



**2014 Third Quarter  
Earnings Release  
October 23, 2014**

Presented by:

David B. Ramaker

Chairman, Chief Executive Officer and President

Lori A. Gwizdala

Executive Vice President and Chief Financial Officer



## **2014 Q3 Earnings Release**

### **Supplemental Information**

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Chairman, Chief Executive Officer  
and President

Lori A. Gwizdala

Executive Vice President and Chief  
Financial Officer



# Forward Looking Statements

This presentation and the accompanying audio presentation may contain forward-looking statements that are based on management's beliefs, assumptions, current expectations, estimates and projections about the financial services industry, the economy and Chemical Financial Corporation (Corporation). Words such as "anticipates," "believes," "estimates," "expects," "forecasts," "intends," "is likely," "judgment," "opinion," "plans," "predicts," "probable," "projects," "should," "trend," "will," and variations of such words and similar expressions are intended to identify such forward-looking statements. Such statements are based upon current beliefs and expectations and involve substantial risks and uncertainties which could cause actual results to differ materially from those expressed or implied by such forward-looking statements. These statements include, among others, statements related to future levels of loan charge-offs, future levels of provisions for loan losses, real estate valuation, future levels of nonperforming assets, the rate of asset dispositions, future capital levels, future changes in regulatory requirements, future dividends, future growth and funding sources, future liquidity levels, future profitability levels, future deposit insurance premiums, the effects on earnings of future changes in interest rates, the future level of other revenue sources, future economic trends and conditions, future initiatives to expand the Corporation's market share, expected performance and cash flows from acquired loans, future effects of new or changed accounting standards, future opportunities for acquisitions, opportunities to increase top line revenues, the Corporation's ability to grow its core franchise, future cost savings and the Corporation's ability to maintain adequate liquidity and capital based on the requirements adopted by the Basel Committee on Banking Supervision and U.S. regulators. All statements referencing future time periods are forward-looking.

Management's determination of the provision and allowance for loan losses; the carrying value of acquired loans, goodwill and mortgage servicing rights; the fair value of investment securities (including whether any impairment on any investment security is temporary or other-than-temporary and the amount of any impairment); and management's assumptions concerning pension and other postretirement benefit plans involve judgments that are inherently forward-looking. There can be no assurance that future loan losses will be limited to the amounts estimated. All information concerning interest rate sensitivity is forward-looking. The future effect of changes in the financial and credit markets and the national and regional economies on the banking industry, generally, and on the Corporation, specifically, are also inherently uncertain. These statements are not guarantees of future performance and involve certain 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. The Corporation undertakes no obligation to update, amend or clarify forward-looking statements, whether as a result of new information, future events or otherwise.

This presentation and the accompanying audio presentation may also contain forward-looking statements regarding the Corporation's outlook or expectations with respect to the planned merger with Northwestern Bancorp, Inc. (Northwestern), the expected costs to be incurred in connection with the merger, Northwestern's future performance and consequences of its integration into the Corporation and the impact of the merger on the Corporation's future performance.

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

The impact of the completion of the merger the Corporation's financial statements will be affected by the timing of the transaction, including in particular the ability to complete the merger in the fourth quarter of 2014.

The merger 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 the Corporation, 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 the Corporation's existing businesses.

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

Risk factors also include, but are not limited to, the risk factors described under "Risk Factors" (including the risk factors under the heading "Risk Factors – Risks Related to the Pending Merger with Northwestern") in the Corporation's Prospectus Supplement dated June 19, 2014, and in Item 1A of the Corporation'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 preceding 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.



# Q3 2014 Highlights

- Continued strong organic loan growth; up 2.9% in the 3<sup>rd</sup> quarter 2014 and 8.5% YTD through September 30, 2014
- Net Income, excluding acquisition-related expenses, up 17.4% over 3<sup>rd</sup> qtr. 2013 and 5.6% over 2<sup>nd</sup> qtr. 2014
- Solid asset quality ratios
  - NCO/Total Loans ratio of 0.18% year-to-date through September 30, 2014
  - NPA/Assets ratio of 1.23% at September 30, 2014
- Regulatory approval of Northwestern Bancorp transaction



# Income Statement Highlights

## Financial Highlights

(dollars in thousands except per share data)	2014 3 <sup>rd</sup> Qtr.	2013 3 <sup>rd</sup> Qtr.	2014 2 <sup>nd</sup> Qtr.
Net interest income	\$53,068	\$49,294	\$51,460
Provision for loan losses	1,500	3,000	1,500
Noninterest income	15,351	14,644	15,801
Operating expenses <sup>(1)</sup>	42,702	39,545	42,425
Net income	16,767	14,993	16,236
Diluted EPS	0.51	0.53	0.54
Avg. Diluted Shares Outstanding	32,956	28,037	30,279
Return on Avg. Assets	1.04%	1.00%	1.04%
Return on Avg. Shareholders' Equity	8.4%	9.6%	9.1%
Efficiency Ratio	59.2%	61.0%	60.9%
Tangible Equity/Assets	10.5%	8.9%	11.0%
Tangible Book Value/Share	\$20.68	\$18.36	\$20.42

### Prior-Year Quarter Comparison

- Significant increase in net interest income; attributable to \$518 million, or 11%, growth in total loans over the 12 months ended September 30, 2014

### Prior Quarter Comparison

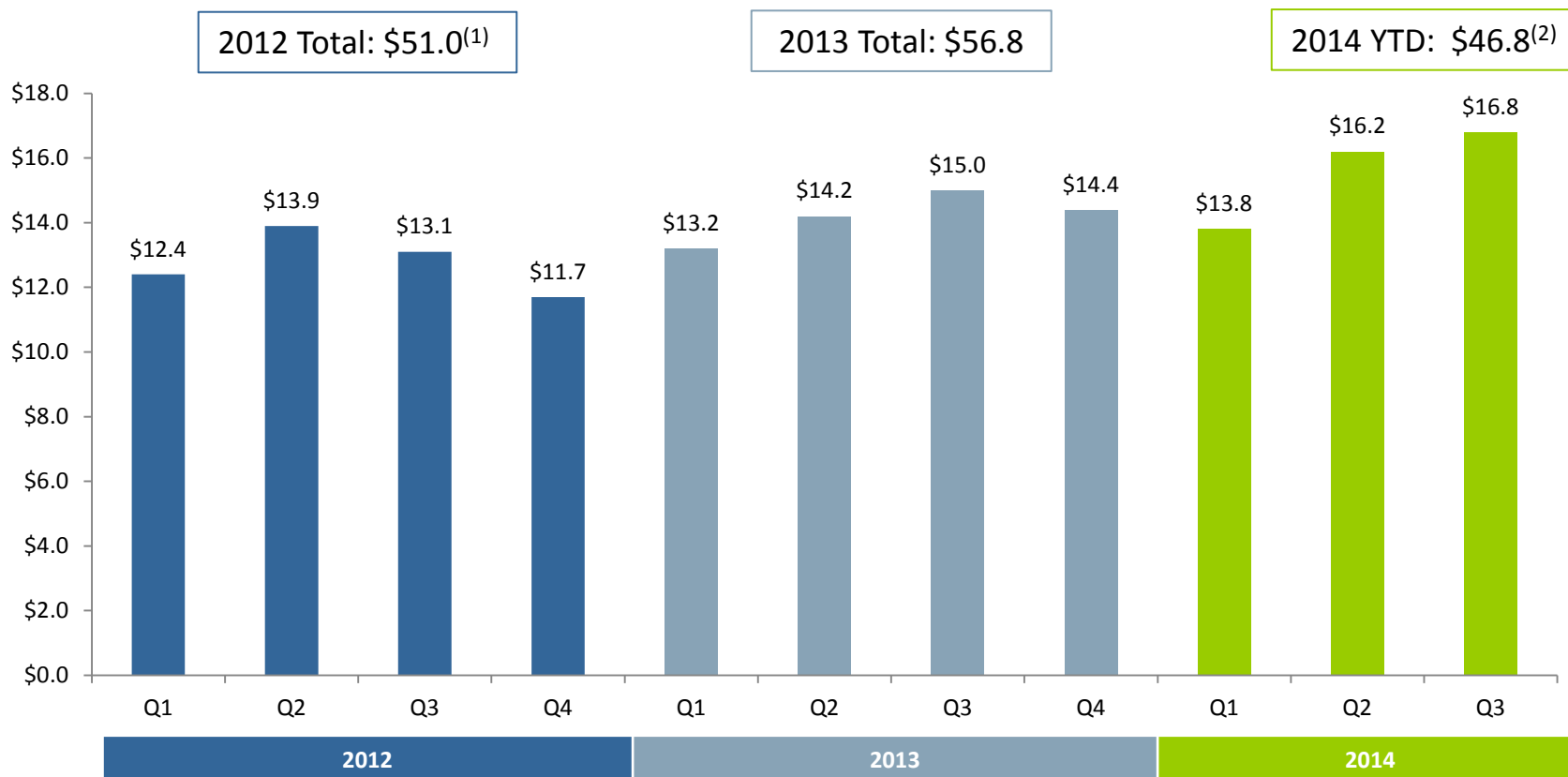
- Increase in net interest income due to continued loan growth
- Reduction in operating expenses excluding acquisition-related expenses; attributable to decreases throughout most categories

<sup>(1)</sup>Includes acquisition-related expenses of \$1.3 million in the third quarter of 2014 and \$0.7 million in the second quarter of 2014



# Net Income

## Net Income Trending Upward (\$ Millions)



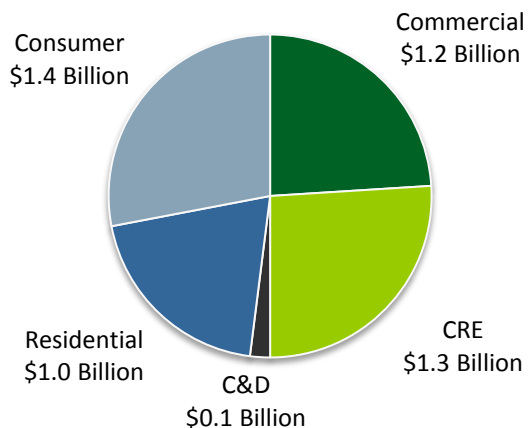
(1) Includes acquisition-related expenses of \$2.9M

(2) Includes acquisition-related expenses of \$2.2M

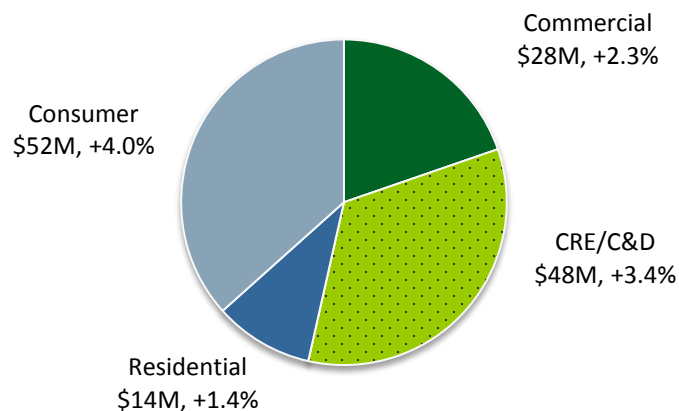


# Loan Portfolio & Growth Trends

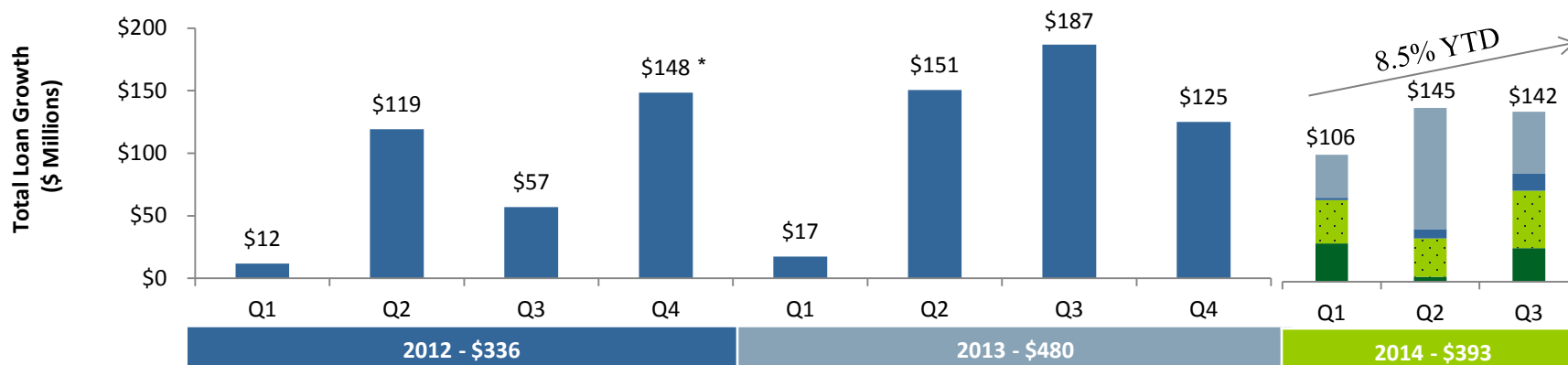
## Loan Portfolio, \$5.0 Billion, at September 30, 2014



## 2014 Q3 Loan Growth, \$142 Million Total



## Total Loan Growth Trends (\$ Millions) – Organic Growth & Acquisitions

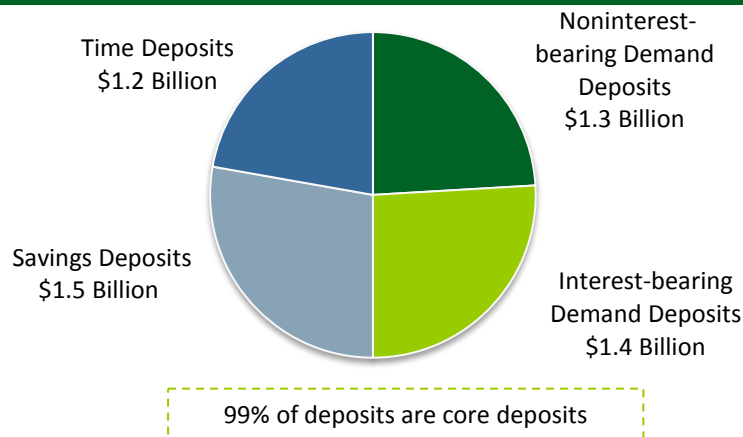


\* Acquisition growth of \$44 million in 2012.

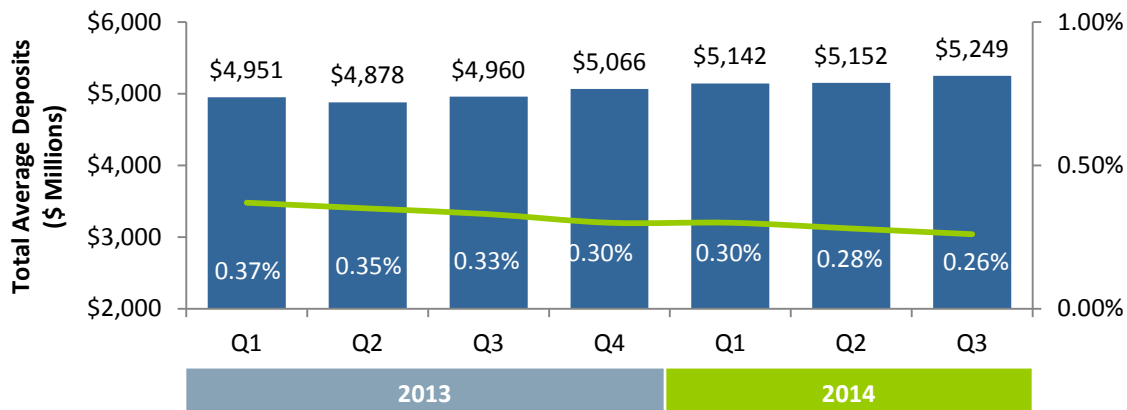


# Deposit Composition

## Total Deposits, \$5.4 Billion, at September 30, 2014



## Average Deposits (\$ Millions) & Cost of Deposits (%)



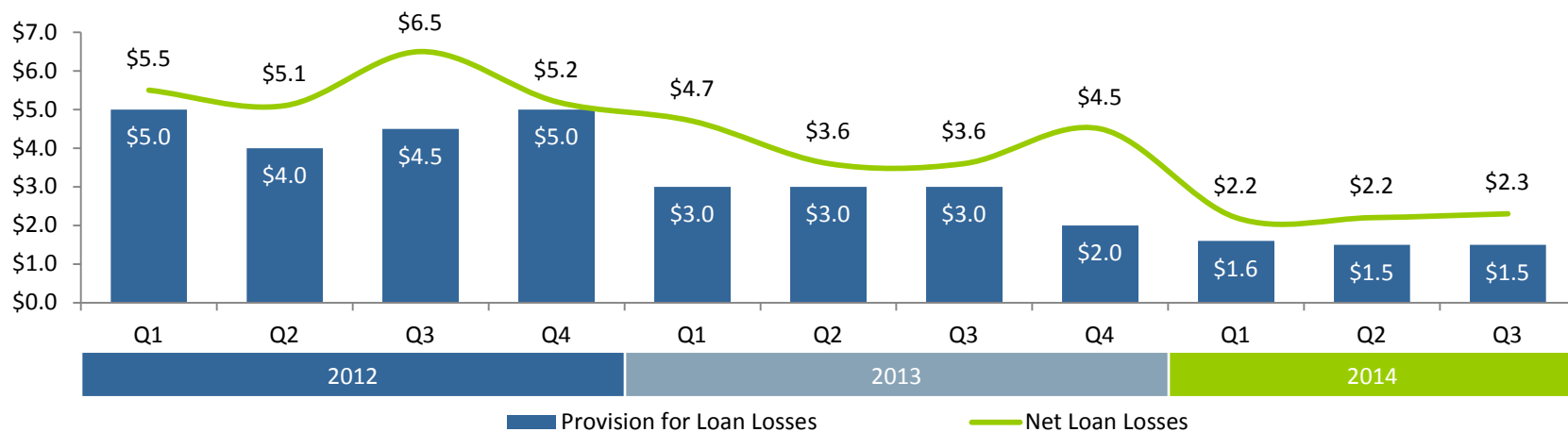
(1) Cost of deposits based on period averages



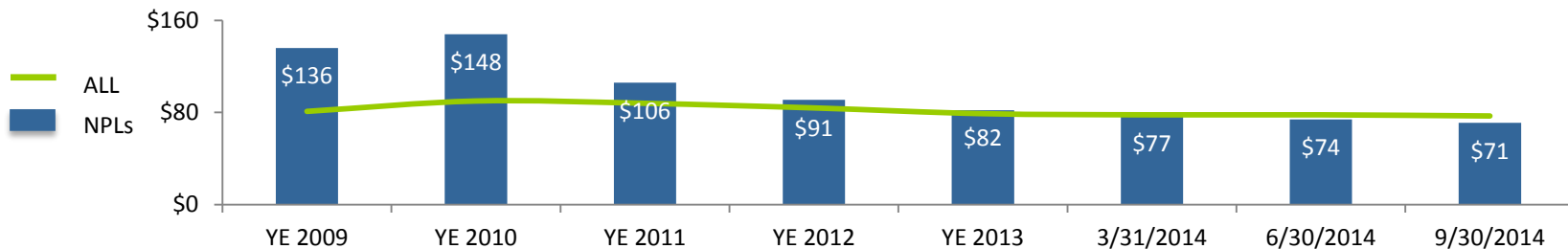


# Credit Quality

## Provision for Loan Losses vs. Net Loan Losses (\$ Millions)



## Nonperforming Loans (NPLs) and Allowance for Loan Losses (ALL) (\$ Millions)

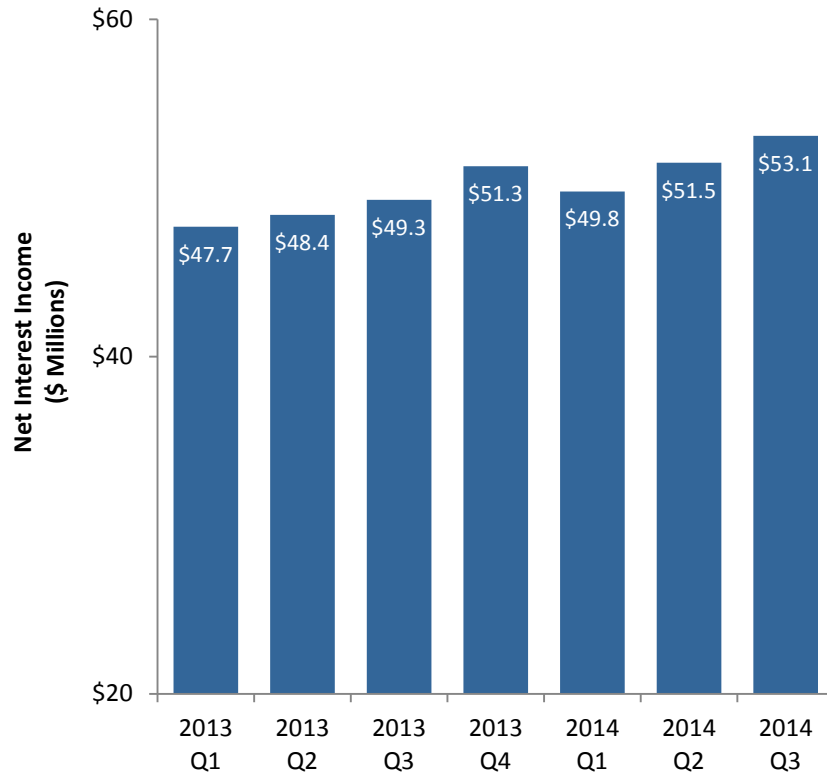


ALL	\$81	\$90	\$88	\$84	\$79	\$78	\$78	\$77
ALL/Originated Loans	2.70%	2.86%	2.60%	2.22%	1.81%	1.75%	1.67%	1.60%
NPLs/Loans	4.54%	4.01%	2.77%	2.18%	1.76%	1.61%	1.51%	1.40%

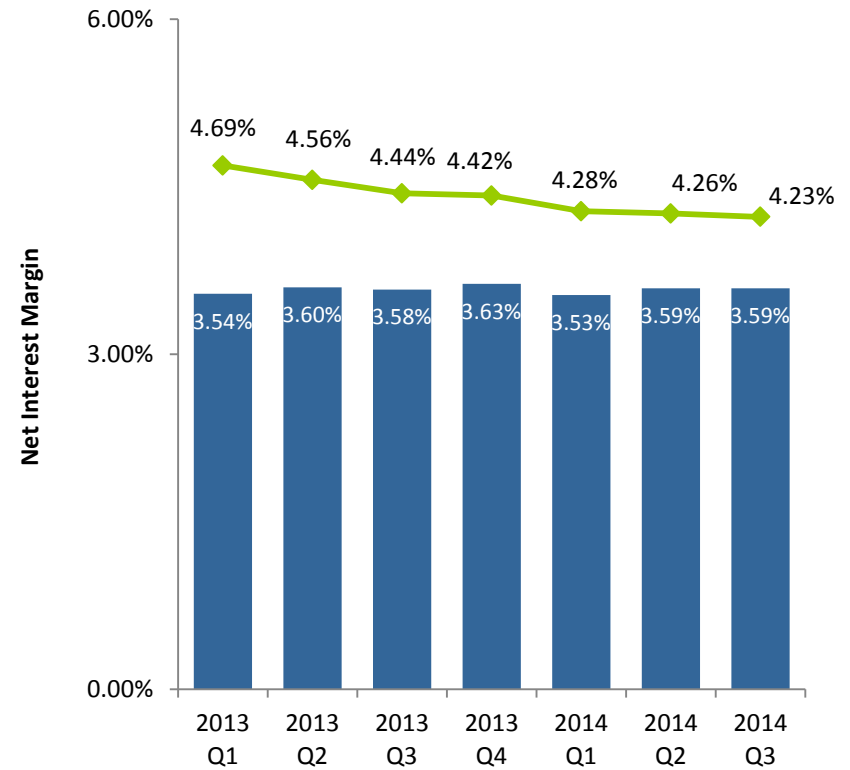


# Net Interest Income and Net Interest Margin

### Net Interest Income – Quarterly Trend



### Net Interest Margin – Quarterly Trend

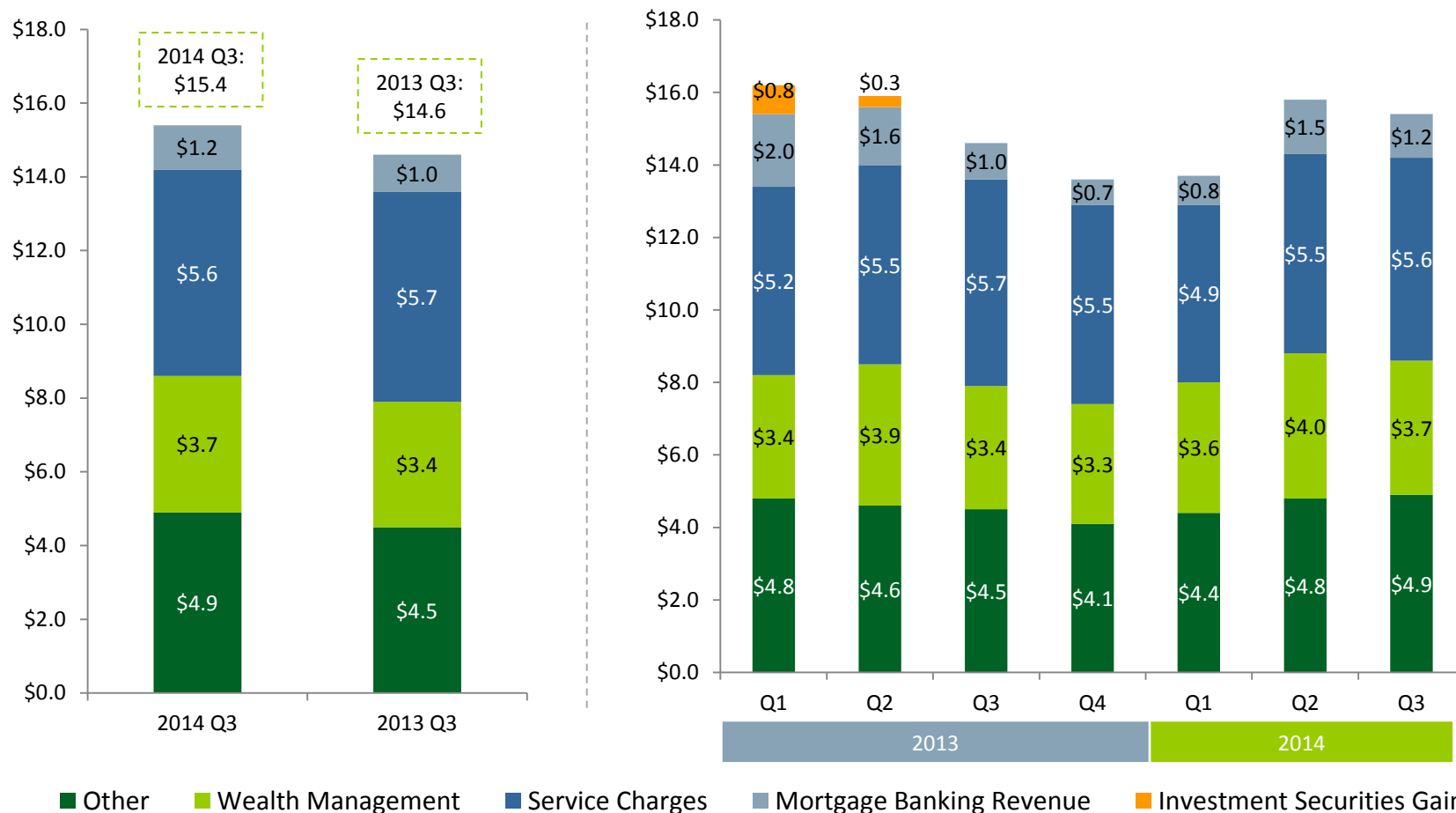


◆ Loan Yields



# Non-Interest Income

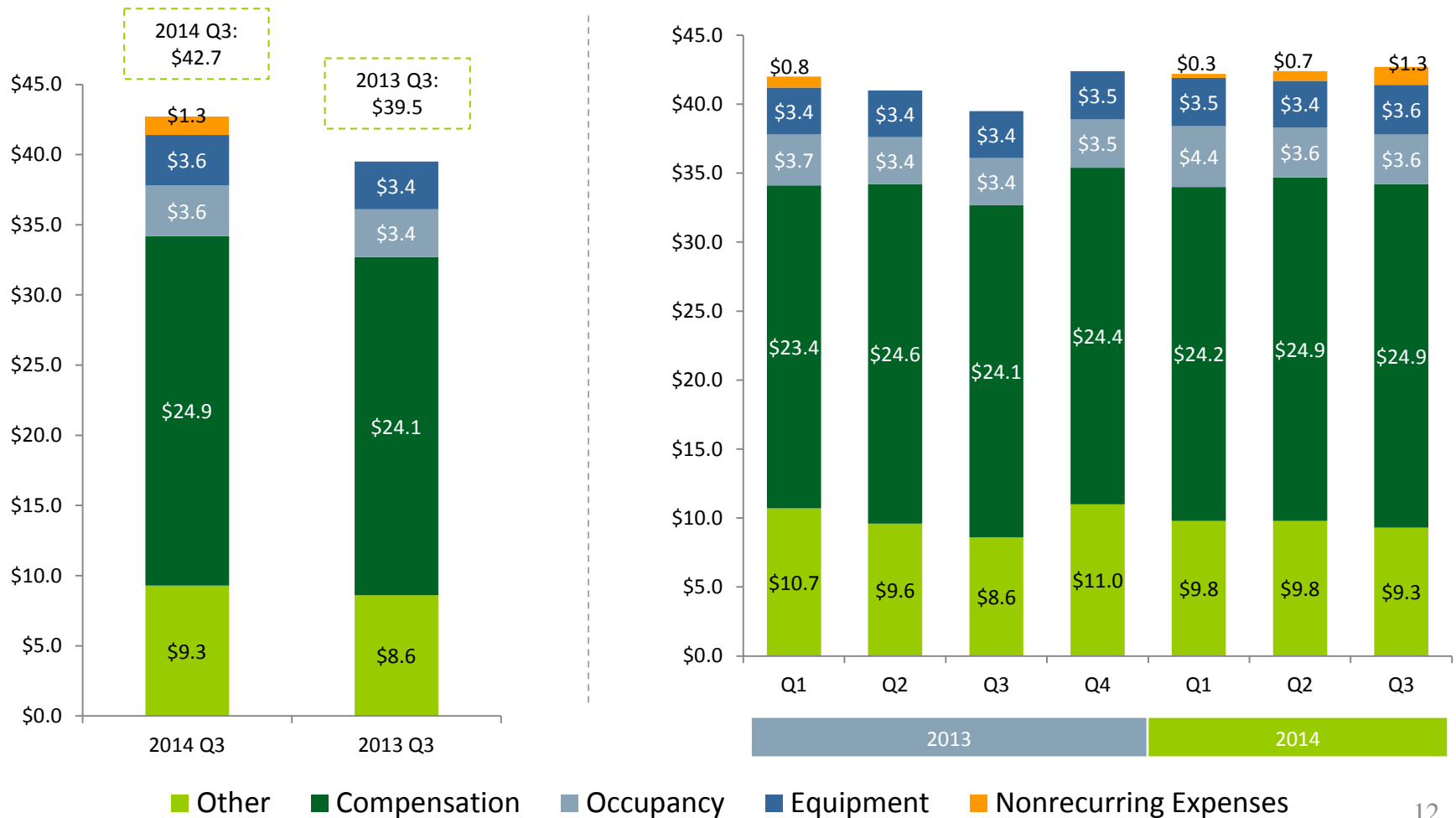
Quarterly Non-Interest Income (\$ Millions)





# Operating Expenses

## Quarterly Operating Expenses (\$ Millions)





# Closing Comments

- Emphasize our strategy of being **Michigan's community bank of choice**
- Concentrated on opportunities for **acquisitive growth and industry consolidation**
- Focused on **what we can control**



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