

Edgar Filing: OLD NATIONAL BANCORP /IN/ - Form 425

OLD NATIONAL BANCORP /IN/  
Form 425  
July 28, 2014

Filed by Old National Bancorp

Pursuant to Rule 425 under the Securities Act of 1933

Subject Company: Founders Financial Corporation.

Commission File No.: 001-15817

The following presentation slides were reviewed by the executive officers of Old National Bancorp ( Old National ) in connection with Old National s conference call on July 28, 2014 announcing the financial results for the quarter ended June 30, 2014 and the pending acquisition of Founders Financial Corporation.

\* \* \*

Old National Bancorp  
Second-Quarter 2014 Earnings  
and Intent to Acquire Founders  
Financial Corporation  
July 28, 2014

Lynell Walton  
Investor Relations

3

Additional Information for Shareholders of Founders Financial Corporation

This communication does 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 ( Old National ) will file with the Securities and Exchange Commission ( SEC ) a Registration Statement on Form S-4 that will include a Proxy Statement of Founders Financial Corporation ( Founders ) and a Prospectus of Old National, as well as other relevant documents concerning the proposed transaction. 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 Old National, 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 Old National at [www.oldnational.com](http://www.oldnational.com) under the tab Investor Relations and then under the heading

Financial Information.

Old National and Founders and certain of their directors and executive officers may be deemed to be participants in the solicitation of proxies from the shareholders of Founders in connection with the proposed merger. Information about the directors and executive officers of Old National is set forth in the proxy statement for Old National's 2014 annual meeting of shareholders, as filed with the SEC on a Schedule 14A on March 14, 2014. 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.

4

Additional Information for Shareholders of LSB Financial Corp.

This communication does 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 ( Old National ) has filed with the Securities and Exchange Commission ( SEC ) a Registration Statement on Form S-4 (Registration Statement No. 333-197258) that includes a preliminary Proxy Statement of LSB Financial Corp. ( LSB ) and a preliminary Prospectus of Old National, as well as other relevant documents concerning

the proposed transaction. The SEC declared the Form S-4 Registration Statement effective on July 23, 2014. A definitive Proxy Statement/Prospectus will be mailed to shareholders of LSB. Shareholders are urged to read the Registration Statement and the definitive Proxy Statement/Prospectus regarding the merger 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 definitive Proxy Statement/Prospectus (when available), as well as other filings containing information about Old National and LSB, may be obtained at the SEC's Internet site (<http://www.sec.gov>). You will also be able to obtain these documents (when available), free of charge, from Old National at [www.oldnational.com](http://www.oldnational.com) under the tab

Investor Relations

and then under the heading Financial Information

or from LSB by accessing LSB's

website at [www.lsbank.com](http://www.lsbank.com) under the tab About

and then under the heading Investor Relations.

Old National and LSB and certain of their directors and executive officers may be deemed to be participants in the solicitation of proxies from the shareholders of LSB in connection with the proposed merger.

Information about the directors and executive officers of Old National is set forth in the proxy statement for Old National's 2014 annual meeting of shareholders, as filed with the SEC on a Schedule 14A on March 14, 2014. Information about the directors and executive officers of

LSB is set forth in the proxy statement for

LSB's 2014 annual meeting of shareholders, as filed with the SEC on a Schedule 14A on March 14, 2014.

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 definitive 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.

5

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, statements about the expected timing, completion, financial benefits and other effects of Old National's proposed mergers with United Bancorp, Inc. (United), LSB Financial Corp. (LSB) and Founders Financial Corp. 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 mergers might not be realized within the expected timeframes and costs or difficulties relating to integration matters might be greater than expected; the requisite shareholder and regulatory approvals for the proposed mergers with LSB and Founders might not be obtained; market, economic, operational, liquidity, credit and interest rate risks associated with Old National's businesses; 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 plans (including its pending acquisitions of United, LSB and Founders); 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; 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.

6

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 issuer; 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.

7  
Executing the Plan  
2Q14 Highlights

Continued  
execution  
of  
our

M&A  
strategy  
of  
adding  
higher-growth  
markets  
Continue to  
Grow Core  
Revenue

Organic  
loan  
growth  
of  
\$139.6  
million

,  
or  
11.4%  
annualized,

over  
1Q14  
and  
growth  
of  
\$214.0  
million

,  
or  
4.0%,  
from  
2Q14

Total  
revenue  
growth  
of  
4.1%  
from  
2Q13

Organic growth in Banking, Wealth Management and Insurance  
Reduce  
Operating  
Expenses  
Transform  
the  
Franchise  
Into Higher-  
Growth

Markets

Operational expenses declined \$.5 million from 2Q13

Tower  
cost  
savings  
of  
35%+  
on  
track  
as  
announced

50%  
to  
be  
realized  
in  
2  
nd  
half of 2014

Expected United Bancorp, Inc. cost savings of 32% forecasted on track as  
announced

25%  
to  
be  
realized  
in  
2014

1  
Excluding change in FDIC covered loans, loans acquired in acquisitions and loans sold

2  
Excluding changes in securities gains, accretion income and amortization of the indemnification asset

3  
Refer to slide 13 for definition of operational expenses

Ann Arbor, MI

Anticipate closing United Bancorp, Inc. acquisition

July 31,

2014

Fort Wayne, IN

Tower acquisition closed and fully converted

Lafayette, IN

Announced pending acquisition of LSB Financial Corp.

Grand Rapids, MI

Announced pending acquisition of Founders Financial Corp.

1

1

2  
3

8

2Q14 Financials

Net income of \$18.8 million or \$.18 per share

Included in 2Q14 are the following items

\$6.3 million in pre-tax merger and integration charges

\$10.5 million unfavorable pre-tax change in indemnification asset

\$.8 million pre-tax in other expense items

\$1.0 million unfavorable income tax adjustment

Chris Wolking  
Chief Financial Officer

10  
Adjusted Income

Strong Growth  
\$ in millions

1  
\$89.9  
\$100.4

\$117.0

\$61.5

2011

2012

2013

YTD June 30, 2014

Adjusted income represents income before taxes less accretion income, change in indemnification assets, merger/integration expenses and costs associated with branch divestitures

CAGR of 14.1%

from 2011 to

2013

CAGR of 13.4%

from 2011 to

1H2014

1

Non-GAAP financial measure which Management believes is useful in evaluating the financial results of the Company see A

11  
Total Revenue  
Increasing Core Revenues  
\$ in millions  
Growth of \$4.5  
million, or 4.1%,  
2Q13 to 2Q14 in  
core revenue

\$123.6

\$123.5

\$122.4

2Q13

1Q14

2Q14

Accretion Income

Revenue Less Securities Gains, Accretion Income and Amortization

Amortization of Indemnification Asset

of Indemnification Asset

12  
Net Interest Margin  
1  
2Q13  
1Q14  
2Q14  
Total NIM  
3.97%

4.22%

4.07%

Tower Accretion

N/A

N/A

0.06%

IN Community Accretion

0.29%

0.33%

0.15%

Integra Accretion

0.32%

0.48%

0.56%

Monroe Accretion

0.07%

0.05%

0.04%

ONB Core<sup>2</sup>

3.29%

3.36%

3.26%

3.97%

4.22%

4.07%

Fully taxable equivalent basis, non-GAAP financial measure which Management believes is useful in evaluating the financial performance of the Company on a

Appendix for Non-GAAP reconciliation

ONB Core includes contractual interest income of Monroe, Integra and IN Community loans

N/A Not applicable

1

2

13

\$ in millions

Noninterest Expense

Well Controlled

\*Other Expenses include:

In 2Q13, \$1.3 million impairment on property held for sale, \$.6 million for the BSA/AML project, a \$.5 million litigation settlement, \$.3 million for ATM/branch optimization, \$.3 million for debt extinguishment charges, a \$2.1 million reversal of provision for unfunded commitments and a \$1.3 million refund of FDIC assessment.

In 1Q14, \$2.3 million real estate tax refund and \$.4 million in professional fees related to the real estate tax refund

In 2Q14, \$.4 million in accelerated retirement expenses and \$.4 million in state tax receivable write-off

2Q14 operational

expenses include

\$.8 million in annual

merit increases

Anticipated

acquisition costs in

3Q14 of \$3 million to

\$5 million

(\$1.9)

(\$0.4)

\$85.2

\$83.6

\$84.7

\$0.8

\$0.9

\$2.5

\$6.3

\$1.2

\$0.8

\$0.9

\$2.2

\$3.3

\$3.2

\$86.9

\$88.3

\$98.1

2Q13

1Q14

2Q14

14  
Change  
in  
Net  
Interest  
Income  
1  
Interest Rate Sensitivity

1

Comparisons from flat rates, which assume stable rates and a stable balance sheet. These scenarios do not take into account changes in rates and/or volumes in the balance sheet.

0.46%

-

-3.36%

-5.18%

-2.55%

-3.34%

3.41%

1.54%

1.13%

1.45%

1.26%

1.67%

1.68%

2.19%

2.24%

2.36%

3Q12

1Q13

2Q13

3Q13

4Q13

1Q14

2Q14

NII 200 Up

NII Forward

0.08%

15  
Tangible Common Book Value  
1  
Acquisition  
Of Integra  
Bank From  
FDIC  
7-29-11

Acquired IN  
Community  
Bancorp 9-15-12  
Acquired Bank of  
America  
Branches 7-12-13  
Acquired Tower  
Financial  
Corporation  
4-25-14  
Originally  
estimated  
TBV at Tower  
close of \$7.68  
2Q11  
2Q12  
2Q13  
2Q14  
\$7.79  
\$8.35  
\$8.23  
\$7.85  
\$8.08  
\$7.92  
1

Non-GAAP financial measure management believes is useful in evaluating the financial results of the Company see Appendix

Jim Sandgren  
Chief Banking Officer

17  
Loan Growth  
Excluding Covered Loans  
\$4,912.8  
\$5,379.1  
\$360.8  
\$214.0  
\$108.5

2Q13

Loan Sales

Loans Obtained

Through

Acquisitions

Organic Growth

2Q14

End of period balances -

\$ in millions

18  
36.5%  
34.0%  
36.6%  
39.9%  
2Q13  
1Q14  
2Q14

Commercial Line Utilization

\$254

\$335

\$349

\$160

\$131

\$83

\$93

\$58

\$98

\$507

\$524

\$530

2Q13

1Q14

2Q14

Commercial Loan Pipeline

Discussed

Proposed

Accepted

Commercial Loans

\$ in millions

2007-2008 Average

19  
\$0.6  
\$6.4  
\$7.5  
2Q13  
2Q14  
Wealth Management  
Fee-Based Business Revenue

\$ in millions

\$4.1

\$4.1

2Q13

2Q14

Investments

\$9.3

\$9.8

2Q13

2Q14

Insurance

Daryl Moore  
Chief Credit Officer

21  
Net Charge-Offs / Provision  
\$ in millions  
1  
Excludes FDIC-covered loans  
0.01%  
-0.02%  
0.01%

0.51%  
-0.39%  
1.94%  
2Q13  
1Q14  
2Q14  
Non-Covered  
Covered  
2Q13  
1Q14  
2Q14  
Consolidated NCOs  
0.04%  
(0.03%)  
0.07%  
Provision for Loan  
Losses  
1  
(\$3.3)  
(\$0.4)  
\$1.1  
Consolidated Provision  
for Loan Losses  
(\$3.7)  
\$0.0  
(\$0.4)

22

\$ in millions

1

Loans less those acquired through the Tower Financial transaction

Credit Quality

Excluding Covered Loans

ONB

Risk Grade

Grade

Name

0

Investment Grade

1

Minimal Risk

2

Modest Risk

3

Average Risk

4

Monitor

5

Weak Monitor

6

Watch

7

Criticized (Special Mention)

8

Classified (Substandard Accruing)

9

Nonaccruing + Doubtful

\$152.8

\$112.3

\$112.9

\$98.8

2Q13

1Q14

2Q14

Special Mention Loans

\$68.9

\$85.7

\$107.2

\$99.5

1

2Q13

1Q14

2Q14

Substandard Accruing Loans

\$129.5

\$84.8

\$96.7

\$75.9

1

2Q13

1Q14

2Q14

Substandard Nonaccruing + Doubtful

Loans

1

Bob Jones  
Chief Executive Officer

24  
Update on Acquisitions  
Michigan / Northern Indiana Branches  
Tower Financial Corporation

Fort Wayne, IN  
United Bancorp, Inc.

Ann Arbor, MI  
LSB Financial Corp.

Lafayette, IN

25  
ONB to Acquire Founders Bank & Trust  
ONB  
UBMI  
1  
LSBI  
1  
FB&T

Founders Bank & Trust offers 4 branches,  
\$466 million in total assets and \$378  
million in deposits

2

in Grand Rapids,  
giving ONB a strong opportunity to enter  
this vibrant market

Includes \$353 million in assets under  
management

Expansion in Grand Rapids is a key part  
of ONB's strategy

Consistent with ONB's goal of  
transforming the franchise into higher  
growth markets

Significantly enhances ONB's  
presence in the second largest MI  
market

1

Pending branches from United Bancorp, Inc. and LSB Financial Corp. transaction

2

As of June 30, 2014, per Company documents



354,530

163,845

80,847

424,258

1,017,542

332,269

209,563

Ann Arbor

Bloomington

Columbus

Fort Wayne

Grand

Rapids

Kalamazoo

Lafayette

Promising Markets

Using U.S. census data, SNL Financial June 30, 2013 FDIC market share data

Grand Rapids, Michigan

Large employers in Grand Rapids area

2014 Population

Total

Deposit

Rank

Institution Name

Total

Active

Branches

Total

Deposits

(\$000)

Total Deposit

Market

Share (%)

1

Fifth Third Bancorp

42

2,949,671

23.19

2

Wells Fargo & Co.

1

2,103,751  
16.54  
3  
JPMorgan Chase & Co.  
29  
1,573,960  
12.38  
4  
Huntington Bancshares Inc.  
26  
1,260,726  
9.91  
5  
Mercantile Bank Corp.  
6  
918,269  
7.22  
6  
Chemical Financial Corp.  
11  
507,546  
3.99  
7  
Macatawa Bank Corp.  
12  
480,586  
3.78  
8  
Comerica Inc.  
9  
399,327  
3.14  
9  
Founders Financial Corp.  
4  
386,458  
3.04  
10  
PNC Financial Services Group Inc.  
14  
314,577  
2.47  
Market Total  
203  
12,718,619  
100.00  
Kent county market share  
26  
Second highest population in Michigan  
May, 2014 unemployment rate of 5.4%, compared to the

national rate of 6.3%  
Ranked 24th in Forbes  
2013 Best cities to find jobs

Loan credit mark estimated at \$11.1 million, or 3.0% of total gross loans

Loan interest rate market estimated at \$11.4, or 3.1% of total gross loans

Projected capital ratios exceed well-capitalized  
guidelines

Transaction with established and complementary customer base and business mix

Retention of key management members

Positive relationship with Founders management and board

Transaction Rationale

Compelling

Strategic

Rationale

Meaningful extension to Grand Rapids that strengthens ONB's overall Michigan footprint by reinforcing its high-quality markets

Adds 4 full-service branches with \$378 million in deposits and \$355 million in loans

Further distances ONB from the \$10B Durbin threshold with over \$12.1B in pro forma assets

Well-defined, achievable operating efficiencies that drive enhanced operating leverage and profitability

Financially

Attractive

Allows Old National to prudently and accretively deploy excess capital, based upon conservative assumptions

Approximately \$1.7 million, \$.02 per share, accretive to 2015 earnings

Approximately \$9.5 million to \$12.5 million, or \$.05 to \$.07 per share, thereafter

Tangible book value dilution of approximately 4.2% at closing

Tangible

book

value

earn

back

period

of

approximately

5.25

years

(inclusive

of

\$7.8

million

in

acquisition

costs)

Expected to create goodwill and intangibles of approximately \$58.4 million

Expected cost savings of 30% -  
anticipate 67% realized in 2015 and 100% realized in 2016

Low Risk

Opportunity

Consideration

of

3.25

common

shares

of

ONB

+

\$38.00

per

share

in

cash

(fixed)

for

each

common

share

of

Founders

assuming ONB price of \$13.87 (closing price as of July 25, 2014)

Approximately

54%

stock

/

46%

cash

Assumes

3.4

million

shares

of

ONB

common

stock

issued

210% price / tangible book value (6/30/14) and 15.0x P/2013 earnings

1

The exchange ratio is subject to adjustment under certain circumstances as provided in the merger agreement.

2

Defined as the number of years for pro forma TBV per share to exceed stand-alone projected TBV per share, inclusive of acquisition charges

27

Financial data as of June 30, 2014, per SNL Financial and Company documents assumes merger and acquisition charges to

Implied  
transaction  
value  
of  
approximately  
\$83.08  
per  
Founders  
share  
and  
\$88.2  
million  
in  
the  
aggregate,  
1  
2

Old National Bancorp  
Thank You  
Q&A



30  
Returned to  
community  
bank model  
2004  
2005  
Sold non-  
strategic

market  
Clarksville, TN

5 branches  
2006  
Sold non-  
strategic market

O Fallon, IL

1 branch

2007

2008

2009

2010

2011

2012

2013

Acquired St.  
Joseph Capital  
Entry into  
Northern IN  
market

February, 2007

Acquired 65

Charter One

branches

throughout

Indiana

March, 2009

Acquired Monroe

Bancorp

Enhanced  
Bloomington, IN  
presence

January, 2011

Acquired IN

Community

Entry into

Columbus, IN

September, 2012

FDIC-assisted  
acquisition of

Integra Bank

July, 2011

Sold non-  
strategic

market

Chicago-area -

4 branches

Consolidation of  
21 branches  
Acquired 24  
MI / IN branches  
July, 2013  
Consolidation  
of 2 branches  
Consolidation  
of 8 branches  
Consolidation  
of 1 branch  
Consolidation  
of 10 branches  
Consolidation  
of 12 branches  
Consolidation  
of 44 branches  
Consolidation  
of 5 branches  
Sold 12  
branches  
Consolidation  
of 22 branches  
Acquired 182 + 27 pending  
Sold 22  
Consolidated 128  
Acquired Tower  
Financial  
Enhancing Ft.  
Wayne, IN  
presence April,  
2014  
Transforming Old National's Landscape  
Pending  
acquisition of  
United  
Bancorp, Inc.  
Entry into  
Ann Arbor, MI  
2014  
Consolidation  
of 3 branches  
Pending  
acquisition of  
LSB Financial  
Corp.  
Enhancing  
Lafayette, IN  
presence  
Pending

acquisition of  
Founders  
Financial  
Corporation  
Entry into Grand  
Rapids , MI

31

Balance Sheet Mix as of March 31, 2014

1

Excludes purchase accounting adjustments

Per SNL Financial/company documents as of March 31, 2014, including Tower and pending United Bancorp, Inc. and LSB Fin

Yield on Loans: 5.16%

Total Loans: \$6,407,379

Yield on Loans: 4.58%

Total Loans: \$346,482  
Yield on Loans: 5.13%  
Total Loans: \$6,753,861  
Cost of Deposits: 0.23%  
Total Deposits: \$8,962,261  
Cost of Deposits: 0.59%  
Total Deposits: \$378,559  
Cost of Deposits: 0.24%  
Total Deposits: \$9,340,820  
Pro Forma  
1  
Founders Bank & Trust  
Old National Bancorp  
1  
Pro Forma  
1  
Old National Bancorp  
1  
Founders Bank & Trust

32

Covering Durbin

Anticipated 2015 earnings per share accretion from recent acquisitions

1

:

Tower Financial Corp.     \$.08 to \$.10

United Bancorp             \$.06

LSB Financial Corp.        \$.03

Founders Financial Corp. \$.02

Durbin amendment expected to impact earnings \$.04 to \$.07 per share after-tax on an annualized basis

Actual 2015 Durbin impact expected to impact earnings \$.02 to \$.04 per share after-tax (due to July 1

st  
, 2015 effective date)

\$.19 to \$.21 cumulative accretion

Our recent acquisitions are expected to cover our anticipated Durbin impact

1  
Anticipated earnings accretion at each respective deal s announcement date

Interest Rate Curves

0%  
1%  
2%  
3%  
4%  
5%  
6%

1M  
2M  
3M  
4M  
5M  
6M  
9M  
1Y  
1.5Y  
2Y  
2.5Y  
3Y  
4Y  
5Y  
7.5Y  
10Y  
15Y  
20Y  
30Y  
Up 200 vs. Base  
Base  
Up 200  
0%  
1%  
1%  
2%  
2%  
3%  
3%  
4%  
4%  
1M  
2M  
3M  
4M  
5M  
6M  
9M  
1Y  
1.5Y  
2Y  
2.5Y  
3Y  
4Y  
5Y  
7.5Y  
10Y  
15Y  
20Y  
30Y

Forward Curves

6/30/2014

6/30/2015

6/30/2016

33

Investment Portfolio

1

Includes market value for both available for sale and held to maturity securities

34

\$ in millions

Federal National Mortgage Association

\$417.1

\$423.7  
 Federal Home Loan Mortgage Corporation  
 161.4  
 213.1  
 Federal Farm Credit Bank  
 75.8  
 76.7  
 Federal Farmer Mac  
 13.8  
 87.3  
 Subtotal U.S. Government Agencies-Senior  
 Debentures  
 \$674.7  
 \$804.1  
 \$668.1  
 \$800.8  
 \$132.7  
 U.S. Treasury  
 \$15.6  
 \$11.0  
 \$15.7  
 \$11.2  
 (\$4.5)  
 Issued or guaranteed by FNMA, FHLMC, GNMA  
 1,269.3  
 1,238.0  
 1,263.2  
 1,234.6  
 Nonagency guaranteed  
 16.1  
 15.4  
 16.6  
 15.9  
 Subtotal Mortgage Backed Securities  
 \$1,285.4  
 \$1,253.4  
 \$1,279.8  
 \$1,250.5  
 (\$29.3)  
 Trust Preferred  
 31.6  
 31.6  
 19.4  
 19.5  
 Other Corporate  
 290.3  
 293.6  
 291.4  
 296.2  
 Subtotal Corporate Securities

\$321.9  
\$325.2  
\$310.8  
\$315.7  
\$4.9  
Municipal Securities  
Taxable  
\$231.6  
\$218.3  
\$257.0  
\$255.6  
(\$1.4)  
Municipal Securities  
Tax Exempt  
\$587.4  
\$733.6  
\$596.4  
\$745.1  
\$148.7  
Other Securities  
\$94.8  
\$98.9  
\$94.8  
\$98.9  
\$4.1  
Totals  
\$3,211.4  
\$3,444.5  
\$3,222.6  
\$3,477.8  
\$255.2  
Book  
Value  
Mar. 31,  
2014  
Book  
Value  
June 30,  
2014  
Market  
Value  
1  
Mar. 31,  
2014  
Market  
Value  
1  
June 30,  
2014  
Market

Value \$  
Change

35

Investment Portfolio

1

Money market investments includes balances in the Federal Reserve Bank Account

\$ in thousands

Effective

Duration

Mar. 31,

2014  
 Effective  
 Duration  
 June 30,  
 2014  
 Book  
 Value  
 Mar. 31,  
 2014  
 Book  
 Value  
 June 30,  
 2014  
 Money Market Investments  
 1  
 0.01  
 0.01  
 \$12,827  
 \$15,958  
 Treasuries  
 1.84  
 2.37  
 15,560  
 11,025  
 Agencies  
 4.03  
 3.55  
 674,709  
 804,063  
 Pools  
 2.47  
 2.28  
 523,766  
 485,074  
 CMOs  
 3.68  
 3.43  
 776,396  
 768,368  
 Municipals  
 7.75  
 7.34  
 819,022  
 951,847  
 Corporates  
 2.46  
 3.11  
 137,032  
 135,886  
 ABS

1.06  
1.29  
169,979  
189,307  
Totals  
4.40  
4.25  
\$3,129,291  
\$3,361,528

36

Average Total Loan Trends

\$ in millions

1

Includes both covered and non-covered loans

1

\$4,839

\$4,826

\$4,904

\$345

\$244

\$222

\$254

\$5,184

\$5,070

\$5,380

2Q13

1Q14

2Q14

Core ONB

Integra Bank

Tower Financial Corp.



37

Loan Portfolio at June 30, 2014

\$ in  
millions

period-end  
balances  
\$21.6 Comml, \$51.0 CRE, \$73.5 Consumer, \$25.0 Resi Mortg

Commercial

\$1,498.8

Commercial Real Estate

1,354.7

Consumer

808.5

Residential Mortgage

1,425.2

HELOC

280.5

Covered Loans (Integra)

171.1

Total Loans

\$5,538.8

Commercial

27%

Commercial

Real Estate

24%

Consumer

15%

Residential

Mortgage

26%

HELOC

5%

Covered Loans

(Integra)

3%

38  
Covered Assets / Risk Grades  
On  
this  
portfolio  
of  
covered  
loans\*,

the  
 FDIC  
 will  
 reimburse  
 Old  
 National  
 for  
 80%  
 of  
 the  
 losses  
 up  
 to  
 \$275.0  
 million, 0% of losses from \$275.0 million up to \$467.2 million and 80% of losses in excess of \$467.2 million.  
 2Q13  
 1Q14  
 1Q14  
 Loans 90+ Days & Over  
 \$-  
 \$-  
 \$0.1  
 Grades 1 through 6 - Pass  
 \$89.1  
 \$56.7  
 \$46.1  
 Special Mention  
 14.0  
 7.5  
 6.5  
 Substandard Accruing  
 6.6  
 2.7  
 3.0  
 Nonaccruing + Doubtful  
 60.3  
 24.6  
 19.0  
 Retail Loans  
 118.6  
 102.7  
 98.5  
 Total Covered Loans  
 \$288.6  
 \$194.2  
 \$171.1  
 Other Real Estate Owned  
 \$23.1  
 \$12.9  
 \$11.2

ONB

Risk Grade

Grade

Name

0

Investment Grade

1

Minimal Risk

2

Modest Risk

3

Average Risk

4

Monitor

5

Weak Monitor

6

Watch

7

Criticized (Special  
Mention)

8

Classified (Substandard  
Accruing)

9

Nonaccruing + Doubtful

\$ in millions    period-end balances

\*Covered loans shown net of \$70.5 million discount

39  
Credit Quality  
Excluding Covered Loans  
See Appendix for definition of Peer Group  
1  
As a % of end of period total loans  
Peer Group data per SNL Financial  
1.07%

0.85%

2Q13

1Q14

2Q14

30+

Day

Delinquent

Loans

1

ONB

Peer Group Average

0.44%

0.30%

2Q13

1Q14

2Q14

90+

Day

Delinquent

Loans

1

ONB

Peer Group Average

40

Credit Quality

ALLL and Mark Summary

\$ in millions

1

Non-GAAP financial measure which Management believes useful to demonstrate that the remaining discount considers credit  
of total coverage N/A = not applicable

At June 30, 2014

ONB  
 Legacy  
 Monroe  
 Integra  
 IN  
 Community  
 Tower  
 Total  
 Allowance for Loan Losses (ALLL)  
 \$40.4  
 \$1.5  
 \$3.9  
 \$0.1  
 \$0.2  
 \$46.2  
 Loan Mark  
 N/A  
 \$8.9  
 \$70.5  
 \$28.9  
 \$26.0  
 \$134.3  
 Total ALLL/Mark  
 \$40.4  
 \$10.4  
 \$74.3  
 \$29.0  
 \$26.2  
 \$180.4  
 Pre-Mark Loan Balance  
 \$4,688.0  
 \$140.6  
 \$251.7  
 \$214.1  
 \$378.7  
 \$5,673.1  
 ALLL/Pre-Mark Loan Balance  
 0.86%  
 1.10%  
 1.54%  
 0.06%  
 0.05%  
 0.81%  
 Mark/Pre-Mark Loan Balance  
 N/A  
 6.31%  
 27.99%  
 13.51%  
 6.87%  
 2.37%

Loan Balance

1

0.86%

7.41%

29.53%

13.56%

6.92%

3.18%

Allowance For Loan and Lease Loss/Loan Mark Summary

41  
CD Maturity Schedule  
Represents CD maturities at June 30, 2014  
Bucket

Amount
(\$ in 000 s)
Rate
0-30 days
87,962
0.55%
31-60 days
70,228
0.66%
61-90 days
66,387
0.48%
91-120 days
51,787
0.47%
121-150 days
47,046
0.43%
151-180 days
51,746
0.47%
181-210 days
33,767
0.82%
211-240 days
28,877
0.89%
241-270 days
39,501
0.69%
271-300 days
36,968
1.08%
301-330 days
25,155
0.49%
331-365 days
24,460
0.44%
1-2 years
178,380
1.47%
2-3 years
142,225
3.07%
3-4 years
33,266
1.13%
4-5 years
36,269

0.94%  
Over 5 years  
30,905  
1.90%

42

Capital Ratios

See Appendix for definition of Peer Group

Peer Group data per SNL Financial

\$ in millions

1

See Appendix for Non-GAAP reconciliation

Tangible Common Equity 3/31/2014

\$808.4  
2Q Earnings  
18.8  
2Q Dividend  
(11.6)  
Issuance of Shares from Acquisition  
78.7  
Changes in OCI - Securities  
6.3  
Increase in Goodwill & Intangibles  
(62.5)  
Tangible Common Equity 6/30/2014  
\$838.1  
14.4%  
14.8%  
14.0%  
13.1%  
13.1%  
2Q13  
1Q14  
2Q14  
ONB  
Peer Group Average  
8.7%  
8.8%  
8.4%  
8.1%  
8.4%  
2Q13  
1Q14  
2Q14  
Tangible Common Equity to Tangible  
Assets  
ONB  
Peer Group Average  
1  
Tier 1 Risk-Based Capital Ratio

43  
Noninterest Income  
\$ in millions  
\$(1.5)  
\$(7.3)  
\$(10.5)  
\$11.8  
\$11.1

\$11.8

\$6.7

\$8.1

\$7.4

\$21.4

\$22.3

\$22.7

\$5.9

\$5.7

\$6.5

\$44.3

\$39.9

\$37.9

2Q13

1Q14

2Q14

Debit Card and ATM Fees

Fee-based business: Wealth Management, Insurance, Mortgage  
and Investments

Other Income

Service Charges on Deposits

Amortization of Indemnification Asset

44  
Non-GAAP Reconciliations  
\$ in millions  
2011  
2012  
2013  
YTD June 30,  
2014

Total Revenues  
 \$455.8  
 \$498.6  
 \$502.2  
 \$248.1  
 Less: Provision for Loan Losses  
 (\$7.5)  
 (\$5.0)  
 \$2.3  
 \$0.4  
 Less: Noninterest Expense  
 (\$348.5)  
 (\$365.8)  
 (\$362.0)  
 (\$186.4)  
 Taxable Equivalent Adjustment  
 \$11.8  
 \$13.2  
 \$16.9  
 \$8.2  
 Pre-tax Income (FTE)  
 \$111.6  
 \$141.0  
 \$159.4  
 \$70.4  
 Less: Total Accretion  
 \$36.9  
 \$57.5  
 \$59.0  
 \$35.5  
 Change in IA  
 (\$0.4)  
 \$3.4  
 \$9.3  
 \$17.8  
 Mergers/Integration Expenses  
 \$16.9  
 \$7.9  
 \$5.9  
 \$8.9  
 Branch Divestitures  
 (\$1.2)  
 \$5.7  
 \$1.4  
 \$0.0  
 Adjusted Income  
 \$89.9  
 \$100.4  
 \$117.0  
 \$61.5

2Q13	
1Q14	
2Q14	
Total Revenues	
\$125.4	
\$124.0	
\$124.1	
Less: Provision for Loan Losses	
\$3.7	
\$0.0	
\$0.4	
Less: Noninterest Expense	
(\$86.9)	
(\$88.3)	
(\$98.1)	
Pre-tax Income	
\$42.2	
\$35.7	
\$26.4	
Add: Provision for Loan Losses	
(\$3.7)	
\$0.0	
(\$0.4)	
Pre-Tax, Pre-Provision Income	
\$38.5	
\$35.7	
\$26.0	
Less: Securities Gains/Losses	
(\$1.8)	
(\$0.5)	
(\$1.7)	
Add: Merger and Integration Expenses	
\$0.9	
\$2.4	
\$6.3	
Pre-Tax, Pre-Provision Income, Net of Securities Gains and Merger and Integration Expenses	
\$37.6	
\$37.6	
\$30.6	

45  
Non-GAAP Reconciliations  
\$ in millions  
end of period balances  
2Q13  
1Q14  
2Q14  
Total Shareholders

Equity  
 \$1,167.0  
 \$1,185.2  
 \$1,277.3  
 Deduct: Goodwill and Intangible  
 Assets  
 (364.4)  
 (376.8)  
 (439.3)  
 Tangible Common Shareholders  
 Equity  
 \$802.6  
 \$808.4  
 \$838.1  
 Total Assets  
 \$9,641.1  
 \$9,544.8  
 \$10,387.9  
 Add: Trust Overdrafts  
 0.1  
 0.0  
 0.0  
 Deduct: Goodwill and Intangible  
 Assets  
 (364.4)  
 (376.8)  
 (439.3)  
 Tangible Assets  
 \$9,276.7  
 \$9,168.0  
 \$9,948.7  
 Tangible Equity to Tangible Assets  
 8.65%  
 8.82%  
 8.42%  
 Tangible Common Equity to Tangible  
 Assets  
 8.65%  
 8.82%  
 8.42%  
 Net Income  
 \$28.5  
 \$26.5  
 \$18.8  
 After-Tax Intangible Amortization  
 1.5  
 1.5  
 1.7  
 Tangible Net Income  
 \$30.0

\$28.0

\$20.4

ROTCE

14.95%

13.84%

9.76%

46  
Non-GAAP Reconciliations  
\$ in millions  
end of period balances  
2Q13  
1Q14  
2Q14  
Total Shareholders

Equity  
 \$1,167.0  
 \$1,185.2  
 \$1,277.3  
 Deduct: Goodwill and  
 Intangible Assets  
 (364.4)  
 (376.8)  
 (439.3)  
 Tangible Common  
 Shareholders  
 Equity  
 \$802.6  
 \$808.4  
 \$838.1  
 Risk Weighted Assets  
 \$5,640.7  
 \$5,729.5  
 \$6,339.2  
 Tangible Common  
 Equity to Risk Weighted  
 Assets  
 14.23%  
 14.11%  
 13.22%  
 end of period balances  
 2Q13  
 1Q14  
 2Q14  
 Total Shareholders  
 Equity  
 \$1,167.0  
 \$1,185.2  
 \$1,277.3  
 Deduct: Goodwill and  
 Intangible Assets  
 (364.4)  
 (376.8)  
 (439.3)  
 Tangible Common  
 Shareholders  
 Equity  
 \$802.6  
 \$808.4  
 \$838.1  
 Common Shares Issued  
 and Outstanding at  
 Period End  
 100,881  
 100,084

105,851

Tangible Common Book

Value

\$7.96

\$8.08

\$7.92

47  
Non-GAAP Reconciliations  
\$ in thousands  
2Q13  
1Q14  
2Q14  
Net Interest Income  
\$79,191

\$83,478

\$84,482

Taxable Equivalent Adjustment

4,243

3,931

4,256

Net Interest Income Taxable Equivalent

\$83,434

\$87,409

\$88,738

Average Earning Assets

\$8,406,635

\$8,276,267

\$8,730,063

Net Interest Margin

3.77%

4.03%

3.87%

Net Interest Margin Fully Taxable

Equivalent

3.97%

4.22%

4.07%

48  
Non-GAAP Reconciliations  
\$ in thousands  
Efficiency Ratio - As Reported  
2Q13  
1Q14  
2Q14  
Net Interest Income (FTE)

\$83.4  
 \$87.4  
 \$88.7  
 Noninterest Income Less Security Gains  
 44.4  
 40.1  
 38.0  
 Revenue Less Security Gains  
 127.8  
 127.5  
 126.7  
 Noninterest Expense  
 86.9  
 88.3  
 98.1  
 Intangible Amortization  
 1.8  
 1.8  
 2.0  
 Noninterest Expense Less Intangible Amortization  
 85.1  
 86.4  
 96.1  
 Efficiency Ratio  
 66.52%  
 67.77%  
 75.85%  
 Impact of Current Year Partnerships  
 2Q13  
 1Q14  
 2Q14  
 Net Interest Income (FTE)  
 \$0.0  
 \$0.0  
 \$4.5  
 Noninterest Income Less Security Gains  
 0.0  
 0.0  
 1.2  
 Revenue Less Security Gains  
 0.0  
 0.0  
 5.7  
 Noninterest Expense  
 0.9  
 2.5  
 8.5  
 Intangible Amortization  
 0.0  
 0.0

0.3  
Noninterest Expense Less Intangible Amortization  
0.9  
2.5  
8.2  
Efficiency Ratio Excluding Impact of Current Year Partnerships  
2Q13  
1Q14  
2Q14  
Net Interest Income (FTE)  
\$83.4  
\$87.4  
\$84.3  
Noninterest Income Less Security Gains  
44.4  
40.1  
36.8  
Revenue Less Security Gains  
127.8  
127.5  
121.1  
Noninterest Expense  
86.0  
85.8  
89.6  
Intangible Amortization  
1.8  
1.8  
1.7  
Noninterest Expense Less Intangible Amortization  
84.2  
83.9  
87.9  
Efficiency Ratio  
65.88%  
65.81%  
72.58%

49

Old National's Peer Group

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

1st Source Corporation

SRCE

Heartland Financial USA, Inc.

HTLF

BancFirst Corporation  
BANF  
IBERIABANK Corporation  
IBKC  
BancorpSouth, Inc.  
BXS  
MB Financial, Inc.  
MBFI  
Bank of Hawaii Corporation  
BOH  
Park National Corporation  
PRK  
Chemical Financial Corporation  
CHFC  
Pinnacle Financial Partners, Inc.  
PNFP  
Commerce Bancshares, Inc.  
CBSH  
Prosperity Bancshares, Inc.  
PB  
Cullen/Frost Bankers, Inc.  
CFR  
Renasant Corp.  
RNST  
F.N.B. Corporation  
FNB  
S&T Bancorp, Inc.  
STBA  
First Commonwealth Financial Corporation  
FCF  
Susquehanna Bancshares, Inc.  
SUSQ  
First Financial Bancorp.  
FFBC  
Trustmark Corporation  
TRMK  
First Interstate BancSystem, Inc.  
FIBK  
UMB Financial Corporation  
UMBF  
First Merchants Corporation  
FRME  
United Bankshares, Inc.  
UBSI  
First Midwest Bancorp, Inc.  
FMBI  
Valley National Bancorp  
VLY  
FirstMerit Corporation  
FMER

WsBanco, Inc.

WSBC

Fulton Financial

FULT

Wintrust Financial Corporation

WTFC

Glacier Bancorp, Inc.

GBCI

50

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

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