Executive Committee Life Insurance Program Summary (incorporated by reference from Exhibit 10(w) to the Form 10-K filed by the registrant on March 2, 1995)*
- 10.22 Long Term Disability Plan (incorporated by reference from Exhibit 10(x) to the Form 10-K filed by the registrant on March 2, 1995)*
- 10.23 Supplemental Pension Agreement of John R. Macso (incorporated by reference from Exhibit 10.13 to the Form 10-K filed by the registrant on February 24, 1998)*
- 10.24 Employment Agreement with John R. Macso, dated August 3, 1999 (incorporated by reference from Exhibit 10.13.1 to the Form 10-Q filed by the Registrant on November 12, 1999)*
- 10.25 Agreement with John R. Macso, dated August 3, 1999 (incorporated by reference from Exhibit 10.13.2 to the Form 10-Q filed by the Registrant on November 12, 1999)*
- 10.26 Stock Option Agreement with John R. Macso, dated August 3, 1999 (incorporated by reference from

Exhibit 10.13.3 to the Form 10-Q filed by the Registrant on November 12, 1999)*

- 10.27 Employment Agreement dated October 23, 1998 for Charles F. Valentine (incorporated by reference from Exhibit 10(a) to the Form 10-Q filed by the registrant on November 13, 1998)*
- 10.28 SERP Agreement dated October 23, 1998 for Charles F. Valentine (incorporated by reference from Exhibit 10(b) to the Form 10-Q filed by the registrant on November 13, 1998)*

- 10.29 Employment Agreement of John R. Cochran, dated December 1, 1998 (incorporated by reference from Exhibit 10.20 to the Form 10-K filed by the Registrant on March 22, 1999)*
- 10.30 Restricted Stock Award Agreement of John R. Cochran dated March 1, 1995 (incorporated by reference from Exhibit 10(e) to the Form 10-Q filed by the registrant on May 15, 1995)*
- 10.31 Restricted Stock Award Agreement of John R. Cochran dated April 9, 1997 (incorporated by reference from Exhibit 10.18 to the Form 10-K filed by the registrant on February 24, 1998)*
- 10.32 First Amendment to Restricted Stock Award Agreement for John R. Cochran (incorporated by reference from Exhibit 10.38 to the Form 10-K filed by the Registrant on March 22, 1999)*
- 10.33 Employment Agreement of Sid A. Bostic, dated February 1, 1998 (incorporated by reference from Exhibit 10.19 to the Form 10-K filed by the registrant on February 24, 1998)*
- 10.34 First Amendment to Employment Agreement of Sid A. Bostic, dated April 20, 1999 (incorporated by reference from Exhibit 10.23.1 to the Form 10-Q filed by the registrant on May 14, 1999)*
- 10.35 Restricted Stock Award Agreement of Sid A. Bostic dated February 1, 1998 (incorporated by reference from Exhibit 10.20 to the Form 10-K filed by the registrant on February 24, 1998)*
- 10.36 First Amendment to Restricted Stock Award Agreement of Sid A. Bostic, dated April 20, 1999 (incorporated by reference from Exhibit 10.25.1 to the Form 10-Q filed by the registrant on May 14, 1999)*
- 10.37 Form of FirstMerit Corporation Termination Agreement (incorporated by reference from Exhibit 10.24.1 to the Form 10-Q filed by the Registrant on March 22, 1999)*
- 10.38 Form of Director and Officer Indemnification Agreement and Undertaking (incorporated by reference from Exhibit 10(s) to the Form 8-K/ A filed by the registrant on April 27, 1995)*
- 10.39 Independent Contractor Agreement with Gary G. Clark, dated February 12, 1999 (incorporated by reference from Exhibit 10.38 to the Form 10-Q filed by the Registrant on May 14, 1999)*
- 10.40 Credit Agreement among FirstMerit Corporation, Bank of America, N.A., and Lenders, dated November 29, 1999 (incorporated by reference from Exhibit 10.40 to the Form 10-K filed by the registrant on March 10, 2000)*
- 10.41 Distribution Agreement, by and among FirstMerit Bank, N.A. and the Agents, dated July 15, 1999 (incorporated by reference from Exhibit 10.41 to the Form 10-K filed by the registrant on March 10, 2000)*
- 25.1 Form T-1 Statement of Eligibility of Firststar Trust Company to act as Property Trustee under the Amended and Restated Declaration of Trust of FirstMerit Capital Trust I, fka Signal Capital Trust I (incorporated by reference from Exhibit 26.1 to the Form S-4 No. 333-52581-01, filed by FirstMerit Capital Trust I, fka Signal Capital Trust I, on May 13, 1998)
- 25.2 Form T-1 Statement of Eligibility of Firststar Trust Company to act as Debenture Trustee under the FirstMerit Capital Trust I, fka Signal Capital Trust I, Indenture (incorporated by reference from Exhibit 26.1 to the Form S-4 No. 333-52581-01, filed by FirstMerit Capital Trust I, fka Signal Capital Trust I, on May 13, 1998)
- 27 Financial Data Schedule

* Management Contract or Compensatory Plan or Arrangement

(b) Form 8-K

There were no Form 8-K filings during the third quarter 2000.

SIGNATURES

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

FIRSTMERIT CORPORATION

By: /s/ TERRENCE E. BICHSEL

Terrence E. Bichsel, Executive Vice
President and Chief Financial Officer

DATE: November 13, 2000