



# Second-Quarter 2015 Earnings

July 27, 2015





**OLD NATIONAL BANCORP<sup>®</sup>**

NASDAQ: ONB  
oldnational.com

**Lynell Walton**  
**Investor Relations**



# Forward-Looking Statement

**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; expected cost savings in connection with recent branch divestitures may not be fully realized, and deposit attrition, customer loss, and revenue loss may 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

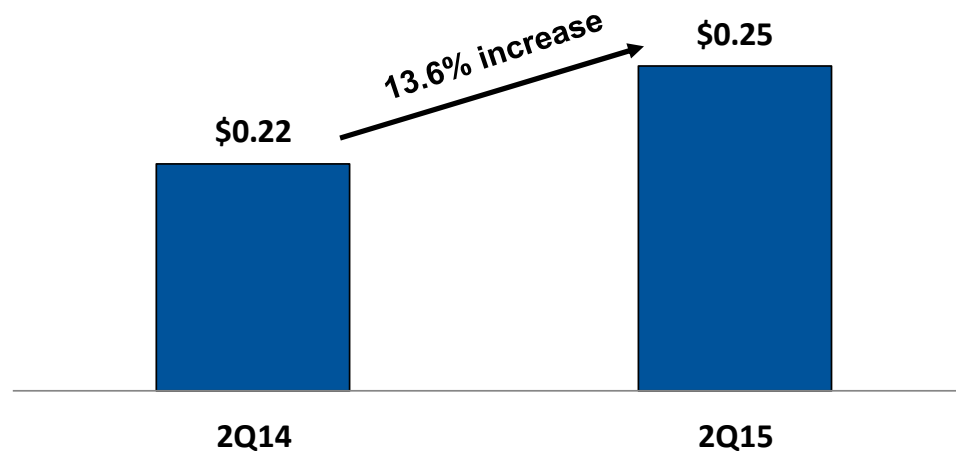
These slides contain non-GAAP financial measures. For purposes of Regulation G, a non-GAAP financial measure is a numerical measure of the registrant's historical or future financial performance, financial position or cash flows that excludes amounts, or is subject to adjustments that have the effect 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.

# 2Q15 Highlights

- ✓ Reported net income of \$26.2 million, or \$.22 per share
  - 22% increase in EPS Y/Y and Q/Q
- ✓ Continue to grow organic revenue
  - 7% annualized loan growth
  - Stable net interest margin
  - Positive trends in all fee-based businesses
- ✓ Improve operating leverage
  - 1% decline in operational expenses from 1Q15
  - Adjusted Efficiency Ratio of 66.9%
  - Anticipate branch sales to close mid-August
- ✓ Prudent use of capital
  - 1.9 million shares of stock repurchased
  - Additional 1.0 million authorized on July 23, 2015
  - Tangible Common Equity of 7.23%

# 2Q15 Adjusted Net Income

## Earnings Per Share



**2Q15**  
ROA of 1.0%<sup>1</sup>  
ROTCE of 15.7%<sup>1</sup>

*Adjusted Net Income excludes acquisition & divestiture charges*

<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



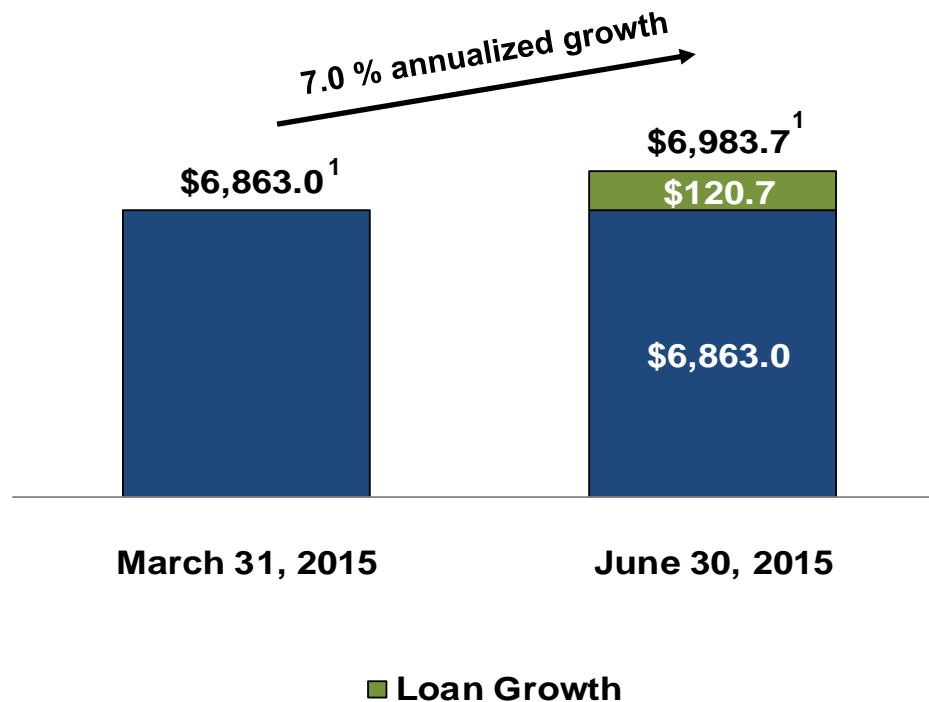
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**Jim Sandgren**  
**Chief Banking Officer**



# Total Loan Growth



- Loan growth predominantly in footprint, not syndicated deals, participations or acquired

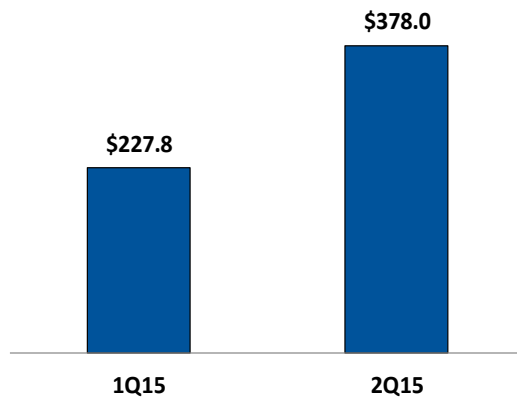
\$ in millions – End of Period

<sup>1</sup> Includes Loans Held for Sale and Covered Loans – Excluding covered loans, loan growth was \$2.2 million in 1Q15 and \$122.1 million in 2Q15

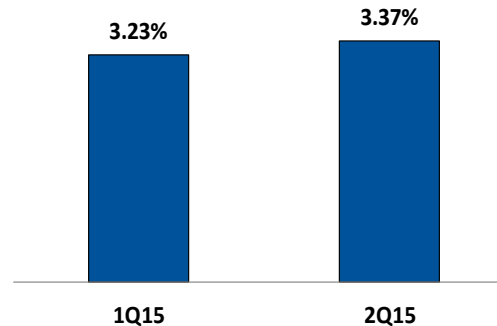


# Commercial & Commercial Real Estate Loans

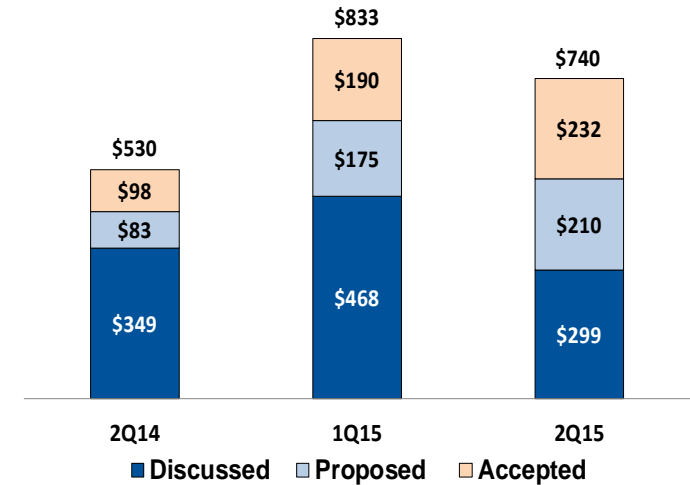
New Quarterly Production<sup>1</sup>



Production Yield<sup>2</sup>



Loan Pipeline



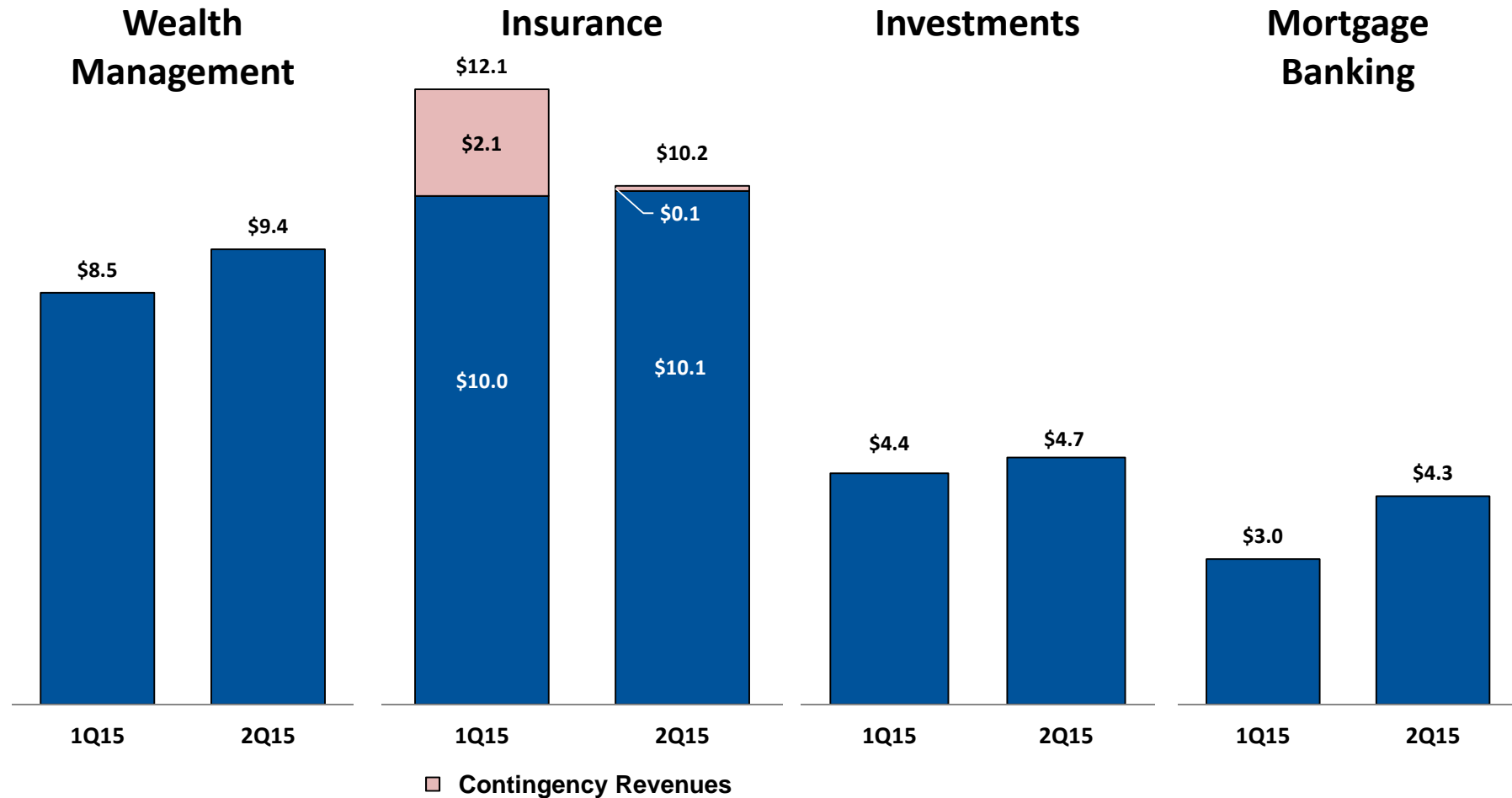
***Average loan size of 2Q15 production is less than \$400,000***

***Approximately 45% of new 2Q15 outstanding production was to new loan clients***

\$ in millions

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

# Fee-Based Business Revenue



\$ in millions

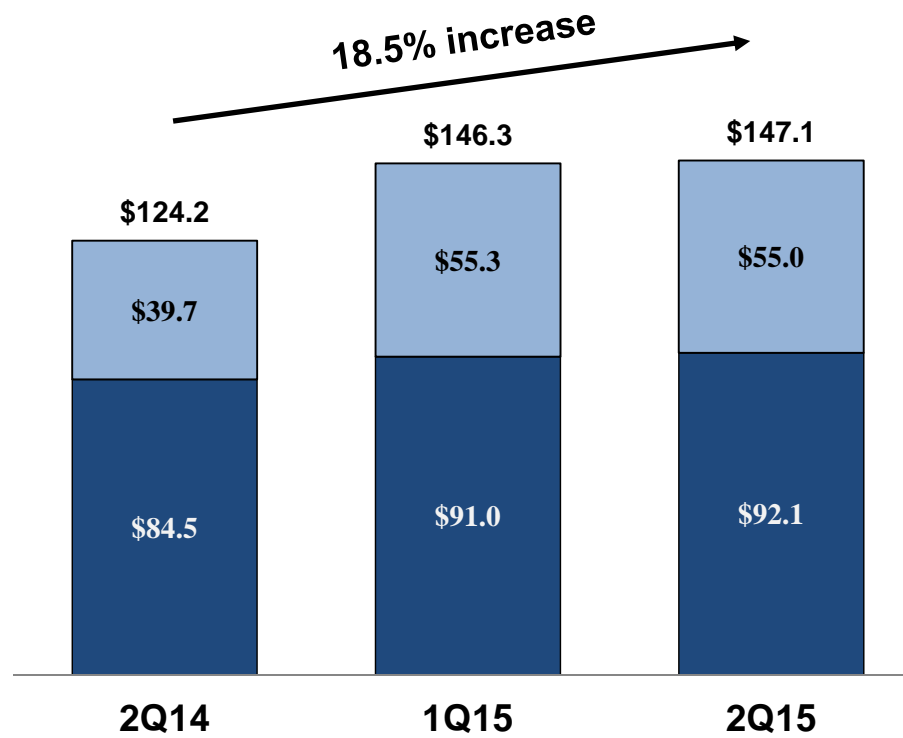


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**Chris Wolking**  
**Chief Financial Officer**



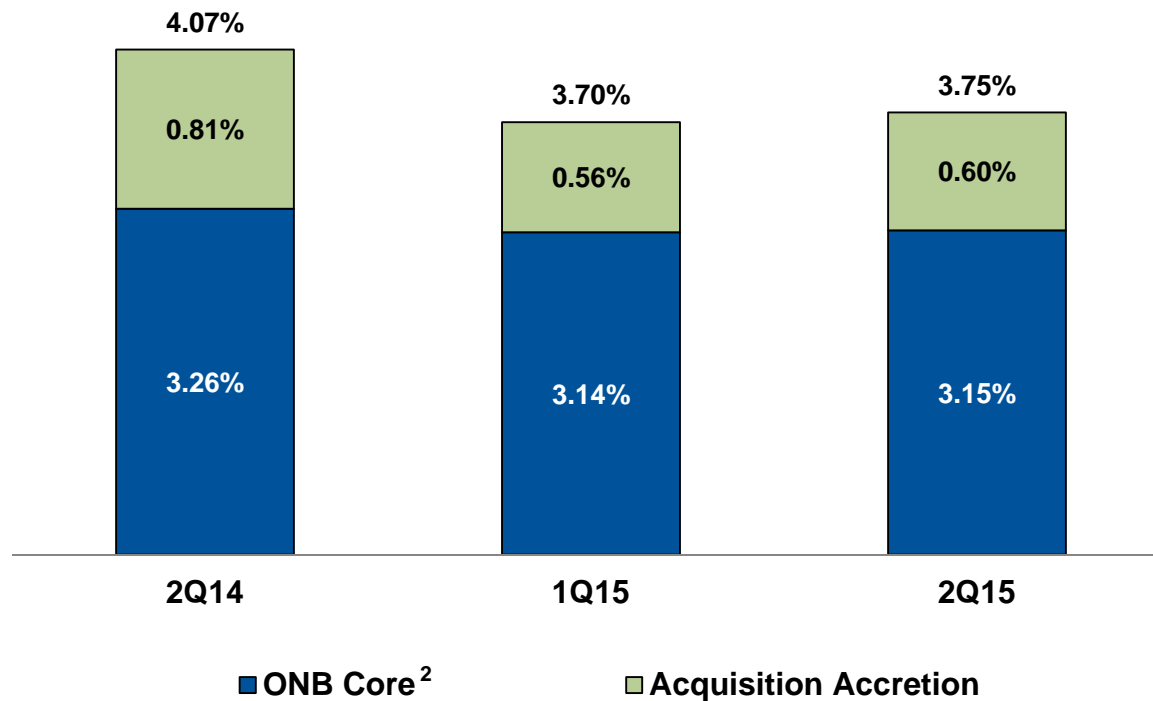
# Total Revenue



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

\$ in millions

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

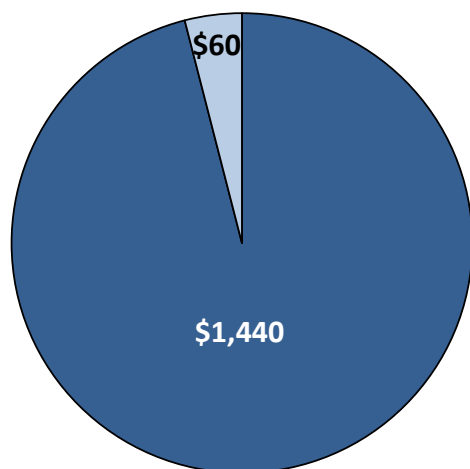


<sup>1</sup> Fully taxable equivalent basis, non-GAAP financial measure which Management believes is useful in evaluating the financial results of the Company – see Appendix for Non-GAAP reconciliation

<sup>2</sup> ONB Core includes contractual interest income of Monroe, Integra, IN Community, Tower, United, Lafayette and Founders loans

# Acquired Loans

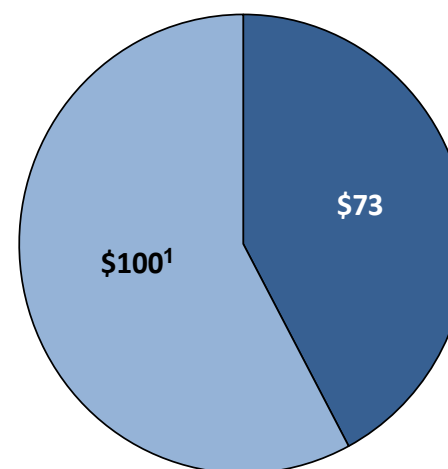
Pre-Marked Acquired Loans  
(excluding Integra loans)



■ Non-PCI ■ PCI

PCI = Purchased Credit Impaired

Pre-Marked Integra Loans



■ Non-PCI ■ PCI

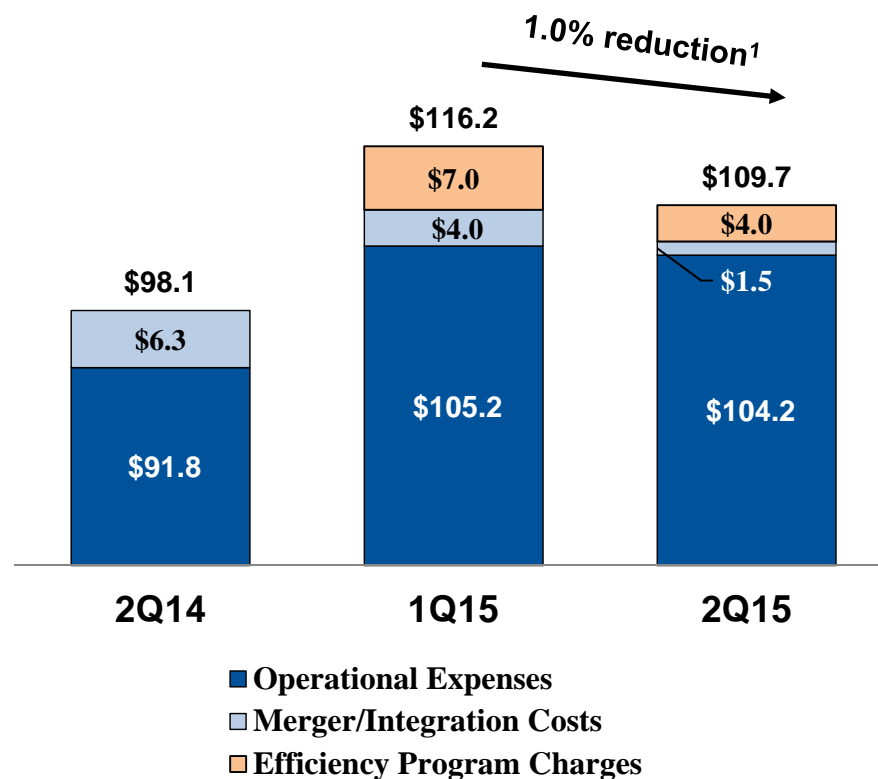
Remaining Discount		
Non-PCI	5%	(\$77)
PCI	47%	(\$28)

Remaining Discount		
Non-PCI	4%	(\$3)
PCI	29%	(\$29)

<sup>1</sup>\$25 million is considered nonaccrual

\$ in millions – as of June 30, 2015

# Noninterest Expense



- Adjusted 2Q15 efficiency ratio of 66.9%<sup>2</sup>
- 2Q15 operational expenses include \$1.0 million in annual merit increases
- Expect operational expenses to be in the mid \$90's in 4Q15 upon completion of efficiency initiatives

\$ in millions

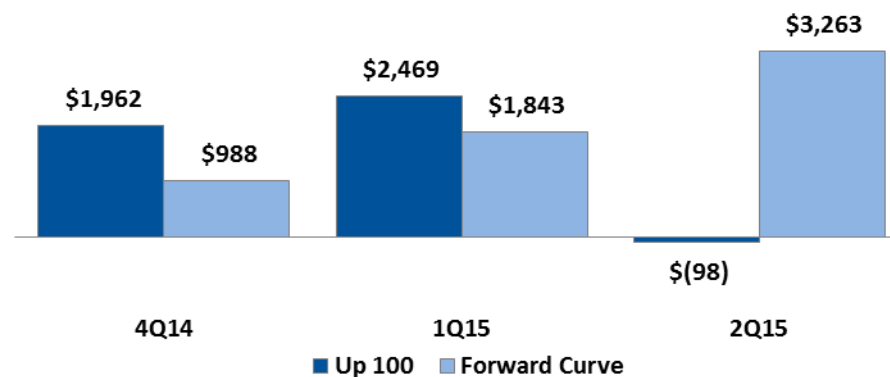
<sup>1</sup>Operational expenses = total noninterest expense less merger/integration costs and efficiency program charges – includes ongoing operating costs associated with recent acquisitions

<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

# Modeled Interest Rate Sensitivity

- Total non-maturity, interest-bearing accounts increase from 0.06% to 0.38% in the “Up 100 bps” scenario
- 18.9% of total non-interest bearing DDA are considered rate sensitive
- 41% of C&I and CRE loans reprice within one year
- 17% of loans have floors; less than 1% of these loans are currently below their floor rates
- Investment portfolio duration of 4.23 at 06/30/15, up from 3.74 at 03/31/15.

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 28 for rate curves



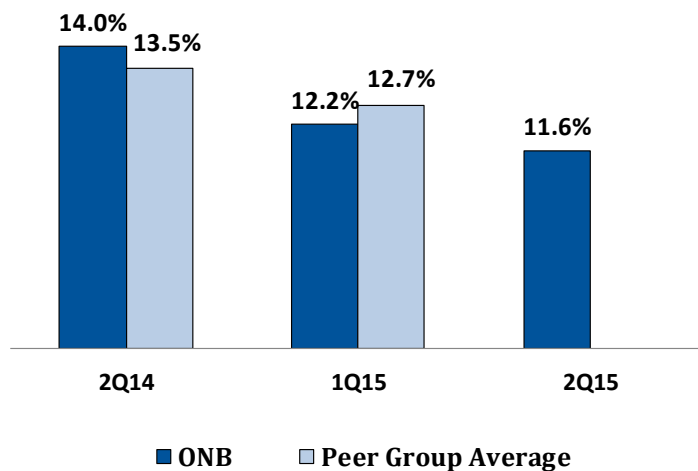
# Tangible Common Equity

Tangible Common Equity – 03/31/2015	\$851.6
2Q15 Earnings	26.2
2Q15 Dividend	(13.8)
2Q15 Share Repurchase	(26.4)
Changes in OCI – Securities	(16.7)
Changes in Equity - Other	4.3
Changes in Goodwill & Intangibles	2.1
Tangible Common Equity – 06/30/2015	\$827.3

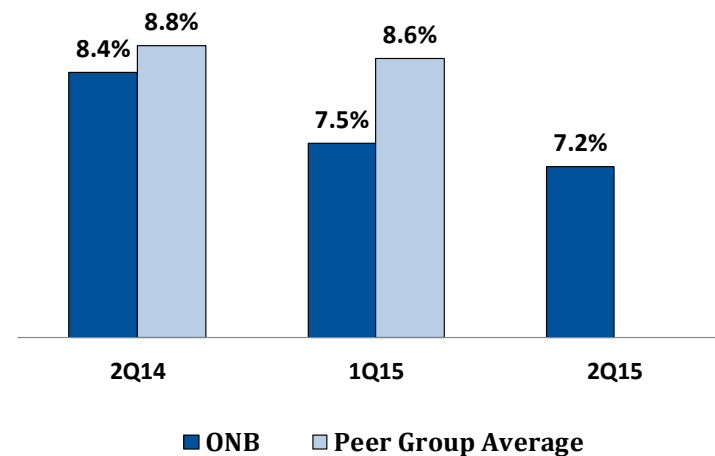
- **1.9 million shares of stock repurchased at an average price of \$13.77 during 2Q15**
- **On July 23, 2015, the ONB Board of Directors approved an additional 1.0 million shares to be added to the original 6.0 million authorization approved in October, 2014**

# Capital Ratios

### Tier 1 Risk-Based Capital Ratio



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



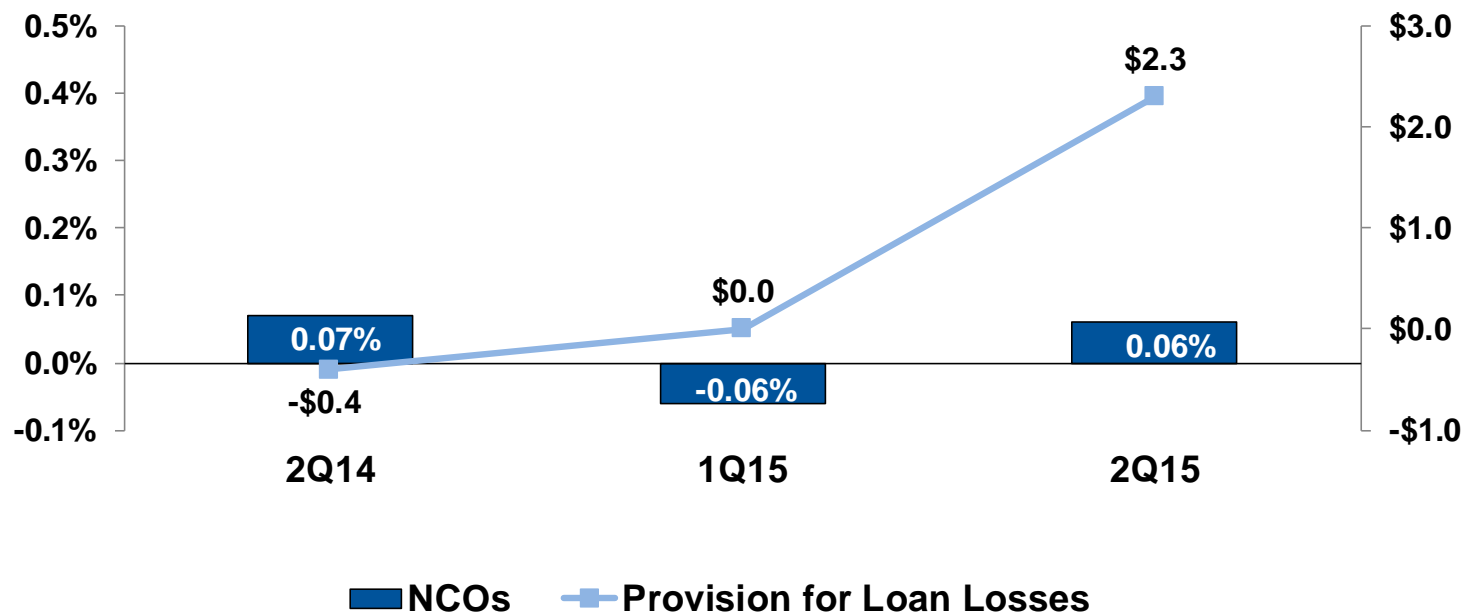
Peer Group data per SNL Financial  
See Appendix for definition of Peer Group  
<sup>1</sup>See Appendix for Non-GAAP reconciliation



**Daryl Moore**  
**Chief Credit Officer**



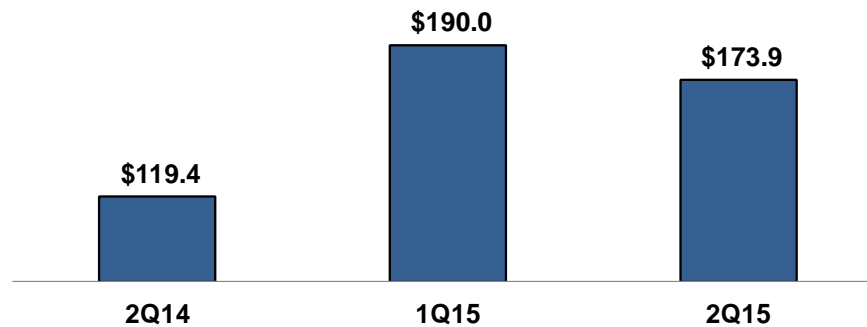
# Net Charge-Offs / Provision



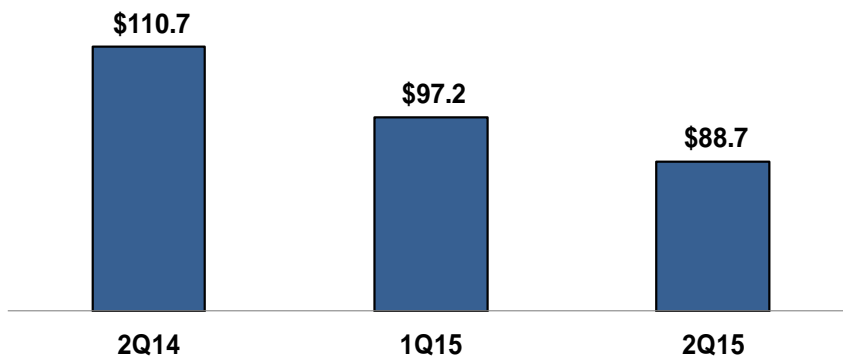
\$ in millions

# Credit Quality

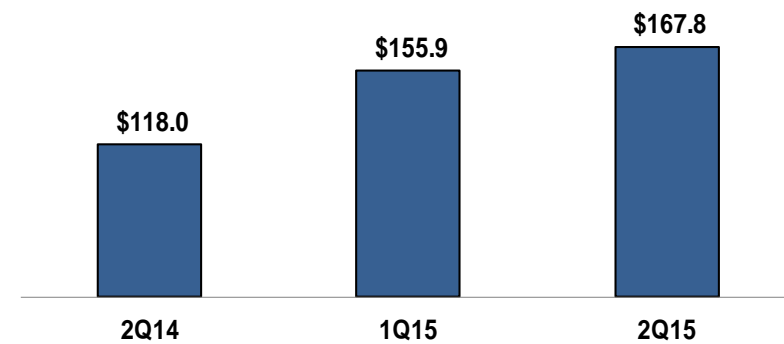
## Special Mention Loans



## Substandard Accruing Loans



## Substandard Nonaccruing + Doubtful Loans



\$ in millions



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**Bob Jones**  
**Chief Executive Officer**



# 2015 Execution

- Capital Markets hires
- Lexington, KY update
- Referral program successes
- Remain on track with efficiency initiatives
  - Consolidated 16 branches in 2Q15 (19 YTD)
  - Anticipate completion of sales in 3Q15
    - Southern Illinois market (12 locations) + 5 branches (4 in Eastern Indiana and 1 in Ohio)
  - Voluntary early retirement program
  - Other initiatives



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**Thank You**  
**Q&A**



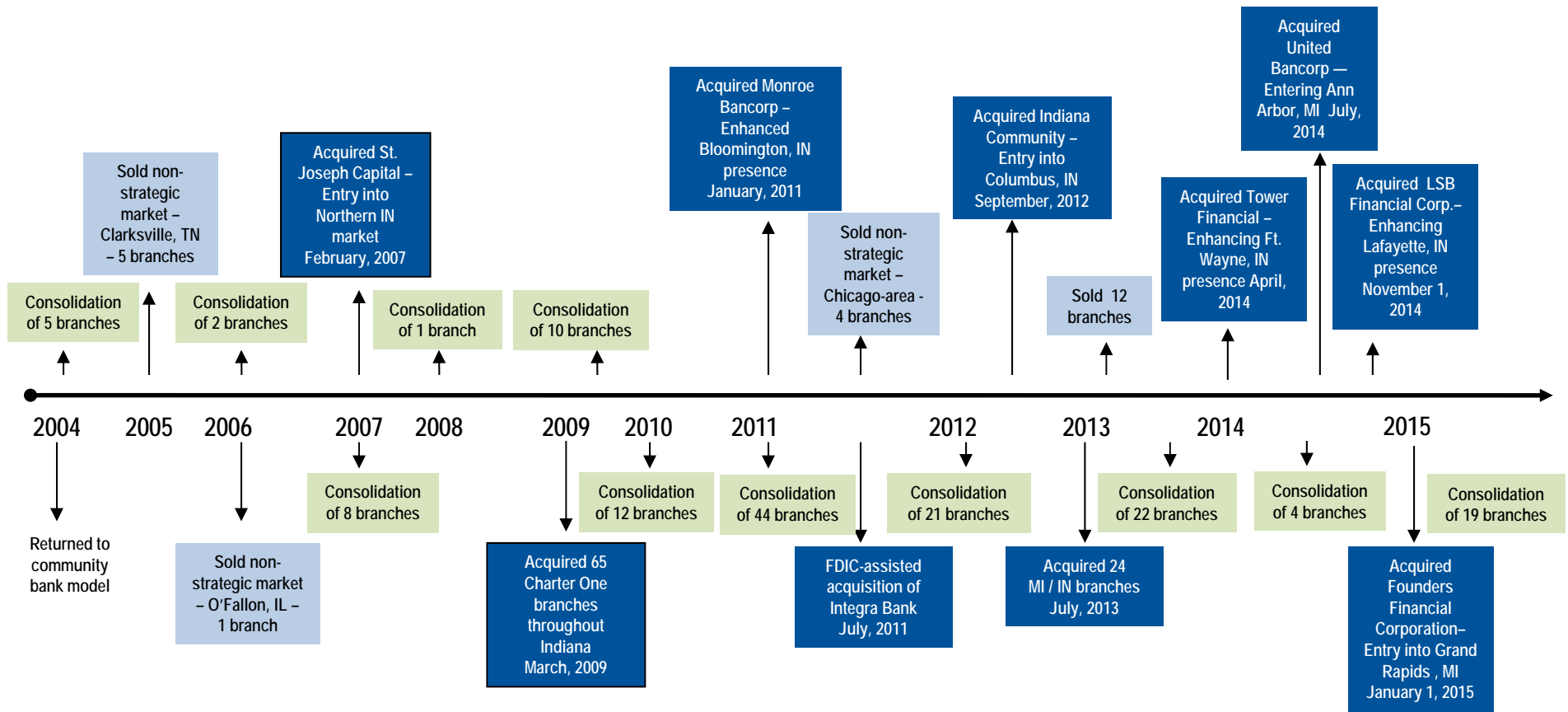




# Appendix



# Transforming Old National's Landscape



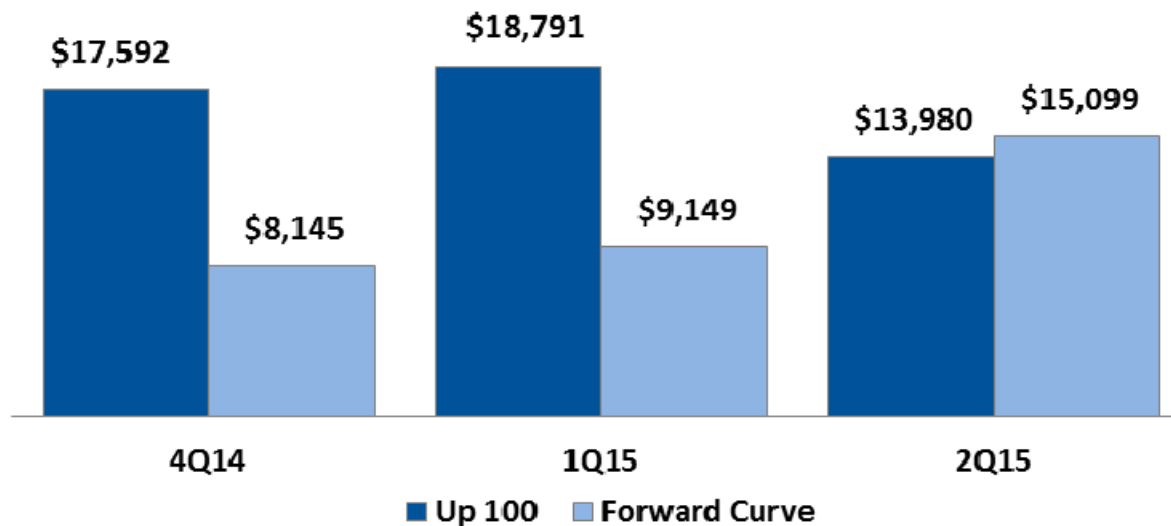
Acquired 209

Sold 22

Consolidated 148

# Modeled Interest Rate Sensitivity

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



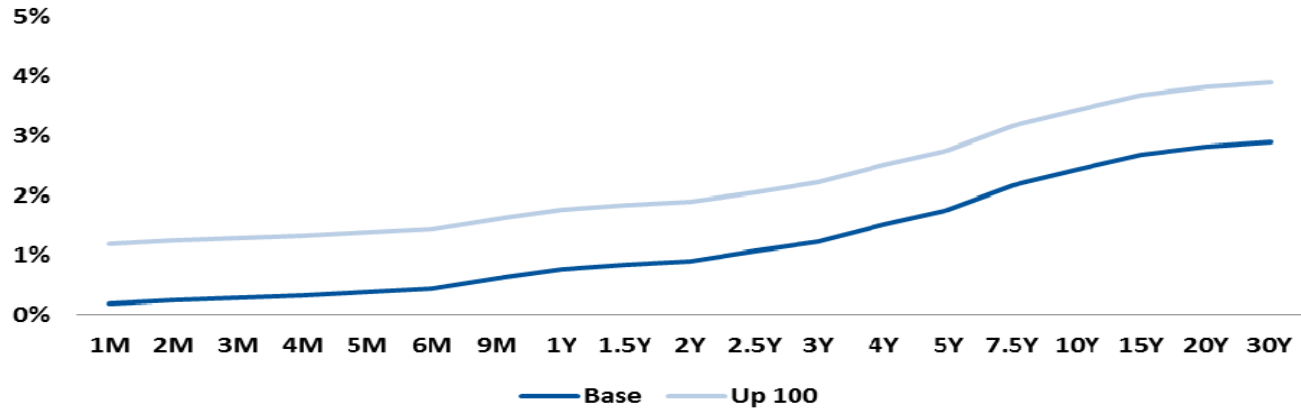
\$ in thousands

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

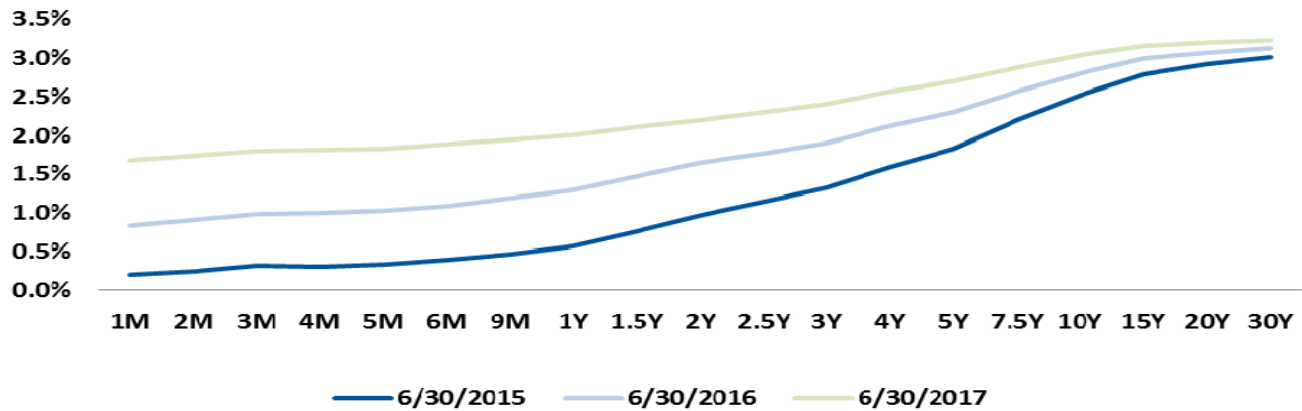
Refer to slide 28 for rate curves

# Interest Rate Curves

## Up 100 vs. Base



## Forward Curves



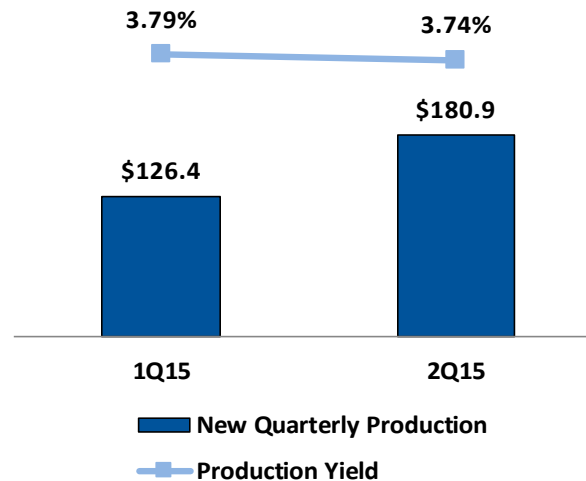
# Investment Portfolio

\$ in thousands	Effective Duration Mar 31, 2015	Effective Duration Jun 30, 2015	Book Value Mar 31, 2015	Book Value Jun 30, 2015
Money Market Investments <sup>1</sup>	0.05	0.04	\$13,526	\$12,042
Treasuries	1.62	3.03	24,876	11,973
Agencies	2.57	3.01	863,757	844,474
Pools	1.85	2.06	496,967	464,159
CMOs	3.10	3.78	602,696	656,546
Municipals	6.93	7.13	974,630	1,045,096
Corporates	3.16	3.14	141,648	139,775
ABS	1.03	1.08	212,067	210,548
Totals	3.74	4.21	\$3,330,167	\$3,384,613

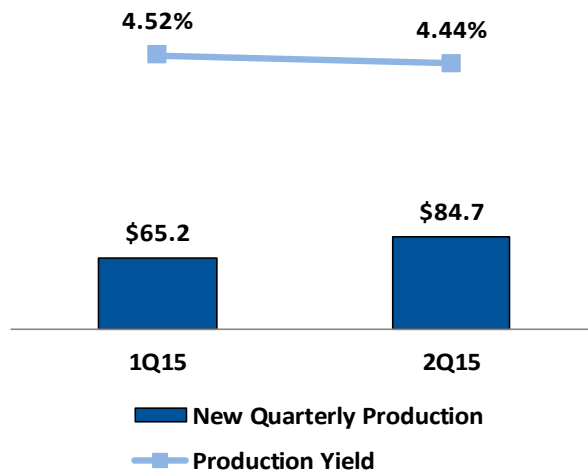
<sup>1</sup>Money market investments includes balances in the Federal Reserve Bank Account

# Loan Production & Yield Trends

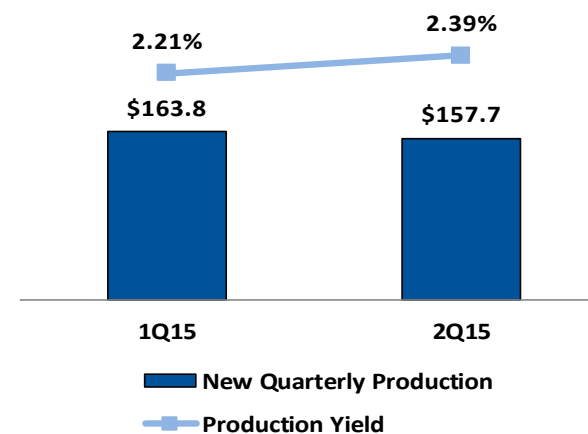
## Residential Mortgage



## Consumer Direct



## Consumer Indirect

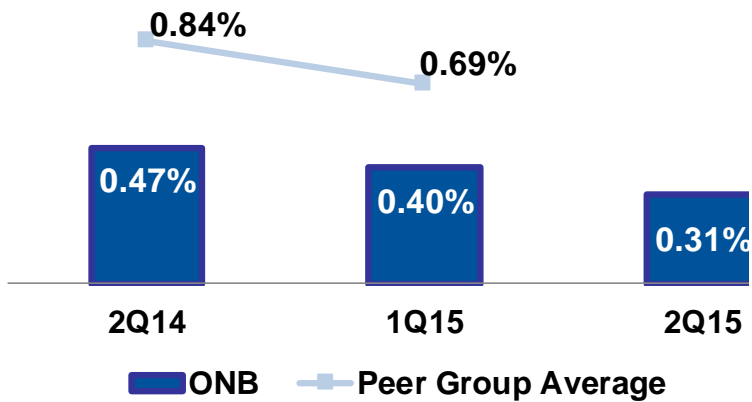


\$ in millions

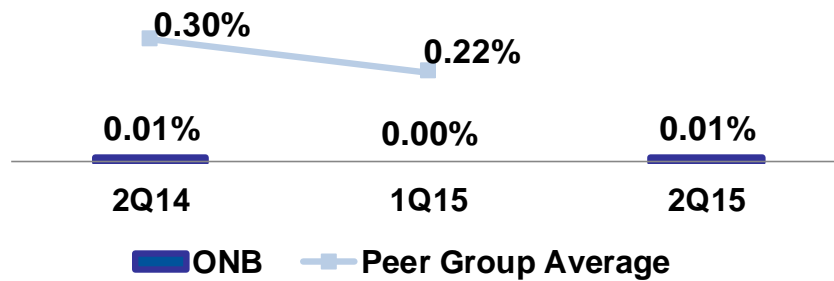
New quarterly production includes unfunded commitments – Yield is based on funded balances only

# Credit Quality

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

# Credit Quality – ALLL and Mark Summary

At June 30, 2015	ONB Legacy	Monroe	Integra	Indiana Community	Tower	United	Lafayette	Founders	Total
Allowance for Loan Losses (ALLL)	\$47.3	\$1.0	\$1.8	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$50.2
Loan Mark	N/A	\$5.5	\$32.0	\$20.1	\$16.5	\$28.9	\$18.6	\$16.0	\$137.5
Total ALLL/Mark	\$47.3	\$6.5	\$33.8	\$20.1	\$16.5	\$28.9	\$18.6	\$16.0	\$187.6
Pre-Mark Loan Balance	\$5,230.9	\$96.7	\$173.1	\$156.7	\$249.6	\$486.8	\$206.2	\$303.5	\$6,903.5
ALLL/Pre-Mark Loan Balance	0.90%	1.03%	1.02%	0.00%	0.00%	0.01%	0.00%	0.00%	0.73%
Mark/Pre-Mark Loan Balance	N/A	5.53%	18.28%	12.82%	6.55%	5.93%	9.02%	5.27%	1.99%
Combined ALLL & Mark/Pre-Mark Loan Balance <sup>1</sup>	0.90%	6.56%	19.31%	12.82%	6.55%	5.94%	9.02%	5.27%	2.71%

\$ in millions

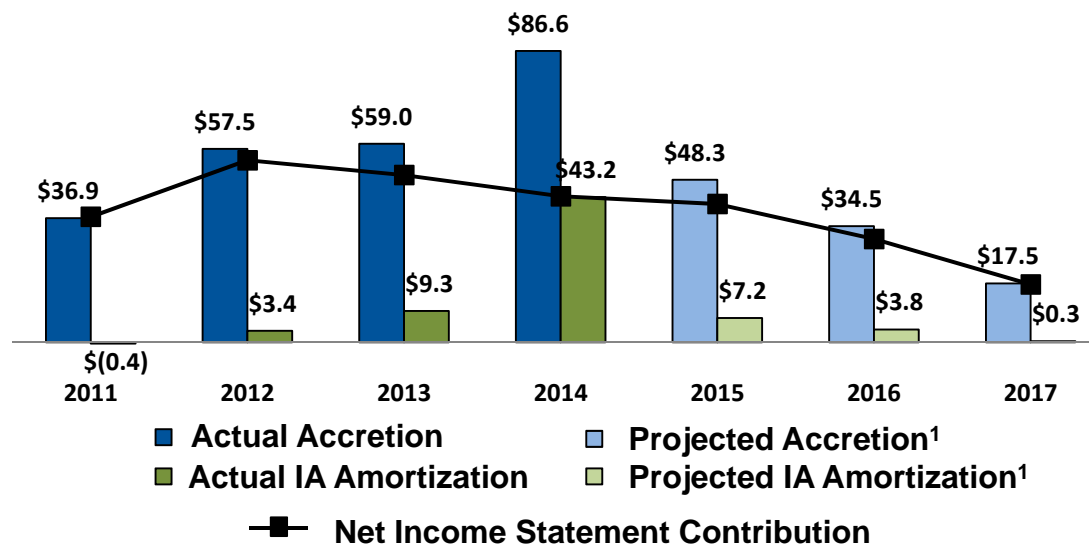
<sup>1</sup> Non-GAAP financial measure which Management believes useful to demonstrate that the remaining discount considers credit risk and should be included as part of total coverage N/A = not applicable



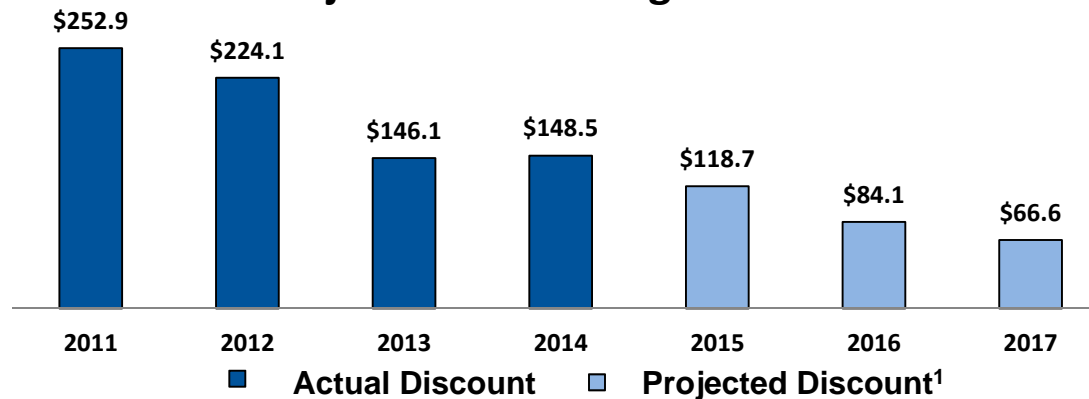
# Projected Purchase Accounting Impact

Manageable declines in purchase accounting impact expected in future periods

## Projected Accretion Income



## Projected Remaining Discount



\$ in millions

<sup>1</sup>Projections assume no prepayments – updated quarterly – subject to change

IA = Indemnification Asset

# Non-GAAP Reconciliations

end of period balances	2Q14	1Q15	2Q15
Total Shareholders' Equity	\$1,277.3	\$1,483.3	\$1,456.7
Deduct: Goodwill and Intangible Assets	(439.3)	(631.6)	(629.5)
Tangible Common Shareholders' Equity	\$838.1	\$851.6	\$827.3
Total Assets	\$10,387.9	\$11,951.3	\$12,075.8
Add: Trust Overdrafts	0.0	0.1	0.1
Deduct: Goodwill and Intangible Assets	(439.3)	(631.6)	(629.5)
Tangible Assets	\$9,948.7	\$11,319.7	\$11,446.4
Tangible Equity to Tangible Assets	8.42%	7.52%	7.23%
Tangible Common Equity to Tangible Assets	8.42%	7.52%	7.23%
Net Income	\$18.8	\$20.9	\$26.2
After-Tax Intangible Amortization	1.7	2.8	2.7
Tangible Net Income	\$20.4	\$23.7	\$28.8
ROTCE	9.76%	11.12%	13.95%

\$ in millions

# Non-GAAP Reconciliations

	2014	1Q15	2Q15
Reported Pre-Tax Income (FTE Basis)	\$30.7	\$34.8	\$39.9
Add Back - Acquisition & Divestiture Charges	\$6.3	\$11.0	\$5.5
Adjusted Pre-tax income	\$37.0	\$45.8	\$45.4
Taxes	(\$14.4)	(\$18.3)	(\$15.6)
Adjusted Net Income	\$22.6	\$27.5	\$29.8
Average Diluted Shares	104.361	119.076	116.223
Adjusted EPS	\$0.22	\$0.23	\$0.25

end of period balances	2Q14	1Q15	2Q15
Total Shareholders' Equity	\$1,277.3	\$1,483.3	\$1,456.7
Deduct: Goodwill and Intangible Assets	(439.3)	(631.6)	(629.5)
Tangible Common Shareholders' Equity	\$838.1	\$851.6	\$827.3
Risk Weighted Assets	\$6,339.2	\$7,694.0	\$7,991.6
Tangible Common Equity to Risk Weighted Assets	13.22%	11.07%	10.35%

end of period balances	2Q14	3Q14	4Q14	1Q15	2Q15
Total Shareholders' Equity	\$1,277.3	\$1,407.2	\$1,465.8	\$1,483.3	\$1,456.7
Deduct: Goodwill and Intangible Assets	(439.3)	(530.5)	(569.5)	(631.6)	(629.5)
Tangible Common Shareholders' Equity	\$838.1	\$876.7	\$896.2	\$851.6	\$827.3
Common Shares Issued and Outstanding at Period End	105,851	113,984	116,847	116,983	115,205
Tangible Common Book Value	\$7.92	\$7.69	\$7.67	\$7.28	\$7.18

# Non-GAAP Reconciliations

	2Q14	1Q15	2Q15
Net Interest Income (\$ in 000's)	\$84,482	\$90,993	\$92,097
Taxable Equivalent Adjustment	4,256	4,658	4,757
Net Interest Income – Taxable Equivalent	\$88,738	\$95,651	\$96,854
Average Earning Assets	\$8,730,063	\$10,346,167	\$10,325,938
Net Interest Margin	3.87%	3.52%	3.57%
Net Interest Margin – Fully Taxable Equivalent	4.07%	3.70%	3.75%

	2Q14	1Q15	2Q15
Net Interest Income (\$ in 000's)	\$84,482	\$90,993	\$92,097
Taxable Equivalent Adjustment	4,256	4,658	4,757
Net Interest Income – Taxable Equivalent	\$88,738	\$95,651	\$96,854
Less Accretion	17,630	14,556	15,562
Net Interest Income – Taxable Equivalent Less Accretion	\$71,108	\$81,095	\$81,292
Average Earning Assets	\$8,730,063	\$10,346,167	\$10,325,938
Core Net Interest Margin - Fully Taxable Equivalent	3.26%	3.14%	3.15%

# Non-GAAP Reconciliations

Efficiency Ratio - As Reported	2015
Net Interest Income (FTE) (\$ in millions)	\$96.9
Noninterest Income	55.0
Less Security Gains	0.5
Revenue Less Security Gains	151.3
Noninterest Expense	109.7
Intangible Amortization	3.0
Noninterest Expense Less Intangible Amortization	106.7
Efficiency Ratio	70.52%
Efficiency Ratio Excluding Acquisition Costs & Branch Divestitures	2015
Net Interest Income (FTE) (\$ in millions)	\$96.9
Noninterest Income	55.0
Less Security Gains	0.5
Revenue Less Security Gains	151.3
Noninterest Expense	109.7
Intangible Amortization	3.0
Acquisition Costs	1.5
Branch Divestitures	4.0
Noninterest Expense Less Intangible Amortization, Acquisition & Branch Divestiture Cost	101.2
Adjusted Efficiency Ratio	66.86%

# Non-GAAP Reconciliations

	2Q15
Net Income	\$26.2
Plus Acquisition Costs (after tax)	\$1.0
Plus Branch Divestitures (after tax)	\$2.6
Adjusted Net Income	\$29.8
Average Assets	\$11,911.6
Adjusted ROA	1.00%

	2Q15
Net Income	\$26.2
Plus Acquisition Costs (after tax)	\$1.0
Plus Branch Divestitures (after tax)	\$2.6
Adjusted Net Income	\$29.8
Plus After-Tax Intangible Amortization	\$2.7
Tangible Net Income	\$32.5
Adjusted ROTCE	15.70%

# Old National's 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	MB Financial Inc.	MBFI
BancFirst Corporation	BANF	National Penn Bancshares Inc.	NPBC
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	Susquehanna Bancshares, Inc.	SUSQ
First Commonwealth Financial Corporation	FCF	TCF Financial Corporation	TCB
First Finanical Bancorp.	FFBC	TFS Financial Corporation	TFSL
First Merchants Corporation	FRME	Trustmark Corporation	TRMK
First Midwest Bancorp Inc.	FMBI	UMB Financial Corporation	UMBF
FirstMerit Corporation	FMER	United Bankshares Inc.	UBSI
Flagstar Bancorp Inc.	FBC	Valley National Bancorp	VLY
Fulton Financial Corporation	FULT	WesBanco Inc.	WSBC
Home Bancshares, Inc.	HOMB	Wintrust Financial Corporation	WTFC
IberiaBank Corporation	IBKC		

# Old National Investor Relations Contact

Additional information can be found on the  
Investor Relations web pages at

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LISTED

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