

# 3rd Quarter 2017 Earnings

October 24, 2017



# Lynell Walton

Investor Relations



Communications in this document do not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any vote or approval. In connection with the proposed merger, Old National Bancorp ("ONB") has filed with the Securities and Exchange Commission ("SEC") a Registration Statement on Form S-4 (Registration Statement No. 333-220434) that includes a Proxy Statement of Anchor Bancorp, Inc. ("Anchor") and a Prospectus of ONB, as well as other relevant documents concerning the proposed transaction. Anchor 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 ONB and Anchor, 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 ONB at [www.oldnational.com](http://www.oldnational.com) under the tab "Investor Relations" and then under the heading "Financial Information" or from Anchor by accessing Anchor's website at [www.anchorlink.com](http://www.anchorlink.com) under the tab "About Us."

ONB and Anchor and certain of their directors and executive officers may be deemed to be participants in the solicitation of proxies from the shareholders of Anchor in connection with the proposed merger. Information about the directors and executive officers of ONB is set forth in the proxy statement for ONB's 2017 annual meeting of shareholders, as filed with the SEC on a Schedule 14A on March 6, 2017. 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.

# 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 proposed merger with Anchor might not be realized within the expected timeframes and costs or difficulties relating to integration matters might be greater than expected; satisfaction of closing conditions for the Anchor merger; 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.

# 3Q17 Highlights



- Net income of \$39.4 million, or \$0.29 per share
  - Results include the following pre-tax charges:
    - \$2.1 million for branch consolidations
    - \$1.9 million related to a client experience improvement initiative
    - \$0.4 million in merger and integration charges
    - \$0.3 million in severance
- 12.0% annualized growth in commercial and commercial real estate loans
- 2.0% decline in adjusted noninterest expenses<sup>1</sup>
- 7.0% growth in tangible book value<sup>1</sup> from 3Q16

<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 reconciliations

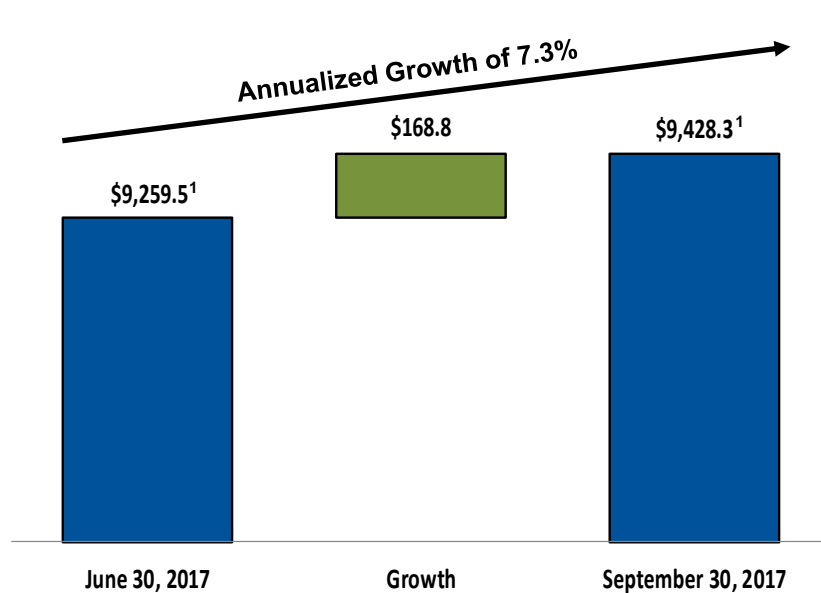
# Jim Sandgren

President, Chief Operating Officer

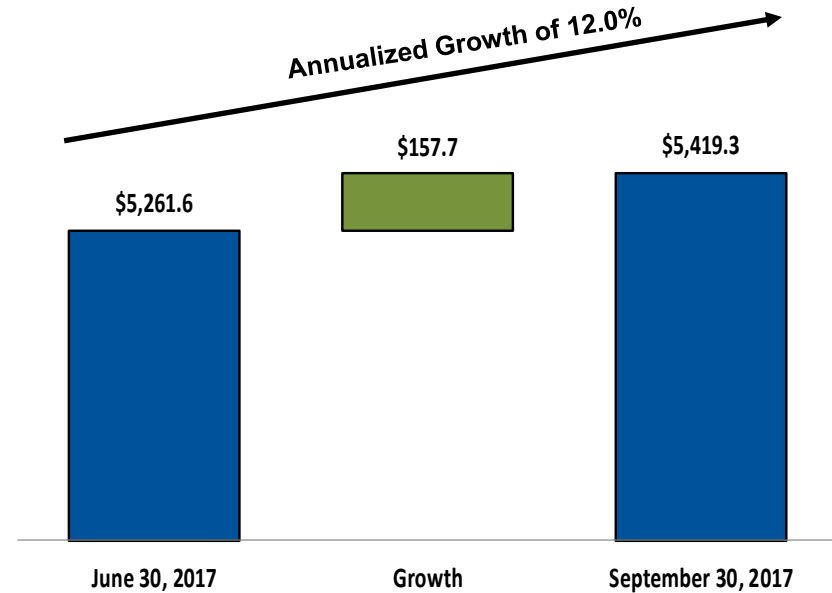


# Loan Growth

## Total Loan Growth



## C&I/CRE Loan Growth



**YTD Annualized Commercial Loan Growth of 9.8%**

\$ in millions – End of Period Balances

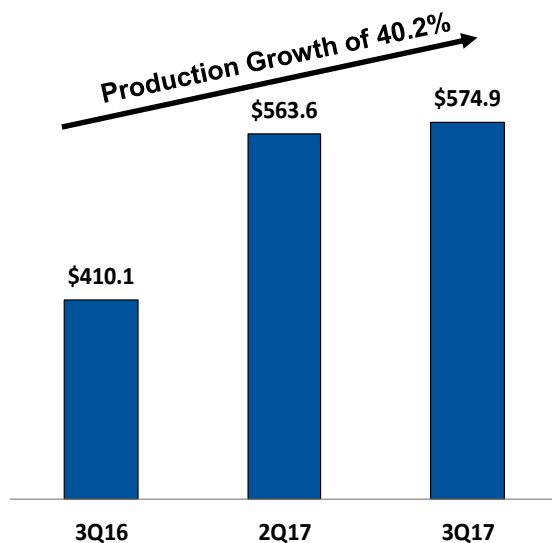
<sup>1</sup> Includes Loans Held for Sale



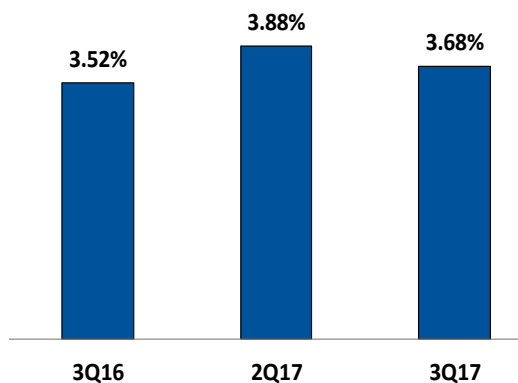
# Commercial & Commercial Real Estate



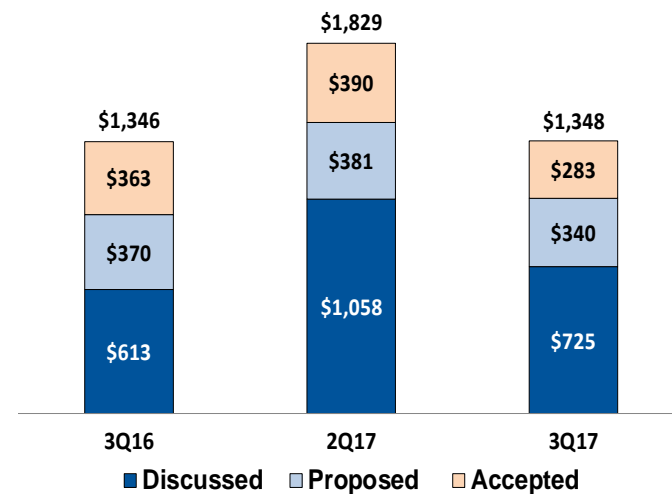
### New Production<sup>1</sup>



### Production Yield<sup>2</sup>



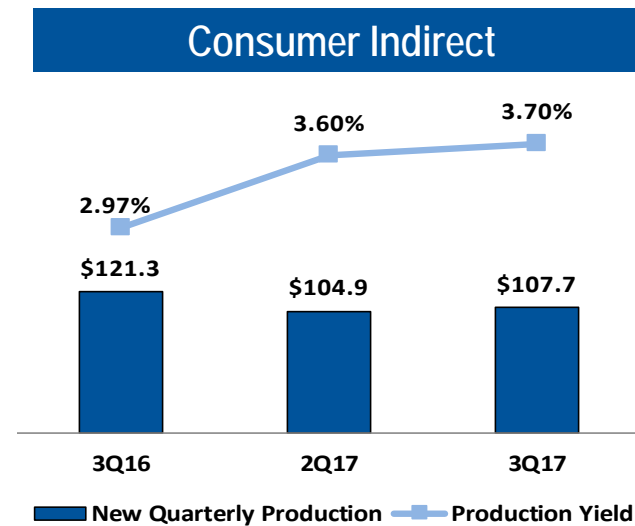
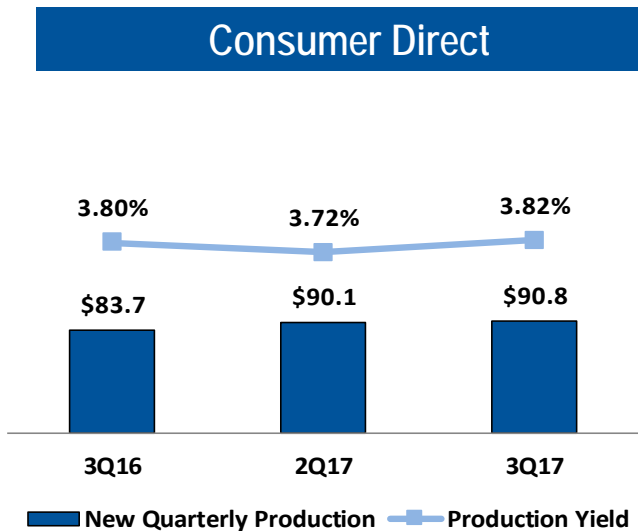
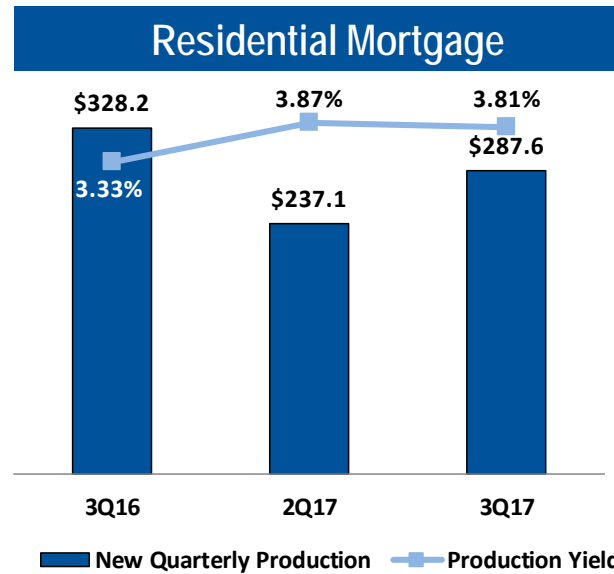
### Loan Pipeline



\$ 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

# 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

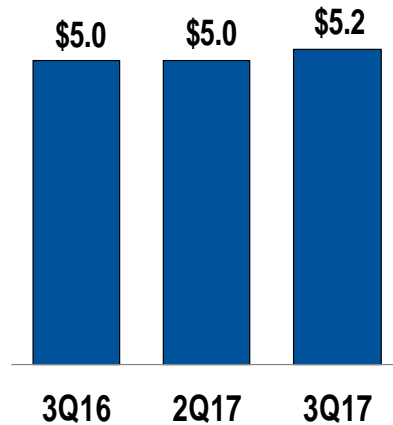
# Fee-Based Business Revenue



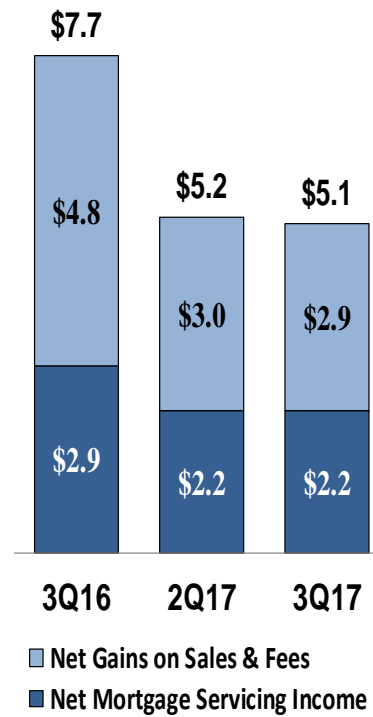
## Wealth Management



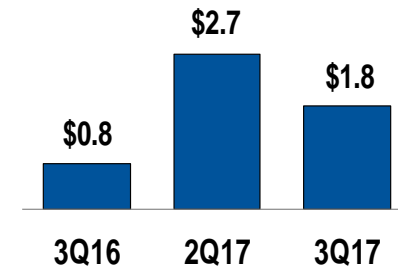
## Investments



## Mortgage



## Capital Markets



■ Net Gains on Sales & Fees  
■ Net Mortgage Servicing Income

\$ in millions

# Jim Ryan

Chief Financial Officer



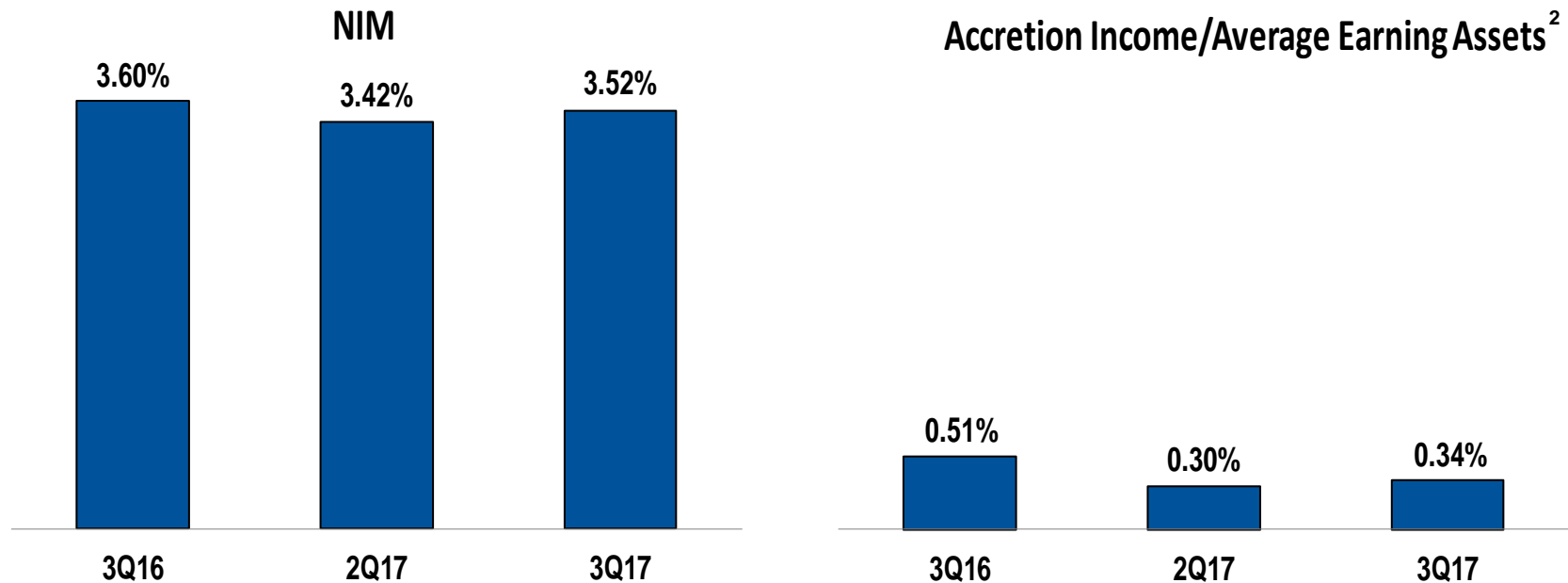
# Pre-Tax, Pre-Provision Income<sup>1</sup>

	3Q16	2Q17	3Q17
Net Interest Income (FTE Basis)	\$113,123	\$109,976	\$114,099
Noninterest Income	47,243	49,271	46,366
Total Revenue (FTE Basis)	\$160,366	\$159,247	\$160,465
Noninterest Expense	(108,062)	(102,811)	(103,702)
Pre-Tax, Pre-Provision Income <sup>1</sup>	\$52,304	\$56,436	\$56,763
Securities Gains	\$1,647	\$3,075	\$2,972
Branch Consolidations, Severance and Client Experience Initiative Charges	\$0	1,684	4,332
Merger and Integration Charges	5,487	\$0	369
Intangible Amortization	3,233	2,781	2,641
Tax Credit Amortization	\$0	\$0	\$0
Adjusted Total Revenue (FTE Basis) <sup>1</sup>	\$158,719	\$156,172	\$157,493
Adjusted Noninterest Expenses <sup>1</sup>	(\$99,342)	(\$98,346)	(\$96,360)
Adjusted Pre-Tax, Pre-Provision Income <sup>1</sup>	\$59,377	\$57,826	\$61,133
Reported Efficiency Ratio <sup>1</sup>	66.05%	64.05%	64.17%
Adjusted Efficiency Ratio <sup>1</sup>	62.59%	62.97%	61.18%

\$ in thousands

<sup>1</sup> Non-GAAP financial measures which Management believes are useful in evaluating the financial results of the Company – see Appendix for Non-GAAP reconciliations

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

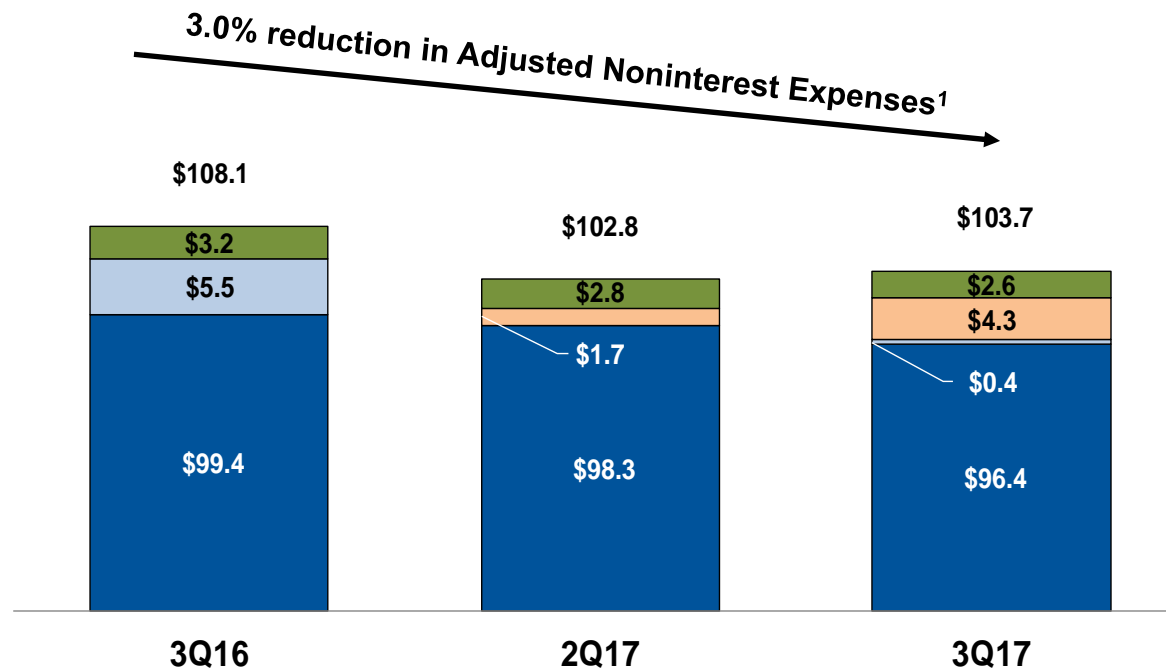


**Cost of interest-bearing deposits (excluding Brokered CDs) increased 2bps to 25 bps in 3Q17**

<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> Accretion income is interest income in excess of contractual interest income associated with acquired loans and is an important component of the Company's net interest margin

# Noninterest Expense



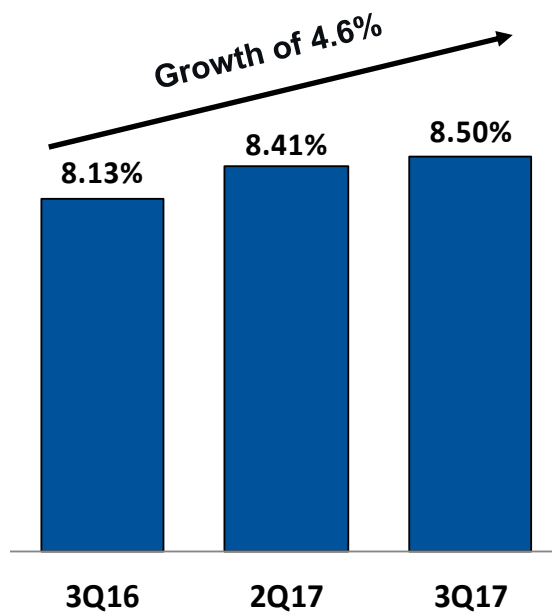
- Intangible Amortization
- Branch Consolidations, Severance and Client Experience Initiative Charges
- Merger/Integration Costs
- Adjusted Noninterest Expenses

\$ in millions

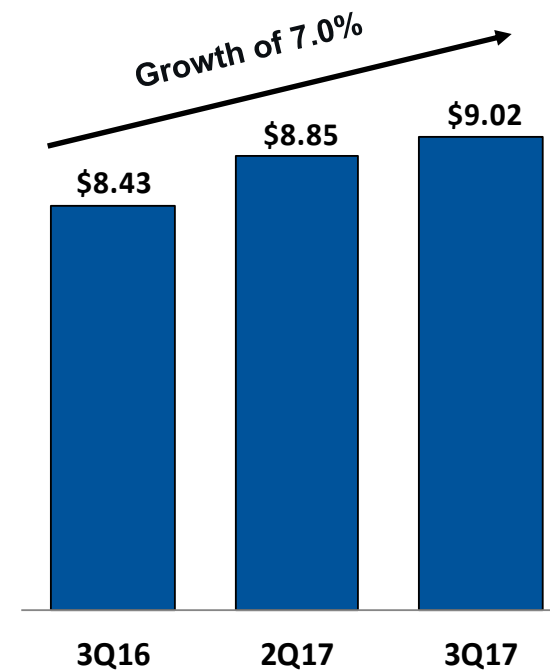
<sup>1</sup> Adjusted noninterest expenses = total noninterest expense less merger/integration costs, branch consolidation charges, severance, client experience initiative charges and intangible amortization. Adjusted noninterest expenses is a non-GAAP financial measure which Management believes is useful in evaluating the financial results of the Company.

# Capital Trends

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



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



# Tax Credits

	YTD 9-30-17 as Reported	4Q17 Forecast <sup>1</sup>	Full-Year 2017 Forecast <sup>1</sup>
Tax credit amortization <i>(Recognized in Noninterest Expense)</i>	\$0	\$12.7 to \$22.2	\$12.7 to \$22.2
Income tax benefit	\$6.1	\$8.8 to \$19.0	\$14.9 to \$25.1
After-tax income (loss) on tax credits <sup>2</sup>	\$6.1	(\$3.9) to (\$3.2)	\$2.2 to \$2.9
After-tax income (loss) on tax credits <sup>2</sup> (per share)	\$0.04	(\$0.025) to (\$0.02)	\$0.015 to \$0.02
FTE Tax rate			26% to 30%
GAAP Tax rate			16% to 21%

**Includes impact of tax credit projects closed since 1-1-2016**

*\$ in millions except per-share data*

<sup>1</sup> Includes anticipated impact of tax credits from the pending partnership with Anchor Bancorp - Minnesota

<sup>2</sup> Does not include the benefit of additional products and services gained through the tax credit projects, such as commercial loan fees and deposits

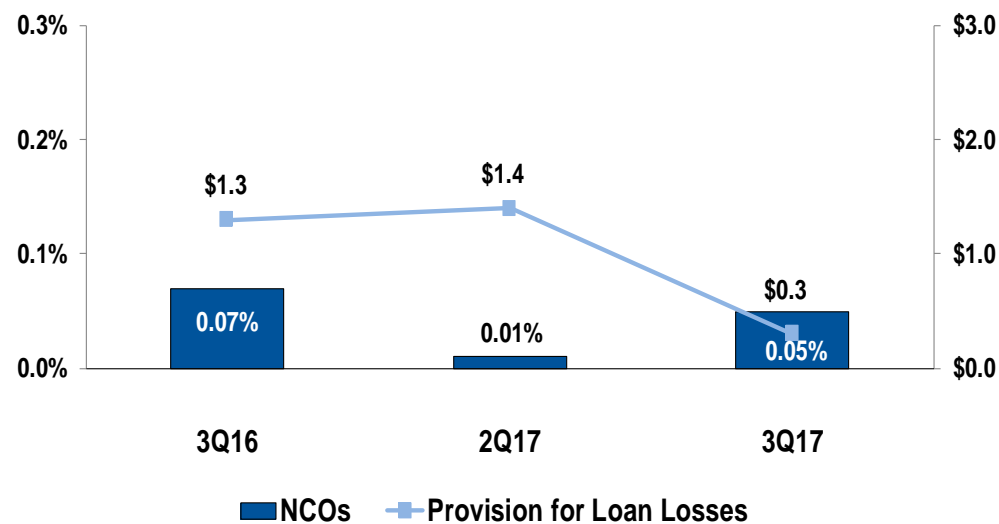
# Daryl Moore

Chief Credit Executive



# Net Charge-Offs / Provision

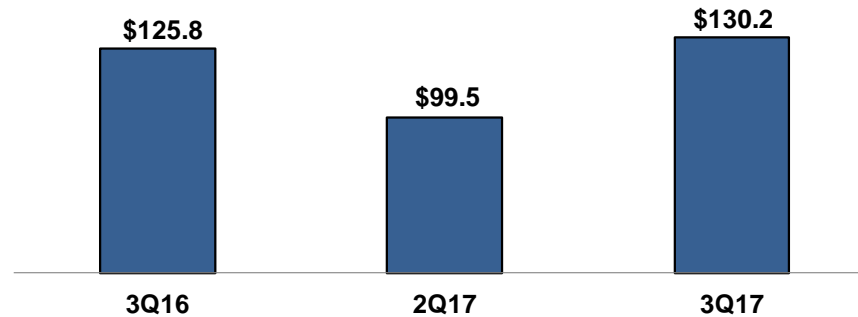
Net Charge-Offs / Provision



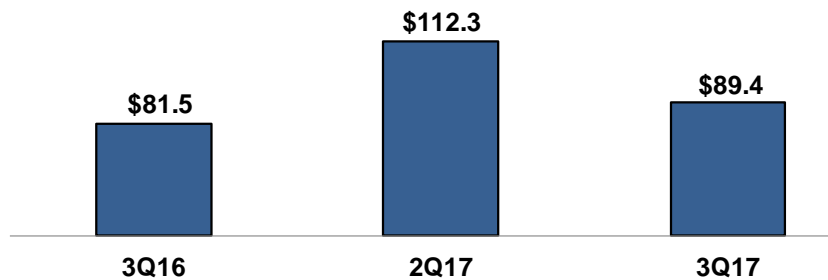
- 2017 YTD net charge-offs of \$1.7 million & provision expense of \$2.0 million

# Credit Quality Trends

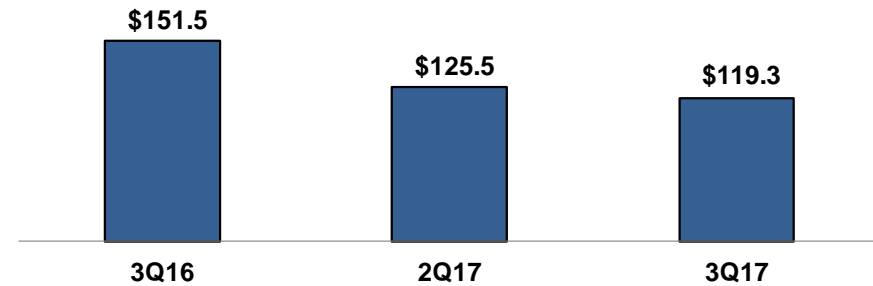
## Special Mention Loans



## Substandard Accruing Loans



## Substandard Nonaccruing + Doubtful Loans



*\$ in millions*

# Bob Jones

Chief Executive Officer



- Strong loan growth
- Stable cost of deposits
- Benign credit cost
- Momentum on expenses
- Anchor partnership

Thank You

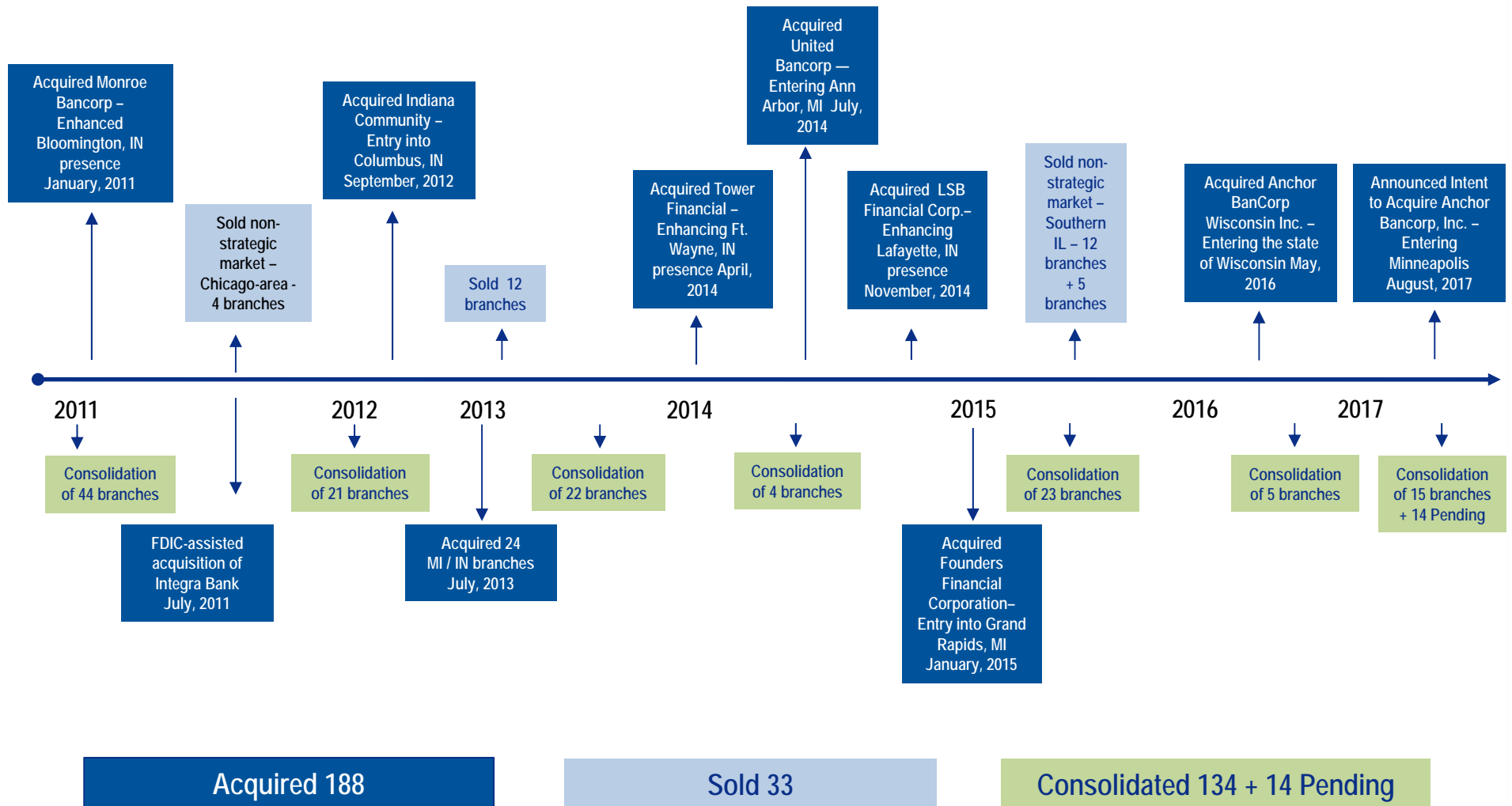
Q&A



# Appendix

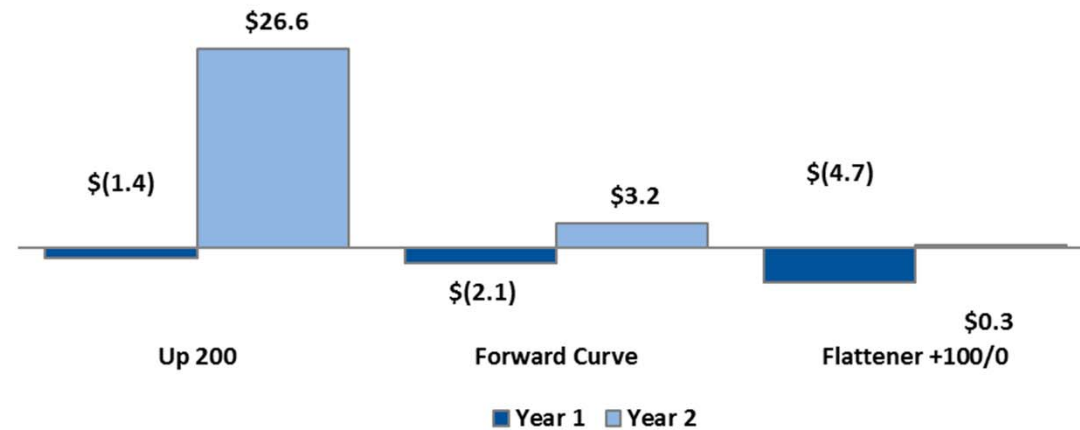


# Transforming Old National's Landscape



# Modeled Interest Rate Sensitivity

## Projected Net Interest Income Differential vs Rates Unchanged



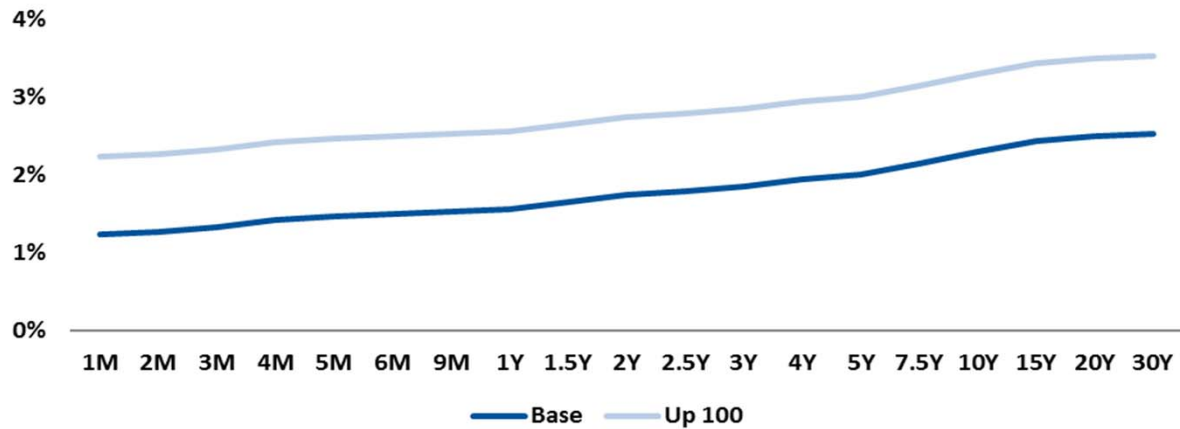
- Total non-maturity, interest-bearing accounts increase from 0.10% to 0.39% in the “Up 100 bps” scenario
- 18.15% of total non-interest bearing DDA are considered rate sensitive
- Investment portfolio duration of 4.25 at 9/30/17, flat from 4.25 at 6/30/17.
- 49% of C&I and CRE loans reprice within one year
- 11% of loans have floors; less than 1% of these loans are currently below their floor rates

*\$ in millions*

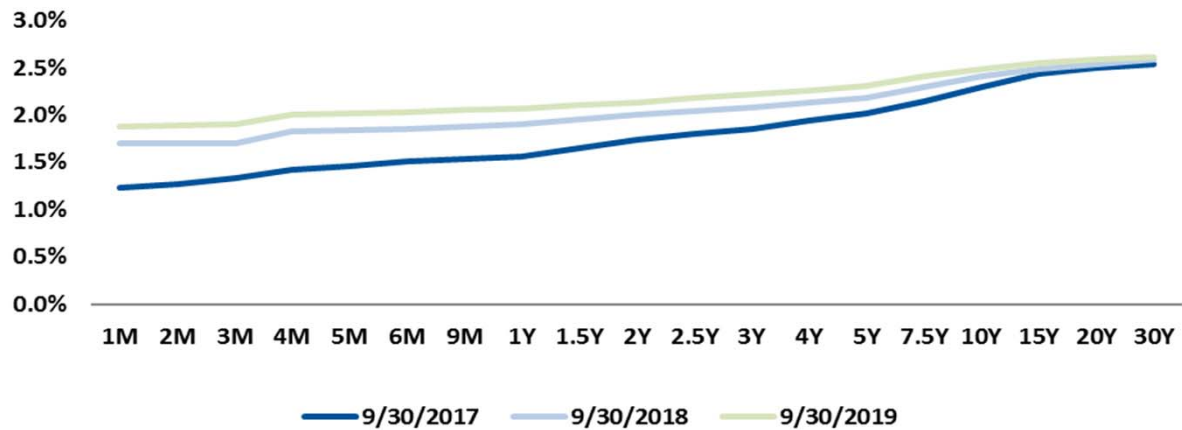
*Change to Net Interest Income based on a two year time horizon*

*Refer to slide 27 for rate curves*

### Up 100 vs. Base



### Forward Curves



# Investment Portfolio

\$ in thousands	Effective Duration Jun 30, 2017	Effective Duration Sept 30, 2017	Book Value Jun 30, 2017	Book Value Sept 30, 2017
Money Market Investments <sup>1</sup>	0.01	0.01	\$22,117	\$32,333
Treasuries	3.12	2.88	5,470	5,472
Agencies	3.65	3.70	586,175	583,151
Pools	2.38	2.36	160,497	96,224
CMOs	3.57	3.64	1,321,453	1,378,061
Municipals	6.10	5.98	1,112,963	1,092,158
Corporates	3.31	3.25	148,093	146,423
ABS	0.98	0.99	159,380	154,777
Totals	4.25	4.11	\$3,516,148	\$3,488,599

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

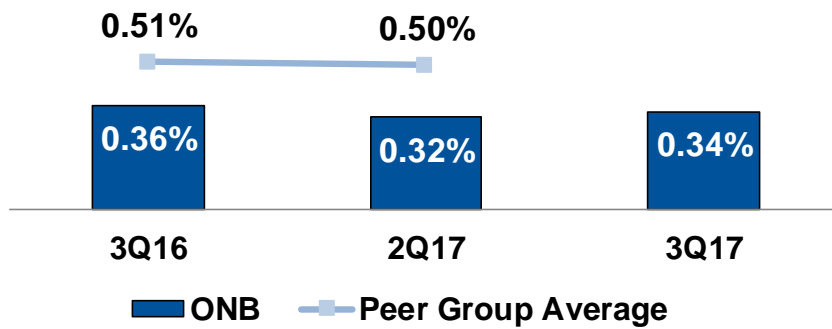
# Auto Loan Portfolio

Auto Loan Portfolio - As of 9/30/2017		
Direct	\$61.3	5.3%
Indirect	\$1,104.0	94.7%
<b>Total Auto</b>	<b>\$1,165.3</b>	<b>100.0%</b>
New	\$465.1	39.9%
Used	\$700.2	60.1%
<b>Total Auto</b>	<b>\$1,165.3</b>	<b>100.0%</b>

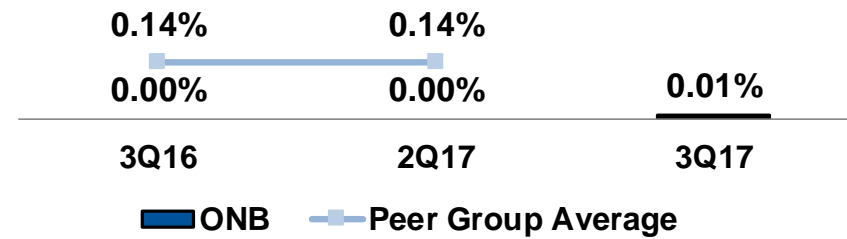
Loans are originated within the ONB footprint

- Total portfolio average original loan term of 70 months and weighted average FICO score of 765
- Total Portfolio yield of 2.99%
- 30+ Days Delinquency at 9/30/2017 is 0.58%

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



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



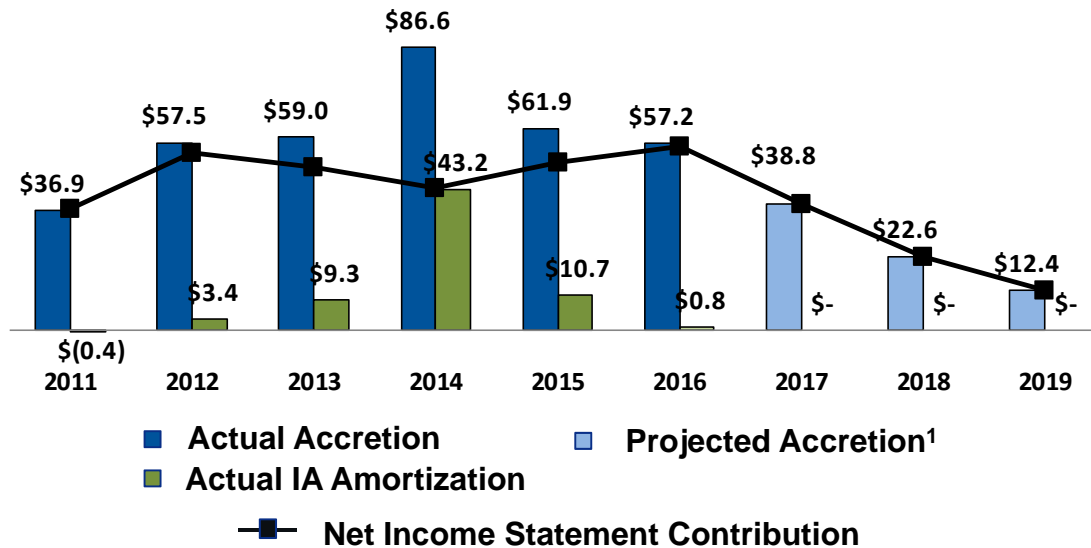
<sup>1</sup>As a % of end of period total loans  
Peer Group data per SNL Financial  
See Appendix for definition of Peer Group

# Projected Purchase Accounting Impact



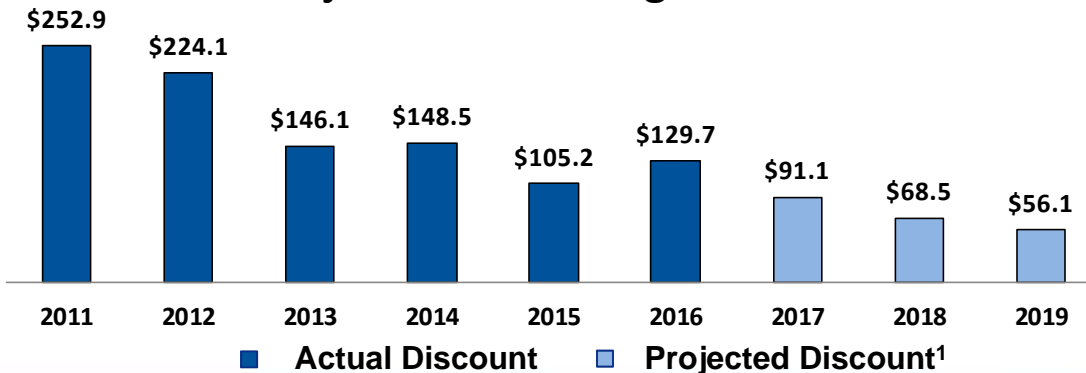
Manageable declines in purchase accounting impact expected in future periods

## Projected Accretion Income



- Projections assume no prepayments
- \$96.5 million in remaining discount

## Projected Remaining Discount

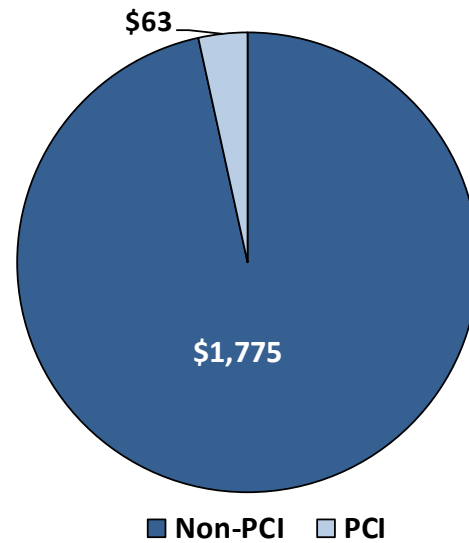


\$ in millions

<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%	(\$72)
PCI	39%	(\$25)



# Non-GAAP Reconciliations

end of period balances	3Q16	2Q17	3Q17
Total Shareholders' Equity	\$1,834.5	\$1,886.6	\$1,906.8
Deduct: Goodwill and Intangible Assets	(696.1)	(686.9)	(684.3)
Tangible Common Shareholders' Equity	\$1,138.3	\$1,199.7	\$1,222.6
Total Assets	\$14,703.1	\$14,957.3	\$15,065.8
Add: Trust Overdrafts	0.0	0.0	0.0
Deduct: Goodwill and Intangible Assets	(696.1)	(686.9)	(684.3)
Tangible Assets	\$14,007.0	\$14,270.4	\$14,381.6
Tangible Equity to Tangible Assets	8.13%	8.41%	8.50%
Tangible Common Equity to Tangible Assets	8.13%	8.41%	8.50%
Net Income	\$34.7	\$38.9	\$39.4
After-Tax Intangible Amortization	2.1	1.8	1.7
Tangible Net Income	\$36.8	\$40.7	\$41.1
ROTCE	12.93%	13.56%	13.44%

\$ in millions

# Non-GAAP Reconciliations

end of period balances	3Q16	2Q17	3Q17
Total Shareholders' Equity	\$1,834.5	\$1,886.6	\$1,906.8
Deduct: Goodwill and Intangible Assets	(696.1)	(686.9)	(684.3)
Tangible Common Shareholders' Equity	\$1,138.3	\$1,199.7	\$1,222.6
Risk Weighted Assets	\$9,703.2	\$10,367.8	\$10,495.4
Tangible Common Equity to Risk Weighted Assets	11.73%	11.57%	11.65%

end of period balances	3Q16	2Q17	3Q17
Total Shareholders' Equity	\$1,834.5	\$1,886.6	\$1,906.8
Deduct: Goodwill and Intangible Assets	(696.1)	(686.9)	(684.3)
Tangible Common Shareholders' Equity	\$1,138.3	\$1,199.7	\$1,222.6
Common Shares Issued and Outstanding at Period End	134,985	135,516	135,523
Tangible Common Book Value	\$8.43	\$8.85	\$9.02

\$ in millions

Shares in thousands

# Non-GAAP Reconciliations

	3Q16	2Q17	3Q17
Total Noninterest Expense As Reported (\$ in 000's)	\$108,062	\$102,811	\$103,702
Less: Intangible Amortization	(3,233)	(2,781)	(2,641)
Noninterest Expense Less Intangible Amortization	\$104,829	\$100,030	\$101,061
Less: Branch Consolidations, Severance and Client Experience Initiative Charges	-	(1,684)	(4,332)
Less: Merger and Integration Charges	(5,487)	-	(369)
Adjusted Noninterest Expense	\$99,342	\$98,346	\$96,360
Net Interest Income As Reported	\$107,803	\$104,333	\$108,478
FTE Adjustment	5,320	5,643	5,621
Net Interest Income FTE Basis	\$113,123	\$109,976	\$114,099
Total Noninterest Income As Reported	\$47,243	\$49,271	\$46,366
Less: Securities Gains	(1,647)	(3,075)	(2,972)
Adjusted Noninterest Income	\$45,596	\$46,196	\$43,394
Adjusted Total Revenue	\$158,719	\$156,172	\$157,493
Reported Efficiency Ratio	66.05%	64.05%	64.17%
Adjusted Efficiency Ratio	62.59%	62.97%	61.18%

# Old National's 2017 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
BancorpSouth, Inc.	BXS	International Bancshares Corp	IBOC
Bank of Hawaii Corporation	BOH	MB Financial Inc.	MBFI
Bank of the Ozarks	OZRK	Prosperity Bancshares Inc.	PB
Chemical Financial Corporation	CHFC	TCF Financial Corporation	TCF
Commerce Bancshares, Inc.	CBSH	Trustmark Corporation	TRMK
Cullen/Frost Bankers, Inc.	CFR	UMB Financial Corporation	UMBF
F.N.B. Corporation	FNB	United Bankshares Inc.	UBSI
First Midwest Bancorp Inc.	FMBI	Valley National Bancorp	VLY
Fulton Financial Corporation	FULT	Western Alliance Bancorporation	WAL
Great Western Bancorp, Inc.	GWB	Wintrust Financial Corporation	WTFC
Hancock Holding Company	HBHC		

# Old National Investor Relations Contact

OLD  
NATIONAL

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**  
**LISTED**

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