

# 4th Quarter and Full-Year 2016 Earnings

January 24, 2017



# 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; 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.

# 4Q16 Highlights

- Net income of \$33.5 million, or \$0.25 per share
  - Results include the following pre-tax items
    - Recognition of a \$12.8 million deferred gain on property repurchases
    - \$9.8 million pension termination charges
    - \$5.1 million in branch consolidation charges
    - \$1.8 million of merger and integration charges
    - \$1.6 million in severance
- 6.1% annualized organic loan growth<sup>1</sup>
  - 9.7% organic growth in commercial and commercial real estate loans
- Stable Core Net Interest Margin<sup>2</sup>
- Return on Tangible Common Equity<sup>2</sup> of 13.07%

<sup>1</sup> Excludes acquired loans

<sup>2</sup> Non-GAAP financial measure which Management believes is useful in evaluating the financial results of the Company – see Appendix for Non-GAAP reconciliation

# 2016 Financial Highlights



- Reported net income of \$134.3 million, or \$1.05 per share
  - 15.0% increase over the \$116.7 reported for 2015
- 7.1% organic loan growth<sup>1</sup>
  - 10.7% organic growth<sup>1</sup> in commercial and commercial real estate loans
- 5.7% organic core deposit growth<sup>2</sup>
- 8.9% increase in tangible book value<sup>3</sup>
- Low levels of net charge-offs – 4 basis points – and 30+ day delinquencies – 0.43%

<sup>1</sup> Excludes acquired loans   <sup>2</sup> Excludes acquired deposits   <sup>3</sup> Non-GAAP financial measure which Management believes is useful in evaluating the financial results of the Company – see Appendix for Non-GAAP reconciliation

# 2016 Strategic Highlights



- Strategic highlights
  - Sale of insurance subsidiary
  - Successful close and conversion of Company's largest partnership
  - Terminated and fully funded previously frozen pension plan
  - Successfully terminated FDIC loss-share agreement with minimal financial impact
  - Consolidation of 20 branches (including 15 in January 2017)

# Jim Sandgren

President, Chief Operating Officer

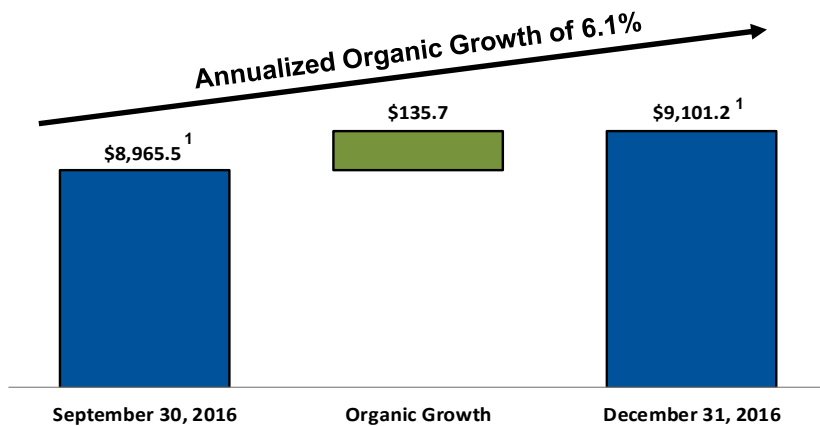




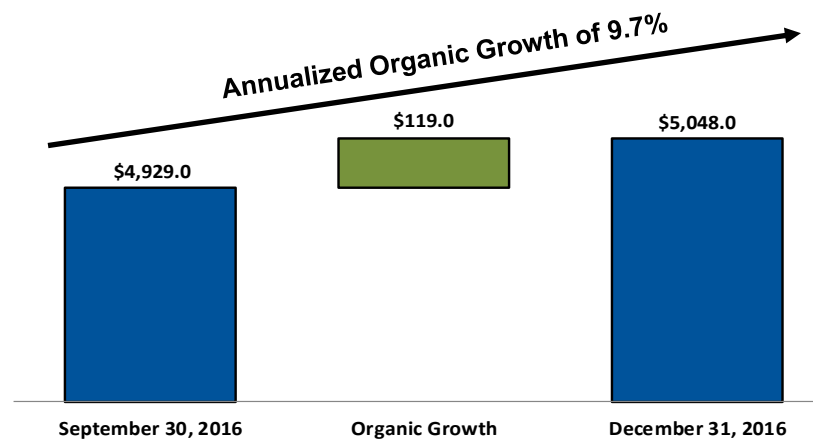
# Loan Growth



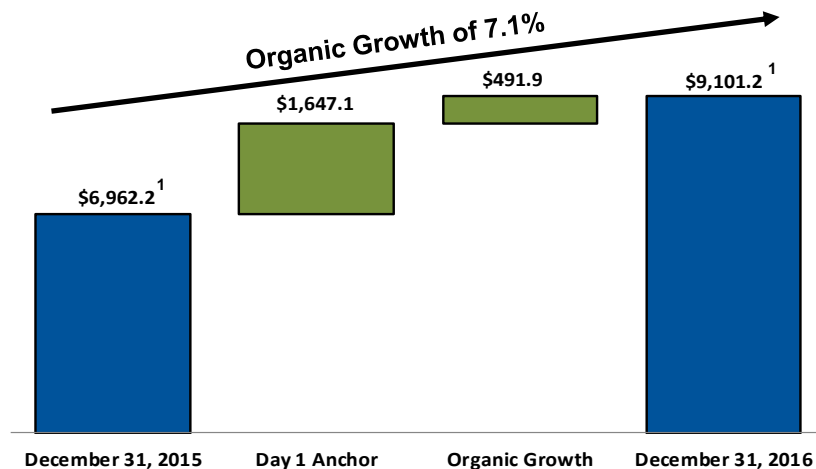
## Total Loan Growth



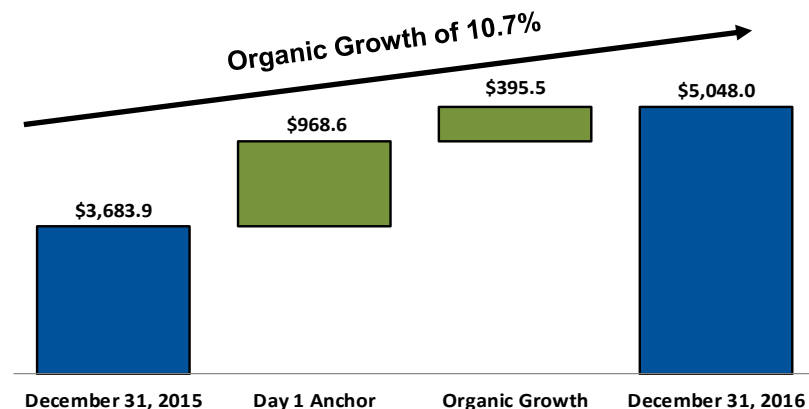
## C&I/CRE Loan Growth



## Organic Growth of 7.1%



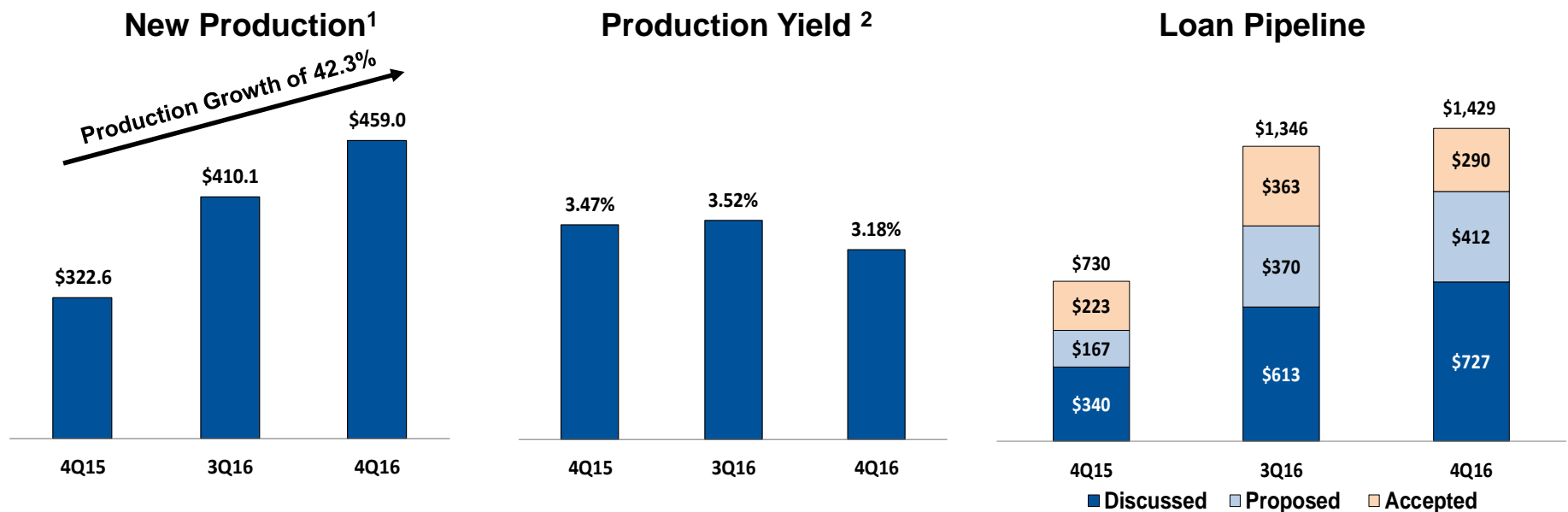
## Organic Growth of 10.7%



\$ in millions – End of Period Balances

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

# Commercial & Commercial Real Estate



**Average loan size of 4Q16 production is less than \$580,000**

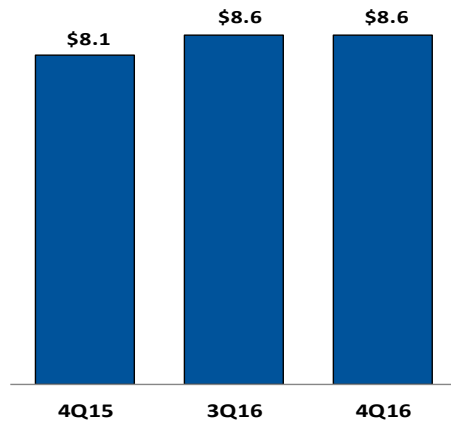
**Yield is impacted by mix of taxable vs. tax-exempt loans and fixed vs. variable loans**

\$ in millions

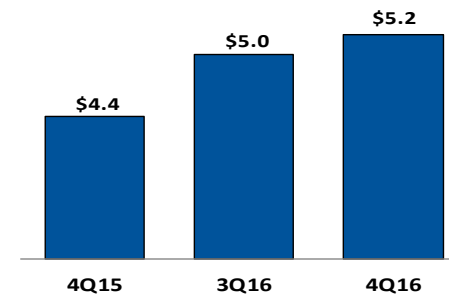
<sup>1</sup>New Production includes 50% credit for line of credit unfunded commitments <sup>2</sup>Yield is based on funded balances only

# Fee-Based Business Revenue

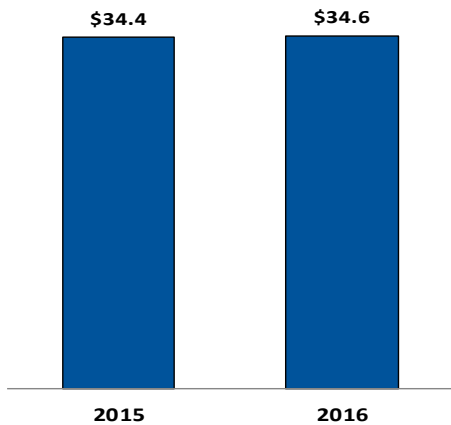
### Wealth Management



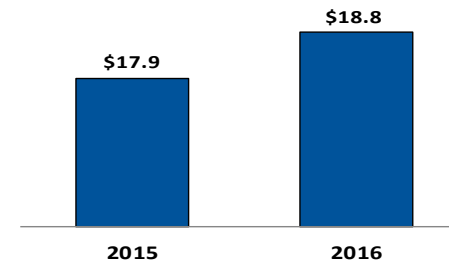
### Investments



### Wealth Management

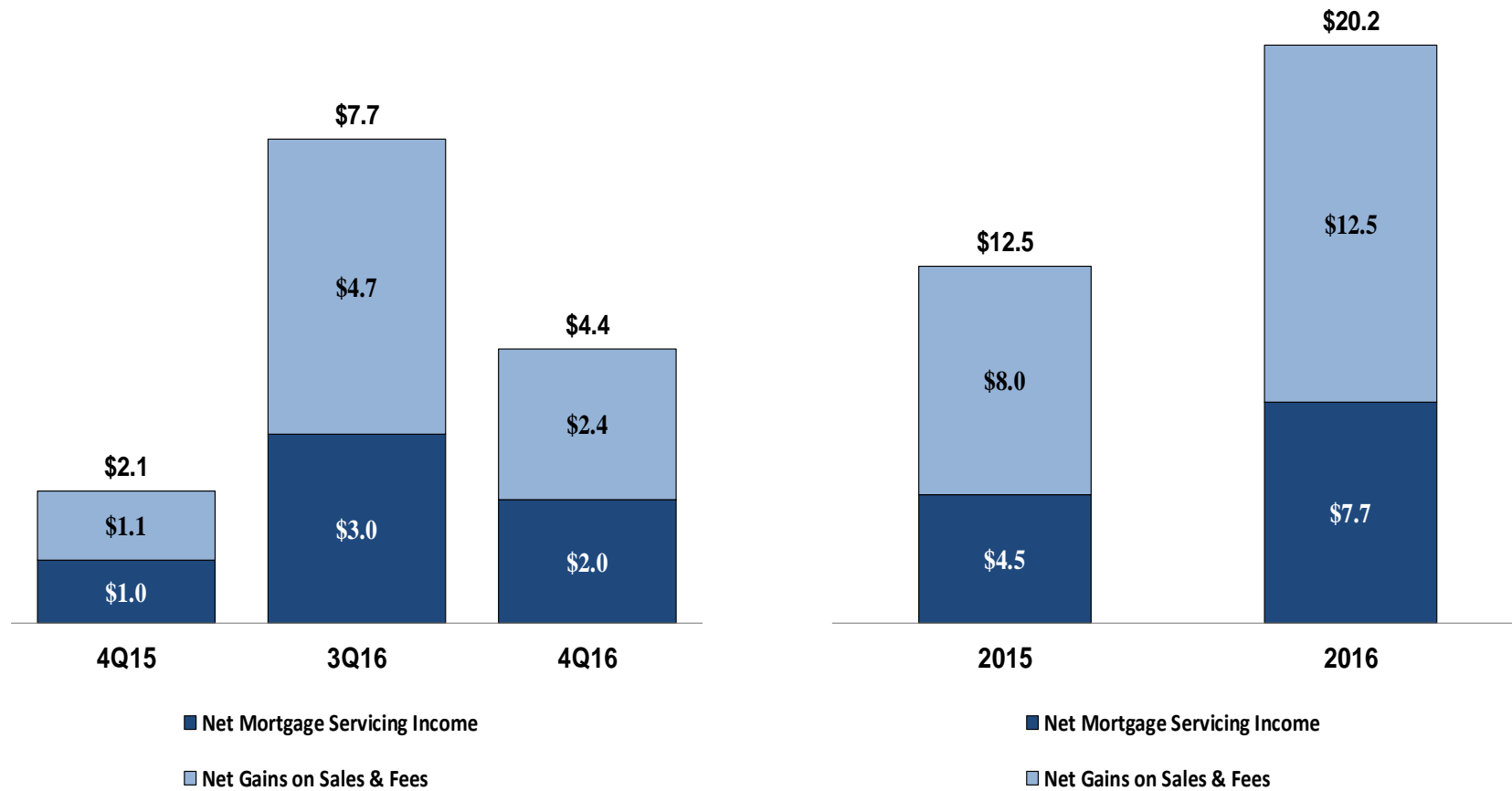


### Investments



\$ in millions

# Mortgage Banking



\$ in millions

# Jim Ryan

Chief Financial Officer



# Pre-Tax, Pre-Provision Income<sup>1</sup>

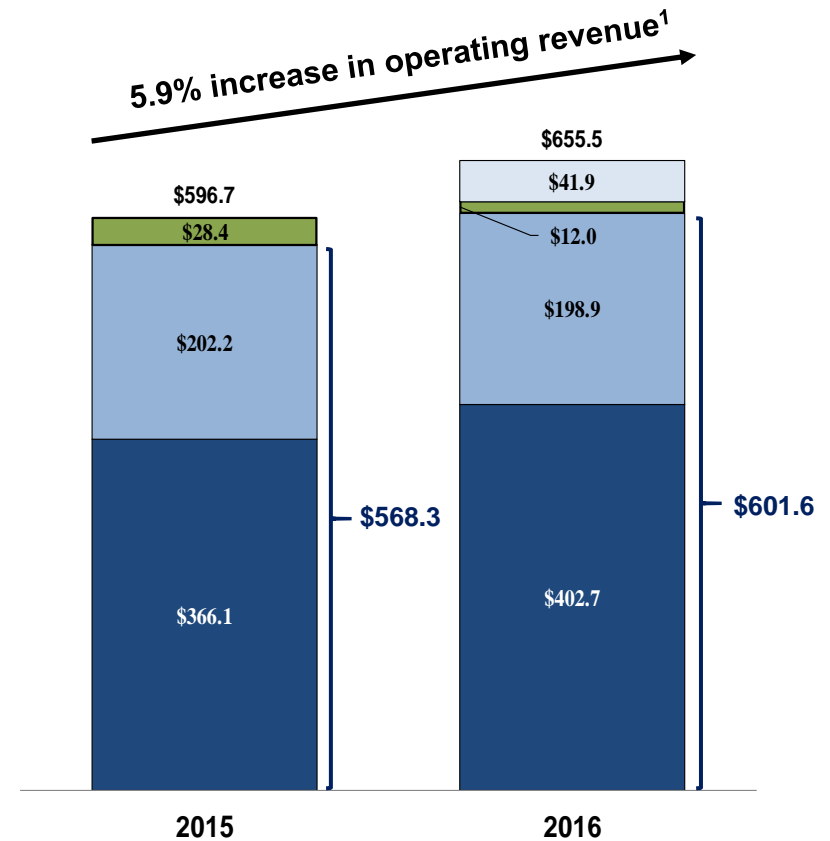
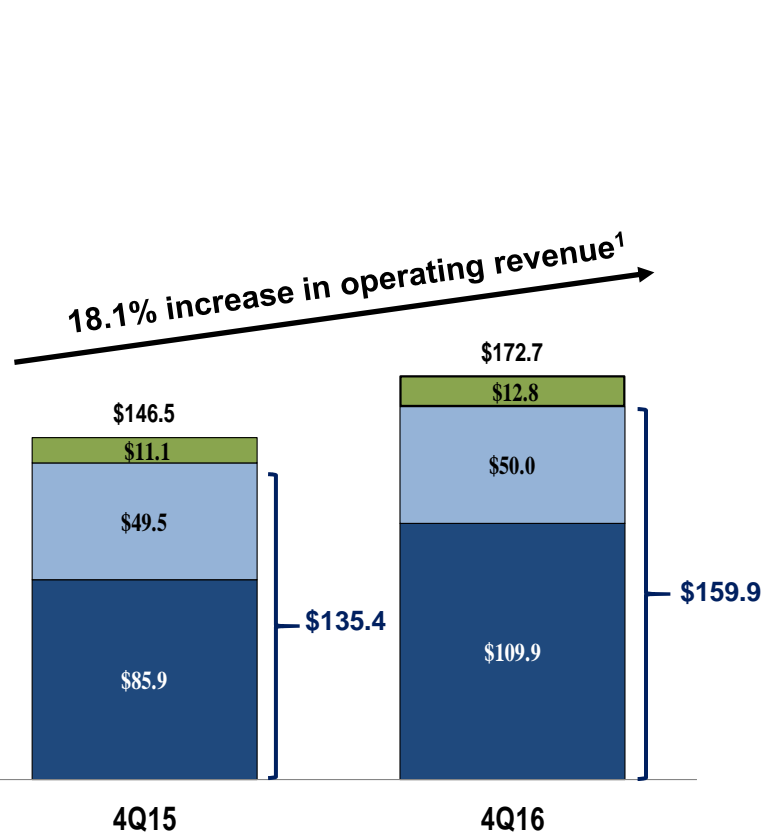
	2015	2016
Net Interest Income (FTE Basis)	\$385,659	\$423,996
Noninterest Income	230,632	252,830
Noninterest Expense	430,932	454,147
Pre-Tax, Pre-Provision Income	\$185,359	\$222,679
Gain on Sale of Insurance	-	(41,864)
Merger and Integration Charges	5,690	15,857
Foundation Funding/Community Support	1,800	5,300
Branch Rationalization	(18,924)	(5,989)
Severance	5,620	2,393
Pension Termination Charges	-	9,751
Litigation Reserve	4,800	-
Adjusted Pre-Tax, Pre-Provision Income	\$184,345	\$208,127

**12.9% increase**

\$ in thousands

<sup>1</sup> Pre-Tax, Pre-Provision Income is a non-GAAP financial measure which Management believes is useful in evaluating the financial results of the Company

# Total Revenue



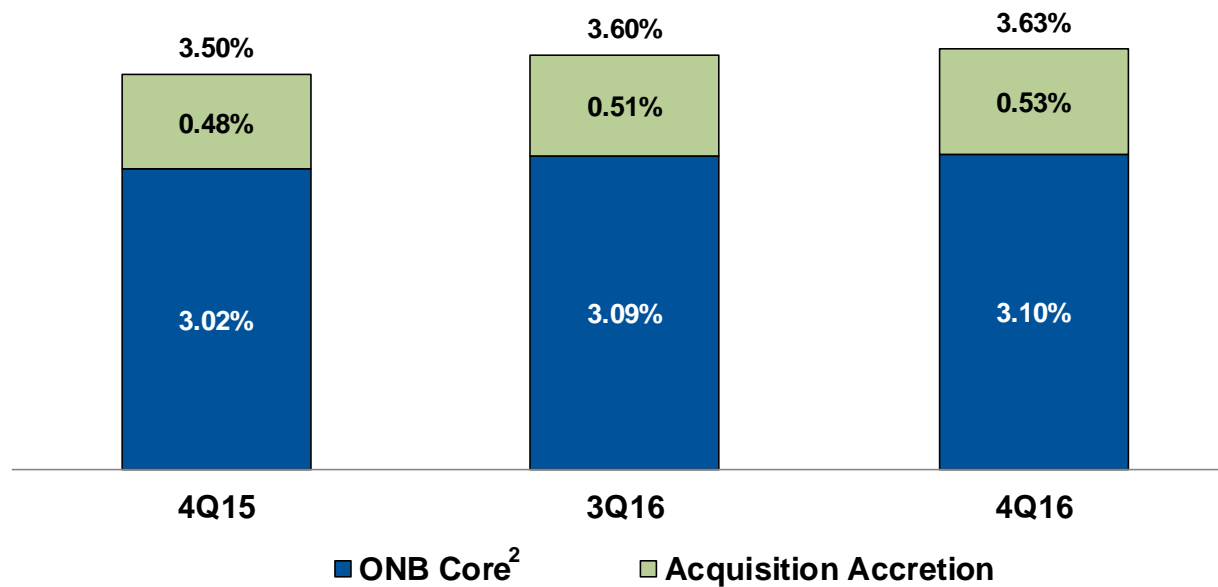
- Branch Rationalization
- Fees, Service Charges, Security Gains & Other Rev.
- Net Interest Income

- Gain on Sale of Insurance Business
- Branch Rationalization
- Fees, Service Charges, Security Gains & Other Rev.
- Net Interest Income

\$ in millions

<sup>1</sup> Operating Revenue = Interest income and non-interest income less gain on the sale of insurance and branch rationalization activity

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

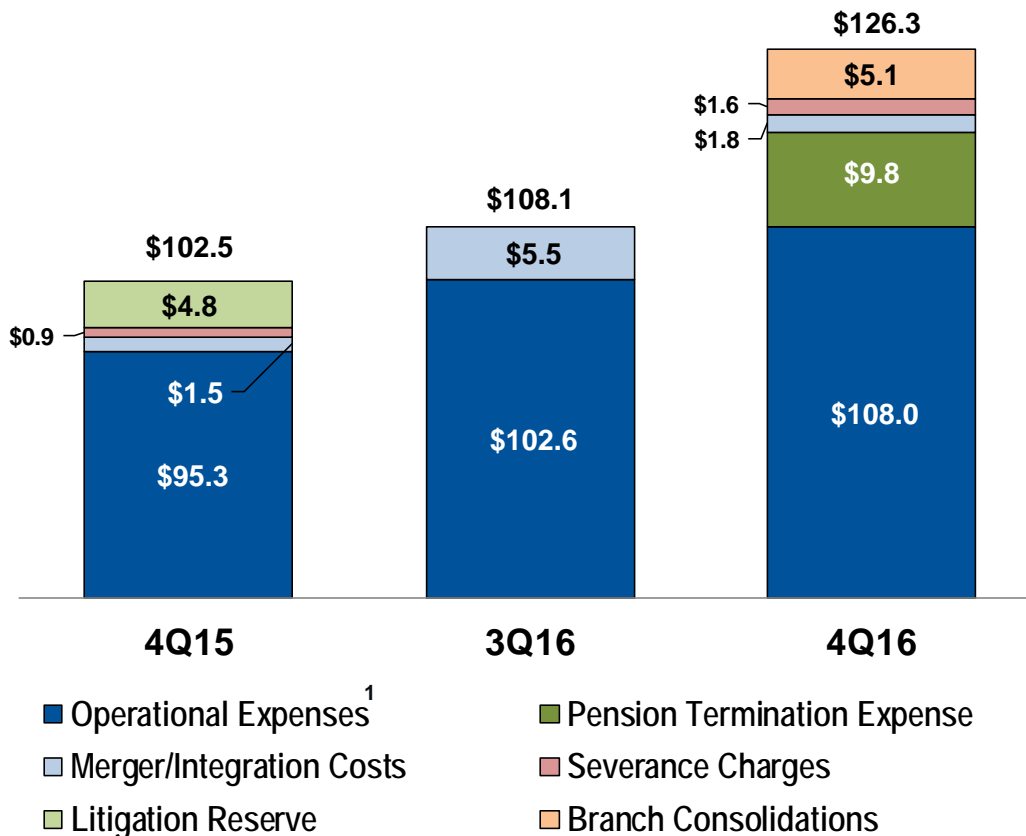


<sup>1</sup> Fully taxable equivalent basis, non-GAAP financial measure which Management believes is useful in evaluating the financial results of the Company – see Appendix for Non-GAAP reconciliation

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



# Noninterest Expense



- 4Q16 Operational Expenses<sup>1</sup> include higher than normal levels in various line items totaling \$5.5 million – these include year-end adjustments for incentives, restricted stock, hospitalization and deferred comp
- Anticipate \$1.2 million of branch consolidation charges in 1Q17

\$ in millions

<sup>1</sup>Operational expenses = total noninterest expense less pension termination expense, merger/integration costs, branch consolidations, severance and litigation reserve

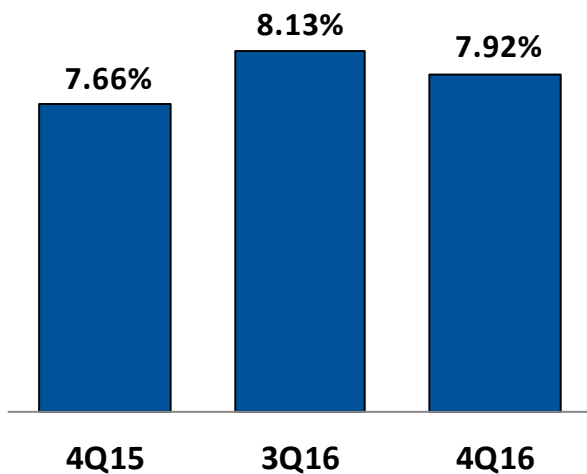
# Improving Operating Leverage



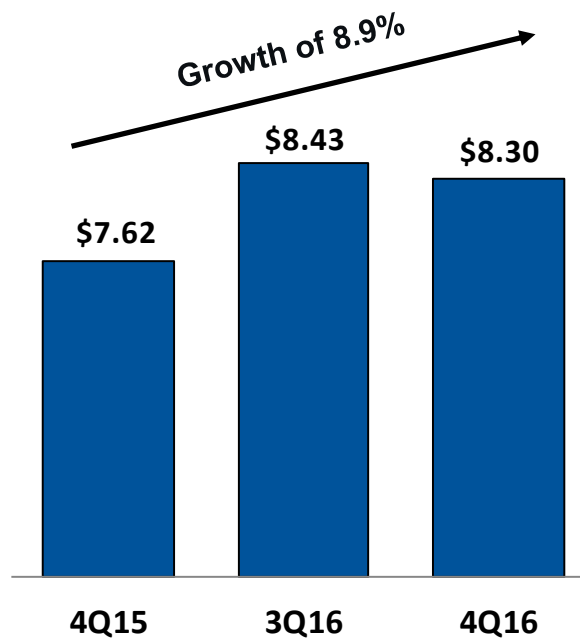
- Reallocation of capital from insurance business to higher-return bank business (Anchor)
- Five branches consolidated in 2016
- 15 branches consolidated in January 2017
- Termination of pension plan
- Termination of FDIC loss share agreement
- FTE management
  - 12-31-15 FTE (2,652) + Anchor FTE at close (550) = Total FTE (3,202)
  - 12-31-16 FTE (2,733) is a reduction of 469: - 280 Insurance, - 126 Anchor, and - 63 legacy reductions

# Capital Trends

**Tangible Common Equity to  
Tangible Assets<sup>1</sup>**



**Tangible Common Book Value<sup>1</sup>**



- 4Q16 tangible common book value declined \$40.5 million primarily as a result of fluctuations in the fair value of securities, resulting in a \$0.30 decline in TBV

<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

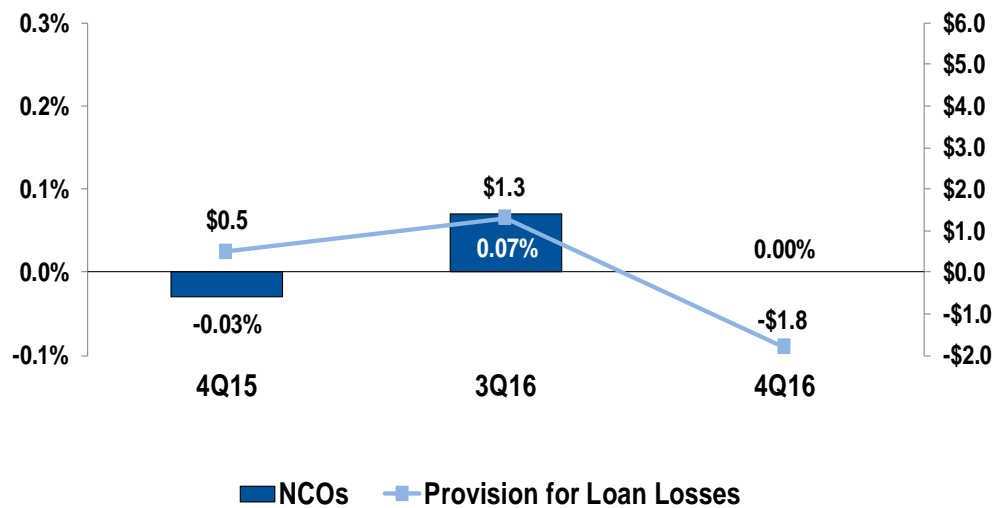
# Daryl Moore

Chief Credit Executive



# Net Charge-Offs / Provision

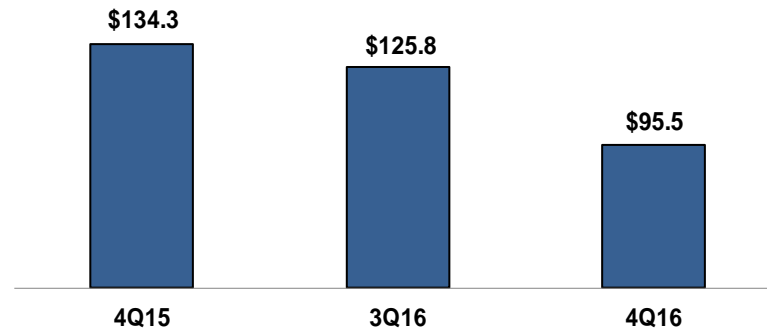
Net Charge-Offs / Provision



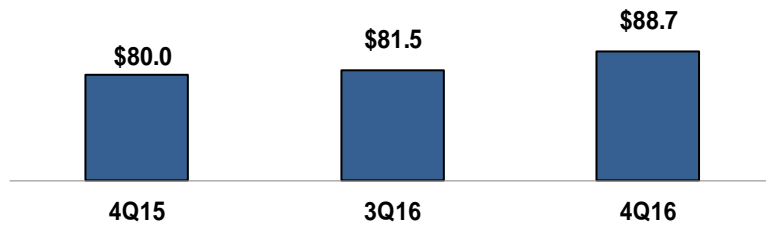
- Full-year 2016 net charge-offs of \$3.4 million & provision expense of \$1.0 million

# Credit Quality Trends

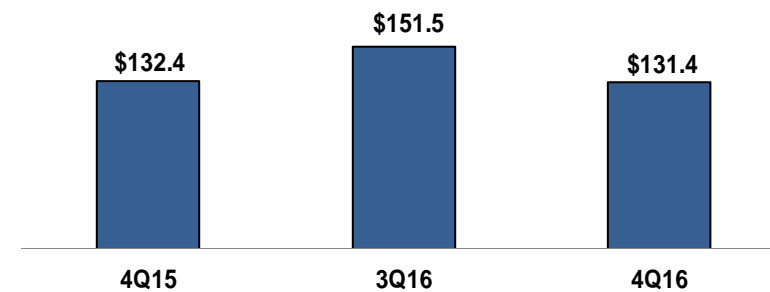
## Special Mention Loans



## Substandard Accruing Loans



## Substandard Nonaccruing + Doubtful Loans



*\$ in millions*

# Bob Jones

Chief Executive Officer



- 4Q16
  - Strong performance, positive momentum into 2017
  - Don't confuse bull market with great performance; opportunities still exist to improve
- 2017
  - Head or tail?
    - Wind that is



- Tail
  - Deposit franchise value
  - Accelerated business activity
  - Potential rate hikes
  - Decrease in tax rate
  - Scale
  - New markets, expanded expertise
- Head
  - Mortgage
  - Accretion
- Headed to the replay booth
  - Regulatory relief
    - Will happen....scale to be determined
    - Cost savings vs. cost avoidance
  - M&A
    - No Hail Mary...has to be the right play

Thank You

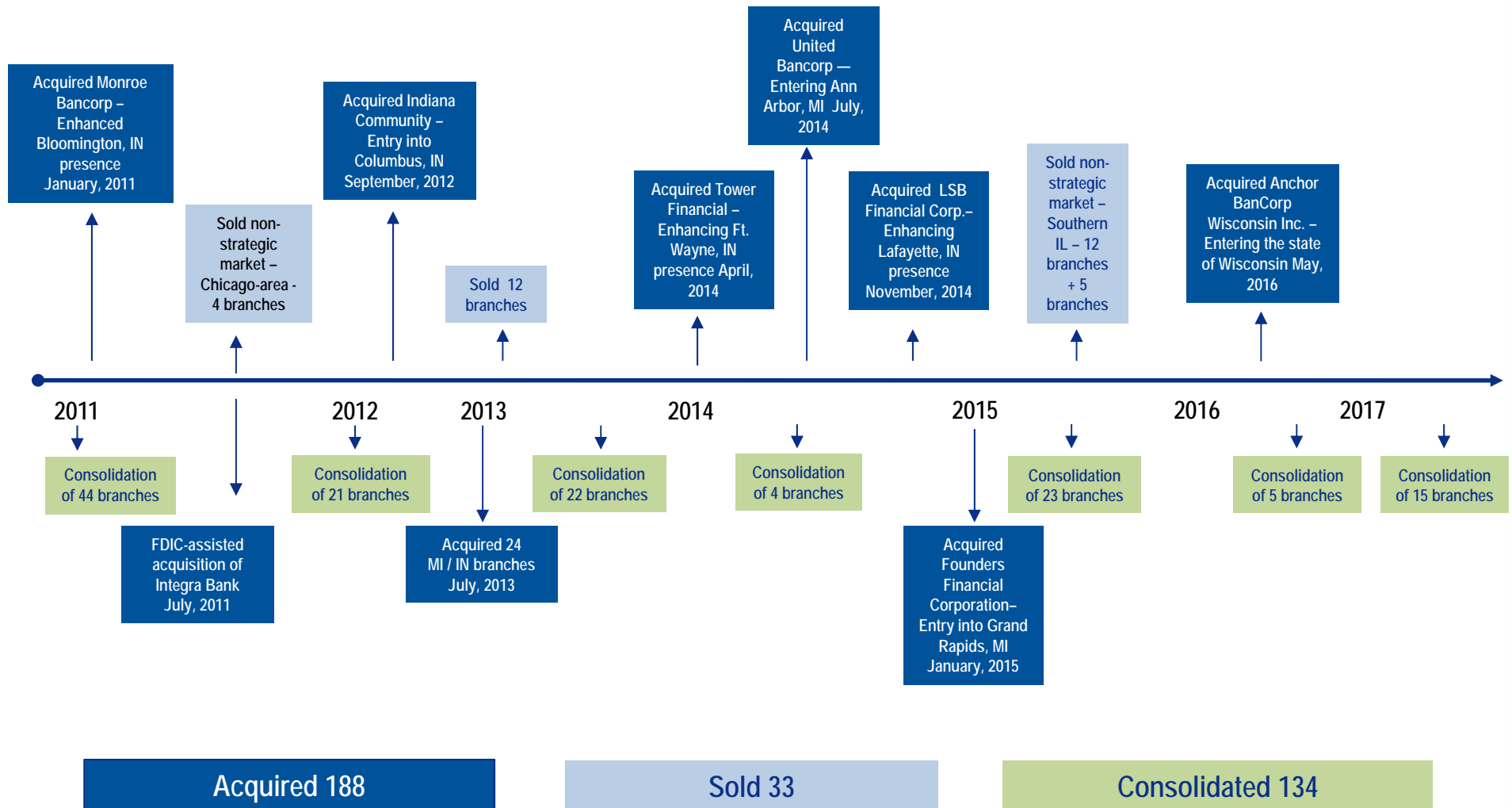
Q&A



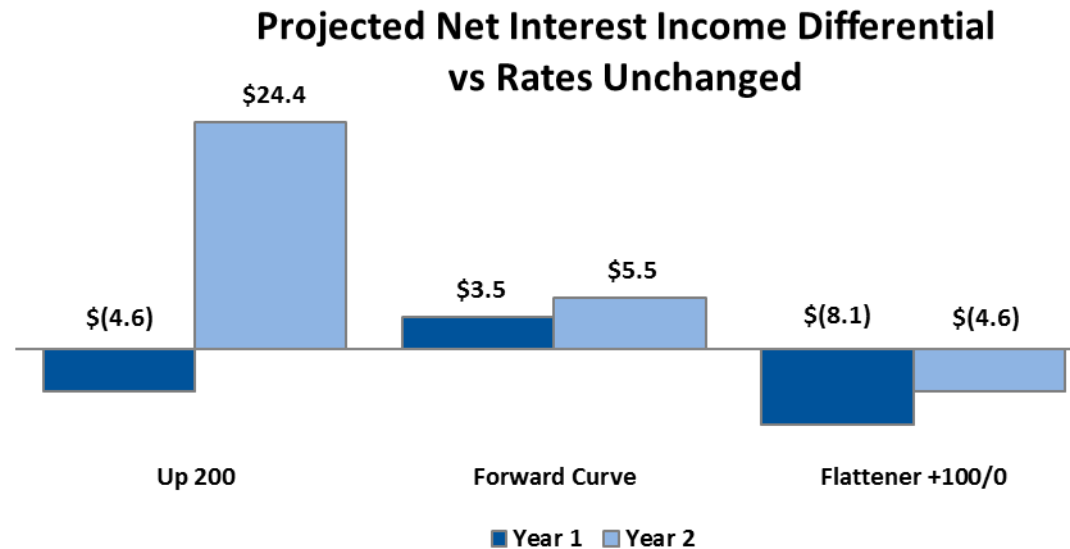
# Appendix



# Transforming Old National's Landscape



# Modeled Interest Rate Sensitivity



- Total non-maturity, interest-bearing accounts increase from 0.09% to 0.38% in the “Up 100 bps” scenario
- 18.97% of total non-interest bearing DDA are considered rate sensitive
- Investment portfolio duration of 4.61 at 12/31/16, up from 3.75 at 9/30/16.
- 43% of C&I and CRE loans reprice within one year
- 17% of loans have floors; less than 3% of these loans are currently below their floor rates

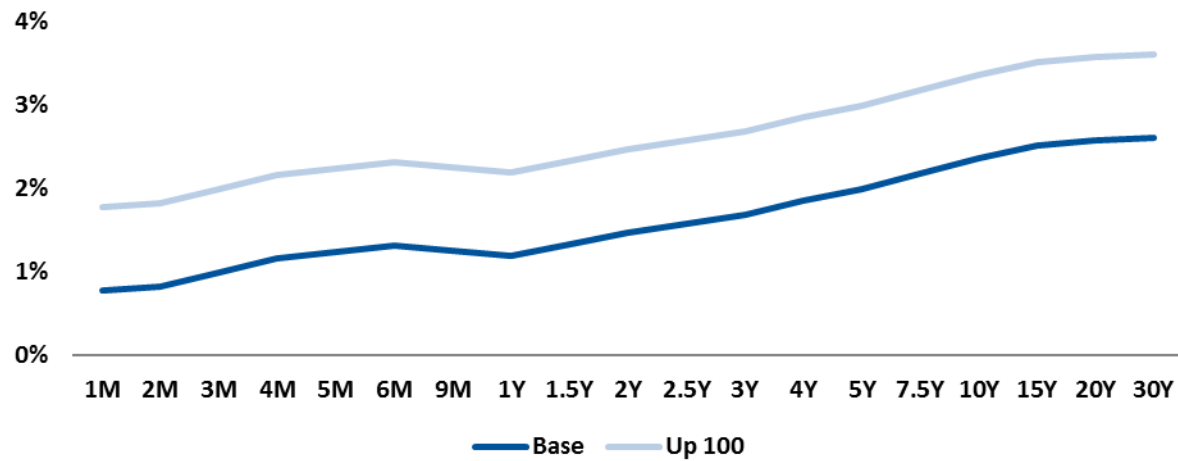
*\$ in millions*

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

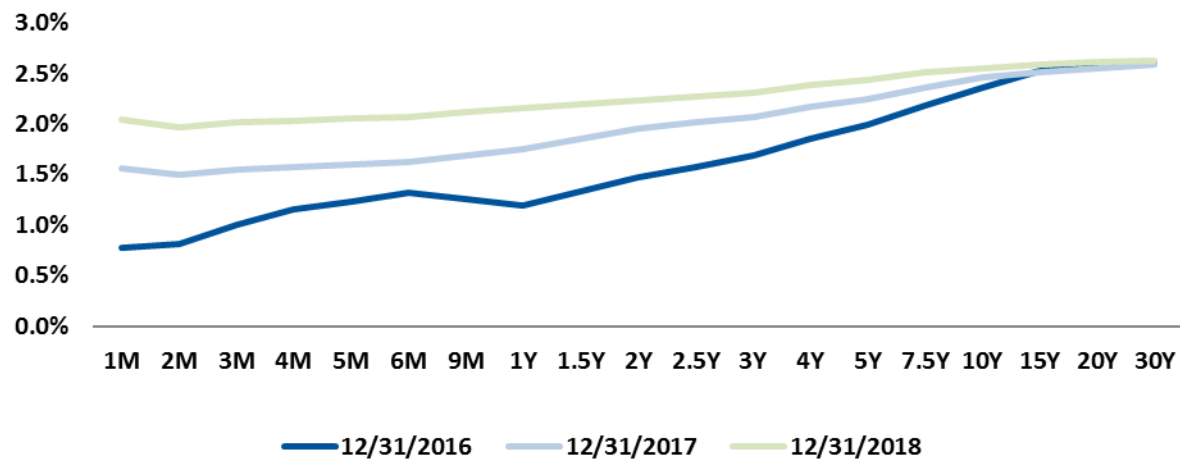
*Refer to slide 30 for rate curves*

# Interest Rate Curves

### Up 100 vs. Base



### Forward Curves



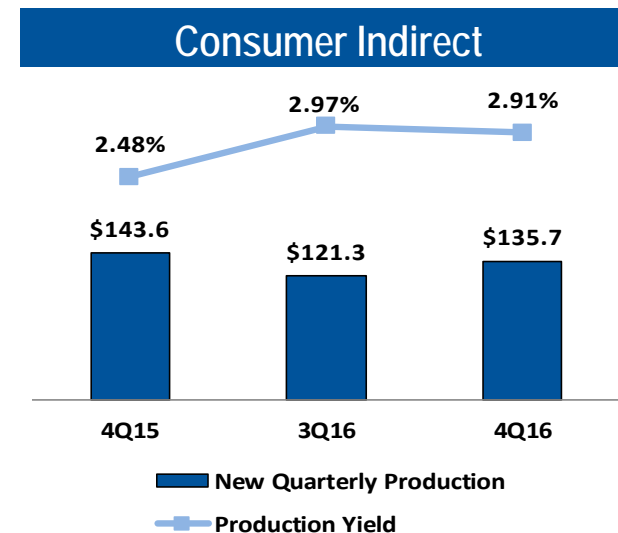
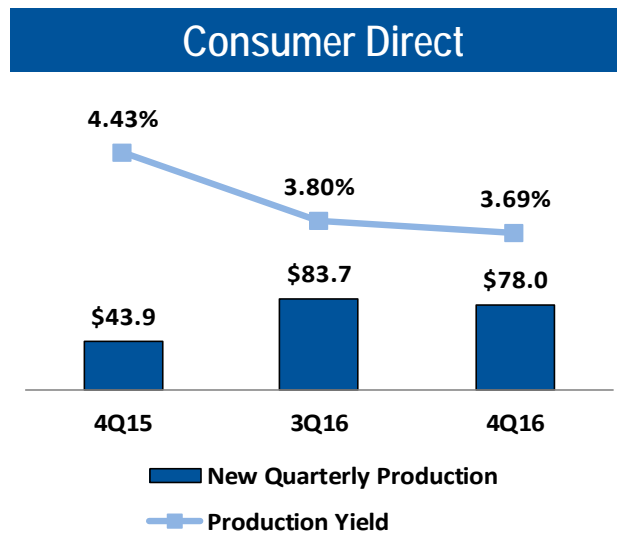
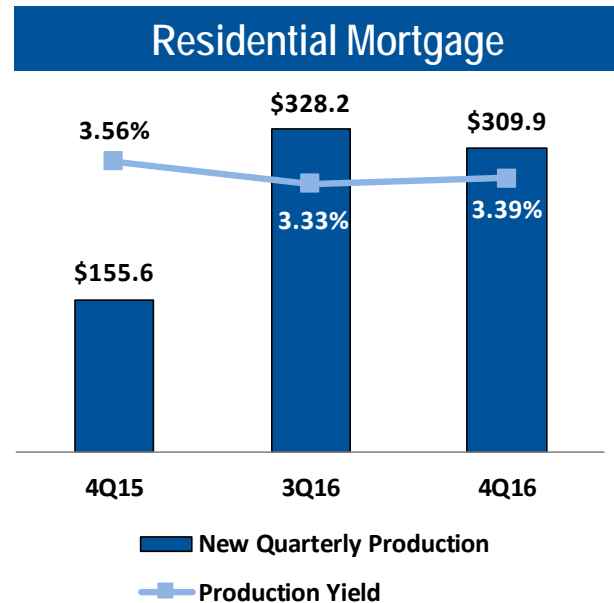
# Investment Portfolio



\$ in thousands	Effective Duration Sep 30, 2016	Effective Duration Dec 31, 2016	Book Value Sep 30, 2016	Book Value Dec 31, 2016
Money Market Investments <sup>1</sup>	0.01	0.01	\$31,882	\$36,496
Treasuries	2.48	2.91	8,960	6,963
Agencies	2.41	4.34	610,907	546,365
Pools	1.81	2.52	274,154	213,486
CMOs	2.99	4.08	1,206,314	1,348,619
Municipals	6.11	6.40	1,132,363	1,140,322
Corporates	3.24	3.16	144,570	143,691
ABS	0.82	1.04	173,365	169,204
Totals	3.72	4.61	\$3,582,515	\$3,605,146

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

# Consumer Loan Production & Yield Trends



\$ in millions

New quarterly production includes unfunded commitments – Yield is based on funded balances only  
 Quick Home Refinance (residential mortgage product) is included in the Residential Mortgage graph  
 Direct Consumer includes Home Equity Lines of Credit



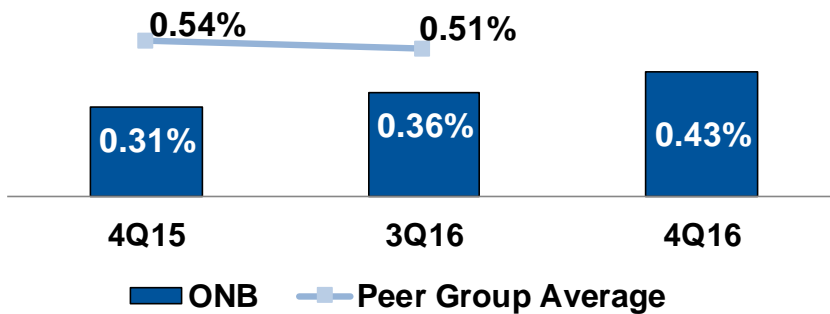
# Auto Loan Portfolio

Auto Loan Portfolio - As of 12/31/2016		
Direct	\$61.1	5.2%
Indirect	\$1,106.6	94.8%
<b>Total Auto</b>	<b>\$1,167.7</b>	<b>100.0%</b>
New	\$458.5	39.3%
Used	\$709.2	60.7%
<b>Total Auto</b>	<b>\$1,167.7</b>	<b>100.0%</b>

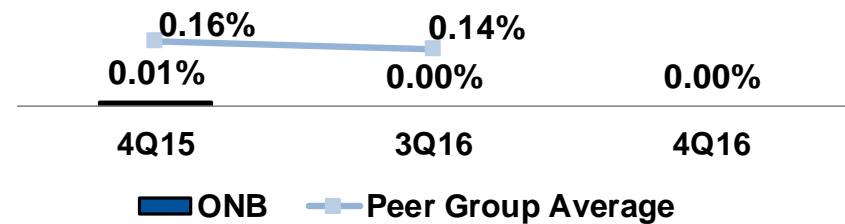
Loans are originated within the ONB footprint

- Total portfolio average original loan term of 70 months and weighted average FICO score of 767
- Total Portfolio yield of 2.74%
- 30+ Days Delinquency at 12/31/2016 is 0.61%

### 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 December 31, 2016	ONB Excluding Anchor <sup>1</sup>	Anchor	ONB Consolidated
Allowance for Loan Losses (ALLL)	\$49.8	\$0.0	\$49.8
Remaining Loan Discount	\$70.6	\$59.1	\$129.7
Total ALLL + Remaining Discount	\$120.4	\$59.1	\$179.5
Pre-Discount Loan Balance	\$7,660.8	\$1,479.4	\$9,140.2
ALLL/Pre-Discount Loan Balance	0.65%	0.00%	0.54%
Mark/Pre-Discount Loan Balance	0.92%	4.00%	1.42%
Combined ALLL & Discount/Pre-Discount Loan Balance <sup>2</sup>	1.57%	4.00%	1.96%

\$ in millions

<sup>1</sup> Includes discount on loans acquired through previous partnerships

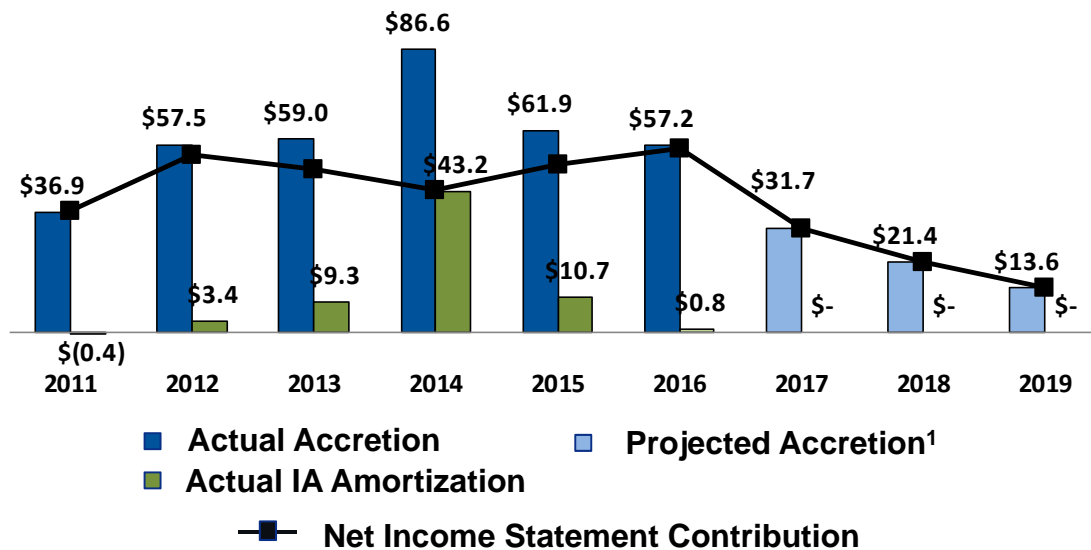
<sup>2</sup> Non-GAAP financial measure which Management believes useful to demonstrate that the remaining discount considers credit risk and should be included as part of total coverage

# Projected Purchase Accounting Impact



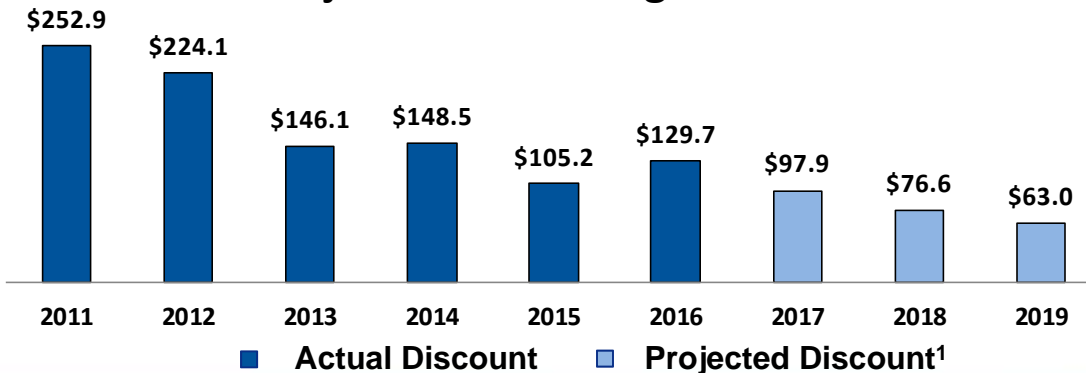
Manageable declines in purchase accounting impact expected in future periods

## Projected Accretion Income



- Projections assume no prepayments
- \$129.7 million in remaining discount

## Projected Remaining Discount

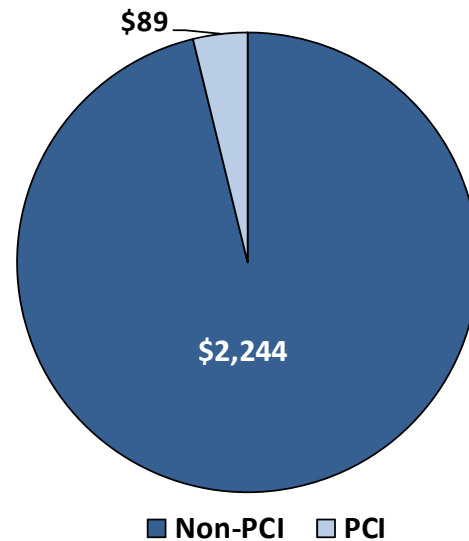


\$ in millions

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

# Acquired Loans

## Acquired Loans Before Discount



PCI = Purchased Credit Impaired

Remaining Discount		
Non-PCI	4%	(\$96)
PCI	38%	(\$34)

# Non-GAAP Reconciliations

end of period balances	4Q15	3Q16	4Q16
Total Shareholders' Equity	\$1,491.2	\$1,834.5	\$1,814.4
Deduct: Goodwill and Intangible Assets	(619.9)	(696.1)	(692.7)
Tangible Common Shareholders' Equity	\$871.2	\$1,138.3	\$1,121.7
Total Assets	\$11,991.5	\$14,703.1	\$14,860.2
Add: Trust Overdrafts	0.0	0.0	0.1
Deduct: Goodwill and Intangible Assets	(619.9)	(696.1)	(692.7)
Tangible Assets	\$11,371.6	\$14,007.0	\$14,167.7
Tangible Equity to Tangible Assets	7.66%	8.13%	7.92%
Tangible Common Equity to Tangible Assets	7.66%	8.13%	7.92%
Net Income	\$32.0	\$34.7	\$33.5
After-Tax Intangible Amortization	2.5	3.2	3.2
Tangible Net Income	\$34.5	\$37.9	\$36.6
ROTCE	15.85%	13.33%	13.07%

\$ in millions

# Non-GAAP Reconciliations

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Total Shareholders' Equity	\$1,491.2	\$1,834.5	\$1,814.4
Deduct: Goodwill and Intangible Assets	(619.9)	(696.1)	(692.7)
Tangible Common Shareholders' Equity	\$871.2	\$1,138.3	\$1,121.7
Risk Weighted Assets	\$7,718.1	\$9,703.2	\$10,101.5
Tangible Common Equity to Risk Weighted Assets	11.29%	11.73%	11.10%

end of period balances	4Q15	3Q16	4Q16
Total Shareholders' Equity	\$1,491.2	\$1,834.5	\$1,814.4
Deduct: Goodwill and Intangible Assets	(619.9)	(696.1)	(692.7)
Tangible Common Shareholders' Equity	\$871.2	\$1,138.3	\$1,121.7
Common Shares Issued and Outstanding at Period End	114,297	134,985	135,159
Tangible Common Book Value	\$7.62	\$8.43	\$8.30

\$ in millions

Shares in thousands

# Non-GAAP Reconciliations

	4Q15	3Q16	4Q16
Net Interest Income (\$ in 000's)	\$85,922	\$107,803	\$109,917
Taxable Equivalent Adjustment	5,163	5,320	5,506
Net Interest Income – Taxable Equivalent	\$91,085	\$113,123	\$115,423
Average Earning Assets	\$10,414,823	\$12,575,454	\$12,713,345
Net Interest Margin	3.30%	3.43%	3.46%
Net Interest Margin – Fully Taxable Equivalent	3.50%	3.60%	3.63%

	4Q15	3Q16	4Q16
Net Interest Income (\$ in 000's)	\$85,922	\$107,803	\$109,917
Taxable Equivalent Adjustment	5,163	5,320	5,506
Net Interest Income – Taxable Equivalent	\$91,085	\$113,123	\$115,423
Less Accretion	12,326	15,941	16,785
Net Interest Income – Taxable Equivalent Less Accretion	\$78,759	\$97,182	\$98,638
Average Earning Assets	\$10,414,823	\$12,575,454	\$12,713,345
Core Net Interest Margin - Fully Taxable Equivalent	3.02%	3.09%	3.10%



# 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	Trustmark Corporation	TRMK
First Financial Bancorp	FFBC	UMB Financial Corporation	UMBF
First Merchants Corporation	FRME	United Bankshares Inc.	UBSI
First Midwest Bancorp Inc.	FMBI	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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**ONB**  

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**NASDAQ**  
**L I S T E D**

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