



COMPANY UPDATE/ ESTIMATES CHANGE/ TARGET PRICE CHANGE/ RATING CHANGE

Key Metrics

ONB - NASDAQ (as of 02/08/18)	\$16.68
Price Target	\$19.00
52-Week Range	\$15.38-\$18.95
Shares Outstanding (mm)	152.1
Market Cap. (\$mm)	\$2,536
3-Mo. Average Daily Volume (000)	724.7
Institutional Ownership	66.4%
Tangible Equity/ Tangible Assets	9.5%
ROE	5.0%
Tangible Book Value Per Share	\$8.37
Price/Tangible Book Value	199.1%
Dividend Yield	3.1%
Price/LTM Earnings	24.2x

Operating EPS CY 12/31

	2017A	Prior 2018E	Curr. 2018E	Prior 2019E	Curr. 2019E
1Q	\$0.26	\$0.29	\$0.31	\$0.34	\$0.35
2Q	\$0.28	\$0.27	\$0.28	\$0.31	\$0.32
3Q	\$0.30	\$0.30	\$0.31	\$0.33	\$0.33
4Q	\$0.22	\$0.35	\$0.37	\$0.37	\$0.38
Year	\$1.06	\$1.22	\$1.26	\$1.35	\$1.38
P/E	15.8x		13.2x		12.1x

Common Dividends

	2017A	Curr. 2018E	Prior %chg.	Curr. 2019E
1Q	\$0.13	\$0.13	0.0	\$0.14
2Q	\$0.13	\$0.14	7.7	\$0.15
3Q	\$0.13	\$0.14	7.7	\$0.15
4Q	\$0.13	\$0.14	7.7	\$0.15
Year	\$0.52	\$0.55	5.8	\$0.59

Company Description – Old National Bancorp (ONB) is a commercial banking organization headquartered in Evansville, Indiana. The company's footprint includes markets in Indiana, Kentucky, Michigan and Wisconsin. ONB is the largest banking organization based in Indiana and ranks among the top 100 banking companies in the country. In addition to traditional banking services, Old National offers trust, wealth management and investment brokerage services.

Banks

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Old National Bancorp

ONB – NASDAQ – Buy – 2

Increasing Estimates & Price Target; Raising to Buy on Unwarranted Pullback

- After reevaluating our model, we are increasing our 2018 and 2019 operating EPS estimates to \$1.26 and \$1.38 from \$1.22 and \$1.35, respectively, on various revisions that were somewhat offsetting.
- We are also increasing our 12-month price target by \$0.50 to \$19.00, which we derive through our discounted dividend model and the application of a 14.0X forward multiple to our 2019 EPS estimate.
- We are raising the multiple that we employ from the 13.5X multiple previously utilized to reflect the improvement in the quality of earnings that ONB is generating. Management expects purchase accounting accretion to comprise approximately 5% of revenues in 2018 versus as much as ~20+% in years past.
- ONB's share price has declined 4.4% in the current correction. With this pullback, our price target suggests a potential return of 17.1%, including an attractive 3.1% dividend yield.
- We do not understand why ONB and the banking sector have been negatively impacted by the recent pullback in equity valuations. A major driver of the correction is concerns regarding higher interest rates. While higher interest rates will constrain profitability for most sectors, the rise in long term rates have enabled the 2/10 year Treasury yield spread to increase 21 bps YTD to 0.72%. Clearly, a steeper yield curve is a positive development for the sector.
- Based on the foregoing, we conclude the correction has created a compelling entry point for ONB and are raising our rating to Buy from Neutral.

Note Important Disclosures on pages 4 and 5
Note Analyst Certification on page 4

SUITABILITY

Our suitability rating on ONB is 2 on our scale of 1 to 4 (1 = most conservative, 4 = most aggressive). Factors contributing to our suitability rating include the company's market capitalization, liquidity and trading volume, diversity of revenues and the geographic diversification of its footprint.

RISK FACTORS

- **Economy** – If the economy softens, loan demand could wane and credit quality could deteriorate.
- **Geography** – The company's operations are clustered in a few states. Accordingly, its earnings are more vulnerable to any regional shock and/or slowdown.
- **Real Estate** – A significant percentage of the company's loans are real estate oriented. Any deterioration in real estate values would impair the value of the underlying real estate collateral.
- **Competition** – The industry is highly competitive and many of the company's competitors have greater resources.
- **Sector Rotation** – The share price of the company's common stock may be vulnerable to any sector rotation that might occur.
- **Regulatory Environment** – Banks operate in a highly regulated environment. Consequently, the company is vulnerable to regulatory uncertainties that could negatively impact shareholders.
- **Other** – Please see the company's financial statements for a further discussion of risks and considerations.

	1Q017 A	2Q017 A	3Q017 A	4Q017 A	1Q018 E	2Q018 E	3Q018 E	4Q018 E	FY 2016 A	FY 2017 A	FY 2018 E	FY 2019 E	YOY Change	ONB:BUY
\$Millions, Except for Per Share Data														
Assets	14,869.6	14,957.3	15,065.8	17,518.3	17,592.7	17,847.0	18,104.8	18,366.5	14,860.2	17,518.3	18,366.5	19,159.1	17.9%	4.8%
Gross Loans	9,149.1	9,259.5	9,428.3	11,136.1	11,191.7	11,387.0	11,575.5	11,772.3	9,101.2	11,136.1	11,772.3	12,371.6	22.4%	5.7%
Average Earning Assets	12,742.9	12,844.5	12,959.7	14,389.5	15,229.7	15,372.3	15,594.4	15,819.8	11,828.6	13,234.1	15,504.1	16,223.6	11.9%	17.2%
Deposits	10,821.4	10,683.7	10,606.8	12,605.8	14,359.3	14,566.8	14,777.3	14,980.9	10,743.3	12,605.8	14,980.9	15,637.8	17.3%	18.9%
Equity	1,846.4	1,886.6	1,906.8	2,154.4	2,181.1	2,202.5	2,221.5	2,256.0	1,814.4	2,154.4	2,256.0	2,382.9	18.7%	4.7%
Statement of Operations:														
FTE Net Interest Income	111.5	110.0	114.1	124.7	128.9	130.4	131.5	133.6	424.0	460.3	524.4	542.6	8.6%	13.9%
Net Interest Income	105.8	104.3	108.5	118.6	125.7	127.2	128.3	130.4	402.7	437.2	511.5	529.3	8.6%	17.0%
Provision for Loan Losses	0.3	1.4	0.3	1.0	1.5	1.6	2.0	2.3	1.0	3.1	7.4	13.3	217.7%	142.7%
Non-Interest Income:														
Wealth Management Fees	9.0	9.7	8.8	9.8	10.0	10.2	10.5	10.7	34.6	37.3	41.4	45.9	7.7%	11.0%
Deposit Service Charges	9.8	10.0	10.5	10.9	10.7	11.2	11.7	11.2	41.6	41.3	46.0	48.2	-0.6%	8.8%
Debit Card & ATM Fees	4.2	4.4	4.2	4.8	4.6	4.6	4.7	4.7	16.8	17.7	18.6	19.3	5.4%	5.4%
Mortgage Banking Revenue	4.2	5.2	5.1	3.9	3.8	4.3	4.3	4.0	20.2	20.2	18.4	16.5	-8.8%	-10.7%
Insurance Premiums and Commissions	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	20.5	0.6	0.8	0.8	-97.0%	32.9%
Investment Product Fees	5.0	5.0	5.2	5.8	5.9	6.0	6.1	6.2	18.8	21.0	24.2	25.6	11.4%	15.2%
Company-Owned Life Insurance	2.1	2.1	2.0	2.4	2.4	2.4	2.4	2.4	8.5	8.7	9.5	9.5	2.1%	9.4%
Change in FDIC Indemnification Asset	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.0	-100.0%	NA
Other Income	6.9	9.6	7.3	5.5	7.4	7.5	7.6	7.6	85.7	29.2	30.1	31.4	-65.9%	2.8%
Securities Gains	0.0	3.1	3.0	1.6	0.0	0.0	0.0	0.0	5.8	7.6	0.0	0.0	30.6%	-100.0%
Total Non-Interest Income	41.4	49.3	46.4	44.8	45.1	46.5	47.4	47.0	252.8	181.9	186.0	194.6	2.2%	4.6%
Non-Core Adjustment	0.0	-3.1	-3.0	-1.6	0.0	0.0	0.0	0.0	(60.5)	(7.6)	0.0	0.0	-87.4%	-100.0%
Adjusted Non-Interest Income	41.4	46.2	43.4	43.2	45.1	46.5	47.4	47.0	192.3	174.2	186.0	194.6	-9.4%	6.7%
Non-Interest Expense:														
Salaries and Employee Benefits	56.6	57.6	57.8	74.8	67.0	67.4	64.8	64.8	252.9	246.7	264.0	286.4	-2.4%	7.0%
Occupancy	12.1	10.5	11.7	12.2	12.5	12.5	12.0	12.0	50.9	46.5	49.1	48.4	-8.7%	5.5%
Equipment	3.2	3.4	3.5	3.5	3.5	3.5	3.5	3.5	13.4	13.6	13.9	14.2	0.8%	2.6%
Marketing	3.1	3.7	2.6	3.8	3.5	3.5	3.6	3.6	14.6	13.2	14.2	14.5	-9.9%	7.9%
Data Processing	7.6	8.2	7.7	8.8	8.7	8.8	8.3	8.3	32.0	32.3	34.1	33.8	0.9%	5.7%
Communication	2.4	2.3	2.2	2.4	2.4	2.4	2.5	2.5	10.0	9.3	9.8	10.0	-6.8%	5.5%
Professional Fees	2.7	4.1	4.6	5.5	2.5	2.3	2.3	2.3	15.7	16.8	9.5	9.4	7.2%	-43.5%
Loan Expenses	1.6	1.7	1.5	1.7	1.7	1.8	1.8	1.8	7.6	6.6	7.0	7.3	-13.6%	6.5%
Supplies	0.6	0.6	0.5	0.7	0.7	0.7	0.7	0.7	2.9	2.4	2.8	2.8	-16.1%	15.5%
FDIC Assessment	2.5	2.1	2.2	2.7	2.7	2.7	2.8	2.8	8.7	9.5	10.9	11.4	9.2%	15.4%
OREO Expense	1.1	1.0	0.5	0.7	0.8	0.8	0.8	0.8	4.2	3.4	3.0	3.2	-19.5%	-11.1%
Intangible Amortization	3.0	2.8	2.6	3.4	3.5	3.2	2.9	2.6	12.5	11.8	12.1	7.8	-5.2%	1.9%
Tax Credit Amortization	0.0	0.0	0.0	11.7	1.0	8.5	8.5	0.0	0.0	11.7	18.0	18.0	NA	53.4%
Other Expense	5.4	4.8	6.2	8.5	5.5	5.5	5.1	5.1	28.7	25.0	21.2	20.6	-13.0%	-15.3%
Total Non-Interest Expense	101.9	102.8	103.7	140.4	116.0	123.6	119.3	110.7	454.1	448.8	469.6	467.9	-1.2%	4.6%
Non-Core Adjustment	-1.4	-1.7	-4.7	-26.6	0.0	0.0	0.0	0.0	(39.0)	(34.4)	0.0	0.0	-11.6%	-100.0%
Adjusted Non-Interest Expense	100.5	101.1	99.0	113.8	116.0	123.6	119.3	110.7	415.2	414.4	469.6	467.9	-0.2%	0.4%
Pretax Income	46.4	48.1	52.6	47.0	53.2	48.5	54.4	64.3	178.9	194.0	220.4	242.7	8.4%	13.3%
Income Taxes	11.0	10.1	12.1	15.3	6.8	5.9	6.9	8.6	49.0	48.4	31.8	31.8	-1.2%	-41.8%
Operating Net Income	35.4	38.0	40.5	31.7	46.5	42.6	47.5	55.7	129.8	145.5	188.6	211.0	12.1%	32.1%
Share & Per Share Data:														
Diluted EPS	0.27	0.29	0.29	-0.13	0.31	0.28	0.31	0.37	1.04	0.71	1.26	1.38	-31.4%	76.9%
Operating EPS	0.26	0.28	0.30	0.22	0.31	0.28	0.31	0.37	1.01	1.06	1.26	1.38	4.9%	19.2%
Dividends Per Share	0.13	0.13	0.13	0.13	0.13	0.14	0.14	0.14	0.52	0.52	0.55	0.59	0.0%	5.8%
Tangible Book Value	8.54	8.85	9.02	8.37	7.78	7.94	8.09	8.33	8.30	8.37	8.33	9.20	0.9%	-0.5%
Common Shares Outstanding	135,435	135,435	135,435	151,664	151,939	151,939	151,939	151,939	135,159	151,664	151,939	152,214	12.2%	0.2%
Average Diluted Shares	135,431	135,954	135,954	144,068	152,320	152,458	152,458	152,458	128,164	137,852	152,423	152,688	7.6%	10.6%
Key Financial Statistics:														
Return on Assets	0.98%	1.05%	1.05%	-0.45%	1.07%	0.96%	1.05%	1.21%	0.98%	0.66%	1.07%	1.13%	(33)	42
Return on Equity	7.89%	8.33%	8.31%	-3.51%	8.89%	7.80%	8.51%	9.87%	7.84%	5.25%	8.72%	9.09%	(259)	347
Net Interest Margin	3.50%	3.42%	3.52%	3.47%	3.38%	3.39%	3.37%	3.38%	3.56%	3.48%	3.38%	3.34%	(10)	(10)
Operating Non-Int. Inc./Operating Rev.	28.13%	30.69%	28.57%	26.72%	26.39%	26.78%	26.98%	26.98%	32.49%	28.53%	26.66%	26.88%	(187)	(396)
Efficiency Ratio	63.13%	61.75%	60.24%	65.13%	64.73%	68.08%	65.03%	69.87%	68.28%	62.56%	64.44%	62.42%	(572)	188
Tangible Common Ratio	8.16%	8.41%	8.50%	7.81%	7.13%	7.16%	7.18%	7.29%	7.92%	7.81%	7.29%	7.71%	(10)	(53)
Reserves/Loans	0.54%	0.55%	0.53%	0.45%	0.45%	0.45%	0.44%	0.44%	0.55%	0.45%	0.44%	0.45%	(9)	(2)
NCOs/Average Loans	0.01%	0.01%	0.05%	0.03%	0.05%	0.05%	0.06%	0.07%	0.04%	0.03%	0.06%	0.09%	(2)	3

Source: Company reports and Hilliard Lyons estimates.

Additional information is available upon request.

Analyst Certification

I, Andrew W. Stapp, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company(ies) and its (their) securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

Important Disclosures

Hilliard Lyons' analysts receive bonus compensation based on Hilliard Lyons' profitability. They do not receive direct payments from investment banking activity.

Old National Bancorp is/was a client of Hilliard Lyons within the past 12 months, received non-investment banking securities-related services, and Hilliard Lyons received compensation for those services.

Definitions of Ratings:

Buy - We believe the stock has significant total return potential in the coming 12 months.

Long-term Buy - We believe the stock is an above average holding in its sector, and expect solid returns to be realized over a longer time frame than our Buy rated issues, typically 2-3 years.

Neutral - We believe the stock is an average holding in its sector, is currently fully valued, and may be used as a source of funds if better opportunities arise.

Underperform - We believe the stock is vulnerable to a price decline in the next 12 months.

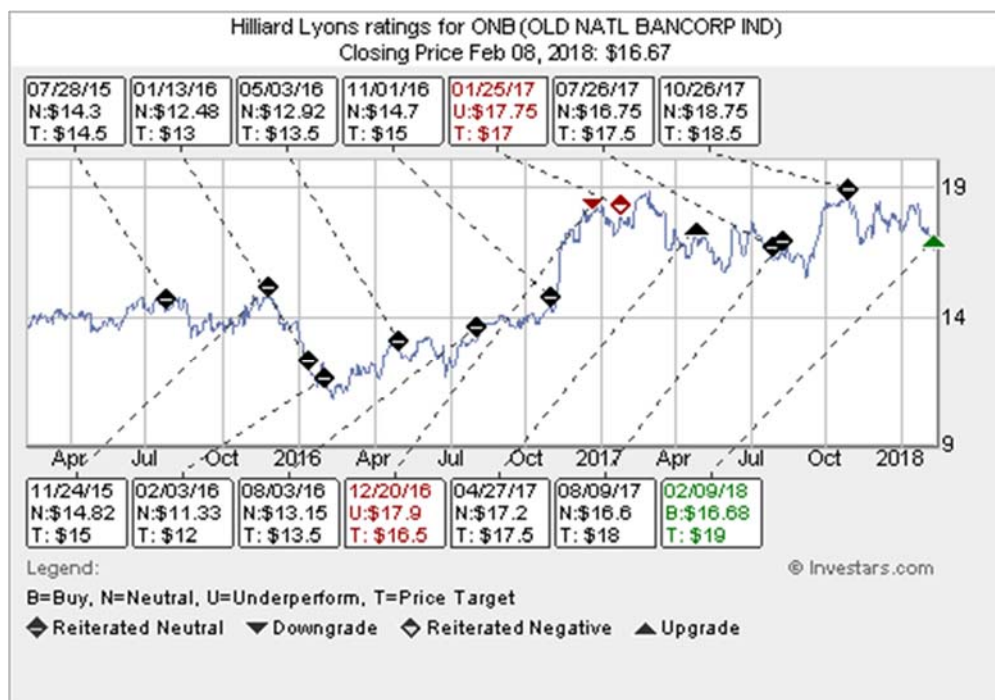
Definitions of Suitabilities:

1. A large cap, core holding with a solid history.

2. A historically secure company which could be cyclical, has a shorter history than a "1" or is subject to event driven setbacks.

3. An above average risk/reward ratio could be due to small size, lack of product diversity, sporadic earnings or high leverage.

4. Speculative, due to small size, inconsistent profitability, erratic revenue, volatility, low trading volume or a narrow customer or product base



Rating	Hilliard Lyons Recommended Issues		Investment Banking Provided in Past 12 Mo.	
	# of Stocks Covered	% of Stocks Covered	Banking	No Banking
Buy	31	28%	10%	90%
Hold/Neutral	74	66%	9%	91%
Sell	7	6%	0%	100%

As of 7 February 2018

Other Disclosures

Opinions expressed are subject to change without notice and do not take into account the particular investment objectives, financial situation or needs of individual investors. Employees of J.J.B. Hilliard, W.L. Lyons, LLC or its affiliates may, at times, release written or oral commentary, technical analysis or trading strategies that differ from the opinions expressed here.

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