**SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

**AMENDMENT NO. 1**

**TO**

# FORM 10-K/A

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

**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000**
**COMMISSION FILE NUMBER 0-10161**

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

| | |
|---|---|
| **OHIO** | **34-1339938** |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. employer identification no.) |

| | | |
|---|---|---|
| **III Cascade Plaza, 7th Floor, Akron, Ohio** | **44308** | **(330) 996-6300** |
| (Address of principal executive offices) | (Zip code) | (Telephone Number) |

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

Securities registered pursuant to Section 12(g) of the Act:
**Common Stock, No Par Value**
**Preferred Shares Purchase Rights**
**and**
**6 1/2% Cumulative Convertible Preferred Stock, Series B**
(Title of Class)

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 the filing requirements for at least the past 90 days. Yes [X] No [ ]

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

State the approximate aggregate market value of the voting stock held by non-affiliates of the registrant as of February 16, 2001: $2,084,985,405.

Indicate the number of shares outstanding of registrant’s common stock as of February 16, 2001: 86,842,315 shares of common stock, without par value.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Proxy Statement of FirstMerit Corporation, dated March 9, 2001, in Part III.

The undersigned registrant hereby amends the following items of its Annual Report pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934 on Form 10-K for the fiscal year ended December 31, 2000, for the purpose of furnishing the financial statements for the FirstMerit Corporation and Subsidiaries Employees’ Salary Savings Retirement Plan and the FirstMerit Corporation Employees’ Stock Purchase Plan.

## PART II

## Item 8. Financial Statements and Supplementary Data

# CONSOLIDATED BALANCE SHEETS

## FIRSTMERIT CORPORATION AND SUBSIDIARIES

| | Year-Ends, 2000 | 1999 |
|---|---|---|
| | (In thousands) | |
| **ASSETS** | | |
| Investment securities (at market value) | $ 2,002,291 | 2,394,034 |
| Federal funds sold and other interest-earning assets | 8,100 | 25,100 |
| Loans held for sale | 135,753 | 46,005 |
| Commercial loans | 3,251,761 | 3,122,520 |
| Mortgage loans | 848,225 | 878,323 |
| Installment loans | 1,497,270 | 1,471,149 |
| Home equity loans | 453,462 | 408,343 |
| Credit card loans | 117,494 | 108,163 |
| Manufactured housing loans | 786,641 | 753,254 |
| Leases | 282,232 | 272,429 |
| Total earning assets | 9,383,229 | 9,479,320 |
| Allowance for possible loan losses | (108,285) | (104,897) |
| Cash and due from banks | 235,918 | 215,071 |
| Premises and equipment, net | 133,894 | 132,219 |
| Accrued interest receivable and other assets | 570,447 | 393,764 |
| Total assets | $10,215,203 | 10,115,477 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| Deposits: | | |
| Demand-non-interest bearing | $ 1,078,586 | 1,016,535 |
| Demand-interest bearing | 681,771 | 661,961 |
| Savings | 1,805,505 | 1,687,983 |
| Certificates and other time deposits | 4,049,070 | 3,493,668 |
| Total deposits | 7,614,932 | 6,860,147 |
| Securities sold under agreements to repurchase and other borrowings | 1,563,404 | 2,302,693 |
| Accrued taxes, expenses, and other liabilities | 121,978 | 119,062 |
| Total liabilities | 9,300,314 | 9,281,902 |
| Commitments and contingencies | — | — |
| 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 | — | — |
| Convertible preferred stock, Series B, without par value: designated 220,000 shares; 105,658 and 163,534 shares outstanding at December 31, 2000 and 1999, respectively | 2,501 | 3,878 |
| Common stock, without par value: authorized 300,000,000 shares; 91,979,362 and 92,054,156 shares issued at December 31, 2000 and 1999, respectively | 127,937 | 127,937 |
| Capital surplus | 113,326 | 116,930 |
| Accumulated other comprehensive income | (13,798) | (45,082) |
| Retained earnings | 802,905 | 719,811 |
| Treasury stock, at cost, 4,947,047 and 3,678,904 shares, at December 31, 2000 and 1999, respectively | (117,982) | (89,899) |
| Total shareholders' equity | 914,889 | 833,575 |
| Total liabilities and shareholders' equity | $10,215,203 | 10,115,477 |

See accompanying notes to consolidated financial statements.

# CONSOLIDATED STATEMENTS OF INCOME

## FIRSTMERIT CORPORATION AND SUBSIDIARIES

| | Years Ended | | |
|---|---|---|---|
| | 2000 | 1999 | 1998 |
| | (In thousands except per share data) | | |
| Interest income: | | | |
| Interest and fees on loans | $643,256 | 571,497 | 532,066 |
| Interest and dividends on investment securities: | | | |
| Taxable | 139,099 | 106,513 | 103,354 |
| Exempt from federal income taxes | 5,944 | 6,637 | 4,737 |
| | 145,043 | 113,150 | 108,091 |
| Interest on federal funds sold | 3,196 | 204 | 2,400 |
| Total interest income | 791,495 | 684,851 | 642,557 |
| Interest expense: | | | |
| Interest on deposits: | | | |
| Demand-interest bearing | 3,705 | 4,774 | 13,222 |
| Savings | 52,883 | 40,327 | 44,077 |
| Certificates and other time deposits | 236,112 | 169,783 | 165,198 |
| Interest on securities sold under agreements to repurchase and other borrowings | 122,551 | 85,981 | 63,879 |
| Total interest expense | 415,251 | 300,865 | 286,376 |
| Net interest income | 376,244 | 383,986 | 356,181 |
| Provision for possible loan losses | 32,708 | 37,430 | 40,921 |
| Net interest income after provision for possible loan losses | 343,536 | 346,556 | 315,260 |
| Other income: | | | |
| Trust department | 21,580 | 18,708 | 16,147 |
| Service charges on deposits | 47,728 | 42,659 | 39,883 |
| Credit card fees | 32,160 | 26,752 | 20,064 |
| Service fees — other | 14,500 | 14,223 | 10,493 |
| Investment securities gains, net | 507 | 8,527 | 6,785 |
| Manufactured housing income | 4,335 | 8,412 | 7,630 |
| Loan sales and servicing | 10,529 | 9,035 | 16,900 |
| Other operating income | 32,552 | 26,394 | 22,246 |
| Total other income | 163,891 | 154,710 | 140,148 |
| Other expenses: | | | |
| Salaries, wages, pension and employee benefits | 128,167 | 138,862 | 143,865 |
| Net occupancy expense | 20,739 | 20,178 | 23,002 |
| Equipment expense | 17,589 | 19,198 | 15,882 |
| Loss on sale of subsidiary | — | — | 8,410 |
| Intangible amortization expense | 10,552 | 10,989 | 8,926 |
| Other operating expenses | 98,145 | 127,279 | 144,944 |
| Total other expenses | 275,192 | 316,506 | 345,029 |
| Income before taxes and extraordinary item | 232,235 | 184,760 | 110,379 |
| Federal income taxes | 72,448 | 59,043 | 37,862 |
| Income before extraordinary item | 159,787 | 125,717 | 72,517 |
| Extraordinary item — (net of taxes of $3,148) | — | (5,847) | — |
| Net income | $159,787 | 119,870 | 72,517 |
| Other comprehensive income (loss), net of tax: Unrealized gains (losses) on available-for-sale securities: | | | |
| Unrealized holding gains (losses), net of tax expense (benefit), arising during period | 30,954 | (56,483) | 5,828 |
| Less: reclassification adjustment for gains (losses) realized in net income, net of tax expense (benefit) | (330) | (5,543) | 4,573 |
| Net unrealized gains (losses), net of tax expense (benefit) | 31,284 | (50,940) | 1,255 |
| Comprehensive income | $191,071 | 68,930 | 73,772 |
| Net income applicable to common shares | $159,569 | 119,563 | 71,826 |
| Weighted average number of common shares outstanding — basic | 88,122 | 90,320 | 86,377 |

| | | | |
|---|---|---|---|
| | 88,122 | 90,320 | 86,377 |
| Weighted average number of common shares outstanding — diluted | 88,861 | 91,523 | 87,984 |
| Per share data based on average number of shares outstanding: | | | |
| Basic net income per share | $ 1.81 | 1.32 | 0.83 |
| Diluted net income per share | $ 1.80 | 1.31 | 0.82 |

See accompanying notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

## FIRSTMERIT CORPORATION AND SUBSIDIARIES

| | Years Ended 2000, 1999, and 1998 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Preferred Stock | Common Stock | Capital Surplus | Accumulated Other Comprehensive Income | Retained Earnings | Treasury Stock | Total Shareholders' Equity |
| | (In thousands except per share data) | | | | | | |
| Balance at Year Ended 1997 | $ 9,917 | 119,344 | 75,386 | 4,603 | 650,408 | (118,940) | 740,718 |
| Net income | — | — | — | — | 72,517 | — | 72,517 |
| Cash dividends — common stock ($0.66 per share) | — | — | — | — | (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) | — | — | — | — |
| Market adjustment investment securities | — | — | — | 1,255 | — | — | 1,255 |
| Other | — | 165 | 3,323 | — | (598) | 4,870 | 7,760 |
| Balance at Year Ended 1998 | 9,299 | 122,387 | 117,845 | 5,858 | 668,837 | (17,570) | 906,656 |
| Net income | — | — | — | — | 119,870 | — | 119,870 |
| 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, net of tax | — | — | — | (50,940) | — | — | (50,940) |
| Other | — | (46) | — | — | 36 | 788 | 778 |
| Balance at Year Ended 1999 | 3,878 | 127,937 | 116,930 | (45,082) | 719,811 | (89,899) | 833,575 |
| Net income | — | — | — | — | 159,787 | — | 159,787 |
| Cash dividends — common stock ($0.86 per share) | — | — | — | — | (76,162) | — | (76,162) |
| Cash dividends — preferred stock | — | — | — | — | (218) | — | (218) |
| Stock options exercised/debentures or preferred stock converted | (1,377) | — | (3,604) | — | — | 6,807 | 1,826 |
| Treasury shares purchased | — | — | — | — | — | (34,890) | (34,890) |
| Market adjustment investment securities | — | — | — | 31,284 | — | — | 31,284 |
| Other | — | — | — | — | (313) | — | (313) |
| Balance at Year Ended 2000 | $ 2,501 | 127,937 | 113,326 | (13,798) | 802,905 | (117,982) | 914,889 |

See accompanying notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

## FIRSTMERIT CORPORATION AND SUBSIDIARIES

| | Years Ended, | | |
|---|---|---|---|
| | 2000 | 1999 | 1998 |
| | | (In thousands) | |
| **Operating Activities** | | | |
| Net income | $ 159,787 | 119,870 | 72,517 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Loss on sale of subsidiary | — | — | 8,410 |
| Provision for loan losses | 32,708 | 37,430 | 40,921 |
| Provision for depreciation and amortization | 15,788 | 15,744 | 16,790 |
| Amortization of investment securities premiums, net | 606 | 2,196 | 1,413 |
| Amortization of income for lease financing | (14,140) | (13,679) | (11,360) |
| Gains on sales of investment securities, net | (507) | (8,527) | (6,785) |
| Deferred federal income taxes | 20,438 | (17,993) | (12,355) |
| (Increase) decrease in interest receivable | (11,839) | (18,073) | (5,051) |
| Increase in interest payable | 27,558 | 21,084 | 1,451 |
| Amortization of values ascribed to acquired intangibles | 10,552 | 10,989 | 8,926 |
| Other decreases | (238,822) | (11,985) | (38,555) |
| **NET CASH PROVIDED BY OPERATING ACTIVITIES** | 2,129 | 137,056 | 76,322 |
| **Investing Activities** | | | |
| Dispositions of investment securities: | | | |
| Available-for-sale — sales | 310,400 | 723,164 | 687,720 |
| Available-for-sale — maturities | 303,204 | 498,213 | 589,722 |
| Purchases of investment securities available-for-sale | (172,643) | (1,784,544) | (1,616,554) |
| Net (increase) decrease in federal funds sold | 17,000 | (18,361) | 37,552 |
| Net increase in loans and leases, except sales | (429,024) | (676,744) | (1,224,699) |
| Sales of loans | 101,192 | — | 518,951 |
| Purchases of premises and equipment | (22,912) | (22,321) | (32,240) |
| Sales of premises and equipment | 5,449 | 12,214 | 3,359 |
| Payment for purchase of CoBancorp, Inc., net of cash acquired | — | — | (50,000) |
| **NET CASH USED BY INVESTING ACTIVITIES** | 112,666 | (1,268,379) | (1,086,189) |
| **Financing Activities** | | | |
| Net increase (decrease) in demand, NOW and savings deposits | 199,383 | (388,003) | 609,441 |
| Net increase in time deposits | 555,402 | 402,172 | 216,273 |
| Net increase (decrease) in securities sold under repurchase agreements and other borrowings | (739,289) | 1,158,039 | 171,708 |
| Proceeds from mandatorily redeemable preferred securities | — | — | 50,000 |
| Repayment of mandatorily redeemable preferred securities | — | (11,022) | — |
| Cash dividends — common and preferred | (76,380) | (68,932) | (50,525) |
| Purchase of treasury shares | (34,890) | (85,666) | (25,703) |
| Treasury shares reissued — acquisition | — | — | 115,205 |
| Treasury shares reissued — public offering | — | — | 27,324 |
| Proceeds from exercise of stock options | 1,826 | 11,809 | 13,003 |
| **NET CASH PROVIDED BY FINANCING ACTIVITIES** | (93,948) | 1,018,397 | 1,126,726 |
| Increase (decrease) in cash and cash equivalents | 20,847 | (112,926) | 116,859 |
| Cash and cash equivalents at beginning of year | 215,071 | 327,997 | 211,138 |
| Cash and cash equivalents at end of year | $ 235,918 | 215,071 | 327,997 |
| **SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:** | | | |
| Cash paid during the year for: | | | |
| Interest, net of amounts capitalized | 206,392 | 156,626 | 202,374 |
| Income taxes | $ 75,202 | | |

See accompanying notes to consolidated financial statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## FIRSTMERIT CORPORATION AND SUBSIDIARIES

**Year-ends and for the years ended 2000, 1999 and 1998 (Dollars in thousands)**

### 1. Summary of Significant Accounting Policies

The accounting and reporting policies of FirstMerit Corporation and its subsidiaries (the “Corporation”) conform to generally accepted accounting principles and to general practices within the banking industry. The following is a description of the more significant accounting policies.

(a) Principles of Consolidation

The consolidated financial statements of the Corporation include the accounts of FirstMerit Corporation (the Parent Company) and its direct subsidiaries: FirstMerit Bank, National Association, Citizens Investment Corporation, Citizens Savings Corporation of Stark County, FirstMerit Capital Trust I, FirstMerit Community Development Corporation, FirstMerit Credit Life Insurance Company, FMT, Inc. and SF Development Corp.

All significant intercompany balances and transactions have been eliminated in consolidation.

(b) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes. Actual results could differ from those estimates.

(c) Investment Securities

Debt and equity securities can be classified as held-to-maturity, available-for-sale or trading. Securities classified as held-to-maturity are measured at amortized or historical cost, securities available-for-sale and trading at fair value. Adjustment to fair value of the securities available-for-sale, in the form of unrealized holding gains and losses, is excluded from earnings and reported net of tax as a separate component of comprehensive income. Adjustment to fair value of securities classified as trading is included in earnings. Gains or losses on the sales of investment securities are recognized upon realization and are determined by the specific identification method.

The Corporation’s investment portfolio is designated as available-for-sale. Classification as available-for-sale allows the Corporation to sell securities to fund liquidity and manage the Corporation’s interest rate risk. During a portion of 2000 and 1999, the Corporation maintained a relatively small trading account that was used as a hedge against variations in deferred compensation expense.

(d) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, balances on deposit with correspondent banks and checks in the process of collection.

(e) Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is computed on the straight-line and declining-balance methods over the estimated useful lives of the assets. Amortization of leasehold improvements is computed on the straight-line method based on lease terms or useful lives, whichever is less.

(f) Loans

Impaired loans are loans for which, based on current information or events, it is probable that the Corporation will be unable to collect all amounts due according to the contractual terms of the loan agreement. Impaired loans are valued based on the present value of the loans’ expected future cash flows at the loans’ effective interest rates, at the loans’ observable market price, or the fair value of the loan collateral.

(g) Interest and Fees on Loans

Interest income on loans is generally accrued on the principal balances of loans outstanding using the “simple-interest” method. Loan origination fees and direct origination costs are deferred and amortized, generally over the estimated life of the related loans using a level yield method. Interest is not accrued on loans for which circumstances indicate collection is questionable.

(h) Provision for Possible Loan Losses

The provision for possible loan losses charged to operating expenses is determined based on Management’s evaluation of the loan portfolios and the adequacy of the allowance for possible loan losses under current economic conditions and such other factors which, in Management’s judgement, deserve current recognition.

(i) Lease Financing

The Corporation leases equipment to customers on both a direct and leveraged lease basis. The net investment in financing leases includes the aggregate amount of lease payments to be received and the estimated residual values of the equipment, less unearned income and non-recourse debt pertaining to leveraged leases. Income from lease financing is recognized over the lives of the leases on an approximate level rate of return on the unrecovered investment. Residual values of leased assets are reviewed on an annual basis for reasonableness. Declines in residual values judged to be other than temporary are recognized in the period such determinations are made.

(j) Mortgage Servicing Fees

The Corporation generally records loan administration fees earned for servicing loans for investors as income is collected. Earned servicing fees and late fees related to delinquent loan payments are also recorded as income is collected.

(k) Federal Income Taxes

The Corporation follows the asset and liability method of accounting for income taxes. Deferred income taxes are recognized for the tax consequences of “temporary differences” by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. The effect of a change in tax rates is recognized in income in the period of the enactment date.

(l) Value Ascribed to Acquired Intangibles

The value ascribed to acquired intangibles, including core deposit premiums, results from the excess of cost over fair value of net assets acquired in acquisitions of financial institutions. Such values are being amortized over periods ranging from 4.5 to 25 years, which represent the estimated remaining lives of the long-term interest bearing assets acquired. Amortization is generally computed on a straight-line basis based on the expected reduction in the carrying value of such acquired assets. If no significant amount of long-term interest bearing assets is acquired, such value is amortized over the estimated life of the acquired deposit base, with amortization periods ranging from 10 to 15 years.

(m) Trust Department Assets and Income

Property held by the Corporation in a fiduciary or other capacity for trust customers is not included in the accompanying consolidated financial statements, since such items are not assets of the Corporation. Trust income is reported on an accrual basis of accounting.

(n) Per Share Data

Basic earnings per share are computed by dividing net income less preferred stock dividends by the weighted average number of common shares outstanding during the period. Diluted earnings per share are computed by dividing net income less preferred dividends plus interest on convertible bonds by the weighted average number of common shares plus common stock equivalents computed using the Treasury Share method. All earnings per share disclosures appearing in these financial statements, related notes and management's discussion and analysis, are computed assuming dilution unless otherwise indicated.

(o) Derivative Instruments and Hedging Activities

In June 1998, the FASB issued statement No. 133 "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133).SFAS 133 establishes accounting and reporting standards for derivative instruments and requires an entity to recognize all derivative as either assets or liabilities in the Balance Sheet and measure those instruments at fair value. Derivatives that do not meet certain criteria for hedge accounting must be adjusted to fair value through income. If the derivative qualities for hedge accounting exist, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged asset or liability through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. Any ineffective portion of a derivative's change in fair value will be immediately recognized in earnings.

This statement was originally to be effective for all fiscal quarters beginning after June 15, 1999. In July 1999, the FASB issued Statement No. 137, "Accounting for Derivative Instruments and Hedging Activities — Deferral of Effective Date of SFAS No. 133." SFAS 137 delayed the implementation of SFAS 133 by one year. As a result, the Corporation will implement SFAS 133 in the first quarter 2001.

At December 31, 2000, the Corporation had three interest rate swaps ("swaps") that were considered fair value hedges according to SFAS 133. The swaps have been classified as fair value hedges since their purpose was to "swap" fixed interest rate liabilities to variable interest rates. The swaps qualified for the "shortcut method of accounting" as prescribed in SFAS 133. The shortcut method results in simpler accounting requirements as ineffectiveness is ignored which eliminates the need for ongoing assessment tests, and only the fair value of the swap and the fair value of the hedged asset or liability is recorded on the Balance Sheet.

The accounting for the swap that didn't qualify for shortcut treatment requires the fair value of both the swap and the hedged liability to be determined and recorded through earnings each period.

At January 1, 2001, the impact of adopting SFAS 133 would be a net increased of $11.4 million to investment securities for the fair value of derivative instruments and a net increased of the same amount to hedged liabilities. The net effect of derivative instruments not qualifying for hedge accounting was less than $0.1 million at January 1, 2001.

(p) Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities

In September 2000, the FASB issued Statement No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." Statement No. 140 replaces and carries over most of the provisions of FASB Statement No. 125 and it revises those standards for accounting for securitizations and other transfers of assets and collateral and requires additional disclosures. 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, 2000, however, 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 effect of implementation of the Statement's provisions at December 31, 2000 was immaterial to the Corporation. The Corporation does not anticipate the implementation of the remaining provisions of the Statement effective subsequent to March 31, 2001 will have a material effect on its earnings or financial condition.

(q) Reclassifications

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

## 2. Acquisitions and merger-related expenses

On May 22, 1998, the Corporation completed the acquisition of CoBancorp, Inc., a bank holding company headquartered in Elyria, Ohio with consolidated assets of approximately $666.0 million. CoBancorp, Inc. was merged with and into the Corporation and accounted for under “purchase” accounting requirements. At the time of the merger, the value of the transaction was $174.1 million. In connection with the merger, the Corporation issued 3.897 million shares of its common stock (valued at $29.375/share), paid approximately $50.0 million in cash, and assumed merger-related liabilities of approximately $9.6 million. The transaction created goodwill of approximately $136.5 million that is being amortized primarily over 25 years.

On September 14, 1998, FirstMerit closed a secondary underwritten public offering of 1.38 million common shares of FirstMerit Corporation. The reissuance of these shares was necessary to allow the Corporation to treat the Security First Corp. merger as a pooling-of-interests.

On October 23, 1998, the Corporation completed the acquisition of Security First Corp., a $678.0 million holding company headquartered in Mayfield Heights, Ohio. Subsidiaries of Security First Corp. included Security Federal Savings and Loan Association of Cleveland and First Federal Savings Bank of Kent. These subsidiaries were merged with and into FirstMerit Bank, N. A. Under terms of the merger agreement, Security First Corp. 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 common share of Security First, Corp. At the time of the merger, the “pooling-of-interests” transaction was valued at $22.58 per share or approximately $199.0 million. The accompanying consolidated financial statements have been restated to account for the acquisition.

In conjunction with the Security First Corp. acquisition, the Corporation incurred merger-related expenses of approximately $17.2 million, before taxes. The components of the costs were as follows: severance and employee-related expenses of $1.7 million, occupancy and equipment charges of $2.0 million, conversion and contract termination costs of $1.5 million, professional services and other costs of $4.7 million, and a conforming adjustment to the provision for possible loan losses of $7.3 million. On an after tax basis, the merger-related expenses totaled approximately $12.8 million, or $0.18 per diluted share. The Other Expenses section of “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” provides additional details. As of December 31, 1999, the remaining liability associated with the original merger costs totaled $1.4 million. During the 2000 fourth quarter, the Corporation closed out the liability and recorded pre-tax income of $514 thousand through a reduction to other operating expenses.

On February 12, 1999, The Corporation completed the acquisition of Signal Corp, a $1.9 billion bank holding company headquartered in Wooster, Ohio. Principal subsidiaries of Signal Corp included Signal Bank, N. A., Summit Bank, N. A., First Federal Savings Bank of New Castle (Pennsylvania), and Mobile Consultants, Inc. Under terms of the 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 preferred stock for each share of Signal preferred stock. Based on the closing price of $25.00 per share on February 12, 1999, the value of the transaction was approximately $436.0 million. The transaction was accounted for as a pooling-of-interests.

In conjunction with this merger, the Corporation incurred pre-tax costs of $52.8 million during 1999. The components of the merger-related costs and the conforming accounting adjustments were as follows: $7.8 million severance and employee related benefits; $7.0 million conversion and contract termination costs; $8.9 million in professional services fees; $9.9 million of other operating costs; a conforming accounting entry to the provision for possible loan losses of $10.2 million, and an extraordinary charge of $9.0 million related to early extinguishment of debt. The after-tax effect of the merger-related and conforming expenses totaled approximately $38.1 million, or $0.42 per diluted share. As of December 31, 1999, the unpaid liabilities associated with these costs totaled approximately $1.1 million. During the 2000 fourth quarter, the remaining liability of $214 thousand was closed out and recorded as pre-tax income through a reduction in other operating expenses.

### 3. Investment Securities

Investment securities are composed of:

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|---|---|---|---|---|
| **Year-end 2000** | | | | |
| Available for sale: | | | | |
| U.S. Treasury securities and U.S. Government agency obligations | $ 626,488 | 651 | 5,022 | 622,117 |
| Obligations of state and political subdivisions | 101,959 | 942 | 157 | 102,744 |
| Mortgage-backed securities | 1,003,043 | 2,880 | 9,080 | 996,843 |
| Other securities | 291,219 | 420 | 11,052 | 280,587 |
| | $2,022,709 | 4,893 | 25,311 | 2,002,291 |
| **Year-end 1999** | | | | |
| Available for sale: | | | | |
| U.S. Treasury securities and U.S. Government agency obligations | $ 819,690 | 96 | 20,208 | 799,578 |
| Obligations of state and political subdivisions | 120,000 | 437 | 1,376 | 119,061 |
| Mortgage-backed securities | 1,197,898 | 661 | 38,343 | 1,160,216 |
| Other securities | 326,181 | 687 | 11,689 | 315,179 |
| | $2,463,769 | 1,881 | 71,616 | 2,394,034 |

The amortized cost and market value of investment securities including mortgage-backed securities at December 31, 2000, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities based on the issuers' rights to call or prepay obligations with or without call or prepayment penalties.

| | Amortized Cost | Market Value |
|---|---|---|
| Due in one year or less | $ 167,437 | 166,643 |
| Due after one year through five years | 308,232 | 306,440 |
| Due after five years through ten years | 324,941 | 325,928 |
| Due after ten years | 1,222,099 | 1,203,280 |
| | $2,022,709 | 2,002,291 |

Proceeds from sales of investment securities during the years 2000, 1999 and 1998 were $310,400, $723,164 and $687,720, respectively. Gross gains of $2,513, $10,032 and $8,513 and gross losses of $2,006, $1,505 and $1,728 were realized on these sales, respectively.

The carrying value of investment securities pledged to secure trust and public deposits and for purposes required or permitted by law amounted to $1,644,163 and $1,739,657 at December 31, 2000 and December 31, 1999, respectively.

## 4. Loans

Loans consist of the following:

| | Year Ends, | | |
|---|---|---|---|
| | 2000 | 1999 | 1998 |
| Commercial loans | $3,251,761 | 3,122,520 | 2,613,838 |
| Mortgage loans | 848,225 | 878,323 | 1,611,871 |
| Installment loans | 1,497,270 | 1,471,149 | 1,199,014 |
| Home equity loans | 453,462 | 408,343 | 377,358 |
| Credit card loans | 117,494 | 108,163 | 99,541 |
| Manufactured housing loans | 786,641 | 753,254 | 289,308 |
| Leases | 282,232 | 272,429 | 171,040 |
| | $7,237,085 | 7,014,181 | 6,361,970 |

Information with respect to impaired loans is as follows:

| | Year Ends, | | |
|---|---|---|---|
| | 2000 | 1999 | 1998 |
| Period-end balances | $28,189 | 20,206 | 10,968 |
| Related allowance for loan losses | 8,423 | 5,673 | 3,735 |
| Interest recognized | 1,000 | 787 | 427 |

Earned interest on impaired loans is recognized as income is collected.

The Corporation makes loans to officers on the same terms and conditions as made available to all employees and to directors on substantially the same terms and conditions as transactions with other parties. An analysis of loan activity with related parties for the years ended December 31, 2000, 1999, and 1998 is summarized as follows:

| | 2000 | 1999 | 1998 |
|---|---|---|---|
| Aggregate amount at beginning of year | $ 44,521 | 26,082 | 35,306 |
| Additions (deductions): | | | |
| New loans | 38,236 | 35,193 | 20,650 |
| Repayments | (40,937) | (13,571) | (16,472) |
| Changes in directors and their affiliations | (129) | (3,183) | (13,402) |
| Aggregate amount at end of year | $ 41,691 | 44,521 | 26,082 |

## 5. Allowance for Possible Loan Losses

Transactions in the allowance for possible loan losses are summarized as follows:

| | Years Ended, | | |
|---|---|---|---|
| | **2000** | **1999** | **1998** |
| Balance at beginning of year | $104,897 | 96,149 | 67,736 |
| Additions (deductions): | | | |
| Acquisition adjustment/other | — | 1,028 | 8,215 |
| Provision for loan losses | 32,708 | 37,430 | 40,921 |
| Loans charged off | (49,428) | (47,836) | (32,934) |
| Recoveries on loans previously charged off | 20,108 | 18,126 | 12,211 |
| Balance at end of year | $108,285 | 104,897 | 96,149 |

## 6. Manufactured Housing Income

The Corporation, through its subsidiary Mobile Consultants, Inc. (MCi), has sold certain manufactured housing finance contracts (MHF contracts) to various financial institutions while retaining the collection and recovery aspect of servicing. The amount of MHF contracts serviced as just described totaled $343.9 million, $374.5 million and $396.2 million at December 31, 2000, 1999 and 1998, respectively. At the time MCi sells an MHF contract to an unaffiliated financial institution, approximately one-third of the fee collected is recorded as a “manufactured housing brokerage fee” and the remaining two-thirds of the fee is deposited into escrow accounts and available to offset potential prepayment or credit losses (MCi reserves). In 2000, 867 MHF contracts totaling $30.9 million were sold resulting in $1.8 million in manufactured housing brokerage fees. During 1999, 575 MHF contracts totaling $19.7 million were sold generating $1.3 million in manufactured housing brokerage fees.

The Corporation’s subsidiary, FirstMerit Bank, N.A., purchases MHF contracts from MCi, a portion of which may be packaged in asset-backed securitizations (ABS pools) and sold to investors. Sales of securitized MHF contracts totaled $100 million in 1998 and $150 million in 1997. There were no sales of securitized MHF contracts during 2000 and 1999. At the time of these sales, the Corporation recorded an asset, “retained interest in securitized assets”, representing the discounted future cash flows to be received by the Corporation for (1) servicing income from the ABS pool, (2) principal and interest payments on MHF contracts contributed to the ABS pools as a credit enhancement, referred to as “over-collateralization” and, (3) excess interest spread. Excess interest spread represents the difference between interest collected from the MHF contract borrowers and interest paid to investors in the ABS pool. Total retained interest in securitized assets was $25.0 million at December 31, 2000 and $26.0 million at year-ends 1999 and 1998. Total manufactured housing income, consisting primarily of gains on sales of ABS pools, brokerage fees, and servicing income totaled $4.3 million, $8.4 million and $7.6 million for 2000, 1999 and 1998, respectively.

## 7. Mortgage Servicing Rights and Mortgage Servicing

The Corporation allocates a portion of total costs of the loans originated or purchased that it intends to sell to servicing rights based on estimated fair value. Fair value is estimated based on market prices, when available, or the present value of future net servicing income, adjusted for such factors as discount rates and prepayments. Servicing rights are amortized over the average life of the loans using the net cash flow method.

The components of mortgage servicing rights are as follows:

| | 2000 | 1999 | 1998 |
|---|---|---|---|
| Balance at beginning of year, net | $12,929 | 11,265 | 6,669 |
| Additions | 5,095 | 3,964 | 7,259 |
| Sales | (5,465) | — | — |
| Scheduled amortization | (2,217) | (2,213) | (2,495) |
| Less: allowance for impairment | 80 | (87) | (168) |
| Balance at end of year, net | $10,422 | 12,929 | 11,265 |

In 2000, 1999 and 1998, the Corporation's income before federal income taxes was increased by approximately $2.5 million, $1.7 million and $4.6 million, respectively, as a result of mortgage servicing rights activity.

On a quarterly basis, the Corporation assesses its capitalized servicing rights for impairment based on their current fair value. As permitted by the regulations, the Corporation disaggregates its servicing rights portfolio based on loan type and interest rate which are the predominant risk characteristics of the underlying loans. If any impairment results after current market assumptions are applied, the value of the servicing rights is reduced through the use of an allowance for impairment.

At year-ends 2000 and 1999, the Corporation serviced for others approximately $2.4 billion and $2.5 billion, respectively. The following table provides servicing information for the year-ends indicated:

| | 2000 | 1999 | 1998 |
|---|---|---|---|
| Balance, beginning of year | $2,494,123 | 1,802,899 | 1,455,285 |
| Additions: | | | |
| Loans originated and sold to investors | 163,596 | 104,019 | 377,517 |
| Existing loans sold to investors | 8,851 | 687,949 | 186,034 |
| Existing loans from acquisitions | — | — | 66,868 |
| Reductions: | | | |
| Loans sold servicing released | (32,080) | (3,130) | (4,842) |
| Regular amortization, prepayments and foreclosures | (216,500) | (97,614) | (277,963) |
| Balance, end of year | $2,417,990 | 2,494,123 | 1,802,899 |

## 8. Restrictions on Cash and Dividends

The average balance on deposit with the Federal Reserve Bank or other governing bodies to satisfy reserve requirements amounted to $18.7 million during 2000. The level of this balance is based upon amounts and types of customers' deposits held by the banking subsidiary of the Corporation. In addition, deposits are maintained with other banks at levels determined by Management based upon the volumes of activity and prevailing interest rates to compensate for check-clearing, safekeeping, collection and other bank services performed by these banks. At December 31, 2000, cash and due from banks included $4.4 million deposited with the Federal Reserve Bank and other banks for these reasons.

Dividends paid by the subsidiaries are the principal source of funds to enable the payment of dividends by the Corporation to its shareholders. These payments by the subsidiaries in 2000 were restricted, by the regulatory agencies, principally to the total of 2000 net income plus undistributed net income of the previous two calendar years. Regulatory approval must be obtained for the payment of dividends of any greater amount.

## 9. Premises and Equipment

The components of premises and equipment are as follows:

| | Year-Ends, | | |
|---|---|---|---|
| | 2000 | 1999 | Estimated useful lives |
| | (Dollars in thousands) | | |
| Land | $ 17,711 | 18,067 | — |
| Buildings | 116,668 | 107,636 | 10-35 yrs |
| Equipment | 101,226 | 99,957 | 3-15 yrs |
| Leasehold improvements | 16,978 | 18,590 | 1-20 yrs |
| | 252,583 | 244,250 | |
| Less accumulated depreciation and amortization | 118,689 | 112,031 | |
| | $133,894 | 132,219 | |

Amounts included in other expenses for depreciation and amortization aggregated $15.8 million, $15.8 million and $16.8 million for the years ended 2000, 1999 and 1998, respectively.

At December 31, 2000, the Corporation was obligated for rental commitments under noncancelable operating leases on branch offices and equipment as follows:

| Years Ending December 31, | Lease commitments |
|---|---|
| | (in thousands) |
| 2001 | $ 7,642 |
| 2002 | 7,082 |
| 2003 | 6,264 |
| 2004 | 5,627 |
| 2005 | 3,967 |
| 2006-2024 | 17,407 |
| | $47,989 |

Rentals paid under noncancelable operating leases amounted to $8.1 million, $9.9 million and $8.4 million in 2000, 1999 and 1998, respectively.

## 10. Certificates and Other Time Deposits

The aggregate amounts of certificates and other time deposits of $100 thousand and over at year end 2000 and 1999 were $1,572,465 and $1,002,495, respectively. Interest expense on these certificates and time deposits amounted to $94,456 in 2000, $51,715 in 1999, and $54,355 in 1998.

## 11. Securities Sold Under Agreements to Repurchase and Other Borrowings

In total, the average balance of securities sold under agreements to repurchase and other borrowings for the years ended 2000, 1999 and 1998 amounted to $1,951,841, $1,666,025 and $1,063,848, respectively. In 2000, the weighted average annual interest rate amounted to 6.28%, compared to 5.16% in 1999 and 6.00% in 1998. The maximum amount of these borrowings at any month end totaled $2,344,534 during 2000, $2,281,243 in 1999 and $1,179,734 during 1998.

The debt components and their respective terms are as follows.

During 2000, the Corporation issued $150,000 of subordinated bank notes under a debt agreement. The notes bear interest at 8.625% and mature on April 1, 2010. Under the debt agreement, the aggregate principal outstanding at any one time may not exceed $1,000,000. The notes were offered only to institutional investors.

At year-ends 2000, 1999 and 1998, securities sold under agreements to repurchase totaled $1,090,021, $1,473,774 and $489,373, respectively. The average annual interest rates for these instruments were 6.01%, compared to 4.79% in 1999 and 4.78% in 1998.

As of December 31, 2000, 1999 and 1998, the Corporation had $272,067, $646,322 and $586,117, respectively, of Federal Home Loan Bank ("FHLB") advances outstanding. The advance balances outstanding at year-end 2000 included: $35,951 with maturities within one year, $112,505 with maturities from one to five years and $123,611 with maturities over five years. The FHLB advances have interest rates that range from 4.75% to 8.10%.

At year-end 2000, the Corporation had two lines of credit with two different financial institutions. One line had an outstanding balance of $22,000 with a corresponding interest rate of 6.76% and the other line had no outstanding balance. As of year-end 2000, the unused portions of these lines totaled $118,000. The line with the outstanding balance carries a variable interest rate that approximates the one-month LIBOR rate plus 25 basis points. The line that was unused at December 31, 2000 has an interest rate that varies based on the terms of the draw. That is, there are four types of draws allowed with each one tied to a different index.

At year-end 1999, the Corporation had outstanding balances on lines of credit with two financial institutions totaling $22,000 and $130,000, respectively. The unused portion of these lines at December 31, 1999 totaled $8,000 and $20,000, respectively. The interest rates on these lines were 6.08% and 6.64%, the first approximated LIBOR plus 25 basis points and the second one-month LIBOR plus 45 basis points.

The lines of credits in existence at December 31, 2000 and 1999 require the Corporation to maintain risk-based capital ratios at least equal to those of a well capitalized institution. The Corporation was in compliance with these requirements at the end of both years.

At year-ends 2000, 1999 and 1998, the Corporation had $5,717, $6,061 and $6,541, respectively, of convertible subordinated debentures outstanding. The first of two sets of convertible bonds totaling $717 at year-end 2000, consists of 15 year, 6.25% debentures issued in a public offering in 1993 by Security First. These bonds mature May 5, 2008 and may be redeemed by the bondholders any time prior to maturity. The second set of bonds totaled $5,000 at year-end 2000, carry an interest rate of 9.13%, were issued by Signal Corp, and are due in 2004.

At December 31, 2000, 1999 and 1998, other borrowings totaled $2,149, $3,086 and $8,173, respectively. These borrowings carry interest rates ranging from 4.96% through 12.00%.

During 1998, FirstMerit Capital Trust I, formerly Signal Capital Trust I issued and sold $50.0 million of 8.67% Capital Securities to investors in a private placement. In an exchange offer, a Common Securities Trust exchanged the outstanding Series A Securities for 8.67% Capital Securities, Series B (the "Capital Securities") which are owned solely by the Corporation's subsidiary, FirstMerit Bank. Distributions on the Capital Securities are payable semi-annually commencing August 15, 1998 at the annual rate of 8.67% of the liquidation amount of $1,000 per security. Generally the interest payment schedule of the Debentures is identical to the Capital Securities schedule. The Corporation has acquired approximately $28.6 million of the Series B Capital Securities in the open market. The activity and balances resulting from these open-market acquisitions have been eliminated, when appropriate, in the Consolidated Financial Statements and the related Notes. The outstanding balance of the Capital Securities totaled $21,450 at December 31, 2000 and 1999.

Residential mortgage loans totaling $962 million, $1.1 billion and $437 million at year-ends 2000, 1999 and 1998, respectively, were pledged to secure FHLB advances. FANNIE MAE ("FNMA") Preferred Stock and Federal Home Loan Mortgage Corporation ("Freddie Mac") Preferred Stock of approximately $20.3 million and corporate bonds of other institutions totaling $14.0 million were pledged against the line of credit outstanding of $22.0 million at year-end 2000. FNMA and Freddie Mac Preferred Stock of approximately $19.5 million and corporate bonds of another institution totaling $14.5 million were pledged against the line of credit outstanding of $22.0 million at year-end 1999.

## 12. Federal Income Taxes

Federal income taxes are comprised of the following:

| | Years Ended, 2000 | 1999 | 1998 |
|---|---|---|---|
| Taxes currently payable | $52,010 | 73,888 | 50,217 |
| Deferred expense (benefit) | 20,438 | (17,993) | (12,355) |
| | $72,448 | 55,895 | 37,862 |

Actual Federal income tax expense differs from expected Federal income tax as shown in the following table:

| | Years Ended, 2000 | 1999 | 1998 |
|---|---|---|---|
| Statutory rate | 35.0% | 35.0% | 35.0% |
| Increase (decrease) in rate due to: | | | |
| Interest income on tax-exempt securities and tax-free loans, net | (0.8)% | (1.3)% | (1.6)% |
| State and local income taxes, net | — | — | 0.1% |
| Goodwill amortization | 1.0% | 1.2% | 1.0% |
| Reduction to excess tax reserves | (2.7)% | (3.3)% | (1.7)% |
| Exercise of options at acquisition | — | — | (0.6)% |
| Merger expenses at acquisition | — | 0.6% | 1.2% |
| Basis difference — sale of subsidiary | — | — | 1.4% |
| Bank owned life insurance | (0.6)% | (0.6)% | — |
| Dividends received deduction | (0.3)% | (0.3)% | — |
| Non-deductible meals and entertainment | 0.1% | 0.2% | — |
| Other | (0.5)% | 0.3% | (0.5)% |
| Effective tax rates | 31.2% | 31.8% | 34.3% |

Principal components of the Corporation’s net deferred tax (liability) are summarized as follows:

| | Year-Ends, 2000 | 1999 |
|---|---|---|
| Deferred tax assets: | | |
| Allowance for credit losses | $ 36,034 | 32,530 |
| Loan fees and expenses | (296) | 12,675 |
| Employee benefits | 4,820 | 5,908 |
| Available for sale securities | 7,146 | 24,406 |
| Valuation reserves | 5,608 | 6,069 |
| Purchase accounting and acquisition adjustments | 5,870 | 6,338 |
| | 59,182 | 87,926 |
| Deferred tax liabilities: | | |
| Leased assets and depreciation | (48,070) | (37,404) |
| Mortgage banking and loan fees | (7,268) | (10,272) |
| Other | (7,914) | (6,621) |
| Total gross deferred tax liabilities | (63,252) | (54,297) |
| Total net deferred tax asset/(liability) | $ (4,070) | 33,629 |

## 13. Benefit Plans

The Corporation has a defined benefit pension plan covering substantially all of its employees. In general, benefits are based on years of service and the employee's compensation. The Corporation's funding policy is to contribute annually the maximum amount that can be deducted for federal income tax reporting purposes. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future.

A supplemental non-qualified, non-funded pension plan for certain officers is also maintained and is being provided for by charges to earnings sufficient to meet the projected benefit obligation. The pension cost for this plan is based son substantially the same actuarial methods and economic assumptions as those used for the defined benefit pension plan.

The Corporation also sponsors a benefit plan which presently provides postretirement medical and life insurance for retired employees. Effective January 1, 1993, the plan was changed to limit the Corporation's medical contribution to 200% of the 1993 level for employees who retire after January 1, 1993. The Corporation reserves the right to terminate or amend the plan at any time.

The cost of postretirement benefits expected to be provided to current and future retirees is accrued over those employees' service periods. Prior to 1993, postretirement benefits were accounted for on a cash basis. In addition to recognizing the cost of benefits for the current period, recognition is being provided for the cost of benefits earned in prior service periods (the transition obligation).

The following table sets forth both plans' funded status and amounts recognized in the Corporation's consolidated financial statements.

| | Pension Benefits | | | Postretirement Benefits | | |
|---|---|---|---|---|---|---|
| | **2000** | **1999** | **1998** | **2000** | **1999** | **1998** |
| Change in Benefit Obligation | | | | | | |
| Projected Benefit Obligation (PBO)/, Accumulated Postretirement Benefit Obligation (APBO), beginning of year | $ 79,600 | 73,689 | 70,720 | 27,438 | 27,901 | 27,864 |
| Service Cost | 4,227 | 4,099 | 3,546 | 854 | 992 | 855 |
| Interest Cost | 5,857 | 5,339 | 4,988 | 1,934 | 2,030 | 1,872 |
| Plan amendments | — | 2,626 | 1,060 | — | — | — |
| Participant contributions | — | — | — | 370 | 275 | 1,390 |
| Actuarial (gain) loss | (4,169) | (1,705) | (2,735) | (2,052) | (2,293) | (2,330) |
| Benefits Paid | (4,345) | (4,448) | (3,890) | (1,760) | (1,467) | (1,750) |
| PBO/ APBO, end of year | 81,170 | 79,600 | 73,689 | 26,784 | 27,438 | 27,901 |
| Change in Plan Assets | | | | | | |
| Fair Value of Plan Assets, beginning of year | 93,796 | 80,479 | 80,877 | — | — | — |
| Actuarial return on plan assets | 19,979 | 14,230 | 2,465 | — | — | — |
| Asset transfer from CoBancorp | — | 3,045 | — | — | — | — |
| Participant contributions | — | — | — | 370 | 275 | 360 |
| Employer contributions | 7,077 | 490 | 1,027 | 1,390 | 1,192 | 1,390 |
| Benefits paid | (4,345) | (4,448) | (3,890) | (1,760) | (1,467) | (1,750) |
| Fair Value of Plan Assets, end of year | 116,507 | 93,796 | 80,479 | — | — | — |

| | Pension Benefits | | | Postretirement Benefits | | |
|---|---|---|---|---|---|---|
| | 2000 | 1999 | 1998 | 2000 | 1999 | 1998 |
| Funded Status | 35,337 | 14,196 | 6,790 | (26,784) | (27,438) | (27,901) |
| Unrecognized Transition (asset) obligation | (172) | (379) | (586) | 9,846 | 10,667 | 11,488 |
| Prior service costs | 3,291 | 3,654 | 4,437 | 514 | 556 | — |
| Cumulative net (gain) or loss | (31,226) | (15,627) | (7,137) | (4,460) | (2,527) | 365 |
| (Accrued) prepaid pension/ postretirement cost | 7,230 | 1,844 | 3,504 | (20,884) | (18,742) | (16,048) |
| Amounts recognized in the Consolidated Balanced Sheets consist of: | | | | | | |
| Prepaid benefit cost | 9,720 | 3,297 | 4,250 | — | — | — |
| Accrued benefit liability | (7,357) | (6,185) | (6,362) | (20,884) | (18,742) | (16,048) |
| Intangible asset | 4,125 | 4,277 | 4,940 | — | — | — |
| Accumulated other comprehensive income | 742 | 455 | 676 | — | — | — |
| Net amount recognized | $ 7,230 | 1,844 | 3,504 | (20,884) | (18,742) | (16,048) |

| | Pension Benefits | | | Postretirement Benefits | | |
|---|---|---|---|---|---|---|
| | 2000 | 1999 | 1998 | 2000 | 1999 | 1998 |
| Weighted-average assumptions as of December 31 | | | | | | |
| Discount Rate | 8.00% | 7.75% | 7.00% | 8.00% | 7.75% | 7.00% |
| Long-term rate of return on assets | 9.50% | 9.25% | 9.00% | — | — | — |
| Rate of compensation increase | 4.00% | 4.00% | 4.00% | — | — | — |
| Medical trend rates | — | — | — | 5% to 6% | 5% to 7% | 5% to 8% |

For measurement purposes, a 9 percent annual rate increase in the per capita cost of covered health care benefits was assumed for 2000. The rate was assumed to decrease gradually to 6 percent in 2002 and remain at that level hereafter.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plan. A one-percent point change in assumed health care cost trend rates would have the following effects:

| | 1-Percentage Point Increase | 1-Percentage Point Decrease |
|---|---|---|
| Effect on total of service and interest cost components | $ 534 | (439) |
| Effect on postretirement benefit obligation | 4,483 | (3,767) |

| | Pension Benefits | | | Postretirement Benefits | | |
|---|---|---|---|---|---|---|
| | 2000 | 1999 | 1998 | 2000 | 1999 | 1998 |
| Components of Net Periodic Pension/ Postretirement Cost | | | | | | |
| Service Cost | $ 4,227 | 4,099 | 3,546 | 854 | 992 | 855 |
| Interest Cost | 5,857 | 5,339 | 4,988 | 1,935 | 2,030 | 1,872 |
| Expected return on assets | (8,224) | (7,208) | (6,537) | — | — | — |
| Amorization of unrecognized Transition (asset) | (207) | (207) | (207) | 821 | 821 | 821 |
| Prior service costs | 364 | 364 | 331 | 43 | 43 | — |
| Cumulative net (gain) loss | (325) | 70 | 25 | (120) | — | — |
| Net periodic pension/postretirement cost | $ 1,692 | 2,457 | 2,146 | 3,533 | 3,886 | 3,548 |

The Corporation has elected to amortize the transition obligation for both the pension and postretirement plans by charges to income over a twenty year period on a straightline basis.

Accumulated Benefit Obligation for the Corporation's pension plan were ($68,129), ($65,804) and ($63,211) for the periods ended December 31, 2000, 1999 and 1998, respectively.

The Corporation maintains a savings plan under Section 401(k) of the Internal Revenue Code, covering substantially all full-time and part-time employees after six months of continuous employment. Under the plan, employees contributions are partially matched by the Corporation. Such matching becomes vested in accordance with plan specifications. Total savings plan expenses were $2,817, $2,780 and $2,586 for 2000, 1999 and 1998, respectively. The former CoBancorp employees now working for the Corporation were merged into the 401(k) plan during 1998 and the former Security First employees working for the Corporation were merged into the 401(k) plan effective January 1, 1999.

## 14. Stock Options

The Corporation's 1992, 1997 and 1999 Stock Plans (the "Plans") provide qualified and non-qualified options to certain key employees (and to all full-time employees in the case of the 1999 stock plan) for up to 5,966,556 common shares of the Corporation. In addition, these plans provide for the granting of non-qualified stock options to certain non-employee directors of the Corporation for which 200,000 common shares of the Corporation have been reserved. Outstanding options under these Plans are generally not exerciseable for at least six months from date of grant.

Options under these Plans are granted at 100% of the fair market value. Options granted as incentive stock options must be exercised within ten years and options granted as non-qualified stock options have terms established by the Compensation Committee of the Board and approved by the non-employee directors of the Board. Options are cancelable within defined periods based upon the reason for termination of employment.

As permitted by SFAS No. 123, "Accounting for Stock-Based Compensation," the Corporation continues to account for its stock option plans in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock issued to Employees," and makes no charges against income with respect to options granted.

However, SFAS No. 123 does require the disclosure of the pro forma effect on net income and earnings per share that would result if the fair value compensation element were to be recognized as expense. The following table shows the pro forma earnings and earnings per share for 2000, 1999 and 1998 along with significant assumptions used in determining the fair value of the compensation amounts.

| | 2000 | 1999 | 1998 |
|---|---|---|---|
| | (Dollars in thousands except per share data) | | |
| Pro forma amounts: | | | |
| Net income | $154,382 | 114,717 | 65,131 |
| Earnings per share (basic) | 1.75 | 1.27 | 0.75 |
| Earnings per share (diluted) | 1.74 | 1.25 | 0.74 |
| Assumptions: | | | |
| Dividend yield | 2.92% | 2.52% | — |
| Expected volatility | 24.63%-24.75% | 24.11%-25.55% | 24.94% |
| Risk free interest rate | 4.95%-6.83% | 5.04%-6.42% | 4.55%-5.61% |
| Expected lives | 5-7 years | 3-9.5 years | 5 years |

A summary of stock option activity is as follows:

| Shares | Available for Grant | Outstanding | Range of Option Price per Share | Average Option Price per Share |
|---|---|---|---|---|
| Balance | | | | |
| December 31, 1997 | 2,232,366 | 3,314,922 | 4.43-29.63 | $15.22 |
| Canceled | — | (85,797) | 9.56-34.00 | 18.8 |
| Exercised | — | (876,679) | 6.31-21.63 | 17.84 |
| Granted | (442,346) | 856,826 | 21.21-34.00 | 29.71 |
| Balance | | | | |
| December 31, 1998 | 1,790,020 | 3,209,272 | 4.43-34.00 | $19.46 |
| New shares reserved | 4,000,000 | — | — | — |
| Canceled | (146,575) | (196,702) | 7.16-30.38 | 24.70 |
| Exercised | — | (1,037,365) | 4.43-27.04 | 14.91 |
| Granted | (1,838,982) | 1,838,982 | 25.69-28.63 | 26.38 |
| Balance | | | | |
| December 31, 1999 | 3,804,463 | 3,913,084 | 4.43-34.00 | $22.60 |
| Canceled | — | (178,927) | 6.31-30.38 | 25.19 |
| Exercised | — | (203,081) | 4.43-24.84 | 13.67 |
| Granted | (386,819) | 386,819 | 16.44-27.06 | 17.18 |
| Balance | | | | |
| December 31, 2000 | 3,417,644 | 3,938,151 | 4.43-34.00 | 22.39 |

The ranges of exercise prices and the remaining contractual life of options as of December 31, 2000 were:

| Range of Exercise Prices | $0 - $9 | $10 - $18 | $19 - $26 | $27 - $34 |
|---|---|---|---|---|
| Options outstanding: | | | | |
| Outstanding as of December 31, 2000 | 68,111 | 1,141,959 | 1,862,947 | 721,976 |
| Weighted average remaining contractual life (in years) | 3.29 | 5.98 | 7.66 | 7.68 |
| Weighted-average exercise price | $ 8.26 | 14.69 | 25.00 | 29.17 |
| Options exerciseable: | | | | |
| Outstanding as of December 31, 2000 | 68,111 | 897,482 | 911,697 | 368,320 |
| Weighted average remaining contractual life (in years) | 3.29 | 5.12 | 7.14 | 7.68 |
| Weighted-average exercise price | $ 8.26 | 14.22 | 23.99 | 30.05 |

The Employee Stock Purchase Plan provides full-time and part-time employees of the Corporation the opportunity to acquire common shares on a payroll deduction basis. Shares available under the Employee Stock Purchase Plan are purchased at 85% of their fair market value on the business day immediately preceding the semi-annual grant-date Of the 240,705 shares available under the Plan, there were 61,816, 46,291 and 45,802 shares issued in 2000, 1999 and 1998, respectively.

## 15. Parent Company

(Parent Company only) is as follows:

| Condensed Balance Sheets | Year-Ends, 2000 | 1999 |
|---|---|---|
| **ASSETS** | | |
| Cash and due from banks | $ 29,187 | 4,869 |
| Investment securities | 1,207 | 1,246 |
| Loans to subsidiaries | 7,282 | 139,032 |
| Investment in subsidiaries, at equity in underlying value of their net assets | 886,315 | 848,119 |
| Net loans | — | 640 |
| Other assets | 88,954 | 73,320 |
| | $1,012,945 | 1,067,226 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| Convertible subordinated debt | $ 41,217 | 41,561 |
| Repurchase agreements | 51,547 | 130,000 |
| Accrued and other liabilities | 5,292 | 62,090 |
| Shareholders' equity | 914,889 | 833,575 |
| | $1,012,945 | 1,067,226 |

| Condensed Statements of Income | Years Ended, 2000 | 1999 | 1998 |
|---|---|---|---|
| Income: | | | |
| Cash dividends from subsidiaries | $160,600 | 62,000 | 60,000 |
| Other income | 2,134 | 5,740 | 8,526 |
| | 162,734 | 67,740 | 68,526 |
| Interest and other expenses | 10,410 | 11,839 | 19,203 |
| Income before federal income tax benefit and equity in undistributed income of subsidiaries | 152,324 | 55,901 | 49,323 |
| Federal income tax (benefit) | (9,267) | (9,501) | (6,941) |
| | 161,591 | 65,402 | 56,264 |
| Equity in undistributed income (loss) of subsidiaries | (1,804) | 54,468 | 16,253 |
| Net income | $159,787 | 119,870 | 72,517 |

**FIRSTMERIT CORPORATION AND SUBSIDIARIES**

| Condensed Statements of Cash Flows | Years Ended, 2000 | 1999 | 1998 |
|---|---|---|---|
| Operating activities: | | | |
| Net income | $ 159,787 | 119,870 | 72,517 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Equity in undistributed income of subsidiaries | 1,804 | (54,468) | (16,253) |
| Addition to Provision for loan losses | — | — | 62 |
| Other | (74,659) | (72,302) | (10,032) |
| Net cash provided (used) by operating activities | 86,932 | (6,900) | 46,294 |
| Investing activities: | | | |
| Proceeds from maturities of investment securities | 6,726 | 9,588 | 3,378 |
| Loans to subsidiaries | — | (5,414) | (3,000) |
| Repayment of loans to subsidiaries | 131,750 | — | — |
| Payments for investments in and advances to subsidiaries | (7,202) | — | (209,672) |
| Net decrease in loans | 543 | 13,734 | 16,131 |
| Purchases of investment securities | (6,190) | (1,512) | (3,049) |
| Other | — | — | 365 |
| Net cash provided (used) by investing activities | 125,627 | 16,396 | (195,847) |
| Financing activities: | | | |
| Net increase in securities sold under repurchase agreements and other borrowings | (78,797) | 119,520 | 60,000 |
| Cash dividends | (76,380) | (68,932) | (54,651) |
| Proceeds from exercise of stock options | 1,826 | 11,809 | 15,087 |
| Purchase of treasury shares | (34,890) | (85,666) | (25,703) |
| Purchase of preferred stock Treasury shares reissued — acquisition | — | — | 115,205 |
| Treasury shares reissued — public offering | — | — | 27,324 |
| Net cash provided (used) by financing activities | (188,241) | (23,269) | 137,262 |
| Net increase (decrease) in cash and cash equivalents | 24,318 | (13,773) | (12,291) |
| Cash and cash equivalents at beginning of year | 4,869 | 18,642 | 30,933 |
| Cash and cash equivalents at end of year | $ 29,187 | 4,869 | 18,642 |

## 16. Segment Information

The Corporation provides a diversified range of banking and certain nonbanking financial services and products through its various subsidiaries. Management reports the results of the Corporation’s operations through its major line of business Supercommunity Banking. Parent Company and Other Subsidiaries include activities that are not directly attributable to Super Community Banking. Included in this category are certain nonbanking 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 accounting policies of the segment are the same as those described in “Summary of Significant Accounting Policies.” 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 periods depicted.

| | 2000 | | |
|---|---|---|---|
| | Supercommunity Banking | Parent Co. Other Subs Elims | Consolidated |
| | (Dollars in thousands) | | |
| **Summary of operations:** | | | |
| Net interest income | $ 383,398 | (7,154) | 376,244 |
| Provision for loan losses | 32,611 | 97 | 32,708 |
| Other income | 161,509 | 2,382 | 163,891 |
| Other expenses | 273,215 | 1,977 | 275,192 |
| Net income | 157,862 | 1,925 | 159,787 |
| **Average balances:** | | | |
| Assets | 10,310,415 | 58,222 | 10,368,637 |
| Loans | 7,272,807 | 2,229 | 7,275,036 |
| Earning assets | 9,652,212 | 12,039 | 9,664,251 |
| Deposits | 7,431,772 | (16,762) | 7,415,010 |
| Shareholders' equity | 881,717 | (19,608) | 862,109 |
| **Performance ratios:** | | | |
| Return on average equity | 17.90% | | 18.60% |
| Return on average assets | 1.53% | | 1.54% |
| Efficiency ratio (excludes unusual charges) | 47.87% | | |

| | 1999 | | |
|---|---|---|---|
| | Supercommunity Banking | Parent Co. Other Subs Elims | Consolidated |
| | (Dollars in thousands) | | |
| **Summary of operations:** | | | |
| Net interest income | 386,891 | (2,905) | 383,986 |
| Provision for loan losses | 36,429 | 1,001 | 37,430 |
| Other income | 154,003 | 707 | 154,710 |
| Other expenses | 314,211 | 2,295 | 316,506 |
| Net income | 115,989 | 3,881 | 119,870 |
| **Average balances:** | | | |
| Assets | 9,513,827 | (20,780) | 9,493,047 |
| Loans | 6,859,513 | 5,817 | 6,865,330 |
| Earning assets | 8,842,908 | (45,313) | 8,797,595 |
| Deposits | 6,836,327 | (37,646) | 6,798,681 |
| Shareholders' equity | 855,980 | 24,144 | 880,124 |
| **Performance ratios:** | | | |
| Return on average equity | 18.00% | | 13.67% |
| Return on average assets | 1.62% | | 1.26% |
| Efficiency ratio (excludes unusual charges) | 50.28% | | 57.17% |

| | 1998 | | |
|---|---|---|---|
| | Supercommunity Banking | Parent Co. Other Subs Elims | Consolidated |
| | (Dollars in thousands) | | |
| **Summary of operations:** | | | |
| Net interest income | 353,429 | 2,752 | 356,181 |
| Provision for loan losses | 40,859 | 62 | 40,921 |
| Other income | 138,585 | 1,551 | 140,136 |
| Other expenses | 341,691 | 3,338 | 345,029 |
| Net income | 68,713 | 3,804 | 72,517 |
| **Average balances:** | | | |
| Assets | 7,788,204 | 732,371 | 8,520,575 |
| Loans | 6,106,860 | 24,805 | 6,131,665 |
| Earning assets | 7,861,819 | 30,267 | 7,892,086 |
| Deposits | 6,455,209 | — | 6,455,209 |
| Shareholders' equity | 811,414 | 30,451 | 841,865 |
| **Performance ratios:** | | | |
| Return on average equity | 8.47% | | 8.61% |
| Return on average assets | 0.88% | | 0.85% |
| Efficiency ratio (excludes unusual charges) | 68.09% | | 68.17% |

The table below presents estimated revenues from external customers, by product and service group for the periods depicted.

| | Retail | Commercial | Trust | Total |
|---|---|---|---|---|
| **2000** | | | | |
| Interest and fees | $414,031 | 447,018 | 21,580 | 882,629 |
| Service charges | 49,048 | 13,180 | — | 62,228 |
| Sales and servicing | 10,529 | — | — | 10,529 |
| Totals | $473,608 | 460,198 | 21,580 | 955,386 |
| **1999** | | | | |
| Interest and fees | $387,083 | 367,853 | 18,708 | 773,644 |
| Service charges | 45,102 | 11,780 | — | 56,882 |
| Sales and servicing | 9,035 | — | — | 9,035 |
| Totals | $441,220 | 379,633 | 18,708 | 839,561 |
| **1998** | | | | |
| Interest and fees | $435,901 | 263,381 | 16,147 | 715,429 |
| Service charges | 41,878 | 8,498 | — | 50,376 |
| Sales and servicing | 16,900 | — | — | 16,900 |
| Totals | $494,679 | 271,879 | 16,147 | 782,705 |

## 17. Fair Value Disclosure of Financial Instruments

Disclosures of fair value information about certain financial instruments, whether or not recognized in the consolidated balance sheets are provided as follows. Instruments for which quoted market prices are not available are valued based on estimates using present value or other valuation techniques whose results are significantly affected by the assumptions used, including discount rates and future cash flows. Accordingly, the values so derived, in many cases, may not be indicative of amounts that could be realized in immediate settlement of the instrument. Also, certain financial instruments and all non-financial instruments are excluded from these disclosure requirements. For these and other reasons, the aggregate fair value amounts presented below are not intended to represent the underlying value of the Corporation.

The following methods and assumptions were used to estimate the fair values of each class of financial instrument presented:

Investment securities — Fair values are based on quoted prices, or for certain fixed maturity securities not actively traded estimated values are obtained from independent pricing services.

Federal funds sold — The carrying amount is considered a reasonable estimate of fair value.

Net loans — Fair value for loans with interest rates that fluctuate as current rates change are generally valued at carrying amounts with an appropriate discount for any credit risk. Fair values of other types of loans are estimated by discounting the future cash flows using the current rates for which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.

Cash and due from banks — The carrying amount is considered a reasonable estimate of fair value.

Accrued interest receivable — The carrying amount is considered a reasonable estimate of fair value.

Deposits — The carrying amount is considered a reasonable estimate of fair value for demand and savings deposits and other variable rate deposit accounts. The fair values for fixed maturity certificates of deposit and other time deposits are estimated using the rates currently offered for deposits of similar remaining maturities.

Securities sold under agreements to repurchase and other borrowings — Fair values are estimated using rates currently available to the Corporation for similar types of borrowing transactions.

Derivative financial instruments — The fair value of exchange-traded derivative financial instruments was based on quoted market prices or dealer quotes. These values represent the estimated amount the Corporation would receive or pay to terminate the agreements, considering current interest rates, as well as the current credit-worthiness of the counterparties. Fair value amounts consist of unrealized gains and losses, accrued interest receivable and payable, and premiums paid or received, and take into account master netting agreements.

Accrued interest payable — The carrying amount is considered a reason- able estimate of fair value.

Commitments to extend credit — The fair value of commitments to extend credit is estimated using the fees currently charged to enter into similar arrangements, taking into account the remaining terms of the agreements, the creditworthiness of the counterparties, and the difference, if any, between current interest rates and the committed rates.

Standby letters of credit and financial guarantees written — Fair values are based on fees currently charged for similar agreements or on the estimated cost to terminate or otherwise settle the obligations.

Loans sold with recourse — Fair value is estimated based on the present value of the estimated future liability in the event of default.

The estimated fair values of the Corporation's financial instruments based on the assumptions described above are as follows:

| | Year-ends | | | |
|---|---|---|---|---|
| | 2000 | | 1999 | |
| | **Carrying Amount** | **Fair Value** | **Carrying Amount** | **Fair Value** |
| Financial assets: | | | | |
| Investment securities | 2,002,291 | 2,002,291 | 2,394,034 | 2,394,034 |
| Federal funds sold | 8,100 | 8,100 | 25,100 | 25,100 |
| Net loans & loans held for sale | 7,264,553 | 7,168,940 | 6,956,689 | 6,862,138 |
| Cash and due from banks | 235,918 | 235,918 | 215,071 | 215,071 |
| Accrued interest receivable | 71,418 | 71,418 | 59,579 | 59,579 |
| Financial liabilities: | | | | |
| Deposits | 7,614,932 | 7,646,426 | 6,860,147 | 6,875,532 |
| Securities sold under agreements to repurchase and other borrowings | 1,563,404 | 1,578,148 | 2,281,243 | 2,279,912 |
| Accrued interest payable | 69,981 | 69,981 | 42,423 | 42,423 |
| Derivative instruments | — | 11,397 | — | (2,547) |
| Unrecognized financial instruments: | | | | |
| Commitments to extend credit | — | — | — | — |
| Standby letters of credit and financial guarantees written | — | — | — | — |
| Loans sold with recourse | — | — | — | — |

## 18. Financial Instruments with Off-Balance-Sheet Risk

The Corporation is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, standby letters of credit, financial guarantees, and loans sold with recourse and derivative instruments. See Note 1.(o) to the consolidated financial statements for more information regarding derivatives.

These instruments involve, to varying degrees, elements recognized in the consolidated balance sheets. The contract or notional amount of these instruments reflect the extent of involvement the Corporation has in particular classes of financial instruments.

The Corporation's exposure to credit loss in the event of non-performance by the other party to the financial instrument for commitments to extend credit and standby letters of credit and financial guarantees written is represented by the contractual notional amount of those instruments. The Corporation uses the obligations as it does for on-balance-sheet instruments.

Unless noted otherwise, the Corporation does not require collateral or other security to support financial instruments with credit risk. The following table sets forth financial instruments whose contract amounts represent credit risk.

| | **Years Ended,** | |
|---|---|---|
| | **2000** | **1999** |
| Commitments to extend credit | $2,440,497 | 2,163,197 |
| Standby letters of credit and financial guarantees written | 201,885 | 154,688 |
| Loans sold with recourse | 241,193 | 336,304 |
| Interest rate swaps | 221,450 | 46,450 |
| Purchased options | — | 21,450 |
| Futures contracts sold | — | — |
| Forward contracts sold | 53,637 | 42,300 |

Commitments to extend credit are agreements to lend to a customer provided there is no violation of any condition established in the contract. Commitments generally are extended at the then prevailing interest rates, have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Corporation evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained if deemed necessary by the Corporation upon extension of credit is based on Management's credit evaluation of the counter party. Collateral held varies but may include accounts receivable, inventory, property, plant and equipment, and income-producing commercial properties. Standby letters of credit and financial guarantees written are conditional commitments issued by the Corporation to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing and similar transactions. Except for short-term guarantees of $49.1 million and $32.9 million at December 31, 2000 and 1999, respectively, the remaining guarantees extend in varying amounts through 2021. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. Collateral held varies, but may include marketable securities, equipment and real estate. In recourse arrangements, the Corporation accepts 100% recourse. By accepting 100% recourse, the Corporation is assuming the entire risk of loss due to borrower default. The Corporation's exposure to credit loss, if the borrower completely failed to perform and if the collateral or other forms of credit enhancement all prove to be of no value, is represented by the notional amount less any allowance for possible loan losses. The Corporation uses the same credit policies originating loans which will be sold with recourse as it does for any other type of loan.

Derivative financial instruments principally include interest rate swaps which derive value from changes to underlying interest rates. The notional or contract amounts associated with the derivative instruments are not recorded as assets or liabilities on the balance sheet at December 31, 2000. The Corporation has entered into swap agreements to modify the interest sensitivity of certain liability portfolios. Specifically, the Corporation swapped $25.0 million fixed rate CDs to floating rate liabilities and swapped $50.0 million of fixed rate capital securities to floating rate liabilities and swapped $150 million of subordinated debt from fixed to variable. At December 31, 2000, the CD swap totaled $25.0 million, the same as last year-end. The capital securities swap was reduced, with a corresponding decline in the instrument being hedged, to $21.4 million by year-end 2000.

## 19. Contingencies

The nature of the Corporation's business results in a certain amount of litigation. Accordingly, FirstMerit Corporation and its subsidiaries are subject to various pending and threatened lawsuits in which claims for monetary damages are asserted. Management, after consultation with legal counsel, is of the opinion that the ultimate liability of such pending matters would not have a material effect on the Corporation's financial condition or results of operations.

## 20. Quarterly Financial Data (Unaudited)

Quarterly financial and per share data for the years ended 2000 and 1999 are summarized as follows:

| | | Quarters | | | |
|---|---|---|---|---|---|
| | | First | Second | Third | Fourth |
| | | (Dollars in thousands, except share data) | | | |
| Total interest income | 2000 | $190,046 | 197,247 | 202,352 | 201,850 |
| | 1999 | $165,294 | 170,278 | 175,374 | 173,905 |
| Net interest income | 2000 | $ 96,451 | 95,289 | 92,326 | 92,178 |
| | 1999 | $ 94,447 | 101,975 | 97,971 | 89,593 |
| Provision for possible loan losses | 2000 | $ 11,714 | 8,346 | 5,447 | 7,201 |
| | 1999 | $ 16,398 | 9,657 | 6,913 | 4,462 |
| Income (loss) before federal income taxes and extraordinary item | 2000 | $ 57,536 | 57,414 | 58,846 | 58,439 |
| | 1999 | $ 10,682 | 55,804 | 58,684 | 59,500 |
| Net income (loss) | 2000 | $ 39,699 | 39,976 | 40,065 | 40,047 |
| | 1999 | ($ 504) | 38,908 | 39,904 | 41,562 |
| Net income per share — basic | 2000 | $ 0.45 | 0.45 | 0.45 | 0.46 |
| | 1999 | $ 0.00 | 0.42 | 0.44 | 0.46 |
| Net income per share — diluted | 2000 | $ 0.45 | 0.45 | 0.45 | 0.45 |
| | 1999 | $ 0.00 | 0.41 | 0.44 | 0.46 |

## 21. Shareholder Rights Plan

The Corporation has in effect a shareholder rights plan ("Plan"). The Plan provides that each share of Common Stock has one right attached. Under the Plan, subject to certain conditions, the Rights would be distributed after either of the following events: (1) a person acquires 10% or more of the Common Stock of the Corporation, or (2) the commencement of a tender offer that would result in a change in the ownership of 10% or more of the Common Stock. After such an event, each Right would entitle the holder to purchase shares of Series A Preferred Stock of the Corporation. Subject to certain conditions, the Corporation may redeem the Rights for $0.01 per Right.

## 22. Earnings Per Share

The reconciliation of the numerator and denominator used in the basic EPS calculation to the numerator and denominator used in the diluted EPS calculation. The calculations are presented in the table below:

| | Years Ended, | | |
|---|---|---|---|
| | 2000 | 1999 | 1998 |
| | (Dollars in thousands) | | |
| **Basic EPS:** | | | |
| Income before extraordinary item | $ 159,787 | 125,717 | 72,517 |
| Net income | 159,787 | 119,870 | 72,517 |
| Less: preferred stock dividends | (218) | (307) | (691) |
| Net income available to common shareholders | 159,569 | 119,563 | 71,826 |
| Average common shares outstanding | 88,121,861 | 90,320,389 | 86,376,507 |
| Earnings per basic common share | $ 1.81 | 1.32 | 0.83 |
| **Diluted EPS:** | | | |
| Net income available to common shareholders | 159,569 | 119,563 | 71,826 |
| Add: interest expense on convertible bonds, net of tax | 39 | 75 | 206 |
| Adjusted net income used in diluted EPS calculation | 159,608 | 119,638 | 72,032 |
| Average common shares outstanding | 88,121,861 | 90,320,389 | 86,376,507 |
| Add: common stock equivalents for shares issuable under: | | | |
| Stock option plans | 300,649 | 569,817 | 1,055,079 |
| Convertible debentures/ preferred securities | 438,682 | 633,183 | 552,420 |
| Average common and common stock equivalent shares outstanding | 88,861,192 | 91,523,389 | 87,984,006 |
| Earnings per diluted common share | $ 1.80 | 1.31 | 0.82 |

## 23. Regulatory Matters

The Corporation is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a material effect on the Corporation's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Corporation must meet specific capital guidelines that involve quantitative measures of the Corporation's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Corporation's capital amounts and classification are also subject to quantitative judgements by regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Corporation to maintain minimum amounts and ratios (set forth in the following table) of total and Tier I capital to risk-weighted assets, and of Tier I capital to average assets. Management believes, as of December 31, 2000, the Corporation meets all capital adequacy requirements to which it is subject. The capital terms used in this note to the consolidated financial statements are defined in the regulations as well as in the "Capital Resources" section of Management's Discussion and Analysis of financial condition and results of operations.

As of year-end 2000, the most recent notification from the Office of the Comptroller of the Currency ("OCC") categorized the Corporation as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized the Corporation must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the table. In management's opinion, there are no conditions or events since the OCC's notification that have changed the Corporation's categorization as "well capitalized."

| As of December 31, 2000 | Actual | | Adequately Capitalized: | | Well Capitalized: | |
|---|---|---|---|---|---|---|
| | Amount | Ratio | Amount | Ratio | Amount | Ratio |
| Total Capital (to Risk Weighted Assets) | $1,053,322 | 12.38% | 680,596 | 8.00% | 850,744 | 10.00% |
| Tier I Capital (to Risk Weighted Assets) | 794,736 | 9.34% | 340,298 | 4.00% | 510,447 | 6.00% |
| Tier I Capital (to Average Assets) | 794,736 | 7.80% | 305,714 | 3.00% | 509,523 | 5.00% |

## MANAGEMENT'S REPORT

The management of FirstMerit Corporation is responsible for the preparation and accuracy of the financial information presented in this annual report. These consolidated financial statements were prepared in accordance with generally accepted accounting principles, based on the best estimates and judgment of management.

The Corporation maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, that transactions are executed in accordance with the Corporation's authorization and policies, and that transactions are properly recorded so as to permit preparation of financial statements that fairly present the financial position and results of operations in conformity with generally accepted accounting principles. These systems and controls are reviewed by our internal auditors and independent accountants.

The Audit Committee of the Board of Directors is composed of only outside directors and has the responsibility for the recommendation of the independent auditors for the Corporation. The Audit Committee meets regularly with management, internal auditors and our independent auditors to review accounting, auditing and financial matters. The independent accountants and the internal auditors have free access to the Audit Committee.

/s/ John R. Cochran
JOHN R. COCHRAN
Chairman and Chief
Executive Officer

/s/ Terrence E. Bichsel
TERRENCE E. BICHSEL
Executive Vice President
Chief Financial Officer

## REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors
And Shareholders of FirstMerit Corporation

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income and retained earnings and of cash flows present fairly, in all material respects, the financial position of FirstMerit Corporation and its subsidiaries at December 31, 2000 and December 31, 1999 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statements presentation. We believe that out audits provide a reasonable basis for the opinion expressed above.

/s/ PRICEWATERHOUSE COOPERS LLP
Columbus, Ohio
January 31, 2001

## AVERAGE CONSOLIDATED BALANCE SHEETS
## FULLY-TAX EQUIVALENT INTEREST RATES AND INTEREST DIFFERENTIAL

## FIRSTMERIT CORPORATION AND SUBSIDIARIES

| | Years Ended | | | | | |
|---|---|---|---|---|---|---|
| | 2000 | | | 1999 | | |
| | Average Balance | Interest | Average Rate | Average Balance | Interest | Average Rate |
| | (Dollars in thousands) | | | | | |
| **ASSETS** | | | | | | |
| Investment securities: | | | | | | |
| U.S. Treasury securities and Government agency obligations (taxable) | $ 1,836,266 | 117,652 | 6.41% | 1,426,038 | 87,238 | 6.12% |
| Obligations of states and political subdivisions (tax-exempt) | 116,401 | 9,573 | 8.22 | 130,416 | 10,618 | 8.14 |
| Other securities | 295,783 | 21,447 | 7.25 | 317,799 | 19,275 | 6.07 |
| Total investment securities | 2,248,450 | 148,672 | 6.61 | 1,874,253 | 117,131 | 6.25 |
| Federal funds sold & other interest-earning assets | 49,218 | 3,196 | 6.49 | 5,041 | 204 | 4.05 |
| Loans held for sale | 91,547 | 7,982 | 8.72 | 52,971 | 4,635 | 8.75 |
| Loans | 7,275,036 | 635,487 | 8.74 | 6,865,330 | 567,132 | 8.26 |
| Total earning assets | 9,664,251 | 795,337 | 8.23 | 8,797,595 | 689,102 | 7.83 |
| Allowance for possible loan losses | (109,409) | | | (105,918) | | |
| Cash and due from banks | 217,446 | | | 266,935 | | |
| Other assets | 596,349 | | | 534,435 | | |
| Total assets | $10,388,637 | | | 9,493,047 | | |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | | | | |
| Deposits: | | | | | | |
| Demand-non-interest bearing | $ 1,032,992 | — | — | 1,055,306 | — | — |
| Demand-interest bearing | 635,414 | 3,705 | 0.58 | 667,469 | 4,774 | 0.72 |
| Savings | 1,789,464 | 52,883 | 2.96 | 1,791,390 | 40,327 | 2.25 |
| Certificates and other time deposits | 3,957,140 | 236,112 | 5.97 | 3,284,516 | 169,783 | 5.17 |
| Total deposits | 7,415,010 | 292,700 | 3.95 | 6,798,681 | 214,884 | 3.16 |
| Federal funds purchased, securities sold under agreements to repurchase and other borrowings | 1,951,841 | 122,551 | 6.28 | 1,666,025 | 85,981 | 5.16 |
| Total interest bearing liabilities | 8,333,859 | 415,251 | 4.98 | 7,409,400 | 300,865 | 4.06 |
| Other liabilities | 139,677 | | | 148,217 | | |
| Shareholders' equity | 862,109 | | | 880,124 | | |
| Total liabilities and shareholders' equity | $10,388,637 | | | 9,493,047 | | |
| Net yield on earning assets | | 380,086 | 3.93 | | 388,237 | 4.41 |
| Interest rate spread | | | 3.25 | | | 3.77 |
| Income on tax-exempt securities and loans | | 6,291 | | | 7,082 | |

[Additional columns below]

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

| | Years Ended | | |
|---|---|---|---|
| | 1998 | | |
| | Average Balance | Interest | Average Rate |
| | (Dollars in thousands) | | |
| **ASSETS** | | | |
| Investment securities: | | | |
| U.S. Treasury securities and Government agency obligations (taxable) | 1,466,525 | 92,646 | 6.32% |
| Obligations of states and political subdivisions (tax-exempt) | 98,457 | 7,767 | 7.89 |
| Other securities | 150,561 | 9,504 | 6.31 |
| Total investment securities | 1,715,543 | 109,917 | 6.41 |

| | | | |
|---|---|---|---|
| Federal funds sold & other interest-earning assets | 44,878 | 2,400 | 5.35 |
| Loans held for sale | | | |
| Loans | 6,131,665 | 533,732 | 8.70 |
| Total earning assets | 7,892,086 | 646,049 | 8.19 |
| Allowance for possible loan losses | (69,191) | | |
| Cash and due from banks | 204,353 | | |
| Other assets | 493,327 | | |
| Total assets | 8,520,575 | | |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | |
| Deposits: | | | |
| Demand-non-interest bearing | 1,083,354 | — | — |
| Demand-interest bearing | 752,096 | 13,222 | 1.76 |
| Savings | 1,600,122 | 44,077 | 2.75 |
| Certificates and other time deposits | 3,019,637 | 165,198 | 5.47 |
| Total deposits | 6,455,209 | 222,497 | 3.45 |
| Federal funds purchased, securities sold under agreements to repurchase and other borrowings | 1,063,848 | 63,879 | 6.00 |
| Total interest bearing liabilities | 6,435,703 | 286,376 | 4.45 |
| Other liabilities | 159,653 | | |
| Shareholders' equity | 841,865 | | |
| Total liabilities and shareholders' equity | 8,520,575 | | |
| Net yield on earning assets | | 359,673 | 4.56 |
| Interest rate spread | | | 3.74 |
| Income on tax-exempt securities and loans | | 5,542 | |

Note: 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.

**FirstMerit Corporation and**
**Subsidiaries Employees'**
**Salary Savings Retirement**
**Plan**
**Report On Audits Of Financial Statements And**
**Supplemental Schedules**
**December 31, 2000 and 1999**

**Contents**
**December 31, 2000 and 1999**

**Report of Independent Accountants**

To the Board of Directors
FirstMerit Corporation

In our opinion, the accompanying statements of net assets available for plan benefits and the related statements of changes in net assets available for plan benefits present fairly, in all material respects, the net assets available for plan benefits of the FirstMerit Corporation and Subsidiaries Employees' Salary Savings Retirement Plan (the "Plan") at December 31, 2000 and 1999, and the related changes in net assets available for plan benefits for the years then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Plan's management; our responsibility is to express an opinion on these financial statements based upon our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of assets held for investment purposes as of December 31, 2000 and reportable transactions for the year ended December 31, 2000 are presented for purposes of additional analysis and are not a required part of the basic financial statements, but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These supplemental schedules are the responsibility of the Plan's management. The supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ PricewaterhouseCoopers LLP

Columbus, Ohio
April 18, 2001

**FirstMerit Corporation and Subsidiaries**
**Employees' Salary Savings Retirement Plan**

**Statements of Net Assets Available for Benefits**
**December 31, 2000 and 1999**

| | **2000** | **1999** |
|---|---|---|
| Assets: | | |
| Investments, at fair value | $ 41,900,279 | $44,145,989 |
| FirstMerit Corporation Common Stock | 58,373,092 | 47,385,290 |
| Total investments | 100,273,371 | 91,531,279 |
| Receivables: | | |
| Contributions receivable from participants | 206,628 | 194,475 |
| Contributions receivable from employers | 78,939 | 115,587 |
| Loans to participants | 811,043 | 660,633 |
| Total receivables | 1,096,610 | 970,695 |
| Other: | | |
| Cash | 469,739 | 406,470 |
| Net assets available for plan benefits | $101,839,720 | $92,908,444 |

The accompanying notes are an integral part of these financial statements.

**FirstMerit Corporation and Subsidiaries**
**Employees' Salary Savings Retirement Plan**

**Statements of Changes in Net Assets Available for Plan Benefits**
**For the Years Ended December 31, 2000 and 1999**

| | **2000** | **1999** |
|---|---|---|
| Additions: | | |
| Contributions: | | |
| Participants' contributions | $ 5,277,515 | $ 4,765,690 |
| Employer's contributions | 3,021,257 | 3,277,213 |
| | 8,298,772 | 8,042,903 |
| Investment income: | | |
| Interest | 47,468 | 42,835 |
| Dividends | 2,383,811 | 1,992,381 |
| Net realized gain and unrealized appreciation (depreciation) of investments | 3,944,253 | (603,821) |
| | 6,375,532 | 1,431,395 |
| Assets received from new participants | 1,295,047 | 9,402,046 |
| Total additions | 15,969,351 | 18,876,344 |
| Deductions: | | |
| Benefits paid to participants | 7,038,075 | 6,149,168 |
| Excess of additions over deductions | 8,931,276 | 12,727,176 |
| Net assets available for plan benefits at beginning of period | 92,908,444 | 80,181,268 |
| Net assets available for plan benefits at end of period | $101,839,720 | $92,908,444 |

The accompanying notes are an integral part of these financial statements.

## 1. Description of the Plan

The following brief description of the FirstMerit Corporation and Subsidiaries ("FirstMerit")(the "Company") Employees' Salary Savings Retirement Plan (the "Plan") provides only general information. Participants should refer to the Plan Agreement for a more complete description of the Plan's provisions.

### A. General

The Board of Directors of FirstMerit Corporation established this defined contribution plan as of October 1, 1985. The Plan covers all employees of FirstMerit who have six months of service and have attained the age of twenty-one. The Plan is subject to certain provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

### B. Contributions

The Plan permits each participant to contribute from one percent to fifteen percent of compensation. Such contributions are known as voluntary pretax employee contributions. A participant's voluntary pretax contributions and earnings are immediately vested and non-forfeitable.

FirstMerit contributes as a matching contribution an amount equal to 50 percent of the participant's voluntary pretax contribution. FirstMerit will not make a matching contribution with respect to any portion of a participant voluntary pretax contribution that exceeds six percent of the participant's basic compensation. These employer matching contributions and earnings are immediately vested and non-forfeitable.

The Plan also includes a supplemental matching account whereby FirstMerit makes additional matching contributions equal to 50% of the participant's voluntary pretax employee contributions which do not exceed three percent of the participant's basic compensation. Participants become vested in the Supplemental Matching Program upon achieving five years of service or upon attaining normal retirement age.

### C. Investments

During 2000, the Company added two new investments to the Plan. These funds included the Vanguard 500 Portfolio Fund and the Fidelity Balanced Fund. In addition to the two new funds added, the Plan renamed the NewPoint Equity Fund to the FirstMerit Equity Fund. The following is a summary of investment options available to participants at December 31, 2000:

*Federated Government Obligations Fund*: The fund seeks to provide conservative investors with a high quality portfolio, current income and relative safety. The fund invests in US Treasuries, government agency securities and by repurchasing agreements backed by government securities.

*Federated Short/Intermediate Government Fund*: The fund seeks to provide investors with current income by investing in U.S. Treasury and government agency securities.

*Federated Capital Preservation Fund*: The fund seeks to offer investors stable principal with high current income by investing in Guaranteed Investment Contracts issued by major U.S. and Canadian life insurance companies and other stable value products.

*Fidelity Advisor Series IV Ltd. Term Bond Fund:* The fund invests in investment-grade bonds from different sectors of the market to give investors greater return potential through exposure to corporate and mortgage-backed securities.

*Fidelity Advisor Equity Portfolio Growth Fund:* The fund invests in attractively priced stocks of companies that demonstrate the potential for above-average earnings and revenue growth, a strategy that may translate into strong returns for investors.

*Fidelity Balanced Fund:* The fund seeks income consistent with preservation of capital by investing in a broadly diversified portfolio of high-yielding securities, including common and preferred stocks, and bonds. It usually invests at least 25% of assets in fixed-income senior securities rated BBB or higher.

*Fidelity Blue Chip Growth Fund:* The fund seeks growth of capital over the long-term by investing primarily in a diversified portfolio of common stocks of well-known and established companies.

*Fidelity Overseas Fund:* The fund seeks long-term growth of capital by investing in equities issued by companies, whose principal business activities are outside of the United States. The fund invests at least 65% of assets in at least three different countries outside of North America.

*FirstMerit Equity Fund:* The fund seeks growth of capital and income by investing at least 65% of assets in common and preferred domestic stocks of medium- to large-capitalization companies. It may also invest in investment-grade bonds, notes, convertible securities, zero-coupon bonds, and U.S. government securities. The fund may invest the remaining assets in money-market instruments and foreign equity and debt securities.

*Vanguard 500 Portfolio:* The fund seeks investment results that correspond with the price and yield performance of the S&P 500 Index. The fund employs a passive management strategy designed to track the performance of the S&P 500 Index, which is dominated by the stock of large U.S. companies.

*FirstMerit Corporation Common Stock:* The fund is comprised exclusively of Common Shares of the Company. Each participant electing to purchase Common Shares through this stock fund is permitted to vote such Common Shares in the same manner as any other shareholder and is furnished proxy materials to such effect. Dividends paid by FirstMerit are reinvested in the Plan.

**D. Participants' Accounts**

FirstMerit Bank, N.A. (a subsidiary of FirstMerit), as the trustee for the Plan, maintains separate accounts for each participant.

Participants can contribute to one investment or a combination thereof with the minimum investment in any option of 5%. Employer matching contributions are invested solely in FirstMerit Corporation common stock purchased on the open market by the trustee.

### E. Payment of Benefits

Distributions to participants are made by one or more of the following methods: (1) a single lump-sum payment, in cash; or (2) payments in equal or nearly equal monthly, quarterly, semi-annual, or annual installments over any period not exceeding 10 years or the participant's life expectancy at the date such payments commence, if less. Benefit distributions are recorded when paid to participants.

### F. Loans

The loan feature allows participants to borrow against amounts accumulated in the Plan on their behalf. The plan document sets forth guidelines as to certain limitations, permissible interest rates and repayment terms.

### G. Administrative Expenses

All expenses associated with administering the Plan, including the trustee's fees and brokerage commissions on purchases of and transfers between Investment Funds, are paid by FirstMerit.

### H. Amendment

In September 2000, management of the Company approved an amendment to the Plan in an attempt to obtain an annual tax deduction under the Internal Revenue Service ("IRS") Code Section 404(k) for dividends paid on FirstMerit Stock held in the Plan. The Company applied for the 404(k) election and the Plan will not be amended until a favorable determination letter is received from the IRS. When the amendment to the Plan is made, participants who hold FirstMerit Stock in the Plan will receive dividend distributions instead of having the dividends be reinvested in their participation account.

## 2. Summary of Significant Accounting Policies

### A. Basis of Presentation

The accompanying financial statements have been prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America.

### B. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes. Actual results could differ from those estimates.

### C. Investments

Investments in securities are stated at fair value. The fair value of marketable securities is based on quotations obtained from national securities exchanges.

The fair value of the investments in the mutual funds is based upon the number of units held by the Plan at December 31, 2000 and 1999, respectively, and the current value of each unit based upon quotations and bids obtained from national securities exchanges on the securities in the funds.

Securities transactions are recognized on the trade date (the date the order to buy or sell is executed).

The Plan presents in the Statements of Changes in Net Assets Available for Plan Benefits the net appreciation (depreciation) in the fair value of its investments, which consists of the realized gains or losses and the unrealized appreciation (depreciation) on these investments.

In 1999, the Plan adopted Statement of Position 99-3, which no longer requires defined contribution plans to present participant-directed plan investments in the statement of net assets available for benefits by general type. Participant-directed plan investments may be shown in the aggregate in the statement of net assets available for benefits. SOP 99-3 is effective for financial statements for plan years presented.

**D. Risk and Uncertainties**

The Plan generates a significant portion of its revenues from investments in domestic and international mutual funds, bonds and FirstMerit Corporation common stock. As a result, the Plan's revenues and net assets available for plan benefits could vary based on the performance of the financial markets.

**E. Fair Value Disclosure of Financial Instruments**

Management has determined that the carrying amount of financial instruments, as reported on the Statements of Net Assets Available for Plan Benefits, approximates fair value.

## 3. Investments

The Plan's investments were maintained in Investment Funds and common shares of the Company, as described in Note 1. The following presents the market value of investments that represent 5 percent or more of the Plan's Net Assets Available for Plan Benefits at December 31, 2000 and 1999:

| | **2000** | **1999** |
|---|---|---|
| Mutual funds: | | |
| Federated Capital Preservation Fund | $ 4,260,232 | $ 4,713,975 |
| Fidelity Advisor Equity Portfolio Growth Fund | 11,596,972 | 12,838,581 |
| Fidelity Blue Chip Growth Fund | 12,292,561 | 13,321,459 |
| NewPoint Equity Fund | — | 6,914,378 |
| FirstMerit Corporation Common Stock | 58,373,092 | 47,385,290 |

As stated in Note 2, the Plan presents, in the Statement of Changes in Net Assets Available for Plan Benefits, net realized gain and appreciation (depreciation) of investments, which consist of realized gains or losses and unrealized appreciation (depreciation). Total realized gains for 2000 and 1999 were $4,463,107 and $4,232,643, respectively, and the unrealized depreciation was ($518,854) and $(4,836,464) for 2000 and 1999, respectively.

Specifically, the Plan's investments (including investments bought, sold, and held during the period) appreciated (depreciated) in value as follows:

| | 2000 | 1999 |
|---|---|---|
| Mutual funds: | | |
| Federated Short/Intermediate Government Fund | $ 8,875 | $ (12,954) |
| Fidelity Advisor Series IV Ltd. Term Bond Fund | (22,268) | 14,967 |
| Fidelity Advisor Equity Portfolio Growth Fund | (2,691,933) | 2,090,998 |
| Fidelity Balanced Fund | 756 | — |
| Fidelity Blue Chip Growth Fund | (2,582,069) | 1,787,442 |
| Fidelity Overseas Fund | (984,230) | 652,743 |
| FirstMerit Equity Fund | 721,204 | — |
| Newpoint Equity Fund | (2,657,842) | 1,398,232 |
| Vanguard 500 Portfolio | (51,591) | — |
| FirstMerit Corporation Common Stock | 7,740,244 | (10,767,892) |
| Total | $ (518,854) | $ (4,836,464) |

## 4. Federal Income Taxes

The Plan and Trust qualify under Section 401 of the Internal Revenue Code and the Trust is exempt from federal income taxes under Section 501(a).

The Plan obtained its latest determination letter on November 13, 1995, in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code. The Plan has been amended since receiving the determination letter in 1995. However, the Plan administrator and the Plan's tax counsel believe that the Plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code. Therefore, no provision for income taxes has been included in the Plan's financial statements.

## 5. Plan Termination

Although they have not expressed any intent to do so, the Plan may be terminated by unanimous action of the FirstMerit Corporation Board of Directors. In the event the plan is terminated, the FirstMerit will direct the trustee to distribute the assets of the trust fund, after payment of any expenses properly chargeable against the trust fund, to members in proportion to the value of their total account balances as of the date of termination, in cash or in kind and in such a manner as FirstMerit shall determine.

## 6. Acquisition

Effective April 1, 1999, the First Federal Savings and Loan of Wooster Savings and Investment Plan was merged into the FirstMerit Corporation and Subsidiaries Employees' Salary Savings Retirement Plan. Assets with a value of $6,094,046 were transferred to the Plan effective May 1, 1999. The transferred assets were recorded in Assets Received From New Participants on the Statement of Changes in Net Assets Available for Plan Benefits.

## 7. Forfeitures

At December 31, 2000 and 1999, forfeited nonvested accounts totalled $435,049 and $323,513, respectively. These amounts will be used to reduce future Company contributions to the Plan. Company contributions were reduced by forfeited nonvested accounts in 2000 in the amount of $43,090. Forfeited nonvested accounts were not used to reduce Company contributions in 1999.

## 8. Transactions with Party-In-Interest

At December 31, 2000 and 1999, the Plan held units of participation in the FirstMerit Equity Fund (formerly called the NewPoint Equity Fund), a mutual fund in which the Trust and Financial Services Division of FirstMerit Bank, N.A. is the advisor to the fund. As of December 31, 2000 and 1999, the fund had a total cost of $6,164,387 and $4,256,536 and a total market value of $6,885,591 and $6,914,378, respectively. During fiscal periods 2000 and 1999, transactions with the fund included aggregate purchases of $2,251,474 and $2,010,603 and aggregate sales totalling $1,483,897 and $705,359, respectively.

**FirstMerit Corporation and Subsidiaries**
**Employees’ Salary Savings Retirement Plan**

**Schedule of Assets Held for Investment Purposes**
**December 31, 2000**

| | Cost | Fair Value |
|---|---|---|
| Mutual Funds: | | |
| Federated Government Obligations Fund | $ 14,312 | $ 14,312 |
| Federated Short/Intermediate Government Fund | 1,650,901 | 1,665,684 |
| Federated Capital Preservation Fund | 4,260,232 | 4,260,232 |
| Fidelity Advisor Series IV Ltd. Term Bond Fund | 1,709,581 | 1,729,191 |
| Fidelity Advisor Equity Portfolio Growth Fund | 10,000,054 | 11,596,972 |
| Fidelity Balanced Fund | 208,143 | 208,899 |
| Fidelity Blue Chip Growth Fund | 10,175,123 | 12,292,561 |
| Fidelity Overseas Fund | 2,648,022 | 2,567,716 |
| FirstMerit Equity Fund | 6,164,387 | 6,885,591 |
| Vanguard 500 Portfolio | 730,712 | 679,121 |
| | 37,561,467 | 41,900,279 |
| FirstMerit Corporation Common Stock | 35,933,183 | 58,373,092 |
| Cash | 469,739 | 469,739 |
| Loans to participants — various interest rates, 5 year maximum unless mortgage 20 year maximum | 811,043 | 811,043 |
| | $74,775,432 | $101,554,153 |

**FirstMerit Corporation and Subsidiaries**
**Employees' Salary Savings Retirement Plan**

**Schedule of Reportable Transactions**
**For the Year Ended December 31, 2000**

| | Number of Shares | Number of Transactions | Purchase Price | Selling Price | Cost of Asset | Gain on Sale |
|---|---|---|---|---|---|---|
| Category III: Series of transactions in same security exceeds 5% of value | | | | | | |
| FirstMerit Corporation Common Stock Issue: 337915102 | 348,162 | 31 | $6,954,974 | | $6,954,974 | — |
| FirstMerit Corporation Common Stock Issue: 337915102 | 167,754 | 293 | | $3,496,580 | $3,794,395 | $(297,815) |

There were no qualified transactions for Categories I, II or IV during the year.

**FirstMerit Corporation and**
**Subsidiaries Employees'**
**Stock Purchase Plan**
**Report on Audits of Financial Statements**
**December 31, 2000 and 1999**

**Contents**
**December 31, 2000 and 1999**

## Report of Independent Accountants

To the Board of Directors of the
FirstMerit Corporation:

In our opinion, the accompanying statements of net assets available for benefits and the related statements of changes in net assets available for benefits present fairly, in all material respects, the net assets available for benefits of the FirstMerit Corporation and Subsidiaries Employees' Stock Purchase Plan (the "Plan") at December 31, 2000 and 1999, and the changes in net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Plan's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

Columbus, Ohio
April 18, 2001

**FirstMerit Corporation and Subsidiaries**
**Employees' Stock Purchase Plan**

## Statements of Net Assets Available for Plan Benefits at December 31, 2000 and 1999

| Assets | 2000 | 1999 |
|---|---|---|
| Cash | $150,941 | $ 88,305 |
| Investment in FirstMerit Corporation common stock, at fair value | 6,496 | 81,006 |
| Net assets available or plan benefits | $157,437 | $169,311 |

The accompanying notes are an integral part of the financial statements.

**FirstMerit Corporation and Subsidiaries**
**Employees' Stock Purchase Plan**

**Statements of Changes in Net Assets Available for Plan Benefits**
**For the Years Ended December 31, 2000 and 1999**

| | 2000 | 1999 |
|---|---|---|
| Additions to plan assets attributable to: | | |
| Employee contributions | $1,038,616 | $1,050,136 |
| Employer contributions | 225,000 | 200,000 |
| Dividend income | 6,684 | 6,440 |
| Total additions | 1,270,300 | 1,256,576 |
| Deductions from plan assets attributable to: | | |
| Benefits paid to participants | 1,224,932 | 1,226,217 |
| Service fees | 31,252 | 22,566 |
| Net depreciation in fair value of FirstMerit Corporation common stock | 25,990 | 3,185 |
| Total deductions | 1,282,174 | 1,251,968 |
| Net (decrease) increase | (11,874) | 4,608 |
| Net assets available for plan benefits, beginning of year | 169,311 | 164,703 |
| Net assets available for plan benefits, end of year | $ 157,437 | $ 169,311 |

The accompanying notes are an integral part of the financial statements.

## 1. Plan Description

The following brief description of the FirstMerit Corporation (the "Corporation") Employee Stock Purchase Plan (the "Plan") is provided for general information purposes only. Participants should refer to the Prospectus for more complete information.

### General

The Board of Directors of the Corporation established the Plan on February 13, 1992 which was approved by the shareholders at the annual meeting on April 8, 1992. The Plan provides eligible employees of the Corporation with the opportunity to acquire the Corporation's Common Shares on a payroll deduction basis. On January 1, 1997, the plan was amended to provide for the transfer of all existing participant plan assets to individual employees' brokerage accounts maintained by Merrill Lynch. This amendment also provides for the monthly additions in participant account balances to be transferred to the individual employees' brokerage account. These transfers are reflected as benefits paid to Plan participants in the Statement of Changes in Net Assets Available for Plan Benefits.

### Contributions

Contributions to the Plan consist of participant payroll deductions, post tax, of a specific dollar amount up to ten percent of the participant's compensation. The election to participate in the Plan must be completed on or before 5 days prior to the commencement of the monthly grant period.

### Vesting

Participant's are 100% vested in their account balances at all times.

### Purchases of Common Shares

Under the Plan, up to 200,000 of the Corporation's Common Shares may be issued, subject to adjustment in the event of certain transactions affecting the Corporation's capital structure. Each participant in the Plan on a grant date is granted the option to purchase, from such funds as contributed by the participant, whole Common Shares of the Corporation at the option price of 85% of the fair market value of such shares valued as of the business day immediately preceding the grant date. Shares of Common Stock granted pursuant to the Plan may be authorized but unissued shares, shares now or hereafter held in the treasury of the Company, or shares purchased on the open market. When shares are purchased on the open market, the employer must reimburse the plan for 15% of the purchase price through employer contributions.

### Eligibility

Any person who has been employed by the Corporation or any of its subsidiaries for at least six months and who currently is employed on a regular basis (any person customarily employed at least 20 hours per week) is eligible to participate in the Plan. Executive officers of the Corporation are not considered eligible employees.

**Transferability**
Rights to purchase Common Shares under the Plan are not transferable, except by will or the laws of descent of distribution, and they may not be subjected to any lien or liability. Options expire on termination of employment for any reason other than disability or leave of absence. No participant may purchase shares under the Plan if, after the purchase, the participant would own more than 5% of the outstanding Common Shares of the Corporation. In addition, no participant may purchase shares exceeding $25,000 in fair market value in any one calendar year.

## 2. Summary of Significant Accounting Policies

**Basis of Presentation**
The accompanying financial statements have been prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America.

**Use of Estimates**
The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results may differ from those estimates.

**Contributions Receivable**
Contributions receivable consists of participant payroll deductions not yet transferred to Merrill Lynch.

**Administrative Expenses**
Administrative expenses of the plan are paid by the Corporation.

**Fair Value of Financial Instruments**
Management has determined that the carrying amount of financial instruments, as reported on the statement of net assets available for plan benefits, approximates fair value.

**Investments**
The investment in the Corporation's common shares is valued at fair market value using readily available published market values.

The Plan presents in the statements of changes in net assets available for plan benefits the net appreciation (depreciation) in the fair value of its investments which consists of the realized gains or losses and the unrealized appreciation (depreciation) on those investments.

## 3. Right to Terminate

Although it has not expressed any interest to do so, the Corporation has the right to terminate the Plan at any time. In the event of Plan termination any remaining assets in the Plan must be used solely for distributions to Plan participants.

## 4. Income Tax Status

The Plan is a non-qualified plan under the Internal Revenue Code. The Plan is not exempt from federal income taxes.

**PART IV**

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

(a)(1) The following Financial Statements appear in Part II of this Report:

Consolidated Balance Sheets
December 31, 2000, 1999 and 1998

Consolidated Statements of Income
Years ended December 31, 2000, 1999 and 1998

Consolidated Statements of Changes in Shareholders' Equity
Years ended December 31, 2000, 1999 and 1998

Consolidated Statements of Cash Flows
Years ended December 31, 2000, 1999 and 1998

Notes to Consolidated Financial Statements
Years ended December 31, 2000, 1999 and 1998

Management's Report

Independent Auditors' Report

Report of Independent Accountants

Statements of Net Assets Available for FirstMerit Corporation and Subsidiaries Employees' Salary Savings Retirement Plan Benefits December 31, 2000 and 1999

Statements of Changes in Net Assets Available for FirstMerit Corporation and Subsidiaries Employees' Salary Savings Retirement Plan Benefits for the years ended December 31, 2000 and 1999

Notes to Financial Statements

Report of Independent Accountants

Statements of Net Assets Available for FirstMerit Corporation Employees' Stock Purchase Plan Benefits at December 31, 2000 and 1999

Statements of Changes in Net Assets Available for FirstMerit Corporation Employees' Stock Purchase Plan Benefits for the years ended December 31, 2000 and 1999

Notes to Financial Statements

(a)(2) Financial Statement Schedules
All schedules are omitted as the required information is inapplicable or the information is presented in the consolidated financial statements or related notes which appear in Part II of this report.

(a)(3) Management Contracts or Compensatory Plans or Arrangements
See those documents listed on the Exhibit Index which are marked as such.

(b) Reports on Form 8-K
No reports on Form 8-K have been filed during the last quarter of 2000.

(c) Exhibits
See the Exhibit Index.

(d) Financial Statements
See subparagraph (a)(1) above.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Akron, State of Ohio, on the 27th day of April, 2001.

**FIRSTMERIT CORPORATION**

By: /s/ TERRENCE E. BICHSEL

Executive Vice President, Financial Administration
(Chief Financial Officer and Chief Accounting Officer)

Exhibit Index

3.1 Amended and Restated Articles of Incorporation of FirstMerit Corporation (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 (incorporated by reference from Exhibit 4 to the Form 8-A/A filed by the registrant Corporation and FirstMerit Bank, N.A., as amended and restated May 20, 1998 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 Firstar 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 Firstar Bank Milwaukee National Association, as trustee and Signal Corp (incorporated by reference from Exhibit 41 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 of 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 S-4 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 Amended and Restated 1992 Stock Option Program of FirstMerit Corporation (incorporated by reference from Exhibit 10.1 to the Form 10-K filed by the registrant on March 9, 2001)*

10.2 Amended and Restated 1992 Directors Stock Option Program (incorporated by reference from Exhibit 10.2 to the Form 10-K filed by the registrant on March 9, 2001) *

10.3 Amended and Restated 1995 Restricted Stock Plan (incorporated by reference from Exhibit 10.3 to the Form 10-K filed by the registrant on March 9, 2001)*

10.4 Amended and Restated 1997 Stock Option Program (incorporated by reference from Exhibit 10.4 to the Form 10-K filed by the registrant on March 9, 2001) *

10.5 Amended and Restated 1999 Stock Option Program*

10.6 Amended and Restated 1987 Stock Option and Incentive Plan (SF) (incorporated by reference from Exhibit 10.6 to the Form 10-K filed by the registrant on March 9, 2001)*

10.7 Amended and Restated 1996 Stock Option and Incentive Plan (SF) (incorporated by reference from Exhibit 10.7 to the Form 10-K filed by the registrant on March 9, 2001)*

10.8 Amended and Restated 1994 Stock Option and Incentive Plan (SF) ((incorporated by reference from Exhibit 10.8 to the Form 10-K filed by the registrant on March 9, 2001)*

10.9 Amended and Restated 1989 Stock Incentive Plan (SB) (incorporated by reference from Exhibit 10.9 to the Form 10-K filed by the registrant on March 9, 2001) *

10.10 Amended and Restated Stock Option and Incentive Plan (SG) (incorporated by reference from Exhibit 10.10 to the Form 10-K filed by the registrant on March 9, 2001)*
10.11 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)*
10.12 Amended and Restated 1997 Omnibus Incentive Plan (SG) (incorporated by reference from Exhibit 10.12 to the Form 10-K filed by the registrant on March 9, 2001)*
10.13 Amended and Restated 1993 Stock Option Plan (FSB)(incorporated by reference from Exhibit 10.13 to the Form 10-K filed by the registrant on March 9, 2001)*
10.14 Amended and Restated Executive Deferred Compensation Plan *
10.15 Amended and Restated Director Deferred Compensation Plan *
10.16 Executive Supplemental Retirement Plan (incorporated by reference from Exhibit 10(d) to the Form 10-K filed by the registrant on March 15, 1996)*
10.17 Form of Amended and Restated Membership Agreement with respect to the Executive Supplemental Retirement Plan (incorporated by reference from Exhibit 10.39 to the Form 10-K filed by the Registrant on March 22, 1999)*
10.18 Unfunded Supplemental Benefit Plan (incorporated by reference from Exhibit 10.11 to the Form 10-K filed by the registrant on February 24, 1998)*
10.19 First Amendment to the Unfunded Supplemental Benefit Plan (incorporated by reference fromExhibit 10(v) to the Form 10-K filed by the registrant on March 2, 1995)*
10.20 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)*
10.21 Long Term Disability Plan (incorporated by reference from Exhibit 10(x) to the Form 10-K filed by the registrant on March 2, 1995)*
10.22 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)*
10.23 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)*
10.24 Amended and Restated Employment Agreement of John R. Cochran*
10.25 Restricted Stock Award Agreement of John R. Cochran dated Exhibit 10(e) to the Form 10-Q filed by the registrant March 1, 1995 (incorporated by reference from on May 15, 1995)*
10.26 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)*
10.27 Second Amendment to Restricted Stock Award Agreement for John R. Cochran*
10.28 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)*
10.29 First Amendment to Restricted Stock Award Agreement for John R. Cochran*
10.30 Amended and Restated SERP Agreement for John R. Cochran*
10.31 Employment Agreement of Sid A. Bostic*
10.32 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)*
10.33 First Amendment to Restricted Stock Award Agreement of Sid A. Bostic (incorporated by reference from Exhibit 10.25.1 to the Form 10-Q filed by the registrant on May 14, 1999)*
10.34 Form of FirstMerit Corporation Change in Control Termination Agreement (incorporated by reference from Exhibit 10.32 to the Form 10-K filed by the registrant on March 9, 2001)*
10.35 Form of FirstMerit Corporation Displacement Agreement (incorporated by reference from Exhibit 10.33 to the Form 10-K filed by the registrant on March 9, 2001)*
10.36 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)

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| 10.37 | 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)* |
| 10.38 | Credit Agreement among FirstMerit Corporation, Bank One, N.A., and Lenders, dated November 27, 2000 (incorporated by reference from Exhibit 10.36 to the Form 10-K filed by the registrant on March 9, 2001) |
| 10.39 | 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) |
| 21 | Subsidiaries of FirstMerit Corporation (incorporated by reference from Exhibit 21 to the Form 10-K filed by the registrant on March 9, 2001) |
| 23 | Consent of PricewaterhouseCoopers, LLP |
| 25.1 | Form T-1 Statement of Eligibility of Firstar 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 Firstar 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) |

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* Management Contract or Compensatory Plan or Arrangement