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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 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 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

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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 Corporation¹

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
shares¹
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

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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

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

Closing

Consideration: 1.20x shares¹
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

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Pro Forma Capital Ratios
ONB Projected
6-30-2013¹
at Closing²
Peer

Group
Average

6-30-2013³

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

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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

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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

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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

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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

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

Closing¹
 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
 Closing¹
 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
Closing¹

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