EAGLE MATERIALS INC
Form 4
April 04, 2016

FORM 4

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
Graass James H

(Last) (First) (Middle)

3811 TURTLE CREEK BLVD., STE #1100

(Street)

DALLAS, TX 75219

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
EAGLE MATERIALS INC [EXP]

3. Date of Earliest Transaction (Month/Day/Year)
03/31/2016

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)

EVP & General Counsel

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	03/31/2016		F		2,474	D	$ 70.19 (1)	57,884 (2)	D	
Common Stock								934	I	By 401(k)
Common Stock								543	I	By Reporting Person's IRA

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Graass James H 3811 TURTLE CREEK BLVD. STE #1100 DALLAS, TX 75219			EVP & General Counsel	

Signatures

/s/ James H. Graass	04/04/2016
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) In accordance with the issuer's Amended and Restated Incentive Plan, this price represents the closing price per share of Common Stock on the previous trading day.

(2) 2,474 shares were withheld by the issuer to satisfy income tax withholding requirements related to the lapsing of restrictions on (a) 859 shares of restricted stock awarded to the reporting person on 6/03/2014 (Form 4 filed on 5/7/2015); (b) 1,116 shares of restricted stock awarded to the reporting person on 8/12/2013 (Form 4 filed on 5/08/2014); (c) 824 shares of restricted stock awarded to the reporting person on 6/19/2012 (Form 4 filed on 5/07/2013) and (d) 6,266 shares of restricted stock awarded to the reporting person on 6/27/2011 (Form 4 filed on 5/07/2012). Because the reporting person's restricted holdings have been included in the direct ownership Common Stock disclosed by the reporting person, the reporting person's direct ownership of Common Stock has been reduced by 2,474 shares to reflect this tax withholding.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. **$114,336 $(85) $ $ $114,336 $(85)**

States and political subdivisions
129,931 (3,199) 129,931 (3,199)

Other securities
145 (15) 145 (15)

Total held-to-maturity
$244,267 $(3,284) $145 $(15) $244,412 $(3,299)

December 31, 2010

Available-for-Sale

U.S. Treasury
$10,944 $(27) $ $ $10,944 $(27)
U.S. Government-sponsored entities and agencies
120,404 (2,401) 120,404 (2,401)
Mortgage-backed securities Agency
160,784 (485) 483 161,267 (485)
Mortgage-backed securities Non-agency
13,265 (1,696) 79,327 (6,684) 92,592 (8,380)
States and political subdivisions
94,448 (2,549) 94,448 (2,549)
Pooled trust preferrred securities
8,400 (18,968) 8,400 (18,968)
Other securities
12,283 (206) 6,204 (1,850) 18,487 (2,056)

Total available-for-sale
$412,128 $(7,364) $94,414 $(27,502) $506,542 $(34,866)

Held-to-Maturity

U.S. Government-sponsored entities and agencies
$111,975 $(3,703) $ $ $111,975 $(3,703)
Mortgage-backed securities Agency
67,837 (510) 67,837 (510)
States and political subdivisions
203,093 (13,003) 203,093 (13,003)
Other securities
375 (176) 375 (176)

Total held-to-maturity
$382,905 $(17,216) $375 $(176) $383,280 $(17,392)

Proceeds from sales and calls of securities available for sale were $308.7 million and $435.0 million for the six months ended June 30, 2011 and 2010, respectively. Gains of $3.0 million and $9.8 million were realized on these sales during 2011 and 2010, respectively, and offsetting losses of $1.0 million and $0.3 million were realized on these sales during 2011 and 2010. Also included in net securities gains for the first six months of 2011 is $106 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 $0.5 million, described below. Impacting earnings in the first six months of 2010 were other-than-temporary impairment charges related to credit loss on two pooled trust preferred securities and ten non-agency mortgage-backed securities in the amount of $3.3 million.

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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 $2.9 million at June 30, 2011. During the second quarter of 2010, approximately $143.8 million of municipal securities were transferred from the available-for-sale portfolio to the held-to-maturity portfolio at fair value. The $9.4 million unrealized holding gain at the date of transfer shall continue to be reported as a separate component of shareholders equity and will be amortized over the remaining life of the securities as an adjustment of yield.

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 June 30, 2011, Old National s security portfolio consisted of 1,077 securities, 134 of which were in an unrealized loss position. The majority of unrealized losses are related to the Company s non-agency mortgage-backed and pooled trust preferred securities, as discussed below:

Non-agency Mortgage-backed Securities

At June 30, 2011, the Company s securities portfolio contained 14 non-agency collateralized mortgage obligations with a fair value of $103.5 million which had net unrealized losses of approximately $2.0 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 June 30, 2011, nine of these securities were rated below investment grade with grades ranging from B to CC. One of the nine securities is rated B and has a fair value of $14.4 million, one of the securities is rated B- with a fair value of $6.4 million, five of the securities are rated CCC with a fair value of $38.8 million and two of the securities are rated CC with a fair value of $24.4 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 $0.5 million of credit losses on three of these securities for the six months ended June 30, 2011. The fair value of these non-agency mortgage-backed securities remaining at June 30, 2011 was $84.1 million.

Based on an analysis of the underlying collateral, Old National recorded $3.0 million of credit losses on ten non-agency mortgage-backed securities for the six months ended June 30, 2010. The fair value of these non-agency mortgage-backed securities was $96.0 million at June 30, 2010.

Pooled Trust Preferred Securities

At June 30, 2011, the Company s securities portfolio contained nine pooled trust preferred securities with a fair value of $9.7 million and unrealized losses of $17.6 million. Seven 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 $5.9 million with unrealized losses of $7.2 million at June 30, 2011. These securities were rated A2 and A3 at inception, but at June 30, 2011, one security was rated BB, five 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 six months ended June 30, 2011, our model indicated no other-than-temporary-impairment losses on these securities.

Two of our pooled trust preferred securities with a fair value of $3.8 million and unrealized losses of $10.4 million at June 30, 2011 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 six months ended June 30, 2010, our model indicated other-than-temporary-impairment losses on two securities of $0.3 million, which was recorded as a credit loss in earnings. At June 30, 2010, the fair value of these two securities was $1.1 million and they remained classified as available for sale.

The two pooled trust preferred securities which were not subject to FASB ASC 325-10 had a fair value of $5.8 million and unrealized losses of $8.3 million at June 30, 2010. 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.

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The table below summarizes the relevant characteristics of our nine pooled trust preferred securities as well as four single issuer trust preferred securities. 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.

As depicted in the table below, all nine securities have experienced credit defaults. However, three 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 June 30, 2011 (Dollars in Thousands)	Class	Lowest Credit Rating (1)	Amortized Cost	Fair Value	Unrealized Gain/ (Loss)	Realized Losses 2011	# 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	$ 978	$ 641	$ (337)	$	19/39	40.1%	15.3%	0.0%
MM Community Funding IX	B-2	C	2,081	1,094	(987)		20/33	34.4%	14.4%	0.0%
Reg Div Funding 2004	B-2	D	4,208	795	(3,413)		25/45	43.1%	12.4%	0.0%
Pretsl XII	B-1	C	2,886	1,693	(1,193)		50/77	30.4%	6.7%	0.0%
Pretsl XV	B-1	C	1,695	608	(1,087)		51/72	35.4%	10.0%	0.0%
Reg Div Funding 2005	B-1	C	311	114	(197)		22/49	51.3%	30.9%	0.0%
MM Community Funding II	B	BB	979	947	(32)		5/8	4.7%	0.0%	26.9%
Pretsl XXVII LTD	B	CC	4,823	1,154	(3,669)		33/49	28.1%	23.7%	23.6%
Trapeza Ser 13A	A2A	CCC-	9,388	2,692	(6,696)		36/56	29.2%	22.6%	34.2%
			27,349	9,738	(17,611)					
Single Issuer trust preferred securities:										
First Empire Cap (M&T)		BBB-	955	1,021	66					
First Empire Cap (M&T)		BBB-	2,903	3,062	159					
Fleet Cap Tr V (BOA)		BB+	3,354	2,873	(481)					
JP Morgan Chase Cap XIII		BBB+	4,708	4,266	(442)					
			11,920	11,222	(698)					
Total			$ 39,269	$ 20,960	$ (18,309)	$				

(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 June 30, 2011 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 June 30, 2011	Six months ended June 30, 2011
Non-agency mortgage-backed securities:					
FHASI Ser 4	2007	CC	$ 21,098	$ 138	$ 340
HALO Ser 1R	2006	B	15,640	16	16
RFMSI Ser S10	2006	CC	4,217	46	143
			$ 40,955	200	499
Total other-than-temporary-impairment recognized in earnings				$ 200	$ 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 June 30, 2010 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 June 30, 2010	Six months ended June 30, 2010
Non-agency mortgage-backed securities:					
BAFC Ser 4	2007	CCC	$ 14,026	$ 79	$ 79
CWALT Ser 73CB	2005	CCC	6,606	150	207
CWALT Ser 73CB	2005	CCC	8,353	324	427
CWHL 2006-10	2006	CC	10,030	105	309
CWHL 2005-20	2005	B-	10,987	7	39
FHASI Ser 4	2007	CCC	21,654	592	592
RFMSI Ser S9	2006	CC	32,070	923	923
RFMSI Ser S10	2006	CCC	4,362	74	74
RALI QS2	2006	CC	6,968	199	278
RFMSI S1	2006	CCC	5,767		30

			120,823	2,453	2,958
Pooled trust preferred securities:					
TROPC	2003	C	2,116	165	165
MM Community Funding IX	2003	C	1,287	146	146
			3,403	311	311
Total other-than-temporary-impairment recognized in earnings				$ 2,764	$ 3,269

(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 June 30, 2011, and the related credit losses recognized in earnings:

				Amount of other-than-temporary impairment recognized in earnings			
		Lowest Credit Rating (1)	Amortized	Six months June 30,	Twelve months ended December 31,		Life-to
	Vintage		Cost	2011	2010	2009	date
Non-agency mortgage-backed securities:							
BAFC Ser 4	2007	CCC	$ 14,026	$	$ 79	$ 63	$ 142
CWALT Ser 73CB	2005	CCC	4,428		207	83	290
CWALT Ser 73CB	2005	CCC	5,388		427	182	609
CWHL 2006-10 (3)	2006				309	762	1,071
CWHL 2005-20	2005	B-	6,376		39	72	111
FHASI Ser 4	2007	CC	21,098	340	629	223	1,192
HALO Ser 1R	2006	B	15,640	16			16
RFMSI Ser S9 (2)	2006				923	1,880	2,803
RFMSI Ser S10	2006	CC	4,217	143	76	249	468
RALI QS2 (2)	2006				278	739	1,017
RFMSI S1	2006	CCC	3,351		30	176	206
			74,524	499	2,997	4,429	7,925
Pooled trust preferred securities:							
TROPC	2003	C	978		444	3,517	3,961
MM Community Funding IX	2003	C	2,081		165	2,612	2,777
Reg Div Funding	2004	D	4,208		321	5,199	5,520
Pretsl XII	2003	C	2,886			1,897	1,897
Pretsl XV	2004	C	1,695			3,374	3,374
Reg Div Funding	2005	C	311			3,767	3,767
			12,159		930	20,366	21,296
Total other-than-temporary-impairment recognized in earnings				$ 499	$ 3,927	$ 24,795	$ 29,221

(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.

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 June 30, 2011 and December 31, 2010, Old National had residential loans held for sale of $6.1 million and $3.8 million, respectively.

During the first six 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 June 30, 2011, there were no loans held for sale under this arrangement.

During the first six months of 2010, commercial and commercial real estate loans held for investment of $3.1 million were reclassified to loans held for sale at the lower of cost or fair value and sold for $3.3 million, resulting in a recovery of $0.2 million on the loans transferred. At June 30, 2010, there were no loans held for sale under this arrangement.

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NOTE 8 FINANCE RECEIVABLES 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)	**June 30, 2011**	December 31, 2010
Commercial (1)	**$ 1,269,607**	$ 1,211,399
Commercial real estate:		
Construction	**98,670**	101,016
Other	**1,071,731**	841,379
Residential real estate	**795,442**	664,705
Consumer credit:		
Heloc	**255,073**	248,293
Auto	**486,416**	497,102
Other	**140,402**	179,557
Subtotal	**4,117,341**	3,743,451
Allowance for loan losses	**(70,189)**	(72,309)
Net loans	**$ 4,047,152**	$ 3,671,142

(1) Includes direct finance leases of $92.9 million at June 30, 2011 and $106.1 million at December 31, 2010.

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.

Construction

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 and Consumer

With respect to residential loans that are secured by 1-4 family residences and are generally owner occupied, Old National establishes a maximum loan-to-value ratio and generally requires private mortgage insurance if that ratio is exceeded. 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.

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.

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Old National s activity in the allowance for loan losses for the three months ended June 30, 2011 and 2010 is as follows:

(dollars in thousands)	Commercial	Commercial Real Estate	Consumer	Residential	Unallocated	Total
2011						
Allowance for loan losses:						
Beginning balance	$ 27,190	$ 32,550	$ 10,280	$ 2,729		$ 72,749
Charge-offs	(3,838)	(2,274)	(2,465)	(325)		(8,902)
Recoveries	1,302	316	1,468	49		3,135
Provision	1,375	1,898	(725)	659		3,207
Ending balance	$ 26,029	$ 32,490	$ 8,558	$ 3,112		$ 70,189

(dollars in thousands)	Commercial	Commercial Real Estate	Consumer	Residential	Unallocated	Total
2010						
Allowance for loan losses:						
Beginning balance	$ 27,764	$ 28,716	$ 13,967	$ 1,651		$ 72,098
Charge-offs	(4,498)	(3,105)	(3,456)	(748)		(11,807)
Recoveries	1,208	853	1,473	38		3,572
Provision	4,085	803	893	2,219		8,000
Ending balance	$ 28,559	$ 27,267	$ 12,877	$ 3,160		$ 71,863

Old National s activity in the allowance for loan losses for the six months ended June 30, 2011 and 2010 is as follows:

(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	(5,169)	(2,981)	(5,853)	(1,173)		(15,176)
Recoveries	2,135	984	3,326	92		6,537
Provision	2,859	1,833	(57)	1,884		6,519
Ending balance	$ 26,029	$ 32,490	$ 8,558	$ 3,112		$ 70,189

(dollars in thousands)	Commercial	Commercial Real Estate	Consumer	Residential	Unallocated	Total
2010						
Allowance for loan losses:						
Beginning balance	$ 26,869	$ 27,138	$ 13,853	$ 1,688		$ 69,548

Charge-offs	(7,991)	(4,841)	(8,211)	(1,676)	(22,719)
Recoveries	3,458	1,145	3,093	57	7,753
Provision	6,223	3,825	4,142	3,091	17,281
Ending balance	$ 28,559	$ 27,267	$ 12,877	$ 3,160	$ 71,863

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The following table provides Old National s recorded investment in financing receivables by portfolio segment at June 30, 2011 and December 31, 2010 and other information regarding the allowance:

(dollars in thousands)	Commercial	Commercial Real Estate	Consumer	Residential	Unallocated	Total
June 30, 2011						
Allowance for loan losses:						
Ending balance: individually evaluated for impairment	$ 10,162	$ 7,736				$ 17,898
Ending balance: collectively evaluated for impairment	$ 14,314	$ 22,517	$ 8,558	$ 3,112		$ 48,501
Ending balance: loans acquired with deteriorated credit quality	$ 1,553	$ 2,237				$ 3,790
Loans and leases outstanding:						
Ending balance	$ 1,269,607	$ 1,170,401	$ 881,891	$ 795,442		$ 4,117,341
Ending balance: individually evaluated for impairment	$ 34,099	$ 39,905				$ 74,004
Ending balance: collectively evaluated for impairment	$ 1,233,250	$ 1,103,054	$ 881,709	$ 794,946		$ 4,012,959
Ending balance: loans acquired with deteriorated credit quality (1)	$ 2,258	$ 27,442	$ 182	$ 496		$ 30,378

(1) Includes $2.4 million of revolving credits not accounted for under ASC 310-30.

(dollars in thousands)	Commercial	Commercial Real Estate	Consumer	Residential	Unallocated	Total
December 31, 2010						
Allowance for loan losses:						
Ending balance: individually evaluated for impairment	$ 6,063	$ 8,514				$ 14,577
Ending balance: collectively evaluated for impairment	$ 20,141	$ 24,140	$ 11,142	$ 2,309		$ 57,732
Loans and leases outstanding:						
Ending balance	$ 1,211,399	$ 942,395	$ 924,952	$ 664,705		$ 3,743,451
	$ 23,944	$ 29,377				$ 53,321

Ending balance: individually evaluated for impairment					
Ending balance: collectively evaluated for impairment	$ 1,187,455	$ 913,018	$ 924,952	$ 664,705	$ 3,690,130

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.

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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 or liquidation 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.
The risk category of loans, including loans acquired from Monroe Bancorp, by class of loans is as follows:

(dollars in thousands)

Corporate Credit Exposure by Internally Assigned Grade	Commercial June 30, 2011	Commercial December 31, 2010	Commercial Real Estate-Construction June 30, 2011	Commercial Real Estate-Construction December 31, 2010	Commercial Real Estate-Other June 30, 2011	Commercial Real Estate-Other December 31, 2010
Grade:						
Pass	$ 1,140,817	$ 1,105,382	$ 73,436	$ 77,241	$ 906,793	$ 729,243
Criticized	43,263	38,629	13,458	16,223	48,847	29,161
Classified substandard	49,337	41,899	8,905	7,552	51,702	52,559
Classified doubtful	36,190	25,489	2,871		64,389	30,416
Total	$ 1,269,607	$ 1,211,399	$ 98,670	$ 101,016	$ 1,071,731	$ 841,379

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 June 30, 2011 and December 31, 2010:

June 30, 2011 (dollars in thousands)	Consumer Heloc	Consumer Auto	Consumer Other	Residential
Performing	$ 254,035	$ 484,155	$ 138,521	$ 785,635
Nonperforming	1,038	2,261	1,881	9,807
	$ 255,073	$ 486,416	$ 140,402	$ 795,442

December 31, 2010 (dollars in thousands)	Consumer Heloc	Consumer Auto	Consumer Other	Residential
Performing	$ 246,390	$ 494,771	$ 177,470	$ 655,986
Nonperforming	1,903	2,331	2,087	8,719
	$ 248,293	$ 497,102	$ 179,557	$ 664,705

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 recognizing income on impaired loans is to accrue interest unless a loan is placed on nonaccrual status. For the six months ended June 30, 2011 and 2010, the average balance of impaired loans was $62.0 million and $49.5 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 that are individually evaluated as of June 30, 2011 and December 31, 2010. Of the purchased loans, only those that have experienced subsequent impairment since the date acquired are included in the table below. Purchased loans of $11.8 million migrated to classified-doubtful during the second quarter of 2011.

(dollars in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance
June 30, 2011			
With no related allowance recorded:			
Commercial	$ 8,751	$ 9,986	$
Commercial Real Estate Construction			
Commercial Real Estate Other	9,784	13,447	
With an allowance recorded:			
Commercial	25,348	28,578	10,162
Commercial Real Estate Construction			
Commercial Real Estate Other	30,121	31,897	7,736
Total Commercial	$ 74,004	$ 83,908	$ 17,898
December 31, 2010			
With no related allowance recorded:			
Commercial	$ 6,116	$ 8,001	$
Commercial Real Estate Construction			
Commercial Real Estate Other	10,554	16,781	
With an allowance recorded:			
Commercial	17,828	20,341	6,063
Commercial Real Estate Construction			
Commercial Real Estate Other	18,823	19,849	8,514
Total Commercial	$ 53,321	$ 64,972	$ 14,577

The average balance of impaired loans and interest income recognized on impaired loans during the six months ended June 30, 2011 are included in the tables below.

(dollars in thousands)	Average Recorded Investment	Interest Income Recognized (1)
June 30, 2011		
With no related allowance recorded:		
Commercial	$ 5,529	$ 90
Commercial Real Estate Construction		
Commercial Real Estate Other	8,821	105
With an allowance recorded:		
Commercial	21,756	86
Commercial Real Estate Construction		
Commercial Real Estate Other	25,872	134

Total Commercial	$	61,978	$	415

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

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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.

Old National s past due financing receivables as of June 30, 2011 and December 31, 2010 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
June 30, 2011						
Commercial	$ 3,314	$ 1,055	$ 3	$ 36,190	$ 40,562	$ 1,229,045
Commercial Real Estate:						
Construction				2,871	2,871	95,799
Other	1,668	513	57	64,389	66,627	1,005,104
Consumer:						
Heloc	289	101	40	1,038	1,468	253,605
Auto	4,934	871	159	2,261	8,225	478,191
Other	1,263	646	179	1,881	3,969	136,433
Residential	7,154	1,079		9,807	18,040	777,402
Total	$ 18,622	$ 4,265	$ 438	$ 118,437	$ 141,762	$ 3,975,579
December 31, 2010						
Commercial	$ 2,543	$ 583	$ 79	$ 25,488	$ 28,693	$ 1,182,706
Commercial Real Estate:						
Construction						101,016
Other	992	98		30,416	31,506	809,873
Consumer:						
Heloc	849	477	189	1,903	3,418	244,875
Auto	5,791	1,316	120	2,331	9,558	487,544
Other	1,129	972	184	2,088	4,373	175,184
Residential	9,126	1,589		8,719	19,434	645,271
Total	$ 20,430	$ 5,035	$ 572	$ 70,945	$ 96,982	$ 3,646,469

In the course of resolving nonperforming loans, Old National may choose to restructure the contractual terms of certain loans. The Company may attempt to work out an alternative payment schedule with the borrower in order to avoid foreclosure actions. Any loans that are modified are reviewed by Old National to identify if a troubled debt restructuring (TDR) has occurred, which is when for economic or legal reasons related to a borrower s financial difficulties, the Bank grants a concession to the borrower that it would not otherwise consider. Terms may be modified to fit the ability of the borrower to repay in line with its current financial status and could include reduction of the stated interest rate other than normal market rate adjustments, extension of maturity dates, or reduction of

principal balance or accrued interest. The decision to restructure a loan, versus aggressively enforcing the collection of the loan, may benefit Old National by increasing the ultimate probability of collection.

Loans modified in a troubled debt restructuring are placed on nonaccrual status until the Company determines the future collection of principal and interest is reasonably assured, which generally requires that the borrower demonstrate a period of performance according to the restructured terms of six months. At June 30, 2011, loans modified in a troubled debt restructuring, which are included in nonaccrual loans, totaled $7.5 million, consisting of $3.5 million of commercial loans and $4.0 million of commercial real estate loans, and had specific allocations of allowance for loan losses of $3.0 million. At December 31, 2010, loans modified in a troubled debt restructuring, which are included in nonaccrual loans, totaled $4.8 million, consisting of $3.8 million of commercial loans and $1.0 million of commercial real estate loans, and had specific allocations of allowance for loan losses of $1.6 million.

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

Purchased Impaired Loans

Purchased loans acquired in a business combination are recorded at estimated fair value on their purchase date with no carryover of the related allowance for loan and lease losses. In determining the estimated fair value of purchased loans, management considers a number of factors including the remaining life of the acquired loans, estimated prepayments, estimated loss ratios, estimated value of the underlying collateral, net present value of cash flows expected to be received, among others. Purchased loans are accounted for in accordance with guidance for certain loans acquired in a transfer, when the loans have evidence of credit deterioration since origination and it is probable at the date of acquisition that the acquirer will not collect all contractually required principal and interest payments. The difference between contractually required payments and the cash flows expected to be collected at acquisition is referred to as the non-accretable difference. Subsequent decreases to the expected cash flows will generally result in a provision for loan and lease losses. Subsequent increases in cash flows will result in a reversal of the provision for loan losses to the extent of prior charges and then an adjustment to accretable yield, which would have a positive impact on interest income.

Old National has purchased loans for which there was, at acquisition, evidence of deterioration of credit quality since origination and it was probable, at acquisition, that all contractually required payments would not be collected. Of these acquired credit impaired loans, $2.4 million in carrying balances did not meet the criteria to be accounted for under the guidance of ASC 310-30 as they were revolving lines of credit, thus these lines have not been included in the following table. For the loans that meet the criteria of ASC 310-30 treatment, the carrying amount is as follows:

(dollars in thousands)	June 30, 2011
Commercial	$ 1,733
Commercial real estate	25,532
Consumer	181
Residential	496
Outstanding balance	$ 27,942
Carrying amount, net of allowance of $827	$ 27,115

The accretable difference on purchased loans acquired in a business combination is the difference between the expected cash flows and the net present value of expected cash flows with such difference accreted into earnings using the effective yield method over the term of the loans. The accretable difference that is expected to be accreted into future earnings of the Company totaled $7.0 million at the date of acquisition. Accretion of $5.2 million has been recorded as loan interest income through June 30, 2011.

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

(dollars in thousands)		
Balance at January 1, 2011	$	
New loans purchased		7,001
Accretion of income		(5,198)
Reclassifications from (to) nonaccretable difference		12,235
Disposals/other adjustments		(80)
Balance at June 30, 2011	$	13,958

For those purchased loans disclosed above, Old National established a $.8 million allowance for loan losses during the first six months of 2011. The amounts in the allowance for loan losses attributable to the purchased loans disclosed above were zero and $.8 million at the beginning and end of the period, respectively. No allowances for loan losses were reversed during the first six months of 2011 regarding these loans.

Purchased loans for which it was probable at acquisition that all contractually required payments would not be collected are as follows:

(dollars in thousands)		June 30, 2011
Contractually required payments receivable of loans purchased during the year:		
Commercial	$	8,839
Commercial real estate		52,484
Consumer		305
Residential		1,124
	$	62,752
Cash flows expected to be collected at acquisition (January 1, 2011)	$	49,557
Fair value of acquired loans at acquisition (January 1, 2011)	$	42,587

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

NOTE 9 GOODWILL AND OTHER INTANGIBLE ASSETS

The following table shows the changes in the carrying amount of goodwill by segment for the six months ended June 30, 2011 and 2010:

(dollars in thousands)		**Community Banking**		**Other**		**Total**
Balance, January 1, 2011	**$**	**128,011**	**$**	**39,873**	**$**	**167,884**
Goodwill acquired during the period		**67,536**		**893**		**68,429**
Balance, June 30, 2011	**$**	**195,547**	**$**	**40,766**	**$**	**236,313**
Balance, January 1, 2010	$	128,011	$	39,873	$	167,884
Goodwill acquired during the period						

Balance, June 30, 2010	$ 128,011	$ 39,873	$ 167,884

Goodwill is reviewed annually for impairment. Old National completed its most recent annual goodwill impairment test as of August 31, 2010 and determined that no impairment existed as of this date. Old National recorded $68.4 million of goodwill in the first quarter of 2011 associated with the acquisition of Monroe Bancorp.

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The gross carrying amount and accumulated amortization of other intangible assets at June 30, 2011 and December 31, 2010 was as follows:

(dollars in thousands)	Gross Carrying Amount	Accumulated Amortization and Impairment	Net Carrying Amount
June 30, 2011			
Amortized intangible assets:			
Core deposit	**$ 34,975**	**$ (17,118)**	**$ 17,857**
Customer business relationships	**25,611**	**(15,421)**	**10,190**
Customer trust relationships	**3,621**	**(195)**	**3,426**
Customer loan relationships	**4,413**	**(1,772)**	**2,641**
Total intangible assets	**$ 68,620**	**$ (34,506)**	**$ 34,114**
December 31, 2010			
Amortized intangible assets:			
Core deposit	$ 26,810	$ (14,646)	$ 12,164
Customer business relationships	25,753	(14,581)	11,172
Customer loan relationships	4,413	(1,571)	2,842
Total intangible assets	$ 56,976	$ (30,798)	$ 26,178

Other intangible assets consist of core deposit intangibles and customer relationship intangibles and are being amortized primarily on an accelerated basis over their estimated useful lives, generally over a period of 7 to 25 years. During the first quarter of 2011, Old National recorded $8.2 million of core deposit intangibles associated with the acquisition of Monroe Bancorp, which is included in the Community Banking segment. During the first quarter of 2011, Old National also recorded $2.3 million of customer relationship intangibles associated with the trust business of Monroe Bancorp, which is included in the Other segment. During the second quarter of 2011, Old National recorded $1.3 million of customer relationship intangibles associated with the trust business of Integra Wealth Management and Trust, which is included in the Other segment. Total amortization expense associated with other intangible assets for the six months ended June 30 was $3.8 million in 2011 and $3.1 million in 2010.
Estimated amortization expense for future years is as follows:

(dollars in thousands)	
2011 remaining	$ 3,735
2012	6,684
2013	5,699
2014	4,713
2015	3,919
Thereafter	9,364
Total	$ 34,114

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NOTE 10 SHORT-TERM BORROWINGS

The following table presents the distribution of Old National s short-term borrowings and related weighted-average interest rates as of June 30, 2011:

(dollars in thousands)	Federal Funds Purchased	Repurchase Agreements	Other Short-term Borrowings	Total
2011				
Outstanding at June 30, 2011	**$ 1,385**	**$ 294,709**	**$ 9,111**	**$ 305,205**
Average amount outstanding	**1,783**	**337,524**	**8,861**	**348,168**
Maximum amount outstanding at any month-end	**17,178**	**366,103**	**10,665**	
Weighted average interest rate:				
During six months ended June 30, 2011	**0.05%**	**0.15%**	**0.04%**	**0.15%**
At June 30, 2011		**0.14**		**0.14**

Other Short-term Borrowings

As of June 30, 2011, Old National had $9.1 million of Treasury funds under the Treasury Tax and Loan Account program. These funds typically have a short duration, are collateralized and can be withdrawn by the Treasury Department at any time. At June 30, 2011, the effective interest rate on these funds was 0%.

NOTE 11 FINANCING ACTIVITIES

The following table summarizes Old National s and its subsidiaries other borrowings at June 30, 2011 and December 31, 2010:

(dollars in thousands)	June 30, 2011	December 31, 2010
Old National Bancorp:		
Junior subordinated debenture (variable rates of 2.00% to 3.30% and fixed rates of 6.52% to 7.15%) maturing July 2033 to June 2037	**$ 16,000**	$ 8,000
Subordinated notes (fixed rate of 10.00%) maturing June 2019	**13,000**	
ASC 815 fair value hedge and other basis adjustments	**(2,648)**	(36)
Old National Bank:		
Securities sold under agreements to repurchase (variable rate 3.07%) maturing October 2014	**50,000**	50,000
Federal Home Loan Bank advances (fixed rates 1.24% to 8.34% and variable rate 3.47%) maturing June 2012 to January 2023	**211,316**	211,696
Subordinated bank notes (fixed rates of 6.75%) maturing October 2011	**150,000**	150,000
Capital lease obligation	**4,284**	4,307
ASC 815 fair value hedge and other basis adjustments	**(1,482)**	(2,056)
Total other borrowings	**$ 440,470**	$ 421,911

Contractual maturities of other borrowings at June 30, 2011, were as follows:

(dollars in thousands)	
Due in 2011	$ 150,023
Due in 2012	688
Due in 2013	75,918
Due in 2014	92,560
Due in 2015	16,763
Thereafter	108,648
SFAS 133 fair value hedge and other basis adjustments	(4,130)
Total	$ 440,470

FEDERAL HOME LOAN BANK

Federal Home Loan Bank advances had weighted-average rates of 3.42% and 3.32% at June 30, 2011, and December 31, 2010, respectively. These borrowings are collateralized by investment securities and residential real estate loans up to 153% of outstanding debt.

SUBORDINATED NOTES

In 2011, Old National acquired Monroe Bancorp. Included in the acquisition was $13 million of 10% subordinated notes. As shown in the table above, these subordinated notes mature June 2019. Old National may redeem the notes, in whole or in part, beginning June 30, 2012. According to capital guidelines, the portion of limited-life capital instruments that is includible in Tier 2 capital is limited within five years or less until maturity. As of June 30, 2011, $13 million of the subordinated notes qualified as Tier 2 Capital for regulatory purposes.

SUBORDINATED BANK NOTES

Old National Bank s notes are issued under the global note program and are not obligations of, or guaranteed by, Old National Bancorp.

According to capital guidelines, the portion of limited-life capital instruments that is includible in Tier 2 capital is limited within five years or less until maturity. As of June 30, 2011, none of the subordinated bank notes qualified as Tier 2 Capital for regulatory purposes. As shown in the table above, these subordinated bank notes mature October 2011. Capital treatment ceased October 2010, or one year prior to the maturity date.

JUNIOR SUBORDINATED DEBENTURES

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

ONB Capital Trust II issued $100 million in preferred securities in April 2002. Old National guaranteed the payment of distributions on the trust preferred securities issued by ONB Capital Trust II. The preferred securities had a liquidation amount of $25 per share with a cumulative annual distribution rate of 8.0% or $2.00 per share payable quarterly and maturing on April 15, 2032. Proceeds from the issuance of these securities were used to purchase junior subordinated debentures with the same financial terms as the securities issued by ONB Capital Trust II. On November 9, 2010, Old National s Board of Directors approved the redemption of the junior subordinated debentures. As a result of the redemption of the debentures, the trustee of ONB Capital Trust II redeemed all $100 million of the 8% trust preferred securities on December 15, 2010. The $3.0 million remaining balance of the unamortized issuance costs at the time of the redemption were expensed.

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In 2007, Old National acquired St. Joseph Capital Trust I and St. Joseph Capital Trust II in conjunction with its acquisition of St. Joseph Capital Corporation. Old National guarantees the payment of distributions on the trust preferred securities issued by St. Joseph Capital Trust I and St. Joseph Capital Trust II. St. Joseph Capital Trust I issued $3.0 million in preferred securities in July 2003. The preferred securities carry a variable rate of interest priced at the three-month LIBOR plus 305 basis points, payable quarterly and maturing on July 11, 2033. Proceeds from the issuance of these securities were used to purchase junior subordinated debentures with the same financial terms as the securities issued by St. Joseph Capital Trust I. St. Joseph Capital Trust II issued $5.0 million in preferred securities in March 2005. The preferred securities had a cumulative annual distribution rate of 6.27% until March 2010 and now carry a variable rate of interest priced at the three-month LIBOR plus 175 basis points, payable quarterly and maturing on March 17, 2035. Proceeds from the issuance of these securities were used to purchase junior subordinated debentures with the same financial terms as the securities issued by St. Joseph Capital Trust II. Old National, at any time, may redeem the junior subordinated debentures and thereby cause a redemption of the trust preferred securities.
In 2011, Old National acquired Monroe Bancorp Capital Trust I and Monroe Bancorp Statutory Trust II in conjunction with its acquisition of Monroe Bancorp. Old National guarantees the payment of distributions on the trust preferred securities issued by Monroe Bancorp Capital Trust I and Monroe Bancorp Statutory Trust II. Monroe Bancorp Capital Trust I issued $3.0 million in preferred securities in July 2006. The preferred securities carry a fixed rate of interest of 7.15% until October 7, 2011 and thereafter a variable rate of interest priced at the three-month LIBOR plus 1.60%. Proceeds from the issuance of these securities were used to purchase junior subordinated debentures with the same financial terms as the securities issued by Monroe Bancorp Capital Trust I. Monroe Bancorp Statutory Trust II issued $5.0 million in preferred securities in March 2007. The preferred securities carry a fixed rate of interest of 6.52% until June 15, 2012 and thereafter a variable rate of interest priced at the three-month LIBOR plus 1.60%. Proceeds from the issuance of these securities were used to purchase junior subordinated debentures with the same financial terms as the securities issued by Monroe Bancorp Statutory Trust II. Old National, at any time, may redeem the junior subordinated debentures and thereby cause a redemption of the trust preferred securities in whole (or in part from time to time) on or after October 7, 2011 (for debentures owned by Monroe Bancorp Capital Trust I) and on or after June 15, 2012 (for debentures owned by Monroe Bancorp Statutory Trust II), and in whole or in part following the occurrence and continuance of certain adverse federal income tax or capital treatment events.

CAPITAL LEASE OBLIGATION

On January 1, 2004, Old National entered into a long-term capital lease obligation for a branch office building in Owensboro, Kentucky, which extends for 25 years with one renewal option for 10 years. The economic substance of this lease is that Old National is financing the acquisition of the building through the lease and accordingly, the building is recorded as an asset and the lease is recorded as a liability. The fair value of the capital lease obligation was estimated using a discounted cash flow analysis based on Old National s current incremental borrowing rate for similar types of borrowing arrangements.
At June 30, 2011, the future minimum lease payments under the capital lease were as follows:

(dollars in thousands)		
2011 remaining	$	194
2012		390
2013		390
2014		410
2015		410
Thereafter		10,494
Total minimum lease payments		12,288
Less amounts representing interest		8,004
Present value of net minimum lease payments	$	4,284

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NOTE 12 EMPLOYEE BENEFIT PLANS
RETIREMENT PLAN

Old National maintains a funded noncontributory defined benefit plan (the Retirement Plan) that was frozen as of December 31, 2005. Retirement benefits are based on years of service and compensation during the highest paid five years of employment. The freezing of the plan provides that future salary increases will not be considered. Old National s policy is to contribute at least the minimum funding requirement determined by the plan s actuary. Old National expects to contribute approximately $220 thousand to the Retirement Plan in 2011.

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

Old National contributed $95 thousand to cover benefit payments from the Restoration Plan during the first six months of 2011. Old National expects to contribute an additional $60 thousand to cover benefit payments from the Restoration Plan during the remainder of 2011.

The net periodic benefit cost and its components were as follows for the three and six months ended June 30:

	Three Months Ended June 30,		Six Months Ended June 30,	
(dollars in thousands)	**2011**	**2010**	**2011**	**2010**
Interest cost	**$ 525**	$ 497	**$ 1,050**	$ 994
Expected return on plan assets	**(676)**	(490)	**(1,352)**	(980)
Recognized actuarial loss	**689**	401	**1,378**	802
Settlement	**391**		**604**	
Net periodic benefit cost	**$ 929**	$ 408	**$ 1,680**	$ 816

NOTE 13 STOCK-BASED COMPENSATION

During May 2008, shareholders approved the Company s 2008 Incentive Compensation Plan which authorizes up to a maximum of 1.0 million shares plus certain shares covered under the 1999 Equity Incentive Plan. At June 30, 2011, 2.5 million shares remained available for issuance. The granting of awards to key employees is typically in the form of restricted stock or options to purchase common shares of stock.

Stock Options

The Company did not grant any stock options during the first six months of 2011. Old National recorded $41 thousand of stock based compensation expense, net of tax, during the first six months of 2011 as compared to $86 thousand for the first six months of 2010.

In connection with the acquisition of Monroe Bancorp on January 1, 2011, 0.3 million options for shares of Monroe Bancorp stock were converted to 0.3 million options for shares of Old National Bancorp stock. Old National recorded no incremental expense associated with the conversion of these options.

Restricted Stock Awards

The Company granted 119 thousand time-based restricted stock awards to certain key officers during 2011, with shares vesting in either eighteen or thirty-six month periods. Compensation expense is recognized on a straight-line basis over the vesting period. Shares are subject to certain restrictions and risk of forfeiture by the participants. As of June 30, 2011, unrecognized compensation expense was estimated to be $2.2 million for unvested restricted share awards.

Old National recorded expense of $0.4 million, net of tax benefit, during the first six months of 2011, compared to expense of $0.4 million during the first six months of 2010 related to the vesting of restricted share awards. Included in the first six months of 2010 is the reversal of $0.1 million of expense associated with certain performance-based restricted stock grants.

Restricted Stock Units

The Company granted 156 thousand shares of performance based restricted stock units to certain key officers during 2011, with shares vesting at the end of a thirty-six month period based on the achievement of certain targets. Compensation expense is recognized on a straight-line basis over the vesting period. Shares are subject to certain restrictions and risk of forfeiture by the participants. In addition, certain of the restricted stock units are subject to relative performance factors which could increase or decrease the percentage of shares issued.

Old National recorded $0.4 million of stock based compensation expense, net of tax, during the first six months of 2011. Old National recorded $0.3 million of stock based compensation expense, net of tax, during the first six months of 2010. Included in the first six months of 2011 is the reversal of $13 thousand of expense associated with certain performance-based restricted stock grants.

NOTE 14 INCOME TAXES

Following is a summary of the major items comprising the differences in taxes from continuing operations computed at the federal statutory rate and as recorded in the consolidated statement of income for the three and six months ended June 30:

	Three Months Ended June 30,		Six Months Ended June 30,	
(dollars in thousands)	**2011**	2010	**2011**	2010
Provision at statutory rate of 35%	**$ 8,030**	$ 4,290	**$ 15,363**	$ 8,409
Tax-exempt income	**(2,370)**	(2,672)	**(4,761)**	(5,333)
State income taxes	**702**	162	**1,096**	247
Interim period effective rate adjustment	**(3)**		**(799)**	
Other, net	**(432)**	(46)	**(454)**	110
Income tax expense	**$ 5,927**	$ 1,734	**$ 10,445**	$ 3,433
Effective tax rate	**25.8%**	14.1%	**23.8%**	14.3%

In accordance with ASC 740-270, Accounting for Interim Reporting, the provision for income taxes was recorded at June 30, 2011 based on the current estimate of the effective annual rate.

For the three and six months ended June 30, 2011, the effective tax rate was higher than the three and six months ended June 30, 2010. The higher tax rate in the second quarter and six months of 2011 is the result of an increase in pre-tax book income while tax-exempt income remained relatively stable.

No valuation allowance was recorded at June 30, 2011 and 2010 because, based on our current expectations, Old National believes that it will generate sufficient income in the future years to realize deferred tax assets.

Unrecognized Tax Benefits

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

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

(dollars in thousands)	**2011**	2010
Balance at January 1	**$ 4,553**	$ 8,500
Additions (reductions) based on tax positions related to the current year	**3**	(584)
Balance at June 30	**$ 4,556**	$ 7,916

Approximately $0.76 million of unrecognized tax benefits, if recognized, would favorably affect the effective income tax rate in future periods.

NOTE 15 DERIVATIVE FINANCIAL INSTRUMENTS

As part of the Company s overall interest rate risk management, Old National uses derivative instruments, including interest rate swaps, caps and floors. The notional amount of these derivative instruments was $195.0 million at both June 30, 2011 and December 31, 2010, respectively. The June 30, 2011 balances consist of $95.0 million notional amount of receive-fixed interest rate swaps on certain of its FHLB advances and $100.0 million notional amount of receive-fixed interest rate swaps on certain commercial loans. The December 31, 2010 balances consist of $95.0 million notional amount of receive-fixed interest rate swaps on certain of its FHLB advances and $100.0 million notional amount of receive-fixed interest rate swaps on certain commercial loans. These hedges were entered into to manage both interest rate risk and asset sensitivity on the balance sheet. These derivative instruments are recognized on the balance sheet at their fair value.

In addition, commitments to fund certain mortgage loans (interest rate lock commitments) and forward commitments for the future delivery of mortgage loans to third party investors are considered derivatives. At June 30, 2011, the notional amount of the interest rate lock commitments and forward commitments were $11.2 million and $16.9 million, respectively. At December 31, 2010, the notional amount of the interest rate lock commitments and forward commitments were $7.7 million and $9.3 million, respectively. It is the Company s practice to enter into forward commitments for the future delivery of residential mortgage loans to third party investors when interest rate lock commitments are entered into in order to economically hedge the effect of changes in interest rates resulting from its commitment to fund the loans. All derivative instruments are recognized on the balance sheet at their fair value.

Old National also enters into derivative instruments for the benefit of its customers. The notional amounts of these customer derivative instruments and the offsetting counterparty derivative instruments were $395.4 million and $395.4 million, respectively, at June 30, 2011. At December 31, 2010, the notional amounts of the customer derivative instruments and the offsetting counterparty derivative instruments were $419.2 million and $419.2 million, respectively. These derivative contracts do not qualify for hedge accounting. These instruments include interest rate swaps, caps, foreign exchange forward contracts and commodity swaps and options. Commonly, Old National will economically hedge significant exposures related to these derivative contracts entered into for the benefit of customers by entering into offsetting contracts with approved, reputable, independent counterparties with substantially matching terms.

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

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

	Asset Derivatives			
	June 30, 2011		December 31, 2010	
(dollars in thousands)	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments				
Interest rate contracts	Other assets	**$ 4,519**	Other assets	$ 4,766
Total derivatives designated as hedging instruments		**$ 4,519**		$ 4,766
Derivatives not designated as hedging instruments				
Interest rate contracts	Other assets	**$ 26,216**	Other assets	$ 28,269
Commodity contracts	Other assets		Other assets	132
Mortgage contracts	Other assets	**234**	Other assets	254
Total derivatives not designated as hedging instruments		**$ 26,450**		$ 28,655
Total derivative assets		**$ 30,969**		$ 33,421

	Liability Derivatives			
	June 30, 2011		December 31, 2010	
(dollars in thousands)	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives not designated as hedging instruments				
Interest rate contracts	Other liabilities	**$ 26,692**	Other liabilities	$ 28,928
Commodity contracts	Other liabilities		Other liabilities	132
Total derivatives not designated as hedging instruments		**$ 26,692**		$ 29,060
Total derivative liabilities		**$ 26,692**		$ 29,060

The effect of derivative instruments on the Consolidated Statement of Income for the three and six months ended June 30, 2011 and 2010 are as follows:

(dollars in thousands)	Three months ended June 30, 2011	Three months ended June 30, 2010

Derivatives in Fair Value Hedging Relationships	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative	
Interest rate contracts (1)	Interest income / (expense)	**$ 709**	$ 866
Interest rate contracts (2)	Other income / (expense)	**222**	695
Total		**$ 931**	$ 1,561

Derivatives in Cash Flow Hedging Relationships	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative	
Interest rate contracts (1)	Interest income / (expense)	**$ 401**	$ 382
Total		**$ 401**	$ 382

Derivatives Not Designated as Hedging Instruments	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative	
Interest rate contracts (3)	Other income / (expense)	**$ (1)**	$ (302)
Mortgage contracts	Mortgage banking revenue	**(77)**	(38)
Total		**$ (78)**	$ (340)

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(dollars in thousands)		Six months ended June 30, 2011	Six months ended June 30, 2010
Derivatives in Fair Value Hedging Relationships	**Location of Gain or (Loss) Recognized in Income on Derivative**	**Amount of Gain or (Loss) Recognized in Income on Derivative**	
Interest rate contracts (1)	Interest income / (expense)	**$ 1,461**	$ 1,907
Interest rate contracts (2)	Other income / (expense)	**369**	1,317
Total		**$ 1,830**	$ 3,224

Derivatives in Cash Flow Hedging Relationships	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative	
Interest rate contracts (1)	Interest income / (expense)	**$ 787**	$ 775
Total		**$ 787**	$ 775

Derivatives Not Designated as Hedging Instruments	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative	
Interest rate contracts (3)	Other income / (expense)	**$ 184**	$ (301)
Mortgage contracts	Mortgage banking revenue	**(21)**	(224)
Total		**$ 163**	$ (525)

(1) Amounts represent the net interest payments as stated in the contractual agreements.

(2) Amounts represent ineffectiveness on derivatives designated as fair value hedges.

(3) Includes the valuation differences between the customer and offsetting counterparty swaps.

See Note 19 to the consolidated financial statements.

NOTE 16 COMMITMENTS AND CONTINGENCIES

LITIGATION

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

Old National contests liability and/or the amount of damages as appropriate in each pending matter. In view of the inherent difficulty of predicting the outcome of such matters, particularly in cases where claimants seek substantial or indeterminate damages or where investigations and proceedings are in the early stages, Old National cannot predict with certainty the loss or range of loss, if any, related to such matters, how or if such matters will be resolved, when they will ultimately be resolved, or what the eventual settlement, or other relief, if any, might be. Subject to the foregoing, Old National believes, based on current knowledge and after consultation with counsel, that the outcome of such pending matters will not have a material adverse effect on the consolidated financial condition of Old National, although the outcome of such matters could be material to Old National s operating results and cash flows for a particular future period, depending on, among other things, the level of Old National s revenues or income for such period.

In November 2002, several beneficiaries of certain trusts filed a complaint against Old National and Old National Trust Company in the United States District Court for the Western District of Kentucky relating to the administration of the trusts in 1997. The complaint, as amended, alleged that Old National (through a predecessor), as trustee, mismanaged termination of a lease between the trusts and a tenant mining company. The complaint seeks, among other relief, unspecified damages, (costs and expenses, including attorneys fees, and such other relief as the court might find just and proper.) On March 25, 2009, the Court granted summary judgment to Old National concluding that the plaintiffs do not have standing to sue Old National in this matter. The plaintiffs subsequently filed a motion to alter or amend the judgment with the Court. The Plaintiffs motion to alter or amend the judgment was granted by the Court on July 29, 2009, reversing the Court s March 25, 2009 Order as to standing. The July 29, 2009 Order permitted

Old National to file a new motion for summary judgment with respect to issues that had not been resolved by the Court. On December 10, 2009, the Court granted Old National partial summary judgment and also granted a motion by Plaintiffs to amend their complaint. The Court s December 10, 2009 Order permitted Old National to file a new motion for summary judgment on the amended complaint. Old National filed its motion for summary judgment on January 22, 2010, which was granted in part and denied in part on August 6, 2010. The Court has calendared a trial date of February 13, 2012. Old National filed its fourth motion for summary judgment in April 2011 that has the potential to dispose of the case if granted by the Court. In addition, a mediation session was held in March 2011 and settlement discussions continue between Old National and the Plaintiffs. Old National continues to believe that it has meritorious defenses to each of the claims in the lawsuit and intends to continue to vigorously defend the lawsuit. There can be no assurance, however, that Old National will be successful. While discovery on damages is not complete, the Company does not believe its exposure to the Plaintiffs, if any, is material based on information it currently has available. As such, the Company has not recorded a liability relating to the lawsuit in its accompanying Consolidated Balance Sheets.

In November 2010, Old National was named in a class action lawsuit, much like many other banks, challenging Old National Bank s checking account practices. The plaintiff seeks damages and other relief, including restitution. Old National believes it has meritorious defenses to the claims brought by the plaintiff, and has filed a motion to dismiss that is pending with the Court. At this phase of the litigation, it is not possible for management of Old National to determine the probability of a material adverse outcome or reasonably estimate the amount of any loss.

LEASES

Old National rents certain premises and equipment under operating leases, which expire at various dates. Many of these leases require the payment of property taxes, insurance premiums, maintenance and other costs. In some cases, rentals are subject to increase in relation to a cost-of-living index.

In prior periods, Old National entered into sale leaseback transactions for four office buildings in downtown Evansville, Indiana and eighty-eight financial centers. The properties sold had a carrying value of $163.6 million. Old National received cash proceeds of approximately $287.4 million, net of selling costs, resulting in a gain of approximately $123.9 million. Approximately $119.5 million of the gain was deferred and is being recognized over the term of the leases. As of June 30, 2011, $24.3 million of the deferred gain had been recognized. The leases have original terms ranging from five to twenty-four years, and Old National has the right, at its option, to extend the term of certain of the leases for four additional successive terms of five years. Under the lease agreements, Old National is obligated to pay base rents of approximately $25.4 million per year.

In March 2009, Old National acquired the Indiana retail branch banking network of Citizens Financial Group. The network included 65 leased locations. As of June 30, 2011, Old National had closed 24 of these locations and terminated the leases. The leases have terms of less than one year to ten years. Under the remaining lease agreements, Old National is obligated to pay a base rent of approximately $2.2 million per year.

In January 2011, Old National acquired Monroe Bancorp. Included in the acquisition are two leased branches, a leased operations center, five leased ATM locations and leased space in three retirement centers. The leased space in one of the retirement centers was closed in the second quarter of 2011. The leases have terms of one to five years. Under the lease agreements, Old National is obligated to pay a base rent of approximately $0.3 million per year.

CREDIT-RELATED FINANCIAL INSTRUMENTS

In the normal course of business, Old National s banking affiliates have entered into various agreements to extend credit, including loan commitments of $1.049 billion and standby letters of credit of $73.7 million at June 30, 2011. At June 30, 2011, approximately $1.011 billion of the loan commitments had fixed rates and $38 million had floating rates, with the fixed interest rates ranging from 0% to 13.25%. At December 31, 2010, loan commitments were $1.106 billion and standby letters of credit were $74.3 million. These commitments are not reflected in the consolidated financial statements. At June 30, 2011 and December 31, 2010, the balance of the allowance for unfunded loan commitments was $3.3 million and $3.8 million, respectively.

At June 30, 2011 and December 31, 2010, Old National had credit extensions of $25.6 million and $25.7 million, respectively, with various unaffiliated banks related to letter of credit commitments issued on behalf of Old National s clients. At June 30, 2011 and December 31, 2010, Old National provided collateral to the unaffiliated banks to secure

credit extensions totaling $18.9 million and $20.2 million, respectively. Old National did not provide collateral for the remaining credit extensions.

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NOTE 17 FINANCIAL GUARANTEES

Old National holds instruments, in the normal course of business with clients, that are considered financial guarantees in accordance with FASB ASC 460-10 (FIN 45, *Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*), which requires the Company to record the instruments at fair value. Standby letters of credit guarantees are issued in connection with agreements made by clients to counterparties. Standby letters of credit are contingent upon failure of the client to perform the terms of the underlying contract. Credit risk associated with standby letters of credit is essentially the same as that associated with extending loans to clients and is subject to normal credit policies. The term of these standby letters of credit is typically one year or less. At June 30, 2011, the notional amount of standby letters of credit was $73.7 million, which represents the maximum amount of future funding requirements, and the carrying value was $0.5 million. At December 31, 2010, the notional amount of standby letters of credit was $74.3 million, which represents the maximum amount of future funding requirements, and the carrying value was $0.5 million.

During the second quarter of 2007, Old National entered into a risk participation in an interest rate swap. The interest rate swap had a notional amount of $9.0 million at June 30, 2011.

NOTE 18 SEGMENT INFORMATION

Old National operates in two operating segments: community banking and treasury. The community banking segment serves customers in both urban and rural markets providing a wide range of financial services including commercial, real estate and consumer loans; lease financing; checking, savings, time deposits and other depository accounts; cash management services; and debit cards and other electronically accessed banking services and Internet banking. Treasury manages investments, wholesale funding, interest rate risk, liquidity and leverage for Old National. Additionally, treasury provides other miscellaneous capital markets products for its corporate banking clients. Other is comprised of the parent company and several smaller business units including insurance, wealth management and brokerage. It includes unallocated corporate overhead and intersegment revenue and expense eliminations.

In order to measure performance for each segment, Old National allocates capital and corporate overhead to each segment. Capital and corporate overhead are allocated to each segment using various methodologies, which are subject to periodic changes by management. Intersegment sales and transfers are not significant.

Old National uses a funds transfer pricing (FTP) system to eliminate the effect of interest rate risk from net interest income in the community banking segment and from companies included in the other column. The FTP system is used to credit or charge each segment for the funds the segments create or use. The net FTP credit or charge is reflected in segment net interest income.

The financial information for each operating segment is reported on the basis used internally by Old National s management to evaluate performance and is not necessarily comparable with similar information for any other financial institution.

Summarized financial information concerning segments is shown in the following table for the three and six months ended June 30:

(dollars in thousands)	Community Banking	Treasury	Other	Total
Three months ended June 30, 2011				
Net interest income	**$ 73,975**	**$ (11,035)**	**$ (621)**	**$ 62,319**
Provision for loan losses	**3,207**			**3,207**
Noninterest income	**30,173**	**1,633**	**11,783**	**43,589**
Noninterest expense	**69,066**	**363**	**10,329**	**79,758**
Income (loss) before income taxes	**31,875**	**(9,765)**	**833**	**22,943**
Total assets	**4,405,806**	**3,518,480**	**94,562**	**8,018,848**
Three months ended June 30, 2010				
Net interest income	$ 62,088	$ (5,991)	$ (943)	$ 55,154
Provision for loan losses	8,000			8,000
Noninterest income	22,689	4,397	15,888	42,974
Noninterest expense	58,755	2,964	16,152	77,871
Income (loss) before income taxes	18,022	(4,558)	(1,207)	12,257
Total assets	3,916,001	3,676,436	108,627	7,701,064
Six months ended June 30, 2011				
Net interest income	**$ 143,064**	**$ (18,206)**	**$ (1,172)**	**$ 123,686**
Provision for loan losses	**6,519**			**6,519**
Noninterest income	**52,189**	**4,060**	**30,161**	**86,410**
Noninterest expense	**131,243**	**1,777**	**26,663**	**159,683**
Income (loss) before income taxes	**57,491**	**(15,923)**	**2,326**	**43,894**
Total assets	**4,405,806**	**3,518,480**	**94,562**	**8,018,848**
Six months ended June 30, 2010				
Net interest income	$ 123,813	$ (11,679)	$ (1,863)	$ 110,271
Provision for loan losses	17,306		(25)	17,281
Noninterest income	44,226	8,633	33,107	85,966
Noninterest expense	118,783	4,245	31,903	154,931
Income (loss) before income taxes	31,950	(7,291)	(634)	24,025
Total assets	3,916,001	3,676,436	108,627	7,701,064

Included in net interest income for the three and six months ended June 30, 2011 in the Community Banking segment is approximately $10.9 million and 19.1 million, respectively, associated with the acquisition of Monroe Bancorp. The decrease in provision for loan losses is primarily attributable to the changing portfolio mix and improved risk profile. Noninterest expense for the three and six months ended June 30, 2011 includes $7.0 million and 14.9 million, respectively, of costs associated with the addition of Monroe Bancorp.

NOTE 19 FAIR VALUE

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

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

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

by observable market data.

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

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

Trading securities: The fair value for trading securities is determined by quoted market prices (Level 1).

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

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

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

Deposits: The fair value of retail certificates of deposit is estimated by discounting future cash flows using rates currently offered for deposits with similar remaining maturities (Level 2).

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

		Fair Value Measurements at June 30, 2011 Using		
(dollars in thousands)	**Carrying Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Financial Assets				
Trading securities	**$ 2,916**	**$ 2,916**	**$**	**$**
Investment securities available-for-sale:				
U.S. Treasury	**62,746**	**62,746**		
U.S. Government-sponsored entities and agencies	**387,211**		**387,211**	
Mortgage-backed securities Agency	**1,104,089**		**1,104,089**	
Mortgage-backed securities Non-agency	**103,535**		**103,535**	
States and political subdivisions	**368,421**		**368,421**	
Pooled trust preferred securities	**9,738**			**9,738**
Other securities	**167,115**		**167,115**	
Residential loans held for sale	**6,104**		**6,104**	
Derivative assets	**30,969**		**30,969**	
Financial Liabilities				
Derivative liabilities	**26,692**		**26,692**	

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There were no significant transfers into or out of Level 1, Level 2 or Level 3 assets or liabilities during the six months ended June 30, 2011.

(dollars in thousands)	Carrying Value	Fair Value Measurements at December 31, 2010 Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets				
Investment securities available-for-sale:				
U.S. Treasury	$ 62,550	$ 62,550	$	$
U.S. Government-sponsored entities and agencies	315,133		315,133	
Mortgage-backed securities Agency	944,446		944,446	
Mortgage-backed securities Non-agency	126,806		126,806	
States and political subdivisions	348,924		348,924	
Pooled trust preferred securities	8,400			8,400
Other securities	153,963		153,963	
Residential loans held for sale	3,819		3,819	
Derivative assets	34,082		34,082	
Financial Liabilities				
Derivative liabilities	29,721		29,721	

The table below presents a reconciliation of all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the six months ended June 30, 2011:

(dollars in thousands)	Fair Value Measurements using Significant Unobservable Inputs (Level 3) Pooled Trust Preferred Securities Available-for-Sale
Beginning balance, January 1, 2011	$ 8,400
Accretion/(amortization) of discount or premium	(35)
Payments received	(13)
Credit loss write-downs	
Increase/(decrease) in fair value of securities	1,386
Ending balance, June 30, 2011	$ 9,738

Included in the income statement is $35 thousand of expense included in interest income from the amortization of premiums on securities. The increase in fair value is reflected in the balance sheet as an increase in the fair value of

investment securities available-for sale, an increase in accumulated other comprehensive income, which is included in shareholders equity, and a decrease in other assets related to the tax impact.

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The table below presents a reconciliation of all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the six months ended June 30, 2010:

(dollars in thousands)	Fair Value Measurements using Significant Unobservable Inputs (Level 3) Pooled Trust Preferred Securities Available-for-Sale
Beginning balance, January 1, 2010	$ 12,398
Accretion/(amortization) of discount or premium	(33)
Payments received	(10)
Credit loss write-downs	(311)
Increase/(decrease) in fair value of securities	(1,504)
Ending balance, June 30, 2010	$ 10,540

Included in the income statement are $33 thousand of expense included in interest income from the amortization of premiums on securities and $311 thousand of credit losses included in noninterest income. The decrease in fair value is reflected in the balance sheet as a decrease in the fair value of investment securities available-for sale, a decrease in accumulated other comprehensive income, which is included in shareholders equity, and an increase in other assets related to the tax impact.

Assets measured at fair value on a non-recurring basis are summarized below:

		Fair Value Measurements at June 30, 2011 Using		
(dollars in thousands)	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets				
Commercial loans	$ 23,233			$ 23,233
Commercial real estate loans	14,962			14,962

Impaired commercial and commercial real estate loans, which are measured for impairment using the fair value of the collateral, had a principal amount of $55.5 million, with a valuation allowance of $17.3 million at June 30, 2011. Old National recorded $10.0 million of provision expense associated with these loans for the six months ended June 30, 2011.

		Fair Value Measurements at December 31, 2010 Using		
			Significant Other	Significant

(dollars in thousands)	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Financial Assets				
Commercial loans	**$ 14,721**			**$ 14,721**
Commercial real estate loans	**8,112**			**8,112**

Impaired commercial and commercial real estate loans, which are measured for impairment using the fair value of the collateral, had a principal amount of $36.4 million, with a valuation allowance of $13.6 million at December 31, 2010. Old National recorded $7.1 million of provision expense associated with these loans in 2010.

Financial instruments recorded using fair value option

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

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The Company has elected the fair value option for residential mortgage loans held for sale. For these loans, interest income is recorded in the consolidated statements of income based on the contractual amount of interest income earned on the financial assets (except any that are on nonaccrual status). None of these loans are 90 days or more past due, nor are any on nonaccrual status. Included in the income statement are $51 thousand and $100 thousand of interest income for residential loans held for sale for the three and six months ended June 30, 2011, respectively. Included in the income statement are $40 thousand and $123 thousand of interest income for residential loans held for sale for the three and six months ended June 30, 2010, respectively.

Residential mortgage loans held for sale

Old National has elected the fair value option for newly originated conforming fixed-rate and adjustable-rate first mortgage loans held for sale. These loans are intended for sale and are hedged with derivative instruments. Old National has elected the fair value option to mitigate accounting mismatches in cases where hedge accounting is complex and to achieve operational simplification. The fair value option was not elected for loans held for investment. As of June 30 2011, the difference between the aggregate fair value and the aggregate remaining principal balance for loans for which the fair value option has been elected is as follows. Accrued interest at period end is included in the fair value of the instruments.

(dollars in thousands)	Aggregate Fair Value	Difference	Contractual Principal
Residential loans held for sale	$ 6,104	$ 165	$ 5,939

The following table presents the amount of gains and losses from fair value changes included in income before income taxes for financial assets carried at fair value for the three and six months ended June 30, 2011:

Changes in Fair Value for the Three Months ended June 30, 2011, for Items Measured at Fair Value Pursuant to Election of the Fair Value Option

(dollars in thousands)	Other Gains and (Losses)	Interest Income	Interest (Expense)	Total Changes in Fair Values Included in Current Period Earnings
Residential loans held for sale	$ 92	$	$	$ 92

Changes in Fair Value for the Six Months ended June 30, 2011, for Items Measured at Fair Value Pursuant to Election of the Fair Value Option

(dollars in thousands)	Other Gains and (Losses)	Interest Income	Interest (Expense)	Total Changes in Fair Values Included in Current Period Earnings
Residential loans held for sale	$ 186	$	$ (1)	$ 185

As of June 30, 2010, the difference between the aggregate fair value and the aggregate remaining principal balance for loans for which the fair value option has been elected was as follows. Accrued interest at period end is included in the fair value of the instruments.

(dollars in thousands)	Aggregate Fair Value	Difference	Contractual Principal
Residential loans held for sale	$ 5,836	$ 215	$ 5,621

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The following table presents the amount of gains and losses from fair value changes included in income before income taxes for financial assets carried at fair value for the three and six months ended June 30, 2010:

Changes in Fair Value for the Three Months ended June 30, 2010, for Items Measured at Fair Value Pursuant to Election of the Fair Value Option

(dollars in thousands)	Other Gains and (Losses)	Interest Income	Interest (Expense)	Total Changes in Fair Values Included in Current Period Earnings
Residential loans held for sale	$ 153	$ 1	$	$ 154

Changes in Fair Value for the Six Months ended June 30, 2010, for Items Measured at Fair Value Pursuant to Election of the Fair Value Option

(dollars in thousands)	Other Gains and (Losses)	Interest Income	Interest (Expense)	Total Changes in Fair Values Included in Current Period Earnings
Residential loans held for sale	$ (70)	$ 1	$	$ (69)

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The carrying amounts and estimated fair values of financial instruments, not previously presented in this note, at June 30, 2011 and December 31, 2010 are as follows:

(dollars in thousands)	Carrying Value	Fair Value
June 30, 2011		
Financial Assets		
Cash, due from banks, federal funds sold and money market investments	$ 335,617	$ 335,617
Investment securities held-to-maturity:		
U.S. Government-sponsored entities and agencies	245,301	250,308
Mortgage-backed securities Agency	98,374	101,798
State and political subdivisions	216,894	214,944
Other securities	7,139	7,124
Federal Home Loan Bank stock	19,673	19,673
Loans, net (including impaired loans):		
Commercial	1,243,578	1,278,698
Commercial real estate	1,137,911	1,188,934
Residential real estate	792,330	856,152
Consumer credit	873,333	921,174
Accrued interest receivable	42,600	42,600
Financial Liabilities		
Deposits:		
Noninterest-bearing demand deposits	$ 1,504,632	$ 1,504,632
NOW, savings and money market deposits	2,952,477	2,952,477
Time deposits	1,557,978	1,597,991
Short-term borrowings:		
Federal funds purchased	1,385	1,385
Repurchase agreements	294,709	294,710
Other short-term borrowings	9,111	9,111
Other borrowings:		
Junior subordinated debenture	16,000	13,173
Subordinated notes	13,000	13,325
Repurchase agreements	50,000	54,246
Federal Home Loan Bank advances	211,316	222,816
Subordinated bank notes	150,000	152,057
Capital lease obligation	4,284	5,218
Accrued interest payable	7,914	7,914
Standby letters of credit	533	533
Off-Balance Sheet Financial Instruments		
Commitments to extend credit	$	$ 1,463

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(dollars in thousands)	Carrying Value	Fair Value
December 31, 2010		
Financial Assets		
Cash, due from banks, federal funds sold and money market investments	$ 251,552	$ 251,552
Investment securities held-to-maturity:		
U.S. Government-sponsored entities and agencies	303,265	301,809
Mortgage-backed securities Agency	117,013	119,080
State and political subdivisions	217,381	204,379
Other securities	551	375
Federal Home Loan Bank stock	31,937	31,937
Loans, net (including impaired loans):		
Commercial	1,185,194	1,220,464
Commercial real estate	909,742	952,885
Residential real estate	662,396	710,865
Consumer credit	913,810	969,263
Accrued interest receivable	42,971	42,971
Financial Liabilities		
Deposits:		
Noninterest-bearing demand deposits	$ 1,276,024	$ 1,276,024
NOW, savings and money market deposits	2,711,644	2,711,644
Time deposits	1,475,257	1,520,093
Short-term borrowings:		
Federal funds purchased	1,663	1,663
Repurchase agreements	287,414	287,416
Other short-term borrowings	9,155	9,155
Other borrowings:		
Junior subordinated debenture	8,000	7,998
Repurchase agreements	50,000	54,104
Federal Home Loan Bank advances	211,696	220,531
Subordinated bank notes	150,000	154,420
Capital lease obligation	4,307	5,138
Accrued interest payable	7,860	7,860
Standby letters of credit	518	518
Off-Balance Sheet Financial Instruments		
Commitments to extend credit	$	$ 1,311

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

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

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

Federal Home Loan Bank Stock: Old National Bank is a member of the Federal Home Loan Bank system. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. FHLB stock is carried at cost and periodically evaluated for impairment based on ultimate recovery of par value. The carrying value of Federal Home Loan Bank stock approximates fair value based on the

redemption provisions of the Federal Home Loan Bank.

Finance leases held for sale: The fair value of leases held for sale is estimated using discounted future cash flows.
Loans: The fair value of loans is estimated by discounting future cash flows using current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.
Accrued interest receivable: The carrying amount approximates fair value.
Deposits: The fair value of noninterest-bearing demand deposits and savings, NOW and money market deposits is the amount payable as of the reporting date. The fair value of fixed-maturity certificates of deposit is estimated using rates currently offered for deposits with similar remaining maturities.
Short-term borrowings: Federal funds purchased and other short-term borrowings generally have an original term to maturity of 30 days or less and, therefore, their carrying amount is a reasonable estimate of fair value. The fair value of securities sold under agreements to repurchase is estimated by discounting future cash flows using current interest rates.
Other borrowings: The fair value of medium-term notes, subordinated debt and senior bank notes is determined using market quotes. The fair value of FHLB advances is determined using quoted prices for new FHLB advances with similar risk characteristics. The fair value of other debt is determined using comparable security market prices or dealer quotes.
Standby letters of credit: Fair values for standby letters of credit are based on fees currently charged to enter into similar agreements. The fair value for standby letters of credit was recorded in Accrued expenses and other liabilities on the consolidated balance sheet in accordance with FASB ASC 460-10 (FIN 45).
Off-balance sheet financial instruments: Fair values for off-balance sheet credit-related financial instruments are based on fees currently charged to enter into similar agreements. For further information regarding the amounts of these financial instruments, see Notes 16 and 17.

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

The following discussion is an analysis of our results of operations for the three and six months ended June 30, 2011 and 2010, and financial condition as of June 30, 2011, compared to June 30, 2010, and December 31, 2010. This discussion and analysis should be read in conjunction with the consolidated financial statements and related notes. This discussion contains forward-looking statements concerning our business that are based on estimates and involves certain risks and uncertainties. Therefore, future results could differ significantly from our current expectations and the related forward-looking statements.

EXECUTIVE SUMMARY

During the second quarter of 2011, net income available to common shareholders was $17.0 million, compared to $10.5 million for the period ending June 30, 2010. Diluted earnings per share available to common shareholders were $0.18 per share, compared to diluted earnings per share of $0.12 in the second quarter of 2010. The provision for loan losses was $3.2 million for the second quarter of 2011 compared to $8.0 million for the second quarter of 2010. Annualized, net charge-offs improved from 0.90% in the second quarter of 2010 to 0.56% of average loans in the second quarter of 2011.

Second quarter results benefited from our January 1, 2011, acquisition of Monroe Bancorp (Monroe). In accordance with accounting for business combinations, the acquired assets and liabilities were recorded at their estimated fair value upon acquisition. The determination of the fair value of the loans resulted in a significant write-down in the value of certain loans, which was assigned to an accretable or nonaccretable balance, with the accretable balance being recognized as interest income over the remaining term of the loan. The accretion of the loan mark, along with other fair value adjustments, favorably impacted our net interest income by $6.7 million in the second quarter. The determination of fair value is based on cash flow expectations. These cash flow evaluations are inherently subjective as they require material estimates, all of which may be susceptible to significant change. Changes in our cash flow expectations could impact net interest income. Any decline in expected cash flows is referred to as impairment and recorded as provision expense during the period. Improvement in cash flow expectations, once any previously recorded impairment is recaptured, would be recognized prospectively as an adjustment to the yield on the loans.

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. As of 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 anticipates acquisition-related costs will approximate $150 thousand. Old National recorded a $1.3 million customer relationship intangible asset which will be amortized on an accelerated basis over 12 years.

Overall credit quality remains well-controlled. Our allowance for loan losses at June 30, 2011, was $70.2 million, or 1.70% of total loans, compared to an allowance of $72.3 million, or 1.93% of total loans at December 31, 2010, and $71.9 million, or 1.93% of total loans at June 30, 2010. The ratio of allowance to non-performing loans decreased to 59% at June 30, 2011, compared to 102% at December 31, 2010. This change was driven in large part by the addition of loans acquired as part of the Monroe acquisition, which had a book value of $396.4 million at June 30, 2011. In accordance with accounting for business combinations, there was no allowance brought forward on any of the loans acquired from Monroe. Credit losses evident in the loans were included in the determination of the fair value of the loans at the acquisition date and are generally represented by the nonaccretable balance. During the second quarter of 2011, $3.2 million of provision expense was recorded related to these acquired loans.

Management continues to focus on expense management and remains committed to expense reduction and improving efficiency. Total non-interest expenses have increased $4.8 million year-over-year. Noninterest expenses for the first half of 2011 included $14.9 million of cost associated with Monroe, of which $5.7 million related to acquisition and integration costs. The efficiency ratio improved to 73.92% from 76.16% for the six months ended June 30, 2011 and management continues to work towards a 65% target ratio by the end of 2012.

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Our balance sheet remains well positioned with regulatory capital ratios above well-capitalized levels and we continue to look at opportunities for franchise growth.

RESULTS OF OPERATIONS

The following table sets forth certain income statement information of Old National for the three and six months ended June 30, 2011 and 2010:

	Three Months Ended June 30,		%	Six Months Ended June 30,		%
(dollars in thousands)	**2011**	**2010**	**Change**	**2011**	**2010**	**Change**
Income Statement Summary:						
Net interest income	**$ 62,319**	$ 55,154	13.0%	**$ 123,686**	$ 110,271	12.2%
Provision for loan losses	**3,207**	8,000	(59.9)	**6,519**	17,281	(62.3)
Noninterest income	**43,589**	42,974	1.4	**86,410**	85,966	0.5
Noninterest expense	**79,758**	77,871	2.4	**159,683**	154,931	3.1
Other Data:						
Return on average common equity	**6.87%**	4.91%		**6.83%**	4.83%	
Efficiency ratio	**73.30**	76.65		**73.92**	76.16	
Tier 1 leverage ratio	**8.68**	9.87		**8.68**	9.87	
Net charge-offs to average loans	**0.56**	0.90		**0.41**	0.80	

Net Interest Income

Net interest income is our most significant component of earnings, comprising over 58% of revenues at June 30, 2011. Net interest income and margin are influenced by many factors, primarily the volume and mix of earning assets, funding sources and interest rate fluctuations. Other factors include prepayment risk on mortgage and investment-related assets and the composition and maturity of earning assets and interest-bearing liabilities. Loans typically generate more interest income than investment securities with similar maturities. Factors such as general economic activity, Federal Reserve Board monetary policy and price volatility of competing alternative investments, can also exert significant influence on our ability to optimize our mix of assets and funding and our net interest income and margin.

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

(dollars in thousands)	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Net interest income	**$ 62,319**	$ 55,154	**$ 123,686**	$ 110,271
Taxable equivalent adjustment	**2,908**	3,470	**5,928**	7,181
Net interest income taxable equivalent	**$ 65,227**	$ 58,624	**$ 129,614**	$ 117,452
Average earning assets	**$ 7,116,897**	$ 6,893,008	**$ 7,117,882**	$ 6,979,769
Net interest margin	**3.50%**	3.20%	**3.48%**	3.16%
Net interest margin fully taxable equivalent	**3.67%**	3.40%	**3.64%**	3.37%

Net interest income was $62.3 million and $123.7 million for the three and six months ended June 30, 2011, up from the $55.2 million and $110.3 million reported for the three and six months ended June 30, 2010. Taxable equivalent net interest income was $65.2 million and $129.6 million for the three and six months ended June 30, 2011, up from the $58.6 million and $117.5 million reported for the three and six months ended June 30, 2010. The net interest margin on a fully taxable equivalent basis was 3.67% and 3.64% for the three and six months ended June 30, 2011, compared to 3.40% and 3.37% for the three and six months ended June 30, 2010. The increase in both net interest income and net interest margin is primarily due to the acquisition of Monroe Bancorp on January 1, 2011 combined with a change in the mix of interest earning assets and interest-bearing liabilities. The accretion associated with the purchased assets benefited net interest margin by 38 basis points and 29 basis points during the three and six months ended June 30, 2011. We expect this benefit to decline each quarter and be nominal by 2013. The decrease in the yield on interest earning assets was less than the decrease in the cost of interest-bearing liabilities. The yield on average earning assets decreased 8 basis points from 4.55% to 4.47% while the cost of interest-bearing liabilities decreased 42 basis points from 1.50% to 1.08% in the quarterly year-over-year comparison. In the year-to-date comparison, the yield on average earning assets decreased 12 basis points from 4.59% to 4.47% while the cost of interest-bearing liabilities decreased 47 basis points from 1.55% to 1.08 %.

Average earning assets were $7.117 billion for the three months ended June 30, 2011, compared to $6.893 billion for the three months ended June 30, 2010, an increase of 3.2%, or $223.9 million. Average earning assets were $7.118 million for the six months ended June 30, 2011, compared to $6.980 billion for the six months ended June 30, 2010, an increase of 2.0%, or $138.1 million. Included in average earning assets for the six months ended June 30, 2011 is approximately $563.9 million from the Monroe Bancorp acquisition. Significantly affecting average earning assets at June 30, 2011 compared to June 30, 2010, was the increase in the size of the loan portfolio combined with decreases in the size of the investment portfolio and interest earning cash balances at the Federal Reserve. In the year-to-date comparison, a $405.9 million increase in average loans was partially offset by a $255.8 million decrease in average investment securities and a $12.1 million decrease in interest earning cash balances. The increase in average loans is a result of the Monroe Bancorp acquisition. We adjusted the composition of the investment portfolio to manage the effective duration of the portfolio and reduce the leverage on the balance sheet as proceeds from principal and interest payments and securities sales were used to reduce wholesale funding. Commercial and commercial real estate loans continue to be affected by continued weak loan demand in our markets, more stringent loan underwriting standards and our desire to lower future potential credit risk by being cautious towards the real estate market. Year over year, the loan portfolio, which generally has an average yield higher than the investment portfolio, has increased as a percent of interest earning assets.

Also positively affecting margin was an increase in noninterest-bearing demand deposits combined with decreases in time deposits and other borrowings. In the first quarter of 2011, we prepaid $17.2 million of FHLB advances. During 2010, we prepaid $75.0 million of FHLB advances and $49.0 million of long-term repurchase agreements. In the second quarter of 2010, a senior unsecured note totaling $50.0 million matured. In the fourth quarter of 2010, we

redeemed $100.0 million of 8.0% trust preferred securities. Year over year, time deposits and other borrowings, which have an average interest rate higher than other types of deposits, have decreased as a percent of total funding. Year over year, noninterest-bearing demand deposits have increased as a percent of total funding.

Provision for Loan Losses

The provision for loan losses was $3.2 million for the three months ended June 30, 2011, compared to $8.0 million for the three months ended June 30, 2010. The provision for loan losses was $6.5 million for the six months ended June 30, 2011, compared to $17.3 million for the six months ended June 30, 2010. The lower provision in 2011 is primarily attributable to the changing portfolio mix and improved risk profile.

Noninterest Income

We generate revenues in the form of noninterest income through client fees and sales commissions from our core banking franchise and other related businesses, such as wealth management, investment consulting, investment products and insurance. Noninterest income for the three months ended June 30, 2011 was $43.6 million, an increase of $0.6 million, or 1.4%, from the $43.0 million reported for the three months ended June 30, 2010. For the six months ended June 30, 2011, noninterest income was $86.4 million, an increase of $0.4 million, or 0.5%, from the $86.0 million reported for the six months ended June 30, 2010.

Net securities gains were $0.5 million and $1.7 million for the three and six months ended June 30, 2011, compared to net securities gains of $3.2 million and $6.2 million for the three and six months ended June 30, 2010. Included in the second quarter and first six months of 2011 are securities gains of $0.7 million and $2.2 million, respectively. Partially offsetting these gains were other-than-temporary-impairment charges of $0.2 million and $0.5 million, respectively, on three non-agency mortgage-backed securities. Included in the second quarter and first six months of 2010 are securities gains of $6.0 million and $9.5 million, respectively. Partially offsetting these gains were other-than-temporary-impairment charges of $2.8 million and $3.3 million, respectively, on two pooled trust preferred securities and ten non-agency mortgage-backed securities.

Wealth management fees were $5.3 million and $10.4 million for the three and six months ended June 30, 2011, compared to $4.0 million and $8.3 million for the three and six months ended June 30, 2010. The increase was primarily due to the acquisition of Monroe Bancorp on January 1, 2011 and the trust business of Integra Bank on June 1, 2011.

Service charges and overdraft fees on deposit accounts were $12.5 million and $24.0 million for the three and six months ended June 30, 2011, compared to $13.2 million and $25.1 million for the three and six months ended June 30, 2010. The decrease in revenue is primarily attributable to a decrease in fee income for overdrafts and returned items. Service charges and overdraft fees were negatively impacted by new regulatory requirements in the third quarter of 2010. The negative impact was partially mitigated with adjustments to our product pricing structure late in the third quarter of 2010.

Debit card and ATM fees were $6.1 million and $12.0 million for the three and six months ended June 30, 2011, compared to $5.9 million and $11.5 million for the three and six months ended June 30, 2010. The increase in debit card usage is primarily attributable to the Monroe Bancorp acquisition.

Mortgage banking revenue was $0.9 million and $1.9 million for the three and six months ended June 30, 2011, compared to $0.6 million and $1.1 million for the three and six months ended June 30, 2010. Mortgage fee revenue increased as a result of fluctuation in the value of mortgage derivatives and our decision to sell more loans to the secondary market.

Investment product fees were $2.9 million and $5.5 million for the three and six months ended June 30, 2011, compared to $2.2 million and $4.3 million for the three and six months ended June 30, 2010. The increases are primarily as a result of increases in annuity fees and other investment fees.

Revenue from company-owned life insurance was $2.5 million for the six months ended June 30, 2011, compared to $2.0 million for the six months ended June 30, 2010. Approximately $318 thousand of the increase in revenue was as a result of the Monroe Bancorp acquisition. During the third quarter of 2008, the crediting rate formula for the 1997 company-owned life insurance policy was amended to adopt a more conservative position and improve the overall market to book value ratio. This change resulted in lower revenues from company-owned life insurance in 2009 and while revenues began to slowly improve in 2010 and should continue to improve in future years, we anticipate revenue will remain below 2008 levels in future years.

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Fluctuations in the value of our derivatives resulted in a gain on derivatives of $0.2 million and $0.6 million for the three and six months ended June 30, 2011 as compared to a gain on derivatives of $0.4 million and $1.0 million in the three and six months of 2010.

Other income increased $1.5 million and $0.9 million for the three and six months ended June 30, 2011 as compared to the three and six months ended June 30, 2010. The increase in both the quarterly and year-to-date comparisons was primarily as a result of gains on sales of foreclosed properties combined with an increase in rental income from foreclosed properties.

Noninterest Expense

Noninterest expense for the three months ended June 30, 2011, totaled $79.8 million, an increase of $1.9 million, or 2.4%, from the $77.9 million recorded for the three months ended June 30, 2010. For the six months ended June 30, 2011, noninterest expense totaled $159.7 million, an increase of $4.8 million, or 3.1%, from the $154.9 million recorded for the six months ended June 30, 2010. The acquisition of Monroe Bancorp was the primary reason for the increase in noninterest expenses. Noninterest expense for Monroe Bancorp totaled $7.0 million and $14.9 million for the three and six months ended June 30, 2011, which includes approximately $2.2 million and $5.7 million of acquisition and integration costs for the three and six months ended June 30, 2011. These increases were partially offset by our on-going cost containment efforts.

Salaries and benefits is the largest component of noninterest expense. For the three months ended June 30, 2011, salaries and benefits were $43.1 million compared to $41.1 million for the three months ended June 30, 2010. For the six months ended June 30, 2011, salaries and benefits were $87.6 million compared to $83.5 million for the six months ended June 30, 2010. Included in the second quarter of 2011 is $2.8 million of expense associated with the acquisition of Monroe Bancorp, which occurred on January 1, 2011 and approximately $0.9 million of expense associated with the April 1, 2011 annual merit increases. Offsetting this increase was the effect of the reduction in the number of employees over the past twelve months. Included in the first six months of 2011 is $7.0 million, including severance, of expense associated with the acquisition of the Monroe Bancorp. Offsetting this increase was the effect of the reduction in the number of employees over the past twelve months and a $1.1 million decrease in profit sharing expense.

Marketing expense increased $0.2 million for the three and six months ended June 30, 2011 as compared to the three and six months ended June 30, 2010, primarily as a result of an increase in public relations expense.

Professional fees increased $0.7 million for the six months ended June 30, 2011 as compared to the six months ended June 30, 2010. The increases are primarily attributable to legal and other professional fees associated with the acquisition of Monroe Bancorp in the first quarter of 2011.

Included in the second quarter of 2010 is approximately $1.4 million in loss on extinguishment of debt for the prepayment of an FHLB advance and a long-term repurchase agreement.

The increase in the expense for amortization of intangibles is primarily due to the core deposit intangible and trust relationship intangible associated with the acquisition of Monroe Bancorp and subsequent amortization of these assets.

Other expense for the three months ended June 30, 2011, totaled $3.8 million, a decrease of $0.5 million compared to the three months ended June 30, 2010. Other expense for the six months ended June 30, 2011, totaled $6.0 million, a decrease of $0.9 million compared to the six months ended June 30, 2010. Included in the second quarter of 2010 is $0.9 million of expense related to the closing of five branches and associated lease terminations.

Provision for Income Taxes

We record a provision for income taxes currently payable and for income taxes payable or benefits to be received in the future, which arise due to timing differences in the recognition of certain items for financial statement and income tax purposes. The major difference between the effective tax rate applied to our financial statement income and the federal statutory tax rate is caused by interest on tax-exempt securities and loans. The provision for income taxes, as a percentage of pre-tax income, was 25.8% for the three months ended June 30, 2011, compared to 14.1% for the three months ended June 30, 2010. The provision for income taxes, as a percentage of pre-tax income, was 23.8% for the six months ended June 30, 2011, compared to 14.3% for the six months ended June 30, 2010. In accordance with ASC 740-270, Accounting for Interim Reporting, the provision for income taxes was recorded at June 30, 2011 based on the current estimate of the effective annual rate. The tax rate increased in the second quarter and first six months of 2011 as a result of an increase in pre-tax book income while tax-exempt income remained relatively stable. See Note 14 to the consolidated financial statements for additional information.

FINANCIAL CONDITION

Overview

At June 30, 2011, our assets were $8.019 billion, a 4.1% increase compared to June 30, 2010 assets of $7.701 billion, and an increase of 10.4% compared to December 31, 2010 assets of $7.264 billion. The increase is primarily a result of the acquisition of Monroe Bancorp, which occurred on January 1, 2011. The increase in purchased loan balances has more than offset the decrease in investment securities and interest earning cash balances over the past twelve months. We are continuing to reduce our reliance on higher cost deposits and wholesale funding. Year over year, time deposits and other borrowings, which have an average interest rate higher than other types of deposits, have decreased as a percent of total funding. Year over year, noninterest-bearing demand deposits have increased as a percent of total funding.

Earning Assets

Our earning assets are comprised of investment securities, portfolio loans, loans held for sale, money market investments, interest earning accounts with the Federal Reserve and trading securities. Earning assets were $7.112 billion at June 30, 2011, an increase of 2.7% from June 30, 2010.

Investment Securities

We classify the majority of our investment securities as available-for-sale to give management the flexibility to sell the securities prior to maturity if needed, based on fluctuating interest rates or changes in our funding requirements. However, we do have $98.4 million of 15- and 20-year fixed-rate mortgage pass-through securities, $245.3 million of U.S. government-sponsored entity and agency securities and $216.9 million of state and political subdivision securities in our held-to-maturity investment portfolio at June 30, 2011. During the second quarter of 2010, approximately $143.8 million of state and political subdivision securities were transferred from the available-for-sale portfolio to our held-to-maturity portfolio at fair value.

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 $2.9 million at June 30, 2011.

At June 30, 2011, the total investment securities portfolio was $2.793 billion compared to $2.883 billion at June 30, 2010, a decrease of $89.5 million or 3.1%. Investment securities increased $162.8 million compared to December 31, 2010, an increase of 12.4%. Investment securities represented 39.3% of earning assets at June 30, 2011, compared to 41.6% at June 30, 2010, and 40.3% at December 31, 2010. The increase in investment securities since December 31, 2010 is a result of the Monroe Bancorp acquisition. Included in the June 30, 2011 investment securities portfolio is approximately $131.4 million related to our acquisition of Monroe Bancorp. We adjusted the composition of the investment portfolio to manage the effective duration of the portfolio and reduce the leverage on the balance sheet as proceeds from principal and interest payments and cash flows from calls and maturities of securities were used to reduce wholesale funding. Stronger commercial loan demand in the future and management s efforts to deleverage the balance sheet could result in a reduction in the securities portfolio. As of June 30, 2011, management does not intend to sell any available-for-sale securities with an unrealized loss position.

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The investment securities available-for-sale portfolio had net unrealized gains of $34.8 million at June 30, 2011, an increase of $22.5 million compared to net unrealized gains of $12.3 million at June 30, 2010, and an increase of $28.4 million compared to net unrealized gains of $6.4 million at December 31, 2010. A $0.5 million charge was recorded during the first six months of 2011 related to other-than-temporary-impairment on three non-agency mortgage-backed securities. A $3.3 million charge was recorded during the first half of 2010 related to other-than-temporary-impairment on two pooled trust preferred securities and ten non-agency mortgage-backed securities. See Note 5 to the consolidated financial statements for the impact of other-than-temporary-impairment in other comprehensive income and Note 6 to the consolidated financial statements for details on management s evaluation of securities for other-than-temporary-impairment.

The investment portfolio had an average duration of 4.21% at June 30, 2011, compared to 3.39% at June 30, 2010, and 4.23% at December 31, 2010. Effective duration measures the percentage change in value of the portfolio in response to a change in interest rates. The annualized average yields on investment securities, on a taxable equivalent basis, were 3.57% for the three months ended June 30, 2011, compared to 4.26% for the three months ended June 30, 2010, and 3.92% for the three months ended December 31, 2010. Average yields on investment securities, on a taxable equivalent basis, were 3.64%, 4.32% and 4.15% for the six months ended June 30, 2011 and 2010, and for the year ended December 31, 2010.

Residential Loans Held for Sale

Residential loans held for sale were $6.1 million at June 30, 2011, compared to $5.8 million at June 30, 2010, and $3.8 million at December 31, 2010. Residential loans held for sale are loans that are closed, but not yet purchased by investors. The amount of residential loans held for sale on the balance sheet varies depending on the amount of originations, timing of loan sales to the secondary market and the percentage of residential loans being retained. The majority of new production during 2010 was retained in Old National s loan portfolio, resulting in lower residential loans held for sale.

We have elected the fair value option under FASB ASC 825-10 (SFAS No. 159) for residential loans held for sale. The aggregate fair value exceeded the unpaid principal balances by $0.2 million as of both June 30, 2011 and June 30, 2010, respectively. At December 31, 2010, the aggregate fair value equaled the unpaid principal balance.

Commercial and Commercial Real Estate Loans

Commercial and commercial real estate loans are the second largest classification within earning assets, representing 34.3% of earning assets at June 30, 2011, an increase from 33.1% at June 30, 2010, and an increase from 33.0% at December 31, 2010. At June 30, 2011, commercial and commercial real estate loans were $2.440 billion, an increase of $144.7 million since June 30, 2010, and an increase of $286.2 million since December 31, 2010. Included in the total for June 30, 2011 is approximately $327.2 million related to our acquisition of Monroe Bancorp. Weak loan demand in our markets continues to affect loan growth. Our conservative underwriting standards have also contributed to slower loan growth. We continue to be cautious towards the real estate market in an effort to lower credit risk.

Consumer Loans

At June 30, 2011, consumer loans, including automobile loans, personal and home equity loans and lines of credit, decreased $126.1 million or 12.5% compared to June 30, 2010, and decreased $43.1 million or 4.7% since December 31, 2010. Included in the total for June 30, 2011 is approximately $37.7 million related to our acquisition of Monroe Bancorp. Payments on existing loans have more than offset new loan production.

Residential Real Estate Loans

At June 30, 2011, residential real estate loans held in our loan portfolio were $795.4 million, an increase of $130.7 million, or 19.7%, from December 31, 2010 and an increase of $367.6 million, or 85.9%, from June 30, 2010. In addition to organic loan production, June 30, 2011 totals also include approximately $31.4 million acquired from Monroe Bancorp. The majority of the growth in residential real estate loans began in the fourth quarter of 2010, primarily as a result of a new mortgage product that was introduced. Over the past twelve months new loan production has been greater than payments on existing loans.

Goodwill and Other Intangible Assets

Goodwill and other intangible assets at June 30, 2011, totaled $270.4 million, an increase of $73.3 million compared to $197.1 million at June 30, 2010, and an increase of $76.3 million compared to $194.1 million at December 31, 2010. During the first quarter of 2011, we recorded $78.9 million of goodwill and other intangible assets associated with the acquisition of Monroe Bancorp. Approximately $76.6 million is included in the Community Banking column for segment reporting and $2.3 million is included in the Other column for segment reporting. During the second quarter of 2011, Old National recorded $1.3 million of customer relationship intangibles associated with the trust business of Integra Wealth Management and Trust, which is included in the Other segment.

Funding

Total funding, comprised of deposits and wholesale borrowings, was $6.761 billion at June 30, 2011, an increase of 2.7% from $6.583 billion at June 30, 2010, and an increase of 9.3% from $6.183 billion at December 31, 2010. Included in total funding were deposits of $6.015 billion at June 30, 2011, an increase of $368.1 million, or 6.5%, compared to June 30, 2010, and an increase of $552.2 million compared to December 31, 2010. Included in total deposits at June 30, 2011 is $636.1 million from the acquisition of Monroe Bancorp. Noninterest-bearing deposits increased 28.6%, or $334.4 million, compared to June 30, 2010. Time deposits decreased 12.6%, or $225.5 million, while money market deposits decreased 12.5%, or $45.1 million, compared to June 30, 2010. NOW deposits increased 2.9%, or $37.8 million, compared to June 30, 2010. Savings deposits increased 25.7%, or $266.5 million compared to June 30, 2010. Year over year, we have experienced an increase in noninterest-bearing demand deposits.

We use wholesale funding to augment deposit funding and to help maintain our desired interest rate risk position. At June 30, 2011, wholesale borrowings, including short-term borrowings and other borrowings, decreased $190.3 million, or 20.3%, from June 30, 2010 and increased $25.5 million, or 3.5%, from December 31, 2010, respectively. Included in wholesale funding at June 30, 2011 is $41.5 million from the acquisition of Monroe Bancorp. Wholesale funding as a percentage of total funding was 11.0% at June 30, 2011, compared to 14.2% at June 30, 2010, and 11.6% at December 31, 2010. Short-term borrowings have decreased $26.4 million since June 30, 2010 while long-term borrowings have decreased $163.9 million since June 30, 2010. In the first quarter of 2011, we prepaid $17.2 million of FHLB advances. During 2010, we prepaid $75.0 million of FHLB advances and $49.0 million of long-term repurchase agreements. In the second quarter of 2010, a senior unsecured note totaling $50.0 million matured. In the fourth quarter of 2010, we redeemed $100.0 million of 8.0% trust preferred securities.

Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities increased $47.8 million, or 23.7%, from December 31, 2010, primarily as a result of an increase in payables associated with a security trade that did not settle until early July 2011 and the timing of that payment.

Capital

Shareholders equity totaled $1.008 billion at June 30, 2011, compared to $874.7 million at June 30, 2010, and $878.8 million at December 31, 2010. The June 30, 2011 balance includes approximately $90.1 million from the approximately 7.6 million shares of common stock that were issued in the acquisition of Monroe Bancorp.

We paid cash dividends of $0.07 and $0.14 per share for the three and six months ended June 30, 2011, which reduced equity by $13.3 million. We paid cash dividends of $0.07 and $0.14 per share for the three and six months ended June 30, 2010, which reduced equity by $12.2 million. We repurchased shares of our stock, reducing shareholders equity by $0.3 million during the six months ended June 30, 2011, and $0.5 million during the six months ended June 30, 2010. The repurchases related to our employee stock based compensation plans. The change in unrealized losses on investment securities increased equity by $16.8 million during the six months ended June 30, 2011, and increased equity by $20.4 million during the six months ended June 30, 2010. Shares issued for reinvested dividends, stock options, restricted stock and stock compensation plans increased shareholders equity by $1.9 million during the six months ended June 30, 2011, compared to $1.4 million during the six months ended June 30, 2010.

Capital Adequacy

Old National and the banking industry are subject to various regulatory capital requirements administered by the federal banking agencies. At June 30, 2011, Old National and its bank subsidiary exceeded the regulatory minimums and Old National Bank met the regulatory definition of well-capitalized based on the most recent regulatory definition. To be categorized as well-capitalized, the bank subsidiary must maintain at least a total risk-based capital ratio of 10.0%, a Tier 1 risk-based capital ratio of 6.0% and a Tier 1 leverage ratio of 5.0%. Regulatory capital ratios decreased at December 31, 2010 primarily due to our redemption of $100 million of 8% trust preferred securities. Regulatory capital ratios at June 30, 2011 include the issuance of approximately 7.6 million shares of common stock, valued at approximately $90.1 million, in the acquisition of Monroe Bancorp during the first quarter of 2011.

As of June 30, 2011, Old National s consolidated capital position remains strong as evidenced by the following comparisons of key industry ratios.

	Regulatory Guidelines Minimum	June 30, 2011	June 30, 2010	December 31, 2010
Risk-based capital:				
Tier 1 capital to total avg assets (leverage ratio)	4.00%	**8.68**%	9.87%	9.01%
Tier 1 capital to risk-adjusted total assets	4.00	**13.39**	15.09	13.57
Total capital to risk-adjusted total assets	8.00	**14.90**	16.97	14.83
Shareholders equity to assets	N/A	**12.57**	11.36	12.10

RISK MANAGEMENT

Overview

Management, with the oversight of the Board of Directors through its Risk and Credit Policy Committee and its Funds Management Committee, has in place company-wide structures, processes, and controls for managing and mitigating risk. The following discussion addresses the three major risks that we face: credit, market, and liquidity.

Credit Risk

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

Investment Activities

Within our securities portfolio, the non-agency collateralized mortgage obligations represent the greatest exposure to the current instability in the residential real estate and credit markets. At June 30, 2011, we had non-agency collateralized mortgage obligations with a fair value of $103.5 million or approximately 4.7% of the available-for-sale securities portfolio. The net unrealized loss on these securities at June 30, 2011, was approximately $2.0 million.

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We expect conditions in the overall residential real estate market to remain uncertain for the foreseeable future. Deterioration in the performance of the underlying loan collateral could result in deterioration in the performance of our asset-backed securities. During the first quarter of 2011 we sold one non-agency mortgage-backed security with an amortized cost basis of approximately $10.0 million that was below investment grade. During the fourth quarter of 2010 we sold two non-agency mortgage-backed securities with an amortized cost basis of approximately $38.4 million that were below investment grade. A decision was made to sell these securities to assist in our longer-term goal of reducing the portfolio duration and to prepare for rising interest rates. Nine non-agency mortgage-backed securities were rated below investment grade as of June 30, 2011. During the first six months of 2011, we experienced $1.7 million of other-than-temporary-impairment losses on three of these securities, of which $0.5 million was recorded as a credit loss in earnings and $1.2 million is included in other comprehensive income. During the first six months of 2010, we experienced $4.1 million of other-than-temporary-impairment losses on ten of these securities, of which $3.0 million was recorded as a credit loss in earnings and $1.1 million is included in other comprehensive income.

We also carry a higher exposure to loss in our pooled trust preferred securities, which are collateralized debt obligations, due to illiquidity in that market and the performance of the underlying collateral. At June 30, 2011, we had pooled trust preferred securities with a fair value of approximately $9.7 million, or 0.4% of the available-for-sale securities portfolio. During the first six months of 2011, we experienced no other-than-temporary-impairment losses on these securities. These securities remained classified as available-for-sale and at June 30, 2011, the unrealized loss on our pooled trust preferred securities was approximately $17.6 million. During the first half of 2010, two of these securities experienced $0.3 million of other-than-temporary-impairment, all of which was recorded as a credit loss in earnings.

The remaining mortgage-backed securities are backed by U.S. government-sponsored or federal agencies. Municipal bonds, corporate bonds and other debt securities are evaluated by reviewing the credit-worthiness of the issuer and general market conditions. We do not have the intent to sell these securities and it is likely that we will not be required to sell these securities before their anticipated recovery.

Included in the held-to-maturity category at June 30, 2011 are approximately $98.4 million of agency mortgage-backed securities and $216.9 million of municipal securities at amortized cost.

Counterparty Exposure

Counterparty exposure is the risk that the other party in a financial transaction will not fulfill its obligation in a financial transaction. We define counterparty exposure as nonperformance risk in transactions involving federal funds sold and purchased, repurchase agreements, correspondent bank relationships, and derivative contracts with companies in the financial services industry. Old National s net counterparty exposure was an asset of $380.7 million at June 30, 2011.

Lending Activities

Commercial

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

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

more specialized properties. Substantially all of our commercial real estate loans are secured by properties located in our primary market area.

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

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

Consumer

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

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

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

Asset Quality

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

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We lend primarily to small- and medium-sized commercial and commercial real estate clients in various industries including manufacturing, agribusiness, transportation, mining, wholesaling and retailing. At June 30, 2011, we had no concentration of loans in any single industry exceeding 10% of our portfolio and had no exposure to foreign borrowers or lesser-developed countries. Our policy is to concentrate our lending activity in the geographic market areas we serve, primarily Indiana, Illinois and Kentucky. We continue to be affected by weakness in the economy of our principal markets. Management expects that trends in under-performing, criticized and classified loans will be influenced by the degree to which the economy strengthens or weakens.
On January 1, 2011, Old National closed on its acquisition of Monroe Bancorp. As of June 30, 2011, acquired loans totaled $396.4 million and there were $4.7 million of foreclosed properties. In accordance with accounting for business combinations, there was no allowance brought forward on any of the acquired loans, as the credit losses evident in the loans were included in the determination of the fair value of the loans at the acquisition date. Old National reviewed the acquired loans and determined that as of June 30, 2011, $19.8 million met the definition of criticized, $12.2 million were considered classified, and $38.8 million were doubtful. During the second quarter of 2011, Old National accrued $3.2 million of provision expense. Our current preference would be to work these loans and avoid foreclosure actions unless additional credit deterioration becomes apparent. These assets are included in our summary of under-performing, criticized and classified assets found below.
Summary of under-performing, criticized and classified assets:

	June 30,		December 31,
(dollars in thousands)	**2011**	**2010**	**2010**
Nonaccrual loans			
Commercial	**$ 36,190**	$ 22,092	$ 25,488
Commercial real estate	**67,260**	29,905	30,416
Residential real estate	**9,807**	8,559	8,719
Consumer	**5,180**	8,304	6,322
Total nonaccrual loans	**118,437**	68,860	70,945
Renegotiated loans not on nonaccrual			
Past due loans (90 days or more and still accruing)			
Commercial	**3**		79
Commercial real estate	**57**		
Consumer	**378**	513	493
Total past due loans	**438**	513	572
Foreclosed properties	**9,875**	6,972	5,591
Total under-performing assets	**$ 128,750**	$ 76,345	$ 77,108
Classified loans (includes nonaccrual, renegotiated, past due 90 days and other problem loans)	**$ 229,311**	$ 157,716	$ 174,341
Other classified assets (3)	**117,291**	152,321	105,572
Criticized loans	**105,576**	100,652	84,017
Total criticized and classified assets	**$ 452,178**	$ 410,689	$ 363,930
Asset Quality Ratios:			
Non-performing loans/total loans (1) (2)	**2.88%**	1.85%	1.90%
	3.12	2.04	2.06

Under-performing assets/total loans and foreclosed properties (1)			
Under-performing assets/total assets	**1.61**	0.99	1.06
Allowance for loan losses/under-performing assets	**54.52**	94.13	93.78

(1) Loans exclude residential loans held for sale and leases held for sale.

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

(3) Includes 9 pooled trust preferred securities, 9 non-agency mortgage-backed securities and 1 corporate security at June 30, 2011.

Loan charge-offs, net of recoveries, totaled $5.8 million for the three months ended June 30, 2011, a decrease of $2.4 million from the three months ended June 30, 2010. Net charge-offs for the six months ended June 30, 2011 totaled $8.6 million compared to $15.0 million for the six months ended June 30, 2010. Annualized, net charge-offs to average loans were 0.56% and 0.41% for the three and six months ended June 30, 2011, as compared to 0.90% and 0.80% for the three and six months ended June 30, 2010.

Under-performing assets totaled $128.8 million at June 30, 2011, an increase of $52.5 million compared to $76.3 million at June 30, 2010, and an increase of $51.7 million compared to $77.1 million at December 31, 2010. As a percent of total loans and foreclosed properties, under-performing assets at June 30, 2011, were 3.12%, an increase from the June 30, 2010 ratio of 2.04% and an increase from the December 31, 2010 ratio of 2.06%. Nonaccrual loans were $118.4 million at June 30, 2011, compared to $68.9 million at June 30, 2010, and $70.9 million at December 31, 2010. The acquisition of Monroe Bancorp is the primary reason for the increases.

In the course of resolving nonperforming loans, we may choose to restructure the contractual terms of certain loans. We attempt to work out an alternative payment schedule with the borrower in order to avoid foreclosure actions. Any loans that are modified are reviewed by us to identify if a troubled debt restructuring (TDR) has occurred, which is when for economic or legal reasons related to a borrower s financial difficulties, the Bank grants a concession to the borrower that it would not otherwise consider. Terms may be modified to fit the ability of the borrower to repay in line with its current financial status and could include reduction of the stated interest rate other than normal market rate adjustments, extension of maturity dates, or reduction of principal balance or accrued interest. The decision to restructure a loan, versus aggressively enforcing the collection of the loan, may benefit us by increasing the ultimate probability of collection.

Loans modified in a troubled debt restructuring are placed on nonaccrual status until the Company determines the future collection of principal and interest is reasonably assured, which generally requires that the borrower demonstrate a period of performance according to the restructured terms of six months. All of our troubled debt restructurings were included with nonaccrual loans at June 30, 2011 and consisted of $3.5 million of commercial loans and $4.0 million of commercial real estate loans. All of our troubled debt restructurings were included with nonaccrual loans at December 31, 2010 and consisted of $3.8 million of commercial loans and $1.0 million of commercial real estate loans.

Management will continue its efforts to reduce the level of under-performing loans and will also consider the possibility of sales of troubled and non-performing loans, which could result in additional charge-offs to the allowance for loan losses.

Total classified and criticized assets were $452.2 million at June 30, 2011, an increase of $41.5 million from June 30, 2010, and an increase of $88.3 million from December 31, 2010. The acquisition of Monroe Bancorp is the primary reason for the increases. Other classified assets include $117.3 million, $152.3 million and $105.6 million of investment securities that fell below investment grade rating at June 30, 2011, June 30, 2010 and December 31, 2010, respectively.

Allowance for Loan Losses and Reserve for Unfunded Commitments

To provide for the risk of loss inherent in extending credit, we maintain an allowance for loan losses. The determination of the allowance is based upon the size and current risk characteristics of the loan portfolio and includes an assessment of individual problem loans, actual loss experience, current economic events and regulatory guidance. At June 30, 2011, the allowance for loan losses was $70.2 million, a decrease of $1.7 million compared to $71.9 million at June 30, 2010, and a decrease of $2.1 million compared to $72.3 million at December 31, 2010. The primary reasons for the decrease in the allowance from June 30, 2010 to June 30, 2011 were a $3.2 million decline in general allocation due to a lower level of non-Monroe related commercial and commercial real estate loans outstanding, and a $4.1 million reduction for consumer loans, partially offset by a $5.6 million increase in the amount of specifically determined allowance for nonaccrual commercial and commercial real estate loans, of which $3.2 million is related to Monroe loans. As a percentage of total loans excluding loans and leases held for sale, the allowance was 1.70% at June 30, 2011, compared to 1.93% at June 31, 2010, and 1.93% at December 31, 2010. The provision for loan losses for the six months ended June 30, 2011, was $6.5 million compared to $17.3 million for the six months ended June 30, 2010. The lower provision in 2011 is primarily attributable to the changing portfolio mix and improved risk profile.

We maintain an allowance for losses on unfunded commercial lending commitments and letters of credit to provide for the risk of loss inherent in these arrangements. The allowance is computed using a methodology similar to that used to determine the allowance for loan losses, modified to take into account the probability of a drawdown on the commitment. The $3.3 million reserve for unfunded loan commitments at June 30, 2011 is classified as a liability account on the balance sheet. The reserve for unfunded loan commitments was $3.8 million at December 31, 2010. The lower reserve is the result of a decline in unfunded commitments and reduced line utilization estimates.

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Market Risk

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

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

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

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

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

A key element in our ongoing process is to measure and monitor interest rate risk using a Net Interest Income at Risk simulation to model the interest rate sensitivity of the balance sheet and to quantify the impact of changing interest rates on the Company. The model quantifies the effects of various possible interest rate scenarios on projected net interest income over a one-year and a two-year cumulative horizon. The model assumes a semi-static balance sheet and measures the impact on net interest income relative to a base case scenario of hypothetical changes in interest rates over 24 months. The scenarios include prepayment assumptions, changes in the level of interest rates, the shape of the yield curve, and spreads between market interest rates in order to capture the impact from re-pricing, yield curve, option, and basis risks.

Results of our simulation modeling, which assumes an immediate, parallel shift in market interest rates, project that our net interest income could change as follows over one-year and two-year horizons, relative to our base case scenario.

	Changes in Net Interest Income							
	One Year Horizon				Two Year Cumulative Horizon			
Immediate	6/30/2011		6/30/2010		6/30/2011		6/30/2010	
Change in the Level of Interest Rates	$ Change (000s)	% Change	$ Change (000s)	% Change	$ Change (000s)	% Change	$ Change (000s)	% Change
+ 3.00%	**(8,648)**	**-3.61%**	10,228	4.55%	**(1,837)**	**-0.39%**	35,769	7.89%
+ 2.00%	**(4,237)**	**-1.77%**	9,350	4.16%	**3,368**	**0.71%**	32,738	7.22%
+ 1.00%	**(229)**	**-0.10%**	5,156	2.29%	**6,290**	**1.32%**	16,693	3.68%
- 1.00%	**NA**	**NA**	NA	NA	**NA**	**NA**	NA	NA

At June 30, 2011, our simulated exposure to an increase in interest rates reflects a neutral balance sheet over one year if rates increase by 1.00% and a slightly liability sensitivity balance sheet if rates increase by 2.00% or 3.00%. This indicates that our net interest income would be flat if rates increase by 1.00%, but decrease if rates increase by 2.00%

or 3.00%. Over a two year period, the model reflects a slightly asset sensitive balance sheet if rates increase 1.00% or 2.00%. If rates increase by 3.00%, our model indicates that net interest income would fall by ..39%. As a result of the already low interest rate environment, we did not include a 1.00% falling scenario.

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The changes in the rate sensitivity of the balance sheet from June 30, 2010 to June 30, 2011, are attributable to the acquisition of Monroe Bank on January 1, 2011 and smaller investment and wholesale funding portfolios. We also experienced a change in our deposit mix, specifically a shift to demand deposits from time deposits which are more sensitive to rate changes. Finally, we have increased our holdings of fixed rate residential real estate mortgages during this period which are less rate sensitive.

During the prior twelve months, we have utilized several strategies to position the Company in the current low rate environment to be relatively neutral to interest rate increases. For example, management has focused on reducing the size and duration of the investment portfolio at a time it has increased its holdings of fixed-rate, residential real estate mortgages. Modeling results as of June 30, 2011, indicate that we remain within our Company s acceptable risk tolerance levels.

Old National also has longer term interest rate risk exposure, which may not be appropriately measured by Net Interest Income at Risk modeling. We use Economic Value of Equity (EVE) sensitivity analysis to evaluate the impact of long term cash flows on earnings and capital. EVE modeling involves discounting present values of all cash flows for on balance sheet and off balance sheet items under different interest rate scenarios. The discounted present value of all cash flows represents our economic value of equity. The amount of base case economic value and its sensitivity to shifts in interest rates provide a measure of the longer term re-pricing and option risk in the balance sheet. EVE simulation results are shown below, relative to base case.

	Economic Value of Equity			
	6/30/2011		6/30/2010	
Immediate Change in the Level of Interest Rates	$ Change (millions)	% Change	$ Change (millions)	% Change
+ 3.00%	**(187)**	**-19.63%**	(26)	-3.31%
+ 2.00%	**(126)**	**-13.26%**	11	1.40%
+ 1.00%	**(34)**	**-3.58%**	25	3.28%
- 1.00%	**NA**	**NA**	NA	NA

At June 30, 2011, Old National s Economic Value of Equity (EVE) scenarios indicated more negative changes to economic value in rising interest rate scenarios compared to June 30, 2010. As noted previously, these changes in EVE modeling results were primarily driven by the addition of Monroe Bank and mix changes within the balance sheet. Additionally, EVE results were impacted by a reduction in the size of the investment portfolio, a decreased use of wholesale funding, and a change in the mix within the loan portfolio. Modeling results at June, 2011, indicate that we remain within our Company s acceptable risk tolerance levels.

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

We use derivatives, primarily interest rate swaps, as one method to manage interest rate risk in the ordinary course of business. Our derivatives had an estimated fair value gain of $4.3 million at June 30, 2011, compared to an estimated fair value gain of $4.4 million at December 31, 2010. In addition, the notional amount of derivatives decreased by $36.2 million from December 31, 2010. See Note 15 to the consolidated financial statements for further discussion of derivative financial instruments.

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Liquidity Risk

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

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

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

- Fitch Rating Service kept their long-term outlook rating as stable (unchanged) during the latest rating review on March 15, 2011

- Dominion Bond Rating Services has issued a stable outlook as of August 18, 2010

- Moody s Investor Service did not rate Old National Bancorp as of December 20, 2010.

The senior debt ratings of Old National and Old National Bank at June 30, 2011, are shown in the following table.

SENIOR DEBT RATINGS

	Moody s Investor Service		**Fitch, Inc.**		**Dominion Bond Rating Svc.**	
	Long term	**Short term**	**Long term**	**Short term**	**Long term**	**Short term**
Old National Bancorp	N/A	N/A	BBB	F2	BBB (high)	R-2 (high)
Old National Bank	A1	P-1	BBB+	F2	A (low)	R-1 (low)

N/A = not applicable

As of June 30, 2011, Old National Bank had the capacity to borrow $728 million from the Federal Reserve Bank s discount window. Old National Bank is also a member of the Federal Home Loan Bank (FHLB) of Indianapolis, which provides a source of funding through FHLB advances. Old National Bank maintains relationships in capital markets with brokers and dealers to issue certificates of deposits and short-term and medium-term bank notes as well.

The Parent Company has routine funding requirements consisting primarily of operating expenses, dividends to shareholders, debt service, net derivative cash flows and funds used for acquisitions. The Parent Company can obtain funding to meet its obligations from dividends and management fees collected from its subsidiaries, operating line of credit and through the issuance of debt securities. Additionally, the Parent Company has a shelf registration in place with the Securities and Exchange Commission permitting ready access to the public debt and equity markets. At June 30, 2011, the Parent Company s other borrowings outstanding increased to $29.0 million as compared to $8.0 million at December 31, 2010. This increase was due to Parent Company s assumption of Monroe Bancorp s $13.0 million subordinated debt and $8.0 million trust preferred securities as of January 1, 2011. In the second quarter of 2010, $50.0 million of Parent Company debt matured. Old National s Board of Directors approved the redemption of junior subordinated debentures, resulting in the trustee of ONB Capital Trust II redeeming all $100.0 million of the 8% trust preferred securities on December 15, 2010.

Old National opted in to the Temporary Account Guarantee Program (TAGP) offered in 2008 as a part of Federal Deposit Insurance Corporation s (FDIC) Temporary Liquidity Guarantee Program (TLGP). The coverage under the TAGP program has been made permanent and all funds in a noninterest-bearing transaction account are insured in full by the FDIC through December 31, 2012. This unlimited coverage is in addition to, and separate from, the coverage of at least $250,000 available to depositors under the FDIC s general deposit insurance rules.

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During the second quarter of 2009, Old National entered into a $30 million revolving credit facility at the parent level. The facility had an interest rate of LIBOR plus 2.00% and a maturity of 364 days. The facility matured in April 2010 and Old National did not renew the facility.

Federal banking laws regulate the amount of dividends that may be paid by banking subsidiaries without prior approval. Prior regulatory approval is required if dividends to be declared in any year would exceed net earnings of the current year plus retained net profits for the preceding two years. During the first quarter of 2009 Old National received a $40 million dividend from the Bank Subsidiary to repurchase the $100 million of non-voting preferred shares from the Treasury. As a result of this special dividend, Old National Bank requires approval of regulatory authority for the payment of dividends to Old National. Such approval was obtained for the payment of dividends during 2010 and currently.

OFF-BALANCE SHEET ARRANGEMENTS

Off-balance sheet arrangements include commitments to extend credit and financial guarantees. Commitments to extend credit and financial guarantees are used to meet the financial needs of our customers. Our banking affiliates have entered into various agreements to extend credit, including loan commitments of $1.049 billion and standby letters of credit of $73.7 million at June 30, 2011. At June 30, 2011, approximately $1.011 billion of the loan commitments had fixed rates and $38 million had floating rates, with the fixed rates ranging from 0% to 13.25%. At December 31, 2010, loan commitments were $1.106 billion and standby letters of credit were $74.3 million. The term of these off-balance sheet arrangements is typically one year or less.

During the second quarter of 2007, we entered into a risk participation in an interest rate swap. The interest rate swap had a notional amount of $9.0 million at June 30, 2011.

CONTRACTUAL OBLIGATIONS

The following table presents our significant fixed and determinable contractual obligations at June 30, 2011:

CONTRACTUAL OBLIGATIONS

	Payments Due In				
(dollars in thousands)	One Year or Less (1)	One to Three Years	Three to Five Years	Over Five Years	Total
Deposits without stated maturity	$ 4,457,109	$	$	$	$ 4,457,109
IRAs, consumer and brokered certificates of deposit	539,492	805,759	116,966	95,761	1,557,978
Short-term borrowings	305,205				305,205
Other borrowings	150,023	76,606	109,323	104,518	440,470
Fixed interest payments (2)	8,634	20,808	13,876	43,399	86,717
Operating leases	17,264	63,823	58,733	296,045	435,865
Other long-term liabilities (3)	280				280

(1) For the remaining six months of fiscal 2011.

(2) Our subordinated bank notes, certain trust preferred securities and certain Federal Home Loan Bank advances have fixed rates ranging from 1.24% to 10.00%. All of our other long-term debt is at Libor based variable rates at June 30, 2011. The projected variable interest assumes no increase in Libor rates from June 30, 2011.

(3) Amount expected to be contributed to the pension plans in 2011. Amounts for 2012 and beyond are unknown at this time.

We rent certain premises and equipment under operating leases. See Note 16 to the consolidated financial statements for additional information on long-term lease arrangements.

We are party to various derivative contracts as a means to manage the balance sheet and our related exposure to changes in interest rates, to manage our residential real estate loan origination and sale activity, and to provide derivative contracts to our clients. Since the derivative liabilities recorded on the balance sheet change frequently and

do not represent the amounts that may ultimately be paid under these contracts, these liabilities are not included in the table of contractual obligations presented above. Further discussion of derivative instruments is included in Note 15 to the consolidated financial statements.

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In the normal course of business, various legal actions and proceedings are pending against us and our affiliates which are incidental to the business in which they are engaged. Further discussion of contingent liabilities is included in Note 16 to the consolidated financial statements.

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our accounting policies are described in Note 1 to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2010. Certain accounting policies require management to use significant judgment and estimates, which can have a material impact on the carrying value of certain assets and liabilities. We consider these policies to be critical accounting policies. The judgment and assumptions made are based upon historical experience or other factors that management believes to be reasonable under the circumstances. Because of the nature of the judgment and assumptions, actual results could differ from estimates, which could have a material affect on our financial condition and results of operations.

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

Goodwill and Intangibles

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

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

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

Allowance for Loan Losses

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

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

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

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

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

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

Management s analysis of probable losses in the portfolio at June 30, 2011, resulted in a range for allowance for loan losses of $7.1 million. The range pertains to general (FASB ASC 310, Receivables/SFAS 5) reserves for both retail and performing commercial loans. Specific (FASB ASC 310, Receivables/SFAS 114) reserves do not have a range of probable loss. Due to the risks and uncertainty associated with the economy, our projection of FAS 5 loss rates inherent in the portfolio, and our selection of representative historical periods, we establish a range of probable outcomes (a high-end estimate and a low-end estimate) and evaluate our position within this range. The potential effect to net income based on our position in the range relative to the high and low endpoints is a decrease of $2.0 million and an increase of $2.6 million, respectively, after taking into account the tax effects. These sensitivities are hypothetical and are not intended to represent actual results.

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Derivative Financial Instruments

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

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

Effect if Actual Results Differ From Assumptions. To the extent hedging relationships are found to be effective, as determined by FASB ASC 815 (SFAS No. 133 *Accounting for Derivative Instruments and Hedging Activities*), changes in fair value of the derivatives are offset by changes in the fair value of the related hedged item or recorded to other comprehensive income. However, if in the future the derivative financial instruments used by us no longer qualify for hedge accounting treatment, all changes in fair value of the derivative would flow through the consolidated statements of income in other noninterest income, resulting in greater volatility in our earnings.

Income Taxes

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

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

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

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Valuation of Securities

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

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

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

- The length of time and the extent to which the fair value has been less than amortized cost;
- The financial condition and near-term prospects of the issuer;
- The underlying fundamentals of the relevant market and the outlook for such market for the near future;
- Our intent to sell the debt security or whether it is more likely than not that we will be required to sell the debt security before its anticipated recovery; and
- When applicable for purchased beneficial interests, the estimated cash flows of the securities are assessed for adverse changes.

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

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

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

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FORWARD-LOOKING STATEMENTS

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

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

- economic, market, operational, liquidity, credit and interest rate risks associated with our business;
- economic conditions generally and in the financial services industry;
- increased competition in the financial services industry either nationally or regionally, resulting in, among other things, credit quality deterioration;
- our ability to achieve loan and deposit growth;
- volatility and direction of market interest rates;
- governmental legislation and regulation, including changes in accounting regulation or standards;
- our ability to execute our business plan;
- a weakening of the economy which could materially impact credit quality trends and the ability to generate loans;
- changes in the securities markets; and
- changes in fiscal, monetary and tax policies.

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

ITEM 3. QUANTITIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 4. CONTROLS AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

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

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

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

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

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PART II
OTHER INFORMATION
ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors previously disclosed in the Risk Factors section of the Company s annual report on Form 10-K for the year ended December 31, 2010.

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

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

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publically Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
04/01/11 - 04/30/11		$ 0.00		2,217,525
05/01/11 - 05/31/11				2,217,525
06/01/11 - 06/30/11				2,217,525
Quarter-to-date 06/30/11		$ 0.00		2,217,525

On January 27, 2011, the Board of Directors approved the repurchase of up to 2.25 million shares of stock over a twelve month period beginning January 27, 2011 and ending January 31, 2012. During the first six months of 2011, Old National repurchased a limited number of shares associated with employee share-based incentive programs but did not repurchase any shares on the open market.

ITEM 5. OTHER INFORMATION

(a) None
(b) There have been no material changes in the procedure by which security holders recommend nominees to the Company s board of directors.

ITEM 6. EXHIBITS

Exhibit No.	Description
2.1	Purchase and Assumption Agreement dated November 24, 2008 by and among Old National Bancorp, Old National Bank and RBS Citizens, National Association (incorporated by reference to Exhibit 2.1 of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on November 25, 2008) and amended on March 20, 2009 (incorporated by reference to Exhibit 2.1 of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on March 20, 2009).
2.2	Agreement and Plan of Merger dated as of October 5, 2010 by and among Old National Bancorp and Monroe Bancorp (the schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K) (incorporated by reference to Exhibit 2.1 of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 6, 2010).
2.3	

Purchase and Assumption Agreement Whole Bank All Deposits, among Federal Deposit Insurance Corporation, receiver of Integra Bank National Association, Evansville, Indiana, the Federal Deposit Insurance Corporation and Old National Bank, dated July 29, 2011 (incorporated by reference to Exhibit 2.1 of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on August 4, 2011).

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Exhibit No.	Description
3.1	Articles of Incorporation of Old National, amended December 10, 2008 (incorporated by reference to Exhibit 3.1 of Old National s Annual Report on Form 10-K for the year ended December 31, 2008).
3.2	By-Laws of Old National, amended July 23, 2009 (incorporated by reference to Exhibit 3.2 of Old National s Annual Report on Form 10-K for the year ended December 31, 2009).
4.1	Senior Indenture between Old National and The Bank of New York Trust Company (as successor to J.P. Morgan Trust Company, National Association (as successor to Bank One, NA)), as trustee, dated as of July 23, 1997 (incorporated by reference to Exhibit 4.3 to Old National s Registration Statement on Form S-3, Registration No. 333-118374, filed with the Securities and Exchange Commission on December 2, 2004).
4.2	Form of Indenture between Old National and J.P. Morgan Trust Company, National Association (as successor to Bank One, NA), as trustee (incorporated by reference to Exhibit 4.1 to Old National s Registration Statement on Form S-3, Registration No. 333-87573, filed with the Securities and Exchange Commission on September 22, 1999).
4.3	First Indenture Supplement dated as of May 20, 2005, between Old National and J.P. Morgan Trust Company, as trustee, providing for the issuance of its 5.00% Senior Notes due 2010 (incorporated by reference to Exhibit 4.1 of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 20, 2005).
4.4	Form of 5.00% Senior Notes due 2010 (incorporated by reference to Exhibit 4.2 of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 20, 2005).
10.1	Deferred Compensation Plan for Directors of Old National Bancorp and Subsidiaries (As Amended and Restated Effective as of January 1, 2003) (incorporated by reference to Exhibit 10(a) of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on December 15, 2004).*
10.2	Second Amendment to the Deferred Compensation Plan for Directors of Old National Bancorp and Subsidiaries (As Amended and Restated Effective as of January 1, 2003) (incorporated by reference to Exhibit 10(b) of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on December 15, 2004).*
10.3	2005 Directors Deferred Compensation Plan (Effective as of January 1, 2005) (incorporated by reference to Exhibit 10(c) of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on December 15, 2004).*
10.4	Supplemental Deferred Compensation Plan for Select Executive Employees of Old National Bancorp and Subsidiaries (As Amended and Restated Effective as of January 1, 2003) (incorporated by reference to Exhibit 10(d) of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on December 15, 2004).*
10.5	

	Second Amendment to the Supplemental Deferred Compensation Plan for Select Executive Employees of Old National Bancorp and Subsidiaries (As Amended and Restated Effective as of January 1, 2003) (incorporated by reference to Exhibit 10(e) of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on December 15, 2004).*
10.6	Third Amendment to the Supplemental Deferred Compensation Plan for Select Executive Employees of Old National Bancorp and Subsidiaries (As Amended and Restated Effective as of January 1, 2003) (incorporated by reference to Exhibit 10(f) of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on December 15, 2004).*
10.7	2005 Executive Deferred Compensation Plan (Effective as of January 1, 2005) (incorporated by reference to Exhibit 10(g) of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on December 15, 2004).*

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Exhibit No.	Description
10.8	Summary of Old National Bancorp s Outside Director Compensation Program (incorporated by reference to Old National s Quarterly Report on Form 10-Q for the quarter ended June 30, 2003).*
10.9	Form of Executive Stock Option Award Agreement between Old National and certain key associates (incorporated by reference to Exhibit 10(h) of Old National s Quarterly Report on Form 10-Q for the quarter ended September 30, 2004).*
10.10	Form of 2006 Performance-Based Restricted Stock Award Agreement between Old National and certain key associates (incorporated by reference to Exhibit 99.1 of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on March 2, 2006).*
10.11	Form of 2006 Service-Based Restricted Stock Award Agreement between Old National and certain key associates (incorporated by reference to Exhibit 99.2 of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on March 2, 2006).*
10.12	Form of 2006 Non-qualified Stock Option Agreement (incorporated by reference to Exhibit 99.3 of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on March 2, 2006).*
10.13	Form of 2007 Performance-Based Restricted Stock Award Agreement between Old National and certain key associates (incorporated by reference to Exhibit 10(w) of Old National s Annual Report on Form 10-K for the year ended December 31, 2006).*
10.14	Form of 2007 Service-Based Restricted Stock Award Agreement between Old National and certain key associates (incorporated by reference to Exhibit 10(x) of Old National s Annual Report on Form 10-K for the year ended December 31, 2006).*
10.15	Form of 2007 Non-qualified Stock Option Agreement between Old National and certain key associates (incorporated by reference to Exhibit 10(y) of Old National s Annual Report on Form 10-K for the year ended December 31, 2006).*
10.16	Lease Agreement, dated December 20, 2006 between ONB One Main Landlord, LLC and Old National Bank (incorporated by reference to Exhibit 10(aa) of Old National s Annual Report on Form 10-K for the year ended December 31, 2006).
10.17	Lease Agreement, dated December 20, 2006 between ONB 123 Main Landlord, LLC and Old National Bank (incorporated by reference to Exhibit 10(ab) of Old National s Annual Report on Form 10-K for the year ended December 31, 2006).
10.18	Lease Agreement, dated December 20, 2006 between ONB 4th Street Landlord, LLC and Old National Bank (incorporated by reference to Exhibit 10(ac) of Old National s Annual Report on Form 10-K for the year ended December 31, 2006).
10.19	Master Lease Agreement dated September 19, 2007, by and between ONB CTL Portfolio Landlord #1, LLC, and Old National Bank (incorporated by reference to Exhibit 99.2 of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on September 25, 2007).

10.20	Lease Supplement No. 1 dated September 19, 2007, by and between ONB CTL Portfolio Landlord #1, LLC, Old National Bank and ONB Insurance Group, Inc. (incorporated by reference to Exhibit 99.3 of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on September 25, 2007).

Exhibit No.	Description
10.21	Master Lease Agreement dated September 19, 2007, by and between ONB CTL Portfolio Landlord #2, LLC, and Old National Bank (incorporated by reference to Exhibit 99.4 of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on September 25, 2007).
10.22	Master Lease Agreement dated September 19, 2007, by and between ONB CTL Portfolio Landlord #3, LLC, and Old National Bank (incorporated by reference to Exhibit 99.5 of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on September 25, 2007).
10.23	Master Lease Agreement dated September 19, 2007, by and between ONB CTL Portfolio Landlord #4, LLC, and Old National Bank (incorporated by reference to Exhibit 99.6 of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on September 25, 2007).
10.24	Master Lease Agreement dated September 19, 2007, by and between ONB CTL Portfolio Landlord #5, LLC, and Old National Bank (incorporated by reference to Exhibit 99.7 of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on September 25, 2007).
10.25	Form of Lease Agreement dated October 19, 2007 entered into by affiliates of Old National Bancorp and affiliates of SunTrust Equity Funding, LLC (incorporated by reference to Exhibit 99.2 of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 25, 2007).
10.26	Form of Lease Agreement dated December 27, 2007 entered into by affiliates of Old National Bancorp and affiliates of SunTrust Equity Funding, LLC (as incorporated by reference to Exhibit 99.2 of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on December 31, 2007).
10.27	Form of 2008 Non-qualified Stock Option Award Agreement (incorporated by reference to Exhibit 99.1 of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on January 30, 2008).*
10.28	Form of 2008 Performance-Based Restricted Stock Award Agreement between Old National and certain key associates (incorporated by reference to Exhibit 99.2 of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on January 30, 2008).*
10.29	Form of 2008 Service-Based Restricted Stock Award Agreement between Old National and certain key associates (incorporated by reference to Exhibit 99.3 of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on January 30, 2008).*
10.30	Old National Bancorp 2008 Incentive Compensation Plan (incorporated by reference to Appendix II of Old National s Definitive Proxy Statement filed with the Securities and Exchange Commission on March 27, 2008).*
10.31	

	Old National Bancorp Code of Conduct (incorporated by reference to Exhibit 14.1 of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 29, 2008).
10.32	Letter Agreement dated December 12, 2008 by and between Old National Bancorp and the United States Department of Treasury which includes the Securities Purchase Agreement Standard Terms (incorporated by reference to Exhibit 10.1 of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on December 12, 2008).
10.33	Form of 2009 Performance Share Award Agreement Internal Performance Measures between Old National and certain key associates (incorporated by reference to Old National s Current Report on Form 8-K/A filed with the Securities and Exchange Commission on February 13, 2009).*
10.34	Form of 2009 Performance Share Award Agreement Relative Performance Measures between Old National and certain key associates (incorporated by reference to Old National s Current Report on Form 8-K/A filed with the Securities and Exchange Commission on February 13, 2009).*

Exhibit No.	Description
10.35	Form of 2009 Service-Based Restricted Stock Award Agreement between Old National and certain key associates (incorporated by reference to Old National s Current Report on Form 8-K/A filed with the Securities and Exchange Commission on February 13, 2009).*
10.36	Form of 2009 Executive Stock Option Agreement between Old National and certain key associates (incorporated by reference to Old National s Current Report on Form 8-K/A filed with the Securities and Exchange Commission on February 13, 2009).*
10.37	Preferred Stock Repurchase Agreement dated March 31, 2009 by and between Old National Bancorp and the United States Department of Treasury (incorporated by reference to Exhibit 10.1 of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on March 31, 2009).
10.38	Warrant Repurchase Agreement dated May 8, 2009 by and between Old National Bancorp and the United States Department of Treasury (incorporated by reference to Exhibit 10.1 of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 11, 2009).
10.39	Stock Purchase and Dividend Reinvestment Plan (incorporated by reference to Old National s Registration Statement on Form S-3, Registration No. 333-161394 filed with the Securities and Exchange Commission on August 17, 2009).
10.40	Purchase Agreement dated September 17, 2009 between National City Commercial Capital Company, LLC, Old National Bank and Indiana Old National Insurance Company (incorporated by reference to Exhibit 10.01 of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on September 18, 2009).
10.41	Servicing Agreement dated September 17, 2009 between National City Commercial Capital Company, LLC, Old National Bank and Indiana Old National Insurance Company (incorporated by reference to Exhibit 10.02 of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on September 18, 2009).
10.42	Form of 2010 Performance Share Award Agreement Internal Performance Measures between Old National and certain key associates (incorporated by reference to Exhibit 10(as) of Old National s Annual Report on Form 10-K for the year ended December 31, 2009).*
10.43	Form of 2010 Performance Share Award Agreement Relative Performance Measures between Old National and certain key associates (incorporated by reference to Exhibit 10(at) of Old National s Annual Report on Form 10-K for the year ended December 31, 2009).*
10.44	Form of 2010 Service Based Restricted Stock Award Agreement between Old National and certain key associates (incorporated by reference to Exhibit 10(au) of Old National s Annual Report on Form 10-K for the year ended December 31, 2009).*
10.45	Voting agreement by and among directors of Monroe Bancorp (incorporated by reference to Exhibit 10.1 of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 6, 2010).*

10.46	Form of Employment Agreement for Robert G. Jones (incorporated by reference to Exhibit 10.1 of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on January 27, 2011).*
10.47	Form of Employment Agreement for Barbara A Murphy, Christopher A. Wolking, Allen R. Mounts and Daryl D. Moore (incorporated by reference to Exhibit 10.2 of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on January 27, 2011).*
10.48	Form of 2011 Performance Share Award Agreement Internal Performance Measures between Old National and certain key associates (incorporated by reference to Exhibit 10(av) of Old National s Annual Report on Form 10-K for the year ended December 31, 2010).*

Exhibit No.	Description
10.49	Form of 2011 Performance Share Award Agreement Relative Performance Measures between Old National and certain key associates (incorporated by reference to Exhibit 10(aw) of Old National s Annual Report on Form 10-K for the year ended December 31, 2010).*
10.50	Form of 2011 Service Based Restricted Stock Award Agreement between Old National and certain key associates (incorporated by reference to Exhibit 10(ax) of Old National s Annual Report on Form 10-K for the year ended December 31, 2010).*
10.51	Old National Bank Cash-Settled Value Appreciation Instrument, dated July 29, 2011 (incorporated by reference to Exhibit 10.1 of Old National s Current Report on Form 8-K filed with the Securities and Exchange Commission on August 4, 2011).
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following materials from Old National Bancorp s Form 10-Q Report for the quarterly period ended June 30, 2011, formatted in XBRL: (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Changes in Shareholders Equity, (iv) the Consolidated Statements of Cash Flows, and (v) the Notes to Consolidated Financial Statements, tagged as blocks of text.**

* Management contract or compensatory plan or arrangement

** Furnished, not filed

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SIGNATURES

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

OLD NATIONAL BANCORP
(Registrant)

By: /s/ Christopher A. Wolking

Christopher A. Wolking
Senior Executive Vice President and Chief Financial Officer
Duly Authorized Officer and Principal Financial Officer

Date: August 5, 2011