

# 1<sup>st</sup> Quarter 2016 Earnings

May 2, 2016



# Lynell Walton

Investor Relations



# Forward-Looking Statements

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 Old National Bancorp's ("Old National's") financial condition, results of operations, asset and credit quality trends and profitability. Forward-looking statements can be identified by the use of the words "anticipate," "believe," "expect," "intend," "could" and "should," and other words of similar meaning. These forward-looking statements express management's current expectations or forecasts of future events and, by their nature, are subject to risks and uncertainties and there are a number of factors that could cause actual results to differ materially from those in such statements. Factors that might cause such a difference include, but are not limited to: expected cost savings, synergies and other financial benefits from the recently completed mergers might not be realized within the expected timeframes and costs or difficulties relating to integration matters might be greater than expected; market, economic, operational, liquidity, credit and interest rate risks associated with Old National's business; competition; government legislation and policies (including the impact of the Dodd-Frank Wall Street Reform and Consumer Protection Act and its related regulations); ability of Old National to execute its business plan (including integrating the recently completed merger with Anchor); changes in the economy which could materially impact credit quality trends and the ability to generate loans and gather deposits; failure or circumvention of our internal controls; failure or disruption of our information systems; significant changes in accounting, tax or regulatory practices or requirements; new legal obligations or liabilities or unfavorable resolutions of litigations; disruptive technologies in payment systems and other services traditionally provided by banks; computer hacking and other cybersecurity threats; other matters discussed in this presentation and other factors identified in our Annual Report on Form 10-K and other periodic filings with the SEC. These forward-looking statements are made only as of the date of this presentation, and Old National does not undertake an obligation to release revisions to these forward-looking statements to reflect events or conditions after the date of this presentation.

# Non-GAAP Financial Measures

These slides contain non-GAAP financial measures. For purposes of Regulation G, a non-GAAP financial measure is a numerical measure of the registrant's historical or future financial performance, financial position or cash flows that excludes amounts, or is subject to adjustments that have 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 registrant; 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 this regard, GAAP refers to generally accepted accounting principles in the United States. Pursuant to the requirements of Regulation G, Old National Bancorp has provided reconciliations within the slides, as necessary, of the non-GAAP financial measure to the most directly comparable GAAP financial measure.

# 1Q16 Highlights



- ✓ Net income of \$27.0 million, or \$0.24 per share
  - 29.0% increase in net income and 33.3% increase in EPS Y/Y
  - Adjusted earnings<sup>1</sup> of \$28.1 million, or \$0.25 per share
- ✓ Continue to grow organic revenue
  - 4.6% annualized organic loan growth (\$79.6 million), net of change in covered loans
- ✓ Improve operating leverage
  - 7.8% decline in operational expenses<sup>2</sup> from 1Q15
- ✓ Prudent use of capital
  - Tangible Common Equity<sup>1</sup> of 7.88%
  - Increase in Tangible Book Value Per Share<sup>1</sup> of 2.4% from 4Q15
  - Dividend yield of 3.9%<sup>3</sup>

<sup>1</sup> Non-GAAP financial measure which Management believes is useful in evaluating the financial results of the Company – see Appendix for Non-GAAP reconciliation    <sup>2</sup> See slide 14 for definition of operational expenses    <sup>3</sup> Based on ONB stock price of \$13.40 at 4-29-2016

# Strategic Actions

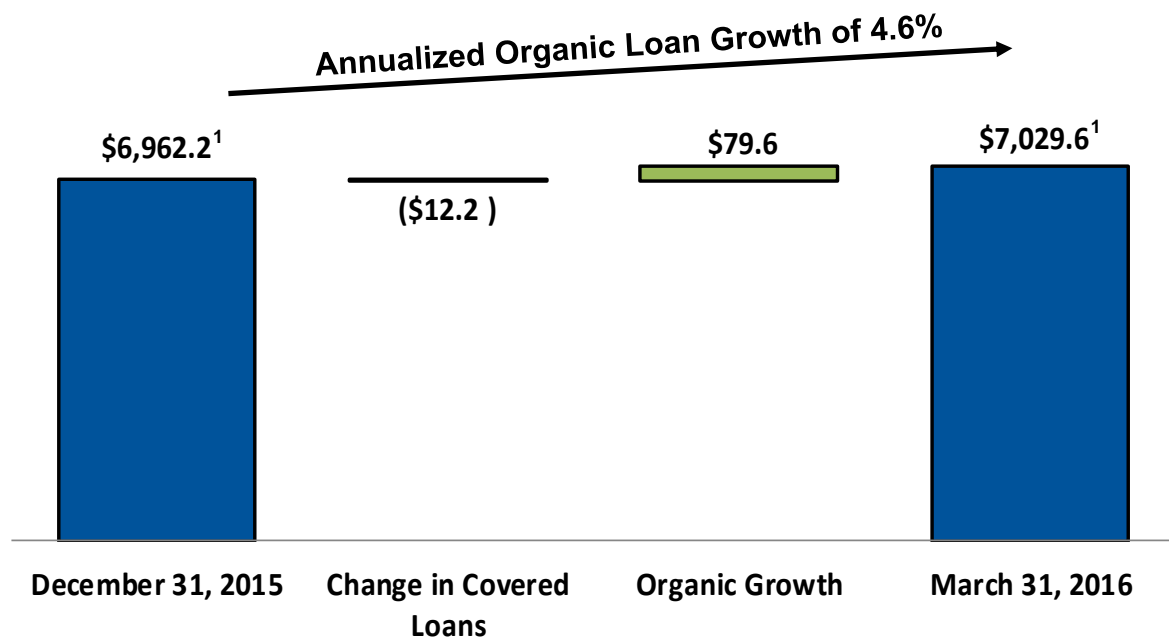
- ✓ Continue investment in higher growth markets
  - Investing in higher growth markets as a result of the closing of the Anchor Bank partnership
- ✓ Improve operating leverage
  - Approximately 150 basis point improvement in 2017's efficiency ratio from the announced agreement to sell Old National Insurance
  - Cost savings of 32% from Anchor Bank partnership should further improve the efficiency ratio
- ✓ Prudent use of capital
  - Agreement to sell Old National Insurance should improve tangible book value per share by \$0.56
  - Tangible book value earn-back of less than 2.5 years for Anchor Bank partnership

# Jim Sandgren

Chief Banking Officer



# Loan Growth



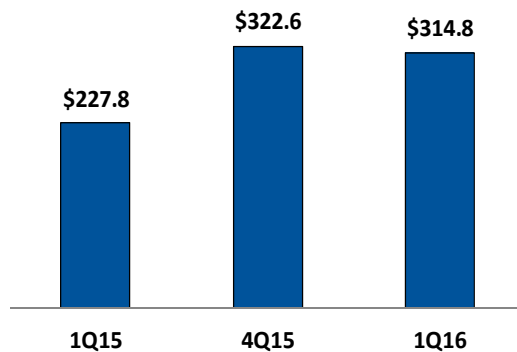
\$ in millions – End of Period

<sup>1</sup> Includes Loans Held for Sale and Covered Loans

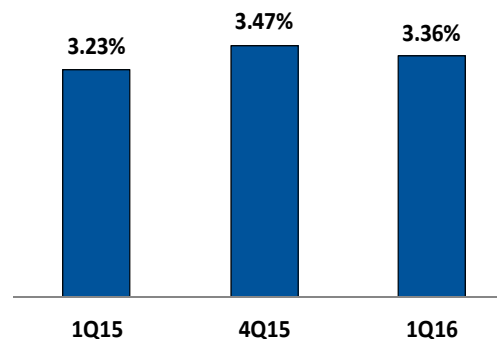


# Commercial & Commercial Real Estate

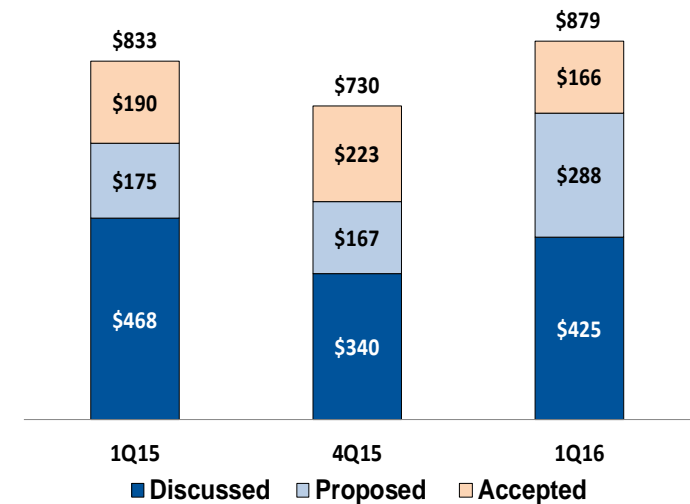
**New Quarterly Production<sup>1</sup>**



**Production Yield<sup>2</sup>**



**Loan Pipeline**



***Average loan size of 1Q16 production is less than \$400,000***

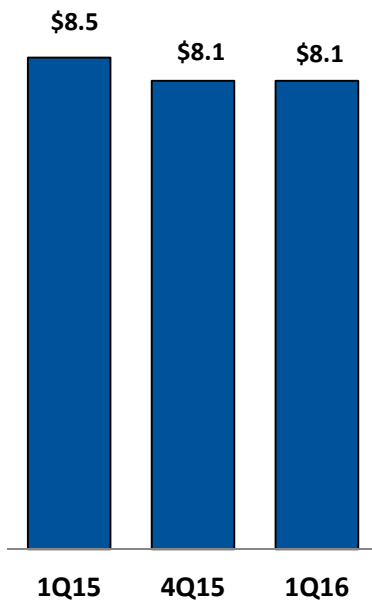
\$ in millions

<sup>1</sup>New Quarterly Production includes 50% credit for line of credit unfunded commitments <sup>2</sup>Yield is based on funded balances only

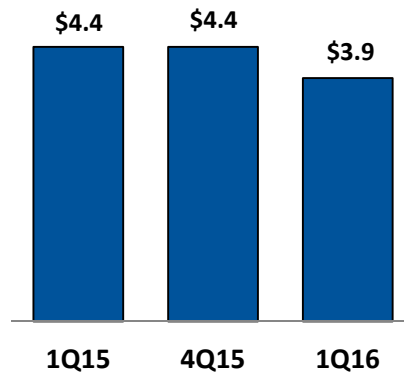
# Fee-Based Business Revenue



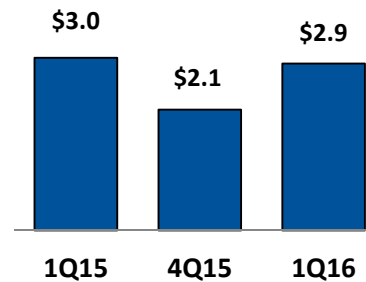
## Wealth Management



## Investments



## Mortgage Banking



## Insurance



Asset Under Management at  
 3/31/2016 = \$8,264 million  
 3/31/2015 = \$8,097 million

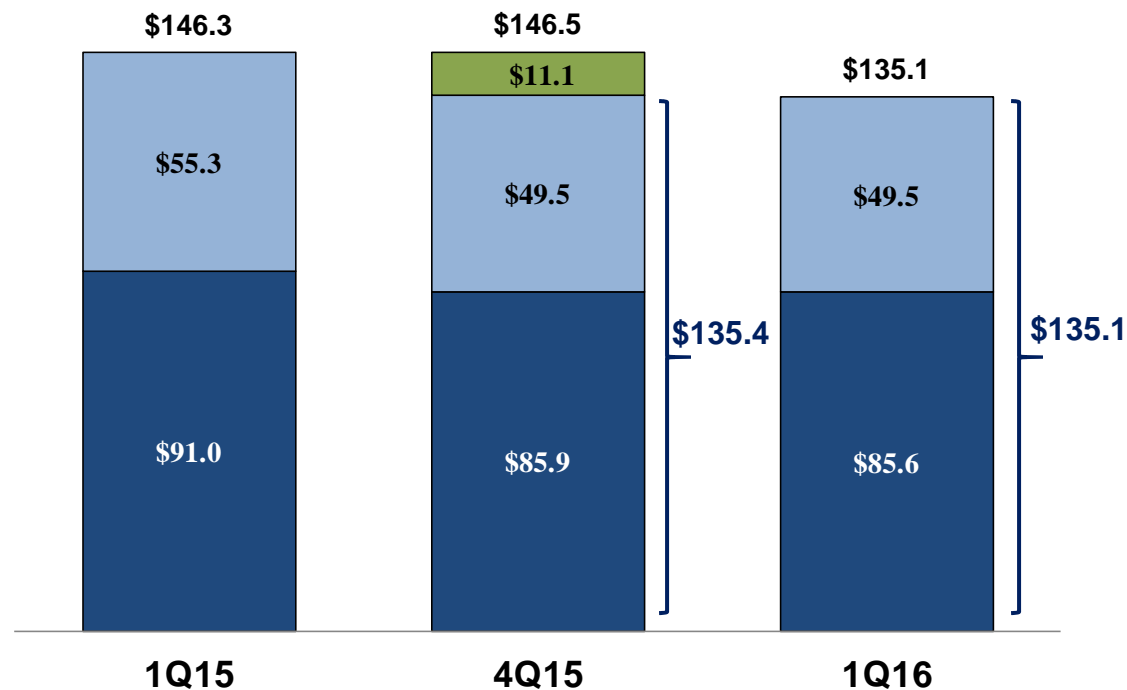
\$ in millions

# Chris Wolking

Chief Financial Officer



# Total Revenue

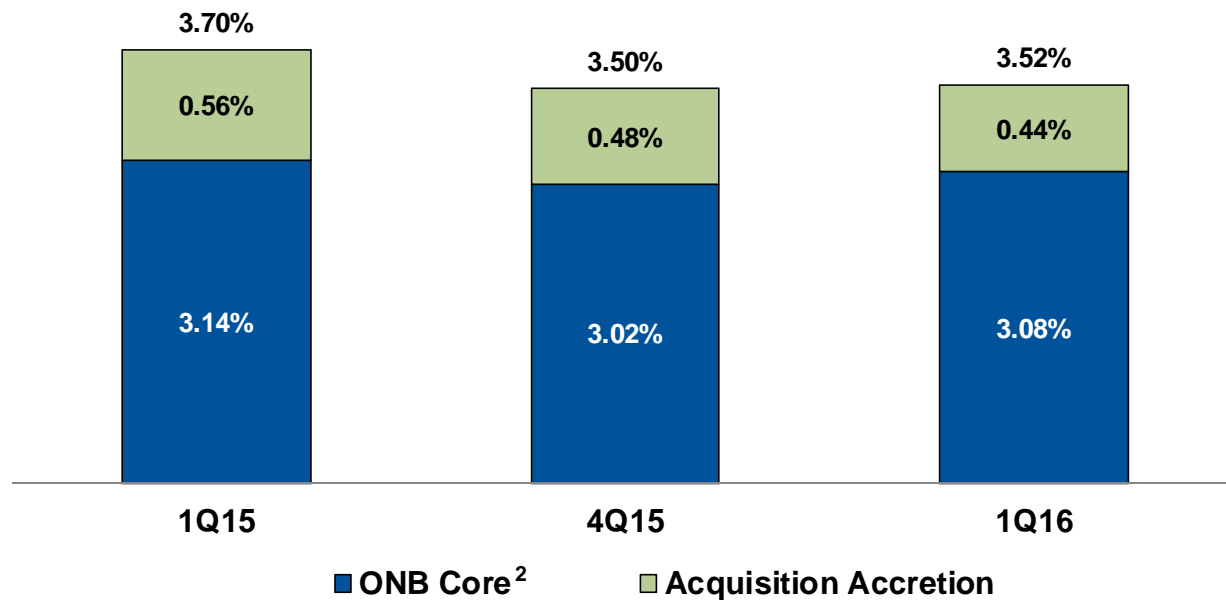


- The Durbin Amendment reduced 4Q15 and 1Q16 interchange income each by \$2.7 million

- Branch Buy Back Gains and Other Adjustments
- Fees, Service Charges, Security Gains & Other Rev.
- Net Interest Income

\$ in millions

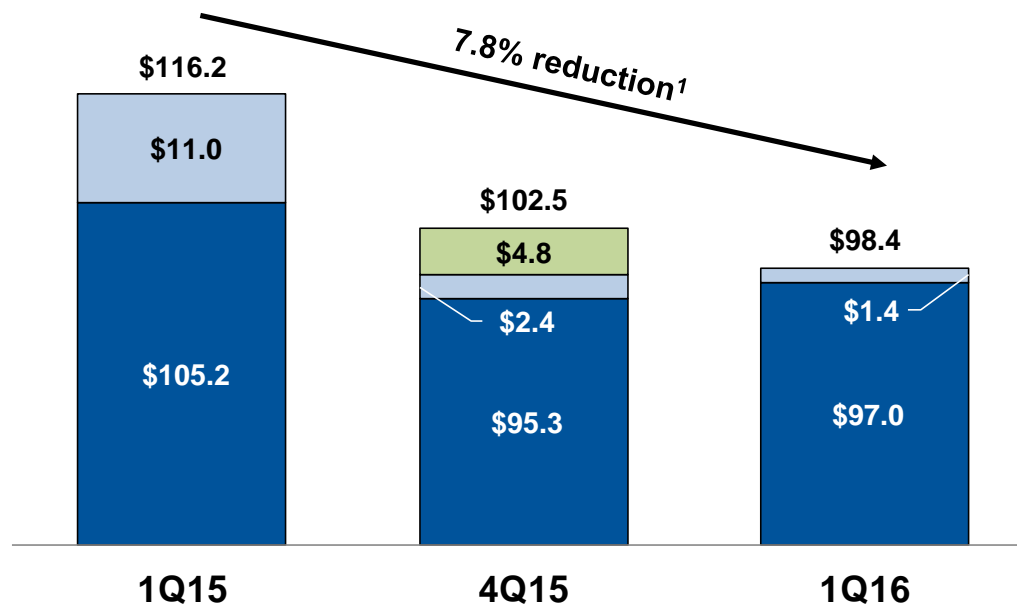
# Net Interest Margin<sup>1</sup>



<sup>1</sup> Fully taxable equivalent basis, non-GAAP financial measure which Management believes is useful in evaluating the financial results of the Company – see Appendix for Non-GAAP reconciliation

<sup>2</sup> ONB Core includes contractual interest income of prior acquisitions

# Noninterest Expense



- Litigation Reserve
- Merger/Integration Costs & Efficiency Program Charges
- Operational Expenses

- 1Q16 includes \$2.0 million of higher seasonal costs
- FTE reduction of 368 (12%) from 1Q15
- Branch reduction of 36 (18%) from 1Q15

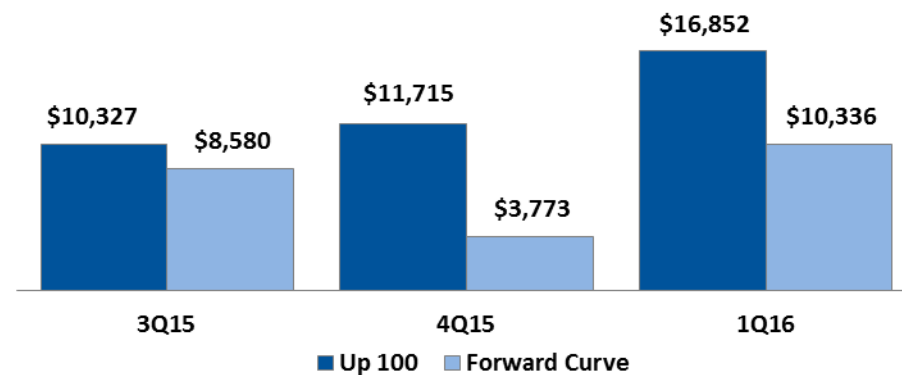
\$ in millions

<sup>1</sup>Operational expenses = total noninterest expense less merger/integration costs, efficiency program charges and litigation reserve – includes ongoing operating costs associated with prior acquisitions

# Modeled Interest Rate Sensitivity

- Total non-maturity, interest-bearing accounts increase from 0.06% to 0.31% in the “Up 100 bps” scenario
- 18.7% of total non-interest bearing DDA are considered rate sensitive
- 41% of C&I and CRE loans reprice within one year
- 14% of loans have floors; less than 1% of these loans are currently below their floor rates
- Investment portfolio duration of 3.80 at 3/31/16, down from 3.99 at 12/31/15.

**Two Year Projected Change to  
Net Interest Income**  
*(Historical)*



\$ in thousands

Change to Net Interest Income based on a two year time horizon

Refer to slide 31 for rate curves

# Tangible Common Equity

		Shares	TBV/Share
<b>Tangible Common Equity - 4Q15</b>	\$871.2	114.3	7.62
Tangible Net Income	29.4		
Changes in OCI - Securities	10.9		
Changes in OCI - Cash Flow Hedges	(6.1)		
1Q16 Dividend	(14.9)		
Other	1.1		
<b>Tangible Common Equity - 1Q16</b>	\$891.6	114.4	7.80

There is currently no board-authorized share repurchase plan in place.



# Daryl Moore

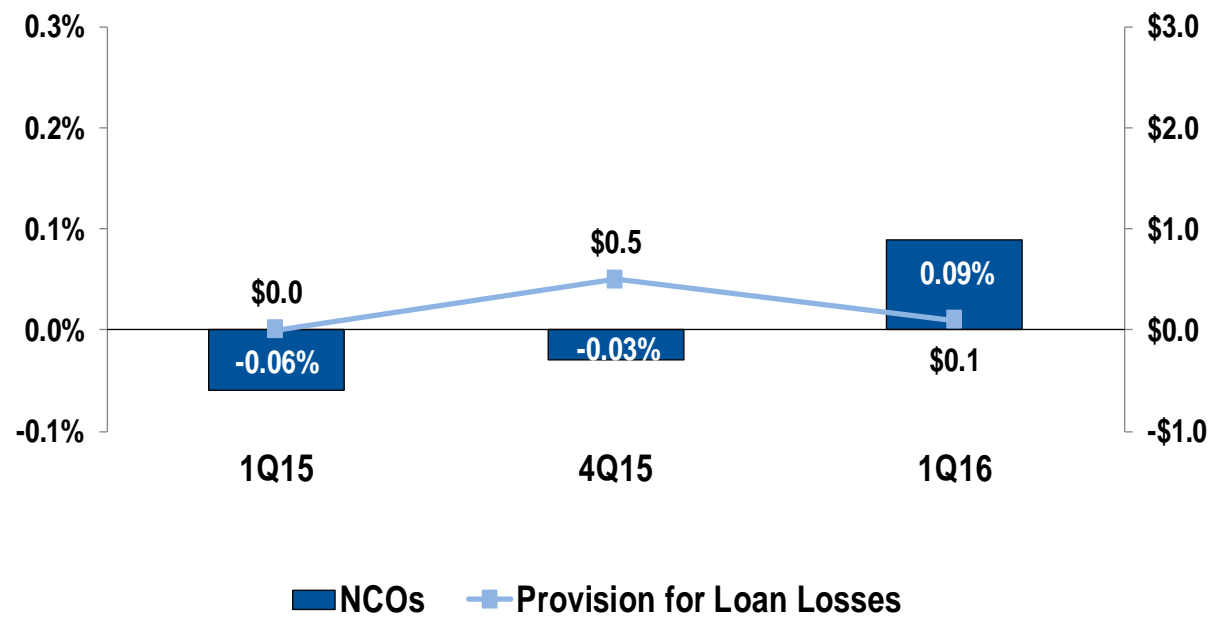
Chief Credit Officer



# Net Charge-Offs / Provision



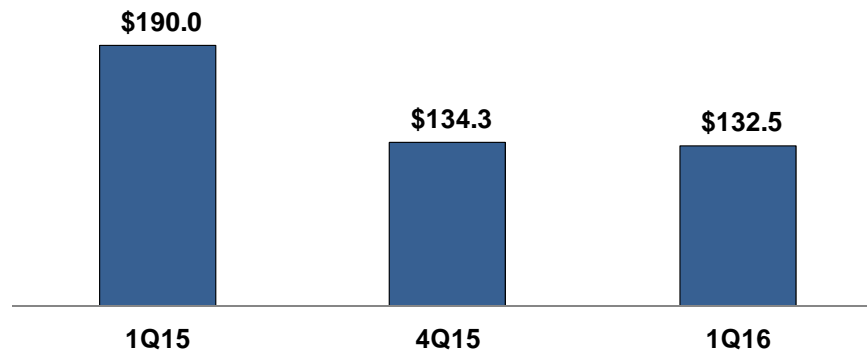
Net Charge-Offs / Provision



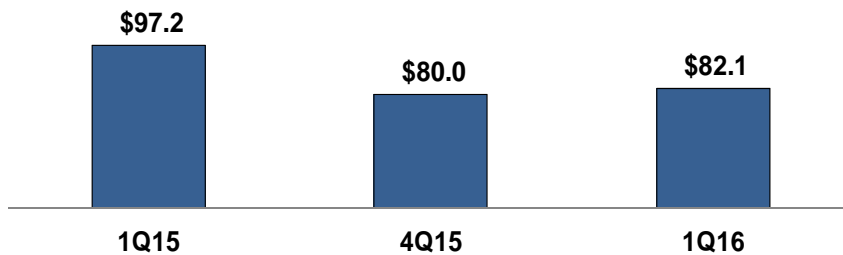
\$ in millions

# Credit Quality Trends

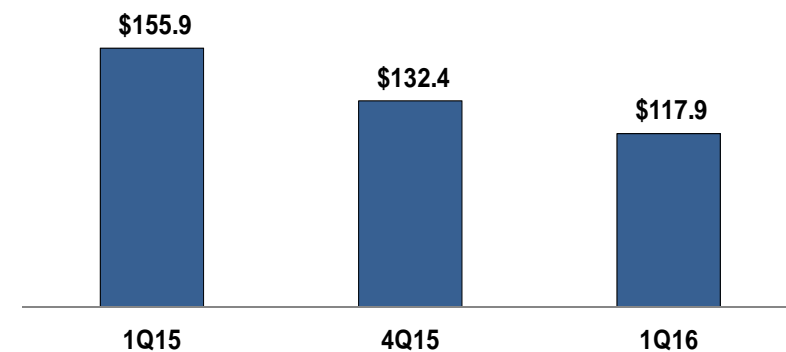
## Special Mention Loans



## Substandard Accruing Loans



## Substandard Nonaccruing + Doubtful Loans



\$ in millions

# Anchor Credit Quality Trends

Classified Assets	1Q15	4Q15	1Q16
Loans 30 to 89 Days Past Due	\$6,455	\$8,154	\$5,397
Non-Performing Loans	\$25,054	\$15,309	\$11,709
Other Real Estate Owned	\$30,632	\$20,371	\$19,646
Non-Performing Assets	\$55,686	\$35,680	\$31,355
Non-Performing Assets to Total Assets	2.66%	1.59%	1.41%

*\$ in thousands*

# Bob Jones

Chief Executive Officer



# Old National to Sell Insurance Subsidiary



- Divest non-core business with low return on invested capital (goodwill + operating capital)
  - Pre-tax contribution<sup>1</sup> of \$6.3 million for 2015
    - \$42.7 million in revenues for 2015
  - Old National Insurance 2015 efficiency ratio<sup>2</sup> of approximately 85%
  - Additional investment required in technology and producers
- Attractive value
  - Purchase price of \$93 million represents approximately 2.2x revenue or approximately 24x after-tax earnings
- Strengthens balance sheet
  - Grows tangible book value per share by 7.2% or \$0.56 (based on 3-31-16 pro-forma)
  - Removes \$47.7 million in goodwill and intangibles
  - Estimated after-tax gain of \$16 million to \$18 million
  - After-tax cash proceeds of approximately \$67 million
- Focus on core banking operations
  - Redeployment of capital in organic growth should offset earnings impact
  - Should improve ONB efficiency ratio by approximately 150 basis points

<sup>1</sup> Excludes allocation of corporate overhead expenses

<sup>2</sup> Excludes intangible amortization and depreciation

# Pro Forma Balance Sheet Impact

Selected Financial Data Pro Forma for Insurance Subsidiary Sale	March 31, 2016	Pro Forma March 31, 2016 Including Sale of Insurance
Tangible Assets:		
Total Assets	\$11,932.3	\$11,943.2
Deduct Goodwill and Intangible Assets	(617.1)	(569.3)
Tangible Assets:	\$11,315.2	\$11,373.9
Tangible Common Equity:		
Total Shareholders' Equity	\$1,508.6	\$1,525.7
Deduct Goodwill and Intangible Assets	(617.1)	(569.3)
Tangible Common Shareholders Equity	\$891.5	\$956.4
Common Shares Issued & Outstanding at Period End	114,352	114,352
Tangible Common Book Value	\$7.80	\$8.36
Tangible Common Equity to Tangible Assets	7.88%	8.41%

\$ in millions

Shares in thousands

# Update on Anchor Partnership

- Partnership completed May 1, 2016
  - 60% stock / 40% cash
  - 3.5505 common shares of ONB or \$48.50 (fixed) in cash for each share of Anchor
  - 124% price / tangible book value<sup>1</sup>
- Announced Leadership Positions
  - Len Devaisher – Wisconsin Region CEO
  - Kevin Anderson – Milwaukee Region President
- Meeting or exceeding merger model assumptions
  - 1Q16 pre-tax pre-provision income of \$2.6 million includes \$3.8 million in pre-tax merger-related expenses
  - 1Q16 loan growth of 12.5% annualized
  - Lower anticipated integration expenses
  - Continued improvement credit metrics
  - Deposit balances sticking thus far
  - Cost savings remain on track

<sup>1</sup> Based on ONB closing stock price of \$13.40 on April 29, 2016 and Anchor tangible book value as of March 31, 2016



# Anchor Financial Trends

Financial Metric	1Q15	4Q15	1Q16
Total Loans	\$1,565.6	\$1,650.4	\$1,702.1
Total Deposits	\$1,819.0	\$1,840.7	\$1,815.9
Shareholders' Equity	\$236.9	\$366.6	\$372.6
Pre-Tax Pre-Provision	\$7.5	\$6.6	\$2.6 <sup>1</sup>
Tangible Common Equity Ratio	11.31%	16.31%	16.70%

*\$ in millions*

<sup>1</sup> Includes \$3.8 million in merger-related expenses

Thank You

Q&A



# Appendix



# Wisconsin Leadership

## **Len Devaisher** **Region CEO - Wisconsin**

Len Devaisher is Old National's Wisconsin Region CEO and a member of the Executive Leadership Group. Previously, he served as the SVP Business Partner Executive. Devaisher joined Old National in 2000 and served as a Commercial Relationship Manager until he was promoted to SVP Commercial Relationship Executive.

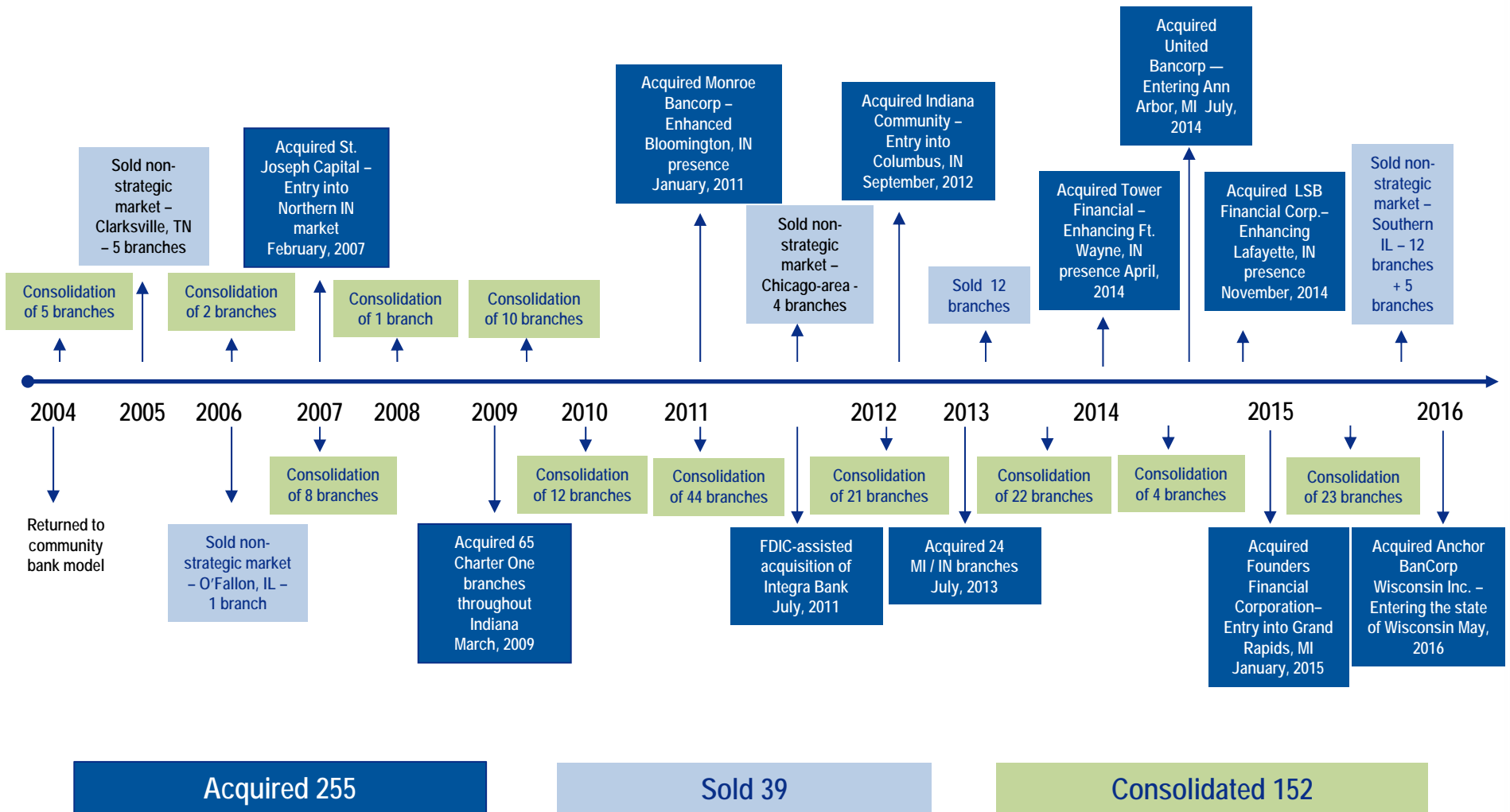
DeVaisher took a leave of absence from Old National in 2010 and relocated his family to Tanzania, Africa to become the Chief Operating Officer of Young Life where he served for three years. Prior to joining Old National, Devaisher was employed by the University of Evansville, ADP and Connor Ford Sales. Devaisher holds a bachelor's degree in economics from the University of Evansville.

## **Kevin Anderson** **Region President – Milwaukee**

Kevin Anderson was recently promoted to Milwaukee Region President and will oversee Old National's market activities in the Milwaukee area and report to Wisconsin Region CEO, Len Devaisher.

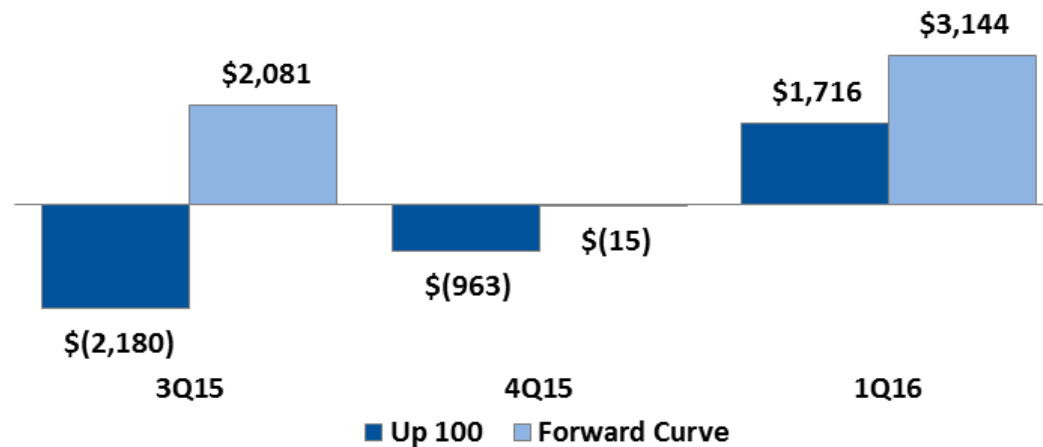
Kevin joined ONB in 2014 and served as Corporate Relationship Manager, Senior Vice President, in the Louisville Region. Prior to Old National, Kevin was Senior Vice President, Commercial Banking Manager at Fifth Third Bank in Louisville. He is a graduate of the University of Kentucky.

# Transforming Old National's Landscape



# Modeled Interest Rate Sensitivity

## One Year Projected Change to Net Interest Income *(Historical)*



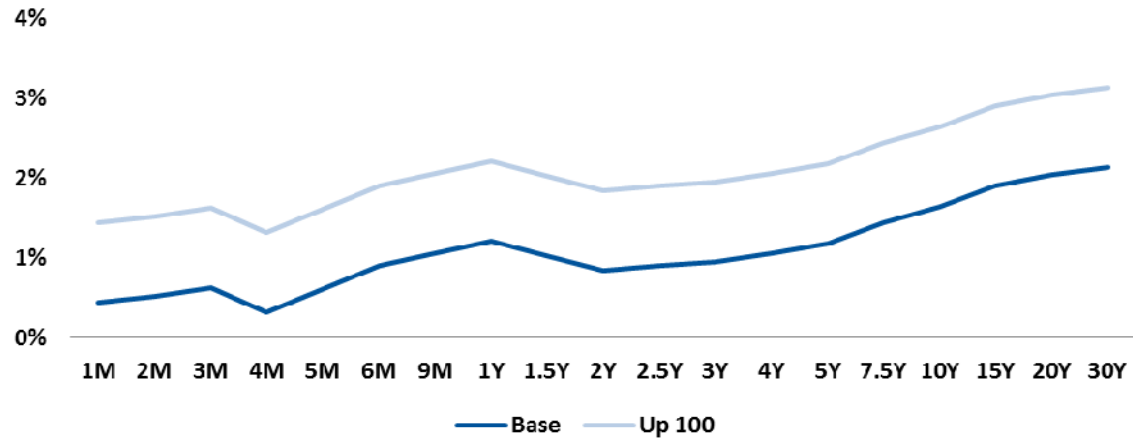
\$ in thousands

Change to Net Interest Income based on a one year time horizon

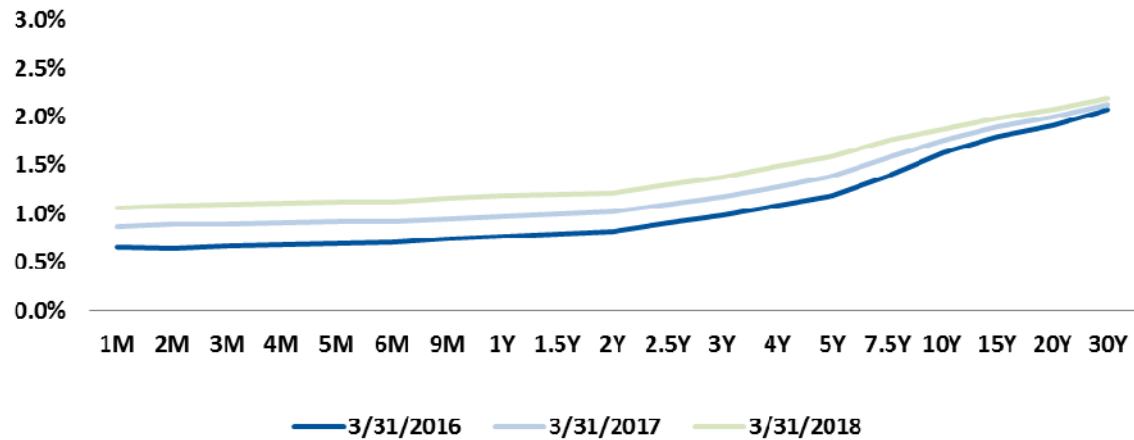
Refer to slide 31 for rate curves

# Interest Rate Curves

### Up 100 vs. Base



### Forward Curves



# Investment Portfolio



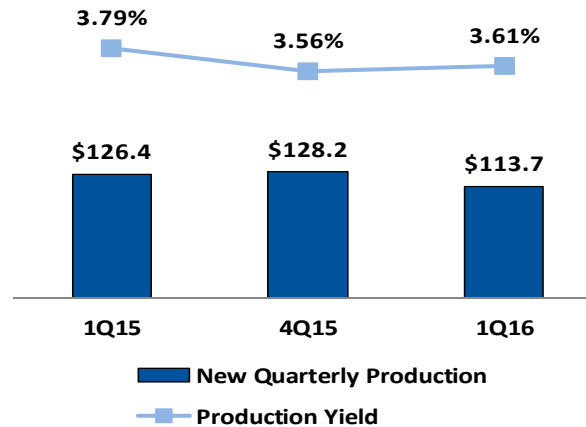
\$ in thousands	Effective Duration Dec 31, 2015	Effective Duration Mar 31, 2016	Book Value Dec 31, 2015	Book Value Mar 31, 2016
Money Market Investments <sup>1</sup>	0.01	0.02	\$125,972	\$20,764
Treasuries	2.56	2.34	11,968	11,966
Agencies	2.51	2.20	758,441	742,983
Pools	2.20	1.86	361,477	311,619
CMOs	3.45	2.86	720,505	683,359
Municipals	6.45	6.41	1,088,876	1,100,279
Corporates	3.07	3.17	141,993	143,791
ABS	1.03	0.94	177,572	177,207
Totals	3.85	3.78	\$3,386,804	\$3,191,968

<sup>1</sup>Money market investments includes balances in the Federal Reserve Bank Account

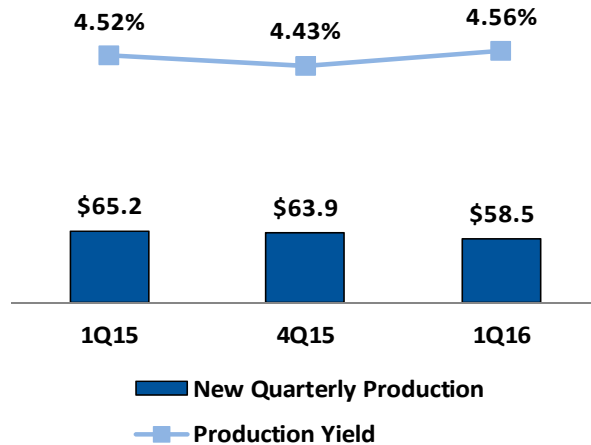


# Consumer Loan Production & Yield Trends

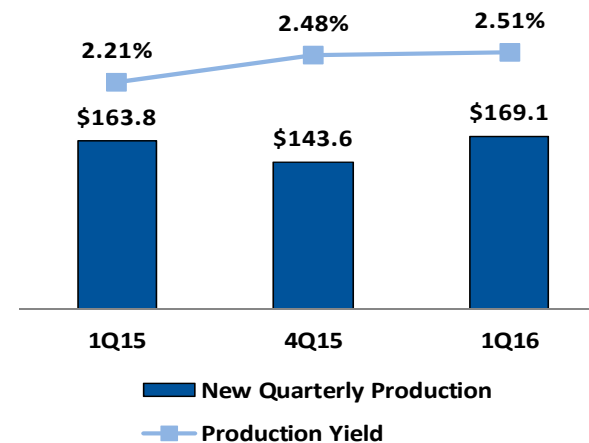
## Residential Mortgage



## Direct



## Indirect



\$ in millions

New quarterly production includes unfunded commitments – Yield is based on funded balances only

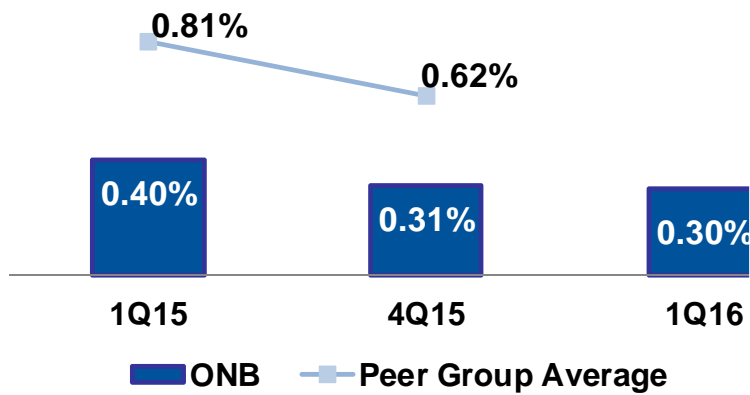
# Auto Loan Portfolio

Auto Loan Portfolio - As of 03/31/2016		
Direct	\$61.6	5.55%
Indirect	\$1,048.3	94.45%
<b>Total Auto</b>	<b>\$1,109.9</b>	<b>100.00%</b>
New	\$425.3	38.32%
Used	\$684.6	61.68%
<b>Total Auto</b>	<b>\$1,109.9</b>	<b>100.00%</b>

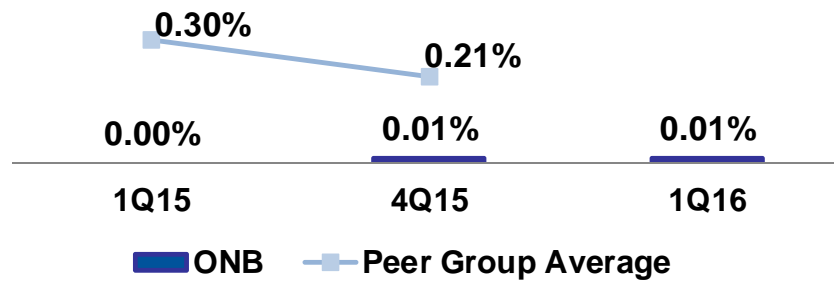
Loans are originated within the ONB footprint

- Total portfolio average original loan term of 70 months and weighted average FICO score of 766
- Total Portfolio yield of 2.53%
- 30+ Days Delinquency at 3/31/2016 is 0.29%

### 30+ Day Delinquent Loans<sup>1</sup>



### 90+ Day Delinquent Loans<sup>1</sup>



<sup>1</sup>As a % of end of period total loans  
Peer Group data per SNL Financial  
See Appendix for definition of Peer Group

# ALLL and Remaining Purchase Discount Summary

At March 31, 2016	ONB Legacy	Monroe	Integra	Indiana Community	Tower	United	Lafayette	Founders	Total
Allowance for Loan Losses (ALLL)	\$49.2	\$0.4	\$0.9	\$0.0	\$0.0	\$0.0	\$0.0	\$0.2	\$50.7
Remaining Loan Discount	N/A	\$4.5	\$15.2	\$15.8	\$13.2	\$20.2	\$14.4	\$11.6	\$94.9
Total ALLL/Remaining Discount	\$49.2	\$4.9	\$16.1	\$15.8	\$13.2	\$20.2	\$14.4	\$11.8	\$145.6
Pre-Discount Loan Balance	\$5,862.0	\$83.9	\$126.3	\$117.3	\$178.6	\$354.1	\$163.9	\$215.9	\$7,102.0
ALLL/Pre-Discount Loan Balance	0.84%	0.48%	0.73%	0.00%	0.00%	0.00%	0.00%	0.08%	0.71%
Mark/Pre-Discount Loan Balance	N/A	5.42%	12.06%	13.49%	7.36%	5.69%	8.77%	5.39%	1.34%
Combined ALLL & Discount/Pre-Discount Loan Balance <sup>1</sup>	0.84%	5.90%	12.79%	13.49%	7.36%	5.69%	8.77%	5.47%	2.05%

**Excludes impact from Anchor partnership**

\$ in millions

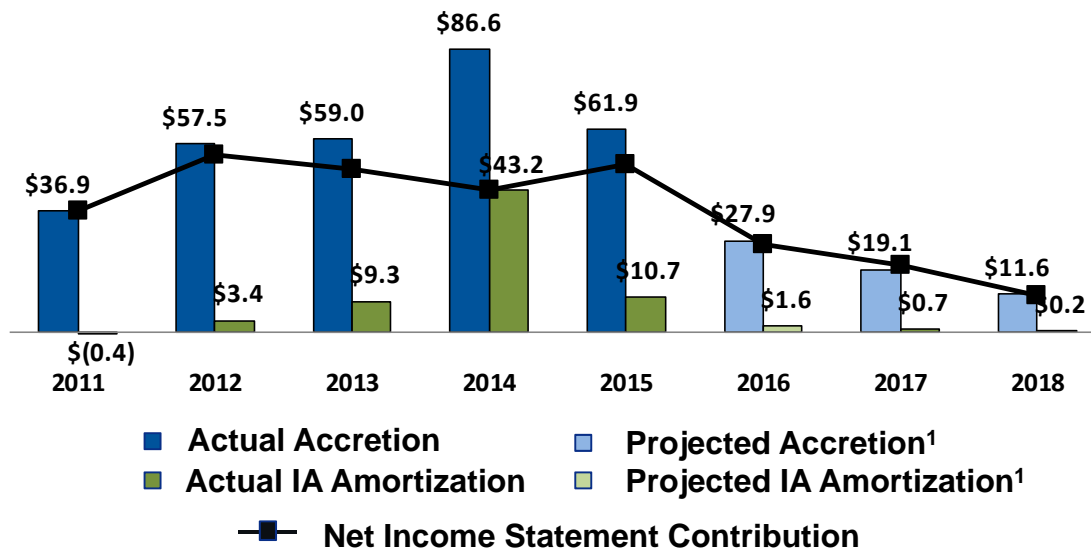
<sup>1</sup> Non-GAAP financial measure which Management believes useful to demonstrate that the remaining discount considers credit risk and should be included as part of total coverage N/A = not applicable

# Projected Purchase Accounting Impact



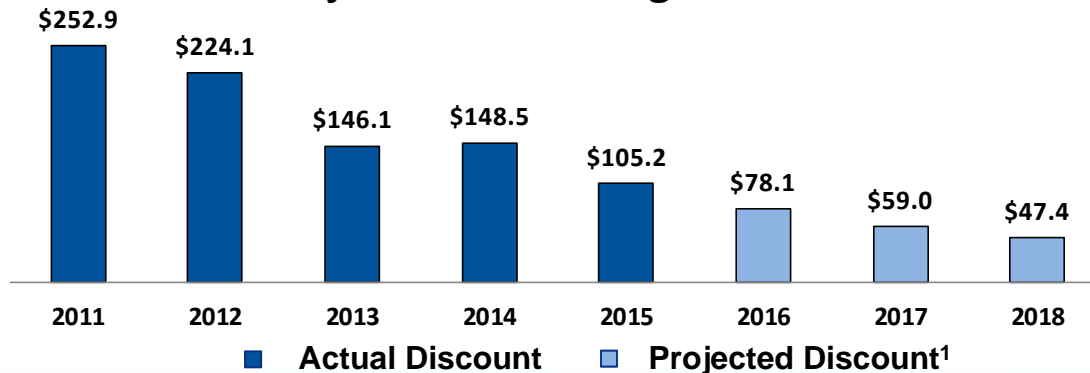
Manageable declines in purchase accounting impact expected in future periods

## Projected Accretion Income



- Projections assume no prepayments
- \$94.9 million in remaining discount

## Projected Remaining Discount



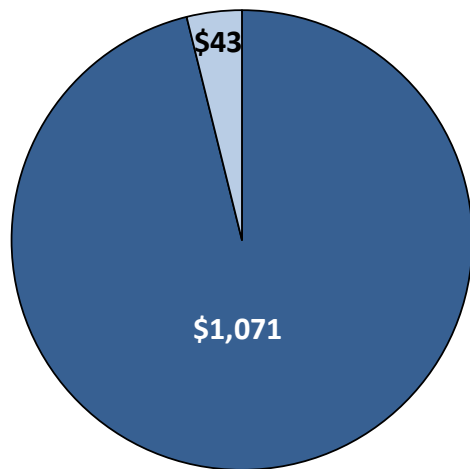
Excludes impact from Anchor partnership

\$ in millions

<sup>1</sup> Updated quarterly – subject to change IA = Indemnification Asset

# Acquired Loans

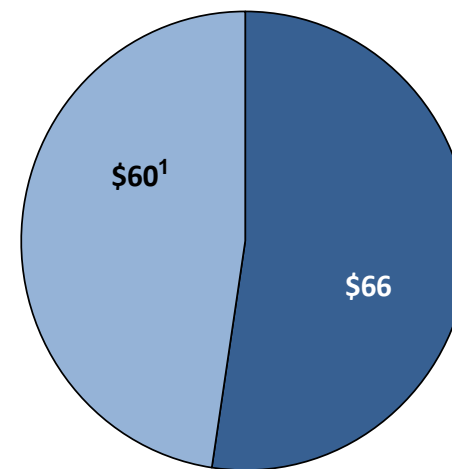
**Acquired Loans Before Discount  
(excluding Integra loans)**



■ Non-PCI ■ PCI

PCI = Purchased Credit Impaired

**Integra Loans Before Discount  
(Covered and Non-Covered)**



■ Non-PCI ■ PCI

Remaining Discount		
Non-PCI	5%	(\$57)
PCI	52%	(\$23)

Remaining Discount		
Non-PCI	3%	(\$2)
PCI	22%	(\$13)

<sup>1</sup>\$6 million is considered nonaccrual

# Non-GAAP Reconciliations

end of period balances	1Q15	4Q15	1Q16
Total Shareholders' Equity	\$1,483.3	\$1,491.2	\$1,508.6
Deduct: Goodwill and Intangible Assets	(631.6)	(619.9)	(617.1)
Tangible Common Shareholders' Equity	\$851.6	\$871.2	\$891.6
Total Assets	\$11,949.9	\$11,991.5	\$11,932.3
Add: Trust Overdrafts	0.1	0.0	0.0
Deduct: Goodwill and Intangible Assets	(631.6)	(619.9)	(617.1)
Tangible Assets	\$11,318.3	\$11,371.6	\$11,315.3
Tangible Equity to Tangible Assets	7.52%	7.66%	7.88%
Tangible Common Equity to Tangible Assets	7.52%	7.66%	7.88%
Net Income	\$20.9	\$32.0	\$27.0
After-Tax Intangible Amortization	2.8	2.5	2.4
Tangible Net Income	\$23.7	\$34.5	\$29.4
ROTCE	11.12%	15.85%	13.18%

\$ in millions

# Non-GAAP Reconciliations

	1Q16
Pre-Tax Income (FTE Basis)	\$41.8
Acquisition/Divestiture Charges	\$1.4
Adjusted Pre-tax income	\$43.2
Taxes	(\$15.1)
Adjusted Net Income	\$28.1
Average Diluted Shares	114,563
Adjusted EPS	\$0.25

end of period balances	1Q15	4Q15	1Q16
Total Shareholders' Equity	\$1,483.3	\$1,491.2	\$1,508.6
Deduct: Goodwill and Intangible Assets	(631.6)	(619.9)	(617.1)
Tangible Common Shareholders' Equity	\$851.6	\$871.2	\$891.6
Risk Weighted Assets	\$7,864.9	\$7,718.1	\$7,795.6
Tangible Common Equity to Risk Weighted Assets	10.83%	11.29%	11.44%

end of period balances	1Q15	4Q15	1Q16
Total Shareholders' Equity	\$1,483.3	\$1,491.2	\$1,508.6
Deduct: Goodwill and Intangible Assets	(631.6)	(619.9)	(617.1)
Tangible Common Shareholders' Equity	\$851.6	\$871.2	\$891.6
Common Shares Issued and Outstanding at Period End	116,983	114,297	114,352
Tangible Common Book Value	\$7.28	\$7.62	\$7.80

\$ in millions

Shares in thousands



# Non-GAAP Reconciliations

	1Q15	4Q15	1Q16
Net Interest Income (\$ in 000's)	\$90,993	\$85,922	\$85,643
Taxable Equivalent Adjustment	4,658	5,163	5,200
Net Interest Income – Taxable Equivalent	\$95,651	\$91,085	\$90,843
Average Earning Assets	\$10,346,167	\$10,414,823	\$10,331,029
Net Interest Margin	3.52%	3.30%	3.32%
Net Interest Margin – Fully Taxable Equivalent	3.70%	3.50%	3.52%

	1Q15	4Q15	1Q16
Net Interest Income (\$ in 000's)	\$90,993	\$85,922	\$85,643
Taxable Equivalent Adjustment	4,658	5,163	5,200
Net Interest Income – Taxable Equivalent	\$95,651	\$91,085	\$90,843
Less Accretion	14,556	12,326	11,227
Net Interest Income – Taxable Equivalent Less Accretion	\$81,095	\$78,759	\$79,616
Average Earning Assets	\$10,346,167	\$10,414,823	\$10,331,029
Core Net Interest Margin - Fully Taxable Equivalent	3.14%	3.02%	3.08%

# Old National's 2016 Peer Group

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

Associated Banc-Corporation	ASB	IberiaBank Corporation	IBKC
BancFirst Corporation	BANF	MB Financial Inc.	MBFI
BancorpSouth, Inc.	BXS	Park National Corporation	PRK
Bank of Hawaii Corporation	BOH	PrivateBancorp, Inc.	PVTB
Chemical Financial Corporation	CHFC	Prosperity Bancshares Inc.	PB
Commerce Bancshares, Inc.	CBSH	Renasant Corporation	RNST
Cullen/Frost Bankers, Inc.	CFR	South State Corporation	SSB
F.N.B. Corporation	FNB	TCF Financial Corporation	TCB
First Commonwealth Financial Corporation	FCF	Talmer Bancorp	TLMR
First Finanical Bancorp.	FFBC	Trustmark Corporation	TRMK
First Merchants Corporation	FRME	UMB Financial Corporation	UMBF
First Midwest Bancorp Inc.	FMBI	United Bankshares Inc.	UBSI
FirstMerit Corporation	FMER	Valley National Bancorp	VLY
Fulton Financial Corporation	FULT	WesBanco Inc.	WSBC
Hancock Holding Company	HBHC	Wintrust Financial Corporation	WTFC
Home Bancshares, Inc.	HOMB		

# Old National Investor Relations Contact

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Additional information can be found on the  
Investor Relations web pages at  
[www.oldnational.com](http://www.oldnational.com)

**ONB**  

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**NASDAQ**  
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