# FIRSTMERIT Corporation

**Third Quarter 2015 Earnings Conference Call**
**Supplemental Information**

October 27, 2015

FIRSTMERIT Corporation

# Forward-Looking Statements Disclosure

- This presentation may contain forward-looking statements relating to present or future trends or factors affecting the banking industry, and specifically the financial condition and results of operations, including without limitation, statements relating to the earnings outlook of the Corporation, as well as its operations, markets and products. Actual results could differ materially from those indicated. Among the important factors that could cause results to differ materially are interest rate changes, continued softening in the economy, which could materially impact credit quality trends and the ability to generate loans, changes in the mix of the Corporation's business, competitive pressures, changes in accounting, tax or regulatory practices or requirements, and those risk factors detailed in the Corporation's periodic reports filed with the Securities and Exchange Commission. The Corporation undertakes no obligation to release revisions to these forward-looking statements or reflect events or circumstances after the date of this presentation.

- These slides contain non-GAAP financial measures. For purposes of Regulation G, a non-GAAP financial measure is a numerical measure of the registrant's historical or future financial performance, financial position or cash flows that excludes amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the most directly comparable measure calculated and presented in accordance with GAAP in the statement of income, balance sheet or statement of cash flows (or equivalent statements) of the issuer; or includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the most directly comparable measure so calculated and presented. In this regard, GAAP refers to generally accepted accounting principles in the United States. Pursuant to the requirements of Regulation G, FirstMerit Corporation has provided reconciliations within the slides, as necessary, of the non-GAAP financial measure to the most directly comparable GAAP financial measure.

# 3Q 2015 Financial Highlights

| Income Statement *(In thousands, except per share amounts)* | 2015 3rd Qtr | 2015 2nd Qtr | 2014 3rd Qtr | Change 3Q 2015 vs. 2015 2nd Qtr | Change 3Q 2015 vs. 2014 3rd Qtr |
|---|---|---|---|---|---|
| Net interest income TE [1] | $189,119 | $189,018 | $ 197,644 | 0.05% | (4.31)% |
| TE adjustment [1] | 3,796 | 3,900 | 4,066 | (2.67) | (6.64) |
| Provision for originated loan losses | 10,402 | 10,809 | 4,862 | (3.77) | 113.94 |
| Provision/(recapture) for loan losses | 144 | (952) | 4,411 | (115.13) | (96.74) |
| Provision/(recapture) for FDIC acquired loan losses | 3,729 | (891) | (81) | (518.52) | (4,703.70) |
| Noninterest income | 71,426 | 66,582 | 69,733 | 7.28 | 2.43 |
| Noninterest expense | 160,742 | 161,674 | 163,145 | (0.58) | (1.47) |
| Net income | 59,012 | 56,584 | 63,898 | 4.29 | (7.65) |
| Diluted EPS | 0.34 | 0.33 | 0.37 | 3.03 | (8.11) |
| **Key Ratios** | | | | | |
| ROA | 0.93% | 0.90% | 1.03% | 3.32% | (9.70)% |
| ROTCE | 11.69 | 11.44 | 13.41 | 2.19 | (12.83) |
| Net interest margin TE | 3.33 | 3.39 | 3.60 | (1.77) | (7.50) |
| Efficiency ratio | 60.71 | 62.37 | 59.92 | (2.66) | 1.32 |
| Tangible common equity to assets | 8.31 | 8.09 | 8.01 | 2.72 | 3.75 |
| Net charge-offs to average loans | 0.24 | 0.20 | 0.20 | 20.00 | 20.00 |
| NPAs to loans and other real estate | 0.78 | 0.87 | 0.52 | (10.34) | 50.00 |

## Highlights

- Quarterly results reflect our strategic focus on organic growth, expense control, and credit discipline.
- Raised quarterly common stock dividend by $0.01 per share, or 6.25%.
- Net income increased 4.29% QoQ.
  - Annualized organic loan growth of 13.06% during the quarter offset by expected decline in the acquired loan portfolios.
- Increased total loan portfolio QoQ by $94.2 million, or an annualized 2%, despite reduction in acquired loan portfolios.
- Lower volume in acquired portfolios and lower yields on the investment portfolio primary drivers of QoQ margin compression.
- Credit performance remains solid.
  - Expiration of FDIC commercial loss share agreement increased NPAs YoY.
  - Provision for FDIC acquired loans impacted by actions taken Q2 2015 to de-risk the portfolio resulting in a reduction in expected cash flows and additional provision this quarter.

1 Net interest income on a taxable-equivalent basis (TE) is a non-GAAP financial measure. Refer to the Non-GAAP financial measures reconciliation for a reconciliation to GAAP financial measures.



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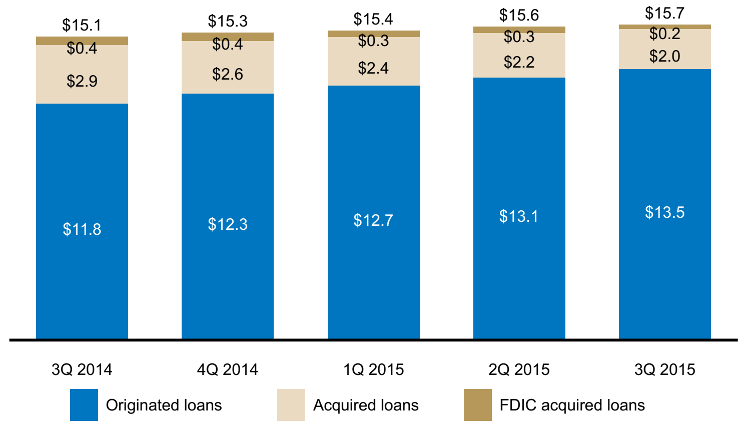
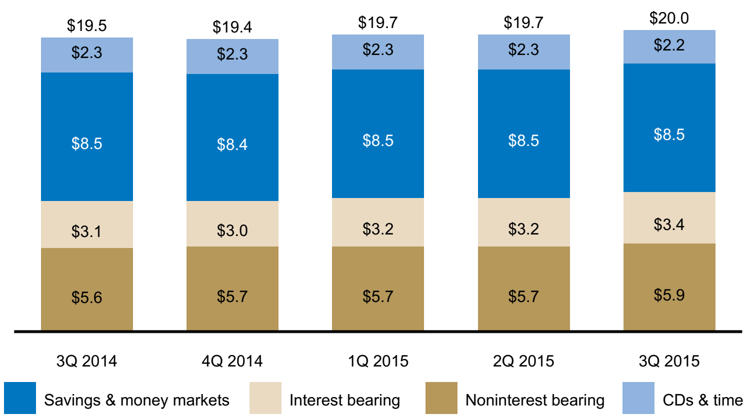
# Average Balance Sheet

| QTD Average Balances *(Dollars in thousands)* | 2015 3rd Qtr | 2015 2nd Qtr | 2014 3rd Qtr | Change 3Q 2015 vs. 2015 2nd Qtr | Change 3Q 2015 vs. 2014 3rd Qtr |
|---|---|---|---|---|---|
| Cash & securities | $ 457,317 | $ 518,820 | $ 521,210 | (11.85)% | (12.26)% |
| Investments | 6,783,921 | 6,771,729 | 6,638,710 | 0.18 | 2.19 |
| Loans held for sale | 4,929 | 3,631 | 17,433 | 35.75 | (71.70) |
| Originated loans | 13,528,268 | 13,092,972 | 11,814,314 | 3.32 | 14.51 |
| Acquired loans | 1,987,471 | 2,203,001 | 2,888,074 | (9.78) | (31.18) |
| FDIC acquired loans | 244,388 | 281,388 | 445,712 | (13.15) | (45.17) |
| Allowance for loan losses | 147,136 | 146,558 | 140,026 | 0.39 | 5.08 |
| Other Assets | 2,358,698 | 2,404,876 | 2,398,349 | (1.92) | (1.65) |
| **Total Assets** | **$25,217,856** | **$25,129,859** | **$24,583,776** | **0.35 %** | **2.58 %** |
| Noninterest bearing deposits | 5,897,768 | 5,722,240 | 5,603,104 | 3.07 | 5.26 |
| Interest bearing deposits | 3,353,541 | 3,203,836 | 3,100,904 | 4.67 | 8.15 |
| Savings and money market accounts | 8,480,682 | 8,467,845 | 8,492,172 | 0.15 | (0.14) |
| Certificates and other time deposits | 2,225,595 | 2,288,741 | 2,335,620 | (2.76) | (4.71) |
| Securities sold under agreements to repurchase | 1,109,924 | 1,285,920 | 1,182,507 | (13.69) | (6.14) |
| Wholesale borrowings | 377,594 | 393,379 | 438,941 | (4.01) | (13.98) |
| Long-term debt | 497,566 | 508,744 | 320,387 | (2.20) | 55.31 |
| Other Liabilities | 365,526 | 366,722 | 302,255 | (0.33) | 20.93 |
| Equity | 2,909,660 | 2,892,432 | 2,807,886 | 0.60 | 3.62 |
| **Total Liabilities and Equity** | **$25,217,856** | **$25,129,859** | **$24,583,776** | **0.35 %** | **2.58 %** |

## Total Average Loans Increased $182.8 million (dollars in millions)




## Total Average Deposits Increased $274.9 million (dollars in millions)



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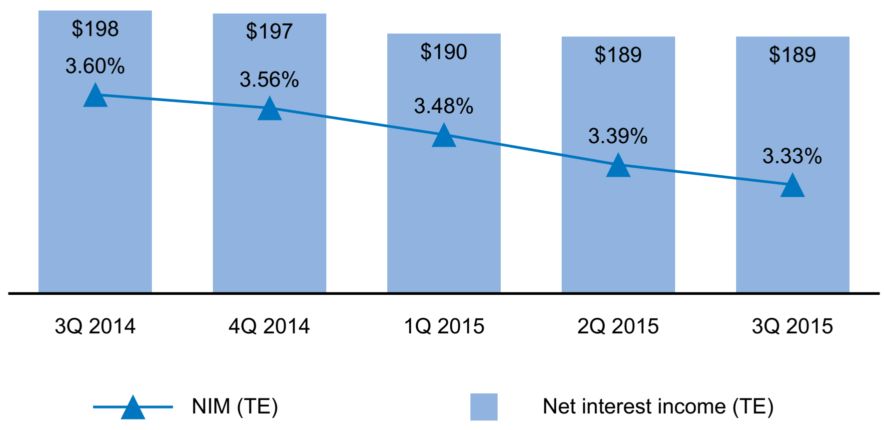
# Net Interest Income and Margin Trends

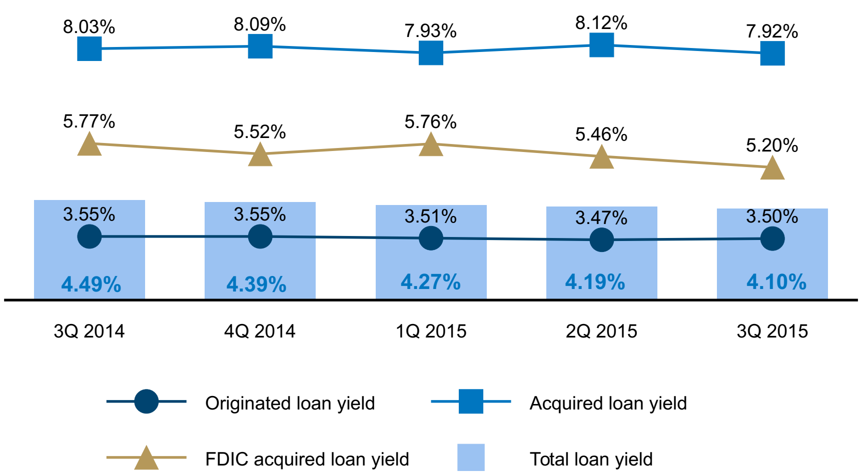
## Highlights

- Net interest income (TE) for the quarter of $189.1 million was slightly higher compared to the prior quarter, demonstrating that we are offsetting the expected decline in the acquired and FDIC acquired loan portfolios with organic loan growth.
- Third quarter NIM (TE) was 3.33%, down 6 bps from prior quarter. Expected runoff in in the acquired and FDIC acquired portfolios and slightly lower yields on the investment portfolio were the primary drivers of margin compression.

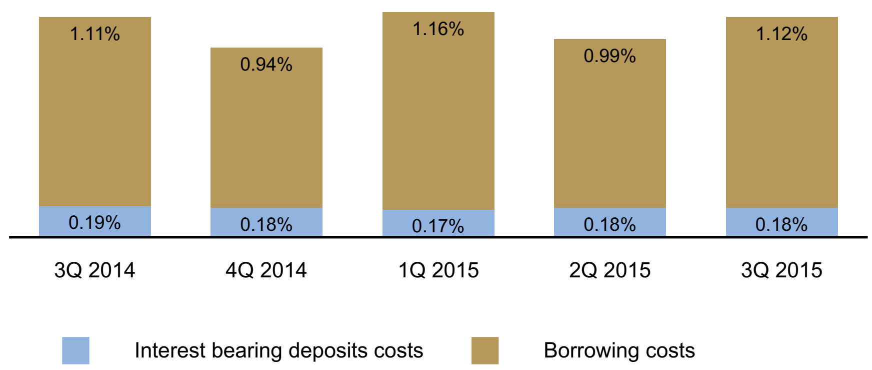
## Net Interest Income & Net Interest Margin Trend (TE) (dollars in millions)




## Yield on Average Loans




## Cost on Interest-bearing Liabilities



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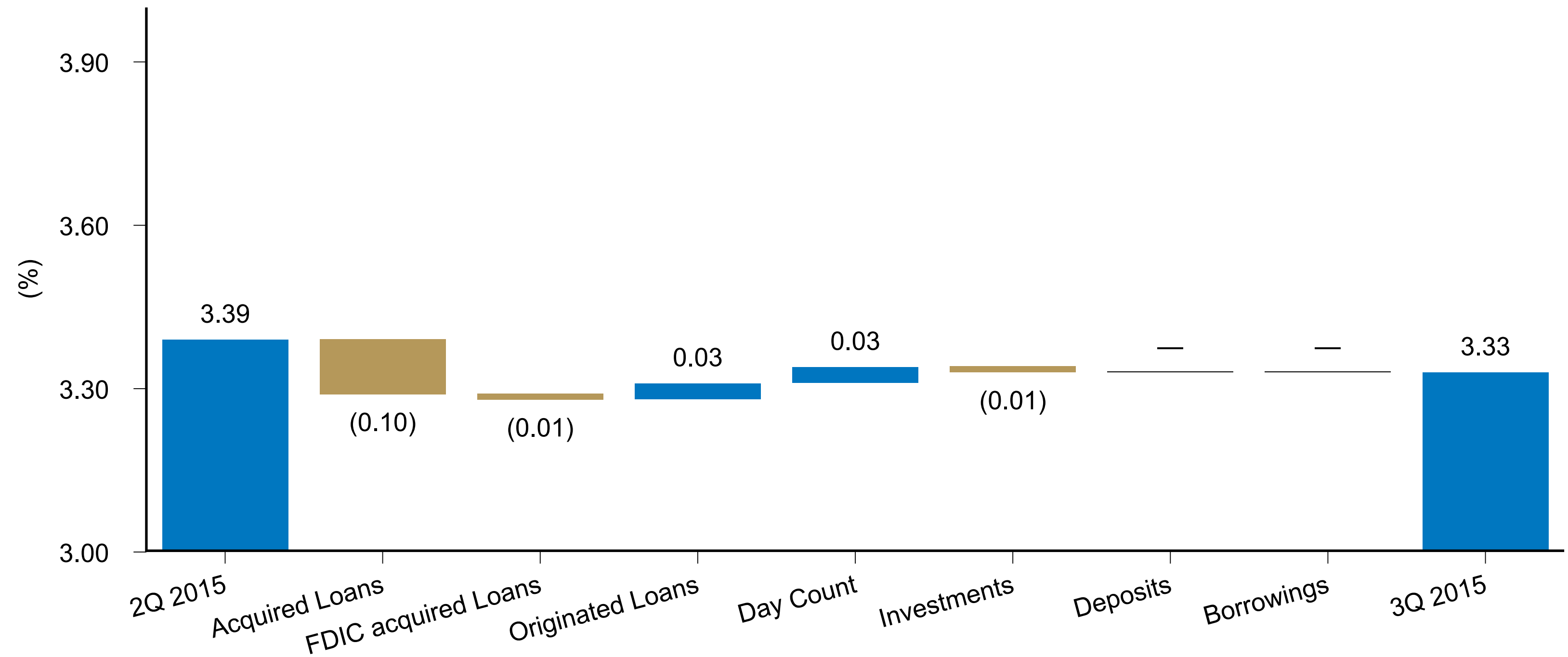
# Changes in Net Interest Margin

- Third quarter net interest margin (TE) was 3.33%, down 6 bps from prior quarter.



# Acquired Loans

## Purchase Discount

| *(Dollars in thousands)* | **Q3 2015** | Q2 2015 | Q1 2015 | Q4 2014 | Q3 2014 | **As of Acquisition Date: April 12, 2013** [1] |
|---|---|---|---|---|---|---|
| **Impaired acquired loans** | | | | | | |
| Loan balance | $ 392,278 | $ 424,188 | $ 464,372 | $ 506,500 | $ 569,848 | $ 946,465 |
| Remaining loan mark | 65,030 | 68,024 | 76,059 | 83,291 | 90,798 | 126,750 |
| Recorded investment | 327,248 | 356,164 | 388,313 | 423,209 | 479,050 | 819,715 |
| Discount | 16.58% | 16.04% | 16.38% | 16.44% | 15.93% | 13.39% |
| **Nonimpaired acquired loans** | | | | | | |
| Loan balance | $ 1,647,246 | $ 1,808,924 | $ 2,012,836 | $ 2,142,390 | $ 2,368,365 | $ 4,017,304 |
| Remaining loan mark | 65,115 | 73,279 | 82,011 | 92,210 | 105,092 | 220,015 |
| Recorded investment | 1,582,131 | 1,735,645 | 1,930,825 | 2,050,180 | 2,263,273 | 3,797,289 |
| Discount | 3.95% | 4.05% | 4.07% | 4.30% | 4.44% | 5.48% |
| **Total acquired loans** | | | | | | |
| **Loan balance** | **$ 2,039,524** | $ 2,233,112 | $ 2,477,208 | $ 2,648,890 | $ 2,938,213 | $ 4,963,769 |
| **Remaining loan mark** | **130,145** | 141,303 | 158,070 | 175,501 | 195,890 | 346,765 |
| **Recorded investment** | **1,909,379** | 2,091,809 | 2,319,138 | 2,473,389 | 2,742,323 | 4,617,004 |
| **Discount** | **6.38%** | 6.33% | 6.38% | 6.63% | 6.67% | 6.99% |

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

# Acquired Loans

## Nonimpaired Acquired Loans - Purchase Discount

| *(Dollars in thousands)* | Q3 2015 | Q2 2015 | Q1 2015 | Q4 2014 | Q3 2014 |
|---|---|---|---|---|---|
| Beginning balance | $ 73,279 | $ 83,493 | $ 94,543 | $ 107,538 | $ 121,736 |
| Scheduled accretion | (4,937) | (5,756) | (6,955) | (7,395) | (8,384) |
| Pay-offs | (2,167) | (3,315) | (2,305) | (3,820) | (4,129) |
| Accelerated prepayments | (966) | (1,023) | (1,525) | (1,598) | (1,401) |
| Total Income | (8,070) | (10,094) | (10,785) | (12,813) | (13,914) |
| Charge offs | (94) | (120) | (265) | (182) | (284) |
| Ending balance | $ 65,115 | $ 73,279 | $ 83,493 | $ 94,543 | $ 107,538 |
| Muni loans mark, classified as investments | $ 923 | $ 1,002 | $ 1,483 | $ 2,333 | $ 2,446 |
| Loans mark, classified as loans | 64,192 | 72,277 | 82,010 | 92,210 | 105,092 |
| Total mark on loans, above | $ 65,115 | $ 73,279 | $ 83,493 | $ 94,543 | $ 107,538 |

## Nonimpaired Acquired Loans - Allowance

| *(Dollars in thousands)* | Q3 2015 | Q2 2015 | Q1 2015 | Q4 2014 | Q3 2014 |
|---|---|---|---|---|---|
| Beginning balance | $ — | $ — | $ — | $ — | $ — |
| Charge offs | (2,878) | (2,774) | (3,436) | (3,249) | (4,893) |
| Recoveries | 1,983 | 1,183 | 1,258 | 1,092 | 1,711 |
| Provision for loan losses | 895 | 1,591 | 2,178 | 2,157 | 3,182 |
| Ending balance | $ — | $ — | $ — | $ — | $ — |

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

During the three months ended September 30, 2015, provision, equal to net charge-offs, of $0.9 million was recorded on nonimpaired acquired loans. These charged-off loans were mainly consumer loans that were written off in accordance with the Corporation's credit policies based on a predetermined number of days past due. As of September 30, 2015, the fair value discount on acquired nonimpaired loans was greater than the required allowance, therefore, no allowance for acquired nonimpaired loan losses was recorded.

# Acquired Loans

## Impaired Acquired Loans - Accretable Yield and Carrying Amount

| (Dollars in thousands) | Q3 2015 Accretable Yield | Q3 2015 Carrying Amount | Q2 2015 Accretable Yield | Q2 2015 Carrying Amount | Q1 2015 Accretable Yield | Q1 2015 Carrying Amount | Q4 2014 Accretable Yield | Q4 2014 Carrying Amount | Q3 2014 Accretable Yield | Q3 2014 Carrying Amount |
|---|---|---|---|---|---|---|---|---|---|---|
| Beginning balance | $ 112,031 | $ 356,164 | $ 118,756 | $ 388,313 | $ 119,450 | $ 423,209 | $ 126,424 | $ 479,050 | $ 137,442 | $ 519,250 |
| Additions | — | — | — | — | — | — | — | — | — | — |
| Accretion | (9,924) | 9,924 | (10,285) | 10,285 | (11,218) | 11,218 | (11,834) | 11,834 | (12,950) | 12,950 |
| Net Reclassifications from non-accretable to accretable | 6,780 | — | 8,217 | — | 12,995 | — | 9,165 | — | 6,646 | — |
| Payments, received, net | — | (38,840) | — | (42,434) | — | (46,114) | — | (67,675) | — | (53,150) |
| Disposals | (4,600) | — | (4,657) | — | (2,471) | — | (4,305) | — | (4,714) | — |
| Ending balance | $ 104,287 | $ 327,248 | $ 112,031 | $ 356,164 | $ 118,756 | $ 388,313 | $ 119,450 | $ 423,209 | $ 126,424 | $ 479,050 |

## Impaired Acquired Loans - Allowance

| (Dollars in thousands) | Q3 2015 | Q2 2015 | Q1 2015 | Q4 2014 | Q3 2014 |
|---|---|---|---|---|---|
| Beginning balance | $ 4,950 | $ 7,493 | $ 7,457 | $ 6,206 | $ 4,977 |
| Charge offs | — | — | — | — | — |
| Recoveries | — | — | — | — | — |
| Provision/(recapture) for loan losses | (751) | (2,543) | 36 | 1,251 | 1,229 |
| Ending balance | $ 4,199 | $ 4,950 | $ 7,493 | $ 7,457 | $ 6,206 |

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

The first re-estimation of cash flows on the impaired loans since acquisition was completed in Q4 2013. The re-estimation performed in Q3 2015 resulted in recapture of previous impairment of $0.8 million.

# FDIC Acquired Loans

## Impaired FDIC Acquired Loans - Accretable Yield and Carrying Amount

| (Dollars in thousands) | Q3 2015 Accretable Yield | Q3 2015 Carrying Amount | Q2 2015 Accretable Yield | Q2 2015 Carrying Amount | Q1 2015 Accretable Yield | Q1 2015 Carrying Amount | Q4 2014 Accretable Yield | Q4 2014 Carrying Amount | Q3 2014 Accretable Yield | Q3 2014 Carrying Amount |
|---|---|---|---|---|---|---|---|---|---|---|
| Beginning balance | $ 26,150 | $ 157,808 | $ 29,867 | $ 199,225 | $ 37,511 | $ 232,452 | $ 51,945 | $ 284,566 | $ 53,655 | $ 316,481 |
| Accretion | (2,893) | 2,893 | (4,100) | 4,100 | (5,567) | 5,567 | (7,723) | 7,723 | (9,683) | 9,683 |
| Net Reclassifications from non-accretable to accretable | 1,785 | — | 2,136 | — | (56) | — | (3,449) | — | 8,684 | — |
| Payments, received, net | — | (18,069) | — | (45,517) | — | (38,794) | — | (59,837) | — | (41,598) |
| Disposals | (329) | — | (1,753) | — | (2,021) | — | (3,262) | — | (711) | — |
| Ending balance | $ 24,713 | $ 142,632 | $ 26,150 | $ 157,808 | $ 29,867 | $ 199,225 | $ 37,511 | $ 232,452 | $ 51,945 | $ 284,566 |

## Impaired FDIC Acquired Loans - Allowance

| (Dollars in thousands) | Q3 2015 | Q2 2015 | Q1 2015 | Q4 2014 | Q3 2014 |
|---|---|---|---|---|---|
| Beginning balance | $ 41,627 | $ 41,514 | $ 40,496 | $ 42,988 | $ 45,109 |
| Net provision/(recapture) | 3,986 | 928 | 4,225 | 313 | 2,827 |
| Net (benefit)/recapture from FDIC loss share | (257) | (1,819) | (4,227) | 915 | (2,908) |
| Net provision/(recapture) for FDIC acquired loan losses | 3,729 | (891) | (2) | 1,228 | (81) |
| Increase/(decrease) in loss share receivable | 257 | 1,819 | 4,227 | (915) | 2,908 |
| Loans charged-off | (417) | (815) | (3,207) | (2,805) | (4,948) |
| Ending balance | $ 45,196 | $ 41,627 | $ 41,514 | $ 40,496 | $ 42,988 |

## Loss Share Receivable

| (Dollars in thousands) | Q3 2015 | Q2 2015 | Q1 2015 | Q4 2014 | Q3 2014 |
|---|---|---|---|---|---|
| Beginning balance | $ 11,820 | $ 20,005 | $ 22,033 | $ 30,746 | $ 43,981 |
| Accretion | (384) | (1,185) | (2,187) | (3,963) | (6,932) |
| Net recapture of /(provision from) impairment | 257 | 1,819 | 4,227 | (915) | 2,908 |
| FDIC reimbursement | (679) | (8,713) | (4,013) | (4,507) | (7,006) |
| FDIC acquired loans paid in full | (88) | (106) | (55) | 672 | (2,205) |
| Ending balance | $ 10,926 | $ 11,820 | $ 20,005 | $ 22,033 | $ 30,746 |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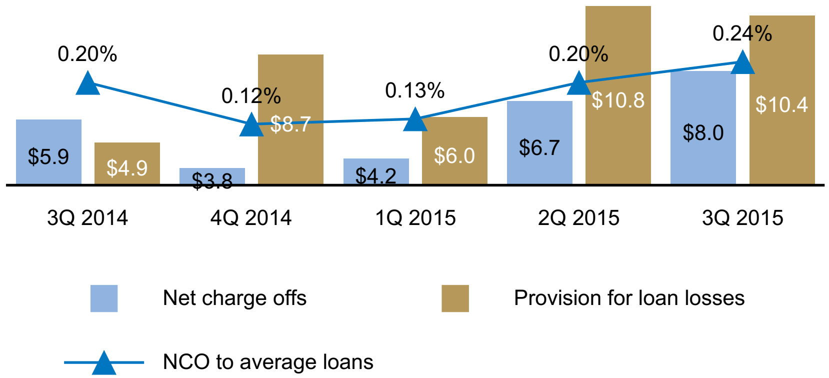
# Asset Quality

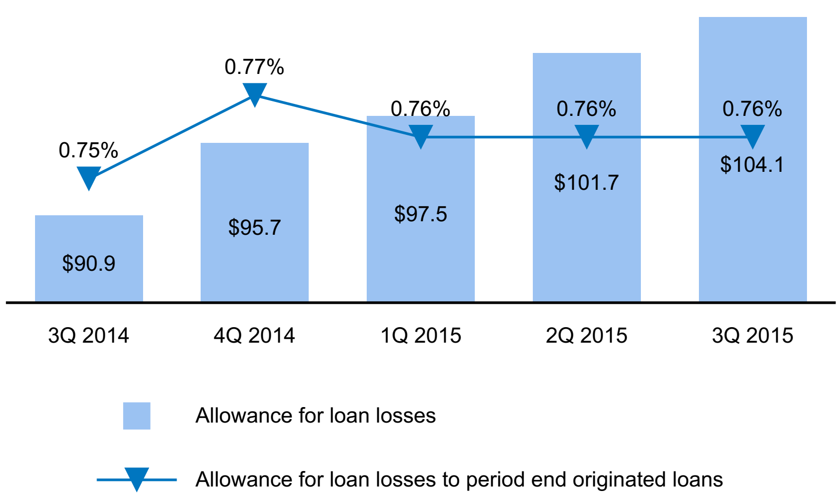
## Highlights

- Asset quality remains sound with low NPA levels and a robust reserve to nonperforming loans level of 2.29 times.
- Originated provision for loan losses at $10.4 million exceeded net charge offs this quarter by $2.4 million in support of continued originated loan growth.
- NPAs decreased $10.3 million, or 8.74%, over the prior quarter.

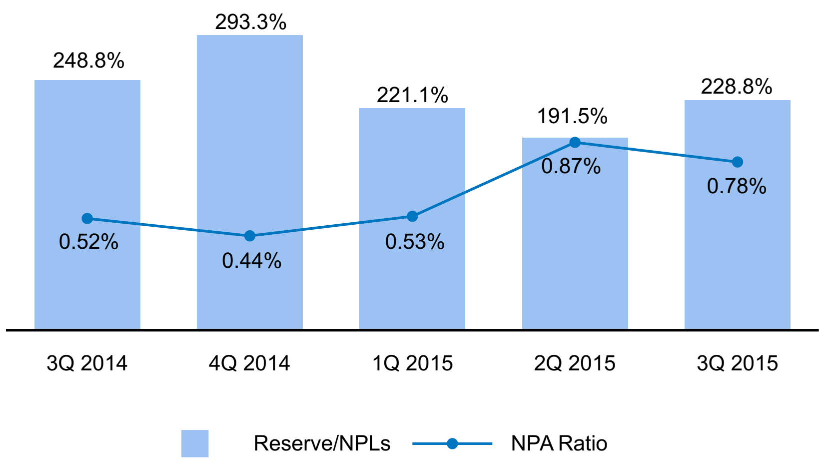
## Net Charge Offs & Provision for Loan Losses (dollars in millions)




## Allowance for Originated Loan Losses (dollars in millions)




## Nonperforming Asset Ratios




As of September 30, 2015 and June 30, 2015, $40.0 million and $42.0 million, respectively, of OREO was no longer covered by FDIC loss share agreements, and therefore, was included in NPAs. OREO that remains covered by FDIC loss share agreements has considerable protection against credit risk and is not reported as NPAs.



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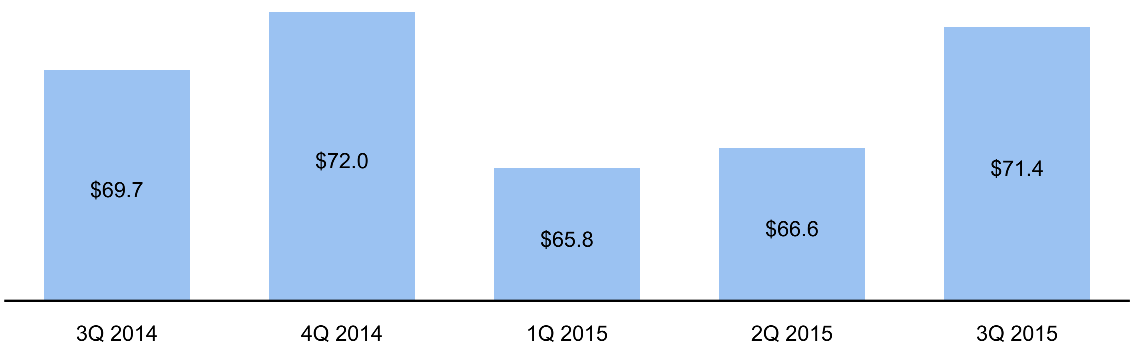
# Noninterest Income

| (Dollars in thousands) | 2015 3rd Qtr | 2015 2nd Qtr | 2014 3rd Qtr | Change 3Q 2015 vs. 2015 2nd Qtr | Change 3Q 2015 vs. 2014 3rd Qtr |
|---|---|---|---|---|---|
| Trust department income | $ 10,948 | $ 10,820 | $ 10,300 | 1.18% | 6.29% |
| Service charges on deposits | 17,295 | 16,704 | 18,684 | 3.54 | (7.43) |
| Credit card fees | 13,939 | 14,124 | 13,754 | (1.31) | 1.35 |
| ATM and other service fees | 6,518 | 6,345 | 6,182 | 2.73 | 5.44 |
| Bank owned life insurance income | 4,622 | 3,697 | 4,218 | 25.02 | 9.58 |
| Investment services and insurance | 4,032 | 3,871 | 3,606 | 4.16 | 11.81 |
| Investment securities gains/(losses), net | 41 | 567 | 14 | (92.77) | 192.86 |
| Loan sales and servicing income | 2,414 | 3,276 | 4,740 | (26.31) | (49.07) |
| Other operating income | 11,617 | 7,178 | 8,235 | 61.84 | 41.07 |
| Total noninterest income | $ 71,426 | $ 66,582 | $ 69,733 | 7.28% | 2.43% |

## Noninterest Income Trend (dollars in millions)




## Highlights

- Noninterest income increased $4.8 million, or 7.28%, QoQ.
  - Fee based income increased across multiple areas including wealth management, treasury management, and service charges on deposits accounts.
  - Loan sales and servicing income decreased $0.9 million, or 26.31%, QoQ reflecting interest rate fluctuations that negatively impacted the value of mortgage servicing rights.
  - Other operating income included higher loan commitment fees, fees on interest rate swaps, and income on resolution of FDIC acquired loans.
  - $1.8 million of one-time branch closure costs negatively impacted other operating income in the prior quarter.



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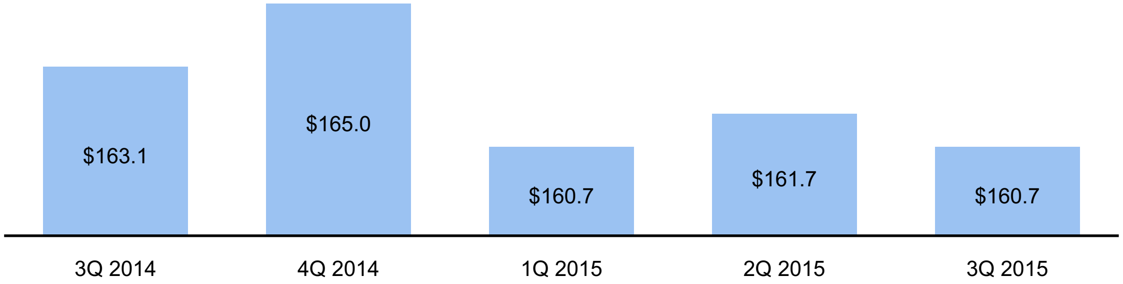
# Noninterest Expense

| (Dollars in thousands) | 2015 3rd Qtr | 2015 2nd Qtr | 2014 3rd Qtr | Change 3Q 2015 vs. 2015 2nd Qtr | Change 3Q 2015 vs. 2014 3rd Qtr |
|---|---|---|---|---|---|
| Salaries and wages | $ 68,775 | $ 67,485 | $ 71,769 | 1.91 % | (4.17)% |
| Pension and employee benefits | 16,997 | 18,535 | 18,824 | (8.30) | (9.71) |
| Net occupancy expense | 13,540 | 13,727 | 13,887 | (1.36) | (2.50) |
| Equipment expense | 12,235 | 12,592 | 12,188 | (2.84) | 0.39 |
| Taxes, other than federal income taxes | 2,003 | 2,032 | 1,286 | (1.43) | 55.75 |
| Stationary, supplies and postage | 3,304 | 3,370 | 3,723 | (1.96) | (11.25) |
| Bankcard, loan processing and other costs | 12,335 | 12,461 | 11,151 | (1.01) | 10.62 |
| Advertising | 4,278 | 3,103 | 3,942 | 37.87 | 8.52 |
| Professional services | 5,154 | 5,358 | 5,270 | (3.81) | (2.20) |
| Telephone | 2,480 | 2,599 | 2,831 | (4.58) | (12.40) |
| Amortization of intangibles | 2,598 | 2,598 | 2,933 | — | (11.42) |
| FDIC expense | 5,234 | 5,077 | 2,988 | 3.09 | 75.17 |
| Other operating expenses | 11,809 | 12,737 | 12,353 | (7.29) | (4.40) |
| Total noninterest expense | $ 160,742 | $ 161,674 | $ 163,145 | (0.58)% | (1.47)% |

## Noninterest Expense Trend
(dollars in millions)




## Highlights

- Noninterest expense decreased $0.9 million, or 0.58%, QoQ
  - Salaries & wages increased QoQ reflecting the impact of an additional day in 3Q15 and annual merit increases
  - Pension and employee benefits expense down QoQ due to prior quarter annual stock grants
  - Salaries and wages and pension and employee benefits down year over year due to fewer full time equivalent employees.
- The efficiency ratio improved QoQ from 62.37% to 60.71% due to the continued success of our efficiency initiatives.

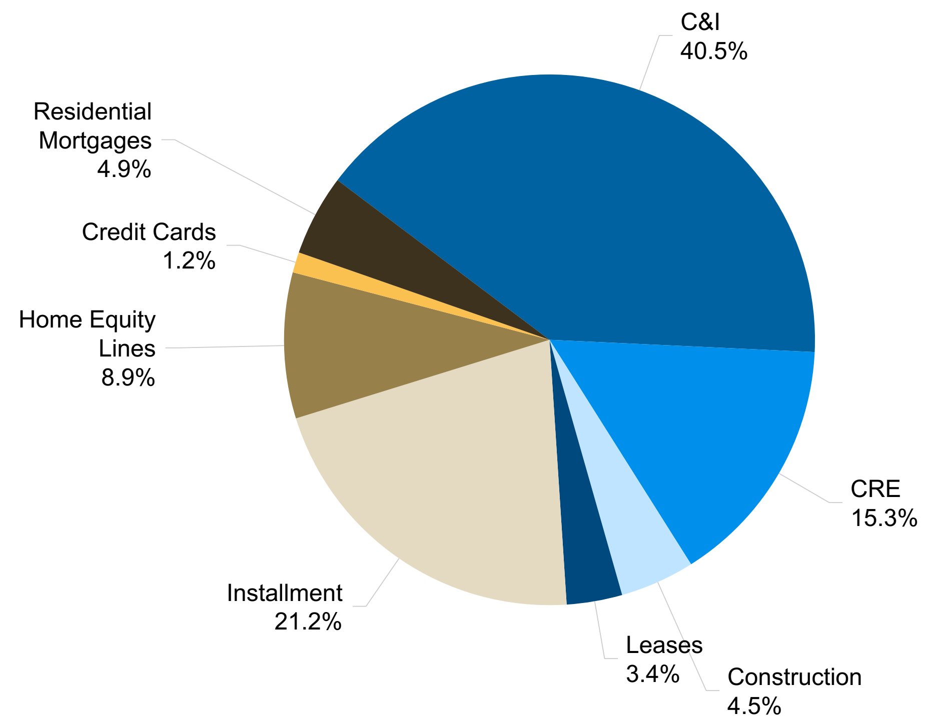


FIRSTMERIT Corporation

# Diversified Originated Loan Portfolio [1]

| Period end balances *(Dollars in thousands)* | 2015 3rd Qtr | Change 3Q 2015 vs. 2015 2nd Qtr | Change 3Q 2015 vs. 2014 3rd Qtr |
|---|---|---|---|
| C&I | $ 5,521,955 | **0.9%** | **9.6%** |
| CRE | 2,089,533 | (2.3) | (1.4) |
| Construction | 619,569 | 5.6 | 32.6 |
| Leases | 461,642 | 5.7 | 35.8 |
| Total commercial | **8,692,699** | **0.7%** | **9.1%** |
| Mortgage | 673,591 | 3.1 | 11.2 |
| Installment | 2,899,559 | 6.6 | 27.3 |
| Home equity | 1,212,084 | 2.6 | 14.1 |
| Credit card | 170,392 | 1.1 | 6.4 |
| Total consumer | **4,955,626** | **4.9%** | **20.7%** |
| Total originated loan portfolio | **$13,648,325** | **2.2%** | **13.1%** |

**$13.6 billion Originated Loan Portfolio**
**September 30, 2015**




1 Excludes acquired and FDIC acquired loans.



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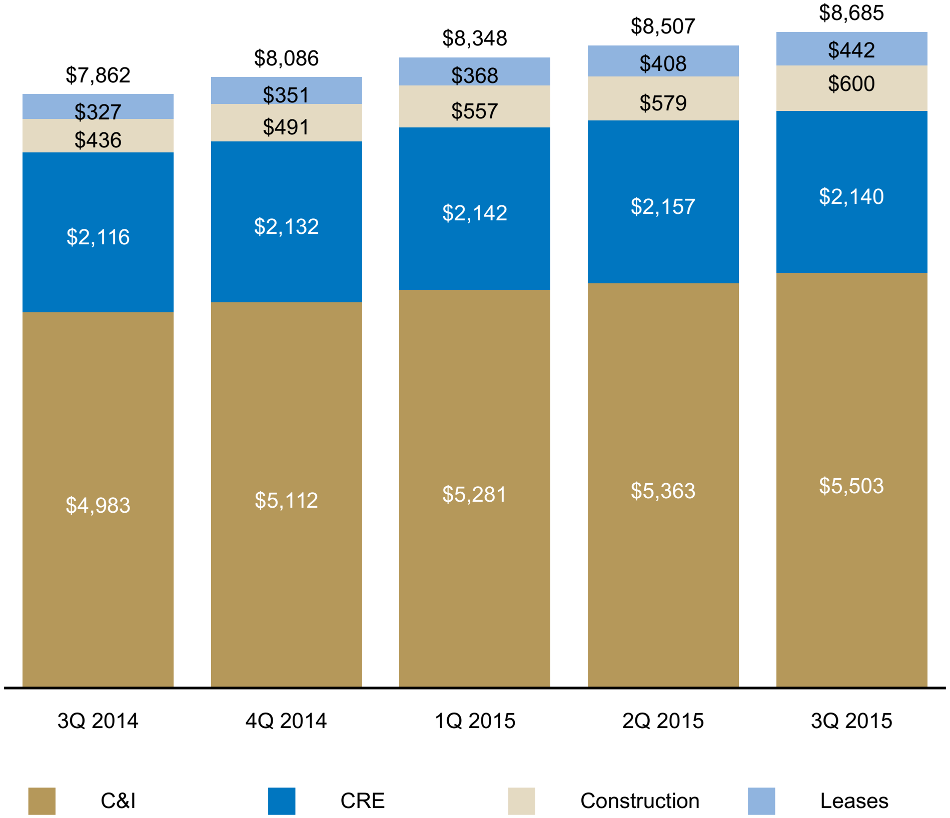
# Average Originated Commercial Loans[1]

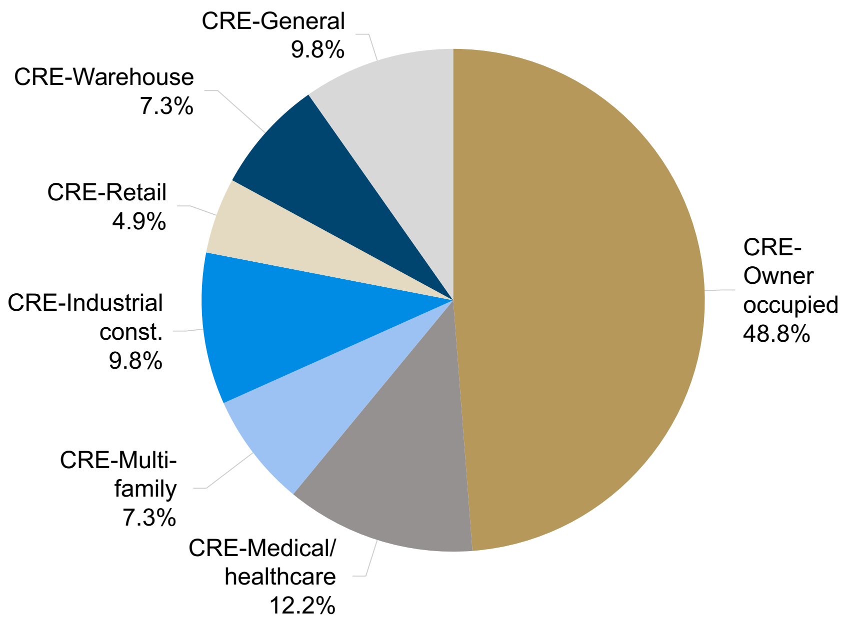
## Average Originated Commercial Loans (dollars in millions)




## Highlights

- Commercial production was the highest level of quarterly production realized this year.
- Commercial loan growth was impacted by payoffs and paydowns into the permanent market.

## Composition of Average Originated CRE Loans September 30, 2015




1 Excludes acquired and FDIC acquired loans.



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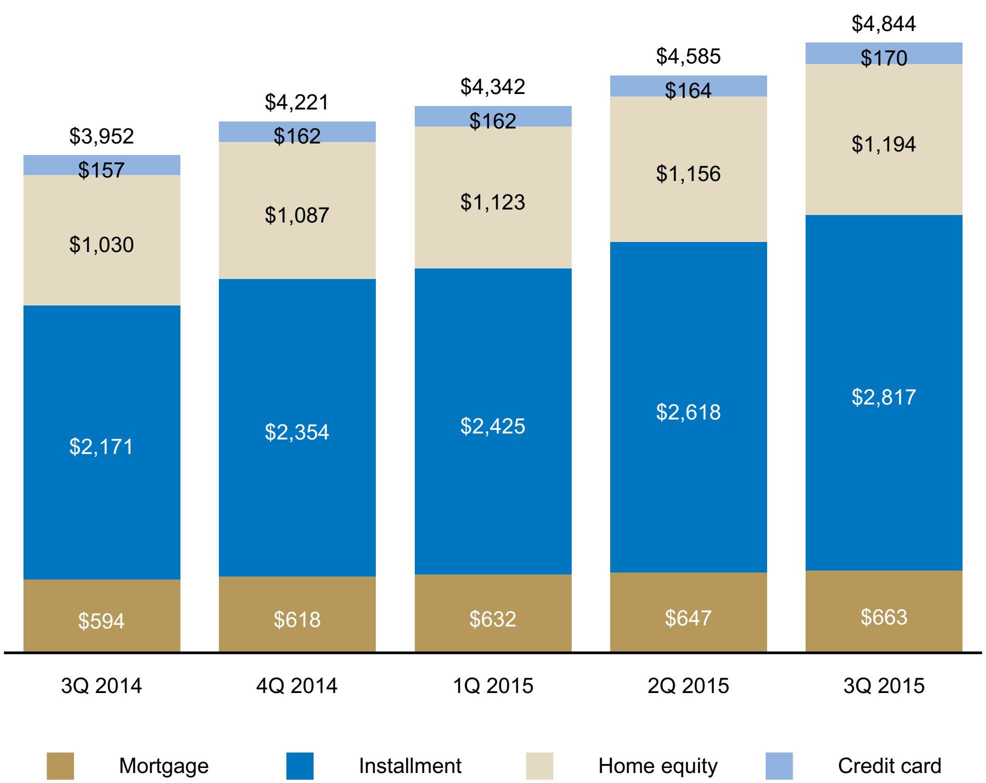
# Average Originated Consumer Loans[1]

## Average Originated Consumer Loans (dollars in millions)




## Highlights

- The originated consumer loan portfolios showed strong growth QoQ. Total originated consumer loans were up $258.0 million, or 5.63%, from the prior quarter.
  - Leading the growth was installment, up $198.9 million, or 7.60%, reflecting our success in expanding Citizens' indirect recreational lending into our legacy markets and expanding our indirect auto lending into Michigan and Wisconsin.
  - Home equity loans were up $38.1 million, or 3.30%, over the prior quarter.
  - The card portfolio is small at $170 million. It grew $5.5 million, or 3.33%, over the prior quarter, with execution of our plan to grow this high-quality portfolio across our new customer base.

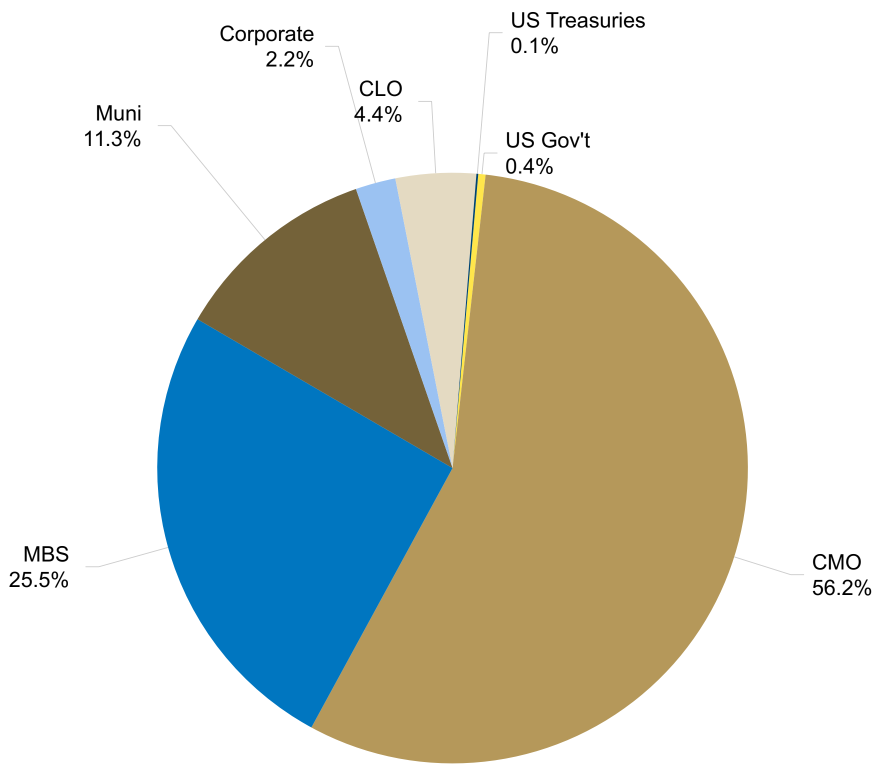
1 Excludes acquired and FDIC acquired loans.



FIRSTMERIT Corporation

# Investment Portfolio Summary

## Investment Security Mix (Book Value $6.7 billion)




## Portfolio Statistics (dollars in millions)

| | 2015 3rd Qtr | 2015 2nd Qtr | 2014 3rd Qtr |
|---|---|---|---|
| Market value | $ 6,652 | $ 6,599 | $ 6,410 |
| Yield | 2.31% | 2.28% | 2.35% |
| Duration | 3.35 | 3.66 | 3.87 |
| Quarterly purchases | $ 240 | $ 403 | $ 200 |

## Interest Rate Sensitivity (dollars in millions)

| % Chg NII | Year 1 | Year 2 | Cumulative |
|---|---|---|---|
| + 100 Bps | 2.12% | 4.89% | 3.48% |
| + 200 Bps | 4.08 | 9.19 | 6.59 |
| **$ Chg NII** | **Year 1** | **Year 2** | **Cumulative** |
| + 100 Bps | $ 15.5 | $ 34.7 | $ 50.1 |
| + 200 Bps | 29.8 | 65.1 | 94.9 |



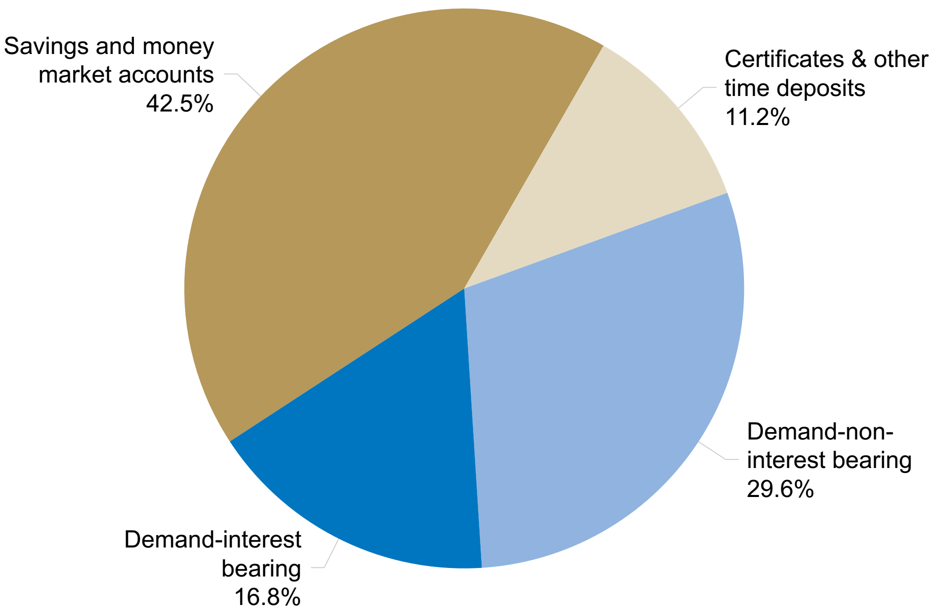
FIRSTMERIT Corporation

# Deposits

## Highlights

- Continue to successfully execute on our core deposit generation and retention strategy.
- Average core deposits increased $338.1 million, or an annualized 8%, QoQ and were 88.8% of the total average deposit base.
- Total deposits costs remain low at 18bp.

## Average Deposits September 30, 2015





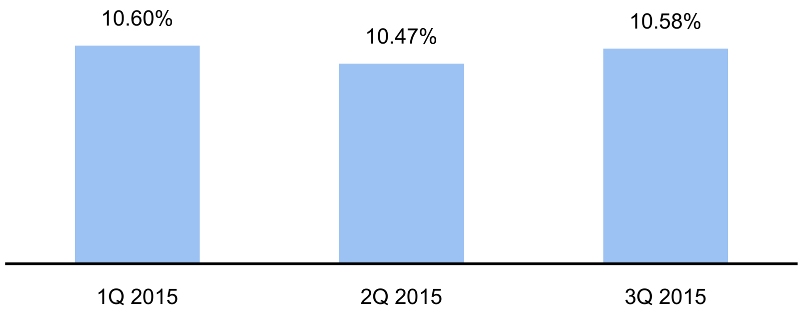

FIRSTMERIT Corporation

# Capital Position

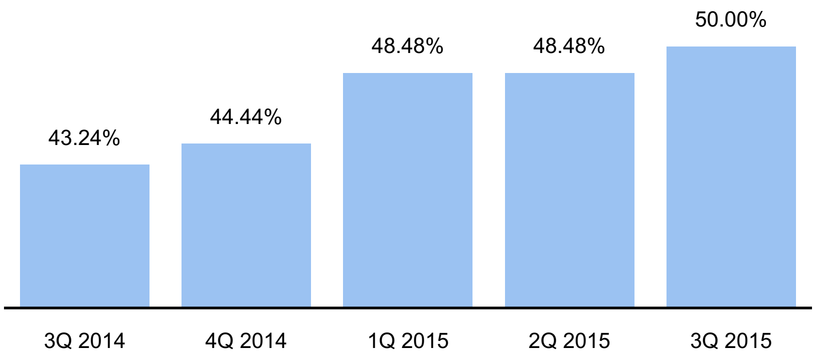
## Highlights

- Under Basel III, all regulatory capital ratios remained in excess of well-capitalized limits.
- Raised quarterly common stock dividend by $.01 per share, or 6.25%.

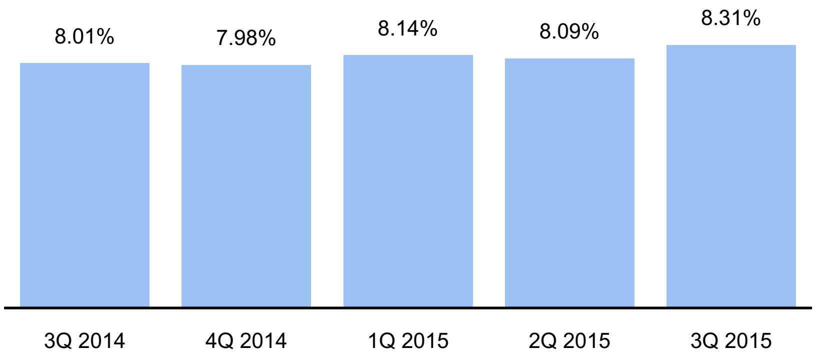
## Common Equity Tier 1 [1,2]




## Common Stock Dividend Payout Ratio




## Tangible Common Equity to Tangible Assets




1 See Reconciliation of Non-GAAP Measures.
2 The Basel III capital rules, effective January 1, 2015, replaced tier 1 common equity and the associated tier 1 common equity ratio with common equity tier 1 ("CET1") capital and the CET1 risk-based capital ratio. September 30, 2015 figures are preliminary and presented on a Basel III basis and reflect transitional capital requirements and phase-in provisions, including the standardized approach for calculating risk weighted assets.



FirstMerit Corporation

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

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

| *(Dollars in thousands)* | **Q3 2015** | **Q2 2015** | **Q1 2015** | **Q4 2014** | **Q3 2014** |
|---|---|---|---|---|---|
| Shareholders' equity (GAAP) | $ 2,937,300 | $ 2,887,957 | $ 2,888,786 | $ 2,834,281 | $ 2,820,431 |
| Less: Preferred stock | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 |
| Common shareholders' equity (non-GAAP) | 2,837,300 | 2,787,957 | 2,788,786 | 2,734,281 | 2,720,431 |
| Less: Intangible assets | 63,226 | 65,824 | 68,422 | 71,020 | 73,953 |
| Goodwill | 741,740 | 741,740 | 741,740 | 741,740 | 741,740 |
| Tangible common equity (non-GAAP) | 2,032,334 | 1,980,393 | 1,978,624 | 1,921,521 | 1,904,738 |
| Total assets (GAAP) | $ 25,246,917 | $ 25,297,014 | $ 25,118,120 | $ 24,902,347 | $ 24,608,207 |
| Less: Intangible assets | 63,226 | 65,824 | 68,422 | 71,020 | 73,953 |
| Goodwill | 741,740 | 741,740 | 741,740 | 741,740 | 741,740 |
| Tangible assets (non-GAAP) | $ 24,441,951 | $ 24,489,450 | $ 24,307,958 | $ 24,089,587 | $ 23,792,514 |
| Tangible common equity to tangible assets ratio (non-GAAP) | 8.31% | 8.09% | 8.14% | 7.98% | 8.01% |

# Reconciliation of Non-GAAP Measures: Capital Position

The table below presents computations of Tier 1, total risk-based and CET1 capital which are all considered non-GAAP measures. The table below also reconciles the U.S. GAAP capital measures to the corresponding non-GAAP measures. Management uses these non-GAAP financial measures to assess the adequacy of capital and believes that regulators and investors may find them useful in their analysis of the Corporation. Non-GAAP financial measures have inherent limitations, are not required to be uniformly applied and are not audited. Although these non-GAAP financial measures are frequently used by regulators and investors to evaluate a company, they have limitations as analytical tools, and should not be considered in isolation, or as a substitute for analysis of results as reported under GAAP. These non-GAAP measures are not necessarily comparable to similar measures that may be represented by other companies.

| *(Dollars in thousands)* | Q3 2015 | Q2 2015 | Q1 2015 | Q4 2014 | Q3 2014 |
|---|---|---|---|---|---|
| Shareholders' equity (GAAP) | $ 2,937,300 | $ 2,887,957 | $ 2,888,786 | $ 2,834,281 | $ 2,820,431 |
| Less: Goodwill | 741,740 | 741,740 | 741,740 | 741,740 | 741,740 |
| Regulatory and other adjustments | 120,751 | 116,315 | 140,706 | 88,080 | 131,530 |
| Tier 1 capital (non-GAAP) | 2,074,809 | 2,029,902 | 2,006,340 | 2,004,461 | 1,947,161 |
| Less: Preferred stock | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 |
| Trust preferred securities | — | — | — | — | — |
| Plus: Tier 1 capital adjustments | 100,000 | 100,000 | 100,000 | — | — |
| CET1 capital (non-GAAP) [1] (Basel III) | $ 2,074,809 | 2,029,902 | $ 2,006,340 | N/A | N/A |
| Tier 1 common equity (non-GAAP) [1] (Basel I) | N/A | N/A | N/A | 1,904,461 | 1,847,161 |
| Plus: Tier 2 adjustments | 613,621 | 609,041 | 591,018 | 649,432 | 396,976 |
| Total risk-based capital (non-GAAP) | $ 2,688,430 | $ 2,638,943 | $ 2,597,358 | $ 2,653,893 | $ 2,344,137 |

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

# Reconciliation of Non-GAAP Measures: Adjusted net income

The following table presents net income as reported (GAAP) excluding the impact of acquisition related costs incurred during 2014 to arrive at adjusted net income. Management believes these adjustments increase comparability of period-to-period results and uses these measures to assess performance and believes investors may find them useful in their analysis of the Corporation. It is possible that the activities related to the adjustments may recur; however, Management does not consider the activities related to the adjustments to be indications of ongoing operations. Return on average tangible common shareholders' equity is a non-GAAP measure that calculates the return on average common shareholders' equity excluding goodwill and intangible assets. This measure is useful for evaluating the performance of a business consistently, whether acquired or developed internally. Non-GAAP financial measures have inherent limitations, are not required to be uniformly applied and are not audited. Although these non-GAAP financial measures are frequently used by investors to evaluate a company, they have limitations as analytical tools, and should not be considered in isolation, or as a substitute for analysis of results as reported under GAAP. These non-GAAP measures are not necessarily comparable to similar measures that may be represented by other companies.

| *(Dollars in thousands)* | Q3 2015 | Q2 2015 | Q1 2015 | Q4 2014 | Q3 2014 |
|---|---|---|---|---|---|
| Net income (GAAP) | $ 59,012 | $ 56,584 | $ 57,139 | $ 61,079 | $ 63,898 |
| Net income adjustments | | | | | |
| Plus: Restructure expenses, net of taxes | — | — | 1,149 | 564 | — |
| Branch closure costs, net of taxes | — | 1,149 | 783 | — | — |
| *Adjusted net income (non-GAAP)* | *59,012* | *57,733* | *59,071* | *61,643* | *63,898* |
| Annualized net income (GAAP) | 234,124 | 226,958 | 231,730 | 242,324 | 253,508 |
| *Annualized adjusted net income (non-GAAP)* | *234,124* | *231,566* | *239,566* | *244,562* | *253,508* |
| Average assets (GAAP) | 25,217,856 | 25,129,859 | 24,905,094 | 24,664,987 | 24,583,776 |
| Average equity (GAAP) | 2,909,660 | 2,892,432 | 2,866,362 | 2,849,618 | 2,807,886 |
| Average tangible common equity (non-GAAP) | 2,003,423 | 1,983,603 | 1,954,930 | 1,935,435 | 1,890,760 |
| Return on average assets (GAAP) | 0.93% | 0.90% | 0.93% | 0.98% | 1.03% |
| *Adjusted return on average assets (non-GAAP)* | *0.93%* | *0.92%* | *0.96%* | *0.99%* | *1.03%* |
| Return on average equity (GAAP) | 8.05% | 7.85% | 8.08% | 8.50% | 9.03% |
| *Adjusted return on average equity (non-GAAP)* | *8.05%* | *8.01%* | *8.36%* | *8.58%* | *9.03%* |
| Return on average tangible common equity (non-GAAP) | 11.69% | 11.44% | 11.85% | 12.52% | 13.41% |
| *Adjusted return on average tangible common equity (non-GAAP)* | *11.69%* | *11.67%* | *12.25%* | *12.64%* | *13.41%* |



FirstMerit Corporation

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

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

| *(Dollars in thousands)* | | Q3 2015 | Q2 2015 | Q1 2015 | Q4 2014 | Q3 2014 |
|---|---|---|---|---|---|---|
| Net interest income (TE) (non-GAAP) | | $ 189,119 | $ 189,018 | $ 189,554 | $ 196,509 | $ 197,644 |
| Noninterest income (GAAP) | | 71,426 | 66,582 | 65,847 | 71,960 | 69,733 |
| *Noninterest income adjustments:* | | | | | | |
| | Gains/(losses) on sales of securities | 41 | 567 | 354 | 16 | 14 |
| | Branch closure costs | — | 1,768 | 1,205 | — | — |
| | Adjusted noninterest income (non-GAAP) | 71,385 | 67,783 | 66,698 | 71,944 | 69,719 |
| | Adjusted total revenue, TE excluding securities gains/(losses) (non-GAAP) | 260,504 | 256,801 | 256,252 | 268,453 | 267,363 |
| Noninterest expense (GAAP) | | 160,742 | 161,674 | 160,652 | 165,041 | 163,145 |
| *Noninterest expense adjustments:* | | | | | | |
| Less: | Amortization of intangible assets | 2,598 | 2,598 | 2,598 | 2,933 | 2,933 |
| | Restructure expenses | — | — | 1,767 | 868 | — |
| | Branch closures costs and acquisition related expenses | — | — | — | — | — |
| | Adjusted noninterest expense (non-GAAP) | 158,144 | 159,076 | 156,287 | 161,240 | 160,212 |
| Fee income ratio, as reported (non-GAAP) | | 27.40% | 25.88% | 25.68% | 26.80% | 26.08% |
| Efficiency ratio, as reported, excluding amortization of intangible assets and securities gains (losses) (non-GAAP) | | 60.71% | 62.37% | 61.97% | 60.39% | 59.92% |
| Efficiency ratio, as adjusted (non-GAAP) | | 60.71% | 61.95% | 60.99% | 60.06% | 59.92% |

# FIRSTMERIT Corporation

## Third Quarter 2015 Earnings Conference Call
## Supplemental Information

October 27, 2015

FIRSTMERIT Corporation