

NEW HEIGHTS



FIRST DEFIANCE
FINANCIAL CORP.

Better together.

2018
ANNUAL REPORT



COMPANY PROFILE

First Defiance Financial Corp., headquartered in Defiance, Ohio, is the holding company for First Federal Bank of the Midwest and First Insurance Group. First Federal Bank operates 44 full-service branches in northwest and central Ohio, southeast Michigan and northeast Indiana, and a loan production office in Ann Arbor, Michigan. First Insurance Group is a full-service insurance agency with nine offices throughout northwest Ohio.

Founded in the 1920s as Northwest Savings, First Federal Bank was chartered in 1935 as a federal mutual savings and loan company. First Federal Bank converted to a mutual holding company and issued its first stock to the public and employees in 1993. In September 1995, First Federal Bank converted to a full stock company, trading stock on the NASDAQ national market under the ticker symbol FDEF. At the same time, First Defiance Financial Corp. was founded as the holding company for First Federal Bank. In 1998, an additional business line was added with the acquisition of an insurance agency, now known as First Insurance Group. The Bank's name was changed to First Federal Bank of the Midwest in 1999, to better reflect our community banking business strategy.

Since 2003, First Defiance has completed five bank acquisitions and five insurance agency acquisitions. Most recently, 2017 marked the successful completion of acquisitions of Commercial Bancshares, Inc. based in Upper Sandusky, Ohio, and Corporate One Benefits Agency, Inc. based in Fostoria, Ohio. Both acquisitions expanded our community-based financial service offerings through office locations in new communities.

SAFE HARBOR STATEMENT

Statements contained in this Annual Report may not be based on historical facts and are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21B of the Securities Act of 1934, as amended. Actual results could vary materially depending on risks and uncertainties inherent in general and local banking and insurance conditions, competitive factors specific to markets in which the Company and its subsidiaries operate, future interest rate levels, legislative and regulatory decisions or capital market conditions. The Company assumes no responsibility to update this information. For more details, please refer to the Company's SEC filings, including its most recent Annual Report on Form 10-K and quarterly reports on Form 10-Q.

NEW HEIGHTS

Marking the sixth consecutive year with record earnings, 2018 took us to a higher level of performance and an elevated client experience. Successful execution of key initiatives allowed us to surpass \$3 billion in assets and deliver additional shareholder value through a two-for-one stock split. However, our definition of success goes well beyond the numbers on our financial statements. It's the synergies between our employees, both internally and with the communities we serve, that allowed us to consistently rise to the challenge of finding smart solutions for all stakeholders.

GROWTH

Our commitment to both our legacy and metro markets was evident through the dedication of leadership to keep decision making close to clients, the addition of staff to support growth, and the expansion of our branch network. The opening of our forty-fourth, full-service branch in downtown Fort Wayne, Indiana, positions us well for continued growth in an area that is experiencing exciting economic development. In addition, we feel well-prepared for future expansion as we completed prototypes for our branches of the future.

COMMUNITIES

Our growth throughout our footprint added opportunities to spread our "better together" philosophy. Our employees rallied behind our inaugural Building Better Communities initiative in celebration of National Homeownership Month by donating over 600 volunteer hours to create life-changing experiences for families and to share knowledge with current and future homeowners. The cycle of giving continued with our annual Pay It Forward campaign where employees performed over 700 random acts of kindness, in addition to funding over \$10,000 worth of community-generated ideas to make the places we call home even stronger. Movements like these help define who we are.

CLIENTS

We not only want to lead positive experiences within our communities, but for our clients. Strategic initiatives allowed us to implement employee-led enhancements to our Treasury Management solutions and procedures to make managing a business easier and more efficient. As industry trends still continue to shift to transactions that occur outside of the branch, we were delighted to introduce online and mobile services common for larger financial institutions to our community bank clients. Our clients now can control access to their debit card within our mobile app and can utilize more than 32,000 ATMs nationwide without a surcharge fee through the MoneyPass® ATM Network.

LOOKING AHEAD

Our performance for 2018 and plans for 2019 reflect our focus on shareholder value and at the same time, our commitment to be a strong partner in the communities we are proud to call home. We will continue to focus on building sustainable growth as we rise above competitive lending and deposit environments by providing smart solutions and personalized service. We will commemorate our twentieth anniversary of our Wealth Management division by paying it forward and sharing our knowledge. As we further enhance our client experience, we will continue to build advancements in technology and digital banking options into our suite of products and services. We are confident our emphasis on these initiatives and living our better together philosophy will continue to take us to **NEW HEIGHTS**.



Donald P. Hileman
President & CEO

A handwritten signature in dark ink, appearing to read "Donald P. Hileman". The signature is fluid and cursive, written on a white background.

Donald P. Hileman | President & CEO



FINANCIAL HIGHLIGHTS

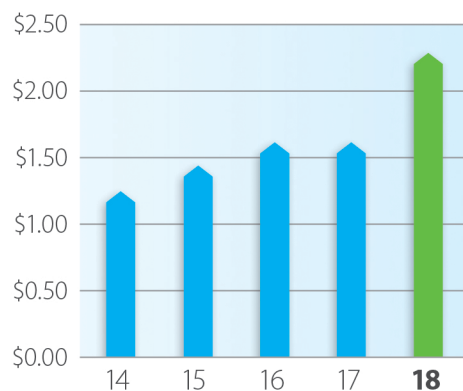
(In thousands, except per share amounts)

Summary of Operating Results	2018	2017	% Change
Net interest income	\$108,255	\$96,671	12.0%
Provision for loan losses	1,176	2,949	-60.1%
Non-interest income (excluding securities gains/losses)	39,035	39,497	-1.2%
Securities gains (losses)	173	584	-70.4%
Non-interest expense	89,412	85,351	4.8%
Net income	46,249	32,268	43.3%
Balance Sheet Data	2018	2017	% Change
Total assets	\$3,181,722	\$2,993,403	6.3%
Loans, net	2,511,708	2,322,030	8.2%
Deposits	2,620,882	2,437,656	7.5%
Stockholders' equity	399,589	373,286	7.1%
Allowance for loan losses	28,331	26,683	6.2%
Share Information	2018	2017	% Change
Basic earnings per common share	\$2.27	\$1.62	40.1%
Diluted earnings per common share	2.26	1.61	40.4%
Dividends per common share	0.64	0.50	28.0%
Tangible book value per common share	14.71	13.24	11.1%
Shares outstanding at end of period	20,171	20,312	-0.7%
Key Ratios	2018	2017	% Change
Net interest margin	3.98%	3.88%	2.6%
Return on average assets	1.52%	1.13%	34.5%
Return on average equity	12.03%	9.19%	30.9%
Efficiency ratio	60.29%	61.81%	-2.5%

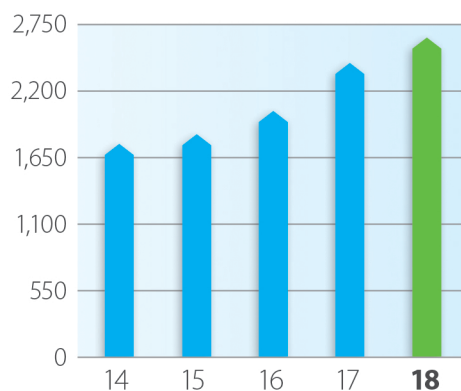
All share data reflects a 2-for-1 stock split completed July 12, 2018.



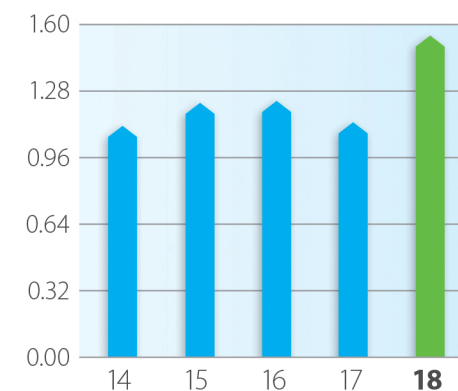
Earnings Per Diluted Share



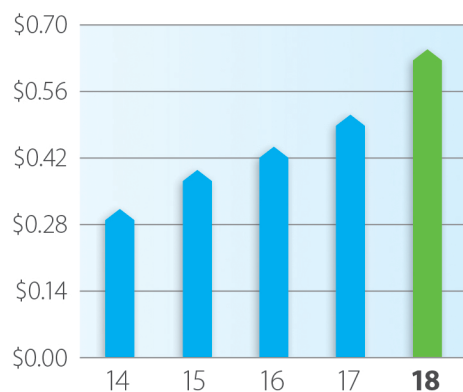
Deposits (in \$ millions)



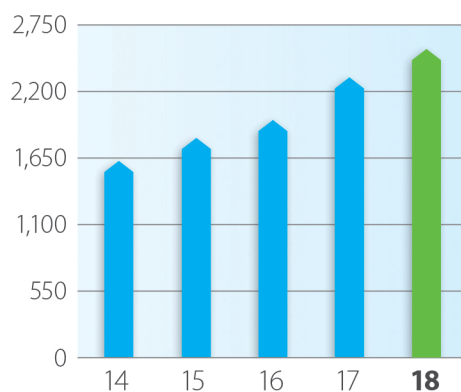
Return on Average Assets (%)



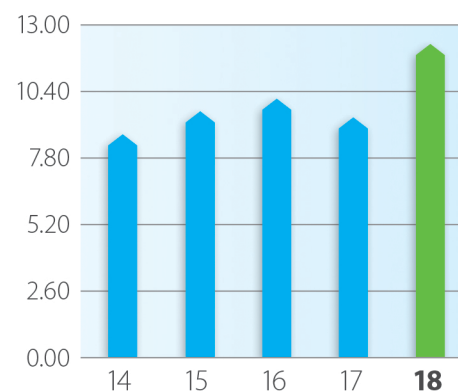
Dividends Per Share



Loans (in \$ millions)



Return on Average Equity (%)



BOARD OF DIRECTORS & CORPORATE OFFICERS

BOARD OF DIRECTORS

John L. Bookmyer
Chairman
First Defiance Financial Corp.
Chief Executive Officer
Pain Management Group
Findlay, Ohio
1, 2 & 3

Donald P. Hileman
President & Chief Executive
Officer
First Defiance Financial Corp.
1, 5, 6, 7 & 8

Robert E. Beach
Retired President & CEO
Commercial Bancshares, Inc.
Upper Sandusky, Ohio
5, 6, 7 & 8

Terri A. Bettinger
Former CIO
Franklin Data Center
Columbus, Ohio
2, 3 & 8

Douglas A. Burgei, D.V.M.
Retired Veterinarian
Napoleon, Ohio
3, 4, 5 & 7

Thomas K. Herman
Co-Founder, President & CEO
Aptera
Fort Wayne, Indiana
4, 5 & 8

Jean A. Hubbard
Business Manager &
Corporate Treasurer
The Hubbard Company
Defiance, Ohio
2, 3 & 8

Barbara A. Mitzel
Retired Director of
Public Affairs
Consumers Energy
Adrian, Michigan
4, 5 & 6

Charles D. Niehaus
Managing Partner
Niehaus Kalas Hinshaw Ltd.
Toledo, Ohio
4 & 8

Thomas A. Reineke
President & CEO
Reineke Family Dealerships
Findlay, Ohio
4 & 6

Mark A. Robison
Chairman & President
Brotherhood Mutual
Insurance Company
Fort Wayne, Indiana
2, 4 & 7

Samuel S. Strausbaugh
President & CEO
Vrsus Assets, LLC
Indianapolis, Indiana
2 & 3

KEY FOR BOARD OF DIRECTORS:

1. Executive Committee
2. Audit Committee
3. Compensation Committee
4. Corporate Governance Committee
5. Investment Committee
6. Trust Committee
7. First Insurance Group Board
8. Risk Committee

FIRST FEDERAL BANK OF THE MIDWEST CORPORATE OFFICERS

Donald P. Hileman
President & Chief Executive
Officer

Kevin T. Thompson
EVP, Chief Financial Officer

Paul D. Nungester
EVP, Director of Finance &
Accounting

John R. Reisner
EVP, Chief Risk Officer &
Legal Counsel

Sharon L. Davis
EVP, Director of Human
Resources

Dennis E. Rose, Jr.
EVP, Director of Strategy
Management

Michael D. Mulford
EVP, Chief Credit
Administration Officer

Timothy K. Harris
EVP, Chief Credit Officer

Marybeth Shunk
EVP, Director of Sales

Amy L. Hackenberg
EVP, Southern Market Area
Executive

James R. Williams, III
EVP, Northern Market
Area Executive

Gregory R. Allen
EVP, Fort Wayne Market Area
Executive

Joel P. Jerger
EVP, Toledo Market Area
Executive

David D. Dygert
EVP, Columbus Market Area
Executive

Brent L. Beard
SVP, Controller & Treasurer

Amy M. Daeger
SVP, Director of Retail
Administration

Brian A. Eitniewski
SVP, Director of Corporate
Services

Charles V. Hoecherl
SVP, Treasury Management
Sales

David L. Kondas
SVP, Director of Wealth
Management

Rodney B. Walton
SVP, Senior Private Banker

Kathleen A. Miller
SVP, Information Technology

Justin R. Rodemich
SVP, Bank Operations

Martha J. Woelke
SVP, Retail Lending

Ryan J. Miller
SVP, Northern Market Area
Commercial Lending Manager

John W. Schuld
SVP, Southern Market Area
Commercial Lending Manager

Dirk VanHeyst
SVP, Senior Commercial
Lender

Danielle R. Figley
Corporate Secretary

FIRST DEFIANCE FINANCIAL CORP. CORPORATE OFFICERS

Donald P. Hileman
President & Chief Executive
Officer

Kevin T. Thompson
EVP, Chief Financial Officer

Paul D. Nungester
EVP, Director of Finance &
Accounting

Sharon L. Davis
EVP, Director of Human
Resources

John R. Reisner
EVP, Chief Risk Officer &
Legal Counsel

Danielle R. Figley
Corporate Secretary

FIRST INSURANCE GROUP, INC. CORPORATE OFFICERS

Donald P. Hileman
Chief Executive Officer

Michael R. Klein
President & Chief Operating
Officer

Brent L. Beard
Chief Financial Officer

Ronald R. Burns
EVP, Group Health & Life

Marvin K. Dubbs, Jr.
EVP, Property & Casualty

Kenneth G. Keller
EVP, Group Health & Life

John Payak, III
EVP, Property & Casualty

Timothy S. Whetstone
EVP, Property & Casualty

Lawrence H. Woods
EVP, Property & Casualty

SHAREHOLDER INFORMATION



ANNUAL MEETING

The Annual Meeting of Shareholders will be conducted virtually at 1:00 p.m., Eastern Time, on Tuesday, April 30, 2019. Shareholders may access the Annual Meeting at www.virtualshareholdermeeting.com/fdef2019

INVESTOR INFORMATION

Shareholders, investors and analysts interested in additional information about First Defiance Financial Corp., may contact Investor Relations at the corporate office, 419-782-5104.

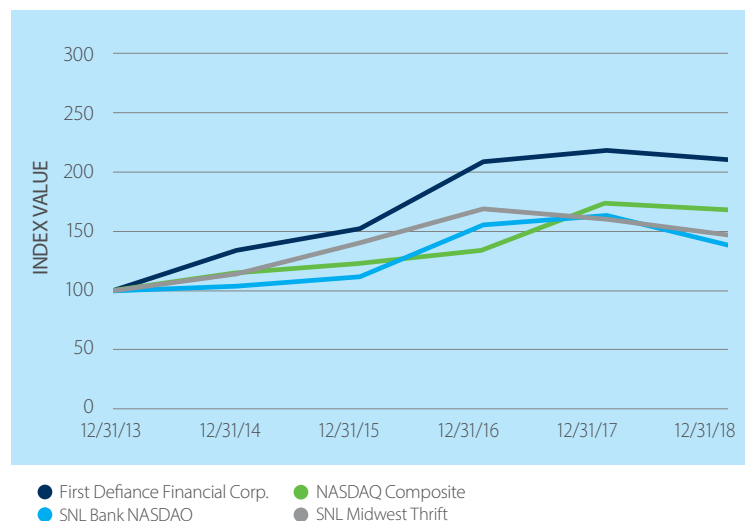
STOCK TRANSFER AGENT

Shareholders with questions concerning the transfer of shares, lost certificates, dividend payments, dividend reinvestment, receipt of multiple dividend checks, duplicate mailings or changes of address should contact:

Broadridge Corporate Issuer Solutions

PO Box 1342
Brentwood, NY 11717
1-844-318-0128 or 1-720-358-3594
shareholder@broadridge.com

TOTAL RETURN PERFORMANCE



AUDITORS

Crowe LLP

330 East Jefferson Boulevard
South Bend, IN 46624

GENERAL COUNSEL

Vorys, Sater, Seymour & Pease LLP

301 East Fourth Street, Suite 3500
Cincinnati, OH 45202

SECURITIES LISTING

First Defiance Financial Corp. common stock trades on the NASDAQ Global Select Market under the symbol FDEF. As of January 31, 2019, there were approximately 2,347 stockholders of record and 20,067,268 shares outstanding.

DIVIDEND POLICY

The First Defiance Financial Corp. Board reviews and determines, on a quarterly basis, whether to declare a dividend. Dividends declared in 2018 totaled \$0.64 per share.

DIVIDEND REINVESTMENT PLAN

Shareholders may automatically reinvest dividends in additional First Defiance Financial Corp. common stock through the Dividend Reinvestment Plan, which also provides for purchase by voluntary cash contributions. For additional information, please contact: Broadridge Corporate Issuer Solutions at 1-844-318-0128 or 1-720-358-3594.

PRICE RANGE

Year Ended December 31, 2018

	HIGH	LOW
First Quarter	\$29.93	\$25.51
Second Quarter	\$33.72	\$27.63
Third Quarter	\$35.00	\$29.61
Fourth Quarter	\$31.09	\$22.78

Year Ended December 31, 2017

	HIGH	LOW
First Quarter	\$25.58	\$23.14
Second Quarter	\$28.45	\$24.39
Third Quarter	\$27.00	\$23.51
Fourth Quarter	\$28.46	\$25.14

Better together.



FIRST DEFIANCE FINANCIAL CORP.

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601 Clinton Street
Defiance, OH 43512
419-782-5104
Fdef.com



FIRST FEDERAL BANK

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First-Fed.com



FIRST INSURANCE GROUP

First Insurance Group
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Defiance, OH 43512
419-784-5431
Firstinsurancegrp.com



FIRST DEFIANCE FINANCIAL CORP.

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For investor relations information, visit Fdef.com