

Edgar Filing: TOWER FINANCIAL CORP - Form 425

TOWER FINANCIAL CORP  
Form 425  
September 10, 2013

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Pursuant to Rule 425 under the Securities Act of 1933

Subject Company: Tower Financial Corporation

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Set forth below are slides from an investor presentation given on September 10, 2013 by Old National Bancorp regarding the proposed merger transaction between Old National Bancorp and Tower Financial Corporation.

Old National Bancorp To Acquire  
Tower Financial Corporation  
Combination of Two Banks  
Focused on Making Indiana  
Great!  
September 10, 2013

Lynell Walton  
Investor Relations  
Old National Bancorp

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**Additional Information for Shareholders**

In connection with the proposed merger, Old National Bancorp will file with the Securities and Exchange Commission (SEC) a Registration Statement on Form S-4 that will include a Proxy Statement of Tower Financial Corporation and a Prospectus of Old National Bancorp, as well as other relevant documents concerning the proposed transaction. Shareholders are urged to read the Registration Statement and the Proxy Statement/Prospectus regarding the merger when it becomes available and any other relevant

documents filed with the SEC, as well as any amendments or supplements to those documents, because they will contain important information. A free copy of the Proxy Statement/Prospectus, as well as other filings containing information about Old National Bancorp and Tower Financial Corporation, may be obtained at the SEC's Internet site (<http://www.sec.gov>). You will also be able to obtain these documents, free of charge, from Old National Bancorp at [www.oldnational.com](http://www.oldnational.com) under the tab "Investor Relations" and then under the heading "Financial Information" or from Tower Financial Corporation by accessing Tower Financial Corporation's website at [www.towerbank.net](http://www.towerbank.net) under the tab "Investor Relations" and then under the heading "SEC Filings". Old National Bancorp and Tower Financial Corporation and certain of their directors and executive officers may be deemed to be participants in the solicitation of proxies from the shareholders of Tower Financial Corporation in connection with the proposed merger. Information about the directors and executive officers of Old National Bancorp is set forth in the proxy statement for Old National's 2013 annual meeting of shareholders, as filed with the SEC on a Schedule 14A on March 15, 2013. Information about the directors and executive officers of Tower Financial Corporation is set forth in the proxy statement for Tower Financial Corporation's 2013 annual meeting of shareholders, as filed with the SEC on a Schedule 14A on March 28, 2013. Additional information regarding the interests of those participants and other persons who may be deemed participants in the transaction may be obtained by reading the Proxy Statement/Prospectus regarding the proposed merger when it becomes available. Free copies of this document may be obtained as described in the preceding paragraph.

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Disclosures

Forward Looking Statements

Non-GAAP Financial Measures

This presentation contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements include, but are not limited to, descriptions of ONB's and TFC's financial condition, results of operations, asset and credit quality, and other financial information. Forward-looking statements about the expected timing, completion, financial benefits and other effects of the proposed merger. Forward-looking statements are made by the use of the words "anticipate," "believe," "expect," "intend," "could" and "should," and other words of similar meaning.

statements express management's current expectations or forecasts of future events and, by their nature, are subject to risks and a number of factors that could cause actual results to differ materially from those in such statements. Factors that might cause are not limited to: expected cost savings, synergies and other financial benefits from the proposed merger might not be realized; frames and costs or difficulties relating to integration matters might be greater than expected; the requisite shareholder and regulatory approvals for the proposed merger might not be obtained; market, economic, operational, liquidity, credit and interest rate risks associated with the proposed merger; competition, government legislation and policies (including the impact of the Dodd-Frank Wall Street Reform and Consumer Protection Act and other regulations); ability of ONB and TFC to execute their respective business plans (including the proposed acquisition of TFC) and the ability to generate loans and gather deposits; failure or circumvention of either ONB's or TFC's internal controls; failure of information systems; significant changes in accounting, tax or regulatory practices or requirements; new legal obligations or liabilities or uncertainties; litigations; other matters discussed in this presentation and other factors identified in ONB's and TFC's Annual Reports on Form 10-K filed with the Securities and Exchange Commission. These forward-looking statements are made only as of the date of this presentation and neither ONB nor TFC undertakes an obligation to release revisions to these forward-looking statements to reflect events or conditions after the date of this presentation. These slides contain non-GAAP financial measures. For purposes of Regulation G, a non-GAAP financial measure is a numerical measure of a registrant's historical or future financial performance, financial position or cash flows that excludes amounts, or is subject to adjustments, the effect of excluding amounts, that are included in the most directly comparable measure calculated and presented in accordance with GAAP in the statement of income, balance sheet or statement of cash flows (or equivalent statements) of the issuer; or includes amounts, or is subject to adjustments, that have the effect of including amounts, that are excluded from the most directly comparable measure so calculated and presented in accordance with GAAP. In this regard, GAAP refers to generally accepted accounting principles in the United States. Pursuant to the requirements of Regulation G, Bancorp has provided reconciliations within the slides, as necessary, of the non-GAAP financial measure to the most directly comparable GAAP financial measure.

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Transforming Old National's Landscape  
2004  
2013

6  
Transforming Old National's Landscape  
Returned to  
community  
bank model  
2004  
2005

Sold non-  
strategic  
market  
Clarksville, TN

5 branches  
2006

Sold non-  
strategic  
market  
O Fallon, IL  
1 branch

2007  
2008  
2009  
2010  
2011  
2012  
2013

Acquired St.  
Joseph Capital

entry into  
Northern IN  
market  
February, 2007

Acquired 65  
Charter One  
branches  
throughout  
Indiana  
March, 2009

Acquired Monroe  
Bancorp  
Enhanced  
Bloomington, IN  
presence  
January, 2011

Acquired IN  
Community  
Entry into  
Columbus, IN  
September,  
2012

FDIC-assisted  
acquisition of  
Integra Bank  
July, 2011

Sold non-  
strategic

market  
Chicago-  
area -  
4 branches  
Consolidation  
of 21 branches  
Acquired 24  
BoFA branches  
May, 2013  
Consolidation  
of 2 branches  
Consolidation  
of 8 branches  
Consolidation  
of 1 branch  
Consolidation  
of 10 branches  
Consolidation  
of 12 branches  
Consolidation  
of 44 branches  
Consolidation  
of 5 branches  
Sold 9  
branches  
+ 3 Pending  
Consolidation  
of 18 branches  
+ 4 Pending  
175 Purchased + 7 Pending  
19 Sold + 3 Pending  
121 Consolidations + 4 Pending  
Pending  
acquisition of  
Tower  
Financial

7  
ONB to Acquire Tower Financial  
Strategic fill-in of Ft. Wayne Market  
2 largest city in Indiana  
Old National Bancorp  
Tower Financial Corporation  
Tower Financial Corporation<sup>1</sup>

NASDAQ: TOFC

Largest independent bank headquartered in Ft. Wayne

7 full-service banking centers

6 in Fort Wayne and 1 in Warsaw

\$680.9 million total assets

\$438.6 million total loans

\$619.4 million total liabilities

\$581.6 million total deposits

\$523.3 million trust assets and over 50,000 HSA accounts

Map as of September 10, 2013 per SNL Financial

1

Data as of June 30, 2013, per SNL Financial

nd

Bob Jones  
CEO  
Old National Bancorp

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ONB to Acquire TOFC

Compelling

Strategic

Rationale

Strengthen ONB's objective of being Indiana's bank by continuing to develop the Northern Indiana region

Adds  
7  
full  
service  
branches  
-  
\$581.6  
million  
in  
deposits  
and  
\$438.6  
million  
in  
loans

Adds attractive fee businesses with \$523.3 in trust assets under management +  
50,000 HSA accounts  
Financially  
Attractive

Allows Old National to deploy excess capital in an attractive manner

71% stock / 29% cash deal

Expected  
EPS  
accretion  
of  
\$.08  
to  
\$.10  
per  
share  
in  
first  
full  
year,  
excluding  
acquisition charges

Exceeds internal IRR hurdle

Expected operating efficiencies of 35%

Able to remain under \$10 billion Durbin threshold  
Low Risk  
Opportunity

Comprehensive due diligence completed

Core competency in integration/conversion processes

Retention of key management members

Complementary customer base and business mix

Long-term relationship with Tower management and board

Financial data as of June 30, 2013, per SNL Financial

Consideration

of  
1.20x  
shares<sup>1</sup>  
of  
ONB  
stock  
and  
\$6.75  
in  
cash  
(fixed)  
for  
each  
share  
of  
TOFC  
stock

Implied Transaction value of \$107.7 million assuming ONB price of \$13.52 (as of September 5, 2013)

1

As provided in the merger agreement, the exchange ratio is subject to adjustment (calculated prior to closing) in the event shareholders

equity of Tower Financial Corporation is below a specified amount

10

Attractive Ft. Wayne, Indiana Market  
Allen County population of 360,412

Ft. Wayne population of 254,555  
Median HH Income 2012  
\$45,368  
\$45,145

\$46,817

\$50,157

\$44,000

\$46,000

\$48,000

\$50,000

\$52,000

Ft. Wayne

MSA

Indiana

National

Current

ONB

Projected HH Income Change

2012-2017

17.5%

17.9%

16.2%

13.4%

12%

14%

16%

18%

Ft. Wayne

MSA

Indiana

National

Current

ONB

July 2013 Unemployment

8.4%

8.6%

7.4%

6%

7%

8%

9%

Allen County

Indiana

National

HH income data per SNL Financial

Unemployment data per Indiana Department of Workforce Development and Bureau of Labor Statistics

Population data per STATS Indiana

Major Employers

Ft. Wayne

Parkview Health Systems

4,710

Lutheran Health Network

4,301

Ft. Wayne Community Schools

4,230

General Motors

3,880

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Attractive Warsaw, Indiana Market  
Kosciusko County population of 77,609

Warsaw population of 13,815

Median HH Income 2012

\$45,368

\$45,145

\$48,048

\$50,157

\$44,000

\$46,000

\$48,000

\$50,000

\$52,000

Warsaw

Indiana

National

Current

ONB

Projected HH Income Change

2012-2017

17.5%

17.9%

10.4%

13.4%

10%

12%

14%

16%

18%

Warsaw

Indiana

National

Current

ONB

July 2013 Unemployment

7.4%

6.9%

8.4%

6%

7%

8%

9%

Kosciusko

County

Indiana

National

HH income data per SNL Financial

Unemployment data per Indiana Department of Workforce Development and Bureau of Labor Statistics

Population data per STATS Indiana

Major Employers

Warsaw

Zimmer

2,800

Biomet

1,610

Warsaw Community Schools

1,238

DePuy

1,100

The Orthopedic Capital of the World®

Headquarters location for three of the world's five largest  
orthopedic medical device companies

12  
ONB to Acquire TOFC  
Highlights  
Transaction  
Due Diligence  
Financial Impact  
Loans  
Capital

Closing

Consideration: 1.20x shares<sup>1</sup>  
of ONB and \$6.75 in cash (fixed) for each share of TOFC

Assumes 5.6 million shares of ONB common stock issued

Deal value = \$107.7 million at ONB price of \$13.52 (Sept. 5 closing price)

Price / LTM earnings per share of 15.8x

Price to tangible book of 171%

Comprehensive review of all operations and business lines

Extensive credit review

Obtained in-depth look at culture

Expected  
to  
be  
immediately  
accretive  
to  
EPS  
in  
2014,  
excluding  
acquisition  
charges  
of  
approximately \$11.5 million

Expected EPS accretion \$.08 to \$.10 per share in first full year, excluding acquisition charges

No revenue synergies assumed in model

Expected cost saves of over 35%, phased in 50% in 2014 and 100% thereafter

Exceeds internal IRR hurdle

Expected to create goodwill of approximately \$80.8 million

No additional capital raise needed

Transaction anticipated to close 1Q14, subject to regulatory and TOFC shareholder approval and other customary closing conditions

Loan credit

mark  
estimated  
at  
\$46.1  
million,  
or  
10.2%  
of  
total  
gross  
loans

Loan interest rate mark estimated at \$17.3 million

1

As provided in the merger agreement, the exchange ratio is subject to adjustment (calculated prior to closing) in the event shareholders equity of Tower Financial Corporation is below a specified amount

13  
Pro Forma Capital Ratios  
ONB      Projected  
6-30-2013<sup>1</sup>  
at Closing<sup>2</sup>  
Peer

Group  
Average

6-30-2013<sup>3</sup>

Tangible Common Equity/Tangible Assets

8.65%

8.07%

8.12%

Tangible Common Equity/Risk Weighted Assets

14.23%

13.17%

11.26%

Tier 1 Risk-Based Capital

14.4%

13.3%

13.1%

Total Risk-Based Capital

15.4%

14.2%

14.5%

Tier 1 Leverage Ratio

8.80%

8.17%

9.49%

Tangible Book Value Per Share

\$7.96

\$7.68

1

See Appendix for Non GAAP Reconciliation

3

See Appendix for definition of ONB's Peer Group

2

Assumes ONB actual ratios at June 30, 2013, plus First Call Street estimates, continuation of \$.10 quarterly cash dividend, estimated intangibles of \$21 million from July 12, 2013 Bank of America branch purchase and 100% of acquisition charges incurred at closing

14  
Purchased Impaired Loan Accretion  
\$31.8  
\$22.0  
Actual mark  
12.6% of  
gross loans

Actual mark

14.5% of

gross loans

Strong credit work out and improved economy have resulted in positive change in accretion income.

15  
Tangible Common Book Value  
1  
Acquired Monroe  
Bancorp 1-1-11  
FDIC  
acquisition of  
Integra Bank

7-29-11

1

Non-GAAP financial measure management believes is useful in evaluating the financial results of the Company  
see Appendix for Non-GAAP reconciliation

Acquired IN

Community

Bancorp 9-15-12

Old National Bancorp purchased 500,000 shares of ONB  
stock on the open market during 2Q13

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Implications of Crossing Over \$10 Billion  
Debit interchange rule (Durbin)

Asset size measured as of year end (December 31)

Effective July 1 of the following year

Estimated pre-tax gross impact of \$8 to \$12 million per year

Can reduce assets to remain under \$10 billion threshold

Reduce investment portfolio

Sell residential mortgages

Reduce marked purchased assets

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Summary

ONB has a proven track record of performance

Material earnings accretion

Readily achievable cost saves identified

Revenue potential (not built into model) from Trust and HSA  
accounts

Efficient use of capital

Strategic fill-in of attractive Northern Indiana markets

Last three bank deals met or exceeded expectations on  
expense saves, internal rate of return, earnings per share  
accretion, credit performance and tangible book value earn

back

Financially attractive

Old National Bancorp  
Thank You  
Q&A

Old National Bancorp  
Appendix

20  
Balance Sheet Mix

As of June 30, 2013  
Old National  
Tower Financial  
Pro Forma  
Old National

Tower Financial  
Pro Forma  
Per SNL Financial/company documents

21  
Estimated Merger and Acquisition Charges  
HR related expenses  
\$4.0  
Processing and communication expense  
4.0  
Occupancy expense

.7

Professional fees

2.5

Marketing

.3

Total estimated merger and acquisition charges

\$11.5

\$ in millions

22

ONB's M&A Strategy

Focus on community banking, client relationships and consistent quality earnings

Target geographic markets

Mid-sized markets within or near existing  
franchise with average to above average  
growth rates

In market community banks where  
significant cost saves could be achieved

23  
Non-GAAP Reconciliations  
(end of period balances-  
\$ in millions)  
ONB at  
6-30-2013  
Projected at

Closing<sup>1</sup>  
 Total Shareholders  
 Equity  
 \$1,167.0  
 \$1,282.1  
 Deduct: Goodwill and Intangible Assets  
 (364.4)  
 (464.2)  
 Tangible Common Shareholders  
 Equity  
 \$802.6  
 \$817.9  
 Total Assets  
 \$9,641.1  
 \$10,599.7  
 Add: Trust Overdrafts  
 .1  
 -0-  
 Deduct: Goodwill and Intangible Assets  
 (364.4)  
 (464.2)  
 Tangible Assets  
 \$9,276.7  
 \$10,135.5  
 Tangible Common Equity to Tangible Assets  
 8.65%  
 8.07%  
 ONB at  
 6-30-2013  
 Projected at  
 Closing<sup>1</sup>  
 Total Shareholders  
 Equity  
 \$1,167.0  
 \$1,282.1  
 Deduct: Goodwill and Intangible Assets  
 (364.4)  
 (464.2)  
 Tangible Common Shareholders  
 Equity  
 \$802.6  
 \$817.9  
 Risk Adjusted Assets  
 \$5,640.7  
 \$6,210.8  
 Tangible Common Equity to Risk Weighted Assets  
 14.23%  
 13.17%

1  
 Assumes ONB actual ratios at June 30, 2013, plus First Call Street estimates, continuation of \$.10 quarterly cash

dividend, estimated intangibles of \$21 million from July 12, 2013 Bank of America branch purchase and 100% of acquisition charges incurred at closing

(end  
of  
period  
balances-  
\$  
in  
millions)

24  
(end of period balances-  
\$ in millions)  
ONB at  
6-30-2013  
Projected at  
Closing<sup>1</sup>

Total Shareholders  
 Equity  
 \$1,167.0  
 \$1,282.1  
 Deduct: Goodwill and Intangible Assets  
 (364.4)  
 (464.2)  
 Tangible Common Shareholders  
 Equity  
 \$802.6  
 \$817.9  
 Common Shares Issued and Outstanding  
 100.881  
 106.510  
 Tangible Book Value per Share  
 \$7.96  
 \$7.68  
 Non-GAAP Reconciliations  
 \$ in millions  
 Tangible Common Equity  
 3/31/2013  
 \$834.2  
 2Q Earnings  
 28.5  
 2Q Share Repurchase  
 (6.5)  
 2Q Dividend  
 (10.1)  
 Changes in OCI  
 Securities  
 (46.5)  
 Changes in OCI  
 Other  
 1.9  
 Changes in Goodwill & Intangibles  
 1.1  
 Tangible Common Equity  
 6/30/2013  
 \$802.6  
 1

Assumes ONB actual ratios at June 30, 2013, plus First Call Street estimates, continuation of \$.10 quarterly cash dividend, estimated intangibles of \$21 million from July 12, 2013 Bank of America branch purchase and 100% of acquisition charges incurred at closing

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ONB's Peer Group  
1st Source Corporation  
SRCE  
Heartland Financial USA, Inc.  
HTLF  
BancFirst Corporation

BANF  
IBERIABANK Corporation  
IBKC  
BancorpSouth, Inc.  
BXS  
MB Financial, Inc.  
MBFI  
Bank of Hawaii Corporation  
BOH  
Park National Corporation  
PRK  
Chemical Financial Corporation  
CHFC  
Pinnacle Financial Partners, Inc.  
PNFP  
Commerce Bancshares, Inc.  
CBSH  
Prosperity Bancshares, Inc.  
PB  
Cullen/Frost Bankers, Inc.  
CFR  
Renasant Corp.  
RNST  
F.N.B. Corporation  
FNB  
S&T Bancorp, Inc.  
STBA  
First Commonwealth Financial Corporation  
FCF  
Susquehanna Bancshares, Inc.  
SUSQ  
First Financial Bancorp.  
FFBC  
Trustmark Corporation  
TRMK  
First Interstate BancSystem, Inc.  
FIBK  
UMB Financial Corporation  
UMBF  
First Merchants Corporation  
FRME  
United Bankshares, Inc.  
UBSI  
First Midwest Bancorp, Inc.  
FMBI  
Valley National Bancorp  
VLY  
FirstMerit Corporation  
FMER  
WesBanco, Inc.

WSBC

Fulton Financial

FULT

Wintrust Financial Corporation

WTFC

Glacier Bancorp, Inc.

GBCI

Like-size, publicly-traded financial services companies, generally in the Midwest, serving comparable demographics with comparable services as ONB