OLD NATIONAL BANCORP /IN/
Form 10-Q
November 02, 2012
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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 September 30, 2012

¨ **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 101,403,000 shares outstanding at September 30, 2012.

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CONSOLIDATED BALANCE SHEETS

(dollars and shares in thousands, except per share data)	September 30, 2012 (unaudited)	December 31, 2011	September 30, 2011 (unaudited)
Assets			
Cash and due from banks	**$ 180,490**	$ 191,626	$ 194,606
Money market and other interest-earning investments	**37,043**	31,246	74,623
Total cash and cash equivalents	**217,533**	222,872	269,229
Trading securities at fair value	**3,043**	2,816	2,794
Investment securities available-for-sale, at fair value			
U.S. Treasury	**15,585**	65,769	65,951
U.S. Government-sponsored entities and agencies	**387,176**	173,185	180,934
Mortgage-backed securities	**1,172,671**	1,268,155	1,441,585
States and political subdivisions	**557,835**	402,844	391,202
Other securities	**179,522**	161,323	173,417
Total investment securities available-for-sale	**2,312,789**	2,071,276	2,253,089
Investment securities held-to-maturity, at amortized cost (fair value $440,014, $507,699 and $517,427 respectively)	**410,521**	484,590	493,282
Federal Home Loan Bank stock, at cost	**37,927**	30,835	34,870
Residential loans held for sale, at fair value	**9,911**	4,528	4,710
Loans:			
Commercial	**1,294,015**	1,216,654	1,246,289
Commercial real estate	**1,291,054**	1,067,370	1,128,374
Residential real estate	**1,279,238**	995,458	865,951
Consumer credit, net of unearned income	**930,070**	861,361	899,446
Covered loans, net of discount	**448,789**	626,360	711,266
Total loans	**5,243,166**	4,767,203	4,851,326
Allowance for loan losses	**(50,428)**	(57,117)	(65,219)
Allowance for loan losses covered loans	**(4,334)**	(943)	(303)
Net loans	**5,188,404**	4,709,143	4,785,804
FDIC indemnification asset	**126,881**	167,714	168,483
Premises and equipment, net	**83,259**	71,870	75,257
Accrued interest receivable	**46,430**	44,801	43,713
Goodwill	**339,883**	253,177	265,985
Other intangible assets	**31,273**	33,624	36,298
Company-owned life insurance	**268,919**	248,693	247,234
Assets held for sale	**15,508**	16,861	
Other real estate owned and repossessed personal property	**14,282**	7,119	9,390
Other real estate owned covered	**28,780**	30,443	31,908
Other assets	**247,701**	209,321	210,654
Total assets	**$ 9,383,044**	$ 8,609,683	$ 8,932,700
Liabilities			
Deposits:			
Noninterest-bearing demand	**$ 1,943,525**	$ 1,728,546	$ 1,728,548

Interest-bearing:			
NOW	**1,694,792**	1,569,084	1,517,117
Savings	**1,939,665**	1,570,422	1,624,786
Money market	**282,308**	295,847	306,089
Time	**1,361,087**	1,447,664	1,690,723
Total deposits	**7,221,377**	6,611,563	6,867,263
Short-term borrowings	**452,060**	424,849	341,004
Other borrowings	**288,502**	290,774	443,884
Accrued expenses and other liabilities	**234,341**	248,941	252,854
Total liabilities	**8,196,280**	7,576,127	7,905,005
Shareholders Equity			
Preferred stock, series A, 1,000 shares authorized, no shares issued or outstanding			
Common stock, $1 stated value, 150,000 shares authorized, 101,403, 94,654 and 94,752 shares issued and outstanding, respectively	**101,403**	94,654	94,752
Capital surplus	**918,259**	834,033	834,060
Retained earnings	**132,822**	89,865	74,312
Accumulated other comprehensive income, net of tax	**34,280**	15,004	24,571
Total shareholders equity	**1,186,764**	1,033,556	1,027,695
Total liabilities and shareholders equity	**$ 9,383,044**	$ 8,609,683	$ 8,932,700

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

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OLD NATIONAL BANCORP

CONSOLIDATED STATEMENTS OF INCOME (unaudited)

(dollars and shares in thousands, except per share data)	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Interest Income				
Loans including fees:				
Taxable	**$ 60,916**	$ 62,706	**$ 185,957**	$ 165,058
Nontaxable	**2,192**	2,361	**6,639**	7,018
Investment securities, available-for-sale:				
Taxable	**10,810**	13,197	**33,470**	39,730
Nontaxable	**3,997**	3,331	**11,482**	10,172
Investment securities, held-to-maturity, taxable	**4,839**	5,487	**14,708**	18,039
Money market and other interest-earning investments	**18**	87	**43**	341
Total interest income	**82,772**	87,169	**252,299**	240,358
Interest Expense				
Deposits	**6,419**	9,401	**21,145**	28,989
Short-term borrowings	**124**	132	**369**	390
Other borrowings	**2,079**	5,044	**6,389**	14,701
Total interest expense	**8,622**	14,577	**27,903**	44,080
Net interest income	**74,150**	72,592	**224,396**	196,278
Provision for loan losses	**400**	(82)	**2,849**	6,437
Net interest income after provision for loan losses	**73,750**	72,674	**221,547**	189,841
Noninterest Income				
Wealth management fees	**5,198**	5,094	**16,138**	15,521
Service charges on deposit accounts	**12,816**	14,048	**38,582**	38,062
ATM fees	**5,692**	6,766	**17,920**	18,736
Mortgage banking revenue	**840**	699	**2,172**	2,560
Insurance premiums and commissions	**8,670**	8,335	**27,595**	27,916
Investment product fees	**3,359**	2,977	**9,453**	8,504
Company-owned life insurance	**1,734**	1,393	**4,741**	3,863
Net securities gains	**2,877**	2,861	**10,488**	5,026
Total other-than-temporary impairment losses	**(202)**	(140)	**(1,078)**	(1,872)
Loss recognized in other comprehensive income		140		1,373
Impairment losses recognized in earnings	**(202)**		**(1,078)**	(499)
Gain on derivatives	**226**	149	**657**	702
Gain on sale leaseback transactions	**1,607**	1,636	**4,820**	4,909
Change in FDIC indemnification asset	**(4,877)**	535	**(4,118)**	535
Other income	**2,927**	2,833	**11,172**	7,901
Total noninterest income	**40,867**	47,326	**138,542**	133,736
Noninterest Expense				
Salaries and employee benefits	**49,876**	52,325	**142,673**	139,930
Occupancy	**13,454**	13,328	**39,170**	37,826

Equipment	**2,902**	2,878	**8,725**	8,720
Marketing	**1,537**	1,294	**4,474**	4,193
Data processing	**5,432**	5,703	**16,835**	17,538
Communication	**2,627**	2,529	**8,053**	7,507
Professional fees	**3,787**	5,905	**9,141**	10,462
Loan expense	**1,760**	1,139	**4,896**	3,351
Supplies	**739**	646	**2,106**	2,191
FDIC assessment	**1,320**	1,657	**4,094**	5,621
Other real estate owned expense	**371**	580	**11,754**	1,682
Amortization of intangibles	**1,956**	2,106	**5,888**	5,868
Other expense	**3,258**	5,068	**8,524**	9,952
Total noninterest expense	**89,019**	95,158	**266,333**	254,841
Income before income taxes	**25,598**	24,842	**93,756**	68,736
Income tax expense	**5,861**	8,045	**25,090**	18,490
Net income	**$ 19,737**	$ 16,797	**$ 68,666**	$ 50,246
Net income per common share basic	**$ 0.20**	$ 0.18	**$ 0.72**	$ 0.53
Net income per common share diluted	**0.20**	0.18	**0.72**	0.53
Weighted average number of common shares outstanding-basic	**95,690**	94,492	**94,886**	94,468
Weighted average number of common shares outstanding-diluted	**96,125**	94,785	**95,274**	94,722
Dividends per common share	**$ 0.09**	$ 0.07	**$ 0.27**	$ 0.21

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

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OLD NATIONAL BANCORP

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited)

(dollars in thousands)	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Net income	**$ 19,737**	$ 16,797	**$ 68,666**	$ 50,246
Other comprehensive income				
Change in securities available-for-sale:				
Unrealized holding gains for the period	**23,002**	16,032	**40,463**	47,324
Reclassification adjustment for securities gains realized in income	**(2,877)**	(2,861)	**(10,488)**	(5,026)
Other-than-temporary-impairment on available-for-sale securities recorded in other comprehensive income		(140)		(1,373)
Other-than-temporary-impairment on available-for-sale securities associated with credit loss realized in income	**202**		**1,078**	499
Income tax effect	**(7,901)**	(5,149)	**(12,076)**	(16,202)
Unrealized gains on available-for-sale securities	**12,426**	7,882	**18,977**	25,222
Change in securities held-to-maturity:				
Adjustment for securities transferred to available-for-sale	**(1,588)**		**(1,588)**	
Amortization of fair value for securities held-to-maturity previously recognized into accumulated other comprehensive income	**(232)**	(337)	**(693)**	(1,304)
Income tax effect	**729**	134	**913**	521
Changes from securities held-to-maturity	**(1,091)**	(203)	**(1,368)**	(783)
Cash flow hedges:				
Net unrealized derivative gains (losses) on cash flow hedges		(412)	**(240)**	(1,021)
Reclassification adjustment on cash flow hedges		72		216
Income tax effect	**(1)**	137	**95**	324
Changes from cash flow hedges	**(1)**	(203)	**(145)**	(481)
Defined benefit pension plans:				
Amortization of net loss recognized in income	**1,007**	1,154	**3,021**	3,137
Income tax effect	**(403)**	(461)	**(1,209)**	(1,255)
Changes from defined benefit pension plans	**604**	693	**1,812**	1,882
Other comprehensive income, net of tax	**11,938**	8,169	**19,276**	25,840
Comprehensive income	**$ 31,675**	$ 24,966	**$ 87,942**	$ 76,086

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 and shares in thousands)	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders Equity
Balance, December 31, 2010	$ 87,183	$ 748,873	$ 44,018	$ (1,269)	$ 878,805
Comprehensive income					
Net income			50,246		50,246
Other comprehensive income					
Change in unrealized gain (loss) on securities available for sale, net of reclassification and tax				25,222	25,222
Transferred securities, net of tax				(783)	(783)
Reclassification adjustment on cash flows hedges, net of tax				(481)	(481)
Net loss, settlement cost and amortization of net (gain) loss on defined benefit pension plans, net of tax				1,882	1,882
Acquisition Monroe Bancorp	7,575	82,495			90,070
Dividends common stock			(19,889)		(19,889)
Common stock issued	15	151			166
Common stock repurchased	(33)	(308)			(341)
Stock based compensation expense		2,551			2,551
Stock activity under incentive comp plans	12	298	(63)		247
Balance, September 30, 2011	$ 94,752	$ 834,060	$ 74,312	$ 24,571	$ 1,027,695
Balance, December 31, 2011	**$ 94,654**	**$ 834,033**	**$ 89,865**	**$ 15,004**	**$ 1,033,556**
Comprehensive income					
Net income			**68,666**		**68,666**
Other comprehensive income					
Change in unrealized gain (loss) on securities available for sale, net of reclassification and tax				**18,977**	**18,977**
Transferred securities, net of tax				**(1,368)**	**(1,368)**
Reclassification adjustment on cash flows hedges, net of tax				**(145)**	**(145)**
Net loss, settlement cost and amortization of net (gain) loss on defined benefit pension plans, net of tax				**1,812**	**1,812**
Acquisition Indiana Community Bancorp	**6,626**	**81,871**			**88,497**
Dividends common stock			**(25,551)**		**(25,551)**
Common stock issued	**16**	**171**			**187**
Common stock repurchased	**(66)**	**(765)**			**(831)**
Stock based compensation expense		**2,203**			**2,203**
Stock activity under incentive comp plans	**173**	**746**	**(158)**		**761**
Balance, September 30, 2012	**$ 101,403**	**$ 918,259**	**$ 132,822**	**$ 34,280**	**$ 1,186,764**

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)	Nine Months Ended September 30, 2012	2011
Cash Flows From Operating Activities		
Net income	**$ 68,666**	$ 50,246
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	**8,618**	7,269
Amortization and impairment of other intangible assets	**5,888**	5,868
Net premium amortization on investment securities	**9,546**	8,060
(Accretion) amortization of FDIC indemnification asset	**4,118**	(535)
Stock compensation expense	**2,203**	2,551
Provision for loan losses	**2,849**	6,437
Net securities gains	**(10,488)**	(5,026)
Impairment on available-for-sale securities	**1,078**	499
Gain on sale leasebacks	**(4,820)**	(4,909)
Gain on derivatives	**(657)**	(702)
Net (gains) losses on sales and write-downs of loans and other assets	**303**	(1,459)
Increase in cash surrender value of company owned life insurance	**(4,393)**	(3,836)
Residential real estate loans originated for sale	**(51,833)**	(70,232)
Proceeds from sale of residential real estate loans	**49,465**	79,089
Decrease in interest receivable	**536**	5,812
Decrease in other real estate owned	**670**	7,420
Decrease in other assets	**1,732**	9,800
Increase (decrease) in accrued expenses and other liabilities	**(25,493)**	15,838
Total adjustments	**(10,678)**	61,944
Net cash flows provided by operating activities	**57,988**	112,190
Cash Flows From Investing Activities		
Cash and cash equivalents of acquired banks	**78,538**	398,558
Net cash paid in FDIC-assissted transaction		(151,264)
Purchases of investment securities available-for-sale	**(687,698)**	(490,086)
Purchase of trust assets		(1,301)
Proceeds from the call/repurchase of FHLB stock		14,587
Proceeds from maturities, prepayments and calls of investment securities available-for-sale	**478,218**	379,727
Proceeds from sales of investment securities available-for-sale	**192,020**	454,110
Proceeds from maturities, prepayments and calls of investment securities held-to-maturity	**24,851**	147,050
Proceeds from sale of loans	**2,292**	4,743
Reimbursements under FDIC loss share agreements	**36,338**	
Net principal collected from loan customers	**9,123**	105,354
Proceeds from sale of premises and equipment and other assets	**3,434**	413
Purchases of premises and equipment and other assets	**(9,368)**	(4,184)
Net cash flows provided by investing activities	**127,748**	857,707
Cash Flows From Financing Activities		
Net increase (decrease) in deposits and short-term borrowings:		
Deposits	**(175,239)**	(692,932)

Short-term borrowings	**27,210**	(27,411)
Payments for maturities on other borrowings	**(1,416)**	(725)
Payments related to retirement of debt	**(16,000)**	(211,228)
Cash dividends paid on common stock	**(25,551)**	(19,889)
Common stock repurchased	**(831)**	(341)
Proceeds from exercise of stock options, including tax benefit	**565**	140
Common stock issued	**187**	166
Net cash flows used in financing activities	**(191,075)**	(952,220)
Net increase in cash and cash equivalents	**(5,339)**	17,677
Cash and cash equivalents at beginning of period	**222,872**	251,552
Cash and cash equivalents at end of period	**$ 217,533**	**$ 269,229**
Supplemental cash flow information:		
Total interest paid	**$ 30,264**	$ 44,814
Total taxes paid (net of refunds)	**$ 20,969**	$ 4,605
Securities transferred from held-to-maturity to available-for-sale	**$ 46,053**	$

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

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OLD NATIONAL BANCORP

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. The allowance for loan losses, valuation of purchased loans, valuation and impairment of securities, goodwill and intangibles, derivative financial instruments, and income taxes are particularly subject to change. 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 September 30, 2012 and 2011, and December 31, 2011, and the results of its operations for the three and nine months ended September 30, 2012 and 2011. 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, 2011.

All significant intercompany transactions and balances have been eliminated. Certain prior year amounts have been reclassified to conform with the 2012 presentation. Such reclassifications had no effect on net income or shareholders equity.

NOTE 2 RECENT ACCOUNTING PRONOUNCEMENTS

FASB ASC 820 In May 2011, the FASB issued an update (ASU No. 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs) impacting FASB ASC 820, Fair Value Measurement. The amendments in this update will improve the comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with U.S. GAAP and International Financial Reporting Standards (IFRSs). Among the many areas affected by this update are the concept of highest and best use, the fair value of an instrument included in shareholders equity and disclosures about fair value measurement, especially disclosures about fair value measurements categorized within Level 3 of the fair value hierarchy. This update became effective for the Company for interim and annual reporting periods beginning after December 15, 2011 and did not have a material impact on the consolidated financial statements.

FASB ASC 220 In June 2011, the FASB issued an update (ASU No. 2011-05, Presentation of Comprehensive Income) impacting FASB ASC 220, Comprehensive Income. The amendments in this update eliminate the option to present components of other comprehensive income as part of the statement of changes in stockholders equity. An entity will have the option to present the total of comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. An entity will be required to present on the face of financial statements reclassification adjustments for items that are reclassified from other comprehensive income to net income. This update and ASC No. 2011-12, which defers a portion of this guidance, became effective for the Company for interim and annual reporting periods beginning after December 15, 2011 and did not have a material impact on the consolidated financial statements.

FASB ASC 350 In September 2011, the FASB issued an update (ASU No. 2011-08, Testing Goodwill for Impairment) impacting FASB ASC 350-20, Intangibles Goodwill and Other. The amendments in this update permit an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than the carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. The more likely than not threshold is defined as having a likelihood of more than 50 percent. If after assessing the totality of events or circumstances, it is not more likely than not that the fair value of the reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. If an entity concludes that it is more likely than not that the fair value of the reporting unit is less than the carrying amount, the entity is required to perform the first step of the two-step impairment. If the carrying amount of a reporting unit exceeds its fair value, then the entity is required to perform the second step of the goodwill impairment test to measure the amount of the impairment loss. This update became effective for the Company for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The Company has performed an analysis under this approach and it did not have a material impact on the consolidated financial statements.

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FASB ASC 360 In December 2011, the FASB issued an update (ASU No. 2011-10, Derecognition of in Substance Real Estate a Scope Clarification) impacting FASB ASC 360-20, Property, Plant, and Equipment Real Estate Sales. Under the amendments in this update, when a parent (reporting entity) ceases to have a controlling financial interest in a subsidiary that is in substance real estate as a result of default on the subsidiary s nonrecourse debt, the reporting entity should apply the guidance in Subtopic 360-20 to determine whether it should derecognize the in substance real estate. Generally, a reporting entity would not satisfy the requirements to derecognize the in substance real estate before the legal transfer of the real estate to the lender and the extinguishment of the related nonrecourse debt. This update became effective for the Company for interim and annual reporting periods beginning on or after June 15, 2012. The Company does not expect this guidance to have a material impact on the consolidated financial statements.

FASB ASC 220 In December 2011, the FASB issued an update (ASU No. 2011-12, Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05) impacting FASB ASC 220, Comprehensive Income. This update defers the requirement to present items that are reclassified from accumulated other comprehensive income to net income in both the statement where net income is presented and the statement where other comprehensive income is presented. An entity should continue to report reclassifications out of accumulated other comprehensive income consistent with the presentation requirements in effect before ASU No. 2011-05. This update became effective for the Company for interim and annual reporting periods beginning after December 15, 2011 and did not have a material impact on the consolidated financial statements.

FASB ASC 805 In October 2012, the FASB issued an update (ASU No. 2012-06, Subsequent Accounting for an Indemnification Asset Recognized at the Acquisition Date as a Result of a Government-Assisted Acquisition of a Financial Institution) impacting FASB ASC 805, Business Combinations. This update specifies that when an entity recognizes an indemnification asset as a result of a government-assisted acquisition of a financial institution and subsequently a change in the cash flows expected to be collected on the indemnification asset occurs, the entity should subsequently account for the change in the measurement of the indemnification asset on the same basis as the change in the assets subject to indemnification. Any amortization of changes in value should be limited to the contractual term of the indemnification agreement (the lesser of the term of the indemnification agreement and the remaining life of the indemnified assets). This update becomes effective for interim and annual periods beginning on or after December 15, 2012, and is consistent with the Company s current accounting treatment of changes in expected cash flows and the indemnification asset and will not have a material impact on the consolidated financial statements.

NOTE 3 ACQUISITION AND DIVESTITURE ACTIVITY

Indiana Community Bancorp

On September 15, 2012, Old National acquired 100 % of Indiana Community Bancorp (IBT) in an all stock transaction. IBT was headquartered in Columbus, Indiana and had 17 full-service banking centers serving the South Central Indiana area. The acquisition increases Old National s position as the third largest branch network in Indiana. Pursuant to the merger agreement, the shareholders of IBT received approximately 6.6 million shares of Old National Bancorp stock valued at approximately $88.5 million.

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Under the acquisition method of accounting, the total estimated purchase price is allocated to IBT s net tangible and intangible assets based on their current estimated fair values on the date of the 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 IBT acquisition is allocated as follows (in thousands):

Cash and cash equivalents	$ 78,538
Investment securities	154,802
Loans	496,167
Premises and equipment	13,465
Accrued interest receivable	2,165
Other real estate owned	6,170
Company-owned life insurance	15,833
Other assets	49,974
Deposits	(784,589)
Other borrowings	(15,464)
Accrued expenses and other liabilities	(18,296)
Net tangible assets acquired	(1,235)
Definite-lived intangible assets acquired	3,024
Goodwill	86,708
Purchase price	$ 88,497

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.

Of the total purchase price, $1.2 million has been allocated to net tangible liabilities acquired and $3.0 million has been allocated to definite-lived intangible assets acquired. The remaining purchase price has been allocated to goodwill. The goodwill will not be deductible for tax purposes and is included in the Community Banking and Other segments, as described in Note 20 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 Community Banking and Other segments, as described in Note 20 of these consolidated financial statement footnotes.

	Estimated Fair Value (in millions)	**Estimated Useful Lives (Years)**
Core deposit intangible	$ 1.3	7
Trust customer relationship intangible	$ 1.7	12

Integra Bank N.A.

On July 29, 2011, Old National acquired the banking operations of Integra Bank N.A. in an FDIC assisted transaction. As part of the purchase and assumption agreement, the Company and the FDIC entered into loss sharing agreements whereby the FDIC will cover a substantial portion of any future losses on loans (and related unfunded commitments), other real estate owned and up to 90 days of certain accrued interest on loans. The acquired loans and OREO subject to the loss sharing agreements are referred to collectively as covered assets. Under the terms of the loss sharing agreements, the FDIC will reimburse Old National for 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. Old National will reimburse the FDIC for its share of recoveries with respect to losses for which the FDIC has reimbursed the Bank under the loss sharing agreements. The loss sharing provisions of the agreements for commercial and single family residential mortgage loans are in effect for five and ten years, respectively, from the July 29, 2011 acquisition date and the loss recovery provisions for such loans are in effect for eight years and ten years, respectively, from the acquisition date.

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Integra was a full service community bank headquartered in Evansville, Indiana that operated 52 branch locations. We entered into this transaction due to the attractiveness in the pricing of the acquired loan portfolio, including the indemnification assets, and the attractiveness of immediate low cost core deposits. We also believed there were opportunities to enhance income and improve efficiencies. We believe participating with the FDIC in this assisted transaction was advantageous to the Company.

The assets acquired and liabilities assumed have been accounted for under the acquisition method of accounting. The assets and liabilities, both tangible and intangible, were recorded at their estimated fair values as of the July 29, 2011 acquisition date. The application of the acquisition method of accounting resulted in the recognition of $16.9 million of goodwill and $4.3 million of core deposit intangible, after tax. The goodwill represents the excess of the estimated fair value of the liabilities assumed over the estimated fair value of the assets acquired and is influenced significantly by the FDIC-assisted transaction process. Goodwill of $29.0 million is deductible for income tax purposes.

Due primarily to the significant amount of fair value adjustments and the FDIC loss sharing agreements put in place, historical results for Integra are not meaningful to the Company s results and thus no pro forma information is presented.

Under the acquisition method of accounting, the total purchase price is allocated to Integra s net tangible and intangible assets based on their current estimated fair values on the date of acquisition. The purchase price of $170.8 million was allocated as follows:

(dollars in thousands)	
Assets Acquired	
Cash and cash equivalents	$ 314,954
Investment securities available for sale	453,700
Federal Home Loan Bank stock, at cost	15,226
Residential loans held for sale	1,690
Loans covered	727,330
Loans non-covered	56,828
Premises and equipment	19,713
Other real estate owned	34,055
Accrued interest receivable	4,751
Goodwill	16,864
Other intangible assets	4,291
FDIC indemnification asset	167,949
Other assets	9,999
Assets acquired	$ 1,827,350
Liabilities Assumed	
Deposits	$ 1,443,209
Short-term borrowings	7,654
Other borrowings	192,895
FDIC settlement payable	170,759
Other liabilities	12,833
Liabilities assumed	$ 1,827,350

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Divestiture

On December 2, 2011, Old National sold $106.9 million of deposits from four of the former Integra Bank branches located in the Chicago area to First Midwest Bank. Old National recorded a net gain of $0.5 million after recording the $0.4 million deposit premium plus $0.8 million related to the time deposit premium less $0.7 million of accelerated amortization associated with the core deposit intangible. Old National retained all of the loans.

Trust Business of Integra Bank

On June 1, 2011, Old National Bancorp s wholly owned trust subsidiary, American National Trust and Investment Management Company d/b/a Old National Trust Company (ONTC), acquired the trust business of Integra Bank, N.A. in a transaction unrelated to the previously noted FDIC transaction. As of the closing, the trust business had approximately $328 million in assets under management. This transaction brings the total assets under management by Old National s Wealth Management division to approximately $4.4 billion. Old National paid Integra $1.3 million in an all cash transaction and recorded acquisition-related costs of $126 thousand. Old National recorded $1.3 million of customer relationship intangible assets which will be amortized on an accelerated basis over 12 years and is included in the Other segment, as described in Note 20 of the consolidated financial statement footnotes.

Monroe Bancorp

On January 1, 2011, Old National acquired 100 % of Monroe Bancorp (Monroe) in an all stock transaction. Monroe was headquartered in Bloomington, Indiana and had 15 banking centers. The acquisition increases Old National s market position to number 1 in Bloomington and strengthens its position as the third largest branch network in Indiana. Pursuant to the merger agreement, the shareholders of Monroe received approximately 7.6 million shares of Old National Bancorp stock valued at approximately $90.1 million.

Under the acquisition method of accounting, the total purchase price is allocated to Monroe s net tangible and intangible assets based on their current fair values on the date of the acquisition. The purchase price for the Monroe acquisition is allocated as follows (in thousands):

Cash and cash equivalents	$ 83,604
Trading securities	3,877
Investment securities available for sale	140,422
Investment securities held to maturity	6,972
Federal Home Loan Bank stock, at cost	2,323
Loans held for sale	6,328
Loans	447,038
Premises and equipment	19,738
Accrued interest receivable	1,804
Company-owned life insurance	17,206
Other assets	41,538
Deposits	(653,813)
Short-term borrowings	(62,529)
Other borrowings	(37,352)
Accrued expenses and other liabilities	(6,000)
Net tangible assets acquired	11,156
Definite-lived intangible assets acquired	10,485
Goodwill	68,429
Purchase price	$ 90,070

Of the total purchase price, $11.2 million has been allocated to net tangible assets acquired and $10.5 million has been allocated to definite-lived intangible assets acquired. The remaining purchase price has been allocated to goodwill. The goodwill will not be deductible for tax purposes and is included in the Community Banking and Other segments, as described in Note 20 of these consolidated financial statement footnotes.

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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 Community Banking and Other segments, as described in Note 20 of these consolidated financial statement footnotes.

	Estimated Fair Value (in millions)	Estimated Useful Lives (Years)
Core deposit intangible	$ 8.2	10
Trust customer relationship intangible	$ 2.3	12

Divestiture

On August 16, 2012, Old National announced plans to sell the deposits of nine banking centers located in southern Illinois and western Kentucky. As such, these deposits are considered held for sale as of September 30, 2012. The deposits totaled approximately $168.0 million at September 30, 2012. Old National also announced plans to consolidate 19 banking centers into existing branch locations. The consolidations are scheduled for the fourth quarter of 2012 and the pending sales will close during the first quarter of 2013.

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NOTE 4 NET INCOME PER SHARE

The following table reconciles basic and diluted net income per share for the three and nine months ended September 30:

(dollars and shares in thousands, except per share data)	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011
Basic Earnings Per Share		
Net income	**$ 19,737**	$ 16,797
Weighted average common shares outstanding	**95,690**	94,492
Basic Earnings Per Share	**$ 0.20**	$ 0.18
Diluted Earnings Per Share		
Net income	**$ 19,737**	$ 16,797
Weighted average common shares outstanding	**95,690**	94,492
Effect of dilutive securities:		
Restricted stock (1)	**422**	277
Stock options (2)	**13**	16
Weighted average shares outstanding	**96,125**	94,785
Diluted Earnings Per Share	**$ 0.20**	$ 0.18

(dollars and shares in thousands, except per share data)	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Basic Earnings Per Share		
Net income	**$ 68,666**	$ 50,246
Weighted average common shares outstanding	**94,886**	94,468
Basic Earnings Per Share	**$ 0.72**	$ 0.53
Diluted Earnings Per Share		
Net income	**$ 68,666**	$ 50,246
Weighted average common shares outstanding	**94,886**	94,468
Effect of dilutive securities:		
Restricted stock (1)	**371**	233
Stock options (2)	**17**	21
Weighted average shares outstanding	**95,274**	94,722
Diluted Earnings Per Share	**$ 0.72**	$ 0.53

(1) 7 and 2 shares of restricted stock and restricted stock units were not included in the computation of net income per diluted share for the third quarter ended September 30, 2012 and 2011, respectively, because the effect would be antidilutive. 7 and 5 shares of restricted stock and restricted stock units were not included in the computation of net income per diluted share for the nine months ended September 30, 2012 and 2011, respectively, because the effect would be antidilutive.

(2) Options to purchase 3,267 shares and 4,626 shares outstanding at September 30, 2012 and 2011, respectively, were not included in the computation of net income per diluted share for the third quarter ended September 30, 2012 and 2011, respectively, 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. Options to purchase 3,286 and 4,605 shares outstanding at September 30, 2012 and 2011, respectively, were not included in the computation of net income per diluted share for the nine months ended September 30, 2012 and 2011, respectively, 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

The following tables summarize the changes within each classification of accumulated other comprehensive income (AOCI) net of tax for the nine months ended September 30, 2012 and 2011:

(dollars in thousands)	AOCI at December 31, 2011	Other Comprehensive Income	AOCI at September 30, 2012
Unrealized gains on available-for-sale securities	**$ 53,911**	**$ 18,977**	**$ 72,888**
Unrealized losses on securities for which other-than-temporary-impairment has been recognized	**(29,299)**		**(29,299)**
Unrealized gains (losses) on held-to-maturity securities	**4,745**	**(1,368)**	**3,377**
Unrecognized gain (loss) on cash flow hedges	**145**	**(145)**	
Defined benefit pension plans	**(14,498)**	**1,812**	**(12,686)**
Accumulated other comprehensive income (loss)	**$ 15,004**	**$ 19,276**	**$ 34,280**

(dollars in thousands)	AOCI at December 31, 2010	Other Comprehensive Income	AOCI at September 30, 2011
Unrealized gains on available-for-sale securities	$ 31,962	$ 26,058	$ 58,020
Unrealized losses on securities for which other-than-temporary-impairment has been recognized	(28,173)	(836)	(29,009)
Unrealized gains (losses) on held-to-maturity securities	5,667	(783)	4,884
Unrecognized gain on cash flow hedges	846	(481)	365
Defined benefit pension plans	(11,571)	1,882	(9,689)
Accumulated other comprehensive income (loss)	$ (1,269)	$ 25,840	$ 24,571

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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 September 30, 2012 and December 31, 2011 and the corresponding amounts of unrealized gains and losses therein:

(dollars in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
September 30, 2012				
Available-for-sale				
U.S. Treasury	**$ 15,170**	**$ 415**	**$**	**$ 15,585**
U.S. Government-sponsored entities and agencies	**384,975**	**2,698**	**(497)**	**387,176**
Mortgage-backed securities Agency	**1,104,394**	**35,582**	**(29)**	**1,139,947**
Mortgage-backed securities Non-agency	**31,734**	**1,346**	**(356)**	**32,724**
States and political subdivisions	**520,375**	**37,587**	**(127)**	**557,835**
Pooled trust preferrred securities	**25,285**		**(16,191)**	**9,094**
Other securities	**160,913**	**11,289**	**(1,774)**	**170,428**
Total available-for-sale securities	**$ 2,242,846**	**$ 88,917**	**$ (18,974)**	**$ 2,312,789**
Held-to-maturity				
U.S. Government-sponsored entities and agencies	**$ 174,764**	**$ 13,247**	**$**	**$ 188,011**
Mortgage-backed securities Agency	**63,222**	**2,685**		**65,907**
States and political subdivisions	**169,539**	**13,561**		**183,100**
Other securities	**2,996**			**2,996**
Total held-to-maturity securities	**$ 410,521**	**$ 29,493**	**$**	**$ 440,014**
December 31, 2011				
Available-for-sale				
U.S. Treasury	$ 65,221	$ 548	$	$ 65,769
U.S. Government-sponsored entities and agencies	171,629	1,621	(65)	173,185
Mortgage-backed securities Agency	1,153,629	28,687	(61)	1,182,255
Mortgage-backed securities Non-agency	90,355	418	(4,873)	85,900
States and political subdivisions	376,609	26,428	(193)	402,844
Pooled trust preferrred securities	25,461		(18,134)	7,327
Other securities	147,897	8,365	(2,266)	153,996
Total available-for-sale securities	$ 2,030,801	$ 66,067	$ (25,592)	$ 2,071,276
Held-to-maturity				
U.S. Government-sponsored entities and agencies	$ 177,159	$ 11,434	$	$ 188,593
Mortgage-backed securities Agency	84,075	3,305		87,380
States and political subdivisions	216,345	8,548	(176)	224,717
Other securities	7,011		(2)	7,009
Total held-to-maturity securities	$ 484,590	$ 23,287	$ (178)	$ 507,699

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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) Maturity	September 30, 2012 Amortized Cost	September 30, 2012 Fair Value	Weighted Average Yield
Available-for-sale			
Within one year	$ 31,076	$ 31,352	3.38%
One to five years	106,978	113,288	3.59
Five to ten years	538,964	554,625	2.72
Beyond ten years	1,565,828	1,613,524	3.30
Total	$ 2,242,846	$ 2,312,789	3.17%
Held-to-maturity			
Within one year	$ 3,210	$ 3,210	2.12%
One to five years	2,331	2,412	3.29
Five to ten years	142,409	151,219	2.91
Beyond ten years	262,571	283,173	4.46
Total	$ 410,521	$ 440,014	3.90%

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The following table summarizes the investment securities with unrealized losses at September 30, 2012 and December 31, 2011 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
September 30, 2012						
Available-for-Sale						
U.S. Government-sponsored entities and agencies	**$ 109,574**	**$ (497)**	**$**	**$**	**$ 109,574**	**$ (497)**
Mortgage-backed securities Agency	**12,310**	**(29)**			**12,310**	**(29)**
Mortgage-backed securities Non-agency	**2,459**	**(154)**	**3,561**	**(202)**	**6,020**	**(356)**
States and political subdivisions	**12,633**	**(127)**			**12,633**	**(127)**
Pooled trust preferrred securities			**9,094**	**(16,191)**	**9,094**	**(16,191)**
Other securities	**2,484**	**(13)**	**6,324**	**(1,761)**	**8,808**	**(1,774)**
Total available-for-sale	**$ 139,460**	**$ (820)**	**$ 18,979**	**$ (18,154)**	**$ 158,439**	**$ (18,974)**
Held-to-Maturity						
States and political subdivisions	**$**	**$**	**$ 50**	**$**	**$ 50**	**$**
Total held-to-maturity	**$**	**$**	**$ 50**	**$**	**$ 50**	**$**
December 31, 2011						
Available-for-Sale						
U.S. Government-sponsored entities and agencies	$ 24,935	$ (65)	$	$	$ 24,935	$ (65)
Mortgage-backed securities Agency	49,016	(61)	3		49,019	(61)
Mortgage-backed securities Non-agency	10,053	(353)	59,203	(4,520)	69,256	(4,873)
States and political subdivisions	9,281	(114)	1,345	(79)	10,626	(193)
Pooled trust preferrred securities			7,327	(18,134)	7,327	(18,134)
Other securities	4,516	(141)	6,218	(2,125)	10,734	(2,266)
Total available-for-sale	$ 97,801	$ (734)	$ 74,096	$ (24,858)	$ 171,897	$ (25,592)
Held-to-Maturity						
States and political subdivisions	$ 1,613	$ (1)	$ 13,180	$ (175)	$ 14,793	$ (176)
Other securities	22	(2)			22	(2)
Total held-to-maturity	$ 1,635	$ (3)	$ 13,180	$ (175)	$ 14,815	$ (178)

Proceeds from sales and calls of securities available for sale were $332.3 million and $763.5 million for the nine months ended September 30, 2012 and 2011, respectively. Gains of $10.4 million and $6.0 million were realized on these sales during 2012 and 2011, respectively, and offsetting losses of $1.0 million were realized on these sales during 2011. Also included in net securities gains for the first nine months of 2012 is $120 thousand of gains associated with the trading securities and other-than-temporary impairment charges related to credit loss on six non-agency mortgage-backed securities and one trust preferred security in the amount of $1.1 million, described below. Impacting earnings in the first nine months of 2011 was $1 thousand of gains associated with the trading securities and other-than-temporary impairment charges related to credit loss on three non-agency mortgage-backed securities in the amount of $499 thousand.

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 $3.0 million at September 30, 2012 and $2.8 million at December 31, 2011.

During the third quarter of 2012, approximately $46.1 million of state and political subdivision securities were transferred from the held-to-maturity portfolio to the available-for-sale portfolio due to changes in circumstances associated with the Office of Management and Budget s report outlining sequestration and the implications for taxable Build America Bonds. The $1.0 million, net of tax, unrealized holding gain was reclassified out of other comprehensive income on the date of transfer.

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, the Company compares 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.

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.

As of September 30, 2012, Old National s securities portfolio consisted of 1,297 securities, 55 of which were in an unrealized loss position. The Company s non-agency mortgage-backed and pooled trust preferred securities are discussed below. The majority of unrealized losses are related to the Company s pooled trust preferred securities.

Non-agency Mortgage-backed Securities

At September 30, 2012, the Company s securities portfolio contained 7 non-agency collateralized mortgage obligations with a fair value of $32.7 million which had net unrealized gains of approximately $1.0 million. All of these securities are residential mortgage-backed securities. These non-agency mortgage-backed securities were rated AAA at purchase and are not within the scope of FASB ASC 325-10 (EITF 99-20). As of September 30, 2012, five of these securities were rated below investment grade with grades ranging from CCC to D. One of the five securities is rated CCC and has a fair value of $13.0 million, one of the securities is rated CC with a fair value of $1.3 million and three of the securities are rated D with a fair value of $9.4 million. These securities were evaluated to determine if the underlying collateral is expected to experience loss, resulting in a principal loss of the notes. As part of the evaluation, a detailed analysis of deal-specific data was obtained from remittance reports provided by the trustee and data from the servicer. The collateral was broken down into several distinct buckets based on loan performance characteristics in order to apply different assumptions to each bucket. The most significant drivers affecting loan performance were examined including original loan-to-value (LTV), underlying property location and the loan status. The loans in the current status bucket were further divided based on their original LTV: a high-LTV and a low-LTV group to which different default curves and severity percentages were applied. The high-LTV group was further bifurcated into loans originated in high-risk states and all other states with a higher default-curve and severity percentages being applied to loans originated in the high-risk states. Different default curves and severity rates were applied to the remaining non-current collateral buckets. Using these collateral-specific assumptions, a model was built to project the future performance of the instrument. Based on this analysis of the underlying collateral, Old National recorded $913 thousand of credit losses on six of these securities for the nine months ended September 30, 2012. The fair value of these below investment grade non-agency mortgage-backed securities remaining at September 30, 2012 was $23.8 million.

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Based on an analysis of the underlying collateral, Old National recorded $499 thousand of credit losses on three non-agency mortgage-backed securities for the nine months ended September 30, 2011. The fair value of these non-agency mortgage-backed securities was $78.5 million at September 30, 2011.

Pooled Trust Preferred Securities

At September 30, 2012, the Company s securities portfolio contained eight pooled trust preferred securities with a fair value of $9.1 million and unrealized losses of $16.2 million. Six of the pooled trust preferred securities in our portfolio fall within the scope of FASB ASC 325-10 (EITF 99-20) and have a fair value of $3.7 million with unrealized losses of $7.3 million at September 30, 2012. These securities were rated A2 and A3 at inception, but at September 30, 2012, one security was rated CC, four securities were rated C and one security D. The issuers in these securities are primarily banks, but some of the pools do include a limited number of insurance companies. The Company uses 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 each 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 nine months ended September 30, 2012, our model indicated other-than-temporary-impairment losses on one security of $165 thousand, all of which was recorded as a credit loss in earnings. At September 30, 2012, the fair value of this security was $476 thousand and it was classified as available for sale.

Two of our pooled trust preferred securities with a fair value of $5.4 million and unrealized losses of $8.9 million at September 30, 2012 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. Our analysis indicated no other-than-temporary-impairment on these securities.

For the nine months ended September 30, 2011, the seven securities subject to FASB ASC 325-10 accounted for $8.3 million of the unrealized losses in the pooled trust preferred securities category. Our analysis indicated no other-than-temporary-impairment on these securities.

Two of our pooled trust preferred securities with a fair value of $2.7 million and unrealized losses of $11.5 million at September 30, 2011 were not subject to FASB ASC 325-10. These securities were evaluated using collateral-specific assumptions to estimate the expected future interest and principal cash flows. Our analysis indicated no other-than-temporary-impairment on these securities.

The table below summarizes the relevant characteristics of our eight pooled trust preferred securities as well as five single issuer trust preferred securities which are included with other securities in Note 6 to the consolidated financial statements. Each of the pooled trust preferred securities support a more senior tranche of security holders except for the MM Community Funding II security which, due to payoffs, Old National is now in the most senior class.

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As depicted in the table below, all eight 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 **September 30, 2012** **(Dollars in Thousands)**	Class	Lowest Credit Rating (1)	Amortized Cost	Fair Value	Unrealized Gain/ (Loss)	Realized Losses 2012	# 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:										
TROPC 2003-1A	A4L	C	$ 86	$ 86	$	$	14/36	43.6%	15.6%	0.0%
MM Community Funding IX	B-2	CC	2,067	663	(1,404)		17/30	34.4%	7.5%	0.0%
Reg Div Funding 2004	B-2	D	4,012	476	(3,536)	165	24/45	45.7%	6.2%	0.0%
Pretsl XII	B-1	C	2,820	1,324	(1,496)		48/73	27.9%	8.0%	0.0%
Pretsl XV	B-1	C	1,695	1,139	(556)		49/71	32.6%	6.2%	0.0%
Reg Div Funding 2005	B-1	C	311	23	(288)		18/48	55.9%	30.1%	0.0%
Pretsl XXVII LTD	B	CC	4,892	1,164	(3,728)		34/49	26.6%	4.4%	34.0%
Trapeza Ser 13A	A2A	B	9,402	4,219	(5,183)		43/53	27.7%	7.4%	35.3%
			25,285	9,094	(16,191)	165				
Single Issuer trust preferred securities:										
First Empire Cap (M&T)		BB+	957	998	41					
First Empire Cap (M&T)		BB+	2,907	2,993	86					
Fleet Cap Tr V (BOA)		BB	3,364	2,501	(863)					
JP Morgan Chase Cap XIII		BBB	4,721	3,823	(898)					
NB-Global		BB	715	713	(2)					
			12,664	11,028	(1,636)					
Total			$ 37,949	$ 20,122	$ (17,827)	$ 165				

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

The following table details all securities with other-than-temporary-impairment, their credit rating at September 30, 2012 and the related credit losses recognized in earnings:

				Amount of other-than-temporary impairment recognized in earnings	
	Vintage	Lowest Credit Rating (1)	Amortized Cost	Three months ended September 30, 2012	Nine months ended September 30, 2012
Non-agency mortgage-backed securities:					
BAFC Ser 4	2007	CCC	$ 12,319	$ 139	$ 299
CWALT Ser 73CB	2005	D	2,613	23	140
CWALT Ser 73CB	2005	D	3,762	21	21

HALO Ser 1R	2006				133
RAST A9	2004				142
RFMSI Ser S10	2006	D	3,260	15	178
			$ 21,954	198	913
Pooled trust preferred securities:					
Reg Div Funding	2004	D	4,012	4	165
			$ 4,012	4	165
Total other-than-temporary- impairment recognized in earnings				$ 202	$ 1,078

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

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The following table details all securities with other-than-temporary-impairment, their credit rating at September 30, 2011 and the related credit losses recognized in earnings:

	Vintage	Lowest Credit Rating (1)	Amortized Cost	Amount of other-than-temporary impairment recognized in earnings: Three months ended September 30, 2011	Nine months ended September 30, 2011
Non-agency mortgage-backed securities:					
FHASI Ser 4	2007	CC	$ 20,003	$	$ 340
HALO Ser 1R	2006	B	15,640		16
RFMSI Ser S10	2006	CC	4,217		143
			$ 39,860		499
Total other-than-temporary- impairment recognized in earnings				$	$ 499

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

The following table details all securities with other-than-temporary-impairment, their credit rating at September 30, 2012, and the related life-to-date credit losses recognized in earnings:

	Vintage	Lowest Credit Rating (1)	Amortized Cost	Amount of other-than-temporary impairment recognized in earnings: Nine Months September 30, 2012	Year ended December 31, 2011	2010	2009	Life-to date
Non-agency mortgage-backed securities:								
BAFC Ser 4	2007	CCC	$ 12,319	$ 299	$	$ 79	$ 63	$ 441
CWALT Ser 73CB	2005	D	2,613	140		207	83	430
CWALT Ser 73CB	2005	D	3,762	21		427	182	630
CWHL 2006-10 (3)	2006					309	762	1,071
CWHL 2005-20	2005	CC	1,242			39	72	111
FHASI Ser 4 (5)	2007				340	629	223	1,192
HALO Ser 1R (5)	2006			133	16			149
RFMSI Ser S9 (2)	2006					923	1,880	2,803
RFMSI Ser S10	2006	D	3,260	178	165	76	249	668
RALI QS2 (2)	2006					278	739	1,017
RAST A9	2004			142				142
RFMSI S1(4)	2006					30	176	206
			23,196	913	521	2,997	4,429	8,860
Pooled trust preferred securities:								
TROPC	2003	C	86		888	444	3,517	4,849
MM Community Funding IX	2003	CC	2,067			165	2,612	2,777
Reg Div Funding	2004	D	4,012	165		321	5,199	5,685
Pretsl XII	2003	C	2,820				1,897	1,897
Pretsl XV	2004	C	1,695				3,374	3,374
Reg Div Funding	2005	C	311				3,767	3,767

	10,991	165	888	930	20,366	22,349
Total other-than-temporary- impairment recognized in earnings		$ 1,078	$ 1,409	$ 3,927	$ 24,795	$ 31,209

(1) Lowest rating for the security provided by any nationally recognized credit rating agency.
(2) Sold during fourth quarter 2010.
(3) Sold during first quarter 2011.
(4) Sold during second quarter 2012.
(5) Sold during third quarter 2012.

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NOTE 7 LOANS HELD FOR SALE

Residential loans that Old National has committed 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*). At September 30, 2012 and December 31, 2011, Old National had residential loans held for sale of $9.9 million and $4.5 million, respectively.

During the first nine months of 2012, commercial and commercial real estate loans held for investment of $1.6 million, including $1.5 million of purchased impaired loans, were reclassified to loans held for sale at the lower of cost or fair value and sold for $2.3 million, resulting in a charge-off of $0.1 million and a recovery of $0.8 million. At September 30, 2012, there were no loans held for sale under this arrangement.

During the first nine months of 2011, commercial and commercial real estate loans held for investment of $4.7 million, including $0.1 million of purchased impaired loans, were reclassified to loans held for sale at the lower of cost or fair value and sold for $4.9 million, resulting in income of $0.2 million. At September 30, 2011, there were no loans held for sale under this arrangement.

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 the Company s principal geographic markets of Indiana, Illinois and Kentucky. Old National has no concentration of commercial loans in any single industry exceeding 10% of its portfolio.

The composition of loans by lending classification was as follows:

(dollars in thousands)	**September 30, 2012**	December 31, 2011
Commercial (1)	**$ 1,294,015**	$ 1,216,654
Commercial real estate:		
Construction	**113,772**	46,141
Other	**1,177,282**	1,021,229
Residential real estate	**1,279,238**	995,458
Consumer credit:		
Heloc	**269,398**	235,603
Auto	**526,662**	483,575
Other	**134,010**	142,183
Covered loans	**448,789**	626,360
Total loans	**5,243,166**	4,767,203
Allowance for loan losses	**(50,428)**	(57,117)
Allowance for loan losses covered loans	**(4,334)**	(943)
Net loans	**$ 5,188,404**	$ 4,709,143

(1) Includes direct finance leases of $62.6 million at September 30, 2012 and $79.6 million at December 31, 2011.

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 more 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, construction loans 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.

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.

Portfolio loans, or loans Old National intends to hold for investment purposes, are carried at the principal balance outstanding, net of earned interest, purchase premiums or discounts, deferred loan fees and costs, and an allowance for loan losses. Interest income is accrued on the principal balances of loans outstanding.

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.

Portfolio loans, or loans Old National intends to hold for investment purposes, are carried at the principal balance outstanding, net of earned interest, purchase premiums or discounts, deferred loan fees and costs, and an allowance for loan losses. Interest income is accrued on the principal balances of loans outstanding.

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Covered Loans

On July 29, 2011, Old National acquired the banking operations of Integra Bank N.A. (Integra) in an FDIC assisted transaction. As part of the purchase and assumption agreement, the Company and the FDIC entered into loss sharing agreements (each, a loss sharing agreement and collectively, the loss sharing agreements), whereby the FDIC will cover a substantial portion of any future losses on loans (and related unfunded commitments), other real estate owned (OREO) and up to 90 days of certain accrued interest on loans. The acquired loans and OREO subject to the loss sharing agreements are referred to collectively as covered assets. Under the terms of the loss sharing agreements, the FDIC will reimburse Old National for 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 September 30, 2012, we do not expect losses to exceed $275.0 million. Old National will reimburse the FDIC for its share of recoveries with respect to losses for which the FDIC has reimbursed the Bank under the loss sharing agreements. The loss sharing provisions of the agreements for commercial and single family residential mortgage loans are in effect for five and ten years, respectively, from the July 29, 2011 acquisition date and the loss recovery provisions for such loans are in effect for eight years and ten years, respectively, from the acquisition date.

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 loan portfolio. Management s evaluation of the adequacy of the allowance is an estimate based on reviews of individual loans, pools of homogeneous loans, historical loss experience, and assessments of the impact of current economic conditions on the portfolio.

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.

No allowance is 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 would not be 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 September 30, 2012 and 2011 is as follows:

(dollars in thousands)	Commercial	Commercial Real Estate	Consumer	Residential	Unallocated	Total
2012						
Allowance for loan losses:						
Beginning balance	$ 17,850	$ 28,621	$ 4,682	$ 3,607		$ 54,760
Charge-offs	(2,485)	(771)	(1,385)	(545)		(5,186)
Recoveries	1,647	2,300	565	276		4,788
Provision	954	(945)	663	(272)		400
Ending balance	$ 17,966	$ 29,205	$ 4,525	$ 3,066		$ 54,762

(dollars in thousands)	Commercial	Commercial Real Estate	Consumer	Residential	Unallocated	Total
2011						
Allowance for loan losses:						
Beginning balance	$ 26,029	$ 32,490	$ 8,558	$ 3,112		$ 70,189
Charge-offs	(2,227)	(2,726)	(2,149)	(344)		(7,446)
Recoveries	902	482	1,405	72		2,861
Provision	(864)	315	130	337		(82)

Ending balance	$ 23,840	$ 30,561	$ 7,944	$ 3,177	$ 65,522

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Old National s activity in the allowance for loan losses for the nine months ended September 30, 2012 and 2011 is as follows:

(dollars in thousands)	Commercial	Commercial Real Estate	Consumer	Residential	Unallocated	Total
2012						
Allowance for loan losses:						
Beginning balance	$ 19,964	$ 26,993	$ 6,954	$ 4,149		$ 58,060
Charge-offs	(5,725)	(4,864)	(5,935)	(1,465)		(17,989)
Recoveries	3,940	4,421	3,090	391		11,842
Provision	(213)	2,655	416	(9)		2,849
Ending balance	$ 17,966	$ 29,205	$ 4,525	$ 3,066		$ 54,762

(dollars in thousands)	Commercial	Commercial Real Estate	Consumer	Residential	Unallocated	Total
2011						
Allowance for loan losses:						
Beginning balance	$ 26,204	$ 32,654	$ 11,142	$ 2,309		$ 72,309
Charge-offs	(7,396)	(5,707)	(8,002)	(1,517)		(22,622)
Recoveries	3,037	1,466	4,731	164		9,398
Provision	1,995	2,148	73	2,221		6,437
Ending balance	$ 23,840	$ 30,561	$ 7,944	$ 3,177		$ 65,522

The following tables provide Old National s recorded investment in financing receivables by portfolio segment at September 30, 2012 and December 31, 2011 and other information regarding the allowance:

(dollars in thousands)	Commercial	Commercial Real Estate	Consumer	Residential	Unallocated	Total
September 30, 2012						
Allowance for loan losses:						
Ending balance: individually evaluated for impairment	$ 6,625	$ 4,233	$	$		$ 10,858
Ending balance: collectively evaluated for impairment	$ 10,559	$ 16,977	$ 2,604	$ 2,926		$ 33,066
Ending balance: loans acquired with deteriorated credit quality	$ 427	$ 4,941	1,066	$ 70		$ 6,504
Ending balance: covered loans acquired with deteriorated credit quality	$ 355	$ 3,054	$ 855	$ 70		$ 4,334
Total allowance for credit losses	$ 17,966	$ 29,205	$ 4,525	$ 3,066		$ 54,762
Loans and leases outstanding:						
Ending balance: individually evaluated for impairment	$ 34,812	$ 43,469				$ 78,281
Ending balance: collectively evaluated for impairment	$ 1,248,264	$ 1,191,275	$ 930,070	$ 1,279,238		$ 4,648,847

Ending balance: loans acquired with deteriorated credit quality	$ 10,939	$ 56,310			$ 67,249
Ending balance: covered loans acquired with deteriorated credit quality	$ 69,501	$ 237,113	$ 104,348	$ 37,827	$ 448,789
Total loans and leases outstanding	$ 1,363,516	$ 1,528,167	$ 1,034,418	$ 1,317,065	$ 5,243,166

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(dollars in thousands)	Commercial	Commercial Real Estate	Consumer	Residential	Unallocated	Total
December 31, 2011						
Allowance for loan losses:						
Ending balance: individually evaluated for impairment	$ 7,015	$ 4,177				$ 11,192
Ending balance: collectively evaluated for impairment	$ 12,816	$ 21,397	$ 6,335	$ 2,752		$ 43,300
Ending balance: loans acquired with deteriorated credit quality	$ 128	$ 1,288	$ 445	$ 764		$ 2,625
Ending balance: covered loans acquired with deteriorated credit quality	$ 5	$ 131	$ 174	$ 633		$ 943
Total allowance for credit losses	$ 19,964	$ 26,993	$ 6,954	$ 4,149		$ 58,060
Loans and leases outstanding:						
Ending balance: individually evaluated for impairment	$ 31,838	$ 43,225				$ 75,063
Ending balance: collectively evaluated for impairment	$ 1,183,675	$ 1,002,105	$ 861,361	$ 995,458		$ 4,042,599
Ending balance: loans acquired with deteriorated credit quality	$ 1,141	$ 22,040				$ 23,181
Ending balance: covered loans acquired with deteriorated credit quality	$ 124,755	$ 325,934	$ 128,700	$ 46,971		$ 626,360
Total loans and leases outstanding	$ 1,341,409	$ 1,393,304	$ 990,061	$ 1,042,429		$ 4,767,203

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 Doubtful. Loans classified as doubtful 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, highly questionable and improbable.

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

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As of September 30, 2012 and December 31, 2011, the risk category of loans, excluding covered loans, by class of loans is as follows:

(dollars in thousands) Corporate Credit Exposure by Internally Assigned Grade	Commercial September 30, 2012	Commercial December 31, 2011	Commercial Real Estate-Construction September 30, 2012	Commercial Real Estate-Construction December 31, 2011	Commercial Real Estate-Other September 30, 2012	Commercial Real Estate-Other December 31, 2011
Grade:						
Pass	$ 1,163,480	$ 1,103,556	$ 69,336	$ 16,841	$ 972,610	$ 895,543
Criticized	56,467	36,212	10,413	13,605	68,373	30,331
Classified substandard	31,006	41,695	14,521	10,147	41,732	34,478
Classified doubtful	43,062	35,191	19,502	5,548	94,567	60,877
Total	$ 1,294,015	$ 1,216,654	$ 113,772	$ 46,141	$ 1,177,282	$ 1,021,229

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 September 30, 2012 and December 31, 2011, excluding covered loans:

September 30, 2012 (dollars in thousands)	Heloc	Consumer Auto	Other	Residential
Performing	$ 268,050	$ 525,097	$ 132,304	$ 1,269,005
Nonperforming	1,348	1,565	1,706	10,233
	$ 269,398	$ 526,662	$ 134,010	$ 1,279,238

December 31, 2011 (dollars in thousands)	Heloc	Consumer Auto	Other	Residential
Performing	$ 234,334	$ 481,632	$ 140,605	$ 985,211
Nonperforming	1,269	1,943	1,578	10,247
	$ 235,603	$ 483,575	$ 142,183	$ 995,458

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. 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. For the nine months ended September 30, 2012 and 2011, the average balance of impaired loans was $76.7 million and $66.4 million, respectively, for which no interest income was recorded. No additional funds are committed to be advanced in connection with these impaired loans.

The following table shows Old National s impaired loans, excluding covered loans, that are individually evaluated as of September 30, 2012 and December 31, 2011. Of the loans purchased during 2011 and 2012 without FDIC loss share coverage, only those that have experienced subsequent impairment since the date acquired are included in the table below. Purchased loans of $4.2 million migrated to classified-doubtful during the third quarter of 2012. Purchased loans of $24.0 million migrated to classified-doubtful during the year ended December 31, 2011.

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(dollars in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance
September 30, 2012			
With no related allowance recorded:			
Commercial	$ 10,396	$ 14,134	$
Commercial Real Estate Construction	980	1,088	
Commercial Real Estate Other	14,560	21,404	
With an allowance recorded:			
Commercial	24,416	28,745	6,625
Commercial Real Estate Construction	4,671	4,671	69
Commercial Real Estate Other	23,258	25,927	4,164
Total Commercial	$ 78,281	$ 95,969	$ 10,858
December 31, 2011			
With no related allowance recorded:			
Commercial	$ 10,094	$ 13,047	$
Commercial Real Estate Construction	610	610	
Commercial Real Estate Other	18,136	27,372	
With an allowance recorded:			
Commercial	21,744	24,928	7,143
Commercial Real Estate Construction	2,256	3,327	12
Commercial Real Estate Other	22,223	24,792	5,453
Total Commercial	$ 75,063	$ 94,076	$ 12,608

The average balance of impaired loans, excluding covered loans, and interest income recognized on impaired loans during the three months ended September 30, 2012 and 2011 are included in the tables below.

(dollars in thousands)	Average Recorded Investment	Interest Income Recognized (1)
September 30, 2012		
With no related allowance recorded:		
Commercial	$ 8,514	$ 40
Commercial Real Estate Construction	1,322	2
Commercial Real Estate Other	13,417	27
With an allowance recorded:		
Commercial	19,372	(10)
Commercial Real Estate Construction	438	(2)
Commercial Real Estate Other	23,246	(1)
Total Commercial	$ 66,309	$ 56

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

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(dollars in thousands)	Average Recorded Investment	Interest Income Recognized (1)
September 30, 2011		
With no related allowance recorded:		
Commercial	$ 12,081	$ 178
Commercial Real Estate Construction		
Commercial Real Estate Other	11,409	64
With an allowance recorded:		
Commercial	22,118	59
Commercial Real Estate Construction		
Commercial Real Estate Other	32,243	194
Total Commercial	$ 77,851	$ 495

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

The average balance of impaired loans, excluding covered loans, and interest income recognized on impaired loans during the nine months ended September 30, 2012 and 2011 are included in the tables below.

(dollars in thousands)	Average Recorded Investment	Interest Income Recognized (1)
September 30, 2012		
With no related allowance recorded:		
Commercial	$ 10,246	$ 40
Commercial Real Estate Construction	796	2
Commercial Real Estate Other	16,349	70
With an allowance recorded:		
Commercial	23,081	58
Commercial Real Estate Construction	3,464	
Commercial Real Estate Other	22,741	54
Total Commercial	$ 76,677	$ 224

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

(dollars in thousands)	Average Recorded Investment	Interest Income Recognized (1)
September 30, 2011		
With no related allowance recorded:		
Commercial	$ 11,833	$ 268
Commercial Real Estate Construction		
Commercial Real Estate Other	10,713	169
With an allowance recorded:		
Commercial	17,103	145
Commercial Real Estate Construction		

Commercial Real Estate Other	26,780	328
Total Commercial	$ 66,429	$ 910

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

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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.

Covered 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 uncovered 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.

Old National s past due financing receivables as of September 30, 2012 and December 31, 2011 are as follows:

(dollars in thousands)	30-59 Days Past Due	60-89 Days Past Due	Recorded Investment > 90 Days and Accruing	Nonaccrual	Total Past Due	Current
September 30, 2012						
Commercial	$ 857	$ 968	$ 180	$ 41,187	$ 43,192	$ 1,250,823
Commercial Real Estate:						
Construction				19,208	19,208	94,564
Other	2,025	2,868	50	86,347	91,290	1,085,992
Consumer:						
Heloc	832	108		1,348	2,288	267,110
Auto	3,875	834	320	1,565	6,594	520,068
Other	1,816	549	31	1,706	4,102	129,908
Residential	14,362	2,060		10,233	26,655	1,252,583
Covered loans	1,793	759	64	123,741	126,357	322,432
Total loans	$ 25,560	$ 8,146	$ 645	$ 285,335	$ 319,686	$ 4,923,480
December 31, 2011						
Commercial	$ 2,755	$ 357	$ 358	$ 34,104	$ 37,574	$ 1,179,080
Commercial Real Estate:						
Construction		164		5,425	5,589	40,552
Other	7,466	413	279	60,762	68,920	952,309
Consumer:						
Heloc	706	186	151	1,269	2,312	233,291
Auto	5,745	1,276	246	1,943	9,210	474,365
Other	2,002	463	76	1,578	4,119	138,064
Residential	7,950	1,839		10,247	20,036	975,422
Covered loans	5,446	2,033	2,338	182,880	192,697	433,663

pass-through entities (e.g. partnerships) or persons who hold our common stock through pass-through entities;

- regulated investment companies;
- pension plans;
- owners of more than 5% of our common stock;
- persons that hold our common stock as part of a straddle, hedge, conversion transaction, synthetic security or other integrated investment; and
- certain U.S. expatriates.

In addition, if a partnership holds our common stock, the tax treatment of a partner generally will depend on the status of the partner and upon the activities of the partnership. Accordingly, partnerships that are prospective investors in our common stock, and partners in such partnerships, should consult their tax advisors.

There can be no assurance that the Internal Revenue Service, or the IRS, will not challenge one of the tax consequences described herein, and we have not obtained, nor do we intend to obtain, an opinion of counsel with respect to the U.S. federal income or estate tax consequences to a non-U.S. holder of the purchase, ownership, or disposition of our common stock. We urge prospective investors to consult with their own tax advisors regarding the U.S. federal, state, local and non-U.S. income and other tax considerations of acquiring, holding and disposing of shares of our common stock.

Distributions on Our Common Stock

NRG has not declared or paid distributions on its new common stock, although, subject to certain restrictions, we may do so in the future. In the event we do pay distributions on our common stock, these distributions generally will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. If a distribution exceeds our current and accumulated earnings and profits, the excess will be treated as a tax-free return of the non-U.S. holder s investment, up to such holder s tax basis in the common stock. Any remaining excess will be treated as capital gain, subject to the tax treatment described below in Gain on Sale or Other Disposition of Our Common Stock.

Dividends paid to a non-U.S. holder generally will be subject to withholding of U.S. federal income tax at a 30% rate or such lower rate as may be provided by an applicable income tax treaty. If we determine, at a time reasonably close to the date of payment of a distribution on our common stock, that the distribution will not qualify as a dividend because we do not anticipate having current or accumulated earnings and profits, we intend not to withhold any U.S. federal income tax on the distribution as permitted by United States Treasury Regulations. If we or another withholding agent withholds tax on such a distribution, a non-U.S. holder may be entitled to a refund of the tax withheld which the non-U.S. holder may claim by filing a United States tax return with the IRS.

Dividends that are treated as effectively connected with a trade or business conducted by a non-U.S. holder within the United States (and, if an applicable income tax treaty so provides, are also attributable to a permanent establishment of such non-U.S. holder), known as United States trade or business income, are generally exempt from the 30% withholding tax if the non-U.S. holder satisfies applicable certification and other requirements. However, such United States trade or business income, net of specified deductions and credits, is taxed at the same graduated U.S. federal income tax rates applicable to United States persons. Any United States trade or business income received by a non-U.S. holder that is a corporation may also, under certain circumstances, be subject to an additional branch profits tax at a 30% rate or such lower rate as specified by an applicable income tax treaty.

A non-U.S. holder of our common stock who claims the benefit of an applicable income tax treaty generally will be required to satisfy applicable certification and other requirements. Non-U.S. holders are urged to consult their tax advisors regarding their entitlement to benefits under a relevant income tax treaty.

A non-U.S. holder that is eligible for a reduced rate of United States withholding tax or other exclusion from withholding under an income tax treaty may obtain a refund or credit of any excess amounts withheld by timely filing an appropriate claim with the IRS.

Gain on Sale or Other Disposition of Our Common Stock

In general, a non-U.S. holder will not be subject to any U.S. federal income tax or withholding tax on any gain realized upon such holder s sale or other disposition of shares of our common stock unless:

- the gain is United States trade or business income, in which case such holder (i) will be subject to tax on the net gain derived from the sale or disposition under the graduated United States federal income tax rates applicable to United States persons and (ii) if a corporation, may be subject to the branch profits tax, both as described above in Distributions on Our Common Stock;

- the non-U.S. holder is an individual who is present in the United States for 183 days or more in the taxable year of the disposition and meets certain other requirements in which case the holder will be subject to a flat 30% tax on the amount by which the gain derived from the sale, and certain other United States source capital gains realized during such year exceed certain United States source capital losses realized during such year; or

certain rules (described below) relating to United States real property holding corporation status apply to such sale or other disposition.

Gain recognized on a sale or other disposition of our common stock may be subject to U.S. federal income tax (and, in certain circumstances, to withholding tax) if (1) our common stock has ceased to be traded on an established securities market prior to the beginning of the calendar year in which the sale or disposition occurs and (2) we are, or have been, a United States real property holding corporation during the shorter of the five-year period ending on the date of such sale or other disposition or the period that the non-U.S. holder held our common stock. Generally, a corporation is a United States real property holding corporation if the fair market value of its United States real property interests equals or exceeds 50% of the sum of the fair market value of its worldwide real property interests plus its other assets used or held for use in a trade or business. Although there can be no assurance, we do not believe that we are, or have been, a United States real property holding corporation, or that we are likely to become one in the future.

United States Federal Estate Tax

Shares of our common stock that are owned or treated as owned by an individual non-U.S. holder at the time of death will be included in the individual s gross estate for U.S. federal estate tax purposes, unless an applicable estate tax or other treaty provides otherwise, and therefore may be subject to U.S. federal estate tax.

Backup Withholding, Information Reporting and Other Reporting Requirements

We must report to the IRS and to each non-U.S. holder the gross amount of the dividends on our common stock paid to such holder and the tax withheld, if any, with respect to such dividends. Dividends paid to non-U.S. holders subject to the United States withholding tax, as described above in Distributions on Our Common Stock, generally will be exempt from United States backup withholding.

Information reporting and backup withholding (currently at a rate of 28%) will generally apply to the proceeds of a disposition of our common stock by a non-U.S. holder effected by or through the United States office of a broker unless the holder certifies its status as a non-U.S. holder and satisfies certain other qualifications, or otherwise establishes an exemption. Generally, information reporting and backup withholding will not apply to a payment of disposition proceeds where the transaction is effected outside the United States through a non-U.S. office of a non-U.S. broker. However, for information reporting purposes, certain brokers with substantial United States ownership or operations generally will be treated in a manner similar to United States brokers. Non-U.S. holders should consult their own tax advisors regarding the application of the information reporting and backup withholding rules to them.

Copies of information returns may be made available under the provisions of a specific treaty or agreement to the tax authorities of the country in which the non-U.S. holder resides or is incorporated.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a non-U.S. holder can be refunded or credited against the non-U.S. holder s U.S. federal income tax liability, if any, provided that an appropriate claim is timely filed with the IRS.

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UNDERWRITING

Under the terms and subject to the conditions contained in an underwriting agreement dated as of the date of this prospectus supplement, the underwriters named below have severally agreed to purchase and we have agreed to sell to them, severally, the respective number of shares of common stock set forth opposite their names below:

Underwriter	Number of Shares
Morgan Stanley & Co. Incorporated	
Citigroup Global Markets Inc.	
Lehman Brothers Inc.	
Banc of America Securities LLC	
Deutsche Bank Securities Inc.	
Goldman, Sachs & Co.	
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Total	

The underwriters are offering the shares of common stock subject to their acceptance of the shares from us and subject to prior sale. The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the shares of common stock offered by this prospectus supplement and the accompanying prospectus are subject to the approval of legal matters by their counsel and to other conditions. The underwriters are obligated to take and pay for all of the shares of common stock offered by this prospectus supplement if any such shares are taken. However, the underwriters are not required to take or pay for the shares covered by the underwriters overallotment described below unless and until the overallotment is exercised.

The underwriters initially propose to offer part of the shares of common stock directly to the public at the public offering price listed on the cover page of this prospectus supplement and part to certain dealers at a price that represents a concession not in excess of $ per share less than the public offering price. After the initial offering of the shares of common stock, the offering price and other selling terms may from time to time be varied by the underwriters. The total price to the public will be $, the total underwriting discount will be $ and the total net proceeds to us will be $.

We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus supplement, to purchase up to additional shares of common stock at the public offering price set forth on the cover page of this prospectus supplement, less the underwriting discount. The underwriters may exercise this option solely for the purpose of covering overallotments, if any, made in connection with the offering of the shares of common stock offered by this prospectus supplement. To the extent that the option is exercised, each underwriter will become obligated, subject to certain conditions, to purchase about the same percentage of the additional shares of our common stock as the number listed opposite the underwriter s name in the preceding table bears to the total number of shares of our common stock listed opposite the names of all underwriters in the preceding table. If the overallotment option is exercised in full, the total price to the public would be $, the total underwriting discount would be $ and the total proceeds to us would be $.

The estimated offering expenses payable by us are approximately $, not including the underwriting discount, which includes legal, accounting and printing costs and various other fees associated with registering and listing the common stock.

Our common stock is listed on the New York Stock Exchange under the symbol NRG.

We and each of our executive officers and directors have agreed, with exceptions, not to sell or transfer any common stock for 90 days after the date of this prospectus supplement without first obtaining the written consent of Morgan Stanley & Co. Incorporated and Citigroup Global Markets Inc.

Specifically, we and these other individuals and entities have agreed not to directly or indirectly:

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant for the sale of, or otherwise dispose of or transfer any shares of common stock or any securities convertible into or exercisable or exchangeable for common stock or file any registration statement with respect to any of the foregoing; or

- enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the common stock, whether any such swap or transaction described above is to be settled by delivery of common stock or such other securities, in cash or otherwise.

This lockup provision applies to common stock and to securities convertible into or exchangeable or exercisable for common stock owned now or acquired later by the person executing the agreement or for which the person executing the agreement later acquires the power of disposition.

In order to facilitate the offering of the common stock, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the common stock. Specifically, the underwriters may sell more shares than they are obligated to purchase under the underwriting agreement, creating a short position. A short sale is covered if the short position is no greater than the number of shares available for purchase by the underwriters under the overallotment option. The underwriters can close out a covered short sale by exercising the overallotment option or purchasing shares in the open market. In determining the source of shares to close out a covered short sale, the underwriters will consider, among other things, the open market price of shares compared to the price available under the overallotment option. The underwriters may also sell shares in excess of the overallotment option, creating a naked short position. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market after pricing this offering that could adversely affect investors who purchase shares in this offering. In addition, in order to cover any overallotments or to stabilize the price of our common stock, the underwriters may bid for, and purchase, shares of our common stock in the open market. Finally, the underwriting syndicate may reclaim selling concessions allowed to an underwriter or a dealer for distributing our common stock in this offering, if the syndicate repurchases previously distributed shares of our common stock to cover syndicate short positions, in stabilization transactions or otherwise. Any of these activities may raise or maintain the market price of the common stock above independent market levels or prevent or retard a decline in the market price of the common stock. The underwriters are not required to engage in these activities, and may end any of these activities at any time.

This prospectus supplement and the accompanying prospectus in electronic format may be made available on a website maintained by one or more of the representatives of the underwriters and may also be made available on a website maintained by the other underwriters. The underwriters may agree to allocate a number of shares to underwriters for sale to their online brokerage account holders. Internet distributions will be allocated by the representatives of the underwriters to underwriters that may make Internet distributions on the same basis as other allocations.

Morgan Stanley & Co. Incorporated, Citigroup Global Markets Inc., Lehman Brothers Inc., Banc of America Securities LLC, Deutsche Bank Securities Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Goldman Sachs & Co. and certain of their affiliates are lenders under, and receive customary fees and expenses in connection with, certain of our credit facilities, including the new senior secured credit facility and the bridge loan facility. See Description of Certain Indebtedness. We have also entered into the J. Aron PPA and other agreements with J. Aron, an affiliate of Goldman, Sachs & Co., as well as hedging agreements with Deutsche Bank Securities Inc. and/or its affiliates and certain other lenders under our new senior secured credit facility. See Business Regional Business

Descriptions Texas (ERCOT) J. Aron Power Purchase Agreement.

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In addition, the underwriters and their affiliates have, from time to time, performed, and may in the future perform, various financial advisory, commercial banking or investment banking services for us, our subsidiaries or our affiliates for which they received or will receive customary fees and expenses.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended, or to contribute to payments the underwriters may be required to make in respect of those liabilities.

LEGAL MATTERS

The validity of the common stock offered hereby and certain other matters will be passed upon for NRG by Skadden, Arps, Slate, Meagher & Flom LLP, New York, New York. The underwriters have been represented in connection with this offering by Latham & Watkins LLP, New York, New York.

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NRG Energy, Inc.
Debt Securities
Preferred Stock
Common Stock

NRG Energy, Inc., from time to time, may offer to sell senior or subordinated debt securities, preferred stock and common stock. The debt securities and preferred stock may be convertible into or exercisable or exchangeable for our common stock, our preferred stock, our other securities or the debt or equity securities of one or more other entities. Our common stock is listed on the New York Stock Exchange and trades under the ticker symbol NRG.

We may offer and sell these securities to or through one or more underwriters, dealers and agents, or directly to purchasers, on a continuous or delayed basis.

This prospectus describes some of the general terms that may apply to these securities. The specific terms of any securities to be offered will be described in a supplement to this prospectus.

Neither the Securities and Exchange Commission nor any other state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

Prospectus dated December 21, 2005

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Where You Can Find More Information

We file annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission, or the SEC. You can inspect and copy these reports, proxy statements and other information at the Public Reference Room of the SEC, 100 F Street, N.E., Washington, D.C. 20549. You can obtain copies of these materials from the Public Reference Section of the SEC, 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference room. NRG s SEC filings will also be available to you on the SEC s website at http://www.sec.gov and through the New York Stock Exchange, 20 Broad Street, New York, New York 10005, on which our common stock is listed.

We have filed with the SEC a registration statement on Form S-3 relating to the securities covered by this prospectus. This prospectus, which forms a part of the registration statement, does not contain all the information that is included in the registration statement. You will find additional information about us in the registration statement. Any statements made in this prospectus concerning the provisions of legal documents are not necessarily complete and you should read the documents that are filed as exhibits to the registration statement or otherwise filed with the SEC for a more complete understanding of the document or matter.

Incorporation Of Certain Information By Reference

The SEC allows the incorporation by reference of the information filed by us with the SEC into this prospectus, which means that important information can be disclosed to you by referring you to those documents and those documents will be considered part of this prospectus. Information that we file later with the SEC will automatically update and supersede the previously filed information. The documents listed below and any future filings we make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act) are incorporated by reference herein:

1. Our annual report on Form 10-K for the year ended December 31, 2004 filed on March 30, 2005.

2. Our Definitive Proxy Statement on Schedule 14A filed on April 12, 2005.

3. Our quarterly reports on Form 10-Q for the quarters ended March 31, 2005 filed on May 10, 2005, June 30, 2005 filed on August 9, 2005 and September 30, 2005 filed on November 7, 2005.

4. Our current reports on Form 8-K filed on February 24, 2005, Form 8-K filed on March 3, 2005, two Forms 8-K filed on March 30, 2005 (which do not include information deemed furnished for purposes of Regulation F-D), Form 8-K filed on May 24, 2005, Form 8-K/ A filed on May 24, 2005, Form 8-K/ A filed on May 25, 2005, Form 8-K filed on June 15, 2005, Form 8-K/ A filed on June 15, 2005, Form 8-K filed on June 17, 2005, Form 8-K filed on July 18, 2005, Form 8-K filed on August 1, 2005, Form 8-K filed on August 3, 2005, Form 8-K filed on August 9, 2005 (which does not include information deemed furnished for purposes of Regulation F-D), Form 8-K filed on August 11, 2005, Form 8-K filed on September 1, 2005, Form 8-K filed on September 7, 2005 (which does not include information deemed furnished for purposes of Regulation F-D), Form 8-K filed on October 3, 2005, Form 8-K filed on October 12, 2005, Form 8-K filed on November 7, 2005 (which does not include information deemed furnished for purposes of Regulation F-D), Form 8-K filed on December 20, 2005 and Form 8-K filed on December 21, 2005.

5. The description of our common stock contained in the Registration Statement on Form 8-A dated March 22, 2004 filed with the SEC to register such securities under the Securities and Exchange Act of 1934, as amended, including any amendment or report filed for the purpose of updating such description.

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If you make a request for such information in writing or by telephone, we will provide you, without charge, a copy of any or all of the information incorporated by reference into this prospectus. Any such request should be directed to:

NRG Energy, Inc.
211 Carnegie Center
Princeton, NJ 08540
(609) 524-4500
Attention: General Counsel

You should rely only on the information contained in, or incorporated by reference in, this prospectus. We have not authorized anyone else to provide you with different or additional information. This prospectus does not offer to sell or solicit any offer to buy any notes in any jurisdiction where the offer or sale is unlawful. You should not assume that the information in this prospectus or in any document incorporated by reference is accurate as of any date other than the date on the front cover of the applicable document.

Disclosure Regarding Forward-Looking Statements

This prospectus, any accompanying prospectus supplement and the documents incorporated by reference herein and therein may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such forward-looking statements are subject to certain risks, uncertainties and assumptions that include, but are not limited to, expected earnings and cash flows, future growth and financial performance and the expected synergies and other benefits of the acquisition of Texas Genco LLC described herein (including the documents incorporated herein by reference), and typically can be identified by the use of words such as will, expect, estimate, anticipate, forecast, plan, believe and similar terms. Although we believe th expectations are reasonable, we can give no assurance that these expectations will prove to have been correct, and actual results may vary materially. Factors that could cause actual results to differ materially from those contemplated above include, among others:

Risks and uncertainties related to the capital markets generally, including increases in interest rates and the availability of financing for the acquisition of Texas Genco LLC;

NRG s indebtedness and the additional indebtedness that it will incur in connection with the acquisition of Texas Genco LLC;

NRG s ability to successfully complete the acquisition of Texas Genco LLC, regulatory or other limitations that may be imposed as a result of the acquisition of Texas Genco LLC, and the success of the business following the acquisition of Texas Genco LLC;

General economic conditions, changes in the wholesale power markets and fluctuations in the cost of fuel or other raw materials;

Hazards customary to the power production industry and power generation operations such as fuel and electricity price volatility, unusual weather conditions, catastrophic weather-related or other damage to facilities, unscheduled generation outages, maintenance or repairs, unanticipated changes to fossil fuel supply costs or availability due to higher demand, shortages, transportation problems or other developments, environmental incidents, or electric transmission or gas pipeline system constraints and the possibility that we may not have adequate insurance to cover losses as a result of such hazards;

NRG s potential inability to enter into contracts to sell power and procure fuel on terms and prices acceptable to it;

The liquidity and competitiveness of wholesale markets for energy commodities;

Changes in government regulation, including possible changes of market rules, market structures and design, rates, tariffs, environmental laws and regulations and regulatory compliance requirements;

Price mitigation strategies and other market structures or designs employed by independent system operators, or ISOs, or regional transmission organizations, or RTOs, that result in a failure to adequately compensate our generation units for all of their costs;

NRG s ability to realize its significant deferred tax assets, including loss carry forwards;

The effectiveness of NRG s risk management policies and procedures and the ability of NRG s counterparties to satisfy their financial commitments;

Counterparties collateral demands and other factors affecting NRG s liquidity position and financial condition;

NRG s ability to operate its businesses efficiently, manage capital expenditures and costs (including general and administrative expenses) tightly and generate earnings and cash flow from its asset-based businesses in relation to its debt and other obligations; and

Significant operating and financial restrictions placed on NRG contained in the indenture governing its 8% second priority senior secured notes due 2013, its amended and restated credit facility as well as in debt and other agreements of certain of NRG s subsidiaries and project affiliates generally.

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NRG Energy, Inc.

NRG Energy is a wholesale power generation company, primarily engaged in the ownership and operation of power generation facilities, the transacting in and trading of fuel and transportation services and the marketing and trading of energy, capacity and related products in the United States and internationally. We have a diverse portfolio of electric generation facilities in terms of geography, fuel type and dispatch levels. Our principal domestic generation assets (without giving effect to the acquisition of Texas Genco LLC) consist of a diversified mix of natural gas-, coal- and oil-fired facilities, representing approximately 40%, 30% and 30% of our total domestic generation capacity, respectively. In addition (without giving effect to the acquisition of Texas Genco LLC), approximately 15% of our domestic generating facilities have dual-or multiple-fuel capacity, which render the ability for plants to dispatch with the lowest cost fuel option.

Our two principal operating objectives are to optimize performance of our entire portfolio, and to protect and enhance the market value of our physical and contractual assets through the execution of risk management, marketing and trading strategies within well-defined risk and liquidity guidelines. We manage the assets in our core regions on a portfolio basis as integrated businesses in order to maximize profits and minimize risk. Our business involves the reinvestment of capital in our existing assets for reasons of repowering, expansion, pollution control, operating efficiency, reliability programs, greater fuel optionality, greater merit order diversity, and enhanced portfolio effect, among other reasons. Our business also may involve acquisitions intended to complement the asset portfolios in our core regions. From time to time we may also consider and undertake other merger and acquisition transactions that are consistent with our strategy, such as our pending acquisition of Texas Genco LLC.

On September 30, 2005, we entered into an acquisition agreement, or the Acquisition Agreement, with Texas Genco LLC and each of the direct and indirect owners of equity interests in Texas Genco LLC, or the Sellers. Pursuant to the Acquisition Agreement, we agreed to purchase all of the outstanding equity interests in Texas Genco LLC for a total purchase price of approximately $5.825 billion and the assumption by us of approximately $2.5 billion of indebtedness. The purchase price is subject to adjustment, and includes an equity component valued at $1.8 billion based on a price per share of $40.50 of NRG s common stock. As a result of the Acquisition, Texas Genco LLC will become a wholly owned subsidiary of NRG and will nearly double our U.S. generation portfolio from approximately 12,005 Megawatts to 23,124 Megawatts.

We were incorporated as a Delaware corporation on May 29, 1992. Our common stock is listed on the New York Stock Exchange under the symbol NRG . Our headquarters and principal executive offices are located at 211 Carnegie Center, Princeton, New Jersey 08540. Our telephone number is (609) 524-4500.

You can get more information regarding our business by reading our Annual Report on Form 10-K for the fiscal year ended December 31, 2004, and the other reports we file with the Securities and Exchange Commission. See Where You Can Find More Information.

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Description Of Securities We May Offer
Debt Securities And Guarantees

We may offer secured or unsecured debt securities, which may be convertible. Our debt securities and any related guarantees will be issued under an indenture to be entered into between us and Law Debenture Trust Company of New York. Holders of our indebtedness will be structurally subordinated to holders of any indebtedness (including trade payables) of any of our subsidiaries that do not guarantee our payment obligations under such indebtedness.

We have summarized certain general features of the debt securities from the indenture. A form of indenture is attached as an exhibit to the registration statement of which this prospectus forms a part. The following description of the terms of the debt securities and the guarantees sets forth certain general terms and provisions. The particular terms of the debt securities and guarantees offered by any prospectus supplement and the extent, if any, to which such general provisions may apply to the debt securities and guarantees will be described in the related prospectus supplement. Accordingly, for a description of the terms of a particular issue of debt securities, reference must be made to both the related prospectus supplement and to the following description.

General

The aggregate principal amount of debt securities that may be issued under the indenture is unlimited. The debt securities may be issued in one or more series as may be authorized from time to time.

Reference is made to the applicable prospectus supplement for the following terms of the debt securities (if applicable):

- title and aggregate principal amount;
- whether the securities will be senior or subordinated;
- applicable subordination provisions, if any;
- whether securities issued by us will be entitled to the benefits of the guarantees or any other form of guarantee;
- conversion or exchange into other securities;
- whether securities issued by us will be secured or unsecured, and if secured, what the collateral will consist of;
- percentage or percentages of principal amount at which such securities will be issued;
- maturity date(s);
- interest rate(s) or the method for determining the interest rate(s);
- dates on which interest will accrue or the method for determining dates on which interest will accrue and dates on which interest will be payable;
- redemption (including upon a change of control) or early repayment provisions;
- authorized denominations;
- form;
- amount of discount or premium, if any, with which such securities will be issued;
- whether such securities will be issued in whole or in part in the form of one or more global securities;

identity of the depositary for global securities;

- whether a temporary security is to be issued with respect to such series and whether any interest payable prior to the issuance of definitive securities of the series will be credited to the account of the persons entitled thereto;

- the terms upon which beneficial interests in a temporary global security may be exchanged in whole or in part for beneficial interests in a definitive global security or for individual definitive securities;

- conversion or exchange features;

- any covenants applicable to the particular debt securities being issued;

- any defaults and events of default applicable to the particular debt securities being issued;

- currency, currencies or currency units in which the purchase price for, the principal of and any premium and any interest on, such securities will be payable;

- time period within which, the manner in which and the terms and conditions upon which the purchaser of the securities can select the payment currency;

- securities exchange(s) on which the securities will be listed, if any;

- whether any underwriter(s) will act as market maker(s) for the securities;

- extent to which a secondary market for the securities is expected to develop;

- additions to or changes in the events of default with respect to the securities and any change in the right of the trustee or the holders to declare the principal, premium and interest with respect to such securities to be due and payable;

- provisions relating to covenant defeasance and legal defeasance;

- provisions relating to satisfaction and discharge of the indenture;

- provisions relating to the modification of the indenture both with and without the consent of holders of debt securities issued under the indenture; and

- additional terms not inconsistent with the provisions of the indenture.

One or more series of debt securities may be sold at a substantial discount below their stated principal amount, bearing no interest or interest at a rate which at the time of issuance is below market rates. One or more series of debt securities may be variable rate debt securities that may be exchanged for fixed rate debt securities.

United States federal income tax consequences and special considerations, if any, applicable to any such series will be described in the applicable prospectus supplement.

Debt securities may be issued where the amount of principal and/or interest payable is determined by reference to one or more currency exchange rates, commodity prices, equity indices or other factors. Holders of such securities may receive a principal amount or a payment of interest that is greater than or less than the amount of principal or interest otherwise payable on such dates, depending upon the value of the applicable currencies, commodities, equity indices or other factors. Information as to the methods for determining the amount of principal or interest, if any, payable on any date, the currencies, commodities, equity indices or other factors to which the amount payable on such date is linked and certain additional United States federal income tax considerations will be set forth in the applicable prospectus supplement.

The term debt securities includes debt securities denominated in U.S. dollars or, if specified in the applicable prospectus supplement, in any other freely transferable currency or units based on or relating to foreign currencies.

We expect most debt securities to be issued in fully registered form without coupons and in denominations of $1,000 or $5,000 and any integral multiples thereof. Subject to the limitations provided in the indenture and in the prospectus supplement, debt securities that are issued in registered form may be

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transferred or exchanged at the office of the trustee maintained in the Borough of Manhattan, The City of New York or the principal corporate trust office of the trustee, without the payment of any service charge, other than any tax or other governmental charge payable in connection therewith.

Guarantees

Any debt securities may be guaranteed by one or more of our direct or indirect subsidiaries. Each prospectus supplement will describe any guarantees for the benefit of the series of debt securities to which it relates, including required financial information of the subsidiary guarantors, as applicable.

Global Securities

The debt securities of a series may be issued in whole or in part in the form of one or more global securities that will be deposited with, or on behalf of, a depositary (the depositary) identified in the prospectus supplement. Global securities will be issued in registered form and in either temporary or definitive form. Unless and until it is exchanged in whole or in part for the individual debt securities, a global security may not be transferred except as a whole by the depositary for such global security to a nominee of such depositary or by a nominee of such depositary to such depositary or another nominee of such depositary or by such depositary or any such nominee to a successor of such depositary or a nominee of such successor. The specific terms of the depositary arrangement with respect to any debt securities of a series and the rights of and limitations upon owners of beneficial interests in a global security will be described in the applicable prospectus supplement.

Governing Law

The indenture, the debt securities and the guarantees shall be construed in accordance with and governed by the laws of the State of New York, without giving effect to the principles thereof relating to conflicts of law.

Preferred Stock

The following briefly summarizes the material terms of our preferred stock, other than pricing and related terms that will be disclosed in an accompanying prospectus supplement. You should read the particular terms of any series of preferred stock offered by us, which will be described in more detail in any prospectus supplement relating to such series, together with the more detailed provisions of our amended and restated certificate of incorporation and the certificate of designation relating to each particular series of preferred stock for provisions that may be important to you. The certificate of incorporation, as amended and restated, is incorporated by reference into the registration statement of which this prospectus forms a part. The certificate of designation relating to the particular series of preferred stock offered by an accompanying prospectus supplement and this prospectus will be filed as an exhibit to a document incorporated by reference in the registration statement. The prospectus supplement will also state whether any of the terms summarized below do not apply to the series of preferred stock being offered.

As of the date of this prospectus, we are authorized to issue up to 10,000,000 shares of preferred stock, par value $0.01 per share. As of December 16, 2005, 420,000 shares of 4% Convertible Perpetual Preferred Stock were outstanding and 250,000 shares of 3.625% Convertible Perpetual Preferred Stock were outstanding. Under our amended and restated certificate of incorporation, our board of directors is authorized to issue shares of preferred stock in one or more series, and to establish from time to time a series of preferred stock with the following terms specified:

- the number of shares to be included in the series;
- the designation, powers, preferences and rights of the shares of the series; and
- the qualifications, limitations or restrictions of such series.

Prior to the issuance of any series of preferred stock, our board of directors will adopt resolutions creating and designating the series as a series of preferred stock and the resolutions will be filed in a certificate of designation as an amendment to the amended and restated certificate of incorporation. The term board of directors includes any duly authorized committee.

The rights of holders of the preferred stock offered may be adversely affected by the rights of holders of any shares of preferred stock that may be issued in the future. Our board of directors may cause shares of preferred stock to be issued in public or private transactions for any proper corporate purpose. Examples of proper corporate purposes include issuances to obtain additional financing in connection with acquisitions or otherwise, and issuances to our or our subsidiaries officers, directors and employees pursuant to benefit plans or otherwise. Shares of preferred stock we issue may have the effect of rendering more difficult or discouraging an acquisition of us deemed undesirable by our board of directors.

The preferred stock will be, when issued, fully paid and nonassessable. Holders of preferred stock will not have any preemptive or subscription rights to acquire more of our stock.

The transfer agent, registrar, dividend disbursing agent and redemption agent for shares of each series of preferred stock will be named in the prospectus supplement relating to such series.

Rank

Unless otherwise specified in the prospectus supplement relating to the shares of a series of preferred stock, such shares will rank on an equal basis with each other series of preferred stock and prior to the common stock as to dividends and distributions of assets.

Dividends

Holders of each series of preferred stock will be entitled to receive cash dividends when, as and if declared by our board of directors out of funds legally available for dividends. The rates and dates of payment of dividends will be set forth in the prospectus supplement relating to each series of preferred stock. Dividends will be payable to holders of record of preferred stock as they appear on our books or, if applicable, the records of the depositary referred to below on the record dates fixed by the board of directors. Dividends on a series of preferred stock may be cumulative or noncumulative.

We may not declare, pay or set apart for payment dividends on the preferred stock unless full dividends on other series of preferred stock that rank on an equal or senior basis have been paid or sufficient funds have been set apart for payment for

- all prior dividend periods of other series of preferred stock that pay dividends on a cumulative basis; or
- the immediately preceding dividend period of other series of preferred stock that pay dividends on a noncumulative basis.

Partial dividends declared on shares of preferred stock and each other series of preferred stock ranking on an equal basis as to dividends will be declared pro rata. A pro rata declaration means that the ratio of dividends declared per share to accrued dividends per share will be the same for each series of preferred stock.

Similarly, we may not declare, pay or set apart for payment non-stock dividends or make other payments on the common stock or any other of our stock ranking junior to the preferred stock until full dividends on the preferred stock have been paid or set apart for payment for

- all prior dividend periods if the preferred stock pays dividends on a cumulative basis; or
- the immediately preceding dividend period if the preferred stock pays dividends on a noncumulative basis.

Conversion and Exchange

The prospectus supplement for a series of preferred stock will state the terms, if any, on which shares of that series are convertible into or exchangeable for shares of our common stock, our preferred stock, our other securities or the debt or equity securities of one or more other entities.

Redemption and Sinking Fund

If so specified in the applicable prospectus supplement, a series of preferred stock may be redeemable at any time, in whole or in part, at our option or the option of the holder thereof and may be mandatorily redeemed. Any partial redemptions of preferred stock will be made in a way that the board of directors decides is equitable.

Unless we default in the payment of the redemption price, dividends will cease to accrue after the redemption date on shares of preferred stock called for redemption and all rights of holders of such shares will terminate except for the right to receive the redemption price.

No series of preferred stock will receive the benefit of a sinking fund except as set forth in the applicable prospectus supplement.

Liquidation Preference

Upon any voluntary or involuntary liquidation, dissolution or winding up, holders of each series of preferred stock will be entitled to receive distributions upon liquidation in the amount set forth in the prospectus supplement relating to such series of preferred stock, plus an amount equal to any accrued and unpaid dividends. Such distributions will be made before any distribution is made on any securities ranking junior relating to liquidation, including common stock.

If the liquidation amounts payable relating to the preferred stock of any series and any other securities ranking on a parity regarding liquidation rights are not paid in full, the holders of the preferred stock of such series and such other securities will share in any such distribution of our available assets on a ratable basis in proportion to the full liquidation preferences. Holders of such series of preferred stock will not be entitled to any other amounts from us after they have received their full liquidation preference.

Voting Rights

The holders of shares of preferred stock will have no voting rights, except:

- as otherwise stated in the prospectus supplement;
- as otherwise stated in the certificate of designation establishing such series; and
- as required by applicable law.

Holders of our 4% Convertible Perpetual Preferred Stock are entitled to one vote for each share held by such holder on all matters voted upon by our common stockholders.

Common Stock

The following description of our common stock is only a summary. We encourage you to read our amended and restated certificate of incorporation, which is incorporated by reference into the registration statement of which this prospectus forms a part. As of the date of this prospectus, we are authorized to issue up to 500,000,000 shares of common stock, $0.01 par value per share. As of December 16, 2005, we had outstanding 80,701,888 shares of our common stock.

Liquidation Rights

Upon voluntary or involuntary liquidation, dissolution or winding up, the holders of our common stock share ratably in the assets remaining after payments to creditors and provision for the preference of any preferred stock.

Dividends

Except as otherwise provided by the Delaware General Corporation Law or our amended and restated certificate of incorporation, the holders of our common stock, subject to the rights of holders of any series of preferred stock, shall share ratably in all dividends as may from time to time be declared by our board of directors in respect of our common stock out of funds legally available for the payment thereof and payable in cash, stock or otherwise, and in all other distributions (including, without limitation, our dissolution, liquidation and winding up), whether in respect of liquidation or dissolution (voluntary or involuntary) or otherwise, after payment of liabilities and liquidation preference on any outstanding preferred stock.

Voting Rights

Except as otherwise provided by the Delaware General Corporation Law or our certificate of incorporation and subject to the rights of holders of any series of preferred stock, all the voting power of our stockholders shall be vested in the holders of our common stock, and each holder of our common stock shall have one vote for each share held by such holder on all matters voted upon by our stockholders.

Subject to the rights of holders of any outstanding shares of preferred stock to act by written consent, our stockholders may not take any action by written consent in lieu of a meeting and must take any action at a duly called annual or special meeting of stockholders.

The affirmative vote of holders of at least two-thirds of the combined voting power of our outstanding shares eligible to vote in the election of directors is required to alter, amend or repeal provisions in the amended and restated certificate of incorporation regarding indemnification, classification of directors, action by written consent and changes to voting requirements applicable to such provisions.

Conversion and Exchange

Our common stock is not convertible into, or exchangeable for, any other class or series of our capital stock.

Miscellaneous

Holders of our common stock have no preemptive or other rights to subscribe for or purchase additional securities of ours. We are subject to Section 203 of the DGCL. Shares of our common stock are not subject to calls or assessments. No personal liability will attach to holders of our common stock under the laws of the State of Delaware (our state of incorporation) or of the State of New Jersey (the state in which our principal place of business is located). All of the outstanding shares of our common stock are fully paid and nonassessable. Our common stock is listed and traded on the New York Stock Exchange under the symbol NRG.

Ratios Of Earnings To Fixed Charges and Earnings To Combined Fixed Charges and Preference Dividends

The ratios of earnings to fixed charges and earnings to combined fixed charges and preference dividends for the periods indicated are stated below. For this purpose, earnings include pre-tax income (loss) before adjustments for minority interest in our consolidated subsidiaries and income or loss from equity investees, plus fixed charges and distributed income of equity investees, reduced by interest capitalized. Fixed charges include interest, whether expensed or capitalized, amortization of debt expense and the portion of rental expense that is representative of the interest factor in these rentals. Preference dividends equals the amount of pre-tax earnings that is required to pay the dividends on outstanding preference securities. Predecessor Company refers to NRG s operations prior to December 6, 2003, before emergence from bankruptcy and

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Reorganized NRG refers to NRG s operations from December 6, 2003 onwards, after emergence from bankruptcy.

	Reorganized NRG			Predecessor Company			
	Nine Months Ended September 30, 2005	Year Ended December 31, 2004	December 6, 2003 through December 31, 2003	January 1, 2003 through December 5, 2003	Year Ended December 31, 2002	2001	2000
Ratio of Earnings to Fixed Charges	1.19x	1.83x	1.68x	9.82x(1)	(2)	1.26x	1.81x
Ratio of Earnings to Combined Fixed Charges and Preference Dividends	1.04x	1.82x	1.68x	9.82x(1)	(2)	1.26x	1.81x

(1) For the period January 1, 2003 through December 5, 2003, the earnings include a one time earning of $4,118,636,000 due to Fresh Start adjustments.

(2) For the year ended December 31, 2002, the deficiency of earnings to fixed charges was $3,023,467,000.

Use Of Proceeds

We intend to use the net proceeds from the sales of the securities as set forth in the applicable prospectus supplement.

Validity Of The Securities

In connection with particular offerings of the securities in the future, and if stated in the applicable prospectus supplements, the validity of those securities may be passed upon for the Company by Skadden, Arps, Slate, Meagher & Flom LLP, New York, New York, and for any underwriters or agents by counsel named in the applicable prospectus supplement.

Experts

The consolidated financial statements and schedule of NRG Energy, Inc. (the Company) as of December 31, 2004, and for the year then ended, and management s assessment of the effectiveness of internal control over financial reporting as of December 31, 2004, included in the Company s Form 10-K, as amended on Form 8-K dated December 20, 2005, which is incorporated by reference in this registration statement, have been incorporated by reference herein in reliance upon the reports of KPMG LLP, an independent registered accounting firm, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing.

The consolidated financial statements and schedule of NRG South Central Generating LLC and subsidiaries and the financial statements and schedule of Louisiana Generating LLC as of December 31, 2004 and for the year then ended, the consolidated financial statements of NRG Northeast Generating LLC and subsidiaries, NRG Mid Atlantic Generating LLC and subsidiaries, NRG International LLC and subsidiaries and the financial statements of Indian River Power LLC and subsidiaries as of December 31, 2004 and for the year then ended, the financial statements of Oswego Harbor Power LLC as of December 31, 2004 and 2003 and for the year ended December 31, 2003 and the period from December 6, 2003 to December 31, 2003 and the statements of operations, member s equity and comprehensive income and cash flows of Oswego Harbor Power LLC for the period from January 1, 2003 to December 5, 2003, have been incorporated by reference herein in reliance on the reports of KPMG LLP, an independent registered public accounting firm, incorporated by reference herein, and upon authority of said firm as experts in accounting and auditing.

The consolidated financial statements of NRG Energy, Inc. as of December 31, 2003 and for the period December 6, 2003 through December 31, 2003, the period January 1, 2003 through December 5, 2003 and the year ended December 31, 2002 incorporated in this prospectus by reference to NRG Energy, Inc. s annual

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report on Form 10-K for the year ended December 31, 2004, as amended on Form 8-K dated December 20, 2005, which is incorporated by reference in this registration statement, have been so incorporated in reliance on the reports of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

The consolidated financial statements of NRG Northeast Generating LLC, NRG South Central Generating LLC, Louisiana Generating LLC, NRG Mid Atlantic Generating LLC, Indian River Power LLC, and NRG International LLC as of December 31, 2003 and for the period from December 6, 2003 through December 31, 2003, the period from January 1, 2003 through December 5, 2003 and the year ended December 31, 2002 incorporated in this prospectus by reference to NRG Energy, Inc. s current report on Form 8-K dated June 14, 2005, have been so incorporated in reliance on the reports of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

The consolidated financial statements of West Coast Power LLC incorporated in this prospectus by reference to NRG Energy, Inc. s annual report on Form 10-K for the year ended December 31, 2004, as amended on Form 8-K dated December 20, 2005, which is incorporated by reference in this registration statement, have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

The consolidated balance sheet of Texas Genco LLC and subsidiaries as of December 31, 2004 and the related consolidated statements of operations, cash flows, members equity and comprehensive loss for the period from July 19, 2004 to December 31, 2004, all incorporated in this prospectus by reference to NRG Energy, Inc. s current report on Form 8-K, filed on December 21, 2005, have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report, which is incorporated herein by reference and has been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The consolidated balance sheet of Texas Genco Holdings, Inc. and subsidiaries as of December 31, 2003 and 2004 and the related statements of consolidated operations, cash flows, and capitalization and shareholders equity for each of the three years for the period ended December 31, 2004, and the statement of consolidated comprehensive loss for each of the three years for the period ended December 31, 2004, all incorporated in this prospectus by reference to NRG Energy, Inc. s current report on Form 8-K, filed on December 21, 2005, have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report, which is incorporated herein by reference and has been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

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Shares

Common Stock

PROSPECTUS SUPPLEMENT

MORGAN STANLEY *CITIGROUP*

LEHMAN BROTHERS

BANC OF AMERICA SECURITIES LLC

DEUTSCHE BANK SECURITIES

GOLDMAN, SACHS & CO.

MERRILL LYNCH & CO.