



**CHEMICAL**  
FINANCIAL CORPORATION <sup>SM</sup>

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Merger with Northwestern Bancorp, Inc.

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*The Community Bank for Michigan*

March 11, 2014



# “Forward Looking Statements”

This presentation contains forward-looking statements regarding Chemical Financial Corporation's ("Chemical") outlook or expectations with respect to the planned strategic partnership with Northwestern Bancorp, Inc. ("Northwestern"), including the expected costs to be incurred and cost savings to be realized in connection with the transaction, the expected impact of the transaction on Chemical's future financial performance (including anticipated accretion to earnings per share, tangible book value earn-back period and internal rate of return), the assumed purchase accounting adjustments and intangibles and other key transaction assumptions, and consequences of Northwestern's integration into Chemical. Words such as "anticipated," "estimated," "expected," "projected," "assumed," "approximately," "continued," "should," "will" and variations of such words and similar expressions are intended to identify such forward-looking statements. Pro forma financial information is not a projection or prediction of future results and is presented for informational purposes only.

Forward-looking statements are not guarantees of future financial performance and are subject to risks, uncertainties and assumptions ("risk factors") that are difficult to predict with regard to timing, extent, likelihood and degree of occurrence. Therefore, actual results and outcomes may materially differ from what may be expressed or forecasted in such forward-looking statements. Chemical undertakes no obligation to update, amend or clarify forward-looking statements, whether as a result of new information, future events or otherwise.

Risk factors relating both to the transaction and the integration of Northwestern into Chemical after closing include, without limitation:

Completion of the transaction is dependent on, among other things, receipt of regulatory and Northwestern shareholder approvals, the timing of which cannot be predicted with precision at this point and which may not be received at all.

The impact of the completion of the transaction on Chemical's financial statements will be affected by the timing of the transaction, including in particular the ability to complete the acquisition in the third quarter of 2014.

The transaction may be more expensive to complete and the anticipated benefits, including anticipated cost savings and strategic gains, may be significantly harder or take longer to achieve than expected or may not be achieved in their entirety as a result of unexpected factors or events.

The integration of Northwestern's business and operations into Chemical, which will include conversion of Northwestern's operating systems and procedures, may take longer than anticipated or be more costly than anticipated or have unanticipated adverse results relating to Northwestern's or Chemical's existing businesses.

Chemical's ability to achieve anticipated results from the transaction is dependent on the state of the economic and financial markets going forward. Specifically, Chemical may incur more credit losses from Northwestern's loan portfolio than expected and deposit attrition may be greater than expected.

In addition, risk factors include but are not limited to, the risk factors described in Item 1A of Chemical's Annual Report on Form 10-K for the year ended December 31, 2013. These and other factors are representative of the risk factors that may emerge and could cause a difference between an ultimate actual outcome and a forward-looking statement.

## ***Non-GAAP Financial Measures***

This presentation and the accompanying audio presentation may contain certain non-GAAP financial disclosures that are not in accordance with U.S. generally accepted accounting principles (GAAP). The Corporation uses certain non-GAAP financial measures to provide meaningful, supplemental information regarding its operational results and to enhance investors' overall understanding of the Corporation's financial performance. The limitations associated with non-GAAP financial measures include the risk that persons might disagree as to the appropriateness of items comprising these measures and that different companies might calculate these measures differently. These disclosures should not be considered an alternative to the Corporation's GAAP results.



Presented by:  
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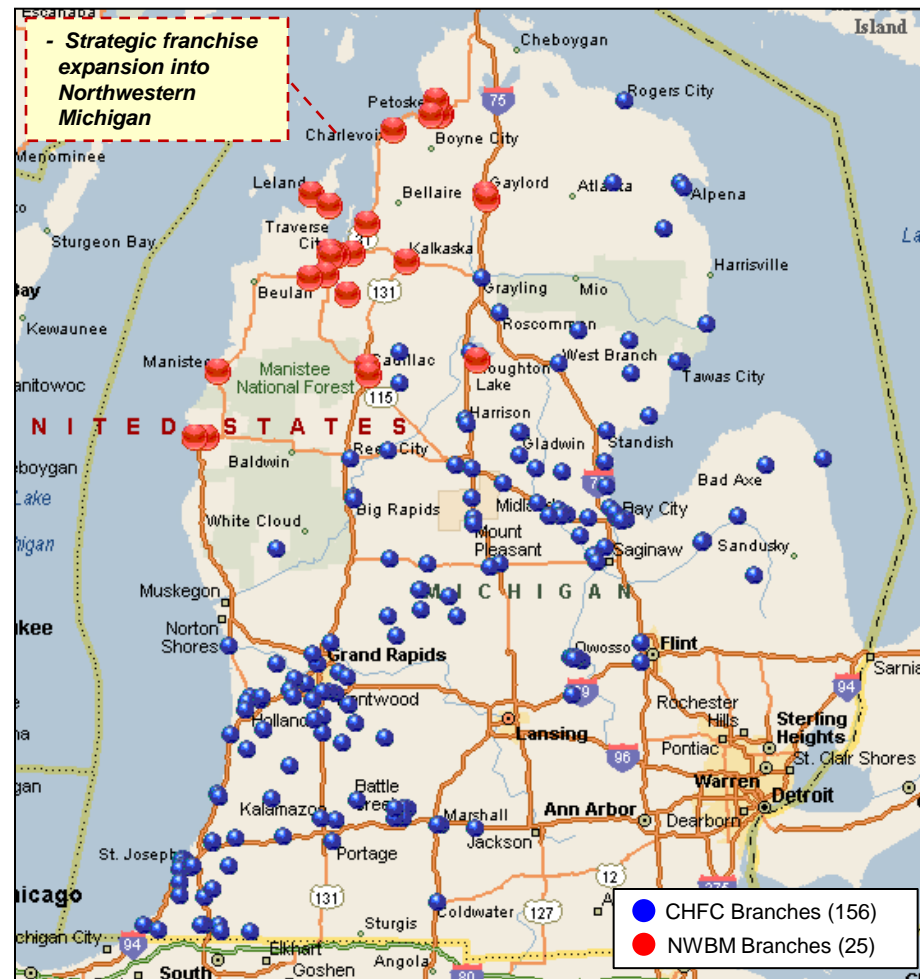


# Merger with Northwestern Bancorp

## Strategic Objectives


- Forges preeminent Michigan-based retail banking franchise, building upon our stated mission as "The Community Bank for Michigan"
- Enhances delivery network through the partnership with a premier northwestern Michigan banking franchise with 25 additional locations across 11 counties
- Pairs institutions with aligned core banking philosophies and cultural traits, as well as complementary branch networks
- Creates an approximately \$7.0 billion (assets) bank with the addition of \$758 million in deposits, \$502 million in total loans, \$1 billion to our wealth management portfolio, and a \$1.3 billion mortgage servicing portfolio
- Transaction results in anticipated double-digit accretion to EPS in first full year

## Pro Forma Geographic Footprint





# Advances Chemical's Core Banking Strategies

Chemical Core Strategies	 <b>Northwestern Bank</b>	Transaction Impacts
<i>“Local” community bank</i>	✓	<ul style="list-style-type: none"> <li>▪ Strong ties to communities served</li> <li>▪ Largest (ranked by deposits) Michigan-owned bank across 11 county market area served</li> <li>▪ #3 ranked deposit market share in the Traverse City MSA with \$423 million in deposits and 13 branches</li> </ul>
<i>Well positioned to opportunistically acquire when strategic fit and pricing are right</i>	✓	<ul style="list-style-type: none"> <li>▪ Excellent strategic, cultural fit</li> <li>▪ Facilitates expected double-digit first full-year EPS accretion</li> <li>▪ Expected TBV incremental earnback period of approximately 5 years</li> </ul>
<i>Franchise built through combination of acquisitions and organic growth</i>	✓	<ul style="list-style-type: none"> <li>▪ Ability to continue growth in northern Michigan</li> <li>▪ Expands Chemical's franchise to attractive Northwestern markets</li> <li>▪ Combined institution presents compelling choice to Michigan consumers and businesses</li> </ul>
<i>Well capitalized, strong balance sheet, focused on effective capital management</i>	✓	<ul style="list-style-type: none"> <li>▪ Efficient deployment of capital</li> <li>▪ “Well capitalized” capital ratios at closing</li> <li>▪ Continued dividend payment and growth over time</li> </ul>
<i>Core deposit funded</i>	✓	<ul style="list-style-type: none"> <li>▪ 82% core, non-time deposits for Northwestern</li> <li>▪ Low current deposit cost of approximately 22 bps for the Northwestern franchise</li> </ul>
<i>Strong credit culture</i>	✓	<ul style="list-style-type: none"> <li>▪ Experienced lending team in place</li> <li>▪ Detailed review of Northwestern loan portfolio</li> </ul>



# Creates Stronger Community Banking Presence in Michigan

## Pro Forma Deposit Market Share <sup>(1)</sup>

Michigan					
No.	Institution (ST)	No. of Branches	Avg. Deposits per Branch (\$000)	Deposits (\$000)	Market Share (%)
1	JPMorgan Chase & Co. (NY)	303	105,540	31,978,710	18.9
2	Comerica Inc. (TX)	216	114,946	24,828,316	14.7
3	PNC Financial Services Group (PA)	224	66,429	14,880,195	8.8
4	Bank of America Corp. (NC)	163	80,484	13,118,970	7.8
5	Fifth Third Bancorp (OH)	251	51,630	12,959,107	7.7
6	Huntington Bancshares Inc. (OH)	170	45,714	7,771,429	4.6
7	Flagstar Bancorp Inc. (MI)	111	69,198	7,680,962	4.6
	<b>Pro Forma</b>	<b>181</b>	<b>30,827</b>	<b>5,579,709</b>	<b>3.3</b>
8	FirstMerit Corp. (OH)	156	35,484	5,535,518	3.3
<b>9</b>	<b>Chemical Financial Corp. (MI)</b>	<b>156</b>	<b>30,862</b>	<b>4,814,433</b>	<b>2.9</b>
10	Royal Bank of Scotland Group	103	46,035	4,741,554	2.8
<b>24</b>	<b>Northwestern Bancorp (MI)</b>	<b>25</b>	<b>30,611</b>	<b>765,276</b>	<b>0.5</b>
<b>Total For Institutions In Market</b>		<b>2,896</b>	<b>58,321</b>	<b>168,897,380</b>	

Michigan Excluding the Detroit MSA					
No.	Institution (ST)	No. of Branches	Avg. Deposits per Branch (\$000)	Deposits (\$000)	Market Share (%)
1	Fifth Third Bancorp (OH)	172	51,488	8,856,012	12.8
	<b>Pro Forma</b>	<b>181</b>	<b>30,827</b>	<b>5,579,709</b>	<b>8.0</b>
2	JPMorgan Chase & Co. (NY)	130	45,168	5,871,795	8.5
<b>3</b>	<b>Chemical Financial Corp. (MI)</b>	<b>156</b>	<b>30,862</b>	<b>4,814,433</b>	<b>6.9</b>
4	PNC Financial Services Group (PA)	125	38,504	4,813,011	6.9
5	FirstMerit Corp. (OH)	126	29,371	3,700,774	5.3
6	Huntington Bancshares Inc. (OH)	106	31,072	3,293,609	4.7
7	Comerica Inc. (TX)	63	46,302	2,917,006	4.2
8	Wells Fargo & Co. (CA)	18	154,936	2,788,849	4.0
9	Mercantile Bank Corp. (MI)	54	42,296	2,284,006	3.3
10	Flagstar Bancorp Inc. (MI)	46	42,525	1,956,143	2.8
<b>20</b>	<b>Northwestern Bancorp (MI)</b>	<b>25</b>	<b>30,611</b>	<b>765,276</b>	<b>1.1</b>
<b>Total For Institutions In Market</b>		<b>1,791</b>	<b>38,774</b>	<b>69,444,398</b>	

(1) Source: SNL Financial; deposit data per FDIC as of 6/30/2013.

## Preeminent Community Banking Franchise

- Post close, Chemical will have the largest retail branch delivery network (ranked by number of branch locations), outside of the Detroit MSA of any financial institution operating in Michigan
- On a pro forma basis, upon consummation of the merger Chemical Bank will become:
  - The 8th largest institution in Michigan (ranked by deposit market share at June 30, 2013) overall; and
  - The largest Michigan-based financial institution and second largest financial institution ranked by deposits when excluding the Detroit MSA
- Chemical will continue to utilize a regional structure and Community Advisory Boards to ensure that decision-making and ties to the community remain localized. With the addition of a northwestern Michigan Community Advisory Board, Chemical will have 18 such boards that guide its efforts throughout the State



# Provides Entry to Attractive Northwestern Michigan Markets

## Market Overview

- Northwestern Bank has branches in 11 northwestern Michigan counties. Greatest concentration of deposits is in Grand Traverse County; Traverse City is county seat.
- Traverse City MSA comprised of four counties with total population of 143,372 at 2010 Census
- Employment has definite seasonality, peaking in summer due to agricultural and tourism-related activities. Employers in Grand Traverse County are primarily service based, contributing to low unemployment levels.
- Grand Traverse County serves as a hub for services in Northern Michigan, such as medical and education
- Area is also widely known for its multi-season attractions (skiing, golf and arts & entertainment) and has many second homes owned by out-of-area residents
- Traverse City routinely named among “Best Places to Retire” in U.S. by Money Magazine, other rankings

## Top 10 Employers for Grand Traverse County (1)

Employer	# of Employees
1 Munson Medical Center	3,740
2 Traverse City Area Public Schools	1,984
3 Grand Traverse Resort & Casino	943
4 Northwestern Michigan College	700
5 Traverse Bay Intermediate School District	618
6 Grand Traverse County Government	530
7 Sara Lee Bakery	500
8 Grand Traverse Pavilions	470
9 Hagerty Insurance	450
10 Interlochen Center for the Arts	350

## Unemployment Rate Comparison (2)

Grand Traverse County	7.4%	State of Michigan	7.7%
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(1) Traverse City Chamber for Commerce. (2) U.S. Bureau of Labor Statistics as of December 2013.



# Transaction Highlights

## Transaction Value

- Aggregate deal value of \$120.0 million
- Purchase price per share of approximately \$564

## Transaction Multiples

- Price / Tangible Book Value = 1.79x
- Price / Book Value = 1.74x
- Price / NWBM Est. 2014 EPS = 19.9x

## Transaction Consideration

- 100% cash consideration
  - Deal funded with a combination of the proceeds from the common stock offering, bank level dividend capacity, and a \$50 million committed holding company senior debt facility from a correspondent lender
- Northwestern option holders will receive cash consideration in the transaction
- Cash structure reflects the desires of the closely held shareholder base

## Integration

- Transaction expected to close in 3Q 2014
- One member from the Northwestern Board of Directors will join the Chemical Board of Directors
- Retention of key members of the Northwestern management team and employees
- Northwestern Bank will be consolidated with Chemical Bank, headquartered in Midland, Michigan. Northwestern offices will operate as Chemical Bank branches

## Financial Impact

- Transaction is projected to achieve approximately 16% EPS accretion immediately (with cost savings fully phased-in)
- Tangible book value earn-back period projected at approximately 5 years using the incremental TBV earn-back method, including acquisition expenses
- Internal rate of return to Chemical is estimated to be 20%+





# Key Transaction Assumptions

## Transaction Assumptions

- Estimated net cost savings of 28%, or \$10.8 million
- Strong incremental loan growth above Northwestern's base-line projections within its markets
- Transaction-related expenses estimated at \$12.6 million pre-tax and \$8.9 million after-tax

## Divestitures & Branch Consolidations

- Assumes divestiture of one branch in Gaylord due to antitrust issues
- Assumes consolidation of four branches in the transaction (impacts included in projections)

## Preliminary Purchase Accounting Adjustments & Intangibles

- Gross loan credit mark estimated at \$30.0 million
- Loan interest rate mark estimated at \$8.5 million
- PP&E mark estimated at \$9.5 million
- Other fair market value adjustments estimated for various items
- Core deposit intangible of 2.0% assumed on Northwestern non-time deposits (\$12.3 million) with amortization over a 10-year period
- Goodwill at closing estimated to be \$67.0 million



# Pro Forma Capital Ratios

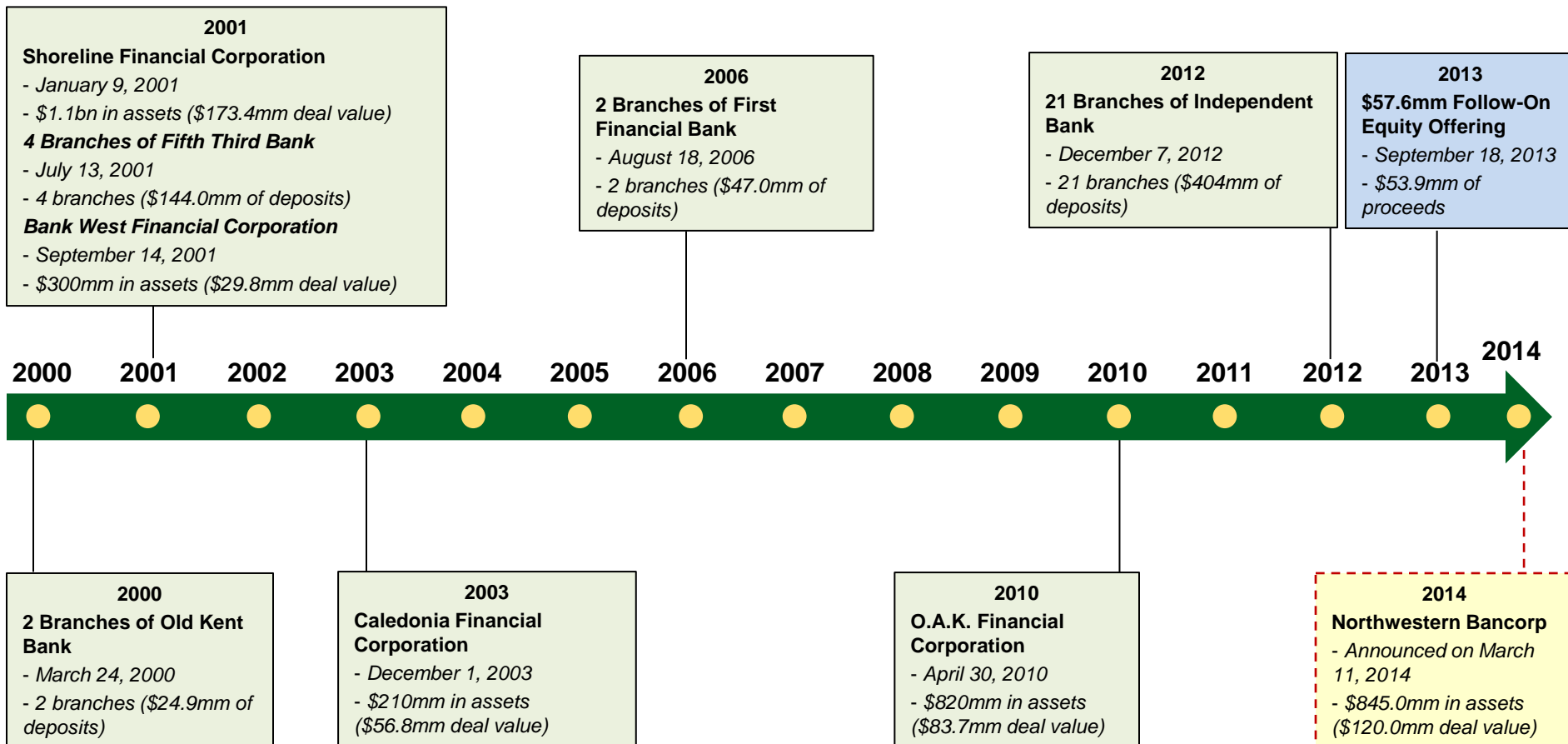
Pro Forma Capital Ratios			
Capital Ratio	Peer Median <sup>(1)</sup> 12/31/2013	CHFC 12/31/2013	Projected at 12/31/2014
Tang. Common Equity / Tangible Assets (%)	9.0%	9.4%	7.4%
Tier 1 Leverage Ratio (%)	10.5%	9.9%	7.8%
Tier 1 Capital Ratio (%)	13.3%	12.7%	10.8%
Total Risk-Based Capital Ratio (%)	15.2%	14.0%	12.1%

(1) CHFC peer group consists of FNB, ONB, MBFI, UBSI, FMBI, NPBC, PRK, FFBC, FCF, WSBC, PNFP, SRCE, STBA, FRME, GSBC, CTBI, and BUSE (ordered by asset size).



# Depth of Transaction History

## Successful Acquisition Experience – 9 Transactions Since 2000





# Summary

## Strategic Rationale

- Builds on Chemical’s vision and mission to be the “Community Bank for Michigan”
- Creates a stronger geographic presence in the State of Michigan
- Accesses key, targeted markets for Chemical, providing immediate scale in the Traverse City area

## Advances Core Strategies

- Allows Chemical to advance core banking strategies

## Financially Attractive

- Price provides for attractive financial metrics:
  - Expected 16% EPS accretion immediately with cost saves fully phased in
  - Projected tangible book value incremental earnback period of approximately 5 years
  - Estimated 20%+ internal rate of return
- Compelling opportunities for synergies



# Q&A



**Thank You for Participating  
in Today's Call**

**For Additional Questions,  
Contact:**

**Lori Gwizdala  
(989) 839-5350**



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Appendix

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# Overview of Northwestern Bancorp

## Franchise Highlights

- **Core Deposit Franchise** – Large amount of core deposits with approx. 82% of the composition in non-time deposits
- **Cost of Deposits** – Approx. 22 bps cost of total deposits for 3Q 2013 for the Northwestern franchise
- **Branch Network** – Northwestern has a top-25 deposit market share in the state of Michigan
- **Traverse City** – #3 ranked market share in the Traverse City MSA with \$423 million in deposits and 13 branches
- **Fee Income** – Noninterest Income / Operating Revenue of 49% and NII / AA of 2.8% for 3Q 2013
- **Reserves** – Company has built up a strong level of reserves to protect against credit losses with ALLL / Loans of 3.3%
- **Capital Levels** – Northwestern has a capital buffer with an 8.5% Leverage Ratio

## Northwestern Financial Overview <sup>(1)</sup>

<i>(Dollars in Thousands)</i>	At or for the year ended,			YTD
	12/31/2010	12/31/2011	12/31/2012	9/30/2013
<b>Balance Sheet</b>				
Total Assets	\$ 912,774	\$ 867,714	\$ 860,195	\$ 873,772
Total Gross Loans	733,928	664,690	611,809	519,810
Deposits	828,083	784,005	772,457	788,432
Common Equity	79,023	80,254	69,339	68,083
<b>Balance Sheet Ratios</b>				
Loans / Deposits (%)	85.60	82.74	76.34	65.29
TCE / TA (%)	8.41	9.02	7.84	7.58
Leverage Ratio (%)	7.44	8.55	8.59	8.53
Tier 1 Ratio (%)	10.19	11.31	11.49	12.59
Total Capital Ratio (%)	11.44	12.57	12.75	13.86
<b>Profitability Metrics</b>				
Net Income	\$ 5,212	\$ 1,695	\$ (3,618)	\$ (1,288)
Pre-Tax Pre-Provision Income	14,647	12,868	9,739	5,860
ROAA (%)	0.55	0.19	(0.42)	(0.20)
ROAE (%)	6.86	2.13	(4.81)	(2.52)
Net Interest Margin (%)	3.75	4.07	3.64	3.46
Efficiency Ratio (%)	71.68	72.22	79.54	84.03
<b>Asset Quality</b>				
NPAs / Assets (%)	3.86	7.60	6.03	6.15
NCOs / Avg Loans (%)	0.60	1.12	2.09	1.31
Reserves / Loans (%)	1.60	2.14	2.39	3.25
Texas Ratio (Common) (%)	39.90	71.41	63.34	64.84

(1) Source: SNL Financial; consolidated financial data as of 9/30/2013.



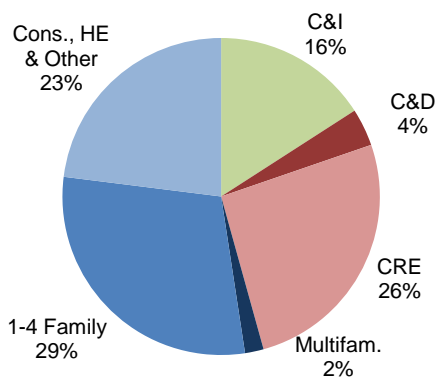


# Pro Forma Loan Composition

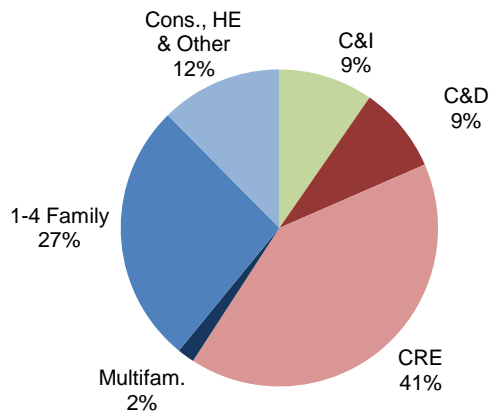
- Pro forma combined loan balance is approx. \$5.2 billion, as the Northwestern franchise adds approx. \$500 million of loans
- Chemical is confident in its ability to grow loans in Northwestern markets and integrate current customers

## Pro Forma Loan Composition

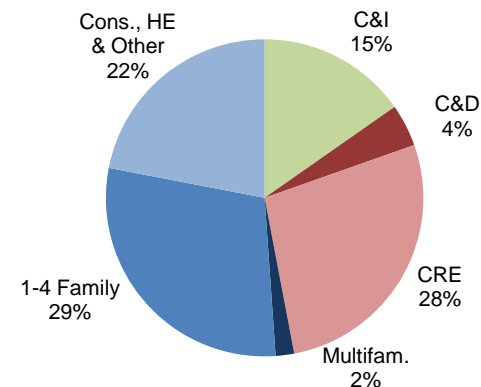
**CHFC Loan Composition**



**NWBM Loan Composition**



**Pro Forma**



CHFC Loans	Amount (\$000)	% of Total (%)
Commercial & Industrial	\$ 739,621	15.9%
Constr & Land Development	178,076	3.8%
Commercial RE (Incl. Farm)	1,208,055	26.0%
Multifamily Loans	88,402	1.9%
1-4 Family Loans	1,367,813	29.4%
Consumer, Home Equity & Other	1,070,873	23.0%
<b>Total Loans</b>	<b>4,652,840</b>	<b>100.0%</b>

NWBM Loans	Amount (\$000)	% of Total (%)
Commercial & Industrial	\$ 48,764	9.6%
Constr & Land Development	44,690	8.8%
Commercial RE (Incl. Farm)	206,137	40.7%
Multifamily Loans	8,845	1.7%
1-4 Family Loans	135,024	26.7%
Consumer, Home Equity & Other	62,835	12.4%
<b>Total Loans</b>	<b>506,295</b>	<b>100.0%</b>

Pro Forma Loans	Amount (\$000)	% of Total (%)
Commercial & Industrial	\$ 788,385	15.3%
Constr & Land Development	222,766	4.3%
Commercial RE (Incl. Farm)	1,414,192	27.4%
Multifamily Loans	97,247	1.9%
1-4 Family Loans	1,502,837	29.1%
Consumer, Home Equity & Other	1,133,708	22.0%
<b>Total Loans</b>	<b>5,159,135</b>	<b>100.0%</b>

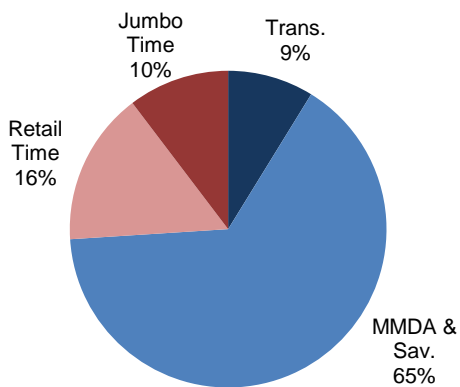


# Pro Forma Deposit Composition

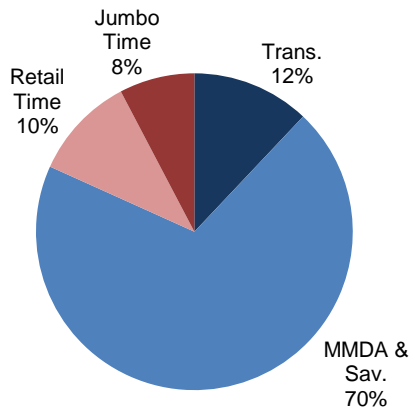
- Northwestern has a large amount of core deposits with approx. 82% of the composition in non-time deposits
- Pro forma combined deposits of approx. \$5.9 billion, as Northwestern adds \$758 million to the Chemical franchise

## Pro Forma Deposit Composition

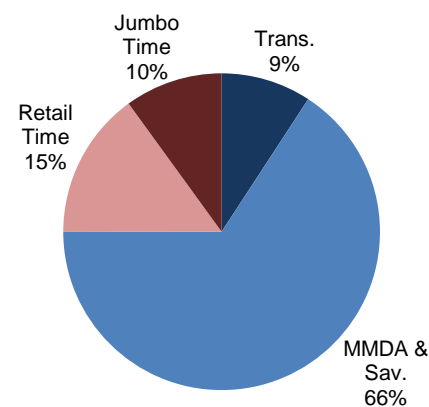
**CHFC Deposit Composition**



**NWBM Deposit Composition**



**Pro Forma**



CHFC Deposits	Amount (\$000)	% of Total (%)
Transaction Accounts	\$ 449,993	8.8%
MMDA & Savings	3,339,720	65.2%
Retail Time Deposits	803,357	15.7%
Jumbo Time Deposits	529,315	10.3%
<b>Total Deposits</b>	<b>5,122,385</b>	<b>100.0%</b>

NWBM Deposits	Amount (\$000)	% of Total (%)
Transaction Accounts	\$ 91,332	12.0%
MMDA & Savings	528,526	69.7%
Retail Time Deposits	80,168	10.6%
Jumbo Time Deposits	58,310	7.7%
<b>Total Deposits</b>	<b>758,336</b>	<b>100.0%</b>

Pro Forma Deposits	Amount (\$000)	% of Total (%)
Transaction Accounts	\$ 541,325	9.2%
MMDA & Savings	3,868,246	65.8%
Retail Time Deposits	883,525	15.0%
Jumbo Time Deposits	587,625	10.0%
<b>Total Deposits</b>	<b>5,880,721</b>	<b>100.0%</b>



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