

OLD NATIONAL BANCORP /IN/
Form S-4
December 05, 2013
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As filed with the Securities and Exchange Commission on December 5, 2013

Registration No.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-4

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

Old National Bancorp

(Exact name of registrant as specified in its charter)

Indiana
(State or other jurisdiction of
incorporation or organization)

6021
(Primary standard industrial
classification code number)

35-1539838
(I.R.S. Employer
Identification No.)

ONE MAIN STREET, EVANSVILLE, INDIANA 47708, (812) 464-1294

(Address, including zip code and telephone number, including area code, of principal executive offices)

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Jeffrey L. Knight, Esq.

Executive Vice President,

Corporate Secretary and Chief Legal Counsel

Old National Bancorp

One Main Street

Evansville, Indiana 47708

(812) 464-1294

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copy to:

Timothy M. Harden, Esq.
Michael J. Messaglia, Esq.
Krieg DeVault LLP
One Indiana Square, Suite 2800
Indianapolis, Indiana 46204
(317) 636-4341

Robert S. Walters, Esq.
Samuel J. Talarico, Jr., Esq.
Barrett & McNagny LLP
215 East Berry Street
Fort Wayne, Indiana 46802
(260) 423-9551

Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after this Registration Statement becomes effective and upon the effective time of the merger of Tower Financial Corporation with and into Registrant pursuant to the Agreement and Plan of Merger described in the proxy statement/prospectus included in Part I of this Registration Statement.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. ☐

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

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(Check one): Large accelerated filer ☒ Accelerated filer ☐
 Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer) ☐
 Exchange Act Rule 14d-1(d) (Cross-Border Third Party Tender Offer) ☐

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Share(2)	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee
Common Stock, no par value	5,652,553	\$ 24.96	\$ 117,573,106.56	\$ 15,143.42

(1) This registration statement covers the maximum number of shares of common stock of the Registrant which are expected to be issued in connection with the merger based upon applying an exchange ratio of 1.20 to the number of shares of Tower Financial Corporation (TFC) common stock outstanding or reserved for issuance upon the exercise of outstanding stock options.

(2) Estimated solely for the purpose of calculating the amount of the registration fee pursuant to Rule 457(c) and Rule 457(f), based on the average of the high and low prices of a share of Tower Financial Corporation's common stock on November 29, 2013, multiplied by 4,710,461 shares of common stock of TFC that may be received by the Registrant and/or cancelled upon consummation of the merger.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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THE INFORMATION IN THIS PROXY STATEMENT-PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. WE MAY NOT ISSUE THESE SECURITIES UNTIL THE REGISTRATION STATEMENT IS EFFECTIVE. THIS PROXY STATEMENT-PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND IT IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

PRELIMINARY PROXY STATEMENT/PROSPECTUS

DATED DECEMBER 5, 2013, SUBJECT TO COMPLETION

[TFC LOGO]

**PROXY STATEMENT FOR THE SPECIAL MEETING OF
TOWER FINANCIAL CORPORATION SHAREHOLDERS**

and

**PROSPECTUS OF
OLD NATIONAL BANCORP**

The Boards of Directors of Tower Financial Corporation (TFC) and Old National Bancorp (Old National) have approved an agreement to merge (the Merger) TFC with and into Old National (the Merger Agreement). If the Merger is approved by the shareholders of TFC and all other closing conditions are satisfied, each shareholder of TFC shall receive \$6.75 in cash and 1.20 shares of Old National common stock for each share of TFC common stock owned before the Merger, subject to certain adjustments as described in the Merger Agreement. Each TFC shareholder will also receive cash in lieu of any fractional shares of Old National common stock that such shareholder would otherwise receive in the Merger, based on the market value of Old National common stock determined shortly before the closing of the Merger. The board of directors of TFC believes that the Merger is in the best interests of TFC and its shareholders.

The Merger is conditioned upon, among other things, the approval of TFC s shareholders. This document is a proxy statement that TFC is using to solicit proxies for use at its special meeting of shareholders to be held on February 7, 2014. At the meeting, TFC s shareholders will be asked (i) to approve the Merger Agreement and the Merger, (ii) to approve, in a non-binding advisory vote, the compensation that may or will be payable to TFC s named executive officers in connection with the Merger, (iii) to adjourn the meeting if necessary to solicit additional proxies, and (iv) to transact such other business as may properly be brought before the meeting or any adjournment or postponement thereof.

This document is also a prospectus relating to Old National's issuance of up to 5,652,553 shares of Old National common stock in connection with the Merger.

Old National common stock is traded on the NASDAQ Global Market under the trading symbol ONB. On September 9, 2013, the date of execution of the Merger Agreement, the closing price of a share of Old National common stock was \$13.77. On November 29, 2013, the closing price of a share of Old National common stock was \$15.55.

TFC common stock is traded on the NASDAQ Global Market under the trading symbol TOFC. On September 9, 2013, the date of execution of the Merger Agreement, the closing price of a share of TFC common stock was \$15.66. On November 29, 2013, the closing price of a share of TFC common stock was \$24.96.

For a discussion of certain risk factors relating to the Merger Agreement, see the section captioned Risk Factors beginning on page 20.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued under this proxy statement/prospectus or determined if this proxy statement/prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The securities to be issued in connection with the Merger are not savings or deposit accounts or other obligations of any bank or nonbank subsidiary of any of the parties, and they are not insured by the Federal Deposit Insurance Corporation, the Deposit Insurance Fund or any other governmental agency.

This proxy statement/prospectus is dated [], 2013, and it

is first being mailed to TFC shareholders on or about [], 2013.

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AVAILABLE INFORMATION

As permitted by Securities and Exchange Commission (SEC) rules, this document incorporates certain important business and financial information about Old National from other documents that are not included in or delivered with this document. These documents are available to you without charge upon your written or oral request. Your requests for these documents should be directed to the following:

Old National Bancorp

One Main Street

P.O. Box 718

Evansville, Indiana 47705

Attn: Jeffrey L. Knight, Executive Vice President,

Corporate Secretary and Chief Legal Counsel

(812) 464-1363

In order to ensure timely delivery of these documents, you should make your request by [], 2013, to receive them before the special meeting.

You can also obtain documents incorporated by reference in this document through the SEC's website at www.sec.gov. See Where You Can Find More Information.

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TOWER FINANCIAL CORPORATION

116 East Berry Street

Fort Wayne, Indiana 46802

(260) 427 7000

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD ON FEBRUARY 7, 2014

To the Shareholders of Tower Financial Corporation:

We will hold a special meeting of the shareholders of Tower Financial Corporation (TFC) on February 7, 2014, at 9:30 a.m., Eastern Time, at the Landmark Centre, 6222 Ellison Road, Fort Wayne, Indiana 46802, to consider and vote upon:

1. *Merger Proposal.* To approve the Agreement and Plan of Merger dated September 9, 2013 (the Merger Agreement), by and between Old National Bancorp (Old National) and TFC, pursuant to which TFC will merge with and into Old National (the Merger). Simultaneous with the consummation of the Merger, Tower Bank & Trust Company will merge with Old National Bank, the wholly-owned banking subsidiary of Old National. In connection with the Merger, you will receive in exchange for each of your shares of TFC common stock:

- 1.20 shares of Old National common stock (the Exchange Ratio), subject to adjustment as provided in the Merger Agreement;
- \$6.75 in cash, without interest; and
- in lieu of any fractional share of Old National common stock, an amount in cash equal to such fraction multiplied by the average per share closing price of a share of Old National common stock as quoted on the NASDAQ during the ten trading days preceding the fifth calendar day preceding the effective time of the Merger.

2. *Shareholder Advisory (Non-Binding) Vote on Merger-Related Compensation.* Consideration and approval, on a non-binding advisory basis, of the compensation that may or will become payable to the named executive officers of TFC in connection with the Merger.

3. *Adjournment.* To approve a proposal to adjourn the special meeting, if necessary, to solicit additional proxies in the event there are not sufficient votes present at the special meeting in person or by proxy to approve the Merger.

4. *Other Matters.* To vote upon such other matters as may properly come before the meeting or any adjournment thereof. The board of directors is not aware of any such other matters.

The enclosed proxy statement/prospectus describes the Merger Agreement and the proposed Merger in detail and includes, as Annex A, the complete text of the Merger Agreement. We urge you to read these materials for a description of the Merger Agreement and the proposed Merger. **In particular, you should carefully read the section captioned Risk Factors beginning on page [] of the enclosed proxy statement/prospectus for a discussion of certain risk factors relating to the Merger Agreement and the Merger.**

The board of directors of TFC recommends that TFC shareholders vote (1) FOR adoption of the Merger Agreement and the Merger, (2) FOR approval of the non-binding advisory resolution regarding the Merger-related compensation payable to our named executive officers, and (3) FOR adjournment of the special meeting, if necessary.

The board of directors of TFC fixed the close of business on November 29, 2013, as the record date for determining the shareholders entitled to notice of, and to vote at, the special meeting and any adjournments or postponements of the special meeting.

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YOUR VOTE IS VERY IMPORTANT. The Merger Agreement must be adopted by the affirmative vote of holders of a majority of the issued and outstanding shares of TFC common stock in order for the proposed Merger to be consummated. If you do not return your proxy card or do not vote in person at the special meeting, the effect will be a vote against the proposed Merger. Whether or not you plan to attend the special meeting in person, we urge you to date, sign and return promptly the enclosed proxy card in the accompanying envelope. You may revoke your proxy at any time before the special meeting by sending a written notice of revocation, submitting a new proxy card or by attending the special meeting and voting in person.

By Order of the Board of Directors

/s/ Michael D. Cahill
Michael D. Cahill
President and Chief Executive Officer

[], 2013

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QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE SPECIAL MEETING

Q: What am I voting on?

A: Old National is proposing to acquire TFC. You are being asked to vote to approve the Merger Agreement and the Merger. In the Merger, TFC will merge into Old National. Old National would be the surviving entity in the Merger, and TFC would no longer be a separate company.

Additionally, you are being asked to vote to approve (i) on a non-binding advisory basis, the compensation payable to the named executive officers of TFC in connection with the Merger, and (ii) a proposal to adjourn the special meeting, if necessary, to solicit additional proxies if enough votes have not been cast to approve the Merger Agreement at the time of the special meeting.

Q: What will I receive in the Merger?

A: If the Merger is completed, each share of TFC common stock will be converted into the right to receive 1.20 shares of Old National common stock (the Exchange Ratio), subject to adjustment as provided below, and \$6.75 in cash (collectively, the Merger Consideration). The Exchange Ratio is subject to adjustment as follows:

- if, as of end of the month prior to the effective time, the TFC shareholders' equity (computed in accordance with the terms of the Merger Agreement) is less than \$61,117,844, the Exchange Ratio will be decreased as provided in the Merger Agreement; and
- if the average closing price of a share of Old National common stock (computed in accordance with the terms of the Merger Agreement) decreases by more than 20% in relation to a prescribed bank index, TFC will have the right to terminate the Merger Agreement unless Old National elects to increase the Exchange Ratio.

In lieu of any fractional shares of Old National common stock, Old National will distribute an amount in cash equal to such fraction multiplied by the average per share closing price of a share of Old National common stock as quoted on the NASDAQ Global Market during the ten trading days preceding the fifth calendar day preceding the effective time of the Merger.

Q: What risks should I consider before I vote on the Merger Agreement?

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A: You should review Risk Factors beginning on page [].

Q: Will Old National shareholders receive any shares or cash as a result of the Merger?

A: No. Old National shareholders will continue to own the same number of Old National shares they owned before the effective time of the Merger.

Q: When is the Merger expected to be completed?

A: We are working to complete the Merger as quickly as possible. We first must obtain the necessary regulatory approvals and the approval of the TFC shareholders at the special meeting being held for its shareholders to, among other matters, vote on the Merger. We currently expect to complete the Merger during the first quarter of 2014.

Q: What are the tax consequences of the Merger to me?

A: We have structured the Merger so that Old National, TFC, and their respective shareholders will not recognize any gain or loss for federal income tax purposes on the exchange of TFC shares for Old National shares in the Merger. Taxable income will result, however, to the extent a TFC shareholder receives cash (including cash received in lieu of fractional shares of Old National common stock) and the cash received exceeds the shareholder's adjusted basis in the surrendered stock. At the closing, TFC is to receive an opinion confirming these tax consequences. See Material Federal Income Tax Consequences beginning on page [].

Your tax consequences will depend on your personal situation. You should consult your tax advisor for a full understanding of the tax consequences of the Merger to you.

Q: What happens if I do not return a proxy card or otherwise vote?

A: Because the required vote of TFC shareholders on the Merger is based upon the number of outstanding shares of TFC common stock entitled to vote rather than upon the number of shares actually voted, abstentions from voting and broker non-votes will have the same practical effect as a vote AGAINST approval and adoption of the Merger Agreement. If you return a properly signed proxy card but do not indicate how you want to vote, your proxy will be counted as a vote FOR approval and adoption of the Merger Agreement.

The advisory votes on the Merger-related compensation and the vote to adjourn the meeting, if necessary, each require more votes to be cast in favor of these proposals than against. Abstentions and broker non-votes will have no effect on these proposals.

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Q: Why am I being asked to cast an advisory (non-binding) vote to approve the compensation payable to certain TFC officers in connection with the Merger?

A: The Securities and Exchange Commission, in accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, requires TFC to seek an advisory (non-binding) vote with respect to certain payments that will or may be made to TFC's named executive officers in connection with the Merger.

Q: What will happen if TFC shareholders do not approve such compensation at the special meeting?

A: Approval of the compensation payable in connection with the Merger is not a condition to completion of the Merger. The vote with respect to such compensation is an advisory vote and will not be binding on TFC (or the combined company that results from the Merger) regardless of whether the Merger Agreement is approved. Accordingly, as the compensation to be paid to the TFC executives in connection with the Merger is contractual, such compensation will or may be payable if the Merger is completed regardless of the outcome of the advisory vote.

Q: Will I have dissenters' rights?

A: No. Because TFC's common stock is traded on a national exchange, shareholders are not entitled to dissenters' rights under the Indiana Business Corporation Law.

Q: What do I need to do now?

A: After reading this proxy statement/prospectus, you may vote in one of four ways: (1) by mail (by completing and signing the proxy card that accompanies this prospectus/proxy statement); (2) by telephone; (3) by using the Internet; and (4) in person (by either delivering the completed proxy card or by casting a ballot if attending the special meeting). In the event that you choose not to exercise your vote by telephone, internet or in person, you should mail your signed proxy card in the accompanying pre-addressed, postage-paid envelope as soon as possible so that your shares can be voted at the February 7, 2014, TFC special meeting.

The telephone and Internet voting procedures have been set up for your convenience and have been designed to authenticate your identity, to allow you to give voting instructions, and to confirm that those instructions have been properly recorded. If you would like to vote by telephone or by using the Internet, please refer to the specific instructions on the proxy card. The deadline for voting by telephone or via the Internet is 11:59 p.m. Eastern Time on February 6, 2014.

Q: If my shares are held in street name by my broker, will my broker vote my shares for me?

A: Yes. Your broker will vote your shares on the Merger Agreement, but only if you provide instructions on how to vote. You should contact your broker and ask what directions your broker will need from you. If you do not provide instructions to your broker on how to vote on the Merger Agreement, your broker will not be able to vote your shares, and this will have the effect of voting against the Merger Agreement.

Similarly, your broker will vote your shares on the shareholder advisory (non-binding) vote on the Merger-related compensation, and the proposal to adjourn the meeting, if necessary, but only if you provide instructions on how to vote. If you do not submit voting instructions to your broker, your shares will not be counted in determining the outcome of those proposals.

Q: How do I vote shares held in TFC's 401(k) Plans?

A: TFC maintains 401(k) Plan which owns approximately 126,437 shares of TFC's common stock. Employees of TFC and its subsidiaries may participate in the plans. Each participant instructs the trustee how to vote the shares of TFC common stock allocated to his or her account under the Plan. Principal Trust Company is the trustee of the Plan. A participant may vote in one of four ways: (1) by mail (by completing and signing the proxy card that accompanies this prospectus/proxy statement); (2) by telephone; (3) by using the Internet; and (4) in person (by either delivering the completed proxy card or by casting a ballot if attending the special meeting).

If a participant properly executes the voting instruction card distributed by the trustee, the trustee will vote such participant's shares in accordance with the shareholder's instructions. Where properly executed voting instruction cards are returned to the trustee with no specific instruction as to how to vote at the special meeting, the trustee will vote the shares FOR the proposal to approve the Merger Agreement and the Merger, FOR the approval of the Merger-related compensation that is based on or otherwise relates to the Merger, and FOR the proposal to adjourn the special meeting, if necessary, to solicit additional proxies in the event there are not sufficient votes present at the special meeting in person or by proxy to approve the Merger. The trustee will vote the shares of TFC common stock held in the Plan but not allocated to any participant's account and shares as to which no voting instruction cards are received in the same proportion as the allocated shares in the Plan are voted with respect to the items being presented to a shareholder vote.

The telephone and Internet voting procedures have been set up for participant convenience and have been designed to authenticate each participant's identity, to allow such participants to give voting instructions, and to confirm that those instructions have been properly recorded. If a participant would like to vote by telephone or by using the Internet, please refer to the specific instructions on the proxy card. The deadline for voting by telephone or via the Internet is 11:59 p.m. Eastern Time on February 6, 2014.

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Q: Can I change my vote after I have mailed my signed proxy card?

A: Yes. You can change your vote at any time before your proxy is voted at the special meeting. You can do this in one of three ways. First, you can send a written notice stating that you revoke your proxy. Second, you can complete and submit a new proxy card, dated at a date later than the first proxy card. Third, you can attend the special meeting and vote in person. Your attendance at the special meeting will not, however, by itself revoke your proxy. If you hold your shares in street name and have instructed your broker how to vote your shares, you must follow directions received from your broker to change those instructions.

Q: What constitutes a quorum?

A: The holders of over 50% of the outstanding shares of common stock as of the record date must be present in person or by proxy at the special meeting to constitute a quorum. In determining whether a quorum is present, shareholders who abstain, cast broker non-votes, or are otherwise present at the meeting will be deemed present at the special meeting. Once a share is represented for any purpose at a meeting, it is deemed present for quorum purposes for the remainder of the meeting.

Q: Should I send in my stock certificates now?

A: No. As soon as practicable after the completion of the Merger, you will receive a letter of transmittal describing how you may exchange your shares for the Merger Consideration. At that time, you must send your completed letter of transmittal to Old National in order to receive the Merger Consideration. You should not send your share certificate until you receive the letter of transmittal.

Q: Can I elect the form of payment that I prefer in the Merger?

A: No. The amount of cash and shares of Old National common stock to be issued in the Merger have been determined, subject to those adjustments set forth herein.

Q: Whom should I contact if I have other questions about the Merger Agreement or the Merger?

A: If you have more questions about the Merger Agreement or the Merger, you should contact:

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Old National Bancorp
One Main Street
Evansville, Indiana 47708
(812) 464-1294
Attn: Jeffrey L. Knight

You may also contact:

Tower Financial Corporation
116 East Berry Street
Fort Wayne, Indiana 46802
(260) 427-7000
Attn: Michael D. Cahill

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SUMMARY

*This summary highlights selected information in this proxy statement/prospectus and may not contain all of the information important to you. To understand the Merger more fully, you should read this entire document carefully, including the annexes and the documents referred to in this proxy statement/prospectus. A list of the documents incorporated by reference appears under the caption *Where You Can Find More Information* on page [].*

The Companies (page [])

Old National Bancorp

One Main Street

Evansville, Indiana 47708

(812) 464-1294

Old National Bancorp is a bank holding company, incorporated under Indiana law and headquartered in Evansville, Indiana. Old National is the largest financial services holding company headquartered in Indiana and, with \$9.6 billion in assets, ranks among the top 100 banking companies in the United States. Since its founding in Evansville in 1834, Old National has focused on community banking by building long-term, highly valued partnerships with clients in its primary footprint of Indiana, Illinois and Kentucky. In addition to providing extensive services in retail and commercial banking, wealth management, investments and brokerage, Old National also owns Old National Insurance which is one of the top 100 largest agencies in the U.S. and the 10th largest bank-owned agency. Old National's common stock is traded on the NASDAQ Global Market under the symbol **ONB**.

Tower Financial Corporation

116 East Berry Street

Fort Wayne, Indiana 46802

(260) 427-7000

Tower Financial Corporation, headquartered in Fort Wayne, Indiana, is an Indiana financial services holding company with one subsidiary: Tower Bank & Trust Company, a growing community bank that opened in February 1999. Tower Bank & Trust Company provides a wide variety of financial services to businesses and consumers through its six full-service financial centers in Fort Wayne and a seventh in Warsaw, Indiana. Tower Bank & Trust Company has a wholly-owned subsidiary, Tower Trust Company, which is a state-chartered wealth services firm doing business as Tower Private Advisors. TFC's common stock is traded on the NASDAQ Global Market under the symbol **TOFC**.

Special Meeting of Shareholders; Required Vote (page []))

The special meeting of TFC shareholders is scheduled to be held at the Landmark Centre, 6222 Ellison Road, Fort Wayne, Indiana 46802 at 9:30 a.m., Eastern Time, on February 7, 2014. At the TFC special meeting, you will be asked to vote to approve the Merger Agreement and the Merger of TFC into Old National contemplated by that agreement. You will also be asked to approve, on a non-binding advisory basis, certain compensation payable to certain TFC executive officers in connection with the Merger and a proposal to adjourn the special meeting to solicit additional proxies, if necessary. Only TFC shareholders of record as of the close of business on November 29, 2013, are entitled to notice of, and to vote at, the TFC special meeting and any adjournments or postponements of the TFC special meeting.

As of the record date, there were 4,675,526 shares of TFC common stock outstanding. The directors and executive officers of TFC (and their affiliates), as a group, owned with power to vote 1,085,237 shares of TFC common stock, representing approximately 23.2% of the outstanding shares of TFC common stock as of the record date.

Adoption of the Merger Agreement requires the affirmative vote of holders of a majority of the issued and outstanding shares of TFC common stock. Approval of the proposal to adjourn the special meeting to allow extra time to solicit proxies and the advisory votes on the Merger-related compensation each require more votes cast in favor of the proposal than are cast against it.

No approval by Old National shareholders is required.

The Merger and the Merger Agreement (pages [] and []))

Old National's acquisition of TFC is governed by the Merger Agreement. The Merger Agreement provides that, if all of the conditions are satisfied or waived, TFC will be merged with and into Old National, with Old National surviving. Simultaneous with the Merger, Tower Bank & Trust Company will be merged with and into Old National Bank, a wholly-

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owned subsidiary of Old National. We encourage you to read the Merger Agreement, which is included as Annex A to this proxy statement/prospectus and is incorporated by reference herein.

What TFC Shareholders Will Receive in the Merger (page []))

If the Merger is completed, each share of TFC common stock will be converted into the right to receive 1.20 shares of Old National common stock (the Exchange Ratio), subject to the following adjustments, and \$6.75 in cash:

- if, as of end of the month prior to the effective time, the TFC shareholders' equity (computed in accordance with the terms of the Merger Agreement) is less than \$61,117,844, the Exchange Ratio will be decreased as provided in the Merger Agreement; and
- if the average closing price of a share of Old National common stock (computed in accordance with the terms of the Merger Agreement) decreases by more than 20% in relation to a prescribed bank index, TFC will have the right to terminate the Merger Agreement unless Old National elects to increase the Exchange Ratio.

In lieu of any fractional shares of Old National common stock, Old National will distribute an amount in cash equal to such fraction multiplied by the average per share closing price of a share of Old National common stock as quoted on the NASDAQ during the ten trading days preceding the fifth calendar day preceding the effective time of the Merger.

Treatment of Options to Acquire Shares of TFC Common Stock (page []))

The Merger Agreement provides that each option to acquire shares of TFC common stock outstanding as of the effective date of the Merger will be converted into options to acquire shares of Old National common stock.

Treatment of Deferred Stock Units

The Merger Agreement also provides that Old National and TFC will take all requisite action so that, at the effective time of the Merger, each of the deferred stock units issued and still outstanding under TFC's 2006 Equity Incentive Plan (consisting of 5,133 units) will receive cash in the amount equal to the closing price of a share of TFC common stock on the trading day immediately preceding the closing of the Merger.

Recommendation of TFC Board of Directors (page []))

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The TFC board of directors approved the Merger Agreement and the proposed Merger. The TFC board believes that the Merger Agreement, including the Merger contemplated by the Merger Agreement, is advisable and fair to, and in the best interests of, TFC and its shareholders, and therefore recommends that TFC shareholders vote **FOR** the proposal to approve the Merger Agreement and the Merger. In reaching its decision, the TFC board of directors considered a number of factors, which are described in the section captioned **Proposal 1 The Merger TFC's Reasons for the Merger and Recommendation of the Board of Directors** beginning on page []. Because of the wide variety of factors considered, the TFC board of directors did not believe it practicable, nor did it attempt, to quantify or otherwise assign relative weight to the specific factors it considered in reaching its decision.

The TFC Board also recommends that you vote **FOR** the approval of the Merger-related compensation that is based on or otherwise relates to the Merger and **FOR** the proposal to adjourn the special meeting, if necessary, to solicit additional proxies in the event there are not sufficient votes present at the special meeting in person or by proxy to approve the Merger.

No Dissenters' Rights(page [])

Dissenters' rights are statutory rights that, if available under law, enable shareholders to dissent from an extraordinary transaction, such as a merger, and to demand that the corporation pay the fair value for their shares as determined by a court in a judicial proceeding instead of receiving the consideration offered to shareholders in connection with the extraordinary transaction. Dissenters' rights are not available in all circumstances, and exceptions to these rights are provided in the Indiana Business Corporation Law. Because shares of TFC common stock are sold on a national exchange, holders of TFC common stock will not have dissenters' rights in connection with the Merger.

Voting Agreements (page [])

As of the record date, the directors of TFC beneficially owned 1,043,072 shares of TFC common stock, including shares subject to options currently exercisable but not exercised. In connection with the execution of the Merger Agreement, the directors of TFC each executed a voting agreement pursuant to which they agreed to vote their shares, and to use

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reasonable efforts to cause all shares owned by such director jointly with another person or by such director's spouse to be voted, in favor of the Merger.

Opinion of TFC's Financial Advisor(page []))

In connection with the Merger, the TFC board of directors received an oral and a written opinion, dated September 9, 2013, from TFC's financial advisor, Keefe, Bruyette & Woods, a Stifel Company (KBW), to the effect that, as of the date of the opinion and based on and subject to the various considerations described in the opinion, the Merger Consideration described in the Merger Agreement was fair, from a financial point of view, to the holders of TFC common stock. The full text of KBW's written opinion, which sets forth, among other things, the assumptions made, procedures followed, matters considered, and limitations on the review undertaken by KBW in rendering its opinion, is attached to this document as Annex B. We encourage you to read the entire opinion carefully. The opinion of KBW is directed to the TFC board of directors and does not constitute a recommendation to any TFC shareholder as to how to vote at the TFC special meeting or any other matter relating to the proposed Merger.

Reasons for the Merger (page []))

The TFC board of directors determined that the Merger Agreement and the Merger Consideration were in the best interests of TFC and its shareholders and recommends that TFC shareholders vote in favor of the approval of the Merger Agreement and the transactions contemplated by the Merger Agreement.

In its deliberations and in making its determination, the TFC board of directors considered many factors including, but not limited to, the following:

- the business, earnings, operations, financial condition, management, prospects, capital levels, and asset quality of both Old National and TFC;
- the increased regulatory burdens on financial institutions, the effects of the expected continued operation of Tower Bank & Trust Company under applicable regulatory restrictions and the uncertainties in the regulatory climate going forward;
- Old National's access to capital and managerial resources relative to that of TFC;
- the board's desire to provide TFC shareholders with the prospects for greater future appreciation on their investments in TFC common stock than the amount the board of directors believes TFC could achieve independently;
- the financial and other terms and conditions of the Merger Agreement, including the fact that the Merger Consideration (assuming no adjustments) represents a premium of approximately 180% to TFC's tangible book value as of the date of the Merger Agreement; and
- the financial analyses prepared by KBW, TFC's financial advisor, and the opinion dated as of September 9, 2013, delivered to the TFC board by KBW, to the effect that the Merger Consideration described in the Merger Agreement is fair, from a financial point of view, to TFC's

shareholders.

- Old National's community banking orientation and its perceived compatibility with TFC.

Old National's board of directors concluded that the Merger Agreement is in the best interests of Old National and its shareholders. In deciding to approve the Merger Agreement, Old National's board of directors considered a number of factors, including, but not limited to, the following:

- TFC's community banking orientation and its perceived compatibility with Old National and its subsidiaries;
- a review of the demographic, economic, and financial characteristics of the markets in which TFC operates, including existing and potential competition and the history of the market areas with respect to financial institutions;
- management's review of regulatory restrictions affecting TFC and Tower Bank & Trust Company and management's assessment of the conditions giving rise to such restrictions; and
- management's review of the business, operations, earnings, and financial condition, including capital levels and asset quality, of TFC and Tower Bank & Trust Company.

Regulatory Approvals (page []))

Under the terms of the Merger Agreement, the Merger cannot be completed until Old National receives necessary regulatory approvals, which include the approval of the Office of the Comptroller of the Currency and the Board of Governors of the Federal Reserve System (the Federal Reserve Board). Old National has filed applications with each

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regulatory authority to obtain the approvals. Old National cannot be certain when such approvals will be obtained or if they will be obtained.

New Old National Shares Will be Eligible for Trading (page []))

The shares of Old National common stock to be issued in the Merger will be eligible for trading on the NASDAQ Global Market.

Conditions to the Merger (page []))

The obligation of Old National and TFC to consummate the Merger is subject to the satisfaction or waiver, on or before the completion of the Merger, of a number of conditions, including:

- approval of the Merger Agreement at the special meeting by a majority of the issued and outstanding shares of TFC common stock;
- approval of the transaction by the appropriate regulatory authorities;
- the representations and warranties made by the parties in the Merger Agreement must be true and correct in all material respects as of the effective date of the Merger or as otherwise required in the Merger Agreement unless the inaccuracies do not or will not result in a Material Adverse Effect (as defined below in The Merger Agreement Conditions to the Merger);
- the covenants made by the parties must have been fulfilled or complied with in all material respects from the date of the Merger Agreement through and as of the effective time of the Merger;
- the parties must have received the respective closing deliveries of the other parties to the Merger Agreement;
- the Registration Statement on Form S-4, of which this proxy statement/prospectus is a part, relating to the Old National shares to be issued pursuant to the Merger Agreement, must have become effective under the Securities Act, and no stop order suspending the effectiveness of the Registration Statement shall have been issued or threatened by the Securities and Exchange Commission;
- Old National and TFC must have received an opinion from Krieg DeVault LLP, counsel to Old National, dated as of the effective date, to the effect that the Merger constitutes a tax-free reorganization for purposes of Section 368 and related sections of the Internal Revenue Code, as amended;
- Old National must have received a letter of tax advice, in a form satisfactory to Old National, from TFC's independent certified public accounting firm to the effect that any amounts that are paid by TFC or Tower Bank & Trust Company before the effective time of the Merger, or required under TFC's employee benefit plans or the Merger Agreement to be paid at or after the effective time, to persons who are disqualified individuals under Section 280G of the Internal Revenue Code with respect to TFC, Tower Bank & Trust Company or their successors, and that otherwise should be allowable as deductions for federal income tax purposes, should not be disallowed as deductions for such purposes by reason of Section 280G of the Code;

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- the shares of Old National common stock to be issued in the Merger shall have been approved for listing on the NASDAQ Global Market;
- there shall be no legal proceedings initiated or threatened seeking to prevent completion of the Merger; and
- TFC shall not have delinquent loans (computed in accordance with the Merger Agreement) in excess of \$24 million;
- TFC's consolidated shareholders' equity (computed in accordance with the Merger Agreement) shall not be less than \$57,117,844.

We cannot be certain when, or if, the conditions to the Merger will be satisfied or waived, or that the Merger will be completed.

Termination (page [1])

Old National or TFC may mutually agree at any time to terminate the Merger Agreement without completing the Merger, even if the TFC shareholders have approved it. Also, either party may decide, without the consent of the other party, to terminate the Merger Agreement under specified circumstances, including if the Merger is not consummated by June 30, 2014, if the required regulatory approvals are not received or if the TFC shareholders do not approve the Merger Agreement at the TFC special meeting. In addition, either party may terminate the Merger Agreement if there is a breach of the agreement by the other party that would cause the failure of conditions to the terminating party's obligation to close, unless the breach is capable of being cured and is cured within thirty (30) days of notice of the breach. TFC also has the right to terminate the Merger Agreement if it receives a proposal which its board of directors determines is superior to the Merger with Old National.

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Further, Old National has the right to terminate the Merger Agreement if the TFC board fails to publicly reaffirm its recommendation of the Merger Agreement, the Merger or the other transactions contemplated in the Merger Agreement within five business days of a written request by Old National to provide such reaffirmation.

Additionally, TFC has the right to terminate the Merger Agreement if Old National's average common stock closing price during the ten trading days preceding the date on which all regulatory approvals approving the Merger are received is below \$10.85 per share, and the decrease in stock price is more than 20% greater than the decrease in the NASDAQ Bank Index during the same time period; provided, however, that Old National will have the right to prevent TFC's termination by agreeing to increase the Exchange Ratio pursuant to a formula set forth in the Merger Agreement.

Termination Fee (page []))

TFC is required to pay Old National a \$4,500,000 termination fee in the following circumstances:

- if Old National terminates the Merger Agreement because the TFC board of directors fails to include its recommendation to approve the Merger in the proxy statement/prospectus delivered to shareholders, or makes an adverse recommendation as to the Merger, or approves or publicly recommends another acquisition proposal to the TFC shareholders, or TFC enters into or publicly announces its intent to enter into a written agreement in connection with another acquisition proposal;
- if the TFC Board fails to publicly reaffirm its recommendation of the Merger Agreement, the Merger or the other transactions contemplated in the Merger Agreement within five business days of a written request by Old National to provide such reaffirmation;
- if either party terminates the Merger Agreement because the TFC shareholders fail to approve the Merger Agreement or if Old National terminates the Merger Agreement because a quorum could not be convened at TFC's shareholder meeting called to approve the Merger, and, within the twelve months following the termination, TFC or any of its subsidiaries enters into another acquisition agreement or consummates another acquisition, provided, however, that in such case TFC shall only be liable to pay Old National the amount of the termination fee less the amount of any previously paid Old National expenses; or
- if either party terminates the Merger Agreement because the Merger is not consummated by June 30, 2014 and either prior to the date of termination an acquisition proposal was made for TFC or within the next twelve months TFC or any of its subsidiaries enters into another acquisition agreement or consummates another acquisition.

In the event that the Merger Agreement is terminated by either party as a result of the failure of TFC's shareholders to approve the Merger Agreement and the Merger by the requisite vote or by Old National if a quorum could not be convened at the meeting of shareholders of TFC or at a reconvened meeting held at any time prior to or on June 30, 2014, then TFC shall promptly (but in any event within two business days) remit payment to Old National following receipt of an invoice therefor all of Old National's actual and reasonably documented out of pocket fees and expenses (including reasonable legal fees and expenses) actually incurred by Old National and its affiliates on or prior to the termination of the Merger Agreement in connection with the transactions contemplated by the Merger Agreement as directed by Old National in writing.

Interests of Executive Officers and Directors in the Merger That are Different From Yours (page []))

You should be aware that some of TFC's directors and executive officers may have interests in the Merger that are different from, or in addition to, their interests as shareholders. TFC's board of directors was aware of these interests and took them into account in approving the Merger Agreement. For example, Old National will assume all obligations under the Employment Agreements, Change in Control Agreements and Retention Agreements for certain employees of TFC and Tower Bank & Trust Company. Further, certain executive officers will receive retention bonuses upon reaching certain milestones.

Additionally, Old National is obligated under the Merger Agreement to provide continuing indemnification to the officers and directors of TFC and Tower Bank & Trust Company for a period of six years following the Merger and to provide such directors and officers with directors' and officers' liability insurance for a period of one year.

Accounting Treatment of the Merger (page []))

The Merger will be accounted for as a purchase transaction in accordance with United States generally accepted accounting principles.

Rights of Shareholders After the Merger (page []))

When the Merger is completed, TFC shareholders, whose rights are governed by TFC's articles of incorporation and by-laws, will become Old National shareholders, and their rights then will be governed by Old National's articles of

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incorporation and by-laws. Both Old National and TFC are organized under Indiana law. To review the differences in the rights of shareholders under each company's governing documents, see "Comparison of the Rights of Shareholders".

Tax Consequences of the Merger (page []))

Old National and TFC expect the Merger to qualify as a reorganization for U.S. federal income tax purposes. If the Merger qualifies as a reorganization, then, in general, for U.S. federal income tax purposes:

- TFC shareholders will recognize gain (but not loss) in an amount equal to the lesser of (A) the amount of cash received in the Merger, and (B) the excess, if any, of (1) the sum of the amount of cash and the fair market value of the Old National common stock received in the Merger over (2) the TFC shareholder's aggregate tax basis in its TFC common stock surrendered in exchange for Old National common stock; and
- a TFC shareholder will recognize gain or loss, if any, on any fractional shares of Old National common stock for which cash is received equal to the difference between the amount of cash received and the TFC shareholder's allocable tax basis in the fractional shares.

To review the tax consequences of the Merger to TFC shareholders in greater detail, please see the section "Material Federal Income Tax Consequences" beginning on page [].

Comparative Per Share Data

The following table shows information about our book value per share, cash dividends per share, and diluted earnings (loss) per share, and similar information as if the Merger had occurred on the date indicated, all of which is referred to as "pro forma" information. In presenting the comparative pro forma information for certain time periods, we assumed that we had been merged throughout those periods and made certain other assumptions.

The information listed as "Pro Forma Equivalent TFC Share" was obtained by multiplying the Pro Forma Combined amounts by a fixed Exchange Ratio of 1.20. We present this information to reflect the fact that TFC shareholders will receive shares of Old National common stock for each share of TFC common stock exchanged in the Merger. We also anticipate that the combined company will derive financial benefits from the Merger that include reduced operating expenses and the opportunity to earn more revenue. The pro forma information, while helpful in illustrating the financial characteristics of the merged company under one set of assumptions, does not reflect these benefits and, accordingly, does not attempt to predict or suggest future results. Further, the pro forma information below includes one-time expenses related to the Merger. The pro forma information also does not necessarily reflect what the historical results of the combined company would have been had our companies been combined during these periods.

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	Old National Historical		TFC Historical		Pro Forma Combined		Pro Forma Equivalent TFC Share
Book value per share:							
at September 30, 2013	\$	11.51	\$	13.27	\$	11.65	\$ 13.98
at December 31, 2012	\$	11.81	\$	13.46	\$	11.81	\$ 14.17
Cash dividends per share:							
Nine months ended September 30, 2013	\$	0.30	\$	0.47	\$	0.30	\$ 0.36
Year ended December 31, 2012	\$	0.36	\$	0.61	\$	0.36	\$ 0.43
Diluted earnings per share:							
Nine months ended September 30, 2013	\$	0.75	\$	1.21	\$	0.75	\$ 0.90
Year ended December 31, 2012	\$	0.95	\$	1.18	\$	0.88	\$ 1.06

Market Prices and Share Information

The following table presents quotation information for Old National common stock on the NASDAQ Global Market and TFC common stock on the NASDAQ Global Market on September 6, 2013, and November 29, 2013. September 6, 2013, was the last business day prior to the announcement of the signing of the Merger Agreement. November 29, 2013, was the last practicable trading day for which information was available prior to the date of this proxy statement/prospectus.

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	Old National Common Stock			TFC Common Stock		
	High	Low	Close	High	Low	Close
	(Dollars per share)					
September 6, 2013	\$ 13.64	\$ 13.40	\$ 13.56	\$ 16.12	\$ 15.64	\$ 15.90
November 29, 2013	\$ 15.80	\$ 15.47	\$ 15.55	\$ 24.96	\$ 24.96	\$ 24.96

Table of Contents**SELECTED CONSOLIDATED FINANCIAL DATA OF OLD NATIONAL**

The selected consolidated financial data presented below for the nine months ended September 30, 2013 and 2012, is unaudited. The information for each of the years in the five-year period ended December 31, 2012, is derived from Old National's audited historical financial statements. Per share amounts have been adjusted to reflect all completed stock dividends and splits. This information should be read in conjunction with

Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and the notes thereto incorporated by reference in this proxy statement/prospectus. Results for past periods are not necessarily indicative of results that may be expected for any future period.

	September 30, 2013 (unaudited)	2012	2012	2011	December 31, 2010	2009	2008
(Dollar amounts in thousands except per share data)							
Results of Operations							
Net interest income	\$ 236,237	224,396	\$ 308,757	\$ 272,873	\$ 218,416	\$ 231,399	\$ 243,325
Provision for loan losses	(4,572)	2,849	5,030	7,473	30,781	63,280	51,464
Noninterest income	140,314	138,542	189,816	182,883	170,150	163,460	166,969
Noninterest expense	273,757	266,333	365,758	348,521	314,305	338,956	297,229
Income (loss) before income tax	107,366	93,756	127,785	99,762	43,480	(7,377)	61,601
Income tax (benefit)	30,995	25,090	36,110	27,302	5,266	(21,114)	(877)
Net income	76,371	68,666	91,675	72,460	38,214	13,737	62,478
Net income available to common shareholders	76,371	68,666	91,675	72,460	38,214	9,845	62,180
Dividends paid on common stock	30,275	25,551	34,657	26,513	24,361	30,380	45,710
Per Common Share							
Earnings per share (basic)	0.76	0.72	0.95	0.76	0.44	0.14	0.95
Earnings per share (diluted)	0.75	0.72	0.95	0.76	0.44	0.14	0.95
Dividends paid	0.30	0.27	0.36	0.28	0.28	0.44	0.69
Book value - end of period	11.51	11.70	11.81	10.92	10.08	9.68	9.56
Market value - end of period	14.20	13.61	11.87	11.65	11.89	12.43	18.16
At Period End							
Total assets	9,652,079	9,383,044	9,543,623	8,609,683	7,263,892	8,005,335	7,873,890
Investment securities	3,132,491	2,723,310	2,903,612	2,555,866	2,598,432	2,882,228	2,224,687
Loans, excluding held for sale	5,072,476	5,243,166	5,196,594	4,767,203	3,743,451	3,835,486	4,760,359
Allowance for loan losses	47,318	54,762	54,763	58,060	72,309	69,548	67,087
Total deposits	7,208,407	7,221,377	7,278,953	6,611,563	5,462,925	5,903,488	5,422,287
Other borrowings	633,875	288,502	237,493	290,774	421,911	699,059	834,867
Shareholders' equity	1,159,256	1,186,764	1,194,565	1,033,556	878,805	843,826	730,865
Financial Ratios							
Return on average assets	1.06%	1.06%	1.04%	0.86%	0.50%	0.17%	0.82%

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Return on average common shareholders equity	8.58%	8.57%	8.34%	7.24%	4.40%	1.41%	9.49%
Allowance for loan losses to total loans (period end) (excluding held for sale)	0.93%	1.04%	1.05%	1.22%	1.93%	1.81%	1.41%
Shareholders' equity to total assets (period end)	12.01%	12.65%	12.52	12.00%	12.10%	10.54%	9.28%
Average equity to average total assets	12.39%	12.42%	12.49%	11.94%	11.46%	9.06%	8.67%
Dividend payout ratio	39.64%	37.21%	37.80%	36.59%	63.75%	308.59%	73.51%

Table of Contents**SELECTED CONSOLIDATED FINANCIAL DATA OF TFC**

The selected consolidated financial data presented below for the nine months ended September 30, 2013 and 2012, is unaudited. The information for each of the years in the five-year period ended December 31, 2012, is derived from TFC's audited historical financial statements. Per share amounts have been adjusted to reflect all completed stock dividends and splits. This information should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and the notes thereto incorporated by reference in this proxy statement/prospectus. Results for past periods are not necessarily indicative of results that may be expected for any future period.

	Nine months ended September 30,			December 31,			
	2013	2012	2012	2011	2010	2009	2008
	(unaudited)		(Dollar amounts in thousands except per share data)				
Results of Operations							
Net interest income	\$ 15,438	\$ 16,733	\$ 22,204	\$ 22,755	\$ 22,261	\$ 19,821	\$ 20,973
Provision for loan losses	(825)	2,293	2,493	4,220	4,745	10,735	4,399
Noninterest income	7,184	6,344	8,514	8,151	7,814	6,088	6,303
Noninterest expense	15,630	15,293	20,868	21,618	21,243	22,998	20,988
Income (loss) before income tax and discontinued operations	7,817	5,490	7,357	5,068	4,087	(7,824)	1,889
Income tax (benefit)	2,134	1,475	1,612	(1,552)	923	(2,217)	23
Net income (loss)	5,683	4,015	5,744	6,620	3,164	(5,607)	1,866
Net income (loss) available to common shareholders	5,683	4,015	5,744	6,620	3,164	(5,608)	1,866
Dividends paid on common stock	0.470	0.055	0.610	0.000	0.000	0.000	0.044
Per Common Share							
Earnings per share (basic)	1.21	0.83	1.18	1.37	0.73	(1.37)	0.46
Earnings per share (diluted)	1.21	0.83	1.18	1.36	0.69	(1.37)	0.46
Dividends paid	0.47	0.055	0.610	n/a	n/a	n/a	0.044
Book value - end of period	13.27	13.77	13.46	12.79	11.09	11.04	12.15
Market value - end of period	23.23	11.85	11.88	8.31	7.55	6.87	6.05
At Period End							
Total assets	701,875	649,466	683,973	700,681	659,928	680,159	696,584
Investment securities	185,624	135,044	174,383	128,620	110,109	89,675	77,792
Loans, excluding held for sale and net deferred fees/costs	452,175	458,362	450,971	462,827	486,972	527,500	561,163
Allowance for loan losses	6,808	8,539	8,289	9,408	12,489	11,598	10,655
Total deposits	590,236	530,278	561,007	602,037	576,356	568,380	586,237
Long-term debt, excluding FHLB advances maturing within one year	23,027	21,027	21,027	22,527	21,527	25,027	33,727
Shareholders' equity	61,991	67,140	63,746	62,097	53,129	46,936	49,618
Financial Ratios							
Return on average assets	1.11%	0.81%	0.87%	1.00%	0.48%	-0.81%	0.27%
Return on average common shareholders' equity	12.12%	8.31%	8.80%	11.81%	6.32%	-11.48%	3.81%
Allowance for loan losses to total loans (period end)	1.51%	1.87%	1.84%	2.03%	2.56%	2.20%	1.90%

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(excluding held for sale)

Shareholders' equity to total assets (period end)	8.83%	10.34%	9.32%	8.86%	8.05%	6.90%	7.12%
Average equity to average total assets	9.18%	9.80%	9.83%	8.45%	7.53%	7.06%	7.10%
Dividend payout ratio	38.84%	6.63%	51.69%	0.00%	0.00%	0.00%	9.57%

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RISK FACTORS

In addition to the other information contained in or incorporated by reference into this proxy statement/prospectus (See *Where You Can Find More Information*), including the risk factors included in Old National's Annual Report on Form 10-K for the year ended December 31, 2012, you should consider carefully the risk factors described below in deciding how to vote. You should keep these risk factors in mind when you read forward-looking statements in this document and in the documents incorporated by reference into this document. Please refer to the section of this proxy statement/prospectus titled *Caution About Forward-Looking Statements*.

TFC shareholders cannot be certain of the value of the Merger Consideration they will receive, because the market price of Old National common stock will fluctuate and the Exchange Ratio is subject to adjustment as a result of changes in TFC's shareholders' equity and delinquent loans.

Upon completion of the Merger, each share of TFC common stock will be converted into Merger Consideration, subject to adjustment. The Exchange Ratio portion of the Merger Consideration is subject to downward adjustment, as described in the Merger Agreement and in this document in the event that TFC's consolidated shareholders' equity is less than \$61,117,844. See *The Merger Agreement* Merger Consideration for a more complete discussion of the Merger Consideration to be paid in this proposed transaction.

Additionally, the market value of the Merger Consideration may vary from the closing price of Old National common stock on the date it announced the merger, on the date that this document was mailed to TFC shareholders, on the date of the special meeting of the TFC shareholders and on the date it completes the Merger and thereafter. Any change in the Exchange Ratio or the market price of Old National common stock prior to completion of the Merger will affect the amount of and the market value of the Merger Consideration that TFC shareholders will receive upon completion of the merger. Accordingly, at the time of the special meeting, TFC shareholders will not know or be able to calculate with certainty the amount or the market value of the Merger Consideration they would receive upon completion of the merger. Stock price changes may result from a variety of factors, including general market and economic conditions, changes in its respective businesses, operations and prospects, and regulatory considerations. Many of these factors are beyond Old National's or TFC's control. You should obtain current market quotations for shares of Old National common stock and for shares of TFC common stock before you vote.

Regulatory approvals may not be received, may take longer than expected or may impose conditions that are not presently anticipated or cannot be met.

Before the transactions contemplated in the Merger Agreement may be completed, various approvals must be obtained from the Federal Reserve Board and the Office of the Comptroller of the Currency. These governmental entities may impose conditions on the completion of the Merger or require changes to the terms of the Merger Agreement. Although Old National and TFC do not currently expect that any such conditions or changes would be imposed, there can be no assurance that they will not be, and such conditions or changes could have the effect of delaying completion of the transactions contemplated in the Merger Agreement or imposing additional costs on or limiting Old National's revenues, any of which might have a material adverse effect on Old National following the Merger. There can be no assurance as to whether the regulatory approvals will be received, the timing of those approvals, or whether any conditions will be imposed.

The Merger Agreement may be terminated in accordance with its terms and the Merger may not be completed, which could have a negative impact on TFC.

The Merger Agreement with Old National is subject to a number of conditions which must be fulfilled in order to close. Those conditions include: TFC shareholder approval, regulatory approval, the continued accuracy of certain representations and warranties by both parties and the performance by both parties of certain covenants and agreements. In particular, Old National is not obligated to close the Merger transaction if TFC has delinquent loans in excess of \$24 million as of the tenth day prior to the effective date of the Merger, or if TFC's consolidated shareholders' equity is less than \$57,117,844, subject to adjustments in the Merger Agreement, as of the end of the month prior to the effective time of the Merger. As of September 30, 2013, none of these thresholds were met.

In addition, certain circumstances exist where TFC may choose to terminate the Merger Agreement, including the acceptance of a superior proposal or the decline in Old National's share price to below \$10.85 as of the first date when all regulatory approvals for the Merger have been received combined with such decline being at least 20% greater than a corresponding price decline of the NASDAQ Bank Index. Under such circumstances, Old National may, but is not required to, increase the Exchange Ratio in order to avoid termination of the Merger Agreement. Old National has not determined whether it would increase the Exchange Ratio in order to avoid termination of the Merger Agreement by TFC. See The Merger Agreement Merger Consideration for a more complete discussion of the Merger Consideration to be paid in this

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proposed transaction and Termination for a more complete discussion of the circumstances under which the Merger Agreement could be terminated. There can be no assurance that the conditions to closing the Merger will be fulfilled or that the Merger will be completed.

If the Merger Agreement is terminated, there may be various consequences to TFC, including:

- TFC's businesses may have been adversely impacted by the failure to pursue other beneficial opportunities due to the focus of management on the Merger, without realizing any of the anticipated benefits of completing the Merger;
- TFC may have incurred substantial expenses in connection with the Merger, without realizing any of the anticipated benefits of completing the Merger; and
- the market price of TFC common stock might decline to the extent that the current market price reflects a market assumption that the Merger will be completed.

If the Merger Agreement is terminated and TFC's board of directors seeks another merger or business combination, under certain circumstances TFC may be required to pay Old National a \$4,500,000 termination fee, and TFC shareholders cannot be certain that TFC will be able to find a party willing to pay an equivalent or more attractive price than the price Old National has agreed to pay in the Merger.

TFC shareholders will have a reduced ownership and voting interest after the Merger and will exercise less influence over management.

TFC's shareholders currently have the right to vote in the election of the TFC board of directors and on other matters affecting TFC. When the Merger occurs, each TFC shareholder will become a shareholder of Old National with a percentage ownership of the combined organization that is much smaller than the shareholder's percentage ownership of TFC. Because of this, TFC's shareholders will have less influence on the management and policies of Old National than they now have on the management and policies of TFC.

Old National may be unable to successfully integrate Tower Bank & Trust Company's operations and retain Tower Bank & Trust Company's employees.

Tower Bank & Trust Company will be merged with and into Old National Bank simultaneous with the closing of the Merger. The difficulties of merging the operations of Tower Bank & Trust Company with Old National Bank include:

- integrating personnel with diverse business backgrounds;
- combining different corporate cultures; and

- retaining key employees.

The process of integrating operations could cause an interruption of, or loss of momentum in, the activities of one or more of Old National, Old National Bank and Tower Bank & Trust Company, and the loss of key personnel. The integration of Tower Bank & Trust Company with Old National Bank will require the experience and expertise of certain key employees of Tower Bank & Trust Company who are expected to be retained by Old National. However, there can be no assurances that Old National will be successful in retaining these employees for the time period necessary to successfully integrate Tower Bank & Trust Company into Old National Bank. The diversion of management's attention and any delays or difficulties encountered in connection with the merger and integration of Tower Bank & Trust Company into Old National Bank could have an adverse effect on the business and results of operations of Old National or Old National Bank.

The termination fee and the restrictions on solicitation contained in the Merger Agreement may discourage other companies from trying to acquire TFC.

Until the completion of the Merger, with some exceptions, TFC is prohibited from soliciting, initiating, encouraging, or participating in any discussion of, or otherwise considering, any inquiries or proposals that may lead to an acquisition proposal, such as a merger or other business combination transaction, with any person or entity other than Old National. In addition, TFC has agreed to pay a termination fee of \$4,500,000 to Old National if the board of directors of TFC withdraws, modifies or changes its approval or recommendation of the Merger Agreement; approves or recommends an acquisition transaction with a third party or fails to publicly reaffirm its recommendation of the Merger Agreement, the Merger or the other transactions contemplated by the Merger Agreement within five business days of a written request by Old National to provide such reaffirmation. These provisions could discourage other companies from trying to acquire TFC even though such other companies might be willing to offer greater value to TFC's shareholders than Old National has

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offered in the Merger Agreement. The payment of the termination fee also could have a material adverse effect on TFC's financial condition.

Certain of TFC's executive officers and directors have interests that are different from, or in addition to, the interests of TFC's shareholders generally.

Certain of TFC's executive officers and directors have interests in the Merger that are in addition to, or different from, the interests of TFC's shareholders. TFC's board of directors was aware of these conflicts of interest when it approved the Merger Agreement.

For a more detailed discussion of these interests, see "Interests of Certain Directors and Officers of TFC in the Merger."

The fairness opinion obtained by TFC will not reflect changes in the relative values of Old National and TFC between the time the opinion was obtained and the effective time of the Merger.

The fairness opinion of KBW was delivered as of September 9, 2013. TFC does not intend to obtain any further update of the KBW fairness opinion. Changes in the operations and prospects of Old National and TFC, general market and economic conditions, and other factors both within and outside of Old National's and TFC's control, on which the opinion of KBW is based, may alter the relative value of the companies. Therefore, the KBW opinion does not address the fairness of the Merger Consideration as of the date hereof or at the time the Merger will be completed.

The Merger may fail to qualify as a reorganization for federal tax purposes, resulting in your recognition of taxable gain or loss in respect of your TFC shares.

TFC intends the Merger to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code. Although the Internal Revenue Service will not provide a ruling on the matter, Old National and TFC will, as a condition to closing, obtain an opinion from Old National's legal counsel that the Merger will constitute a reorganization for federal tax purposes. This opinion does not bind the IRS or prevent the IRS from adopting a contrary position. If the Merger fails to qualify as a reorganization, you generally would recognize gain or loss on each share of TFC common stock surrendered in an amount equal to the difference between your adjusted tax basis in that share and the fair market value of the Old National common stock and cash received in exchange for that share upon completion of the Merger.

The shares of Old National common stock to be received by TFC shareholders as a result of the Merger will have different rights from the shares of TFC common stock.

The rights associated with TFC common stock are different from the rights associated with Old National common stock. See the section of this proxy statement/prospectus entitled "Comparison of the Rights of Shareholders" for a discussion of the different rights associated with Old

National common stock.

CAUTION ABOUT FORWARD-LOOKING STATEMENTS

This filing contains forward-looking statements, including statements about our financial condition, results of operations, earnings outlook, asset quality trends and profitability. Forward-looking statements express management's current expectations or forecasts of future events and, by their nature, are subject to assumptions, risks and uncertainties. Certain statements contained in this filing that are not statements of historical fact constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, or the Reform Act, notwithstanding that such statements are not specifically identified.

In addition, certain statements may be contained in the future respective filings of Old National and TFC with the SEC, in press releases and in oral and written statements made by or with the approval of Old National that are not statements of historical fact and constitute forward-looking statements within the meaning of the Reform Act. Examples of forward-looking statements include, but are not limited to:

- statements about the benefits of the Merger between Old National and TFC, including future financial and operating results, cost savings, enhanced revenues and accretion to reported earnings that may be realized from the Merger;
- statements of plans, objectives and expectations of Old National or TFC or their managements or boards of directors;
- statements of future economic performance; and
- statements of assumptions underlying such statements.

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Words such as believes, anticipates, expects, intends, targeted, continue, remain, will, should, may and other similar expressions identify forward-looking statements but are not the exclusive means of identifying such statements.

Forward-looking statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions which are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. Factors that could cause actual results to differ from those discussed in the forward-looking statements include, but are not limited to:

- the risk that the businesses of Old National and TFC will not be integrated successfully or such integration may be more difficult, time-consuming or costly than expected;
- expected revenue synergies and cost savings from the Merger may not be fully realized or realized within the expected time frame;
- revenues following the Merger may be lower than expected;
- deposit attrition, operating costs, customer loss and business disruption following the Merger, including, without limitation, difficulties in maintaining relationships with employees, may be greater than expected;
- the inability to obtain governmental approvals of the Merger on the proposed terms and schedule;
- the failure of TFC's shareholders to approve the Merger;
- local, regional, national and international economic conditions and the impact they may have on Old National and TFC and their customers and Old National's and TFC's assessment of that impact;
- changes in the level of non-performing assets, delinquent loans, and charge-offs;
- material changes in the stock market value of Old National common stock;
- changes in estimates of future reserve requirements based upon the periodic review thereof under relevant regulatory and accounting requirements;
- the risk that management's assumptions and estimates used in applying critical accounting policies prove unreliable, inaccurate or not predictive of actual results;
- inflation, interest rate, securities market and monetary fluctuations;
- changes in interest rates, spreads on earning assets and interest-bearing liabilities, and interest rate sensitivity;
- prepayment speeds, loan originations and credit losses;
- sources of liquidity;
- competitive pressures among depository and other financial institutions may increase and have an effect on pricing, spending, third-party relationships and revenues;

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- changes in laws and regulations (including laws and regulations concerning taxes, banking, securities and insurance) with which Old National and TFC must comply;
- the effects of, and changes in, trade, monetary and fiscal policies and laws, including interest rate policies of the Federal Reserve Board;
- Old National's and TFC's common shares outstanding and common stock price volatility;
- legislation affecting the financial services industry as a whole, and/or Old National and TFC and their subsidiaries, individually or collectively;
- governmental and public policy changes;
- financial resources in the amounts, at the times and on the terms required to support Old National's and TFC's future businesses; and
- the impact on Old National's or TFC's businesses, as well as on the risks set forth above, of various domestic or international military or terrorist activities or conflicts.

Additional factors that could cause Old National's and TFC's results to differ materially from those described in the forward-looking statements can be found in Old National's and TFC's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed with the SEC. All subsequent written and oral forward-looking statements concerning the proposed transaction or other matters and attributable to Old National or TFC or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements referenced above. Forward-looking statements speak only as of the date on which such statements are made. Old National and TFC undertake no obligation to

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update any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events.

We caution you not to place undue reliance on the forward-looking statements.

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SPECIAL MEETING OF TFC S SHAREHOLDERS

Date, Place, Time, and Purpose

TFC's Board of Directors is sending you this proxy statement/prospectus and proxy to use at the special meeting. At the special meeting, the TFC Board of Directors will ask you (i) to vote on a proposal to approve the Merger Agreement and the Merger; (ii) to approve, on a non-binding advisory basis, certain compensation payable to TFC's executive officers in connection with the Merger; and (iii) to vote on a proposal to adjourn the special meeting to solicit additional proxies, if necessary. TFC does not expect any other items of business to be presented at the special meeting. If other matters do properly come before the special meeting, the accompanying proxy gives discretionary authority to the persons named in the proxy to vote on any other matters brought before the meeting. Those persons intend to vote the proxies in accordance with their best judgment.

The special meeting will be held on February 7, 2014, at 9:30 a.m., Eastern Time, at the Landmark Centre, 6222 Ellison Road, Fort Wayne, Indiana 46802.

Record Date, Voting Rights, Quorum, and Required Vote

TFC has set the close of business on November 29, 2013, as the record date for determining the holders of TFC common stock entitled to notice of and to vote at the special meeting. Only TFC shareholders at the close of business on the record date are entitled to notice of and to vote at the special meeting. As of the record date, there were 4,675,526 shares of TFC common stock outstanding and entitled to vote at the special meeting. Each share of TFC's common stock is entitled to one vote at the special meeting on all matters properly presented.

The holders of over 50% of the outstanding shares of TFC's common stock as of the record date must be present in person or by proxy at the special meeting to constitute a quorum. In determining whether a quorum is present, shareholders who abstain, cast broker non-votes, or withhold authority to vote on one or more of the proposals will be deemed present at the special meeting. Once a share is represented for any purpose at the meeting, it is deemed present for quorum purposes for the remainder of the meeting.

Approval of the Merger Agreement and the related Merger will require the affirmative vote of at least a majority of TFC's issued and outstanding shares. Broker non-votes and abstentions from voting will have the same effect as a vote against the Merger Agreement. The directors and executive officers of TFC (and their affiliates), as a group, owned with power to vote 1,110,237 shares of TFC common stock, representing approximately 23.6% of the outstanding shares of TFC common stock as of the record date, including shares subject to options currently exercisable but not exercised. In connection with the execution of the Merger Agreement, the directors of TFC each executed a voting agreement pursuant to which they agreed to vote their shares, and to use reasonable efforts to cause all shares owned by such director jointly with another person or by such director's spouse to be voted, in favor of the Merger.

The advisory votes on the Merger-related compensation and the proposal to adjourn or postpone the special meeting for the purpose of allowing additional time for the solicitation of proxies from shareholders to approve the Merger Agreement, each require more votes cast in favor of the

proposal than are cast against it. Abstentions and broker non-votes will not be treated as NO votes and, therefore, will have no effect on these proposals.

Voting and Revocability of Proxies

You may vote in one of four ways: (1) by mail (by completing and signing the proxy card that accompanies this prospectus/proxy statement); (2) by telephone; (3) by using the Internet; and (4) in person (by either delivering the completed proxy card or by casting a ballot if attending the special meeting). To ensure your representation at the special meeting, we recommend you vote by proxy even if you plan to attend the special meeting. You may change your proxy vote at the special meeting.

TFC shareholders whose shares are held in street name by their broker, bank, or other nominee must follow the instructions provided by their broker, bank, or other nominee to vote their shares.

Voting instructions are included on your proxy form. If you properly complete and timely submit your proxy, your shares will be voted as you have directed. You may vote for, against, or abstain with respect to the approval of the Merger Agreement and the adjournment of the special meeting. If you are the record holder of your shares and submit your proxy without specifying a voting instruction, your shares will be voted

FOR approval of the Merger Agreement, FOR approval of the advisory vote on the Merger-related compensation and FOR adjournment of the special meeting if necessary.

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You may revoke your proxy before it is voted by:

- filing with the Secretary of TFC a duly executed revocation of proxy;
- submitting a new proxy with a later date; or
- voting in person at the special meeting.

Attendance at the special meeting will not, in and of itself, constitute a revocation of a proxy. All written notices of revocation and other communication with respect to the revocation of proxies should be addressed to: Tower Financial Corporation, 116 East Berry Street, Fort Wayne, Indiana 46802, Attention: Secretary.

The telephone and Internet voting procedures have been set up for your convenience and have been designed to authenticate your identity, to allow you to give voting instructions, and to confirm that those instructions have been properly recorded. If you would like to vote by telephone or by using the Internet, please refer to the specific instructions on the proxy card. The deadline for voting by telephone or via the Internet is 11:59 p.m. EDT on February 6, 2014.

Voting of Shares Held in TFC's 401(k) Plan

TFC maintains a 401(k) Plan which owns approximately 2.7% of TFC's common stock. Each Plan participant instructs the trustee of the Plan how to vote the shares of TFC common stock allocated to his or her account under the Plan. If a participant properly executes the voting instruction card distributed by the trustee, the trustee will vote such participant's shares in accordance with the shareholder's instructions. Where properly executed voting instruction cards are returned to the trustee with no specific instruction as to how to vote at the special meeting, the trustee will vote the shares as provided under "Voting and Revocability of Proxies" above. The trustee will vote the shares of TFC common stock held in the Plan but not allocated to any participant's account and shares as to which no voting instruction cards are received in the same proportion as the allocated shares in the Plan are voted with respect to the items being presented to a shareholder vote.

Solicitation of Proxies

TFC and Old National will divide the costs of the distribution of this proxy statement/prospectus. In addition to soliciting proxies by mail, directors, officers, and employees of TFC may solicit proxies personally and by telephone. None of these persons will receive additional or special compensation for soliciting proxies. TFC will, upon request, reimburse brokers, banks and other nominees for their expenses in sending proxy materials to their customers who are beneficial owners and obtaining their voting instructions.

Recommendation of TFC's Board of Directors

The board of directors of TFC voted in favor of the Merger Agreement and the Merger. The TFC board of directors believes that these items and the transactions they contemplate are in the best interests of TFC and its shareholders, and recommends that TFC shareholders vote FOR approval of the Merger Agreement and the Merger, FOR approval of the advisory vote on the Merger-related compensation, and FOR adjournment of the special meeting, if necessary.

See The Merger Background of the Merger and TFC's Reasons for the Merger and Recommendation of the Board of Directors for a more detailed discussion of the TFC Board of Directors' recommendation with regard to the Merger Agreement, the Merger and the transactions contemplated thereby.

INFORMATION ABOUT THE COMPANIES

Old National Bancorp

One Main Street

Evansville, Indiana 47708

(812) 464-1294

Old National Bancorp is a bank holding company, incorporated under Indiana law and headquartered in Evansville, Indiana. Old National is the largest financial services holding company headquartered in Indiana and, with \$9.6 billion in assets, ranks among the top 100 banking companies in the United States. Since its founding in Evansville in 1834, Old National has focused on community banking by building long-term, highly valued partnerships with clients in its primary footprint of Indiana, Illinois and Kentucky. In addition to providing extensive services in retail and commercial banking, wealth management, investments and brokerage, Old National also owns Old National Insurance which is one of the top 100 largest agencies in the U.S. and the 10th largest bank-owned agency. Old National's common stock is traded on the NASDAQ Global Market under the symbol ONB.

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Additional information about Old National and its subsidiaries is included in documents incorporated by reference into this document. For more information, please see the section entitled "Where You Can Find More Information" beginning on page [].

Tower Financial Corporation

116 East Berry Street

Fort Wayne, Indiana 46802

(260) 427-7000

Tower Financial Corporation, headquartered in Fort Wayne, Indiana, is an Indiana financial services holding company with one subsidiary: Tower Bank & Trust Company, a growing community bank that opened in February 1999. Tower Bank & Trust Company provides a wide variety of financial services to businesses and consumers through its six full-service financial centers in Fort Wayne and a seventh in Warsaw, Indiana. Tower Bank & Trust Company has a wholly-owned subsidiary, Tower Trust Company, which is a state-chartered wealth services firm doing business as Tower Private Advisors. TFC's common stock is traded on the NASDAQ Global Market under the symbol TOFC.

Additional information about TFC and Tower Bank & Trust Company is included elsewhere in this proxy statement/prospectus.

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PROPOSAL 1 - THE MERGER

Background of the Merger

As part of its ongoing consideration and evaluation of TFC's long-term prospects and strategies, TFC's Board, over a number of years, periodically discussed, considered and reviewed strategic alternatives as to how best to continue to serve its various constituencies and to maximize value for its shareholders. For the most recent several years, these alternatives included assessing the company's prospects as an independent institution, growing organically and/or through acquisitions, or considering a sale of the company.

During 2011, and prompted by the evolving and increasingly complex competitive and regulatory landscape for smaller local and regional community banks, TFC's board and senior management began a more focused consideration of TFC's realistically achievable growth opportunities. This review included the impact of additional bank and financial institution competition for deposit and commercial relationships, the number, market area and size of other community banks that might fit within TFC's growth profile. Concurrently, and generally in connection with occasional expressions of outside interest from larger institutions seeking further discussions for a possible purchase, TFC's management explored and discussed with the TFC Board, the type of interest TFC might generate as a possible seller. In this regard, during the period of late 2011 through the spring of 2013, TFC's Chief Executive Officer, Michael Cahill (Cahill) and the Chairman of the TFC Board, Keith Busse (Busse), as well as TFC's investment banking advisors, met or had conversations with representatives of a number of banks, both as potential acquisition candidates and as potential acquirers. These meetings were primarily intended to gain information, so that, with consultation with TFC's financial advisors, the company could begin to assess the banking business marketplace within TFC's regional banking marketplace in Northeast Indiana, Southern Michigan and Northwestern Ohio, and to gauge the interest of these institutions as possible buyers or sellers.

During this time, Cahill and Busse met and engaged in various levels of discussions with eight banks, which TFC had identified as banks that might either have an interest in being acquired by TFC, in either a cash or equity transaction or a combination of both, or that might have an interest in considering a merger of equals transaction. One proposal made by TFC to acquire one of these banks in the summer of 2012 was rejected, and an attempt in the first quarter of 2013 to interest another bank to engage in a board-level special committee discussion, regarding a possible merger of equals transaction, was rejected by that bank in April 2013. Other than these two items, the discussions did not result in any indications of interest on the part of any banks, it becoming apparent to TFC that both its balance sheet limitations and relatively small public equity float were, and would continue to be impediments to its attractiveness as an acquirer.

Cahill and Busse also held preliminary level discussions with six other banks during this period, including Old National, which TFC believed to be potential acquirers of TFC. Among other factors considered by TFC in considering potential acquirers, and of major importance given the centrality of a commitment to community-based banking as a founding principle of the bank, was the extent to which the bank's culture and existing operations appeared to be similarly oriented. All of these discussions remained at the preliminary level and did not result in entering into any confidentiality agreements or the initiation of any due diligence efforts.

On September 13, 2012, Cahill and TFC's Chief Financial Officer, Richard Sawyer (Sawyer) made a presentation at the *Invest Indiana* conference held in Indianapolis, Indiana. On the eve of the conference a dinner was hosted by the investment banking firm of Stifel Financial Corp. Busse was in attendance at the dinner, together with other bankers and investment bankers, including Robert Jones (Jones), the Chief Executive Officer of Old National. Jones mentioned to Busse that he would like to find time to visit Fort Wayne to meet with him at a later date, but there were no substantive discussions at the dinner.

TFC had had a prior investment banking relationship with Stifel Financial Corp. (Stifel), dating back to 2004, and TFC also had an ongoing advisory relationship with KBW since the summer of 2011. Since the fall of 2012 and prior to July 30, 2013, KBW, which had agreed to assist TFC in analyzing strategic alternatives, had been advising TFC without a formal agreement. In February 2013, Stifel and KBW merged. On July 30, 2013, however, TFC signed and formalized their engagement with KBW to render financial advisory and investment banking services to TFC. In that capacity, KBW was charged with the task of utilizing its knowledge of the banks and banking conditions within TFC's regional marketplace, as well as recent and indicative bank acquisition transaction values, to both identify and evaluate potential TFC acquisition opportunities (including potential deal terms and range of values) and potential TFC buyers that might share TFC's community banking mission and culture. In regular consultations with Cahill and in occasional discussions with TFC's Board, KBW reported on its efforts, including, on the acquisitions side, institutions identified and reviewed, the possible costs, challenges and likelihood of being able to effect a transaction, and the potential impact on TFC's options and market position. On the sale side, KBW likewise provided its advice regarding possible acquirers, including precedent transactions, indications of value ranges, compatibility of culture, and the potential post-sale role in their banking organizations and degree of community banking autonomy that TFC might play.

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At TFC's regularly scheduled February 13, 2013 Board meeting, the TFC Board held another broad discussion regarding TFC's strategic alternatives: growth and continued independence versus sale. At this meeting, the TFC Board designated a special committee of the TFC Board that initially included board members Busse, Robert Taylor, Ron Turpin and William Niezer (Special Committee). The Special Committee was formed to review preliminary information related to any potential acquisition, merger or sale possibilities that might develop. Based on the information gathered, reviewed and shared by KBW regarding possible acquisitions, supplemented by management's own investigation, and with due regard to management's independent assessment of the anticipated near to mid-term challenges of the local banking marketplace and the likely impact on TFC's earnings and overall performance, the Special Committee began to view a sale as the more likely alternative, short of remaining independent and attempting to stay the course and grow organically.

On March 11, Old National's CEO Jones, following up on his September 13, 2012 dinner conversation with Busse, visited Fort Wayne. He and Old National Executive Vice President Jim Ryan (Ryan), met with Busse, Cahill and representatives of KBW at Eddie Merlot's restaurant in Fort Wayne. The discussions were very general, with no deal specific terms discussed, but Old National did express to Busse and Cahill at that time that Old National had a clear interest in acquiring TFC and would welcome an opportunity to pursue a transaction with TFC if it were ever interested in exploring such a transaction.

As a follow up to the Fort Wayne dinner, Cahill, Busse and KBW participated in a conference call on March 20, 2013, with Jones and Ryan, and informed them that, while TFC's Board is and will continue to be exploring all of its strategic alternatives, it would be helpful if Old National could provide a soft indication of value, based, at this point, entirely on publicly available information. Old National was told that it was not TFC's intent, by this request, to initiate any formal negotiation process, but that the indication of value would be helpful to the TFC Board in exploring its strategic alternatives.

On March 22, 2013, Cahill and Busse received Old National's response in the form of a non-binding indication of interest. The indication of interest identified a potential range of merger consideration of between \$18.00 to \$22.00 per share, based entirely upon publicly available information and subject to Old National's due diligence.

TFC's Special Committee met on April 16, 2013, along with Cahill, Sawyer and KBW representatives. The group once again reviewed TFC's strategic alternatives, including remaining independent, growing organically and/or through acquisitions, as well as various sale possibilities, including but not limited to Old National's expressed interest. At this meeting, KBW made a presentation to the Special Committee regarding regional banking opportunities, expectations and challenges over the next twelve to thirty-six months, as well as TFC's anticipated competitive position in that marketplace. As a result of this internal review, the Special Committee concluded that, in light of the fact that there appeared to be few, if any, suitable and executable opportunities for TFC to grow by acquisition, the only realistic choices for TFC were to remain independent, with growth opportunities limited to internal, organic growth, or to be a seller.

After the April 16 Special Committee meeting, the Committee authorized Busse to contact Old National and ask if it might be willing to either re-affirm or provide further guidance on pricing, albeit still based on public information, which the TFC Board could consider at its meeting in May. On April 30, Old National responded to the Special Committee's request for additional guidance and provided a letter described as a *Revision to Initial Non-Binding Indication of Interest* (Revised Indication of Interest). In the Revised Indication of Interest, Old National confirmed its interest to be a buyer of TFC, but stated that it would pay \$22.00 per share, subject only to completion of due diligence. At the lower end, the Special Committee believed that this indication of value was not acceptable, but at the upper end of the range, the \$22.00 number represented an acceptable enough level to justify moving forward with further discussions and into possible due diligence activities.

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On May 8, 2013, the TFC Board met, along with representatives of KBW and TFC's legal counsel, at which time KBW provided a more comprehensive presentation of the various strategic alternatives that had previously been explored, but in further detail, including prospects for internal growth, acquisition of smaller institutions, strategic alliances, mergers of equals; and sale of the company. In addition, the management team presented projections for 2014, 2015, 2016 and 2017 based upon stand-alone organic growth. The TFC Board discussion included an analysis of the Company's current financial condition, the outlook for growth and earnings, the banking industry operating and regulatory environment, and the merger and acquisition environment in the banking industry. Upon completion of KBW's presentation and further deliberation by the TFC Board, the TFC Board directed the Special Committee, now comprised of Busse, Robert Taylor and Ron Turpin, to move forward with a more thorough exploration of Old National's expressed interest, with an emphasis on gathering more information about Old National's culture and whether it would be compatible with TFC's deep rooted community banking culture.

TFC and Old National signed a mutual confidentiality agreement on May 16, 2013, to allow for both parties to further explore how a transaction might be structured. On May 30, Cahill visited Old National's offices in Indianapolis to meet with various Old National representatives, and on June 19 Gary Shearer (Shearer), President and CEO of TFC Trust

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Company, and Cahill visited the Old National's offices in Indianapolis to meet with various individuals in Old National's wealth management area.

On June 21, the Special Committee met again to discuss a presentation being prepared by KBW for a full Board meeting scheduled for June 26, at which time the TFC Board planned to review the KBW materials and consider further information gathered by Cahill and Shearer during their visits to Old National's headquarters.

On June 26, the special meeting of the TFC Board was held. Also in attendance were representatives from KBW, together with TFC's legal counsel. KBW's presentation included a discussion of various valuation ranges and alternative structures, including various cash and equity percentage considerations, and also included a review of performance metrics, peer comparisons and stand-alone projections. KBW provided a separate corporate summary overview of Old National that included a franchise summary, historical financial highlights, geographic information, and peer comparisons, as well as recent M&A activity information.

After conclusion of the June 26 KBW Board presentations, and following further discussion, the TFC Board informed Old National that it would be invited to perform due diligence prior to the TFC regularly scheduled August 7 Board meeting. Old National was informed, however, that the TFC Board intended to hold firm on the minimum \$22.00 per share valuation. If the proposed price came in at such level or higher, Old National CEO Jones would be invited to personally address the TFC Board at the August 7 meeting and answer questions, including but not limited to concerns about whether Old National's culture would be consistent with TFC's community banking culture, would serve the same banking and other constituencies with the same dedication and approach as TFC, and would pursue similar corporate values.

Old National commenced its due diligence, at an offsite location, on July 15, 2013 and completed its due diligence on July 23, 2013. After completion of its due diligence, Old National confirmed to KBW that they believed they could hold to the \$22.00 per share, and, therefore, Jones was invited to TFC's August 7 Board meeting. In addition to satisfying financial terms, the TFC Board wished to communicate to Old National that any buyer must also share Tower's commitment to community banking.

At conclusion of Jones' presentation, the TFC Board had a lengthy discussion that included input from KBW and legal counsel. The TFC Board believed that Jones had provided substantial information and support to give the TFC Board comfort that Old National's culture would be compatible with TFC's fit from a cultural perspective. Accordingly, the TFC Board approved moving forward with the negotiation of sale terms.

On August 14, 2013, Old National's legal counsel provided TFC's counsel a first draft of a definitive merger agreement. TFC, KBW and legal counsel conducted a thorough review of the first draft of the merger agreement and identified certain issues for further discussion. Over the course of the next three to four weeks, the parties and their respective legal counsel negotiated the terms of the definitive merger agreement, which KBW and Busse continued to discuss pricing issues on TFC's behalf. During this same time period, TFC and Old National, and their respective legal counsel, also began preparing the disclosure schedules to the merger agreement.

On September 3, 2013, the Special Committee met. In attendance at such meeting were Busse, Ron Turpin, Cahill, and representatives from KBW. KBW provided both a written and oral presentation to the Special Committee on valuation matters, including the proposed consideration mix, purchase price, exchange ratio, treatment of options, termination fees and other deal points. The Special Committee expressed concerns that Old National's stock price had been declining, and as a result, the proposed total merger consideration had dipped below \$22.00 per share.

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The Special Committee informed Old National that it would not support a transaction that was below \$22.00 per share at the time of execution of a definitive agreement.

From September 4 thru the afternoon of September 9, the business representatives from both TFC and Old National, as well as representatives from KBW and legal counsel for both parties, continued to discuss and negotiate deal points relating to pricing, business terms, and the merger agreement. The merger agreement draft was revised several times to reflect changing deal points, including provisions relating to pricing, as well as having a larger fixed cash component. As a result of these discussions, Old National increased the fixed cash component of the merger consideration to \$6.75 per share. The increased cash consideration coupled with an agreed exchange ratio of 1.20 would result in Merger Consideration of \$23.27 per share, as calculated at the end of business on September 9. The Merger Consideration was now comprised of a cash and stock mix that the Special Committee could support, and the price was expected to be in excess of \$22.00 per share at the time of execution of the agreement.

A final version of the definitive merger agreement was presented to the TFC Board at a meeting on the afternoon of September 9 that included representatives from KBW and TFC's legal counsel. KBW provided a summary of their draft fairness opinion, including a summary of their supporting analysis, and they answered questions from Board members. After the presentation and Board discussion was complete, the TFC Board approved entering into the definitive merger agreement with the final pricing terms. The TFC Board voted to approve the execution of the merger agreement and all related

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documents and authorized Cahill to sign the definitive agreement on behalf of TFC. Both TFC and Old National representatives and their respective legal counsel also finalized their disclosure schedules on the evening of September 9. TFC and Old National executed the definitive merger agreement after the close of financial markets on September 9, and thereafter, Old National and TFC issued a joint press release publicly announcing the transaction prior to the opening of the financial markets on the morning of September 10, 2013.

The foregoing discussion of the factors considered by the TFC board of directors is not intended to be exhaustive, but rather includes the material factors considered by the TFC board of directors. In reaching its decision to approve the Merger Agreement, the Merger, and the other transactions contemplated by the Merger Agreement, the TFC Board did not quantify or assign any relative weights to the factors considered, and individual directors may have given different weights to different factors. The TFC Board considered all these factors as a whole, including discussions with TFC's management and financial and legal advisors. Overall, the TFC Board considered the factors to be favorable to and in support of its determination. The TFC Board also relied on the experience of KBW, as its financial advisor, for analyses of the financial terms of the Merger and for its opinion as to the fairness, from a financial point of view, of the Merger Consideration to be received by the holders of TFC common stock.

TFC's Reasons for the Merger and Recommendation of the Board of Directors

TFC's board of directors has determined that the Merger Agreement and the Merger are in the best interests of TFC and its shareholders and recommends that TFC's shareholders vote FOR the approval of the Merger Agreement and the transactions contemplated by the Merger Agreement.

In its deliberations and in making its determination, TFC's board of directors considered many factors including, without limitation, the following:

- TFC's Board's belief that, after consideration of potential alternatives, including the likely inability of other potential strategic partners to consummate a transaction on terms superior to those offered in the Merger Agreement, the Merger is expected to provide greater benefits to TFC's shareholders than the range of other investigated alternatives;
- the effect of the Merger on TFC's and Tower Bank & Trust Company's employees, including the prospects for continued employment and the severance and other benefits agreed to be provided by Old National to TFC employees;
- Old National's culture which TFC believes to be similar to TFC's deep rooted community based culture;
- the business, earnings, operations, financial condition, management, prospects, capital levels, and asset quality of both Old National and TFC;

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- the perceived compatibility of the business philosophies and cultures of TFC and Old National, which TFC's board believed would facilitate the integration of the operations of the two companies;
- the expressed commitment by Old National, and its demonstrated performance in prior acquisitions, to continue to meet the banking and borrowing needs of local business and to participate in the philanthropic life of the community in the manner that TFC had done;
- the current and prospective business and economic environments in which TFC operates, including challenging national, regional, and local economic conditions, the competitive environment for Indiana financial institutions characterized by intensifying competition from out-of-state and out-of-county financial institutions, the continuing consolidation of the financial services industry, the increased regulatory burdens on financial institutions, and the uncertainties in the regulatory climate going forward;
- TFC's belief that TFC would have to be able to grow to be in a position to deliver a competitive return to its shareholders and to provide opportunities for its employees that would allow for TFC to retain its talent;
- evidence that acquisition opportunities for TFC as a buyer are limited, since potential targets within TFC's market area were either very small or had themselves after inquiry, expressed a strong desire to remain independent for the foreseeable future;
- Old National's ability and resources to negotiate, execute and consummate a transaction on an expedited basis;

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- Investors focus on the trading liquidity of a bank's shares and generally favoring companies with greater market capitalizations at higher valuations;
- Old National's access to capital and managerial resources relative to that of TFC;
- the benefits of being part of a larger and more diversified combined financial institution and the risks of continuing to be an independent company, given TFC's substantially more limited access to capital relative to Old National and Old National's ability to provide access to larger loans to TFC's business clients;
- the TFC Board's desire to provide TFC's shareholders with the prospects for greater future appreciation on the equity component of their investments in TFC common stock than what the TFC Board believes TFC could achieve independently;
- the expectation that the historical liquidity of Old National's stock will offer TFC shareholders either the opportunity to participate in the growth of Old National by retaining their Old National stock following the Merger, or the market liquidity to exit their investment, should as and when they prefer to do so;
- the financial and other terms and conditions of the Merger Agreement, including the fact that the Merger Consideration (assuming no adjustments) represents approximately 180% of TFC's tangible book value as of the date of the Merger Agreement and the provision giving TFC the right to terminate the Merger Agreement in the event of a specified decline in the market value of Old National common stock prior to closing, relative to a designated market index unless Old National agrees to pay additional Merger Consideration;
- the fact that the value of the merger consideration prior to the public announcement of the Merger represented a significant premium over recent trading prices for TFC common stock;
- the overall greater scale that will be achieved by the Merger that will better position the combined company for future growth;
- Old National's long-term growth strategy in Northern Indiana and Southwest, Michigan;
- the historical and current market prices of Old National and TFC common stock;

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- the financial analyses prepared by KBW, TFC's financial advisor, and the opinion dated as of September 9, 2013, delivered to TFC's board by KBW, to the effect that the Merger Consideration is fair, from a financial point of view, to TFC's shareholders;
- the interests of TFC's directors and executive officers in the Merger, in addition to their interests generally as shareholders, as described under Interests of Certain Directors and Officers of TFC in the Merger;
- the likelihood that the regulatory approvals necessary to complete the transaction would be obtained; and
- the effect of the Merger on TFC's and Tower Bank & Trust Company's customers and the communities in which they conduct business.

For the reasons set forth above, the TFC board of directors determined that the Merger, the Merger Agreement, and the transactions contemplated by the Merger Agreement are advisable and in the best interests of TFC and its shareholders, and approved and adopted the Merger Agreement. The TFC board of directors unanimously recommends that TFC shareholders vote FOR approval of the Merger Agreement and the Merger.

Old National's Reasons For the Merger

Old National's board of directors concluded that the Merger Agreement is in the best interests of Old National and its shareholders. In deciding to approve the Merger Agreement, Old National's board of directors considered a number of factors, including, without limitation, the following:

- TFC's community banking orientation and its perceived compatibility with Old National and its subsidiaries;

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- a review of the demographic, economic and financial characteristics of the markets in which TFC operates, including existing and potential competition and history of the market areas with respect to financial institutions;
- management's review of regulatory restrictions affecting TFC and Tower Bank & Trust Company and management's assessment of the conditions giving rise to such restrictions; and
- management's review of the business, operations, earnings, and financial condition, including capital levels and asset quality, of TFC and Tower Bank & Trust Company.

Effects of the Merger

The respective Boards of Directors of Old National and TFC believe that, over the long-term, the Merger will be beneficial to Old National shareholders, including the current shareholders of TFC who will become Old National shareholders if the Merger is completed. The Old National board of directors believes that one of the potential benefits of the Merger is the cost savings that may be realized by combining the two companies and integrating Tower Bank & Trust Company as a banking subsidiary of Old National, which savings are expected to enhance Old National's earnings.

Old National expects to reduce expenses by consolidating certain locations and combining accounting, data processing, retail and lending support, and other administrative functions after the Merger, which will enable Old National to achieve economies of scale in these areas. Promptly following the completion of the Merger, which is expected to occur during the first quarter of 2014, Old National plans to begin the process of eliminating redundant functions, and eliminating duplicative expenses.

The amount of any cost savings Old National may realize in 2014 will depend upon how quickly and efficiently Old National is able to implement the processes outlined above during the year.

Old National believes that it will achieve cost savings based on the assumption that it will be able to:

- reduce data processing costs;
- reduce staff;

- achieve economies of scale in advertising and marketing budgets;
- reduce legal and accounting fees; and
- achieve other savings through reduction or elimination of miscellaneous items such as insurance premiums, travel and automobile expense, and investor relations expenses.

Old National has based these assumptions on its present assessment of where savings could be realized based upon the present independent operations of the two companies. Actual savings in some or all of these areas could be higher or lower than is currently expected.

Old National also believes that the Merger will be beneficial to the customers of TFC as a result of the additional products and services offered by Old National and its subsidiaries and because of the increased lending capability.

Opinion of Financial Advisor to TFC

By letter dated July 30, 2013, TFC entered into an engagement agreement with KBW to render financial advisory and investment banking services to TFC. As part of its engagement, KBW agreed to assist TFC in analyzing, structuring, negotiating and, if appropriate, effecting a transaction between Old National and TFC. KBW also agreed to provide TFC with an opinion as to the fairness to TFC, from a financial point of view, of the per share Merger Consideration in the proposed merger. TFC engaged KBW because KBW is a nationally recognized investment banking firm with substantial experience in transactions similar to the merger and is familiar with TFC and its business. As part of its investment banking business, KBW is continually engaged in the valuation of financial businesses and their securities in connection with mergers and acquisitions.

On September 9, 2013, the TFC board of directors held a meeting to evaluate the proposed merger. At that meeting, KBW reviewed the financial aspects of the proposed merger and rendered an opinion to the TFC board that, as of such date and based upon and subject to factors and assumptions set forth therein, the per share Merger Consideration in the Merger is fair, from a financial point of view, to TFC. The TFC board of directors approved the Merger Agreement at that meeting.

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The full text of KBW's written opinion, dated September 9, 2013, which sets forth the assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex B to this document and is incorporated herein by reference. The description of the opinion set forth herein is qualified in its entirety by reference to the full text of such opinion. TFC's shareholders are urged to read the opinion in its entirety.

KBW has consented to the inclusion of its opinion and to the inclusion of the summary of its opinion in this document. In giving such consent, KBW does not concede that it comes within the category of persons whose consent is required under the Securities Act, or the rules and regulations of the SEC thereunder, nor does it concede that it is an expert within the meaning of the term "expert" as used in the Securities Act or the rules and regulations of the Securities and Exchange Commission thereunder with respect to any part of the registration statement on Form S-4 of which this proxy statement/prospectus forms a part.

KBW's opinion speaks only as of the date of the opinion and KBW undertakes no obligation to revise or update its opinion. The opinion is directed to the TFC board of directors and addresses only the fairness, from a financial point of view to TFC, of the per share Merger Consideration in the merger. The opinion does not address, and KBW expresses no view or opinion with respect to, (i) the underlying business decision of TFC to engage in the Merger or enter into the Merger Agreement, (ii) the relative merits of the Merger as compared to any strategic alternatives that are, have been or may be available to or contemplated by TFC or the TFC board of directors, (iii) the fairness of the amount or nature of any compensation to any of TFC's officers directors or employees, or any class of such persons, relative to the compensation to the public shareholders of TFC, (iv) the effect of the Merger on, or the fairness of the consideration to be received by, holders of any class of securities of TFC or any other party to any transaction contemplated by the Agreement, (v) any advice or opinions provided by any other advisor to any of the parties to the merger or any other transaction contemplated by the Agreement, or (vi) any legal, regulatory, accounting, tax or similar matters relating to TFC, Old National, their respective shareholders, or relating to or arising out of the Merger, including whether or not the merger would qualify as a tax-free reorganization for United States federal income tax purposes. The opinion has been reviewed and approved by KBW's Fairness Opinion Committee in conformity with its policies and procedures established under the requirements of Rule 5150 of the Financial Industry Regulatory Authority.

In connection with its opinion, KBW reviewed, analyzed and relied upon material bearing upon the Merger and the financial and operating condition of TFC and Old National and the Merger, including among other things, the following:

- a draft of the Merger Agreement dated September 6, 2013 (the most recent draft made available to KBW),
- the Annual Report to Shareholders for the year ended December 31, 2012 and Annual Reports on Form 10-K for the three years ended December 31, 2012 of TFC,
- the Annual Reports to Shareholders and Annual Reports on Form 10-K for the three years ended December 31, 2012 of Old National,
- certain interim reports to shareholders and the Quarterly Reports on Form 10-Q for the three months ended March 31, 2013 and the three months ended June 30, 2013 of TFC and Old National, and certain other communications from TFC and Old National to their respective

shareholders, and

- other financial information concerning the businesses and operations of TFC and Old National furnished to KBW by TFC and Old National for purposes of its analysis.

KBW also held discussions with members of senior management of TFC regarding the past and current business operations, regulatory relations, financial condition, and future prospects of the TFC and other matters that KBW deemed relevant to its inquiry. In addition, KBW reviewed the historical and current financial position and results of operations of TFC and Old National, reviewed the assets and liabilities of TFC and Old National, compared certain financial and stock market information for TFC and Old National with similar information for certain other companies the securities of which are publicly traded, reviewed the financial terms of certain recent business combinations in the banking industry, and performed other studies and analyses that it considered appropriate. KBW's opinion was necessarily based upon conditions as they existed and could be evaluated on the date of such opinion and the information made available to KBW by members of senior management of TFC and Old National through the date of such opinion.

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In conducting its review and arriving at its opinion, KBW relied upon, and assumed the accuracy and completeness of, all of the financial and other information provided to it or publicly available, and did not independently verify the accuracy or completeness of any such information or assume any responsibility or liability for such verification, accuracy or completeness. KBW relied upon members of the senior management of TFC and Old National as to the reasonableness and achievability of the financial and operating forecasts and projections (and assumptions and bases therefore, including cost savings, operating synergies and merger-related costs) provided to KBW, and KBW assumed that such forecasts and projections reflected the best currently available estimates and judgments of such managements and that such forecasts and projections will be realized in the amounts and in the time periods currently estimated by such senior members of management. KBW also assumed that the Merger will be consummated in a manner that complies with the applicable provisions of the Securities Act, the Exchange Act and all other applicable federal and state statutes, rules and regulations. As stated in its opinion, KBW is not an expert in the independent valuation of the adequacy of allowances for loan and lease losses, and without independent verification, assumed that the aggregate allowances for loan and lease losses for TFC and Old National are adequate to cover those losses. In rendering its opinion, KBW did not make or obtain any evaluations or appraisals of any assets or liabilities of TFC or Old National, the collateral securing any such assets or liabilities, or the collectability of any such assets nor did KBW examine or review any individual credit files. KBW did not evaluate the solvency, financial capability or fair value of TFC or Old National under any state or federal laws, including those related to bankruptcy, insolvency or other matters.

The projections and associated assumptions furnished to and used by KBW in certain of its analyses were prepared by TFC's and Old National's senior management teams. TFC and Old National do not publicly disclose internal management projections of the type provided to KBW in connection with its review of the merger. As a result, such projections were not prepared with a view towards public disclosure. The projections were based on numerous variables and assumptions, which are inherently uncertain, including factors related to general economic and competitive conditions. Accordingly, actual results could vary significantly from those set forth in the projections. Any estimates or projections contained in the analyses performed by KBW are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than suggested by these analyses. Additionally, estimates or projections of the value of businesses or securities do not purport to be appraisals or to reflect the prices at which such businesses or securities might actually be sold. Accordingly, these analyses and estimates are inherently subject to substantial uncertainty, and KBW expressly disclaims responsibility or liability for their accuracy.

KBW was not asked to, and it did not, offer any opinion as to the terms of the Merger Agreement or the form of the Merger or any aspect of the Merger, other than the per share Merger Consideration, to the extent expressly specified in KBW's opinion. For purposes of rendering its opinion, KBW assumed that, in all respects material to its analyses:

- the Merger will be completed substantially in accordance with the terms set forth in the Merger Agreement (the final terms of which will not differ in any respect material to KBW's analyses from the draft reviewed) with no additional payments or adjustments to the per share Merger Consideration;
- the representations and warranties of each party in the Merger Agreement and in all related documents and instruments referred to in the Merger Agreement are true and correct;
- each party to the Merger Agreement and all related documents will perform all of the covenants and agreements required to be performed by such party under such documents;
- all conditions to the completion of the Merger will be satisfied without any waivers or modifications to the merger Agreement; and

- in the course of obtaining the necessary regulatory, contractual, or other consents or approvals for the Merger, no restrictions, including any divestiture requirements, termination or other payments or amendments or modifications, will be imposed that will have a material adverse effect on the future results of operations or financial condition of the combined entity or the contemplated benefits of the Merger, including the cost savings, revenue enhancements and related reductions in expenses expected to result from the merger.

KBW further assumed that the merger will be accounted for as a purchase transaction under generally accepted accounting principles, and that the Merger will qualify as a tax-free reorganization for United States federal income tax purposes. KBW's opinion is not an expression of an opinion as to the prices at which shares of TFC common stock or shares of Old National common stock will trade following the announcement of the Merger or the actual value of the shares of common stock of the combined company when issued pursuant to the Merger, or the prices at which the shares of common stock of the combined company will trade following the completion of the Merger.

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In performing its analyses, KBW considered such financial and other factors it deemed appropriate under the circumstances, including, among others, the following: (i) the historical and current financial position and results of operations of TFC and Old National; (ii) the assets and liabilities of TFC and Old National; and (iii) the nature and terms of certain other merger transactions involving banks and bank holding companies. KBW also took into account its assessment of general economic, market and financial conditions and its experience in other transactions, as well as its experience in securities valuation and knowledge of the banking industry generally.

The per share Merger Consideration was determined through negotiation between TFC and Old National and the decision to enter into the Merger was solely that of TFC's board of directors. In addition, the KBW opinion was among several factors taken into consideration by the TFC board in making its determination to approve the Agreement and the Merger. Consequently, the analyses described below should not be viewed as determinative of the decision of the TFC board with respect to the fairness of the per share Merger Consideration in the Merger.

Summary of Analysis by KBW

The following is a summary of the material financial analyses performed by KBW and presented to the Tower board on September 9, 2013, in connection with rendering the fairness opinion described above. The following summary is not a complete description of the financial analyses performed by KBW in rendering its opinion or the presentation made by KBW to the Tower board, nor does the order of analysis described represent relative importance or weight given to any particular analysis by KBW and is qualified in its entirety by reference to the written opinion of KBW attached as Annex B. The preparation of a fairness opinion is a complex analytic process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. Therefore, a fairness opinion is not readily susceptible to partial analysis or summary description. Selecting portions of the analysis or of the summary set forth herein, without considering the analysis as a whole, could create an incomplete view of the processes underlying KBW's opinion. In arriving at its opinion, KBW considered the results of its entire analysis and KBW did not attribute any particular weight to any analysis or factor that it considered. Rather, KBW made its determination as to fairness on the basis of its experience and professional judgment after considering the results of its entire analysis. The financial analyses summarized below include information presented in tabular format. Accordingly, KBW's analyses and the summary of its analyses must be considered as a whole and selecting portions of its analyses and factors or focusing on the information presented below in tabular format, without considering all analyses and factors or the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the process underlying its analyses and opinion. The tables alone do not constitute a complete description of the financial analyses.

Summary of Proposal. Pursuant to the terms of the Merger Agreement, each share of common stock, no par value per share, of Tower issued and outstanding and not owned by Tower or Old National shall be converted into the right to receive (a) \$6.75 per share in cash (the "Cash Consideration"); and (b) 1.2 shares of common stock, no par value per share, of Old National, (the "Stock Consideration") and collectively with the Cash Consideration, the "Merger Consideration". The terms and conditions of the merger are more fully set forth in the Agreement which is attached as Annex A to this joint proxy statement/prospectus.

Selected Companies Analysis. Using publicly available information, KBW compared the financial performance, financial condition and market performance of Tower to the following banks and bank holding companies traded on the New York Stock Exchange, NYSE MKT Equities or NASDAQ, and headquartered in Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota or Wisconsin, with total assets between \$500 million and \$1.5 billion, and excluded merger targets as of September 6, 2013. Companies in this group were:

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BankFinancial Corporation
MutualFirst Financial, Inc.
Mercantile Bank Corporation
LNB Bancorp, Inc.
Ames National Corporation
First Citizens Banc Corp
HopFed Bancorp, Inc.
Community Bank Shares of Indiana, Inc.
Ohio Valley Banc Corp.
First Internet Bancorp
Landmark Bancorp, Inc.

West Bancorporation, Inc.
Pulaski Financial Corp.
First Business Financial Services, Inc.
HF Financial Corp.
Hawthorn Bancshares, Inc.
Farmers National Banc Corp.
LCNB Corp.
Southern Missouri Bancorp, Inc.
NB&T Financial Group, Inc.
First Savings Financial Group, Inc.
Guaranty Federal Bancshares, Inc.

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SB Financial Group, Inc.
First Clover Leaf Financial Corp.
Mackinac Financial Corporation
Westbury Bancorp, Inc.
United Community Bancorp

Cheviot Financial Corp.
United Bancshares, Inc.
Citizens Community Bancorp, Inc.
IF Bancorp, Inc.

Using publicly available information, KBW compared the financial performance, financial condition and market performance of Old National to the following banks and bank holding companies traded on the New York Stock Exchange, NYSE MKT Equities or NASDAQ, and headquartered in Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota or Wisconsin, with total assets between \$4.0 billion and \$20.0 billion, and excluded merger targets as of September 6, 2013. Companies in this group were:

Wintrust Financial Corporation
PrivateBancorp, Inc.
Capitol Federal Financial, Inc.
Park National Corporation
Chemical Financial Corporation
1st Source Corporation

UMB Financial Corporation
MB Financial, Inc.
First Midwest Bancorp, Inc.
First Financial Bancorp.
Heartland Financial USA, Inc.
First Merchants Corporation

To perform this analysis, KBW used financial information for the last twelve months (as of the most recently available quarter) and market price information as of September 6, 2013. Earnings estimates for 2013 and 2014 were taken from a nationally recognized earnings estimate consolidator for the selected companies. Certain financial data prepared by KBW, and as referenced in the tables presented below, may not correspond to the data presented in Tower's and Old National's historical financial statements.

KBW's analysis showed the following concerning Tower's and Old National's financial performance for the last twelve months:

	Tower	Selected Companies Minimum	Selected Companies Mean	Selected Companies Median	Selected Companies Maximum
Return on Average Assets	1.03%	(1.99)%	0.64%	0.76%	1.32%
Return on Average Equity	10.58%	(15.66)%	6.34%	6.42%	12.81%
Net Interest Margin	3.63%	2.63%	3.44%	3.48%	4.23%
Efficiency Ratio	65.5%	46.8%	68.5%	69.4%	87.7%

	Old National	Selected Companies Minimum	Selected Companies Mean	Selected Companies Median	Selected Companies Maximum
Return on Average Assets	1.02%	(0.05)%	0.84%	0.93%	1.14%
Return on Average Equity	8.12%	(0.47)%	7.65%	8.43%	11.25%
Net Interest Margin	4.11%	1.99%	3.48%	3.64%	4.16%
Efficiency Ratio	66.3%	46.1%	62.9%	63.1%	76.5%

KBW's analysis showed the following concerning Tower's and Old National's financial condition:

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	Tower	Selected Companies Minimum	Selected Companies Mean	Selected Companies Median	Selected Companies Maximum
Tangible Common Equity / Tangible Assets	9.03%	5.71%	9.64%	9.70%	16.44%
Total Capital Ratio	16.39%	12.62%	16.88%	17.10%	26.72%
Loans / Deposits	75.4%	51.4%	80.9%	82.9%	103.7%
Loan Loss Reserve / Loans	1.76%	0.46%	1.52%	1.52%	2.39%
Nonperforming Assets / Loans + OREO	3.52%	1.36%	3.59%	3.27%	9.56%
Nonperforming Assets / Assets	2.31%	0.95%	2.37%	2.15%	4.88%
Net Charge-Offs / Average Loans	0.46%	0.01%	0.58%	0.44%	4.10%

	Old National	Selected Companies Minimum	Selected Companies Mean	Selected Companies Median	Selected Companies Maximum
Tangible Common Equity / Tangible Assets	8.65%	5.69%	9.05%	8.53%	17.58%
Total Capital Ratio	15.36%	11.52%	16.28%	15.49%	36.30%
Loans / Deposits	75.7%	54.0%	86.5%	88.8%	125.4%
Loan Loss Reserve / Loans	0.95%	0.16%	1.58%	1.71%	2.45%
Nonperforming Assets / Loans + OREO	3.00%	0.54%	2.37%	2.39%	4.51%
Nonperforming Assets / Assets	1.53%	0.22%	1.56%	1.64%	3.09%
Net Charge-Offs / Average Loans	0.09%	(0.16)%	0.56%	0.51%	2.78%

KBW's analysis showed the following concerning Tower's and Old National's market performance:

	Tower	Selected Companies Minimum	Selected Companies Mean	Selected Companies Median	Selected Companies Maximum
Market Capitalization (\$mm)	\$ 74	\$ 33	\$ 90	\$ 75	\$ 198
1-Year Stock Price Change	35.3%	(4.5)%	28.4%	22.4%	137.1%
1-Year Total Return	46.1%	(2.2)%	31.6%	26.6%	141.3%
Year-to-Date Price Change	33.8%	(6.1)%	28.3%	24.0%	93.4%
Stock Price / Book Value per Share	1.21x	0.66x	0.99x	0.94x	1.73x
Stock Price / Tangible Book Value per Share	1.21x	0.69x	1.08x	1.04x	2.12x
Stock Price / 2013 EPS (1)	11.4x	9.0x	14.0x	13.0x	28.6x
Stock Price / 2014 EPS (1)	13.9x	8.4x	13.4x	12.3x	24.8x
Dividend Yield	2.01%	0.00%	1.47%	1.45%	5.50%
LTM Dividend Payout Ratio (1)	51.7%	0.0%	34.2%	25.0%	106.3%

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(1) Consensus earnings estimates for the selected companies per FactSet Research Systems, Inc., as compiled by SNL Financial, as of 9/6/13; earnings estimates for Tower per management guidance.

	Old National	Selected Companies Minimum	Selected Companies Mean	Selected Companies Median	Selected Companies Maximum
Market Capitalization (\$mm)	\$ 1,369	\$ 467	\$ 1,208	\$ 1,162	\$ 2,323
1-Year Stock Price Change	(0.1)%	(10.8)%	13.4%	12.7%	34.2%
1-Year Total Return	2.9%	(4.3)%	16.5%	17.3%	36.0%
Year-to-Date Price Change	14.2%	2.9%	18.7%	16.9%	42.2%
Stock Price / Book Value per Share	1.17x	0.92x	1.30x	1.19x	1.89x
Stock Price / Tangible Book Value per Share	1.70x	1.12x	1.61x	1.55x	2.42x
Stock Price / 2013 EPS (1)	13.7x	12.0x	15.8x	14.8x	25.2x
Stock Price / 2014 EPS (1)	12.7x	11.2x	14.8x	14.1x	22.9x
Dividend Yield	2.95%	0.18%	2.06%	1.63%	4.82%
LTM Dividend Payout Ratio (1)	40.0%	3.2%	50.9%	30.7%	208.3%

(1) Consensus earnings estimates for the selected companies per FactSet Research Systems, Inc., as compiled by SNL Financial, as of 9/6/13.

Selected Transactions Analysis. KBW reviewed publicly available information related to certain selected bank and thrift transactions announced after December 31, 2011 with deal values between \$50 million and \$200 million with the acquired company's NPAs to Assets ratio of less than 5.0%.

Acquiror:**Acquired Company:**

Mercantile Bank Corporation	Firstbank Corporation
CenterState Banks, Inc.	Gulfstream Bancshares, Inc.
Wilshire Bancorp, Inc.	Saehan Bancorp
First Federal Bancshares of Arkansas, Inc.	First National Security Company
Peoples Financial Services Corp.	Penseco Financial Services Corporation
F.N.B. Corporation	BCSB Bancorp, Inc.
Heartland Financial USA, Inc.	Morrill Bancshares, Inc.
First Merchants Corporation	CFS Bancorp, Inc.
CBFH, Inc.	VB Texas, Inc.
SI Financial Group, Inc.	Newport Bancorp, Inc.
F.N.B. Corporation	PVF Capital Corp.
Renasant Corporation	First M&F Corporation
Lakeland Bancorp, Inc.	Somerset Hills Bancorp
Prosperity Bancshares, Inc.	Coppermark Bancshares, Inc.
Pacific Premier Bancorp, Inc.	First Associations Bank
First PacTrust Bancorp, Inc.	Private Bank of California
WesBanco, Inc.	Fidelity Bancorp, Inc.
Investors Bancorp, Inc. (MHC)	Marathon Banking Corporation
Berkshire Hills Bancorp, Inc.	Beacon Federal Bancorp, Inc.
United Financial Bancorp, Inc.	New England Bancshares, Inc.
Park Sterling Corporation	Citizens South Banking Corporation

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Independent Bank Corp.	Central Bancorp, Inc.
PacWest Bancorp	American Perspective Bank
FVNB Corp.	First State Bank
Carlisle Bancshares, Inc.	Northstar Financial Corporation
Tompkins Financial Corporation	VIST Financial Corp.
Old National Bancorp	Indiana Community Bancorp

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Transaction multiples for the merger were derived from an implied aggregate offer price per share of \$23.02. The offer price was based on Old National's closing price of \$13.56 on September 6, 2013 and a fixed exchange ratio of 1.20, plus \$6.75 per share in cash. For each transaction referred to above, KBW derived and compared, among other things, the following implied ratios:

- price per common share paid for the acquired company to tangible book value per share of the acquired company based on the latest publicly available financial statements of the company available prior to the announcement of the acquisition,
- tangible common equity premium (excess of purchase price over tangible common equity) to core deposits (total deposits less time deposits greater than \$100,000) based on the latest publicly available financial statements of the company available prior to the announcement of the acquisition,
- price per common share paid for the acquired company to last twelve months earnings per share of the acquired company; and
- price per common share paid for the acquired company as a premium to the closing price of the acquired company one day, one month and three months prior to the announcement of the acquisition (expressed as a percentage and referred to as the one day, one month, and three month market premiums).

The results of the analysis are set forth in the following table:

	Old National / Tower Merger	Selected Transactions Minimum	Selected Transactions Mean	Selected Transactions Median	Selected Transactions Maximum
Transaction Multiples:					
Price / Tangible Book Value	1.75x	1.00x	1.38x	1.34x	1.79x
Core Deposit Premium	9.8%	0.2%	5.2%	5.1%	11.3%
Price / LTM EPS	15.9x	11.0x	22.5x	19.1x	55.1x
1-Day Market Premium	44.8%	(3.5)%	40.2%	37.0%	83.8%
1-Month Market Premium	46.2%	10.6%	49.9%	43.6%	110.3%
3-Month Market Premium	65.3%	6.8%	56.8%	46.1%	113.1%

No company or transaction used as a comparison in the above analysis is identical to Tower, Old National or the proposed merger. Accordingly, an analysis of these results is not mathematical. Rather, it involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies involved.

Contribution Analysis. KBW analyzed the relative contribution of Tower and Old National to the pro forma market capitalization, balance sheet and income statement items of the combined entity, including pro forma ownership, assets, gross loans, deposits, tangible common equity, and projected 2014 and 2015 net income available to common. This analysis excluded any purchase accounting adjustments and was based on

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Tower's and Old National's closing prices on September 6, 2013 of \$15.90 and \$13.56, respectively. To perform this analysis, KBW used financial information as of the three month period ended June 30, 2013. The results of KBW's analysis are set forth in the following table:

	Old National as a % of Combined Entity	Tower as a % of Combined Entity
Ownership		
70.7% stock / 29.3% cash (1.200x exchange ratio)	95%	5%
100% stock (1.698x exchange ratio)	93%	7%
Balance Sheet (\$mm)		
Assets	93%	7%
Gross Loans	92%	8%
Deposits	92%	8%
Tangible Common Equity	93%	7%
Earnings (\$mm)		
2014 Est. GAAP Net Income	95%	5%
2015 Est. GAAP Net Income	96%	4%
Market Capitalization (\$mm)		
Current Market Capitalization	95%	5%

(1) Total does not include any purchase accounting adjustments

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Financial Impact Analysis. KBW performed pro forma merger analyses that combined projected income statement and balance sheet information of Tower and Old National. Assumptions regarding the accounting treatment, acquisition adjustments and cost savings were provided by Tower and Old National management, were relied on by KBW, and were used to calculate the financial impact that the merger would have on certain projected financial results of Tower. In the course of this analysis, KBW used earnings estimates for Old National for 2014 and 2015 from a nationally recognized earnings estimate consolidator, and for Tower used earnings estimates as provided by Tower management. This analysis indicated that the merger is expected to be accretive to Old National's estimated earnings per share in 2014 and 2015. The analysis also indicated that the merger is expected to be dilutive to tangible book value per share for Old National and that Old National is expected to maintain well-capitalized capital ratios. For all of the above analyses, the actual results achieved by Old National following the merger will vary from the estimates used and the projected results, and the variations may be material.

Tower Discounted Cash Flow Analysis. KBW performed a discounted cash flow analysis to estimate a range of the present values of after-tax cash flows that Tower could provide to equity holders through 2018 on a stand-alone basis. In performing this analysis, KBW used earnings estimates for 2014 to 2018 from Tower management, and assumed discount rates ranging from 13.0% to 17.0%. The range of values was determined by adding (1) the present value of projected cash flows to Tower shareholders from 2014 to 2018 and (2) the present value of the terminal value of Tower's common stock. In determining cash flows available to shareholders, KBW assumed balance sheet growth per Tower management and assumed that Tower would maintain a tangible common equity/tangible asset ratio of 8.00% and would retain sufficient earnings to maintain that level. Any earnings in excess of what would need to be retained represented dividendable cash flows for Tower. In calculating the terminal value of Tower, KBW applied multiples ranging from 11.0 times to 15.0 times 2019 forecasted earnings. This resulted in a range of values of Tower from \$11.99 to \$16.84 per share. The discounted cash flow present value analysis is a widely used valuation methodology that relies on numerous assumptions, including asset and earnings growth rates, terminal values and discount rates. The analysis did not purport to be indicative of the actual values or expected values of Tower.

Pro Forma Discounted Cash Flow Analysis. KBW performed a discounted cash flow analysis to estimate a range of the present values of after-tax cash flows that Tower (pro forma for the merger) could provide to equity holders through 2018 on a pro forma basis. In performing this analysis, KBW used earnings estimates for Tower as provided by Tower Management and earnings estimates for Old National based on consensus estimates for 2014 and 2015 and a long term earnings per share growth rate of 3.0% thereafter. Estimates of cost savings, purchase accounting adjustments and restructuring charges were provided by Old National management. KBW assumed discount rates ranging from 11.0% to 15.0% for this analysis. The range of values was determined by adding (i) the present value of projected cash flows to Tower (pro forma for the Merger) shareholders from 2014 to 2018 and (ii) the present value of the terminal value of Tower's (pro forma for the Merger) common stock. In determining cash flows available to shareholders, KBW assumed Old National balance sheet growth of approximately 2.0% annually and assumed that Old National (pro forma for the Merger) would maintain a tangible common equity/tangible asset ratio of 8.00% and would retain sufficient earnings to maintain these levels. Any earnings in excess of what would need to be retained represented dividendable cash flows for Tower (pro forma for the Merger). In calculating the terminal value of Tower (pro forma for the Merger), KBW applied multiples ranging from 11.0 times to 15.0 times 2019 forecasted earnings. This resulted in a range of share values of Tower (pro forma for the merger) from \$19.35 to \$25.25 per share. The discounted cash flow present value analysis is a widely used valuation methodology that relies on numerous assumptions, including asset and earnings growth rates, terminal values and discount rates. The analysis did not purport to be indicative of the actual values or expected values of Tower or Old National (pro forma for the Merger).

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Engagement of KBW by Tower. The Tower board retained KBW as financial adviser to Tower regarding the Merger. As part of its investment banking business, KBW is continually engaged in the valuation of banking businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for various other purposes. As specialists in the securities of banking companies, KBW has experience in, and knowledge of, the valuation of banking enterprises. In the ordinary course of its business as a broker-dealer, KBW may, from time to time, purchase securities from, and sell securities to, Tower and Old National. As a market maker in securities, KBW may from time to time have a long or short position in, and buy or sell, debt or equity securities of Tower and Old National for KBW's own account and for the accounts of its customers. To the extent KBW held any such positions, it was disclosed to the Tower board of directors on or before the September 9, 2013, board of director's meeting.

KBW has acted exclusively for the Tower board of directors in rendering its opinion in connection with the Merger. Pursuant to the KBW engagement agreement, Tower agreed to pay to KBW a cash fee of \$200,000 concurrently with the rendering of KBW's opinion as well as a cash contingent advisory fee equal to approximately \$1,542,400 to be paid at the time of closing of the Merger. In addition, pursuant to the engagement agreement, Tower also agreed to reimburse KBW for all reasonable out-of-pocket expenses and disbursements, including fees and reasonable expenses of counsel, incurred in connection with the engagement and to indemnify KBW and related parties against certain liabilities, including but not limited to liabilities under federal securities laws, relating to, or arising out of, its engagement. During the two years preceding the date of its opinion to the Tower board of directors, KBW has not received compensation for investment banking services from Tower, and KBW has not received compensation for investment banking services from Old National.

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THE MERGER AGREEMENT

Structure of the Merger

Subject to the terms and conditions of the Merger Agreement, at the completion of the Merger, TFC will merge with and into Old National, with Old National as the surviving corporation of such Merger. The separate existence of TFC will terminate and the TFC common stock will cease to be listed on the NASDAQ Global Market and will be cancelled as a consequence of the Merger. The Old National common shares will continue to be listed on the NASDAQ Global Market under the symbol **ONB**. Simultaneous with the Merger, Tower Bank & Trust Company will be merged with and into Old National Bank, a wholly-owned subsidiary of Old National.

Under the Merger Agreement, the officers and directors of Old National serving at the effective time of the Merger will continue to serve as the officers and directors of Old National after the Merger is consummated.

Merger Consideration

If the Merger is completed, your shares of TFC common stock will be converted into the right to receive 1.20 shares of Old National common stock (the **Exchange Ratio**), subject to adjustment as provided below and \$6.75 in cash. No fractional shares of Old National common stock will be issued in the Merger. Instead, Old National will pay to each holder of TFC common stock who otherwise would be entitled to a fractional share of Old National common stock an amount in cash (without interest) determined by multiplying such fraction by the average of the per-share closing prices of a share of Old National common stock during the ten trading days preceding the fifth calendar day preceding the effective time of the Merger (the **Average Old National Closing Price**).

The Exchange Ratio is subject to adjustment as follows:

- **Decrease in Consolidated Shareholders' Equity.** If as of the end of the month prior to the effective time of the Merger the TFC consolidated shareholders' equity is less than \$61,117,844, the Exchange Ratio shall be decreased to a quotient determined by dividing the Adjusted Stock Purchase Price by the total number of shares of TFC common stock outstanding, and further dividing that number by the Average Old National Closing Price. For purposes of the computation, the Adjusted Stock Purchase Price shall be equal to (x) the total Stock Purchase Price, less (y) the difference between \$61,117,844 and the TFC Consolidated Shareholders' Equity as of the end of the month prior to the effective time of the Merger. The Stock Purchase Price shall be the Exchange Ratio in effect at the time of the adjustment multiplied by the Average Old National Closing Price multiplied by the total number of shares of TFC common stock outstanding at the effective time of the Merger. The TFC consolidated shareholders' equity shall be determined in accordance with generally accepted accounting principles, less (i) the net accumulated other comprehensive income/(loss) as of the Computation Date, determined in accordance with GAAP, and to which shall be added the following:

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i. any accruals, reserves or charges resulting from expenses of the Merger and other transactions contemplated by the Merger Agreement; and

ii. any accruals, reserves or charges taken by TFC at the request of Old National.

If the Merger closed as of [], there would have been no adjustment to the Merger Consideration based upon the shareholders' equity provision. The Exchange Ratio remains subject to change, however, based upon the shareholder equity (computed in accordance with the terms of the Merger Agreement) as of end of the month before the closing of the Merger.

- *Decrease in Market Price of Old National Common Stock.* Additionally, TFC may terminate the Merger Agreement if, at any time during the five-day period commencing on the first date on which all bank regulatory approvals (and waivers, if applicable) necessary for consummation of the Merger have been received (disregarding any waiting period) (the "determination date"), such termination to be effective on the tenth day following such determination date if both of the following conditions are satisfied:
 - the average of the daily closing price of Old National common stock as reported on the NASDAQ Global Market for the ten consecutive trading days immediately preceding the determination date (the "ONB Market Value") is less than \$10.85; and
 - the number obtained by dividing the ONB Market Value by \$13.56 (the "Initial ONB Market Value," which may be adjusted to account for certain transactions involving the stock of Old National, such as a stock dividend, reclassification or similar transaction between the date of the Merger Agreement and the determination date) (the "ONB Ratio") is less than the quotient (such

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quotient, the Index Ratio) obtained by dividing the average of the daily closing value for the five consecutive trading days immediately preceding the determination date of a group of financial institution holding companies comprising the NASDAQ Bank Index (the Final Index Price) by the closing value of the NASDAQ Bank Index on September 9, 2013 (the Initial Index Price), minus 0.20.

If TFC elects to exercise its termination right as described above, it must give prompt written notice thereof to Old National. During the five-business day period commencing with its receipt of such notice, Old National shall have the option to increase the consideration to be received by the holders of TFC common stock by adjusting the Exchange Ratio to the lesser of (i) a quotient, the numerator of which is equal to the product of the Initial ONB Market Value, the Exchange Ratio (as then in effect), and the Index Ratio, minus 0.20, and the denominator of which is equal to the ONB Market Value on the determination date; or (ii) the quotient determined by dividing the Initial ONB Market Value by the ONB Market Value on the determination date, and multiplying the quotient by the product of the Exchange Ratio (as then in effect) and 0.80. If Old National elects, it shall give, within such five-business day period, written notice to TFC of such election and the revised Exchange Ratio, whereupon no termination shall be deemed to have occurred and the Merger Agreement shall remain in full force and effect in accordance with its terms (except as the Exchange Ratio shall have been so modified). Because the formula is dependent on the future price of Old National's common stock and that of the index group, it is not possible presently to determine what the adjusted Merger Consideration would be at this time, but, in general, more shares of Old National common stock would be issued, to take into account the extent by which the average price of Old National's common stock exceeded the decline in the average price of the common stock of the index group.

Treatment of Options to Acquire Shares of TFC Common Stock

The Merger Agreement provides that each option to acquire shares of TFC common stock outstanding as of the effective date of the Merger will be converted into an option to purchase a number of shares of Old National common stock equal to the product (rounded down to the nearest whole share) of (A) the number of shares of TFC common stock subject to the TFC stock option and (B) the sum of (x) Exchange Ratio plus (y) \$6.75 divided by (z) the average of the per share closing prices of a share of Old National common stock as quoted on the NASDAQ Global Market during the ten (10) trading days preceding the fifth (5th) calendar day preceding the effective time of the Merger, at an exercise price per share (rounded up to the nearest whole cent) equal to (A) the exercise price of such TFC stock option divided by (B) the sum of (x) Exchange Ratio plus (y) \$6.75 divided by (z) the average of the per share closing prices of a share of Old National common stock as quoted on the NASDAQ Global Market during the ten (10) trading days preceding the fifth (5th) calendar day preceding the effective time of the Merger. All such options are fully vested. Each converted TFC stock option will continue to be governed by the same terms and conditions as were applicable under the related TFC stock option immediately prior to the effective time of the Merger.

The officers and directors of TFC hold options to purchase 37,935 shares of TFC common stock as of September 30, 2013.

The purchase price of such options will constitute taxable ordinary income to the option-holder.

Treatment of Deferred Stock Units

The Merger Agreement also provides that Old National and TFC will take all requisite action so that, at the effective time of the Merger, each holder of the deferred stock units issued and still outstanding under TFC's 2006 Equity Incentive Plan (consisting of 5,133 units) will receive cash in the amount equal to the closing price of a share of TFC common stock on the trading day immediately preceding the closing of the

Merger.

Treatment of TFC's 401(k) Plan

The TFC 401(k) plan ("401(k) Plan") will be terminated no later than the day prior to the effective time of the Merger, and as soon as administratively feasible thereafter the individual account balances of all participants in the 401(k) Plan will be distributed or rolled over to another eligible plan, or to an individual retirement account or annuity, as each participant elects.

Exchange and Payment Procedures

At and after the effective time of the Merger, each certificate representing shares of TFC common stock will represent only the right to receive the Merger Consideration in accordance with the terms of the Merger Agreement. Old National will reserve a sufficient number of shares of Old National common stock to be issued as a part of the Merger Consideration. Promptly after the effective time of the Merger, but in no event more than five business days thereafter, Old

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National will mail a letter of transmittal to each holder of TFC common stock that will include detailed instructions on how such holder may exchange such holder's TFC common shares for the Merger Consideration.

Old National will provide a written notice of uncertificated shares to each former TFC registered owner setting forth the number of whole shares of Old National common stock that each holder of TFC common stock has received in the Merger and a check in the amount of any cash that such holder has the right to receive to be delivered to such shareholder upon delivery to Old National of certificates representing such shares of TFC common stock and a properly completed letter of transmittal. Additionally, shareholders will receive cash in lieu of any fractional shares of Old National common stock. No interest will be paid on any Merger Consideration that any such holder shall be entitled to receive.

No dividends or other distributions on Old National common stock with a record date occurring after the effective time of the Merger will be paid to the holder of any unsurrendered old certificate representing shares of TFC common stock converted into the right to receive shares of Old National common stock until the holder surrenders such old certificate in accordance with the Merger Agreement.

The stock transfer books of TFC will be closed immediately at the effective time of the Merger and after the effective time there will be no transfers on the stock transfer records of TFC of any shares of TFC common stock. Old National will be entitled to rely on TFC's stock transfer books to establish the identity of those persons entitled to receive Merger Consideration. If any old certificate is lost, stolen, or destroyed, upon the making of an affidavit of that fact by the person claiming such old certificate to be lost, stolen, or destroyed and, if required by Old National, the posting by such person of a bond or other indemnity as Old National may reasonably direct as indemnity against any claim that may be made with respect to the old certificate, Old National will issue the Merger Consideration in exchange for such lost, stolen or destroyed certificate.

Dividends and Distributions

Until TFC common stock certificates are surrendered for exchange, any dividends or other distributions declared after the effective time of the Merger with respect to Old National common shares into which shares of TFC common stock may have been converted will accrue but will not be paid. When such certificates have been duly surrendered, Old National will pay any unpaid dividends or other distributions, without interest. After the effective time of the Merger, there will be no transfers on the stock transfer books of TFC of any shares of TFC common stock. If certificates representing shares of TFC common stock are presented for transfer after the completion of the Merger, they will be cancelled and exchanged for the Merger Consideration.

Representations and Warranties

The Merger Agreement contains representations and warranties of TFC, on the one hand, and Old National, on the other hand, to each other, as to, among other things:

- the corporate organization and existence of each party;

- the authority of each party to enter into the Merger Agreement, perform its obligations under the Merger Agreement and make it valid and binding;
- the fact that the Merger Agreement does not conflict with or violate:
- the articles of incorporation and by-laws of each party,
- applicable law, and
- agreements, instruments or obligations of each party;
- the capitalization of TFC and Old National;
- each party's compliance with applicable law;
- the accuracy of statements made and materials provided to the other party;
- the absence of material litigation;
- each party's financial statements and filings with applicable regulatory authorities;
- the absence of undisclosed obligations or liabilities;
- title to its assets;
- the adequacy of its loan loss reserves;

- employee benefit plans and related matters;
- the filing and accuracy of tax returns;

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- the adequacy of each party's deposit insurance and other policies of insurance;
- books and records;
- payments to be made to any brokers or finders in connection with the Merger;
- Securities and Exchange Commission filings; and
- Community Reinvestment Act.

In addition, the Merger Agreement contains representations and warranties of TFC to Old National as to:

- material contracts;
- loans and investments;
- the inapplicability to the Merger and the transactions contemplated thereby of the anti-takeover provisions in TFC's articles of incorporation and by-laws;
- obligations to employees;
- events occurring since June 30, 2013;
- insider transactions;

- indemnification agreements;
- shareholder approval;
- intellectual property;
- compliance with the Bank Secrecy Act;
- agreements with regulatory agencies;
- internal controls;
- fiduciary accounts; and
- the receipt of a fairness opinion from TFC's financial advisor.

None of the representations and warranties of the parties will survive the consummation of the Merger. Additionally, the parties qualified many of the representations and warranties contained in the Merger Agreement with exceptions set forth in disclosure schedules which were separately delivered by each party to the other party to the Merger Agreement.

Conduct of Business Prior to Completion of the Merger

TFC Restrictions

Under the Merger Agreement, TFC has agreed to certain restrictions on its activities until the Merger is completed or terminated. In general, TFC and its subsidiary, Tower Bank & Trust Company, are required to conduct their business diligently, substantially in the manner as it is presently being conducted, and in the ordinary course of business.

The following is a summary of the more significant restrictions imposed upon TFC, subject to the exceptions set forth in the Merger Agreement. Specifically, without the prior consent of Old National, TFC and Tower Bank & Trust Company may not:

- make any change in the capitalization or the number of issued and outstanding shares of TFC or Tower Bank & Trust Company;
- authorize a class of stock or issue, or authorize the issuance of, securities other than or in addition to its issued and outstanding common stock as of the date of the Merger Agreement;
- distribute or pay any dividends on its shares of common stock, or authorize a stock split, or make any other distribution to its shareholders; except that (i) Tower Bank & Trust Company may pay cash dividends to TFC in the ordinary course of business for payment of TFC's reasonable and necessary business and operating expenses and to provide funds for TFC's dividends to its shareholders and (ii) TFC may pay to its shareholders its usual and customary cash dividend of no greater than \$0.08 per share for any quarterly period, provided that no dividend may be paid by TFC for the quarterly period in which the Merger is scheduled to be consummated or consummated if, during such period, TFC shareholders will become entitled to receive dividends on their shares of Old National common stock received pursuant to the Merger Agreement;
- redeem any of its outstanding shares of common stock;

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- merge, combine, consolidate, or effect a share exchange with, or sell its assets or any of its securities to any other person, corporation, or entity, or enter into any other similar transaction not in the ordinary course of business;
- purchase any assets or securities or assume any liabilities of another bank holding company, bank, corporation, or other entity, except in the ordinary course of business necessary in managing its investment portfolio, and then only to the extent such securities have a quality rating of AAA;
- without consent, which consent shall be deemed received unless Old National objects within five business days after receipt of written notice from TFC:
- to renew or otherwise modify any loan or commitment to lend money, or issue any letter of credit to any person if the loan is an existing credit on the books of TFC or Tower Bank & Trust Company and (y) is, or in accordance with bank regulatory definitions should be, classified as Substandard, Doubtful or Loss or (z) such loan is in an amount in excess of \$100,000 and is, or in accordance with bank regulatory definitions should be, classified as special mention ;
- effective one week following the date of the Merger Agreement, make, renew or otherwise modify any loan or loans if immediately after making a loan or loans, such Person would be directly indebted to TFC or Tower Bank & Trust Company in an aggregate amount in excess of \$1,000,000;
- make, renew or otherwise modify any loan or loans secured by an owner-occupied 1-4 single-family residence with a principal balance in excess of \$417,000 (except for any such loan or loans secured by an owner-occupied 1-4 single-family residence which Tower Bank & Trust Company originates, underwrites in accordance with the secondary market standards and holds for sale into the secondary market, in which case such dollar threshold shall be \$750,000);
- make, renew or otherwise modify any loan or loans secured by an owner-occupied 1-4 single-family residence with loan-to-values ratios of greater than 80% without private mortgage insurance; or
- make, renew or otherwise modify any loan which does not conform with TFC's general credit policy and procedures, is in excess of \$50,000 and exceeds 120 days to maturity (notice to Old National of such proposed loan shall set forth, with specificity, the manner in which such loan does not conform to TFC's general credit policy and procedures).
- except as contemplated by the Merger Agreement, acquire or dispose of any real or personal property or fixed asset constituting a capital investment in excess of \$100,000 individually or \$250,000 in the aggregate;

- make any investment subject to any restrictions, whether contractual or statutory, which materially impairs the ability of TFC or Tower Bank & Trust Company to dispose freely of such investment at any time, or subject any of their properties or assets to a mortgage, lien, claim, charge, option, restriction, security interest, or encumbrance, except for tax and other liens that arise by operation of law and with respect to which payment is not past due or is being contested in good faith by appropriate proceedings, and except for pledges or liens required to be granted in connection with acceptance by TFC or Tower Bank & Trust Company of government deposits and pledges or liens in connection with Federal Home Loan Bank borrowings;
- except as contemplated by the Merger Agreement, promote to a new position (other in the ordinary course of business except with respect to a promotion to a senior officer position) or increase the rate of compensation, or enter into any agreement to promote to a new position (other in the ordinary course of business except with respect to a promotion to a senior officer position) or increase the rate of compensation, of any director, officer, or employee of TFC or Tower Bank & Trust Company, or modify, amend, or institute new employment policies or practices, or enter into, renew, or extend any employment, indemnity, reimbursement, consulting, compensation or severance agreements with respect to any present or former directors, officers, or employees of TFC or Tower Bank & Trust Company;
- except as contemplated by the Merger Agreement, execute, create, institute, modify, amend or terminate any pension, retirement, savings, stock purchase, stock bonus, stock ownership, stock option, stock appreciation or depreciation right, or profit sharing plans; any employment, deferred compensation, consulting, bonus, or collective bargaining agreement; any group insurance or health contract or policy; or any other incentive, retirement, welfare, or employee welfare benefit plan, agreement, or understanding for current or former directors, officers, or employees of TFC or Tower Bank & Trust Company; or change the level of benefits or payments under any of the foregoing, or increase or decrease any severance or termination of pay benefits or any other fringe or employee benefits other than as required by law or regulatory authorities or the terms of any of the foregoing;

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- amend, modify, or restate TFC's or Tower Bank & Trust Company's respective organizational documents;
- give, dispose of, sell, convey, or transfer, assign, hypothecate, pledge, or encumber, or grant a security interest in or option to or right to acquire any shares of common stock or substantially all of the assets (other than in the ordinary course consistent with past practice) of TFC or Tower Bank & Trust Company, or enter into any agreement or commitment relative to the foregoing;
- fail to accrue, pay, discharge and satisfy all debts, liabilities, obligations, and expenses, including, without limitation, trade payables, incurred in the regular and ordinary course of business as such debts, liabilities, obligations, and expenses become due, unless the same are being contested in good faith;
- issue, or authorize the issuance of, any securities convertible into or exchangeable for any shares of the capital stock of TFC or Tower Bank & Trust Company;
- except for obligations disclosed within the Merger Agreement, FHLB advances, federal funds purchased by Tower Bank & Trust Company, trade payables and similar liabilities and obligations incurred in the ordinary course of business and the payment, discharge or satisfaction in the ordinary course of business of liabilities reflected in the TFC financial statements or the subsequent TFC financial statements, borrow any money or incur any indebtedness including, without limitation, through the issuance of debentures, or incur any liability or obligation (whether absolute, accrued, contingent or otherwise), in an aggregate amount exceeding \$100,000;
- open, close, move, or, in any material respect, expand, diminish, renovate, alter, or change any of its offices or branches other than as contemplated in the Merger Agreement;
- pay or commit to pay any management or consulting or other similar type of fees other than as contemplated in the Merger Agreement;
- change in any material respect its accounting methods, except as may be necessary and appropriate to conform to changes in tax laws requirements, changes in GAAP or regulatory accounting principles or as required by TFC's independent auditors or its regulatory authorities;
- change in any material respects its underwriting, operating, investment or risk management or other similar policies of TFC or Tower Bank & Trust Company except as required by applicable law or policies imposed by any regulatory authority or governmental entity;
- make, change or revoke any material tax election, file any material amended tax return, enter into any closing agreement with respect to a material amount of taxes, settle any material tax claim or assessment or surrender any right to claim a refund of a material amount of taxes; or

- enter into any contract, agreement, lease, commitment, understanding, arrangement, or transaction or incur any liability or obligation, other than as specifically contemplated under the Merger Agreement, requiring payments by TFC or Tower Bank & Trust Company that exceed \$100,000, whether individually or in the aggregate, or that is not a trade payable or incurred in the ordinary course of business.

Old National Restrictions

The following is a summary of the more significant restrictions imposed upon Old National, subject to the exceptions set forth in the Merger Agreement. In particular, Old National may not knowingly:

- take any action that is intended or reasonably likely to result in any of its representations and warranties set forth in the Merger Agreement being or becoming untrue in any respect at or prior to the effective time of the Merger, any of the conditions to the Merger not being satisfied, a material violation of any provision of the Merger Agreement, or a delay in the consummation of the Merger, except, in each case, as may be required by applicable law or regulation.

Covenants

In addition to the restrictions noted above, TFC and Old National have agreed to take several other actions, such as:

- in the case of TFC, to submit the Merger Agreement to its shareholders at a meeting to be called and held at the earliest possible reasonable date;
- in the case of TFC, to proceed expeditiously, cooperate fully and use commercially reasonable efforts to assist Old National in procuring all consents, authorizations, approvals, registrations and certificates, in completing all filings and applications and in satisfying all other requirements prescribed by law which are necessary for consummation of the Merger, and to ensure that any materials or information provided by TFC to Old National for use by Old National in any filing with any state or federal regulatory agency or authority shall not contain any untrue or

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misleading statement of material fact or shall omit to state a material fact necessary to make the statements contained therein, in light of the circumstances in which they are made, not false or misleading;

- in the case of TFC, to use commercially reasonable efforts to obtain any required third party consents to agreements, contracts, commitments, leases, instruments and documents;
- in the case of TFC, to use commercially reasonable efforts to maintain insurance on its assets, properties and operations, fidelity coverage and directors' and officers' liability insurance in such amounts and with regard to such liabilities and hazards as were insured by TFC as of the date of the Merger Agreement;
- in the case of TFC, to continue to accrue reserves for employee benefits and Merger related expenses, and to consult and cooperate in good faith with Old National on (i) conforming the loan and accounting policies and practices of TFC to those policies and practices of Old National for financial accounting and/or income tax reporting purposes; (ii) determining the amount and timing for recognizing TFC's expenses of the Merger; provided, that no such modifications need be effected prior to the 5th day preceding the closing date of the Merger and until Old National has certified to TFC that all conditions to the obligation of Old National to consummate the Merger have been satisfied;
- to coordinate with each other prior to issuing any press releases;
- in the case of TFC and Old National, to supplement, amend and update the disclosure schedules to the Merger Agreement as necessary;
- in the case of TFC and Old National, to give the other party's representatives and agents, including investment bankers, attorneys or accountants, upon reasonable notice, access during normal business hours throughout the period prior to the effective time of the Merger to the other party's properties, facilities operations, books and records;
- in the case of TFC and Old National, to deliver updated financial statements, any reports, notices or proxy statements sent by either party to any governmental authority, and any orders issued by any governmental authority, to the other party when available;
- in the case of TFC, to cooperate with an environmental consulting firm designated by Old National in the conduct by such firm of a phase one and/or phase two environmental investigation on all real property owned or leased by TFC or Tower Bank & Trust Company as of the date of the Merger Agreement, and any real property acquired or leased by TFC or Tower Bank & Trust Company after the date of the Merger Agreement;

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- in the case of TFC and Old National, to not knowingly take any action that is intended or is reasonably likely to result in (i) any of its representations and warranties set forth in the Merger Agreement being or becoming untrue in any material respect, (ii) any of the conditions to the Merger not being satisfied, (iii) a material violation of any provision of the Merger Agreement, or (iv) a material delay in the consummation of the Merger;
- in the case of TFC, not to create any employment contract, agreement or understanding with or employment rights for any of the officers or employees of TFC or Tower Bank & Trust Company, or prohibit or restrict Old National from changing, amending or terminating any employee benefits provided to its employees from time to time, without the consent of Old National;
- in the case of TFC, to take such actions as necessary to terminate the Tower Financial Corporation 401(k) Plan as of the day prior to the effective time of the Merger, and to thereafter to distribute or otherwise transfer the account balances of participants in accordance with the applicable plan termination provisions;
- in the case of TFC, to take all actions necessary to assign any TFC group insurance policies to Old National as of the effective time of the Merger and to provide Old National with all necessary financial, enrollment, eligibility, contractual and other information related to TFC's welfare benefit and cafeteria plans to assist Old National in the administration of such plans after the effective time of the Merger;
- in the case of TFC and Old National, to take such actions that will cause any shares of TFC common stock owned by executive officers and directors of TFC and canceled in the Merger to qualify for the short-swing trading exemptions provided in Rule 16b-3(d) under the 1934 Act;
- in the case of Old National, to take such actions as are necessary for Old National to assume the obligations of TFC under any indenture or other agreement to which TFC is a party with respect to trust preferred securities;
- in the case of TFC, to receive within ten days of the date of the Merger Agreement the written fairness opinion of KBW that the Merger Consideration is fair to the shareholders of TFC from a financial point of view;
- in the case of Old National, to file all applications and notices to obtain the necessary regulatory approvals for the transactions contemplated by the Merger Agreement;

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- in the case of Old National, to file a registration statement with the SEC covering the shares of Old National common stock to be issued to TFC shareholders pursuant to the Merger Agreement;
- in the case of Old National, to make available to the officers and employees of TFC who continue as employees after the effective time, substantially the same benefits, including severance benefits, as Old National offers to similarly situated officers and employees, including credit for prior service with TFC and Tower Bank & Trust Company for purposes of eligibility and vesting;
- in the case of Old National, amend its Old National Bancorp Employee Stock Ownership and Savings Plan to permit participation by TFC employees from and after the effective time;
- in the case of Old National, to permit retirees of TFC participating in TFC's health plan to participate in Old National's health plans in accordance with their terms if TFC's health plan is terminated by Old National;
- in the case of Old National, on the effective time, to permit TFC's employees to be subject to Old National's vacation policy;
- in the case of Old National, on the effective time of the Merger, assume all obligations under the Employment Agreements, Change in Control Agreements and Retention Agreements for certain employees of TFC and Tower Bank & Trust Company;
- in the case of Old National, maintain a directors' and officers' liability insurance policy for one year after the effective time of the Merger to cover the present and former officers and directors of TFC and Tower Bank & Trust Company with respect to claims against such directors and officers arising from facts or events which occurred before the effective time, and for six years after the effective time, continue the indemnification and exculpation rights of the present and former officers and directors of TFC and Tower Bank & Trust Company against all losses, expenses, claims, damages, or liabilities arising out of actions or omissions occurring on or prior to the effective time to the full extent then permitted under the articles of incorporation or by-laws of TFC or Tower Bank & Trust Company or any indemnification arrangement or agreement disclosed to Old National.

The Merger Agreement also contains certain additional covenants relating to employee benefits and other matters pertaining to officers and directors. See "The Merger Agreement Employee Benefit Matters" and "Interests of Certain Directors and Officers of TFC in the Merger."

Acquisition Proposals by Third Parties

Until the Merger is completed or the Merger Agreement is terminated, TFC has agreed that it, and its officers, directors and representatives, and those of Tower Bank & Trust Company, will not:

- Solicit, initiate or knowingly encourage or facilitate, any inquiries, offers or proposals to acquire TFC; or
- Initiate, participate in or knowingly encourage any discussions or negotiations or otherwise knowingly cooperate regarding an offer or proposal to acquire TFC.

TFC may, however, furnish information regarding TFC to, or enter into and engage in discussion with, any person or entity in response to a bona fide unsolicited written proposal by the person or entity relating to an acquisition proposal, or change or withhold its recommendation to TFC's shareholders regarding the Merger if:

- TFC's board of directors (after consultation with its financial advisors and outside legal counsel) determines in good faith that such proposal may be or could be superior to the Merger for TFC's shareholders and the failure to consider such proposal would likely result in a breach of the fiduciary duties of TFC's board of directors;
- TFC provides any information to Old National that it intends to provide to a third party; and
- TFC notifies Old National that it is prepared to change or withhold its recommendation to TFC's shareholders in response to a superior proposal, and provides Old National with the most current version of any proposed written agreement or letter of intent relating to the superior proposal, and Old National fails, within five days, to make a proposal that would, in the reasonable good faith judgment of the TFC board of directors (after consultation with financial advisors and outside legal counsel) cause the offer that previously constituted a superior proposal to no longer constitute a superior proposal.

For purposes of the Merger Agreement, the term "superior proposal" means any acquisition proposal relating to TFC or Tower Bank & Trust Company, or to which TFC or Tower Bank & Trust Company may become a party, that the TFC board of directors determines in good faith (after having received the advice of its financial advisors and outside legal counsel) to be (i) more favorable to the shareholders and other constituencies of TFC, including but not limited to, from a

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financial point of view, than the Merger (taking into account all the terms and conditions of the proposal and the Merger Agreement, including the \$4,500,000 termination fee) and (ii) reasonably capable of being completed without undue delay.

Conditions to the Merger

The obligation of Old National and TFC to consummate the Merger is subject to the satisfaction or waiver, on or before the completion of the Merger, of a number of conditions, including:

- The Merger Agreement must receive the approval of TFC's shareholders;
- The representations and warranties made by the parties in the Merger Agreement must be true, accurate and correct in all material respects as of the effective date of the Merger unless the inaccuracies do not or will not have a Material Adverse Effect (as defined below) on the party making the representations and warranties. For purposes of the Merger Agreement, Material Adverse Effect is defined to mean any effect which is material and adverse to the results of operations, properties, assets, liabilities, conditions (financial or otherwise), value or business of TFC and its subsidiaries, taken as a whole, or Old National and its subsidiaries, taken as a whole, or which would materially impair the ability of TFC or Old National to perform its obligations under the Merger Agreement or otherwise materially threaten or impede the consummation of the Merger and the other transactions contemplated by the Merger Agreement; provided, however, that a Material Adverse Effect shall not include the impact of: (a) changes in banking and similar laws of general applicability to banks or their holding companies or interpretations thereof by courts or governmental authorities, (b) changes in generally accepted accounting principles or regulatory accounting requirements applicable to banks or their holding companies generally, (c) effects of any action or omission taken by TFC with the prior written consent of Old National, (d) changes resulting from expenses (such as legal, accounting and investment bankers' fees) incurred in connection with the Merger Agreement or the transactions contemplated therein, (e) the impact of the announcement of the Merger Agreement and the transactions contemplated thereby, and compliance with the Merger Agreement on the business, financial condition or results of operations of TFC and its subsidiaries or Old National and its subsidiaries, and (f) the occurrence of any military or terrorist attack within the United States or any of its possessions or offices; provided that, in no event shall a change in the trading price of TFC common stock, by itself, or Old National common stock, by itself, be considered to constitute a Material Adverse Effect on TFC and its subsidiaries or Old National and its subsidiaries, taken as a whole (the foregoing proviso does not however prevent or otherwise affect a determination that any effect underlying such decline has resulted in a Material Adverse Effect); and provided further, that without regard to any other provision of the Merger Agreement, a Material Adverse Effect shall be deemed to have occurred in the event of the imposition of a formal regulatory enforcement action against TFC or Tower Bank & Trust Company following the date of the Merger Agreement;
- Old National shall have registered its shares of Old National common stock to be issued to shareholders of TFC in the Merger with the SEC, and all state securities and blue sky approvals, authorizations and exemptions required to offer and sell such shares shall have been received, the Registration Statement on Form S-4, of which this proxy statement/prospectus is a part, shall have been declared effective by the Securities and Exchange Commission and no stop order suspending the effectiveness of the Registration Statement can have been issued or threatened;
- All regulatory approvals required to consummate the transactions contemplated by the Merger Agreement shall have been obtained and shall remain in full force and effect and all statutory waiting periods in respect thereof shall have expired and no such approvals shall contain any conditions, restrictions or requirements which the Old National or TFC board of directors reasonably determines in good faith would either (i) have a Material Adverse Effect on TFC (or in the case of TFC, on Old National) or (ii) reduce the benefits of the Merger to such a degree that

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Old National (or in the case of TFC, that TFC) would not have entered into the Merger Agreement had such conditions, restrictions or requirements been known; and

- None of Old National, TFC or Tower Bank & Trust Company, or any of Old National's subsidiaries shall be subject to any statute, rule, regulation, injunction, order or decree which prohibits, prevents or makes illegal completion of the Merger, and no material claim, litigation or proceeding shall have been initiated or threatened relating to the Merger Agreement or the Merger.

The obligation of Old National to consummate the Merger also is subject to the fulfillment of other conditions, including:

- TFC and Tower Bank & Trust Company must have performed, in all material respects, all of their covenants and agreements as required by the Merger Agreement at or prior to the effective time of the Merger;
- Old National must have received from TFC at the closing of the Merger all the items, documents, and other closing deliveries of TFC, in form and content reasonably satisfactory to Old National, required by the Merger Agreement;

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- Old National must have received an opinion from Krieg DeVault LLP that the Merger constitutes a tax free reorganization for purposes of Section 368 of the Internal Revenue Code, as amended;
- Old National must have received a letter of tax advice, in a form satisfactory to Old National, from TFC's outside, independent certified public accountants to the effect that any amounts that are paid by TFC or Tower Bank & Trust Company before the effective time of the Merger, or required under TFC's employee benefit plans or the Merger Agreement to be paid at or after the effective time, to persons who are disqualified individuals under Section 280G of the Internal Revenue Code with respect to TFC, Tower Bank & Trust Company, or their successors, and that otherwise should be allowable as deductions for federal income tax purposes, should not be disallowed as deductions for such purposes by reason of Section 280G of the Code;
- The Old National common stock to be issued to TFC shareholders must have been approved for listing on the NASDAQ Global Market, subject to official notice of issuance;
- As of ten days prior to the closing of the Merger, TFC shall not hold TFC delinquent loans in excess of \$24 million;
- As of the end of the month prior to the effective time, the TFC consolidated shareholders' equity (as adjusted under the Merger Agreement) shall not be less than \$57,117,844; and

The obligation of TFC to consummate the Merger also is subject to the fulfillment of other conditions, including:

- Old National must have performed, in all material respects, all of its covenants and agreements as required by the Merger Agreement at or prior to the effective time of the Merger;
- TFC must have received from Old National at the closing of the Merger all the items, documents, and other closing deliveries of Old National, in form and content reasonably satisfactory to TFC, required by the Merger Agreement;
- The shares of Old National common stock to be issued as part of the Merger must have been approved for listing on the NASDAQ Global Market, subject to official notice of issuance; and
- TFC must have received an opinion from Krieg DeVault LLP that the Merger constitutes a reorganization for purposes of Section 368 of the Code, as amended.

Expenses

Except as otherwise provided in the Merger Agreement, TFC and Old National will be responsible for their respective expenses incidental to the Merger.

Employee Benefit Matters

The Merger Agreement requires Old National to make available to the officers and employees of TFC and Tower Bank & Trust Company who continue as employees of Old National or any subsidiary substantially the same employee benefits, including severance, on substantially the same terms and conditions as Old National offers to similarly situated officers and employees. TFC and Tower Bank & Trust Company employees will receive full credit, after the Merger, for all prior service with TFC, Tower Bank & Trust Company, or their predecessors for purposes of any applicable eligibility and vesting service requirements under any of Old National's employee benefit plans. TFC and Tower Bank & Trust Company employees who become employees of Old National or any of its subsidiaries will become eligible to participate in Old National's employee benefit plans as soon as reasonably practicable after the effective time of the Merger, or if later, as of the termination of the corresponding TFC benefit plan. In the event that Old National determines, in its discretion, to terminate the TFC health plan, retirees of TFC and Tower Bank & Trust Company who are participating the TFC health plan as of the date it is terminated will be eligible to participate in the Old National health plans in accordance with the terms of those plans. Continuing employees, if they initially become covered under Old National's medical, dental, and health plans for less than a full calendar year, will not be subject to any deductibles, co-pays, waiting periods or pre-existing condition limitations under such plans of Old National or its subsidiaries other than those to which they otherwise would have been subject under the medical, dental and health plans of TFC or Tower Bank & Trust Company for the calendar year in which they cease to be covered under such plan of TFC or Tower Bank & Trust Company. Retirees of TFC participating in the TFC health plan who become covered under Old National's health plan will not be subject to any waiting periods or additional pre-existing condition limitations under Old National's health plan.

TFC or Tower Bank & Trust Company, as applicable, shall terminate each nonqualified deferred compensation plan for employees and/or directors sponsored by TFC or Tower Bank & Trust Company. Accrued benefits under the plans will be distributed on, or prior to, the closing date of the Merger.

TFC or Tower Bank & Trust Company shall continue all incentive and/or bonus plans through December 31, 2013. All incentive or bonus compensation which is earned based on performance metrics achieved under those plans, as of December 31, 2013, shall be paid in a lump sum on the earlier of the date of the closing of the Merger and March 31, 2014,

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as required in the plan documents. Effective January 1, 2014, employees of TFC or Tower Bank & Trust Company who are covered by an incentive and/or bonus plan will continue to be covered by either a TFC or Tower Bank & Trust Company incentive or bonus plan, or an Old National or Old National subsidiary incentive or bonus plan, as determined by Old National in its sole discretion. To the extent Old National determines not to cover any TFC or Tower Bank & Trust Company employee under a TFC or Tower Bank & Trust Company incentive or bonus plan, that plan will be terminated effective as of the later of the date of such determination or December 31, 2013.

TFC or Tower Bank & Trust Company, as applicable, shall make payment under the terminated Supplemental Executive Retirement Plan (SERP) sponsored by TFC or Tower Bank & Trust Company. Accrued benefits under the SERP will be distributed January 3, 2014.

As of the effective time, Old National shall amend, as necessary, the Old National Bancorp Employee Stock Ownership and Savings Plan (Old National KSOP) so that from and after the effective time continuing employees will accrue benefits pursuant to the Old National KSOP and continuing employees shall receive credit for eligibility and vesting purposes for the service of such employees with TFC and its subsidiaries or their predecessors prior to the effective time, as if such service were with Old National or its subsidiaries.

After the effective time, Old National shall continue to maintain all fully insured employee welfare benefit and cafeteria plans currently in effect at the effective time until such time as Old National determines to modify or terminate any or all of those plans.

Notwithstanding any contrary provision of Old National s severance pay plan (the Severance Policy), for purposes of calculating the severance benefits payable under the Severance Policy, each TFC Employee shall be given full credit for prior years of employment with TFC or Tower Bank & Trust Company.

Continuing employees shall be subject to Old National s vacation policy as of the effective time of the Merger. Additionally, at the effective time, continuing employees shall be entitled to reimbursement for business related travel pursuant to Old National s reimbursement policy and sick time pursuant to Old National s sick time policy. All accrued and unpaid sick time of TFC employees at the effective time of the Merger, up to but not beyond 160 hours per employee, will be carried over to Old National s sick time policy.

After the Merger Old National shall provide COBRA continuation coverage for each qualified beneficiary entitled to such coverage under applicable federal law.

Termination

Subject to conditions and circumstances described in the Merger Agreement, either Old National or TFC may terminate the Merger Agreement if, among other things, any of the following occur:

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- TFC shareholders do not approve the Merger Agreement at the TFC special meeting;
- any governmental authority shall have issued an order, decree, judgment or injunction that permanently restrains, enjoins or otherwise prohibits or makes illegal the consummation of the Merger, and such order shall have become final and non-appealable, or if any consent or approval of a governmental authority whose consent or approval is required to consummate the Merger has been denied;
- the Merger has not been consummated by June 30, 2014 (provided the terminating party is not then in willful breach of the Merger Agreement); or
- the respective Boards of Directors of Old National and TFC mutually agree to terminate the Merger Agreement.

Additionally, Old National may terminate the Merger Agreement at any time prior to the effective time of the Merger if any of the following occur:

- any event shall have occurred which is not capable of being cured prior to June 30, 2014 and would result in a condition to the Merger not being satisfied;
- TFC breaches or fails to perform any of its representations, warranties or covenants contained in the Merger Agreement which breach or failure to perform would give rise to the failure of a condition to the Merger, and such condition is not capable of being cured by June 30, 2014, or has not been cured by TFC within 20 business days after TFC's receipt of written notice of such breach from Old National;
- there has been a Material Adverse Effect on TFC on a consolidated basis as of the effective time, as compared to that in existence as of September 9, 2013;

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- Old National elects to exercise its right of termination pursuant to the Merger Agreement regarding certain environmental matters (see Environmental Inspections); or
- TFC s Board of Directors shall fail to include its recommendation to approve the Merger in the proxy statement/prospectus related to TFC s special shareholders meeting;
- TFC s board of directors, after receiving an acquisition proposal from a third party, has withdrawn, modified or changed its approval or recommendation of the Merger Agreement and approved or recommended an acquisition proposal with a third party;
- TFC shall have entered into, or publicly announced its intention to enter into, a definitive agreement, agreement in principle or letter of intent with respect to an acquisition proposal;
- if the TFC Board fails to publicly reaffirm its recommendation of Merger Agreement, the Merger or the other transactions contemplated by Merger Agreement within five business days of a written request by Old National to provide such reaffirmation; or
- a quorum could not be convened at the meeting of the shareholders of TFC or at a reconvened meeting held at any time prior to June 30, 2014.

TFC may terminate the Merger Agreement at any time prior to the effective time of the Merger if any of the following occur:

- any event shall have occurred which is not capable of being cured prior to June 30, 2014 and would result in a condition to the Merger not being satisfied;
- Old National breaches or fails to perform any of its representations, warranties or covenants contained in the Merger Agreement which breach or failure to perform would give rise to the failure of a condition to the Merger, and such condition is not capable of being cured by June 30, 2014, or has not been cured by Old National within 20 business days after Old National s receipt of written notice of such breach from TFC; or
- there has been a Material Adverse Effect on Old National on a consolidated basis as of the effective time, as compared to that in existence as of September 9, 2013.

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Additionally, TFC may terminate the Merger Agreement if, at any time during the five-day period commencing on the first date on which all bank regulatory approvals (and waivers, if applicable) necessary for consummation of the Merger have been received (disregarding any waiting period) (the determination date), such termination to be effective the tenth day following such date if both of the following conditions are satisfied:

- the average of the daily closing prices of Old National common stock as reported on the NASDAQ Global Market for the ten consecutive trading days immediately preceding the determination date (the Old National Market Value) is less than \$10.85; and
- the number obtained by dividing the Old National Market Value by \$13.56 (the Initial Old National Market Value, which may be adjusted to account for certain transactions involving the stock of Old National, such as a stock dividend, reclassification or similar transaction between September 9, 2013 and the determination date) (the Old National Ratio) is less than the number (such number, the Index Ratio) obtained by dividing the average of the daily closing value for the five consecutive trading days immediately preceding the determination date of a group of financial institution holding companies comprising the NASDAQ Bank Index (the Final Index Price) by the closing value of a group of financial institution holding companies comprising the NASDAQ Bank Index on September 9, 2013 (the Initial Index Price), minus 0.20.

If TFC elects to exercise its termination right as described above, it must give prompt written notice thereof to Old National. During the five business day period commencing with its receipt of such notice, Old National shall have the option to increase the consideration to be received by the holders of TFC common stock by adjusting the Exchange Ratio to equal the lesser of (i) a quotient, the numerator of which is equal to the product of the Initial Old National Market Value, the Exchange Ratio (as then in effect), and the Index Ratio, minus 0.20, and the denominator of which is equal to Old National Market Value on the determination date; or (ii) the quotient determined by dividing the Initial Old National Market Value by the Old National Market Value on the determination date, and multiplying the quotient by the product of the Exchange Ratio (as then in effect) and 0.80. If Old National elects, it shall give, within such five business day period, written notice to TFC of such election and the revised Exchange Ratio, whereupon no termination shall be deemed to have occurred and the Merger Agreement shall remain in full force and effect in accordance with its terms (except as the Exchange Ratio shall have been so modified). Because the formula is dependent on the future price of Old National's common stock and that of the index group, it is not possible presently to determine what the adjusted Merger Consideration would be at this time, but, in general, more

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shares of Old National common stock would be issued, to take into account the extent by which the average price of Old National's common stock exceeded the decline in the average price of the common stock of the index group.

Under certain circumstances described in the Merger Agreement, a \$4,500,000 termination fee may be payable by TFC to Old National if the Merger Agreement is terminated and the Merger is not consummated. See The Merger Agreement Termination Fee.

Termination Fee

TFC shall pay Old National a \$4,500,000 termination fee if the Merger Agreement is terminated for any of the following reasons:

- If Old National terminates the Merger Agreement because TFC's board of directors fails to include its recommendation to approve the Merger in the proxy statement/prospectus delivered to shareholders or has withdrawn, modified or changed its approval or recommendation of the Merger Agreement or approves or publicly recommends an acquisition proposal with a third party, or TFC has entered into or publicly announced an intention to enter into another acquisition proposal;
- if the TFC Board fails to publicly reaffirm its recommendation of the Merger Agreement, the Merger or the other transactions contemplated in the Merger Agreement within five business days of a written request by Old National to provide such reaffirmation;
- If either party terminates the Merger Agreement because it is not approved by the requisite vote of the shareholders of TFC at the meeting called for such purpose or by Old National because a quorum could not be convened at TFC's shareholder meeting called to approve the Merger and, prior to the date that is twelve months after such termination TFC or Tower Bank & Trust Company enters into any acquisition agreement with a third party or an acquisition proposal is consummated, provided, however, that in such case TFC shall only be liable to pay Old National the amount of the termination fee less the amount of any Old National's expenses previously paid to Old National as contemplated in the Merger Agreement; or
- If either party terminates the Merger Agreement because the consummation of the Merger has not occurred by June 30, 2014 and (A) prior to the date of such termination an acquisition proposal was made by a third party and (B) prior to the date that is twelve months after such termination, TFC or Tower Bank & Trust Company enters into any acquisition agreement or any acquisition proposal is consummated.

In the event that the Merger Agreement is terminated by either party as a result of the failure of TFC's shareholders to approve the Merger Agreement and the Merger by the requisite vote or by Old National if a quorum could not be convened at the meeting of shareholders of TFC or at a reconvened meeting held at any time prior to or on the June 30, 2014, then TFC shall promptly (but in any event within two business days) remit payment to Old National following receipt of an invoice therefor all of Old National's actual and reasonably documented out of pocket fees and expenses (including reasonable legal fees and expenses) actually incurred by Old National and its affiliates on or prior to the termination of the Merger Agreement in connection with the transactions contemplated by the Merger Agreement as directed by Old National in writing.

Management and Operations After the Merger

Old National's officers and directors serving at the effective time of the Merger shall continue to serve as Old National's officers and directors until such time as their successors have been duly elected and qualified or until their earlier resignation, death, or removal from office. Old National's Articles of Incorporation and By-laws in existence as of the effective time of the Merger shall remain Old National's Articles of Incorporation and By-laws following the effective time, until such Articles of Incorporation and By-laws are further amended as provided by applicable law.

Environmental Inspections

Under the Merger Agreement, Old National has the right to terminate the Merger Agreement and not consummate the transaction if any of the real estate owned by TFC or Tower Bank & Trust Company is determined to be contaminated and the cost to remediate such contamination would be estimated in good faith to exceed \$1.5 million. In order for Old National to avail itself of this termination provision, it is required to request that Phase I environmental investigations be commenced with respect to such real estate. Old National is currently in the process of obtaining such environmental investigations.

Effective Time of Merger

Unless otherwise mutually agreed to by the parties, the effective time of the Merger will occur on the last business day of the month following the fulfillment of all conditions precedent to the Merger and the expiration of all waiting periods

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in connection with the bank regulatory applications filed for the approval of the Merger. The parties currently anticipate closing the Merger in the first quarter of 2014.

Regulatory Approvals for the Merger

Under the terms of the Merger Agreement, the Merger cannot be completed until Old National receives necessary regulatory approvals, which include the approval of the Office of the Comptroller of the Currency and the Federal Reserve Board. Old National has filed applications with each regulatory authority to obtain the approvals. Although Old National does not know of any reason why it would not obtain regulatory approvals in a timely manner, Old National cannot be certain when such approvals will be obtained or if they will be obtained.

Voting Agreements

As of the record date, the directors of TFC beneficially owned 1,023,072 shares or approximately 21.9% of the outstanding shares of TFC common stock, excluding shares subject to options currently exercisable but not exercised. In connection with the execution of the Merger Agreement, the directors of TFC each executed a voting agreement pursuant to which they agreed to vote their shares, and to use reasonable efforts to cause all shares owned by such director jointly with another person or by such director's spouse to be voted, in favor of the Merger.

Accounting Treatment of the Merger

Old National will account for the Merger under the acquisition method of accounting in accordance with United States generally accepted accounting principles. Using the purchase method of accounting, the assets (including identified intangible assets) and liabilities of TFC will be recorded by Old National at their respective fair values at the time of the completion of the Merger. The excess of Old National's purchase price over the net fair value of the tangible and identified intangible assets acquired over liabilities assumed will be recorded as goodwill.

NASDAQ Global Market Listing

Old National common stock currently is listed on the NASDAQ Global Market under the symbol ONB. The shares to be issued to the TFC shareholders in the Merger will be eligible for trading on the NASDAQ Global Market.

No Dissenters' Rights of Appraisal

Dissenters' rights are statutory rights that, if available under law, enable shareholders to dissent from an extraordinary transaction, such as a merger, and to demand that the corporation pay the fair value for their shares as determined by a court in a judicial proceeding instead of receiving the consideration offered to shareholders in connection with the extraordinary transaction. Dissenters' rights are not available in all circumstances, and exceptions to these rights are provided in the Indiana Business Corporation Law. Because shares of TFC common stock are sold on a national exchange, holders of TFC common stock will not have dissenters' rights in connection with the Merger.

INTERESTS OF CERTAIN DIRECTORS AND OFFICERS OF TFC IN THE MERGER

When considering the recommendation of the TFC board of directors, you should be aware that some of the employees and directors of TFC and Tower Bank & Trust Company have interests that are different from, or in conflict with, your interests. The board of directors was aware of these interests when it approved the Merger Agreement. Except as described below, to the knowledge of TFC, the executive officers and directors of TFC do not have any material interest in the Merger apart from their interests as shareholders of TFC.

Treatment of Stock Options

The Merger Agreement provides that each option to acquire shares of TFC common stock outstanding as of the effective date of the Merger will be converted into an option to purchase a number of shares of Old National common stock equal to the product (rounded down to the nearest whole share) of (A) the number of shares of TFC common stock subject to the TFC stock option and (B) the sum of (x) Exchange Ratio plus (y) \$6.75 divided by (z) the average of the per share closing prices of a share of Old National common stock as quoted on the NASDAQ Global Market during the ten (10) trading days preceding the fifth (5th) calendar day preceding the effective time of the Merger, at an exercise price per share (rounded up to the nearest whole cent) equal to (A) the exercise price of such TFC stock option divided by (B) the sum of (x) Exchange Ratio plus (y) \$6.75 divided by (z) the average of the per share closing prices of a share of Old National common stock as quoted on the NASDAQ Global Market during the ten (10) trading days preceding the fifth (5th) calendar day preceding the effective time of the Merger. All of such stock options are fully vested. Additionally, following the effective time, each converted TFC stock option will continue to be governed by the same terms and conditions as were applicable under the related TFC stock option immediately prior to the effective time.

Treatment of Deferred Stock Units

The Merger Agreement also provides that Old National and TFC will take all requisite action so that, at the effective time of the Merger, each holder of deferred stock units issued and still outstanding to TFC's directors under TFC's 2006 Equity Incentive Plan (consisting of 5,133 units) will receive cash in the amount equal to the closing price of a share of TFC common stock on the trading day immediately preceding the closing of the Merger.

Deferred Compensation Plans

The Merger Agreement further provides that TFC or any subsidiary, as applicable, will terminate each nonqualified deferred compensation plan for employees and/or directors sponsored by TFC or any subsidiary in accordance with Treasury Regulation §1.409A-3(j)(4)(ix)(B) and accrued benefits under such plans will be distributed on, or prior to, the closing date of the Merger.

Long Term Incentive Program

During the first quarter of 2013, TFC's board of directors and its compensation committee approved a long term incentive program (LTIP) for participation by the senior leadership team of TFC. The LTIP has a term expiring on December 31, 2018 and provides for incentive payments to executive officers based on TFC's achieving certain levels of Return on Average Assets (ROA) over a three year rolling average. The gross potential bonus is \$390,000, or \$65,000 per executive officer, and is earned based on the following:

Three Year ROA	% of Gross Potential Bonus Paid
>1.0%	100%
>.85% but <1.0%	65%
>.75% but < .85%	30%

In all cases, in addition to achieving the above ROA, each participant must have had a satisfactory or better annual performance review, TFC must have assets in excess of \$700 million, there can be no regulatory orders in place, and TFC must have a CAMELS composite score of 2 or better. The LTIP also provides that in the event of a change of control occurring before January 1, 2016, 50% of the gross potential bonus is deemed earned (less any payments made under the LTIP through the date of the change of control). The Merger will constitute a change of control for purposes of the LTIP. As such, at the effective time of the Merger, 50% of the gross potential bonus, or \$195,000, will be deemed earned and each of TFC's six named executive officers will be entitled to a cash payment in an amount equal to \$32,500.

Existing Employment Agreements with TFC Executive Officers

TFC and/or Tower Bank & Trust Company have entered into employment agreements with each of their executive officers, namely: Michael D. Cahill; Richard R. Sawyer; Gary D. Shearer; Wendell L. Bontrager; Tina M. Farrington; and James E. Underwood. Pursuant to the Merger Agreement, at the effective time of the Merger, Old National will assume all obligations under the employment agreements with Messrs. Cahill, Sawyer, Shearer, Bontrager and Underwood and Ms. Farrington. These agreements have varying expiration dates (Messrs. Cahill and Sawyer

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April 1, 2015; Messrs. Shearer and Underwood (April 24, 2014; Mr. Bontrager (October 9, 2014; and Ms. Farrington (August 20, 2014), and renew for successive two-year periods unless either party provides written notice of non-renewal at least 60 days prior to the end of the original or renewal term, as the case may be.

Each agreement provides that if the agreement is terminated due to the executive's death or permanent disability, the executive, or his or her estate, is entitled to a lump sum payment equal to the aggregate amount of the salary paid (excluding any bonus payments) to the executive for the one-month period preceding the date of such termination. Under each agreement, if an executive is terminated (i) upon 30 days' prior written notice by TFC or Tower Bank & Trust Company, as applicable, without cause (as defined in the agreements), (ii) at the executive's option upon a material breach of the agreement by TFC or Tower Bank & Trust Company, as applicable, or for good reason or good cause (as defined in the agreements), or (iii) by TFC or Tower Bank & Trust Company, as applicable, upon written notice of intent not to renew the term of the agreement, then the executive is entitled to a lump sum payment equal to two years' salary at the then effective rate paid to the executive. The agreements also provide for payment to the executives of any accrued but unpaid bonus compensation for any prior employment year in the event that an executive's employment is terminated due to death, by TFC or Tower Bank & Trust Company, as applicable, due to permanent disability or without cause, or by an executive for good reason. In the event of an executive's death, each agreement also provides, subject to the terms of the applicable bonus program, for payment to the executive's estate of a prorated amount equal to the executive's bonus compensation for the employment year in which the termination occurs. In the event that the executive's employment is terminated by TFC or Tower Bank & Trust Company, as applicable, for cause or by the executive without good reason, each agreement provides that the executive is entitled to a single lump sum payment for any unpaid salary up to the date of termination and any accrued but unpaid bonus compensation for any prior employment year. The agreements also provide that in the event TFC or Tower Bank & Trust Company fails to have any successor in interest expressly assume the agreements, the executives are entitled to compensation from TFC or Tower Bank & Trust Company, as applicable, in the same amount and on the same terms as the executives would be entitled if the executives terminated their employment for good reason or good cause. Under the agreements, the executives are also entitled to payment for any accrued but unused vacation days in accordance with company policy.

Under the agreements with each executive, termination for cause is defined as a termination of the executive's employment by TFC or Tower Bank & Trust Company, as applicable, for (a) a violation of a material company policy or failure to perform any of the material duties or obligations under the agreement with a failure to cure the same within 30 days' written notice to the executive, or (b) any dishonesty or any kind of willful misconduct including, but not limited to, theft of, or other unauthorized personal use of company funds with a failure to cure same within 10 days' written notice to the executive. Each agreement defines a termination for good reason or good cause as a termination by the executive of his or her employment due to, without the executive's express written consent, the assignment to the executive of duties or responsibilities by TFC or Tower Bank & Trust Company, as applicable, inconsistent with the executive's position or a material change in his or her reporting responsibilities, titles or offices, or any removal of the executive from, or failure to re-elect the executive to, such positions, except in connection with the termination of the executive for cause, or his or her disability, retirement or death, with a failure to cure same within 30 days' written notice to TFC or Tower Bank & Trust Company, as applicable.

If within four months before or 24 months and one day after a change of control of TFC or Tower Bank & Trust Company, as applicable, the executive terminates his or her employment for good reason or TFC or Tower Bank & Trust Company, as applicable, terminates the executive's employment (including by way of not renewing the agreement) other than for cause or for reason of death or permanent disability, then each agreement provides that the executive is entitled to a lump sum payment equal to two years' salary at the then effective rate paid to the executive plus an amount equal to two times his or her average bonus (calculated as an average of his or her three prior years' bonus payments). Each agreement defines a change of control as the following: (i) a reorganization, merger, consolidation, or other form of corporate transaction or series of transactions, in each case, with respect to which persons who were the shareholders of TFC or Tower Bank & Trust Company, as applicable, immediately prior to such reorganization, directly or indirectly, own less than 50% of the combined voting power entitled to vote generally in the election of directors of the reorganized, merged, or consolidated entity's then outstanding voting securities; (ii) a liquidation or dissolution of TFC or Tower Bank & Trust Company, as applicable; (iii) the acquisition by any person, entity or group (excluding any employee benefit plan of TFC or Tower Bank & Trust Company, as applicable) which acquires beneficial ownership of more than 50% of either the then outstanding shares of common stock or the combined voting power of TFC's or Tower Bank & Trust Company's, as applicable, then outstanding voting securities entitled to vote generally in the election of directors; or (iv) as the result of, or in connection with, any tender or exchange offer, merger, consolidation or other business combination, sale, or disposition of all or substantially all of the assets of TFC or Tower Bank & Trust Company, as applicable, or contested election, or any combination of the foregoing transactions (a Transaction), the persons who were the directors of TFC or Tower Bank & Trust Company, as applicable, immediately before the Transaction shall cease to constitute a majority of the board of directors of TFC or Tower Bank & Trust Company, as applicable, or any successor of TFC or Tower Bank & Trust Company, as applicable. The Merger will constitute a change of control for purposes of these agreements.

In exchange for certain promised severance benefits, each of the agreements provides for the executive to comply with certain covenants following the termination of his or her employment. Each agreement contains non-competition covenants that expire on the second anniversary of the executive's termination date, covenants concerning non-solicitation of employees, existing or prospective customers or clients, vendors or licensors that expire on the second anniversary of the executive's termination date and a perpetual confidentiality covenant. Each agreement provides that any severance benefits paid to an executive are subject to a clawback if the executive breaches the non-competition or non-solicitation covenants. Each of the agreements, except those with Messrs. Shearer and Underwood, provide TFC or Tower Bank & Trust Company, as applicable, with certain compensation clawback rights in the event that it is later determined that cause existed for termination of an executive or in the event that an accounting restatement is required due to material non-compliance of TFC or Tower Bank & Trust Company, as applicable, as a result of misconduct by the executive, with any financial reporting requirement under any applicable laws. In addition, under the agreements, if the payments received or to be received by the executive would constitute a parachute payment based on Section 280G of the Internal Revenue Code (the Code), then the payments made to the executive will be limited to the greater of (a) one dollar (\$1.00) less than the amount which would cause the payments to the executive (including payments to the executive which are not included in the agreement) to be subject to the excise tax imposed by Section 4999 of the Code, and (b) the payments to the executive (including payments to the executive which are not included in the agreement) after taking into account the excise tax imposed by section 4999 of the Code. Each of the agreements also provides that receipt of payment is subject to signing a release of claims in favor of TFC and/or Tower Bank & Trust Company.

Offers of Employment

On November 26, 2013, Old National presented a written offer of employment to Gary D. Shearer, which Mr. Shearer accepted. Pursuant to the offer of employment, which is conditioned upon the closing of the Merger and entry into separate agreement to terminate and resolve matters associated with Mr. Shearer's existing employment agreement with Tower Bank & Trust Company, Mr. Shearer will be employed on an at-will basis by Old National Bank following the closing of the Merger as Senior Vice President, Client Advisor Manager, and will receive an annual base salary of \$177,572. Mr. Shearer also will be paid a \$40,000 cash retention bonus by Old National, \$10,000 of which is payable at the closing of the Merger, \$10,000 following the completion of the data processing integration (anticipated to occur on April 25, 2014) and \$20,000 on first anniversary of the closing date of the Merger if he remains employed on those payment dates. Mr. Shearer will also be eligible for participation in Old National's regional client advisor manager incentive plan with a target of 20% to 25% of wages beginning in 2014. Old National has also agreed to provide Mr. Shearer with a golf club membership allowance. In addition, Mr. Shearer will be granted 4,500 service-based restricted shares of Old National common stock at the closing of the Merger that will vest in equal increments over a three-year period and will be eligible during such three-year period to receive annual award grants as may be approved by Old National's board of directors.

On December 2, 2013, Old National presented a written offer of employment to Tina M. Farrington, which remains subject to her acceptance. Pursuant to the offer of employment, which is conditioned upon the closing of the Merger and entry into separate agreement to terminate and resolve matters associated with Ms. Farrington's existing employment agreement with Tower Bank & Trust Company, Ms. Farrington will be employed on an at-will basis by Old National Bank following the closing of the Merger as Executive Vice President, Integration Executive, and will receive an annual base salary of \$154,350. Ms. Farrington also will be paid a \$40,000 cash retention bonus by Old National, \$20,000 of which is payable following the completion of the data processing integration and \$20,000 on December 5, 2014 if she remains employed on those payment dates. Ms. Farrington will also be eligible for participation in Old National's business unit incentive plan with a target of 20% of wages beginning in 2014. Old National has also agreed to reimburse Ms. Farrington for her travel and related expenses associated with her participation in the Stonier Graduate School of Banking. In addition, Ms. Farrington will be granted 2,500 service-based restricted shares of Old National common stock at the closing of the Merger that will vest in equal increments over a three-year period.

On December 2, 2013, Old National presented a written offer of employment to Wendell L. Bontrager, which Mr. Bontrager accepted. Pursuant to the offer of employment, which is conditioned upon the closing of the Merger and entry into separate agreement to terminate and resolve matters associated with Mr. Bontrager's existing employment agreement with Tower Bank & Trust Company, Mr. Bontrager will be employed on an at-will basis by Old National Bank following the closing of the Merger as Region President and will receive an annual base salary of \$195,000. Mr. Bontrager also will be paid a \$40,000 cash retention bonus by Old National, \$10,000 of which is payable at the closing of the Merger, \$10,000 following the completion of the data processing integration and \$20,000 on first anniversary of the closing date of the Merger if he remains employed on those payment dates. Mr. Bontrager will also be eligible for participation in Old National's region cash incentive plan with a target of 30% of wages, with a guarantee of a minimum payout of 50% of target (15% of wages) in 2014. Old National has also agreed to pay the costs of Mr. Bontrager's current golf club membership and fund Mr. Bontrager's membership in the Young Presidents Organization with a \$20,000 annual allowance for two years. Mr. Bontrager will also be eligible for participation in the Old National Bancorp Executive Deferred Compensation Plan. In addition, Mr. Bontrager will be granted 4,500 service-based restricted shares of Old National common stock at the closing of the Merger that will vest in equal increments over a three-year period and will be eligible during such three-year period to receive annual award grants as may be approved by Old National's board of directors. For 2014, Mr. Bontrager's annual award grant will be 1,375 shares of service based restricted stock and 4,125 performance based restricted stock units.

On December 5, 2013, Old National presented a written offer of employment to Michael D. Cahill, which Mr. Cahill accepted. Pursuant to the offer of employment, which is conditioned upon the closing of the Merger, Mr. Cahill will be employed on an at-will basis by Old National Bank following the closing of the Merger as Senior Consultant, Fort Wayne Region, and will receive an annual base salary of \$266,255. Old National expects that this employment relationship will continue until May 16, 2014. Mr. Cahill also will be paid a \$25,000 cash retention bonus by Old National, \$12,500 of which is payable following the completion of the data processing integration and \$12,500 is payable three weeks following data processing integration if he remains employed on those payment dates. Old National has agreed that ownership of the company car used by Mr. Cahill will be transferred to him without any additional consideration.

Additional Retention Bonuses

In addition to the retention bonuses to be paid to Messrs. Cahill, Shearer, Bontrager and Ms. Farrington as described in the preceding section, Old National will pay cash retention bonuses to Messrs. Underwood and Sawyer in the amount of \$25,000 each, \$12,500 of which is payable following the completion of the data processing integration and \$12,500 within three weeks of the integration date if each executive remains employed on those payment dates.

Indemnification and Insurance of Directors and Officers

Old National has agreed that all rights to indemnification and exculpation from liabilities for acts or omissions occurring prior to the effective time of the Merger existing in favor of current or former directors and officers of TFC and Tower Bank & Trust Company as provided in the articles of incorporation or bylaws of TFC and Tower Bank & Trust Company and any existing indemnification agreements or arrangements disclosed to Old National shall survive the Merger and shall continue in full force and effect in accordance with their terms to the extent permitted by law, and shall not be amended, repealed or otherwise modified for a period of six years after the effective time of the Merger in any manner that would adversely affect the rights thereunder of such individuals for acts or omissions occurring or alleged to occur at or prior to the effective time of the Merger.

In addition, Old National has agreed to cause TFC's and Tower Bank & Trust Company's directors and officers to be covered for a period of one year after the effective time of the Merger by TFC's existing directors' and officers' liability insurance policy (or a substitute policy obtained by Old National having the same coverages and amounts and terms and conditions that are not less advantageous to such directors and officers) with respect to acts or omissions occurring before the effective time of the Merger; provided that Old National shall not be required to spend more than 150% of the annual premium paid by TFC for such insurance. If the cost of insurance exceeds such limit, Old National will use its reasonable efforts to obtain as much comparable coverage as possible.

COMPARISON OF THE RIGHTS OF SHAREHOLDERS

Under the Merger Agreement, TFC shareholders will exchange their shares of TFC common stock for shares of Old National common stock and cash. TFC is organized under the laws of the State of Indiana, and the TFC shareholders are governed by the applicable laws of the State of Indiana, including the Indiana Business Corporation Law (IBCL), and TFC's articles of incorporation and by-laws. Old National is also an Indiana corporation, and is governed by the laws of the State of Indiana and its articles of incorporation and by-laws. Upon consummation of the Merger, TFC's shareholders will become Old National shareholders, and the Articles of Incorporation of Old National (the Old National Articles), the By-laws of Old National (the Old National By-

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laws), the Indiana Business Corporation Law (IBCL), and rules and regulations applying to public companies will govern their rights as Old National shareholders.

The following summary discusses some of the material differences between the current rights of Old National shareholders and TFC shareholders under the Old National Articles, the Old National By-laws, the Articles of Incorporation of TFC (the TFC Articles), and the By-laws of TFC (the TFC By-laws).

The statements in this section are qualified in their entirety by reference to, and are subject to, the detailed provisions of the Old National Articles, the Old National By-laws, the TFC Articles and the TFC By-laws, as applicable.

Authorized Capital Stock

Old National

Old National currently is authorized to issue up to 150,000,000 shares of common stock, no par value, of which approximately 100,693,000 shares were outstanding as of September 30, 2013. Old National also is authorized to issue up to 2,000,000 shares of preferred stock, no par value. Currently, there are no shares of Old National preferred stock outstanding. If any series of preferred stock is issued, the Old National board of directors may fix the designation, relative rights, preferences and limitations, and any other powers, preferences and relative, participating, optional and special rights, and any qualifications, limitations and restrictions, of the shares of that series of preferred stock.

As of September 30, 2013, options to purchase approximately 1,369,584 shares of Old National common stock were outstanding.

TFC

TFC currently is authorized to issue up to 10,000,000 shares, consisting of 6,000,000 shares of common stock, no par value per share, of which 4,672,521 shares were outstanding as of September 30, 2013. TFC is also authorized to issue up to 4,000,000 shares of preferred stock, no par value. For any series of preferred stock issued, the TFC board of directors may fix the designation, relative rights, preferences and limitations, and any other powers, preferences and relative, participating, optional and special rights, and any qualifications, limitations and restrictions, of the shares of that series of preferred stock.

As of September 9, 2013 options to purchase 10,085 shares of TFC Common Stock were outstanding under the 1998 Stock Option Plan, options to purchase 27,850 shares of TFC Common Stock were outstanding under the 2001 Stock Option Plan, options to purchase 500 shares of TFC Common Stock were outstanding under the 2006 Equity Incentive Plan. TFC also has 5,133 deferred stock units issued pursuant to the 2006 Equity Incentive Plan.

Voting Rights and Cumulative Voting

Old National

Each holder of Old National common stock generally has the right to cast one vote for each share of Old National common stock held of record on all matters submitted to a vote of shareholders of Old National. If Old National issues shares of preferred stock, the holders of such preferred stock also may possess voting rights. Indiana law permits shareholders to cumulate their votes in the election of directors if the corporation's articles of incorporation so provide. However, the Old National Articles do not grant cumulative voting rights to its shareholders.

TFC

Each holder of TFC common stock generally has the right to cast one vote for each share of TFC common stock held of record on all matters submitted to a vote of shareholders of TFC. If TFC issues shares of preferred stock the holders of such preferred stock also may possess voting rights. The TFC Articles do not grant cumulative voting rights to its shareholders.

Dividends

Old National and TFC may pay dividends and make other distributions at such times, in such amounts, to such persons, for such consideration, and upon such terms and conditions as Old National's and TFC's respective board of directors may determine, subject to all statutory and regulatory restrictions, including bank regulatory restrictions discussed elsewhere in this proxy statement/prospectus.

Liquidation

In the event of the liquidation, dissolution, and/or winding-up of Old National or TFC, the holders of shares of Old National and TFC common stock, as the case may be, are entitled to receive, after the payment of or provision of payment for

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Old National's and TFC's respective debts and other liabilities and of all shares having priority over the common stock, a ratable share of the remaining net assets of Old National and TFC, respectively.

Preferred Stock

In general, the boards of directors of Old National and TFC are authorized to issue preferred stock in series and to fix and state the voting powers, designations, preferences, and other rights of the shares of each such series and the limitations thereof. The board of directors may by resolution increase or decrease the number of preferred stock. If Old National or TFC were to issue preferred stock, such preferred stock may have a priority rank over its common stock with respect to dividend rights, liquidation preferences, or both, and may have full or limited voting rights, and the holders of such preferred stock may be entitled to vote as a separate class or series under certain circumstances, regardless of any other voting rights such holders may possess.

Issuance of Additional Shares

Old National

Except in connection with the proposed Merger with TFC, and as otherwise may be provided herein, Old National has no specific plans for the issuance of additional authorized shares of its common stock or for the issuance of any shares of preferred stock. In the future, the authorized but unissued shares of Old National common and preferred stock will be available for general corporate purposes, including, but not limited to, issuance as stock dividends or in connection with stock splits, issuance in future mergers or acquisitions, issuance under a cash dividend reinvestment and/or stock purchase plan, or issuance in future underwritten or other public or private offerings.

Section 23-1-26-2 of the IBCL permits the board of directors of an Indiana corporation to authorize the issuance of additional shares, unless the corporation's articles of incorporation reserve such a right to the corporation's shareholders. Under the Old National Articles, no shareholder approval will be required for the issuance of these shares. As a result, Old National's board of directors may issue preferred stock, without shareholder approval, possessing voting and conversion rights that could adversely affect the voting power of Old National's common shareholders, subject to any restrictions imposed on the issuance of such shares by the NASDAQ Global Market.

TFC

The TFC Articles provide that the board of directors has authority to authorize and direct the issuance by TFC of shares of preferred stock and common stock at such times, in such amounts, to such persons, for such considerations and upon such terms as it may from time to time determine upon, subject only to the restrictions, limitations, conditions and requirements imposed by the Act, other applicable laws and the articles. TFC has no specific plans for the issuance of additional authorized shares of its common or preferred stock.

Number of and Restrictions Upon Directors

Old National

The Old National By-laws state that the board of directors shall be composed of twelve (12) members. Each director holds office for the term for which he was elected and until his successor shall be elected and qualified, whichever period is longer, or until his death, resignation, or removal. The Old National By-laws provide that a director shall not qualify to serve as such effective as of the end of the term during which he becomes 72 years of age. The Old National By-laws further provide that the Board may establish other qualifications for directors in its Corporate Governance Guidelines in effect from time to time.

TFC

The TFC By-laws provide that the board of directors shall be composed of fourteen (14) members and the number of directors may change with the affirmative vote of at least sixty-six and two-thirds percent (66 2/3%) of the entire number of directors at the time. As of February 13, 2013, the TFC Board of Directors voted to reduce the number of board seats to eleven (11). The TFC board of directors is divided into three groups, as nearly equal in number as possible, whose terms of office expire each year.

Removal of Directors

Old National

Under Indiana law, directors may be removed in any manner provided in the corporation's articles of incorporation. In addition, the shareholders or directors may remove one or more directors with or without cause, unless the articles of incorporation provide otherwise. Under the Old National By-laws, and with the exception of a director elected by the holders of one or more series of preferred stock, any director or the entire board of directors may be removed, with or

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without cause, only by (i) the affirmative vote of the holders of not less than two-thirds (2/3) of the outstanding shares of Old National common stock at a meeting of shareholders called expressly for the purpose of removing one or more directors, or (ii) the affirmative vote of not less than two-thirds (2/3) of the actual number of directors elected and qualified and then in office.

TFC

Under the TFC Articles, subject to the rights of any series of preferred stock then outstanding, any director or the entire board of directors may be removed from office at any time, but only for cause and only by the affirmative vote of the holders of at least sixty-six and two-thirds percent (66 2/3%) of the outstanding shares of TFC capital stock who are entitled to vote on the election of directors at a meeting of shareholders called for that purpose.

Special Meetings of the Board

Old National

The Old National By-laws provide that special meetings of the board of directors may be called by, or at the request of, the Chairman of the Board, the CEO and the President of Old National, or by not less than a majority of the members of the board of directors.

TFC

The TFC By-laws provide that special meetings of the TFC board of directors may be called by any member of the board of directors.

Classified Board of Directors

Old National

Neither the Old National Articles nor the Old National By-laws provide for a division of the Old National board of directors into classes.

TFC

The TFC Articles provide that TFC's board of directors shall be divided into three classes, with directors in each class elected to staggered three-year terms. Consequently, it could take two annual elections to replace a majority of TFC's board of directors.

Advance Notice Requirements for Presentation of Business and Nominations of Directors at Annual Meetings of Shareholders

Old National

The Old National By-laws provide that nominations for the election of directors may be made only by the board of directors following the recommendation of the Old National Corporate Governance and Nominating Committee. The Committee will consider candidates for election suggested by shareholders, subject to the suggestions having been made in compliance with certain requirements set forth in the By-laws.

Additionally, shareholders may submit proposals for business to be considered at Old National's annual meeting of shareholders, and include those proposals in Old National's proxy and proxy statement delivered to shareholders, in accordance with the requirements of Rule 14a-8 of Regulation 14A promulgated under the Securities Exchange Act of 1934.

TFC

Nominations for election to the TFC board of directors may be made by the TFC board of directors, by any nominating committee or person appointed by the board of directors, or by any TFC shareholder entitled to vote for the election of directors at the meeting. Nominations, other than those made by or on behalf of the existing management of TFC, must be made in writing to the Secretary of TFC not less than sixty (90) days prior to any meeting of shareholders called for the election of Directors, and must contain information prescribed by the By-laws.

Additionally, shareholders may submit proposals for business to be considered at TFC's annual meeting of shareholders. However, such proposals must be made in writing to the Secretary of TFC not less than sixty (90) days prior to any meeting of shareholders.

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Special Meetings of Shareholders

Old National

The Old National By-laws state that special shareholders' meetings may be called by the board of directors, the Chairman of the Board, the Chief Executive Officer or the President of Old National, and shall be called by the Chairman of the Board, CEO, President or Secretary at the written request of a majority of the members of the board of directors or upon delivery to Old National's Secretary of a signed and dated written demand for a special meeting from the holders of at least 25% of all the votes entitled to be cast on any issue proposed to be considered at the proposed special meeting.

TFC

The TFC Articles and By-Laws provide that special meetings of TFC shareholders may be called by the Chairman of the TFC Board of Directors, the Board itself or by the Board if the Secretary receive written, dated and signed demands for a special meeting from shareholders representing twenty-five percent (25%) of all vote entitled to be cast on an issue.

Provisions for Regulation of Business and Conduct of Affairs of Corporation

The Old National and TFC Articles allow meetings of shareholders to occur within or without the State of Indiana, and allow any action required or permitted to be taken at any meeting of the shareholders to be taken without a meeting if a consent in writing setting forth the action is signed by all the shareholders entitled to vote with respect to it, and the consent is filed with the minutes of the proceedings of the shareholders.

The Old National and TFC Articles allow meetings of the board of directors or any committee thereof to be held within or without the State of Indiana, and allow any action required or permitted to be taken without a meeting if a consent in writing setting forth the action taken is signed by all the members of the board of directors, or of such committee, and the written consent is filed with the minutes of the proceedings of the board or committee.

Indemnification

Under the IBCL, an Indiana corporation may indemnify an individual made a party to a proceeding because the individual is or was a director against liability incurred in the proceeding if (i) the individual's conduct was in good faith, (ii) the individual reasonably believed, in the case of conduct in the individual's official capacity with the corporation, that the individual's conduct was in the best interests of the corporation, and in all other cases, that the individual's conduct was at least not opposed to the corporation's best interests, and (iii) in the case of any criminal proceeding, the individual either had reasonable cause to believe that the individual's conduct was lawful, or the individual had no reasonable

cause to believe that the individual's conduct was unlawful.

Unless limited by its articles of incorporation, a corporation must indemnify a director who was wholly successful, on the merits or otherwise, in the defense of any proceeding to which the director was a party because the director is or was a director of the corporation against reasonable expenses incurred by the director in defense of the proceeding.

Old National

The Old National Articles and By-laws provide that every person who is or was a director, officer or employee of Old National or any other corporation for which he is or was serving in any capacity at the request of Old National shall be indemnified by Old National against any and all liability and expense that may be incurred by him in connection with, resulting from, or arising out of any claim, action, suit or proceeding, provided that the person is wholly successful with respect to the claim, action, suit or proceeding, or acted in good faith in what he reasonably believed to be in or not opposed to the best interests of Old National or any other corporation for which he is or was serving in any capacity at the request of Old National. Old National will also indemnify each director, officer and employee acting in such capacity in connection with criminal proceedings provided the director, officer or employee had no reasonable cause to believe that his conduct was unlawful. The indemnification by Old National extends to attorney fees, disbursements, judgments, fines, penalties or settlements. Old National may also advance expenses or undertake the defense of a director, officer or employee upon receipt of an undertaking by such person to repay such expenses if it should ultimately be determined that he is not entitled to indemnification.

In order for a director, officer or employee to be entitled to indemnification, the person must be wholly successful with respect to such claim or either the board of directors of Old National acting by a quorum consisting of Directors who are not parties to, or who have been wholly successful with respect to such claim, action, suit or proceeding, or independent legal counsel must determine that the director, officer or employee has met the standards of conduct required by the Articles.

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TFC

TFC's Articles provide for the indemnification of its directors, officers, employees and agents, and of any person serving at the request of TFC as a director, officer, employee, agent or fiduciary of another foreign or domestic corporation, partnership, joint venture, trust, employee benefit plan, or other organization or entity, who is a party, or is threatened to be made a party, to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, and whether formal or informal. TFC indemnifies such persons for any expenses (including counsel fees), judgments, settlements, penalties and fines in accordance with such action, suit or proceeding, provided such persons acted in good faith and in a manner he reasonably believed, in the conduct of his official capacity, was in the best interests of TFC, and in all other cases, was not opposed to the best interests of TFC. With respect to criminal proceedings, the person seeking indemnification must have either had reasonable cause to believe his conduct was lawful or no reasonable cause to believe his conduct was unlawful. TFC may also advance expenses or undertake the defense of an indemnified person upon receipt of an undertaking by such person to repay such expenses if it should ultimately be determined that he is not entitled to indemnification.

In order for a director, officer, employee or agent to be entitled to indemnification, the person must be wholly successful with respect to such claim or either (i) the board of directors of TFC acting by a quorum consisting of Directors who are not parties to, or who have been wholly successful with respect to such claim, action, suit or proceeding, (ii) independent legal counsel or (iii) the shareholders of TFC must determine that the director, officer, employee or agent has met the standards of conduct required by the Articles.

Additional Restrictions on Directors

Old National's Articles allow directors to have an interest in a contract or transaction with the Corporation, if the interest is disclosed to or known by the board of directors, and the board approves the transaction by a majority vote of those present, with the interested director to be counted in determining the existence of a quorum, but not in calculating a majority to approve the transaction.

TFC's Articles allow directors to have an interest in contracts with TFC if the material facts of the transaction and the directors interest were disclosed or known to the board of directors, a committee of the board of directors with authority to act on thereon, or the shareholders entitled to vote thereon, and the board of directors, committee or shareholders approved the transaction. Approval of the transaction by the board of directors, or an appointed committee to act on its behalf, requires the affirmative vote of a majority of the directors who have no interest in the transaction. Approval of the transaction by the shareholders requires the affirmative vote of a majority of the shares entitled to vote on the matter, including shares held by the director having an interest in the transaction. TFC's Articles further allow directors to have an interest in contracts with TFC if the transaction is fair to TFC.

Preemptive Rights

Old National

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Although permitted by the IBCL, Old National's Articles do not provide for preemptive rights to subscribe for any new or additional common stock or other securities of the respective entity.

TFC

TFC's Articles do not provide holders of TFC common or preferred stock with preemptive rights with respect to any shares that may be issued.

Amendment of Articles of Incorporation and By-laws

Old National

Except as otherwise provided below, amendments to the Old National Articles must be approved by a majority vote of Old National's board of directors and also by a majority vote of the outstanding shares of Old National's voting stock. Amendments to the terms of any series of preferred stock that materially alter or change the powers, preferences or special rights of the preferred stock adversely must be approved by the holders of at least two-thirds of the outstanding shares of preferred stock, voting separately as a class. Additionally, the following provisions of the Articles of Old National may not be altered, amended or repealed without the affirmative vote of at least two-thirds (2/3) of the board of directors or the holders of at least 80% of the outstanding shares of Old National common stock, at a shareholders' meeting called for that purpose:

- Section 11, which requires the affirmative vote of 80% of the outstanding shares of Old National common stock to approve certain business combinations which are not approved and recommended by the vote of two-thirds of the entire board of directors of Old National;

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- Section 12, which requires that the board of directors, in connection with exercising its business judgment in determining what is in the best interests of Old National and its shareholders when evaluating a business combination, consider factors in addition to the adequacy of the financial consideration, such as social and economic effects of the transaction, the business and financial condition of the acquiring person or entity, and the competence, experience and integrity of the acquiring person's management; and
- Section 13, which provides that shareholders who acquire 15% of the outstanding Old National common stock and who seek to acquire additional shares of common stock must offer and pay for such additional shares a consideration that is at least equal to the highest percent over market value paid to acquire Old National common stock then held by such person.

The Old National By-laws may be amended only by a majority vote of the total number of directors of Old National.

TFC

In general, TFC's Articles may be amended upon a majority vote of the TFC board of directors and a majority vote of TFC's shareholders.

The affirmative vote of a majority of the actual number of TFC's Directors elected and qualified at the time of the action is required to make, alter, amend, or repeal TFC's By-Laws except as otherwise provided by the IBCL.

RESTRICTIONS ON UNSOLICITED CHANGES IN CONTROL

(ANTI-TAKEOVER PROTECTIONS)

General

The Old National Articles and the TFC Articles include several provisions intended to protect the interests of each company and its shareholders from unsolicited changes in control. These provisions authorize the applicable board of directors to respond to such unsolicited offers that would effect a change in control in a manner that, in the board's judgment, will best protect the interests of TFC and its subsidiaries. Although each board of directors believes that the acquisition restrictions described below are beneficial to its shareholders, the provisions may have the effect of rendering TFC less attractive to potential acquirers, thereby discouraging future takeover attempts that certain shareholders might deem to be in their best interests, or pursuant to which shareholders might receive a substantial premium for their shares over then current market prices, but would not be approved by TFC's board of directors. These acquisition restrictions also will render the removal of management and the incumbent board of directors more difficult. However, each of Old National's and TFC's board of directors has concluded that the potential benefits of these restrictive provisions outweigh the possible disadvantages.

Old National's and TFC's Articles and By-laws

Directors. Certain provisions in the Old National By-laws, TFC Articles, and TFC By-laws impede changes in the majority control of the companies' Boards of Directors. The TFC Articles and By-laws provide that the board of directors will be divided into three classes, with directors in each class elected for staggered three-year terms. As a result, it takes two annual elections to replace a majority of TFC's board of directors.

The Old National By-laws provide that any vacancy occurring in Old National's board of directors, including a vacancy created by an increase in the number of directors, shall be filled for the remainder of the unexpired term only by a majority vote of the directors of TFC then in office. The TFC Articles provide that any vacancy on the board of directors caused by an increase in the number of directors shall be filled by a majority vote of the members of the board of directors. Finally, the Old National By-laws and TFC By-laws impose certain notice and information requirements in connection with the nomination by shareholders of candidates for election to the respective board of directors or the proposal by shareholders of business to be acted upon at an annual meeting of shareholders.

The Old National By-laws provide that any director, exclusive of directors who may be elected by the holders of any one or more series of preferred stock, or the entire board of directors may be removed, with or without cause, only by (i) the affirmative vote of the holders of not less than two-thirds (2/3) of the outstanding shares of Old National common stock at a meeting of shareholders called expressly for the purpose of removing one or more directors, or (ii) the affirmative vote of not less than two-thirds (2/3) of the actual number of directors elected and qualified and then in office.

The TFC Articles provide that any director, or the entire board of directors, may be removed from office at any time, but only for cause, and only by the affirmative vote of at least sixty-six and two-thirds percent (66 2/3%) of the

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outstanding shares of TFC capital stock who are entitled to vote on the election of directors at a meeting of shareholders called for that purpose.

Restrictions on Call of Special Meetings. The Old National By-laws provide that special shareholders' meetings may be called by the board of directors, the Chairman of the Board, the Chief Executive Officer or the President of Old National, and shall be called by the Chairman of the Board, Chief Executive Officer, President or Secretary at the written request of a majority of the members of the board of directors or upon delivery to Old National's Secretary of a signed and dated written demand for a special meeting from the holders of at least 25% of all the votes entitled to be cast on any issue proposed to be considered at the proposed special meeting. The TFC By-Laws provide that a special meeting of TFC's shareholders may be called by the Chairman of the TFC Board of Directors, the Board itself or by the Board if the Secretary receive written, dated and signed demands for a special meeting from shareholders representing twenty-five percent (25%) of all vote entitled to be cast on an issue.

No Cumulative Voting. The Old National Articles and the TFC Articles each provide that there shall be no cumulative voting rights in the election of directors.

Authorization of Preferred Stock. Old National and TFC are each authorized to issue preferred stock from time to time in one or more series subject to applicable provisions of law, and the board of directors of TFC is authorized to fix the designations, powers, preferences, and relative participating, optional, and other special rights of such shares, including voting rights (if any and which could be as a separate class) and conversion rights. In the event of a proposed merger, tender offer, or other attempt to gain control of Old National or TFC not approved by the applicable board of directors, it might be possible for the board of directors of Old National or TFC to authorize the issuance of a series of preferred stock with rights and preferences that would impede the completion of such a transaction. An effect of the possible issuance of preferred stock, therefore, may be to deter a future takeover attempt. Neither board of directors has any present plans or understandings for the issuance of any preferred stock and neither intends to issue any preferred stock except on terms that the Board may deem to be in the best interests of Old National or TFC, as applicable, and its shareholders.

Limitations on Significant Shareholders. The Old National Articles provide that shareholders who acquire 15% of the outstanding Old National common stock and who seek to acquire additional shares of common stock must offer and pay for such additional shares a consideration that is at least equal to the highest percent over market value paid to acquire Old National common stock then held by such person. Any purchases of shares in violation of this provision are null and void. TFC's Articles provide that if and whenever the provisions of IC 23-1-42 apply to TFC, it is authorized to redeem its securities pursuant to IC 23-1-42-10.

Evaluation of Offers. The Old National Articles require that the board of directors, in connection with exercising its business judgment in determining what is in the best interests of Old National and its shareholders when evaluating a business combination, consider factors in addition to the adequacy of the financial consideration, such as social and economic effects of the transaction, the business and financial condition of the acquiring person or entity, and the competence, experience and integrity of the acquiring person's management. Similarly, TFC's Articles permit its Board of Directors, in evaluating action, to consider the long-term interests of TFC, the social and economic effects of such business combinations on present and former employees, suppliers, or customers of TFC, and the effect upon communities in which officers of TFC are located. By having these standards and provisions in the Old National Articles and TFC Articles, the Old National and TFC board of directors may be in a stronger position to oppose such a transaction if the respective Board concludes that the transaction would not be in the best interests, even if the price offered is significantly greater than the then market price of any equity security.

Procedures for Certain Business Combinations.

ONB

The Old National Articles require the affirmative vote of 80% of the outstanding shares of Old National common stock to approve certain business combinations which are not approved and recommended by the vote of two-thirds of the entire board of directors of Old National.

TFC

TFC's Articles provide business combinations require the affirmative vote of a majority of the outstanding shares of common stock of TFC.

Amendments to Articles and By-laws. In general amendments to the Old National Articles must be approved by a majority vote of Old National's board of directors, and also by the holders of a majority of Old National's shares of common stock; provided, however, approval by at least 80% of the outstanding voting shares is required to amend provisions

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of Old National's Articles relating to (i) approval of certain business combinations; (ii) exercise of directors' business judgment in evaluating certain business combinations; and (iii) limitations on further purchases of shares by shareholders who own 15% or more of TFC's outstanding shares. Additionally amendments to the Old National articles negatively affecting the preferred stock holders require a two-thirds vote of the preferred stock holders. In general, TFC's Articles may be amended upon the approval of the board of directors and by the vote of the shareholders if more votes are cast in favor of the amendment than votes cast opposing it.

The Old National By-laws may be amended only by a majority vote of the total number of directors of Old National. The TFC By-Laws may be amended only by a majority vote of the total number of directors of TFC.

State and Federal Law

State Law. Several provisions of the IBCL could affect the acquisition of shares of Old National common stock or TFC common stock, or otherwise affect the control of Old National or TFC. Chapter 43 of the IBCL prohibits certain business combinations, including mergers, sales of assets, recapitalizations, and reverse stock splits, between corporations such as Old National or TFC (assuming that either company has over 100 shareholders) and an interested shareholder (defined as the beneficial owner of 10% or more of the voting power of the outstanding voting shares) for five years following the date on which the shareholder obtained 10% ownership, unless the acquisition was approved in advance of that date by the board of directors of the respective companies. If prior approval is not obtained, several price and procedural requirements must be met before the business combination can be completed.

In addition, the IBCL contains provisions designed to assure that minority shareholders have some say in their future relationship with Indiana corporations in the event that a person makes a tender offer for, or otherwise acquires, shares giving that person more than 20%, 33 1/3%, and 50% of the outstanding voting securities of corporations having 100 or more shareholders (the Control Share Acquisition Statute). Under the Control Share Acquisition Statute, if an acquirer purchases those shares at a time when the corporation is subject to the Control Share Acquisition Statute, then until each class or series of shares entitled to vote separately on the proposal, by a majority of all votes entitled to be cast by that group (excluding shares held by officers of the corporation, by employees of the corporation who are directors thereof, and by the acquirer), approves in a special or annual meeting the rights of the acquirer to vote the shares that take the acquirer over each level of ownership as stated in the statute, the acquirer cannot vote those shares. An Indiana corporation otherwise subject to the Control Share Acquisition Statute may elect not to be covered by the statute by so providing in its articles of incorporation or by-laws. Both Old National and TFC have elected to remain subject to this statute because of the desire of the respective companies to discourage non-negotiated hostile takeovers by third parties. However, the Control Share Acquisition Statute does not apply to a plan of affiliation and merger, if the corporation complies with the applicable merger provisions and is a party to the plan of merger. Thus, the provisions of the Control Share Acquisition Statute do not apply to the Merger.

The IBCL specifically authorizes Indiana corporations to issue options, warrants, or rights for the purchase of shares or other securities of the corporation or any successor in interest of the corporation. These options, warrants, or rights may, but need not be, issued to shareholders on a pro rata basis.

The IBCL specifically authorizes directors, in considering the best interests of a corporation, to consider the effects of any action on shareholders, employees, suppliers, and customers of the corporation, and communities in which offices or other facilities of the corporation are located, and any other factors the directors consider relevant. As described above, both the Old National Articles and TFC Articles contain provisions having a similar effect. Under the IBCL, directors are not required to approve a proposed business combination or other corporate action if the directors determine in good faith that such approval is not in the best interests of the corporation. In addition, the IBCL states that

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directors are not required to redeem any rights under, or render inapplicable, a shareholder rights plan or to take or decline to take any other action solely because of the effect such action might have on a proposed change of control of the corporation or the amounts to be paid to shareholders upon such a change of control. The IBCL explicitly provides that the different or higher degree of scrutiny imposed in Delaware and certain other jurisdictions upon director actions taken in response to potential changes in control will not apply. The Delaware Supreme Court has held that defensive measures in response to a potential takeover must be reasonable in relation to the threat posed.

In taking or declining to take any action or in making any recommendation to a corporation's shareholders with respect to any matter, directors are authorized under the IBCL to consider both the short-term and long-term interests of the corporation as well as interests of other constituencies and other relevant factors. Any determination made with respect to the foregoing by a majority of the disinterested directors shall conclusively be presumed to be valid unless it can be demonstrated that such determination was not made in good faith.

Because of the foregoing provisions of the IBCL, the Boards of Directors of Old National and TFC each have flexibility in responding to unsolicited proposals to acquire Old National or TFC, as the case may be, and accordingly it may

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be more difficult for an acquirer to gain control of Old National or TFC in a transaction not approved by the respective Boards of Directors.

Federal Limitations. Subject to certain limited exceptions, the Bank Holding Company Act and the Change in Bank Control Act, together with related regulations, require approval of the Federal Reserve Board prior to any person or company acquiring control of a bank holding company. Control is conclusively presumed to exist if an individual or company acquires 25% or more of any class of voting securities of the bank holding company. Control is rebuttably presumed to exist if a person or company acquires 10% or more, but less than 25%, of any class of voting securities and either the bank holding company has registered securities under Section 12 of the Securities Exchange Act of 1934 or no other person owns a greater percentage of that class of voting securities immediately after the transaction.

MATERIAL FEDERAL INCOME TAX CONSEQUENCES

General. The following is a summary of the material anticipated United States federal income tax consequences generally applicable to a U.S. Holder (as defined below) of TFC common stock with respect to the exchange of TFC common stock for Old National common stock and cash pursuant to the merger. This discussion assumes that U.S. Holders hold their TFC common stock as capital assets within the meaning of section 1221 of the Internal Revenue Code of 1986, as amended (Code). This summary is based on the Code, administrative pronouncements, judicial decisions and Treasury Regulations, each as in effect as of the date of this proxy statement/prospectus. All of the foregoing are subject to change at any time, possibly with retroactive effect, and all are subject to differing interpretation. No advance ruling has been sought or obtained from the Internal Revenue Service regarding the United States federal income tax consequences of the merger. As a result, no assurance can be given that the Internal Revenue Service would not assert, or that a court would not sustain, a position contrary to any of the tax consequences set forth below.

This summary does not address any tax consequences arising under United States federal tax laws other than United States federal income tax laws, nor does it address the laws of any state, local, foreign or other taxing jurisdiction, nor does it address any aspect of income tax that may be applicable to non-U.S. Holders of TFC common stock. In addition, this summary does not address all aspects of United States federal income taxation that may apply to U.S. Holders of TFC common stock in light of their particular circumstances or U.S. Holders that are subject to special rules under the Code, such as holders of TFC common stock that are partnerships or other pass-through entities (and persons holding their TFC common stock through a partnership or other pass-through entity), persons who acquired shares of TFC common stock as a result of the exercise of employee stock options or otherwise as compensation or through a tax-qualified retirement plan, persons subject to the alternative minimum tax, tax-exempt organizations, financial institutions, broker-dealers, traders in securities that have elected to apply a mark to market method of accounting, insurance companies, persons having a functional currency other than the U.S. dollar and persons holding their TFC common stock as part of a straddle, hedging, constructive sale or conversion transaction.

For purposes of this summary, a U.S. Holder is a beneficial owner of TFC common stock that is for United States federal income tax purposes:

- a United States citizen or resident alien;
- a corporation, or other entity taxable as a corporation for United States federal income tax purposes, created or organized under the laws of the United States or any state therein or the District of Columbia;
- a trust if (1) it is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust, or (2) it was in existence on August 20, 1996 and has a valid election in effect under

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applicable Treasury Regulations to be treated as a United States person; and

- an estate, the income of which is subject to United States federal income taxation regardless of its source.

If a partnership (including an entity treated as a partnership for United States federal income tax purposes) holds TFC common stock, the tax treatment of a partner in the partnership will generally depend on the status of such partner and the activities of the partnership.

Old National and TFC have structured the Merger to qualify as a reorganization within the meaning of Section 368(a) of the Code. The obligations of Old National and TFC to consummate the Merger are conditioned upon the receipt of an opinion from Krieg DeVault LLP, counsel to Old National, to the effect that the Merger will for federal income tax purposes qualify as a reorganization based upon customary representations made by Old National and TFC. Old National and TFC have not requested and do not intend to request any ruling from the Internal Revenue Service. Accordingly, Old National urges each TFC shareholder to consult such shareholder's own tax advisors as to the specific tax consequences resulting from the merger, including tax return reporting requirements, the applicability and effect of federal, state, local and other applicable tax laws and the effect of any proposed changes in the tax laws. Assuming the Merger will constitute a

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reorganization within the meaning of Section 368(a) of the Code, the material United States federal income tax consequences of the Merger are as follows:

- no gain or loss will be recognized by Old National, its subsidiaries or TFC or Tower Bank & Trust Company by reason of the merger;
- you will not recognize gain or loss if you exchange your TFC common stock for Old National common stock, except to the extent of any cash received (see discussion below);
- your aggregate tax basis in the Old National common stock that you receive in the Merger (including any fractional share interest you are deemed to receive and exchange for cash), will equal your aggregate tax basis in the TFC common stock you surrendered, decreased by the amount of cash received and increased by the amount of any gain recognized; and
- your holding period for the Old National common stock that you receive in the Merger will include your holding period for the shares of TFC common stock that you surrender in the merger.

Exchange of TFC common stock for Cash and Old National common stock. TFC shareholders will exchange all of their TFC common stock for a combination of Old National common stock and cash in the Merger. Accordingly, shareholders will recognize gain (but not loss) in an amount equal to the lesser of (i) the amount of cash received in the Merger; and (ii) the excess, if any, of (a) the sum of the amount of cash and the fair market value of the Old National common stock received in the Merger over (b) the TFC shareholder's aggregate tax basis in its TFC common stock surrendered in exchange therefor.

The gain recognized upon receipt of a combination of stock and cash will be capital gain unless the TFC shareholder's receipt of cash has the effect of a distribution of a dividend, in which case the gain will be treated as ordinary income to the extent of the holder's ratable share of TFC's accumulated earnings and profits, as calculated for U.S. federal income tax purposes. For purposes of determining whether a TFC shareholder's receipt of cash has the effect of a distribution of a dividend, the TFC shareholder will be treated as if it first exchanged all of its TFC common stock solely in exchange for Old National common stock and then Old National immediately redeemed a portion of that stock for the cash that the holder actually received in the Merger (referred to herein as the "deemed redemption"). Receipt of cash will generally not have the effect of a dividend to the TFC shareholder if such receipt is, with respect to the TFC shareholder, not essentially equivalent to a dividend or substantially disproportionate, each within the meaning of Section 302(b) of the Code. In order for the deemed redemption to be not essentially equivalent to a dividend, the deemed redemption must result in a meaningful reduction in the shareholder's deemed percentage stock ownership of Old National following the Merger. The determination generally requires a comparison of the percentage of the outstanding stock of Old National the shareholder is considered to have owned immediately before the deemed redemption to the percentage of the outstanding stock of Old National the shareholder owns immediately after the deemed redemption. The IRS has indicated in rulings that any reduction in the interest of a minority shareholder that owns a small number of shares in a publicly and widely held corporation and that exercises no control over corporate affairs would result in capital gain (as opposed to dividend) treatment.

For purposes of applying the foregoing tests, a shareholder will be deemed to own the stock the shareholder actually owns and the stock the shareholder constructively owns under the attribution rules of Section 318 of the Code. Under Section 318 of the Code, a shareholder will be deemed to own the shares of stock owned by certain family members, by certain estates and trusts of which the shareholder is a beneficiary, and by certain affiliated entities, as well as shares of stock subject to an option actually or constructively owned by the shareholder or such other persons. If, after applying these tests, the deemed redemption results in a capital gain, the capital gain will be long-term if the TFC shareholder's holding period for its TFC common stock is more than one year as of the date of the exchange. If, after applying these tests, the deemed redemption results in the gain recognized by a TFC shareholder being classified as a dividend, such dividend will be treated as either ordinary income or qualified dividend income.

Any gain treated as qualified dividend income will be taxable to individual TFC shareholders at the long-term capital gains rate, provided that the shareholder held the shares giving rise to such income for more than 60 days during the 121 day period beginning 60 days before the closing date. The determination as to whether a TFC shareholder will recognize a capital gain or dividend income as a result of its exchange of TFC common stock for a combination of Old National common stock and cash in the Merger is complex and is determined on a shareholder-by-shareholder basis. Accordingly, each TFC shareholder is urged to consult such shareholder's own tax advisor with respect to this determination.

A TFC shareholder's aggregate tax basis in the Old National common stock received in the Merger will be equal to the shareholder's aggregate tax basis in such shareholder's TFC common stock surrendered, decreased by the amount of any cash received and increased by the amount of any gain recognized. A TFC shareholder's holding period for Old National common stock received in the Merger will include the holding period of the TFC common stock surrendered in the Merger.

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Cash Received Instead of a Fractional Share of Old National Common Stock. A shareholder of TFC who receives cash instead of a fractional share of Old National common stock will be treated as having received the fractional share pursuant to the Merger and then as having exchanged the fractional share for cash in a redemption by Old National of the fractional share. As a result, a TFC shareholder will generally recognize gain or loss equal to the difference between the amount of cash received and the basis in his or her fractional share interest as set forth above. This gain or loss will generally be capital gain or loss, and will be long-term capital gain or loss if, as of the effective date of the Merger, the holding period for such shares is greater than one year. The maximum federal income tax rate for long term capital gains for 2013 is 20%.

Backup Withholding and Information Reporting. Payments of cash to a holder of TFC common stock may, under certain circumstances, be subject to information reporting and backup withholding at a rate of 28% of the cash payable to the holder, unless the holder provides proof of an applicable exemption or furnishes its taxpayer identification number, and otherwise complies with all applicable requirements of the backup withholding rules. Any amounts withheld from payments to a holder under the backup withholding rules are not additional tax and will be allowed as a refund or credit against the holder's U.S. federal income tax liability, provided the required information is furnished to the Internal Revenue Service.

The preceding discussion is intended only as a summary of material United States federal income tax consequences of the merger. It is not a complete analysis or discussion of all potential tax effects that may be important to you. Thus, TFC urges TFC shareholders to consult their own tax advisors as to the specific tax consequences to them resulting from the merger, including tax return reporting requirements, the applicability and effect of federal, state, local, and other applicable tax laws and the effect of any proposed changes in the tax laws.

For the reasons set forth above, the TFC board of directors determined that the Merger, the Merger Agreement, and the transactions contemplated by the Merger Agreement are advisable and in the best interests of TFC and its shareholders, and approved and adopted the Merger Agreement. The TFC board of directors unanimously recommends that TFC shareholders vote FOR approval of the Merger Agreement and the Merger.

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**PROPOSAL 2 NON-BINDING ADVISORY VOTE ON
EXECUTIVE OFFICER MERGER-RELATED COMPENSATION ARRANGEMENTS**

As required by Section 14A of the Exchange Act and Rule 14a-21(c) promulgated thereunder, which were enacted pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act, TFC is required to submit a proposal to its shareholders for a non-binding advisory vote to approve the payment of certain compensation to the named executive officers of TFC that is based on or otherwise relates to the Merger. This proposal, commonly known as say-on-golden parachute, gives TFC shareholders the opportunity to express their views on the compensation that certain of TFC's named executive officers may be entitled to receive that is based on or otherwise relates to the Merger.

The compensation that TFC's named executive officers may be entitled to receive that is based on or otherwise relates to the Merger is summarized in the table below entitled Golden Parachute Compensation, and a narrative description of such compensation is included in

Interests of Certain Officers and Directors of TFC in the Merger, beginning on page []. This summary includes all compensation and benefits that may be paid or provided following a change in control. TFC's named executive officers are James E. Underwood, Richard R. Sawyer, Michael D. Cahill, Gary D. Shearer, Wendell L. Bontrager and Tina M. Farrington.

Therefore, TFC is requesting the approval of TFC's shareholders, on a non-binding advisory basis, of the compensation of the named executive officers of TFC based on or related to the Merger and the agreements and understandings concerning such compensation. As required by Rule 14a-21(c) of the Exchange Act, TFC is asking its shareholders to adopt the following resolution:

RESOLVED, that the compensation to be paid or become payable to the named executive officers of Tower Financial Corporation that is based on or otherwise relates to the Merger of Tower Financial Corporation with and into Old National Bancorp, and the agreements and understandings concerning such compensation, as disclosed in the table below entitled Golden Parachute Compensation pursuant to Item 402(t) of Regulation S-K and the associated narrative discussion, are hereby APPROVED.

The vote on this Proposal 2 is a vote separate and apart from the vote on Proposal 1 to approve the Merger Agreement and the Merger. Accordingly, you may vote to approve this Proposal 2 on Merger-related compensation and vote not to approve Proposal 1 on the Merger Agreement and vice versa. Because the proposal is advisory in nature only, a vote for or against approval will not be binding on either TFC or Old National regardless of whether the Merger is approved. Accordingly, as the compensation to be paid to the named executive officers of TFC based on or related to the Merger is contractual with the executives, regardless of the outcome of this vote, such compensation will be payable, subject only to the conditions applicable thereto, if the Merger is completed. This proposal includes compensation that would be paid or provided by TFC if paid or provided prior to or upon the closing of the Merger, and which would be paid or provided by Old National if paid or provided following closing of the Merger. If the Merger is not completed, TFC's Board of Directors will consider the results of the vote in making future executive compensation decisions.

The descriptions and quantifications of the payments in the table below are intended to comply with Item 402(t) of Regulation S-K, which requires disclosure of information about compensation and benefits that each of TFC's named executive officers will or may receive in connection with the Merger. Some compensation disclosed in this table and its footnotes would be paid (if at all) only pursuant to understandings with Old National that are not subject to the advisory vote that is the subject of this Proposal 2.

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The following table sets forth the aggregate dollar value of the various elements of compensation that each named executive officer of TFC would receive that is based on or otherwise relates to the Merger, assuming the following:

- the Merger closes on February 14, 2014;
- shares of Old National common stock are valued at \$13.79 per share, the average closing market price of Old National's shares of common stock over the first five business days following the public announcement of the Merger; and
- shares of TFC common stock are valued at \$22.67 per share, the average closing market price of TFC's shares of common stock over the first five business days following the public announcement of the Merger.

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Name	Cash \$(1)	Equity (\$)	Pension/ NQDC \$(4)	Perquisites/ Benefits (\$)	Tax Reimbursement (\$)	Other (\$)	Total (\$)
Michael D. Cahill	\$ 738,343			\$ 5,000(5)			\$ 743,343
Gary D. Shearer	\$ 474,244	\$ 62,055(2)					\$ 536,299
Wendell L. Bontrager	\$ 541,100	\$ 62,055(2)					\$ 603,155
Richard R. Sawyer	\$ 470,313						\$ 470,313
Tina M. Farrington	\$ 469,319	\$ 34,475(3)					\$ 503,794
James E. Underwood	\$ 397,450						\$ 397,450

(1) The cash payments payable to each of the named executive officers consist of (a) a lump sum severance payment, payable within ten or thirty business days (depending upon the specific terms of the executive's employment agreement) following the date of termination of employment, in an amount equal to the sum of (i) two times the executive officer's base salary and (ii) two times the executive officer's average bonus (calculated as an average of the executive officer's three prior years' bonus payments), (b) a lump sum payment, payable on the closing date of the Merger, in an amount equal to \$32,500, representing the executive officer's portion of the amount of the gross potential bonus available under the LTIP which vests upon a change of control, and (c) retention bonus payments, payable to the named executive officers, in the amounts and at the times set forth in the below table upon the achievement of certain Merger-related milestones. The severance payment amounts have been adjusted to reflect the approved base salaries which will take effect on January 27, 2014 for each named executive officer as follows: Mr. Cahill - \$266,255; Mr. Shearer - \$177,572; Mr. Bontrager - \$182,722; Mr. Sawyer - \$159,650; Ms. Farrington - \$154,350; and Mr. Underwood - \$131,127. The severance payment amounts reflect an average bonus for fiscal years 2011-2013 (applying an estimate for 2013 based on TFC's current operating plan estimates) for each named executive officer as follows: Mr. Cahill - \$74,167; Mr. Shearer - \$23,300; Mr. Bontrager - \$51,578; Mr. Sawyer - \$46,756; Ms. Farrington - \$44,059; and Mr. Underwood - \$38,848. The severance payment is a double-trigger payment (i.e., it is conditioned upon the Merger occurring and the executive officer's termination of employment in connection with or following the Merger); however, as discussed in the section entitled "Interests of Certain Officers and Directors of TFC in the Merger" beginning on page [•], Messrs. Shearer and Bontrager have each accepted offers for at-will employment with Old National, conditioned upon the closing of the Merger and the termination and resolution of certain matters associated with their respective employment agreements, which would result in the payout of their respective severance payments at the closing of the Merger and continued at-will employment with Old National. Ms. Farrington has received an offer that remains subject to her acceptance. The LTIP payment is a single-trigger payment (i.e., it is only conditioned on the closing of the Merger, not the executive officer's subsequent termination of employment in connection with or following the Merger). The retention bonuses to be paid to certain named executives constitute single trigger and/or double trigger payments. Set forth below are the separate values of each of the severance payment, the LTIP payment and the total potential retention bonus payments:

Name	Severance Payment (Double-Trigger) (\$)	LTIP Payment (Single-Trigger) (\$)	Retention Bonus Payments (Single and/or Double-Trigger) (\$)
Michael D. Cahill	\$ 680,843	\$ 32,500	\$ 25,000
Gary D. Shearer	\$ 401,744	\$ 32,500	\$ 40,000
Wendell L. Bontrager	\$ 468,600	\$ 32,500	\$ 40,000
Richard R. Sawyer	\$ 412,813	\$ 32,500	\$ 25,000
Tina M. Farrington	\$ 396,819	\$ 32,500	\$ 40,000
James E. Underwood	\$ 339,950	\$ 32,500	\$ 25,000

Set forth below are the amounts and timing of the respective retention bonus payments to be made to each of the named executive officers listed below assuming that each such named executive officer is employed on such dates:

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Name	Paid at Closing (\$)	Paid Upon Completion of Data Processing Integration (\$)	Paid within Three Weeks of Data Processing Integration Date (\$)	Paid on December 5, 2014 (\$)	Paid on First Anniversary of Closing (\$)	Total (\$)
Michael D. Cahill	\$	\$ 12,500	\$ 12,500	\$	\$	\$ 25,000
Gary D. Shearer	\$ 10,000	\$ 10,000			\$ 20,000	\$ 40,000
Wendell L. Bontrager	\$ 10,000	\$ 10,000			\$ 20,000	\$ 40,000
Richard R. Sawyer		\$ 12,500	\$ 12,500			\$ 25,000
Tina M. Farrington		\$ 20,000		\$ 20,000		\$ 40,000
James E. Underwood		\$ 12,500	\$ 12,500			\$ 25,000

(2) Represents the value of 4,500 service-based restricted shares of Old National common stock which will be granted to Messrs. Shearer and Bontrager, respectively, at the closing of the Merger. These shares will vest in equal increments over a three-year period and are valued at \$13.79 per share, the average closing market price of Old National's shares of common stock over the first five business days following the public announcement of the Merger. The amounts represented for Messrs. Shearer and Bontrager do not include the value of any annual award grants that may be made to them in 2014 and for which they may be eligible under their written offers of employment as discussed in the section entitled "Interests of Certain Officers and Directors of TFC in the Merger" beginning on page [•].

(3) Represents the value of 2,500 service-based restricted shares of Old National common stock which will be granted to Ms. Farrington at the closing of the Merger. These shares will vest in equal increments over a three-year period and are valued at \$13.79 per share, the average closing market price of Old National's shares of common stock over the first five business days following the public announcement of the Merger.

(4) Amounts payable to named executive officers under TFC's nonqualified deferred compensation plans are not included in this column as they are fully vested under the terms of the applicable plan and do not represent an enhanced benefit. Such vested amounts will be paid on an accelerated basis to the named executive officers as a result of the Merger. As discussed in the section entitled "Interests of Certain Officers and Directors of TFC in the Merger" beginning on page [•], the Merger Agreement provides that TFC or any subsidiary, as applicable, will terminate each nonqualified deferred compensation plan for employees and/or directors sponsored by TFC or any subsidiary in accordance with Treasury Regulation §1.409A-3(j)(4)(ix)(B) and accrued benefits under such plans will be distributed on, or prior to, the closing date of the Merger.

(5) Fair market value of company can to be transferred to Mr. Cahill.

For the non-binding advisory resolution relating to the Merger-related compensation arrangements to be approved, more votes must be cast by TFC's shareholders in favor of the proposal than are cast against it. Abstentions and broker non-votes will not be included in the vote count and will have no effect on the outcome of the proposal.

TFC's Board of Directors unanimously recommends that shareholders vote FOR the approval of the non-binding advisory resolution approving the Merger-related compensation of TFC's named executive officers, and the agreements or understandings concerning such compensation.

PROPOSAL 3 - ADJOURNMENT OF THE SPECIAL MEETING

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In addition to the proposal to approve the Merger Agreement, the shareholders of TFC also are being asked to approve a proposal to adjourn or postpone the special meeting to permit further solicitation of proxies in the event that an insufficient number of shares is present in person or by proxy to approve the Merger Agreement.

Under the Indiana Business Corporation Law (the "IBCL") and the Articles of Incorporation of TFC, the holders of a majority of the outstanding shares of common stock of TFC are required to approve the Merger. It is rare for a company to achieve 100% (or even 90%) shareholder participation at an annual or special meeting of shareholders, and only a majority of the holders of the outstanding shares of common stock of TFC are required to be represented at the special meeting, in person or by proxy, for a quorum to be present. In the event that shareholder participation at the special meeting is lower than expected, TFC would like the flexibility to postpone or adjourn the meeting in order to attempt to secure broader shareholder participation. If TFC desires to adjourn the special meeting, TFC will request a motion that the special meeting be adjourned, and delay the vote on the proposal to approve and adopt the Merger Agreement until the special meeting is reconvened. If TFC adjourns the special meeting for 30 days or less, TFC will not set a new record date or will announce prior to adjournment the date, time and location at which the special meeting will be reconvened; no other notice will be provided. Unless revoked prior to its use, any proxy solicited for the special meeting will continue to be valid for any adjourned or postponed special meeting, and will be voted in accordance with your instructions and, if no contrary instructions are given, for the proposal to approve and adopt the Merger Agreement.

Any adjournment will permit TFC to solicit additional proxies and will permit a greater expression of the views of TFC shareholders with respect to the Merger. Such an adjournment would be disadvantageous to shareholders who are against the proposal to approve and adopt the Merger Agreement because an adjournment will give TFC additional time to solicit favorable votes and increase the chances of approving that proposal. TFC has no reason to believe that an adjournment of the special meeting will be necessary at this time.

TFC's board of directors recommends that shareholders vote FOR the proposal to adjourn or postpone the special meeting. Approval of the proposal to adjourn or postpone the special meeting to allow extra time to solicit proxies (Proposal 3 on your proxy card) requires more votes to be cast in favor of the proposal than are cast against it. Abstentions and broker non-votes will not be treated as NO votes and, therefore, will have no effect on this proposal.

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DESCRIPTION OF TFC

Business

TFC, collectively with its subsidiaries, was incorporated as an Indiana corporation on July 8, 1998. TFC is a bank holding company with one bank subsidiary, Tower Bank & Trust Company and two unconsolidated subsidiary guarantor trusts, Tower Capital Trust 2 and Tower Capital Trust 3.

Tower Bank & Trust Company is an Indiana chartered bank with depository accounts insured by the FDIC and is a member of the Federal Reserve System. Tower Capital Trust 2 and Tower Capital Trust 3 are unconsolidated, wholly-owned Delaware statutory business trusts formed in December 2005 and December 2006, respectively, for the exclusive purpose of raising Federal Reserve approved capital through the issuance and sale of securities known as trust preferred securities. Tower Bank & Trust Company has a direct wholly-owned trust company subsidiary, Tower Trust Company (the "Trust Company"), an Indiana Corporation formed on January 1, 2006, which was previously owned by the bank holding company until December 1, 2009.

Through September 30, 2011, Tower Bank & Trust Company also had a direct wholly-owned Nevada investment subsidiary, Tower Capital Investments, Inc., that was formed on July 1, 2006, for the purpose of holding long-term investments, and an indirect wholly-owned subsidiary, Tower Funding Corporation. Tower Funding Corporation was a Maryland real estate investment trust ("REIT") also formed on July 1, 2006. The REIT purchased mortgage-backed real estate loans from Tower Bank & Trust Company. Both, Tower Capital Investments, Inc. and Tower Funding Corporation were liquidated and dissolved as of September 30, 2011.

Tower Bank & Trust Company opened on February 19, 1999 and provides a range of commercial and consumer banking services from six locations in the metropolitan area of Fort Wayne, Allen County, Indiana, and one location in Warsaw, Indiana. Tower Bank & Trust Company's lending strategy is focused on commercial and commercial mortgage loans and, to a lesser extent, on consumer and residential mortgage loans. Tower Bank & Trust Company offers a broad array of deposit products, including checking, savings, money market accounts, certificates of deposit and direct deposit services. Trust investment and management services are offered by the Trust Company.

The main office and corporate headquarters are located at 116 East Berry Street in downtown Fort Wayne, Indiana.

Tower Bank & Trust Company

Lending

Tower Bank & Trust Company generally makes loans to individuals and businesses located in Allen, Kosciusko and the surrounding counties in Northeast Indiana. The loan portfolio at December 31, 2012 consisted of commercial and commercial real estate loans (71.7%), residential mortgage loans (18.4%) and personal loans (9.9%). Tower Bank & Trust Company's legal lending limit under applicable federal banking regulations is approximately \$11.9 million, based on the legal lending limit of 15% of Tower Bank & Trust Company's total risk-based capital. Tower Bank & Trust Company continues to pursue opportunities with both new and existing customers to originate new loans in order to increase the earning assets.

The Loan Segments:

Commercial Loan: The lending activities focus primarily on providing small- and medium-sized businesses in the market area with commercial loans. These loans can be both secured and unsecured and are made available for general operating purposes, including acquisition of fixed assets such as real estate, equipment and machinery, and lines of credit collateralized by inventory and accounts receivable.

The customers typically have financing needs between \$250,000 and \$5.0 million. Commercial loans comprised 46.5% of the total loans at December 31, 2012 and the majority of these loans are secured by liens on equipment, inventory and other assets. These loans are also sometimes secured by owner-occupied or investment real estate, and typically have maturities of one to five years.

Commercial and industrial loans also include revolving notes for working capital that range in maturity from on demand to no longer than two years, with the majority of these having a one year maturity. Commercial real estate loans

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comprised 25.2% of the total loans at December 31, 2012. Commercial and commercial real estate loans can have either fixed or floating interest rates.

Commercial real estate lending involves more risk than residential lending because loan balances are typically greater and repayment is dependent not only upon general economic conditions and the continuing merits of the particular real estate project securing the loan, but also upon the underlying value of the collateral and the borrower's financial health and liquidity. Accordingly, Tower Bank & Trust Company believes it has reduced the risk associated with these transactions by establishing limits for concentration in certain types of loans, projects, and borrowers, developed additional checks and balances in the approval process, increased underwriting standards and employed a higher degree of oversight.

In 2012, Tower Bank & Trust Company continued to focus on improving asset quality and increasing long-term profitability. As a result of the efforts over the past several years, Tower Bank & Trust Company has been able to reduce the loans categorized as special mention, substandard, or doubtful. The decreases in these categories have resulted from liquidating collateral, encouraging and assisting with the refinancing of these loans through other financial institutions, and taking additional charge-offs against certain loans. Tower Bank & Trust Company has also continued to place a greater emphasis on credit quality by focusing on the timely collection of required financial statements, centralization of consumer and retail small business (commercial loans under \$250,000) loan underwriting, adherence to the internal policy and guidelines, and allocation of additional resources to improve the efficiency, quality and consistency of all loans underwritten.

The following table illustrates the recorded investment (1) of loans by risk category for the years ending December 31, 2012, 2011, and 2010.

(\$ in thousands)	2012	December 31, 2011	2010
Special Mention	\$ 5,506	\$ 21,314	\$ 27,098
Substandard	18,291	12,106	32,169
Doubtful	13,842	8,130	11,994
Total	\$ 37,639	\$ 41,550	\$ 71,261
% of total loans	8.36%	8.98%	14.64%

(1) The recorded investment in loans includes accrued interest and deferred fees, less nonaccrual interest paid, and deferred costs.

Mortgage Banking: Tower Bank & Trust Company provides fixed rate, long-term residential mortgage loans and floating, short-term construction loans to its customers. The general policy, which is subject to periodic review by management, is to sell the majority of the mortgage loans it originates on the secondary market. Tower Bank & Trust Company generally retains only those loans where it has ongoing, multi-faceted customer relationships or those that allow Tower Bank & Trust Company to keep the portfolio at benchmark levels and support its commitment to its customers and community. All other loans are sold, or are originated on a brokered basis for another investor.

Tower Bank & Trust Company utilizes both correspondent and wholesale delivery methods for sold loans where it may also have delegated underwriting and closing responsibility. In 2012, Tower Bank & Trust Company received an average of 1.68% of the loan amount between the service release premium and fees on sold and brokered loans. Tower Bank & Trust Company does not retain servicing rights with respect to residential mortgage loans that it brokers or sells.

During 2012, Tower Bank & Trust Company originated \$8.7 million in construction loans and \$91.8 million of residential mortgage loans. Tower Bank & Trust Company retains all construction loans in the loan portfolio. Of the \$91.8 million of residential mortgage loans originated, Tower Bank & Trust Company retained \$37.7 million, sold \$53.0 million in the secondary market, and brokered \$9.8 million. These loans were a combination of traditional conventional loan products, jumbo whole loans, and government loan programs (FHA/VA). Tower Bank & Trust Company neither originated nor purchased any subprime loans in 2012, nor has it done so historically.

(\$ in thousands)	For the years ended December 31,			
	2012	2011	2010	
Real estate mortgage loans originated and retained	\$ 37,657	\$ 30,346	\$ 37,403	
Real estate mortgage loans originated and sold	52,993	38,710	37,885	
Real estate mortgages brokered	9,839	4,671	6,111	

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Personal Loans and Lines of Credit: Tower Bank & Trust Company makes personal loans and lines of credit available to consumers for various purposes, such as the purchase of automobiles, boats and other recreational vehicles, as well as to make home improvements and personal investments. The majority of the personal loans are home equity loans secured by a second lien on real estate. Tower Bank & Trust Company retains these loans in its portfolio.

Consumer loans generally have shorter terms and higher interest rates than residential mortgage loans and usually involve more credit risk than mortgage loans because of the type and nature of the collateral. Consumer lending collections are dependent on a borrower's continuing financial stability and are thus likely to be adversely affected by job loss, illness and personal bankruptcy. In many cases, repossessed collateral for a defaulted consumer loan will not provide an adequate amount of repayment of the outstanding loan balance because of depreciation of the underlying collateral.

In order to maximize consumer loan approval efficiencies and ensure Tower Bank & Trust Company meets customer service expectations, Tower Bank & Trust Company utilized centralized underwriting. Tower Bank & Trust Company continues to pursue a policy of prudent loan underwriting, with an emphasis on the borrower's credit history, collateral value, employment stability, and monthly income. Consumer loans are generally repaid on a monthly repayment schedule with the payment amount tied to the borrower's periodic income. Tower Bank & Trust Company believes that the generally higher yields earned on consumer loans help to compensate for the increased credit risk associated with such loans, and it believes that consumer loans are important to the efforts to serve the credit needs of the customer base. Historically, the delinquency rates and losses on consumer loans have been lower than the national average, which held true in 2012.

The Lending Policies:

Loan Policies: Although Tower Bank & Trust Company maintains a competitive approach to lending, it strives to underwrite high quality loans. Tower Bank & Trust Company employs written loan policies that contain general lending guidelines and are subject to periodic review and revision by the Tower Bank & Trust Company Board of Directors' Loan and Investment Committee and the Board of Directors. These policies relate to loan administration, documentation, and approval and reporting requirements for various types of loans.

The loan policies include procedures for oversight and monitoring of the lending practices and loan portfolio. Tower Bank & Trust Company seeks to make sound loans, while recognizing that lending money involves a degree of business risk. The loan policies are designed to assist in managing the business risk involved in making loans. These policies provide a general framework for the lending operations, while recognizing that not all loan outcomes and results can be anticipated. The loan policies instruct lending personnel to use care and prudent decision-making and to seek the guidance of the Chief Executive Officer, Chief Lending Officer, Director of Lending, and the Executive Vice President of Risk Management where appropriate.

Tower Bank & Trust Company maintains a separate credit department that is responsible for the integrity of data used by lending personnel for underwriting decisions. Additionally, the credit department is responsible for providing independent financial analysis and credit assessments for loan aggregations above \$250,000. The credit department also assists in the application of loan policy and the identification of unresolved or potential credit issues. Tower Bank & Trust Company has also engaged an independent accounting firm to perform a review of the loan accounting and credit risk ratings.

The loan policies provide limits for loan-to-value ratios that limit the size of certain types of loans to a maximum percentage of the value of the real estate collateral securing the loans. The loan-to-value percentage varies by the type of collateral. The Federal Deposit Insurance Corporation Improvement Act of 1991 established regulatory and supervisory loan-to-value limits. The internal loan-to-value limitations follow those limits and, in certain cases, are more restrictive than those required by regulators. However, exceptions may be made to these limits and are allowable under the regulatory rules as long as the aggregate balance of these exceptions does not exceed certain capital thresholds. Exception balances are below the capital thresholds established by regulatory rules.

The loan policies include an in-house guideline limit on the aggregate amount of loans to any one borrower. In 2010, Tower Bank & Trust Company reduced the in-house limit from \$7 million to \$5 million and it remains at that level today. The loan committee approves all loan relationships above \$1 million. Additionally, the Tower Bank & Trust Company Board of Directors Loan and Investment Committee reviews all lending relationships over \$5.0 million on a quarterly basis. This internal limit is subject to review and revision by the Board of Directors from time to time. In addition, the loan policies provide guidelines for (i) personal guarantees, (ii) loans to employees, executive officers and directors, (iii) problem loan identification, (iv) maintenance of an allowance for loan losses (v) interest reserves, and (vi) other matters relating to lending practices.

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The Underwriting Policies:

Commercial Loans: Commercial loans are underwritten using an analysis of the customer's current and historical financial statements. The type of financial statement that Tower Bank & Trust Company requires (audited, reviewed, compiled, tax return, or internally prepared) varies depending on the credit size, complexity, and risk. In addition to historical financial statements, projections may be required for loans with a term greater than one year. For all aggregated borrowing relationships in excess of \$250,000, a cash flow analysis is completed for each corporate borrower, and a debt-to-income ratio is calculated for each personal guarantor. For those relationships where reliance is placed on a borrower or guarantor that is involved in multiple loans, business ventures or real estate projects, both a separate cash flow analysis and a consolidated global cash flow analysis is performed. In addition, Tower Bank & Trust Company reviews the quality and value of collateral provided to determine the appropriate advance rates and analyze the risks inherent in the business enterprise to determine the appropriate financial covenant package.

Commercial Real Estate Loans: Tower Bank & Trust Company will consider commercial real estate financing for any feasible project including land loans, acquisition and development loans, construction loans and long-term mortgages for income producing and investment properties. Tower Bank & Trust Company will not extend loans to a developer or builder who has been subject to a foreclosure action or has given a creditor a deed in-lieu of foreclosure. Commercial Real Estate loans are generally structured to provide full recourse or limited recourse to all principals and owners.

All real estate credit extensions are to meet high standards of quality and are to be in compliance with Tower Bank & Trust Company's policies. The relationship managers are required to document and provide explanations for any exceptions to the underwriting policies.

Residential Mortgage Loans: Residential mortgage loans are defined as loans for primary or secondary residences. Loans for rental properties will not be considered under the guidelines for residential mortgage underwriting, but instead are to be considered as business loan requests subject to the Commercial Real Estate guidelines.

Loans sold into the secondary market are not subject to these guidelines. Portfolio loans must adhere to all requirements established in the lending guidelines regarding the borrower and property characteristics, including net worth, debt-to-income ratios, credit reporting, and collateral requirements.

The goal is to offer mortgage loans on owner-occupied real estate at competitive rates and terms to customers in the defined lending areas. Mortgage loan terms should be related to the nature and market value of the security property, as well as income, future earning ability and credit history of the borrower. Mortgages should be made in anticipation of regular amortization, not foreclosure.

Rates for residential mortgage loans are fixed or variable for the term of the loan. Tower Bank & Trust Company does not underwrite any hybrid loans, or sub-prime loans within its residential portfolio. Adjustable rate loans are primarily tied to the Prime Rate index and LIBOR Rate index as stated in the **Wall Street Journal**.

Home Equity Loans: Home equity loans and home equity lines of credit are underwritten using the same guidelines and procedures outlined above for residential mortgage loans. Tower Bank & Trust Company caps the loan to value maximum for home equity loans or lines of credit at 90% of the appraised value.

Consumer Loans: All consumer loans are to be supported by a signed, completed credit application disclosing loan purpose, applicant's income and obligations, and repayment terms. Related documents should include a current or recent credit bureau report, proof of income (level of documentation dependent upon the loan type and amount), valuation of collateral (dependent on type of collateral), and other required documentation as outlined in the bank's Loan Policy and Guidelines. Unsecured consumer loans of \$5,000 and larger must also have a current financial statement on file on a form acceptable to Tower Bank & Trust Company.

Typically, the rates for variable rate loans in all categories are underwritten using the Prime Rate index or LIBOR index as stated in the **Wall Street Journal**. Typical loan terms on these types of products range from one to five years with interest rates between 0.00% to 3.00% over the Prime Rate or LIBOR.

Sources of Funds

In 2012, Tower Bank & Trust Company paid a dividend to TFC in the amount of \$5.7 million and those funds were used to pay stockholders a \$2.9 million dividend; to repurchase shares of the common stock in the amount of \$1.7 million;

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and to fund the purchase of a \$1.0 million par value equity security held at TFC for \$902,900. In 2011, no inter-company contributions were made; nor did Tower Bank & Trust Company pursue any capital sources other than net income. In 2010, no inter-company contributions were made, but TFC did receive net proceeds of \$2.8 million from a private placement of 458,342 shares of the common stock.

On an ongoing basis, Tower Bank & Trust Company funds its operations and loan growth primarily through local deposits. Secondly, Tower Bank & Trust Company uses alternative funding sources as needed, including advances from the Federal Home Loan Bank, out-of-market deposits (including national market certificates of deposit and brokered certificates of deposit) and other forms of wholesale financing. As a result of two events that occurred in 2008, including a 400 basis point drop in the Federal Funds Rate and an increase in FDIC insurance, Tower Bank & Trust Company was able to reallocate its deposit portfolio from higher costing time deposits to lower cost deposits, such as checking, savings or money market accounts. By the end of 2012, the core deposits comprised 80.8% of total deposits compared to 78.7% and 74.9% at December 31, 2011 and December 31, 2010, respectively.

Deposit Generation: Tower Bank & Trust Company generates deposits primarily through offering a broad array of products to individuals, businesses, associations, financial institutions, and government entities in its primary market areas. Tower Bank & Trust Company generally seeks a comprehensive banking relationship from its lending customers, which has contributed to the internal deposit growth. This often includes encouraging new customers to consider both business and personal checking accounts and other deposit services. Deposit services include checking, savings, health savings accounts (HSAs), money market accounts, certificates of deposit, direct deposit services, and telephone and Internet banking. While total deposits decreased \$41.0 million from December 31, 2011, Tower Bank & Trust Company can attribute approximately \$48 million of this decrease to two customers' deposits that were placed into noninterest-bearing checking accounts at Tower Bank & Trust Company for short-term purposes in December of 2011. These two deposits were withdrawn from Tower Bank & Trust Company during the first quarter of 2012 when a more suitable, permanent option was determined. Excluding these short-term deposits, the deposit portfolio increased by approximately \$7.0 million during 2012. Interest-bearing checking accounts increased by \$55.2 million, the result of an increase of \$14.2 million in the Health Savings Accounts and the movement of approximately \$28 million of noninterest-bearing balances to the new interest-bearing checking account for commercial customers during the first quarter of 2012. As a result of this movement between accounts and the departure of the short-term deposits discussed above, noninterest-bearing accounts decreased \$61.6 million from December 31, 2011. Other categories reporting declines in balances during the year include in-market CDs of \$20.9 million, brokered certificates of deposit of \$12.4 million, and money market accounts of \$7.7 million.

Outside of these uncommon deposit portfolio changes, the HSA continue to be a primary leader in core deposit growth in 2012. The HSA deposits increased \$14.2 million to a balance of \$79.3 million and approximately 51,000 accounts at December 31, 2012 compared to a balance of \$65.1 million and 43,000 accounts at December 31, 2011. Tower Bank & Trust Company offers a courier service for the deposit convenience of the business customers as well as wholesale lockbox and other business deposit and cash management services. Tower Bank & Trust Company also generates certificates of deposit through national, so-called out-of-market sources. These deposits include brokered deposits, which Tower Bank & Trust Company began accepting during 2003. Currently, the out-of-market deposits are generated through negotiated transactions with brokers. As the out-of-market deposits typically come in the form of certificates of deposit or money market accounts, the interest expense associated with these deposits is normally higher than interest paid on in-market deposits. For example, the offering rate on a two-year in-market certificate of deposit was around 0.30% compared to a two-year brokered certificate of deposit that had a range from 0.50% to 0.70% at December 31, 2012. However, based on the amount of funding needed and the timeframe in which Tower Bank & Trust Company needs it, Tower Bank & Trust Company finds it less expensive to utilize brokered deposits. In order to generate the needed volume, Tower Bank & Trust Company would need to raise rates above the current market prices to increase deposits. Additionally, Tower Bank & Trust Company would need to incur marketing costs to advertise the special product. Brokered deposits also offer more flexibility to match duration to certain investments. As a result, Tower Bank & Trust Company has chosen this type of funding vehicle over the past several years to increase profitability by matching the duration of the assets with that of the funding. An example of this funding strategy occurred in 2012 when Tower Bank & Trust Company started to implement a municipal bond leverage strategy that match-funds \$25.0 million in investments with \$25.0 million of brokered deposits. At December 31, 2012, the \$25.0 million of investments was complete and was funded with new brokered deposits of approximately \$11 million. The remaining funding for the investment purchases will be completed in early 2013. While these new brokered deposits were used specifically for funding the municipal bonds and to match the investment duration, the remainder of the brokered portfolio has decreased as the in-market deposit growth allows Tower Bank & Trust Company to replace maturing brokered deposits with in-market funds. During 2012, Tower Bank & Trust Company had approximately \$23.4 million of brokered certificates mature and those were

not replaced.

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In 2012, the average cost of funds on out-of-market deposits was 2.59%, while the average cost of funds on in-market deposits was 0.22%. At December 31, 2012, approximately 83.9% of the deposits were generated in-market, while 16.1% were out-of-market deposits, compared to 83.0% of in-market deposits in 2011 and 17.0% out-of-market. Deposits at December 31, 2012, 2011, and 2010 are summarized as follows:

(\$ in thousands)	2012		2011		2010	
	Balance	%	Balance	%	Balance	%
Core Deposits:						
Noninterest-bearing demand	\$ 108,147	19.3%	\$ 169,758	28.2%	\$ 92,873	16.1%
Interest-bearing checking	170,047	30.3%	114,865	19.1%	101,158	17.6%
Money market	120,254	21.4%	127,986	21.3%	159,336	27.7%
Savings	28,874	5.2%	22,398	3.7%	22,673	3.9%
Time, under \$100,000	25,935	4.6%	38,573	6.4%	55,450	9.6%
Total Core Deposits	453,257	80.8%	473,580	78.7%	431,490	74.9%
Non-core Deposits:						
In-market non-core deposits:						
Time, \$100,000 and over	17,521	3.1%	25,829	4.3%	39,357	6.8%
Out-of-market non-core deposits:						
Brokered money market	12,035	2.2%	12,032	2.0%	12,016	2.1%
Brokered certificate of deposits	78,194	13.9%	90,596	15.0%	93,493	16.2%
Total out-of-market non-core deposits	90,229	16.1%	102,628	17.0%	105,509	18.3%
Total Non-core Deposits	107,750	19.2%	128,457	21.3%	144,866	25.1%
Total deposits	\$ 561,007	100.0%	\$ 602,037	100.0%	\$ 576,356	100.0%

Investments

Tower Bank & Trust Company invests funds from time to time in various debt instruments, including but not limited to obligations guaranteed by the United States, general obligations of a state or political subdivision thereof, bankers' acceptance of deposit of U.S. commercial banks, commercial paper of U.S. issuers rated in the highest category by a nationally recognized statistical rating organization, or trust preferred securities.

Tower Bank & Trust Company is permitted to make limited portfolio investments in equity securities and Tower Bank & Trust Company currently has four of these investments. Three of these investments include a \$20,000 investment in an economic development venture capital limited partnership focusing on businesses located in Northeast Indiana; a \$25,958 investment in a limited liability company formed for the purpose of acting as an agent for the sale of title insurance in the state of Indiana; and an equity investment with an initial investment of \$1 million in a limited partnership focused primarily on bank holding companies.

Due to the volatility of the equity investment in the limited partnership as well as the accounting treatment for the investment, the Board of Directors approved the gradual liquidation of this investment. In 2009, requests were made to liquidate the investment. Disbursements received in 2011, 2010, and 2009 were \$9,390, \$23,022, and \$740,437, respectively, leaving a value of \$60,389 as of December 31, 2012. The remaining balance is invested in side-pocket investments, which are primarily made up of small equity investments in local start-up businesses, and is projected to be fully liquidated in the next couple of years. As of December 31, 2012, three of these investments carried a value of \$106,347 and were recorded in other assets. The fourth equity investment includes a \$1.0 million par value equity security recorded in securities available for sale at December 31, 2012 with a carrying value of \$902,900.

Tower Bank & Trust Company may invest the funds in a wide variety of debt instruments and may participate in the federal funds market with other depository institutions. Real estate, which Tower Bank & Trust Company may acquire in satisfaction of or as a result of foreclosure upon loans and which at December 31, 2012, amounted to \$1.9 million, may be held for no longer than ten years after the date of acquisition without the written consent of the Indiana Department of Financial Institutions (IDFI). Tower Bank & Trust Company is also permitted to invest an aggregate amount not to exceed 50% of the sound capital in various other real estate and buildings as are necessary for the convenient transaction of the business, such as but not limited the ownership of branch banking facilities.

Table of Contents**Tower Trust Company*****Investment Management and Trust Services***

The investment management and trust services provide a wide range of traditional personal trust services to customers in the market area. The trust services include estate planning and money management, as well as traditional revocable trusts, irrevocable trusts, charitable trusts, estate administration, guardianship administration, individual retirement account administration, personal and institutional investment management, and custodial services. Tower Bank & Trust Company believes that by offering trust services through personalized client service, an experienced professional staff, and a tailored approach to investments that it can enhance and leverage client relationships.

The following table reflects assets under management and revenue derived from trust services for the periods indicated.

(\$ in thousands)	For the years ended December 31,		
	2012	2011	2010
Assets under management	\$ 479,729	\$ 428,298	\$ 473,058
Number of accounts	610	573	626
Average account size	\$ 786	\$ 747	\$ 756
Trust revenue	\$ 3,224	\$ 2,958	\$ 3,040

Tower Investment Services

In July of 2004, Tower Bank & Trust Company began offering securities and insurance brokerage services under the private label name of Tower Investment Services. Until December of 2012, the services were provided through PrimeVest Financial Services, Inc. Beginning in December of 2012, Tower Bank & Trust Company changed the provider of brokerage services to LPL Financial, a self-clearing broker dealer. Tower Investment Services had \$192.6 million in assets under management at December 31, 2012, compared to \$166.3 million at December 31, 2011.

The following table reflects assets under management and revenues of the investment services department for the periods indicated.

(\$ in thousands)	For the years ended December 31,		
	2012	2011	2010
Assets under management	\$ 192,564	\$ 166,296	\$ 159,284
Number of accounts	1,373	1,444	1,376
Average account size	\$ 140	\$ 115	\$ 116
Investment services revenue	\$ 604	\$ 596	\$ 565

Effect of Government Monetary Policies

Tower Bank & Trust Company's performance and the results are affected by domestic economic conditions and the monetary and fiscal policies of the United States government, its agencies and the Federal Reserve Board (Federal Reserve). The Federal Reserve's monetary policies have had, and will continue to have, an important impact on the operating results of commercial banks through its power to implement national monetary policy in order, among other things to, curb inflation or, conversely, to stimulate the economy. The instruments of monetary policy employed by the Federal Reserve include open market operations in U.S. government securities, changes in the discount rate on member bank borrowing and changes in reserve requirements against deposits held by all federally insured banks. During 2008, the Federal Reserve lowered the federal funds discount rate to 0.25% where it remains at December 31, 2012. The drop in interest rates in 2008 continues to have an impact on Tower Bank & Trust Company in 2011 and 2012 by forcing Tower Bank & Trust Company to reduce both loan and deposit rates to remain competitive in the local market. In 2009 and 2010, Tower Bank & Trust Company implemented an interest rate floor on the loan portfolio and aggressively lowered the interest rates paid on deposits to combat the prolonged period of low short-term interest rates and to improve the net interest margin. In 2011 and 2012, Tower Bank & Trust Company continued to drop the deposit rates, but needed to discontinue the use of interest rate

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floors on loans to remain competitive. While interest rates have remained low the last few years, Tower Bank & Trust Company does not expect much change in the near future based on statements from the Federal Reserve. Federal officials have stated that prolonged economic conditions would warrant exceptionally low levels for the federal funds rate at least through 2015.

Regulation and Supervision

General

Financial institutions and their holding companies are extensively regulated by federal and state law. Consequently, the growth and earnings performance can be affected not only by management decisions and general economic conditions, but also by the regulations and policies of, various governmental regulatory authorities. Those authorities include but are not limited to the Federal Reserve, the FDIC, the IDFI, the Internal Revenue Service and the state taxing authorities. The effect of such regulations and policies can be significant and cannot be predicted with any high degree of certainty.

Federal and state laws and regulations generally applicable to the business regulate among other things:

- the scope of permitted businesses,
- investments,
- reserves against deposits,
- capital levels relative to operations,
- lending activities and practices,
- the nature and amount of collateral for loans,
- the establishment of branches,
- mergers and consolidations, and
- dividends.

The foregoing system of supervision and regulation establishes a comprehensive framework, and is intended primarily for the protection of the FDIC's deposit insurance funds, the depositors of Tower Bank & Trust Company and the public, rather than the stockholders, and any change in government regulation may have a material adverse effect on the business.

Bank Holding Company Regulation

As a bank holding company, TFC is subject to regulation by the Federal Reserve under the Federal Bank Holding Company Act of 1956, as amended (the FBHC Act). Under the FBHC Act, TFC is subject to examination by the Federal Reserve and are required to file reports of TFC s operations and such additional information as the Federal Reserve may require. Under Federal Reserve policy, TFC is expected to act as a source of financial strength to Tower Bank & Trust Company and to commit resources to support the Tower Bank & Trust Company in circumstances where it might not do so absent such policy.

Any loans by a bank holding company to a subsidiary bank are subordinate in right of payment to deposits and to certain other indebtedness of such subsidiary bank. In the event of a bank holding company s bankruptcy, any commitment by the bank holding company to a federal bank regulatory agency to maintain the capital of a subsidiary bank will be assumed by the bankruptcy trustee and entitled to a priority of payment.

With certain limited exceptions, the FBHC Act prohibits bank holding companies from acquiring direct or indirect ownership or control of voting shares or assets of any company other than a bank, unless the company involved is engaged in one or more activities which the Federal Reserve has determined to be so closely related to banking or managing or controlling banks as to be incidental to these operations. Under current Federal Reserve regulations, including rules under which TFC qualifies as a bank holding company as described in the following paragraph, such permissible non-bank activities include such things as mortgage banking, equipment leasing, securities brokerage, and consumer and commercial finance company operations. As a result of recent amendments to the FBHC Act, many of these acquisitions may be affected by bank holding companies that satisfy certain statutory criteria concerning management, capitalization, and regulatory compliance, if written notice is given to the Federal Reserve within ten business days after the transaction. In certain cases, prior written notice to the Federal Reserve will be required. Notwithstanding the scope of these permissible activities, TFC has not organized nor has it sought to establish any of these types of businesses.

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The Federal Reserve uses capital adequacy guidelines in its examination and regulation of bank holding companies. If capital falls below minimum guidelines, a bank holding company may, among other things, be denied approval to acquire or establish banks or non-bank businesses. See Management's Discussion and Analysis of Financial Condition and Results of Operations - Capital Sources.

Bank Regulation

Tower Bank & Trust Company is an Indiana banking corporation and a member of the Federal Reserve System. As a state-chartered member bank, Tower Bank & Trust Company is subject to the examination, supervision, reporting and enforcement jurisdiction of the IDFI, as the chartering authority for Indiana banks, and the Federal Reserve as the primary federal bank regulatory agency for state-chartered member banks. The deposit accounts are insured by the Bank Insurance Fund of the FDIC.

These agencies, and federal and state law, extensively regulate various aspects of the banking business including, among other things:

- permissible types and amounts of loans,
- investments and other activities,
- capital adequacy,
- branching,
- interest rates on loans and on deposits,
- the maintenance of noninterest-bearing reserves on deposit, and
- the safety and soundness of banking practices.

Federal law and regulations, including provisions added by the Federal Deposit Insurance Corporation Improvement Act of 1991 and regulations promulgated thereunder, establish supervisory standards applicable to the lending activities of Tower Bank & Trust Company, including internal controls, credit underwriting, loan documentation, and loan-to-value ratios for loans secured by real property.

Tower Bank & Trust Company is subject to certain federal and state statutory and regulatory restrictions on any extension of credit to Tower Financial Corporation or any of the subsidiaries, on investments in the stock or other securities of the subsidiaries, and on the acceptance of the stock or other securities of the subsidiaries as collateral for loans to any person. Limitations and reporting requirements are also placed on extensions of credit by Tower Bank & Trust Company to its directors and officers, to the directors and officers and to the directors and officers of the subsidiaries, to the principal stockholders, and to related interests of such persons. In addition, such legislation and regulations may affect the terms upon which any person becoming a director or officer of Tower Financial Corporation or one of the subsidiaries or a principal stockholder of Tower Financial Corporation may obtain credit from banks with which Tower Bank & Trust Company maintains a correspondent relationship. Also, in certain circumstances, an Indiana banking corporation may be required by order of the Department to increase the capital or reduce the amount of the deposits.

The federal banking agencies have published guidelines implementing the FDIC's requirement that the federal banking agencies establish operational and managerial standards to promote the safety and soundness of federally insured depository institutions. The guidelines establish standards for internal controls, information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, and compensation, fees and benefits. In general, the guidelines prescribe the goals to be achieved in each area, and each institution is responsible for establishing its own procedures to achieve those goals. If an institution fails to comply with any of the standards set forth in the guidelines, the institution's primary federal bank regulator may require the institution to submit a plan for achieving and maintaining compliance. The preamble to the guidelines states that the agencies expect to require a compliance plan from an institution whose failure to meet one or more of the standards is of such severity that it could threaten the safe and sound operation of the institution. Failure to submit an acceptable compliance plan, or failure to adhere to a compliance plan that has been accepted by the appropriate regulator, would constitute grounds for further enforcement action.

Insurance of Deposit Accounts

As an FDIC-insured institution, Tower Bank & Trust Company is required to pay deposit insurance premiums based on the risk it poses to the Bank Insurance Fund. The FDIC also has authority to raise or lower assessment rates on insured deposits to achieve the statutorily required reserve ratios in insurance funds and to impose special additional assessments. The FDIC has utilized a risk based assessment system since 2008. Under this system, the banks are evaluated based on three primary sources of information: supervisory ratings, financial ratios, and long-term debt issuer ratings (for large institutions only). Due to a large number of bank failures throughout the United States in 2008 and 2009, the FDIC deposit insurance

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fund was depleted and required additional assessments to replenish the fund to an acceptable level. Premiums were not only increased to replenish the fund, but because of additional operating expenses the FDIC would incur due to increased resolution activities expected in the future.

Also, in 2008, the FDIC increased the limit of insured funds to \$250,000 on interest-bearing deposits and an unlimited amount on noninterest-bearing deposits compared to the previous limit of \$100,000 on all deposits. These temporary limits for unlimited insurance on noninterest-bearing accounts ended on December 31, 2012, but the increased limit on all deposit accounts up to \$250,000 was permanently implemented to ease the fears of banking customers after the bank failures over the recent years. Based on these additional costs, the FDIC raised the assessment rates in 2009, assessed a one-time special assessment due September 30, 2009 equal to five basis points of total assets less Tier 1 Capital, and issued an assessment to prepay the quarterly assessments for the fourth quarter 2009, and for all 2010, 2011 and 2012 along with the quarterly risk-based assessment for the third quarter of 2009 on December 30, 2009.

The FDIC began drawing down prepaid assessments on March 30, 2010, representing payment for the regular quarterly risk-based assessment for the fourth quarter of 2009. Each institution continues to receive quarterly assessment statements from the FDIC and expenses the amount due, but the institution's quarterly risk-based deposit insurance assessments are paid through a reduction in the amount prepaid in March of 2010 until that amount is exhausted or until December 31, 2014, when any amount remaining will be returned to the institution. The remaining balance in the prepaid FDIC assessment account was \$925,337 as of December 31, 2012, which was a decrease of \$625,796 from December 31, 2011. The decrease in the assessment during 2013 is expected to be similar to 2012 barring any significant change in total assets less Tier 1 Capital and/or unforeseen regulatory changes.

Consumer and Other Laws

Tower Bank & Trust Company's business also includes making a wide variety of consumer loans. When making consumer loans, Tower Bank & Trust Company is subject to state usury and regulatory laws and to various federal statutes, such as the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Truth in Lending Act, the Real Estate Settlement Procedures Act, the Secure and Fair Enforcement for Mortgage Licensing Act and the Home Mortgage Disclosure Act, as well as the regulations promulgated thereunder, which prohibit discrimination, specify disclosures to be made to borrowers regarding credit and settlement costs and regulate the mortgage loan servicing activities of Tower Bank & Trust Company, including the maintenance and operation of escrow accounts and the transfer of mortgage loan servicing.

The Riegle Act imposed new escrow requirements on depository and non-depository mortgage lenders and services under the National Flood Insurance Program. In receiving deposits, Tower Bank & Trust Company is subject to extensive regulation under state and federal law and regulations, including the Truth in Savings Act, the Expedited Funds Availability Act, the Bank Secrecy Act, the Electronic Funds Transfer Act, and the Federal Deposit Insurance Act. Violation of these laws could result in the imposition of significant damages and fines upon Tower Bank & Trust Company, its directors and officers.

The Gramm-Leach-Bliley Act (or Gramm-Leach) which was signed into law on November 12, 1999 and contains provisions intended to safeguard consumer financial information in the hands of financial service providers by, among other things, requiring these entities to disclose their privacy policies to their customers and allowing customers to opt out of having their financial service providers disclose their confidential financial information to non-affiliated third parties, subject to certain exceptions. Final regulations implementing the new financial privacy regulations became effective during 2001. Similar to most other consumer-oriented laws, the regulations contain some specific prohibitions and require timely disclosure of certain information.

Under the Community Reinvestment Act (or CRA) and the implementing regulations, Tower Bank & Trust Company has a continuing and affirmative obligation to help meet the credit needs of its local community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of the institution. The CRA requires the Board of Directors of financial institutions, such as Tower Bank & Trust Company, to adopt a CRA statement for each assessment area that, among other things, describes its efforts to help meet community credit needs and the specific types of credit that the institution is willing to extend. Tower Bank & Trust Company's service area is designated as all of Allen County and Warsaw, Indiana. Tower Bank & Trust Company's Board of Directors is required to review the appropriateness of this area designation at least annually. The CRA also requires that all financial institutions publicly disclose their CRA ratings. Tower Bank & Trust Company received a satisfactory rating on its most recent CRA performance evaluation.

The Dodd-Frank Wall Street Reform and Consumer Protection Act was signed on July 21, 2010 (Dodd-Frank) and was enacted to create a sound economic foundation to grow jobs, protect consumer, rein in Wall Street and big bonuses, end bailouts and the Too Big to Fail , and prevent another financial crisis. Highlights of Dodd-Frank include the following:

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- Created a new independent authority housed at the Federal Reserve, The Consumer Financial Protection Bureau- that consolidates and strengthens consumer protection responsibilities previously handled by other regulatory authorities, such as the FDIC and the Federal Reserve.
- Created a council to identify and address systemic risks posed by large, complex companies, products, and activities before they threaten the stability of the economy.
- Provides stockholders with a say on pay and corporate affairs with a non-binding vote on executive compensation and golden parachutes.
- Provides tough new rules for transparency and accountability for credit rating agencies to protect investors and businesses.
- Strengthens oversight and empowers regulators to aggressively pursue financial fraud, conflicts of interest and manipulation of the system that benefits special interests at the expense of American families and businesses.

USA Patriot Act of 2001

On October 6, 2001, the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA Patriot Act) was enacted. The statute increased the power of the U.S. Government to obtain access to information and to investigate a full array of criminal activities. In the area of money laundering activities, the statute added terrorism, terrorism support, and foreign corruption to the definition of money laundering offenses and increased the civil and criminal penalties for money laundering; applied certain anti-money laundering measures to U.S. bank accounts used by foreign persons; prohibited financial institutions from establishing, maintaining, administering or managing a correspondent account with a foreign shell bank; provided for certain forfeitures of funds deposited in U.S. interbank accounts by foreign banks; provided the Secretary of the Treasury with regulatory authority to ensure that certain types of bank accounts are not used to hide the identity of customers transferring funds and to impose additional reporting requirements with respect to money laundering activities; and included other measures.

On October 28, 2002, the Department of Treasury issued a final rule concerning compliance by covered U.S. financial institutions with the new statutory anti-money laundering requirement regarding correspondent accounts established or maintained for foreign banking institutions, including the requirement that financial institutions take reasonable steps to ensure that correspondent accounts provided to foreign banks are not being used to indirectly provide banking services to foreign shell banks. Tower Bank & Trust Company believes that compliance with the new requirements has not had a material adverse impact on its operations or financial condition.

Competition

All phases of the banking business are highly competitive. Tower Bank & Trust Company competes with numerous financial institutions, including other commercial banks in the greater Fort Wayne, Warsaw, Allen County and Kosciusko County market areas in Northeast Indiana. In 2012, there were 21 banking institutions, excluding credits unions, with 106 total locations throughout Allen County. This compares to 20 banking institutions with 104 locations in 2011. The four largest banks in Allen County are Wells Fargo, JP Morgan Chase, PNC, and Lake City Bank, and they comprise approximately 64% of the deposit market share as of June 30, 2012. In 2012, Tower Bank & Trust Company was ranked fifth in Allen County with almost 10% of the deposit market share.

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Tower Bank & Trust Company also faces competition from thrift institutions, credit unions and other banks as well as finance companies, insurance companies, mortgage companies, securities brokerage firms, money market funds, trust companies and other providers of financial services. Many of the competitors have been in business for many years longer than us, so they have established customer bases, and are larger and have larger lending limits than Tower Bank & Trust Company does. Tower Bank & Trust Company competes for loans principally through the ability to communicate effectively with the customers and understand and meet their needs. Tower Bank & Trust Company offer personal attention, professional service, off-site ATM capability and competitive interest rates. Tower Bank & Trust Company believes that the personal service philosophy enhances the ability to compete favorably in attracting individuals and small- to medium-sized businesses. Additionally, Tower Bank & Trust Company was one of the first to bring HSA to the market after they were established in 2004 and they provide HSA to clients in all fifty states. In 2012, Tower Bank & Trust Company was ranked one of the top 20 HSA providers in the nation.

Table of Contents**Employees**

As of November 26, 2013, TFC had 166 employees, including approximately 161.25 full-time equivalents. None of the employees are covered by a collective bargaining agreement. Management believes that its relationship with the employees is good.

Properties

The properties below are owned or leased by TFC or Tower Bank & Trust Company and TFC believes these properties are suitable and adequate for our current business and are appropriately utilized.

Description	Location	Own or Lease
Corporate Headquarters	Fort Wayne, Indiana (Downtown)	Lease
Dupont Branch	Fort Wayne, Indiana (North)	Own
Scott/Illinois Branch	Fort Wayne, Indiana (Southwest)	Own
Stellhorn/Lahmeyer Branch	Fort Wayne, Indiana (Northeast)	Own
Waynedale Branch	Fort Wayne, Indiana (South)	Own
Covington Branch	Fort Wayne, Indiana (Southwest)	Own
Warsaw Branch	Warsaw, Indiana (Downtown)	Own

TFC conducts business through the Corporate Headquarters and the branches. None of the properties it owns is subject to any major encumbrance. TFC's net investment in real estate and equipment at December 31, 2012 was \$8.9 million.

Legal Proceedings

None.

Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity SecuritiesMarket Information

TFC common stock is traded on the NASDAQ Global Market System under the symbol TOFC. As of September 30, 2013, there were 423 stockholders of record and approximately 995 beneficial owners of the common stock.

The following table also presents the high and low sales prices for TFC common stock on the NASDAQ Global Market System, by quarter for 2013, 2012 and 2011.

High/Low Stock Price	2013		2012		2011	
	High	Low	High	Low	High	Low
1st Quarter	\$ 13.98	\$ 11.790	\$ 12.600	\$ 8.310	\$ 8.980	\$ 7.550
2nd Quarter	\$ 15.00	\$ 12.92	\$ 10.930	\$ 10.050	\$ 8.960	\$ 8.000
3rd Quarter	\$ 23.420	\$ 14.00	\$ 12.770	\$ 9.460	\$ 9.000	\$ 7.200
4th Quarter (through [], 2013)	\$	\$	\$ 14.250	\$ 11.300	\$ 8.680	\$ 7.020

Dividends

Because TFC is a holding company and substantially all of its assets are held by the Tower Bank & Trust Company, TFC's primary source of cash for dividends has been Tower Bank & Trust Company. Payments from Tower Bank & Trust Company to TFC are subject to legal and regulatory limitations, generally based on capital levels and profits, imposed by law and regulatory agencies with authority over Tower Bank & Trust Company. The ability of Tower Bank & Trust Company to pay dividends is also subject to its profitability, financial condition, capital expenditures and other cash flow requirements. In addition, under the terms of the debentures issued in connection with certain trust preferred securities due in 2035 and 2037,

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TFC would be precluded from paying dividends on its common stock (other than dividends in the form of additional shares of common stock) if TFC is in default under these debentures, if TFC has exercised its right to defer payments of interest on these debentures, or if certain related defaults occurred.

From April 23, 2010 until its termination on July 10, 2012, TFC and its wholly-owned subsidiaries were under a written agreement with the Federal Reserve and the IDFI, (the "Written Agreement"). One of the requirements in the Written Agreement was that TFC was not to pay dividends on or redeem any common or preferred stock or other capital stock, or make any payments of interest on its Trust Preferred Debt, without written approval from the Federal Reserve. As a result, no preferred stock dividends, common stock dividends or Trust Preferred Debt interest payments were made in 2010 or 2011.

In June of 2012, TFC paid all of the deferred interest payments on its outstanding trust preferred subordinated securities in the amount of \$2.3 million. TFC received permission on May 11, 2012, from the Federal Reserve Bank of Chicago to make both of these payments on their respective due dates.

Effective July 10, 2012, the Federal Reserve and IDFI terminated the Written Agreement. As a result, Tower Bank & Trust Company was able to pay \$5.7 million in dividends to TFC to fund the purchase of a \$1.0 million par value equity security in the amount of \$902,900, to fund two quarterly dividends and one special dividend to stockholders totaling \$2.9 million, and to fund the repurchase of 141,850 shares of TFC's common stock. In 2013, Tower Bank & Trust Company was able to pay \$1.4 million in dividends to TFC to fund four quarterly dividends and one special dividend to stockholders totaling \$1.2 million. Prior to the third quarter of 2012, no dividend payments had been made since the first quarter of 2008.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

This Management's Discussion and Analysis of TFC and its wholly-owned subsidiary, Tower Bank & Trust Company should be read with the consolidated financial statements included elsewhere in this proxy statement/prospectus. The financial statements reflect the consolidated financial condition and results of operations of TFC and Tower Bank & Trust Company.

Overview for the Nine (9) Months Ended September 30, 2013

Net income for the nine months ended September 30, 2013 and 2012 was \$5.7 million and \$4.0 million, respectively. The 41.5% increase in net income was the result of decreasing loan provision expense by \$3.1 million and an increase in noninterest income of \$840,336. These increases to net income were offset by a decrease in net interest income of \$1.3 million, an increase in income tax expense of \$659,048, and an increase in noninterest expense of \$336,676. Loan provision expenses decreased due to improvements in asset quality, declining historical loss rates, and a decrease in adversely rated credits. The increase in noninterest income was led by increases in gains on available-for-sale securities and trust and brokerage income, and was offset by decreases in mortgage banking income. Increases in noninterest expense were led by increases in salaries and benefits, loan and professional costs, and data processing expenses of \$485,719, \$290,314, and \$256,072, respectively. These increases were offset by decreases in other real estate owned ("OREO") expenses of \$692,453 and FDIC insurance premiums of \$136,699.

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Total assets increased \$17.9 million, or 2.6%, from \$684.0 million at December 31, 2012 to \$701.9 million at September 30, 2013. This increase was the result of an \$11.2 million increase in investment securities, a \$3.2 million increase in bank owned life insurance (BOLI), and a \$1.1 million increase in total loans. The increase in investment securities was primarily in the tax-exempt municipal and mortgage-backed security sectors. The increase in total loans was the result of increases in commercial and commercial real estate loans in the amount of \$8.8 million and \$5.5 million, respectively; offset by decreases in residential real estate, home equity, and consumer loans totaling \$13.1 million. Of those decreases, the decrease in residential real estate loans of \$7.3 million was primarily the result of existing loans being refinanced in the current low interest rate environment. As these loans were refinanced, management chose to sell the majority of new loans originated and let the existing balance decline in an effort to reduce the exposure to long-term, low rate loans.

Total deposits increased by \$29.2 million, or 5.2%, from December 31, 2012, to September 30, 2013. The increase in total deposits to \$590.2 million at September 30, 2013, was primarily related to increases of \$15.3 million in health savings accounts, \$4.6 million in savings accounts, \$6.8 million in money market accounts, and \$9.5 million in brokered deposits. The increase in HSAs, which are included in interest-bearing checking accounts, was primarily due to the annual employer funded contributions made to their employees HSAs in January. The increase in brokered deposits was strategically planned

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by management to fund the remaining portion of the municipal bond leverage strategy. Offsetting the increase was a decrease of approximately \$8.8 million of interest-bearing commercial and consumer checking accounts, excluding HSAs.

Financial Condition

Total assets were \$701.9 million at September 30, 2013, compared to total assets of \$684.0 million at December 31, 2012. The increase was primarily due to the \$11.2 million increase in investment securities and the \$3.2 million increase in BOLI.

Cash and Cash Equivalents. Cash and cash equivalents, which include federal funds sold, were \$16.2 million at September 30, 2013. This represents a \$1.4 million, or 9.2%, increase from December 31, 2012. This balance tends to fluctuate on a daily basis as new funds come in and others are sent out to fund commitments, such as new loans or investment purchases.

Investment Securities

Trading Securities. At September 30, 2013, TFC held \$230,300 in trading securities. This asset is an investment in mutual funds that is associated with a nonqualified deferred compensation plan for TFC's executive officers. TFC attempts to mirror investment performance in the participant deemed deferred compensation accounts, which allows for reduced risk for TFC since changes in the nonqualified participant liabilities will tend to be offset by similar changes in the corporate trading assets.

Securities Available for Sale. Available-for-sale securities increased by \$11.0 million, or 6.3%, from December 31, 2012. This increase was primarily due to purchases of residential mortgage-backed securities and tax-exempt municipal securities. TFC is focused on preserving net interest income while maintaining a consistent level of quality earning assets. Due to this focus, TFC has increased its portfolio of available-for-sale securities to supplement the decline in interest income from lower loan and investment yields as a result of the extended low-rate interest environment. At September 30, 2013, available-for-sale securities made up 26.4% of total assets compared to 25.4% of total assets at December 31, 2012.

Loans. Total loans increased \$1.1 million from December 31, 2012, to \$451.5 million at September 30, 2013. While loan growth was only 0.23% from December 31, 2012, to September 30, 2013, there was significant movement within the loan portfolio. Over the nine-month period in 2013, commercial and commercial real estate loans grew by \$8.8 million and \$5.5 million, respectively. Of the \$5.5 million increase in commercial real estate, there was growth of \$9.9 million in owner-occupied and investment purpose commercial real estate properties offset by a \$4.4 million reduction in commercial real estate construction loans; otherwise known as, acquisition and development loans. Offsetting the increases were decreases in residential real estate loans of \$7.3 million, home equity loans of \$4.8 million, and consumer loans of \$1.0 million. The \$7.3 million decrease in residential mortgage loans was primarily the result of existing loans being refinanced in the current low interest rate environment. As these loans were refinanced, management chose to sell the majority of new loans originated and let the existing balances decline in an effort to reduce its exposure to long-term, low rate loans. New residential mortgage loan originations during the first nine months of 2013 totaled \$58.8 million, of which only \$18.2 million was retained. While new commercial and commercial real estate loans are regularly added to the portfolio, they continue to be offset by amortization and pay downs on existing loans as business customers are using excess cash reserves to pay down loan balances. New commercial and commercial real estate loan volume during the first nine months of 2013 was approximately \$109.2 million. Competition and declining rates in the local and national lending environment also continues to be a challenge as

TFC looks to replace these paid off and paid down loans with new loans meeting the asset quality, price, and risk deemed acceptable by its lending policies and management.

Nonperforming Assets. Nonperforming assets include impaired securities, nonperforming loans, OREO, and other impaired assets. Nonperforming loans include loans 90 days past due and still accruing interest, nonperforming restructured loans, and nonaccrual loans. Nonperforming assets decreased by \$8.9 million from \$18.8 million, or 2.7% of total assets, at December 31, 2012, to \$9.9 million, or 1.4% of total assets, at September 30, 2013. This decrease was primarily due to payoffs and pay downs totaling \$3.4 million on nonaccrual loans; one troubled debt restructured commercial loan (TDR) in the amount of \$1.2 million being reclassified as a performing TDR; the sale of one nonaccrual commercial and one nonaccrual commercial real estate loan totaling \$2.1 million; partial charge-offs in the amount of \$975,086; sales of OREO properties totaling \$1.7 million; and upgrades to remove from nonaccrual status of approximately \$763,000. These reductions were primarily offset by the addition of new nonperforming relationships totaling \$1.2 million, which were predominantly made up of six small business commercial relationships totaling \$893,237.

The following table summarizes TFC s recorded investment in nonperforming assets at the dates indicated:

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	September 30, 2013	December 31, 2012
Loans past due over 90 days and still accruing	\$ 742,931	\$ 109,888
Nonperforming restructured loans		1,645,224
Nonaccrual loans	6,762,484	14,967,886
Total nonperforming loans	\$ 7,505,415	\$ 16,722,998
Other real estate owned	2,351,694	1,908,010
Other impaired assets owned	50,516	129,853
Total nonperforming assets	\$ 9,907,625	\$ 18,760,861
Nonperforming assets to total assets	1.41%	2.74%
Nonperforming loans to total loans	1.66%	3.71%

TDR loans decreased \$1.2 million from December 31, 2012, to September 30, 2013. The decrease was mainly due to the sale of one commercial real estate loan with a principal balance of \$1.1 million at December 31, 2012, and the payoff of one commercial loan in the amount of \$425,253. These decreases were offset by the addition of one commercial loan with a balance at September 30, 2013, of \$319,700. This commercial loan was deemed a TDR due to renewing a collateral deficient loan to a borrower experiencing financial difficulty. They had two TDR loan relationships totaling \$1.6 million that were reported as impaired, nonperforming TDRs at December 31, 2012. As of September 30, 2013, one of those loans in the amount of \$1.2 million has been reclassified as an impaired, performing TDR, while the other was moved to nonaccrual status as a nonperforming TDR. The general policy for TDRs is to reclassify the loans to performing once timely payments have been received for over 6 months since their restructurings. It is TFC's policy to continue to base its measure of loan impairment on the contractual terms specified by the loan agreement in accordance with paragraphs ASC 310-10-35-20 through 35-26 and ASC 310-10-35-37. At September 30, 2013, management believes it has allocated adequate specific reserves for the risks associated with the loan portfolio.

The following table summarizes TFC's TDR loans as of the dates indicated:

	September 30, 2013	December 31, 2012
Nonperforming TDR loans	\$	\$ 1,645,224
Nonperforming TDR loans included in nonaccrual loans	1,487,455	2,241,937
Total nonperforming TDR loans	\$ 1,487,455	\$ 3,887,161
Performing TDR loans	1,949,736	795,703
Total TDR loans	\$ 3,437,191	\$ 4,682,864

Loans reported as impaired decreased to \$11.7 million from the \$18.2 million reported at December 31, 2012. The decrease in the impaired loans was primarily due to payoffs and pay downs totaling \$3.7 million, the sale of two commercial nonaccrual loans in the amount of \$2.1 million, partial charge-offs in the amount of \$975,086, the transfer of four nonaccrual loans to OREO in the amount of \$2.4 million, and the reclassification of one commercial real estate loan to unimpaired in the amount of \$641,577. These decreases were offset primarily by the addition of one impaired commercial loan totaling \$3.3 million.

During the nine months ended September 30, 2013, it added \$920,775 in loans to non-accrual status, which primarily included two commercial loans totaling \$765,652, which were already deemed impaired at December 31, 2012 and had no impact on total impaired loans. Adding these types of loans to non-accrual status is a typical migration as it works to dispose of these assets. This growth in non-accruals was offset by the pay offs, charge-offs, dispositions, or payments on loans previously placed on nonaccrual as described in aforementioned paragraph.

Adjustments to certain commercial and residential real estate properties classified as other real estate owned (OREO) are measured at the lower of carrying amount or fair value, less costs to sell. Fair values are generally based on third party appraisals of the property that include certain assumptions and unobservable inputs used many times by appraisers, resulting in a Level 3 classification. In cases where the carrying amount exceeds the fair value, less costs to sell, an impairment loss is recognized. Whenever a new fair value is determined, which is typically done on an annual basis in the

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OREO category, TFC reports the property at that new value. The internal policy on OREO properties generally requires an updated appraisal every 12 to 24 months based on the property type. OREO increased by \$443,684 in the first nine months of 2013 as a result of the addition of three commercial real estate properties totaling \$1.1 million and one residential real estate property in the amount of \$1.0 million. These increases were offset by sales of two commercial real estate properties in the amount of \$802,112 and various lot sales on five commercial real estate development projects totaling \$842,011, and the receipt of insurance proceeds on one commercial property in the amount of \$35,660. All OREO sales during the nine month period in 2013 resulted in a net gain on sales of \$395,394.

Allowance for Loan Losses. Each quarter the allowance for loan losses is adjusted to the amount management believes is necessary to maintain the allowance at adequate levels. Management allocates specific portions of the allowance for loan losses to specific problem loans. Problem loans are identified through a loan risk rating system and monitored through watch list reporting. Specific reserves are determined for each identified problem loan based on delinquency rates, collateral and other risk factors specific to that problem loan. Management's allocation of the allowance to other loan pools considers various factors including historical loss experience, the present and prospective financial condition of borrowers, industry concentrations within the loan portfolio, general economic conditions, and peer industry data of comparable banks.

The allowance for loan losses at September 30, 2013, was \$6.8 million, or 1.51% of total loans outstanding, a decrease of \$1.5 million from \$8.3 million, or 1.84% of total loans outstanding, at December 31, 2012. The provision for loan losses for the first nine months in 2013 resulted in a benefit of \$825,000 compared to an expense of \$2.3 million for the first nine months in 2012. The decrease in the allowance for loans losses was due to management's continued focus on improving asset quality and profitability by reducing the balance of watch list or adversely rated loans categorized as special mention, substandard, or doubtful. Adversely rated loans decreased from a recorded investment of \$37.6 million at December 31, 2012 to \$27.8 million at September 30, 2013, which was a \$9.8 million decrease. The reduction in these credits was the result of payoffs and pay downs, charge-offs, upgrades in rating, loan sales and refinancing through another institution. Improving asset quality has led to a decline in historical loss rates over the last couple of years, which has also been a primary cause for the decrease in the allowance for loan losses.

For the first nine months of 2013, TFC was in a net charge-off position of \$655,306 compared to a net charge-off position of \$3.2 million for the first nine months of 2012. Of the \$975,086 in gross charge-offs, \$670,377 were from two commercial relationships, which had \$793,000 of specific reserves at December 31, 2012.

All Other Assets. All other assets increased \$4.8 million as a result of increases in other investments in the amount of \$4.0 million, BOLI in the amount of \$3.2 million, and the deferred tax asset on net unrealized holding losses on securities available for sale in the amount of \$2.3 million. Other investments increased due to TFC's participation in a Section 42 Low Income Housing project in the amount of \$2.0 million and due to a \$2.0 million investment in 2,000 shares of non-market traded Senior Housing Crime Prevention's preferred stock. BOLI increased by \$3.2 million due to TFC investing in additional policies in the amount of \$2.8 million and compounded earnings during the period. These increases were offset by decreases in other assets receivable, current and deferred assets on the income taxes, and prepaid FDIC insurance in the amounts of \$2.2 million, \$1.4 million, and \$925,337, respectively. The \$2.3 million decrease in other assets receivable was due to receiving cash for three security sales that traded in December of 2012, but settled in January of 2013. The decrease in the current and deferred assets on income taxes was primarily due to the increase in the taxable income. Prepaid FDIC insurance decreased by \$925,337 due to being charged the first quarter premiums for 2013 and receiving a refund for the remaining prepaid balance with the FDIC.

Deposits. Total deposits were \$590.2 million at September 30, 2013, compared to \$561.0 million at December 31, 2012. The increase in total deposits was primarily related to increases of \$15.3 million HSAs, \$4.6 million in savings accounts, \$6.8 million in money market accounts, and \$9.5 million in brokered deposits. HSAs increased from a balance of \$79.3 million at December 31, 2012, to \$94.6 million at September 30, 2013, which is a 19.3% increase. The increase in HSAs, which are included in interest-bearing checking accounts, was largely due to the annual employer and employee funded contributions to HSAs, which is expected during the month of January each year. Generally, after the large

increase in the balance of HSAs during the first quarter, the balance tends to remain somewhat flat for the remainder of the year with fluctuations coming from accountholders making qualified contributions and withdrawals. Brokered deposits increased from \$90.2 million at December 31, 2012 to \$99.7 million at September 30, 2013, which is a 10.5% increase. The majority of this increase in brokered deposits occurred during the first quarter of 2013 and was strategically planned by management to fund the remaining portion of the \$25.0 million municipal bond leverage strategy. As described in the Annual Report Form 10-K for December 31, 2012, this strategy was implemented in the fourth quarter of 2012 to preserve net interest income. This strategy will add approximately \$250,000 annually to net interest income, but will cause a decrease in net interest margin. Offsetting the increases in deposits was a decrease of approximately \$8.8 million of interest-bearing checking accounts, excluding HSAs.

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The following table summarizes TFC's deposit balances at the dates indicated:

	September 30, 2013		December 31, 2012	
	Balance	%	Balance	%
Core deposits:				
Noninterest-bearing demand	\$ 110,828,555	18.8%	\$ 108,147,229	19.3%
Interest-bearing checking	176,523,260	29.9%	170,047,196	30.4%
Money market	127,073,228	21.5%	120,253,915	21.4%
Savings	33,501,881	5.7%	28,874,130	5.1%
Time, under \$100,000	24,604,477	4.2%	25,934,861	4.6%
Total core deposits	472,531,401	80.1%	453,257,331	80.8%
Non-core deposits:				
In-market non-core deposits:				
Time, \$100,000 and over	17,947,305	3.0%	17,521,247	3.1%
Out-of-market non-core deposits:				
Money market	12,046,795	2.0%	12,035,072	2.1%
Brokered certificate of deposits	87,710,000	14.9%	78,193,688	14.0%
Total out-of-market deposits	99,756,795	16.9%	90,228,760	16.1%
Total non-core deposits	117,704,100	19.9%	107,750,007	19.2%
Total deposits	\$ 590,235,501	100.0%	\$ 561,007,338	100.0%

Borrowings. TFC had borrowings of \$44.3 million at September 30, 2013, compared to \$54.9 million at December 31, 2012. The decrease of \$10.6 million during the first nine months of the year was due to three long-term fixed rate FHLB advances maturing in the amount of \$8.0 million and reducing the variable rate, short-term borrowings with the FHLB by \$4.6 million. These decreases were offset by replacing the matured FHLB Advances with a 0.62% fixed rate bullet for \$2.0 million. The current weighted average rate on the FHLB advances is 0.61% with a weighted average remaining maturity of 1.4 years. We also had \$17.5 million of aggregate principal amount in junior subordinated debenture outstanding at September 30, 2013 and December 31, 2012. We currently have two statutory trust subsidiaries, TCT2 and TCT 3. TCT 2 has a variable rate of LIBOR plus 1.34% on \$8.0 million of debt. TCT 3 has a variable rate of LIBOR plus 1.69% on the remaining \$9.0 million of debt. Interest rates at September 30, 2013, for TCT 2 and TCT 3 were 1.59% and 1.95%, respectively.

All Other Liabilities. All other liabilities were \$5.3 million at September 30, 2013, an increase of \$1.0 million compared to December 31, 2012. This increase was primarily due to an increase of \$1.2 million in other accounts payable to fund the remaining investment for TFC's participation in a Section 42 Low Income Housing project. Offsetting this increase was a decrease of \$120,650 in other accrued amounts, including accrued salaries, commissions, and SERP payments.

Results of Operations

For the Nine-Month Periods Ended September 30

Results of operations for the nine-month period ended September 30, 2013 reflected net income of \$5.7 million, or \$1.21 per diluted share. This was a \$1.7 million increase from net income of \$4.0 million, or \$0.83 per diluted share, reported for the nine-month period ended September 30, 2012. The increase in net income was the result of decreasing loan provision expense by \$3.1 million and an increase in noninterest income of

\$840,336. These increases to net income were offset by a decrease in net interest income of \$1.3 million, an increase in noninterest expense of \$336,676, and an increase in income tax expense of \$659,048.

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Performance Ratios	2013	September 30 2012
Return on average assets *	1.11%	0.81%
Return on average equity *	12.12%	8.31%
Net interest margin (TEY) *	3.49%	3.87%
Efficiency ratio	69.09%	66.27%

* annualized

Net Interest Income. Net interest income for the nine-month periods ended September 30, 2013 and 2012 was \$15.4 million and \$16.7 million, respectively. The reduction in net interest income of \$1.3 million from 2012 to 2013 was the result of a decrease in average earning assets coupled with a decrease in net interest margin. The 38 basis point decrease in net interest margin was due to a decline in loan and investment yields and a shift in the components that make up the earning assets. The tax equivalent net interest margin for the first nine months of 2013 was 3.49%, while the tax equivalent net interest margin for the first nine months of 2012 was 3.87%.

The primary cause for the decrease in net interest margin was the decrease in average loans of \$25.1 million coupled with a 39 basis point decrease in loan yield, which amounted to a \$2.2 million decrease in interest income for the first nine months of 2013 compared to the same period for 2012. Loan yield has decreased as a result of continual declines in lending rates in the local and national markets. Also contributing to the decrease in net interest margin was a decline in the tax equivalent investment yield to 2.95% at September 30, 2013 from 3.73% at September 30, 2012. This decline was predominantly due to a decline in reinvestment rates on securities, both taxable and tax exempt. In an effort to decrease the impact of the decline in investment yield on net interest income, the average balance of investment securities was increased by \$53.6 million for the same period primarily due to the implementation of management's municipal bond leverage strategy.

At September 30, 2013 and 2012, average loans made up 69.3% and 76.8% of average earning assets, respectively, and average investment securities made up 29.2% and 21.8% of average earning assets, respectively. As the mix of average earning assets has shifted with more weight on the portfolio of investment securities, the tax equivalent net interest margin has declined due to this type of portfolio naturally earning a lower yield than the loan portfolio.

This decrease in interest income was offset by a decrease in interest expense due to the cost of funds ratio decreasing from 0.85% at September 30, 2012 to 0.56% at September 30, 2013 for the nine month periods. This 29 basis point reduction was mainly due to the low interest rate environment and the shift in the deposit portfolio. As reflected in the following table, TFC has experienced a shift in the deposit portfolio from certificates of deposit and money markets to lower-cost, interest bearing checking accounts, which has contributed to the decrease in cost of funds. This shift in deposits and the lowering of rates decreased interest expense by \$722,406 during the first nine months of 2013 compared to the first nine months of 2012. On March 1, 2012, the last \$9.0 million of trust preferred debt with a fixed rate of 6.56% as of December 31, 2011 moved to a floating rate of LIBOR plus 169 basis points, which was 1.95% at September 30, 2013. This change in interest rate saved \$125,524 for nine-month period ended September 30, 2013 compared to the same period in 2012.

The following table reflects the average balance, interest earned or paid, and yields or costs of TFC's assets, liabilities and stockholders' equity at and for the dates indicated:

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(\$ in thousands)	As of and For The Nine Month Period Ended					
	September 30, 2013			September 30, 2012		
	Average Balance	Interest Earned or Paid	Annualized Yield or Cost	Average Balance	Interest Earned or Paid	Annualized Yield or Cost
Assets						
Short-term investments and interest-earning deposits	\$ 1,861	\$ 10	0.72%	\$ 1,777	\$ 35	2.63%
Federal funds sold	3,129	2	0.09%	3,063	2	0.09%
Securities - taxable	93,716	860	1.23%	74,729	1,467	2.62%
Securities - tax exempt (1)	91,465	3,224	4.71%	56,869	2,215	5.20%
Loans held for sale	4,477		0.00%	3,576		0.00%
Loans	438,782	14,562	4.44%	463,836	16,764	4.83%
Total interest-earning assets	633,430	18,658	3.94%	603,850	20,483	4.53%
Allowance for loan losses	(7,969)			(9,333)		
Cash and due from banks	13,635			21,981		
Other assets	43,928			40,301		
Total assets	\$ 683,024			\$ 656,799		
Liabilities and Stockholders Equity						
Interest-bearing checking	\$ 180,945	\$ 100	0.07%	\$ 153,620	\$ 151	0.13%
Savings	31,303	10	0.04%	24,590	10	0.05%
Money market	120,116	91	0.10%	126,335	278	0.29%
Certificates of deposit	44,857	161	0.48%	54,724	414	1.01%
Brokered deposits	97,354	1,432	1.97%	81,619	1,664	2.72%
Short-term borrowings	1		0.00%	1,057		0.00%
FHLB advances	14,708	89	0.81%	12,678	117	1.23%
Junior subordinated debt	17,527	241	1.84%	17,527	367	2.80%
Total interest-bearing liabilities	506,811	2,124	0.56%	472,150	3,001	0.85%
Noninterest-bearing checking	107,532			114,684		
Other liabilities	5,978			5,589		
Stockholders equity	62,703			64,376		
Total liabilities and stockholders equity	\$ 683,024			\$ 656,799		
Net interest income		\$ 16,534			\$ 17,482	
Rate spread			3.38%			3.68%
Net interest income as a percent of average earning assets			3.49%			3.87%

(1) Computed on a tax equivalent basis for tax exempt securities using a 34% statutory tax rate.

Provision for Loan Losses. Provision for loan losses resulted in a benefit of \$825,000, or 25 basis points, annualized, on average loans during the first nine months of 2013 compared to \$2.3 million of expense, or 66 basis points, annualized, on average loans for the first nine months of 2012. The decrease in provision expense for the nine-month period ending September 30, 2013 was mainly due to continued improvement of the quality of the loan portfolio, declining historical loss rates, and adversely rated loans being paid off, paid down, or sold. At September 30, 2013, the recorded investment of adversely rated loans decreased 26.1%, or \$9.8 million, from December 31, 2012. The allowance for loan losses at September 30, 2013 totaled \$6.8 million and was 1.51% of total loans outstanding on that date. For the nine-month period ended

September 30, 2013, TFC was in a net charge-off position of \$655,307, or 20 basis points, annualized, on average loans compared to net charge-off of \$3.2 million, or 91 basis points, annualized, on average loans during the same period a year ago. The charge-offs taken in the nine-month period ending September 30, 2013 were primarily from two commercial relationships in the amount of \$705,449, which had \$793,000 of specific reserves at December 31, 2012.

Noninterest income. Noninterest income was \$7.2 million and \$6.3 million for the first nine months of 2013 and 2012, respectively. The \$840,336 increase was primarily due to an increase in gains on sale of available-for-sale securities, trust and brokerage fees, net debit card interchange income, and letter of credit income in the amounts of \$365,587, \$360,156, \$71,365, and \$58,073, respectively. The majority of the gains on available-for-sale securities were taken during the first quarter of 2013 to reposition those funds as a result of the sold securities either being recently downgraded or no longer required to be pledged as collateral. Gains on available-for-sale securities will fluctuate from period to period as gains or losses are typically only realized in the portfolio when an opportunity arises to improve the position of the overall investment portfolio. The increase reported in trust and brokerage fees was a result of an increase in assets under management by \$44.2 million, which came from improvement in market conditions and increased production from

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September 30, 2012, to September 30, 2013. The increase in letter of credit income was mainly due to one-time fees associated with two performance letters of credit to two different commercial customers. Net debit card interchange income has increased due to the growing number of debit cards and transactions associated with those cards. The number of debit cards increased by 18.6% from September 30, 2012, to September 30, 2013.

Noninterest Expense. Noninterest expense was \$15.6 million and \$15.3 million for the nine-month periods ended September 30 of 2013 and 2012, respectively. The main components of noninterest expense for the first nine months of 2013 were salaries and benefits of \$9.0 million, occupancy and equipment of \$1.9 million, loans and professional costs of \$1.3 million, and data processing expenses of \$1.2 million. The increase in noninterest expense was primarily due to the increases in salaries and benefits of \$485,719, loan and professional costs of \$290,314, and data processing costs of \$256,072. These increases were offset by decreases in OREO expenses of \$692,453 and FDIC insurance premiums of \$136,699. This increase in salaries and benefits was due to an increase in the 2013 Profit Sharing accrual by \$476,100, which was due to the improvement in TFC's earnings for the same nine-month period. In addition to the increase from profit sharing, salaries and benefits increased as a result of an increased number of employees over the same period and annual employee merit raises. Loan and professional costs increased during the nine-month period ending September 30, 2013 compared to same period in 2012 as a result of fees in the amount of \$279,204 related to the pending transaction to merge with Old National Bank. Data processing expenses increased for the quarter ended September 30, 2013, compared to the quarter ended September 30, 2012, primarily due to the increase in the number of accounts TFC has open on the core banking system and for additional services provided by the core processor. OREO expense decreased for the nine-month period ending September 30, 2013, compared to the same period in 2012 primarily due to an increase in the gains on sale of OREO properties in the amount of \$395,394. The gains on sale were the result of the sale of two commercial real estate properties at a gain of \$63,634 and the sale of various lots of five commercial real estate development properties at gains totaling \$331,760.

Income Taxes. During the nine-month periods ended September 30, 2013 and 2012, TFC recorded \$2.1 million and \$1.5 million in income taxes, respectively. The effective tax rate recorded for the nine-month period was 27.3% for 2013 compared to 26.9% for 2012. The effective tax rate increased for the nine-month period ending September 30, 2013, due to a slight increase in taxable income in comparison to net income before taxes from 65.3% at September 30, 2012, to 66.7% at September 30, 2013.

Liquidity and Capital Resources

Liquidity. The general liquidity strategy is to fund growth with deposits and to maintain an adequate level of short- and medium-term investments to meet typical daily loan and deposit activity needs. We experienced an increase of \$29.2 million in total deposits during the first nine months of 2013, of which HSAs made up \$15.3 million and brokered deposits made up \$9.5 million of this growth. We continue to encourage the growth of lower cost, in-market deposits while allowing higher cost in-market certificates of deposit to leave as they mature. Additional funding needs are typically satisfied through FHLB advances and brokered deposits. The use of brokered deposits has offered TFC the flexibility to structure the duration and volume of funding that in-market deposits cannot provide. As a result, TFC chose this type of funding vehicle over the past several years to increase long-term profitability by matching the duration of the assets with that of the funding. An example of this funding strategy occurred in the fourth quarter of 2012 when TFC implemented a municipal bond leverage strategy that match-funded \$25.0 million in investments with \$25.0 million of brokered deposits. The majority of the \$9.5 million in growth of brokered deposits during the first nine months of 2013 completed the funding of the municipal bond leverage strategy. This strategy was implemented based on availability and prudent decision making that factored in interest rate sensitivity, capital needs, and company policy. As a result of the pending merger transaction with Old National Bancorp, TFC will most likely utilize short-term, variable funding to fulfill liquidity needs.

Currently, of the \$26.8 million in FHLB borrowings, \$5.5 million are fixed rate bullet advances with no callable options; therefore, TFC must wait until maturity to repay without incurring a penalty. Included in the out-of-market funding base are borrowings from the FHLB, brokered deposits, and trust preferred securities. In the aggregate these out-of-market deposits and borrowings represented \$144.1 million, or 22.7% of

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the total funding, at September 30, 2013. This was down from \$145.1 million, or 23.6%, at December 31, 2012. Total deposits at September 30, 2013, were \$590.2 million and the loan to deposit ratio was 76.5%. Total borrowings at September 30, 2013, were \$44.3 million.

Primary funding for the investment and loan portfolios will come from in-market sources through the marketing of products and the development of branch locations. For additional funding needs, TFC will utilize short-term, variable funding sources, such as FHLB advances.

Capital Resources. Stockholders' equity is a noninterest-bearing source of funds, which provides support for asset growth. Stockholders' equity was \$62.0 million and \$63.7 million at September 30, 2013, and December 31, 2012,

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respectively. Affecting the decrease in stockholders' equity during the first nine months of 2013 was a \$4.5 million decrease in unrealized gains/(losses), net of tax, on available-for-sale securities, the repurchase of 70,000 common shares of stock in the amount of \$862,222, and dividends paid in the amount of \$2.2 million at \$0.47 per share. Offsetting these decreases to stockholders' equity was \$5.7 million in net income and \$73,690 of additions to additional paid-in capital for grants and/or issuances of stock.

The following table summarizes the capital ratios of TFC and the Tower Bank & Trust Company at the dates indicated:

	September 30, 2013			December 31, 2012		
	Actual	Well-Capitalized	Minimum Required	Actual	Well-Capitalized	Minimum Required
The Company						
Leverage capital	11.39%	5.00%	4.00%	11.18%	5.00%	4.00%
Tier 1 risk-based	14.76%	6.00%	4.00%	14.65%	6.00%	4.00%
Total risk-based	16.01%	10.00%	8.00%	15.90%	10.00%	8.00%
The Bank						
Leverage capital	11.10%	5.00%	4.00%	10.80%	5.00%	4.00%
Tier 1 risk-based	14.33%	6.00%	4.00%	14.10%	6.00%	4.00%
Total risk-based	15.58%	10.00%	8.00%	15.35%	10.00%	8.00%

Results of Operations**For the Year Ended December 31, 2012***Summary*

Net income was \$5.7 million, or \$1.18 per diluted share, for the year ended December 31, 2012. While this was a decrease of \$875,370 from the prior year, approximately \$3.2 million of the decrease was the result of recording tax expense of \$1.6 million in 2012 compared to a tax benefit of \$1.6 million in 2011. When comparing income before tax, TFC experienced an increase of \$2.3 million from 2011 to 2012. This improvement from 2011 was the result of a decrease in provision expense of \$1.7 million, a decrease in noninterest expense of \$749,927, and an increase in noninterest income by \$362,763. These increases to earnings were offset by a decrease in net interest income of \$550,590.

Net interest income decreased 2.4% from the prior year due to decreases in loan and investment yields coupled with a decrease in average earning assets. Provision expense decreased by \$1.7 million as a result of improvement in asset quality from 2011 to 2012. Noninterest income increased \$362,763 as a result of an increase in trust and brokerage income, an increase in mortgage banking income, and a decrease on the impairment of available-for-sale securities. Noninterest expense decreased as a result of savings in both FDIC insurance premiums and OREO

expenses. Income tax expense increased by \$3.2 million as a result of reversing the state valuation allowance on the state deferred tax asset and the deferred timing differences, which resulted in a tax benefit of \$1.6 million in 2011.

Net Interest Income. Net interest income, the difference between revenue generated from earning assets and the interest cost of funding those assets, is the primary source of earnings. While net interest income only declined \$550,590, or 2.4%, to \$22.2 million and the net interest margin only declined to 3.81% from 3.84% in 2011, the approach for generating interest income focused on a decrease in cost of funds. Interest income declined \$2.9 million, or 10.1%, in 2012 to \$26.0 million, while interest expense declined \$2.4 million, or 38.6%, to \$3.8 million. Interest income and interest expense for the year ended December 31, 2011 were \$28.9 million and \$6.1 million, respectively, netting \$22.8 million in net interest income. Interest income and interest expense for the year ended December 31, 2010 were \$30.5 million and \$8.2 million, respectively, netting \$22.3 million in net interest income. The decline in interest income during 2012 was driven by the \$2.9 million decrease in interest income from loans as a result of a decline in the average balance coupled with a decline in loan yield from the prior year by 37 basis points. Investment yield also experienced a decline in yield of 53 basis points in taxable securities and 61 basis points in nontaxable securities from 2011 to 2012. This decline in investment yield was primarily offset by an increase in average long-term investments of \$13.2 million. Offsetting the decreases to interest income were decreases in interest expenses of \$1.9 million in interest paid on deposits and \$365,587 in interest paid on trust preferred securities. The decrease in interest paid on deposits not only decreased due to the decrease in rates, but also due to the

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reallocation of the deposit portfolio to lower cost accounts, such as noninterest- and interest-bearing checking accounts, from higher cost time deposits, such as certificates of deposit. This was reflected by increases in average noninterest-bearing checking accounts and interest-bearing checking accounts of \$23.2 million and \$44.0 million, respectively, offset by a decrease in average in-market and brokered certificates of deposit of \$53.9 million from 2011 to 2012. Aside from the transfer of approximately \$28 million in money market account balances to the new interest-bearing checking account described earlier, HSAs were the primary reason for the increase in interest-bearing checking accounts as they increased by \$14.2 million from December 31, 2011 to December 31, 2012. These HSAs had an average rate of 0.11% and have been one of the driving forces in reducing the cost of funds in 2010, 2011, and 2012. Also contributing to the decrease in interest expense was the decrease in the Trust Preferred Debt Securities interest rate in the first quarter of 2012, as the remaining \$9.0 million of the \$17.0 million is now on a floating rate based on three-month LIBOR. The weighted average rate decreased from 4.66% in 2011 to 2.57% in 2012.

The increase of \$493,704 in net interest income in 2011 from 2010 was due to an increase in net interest margin, which was offset by a purposeful decrease in total loans. The net interest margin, or net yield on average earning assets, increased to 3.84% in 2011 from 3.70% in 2010. The increase in net interest margin in 2010 and 2011 was similar to 2012 in that TFC aggressively reduced deposit rates, while keeping them consistent with local market rates, and restructured the deposit mix by reducing the higher cost in-market certificate of deposits. Offsetting the increase in net interest margin was a decrease of \$1.9 million in average earning assets from 2010 to 2011. These actions in 2010, 2011, and 2012 were a continued response to the low interest rate environment which has existed since December 2008 when the Federal Reserve lowered the federal funds rates to 0.25%.

The level of net interest income is primarily a function of asset size, as the weighted-average interest rate received on earning assets is greater than the weighted average interest cost of funding sources; however, factors such as types of assets and liabilities, interest rate risk, liquidity, asset quality, and customer behavior also impact net interest income as well as the net yield.

The following table reflects the average balance, interest earned or paid, and yields or costs of the assets, liabilities and stockholders' equity during 2012, 2011, and 2010.

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Average Balance,

Interest and Yield/

Cost Analysis

(\$ in thousands)	Average Balance	2012 Interest Earned or Paid	Yield or Cost	Average Balance	2011 Interest Earned or Paid	Yield or Cost	Average Balance	2010 Interest Earned or Paid	Yield or Cost
Assets									
Short-term investments and interest-earning deposits	\$ 1,569	\$ 42	2.68%	\$ 1,794	\$ 35	1.95%	\$ 2,693	\$ 26	0.97%
Federal funds sold	3,466	4	0.12%	3,283	4	0.12%	2,421	5	0.21%
Securities - taxable	78,254	1,839	2.35%	79,608	2,296	2.88%	74,285	2,502	3.37%
Securities - tax exempt (1)	61,114	3,071	5.03%	46,533	2,623	5.64%	27,614	1,624	5.88%
Loans held for sale	3,960		0.00%	2,295		0.00%	2,138		0.00%
Loans	461,609	22,064	4.78%	481,933	24,828	5.15%	508,182	26,847	5.28%
Total interest-earning assets	609,972	27,020	4.43%	615,446	29,786	4.84%	617,333	31,004	5.02%
Allowance for loan losses	(9,174)			(11,868)			(12,663)		
Cash and due from banks	21,379			19,975			17,074		
Other assets	40,144			39,751			42,873		
Total assets	\$ 662,321			\$ 663,304			\$ 664,617		
Liabilities and Stockholders' Equity									
Interest-bearing checking	\$ 156,317	\$ 196	0.13%	\$ 112,283	\$ 156	0.14%	\$ 103,263	\$ 323	0.31%
Savings	25,206	13	0.05%	22,036	33	0.15%	20,543	79	0.38%
Money market	137,436	389	0.28%	164,065	717	0.44%	154,914	1,184	0.76%
Certificates of deposit	122,273	2,560	2.09%	176,176	4,185	2.38%	203,066	4,980	2.45%
Short-term borrowings	35		0.00%	46		0.00%	19		0.00%
FHLB advances	14,636	161	1.10%	15,987	231	1.44%	25,306	466	1.84%
Junior subordinated debt	17,527	451	2.57%	17,527	817	4.66%	17,527	1,159	6.61%
Total interest-bearing liabilities	473,430	3,770	0.80%	508,120	6,139	1.21%	524,638	8,191	1.56%
Noninterest-bearing checking	116,724			93,532			85,599		
Other liabilities	7,093			5,588			4,355		
Stockholders' equity	65,074			56,064			50,025		
Total liabilities and stockholders' equity	\$ 662,321			\$ 663,304			\$ 664,617		
Net interest income		\$ 23,250			\$ 23,647			\$ 22,813	
Rate spread			3.63%			3.63%			3.46%
Net interest income as a percent of average earning assets			3.81%			3.84%			3.70%

(1) Computed on a tax equivalent basis for tax equivalent securities using a 34% statutory tax rate.

The following table shows the changes in interest income, interest expense, and net interest income due to variances in rate and volume of average earning assets and interest-bearing liabilities. The change in interest not solely due to changes in rate or volume has been allocated in proportion to the absolute dollar amounts of the change in each.

Table of Contents**Changes in Net Interest Income Due****To Rate and Volume**

(\$ in thousands)	Rate	2012 over 2011		Total
		Volume		
Increase (decrease) in interest income:				
Short-term investments and interest-earning deposits	\$ 12	\$ (5)	\$	7
Federal funds sold				
Securities - taxable	(419)	(38)		(457)
Securities - tax exempt	(308)	756		448
Loans	(1,745)	(1,019)		(2,764)
Net change in interest income	(2,460)	(306)		(2,766)
Increase (decrease) in interest expense:				
Interest-bearing checking	13	27		40
Savings	(24)	4		(20)
Money market	(225)	(103)		(328)
Certificates of deposit	(454)	(1,171)		(1,625)
Short-term borrowings				
FHLB advances	(52)	(18)		(70)
Trust preferred securities	(366)			(366)
Net change in interest expense	(1,108)	(1,261)		(2,369)
Net change in interest income and interest expense	\$ (1,352)	\$ 955	\$	(397)

(\$ in thousands)	Rate	2011 over 2010		Total
		Volume		
Increase (decrease) in interest income:				
Short-term investments and interest-earning deposits	\$ 20	\$ (11)	\$	9
Federal funds sold	(2)	1		(1)
Securities - taxable	(377)	171		(206)
Securities - tax exempt	(70)	1,069		999
Loans	(656)	(1,363)		(2,019)
Net change in interest income	(1,085)	(133)		(1,218)
Increase (decrease) in interest expense:				
Interest-bearing checking	(193)	26		(167)
Savings	(51)	5		(46)
Money market	(533)	66		(467)
Certificates of deposit	(152)	(643)		(795)
Short-term borrowings				
FHLB advances	(87)	(148)		(235)
Trust preferred securities	(342)			(342)
Net change in interest expense	(1,358)	(694)		(2,052)
Net change in interest income and interest expense	\$ 273	\$ 561	\$	834

Interest income is primarily generated from the loan portfolio. Average loans comprised 76%, 78%, and 82% of average earning assets during 2012, 2011, and 2010, respectively. During 2012, the loan portfolio had an average yield of 4.78%, and earned \$22.1 million, or 84.9% of total interest income, a decrease of \$2.9 million from 2011. This decrease in loans was offset by increases in long-term investments. The decrease of \$550,590 in net interest income in 2012 from 2011 was the result of a reduction in average earning assets in the amount of \$5.5 million and the

net result of a reduction in interest income outpacing the reduction in interest expense. During 2011, the loan portfolio had an average yield of 5.15%, and earned \$24.8 million, or 85.9% of total interest income. During 2010, the loan portfolio had an average yield of 5.28% and earned \$26.8 million, or 88.2% of total interest income.

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The total average securities portfolio and total average short-term investments equaled 22.8% and 0.8%, respectively, of average earning assets. With an average tax-equivalent yield of 3.52%, total securities contributed \$3.9 million, or 14.9% of total interest income, in 2012, while total short-term investments had a combined average yield of 0.91% and earned \$45,559, or 0.2% of total interest income, in 2012. During 2011, the total average securities portfolio and total average short-term investments equaled 20.5% and 0.8%, respectively, of average earning assets. With an average tax-equivalent yield of 3.90%, total securities contributed \$4.0 million, or 13.9% of total interest income, in 2011, while total short-term investments had a combined average yield of 0.77% and earned \$39,041, or 0.1% of total interest income, in 2011. During 2010, the total securities portfolio and total short-term investments equaled 16.5% and 0.8%, respectively, of average earning assets. With an average tax-equivalent yield of 4.05 %, total securities contributed \$3.6 million, or 11.7% of total interest income, in 2010, while total short-term investments had a combined average yield of 0.61% and earned \$31,334, or 0.1% of total interest income, in 2010.

Interest expense is primarily generated from money market deposits and certificates of deposit, which equaled 29.0% and 25.8%, respectively, of average interest-bearing liabilities during 2012; 32.3% and 34.7%, respectively, of average interest-bearing liabilities during 2011; and 29.5% and 38.7%, respectively, of average interest-bearing liabilities during 2010. Total average borrowings were 6.8%, 6.6%, and 8.2% of average interest-bearing liabilities during 2012, 2011, and 2010, respectively.

Money market balances had an average rate of 0.28% and cost \$388,658, or 10.3% of total interest expense, in 2012 compared to 0.44% and cost \$716,473, or 11.7% of total interest expense, in 2011. Certificates of deposit had an average rate of 2.09% and cost \$2.6 million, or 67.9% of total interest expense in 2012, compared to an average rate of 2.38% and cost of \$4.2 million, or 68.2% of total interest expense, in 2011. Interest expense on savings and interest-bearing checking totaled 5.5% of total interest expense at an average rate of 0.12% during 2012 and 3.1% of total interest expense at average rate of 0.14% during 2011. TFC paid \$612,489 of interest expense on borrowings, or 16.2% of total interest expense, during 2012 and paid \$1.0 million of interest expense on borrowings, or 17.1% of total interest expense, during 2011.

During 2010, money market accounts had an average rate of 0.76% and cost \$1.2 million, or 14.5% of total interest expense, while certificates of deposit had an average rate of 2.45% and cost \$5.0 million, or 60.8% of total interest expense. Savings deposits and interest-bearing checking accounts totaled 4.9% of average interest-bearing liabilities during 2010 with an average rate of 0.33%. TFC paid \$1.6 million of interest expense on borrowings, or 19.8% of total interest expense, during 2010.

In December 2010, \$8.0 million of the Trust Preferred Debt Securities went to a floating rate of three-month LIBOR plus 1.34%. This reduced the average rate on this funding from 6.61% for the year ending December 31, 2010 to 4.66% for the year ending December 31, 2011. In March 2012, the remaining \$9.0 million of the Trust Preferred Debt Securities went to a floating rate of three-month LIBOR plus 1.69%, which lowered the costs from that funding type by \$365,587, or 44.8%, from 2011 to 2012. This reduced the average rate on this funding from 4.66% for the year ending December 31, 2011 to 2.57% for the year ending December 31, 2012.

Provision for Loan Losses. The provision for loan losses was \$2.5 million for 2012, \$4.2 million for 2011, and \$4.7 million for 2010. In 2012, the focus was on reducing watch list loans, specifically nonperforming and classified assets. This was accomplished through charging-down loans, selling loans, and working with the customers to move these loans to other financial institutions. This strategy resulted in net charge-offs of \$3.6 million. Of the \$3.9 million in charge-offs, TFC previously had \$2.6 million reserved on those relationships as of December 31, 2011. We also received \$307,672 in recoveries that offset the charge-offs taken in 2012 and assisted in replenishing the allowance. There were two commercial real estate relationships totaling \$779,652 and four commercial relationships totaling \$5.3 million that were moved to nonaccrual status in 2012 requiring additional reserves totaling \$1.3 million.

In 2011, the focus was on reducing nonperforming and classified assets through various methods, including charging-down loans, selling loans, and working with the customers to move these loans to other financial institutions. This strategy resulted in net charge-offs of \$7.3 million. While a portion of the 2011 expense was recorded to replenish the reserve after the \$8.2 million in charge-offs, TFC previously had \$4.3 million reserved on those relationships as of December 31, 2010. We also received \$920,930 in recoveries that offset the charge-offs taken in 2011 and assisted in replenishing the allowance. There were three commercial real estate relationships, two commercial relationships, and one residential real estate relationship that were downgraded to an impairment status in 2011 requiring additional reserves totaling \$2.7 million. For 2010, a portion of provision expense was recorded to replenish the reserve as it is used to charge-off or charge-down loans. Another portion of the expense was used to increase reserves on three commercial real estate relationships and one commercial relationship that were deemed impaired in 2009 or 2010 and required additional reserves of

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approximately \$1.7 million in 2010 due to a decrease in collateral values. The provision expense recorded in 2010 reflected a \$6.0 million decrease from 2009.

We maintain the allowance for loan losses at a level management feels is adequate to absorb probable losses incurred in the loan portfolio. The evaluation is based upon the historical loan loss experience, along with the banking industry's historical loan loss experience, as well as known and inherent risks contained in the loan portfolio, composition and growth of the loan portfolio, current and projected economic conditions and other factors.

We had \$16.7 million of nonperforming loans at December 31, 2012, an increase of \$4.2 million from \$12.5 million in nonperforming loans at December 31, 2011. The increase in nonperforming loans is primarily the result of the downward migration of loans previously identified as either special mention, substandard, or impaired at December 31, 2011. Homogenous loans, such as home equity and traditional residential real estate, are not risk rated per ASC 450-2 and become categorized as nonperforming when they become 90 or more days past due. Over the past few years, TFC has been able to reduce the loans categorized as special mention, substandard, or doubtful. For further detail regarding this reduction, see Management's Discussion and Analysis of Financial Condition and Results of Operations—Financial Condition.

We reported \$3.6 million of net charge-offs, or 0.78% of average loans, during 2012 compared to \$7.3 million in net charge offs, or 1.51% of average loans, during 2011 and \$3.9 million, or 0.76% of average loans, in net charge-offs during 2010. We had \$16.7 million, \$12.5 million, and \$23.1 million of nonperforming loans at December 31, 2012, 2011, and 2010, respectively.

Noninterest Income. Total noninterest income was \$8.5 million for the year ended December 31, 2012 compared to \$8.2 million and \$7.8 million for the years ended December 31, 2011 and 2010, respectively. The increase in 2012 from 2011 of \$362,763 was the result of an increase in trust and brokerage income of \$274,326, an increase in mortgage banking income of \$451,775, and a decrease in impairment on available-for-sale securities of \$148,357. The increase in trust and brokerage income was a direct result of the increase in Trust assets under management of \$51.4 million. Brokerage assets under management also grew during 2012 bringing the total asset under management to approximately \$672 million. Mortgage banking income increased \$451,775 from 2011 to 2012 as a result of an increase in mortgage originations sold. The mortgage department set a TFC record for the highest origination volume in one year, which was just over \$100 million. Of those originations, TFC only retained \$39.1 million in-house and sold the remaining \$61.4 million in the secondary market at an average service release premium of approximately 1.68%. The decrease on the impairment on available-for-sale securities was the result of an improvement in the fair value of the two securities rated below investment grade with previous impairment charges. During the fourth quarter of 2012, TFC sold these two securities, and no other securities have been deemed impaired as of December 31, 2012. Offsetting the increases to income was a decrease in the gains on available-for-sale securities of \$627,655. The purpose for long-term investments is to produce interest income and to manage liquidity. In the event an opportunity arises to recognize a gain without limiting the long-term potential of the portfolio, TFC may sell the investment. At some point when interest rates begin to increase, TFC might need to recognize losses in the portfolio to better position ourselves for long-term interest gains. In 2012, TFC did not believe that the short-term gain from security sales outweighed the long-term gain from collecting interest income based on the current portfolio; therefore, the gains on sale of available-for-sale securities decreased by \$627,655 from 2011. We also experienced an increase of \$113,421 in the net debit card interchange income in 2012 compared to 2011 as a result of the increase in the number of debit cards outstanding, specifically from increases in the HSA product.

Noninterest Expense. Noninterest expense totaled \$20.9 million in 2012, which was a \$749,927, or 3.5%, decrease from 2011. The decrease was the result of decreases of \$702,852 and \$416,313 in FDIC insurance premiums and OREO expenses, respectively, offset by increases in salary and benefits of \$157,474, data processing of \$109,275, and occupancy and equipment of \$104,083. Noninterest expense totaled \$21.6 million for the year ended December 31, 2011 compared to \$21.2 million for the year ended December 31, 2010. The increase in 2011 of \$375,744 in expenses was attributable to an increase of \$1.6 million in salaries and benefits and an increase of \$206,938 in data processing costs. These increases were offset by decreases of \$691,902 and \$646,288 in FDIC premiums and OREO expenses, respectively, in 2011.

During 2012, FDIC insurance premiums decreased as a direct result of the termination of the Written Agreement with the Federal Reserve, which was effective July 10, 2012. OREO expenses decreased as a result of fewer write-downs to fair value by \$225,875 in 2012 compared to 2011. The decrease in OREO balances through sales of \$816,050 in 2012 caused the decrease in legal and maintenance expenses recorded in the OREO expense category associated with these properties.

Salaries and benefits expense was \$11.3 million in 2012 and was 54.4% of total noninterest expenses. Salaries and benefits expense increased primarily due to an increase of \$306,479 in commissions paid to individuals in the mortgage department for an increase in mortgage originations to \$100.5 million in 2012 from \$73.7 million in 2011. Additionally, the

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profit sharing expense increased by \$167,500 from 2011 to 2012 as a result of an increase in the income before taxes. In 2011, TFC had two rewarding incentive programs that were specific to 2011 for asset quality improvement and reaching specific earnings milestones. These two programs made up the majority of the incentive bonus expense in 2011, which resulted in a decrease of \$354,119 from 2011 to 2012.

Data processing expense increased by \$109,275 as a result of the addition of non-recurring projects related to the core system that will create efficiency and enhance revenue, an increase in the number of accounts outstanding, and a reallocation of expenses from Other Expense related to processing of debit cards. During 2012, in the HSA product TFC increased the number of accounts by 8,000, which directly impacts the processing expense as TFC is charged based on the number of accounts outstanding.

Occupancy and equipment was \$2.6 million in 2012 compared to \$2.5 million in 2011. The increase of \$104,083 was primarily due to the increase in real estate tax of \$92,440. The increase was due to receiving new assessed values on all of the branch locations in Allen County. We also experienced an increase in repairs and maintenance of \$49,248 due to freshening up the first floor of the headquarters location by replacing carpet and repainting the walls. Occupancy and equipment was the second largest expense 2012 and was 12.5% of total noninterest expenses.

Loan and professional expense decreased \$115,321 from 2011 and was 7.2% of total noninterest expenses. The decrease in this category from 2011 was the result of decreases in the legal and investor relations fees of \$49,570, accounting fees of \$26,550, and the collection expenses of \$47,523. Accounting fees decreased primarily due to the liquidation of the REIT and the investment subsidiary in 2011, which resulted in two fewer entities to audit and prepare tax returns. Collection fees have decreased as a result of a decrease in the loans on the watch list. We expect collection fees to continue decreasing as asset quality issues decrease.

During 2011, salaries and benefits increased by \$1.6 million compared to 2010. There were a few reasons for the increase, including an increase in the average number of full-time employees employed during the year, an increase in incentive program expenses from an improvement in earnings and improvements in asset quality, and an increase in 401(k) employer matching contributions. Data processing costs increased by \$206,938 in 2011 primarily due to an increase in the number of deposit accounts and the purchase of additional services and/or products from the core processing vendor. Offsetting the increase in noninterest expenses during 2011 were decreases in FDIC premiums and OREO expenses of \$691,902 and \$646,288, respectively. Due to industry-wide decreases in FDIC assessment rates for determining insurance premiums in the first quarter of 2011 coupled with the additional decrease in the FDIC assessment rates during the second quarter of 2011, TFC experienced a 33.6% decrease in the FDIC premiums during 2011 compared 2010. The reduction in OREO expense was two-fold. First, there was a reduction in the additions to OREO, which was \$2.4 million of additions in 2011 compared to \$5.0 million of additions in 2010. Second, the values of the properties did not decrease as much as in prior years, which would trigger a write-down of the property to fair value. During 2011, the two largest expenses were salaries and benefits expense and occupancy and equipment expense, which made up 51.7% and 11.5%, respectively, of noninterest expenses.

Salary and benefit costs were \$9.6 million in 2010 and were 45.1% of total noninterest expenses. Occupancy and equipment expenses are the second largest expense at \$2.5 million and were 11.9% of total noninterest expense in 2010. Loan and professional costs were reported in the amount of \$1.6 million, which consisted of legal expenses associated with elevated levels of nonperforming assets and items pertaining to the Written Agreement. Premiums for deposit insurance from the FDIC were \$2.1 million, or 9.7%, of total noninterest expense. Real estate market values continued to decline in 2010 causing write-downs and professional expenses of \$1.7 million on properties that have moved to other real estate owned.

Monitoring and controlling overhead expenses while providing high quality service to customers is of the utmost importance to us. The efficiency ratio, computed by dividing noninterest expense by net interest income plus noninterest income, was 67.9% in 2012 compared to

70.0% in 2011 and 70.6% in 2010. From 2010 to 2012, TFC made significant strides in improving the net interest margin, which translated into improved net interest income, through disciplined actions required to decrease nonperforming assets and an aggressive approach for pricing deposits.

Income Taxes Expense. In 2012, tax expense was \$1.6 million compared to a tax benefit of \$1.6 million in 2011 and tax expense of \$923,727 in 2010. The effective tax rate in 2012 was 21.9%, which is very comparable to the effective tax rate in 2010 of 22.6%. The difference from these two years and the tax benefit recorded in 2011 was the reversal of the valuation allowance previously set up on the state deferred tax asset created by the book to tax timing differences at the state level and the state net operating losses created by the REIT. Releasing the valuation allowance on the state deferred tax assets in 2011 was triggered by two events during the year that made it more likely than not that TFC will realize the state deferred tax asset within the next few years. First, TFC had a net taxable income position over the past three years for federal

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purposes and TFC didn't expect that to change in the foreseeable future. Second, TFC liquidated the REIT at the end of the third quarter of 2011, which will create state taxable income going forward, if TFC continues to produce a profit as expected. The effective tax rate for 2011 was (30.6%). Aside from the reversal of the valuation allowance, TFC is able to maintain a fairly low effective tax rate due to elevated levels of tax-exempt investment income derived from investing in municipal bonds and bank owned life insurance.

Capital Sources

Stockholders' equity is a noninterest-bearing source of funds, which provides support for asset growth. Stockholders' equity was \$63.7 million and \$62.1 million at December 31, 2012 and 2011, respectively. Affecting the increase in stockholders' equity during 2012 was \$5.7 million in net income and an increase of \$281,715 in unrealized gains, net of tax, on available-for-sale securities. Additionally, TFC recorded \$291,810 of stock compensation expense. Offsetting these increases were the repurchase of 141,850 shares of TFC's common stock of \$1.7 million and dividends paid to stockholders in the amount of \$2.9 million.

TFC and Tower Bank & Trust Company are subject to regulatory capital requirements administered by federal banking agencies. Failure to meet the various capital requirements can initiate regulatory action that could have a direct material effect on the financial statements. Currently, both TFC and Tower Bank & Trust Company have been categorized as "Well Capitalized," the highest classification contained within the banking regulations. The capital ratios of TFC and Tower Bank & Trust Company as of December 31, 2012 and 2011 are disclosed in Note 15 of the Notes to Consolidated Financial Statements. Each year, TFC refine the Capital Contingency Plan and establish or reconfirm internal minimum capital levels that are in excess of those required by the regulators to remain "well capitalized." The plan provides that the Total Risk-Based Capital Ratio should be equal to or greater than 10.5% and 11.0% and the Leverage Ratio should be equal to or greater than 7.5% and 8.0% for Tower Bank & Trust Company and TFC, respectively.

Our ability to pay cash and stock dividends is subject to limitations under various laws and regulations and to prudent and sound banking practices. Prior to 2006 no cash or stock dividends were paid. In December 2005, the Board of Directors formally approved the payment of dividends commencing in calendar 2006. This was based on an analysis of the liquidity needs, regulatory and capital requirements, and results of operations. During 2006, TFC paid dividends at annual rate of \$0.16 per share payable in four quarterly installments. This was increased in 2007 by 10%, which resulted in dividends paid totaling \$0.176 per share. In January 2008, the Board of Directors voted to pay a dividend of \$0.044 per share for the first quarter dividend payment. In the second quarter of 2008, however, TFC elected to forego the declaration of dividends on the common stock indefinitely. The decision was based on the desire to retain capital and hedge against challenging economic and banking industry conditions as well as to maintain Tower Bank's current "well capitalized" status within the Federal Reserve System.

From April 23, 2010 until its termination on July 10, 2012, TFC was under a written agreement with the Federal Reserve and the IDFI. One of the requirements in the Written Agreement was that TFC not pay dividends on or redeem any of the common or preferred stock or other capital stock, or make any payments of interest on its Trust Preferred Debt, without written approval from the Federal Reserve. Because of these restrictions, no preferred stock dividends, common stock dividends or Trust Preferred Debt interest payments were made in 2010 or 2011.

In June of 2012, TFC paid all of the deferred interest payments on its outstanding trust preferred subordinated securities in the amount of \$2.3 million. TFC received permission on May 11, 2012 from the Federal Reserve Bank of Chicago to make both of these payments on their respective due dates.

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Effective July 10, 2012, the Federal Reserve lifted and, therefore, terminated the Written Agreement between itself and TFC, as well as its wholly-owned subsidiaries. As a result of this event, Tower Bank & Trust Company was able to pay \$5.7 million in dividends to TFC to fund the purchase of a \$1.0 million par value equity security in the amount of \$902,900, to fund two quarterly dividends and one special dividend to stockholders totaling \$2.9 million, and to fund the repurchase of 141,850 shares of TFC's common stock. Prior to the third quarter of 2012, no dividend payments had been made since the first quarter of 2008.

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	December 31,	
Liquidity and Capital Ratios	2012	2011
Loan to deposit ratio	80.30%	76.83%
Loan to funding ratio	73.14%	73.24%
Total risk-based capital	15.90%	15.16%
Tier 1 risk-based capital	14.65%	13.91%
Tier 1 leverage capital	11.18%	10.97%

Liquidity

Liquidity is measured by the ability to raise funds through deposits, borrowed funds, capital or cash flow from the repayment of loans and investment securities. These funds are used to meet depositor withdrawals, maintain reserve requirements, to fund loans and to fund operational expenses. Liquidity is primarily achieved through the growth of deposits and liquid assets such as securities available for sale, cash flow from securities, matured securities, and federal funds sold. Asset and liability management is the process of managing the balance sheet to achieve a mix of earning assets and liabilities that maximize profitability while providing adequate liquidity.

Our liquidity strategy is to fund growth with deposits (from both in-market and out-of-market sources), Federal Home Loan Bank borrowings and to maintain an adequate level of short-term and medium-term investments to meet typical daily loan and deposit activity needs. While deposits decreased \$41.0 million in 2012 from December 31, 2011, TFC can attribute approximately \$48 million to two customers' deposits that were placed into noninterest bearing checking accounts at Tower Bank & Trust Company for short-term purposes in December of 2011. These two deposits were withdrawn from Tower Bank & Trust Company during the first quarter of 2012 when a more suitable, permanent option was determined. Excluding these short-term deposits, the deposit portfolio increased by approximately \$7.0 million during 2012. Outside of these uncommon deposit portfolio changes, health savings accounts continue to be a primary leader in core deposit growth in 2012. These deposits showed an increase of \$14.2 million to a balance of \$79.3 million and approximately 51,000 accounts at December 31, 2012 compared to a balance of \$65.1 million and 43,000 accounts at December 31, 2011.

While TFC mainly generates deposits from in-market sources, TFC also generates certificates of deposit through national, so-called out-of-market sources. These deposits include brokered deposits, which TFC began accepting during 2003. The use of brokered deposits offers TFC the flexibility to structure the duration and volume of funding that in-market deposits cannot provide. As a result, TFC has chosen this type of funding vehicle over the past several years to increase profitability by matching the duration of the assets with that of the funding. An example of this funding strategy occurred in 2012 when TFC started to implement a municipal bond leverage strategy that match-funds \$25.0 million in investments with \$25.0 million of brokered deposits. At December 31, 2012, the \$25.0 million of investments was complete and was funded with new brokered deposits of approximately \$11 million. The remaining funding for the investment purchases will be completed in early 2013. Terms for the new brokered deposit purchases in 2011 and 2012 ranged from one to ten years, with an average life between four and five years. During 2012, approximately \$40.4 million of brokered certificates of deposit matured, of which only \$17.0 million was replaced (excluding the \$11.0 million in additions for the municipal bond leverage strategy).

At December 31, 2012, approximately 83.9% of the deposits were generated in-market, while 16.1% were out-of-market deposits, compared to 83.0% of in-market deposits in 2011 and 17.0% out-of-market. In addition to the in-market and out-of-market deposits, TFC also includes borrowings from the FHLB and trust preferred securities in the funding base. FHLB borrowings increased by \$25.4 million from \$12.0 million at December 31, 2011 to \$37.4 million at December 31, 2012.

We expect limited growth in the loan portfolio through 2013. Funding for the loan portfolio will continue to come from in-market sources through the marketing of products and the development of branch locations. We will also continue to develop wholesale and out-of-market deposits and borrowing capacities and use them to augment interest rate sensitivity strategies and liquidity capabilities and to diversify the funding base of Tower Bank & Trust Company.

TFC has the ability to borrow money on a daily basis through correspondent banks (federal funds purchased) along with borrowings from the Federal Reserve discount window, but had no borrowings of these types at December 31, 2012 and 2011. Additional capacity to borrow overnight in the form of unused secured lines of commitment from correspondent banks totaled \$16.7 million at December 31, 2012 and \$20.2 million at December 31, 2011. We also had additional capacity to borrow overnight in the form of unsecured lines of commitment from correspondent banks of \$11.7 million from correspondent banks at December 31, 2012. The unused line at the discount window totaled \$4.0 million at December 31,

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2012 and December 31, 2011. We view this type of funding as a secondary and temporary source of funds.

Contractual Obligations, Commitments and Off-Balance Sheet Risk

In addition to normal loan funding and deposit flow, TFC also needs to maintain liquidity to meet the demands of certain unfunded loan commitments and standby and commercial letters of credit. Tower Bank & Trust Company maintains off-balance-sheet financial instruments in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. Loan commitments to extend credit are agreements to lend to a customer at any time, as the customer's needs vary, as long as there is no violation of any condition established in the contract. Standby letters of credit are conditional commitments issued by Tower Bank & Trust Company to guarantee the performance of a customer to a third party. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. We monitor fluctuations in loan balances and commitment levels and include such data in the overall liquidity management.

These instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized, if any, in the balance sheet. Tower Bank & Trust Company's maximum exposure to loan loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit and standby letters of credit is represented by the face amount of these instruments. Commitments to extend credit are recorded when they are funded and standby letters of credit are recorded at fair value.

Tower Bank & Trust Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments. Collateral, such as accounts receivable, securities, inventory, property and equipment, is generally required based on management's credit assessment of the borrower.

Tower Financial Corporation, Tower Bank & Trust Company, and the Trust Company occupy their respective headquarters, offices and other facilities under long-term operating leases and, in addition, are parties to long-term contracts for data processing and operating systems. We refer you to page [•] (Properties) and to the section herein on Related Persons Transactions for additional information regarding the long-term leases.

The following tables represent the contractual obligations and commitments at December 31, 2012.

Contractual Obligations

at December 31, 2012

(\$ in thousands)	Payments Due by Period				Total
	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years	

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Federal Home Loan Bank Line of Credit	\$	9,094	\$		\$		\$	9,094
Federal Home Loan Bank advances		24,800				3,500		28,300
Junior subordinated debt						17,527		17,527
Operating leases		703		1,201		1,201		601
Certificates of Deposit		45,885		23,690		21,470		30,605
Total contractual cash obligations	\$	80,482	\$	24,891	\$	26,171	\$	48,733
							\$	180,277

Commitments

at December 31, 2012

(\$ in thousands)	Amount of Commitment Expirations Per Period					Total
	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years		
Lines of credit / loan commitments	\$ 46,418	\$ 21,348	\$ 1,877	\$ 29,479	\$	99,122
Residential real estate	5,346					5,346
Standby letters of credit	7,315	582				7,897
Total commitments	\$ 59,079	\$ 21,930	\$ 1,877	\$ 29,479	\$	112,365

Related Persons Transactions

Certain directors and executive officers of TFC, including their immediate families and companies in which they are principal owners, are loan customers of Tower Bank & Trust Company. At December 31, 2012 and 2011, Tower Bank & Trust Company had \$16.8 million and \$17.0 million, respectively, in loan commitments to directors and executive officers, of

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which \$15.5 million and \$15.7 million were funded at the respective period-ends. All such loan transactions are reviewed and evaluated in the same manner, and under the same lending standards and policies, as every other loan to a non-related person, as all such loans must be approved by Tower Bank & Trust Company's Loan and Investment Committee and by the Board of Directors, with the related person neither in attendance nor voting.

The law firm of Barrett & McNagny LLP, of which Robert S. Walters is a partner, performs legal services for TFC. Mr. Walters is the spouse of Irene A. Walters, one of the directors. TFC paid \$127,138, \$120,401, and \$133,839 in legal fees and related expenses to this law firm in 2012, 2011, and 2010, respectively.

Tower Bank & Trust Company leases its headquarters facility from Tippmann Properties, Inc., agent for John V. Tippmann, Sr. Mr. Tippmann was a director of the TFC until he resigned on August 24, 2012, and is currently the second largest stockholder. The original lease was entered into in 1998 and was amended in 2001, 2004, 2006, 2009, and 2012. Each transaction was considered and approved by the TFC Audit Committee and by a majority of the members of the Board of Directors (with Mr. Tippmann abstaining), as fair and reasonable to TFC. The composite rental rate and terms are market competitive. The total amount paid to Tippmann Properties for rent and maintenance was \$710,394, \$708,418, and \$707,841 during 2012, 2011, and 2010, respectively. In 2011, Tower Bank & Trust Company also paid Tippmann Properties \$21,655 for remodeling and repair costs it incurred in 2011. The lease is accounted for as an operating lease. Refer to the Contractual Obligations table above for a summary of future lease payment commitments under this and other leases.

Under the Statement of Policy for the Review, Approval, or Ratification of Transactions with Related Persons, the TFC Audit Committee has reviewed and ratified all terms of the lease with Tippmann Properties, Inc., as amended, the professional relationships with Mr. Walters and the law firm of Barrett & McNagny LLP and have found that the terms are fair and reasonable and in the best interest of the TFC and stockholders.

Related Persons transactions are subject to the Statement of Policy For the Review, Approval or Ratification of Transactions With Related Persons. A copy of this policy is available on the website at www.towerbank.net.

The policy applies to any Transaction With a Related Person. Under the policy, a Related Person is a person who is, or at any time since the beginning of the last fiscal year was a director or executive officer, a nominee to become a director, a stockholder who beneficially owns 5% or more of the common stock, an Immediate Family Member (that is, a spouse, child, parent, sibling, or an in-law) of any of the foregoing persons, as well as any entity which is owned or controlled by any of such persons (or of which such person is a general partner or a 5% or greater beneficial owner) or any other person identified by the TFC Audit Committee or the Board of Directors as a Related Person for purposes of this policy. Once a person has been identified as Related Person and if TFC or any subsidiary is a participant, then if the aggregate amount involved in the transaction exceeds \$60,000 and the Related Person has a direct or indirect interest (other than simply as a result of being a director or less than a 10% beneficial owner of the entity involved) the transaction must be considered, approved or ratified by the TFC Audit Committee.

TFC has established the threshold transactional amount at \$60,000, which triggers the review, even though applicable SEC regulations set the threshold at \$120,000. TFC has done this so that even smaller transactions with Related Persons will be reviewed for fairness and appropriateness. Employment of a Related Person in the ordinary course of business consistent with the policies and practices with respect to the employment of non-Related Persons in similar positions (so long as the Related Person is not an executive officer required to be reported in the annual proxy statement) is not subject to the policy. Transactions involving competitive bids or transactions involving services as a bank depository, transfer agent, registrar, or trustee are considered pre-approved for purposes of the policy.

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All other transactions subject to the policy must be approved in advance by the TFC Audit Committee, unless the Chief Executive Officer or Chief Financial Officer determines that it is impractical to wait until an Audit Committee meeting. In such event, the Chair of the TFC Audit Committee may review and approve the proposed Related Person transaction but shall then promptly report any such approval to the full TFC Audit Committee. All material facts respecting the Related Person transaction must be disclosed to the TFC Audit Committee. In the event that they become aware of a Related Person transaction that has not been approved prior to its consummation, the matter must then still be reviewed by the TFC Audit Committee, which will then review all relevant facts and circumstances, shall evaluate all available options (including ratification, revision or termination of the transaction), and shall take such course of action as it deems appropriate.

In reviewing any Related Person transaction, the TFC Audit Committee must consider the proposed benefits to TFC, the availability of other sources of comparable products or services, an assessment of whether the proposed transaction is at least on terms comparable to the terms available to an unrelated third party or to employees generally, and must then determine that the transaction is fair and reasonable to TFC.

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In 2012, they reported \$5.7 million in net income compared to \$6.6 million in 2011. While net income decreased \$875,370, the decrease resulted from a \$3.2 million decrease in income taxes. The difference in income taxes from 2011 to 2012 was the result of reversing the state valuation allowance in 2011. On a pre-tax basis, TFC's income improved by \$2.3 million, which was the result of a decrease in provision expense, a decrease in noninterest expense, and an increase in noninterest income.

During 2012 and 2011, they continued to focus on improving profitability, both short-term and long-term, by improving asset quality, restructuring the balance sheet, maintaining the net interest margin, and controlling expenses. Nonperforming asset levels continue to be higher than they would prefer, but TFC is seeing improvement in several lending relationships, where they have been rehabilitated and could move to a performing status sometime in the near future. To be able to move to performing status once a loan is considered nonperforming, certain performance levels are expected and must be sustained for a period of time. The decrease in nonperforming assets was through improvements, charge-downs or fair value adjustments, and refinancing through another institution. Total loans decreased by \$12.1 million and were offset by an increase in long-term investments by \$45.8 million. Cash and cash equivalents decreased by \$48.8 million primarily due to extremely short-term deposits of approximately \$48 million being placed in Tower Bank & Trust Company in December 2011. These deposits were held in cash and cash equivalents due to the short duration established for these deposits, which were withdrawn in the first quarter of 2012, as expected. Without these extremely short-term deposits, the total deposits would have increased by approximately \$7.0 million. While interest rates are expected to remain low, management anticipates that assets will begin to level out or slightly grow in the near future as they look to increase the earning assets, through the origination and purchasing of quality loans and investments.

Earning Assets. Tower Bank & Trust Company's total loans declined \$12.1 million, or 2.6%, during 2012. Total loans were \$450.5 million at December 31, 2012 compared to \$462.6 million at December 31, 2011. The loan portfolio, which equaled 71.7% and 76.2% of earning assets at December 31, 2012 and 2011, respectively, was primarily comprised of commercial and commercial real estate loans at both dates and were made to business interests generally located within Tower Bank & Trust Company's market area. Approximately 46.5% of the loan portfolio at December 31, 2012 consisted of general commercial and industrial loans primarily secured by inventory, receivables, and equipment, while 25.2% of the loan portfolio consisted of commercial loans primarily secured by real estate. The largest concentrations of credit within the commercial and commercial real estate categories are represented by owner-occupied and investment real estate at \$140.8 million, or 31.3% of total loans, and commercial not associated with real estate at \$116.8 million, or 25.9% of total loans. While the general portfolio mix has remained about the same, the main direction Tower Bank & Trust Company has taken was to put more resources into the commercial versus the commercial real estate product. The concentration and growth in commercial credits is in keeping with Tower Bank & Trust Company's strategy of focusing a substantial amount of efforts on commercial banking. The following table presents loans outstanding as of December 31, 2012, 2011, 2010, 2009, and 2008.

Loans Outstanding

(\$ in thousands)	2012	2011	December 31, 2010	2009	2008
Commercial	\$ 209,781	\$ 214,207	\$ 232,077	\$ 251,773	\$ 255,027
Commercial real estate	113,626	118,414	120,413	132,355	152,417
Residential real estate	83,096	81,845	80,107	86,680	98,432
Home equity	33,074	34,593	38,389	40,043	34,957
Consumer	11,395	13,768	15,986	16,649	20,330
Total loans	450,972	462,827	486,972	527,500	561,163

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Net deferred loan (fees) / costs	(506)	(266)	(58)	(167)	(151)
Allowance for loan losses	(8,289)	(9,408)	(12,489)	(11,598)	(10,655)
Net loans	\$ 442,177	\$ 453,153	\$ 474,425	\$ 515,735	\$ 550,357

The following table presents the maturity of total loans outstanding as of December 31, 2012, according to scheduled repayments of principal and also based upon re-pricing opportunities.

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(\$ in thousands)	Within 1 Year	1 - 5 Years	Over 5 Years	Totals
Loans - Contractual Maturity Dates:				
Commercial	\$ 90,335	\$ 82,342	\$ 37,104	\$ 209,781
Commercial real estate	33,981	59,607	20,038	113,626
Residential real estate	5,551	13,491	64,054	83,096
Home equity	3,581	10,646	18,847	33,074
Consumer	3,644	7,745	6	11,395
Total loans	\$ 137,092	\$ 173,831	\$ 140,049	\$ 450,972
Loan Repricing Opportunities:				
Fixed rate	\$ 48,916	\$ 96,666	\$ 98,547	\$ 244,129
Variable rate	88,176	77,165	41,502	206,843
Total loans	\$ 137,092	\$ 173,831	\$ 140,049	\$ 450,972

Tower Bank & Trust Company's credit policies establish, monitor for effectiveness and adjust guidelines to manage credit risk and asset quality. These guidelines include procedures for loan review and to elicit the identification of problem loans as early as practical in order to provide effective loan portfolio administration. We strive, through application of the credit policies and procedures, to minimize the risks and uncertainties inherent in lending. In following these policies and procedures, TFC must rely on estimates, appraisals and evaluation of loans and the possibility that changes could occur because of changing general economic conditions and changes in consumer preferences, government monetary policies, changes in a borrower's financial condition, and other factors that can affect a loan's collectability. Identified problem loans, which exhibit characteristics (financial or otherwise) that could cause the loans to become nonperforming or require restructuring in the future, are included on an internal watch list. Senior management reviews this list regularly and adjusts for changing conditions. Over the past few years, TFC has been prudent in recognizing and reporting loans in trouble and helping them return to a performing status. As a result of these efforts, TFC has been able to reduce the loans categorized as special mention, substandard, or doubtful. The following table illustrates the recorded investment(1) of loans by risk category for the years ending December 31, 2012, 2011, and 2010.

(\$ in thousands)	2012	December 31, 2011	2010
Special Mention	\$ 5,506	\$ 21,314	\$ 27,098
Substandard	18,291	12,106	32,169
Doubtful	13,842	8,130	11,994
Total	\$ 37,639	\$ 41,550	\$ 71,261
% of total loans	8.36%	8.98%	14.64%

(1) The recorded investment in loans includes accrued interest and deferred fees, less nonaccrual interest paid, and deferred costs.

Nonperforming loans at December 31, 2012, were \$16.7 million, of which \$15.0 million were loans placed on nonaccrual status, \$109,887 of loans still accruing at 90 days or more past due, and \$1.6 million of troubled debt restructured loans. The primary reason for the increase in nonperforming loans was the addition of four commercial loan relationships in the amount of \$6.3 million, of which all four were previously on TFC's watch list at December 31, 2011. While nonperforming loans increased in 2012, the increase was the result of loans previously on the watch list migrating downward to nonperforming status. The watch list decreased in 2012 as a result of the management's focus on improving

asset quality and profitability. The reduction in the watch list was the result of loan sales, charge-offs, upgrades in rating, and refinancing through another institution. Total impaired loans were \$18.2 million, which included most of the nonperforming loans plus loans deemed impaired and still accruing of \$2.7 million.

In the nonaccrual category, the increase of \$6.3 million was the result of the addition of two commercial real estate relationships (\$4.7 million), two commercial loan relationships (\$1.8 million), and one residential real estate relationship (\$1.2 million). The two commercial real estate relationships added to nonaccrual were previously reported as accruing nonperforming troubled debt restructures have recognized \$1.1 million of charge-offs, causing a decrease in their carrying value to a total of \$738,803 at December 31, 2012. The one residential real estate loan relationship was previously reported

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in the 90 days past due and accruing category in the amount of \$1.2 million at December 31, 2011, and has recognized a charge-off of \$137,000 in 2012. Additionally, the two commercial loan relationships added to nonaccrual were reported in the special mention category of the watch list at December 31, 2011.

The loans past 90 days and still accruing category has been reduced by \$1.9 million from 2011 as a result of the one residential real estate loan mentioned above in the amount of \$1.2 million moving to nonaccrual and two commercial real estate loan relationships totaling \$429,893 moving to nonaccrual.

The nonperforming troubled debt restructured loan category decreased by \$159,500 as a result of the two commercial real estate loan relationships mentioned above that comprised the category at December 31, 2011, totaling \$1.8 million moved to nonaccrual in 2012. Once these loans move to nonaccrual, they are reported as such, even though they are still considered nonperforming troubled debt restructured loans. Offsetting the decrease was the addition of two commercial loan relationships totaling \$1.6 million, which were previously reported in the substandard category of the watch list at December 31, 2011.

Nonperforming loans at December 31, 2011, were \$12.5 million, of which \$8.7 million were loans placed on nonaccrual status, \$2.0 million of loans still accruing at 90 days or more past due, and \$1.8 million of troubled debt restructured loans. Total impaired loans were \$17.6 million, which included most of the nonperforming loans plus loans deemed impaired and still accruing of \$6.5 million. Nonperforming loans at December 31, 2010, were \$23.1 million, of which \$12.9 million were loans placed on nonaccrual status, \$2.7 million of loans still accruing at 90 days or more past due, and \$7.5 million of troubled debt restructured loans.

Nonperforming assets	2012	2011	at December 31, 2010	2009	2008
Loans past due over 90 days still accruing	\$ 109,888	\$ 2,007,098	\$ 2,688,135	\$ 561,136	\$ 1,019,857
Troubled debt restructured loans	1,645,224	1,804,724	7,501,958	1,915,127	327,967
Nonaccrual loans	14,967,886	8,682,161	12,939,331	13,466,165	15,675,334
Total nonperforming loans	16,722,998	12,493,983	23,129,424	15,942,428	17,023,158
Other real estate owned	1,908,010	3,129,231	4,284,263	4,634,089	2,660,310
Other Impaired Assets	129,853				
Impaired securities		331,464	421,529	478,665	230,900
Total nonperforming assets	\$ 18,760,861	\$ 15,954,678	\$ 27,835,216	\$ 21,055,182	\$ 19,914,368

Total impaired loans were \$18.2 million, which included most of the nonperforming loans plus loans deemed impaired and still accruing of \$2.7 million. Impaired loans, with specific loss allocations, which are measured for impairment using the fair value of the collateral for collateral dependent loans, had a carrying value of \$11.7 million, with a valuation allowance of \$1.4 million, resulting in an additional provision for loan losses of \$1.2 million for the period ending December 31, 2012. This compares to a carrying value of \$10.8 million and a valuation allowance of \$3.1 million, resulting in an additional provision for loan losses of \$3.1 million for the period ending December 31, 2011. The decrease in the valuation allowance from 2011 to 2012 was primarily due to charging down two impaired commercial real estate relationships, one impaired jumbo residential and home equity relationship, and one commercial relationship with a carrying value of \$5.6 million and a valuation allowance of \$2.2 million, or 73.3% of the total valuation allowance on all impaired loans at December 31, 2011. Impaired loans with a carrying amount totaling \$3.3 million, with valuation allowance of \$544,000, at December 31, 2012, were excluded from the chart above as these were measured using the present value of expected future cash flows, which is not considered fair value and resulted in additional provision expense of \$544,000.

Adjustments to certain commercial and residential real estate properties classified as other real estate owned (OREO) are measured at the lower of carrying amount or fair value, less costs to sell. Fair values are generally based on third party appraisals of the property that include certain assumptions and unobservable inputs used many times by appraisers, resulting in a Level 3 classification. In cases where the carrying amount exceeds the fair value, less costs to sell, an impairment loss is recognized. Whenever a new fair value is determined, which is typically done on an annual basis in the other real estate owned category, TFC reports the property at that new value. At December 31, 2012, the carrying value was \$1.5 million, with no valuation allowance, resulting in additional OREO expense of \$507,170 in 2012. This compares to a carrying value of \$2.5 million, with no valuation allowance, at December 31, 2011, resulting in expense of \$673,045 for 2011. The remaining properties in the other real estate owned have either been recently added, at fair value, to the category or were valued more than 12 months ago.

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During 2012, Tower Bank & Trust Company recorded \$3.6 million in net charged-off loans compared to \$7.3 million in 2011 and \$3.9 million in 2010. The net charge-offs to total average loans was 0.78%, 1.51%, and 0.76% in 2012, 2011, and 2010, respectively. In 2012, three commercial relationships, three commercial real estate relationships, and one residential real estate relationship made up 79.3% of total charge-offs. Specific reserves on these relationships at December 31, 2011 totaled \$2.3 million. Of the charge-offs recorded in 2011, five commercial real estate loans made up \$6.0 million, or 73.1%, of total charge-offs and five commercial loans made up \$1.9 million, or 23.0%, of total charge-offs. Offsetting the charge-offs was a recovery on a commercial unsecured loan in the amount of \$540,000 in 2011. The remaining net charge-offs were less than \$100,000 each. Of the loans charged-off in 2010, \$2.7 million came from 5 commercial loans and one commercial real estate loan that had been either partially or fully reserved previously. There was one residential real estate loan from a pool of loans purchased in 2007 from Countrywide, now serviced by Bank of America, that had a \$283,351 charge-off, but only had a small reserve based on ASC 450-2 guidelines. The remaining net charge-offs were less than \$500,000 each. Offsetting the charge-offs were \$634,993 of recoveries, which included a recovery of \$200,000 on one commercial loan relationship that was charged off earlier in the year.

Activity in the allowance for loan losses during 2012, 2011, 2010, 2009, and 2008 was as follows:

	2012	2011	2010	2009	2008
Beginning balance, January 1	\$ 9,408,013	\$ 12,489,400	\$ 11,598,389	\$ 10,654,879	\$ 8,208,162
Provision charged to operating expense	2,493,000	4,220,000	4,745,000	10,735,000	4,399,000
Charge-offs:					
Commercial	(825,883)	(1,751,096)	(3,457,564)	(6,279,849)	(1,148,617)
Commercial real estate	(2,334,496)	(6,398,449)	(547,808)	(3,814,068)	(1,920,176)
Residential real estate	(287,093)	(7,033)	(293,785)	(133,850)	(55,219)
Home equity	(406,156)	(65,739)	(138,471)	(75,823)	(82,536)
Consumer	(66,413)		(51,354)	(18,127)	(289,664)
Total Charge-offs	(3,920,041)	(8,222,317)	(4,488,982)	(10,321,717)	(3,496,212)
Recoveries:					
Commercial	243,353	803,050	538,158	449,904	567,420
Commercial real estate	29,073	80,188	74,867	36,015	846,700
Residential real estate				2,231	112,961
Home equity	33,526	26,412	21,348	31,965	8,940
Consumer	1,720	11,280	620	10,112	7,908
Total Recoveries	307,672	920,930	634,993	530,227	1,543,929
Total Net Charge-offs	(3,612,369)	(7,301,387)	(3,853,989)	(9,791,490)	(1,952,283)
Ending balance, December 31	\$ 8,288,644	\$ 9,408,013	\$ 12,489,400	\$ 11,598,389	\$ 10,654,879

In each quarter, TFC adjusts the allowance for loan losses to the amount TFC believes is necessary to maintain the allowance at adequate levels. We allocate specific portions of the allowance for loan losses to specifically identified problem loans. The evaluation of the allowance is further based on consideration of actual loss experience, the present and prospective financial condition of borrowers, industry concentrations within the portfolio and general economic conditions. We believe that the present allowance is adequate, based on the foregoing broad range of considerations.

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The following table illustrates the breakdown of the allowance for loan losses by loan type.

(\$ in thousands) Loan Type	Dec 31, 2012 Alloc.	Loan Type As a % of Total Loans	Dec 31, 2011 Alloc.	Loan Type As a % of Total Loans	Dec 31, 2010 Alloc.	Loan Type As a % of Total Loans	Dec 31, 2009 Alloc.	Loan Type As a % of Total Loans	Dec 31, 2008 Alloc.	Loan Type As a % of Total Loans
Commercial	\$ 4,138	49.9%	\$ 3,963	42.1%	\$ 5,791	46.4%	\$ 6,733	58.1%	\$ 4,942	46.4%
Commercial real estate	3,634	43.9%	4,706	50.0%	6,183	49.5%	4,336	37.4%	5,276	49.5%
Residential real estate	192	2.3%	581	6.2%	387	3.1%	168	1.4%	136	1.3%
Home equity	209	2.5%	77	0.8%	77	0.6%	205	1.8%	110	1.0%
Consumer	27	0.3%	19	0.2%	29	0.2%	104	0.9%	134	1.3%
Unallocated	89	1.1%	62	0.7%	22	0.2%	52	0.4%	57	0.5%
Total allowance for loan losses	\$ 8,289	100.0%	\$ 9,408	100.0%	\$ 12,489	100.0%	\$ 11,598	100.0%	\$ 10,655	100.0%

Although, at the time each evaluation is made, TFC considers the aggregate allowance for loan losses to be adequate to absorb losses that TFC expects to be incurred, TFC can provide no assurance that charge-offs in future periods will not exceed the allowance, as has occurred in recent years. Additionally, banking regulators can require an increase to the allowance for loan losses if they deem necessary to satisfy regulatory safety and soundness concerns. We experienced \$3.9 million of charge-offs and \$307,672 of recoveries in 2012. We experienced \$8.2 million of charge-offs and \$920,930 of recoveries during 2011 and \$4.5 million of charge-offs and \$634,993 of recoveries during 2010.

Total Securities Portfolio

(\$ in thousands)	2012 Fair Value	December 31, 2011 Fair Value	2010 Fair Value
Available for sale securities:			
U.S. Government agency debt obligations	\$	\$ 616	\$ 4,173
Obligations of states and political subdivisions	93,120	59,474	45,759
Mortgage-backed securities (residential)	80,361	62,851	55,489
Mortgage-backed securities (commercial)		5,679	4,683
Collateralized debt obligations			5
Equity securities	903		
Total available-for-sale securities	\$ 174,384	\$ 128,620	\$ 110,109

Securities at fair value increased during 2012, and totaled \$174.4 million at December 31, 2012 compared to \$128.6 million at December 31, 2011 and \$110.1 million at December 31, 2010. We maintain a modest securities portfolio to provide for secondary liquidity and for interest rate risk management. During 2011 and 2012, the size of the portfolio increased by approximately 16.8% and 35.6%, respectively, to focus on improving liquidity, flexibility, and profitability. The portfolio will continue to include some short-term liquid holdings from time to time based on liquidity needs. During the fourth quarter of 2012, TFC implemented a municipal bond leverage strategy that match-funds \$25.0 million in investments with \$25.0 million of brokered deposits. At December 31, 2012, the \$25.0 million of investments was complete and was funded with new brokered deposits of approximately \$11 million. The remaining funding for the investment purchases will be completed in early

2013. Since the inception of TFC, all securities have been designated as available-for-sale and held-to-maturity as defined by accounting standards. Securities designated as available-for-sale are stated at fair value, with the unrealized gains and losses, net of income tax, reported as a separate component of stockholders' equity. Securities designated as held-to-maturity, if any, are stated at cost. A net unrealized gain on this portfolio was recorded at December 31, 2012 in the amount of \$5.5 million compared to net unrealized gains on the portfolio in the amount of \$5.1 and \$1.6 million recorded at December 31, 2011 and December 31, 2010, respectively. The table above presents the total securities portfolio as of December 31, 2012, 2011, and 2010. During 2012, TFC sold \$5.3 million of available-for-sale securities at a net gain from sales of \$149,098. During 2011, TFC sold \$13.5 million of available-for-sale securities at a net gain of \$776,753. During 2010, TFC sold \$9.2 million of available-for-sale and held-to-maturity securities and recorded \$1.1 million gain from sales.

Trust Preferred Securities. At December 31, 2011, TFC owned a \$1 million original investment in PreTSL XXV out of a pooled \$877.4 million investment at the time of purchase. This was TFC's only pooled trust preferred security and it

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was classified as a collateralized debt obligation. At December 31, 2011, the book and fair values of the security were written down to \$0. The security was sold during the fourth quarter of 2012 for \$110,000. Prior to being sold, this security was deemed other-than-temporarily-impaired requiring TFC to record total credit impairment of \$961,342. An OTTI charge of \$0, \$110,000, and \$121,342 was recorded for the years ending December 31, 2012, 2011, and 2010, respectively.

Private Label Collateralized Mortgage Obligation. At December 31, 2011, TFC owned a Private Label Collateralized Mortgage Obligation (CMO) with an original investment of \$1.0 million, which is classified as a residential mortgage-backed security. At December 31, 2011, the fair value of the investment was \$331,464 and the amortized cost was \$492,248. During the fourth quarter of 2012, the security was sold at a loss of \$28k. Prior to being sold, it was determined that this Private Label CMO was other-than-temporarily-impaired requiring TFC to record total credit impairment of \$97,464. An OTTI charge of \$688, \$39,045, and \$36,961 was recorded for the years ending December 31, 2012, 2011, and 2010, respectively. The security was sold at a loss of \$28,322 during the year ending December 31, 2012.

Short-term Investments and Fed Funds Sold. Federal funds sold, consisting of excess funds sold overnight to correspondent banks, and short-term investments and interest-bearing deposits, consisting of certificates of deposit with maturities less than 90 days and interest-bearing accounts at correspondent banks, are used to manage daily liquidity needs and interest rate sensitivity. Together, these short-term assets, which recorded a decrease of \$3.7 million during 2012, were \$3.3 million and \$7.0 million at December 31, 2012 and 2011, respectively. At December 31, 2012 and 2011, these short-term assets were approximately 0.5% and 1.1% of earning assets.

Source of Funds. Our major source of funds is from core deposits of local businesses, governmental and municipal public fund entities, and consumers within the market area. We also generate certificates of deposit through national out-of-market sources (outside Allen and surrounding counties). We generate these out-of-market deposits through negotiated transactions with brokers. Total deposits were \$561.0 million at December 31, 2012 and \$602.0 million at December 31, 2011, a decrease of \$41.0 million, or 6.8%. At December 31, 2010 total deposits were \$576.4 million.

Noninterest-bearing deposits totaled \$108.1 million at December 31, 2012, a \$61.6 million, or 36.3%, decrease from \$169.8 million at December 31, 2011. At December 31, 2012, noninterest-bearing deposits were approximately 19.3% of total deposits, a decrease from the 2011 level of 28.2%. Of the \$61.6 million decrease, TFC can attribute approximately \$48 million to two customers' deposits that were placed into noninterest-bearing checking accounts at Tower Bank & Trust Company for short-term purposes in December of 2011. These two deposits were withdrawn from Tower Bank & Trust Company during the first quarter of 2012 when a more suitable, permanent option was determined. Additionally, approximately \$28 million was transferred to a new interest-bearing checking account for commercial customers during the first quarter of 2012. Noninterest-bearing deposits at December 31, 2012 were comprised of \$96.7 million in business checking accounts, \$172,235 in public funds, and \$11.3 million in consumer accounts.

Interest-bearing deposits increased by \$20.6 million, or 4.8%, during 2012 and ended at \$452.9 million compared to \$432.3 million at December 31, 2011. As mentioned above, approximately \$28 million of the increase in this category was due to the transfer of funds to a new interest-bearing checking product from noninterest-bearing checking accounts. Interest-bearing deposits at December 31, 2012 were comprised of approximately 29.2% in money market accounts, 43.9% in interest-bearing checking and savings accounts, and 26.9% in certificates of deposit. The December 31, 2012 percentages reflect a modest change in the deposit mix from 2011, when the percentages were 32.4%, 31.8%, and 35.8%, respectively.

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Interest-bearing checking accounts reported a \$55.2 million increase from 2011 primarily due to the increase in health savings accounts and the transfer of funds from noninterest-bearing to a new interest-bearing checking account for commercial customers. Health savings accounts continue to be a high growth, low cost product for TFC which is reflected by increases in balances of \$15.1 million from 2010 to 2011 and \$14.2 million from 2011 to 2012. In 2012, TFC increased the number of active health savings accounts from just over 43,000 at December 31, 2011 to slightly over 51,000 at December 31, 2012. Additionally, TFC expects to receive another large deposit of approximately \$23 million in January 2013 into these accounts when the customers typically make their employer contributions, as TFC has witnessed over the last several years. Other categories reporting declines in balances during the year include in-market CDs of \$20.9 million and money market accounts of \$7.7 million.

Throughout 2011 and 2012, TFC decreased the interest rates on several products to reduce the cost of funds, encourage the retention of true customers, and shift the mix from certificates of deposit to lower cost products. This increase in low cost funding allowed TFC to reduce the amount of brokered deposits outstanding from \$102.6 million at December 31, 2011 to \$90.2 million. Of the \$12.4 million decrease in brokered deposits, \$9.8 million were called prior to maturity with a weighted average rate of 2.59%. While TFC accelerated the amortization of the brokered deposit fees causing net additional interest expense of approximately \$70,000 in March of 2012, TFC has saved and will continue to save

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approximately \$20,000 per month in interest expense going forward until this funding would need to be replaced. During the fourth quarter of 2012, TFC implemented a municipal bond leverage strategy that match-funds \$25.0 million in investments with \$25.0 million of brokered deposits. At December 31, 2012, the \$25.0 million of investments was complete and was funded with new brokered deposits of approximately \$11 million. The remaining funding for the investment purchases will be completed in early 2013.

TFC had borrowings of \$37.4 million at December 31, 2012 compared to \$12.0 million at December 31, 2011. The increase was due to increasing the FHLB advances by \$16.3 million and utilizing the line of credit at the FHLB in that amount of \$9.1 million at December 31, 2012 to take advantage of the lower interest rates available in that funding market. We also utilized this short-term borrowing approach to fund investment purchases, outside of the municipal bond leverage strategy, in anticipation of the annual employer and employee HSA deposit funding in January of 2013. The current weighted average rate on the FHLB advances is 0.81% with a weighted average remaining maturity of 0.9 years. The interest rate on the line of credit at December 31, 2012 was 0.50%.

We had \$17.5 million of aggregate principal amount in junior subordinated debenture outstanding at December 31, 2012 and 2011. We currently have two statutory trust subsidiaries. TCT2 effected a private placement of \$8.0 million in Trust Preferred Securities on December 5, 2005. TCT3 effected a private placement of \$9.0 million on December 29, 2006. The proceeds were loaned to TFC in exchange for junior subordinated debentures with similar terms to the Trust Preferred Securities. These securities are considered Tier I capital (with certain limitations applicable) under current regulatory guidelines.

The junior subordinated debentures are subject to mandatory redemption, in whole or in part, upon repayment of the Trust Preferred Securities at maturity or their earlier redemption at the paramount. The maturity date of the Trust Preferred Securities issued by TCT2 is December 4, 2035. Subject to the having received prior approval of the Federal Reserve Bank, if then required, the Trust Preferred Securities became redeemable prior to the maturity date as of December 5, 2010 and each year thereafter at the option. At December 4, 2010, the interest rate on TCT2 moved to a floating rate of three month LIBOR plus 134 basis points, or 1.65% as of December 31, 2012, as TFC chose not redeem it at that point. The maturity date of the Trust Preferred Securities issued by TCT3 is December 29, 2037. Subject to the having received prior approval of the Federal Reserve Bank, if then required, the Trust Preferred Securities are redeemable prior to the maturity date beginning March 1, 2012 and each year thereafter at the option. At March 1, 2012, the interest rate on TCT3 moved to a floating rate of three month LIBOR plus 169 basis points, or 2.00% as of December 31, 2012, as TFC chose not redeem it at that point.

Per the debenture agreements, TFC has the ability to defer payment of the interest for twenty consecutive quarters. During 2010, TFC sent the written notice each quarter beginning with the first quarter of 2010 to the Trustees of the Trust Preferred Securities stating that TFC elected to defer payment of the interest. While no payments of interest were made in 2010 or 2011, TFC continued to accrue the payments for each quarter. In June of 2012, TFC paid all of the deferred interest payments on its outstanding trust preferred subordinated securities in the amount of \$2.3 million. TFC received permission on May 11, 2012 from the Federal Reserve Bank of Chicago to make both of these payments on their respective due dates.

In 2007, the Board of Directors authorized the repurchase of up to 65,000 shares of outstanding common stock. By December 31, 2008, all 65,000 approved shares were repurchased at an average price of \$13.61 per share. In December 2012, the Board of Directors authorized the repurchase of up to 250,000 shares of TFC's common stock. In 2012, TFC repurchased 141,850 shares at an average price of \$12.23 per share. As of December 31, 2012, TFC has repurchased a total of 206,850 shares of treasury stock at \$12.66 per share.

On September 25, 2009, TFC sold 18,300 shares of Series A Convertible Preferred Stock in the net amount of \$1.8 million. Each share was sold for \$100 each and is convertible into Tower Financial Corporation common stock at a price per share of \$6.02, which is a 30% premium on the

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common stock market price on the purchase date, September 25, 2009. By December 31, 2011, all Series A Convertible Preferred Stock had been converted to 303,987 shares of the common stock at a price of \$6.02 per share. No dividends were paid on preferred stock in 2010 or 2011.

From April 23, 2010 until its termination on July 10, 2012, TFC was under a written agreement with the Federal Reserve and the IDFI (the Written Agreement). As a result of the termination of the Written Agreement, Tower Bank & Trust Company was able to pay \$5.7 million in dividends to the Holding Company to fund the purchase of a \$1.0 million par value equity security in the amount of \$902,900, to fund two quarterly dividends and one special dividend to stockholders totaling \$2.9 million, and to fund the repurchase of 141,850 shares of TFC s common stock in the amount of \$1.7 million. Prior to the third quarter of 2012, no dividend payments had been made since the first quarter of 2008.

Stockholders equity was \$63.7 million and \$62.1 million at December 31, 2012 and 2011, respectively. Affecting

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the increase in stockholders' equity during 2012 was \$5.7 million in net income and \$281,715 in unrealized gains, net of tax, on available-for-sale securities. Additionally, TFC recorded \$291,810 of stock compensation expense. Offsetting these increases were the repurchase 141,850 shares of TFC's common stock of \$1.7 million and dividends paid to stockholders in the amount of \$2.9 million. See Results of Operations.

SECURITIES OWNERSHIP OF TFC'S MANAGEMENT

The following table shows the number of shares of common stock owned by each director and named executive officer of TFC, and by the directors and all of TFC's executive officers as a group. The table shows ownership as of November 29, 2013. This includes all shares held directly as well as by spouses and minor children, in trust and other indirect ownership, over which shares the named individuals effectively exercise sole or shared voting or investment power.

Executive Officers and Directors

Name	Shares Owned as of November 29, 2013		Shares Subject to Options	Deferred Stock Units	Total Beneficial Ownership	Percent of Class (%) (1)
	Sole Voting and Investment Power	Shared Voting and Investment Power				
Wendell L. Bontrager	10,859(2)		3,000		13,859	*
Keith E. Busse	600,468			400	600,868	12.74%
Kathryn D. Callen	14,913	5,500(3)		489	20,902	*
Michael D. Cahill	17,193(4)		20,000		37,193	*
Tina M. Farrington	2,439(5)				2,439	*
Scott A. Glaze	30,478			478	30,956	*
Jerome F. Henry, Jr.	276,865			567	277,432	5.88%
Debra A. Niezer	13,956	2,465(6)		433	16,854	*
William G. Niezer	31,701	1,733(7)		394	33,828	*
Richard R. Sawyer	9,059(8)	250(9)			9,309	*
Gary D. Shearer	23,378(10)		2,000		25,378	*
Kim T. Stacey	718	560(11)		489	1,767	*
Robert N. Taylor	483			406	889	*
Ronald W. Turpin	5,644			544	6,188	*
James E. Underwood	16,180(12)				16,180	*
Irene A. Walters	5,395	15,000(13)		333	20,728	*
All directors and executive officers as a group (16 persons)	1,059,729	25,508	25,000	4,533	1,114,770	23.64%

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*Less than 1%

1. *The percentages shown are based on 4,716,074 shares outstanding as of November 29, 2013, plus for each person or group, the number of shares that the person or group has the right to acquire within 60 days pursuant to options granted under the company's 1998 and 2001 stock option and incentive plans.*
2. *Includes 7,109 vested shares held in the company's 401(k) account.*
3. *Shares held by Mrs. Callen's children.*
4. *Includes 11,255 vested shares held in the company's 401(k) account.*
5. *Includes 1,939 vested shares held in the company's 401(k) account.*
6. *Shares held by Mrs. Niezer's husband and children.*
7. *Shares held by Mr. Niezer's wife and children.*
8. *Includes 4,326 vested shares held in the company's 401(k) account.*
9. *Shares held by Mr. Sawyer's wife.*
10. *Includes 14,328 vested shares held in the company's 401(k) account.*
11. *Shares held in Mr. Stacey's trust account.*
12. *Includes 1,930 vested shares held in the company's 401(k) account.*
13. *Shares held by Mrs. Walter's husband.*

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRMS AND EXPERTS

The consolidated financial statements of Old National incorporated herein by reference to Old National's Annual Report on Form 10-K for the year ended December 31, 2012, have been audited by Crowe Horwath LLP, independent registered public accounting firm (Crowe), as set forth in their report thereon incorporated by reference in this proxy statement/prospectus in reliance upon such report given on the authority of Crowe as experts in accounting and auditing.

The consolidated financial statements of TFC as of and for the year ended December 31, 2012 included in this proxy statement/prospectus and in the registration statement of which this proxy statement/prospectus is a part have been audited by BKD, LLP, independent registered public accounting firm (BKD), as set forth in their report thereon in reliance upon such report given on the authority of BKD as experts in accounting and auditing. The consolidated financial statements of TFC as of and for the year ended December 31, 2011 and for the year ended December 31, 2010 included in this proxy statement/prospectus and in the registration statement of which this proxy statement/prospectus is a part have been audited by Crowe, independent registered public accounting firm, as set forth in their report thereon in reliance upon such report

given on the authority of Crowe as experts in accounting and auditing.

Changes in TFC's Certifying Accountant

During the third quarter of 2011, at the direction of TFC's Audit Committee of the Board of Directors, management of TFC conducted a review of several independent registered public accounting firms regarding the audit of TFC's financial statements for the year ending December 31, 2012. On December 6, 2011, based upon the recommendation of TFC's Audit Committee and management, TFC's Board of Directors authorized management to replace TFC's current outside auditors, Crowe, with BKD beginning with the audit of TFC's financial statements for the fiscal year ended December 31, 2012.

On December 7, 2011, Crowe was notified in a telephone conversation with management of TFC that such firm would not be retained as TFC's independent registered public accounting firm for the fiscal year ended December 31, 2012. However, Crowe was previously engaged to audit TFC's consolidated financial statements for the fiscal year ended December 31, 2011.

Crowe's reports on TFC's consolidated financial statements for the fiscal years ended December 31, 2009 and 2010 did not contain any adverse opinion or a disclaimer of opinion, nor were the reports qualified or modified as to uncertainty, audit scope or accounting principles. During TFC's fiscal years ended December 31, 2009 and 2010 and through December 7, 2011 there were no disagreements with Crowe on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Crowe, would have caused it to make reference thereto in its reports on TFC's financial statements for such years. During the fiscal years ended December 31, 2009 and 2010 and through December 7, 2011, there were no reportable events. TFC requested that Crowe furnish it with a letter addressed to the Securities and Exchange Commission stating whether or not it agrees with the above statements and Crowe complied.

On December 6, 2011, based upon the recommendation of the TFC Audit Committee and management, TFC's

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Board of Directors authorized management to replace the TFC's current outside auditors, Crowe, with BKD beginning with the audit of TFC's financial statements and 401(k) Plan for the fiscal year ended December 31, 2012.

During TFC's fiscal years ended December 31, 2009 and 2010 and through December 7, 2011, neither TFC nor anyone on its behalf has consulted with BKD regarding: (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on TFC's financial statements, and neither a written report nor oral advice was provided to TFC that BKD concluded was an important factor considered by TFC in reaching a decision as to the accounting, auditing or financial reporting issue; or (ii) any matter that was either the subject of a disagreement or a reportable event.

LEGAL MATTERS

Certain matters pertaining to the validity of the authorization and issuance of the Old National common stock to be issued in the proposed Merger and certain matters pertaining to the federal income tax consequences of the proposed Merger will be passed upon by Krieg DeVault LLP, Indianapolis, Indiana.

SHAREHOLDER PROPOSALS FOR NEXT YEAR

Old National

If the Merger is completed, TFC shareholders will become shareholders of Old National. To be included in Old National's proxy statement and voted on at Old National's regularly scheduled 2014 annual meeting of shareholders, shareholder proposals must have been submitted in writing by February 11, 2014, to Old National's Secretary, P.O. Box 718, Evansville, Indiana 47705-0718, which date is 120 calendar days before the date of the release of Old National's proxy statement for 2013. If notice of any other shareholder proposal intended to be presented at the annual meeting is not received by Old National on or before February 11, 2014, the proxy solicited by the Old National board of directors for use in connection with that meeting may confer authority on the proxies to vote in their discretion on such proposal, without any discussion in the Old National proxy statement for that meeting of either the proposal or how such proxies intend to exercise their voting discretion. Any such proposals will be subject to the requirements of the proxy rules and regulations adopted under the Exchange Act. If the date of the 2014 annual meeting is changed, the dates set forth above may change.

Pursuant to Old National's By-laws, any shareholder wishing to nominate a candidate for director or propose other business at an annual meeting must give Old National written notice not less 120 days before the meeting, and the notice must provide certain other information as described in the By-laws. Copies of the By-laws are available to shareholders free of charge upon request to Old National's Secretary.

TFC

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If the Merger occurs, there will be no TFC annual meeting of shareholders for 2014. In that case, shareholder proposals must be submitted to Old National in accordance with the procedures described above.

If the Merger is not completed, TFC will provide notice of the record date and annual meeting date, as well as the deadline for submitting shareholder proposals for such meeting and to have such proposals included in TFC's proxy statement for the 2014 annual meeting of shareholders. Such date will be disclosed in a quarterly report on Form 10-Q or current report on Form 8-K.

WHERE YOU CAN FIND MORE INFORMATION

Old National and TFC file annual, quarterly, and current reports, proxy statements, and other information with the Securities and Exchange Commission. You may read and copy any reports, statements, or other information that the companies file at the Securities and Exchange Commission's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the Securities and Exchange Commission at 1-800-SEC-0330 for further information on the operation of the public reference room. Old National's and TFC's public filings also are available to the public from commercial document retrieval services and on the World Wide Web site maintained by the Securities and Exchange Commission at <http://www.sec.gov>. Shares of Old National common stock are listed on the NASDAQ Global Market under the symbol ONB, and shares of TFC common stock are listed on the NASDAQ Global Market under the symbol TOFC.

Old National has filed with the Securities and Exchange Commission a registration statement on Form S-4 under the Securities Act of 1933 with respect to the common stock of Old National being offered in the Merger. This proxy statement/prospectus, which constitutes part of the registration statement, does not contain all of the information set forth in the registration statement. Parts of the registration statement are omitted from the proxy statement/prospectus in accordance with the rules and regulations of the Securities and Exchange Commission. For further information, your attention is directed

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to the registration statement. Statements made in this proxy statement/prospectus concerning the contents of any documents are not necessarily complete, and in each case are qualified in all respects by reference to the copy of the document filed with the Securities and Exchange Commission.

The Securities and Exchange Commission allows Old National to incorporate by reference the information filed by Old National with the Securities and Exchange Commission, which means that Old National can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this proxy statement/prospectus.

Old National incorporates by reference the documents and information listed below:

(1) Old National's Annual Report on Form 10-K for the year ended December 31, 2012;

(2) The information described below under the following captions in Old National's Form 10-K for the fiscal year ended December 31, 2012:
(a) the information concerning share ownership of principal shareholders and concerning directors and executive officers of Old National under the caption "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters"; (b) "Executive Compensation";
(c) "Certain Relationships and Related Transactions and Director Independence"; and (d) information concerning directors and executive officers of Old National under the caption "Directors, Executive Officers and Corporate Governance";

(3) Old National's Quarterly Reports on Form 10-Q for the quarterly period ended September 30, 2013, June 30, 2013 and March 30, 2013

(4) Old National's Current Reports on Form 8-K filed November 10, 2013, October 28, 2013, September 10, 2013, September 5, 2013, July 29, 2013, July 26, 2013, July 25, 2013, July 15, 2013, June 21, 2013, June 19, 2013, May 23, 2013, May 10, 2013, April 29, 2013, January 28, 2013 and January 24, 2013; and

(5) The description of Old National's common stock set forth in the registration statement on Form 8-A filed pursuant to Section 12 of the Exchange Act on February 7, 2002, including any amendment or report filed with the SEC for the purpose of updating such description.

Old National also incorporates by reference any filings it makes with the Securities and Exchange Commission under Sections 13(a), 13(c), 14, and 15(d) of the Securities Exchange Act of 1934 between the date hereof and the date of TFC's special meeting of shareholders at which the Merger is to be presented to a vote.

Any statement contained in a document incorporated or deemed to be incorporated herein shall be deemed modified or superseded for purposes of this proxy statement/prospectus to the extent that a statement contained herein or in any other subsequently filed document that is deemed to be incorporated herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so

modified or superseded, to constitute a part of this proxy statement/prospectus.

You should rely only on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information that is inconsistent with information contained in this document or any document incorporated by reference. This proxy statement/prospectus is not an offer to sell these securities in any state where the offer and sale of these securities is not permitted. The information in this proxy statement/prospectus is current as of the date it is mailed to security holders, and not necessarily as of any later date. If any material change occurs during the period that this proxy statement/prospectus is required to be delivered, this proxy statement/prospectus will be supplemented or amended.

All information regarding Old National in this proxy statement/prospectus has been provided by Old National, and all information regarding TFC in this proxy statement/prospectus has been provided by TFC.

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Tower Financial Corporation**

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Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders

Tower Financial Corporation

Fort Wayne, Indiana

We have audited the accompanying consolidated balance sheet of Tower Financial Corporation as of December 31, 2012, and the related consolidated statements of income and comprehensive income, change in stockholders' equity and cash flows for the year ended December 31, 2012. The Company's management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing auditing procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. Our audit also included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Tower Financial Corporation as of December 31, 2012, and the results of its operations and its cash flows for the year ended December 31, 2012, in conformity with accounting principles generally accepted in the United States of America.

/s/ BKD, LLP

Fort Wayne, Indiana

March 8, 2013

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Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders

Tower Financial Corporation

Fort Wayne, Indiana

We have audited the accompanying consolidated balance sheets of Tower Financial Corporation as of December 31, 2011 and the related consolidated statements of income and comprehensive income, changes in stockholders' equity, and cash flows for the periods ended December 31, 2011 and 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Tower Financial Corporation as of December 31, 2011 and the results of its operations and its cash flows for the periods ended December 31, 2011 and 2010, in conformity with U.S. generally accepted accounting principles.

/s/ Crowe Horwath LLP

South Bend, Indiana

March 19, 2012

Table of Contents**FINANCIAL STATEMENTS**

Tower Financial Corporation

Consolidated Balance Sheets

At December 31, 2012 and 2011

	2012	2011
ASSETS		
Cash and due from banks	\$ 11,958,507	\$ 60,753,268
Short-term investments and interest-earning deposits	159,866	3,260,509
Federal funds sold	2,727,928	3,258,245
Total cash and cash equivalents	14,846,301	67,272,022
Long-term interest-earning deposits	457,000	450,000
Securities available for sale, at fair value	174,383,499	128,619,951
FHLB and FRB stock	3,807,700	3,807,700
Loans held for sale	4,933,299	4,930,368
Loans	450,465,610	462,561,174
Allowance for loan losses	(8,288,644)	(9,408,013)
Net loans	442,176,966	453,153,161
Premises and equipment, net	8,904,214	9,062,817
Accrued interest receivable	2,564,503	2,675,870
Bank owned life insurance (BOLI)	17,672,783	17,084,858
Other real estate owned (OREO)	1,908,010	3,129,231
Prepaid FDIC insurance	925,337	1,551,133
Other assets	11,393,469	8,944,145
Total assets	\$ 683,973,081	\$ 700,681,256
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits:		
Noninterest-bearing	\$ 108,147,229	\$ 169,757,998
Interest-bearing	452,860,109	432,278,838
Total deposits	561,007,338	602,036,836
Short-term borrowings	9,093,652	
Federal Home Loan Bank (FHLB) advances	28,300,000	12,000,000
Junior subordinated debt	17,527,000	17,527,000
Accrued interest payable	107,943	2,148,424
Other liabilities	4,191,237	4,871,924
Total liabilities	620,227,170	638,584,184
STOCKHOLDERS' EQUITY		
Preferred stock, no par value, 4,000,000 shares authorized; no shares issued and outstanding at December 31, 2012 and 2011	44,834,605	44,542,795

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Common stock and paid-in-capital, no par value, 6,000,000 shares authorized; 4,941,994 and 4,918,136 issued; and 4,735,144 and 4,853,136 shares outstanding at December 31, 2012 and December 31, 2011, respectively		
Retained earnings	17,880,539	15,070,115
Accumulated other comprehensive income, net of tax of \$1,880,433 in 2012 and \$1,735,307 in 2011	3,650,253	3,368,538
Treasury stock, at cost, 206,850 and 65,000 shares at December 31, 2012 and December 31, 2011, respectively	(2,619,486)	(884,376)
Total stockholders' equity	63,745,911	62,097,072
Total liabilities and stockholders' equity	\$ 683,973,081	\$ 700,681,256

The following notes are an integral part of the financial statements.

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Tower Financial Corporation

Consolidated Statements of Income and Comprehensive Income

For the years ended December 31, 2012, 2011, and 2010

	2012	2011	2010
Interest income:			
Loans, including fees	\$ 22,063,567	\$ 24,828,298	\$ 26,847,111
Securities - taxable	1,837,958	2,295,838	2,502,200
Securities - tax exempt	2,027,131	1,730,535	1,071,876
Other interest income	45,559	39,041	31,334
Total interest income	25,974,215	28,893,712	30,452,521
Interest expense:			
Deposits	3,157,522	5,090,715	6,566,581
Short-term borrowings	388	638	138
FHLB advances	160,836	230,713	465,756
Junior subordinated debt	451,265	816,852	1,158,956
Total interest expense	3,770,011	6,138,918	8,191,431
Net interest income	22,204,204	22,754,794	22,261,090
Provision for loan losses	2,493,000	4,220,000	4,745,000
Net interest income after provision for loan losses	19,711,204	18,534,794	17,516,090
Noninterest income:			
Trust and brokerage fees	3,828,291	3,553,965	3,604,907
Service charges	1,090,028	1,092,260	1,125,707
Mortgage banking income	1,478,486	1,026,711	720,615
Net gain on sale of securities	149,098	776,753	1,109,743
Net debit card interchange income	725,564	612,143	400,648
Earnings from BOLI	587,925	568,070	470,216
Other-than-temporary loss:			
Total impairment loss	(688)	(149,045)	(158,303)
Loss recognized in other comprehensive income			
Net impairment loss recognized in earnings	(688)	(149,045)	(158,303)
Other income	655,210	670,294	540,571
Total noninterest income	8,513,914	8,151,151	7,814,104
Noninterest expense:			
Salaries and benefits	11,342,508	11,185,034	9,578,932
Occupancy and equipment	2,598,996	2,494,913	2,533,688
Marketing	483,573	431,833	423,443
Data processing	1,444,309	1,335,034	1,128,096
Loan and professional costs	1,497,000	1,612,321	1,629,582
Office supplies and postage	202,565	228,281	245,938
Courier services	232,179	224,987	221,756
Business development	522,964	464,807	406,775
Communications expense	217,901	192,520	186,164
FDIC insurance premiums	664,770	1,367,622	2,059,524
OREO, net	641,190	1,057,503	1,703,791
Other expense	1,020,558	1,023,585	1,125,007
Total noninterest expense	20,868,513	21,618,440	21,242,696
Income before income taxes	7,356,605	5,067,505	4,087,498
Income tax expense/(benefit)	1,612,439	(1,552,031)	923,727
Net income	\$ 5,744,166	\$ 6,619,536	\$ 3,163,771

The following notes are an integral part of the financial statements.

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Tower Financial Corporation

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2012, 2011, and 2010

	Preferred Stock	Common Stock and Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total
Balance, January 1, 2010	\$ 1,788,000	\$ 39,835,648	\$ 5,286,808	\$ 910,029	\$ (884,376)	\$ 46,936,109
Net income for 2010			3,163,771			3,163,771
Other Comprehensive Income, net of tax				155,152		155,152
Issuance of 458,342 common shares, net of offering expenses of \$78,912		2,826,810				2,826,810
Conversion of 10,550 preferred shares into 175,249 common shares	(1,030,787)	1,030,787				
Stock-based compensation expense		46,910				46,910
Balance, December 31, 2010	\$ 757,213	\$ 43,740,155	\$ 8,450,579	\$ 1,065,181	\$ (884,376)	\$ 53,128,752
Net income for 2011			6,619,536			6,619,536
Other Comprehensive Income, net of tax				2,303,357		2,303,357
Conversion of 7,750 preferred shares into 128,738 common shares	(757,213)	757,213				
Issuance of 1,000 shares of restricted stock						
Forfeiture of 625 shares of restricted stock						
Stock-based compensation expense		45,427				45,427
Balance, December 31, 2011	\$	\$ 44,542,795	\$ 15,070,115	\$ 3,368,538	\$ (884,376)	\$ 62,097,072
Net income for 2012			5,744,166			5,744,166
Other Comprehensive Income, net of tax				281,715		281,715

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Cash dividends paid (\$0.61 per share)				(2,933,742)					(2,933,742)		
Stock-based compensation expense			47,262						47,262		
Issuance of 23,858 shares of common stock under incentive plans			244,548						244,548		
Repurchase of 141,850 shares of common stock								(1,735,110)	(1,735,110)		
Balance, December 31, 2012	\$	\$	44,834,605	\$	17,880,539	\$	3,650,253	\$	(2,619,486)	\$	63,745,911

The following notes are an integral part of the financial statements.

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Tower Financial Corporation

Consolidated Statements of Cash Flows

For the years ended December 31, 2012, 2011, and 2010

	2012	2011	2010
Cash flows from operating activities:			
Net income	\$ 5,744,166	\$ 6,619,536	\$ 3,163,771
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation and amortization	2,133,587	1,842,943	1,655,025
Provision for loan losses	2,493,000	4,220,000	4,745,000
Stock-based compensation expense	47,262	45,427	46,910
Earnings on BOLI	(587,925)	(568,070)	(470,216)
Gain on sale of held-to-maturity (HTM) securities			(888,059)
Gain on sale of available-for-sale (AFS) securities	(149,098)	(776,753)	(221,684)
Gain on disposal of premises and equipment	4,963	3,772	678
Gain on sale of loans	(1,478,486)	(956,641)	(628,950)
Loans originated for sale	(62,831,907)	(39,424,361)	(37,255,823)
Proceeds from the sale of loans held for sale	61,338,034	43,591,506	39,585,990
Impairment on available for sale securities	688	149,045	158,303
(Gain)loss on sale of OREO	(13,376)	79,903	54,790
Write-downs of OREO	507,170	733,045	1,362,441
Change in accrued interest receivable	111,367	(283,917)	47,906
Change in other assets	(1,968,654)	(1,701,050)	3,798,823
Change in accrued interest payable	(2,040,481)	732,711	934,828
Change in other liabilities	(436,139)	871,270	365,941
Net cash from operating activities	2,874,171	15,178,366	16,455,674
Cash flows from investing activities:			
Net change in long-term interest-bearing deposits	(7,000)	546,000	(996,000)
Net change in loans	10,569,794	4,516,118	31,547,695
Purchase of securities AFS	(87,217,992)	(55,317,753)	(53,141,782)
Purchase of securities HTM			(1,721,320)
Purchase of FHLB and FRB stock			(75,000)
Sale or redemption of FHLB and FRB stock		267,400	250,700
Purchase of life insurance		(3,000,000)	
Proceeds from maturities, calls and paydowns of securities AFS	35,306,233	26,296,331	24,724,045
Proceeds from maturities of securities HTM			802,365
Proceeds from sale of securities AFS	5,314,735	13,469,065	8,327,894
Proceeds from sale of securities HTM			900,784
Purchase of premises, equipment, and leasehold improvements	(571,218)	(1,421,108)	(1,112,834)
Proceeds on sale of OREO	829,426	2,750,820	