OLD NATIONAL BANCORP /IN/
Form 10-Q
May 01, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2015

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number 1-15817

OLD NATIONAL BANCORP

(Exact name of Registrant as specified in its charter)

INDIANA	**35-1539838**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
One Main Street Evansville, Indiana	**47708**
(Address of principal executive offices)	**(Zip Code)**

(812) 464-1294

(Registrant s telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to the filing requirements for at least the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (s232.405 of this chapter) during the preceding 12 months (or for shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ¨ No x

Indicate the number of shares outstanding of each of the issuer s classes of common stock. The Registrant has one class of common stock (no par value) with 116,983,000 shares outstanding at March 31, 2015.

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CONSOLIDATED BALANCE SHEETS

(dollars and shares in thousands, except per share data)	March 31, 2015 (unaudited)	December 31, 2014	March 31, 2014 (unaudited)
Assets			
Cash and due from banks	**$ 195,970**	$ 207,871	$ 197,446
Money market and other interest-earning investments	**19,343**	32,092	17,078
Total cash and cash equivalents	**215,313**	239,963	214,524
Trading securities - at fair value	**3,964**	3,881	3,681
Investment securities - available-for-sale, at fair value:			
U.S. Treasury	**25,178**	15,166	15,697
U.S. government-sponsored entities and agencies	**709,379**	685,951	490,080
Mortgage-backed securities	**1,090,731**	1,241,662	1,246,408
States and political subdivisions	**340,630**	314,541	251,839
Other securities	**379,552**	370,511	343,742
Total investment securities - available-for-sale	**2,545,470**	2,627,831	2,347,766
Investment securities - held-to-maturity, at amortized cost (fair value $899,653, $903,935 and $812,914, respectively)	**836,038**	844,054	779,294
Federal Home Loan Bank/Federal Reserve stock, at cost	**75,068**	71,175	61,882
Loans held for sale, at fair value	**210,513**	213,490	6,169
Loans:			
Commercial	**1,668,275**	1,629,600	1,367,486
Commercial real estate	**1,813,579**	1,711,110	1,156,593
Residential real estate	**1,625,354**	1,519,156	1,356,233
Consumer credit, net of unearned income	**1,408,491**	1,310,627	997,808
Covered loans, net of discount	**136,840**	147,708	194,161
Total loans	**6,652,539**	6,318,201	5,072,281
Allowance for loan losses	**(46,675)**	(44,297)	(41,539)
Allowance for loan losses - covered loans	**(2,203)**	(3,552)	(6,014)
Net loans	**6,603,661**	6,270,352	5,024,728
FDIC indemnification asset	**20,024**	20,603	65,699
Premises and equipment, net	**132,101**	135,892	108,866
Accrued interest receivable	**62,503**	60,966	48,764
Goodwill	**587,904**	530,845	352,729
Other intangible assets	**43,738**	38,694	24,120
Company-owned life insurance	**335,976**	325,617	276,956
Assets held for sale	**14,636**	9,127	9,043
Other real estate owned and repossessed personal property	**8,482**	7,241	7,629

Other real estate owned - covered	**7,084**	9,121	12,918
Other assets	**248,832**	238,699	200,012
Total assets	**$ 11,951,307**	$ 11,647,551	$ 9,544,780
Liabilities			
Deposits:			
Noninterest-bearing demand	**$ 2,553,801**	$ 2,427,748	$ 2,047,664
Interest-bearing:			
NOW	**2,218,243**	2,176,879	1,789,167
Savings	**2,384,502**	2,222,557	2,014,574
Money market	**636,933**	574,462	445,953
Time	**1,134,041**	1,089,018	960,804
Total deposits	**8,927,520**	8,490,664	7,258,162
Short-term borrowings	**463,007**	551,309	410,128
Other borrowings	**870,580**	920,102	506,782
Accrued expenses and other liabilities	**206,929**	219,712	184,471
Total liabilities	**10,468,036**	10,181,787	8,359,543
Shareholders Equity			
Preferred stock, 2,000 shares authorized, no shares issued or outstanding			
Common stock, $1.00 per share stated value, 150,000 shares authorized, 116,983, 116,847 and 100,084 shares issued and outstanding, respectively	**116,983**	116,847	100,084
Capital surplus	**1,121,594**	1,118,292	900,665
Retained earnings	**268,936**	262,180	222,418
Accumulated other comprehensive income (loss), net of tax	**(24,242)**	(31,555)	(37,930)
Total shareholders equity	**1,483,271**	1,465,764	1,185,237
Total liabilities and shareholders equity	**$ 11,951,307**	$ 11,647,551	$ 9,544,780

The accompanying notes to consolidated financial statements are an integral part of these statements.

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CONSOLIDATED STATEMENTS OF INCOME (unaudited)

(dollars and shares in thousands, except per share data)	Three Months Ended March 31, 2015	2014
Interest Income		
Loans including fees:		
Taxable	**$ 74,959**	$ 64,957
Nontaxable	**2,943**	2,509
Investment securities:		
Taxable	**14,726**	15,769
Nontaxable	**5,960**	5,024
Money market and other interest-earning investments	**6**	6
Total interest income	**98,594**	88,265
Interest Expense		
Deposits	**3,563**	3,283
Short-term borrowings	**96**	67
Other borrowings	**3,942**	1,437
Total interest expense	**7,601**	4,787
Net interest income	**90,993**	83,478
Provision for loan losses	**1**	37
Net interest income after provision for loan losses	**90,992**	83,441
Noninterest Income		
Wealth management fees	**8,520**	5,792
Service charges on deposit accounts	**11,045**	11,134
Debit card and ATM fees	**6,732**	5,736
Mortgage banking revenue	**2,963**	630
Insurance premiums and commissions	**12,113**	11,962
Investment product fees	**4,403**	3,868
Company-owned life insurance	**2,152**	1,467
Net securities gains	**2,683**	559
Total other-than-temporary impairment losses		(100)
Loss recognized in other comprehensive income		
Impairment losses recognized in earnings		(100)
Recognition of deferred gain on sale leaseback transactions	**1,524**	1,524
Change in FDIC indemnification asset	**(968)**	(7,343)
Other income	**4,128**	5,334

Total noninterest income	**55,295**	40,563
Noninterest Expense		
Salaries and employee benefits	**69,694**	51,380
Occupancy	**14,293**	10,942
Equipment	**3,904**	3,014
Marketing	**2,236**	2,185
Data processing	**6,590**	5,584
Communication	**2,744**	2,611
Professional fees	**3,132**	3,682
Loan expense	**1,326**	1,317
Supplies	**684**	653
FDIC assessment	**1,885**	1,441
Other real estate owned expense	**1,161**	758
Amortization of intangibles	**3,081**	1,837
Other expense	**5,426**	2,848
Total noninterest expense	**116,156**	88,252
Income before income taxes	**30,131**	35,752
Income tax expense	**9,225**	9,242
Net income	**$ 20,906**	$ 26,510
Net income per common share - basic	**$ 0.18**	$ 0.27
Net income per common share - diluted	**0.18**	0.26
Weighted average number of common shares outstanding - basic	**118,540**	99,797
Weighted average number of common shares outstanding - diluted	**119,076**	100,325
Dividends per common share	**$ 0.12**	$ 0.11

The accompanying notes to consolidated financial statements are an integral part of these statements.

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (unaudited)

(dollars in thousands)	Three Months Ended March 31, 2015	2014
Net income	**$ 20,906**	$ 26,510
Other comprehensive income:		
Change in securities available-for-sale:		
Unrealized holding gains (losses) for the period	**18,306**	12,055
Reclassification adjustment for securities gains realized in income	**(2,683)**	(559)
Other-than-temporary-impairment on available-for-sale securities associated with credit loss realized in income		100
Income tax effect	**(5,796)**	(4,463)
Unrealized gains on available-for-sale securities	**9,827**	7,133
Change in securities held-to-maturity:		
Amortization of fair value for securities held-to-maturity previously recognized into accumulated other comprehensive income	**337**	397
Income tax effect	**66**	(127)
Changes from securities held-to-maturity	**403**	270
Cash flow hedges:		
Net unrealized derivative gains (losses) on cash flow hedges	**(5,628)**	(1,937)
Reclassification adjustment for (gains) losses realized in net income	**186**	
Income tax effect	**2,068**	737
Changes from cash flow hedges	**(3,374)**	(1,200)
Defined benefit pension plans:		
Amortization of net loss recognized in income	**738**	352
Income tax effect	**(281)**	(19)
Changes from defined benefit pension plans	**457**	333
Other comprehensive income, net of tax	**7,313**	6,536
Comprehensive income	**$ 28,219**	$ 33,046

The accompanying notes to consolidated financial statements are an integral part of these statements.

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CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY (unaudited)

(dollars in thousands)	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders Equity
Balance at December 31, 2013	$ 99,859	$ 900,254	$ 206,993	$ (44,466)	$ 1,162,640
Net income			26,510		26,510
Other comprehensive income (loss)				6,536	6,536
Dividends - common stock			(10,997)		(10,997)
Common stock issued	5	73			78
Common stock repurchased	(116)	(1,460)			(1,576)
Stock based compensation expense		1,028			1,028
Stock activity under incentive compensation plans	336	770	(88)		1,018
Balance at March 31, 2014	$ 100,084	$ 900,665	$ 222,418	$ (37,930)	$ 1,185,237
Balance at December 31, 2014	**$ 116,847**	**$ 1,118,292**	**$ 262,180**	**$ (31,555)**	**$ 1,465,764**
Net income			**20,906**		**20,906**
Other comprehensive income (loss)				**7,313**	**7,313**
Acquisition - Founders Financial Corporation	**3,402**	**47,224**			**50,626**
Dividends - common stock			**(14,238)**		**(14,238)**
Common stock issued	**7**	**90**			**97**
Common stock repurchased	**(3,468)**	**(44,735)**			**(48,203)**
Stock based compensation expense		**1,204**			**1,204**
Stock activity under incentive compensation plans	**195**	**(481)**	**88**		**(198)**
Balance at March 31, 2015	**$ 116,983**	**$ 1,121,594**	**$ 268,936**	**$ (24,242)**	**$ 1,483,271**

The accompanying notes to consolidated financial statements are an integral part of these statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

(dollars in thousands)	Three Months Ended March 31, 2015	2014
Cash Flows From Operating Activities		
Net income	**$ 20,906**	$ 26,510
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	**4,140**	2,943
Amortization of other intangible assets	**3,081**	1,837
Net premium amortization on investment securities	**4,792**	2,998
Amortization of FDIC indemnification asset	**968**	7,343
Stock compensation expense	**1,204**	1,028
Provision for loan losses	**1**	37
Net securities gains	**(2,683)**	(559)
Impairment on available-for-sale securities		100
Recognition of deferred gain on sale leaseback transactions	**(1,524)**	(1,524)
Net gains on sales of other assets	**(52)**	(466)
Increase in cash surrender value of company-owned life insurance	**(2,062)**	(1,835)
Residential real estate loans originated for sale	**(78,224)**	(17,747)
Proceeds from sale of residential real estate loans	**73,968**	19,743
(Increase) decrease in interest receivable	**(277)**	1,441
Decrease in other real estate owned	**1,470**	685
(Increase) decrease in other assets	**(4,516)**	16,139
Decrease in accrued expenses and other liabilities	**(18,072)**	(3,134)
Total adjustments	**(17,786)**	29,029
Net cash flows provided by operating activities	**3,120**	55,539
Cash Flows From Investing Activities		
Net cash and cash equivalents of acquired banks	**(37,098)**	
Purchases of investment securities available-for-sale	**(129,563)**	(93,992)
Purchases of investment securities held-to-maturity		(25,185)
Purchases of Federal Reserve stock	**(2,083)**	
Proceeds from maturities, prepayments and calls of investment securities available-for-sale	**132,471**	91,335
Proceeds from sales of investment securities available-for-sale	**170,265**	16,523
Proceeds from maturities, prepayments and calls of investment securities held-to-maturity	**5,609**	7,350
Proceeds from sales of investment securities held-to-maturity	**855**	
Reimbursements under FDIC loss share agreements		15,989
Net principal collected from (loans made to) loan customers	**18,424**	11,054

Proceeds from sale of premises and equipment and other assets	**4**	6
Purchases of premises and equipment and other assets	**(6,959)**	(3,515)
Net cash flows provided by investing activities	**151,925**	19,565
Cash Flows From Financing Activities		
Net increase (decrease) in deposits and short-term borrowings:		
Deposits	**60,200**	47,259
Short-term borrowings	**(100,794)**	(52,204)
Payments for maturities on other borrowings	**(227,017)**	(175,120)
Proceeds from issuance of other borrowings	**150,000**	125,000
Cash dividends paid on common stock	**(14,238)**	(10,997)
Common stock repurchased	**(48,203)**	(1,576)
Proceeds from exercise of stock options, including tax benefit	**260**	257
Common stock issued	**97**	78
Net cash flows used in financing activities	**(179,695)**	(67,303)
Net increase (decrease) in cash and cash equivalents	**(24,650)**	7,801
Cash and cash equivalents at beginning of period	**239,963**	206,723
Cash and cash equivalents at end of period	**$ 215,313**	$ 214,524
Supplemental cash flow information:		
Total interest paid	**$ 9,374**	$ 4,935
Total taxes paid (net of refunds)	**$ (49)**	$ 3,001

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements include the accounts of Old National Bancorp and its wholly-owned affiliates (hereinafter collectively referred to as Old National) and have been prepared in conformity with accounting principles generally accepted in the United States of America and prevailing practices within the banking industry. Such principles require management to make estimates and assumptions that affect the reported amounts of assets, liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. In the opinion of management, the consolidated financial statements contain all the normal and recurring adjustments necessary for a fair statement of the financial position of Old National as of March 31, 2015 and 2014, and December 31, 2014, and the results of its operations for the three months ended March 31, 2015 and 2014. Interim results do not necessarily represent annual results. These financial statements should be read in conjunction with Old National s Annual Report for the year ended December 31, 2014.

All significant intercompany transactions and balances have been eliminated. Certain prior year amounts have been reclassified to conform to the 2015 presentation. Such reclassifications had no effect on net income or shareholders equity and were insignificant amounts.

NOTE 2 RECENT ACCOUNTING PRONOUNCEMENTS

FASB ASC 323 In January 2014, the FASB issued an update (ASU No. 2014-01, Accounting for Investments in Qualified Affordable Housing Projects) impacting FASB ASC 323, Investments Equity Method and Joint Ventures. This update permits reporting entities to make an accounting policy election to account for their investments in qualified affordable housing projects using the proportional amortization method if certain conditions are met. Under the proportional amortization method, an entity amortizes the initial cost of the investment in proportion to the tax credits and other tax benefits received and recognizes the net investment performance in the income statement as a component of income tax expense (benefit). The amendments in this update became effective for interim and annual periods beginning after December 15, 2014 and did not have a material impact on the consolidated financial statements.

FASB ASC 310 In January 2014, the FASB issued an update (ASU No. 2014-04, Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure) impacting FASB ASC 310-40. The amendments in this update clarify that an in substance repossession or foreclosure occurs, and a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, upon either (1) the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure or (2) the borrower conveying all interest in the property in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. The amendments also require disclosure of (1) the amount of foreclosed residential real estate property held by the creditor and (2) the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure. The amendments in this update became effective for interim and annual periods beginning after December 15, 2014 and did not have a material impact on the consolidated financial statements.

FASB ASC 205 and 360 In April 2014, the FASB issued an update (ASU No. 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity) impacting FASB ASC 205, Presentation of

Financial Statements, and FASB ASC 360, Property, Plant, and Equipment. The amendments in this update change the requirements for reporting discontinued operations. A discontinued operation may include a component of an entity or a group of components of an entity, or a business or nonprofit activity. A disposal of a component of an entity or a group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has, or will have, a major effect on an entity s operations and financial results. An entity will have to present, for each comparative period, the assets and liabilities of a disposal group that includes discontinued operations separately in the asset and liability sections of the statement of financial position. The amendments in this update became effective for interim and annual periods beginning after December 15, 2014 and did not have a material impact on the consolidated financial statements.

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FASB ASC 606 In May 2014, the FASB issued an update (ASU No. 2014-09, Revenue from Contracts with Customers) creating FASB Topic 606, Revenue from Contracts with Customers. The guidance in this update affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards (for example, insurance contracts or lease contracts). The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance provides steps to follow to achieve the core principle. An entity should disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The amendments in this update become effective for annual periods and interim periods within those annual periods beginning after December 15, 2016. We are currently evaluating the impact of adopting the new guidance on the consolidated financial statements, but it is not expected to have a material impact.

FASB ASC 860 In June 2014, the FASB issued an update (ASU No. 2014-11, Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures) impacting FASB ASC 860, Transfers and Servicing. The amendments in this update change the accounting for repurchase-to-maturity transactions and linked repurchase financings to secured borrowing accounting, which is consistent with the accounting for other repurchase agreements. The amendments also require new disclosures. An entity is required to disclose information on transfers accounted for as sales in transactions that are economically similar to repurchase agreements. An entity must also provide additional information about the types of collateral pledged in repurchase agreements and similar transactions accounted for as secured borrowings. An entity is required to present changes in accounting for transactions outstanding on the effective date as a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption. The amendments in this update became effective for interim and annual periods beginning after December 15, 2014 and did not have a material impact on the consolidated financial statements. No change to our current disclosure was required.

FASB ASC 718 In June 2014, the FASB issued an update (ASU No. 2014-12, Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period) impacting FASB ASC 860, Transfers and Servicing. Generally, an award with a performance target also requires an employee to render service until the performance target is achieved. In some cases, however, the terms of an award may provide that the performance target could be achieved after an employee completes the requisite service period. The amendments in this update require that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. An entity should apply guidance in Topic 718 as it relates to awards with performance conditions that affect vesting to account for such awards. As such, the performance target should not be reflected in estimating the grant-date fair value of the award. Compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period for which the service has already been rendered. The amendments in this update become effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. We are currently evaluating the impact of adopting the new guidance on the consolidated financial statements, but it is not expected to have a material impact.

FASB ASC 310 In August 2014, the FASB issued an update (ASU No. 2014-14, Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure) impacting FASB ASC 310-40, Receivables Troubled Debt Restructuring by Creditors. This update affects creditors that hold government-guaranteed mortgage loans. The amendments in this update require that a mortgage loan be derecognized and that a separate other receivable be recognized if the following conditions are met: (1) The loan has a government guarantee that is not separable from the loan before foreclosure. (2) At the time of foreclosure, the creditor has the intent to convey the real estate property to the guarantor and make a claim on the guarantee, and the creditor has the ability to recover under the claim. (3) At the

time of foreclosure, the claim that is determined on the basis of the fair value of the real estate is fixed. Upon foreclosure, the separate other receivable should be measured based on the amount of the loan balance (principal and interest) expected to be recovered from the guarantor. The amendments in this update became effective for interim and annual periods beginning after December 15, 2014 and did not have a material impact on the consolidated financial statements.

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FASB ASC 835 In April 2015, the FASB issued an update (ASU No. 2015-03, Simplifying the Presentation of Debt Issuance Costs) impacting FASB ASC 835-30, Interest-Imputation of Interest. This update is part of FASB s initiative to reduce complexity in accounting standards; otherwise known as the Simplification Initiative. The FASB Board received feedback that having different balance sheet presentation requirements for debt issuance costs and debt discount and premium creates unnecessary complexity. Recognizing debt issuance costs as a deferred charge (that is, an asset) also is different from the guidance in International Financial Reporting Standards, which requires that transaction costs be deducted from the carrying value of the financial liability and not recorded as separate assets. To simplify presentation of debt issuance costs, the amendments in the update require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this update. The amendments in this update become effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. Early adoption is permitted. We are currently evaluating the impact of adopting the new guidance on the consolidated financial statements, but it is not expected to have a material impact.

FASB ASC 350 In April 2015, the FASB issued an update (ASU No. 2015-05, Customer s Accounting for Fees Paid in a Cloud Computing Arrangement) impacting FASB ASC 350-40, Intangibles: Goodwill and Other: Internal-Use Software. This update is part of the FASB s Simplification Initiative. The amendments in this update provide guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The guidance will not change generally accepted accounting principles for a customer s accounting for service contracts. The amendments in this update become effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. Early adoption is permitted. We can elect to adopt the amendments either prospectively to all arrangements entered into or materially modified after the effective date or retrospectively. We are currently evaluating the impact of adopting the new guidance on the consolidated financial statements, but it is not expected to have a material impact.

NOTE 3 ACQUISITION AND DIVESTITURE ACTIVITY

Acquisitions

Tower Financial Corporation

On September 10, 2013, Old National announced that it had entered into an agreement to acquire Tower Financial Corporation (Tower) through a stock and cash merger. The acquisition contemplated by this agreement was completed effective April 25, 2014 (the Closing Date). Tower was an Indiana bank holding company with Tower Bank & Trust Company as its wholly-owned subsidiary. Headquartered in Fort Wayne, Indiana, Tower operated seven banking centers and had approximately $556 million in trust assets under management on the Closing Date. The merger strengthened Old National s position as one of the largest deposit holders in Indiana and Old National believes that it will be able to achieve cost savings by integrating the two companies and combining accounting, data processing, retail and lending support, and other administrative functions after the merger, which will enable Old National to achieve economies of scale in these areas.

The total purchase price for Tower was $110.4 million, consisting of $31.7 million of cash and the issuance of 5.6 million shares of Old National Common Stock valued at $78.7 million. This acquisition was accounted for under the acquisition method of accounting. Accordingly, the Company recognized amounts for identifiable assets acquired

and liabilities assumed at their estimated acquisition date fair values, while $5.6 million of transaction and integration costs associated with the acquisition were expensed as incurred.

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As of December 31, 2014, the Company finalized its valuation of all assets and liabilities acquired, resulting in no material change to purchase accounting adjustments. A summary of the final purchase price allocation is as follows (in thousands):

Cash and cash equivalents	$ 56,345
Investment securities	140,567
Federal Home Loan Bank stock	2,192
Loans held for sale	474
Loans	371,054
Premises and equipment	8,516
Accrued interest receivable	2,371
Other real estate owned	473
Company-owned life insurance	21,281
Other assets	15,200
Deposits	(527,995)
Short-term borrowings	(18,898)
Other borrowings	(21,113)
Accrued expenses and other liabilities	(4,681)
Net tangible assets acquired	45,786
Definite-lived intangible assets acquired	8,382
Goodwill	56,203
Purchase price	$ 110,371

The portion of the purchase price allocated to goodwill will not be deductible for tax purposes and is included in the Banking segment, as described in Note 21 of these consolidated financial statement footnotes.

The components of the estimated fair value of the acquired identifiable intangible assets are in the table below. These intangible assets will be amortized on an accelerated basis over their estimated lives and are included in the Banking segment, as described in Note 21 of these consolidated financial statement footnotes.

	Estimated Fair Value (in millions)	Estimated Useful Lives (Years)
Core deposit intangible	$ 4.6	7
Trust customer relationship intangible	$ 3.8	12

Acquired loan data for Tower can be found in the table below:

(in thousands)	Fair Value of Acquired Loans at Acquisition Date	Gross Contractual Amounts Receivable at Acquisition	Best Estimate at Acquisition Date of Contractual Cash Flows Not Expected to

			Date	be Collected
Acquired receivables subject to ASC 310-30	$ 12,855	$ 22,746	$ 5,826	
Acquired receivables not subject to ASC 310-30	$ 358,199	$ 450,865	$ 42,302	

United Bancorp, Inc.

On January 8, 2014, Old National announced that it had entered into an agreement to acquire United Bancorp, Inc. (United) through a stock and cash merger. The acquisition contemplated by this agreement was completed effective July 31, 2014 (the Closing Date). United was a Michigan bank holding company with United Bank & Trust as its wholly-owned subsidiary. Headquartered in Ann Arbor, Michigan, United operated eighteen banking centers and had approximately $688 million in trust assets under management as of June 30, 2014. The merger doubles Old National s presence in Michigan to 36 total branches and Old National believes that it will be able to

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achieve cost savings by integrating the two companies and combining accounting, data processing, retail and lending support, and other administrative functions after the merger, which will enable Old National to achieve economies of scale in these areas.

The total purchase price for United was $157.8 million, consisting of $34.0 million of cash, the issuance of 9.1 million shares of Old National Common Stock valued at $122.0 million, and the assumption of United s options and stock appreciation rights, valued at $1.8 million. This acquisition was accounted for under the acquisition method of accounting. Accordingly, the Company recognized amounts for identifiable assets acquired and liabilities assumed at their estimated acquisition date fair values. To date, transaction and integration costs of $7.3 million associated with the acquisition have been expensed and remaining integration costs will be expensed in future quarters as incurred.

Under the acquisition method of accounting, the total estimated purchase price is allocated to United s net tangible and intangible assets based on their current estimated fair values on the date of acquisition. Based on management s preliminary valuation of the fair value of tangible and intangible assets acquired and liabilities assumed, which are based on assumptions that are subject to change, the purchase price for the United acquisition is allocated as follows (in thousands):

Cash and cash equivalents	$ 16,447
Investment securities	154,885
Federal Home Loan Bank stock	2,880
Loans held for sale	1,073
Loans	632,016
Premises and equipment	7,741
Accrued interest receivable	2,614
Other real estate owned	1,676
Company-owned life insurance	14,857
Other assets	16,822
Deposits	(763,681)
Short-term borrowings	(10,420)
Other borrowings	(12,515)
Accrued expenses and other liabilities	(8,337)
Net tangible assets acquired	56,058
Definite-lived intangible assets acquired	10,763
Loan servicing rights	8,983
Goodwill	81,952
Purchase price	$ 157,756

Prior to the end of the one year measurement period for finalizing the purchase price allocation, if information becomes available which would indicate adjustments are required to the purchase price allocation, such adjustments will be included in the purchase price allocation retrospectively.

The portion of the purchase price allocated to goodwill will not be deductible for tax purposes and is included in the Banking segment, as described in Note 21 of these consolidated financial statement footnotes.

The components of the estimated fair value of the acquired identifiable intangible assets are in the table below. These intangible assets will be amortized on an accelerated basis over their estimated lives and are included in the Banking segment, as described in Note 21 of these consolidated financial statement footnotes.

	Estimated Fair Value (in millions)	Estimated Useful Lives (Years)
Core deposit intangible	$ 5.9	7
Trust customer relationship intangible	$ 4.9	12

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Acquired loan data for United can be found in the table below:

(in thousands)	Fair Value of Acquired Loans at Acquisition Date	Gross Contractual Amounts Receivable at Acquisition Date	Best Estimate at Acquisition Date of Contractual Cash Flows Not Expected to be Collected
Acquired receivables subject to ASC 310-30	$ 8,391	$ 15,483	$ 5,487
Acquired receivables not subject to ASC 310-30	$ 623,625	$ 798,967	$ 89,430

LSB Financial Corp.

On June 3, 2014, Old National announced that it had entered into an agreement to acquire LSB Financial Corp. (LSB) through a stock and cash merger. The acquisition was completed effective November 1, 2014 (the Closing Date). LSB was a savings and loan holding company with Lafayette Savings Bank as its wholly-owned subsidiary. LSB was the largest bank headquartered in Lafayette, Indiana and operated five full-service banking centers. The merger strengthened Old National s position as one of the largest deposit holders in Indiana and Old National believes that it will be able to achieve cost savings by integrating the two companies and combining accounting, data processing, retail and lending support, and other administrative functions after the merger, which will enable Old National to achieve economies of scale in these areas.

The total purchase price for LSB was $69.6 million, consisting of $17.8 million of cash and the issuance of 3.6 million shares of Old National Common Stock valued at $51.8 million. This acquisition was accounted for under the acquisition method of accounting. Accordingly, the Company recognized amounts for identifiable assets acquired and liabilities assumed at their estimated acquisition date fair values. To date, transaction and integration costs of $2.9 million associated with the acquisition have been expensed and remaining integration costs will be expensed in future quarters as incurred.

Under the acquisition method of accounting, the total estimated purchase price is allocated to LSB s net tangible and intangible assets based on their current estimated fair values on the date of acquisition. Based on management s preliminary valuation of the fair value of tangible and intangible assets acquired and liabilities assumed, which are based on assumptions that are subject to change, the purchase price for the LSB acquisition is allocated as follows (in thousands):

Cash and cash equivalents	$ 7,589
Investment securities	63,684
Federal Home Loan Bank stock	3,185
Loans held for sale	1,035
Loans	236,607
Premises and equipment	6,492
Accrued interest receivable	1,044
Other real estate owned	30
Company-owned life insurance	7,438
Other assets	11,031

Deposits	(292,068)
Other borrowings	(15,203)
Accrued expenses and other liabilities	(4,582)
Net tangible assets acquired	26,282
Definite-lived intangible assets acquired	2,618
Loan servicing rights	990
Goodwill	39,705
Purchase price	$ 69,595

Prior to the end of the one year measurement period for finalizing the purchase price allocation, if information becomes available which would indicate adjustments are required to the purchase price allocation, such adjustments

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will be included in the purchase price allocation retrospectively. During the first quarter of 2015, immaterial adjustments were made to the purchase price allocations that affected the amounts allocated to goodwill, loans and other assets.

The portion of the purchase price allocated to goodwill will not be deductible for tax purposes and is included in the Banking segment, as described in Note 21 of these consolidated financial statement footnotes.

The acquired identifiable intangible asset is core deposit intangible and the estimated fair value is $2.6 million. The core deposit intangible asset will be amortized over an estimated useful life of 7 years and is included in the Banking segment, as described in Note 21 of these consolidated financial statement footnotes.

Acquired loan data for LSB can be found in the table below:

(in thousands)	Fair Value of Acquired Loans at Acquisition Date	Gross Contractual Amounts Receivable at Acquisition Date	Best Estimate at Acquisition Date of Contractual Cash Flows Not Expected to be Collected
Acquired receivables subject to ASC 310-30	$ 11,986	$ 24,493	$ 9,903
Acquired receivables not subject to ASC 310-30	$ 224,621	$ 340,832	$ 57,884

Founders Financial Corporation

On July 28, 2014, Old National announced that it had entered into an agreement to acquire Grand Rapids, Michigan-based Founders Financial Corporation (Founders) through a stock and cash merger. The acquisition was completed effective January 1, 2015 (the Closing Date). Founders was a bank holding company with Founders Bank & Trust as its wholly-owned subsidiary and operated four full-service banking centers in Kent County. Old National believes that it will be able to achieve cost savings by integrating the two companies and combining accounting, data processing, retail and lending support, and other administrative functions after the merger, which will enable Old National to achieve economies of scale in these areas.

The total purchase price for Founders was $91.7 million, consisting of $41.0 million of cash and the issuance of 3.4 million shares of Old National Common Stock valued at $50.6 million. This acquisition was accounted for under the acquisition method of accounting. Accordingly, the Company recognized amounts for identifiable assets acquired and liabilities assumed at their estimated acquisition date fair values. To date, transaction and integration costs of $3.7 million associated with the acquisition have been expensed and remaining integration costs will be expensed in future quarters as incurred.

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Under the acquisition method of accounting, the total estimated purchase price is allocated to net tangible and intangible assets based on their current estimated fair values on the date of acquisition. Based on management s preliminary valuation of the fair value of tangible and intangible assets acquired and liabilities assumed, which are based on assumptions that are subject to change, the purchase price for the Founders acquisition is allocated as follows (in thousands):

Cash and cash equivalents	$ 3,978
Investment securities	75,383
Federal Home Loan Bank stock	1,810
Loans held for sale	3,473
Loans	339,569
Premises and equipment	3,604
Accrued interest receivable	1,260
Other real estate owned	674
Company-owned life insurance	8,297
Other assets	8,866
Deposits	(376,656)
Other borrowings	(39,380)
Accrued expenses and other liabilities	(1,579)
Net tangible assets acquired	29,299
Definite-lived intangible assets acquired	5,515
Loan servicing rights	664
Goodwill	56,224
Purchase price	$ 91,702

Prior to the end of the one year measurement period for finalizing the purchase price allocation, if information becomes available which would indicate adjustments are required to the purchase price allocation, such adjustments will be included in the purchase price allocation retrospectively.

The portion of the purchase price allocated to goodwill will not be deductible for tax purposes and is included in the Banking segment, as described in Note 21 of these consolidated financial statement footnotes.

The components of the estimated fair value of the acquired identifiable intangible assets are in the table below. These intangible assets will be amortized on an accelerated basis over their estimated lives and are included in the Banking segment, as described in Note 21 of these consolidated financial statement footnotes.

	Estimated Fair Value (in millions)	Estimated Useful Lives (Years)
Core deposit intangible	$ 3.0	7
Trust customer relationship intangible	$ 2.5	12

Acquired loan data for Founders can be found in the table below:

(in thousands)	Fair Value of Acquired Loans at Acquisition Date	Gross Contractual Amounts Receivable at Acquisition Date	Best Estimate at Acquisition Date of Contractual Cash Flows Not Expected to be Collected
Acquired receivables subject to ASC 310-30	$ 6,607	$ 11,103	$ 2,684
Acquired receivables not subject to ASC 310-30	$ 332,962	$ 439,031	$ 61,113

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Mutual Underwriters Insurance

Effective February 1, 2015, Old National acquired certain assets from Mutual Underwriters Insurance (Mutual Underwriters). The total purchase price of the assets was $3.7 million, consisting of $2.6 million of customer business relationship intangibles and $1.1 million of goodwill, both of which are included in our Insurance segment. The customer business relationship intangibles will be amortized using an accelerated method over an estimated useful life of 10 years.

Divestitures

On January 30, 2015, Old National announced plans to sell its southern Illinois franchise (twelve branches), four branches in eastern Indiana and one in Ohio as part of its ongoing efficiency improvements. Old National entered into branch purchase and assumption agreements with the following banks: (i) MainSource Bank to purchase deposits and banking centers in eastern Indiana and Ohio; and (ii) First Mid-Illinois Bank and Trust to purchase the deposits and banking center facilities in southern Illinois. At March 31, 2015, $186.2 million of loans associated with these transactions were classified as held for sale. Deposits of approximately $620.2 million will also be included in the sales. In addition, the Company announced plans to consolidate or close 19 branches throughout the Old National franchise based on an ongoing assessment of our service and delivery network and on our goal to continue to move our franchise into stronger growth markets. It is currently expected that these transactions will be completed prior to September 30, 2015.

NOTE 4 - NET INCOME PER SHARE

The following table reconciles basic and diluted net income per share for the three months ended March 31:

	Three Months Ended March 31,	
(dollars and shares in thousands, except per share data)	**2015**	**2014**
Basic Earnings Per Share		
Net income	**$ 20,906**	$ 26,510
Weighted average common shares outstanding	**118,540**	99,797
Basic Earnings Per Share	**$ 0.18**	$ 0.27
Diluted Earnings Per Share		
Net income	**$ 20,906**	$ 26,510
Weighted average common shares outstanding	**118,540**	99,797
Effect of dilutive securities:		
Restricted stock	**438**	501
Stock options (1)	**98**	27
Weighted average shares outstanding	**119,076**	100,325
Diluted Earnings Per Share	**$ 0.18**	$ 0.26

(1) Options to purchase 924 shares and 832 shares outstanding at March 31, 2015 and 2014, respectively, were not included in the computation of net income per diluted share because the exercise price of these options was greater than the average market price of the common shares and, therefore, the effect would be antidilutive.

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NOTE 5 ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table summarizes the changes within each classification of accumulated other comprehensive income (loss) (AOCI) net of tax for the three months ended March 31, 2015 and 2014:

	Changes in AOCI by Component (a)				
(dollars in thousands)	Unrealized Gains and Losses on Available-for-Sale Securities	Unrealized Gains and Losses on Held-to-Maturity Securities	Gains and Losses on Cash Flow Hedges	Defined Benefit Pension Plans	Total
2015					
Balance at January 1, 2015	**$ (748)**	**$ (15,776)**	**$ (5,935)**	**$ (9,096)**	**$ (31,555)**
Other comprehensive income (loss) before reclassifications	**11,515**		**(3,489)**		**8,026**
Amounts reclassified from accumulated other comprehensive income (loss) (b)	**(1,688)**	**403**	**115**	**457**	**(713)**
Net current-period other comprehensive income (loss)	**9,827**	**403**	**(3,374)**	**457**	**7,313**
Balance at March 31, 2015	**$ 9,079**	**$ (15,373)**	**$ (9,309)**	**$ (8,639)**	**$ (24,242)**
2014					
Balance at January 1, 2014	$ (21,108)	$ (16,767)	$ (190)	$ (6,401)	$ (44,466)
Other comprehensive income (loss) before reclassifications	7,415		(1,200)		6,215
Amounts reclassified from accumulated other comprehensive income (loss) (b)	(282)	270		333	321
Net current-period other comprehensive income (loss)	7,133	270	(1,200)	333	6,536
Balance at March 31, 2014	$ (13,975)	$ (16,497)	$ (1,390)	$ (6,068)	$ (37,930)

(a) All amounts are net of tax. Amounts in parentheses indicate debits.
(b) See tables below for details about reclassifications.

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The following tables summarize the significant amounts reclassified out of each component of AOCI for the three months ended March 31, 2015 and 2014:

Reclassifications out of Accumulated Other Comprehensive Income (Loss)

Three Months Ended March 31, 2015 (a)

Details about Accumulated Other Comprehensive Income (Loss) Components	Amount Reclassified from Accumulated Other Comprehensive Income (Loss)	Affected Line Item in the Statement Where Net Income is Presented
Unrealized gains and losses on available-for-sale securities		
	$ 2,683	Net securities gains
		Impairment losses
	2,683	Total before tax
	(995)	Tax (expense) or benefit
	$ 1,688	Net of tax
Unrealized gains and losses on held-to-maturity securities		
	$ (337)	Interest income/(expense)
	(66)	Tax (expense) or benefit
	$ (403)	Net of tax
Gains and losses on cash flow hedges		
Interest rate contracts	$ (186)	Interest income/(expense)
	71	Tax (expense) or benefit
	$ (115)	Net of tax
Amortization of defined benefit pension items		
Actuarial gains/(losses)	$ (738)	Salaries and employee benefits
	281	Tax (expense) or benefit
	$ (457)	Net of tax
Total reclassifications for the period	$ 713	Net of tax

(a) Amounts in parentheses indicate debits to profit/loss.

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Reclassifications out of Accumulated Other Comprehensive Income (Loss)

	Three Months Ended March 31, 2014 (a)	
	Amount Reclassified from Accumulated Other Comprehensive Income (Loss)	Affected Line Item in the Statement Where Net Income is Presented
Details about Accumulated Other Comprehensive Income (Loss) Components		
Unrealized gains and losses on available-for-sale securities		
	$ 559	Net securities gains
	(100)	Impairment losses
	459	Total before tax
	(177)	Tax (expense) or benefit
	$ 282	Net of tax
Unrealized gains and losses on held-to-maturity securities		
	$ (397)	Interest income/(expense)
	127	Tax (expense) or benefit
	$ (270)	Net of tax
Gains and losses on cash flow hedges		
Interest rate contracts	$	Interest income/(expense)
		Tax (expense) or benefit
	$	Net of tax
Amortization of defined benefit pension items		
Actuarial gains/(losses)	$ (352)	Salaries and employee benefits
	19	Tax (expense) or benefit
	$ (333)	Net of tax
Total reclassifications for the period	$ (321)	Net of tax

(a) Amounts in parentheses indicate debits to profit/loss.

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NOTE 6 - INVESTMENT SECURITIES

The following table summarizes the amortized cost and fair value of the available-for-sale and held-to-maturity investment securities portfolio at March 31, 2015 and December 31, 2014 and the corresponding amounts of unrealized gains and losses therein:

(dollars in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2015				
Available-for-Sale				
U.S. Treasury	**$ 24,876**	**$ 302**	**$**	**$ 25,178**
U.S. government-sponsored entities and agencies	**707,414**	**4,082**	**(2,117)**	**709,379**
Mortgage-backed securities - Agency	**1,078,115**	**19,086**	**(6,470)**	**1,090,731**
States and political subdivisions	**330,357**	**11,201**	**(928)**	**340,630**
Pooled trust preferred securities	**17,706**		**(11,153)**	**6,553**
Other securities	**372,676**	**3,799**	**(3,476)**	**372,999**
Total available-for-sale securities	**$ 2,531,144**	**$ 38,470**	**$ (24,144)**	**$ 2,545,470**
Held-to-Maturity				
U.S. government-sponsored entities and agencies	**$ 166,343**	**$ 6,293**	**$**	**$ 172,636**
Mortgage-backed securities - Agency	**21,548**	**922**		**22,470**
States and political subdivisions	**648,147**	**56,404**	**(4)**	**704,547**
Total held-to-maturity securities	**$ 836,038**	**$ 63,619**	**$ (4)**	**$ 899,653**
December 31, 2014				
Available-for-Sale				
U.S. Treasury	$ 14,978	$ 196	$ (8)	$ 15,166
U.S. government-sponsored entities and agencies	692,704	1,533	(8,286)	685,951
Mortgage-backed securities - Agency	1,233,811	18,219	(10,368)	1,241,662
States and political subdivisions	304,435	11,023	(917)	314,541
Pooled trust preferred securities	17,965		(11,358)	6,607
Other securities	365,235	2,338	(3,669)	363,904
Total available-for-sale securities	$ 2,629,128	$ 33,309	$ (34,606)	$ 2,627,831
Held-to-Maturity				
U.S. government-sponsored entities and agencies	$ 167,207	$ 6,279	$	$ 173,486
Mortgage-backed securities - Agency	23,648	926		24,574
States and political subdivisions	653,199	52,753	(77)	705,875
Total held-to-maturity securities	$ 844,054	$ 59,958	$ (77)	$ 903,935

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Proceeds from sales or calls of available-for-sale investment securities, the resulting realized gains and realized losses, and other securities gains or losses were as follows for the three months ended March 31:

(dollars in thousands)	Three Months Ended March 31, 2015	2014
Proceeds from sales of available-for-sale securities	**$ 170,265**	$ 16,523
Proceeds from calls of available-for-sale securities	**51,594**	23,375
Total	**$ 221,859**	$ 39,898
Realized gains on sales of available-for-sale securities	**$ 2,481**	$ 658
Realized gains on calls of available-for-sale securities	**168**	
Realized losses on sales of available-for-sale securities	**(25)**	
Realized losses on calls of available-for-sale securities	**(3)**	(267)
Other securities gains (1)	**62**	168
Net securities gains	**$ 2,683**	$ 559

(1) Other securities gains includes net realized gains or losses associated with trading securities and mutual funds. Trading securities, which consist of mutual funds held in a trust associated with deferred compensation plans for former Monroe Bancorp directors and executives, are recorded at fair value and totaled $4.0 million at March 31, 2015 and $3.9 million at December 31, 2014.

All of the mortgage-backed securities in the investment portfolio are residential mortgage-backed securities. The amortized cost and fair value of the investment securities portfolio are shown by expected maturity. Expected maturities may differ from contractual maturities if borrowers have the right to call or prepay obligations with or without call or prepayment penalties. Weighted average yield is based on amortized cost.

(dollars in thousands)	March 31, 2015		Weighted
Maturity	**Amortized Cost**	**Fair Value**	**Average Yield**
Available-for-Sale			
Within one year	**$ 41,201**	**$ 41,405**	**1.50%**
One to five years	**449,141**	**453,090**	**1.72**
Five to ten years	**609,521**	**616,780**	**2.24**
Beyond ten years	**1,431,281**	**1,434,195**	**2.39**
Total	**$ 2,531,144**	**$ 2,545,470**	**2.22%**

Held-to-Maturity			
Within one year	**$ 77**	**$ 78**	**3.64%**
One to five years	**29,107**	**30,597**	**4.15**
Five to ten years	**187,953**	**196,645**	**3.43**
Beyond ten years	**618,901**	**672,333**	**5.52**
Total	**$ 836,038**	**$ 899,653**	**5.00%**

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The following table summarizes the investment securities with unrealized losses at March 31, 2015 and December 31, 2014 by aggregated major security type and length of time in a continuous unrealized loss position:

	Less than 12 months		12 months or longer		Total	
(dollars in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
March 31, 2015						
Available-for-Sale						
U.S. Treasury	**$ 12,900**	**$**	**$**	**$**	**$ 12,900**	**$**
U.S. government-sponsored entities and agencies	**15,895**	**(22)**	**204,953**	**(2,095)**	**220,848**	**(2,117)**
Mortgage-backed securities - Agency	**58,455**	**(401)**	**294,928**	**(6,069)**	**353,383**	**(6,470)**
States and political subdivisions	**35,751**	**(350)**	**6,561**	**(578)**	**42,312**	**(928)**
Pooled trust preferred securities			**6,553**	**(11,153)**	**6,553**	**(11,153)**
Other securities	**77,851**	**(830)**	**91,760**	**(2,646)**	**169,611**	**(3,476)**
Total available-for-sale	**$ 200,852**	**$ (1,603)**	**$ 604,755**	**$ (22,541)**	**$ 805,607**	**$ (24,144)**
Held-to-Maturity						
States and political subdivisions	**$ 2,134**	**$ (4)**	**$**	**$**	**$ 2,134**	**$ (4)**
Total held-to-maturity	**$ 2,134**	**$ (4)**	**$**	**$**	**$ 2,134**	**$ (4)**
December 31, 2014						
Available-for-Sale						
U.S. Treasury	$ 9,524	$ (8)	$	$	$ 9,524	$ (8)
U.S. government-sponsored entities and agencies	180,488	(563)	257,914	(7,723)	438,402	(8,286)
Mortgage-backed securities - Agency	31,304	(122)	386,788	(10,246)	418,092	(10,368)
States and political subdivisions	41,481	(288)	9,534	(629)	51,015	(917)
Pooled trust preferred securities			6,607	(11,358)	6,607	(11,358)
Other securities	115,973	(906)	95,344	(2,763)	211,317	(3,669)
Total available-for-sale	$ 378,770	$ (1,887)	$ 756,187	$ (32,719)	$ 1,134,957	$ (34,606)
Held-to-Maturity						
States and political subdivisions	$ 6,171	$ (77)	$	$	$ 6,171	$ (77)
Total held-to-maturity	$ 6,171	$ (77)	$	$	$ 6,171	$ (77)

Management evaluates securities for other-than-temporary impairment (OTTI) at least on a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. The investment securities portfolio is evaluated for OTTI by segregating the portfolio into two general segments and applying the appropriate OTTI model. Investment securities classified as available-for-sale or held-to-maturity are generally evaluated for OTTI under FASB

ASC 320 (SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities*). However, certain purchased beneficial interests, including non-agency mortgage-backed securities, asset-backed securities, and collateralized debt obligations, that had credit ratings at the time of purchase of below AA are evaluated using the model outlined in FASB ASC 325-10 (EITF Issue No. 99-20, *Recognition of Interest Income and Impairment on Purchased Beneficial Interests and Beneficial Interests that Continue to be Held by a Transfer in Securitized Financial Assets*).

In determining OTTI under the FASB ASC 320 (SFAS No. 115) model, management considers many factors, including: (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, (3) whether the market decline was affected by macroeconomic conditions, and (4) whether the entity has the intent to sell the debt security or more likely than not will be required to sell the debt security before its anticipated recovery. The assessment of whether an other-than-temporary decline exists involves a high degree of subjectivity and judgment and is based on the information available to management at a point in time. The second segment of the portfolio uses the OTTI guidance provided by FASB ASC 325-10 (EITF 99-20) that is specific to purchased beneficial interests that, on the purchase date, were rated below AA. Under the FASB ASC 325-10 model, we compare the present value of the remaining cash flows as estimated at the preceding evaluation date to the current expected remaining cash flows. An OTTI is deemed to have occurred if there has been an adverse change in the remaining expected future cash flows.

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When other-than-temporary-impairment occurs under either model, the amount of the other-than-temporary-impairment recognized in earnings depends on whether an entity intends to sell the security or more likely than not will be required to sell the security before recovery of its amortized cost basis less any current-period credit loss. If an entity intends to sell or more likely than not will be required to sell the security before recovery of its amortized cost basis less any current-period credit loss, the other-than-temporary-impairment shall be recognized in earnings equal to the entire difference between the investment s amortized cost basis and its fair value at the balance sheet date. Otherwise, the other-than-temporary-impairment shall be separated into the amount representing the credit loss and the amount related to all other factors. The amount of the total other-than-temporary-impairment related to the credit loss is determined based on the present value of cash flows expected to be collected and is recognized in earnings. The amount of the total other-than-temporary-impairment related to other factors shall be recognized in other comprehensive income, net of applicable taxes. The previous amortized cost basis less the other-than-temporary-impairment recognized in earnings shall become the new amortized cost basis of the investment.

We did not record other-than-temporary-impairments during the three months ended March 31, 2015. Other-than-temporary-impairments totaled $100 thousand during the three months ended March 31, 2014.

As of March 31, 2015, Old National s securities portfolio consisted of 1,788 securities, 120 of which were in an unrealized loss position. The unrealized losses attributable to our U.S. government-sponsored entities and agencies, our agency mortgage-backed securities, and our other securities are the result of fluctuations in interest rates. Our pooled trust preferred securities are discussed below.

Pooled Trust Preferred Securities

At March 31, 2015, our securities portfolio contained three pooled trust preferred securities with a fair value of $6.6 million and unrealized losses of $11.2 million. One of the pooled trust preferred securities in our portfolio falls within the scope of FASB ASC 325-10 (EITF 99-20) and has a fair value of $0.2 million with an unrealized loss of $3.5 million at March 31, 2015. This security was rated A3 at inception, but at March 31, 2015, this security is rated D. The issuers in this security are banks. We use the OTTI evaluation model to compare the present value of expected cash flows to the previous estimate to determine whether an adverse change in cash flows has occurred during the quarter. The OTTI model considers the structure and term of the collateralized debt obligation (CDO) and the financial condition of the underlying issuers. Specifically, the model details interest rates, principal balances of note classes and underlying issuers, the timing and amount of interest and principal payments of the underlying issuers, and the allocation of the payments to the note classes. The current estimate of expected cash flows is based on the most recent trustee reports and any other relevant market information including announcements of interest payment deferrals or defaults of underlying trust preferred securities. Assumptions used in the model include expected future default rates and prepayments. We assume no recoveries on defaults and a limited number of recoveries on current or projected interest payment deferrals. In addition, we use the model to stress this CDO, or make assumptions more severe than expected activity, to determine the degree to which assumptions could deteriorate before the CDO could no longer fully support repayment of Old National s note class. For the three months ended March 31, 2015 and 2014, our model indicated no other-than-temporary-impairment losses on this security. At March 31, 2015, we have no intent to sell any securities that are in an unrealized loss position nor is it expected that we would be required to sell any securities.

Two of our pooled trust preferred securities with a fair value of $6.4 million and unrealized losses of $7.6 million at March 31, 2015 are not subject to FASB ASC 325-10. These securities are evaluated using collateral-specific assumptions to estimate the expected future interest and principal cash flows. For the three months ended March 31, 2015 and 2014, our analysis indicated no other-than-temporary-impairment on these securities.

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The table below summarizes the relevant characteristics of our pooled trust preferred securities as well as our single issuer trust preferred securities that are included in the other securities category in this footnote. Each of the pooled trust preferred securities support a more senior tranche of security holders.

As depicted in the table below, all three securities have experienced credit defaults. However, two of these securities have excess subordination and are not other-than-temporarily-impaired as a result of their class hierarchy which provides more loss protection.

Trust preferred securities March 31, 2015 (dollars in thousands)	Class	Lowest Credit Rating (1)	Amortized Cost	Fair Value	Unrealized Gain/ (Loss)	Realized Losses 2015	# of Issuers Currently Performing/ Remaining	Actual Deferrals and Defaults as a Percent of Original Collateral	Expected Defaults as a % of Remaining Performing Collateral	Excess Subordination as a % of Current Performing Collateral
Pooled trust preferred securities:										
Reg Div Funding 2004	B-2	D	$ 3,769	$ 221	$ (3,548)	$	24/42	34.2%	8.9%	0.0%
Pretsl XXVII LTD	B	B	4,491	2,520	(1,971)		34/46	22.7%	5.2%	41.1%
Trapeza Ser 13A	A2A	B+	9,446	3,812	(5,634)		48/59	15.0%	2.7%	51.9%
			17,706	6,553	(11,153)					
Single Issuer trust preferred securities:										
First Empire Cap (M&T)		BB+	961	1,009	48					
First Empire Cap (M&T)		BB+	2,917	3,027	110					
Fleet Cap Tr V (BOA)		BB	3,383	2,888	(495)					
JP Morgan Chase Cap XIII		BBB-	4,748	4,175	(573)					
NB-Global		BB	755	825	70					
Chase Cap II		BBB-	797	850	53					
			13,561	12,774	(787)					
Total			$ 31,267	$ 19,327	$ (11,940)	$				

(1) Lowest rating for the security provided by any nationally recognized credit rating agency.

On July 19, 2010, financial regulatory reform legislation entitled the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) was signed into law. The Dodd-Frank Act contains provisions (the Volcker Rule) prohibiting certain investments which can be held by a bank holding company. In December 2014, the Federal Reserve granted a one year extension on divestiture to July 2016. An additional one year extension is expected to be approved, which would extend the conformance period to July 2017. A limited partnership held by Old National falls under these restrictions and has to be divested by July 2015. The estimated sales proceeds for this security would be

less than the amortized cost of the security, and an other-than-temporary-impairment charge of $100 thousand was recorded for this security in the first quarter of 2014.

The following table details the remaining securities with other-than-temporary-impairment, their credit rating at March 31, 2015, and the related life-to-date credit losses recognized in earnings:

(dollars in thousands)	Vintage	Lowest Credit Rating (1)	Amortized Cost	Amount of other-than-temporary impairment recognized in earnings Three Months Ended March 31, 2015	2014	Life-to date
Reg Div Funding	2004	D	$ 3,769	$	$	$ 5,685
Limited partnership			730		100	100
Total			$ 4,499	$	$ 100	$ 5,785

(1) Lowest rating for the security provided by any nationally recognized credit rating agency.

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NOTE 7 - LOANS HELD FOR SALE

Loans held for sale were $210.5 million at March 31, 2015, compared to $213.5 million at December 31, 2014. Included in loans held for sale at March 31, 2015 were $186.2 million of loans identified to be sold in connection with the southern Illinois and eastern Indiana banking centers, and $24.3 million of mortgage loans held for immediate sale in the secondary market. Residential loans that Old National has originated with a commitment to sell are recorded at fair value in accordance with FASB ASC 825-10 (SFAS No. 159 *The Fair Value Option for Financial Assets and Financial Liabilities*). Old National had residential loans held for sale of $15.6 million at December 31, 2014. Prior to mid-2014, residential loans originated by Old National were primarily sold on a servicing released basis. Beginning with the inception of an in-house servicing unit in the third quarter of 2014, conventional mortgage production is now sold on a servicing retained basis. Certain loans, such as government guaranteed mortgage loans continue to be sold on servicing released basis.

The following table summarizes loans held for sale that were reclassified from loans held for investment at March 31, 2015 and December 31, 2014:

(dollars in thousands)	**March 31, 2015**	**December 31, 2014**
Commercial	**$ 37,528**	$ 45,500
Commercial real estate	**27,081**	30,690
Residential real estate	**68,892**	71,680
Consumer credit	**52,668**	50,058
Total	**$ 186,169**	$ 197,928

The loans held for sale were reclassified at the lower of cost or fair value during the fourth quarter of 2014. Old National intends to sell these loans in two separate transactions and anticipates that both will be complete prior to September 30, 2015.

NOTE 8 LOANS AND ALLOWANCE FOR CREDIT LOSSES

Old National s finance receivables consist primarily of loans made to consumers and commercial clients in various industries including manufacturing, agribusiness, transportation, mining, wholesaling and retailing. Most of Old National s lending activity occurs within our principal geographic markets of Indiana, southeastern Illinois, western Kentucky and southwestern Michigan. Old National has no concentration of commercial loans in any single industry exceeding 10% of its portfolio.

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The composition of loans by lending classification was as follows:

(dollars in thousands)	March 31, 2015	December 31, 2014
Commercial (1)	**$ 1,668,275**	$ 1,629,600
Commercial real estate:		
Construction	**150,711**	134,552
Other	**1,662,868**	1,576,558
Residential real estate	**1,625,354**	1,519,156
Consumer credit:		
Heloc	**374,079**	360,320
Auto	**897,190**	846,969
Other	**137,222**	103,338
Covered loans	**136,840**	147,708
Total loans	**6,652,539**	6,318,201
Allowance for loan losses	**(46,675)**	(44,297)
Allowance for loan losses - covered loans	**(2,203)**	(3,552)
Net loans	**$ 6,603,661**	$ 6,270,352

(1) Includes direct finance leases of $18.9 million at March 31, 2015 and $19.3 million at December 31, 2014.

The risk characteristics of each loan portfolio segment are as follows:

Commercial

Commercial loans are primarily based on the identified cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. The cash flows of borrowers, however, may not be as expected and the collateral securing these loans may fluctuate in value. Most commercial loans are secured by the assets being financed or other business assets such as accounts receivable or inventory and may incorporate a personal guarantee; however, some short-term loans may be made on an unsecured basis. In the case of loans secured by accounts receivable, the availability of funds for the repayment of these loans may be substantially dependent on the ability of the borrower to collect amounts due from its customers.

Commercial real estate

These loans are viewed primarily as cash flow loans and secondarily as loans secured by real estate. Commercial real estate lending typically involves higher loan principal amounts, and the repayment of these loans is generally dependent on the successful operation of the property securing the loan or the business conducted on the property securing the loan. Commercial real estate loans may be adversely affected by conditions in the real estate markets or in the general economy. The properties securing Old National s commercial real estate portfolio are diverse in terms of type and geographic location. Management monitors and evaluates commercial real estate loans based on collateral, geography and risk grade criteria. As a general rule, Old National avoids financing single purpose projects unless other underwriting factors are present to help mitigate risk. In addition, management tracks the level of

owner-occupied commercial real estate loans versus non-owner occupied loans.

Included with commercial real estate are construction loans, which are underwritten utilizing feasibility studies, independent appraisal reviews, sensitivity analysis of absorption and lease rates and financial analysis of the developers and property owners. Construction loans are generally based on estimates of costs and value associated with the complete project. These estimates may be inaccurate. Construction loans often involve the disbursement of substantial funds with repayment substantially dependent on the success of the ultimate project. Sources of repayment for these types of loans may be pre-committed permanent loans from approved long-term lenders, sales of developed property or an interim loan commitment from Old National until permanent financing is obtained. These loans are closely monitored by on-site inspections and are considered to have higher risks than other real estate loans due to their ultimate repayment being sensitive to interest rate changes, governmental regulation of real property, general economic conditions and the availability of long-term financing.

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Residential

With respect to residential loans that are secured by 1-4 family residences and are generally owner occupied, Old National typically establishes a maximum loan-to-value ratio and requires private mortgage insurance if that ratio is exceeded. Repayment of these loans is primarily dependent on the personal income of the borrowers, which can be impacted by economic conditions in their market areas such as unemployment levels. Repayment can also be impacted by changes in residential property values. Risk is mitigated by the fact that the loans are of smaller individual amounts and spread over a large number of borrowers.

Consumer

Home equity loans are typically secured by a subordinate interest in 1-4 family residences, and consumer loans are secured by consumer assets such as automobiles or recreational vehicles. Some consumer loans are unsecured such as small installment loans and certain lines of credit. Repayment of these loans is primarily dependent on the personal income of the borrowers, which can be impacted by economic conditions in their market areas such as unemployment levels. Repayment can also be impacted by changes in residential property values. Risk is mitigated by the fact that the loans are of smaller individual amounts and spread over a large number of borrowers.

Covered Loans

Covered loans represent loans acquired from the FDIC that are subject to loss share agreements whereby Old National is indemnified against 80% of losses up to $275.0 million, losses in excess of $275.0 million up to $467.2 million at 0% reimbursement, and 80% of losses in excess of $467.2 million. As of March 31, 2015, we do not expect losses to exceed $275.0 million. See Note 9 to the consolidated financial statements for further details on our covered loans.

Allowance for loan losses

The allowance for loan losses is maintained at a level believed adequate by management to absorb probable losses incurred in the consolidated loan portfolio. Management s evaluation of the adequacy of the allowance is an estimate based on reviews of individual loans, pools of homogeneous loans, assessments of the impact of current and anticipated economic conditions on the portfolio and historical loss experience. The allowance is increased through a provision charged to operating expense. Loans deemed to be uncollectible are charged to the allowance. Recoveries of loans previously charged-off are added to the allowance.

Effective January 1, 2015, we began using a probability of default (PD)/loss given default (LGD) model as a tool to determine the adequacy of the allowance for loan losses for performing commercial and commercial real estate loans. The PD is forecast using a transition matrix to determine the likelihood of a customer s asset quality rating (AQR) migrating from its current AQR to any other status within the time horizon. Transition rates are measured using Old National s own historical experience. The model assumes that recent historical transition rates will continue into the future. The LGD is defined as credit loss incurred when an obligor of the bank defaults. The sum of all net charge-offs for a particular portfolio segment are divided by all loans that have defaulted over a given period of time. The expected loss derived from the model considers the PD, LGD, and exposure at default. Additionally, qualitative factors, such as changes in lending policies or procedures, and economic business conditions are also considered.

We adopted the probability of default and loss given default model for commercial loans because we believe this approach has a tendency to react more quickly to credit cycle shifts (both positive and negative). The overall results of switching from migration analysis to the probability of default and loss given default model for our performing commercial and commercial real estate loans in the first quarter of 2015 were not material.

Prior to January 1, 2015, we used migration analysis as a tool to determine the adequacy of the allowance for loan losses for performing commercial and commercial real estate loans. Migration analysis is a statistical technique that attempts to estimate probable losses for existing pools of loans by matching actual losses incurred on loans back to their origination. Judgment is used to select and weight the historical periods which are most representative of the current environment.

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We calculated migration analysis using several different scenarios based on varying assumptions to evaluate the widest range of possible outcomes. The migration-derived historical commercial loan loss rates were applied to the current commercial loan pools to arrive at an estimate of probable losses for the loans existing at the time of analysis. The amounts determined by migration analysis were adjusted for management s best estimate of the effects of current economic conditions, loan quality trends, results from internal and external review examinations, loan volume trends, credit concentrations and various other factors.

We continue to use historic loss ratios adjusted for expectations of future economic conditions to determine the appropriate level of allowance for consumer and residential real estate loans.

No allowance was brought forward on any of the acquired loans as any credit deterioration evident in the loans was included in the determination of the fair value of the loans at the acquisition date. Purchased credit impaired (PCI) loans are not considered impaired until after the point at which there has been a degradation of cash flows below our expected cash flows at acquisition. Impairment on PCI loans would be recognized in the current period as provision expense.

Old National s activity in the allowance for loan losses for the three months ended March 31, 2015 and 2014 is as follows:

(dollars in thousands)	Commercial	Commercial Real Estate	Consumer	Residential	Unallocated	Total
2015						
Allowance for loan losses:						
Balance at January 1, 2015	**$ 20,670**	**$ 17,348**	**$ 6,869**	**$ 2,962**	**$**	**$ 47,849**
Charge-offs	**44**	**710**	**(1,604)**	**(374)**		**(1,224)**
Recoveries	**1,182**	**167**	**875**	**28**		**2,252**
Provision	**2,807**	**(4,418)**	**1,309**	**303**		**1**
Balance at March 31, 2015	**$ 24,703**	**$ 13,807**	**$ 7,449**	**$ 2,919**	**$**	**$ 48,878**
2014						
Allowance for loan losses:						
Balance at January 1, 2014	$ 16,565	$ 22,401	$ 4,940	$ 3,239	$	$ 47,145
Charge-offs	(1,147)	(168)	(1,125)	21		(2,419)
Recoveries	792	1,095	821	82		2,790
Provision	3,296	(4,018)	742	17		37
Balance at March 31, 2014	$ 19,506	$ 19,310	$ 5,378	$ 3,359	$	$ 47,553

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The following table provides Old National s recorded investment in financing receivables by portfolio segment at March 31, 2015 and December 31, 2014 and other information regarding the allowance:

(dollars in thousands)	Commercial	Commercial Real Estate	Consumer	Residential	Unallocated	Total
March 31, 2015						
Allowance for loan losses:						
Individually evaluated for impairment	**$ 9,986**	**$ 1,838**	**$**	**$**	**$**	**$ 11,824**
Collectively evaluated for impairment	**13,635**	**10,830**	**7,180**	**2,905**		**34,550**
Noncovered loans acquired with deteriorated credit quality	**486**	**1,139**	**63**	**14**		**1,702**
Covered loans acquired with deteriorated credit quality	**596**		**206**			**802**
Total allowance for loan losses	**$ 24,703**	**$ 13,807**	**$ 7,449**	**$ 2,919**	**$**	**$ 48,878**
Loans and leases outstanding:						
Individually evaluated for impairment	**$ 48,295**	**$ 53,094**	**$**	**$**	**$**	**$ 101,389**
Collectively evaluated for impairment	**1,625,819**	**1,728,376**	**1,456,851**	**1,625,370**		**6,436,416**
Loans acquired with deteriorated credit quality	**2,735**	**35,068**	**6,233**	**131**		**44,167**
Covered loans acquired with deteriorated credit quality	**5,255**	**33,540**	**11,671**	**20,101**		**70,567**
Total loans and leases outstanding	**$ 1,682,104**	**$ 1,850,078**	**$ 1,474,755**	**$ 1,645,602**	**$**	**$ 6,652,539**
December 31, 2014						
Allowance for loan losses:						
Individually evaluated for impairment	$ 7,280	$ 2,945	$	$	$	$ 10,225
Collectively evaluated for impairment	12,163	13,354	6,519	2,945		34,981
Noncovered loans acquired with deteriorated credit quality	406	1,049	67	17		1,539
Covered loans acquired with deteriorated credit quality	821		283			1,104
Total allowance for loan losses	$ 20,670	$ 17,348	$ 6,869	$ 2,962	$	$ 47,849
Loans and leases outstanding:						
	$ 38,485	$ 45,335	$	$	$	$ 83,820

Individually evaluated for impairment						
Collectively evaluated for impairment	1,598,352	1,631,794	1,359,537	1,519,171		6,108,854
Loans acquired with deteriorated credit quality	2,770	37,394	7,073	133		47,370
Covered loans acquired with deteriorated credit quality	7,160	37,384	12,507	21,106		78,157
Total loans and leases outstanding	$ 1,646,767	$ 1,751,907	$ 1,379,117	$ 1,540,410	$	$ 6,318,201

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Credit Quality

Old National s management monitors the credit quality of its financing receivables in an on-going manner. Internally, management assigns a credit quality grade to each non-homogeneous commercial and commercial real estate loan in the portfolio. The primary determinants of the credit quality grade are based upon the reliability of the primary source of repayment and the past, present, and projected financial condition of the borrower. The credit quality rating also reflects current economic and industry conditions. Major factors used in determining the grade can vary based on the nature of the loan, but commonly include factors such as debt service coverage, internal cash flow, liquidity, leverage, operating performance, debt burden, FICO scores, occupancy, interest rate sensitivity, and expense burden. Old National uses the following definitions for risk ratings:

Criticized. Special mention loans that have a potential weakness that deserves management s close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution s credit position at some future date.

Classified Substandard. Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Classified Nonaccrual. Loans classified as nonaccrual have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection in full, on the basis of currently existing facts, conditions, and values, in doubt.

Classified Doubtful. Loans classified as doubtful have all the weaknesses inherent in those classified as nonaccrual, with the added characteristic that the weaknesses make collection in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Pass rated loans are those loans that are other than criticized, classified substandard, classified - nonaccrual or classified doubtful.

As of March 31, 2015 and December 31, 2014, the risk category of loans, excluding covered loans, by class of loans is as follows:

(dollars in thousands)

Corporate Credit Exposure Credit Risk Profile by Internally Assigned Grade	Commercial		Commercial Real Estate- Construction		Commercial Real Estate- Other	
	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014
Grade:						
Pass	**$ 1,490,032**	$ 1,442,904	**$ 137,433**	$ 119,958	**$ 1,456,118**	$ 1,374,191
Criticized	**77,490**	89,775	**3,495**	2,229	**102,945**	102,805
Classified - substandard	**49,070**	58,461	**3,588**	5,866	**38,602**	38,659
Classified - nonaccrual	**50,641**	38,003	**6,195**	6,499	**63,031**	59,771

Classified - doubtful	**1,042**	457			**2,172**	1,132
Total	**$ 1,668,275**	$ 1,629,600	**$ 150,711**	$ 134,552	**$ 1,662,868**	$ 1,576,558

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Old National considers the performance of the loan portfolio and its impact on the allowance for loan losses. For residential and consumer loan classes, Old National also evaluates credit quality based on the aging status of the loan and by payment activity. The following table presents the recorded investment in residential and consumer loans based on payment activity as of March 31, 2015 and December 31, 2014, excluding covered loans:

(dollars in thousands)	Consumer			Residential
	Heloc	Auto	Other	
March 31, 2015				
Performing	**$ 370,047**	**$ 895,946**	**$ 136,653**	**$ 1,610,932**
Nonperforming	**3,073**	**1,262**	**1,510**	**14,422**
Total	**$ 373,120**	**$ 897,208**	**$ 138,163**	**$ 1,625,354**
December 31, 2014				
Performing	$ 357,205	$ 845,708	$ 101,811	$ 1,505,188
Nonperforming	3,115	1,261	1,527	13,968
Total	$ 360,320	$ 846,969	$ 103,338	$ 1,519,156

Impaired Loans

Large commercial credits are subject to individual evaluation for impairment. Retail credits and other small balance credits that are part of a homogeneous group are not tested for individual impairment unless they are modified as a troubled debt restructuring. A loan is considered impaired when it is probable that contractual interest and principal payments will not be collected either for the amounts or by the dates as scheduled in the loan agreement. If a loan is impaired, a portion of the allowance is allocated so that the loan is reported net, at the present value of estimated cash flows using the loan s existing rate or at the fair value of collateral if repayment is expected solely from the collateral. Old National s policy, for all but purchased credit impaired loans, is to recognize interest income on impaired loans unless the loan is placed on nonaccrual status. No additional funds are committed to be advanced in connection with these impaired loans.

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The following table shows Old National s impaired loans, excluding covered loans, which are individually evaluated as of March 31, 2015 and December 31, 2014, respectively. Of the loans purchased without FDIC loss share coverage, only those that have experienced subsequent impairment since the date acquired are included in the table below.

(dollars in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance
March 31, 2015			
With no related allowance recorded:			
Commercial	**$ 27,873**	**$ 28,194**	**$**
Commercial Real Estate - Construction	**2,330**	**2,333**	
Commercial Real Estate - Other	**43,508**	**45,594**	
Consumer	**776**	**851**	
Residential	**906**	**1,012**	
With an allowance recorded:			
Commercial	**15,559**	**15,567**	**8,715**
Commercial Real Estate - Construction	**234**	**234**	**10**
Commercial Real Estate - Other	**7,022**	**9,263**	**1,828**
Consumer	**1,441**	**1,441**	**72**
Residential	**1,475**	**1,475**	**74**
Total Loans	**$ 101,124**	**$ 105,964**	**$ 10,699**
December 31, 2014			
With no related allowance recorded:			
Commercial	$ 25,483	$ 25,854	$
Commercial Real Estate - Construction	2,168	1,397	
Commercial Real Estate - Other	28,637	30,723	
Consumer	685	748	
Residential	588	658	
With an allowance recorded:			
Commercial	7,471	10,488	4,883
Commercial Real Estate - Construction	98	98	11
Commercial Real Estate - Other	14,432	16,503	2,934
Consumer	1,543	1,543	77
Residential	1,476	1,476	74
Total Loans	$ 82,581	$ 89,488	$ 7,979

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The average balance of impaired loans, excluding covered loans, and interest income recognized on impaired loans during the three months ended March 31, 2015 and 2014 are included in the table below.

(dollars in thousands)	Average Recorded Investment	Interest Income Recognized (1)
Three Months Ended March 31, 2015		
With no related allowance recorded:		
Commercial	**$ 26,849**	**$ 42**
Commercial Real Estate - Construction	**2,250**	**3**
Commercial Real Estate - Other	**38,801**	**85**
Consumer	**731**	**1**
Residential	**747**	
With an allowance recorded:		
Commercial	**11,516**	**48**
Commercial Real Estate - Construction	**166**	
Commercial Real Estate - Other	**10,728**	**1**
Consumer	**1,492**	**20**
Residential	**1,475**	**61**
Total Loans	**$ 94,755**	**$ 261**
Three Months Ended March 31, 2014		
With no related allowance recorded:		
Commercial	$ 17,151	$ 33
Commercial Real Estate - Construction	1,007	
Commercial Real Estate - Other	17,542	54
Consumer	394	2
Residential	116	
With an allowance recorded:		
Commercial	11,045	54
Commercial Real Estate - Construction		
Commercial Real Estate - Other	19,851	112
Consumer	975	12
Residential	2,185	17
Total Loans	$ 70,266	$ 284

(1) The Company does not record interest on nonaccrual loans until principal is recovered.

For all loan classes, a loan is generally placed on nonaccrual status when principal or interest becomes 90 days past due unless it is well secured and in the process of collection, or earlier when concern exists as to the ultimate collectibility of principal or interest. Interest accrued during the current year on such loans is reversed against earnings. Interest accrued in the prior year, if any, is charged to the allowance for loan losses. Cash interest received

on these loans is applied to the principal balance until the principal is recovered or until the loan returns to accrual status. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current, remain current for six months and future payments are reasonably assured.

Loans accounted for under FASB ASC Topic 310-30 accrue interest, even though they may be contractually past due, as any nonpayment of contractual principal or interest is considered in the periodic re-estimation of expected cash flows and is included in the resulting recognition of current period covered loan loss provision or prospective yield adjustments. Similar to noncovered loans, covered loans accounted for outside FASB ASC Topic 310-30 are classified as nonaccrual when, in the opinion of management, collection of principal or interest is doubtful. Information for covered loans accounted for both under and outside FASB ASC Topic 310-30 is included in the table below in the row labeled covered loans.

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Old National s past due financing receivables as of March 31, 2015 and December 31, 2014 are as follows:

(dollars in thousands)	30-59 Days Past Due	60-89 Days Past Due	> 90 Days and Accruing	Recorded Investment Nonaccrual	Total Past Due	Current
March 31, 2015						
Commercial	**$ 2,486**	**$ 1,774**	**$**	**$ 51,683**	**$ 55,943**	**$ 1,612,332**
Commercial Real Estate:						
Construction	**927**			**6,195**	**7,122**	**143,589**
Other	**2,271**	**2,096**		**65,203**	**69,570**	**1,593,298**
Consumer:						
Heloc	**839**	**140**		**3,073**	**4,052**	**370,027**
Auto	**2,441**	**490**	**83**	**1,263**	**4,277**	**892,913**
Other	**727**	**223**	**44**	**1,510**	**2,504**	**134,718**
Residential	**10,191**	**847**		**14,422**	**25,460**	**1,599,894**
Covered loans	**1,089**	**524**	**15**	**12,543**	**14,171**	**122,669**
Total loans	**$ 20,971**	**$ 6,094**	**$ 142**	**$ 155,892**	**$ 183,099**	**$ 6,469,440**
December 31, 2014						
Commercial	$ 649	$ 813	$ 33	$ 38,460	$ 39,955	$ 1,589,645
Commercial Real Estate:						
Construction				6,499	6,499	128,053
Other	3,834	1,468	138	60,903	66,343	1,510,215
Consumer:						
Heloc	577	376		3,115	4,068	356,252
Auto	3,349	695	203	1,261	5,508	841,461
Other	969	129	83	1,527	2,708	100,630
Residential	11,606	3,959	1	13,968	29,534	1,489,622
Covered loans	1,477	584		15,124	17,185	130,523
Total loans	$ 22,461	$ 8,024	$ 458	$ 140,857	$ 171,800	$ 6,146,401

Loan Participations

Old National has loan participations, which qualify as participating interests, with other financial institutions. At March 31, 2015, these loans totaled $309.3 million, of which $170.5 million had been sold to other financial institutions and $138.8 million was retained by Old National. The loan participations convey proportionate ownership rights with equal priority to each participating interest holder, involve no recourse (other than ordinary representations and warranties) to, or subordination by, any participating interest holder, all cash flows are divided among the participating interest holders in proportion to each holder s share of ownership and no holder has the right to pledge the entire financial asset unless all participating interest holders agree.

Troubled Debt Restructurings

Old National may choose to restructure the contractual terms of certain loans. The decision to restructure a loan, versus aggressively enforcing the collection of the loan, may benefit Old National by increasing the ultimate probability of collection.

Any loans that are modified are reviewed by Old National to identify if a troubled debt restructuring (TDR) has occurred, which is when for economic or legal reasons related to a borrower s financial difficulties, the Bank grants a concession to the borrower that it would not otherwise consider. Terms may be modified to fit the ability of the

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borrower to repay in line with its current financial status. The modification of the terms of such loans included one or a combination of the following: a reduction of the stated interest rate of the loan, an extension of the maturity date at a stated rate of interest lower than the current market rate of new debt with similar risk, or a permanent reduction of the recorded investment of the loan.

Loans modified in a TDR are typically placed on nonaccrual status until we determine the future collection of principal and interest is reasonably assured, which generally requires that the borrower demonstrate a period of performance according to the restructured terms for six months.

If we are unable to resolve a nonperforming loan issue, the credit will be charged off when it is apparent there will be a loss. For large commercial type loans, each relationship is individually analyzed for evidence of apparent loss based on quantitative benchmarks or subjectively based upon certain events or particular circumstances. It is Old National s policy to charge off small commercial loans scored through our small business credit center with contractual balances under $250,000 that have been placed on nonaccrual status or became 90 days or more delinquent, without regard to the collateral position. For residential and consumer loans, a charge off is recorded at the time foreclosure is initiated or when the loan becomes 120 to 180 days past due, whichever is earlier.

For commercial TDRs, an allocated reserve is established within the allowance for loan losses for the difference between the carrying value of the loan and its computed value. To determine the value of the loan, one of the following methods is selected: (1) the present value of expected cash flows discounted at the loan s original effective interest rate, (2) the loan s observable market price, or (3) the fair value of the collateral value, if the loan is collateral dependent. The allocated reserve is established as the difference between the carrying value of the loan and the collectable value. If there are significant changes in the amount or timing of the loan s expected future cash flows, impairment is recalculated and the valuation allowance is adjusted accordingly.

When a consumer or residential loan is identified as a troubled debt restructuring, the loan is written down to its collateral value less selling costs.

At March 31, 2015, our TDRs consisted of $15.3 million of commercial loans, $15.4 million of commercial real estate loans, $2.5 million of consumer loans and $2.4 million of residential loans, totaling $35.6 million. Approximately $23.1 million of the TDRs at March 31, 2015 were included with nonaccrual loans. At December 31, 2014, our TDRs consisted of $15.2 million of commercial loans, $15.2 million of commercial real estate loans, $2.5 million of consumer loans and $2.1 million of residential loans, totaling $35.0 million. Approximately $22.1 million of the TDRs at December 31, 2014 were included with nonaccrual loans.

As of March 31, 2015 and December 31, 2014, Old National has allocated $1.6 million and $2.8 million of specific reserves to customers whose loan terms have been modified in TDRs, respectively. As of March 31, 2015, Old National had committed to lend an additional $1.6 million to customers with outstanding loans that are classified as TDRs.

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The pre-modification and post-modification outstanding recorded investments of loans modified as TDRs during the three months ended March 31, 2015 and 2014 are the same since the loan modifications did not involve the forgiveness of principal. Old National did not record any charge-offs at the modification date. The following table presents loans by class modified as TDRs that occurred during the three months ended March 31, 2015:

(dollars in thousands)	Number of Loans	Pre-modification Outstanding Recorded Investment	Post-modification Outstanding Recorded Investment
Troubled Debt Restructuring:			
Commercial	**11**	**$ 1,741**	**$ 1,741**
Commercial Real Estate - construction	**5**	**1,187**	**1,187**
Commercial Real Estate - other	**5**	**385**	**385**
Residential	**2**	**366**	**366**
Consumer - other	**6**	**161**	**161**
Total	**29**	**$ 3,840**	**$ 3,840**

The TDRs described above resulted in immaterial changes in the allowance for loan losses and charge-offs during the three months ended March 31, 2015.

The following table presents loans by class modified as TDRs that occurred during the three months ended March 31, 2014:

(dollars in thousands)	Number of Loans	Pre-modification Outstanding Recorded Investment	Post-modification Outstanding Recorded Investment
Troubled Debt Restructuring:			
Commercial	7	$ 188	$ 188
Commercial Real Estate - construction	1	484	484
Commercial Real Estate - other	3	246	246
Residential	1	22	22
Consumer - other	9	294	294
Total	21	$ 1,234	$ 1,234

The TDRs described above resulted in immaterial changes in the allowance for loan losses and charge-offs during the three months ended March 31, 2014.

A loan is considered to be in payment default once it is 90 days contractually past due under the modified terms.

There were three commercial loans and one commercial real estate loan totaling $0.3 million that were modified as TDRs within the preceding twelve months, and for which there was a payment default during the three months ended March 31, 2015.

There were four commercial loans and two commercial real estate loans totaling $1.4 million that were modified as TDRs within the preceding twelve months, and for which there was a payment default during the three months ended March 31, 2014.

The terms of certain other loans were modified during the three months ended March 31, 2015 that did not meet the definition of a TDR. It is our process to review all classified and criticized loans that, during the period, have been renewed, have entered into a forbearance agreement, have gone from principal and interest to interest only, or have extended the maturity date. In order to determine whether a borrower is experiencing financial difficulty, an evaluation is performed of the probability that the borrower will be in payment default on its debt in the foreseeable

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future without the modification. The evaluation is performed under our internal underwriting policy. We also evaluate whether a concession has been granted or if we were adequately compensated through a market interest rate, additional collateral or a bona fide guarantee. We also consider whether the modification was insignificant relative to the other terms of the agreement or if the delay in a payment was 90 days or less.

PCI loans are not considered impaired until after the point at which there has been a degradation of cash flows below our expected cash flows at acquisition. If a PCI loan is subsequently modified, and meets the definition of a TDR, it will be removed from PCI accounting and accounted for as a TDR only if the PCI loan was being accounted for individually. If the purchased credit impaired loan is being accounted for as part of a pool, it will not be removed from the pool. As of March 31, 2015, it has not been necessary to remove any loans from PCI accounting.

In general, once a modified loan is considered a TDR, the loan will always be considered a TDR, and therefore impaired, until it is paid in full, otherwise settled, sold or charged off. However, recent guidance also permits for loans to be removed from TDR status under these circumstances: (1) at the time of the subsequent restructuring, the borrower is not experiencing financial difficulties, and this is documented by a current credit evaluation at the time of the restructuring, (2) under the terms of the subsequent restructuring agreement, the institution has granted no concession to the borrower; and (3) the subsequent restructuring agreement includes market terms that are no less favorable than those that would be offered for a comparable new loan. For loans subsequently restructured that have cumulative principal forgiveness, the loan should continue to be measured in accordance with ASC 310-10, Receivables Overall . However, consistent with ASC 310-40-50-2, Troubled Debt Restructurings by Creditors, Creditor Disclosure of Troubled Debt Restructurings, the loan would not be required to be reported in the years following the restructuring if the subsequent restructuring meets both of these criteria: (1) has an interest rate at the time of the subsequent restructuring that is not less than a market interest rate; and (2) is performing in compliance with its modified terms after the subsequent restructuring.

The following table presents activity in TDRs for the three months ended March 31, 2015 and 2014:

(dollars in thousands)	Commercial	Commercial Real Estate	Consumer	Residential	Total
2015					
Troubled debt restructuring:					
Balance at January 1, 2015	**$ 15,205**	**$ 15,226**	**$ 2,459**	**$ 2,063**	**$ 34,953**
(Charge-offs)/recoveries	**586**	**248**	**(11)**	**(15)**	**808**
Payments	**(2,198)**	**(1,608)**	**(164)**	**(33)**	**(4,003)**
Additions	**1,741**	**1,573**	**174**	**352**	**3,840**
Balance at March 31, 2015	**$ 15,334**	**$ 15,439**	**$ 2,458**	**$ 2,367**	**$ 35,598**
2014					
Troubled debt restructuring:					
Balance at January 1, 2014	$ 22,443	$ 22,639	$ 1,441	$ 2,344	$ 48,867
(Charge-offs)/recoveries	123	121	(30)	1	215
Payments	(1,133)	(2,531)	(49)	(28)	(3,741)
Additions	188	730	294	22	1,234

Balance at March 31, 2014	$ 21,621	$ 20,959	$ 1,656	$ 2,339	$ 46,575

Purchased Impaired Loans (noncovered loans)

Purchased loans acquired in a business combination are recorded at estimated fair value on their purchase date with no carryover of the related allowance for loan and lease losses. In determining the estimated fair value of purchased loans, management considers a number of factors including the remaining life of the acquired loans, estimated prepayments, estimated loss ratios, estimated value of the underlying collateral, net present value of cash flows expected to be received, among others. Purchased loans are accounted for in accordance with guidance for certain loans acquired in a transfer (ASC 310-30), when the loans have evidence of credit deterioration since origination

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and it is probable at the date of acquisition that the acquirer will not collect all contractually required principal and interest payments. The difference between contractually required payments and the cash flows expected to be collected at acquisition is referred to as the non-accretable difference. Subsequent decreases to the expected cash flows will generally result in a provision for loan and lease losses. Subsequent increases in expected cash flows will result in a reversal of the provision for loan losses to the extent of prior charges and then an adjustment to accretable yield, which would have a positive impact on interest income.

Old National has purchased loans for which there was, at acquisition, evidence of deterioration of credit quality since origination and it was probable, at acquisition, that all contractually required payments would not be collected. For these noncovered loans that meet the criteria of ASC 310-30 treatment, the carrying amount is as follows:

(dollars in thousands)	**March 31, 2015**	December 31, 2014
Commercial	**$ 2,735**	$ 2,770
Commercial real estate	**35,068**	37,394
Consumer	**6,233**	7,073
Residential	**131**	133
Carrying amount	**$ 44,167**	$ 47,370
Carrying amount, net of allowance	**$ 42,465**	$ 45,831
Allowance for loan losses	**$ 1,702**	$ 1,539

The outstanding balance of noncovered loans accounted for under ASC 310-30, including contractual principal, interest, fees and penalties, was $132.7 million at March 31, 2015 and $135.9 million at December 31, 2014.

The accretable difference on purchased loans acquired in a business combination is the difference between the expected cash flows and the net present value of expected cash flows with such difference accreted into earnings using the effective yield method over the term of the loans. Accretion recorded as loan interest income totaled $2.9 million during the three months ended March 31, 2015 and $6.4 million during the three months ended March 31, 2014. Improvement in cash flow expectations has resulted in a reclassification from nonaccretable difference to accretable yield.

Accretable yield of noncovered loans, or income expected to be collected, is as follows:

(dollars in thousands)	Monroe	Integra Noncovered	IBT	Tower	United	LSB	Founders	Total
Balance at January 1, 2015	$ 3,564	$ 1,389	$ 13,354	$ 4,559	$ 1,516	$ 2,409	$	$ 26,791
New loans purchased							1,812	1,812
Accretion of income	(362)	(147)	(1,403)	(322)	(225)	(293)	(128)	(2,880)
Reclassifications from (to) nonaccretable difference	9	71	519	(163)	466	755		1,657
Disposals/other adjustments				32	40			72

Balance at March 31, 2015	$ 3,211	$ 1,313	$ 12,470	$ 4,106	$ 1,797	$ 2,871	$ 1,684	$ 27,452

Included in Old National s allowance for loan losses is $1.7 million related to the purchased loans disclosed above at March 31, 2015, compared to $1.5 million at December 31, 2014. An immaterial amount of allowance for loan losses were reversed during 2014 related to these loans.

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At acquisition, purchased loans, both covered and noncovered, for which it was probable at acquisition that all contractually required payments would not be collected were as follows:

(dollars in thousands)	Monroe	Integra Bank (1)	IBT	Tower	United	LSB	Founders
Contractually required payments	$ 94,714	$ 921,856	$ 118,535	$ 22,746	$ 15,483	$ 24,493	$ 11,103
Nonaccretable difference	(45,157)	(226,426)	(53,165)	(5,826)	(5,487)	(9,903)	(2,684)
Cash flows expected to be collected at acquisition	49,557	695,430	65,370	16,920	9,996	14,590	8,419
Accretable yield	(6,971)	(98,487)	(11,945)	(4,065)	(1,605)	(2,604)	(1,812)
Fair value of acquired loans at acquisition	$ 42,586	$ 596,943	$ 53,425	$ 12,855	$ 8,391	$ 11,986	$ 6,607

(1) Includes covered and noncovered.

Income is not recognized on certain purchased loans if Old National cannot reasonably estimate cash flows to be collected. Old National had no purchased loans for which it could not reasonably estimate cash flows to be collected.

NOTE 9 COVERED LOANS

Covered loans represent loans acquired from the FDIC that are subject to loss share agreements. The carrying amount of covered loans was $136.8 million at March 31, 2015, compared to $147.7 million at December 31, 2014. The composition of covered loans by lending classification was as follows:

	At March 31, 2015		
(dollars in thousands)	Loans Accounted for Under ASC 310-30 (Purchased Credit Impaired)	Loans excluded from ASC 310-30 (1) (Not Purchased Credit Impaired)	Total Covered Purchased Loans
Commercial	**$ 5,255**	**$ 8,574**	**$ 13,829**
Commercial real estate	**33,540**	**2,959**	**36,499**
Residential	**20,101**	**147**	**20,248**
Consumer	**11,671**	**54,593**	**66,264**
Covered loans	**70,567**	**66,273**	**136,840**
Allowance for loan losses	**(802)**	**(1,401)**	**(2,203)**
Covered loans, net	**$ 69,765**	**$ 64,872**	**$ 134,637**

(1) Includes loans with revolving privileges which are scoped out of FASB ASC 310-30 and certain loans which Old National elected to treat under the cost recovery method of accounting.

Loans were recorded at fair value in accordance with FASB ASC 805, Business Combinations. No allowance for loan losses related to the acquired loans is recorded on the acquisition date as the fair value of the loans acquired incorporates assumptions regarding credit risk. Loans acquired are recorded at fair value in accordance with the fair value methodology prescribed in FASB ASC 820, exclusive of the loss share agreements with the FDIC. The fair value estimates associated with the loans include estimates related to expected prepayments and the amount and timing of undiscounted expected principal, interest and other cash flows.

The outstanding balance of covered loans accounted for under ASC 310-30, including contractual principal, interest, fees and penalties, was $233.4 million at March 31, 2015 and $241.9 million at December 31, 2014.

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The following table is a roll-forward of acquired impaired loans accounted for under ASC 310-30 for the three months ended March 31, 2015 and 2014:

(dollars in thousands)	Contractual Cash Flows (1)	Nonaccretable Difference	Accretable Yield	Carrying Amount (2)
2015				
Balance at January 1, 2015	**$ 124,809**	**$ (12,014)**	**$ (35,742)**	**$ 77,053**
Principal reductions and interest payments	**(9,566)**	**(702)**		**(10,268)**
Accretion of loan discount			**3,344**	**3,344**
Changes in contractual and expected cash flows due to remeasurement	**(498)**	**3,695**	**(3,132)**	**65**
Removals due to foreclosure or sale	**(433)**	**133**	**(129)**	**(429)**
Balance at March 31, 2015	**$ 114,312**	**$ (8,888)**	**$ (35,659)**	**$ 69,765**
2014				
Balance at January 1, 2014	$ 251,042	$ (46,793)	$ (73,211)	$ 131,038
Principal reductions and interest payments	(25,353)	(221)		(25,574)
Accretion of loan discount			11,339	11,339
Changes in contractual and expected cash flows due to remeasurement	(3,159)	18,105	(13,412)	1,534
Removals due to foreclosure or sale	(3,133)	1,302	(2,006)	(3,837)
Balance at March 31, 2014	$ 219,397	$ (27,607)	$ (77,290)	$ 114,500

(1) The balance of contractual cash flows includes future contractual interest and is net of amounts charged off and interest collected on nonaccrual loans.
(2) Carrying amount for this table is net of allowance for loan losses.

Over the life of the acquired loans, we continue to estimate cash flows expected to be collected on individual loans or on pools of loans sharing common risk characteristics which were treated in the aggregate when applying various valuation techniques. We evaluate at each balance sheet date whether the present value of its loans determined using the effective interest rates has decreased and if so, recognize a provision for loan losses. For any increases in cash flows expected to be collected, we adjust the amount of accretable yield recognized on a prospective basis over the loan s or pool s remaining life. Eighty percent of the prospective yield adjustments are offset as Old National will recognize a corresponding decrease in cash flows expected from the indemnification asset prospectively in a similar manner. The indemnification asset is adjusted over the shorter of the life of the underlying investment or the indemnification agreement.

Accretable yield, or income expected to be collected on the covered loans accounted for under ASC 310-30, is as follows:

(dollars in thousands)	2015	2014
Balance at January 1,	**$ 35,742**	$ 73,211
Accretion of income	**(3,344)**	(11,339)
Reclassifications from (to) nonaccretable difference	**3,132**	13,412
Disposals/other adjustments	**129**	2,006
Balance at March 31,	**$ 35,659**	$ 77,290

At March 31, 2015, the $20.0 million loss sharing asset is comprised of a $16.6 million FDIC indemnification asset and a $3.4 million FDIC loss share receivable. The loss share receivable represents actual incurred losses where reimbursement has not yet been received from the FDIC. The indemnification asset represents future cash flows we expect to collect from the FDIC under the loss sharing agreements and the amount related to the estimated improvements in cash flow expectations that are being amortized over the same period for which those improved cash flows are being accreted into income. At March 31, 2015, $8.1 million of the FDIC indemnification asset is related to expected indemnification payments and $8.5 million is expected to be amortized and reported in

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noninterest income as an offset to future accreted interest income. At March 31, 2014, $22.4 million of the FDIC indemnification asset was related to expected indemnification payments and $38.2 million was expected to be amortized and reported in noninterest income as an offset to future accreted interest income.

For covered loans, we remeasure contractual and expected cash flows on a quarterly basis. When the quarterly re-measurement process results in a decrease in expected cash flows due to an increase in expected credit losses, impairment is recorded. As a result of this impairment, the indemnification asset is increased to reflect anticipated future cash flows to be received from the FDIC. Consistent with the loss sharing agreements between Old National and the FDIC, the amount of the increase to the indemnification asset is measured at 80% of the resulting impairment.

Alternatively, when the quarterly re-measurement results in an increase in expected future cash flows due to a decrease in expected credit losses, the nonaccretable difference decreases and the effective yield of the related loan portfolio is increased. As a result of the improved expected cash flows, the indemnification asset would be reduced first by the amount of any impairment previously recorded and, second, by increased amortization over the remaining life of the related loss sharing agreements or the remaining life of the indemnification asset, whichever is shorter.

The following table shows a detailed analysis of the FDIC loss sharing asset for the three months ended March 31, 2015 and 2014:

(dollars in thousands)	**2015**	**2014**
Balance at January 1,	**$ 20,603**	$ 88,513
Adjustments not reflected in income:		
Cash received from FDIC		(15,989)
Other	**389**	518
Adjustments reflected in income:		
(Amortization) accretion	**(1,986)**	(5,203)
Higher (lower) loan loss expectations		(412)
Write-downs/(gain) on sale of other real estate	**1,018**	(1,728)
Balance at March 31,	**$ 20,024**	$ 65,699

NOTE 10 OTHER REAL ESTATE OWNED

The following table presents activity in other real estate owned for the three months ended March 31, 2015 and 2014:

(dollars in thousands)	Other Real Estate Owned (1)	Other Real Estate Owned, Covered
2015		
Balance at January 1, 2015	**$ 7,241**	**$ 9,121**
Additions	**1,906**	**360**
Sales	**(428)**	**(2,556)**
Gains (losses)/Write-downs	**(237)**	**159**

Balance at March 31, 2015	**$**	**8,482**	**$**	**7,084**
2014				
Balance at January 1, 2014	$	7,562	$	13,670
Additions		1,341		4,443
Sales		(938)		(4,688)
Gains (losses)/Write-downs		(336)		(507)
Balance at March 31, 2014	$	7,629	$	12,918

(1) Includes repossessed personal property of $0.2 million at March 31, 2015 and $0.3 million at March 31, 2014.

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Covered OREO expenses and valuation write-downs are recorded in the noninterest expense section of the consolidated statements of income. Under the loss sharing agreements, the FDIC will reimburse us for 80% of expenses and valuation write-downs related to covered assets up to $275.0 million, losses in excess of $275.0 million up to $467.2 million at 0%, and 80% of losses in excess of $467.2 million. As of March 31, 2015, we do not expect losses to exceed $275.0 million. The reimbursable portion of these expenses is recorded in the FDIC indemnification asset. Changes in the FDIC indemnification asset are recorded in the noninterest income section of the consolidated statements of income.

NOTE 11 - GOODWILL AND OTHER INTANGIBLE ASSETS

The following table shows the changes in the carrying amount of goodwill by segment for the three months ended March 31, 2015 and 2014:

(dollars in thousands)	Banking	Insurance	Other	Total
Balance at January 1, 2015	**$ 490,972**	**$ 39,873**	**$**	**$ 530,845**
Goodwill acquired during the period	**55,969**	**1,090**		**57,059**
Balance at March 31, 2015	**$ 546,941**	**$ 40,963**	**$**	**$ 587,904**
Balance at January 1, 2014	$ 312,856	$ 39,873	$	$ 352,729
Goodwill acquired during the period				
Balance at March 31, 2014	$ 312,856	$ 39,873	$	$ 352,729

Goodwill is reviewed annually for impairment. Old National completed its most recent annual goodwill impairment test as of August 31, 2014 and concluded that, based on current events and circumstances, it is not more likely than not that the carry value of goodwill exceeds fair value. During the first quarter of 2015, Old National recorded $56.2 million of goodwill associated with the acquisition of Founders that was allocated to the Banking segment. Also during the first quarter of 2015, Old National recorded a $0.3 million decrease to goodwill associated with the acquisition of LSB that was allocated to the Banking segment and an increase of $1.1 million of goodwill associated with the acquisition of Mutual Underwriters that was allocated to the Insurance segment. See Note 3 to the consolidated financial statements for detail regarding goodwill recorded in 2014 associated with acquisitions.

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The gross carrying amount and accumulated amortization of other intangible assets at March 31, 2015 and December 31, 2014 was as follows:

(dollars in thousands)	Gross Carrying Amount	Accumulated Amortization and Impairment	Net Carrying Amount
March 31, 2015			
Amortized intangible assets:			
Core deposit	**$ 60,103**	**$ (38,833)**	**$ 21,270**
Customer business relationships	**30,552**	**(21,915)**	**8,637**
Customer trust relationships	**16,547**	**(3,853)**	**12,694**
Customer loan relationships	**4,413**	**(3,276)**	**1,137**
Total intangible assets	**$ 111,615**	**$ (67,877)**	**$ 43,738**
December 31, 2014			
Amortized intangible assets:			
Core deposit	$ 57,149	$ (36,950)	$ 20,199
Customer business relationships	27,942	(21,438)	6,504
Customer trust relationships	13,986	(3,232)	10,754
Customer loan relationships	4,413	(3,176)	1,237
Total intangible assets	$ 103,490	$ (64,796)	$ 38,694

Other intangible assets consist of core deposit intangibles and customer relationship intangibles and are being amortized primarily on an accelerated basis over their estimated useful lives, generally over a period of 5 to 15 years. During the first quarter of 2015, Old National increased core deposit intangibles by $5.5 million related to the Founders acquisition that is included in the Banking segment. Also during the first quarter of 2015, Old National increased customer business relationships intangibles by $2.6 million related to the Mutual Underwriters acquisition that is included in the Insurance segment. See Note 21 to the consolidated financial statements for a description of the Company s operating segments.

Old National reviews other intangible assets for possible impairment whenever events or changes in circumstances indicate that carrying amounts may not be recoverable. No impairment charges were recorded during the three months ended March 31, 2015 or 2014. Total amortization expense associated with intangible assets was $3.1 million for the three months ended March 31, 2015 and $1.8 million for the three months ended March 31, 2014.

Estimated amortization expense for future years is as follows:

(dollars in thousands)	
2015 remaining	$ 8,619
2016	9,825
2017	7,547

2018	5,786
2019	4,347
Thereafter	7,614
Total	$ 43,738

NOTE 12 LOAN SERVICING RIGHTS

Loan servicing rights were assumed in Old National s acquisitions of United on July 31, 2014 and Founders on January 1, 2015. See Note 3 to the consolidated financial statements for detail regarding loan servicing rights recorded associated with these acquisitions.

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At March 31, 2015, loan servicing rights derived from loans sold with servicing retained totaled $9.5 million and were included in other assets in the consolidated balance sheet, compared to $9.5 million at December 31, 2014. Loans serviced for others are not reported as assets. The principal balance of loans serviced for others was $1.2 billion at March 31, 2015, compared to $1.1 billion at December 31, 2014. Approximately 95% of the loans serviced for others at March 31, 2015 were residential mortgage loans. Custodial escrow balances maintained in connection with serviced loans were $5.9 million at March 31, 2015 and $16.5 million at December 31, 2014.

The following table summarizes the activity related to loan servicing rights and the related valuation allowance for the three months ended March 31, 2015 and 2014:

(dollars in thousands)	2015	2014
Balance at January 1,	**$ 9,584**	$
Additions	**956**	
Amortization	**(518)**	
Balance before valuation allowance at March 31,	**10,022**	
Valuation allowance:		
Balance at January 1,	**(50)**	
Additions	**(437)**	
Balance at March 31,	**(487)**	
Loan servicing rights, net	**$ 9,535**	$

At March 31, 2015, the fair value of servicing rights was $9.6 million. Fair value at March 31, 2015 was determined using a discount rate of 12% and a weighted average prepayment speed of 215% PSA. At December 31, 2014, the fair value of servicing rights was $9.5 million. Fair value at December 31, 2014 was determined using a discount rate of 12% and a weighted average prepayment speed of 192% PSA.

NOTE 13 SHORT-TERM BORROWINGS

The following table presents the distribution of Old National s short-term borrowings and related weighted-average interest rates as of March 31, 2015:

(dollars in thousands)	Federal Funds Purchased	Repurchase Agreements / Sweeps	Total
2015			
Outstanding at March 31, 2015	**$ 93,492**	**$ 369,515**	**$ 463,007**
Average amount outstanding	**102,641**	**350,970**	**453,611**
Maximum amount outstanding at any month-end	**93,492**	**369,515**	
Weighted average interest rate:			

During three months ended March 31, 2015	**0.18%**	**0.06%**	**0.09%**
At March 31, 2015	**0.16**	**0.06**	**0.08**

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NOTE 14 - FINANCING ACTIVITIES

The following table summarizes Old National s and its subsidiaries other borrowings at March 31, 2015 and December 31, 2014:

(dollars in thousands)	March 31, 2015	December 31, 2014
Old National Bancorp:		
Senior unsecured bank notes (fixed rate 4.125%) maturing August 2024	**$ 175,000**	$ 175,000
Junior subordinated debentures (variable rates of 1.61% to 2.02%) maturing March 2035 to June 2037	**45,000**	45,000
ASC 815 fair value hedge and other basis adjustments	**(4,776)**	(4,884)
Old National Bank:		
Securities sold under agreements to repurchase (fixed rates 2.47% to 2.50%) maturing January 2017 to January 2018	**50,000**	50,000
Federal Home Loan Bank advances (fixed rates 0.29% to 6.76% and variable rates 0.39% to 0.41%) maturing May 2015 to January 2025	**599,874**	649,987
Capital lease obligation	**4,083**	4,099
ASC 815 fair value hedge and other basis adjustments	**1,399**	900
Total other borrowings	**$ 870,580**	$ 920,102

Contractual maturities of other borrowings at March 31, 2015 were as follows:

(dollars in thousands)	
Due in 2015	$ 50,047
Due in 2016	117,376
Due in 2017	95,887
Due in 2018	145,477
Due in 2019	3,258
Thereafter	461,912
ASC 815 fair value hedge and other basis adjustments	(3,377)
Total	$ 870,580

SENIOR NOTES

In August 2014, Old National issued $175.0 million of senior unsecured notes with a 4.125% interest rate. These notes pay interest on February 15 and August 15, with payment commencing February 15, 2015. The notes mature on August 15, 2024.

FEDERAL HOME LOAN BANK

Federal Home Loan Bank (FHLB) advances had weighted-average rates of 0.87% and 0.77% at March 31, 2015 and December 31, 2014, respectively. These borrowings are collateralized by investment securities and residential real estate loans up to 149% of outstanding debt.

JUNIOR SUBORDINATED DEBENTURES

Junior subordinated debentures related to trust preferred securities are classified in other borrowings . These securities qualify as Tier 1 capital for regulatory purposes, subject to certain limitations.

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In 2007, Old National acquired St. Joseph Capital Trust II in conjunction with its acquisition of St. Joseph Capital Corporation. Old National guarantees the payment of distributions on the trust preferred securities issued by St. Joseph Capital Trust II. St. Joseph Capital Trust II issued $5.0 million in preferred securities in March 2005. The preferred securities have a variable rate of interest priced at the three-month LIBOR plus 175 basis points, payable quarterly and maturing on March 17, 2035. Proceeds from the issuance of these securities were used to purchase junior subordinated debentures with the same financial terms as the securities issued by St. Joseph Capital Trust II. Old National, at any time, may redeem the junior subordinated debentures at par and thereby cause a redemption of the trust preferred securities.

In 2011, Old National acquired Monroe Bancorp Capital Trust I and Monroe Bancorp Statutory Trust II in conjunction with its acquisition of Monroe Bancorp. Old National guarantees the payment of distributions on the trust preferred securities issued by Monroe Bancorp Capital Trust I and Monroe Bancorp Statutory Trust II. Monroe Bancorp Capital Trust I issued $3.0 million in preferred securities in July 2006. The preferred securities have a variable rate of interest priced at the three-month LIBOR plus 160 basis points. Proceeds from the issuance of these securities were used to purchase junior subordinated debentures with the same financial terms as the securities issued by Monroe Bancorp Capital Trust I. Monroe Bancorp Statutory Trust II issued $5.0 million in preferred securities in March 2007. The preferred securities have a variable rate of interest priced at the three-month LIBOR plus 160 basis points. Proceeds from the issuance of these securities were used to purchase junior subordinated debentures with the same financial terms as the securities issued by Monroe Bancorp Statutory Trust II. Old National, at any time, may redeem the junior subordinated debentures at par and thereby cause a redemption of the trust preferred securities in whole or in part.

In 2012, Old National acquired Home Federal Statutory Trust I in conjunction with its acquisition of Indiana Community Bancorp. Old National guarantees the payment of distributions on the trust preferred securities issued by Home Federal Statutory Trust I. Home Federal Statutory Trust I issued $15.0 million in preferred securities in September 2006. The preferred securities carry a variable rate of interest priced at the three-month LIBOR plus 165 basis points. Proceeds from the issuance of these securities were used to purchase junior subordinated debentures with the same financial terms as the securities issued by Home Federal Statutory Trust I. Old National, at any time, may redeem the junior subordinated debentures at par and thereby cause a redemption of the trust preferred securities in whole or in part.

On April 25, 2014, Old National acquired Tower Capital Trust 2 and Tower Capital Trust 3 in conjunction with its acquisition of Tower Financial Corporation. Old National guarantees the payment of distributions on the trust preferred securities issued by Tower Capital Trust 2 and Tower Capital Trust 3. Tower Capital Trust 2 issued $8.0 million in preferred securities in December 2005. The preferred securities carry a variable rate of interest priced at the three-month LIBOR plus 134 basis points. Proceeds from the issuance of these securities were used to purchase junior subordinated debentures with the same financial terms as the securities issued by Tower Capital Trust 2. Tower Capital Trust 3 issued $9.0 million in preferred securities in December 2006. The preferred securities carry a variable rate of interest priced at the three-month LIBOR plus 169 basis points. Proceeds from the issuance of these securities were used to purchase junior subordinated debentures with the same financial terms as the securities issued by Tower Capital Trust 3. Old National, at any time, may redeem the junior subordinated debentures at par and thereby cause a redemption of the trust preferred securities in whole or in part.

CAPITAL LEASE OBLIGATION

On January 1, 2004, Old National entered into a long-term capital lease obligation for a branch office building in Owensboro, Kentucky, which extends for 25 years with one renewal option for 10 years. The economic substance of this lease is that Old National is financing the acquisition of the building through the lease and accordingly, the

building is recorded as an asset and the lease is recorded as a liability. The fair value of the capital lease obligation was estimated using a discounted cash flow analysis based on Old National s current incremental borrowing rate for similar types of borrowing arrangements.

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At March 31, 2015, the future minimum lease payments under the capital lease were as follows:

(dollars in thousands)	
2015 remaining	$ 307
2016	410
2017	410
2018	410
2019	429
Thereafter	8,836
Total minimum lease payments	10,802
Less amounts representing interest	6,719
Present value of net minimum lease payments	$ 4,083

NOTE 15 - EMPLOYEE BENEFIT PLANS

RETIREMENT PLAN

Old National maintains a funded noncontributory defined benefit plan (the Retirement Plan) that was frozen as of December 31, 2005. Retirement benefits are based on years of service and compensation during the highest paid five years of employment. The freezing of the plan provides that future salary increases will not be considered. Old National s policy is to contribute at least the minimum funding requirement determined by the plan s actuary. Old National expects to contribute approximately $361 thousand to the Retirement Plan in 2015.

Old National also maintains an unfunded pension restoration plan (the Restoration Plan) which provides benefits for eligible employees that are in excess of the limits under Section 415 of the Internal Revenue Code of 1986, as amended, that apply to the Retirement Plan. The Restoration Plan is designed to comply with the requirements of ERISA. The entire cost of the plan, which was also frozen as of December 31, 2005, is supported by contributions from the Company.

Old National contributed $27 thousand to cover benefit payments from the Restoration Plan during the three months ended March 31, 2015. Old National expects to contribute an additional $82 thousand to cover benefit payments from the Restoration Plan during the remainder of 2015.

The net periodic benefit cost and its components were as follows for the three months ended March 31:

	Three Months Ended March 31,	
(dollars in thousands)	**2015**	**2014**
Interest cost	**$ 415**	$ 439
Expected return on plan assets	**(512)**	(560)
Recognized actuarial loss	**531**	329
Settlement	**206**	

Net periodic benefit cost	**$ 640**	$ 208

NOTE 16 - STOCK-BASED COMPENSATION

At March 31, 2015, Old National had 5.0 million shares remaining available for issuance under the Company s Amended and Restated 2008 Incentive Compensation Plan. The granting of awards to key employees is typically in the form of restricted stock awards or units.

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Restricted Stock Awards

The Company granted 71 thousand time-based restricted stock awards to certain key officers during the three months ended March 31, 2015, with shares vesting over a thirty-six month period. Compensation expense is recognized on a straight-line basis over the vesting period. Shares are subject to certain restrictions and risk of forfeiture by the participants. As of March 31, 2015, unrecognized compensation expense was estimated to be $3.0 million for unvested restricted stock awards.

Old National recorded expense of $0.2 million, net of tax, during the three months ended March 31, 2015 and 2014 related to the vesting of restricted stock awards.

Restricted Stock Units

The Company granted 279 thousand shares of performance based restricted stock units to certain key officers during the three months ended March 31, 2015, with shares vesting at the end of a thirty-six month period based on the achievement of certain targets. For certain awards, the level of performance could increase or decrease the percentage of shares earned. Compensation expense is recognized on a straight-line basis over the vesting period. Shares are subject to certain restrictions and risk of forfeiture by the participants. As of March 31, 2015, unrecognized compensation expense was estimated to be $5.9 million.

Old National recorded $0.5 million of stock based compensation expense, net of tax, during the three months ended March 31, 2015. Old National recorded $0.5 million of stock based compensation expense, net of tax, during the three months ended March 31, 2014.

Stock Options

Old National has not granted stock options since 2009. However, Old National did acquire stock options through prior year acquisitions. Old National did not record any stock based compensation expense related to stock options during the three months ended March 31, 2015 or 2014.

Stock Appreciation Rights

Old National has never granted stock appreciation rights. However, Old National did acquire stock appreciation rights through a prior year acquisition. Old National did not record any stock-based compensation expense related to these stock appreciation rights during the three months ended March 31, 2015 or 2014.

NOTE 17 - INCOME TAXES

Following is a summary of the major items comprising the differences in taxes from continuing operations computed at the federal statutory rate and as recorded in the consolidated statement of income for the three months ended March 31:

	Three Months Ended March 31,	
(dollars in thousands)	**2015**	**2014**
Provision at statutory rate of 35%	**$ 10,546**	$ 12,513

Tax-exempt income	**(3,852)**	(3,137)
State income taxes	**1,277**	643
Interim period effective rate adjustment	**1,506**	(2,025)
State statutory rate change		1,122
Other, net	**(252)**	126
Income tax expense	**$ 9,225**	$ 9,242
Effective tax rate	**30.6%**	25.9%

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In accordance with ASC 740-270, Accounting for Interim Reporting, the provision for income taxes was recorded at March 31, 2015 and 2014 based on the current estimate of the effective annual rate.

The higher tax rate in the three months ended March 31, 2015 when compared to the three months ended March 31, 2014 is the result of an increase in the forecasted effective tax rate for 2015 as compared to 2014, as well as an increase in state income taxes due to the acquisition of Founders and the Indiana tax rate reductions in the first quarter of 2015.

No valuation allowance was recorded at March 31, 2015 or 2014 because, based on current expectations, Old National believes it will generate sufficient income in future years to realize deferred tax assets.

Unrecognized Tax Benefits

The Company and its subsidiaries file a consolidated U.S. federal income tax return, as well as filing various state returns. Unrecognized state income tax benefits are reported net of their related deferred federal income tax benefit.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

(dollars in thousands)	**2015**	**2014**
Balance at January 1,	**$ 77**	$ 3,847
Additions (reductions) based on tax positions related to the current year	**11**	12
Balance at March 31,	**$ 88**	$ 3,859

Approximately $88 thousand of unrecognized tax benefits, net of interest, if recognized, would favorably affect the effective income tax rate in future periods.

NOTE 18 - DERIVATIVE FINANCIAL INSTRUMENTS

As part of our overall interest rate risk management, Old National uses derivative instruments, including interest rate swaps, caps and floors. The notional amount of these derivative instruments was $708.0 million at March 31, 2015 and $608.0 million at December 31, 2014. The March 31, 2015 balances consist of $38.0 million notional amount of receive-fixed pay variable interest rate swaps on certain of its FHLB advances, $625.0 million notional amount of pay-fixed, receive variable interest rate swaps on certain of its FHLB advances and $45.0 million notional amount of receive-fixed pay variable interest rate swaps on certain of its commercial loans. The December 31, 2014 balances consist of $38.0 million notional amount of receive-fixed pay variable interest rate swaps on certain of its FHLB advances, $525.0 million notional amount of pay-fixed, receive variable interest rate swaps on certain of its FHLB advances and $45.0 million notional amount of receive-fixed pay variable interest rate swaps on certain of its commercial loans. These hedges were entered into to manage interest rate risk. These derivative instruments are recognized on the balance sheet at their fair value and are not reported on a net basis.

In addition, commitments to fund certain mortgage loans (interest rate lock commitments) and forward commitments for the future delivery of mortgage loans to third party investors are considered derivatives. At March 31, 2015, the notional amount of the interest rate lock commitments was $62.7 million and forward commitments were $52.1 million. At December 31, 2014, the notional amount of the interest rate lock commitments was $19.7 million and

forward commitments were $29.1 million. It is our practice to enter into forward commitments for the future delivery of residential mortgage loans to third party investors when interest rate lock commitments are entered into in order to economically hedge the effect of changes in interest rates resulting from our commitment to fund the loans. All derivative instruments are recognized on the balance sheet at their fair value.

Old National also enters into derivative instruments for the benefit of its customers. The notional amounts of these customer derivative instruments and the offsetting counterparty derivative instruments were $419.2 million and $419.2 million, respectively, at March 31, 2015. At December 31, 2014, the notional amounts of the customer derivative instruments and the offsetting counterparty derivative instruments were $435.6 million and $435.6 million, respectively. These derivative contracts do not qualify for hedge accounting. These instruments include

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interest rate swaps, caps and collars. Commonly, Old National will economically hedge significant exposures related to these derivative contracts entered into for the benefit of customers by entering into offsetting contracts with approved, reputable, independent counterparties with substantially matching terms.

Credit risk arises from the possible inability of counterparties to meet the terms of their contracts. Old National s exposure is limited to the replacement value of the contracts rather than the notional, principal or contract amounts. There are provisions in our agreements with the counterparties that allow for certain unsecured credit exposure up to an agreed threshold. Exposures in excess of the agreed thresholds are collateralized. In addition, we minimize credit risk through credit approvals, limits, and monitoring procedures.

Amounts reported in AOCI related to cash flow hedges will be reclassified to interest income or interest expense as interest payments are received or paid on the Company s derivative instruments. During the next 12 months, the Company estimates that $0.6 million will be reclassified to interest income and $3.8 million will be reclassified to interest expense.

The following tables summarize the fair value of derivative financial instruments utilized by Old National:

	Asset Derivatives			
	March 31, 2015		December 31, 2014	
(dollars in thousands)	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments				
Interest rate contracts	Other assets	**$ 5,325**	Other assets	$ 4,278
Total derivatives designated as hedging instruments		**$ 5,325**		$ 4,278
Derivatives not designated as hedging instruments				
Interest rate contracts	Other assets	**$ 15,032**	Other assets	$ 13,780
Mortgage contracts	Other assets	**1,611**	Other assets	514
Total derivatives not designated as hedging instruments		**$ 16,643**		$ 14,294
Total derivative assets		**$ 21,968**		$ 18,572

	Liability Derivatives			
	March 31, 2015		December 31, 2014	
(dollars in thousands)	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value

Derivatives designated as hedging instruments				
Interest rate contracts	Other liabilities	**$ 15,935**	Other liabilities	$ 9,951
Total derivatives designated as hedging instruments		**$ 15,935**		$ 9,951
Derivatives not designated as hedging instruments				
Interest rate contracts	Other liabilities	**$ 15,169**	Other liabilities	$ 13,917
Mortgage contracts	Other liabilities	**155**	Other liabilities	
Total derivatives not designated as hedging instruments		**$ 15,324**		$ 13,917
Total derivative liabilities		**$ 31,259**		$ 23,868

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The effect of derivative instruments on the consolidated statement of income for the three months ended March 31, 2015 and 2014 are as follows:

(dollars in thousands)		Three Months Ended March 31,	
		2015	2014
		Amount of Gain or (Loss) Recognized in Income on Derivative	
Derivatives in Fair Value Hedging Relationships	**Location of Gain or (Loss) Recognized in Income on Derivative**		
Interest rate contracts (1)	Interest income / (expense)	**$ 23**	$ 359
Interest rate contracts (2)	Other income / (expense)	**59**	106
Total		**$ 82**	$ 465

Derivatives Not Designated as Hedging Instruments	**Location of Gain or (Loss) Recognized in Income on Derivative**	**Amount of Gain or (Loss) Recognized in Income on Derivative**	
Interest rate contracts (3)	Other income / (expense)	**$**	$ 73
Mortgage contracts	Mortgage banking revenue	**788**	80
Total		**$ 788**	$ 153

(1) Amounts represent the net interest payments as stated in the contractual agreements.
(2) Amounts represent ineffectiveness on derivatives designated as fair value hedges.
(3) Includes the valuation differences between the customer and offsetting counterparty swaps.

NOTE 19 - COMMITMENTS AND CONTINGENCIES

LITIGATION

In the normal course of business, Old National Bancorp and its subsidiaries have been named, from time to time, as defendants in various legal actions. Certain of the actual or threatened legal actions include claims for substantial compensatory and/or punitive damages or claims for indeterminate amounts of damages.

Old National contests liability and/or the amount of damages as appropriate in each pending matter. In view of the inherent difficulty of predicting the outcome of such matters, particularly in cases where claimants seek substantial or indeterminate damages or where investigations and proceedings are in the early stages, Old National cannot predict with certainty the loss or range of loss, if any, related to such matters, how or if such matters will be resolved, when

they will ultimately be resolved, or what the eventual settlement, or other relief, if any, might be. Subject to the foregoing, Old National believes, based on current knowledge and after consultation with counsel, that the outcome of such pending matters will not have a material adverse effect on the consolidated financial condition of Old National, although the outcome of such matters could be material to Old National s operating results and cash flows for a particular future period, depending on, among other things, the level of Old National s revenues or income for such period. Old National will accrue for a loss contingency if (1) it is probable that a future event will occur and confirm the loss and (2) the amount of the loss can be reasonably estimated.

In November 2010, Old National was named in a class action lawsuit in Vanderburgh Circuit Court challenging our checking account practices associated with the assessment of overdraft fees. The theory set forth by plaintiffs in this case is similar to other class action complaints filed against other financial institutions in recent years and settled for substantial amounts. On May 1, 2012, the plaintiff was granted permission to file a First Amended Complaint which named additional plaintiffs and amended certain claims. The plaintiffs seek damages, and other relief, including treble damages, attorneys fees and costs pursuant to the Indiana Crime Victim s Relief Act. On June 13, 2012, Old National filed a motion to dismiss the First Amended Complaint, which was subsequently denied by the Court. On September 7, 2012, the plaintiffs filed a motion for class certification, which was granted on March 20, 2013, and provides for a class of All Old National Bank customers in the State of Indiana who had one or more consumer accounts and who, within the applicable statutes of limitation through August 15, 2010, incurred an overdraft fee as a result of Old National Bank s practice of sequencing debit card and ATM transactions from highest to lowest.

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Old National sought an interlocutory appeal on the issue of class certification on April 2, 2013, which was subsequently denied. On June 11, 2013, Old National moved for summary judgment asserting the law as applied to the material facts not in dispute should result in judgment in favor of Old National. On September 16, 2013, a hearing was held on the summary judgment motion and the Motion was denied by the Circuit Court on April 14, 2014. Subsequently, Old National sought and was granted leave to appeal the denial of its Motion for Summary Judgment. On July 11, 2014, the Indiana Court of Appeals accepted the appeal and the parties fully briefed the matter as of February 23, 2015. On April 23, 2015, the Court of Appeals affirmed in part and reversed in part the Circuit Court s denial of Old National s Motion for Summary Judgment and remanded the case to the Circuit Court for further proceedings. Specifically, the Court of Appeals rejected Old National s contention that all of plaintiffs claims were preempted by federal law but did agree that plaintiffs state law claims of conversion, unconscionability and unjust enrichment were unsupported under Indiana law. The dismissal of these claims remove any claims which would entitle plaintiffs to treble damages. The Court of Appeals determined Old National had not negated plaintiffs state law claim for breach of a duty of good faith and fair dealing as to the deposit account agreement and remanded that contractual claim back to the Circuit Court. Old National expects to file a Petition to Transfer the Case to the Indiana Supreme Court within the statutory timeframes. At this phase of the litigation, it is not possible for management of Old National to determine the probability of a material adverse outcome or reasonably estimate the amount of any loss.

LEASES

Old National rents certain premises and equipment under operating leases, which expire at various dates. Many of these leases require the payment of property taxes, insurance premiums, maintenance and other costs. In some cases, rentals are subject to increase in relation to a cost-of-living index. The leases have original terms ranging from less than one year to twenty-four years, and Old National has the right, at its option, to extend the terms of certain leases for four additional successive terms of five years. Old National does not have any material sub-lease agreements.

As of March 31, 2015 and December 31, 2014, Old National had $66.6 million and $68.3 million, respectively, of deferred gains remaining associated with prior sale leaseback transactions. The leases had original terms ranging from five to twenty-four years. These gains will be recognized over the remaining term of the leases.

CREDIT-RELATED FINANCIAL INSTRUMENTS

In the normal course of business, Old National s banking affiliates have entered into various agreements to extend credit, including loan commitments of $1.700 billion and standby letters of credit of $60.0 million at March 31, 2015. At March 31, 2015, approximately $1.619 billion of the loan commitments had fixed rates and $80.9 million had floating rates, with the floating interest rates ranging from 0% to 21%. At December 31, 2014, loan commitments were $1.584 billion and standby letters of credit were $65.3 million. These commitments are not reflected in the consolidated financial statements. At March 31, 2015 and December 31, 2014, the allowance for unfunded loan commitments totaled $2.8 million and $4.4 million, respectively.

At March 31, 2015 and December 31, 2014, Old National had credit extensions of $16.0 million and $13.0 million, respectively, with various unaffiliated banks related to letter of credit commitments issued on behalf of Old National s clients. At March 31, 2015 and December 31, 2014, Old National provided collateral to the unaffiliated banks to secure credit extensions totaling $14.5 million and $11.5 million, respectively. Old National did not provide collateral for the remaining credit extensions.

NOTE 20 - FINANCIAL GUARANTEES

Old National holds instruments, in the normal course of business with clients, that are considered financial guarantees in accordance with FASB ASC 460-10 (FIN 45, *Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*), which requires the Company to record the instruments at fair value. Standby letters of credit guarantees are issued in connection with agreements made by clients to counterparties. Standby letters of credit are contingent upon failure of the client to perform the terms of the underlying contract. Credit risk associated with standby letters of credit is essentially the same as that associated with extending loans to clients and is subject to normal credit policies. The term of these standby letters of credit is

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typically one year or less. At March 31, 2015, the notional amount of standby letters of credit was $60.0 million, which represented the maximum amount of future funding requirements, and the carrying value was $0.4 million. At December 31, 2014, the notional amount of standby letters of credit was $65.3 million, which represented the maximum amount of future funding requirements, and the carrying value was $0.4 million.

Old National entered into a risk participation in an interest rate swap during the second quarter of 2007, which had a notional amount of $7.6 million at March 31, 2015. Old National entered into an additional risk participation in an interest rate swap during the third quarter of 2014, which had a notional amount of $13.2 million at March 31, 2015.

NOTE 21 SEGMENT INFORMATION

Our business segments are defined as Banking, Insurance, and Other and are described below:

Banking

The banking segment provides a wide range of financial products and services to consumers and businesses. Loan products include commercial, commercial real estate, mortgage and other consumer loans. Deposit products include checking, savings, and time deposit accounts. This segment also provides cash management, private banking, brokerage, trust and investment advisory services. Products and services are delivered to customers in the states of Indiana, Kentucky, Illinois and Michigan through our branch locations, ATMs, on-line banking services, 24-hour telephone banking, client care call center, and a mobile banking service.

Insurance

The insurance segment offers full-service insurance brokerage services including commercial property and casualty, surety, loss control services, employee benefits consulting and administration, and personal insurance. Our agencies offer products that are issued and underwritten by various insurance companies not affiliated with us. In addition, we have two affiliated third party claims management companies that handle service claims for self-insured clients.

Other

Other Corporate Administrative units such as Human Resources or Finance, provide a wide-range of support to our other income earning segments. Expenses incurred by these support units are charged to the business segments through an internal cost allocation process, which may not be comparable to that of other companies. The other segment includes the unallocated portion of other corporate support functions, the elimination of intercompany transactions and our Corporate Treasury unit. Corporate Treasury activities consist of corporate asset and liability management. This unit s assets and liabilities (and related interest income and expense) consist of investment securities, corporate-owned life insurance, and certain borrowings.

During the third quarter of 2014, Old National merged American National Trust & Investment Management Corp. into Old National Bank. As part of the merger, Old National re-evaluated its business segments and, as of September 30, 2014, Old National changed the composition of its reportable segments to those described above and restated all prior period information. The Wealth Management segment has been aggregated into the banking segment as this business has never been quantitatively significant. In addition, wealth management and banking have the same customers and distribution channels, similar products and services as well as similar economic performance.

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Selected business segment financial information is shown in the following table for the three months ended March 31:

(dollars in thousands)	Banking	Insurance	Other	Total
Three months ended March 31, 2015				
Net interest income	**$ 93,078**	**$ 2**	**$ (2,087)**	**$ 90,993**
Noninterest income	**42,839**	**11,987**	**469**	**55,295**
Noncash items:				
Depreciation and software amortization	**4,656**	**34**	**158**	**4,848**
Provision for loan losses	**1**			**1**
Amortization of intangibles	**2,605**	**476**		**3,081**
Income tax expense (benefit)	**9,297**	**615**	**(687)**	**9,225**
Segment profit	**24,783**	**964**	**(4,841)**	**20,906**
Segment assets	**11,804,609**	**60,700**	**85,998**	**11,951,307**
Three months ended March 31, 2014				
Net interest income	$ 83,554	$ 3	$ (79)	$ 83,478
Noninterest income	28,260	11,976	327	40,563
Noncash items:				
Depreciation and software amortization	3,236	35	121	3,392
Provision for loan losses	37			37
Amortization of intangibles	1,430	407		1,837
Income tax expense (benefit)	11,224	803	(2,785)	9,242
Segment profit	23,501	1,873	1,136	26,510
Segment assets	9,412,745	63,180	68,855	9,544,780

The banking segment noninterest income increased for the three months ended March 31, 2015 when compared to the three months ended March 31, 2014 primarily due to fee income associated with the acquisitions of Tower in April 2014, United in July 2014, LSB in November 2014, and Founders in January 2015. Also contributing to the increase in noninterest income in the banking segment was a favorable variance in adjustments to the FDIC indemnification asset. Banking segment assets increased at March 31, 2015 when compared to March 31, 2014 primarily due to the acquisitions of Tower, United, LSB, and Founders.

NOTE 22 FAIR VALUE

FASB ASC 820-10 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC 820-10 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair values:

Level 1 Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 Significant unobservable inputs that reflect a company s own assumptions about the assumptions that market participants would use in pricing an asset or liability.

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Old National used the following methods and significant assumptions to estimate the fair value of each type of financial instrument:

Investment securities: The fair values for investment securities are determined by quoted market prices, if available (Level 1). For securities where quoted prices are not available, fair values are calculated based on market prices of similar securities (Level 2). For securities where quoted prices or market prices of similar securities are not available, fair values are calculated using discounted cash flows or other market indicators (Level 3). Discounted cash flows are calculated using swap and LIBOR curves plus spreads that adjust for loss severities, volatility, credit risk and optionality. During times when trading is more liquid, broker quotes are used (if available) to validate the model. Rating agency and industry research reports as well as defaults and deferrals on individual securities are reviewed and incorporated into the calculations.

Residential loans held for sale: The fair value of loans held for sale is determined using quoted prices for a similar asset, adjusted for specific attributes of that loan (Level 2).

Derivative financial instruments: The fair values of derivative financial instruments are based on derivative valuation models using market data inputs as of the valuation date (Level 2).

Assets and liabilities measured at fair value on a recurring basis, including financial assets and liabilities for which we have elected the fair value option, are summarized below:

		Fair Value Measurements at March 31, 2015 Using		
(dollars in thousands)	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets				
Trading securities	**$ 3,964**	**$ 3,964**	**$**	**$**
Investment securities available-for-sale:				
U.S. Treasury	**25,178**	**25,178**		
U.S. government-sponsored entities and agencies	**709,379**		**709,379**	
Mortgage-backed securities - Agency	**1,090,731**		**1,090,731**	
States and political subdivisions	**340,630**		**340,630**	
Pooled trust preferred securities	**6,553**			**6,553**
Other securities	**372,999**	**31,941**	**341,058**	
Residential loans held for sale	**24,344**		**24,344**	
Derivative assets	**21,968**		**21,968**	
Financial Liabilities				
Derivative liabilities	**31,259**		**31,259**	

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(dollars in thousands)	Carrying Value	Fair Value Measurements at December 31, 2014 Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets				
Trading securities	$ 3,881	$ 3,881	$	$
Investment securities available-for-sale:				
U.S. Treasury	15,166	15,166		
U.S. government-sponsored entities and agencies	685,951		685,951	
Mortgage-backed securities - Agency	1,241,662		1,241,662	
States and political subdivisions	314,541		314,216	325
Pooled trust preferred securities	6,607			6,607
Other securities	363,904	31,648	332,256	
Residential loans held for sale	15,562		15,562	
Derivative assets	18,572		18,572	
Financial Liabilities				
Derivative liabilities	23,868		23,868	

The table below presents a reconciliation of all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three months ended March 31, 2015:

(dollars in thousands)	Fair Value Measurements using Significant Unobservable Inputs (Level 3) Pooled Trust Preferred Securities Available-for-Sale	State and Political Subdivisions
Balance at January 1, 2015	**$ 6,607**	**$ 325**
Accretion/(amortization) of discount or premium	**5**	
Sales/payments received	**(264)**	
Matured securities		**(325)**
Increase/(decrease) in fair value of securities	**205**	
Balance at March 31, 2015	**$ 6,553**	**$**

Included in the income statement is $5 thousand of income included in interest income from the accretion of discounts on securities. The increase in fair value is reflected in the balance sheet as an increase in the fair value of investment securities available-for sale, an increase in accumulated other comprehensive income, which is included in

shareholders equity, and a decrease in other assets related to the tax impact.

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The table below presents a reconciliation of all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three months ended March 31, 2014:

	Fair Value Measurements using Significant Unobservable Inputs (Level 3)	
(dollars in thousands)	Pooled Trust Preferred Securities Available-for-Sale	State and Political Subdivisions
Balance at January 1, 2014	$ 8,037	$ 669
Accretion/(amortization) of discount or premium	4	1
Payments received	(963)	
Matured securities		(326)
Increase/(decrease) in fair value of securities	(299)	
Balance at March 31, 2014	$ 6,779	$ 344

Included in the income statement is $5 thousand of income included in interest income from the accretion of discounts on securities. The decrease in fair value is reflected in the balance sheet as a decrease in the fair value of investment securities available-for sale, a decrease in accumulated other comprehensive income, which is included in shareholders equity, and an increase in other assets related to the tax impact.

The tables below provides quantitative information about significant unobservable inputs used in fair value measurements within Level 3 of the fair value hierarchy as of March 31, 2015 and December 31, 2014:

		Quantitative Information about Level 3 Fair Value Measurements		
(dollars in thousands)	Fair Value at March 31, 2015	Valuation Techniques	Unobservable Input	Range (Weighted Average)
Pooled trust preferred securities	$ 6,553	Discounted cash flow	Constant prepayment rate (a)	0.00%
			Additional asset defaults (b)	2.3% - 5.3%(3.2%)
			Expected asset recoveries (c)	0.0% - 13.9%(3.7%)

(a) Assuming no prepayments.
(b) Each currently performing pool asset is assigned a default probability based on the banking environment, which is adjusted for specific issuer evaluation, of 0%, 50% or 100%.
(c) Each currently defaulted pool asset is assigned a recovery probability based on specific issuer evaluation of 0%, 25% or 100%.

	Quantitative Information about Level 3 Fair Value Measurements			
(dollars in thousands)	Fair Value at Dec. 31, 2014	Valuation Techniques	Unobservable Input	Range (Weighted Average)
Pooled trust preferred securities	$ 6,607	Discounted cash flow	Constant prepayment rate (a)	0.00%
			Additional asset defaults (b)	4.4% - 11.2%(8.2%)
			Expected asset recoveries (c)	0.7% - 7.0%(1.8%)
State and political subdivision securities	325	Discounted cash flow	No unobservable inputs Illiquid local municipality issuance Old National owns 100% Carried at par	N/A

(a) Assuming no prepayments.

(b) Each currently performing pool asset is assigned a default probability based on the banking environment, which is adjusted for specific issuer evaluation, of 0%, 50% or 100%.

(c) Each currently defaulted pool asset is assigned a recovery probability based on specific issuer evaluation of 0%, 25% or 100%.

The significant unobservable inputs used in the fair value measurement for pooled trust preferred securities are prepayment rates, assumed additional pool asset defaults and expected return to performing status of defaulted pool assets. Significant changes in any of the inputs in isolation would result in a significant change to the fair value measurement. The pooled trust preferred securities Old National owns are subordinate note classes that rely on an ongoing cash flow stream to support their values. The senior note classes receive the benefit of prepayments to the detriment of subordinate note classes since the ongoing interest cash flow stream is reduced by the early redemption. Generally, a change in prepayment rates or additional pool asset defaults has an impact that is directionally opposite from a change in the expected recovery of a defaulted pool asset.

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Assets measured at fair value on a non-recurring basis at March 31, 2015 are summarized below:

(dollars in thousands)	Carrying Value	Fair Value Measurements at March 31, 2015 Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Collateral Dependent Impaired Loans				
Commercial loans	**$ 11,247**	**$**	**$**	**$ 11,247**
Commercial real estate loans	**6,734**			**6,734**
Foreclosed Assets				
Commercial real estate	**5,015**			**5,015**
Residential	**176**			**176**

Impaired commercial and commercial real estate loans that are deemed collateral dependent are valued based on the fair value of the underlying collateral. These estimates are based on the most recently available appraisals with certain adjustments made based on the type of property, age of appraisal, current status of the property and other related factors to estimate the current value of the collateral. These impaired commercial and commercial real estate loans had a principal amount of $29.7 million, with a valuation allowance of $11.8 million at March 31, 2015. Old National recorded $4.8 million of provision expense associated with these loans for the three months ended March 31, 2015.

Other real estate owned and other repossessed property is measured at fair value less costs to sell and had a net carrying amount of $5.2 million at March 31, 2015. The estimates of fair value are based on the most recently available appraisals with certain adjustments made based on the type of property, age of appraisal, current status of the property and other related factors to estimate the current value of the collateral. There were write-downs of other real estate owned of $1.1 million for the three months ended March 31, 2015.

Assets measured at fair value on a non-recurring basis at December 31, 2014 are summarized below:

(dollars in thousands)	Carrying Value	Fair Value Measurements at December 31, 2014 Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Collateral Dependent Impaired Loans				
Commercial loans	$ 6,816	$	$	$ 6,816
Commercial real estate loans	13,011			13,011
Foreclosed Assets				
Commercial real estate	6,146			6,146
Residential	254			254

As of December 31, 2014, impaired commercial and commercial real estate loans had a principal amount of $30.0 million, with a valuation allowance of $10.2 million. Old National recorded $5.4 million of provision expense associated with these loans in 2014.

Other real estate owned and other repossessed property is measured at fair value less costs to sell and had a net carrying amount of $6.4 million at December 31, 2014. There were write-downs of other real estate owned of $2.6 million in 2014.

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The tables below provides quantitative information about significant unobservable inputs used in fair value measurements within Level 3 of the fair value hierarchy:

	Quantitative Information about Level 3 Fair Value Measurements			
(dollars in thousands)	Fair Value at March 31, 2015	Valuation Techniques	Unobservable Input	Range (Weighted Average)
Collateral Dependent Impaired Loans				
Commercial loans	$ 11,247	Fair value of collateral	Discount for type of property, age of appraisal and current status	0% - 65% (14%)
Commercial real estate loans	6,734	Fair value of collateral	Discount for type of property, age of appraisal and current status	0% - 44% (20%)
Foreclosed Assets				
Commercial real estate	5,015	Fair value of collateral	Discount for type of property, age of appraisal and current status	0% - 49% (18%)
Residential	176	Fair value of collateral	Discount for type of property, age of appraisal and current status	8% - 90% (49%)

	Quantitative Information about Level 3 Fair Value Measurements			
(dollars in thousands)	Fair Value at Dec. 31, 2014	Valuation Techniques	Unobservable Input	Range (Weighted Average)
Collateral Dependent Impaired Loans				
Commercial loans	$ 6,816	Fair value of collateral	Discount for type of property, age of appraisal and current status	0% - 94% (24%)
Commercial real estate loans	13,011	Fair value of collateral	Discount for type of property, age of appraisal and current status	0% - 50% (29%)
Foreclosed Assets				
Commercial real estate	6,146	Fair value of collateral	Discount for type of property, age of appraisal and current status	2% - 93% (30%)
Residential	254	Fair value of collateral	Discount for type of property, age of appraisal and current status	8% - 81% (45%)

Collateral dependent loans, other real estate owned and other repossessed property are valued based on the most recently available appraisals with certain adjustments made based on the type of property, age of appraisal, current status of the property and other related factors to estimate the current value of the collateral. These appraisals are discounted depending on the type of property and the type of appraisal (market value vs. liquidation value).

Financial instruments recorded using fair value option

Under FASB ASC 825-10, we may elect to report most financial instruments and certain other items at fair value on an instrument-by instrument basis with changes in fair value reported in net income. After the initial adoption, the election is made at the acquisition of an eligible financial asset, financial liability or firm commitment or when certain specified reconsideration events occur. The fair value election may not be revoked once an election is made.

We have elected the fair value option for loans held for sale. For these loans, interest income is recorded in the consolidated statements of income based on the contractual amount of interest income earned on the financial assets (except any that are on nonaccrual status). None of these loans are 90 days or more past due, nor are any on nonaccrual status. Included in the income statement is $39 thousand and $43 thousand of interest income for loans held for sale for the three months ended March 31, 2015 and 2014, respectively.

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Residential loans held for sale

Old National has elected the fair value option for newly originated conforming fixed-rate and adjustable-rate first mortgage loans held for sale. These loans are intended for sale and are hedged with derivative instruments. Old National has elected the fair value option to mitigate accounting mismatches in cases where hedge accounting is complex and to achieve operational simplification. The fair value option was not elected for loans held for investment.

As of March 31, 2015, the difference between the aggregate fair value and the aggregate remaining principal balance for loans for which the fair value option has been elected is as follows:

(dollars in thousands)	Aggregate Fair Value	Difference	Contractual Principal
Residential loans held for sale	**$ 24,344**	**$ 592**	**$ 23,752**

Accrued interest at period end is included in the fair value of the instruments.

The following table presents the amount of gains and losses from fair value changes included in income before income taxes for financial assets carried at fair value for the three months ended March 31, 2015:

Changes in Fair Value for the Three Months ended March 31, 2015, for Items Measured at Fair Value Pursuant to Election of the Fair Value Option

(dollars in thousands)	Other Gains and (Losses)	Interest Income	Interest (Expense)	Total Changes in Fair Values Included in Current Period Earnings
Residential loans held for sale	$ 217	$	$	$ 217

As of March 31, 2014, the difference between the aggregate fair value and the aggregate remaining principal balance for loans for which the fair value option has been elected was as follows.

(dollars in thousands)	Aggregate Fair Value	Difference	Contractual Principal
Residential loans held for sale	$ 6,169	$ 115	$ 6,054

The following table presents the amount of gains and losses from fair value changes included in income before income taxes for financial assets carried at fair value for the three months ended March 31, 2014:

Changes in Fair Value for the Three Months ended March 31, 2014, for Items

Measured at Fair Value Pursuant to Election of the Fair Value Option

(dollars in thousands)	Other Gains and (Losses)	Interest Income	Interest (Expense)	Total Changes in Fair Values Included in Current Period Earnings
Residential loans held for sale	$ (13)	$	$	$ (13)

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The carrying amounts and estimated fair values of financial instruments, not previously presented in this note, at March 31, 2015 and December 31, 2014 are as follows:

(dollars in thousands)	Carrying Value	Fair Value Measurements at March 31, 2015 Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets				
Cash, due from banks, federal funds sold and money market investments	$ 215,313	$ 215,313	$	$
Investment securities held-to-maturity:				
U.S. government-sponsored entities and agencies	166,343		172,636	
Mortgage-backed securities - Agency	21,548		22,470	
State and political subdivisions	648,147		704,547	
Federal Home Loan Bank/Federal Reserve stock	75,068		75,068	
Loans held for sale (a)	186,169		186,169	
Loans, net (including covered loans):				
Commercial	1,657,401			1,708,002
Commercial real estate	1,836,271			1,938,556
Residential real estate	1,642,683			1,936,855
Consumer credit	1,467,306			1,477,229
FDIC indemnification asset	20,024			10,639
Accrued interest receivable	62,503	50	21,157	41,296
Financial Liabilities				
Deposits:				
Noninterest-bearing demand deposits	$ 2,553,801	$ 2,553,801	$	$
NOW, savings and money market deposits	5,239,678	5,239,678		
Time deposits	1,134,041		1,139,301	
Short-term borrowings:				
Federal funds purchased	93,492	93,492		
Repurchase agreements	369,515	369,513		
Other borrowings:				
Senior unsecured bank notes	175,000		173,378	
Junior subordinated debentures	45,000		32,667	
Repurchase agreements	50,000		52,067	
Federal Home Loan Bank advances	599,874			608,756
Capital lease obligation	4,083		5,709	
Accrued interest payable	2,878		2,878	
Standby letters of credit	355			355

Off-Balance Sheet Financial Instruments				
Commitments to extend credit	**$**	**$**	**$**	**3,292**

(a) Includes loans held for sale associated with branch sales. Excludes $24.3 million of residential loans held for sale measured at fair value on a recurring basis.

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(dollars in thousands)	Carrying Value	Fair Value Measurements at December 31, 2014 Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets				
Cash, due from banks, federal funds sold and money market investments	$ 239,963	$ 239,963	$	$
Investment securities held-to-maturity:				
U.S. government-sponsored entities and agencies	167,207		173,486	
Mortgage-backed securities - Agency	23,648		24,574	
State and political subdivisions	653,199		705,875	
Federal Home Loan Bank/Federal Reserve stock	71,175		71,175	
Loans held for sale (a)	197,928		197,928	
Loans, net (including covered loans):				
Commercial	1,626,097			1,646,144
Commercial real estate	1,734,559			1,744,126
Residential real estate	1,537,448			1,615,588
Consumer credit	1,372,248			1,380,835
FDIC indemnification asset	20,603			11,358
Accrued interest receivable	60,966	29	21,633	39,304
Financial Liabilities				
Deposits:				
Noninterest-bearing demand deposits	$ 2,427,748	$ 2,427,748	$	$
NOW, savings and money market deposits	4,973,898	4,973,898		
Time deposits	1,089,018		1,092,969	
Short-term borrowings:				
Federal funds purchased	195,188	195,188		
Repurchase agreements	356,121	356,120		
Other borrowings:				
Senior unsecured bank notes	175,000		179,792	
Junior subordinated debentures	45,000		32,754	
Repurchase agreements	50,000		51,994	
Federal Home Loan Bank advances	649,987			658,506
Capital lease obligation	4,099		5,515	
Accrued interest payable	4,564		4,564	
Standby letters of credit	358			358
Off-Balance Sheet Financial Instruments				
Commitments to extend credit	$	$	$	$ 2,030

(a)

Includes loans held for sale associated with branch sales. Excludes $15.6 million of residential loans held for sale measured at fair value on a recurring basis.

The following methods and assumptions were used to estimate the fair value of each type of financial instrument.

Cash, due from banks, federal funds sold and resell agreements and money market investments: For these instruments, the carrying amounts approximate fair value (Level 1).

Investment securities: Fair values for investment securities held-to-maturity are based on quoted market prices, if available. For securities where quoted prices are not available, fair values are estimated based on market prices of similar securities (Level 2).

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Federal Home Loan Bank and Federal Reserve Stock: Old National Bank is a member of the FHLB and the Federal Reserve System. The carrying value approximates the fair value based on the redemption provisions of the stock (Level 2).

Loans held for sale: The fair value of loans held for sale is estimated based on binding contracts from third party investors (Level 2).

Loans: The fair value of loans is estimated by discounting future cash flows using current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities (Level 3).

Covered loans: Fair values for loans were based on a discounted cash flow methodology that considered factors including the type of loan and related collateral, classification status, fixed or variable interest rate, term of loan and whether or not the loan was amortizing, and a discount rate reflecting current market rates for new originations of comparable loans adjusted for the risk inherent in the cash flow estimates. Loans were grouped together according to similar characteristics and were treated in the aggregate when applying various valuation techniques (Level 3).

FDIC indemnification asset: The loss sharing asset was measured separately from the related covered assets as it is not contractually embedded in the assets and is not transferable with the assets should we choose to dispose of the assets. Fair value was originally estimated using projected cash flows related to the loss sharing agreement based on the expected reimbursements for losses and the applicable loss sharing percentage and these projected cash flows are updated with the cash flow estimates on covered assets. These cash flows were discounted to reflect the uncertainty of the timing and receipt of the loss sharing reimbursement from the FDIC (Level 3).

Accrued interest receivable and payable: The carrying amount approximates fair value and is aligned with the underlying assets or liabilities (Level 1, Level 2 or Level 3).

Deposits: The fair value of noninterest-bearing demand deposits and savings, NOW and money market deposits is the amount payable as of the reporting date (Level 1). The fair value of fixed-maturity certificates of deposit is estimated using rates currently offered for deposits with similar remaining maturities (Level 2).

Short-term borrowings: Federal funds purchased and other short-term borrowings generally have an original term to maturity of 30 days or less and, therefore, their carrying amount is a reasonable estimate of fair value (Level 1). The fair value of securities sold under agreements to repurchase is determined using end of day market prices (Level 1).

Other borrowings: The fair value of medium-term notes, subordinated debt and senior bank notes is determined using market quotes (Level 2). The fair value of FHLB advances is determined using calculated prices for new FHLB advances with similar risk characteristics (Level 3). The fair value of other debt is determined using comparable security market prices or dealer quotes (Level 2).

Standby letters of credit: Fair values for standby letters of credit are based on fees currently charged to enter into similar agreements. The fair value for standby letters of credit was recorded in Accrued expenses and other liabilities on the consolidated balance sheet in accordance with FASB ASC 460-10 (FIN 45) (Level 3).

Off-balance sheet financial instruments: Fair values for off-balance sheet credit-related financial instruments are based on fees currently charged to enter into similar agreements. For further information regarding the amounts of these financial instruments, see Notes 19 and 20.

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion is an analysis of our results of operations for the three months ended March 31, 2015 and 2014, and financial condition as of March 31, 2015, compared to March 31, 2014 and December 31, 2014. This discussion and analysis should be read in conjunction with the consolidated financial statements and related notes. This discussion contains forward-looking statements concerning our business that are based on estimates and involves certain risks and uncertainties. Therefore, future results could differ significantly from our current expectations and the related forward-looking statements.

EXECUTIVE SUMMARY

During the first quarter of 2015, net income was $20.9 million, or $0.18 per diluted share. This compares to $26.5 million, or $0.26 per diluted share reported in the first quarter of 2014.

In January of 2015, the Company announced plans to rationalize its branch network; identifying financial centers that did not produce satisfactory returns or were located in low or negative growth areas. Thirty-six branches throughout the franchise were identified to be sold, consolidated or closed. In addition, the Company adopted an early retirement program, which, when combined with the other actions, should reduce our overall workforce by 10%. Numerous charges associated with these plans were reflected in our 2015 first quarter results, including $4.4 million of severance expense and $2.6 million of costs associated with the branch divestitures, closures and consolidations. We expect these actions to be complete by the end of the third quarter.

Also, on January 1, 2015, Old National completed its previously announced acquisition of Grand Rapids, Michigan-based Founders Financial Corporation (Founders). Founders operated four full-service banking centers in Kent County with total assets of approximately $459.9 million and deposit liabilities of $376.1 million at December 31, 2014. In addition, Old National converted the recently acquired Lafayette, Indiana, based branches to its computer systems during the first quarter. These activities resulted in $4.0 million of acquisition and integration charges.

Total loan balances, including those loans held for sale, increased $1.8 billion year over year. The majority of this increase is attributable to the loans we acquired from Tower, United, LSB and Founders. Indirect lending also continues to be strong. Commercial originations were offset by unexpected payoffs of large commercial real estate balances, as borrowers took advantage of the low interest rate environment to refinance their loans in the secondary market. Management remains committed to increasing loan production in all loan segments and has recently taken additional actions. These include the implementation of an employee referral program, modifying products to ensure our offerings are attractive and competitive in our markets, and implementing a second review process to see if a denied loan could be restructured to meet our high standards.

Both our credit quality and capital position remain strong. On January 22, 2015, we announced an increase in our dividend, along with the anticipated continuation of our stock repurchase activity. We repurchased 3.4 million shares during the first quarter.

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RESULTS OF OPERATIONS

The following table sets forth certain income statement information of Old National for the three months ended March 31, 2015 and 2014:

(dollars in thousands)	Three Months Ended March 31, 2015	2014	% Change
Income Statement Summary:			
Net interest income	**$ 90,993**	$ 83,478	9.0%
Provision for loan losses	**1**	37	(97.3)
Noninterest income	**55,295**	40,563	36.3
Noninterest expense	**116,156**	88,252	31.6
Other Data:			
Return on average common equity	**5.56**%	9.03%	
Efficiency ratio (1)	**76.27**	67.77	
Tier 1 leverage ratio	**8.30**	9.32	
Net charge-offs to average loans	**(0.06)**	(0.03)	

(1) Efficiency ratio is defined as noninterest expense before amortization of intangibles as a percent of fully taxable net interest income and noninterest income, excluding net gains from securities transactions. This presentation excludes intangible amortization and net securities gains, as is common in other company disclosures, and better aligns with true operating performance. This is a non-GAAP financial measure that management believes to be helpful in understanding Old National s results of operations.

Net Interest Income

Net interest income is the most significant component of our earnings, comprising over 62.2% of revenues for the three months ended March 31, 2015. Net interest income and margin are influenced by many factors, primarily the volume and mix of earning assets, funding sources and interest rate fluctuations. Other factors include the level of accretion income on purchased loans, prepayment risk on mortgage and investment-related assets and the composition and maturity of earning assets and interest-bearing liabilities. Loans typically generate more interest income than investment securities with similar maturities. Funding from client deposits generally costs less than wholesale funding sources. Factors such as general economic activity, Federal Reserve Board monetary policy and price volatility of competing alternative investments, can also exert significant influence on our ability to optimize the mix of assets and funding and the net interest income and margin.

Net interest income is the excess of interest received from earning assets over interest paid on interest-bearing liabilities. For analytical purposes, net interest income is also presented in the table that follows, adjusted to a taxable equivalent basis to reflect what our tax-exempt assets would need to yield in order to achieve the same after-tax yield as a taxable asset. We used the federal statutory tax rate in effect of 35% for all periods adjusted for the TEFRA interest disallowance applicable to certain tax-exempt obligations. This analysis portrays the income tax benefits associated in tax-exempt assets and helps to facilitate a comparison between taxable and tax-exempt assets. Management believes that it is a standard practice in the banking industry to present net interest margin and net interest income on a fully taxable equivalent basis. Therefore, management believes these measures provide useful information for both management and investors by allowing them to make peer comparisons.

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(dollars in thousands)	Three Months Ended March 31, 2015	2014
Net interest income	**$ 90,993**	$ 83,478
Taxable equivalent adjustment	**4,658**	3,931
Net interest income - taxable equivalent	**$ 95,651**	$ 87,409
Average earning assets	**$ 10,346,167**	$ 8,276,267
Net interest margin	**3.52**%	4.03%
Net interest margin - fully taxable equivalent	**3.70**%	4.22%

Net interest income was $91.0 million for the three months ended March 31, 2015, compared to $83.5 million for the three months ended March 31, 2014. Taxable equivalent net interest income was $95.7 million for the three months ended March 31, 2015, compared to $87.4 million for the three months ended March 31, 2014. The net interest margin on a fully taxable equivalent basis was 3.70% for the three months ended March 31, 2015, compared to 4.22% for the three months ended March 31, 2014. Both the three months ended March 31, 2015 and 2014 include accretion income (interest income in excess of contractual interest income) associated with acquired loans. Excluding this accretion income in both periods, net interest income on a fully taxable equivalent basis would have been $81.1 million for the three months ended March 31, 2015, compared to $69.5 million for the three months ended March 31, 2014; and the net interest margin on a fully taxable equivalent basis would have been 3.14% for the three months ended March 31, 2015 compared to 3.36% for the three months ended March 31, 2014.

The increase in net interest income is primarily due to a $2.070 billion increase in average earning assets during the three months ended March 31, 2015 compared to the three months ended March 31, 2014. Partially offsetting this increase was a $3.4 million decrease in accretion income recorded in the three months ended March 31, 2015 compared to the three months ended March 31, 2014 reflecting the payoff of several large purchased credit impaired loans over the last twelve months. We expect accretion income to gradually decrease over time. It should be noted that the accretion income associated with our Integra acquisition is partially offset by the amortization of our indemnification asset. See the discussion in the section Noninterest Income Related to Covered Assets for additional details. Also contributing to the increase in net interest income in the three months ended March 31, 2015 compared to the three months ended March 31, 2014 is a change in the mix of interest earning assets and interest-bearing liabilities. Commercial and commercial real estate loans including covered loans, which typically generate higher interest income than investment securities with similar securities, became the largest classification within earning assets beginning in 2015.

The decrease in the net interest margin is primarily due to lower yields associated with decreased accretion income on acquired loans and lower levels of nonaccrual payoffs during the three months ended March 31, 2015. The yield on interest earning assets decreased 46 basis points and the cost of interest-bearing liabilities increased 8 basis points in the quarterly year-over-year comparison. The yield on interest earning assets is calculated by dividing annualized taxable equivalent net interest income by average interest earning assets while the cost of interest-bearing liabilities is calculated by dividing annualized interest expense by average interest-bearing liabilities.

Average earning assets were $10.346 billion for the three months ended March 31, 2015, compared to $8.276 billion for the three months ended March 31, 2014, an increase of $2.070 billion, or 25.0%. The increase in average earning assets for the three months ended March 31, 2015 was primarily due to the Tower, United, LSB, and Founders acquisitions. The loan portfolio, which generally has an average yield higher than the investment portfolio, was approximately 66% of average interest earning assets at March 31, 2015, compared to 61% at March 31, 2014.

The $1.770 billion increase in average loans for the three months ended March 31, 2015 when compared to the three months ended March 31, 2014 reflected the Tower, United, LSB and Founders acquisitions along with organic loan growth. These increases were partially offset by a $61.9 million decrease in average covered loans and the reclassification of loans to loans held for sale.

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The $294.0 million increase in average investments for the three months ended March 31, 2015 when compared to the three months ended March 31, 2014 reflected the Tower, United, LSB and Founders acquisitions.

Offsetting these increases to the net interest margin were higher interest bearing deposit account balances, including NOW accounts, savings accounts, money market accounts and time deposits. Average time deposits, which have an average interest rate higher than other types of deposits, increased $86.6 million for the three months ended March 31, 2015 when compared to the three months ended March 31, 2014. In addition, average borrowed funds increased $412.2 million for the three months ended March 31, 2015 when compared to the three months ended March 31, 2014 and includes the issuance of $175.0 million of senior unsecured notes in August 2014.

Provision for Loan Losses

The provision for loan losses was $1 thousand for the three months ended March 31, 2015, compared to $37 thousand for the three months ended March 31, 2014. Net recoveries totaled $1.0 million during the three months ended March 31, 2015, compared to net recoveries of $0.4 million during the three months ended March 31, 2014. Continued loan growth in future periods or credit quality deterioration would result in additional provision expense.

Noninterest Income

We generate revenues in the form of noninterest income through client fees and sales commissions from our core banking franchise and other related businesses, such as wealth management, investment consulting, investment products and insurance. Noninterest income for the three months ended March 31, 2015 was $55.3 million, an increase of $14.7 million, or 36.3%, compared to $40.6 million for the three months ended March 31, 2014. The increase was primarily due to a favorable variance in adjustments to the FDIC indemnification asset and higher wealth management fees, mortgage banking revenue, and net securities gains.

Wealth management fees increased by $2.7 million to $8.5 million for the three months ended March 31, 2015 when compared to the three months ended March 31, 2014. The increase was primarily attributable to our recent acquisitions, as Tower contributed $0.9 million, United contributed $1.0 million, and Founders contributed $0.6 million for the three months ended March 31, 2015. In addition, wealth management fees grow in tandem with the fixed income and equities markets.

Service charges and overdraft fees on deposit accounts, our largest source of noninterest income, continued to be challenged. Service charges and overdraft fees were $11.0 million for the three months ended March 31, 2015, a $0.1 million decrease from $11.1 million for the three months ended March 31, 2014. Included in service charges and overdraft fees on deposit accounts for the three months ended March 31, 2015 were $0.3 million from the acquisition of Tower, $0.7 million from the acquisition of United, $0.2 million from the acquisition of LSB, and $0.1 million from the acquisition of Founders.

Debit card and ATM fees increased $1.0 million to $6.7 million for the three months ended March 31, 2015 when compared to the three months ended March 31, 2014 primarily due to the Tower, United, LSB, and Founders acquisitions. The Durbin Amendment, which limits interchange fees on debit card transactions for banks with $10 billion or more in assets, will become effective for Old National on July 1, 2015. We believe that the Durbin Amendment will negatively impact debit card and ATM fees by approximately $4 to $6 million in 2015.

Mortgage banking revenue increased $2.3 million to $3.0 million for the three months ended March 31, 2015 when compared to the three months ended March 31, 2014 primarily due to increased sales to the secondary market in 2015 and an increase in production attributable to our new associates from partner banks.

Insurance premiums and commissions increased $0.2 million to $12.1 million for the three months ended March 31, 2015 when compared to the three months ended March 31, 2014 reflecting higher commissions on life and health as well as property and casualty insurance. These increases were partially offset by lower contingency income for the three months ended March 31, 2015 when compared to the three months ended March 31, 2014.

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Net securities gains were $2.7 million for the three months ended March 31, 2015, compared to $0.5 million for the three months ended March 31, 2014. Included in the three months ended March 31, 2014 is a $100 thousand other-than-temporary-impairment charge on one limited partnership investment.

Other income decreased $1.2 million for the three months ended March 31, 2015 when compared to the three months ended March 31, 2014 primarily due to an unfavorable variance in net gains (losses) on sales of foreclosed properties.

Noninterest Income Related to Covered Assets

The FDIC has agreed to reimburse Old National for losses incurred on certain acquired loans, and we recorded an indemnification asset at fair value on the date that we acquired these loans. The indemnification asset, on the acquisition date, reflected the reimbursements expected to be received from the FDIC. Deterioration in the expected credit quality of both OREO and loans would increase the basis of the indemnification asset. The offset for both OREO and loans is recorded through the consolidated statement of income. Increases in the credit quality or cash flows of loans (reflected as an adjustment to yield and accreted into income over the remaining life of the loans) decrease the basis of the indemnification asset, with the decrease being amortized into income over the same period or the life of the loss share agreements, whichever is shorter.

Changes in the FDIC indemnification asset resulted in a negative adjustment to noninterest income of $1.0 million for the three months ended March 31, 2015, compared to a negative adjustment to noninterest income of $7.3 million for the three months ended March 31, 2014. Several large loans paid off during the last twelve months resulting in a large decrease in the indemnification asset, and lower amortization expense during the three months ended March 31, 2015. At March 31, 2015, $8.5 million of the remaining indemnification asset is expected to be amortized and reported as a reduction of noninterest income over the next 18 months.

Noninterest Expense

Noninterest expense for the three months ended March 31, 2015, totaled $116.2 million, an increase of $27.9 million, or 31.6%, from $88.3 million for the three months ended March 31, 2014. The increase was primarily due to higher salaries and benefits, occupancy expenses, data processing expense, amortization of intangibles, and other expense. Also included in the three months ended March 31, 2015 is $1.6 million of costs related to the operation of the 7 branches acquired from Tower, $3.3 million of costs related to the operation of the 18 branches acquired from United, $1.5 million of costs related to the operation of the 4 branches acquired from LSB, and $3.5 million of costs related to the operation of the 4 branches acquired from Founders. In addition, $4.0 million of acquisition and integration costs and $2.6 million of costs associated with branch divestitures, closures and consolidations are included for the three months ended March 31, 2015.

Salaries and benefits is the largest component of noninterest expense. For the three months ended March 31, 2015, salaries and benefits increased $18.3 million to $69.7 million when compared to $51.4 million for the three months ended March 31, 2014. Included in the three months ended March 31, 2015 is an increase of $8.5 million of salaries and benefits expense associated with the Tower, United, LSB, and Founders acquisitions. Also included in the three months ended March 31, 2015 is $4.4 million of severance expense related to early retirement offers and other workforce reductions, increases in hospitalization expense of $1.3 million, incentives of $0.8 million, and retirement benefit expenses of $0.8 million.

Occupancy expenses increased $3.4 million to $14.3 million for the three months ended March 31, 2015 when compared to the three months ended March 31, 2014 primarily due to the Tower, United, LSB, and Founders acquisitions. Also included in the three months ended March 31, 2015 is an increase of $0.4 million in leasehold

improvement amortization associated with branch divestitures, closures and consolidations.

Data processing expense increased $1.0 million to $6.6 million for the three months ended March 31, 2015 when compared to the three months ended March 31, 2014 primarily due to higher expenses related to upgrades in software and equipment.

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Amortization of intangibles increased $1.2 million to $3.1 million for the three months ended March 31, 2015 when compared to the three months ended March 31, 2014 reflecting additional customer relationship and core deposit intangibles associated with the Tower, United, LSB, and Founders acquisitions.

Other expense was $5.4 million for the three months ended March 31, 2015, compared to $2.8 million for the three months ended March 31, 2014. The increase reflected $1.9 million of costs associated with branch divestitures, closures and consolidations primarily due to asset impairments and lease termination settlements. In addition, contributions expense increased $1.3 million for the three months ended March 31, 2015 when compared to the three months ended March 31, 2014. Offsetting these increases was a $1.6 million favorable variance in the provision for unfunded commitments for the three months ended March 31, 2015 when compared to the three months ended March 31, 2014.

Noninterest Expense Related to Covered Assets

Noninterest expense related to covered assets are included in OREO expense, legal and professional expense and other covered asset-related expenses, and may be subject to FDIC reimbursement. Expenses must meet certain FDIC criteria in order for the expense amounts to be reimbursed. Certain amounts reflected in these balances may not be reimbursed by the FDIC if they do not meet the criteria.

Approximately 20% of the expense associated with holding and maintaining covered assets assumed in the Integra acquisition are not reimbursable by the FDIC and are recorded as noninterest expense. The remaining 80% is recorded as a receivable from the FDIC. Additional non-reimbursable expenses associated with holding and maintaining covered assets assumed in the Integra acquisition recorded in noninterest expense were not material during the three months ended March 31, 2015 or 2014.

Provision for Income Taxes

We record a provision for income taxes currently payable and for income taxes payable or benefits to be received in the future, which arise due to timing differences in the recognition of certain items for financial statement and income tax purposes. The major difference between the effective tax rate applied to our financial statement income and the federal statutory tax rate is caused by interest on tax-exempt securities and loans. The provision for income taxes, as a percentage of pre-tax income, was 30.6% for the three months ended March 31, 2015, compared to 25.9% for the three months ended March 31, 2014. In accordance with ASC 740-270, Accounting for Interim Reporting, the provision for income taxes was recorded at March 31, 2015 based on the current estimate of the effective annual rate. The higher tax rate in the three months ended March 31, 2015 when compared to the three months ended March 31, 2014 is the result of an increase in the forecasted effective tax rate for 2015 as compared to 2014, as well as an increase in state income taxes due to the acquisition of Founders and a discrete item that occurred in the first quarter of 2015. See Note 17 to the consolidated financial statements for additional information.

FINANCIAL CONDITION

Overview

At March 31, 2015, our assets were $11.951 billion, a 25.2% increase compared to assets of $9.545 billion at March 31, 2014, and an increase of 2.6% compared to assets of $11.648 billion at December 31, 2014. The increase from March 31, 2014 to March 31, 2015 was primarily due to the acquisitions of Tower in April 2014, United in July 2014, LSB in November 2014, and Founders in January 2015.

Earning Assets

Our earning assets are comprised of investment securities, portfolio loans, loans held for sale, money market investments, interest earning accounts with the Federal Reserve and trading securities. Earning assets were $10.343 billion at March 31, 2015, an increase of 24.8% from March 31, 2014.

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Investment Securities

We classify the majority of our investment securities as available-for-sale to give management the flexibility to sell the securities prior to maturity if needed, based on fluctuating interest rates or changes in our funding requirements. However, we also have $21.5 million of 15- and 20-year fixed-rate mortgage-backed securities, $166.3 million of U.S. government-sponsored entity and agency securities and $648.1 million of state and political subdivision securities in our held-to-maturity investment portfolio at March 31, 2015.

Trading securities, which consist of mutual funds held in a trust associated with deferred compensation plans for former Monroe Bancorp directors and executives, are recorded at fair value and totaled $4.0 million at March 31, 2015 compared to $3.7 million at March 31, 2014.

At March 31, 2015, the investment securities portfolio was $3.461 billion compared to $3.193 billion at March 31, 2014, an increase of $267.9 million, or 8.4%. Investment securities decreased $86.4 million, or 2.4%, compared to December 31, 2014. Included in the investment securities portfolio at March 31, 2015 are $358.7 million associated with the acquisitions of Tower, United, LSB, and Founders. Investment securities represented 33.4% of earning assets at March 31, 2015, compared to 38.5% at March 31, 2014, and 35.1% at December 31, 2014. Despite the higher balances, investment securities decreased as a percent of total earning assets due to a proportionately larger increase in loan balances. Stronger commercial loan demand in the future and management s decision to deleverage the balance sheet could result in a reduction in the securities portfolio. As of March 31, 2015, management does not intend to sell any securities in an unrealized loss position and does not believe we will be required to sell such securities.

The investment securities available-for-sale portfolio had net unrealized gains of $14.3 million at March 31, 2015, compared to net unrealized losses of $22.5 million at March 31, 2014, and net unrealized losses of $1.3 million at December 31, 2014. Net unrealized gains (losses) improved from March 31, 2014 to March 31, 2015 due to a decline in interest rates.

The investment portfolio had an effective duration of 3.74 at March 31, 2015, compared to 4.52 at March 31, 2014, and 3.71 at December 31, 2014. Effective duration measures the percentage change in value of the portfolio in response to a change in interest rates. Generally, there is more uncertainty in interest rates over a longer average maturity, resulting in a higher duration percentage. The annualized average yields on investment securities, on a taxable equivalent basis, were 2.74% for the three months ended March 31, 2015, compared to 2.94% for the three months ended March 31, 2014, and 2.74% for the three months ended December 31, 2014.

Loans Held for Sale

Loans held for sale were $210.5 million at March 31, 2015, compared to $6.2 million at March 31, 2014 and $213.5 million at December 31, 2014. Included in loans held for sale at March 31, 2015 were $186.2 million of loans identified to be sold in connection with the southern Illinois and eastern Indiana banking centers, and $24.3 million of mortgage loans held for immediate sale in the secondary market. The mortgage loans are sold at or prior to origination at a contracted price to an outside investor on a best efforts basis and remain on the Company s balance sheet for a short period of time (typically 30 to 60 days). These loans are sold without recourse and Old National has experienced no material losses. Mortgage originations are subject to volatility due to interest rates and home sales.

We have elected the fair value option under FASB ASC 825-10 (SFAS No. 159) prospectively for loans held for sale. The aggregate fair value exceeded the unpaid principal balance by $0.6 million as of March 31, 2015 and $0.1 million as of March 31, 2014. The aggregate fair value exceeded the unpaid principal balance by $0.4 million as of December 31, 2014.

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The following table summarizes loans held for sale that were reclassified from loans held for investment at March 31, 2015 and December 31, 2014:

(dollars in thousands)	March 31, 2015	December 31, 2014
Commercial	**$ 37,528**	$ 45,500
Commercial real estate	**27,081**	30,690
Residential real estate	**68,892**	71,680
Consumer credit	**52,668**	50,058
Total	**$ 186,169**	$ 197,928

The loans held for sale were reclassified at the lower of cost or fair value during the fourth quarter of 2014. Old National intends to sell these loans in two separate transactions and anticipates that both will be complete prior to September 30, 2015. See Note 7 to the consolidated financial statements for additional information.

Commercial and Commercial Real Estate Loans

Commercial and commercial real estate loans, including covered loans, are the largest classification within earning assets, representing 34.2% of earning assets at March 31, 2015, an increase from 31.6% at March 31, 2014, and an increase from 33.6% at December 31, 2014. At March 31, 2015, commercial and commercial real estate loans, including covered loans, were $3.532 billion, an increase of $916.7 million from March 31, 2014, and an increase of $133.5 million from December 31, 2014. Included in commercial and commercial real estate loans at March 31, 2015 is $937.2 million related to the Tower, United, LSB, and Founders acquisitions.

Consumer Loans

At March 31, 2015, consumer loans, including automobile loans, personal and home equity loans and lines of credit, and covered loans, increased $400.6 million, or 37.3% compared to March 31, 2014, and increased $95.6 million, or 6.9%, from December 31, 2014. Included in consumer loans at March 31, 2015 is $202.1 million related to the Tower, United, LSB, and Founders acquisitions. Old National also experienced $198.5 million of organic growth in consumer loans from March 31, 2014 to March 31, 2015.

Residential Real Estate Loans

At March 31, 2015, residential real estate loans, including covered loans, held in our loan portfolio were $1.645 billion, an increase of $263.0 million, or 19.0%, compared to March 31, 2014, and increased $105.2 million, or 6.8%, from December 31, 2014. Included in residential real estate loans at March 31, 2015 is $355.9 million related to the Tower, United, LSB, and Founders acquisitions.

Covered Assets

On July 29, 2011, Old National acquired the banking operations of Integra Bank N.A. (Integra) in an FDIC assisted transaction. We entered into separate loss sharing agreements with the FDIC providing for specified credit loss protection for substantially all acquired single family residential loans, commercial loans, and other real estate owned (OREO). Loans comprise the majority of the assets acquired and are subject to loss share agreements with the FDIC

whereby Old National is indemnified against 80% of losses up to $275.0 million, losses in excess of $275.0 million up to $467.2 million at 0% reimbursement, and 80% of losses in excess of $467.2 million with respect to covered assets. As of March 31, 2015, we do not expect losses to exceed $275.0 million.

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Covered assets continue to decline as we work through these purchased credit impaired loans. A summary of covered assets is presented below:

(dollars in thousands)	March 31, 2015	December 31, 2014
Loans, net of discount and allowance	**$ 134,637**	$ 144,156
Other real estate owned	**7,084**	9,121
Total covered assets	**$ 141,721**	$ 153,277

FDIC Indemnification Asset

Because the FDIC will reimburse Old National for losses incurred on certain acquired loans, an indemnification asset was recorded at fair value at the acquisition date. The indemnification asset is recognized at the same time as the indemnified loans, and measured on the same basis, subject to collectibility or contractual limitations. The indemnification asset, on the acquisition date, reflected the reimbursements expected to be received from the FDIC, using an appropriate discount rate, which reflects counterparty credit risk and other uncertainties. Reimbursement claims are submitted to the FDIC and the receivable is reduced when the FDIC pays the claim. At March 31, 2015, the $20.0 million loss sharing asset is comprised of a $16.6 million FDIC indemnification asset and a $3.4 million FDIC loss share receivable. The loss share receivable represents actual incurred losses where reimbursement has not yet been received from the FDIC. The indemnification asset represents future cash flows we expect to collect from the FDIC under the loss sharing agreements and the amount related to the estimated improvements in cash flow expectations that are being amortized over the same period for which those improved cash flows are being accreted into income. At March 31, 2015, $8.1 million of the FDIC indemnification asset is related to expected indemnification payments and $8.5 million is expected to be amortized and reported in noninterest income as an offset to future accreted interest income. We currently expect the majority of the $8.5 million to be amortized over the next 18 months.

A summary of activity for the indemnification asset and loss share receivable is presented below:

(dollars in thousands)	2015	2014
Balance at January 1,	**$ 20,603**	$ 88,513
Adjustments not reflected in income:		
Cash received from FDIC		(15,989)
Other	**389**	518
Adjustments reflected in income:		
(Amortization) accretion	**(1,986)**	(5,203)
Higher (lower) loan loss expectations		(412)
Write-downs/(gain) on sale of other real estate	**1,018**	(1,728)
Balance at March 31,	**$ 20,024**	$ 65,699

Goodwill and Other Intangible Assets

Goodwill and other intangible assets at March 31, 2015 totaled $631.6 million, an increase of $254.8 million compared to $376.8 million at March 31, 2014, and an increase of $62.1 million compared to $569.5 million at December 31, 2014. During the first quarter of 2015, we recorded $61.7 million of goodwill and other intangible assets associated with the acquisition of Founders, which is included in the Banking column for segment reporting. The increase in goodwill and other intangible assets from March 31, 2014 to March 31, 2015 was primarily due to the acquisitions of Tower, United, LSB, and Founders during the last twelve months. See Note 3 to the consolidated financial statements for details regarding the goodwill and other intangible assets recorded as a result of these acquisitions.

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Other Assets

Other assets have increased $48.8 million, or 24.4%, since March 31, 2014 primarily due to increases in deferred tax assets. Other assets at March 31, 2015 also include $9.5 million of loan servicing rights acquired in the United, LSB, and Founders transactions and an $8.3 million increase in low income housing partnership investments.

Funding

Total funding, comprised of deposits and wholesale borrowings, was $10.261 billion at March 31, 2015, an increase of 25.5% from $8.175 billion at March 31, 2014, and an increase of 3.0% from $9.962 billion at December 31, 2014. Included in total funding were deposits of $8.928 billion at March 31, 2015, an increase of $1.669 billion, or 23.0%, compared to March 31, 2014, and an increase of $436.9 million, or 5.1%, compared to December 31, 2014. Included in total deposits at March 31, 2015 is $1.774 billion related to the Tower, United, LSB, and Founders acquisitions. Noninterest-bearing deposits increased $506.1 million, or 24.7% from March 31, 2014 to March 31, 2015. NOW deposits increased $429.1 million, or 24.0% from March 31, 2014 to March 31, 2015, while savings deposits increased $369.9 million, or 18.4%. Money market deposits increased $191.0 million, or 42.8% from March 31, 2014 to March 31, 2015, while time deposits increased $173.2 million, or 18.0%.

We use wholesale funding to augment deposit funding and to help maintain our desired interest rate risk position. At March 31, 2015, wholesale borrowings, including short-term borrowings and other borrowings, totaled $1.334 billion, an increase of $416.7 million, or 45.4%, from March 31, 2014, and a decrease of $137.8 million, or 9.4%, from December 31, 2014. Wholesale funding as a percentage of total funding was 13.0% at March 31, 2015, compared to 11.2% at March 31, 2014, and 14.8% at December 31, 2014. The increase in wholesale funding from March 31, 2014 to March 31, 2015 was primarily in FHLB advances combined with the issuance of approximately $175 million of senior unsecured debt in August 2014, both of which are reported in other borrowings.

Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities increased $22.5 million, or 12.2%, from March 31, 2014 primarily due to fluctuations in the fair value of derivative financial instruments and increases in accrued pension expense, accrued severance, and accrued tax liabilities.

Capital

Shareholders equity totaled $1.483 billion at March 31, 2015, compared to $1.185 billion at March 31, 2014 and $1.466 billion at December 31, 2014. The March 31, 2015 balance includes $78.7 million from the 5.6 million shares of common stock that were issued in conjunction with the acquisition of Tower, $123.8 million from the 9.1 million shares of common stock that were issued in conjunction with the acquisition of United, $51.8 million from the 3.6 million shares of common stock that were issued in conjunction with the acquisition of LSB, and $50.6 million from the 3.4 million shares of common stock that were issued in conjunction with the acquisition of Founders.

We paid cash dividends of $0.12 per share for the three months ended March 31, 2015, which reduced equity by $14.2 million. We paid cash dividends of $0.11 per share for the three months ended March 31, 2014, which reduced equity by $11.0 million. We repurchased 3.4 million shares of stock under our buyback program, reducing shareholders equity by $48.2 million during the three months ended March 31, 2015, and 116 thousand shares, or $1.6 million, during the three months ended March 31, 2014 related to employee stock based compensation plans. The change in unrealized losses on investment securities increased equity by $10.2 million during the three months ended March 31, 2015, and increased equity by $7.4 million during the three months ended March 31, 2014. Shares issued for

reinvested dividends, stock options, restricted stock and stock compensation plans increased shareholders equity by $1.1 million during the three months ended March 31, 2015, compared to $2.1 million during the three months ended March 31, 2014.

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Capital Adequacy

Old National and the banking industry are subject to various regulatory capital requirements administered by the federal banking agencies. Beginning March 31, 2015, we are reflecting the new Basel III requirements in the tables below. At March 31, 2015, Old National and its bank subsidiary exceeded the regulatory minimums and Old National Bank met the regulatory definition of well-capitalized based on the most recent regulatory definition.

As of March 31, 2015, Old National s consolidated capital position remains strong as evidenced by the following comparisons of key industry ratios.

	Fully Phased-In Regulatory Guidelines Minimum	March 31, 2015	2014	December 31, 2014
Risk-based capital:				
Tier 1 capital to total average assets (leverage ratio)	4.00%	**8.30%**	9.32%	8.79%
Common equity Tier 1 capital to risk-adjusted total assets	7.00	**11.63**	N/A	N/A
Tier 1 capital to risk-adjusted total assets	8.50	**12.22**	14.79	12.88
Total capital to risk-adjusted total assets	10.50	**12.85**	15.66	13.59
Shareholders equity to assets	N/A	**12.41**	12.42	12.58

N/A = not applicable

As of March 31, 2015, Old National Bank, Old National s bank subsidiary, maintained a strong capital position as evidenced by the following comparisons of key industry ratios.

	Fully Phased-In Regulatory Guidelines Minimum	Well Capitalized Guidelines	March 31, 2015	2014	December 31, 2014
Risk-based capital:					
Tier 1 capital to total average assets (leverage ratio)	4.00%	5.00%	**8.52**%	7.87%	8.41%
Common equity Tier 1 capital to risk-adjusted total assets	7.00	6.50	**12.52**	N/A	N/A
Tier 1 capital to risk-adjusted total assets	8.50	8.00	**12.52**	12.46	12.31
Total capital to risk-adjusted total assets	10.50	10.00	**13.17**	13.34	13.02

N/A = not applicable

RISK MANAGEMENT

Overview

Management, with the oversight of the Board of Directors, has in place company-wide structures, processes, and controls for managing and mitigating risk. Our Chief Risk Officer is independent of management and reports directly to the Chair of the Board s Enterprise Risk Management committee. The following discussion addresses the three major risks we face: credit, market, and liquidity.

Credit Risk

Credit risk represents the risk of loss arising from an obligor s inability or failure to meet contractual payment or performance terms. Our primary credit risks result from our investment and lending activities.

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Investment Activities

We carry a higher exposure to loss in our pooled trust preferred securities, which are collateralized debt obligations, due to illiquidity in that market and the performance of the underlying collateral. At March 31, 2015, we had pooled trust preferred securities with a fair value of approximately $6.6 million, or 0.3% of the available-for-sale securities portfolio. These securities remained classified as available-for-sale and at March 31, 2015, the unrealized loss on our pooled trust preferred securities was approximately $11.2 million. There was no other-than-temporary-impairment recorded during the three months ended March 31, 2015 or 2014 on these securities.

All of our mortgage-backed securities are backed by U.S. government-sponsored or federal agencies. Municipal bonds, corporate bonds and other debt securities are evaluated by reviewing the credit-worthiness of the issuer and general market conditions. See Note 6 to the consolidated financial statements for additional details about our investment security portfolio.

Counterparty Exposure

Counterparty exposure is the risk that the other party in a financial transaction will not fulfill its obligation. We define counterparty exposure as nonperformance risk in transactions involving federal funds sold and purchased, repurchase agreements, correspondent bank relationships, and derivative contracts with companies in the financial services industry. Old National manages exposure to counterparty risk in connection with its derivatives transactions by generally engaging in transactions with counterparties having ratings of at least A by Standard & Poor s Rating Service or A2 by Moody s Investors Service. Total credit exposure is monitored by counterparty, and managed within limits that management believes to be prudent. Old National s net counterparty exposure was an asset of $554.0 million at March 31, 2015.

Lending Activities

Commercial

Commercial and industrial loans are made primarily for the purpose of financing equipment acquisition, expansion, working capital, and other general business purposes. Lease financing consists of direct financing leases and are used by commercial customers to finance capital purchases ranging from computer equipment to transportation equipment. The credit decisions for these transactions are based upon an assessment of the overall financial capacity of the applicant. A determination is made as to the applicant s ability to repay in accordance with the proposed terms as well as an overall assessment of the risks involved. In addition to an evaluation of the applicant s financial condition, a determination is made of the probable adequacy of the primary and secondary sources of repayment, such as additional collateral or personal guarantees, to be relied upon in the transaction. Credit agency reports of the applicant s credit history supplement the analysis of the applicant s creditworthiness.

Commercial mortgages and construction loans are offered to real estate investors, developers, and builders primarily domiciled in the geographic market areas we serve: Indiana, southeastern Illinois, western Kentucky and southwestern Michigan. These loans are secured by first mortgages on real estate at loan-to-value (LTV) margins deemed appropriate for the property type, quality, location and sponsorship. Generally, these LTV ratios do not exceed 80%. The commercial properties are predominantly non-residential properties such as retail centers, apartments, industrial properties and, to a lesser extent, more specialized properties. Substantially all of our commercial real estate loans are secured by properties located in our primary market area.

In the underwriting of our commercial real estate loans, we obtain appraisals for the underlying properties. Decisions to lend are based on the economic viability of the property and the creditworthiness of the borrower. In evaluating a proposed commercial real estate loan, we primarily emphasize the ratio of the property s projected net cash flows to the loan s debt service requirement. The debt service coverage ratio normally is not less than 120% and it is computed after deduction for a vacancy factor and property expenses as appropriate. In addition, a personal guarantee of the loan or a portion thereof is often required from the principal(s) of the borrower. We require title insurance insuring the priority of our lien, fire, and extended coverage casualty insurance, and flood insurance, if appropriate, in order to protect our security interest in the underlying property. In addition, business interruption insurance or other insurance may be required.

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Construction loans are underwritten against projected cash flows derived from rental income, business income from an owner-occupant or the sale of the property to an end-user. We may mitigate the risks associated with these types of loans by requiring fixed-price construction contracts, performance and payment bonding, controlled disbursements, and pre-sale contracts or pre-lease agreements.

Consumer

We offer a variety of first mortgage and junior lien loans to consumers within our markets, with residential home mortgages comprising our largest consumer loan category. These loans are secured by a primary residence and are underwritten using traditional underwriting systems to assess the credit risks of the consumer. Decisions are primarily based on LTV ratios, debt-to-income (DTI) ratios, liquidity and credit scores. A maximum LTV ratio of 80% is generally required, although higher levels are permitted with mortgage insurance or other mitigating factors. We offer fixed rate mortgages and variable rate mortgages with interest rates that are subject to change every year after the first, third, fifth, or seventh year, depending on the product and are based on fully-indexed rates such as the London Interbank Offered Rate (LIBOR). We do not offer interest-only loans, payment-option facilities, sub-prime loans, or any product with negative amortization.

Home equity loans are secured primarily by second mortgages on residential property of the borrower. The underwriting terms for the home equity product generally permits borrowing availability, in the aggregate, up to 90% of the appraised value of the collateral property at the time of origination. We offer fixed and variable rate home equity loans, with variable rate loans underwritten at fully-indexed rates. Decisions are primarily based on LTV ratios, DTI ratios, liquidity, and credit scores. We do not offer home equity loan products with reduced documentation.

Automobile loans include loans and leases secured by new or used automobiles. We originate automobile loans and leases primarily on an indirect basis through selected dealerships. We require borrowers to maintain collision insurance on automobiles securing consumer loans, with us listed as loss payee. Our procedures for underwriting automobile loans include an assessment of an applicant s overall financial capacity, including credit history and the ability to meet existing obligations and payments on the proposed loan. Although an applicant s creditworthiness is the primary consideration, the underwriting process also includes a comparison of the value of the collateral security to the proposed loan amount.

Asset Quality

Community-based lending personnel, along with region-based independent underwriting and analytic support staff, extend credit under guidelines established and administered by our Enterprise Risk Committee. This committee, which meets quarterly, is made up of outside directors. The committee monitors credit quality through its review of information such as delinquencies, credit exposures, peer comparisons, problem loans and charge-offs. In addition, the committee reviews and approves recommended loan policy changes to assure it remains appropriate for the current lending environment.

We lend primarily to small- and medium-sized commercial and commercial real estate clients in various industries including manufacturing, agribusiness, transportation, mining, wholesaling and retailing. At December 31, 2014, we had no concentration of loans in any single industry exceeding 10% of our portfolio and had no exposure to foreign borrowers or sovereign debt. Our policy is to concentrate our lending activity in the geographic market areas we serve, primarily Indiana, southeastern Illinois, western Kentucky and southwestern Michigan. We are experiencing a slow and gradual improvement in the economy of our principal markets. Management expects that trends in under-performing, criticized and classified loans will be influenced by the degree to which the economy strengthens or weakens.

During the third quarter of 2011, Old National acquired the banking operations of Integra Bank in an FDIC assisted transaction. As of March 31, 2015, acquired loans totaled $145.6 million and there was $7.1 million of other real estate owned. The Company entered into separate loss sharing agreements with the FDIC providing for specified credit loss protection for substantially all acquired single family residential loans, commercial loans, and other real estate owned. In accordance with accounting for business combinations, there was no allowance brought forward on any of the acquired loans, as the credit losses evident in the loans were included in the determination of the fair

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value of the loans at the acquisition date. At March 31, 2015, approximately $136.8 million of loans, net of discount, and $7.1 million of other real estate owned are covered by the loss sharing agreements. Under the terms of the loss sharing agreements, the FDIC will reimburse Old National for 80% of losses up to $275.0 million. Currently we do not expect losses to exceed $275.0 million. These covered assets are included in our summary of under-performing, criticized and classified assets found below.

On January 1, 2015, Old National closed on its acquisition of Founders. During 2014, Old National acquired Tower, United, and LSB. As of March 31, 2015, acquired loans from the Tower, United, LSB, and Founders transactions totaled $1.495 billion and other real estate owned totaled $3.1 million. In accordance with accounting for business combinations, there was no allowance brought forward on any of the acquired loans, as the credit losses evident in the loans were included in the determination of the fair value of the loans at the acquisition date. Old National reviewed the acquired loans and determined that as of March 31, 2015, $77.2 million met the definition of criticized, $83.1 million were considered classified, and $0.5 were doubtful. Our current preference would be to work these loans and avoid foreclosure actions unless additional credit deterioration becomes apparent. These assets are included in our summary of under-performing, criticized and classified assets found below.

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Summary of under-performing, criticized and classified assets:

(dollars in thousands)	March 31, 2015	March 31, 2014	December 31, 2014
Nonaccrual loans:			
Commercial	**$ 51,683**	$ 27,480	$ 38,460
Commercial real estate	**71,398**	41,645	67,402
Residential real estate	**14,422**	10,561	13,968
Consumer	**5,846**	5,128	5,903
Covered loans (1)	**12,543**	27,289	15,124
Total nonaccrual loans (2)	**155,892**	112,103	140,857
Renegotiated loans not on nonaccrual:			
Noncovered loans	**12,376**	20,224	12,710
Covered loans (1)	**144**	165	148
Past due loans (90 days or more and still accruing):			
Commercial			33
Commercial real estate		79	138
Residential real estate		42	1
Consumer	**127**	72	286
Covered loans (1)	**15**		
Total past due loans	**142**	193	458
Other real estate owned	**8,482**	7,629	7,241
Other real estate owned, covered (1)	**7,084**	12,918	9,121
Total under-performing assets	**$ 184,120**	$ 153,232	$ 170,535
Classified loans (includes nonaccrual, renegotiated, past due 90 days and other problem loans)	**$ 239,026**	$ 170,498	$ 233,486
Classified loans, covered (1)	**14,211**	30,385	17,413
Other classified assets (3)	**26,235**	42,021	26,479
Criticized loans	**183,930**	112,307	194,809
Criticized loans, covered (1)	**6,059**	7,512	4,525
Total criticized and classified assets	**$ 469,461**	$ 362,723	$ 476,712
Asset Quality Ratios including covered assets:			
Non-performing loans/total loans (4) (5)	**2.53%**	2.61%	2.43%
Under-performing assets/total loans and other real estate owned (4)	**2.76**	3.01	2.69
Under-performing assets/total assets	**1.54**	1.61	1.46
Allowance for loan losses/under-performing assets (6)	**26.55**	31.03	28.06
Allowance for loan losses/nonaccrual loans (2)	**31.35**	42.42	33.97
Asset Quality Ratios excluding covered assets:			
Non-performing loans/total loans (4) (5)	**2.39**	2.15	2.24

Under-performing assets/total loans and other real estate owned (4)	**2.52**	2.31	2.37
Under-performing assets/total assets	**1.38**	1.18	1.25
Allowance for loan losses/under-performing assets (6)	**28.40**	36.81	30.31
Allowance for loan losses/nonaccrual loans (2)	**32.56**	48.98	35.23

(1) The Company entered into separate loss sharing agreements with the FDIC providing for specified credit loss protection for substantially all acquired single family residential loans, commercial loans and other real estate owned. At March 31, 2015, we expect 80% of any losses incurred on these covered assets to be reimbursed to Old National by the FDIC.

(2) Includes purchased credit impaired loans of approximately $38.2 million at March 31, 2015, $30.4 million at March 31, 2014 and $41.2 million at December 31, 2014 that are categorized as nonaccrual because the collection of principal or interest is doubtful. These loans are accounted for under FASB ASC 310-30 and accordingly treated as performing assets.

(3) Includes 4 pooled trust preferred securities, 3 corporate securities and 1 insurance policy at March 31, 2015.

(4) Loans exclude loans held for sale.

(5) Non-performing loans include nonaccrual and renegotiated loans.

(6) Because the acquired loans were recorded at fair value in accordance with ASC 805 at the date of acquisition, the credit risk is incorporated in the fair value recorded. No allowance for loan losses is recorded on the acquisition date.

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Under-performing assets totaled $184.1 million at March 31, 2015, compared to $153.2 million at March 31, 2014 and $170.5 million at December 31, 2014. Under-performing assets as a percent of total loans and other real estate owned at March 31, 2015 were 2.76%, a 25 basis point improvement from 3.01% at March 31, 2014 and an increase of 7 basis points from 2.69% at December 31, 2014. At March 31, 2015, under-performing assets related to covered assets acquired in the Integra Bank acquisition were approximately $19.8 million, which included $12.5 million of nonaccrual loans, $0.2 million of renegotiated loans and $7.1 million of other real estate owned. The nonaccrual covered loans are categorized in this manner because the collection of principal or interest is doubtful. However, they are accounted for under FASB ASC 310-30 and accordingly treated as performing assets.

Nonaccrual loans were $155.9 million at March 31, 2015, compared to $112.1 million at March 31, 2014 and $140.9 million at December 31, 2014. Nonaccrual loans increased from March 31, 2014 primarily due to increases in nonaccrual commercial and commercial real estate loans, partially offset by a decrease in our acquired covered nonaccrual loans. Nonaccrual loans, however, have remained at elevated levels since the acquisition of Monroe Bancorp and the FDIC-assisted acquisition of Integra in 2011. In addition, nonaccrual loans at March 31, 2015 included $12.4 million of loans related to the Tower acquisition in April 2014, $28.0 million of loans related to the United acquisition in July 2014, $11.8 million of loans related to the LSB acquisition in November 2014, and $10.0 million of loans related to the Founders acquisition in January 2015. Because the acquired loans were recorded at fair value in accordance with ASC 805 at the date of acquisition, the credit risk is incorporated in the fair value recorded. No allowance for loan losses is recorded on the acquisition date. As a percent of nonaccrual loans (excluding covered loans), the allowance for loan losses was 32.56% at March 31, 2015, compared to 48.98% at March 31, 2014 and 35.23% at December 31, 2014. Included in nonaccrual loans at March 31, 2015, March 31, 2014 and December 31, 2014 were $38.2 million, $30.4 million and $41.2 million, respectively, of purchased credit impaired loans that were included in the nonaccrual category because the collection of principal or interest is doubtful. However, they are accounted for under FASB ASC 310-30 and accordingly treated as performing assets. We would expect our nonaccrual loans to remain at elevated levels until management can work through and resolve these purchased credit impaired loans.

Total criticized and classified assets were $469.5 million at March 31, 2015, an increase of $106.7 million from March 31, 2014, and a decrease of $7.3 million from December 31, 2014. Included in criticized and classified assets at March 31, 2015, is $26.0 million related to the acquisition of Tower, $73.9 million related to the acquisition of United, $28.7 million related to the acquisition of LSB, and $32.1 million related to the acquisition of Founders. Other classified assets include $26.2 million, $42.0 million and $26.5 million of investment securities that fell below investment grade rating at March 31, 2015, March 31, 2014 and December 31, 2014, respectively.

Old National may choose to restructure the contractual terms of certain loans. The decision to restructure a loan, versus aggressively enforcing the collection of the loan, may benefit Old National by increasing the ultimate probability of collection.

Any loans that are modified are reviewed by Old National to identify if a troubled debt restructuring (TDR) has occurred, which is when, for economic or legal reasons related to a borrower s financial difficulties, the Bank grants a concession to the borrower that it would not otherwise consider. Terms may be modified to fit the ability of the borrower to repay in line with its current financial status. The modification of the terms of such loans included one or a combination of the following: a reduction of the stated interest rate of the loan, an extension of the maturity date at a stated rate of interest lower than the current market rate of new debt with similar risk, or a permanent reduction of the recorded investment of the loan.

Loans modified in a TDR are typically placed on nonaccrual status until we determine the future collection of principal and interest is reasonably assured, which generally requires that the borrower demonstrate a period of

performance according to the restructured terms for six months.

If we are unable to resolve a nonperforming loan issue, the credit will be charged off when it is apparent there will be a loss. For large commercial type loans, each relationship is individually analyzed for evidence of apparent loss based on quantitative benchmarks or subjectively based upon certain events or particular circumstances. It is our policy to charge off small commercial loans scored through our small business credit center with contractual balances under $250,000 that have been placed on nonaccrual status or became 90 days or more delinquent, without regard to the collateral position. For residential and consumer loans, a charge off is recorded at the time foreclosure is initiated or when the loan becomes 120 to 180 days past due, whichever is earlier.

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For commercial TDRs, an allocated reserve is established within the allowance for loan losses for the difference between the carrying value of the loan and its computed value. To determine the value of the loan, one of the following methods is selected: (1) the present value of expected cash flows discounted at the loan s original effective interest rate, (2) the loan s observable market price, or (3) the fair value of the collateral value, if the loan is collateral dependent. The allocated reserve is established as the difference between the carrying value of the loan and the collectable value. If there are significant changes in the amount or timing of the loan s expected future cash flows, impairment is recalculated and the valuation allowance is adjusted accordingly.

When a consumer or residential loan is identified as a troubled debt restructuring, the loan is written down to its collateral value less selling costs.

At March 31, 2015, our TDRs consisted of $15.3 million of commercial loans, $15.4 million of commercial real estate loans, $2.5 million of consumer loans and $2.4 million of residential loans, totaling $35.6 million. Approximately $23.1 million of the TDRs at March 31, 2015 were included with nonaccrual loans. At December 31, 2014, our TDRs consisted of $15.2 million of commercial loans, $15.2 million of commercial real estate loans, $2.5 million of consumer loans and $2.1 million of residential loans, totaling $35.0 million. Approximately $22.1 million of the TDRs at December 31, 2014 were included with nonaccrual loans.

As of March 31, 2015 and December 31, 2014, Old National has allocated $1.6 million and $2.8 million of specific reserves to customers whose loan terms have been modified in TDRs, respectively. As of March 31, 2015, Old National had committed to lend an additional $1.6 million to customers with outstanding loans that are classified as TDRs.

The terms of certain other loans were modified during the three months ended March 31, 2015 that did not meet the definition of a TDR. It is our process to review all classified and criticized loans that, during the period, have been renewed, have entered into a forbearance agreement, have gone from principal and interest to interest only, or have extended the maturity date. In order to determine whether a borrower is experiencing financial difficulty, an evaluation is performed of the probability that the borrower will be in payment default on its debt in the foreseeable future without the modification. The evaluation is performed under our internal underwriting policy. We also evaluate whether a concession has been granted or if we were adequately compensated through a market interest rate, additional collateral or a bona fide guarantee. We also consider whether the modification was insignificant relative to the other terms of the agreement or if the delay in a payment was 90 days or less.

Purchased credit impaired (PCI) loans are not considered impaired until after the point at which there has been a degradation of cash flows below our expected cash flows at acquisition. If a PCI loan is subsequently modified, and meets the definition of a TDR, it will be removed from PCI accounting and accounted for as a TDR only if the PCI loan was being accounted for individually. If the purchased credit impaired loan is being accounted for as part of a pool, it will not be removed from the pool. As of March 31, 2015, it has not been necessary to remove any loans from PCI accounting.

In general, once a modified loan is considered a TDR, the loan will always be considered a TDR, and therefore impaired, until it is paid in full, otherwise settled, sold or charged off. However, recent guidance also permits for loans to be removed from TDR status under these circumstances: (1) at the time of the subsequent restructuring, the borrower is not experiencing financial difficulties, and this is documented by a current credit evaluation at the time of the restructuring, (2) under the terms of the subsequent restructuring agreement, the institution has granted no concession to the borrower; and (3) the subsequent restructuring agreement includes market terms that are no less favorable than those that would be offered for a comparable new loan. For loans subsequently restructured that have cumulative principal forgiveness, the loan should continue to be measured in accordance with ASC 310-10,

Receivables Overall . However, consistent with ASC 310-40-50-2, Troubled Debt Restructurings by Creditors, Creditor Disclosure of Troubled Debt Restructurings, the loan would not be required to be reported in the years following the restructuring if the subsequent restructuring meets both of these criteria: (1) has an interest rate at the time of the subsequent restructuring that is not less than a market interest rate; and (2) is performing in compliance with its modified terms after the subsequent restructuring.

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Allowance for Loan Losses and Reserve for Unfunded Commitments

Loan charge-offs, net of recoveries, totaled $(1.0) million for the three months ended March 31, 2015 compared to $(0.4) million for the three months ended March 31, 2014. Annualized, net charge-offs to average loans were (0.06)% for the three months ended March 31, 2015 compared to (0.03)% for the three months ended March 31, 2014. Management will continue its efforts to reduce the level of non-performing loans and may consider the possibility of sales of troubled and non-performing loans, which could result in additional charge-offs to the allowance for loan losses.

To provide for the risk of loss inherent in extending credit, we maintain an allowance for loan losses. The allowance for loan losses is maintained at a level believed adequate by management to absorb probable losses incurred in the consolidated loan portfolio. We began using a probability of default and loss given default model as a tool to determine the adequacy of the allowance for loan losses for performing commercial and commercial real estate loans effective January 1, 2015. We adopted the probability of default and loss given default model for commercial and commercial real estate loans because we believe this approach has a tendency to react more quickly to credit cycle shifts (both positive and negative). The overall results of switching from migration analysis to the probability of default and loss given default model for our performing commercial and commercial real estate loans in the first quarter of 2015 were not material. See Note 8 to the consolidated financial statements for additional information about the probability of default and loss given default model.

At March 31, 2015, the allowance for loan losses was $48.9 million, an increase of $1.3 million compared to $47.6 million at March 31, 2014, and an increase of $1.1 million compared to $47.8 million at December 31, 2014. Over the last twelve months, charge-offs have remained low. Continued loan growth in future periods could result in an increase in provision expense. As a percentage of total loans excluding loans held for sale, the allowance was 0.73% at March 31, 2015, compared to 0.94% at March 31, 2014, and 0.76% at December 31, 2014. The decrease from March 31, 2014 is primarily a result of the acquisitions of Tower, United, LSB, and Founders. The acquired loans were recorded at fair value pursuant to ASC 805, and accordingly no allowance was recorded at the acquisition date.

Because the acquired loans were recorded at fair value in accordance with ASC 805 at the date of acquisition, the credit risk is incorporated in the fair value recorded. No allowance for loan losses is recorded on the acquisition date. We would expect that as the fair value mark is accreted into income over future periods, a reserve will be established to absorb credit deterioration or adverse changes in expected cash flows. Through March 31, 2015, $0.3 million, $1.3 million, $2.3 million, and $0.3 million had been reserved for these purchased credits from Indiana Community Bancorp, Monroe Bancorp, Integra Bank, and United Bancorp, respectively.

The following table provides additional details of the following components of the allowance for loan losses, including FAS 5/ASC 450 (Accounting for Contingencies), FAS 114/ASC 310-40 (Accounting by Creditors for Impairment of a Loan) and SOP 03-3/ASC 310-30 (Accounting for Certain Loans or Debt Securities Acquired in a Transfer):

			Purchased Loans					
	Legacy		Covered			Non-covered		
(dollars in thousands)	FAS 5	FAS 114	FAS 5	FAS 114	SOP 03-3	FAS 5	FAS 114	SOP 03-3
Loan balance	$ 4,933,477	$ 47,479	$ 61,394	$ 4,879	$ 70,567	$ 1,441,545	$ 49,031	$ 44,167
Remaining purchase discount			3,329		31,791	73,073	12,094	32,939

Allowance, January 1, 2015	$ 33,974	$ 8,784	$ 1,007	$ 1,441	$ 1,104	$	$	$ 1,539
Charge-offs	(1,700)	753	(110)		(498)	(623)	540	414
Recoveries	424	1,349	12	1	61	137	635	(367)
Provision expense	1,722	(587)	(779)	(171)	135	486	(921)	116
Allowance, March 31 2015	$ 34,420	$ 10,299	$ 130	$ 1,271	$ 802	$	$ 254	$ 1,702

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We maintain an allowance for losses on unfunded commercial lending commitments and letters of credit to provide for the risk of loss inherent in these arrangements. The allowance is computed using a methodology similar to that used to determine the allowance for loan losses, modified to take into account the probability of a drawdown on the commitment. The reserve for unfunded loan commitments is classified as a liability account on the balance sheet and totaled $2.8 million at March 31, 2015, compared to $4.4 million at December 31, 2014.

Market Risk

Market risk is the risk that the estimated fair value of our assets, liabilities, and derivative financial instruments will decline as a result of changes in interest rates or financial market volatility, or that our net income will be significantly reduced by interest rate changes.

The objective of our interest rate management process is to maximize net interest income while operating within acceptable limits established for interest rate risk and maintaining adequate levels of funding and liquidity.

Potential cash flows, sales, or replacement value of many of our assets and liabilities, especially those that earn or pay interest, are sensitive to changes in the general level of interest rates. This interest rate risk arises primarily from our normal business activities of gathering deposits and extending loans. Many factors affect our exposure to changes in interest rates, such as general economic and financial conditions, customer preferences, historical pricing relationships, and re-pricing characteristics of financial instruments. Our earnings can also be affected by the monetary and fiscal policies of the U.S. Government and its agencies, particularly the Federal Reserve Board.

In managing interest rate risk, we, through the Funds Management Committee, a committee of the Board of Directors, establish guidelines, for asset and liability management, including measurement of short and long-term sensitivities to changes in interest rates. Based on the results of our analysis, we may use different techniques to manage changing trends in interest rates including:

- adjusting balance sheet mix or altering interest rate characteristics of assets and liabilities;
- changing product pricing strategies;
- modifying characteristics of the investment securities portfolio; or
- using derivative financial instruments, to a limited degree.

A key element in our ongoing process is to measure and monitor interest rate risk using a model to quantify the impact of changing interest rates on the Company. The model quantifies the effects of various possible interest rate scenarios on projected net interest income. The model measures the impact on net interest income relative to a base case scenario. The base case scenario assumes that the balance sheet and interest rates are held at current levels. The model shows our projected net interest income sensitivity based on interest rate changes only and does not consider other forecast assumptions.

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The following table illustrates our projected net interest income sensitivity over a two year cumulative horizon based on the asset/liability model as of March 31, 2015:

(dollars in thousands)	Immediate Rate Decrease -50 Basis Points	Base	Immediate Rate Increase +100 Basis Points	+200 Basis Points	+300 Basis Points
March 31, 2015					
Projected interest income:					
Money market, other interest earning investments and investment securities	$ 193,543	$ 205,178	$ 222,373	$ 236,233	$ 248,342
Loans	483,103	502,821	566,544	629,952	692,094
Total interest income	676,646	707,999	788,917	866,185	940,436
Projected interest expense:					
Deposits	19,739	30,510	80,913	131,317	181,720
Borrowings	41,948	44,220	55,943	67,667	79,390
Total interest expense	61,687	74,730	136,856	198,984	261,110
Net interest income	$ 614,959	$ 633,269	$ 652,061	$ 667,201	$ 679,326
Change from base	$ (18,310)		$ 18,792	$ 33,932	$ 46,057
% change from base	-2.89%		2.97%	5.36%	7.27%

At March 31, 2014, our two year cumulative horizon modeling results indicated a 1.86%, 3.41%, and 4.51% change in net interest income from base case for the +100 basis points, +200 basis points, and +300 basis points scenarios, respectively. As a result of the already low interest rate environment, we did not include a falling interest rate scenario at March 31, 2014. Our asset sensitivity improved year over year primarily as a result of changes in our balance sheet and the shortened duration of our securities portfolio. Also contributing to the improvement was the issuance of $175 million of fixed rate debt, approximately $120 million of variable-rate mortgage loans acquired from United Bancorp, and our use of derivative instruments including certain cash flow hedges on variable-rate debt with a notional amount of $625 million at March 31, 2015.

A key element in the measurement and modeling of interest rate risk are the re-pricing assumptions of our transaction deposit accounts, which have no contractual maturity dates. We assume this deposit base is comprised of both core and more volatile balances and consists of both non-interest bearing and interest bearing accounts. Core deposit balances are assumed to be less interest rate sensitive and provide longer term funding. Volatile balances are assumed to be more interest rate sensitive and shorter in term. As part of our semi-static balance sheet modeling, we assume interest rates paid on the volatile deposits move in conjunction with changes in interest rates, in order to retain these deposits. This may include current non-interest bearing accounts.

Because the models are driven by expected behavior in various interest rate scenarios and many factors besides market interest rates affect our net interest income, we recognize that model outputs are not guarantees of actual results. For this reason, we model many different combinations of interest rates and balance sheet assumptions to understand its overall sensitivity to market interest rate changes, including shocks, yield curve flattening, yield curve steepening, as

well as forecasts of likely interest rate scenarios. Current expectations of changes in market rates are that short-term rates will increase incrementally beginning sometime in 2015. Long-term rates are also expected to increase, but to a somewhat lesser degree than short-term rates. Using these rate assumptions, our models indicate that net interest income should increase approximately 0.58% over the next twelve months from the March 31, 2015 base. As of March 31, 2015, our projected net interest income sensitivity based on the asset/liability models we utilize was within the limits of the Company s interest rate risk policy for the scenarios tested.

We use derivatives, primarily interest rate swaps, as one method to manage interest rate risk in the ordinary course of business. We also provide derivatives to our commercial customers in connection with managing interest rate risk. Our derivatives had an estimated fair value loss of $9.3 million at March 31, 2015, compared to an estimated fair value loss of $5.3 million at March 31, 2014. See Note 18 to the consolidated financial statements for further discussion of derivative financial instruments.

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Liquidity Risk

Liquidity risk arises from the possibility that we may not be able to satisfy current or future financial commitments, or may become unduly reliant on alternative funding sources. The Funds Management Committee of the Board of Directors establishes liquidity risk guidelines and, along with the Balance Sheet Management Committee, monitors liquidity risk. The objective of liquidity management is to ensure we have the ability to fund balance sheet growth and meet deposit and debt obligations in a timely and cost-effective manner. Management monitors liquidity through a regular review of asset and liability maturities, funding sources, and loan and deposit forecasts. We maintain strategic and contingency liquidity plans to ensure sufficient available funding to satisfy requirements for balance sheet growth, properly manage capital markets funding sources and to address unexpected liquidity requirements.

Loan repayments and maturing investment securities are a relatively predictable source of funds. However, deposit flows, calls of investment securities and prepayments of loans and mortgage-related securities are strongly influenced by interest rates, the housing market, general and local economic conditions, and competition in the marketplace. We continually monitor marketplace trends to identify patterns that might improve the predictability of the timing of deposit flows or asset prepayments.

A time deposit maturity schedule for Old National Bank is shown in the following table for March 31, 2015.

TIME DEPOSIT MATURITY SCHEDULE MARCH 31, 2015
(dollars in thousands)

Maturity Bucket	Amount	Rate
2015	$ 494,849	0.73%
2016	327,735	1.68
2017	134,403	0.76
2018	80,757	1.17
2019	53,337	1.54
2020 and beyond	42,960	1.61
Total	$ 1,134,041	1.11%

Our ability to acquire funding at competitive prices is influenced by rating agencies views of our credit quality, liquidity, capital and earnings. All of the rating agencies place us in an investment grade that indicates a low risk of default. For both Old National and Old National Bank:

Moody s Investor Service assigned a Long Term Rating of A3 to Old National Bancorp s senior debt issuance on August 12, 2014.

Moody s Investor Service affirmed Old National Bank s Long Term Rating at A2 with a stable outlook and stable Short Term ratings of P-1 on July 31, 2014.

Moody s Investor Service placed under review, for possible upgrade, the Long Term Rating of Old National Bank on March 17, 2015.

The senior debt ratings of Old National and Old National Bank at March 31, 2015, are shown in the following table.

SENIOR DEBT RATINGS

	Moody s Investor Service	
	Long-term	**Short-term**
Old National Bancorp	A3	N/A
Old National Bank	A2	P-1

N/A = not applicable

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Old National Bank maintains relationships in capital markets with brokers and dealers to issue certificates of deposit and short-term and medium-term bank notes as well. As of March 31, 2015, Old National Bancorp and its subsidiaries had the following availability of liquid funds and borrowings.

(dollars in thousands)	Parent Company	Subsidiaries
Available liquid funds:		
Cash and due from banks	$ 75,723	$ 139,590
Unencumbered government-issued debt securities		1,266,988
Unencumbered investment grade municipal securities		417,828
Unencumbered corporate securities		97,101
Availability of borrowings:		
Amount available from Federal Reserve discount window*		420,040
Amount available from Federal Home Loan Bank Indianapolis*		614,128
Total available funds	$ 75,723	$ 2,955,675

* Based on collateral pledged

The Parent Company (Old National Bancorp) has routine funding requirements consisting primarily of operating expenses, dividends to shareholders, debt service, net derivative cash flows and funds used for acquisitions. The Parent Company can obtain funding to meet its obligations from dividends and management fees collected from its subsidiaries, operating line of credit and through the issuance of debt securities. Additionally, the Parent Company has a shelf registration in place with the Securities and Exchange Commission permitting ready access to the public debt and equity markets. At March 31, 2015, the Parent Company s other borrowings outstanding were $215.2 million.

Federal banking laws regulate the amount of dividends that may be paid by banking subsidiaries without prior approval. Prior regulatory approval is required if dividends to be declared in any year would exceed net earnings of the current year plus retained net profits for the preceding two years. Prior regulatory approval to pay dividends was not required in 2014 or 2015 and is not currently required.

OFF-BALANCE SHEET ARRANGEMENTS

Off-balance sheet arrangements include commitments to extend credit and financial guarantees. Commitments to extend credit and financial guarantees are used to meet the financial needs of our customers. Our banking affiliates have entered into various agreements to extend credit, including loan commitments of $1.700 billion and standby letters of credit of $60.0 million at March 31, 2015. At March 31, 2015, approximately $1.619 billion of the loan commitments had fixed rates and $80.9 million had floating rates, with the floating rates ranging from 0% to 21%. At December 31, 2014, loan commitments were $1.584 billion and standby letters of credit were $65.3 million. The term of these off-balance sheet arrangements is typically one year or less.

Old National entered into a risk participation in an interest rate swap during the second quarter of 2007, which had a notional amount of $7.6 million at March 31, 2015. Old National entered into an additional risk participation in an interest rate swap during the third quarter of 2014, which had a notional amount of $13.2 million at March 31, 2015.

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CONTRACTUAL OBLIGATIONS

The following table presents our significant fixed and determinable contractual obligations at March 31, 2015:

CONTRACTUAL OBLIGATIONS

	Payments Due In				
(dollars in thousands)	One Year or Less (1)	One to Three Years	Three to Five Years	Over Five Years	Total
Deposits without stated maturity	$ 7,793,479	$	$	$	$ 7,793,479
IRAs, consumer and brokered certificates of deposit	494,849	462,139	134,094	42,959	1,134,041
Short-term borrowings	463,007				463,007
Other borrowings	50,047	213,263	148,735	458,535	870,580
Fixed interest payments (2)	11,184	12,857	8,134	22,985	55,160
Operating leases	24,295	61,583	56,680	229,555	372,113
Other long-term liabilities (3)	443				443

(1) For the remaining nine months of fiscal 2015.
(2) Our senior notes, subordinated notes, certain trust preferred securities and certain Federal Home Loan Bank advances have fixed-rates ranging from 0.29% to 6.76%. All of our other long-term debt is at LIBOR based variable-rates at March 31, 2015. The projected variable interest assumes no increase in LIBOR rates from March 31, 2015.
(3) Amount expected to be contributed to the pension plans in 2015. Amounts for 2016 and beyond are unknown at this time.

We rent certain premises and equipment under operating leases. See Note 19 to the consolidated financial statements for additional information on long-term lease arrangements.

We are party to various derivative contracts as a means to manage the balance sheet and our related exposure to changes in interest rates, to manage our residential real estate loan origination and sale activity, and to provide derivative contracts to our clients. Since the derivative liabilities recorded on the balance sheet change frequently and do not represent the amounts that may ultimately be paid under these contracts, these liabilities are not included in the table of contractual obligations presented above. Further discussion of derivative instruments is included in Note 18 to the consolidated financial statements.

In the normal course of business, various legal actions and proceedings are pending against us and our affiliates which are incidental to the business in which they are engaged. Further discussion of contingent liabilities is included in Note 19 to the consolidated financial statements.

In addition, liabilities recorded under FASB ASC 740-10 (FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109*) are not included in the table because the amount and timing of any cash payments cannot be reasonably estimated. Further discussion of income taxes and liabilities recorded under FASB ASC 740-10 is included in Note 14 to the consolidated financial statements of our Annual Report on Form 10-K for the year ended December 31, 2014.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our accounting policies are described in Note 1 to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2014. Certain accounting policies require management to use significant judgment and estimates, which can have a material impact on the carrying value of certain assets and liabilities. We consider these policies to be critical accounting policies. The judgment and assumptions made are based upon historical experience or other factors that management believes to be reasonable under the circumstances. Because of the nature of the judgment and assumptions, actual results could differ from estimates, which could have a material effect on our financial condition and results of operations.

The following accounting policies materially affect our reported earnings and financial condition and require significant judgments and estimates. Management has reviewed these critical accounting estimates and related disclosures with our Audit Committee.

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Goodwill and Intangibles

Description. For acquisitions, we are required to record the assets acquired, including identified intangible assets, and the liabilities assumed at their fair value. These often involve estimates based on third-party valuations, such as appraisals, or internal valuations based on discounted cash flow analyses or other valuation techniques that may include estimates of attrition, inflation, asset growth rates or other relevant factors. In addition, the determination of the useful lives over which an intangible asset will be amortized is subjective. Under FASB ASC 350 (SFAS No. 142 *Goodwill and Other Intangible Assets*), goodwill and indefinite-lived assets recorded must be reviewed for impairment on an annual basis, as well as on an interim basis if events or changes indicate that the asset might be impaired. An impairment loss must be recognized for any excess of carrying value over fair value of the goodwill or the indefinite-lived intangible asset.

Judgments and Uncertainties. The determination of fair values is based on valuations using management s assumptions of future growth rates, future attrition, discount rates, multiples of earnings or other relevant factors.

Effect if Actual Results Differ From Assumptions. Changes in these factors, as well as downturns in economic or business conditions, could have a significant adverse impact on the carrying values of goodwill or intangible assets and could result in impairment losses affecting our financials as a whole and the individual lines of business in which the goodwill or intangibles reside.

Acquired Impaired Loans

Description. Loans acquired with evidence of credit deterioration since inception and for which it is probable that all contractual payments will not be received are accounted for under ASC Topic 310-30, *Loans and Debt Securities Acquired with Deteriorated Credit Quality* (ASC 310-30). These loans are recorded at fair value at the time of acquisition, with no carryover of the related allowance for loan losses. Fair value of acquired loans is determined using a discounted cash flow methodology based on assumptions about the amount and timing of principal and interest payments, principal prepayments and principal defaults and losses, and current market rates. In recording the acquisition date fair values of acquired impaired loans, management calculates a non-accretable difference (the credit component of the purchased loans) and an accretable difference (the yield component of the purchased loans).

Over the life of the acquired loans, we continue to estimate cash flows expected to be collected on pools of loans sharing common risk characteristics, which are treated in the aggregate when applying various valuation techniques. We evaluate at each balance sheet date whether the present value of our pools of loans determined using the effective interest rates has decreased significantly and if so, recognize a provision for loan loss in our consolidated statement of income. For any significant increases in cash flows expected to be collected, we adjust the amount of accretable yield recognized on a prospective basis over the pool s remaining life.

Judgments and Uncertainties. These cash flow evaluations are inherently subjective as they require management to make estimates about expected cash flows, market conditions and other future events that are

highly subjective in nature and subject to change.

Effect if Actual Results Differ From Assumptions. Changes in these factors, as well as changing economic conditions will likely impact the carrying value of these acquired loans as well as the carrying value of any associated indemnification assets, as the FDIC will reimburse us for losses incurred on certain acquired loans, but the shared-loss agreements will not fully offset the financial effects of such a situation.

Allowance for Loan Losses

Description. The allowance for loan losses is maintained at a level believed adequate by management to absorb probable incurred losses in the consolidated loan portfolio. Management s evaluation of the

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adequacy of the allowance is an estimate based on reviews of individual loans, pools of homogeneous loans, assessments of the impact of current and anticipated economic conditions on the portfolio and historical loss experience. The allowance represents management s best estimate, but significant downturns in circumstances relating to loan quality and economic conditions could result in a requirement for additional allowance. Likewise, an upturn in loan quality and improved economic conditions may allow a reduction in the required allowance. In either instance, unanticipated changes could have a significant impact on results of operations.

The allowance is increased through a provision charged to operating expense. Uncollectible loans are charged-off through the allowance. Recoveries of loans previously charged-off are added to the allowance. A loan is considered impaired when it is probable that contractual interest and principal payments will not be collected either for the amounts or by the dates as scheduled in the loan agreement. Our policy for recognizing income on impaired loans is to accrue interest unless a loan is placed on nonaccrual status. A loan is generally placed on nonaccrual status when principal or interest becomes 90 days past due unless it is well secured and in the process of collection, or earlier when concern exists as to the ultimate collectibility of principal or interest. We monitor the quality of our loan portfolio on an on-going basis and use a combination of detailed credit assessments by relationship managers and credit officers, historic loss trends, and economic and business environment factors in determining the allowance for loan losses. We record provisions for loan losses based on current loans outstanding, grade changes, mix of loans and expected losses. A detailed loan loss evaluation on an individual loan basis for our highest risk loans is performed quarterly. Management follows the progress of the economy and how it might affect our borrowers in both the near and the intermediate term. We have a formalized and disciplined independent loan review program to evaluate loan administration, credit quality and compliance with corporate loan standards. This program includes periodic reviews and regular reviews of problem loan reports, delinquencies and charge-offs.

Judgments and Uncertainties. Effective January 1, 2015, we began using a probability of default (PD)/loss given default (LGD) model as a tool to determine the adequacy of the allowance for loan losses for performing commercial and commercial real estate loans. The PD is forecast using a transition matrix to determine the likelihood of a customer s asset quality rating (AQR) migrating from its current AQR to any other status within the time horizon. Transition rates are measured using Old National s own historical experience. The model assumes that recent historical transition rates will continue into the future. The LGD is defined as credit loss incurred when an obligor of the bank defaults. The sum of all net charge-offs for a particular portfolio segment are divided by all loans that have defaulted over a given period of time. The expected loss derived from the model considers the PD, LGD, and exposure at default. Additionally, qualitative factors, such as changes in lending policies or procedures, and economic business conditions are also considered.

We adopted the probability of default and loss given default model for commercial and commercial real estate loans because we believe this approach has a tendency to react more quickly to credit cycle shifts (both positive and negative). The overall results of switching from migration analysis to the probability of default and loss given default model for our performing commercial and commercial real estate loans in the first quarter of 2015 were not material.

Prior to January 1, 2015, we used migration analysis as a tool to determine the adequacy of the allowance for loan losses for performing commercial and commercial real estate loans. Migration analysis is a statistical technique that attempts to estimate probable losses for existing pools of loans by matching actual losses incurred on loans back to their origination. Judgment is used to select and weight the historical periods which are most representative of the current environment.

We calculated migration analysis using several different scenarios based on varying assumptions to evaluate the widest range of possible outcomes. The migration-derived historical commercial loan loss rates were applied to the current commercial loan pools to arrive at an estimate of probable losses for the loans existing at the time of analysis. The amounts determined by migration analysis were adjusted for management s best estimate of the effects of current economic conditions, loan quality trends, results from internal and external review examinations, loan volume trends, credit concentrations and various other factors.

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We continue to use historic loss ratios adjusted for expectations of future economic conditions to determine the appropriate level of allowance for consumer and residential real estate loans.

Effect if Actual Results Differ From Assumptions. The allowance represents management s best estimate, but significant downturns in circumstances relating to loan quality and economic conditions could result in a requirement for additional allowance. Likewise, an upturn in loan quality and improved economic conditions may allow a reduction in the required allowance. In either instance, unanticipated changes could have a significant impact on results of operations.

Management s analysis of probable losses in the portfolio at March 31, 2015, resulted in a range for allowance for loan losses of $12.6 million. The range pertains to general (FASB ASC 310, Receivables/SFAS 5) reserves for both retail and performing commercial loans. Specific (FASB ASC 310, Receivables/SFAS 114) reserves do not have a range of probable loss. Due to the risks and uncertainty associated with the economy and our projection of FAS 5 loss rates inherent in the portfolio, we establish a range of probable outcomes (a high-end estimate and a low-end estimate) and evaluate our position within this range. The potential effect to net income based on our position in the range relative to the high and low endpoints is a decrease of $0.9 million and an increase of $7.3 million, respectively, after taking into account the tax effects. These sensitivities are hypothetical and are not intended to represent actual results.

Derivative Financial Instruments

Description. As part of our overall interest rate risk management, we use derivative instruments to reduce exposure to changes in interest rates and market prices for financial instruments. The application of the hedge accounting policy requires judgment in the assessment of hedge effectiveness, identification of similar hedged item groupings and measurement of changes in the fair value of derivative financial instruments and hedged items. To the extent hedging relationships are found to be effective, as determined by FASB ASC 815 (SFAS No. 133 *Accounting for Derivative Instruments and Hedging Activities*) (ASC Topic 815), changes in fair value of the derivatives are offset by changes in the fair value of the related hedged item or recorded to other comprehensive income. Management believes hedge effectiveness is evaluated properly in preparation of the financial statements. All of the derivative financial instruments we use have an active market and indications of fair value can be readily obtained. We are not using the short-cut method of accounting for any fair value derivatives.

Judgments and Uncertainties. The application of the hedge accounting policy requires judgment in the assessment of hedge effectiveness, identification of similar hedged item groupings and measurement of changes in the fair value of derivative financial instruments and hedged items.

Effect if Actual Results Differ From Assumptions. To the extent hedging relationships are found to be effective, as determined by ASC Topic 815, changes in fair value of the derivatives are offset by changes in the fair value of the related hedged item or recorded to other comprehensive income. However, if in the future the derivative financial instruments used by us no longer qualify for hedge accounting treatment, all changes in fair value of the derivative would flow through the consolidated statements of income in other noninterest income, resulting in greater volatility in our earnings.

Income Taxes

Description. We are subject to the income tax laws of the U.S., its states and the municipalities in which we operate. These tax laws are complex and subject to different interpretations by the taxpayer and the relevant government taxing authorities. We review income tax expense and the carrying value of deferred tax assets quarterly; and as new information becomes available, the balances are adjusted as appropriate. FASB ASC 740-10 (FIN 48) prescribes a recognition threshold of more-likely-than-not, and a measurement attribute for all tax positions taken or expected to be taken on a tax return, in order for those tax positions to be recognized in the financial statements. See Note 14 to the consolidated financial statements of our Annual Report on Form 10-K for the year ended December 31, 2014 for a further description of our provision and related income tax assets and liabilities.

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Judgments and Uncertainties. In establishing a provision for income tax expense, we must make judgments and interpretations about the application of these inherently complex tax laws. We must also make estimates about when in the future certain items will affect taxable income in the various tax jurisdictions. Disputes over interpretations of the tax laws may be subject to review/adjudication by the court systems of the various tax jurisdictions or may be settled with the taxing authority upon examination or audit.

Effect if Actual Results Differ From Assumptions. Although management believes that the judgments and estimates used are reasonable, actual results could differ and we may be exposed to losses or gains that could be material. To the extent we prevail in matters for which reserves have been established, or are required to pay amounts in excess of our reserves, our effective income tax rate in a given financial statement period could be materially affected. An unfavorable tax settlement would result in an increase in our effective income tax rate in the period of resolution. A favorable tax settlement would result in a reduction in our effective income tax rate in the period of resolution.

Valuation of Securities

Description. The fair value of our securities is determined with reference to price estimates. In the absence of observable market inputs related to items such as cash flow assumptions or adjustments to market rates, management judgment is used. Different judgments and assumptions used in pricing could result in different estimates of value.

When the fair value of a security is less than its amortized cost for an extended period, we consider whether there is an other-than-temporary-impairment in the value of the security. If, in management s judgment, an other-than-temporary-impairment exists, the portion of the loss in value attributable to credit quality is transferred from accumulated other comprehensive loss as an immediate reduction of current earnings and the cost basis of the security is written down by this amount.

We consider the following factors when determining an other-than-temporary-impairment for a security or investment:

The length of time and the extent to which the fair value has been less than amortized cost;

The financial condition and near-term prospects of the issuer;

The underlying fundamentals of the relevant market and the outlook for such market for the near future;

Our intent to sell the debt security or whether it is more likely than not that we will be required to sell the debt security before its anticipated recovery; and

When applicable for purchased beneficial interests, the estimated cash flows of the securities are assessed for adverse changes.

Quarterly, securities are evaluated for other-than-temporary-impairment in accordance with FASB ASC 320 (SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities*), and FASB ASC 325-10 (Emerging Issues Task Force No. 99-20, *Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interest in Securitized Financial Assets*) and FASB ASC 320-10 (FSP No. FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments*). An impairment that is an other-than-temporary-impairment is a decline in the fair value of an investment below its amortized cost attributable to factors that indicate the decline will not be recovered over the anticipated holding period of the investment. Other-than-temporary-impairments result in reducing the security s carrying value by the amount of credit loss. The credit component of the other-than-temporary-impairment loss is realized through the statement of income and the remainder of the loss remains in other comprehensive income.

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Judgments and Uncertainties. The determination of other-than-temporary-impairment is a subjective process, and different judgments and assumptions could affect the timing and amount of loss realization. In addition, significant judgments are required in determining valuation and impairment, which include making assumptions regarding the estimated prepayments, loss assumptions and interest cash flows.

Effect if Actual Results Differ From Assumptions. Actual credit deterioration could be more or less severe than estimated. Upon subsequent review, if cash flows have significantly improved, the discount would be amortized into earnings over the remaining life of the debt security in a prospective manner based on the amount and timing of future cash flows. Additional credit deterioration resulting in an adverse change in cash flows would result in additional other-than-temporary impairment loss recorded in the income statement.

FORWARD-LOOKING STATEMENTS

In this report, we have made various statements regarding current expectations or forecasts of future events, which speak only as of the date the statements are made. These statements are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are also made from time-to-time in press releases and in oral statements made by the officers of Old National Bancorp (Old National, or the Company). Forward-looking statements are identified by the words expect, may, could, intend, project, believe , anticipate and similar expressions. Forward-looking statements also include, but are not limited to, statements regarding estimated cost savings, plans and objectives for future operations, the Company s business and growth strategies, including future acquisitions of banks, regulatory developments, and expectations about performance as well as economic and market conditions and trends.

Such forward-looking statements are based on assumptions and estimates, which although believed to be reasonable, may turn out to be incorrect. Therefore, undue reliance should not be placed upon these estimates and statements. We cannot assure that any of these statements, estimates, or beliefs will be realized and actual results may differ from those contemplated in these forward-looking statements. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events, or otherwise. You are advised to consult further disclosures we may make on related subjects in our filings with the SEC. In addition to other factors discussed in this report, some of the important factors that could cause actual results to differ materially from those discussed in the forward-looking statements include the following:

economic, market, operational, liquidity, credit and interest rate risks associated with our business;

economic conditions generally and in the financial services industry;

expected cost savings in connection with the consolidation of recent acquisitions may not be fully realized or realized within the expected time frames, and deposit attrition, customer loss and revenue loss following completed acquisitions may be greater than expected;

unexpected difficulties and losses related to FDIC-assisted acquisitions, including those resulting from our loss-sharing arrangements with the FDIC;

failure to properly understand risk characteristics of newly entered markets;

increased competition in the financial services industry either nationally or regionally, resulting in, among other things, credit quality deterioration;

our ability to achieve loan and deposit growth;

volatility and direction of market interest rates;

governmental legislation and regulation, including changes in accounting regulation or standards;

our ability to execute our business plan;

a weakening of the economy which could materially impact credit quality trends and the ability to generate loans;

changes in the securities markets; and

changes in fiscal, monetary and tax policies.

Investors should consider these risks, uncertainties and other factors in addition to risk factors included in our other filings with the SEC.

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ITEM 3. QUANTITIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See Management s Discussion and Analysis of Financial Condition and Results of Operations-Market Risk and Liquidity Risk.

ITEM 4. CONTROLS AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Evaluation of disclosure controls and procedures. Old National s principal executive officer and principal financial officer have concluded that Old National s disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended), based on their evaluation of these controls and procedures as of the end of the period covered by this quarterly report on Form 10-Q, are effective at the reasonable assurance level as discussed below to ensure that information required to be disclosed by Old National in the reports it files under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission and that such information is accumulated and communicated to Old National s management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Limitations on the Effectiveness of Controls. Management, including the principal executive officer and principal financial officer, does not expect that Old National s disclosure controls and internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls.

The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be only reasonable assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, control may become inadequate because of changes in conditions or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Changes in Internal Control over Financial Reporting. There were no changes in Old National s internal control over financial reporting that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, Old National s internal control over financial reporting.

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PART II

OTHER INFORMATION

ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors previously disclosed in the Risk Factors section of the Company s Annual Report on Form 10-K for the year ended December 31, 2014.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(c) **ISSUER PURCHASES OF EQUITY SECURITIES**

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
01/01/15 - 01/31/15	388,352	$ 14.20	388,352	4,875,966
02/01/15 - 02/28/15	2,019,295	11.70	2,019,295	2,856,671
03/01/15 - 03/31/15	1,017,495	13.94	1,017,495	1,839,176
Quarter-to-date 03/31/15	3,425,142	$ 12.65	3,425,142	1,839,176

On October 23, 2014, the Board of Directors approved the repurchase of up to 6.0 million shares of stock over a period from October 23, 2014 to January 31, 2016. During the three months ended March 31, 2015, Old National also repurchased a limited number of shares associated with employee share-based incentive programs.

ITEM 5. OTHER INFORMATION

(a) None

(b) There have been no material changes in the procedure by which security holders recommend nominees to the Company s board of directors.

ITEM 6. EXHIBITS

Exhibit No.	Description

2.1	Purchase and Assumption Agreement Whole Bank All Deposits, among Federal Deposit Insurance Corporation, receiver of Integra Bank National Association, Evansville, Indiana, the Federal Deposit Insurance Corporation and Old National Bank, dated July 29, 2011 (incorporated by reference to Exhibit 2.1 of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on August 4, 2011).
2.2	Agreement and Plan of Merger dated as of September 9, 2013 by and between Old National Bancorp and Tower Financial Corporation (the schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K) (incorporated by reference to Exhibit 2.1 of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on September 10, 2013).
2.3	Agreement and Plan of Merger dated as of January 7, 2014 by and between Old National Bancorp and United Bancorp, Inc. (the schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K) (incorporated by reference to Exhibit 2.1 of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on January 8, 2014).

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2.4	Agreement and Plan of Merger dated as of June 3, 2014 by and between Old National Bancorp and LSB Financial Corp. (the schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K) (incorporated by reference to Exhibit 2.1 of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on June 4, 2014).
2.5	Agreement and Plan of Merger dated as of July 25, 2014 by and between Old National Bancorp and Founders Financial Corporation (the schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K) (incorporated by reference to Exhibit 2.1 of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on July 28, 2014).
3.1	Third Amended and Restated Articles of Incorporation of Old National, amended October 25, 2013 (incorporated by reference to Exhibit 3.1 of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 28, 2013).
3.2	Amended and Restated By-Laws of Old National Bancorp, amended July 24, 2014 (incorporated by reference to Exhibit 3.1 of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on July 25, 2014).
4.1	Senior Indenture between Old National and The Bank of New York Trust Company (as successor to J.P. Morgan Trust Company, National Association (as successor to Bank One, NA)), as trustee, dated as of July 23, 1997 (incorporated by reference to Exhibit 4.3 to Old National s Registration Statement on Form S-3, Registration No. 333-118374, filed with the Securities and Exchange Commission on December 2, 2004).
4.2	Form of Indenture between Old National and J.P. Morgan Trust Company, National Association (as successor to Bank One, NA), as trustee (incorporated by reference to Exhibit 4.1 to Old National s Registration Statement on Form S-3, Registration No. 333-87573, filed with the Securities and Exchange Commission on September 22, 1999).
4.3	Second Indenture Supplement, dated as of August 15, 2014, between Old National and The Bank of New York Mellon Trust Company, N.A., as trustee, providing for the issuance of its 4.125% Senior Notes due 2024 (incorporated by reference to Exhibit 4.1 of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on August 15, 2014).
4.4	Form of 4.125% Senior Notes due 2024 (incorporated by reference to Exhibit 4.2 of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on August 15, 2014).
10.1	Deferred Compensation Plan for Directors of Old National Bancorp and Subsidiaries (As Amended and Restated Effective as of January 1, 2003) (incorporated by reference to Exhibit 10(a) of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on December 15, 2004).*
10.2	Second Amendment to the Deferred Compensation Plan for Directors of Old National Bancorp and Subsidiaries (As Amended and Restated Effective as of January 1, 2003) (incorporated by reference to Exhibit 10(b) of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on December 15, 2004).*
10.3	2005 Directors Deferred Compensation Plan (Effective as of January 1, 2005) (incorporated by reference to Exhibit 10(c) of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on December 15, 2004).*
10.4	Supplemental Deferred Compensation Plan for Select Executive Employees of Old National Bancorp and Subsidiaries (As Amended and Restated Effective as of January 1, 2003) (incorporated by reference to Exhibit 10(d) of Old National s Current Report on Form 8-K filed with the Securities and Exchange

Commission on December 15, 2004).*

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10.5	Second Amendment to the Supplemental Deferred Compensation Plan for Select Executive Employees of Old National Bancorp and Subsidiaries (As Amended and Restated Effective as of January 1, 2003) (incorporated by reference to Exhibit 10(e) of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on December 15, 2004).*
10.6	Third Amendment to the Supplemental Deferred Compensation Plan for Select Executive Employees of Old National Bancorp and Subsidiaries (As Amended and Restated Effective as of January 1, 2003) (incorporated by reference to Exhibit 10(f) of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on December 15, 2004).*
10.7	2005 Executive Deferred Compensation Plan (Effective as of January 1, 2005) (incorporated by reference to Exhibit 10(g) of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on December 15, 2004).*
10.8	Summary of Old National Bancorp s Outside Director Compensation Program (incorporated by reference to Old National s Quarterly Report on Form 10-Q for the quarter ended June 30, 2003).*
10.9	Form of Executive Stock Option Award Agreement between Old National and certain key associates (incorporated by reference to Exhibit 10(h) of Old National s Quarterly Report on Form 10-Q for the quarter ended September 30, 2004).*
10.10	Form of 2006 Non-qualified Stock Option Agreement (incorporated by reference to Exhibit 99.3 of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on March 2, 2006).*
10.11	Form of 2007 Non-qualified Stock Option Agreement between Old National and certain key associates (incorporated by reference to Exhibit 10(y) of Old National s Annual Report on Form 10-K for the year ended December 31, 2006).*
10.12	Lease Agreement, dated December 20, 2006 between ONB One Main Landlord, LLC and Old National Bank (incorporated by reference to Exhibit 10(aa) of Old National s Annual Report on Form 10-K for the year ended December 31, 2006).
10.13	Lease Agreement, dated December 20, 2006 between ONB 123 Main Landlord, LLC and Old National Bank (incorporated by reference to Exhibit 10(ab) of Old National s Annual Report on Form 10-K for the year ended December 31, 2006).
10.14	Lease Agreement, dated December 20, 2006 between ONB 4th Street Landlord, LLC and Old National Bank (incorporated by reference to Exhibit 10(ac) of Old National s Annual Report on Form 10-K for the year ended December 31, 2006).
10.15	Master Lease Agreement dated September 19, 2007, by and between ONB CTL Portfolio Landlord #1, LLC, and Old National Bank (incorporated by reference to Exhibit 99.2 of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on September 25, 2007).
10.16	Lease Supplement No. 1 dated September 19, 2007, by and between ONB CTL Portfolio Landlord #1, LLC, Old National Bank and ONB Insurance Group, Inc. (incorporated by reference to Exhibit 99.3 of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on September 25, 2007).
10.17	Master Lease Agreement dated September 19, 2007, by and between ONB CTL Portfolio Landlord #2, LLC, and Old National Bank (incorporated by reference to Exhibit 99.4 of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on September 25, 2007).

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10.18	Master Lease Agreement dated September 19, 2007, by and between ONB CTL Portfolio Landlord #3, LLC, and Old National Bank (incorporated by reference to Exhibit 99.5 of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on September 25, 2007).
10.19	Master Lease Agreement dated September 19, 2007, by and between ONB CTL Portfolio Landlord #4, LLC, and Old National Bank (incorporated by reference to Exhibit 99.6 of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on September 25, 2007).
10.20	Master Lease Agreement dated September 19, 2007, by and between ONB CTL Portfolio Landlord #5, LLC, and Old National Bank (incorporated by reference to Exhibit 99.7 of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on September 25, 2007).
10.21	Form of Lease Agreement dated October 19, 2007 entered into by affiliates of Old National Bancorp and affiliates of SunTrust Equity Funding, LLC (incorporated by reference to Exhibit 99.2 of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 25, 2007).
10.22	Form of Lease Agreement dated December 27, 2007 entered into by affiliates of Old National Bancorp and affiliates of SunTrust Equity Funding, LLC (as incorporated by reference to Exhibit 99.2 of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on December 31, 2007).
10.23	Form of 2008 Non-qualified Stock Option Award Agreement (incorporated by reference to Exhibit 99.1 of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on January 30, 2008).*
10.24	Form of 2009 Executive Stock Option Agreement between Old National and certain key associates (incorporated by reference to Old National s Current Report on Form 8-K/A filed with the Securities and Exchange Commission on February 13, 2009).*
10.25	Stock Purchase and Dividend Reinvestment Plan (incorporated by reference to Old National s Registration Statement on Form S-3, Registration No. 333-161394 filed with the Securities and Exchange Commission on August 17, 2009).
10.26	Form of Employment Agreement for Robert G. Jones (incorporated by reference to Exhibit 10.1 of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on January 27, 2011).*
10.27	Form of Employment Agreement for Christopher A. Wolking and Daryl D. Moore (incorporated by reference to Exhibit 10.2 of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on January 27, 2011).*
10.28	Employment Agreement for James A. Sandgren (incorporated by reference to Exhibit 10.1 of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on March 18, 2014).*
10.29	Form of Amended Severance/Change of Control Agreement for Jeffrey L. Knight (incorporated by reference to Exhibit 10(bb) of Old National s Annual Report on Form 10-K for the year ended December 31, 2011).*
10.30	Old National Bancorp Amended and Restated 2008 Incentive Compensation Plan (incorporated by reference to Appendix I of Old National s Definitive Proxy Statement filed with the Securities and Exchange Commission on March 14, 2012).*
10.31	Stock Purchase and Dividend Reinvestment Plan (incorporated by reference to Old National s Registration Statement on Form S-3, Registration No. 333-183344 filed with the Securities and Exchange Commission on August 16, 2012).

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10.32	Form of 2013 Restricted Stock Award Agreement between Old National and certain key associates (incorporated by reference to Exhibit 10(bg) of Old National s Annual Report on Form 10-K for the year ended December 31, 2012).*
10.33	Form of 2013 Performance Share Award Agreement between Old National and certain key associates (incorporated by reference to Exhibit 10(bh) of Old National s Annual Report on Form 10-K for the year ended December 31, 2012).*
10.34	Voting Agreement by and among directors of Tower Financial Corporation (incorporated by reference to Exhibit 10.1 of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on September 10, 2013).
10.35	Voting Agreement by and among directors of United Bancorp, Inc. (incorporated by reference to Exhibit 10.1 of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on January 8, 2014).
10.36	Form of 2014 Performance Units Award Agreement between Old National and certain key associates (incorporated by reference to Exhibit 10(ap) of Old National s Annual Report on Form 10-K for the year ended December 31, 2013).*
10.37	Form of 2014 Restricted Stock Award Agreement between Old National and certain key associates (incorporated by reference to Exhibit 10(aq) of Old National s Annual Report on Form 10-K for the year ended December 31, 2013).*
10.38	Voting Agreement by and among directors of LSB Financial Corp. (incorporated by reference to Exhibit 10.1 of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on June 4, 2014).
10.39	Voting Agreement by and among directors of Founders Financial Corporation (incorporated by reference to Exhibit 10.1 of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on July 28, 2014).
10.40	Form of 2015 Performance Units Award Agreement between Old National and certain key associates (incorporated by reference to Exhibit 10(au) of Old National s Annual Report on Form 10-K for the year ended December 31, 2014).*
10.41	Form of 2015 Restricted Stock Award Agreement between Old National and certain key associates (incorporated by reference to Exhibit 10(av) of Old National s Annual Report on Form 10-K for the year ended December 31, 2014).*
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following materials from Old National Bancorp s Form 10-Q Report for the quarterly period ended March 31, 2015, formatted in XBRL: (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Comprehensive Income (Loss), (iv) the Consolidated Statements of Changes in Shareholders Equity, (v) the Consolidated Statements of Cash Flows, and (vi) the Notes to Consolidated Financial Statements.

* Management contract or compensatory plan or arrangement

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

OLD NATIONAL BANCORP
(Registrant)

By: /s/ Christopher A. Wolking

Christopher A. Wolking

Senior Executive Vice President and Chief Financial Officer

Duly Authorized Officer and Principal Financial Officer

Date: May 1, 2015