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If you have sold or transferred all your shares in Donegal Investment Group plc, please pass this document and the accompanying Form of Proxy to the purchaser or transferee or to the stockbroker, bank or the agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

Donegal Investment Group plc

Annual General Meeting 2015

A letter from the Chairman of Donegal Investment Group plc ("**the Company**") is set out on pages 2 and 3 of this document.

Notice convening the Annual General Meeting of the Company to be held at The Silver Tassie Hotel, Ballymaleel, Ramelton Road, Letterkenny, Co. Donegal, at 11:30 a.m. on Wednesday 1 July 2015 and related statement of procedures are set out on pages 2 and 3 of this document.

To be valid, Forms of Proxy for use at the Annual General Meeting must be completed and returned so as to be received by the Company's registrars, Computershare Investor Services (Ireland) Ltd Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18 no later than 11:30 a.m. on Monday 29 June 2015.

DONEGAL INVESTMENT GROUP PUBLIC LIMITED COMPANY

(Registered in the Republic of Ireland, Registered Number 162921)

Directors

Geoffrey Vance (Chairman)
Ian Ireland (Managing Director)
Francis Devenny
Richard Whelan
Geoffrey McClay
Patrick J Kelly
Norman Witherow
Michael Griffin
Frank Browne
Henry McGarvey

Registered Office

Ballyraine
Letterkenny
Co Donegal

1 June 2015

To the shareholders of Donegal Investment Group plc (“the Company”)

Dear Shareholder,

I am writing to you to outline the resolutions to be proposed at the forthcoming Annual General Meeting, all of which the Board of Directors are recommending for your approval. I draw your attention to the Notice of Annual General Meeting of the Company which will be held at 11:30 a.m. on Wednesday 1 July 2015 at The Silver Tassie Hotel, Ballymaleel, Ramelton Road, Letterkenny, Co. Donegal, which is included in this document.

Resolution 1 – receipt and consideration of the accounts

This is a resolution to receive and consider the Company’s financial statements for the financial year ended 31 December 2014.

Resolution 2 – declaration of dividend

This is a resolution to declare a final dividend of 9 cent per share, to be paid on 21 August 2015 to those shareholders on the register at close of business on 31 July 2015.

Resolutions 3 (a), (b) election and re-election of Directors

These are resolutions to elect Padraic Lenehan as a director and to re-elect Norman Witherow as a director, who retires in accordance with the Articles of Association.

Resolution 4

This is a resolution to approve the remuneration of the non-executive directors.

Resolution 5 – Auditors’ remuneration

KPMG, the statutory auditor, continues in office in accordance with the Companies Act 2014. This resolution is an ordinary resolution proposed each year to permit the Directors to fix the auditors’ remuneration.

Resolutions 6, 7, 8 and 9 – Share Capital

Resolution 6 is an ordinary resolution to grant a general authority to the directors to allot “relevant securities” of up to one third of the issued share capital. This will facilitate pro-rata issues of shares

(such as rights issues). The authority will expire after 5 years and replaces a similar authority granted by resolution passed at the 2012 AGM.

Resolution 7 is a special resolution to authorise the Directors to allot “equity securities”, essentially non-pro-rata issues for cash of ordinary shares of a nominal value equivalent to up to 5% of the nominal value of the issued share capital. This authority will expire 15 months after the passing of the resolutions or at the conclusion of the 2016 AGM, whichever occurs first.

Resolution 8 is a special resolution to authorise the Company to make market purchases of shares up to 10% of the aggregate of the present issued share capital. The Directors have no present intention of exercising this authority and it will be exercised only if the Directors consider it would be in the best interests of the remaining shareholders generally. This authority will expire 15 months after the passing of the resolution or at close of trading on the date of the 2016 AGM, whichever first occurs.

Resolution 9 is a related special resolution to authorise the Company to reissue repurchased shares and to set a reissue price range for those shares subject to the limits of Resolutions 6 and 7. It is anticipated that any shares repurchased will be cancelled.

The Directors have no present intention of exercising these authorities.

Resolution 10 – New Share Option Scheme

Resolution 10 is to adopt a new Company Share Option Scheme, which the Directors are proposing would largely reflect the existing scheme adopted on 27 June 2005. The proposed Scheme, like the 2005 Scheme, is open to full time executives of the Company (being those who work more than 20 hours in a working week in the business of the Company and/or its subsidiaries). The Board has brought forward this updated Scheme to reflect current market practice and with a view to aligning the interests of Scheme participants with those of shareholders generally, with a focus on long term growth and shareholder values.

The Board is of the view that the proposed Scheme fosters an increased level of employee commitment and involvement in the business and also leads to a further enhancement of corporate performance and derived shareholder value. The Board is further of the view that the Scheme is in the best interests of the Company, its subsidiary companies and its shareholders and that it is being provided as an incentive for management to perform.

The principal terms of the Scheme are set out in the Appendix to this document.

Recommendation

The Directors believe that the proposals set out in the resolutions before the meeting are in the best interests of the Company and of its shareholders as a whole. Accordingly, the Directors recommend that you vote in favour of the resolutions at the Annual General Meeting, which they intend to do in respect of their shareholdings in the Company.

Yours faithfully,

Geoffrey Vance
Chairman

DONEGAL INVESTMENT GROUP PUBLIC LIMITED COMPANY

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the Annual General Meeting of Donegal Investment Group plc will be held at The Silver Tassie Hotel, Ballymaleel, Ramelton Road, Letterkenny, Co. Donegal, at 11:30 a.m. on Wednesday 1 July 2015 for the following purposes:

1. To receive the Financial Statements for the year ended 31 December 2014 and the reports of the Directors and Auditors thereon (**Resolution 1**).
2. To declare a final dividend of €0.09 (nine Euro cents) per Ordinary Share payable on 21 August 2015 to the holders of the Ordinary Shares on the register at close of business on 31 July 2015 (**Resolution 2**).
3. (a) To re-elect Norman Witherow as Director; (**Resolution 3(a)**)
(b) To elect Padraic Lenehan as a Director. (**Resolution 3(b)**)
4. To approve the remuneration of the non-executive Directors. (**Resolution 4**)
5. To authorise the Directors to fix the remuneration of the Auditors in respect of the period expiring at the next AGM of the Company (**Resolution 5**).
6. To consider and if thought fit to pass the following as an ordinary resolution (**Resolution 6**):

That the Directors be and they are hereby generally and unconditionally authorised in accordance with section 1021 of the Companies Act 2014, to exercise all the power of the Company to allot relevant securities (as defined by that section) of the Company up to a maximum aggregate nominal amount equal to one third of the issued share capital of the Company immediately following the passing of this Resolution, such authority (unless previously revoked, varied or extended by the Company in a general meeting) to expire 5 years from the passing of the resolution or at the conclusion of the AGM of the Company to be held in 2020, whichever occurs first, save that the Company may before such expiry make an offer or agreement, which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities pursuant to such offer or agreement as if the authority conferred hereby had not expired.

7. To consider and if thought fit to pass the following as a special resolution (**Resolution 7**):

That, pursuant to section 1023 of the Companies Act 2014, the Directors be and they are hereby empowered to allot equity securities (as defined in section 1023 of the Companies Act 2014) of the Company pursuant to the authority conferred by Resolution 6 as if subsection (1) of section 1022 did not apply to such allotment) provided that the power hereby granted shall be limited to allotments:

- (a) of a nominal value up to 5% of the nominal value of the shares in issue immediately following the passing of this Resolution;
- (b) in connection with or pursuant to:
 - (i) any rights issue being an issue or offer of shares open for a period fixed by the Directors by way of rights to holders of shares in the Company in proportion (as nearly as may be) to such holders' holdings of such Shares on a fixed record date in all cases subject to such exclusions or to such other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or

legal or practical problems under the laws of the requirements of any regulatory body or stock exchange in any territory;

- (ii) any open offer being an offer of shares open for a period fixed by the Directors to holders of shares in the Company in proportion (as nearly as may be) to such holders' holdings of such Shares on a fixed record date in all cases subject to such exclusions or to such other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of the requirements of any regulatory body or stock exchange in any territory;

(c) an employee share scheme or share option scheme of the Company,

such power (unless previously revoked, varied or extended by the Company in general meeting) to expire 15 months from the passing of the resolution or at the conclusion of the next AGM of the Company, whichever first occurs, save that the Company may before such expiry make an offer or agreement, which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to such offer or agreement as if the power conferred hereby had not expired.

8. To consider and if thought fit to pass the following as a special resolution (**Resolution 8**):

That the Company (and any subsidiary of the Company for the time being) be and is hereby authorised to make market purchases including overseas market purchases of any shares of and in the Company (including any contract of purchase, which will or might be concluded wholly or partly after the expiry date below), provided that:

- (a) the maximum number of shares, which may be acquired pursuant to this authorisation shall be 10% of the issued shares of and in the Company immediately following the passing of this resolution;
- (b) the maximum price at which a purchase pursuant to this authorisation will be made will be 5% above the average of the official closing prices of the relevant shares derived from the Irish Stock Exchange or, at the option of the Directors, the London Stock Exchange for the five days before the purchase is made;
- (c) the minimum price, which may be paid for shares purchased pursuant to this authorisation will be the par value thereof; and
- (d) this authorisation will expire at close of trading on the date of the next AGM of the Company or 15 months from the passing of this resolution, whichever first occurs, save that the Company may make a purchase after the expiry of the authorisation in any case where the contract of purchase is executed before the authorisation expired.

9. To consider and if thought fit to pass the following as a special resolution (**Resolution 9**):

That the Directors be and are hereby empowered pursuant to Section 1021 of the Companies Act 2014 to re-issue treasury shares within the meaning of section 106 of the Companies Act 2014 as relevant securities and, pursuant to section 1023 of the Companies Act 2014, to reissue treasury shares as equity securities as if subsection (1) of section 1022 of the Companies Act 2014, did not apply to any such reissue provided that:

- (a) this power shall be subject to the limits provided by Resolutions 6 and 7 and shall expire at the conclusion of the next AGM of the Company or on the expiry of 15 months from the date hereof, whichever first occurs, save that the Company may before such expiry make an offer or agreement, which would or might require such reissue to occur after such expiry and the Directors may reissue securities pursuant to such offer or agreement as if the power conferred hereby had not expired;

- (b) the price at which any treasury shares may be re-issued off market (within the meaning of section 1078 of the Companies Act 2014) shall be:
- (i) in the case of reissues other than to satisfy entitlements under share options or employee share schemes not more than 25% above and not more than 5% below the average of the official closing prices of the relevant shares derived from the Irish Stock Exchange or, at the option of the Directors, the London Stock Exchange for the five days before the relevant reissue is made;
 - (ii) in the case of reissues to satisfy entitlements under share options or employee share schemes, not more than 25% above that average and not less than par value.

10. That the Share Option Scheme particulars of which are set out in a circular dated 1st June 2015 which is attached to this notice of the meeting and signed by the Chairman for the purposes of identification be and is hereby approved (**Resolution 10**):

BY ORDER OF THE BOARD

Padraic Lenehan
Secretary
1 June 2015

Registered office:
Ballyraine,
Letterkenny,
Co. Donegal.

STATEMENT OF PROCEDURES

- 1 A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her place. The proxy need not be a member of the Company.
- 2 To be effective, the instrument appointing a proxy and any authority under which it is executed (or a notarially certified copy of such authority) must be deposited at Computershare Services (Ireland) Limited, Heron House, Corrig Road, Sandyford, Dublin 18 so as to arrive not later than 11:30 a.m. on Monday 29 June, 2014. A form of proxy is enclosed with this notice. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the meeting.
- 3 Pursuant to sections 1095 and 1105 of the Companies Act 2014, entitlement to attend and vote at the meeting and the number of votes which may be cast thereat will be determined by reference to the Register of Members of the Company at close of business on the day which is two days before the date of the meeting (or in the case of an adjournment as at close of business on the day which is two days before the date of the adjourned meeting). Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend and vote at the meeting.

APPENDIX

Donegal Investment Group Share Option Scheme 2015

1 Principal Terms

(a) Administration

The Scheme will be administered by the Board of Directors through its Remuneration Committee which will comprise of non-executive directors only. As is standard, the options will be granted within a period of 42 days following the adoption of the Scheme and thereafter within 42 days immediately following publication of the Company's interim and/or final results in each year. In the event that there is an embargo on the trading of Shares then the options may be granted within 14 days following such embargo being released or the expiry of the 42 day period, if later.

(b) Eligibility

The Scheme will be open to executives and executive directors (being those who work more than 20 hours in a working week in the business of the Company and/or its subsidiaries) of the Company and its subsidiaries. Selection for their participation is at the absolute discretion of the Remuneration Committee and no person is entitled as a right to participate in the Scheme. In particular the Scheme is also not to be a condition of the terms of employment of any of the executives or executive directors involved. Participation in the Scheme is also not a guarantee of employment or continued employment.

(c) Limits

The maximum number of shares for which options may be granted pursuant to the Scheme and all other schemes (such as the 2005 Scheme) within a period of 10 years prior to the date of such grant must not exceed 5% of the ordinary share capital of the Company issued immediately prior to the date of the grant.

The maximum number of options granted to an individual shall not exceed four times their annual salary provided that in arriving at the relevant amount the subscription price for shares over which the relevant executive, has during the 10 years prior to the relevant date of the grant, been granted options which remain unexercised under other company employee share schemes, shall be taken into account.

No option may be granted to an individual who is within three years of his/her expected date of retirement.

(d) The Options capable of being exercised must be exercised within six months of the termination of the participant's employment at which point they lapse except where the reason for termination is a participant's retirement (including retirement due to Health Reasons or as part of an agreed redundancy programme) or in the event of the death of the participant. In such case any option capable of being exercised may be exercised within twelve months of such retirement and thereafter shall lapse. In the event that the participant dies then the options must be exercised within twelve months of the date of death and thereafter shall lapse.

(e) The options will not be capable of being exercised where the option holder enters insolvency proceedings.

(f) Options are not capable of assignment and are capable of cancellation.

(g) No options may be granted under the Scheme upon the expiry of 10 years from the date the Scheme is approved by the shareholders in general meeting.

(h) No options are capable of exercise later than seven years after the date of the grant.

2 Option Price

The option price will be determined by the Board but shall not be less than the greatest of:

- (a) the mid-market value of the Shares on the date of grant, no such mid-market value on that day as dealt price;
- (b) the market value of the Share on the date of the grant (value being determined pursuant to the terms of the Scheme); or
- (c) the nominal value of the Share on the date of the grant.

3 Amendments to the Scheme

- (a) The Board may amend the provisions of the Scheme save that the purposes of the Scheme must not be so altered so as to impose more onerous obligations on a participant in the Scheme, nor may any such amendment be made to the type of employee who participates in the Scheme, the price payable upon the exercise of the option, the time period for exercise of options or to the basis of determining a participant's entitlement on a variation or reduction of capital, without the prior approval of shareholders in general meeting.
- (b) The Board is authorised to make such amendments to the Scheme as is required to be consistent with guidelines and/or as required under law.

4 Pensionable Benefits

Options granted under the Scheme do not form part of the pensionable benefits of a participant

5 Alterations to capital

The Scheme provides for the adjustment of the option price and the number of shares subject to option on a capitalisation issue on any sub-division, consolidation or reduction in the share capital of the Company provided the auditors have confirmed in writing that the adjustment is fair and reasonable.

6 General

- (a) Any Shares issued pursuant to the Scheme shall rank pari passu to the other fully paid shares of the Company in issue at the date of the allotment.
- (b) Application will be made to the Irish Stock Exchange for shares issues under the Scheme to be listed at the appropriate time.
- (c) Any Share held by a director pursuant to the Scheme shall be listed on an individual named basis in the annual accounts of the Company, as required.
- (d) In the event of a takeover, options may be exercised, lapsed or be converted into options of the offeror company, if that alternative is available.

7 Examination of Scheme Document

Copy of the rules of the Scheme may be inspected at the offices of Mason Hayes & Curran, South Bank House, Barrow Street, Dublin 4 from the date of this notice to the date of the annual general meeting (inclusive) and the place of the annual general meeting for 15 minutes prior to and during the meeting.