

OLD NATIONAL BANCORP /IN/
Form 10-Q
October 30, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2015

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

For the transition period from _____ to _____

Commission File Number 1-15817

OLD NATIONAL BANCORP

(Exact name of Registrant as specified in its charter)

INDIANA
(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

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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 (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

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 114,523,000 shares outstanding at September 30, 2015.

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CONSOLIDATED BALANCE SHEETS

| (dollars and shares in thousands, except per share data) | September 30, 2015 (unaudited) | December 31, 2014 | September 30, 2014 (unaudited) |
|---|--------------------------------------|----------------------|--------------------------------------|
| Assets | | | |
| Cash and due from banks | \$ 157,919 | \$ 207,871 | \$ 205,853 |
| Money market and other interest-earning investments | 15,491 | 32,092 | 25,599 |
| Total cash and cash equivalents | 173,410 | 239,963 | 231,452 |
| Trading securities - at fair value | 3,827 | 3,881 | 3,839 |
| Investment securities - available-for-sale, at fair value: | | | |
| U.S. Treasury | 12,239 | 15,166 | 11,140 |
| U.S. government-sponsored entities and agencies | 641,780 | 685,951 | 628,331 |
| Mortgage-backed securities | 1,136,352 | 1,241,662 | 1,226,476 |
| States and political subdivisions | 390,103 | 314,541 | 273,568 |
| Other securities | 339,419 | 370,511 | 346,071 |
| Total investment securities - available-for-sale | 2,519,893 | 2,627,831 | 2,485,586 |
| Investment securities - held-to-maturity, at amortized cost (fair value \$902,176, \$903,935 and \$901,717, respectively) | 851,051 | 844,054 | 848,033 |
| Federal Home Loan Bank/Federal Reserve Bank stock, at cost | 86,146 | 71,175 | 70,531 |
| Loans held for sale (\$18,783, \$15,562, and \$12,875, respectively at fair value) | 18,783 | 213,490 | 12,875 |
| Loans: | | | |
| Commercial | 1,740,394 | 1,629,600 | 1,647,889 |
| Commercial real estate | 1,845,889 | 1,711,110 | 1,614,563 |
| Residential real estate | 1,640,289 | 1,519,156 | 1,546,939 |
| Consumer credit, net of unearned income | 1,507,287 | 1,310,627 | 1,274,699 |
| Covered loans, net of discount | 114,039 | 147,708 | 158,345 |
| Total loans | 6,847,898 | 6,318,201 | 6,242,435 |
| Allowance for loan losses | (49,515) | (44,297) | (44,693) |
| Allowance for loan losses - covered loans | (1,711) | (3,552) | (3,586) |
| Net loans | 6,796,672 | 6,270,352 | 6,194,156 |
| FDIC indemnification asset | 8,905 | 20,603 | 28,000 |
| Premises and equipment, net | 130,341 | 135,892 | 130,229 |
| Accrued interest receivable | 65,485 | 60,966 | 56,961 |
| Goodwill | 584,634 | 530,845 | 491,407 |
| Other intangible assets | 38,124 | 38,694 | 39,043 |
| Company-owned life insurance | 339,352 | 325,617 | 316,198 |
| Assets held for sale | 4,744 | 9,127 | 8,705 |

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| | | | |
|---|----------------------|---------------|---------------|
| Other real estate owned and repossessed personal property | 9,282 | 7,241 | 8,173 |
| Other real estate owned - covered | 4,423 | 9,121 | 9,454 |
| Other assets | 280,091 | 238,699 | 245,110 |
| Total assets | \$ 11,915,163 | \$ 11,647,551 | \$ 11,179,752 |

Liabilities

| | | | |
|--|---------------------|--------------|--------------|
| Deposits: | | | |
| Noninterest-bearing demand | \$ 2,388,854 | \$ 2,427,748 | \$ 2,371,049 |
| Interest-bearing: | | | |
| NOW | 2,001,077 | 2,176,879 | 2,069,507 |
| Savings | 2,201,066 | 2,222,557 | 2,178,094 |
| Money market | 1,043,135 | 574,462 | 547,069 |
| Time | 987,193 | 1,089,018 | 1,041,583 |
| Total deposits | 8,621,325 | 8,490,664 | 8,207,302 |
| Short-term borrowings | 474,894 | 551,309 | 495,262 |
| Other borrowings | 1,120,326 | 920,102 | 871,716 |
| Accrued expenses and other liabilities | 222,616 | 219,712 | 198,292 |
| Total liabilities | 10,439,161 | 10,181,787 | 9,772,572 |

Shareholders Equity

| | | | |
|--|----------------------|---------------|---------------|
| Preferred stock, 2,000 shares authorized, no shares issued or outstanding | | | |
| Common stock, \$1.00 per share stated value, 150,000 shares authorized, 114,523, 116,847 and 113,984 shares issued and outstanding, respectively | 114,523 | 116,847 | 113,984 |
| Capital surplus | 1,090,381 | 1,118,292 | 1,077,939 |
| Retained earnings | 305,478 | 262,180 | 245,874 |
| Accumulated other comprehensive income (loss), net of tax | (34,380) | (31,555) | (30,617) |
| Total shareholders equity | 1,476,002 | 1,465,764 | 1,407,180 |
| Total liabilities and shareholders equity | \$ 11,915,163 | \$ 11,647,551 | \$ 11,179,752 |

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

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| (dollars and shares in thousands, except per share data) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|--|-----------|------------------------------------|------------|
| | 2015 | 2014 | 2015 | 2014 |
| Interest Income | | | | |
| Loans including fees: | | | | |
| Taxable | \$ 81,881 | \$ 91,080 | \$ 233,419 | \$ 221,929 |
| Nontaxable | 2,832 | 2,608 | 8,593 | 7,647 |
| Investment securities: | | | | |
| Taxable | 14,293 | 14,923 | 43,311 | 46,139 |
| Nontaxable | 6,661 | 6,001 | 18,888 | 16,674 |
| Money market and other interest-earning investments | 4 | 6 | 18 | 22 |
| Total interest income | 105,671 | 114,618 | 304,229 | 292,411 |
| Interest Expense | | | | |
| Deposits | 3,474 | 3,321 | 10,568 | 9,946 |
| Short-term borrowings | 141 | 76 | 349 | 226 |
| Other borrowings | 4,952 | 2,854 | 13,118 | 5,912 |
| Total interest expense | 8,567 | 6,251 | 24,035 | 16,084 |
| Net interest income | 97,104 | 108,367 | 280,194 | 276,327 |
| Provision for loan losses | 167 | 2,591 | 2,439 | 2,228 |
| Net interest income after provision for loan losses | 96,937 | 105,776 | 277,755 | 274,099 |
| Noninterest Income | | | | |
| Wealth management fees | 8,290 | 7,190 | 26,253 | 20,486 |
| Service charges on deposit accounts | 11,010 | 12,481 | 33,333 | 35,436 |
| Debit card and ATM fees | 3,887 | 6,805 | 17,694 | 19,017 |
| Mortgage banking revenue | 3,170 | 1,735 | 10,395 | 3,627 |
| Insurance premiums and commissions | 9,938 | 9,761 | 32,223 | 31,534 |
| Investment product fees | 4,427 | 4,684 | 13,549 | 12,669 |
| Company-owned life insurance | 2,195 | 1,832 | 6,540 | 4,942 |
| Net securities gains | 861 | 2,713 | 4,056 | 4,961 |
| Total other-than-temporary impairment losses | | | | (100) |
| Loss recognized in other comprehensive income | | | | |
| Impairment losses recognized in earnings | | | | (100) |
| Recognition of deferred gain on sale leaseback transactions | 1,417 | 1,524 | 4,409 | 4,571 |
| Net gain on branch divestitures | 15,355 | | 15,355 | |

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| | | | | |
|--------------------------------------|----------------|----------|----------------|----------|
| Change in FDIC indemnification asset | (6,582) | (19,103) | (9,091) | (36,916) |
| Other income | 5,776 | 4,796 | 15,302 | 14,407 |
| Total noninterest income | 59,744 | 34,418 | 170,018 | 114,634 |
| Noninterest Expense | | | | |
| Salaries and employee benefits | 58,151 | 54,634 | 187,093 | 161,064 |
| Occupancy | 13,009 | 12,723 | 41,443 | 36,377 |
| Equipment | 2,977 | 3,330 | 10,327 | 9,520 |
| Marketing | 2,727 | 2,382 | 8,641 | 7,001 |
| Data processing | 6,622 | 6,401 | 21,289 | 18,464 |
| Communication | 2,301 | 2,615 | 7,480 | 7,569 |
| Professional fees | 2,435 | 5,332 | 8,948 | 12,657 |
| Loan expense | 1,420 | 1,653 | 4,562 | 4,411 |
| Supplies | 445 | 793 | 1,710 | 2,270 |
| FDIC assessment | 1,733 | 1,671 | 5,590 | 4,557 |
| Other real estate owned expense | 584 | 758 | 2,221 | 2,771 |
| Amortization of intangibles | 2,872 | 2,519 | 8,930 | 6,359 |
| Other expense | 7,341 | 5,154 | 20,229 | 13,301 |
| Total noninterest expense | 102,617 | 99,965 | 328,463 | 286,321 |
| Income before income taxes | 54,064 | 40,229 | 119,310 | 102,412 |
| Income tax expense | 16,395 | 11,095 | 34,579 | 27,995 |
| Net income | \$ | | | |