

OLD NATIONAL BANCORP /IN/

Form 10-Q

July 30, 2010

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10-Q**

**Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**For the quarterly period ended June 30, 2010**

**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**  
(State or other jurisdiction of  
incorporation or organization)

**35-1539838**  
(I.R.S. Employer  
Identification No.)

**One Main Street  
Evansville, Indiana**  
(Address of principal executive offices)

**47708**  
(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  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  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       Accelerated filer       Non-accelerated filer       Smaller reporting  
(Do not check if a smaller      company   
reporting company)

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

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 87,171,000 shares outstanding at June 30, 2010.

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CONSOLIDATED BALANCE SHEETS**

(dollars and shares in thousands, except per share data)	<b>June 30, 2010 (unaudited)</b>	<b>December 31, 2009</b>	<b>June 30, 2009 (unaudited)</b>
<b>Assets</b>			
Cash and due from banks	\$ 118,951	\$ 144,156	\$ 134,795
Money market and other interest-earning investments	307,672	353,120	74,451
Total cash and cash equivalents	426,623	497,276	209,246
Investment securities available-for-sale, at fair value			
U.S. Treasury	51,707	1,003	957
U.S. Government-sponsored entities and agencies	818,023	914,238	600,992
Mortgage-backed securities	868,421	882,726	950,500
States and political subdivisions	366,782	534,595	522,732
Other securities	159,534	153,657	174,227
Investment securities available-for-sale	2,264,467	2,486,219	2,249,408
Investment securities held-to-maturity, at amortized cost (fair value \$596,614, \$399,953 and \$311,334 respectively)	582,068	396,009	314,170
Federal Home Loan Bank stock, at cost	36,090	36,090	36,090
Residential loans held for sale, at fair value	5,836	17,530	25,249
Finance leases held for sale		55,260	370,231
Loans:			
Commercial	1,292,841	1,287,168	1,422,606
Commercial real estate	1,002,463	1,062,910	1,124,383
Residential real estate	427,838	403,391	448,438
Consumer credit, net of unearned income	1,007,961	1,082,017	1,155,779
Total loans	3,731,103	3,835,486	4,151,206
Allowance for loan losses	(71,863)	(69,548)	(70,101)
Net loans	3,659,240	3,765,938	4,081,105
Premises and equipment, net	51,457	52,399	58,671
Accrued interest receivable	45,187	49,340	49,082
Goodwill	167,884	167,884	167,884
Other intangible assets	29,181	32,307	36,148
Company-owned life insurance	225,062	224,652	224,237
Other assets	207,969	224,431	190,654
Total assets	\$ 7,701,064	\$ 8,005,335	\$ 8,012,175
<b>Liabilities</b>			
Deposits:			
Noninterest-bearing demand	\$ 1,170,196	\$ 1,188,343	\$ 1,045,568
Interest-bearing:			

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NOW	<b>1,295,173</b>	1,354,337	1,297,215
Savings	<b>1,037,714</b>	972,176	928,879
Money market	<b>360,454</b>	381,078	451,985
Time	<b>1,783,437</b>	2,007,554	2,074,861
Total deposits	<b>5,646,974</b>	5,903,488	5,798,508
Short-term borrowings	<b>331,577</b>	331,144	542,418
Other borrowings	<b>604,356</b>	699,059	810,305
Accrued expenses and other liabilities	<b>243,424</b>	227,818	226,355
Total liabilities	<b>6,826,331</b>	7,161,509	7,377,586
<b>Shareholders Equity</b>			
Preferred stock, series A, 1,000 shares authorized, no shares issued or outstanding			
Preferred stock, series T, no par value, \$100,000 liquidation value, 1,000 shares authorized, no shares issued and or outstanding			
Common stock, \$1 stated value, 150,000 shares authorized, 87,171, 87,182 and 66,433 shares issued and outstanding, respectively	<b>87,171</b>	87,182	66,433
Capital surplus	<b>747,785</b>	746,775	570,763
Retained earnings	<b>38,617</b>	30,235	46,060
Accumulated other comprehensive income (loss), net of tax	<b>1,160</b>	(20,366)	(48,667)
Total shareholders equity	<b>874,733</b>	843,826	634,589
Total liabilities and shareholders equity	<b>\$ 7,701,064</b>	\$ 8,005,335	\$ 8,012,175

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

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CONSOLIDATED STATEMENTS OF INCOME (unaudited)**

(dollars in thousands, except per share data)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2010	2009	2010	2009
<b>Interest Income</b>				
Loans including fees:				
Taxable	\$ 43,874	\$ 50,263	\$ 88,781	\$ 101,957
Nontaxable	2,486	5,855	4,666	11,705
Investment securities, available-for-sale:				
Taxable	19,755	25,417	40,551	48,898
Nontaxable	4,224	5,719	9,080	11,518
Investment securities, held-to-maturity, taxable	5,142	1,891	9,559	2,989
Money market investments and federal funds sold	115	37	301	98
<b>Total interest income</b>	<b>75,596</b>	<b>89,182</b>	<b>152,938</b>	<b>177,165</b>
<b>Interest Expense</b>				
Deposits	12,607	17,659	26,543	35,449
Short-term borrowings	146	448	395	836
Other borrowings	7,689	10,308	15,729	20,915
<b>Total interest expense</b>	<b>20,442</b>	<b>28,415</b>	<b>42,667</b>	<b>57,200</b>
Net interest income	55,154	60,767	110,271	119,965
Provision for loan losses	8,000	11,968	17,281	29,268
Net interest income after provision for loan losses	47,154	48,799	92,990	90,697
<b>Noninterest Income</b>				
Wealth management fees	3,963	4,258	8,250	8,085
Service charges on deposit accounts	13,150	15,675	25,096	26,364
ATM fees	5,930	5,411	11,457	9,551
Mortgage banking revenue	632	1,764	1,121	3,492
Insurance premiums and commissions	8,913	8,908	19,118	20,318
Investment product fees	2,235	2,250	4,288	4,489
Company-owned life insurance	1,180	420	2,025	1,116
Net securities gains	6,008	10,295	9,511	15,872
Total other-than-temporary impairment losses	(5,814)	(8,445)	(6,392)	(23,733)
Loss recognized in other comprehensive income	(3,050)	(581)	(3,123)	(13,478)
Impairment losses recognized in earnings	(2,764)	(7,864)	(3,269)	(10,255)
Gain on derivatives	395	516	1,016	999
Gain on sale leaseback transactions	1,542	1,468	3,179	3,057
Other income	1,790	2,505	4,174	4,753
<b>Total noninterest income</b>	<b>42,974</b>	<b>45,606</b>	<b>85,966</b>	<b>87,841</b>

**Noninterest Expense**

Salaries and employee benefits	<b>41,074</b>	45,206	<b>83,518</b>	87,905
Occupancy	<b>11,818</b>	12,050	<b>24,058</b>	22,642
Equipment	<b>2,630</b>	2,674	<b>5,426</b>	4,988
Marketing	<b>1,385</b>	2,618	<b>2,747</b>	4,614
Data processing	<b>5,634</b>	5,353	<b>11,149</b>	10,244
Communication	<b>2,473</b>	2,869	<b>5,160</b>	5,420
Professional fees	<b>2,176</b>	2,108	<b>3,877</b>	4,750
Loan expense	<b>1,108</b>	1,151	<b>2,016</b>	2,026
Supplies	<b>689</b>	1,162	<b>1,469</b>	2,484
FDIC assessment	<b>1,677</b>	6,341	<b>4,124</b>	8,425
Amortization of intangibles	<b>1,504</b>	1,664	<b>3,126</b>	2,666
Other expense	<b>5,703</b>	3,555	<b>8,261</b>	8,051
<b>Total noninterest expense</b>	<b>77,871</b>	86,751	<b>154,931</b>	164,215
Income before income taxes	<b>12,257</b>	7,654	<b>24,025</b>	14,323
Income tax expense (benefit)	<b>1,734</b>	(1,981)	<b>3,433</b>	(4,717)
Net income	<b>10,523</b>	9,635	<b>20,592</b>	19,040
Preferred stock dividends and discount accretion				(3,892)
Net income available to common stockholders	<b>\$ 10,523</b>	\$ 9,635	<b>\$ 20,592</b>	\$ 15,148
Net income per common share basic	<b>\$ 0.12</b>	\$ 0.15	<b>\$ 0.24</b>	\$ 0.23
Net income per common share diluted	<b>0.12</b>	0.15	<b>0.24</b>	0.23
Weighted average number of common shares outstanding-basic	<b>86,786</b>	65,950	<b>86,769</b>	65,872
Weighted average number of common shares outstanding-diluted	<b>86,911</b>	65,999	<b>86,889</b>	65,916
Dividends per common share	<b>\$ 0.07</b>	\$ 0.07	<b>\$ 0.14</b>	\$ 0.30

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)**

					Accumulated			
	Preferred	Common	Capital	Retained	Other	Total	Comprehensive	
(dollars and shares in thousands)	Stock	Stock	Surplus	Earnings	Comprehensive	Shareholder	Income	
					Income	Equity		
					(Loss)			
<b>Balance, December 31, 2008</b>	\$ 97,358	\$ 66,321	\$ 569,875	\$ 50,815	\$ (53,504)	\$ 730,865		
Comprehensive income								
Net income				19,040		19,040	\$ 19,040	
Other comprehensive income (1)								
Change in unrealized gain (loss) on securities available for sale, net of reclassification and tax					3,254	3,254	3,254	
Transferred securities, net of tax					1,033	1,033	1,033	
Reclassification adjustment on cash flows hedges, net of tax					114	114	114	
Net loss, settlement cost and amortization of net (gain) loss on defined benefit pension plans, net of tax					436	436	436	
Total comprehensive income							\$ 23,877	
Dividends common stock				(19,872)		(19,872)		
Dividends preferred stock				(1,250)		(1,250)		
Common stock issued		151	1,357			1,508		
Preferred stock repurchased	(97,358)			(2,642)		(100,000)		
Common stock repurchased		(28)	(322)			(350)		
Warrants repurchased			(1,200)			(1,200)		
Stock based compensation expense			796			796		
Stock activity under incentive comp plans		(11)	257	(31)		215		
<b>Balance, June 30, 2009</b>	\$	\$ 66,433	\$ 570,763	\$ 46,060	\$ (48,667)	\$ 634,589		
<b>Balance, December 31, 2009</b>	\$	\$ 87,182	\$ 746,775	\$ 30,235	\$ (20,366)	\$ 843,826		
Comprehensive income								
Net income				20,592		20,592	\$ 20,592	
Other comprehensive income (1)								
Change in unrealized gain (loss) on securities available for sale, net of reclassification and tax					15,004	15,004	15,004	
Transferred securities, net of tax					5,360	5,360	5,360	
Reclassification adjustment on cash flows hedges, net of tax					681	681	681	
					481	481	481	

Net loss, settlement cost and  
amortization of net (gain) loss on  
defined benefit pension plans, net  
of tax

Total comprehensive income

**\$ 42,118**

Dividends - common stock			<b>(12,175)</b>	<b>(12,175)</b>
Common stock issued	<b>6</b>	<b>67</b>		<b>73</b>
Common stock repurchased	<b>(41)</b>	<b>(441)</b>		<b>(482)</b>
Stock based compensation expense		<b>1,285</b>		<b>1,285</b>
Stock activity under incentive comp plans	<b>24</b>	<b>99</b>	<b>(35)</b>	<b>88</b>