

# 4th Quarter 2017 Earnings

January 23, 2018



# 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 merger with Anchor Minnesota 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.

# 4Q17 Highlights

- Net loss of \$18.5 million, or \$0.13 per share
  - Results include an estimated \$39.3 million deferred tax asset revaluation as well as the following pre-tax charges:
    - \$11.9 million in merger and integration charges
    - \$11.7 million in tax credit amortization
    - \$6.6 million for branch consolidations, severance, Foundation funding and client experience improvement initiative charges
- Adjusted net income<sup>1</sup> of \$32.7 million, or \$0.22 per share
- 4.8% annualized organic loan growth<sup>2</sup>
  - 10.1% annualized organic growth<sup>2</sup> in commercial and commercial real estate loans
- Low cost of deposits at 0.20%
- 6.8% decline in legacy noninterest expenses from 4Q16<sup>1</sup>
- Closed Anchor Bancorp, Inc.(Minnesota) partnership on November 1st

<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

<sup>2</sup> Excludes acquired loans

# 2017 Financial Highlights

- Reported net income of \$95.7 million, or \$0.69 per share
  - Results include an estimated \$39.3 million deferred tax asset revaluation as well as the following pre-tax charges:
    - \$12.3 million in merger and integration charges
    - \$11.7 million in tax credit amortization
    - \$14.0 million for branch consolidations, severance, Foundation funding and client experience improvement initiative charges
- Adjusted net income<sup>1</sup> of \$147.1 million, or \$1.06 per share
- 4.8% organic loan growth<sup>2</sup>
  - 10.1% organic growth<sup>2</sup> in commercial and commercial real estate loans
- Low levels of net charge-offs: 3 basis points, and delinquencies: 30-89 day at 0.37% and 90+ day at 0.01%

<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

<sup>2</sup> Excludes acquired loans

# Jim Sandgren

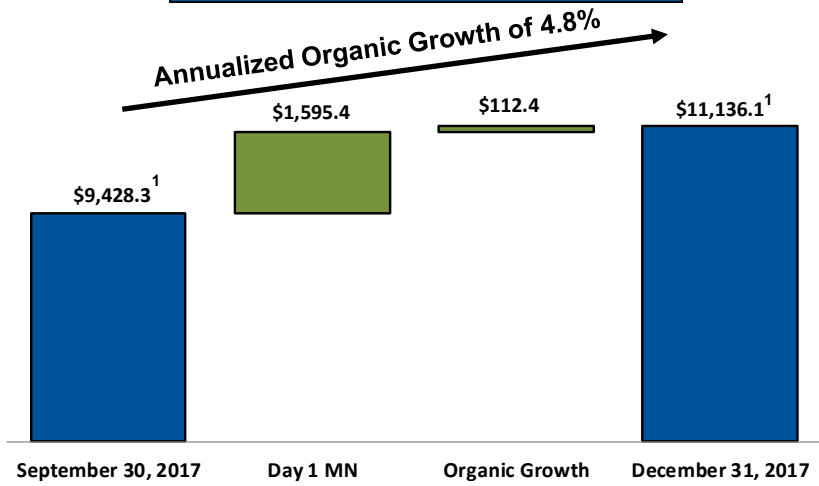
President, Chief Operating Officer



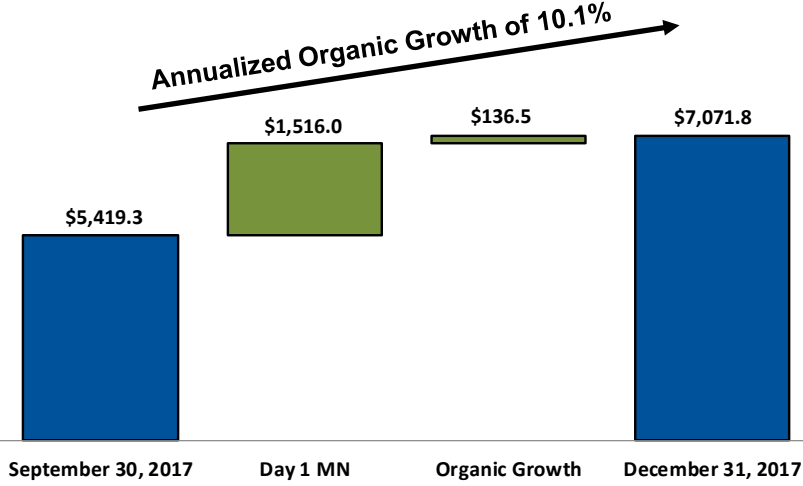
# Loan Growth



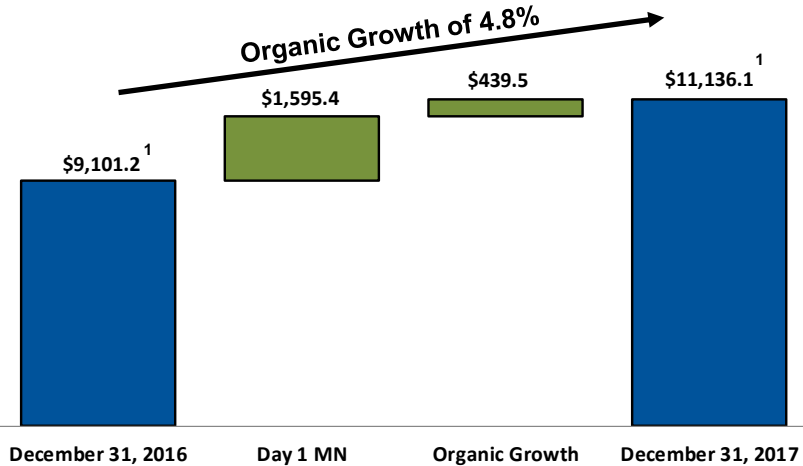
## Total Loan Growth



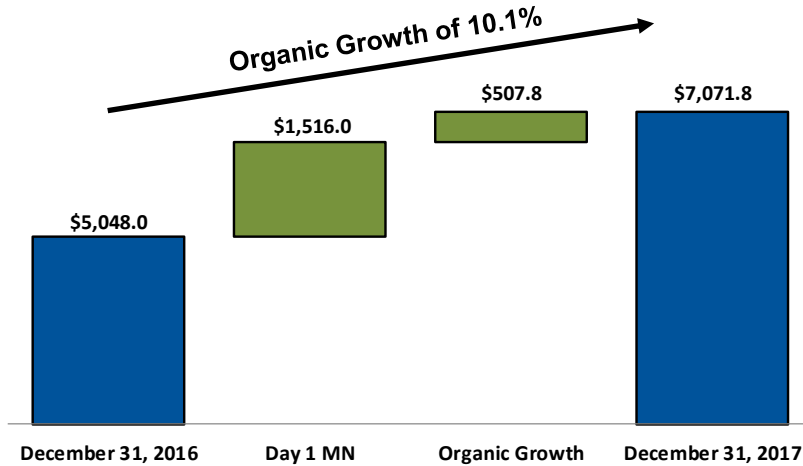
## C&I/CRE Loan Growth



## Organic Growth of 4.8%



## Organic Growth of 10.1%



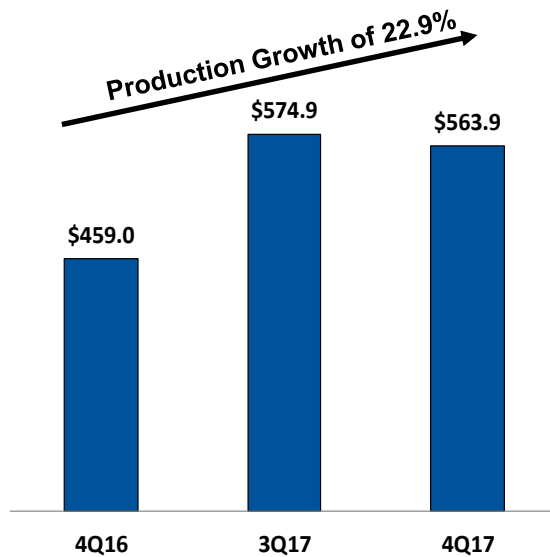
\$ in millions – End of Period Balances

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

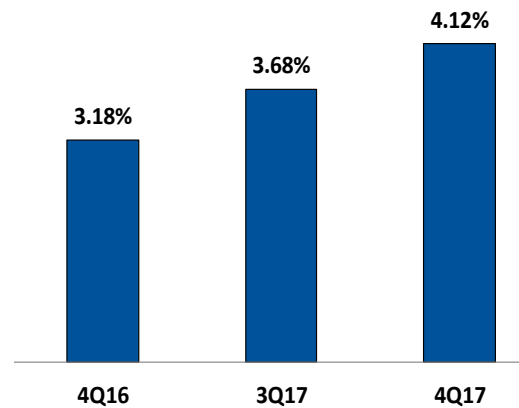


# Commercial & Commercial Real Estate

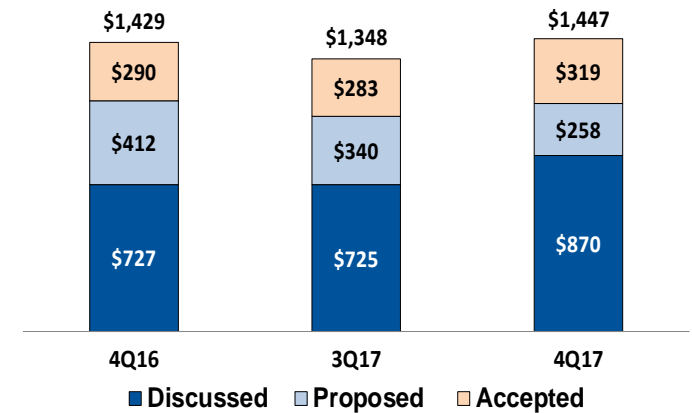
### New Production<sup>1</sup>



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



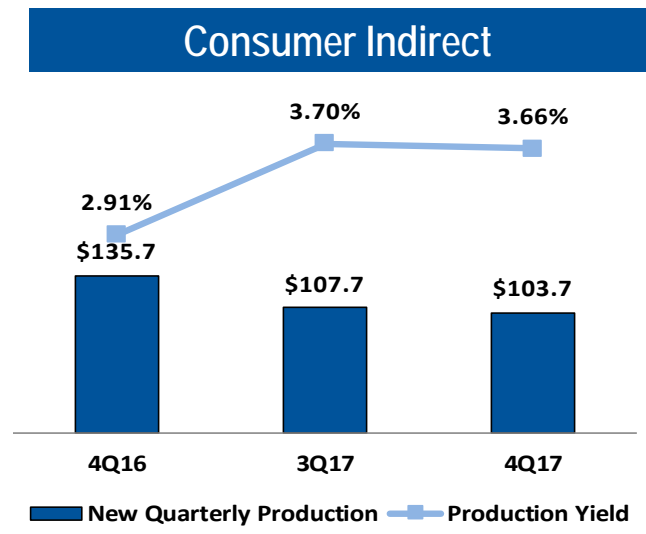
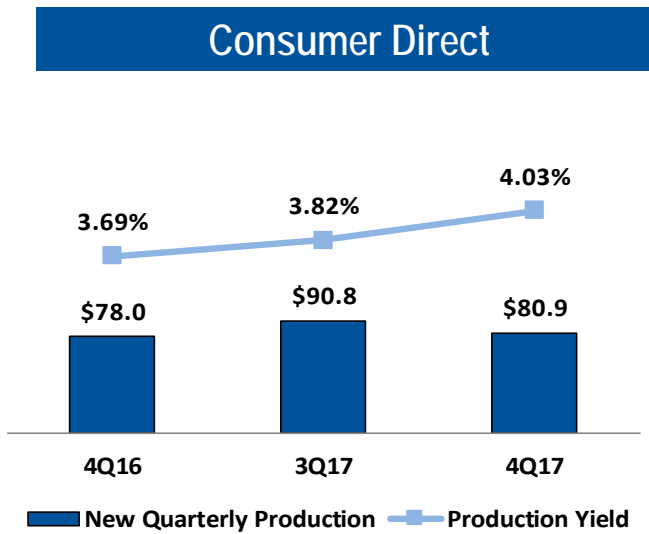
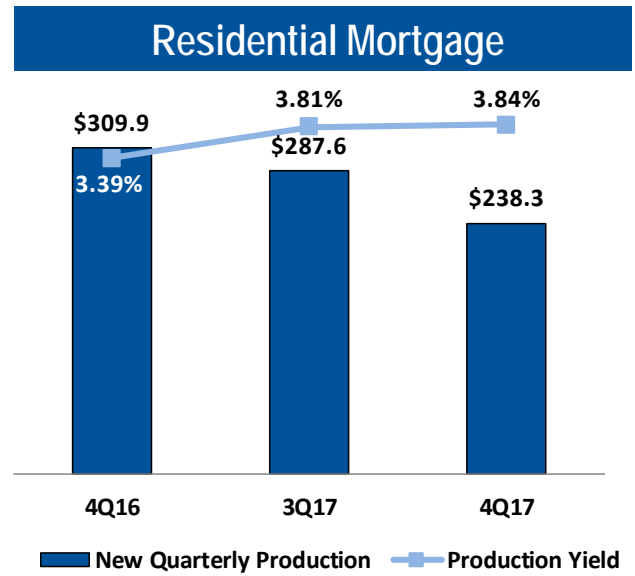
### Loan Pipeline



\$ 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

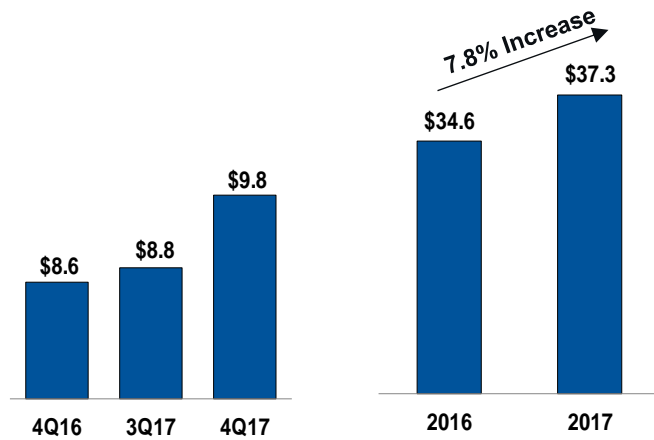


\$ in millions

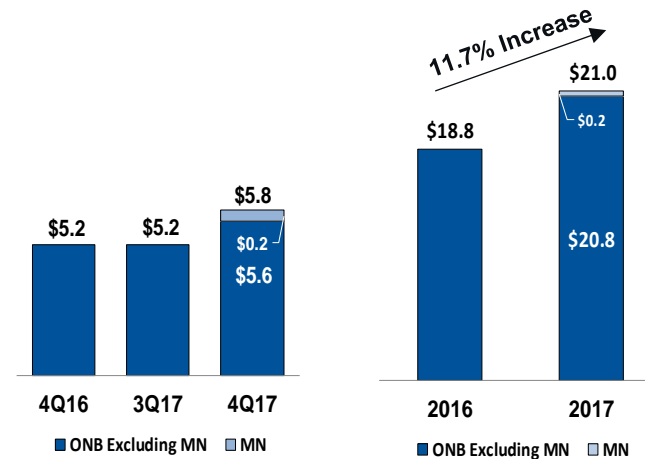
New quarterly production includes unfunded commitments – Yield is based on funded balances only  
 Quick Home Refinance (residential mortgage product) is included in the Residential Mortgage graph  
 Direct Consumer includes Home Equity Lines of Credit

# Fee-Based Business Revenue

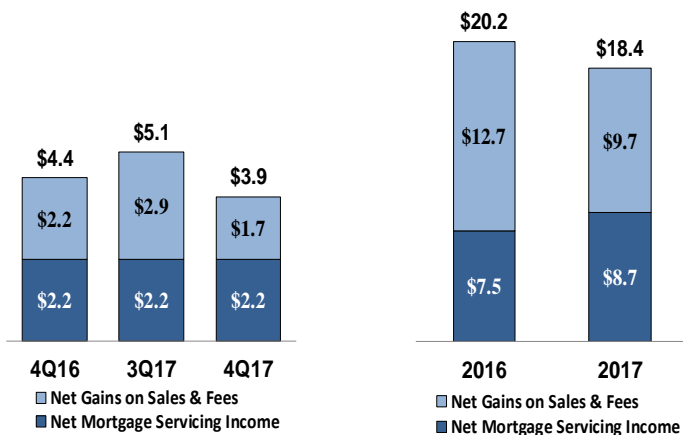
## Wealth Management



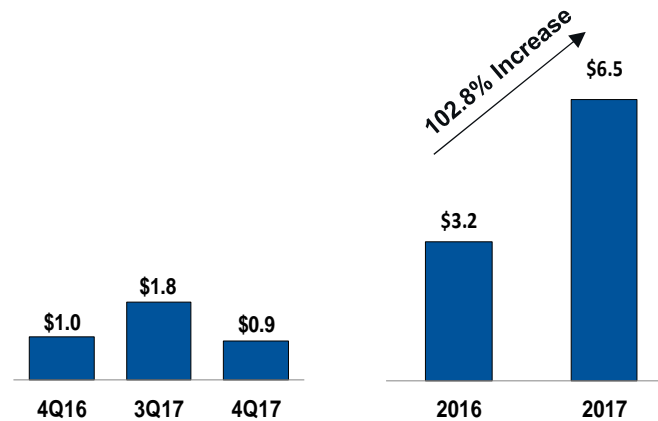
## Investments



## Mortgage



## Capital Markets



\$ in millions

# Jim Ryan

Chief Financial Officer



- Day 1 balance sheet
  - Loans (net of discount) of \$1,595.4 million
  - Deposits of \$1,777.4 million
- Total loan mark of \$47.4 million, or 2.9%
- Goodwill recorded of \$173.0 million
- Intangibles recorded of \$27.3 million
- Issued 16.5 million shares of common stock
- Conversion set for early May
- Cost savings of 36% on track

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

	2016	2017
Net Interest Income As Reported	\$402,703	\$437,168
FTE Adjustment	21,293	23,091
Net Interest Income (FTE Basis)	\$423,996	\$460,259
Total Noninterest Income As Reported	\$252,830	\$183,382
Total Noninterest Expense As Reported	(\$454,147)	(\$448,836)
Pre-Tax, Pre-Provision Income	\$222,679	\$194,805
Securities Gains	(\$5,848)	(\$9,135)
Gain on Sale of Insurance	(41,864)	-
Gain on Repurchased Bank Properties, Other Gains	(11,995)	(170)
Branch Consolidations, Severance, Foundation Funding and Client Experience Initiative Charges	13,699	13,959
Merger and Integration Charges	15,857	12,306
Amortization of Tax Credit Investments	-	11,733
Pension Termination Expense	9,751	-
Adjusted Pre-Tax, Pre-Provision Income	\$202,279	\$223,498

10.5% increase

\$ in thousands

<sup>1</sup> Non-GAAP financial measure which Management believes is useful in evaluating the financial results of the Company

# Efficiency Ratio<sup>1</sup>

	2016	2017
Total Noninterest Expense As Reported	\$454,147	\$448,836
Less: Intangible Amortization	(12,486)	(11,841)
Noninterest Expense Less Intangible Amortization	\$441,661	\$436,995
Less: Branch Consolidations, Severance, Foundation Funding and Client Experience Initiative Charges	(13,699)	(13,959)
Less: Merger and Integration Charges	(15,857)	(12,306)
Less: Amortization of Tax Credit Investments	-	(11,733)
Less: Pension Termination Expense	(9,751)	-
Adjusted Noninterest Expense	\$402,354	\$398,997
Net Interest Income As Reported	\$402,703	\$437,168
FTE Adjustment	21,293	23,091
Net Interest Income (FTE Basis)	\$423,996	\$460,259
Total Noninterest Income As Reported	\$252,830	\$183,382
Less: Securities Gains	(5,848)	(9,135)
Adjusted Noninterest Income	\$246,982	\$174,247
Total Revenue Less Securities Gains (FTE Basis)	\$670,978	\$634,506
Less: Gain on Sale of Insurance	(41,864)	-
Less: Gain on Repurchased Bank Properties, Other Gains	(11,995)	(170)
Adjusted Total Revenue Less Securities Gains (FTE Basis)	\$617,119	\$634,336
Reported Efficiency Ratio	65.82%	68.87%
Adjusted Efficiency Ratio	65.20%	62.90%

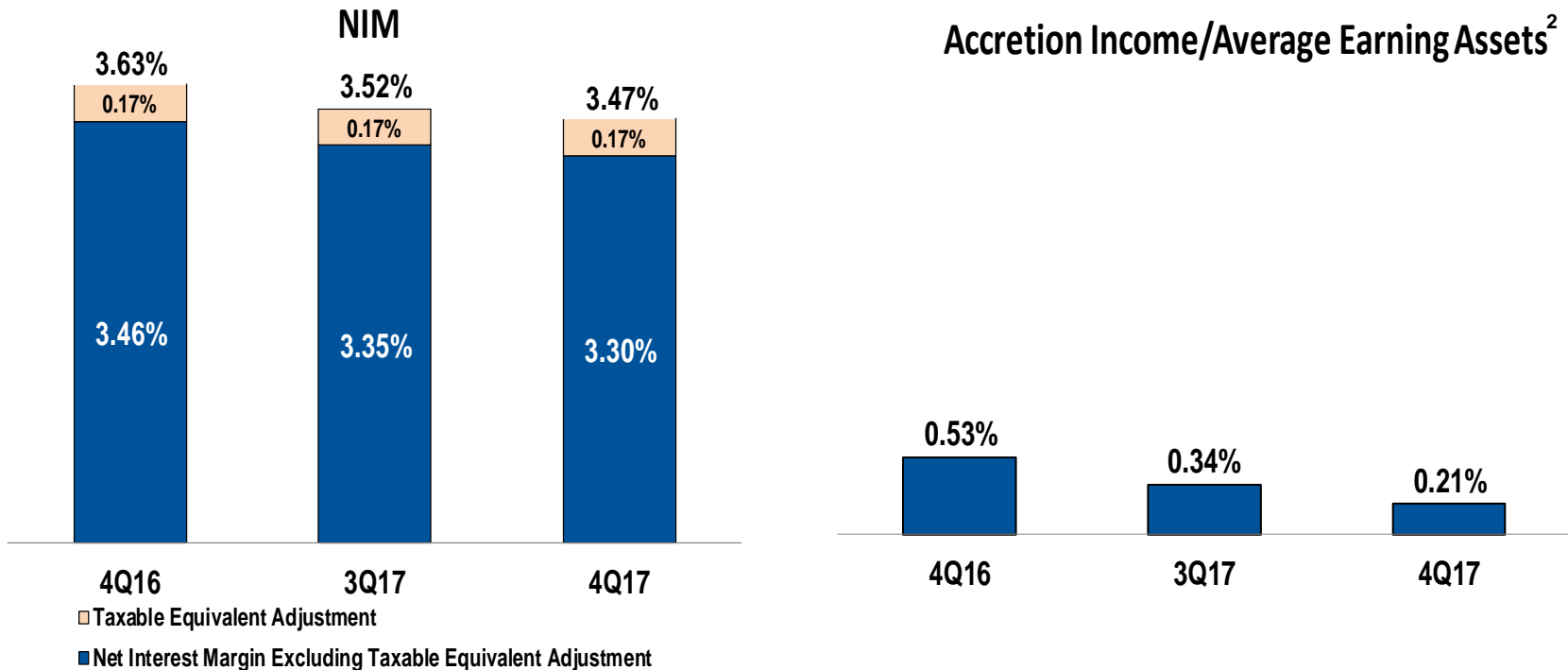
230 bps improvement

- Over 370 basis point improvement year-over-year in adjusted operating leverage

\$ in thousands

<sup>1</sup> Non-GAAP financial measure which Management believes is useful in evaluating the financial results of the Company

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



**Cost of total deposits increased 1 bp to 20 bps in 4Q17**

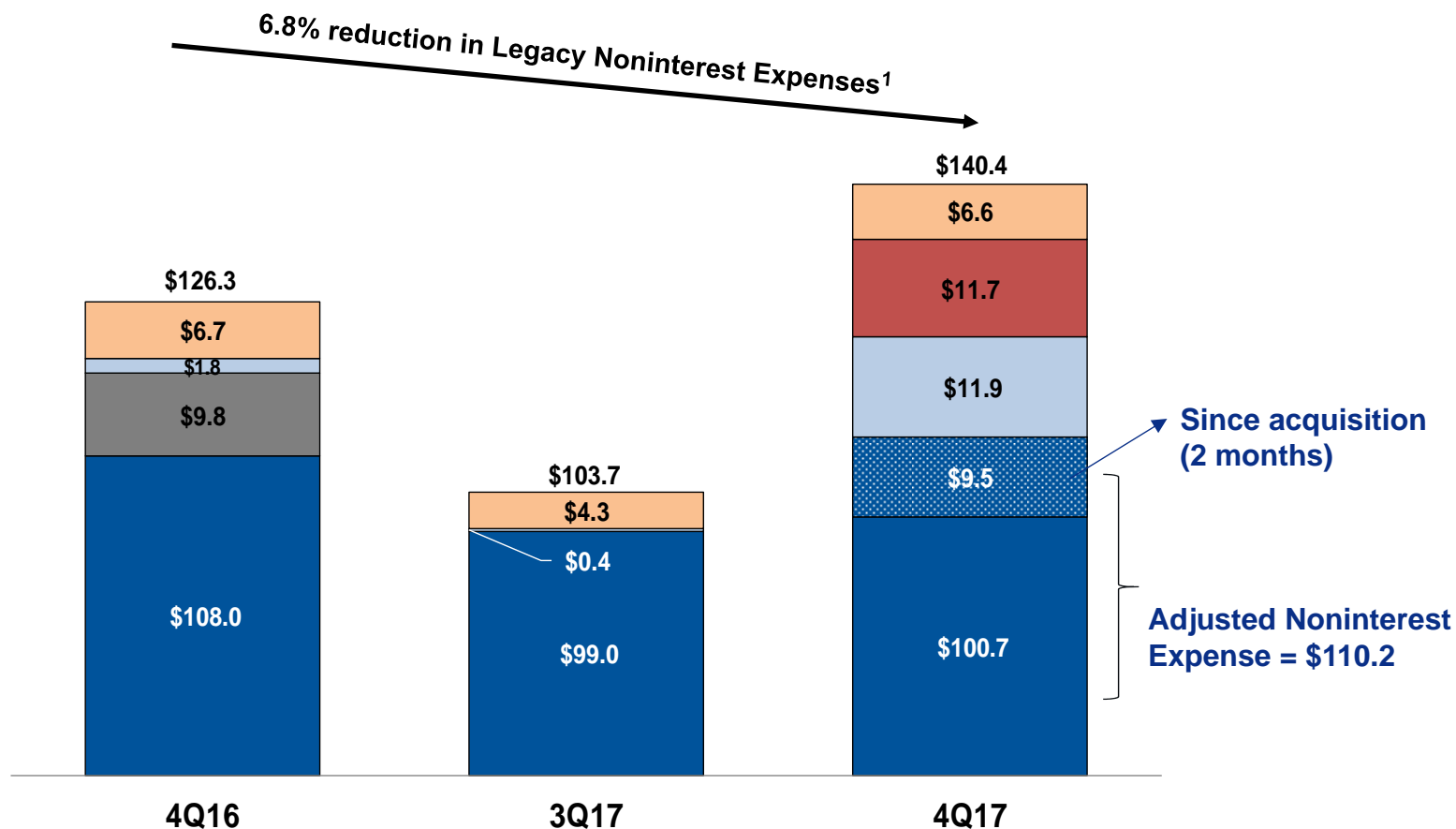
**4Q17 Net Interest Margin on a fully taxable equivalent basis would have been reduced by 9 basis points proforma for the new 21% tax rate**

<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

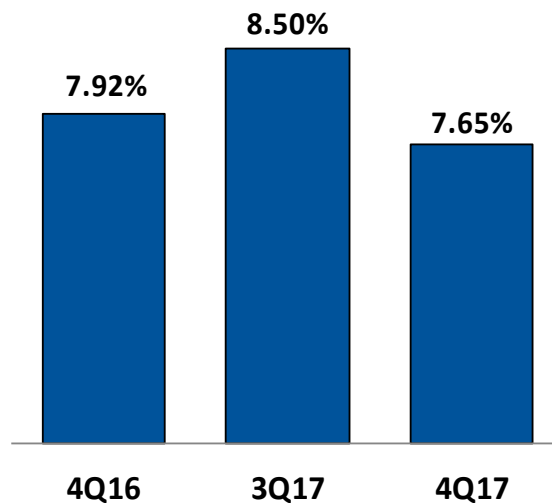


- Branch Consolidations, Severance, Foundation Funding and Client Experience Initiative Charges
- Tax Credit Amortization
- Merger/Integration Costs
- Pension Termination Expense
- MN Expense
- Legacy Noninterest Expenses

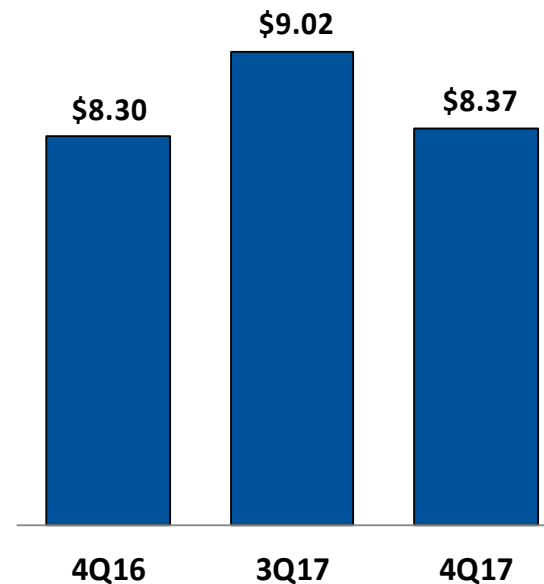
\$ in millions <sup>1</sup> Legacy noninterest expenses = total noninterest expense less merger/integration costs, branch consolidation charges, severance, client experience initiative charges, Foundation funding, tax credit amortization, MN expenses and pension termination expense. Legacy noninterest 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>**



**\$0.26, or 40%, of the 3Q17  
to 4Q17 reduction was due  
to the estimated \$39.3  
million deferred tax asset  
revaluation**

<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

Income Tax Rates	Full-Year 2018 Forecast
FTE Tax Rate	16% to 18%
GAAP Tax Rate	12% to 14%

Tax Credit Business	Full-Year 2018 Forecast
Tax credit amortization <i>(Recognized in Noninterest Expense)</i>	\$17 to \$20
Income tax benefit	\$20 to \$23
After-tax income (loss) on tax credits <sup>1</sup>	~ \$3.0
After-tax income (loss) on tax credits <sup>1</sup> (per share)	~ \$0.02

\$ in millions except per-share data

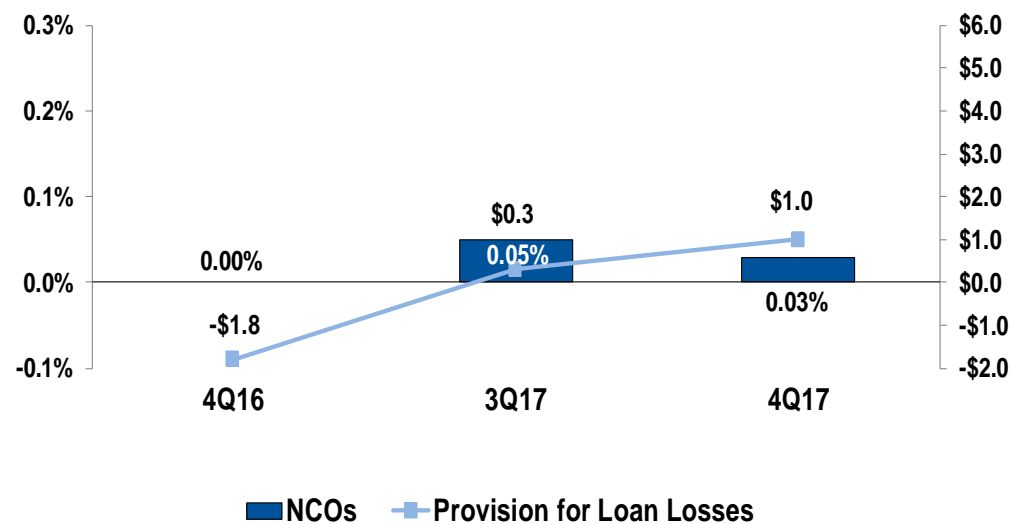
# Daryl Moore

Chief Credit Executive



# Net Charge-Offs / Provision

Net Charge-Offs / Provision

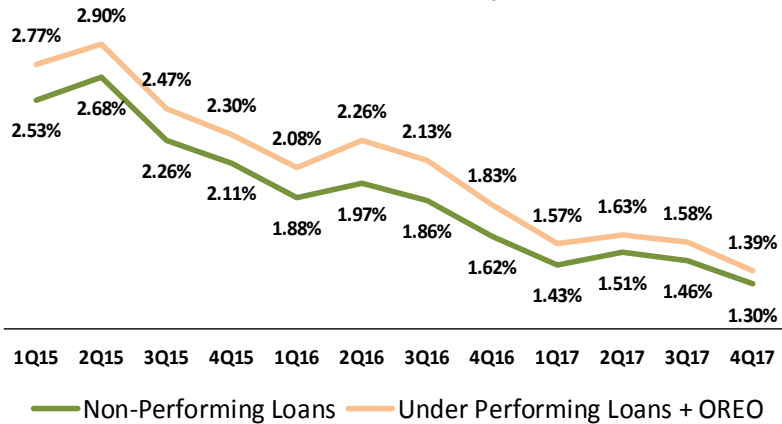


- 2017 net charge-offs of \$2.5 million & provision expense of \$3.1 million

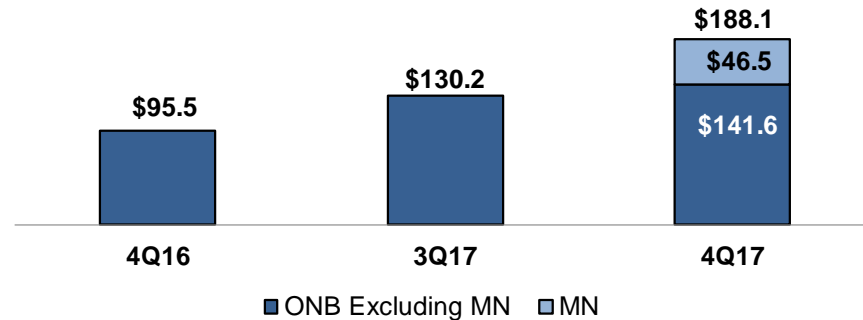
# Credit Quality Trends



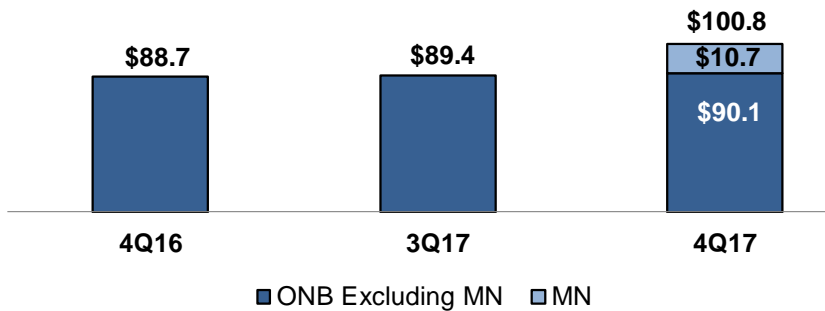
### Credit Quality<sup>1</sup>



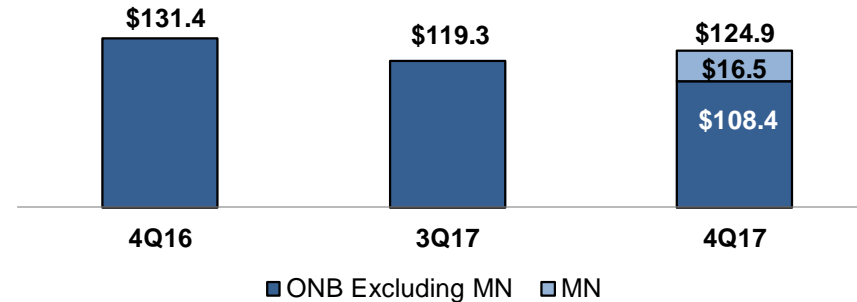
### Special Mention Loans



### Substandard Accruing Loans



### Substandard Nonaccruing + Doubtful Loans



\$ in millions

<sup>1</sup> As a % of end of period loans, excludes loans held for sale

# Bob Jones

Chief Executive Officer



- Bring in the noise, build a foundation
- Super Bowl host – super performance
- What have you done for me lately?



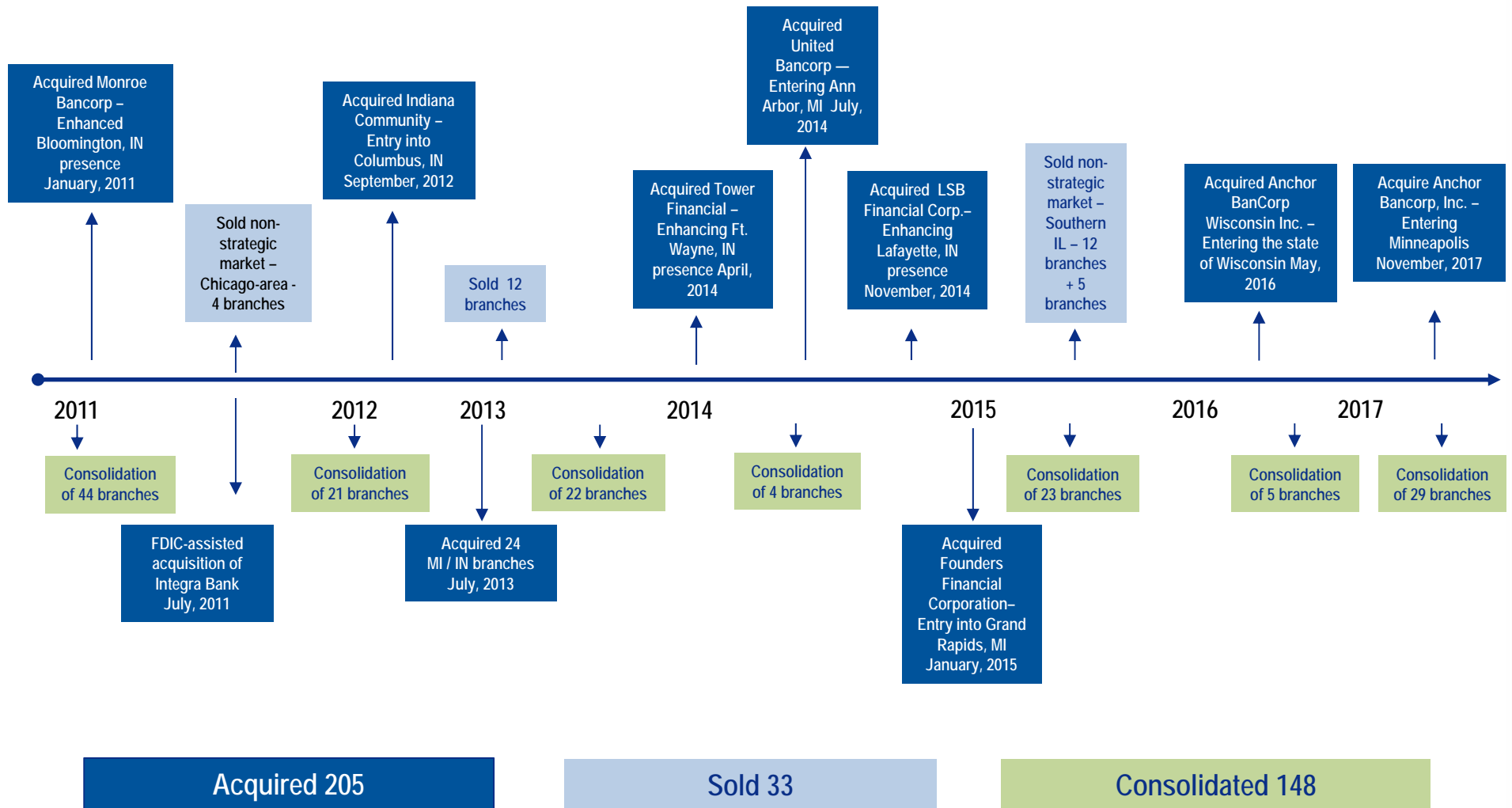
Thank You

Q&A

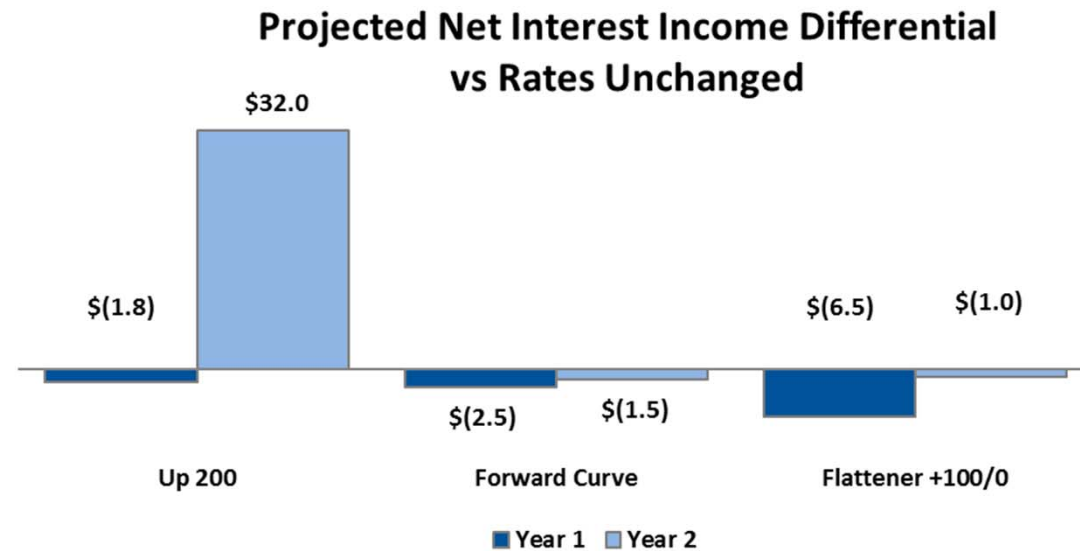


# Appendix

# Transforming Old National's Landscape



# Modeled Interest Rate Sensitivity



- Interest Rate Sensitivity models use a 38% beta with no lag on non-maturity, interest bearing deposits
- 18% of total non-interest bearing DDA are considered rate sensitive
- Investment portfolio duration of 4.15 at 12/31/17, compared to 4.25 at 9/30/17
- 43% of C&I and CRE loans repriced within one year
- 11% of loans have floors; less than 1% of these loans are currently below their floor rates

\$ in millions

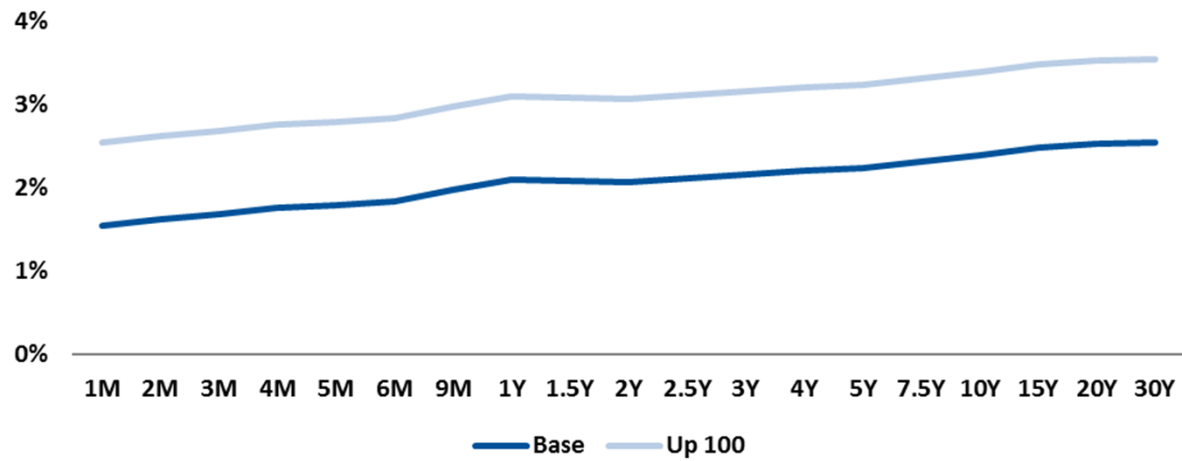
Change to Net Interest Income based on a two year time horizon

Refer to "Interest Rate Curves" slide for rate curves

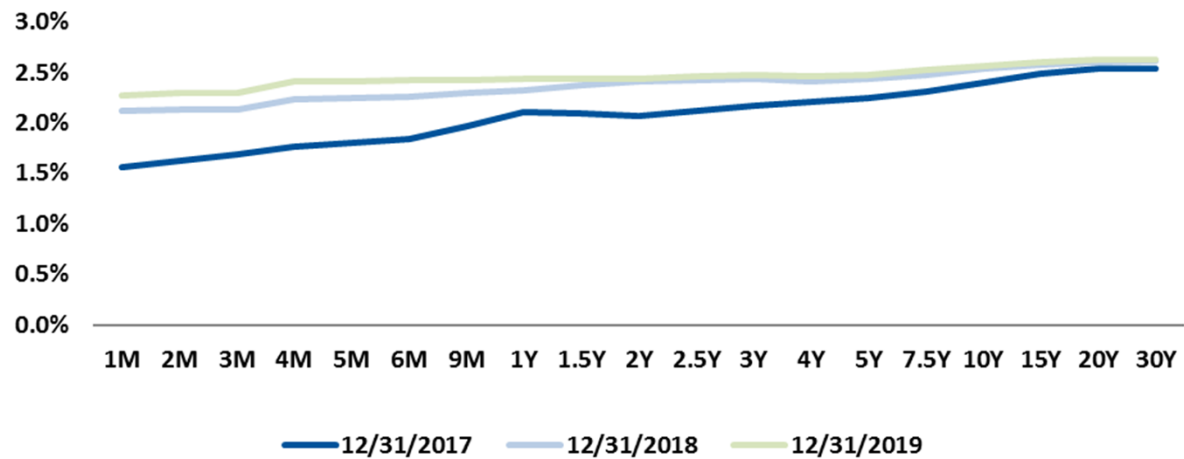
# Interest Rate Curves



### Up 100 vs. Base



### Forward Curves



# Investment Portfolio

\$ in thousands	Effective Duration Sept 30, 2017	Effective Duration Dec 31, 2017	Book Value Sept 30, 2017	Book Value Dec 31, 2017
Treasuries	2.88	2.65	5,472	5,473
Agencies	3.70	3.86	583,151	675,643
Pools	2.36	7.14	96,224	151,666
CMOs	3.64	4.10	1,378,061	1,559,251
Municipals	5.98	5.09	1,092,158	1,206,995
Corporates	3.25	3.17	146,423	150,931
ABS	0.99	1.00	154,777	151,564
Totals	4.25	4.15	\$3,456,266	\$3,901,523

# Auto Loan Portfolio

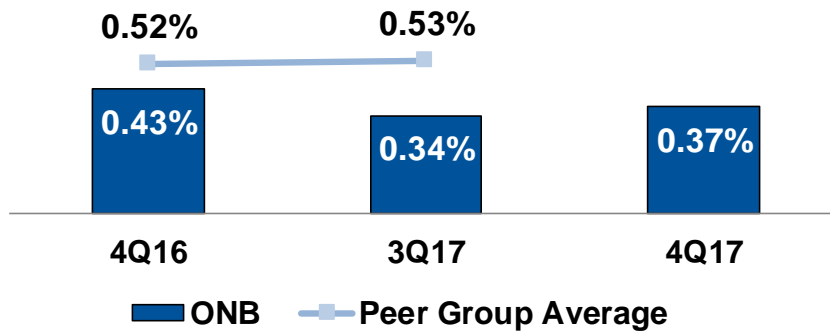
Auto Loan Portfolio - As of 12/31/2017		
Direct	\$60.7	5.3%
Indirect	\$1,088.0	94.7%
<b>Total Auto</b>	<b>\$1,148.7</b>	<b>100.0%</b>
New	\$466.4	40.6%
Used	\$682.3	59.4%
<b>Total Auto</b>	<b>\$1,148.7</b>	<b>100.0%</b>

Loans are originated within the ONB footprint

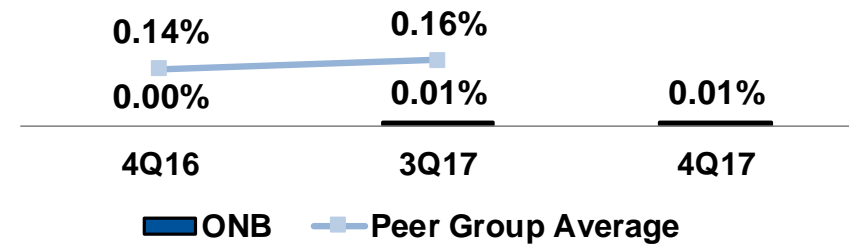
- Total portfolio average original loan term of 70 months and weighted average FICO score of 764
- Total Portfolio yield of 3.08%
- 30+ Days Delinquency at 12/31/2017 is 0.73%

# Credit Quality

### 30-89 Days 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

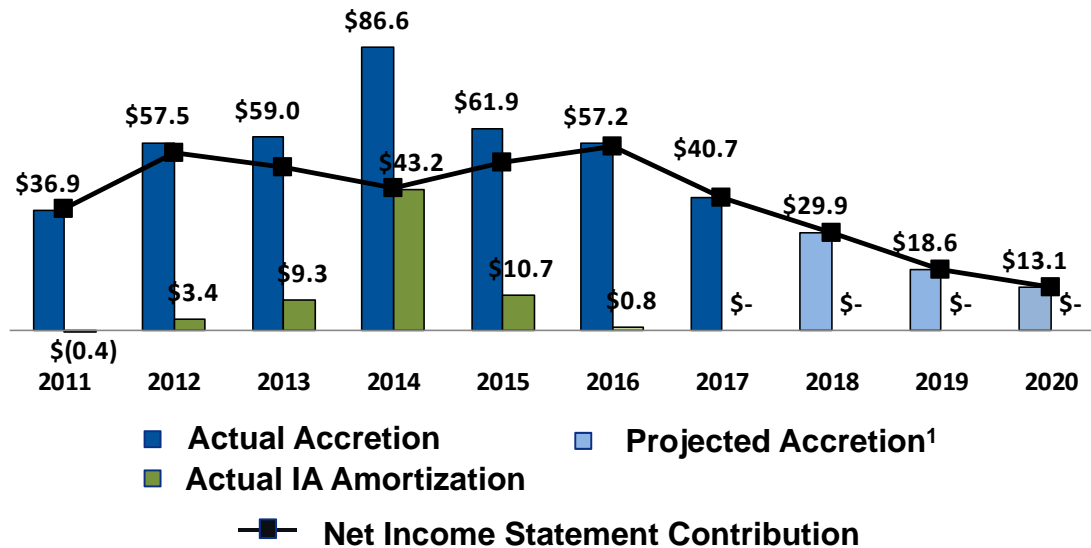


# Projected Purchase Accounting Impact



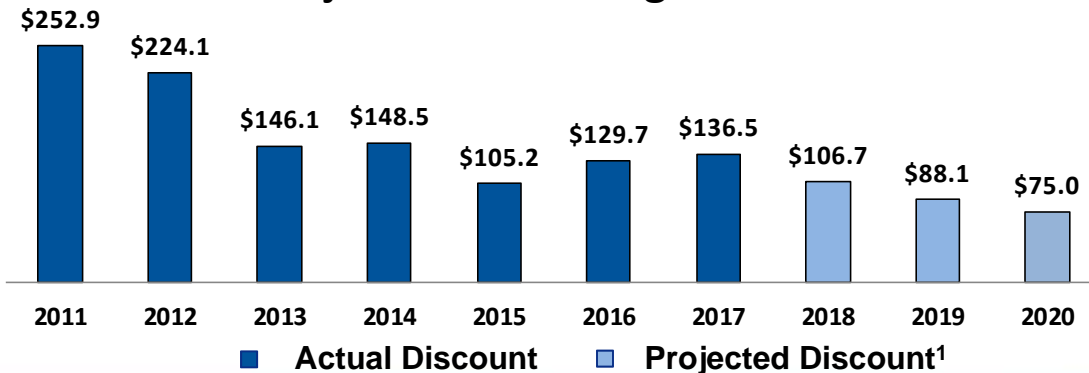
Manageable declines in purchase accounting impact expected in future periods

## Projected Accretion Income



- Projections assume no prepayments
- \$136.5 million in remaining discount

## Projected Remaining Discount

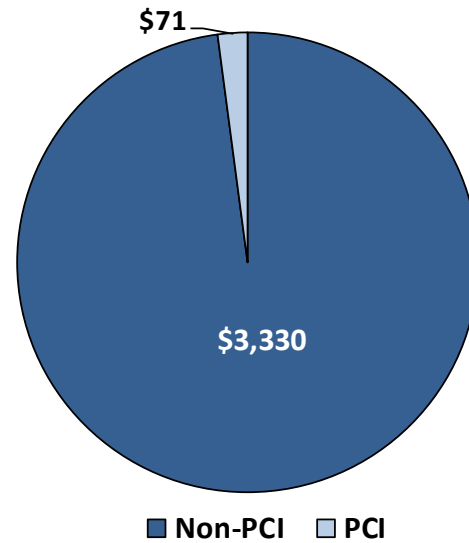


\$ in millions

<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	3%	(\$109)
PCI	39%	(\$27)

# 4Q17 Noninterest Expense Detail

Noninterest Expense (\$ in 000's)	4Q17 Reported	Charges <sup>1</sup>	4Q17 Adjusted
Salaries and Employee Benefits	\$74,785	\$10,961	\$63,824
Occupancy	12,168	155	12,013
Equipment	3,498	38	3,460
Marketing	3,803	8	3,795
Data Processing	8,776	99	8,677
Communication	2,419	-	2,419
Professional Fees	5,523	2,989	2,534
Loan Expenses	1,730	29	1,701
Supplies	686	1	685
FDIC Assessment	2,666	-	2,666
Other Real Estate Owned Expense	741	-	741
Amortization of Intangibles	3,399	-	3,399
Amortization of Tax Credit Investments	11,733	-	11,733
Other expense	8,505	4,241	4,264
Total Noninterest Expense	\$140,432	\$18,521	\$121,911
Less Amortization of Tax Credit Investments			(11,733)
Adjusted Noninterest Expenses			\$110,178

<sup>1</sup> Charges include \$11.9 million for merger/integration, \$3.6 million for branch consolidation and client experience initiative, \$1.6 million for severance and \$1.3 million for Foundation funding

# Non-GAAP Reconciliations

(\$ and shares in million, except per-share data)	4Q17	Adjustments <sup>1</sup>	Adjusted 4Q17
Total Revenues (FTE Basis)	\$169.5	(\$1.6)	\$167.9
Less: Provision for Loan Losses	(1.0)	-	(1.0)
Less: Noninterest Expenses	(140.4)	18.5	(121.9)
Income before Income Taxes (FTE)	\$28.1	\$16.9	\$45.0
Income Taxes	(46.6)	34.3	(12.3)
Net Income (Loss)	(\$18.5)	\$51.2	\$32.7
Average Shares Outstanding	146.9	-	146.9
Earnings (Loss) Per Share	(\$0.13)	\$0.35	\$0.22

(\$ and shares in million, except per-share data)	2017	Adjustments <sup>1</sup>	Adjusted 2017
Total Revenues (FTE Basis)	\$643.6	(\$9.1)	\$634.5
Less: Provision for Loan Losses	(3.1)	-	(3.1)
Less: Noninterest Expenses	(448.8)	26.3	(422.5)
Income before Income Taxes (FTE)	\$191.7	\$17.2	\$208.9
Income Taxes	(96.0)	34.2	(61.8)
Net Income (Loss)	\$95.7	\$51.4	\$147.1
Average Shares Outstanding	138.5	-	138.5
Earnings (Loss) Per Share	\$0.69	\$0.37	\$1.06

<sup>1</sup> Tax-effect calculations use estimated full-year 2017 FTE tax rate excluding the estimated \$39.3 million deferred tax asset revaluation

# Non-GAAP Reconciliations

end of period balances	4Q16	3Q17	4Q17
Total Shareholders' Equity	\$1,814.4	\$1,906.8	\$2,154.4
Deduct: Goodwill and Intangible Assets	(692.7)	(684.3)	(881.1)
Tangible Common Shareholders' Equity	\$1,121.7	\$1,222.6	\$1,273.3
Total Assets	\$14,860.2	\$15,065.8	\$17,518.3
Add: Trust Overdrafts	0.1	0.0	0.1
Deduct: Goodwill and Intangible Assets	(692.7)	(684.3)	(881.1)
Tangible Assets	\$14,167.7	\$14,381.6	\$16,637.2
Tangible Equity to Tangible Assets	7.92%	8.50%	7.65%
Tangible Common Equity to Tangible Assets	7.92%	8.50%	7.65%
Net Income	\$33.5	\$39.4	(\$18.5)
After-Tax Intangible Amortization	2.1	1.7	2.2
Tangible Net Income	\$35.6	\$41.1	(\$16.3)
ROTCE	12.68%	13.44%	-5.12%

\$ in millions

# Non-GAAP Reconciliations

end of period balances - \$ in millions	4Q16	3Q17	4Q17
Total Shareholders' Equity	\$1,814.4	\$1,906.8	\$2,154.4
Deduct: Goodwill and Intangible Assets	(692.7)	(684.3)	(881.1)
Tangible Common Shareholders' Equity	\$1,121.7	\$1,222.6	\$1,273.3
Risk Weighted Assets	\$10,099.6	\$10,495.4	\$12,491.4
Tangible Common Equity to Risk Weighted Assets	11.11%	11.65%	10.19%

end of period balances - \$ and shares in millions	4Q16	3Q17	4Q17
Total Shareholders' Equity	\$1,814.4	\$1,906.8	\$2,154.4
Deduct: Goodwill and Intangible Assets	(692.7)	(684.3)	(881.1)
Tangible Common Shareholders' Equity	\$1,121.7	\$1,222.6	\$1,273.3
Common Shares Issued and Outstanding at Period End	135.2	135.5	152.0
Tangible Common Book Value	\$8.30	\$9.02	\$8.37

\$ in thousands	4Q16	3Q17	4Q17
Net Interest Income	\$109,917	\$108,478	\$118,556
Taxable Equivalent Adjustment	5,506	5,621	6,139
Net Interest Income – Taxable Equivalent	\$115,423	\$114,099	\$124,695
Average Earning Assets	\$12,713,345	\$12,959,722	\$14,389,502
Net Interest Margin	3.46%	3.35%	3.30%
Net Interest Margin – Fully Taxable Equivalent	3.63%	3.52%	3.47%

# 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

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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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