

Investor Update

February 2020

Donald P. Hileman
CEO

Gary M. Small
President

Paul D. Nungester
EVP & CFO



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NEW **HEIGHTS**

Forward Looking Statements

The issuer has filed a registration statement including a prospectus, and will file a related supplement with the Securities and Exchange Commission ("SEC"), for the offering to which this communication relates. Before you invest, you should read the prospectus, the prospectus supplement and any other documents the issuer has filed or will file with the SEC for more complete information about the issuer and this offering. This presentation may contain certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21B of the Securities Exchange Act of 1934, as amended, which are intended to be safe harbors created thereby. Those statements may include, but are not limited to, all statements regarding intent, beliefs, expectations, projections, forecasts and plans of First Defiance Financial Corp. and its management, and specifically include statements regarding: changes in economic conditions, the nature, extent and timing of governmental actions and reforms, future movements of interest rates, the production levels of mortgage loan generation, the ability to grow loans and deposits, the ability to benefit from a changing interest rate environment, the ability to sustain credit quality ratios at current or improved levels, the ability to sell OREO properties, the continued strength of First Federal Bank of the Midwest in its market area, and the ability of First Defiance to grow in existing and adjacent markets and the ability of First Defiance to successfully maintain and grow the combined First Defiance and United Community Financial Corp. enterprise. These forward-looking statements involve numerous risks and uncertainties, including those inherent in general and local banking, insurance and mortgage conditions, competitive factors specific to markets in which First Defiance and its subsidiaries operate, future interest rate levels, legislative and regulatory decisions or capital market conditions, the anticipated benefits of the completed merger not being realized, integration risks, the anticipated costs of the merger and other risks and uncertainties detailed from time to time in the First Defiance's SEC filings, including First Defiance's Annual Report on Form 10-K for the year ended December 31, 2018. One or more of these factors have affected or could in the future affect First Defiance's business and financial results and could cause actual results to differ materially from plans and projections. Therefore, there can be no assurances that the forward-looking statements included in this investor presentation will prove to be accurate. In light of significant uncertainties in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by First Defiance or any other persons, that the objectives and plans of First Defiance will be achieved. All forward-looking statement made in this investor presentation are based on information presently available to the management of First Defiance. First Defiance assumes no obligation to update any forward-looking statements.

Non-GAAP Measures

This communication contains certain non-GAAP financial measures of First Defiance and United Community determined by methods other than in accordance with generally accepted accounting principles. We use non-GAAP financial measures to provide meaningful supplemental information regarding our performance. We believe these non-GAAP measures are beneficial in assessing our operating results and related trends, and when planning and forecasting future periods. These non-GAAP disclosures should be considered in addition to, and not as a substitute for or preferable to, financial results determined in accordance with GAAP. The non-GAAP financial measures we use may differ from the non-GAAP financial measures other financial institutions use to measure their results of operations.



Company Overview



NEW **HEIGHTS**

Company Profile

Unwavering focus for over 130 years: Community Financial Services

- Completed merger with United Community Financial Corp. on 1/31/20
- Total assets of ~\$6.3 billion and total revenues of ~\$275 million



- 77 branches throughout northern Ohio, southeast Michigan, northeast Indiana and western Pennsylvania
- 12 loan production offices and 3 wealth offices
- Trust & Wealth Management services - AUA \$1.5 billion



- 10 locations throughout the bank's footprint
- \$16.4 million in fees & commissions – 2019 combined
- Specializes in property & casualty and group health & life insurance



Investment Highlights

- Market leader across northern Ohio deeply rooted in the communities we have served since the 1890s
- Growing presence in metro markets
- Experienced, disciplined management team
- Robust, diversified loan mix with a stable deposit base
- Consistently strong net interest margin
- Solid tangible capital levels



Looking to the Future

- Expect continued strong loan volume production or mid-to-upper single digit growth rates for combined organization
- Management focus on leadership transition, merger execution and building talent within the organization
- Enhanced products, services and technology while honoring our commitment to superior customer service, personalized financial solutions and unwavering community support
- Dedicated, experienced integration team
- Cultural integration to enhance employee engagement and retention
- Full system conversions expected by early in the third quarter of 2020



Strategic Focus

- **Profitability**

- High performance objectives for revenue growth, expense control and maintaining strong asset quality

- **Growth**

- Organic and through acquisitions, targeting newer markets, new relationships, enhanced delivery and products in more established markets

- **Shareholder Value Enhancement**

- Effective capital management supporting growth, dividend increases and share repurchases

Emphasis on the Community Bank Difference



Partnering to Create Significant Value

Strategically Compelling

- ✓ Transformative partnership that creates Ohio's premier community bank with over \$6 billion in assets and best-in-class performance
- ✓ Enhanced scale, growth, profitability & performance
- ✓ Accelerates product agendas and improves customer experiences

Builds Upon Strengths

- ✓ Delivers the best of both institutions' talent, technology & processes
- ✓ Enhances management depth and capacity
- ✓ Diversifies business lines and leverages strengths in commercial banking, insurance, residential lending, consumer lending, wealth management and residential servicing

Accelerates Shareholder Value Creation

- ✓ Material EPS accretion
- ✓ Manageable TBVPS dilution
- ✓ Conservative and achievable cost savings supported by bottoms-up analysis

Shared Values

- ✓ Culture, leadership & strategic familiarity
- ✓ Strong financial compatibility...credit, performance, expenses
- ✓ Prior successful acquisition completions and integration experiences



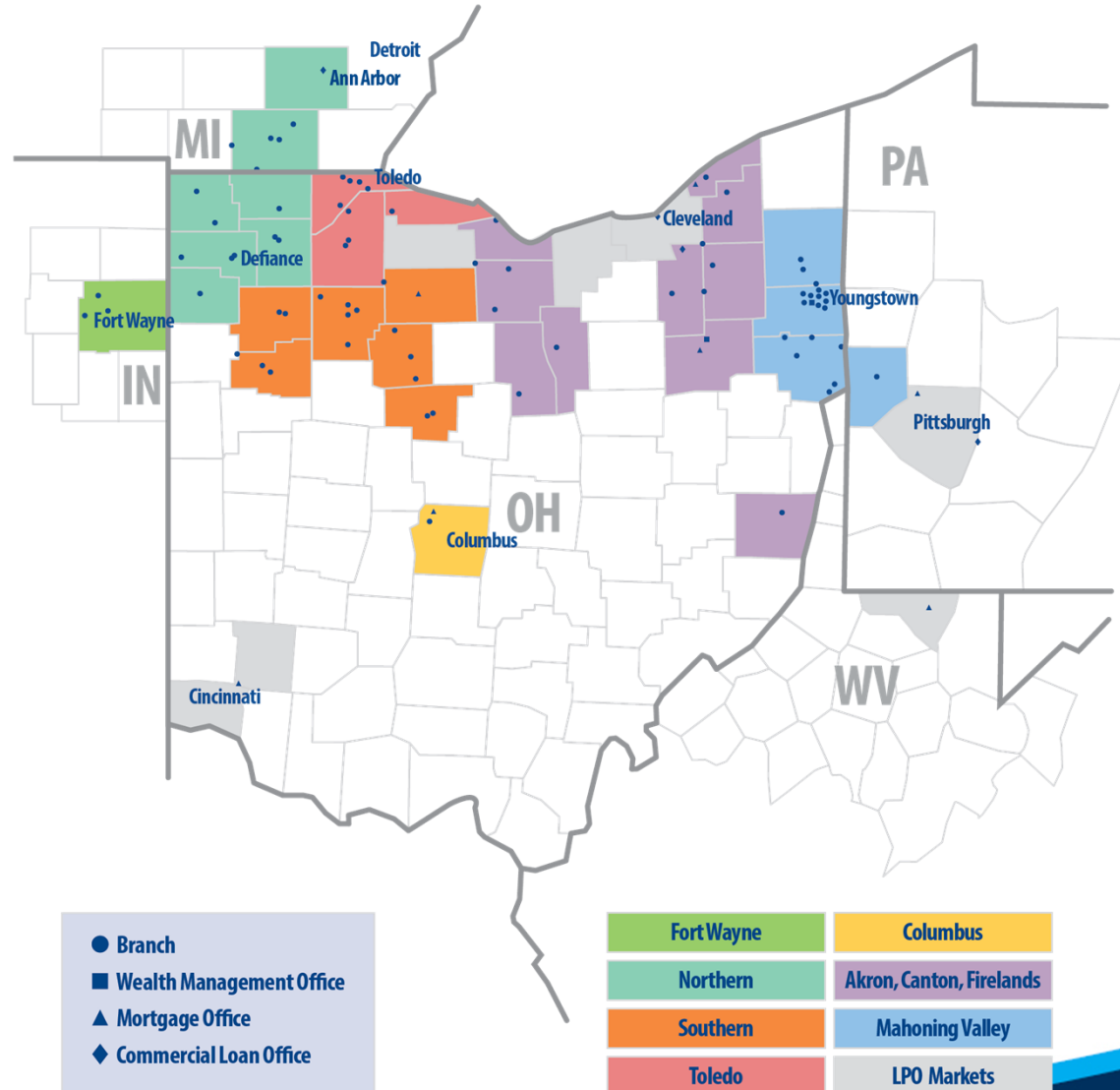
Executive Leadership

Management	Position	Age	Years in Financial Services
Don Hileman	CEO	67	45
Gary Small	President	59	33
Paul Nungester	EVP, Chief Financial Officer	46	19
Matt Garrity	EVP, Chief Lending Officer	53	31
Vince Liuzzi	EVP, Chief Banking Officer	53	35
Jude Nohra	EVP, Chief General Counsel	51	16
Sharon Davis	EVP, Chief Human Resources Officer	38	14
Denny Rose	EVP, Chief Operations Officer	51	28
Greg Allen	EVP, Fort Wayne Market President	56	31
Joel Jerger	EVP, Toledo Market President	42	20
Dave Dygert	EVP, Columbus Market President	54	28
Amy Hackenberg	EVP, Southern Market President	49	26
Jim Williams	EVP, Northern Market President	52	28
Frank Hierro	EVP, Mahoning Market President	65	36
Rick Hull	EVP, Akron/Canton Market President	67	36
Nick Mehdikhan	President & COO, First Insurance Group	33	12



Ohio's Premier Community Bank

- Enhanced scale, growth and profitability to deliver best-in-class performance
- Footprint covers northern OH, southeast MI, northeast IN and western PA



Consistent Profitability

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2019 F+U⁽¹⁾</u>	<u>As Announced Pro Forma⁽²⁾</u>
Diluted Earnings per Share	\$1.61	\$2.26	\$2.48	\$2.34	~\$2.69
Return on Average Assets	1.13%	1.52%	1.50%	1.45%	~1.50%+
Return on Avg Tangible Equity	12.68%	16.47%	16.27%	14.82%	~17.0%+
Net Interest Margin - TE	3.88%	3.98%	3.93%	3.62%	~3.5%-3.6%
Efficiency Ratio	61.81%	60.29%	60.08%	58.97%	~50%

(1) 2019 F+U represents the combination of FDEF and UCFC as of and for the year ended 12/31/19, including the impact of a 0.3715 exchange ratio but excluding cost savings and other purchase accounting adjustments.

(2) As Announced Pro Forma represents expectations announced 9/9/19 based on then-existing consensus 2020 estimates for FDEF and UCFC, plus ~\$17 million of pre-tax cost savings (fully phased for illustrative purposes) and excluding one-time items. See slides 37-38 for more information.

Source: Press releases
and 8-K filed 9/9/19



NEW HEIGHTS

2018 Performance Recognition

- **KBW Bank Honor Roll (FFB)**
 - Recognition of banks with more than \$500 million in total assets that consistently deliver exceptional growth
 - Based on 9 consecutive years of increases in reported EPS results
 - One of only 18 banks admitted from a nearly 375 bank universe
- **S&P Global Market Intelligence Top-Performing Public Thrifts (FFB)**
 - Analysis used and scored performance based on six financial metrics
 - Ranked #8 amongst the country's 50 largest public thrifts for 2018 performance scores
- **Sandler Bank & Thrift Sm-ALL Stars (HSB)**
 - Analysis used and scored performance based on seven financial metrics
 - Ranked #21 amongst the country's 30 top performing small-cap banks and thrifts



Strong Sales & Service Delivery

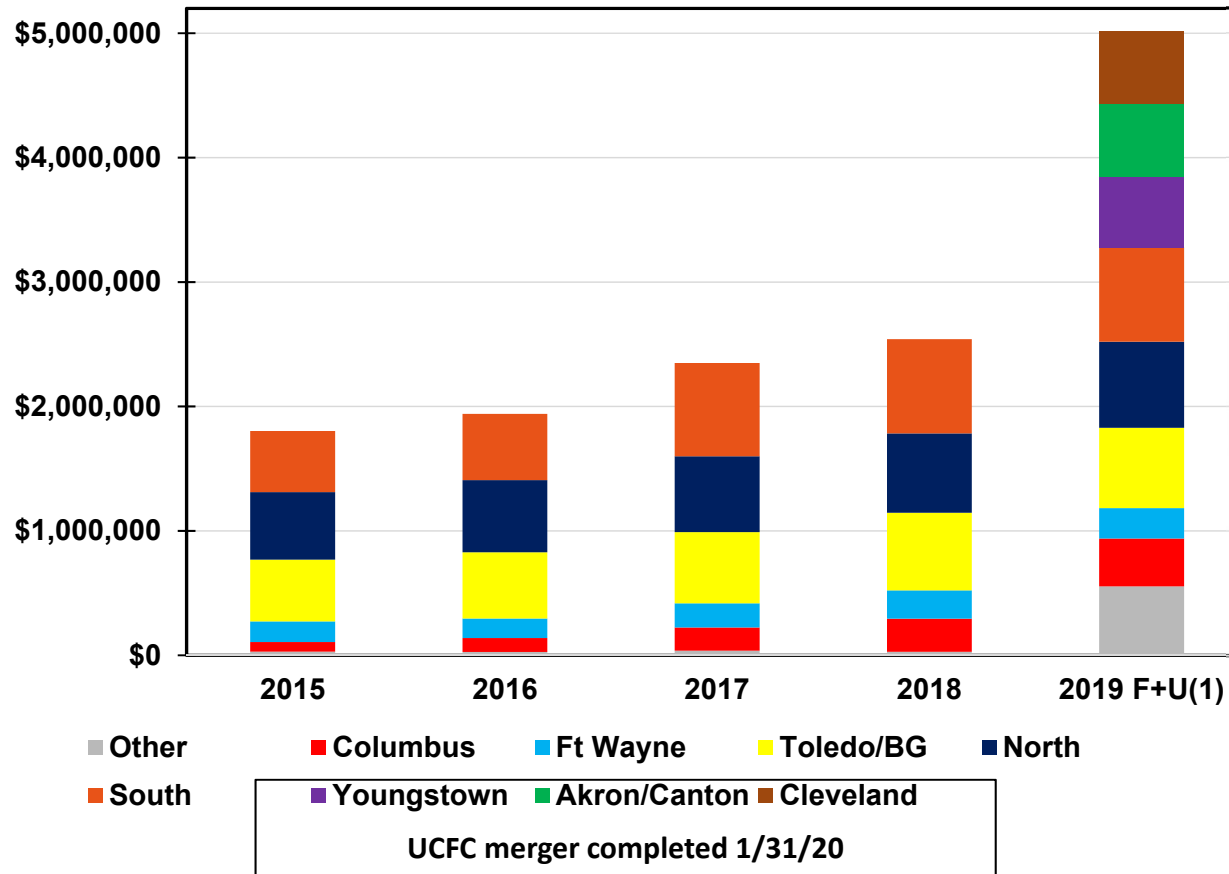
- **Demonstrating our core values in all interactions to create long-term, profitable relationships**
- **Enhancing customer experience through technology advancements**
- **Reaching more customers through digital channel development**
- **Growing our communities through our people**



Market Area Growth – Loans

Dec 2015 – Dec 2019

(In thousands)



Total Loans

Growth from
\$1.8B at
12/31/15
to \$5.0B
at 12/31/19
combined⁽¹⁾

Total CAGR

29.2%

Organic CAGR

8.4%

Source: Press Releases

*2017 includes the acquisition of
Commercial Savings Bank in the South.

(1) 2019 F+U represents the combination of FDEF and UCFC as of 12/31/19, excluding purchase accounting adjustments.



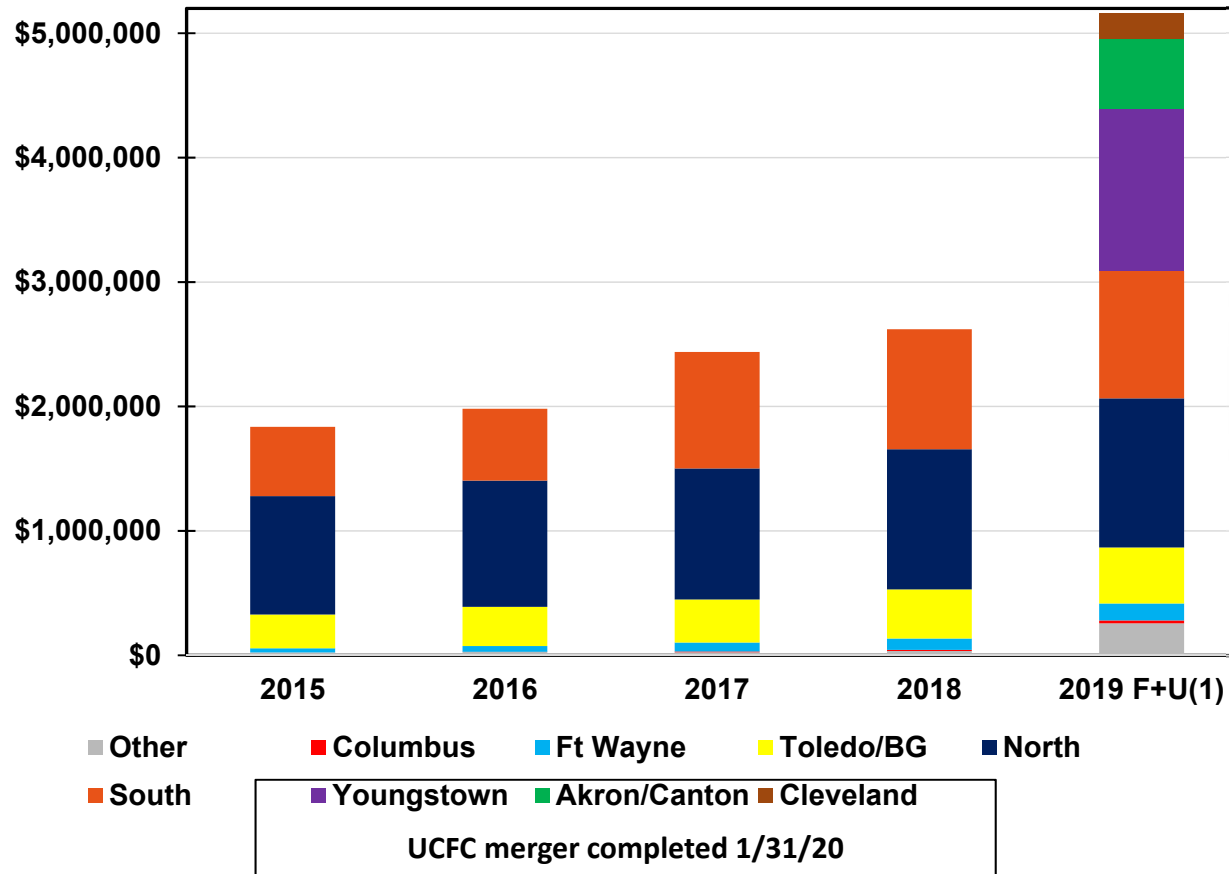
NEW HEIGHTS

Market Area Growth – Deposits

Dec 2015 – Dec 2019

At June 30, 2019, Ranked #1 or #2 market share in 8 of 17 counties.

(In thousands)



Total Deposits

Growth from
\$1.8B at
12/31/15
to \$5.2B
at 12/31/19
combined⁽¹⁾

Total CAGR
29.5%

Organic CAGR
8.7%

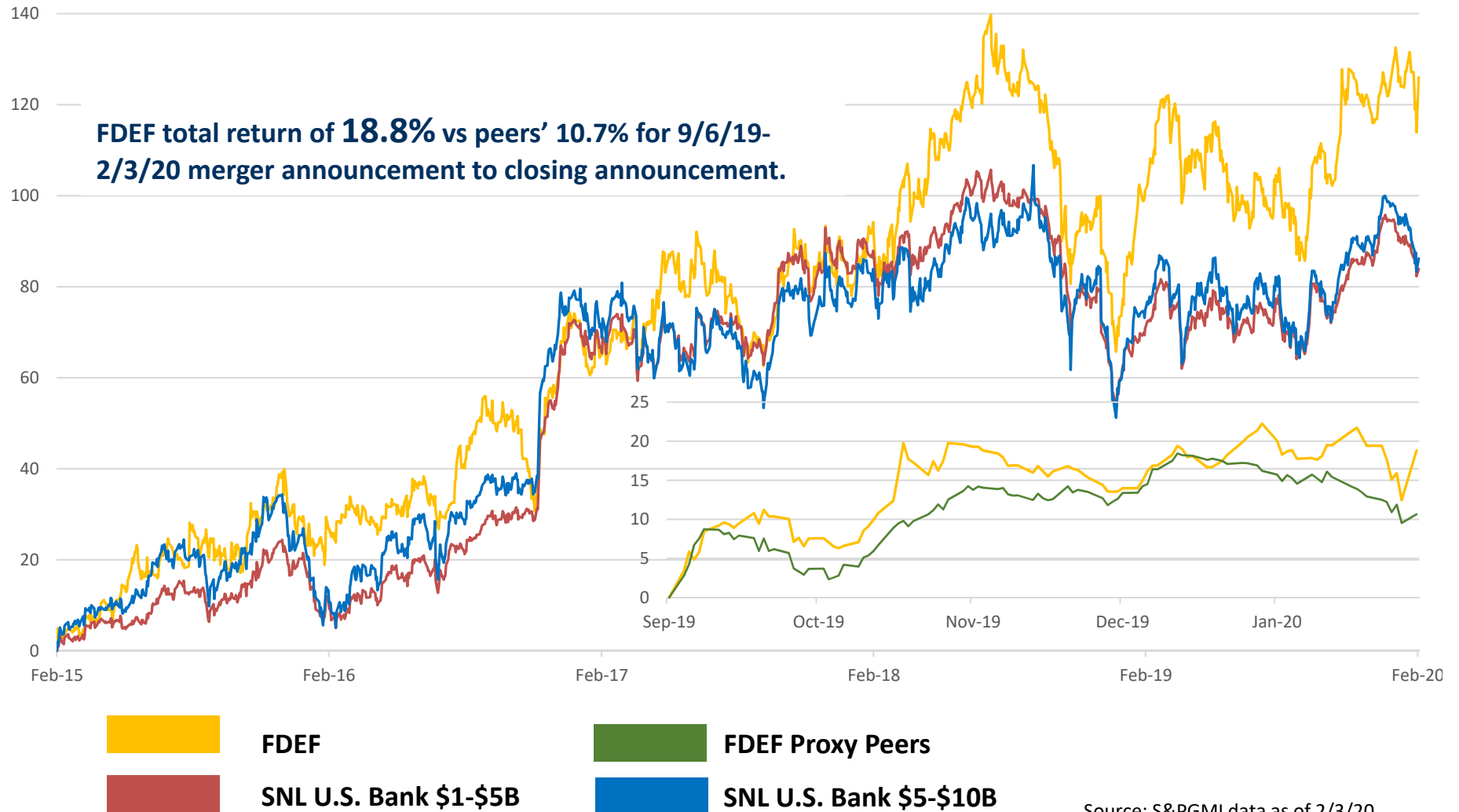
Source: Press Releases
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NEW HEIGHTS

Strong Shareholder Returns



NEW HEIGHTS

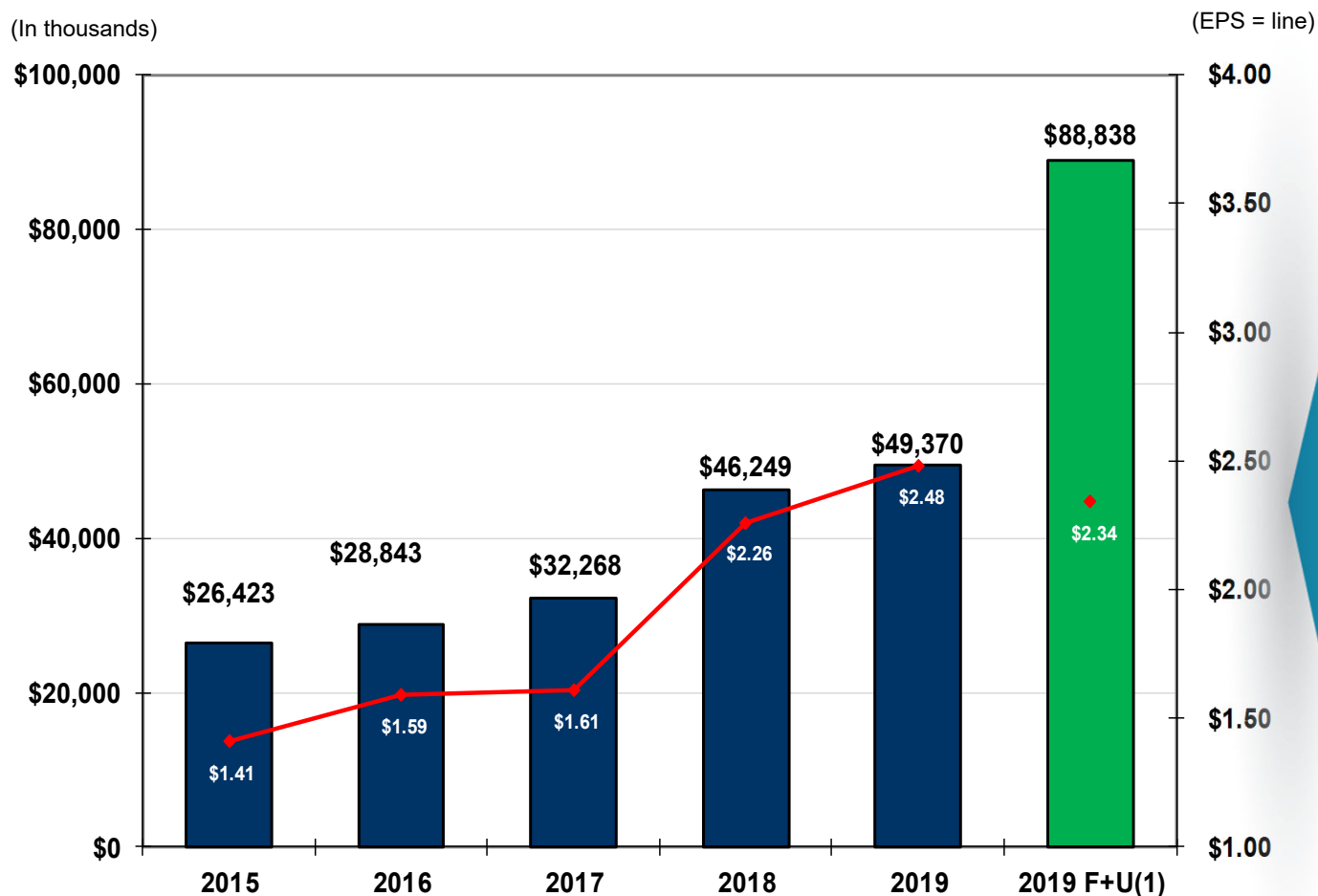
Financial Highlights



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NEW **HEIGHTS**

Net Income & Earnings Per Share



As Announced
Pro Forma⁽²⁾
EPS ~\$2.69

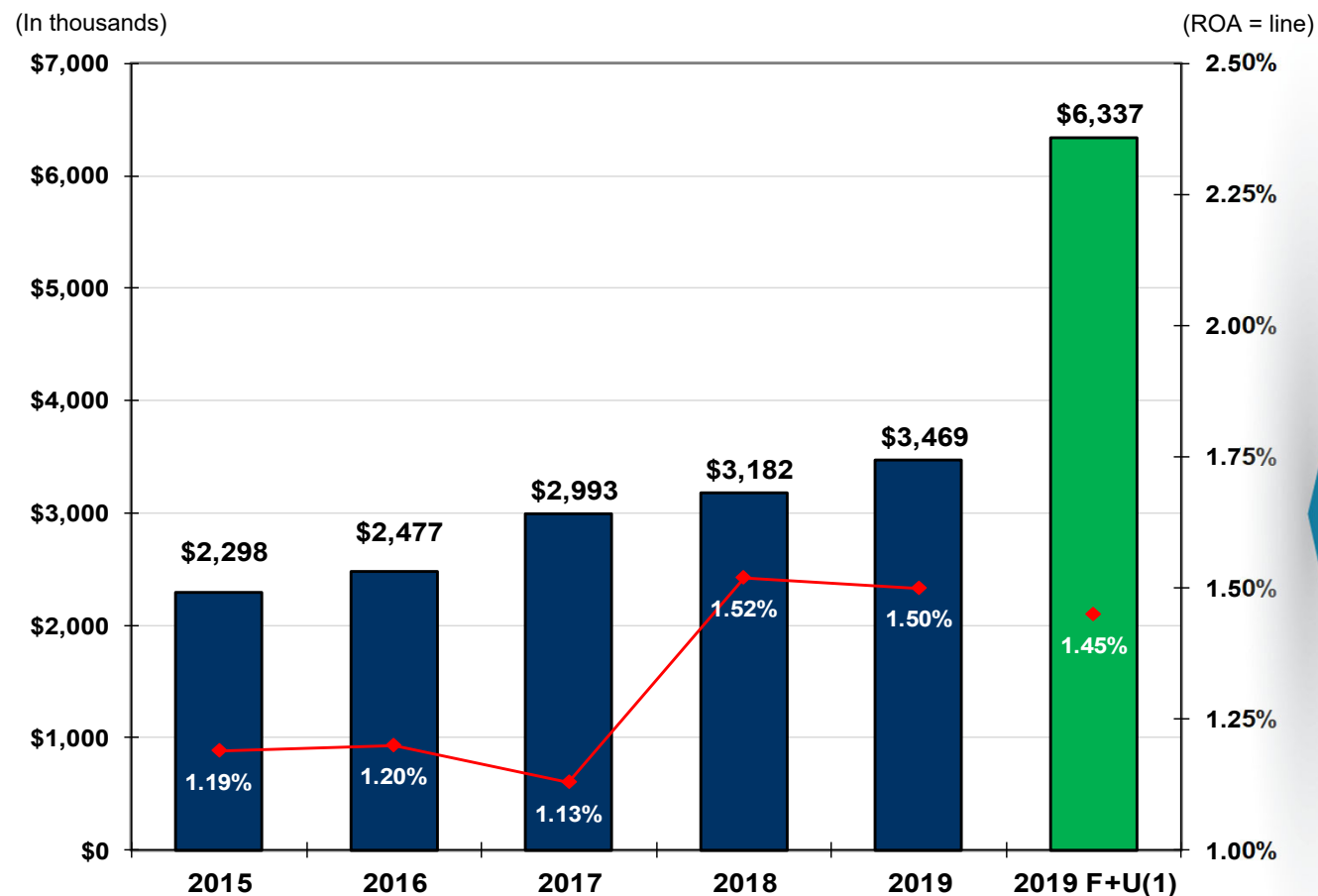
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Source: Press releases and
8-K filed 9/9/19



NEW HEIGHTS

Total Assets & Return on Assets



As Announced
Pro Forma⁽²⁾
ROA ~1.50%+

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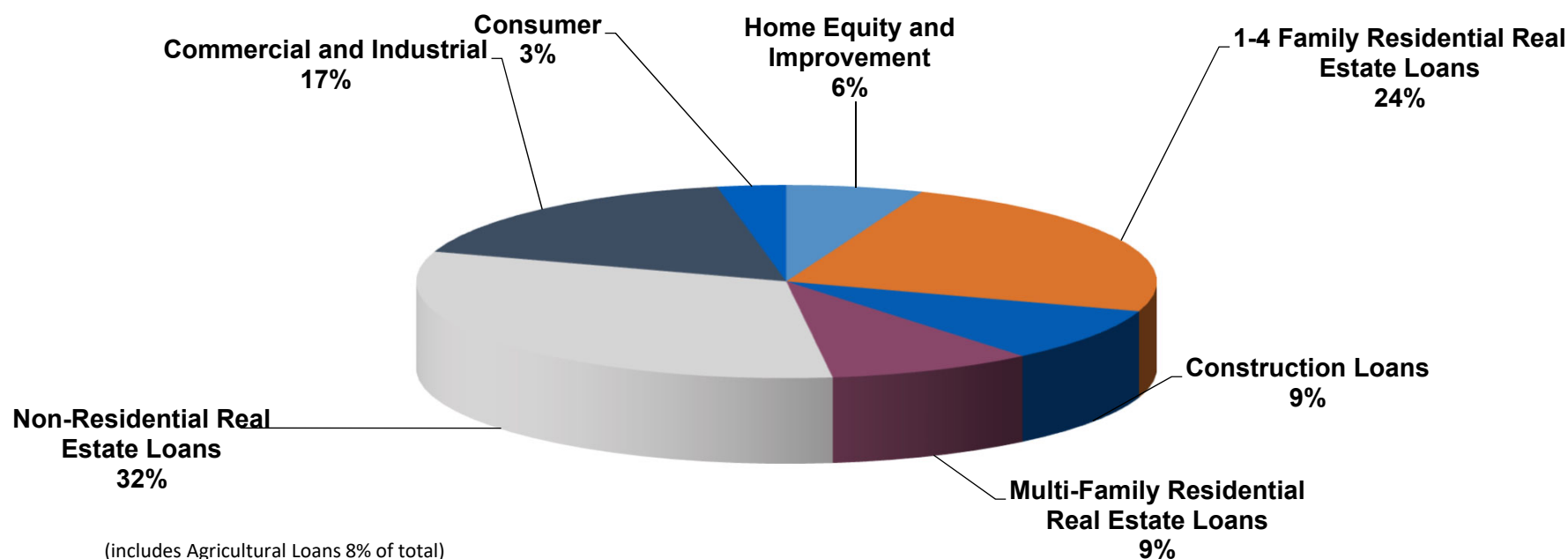
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Source: Press releases and
8-K filed 9/9/19



NEW HEIGHTS

Loan Portfolio Composition



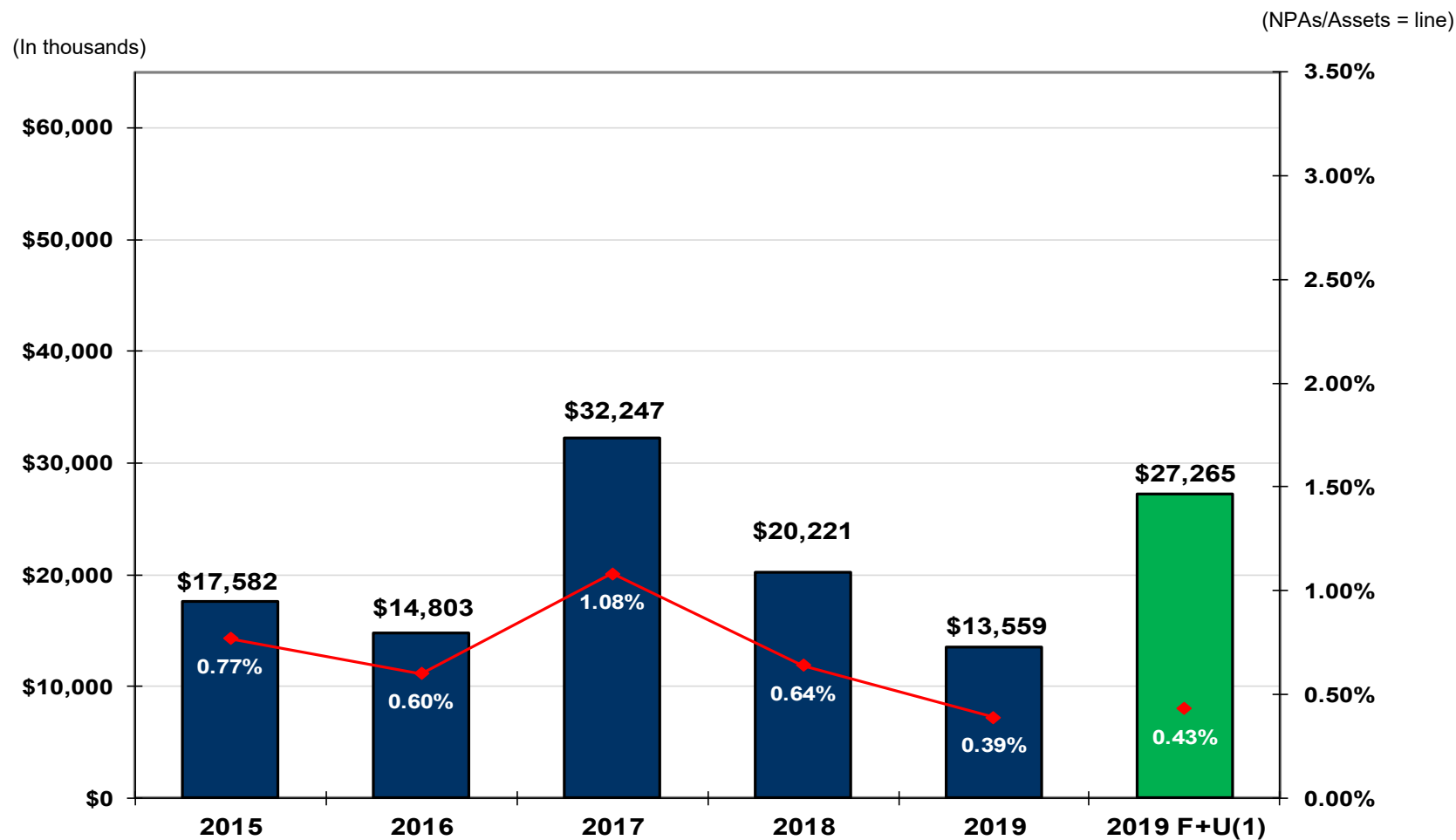
Total = \$5.1 billion
2019 YTD Average Yield on Loans 4.89%

Data represents the combination of FDEF and UCFC as of 12/31/19, excluding purchase accounting adjustments.

Source: Press releases and Call Reports



Non-performing Assets & NPAs/Assets



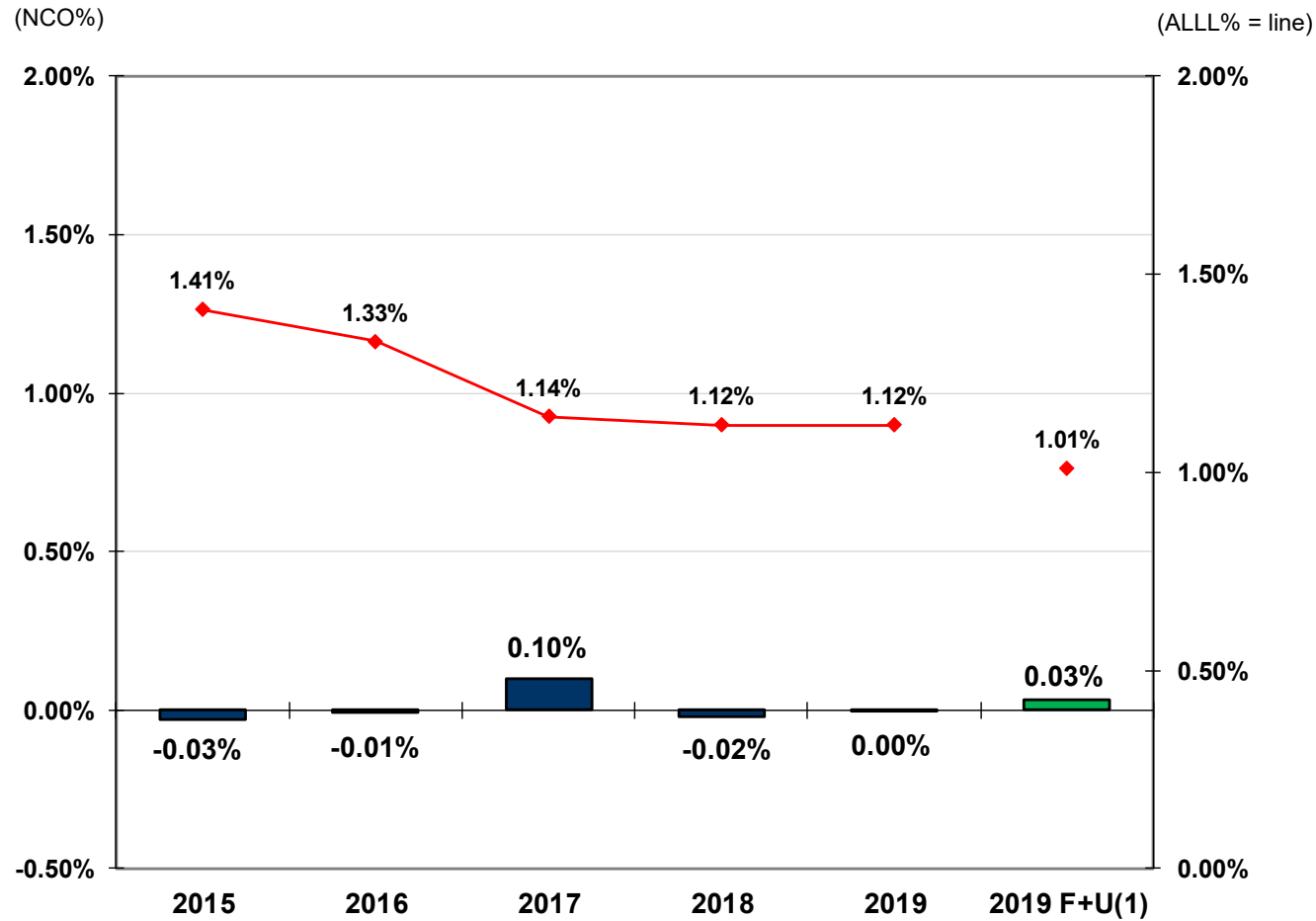
(1) 2019 F+U represents the combination of FDEF and UCFC as of 12/31/19, excluding purchase accounting adjustments.

Source: Press releases



NEW HEIGHTS

Net Charge-Offs/Avg Loans and ALLL/Loans



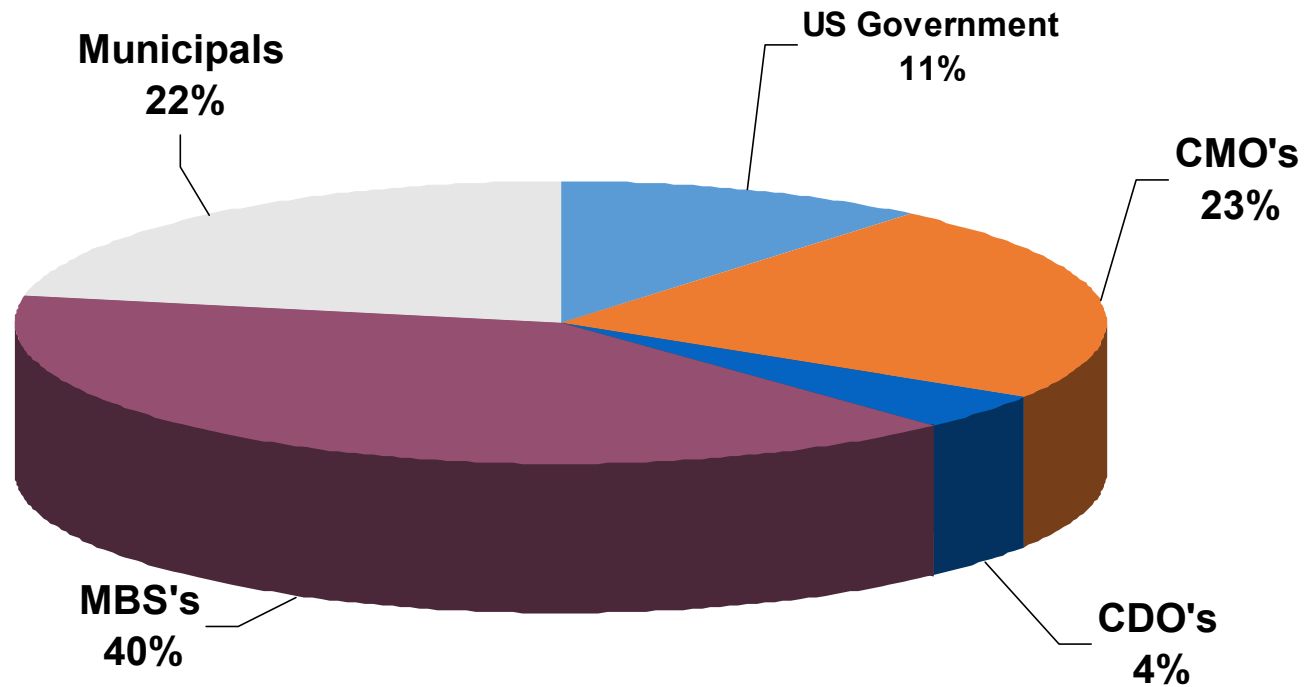
(1) 2019 F+U represents the combination of FDEF and UCFC as of and for the year ended 12/31/19, excluding purchase accounting adjustments.

Source: Press releases



NEW HEIGHTS

Quality Securities Portfolio



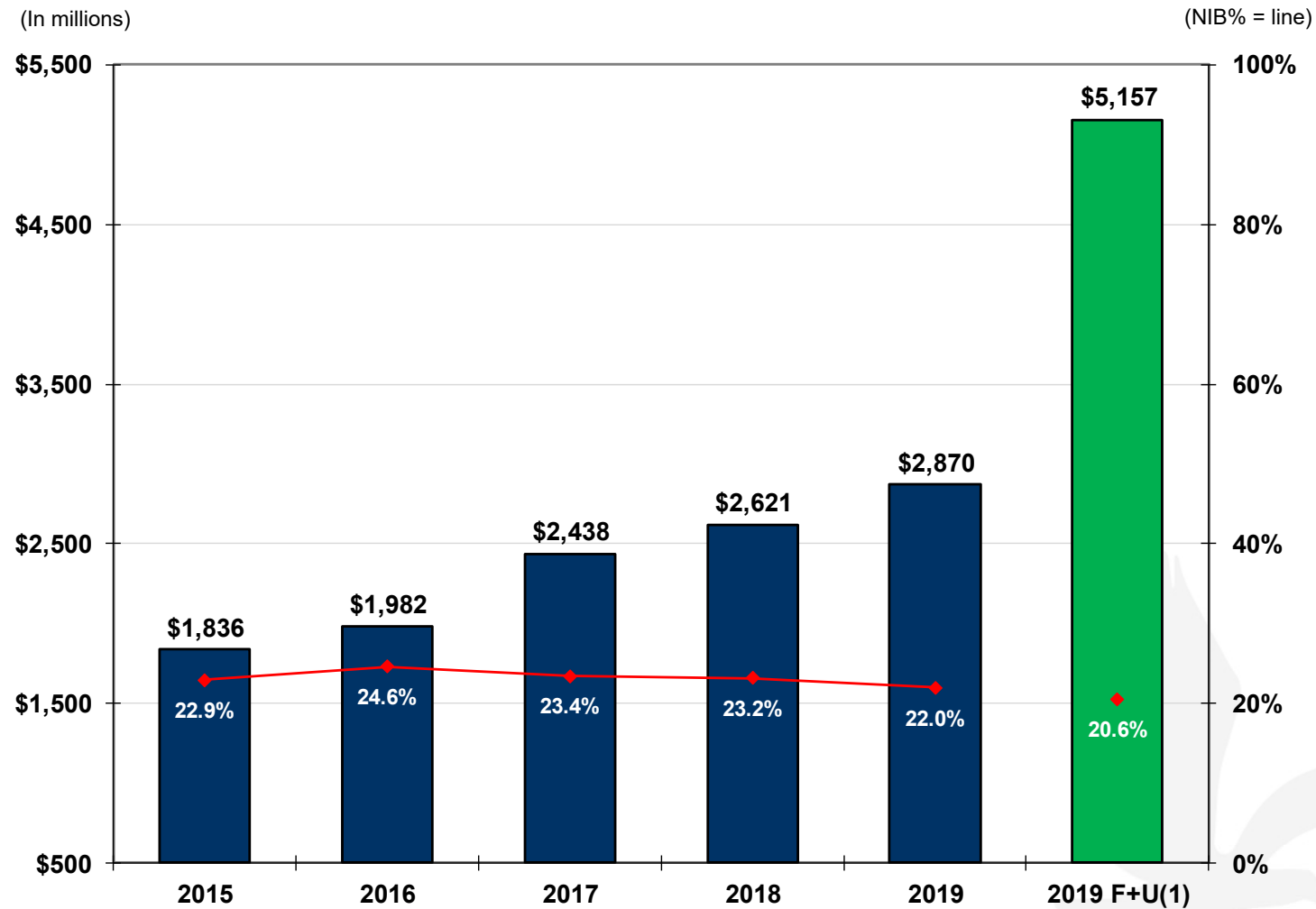
Total = \$586 million

Data represents the combination of FDEF and UCFC as of 12/31/19, excluding purchase accounting adjustments.

Source: Press releases and Call Reports



Total Deposits & Non-Interest Bearing %



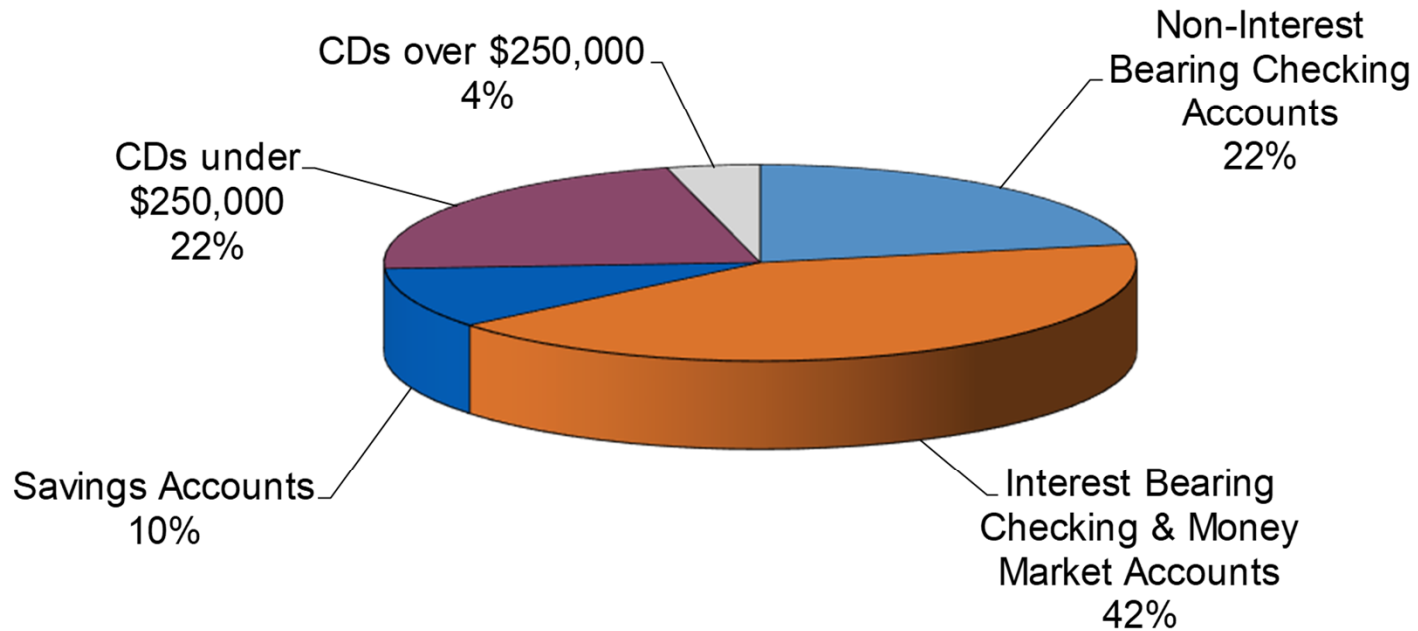
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Source: Press releases



NEW HEIGHTS

Deposit Base Composition



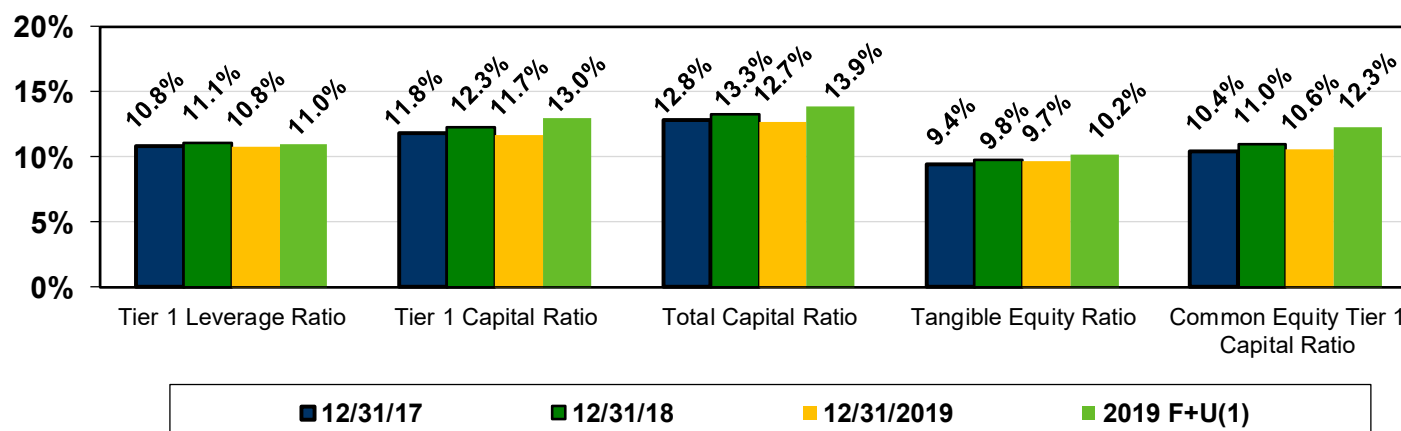
Total Deposits= \$5.2 billion
2019 YTD Average Cost of Deposits: 0.97%

Data represents the combination of FDEF and UCFC as of 12/31/19, excluding purchase accounting adjustments.

Source: Press releases and Call Reports



Capital Levels



(1) 2019 F+U represents the combination of FDEF and UCFC as of 12/31/19, excluding purchase accounting adjustments.

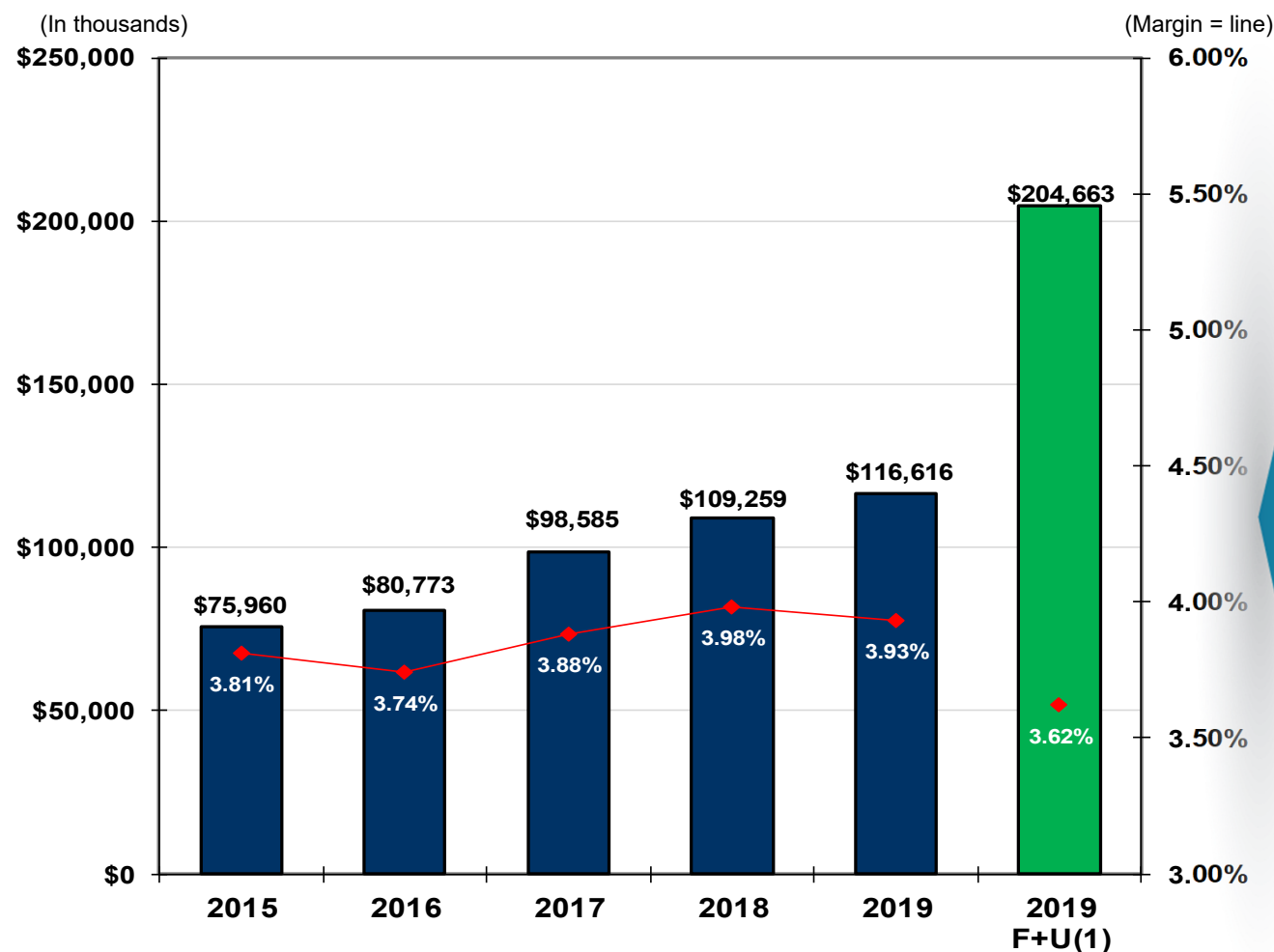
	Well Capitalized Requirement
Total Risk Based Capital	10.0%
Tier 1 to Risk Weighted Assets	8.0%
Tier 1 to Average Assets	5.0%
Common Equity Tier 1 Cap. Ratio	6.5%

Source: 10-Ks and Call Reports



NEW HEIGHTS

Net Interest Income & Margin



As Announced
Pro Forma⁽²⁾
NIM ~3.5%-3.6%

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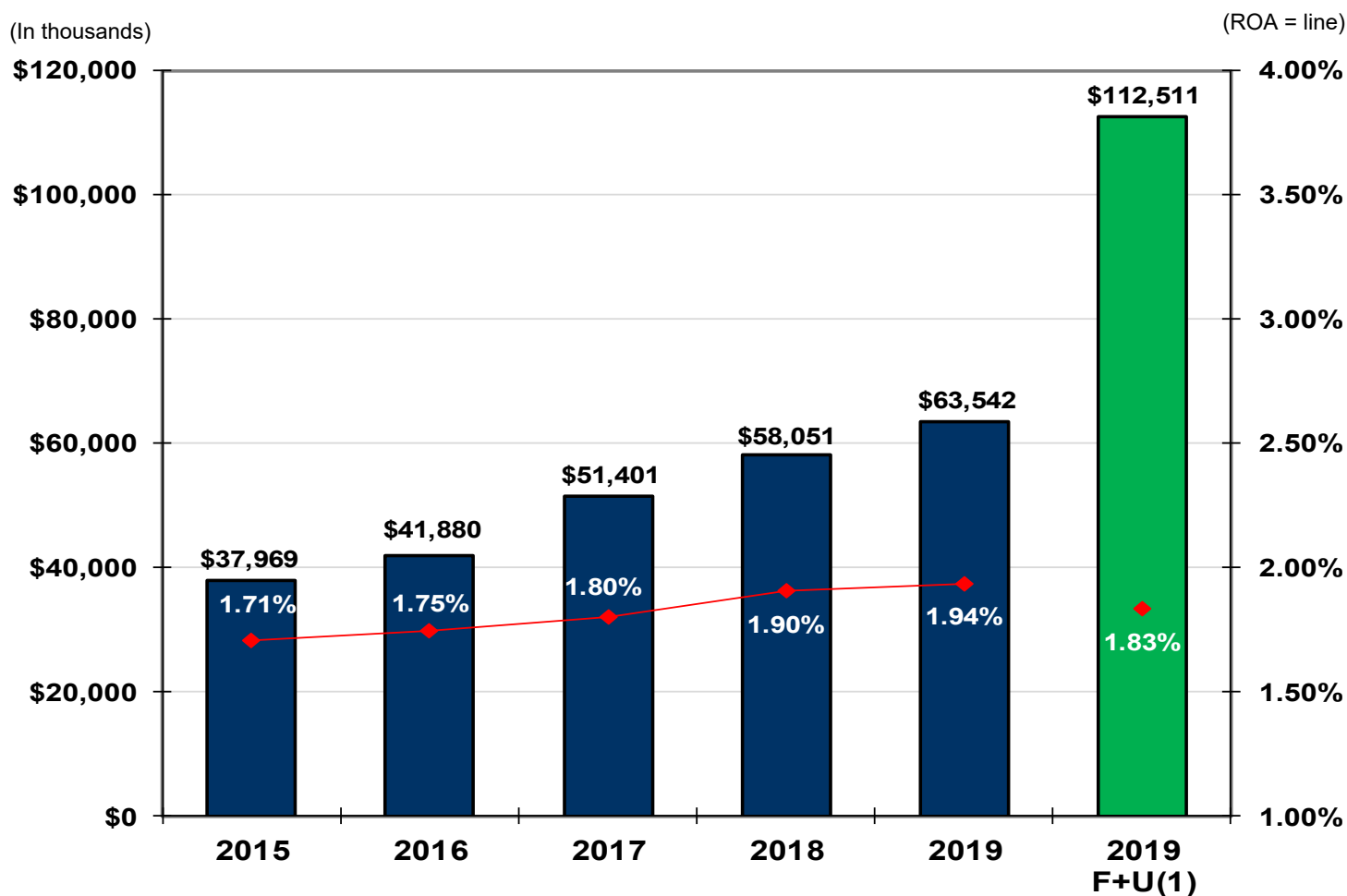
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Source: Press releases and
8-K filed 9/9/19



NEW HEIGHTS

PTPP Income & ROA



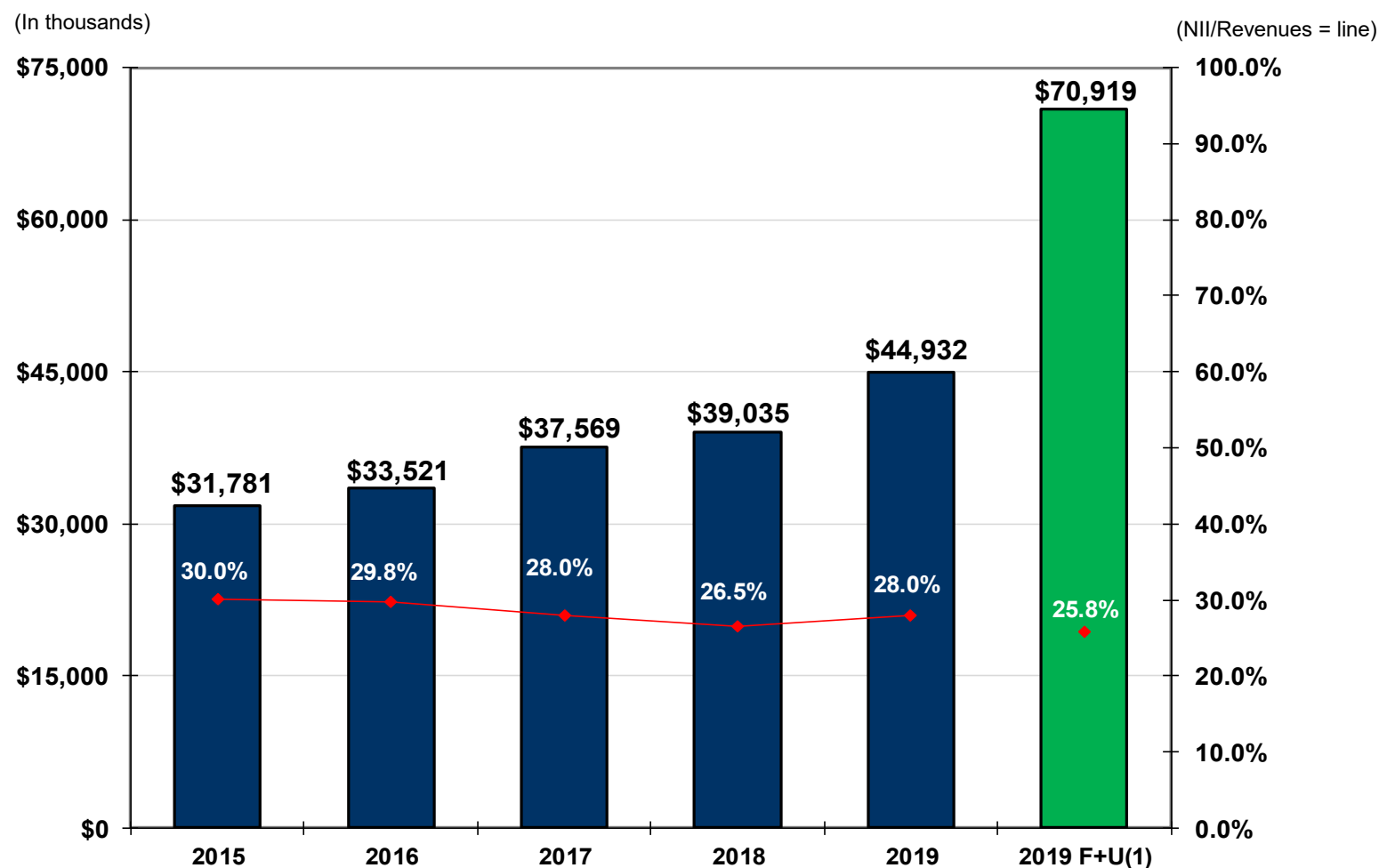
(1) 2019 F+U represents the combination of FDEF and UCFC as of and for the year ended 12/31/19, excluding cost savings and other purchase accounting adjustments.

Source: Press releases



NEW HEIGHTS

Non-Interest Income & Percent of Total Revenue



Non-Interest Income excluding securities gains/losses and impairment on securities/BOLI enhancement gain/trust fee accrual

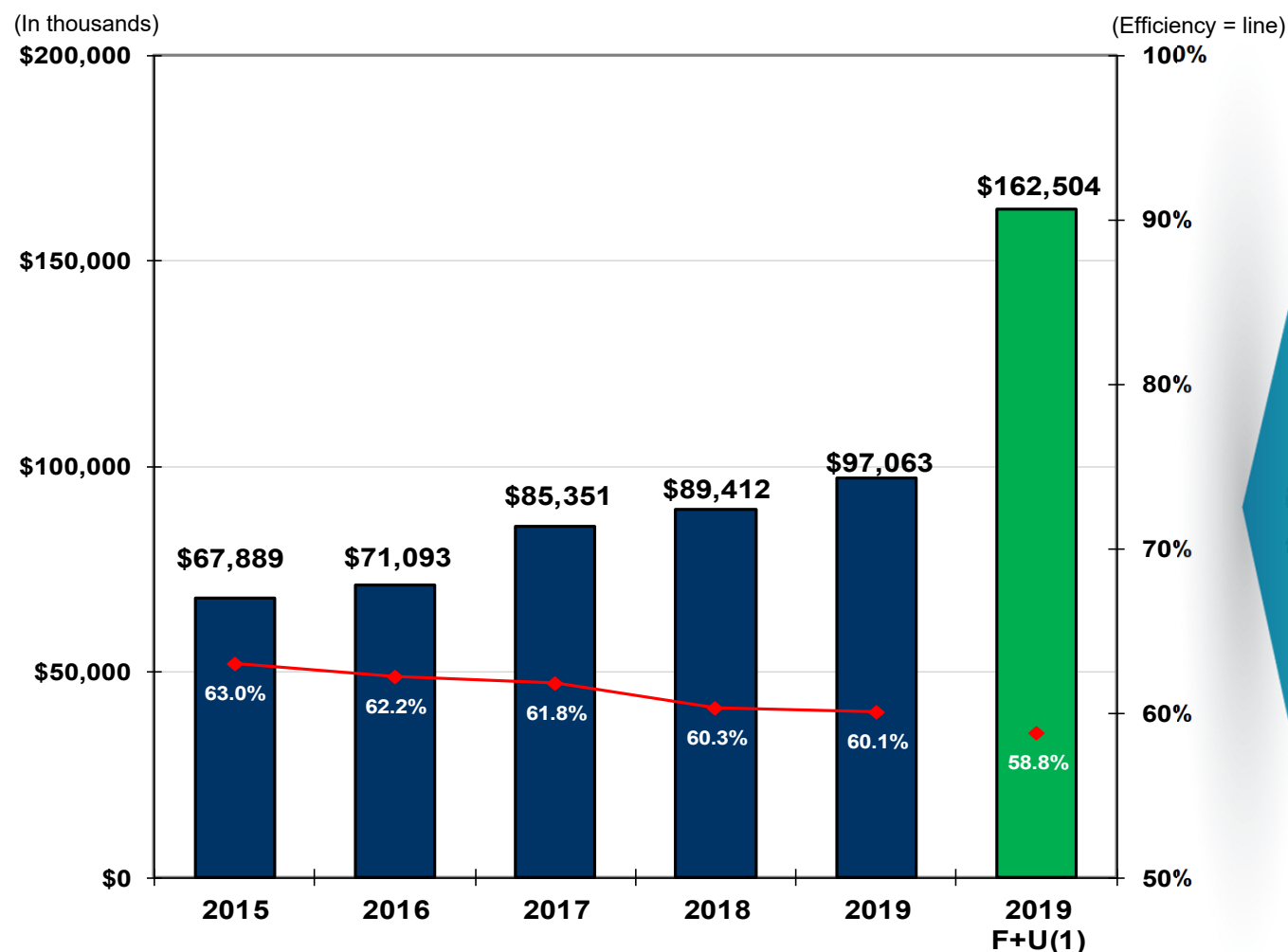
(1) 2019 F+U represents the combination of FDEF and UCFC as of and for the year ended 12/31/19, excluding cost savings and other purchase accounting adjustments.

Source: Press releases



NEW HEIGHTS

Non-Interest Expense & Efficiency Ratio



As Announced
Pro Forma⁽²⁾
E/R ~50%

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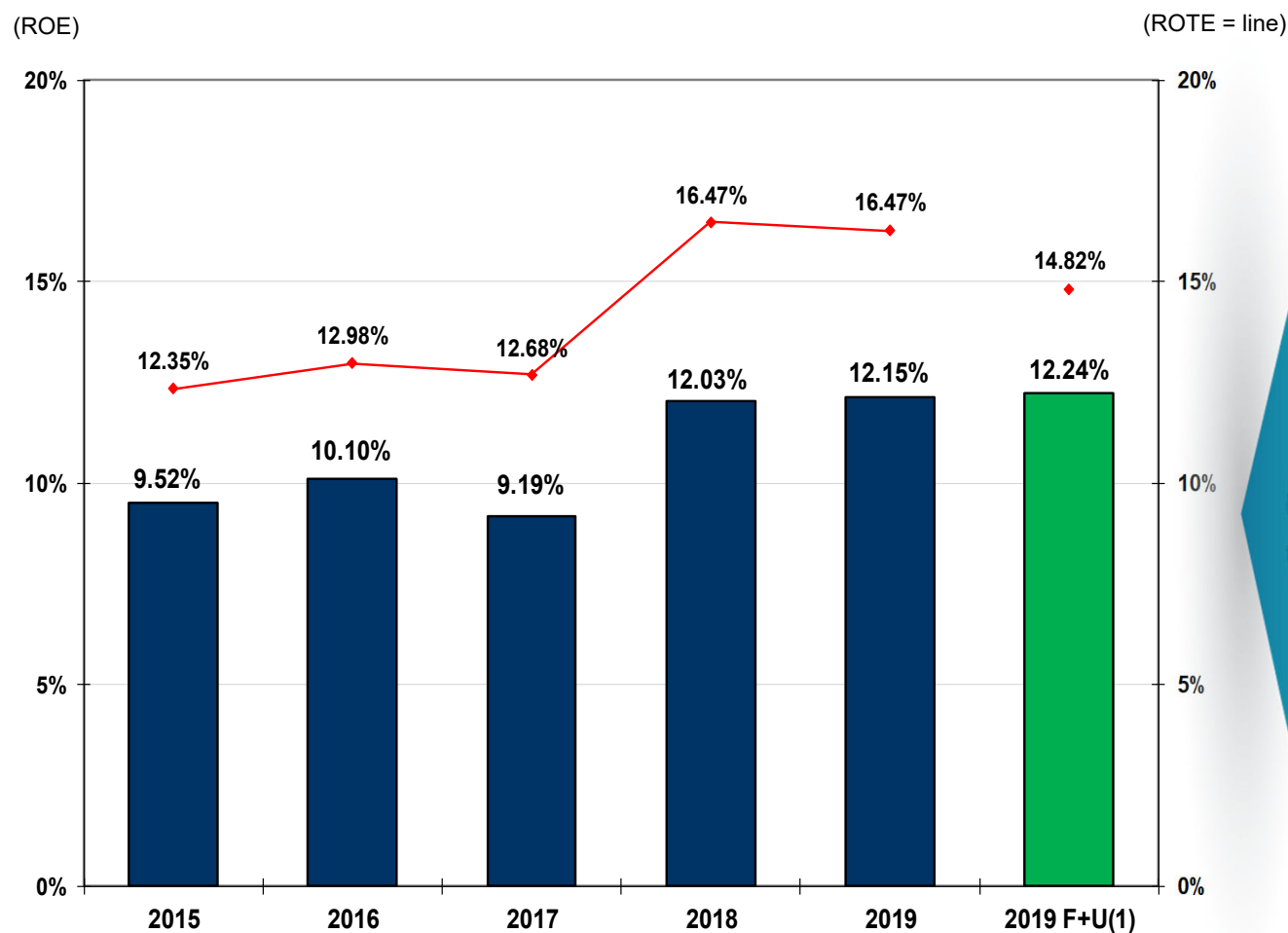
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Source: Press releases and
8-K filed 9/9/19



NEW HEIGHTS

Return On Equity & ROTE



As Announced
Pro Forma⁽²⁾
ROTE ~17%+

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Source: Press releases and
8-K filed 9/9/19



NEW HEIGHTS

Shareholder Value

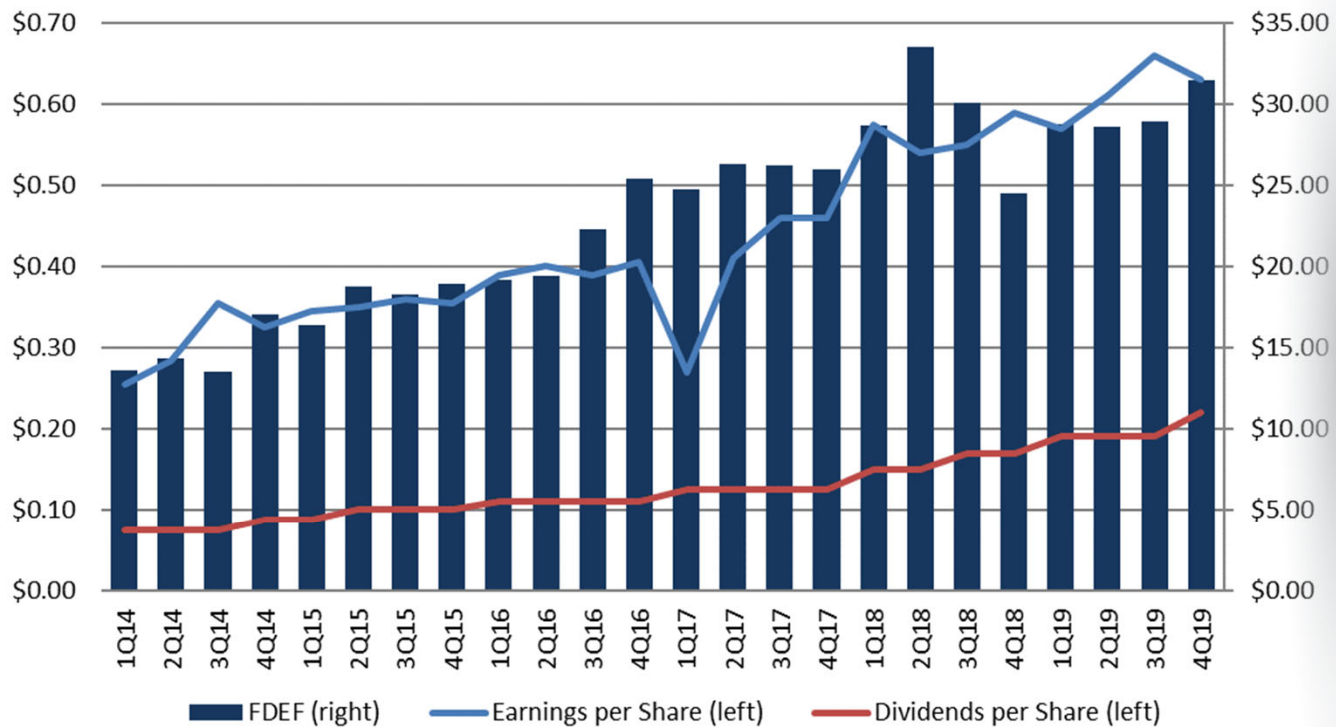


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NEW **HEIGHTS**

Maximizing Shareholder Value

EPS, Dividends and Stock Price



Increased dividend
16% to \$0.22
per share in
4th quarter 2019

Source: Press releases and S&P/GMI

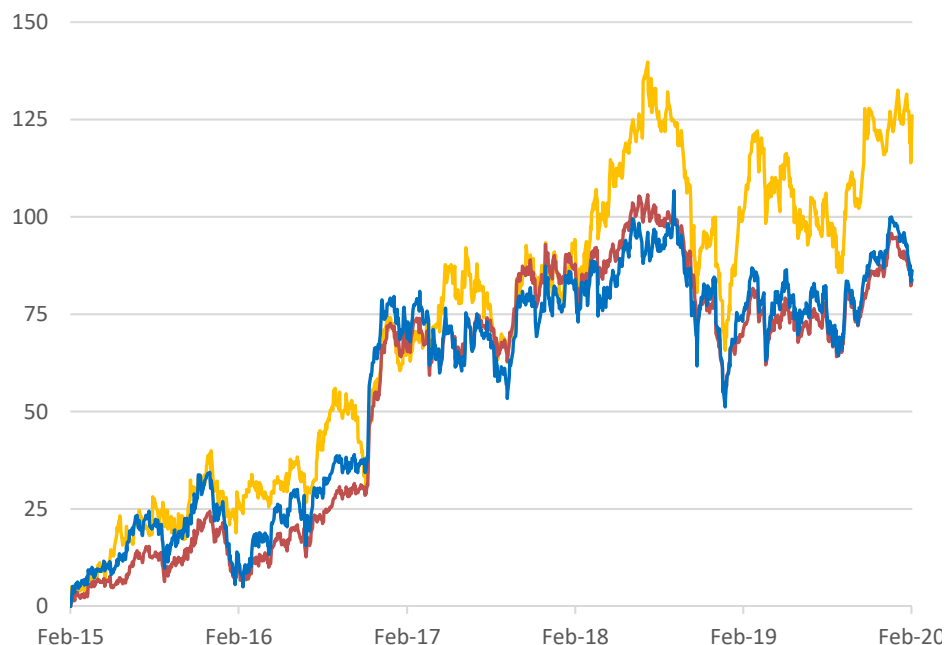


NEW HEIGHTS

Maximizing Shareholder Value

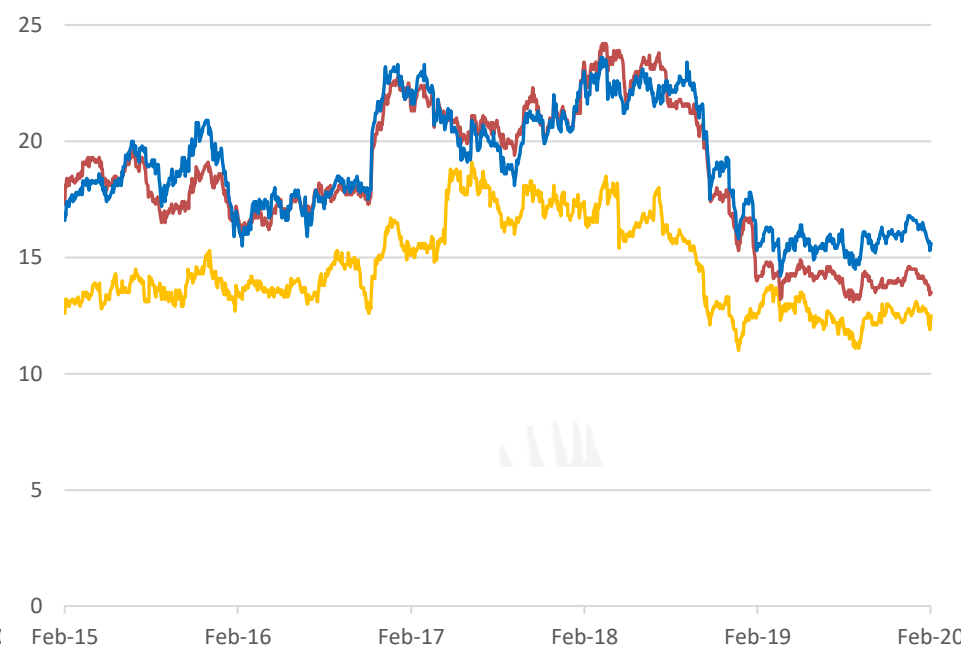
Strong Five Year Returns

First Defiance Financial Corp. – Total Return (%)



With Upside Opportunity

First Defiance Financial Corp. – Price/LTM EPS (X)



-  FDEF
-  SNL U.S. Bank \$1-\$5B
-  SNL U.S. Bank \$5-\$10B

Source: S&P/GMI data as of 2/3/20 – Five year



NEW HEIGHTS

Maximizing Shareholder Value

Investment Opportunity

	FDEF	SNL Index \$1B - \$5B	SNL Index \$5B - \$10B
Total Returns (5-year)	126.0%	83.9%	86.2%
Price/Earnings (2019)	12.5	13.5	15.6
Price/Book (12/31/19)	143.8%	132.4%	159.2%
Price/Tangible Book (12/31/19)	190.1%	153.6%	194.7%
Dividend Yield	2.8%	2.1%	2.3%

Source: S&PGMI data as of 2/3/20



NEW HEIGHTS

Summary

- Disciplined management team with proven track record
- Reputation of focusing on fundamentals and poised to generate above peer profitability
- Balance sheet strength – attractive core deposit base and strong capital levels
- Balanced loan portfolio with a disciplined approach to lending
- Well-positioned to grow our balance sheet and geographic footprint, enhancing long-term shareholder value



Key Merger Assumptions As Announced 9/9/19

Cost Savings

- ▶ Represents ~10% of combined 2020 expense base (~\$17.4M pre-tax), or ~26% of UCFC's total expense base
 - 75% phased in the first twelve months and 100% thereafter
- ▶ Both institutions utilize the same core processing system

Revenue Enhancements

- ▶ Identified but not modeled

One-Time Expenses

- ▶ Total pre-tax restructuring charges of approximately \$30 million, fully reflected in TBV at closing

CECL Impact

*(preliminary estimates,
subject to change, included in
pro forma financial modeling)*

- ▶ Loans to be separated into purchase credit deteriorated (PCD) and non-purchase credit deteriorated (non-PCD)
 - The credit mark from purchase accounting relating to PCD loans will be recorded as an allowance
 - The credit mark from purchase accounting relating to the non-PCD loans will be recorded on a net basis (a contra loan balance without any allowance), AND additionally will require an allowance (established through provision) separate from the purchase accounting discount already applied to the loan balance
 - The non-PCD credit mark relating to the purchase accounting is assumed to be accreted back through income over the life of the loans

Credit Mark

- ▶ ~1.30% / \$29 million gross pre-tax credit mark on the loan portfolio
 - ~\$4 million pre-tax mark on PCD loans, recorded as ALLL
 - ~\$25 million pre-tax mark on non-PCD loans, recorded as a contra-loan balance and will be accreted through income
- ▶ ~\$25 million in ALLL established on Day 1 on the UCFC loans, separate from non-PCD credit mark above, recorded through provision expense on the income statement

Other Marks on UCFC's Balance Sheet

- ▶ ~\$14 million pre-tax interest rate mark-up on loan portfolio, amortized over 4.5 years
- ▶ Other rate and fair value marks of a combined ~\$4 million pre-tax net write-up to equity, accreted or amortized based on estimated remaining lives of individual assets and liabilities
- ▶ Core deposit intangible: 2.00% of non-time deposits / ~\$29 million pre-tax; amortized over 10 years sum-of-years-digits



NEW HEIGHTS

Non-GAAP Reconciliation As Announced 9/9/19

		2020	
		\$ Millions	Millions of Diluted Shares
FDEF Consensus Net Income Estimate	(1)	\$46.3	19.7
UCFC Consensus Net Income Estimate	(1)	43.0	48.0
After-Tax Adjustments:			
Cost Savings (Fully-Phased)	(2)	\$13.8	
Opportunity Cost of Cash		(0.4)	
Amortization of Loan Interest Rate Mark	(3)	(2.5)	
Accretion / (Amortization) of Other Marks	(3)	0.2	
Accretion of Non-PCD Credit Mark	(4)	4.4	
Elimination of UCFC's Amortization Expense		0.4	
Core Deposit Amortization from Transaction	(5)	(4.1)	
Pro Forma FDEF Net Income	(6)	\$101.2	37.7
FDEF Standalone EPS		\$2.36	
UCFC Standalone EPS		\$0.90	
Pro Forma FDEF EPS		\$2.69	
\$ EPS Accretion to FDEF		\$0.33	
% EPS Accretion to FDEF		14.1%	

Note: Excludes any potential restructuring charges and the ~\$25 million pre-tax provision expense relating to CECL's requirement to establish an ALLL on UCFC's non-PCD loans.

- 1) Based on consensus 2020 net income estimates as of 9/9/19.
- 2) Reflects fully-phased after-tax cost savings of approximately 26% of UCFC non-interest expense (~10% of combined expense base).
- 3) ~\$14M pre-tax interest rate write-up on loan portfolio, amortized over 4.5 years. Other rate and fair value marks of a combined ~\$4 million pre-tax net write-up, accreted or amortized based on estimated remaining lives of individual assets and liabilities.
- 4) ~\$25 million pre-tax mark on non-PCD loans, recorded as a contra-loan balance, accreted through income.
- 5) 2.00% / ~\$29 million pre-tax core deposit intangible; amortized over 10 years utilizing the sum-of-the-years-digits methodology.
- 6) Pro forma diluted shares outstanding include FDEF shares and shares issued to UCFC based on the 0.3715x exchange ratio.



NEW HEIGHTS



Thank you.

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