OLD NATIONAL BANCORP /IN/
Form 10-Q/A
April 04, 2006

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

FORM 10-Q/A
(Amendment No. 1)

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended March 31, 2005

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from ______ to ______
Commission File Number 1-15817

OLD NATIONAL BANCORP
(Exact name of Registrant as specified in its charter)

INDIANA	**35-1539838**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1 Main Street **Evansville, Indiana**	**47708**
(Address of principal executive offices)	(Zip Code)

(812) 464-1294
(Registrant s telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to the filing requirements for at least the past 90 days. Yes þ No o

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Act.

Large accelerated filer þ Accelerated filer o Non-accelerated filer o

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

Indicate the number of shares outstanding of each of the issuer s classes of common stock. The Registrant has one class of common stock (no par value) with 68,321,000 shares outstanding at April 30, 2005.

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EXPLANATORY NOTE

We are filing this Quarterly Report on Form 10-Q/A (the Amended Report) to correct errors related to Old National Bancorp s derivative accounting under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended. See Note 2 to the consolidated financial statements for further explanation.

For the reason discussed above, we are filing this Amended Report in order to amend Part 1. Item 1. Financial Statements, Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations, Item 3. Quantitative and Qualitative Disclosures about Market Risk, Item 4. Controls and Procedures and Part II, Item 6. certifications in Exhibits 31.1, 31.2, 32.1 and 32.2.

In order to preserve the nature and character of the disclosures set forth in the Original Report, except as expressly noted above, this report speaks as of the date of the filing of the Original Report, May 10, 2005, and we have not updated the disclosures in this report to speak as of the later date. All information contained in this Amended Report is subject to updating and supplementing as provided in our reports filed with the SEC subsequent to the date of the Original Report.

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OLD NATIONAL BANCORP
CONSOLIDATED BALANCE SHEET

(dollars and shares in thousands) (unaudited)	March 31, 2005 (restated)	March 31, 2004 (restated)	December 31, 2004 (restated)
Assets			
Cash and due from banks	**$ 159,516**	$ 176,022	$ 204,678
Money market investments	**39,854**	15,733	12,320
Total cash and cash equivalents	**199,370**	191,755	216,998
Investment securities available-for-sale, at fair value			
U.S. Treasury	**33,247**	13,117	66,837
U.S. Government-sponsored agencies	**637,601**	552,228	632,473
Mortgage-backed securities	**1,248,491**	1,298,932	1,267,320
States and political subdivisions	**583,051**	664,264	597,631
Other securities	**215,526**	91,077	221,154
Investment securities available-for-sale	**2,717,916**	2,619,618	2,785,415
Investment securities held-to-maturity, at amortized cost (fair value $165,198, $205,812 and $176,166 respectively)	**170,194**	204,406	177,794
Federal Home Loan Bank stock, at cost	**49,556**	49,502	49,542
Residential loans held for sale	**31,685**	17,895	22,484
Loans:			
Commercial	**1,522,497**	1,614,516	1,550,640
Commercial real estate	**1,639,968**	1,830,532	1,653,122
Residential real estate	**558,219**	939,156	555,423
Consumer credit, net of unearned income	**1,219,655**	1,175,450	1,205,657
Total loans	**4,940,339**	5,559,654	4,964,842
Allowance for loan losses	**(86,307)**	(100,645)	(85,749)
Net loans	**4,854,032**	5,459,009	4,879,093
Premises and equipment, net	**209,655**	194,262	212,787
Goodwill	**100,965**	129,251	129,947
Other intangible assets	**16,526**	41,113	38,868
Mortgage servicing rights	**15,129**	12,319	15,829
Assets held for sale	**57,241**		
Accrued interest receivable and other assets	**370,778**	348,159	369,547
Total assets	**$ 8,793,047**	$ 9,267,289	$ 8,898,304
Liabilities			
Deposits:			
Noninterest-bearing demand	**$ 850,571**	$ 794,502	$ 851,218
Interest-bearing:			

NOW	**1,826,861**	1,587,353	1,920,501
Savings	**495,430**	467,575	480,392
Money market	**619,975**	593,222	573,334
Time	**2,577,084**	2,941,668	2,593,264
Total deposits	**6,369,921**	6,384,320	6,418,709
Short-term borrowings	**493,312**	471,403	347,353
Other borrowings	**1,152,263**	1,521,340	1,306,953
Liabilities held for sale	**11,238**		
Accrued expenses and other liabilities	**98,724**	141,315	121,197
Total liabilities	**8,125,458**	8,518,378	8,194,212
Shareholders Equity			
Preferred stock, 2,000 shares authorized, no shares issued or outstanding			
Common stock, $1 stated value, 150,000 shares authorized, 68,717, 66,449 and 69,287 shares issued and outstanding, respectively	**68,717**	66,449	69,287
Capital surplus	**614,741**	578,650	630,461
Retained earnings	**1,585**	68,038	
Accumulated other comprehensive income (loss), net of tax	**(17,454)**	35,774	4,344
Total shareholders equity	**667,589**	748,911	704,092
Total liabilities and shareholders equity	**$ 8,793,047**	$ 9,267,289	$ 8,898,304

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

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OLD NATIONAL BANCORP
CONSOLIDATED STATEMENT OF INCOME

(dollars in thousands, except per share data) (unaudited)	Three Months Ended March 31, 2005 (restated)	Three Months Ended March 31, 2004 (restated)
Interest Income		
Loans including fees:		
Taxable	**$ 68,580**	$ 74,382
Nontaxable	**4,062**	4,367
Investment securities, available-for-sale:		
Taxable	**21,538**	19,893
Nontaxable	**6,673**	7,362
Investment securities, held-to-maturity, taxable	**1,786**	2,097
Money market investments	**129**	8
Total interest income	**102,768**	108,109
Interest Expense		
Deposits	**30,849**	32,269
Short-term borrowings	**2,017**	990
Other borrowings	**14,705**	14,772
Total interest expense	**47,571**	48,031
Net interest income	**55,197**	60,078
Provision for loan losses	**5,100**	7,500
Net interest income after provision for loan losses	**50,097**	52,578
Noninterest Income		
Wealth management fees	**4,875**	4,922
Service charges on deposit accounts	**11,098**	10,765
ATM and debit card fees	**2,361**	1,965
Mortgage banking revenue	**1,377**	(320)
Insurance premiums and commissions	**9,051**	9,207
Investment product fees	**2,583**	3,185
Bank-owned life insurance	**1,754**	2,053
Net securities gains (losses)	**(520)**	1,985
Gain (loss) on derivatives	**(2,872)**	9,289
Other income	**3,272**	3,718
Total noninterest income	**32,979**	46,769
Noninterest Expense		
Salaries and employee benefits	**39,038**	44,225
Occupancy	**5,031**	4,580

Equipment	**3,512**	3,441
Marketing	**1,912**	2,286
Outside processing	**5,116**	4,931
Communication and transportation	**2,521**	2,866
Professional fees	**2,114**	3,011
Loan expense	**899**	1,467
Supplies	**875**	1,000
Other real estate owned expense	**278**	1,656
Other expense	**4,781**	4,385
Total noninterest expense	**66,077**	73,848
Income before income taxes and discontinued operations	**16,999**	25,499
Income tax expense	**1,443**	4,249
Income from continuing operations	**15,556**	21,250
Income (loss) from discontinued operations, net of tax expense (benefit) of $(68) and $610, respectively	**(984)**	919
Net income	**$ 14,572**	$ 22,169
Basic net income per share from continuing operations	**$ 0.22**	$ 0.31
Basic net income (loss) per share from discontinued operations	**(0.01)**	0.01
Basic net income per share	**0.21**	0.32
Diluted net income per share from continuing operations	**$ 0.22**	$ 0.31
Diluted net income (loss) per share from discontinued operations	**(0.01)**	0.01
Diluted net income per share	**0.21**	0.32
Dividends per common share	**$ 0.19**	$ 0.18

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

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OLD NATIONAL BANCORP
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

(dollars and shares in thousands) (unaudited)	Common Stock Shares	Common Stock Amount	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders Equity
Balance, December 31, 2003 as previously reported	66,575	$66,575	$581,224	$ 53,107	$ 14,583	$ 715,489
Restatement adjustment				5,391		5,391
Balance, December 31, 2003 as restated	66,575	$66,575	$581,224	$ 58,498	$ 14,583	$ 720,880
Net income (restated)				22,169		22,169
Unrealized net securities gains, net of $15,922 tax					21,929	21,929
Reclassification adjustment for gains included in net income, net of $(835) tax					(1,150)	(1,150)
Net unrealized derivative gains on cash flow hedges, net of $235 tax					365	365
Reclassification adjustment on cash flow hedges, net of $31 tax					47	47
Cash dividends				(12,629)		(12,629)
Stock repurchased	(468)	(468)	(9,613)			(10,081)
Stock reissued under stock option and stock purchase plans	342	342	7,039			7,381
Balance, March 31, 2004	66,449	$66,449	$578,650	$ 68,038	$ 35,774	$ 748,911
Balance, December 31, 2004 as previously reported	**69,287**	**$69,287**	**$629,577**	**$**	**$ 4,344**	**$ 703,208**
Restatement adjustment			**884**			**884**
Balance, December 31, 2004 as restated	**69,287**	**$69,287**	**$630,461**	**$**	**$ 4,344**	**$ 704,092**
Net income (restated)				**14,572**		**14,572**
Unrealized net securities losses, net of $(16,026) tax					**(23,799)**	**(23,799)**
Reclassification adjustment for securities losses included in net income, net of $209 tax					**311**	**311**
					1,756	**1,756**

Net unrealized derivative gains on cash flow hedges, net of $1,135 tax						
Reclassification adjustment on cash flow hedges, net of $(42) tax					**(66)**	**(66)**
Cash dividends				**(12,987)**		**(12,987)**
Stock repurchased	**(850)**	**(850)**	**(17,542)**			**(18,392)**
Stock issued under stock option, restricted stock and stock purchase plans	**280**	**280**	**1,822**			**2,102**
Balance, March 31, 2005	**68,717**	**$68,717**	**$614,741**	**$ 1,585**	**($17,454)**	**$ 667,589**

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

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OLD NATIONAL BANCORP
CONSOLIDATED STATEMENT OF CASH FLOWS

(dollars in thousands) (unaudited)	Three Months Ended March 31, 2005 (restated)	Three Months Ended March 31, 2004 (restated)
Cash Flows From Operating Activities		
Net income	**$ 14,572**	$ 22,169
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	**3,872**	3,229
Amortization of other intangible assets and goodwill impairment	**3,561**	799
Net premium amortization on investment securities	**905**	1,565
Amortization of unearned stock compensation	**492**	
Provision for loan losses	**5,100**	7,500
Net securities (gains) losses	**520**	(1,985)
(Gain) loss on derivatives	**2,872**	(9,289)
Net gains on sales and write-downs of loans and other assets	**(1,167)**	(1,362)
Residential real estate loans originated for sale	**(78,115)**	(83,911)
Proceeds from sale of residential real estate loans	**69,299**	82,857
(Increase) decrease in accrued interest and other assets	**(20,156)**	19,394
Increase in accrued expenses and other liabilities	**6,805**	13,407
Total adjustments	**(6,012)**	32,204
Net cash flows provided by operating activities	**8,560**	54,373
Cash Flows From Investing Activities		
Purchases of investment securities available-for-sale	**(80,753)**	(388,541)
Proceeds from maturities, prepayments and calls of investment securities available-for-sale	**73,798**	254,910
Proceeds from sales of investment securities available-for-sale	**33,881**	207,394
Proceeds from maturities, prepayments and calls of investment securities held-to-maturity	**7,418**	6,242
Net principal collected from customers	**19,961**	6,992
Proceeds from sale of premises and equipment and other assets	**924**	806
Purchase of premises and equipment	**(1,716)**	(16,261)
Net cash flows provided by investing activities	**53,513**	71,542
Cash Flows From Financing Activities		
Net increase (decrease) in deposits and short-term borrowings:		
Noninterest-bearing demand deposits	**(647)**	(28,644)
Savings, NOW and money market deposits	**(31,961)**	(13,599)
Time deposits	**(16,180)**	(68,276)
Short-term borrowings	**145,959**	56,815
Payments for maturities on other borrowings	**(147,103)**	(156,559)

Proceeds from issuance of other borrowings		54,543
Cash dividends paid	**(12,987)**	(12,629)
Common stock repurchased	**(18,392)**	(10,081)
Common stock issued under stock option, restricted stock and stock purchase plans	**1,610**	7,381
Net cash flows used in financing activities	**(79,701)**	(171,049)
Net decrease in cash and cash equivalents	**(17,628)**	(45,134)
Cash and cash equivalents at beginning of period	**216,998**	236,889
Cash and cash equivalents at end of period	**$ 199,370**	$ 191,755
Total interest paid	**$ 41,916**	$ 42,051
Total taxes paid	**$ 400**	$

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

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OLD NATIONAL BANCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements include the accounts of Old National Bancorp and its wholly-owned affiliates (Old National) and have been prepared in conformity with accounting principles generally accepted in the United States of America and prevailing practices within the banking industry. Such principles require management to make estimates and assumptions that affect the reported amounts of assets, liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. All significant intercompany transactions and balances have been eliminated. Certain prior year amounts have been reclassified to conform with the 2005 presentation. Such reclassifications had no effect on net income. In the opinion of management, the consolidated financial statements contain all the normal and recurring adjustments necessary for a fair statement of the financial position of Old National as of March 31, 2005 and 2004, and December 31, 2004, and the results of its operations for the three months ended March 31, 2005 and 2004. Interim results do not necessarily represent annual results. These financial statements should be read in conjunction with the 2004 annual financial statements which were restated within Old National s Annual Report on Form 10-K for the year ended December 31, 2005.

NOTE 2 RESTATEMENT

The previously issued consolidated financial statements for the three months ended March 31, 2005 and 2004 have been restated. The restatement is correcting errors related to the Old National s derivative accounting under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended.

Old National has entered into interest rate swap agreements relating to certain of its brokered certificates of deposit and junior subordinated debt that were accounted for as fair value hedges under SFAS No. 133. Old National previously elected the short-cut method of documenting the effectiveness of the swaps as hedges, which allowed Old National to assume no ineffectiveness in these transactions. Old National recently concluded that these swaps did not qualify for the short-cut method in prior periods. Based upon re-examination of the original documentation supporting the designation of these swap transactions as hedges, the Company concluded, in retrospect, that the hedging relationships involving brokered certificates of deposit did not qualify for the short-cut method in prior periods because the related swap did not have a fair value of zero at inception (a requirement under SFAS No. 133 to qualify for the short-cut method). Additionally, the Company determined that the hedging relationships involving junior subordinated debt did not qualify for the short-cut method in prior periods because of an interest deferral feature that permits interest payments to be deferred for up to 20 consecutive quarterly periods without creating an event of default or acceleration. Hedge accounting under SFAS No. 133 for these swap transactions is not allowed retrospectively because the hedge documentation required for the long-haul method was not in place at the inception of the hedge. Eliminating the application of fair value hedge accounting reverses the basis adjustments that were made to the brokered certificates of deposit and junior subordinated debt that originally offset the changes in fair value of the related derivatives. The changes in fair value of the derivatives are now reflected in noninterest income along with the swap net settlements that had been previously reported in interest expense.

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CONSOLIDATED BALANCE SHEETS:

(dollars in thousands)	As of March 31, 2005 As Previously Reported	As Restated
Total assets	$ 8,793,047	$ 8,793,047
Interest bearing deposits	5,511,092	5,519,350
Other borrowings	1,155,595	1,152,263
Accrued expenses and other liabilities	100,650	98,724
Total liabilities	8,122,458	8,125,458
Capital surplus	613,857	614,741
Retained earnings	5,469	1,585
Total shareholders equity	670,589	667,589
Total liabilities and shareholders equity	$ 8,793,047	$ 8,793,047

CONSOLIDATED STATEMENTS OF INCOME:

	For the Three Months Ended March 31,			
	2005		2004	
(dollars in thousands)	As Previously Reported	As Restated	As Previously Reported	As Restated
Interest on deposits	$ 29,010	$ 30,849	$ 29,365	$ 32,269
Interest on other borrowings	13,103	14,705	12,655	14,772
Total interest expense	44,130	47,571	43,010	48,031
Net interest income	58,638	55,197	65,099	60,078
Net interest income after provision for loan losses	53,538	50,097	57,599	52,578
Gain (loss) on derivatives		(2,872)		9,289
Total noninterest income	36,005	32,979	37,660	46,769
Income before income taxes and discontinued operations	23,187	16,999	21,257	25,499
Income tax expense	3,747	1,443	2,667	4,249
Income from continuing operations	19,440	15,556	18,590	21,250
Income (loss) from discontinued operations	(984)	(984)	919	919
Net income	$ 18,456	$ 14,572	$ 19,509	$ 22,169
Per common share:				
Basic	$ 0.27	$ 0.21	$ 0.28	$ 0.32
Diluted	0.27	0.21	0.28	0.32

Certain reclassifications were made to previously reported balances in order to be consistent with current presentation. Also affected by the restatements were Notes 1, 3, 5, 10, 12, 13, 14 and 17 to the consolidated financial statements.

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NOTE 3 IMPACT OF ACCOUNTING CHANGES

In December 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 123R, Share-Based Payment, that requires companies to expense the value of employee stock options and similar awards. Subsequently, the Securities and Exchange Commission (SEC) delayed the effective date of SFAS No. 123R to annual periods beginning after June 15, 2005. Given this delay, Old National expects to adopt SFAS No. 123R in the first quarter of 2006 using the modified prospective method applied to all outstanding and unvested share-based payment awards at the adoption date. Under this method, Old National expects to expense approximately $1.4 million in 2006 and $0.1 million in 2007. At March 31, 2005, and until the effective date of SFAS No. 123R, Old National will apply Accounting Principles Board (APB) Opinion No. 25 and related Interpretations in accounting for stock-based compensation plans. Under APB Opinion No. 25, no compensation cost has been recognized for any of the years presented, except with respect to restricted stock plans as disclosed in the accompanying table. Old National has presented in the following table net income and net income per share adjusted to proforma amounts had compensation costs for Old National s stock-based compensation plans been recorded based on fair values at grant dates.

	Three Months Ended March 31,	
(dollars in thousands, except per share data)	**2005**	**2004**
Net income as reported	**$ 14,572**	$ 22,169
Restricted Stock:		
Add: restricted stock compensation expense included in reported net income, net of related tax effects	**320**	
Deduct: restricted stock compensation expense determined under fair value based method for all awards, net of related tax effects	**(483)**	
Stock Options:		
Deduct: stock option compensation expense determined under fair value based method for all awards, net of related tax effects	**(1,326)**	(1,663)
Proforma net income	**$ 13,083**	$ 20,506
Basic net income per share:		
As reported	**$ 0.21**	$ 0.32
Proforma	**0.19**	0.29
Diluted net income per share:		
As reported	**$ 0.21**	$ 0.32
Proforma	**0.19**	0.29

In March 2004, the Emerging Issues Task Force (EITF), a unit of the FASB, reached a consensus on EITF Issue 03-1, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments. This EITF Issue provides guidance on evaluating when securities losses should be deemed other-than-temporary and, consequently, written down through earnings. In November 2003, a consensus was reached on the section of this EITF Issue that mandates certain disclosures in annual financial statements for all investments in an unrealized loss position for which other-than-temporary impairments have not been recognized. The recognition and measurement guidance of this EITF Issue was effective for reporting periods beginning after June 15, 2004, and the disclosure requirements were effective for annual financial statements for fiscal years ending after December 15, 2003. On September 30, 2004, the FASB issued a Final FASB Staff Position that delayed the effective date for the measurement and recognition guidance included in this EITF Issue to enable the FASB to issue implementation guidance. Until such guidance is finalized, it is uncertain whether this EITF Issue will have a material impact on Old National.

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NOTE 4 ACQUISITIONS

Subsequent to the quarter ended March 31, 2005, Old National completed the purchase of J. W. F. Insurance Companies, an Indianapolis, Indiana-based insurance agency that does business as J.W. Flynn Company and J.W.F. Specialty Company, Inc. The transaction occurred on May 1, 2005 with a purchase price of $18.5 million plus acquisition costs. Common shares of 968,271 were issued as part of the transaction. On the date of acquisition, unaudited financial statements of the companies showed assets of $5.6 million with year-to-date revenues of $4.6 million and net loss of $0.2 million.

NOTE 5 NET INCOME PER SHARE

Basic net income per share is computed by dividing net income by the weighted-average number of common shares outstanding during each year, adjusted to reflect all stock dividends. Diluted net income per share is computed as above and assumes the conversion of outstanding stock options and restricted stock. Restricted stock shares were antidilutive at March 31, 2005 for purposes of calculating diluted net income per share in the following table. The following table reconciles basic and diluted net income per share for the three months ended March 31:

(dollars and shares in thousands, except per share data)	**Three Months Ended March 31, 2005** Income	Shares	Amount	**Three Months Ended March 31, 2004** Income	Shares	Amount
Basic Net Income Per Share						
Income from continuing operations	**$ 15,556**	**68,589**	**$ 0.22**	$ 21,250	69,677	$ 0.31
Income (loss) from discontinued operations	**(984)**		**(0.01)**	919		0.01
Income from operations	**$ 14,572**	**68,589**	**$ 0.21**	$ 22,169	69,677	$ 0.32
Diluted Net Income Per Share						
Income from continuing operations	**$ 15,556**	**68,589**	**$ 0.22**	$ 21,250	69,677	$ 0.31
Effect of dilutive securities:						
Stock options		**198**			106	
Income from continuing operations and assumed conversions	**$ 15,556**	**68,787**	**$ 0.22**	$ 21,250	69,783	$ 0.31
Income (loss) from discontinued operations	**(984)**		**(0.01)**	919		0.01
Income from operations and assumed conversions	**$ 14,572**	**68,787**	**$ 0.21**	$ 22,169	69,783	$ 0.32

NOTE 6 INVESTMENT SECURITIES

The following table summarizes the amortized cost and fair value of the available-for-sale and held-to-maturity investment securities portfolio at March 31 and the corresponding amounts of unrealized gains and losses therein:

(dollars in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value

2005				
Available-for-sale	**$ 2,747,947**	**$ 31,310**	**$ (61,341)**	**$ 2,717,916**
Held-to-maturity	**170,194**		**(4,996)**	**165,198**
2004				
Available-for-sale	$ 2,560,004	$ 68,873	$ (9,259)	$ 2,619,618
Held-to-maturity	204,406	1,406		205,812

At March 31, 2005, Old National does not believe any individual unrealized loss represents other-than-temporary impairment. The unrealized losses are primarily attributable to changes in interest rates. Factors considered in evaluating the securities included whether the securities were backed by the U.S. Government or its agencies and credit quality concerns surrounding the recovery of the full principal balance. Old National has both the intent and ability to hold securities with any individual unrealized loss for a time necessary to recover the amortized cost.

NOTE 7 ALLOWANCE FOR LOAN LOSSES

Activity in the allowance for loan losses was as follows:

(dollars in thousands)	**2005**	**2004**
Balance, January 1	**$ 85,749**	$ 95,235
Transfer from allowance for unfunded commitments		1,381
Additions:		
Provision charged to expense	**5,100**	7,500
Deductions:		
Loans charged-off	**6,364**	5,652
Recoveries	**(1,822)**	(2,181)
Net charge-offs	**4,542**	3,471
Balance, March 31	**$ 86,307**	$ 100,645

During 2004, Old National reclassified the allowance for loan losses related to unfunded loan commitments to other liabilities.

The following is a summary of information pertaining to impaired loans at March 31:

(dollars in thousands)	**2005**	**2004**
Impaired loans without a valuation allowance	**$ 10,793**	$ 22,137
Impaired loans with a valuation allowance	**34,915**	71,913
Total impaired loans	**$ 45,708**	$ 94,050
Valuation allowance related to impaired loans	**$ 14,495**	$ 27,475

A loan is considered impaired under SFAS No. 114, Accounting by Creditors for Impairment of a Loan, an amendment of FASB Statement No. 5 and 15 when, based on current information and events, it is probable that a creditor will be unable to collect all amounts due according to the contractual terms of the loan agreement. An impaired loan does not include larger groups of smaller-balance homogeneous loans that are collectively evaluated for impairment, loans that are measured at fair value or at the lower of cost or fair value, leases and debt securities.

For the three months ended March 31, 2005, the average balance of impaired loans was $44.7 million for which no interest was recorded. For the three months ended March 31, 2004, the average balance of impaired loans was $92.8 million for which $0.1 million of interest was recorded. No additional funds are committed to be advanced in connection with impaired loans. Loans deemed impaired are evaluated primarily using the fair value of the underlying collateral.

NOTE 8 GOODWILL AND OTHER INTANGIBLE ASSETS

At March 31, 2005 and 2004, Old National had goodwill in the amount of $101.0 million and $129.3 million, respectively. During the three months ended March 31, 2005, Old National reclassified specific non-strategic assets as assets held for sale, including $26.1 million of goodwill. Concurrent with this classification, these discontinued operations were evaluated for impairment using estimated fair values in the current market, resulting in goodwill impairment of $2.9 million.

The change in the carrying amount of goodwill by segment for the three months ended March 31, 2005, was as follows:

(dollars in thousands)	Community Banking	Other	Total
Balance, January 1, 2005	**$ 70,944**	**$ 59,003**	**$ 129,947**
Goodwill transfered to assets held for sale		**(26,082)**	**(26,082)**
Goodwill impairment		**(2,900)**	**(2,900)**
Balance, March 31, 2005	**$ 70,944**	**$ 30,021**	**$ 100,965**

At March 31, 2005 and 2004, Old National had $16.5 million and $41.1 million, respectively, in unamortized intangible assets. During the three months ended March 31, 2005, Old National reclassified definite-lived intangible assets of $18.9 million and indefinite-lived assets of $2.8 million to assets held for sale and discontinued the related amortization. Old National continues to amortize definite-lived intangible assets in continuing operations over the estimated remaining life of each respective asset.
The following table shows the gross carrying amounts and accumulated amortization for other intangible assets as of March 31:

(dollars in thousands)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
2005			
Amortized intangible assets:			
Core deposit	**$ 5,574**	**$ (3,778)**	**$ 1,796**
Customer business relationships	**17,025**	**(2,295)**	**14,730**
Total intangible assets	**$ 22,599**	**$ (6,073)**	**$ 16,526**
2004			
Amortized intangible assets:			
Core deposit	$ 5,574	$ (3,198)	$ 2,376
Customer business relationships	36,676	(2,544)	34,132
Non-compete agreements	1,100	(96)	1,004
Technology	1,300	(499)	801
Total amortized intangible assets	44,650	(6,337)	38,313
Unamortized intangible assets:			
Trade name	2,800		2,800
Total intangible assets	$ 47,450	$ (6,337)	$ 41,113

Total amortization expense associated with other intangible assets for the three months ended March 31, was $661 thousand in 2005 and $799 thousand in 2004. The following is the estimated amortization expense for the future years ending:

(dollars in thousands)

2005 remaining	$ 1,285
2006	1,584
2007	1,283
2008	1,214
2009	1,146
Thereafter	10,014
Total	$ 16,526

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NOTE 9 MORTGAGE SERVICING RIGHTS

Mortgage servicing rights derived from loans sold with servicing retained were $15.1 million and $12.3 million at March 31, 2005 and 2004, respectively. Loans serviced for others are not included in the consolidated balance sheet of Old National. The unpaid principal balance of mortgage loans serviced for others at March 31 was $1.949 billion in 2005 and $1.737 billion in 2004. At March 31, 2005 and 2004, the fair value of capitalized mortgage servicing rights was $20.4 million and $12.4 million, respectively. Old National s key economic assumptions used in determining the fair value of mortgage servicing rights were a weighted average prepayment rate of 232 PSA and a discount rate of 9.10% at March 31, 2005, and a weighted average prepayment rate of 436 PSA and a discount rate of 8.50% at March 31, 2004.

The following summarizes the activities related to mortgage servicing rights and the related valuation allowance at March 31:

(dollars in thousands)	**2005**	**2004**
Balance before valuation allowance, January 1	**$ 15,829**	$ 15,790
Rights capitalized	**688**	830
Amortization	**(1,388)**	(1,725)
Balance before valuation allowance, March 31	**15,129**	14,895
Valuation allowance:		
Balance, January 1		(1,131)
Additions to valuation allowance		(1,940)
Reductions to valuation allowance		495
Balance, March 31		(2,576)
Mortgage servicing rights, net	**$ 15,129**	$ 12,319

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NOTE 10 FINANCING ACTIVITIES

The following table summarizes Old National s other borrowings at March 31:

(dollars in thousands)	2005	2004
Old National Bancorp:		
Medium-term notes, Series 1997 (fixed rates 3.50% to 7.03%) maturities August 2007 to June 2008	**$ 110,000**	$ 113,200
Junior subordinated debentures (fixed rates 8.00% to 9.50%) maturities March 2030 to April 2032	**150,000**	150,000
SFAS 133 fair value hedge and other basis adjustments	**(5,196)**	(446)
Old National Bank:		
Securities sold under agreements to repurchase (fixed rates 2.05% to 3.08% and variable rates 1.70% to 3.61%) maturities January 2007 to December 2009	**198,000**	298,000
Federal Home Loan Bank advances (fixed rates 4.28% to 8.34%) maturities June 2005 to October 2022	**434,741**	608,788
Senior unsecured bank notes (fixed rate 3.95% and variable rates 3.02% to 3.38%) maturities May 2005 to February 2008	**115,000**	190,000
Subordinated bank notes (fixed rate 6.75%) maturing October 2011	**150,000**	150,000
Capital lease obligation	**4,515**	4,543
SFAS 133 fair value hedge and other basis adjustments	**(4,797)**	7,255
Total other borrowings	**$ 1,152,263**	$ 1,521,340

Contractual maturities of other borrowings at March 31, 2005, were as follows:

(dollars in thousands)	
Due in 2005	$ 95,075
Due in 2006	78,361
Due in 2007	110,034
Due in 2008	343,037
Due in 2009	76,040
Thereafter	459,709
SFAS 133 fair value hedge and other basis adjustments	(9,993)
Total	$ 1,152,263

FEDERAL HOME LOAN BANK

Federal Home Loan Bank advances had weighted-average rates of 5.71% and 5.24% at March 31, 2005 and 2004, respectively. These borrowings are collateralized by investment securities and residential real estate loans up to 145% of outstanding debt.

SUBORDINATED BANK NOTES

Subordinated bank notes qualify as Tier 2 Capital for regulatory purposes and are in accordance with the senior and subordinated global bank note program in which Old National Bank may issue and sell up to a maximum of $1 billion. Notes issued by Old National Bank under the global note program are not obligations of, or guaranteed by, Old National Bancorp.

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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.

Old National guarantees the payment of distributions on the trust preferred securities issued by ONB Capital Trust II. ONB Capital Trust II issued $100 million in preferred securities in April 2002. The preferred securities have 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. Old National 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 April 12, 2007, and in whole (but not in part) following the occurrence and continuance of certain adverse federal income tax or capital treatment events. Costs associated with the issuance of these trust preferred securities totaling $3.3 million in 2002 were capitalized and are being amortized through the maturity dates of the securities. The unamortized balance is included in other assets in the consolidated balance sheet.

Old National guarantees the payment of distributions on the trust preferred securities issued by ONB Capital Trust I. ONB Capital Trust I issued $50 million in preferred securities in March 2000. The preferred securities have a liquidation amount of $25 per share with a cumulative annual distribution rate of 9.5% or $2.375 per share payable quarterly and maturing on March 15, 2030. 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 I. Old National 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 March 15, 2005, and in whole (but not in part) following the occurrence and continuance of certain adverse federal income tax or capital treatment events. Costs associated with the issuance of the trust preferred securities totaling $1.8 million in 2000, were capitalized and are being amortized through the maturity dates of the securities. The unamortized balance is included in other assets in the consolidated balance sheet.

Subsequent to March 31, 2005, Old National called for the redemption of the $50 million of junior subordinated debentures issued in March 2000, thereby causing a redemption of all of the ONB Capital Trust I, 9.5% trust preferred securities effective May 23, 2005. In connection with this redemption, Old National will expense the remaining $1.7 million of unamortized debt issuance costs related to this debt.

CAPITAL LEASE OBLIGATION

On January 1, 2004, Old National entered into a long-term capital lease obligation for a new 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 borrowings rate for similar types of borrowing arrangements.

At March 31, 2005, the future minimum lease payments under the capital lease were as follows:

(dollars in thousands)	
2005 remaining	$ 278
2006	371
2007	371
2008	371
2009	390
Thereafter	12,874
Total minimum lease payments	14,655
Less amounts representing interest	10,140

Present value of net minimum lease payments	$ 4,515

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NOTE 11 EMPLOYEE BENEFIT PLANS

RETIREMENT PLAN

The following table sets forth the components of the net periodic benefit cost for Old National s noncontributory defined benefit retirement plan for the three months ended March 31:

	Three Months Ended March 31,	
(dollars in thousands)	**2005**	**2004**
Service cost	**$ 518**	$ 537
Interest cost	**893**	975
Expected return on plan assets	**(908)**	(851)
Amortization of prior service cost	**8**	8
Amortization of transitional asset		(108)
Recognized actuarial loss	**408**	397
Net periodic benefit cost	**$ 919**	$ 958

STOCK-BASED COMPENSATION

Under the 1999 Equity Incentive Plan, Old National is authorized to grant up to 7.6 million shares of common stock. At March 31, 2005, 6.6 million shares were outstanding under the plan, including 6.1 million stock options and 0.5 million shares of restricted stock as described below, and 1.0 million shares were available for issuance. In addition, Old National assumed 0.1 million stock options outstanding through various mergers. Old National accounts for its stock-based compensation plans in accordance with APB Opinion No. 25 and related Interpretations, under which no compensation cost has been recognized, except with respect to restricted stock plans. See Note 3 for proforma net income and net income per share data.

Stock Options

On February 2, 2004, Old National granted 0.3 million stock options to key associates at an option price of $20.43, the closing price of Old National s stock on that date. The options vested 100% on December 31, 2004, and expire in ten years. Also during 2004, Old National granted 26.3 thousand shares to a key associate at an option price of $23.99, the closing price of Old National s stock on that date. These options vest 100% on September 7, 2005, and expire in ten years. At March 31, 2005, Old National had 6.1 million of stock options outstanding.

Restricted Stock

On January 27, 2005, Old National s Board of Directors approved a restricted stock award to grant 0.2 million shares to certain key officers with shares vesting at the end of a thirty-eight month period based on the achievement of certain targets. On July 22, 2004, Old National s Board of Directors approved a restricted stock award to grant 0.3 million shares to certain key officers with shares vesting at the end of a thirty-two month period based on the achievement of certain targets. Compensation expense is recognized on a straight-line basis over the performance period. Shares are subject to certain restrictions and risk of forfeiture by the participants.

At March 31, 2005, the shares issued have an estimated value of $9.5 million based on the stock price on that date. The expense recognized during the quarter ended March 31, 2005, related to the vesting of these awards was $0.5 million. The remaining $7.9 million of deferred compensation is included as a component of capital surplus.

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NOTE 12 INCOME TAXES

The 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 months ended March 31:

(dollars in thousands)	2005	2004
Provision at statutory rate of 35%	**$ 5,950**	$ 8,925
Tax-exempt income	**(4,340)**	(4,805)
Other, net	**(167)**	129
Income tax expense	**$ 1,443**	$ 4,249
Effective tax rate	**8.5%**	16.7%

For the three months ended March 31, 2005, the effective tax rate was lower than for the same period of last year. The decreased effective tax rate for the quarter ended March 31, 2005 resulted from a higher percentage of tax-exempt income to total income compared to the quarter ended March 31, 2004.

NOTE 13 COMPREHENSIVE INCOME

	Three Months Ended March 31,	
(dollars in thousands)	2005	2004
Net income:	**$ 14,572**	$ 22,169
Unrealized gains (losses) on securities:		
Unrealized holding gains (losses) arising during the period, net of tax	**(23,799)**	21,929
Less: reclassification adjustment for securities (gains) losses realized in net income, net of tax	**311**	(1,150)
Cash flow hedges:		
Net unrealized derivative gains on cash flow hedges, net of tax	**1,756**	365
Less: reclassification adjustment on cash flow hedges, net of tax	**(66)**	47
Net unrealized gains (losses)	**(21,798)**	21,191
Comprehensive income (loss)	**$ (7,226)**	$ 43,360

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NOTE 14 DERIVATIVE FINANCIAL INSTRUMENTS

Old National designates its derivatives based upon criteria established by SFAS No. 133, as amended by SFAS No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities, an Amendment to FASB Statement No. 133, and SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities. The following table summarizes the derivative financial instruments utilized by Old National at March 31:

	2005			2004		
		Estimated Fair Value			Estimated Fair Value	
(dollars in thousands)	Notional Amount	Gain	Loss	Notional Amount	Gain	Loss
Fair Value Hedges						
Receive fixed interest rate swaps	**$ 748,313**	**$ 60**	**$ (19,683)**	$ 545,096	$ 7,322	$ (3,744)
Pay fixed interest rate swaps	**20,000**	**180**	**(3)**			
Forward mortgage loan contracts	**8,745**	**163**		2,642		(16)
Cash Flow Hedges						
HELOC cash flow	**100,000**		**(1,244)**	100,000	2,073	
Pay fixed interest rate swaps	**50,000**	**504**		150,000	109	(468)
Anticipated floating rate debt	**195,000**	**1,942**	**(29)**			
Stand Alone Hedges						
Receive fixed interest rate swaps	**456,000**	**3,332**	**(8,420)**	523,000	14,796	(2,133)
Interest rate lock commitments	**36,234**	**24**		65,535	230	
Forward mortgage loan contracts	**50,860**	**282**		69,786		(65)
Options on contracts purchased				4,000		
Matched Customer Hedges						
Customer interest rate swaps	**101,904**	**478**	**(1,016)**	44,523	1,097	(69)
Customer interest rate swaps with counterparty	**101,904**	**1,012**	**(474)**	44,523	69	(1,097)
Customer interest rate cap	**2,300**		**(21)**	15,300		(53)
Customer interest rate cap with counterparty	**2,300**	**21**		15,300	53	
Total	**$ 1,873,560**	**$ 7,998**	**$ (30,890)**	$ 1,579,705	$ 25,749	$ (7,645)

NOTE 15 COMMITMENTS AND CONTINGENCIES

LITIGATION

In the normal course of business, various legal actions and proceedings, which are being vigorously defended, are pending against Old National and its affiliates.

Among these are several lawsuits relating to activities in 1995 of First National Bank & Trust Company, Carbondale, Illinois, (First National), which Old National acquired in 1999. These lawsuits were brought against Old National Bank, as successor to First National, and were filed by alleged third-party creditors of certain structured settlement trusts. The lawsuits filed by the third-party creditors allege actual damages totaling approximately $31.0 million, as well as unspecified punitive damages and other damages and attorneys fees. In addition, certain of the corporate defendants in these lawsuits have filed lawsuits asserting contribution and indemnity against Old National Bank. The cases were brought in the City of St. Louis and St. Louis County in Missouri; St. Clair County, Madison County and Cook County in Illinois; and the U.S. Federal District Court in southern Illinois. During the quarter ended March 31, 2005, Old National received summary judgement in its favor in the U.S. Federal District Court case in southern Illinois. No appeal has been filed from that summary judgement order.

During the fourth quarter of 2003, Old National established a reserve of $10.0 million for settlement of certain of the lawsuits pending in the City of St. Louis and St. Louis County in Missouri and St. Clair County and Madison County in Illinois. As of March 31, 2004, Old National had paid $9.1 million of this reserve to settle a number of lawsuits representing approximately $12.0 million in alleged damages. The approximate $0.9 million remaining in the reserve for litigation settlement is deemed at this time to be adequate to cover the remaining exposure for these cases of approximately $3.0 million.

Old National has obtained a summary judgement in its favor at the trial court level on lawsuits representing approximately $16.0 million of the estimated $31.0 million in exposure. The Court of Appeals for the First District recently affirmed the decision of the trial court for these cases filed in Cook County, Illinois. It is not expected that future judgements or settlements in the Cook County matters will have a material impact on Old National s results of operations.

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 $1.235 billion, commercial letters of credit of $21.2 million and standby letters of credit of $121.9 million at March 31, 2005. At March 31, 2004, loan commitments were $1.520 billion, commercial letters of credit were $19.6 million and standby letters of credit were $96.1 million. These commitments are not reflected in the consolidated financial statements. No material losses are expected to result from these transactions.

At March 31, 2005 and 2004, Old National had credit extensions of $93.4 million and $72.4 million, respectively, with various unaffiliated banks related to letter of credit commitments issued on behalf of Old National s clients. At March 31, 2005 and 2004, Old National provided collateral to the unaffiliated banks to secure credit extensions totaling $62.7 million and $41.0 million, respectively. Old National did not provide collateral for the remaining credit extensions.

NOTE 16 FINANCIAL GUARANTEES

Old National holds instruments, in the normal course of business with clients that are considered financial guarantees in accordance with FIN 45, Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others. 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 March 31, 2005, the notional amount of standby letters of credit was $121.9 million, which represents the maximum amount of future funding requirements, and the carrying value was $0.4 million. Old National also enters into forward contracts for the future delivery of conforming residential real estate loans at a specified interest rate to reduce interest rate risk associated with loans held for sale. These forward contracts are considered derivative instruments accounted for under SFAS No. 133. See additional information in Note 14.

NOTE 17 SEGMENT INFORMATION

Old National operates in two reportable 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. Beginning January 1, 2005, Old National disaggregated internal reporting for its non-bank operations, including wealth management, investment consulting, insurance, brokerage and investment and annuity sales. These lines of business are now included in the other column for all periods reported.

In order to measure performance for each segment, Old National allocates capital, corporate overhead and income tax provision to each segment. Capital and corporate overhead are allocated to each segment using various methodologies, which are subject to periodic changes by management. Income taxes are allocated using the effective tax rate. Tax-exempt income is primarily within the treasury segment, creating a tax benefit for this segment. Intersegment sales and transfers are not significant.

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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 months ended March 31:

(dollars in thousands)	Community Banking	Treasury	Other	Total
2005				
Net interest income	**$ 65,801**	**$ (7,236)**	**$ (3,368)**	**$ 55,197**
Provision for loan losses	**5,079**	**21**		**5,100**
Noninterest income	**17,383**	**(1,086)**	**16,682**	**32,979**
Noninterest expense	**54,127**	**747**	**11,203**	**66,077**
Income (loss) before income taxes and discontinued operations	**23,978**	**(9,090)**	**2,111**	**16,999**
Income tax expense (benefit)	**6,349**	**(5,590)**	**684**	**1,443**
Loss from discontinued operations, net of income tax benefit			**(984)**	**(984)**
Segment profit	**17,629**	**(3,500)**	**443**	**14,572**
Total assets	**5,161,309**	**3,370,095**	**261,643**	**8,793,047**
2004				
Net interest income	$ 70,186	$ (6,922)	$ (3,186)	$ 60,078
Provision for loan losses	7,442	58		7,500
Noninterest income	14,907	13,362	18,500	46,769
Noninterest expense	58,302	883	14,663	73,848
Income before income taxes and discontinued operations	19,349	5,499	651	25,499
Income tax expense (benefit)	4,648	(608)	209	4,249
Income from discontinued operations, net of income tax expense			919	919
Segment profit	14,701	6,107	1,361	22,169
Total assets	5,738,373	3,267,233	261,683	9,267,289

NOTE 18 DISCONTINUED OPERATIONS

In February 2005, Old National committed to a plan to sell selected non-strategic assets. Actions to locate buyers and transact the sales have been initiated and are expected to be complete during 2005. These sales were evaluated for asset impairment, including goodwill, in accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-lived Assets, and SFAS No. 142, Goodwill and Other Intangible Assets. Goodwill impairment of $2.1 million after-tax was recorded as a result of these evaluations. In addition, in connection with the sale of one of the disposal groups acquired in a tax-free reorganization under Internal Revenue Code section 368, tax expense of approximately $8.0 million to $10.0 million is expected to be recorded and included in discontinued operations at the time of sale.

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The operating activities of these non-strategic assets have been reclassified to discontinued operations for all periods in the consolidated statement of income. The discontinued operations generated revenues of $8.5 million and an after-tax loss of $1.0 million for the three months ended March 31, 2005. The after-tax loss is the net result of an operating profit of $1.1 million and a goodwill impairment loss of $2.1 million. For the three months ended March 31, 2004, the discontinued operations generated revenues of $8.1 million and after-tax income $0.9 million. The discontinued operations are reported in the other column in the segment reporting footnote.

Assets and liabilities related to discontinued operations were recorded at their estimated net realizable value and reported as held for sale in the consolidated balance sheet. Carrying amounts of the major classes of assets and liabilities of the discontinued operations included as held for sale were as follows at March 31, 2005:

(dollars in thousands)	
Assets held for sale:	
Money market investments	**$ 5,592**
Available-for-sale securities	**11**
Premises and equipment, net	**364**
Goodwill	**26,082**
Other intangible assets	**21,681**
Other assets	**3,511**
Total assets held for sale	**$ 57,241**
Liabilities held-for-sale:	
Other liabilities	**$ 11,238**

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PART I. FINANCIAL INFORMATION

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

RESTATEMENT

On January 31, 2006, Old National announced that it would restate certain of its previously issued financial statements because they contained errors under GAAP relating to the accounting for certain derivative transactions. Accordingly, all amounts referred to in the following discussion and analysis, to the extent impacted, have been restated. For additional information regarding this statement, see Note 2 to the consolidated financial statements.

EXECUTIVE SUMMARY

Net income for the three months ended March 31, 2005, was $14.6 million, a decrease of $7.6 million compared to $22.2 million for the three months ended March 31, 2004. Net income per diluted share was $0.21 for the three months ended March 31, 2005, compared to $0.32 for the three months ended March 31, 2004. Net income includes after-tax loss from discontinued operations of $1.0 million, or $0.01 per diluted share for the three months ended March 31, 2005, and after-tax income from discontinued operations $0.9 million, or $0.01 per diluted share for the three months ended March 31, 2004, related to Old National s plan to sell selected non-strategic assets during 2005. See Note 18 to the consolidated financial statements for further discussion of discontinued operations.

Old National s financial condition at March 31, 2005, continues to reflect reductions in loans, the investment portfolio, time deposits, and borrowed funds. Total assets at March 31, 2005, were $8.793 billion compared to total assets at March 31, 2004, of $9.267 billion. At March 31, 2005, Old National s financial condition includes total assets of $57.2 million and total liabilities of $11.2 million related to Old National s plan to sell selected non-strategic assets during 2005. See Note 18 to the consolidated financial statements for further discussion of discontinued operations.

Management uses various indicators such as return on assets, return on equity and asset quality ratios in order to evaluate the performance of the business. These are discussed throughout this Management s Discussion and Analysis of Financial Condition and Results of Operations.

FINANCIAL BASIS AND FORWARD-LOOKING STATEMENTS

The following discussion is an analysis of Old National s results of operations for the three months ended March 31, 2005 and 2004, and financial condition as of March 31, 2005, compared to March 31, 2004, and December 31, 2004. This discussion and analysis should be read in conjunction with Old National s consolidated financial statements and related notes. This discussion contains forward-looking statements concerning Old National s business that are based on estimates and involves certain risks and uncertainties. Therefore, future results could differ significantly from management s current expectations and the related forward-looking statements.

The following is a cautionary note about forward-looking statements. In its oral and written communications, Old National from time to time includes forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements can include statements about estimated cost savings, plans and objectives for future operations, and expectations about performance as well as economic and market conditions and trends. These statements often can be identified by the use of words like expect, may, could, intend, project, estimate, believe or anticipate. Old National may include forward-looking statements in filings with the Securities and Exchange Commission, such as this Form 10-Q, in other written materials and in oral statements made by senior management to analysts, investors, representatives of the media and others. It is intended that these forward-looking statements speak only as of the date they are made, and Old National undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the forward-looking statement is made or to reflect the occurrence of unanticipated events. By their nature, forward-looking statements are based on assumptions and are subject to risks, uncertainties and other factors. Actual results may differ materially from those contained in the forward-looking statement. Uncertainties which could affect Old National s future performance include, but are not limited to: (1) economic, market, operational, liquidity, credit and interest rate risks associated with Old National s business; (2) economic conditions generally and in the financial services industry; (3) increased competition in the financial services industry either nationally or regionally, resulting in, among other things, credit quality deterioration; (4) volatility and direction of

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market interest rates; (5) governmental legislation and regulation (see the discussion under the heading Supervision and Regulation above), including changes in accounting regulation or standards; (6) the ability of Old National to execute its business plan and execute the Ascend project initiatives; (7) a weakening of the economy which could materially impact credit quality trends and the ability to generate loans; (8) changes in the securities markets; and (9) changes in fiscal, monetary and tax policies. Investors should consider these risks, uncertainties and other factors in addition to those mentioned by Old National in this and its other filings from time to time when considering any forward-looking statement.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Management s Discussion and Analysis of Financial Condition and Results of Operations, as well as disclosures found elsewhere in this quarterly report, are based upon Old National s consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires Old National to make estimates and judgements that affect the reported amounts of assets, liabilities, revenues and expenses. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, the valuation of the mortgage servicing rights and the valuation of goodwill and other intangible assets. Actual results could differ from those estimates.

Allowance for Loan Losses. The allowance for loan losses is maintained at a level believed adequate by management to absorb probable losses inherent 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 in the near future. 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.

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. Old National s policy for recognizing income on impaired loans is to accrue interest unless a loan is placed on nonaccrual status.

Old National monitors the quality of its loan portfolio on an on-going basis and uses a combination of detailed credit assessments by relationship managers and credit officers, historic loss trends, and economic and business environment factors in determining its allowance for loan losses. Old National records 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 the company s highest risk loans is performed quarterly. Management follows the progress of the economy and how it might affect Old National s borrowers in both the near and the intermediate term. Old National has 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 conducted at the community bank locations as well as regular reviews of problem loan reports, delinquencies and charge-offs.

Old National uses migration analysis as a tool to determine the adequacy of the allowance for loan losses for non-retail loans that are not impaired. 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. 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.

Old National calculates migration analysis using several different scenarios based on varying assumptions to evaluate the widest range of possible outcomes. 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.

Historic loss ratios adjusted for expectations of future economic conditions are used in determining the appropriate level of reserves for consumer and residential real estate loans.

Management s analysis of probable losses inherent in the portfolio at March 31, 2005, resulted in a range for allowance for loan losses of $8.5 million with the potential effect to net income ranging from a decrease of $1.4 million to an increase of $4.2 million. These sensitivities are hypothetical and are not intended to represent actual results.

Mortgage Servicing Rights. Mortgage servicing rights are recognized as separate assets when loans are sold with servicing retained. The total price of loans sold is allocated between the loans sold and the mortgage servicing rights retained based on the relative fair values of each. The fair value of capitalized mortgage servicing rights is estimated by calculating the present value of estimated future net servicing income derived from related cash flows. Amortization of capitalized mortgage servicing rights is determined in proportion to and over the period of estimated net servicing income of the underlying financial assets. Impairment of mortgage servicing rights exists if the book value of the mortgage servicing rights exceeds its estimated fair value. In determining impairment, mortgage servicing rights are stratified by interest rates.

Critical assumptions used in determining fair value include expected mortgage loan prepayment rates, discount rates and other economic factors, which are determined based on current market conditions. The expected rates of mortgage loan prepayments are the most significant factors driving the value of mortgage servicing rights. Increases in expected mortgage loan prepayments reduce estimated future net servicing cash flows because the life of the underlying loan is reduced. Fair values are derived by using a statistical modeling technique utilizing third-party market-based prepayment rate assumptions. Negative adjustments to the value, if any, are recognized through a valuation allowance by charges against mortgage servicing income. The use of a valuation allowance enables the recovery of this value as market conditions become more favorable.

The decrease in fair value of mortgage servicing rights at March 31, 2005, to immediate 10% and 20% adverse changes in the current prepayment assumptions would be approximately $0.9 million and $1.7 million, respectively. A 10% and 20% adverse change in the discount rate assumption would decrease the fair value of mortgage servicing rights at March 31, 2005, by $0.6 million and $1.2 million, respectively. These sensitivities are hypothetical and are not intended to represent actual results. Also, in reality, changes in one factor may result in changes in other factors, which might magnify or counteract the sensitivities.

Goodwill and Other Intangible Assets. For acquisitions, Old National is required to record the assets acquired, including identified other 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 for which an intangible asset will be amortized is subjective. Under Statement of Financial Accounting Standards (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 with subsequent reversal of the impairment loss being prohibited.

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. 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 intangibles 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.

Management believes the accounting estimates related to the allowance for loan losses; the capitalization, amortization and valuation of mortgage servicing rights; and the valuation of goodwill and other intangible assets are critical accounting estimates because: (1) the estimates are highly susceptible to change from period to period because they require company management to make assumptions concerning, among other factors, the changes in the types and volumes of the portfolios, rates of future prepayments, valuation assumptions and anticipated economic conditions, and (2) the impact of recognizing an impairment or loan loss could have a material effect on

Old National s assets reported on the balance sheet as well as net income. Management has discussed the development and selection of these critical accounting estimates with the Audit Committee of the Board of Directors and the Audit Committee has reviewed the company s disclosure relating to it in this Management s Discussion and Analysis .

ACQUISITION, CONSOLIDATION AND DIVESTITURE ACTIVITY

During the quarter ended March 31, 2005, Old National committed to a plan to sell selected non-strategic assets to better align its operations with its market and product focus. As a result, we are currently in negotiations to sell the J.W. Terrill Insurance Agency in St. Louis, Missouri, and the Fund Evaluation Group in Cincinnati, Ohio. These selected non-strategic assets are reported as held for sale at their estimated net realizable value on the consolidated balance sheet at March 31, 2005, and are included as discontinued operations on the consolidated statement of income for all periods shown. See Note 18 to the consolidated financial statements for further details.

Subsequent to the quarter ended March 31, 2005, Old National completed the purchase of J. W. F. Insurance Companies, an Indianapolis, Indiana-based insurance agency that does business as J.W. Flynn Company and J.W.F. Specialty Company, Inc. Old National issued 968,271 common shares as part of the purchase transaction. See Note 4 to the consolidated financial statements for further details.

RESULTS OF OPERATIONS

Earnings Summary

Old National reported net income of $14.6 million for the three months ended March 31, 2005, a decrease of 34.3% from the $22.2 million recorded for the three months ended March 31, 2004. On a diluted per share basis, net income was $0.21 for the three months ended March 31, 2005, compared to $0.32 for the three months ended March 31, 2004. Related to Old National s plan to sell selected non-strategic assets during 2005, net income includes an after-tax loss from discontinued operations of $1.0 million, or $0.01 per diluted share for the three months ended March 31, 2005. This after-tax loss was the net result of an operating profit for discontinued operations of $1.1 million and a goodwill impairment loss of $2.1 million. Net income for the three months ended March 31, 2004, includes after-tax income from these discontinued operations of $0.9 million, or $0.01 per diluted share. See Note 18 to the consolidated financial statements for further discussion of discontinued operations.

Income from continuing operations of $15.6 million for the three months ended March 31, 2005, compared to $21.3 million for the three months ended March 31, 2004.

Noninterest income for the three months ended March 31, 2005, decreased $13.8 million compared to the three months ended March 31, 2004, primarily as a result of fewer securities gains and fluctuations in the fair value of derivative instruments.

Noninterest expense for the three months ended March 31, 2005, decreased $7.8 million compared to the three months ended March 31, 2004, primarily the result of reductions in salary expense. Salary expense for the three months ended March 31, 2004, included severance payments to three senior executives who left Old National during that quarter and an increase in incentive accruals that occurred during that quarter. In addition, recent corporate initiatives have reduced salary expense during 2005.

Old National s return on average assets for the three months ended March 31, 2005, was 0.66% and return on shareholders equity was 8.27%, compared to return on average assets of 0.96% and return on shareholders equity of 12.03% for the three months ended March 31, 2004.

Net Interest Income

Net interest income is Old National s most significant component of earnings, comprising over 62% of revenues at March 31, 2005. 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 accelerated prepayments of mortgage-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. Funding from client deposits generally cost less than wholesale funding sources. Factors, such as general economic activity, Federal

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Reserve Board monetary policy and price volatility of competing alternative investments, can also exert significant influence on Old National s ability to optimize its mix of assets and funding and its net interest income and margin. Net interest income and net interest margin in the following discussion are presented on a fully taxable equivalent basis, which adjusts tax-exempt or nontaxable interest income to an amount that would be comparable to interest subject to income taxes using the federal statutory tax rate of 35% in effect for all periods. Net income is unaffected by these taxable equivalent adjustments as the offsetting increase of the same amount is made in the income tax section. Net interest income included taxable equivalent adjustments of $5.6 million and $6.1 million for the three months ended March 31, 2005 and 2004, respectively.

Taxable equivalent net interest income was $60.8 million for the three months ended March 31, 2005, an 8.2% decrease from the $66.2 million reported for the same period of 2004. The net interest margin was 3.05% for the three months ended March 31, 2005, compared to 3.13% reported for the three months ended March 31, 2004. The reduction in both net interest income and net interest margin reflects an increase in the cost of funding without offsetting increases in earning asset yields. Average earning assets were $7.961 billion for the three months ended March 31, 2005, compared to $8.461 billion for the same period of 2004, a decrease of 5.9% or $500.8 million. Significantly affecting average earning assets at March 31, 2005 compared to March 31, 2004, was the sale of $405.6 million of residential real estate loans at the end of the second quarter of 2004. In addition, during 2004 and into 2005 commercial and commercial real estate loans declined as a result of weak loan demand in Old National s markets, more stringent loan underwriting standards, and the sale of $43.1 million in nonaccrual commercial and commercial real estate loans during the fourth quarter of 2004.

Provision for Loan Losses

The provision for loan losses was $5.1 million for the three months ended March 31, 2005, compared to $7.5 million for the three months ended March 31, 2004, attributable to enhanced credit administration and underwriting functions that began in 2004 and decreases in total criticized and classified loans during the quarter ended March 31, 2005. Refer to Allowance for Loan Losses and Asset Quality section for further discussion of non-performing loans, charge-offs and additional items impacting the provision.

Noninterest Income

Old National generates revenues in the form of noninterest income through client fees and sales commissions from its core banking franchise and other related businesses, such as wealth management, investment products and insurance. Noninterest income for the three months ended March 31, 2005, was $33.0 million, a decrease of $13.8 million, or 29.5% from the $46.8 million reported for the three months ended March 31, 2004. Excluding net securities and derivatives gains, this source of revenue has grown as a percentage of total revenue to 26.1% in the three months ended March 31, 2005, compared to 24.7% in the three months ended March 31, 2004, reflective of the decline in the net interest income portion of total revenue.

The overall decrease in noninterest income was primarily attributable to a $2.5 million decrease in securities gains, and a $12.2 million decrease in derivatives gains for the three months ended March 31, 2005, compared to March 31, 2004. Total fee and service charge income, excluding gains on sales of securities and derivatives, was $36.4 million for the quarter ended March 31, 2005, compared to $35.5 million for the quarter ended March 31, 2004. Mortgage banking revenue, the primary contributor, increased $1.7 million for the three months ended March 31, 2005 compared to March 31, 2004, mostly attributable to the decrease in net impairment charges. Due to the slowing of prepayment speeds during 2005, no impairment charge was recognized on the mortgage servicing rights asset at March 31, 2005, compared to $1.4 million of impairment charges at March 31, 2004.

Noninterest Expense

Noninterest expense for the three months ended March 31, 2005, totaled $66.1 million, a decrease of $7.8 million, or 10.5% from the $73.8 million recorded for the three months ended March 31, 2004. Salaries and benefits, the largest component of noninterest expense, was $39.0 million for the three months ended March 31, 2005, compared to $44.2 million for the three months ended March 31, 2004, a decrease of $5.2 million. This decrease reflects the 2004 severance expense of $2.9 million related to three senior executives, including the chief executive officer, who left the company during the three months ended March 31, 2004, as well as reductions in the 2005 salary expense related to recent corporate Ascend initiatives.

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All other components of noninterest expense totaled $27.0 million for the three months ended March 31, 2005, compared to $29.6 million for the three months ended March 31, 2004, a decrease of $2.6 million or 8.7%. The quarter ended March 31, 2004, included $1.4 million of write-downs of foreclosed real estate.

Provision for Income Taxes

Old National records 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 Old National s financial statement income and the federal statutory tax rate is caused by interest on tax-exempt securities and loans. The provision for income taxes on continuing operations, as a percentage of pre-tax income, was 8.5% for the three months ended March 31, 2005, compared to 16.7% in the three months ended March 31, 2004. The decreased effective tax rate in 2005 resulted from a higher percentage of tax-exempt income to total income than in 2004.

FINANCIAL CONDITION

Overview

Old National s assets at March 31, 2005, were $8.793 billion, a 5.1% decrease compared to March 31, 2004, and a 4.7% annualized decrease compared to December 31, 2004. Loans decreased $619.3 million since March 31, 2004, and decreased $24.5 million since December 31, 2004. Total liabilities declined $392.9 million compared to March 31, 2004, and $68.8 million since December 31, 2004. Total shareholders equity decreased $81.3 million from March 31, 2004, and $36.5 million from December 31, 2004, largely due to changes in the unrealized gains on investment securities.

Earning Assets

Old National s earning assets are comprised of loans and loans held for sale, investment securities and money market investments. Earning assets were $7.950 billion at March 31, 2005, a decrease of 6.1% from March 31, 2004, and an annualized decrease of 3.1% since December 31, 2004. Much of the decrease is attributable to decreases in total loans, related to sales of $448.7 million of commercial, commercial real estate and residential real estate loans during 2004 and continued slow commercial lending market during 2004 and into 2005.

Investment Securities

Old National classifies investment securities primarily 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 the company s funding requirements. However, Old National added 15- and 20-year fixed-rate mortgage pass-through securities to its held-to-maturity investment portfolio beginning in 2003. Emerging Issues Task Force (EITF) Issue 03-1, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments, may potentially affect the treatment of investments in an unrealized loss position. Until final guidance is issued by the FASB, it is uncertain whether this EITF Issue will have a material impact on Old National. At March 31, 2005, Old National does not believe any individual unrealized loss on available-for-sale securities represents other-than-temporary impairment. The unrealized losses are primarily attributable to changes in interest rates. Old National has both the intent and ability to hold the securities for a time necessary to recover the amortized cost.

At March 31, 2005, the investment securities portfolio was $2.938 billion compared to $2.874 billion at March 31, 2004, an increase of $64.1 million or 2.2%. Investment securities decreased $75.1 million at March 31, 2005, compared to December 31, 2004, a decrease of 10.0%. Investment securities represented 37.0% of earning assets at March 31, 2005, compared to 33.9% at March 31, 2004, and 37.6% at December 31, 2004.

The investment securities available-for-sale portfolio had net unrealized losses of $30.0 million at March 31, 2005, a decrease of $89.6 million compared to net unrealized gains of $59.6 million at March 31, 2004, and a decrease of $39.3 million compared to net unrealized gains of $9.3 million at December 31, 2004. These decreases were primarily the result of higher market interest rates.

The investment portfolio had an average life of 4.30 years at March 31, 2005, compared to 4.30 years at March 31, 2004 and 4.41 years at December 31, 2004. The average yields on investment securities, on a taxable equivalent basis, were 4.46% for the quarter ended March 31, 2005, compared to 4.62% for the quarter ended March 31, 2004 and 4.45% for the quarter ended December 31, 2004.

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Residential Loans Held for Sale

Residential loans held for sale were $31.7 million at March 31, 2005, compared to $17.9 million at March 31, 2004, and compared to $22.5 million at December 31, 2004. Residential loans held for sale are loans that are closed, but not yet sold on the secondary market. The amount of residential loans held for sale on the balance sheet varies depending on the timing of movement of originations and loan sales to the secondary market.

Lending and Loan Administration

Old National has implemented certain credit approval disciplines in order to continue to focus on the reduction of problem and non-performing loans in the portfolio, including a restructuring of the manner in which commercial loans are analyzed and approved. Community-based credit personnel, which now include independent underwriting and analytic support staff, extend credit under guidelines established and administered by Old National s Credit Policy Committee. This committee, which meets quarterly, includes members from both the holding company and the bank, as well as outside directors. The committee monitors credit quality through its review of information such as delinquencies, problem loans and charge-offs and regularly reviews the loan policy to assure it remains appropriate for the current lending environment.

Old National lends primarily to small- and medium-sized commercial and commercial real estate clients in various industries including manufacturing, agribusiness, transportation, mining, wholesaling and retailing. As measured by Old National at March 31, 2005, the company had no concentration of loans in any single industry exceeding 10% of its portfolio and had no exposure to foreign borrowers or lesser-developed countries. Old National s policy is to concentrate its lending activity in the geographic market areas it serves, primarily Indiana, Illinois, Kentucky and Tennessee. Old National continues to be affected by weakness in the economy of its principal markets, particularly in its home state of Indiana, which has resulted in a decline of commercial loans and tighter credit underwriting standards. Old National anticipates that when the economy in Old National s principal markets shows improvement, commercial loans will begin to show higher levels of growth.

Commercial and Consumer Loans

Commercial and consumer loans are the largest classification within the earning assets of Old National representing 55.1% of earning assets at March 31, 2005, an increase from 54.6% at March 31, 2004, and 55.0% at December 31, 2004. At March 31, 2005, commercial and commercial real estate loans were $3.162 billion, a decrease of $282.6 million since March 31, 2004, and a decrease of $41.3 million since December 31, 2004. These decreases are partially attributable to commercial loans sales of $43.1 million during the quarter ended December 31, 2004.

At March 31, 2005, consumer loans, including automobile loans, personal and home equity loans and lines of credit, and student loans, increased $44.2 million or 3.8% compared to March 31, 2004, and increased $14.0 million or 4.6% since December 31, 2004, primarily due to enhancements to marketing and customer contact programs.

Residential Real Estate Loans

Residential real estate loans, primarily 1-4 family properties, have decreased in significance to the loan portfolio over the past five years due to higher levels of loan sales into the secondary market, primarily to Federal Home Loan Mortgage Corporation and Federal National Mortgage Association. Old National sells the majority of residential real estate loans it originates as a strategy to better manage interest rate risk and liquidity. These loans are sold with loan servicing retained in order to maintain customer relationships and generate noninterest income and fees. By using this strategy, Old National is able to recognize an immediate gain in noninterest income versus a small net interest income spread over a longer period of time. Old National sells the majority of the residential real estate loans without recourse, currently having less than 1% of loans sold with recourse.

At March 31, 2005, residential real estate loans were $558.2 million, a decrease of $380.9 million or 40.6% from March 31, 2004. The sale of $405.6 million of residential real estate loans during second quarter of 2004 was the most significant contributor to this decrease. Old National is currently in the process of making a strategic shift from the mortgage operations being managed as a line of business with free-standing offices to being an integral part of the focus on expanding customer relationships.

Allowance for Loan Losses and Asset Quality Administration

Old National monitors the quality of its loan portfolio on an on-going basis and uses a combination of detailed credit assessments by relationship managers and credit officers, historic loss trends, and economic and business

environment factors in determining its allowance for loan losses. Old National records 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 the company s highest risk loans is performed quarterly. Management follows the progress of the economy and how it might affect Old National s borrowers in both the near and the intermediate term. Old National has 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 conducted at the community bank locations as well as regular reviews of problem loan reports, delinquencies and charge-offs.

Each month, problem loan reports are prepared and reviewed, which include borrowers that show indications of being unable to meet debt obligations in the normal course of business, and loans which have other characteristics deemed by bank management to warrant special attention or have been criticized by regulators in the examination process. Classified loans include non-performing loans, past due 90 days or more and other loans deemed to have well-defined weaknesses while criticized loans, also known as special mention loans, are loans that are deemed to have potential weaknesses that deserve management s close attention and also require specific monthly reviews by the bank.

Assets determined by the various evaluation processes to be under-performing receive special attention by Old National management. Under-performing assets consist of: 1) nonaccrual loans where the ultimate collectibility of interest or principal is uncertain; 2) loans renegotiated in some manner, primarily to provide for a reduction or deferral of interest or principal payments because the borrower s financial condition deteriorated; 3) loans with principal or interest past due ninety (90) days or more; and 4) foreclosed properties.

A loan is generally placed on nonaccrual status when principal or interest become 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. When loans are classified as nonaccrual, interest accrued during the current year is reversed against earnings; interest accrued in the prior year, if any, is charged to the allowance for loan losses. Cash received while a loan is classified as nonaccrual is recorded to principal.

Adjustments to the allowance for loan losses are made as deemed necessary for probable losses inherent in the portfolio. While an estimate of probable losses is, by its very nature, difficult to precisely predict, management of Old National believes that the methodology that it uses in determining an appropriate reserve for expected losses is reasonable.

Loan officers and credit underwriters jointly grade the larger commercial and commercial real estate loans in the portfolio periodically as determined by loan policy requirements or determined by specific guidelines based on loan characteristics as set by management and banking regulation. Periodically, these loan grades are reviewed independently by the loan review department. For impaired loans, an assessment is conducted as to whether there is likely loss in the event of default. If such a loss is determined to be likely, the loss is quantified and a specific reserve is assigned to the loan. For the balance of the commercial and commercial real estate loan portfolio, loan grade migration analysis coupled with historic loss experience within the respective grades is used to develop reserve requirement ranges based on expected losses.

A loan is considered impaired under SFAS No. 114, Accounting by Creditors for Impairment of a Loan, an amendment of FASB Statement No. 5 and 15 when, based on current information and events, it is probable that a creditor will be unable to collect all amounts due according to the contractual terms of the loan agreement. An impaired loan does not include larger groups of smaller-balance homogeneous loans that are collectively evaluated for impairment, loans that are measured at fair value or at the lower of cost or fair value, leases and debt securities.

Old National uses migration analysis as a tool to determine the adequacy of the allowance for loan losses for non-retail loans that are not impaired. 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. 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.

Old National calculates migration analysis using several different scenarios based on varying assumptions to evaluate the widest range of possible outcomes. 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. Historic loss ratios adjusted for expectations of future economic conditions are used in determining the appropriate level of reserves for consumer and residential real estate loans.

Allowance for Loan Losses and Asset Quality

At March 31, 2005, the allowance for loan losses was $86.3 million, a decrease of $14.3 million compared to $100.6 million at March 31, 2004, and an increase of $0.6 million compared to $85.7 million at December 31, 2004. As a percentage of total loans held for investment, the allowance decreased to 1.74% at March 31, 2005, from 1.80% at March 31, 2004, and slightly increased from 1.72% at December 31, 2004. For the three months ended March 31, 2005, the provision for loan losses amounted to $5.1 million, a decrease of $2.4 million from the three months ended March 31, 2004. Reductions in nonperforming loans during 2004 and the first quarter of 2005 were significant factors in the decrease of the allowance for loan losses. Other factors included the sales of $405.6 million of residential real estate loans and $43.1 million of nonaccrual commercial and commercial real estate loans during 2004, changes to separate the loan production functions from the underwriting functions, significant strengthening of the commercial underwriting processes and the elevation of the Credit Policy Committee to a board level committee to improve credit quality.

Charge-offs, net of recoveries, totaled $4.5 million for the three months ended March 31, 2005, an increase of $1.1 million from the three months ended March 31, 2004. Net charge-offs to average loans were 0.37% for the three months ended March 31, 2005, as compared to 0.25% for the three months ended March 31, 2004.

Under-performing assets totaled $62.0 million at March 31, 2005, slightly lower than $65.6 million at December 31, 2004, and significantly lower than $114.8 million at March 31, 2004. As a percent of total loans and foreclosed properties, under-performing assets at March 31, 2005, were 1.25%, a reduction from the December 31, 2004, ratio of 1.31% and the March 31, 2004 ratio of 2.06%. Nonaccrual loans were $55.2 million at March 31, 2005, compared to $54.9 million at December 31, 2004, and $107.1 million at March 31, 2004. Management will continue its efforts to reduce the level of under-performing loans and may consider the possibility of additional sales of troubled and non-performing loans, which could result in additional write-downs to the allowance for loan losses.

Total classified and criticized loans were $311.6 million at March 31, 2005, a decrease of $28.7 million from December 31, 2004, and $214.8 million from March 31, 2004.

Management believes it has taken a prudent approach to the evaluation of under-performing, criticized and classified loans, and the loan portfolio in general both in acknowledging the portfolio s general condition and in establishing the allowance for loan losses. Old National has been affected by weakness in the economy of its markets, which has resulted in minimal growth of commercial loans and tighter credit underwriting standards. Management expects that trends in under-performing, criticized and classified loans will be influenced by the degree to which the economy strengthens. Old National operates in the Midwest, primarily in the state of Indiana, which has been particularly negatively affected by the weakness in the manufacturing segment of the economy. The longer the significant softness in manufacturing continues the more stress it puts on Old National s borrowers, increasing the potential for additional nonaccrual loans.

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The table below shows the various components of under-performing assets:

(dollars in thousands)	March 31, 2005	March 31, 2004	December 31, 2004
Nonaccrual loans	**$ 55,172**	$ 107,122	$ 54,890
Renegotiated loans			
Past due loans (90 days or more)	**1,782**	2,334	2,414
Foreclosed properties	**5,073**	5,304	8,331
Total under-performing assets	**$ 62,027**	$ 114,760	$ 65,635
Classified loans (includes nonaccrual, renegotiated, past due 90 days and other problem loans)	**$ 183,241**	$ 321,328	$ 192,214
Criticized loans	**128,347**	205,101	148,118
Total criticized and classified loans	**$ 311,588**	$ 526,429	$ 340,332
Asset Quality Ratios: (1)			
Non-performing loans/total loans (1) (2)	**1.11%**	1.92%	1.10%
Under-performing assets/total loans and foreclosed properties (1)	**1.25**	2.06	1.31
Under-performing assets/total assets	**0.71**	1.24	0.74
Allowance for loan losses/under-performing assets	**139.14**	87.70	130.65

(1) Items referring to loans are net of unearned income and include residential loans held for sale.

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

Goodwill and Other Intangible Assets

Goodwill and other intangible assets at March 31, 2005 totaled $117.5 million, a decrease of $52.9 million compared to $170.4 million at March 31, 2004, and a decrease of $51.3 million compared to $168.8 million at December 31, 2004. These decreases in goodwill and other intangible assets at March 31, 2005, are primarily the result of the reclassification of $47.8 million in goodwill and other intangibles to assets held for sale in connection with Old National s plan to sell selected non-strategic assets. In addition, concurrent with this reclassification, these discontinued operations were evaluated for impairment using estimated fair market values in the current market, resulting in goodwill impairment of $2.9 million. See Note 8 to the consolidated financial statements for further details.

Assets Held For Sale

Assets held for sale totaling $57.2 million at March 31, 2005, are comprised primarily of money market investments, goodwill and other intangible assets related to discontinued operations reported during the quarter. See Note 18 to the consolidated financial statements for further details.

Funding

Total funding, comprised of deposits and wholesale borrowings, was $8.015 billion at March 31, 2005, a decrease of 4.3% from $8.377 billion at March 31, 2004, and an annualized decrease of 2.8% from $8.073 billion at December 31, 2004. Total deposits were $6.370 billion at March 31, 2005, a decrease of 0.2% compared to March 31, 2004, and an annualized decrease of 3.0% compared to December 31, 2004. Old National has experienced growth in demand deposits and other low cost transaction accounts offset by a reduction in time deposits, due to the lower rate environment throughout 2004 and customer preference for transaction accounts. The reduction in time accounts was also due to the maturity of a group of higher interest rate certificates of deposits during 2004.

Old National uses wholesale funding to augment deposit funding and to help maintain its desired interest rate risk position. At March 31, 2005, wholesale borrowings, including short-term borrowings and other borrowings, decreased 17.4% and 2.1% from March 31, 2004, and December 31, 2004, respectively. During 2004, wholesale borrowings decreased as the investment portfolio growth slowed. Wholesale borrowings as a percentage of total funding was 20.5% at March 31, 2005, compared to 23.8% at March 31, 2004, and 20.5% at December 31, 2004. The lower level of earning assets, primarily due to loan sales of $448.7 million during 2004, reduced the company s reliance on wholesale funding.

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Capital Resources and Regulatory Guidelines

Shareholders equity totaled $667.6 million at March 31, 2005, compared to $748.9 million at March 31, 2004, and $704.1 million at December 31, 2004. Unrealized losses on investment securities was the primary contributor to the decrease in shareholders equity at March 31, 2005.

Old National paid cash dividends of $0.19 per share for the three months ended March 31, 2005, which decreased equity by $13.0 million, compared to cash dividends of $0.18 per share for the three months ended March 31, 2004, (restated for the 5% stock dividend distributed on January 26, 2005), which decreased equity by $12.6 million. Old National purchased shares of its stock in the open market under an ongoing repurchase program, reducing shareholders equity by $18.4 million during the first quarter of 2005 and $10.1 million during the first quarter of 2004. Shares reissued for stock options and stock purchase plans increased shareholders equity by $2.1 million during the first quarter of 2005 compared to $7.4 million during the first quarter of 2004.

Old National filed an S-3 Registration Statement with the Securities and Exchange Commission for the purpose of amending the Old National Bancorp Stock Purchase and Dividend Reinvestment Plan, which became effective on January 6, 2005. The plan has two main purposes. First, the plan allows investors and shareholders a convenient, low-cost way to buy shares and reinvest cash dividends in additional shares of Old National common stock. Secondly, the plan gives Old National the ability to raise capital by selling newly issued shares of common stock. A key feature is the ability for Old National to sell newly issued shares at a discount from the market price. Common stock totaling 3.5 million shares can be issued under this plan.

Old National and the banking industry are subject to various regulatory capital requirements administered by the federal banking agencies. Old National s consolidated capital position remains strong as evidenced by the following comparisons of key industry ratios.

	Regulatory Guidelines Minimum	March 31, 2005	March 31, 2004	December 31, 2004
Risk-based capital:				
Tier 1 capital to total avg assets (leverage ratio)	4.00%	**7.73**%	7.61%	7.69%
Tier 1 capital to risk-adjusted total assets	4.00	**10.96**	11.21	11.19
Total capital to risk-adjusted total assets	8.00	**14.67**	14.89	14.92
Shareholders equity to assets	N/A	**7.59**	8.08	7.91

ITEM 3. QUANTITIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

MARKET RISK MANAGEMENT

Inherent in Old National s balance sheet is market risk, defined as the sensitivity of income, fair market values and capital to changes in interest rates, foreign currency exchange rates, commodity prices and other relevant market rates or prices. The primary market risk to which Old National has exposure is interest rate risk. Interest rate risk arises because assets and liabilities may reprice, mature or prepay at different times or based upon different market instruments as market interest rates change. Changes in the slope of the yield curve and the pace of interest rate changes may also impact net interest income and the fair value of the balance sheet.

Old National manages interest rate risk within an overall asset and liability management framework that includes attention to credit risk, liquidity risk and capitalization. A principal objective of asset/liability management is to manage the sensitivity of net interest income to changing interest rates. Asset and liability management activity is governed by a policy reviewed and approved annually by the Board of Directors. The Board of Directors has delegated the administration of this policy to the Funds Management Committee, a committee of the Board of Directors, and the Balance Sheet Management Committee, a committee comprised of senior company management. The Funds Management Committee meets quarterly and oversees adherence to policy and recommends policy changes to the Board. The Balance Sheet Management Committee meets monthly and provides guidance to Treasury and other operating units of the company regarding the execution of asset/liability management strategies.

Old National uses two modeling techniques to quantify the impact of changing interest rates on the company, Net Interest Income at Risk and Economic Value of Equity. Net Interest Income at Risk is used by management and the

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Board of Directors to evaluate the impact of changing rates over a two-year horizon. Economic Value of Equity is used to evaluate long-term interest rate risk. These models simulate the likely behavior of the company s net interest income and the likely change in the company s economic value due to changes in interest rates under various possible interest rate scenarios. Because the models are driven by expected behavior in various interest rate scenarios and many factors besides market interest rates affect the company s net interest income and value, Old National recognizes that model outputs are not guarantees of actual results. For this reason, Old National models many different combinations of interest rates and balance sheet assumptions to best understand its overall sensitivity to market interest rate changes. Old National s Board of Directors, through its Funds Management Committee, monitors the company s interest rate risk. On January 26, 2005, the Funds Management Committee approved new policy guidelines for the allowable change in Net Interest Income at Risk and Economic Value of Equity to enhance the monitoring of compliance within identified interest rate risk exposure zones. Policy guidelines, in addition to March 31, 2005 and 2004 results, are as follows.

Net Interest Income 12 Month Policies (+/)

	Interest Rate Change in Basis Points				
	Down 200	**Down 100**	**Up 100**	**Up 200**	**Up 300**
Green Zone	6.50%	3.00%	3.00%	6.50%	12.00%
Yellow Zone	6.50% 8.50%	3.00% 4.00%	3.00% 4.00%	6.50% 8.50%	12.00% 15.00%
Red Zone	8.50%	4.00%	4.00%	8.50%	15.00%
3/31/2005	2.78%	2.31%	3.22%	7.33%	11.97%
3/31/2004	1.90%	0.75%	2.87%	6.06%	10.10%

Net Interest Income 24 Month Cumulative Policies (+/)

	Interest Rate Change in Basis Points				
	Down 200	**Down 100**	**Up 100**	**Up 200**	**Up 300**
Green Zone	5.00%	2.25%	2.25%	5.00%	10.00%
Yellow Zone	5.00% 7.00%	2.25% 3.25%	2.25% 3.25%	5.00% 7.00%	10.00% 12.50%
Red Zone	7.00%	3.25%	3.25%	7.00%	12.50%
3/31/2005	0.25%	1.28%	2.53%	5.97%	10.06%
3/31/2004	3.87%	0.45%	2.01%	4.55%	8.12%

Economic Value of Equity Policies (+/)

	Interest Rate Change in Basis Points				
	Down 200	**Down 100**	**Up 100**	**Up 200**	**Up 300**
Green Zone	12.00%	5.00%	5.00%	12.00%	22.00%
Yellow Zone	12.00% 17.00%	5.00% 7.00%	5.00% 7.00%	12.00% 17.00%	22.00% 30.00%
Red Zone	17.00%	7.50%	7.50%	17.00%	30.00%
3/31/2005	13.78%	3.27%	1.21%	4.02%	7.96%
3/31/2004	13.85%	3.21%	2.94%	8.43%	14.96%

Red zone policy limits represent Old National s absolute interest rate risk exposure compliance limit. Policy limits defined as green zone represent the range of potential interest rate risk exposures that the Funds Management Committee believes to be normal and acceptable operating behavior. Yellow zone policy limits represent a range of interest rate risk exposures falling below the bank s maximum allowable exposure (red zone) but above its normally acceptable interest rate risk levels (green zone).

At March 31, 2005, modeling indicated Old National was within the yellow zone policy limits for the following 12 month Net Interest Income at Risk Scenarios: Up 100 and Up 200. In addition, modeling indicated Old National was within the yellow zone policy limits for the following 24 month cumulative Net Interest Income at Risk Scenarios: Up 100, Up 200, and Up 300. Old National s position within the yellow zone was deemed acceptable by

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management at this time. All other Net Interest Income at Risk modeling scenarios fell within Old National s green zone, which is considered the normal and acceptable interest rate risk level.

At March 31, 2005, modeling indicated Old National was within the yellow zone policy limits for the Down 200 Economic Value of Equity Scenario. The Funds Management Committee has deemed this an acceptable risk given the company s outlook for rising interest rates. All other modeling scenarios fell within Old National s green zone, which is considered the normal and acceptable interest rate risk level.

At March 31, 2005, a notable change in the company s rate risk profile was reflected in the decrease in the company s estimated change in Economic Value of Equity resulting in the Up 200 basis points yield curve shock. Economic Value of Equity changed from 8.43% in March 2004 to 4.02% in March 2005. The company reduced its long term exposure to rising interest rates by reducing the effective duration of the investment portfolio to 3.76 years at March 31, 2005, compared to 4.00 years at March 31, 2004, by selling $405.6 million of residential mortgages in June 2004, and by executing $195.0 million in forward-starting interest rate swaps that become effective between April 1, 2005 and June 1, 2006. Old National will pay a fixed rate and receive a floating rate on these derivatives beginning on future dates. These derivatives will serve to fix the interest rates of future debt issuances. The fixed interest rates range from 2.78% to 4.69% and have maturities of 2 to 3 years after the swaps become effective.

Old National uses derivatives, primarily interest rate swaps, to manage interest rate risk in the ordinary course of business. The company s derivatives had an estimated fair value loss of $22.9 million at March 31, 2005, compared to an estimated market gain of $18.1 million at March 31, 2004. The decline in market value is due both to the increase in interest rates for the quarter ended March 31, 2005 compared to the quarter ended March 31, 2004 and the fact that Old National terminated certain receive fixed rate swaps. As explained above, Old National added forward-starting pay fixed rate swaps. All of these transactions served to better position the company s balance sheet for rising rates. See Note 14 to the consolidated financial statements for further discussion of derivative financial instruments.

LIQUIDITY MANAGEMENT

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 Old National has 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. The company maintains 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.

Old National s ability to raise funding at competitive prices is influenced by rating agencies views of the company s credit quality, liquidity, capital and earnings. All three rating agencies have issued a stable outlook in conjunction with their ratings as of March 31, 2005. The senior debt ratings of Old National Bancorp and Old National Bank at March 31, 2005, are shown in the following table.

SENIOR DEBT RATINGS

	Standard and Poor s		Moody s Investor Services		Fitch, Inc.	
	Long-term	**Short-term**	**Long-term**	**Short-term**	**Long-term**	**Short-term**
Old National Bancorp	BBB	N/A	Baa1	N/A	BBB	F2
Old National Bank	BBB+	A2	A3	P-2	BBB	F2

N/A = not applicable

As of March 31, 2005, Old National Bank had the capacity to borrow $747.8 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 maintains relationships in capital markets with brokers and dealers to issue certificates of deposits and short-term and medium-term bank notes as well. In addition, at March 31, 2005, Old National had $660 million available for issuance under a $1 billion global bank note program for senior and subordinated debt.

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Old National Bancorp, 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. Old National Bancorp obtains funding to meet its obligations from dividends and management fees collected from its subsidiaries and the issuance of debt securities. In addition, at March 31, 2005, Old National Bancorp has $750 million available under a $750 million global shelf registration for the issuance of a variety of securities including debt, common and preferred stock, depository shares, units and warrants of Old National. At March 31, 2005, the parent company s other borrowings outstanding was $254.8 million, compared with $262.8 million at March 31, 2004. The decrease in other borrowings in 2005 was driven by a $3.2 million maturity of medium-term notes payable and a $4.7 million decline in derivative market values. Old National Bancorp, the parent company, has no debt scheduled to mature within the next 12 months. However, subsequent to March 31, 2005, Old National called for the redemption of $50 million of junior subordinated debentures, thereby redeeming the trust preferred securities of ONB Capital Trust I.

Federal banking laws regulate the amount of dividends that may be paid by banking subsidiaries without prior approval. At March 31, 2005, prior regulatory approval was not required for Old National s affiliate bank.

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ITEM 4. CONTROLS AND PROCEDURES

Restatement

On January 31, 2006, Old National announced that certain of its previously issued financial statements contained an error under accounting principles generally accepted in the United States of America (GAAP) relating to the accounting for certain derivative transactions. As a result, Old National determined that it needed to restate its financial statements for the period ended March 31, 2005. For a more detailed discussion regarding this restatement, see Note 2 to the consolidated financial statements.

Evaluation of disclosure controls and procedures.

In connection with the restatement, under the direction of the Chief Executive Officer and Chief Financial Officer, Old National reevaluated its disclosure controls and procedures as of March 31, 2005.

Management identified an error related to Old National s accounting for certain derivative transactions and determined that its previously issued financial statements for the quarter ended March 31, 2005 could not be relied upon. Based upon their evaluation of the error, management concluded that as of March 31, 2005, a material weakness in Old National s internal control over financial reporting relating to the accounting for certain derivative transactions existed. A material weakness is a control deficiency, or a combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. As a result of the material weakness, management has concluded that Old National s internal control over financial reporting was not effective as of March 31, 2005. Specifically, Old National did not maintain effective controls over the classification of certain interest rate swaps and the related hedged liabilities. This failure resulted from Old National utilizing the short-cut method for evaluating hedge effectiveness when this method was not in accordance with generally accepted accounting principles for use with these instruments.

As a result of this material weakness, Old National concluded that its disclosure controls and procedures were not effective as of March 31, 2005.

Changes in Internal Control over Financial Reporting

As previously reported, there was no change to Old National s internal control over financial reporting during the quarter ended March 31, 2005, that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

NONE

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**
01/01/05 - 01/31/05	183,000	$ 23.51	183,000	3,272,118
02/01/05 - 02/28/05	489,800	21.34	489,800	2,768,947
03/01/05 - 03/31/05	177,400	20.29	177,400	2,585,632
Year-to-date 3/31/05	850,200	$ 21.62	850,200	2,585,632

Data adjusted for all stock dividends, including a 5% stock dividend to shareholders of record on January 5, 2005, distributed on January 26, 2005.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

NONE

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

NONE

ITEM 5. OTHER INFORMATION

NONE

ITEM 6. EXHIBITS

The exhibits filed as part of this report and exhibits incorporated herein by reference to other documents are as follows:

Exhibit Number	
3 (i)	Articles of Incorporation of Old National (incorporated by reference to Exhibit 3(i) of Old National s Quarterly Report on Form 10-Q for the quarter ended June 30, 2002).
3 (ii)	By-Laws of Old National, amended and restated effective April 22, 2004 (incorporated by reference to Exhibit 3(ii) of Old National s Quarterly Report on Form 10-Q for the quarter ended March 31, 2004).
4	Instruments defining rights of security holders, including indentures
4.1	Senior 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 4.3 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).

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Exhibit Number	
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	Rights Agreement, dated March 1, 1990, as amended on February 29, 2000, between Old National Bancorp and Old National Bank, as trustee (incorporated by reference to Old National s Form 8-A, dated March 1, 2000).
10	Material contracts
(a)	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).*
(b)	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).*
(c)	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).*
(d)	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).*
(e)	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).*
(f)	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).*
(g)	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).*
(h)	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).*

(i) Old National Bancorp Short-Term 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 16, 2005).*

(j) Severance Agreement, between Old National and Robert G. Jones (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 January 4, 2005).*

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Exhibit Number	
(k)	Form of Severance Agreement for Named Executive Officers, as amended (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 January 4, 2005).*
(l)	Form of Severance Agreement for John S. Poelker, as amended (incorporated by reference to Exhibit 10(a) of Old National s Quarterly Report on Form 10-Q for the quarter ended March 31, 2004).*
(m)	Form of Change of Control Agreement for Named Executive Officers, as amended (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 January 4, 2005).*
(n)	Form of Change of Control Agreement for John S. Poelker, as amended (incorporated by reference to Exhibit 10(b) of Old National s Quarterly Report on Form 10-Q for the quarter ended March 31, 2004).*
(o)	Old National Bancorp 1999 Equity Incentive Plan (incorporated by reference to Old National s Form S-8 filed on July 20, 2001).*
(p)	First Amendment to the Old National Bancorp 1999 Equity Incentive Plan (incorporated by reference to Exhibit 10(f) of Old National s Quarterly Report on Form 10-Q for the quarter ended September 30, 2004).*
(q)	Form of 2004 Performance-Based Restricted Stock Award Agreement between Old National and certain key associates (incorporated by reference to Exhibit 10(g) of Old National s Quarterly Report on Form 10-Q for the quarter ended September 30, 2004).*
(r)	Form of 2005 Performance-Based Restricted Stock Award Agreement between Old National and certain key associates, is filed herewith.*
(s)	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).*
(t)	Construction Manager Contract, dated as of May 30, 2002, between Old National Bancorp and Industrial Contractors, Inc. (incorporated by reference to Old National s Quarterly Report on Form 10-Q for the quarter ended September 30, 2002).
(u)	Owner-Contractor Agreement, dated as of October 11, 2002, between Old National Bancorp and Industrial Contractors, Inc. (incorporated by reference to Old National s Quarterly Report on Form 10-Q for the quarter ended September 30, 2002).
(v)	Stock Purchase and Dividend Reinvestment Plan (incorporated by reference to Old National s Registration Statement on Form S-3, Registration No. 333-120545 filed with the Securities and Exchange Commission on November 16, 2004).
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.

* ***Management contract or compensatory plan or arrangement***

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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
Executive Vice President and Chief Financial Officer
Duly Authorized Officer and Principal Financial Officer

Date: April 4, 2006