



2016 ANNUAL REPORT

With Proxy Statement and Notice of Annual Meeting

Dear Shareholder:

As we reflect on your company's strong performance throughout 2016, there are a number of reasons to celebrate:

- Old National produced the highest full-year net income in its 182-year history: \$134 million.
- Our tangible book value per share, which is an important measure of financial strength, ended 2016 at \$8.30. That's an increase of \$0.68, or 8.9%, over 2015.
- Compared to 2015, your company experienced organic loan growth of \$492 million, or 7.1%, and organic core deposit growth of \$474 million, or 5.7%. Organic growth excludes loans and deposits that were acquired.
- While strong organic loan growth like this can sometimes create credit challenges for banks, this was not the case for Old National. Your company recorded a very low level of net charge-offs in 2016: 0.04%.
- We achieved these results despite a flat yield curve and a historically challenging rate environment *and* while seamlessly completing our partnership with Madison, Wisconsin-based AnchorBank—the largest acquisition in your company's history.
- We sold our Insurance Division in 2016, resulting in a significant financial gain, which was redeployed into our higher yielding bank business.
- Your leadership team created and adopted a three-year strategic plan (discussed in more detail later in this letter) to ensure continued growth and profitability.
- American Banker magazine named Old National one of the Best Banks to Work For in 2016 (we were one of only two banks above \$10 billion in assets to make the list). And the Ethisphere Institute honored us as one of the World's Most Ethical Companies for the 5th consecutive year.
- Your company won its fourth American Bankers Association (ABA) Community Commitment Award since 2015. The 2016 award recognized our 100 Men Who Cook fundraising initiatives, which have generated more than \$4 million in our communities.

While each of these accomplishments is certainly noteworthy, the most significant achievement during the past 12 months is the growth platform we have established for 2017 and beyond. The cornerstone of this platform is the transformation of the Old National franchise through partnership activity, which has positioned your company in vibrant growth markets with tremendous leadership, exceptional products and unparalleled expertise. Because of these strong internal capabilities, there is a great deal of optimism within your company. This optimism is also supported by external tailwinds that I will address later in this letter.

The accomplishments above contributed to Old National ending the year with a stock price of \$18.15, for an increase of \$4.59, or 34%, over 2015. A significant portion of this 34% appreciation occurred post-election in what has been called the "Trump Bump." The reasons behind the significant movement in financial stocks post-election are many, including a belief that the Federal Reserve will begin to raise interest rates; stronger business optimism that should result in more opportunities to lend; the hope that there will be some form of regulatory relief, which could reduce cost and make it easier for clients to do business with banks; and speculation around potential tax relief.

But as I remind my team on a far too frequent basis—and this is advice I received from one of my most respected mentors—do not confuse a bull market with great performance. While we have a tremendous platform in place and optimism for the future, it is critical that we stay laser-focused on execution to create continued value for you as a shareholder. This means continuing to build upon the foundation we have established with strong revenue growth and continued emphasis on improving our expense base, while maintaining our strong credit standards. In other words, continuing to execute what we have termed our basic bank strategy.

In January of this year, your board reaffirmed its commitment to this strategy when it approved our three-year strategic plan. The key elements of this plan are best defined as old fashioned banking. We are, at our heart and soul, a community bank that is committed to serving the needs of the citizens and businesses that shape and strengthen our markets. Ultimately, we believe this basic bank strategy is the best solution for creating long term value for you, our owners.

This strategy is rooted in our three strategic imperatives:

- **Constantly strengthen our risk profile as defined by our board-approved risk appetite statement.** Banking is truly about managing risk, and we believe the winners in the long run are those that are the best risk managers. As such, we will continue to focus on in-market lending, a strong credit culture and a liquid balance sheet.
- **Continually look for ways to enhance management discipline.** This means focusing on sustainable improvements in operating leverage vs. one-time projects or programs that lack staying power. Management discipline is also supported by one of our core values: responsibility with accountability. Your leadership team believes in a culture where everyone is accountable for their performance and for your company's performance.
- **Work relentlessly to drive consistent, quality earnings.** Ultimately, we believe the best long-term strategy for shareholder value is consistent, quality earnings that are driven by our core operating systems. Having said this, we acknowledge that while we have executed our transformation strategy to improve the growth profile of your company, we have also been the beneficiaries of accretion income, which is income related to our partnership acquisitions. While this accretion income is real and does add to our capital base, we believe that, over time, the core operating engine we have built will adequately replace and ultimately exceed the benefits we have received from accretion.

In today's environment, it gives me great pleasure to work for a board and a company with a deep commitment to values and ethics. As a reminder, Old National's core values are: *Integrity, Teamwork, Leadership, Community, Responsibility with Accountability, Bias for Action, Excellence* and *Diversity & Inclusion*. While we were honored to be selected as one of the World's Most Ethical Companies for the 5th straight year by the Ethisphere Institute (one of only two banks in the United States named to the list in 2016), I'm most proud of the simple, everyday actions and behaviors of our associates who are deeply committed to always doing what is right for our clients.

Your company's commitment to ethics and integrity loomed especially large this year given the controversy surrounding sales practices at Wells Fargo. To ensure that Old National did not have any similar concerns, your Risk Management team performed an exhaustive review of our sales practices. I am pleased to report that we did not uncover any comparable issues. While this was not a surprise to me, it does serve as a reminder that we have quality associates who are committed to doing what is right for our clients, every day, in every interaction.

This deep commitment to ethical behavior by our board and our associates was reinforced to me while watching the HBO documentary, "Becoming Warren Buffet." In reference to the 1990s Salomon Brothers treasury bond scandal, Buffet says in the documentary: "It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you'll do things differently." Great words of advice then, and even more relevant today. If you have not watched the documentary, I highly recommend it.

At the core of your company's strong 2016 performance and deep commitment to values and ethics is one constant: our associates. We have a simple philosophy as a company; we believe that our associates are our single most important asset. As such, under the leadership of Kendra Vanzo, our Associate Engagement Executive, we have implemented a wide variety of development programs that empower our associates to identify and follow a career path suited to their personal and professional goals. Your leadership team supports this with wide-ranging compensation and recognition programs that not only reward short-term results, but which are consistent with our long-term strategy. Ultimately, our goal is to create an atmosphere where our associates take deep pride in working for Old National, while recognizing how much we value their contributions. We believe your company's inclusion on American Banker's Best Banks to Work for in 2016 list provides proof that we are achieving this goal.

I mentioned that we are, at our heart and soul, a community bank. The Old National brand promise is not a flashy slogan or catchphrase; it's what we do every day to make our communities a better place. As a community bank, we believe we have a moral responsibility to give back to our communities, to help them grow and prosper, and to serve the needs of all who live and work there, especially those most at-risk. In support of this goal, our associates volunteered over 86,000 hours in their communities in 2016, and the Old National Bank Foundation (which celebrated its 10th anniversary in 2016) donated more than \$1.7 million in support of 277 community initiatives. Additionally, your company supported more than 1,800 community initiatives through sponsorship activity. In total, Old National's commitment to our communities through grants and sponsorships in 2016 exceeded \$6 million. We were also extremely proud when our signature fundraising event, 100 Men Who Cook, received an ABA Community Commitment Award.

Earlier I also referenced the platform we have built for 2017 and beyond, and our optimism for the future. This sense of optimism existed prior to the presidential election, based on our strong fundamentals, and it remains today. As the famous Bob Dylan song, *The Times They Are A-Changin*, prophesized, the times in our industry are certainly changing post-election. From rising interest rates and tax changes to regulatory relief and increased economic activity from infrastructure spending and other economic activity, the upcoming year brings the potential for tail winds that could prove positive for the financial sector. But plenty of uncertainty exists as well.

The Federal Reserve has clearly sent signals that it believes rates will begin to move upward. Such movement would have an obvious and direct positive impact on potential future earnings of banks. This sign of confidence from the Federal Reserve may also serve to increase economic activity in our markets as companies and individuals who have been sitting on the sidelines feel more confident in the idea of borrowing to grow their businesses.

The potential for tax relief will be an interesting debate. Clearly this is a goal that has been established by the executive branch and one that has been discussed for some time in Congress. Whether the two sides can reach agreement and what form any potential relief might take will be meaningful as to its impact on Old National and other companies.

The same can be said for regulatory relief. Clearly all banks have felt the burden of increased regulatory oversight and its associated costs in the wake of the financial crisis. Some of this additional oversight was necessary to reduce risk in the system and regain the confidence of the multiple constituents that banks serve. Today, our industry stands extremely well capitalized and the risk within the system has been significantly reduced. I am not quite as confident that banks have regained the trust of the public given some of the highly visible missteps that have occurred in the public domain.

The ultimate argument for regulatory relief is that it would usher in economic growth. Banks like Old National, with our 182-year history of serving our communities, can be much more effective at helping our clients generate business growth if the regulatory pendulum swings back to the middle. I am confident that our industry has learned from its mistakes, and I'm hopeful for a regulatory environment where all banks are not painted with the same brush as the handful that either created the crisis or continue to operate irresponsibly.

As for the idea of increased infrastructure spending and other new business opportunities that could positively impact the banking sector, time will tell. There have been discussions in Washington around this topic, and we have also seen an increase in optimism from our clients as they look at 2017 and beyond. But as I said during our 4th quarter 2016 call with our analysts, this optimism needs to be supported by cooperation in Washington. Continual partisanship has the chance to derail any forward momentum in the economy. It is my hope that our elected officials can find a way to put partisanship aside and focus on the well-being of their constituents.

I would like to close by thanking the members of your board for their incredible leadership. They have always put the interests of you, the shareholder, at the forefront and taken a long view as it pertains to our strategy. They continually challenge Management and have created the appropriate level of tension so that we know we need to work hard every day to meet their expectations and ultimately those of you, our owners. At the same time, your board has a deep commitment to our core values and operating in an ethical manner. We start every board meeting with an ethics message, and that message carries over to how we behave in every interaction.

Let me end by thanking you, our owners. By most accounts, 2016 was a very good year for your company. And as I said at the start of this letter, the platform we have built for 2017 and beyond gives us great optimism. You have my commitment that we will work exceptionally hard, and in the most ethical manner, to earn your trust every day. If we fail to live up to that commitment, you can reach me at 812-464-1280 or at bob.jones@oldnational.com.

Bob Jones

A handwritten signature in black ink that reads "Bob Jones". The signature is fluid and cursive, with a long horizontal stroke at the end.

Chairman and CEO
Old National Bancorp

Forward-Looking Statements

This letter contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. 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 recent acquisitions and divestitures might not be realized within the expected time frames and costs or difficulties relating to integration matters might be greater than expected; market, economic, operational, liquidity, credit and interest rate risks associated with ONB’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 ONB to execute its business plans; 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 letter and other factors identified in ONB’s 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 letter, and ONB undertakes no obligation to release revisions to these forward-looking statements to reflect events or conditions after the date of this letter.

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Old National Bancorp (NASDAQ: ONB), the holding company of Old National Bank, is the largest financial services holding company headquartered in Indiana. With \$14.9 billion in assets, it ranks among the top 100 banking companies in the United States. Since its founding in Evansville in 1834, Old National Bank has focused on community banking by building long-term, highly valued partnerships with clients. Today, Old National's footprint includes Indiana, Kentucky, Michigan and Wisconsin. In addition to providing extensive services in retail and commercial banking, Old National offers comprehensive wealth management, investments and brokerage services. For more information and financial data, please visit Investor Relations at oldnational.com.