

UNITED BANCORP INC /MI/  
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The following excerpts relating to Old National Bancorp's pending acquisition of United Bancorp, Inc. are from the slide presentation and transcript of a conference call held by executive officers of Old National on February 3, 2014 in connection with Old National's announcement of its financial results for the quarter and year ended December 31, 2013.

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*Lynell Walton, Director of Investor Relations*

And just a few weeks ago we announced our intent to partner with United Bancorp and enter the vibrant market of Ann Arbor, Michigan

2013 also saw Old National's entry into southern Michigan with a branch purchase and of course we have 2 pending partnerships Tower Financial in Fort Wayne, Indiana and United Bancorp in Ann Arbor, Michigan

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

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

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

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

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

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

United Bank announced their 2013 earnings of \$8.8 million, which was slightly better than we had modeled. We held a full three days of introductory meetings after our announcement. On January 29, we kicked off the integration process with our 20 teams. We are very encouraged by both the associate and client reaction to our announcement













**(Q Emlen Harmon):** Got you. I mean, is there anything when you guys think about the again the Michigan at the Southwest Michigan and the Northern Indiana branches. I mean, anything within those that would make you think you couldn't get to the kind of efficiency ratio that the rest of the bank has reached over time?

**(A - Chris Wolking):** No. Not at all. In fact, I would tell you just the opposite. I would tell you that the economy up there, if you didn't see there was a great article about Grand Rapids over the weekend in the New York Times, and the economy is strong. We've got very, very good people. It's just to build that loan portfolio up to match those deposits is going to take some time. And obviously, they're going to benefit from the UBMI acquisition, as we get more name recognition in those markets. But, Emlen, I couldn't be more happy with the team we've got up there and the recent activity in the markets, but to do it in our measured credit manner, it's going to take us a little bit of time, but it will be profitable for a long time versus just a short time then.

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

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

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