

TOWER FINANCIAL CORP  
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The following excerpts relating to Old National Bancorp's pending acquisition of Tower Financial Corporation are from the slide presentation and transcript of a conference call held by executive officers of Old National on February 3, 2014 in connection with Old National's announcement of its financial results for the quarter and year ended December 31, 2013.

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*Lynell Walton, Director of Investor Relations*

2013 also saw Old National's entry into southern Michigan with a branch purchase and of course we have 2 pending partnerships Tower Financial in Fort Wayne, Indiana and United Bancorp in Ann Arbor, Michigan. I'll turn the call over to Chris

*Christopher A. Wolking, Senior EVP and Chief Financial Officer*

As noted in the bullet point on the slide [slide 16], the new branches in Michigan and Northern Indiana added \$3.4 million in operational expenses for the fourth quarter of 2013. Fourth quarter acquisition and integration costs were \$2.5 million compared to \$2.3 million in the third quarter. The \$2.5 million in the fourth quarter cost included \$1.8 million related to the integration of the Bank of America branches and approximately \$700,000 related to the pending acquisition of Tower Bancorp. Acquisition cost related to Tower will likely increase in the first quarter of 2014 as we move towards closing and conversion

Slide 20 shows our quarterly reported efficiency ratios for 2013 along with the efficiency ratio excluding the acquisition cost and operating income and expenses of our branch acquisition and the pending Tower Bancorp transaction. As you know, a portion of executive and managers incentives this year was dependent on our ability to meet an efficiency ratio target of 65% in the fourth quarter. Also, as discussed previously, because the Michigan and Northern Indiana branch acquisition and Tower transaction were not anticipated when we prepared our 2013 budget, results from those operations were excluded from our quarter-end executive performance calculation

In the fourth quarter, accretion from acquired assets and liabilities accounted for 81 basis points of our net interest margin or \$16.8 million. Accretion income should decline as acquired loans mature or are otherwise paid out. We expect somewhat lower accretion income from acquired loans in 2014 with a larger decline in 2015. Since we have not yet closed on either Tower or UBMI, of course, we have not marked these assets to fair value. But, our initial reviews of these portfolios indicate the percentage discount to adjust to fair value will be lower for these portfolios compared to previous acquisitions

Our Tier 1 capital ratio continues to track above the average ratio of our peer group peer banks. Our capital base gives us a latitude to grow organically, acquire additional banks and businesses using cash or continue to return capital to shareholders. We evaluate all of these opportunities constantly and expect to execute capital decisions for the best interest of our shareholders in the long-term. Both, the Tower and UBMI acquisitions, which we expect to close in 2014, include a mix of stock and cash in the purchase consideration...

*Robert G. Jones, President and Chief Executive Officer*

.The target our board has set for managements 2014 incentives is a Q4 ER of 64.5%. This does represent a slight decline from our fourth quarter incentive efficiency ratio of 63.9%, but it is important to note not included in that 63.9% was the negative impact of our Michigan branch purchase, which we estimated approximately \$2.3 million for the two quarters we owned them in 2013, nor does that number include the headwinds of the declining accretion income that Chris previously addressed. In addition as part of our normal course of operations, we will be making strategic investments in our technology infrastructure, such as a new teller system and mobile banking, which will ultimately improve our efficiency, but there is an upfront cost. I should note our fourth quarter 2014 target will not include any impact associated with Tower or UBMI

Mergers and acquisitions remains a core focus for Old National. With two partnerships currently in the pipeline, we could effectively execute additional partnerships this year, but we will remain diligent in terms of the markets and return to our shareholders

As we previously discussed with Tower, we have lost some very talented people. But as I also said, we put into place a plan that was designed to retain our clients and attract new team members and we remain very optimistic. While it is early, to date, we have not had any meaningful attrition in commercial or mortgage clients.

In the few days after the associates left, all commercial clients were divided up and a Tower associate made personal phone calls to each of them. The Tower board has also been incredibly supportive and committed to assist the teams efforts. We have also been introducing ONB associates to these clients as needed.

We are also very encouraged by the talent being interviewed in the hiring process and expect to have a new team in place very soon composed of associates from the local market











**(Q Christopher McGratty):** Okay. Just a quick one on the buyback. You bought more stock in the fourth quarter. Was that a function of just two pending deals? Or how should we think about the your actual ability to buy stock in 2014?

**(A Chris Wolking):** No. In fact, Chris, we had that kind of in place obviously with a \$2 million share buyback. We look at that really independently of our acquisition outlook, although it has a bearing, of course. But, when you're only paying out 40%ish of earnings and organic growth was measured, we just had that opportunity and we felt like it was an important opportunity in materializing. And, as we've talked about in other calls, we've got cash components too for our pending acquisitions. It's just a way to get our common equity about where we think it should be. So, nothing special, just kind of part of the overall day-in, day-out discussion about capital utilization.

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