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With Proxy Statement and Notice of Annual Meeting



## **To our valued shareholders:**

It is with great pride that we share with you the 2012 Annual Report. This was indeed a year when our commitment to being a high performance organization clearly produced outstanding financial results for your company. But Old National's success last year was much more than financial. Building upon our core values of integrity, teamwork, leadership, community, responsibility with accountability, bias for action, and excellence, Old National continued to achieve recognition and honors regionally and nationally for excellence in our industry.

That was never more evident than in our recognition as one of the World's Most Ethical Companies. First honored in 2012, Old National was named to this list again in 2013 by Ethisphere, an independent firm that examines a company's organizational health and culture, ethics and compliance programs, and corporate governance systems. The Board of Directors, senior management team, and most especially, each and every associate share in the honor this distinction brings. Fewer than 150 companies worldwide receive this recognition annually, and Old National is the only U.S.-based bank to be named to the list.

## **Transforming the Old National landscape**

Since 2004, we have focused on transforming the Old National landscape with three objectives in mind:

- To create value for Old National and its shareholders by growing market share in Indiana and contiguous growth markets;
- To move from a franchise dominated by slower growth markets to one composed of higher growth markets; and
- To leverage the existing infrastructure platform as a means of improving our efficiency ratio.

In 2012, your company made considerable progress toward these objectives through the acquisition of Indiana Community Bancorp as well as through strategic branch sales and consolidations. This progress will continue in 2013 with the planned acquisition of 24 banking centers from Bank of America.

### **Indiana Community Bancorp**

South Central Indiana and the I-65 corridor have long been targeted by Old National as an area for expansion. Last January, we announced our acquisition of Indiana Community Bancorp with Indiana Bank and Trust Company as its wholly owned subsidiary. Headquartered in Columbus, Indiana, ICB was an excellent cultural fit, sharing Old National's commitment to basic banking and community service. The acquisition added 17 banking centers as well as \$740.2 million in core deposits and \$479.2 million in loans to the franchise, giving us the second highest deposit share in the Columbus market.

As always, our outstanding integration team led by Director of Marketing and Merger Integration Julie Williams and Integration Project Manager Karen Lance Ubelhor, and local leadership headed by North Central Region President Mark Bradford and Market President Zac Nelson, ensured that new associates and new clients had clear, comprehensive and timely communication and support throughout the conversion. In addition, Old National Wealth Management gained a strong and experienced team of trust and investment professionals led by Senior Vice President Jody Littrell. The successful transition of banking and wealth management clients is evident in the high level of customer retention and from the positive feedback we received.

### **Branch sales and consolidations**

Old National continues to move into higher growth areas that offer greater population density, stronger employment statistics and higher household incomes. We also are diligent in looking for ways to reduce expenses and improve efficiencies. To help achieve these goals, we completed 19 branch consolidations last year and can report that client disruption and attrition were minimal and well within expectations. Early in 2013, we sold nine banking centers located in slower growth markets in Kentucky and Illinois. We estimate that these consolidations and sales will reduce annual noninterest expense by \$6.5 million to \$7.5 million and have an annual positive \$3 million to \$4 million pre-tax dollar impact on our net income.

## Bank of America

In January 2013, we announced our plan to acquire 24 Bank of America full-service branches located in Northern Indiana and Southwest Michigan with total deposits of \$729 million and less than \$9 million in loans as of February 15, 2013. The transaction is subject to regulatory approval, and conversion is scheduled to occur in the third quarter of 2013.

This expansion is reflective of our goal to move into neighboring high growth markets that will be responsive to our basic-banking strategy. It will also double our presence in South Bend and Elkhart which Old National first entered in 2007 with our purchase of St. Joseph Capital. We have had an interest in Southwest Michigan because of its comparable and favorable demographic and economic profile. With our industry undergoing disruption and consolidation there, we feel the door is open for the successful introduction of our basic-banking, community-focused strategy. We see tremendous revenue potential for our local delivery model of a broad range of services including commercial lending, cash management, wealth management and insurance.

## Highlights of our financial performance

We are pleased to report that Old National recorded 2012 full year earnings of \$.95 per common share, or net income of \$91.7 million. This represents a \$19.2 million, or a 26% increase, over full year 2011 net income of \$72.5 million. It is the highest earnings per share since the \$.95 per common share reported in 2008.

Net income for 2012 was the highest net income since \$128.1 million reported in 2002. That your company produced the highest net income in a decade clearly demonstrates the success of our basic-banking strategy.

Driving these strong results were well-executed acquisitions as well as organic loan growth of almost 7% in our non-covered loan portfolio. Old National originated more than \$1.78 billion in loans in 2012 with all areas – indirect, mortgage, direct consumer and commercial lending – exceeding 2012 goals.

Other financial performance highlights include:

- A return on equity of 8.34%, the highest since 2008 when we reported 9.49% ;
- 2012 was the first year our return on assets was greater than 1% (1.04%) since 2002 (1.38%); and
- Net interest margin of 4.23% was the highest since 4.26% was reported in 1998.

## Provision expense and credit quality

Old National experienced strong improvement in credit with lower levels of net charge-offs and provision expense. Net charge-offs of .17% were the lowest since 1999 when they were also .17%. In 2012, Old National also saw the lowest provision expense at \$5.0 million since 2007, when we reported \$4.1 million. Not only did the company see solid performance in its core loan portfolio, but notable progress was also made in working through loans acquired through recent acquisitions.

## Capital management

Your company's strong capital position remained well above industry requirements at December 31, 2012, with regulatory tier 1 and total risk-based capital ratios of 13.6% and 14.7%, respectively, compared to 12.9% and 14.1% at September 30, 2012, and

## *In memoriam*

With gratitude for her service as a member of the Old National Bancorp Board of Directors and with deep sadness upon her passing, we pay tribute to **Marjorie Z. Soyugenc** who died on November 28, 2012. Marj was a generous leader who unselfishly shared her experiences and wisdom with others. Throughout her 40-year career in the healthcare industry, including her roles as CEO of Welborn Baptist Hospital and CEO of the Welborn Baptist Foundation, Marj made lasting contributions to our community.

In 1993, Marj was the first woman elected to the Old National Bancorp Board of Directors. She served as founding chair of its Community and Social Responsibility Committee. She had an artful way of combining strength with passion. She genuinely cared about people and dedicated her life to serving others and making our community a better place to live and work.

All those whose lives she touched will greatly miss Marj and her invaluable expertise, professional leadership, and compassionate spirit. It has been our great privilege to know Marj Soyugenc. We extend our sympathy to her family and to her many friends and colleagues.

13.5% and 15.0% at December 31, 2011. This strong capital position allowed the company to be active during the year in the board-authorized stock buyback program, as Old National repurchased 250,000 shares in the open market.

Confidence in this strong capital position led the Board of Directors to declare an increase in the quarterly common cash dividend on January 24, 2013, to \$.10 per share on outstanding shares. This new dividend level represents an 11.1% increase over the previous cash dividend. This followed last year's dividend increase to \$.09 per share, announced January 26, 2012.

The Board also approved a plan to repurchase, as conditions warrant, up to 2.0 million shares of Old National Bancorp common stock through January 31, 2014. These shares may be purchased from time to time in either the open market or in privately negotiated transactions, in accordance with SEC regulations.

### **Expense management**

We continue to focus on controlling expenses and improving our efficiency ratio. To that end, Old National reduced core operating expenses, achieving an efficiency ratio of 71.83%, the lowest since the 69.39% reported in 2008.

### **Stock price**

In terms of our stock price performance, we manage your company with the goal of building long-term shareholder value. In 2012, the Old National stock price rose 1.89% over 2011. However, this falls below the average results in our peer group. We are not satisfied with these results and know that you, our owners, deserve better. We remain steadfast in our commitment to our basic-banking strategy as we continue to transform the Old National landscape to higher growth markets, drive organic loan growth and improve efficiency. To that end, Old National's current year-to-date stock performance (as of February 28, 2013) is up by 13.7%, while our peer group is up by only 6.8%.

### **Responding to a changing regulatory environment**

Old National is proud of the excellent relationship we have with our regulators who ensure that our industry and our nation's financial system remains strong, stable and sound. In this heavily regulated environment, Old National continues to lead the industry in benchmarks for ethics and compliance.

We are committed to constantly improving our practices in order to safeguard our shareholders, associates, clients and communities. In June, Old National signed a consent order with the Office of the Comptroller of the Currency (OCC) to address certain deficiencies related to Bank Secrecy Act/Anti-Money Laundering (BSA/AML) regulations. Under the leadership of Chief Risk Officer Candice Rickard and BSA Officer Denise Rexing, Old National is nearing completion of program initiatives designed to address the issues identified. While we are disappointed that our procedures and systems were deficient, we are exceedingly proud of the dedicated team of associates who are working diligently on this initiative.

### **Our greatest asset: our Old National associates**

The success of 2012 rests firmly in the hands of Old National's passionate, dedicated associates. Our people are indeed our greatest asset in driving outstanding financial results and helping to build an extraordinary financial brand. With an overall associate satisfaction score of 74%, Old National continues to significantly exceed national benchmarks for our industry.

It is also clear that our associates are indeed champions for their communities, contributing more than 93,000 hours of volunteer service with a company-wide participation rate of 61%. Two regions had exceptional levels of associate engagement. The Western Kentucky region achieved a remarkable 100% participation rate. In the Jasper Indiana Region, 99% of associates were involved in volunteer service.

### **Investing in our people**

Every Old National associate is a leader. One of your company's most important responsibilities is to help each of them grow in their leadership roles. Under the guidance of Director of Talent Management Julie McCarty and ON University Training Director Wendy Scott, Old National made additional investments and enhancements in leadership training last year. More than 560 associates participated in programs such as the Career Track initiative which prepares a skilled pool of future managers, the mentoring-based Emerging Leader program and the Leadership Academy which is open to all associates.

Encouraging employees to focus on personal health and wellness provides a significant long-term return on investment to your company. ONB Well, a health and wellness program, was introduced in 2012 to provide every associate tools and resources related to diet, exercise, stress management and more. More than 54% of associates participated during the inaugural year, and nearly 500 earned enough wellness credits to receive a paid day off.

## What lies ahead for 2013?

In the year ahead, your company will continue to execute many of the same tactics that led to our 2012 success. We will remain unwavering in our focus to improve core net income; this will be an important means of offsetting continued reduction of accretion income from recent acquisitions. We are committed to continuing the positive revenue trends seen across all lines of business and will particularly focus on profitable core loan growth by making loans that meet credit standards and are within pricing metrics. Across all lines of business, our sales teams are ready to take every advantage of the increased revenue opportunities that exist in our new, higher growth markets. But rest assured that Old National will never sacrifice credit quality for the sake of growth.

A key element to increasing core net income will be the continued focus on achieving our aspirational goal of a 65% efficiency ratio. While that is an important marker on our road to high performance it is not the final target. We will persist in finding ways to reduce complexity and costs within the organization.

In 2013, mergers and acquisitions will continue to be an essential means of improving shareholder value. Our targets are community banks in growth markets in Indiana, Kentucky and Southwest Michigan. Many of these institutions are realizing that despite the improved credit environment, challenges remain in growing revenue and net income. This, along with continuing regulatory challenges, will create opportunities for new partnerships. Old National is well-positioned, well-prepared and well-disciplined to respond to appropriate prospects.

Because we feel they provide investors with the best return, mergers and acquisitions are still our first desire for use of excess capital. We also are cognizant that the cash dividend and the repurchase of stock are important. Your Board will continue to review all elements of capital management with your interest always coming first.

We are optimistic that economic expansion is picking up slightly but steadily, and our clients are expressing growing optimism about the economy. Many are reporting an increase in business demand across various sectors and geographies. Although clients are expressing more confidence in the economy, they continue to share their frustration with the lack of clarity and leadership coming out of Washington. We will monitor regulatory changes and maintain an active dialogue with elected officials regarding proposed legislation.

As we reflect on and celebrate 2012, we must acknowledge that our success is built upon the long and storied history that is Old National's legacy. In November, your company will begin its 180th year of service. What started in a one-room location in Evansville, Indiana, has evolved to become a nationally recognized financial services company. Through 18 decades of service, Old National has never wavered from its humble community roots or its commitment to serve clients with integrity, respect and deep gratitude. In 2013 and beyond, we will remain committed to our vision, values and goals, and pledge to continue to build a company that makes you, our shareholders, exceedingly proud.



**Larry Dunigan**  
Chairman  
Old National Bancorp Board of Directors

## Welcome

In July, we welcomed former Indiana Chief Justice **Randall T. Shepard** to the Old National Bancorp Board of Directors to fill the vacancy created by the retirement of Joseph Barnette Jr. As a member of the Indiana Supreme Court, Justice Shepard served as chief justice for a quarter of a century. He is an Indiana native and a graduate of Princeton University and the Yale Law School. He earned a Master of Laws degree in the judicial process from the University of Virginia.



**Bob Jones**  
President and Chief Executive Officer  
Old National Bancorp

## Old National Bancorp Board of Directors

**Larry E. Dunigan**  
Chairman and CEO  
Holiday Management Company  
Chairman of the Board  
Old National Bancorp

**Alan W. Braun**  
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Industrial Contractors Skanska

**Niel C. Ellerbrook**  
Retired Chairman and CEO  
Vectren Corporation

**Andrew E. Goebel**  
Retired President and COO  
Vectren Corporation

**Robert G. Jones**  
President and CEO  
Old National Bancorp

**Phelps L. Lambert**  
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Lambert & Lambert  
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**Arthur H. McElwee Jr.**  
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Former Chief Justice  
Indiana Supreme Court

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Cardinal Health System, Inc.  
Retired Chairman  
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**Linda E. White**  
President and CEO  
Deaconess Health System, Inc.

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## Old National Bancorp Executive Leadership Group

**Robert G. Jones**  
President  
Chief Executive Officer

**Barbara A. Murphy**  
Senior Executive Vice President  
Chief Banking Officer

**Christopher A. Wolking**  
Senior Executive Vice President  
Chief Financial Officer

**Dan L. Doan**  
Central Region CEO

**Caroline J. Ellspermann**  
Executive Vice President  
Wealth Management

**Thomas A. Flynn**  
President and CEO  
Old National Insurance

**Dennis P. Heishman**  
Kentucky Region CEO

**Annette W. Hudgions**  
Executive Vice President  
Chief Client Services Officer

**John R. Kamin**  
Executive Vice President  
Chief Information Officer

**Jeffrey L. Knight**  
Executive Vice President  
Chief Legal Counsel  
Government Relations  
Corporate Secretary

**Daryl D. Moore**  
Executive Vice President  
Chief Credit Officer

**Candice J. Rickard**  
Executive Vice President  
Chief Risk Officer

**Randall D. Reichmann**  
Indianapolis Region CEO

**James C. Ryan III**  
Executive Vice President  
Director of Corporate  
Development

**James A. Sandgren**  
Southern Region CEO

**Kathy A. Schoettlin**  
Executive Vice President  
Community Relations and Social  
Responsibility Officer

**Kendra L. Vanzo**  
Executive Vice President  
Chief Human Resources Officer

**Julie A. Williams Daugherty**  
Executive Vice President  
Director of Marketing and Merger  
Integrations

*Ex-Officio Member*

**Richard W. Dubé**  
Executive Vice President  
Chief Audit Executive  
Chief Ethics Officer

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Old National Bancorp (NYSE: ONB) is the largest financial services holding company headquartered in Indiana and, with \$9.5 billion in assets, ranks among the top 100 banking companies in the United States. Since its founding in Evansville in 1834, Old National has focused on community banking by building long-term, highly valued partnerships with clients in its primary footprint of Indiana, Illinois and Kentucky. In addition to providing extensive services in retail and commercial banking, wealth management, investments and brokerage, Old National also owns Old National Insurance which is one of the top 100 largest agencies in the U.S. and the 10th largest bank-owned insurance agency. For more information and financial data, please visit Investor Relations at [oldnational.com](http://oldnational.com).