



Northwest

Bancshares, Inc.

NASDAQ GS:NWBI

Acquisition of Donegal Financial Services Corporation (parent of Union Community Bank)



June 12, 2018

Presented By



- William J. Wagner – Chairman & CEO
- Ronald J. Seiffert – President & COO
- William W. Harvey, Jr. – Senior EVP & CFO



Disclosures

Forward-Looking Statement

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, statements about (1) the benefits of the merger between Northwest Bancshares, Inc. (“Northwest”) and Donegal Financial Services Corporation (“Donegal”), including anticipated future results, cost savings and accretion to reported earnings that may be realized from the merger; (2) Northwest’s and Donegal’s plans, objectives, expectations and intentions and other statements contained in this presentation that are not historical facts; and (3) other statements identified by words such as “expects,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” “estimates” or words of similar meaning.

Forward-looking statements involve risks and uncertainties that may cause actual results to differ materially from those in such statements. The following factors, among others, could cause actual results to differ materially from the anticipated results expressed in the forward-looking statements: the businesses of Northwest and Donegal may not be combined successfully, or such combination may take longer than expected; the cost savings from the merger may not be fully realized or may take longer than expected; operating costs, customer loss and business disruption following the merger may be greater than expected; governmental approvals of the merger may not be obtained, or adverse regulatory conditions may be imposed in connection with governmental approvals of the merger or otherwise; the stockholders of Donegal may revise their approval of the merger; credit and interest rate risks associated with Northwest’s and Donegal’s respective businesses; and difficulties associated with achieving expected future financial results. Additional factors that could cause actual results to differ materially from those expressed in the forward-looking statements are discussed in Northwest’s reports (such as the Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K) filed with the SEC and available at the SEC’s Internet website (www.sec.gov). All subsequent written and oral forward-looking statements concerning the proposed transaction or other matters attributable to Northwest or Donegal or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements above. Except as required by law, Northwest and Donegal do not undertake any obligation to update any forward-looking statement to reflect circumstances or events that occur after the date the forward-looking statement is made.



Initial Transaction Appeal

- First opportunity we have seen in our footprint in 2 ½ years.
 - Best opportunity for a whole-bank acquisition in our Eastern Region in over 20 years.
- Market dynamics – Lancaster County is one of the fastest growing counties in Pennsylvania.
- With the \$10 billion threshold looming, it was an opportunity to effectively offset the loss of transaction income mandated by the Durbin Amendment to the Dodd-Frank Act.
- Solid network of community based offices strategically located primarily in western Lancaster County which complement Northwest's six locations. Caters to Northwest's strength as a small-town bank.
- Commercial bank balance sheet – diversified loan portfolio + good deposit mix = strong net interest margin.
- Simple business model – banking and brokerage. No unusual products or services.
- Strong oversight and support provided by Donegal ownership group – very well managed and conservative institution.

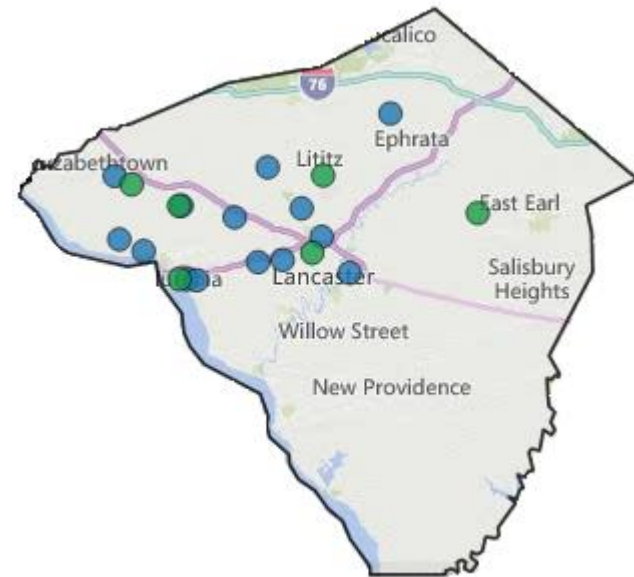


DFSC Highlights

Company Overview (1Q18)* (\$000s)

	Company Overview (1Q18)* (\$000s)	
Company Info.	Year Founded	2000
	Headquarters	Marietta, PA
	Branches	14
Balance Sheet	Total Assets	577,379
	Loans	429,593
	Deposits	490,204
	Tang. Common Equity	79,365
Credit	NPLs / Total Loans	0.42%
	Net Charge-Offs / Avg. Loans	0.02%
1Q18 Ann.	Net Interest Income	20,096
	Non-Interest Expense	17,044
	Net Income to Common	5,244
	ROAA	0.92%
	ROAE	6.52%

Lancaster County, PA



● NWBI Branches ● DFSC Branches

*Financial data as of or for the three months ended March 31, 2018.



Transaction Summary

Key Terms

- 100% of shares owned by Donegal Group Inc. (NASDAQ:DGICA) and Donegal Mutual Insurance Company.
- Consideration: Fixed exchange of 50% stock/50% cash. 137.84 shares of NWBI stock and \$2,379.09 in cash for each share of DFSC stock.
- Deal value = \$4,758.21 per DFSC share, or \$85 million in the aggregate. Exchange ratio based on NWBI's average closing price of \$17.26.
- Protective collars equal to 10% stock consideration to the upside and downside. Deal value range of \$80.75 million to \$89.25 million.
- Northwest has the ability to alter stock/cash mix if our stock price decreases by more than 10%.
- Tangible book value dilution of less than 3% with an earn back period of less than 4 years.

Note: Exchange ratio is calculated using the 10 day average closing stock price of Northwest Bancshares, Inc. ending June 4, 2018 (the fifth trading day immediately preceding the date of the merger agreement).



Transaction Summary

Key Terms

- Transaction anticipated to close in the 1st quarter of 2019, subject to regulatory approval and other customary closing conditions. (Required approvals: FDIC, PA Department of Banking, Federal Reserve Bank of Cleveland)
- Pro forma ownership: [97.7% NWBI / 2.3% Donegal Group]
- No capital raise necessary.
- No Board representation.
- Cost saves of 40% which includes 4 office consolidations.
- Northwest's tangible common equity post-merger will remain over 9% providing a capital cushion to support future acquisition opportunities.
- No restrictions on Donegal Group's ongoing ownership. Sophisticated investor who knows how to rebalance portfolios.



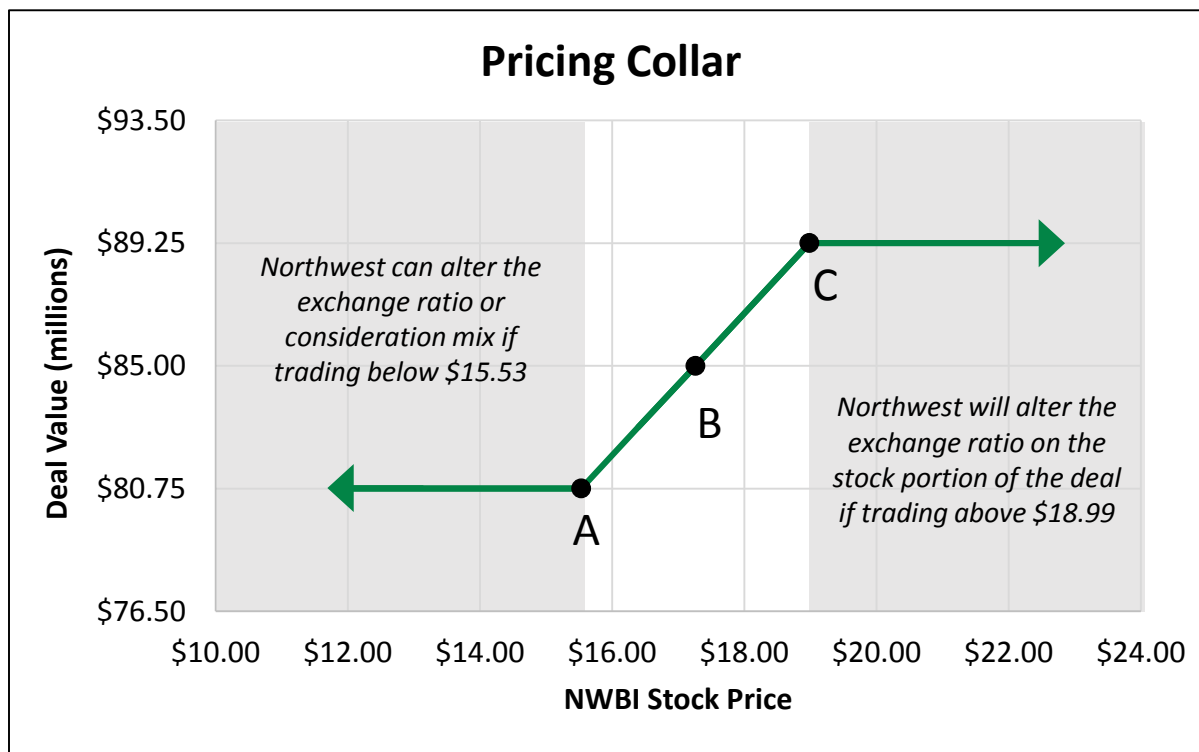
Transaction Pricing

	Bottom Collar \$80.75 million	Base Case \$85 million	Upper Collar \$89.25 million	All Cash \$80.75 million
Cash % / Stock %	53% / 47%	50% / 50%	48% / 52%	100% / 0%
Price to tangible book value	164%	172%	181%	164%
Price to current earnings*	15.4x	16.2x	17.0x	15.4x
Price to last 12 months earnings	19.3x	20.3x	21.3x	19.3x
Price to earnings after cost saves	10.1x	10.6x	11.2x	10.1x
Tangible book value dilution	2.8%	2.8%	2.8%	4.8%
Earnings per share accretion	5.1%	5.1%	5.1%	7.2%
Earn back period	3.9 years	3.9 years	3.9 years	4.9 years
Core Deposit Premium	6.5%	7.4%	8.3%	6.5%

*1Q18 earnings annualized



Deal Value Range



Scenario	NWBI Stock Price	Deal Value (millions)
A	\$15.53	\$80.75
B	\$17.26	\$85.00
C	\$18.99	\$89.25

- NWBI has the ability to change the form of consideration to any percentage of cash and stock in its sole discretion if the average trading price for our common stock for the designated period prior to closing is below \$15.53.
- We intend to utilize up to 100% cash for the deal consideration such that our payback period is capped at 4.9 years.

Attractively Priced Relative to Comparable Transactions



(\$ in millions)	DFSC	Median*
Deal Value	\$85.0	\$73.0
Price / TBV	172%**	160%
Price / LTM Earnings	20.3x	28.6x
Price / Estimated 2018 Earnings with Cost Savings	10.6x	N/A
Core Deposit Premium	7.4%	9.3%

Target Composite Financials***

Assets	\$577	\$402
TE / Assets	13.77%	9.11%
LTM ROAA	0.74%	0.52%
LTM ROAE	5.19%	5.34%

*Median is comprised of deals announced since 2012 in Pennsylvania and Maryland with \$250 - \$800 million in total assets.

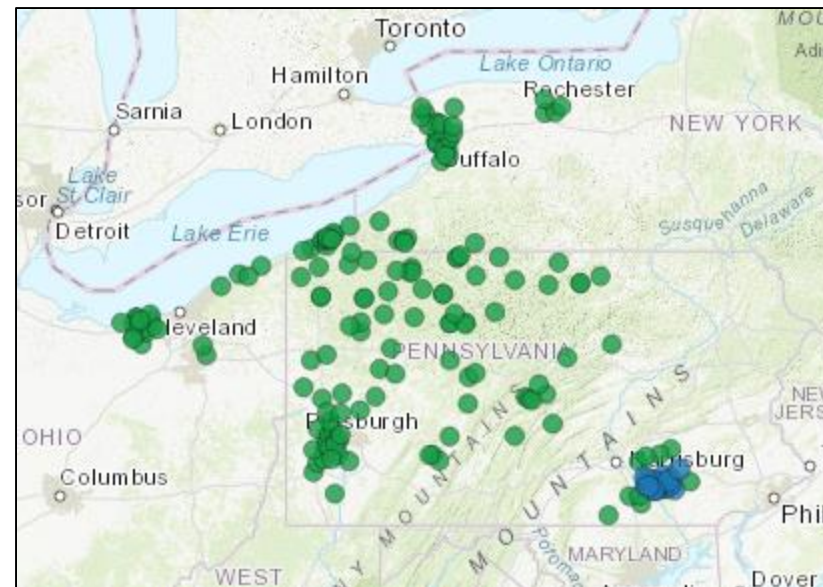
**Includes impact of pre-close dividend of approximately \$30 million.

***Prior to pre-close dividend of approximately \$30 million.



Overview of Companies

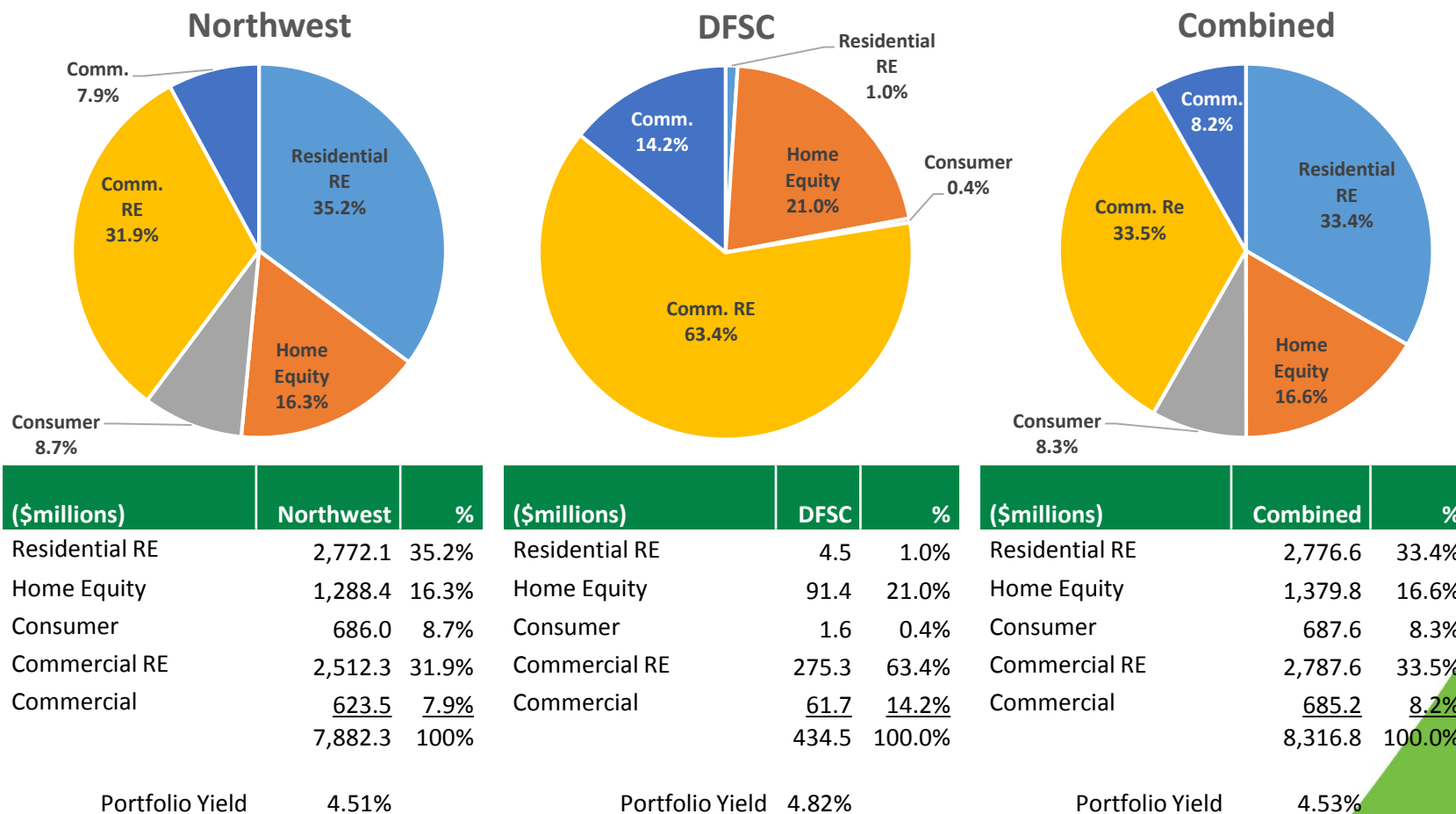
(\$000s)	Northwest	DFSC
Assets	\$9,520,979	\$577,379
Loans	\$7,827,056	\$429,593
Deposits	\$7,985,489	\$490,204
Common Equity	\$1,215,254	\$80,452
Intangibles	\$331,569	\$1,087
Market Capitalization	\$1.8 billion	N/A
Last Market Close	\$17.81	N/A
Shares Outstanding	102.6 million	17,864
Offices	172	14



● NWBI Branches ● DFSC Branches



A Diversified Loan Mix

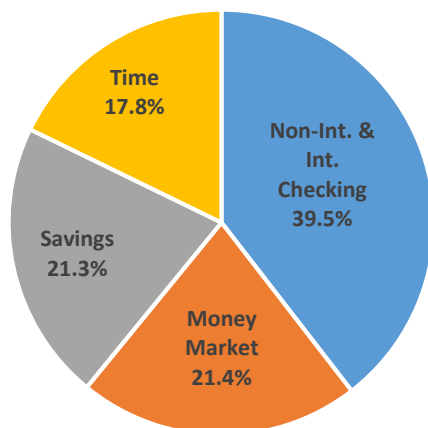


- A diverse, high-quality loan portfolio provides additional balance to Northwest’s current portfolio mix.
- Northwest’s size and capital strength will allow DFSC’s existing customers to gain access to expanded borrowing capabilities.
- DFSC’s loan to deposit ratio is 87.6%.

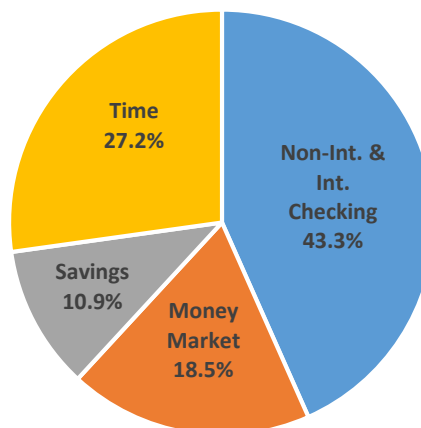


An Attractive Deposit Mix

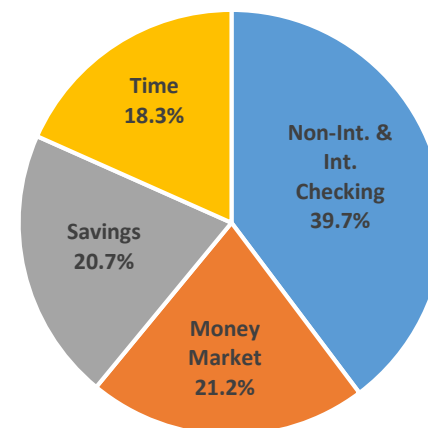
Northwest



DFSC



Combined



(\$millions)	Northwest	%
Non-Int. & Int. Checking	3,156.0	39.5%
Money market	1,707.8	21.4%
Savings	1,701.0	21.3%
Time	<u>1,420.6</u>	<u>17.8%</u>
	7,985.5	100%

(\$millions)	DFSC	%
Non-Int. & Int. Checking	212.6	43.3%
Money market	90.8	18.5%
Savings	53.6	10.9%
Time	<u>133.5</u>	<u>27.2%</u>
	490.4	100.0%

(\$millions)	Combined	%
Non-Int. & Int. Checking	3,368.6	39.7%
Money market	1,798.6	21.2%
Savings	1,754.6	20.7%
Time	<u>1,554.1</u>	<u>18.3%</u>
	8,475.9	100.0%

Cost of Int. Bearing Deposits 0.41%

Cost of Int. Bearing Deposits 0.56%

Cost of Int. Bearing Deposits 0.42%

- Northwest's and DFSC's deposit mixes are similar with a solid base of checking accounts and strong core deposits.
- The core deposit premium being paid, based on deal pricing, is 7.4%.



Lancaster Market Dynamics

- Pennsylvania's fifth most populous county.
 - Total residents of 542,000
 - Projected 2.16% annual population growth rate for 2018-2023
- Median household income of \$64,287 with projected 9.7% growth rate for 2018-2023.
- Diverse economy near several large metropolitan areas.
 - Key industries include agriculture, education, finance, healthcare, manufacturing, and pharmaceutical.
 - Major employers include Donegal Mutual Insurance Company, Eurofins Lancaster Laboratories, Johnson & Johnson, Lancaster General Health Penn Medicine, QVC, Turkey Hill Dairy.
- Unemployment rate of 3.4% for Lancaster County vs. 4.7% for Pennsylvania and 3.8% for U.S.



Excellent Banking Opportunity

Lancaster County Deposit Market Share as of June 30, 2017

Rank	Institution	Ticker	Branches	Deposits (\$000s)	Market Share (%)	LTM* Deposit Growth (%)	Deposits per Branch
1	Fulton Financial Corporation	FULT	28	3,130,912	28.28	7.4%	111,818
2	BB&T Corporation	BBT	27	2,249,541	20.32	-6.8%	83,316
3	PNC Financial Services Group, Inc.	PNC	22	1,358,689	12.27	5.1%	61,759
4	Wells Fargo & Company	WFC	14	885,690	8.00	5.1%	63,264
5	ENB Financial Corp	ENBP	14	803,036	7.25	7.1%	57,360
6	Pro Forma**	NWBI	16	606,033	5.48	N/A	37,877
6	Donegal Financial Services Corp.	N/A	14	457,856	4.14	9.0%	32,704
7	M&T Bank Corporation	MTB	9	399,091	3.60	3.3%	44,343
8	Citizens Financial Group, Inc.	CFG	6	327,694	2.96	12.7%	54,616
9	Banco Santander, SA	SAN	8	309,392	2.79	-0.5%	38,674
10	F.N.B. Corporation	FNB	5	260,542	2.35	3.4%	52,108
11	S&T Bancorp, Inc.	STBA	3	245,571	2.22	0.2%	81,857
12	Bank of Bird-in-Hand	N/A	2	205,367	1.85	58.6%	102,684
13	Northwest Bancshares, Inc.	NWBI	6	148,177	1.34	1.4%	24,696
	Other		25	290,865	2.63		11,635
Lancaster County Total:			183	11,072,423			60,505

Deposits per Branch Increase: +53%



Source: S&P Global Market Intelligence

*June 30, 2017 vs. June 30, 2016

**Not included in totals



Crossing \$10 Billion Asset Threshold

- Northwest's assets are expected to exceed \$10 billion in 2019 after the transaction closes.
- At March 31, 2018, total assets were \$9.5 billion and were expected to cross the \$10 billion threshold organically in 2019.
- With Durbin becoming effective July 1, 2020, the 2020 estimated interchange revenue loss in that year after-tax is expected to be approximately \$3 million.
- Northwest has prepared for this event over the past seven years through significant investment in audit, compliance, risk management and technological resources.
- **Earnings accretion from this transaction expected to exceed costs associated with crossing \$10 billion in assets by \$5 million in 2020 and \$2 million in 2021.**