

OLD NATIONAL BANCORP /IN/
Form S-4
July 03, 2014
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As filed with the Securities and Exchange Commission on July 3, 2014

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

FORM S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Old National Bancorp
(Exact name of registrant as specified in its charter)

Indiana (State or other jurisdiction of	6021 (Primary standard industrial	35-1539838 (I.R.S. Employer
incorporation or organization)	classification code number)	Identification Number)
ONE MAIN STREET, EVANSVILLE, INDIANA 47708, (812) 464-1294		

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Jeffrey L. Knight, Esq.
Executive Vice President,
Corporate Secretary and Chief Legal Counsel
Old National Bancorp
One Main Street
Evansville, Indiana 47708
(812) 464-1294

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Indianapolis, Indiana 46204
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Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after this Registration Statement becomes effective and upon the satisfaction or waiver of all other conditions under the merger agreement described herein.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. "

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer Accelerated filer

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

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer)

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer)

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed	Proposed	Amount of Registration Fee
		Maximum Offering Price Per Share(2)	Maximum Aggregate Offering Price(2)	
Common Stock, no par value	3,600,000	N/A	\$48,597,620	\$6,260

(1) This registration statement covers the maximum number of shares of common stock of the Registrant which are expected to be issued in connection with completion of the merger described in this registration statement.

(2) Estimated solely for the purpose of calculating the amount of the registration fee pursuant to Rule 457(c) and Rule 457(f), based on \$41.26 per share, the average of the high and low prices of a share of LSB Financial Corp. (LSB) common stock on June 27, 2014, multiplied by 1,586,602 shares of LSB common stock that may be received by the Registrant and/or cancelled upon consummation of the merger less the amount of cash expected to be paid by the Registrant in exchange for shares of LSB common stock (which equals \$16,865,579).

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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THE INFORMATION IN THIS PROXY STATEMENT AND PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. WE MAY NOT ISSUE THESE SECURITIES UNTIL THE REGISTRATION STATEMENT IS EFFECTIVE. THIS PROXY STATEMENT AND PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND IT IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

PRELIMINARY PROXY STATEMENT AND PROSPECTUS

DATED JULY 3, 2014, SUBJECT TO COMPLETION

PROXY STATEMENT FOR THE SPECIAL MEETING OF

LSB FINANCIAL CORP. SHAREHOLDERS

and

PROSPECTUS OF

OLD NATIONAL BANCORP

MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT

The Boards of Directors of LSB Financial Corp. (LSB) and Old National Bancorp (Old National) have unanimously approved an Agreement and Plan of Merger (the Merger Agreement), pursuant to which LSB will merge with and into Old National (the Merger). If the Merger Agreement is approved by the shareholders of LSB and all other closing conditions are satisfied, each shareholder of LSB will be entitled to \$10.63 in cash and 2.269 shares of Old National common stock for each share of LSB common stock owned before the Merger, subject to certain adjustments as described in the Merger Agreement. The board of directors of LSB believes that the Merger is in the best interests of LSB and its shareholders.

The Merger is conditioned upon, among other things, the approval of the Merger Agreement by LSB s shareholders. This document is a proxy statement that LSB s board of directors is using to solicit proxies for use at a special meeting of shareholders to be held on , 2014. At the meeting, LSB s shareholders will be asked (1) to approve the Merger Agreement, (2) to approve, in a non-binding advisory vote, the compensation that may or will be payable to LSB s named executive officers in connection with completion of the Merger, (3) to adjourn the meeting if necessary to solicit additional proxies, and (4) to transact such other business as may properly be brought before the meeting or any adjournment or postponement thereof.

This document is also a prospectus relating to Old National's issuance of up to 3,600,000 shares of Old National common stock in connection with completion of the Merger.

Old National common stock is listed on the NASDAQ Global Select Market under the trading symbol ONB. On June 2, 2014, the day before the date of execution of the Merger Agreement, the closing price of a share of Old National common stock was \$13.73. On , 2014, the closing price of a share of Old National common stock was \$.

LSB common stock is listed on the NASDAQ Global Market under the trading symbol LSBI. On June 2, 2014, the day before the date of execution of the Merger Agreement, the closing price of a share of LSB common stock was \$28.30. On , 2014, the closing price of a share of LSB common stock was \$.

For a discussion of certain risk factors relating to the Merger, see the section captioned Risk Factors beginning on page 15.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued under this proxy statement and prospectus or determined if this proxy statement and prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The securities to be issued in connection with completion of the Merger are not savings or deposit accounts or other obligations of any bank or nonbank subsidiary of any of the parties, and they are not insured by the Federal Deposit Insurance Corporation, the Deposit Insurance Fund or any other governmental agency.

**This proxy statement and prospectus is dated , 2014, and it
is first being mailed to LSB shareholders on or about , 2014.**

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AVAILABLE INFORMATION

As permitted by Securities and Exchange Commission (SEC) rules, this document incorporates certain important business and financial information about Old National from other documents that are not included in or delivered with this document. These documents are available to you without charge upon your written or oral request. Your requests for these documents should be directed to the following:

Old National Bancorp

One Main Street

P.O. Box 718

Evansville, Indiana 47705

Attn: Jeffrey L. Knight, Executive Vice President,

Corporate Secretary and Chief Legal Counsel

(812) 464-1363

In order to ensure timely delivery of these documents, you should make your request by , 2014, to receive them before the special meeting.

You can also obtain documents incorporated by reference in this document through the SEC s website at www.sec.gov. See Where You Can Find More Information beginning on page .

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LSB FINANCIAL CORP.

101 Main Street

Lafayette, Indiana 47901

(765) 742-1064

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD ON , 2014

To the Shareholders of LSB Financial Corp.:

We will hold a special meeting of the shareholders of LSB Financial Corp. (LSB) on , 2014, at , Eastern Time, at the LSB Building, 22 N. Second Street, Lafayette, Indiana 47901, to consider and vote upon:

1. *Merger Proposal.* To approve the Merger Agreement, and related Plan of Merger, dated as of June 3, 2014, between LSB and Old National Bancorp (Old National) pursuant to which LSB will merge into Old National (the Merger). Simultaneous with the consummation of the Merger, Lafayette Savings Bank, FSB will merge with Old National Bank, the wholly-owned banking subsidiary of Old National. In connection with completion of the Merger, you will be entitled to receive in exchange for each of your shares of LSB common stock:

2.269 shares of Old National common stock (the Exchange Ratio), subject to adjustment as provided in the Merger Agreement; and

\$10.63 in cash, without interest.

2. *Non-Binding Advisory Vote on Merger-Related Compensation.* To approve, on a non-binding advisory basis, the compensation that may be paid or become payable to the named executive officers of LSB that is based on or otherwise relates to completion of the Merger (the Merger-Related Compensation Proposal).

3. *Adjournment.* To approve a proposal to adjourn the special meeting, if necessary, to solicit additional proxies in the event there are not sufficient votes present at the special meeting in person or by proxy to approve the Merger Agreement (the Adjournment Proposal).

4. *Other Matters.* To vote upon such other matters as may properly come before the special meeting or any adjournment of the special meeting. The LSB board of directors is not aware of any such other matters as of the date of this proxy statement and prospectus.

The proxy statement and prospectus describes the Merger Agreement and the proposed Merger in detail and includes, as [Annex A](#), the complete text of the Merger Agreement. We urge you to read these materials for a description of the Merger Agreement and the proposed Merger. **In particular, you should carefully read the section captioned Risk Factors beginning on page of the enclosed proxy statement and prospectus for a discussion of certain risk factors relating to the Merger.**

The board of directors of LSB unanimously recommends that LSB shareholders vote (1) FOR approval of the Merger Agreement and related Plan of Merger, (2) FOR approval of the Merger-Related Compensation Proposal, and (3) FOR approval of the Adjournment Proposal.

The board of directors of LSB fixed the close of business on , 2014, as the record date for determining the shareholders entitled to notice of, and to vote at, the special meeting and any adjournments or postponements of the special meeting.

YOUR VOTE IS VERY IMPORTANT. The Merger Agreement must be approved by the affirmative vote of the holders of at least a majority of the outstanding shares of LSB common stock entitled to vote. If you do not return your proxy or do not vote in person at the special meeting, the effect will be a vote against the Merger

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Agreement and related Plan of Merger. Whether or not you plan to attend the special meeting in person, we urge you to date, sign and return promptly the enclosed proxy in the accompanying envelope. You may revoke your proxy at any time before the special meeting by sending a written notice of revocation, submitting a new proxy or by attending the special meeting and voting in person.

By Order of the Board of Directors

Randolph F. Williams

President and

Chief Executive Officer

, 2014

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QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE SPECIAL MEETING

Q: What am I voting on?

A: You are being asked to vote to approve the Merger Agreement and related Plan of Merger, pursuant to which LSB will merge with and into Old National. Old National would be the surviving entity in the Merger, and LSB would no longer be a separate company.

Additionally, you are being asked to vote to approve (1) the Merger-Related Compensation Proposal, and (2) the Adjournment Proposal.

Q: What will I receive in the Merger?

A: If the Merger is completed, each share of LSB common stock will be converted into the right to receive 2.269 shares of Old National common stock, subject to adjustment as summarized below, and \$10.63 in cash (collectively, the Merger Consideration). The Exchange Ratio is subject to adjustment if, as of the end of the month prior to the effective time of the Merger, the LSB shareholders' equity (computed in accordance with the terms of the Merger Agreement) is less than \$40,000,000, the Exchange Ratio will be decreased as provided in the Merger Agreement.

See The Merger Agreement Merger Consideration for a more complete discussion of the Merger Consideration to be paid in the Merger.

Q: What risks should I consider before I vote on the Merger Agreement?

A: You should review Risk Factors beginning on page .

Q: Will Old National shareholders receive any shares or cash as a result of the Merger?

A: No. Old National shareholders will continue to own the same number of Old National shares they owned before the effective time of the Merger.

Q: When is the Merger expected to be completed?

A: We are working to complete the Merger as quickly as possible. We first must obtain the necessary regulatory approvals and the approval of the Merger Agreement and related Plan of Merger by LSB shareholders at the special meeting. We currently expect to complete the Merger in the mid-to-late fourth quarter of 2014.

Q: What are the tax consequences of the Merger to me?

A: We have structured the Merger so that Old National, LSB, and their respective shareholders will generally not recognize any gain or loss for federal income tax purposes on the exchange of LSB shares for Old National shares in the Merger. LSB shareholders, however, will have taxable gain with respect to cash received in the Merger. As a condition to the closing, LSB and Old National must each receive an opinion of counsel confirming these tax consequences. See Material Federal Income Tax Consequences beginning on page .

Your tax consequences will depend on your personal situation. You should consult your own tax advisor for a full understanding of the tax consequences of the Merger to you.

Q: What happens if I do not return a proxy or otherwise do not vote?

A: Because the required vote of LSB shareholders on the Merger Agreement is based upon the number of outstanding shares of LSB common stock entitled to vote rather than upon the number of shares actually voted, a failure to vote and abstentions will have the same practical effect as a vote AGAINST approval of the Merger Agreement and the related Plan of Merger.

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The advisory vote on the Merger-Related Compensation Proposal and the vote on the Adjournment Proposal each require more votes to be cast in favor of these proposals than against. A failure to vote and abstentions will have no effect on these proposals.

If you properly complete and sign your proxy but do not indicate how your shares of LSB common stock should be voted on a proposal, the shares of LSB common stock represented by your proxy will be voted as the LSB board of directors recommends and therefore, FOR approval of the Merger Agreement and related Plan of Merger, FOR approval of the Merger-Related Compensation Proposal and FOR approval of the Adjournment Proposal.

Q: Why am I being asked to cast a non-binding advisory vote on the Merger-Related Compensation Proposal?

A: The SEC, in accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act), requires LSB to seek a non-binding advisory vote on the Merger-Related Compensation Proposal.

Q: What will happen if LSB shareholders do not approve the Merger-Related Compensation Proposal at the special meeting?

A: Approval of the Merger-Related Compensation Proposal is not a condition to completion of the Merger. The vote with respect to the Merger-Related Compensation Proposal is an advisory vote and will not be binding on LSB (or Old National following the Merger). Accordingly, as such compensation is contractual, such compensation may or will become payable if the Merger is completed regardless of the outcome of the advisory vote.

Q: Will I have dissenters' rights?

A: No. Because LSB's common stock is traded on the NASDAQ Global Market, LSB's shareholders are not entitled to dissenters' rights under the Indiana Business Corporation Law (the IBCL).

Q: What do I need to do now?

A: After reading this proxy statement and prospectus, you may vote in one of four ways: (1) by mail (by completing and signing the proxy that accompanies this prospectus and proxy statement); (2) by telephone; (3) by using the Internet; and (4) in person (by either delivering the completed proxy or by casting a ballot if attending the special meeting). In the event that you choose not to exercise your vote by telephone, internet or in person, you should mail your signed proxy in the accompanying pre-addressed, postage-paid envelope as soon as possible so that your shares can be voted at the , 2014, LSB special meeting.

The telephone and Internet voting procedures have been set up for your convenience and have been designed to authenticate your identity, to allow you to give voting instructions, and to confirm that those instructions have been properly recorded. If you would like to vote by telephone or by using the Internet, please refer to the specific instructions on the proxy. The deadline for voting by telephone or via the Internet is 11:59 p.m. Eastern Time on , 2014.

Q: If my shares are held in street name by my broker, will my broker vote my shares for me?

A: Yes. Your broker will vote your shares on the Merger Agreement and related Plan of Merger, but only if you provide instructions on how to vote. You should contact your broker and ask what directions your broker will need from you. If you do not provide instructions to your broker on how to vote on the Merger Agreement and related Plan of Merger, your broker will not be able to vote your shares, and this will have the effect of voting against the Merger

Agreement and related Plan of Merger.

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Similarly, your broker will vote your shares on the Merger-Related Compensation Proposal and the Adjournment Proposal, but only if you provide instructions on how to vote. If you do not submit voting instructions to your broker, your shares will not be counted in determining the outcome of those proposals.

Q: How do I vote shares held in the LSB Financial Corp. Employee Stock Ownership Plan?

A: The LSB Financial Corp. Employee Stock Ownership Plan (the ESOP) owns approximately 5% shares of LSB s common stock. Each ESOP participant must instruct the trustee (First Bankers Trust Services, Inc.) how to vote the shares of LSB common stock allocated to his or her account under the ESOP. If a participant properly executes the voting instruction card distributed by the trustee, the trustee will vote such participant s shares in accordance with the participant s instructions. Where properly executed voting instruction cards are returned to the trustee with no specific instruction as to how to vote at the special meeting, the trustee will vote the shares FOR approval of the Merger Agreement and related Plan of Merger , FOR approval of the Merger-Related Compensation Proposal, and FOR approval of the Adjournment Proposal. The trustee will vote the shares FOR approval of the Merger Agreement and related Plan of Merger, FOR approval of the Merger-Related Compensation Proposal, and FOR approval of the Adjournment Proposal as to which no voting instruction cards are received assuming the trustee concludes such a vote is in the best interest of the ESOP participants and beneficiaries.

Q: Can I change my vote after I have mailed my signed proxy?

A: Yes. You can change your vote at any time before your proxy is voted at the special meeting. You can do this in one of three ways. First, you can send a written notice stating that you revoke your proxy. Second, you can complete and submit a new proxy, dated at a date later than your most recent proxy. Third, you can attend the special meeting and vote in person. Your attendance at the special meeting will not, however, by itself revoke your proxy. If you hold your shares in street name and have instructed your broker how to vote your shares, you must follow directions received from your broker to change those instructions.

Q: What constitutes a quorum?

A: The holders of over one-third of the outstanding shares of common stock as of the record date must be present in person or by proxy at the special meeting to constitute a quorum. In determining whether a quorum is present, shareholders who abstain will be treated as present for determining the presence or absence of a quorum.

Q: Should I send in my stock certificates now?

A: No. As soon as practicable after the completion of the Merger, you will receive a letter of transmittal describing how you may exchange your certificated or book-entry shares for the Merger Consideration. At that time, you must send your completed letter of transmittal to Old National in order to receive the Merger Consideration. If you hold your shares in certificated form, you should not send your share certificate until you receive the letter of transmittal.

Q: Can I elect the form of payment that I prefer in the Merger?

A: No. The amount of cash and shares of Old National common stock to be issued in the Merger have been determined, subject to those adjustments summarized in this proxy statement and prospectus.

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Q: Whom should I contact if I have other questions about the Merger Agreement or the Merger?

A: If you have more questions about the Merger Agreement or the Merger, you should contact:

Old National Bancorp

One Main Street

Evansville, Indiana 47708

(812) 464-1294

Attn: Jeffrey L. Knight

You may also contact:

LSB Financial Corp.

101 Main Street

Lafayette, Indiana 47901

(765) 742-1064

Attn: Randolph F. Williams

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SUMMARY

*This summary highlights selected information in this proxy statement and prospectus and may not contain all of the information important to you. To understand the Merger more fully, you should read this entire document carefully, including the annexes and the documents referred to in this proxy statement and prospectus. A list of the documents incorporated by reference appears under the caption *Where You Can Find More Information* on page 95.*

The Companies (page)

Old National Bancorp

One Main Street

Evansville, Indiana 47708

(812) 464-1294

Old National Bancorp is a bank holding company, incorporated under Indiana law and headquartered in Evansville, Indiana. Old National is the largest financial services holding company headquartered in Indiana and, with \$9.5 billion in assets as of March 31, 2014, ranks among the top 100 banking companies in the United States. Since its founding in Evansville in 1834, Old National has focused on community banking by building long-term, highly valued partnerships with clients in its primary footprint of Indiana, Illinois and Kentucky. In addition to providing extensive services in retail and commercial banking, wealth management, investments and brokerage, Old National also owns Old National Insurance which is one of the top 100 largest agencies in the U.S. and the 10th largest bank-owned agency. Old National's common stock is listed on the NASDAQ Global Select Market under the symbol **ONB**.

LSB Financial Corp.

101 Main Street

Lafayette, Indiana 47901

(765) 742-1064

LSB Financial Corp. is an Indiana corporation which was organized in 1994 by Lafayette Savings Bank, FSB (Lafayette Savings) for the purpose of becoming a savings and loan holding company. Lafayette Savings is a federally chartered stock savings bank headquartered in Lafayette, Indiana. Originally organized in 1869, Lafayette Savings converted to a federal savings bank in 1984. LSB's common stock is listed on the NASDAQ Global Market under the symbol **LSBI**.

Special Meeting of Shareholders; Required Vote (page)

The special meeting of LSB shareholders is scheduled to be held at the LSB Building, 22 N. Second Street, Lafayette, Indiana 47901 at , Eastern Time, on , 2014. At the LSB special meeting, you will be asked to vote to approve the Merger Agreement and related Plan of Merger. You will also be asked to approve, on a non-binding advisory basis, the Merger-Related Compensation Proposal and approve the Adjournment Proposal. Only LSB shareholders of record as of the close of business on , 2014, are entitled to notice of, and to vote at, the LSB special meeting and any adjournments or postponements of the LSB special meeting.

As of the record date, there were shares of LSB common stock outstanding. The directors and executive officers of LSB (and their affiliates), as a group, beneficially owned shares of LSB common stock, including shares subject to options currently exercisable but not exercised, representing approximately of the outstanding shares of LSB common stock as of the record date.

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Approval of the Merger Agreement requires the affirmative vote of holders of at least a majority of the outstanding shares of LSB common stock entitled to vote. Approval of the Merger-Related Compensation Proposal and the Adjournment Proposal each require more votes cast in favor of the proposal than are cast against it.

No approval by Old National shareholders is required.

The Merger and the Merger Agreement (pages and)

The Merger Agreement provides that, if all of the conditions are satisfied or waived, LSB will be merged with and into Old National, with Old National surviving. Simultaneous with the Merger, Lafayette Savings will be merged with and into Old National Bank, a wholly owned subsidiary of Old National. We encourage you to read the Merger Agreement, which is included as Annex A to this proxy statement and prospectus and is incorporated by reference herein.

What LSB Shareholders Will Receive in the Merger (page)

If the Merger is completed, each share of LSB common stock will be converted into the right to receive 2.269 shares of Old National common stock, subject to the following adjustments, and \$10.63 in cash:

if, as of the end of the month prior to the effective time, the LSB shareholders' equity (computed in accordance with the terms of the Merger Agreement) is less than \$40,000,000, the Exchange Ratio will be decreased as provided in the Merger Agreement; and

if the average closing price of a share of Old National common stock (computed in accordance with the terms of the Merger Agreement) is less than \$10.98 per share and decreases by more than 20% in relation to the NASDAQ Bank Index, LSB will have the right to terminate the Merger Agreement unless Old National agrees to increase the Exchange Ratio.

Treatment of Options to Acquire Shares of LSB Common Stock (page)

The Merger Agreement provides that at the effective time of the Merger, each of the options to acquire shares of LSB common stock issued and still outstanding under LSB's stock plans will be converted into the right to receive cash based on the Merger Consideration, subject to any required consents of optionees. All options to acquire shares of LSB common stock will fully vest as of the effective time of the Merger.

Recommendation of LSB Board of Directors (page)

The LSB board of directors unanimously adopted the Merger Agreement and approved and authorized the proposed Merger. The LSB board of directors concluded that entering into the Merger Agreement and completing the Merger and the other transactions contemplated by the Merger Agreement are in the best interest of LSB and the LSB shareholders. The LSB board of directors unanimously recommends that LSB shareholders vote FOR approval of the Merger Agreement. In reaching its determination, the LSB board of directors considered a number of factors, which are described in the section captioned Proposal 1 The Merger LSB's Reasons for the Merger and Recommendation of the Board of Directors beginning on page . Because of the wide variety of factors considered, the LSB board of directors did not believe it practicable, nor did it attempt, to quantify or otherwise assign relative weight to the specific factors it considered in reaching its decision.

The LSB Board also unanimously recommends that you vote **FOR** approval of the Merger-Related Compensation Proposal and **FOR** approval of the Adjournment Proposal.

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No Dissenters' Rights (page)

Dissenters' rights are statutory rights that, if available under law, enable shareholders to dissent from an extraordinary transaction, such as a merger, and to demand that the corporation pay the fair value for their shares as determined by a court in a judicial proceeding instead of receiving the consideration offered to shareholders in connection with the extraordinary transaction. Dissenters' rights are not available in all circumstances, and exceptions to these rights are provided in the IBCL. Because shares of LSB common stock are listed on a national securities exchange, holders of LSB common stock will not have dissenters' rights in connection with the Merger.

Voting Agreements (page)

As of the record date, the directors of LSB beneficially owned shares of LSB common stock, including shares subject to options currently exercisable but not exercised. In connection with the execution of the Merger Agreement, all of the directors of LSB executed a voting agreement pursuant to which they agreed to vote their shares, and to use reasonable efforts to cause all shares owned by such director jointly with another person or by such director's spouse to be voted, for approval of the Merger Agreement.

Opinion of LSB's Financial Advisor (pages and B-1)

In connection with the Merger, the LSB board of directors received an oral and a written opinion, dated June 3, 2014, from LSB's financial advisor, Sandler O'Neill & Partners, L.P. (Sandler O'Neill), to the effect that, as of the date of the opinion and based on and subject to the various considerations described in the opinion, the Merger Consideration described in the Merger Agreement is fair, from a financial point of view, to the holders of LSB common stock (other than (i) shares held as treasury stock of LSB and (ii) shares held directly or indirectly by Old National, except shares held in a fiduciary capacity or in satisfaction of a debt previously contracted, if any). The full text of Sandler O'Neill's written opinion, which sets forth, among other things, the assumptions made, procedures followed, matters considered, and limitations on the review undertaken by Sandler O'Neill in rendering its opinion, is attached to this document as Annex B. We encourage you to read the entire opinion carefully. The opinion of Sandler O'Neill is directed to the LSB board of directors and does not constitute a recommendation to any LSB shareholder as to how to vote at the LSB special meeting or any other matter relating to the proposed Merger.

Reasons for the Merger (page)

The LSB board of directors unanimously determined that entering into the Merger Agreement and completing the Merger and the other transactions contemplated by the Merger Agreement are in the best interest of LSB and the LSB shareholders. The LSB board of directors unanimously recommends that LSB shareholders vote FOR the proposal to approve the Merger Agreement and related Plan of Merger.

In its deliberations and in making its determination, the LSB board of directors considered many factors including, but not limited to, the following:

the business, earnings, operations, financial condition, management, prospects, capital levels, and asset quality of both Old National and LSB;

the increased regulatory burdens on financial institutions and the uncertainties in the regulatory climate going forward;

Old National's access to capital and managerial resources relative to that of LSB;

the board's desire to provide LSB shareholders with the prospects for greater future appreciation on their investments in LSB common stock than the amount the board of directors believes LSB could achieve independently;

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the financial and other terms and conditions of the Merger Agreement, and related Plan of Merger, including the fact that the Merger Consideration (assuming no adjustments) represents a premium of approximately 157% of LSB's tangible book value as of the date of the Merger Agreement and related Plan of Merger; and

the financial analyses prepared by Sandler O'Neill, LSB's financial advisor, and the opinion dated as of June 3, 2014, delivered to the LSB board by Sandler O'Neill, to the effect that the Merger Consideration described in the Merger Agreement and related Plan of Merger is fair, from a financial point of view, to LSB's shareholders (other than (i) shares held as treasury stock of LSB and (ii) shares held directly or indirectly by Old National, except shares held in a fiduciary capacity or in satisfaction of a debt previously contracted, if any).

For more information on the factors considered by the LSB board of directors in reaching its determination to recommend approval of the Merger Agreement, see Proposal 1 The Merger LSB's Reasons for the Merger and Recommendation of the Board of Directors beginning on page .

Old National's board of directors concluded that the Merger Agreement is in the best interests of Old National and its shareholders. In deciding to approve the Merger Agreement, Old National's board of directors considered a number of factors, including, but not limited to, the following:

LSB's community banking orientation in Lafayette, Indiana and its perceived compatibility with Old National and its subsidiaries;

a review of the demographic, economic, and financial characteristics of the markets in which LSB operates, including existing and potential competition and the history of the market areas with respect to financial institutions; and

management's review of the business, management and personnel, operations, earnings, and financial condition, including capital levels and asset quality, of LSB and Lafayette Savings.

Regulatory Approvals (page)

Under the terms of the Merger Agreement, the Merger cannot be completed until Old National receives necessary regulatory approvals, which include the approval of the Office of the Comptroller of the Currency (the OCC) and the Board of Governors of the Federal Reserve System (the Federal Reserve Board). Old National will file applications with each regulatory authority to obtain the approvals. Old National cannot be certain when such approvals will be obtained or if they will be obtained.

Issued Old National Shares Will be Eligible for Trading (page)

The shares of Old National common stock to be issued upon completion of the Merger will be eligible for trading on the NASDAQ Global Select Market.

Conditions to the Merger (page)

The respective obligations of Old National and LSB to consummate the Merger are subject to the satisfaction or waiver, on or before the completion of the Merger, of a number of conditions, including:

approval of the Merger Agreement at the special meeting by a majority of the issued and outstanding shares of LSB common stock;

approval of the transaction by the appropriate regulatory authorities;

the representations and warranties made by the parties in the Merger Agreement must be true and correct in all material respects as of the effective date of the Merger or as otherwise required in the Merger Agreement unless the inaccuracies do not or will not result in a Material Adverse Effect (as defined below in The Merger Agreement Conditions to the Merger);

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the covenants made by the parties must have been fulfilled or complied with in all material respects from the date of the Merger Agreement through and as of the effective time of the Merger;

the parties must have received the respective closing deliveries of the other parties to the Merger Agreement;

the Registration Statement on Form S-4, of which this proxy statement and prospectus is a part, relating to the Old National shares to be issued pursuant to the Merger Agreement, must have become effective under the Securities Act of 1933, as amended (the Securities Act), and no stop order suspending the effectiveness of the Registration Statement shall have been issued or threatened by the Securities and Exchange Commission;

Old National and LSB must have received an opinion from Krieg DeVault LLP, counsel to Old National, dated as of the effective date, to the effect that the Merger constitutes a tax-free reorganization for purposes of Section 368 and related sections of the Internal Revenue Code, as amended (the Code);

Old National must have received a letter of tax advice, in a form satisfactory to Old National, from LSB's independent certified public accounting firm to the effect that any amounts that are paid by LSB before the effective time of the Merger, or required under LSB's employee benefits plans or the Merger Agreement to be paid at or after the effective time, to persons who are disqualified individuals in respect of LSB, Lafayette Savings or their successors, and that otherwise should be allowable as deductions for federal income tax purposes, should not be disallowed as deductions for such purposes by reason of Section 280G of the Code;

the shares of Old National common stock to be issued in the Merger shall have been approved for listing on the NASDAQ Global Select Market;

there shall be no legal proceedings initiated or threatened seeking to prevent completion of the Merger; and

LSB's consolidated shareholders' equity (computed in accordance with the Merger Agreement) shall not be less than \$37,500,000.

We cannot be certain when, or if, the conditions to the Merger will be satisfied or waived, or that the Merger will be completed.

Termination (page)

Old National and LSB may mutually agree at any time to terminate the Merger Agreement without completing the Merger, even if the LSB shareholders have approved it. Also, either party may decide, without the consent of the other party, to terminate the Merger Agreement under specified circumstances, including if the Merger is not consummated by March 31, 2015, if the required regulatory approvals are not received or if the LSB shareholders do not approve the Merger Agreement at the LSB special meeting. In addition, either party may terminate the Merger Agreement if there is a breach of the agreement by the other party that would cause the failure of conditions to the terminating party's obligation to close, unless the breach is capable of being cured and is cured within 20 business days of notice of the

breach. LSB also has the right to terminate the Merger Agreement if it receives a proposal which its board of directors determines is superior to the Merger with Old National.

Further, Old National has the right to terminate the Merger Agreement if the LSB board fails to publicly reaffirm its recommendation of the Merger Agreement, the Merger or the other transactions contemplated in the Merger Agreement within five business days of a written request by Old National to provide such reaffirmation.

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Additionally, LSB has the right to terminate the Merger Agreement if Old National's average common stock closing price during the ten trading days preceding the date on which all regulatory approvals approving the Merger are received is below \$10.98 per share, and the decrease in stock price is more than 20% greater than the decrease in the NASDAQ Bank Index during the same time period; provided, however, that Old National will have the right to prevent LSB's termination by agreeing to increase the Exchange Ratio pursuant to a formula set forth in the Merger Agreement.

Termination Fee (page)

LSB is required to pay Old National a \$3,000,000 termination fee in the following circumstances:

if Old National terminates the Merger Agreement because the LSB board of directors fails to include its recommendation to approve the Merger in the proxy statement and prospectus delivered to shareholders, or makes an adverse recommendation as to the Merger, or approves or publicly recommends another acquisition proposal to the LSB shareholders, or LSB enters into or publicly announces its intent to enter into a written agreement in connection with another acquisition proposal;

if the LSB board of directors fails to publicly reaffirm its recommendation of the Merger Agreement, the Merger or the other transactions contemplated in the Merger Agreement within five business days of a written request by Old National to provide such reaffirmation;

if either party terminates the Merger Agreement because the LSB shareholders fail to approve the Merger Agreement or if Old National terminates the Merger Agreement because a quorum could not be convened at LSB's shareholder meeting called to approve the Merger, and, within the twelve months following the termination, LSB or any of its subsidiaries enters into another acquisition agreement or consummates another acquisition, provided, however, that in such case LSB shall only be liable to pay Old National the amount of the termination fee less the amount of any previously paid Old National expenses; or

if either party terminates the Merger Agreement because the Merger is not consummated by March 31, 2015 and either prior to the date of termination an acquisition proposal was made for LSB or within the next twelve months LSB or any of its subsidiaries enters into another acquisition agreement or consummates another acquisition.

Interests of Certain Directors and Executive Officers of LSB in the Merger That are Different From Yours (page)

You should be aware that some of LSB's directors and executive officers may have interests in the Merger that are different from, or in addition to, their interests as shareholders. LSB's board of directors was aware of these interests and took them into account in adopting the Merger Agreement. Randolph E. Williams, President and Chief Executive Officer and Mary Jo David, Senior Vice President, Chief Financial Officer and Secretary of LSB accepted terms of employment with Old National following the effective time of the Merger which will supersede Mr. Williams' and Ms. David's existing employment agreements with LSB. Mr. Williams and Ms. David will receive lump sum cash payments estimated at \$532,000 and \$319,000, respectively, at the closing of the Merger in satisfaction of amounts owed under their existing employment agreements which will be terminated at closing. Mr. Williams will also receive

at closing his accrued benefits, estimated at \$510,000, under his Deferred Compensation Agreement, which agreement will be terminated at closing. Mr. Williams, Ms. David and Todd C. Van Sichel, Lafayette Savings Vice President Director of Operations, will also be paid at closing amounts owed to them under Lafayette Savings Management Incentive Plan, which plan will also be terminated at closing. Old National has agreed to establish a Lafayette advisory board, including members selected by LSB and reasonably acceptable to Old National, of individuals with knowledge of LSB's markets, whose service will be consistent with Old National's corporate governance practices, and who can help with Old National's community, customer, and associate plans in the Lafayette market.

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Additionally, Old National is obligated under the Merger Agreement to provide continuing indemnification to the officers and directors of LSB and Lafayette Savings for a period of six years following the Merger and to provide such directors and officers with directors' and officers' liability insurance for a period of two years following the Merger.

Accounting Treatment of the Merger (page)

The Merger will be accounted for as a purchase transaction in accordance with United States generally accepted accounting principles.

Rights of Shareholders After the Merger (page)

When the Merger is completed, LSB shareholders, whose rights are governed by LSB's articles of incorporation and by-laws, will become Old National shareholders, and their rights then will be governed by Old National's articles of incorporation and by-laws. Old National and LSB are organized under Indiana law. To review the differences in the rights of shareholders under each company's governing documents, see "Comparison of the Rights of Shareholders" beginning on page .

Material Federal Income Tax Consequences of the Merger (page)

Old National and LSB expect the Merger to qualify as a reorganization within the meaning of Section 368(a) of the Code for U.S. federal income tax purposes. If the Merger qualifies as a reorganization, then, in general, LSB shareholders will not recognize any gain or loss for U.S. federal income tax purposes on the exchange of LSB shares for Old National shares in the Merger. However, with respect to cash received in the Merger, LSB shareholders will recognize gain, if any, (but not loss) in an amount equal to the lesser of (A) the amount of cash received in the Merger, and (B) the excess, if any, of (1) the sum of the amount of cash and the fair market value of the Old National common stock received in the Merger over (2) the LSB shareholder's aggregate tax basis in the LSB common stock surrendered in exchange for Old National common stock.

To review the tax consequences of the Merger to LSB shareholders in greater detail, please see the section "Material Federal Income Tax Consequences" beginning on page .

Comparative Per Share Data

The following table shows information about our book value per share, cash dividends per share, and diluted earnings (loss) per share, and similar information as if the Merger had occurred on the date indicated, all of which is referred to as "pro forma" information. In presenting the comparative pro forma information for certain time periods, we assumed that we had been merged throughout those periods and made certain other assumptions.

The information listed as "Pro Forma Equivalent LSB Share" was obtained by multiplying the Pro Forma Combined amounts by a fixed Exchange Ratio of 2.269. We present this information to reflect the fact that LSB shareholders will receive 2.269 shares of Old National common stock for each share of LSB common stock exchanged in the Merger. We also anticipate that the combined company will derive financial benefits from the Merger that include reduced operating expenses and the opportunity to earn more revenue. The pro forma information, while helpful in illustrating the financial characteristics of the merged company under one set of assumptions, does not reflect these benefits and, accordingly, does not attempt to predict or suggest future results.

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Further, the pro forma information below excludes one-time expenses related to the Merger. The pro forma information also does not necessarily reflect what the historical results of the combined company would have been had our companies been combined during these periods.

	Old National Historical	LSB Historical	Pro Forma Combined	Pro Forma Equivalent LSB Share
Book value per share:				
at March 31, 2014	\$ 11.84	\$ 26.34	\$ 12.31	\$ 27.93
at December 31, 2013	\$ 11.64	\$ 26.17	\$ 12.17	\$ 27.61
Cash dividends per share:				
Three months ended March 31, 2014	\$ 0.11	\$ 0.09	\$ 0.11	\$ 0.25
Year ended December 31, 2013	\$ 0.40	\$ 0.24	\$ 0.40	\$ 0.91
Diluted earnings per share:				
Three months ended March 31, 2014	\$ 0.26	\$ 0.33	\$ 0.27	\$ 0.61
Year ended December 31, 2013	\$ 1.00	\$ 1.62	\$ 1.07	\$ 2.43

Market Prices and Share Information

The following table presents quotation information for Old National common stock on the NASDAQ Global Select Market and LSB common stock on the NASDAQ Global Market on June 3, 2014, and , 2014. June 3, 2014, was the last trading day prior to the announcement of the signing of the Merger Agreement. , 2014, was the last practicable trading day for which information was available prior to the date of this proxy statement and prospectus.

	Old National Common Stock			LSB Common Stock		
	High	Low	Close	High	Low	Close
June 3, 2014	\$ 13.93	\$ 13.61	\$ 13.68	\$ 28.30	\$ 28.30	\$ 28.30
, 2014	\$	\$	\$	\$	\$	\$

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The selected consolidated financial data presented below as of and for the three months ended March 31, 2014 and 2013, is unaudited. The selected consolidated financial data presented below, as of and for each of the years in the five-year period ended December 31, 2013, is derived from Old National's audited historical financial statements. Per share amounts have been adjusted to reflect all completed stock dividends and splits. This information should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and the notes thereto incorporated by reference in this proxy statement and prospectus. Results for past periods are not necessarily indicative of results that may be expected for any future period.

	Three Months Ended		Year Ended December 31,				
	2014	March 31, 2013	2013	2012	2011	2010	2009
(Dollar amounts in thousands except per share data)							
Results of Operations							
Net interest income	\$ 83,478	\$ 79,050	\$ 317,424	\$ 308,757	\$ 272,873	\$ 218,416	\$ 231,399
Provision for loan losses	37	845	(2,319)	5,030	7,473	30,781	63,280
Noninterest income	40,563	46,315	184,758	189,816	182,883	170,150	163,460
Noninterest expense	88,252	90,183	361,984	365,758	348,521	314,305	338,956
Income (loss) before income tax	35,752	34,337	142,517	127,785	99,762	43,480	(7,377)
Income tax (benefit)	9,242	10,392	41,597	36,110	27,302	5,266	(21,114)
Net income	26,510	23,945	100,920	91,675	72,460	38,214	13,737
Net income available to common shareholders	26,510	23,945	100,920	91,675	72,460	38,214	9,845
Dividends paid on common stock	10,997	10,124	40,278	34,657	26,513	24,361	30,380
Per Common Share							
Earnings per share (basic)	0.27	0.24	1.00	0.95	0.76	0.44	0.14
Earnings per share	0.26	0.24	1.00	0.95	0.76	0.44	0.14

(diluted)							
Dividends paid	0.11	0.10	0.40	0.36	0.28	0.28	0.44
Book value end of period	11.84	11.83	11.64	11.81	10.92	10.08	9.68
Market value end of period	14.91	13.75	15.37	11.87	11.65	11.89	12.43
At Period End							
Total assets	9,544,780	9,673,691	9,581,744	9,543,623	8,609,683	7,263,892	8,005,335
Investment securities	3,148,358	3,240,789	3,134,935	2,903,612	2,555,866	2,598,432	2,882,228
Loans, excluding held for sale	5,072,281	5,112,042	5,082,964	5,196,594	4,767,203	3,743,451	3,835,486
Allowance for loan losses	47,553	53,481	47,145	54,763	58,060	72,309	69,548
Total deposits	7,258,162	7,066,319	7,210,903	7,278,953	6,611,563	5,462,925	5,903,488
Other borrowings	506,782	536,798	556,388	237,493	290,774	421,911	699,059
Shareholders equity	1,185,237	1,199,665	1,162,640	1,194,565	1,033,556	878,805	843,826
Financial Ratios							
Return on average assets	1.12%	1.01%	1.05%	1.04%	0.86%	0.50%	0.17%
Return on average common shareholders equity	9.03%	8.00%	8.54%	8.34%	7.24%	4.40%	1.41%
Allowance for loan losses to total loans (period end) (excluding held for sale)	0.94%	1.05%	0.93%	1.05%	1.22%	1.93%	1.81%
Shareholders equity to total assets (period end)	12.42%	12.40%	12.13%	12.52%	12.00%	12.10%	10.54%
Average equity to average total assets	12.38%	12.64%	12.33%	12.49%	11.94%	11.46%	9.06%

Dividend payout ratio	41.48%	42.28%	39.91%	37.80%	36.59%	63.75%	308.59%
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Table of Contents**SELECTED CONSOLIDATED FINANCIAL DATA OF LSB**

The selected consolidated financial data presented below as of and for the three months ended March 31, 2014 and 2013, is unaudited. The selected consolidated financial data presented below, as of and for each of the years in the five-year period ended December 31, 2013, is derived from LSB's audited historical financial statements. Per share amounts have been adjusted to reflect all completed stock dividends and splits. This information should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and the notes thereto included in this proxy statement and prospectus. Results for past periods are not necessarily indicative of results that may be expected for any future period.

	Three Months Ended		Year Ended December 31,				
	2014	March 31, 2013	2013	2012	2011	2010	2009
(Dollar amounts in thousands except per share data)							
Results of Operations							
Net interest income	\$ 2,749	\$ 2,995	\$ 11,408	\$ 12,495	\$ 13,405	\$ 12,780	\$ 10,324
Provision for loan losses		400	650	2,100	5,361	2,759	3,197
Noninterest income	790	1,118	3,891	4,766	2,908	3,080	3,787
Noninterest expense	2,738	2,675	10,655	10,970	10,259	9,932	10,503
Income (loss) before federal income tax	801	1,038	3,994	4,191	693	3,169	411
Federal income tax (benefit)	281	385	1,456	1,532	154	1,052	(49)
Net income	520	653	2,538	2,659	539	2,117	460
Dividends paid on common stock	140	78	374	77		389	775
Per Common Share							
Earnings (loss) per share (basic)	0.33	0.42	1.63	1.71	0.35	1.36	0.30
Earnings (loss) per share (diluted)	0.33	0.42	1.62	1.70	0.35	1.36	0.30
Dividends paid	0.09	0.05	0.24	0.05		0.25	0.50
Book value end of period	26.35	25.41	26.03	25.04	23.26	22.90	21.81
Market value end of period	28.65	21.42	28.49	19.70	13.50	13.58	9.80
At Period End							
Total assets	366,080	361,190	367,581	364,610	364,290	371,847	371,050
Securities available for sale	63,479	39,745	64,448	29,744	13,845	11,805	11,345
Net loans	255,796	275,358	255,360	281,620	305,630	323,075	32,163
Total deposits	312,219	309,357	314,620	308,637	308,433	311,458	277,866

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Other borrowings	10,000	10,000	10,000	15,000	18,000	22,500	57,000
Shareholders equity	41,283	39,554	40,727	38,955	36,174	35,577	33,884
Financial Ratios							
Return on average assets	0.57%	0.71%	0.70%	0.73%	0.15%	0.56%	0.12%
Return on average common shareholders equity	5.15%	6.84%	6.37%	7.07%	1.48%	6.09%	1.34%
Average equity to average total assets	11.12%	10.42%	11.05%	10.32%	9.99%	9.18%	9.17%
Dividend payout ratio	27.27%	11.90%	14.74%	2.93%	0.00%	18.38%	168.48%

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RISK FACTORS

In addition to the other information contained in or incorporated by reference into this proxy statement and prospectus (See [Where You Can Find More Information](#)), including the risk factors included in Old National's and LSB's respective Annual Report on Form 10-K for the year ended December 31, 2013, you should consider carefully the risk factors described below in deciding how to vote. You should keep these risk factors in mind when you read forward-looking statements in this document and in the documents incorporated by reference into this document. Please refer to the section of this proxy statement and prospectus titled [Caution About Forward-Looking Statements](#).

LSB shareholders cannot be certain of the value of the Merger Consideration they will receive, because the market price of Old National common stock will fluctuate and the Exchange Ratio is subject to adjustment.

Upon completion of the Merger, each share of LSB common stock will be converted into the Merger Consideration. The Exchange Ratio is subject to downward adjustment, as described in the Merger Agreement and in this proxy statement and prospectus in the event that LSB's consolidated shareholders' equity is less than \$40,000,000 as of the end of month prior to the effective time. See [The Merger Agreement - Merger Consideration](#) for a more complete discussion of the Merger Consideration to be paid in the Merger.

Additionally, the market value of the Merger Consideration may vary from the closing price of Old National common stock on the date the Merger was announced, on the date that this document was mailed to LSB shareholders, on the date of the special meeting of the LSB shareholders and on the date the Merger is completed and thereafter. Any change in the Exchange Ratio or the market price of Old National common stock prior to completion of the Merger will affect the amount of and the market value of the Merger Consideration that LSB shareholders will receive upon completion of the Merger. Accordingly, at the time of the special meeting, LSB shareholders will not know or be able to calculate with certainty the amount or the market value of the Merger Consideration they would receive upon completion of the Merger. Stock price changes may result from a variety of factors, including general market and economic conditions, changes in business, operations and prospects, and regulatory considerations. Many of these factors are beyond Old National's or LSB's control. You should obtain current market quotations for shares of Old National common stock and for shares of LSB common stock before you vote.

Regulatory approvals may not be received, may take longer than expected or may impose conditions that are not presently anticipated or cannot be met.

Before the transactions contemplated in the Merger Agreement may be completed, various approvals must be obtained from the Federal Reserve Board and the OCC. These governmental entities may impose conditions on the completion of the Merger or require changes to the terms of the Merger Agreement. Although Old National and LSB do not currently expect that any such conditions or changes would be imposed, there can be no assurance that they will not be, and such conditions or changes could have the effect of delaying completion of the transactions contemplated in the Merger Agreement or imposing additional costs on or limiting Old National's revenues, any of which might have a material adverse effect on Old National following the Merger. There can be no assurance as to whether the regulatory approvals will be received, the timing of those approvals, or whether any conditions will be imposed.

The Merger Agreement may be terminated in accordance with its terms and the Merger may not be completed, which could have a negative impact on LSB.

The Merger Agreement with Old National is subject to a number of conditions which must be fulfilled in order to close. Those conditions include: LSB shareholder approval, regulatory approvals, the continued accuracy of certain representations and warranties by both parties and the performance by both parties of certain covenants

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and agreements. In particular, Old National is not obligated to close the Merger transaction if LSB's consolidated shareholders' equity is less than \$37,500,000, subject to adjustments in the Merger Agreement, as of the end of the month prior to the effective time of the Merger.

In addition, certain circumstances exist where LSB may choose to terminate the Merger Agreement, including the acceptance of a superior proposal or the decline in Old National's share price to below certain thresholds set forth in the Merger Agreement. See "The Merger Agreement - Merger Consideration" for a more complete discussion of the Merger Consideration to be paid in the Merger and "Termination" for a more complete discussion of the circumstances under which the Merger Agreement could be terminated. There can be no assurance that the conditions to closing the Merger will be fulfilled or that the Merger will be completed.

If the Merger Agreement is terminated, there may be various consequences to LSB, including:

LSB's businesses may have been adversely impacted by the failure to pursue other beneficial opportunities due to the focus of management on the Merger, without realizing any of the anticipated benefits of completing the Merger;

LSB may have incurred substantial expenses in connection with the Merger, without realizing any of the anticipated benefits of completing the Merger; and

the market price of LSB common stock might decline to the extent that LSB's market price following announcement of the Merger reflects a market assumption that the Merger will be completed.

If the Merger Agreement is terminated and LSB's board of directors seeks another merger or business combination, under certain circumstances LSB may be required to pay Old National a \$3,000,000 termination fee. LSB shareholders cannot be certain that LSB would be able to find a party willing to pay an equivalent or more attractive price than the price Old National has agreed to pay in the Merger.

LSB shareholders will have a reduced ownership and voting interest after the Merger and will exercise less influence over management.

LSB's shareholders currently have the right to vote in the election of the LSB board of directors and on other matters affecting LSB. When the Merger occurs, each LSB shareholder will become a shareholder of Old National with a percentage ownership of the combined organization that is much smaller than the shareholder's percentage ownership of LSB. Because of this, LSB's shareholders will have less influence on the management and policies of Old National than they now have on the management and policies of LSB.

Old National may be unable to successfully integrate Lafayette Savings' operations and retain Lafayette Savings employees.

Lafayette Savings will be merged with and into Old National Bank simultaneous with the closing of the Merger. The difficulties of merging the operations of Lafayette Savings with Old National Bank include:

integrating personnel with diverse business backgrounds;

combining different corporate cultures; and

retaining key employees.

The process of integrating operations could cause an interruption of, or loss of momentum in, the activities of Old National, Old National Bank or Lafayette Savings, and the loss of key personnel. The integration of Lafayette Savings with Old National Bank will require the experience and expertise of certain key employees of Lafayette Savings who are expected to be retained by Old National. However, there can be no assurances that Old National will be successful in retaining these employees for the time period necessary to successfully integrate Lafayette Savings into Old National Bank. The diversion of management's attention and any delays or

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difficulties encountered in connection with the merger and integration of Lafayette Savings into Old National Bank could have an adverse effect on the business and results of operations of Old National or Old National Bank.

The termination fee and the restrictions on solicitation contained in the Merger Agreement may discourage other companies from trying to acquire LSB.

Until the completion of the Merger, with some exceptions, LSB is prohibited from soliciting, initiating, encouraging, or participating in any discussion of, or otherwise considering, any inquiries or proposals that may lead to an acquisition proposal, such as a merger or other business combination transaction, with any person or entity other than Old National. In addition, LSB has agreed to pay a termination fee of \$3,000,000 to Old National if the board of directors of LSB withdraws, modifies or changes its approval or recommendation of the Merger Agreement, approves or recommends an acquisition transaction with a third party or fails to publicly reaffirm its recommendation of the Merger Agreement, the Merger or the other transactions contemplated by the Merger Agreement within five business days of a written request by Old National to provide such reaffirmation. These provisions could discourage other companies from trying to acquire LSB even though such other companies might be willing to offer greater value to LSB's shareholders than Old National has offered in the Merger Agreement. The payment of the termination fee also could have a material adverse effect on LSB's financial condition.

Certain of LSB's executive officers and directors have interests that are different from, or in addition to, the interests of LSB's shareholders generally.

Certain of LSB's executive officers and directors have interests in the Merger that are in addition to, or different from, the interests of LSB's shareholders. LSB's board of directors was aware of these conflicts of interest when it approved the Merger Agreement. These interests include:

offers of employment from Old National to Randolph F. Williams, LSB's President and Chief Executive Officer, and Mary Jo David, LSB's Senior Vice President, Chief Financial Officer, and Secretary;

the payment of cash lump sum amounts estimated at \$532,000 and \$319,000, respectively, to Randolph F. Williams and Mary Jo David at closing upon the termination of their employment agreements;

the payment to Randolph F. Williams at closing of a cash lump sum estimated at \$510,000 equal to his accrued benefits under his Deferred Compensation Agreement, which will be terminated at closing;

Old National has agreed to establish a Lafayette advisory board, including members selected by LSB and reasonably acceptable to Old National of individuals with knowledge of LSB's markets, whose service would be consistent with Old National's corporate governance practices, and who can help with Old National's community, customer, and associate plans in the Lafayette market;

the cashing out of stock options held by directors and executive officers, as well as all other option holders, for their cash value based on the value of the Merger Consideration less the option exercise price at closing; and

the continuation of indemnification and insurance coverage for acts and omissions in their capacities as LSB and Lafayette Savings officers and directors.

For a more detailed discussion of these interests, see [Interests of Certain Directors and Officers of LSB in the Merger](#).

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The fairness opinion obtained by LSB will not reflect changes in the relative values of Old National and LSB between the time the opinion was obtained and the effective time of the Merger.

The fairness opinion of Sandler O'Neill was delivered as of June 3, 2014. LSB does not intend to obtain any further update of the Sandler O'Neill fairness opinion. Changes in the operations and prospects of Old National and LSB, general market and economic conditions, and other factors both within and outside of Old National's and LSB's control, on which the opinion of Sandler O'Neill is based, may alter the relative value of the companies. Therefore, the Sandler O'Neill opinion does not address the fairness of the Merger Consideration as of the date of this proxy statement and prospectus, the date of the special meeting or at the time the Merger will be completed.

The Merger may fail to qualify as a reorganization for federal tax purposes, resulting in your recognition of taxable gain or loss in respect of your LSB shares.

LSB intends the Merger to qualify as a reorganization within the meaning of Section 368(a) of the Code. Although the Internal Revenue Service will not provide a ruling on the matter, Old National and LSB will, as a condition to closing, obtain an opinion from Old National's legal counsel that the Merger will constitute a reorganization for federal tax purposes. This opinion does not bind the IRS or prevent the IRS from adopting a contrary position. If the Merger fails to qualify as a reorganization, you generally would recognize gain or loss on each share of LSB common stock surrendered in an amount equal to the difference between your adjusted tax basis in that share and the fair market value of the Merger Consideration received in exchange for that share upon completion of the Merger.

The shares of Old National common stock to be received by LSB shareholders as a result of the Merger will have different rights from the shares of LSB common stock.

The rights associated with LSB common stock are different from the rights associated with Old National common stock. See the section of this proxy statement and prospectus entitled "Comparison of the Rights of Shareholders" for a discussion of the different rights associated with Old National common stock.

Each party is subject to business uncertainties and contractual restrictions while the Merger is pending, which could adversely affect each party's business and operations.

In connection with the pendency of the Merger, it is possible that some customers and other persons with whom Old National or LSB has a business relationship may delay or defer certain business decisions or might seek to terminate, change or renegotiate their relationships with Old National or LSB, as the case may be, as a result of the Merger, which could negatively affect Old National's or LSB's respective revenues, earnings and cash flows, as well as the market price of Old National's or LSB's common stock, regardless of whether the Merger is completed.

Under the terms of the Merger Agreement, LSB is subject to certain restrictions on the conduct of its business prior to completing the Merger, which may adversely affect its ability to execute certain of its business strategies, including the ability in certain cases to enter into or amend contracts, acquire or dispose of assets, incur indebtedness or incur capital expenditures. Such limitations could negatively affect LSB's businesses and operations prior to the completion of the Merger.

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CAUTION ABOUT FORWARD-LOOKING STATEMENTS

This document, and the documents incorporated by reference into it, contain forward-looking statements, including statements about our financial condition, results of operations, earnings outlook, asset quality trends and profitability. Forward-looking statements express management's current expectations or forecasts of future events and, by their nature, are subject to assumptions, risks and uncertainties. Certain statements contained in this filing that are not statements of historical fact constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, or the Reform Act, notwithstanding that such statements are not specifically identified.

In addition, certain statements may be contained in the future respective filings of Old National and LSB with the SEC, in press releases and in oral and written statements made by or with the approval of Old National that are not statements of historical fact and constitute forward-looking statements within the meaning of the Reform Act. Examples of forward-looking statements include, but are not limited to:

statements about the benefits of the Merger between Old National and LSB, including future financial and operating results, cost savings, enhanced revenues and accretion to reported earnings that may be realized from the Merger;

statements of plans, objectives and expectations of Old National or LSB or their managements or boards of directors;

statements of future economic performance; and

statements of assumptions underlying such statements.

Words such as believes, anticipates, expects, intends, targeted, continue, remain, will, should, may expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

Forward-looking statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions which are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. Factors that could cause actual results to differ from those discussed in the forward-looking statements include, but are not limited to:

the risk that the businesses of Old National and LSB will not be integrated successfully or such integration may be more difficult, time-consuming or costly than expected;

expected revenue synergies and cost savings from the Merger may not be fully realized or realized within the expected time frame;

revenues following the Merger may be lower than expected;

deposit attrition, operating costs, customer loss and business disruption following the Merger, including, without limitation, difficulties in maintaining relationships with employees, may be greater than expected;

the inability to obtain governmental approvals of the Merger on the proposed terms and schedule;

the failure of LSB's shareholders to approve the Merger;

local, regional, national and international economic conditions and the impact they may have on Old National and LSB and their customers and Old National's and LSB's assessment of that impact;

changes in the level of non-performing assets, delinquent loans, and charge-offs;

material changes in the stock market value of Old National common stock;

changes in estimates of future reserve requirements based upon the periodic review thereof under relevant regulatory and accounting requirements;

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the risk that management's assumptions and estimates used in applying critical accounting policies prove unreliable, inaccurate or not predictive of actual results;

inflation, interest rate, securities market and monetary fluctuations;

changes in interest rates, spreads on earning assets and interest-bearing liabilities, and interest rate sensitivity;

prepayment speeds, loan originations and credit losses;

sources of liquidity;

competitive pressures among depository and other financial institutions may increase and have an effect on pricing, spending, third-party relationships and revenues;

changes in laws and regulations (including laws and regulations concerning taxes, banking, securities and insurance) with which Old National and LSB must comply;

the effects of, and changes in, trade, monetary and fiscal policies and laws, including interest rate policies of the Federal Reserve Board;

Old National's and LSB's common shares outstanding and common stock price volatility;

legislation affecting the financial services industry as a whole, and/or Old National and LSB and their subsidiaries, individually or collectively;

governmental and public policy changes;

financial resources in the amounts, at the times and on the terms required to support Old National's and LSB's future businesses; and

the impact on Old National's or LSB's businesses, as well as on the risks set forth above, of various domestic or international military or terrorist activities or conflicts.

Additional factors that could cause Old National's and LSB's results to differ materially from those described in the forward-looking statements can be found in Old National's and LSB's respective Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed with the SEC. All subsequent written and

oral forward-looking statements concerning the proposed transaction or other matters and attributable to Old National or LSB or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements referenced above. Forward-looking statements speak only as of the date on which such statements are made. Old National and LSB undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events.

We caution you not to place undue reliance on the forward-looking statements.

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SPECIAL MEETING OF LSB S SHAREHOLDERS

Date, Place, Time, and Purpose

LSB s board of directors is sending you this proxy statement and prospectus and proxy to use at the special meeting. At the special meeting, the LSB board of directors will ask you to vote (1) on a proposal to approve the Merger Agreement and related Plan of Merger; (2) to approve the Merger-Related Compensation Proposal; and (3) to approve the Adjournment Proposal. LSB does not expect any other items of business to be presented at the special meeting. If other matters do properly come before the special meeting, the accompanying proxy gives discretionary authority to the persons named in the proxy to vote on any other matters brought before the meeting. Those persons intend to vote the proxies in accordance with their judgment.

The special meeting will be held on , 2014, at , Eastern Time, at the LSB Building, 22 N. Second Street, Lafayette, Indiana 47901.

Record Date, Voting Rights, Quorum, and Required Vote

LSB has set the close of business on , 2014, as the record date for determining the holders of LSB common stock entitled to notice of and to vote at the special meeting. Only LSB shareholders at the close of business on the record date are entitled to notice of and to vote at the special meeting. As of the record date, there were 1,567,664 shares of LSB common stock outstanding and entitled to vote at the special meeting. Each share of LSB s common stock is entitled to one vote at the special meeting on all matters properly presented.

The holders of over one-third of the outstanding shares of LSB s common stock as of the record date must be present in person or by proxy at the special meeting to constitute a quorum. In determining whether a quorum is present, shareholders who abstain will be treated as present for determining the presence or absence of a quorum. There will be no broker non-votes at the special meeting because the only proposals are non-routine under NYSE Rule 452.

Approval of the Merger Agreement and related Plan of Merger will require the affirmative vote of holders of at least a majority of LSB s outstanding shares entitled to vote. Abstentions from voting will have the same effect as a vote against the Merger Agreement and related Plan of Merger. The directors and executive officers of LSB (and their affiliates), as a group, owned with power to vote 173,050 shares of LSB common stock, representing approximately 10.9% of the outstanding shares of LSB common stock as of the record date, including shares subject to options currently exercisable but not exercised. In connection with the execution of the Merger Agreement, the directors of LSB each executed a voting agreement pursuant to which they agreed to vote their shares, and to use reasonable efforts to cause all shares owned by such director jointly with another person or by such director s spouse to be voted, for approval of the Merger Agreement and related Plan of Merger.

The advisory vote on the Merger-Related Compensation Proposal and the vote on the Adjournment Proposal each require more votes cast in favor of the proposal than are cast against it. Abstentions will have no effect on these proposals.

Voting and Revocability of Proxies

You may vote in one of four ways: (1) by mail (by completing and signing the proxy that accompanies this prospectus and proxy statement); (2) by telephone; (3) by using the Internet; and (4) in person (by either delivering the completed proxy or by casting a ballot if attending the special meeting). To ensure your representation at the special meeting, we recommend you vote by proxy even if you plan to attend the special meeting. You may change your proxy vote at the

special meeting.

LSB shareholders whose shares are held in street name by their broker, bank, or other nominee must follow the instructions provided by their broker, bank, or other nominee to vote their shares.

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Voting instructions are included on your proxy. If you properly complete and timely submit your proxy, your shares will be voted as you have directed. If you submit your proxy without specifying a voting instruction, your shares will be voted FOR approval of the Merger Agreement and related Plan of Merger, FOR approval of the Merger-Related Compensation Proposal and FOR approval of the Adjournment Proposal.

You may revoke your proxy before it is voted by:

filing with the Secretary of LSB a duly executed revocation of proxy;

submitting a new proxy with a later date; or

voting in person at the special meeting.

Attendance at the special meeting will not, in and of itself, constitute a revocation of a proxy. All written notices of revocation and other communication with respect to the revocation of proxies should be addressed to: LSB Financial Corp., 101 Main Street, Lafayette, Indiana 47901, Attention: Secretary.

The telephone and Internet voting procedures have been set up for your convenience and have been designed to authenticate your identity, to allow you to give voting instructions, and to confirm that those instructions have been properly recorded. If you would like to vote by telephone or by using the Internet, please refer to the specific instructions on the proxy. The deadline for voting by telephone or via the Internet is 11:59 p.m. Eastern Time on , 2014.

Voting of Shares Held in the LSB Financial Corp. Employee Stock Ownership Plan

The ESOP owns approximately 5% of LSB's common stock. Each ESOP participant must instruct the trustee (First Bankers Trust Services, Inc.) how to vote the shares of LSB common stock allocated to his or her account under the ESOP. If a participant properly executes the voting instruction card distributed by the trustee, the trustee will vote such participant's shares in accordance with the participant's instructions. Where properly executed voting instruction cards are returned to the trustee with no specific instruction as to how to vote at the special meeting, the trustee will vote the shares FOR approval of the Merger Agreement and related Plan of Merger, FOR approval of the Merger-Related Compensation Proposal, and FOR approval of the Adjournment Proposal. The trustee will vote the shares FOR approval of the Merger Agreement and related Plan of Merger, FOR approval of the Merger-Related Compensation Proposal, and FOR approval of the Adjournment Proposal as to which no voting instruction cards are received assuming the trustee concludes such a vote is in the best interest of the ESOP participants and beneficiaries.

Solicitation of Proxies

Old National will pay the costs of the distribution of this proxy statement and prospectus. In addition to soliciting proxies by mail, directors, officers, and employees of LSB may solicit proxies personally and by telephone. None of these persons will receive additional or special compensation for soliciting proxies. LSB will, upon request, reimburse brokers, banks and other nominees for their expenses in sending proxy materials to their customers who are beneficial owners and obtaining their voting instructions.

[To help assure the presence in person or by proxy of the largest number of shareholders possible, LSB has engaged [], a proxy solicitation firm, to solicit proxies on LSB's behalf, for a proxy solicitation fee of \$[], plus reasonable out-of-pocket costs and expenses.]

Recommendation of LSB's Board of Directors

The LSB board of directors unanimously approved the Merger Agreement and concluded that entering into the Merger Agreement and completing the Merger and the other transactions contemplated by the Merger Agreement are in the best interest of LSB and the LSB shareholders. The LSB board of directors unanimously

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recommends that LSB shareholders vote FOR approval of the Merger Agreement and related Plan of Merger , FOR approval of the Merger-Related Compensation Proposal, and FOR approval of the Adjournment Proposal.

See The Merger Background of the Merger and LSB s Reasons for the Merger and Recommendation of the Board of Directors for a more detailed discussion of the LSB board of directors recommendation with regard to the Merger Agreement.

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INFORMATION ABOUT THE COMPANIES

Old National Bancorp

One Main Street

Evansville, Indiana 47708

(812) 464-1294

Old National Bancorp is a bank holding company, incorporated under Indiana law and headquartered in Evansville, Indiana. Old National is the largest financial services holding company headquartered in Indiana and, with \$9.5 billion in assets as of March 31, 2014, ranks among the top 100 banking companies in the United States. Since its founding in Evansville in 1834, Old National has focused on community banking by building long-term, highly valued partnerships with clients in its primary footprint of Indiana, Illinois and Kentucky. In addition to providing extensive services in retail and commercial banking, wealth management, investments and brokerage, Old National also owns Old National Insurance which is one of the top 100 largest agencies in the U.S. and the 10th largest bank-owned agency. Old National's common stock is listed on the NASDAQ Global Select Market under the symbol **ONB**.

Additional information about Old National and its subsidiaries is included in documents incorporated by reference into this document. For more information, please see the section entitled **Where You Can Find More Information** beginning on page .

LSB Financial Corp.

101 Main Street

Lafayette, Indiana 47901

(765) 742-1064

LSB Financial Corp. is an Indiana corporation which was organized in 1994 by Lafayette Savings for the purpose of becoming a savings and loan holding company. Lafayette Savings is a federally chartered stock savings bank headquartered in Lafayette, Indiana. Originally organized in 1869, Lafayette Savings converted to a federal savings bank in 1984. LSB's common stock is listed on the NASDAQ Global Market under the symbol **LSBI**.

Additional information about LSB and Lafayette Savings is included elsewhere in this document.

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PROPOSAL 1 THE MERGER

Background of the Merger

As part of its ongoing consideration and evaluation of LSB's long-term prospects and strategies, the board of directors of LSB has periodically discussed and reviewed strategic opportunities to maximize value for its shareholders. These opportunities have included, among other alternatives, continuing as an independent institution, growing internally and through branch acquisitions, or affiliating or merging with another institution. In 2008 and 2009, the board had discussions with another community bank about an affiliation, but nothing materialized on that possible transaction. On at least an annual basis, LSB's board of directors has received market updates from investment bankers who generally provide a banking industry update and overview and a merger and acquisition update and outlook. One such meeting was held with several investment banking firms on October 21, 2013.

Until the end of 2013, the board of directors had concluded that LSB's shareholders, customers, and employees were best served by LSB remaining as an independent financial institution. However, due substantially to the prolonged regional and national economic downturn beginning in 2008, the operating environment for LSB became increasingly difficult, leading to thinner net interest margins, increased loan loss provisions, decreased loan originations, diminished growth opportunities, increased core operating expenses, and stagnant financial performance.

As with many community banks during this time period, conditions during 2008 through 2011 were especially challenging for LSB as a result of the financial crisis and the downturn in the real estate market. During this period LSB experienced increases in its nonperforming assets and loan loss provisions. As a result of losses incurred in the third and fourth quarters of 2009 and the fourth quarter of 2011 resulting from these economic conditions, its net income in 2009 and in 2011 was adversely impacted. In the second part of 2010, LSB ceased paying dividends, which it did not resume until the last quarter of 2012.

During the period May, 2006 through February, 2014, Lafayette Savings was subject to a Supervisory Agreement and LSB was subject to a Memorandum of Understanding with their respective banking regulators. These agreements required Lafayette Savings to take a number of actions and implement policies to improve the asset quality of its loan portfolio. Moreover, these agreements placed certain restrictions on Lafayette Savings' operating activities and required LSB to obtain bank regulatory approval of or nonobjection to any dividend declarations, stock repurchases or debt at the holding company level. The Supervisory Agreement and the Memorandum of Understanding were terminated in November 2013 and February 2014, respectively. These agreements were replaced with resolutions of the LSB board of directors requiring approval of the Federal Reserve prior to declaring dividends, increasing debt or redeeming LSB common stock.

Facing the challenges of generating consistent earnings through organic growth, management and the board of directors of LSB continued to evaluate strategic options, including a possible merger of LSB with another financial institution. It was concluded that scale might be needed to absorb additional operating and regulatory costs in a stagnant, slow growth economy.

In October 2013, LSB invited multiple financial advisors, including Sandler O'Neill to update its board of directors on the current merger and acquisition markets. The board invited those bankers back to make a presentation on January 27, 2014, on the pros and cons of a potential sale of LSB. Following this February meeting, LSB selected Sandler O'Neill to market LSB for sale, and executed an engagement letter with Sandler O'Neill on February 13, 2014.

In selecting Sandler O'Neill, LSB's board of directors considered the fact that Sandler O'Neill had provided prior and ongoing services to several of the potential merger partners, including Old National, but concluded that such services

would not create a conflict that would adversely affect LSB or its shareholders. LSB's board of directors considered Sandler O'Neill's extensive experience and capabilities relating to combinations involving

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financial institutions in the United States, its knowledge of the financial services industry and potential acquirors of LSB, and its reputation as a leading investment banker in the financial services industry, when making this decision. Sandler O'Neill, as part of its investment banking business, is regularly engaged in the valuation of financial institutions and their securities in connection with mergers and acquisitions, as well as other corporate transactions.

In late February 2014, Sandler O'Neill contacted 16 potential merger partners, and granted access to LSB's electronic data room to the 12 parties who executed a nondisclosure agreement. Eight parties sought and held multiple targeted diligence calls with management of LSB and Sandler O'Neill and sought additional due diligence information from LSB.

By April 16, 2014, the deadline for indications of interest from potential buyers, LSB received one verbal and seven written indications of interest. The range of offered pricing was between \$25.35 per share and \$43 per share. All but one of the bids (which was all cash) offered stock of the buyer, and all indications included a cash component as well.

LSB's board of directors met on April 21, 2014 to consider the indications of interest and after extensive discussion and deliberations instructed Sandler O'Neill to ask the top three bidders (which included Old National) to conduct due diligence and thereafter submit final bids.

In May, 2014, the three second-round participants performed onsite due diligence. Each participant also conducted in-person meetings with management and certain directors of LSB. A deadline of May 16, 2014, was set for final letters of intent.

On May 15, 2014, one of these second-round participants withdrew from the process, citing the fact that its due diligence findings had caused it to no longer be able to support its initial indication of interest and that it had decided not to submit a written final proposal.

On May 16, 2014, two remaining bidders submitted bid letters with implied prices of \$38.49 per share and \$41.50 per share, based on the current value of their offered exchange ratios. LSB's board of directors met on May 19, 2014, to consider these offers, and, with assistance from Sandler O'Neill and counsel, considered the advantages and disadvantages of the two bids, and reviewed data provided by Sandler, investor presentations and analyst research on those bidders. The board of directors determined at the meeting to proceed with a merger with one of these two parties, depending on their final and best offers. On May 19 and 20, 2014, Sandler O'Neill negotiated with the two bidders to maximize pricing for LSB. Each of those bidders increased its offer and clarified certain other terms of its offer.

On May 20, 2014, the board of directors of Old National met with Old National's management to review and discuss the terms of the proposed merger including the consideration proposed to be paid by Old National and the strategic rationale for the transaction. Following this discussion, the board voted unanimously to approve management's negotiation of the terms and the finalization and execution of a merger agreement and all related documents.

On May 20, 2014, Old National submitted a revised letter of intent with a 75% stock/25% cash component and an offer with an implied value of \$42.50 per share, based on the current value of its exchange ratio. This was the highest offer received.

At a telephone meeting on May 20, 2014, the LSB board was informed by Sandler O'Neill of the increased offers and clarification of terms. At the conclusion of this meeting, LSB's board of directors, by unanimous vote, selected Old National as the successful bidder and authorized Sandler O'Neill, management and counsel to work expeditiously toward a definitive agreement.

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Old National's legal counsel submitted a draft merger agreement to the parties on May 22, 2014. During the week of May 26, 2014, and through June 2, 2014, the parties exchanged comments and negotiated changes to the draft agreement. During this period, LSB and Sandler O'Neill continued reverse due diligence on Old National.

On June 3, 2014, the board of directors of LSB met and, with assistance of counsel and Sandler O'Neill, discussed the most recent draft of the Merger Agreement. Counsel led a discussion regarding the provisions of the latest Merger Agreement draft and responded to questions from directors. At the request of LSB's board of directors, Sandler O'Neill reviewed with LSB's board of directors Sandler O'Neill's financial analysis of the Merger Consideration and delivered to LSB's board of directors its oral opinion, which was subsequently confirmed in writing, that, based upon and subject to the assumptions, limitations, qualifications and conditions set forth in its written opinion, as of the date of the meeting, the Merger Consideration to be paid by Old National for each share of LSB's common stock was fair to the holders of LSB common stock from a financial point of view. After careful consideration of the revised draft of the Merger Agreement and the other strategic options available to LSB at the time, including the likely inability of other potential acquirors to make a superior offer, LSB's management believed that the proposal set forth in the revised Merger Agreement was the highest and best offer Old National would make and the highest and best offer LSB was likely to receive from a potential acquiror, and that it was in the best interests of LSB's shareholders to execute the Merger Agreement. LSB's board of directors unanimously (i) determined that the Merger Agreement and the transactions contemplated thereby were in the best interest of LSB and its shareholders, (ii) approved and adopted the Merger Agreement and approved the merger and the other transactions contemplated thereby, and (iii) recommended the approval and adoption of the Merger Agreement and related Plan of Merger and the transactions contemplated thereby by LSB shareholders.

LSB and Old National executed the definitive Merger Agreement after the close of business on June 3, 2014. Old National and LSB issued a joint press release publicly announcing the transaction prior to the opening of the financial markets on the morning of June 4, 2014.

LSB's Reasons for the Merger and Recommendation of the Board of Directors

LSB's board of directors has determined that the Merger Agreement and the Merger are in the best interests of LSB and its shareholders and recommends that LSB's shareholders vote FOR the approval of the Merger Agreement and the transactions contemplated by the Merger Agreement.

In its deliberations and in making its determination, LSB's board of directors considered many factors including, without limitation, the following:

the business, earnings, operations, financial condition, management, prospects, capital levels, and asset quality of both Old National and LSB;

the current and prospective business and economic environments in which LSB operates, including challenging national, regional, and local economic conditions, the competitive environment for Indiana financial institutions characterized by intensifying competition from other financial institutions, increasing consolidation of the financial services industry, the increased regulatory burdens on financial institutions, and the uncertainties in the regulatory climate going forward;

LSB's belief that LSB needs to grow to be in a position to deliver a competitive return to its shareholders;

the likelihood that acquisition opportunities for LSB as a buyer are limited for the foreseeable future given LSB's capital levels, illiquid common stock which would be part of any consideration offered to potential targets and lack of attractive smaller banks within and surrounding its footprint;

Old National's ability and resources to negotiate, execute, and close, and conduct due diligence in connection with, a definitive Merger Agreement on an expedited basis;

LSB's board's belief that, after consideration of potential alternatives, including the likely inability of other potential strategic partners to consummate a transaction on terms superior to those offered in the

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Merger Agreement, the Merger is expected to provide greater benefits to LSB's shareholders than the range of possible alternatives, including continuing to operate LSB on a stand-alone basis or pursuing a transaction with another bidder;

LSB's belief that the robust auction process that Sandler O'Neill conducted likely maximized the price LSB shareholders will receive;

the knowledge that investors remain focused on the trading liquidity of a bank's shares and generally value companies with greater market capitalizations with higher valuations;

the effect of the Merger on Lafayette Savings' employees, including the prospects for continued employment and the severance and other benefits agreed to be provided by Old National to LSB employees;

Old National's superior access to capital and managerial resources relative to that of LSB;

the benefits of being part of a larger and more diversified combined financial institution and the risks of continuing to be an independent company, given the limited liquidity of LSB's common stock and LSB's access to capital relative to Old National;

the perceived compatibility of the business philosophies and cultures of LSB and Old National, which LSB's board believed would facilitate the integration of the operations of the two companies;

Old National's commitment to Indiana and its reputation for community volunteerism;

the board's desire to provide LSB's shareholders with the prospects for greater future appreciation on their investments in LSB common stock than the amount the board of directors believes LSB could achieve independently;

the board's desire to provide LSB's shareholders with a favorable cash dividend and greater future prospects for increases in cash dividends;

the expectation that the historical liquidity of Old National's stock will offer LSB shareholders the opportunity to participate in the growth and opportunities of Old National by retaining their Old National stock following the Merger, or to exit their investment, should they prefer to do so;

the financial and other terms and conditions of the Merger Agreement, including (1) the fact that the Exchange Ratio (assuming no adjustments) represents approximately 157% of LSB's tangible book value and

27x last twelve months earnings per share at March 31, 2014, as of the date of the Merger Agreement and is fixed, with no collars, (2) the provision giving LSB the right to terminate the Merger Agreement in the event of a specified decline in the market value of Old National common stock relative to a designated market index unless Old National agrees to pay additional Merger Consideration, and (3) provisions providing for the payment of a \$3.0 million termination fee if the Merger Agreement is terminated under certain circumstances, which LSB's board deemed reasonable;

the potential upside in Old National's common stock based on expected earnings accretion, which has increased the stock by []% from announcement of this transaction to August [], 2014 (versus a []% gain in the SNL Bank & Thrift Index);

the fact that the value of the Merger Consideration prior to the public announcement of the merger represented an approximate 45% premium over recent trading prices for LSB common stock;

the overall greater scale that will be achieved by the Merger that will better position the combined company for future growth;

Old National's long-term growth strategy in the midwestern United States;

the complementary geographic locations of LSB and Old National branch networks in Indiana and, particularly, Lafayette, Indiana;

the historical and current market prices of Old National;

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the financial analyses prepared by Sandler O'Neill, to LSB's board of directors, and the opinion delivered to LSB's board to the effect that, as of the date of the opinion, and subject to and based on the qualifications and assumptions set forth in the opinion, the consideration to be received by the holders of LSB common stock in the Merger was fair, from a financial point of view, to such shareholders (other than holders of (i) shares held as treasury stock of LSB and (ii) shares held directly or indirectly by Old National, except shares held in a fiduciary capacity or in satisfaction of a debt previously contracted, if any);

the interests of LSB's directors and executive officers in the Merger, in addition to their interests generally as shareholders, as described under "Interests of Certain Directors and Officers of LSB in the Merger";

the likelihood that the regulatory approvals necessary to complete the transaction would be obtained; and

the effect of the Merger on Lafayette Savings' customers and the communities in which they conduct business.

The foregoing discussion of the factors considered by the LSB board of directors is not intended to be exhaustive, but rather includes the material factors considered by the LSB board of directors. In reaching its decision to approve the Merger Agreement, the Merger, and the other transactions contemplated by the Merger Agreement, the LSB board of directors did not quantify or assign any relative weights to the factors considered, and individual directors may have given different weights to different factors. The LSB board of directors considered all these factors as a whole, including discussions with, and questioning of, LSB's management and LSB's financial and legal advisors, and overall considered the factors to be favorable to, and to support, its determination.

For the reasons set forth above, the LSB board of directors unanimously determined that the Merger, the Merger Agreement, and the transactions contemplated by the Merger Agreement are advisable and in the best interests of LSB and its shareholders, and unanimously approved and adopted the Merger Agreement. The LSB board of directors unanimously recommends that LSB shareholders vote FOR approval of the Merger Agreement and the Merger.

Old National's Reasons For the Merger

Old National's board of directors concluded that the Merger Agreement is in the best interests of Old National and its shareholders. In deciding to approve the Merger Agreement, Old National's board of directors considered a number of factors, including, without limitation, the following:

LSB's community banking orientation in Lafayette, Indiana and its perceived compatibility with Old National and its subsidiaries;

a review of the demographic, economic and financial characteristics of the markets in which LSB operates, including existing and potential competition and history of the market areas with respect to financial institutions; and

management's review of the business, operations, earnings, and financial condition, including capital levels and asset quality, of LSB and Lafayette Savings.

Effects of the Merger

The respective Boards of Directors of Old National and LSB believe that, over the long-term, the Merger will be beneficial to Old National shareholders, including the current shareholders of LSB who will become Old National shareholders if the Merger is completed. The Old National board of directors believes that one of the potential benefits of the Merger is the cost savings that may be realized by combining the two companies and integrating Lafayette Savings as a banking subsidiary of Old National, which savings are expected to enhance Old National's earnings.

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Old National expects to reduce expenses by combining accounting, data processing, retail and lending support, and other administrative functions after completion of the Merger, which will enable Old National to achieve economies of scale in these areas. Promptly following the completion of the Merger, which is expected to occur in the mid-to-late fourth quarter of 2014, Old National plans to begin the process of eliminating redundant functions, and eliminating duplicative expenses.

The amount of any cost savings Old National may realize in 2015 and beyond will depend upon how quickly and efficiently Old National is able to implement the processes outlined above.

Old National believes that it will achieve cost savings based on the assumption that it will be able to:

reduce data processing costs;

reduce staff;

achieve economies of scale in advertising and marketing budgets;

reduce legal and accounting fees; and

achieve other savings through reduction or elimination of miscellaneous items such as insurance premiums, travel and automobile expense, and investor relations expenses.

Old National has based these assumptions on its present assessment of where savings could be realized based upon the present independent operations of the two companies. Actual savings in some or all of these areas could be higher or lower than is currently expected.

Old National also believes that the Merger will be beneficial to the customers of LSB as a result of the additional products and services offered by Old National and its subsidiaries and because of the increased lending capability.

Opinion of Financial Advisor to LSB

By letter dated February 13, 2014, the board of directors of LSB retained Sandler O'Neill to act as its financial advisor in connection with a possible business combination. Sandler O'Neill is a nationally recognized investment banking firm whose principal business specialty is financial institutions. In the ordinary course of its investment banking business, Sandler O'Neill is regularly engaged in the valuation of financial institutions and their securities in connection with mergers and acquisitions and other corporate transactions. The board of directors selected Sandler O'Neill to act its financial advisor in connection with a possible business combination based on its qualifications, expertise, reputation and experience in mergers and acquisitions involving financial institutions.

At the June 3, 2014 meeting of the board, Sandler O'Neill delivered to the LSB board of directors its oral opinion, which was subsequently confirmed in writing, that, as of June 3, 2014, the Merger Consideration was fair to the holders of LSB common stock from a financial point of view (other than (i) shares held as treasury stock of LSB and (ii) shares held directly or indirectly by Old National, except shares held in a fiduciary capacity or in satisfaction of a

debt previously contracted, if any). **The full text of Sandler O Neill s opinion is attached as Annex B to this proxy statement and prospectus. The opinion outlines the procedures followed, assumptions made, matters considered and qualifications and limitations on the review undertaken by Sandler O Neill in rendering its opinion. The description of the opinion set forth below is qualified in its entirety by reference to the full text of the opinion. Holders of LSB common stock are urged to read the entire opinion carefully in connection with their consideration of the proposed Merger. Sandler O Neill has consented to the inclusion of its written opinion and this description of its opinion in this proxy statement and prospectus.**

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Sandler O Neill's opinion speaks only as of the date of the opinion. The opinion was directed to the LSB board of directors and is directed only to the fairness of the Merger Consideration to the holders of LSB common stock from a financial point of view (other than (i) shares held as treasury stock of LSB and (ii) shares held directly or indirectly by Old National, except shares held in a fiduciary capacity or in satisfaction of a debt previously contracted, if any). It does not address the underlying business decision of LSB to engage in the Merger or any other aspect of the Merger and is not a recommendation to any holder of LSB common stock as to how such holder of LSB common stock should vote at the special meeting with respect to the approval of the Merger Agreement and related Plan of Merger or any other matter. Sandler O Neill did not express any opinion as to the fairness of the amount or nature of the compensation to be received in connection with the Merger by LSB's officers, directors, or employees, or any class of such persons, relative to the Merger Consideration to be received in the Merger by any other shareholders of LSB.

In connection with rendering its opinion on June 3, 2014, Sandler O Neill reviewed and considered, among other things:

the Merger Agreement and related Plan of Merger;

certain publicly available financial statements and other historical financial information of LSB that Sandler O Neill deemed relevant;

certain publicly available financial statements and other historical financial information of Old National that Sandler O Neill deemed relevant;

certain internal financial information and other data relating to the business and financial prospects of LSB that were provided to Sandler O Neill by the management of LSB and not publicly available, including financial forecasts and estimates prepared by the management of LSB for the years ending December 31, 2014 through December 31, 2017 and the earnings growth rate for the year ending December 31, 2018 provided by senior management of LSB (the LSB Forecasts);

publicly available median analyst earnings estimates for Old National for the years ending December 31, 2014 through December 31, 2015, and earnings estimates for the years ending December 31, 2015 through December 31, 2018 based on balance sheet and earnings per share growth rates provided by senior management of Old National;

the pro forma financial impact of the Merger on Old National, based on assumptions relating to, among other things, transaction expenses, purchase accounting adjustments and cost savings as prepared by senior management of Old National and discussed with senior management at each of LSB and Old National;

a comparison of certain financial and other information for LSB and Old National including relevant stock trading information, with similar publicly available information for certain other companies similar to each

of LSB and Old National, the securities of which are publicly traded;

the financial terms and structures of certain recent business combinations among other similar companies and related party transactions in the financial services industry, to the extent publicly available;

the current market environment generally and the financial services environment in particular; and

such other information, financial studies, analyses and investigations and financial, economic and market criteria as Sandler O'Neill considered relevant.

Sandler O'Neill also discussed with certain members of the senior management of LSB the business, financial condition, results of operations and prospects of LSB and held similar discussions with the senior management of Old National regarding the business, financial condition, results of operations and prospects of Old National.

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In performing its review, Sandler O'Neill has relied upon the accuracy and completeness of all of the financial and other information that was available to Sandler O'Neill from public sources, that was provided to it by LSB or Old National or their respective representatives or that was otherwise reviewed by Sandler O'Neill and assumed such accuracy and completeness for purposes of rendering its opinion without any independent verification or investigation. Sandler O'Neill relied, at the direction of LSB, without independent verification or investigation, on the assessments of the management of LSB as to its existing and future relationships with key employees and partners, clients, products and services and Sandler O'Neill assumed, with LSB's consent, that there would be no developments with respect to any such matters that would affect its analyses or opinion. Sandler O'Neill further relied on the assurances of the respective managements of LSB and Old National that they were not aware of any facts or circumstances that would make any of such information inaccurate or misleading. Sandler O'Neill has not been asked to and has not undertaken an independent verification of any of such information and Sandler O'Neill does not assume any responsibility or liability for the accuracy or completeness thereof. Sandler O'Neill did not make an independent evaluation or appraisal of the specific assets, the collateral securing assets or the liabilities (contingent or otherwise) of LSB and Old National or any of their respective subsidiaries, nor has Sandler O'Neill been furnished with any such evaluations or appraisals. Sandler O'Neill renders no opinion or evaluation on the collectability of any assets or the future performance of any loans of LSB or Old National. Sandler O'Neill did not make an independent evaluation of the adequacy of the allowance for loan losses of LSB or Old National, or the combined entity after the Merger and Sandler O'Neill has not reviewed any individual credit files relating to LSB and Old National.

In performing its analyses and in rendering its opinion, Sandler O'Neill used the LSB Forecasts and the internal projections provided by senior management of LSB, as discussed with senior management of LSB, and publicly available earnings estimates and earnings growth rates for Old National as discussed with senior management of Old National. Sandler O'Neill also received and used in its analyses certain projections of transaction costs, accounting adjustments, expected cost savings and other synergies which were prepared by and reviewed with the senior management of Old National. With respect to the LSB Forecasts as well as those projections, estimates, judgments and expected cost savings of Old National, the respective managements of LSB and Old National confirmed to Sandler O'Neill that those projections, estimates, judgments and expected cost savings reflected the best currently available estimates and judgments of those respective managements of the future financial performance of LSB and Old National, respectively, and Sandler O'Neill assumed that such performance would be achieved. Sandler O'Neill expressed no opinion as to such estimates or the assumptions on which they are based. Sandler O'Neill also assumed that there had not been any material change in the respective assets, financial condition, results of operations, business or prospects of LSB or Old National since the date of the most recent financial data made available to Sandler O'Neill. In addition, Sandler O'Neill assumed in all respects material to its review and analysis that LSB and Old National would remain as a going concern for all periods relevant to its analyses. Sandler O'Neill also assumed, with the consent of LSB's board of directors, that (i) each of the parties to the Merger Agreement and related Plan of Merger will comply in all material respects with all material terms of the Merger Agreement and related Plan of Merger and all related agreements, that all of the representations and warranties contained in such agreements are true and correct in all material respects, that each of the parties to such agreements will perform in all material respects all of the covenants required to be performed by such party under the agreements are not waived, (ii) in the course of obtaining the necessary regulatory or third party approvals, consents and releases with respect to the Merger; no delay, limitation, restriction or condition will be imposed that would have an adverse effect on the LSB, Old National or the Merger, (iii) the Merger and the other transactions contemplated by the Merger Agreement and related Plan of Merger in accordance with the terms of the Merger Agreement and related Plan of Merger without any waiver, modification or amendment of any material term, condition or agreement thereof and in compliance with all applicable laws and other requirements and (iv) the Merger will qualify as a tax-free reorganization for federal income tax purposes. With LSB's consent, Sandler O'Neill relied upon the advice LSB has received from its legal, accounting and tax advisors as to all legal, accounting and tax matters relating to the Merger and the other transactions contemplated by the Merger Agreement and related Plan of Merger.

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Sandler O'Neill expressed no opinion as to the trading values at which the common stock of LSB or Old National may trade at any time. Sandler O'Neill expresses no opinion as to any of the legal, accounting and tax matters relating to the merger and the other transactions contemplated by the Merger Agreement and related Plan of Merger in connection therewith. Sandler O'Neill's opinion was necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to Sandler O'Neill as of, the date of its opinion. Events occurring after the date thereof could materially affect Sandler O'Neill's opinion. Sandler O'Neill has not undertaken to update, revise, reaffirm or withdraw its opinion or otherwise comment upon events occurring after the date of its opinion.

In rendering its June 3, 2014 opinion, Sandler O'Neill performed a variety of financial analyses. The following is a summary of the material analyses performed by Sandler O'Neill, but it is not a complete description of all the analyses underlying Sandler O'Neill's opinion. The summary includes information presented in tabular format. **In order to fully understand the financial analyses, these tables must be read together with the accompanying text. The tables alone do not constitute a complete description of the financial analyses.** The preparation of a fairness opinion is a complex process involving subjective judgments as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. The process, therefore, is not necessarily susceptible to a partial analysis or summary description. Sandler O'Neill believes that its analyses must be considered as a whole and that selecting portions of the factors and analyses to be considered without considering all factors and analyses, or attempting to ascribe relative weights to some or all such factors and analyses, could create an incomplete view of the evaluation process underlying its opinion. Also, no company included in Sandler O'Neill's comparative analyses described below is identical to LSB or Old National and no transaction is identical to the Merger. Accordingly, an analysis of comparable companies or transactions involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies and other factors that could affect the public trading values or merger transaction values, as the case may be, of LSB and Old National and the companies to which they are being compared.

Transaction Multiples

Sandler O'Neill reviewed the financial terms of the proposed transaction. As described in the Merger Agreement and related Plan of Merger, holders of LSB common stock have the right to receive consideration consisting of (i) 2.269 shares of Old National Common Stock and (ii) an amount in cash equal to \$10.63. Based upon Old National's share price of \$13.75 as of May 28, 2014, Sandler O'Neill calculated a purchase price per share of \$41.83 per share. Based upon (i) 1,566,904 shares outstanding, and (ii) cashing out LSB's outstanding stock options at the closing of the Merger, Sandler O'Neill calculated an aggregate Merger Consideration value of approximately \$67,000,000. Based upon financial information as of the period ended March 31, 2014, Sandler O'Neill calculated the following transaction ratios:

Pricing Multiples	Value
Price/Last Twelve Months Earnings Per Share	27.3x
Price/2014 Estimated Earnings Per Share	29.9x
Price/Tangible Book Value	159%
Tangible Book Premium/Core Deposit	10.3%
One Day Market Premium	46.3%

Comparable Company Analysis

Sandler O'Neill used publicly available information to compare selected financial information for LSB and a group of financial institutions selected by Sandler O'Neill based on Sandler O'Neill's professional judgment and experience. The

peer group consisted of publicly-traded banks and thrifts in the Midwest with total assets between \$250 million and \$500 million, Tangible Common Equity/Tangible Assets of 9-13%, and Last Twelve Months Return on Average Assets of greater than 0%. This group excluded companies that are traded on the over the counter market.

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The following financial institutions were selected for the comparison:

Peoples Bancorp	Killbuck Bancshares, Inc.
First Capital, Inc.	Boyle Bancorp, Inc.
Bancorp. of Southern Indiana	Crystal Valley Financial Corporation
Wayne Savings Bancshares, Inc.	United Bancorp, Inc.
CITBA Financial Corporation	Consumers Bancorp, Inc.
HFB Financial Corporation	Commercial Bancshares, Inc.
Jacksonville Bancorp, Inc.	Eastern Michigan Financial Corporation
Northeast Indiana Bancorp, Inc.	HCB Financial Corporation
West End Indiana Bancshares, Inc.	Comunibanc Corporation
FFD Financial Corporation	

The analysis compared publicly available financial information for LSB and the high, mean, median and low financial and market trading data for the peer group as of or for the twelve month period ended March 31, 2014 with pricing data as of May 28, 2014. The results of these analyses are summarized in the following table.

	LSB	Comparable Company High to Low Ranges
Total Assets (\$ in millions)	\$366	\$468 - \$255
Tangible Common Equity/Tangible Assets	11.28%	12.70% - 9.04%
Leverage Ratio	11.20%	11.92% - 8.70%
Total Risk-Based Capital Ratio	17.48%	21.66% - 12.51%
Return on Average Assets	0.66%	1.15% - 0.40%
Return on Average Common Equity	5.98%	10.88% - 3.52%
Pre-Tax Pre-Provision Earnings/Average Assets	1.10%	1.77% - 0.49%
Net Interest Margin	3.23%	4.57% - 2.72%
Efficiency Ratio	72.6%	87.1% - 59.9%
Loan Loss Reserve/Gross Loans	2.44%	2.17% - 0.83%
Non-Performing Assets ¹ /Total Assets	0.70%	3.76% - 0.34%
Net Charge Offs/Average Loans	(0.07)%	1.04% - (0.09)%
Price/Tangible Book Value	109%	147% - 67%
Price/Last 12 Months Earnings Per Share	18.7x	22.5x - 7.9x
Current Dividend Yield	1.3%	4.3% - 1.2%
Market Value (\$ in millions)	\$45	\$66 - \$18

Analysis of Selected Merger Transactions***Comparable Midwest Transactions***

Sandler O Neill reviewed transactions that consisted of all bank and thrift transactions in the Midwest since 2012, with disclosed deal values that were between \$20 million and \$100 million, excluding the transaction involving Talmer Bancorp Inc./First Place Bank bankruptcy. The group was composed of the following transactions:

Buyer/Target

Peoples Bancorp Inc./North Akron Savings Bank

MainSource Financial Group/MBT Bancorp

Peoples Bancorp Inc./Ohio Heritage Bancorp Inc.

Southern Missouri Bancorp Inc./Peoples Service Co.

1 Non-performing assets includes nonaccrual loans and leases, renegotiated loans and leases and real estate owned.

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First Financial Bancorp./Insight Bank

First Financial Bancorp./First Bexley Bank

LCNB Corp./Eaton National B&TC

Huntington Bancshares Inc./Camco Financial Corp.

Croghan Bancshares Inc./Indebancorp

Heartland Financial USA Inc./Morrill Bancshares Inc.

CNB Financial Corp./FC Banc Corp.

QCR Holdings Inc./Community National Bancorp.

Wintrust Financial Corp./First Lansing Bancorp Inc.

Wintrust Financial Corp./HPK Financial Corp.

National Australia Bank/North Central Bancshares Inc.

Old National Bancorp./Indiana Community Bancorp.

Sandler O'Neill then reviewed the following multiples for each of the transactions: transaction price to last twelve months earnings per share; transaction price to estimated earnings per share; transaction price to tangible book value; core deposit premium and one day market premium. Sandler O'Neill then calculated the imputed per share valuation for the high, low, mean and median data for the transactions. The results of these analyses are summarized in the following tables.

	Midwest M&A Transactions (Ranges)
Price/Last 12 Months Earnings	56.9x - 7.5x
Price/Estimated Earnings Per Share	-
Price/Tangible Book Value	185% - 98%
Core Deposit Premium	10.5% - 0.3%
One Day Market Premium	65.9% - 28.6%

	Imputed Per Share Valuation Based on Precedent Midwest M&A Transactions (Ranges)
Price/Last 12 Months Earnings	\$87.03 - \$11.43
Price/Estimated Earnings Per Share	-
Price/Tangible Book Value	\$48.86 - \$25.74

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Core Deposit Premium	\$43.12 - \$26.89
One Day Market Premium	\$47.44 - \$36.78

LSB Imputed Per Share Valuation for the Proposed Transaction

Price/Last 12 Months	Price/Estimated Earnings Per Share	Book Value Per Share	Price/Core Deposits	Price/Stock Price
Earnings Per Share 27.3x	Earnings Per Share 29.9x	159%	10.3%	46.3%

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Comparable Nationwide Transactions

Sandler O Neill also reviewed nationwide transactions that consisted of all nationwide bank and thrift deals since July 1, 2013 with announced deal value between \$20 and \$100 million. The group was composed of the following transactions:

Buyer / Target

First Business Finl. Svcs. Inc./Aslin Group Inc.	IBERIABANK Corp./First Private Holdings Inc. TX
Glacier Bancorp Inc./FNBR Holding Corp.	First Interstate BancSystem/Mountain West Financial Corp.
Green Bancorp Inc./SP Bancorp Inc.	HomeTrust Bancshares Inc./Jefferson Bancshares Inc.
State Bank Financial Corp./Atlanta Bancorp. Inc.	First Financial Bancorp./Insight Bank
Commerce Union Bancshares Inc./Reliant Bank	BNC Bancorp/Community First Finl Grp Inc
Seacoast Banking Corp. of FL/BANKshares Inc.	BNC Bancorp/South Street Financial Corp.
Heritage Financial Group Inc./Alarion Financial Services	First Financial Bancorp./First Bexley Bank
Peoples Bancorp Inc./North Akron Savings Bank	Hanmi Financial Corp./Central Bancorp Inc.
Home BancShares Inc./Florida Traditions Bank	Mascoma Mutual Finl Svcs Corp./Connecticut River Bancorp Inc.
Inst for Svgs in Newburyport/Rockport National Bancorp Inc.	Bank of the Ozarks Inc./Bancshares Inc.
CB Financial Services Inc./FedFirst Financial Corp.	Banco Sabadell SA/JGB Bank NA
F.N.B. Corp./OBA Financial Services Inc	WSFS Financial Corp./First Wyoming Financial Corp.
MainSource Financial Group/MBT Bancorp	Franklin Financial Network Inc/MidSouth Bank
Peoples Bancorp Inc./Ohio Heritage Bancorp Inc.	Premier Financial Bancorp Inc./Bank of Gassaway
Simmons First National Corp./Delta Trust & Banking Corp.	Home Bancorp Inc./Britton & Koontz Capital Corp.
First Citizens Bancshares Inc./Southern Heritage Bancshares	NewBridge Bancorp/CapStone Bank
Salisbury Bancorp Inc./Riverside Bank	LCNB Corp./Eaton National B&TC
CBFH Inc./MC Bancshares Inc.	MVB Financial Corp/CFG Community Bank
Ameris Bancorp/Coastal Bankshares Inc.	Heritage Oaks Bancorp/Mission Community Bancorp
Southern Missouri Bancorp Inc./Peoples Service Co.	Huntington Bancshares Inc./Camco Financial Corp.
CVB Financial Corp./American Security Bank	New Century Bancorp Inc./Select Bancorp Inc.
Cardinal Financial Corp./United Financial Banking Co.	CenterState Banks/Gulfstream Bancshares Inc.
Stonegate Bank/Florida Shores Bancorp Inc.	HomeStreet Inc./Fortune Bank
	Independent Bk Group Inc./Collin Bank

Community & Southern Holdings Inc/Verity Capital Group
Inc.

1st Constitution Bancorp/Rumson-Fair Haven BT&C

First Community Corp./Savannah River Financial Corp.

Bond Street Holdings Inc./Great Florida

Bank of Marin Bancorp/NorCal Community Bancorp

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Sandler O'Neill then reviewed the following multiples for each of the transactions: transaction price to last twelve months earnings per share; transaction price to estimated earnings per share; transaction price to tangible book value; core deposit premium and one day market premium. Sandler O'Neill then calculated the imputed per share valuation for the high, low, mean and median data for the transactions. The results of these analyses are summarized in the following tables.

Nationwide M&A Transactions (Ranges)	
Price / Last 12 Months Earnings	56.9x - 4.1x
Price / Estimated Earnings Per Share	-
Price / Tangible Book Value	196% - 48%
Core Deposit Premium	14.1% - (9.2)%
One Day Market Premium	67.7% - (1.3)%

Imputed Per Share Valuation Based on Precedent Nationwide M&A Transactions (Ranges)	
Price / Last 12 Months Earnings	\$87.03 - \$6.27
Price/Estimated Earnings Per Share	-
Price / Tangible Book Value	\$51.74 - \$12.59
Core Deposit Premium	\$48.89 - \$11.74
One Day Market Premium	\$47.97 - \$28.22

LSB Imputed Per Share Valuation for the Proposed Transaction				
Price/Last 12 Months	Price/Estimated	Price/Tangible	Price/Core	Price/Stock
Earnings Per Share	Earnings Per	Book Value	Deposits	Price
	Share	Per Share		
27.3x	29.9x	159%	10.3%	46.3%

LSB Net Present Value Analysis

Sandler O'Neill performed an analysis that estimated the net present value per share of LSB common stock through December 31, 2018.

Sandler O'Neill based the analysis on LSB's management projections prepared by the management of LSB for the years ending December 31, 2014 through December 31, 2017 and the earnings growth rate for the year ending December 31, 2018, which assumed (i) tangible book value as of December 31, 2014 of \$27.16 per share, (ii) a discount rate of 15.15%, (iii) 1,581,000 outstanding shares of common stock and (iv) an annual dividend per share of \$0.36 as of December 31, 2014 with increases of \$0.04 per year through December 31, 2018.

To approximate the terminal value of LSB's common stock at December 31, 2018, Sandler O'Neill applied price to earnings multiples of 10.0x to 20.0x and multiples of tangible book value ranging from 75% to 125% as determined by Sandler O'Neill in its professional judgment and experience. Sandler O'Neill selected the price to earnings multiples based on its professional judgment and experience after considering the price to earnings multiples of LSB's peer

group. Sandler O'Neill selected the tangible book value multiples based on its professional judgment and experience after considering the tangible book value multiples of the LSB peer group.

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The income streams and terminal values were then discounted to present values using different discount rates ranging from 11.0% to 16.0%, which were assumed deviations, both up and down, as selected by Sandler O'Neill based on the LSB discount rate of 15.15% as determined by Sandler O'Neill. Sandler O'Neill determined the discount rate based on the 10-year treasury bond yield of 2.44%, a two-year beta of stock of 100%, an equity risk premium of 5.70%, a size premium of 3.81%, and an industry premium of 3.20%. These analyses resulted in the following reference ranges of implied present values per share of LSB common stock:

Range of Implied Earnings Per Share

Based on Price/Earnings

\$9.67 \$22.03

Range of Implied Tangible Book Value
Per Share Based on Tangible Book Value

\$13.09 \$25.62

Sandler O'Neill also considered and discussed with the LSB's board of directors how this analysis would be affected by changes in the underlying assumptions, including variations with respect to net income. To illustrate this impact, Sandler O'Neill performed a similar analysis assuming LSB's net income varied from 25% above projections to 25% below projections. Using a discount rate of 14.0% for this analysis, Sandler O'Neill noted a range of \$8.20 - \$24.00 per share of LSB common stock.

During the June 3, 2014 meeting of the LSB's board of directors, Sandler O'Neill noted that the net present value analysis is a widely used valuation methodology, but the results of such methodology are highly dependent upon the numerous assumptions that must be made, and the results thereof are not necessarily indicative of actual values or future results.

Old National Comparable Company Analysis

Sandler O'Neill used publicly available information to compare selected financial information for Old National and a group of financial institutions selected by Sandler O'Neill based on Sandler O'Neill's professional judgment and experience. The peer group consisted of the group of publicly traded companies that are identified as Old National's peers by Old National in its proxy and investor presentations.

The following financial institutions were selected for the comparison:

Cullen/Frost Bankers Inc.

First Midwest Bancorp Inc.

FirstMerit Corp.

Glacier Bancorp Inc.

Commerce Bancshares Inc.

First Interstate BancSystem

Prosperity Bancshares Inc.

Park National Corp.

Susquehanna Bancshares Inc.

First Financial Bancorp.

Wintrust Financial Corp.

BancFirst Corp.

Fulton Financial Corp.

Chemical Financial Corp.

Valley National Bancorp

UMB Financial Corp.

F.N.B. Corp.

Bank of Hawaii Corp.

IBERIABANK Corp.

BancorpSouth Inc.

Trustmark Corp.

United Bankshares Inc.

MB Financial Inc.

WesBanco Inc.

First Commonwealth Financial

Renasant Corp.

Heartland Financial USA Inc.

Pinnacle Financial Partners

First Merchants Corp.

1st Source Corp.

S&T Bancorp Inc.

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The analysis compared publicly available financial information for Old National and the high, mean, median and low financial and market trading data for the peer group as of or for the period ended March 31, 2014 with pricing data as of May 28, 2014. The results of these analyses are summarized in the following table.

	Old National	Comparable Company Ranges
Total Assets (\$ in millions)	\$9,545	\$24,685 - \$4,707
Tangible Common Equity/Tangible Assets	8.82%	11.00% - 5.78%
Leverage Ratio	9.32%	12.44% - 7.06%
Total Risk-Based Capital Ratio	15.66%	19.22% - 11.85%
Return on Average Assets	1.08%	1.39% - 0.59%
Return on Average Tangible Common Equity	13.50%	23.1% - 7.80%
Net Interest Margin	4.07%	4.00% - 2.48%
Efficiency Ratio	66.2%	77.30% - 39.00%
Loan Loss Reserve/Gross Loans	0.94%	3.17% - 0.70%
Non-Performing Assets ² /Total Assets	1.18%	2.66% - 0.08%
Net Charge Offs/Average Loans	(0.02)%	1.05% - (0.26)%
Price/Tangible Book Value	170%	342% - 129%
Price/Last 12 Months Earnings Per Share	13.5x	21.5x - 11.1x
Price/2014 Consensus Estimated Earnings Per Share	13.5x	18.3x - 12.29x
Current Dividend Yield	3.2%	5.0% - 0.9%
Market Value (\$ in millions)	\$1,454	\$4,556 - \$454

- 2 Non-performing assets includes nonaccrual loans and leases, restructured loans and leases and other real estate owned.

Table of Contents**Old National Net Present Value Analysis**

Sandler O Neill also performed an analysis that estimated the net present value of Old National through December 31, 2018.

Sandler O Neill based the analysis on Old National's projected earnings stream as derived from median publicly available analyst earnings estimates for Old National for the years ending December 31, 2014 through December 31, 2015, and earnings estimates for the years ending December 31, 2015 through December 31, 2018 based on asset and earnings per share growth rates provided by senior management of Old National which assumed (i) tangible book value per share of \$7.74 as of December 31, 2014, (ii) discount rate of 13.19%, (iii) outstanding shares of Old National common stock of 114,956,000 and (iv) an annual dividend per share of \$0.40 as of December 31, 2015 with increases of \$0.04 per year through December 31, 2018.

To approximate the terminal value of Old National's common stock at December 31, 2018, Sandler O Neill applied price to earnings multiples of 12.0x to 22.0x and multiples of tangible book value ranging from 125% to 250% as determined by Sandler O Neill in its professional judgment and experience. Sandler O Neill selected the price to earnings multiples based on the range of data derived from trading multiples Old National's peer group. The income streams and terminal values were then discounted to present values using different discount rates ranging from 8.0% to 14.0%, which were assumed deviations, both up and down, as selected by Sandler O Neill based on the Old National discount rate of 13.19% as determined by Sandler O Neill in its professional judgment and experience. Sandler O Neill determined the discount rate based on the 10-year treasury bond yield of 2.44%, an equity risk premium of 5.70%, a size premium of 1.85%, and an industry premium of 3.20%. These analyses resulted in the following reference ranges of implied earnings per share and implied tangible book value per share of Old National common stock:

Range of Present Value Per Share

Based on Price/Earnings		Range of Present Value Per Share Based on Tangible Book Value	
\$9.92	\$21.45	\$8.88	\$20.53

Sandler O Neill also considered and discussed with the board of directors how this analysis would be affected by changes in the underlying assumptions, including variations with respect to net income. To illustrate this impact, Sandler O Neill performed a similar analysis assuming Old National's net income varied from 25% above median publicly available analyst estimates and long-term earnings growth rate for the years ending 2014 through 2018 to 25% below median publicly available analyst estimates and long-term earnings growth rate for the years ending 2014 through 2018. Using a discount rate of 11.0% for this analysis, Sandler O Neill noted a range of \$8.83 - \$23.20 present value per share of Old National common stock.

At the June 3, 2014 meeting of the board of directors, Sandler O Neill noted that the net present value analysis is a widely used valuation methodology, but the results of such methodology are highly dependent upon the numerous assumptions that must be made, and the results thereof are not necessarily indicative of actual values or future results.

Pro Forma Results

Sandler O Neill analyzed certain potential pro forma effects of the Merger, assuming the following: (i) the Merger closes in the fourth quarter of 2014; (ii) per share Merger Consideration value of \$41.83 per share in the aggregate, comprised of \$10.63 per share in cash and 2.269 shares of Old National common stock; (iii) outstanding options to buy LSB common stock are converted at the closing into cash equal to the value of the options based on the Merger

Consideration; (iv) LSB's performance is consistent with the financial forecasts and estimates prepared by its management; (v) Old National's performance is consistent with median publicly available analyst estimates and long-term earnings growth rate provided by Old National's management; (vi) certain purchase accounting adjustments, including a loan credit mark equal to \$12.0 million (4.5% of gross loans) offset by \$6.6 million loan loss reversal, a loan interest rate mark equal to \$13.3 million, a deposit interest

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rate mark equal to \$1.0 million; (vii) 80% of LSB's estimated future provision expense per year was eliminated; (viii) core deposit intangibles constitute 1.32% of LSB's core deposits, amortized over seven years using sum of the digits methodology; (ix) cost savings of 40% of LSB's estimated non-interest expense, fully realized by 2015; (x) pre-tax deal expenses of \$8.2 million; and (xi) additional amortizing transaction costs of \$1.4 million amortizing over ten years. The actual results achieved by the combined company, however, may vary from projected results and the variations may be material.

The table below shows Sandler O'Neill's projected accretion/dilution percentages for Old National as of closing and for each of the years 2014-2017.

	Closing 12/31/2014	Year Ending 12/31/2015	Year Ending 12/31/2016	Year Ending 12/31/2017	Year Ending 12/31/2018
Old National Earnings Per Share Accretion/(Dilution) - Excluding Transaction Expenses		2.7%	2.5%	2.8%	3.1%
Old National Tangible Book Value Accretion/(Dilution)	(2.5%)	(1.8%)	(1.3%)	(0.8%)	(0.4%)

Other Information Reviewed By Sandler O'Neill

Stock Price Performance

Sandler O'Neill also reviewed for informational purposes the publicly reported trading prices of LSB's common stock for the one year and three-year periods ended May 28, 2014. Sandler O'Neill then compared the relationship between the movements in the price of LSB's common stock against the movements in the prices of publicly-traded banks and thrifts in the Midwest with total assets between \$250 million and \$500 million and a tangible common equity/total assets ratio between 9% and 13% (LSB Peers), the SNL U.S. Bank Index and the S&P 500.

One Year Comparative Stock Performance

	Beginning Value	Ending Value
LSB	100%	131.0%
LSB Peers	100%	106.5%
SNL U.S. Bank Index	100%	111.3%
S&P 500	100%	115.0%

Three-Year Comparative Stock Performance

	Beginning Value	Ending Value
LSB	100%	186.6%
LSB Peers	100%	128.6%
SNL U.S. Bank Index	100%	143.7%
S&P 500	100%	144.3%

Sandler O'Neill also reviewed for informational purposes the publicly reported trading prices of Old National's common stock for the one year and three-year period ended May 28, 2014. Sandler O'Neill then compared the relationship between the movements in the price of Old National's common stock against the movements in the prices of the group of publicly traded companies that are identified as Old National's peers by Old National in its proxy and investor presentations (Old National Peers), the SNL U.S. Bank Index and the S&P 500.

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One-Year Comparative Stock Performance

	Beginning Value	Ending Value
Old National	100%	99.6%
Old National Peers	100%	109.4%
SNL U.S. Bank Index	100%	111.3%
S&P 500	100%	115.0%

Three-Year Comparative Stock Performance

	Beginning Value	Ending Value
Old National	100%	128.9%
Old National Peers	100%	127.5%
SNL U.S. Bank Index	100%	143.7%
S&P 500	100%	144.3%

Miscellaneous

Sandler O'Neill acted as financial advisor to the LSB board of directors in connection with the Merger and received a non-refundable retainer fee of \$25,000 and a fee associated with the delivery of its fairness opinion from LSB in the amount of \$100,000, which amounts shall be credited towards a fee of 1.2% of the aggregate transaction value that it will be entitled to receive if the Merger is consummated. Sandler O'Neill also received a fee upon execution of the definitive agreement in the amount of \$100,000, which amount shall be credited towards the fee of 1.2% of the aggregate transaction value that it will be entitled to receive if the Merger is consummated. LSB has also agreed to reimburse Sandler O'Neill's reasonable out-of-pocket expenses incurred in connection with its engagement not to exceed \$20,000 without the consent of LSB, and to indemnify Sandler O'Neill and its affiliates and their respective partners, directors, officers, employees, agents and controlling persons against certain expenses and liabilities, including liabilities under the securities laws. Except as described here, LSB has paid Sandler O'Neill no other fees or commissions for other services during the last two years. In the past two years Sandler O'Neill has provided certain investment banking services to Old National. For those services Sandler O'Neill received compensation totaling approximately \$900,000. Except as disclosed above, there are no material relationships that existed during the two years prior to the date of Sandler O'Neill's opinion or that are mutually understood to be contemplated in which any compensation was received or is intended to be received as a result of the relationship between Sandler O'Neill and LSB. The Board of Directors was advised of and considered Sandler O'Neill's past relationships with the other potential merger partners, including Old National. Sandler O'Neill has provided and may provide investment banking services to Old National in the future.

In the ordinary course of its respective broker and dealer businesses, Sandler O'Neill may purchase securities from and sell securities to LSB and Old National and their respective affiliates. Sandler O'Neill may also actively trade the debt and/or equity securities of LSB or Old National or their respective affiliates for their own accounts and for the accounts of their customers and, accordingly may at any time hold a long or short position in such securities.

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THE MERGER AGREEMENT

Structure of the Merger

Subject to the terms and conditions of the Merger Agreement, at the completion of the Merger, LSB will merge with and into Old National, with Old National as the surviving corporation. The separate existence of LSB will terminate and LSB common stock will cease to be listed on the NASDAQ Global Market and will be cancelled as a consequence of the Merger. Old National common stock will continue to be listed on the NASDAQ Global Select Market under the symbol ONB . Simultaneous with the Merger, Lafayette Savings will be merged with and into Old National Bank, a wholly-owned subsidiary of Old National.

Under the Merger Agreement, the officers and directors of Old National serving at the effective time of the Merger will continue to serve as the officers and directors of Old National after the Merger is consummated.

Merger Consideration

If the Merger is completed, your shares of LSB common stock will be converted into the right to receive 2.269 shares of Old National common stock, subject to adjustment as summarized below and \$10.63 in cash.

The Exchange Ratio is subject to adjustment as follows:

Decrease in Consolidated Shareholders' Equity. If as of the end of the month prior to the effective time of the Merger the LSB consolidated shareholders' equity is less than \$40,000,000, the Exchange Ratio shall be decreased to a quotient determined by dividing the Adjusted Purchase Price by the total number of shares of LSB common stock outstanding, and further dividing that number by the Average Old National Closing Price. For purposes of the computation, the Adjusted Purchase Price shall be equal to (x) the total Stock Purchase Price, less (y) the difference between \$40,000,000 and the LSB Consolidated Shareholders' Equity as of the end of the month prior to the effective time of the Merger multiplied by 150%. The Stock Purchase Price shall be the Exchange Ratio in effect at the time of the adjustment multiplied by the Average Old National Closing Price multiplied by the total number of shares of LSB common stock outstanding at the effective time of the Merger. The LSB consolidated shareholders' equity shall be determined in accordance with generally accepted accounting principles, less (i) the net accumulated other comprehensive income/(loss) as of the Computation Date, determined in accordance with GAAP, and to which shall be added the following:

- i. any accruals, reserves or charges resulting from expenses of the Merger and other transactions contemplated by the Merger Agreement; and
- ii. any accruals, reserves or charges taken by LSB at the request of Old National.

If the Merger closed as of , 2014, there would have been no adjustment to the Merger Consideration based upon the shareholders' equity provision. The Exchange Ratio remains subject to change, however, based upon the shareholder equity (computed in accordance with the terms of the Merger Agreement) as of the end of the month before the closing of the Merger.

Decrease in Market Price of Old National Common Stock. Additionally, LSB may terminate the Merger Agreement if, at any time during the five-day period commencing on the first date on which all bank regulatory approvals (and waivers, if applicable) necessary for consummation of the Merger have been received (disregarding any waiting period) (the determination date), such termination to be effective on the tenth day following such determination date if both of the following conditions are satisfied:

- i. the average of the daily closing price of Old National common stock as reported on the NASDAQ Global Select Market for the ten consecutive trading days immediately preceding the determination date (the ONB Market Value) is less than \$10.98; and

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- ii. the number obtained by dividing the ONB Market Value by \$13.73 (the Initial ONB Market Value, which may be adjusted to account for certain transactions involving the stock of Old National, such as a stock dividend, reclassification or similar transaction between the date of the Merger Agreement and the determination date) (the ONB Ratio) is less than the quotient (such quotient, the Index Ratio) obtained by dividing the average of the daily closing value for the five consecutive trading days immediately preceding the determination date of a group of financial institution holding companies comprising the NASDAQ Bank Index (the Final Index Price) by the closing value of the NASDAQ Bank Index on June 3, 2014 (the Initial Index Price), minus 0.20.

If LSB elects to exercise its termination right as described above, it must give prompt written notice thereof to Old National. During the five-business day period commencing with its receipt of such notice, Old National shall have the option to increase the consideration to be received by the holders of LSB common stock by adjusting the Exchange Ratio to the lesser of (i) a quotient, the numerator of which is equal to the product of the Initial ONB Market Value, the Exchange Ratio (as then in effect), and the Index Ratio, minus 0.20, and the denominator of which is equal to the ONB Market Value on the determination date; or (ii) the quotient determined by dividing the Initial ONB Market Value by the ONB Market Value on the determination date, and multiplying the quotient by the product of the Exchange Ratio (as then in effect) and 0.80. If Old National elects, it shall give, within such five-business day period, written notice to LSB of such election and the revised Exchange Ratio, whereupon no termination shall be deemed to have occurred and the Merger Agreement shall remain in full force and effect in accordance with its terms (except as the Exchange Ratio shall have been so modified). Because the formula is dependent on the future price of Old National's common stock and that of the index group, it is not possible presently to determine what the adjusted Merger Consideration would be at this time, but, in general, more shares of Old National common stock would be issued, to take into account the extent by which the average price of Old National's common stock exceeded the decline in the average price of the common stock of the index group.

Treatment of Options to Acquire Shares of LSB Common Stock

Each option to purchase LSB common stock granted pursuant to the LSB Financial Corp. 1995 Stock Option and Incentive Plan and the LSB Financial Corp. 2007 Stock Option and Incentive Plan (the LSB Stock Option Plans) whether vested or unvested, that is outstanding immediately prior to the effective time of the Merger (a Stock Option), will be fully vested at the date of shareholder approval of the Merger and will be converted into the right at the effective time of the Merger to receive an amount, payable in cash, equal to the product of (i) the total number of shares of LSB common stock subject to such Stock Option and (ii) the positive difference, if any, of the cash received in the Merger on a per share basis plus the Exchange Ratio multiplied by the Average ONB Closing Price (as hereinafter defined) less the exercise price of such Stock Option, subject to any consents required from holders of Stock Options. The Average ONB Closing Price means the average of the per share closing prices of a share of ONB common stock as quoted on the NASDAQ Global Select Market during the ten trading days preceding the fifth calendar day preceding the effective time of the Merger. Old National shall pay the Stock Option holders these cash payments, less such amounts as are required to be withheld or deducted under the Code or any provision of state, local or foreign tax law with respect to the making of such payment, on or as soon as reasonably practicable after the closing date of the Merger, but in any event within five business days following the closing date of the Merger. If any holder of a Stock Option does not consent to this treatment of his or her Stock Options, his or her Stock Options will be converted to stock options to purchase the Merger Consideration or the value thereof in accordance with the terms of the applicable LSB Stock Option Plan.

As of the record date, there were options to purchase shares of LSB common stock at an average exercise price of \$ per share.

The purchase price of such options will constitute taxable ordinary income to the option-holder.

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Treatment of the LSB Employee Stock Ownership Plan

The ESOP will be terminated as of the day prior to the effective time of the Merger. LSB shall also amend the ESOP as of the day before the effective time of the Merger to provide that no distributions of accrued benefits shall be made from the ESOP, or its related trust, subsequent to the termination date and until such time as the Internal Revenue Service issues a favorable determination letter to the effect that the ESOP termination does not adversely affect the ESOP's qualification for favorable income tax treatment under the Code, other than distributions required by the terms of the ESOP to be made upon the retirement, death, disability, or termination of employment of an ESOP participant, or any other event other than the ESOP termination that requires a distribution of benefits from the ESOP. As soon as practicable after the date of the closing of the Merger, Old National shall file with the Internal Revenue Service a request for a determination letter to the effect that the ESOP termination does not adversely affect its favorable tax-qualified status. Old National shall not take any action or refrain from taking any action that would delay the receipt of such favorable determination letter. Upon receipt of such favorable determination letter, Old National shall promptly process distributions to participants and beneficiaries with respect to the ESOP. LSB shall continue to make all non-discretionary employer contributions which it is required to make to the ESOP. In addition, LSB shall continue in full force and effect, until the effective time of the Merger: (i) the fidelity bond, if any, issued to LSB as described in ERISA Sec. 412; and (ii) the ERISA fiduciary liability insurance policy currently in effect, if any, for the benefit of the covered fiduciaries of the ESOP.

Exchange and Payment Procedures

At and after the effective time of the Merger, each certificate or book-entry representing shares of LSB common stock will represent only the right to receive the Merger Consideration in accordance with the terms of the Merger Agreement. Old National will reserve a sufficient number of shares of Old National common stock to be issued as part of the Merger Consideration. As soon as practicable after the effective time of the Merger, but in no event more than five business days thereafter, Old National will mail a letter of transmittal to each holder of LSB common stock that will include detailed instructions on how such holder may exchange such holder's LSB common shares for the Merger Consideration.

Old National will provide a written notice of ownership of uncertificated shares to each former LSB registered shareholder setting forth the number of shares of Old National common stock that each holder of LSB common stock has received in the Merger and a check in the amount of any cash that such holder has the right to receive to be delivered to such shareholder upon delivery to Old National of certificates or book-entry representing such shares of LSB common stock and a properly completed letter of transmittal. No interest will be paid on any Merger Consideration that any such holder shall be entitled to receive.

The stock transfer books of LSB will be closed immediately at the effective time of the Merger and after the effective time there will be no transfers on the stock transfer records of LSB of any shares of LSB common stock. Old National will be entitled to rely on LSB's stock transfer books to establish the identity of those persons entitled to receive the Merger Consideration. If any old certificate is lost, stolen, or destroyed, upon the making of an affidavit of that fact by the person claiming such old certificate to be lost, stolen, or destroyed and, if required by Old National, the posting by such person of a bond or other indemnity as Old National may reasonably direct as indemnity against any claim that may be made with respect to the old certificate, Old National will issue the Merger Consideration in exchange for such lost, stolen or destroyed certificate.

Dividends and Distributions

Until LSB common stock certificates or book-entry shares are surrendered for exchange, any dividends or other distributions declared after the effective time of the Merger with respect to Old National common shares into which shares of LSB common stock may have been converted will accrue but will not be paid. When such certificates or book-entry shares have been duly surrendered, Old National will pay any unpaid dividends or other distributions, without interest.

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Representations and Warranties

The Merger Agreement contains representations and warranties of LSB, on the one hand, and Old National, on the other hand, to each other, as to, among other things:

the corporate organization and existence of each party;

the authority of each party to enter into the Merger Agreement, perform its obligations under the Merger Agreement and make it valid and binding;

the fact that the Merger Agreement does not conflict with or violate:

(i) the articles of incorporation and by-laws of each party,

(ii) applicable law, and

(iii) agreements, instruments or obligations of each party;

the capitalization of LSB and Old National;

each party's compliance with applicable law;

the accuracy of statements made and materials provided to the other party;

the absence of material litigation;

each party's financial statements and filings with applicable regulatory authorities;

the absence of undisclosed obligations or liabilities;

title to its assets;

the adequacy of its loan loss reserves;

employee benefit plans and related matters;

the filing and accuracy of tax returns;

the adequacy of each party's deposit insurance and other policies of insurance;

books and records;

payments to be made to any brokers or finders in connection with the Merger;

SEC filings; and

Community Reinvestment Act.

In addition, the Merger Agreement contains representations and warranties of LSB to Old National as to:

material contracts;

loans and investments;

obligations to employees;

events occurring since March 31, 2014;

insider transactions;

indemnification agreements;

shareholder approval;

intellectual property;

compliance with the Bank Secrecy Act;

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agreements with regulatory agencies;

internal controls;

fiduciary accounts; and

the receipt of a fairness opinion from LSB's financial advisor.

None of the representations and warranties of the parties will survive the consummation of the Merger. Additionally, the parties qualified many of the representations and warranties contained in the Merger Agreement with exceptions set forth in disclosure letters which were separately delivered by each party to the other party.

Conduct of Business Prior to Completion of the Merger

LSB Restrictions

Under the Merger Agreement, LSB has agreed to certain restrictions on its activities until the Merger is completed or terminated. In general, LSB and its subsidiary, Lafayette Savings, are required to conduct their business diligently, substantially in the manner as it is presently being conducted, and in the ordinary course of business.

The following is a summary of the more significant restrictions imposed upon LSB, subject to the exceptions set forth in the Merger Agreement. Specifically, without the prior consent of Old National, LSB and Lafayette Savings may not:

make any change in the capitalization or the number of issued and outstanding shares of LSB or Lafayette Savings;

authorize a class of stock or issue, or authorize the issuance of, securities other than or in addition to its issued and outstanding common stock as of the date of the Merger Agreement;

distribute or pay any dividends on its shares of common stock, or authorize a stock split, or make any other distribution to its shareholders; except that (i) Lafayette Savings may pay cash dividends to LSB in the ordinary course of business for payment of LSB's reasonable and necessary business and operating expenses and to provide funds for LSB's dividends to its shareholders and (ii) LSB may pay to its shareholders its usual and customary cash dividend of no greater than \$0.09 per share for any quarterly period, provided that no dividend may be paid by LSB for the quarterly period in which the Merger is scheduled to be consummated or consummated if, during such period, LSB shareholders will become entitled to receive dividends on their shares of Old National common stock received pursuant to the Merger Agreement;

redeem any of its outstanding shares of common stock;

merge, combine, consolidate, or effect a share exchange with, or sell its assets or any of its securities to any other person, corporation, or entity, or enter into any other similar transaction not in the ordinary course of business;

purchase any assets or securities or assume any liabilities of another bank holding company, bank, corporation, or other entity, except in the ordinary course of business necessary in managing its investment portfolio, and then only to the extent such securities have a quality rating of AAA ;

without consent, which consent shall be deemed received unless Old National objects within five business days after receipt of written notice from LSB:

make, renew or otherwise modify any loan or commitment to lend money, or issue any letter of credit, interest rate swap or other extension of credit to any person if the loan is an existing credit on the books of LSB or Lafayette Savings and is, or in accordance with bank regulatory definitions should be, classified as Substandard , Doubtful or Loss ;

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make, renew or otherwise modify any loan or loans if immediately after making a loan or loans, such Person would be directly indebted to LSB or Lafayette Savings in an aggregate amount in excess of \$250,000 if the loan is an existing credit on the books of LSB or Lafayette Savings and is, or in accordance with bank regulatory definitions should be, classified as Special Mention ;

make, renew or otherwise modify any loan or loans if immediately after making the loan or loans, such person would be directly indebted to LSB or Lafayette Savings in an aggregate amount in excess of \$1,000,000;

make, renew or otherwise modify any loan or loans secured by an owner-occupied 1-4 single-family residence that does not conform with secondary market underwriting standards; make, renew or otherwise modify any loan or loans secured by an owner-occupied 1-4 single-family residence with a principal balance in excess of \$417,000 (except for any such loan or loans secured by an owner-occupied 1-4 single-family residence which Lafayette Savings originates, underwrites in accordance with the secondary market standards and holds for sale into the secondary market, in which case such dollar threshold shall be \$750,000); or

make, renew or otherwise modify any loan which does not conform with Lafayette Savings Credit Policy Manual and exceeds 120 days to maturity.

make any investment subject to any restrictions, whether contractual or statutory, which materially impairs the ability of LSB or Lafayette Savings to dispose freely of such investment at any time, or subject any of their properties or assets to a mortgage, lien, claim, charge, option, restriction, security interest, or encumbrance, except for tax and other liens that arise by operation of law and with respect to which payment is not past due or is being contested in good faith by appropriate proceedings, and except for pledges or liens required to be granted in connection with acceptance by LSB or Lafayette Savings of government deposits and pledges or liens in connection with Federal Home Loan Bank (FHLB) borrowings;

except as contemplated by the Merger Agreement and the accompanying disclosure schedules, promote to a new position or increase the rate of compensation, or enter into any agreement to promote to a new position or increase the rate of compensation, of any director, officer, or employee of LSB or Lafayette Savings, or modify, amend, or institute new employment policies or practices, or enter into, renew, or extend any employment, indemnity, reimbursement, consulting, compensation or severance agreements with respect to any present or former directors, officers, or employees of LSB or Lafayette Savings;

except as contemplated by the Merger Agreement, execute, create, institute, modify, amend or terminate any pension, retirement, savings, stock purchase, stock bonus, stock ownership, stock option, stock appreciation or depreciation right, or profit sharing plans; any employment, deferred compensation, consulting, bonus, or collective bargaining agreement; any group insurance or health contract or policy; or any other incentive, retirement, welfare, or employee welfare benefit plan, agreement, or understanding for current or former directors, officers, or employees of LSB or Lafayette Savings; or change the level of benefits or payments under any of the foregoing, or increase or decrease any severance or termination of pay benefits or any other

fringe or employee benefits other than as required by law or regulatory authorities or the terms of any of the foregoing;

amend, modify, or restate LSB s or Lafayette Savings respective organizational documents;

give, dispose of, sell, convey, transfer, assign, hypothecate, pledge, or encumber, or grant a security interest in or option to or right to acquire any shares of common stock or substantially all of the assets (other than in the ordinary course consistent with past practice) of LSB or Lafayette Savings, or enter into any agreement or commitment relative to the foregoing;

fail to accrue, pay, discharge and satisfy all debts, liabilities, obligations, and expenses, including, without limitation, trade payables, incurred in the regular and ordinary course of business as such debts, liabilities, obligations, and expenses become due, unless the same are being contested in good faith;

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issue, or authorize the issuance of, any securities convertible into or exchangeable for any shares of the capital stock of LSB or Lafayette Savings;

except for obligations disclosed within the Merger Agreement, FHLB advances, federal funds purchased by LSB, trade payables and similar liabilities and obligations incurred in the ordinary course of business and the payment, discharge or satisfaction in the ordinary course of business of liabilities reflected in the LSB financial statements or the subsequent LSB financial statements, borrow any money or incur any indebtedness including, without limitation, through the issuance of debentures, or incur any liability or obligation (whether absolute, accrued, contingent or otherwise), in an aggregate amount exceeding \$100,000;

open, close, move, or, in any material respect, expand, diminish, renovate, alter, or change any of its offices or branches other than as contemplated in the Merger Agreement;

other than in the ordinary course of business and consistent with past practices, pay or commit to pay any management or consulting or other similar type of fees other than as contemplated in the Merger Agreement;

change in any material respect its accounting methods, except as may be necessary and appropriate to conform to changes in tax laws requirements, changes in GAAP or regulatory accounting principles or as required by LSB's independent auditors or its regulatory authorities;

change in any material respects its underwriting, operating, investment or risk management or other similar policies of LSB or Lafayette Savings except as required by applicable law or policies imposed by any regulatory authority or governmental entity;

make, change or revoke any material tax election, file any material amended tax return, enter into any closing agreement with respect to a material amount of taxes, settle any material tax claim or assessment or surrender any right to claim a refund of a material amount of taxes; or

enter into any contract, agreement, lease, commitment, understanding, arrangement, or transaction or incur any liability or obligation, other than as specifically contemplated under the Merger Agreement, requiring payments by LSB or Lafayette Savings that exceed \$100,000, whether individually or in the aggregate, or that is not a trade payable or incurred in the ordinary course of business.

Old National Restrictions

The following is a summary of the more significant restrictions imposed upon Old National, subject to the exceptions set forth in the Merger Agreement. In particular, Old National may not knowingly:

take any action that is intended or reasonably likely to result in any of its representations and warranties set forth in the Merger Agreement being or becoming untrue in any respect at or prior to the effective time of the Merger, any of the conditions to the Merger not being satisfied, a material violation of any provision of the Merger Agreement, or a delay in the consummation of the Merger, except, in each case, as may be required by applicable law or regulation.

Covenants

In addition to the restrictions noted above, the Merger Agreement contains certain other covenants and agreements, including the following covenants:

in the case of LSB, to submit the Merger Agreement to its shareholders at a meeting to be called and held at the earliest possible reasonable date;

in the case of LSB, to proceed expeditiously, cooperate fully and use commercially reasonable efforts to assist Old National in procuring all consents, authorizations, approvals, registrations and certificates, in completing all filings and applications and in satisfying all other requirements prescribed by law

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which are necessary for consummation of the Merger, and to ensure that any materials or information provided by LSB to Old National for use by Old National in any filing with any state or federal regulatory agency or authority shall not contain any untrue or misleading statement of material fact or shall omit to state a material fact necessary to make the statements contained therein, in light of the circumstances in which they are made, not false or misleading;

in the case of LSB, to use commercially reasonable efforts to obtain any required third party consents to agreements, contracts, commitments, leases, instruments and documents;

in the case of LSB, to use commercially reasonable efforts to maintain insurance on its assets, properties and operations, fidelity coverage and directors and officers liability insurance in such amounts and with regard to such liabilities and hazards as were insured by LSB as of the date of the Merger Agreement;

in the case of LSB, to continue to accrue reserves for employee benefits and Merger related expenses, and to consult and cooperate in good faith with Old National on (i) conforming the loan and accounting policies and practices of LSB to those policies and practices of Old National for financial accounting and/or income tax reporting purposes; (ii) determining the amount and timing for recognizing LSB's expenses of the Merger; provided, that no such modifications need be effected prior to the 5th day preceding the closing date of the Merger and until Old National has certified to LSB that all conditions to the obligation of Old National to consummate the Merger have been satisfied;

to coordinate with each other prior to issuing any press releases;

in the case of LSB and Old National, to supplement, amend and update the disclosure schedules to the Merger Agreement as necessary;

in the case of LSB and Old National, to give the other party's representatives and agents, including investment bankers, attorneys or accountants, upon reasonable notice, access during normal business hours throughout the period prior to the effective time of the Merger to the other party's properties, facilities operations, books and records;

in the case of LSB and Old National, to deliver updated financial statements, any reports, notices or proxy statements sent by either party to any governmental authority, and any orders issued by any governmental authority, to the other party when available;

in the case of LSB, to cooperate with an environmental consulting firm designated by Old National in the conduct by such firm of a phase one and/or phase two environmental investigation on all real property owned or leased by LSB or Lafayette Savings as of the date of the Merger Agreement, and any real property acquired or leased by LSB or Lafayette Savings after the date of the Merger Agreement;

in the case of LSB and Old National, to not knowingly take any action that is intended or is reasonably likely to result in (i) any of its representations and warranties set forth in the Merger Agreement being or becoming untrue in any material respect, (ii) any of the conditions to the Merger not being satisfied, (iii) a material violation of any provision of the Merger Agreement, or (iv) a material delay in the consummation of the Merger;

in the case of LSB, to have LSB's board of directors adopt such resolutions as are necessary to cause any shares of LSB common stock owned by executive officers and directors of LSB and canceled in the Merger to qualify for the exemptions provided in Rule 16b-3(d) under the Securities Exchange Act, as amended (the Exchange Act);

in the case of LSB, to receive as promptly as practicable the written fairness opinion of Sandler O'Neill that the Merger Consideration, as of the date of this Agreement, is fair to the shareholders of LSB from a financial point of view;

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in the case of LSB and Old National, to notify the other party hereto in writing of any litigation related to the Merger Agreement, the Merger or the other transactions contemplated by the Merger Agreement that is brought, or, to the knowledge of either party, threatened in writing, against it and/or the members of its board of directors;

in the case of LSB, not to create any employment contract, agreement or understanding with or employment rights for any of the officers or employees of LSB or Lafayette Savings, or prohibit or restrict Old National from changing, amending or terminating any employee benefits provided to its employees from time to time, without the consent of Old National;

in the case of LSB, to take such actions as necessary to terminate the ESOP as of the day prior to the effective time of the Merger, and also amend the ESOP as of the day before the effective time of the Merger to provide that no distributions of accrued benefits shall be made from the ESOP, or its related trust, subsequent to the termination date and until such time as the Internal Revenue Service issues a favorable determination letter other than distributions required upon the retirement, death, disability or termination of employment of an ESOP participant;

in the case of LSB, to terminate its 401(k) Plan on or before the effective time of the Merger, and also amend its 401(k) Plan before the effective time of the Merger to provide that no distributions of accrued benefits shall be made from the 401(k) Plan, subsequent to the termination date and until such time as the Internal Revenue Service issues a favorable determination letter, other than distributions required upon the retirement, death, disability or termination of employment of a 401(k) participant;

in the case of LSB, to terminate the Deferred Compensation Agreement between Lafayette Savings and Randolph F. Williams and pay Mr. Williams his accrued benefits under that agreement at the closing;

in the case of LSB, to take all actions necessary to assign any LSB group insurance policies to Old National as of the effective time of the Merger and to provide Old National with all necessary financial, enrollment, eligibility, contractual and other information related to LSB's welfare benefit and cafeteria plans to assist Old National in the administration of such plans after the effective time of the Merger;

in the case of LSB, to terminate the Lafayette Savings Management Incentive Plan at the effective time and pay out amounts accrued thereunder to the participants in that plan;

in the case of Old National, to take such actions that will cause any shares of Old National common stock to be received by executive officers and directors of LSB and canceled in the Merger to qualify for the short-swing trading exemptions provided in Rule 16b-3(e) under the Exchange Act;

in the case of Old National, to file all applications and notices to obtain the necessary regulatory approvals for the transactions contemplated by the Merger Agreement;

in the case of Old National, to file a registration statement with the SEC covering the shares of Old National common stock to be issued to LSB shareholders pursuant to the Merger Agreement;

in the case of Old National, to make available to the officers and employees of LSB who continue as employees after the effective time, substantially the same benefits, including severance benefits, as Old National offers to similarly situated officers and employees, including credit for prior service with LSB and Lafayette Savings for purposes of eligibility and vesting;

in the case of Old National, to amend its Old National Bancorp Employee Stock Ownership and Savings Plan to permit participation by LSB employees from and after the effective time;

in the case of Old National, to permit retirees of LSB participating in LSB's health plan to participate in Old National's health plans in accordance with their terms if LSB's health plan is terminated by Old National;

in the case of Old National, on the effective time, to permit LSB's employees to be subject to Old National's vacation policy;

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in the case of Old National, to provide severance benefits to those employees of LSB or Lafayette Savings as of the effective time of the Merger who are not employed by Old National at the effective time or whose employment is involuntarily terminated by Old National within 12 months after the effective time in amounts specified in the agreement;

to offer a Mutual Termination of Employment Agreement to Randolph F. Williams and Mary Jo David which, among other things, provide for a lump sum payment of \$532,000 and \$319,000, respectively, to those individuals at closing;

in the case of Old National, authorize the payment of and pay retention bonuses upon reaching certain milestones to selected employees of LSB or Lafayette Savings identified by LSB and Old National, in amounts to be agreed to by LSB and Old National;

in the case of Old National, pay the amounts owed to Randolph F. Williams and to Mary Jo David upon termination of their employment agreements at closing; and

in the case of Old National, maintain a directors and officers liability insurance policy for two years after the effective time of the Merger to cover the present and former officers and directors of LSB and Lafayette Savings with respect to claims against such directors and officers arising from facts or events which occurred before the effective time, and for six years after the effective time, continue the indemnification and exculpation rights of the present and former officers and directors of LSB and Lafayette Savings against all losses, expenses, claims, damages, or liabilities arising out of actions or omissions occurring on or prior to the effective time to the full extent then permitted under the articles of incorporation or by-laws of LSB or Lafayette Savings or any indemnification arrangement or agreement disclosed to Old National.

The Merger Agreement also contains certain additional covenants relating to employee benefits and other matters pertaining to officers and directors. See The Merger Agreement Employee Benefit Matters and Interests of Certain Directors and Officers of LSB in the Merger.

Acquisition Proposals by Third Parties

Until the Merger is completed or the Merger Agreement is terminated, LSB has agreed that it, and its officers, directors and representatives, and those of Lafayette Savings, will not:

solicit, initiate or knowingly encourage or facilitate, any inquiries, offers or proposals to acquire LSB; or

initiate, participate in or knowingly encourage any discussions or negotiations or otherwise knowingly cooperate regarding an offer or proposal to acquire LSB.

LSB may, however, furnish information regarding LSB to, or enter into and engage in discussion with, any person or entity in response to a bona fide unsolicited written proposal by the person or entity relating to an acquisition proposal, or change or withhold its recommendation to LSB's shareholders regarding the Merger if:

LSB's board of directors (after consultation with its financial advisors and outside legal counsel) determines in good faith that such proposal may be or could be superior to the Merger for LSB's shareholders and the failure to consider such proposal would likely result in a breach of the fiduciary duties of LSB's board of directors;

LSB provides any information to Old National that it intends to provide to a third party; and

LSB notifies Old National that it is prepared to change or withhold its recommendation to LSB's shareholders in response to a superior proposal, and provides Old National with the most current version of any proposed written agreement or letter of intent relating to the superior proposal, and Old National fails, within five days, to make a proposal that would, in the reasonable good faith

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judgment of the LSB board of directors (after consultation with financial advisors and outside legal counsel) cause the offer that previously constituted a superior proposal to no longer constitute a superior proposal. For purposes of the Merger Agreement, the term superior proposal means any acquisition proposal relating to LSB or Lafayette Savings, or to which LSB or Lafayette Savings may become a party, that the LSB board of directors determines in good faith (after having received the advice of its financial advisors) to be (i) more favorable to the shareholders of LSB, including but not limited to, from a financial point of view, than the Merger (taking into account all the terms and conditions of the proposal and the Merger Agreement, including the \$3,000,000 termination fee) and (ii) reasonably capable of being completed without undue delay.

Conditions to the Merger

The obligations of Old National and LSB to consummate the Merger are subject to the satisfaction or waiver, on or before the completion of the Merger, of a number of conditions, including:

the Merger Agreement must receive the approval of LSB's shareholders;

the representations and warranties made by the parties in the Merger Agreement must be true, accurate and correct in all material respects as of the effective date of the Merger unless the inaccuracies do not or will not have a Material Adverse Effect (as defined below) on the party making the representations and warranties. For purposes of the Merger Agreement, Material Adverse Effect is defined to mean any effect which is material and adverse to the results of operations, properties, assets, liabilities, conditions (financial or otherwise), value or business of LSB and its subsidiaries, taken as a whole, or Old National and its subsidiaries, taken as a whole, or which would materially impair the ability of LSB or Old National to perform its obligations under the Merger Agreement or otherwise materially threaten or impede the consummation of the Merger and the other transactions contemplated by the Merger Agreement; provided, however, that a Material Adverse Effect shall not include the impact of: (a) changes in banking and similar laws of general applicability to banks or their holding companies or interpretations thereof by courts or governmental authorities, (b) changes in generally accepted accounting principles or regulatory accounting requirements applicable to banks or their holding companies generally, (c) effects of any action or omission taken by LSB with the prior written consent of Old National, (d) changes resulting from expenses (such as legal, accounting and investment bankers' fees) incurred in connection with the Merger Agreement or the transactions contemplated therein, (e) the impact of the announcement of the Merger Agreement and the transactions contemplated thereby, and compliance with the Merger Agreement on the business, financial condition or results of operations of LSB and its subsidiaries or Old National and its subsidiaries, and (f) the occurrence of any military or terrorist attack within the United States or any of its possessions or offices; provided that, in no event shall a change in the trading price of LSB common stock, by itself, or Old National common stock, by itself, be considered to constitute a Material Adverse Effect on LSB and its subsidiaries or Old National and its subsidiaries, taken as a whole (the foregoing proviso does not however prevent or otherwise affect a determination that any effect underlying such decline has resulted in a Material Adverse Effect); and provided further, that without regard to any other provision of the Merger Agreement, a Material Adverse Effect shall be deemed to have occurred in the event of the imposition of a formal regulatory enforcement action against LSB or Lafayette Savings following the date of the Merger Agreement;

Old National shall have registered its shares of Old National common stock to be issued to shareholders of LSB in the Merger with the SEC, and all state securities and blue sky approvals, authorizations and exemptions required to offer and sell such shares shall have been received, the Registration Statement on Form S-4, of which this proxy statement and prospectus is a part, shall have been declared effective by the Securities and Exchange Commission and no stop order suspending the effectiveness of the Registration Statement can have been issued or threatened;

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all regulatory approvals required to consummate the transactions contemplated by the Merger Agreement shall have been obtained and shall remain in full force and effect and all statutory waiting periods in respect thereof shall have expired and no such approvals shall contain any conditions, restrictions or requirements which the Old National board of directors reasonably determines in good faith would either (i) have a Material Adverse Effect on LSB or (ii) reduce the benefits of the Merger to such a degree that Old National would not have entered into the Merger Agreement had such conditions, restrictions or requirements been known; and

none of Old National, LSB or Lafayette Savings, or any of Old National's subsidiaries shall be subject to any statute, rule, regulation, injunction, order or decree which prohibits, prevents or makes illegal completion of the Merger, and no material claim, litigation or proceeding shall have been initiated or threatened relating to the Merger Agreement or the Merger which has not been resolved prior to the effective date.

The obligation of Old National to consummate the Merger also is subject to the fulfillment of other conditions, including:

LSB and Lafayette Savings must have performed, in all material respects, all of their covenants and agreements as required by the Merger Agreement at or prior to the effective time of the Merger;

Old National must have received from LSB at the closing of the Merger all the items, documents, and other closing deliveries of LSB, in form and content reasonably satisfactory to Old National, required by the Merger Agreement;

Old National must have received an opinion from Krieg DeVault LLP that the Merger constitutes a tax free reorganization for purposes of Section 368 of the Code;

Old National must have received a letter of tax advice, in a form satisfactory to Old National and at its expense, from LSB's outside, independent certified public accountants to the effect that any amounts that are paid by LSB before the effective time of the Merger, or required under LSB's employee benefit plans or the Merger Agreement to be paid at or after the effective time, to persons who are disqualified individuals under Section 280G of the Code with respect to LSB, Lafayette Savings, or their successors, and that otherwise should be allowable as deductions for federal income tax purposes, should not be disallowed as deductions for such purposes by reason of Section 280G of the Code;

the Old National common stock to be issued to LSB shareholders must have been approved for listing on the NASDAQ Global Select Market, subject to official notice of issuance; and

as of the end of the month prior to the effective time, the LSB consolidated shareholders' equity (as adjusted under the Merger Agreement) shall not be less than \$37,500,000.

the obligation of LSB to consummate the Merger also is subject to the fulfillment of other conditions, including:

Old National must have performed, in all material respects, all of its covenants and agreements as required by the Merger Agreement at or prior to the effective time of the Merger;

LSB must have received from Old National at the closing of the Merger all the items, documents, and other closing deliveries of Old National, in form and content reasonably satisfactory to LSB, required by the Merger Agreement;

the shares of Old National common stock to be issued as part of the Merger must have been approved for listing on the NASDAQ Global Select Market, subject to official notice of issuance; and

LSB must have received an opinion from Krieg DeVault LLP that the Merger constitutes a reorganization for purposes of Section 368 of the Code, as amended.

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Expenses

Except as otherwise provided in the Merger Agreement, LSB and Old National will be responsible for their respective expenses incidental to the Merger.

Employee Benefit Matters

The Merger Agreement requires Old National to make available to the officers and employees of LSB and Lafayette Savings who continue as employees of Old National or any subsidiary substantially the same employee benefits, including severance, on substantially the same terms and conditions as Old National offers to similarly situated officers and employees. LSB and Lafayette Savings employees will receive full credit, after the Merger, for all prior service with LSB, Lafayette Savings, or their predecessors for purposes of any applicable eligibility and vesting service requirements under any of Old National's employee benefit plans. LSB and Lafayette Savings employees who become employees of Old National or any of its subsidiaries will become eligible to participate in Old National's employee benefit plans as soon as reasonably practicable after the effective time of the Merger, or if later, as of the termination of the corresponding LSB benefit plan.

Termination

Subject to conditions and circumstances described in the Merger Agreement, either Old National or LSB may terminate the Merger Agreement if, among other things, any of the following occur:

LSB shareholders do not approve the Merger Agreement at the LSB special meeting;

any governmental authority shall have issued an order, decree, judgment or injunction that permanently restrains, enjoins or otherwise prohibits or makes illegal the consummation of the Merger, and such order shall have become final and non-appealable, or if any consent or approval of a governmental authority whose consent or approval is required to consummate the Merger has been denied;

the Merger has not been consummated by March 31, 2015 (provided the terminating party is not then in willful breach of the Merger Agreement); or

the respective Boards of Directors of Old National and LSB mutually agree to terminate the Merger Agreement.

Additionally, Old National may terminate the Merger Agreement at any time prior to the effective time of the Merger if any of the following occur:

any event shall have occurred which is not capable of being cured prior to March 31, 2015 and would result in a condition to the Merger not being satisfied;

LSB breaches or fails to perform any of its representations, warranties or covenants contained in the Merger Agreement which breach or failure to perform would give rise to the failure of a condition to the Merger, and such condition is not capable of being cured by March 31, 2015, or has not been cured by LSB within 20 business days after LSB's receipt of written notice of such breach from Old National;

there has been a Material Adverse Effect on LSB on a consolidated basis as of the effective time, as compared to that in existence as of June 3, 2014;

Old National elects to exercise its right of termination pursuant to the Merger Agreement regarding certain environmental matters (see Environmental Inspections);

LSB's Board of Directors shall fail to include its recommendation to approve the Merger in the proxy statement and prospectus related to LSB's special shareholders meeting;

LSB's board of directors, after receiving an acquisition proposal from a third party, has withdrawn, modified or changed its approval or recommendation of the Merger Agreement and approved or recommended an acquisition proposal with a third party;

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LSB shall have entered into, or publicly announced its intention to enter into, a definitive agreement, agreement in principle or letter of intent with respect to an acquisition proposal;

if the LSB Board fails to publicly reaffirm its recommendation of the Merger Agreement, the Merger or the other transactions contemplated by the Merger Agreement within five business days of a written request by Old National to provide such reaffirmation; or

a quorum could not be convened at the meeting of the shareholders of LSB or at a reconvened meeting held at any time prior to March 31, 2015.

LSB may terminate the Merger Agreement at any time prior to the effective time of the Merger if any of the following occur:

any event shall have occurred which is not capable of being cured prior to March 31, 2015 and would result in a condition to the Merger not being satisfied;

Old National breaches or fails to perform any of its representations, warranties or covenants contained in the Merger Agreement which breach or failure to perform would give rise to the failure of a condition to the Merger, and such condition is not capable of being cured by March 31, 2015, or has not been cured by Old National within 20 business days after Old National's receipt of written notice of such breach from LSB; or

there has been a Material Adverse Effect on Old National on a consolidated basis as of the effective time, as compared to that in existence as of June 3, 2014.

Additionally, LSB may terminate the Merger Agreement if, at any time during the five-day period commencing on the first date on which all bank regulatory approvals (and waivers, if applicable) necessary for consummation of the Merger have been received (disregarding any waiting period) (the determination date), such termination to be effective the tenth day following such date if both of the following conditions are satisfied:

the average of the daily closing prices of Old National common stock as reported on the NASDAQ Global Select Market for the ten consecutive trading days immediately preceding the determination date (the Old National Market Value) is less than \$10.98; and

the number obtained by dividing the Old National Market Value by \$13.73 (the Initial Old National Market Value, which may be adjusted to account for certain transactions involving the stock of Old National, such as a stock dividend, reclassification or similar transaction between June 3, 2014 and the determination date) (the Old National Ratio) is less than the number (such number, the Index Ratio) obtained by dividing the average of the daily closing value for the five consecutive trading days immediately preceding the determination date of a group of financial institution holding companies comprising the NASDAQ Bank Index (the Final Index Price) by the closing value of a group of financial institution holding companies comprising the NASDAQ Bank Index on June 3, 2014 (the Initial Index Price), minus 0.20.

If LSB elects to exercise its termination right as described above, it must give prompt written notice thereof to Old National. During the five business day period commencing with its receipt of such notice, Old National shall have the option to increase the consideration to be received by the holders of LSB common stock by adjusting the Exchange Ratio to equal the lesser of (i) a quotient, the numerator of which is equal to the product of the Initial Old National Market Value, the Exchange Ratio (as then in effect), and the Index Ratio, minus 0.20, and the denominator of which is equal to Old National Market Value on the determination date; or (ii) the quotient determined by dividing the Initial Old National Market Value by the Old National Market Value on the determination date, and multiplying the quotient by the product of the Exchange Ratio (as then in effect) and 0.80. If Old National elects, it shall give, within such five business day period, written notice to LSB of such election and the revised Exchange Ratio, whereupon no termination shall be deemed to have occurred and the

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Merger Agreement shall remain in full force and effect in accordance with its terms (except as the Exchange Ratio shall have been so modified). Because the formula is dependent on the future price of Old National's common stock and that of the index group, it is not possible presently to determine what the adjusted Merger Consideration would be at this time, but, in general, more shares of Old National common stock would be issued, to take into account the extent by which the average price of Old National's common stock exceeded the decline in the average price of the common stock of the index group.

Under certain circumstances described in the Merger Agreement, a \$3,000,000 termination fee may be payable by LSB to Old National if the Merger Agreement is terminated and the Merger is not consummated. See The Merger Agreement Termination Fee.

Termination Fee

LSB shall pay Old National a \$3,000,000 termination fee if the Merger Agreement is terminated for any of the following reasons:

if Old National terminates the Merger Agreement because LSB's board of directors fails to include its recommendation to approve the Merger in the proxy statement and prospectus delivered to shareholders or has withdrawn, modified or changed its approval or recommendation of the Merger Agreement or approves or publicly recommends an acquisition proposal with a third party, or LSB has entered into or publicly announced an intention to enter into another acquisition proposal;

if the LSB board of directors fails to publicly reaffirm its recommendation of the Merger Agreement, the Merger or the other transactions contemplated in the Merger Agreement within five business days of a written request by Old National to provide such reaffirmation;

if either party terminates the Merger Agreement because it is not approved by the requisite vote of the shareholders of LSB at the meeting called for such purpose or by Old National because a quorum could not be convened at LSB's shareholder meeting called to approve the Merger and, prior to the date that is twelve months after such termination LSB or Lafayette Savings enters into any acquisition agreement with a third party or an acquisition proposal is consummated; or

if either party terminates the Merger Agreement because the consummation of the Merger has not occurred by March 31, 2015 and (A) prior to the date of such termination an acquisition proposal was made by a third party and (B) prior to the date that is twelve months after such termination, LSB or Lafayette Savings enters into any acquisition agreement or any acquisition proposal is consummated.

Management and Operations After the Merger

Old National's officers and directors serving at the effective time of the Merger shall continue to serve as Old National's officers and directors until such time as their successors have been duly elected and qualified or until their earlier resignation, death, or removal from office. Old National's articles of incorporation and by-laws in existence as of the effective time of the Merger shall remain Old National's articles of incorporation and by-laws following the effective time, until such articles of incorporation and by-laws are further amended as provided by applicable law.

Environmental Inspections

Under the Merger Agreement, Old National has the right to terminate the Merger Agreement and not consummate the transaction if any of the real estate owned by LSB or Lafayette Savings is determined, after proper investigation, to be contaminated and the cost to remediate such contamination would be estimated in good faith to exceed \$1.5 million.

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Effective Time of Merger

Unless otherwise mutually agreed to by the parties, the effective time of the Merger is expected to occur on the last business day of the month in which the closing of the Merger occurs. The parties currently anticipate closing the Merger in the mid-to-late fourth quarter of 2014.

Regulatory Approvals for the Merger

Under the terms of the Merger Agreement, the Merger cannot be completed until Old National receives necessary regulatory approvals, which include the approval of the Office of the Comptroller of the Currency and the Federal Reserve Board. Old National will file applications with each regulatory authority to obtain the approvals. Old National cannot be certain when such approvals will be obtained or if they will be obtained.

Voting Agreements

As of the record date, the directors of LSB beneficially owned 169,484 shares, or approximately 10.7% of the outstanding shares of LSB common stock, including shares subject to options currently exercisable but not exercised. In connection with the execution of the Merger Agreement, the directors of LSB each executed a voting agreement pursuant to which the directors agreed to vote their shares, and to use reasonable efforts to cause all shares owned by such director jointly with another person or by such director's spouse to be voted, in favor of the Merger.

Accounting Treatment of the Merger

Old National will account for the Merger under the purchase method of accounting in accordance with generally accepted accounting principles. Using the purchase method of accounting, the assets (including identified intangible assets) and liabilities of LSB will be recorded by Old National at their respective fair values at the time of the completion of the Merger. The excess of Old National's purchase price over the net fair value of the tangible and identified intangible assets acquired less liabilities assumed, will be recorded as goodwill.

NASDAQ Global Select Market Listing

Old National common stock currently is listed on the NASDAQ Global Select Market under the symbol ONB. The shares to be issued to the LSB shareholders in the Merger will be eligible for trading on the NASDAQ Global Select Market.

No Dissenters' Rights

Dissenters' rights are statutory rights that, if available under law, enable shareholders to dissent from an extraordinary transaction, such as a merger, and to demand that the corporation pay the fair value for their shares as determined by a court in a judicial proceeding instead of receiving the consideration offered to shareholders in connection with the extraordinary transaction. Dissenters' rights are not available in all circumstances, and exceptions to these rights are provided in the IBCL. Because shares of LSB common stock are listed on a national securities exchange, holders of LSB common stock will not have dissenters' rights in connection with the Merger.

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INTERESTS OF CERTAIN DIRECTORS AND EXECUTIVE OFFICERS OF LSB IN THE MERGER

When considering the recommendation of the LSB board of directors, you should be aware that some of the executive officers and directors of LSB and Lafayette Savings have interests that are different from, or in conflict with, your interests. The board of directors was aware of these interests when it adopted the Merger Agreement. Except as described below, to the knowledge of LSB, the executive officers and directors of LSB do not have any material interest in the Merger apart from their interests as shareholders of LSB.

Treatment of Options to Acquire Shares of LSB Common Stock

Each option to purchase LSB common stock granted pursuant to the LSB Financial Corp. 1995 Stock Option and Incentive Plan and the LSB Financial Corp. 2007 Stock Option and Incentive Plan (the LSB Stock Option Plans) whether vested or unvested, that is outstanding immediately prior to the effective time of the Merger (a Stock Option), will be fully vested at the date of shareholder approval of the Merger and will be converted into the right at the effective time of the Merger to receive an amount, payable in cash, equal to the product of (i) the total number of shares of LSB common stock subject to such Stock Option and (ii) the positive difference, if any, of the cash received in the Merger on a per share basis plus the Exchange Ratio multiplied by the Average ONB Closing Price (as hereinafter defined) less the exercise price of such Stock Option, subject to any consents required from holders of Stock Options. The Average ONB Closing Price means the average of the per share closing prices of a share of Old National common stock as quoted on the NASDAQ Global Select Market during the ten trading days preceding the fifth calendar day preceding the effective time of the Merger. Old National shall pay the Stock Option holders these cash payments, less such amounts as are required to be withheld or deducted under the Code or any provision of state, local or foreign tax law with respect to the making of such payment, on or as soon as reasonably practicable after the closing date of the Merger, but in any event within five business days following the closing date of the Merger. If any holder of a Stock Option does not consent to this treatment of his or her Stock Options, his or her stock options will be converted to stock options to purchase the Merger Consideration or the value thereof in accordance with the terms of the applicable LSB Stock Option Plan.

The executive officers and directors of LSB hold options to purchase 59,197 shares of LSB common stock as of the record date at an average exercise price of \$24.45 per share.

Deferred Compensation Agreement

Lafayette Savings is to terminate the Amended and Restated Deferred Compensation Agreement with Randolph F. Williams in accordance with Treasury Regulation §1.409A-3(j)(4)(ix)(B) and distribute accrued benefits estimated at approximately \$510,000 to Mr. Williams in a lump sum on the effective time of the Merger. This benefit does not represent any acceleration of benefits resulting from the change of control effected by the Merger.

Termination of Existing Employment Agreements with LSB Executive Officers

Each of Mr. Williams and Ms. David shall enter into mutual termination of employment agreements with Old National substantially in the forms attached to the Merger Agreement as of the effective time of the Merger that provide that their respective employment agreements shall terminate and that all of their rights to compensation and benefits under their employment agreements shall cease except for any: (i) vested benefits to which the executive is entitled under any tax-qualified retirement plan sponsored by LSB or Lafayette Savings and (ii) accrued, but unpaid salary and/or vacation. At the effective time of the Merger, Mr. Williams and Ms. David shall be at-will employees subject to Old National Bank's employment practices and policies including its confidentiality, non-solicitation and non-competition restrictions. In addition, Mr. Williams and Ms. David will not be eligible for any severance benefits

under any severance pay policy or practice of Old National Bank in the event that their employment with Old National Bank terminates for any reason. Under the

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mutual termination of employment agreements, Old National or Old National Bank shall pay to Mr. Williams and Ms. David in a lump sum on the effective date of the Merger an amount equal to the sum of (i) 299% of their respective base amount as defined in Code Section 280G, and (ii) the cost of continued health benefits for 12 months on substantially the same terms as would apply if the executive had continued to be employed by LSB, less any withholdings for applicable taxes, reduced by any amount necessary to avoid any excise tax under Section 4999 of the Code. The amount of the lump sum payments to Mr. Williams and Ms. David are estimated to be \$532,000 and \$319,000, respectively.

Offers of Employment to Certain LSB Executive Officers

On June 3, 2014, Old National Bank presented written offers of at will employment following the effective time of the Merger to Mr. Williams and Ms. David, which Mr. Williams and Ms. David accepted. Pursuant to these offers of employment, Mr. Williams will be employed as the Lafayette Market President, Lafayette Region and will receive an annual base salary of \$243,600 and Ms. David will be employed as Lafayette Market Senior Financial Officer and will receive an annual base salary of \$130,000.

Payments under Lafayette Savings Management Incentive Plan

Immediately on or prior to the effective time of the Merger, LSB shall terminate the Lafayette Savings Management Incentive Plan, and any amounts accrued thereunder shall be paid in a lump sum on or prior to the effective time of the Merger. Those payments for Mr. Williams, Ms. David and Mr. Van Sickle are estimated to be \$48,000, \$12,000 and \$11,000, respectively.

Retention Bonus to Certain Executive Officer

Upon reaching certain milestones following the effective time of the Merger, Old National shall pay a retention bonus to Mr. Van Sickle in an aggregate amount of \$25,000.

Severance Payments Payable to Certain Employees of LSB

Old National has agreed that for purposes of determining severance payments payable to certain officers and employees of LSB (other than Randolph F. Williams or Mary Jo David, who will receive payments upon termination of their Employment Agreements) who are not employed by Old National from and after the closing of the Merger or who are involuntarily terminated within 12 months following the closing, severance benefits shall be equal to 1 week of annual base pay for each year of service for employees earning \$55,100 or less, 1.25 weeks of annual base pay for each year of service for employees earning between \$55,101 to \$94,499, or 1.5 weeks of annual base pay for each year of service for employees with annual base pay of \$95,000 or more, subject to certain minimums and maximums.

Advisory Board

Old National has agreed to establish a Lafayette advisory board, including members selected by LSB and reasonably acceptable to Old National, of individuals with knowledge of LSB's markets, whose service will be consistent with Old National's corporate governance practices, and who can help with Old National's community, customer, and associate plans.

Indemnification and Insurance of Directors and Officers

Old National has agreed that all rights to indemnification and exculpation from liabilities for acts or omissions occurring prior to the effective time of the Merger existing in favor of current or former directors and officers of LSB and Lafayette Savings as provided in the articles of incorporation or by-laws of LSB and Lafayette Savings and any existing indemnification agreements or arrangements disclosed to Old National shall survive the Merger and shall continue in full force and effect in accordance with their terms to the extent

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permitted by law, and shall not be amended, repealed or otherwise modified for a period of six years after the effective time of the Merger in any manner that would adversely affect the rights thereunder of such individuals for acts or omissions occurring or alleged to occur at or prior to the effective time of the Merger.

In addition, Old National has agreed to cause LSB's and Lafayette Savings' directors and officers to be covered for a period of two years after the effective time of the Merger by LSB's existing directors' and officers' liability insurance policy (or a substitute policy obtained by Old National having the same coverages and amounts and terms and conditions that are not less advantageous to such directors and officers) with respect to acts or omissions occurring before the effective time of the Merger; provided that Old National shall not be required to spend more than 200% of the last annual premium paid by LSB for such insurance. If the cost of insurance exceeds such limit, Old National will use its reasonable efforts to obtain as much comparable coverage as possible.

Table of Contents**COMPARISON OF THE RIGHTS OF SHAREHOLDERS**

Under the Merger Agreement, LSB shareholders will exchange their shares of LSB common stock for shares of Old National common stock and cash. LSB is organized under the laws of the State of Indiana, and the rights of LSB shareholders are governed by the applicable laws of the State of Indiana, including the IBCL, and LSB's articles of incorporation and articles of amendment (the LSB Articles) and amended and restated by-laws, as amended (the LSB By-laws). Old National is also an Indiana corporation, and is governed by the laws of the State of Indiana, including the IBCL, and Old National's third amended and restated articles of incorporation (the Old National Articles) and amended and restated by-laws (the Old National By-Laws). In addition, as Old National common stock is listed on the NASDAQ Global Select Market and LSB's common stock is listed on the NASDAQ Global Market, Old National's and LSB's corporate governance is subject to compliance with the Nasdaq Corporate Governance Rules. Upon consummation of the Merger, LSB's shareholders will become Old National shareholders, and the Old National Articles, the Old National By-Laws, the IBCL and the rules and regulations applying to public companies will govern their rights as Old National shareholders.

The following discussion is a summary of the material differences between the current rights of Old National shareholders and the current rights of LSB shareholders, but does not purport to be a complete description of those differences. These differences may be determined in full by reference to the Old National Articles, the LSB Articles, the Old National By-Laws, the LSB By-laws and such other governing documents referenced in this summary of shareholder rights. Old National and LSB have filed with the SEC and/or made available on their corporate websites their respective governing documents referenced in this summary of shareholder rights and will send copies of these documents to you, without charge, upon your request. See [Where You Can Find More Information](#) beginning on page

Old National**LSB****Authorized Capital Stock**

Old National currently is authorized to issue up to 150,000,000 shares of common stock, no par value, of which 99,863,894 shares were outstanding as of January 6, 2014. Old National is also authorized to issue up to 2,000,000 shares of preferred stock, no par value. As of the date of this proxy statement and prospectus, there are no shares of preferred stock outstanding.

LSB currently is authorized to issue up to 10,000,000 shares, consisting of 7,000,000 shares of common stock, with a par value of \$.01 per share, of which 1,567,664 shares were outstanding as of June 3, 2014. LSB is also authorized to issue up to 3,000,000 shares of preferred stock, no par value. As of the date of this proxy statement and prospectus, there are no shares of preferred stock outstanding.

Issuance of Additional Shares

Old National's board of directors may authorize the issuance of additional shares of common stock up to the amounts authorized in the Old National Articles, without shareholder approval, subject only to the restrictions of the IBCL, the Old National Articles and the NASDAQ Global Select Market. Old National's board of directors may also authorize the issuance of preferred stock up to the amounts authorized in the Old National Articles, without shareholder approval,

LSB's board of directors may authorize the issuance of additional shares of common stock up to the amounts authorized in the LSB Articles, without shareholder approval, subject only to the restrictions of the IBCL, the LSB Articles and the NASDAQ Global Market. LSB's board of directors may also authorize the issuance of preferred stock up to the amounts authorized in the LSB Articles, without shareholder

possessing voting and conversion rights that could adversely affect the voting power of Old National's common shareholders, subject to any restrictions imposed on the issuance of such shares by the IBCL, the Old National Articles and the NASDAQ Global Select Market. Any preferred shares issued may also rank senior to Old National's common stock as to rights upon liquidation, winding-up or dissolution.

approval, in one or more series, each having the designations and relative preferences, limitations, voting rights, if any, and other rights, consistent with the IBCL, by adopting and filing an amendment to the LSB Articles determining the terms and series.

Table of Contents**Old National****LSB****Number, Classification and Qualifications of Directors**

The Old National By-Laws provide that the board of directors shall be comprised of 15 members. All directors of Old National are elected for terms expiring at the next annual meeting of the shareholders and until their respective successors have been duly elected and qualified or such director's earlier resignation, death or removal. Any vacancy occurring on the board of directors, whether resulting from an increase in the number of directors or otherwise, may be filled by the affirmative vote of not less than a majority of the remaining directors then in office, even though such directors remaining in office may constitute less than a quorum of the board of directors.

As permitted by the IBCL, the Old National By-Laws provide that Old National shall not be governed by the provisions of Section 23-1-33-6(c) of the IBCL, which makes staggered terms for board of directors mandatory for public companies.

The Old National Articles provide that directors need not be shareholders of Old National. The Old National By-Laws provide that a director shall not qualify to serve as such effective as of the end of the term during which he or she becomes 72 years of age. The Old National By-Laws further provide that the board of directors may establish other qualifications for directors in its Corporate Governance Guidelines in effect from time to time.

The LSB Articles provide that the number of directors is to be determined by resolution adopted by the affirmative vote of a majority of the entire board of directors. LSB's board of directors currently consists of 11 members. The LSB Articles further provide that LSB's board of directors shall be divided into three classes, with directors in each class elected to staggered three-year terms. Shareholders are entitled to elect one class of directors constituting approximately one-third of the board of directors for a three-year term at each annual meeting of shareholders. Consequently, it could take two annual elections to replace a majority of LSB's board of directors. As permitted under the IBCL, the LSB By-laws provide that LSB shall not be governed by the provisions of Section 23-1-33-6(c) of the IBCL, which makes staggered terms for the board of directors mandatory for public companies. Under the LSB Articles, subject to the rights of any series of preferred stock then outstanding, any vacancy occurring on the board of directors, whether resulting from an increase in the number of directors or otherwise, may be filled by a majority vote of the directors then in office, although less than a quorum (provided those directors are not affiliated with a holder of ten percent or more of the voting power of LSB). In addition to any affirmative vote of the holders of any particular class or series of capital stock required by law or any preferred stock designation, this provision of the LSB Articles may only be amended by the affirmative vote of at least 80% of the holders of all shares of LSB common stock entitled to vote, voting together as a single class.

The LSB Articles provide that directors need not be shareholders of LSB. The LSB By-laws provide that no person who is over the age of 75 shall be eligible for election, reelection, appointment, or reappointment, and that directors shall retire as of the annual meeting next following the attainment of the age 75.

The LSB By-laws provide that directors need to be domiciled in, have a principal place of residence in, or

have his or her primary place of business located in a county in which LSB or any of its subsidiaries has an office, and must have a loan or deposit relationship with Lafayette Savings, which they have maintained for at least a continuous period of 12 months immediately prior to their nomination for election or reelection to the board of directors.

Table of Contents**Old National****LSB****Election of Directors**

Old National's directors are elected by a plurality of the votes cast by the shares entitled to vote at a meeting at which a quorum is present. Old National's board of directors has adopted a corporate governance policy regarding director elections that is contained in Old National's Corporate Governance Guidelines. The policy provides that in any uncontested election, any nominee for director who receives a greater number of votes withheld for his or her election than votes for such election will tender his or her resignation as a director promptly following the certification of the shareholder vote. Old National's Corporate Governance and Nominating Committee of its board of directors, without participation by any director so tendering his or her resignation, will consider the resignation offer and recommend to the board of directors whether to accept it. The board of directors, without participation by any director so tendering his or her resignation, will act on the Corporate Governance and Nominating Committee's recommendation no later than 90 days following the date of the annual meeting of shareholders at which the election occurred. If the board of directors decides to accept the director's resignation, the Corporate Governance and Nominating Committee will recommend to the board of directors whether to fill the resulting vacancy or to reduce the size of the board. Old National will promptly disclose the decision of its board of directors and the reasons for the decision in a broadly disseminated press release that will also be filed with the SEC on a Form 8-K.

LSB's directors are elected by a plurality of the votes cast at an election.

Removal of Directors

Under the IBCL, directors may be removed in any manner provided in the corporation's articles of incorporation. In addition, the shareholders or directors may remove one or more directors with or without cause, unless the articles of incorporation provide otherwise. The Old National By-Laws provide that any director or the entire board of directors (exclusive of directors who may be elected by the holders of one or more series of preferred stock) may be removed, with or without cause, only by (i) the affirmative vote of the holders of not less than two-thirds (2/3) of the outstanding shares of Old National common stock at a meeting of shareholders called expressly for the purpose of removing one or more directors, or (ii) the affirmative vote of not less

Under the LSB Articles, subject to the rights of the holders of any series of preferred stock then outstanding, any director or the entire board of directors may be removed from office at any time, but only for cause and only by the affirmative vote of the holders of at least 80% of the outstanding shares of LSB capital stock who are entitled to vote on the election of directors, voting together as a single class. For this purpose, cause is defined in 12 C.F.R. § 163.39. In addition to any affirmative vote of any particular class or series of capital stock required by law or any preferred stock designation, this provision of the LSB Articles may only be amended by the

than two-thirds (2/3) of the actual number of directors elected and qualified and then in office.

affirmative vote of at least 80% of the holders of all shares of LSB common stock entitled to vote, voting together as a single class.

Table of Contents**Old National****LSB****Transactions Involving Directors**

The Old National Articles allow directors to have an interest in a contract or transaction with Old National, if the interest is disclosed to or known by the board of directors, and the board authorizes, approves or ratifies the contract or transaction by a majority vote of those present, with the interested director to be counted in determining the existence of a quorum, but not in calculating a majority to approve the transaction.

The LSB Articles allow directors to have an interest in a contract or transaction with LSB, if the material facts and director's interest is disclosed to or known by the board of directors, a committee of the board of directors with authority to act thereon, or the shareholders entitled to vote thereon, and the board, the committee, or such shareholders authorize, approve or ratify the contract or transaction. A transaction is authorized, approved, or ratified by the board of directors or a committee by a majority vote of those directors who have no interest in the transaction, notwithstanding the fact that such majority may not constitute a quorum or a majority of the board or such committee or a majority of the directors present at the meeting, and notwithstanding the presence or vote of an interested director. However, a conflict transaction cannot be authorized, approved, or ratified by a single director. A transaction is authorized, approved, or ratified by shareholders if it receives the vote of a majority of shares entitled to be counted, in which vote the shares owned or voted under the control of any director who, or of any legal entity that, has an interest in the transaction may not be counted; provided, however, that a majority of such shares, whether or not present, shall constitute a quorum for the purpose of authorizing, approving, or ratifying a transaction. Authorization, approval, or ratification by the shareholders is not required if the transaction would otherwise be valid under applicable laws.

Director Liability

Pursuant to the IBCL, an Old National director will not be liable to Old National shareholders for any action or failure to act in his or her capacity as director, unless the director has breached or failed to perform his or her duties as a director in good faith, with the care an ordinarily prudent person in a like position would exercise under similar circumstances and in a manner the director reasonably believes to be in the best interests of the corporation, and the breach or failure to perform these duties constitutes willful misconduct or recklessness.

Pursuant to the IBCL, an LSB director will not be liable to LSB shareholders for any action or failure to act in his or her capacity as director, unless the director has breached or failed to perform his or her duties as a director in good faith, with the care an ordinarily prudent person in a like position would exercise under similar circumstances and in a manner the director reasonably believes to be in the best interests of the corporation, and the breach or failure to perform these duties constitutes willful misconduct or recklessness.

Table of Contents**Old National****LSB****Indemnification of Directors, Officers and Employees**

Under the IBCL, an Indiana corporation may indemnify an individual made a party to a proceeding because the individual is or was a director against liability incurred in the proceeding if (i) the individual's conduct was in good faith, (ii) the individual reasonably believed, in the case of conduct in the individual's official capacity with the corporation, that the individual's conduct was in the best interests of the corporation, and in all other cases, that the individual's conduct was at least not opposed to the corporation's best interests, and (iii) in the case of any criminal proceeding, the individual either had reasonable cause to believe that the individual's conduct was lawful, or the individual had no reasonable cause to believe that the individual's conduct was unlawful.

Unless limited by its articles of incorporation, a corporation must indemnify a director who was wholly successful, on the merits or otherwise, in the defense of any proceeding to which the director was a party because the director is or was a director of the corporation against reasonable expenses incurred by the director in defense of the proceeding. In addition, unless limited by its articles of incorporation, an officer of a corporation, whether or not a director, is entitled to mandatory indemnification to the same extent as a director, and a corporation may also indemnify and advance expenses to an officer, employee or agent to the same extent as to a director.

The Old National Articles and Old National By-Laws provide that every person who is or was a director, officer or employee of Old National or any other corporation for which he or she is or was serving in any capacity at the request of Old National shall be indemnified by Old National against any and all liability and expense that may be incurred by him or her in connection with, resulting from, or arising out of any claim, action, suit or proceeding, provided that the person is wholly successful with respect to the claim, action, suit or proceeding, or acted in good faith in what he reasonably believed to be in or not opposed to the best interests of Old National or any other corporation for which he or she is or was serving in any capacity at the

The LSB Articles provide for the indemnification of LSB's directors, officers, employees and agents, and of any person serving at the request of LSB as a director, officer, partner, trustee, employee, or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise. LSB indemnifies such persons against expenses (including attorneys' fees), judgments, settlements, penalties and fines (including excise taxes assessed with respect to employee benefit plans) actually or reasonably incurred in accordance with such action, suit or proceeding, provided such persons acted in good faith and in a manner the person reasonably believed, in the conduct of the person's official capacity, was in the best interests of LSB, and in all other cases, was not opposed to the best interests of LSB. With respect to criminal proceedings, the person seeking indemnification must have either had reasonable cause to believe the conduct was lawful or no reasonable cause to believe the conduct was unlawful.

The LSB Articles provide that to the extent that a director, officer, employee or agent of LSB has been successful, on the merits or otherwise, in the defense of any action, suit or proceeding described above, LSB shall indemnify such person against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith.

Any other indemnification, unless ordered by a court, shall be made by LSB only as authorized in the specific case, upon a determination that indemnification of the director, officer, employee or agent is permissible in the circumstances because the person has met the applicable standard of conduct. Such determination shall be made (a) by the board of directors by a majority vote of a quorum consisting of directors who were not at the time parties to such action, suit or proceeding; or (b) if a quorum cannot be obtained under subdivision (a), by a majority vote of a committee duly designated by the board of directors (in

request of Old National. Old National will also indemnify each director, officer and employee acting in such capacity in connection with criminal proceedings provided the director, officer or employee had no reasonable cause to believe that his or her conduct was unlawful. The indemnification by Old National extends

which designation directors who are parties may participate), consisting solely of two or more directors not at the time parties to such action, suit or proceeding; or (c) by special legal counsel: (i) selected by the board of directors or its committee in the manner prescribed in subdivision (a) or (b), or (ii) if a quorum of the board of directors cannot be

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to attorney fees, disbursements, judgments, fines, penalties or settlements. Old National may also advance expenses or undertake the defense of a director, officer or employee upon receipt of an undertaking by such person to repay such expenses if it should ultimately be determined that he or she is not entitled to indemnification.

In order for a director, officer or employee to be entitled to indemnification, the person must be wholly successful with respect to such claim or either the board of directors of Old National acting by a quorum consisting of directors who are not parties to, or who have been wholly successful with respect to such claim, action, suit or proceeding, or independent legal counsel must determine that the director, officer or employee has met the standards of conduct required by the Old National Articles.

The IBCL permits Old National to purchase insurance on behalf of its directors, officers, employees and agents against liabilities arising out of their positions with Old National, whether or not such liabilities would be within the above indemnification provisions. Pursuant to this authority, Old National maintains such insurance for the directors, officers and employees of Old National and any subsidiary of Old National.

Advance Notice Requirements for Presentation of Business and Nominations of Directors at Annual Meetings of Shareholders

The Old National By-Laws provide that nominations for the election of directors may be made only by the board of directors following the recommendation of the Old National Corporate Governance and Nominating Committee. The Committee will consider candidates for election suggested by shareholders, subject to the suggestions having been made in compliance with the requirements set forth in Article IV, Section 9 of the Old National By-Laws.

Additionally, shareholders may submit proposals for business to be considered at Old National's annual meeting

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obtained under subdivision (a) and a committee cannot be designated under subdivision (b), selected by a majority vote of the full board of directors (in which selection directors who are parties may participate); or (d) by shareholders, but shares owned by or voted under the control of directors who are at the time parties to such action, suit or proceeding may not be voted on the determination.

LSB may also advance expenses or undertake the defense of a director, officer, employee, or agent upon receipt of a written affirmation of such person's good faith belief that he has met the requisite standard of conduct described above and upon receipt of an undertaking by such person to repay such expenses if it should ultimately be determined that such person is not entitled to indemnification.

This provision of the LSB Articles may only be amended by the affirmative vote of at least 80% of the holders of all shares of LSB common stock entitled to vote, voting together as a single class.

The LSB By-laws provide that nominations for election of directors may be made by or at the direction of the board of directors or by any shareholder entitled to vote for the election of directors at the meeting who complies with the notice procedures set forth in Article 1, Section 1.07(c) of the LSB By-laws.

Additionally, shareholders may submit proposals for business to be considered at LSB's annual meeting of shareholders if the business relates to a proper subject matter for shareholder action, but only by a shareholder

of shareholders, and include those proposals in Old National's proxy statement and form of proxy delivered to shareholders, in accordance with the requirements of Rule 14a-8 of Regulation 14A promulgated under the Exchange Act.

who is entitled to vote with respect thereto and who complies with the notice procedures set forth in Article 1, Section 1.07(b) of LSB's By-laws. The notice must include certain information.

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The timing and content requirements of the required notice for shareholder proposals are detailed in Article 1, Section 1.07(b) of LSB's By-laws.

Additionally, shareholders may submit proposals for business to be considered at LSB's annual meeting of shareholders, and include those proposals in LSB's proxy and proxy statement delivered to shareholders, in accordance with the requirements of Rule 14a-8 of Regulation 14A promulgated under the Exchange Act.

Special Meetings of Shareholders

The Old National By-Laws provide that special meetings of shareholders may be called by the board of directors, the Chairman of the Board, the Chief Executive Officer or the President of Old National, and shall be called by the Chairman of the Board, the Chief Executive Officer, the President or the Secretary at the written request of a majority of the members of the board of directors or upon delivery to Old National's Secretary of a signed and dated written demand for a special meeting from the holders of at least 25% of all the votes entitled to be cast on any issue proposed to be considered at the proposed special meeting.

The LSB Articles provide that special meetings of shareholders may be called only by the Chairman of the Board, or by a resolution adopted by a majority of the total number of directors which LSB would have if there were no vacancies on the board. Shareholders have no ability to call a special meeting of shareholders.

Shareholder Action Without a Meeting

The Old National Articles provide that any action required or permitted to be taken at any meeting of the shareholders may be taken without a meeting if a consent in writing setting forth the action is signed by all the shareholders entitled to vote with respect to it, and the consent is filed with the minutes of the proceedings of the shareholders.

The LSB Articles provide that any action required or permitted to be taken at any shareholders meeting may be taken without a meeting if a consent in writing setting forth the action is signed by all the shareholders entitled to vote on the matter, and the consent is filed with the minutes of the proceedings of the shareholders.

Amendment of Articles of Incorporation and By-laws

The IBCL generally requires the approval of at least a majority of a quorum of shareholders present at a shareholders' meeting (and, in certain cases, a majority of all shares held by any voting group entitled to vote) for amendments to an Indiana corporation's articles of incorporation. However, the IBCL permits a corporation in its articles of incorporation to specify a higher shareholder

The LSB By-laws provide that the board of directors has the power, without the assent or vote of the shareholders, to make, adopt, alter, amend, or repeal the LSB By-laws by the affirmative vote of the number of directors equal to a majority of the number constituting a full board of directors at the time of such action. Shareholders do not have any power to make,

vote requirement for certain amendments. Certain provisions of the Old National Articles may only be altered, amended or repealed by the affirmative vote of the holders of not less than 80% of the outstanding shares of Old National common stock,

alter, amend, or repeal the LSB By-laws.

LSB generally retains the right to amend, alter, change, or repeal any provision in the LSB Articles. However, subject to any voting rights of any

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given at a meeting of shareholders duly called for that purpose, upon a proposal adopted and recommended by the vote of two-thirds (2/3) of the entire board of directors of Old National. These provisions include Article VIII, Section 11 (relating to the approval of certain business combinations), Article VIII, Section 12 (relating to the board's consideration of certain non-financial factors in the evaluation of business combinations) and Article VIII, Section 13 (relating to limitations on further purchases of shares by shareholders who own 15% or more of Old National's outstanding shares).

The Old National Articles and the Old National By-Laws provide that the Old National By-Laws may only be altered, amended or repealed by a majority vote of the total number of directors of Old National.

Business Combination Restrictions and Other Shareholder Limitations*Business Combinations*

The Old National Articles require the affirmative vote of not less than 80% of the outstanding shares of Old National common stock to approve certain business combinations, including a merger or consolidation of Old National with or into any other corporation, which are not approved and recommended by the vote of two-thirds (2/3) of the entire board of directors of Old National. All other business combinations require the affirmative vote of a majority of the outstanding shares of Old National common stock. This provision of the Old National Articles may not be altered, amended or repealed except by the affirmative vote of the holders of not less than 80% of the outstanding shares of Old National common stock, given at a meeting of shareholders duly called for that purpose, upon a proposal adopted and recommended by the vote of two-thirds (2/3) of the entire board of directors of Old National.

In taking or declining to take any action or in making any recommendation to a corporation's shareholders with respect to any matter, the IBCL provides that directors of Indiana corporations, in their discretion, may consider both the short-term and long-term interests of the corporation, taking

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preferred stock designation, certain Articles of the LSB Articles may only be amended by the affirmative vote of at least 80% of the shares entitled to vote. These provisions include parts of Article V (Share Terms) (relating to preferred stock, issuance of shares and preemptive rights), Article VI (Directors), Article VIII (Voting Restrictions), Article IX (Provisions for Certain Business Combinations), and Article X (Indemnification).

Business Combinations

The LSB Articles provide that in addition to any affirmative vote required by law or the LSB Articles, the affirmative vote of the holders of at least 80% of the total number of outstanding voting stock of LSB shall be required to approve any of the following business combinations between LSB (or any majority-owned subsidiary of LSB) and a 10% or more shareholder of LSB: (a) merger or consolidation, (b) sale, lease, exchange, mortgage, pledge, transfer or other disposition of assets, (c) certain issuances and transfers of securities, (d) adoption of a plan or proposal of liquidation or dissolution, or (e) reclassification of securities or recapitalization of LSB with any of its subsidiaries or any other transaction which has the direct or indirect effect of increasing the proportionate share of outstanding shares of any class or series of equity or convertible securities of LSB, in each case involving a shareholder who beneficially owns 10% or more of the voting power of the LSB voting stock.

into account and weighing, as the directors deem appropriate, the effects of such action or inaction on the corporation's shareholders and other constituencies as well as certain interests described in the IBCL and any other factors the directors consider

These supermajority vote provisions do not apply in the case of transactions not involving the payment of cash or other consideration to the shareholders of LSB if the transaction was approved by a majority vote of certain LSB directors unaffiliated with the 10% or greater shareholder. In the case of all other business combinations, the supermajority vote provisions do not apply if the transaction either (i)

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relevant. The Old National Articles require the board of directors, in connection with exercising its business judgment in determining what is in the best interests of Old National and its shareholders when evaluating a business combination or a tender or exchange offer, consider factors in addition to the adequacy of the financial consideration, such as the following factors and any other factors it deems relevant: the social and economic effects of the transaction on Old National and its subsidiaries, depositors, loan and other customers, creditors and other elements of the communities in which Old National and its subsidiaries operate or are located; the business and financial condition and earning prospects of the acquiring person or entity, including, but not limited to, debt service and other existing or likely financial obligations of the acquiring person or entity, and the possible effect of such conditions upon Old National and its subsidiaries and the other elements of the communities in which Old National and its subsidiaries operate or are located; and the competence, experience and integrity of the acquiring person or entity and its management. This provision of the Old National Articles may not be altered, amended or repealed except by the affirmative vote of the holders of not less than 80% of the outstanding shares of Old National common stock, given at a meeting of shareholders duly called for that purpose, on a proposal adopted and recommended by the vote of two-thirds (2/3) of the entire board of directors of Old National.

The inclusion of the foregoing requirement in the Old National Articles, as well as the flexibility provided to directors under the IBCL to consider non-financial factors and other interests in connection with the evaluation of a business combination transaction, may place the Old National board of directors in a stronger position to oppose a business combination transaction if the board concludes that the transaction would not be in the best interests of Old National and its shareholders, even if the price offered in connection with the proposed business combination is significantly greater than the then market price of Old National's common stock. Accordingly, it may be more difficult for an acquirer to gain control of Old National in a transaction not approved by its boards of directors.

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was approved as described above for non-cash consideration or (ii) meets certain other conditions, including consideration per share generally equal to the higher of (A) the highest amount paid by such 10% or greater shareholder or its affiliates in acquiring any shares of the LSB common stock or (B) the Fair Market Value of such shares (generally, the highest closing sale price paid for the common stock during the thirty days preceding the date of the announcement of the proposed business combination or on the date the 10% or greater shareholder became such, whichever is higher).

In addition to any affirmative vote of the holders of any particular class or series of capital stock required by law or any preferred stock designation, the business combinations provision of the LSB Articles may only be amended by the affirmative vote of at least 80% of the holders of all outstanding shares of LSB common stock entitled to vote, voting together as a single class.

In taking or declining to take any action or in making any recommendation to a corporation's shareholders with respect to any matter, the IBCL provides that directors of Indiana corporations, in their discretion, may consider both the short-term and long-term interests of the corporation, taking into account and weighing, as the directors deem appropriate, the effects of such action or inaction on the corporation's shareholders and other constituencies as well as certain interests described in the IBCL and any other factors the directors consider relevant. The LSB Articles provide that in addition to any other considerations the board of directors may lawfully take into account in determining whether to take or refrain from taking any corporate action on any matter, including making or declining to make any recommendation to the LSB shareholders, the board of directors may in its discretion consider both the short-term and long-term best interests of LSB (including the possibility that these interests may be best served by the continued independence of LSB), taking into account, and

Under the business combinations provision of the IBCL, any shareholder who acquires a 10%-or-greater ownership position in an Indiana corporation with a class of voting shares registered under Section 12 of the Exchange Act (and that has not opted-out of this provision) is prohibited for a period of five years from

weighing as the directors deem appropriate, the social and economic effects of such action on present and future employees, suppliers, customers of LSB and its subsidiaries (including account holders and borrowers of any of LSB's subsidiaries), the effect upon communities in which offices or other facilities of LSB are located, the effect on LSB's ability to fulfill its corporate

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completing a business combination (generally a merger, significant asset sale or disposition or significant issuance of additional shares) with the corporation unless, prior to the acquisition of such 10% interest, the board of directors of the corporation approved either the acquisition of such interest or the proposed business combination. If such board approval is not obtained, then five years after a 10% shareholder has become such, a business combination with the 10% shareholder is permitted if all provisions of the articles of incorporation of the corporation are complied with and either a majority of disinterested shareholders approves the transaction or all shareholders receive a price per share determined in accordance with the fair price criteria of the business combinations provision of the IBCL. An Indiana corporation may elect to remove itself from the protection provided by the Indiana business combinations provision, but such an election remains ineffective for 18 months and does not apply to a combination with a shareholder who acquired a 10% ownership position prior to the election. Old National has not elected to remove itself from the protections of this provision.

Control Share Acquisitions

The IBCL includes a control share acquisition provision. Under the control share acquisition provision, unless otherwise provided in the corporation's articles of incorporation or by-laws, if a shareholder acquires shares of the corporation's voting stock (referred to as control shares) within one of several specified ranges (one-fifth or more but less than one-third, one-third or more but less than a majority, or a majority or more), approval of a majority of the disinterested shareholders must be obtained before the acquiring shareholder may vote the control shares. Under certain circumstances, including in the event that shareholder approval is not obtained, the shares held by the acquirer may be redeemed by the corporation at the fair value of the shares as determined by the control share acquisition provision. Old National is subject to the control share acquisition provision. The control share acquisition provision does not apply to a plan of merger or share exchange, if the corporation complies with the applicable

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obligations as a savings institution holding company and on the ability of any of its subsidiary savings institutions to fulfill the objectives of a stock form savings institution under applicable statutes and regulations, and any other factors the directors consider pertinent. In addition to any affirmative vote of the holders of any particular class or series of capital stock required by law or any preferred stock designation, this director considerations provision of the LSB Articles may only be amended by the affirmative vote of at least 80% of the holders of all outstanding shares of LSB common stock entitled to vote, voting together as a single class.

Under the business combinations provision of the IBCL, any shareholder who acquires a 10% or greater ownership position in an Indiana corporation with a class of voting shares registered under Section 12 of the Exchange Act (and that has not opted-out of this provision) is prohibited for a period of five years from completing a business combination (generally a merger, significant asset sale or disposition or significant issuance of additional shares) with the corporation unless, prior to the acquisition of such 10% interest, the board of directors of the corporation approved either the acquisition of such interest or the proposed business combination. If such board approval is not obtained, then five years after a 10% shareholder has become such, a business combination with the 10% shareholder is permitted if all provisions of the articles of incorporation of the corporation are complied with and either a majority of disinterested shareholders approves the transaction or all shareholders receive a price per share determined in accordance with the fair price criteria of the business combinations provision of the IBCL. An Indiana corporation may elect to remove itself from the protection provided by the Indiana business combinations provision, but such an election remains ineffective for 18 months and does not apply to a combination with a shareholder who acquired a 10% ownership position prior to the election. LSB has not elected to remove itself from the protections of this provision.

merger provisions and is a party to the plan of merger or plan of share exchange.

Table of Contents**Old National***Limitations on Significant Shareholders*

The Old National Articles provide that shareholders who acquire 15% of the outstanding Old National common stock and who seek to acquire, directly or indirectly, additional shares of common stock in connection with a tender or exchange offer, open market purchase or business combination must offer and pay for such additional shares a consideration that is at least equal to the highest percent over market value paid to acquire Old National common stock then held by such person. Any purchases of shares in violation of this provision are null and void. This provision of the Old National Articles may not be altered, amended or repealed except by the affirmative vote of the holders of not less than 80% of the outstanding shares of Old National common stock, given at a meeting of shareholders duly called for that purpose, upon a proposal adopted and recommended by the vote of two-thirds (2/3) of the entire board of directors of Old National.

LSB*Control Share Acquisitions*

The IBCL includes a control share acquisition provision. Under the control share acquisition provision, unless otherwise provided in the corporation's articles of incorporation or by-laws, if a shareholder acquires shares of the corporation's voting stock (referred to as control shares) within one of several specified ranges (one-fifth or more but less than one-third, one-third or more but less than a majority, or a majority or more), approval of a majority of the disinterested shareholders must be obtained before the acquiring shareholder may vote the control shares. Under certain circumstances, including in the event that shareholder approval is not obtained, the shares held by the acquirer may be redeemed by the corporation at the fair value of the shares as determined by the control share acquisition provision. LSB is subject to the control share acquisition provision. The control share acquisition provision does not apply to a plan of merger or share exchange, if the corporation complies with the applicable merger provisions and is a party to the plan of merger or plan of share exchange.

Limitations on Significant Shareholders

The LSB Articles provide that in no event shall any record owner of any outstanding common stock which is beneficially owned, directly or indirectly, by a person who beneficially owns more than 10% of the outstanding voting shares of LSB common stock (the Limit) be entitled or permitted to any vote with respect to the shares held in excess of the Limit (the number of votes to be cast by the person owning shares in excess of the Limit is determined by a formula provided in the LSB Articles). Beneficial ownership is to be determined pursuant to Rule 13d-3 of the General Rules and Regulations of the Exchange Act and includes shares beneficially owned by any affiliate of such person, shares which such person or his affiliates

have the right to acquire upon the exercise of conversion rights or options, and shares as to which such person and his affiliates have or share investment or voting power, and shall not include a person who has obtained the right to vote shares pursuant to revocable proxies.

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Old National

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The directors and officers of LSB shall not be deemed to own each others' shares beneficially by virtue of acting in concert as directors and officers of LSB or on behalf of any LSB stock ownership or other plan.

In addition to any affirmative vote of the holders of any particular class or series of capital stock required by law or any preferred stock designation, the voting limitations provision of the LSB Articles may only be amended by the affirmative vote of at least 80% of the holders of all outstanding shares of LSB common stock entitled to vote, voting together as a single class.

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MATERIAL FEDERAL INCOME TAX CONSEQUENCES

General. The following is a summary of the material anticipated United States federal income tax consequences generally applicable to a U.S. Holder (as defined below) of LSB common stock with respect to the exchange of LSB common stock for Old National common stock and cash pursuant to the Merger. This discussion assumes that U.S. Holders hold their LSB common stock as capital assets within the meaning of section 1221 of the Internal Revenue Code of 1986, as amended (Code). This summary represents general information only and is based on the Code, its legislative history, existing and proposed Treasury Regulations, judicial decisions and administrative pronouncements, each as in effect as of the date of this proxy statement and prospectus. All of the foregoing are subject to change at any time, possibly with retroactive effect, and all are subject to differing interpretation and any change could affect the continuing validity of this discussion. No advance ruling has been or will be sought by Old National or LSB and none will be obtained from the Internal Revenue Service regarding the United States federal income tax consequences of the Merger. As a result, no assurance can be given that the Internal Revenue Service would not assert, or that a court would not sustain, a position contrary to any of the tax consequences set forth below.

This summary does not address any tax consequences arising under United States federal tax laws other than United States federal income tax laws, nor does it address the laws of any state, local, foreign or other taxing jurisdiction, nor does it address any aspect of income tax that may be applicable to non-U.S. Holders of LSB common stock. In addition, this summary does not address all aspects of United States federal income taxation that may apply to U.S. Holders of LSB common stock in light of their particular circumstances or U.S. Holders that are subject to special rules under the Code, such as holders of LSB common stock that are partnerships or other pass-through entities (and persons holding their LSB common stock through a partnership or other pass-through entity), persons who acquired shares of LSB common stock as a result of the exercise of employee stock options or otherwise as compensation or through a tax-qualified retirement plan, persons subject to the alternative minimum tax provisions of the Code, tax-exempt organizations, mutual funds, brokers or dealers in securities or foreign currencies, banks, financial institutions, broker-dealers, traders in securities that have elected to apply a mark to market method of accounting, insurance companies, persons having a functional currency other than the U.S. dollar and persons holding their LSB common stock as part of a straddle, hedging, constructive sale or conversion transaction.

For purposes of this summary, a U.S. Holder is a beneficial owner of LSB common stock that is for United States federal income tax purposes:

a United States citizen or resident alien;

a corporation, or other entity taxable as a corporation for United States federal income tax purposes, created or organized under the laws of the United States or any state therein or the District of Columbia;

a trust if (1) it is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust, or (2) it was in existence on August 20, 1996 and has a valid election in effect under applicable Treasury Regulations to be treated as a United States person; and

an estate, the income of which is subject to United States federal income taxation regardless of its source.

If a partnership (including an entity treated as a partnership for United States federal income tax purposes) holds LSB common stock, the tax treatment of a partner in the partnership will generally depend on the status of such partner and the activities of the partnership. If a U.S. Holder is a partner in a partnership holding LSB common stock, such holder should consult its tax advisor.

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HOLDERS ARE URGED TO CONSULT WITH THEIR TAX ADVISORS REGARDING THE TAX CONSEQUENCES OF THE MERGER TO THEM, INCLUDING THE EFFECTS OF UNITED STATES FEDERAL, STATE AND LOCAL, FOREIGN AND OTHER TAX LAWS AND OF CHANGES IN THOSE LAWS.

Old National and LSB have structured the Merger to qualify as a reorganization within the meaning of Section 368(a) of the Code for U.S. federal income tax purposes. The obligations of Old National and LSB to consummate the Merger are conditioned upon the receipt of an opinion from Krieg DeVault LLP, counsel to Old National, dated as of the effective date of the Merger, to the effect that the Merger will for U.S. federal income tax purposes qualify as a reorganization within the meaning of Section 368(a) of the Code. In addition, the opinion must state that LSB and Old National are parties to such reorganization within the meaning of Section 368(b) of the Code and that no gain or loss shall be recognized by the shareholders of LSB who receive shares of Old National in exchange for shares of LSB common stock.

The opinion will be based on representation letters provided by LSB and Old National and on customary factual assumptions. If any of the representations or assumptions upon which the opinions are based are inconsistent with the actual facts existing at the effective time of the Merger, the tax consequences of the Merger could be adversely affected. The determination by tax advisors as to whether the proposed merger will be treated as a reorganization within the meaning of Section 368(a) of the Code will depend upon the facts and law existing at the effective time of the proposed merger, unless tax counsel determines that such determination may be made as of the last business day before the Merger Agreement becomes a binding contract in accordance with Treas. Reg. § 1.368-1(e). Old National and LSB have not requested and do not intend to request any ruling from the Internal Revenue Service. The opinion is not binding on the IRS or any court and do not preclude the IRS from asserting, or a court from sustaining, a contrary conclusion. Old National urges each LSB shareholder to consult such shareholder's own tax advisors as to the specific tax consequences resulting from the Merger, including tax return reporting requirements, the applicability and effect of federal, state, local and other applicable tax laws and the effect of any proposed changes in the tax laws.

Assuming the Merger is treated as a reorganization within the meaning of Section 368(a) of the Code, the material United States federal income tax consequences of the Merger are as follows:

no gain or loss will be recognized by Old National, its subsidiaries or LSB or Lafayette Savings by reason of the Merger;

you will not recognize gain if you exchange your LSB common stock for Old National common stock, except to the extent of any cash received (see discussion below);

you will not recognize any loss if you exchange your LSB common stock for Old National common stock, even if you might otherwise recognize a loss in a sale to a third party;

your aggregate tax basis in the Old National common stock that you receive in the Merger will equal your aggregate tax basis in the LSB common stock you surrendered, decreased by the amount of cash received and increased by the amount of any gain recognized; and

your holding period for the Old National common stock that you receive in the Merger will include your holding period for the shares of LSB common stock that you surrender in the Merger.

Exchange of LSB Common Stock for Cash and Old National Common Stock. LSB shareholders will exchange all of their LSB common stock for a combination of Old National common stock and cash in the Merger. Accordingly, shareholders will recognize gain, if any, (but not loss) in an amount equal to the lesser of (i) the amount of cash received in the Merger; and (ii) the excess, if any, of (a) the sum of the amount of cash and the fair market value of the Old National common stock received in the Merger over (b) the LSB shareholder's aggregate tax basis in its LSB common stock surrendered in exchange therefor. Such LSB shareholder's aggregate tax basis in the Old National common stock received will be equal to the shareholder's aggregate tax basis in its LSB common stock surrendered, decreased by the amount of any cash received and increased by the

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amount of any gain recognized. Such LSB shareholder's holding period for Old National common stock received will include the holding period of the LSB common stock surrendered in the Merger.

The gain recognized upon receipt of a combination of stock and cash will be capital gain unless the LSB shareholder's receipt of cash has the effect of a distribution of a dividend, in which case the gain will be treated as ordinary income to the extent of the holder's ratable share of LSB's accumulated earnings and profits, as calculated for U.S. federal income tax purposes. For purposes of determining whether a LSB shareholder's receipt of cash has the effect of a distribution of a dividend, the LSB shareholder will be treated as if he, she or it first exchanged all of his, her or its LSB common stock solely in exchange for Old National common stock and then Old National immediately redeemed a portion of that stock for the cash that the holder actually received in the Merger (referred to herein as the "deemed redemption"). Receipt of cash will generally not have the effect of a dividend to the LSB shareholder if such receipt is, with respect to the LSB shareholder, not essentially equivalent to a dividend or substantially disproportionate, each within the meaning of Section 302(b) of the Code. In order for the deemed redemption to be not essentially equivalent to a dividend, the deemed redemption must result in a meaningful reduction in the shareholder's deemed percentage stock ownership of Old National following the Merger. The determination generally requires a comparison of the percentage of the outstanding stock of Old National the shareholder is considered to have owned immediately before the deemed redemption to the percentage of the outstanding stock of Old National the shareholder owns immediately after the deemed redemption. The Internal Revenue Service has indicated in rulings that any reduction in the interest of a minority shareholder that owns a small number of shares in a publicly and widely held corporation and that exercises no control over corporate affairs would result in capital gain (as opposed to dividend) treatment.

For purposes of applying the foregoing tests, a shareholder will be deemed to own the stock the shareholder actually owns and the stock the shareholder constructively owns under the attribution rules of Section 318 of the Code. Under Section 318 of the Code, a shareholder will be deemed to own the shares of stock owned by certain family members, by certain estates and trusts of which the shareholder is a beneficiary, and by certain affiliated entities, as well as shares of stock subject to an option actually or constructively owned by the shareholder or such other persons. If, after applying these tests, the deemed redemption results in a capital gain, the capital gain will be long-term if the LSB shareholder's holding period for its LSB common stock is more than one year as of the date of the exchange. If, after applying these tests, the deemed redemption results in the gain recognized by a LSB shareholder being classified as a dividend, such dividend will be treated as either ordinary income or qualified dividend income.

Any gain treated as qualified dividend income will be taxable to individual LSB shareholders at the long-term capital gains rate, provided that the shareholder held the shares giving rise to such income for more than 60 days during the 121 day period beginning 60 days before the closing date. Any gain treated as ordinary income will be taxable at ordinary income rates. The determination as to whether a LSB shareholder will recognize a capital gain or dividend income as a result of its exchange of LSB common stock for a combination of Old National common stock and cash in the Merger is complex and is determined on a shareholder-by-shareholder basis. Accordingly, each LSB shareholder is urged to consult such shareholder's own tax advisor with respect to this determination.

Backup Withholding and Information Reporting. Payments of cash to a holder of LSB common stock may, under certain circumstances, be subject to information reporting and backup withholding at a rate of 28% of the cash payable to the holder, unless the holder provides proof of an applicable exemption or furnishes his, her or its taxpayer identification number, and otherwise complies with all applicable requirements of the backup withholding rules. Any amounts withheld from payments to a holder under the backup withholding rules are not additional tax and will be allowed as a refund or credit against the holder's U.S. federal income tax liability, provided the required information is timely furnished to the Internal Revenue Service. An LSB shareholder who receives Old National common stock as a result of the Merger will generally be required to retain records pertaining to the Merger and will be required to file with such shareholder's United States federal income tax return for the year in which the Merger takes place a

statement setting forth certain facts relating to the Merger.

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LSB shareholders should consult their tax advisors as to their qualifications for exemption from backup withholding, the procedure for establishing an exemption, any recordkeeping requirements.

Tax on Net Investment Income. Certain U.S. Holders whose income exceeds certain threshold amounts will be subject to a 3.8% tax on net investment income in tax years beginning on or after January 1, 2013. Net investment income generally includes dividends and capital gains with respect to the sale, exchange, or other disposition of stock. Each LSB shareholder is urged to consult his, her or its tax advisor to determine their own particular tax consequences with respect to the Merger Consideration to be received in the Merger and the net investment income tax.

The preceding discussion is intended only as a summary of material United States federal income tax consequences of the Merger. It is not a complete analysis or discussion of all potential tax effects that may be important to you. Thus, LSB urges LSB shareholders to consult their own tax advisors as to the specific tax consequences to them resulting from the Merger, including tax return reporting requirements, the applicability and effect of federal, state, local, and other applicable tax laws and the effect of any proposed changes in the tax laws.

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PROPOSAL 2 NON-BINDING ADVISORY VOTE ON EXECUTIVE OFFICER MERGER-RELATED COMPENSATION ARRANGEMENTS

As required by Section 14A of the Exchange Act and Rule 14a-21(c) promulgated thereunder, which were enacted pursuant to the Dodd-Frank Act, LSB is required to submit a proposal to its shareholders for a non-binding advisory vote to approve the payment of certain compensation to the named executive officers of LSB that is based on or otherwise relates to the Merger. This proposal, commonly known as "say-on-golden parachute," gives LSB shareholders the opportunity to express their views on the compensation that certain of LSB's named executive officers may be entitled to receive that is based on or otherwise relates to the Merger.

The named executive officers of LSB named below are entitled to receive certain compensation that is based on or that otherwise relates to the Merger. This compensation, collectively referred to as "golden parachute" compensation, is described in narrative form in the section entitled "Interests of Certain Officers and Directors of LSB in the Merger" beginning on page . The descriptions and quantifications of the payments in the table below are intended to comply with Item 402(t) of Regulation S-K, which requires disclosure of information about compensation and benefits that each of LSB's named executive officers will or may receive in connection with the Merger. LSB's only named executive officers are Randolph F. Williams, Mary Jo David, and Todd C. Van Sickle.

Therefore, LSB is requesting the approval of LSB's shareholders, on a non-binding advisory basis, of the compensation of the named executive officers of LSB based on or related to the Merger and the agreements and understandings concerning such compensation. As required by Rule 14a-21(c) of the Exchange Act, LSB is asking its shareholders to adopt the following resolution:

RESOLVED, that the compensation to be paid or become payable to the named executive officers of LSB Financial Corp. that is based on or otherwise relates to the Merger of LSB Financial Corp. with and into Old National Bancorp, and the agreements and understandings concerning such compensation, as disclosed in the table below entitled "Golden Parachute Compensation" pursuant to Item 402(t) of Regulation S-K and the associated narrative discussion, are hereby APPROVED.

Because the proposal is advisory in nature only, a vote for or against approval will not be binding on either LSB or Old National regardless of whether the Merger is approved. Accordingly, as the compensation to be paid to the named executive officers of LSB based on or related to the Merger is contractual with the executives, regardless of the outcome of this vote, such compensation will be payable, subject only to the conditions applicable thereto, if the Merger is completed. This proposal includes compensation that would be paid or provided by LSB if paid or provided prior to or upon the closing of the Merger, and which would be paid or provided by Old National if paid or provided following closing of the Merger. If the Merger is not completed, LSB's Board of Directors will consider the results of the vote in making future executive compensation decisions.

The following table sets forth the aggregate dollar value of the various elements of compensation that each named executive officer of LSB would receive that is based on or otherwise relates to the Merger, assuming the following:

the Merger closes on November 30, 2014;

shares of Old National common stock are valued at \$14.032 per share, the average closing market price of Old National's shares of common stock over the first five business days following the public announcement

of the Merger; and

shares of LSB common stock are valued at \$40.644 per share, the average closing market price of LSB s shares of common stock over the first five business days following the public announcement of the Merger.

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Any changes in these assumptions would affect the amounts shown in the following table. The amounts set forth below do not include amounts payable by Old National to the named executive officers pursuant to terms of any offer of employment with Old National effective at the effective time of the Merger which, in the case of Mr. Williams and Ms. David, supersede their employment agreements.

Golden Parachute Compensation

Name	Cash	Equity	Pension/ Perquisites/ NQDC	Benefits	Tax Reimbursement	Other	Total
	(\$)(1)	(\$)(2)	(\$)(3)	(\$)	(\$)	(\$)	(\$)
Randolph F. Williams President and CEO	\$ 532,036	\$ 125,378					\$ 657,414
Mary Jo David Senior Vice President, CFO, and Secretary	\$ 319,101	\$ 94,816					\$ 413,917
Todd C. Van Sichel Vice President - Director of Operations of Lafayette Savings		\$ 94,816					\$ 94,816

- (1) For Mr. Williams and Ms. David, represents 2.99 times the base amount of their compensation as determined under Section 280G of the Internal Revenue Code of 1986, as amended, reduced to the maximum amount that may be paid under Section 280G of the Code without triggering excise taxes. Such amounts will be paid in a lump sum to Mr. Williams and Ms. David at the closing. Payment of the foregoing amounts is conditioned on the executives' compliance with certain covenants, including the execution of a general release, confidentiality obligations, and for 24 months following termination of employment, nonsolicitation of employees and customers and noncompetition. These amounts represent a single-trigger arrangement payable at the closing and not conditioned on the officers' termination of employment. In addition, Mr. Williams, Ms. David and Mr. Van Sichel expect to receive at closing payments of the amounts accrued under Lafayette Savings Management Incentive Plan, estimated at \$48,000, \$12,000 and \$11,000, respectively. These amounts are not included in the chart above because they do not represent an enhanced benefit as they consist only of benefits accrued under that plan pursuant to its terms.
- (2) The amount in this column includes the dollar value of accelerated stock option awards of LSB common stock, which will be cashed out at closing of the Merger, valuing such accelerated options at the difference between the value of the Merger Consideration per share less the exercise price of the option. In making these calculations, it was assumed that the value of Old National common stock was \$14.032, as noted above. These amounts represent a single-trigger arrangement payable at the closing and not conditioned on the officers' termination of employment.
- (3) Mr. Williams will receive a lump sum payment estimated at \$510,000 under his Deferred Compensation Agreement at the closing of the Merger. This amount is not included in the chart above because it does not represent an enhanced benefit consisting only of benefits accrued under that agreement pursuant to its terms.

Such payment will be made on an accelerated basis to Mr. Williams as a result of the Merger. For the non-binding advisory resolution relating to the Merger-related compensation arrangements to be approved, more votes must be cast by LSB's shareholders in favor of the proposal than are cast against it. Abstentions and broker non-votes will not be included in the vote count and will have no effect on the outcome of the proposal.

LSB's Board of Directors unanimously recommends that shareholders vote FOR the approval of the non-binding advisory resolution approving the Merger-related compensation of LSB's named executive officers, and the agreements or understandings concerning such compensation.

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PROPOSAL 3 ADJOURNMENT OF THE SPECIAL MEETING

The shareholders of LSB are being asked to approve a proposal to adjourn or postpone the special meeting to permit further solicitation of proxies in the event that an insufficient number of shares is present in person or by proxy to approve the Merger Agreement.

Under the IBCL and the articles of incorporation of LSB, the holders of at least a majority of the outstanding shares of common stock of LSB entitled to vote are required to approve the Merger Agreement. It is rare for a company to achieve 100% (or even 90%) shareholder participation at an annual or special meeting of shareholders, and only one-third of the holders of the outstanding shares of common stock of LSB are required to be represented at the special meeting, in person or by proxy, for a quorum to be present. In the event that shareholder participation at the special meeting is lower than expected, LSB would like the flexibility to postpone or adjourn the meeting in order to attempt to secure broader shareholder participation. If LSB desires to adjourn the special meeting, LSB will request a motion that the special meeting be adjourned, and delay the vote on the proposal to approve the Merger Agreement until the special meeting is reconvened. If LSB adjourns the special meeting for 30 days or less, LSB will not set a new record date nor will it announce prior to adjournment the date, time and location at which the special meeting will be reconvened; no other notice will be provided.

Any adjournment will permit LSB to solicit additional proxies and will permit a greater expression of the views of LSB shareholders with respect to the Merger. Such an adjournment would be disadvantageous to shareholders who are against the proposal to approve the Merger Agreement because an adjournment will give LSB additional time to solicit favorable votes and increase the chances of approving that proposal. LSB has no reason to believe that an adjournment of the special meeting will be necessary at this time.

The LSB board of directors unanimously recommends that LSB shareholders vote FOR approval of the Adjournment Proposal.

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DESCRIPTION OF LSB

General

LSB is an Indiana corporation which was organized in 1994 by Lafayette Savings for the purpose of becoming a savings and loan holding company. Lafayette Savings is a federally chartered stock savings bank headquartered in Lafayette, Indiana. Originally organized in 1869, Lafayette Savings converted to a federal savings bank in 1984. Lafayette Savings' deposits are insured up to the applicable limits by the Federal Deposit Insurance Corporation (the FDIC). In February 1995, Lafayette Savings converted to the stock form of organization through the sale and issuance of 1,029,576 shares of its common stock to LSB. LSB's principal asset is the outstanding stock of Lafayette Savings. LSB presently has no separate operations and its business consists only of the business of Lafayette Savings. References in Description of LSB, Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities, Management's Discussion and Analysis of Financial Condition and Results of Operations, and Securities Ownership of LSB in this proxy statement and prospectus to LSB refer to LSB and/or Lafayette Savings as the context requires.

LSB has been, and intends to continue to be, a community-oriented financial institution. LSB's principal business consists of attracting retail deposits from the general public and investing those funds primarily in permanent first mortgage loans secured by owner-occupied, one- to four-family residences, and to a lesser extent, non-owner-occupied one- to four-family residential, commercial real estate, multi-family, construction and development, consumer and commercial business loans. LSB currently serves Tippecanoe County, Indiana and its surrounding counties through LSB's five retail banking offices. At March 31, 2014, LSB had total assets of \$366.1 million, deposits of \$312.2 million and stockholders' equity of \$41.3 million.

LSB's revenues are derived principally from interest on mortgage and other loans and interest on securities.

LSB's executive offices are located at 101 Main Street, Lafayette, Indiana 47901. LSB's telephone number at that address is (765) 742-1064.

Lafayette Savings owns a service corporation, L.S.B. Service Corporation. In April 1994, Lafayette Savings made an initial investment of \$51,000 in L.S.B. Service Corporation when it became a 14.16% limited partner in a low-income housing project in Lafayette, Indiana. During 2013, L.S.B. Service Corporation transferred the limited partnership interest for one dollar and recorded a loss of \$80,440 for the investment balance remaining on the books. L.S.B. Service Corporation is currently inactive, pending either renewed investment in an appropriate low-income housing project or other course of action determined by management. At December 31, 2013, LSB's total investment in L.S.B. Service Corporation was \$415,292.

Employees

At December 31, 2013, LSB had a total of 93 employees, including part-time employees. LSB's employees are not represented by any collective bargaining group. LSB's management considers its employee relations to be good.

Competition

LSB faces strong competition, both in originating real estate and other loans and in attracting deposits. Competition in originating real estate loans comes primarily from other savings institutions, commercial banks, credit unions and mortgage bankers making loans secured by real estate located in Tippecanoe County, LSB's primary market area. Other savings institutions, commercial banks, credit unions and finance companies provide vigorous competition in

consumer lending.

LSB attracts the majority of its deposits through its branch offices, primarily from the communities in which those branch offices are located; therefore, competition for those deposits is principally from other savings

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institutions, commercial banks and credit unions located in the same communities as well as mutual funds and other financial intermediaries. LSB competes for these deposits by offering a variety of deposit accounts at competitive rates, convenient business hours and branch locations and Internet banking with interbranch deposit and withdrawal privileges.

There are 22 other savings institutions, credit unions and banks in LSB's primary market area. LSB estimates its share of the savings market in Tippecanoe County to be approximately 15% and its share of the mortgage loan market to be approximately 10%.

Properties

LSB conducts its business at its main office and four other locations in Lafayette and West Lafayette, Indiana. LSB owns its main office and three branch offices. The fourth branch office is leased with the term of the lease expiring in 2014. LSB has purchased property and is constructing a new branch which will replace the leased branch in mid-2014. The total net book value of its premises and equipment (including land, building and leasehold improvements and furniture, fixtures and equipment) at December 31, 2013 was approximately \$6.0 million. LSB has also purchased an office building adjacent to the main office location as its growth rate has required space for additional personnel. The ground floor of the building has been renovated to provide an easily accessible location for LSB's residential loan production area.

LSB maintains an on-line database of depositor and borrower customer information. The net book value of LSB's data processing, computer equipment and software at December 31, 2013 was \$513,000.

Legal Proceedings

In 2010, LSB entered into a Memorandum of Understanding (the "MOU") with the Office of Thrift Supervision (the "OTS") under which LSB agreed to take a number of actions to address concerns identified by the OTS in connection with its 2010 examination of Lafayette Savings. As a result of the Dodd-Frank Act, the Board of Governors of the Federal Reserve System (the "Federal Reserve") assumed responsibility for the MOU. By letter dated February 26, 2014, the Federal Reserve notified LSB that the MOU was terminated. However, at that time, the Federal Reserve advised LSB that its board of directors will be required to adopt resolutions confirming LSB's commitment to continue to obtain written approval from the Federal Reserve prior to declaring dividends, increasing debt or redeeming LSB common stock. LSB's board of directors took action with respect to these resolutions at its board meeting held on March 17, 2014.

LSB is, from time to time, involved as plaintiff or defendant in various legal actions arising in the normal course of business. While the ultimate outcome of these proceedings cannot be predicted with certainty, it is the opinion of LSB's management, after consultation with counsel representing LSB in the proceedings, that the resolution of any prior and pending proceedings should not have a material effect on LSB's financial condition or results of operations.

Table of Contents**MARKET FOR LSB'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

As of the record date, there were approximately holders of record of LSB common stock and shares of issued and outstanding common stock. LSB's common stock is quoted on the NASDAQ Global Market under the symbol LSBI.

The following table sets forth, for the periods shown, the high and low sale price of the common stock and cash dividends per share declared.

Quarter Ended	High	Low	Cash Dividends Declared
March 31, 2012	\$ 19.05	\$ 13.50	\$ 0.00
June 30, 2012	19.00	16.96	0.00
September 30, 2012	18.75	17.80	0.00
December 31, 2012	21.19	17.95	0.05
March 31, 2013	23.38	19.70	0.05
June 30, 2013	22.70	20.44	0.05
September 30, 2013	28.49	22.66	0.07
December 31, 2013	30.00	27.00	0.07
March 31, 2014	29.99	27.01	0.09
June 30, 2014	42.22	28.30	0.09

Dividend payment decisions are made with consideration of a variety of factors including earnings, financial condition, market considerations and regulatory restrictions. As a savings association that is a subsidiary of a holding company, Lafayette Savings may pay dividends with prior notice to the Federal Reserve, with a copy to the Office of the OCC, in an amount that does not exceed its net income for the calendar year-to-date plus retained net income for the previous two calendar years (less dividends previously paid). This is permitted provided the savings association has a regulatory rating in the two top examination categories, is not of supervisory concern, and would remain well-capitalized following the proposed distribution.

With respect to LSB, since it has no independent operation or other subsidiaries to generate income, its ability to pay cash dividends to its shareholders directly depends upon the ability of Lafayette Savings to pay dividends to it. LSB's ability to declare dividends is also subject to Indiana law, which prohibits a corporation from paying dividends if, after giving effect to payment of the dividends, the corporation would not be able to pay its debts as they become due in the usual course of business or the corporation's total assets would be less than the sum of its total liabilities plus preferential rights of holders of preferred stock, if any. LSB is required to obtain prior Federal Reserve approval before declaring dividends. Additional restrictions on dividend payments are described in Note 11 of the Notes to Consolidated Financial Statements included in this proxy statement and prospectus.

LSB has in place a repurchase program to repurchase up to 100,000 shares of its common stock, but no shares were repurchased in 2012 or 2013, or are expected to be repurchased in 2014.

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LSB's MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management's Discussion and Analysis should be read in conjunction with the consolidated financial statements included elsewhere in this proxy statement and prospectus. The financial statements reflect the consolidated financial condition and results of operations of LSB and its wholly owned subsidiary, Lafayette Savings.

Disclosure Regarding Forward-Looking Statements

This Management's Discussion and Analysis, including information included or incorporated by reference, contains forward-looking statements about LSB and its subsidiaries which LSB believes is within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, without limitation, statements with respect to anticipated future operating and financial performance, growth opportunities, interest rates, cost savings and funding advantages expected or anticipated to be realized by management. Words such as may, could, should, would, believe, anticipate, estimate, expect, intend, plan and similar expressions are intended to identify forward-looking statements. Forward-looking statements by LSB and its management are based on beliefs, plans, objectives, goals, expectations, anticipations, estimates and intentions of management and are not guarantees of future performance. LSB disclaims any obligation to update or revise any forward-looking statements based on the occurrence of future events, the receipt of new information or otherwise. The important factors discussed below, as well as other factors discussed under the caption Management's Discussion and Analysis of Financial Condition and Results of Operations in this proxy statement and prospectus could cause actual results to differ materially from those indicated by the forward-looking statements made in this proxy statement and prospectus.

The following factors, many of which are subject to change based on various other factors beyond LSB's control, could cause LSB's financial performance to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements:

the strength of the United States economy in general and the strength of the local economies in which LSB conducts its operations;

the effects of, and changes in, trade, monetary and fiscal policies and laws, including interest rate policies of the Federal Reserve Board;

financial market, monetary and interest rate fluctuations, particularly the relative relationship of short-term interest rates to long-term interest rates;

the timely development of and acceptance of new products and services of Lafayette Savings and the perceived overall value of these products and services by users, including the features, pricing and quality compared to competitors' products and services;

the willingness of users to substitute competitors' products and services for LSB's products and services;

the impact of changes in financial services laws and regulations (including laws concerning taxes, accounting standards, banking, securities and insurance);

the impact of technological changes;

acquisitions;

changes in consumer spending and saving habits; and

LSB's success at managing the risks involved in the foregoing.

Table of Contents**Possible Implications of Current Events**

Significant external factors impact LSB's results of operations including the general economic environment, changes in the level of market interest rates, government policies, actions by regulatory authorities and competition. LSB's cost of funds is influenced by interest rates on competing investments and general market rates of interest. Lending activities are influenced by the demand for real estate loans and other types of loans, which are in turn affected by the interest rates at which such loans are made, general economic conditions affecting loan demand and the availability of funds for lending activities.

Management continues to assess the impact on LSB of the uncertain economic and regulatory environment affecting the country at large and the financial services industry in particular. The level of turmoil in the financial services industry, and the resulting actions of legislators and regulators, have presented additional risks and challenges for LSB, as described below:

Extensive financial system reform, including implementation of the Dodd-Frank Act, has imposed and will continue to impose new requirements on LSB. On July 21, 2010, President Obama signed into law the Dodd-Frank Act, which significantly changed the regulation of financial institutions and the financial services industry. Many of its provisions went into effect on July 21, 2011, the one-year anniversary. The Dodd-Frank Act includes provisions affecting large and small financial institutions alike, including several provisions that profoundly affect how community banks, thrifts, and small bank and thrift holding companies, such as LSB, are regulated. Among other things, these provisions abolished the OTS and transferred its functions to the other federal banking agencies, relaxed rules regarding interstate branching, allowed financial institutions to pay interest on business checking accounts, changed the scope of federal deposit insurance coverage, imposed new capital requirements on bank and thrift holding companies, and imposed limits on debit card interchange fees charged by large banks (commonly known as the Durbin Amendment).

The Dodd-Frank Act created a new, independent federal agency called the Consumer Financial Protection Bureau (the CFPB), which was granted broad rulemaking, supervisory and enforcement powers under various federal consumer financial protection laws, including the Equal Credit Opportunity Act, Truth in Lending Act, Real Estate Settlement Procedures Act, Fair Credit Reporting Act, Fair Debt Collection Act, the Consumer Financial Privacy provisions of the Gramm-Leach-Bliley Act, and certain other statutes. In July 2011, many of the consumer financial protection functions formerly assigned to the federal banking and other designated agencies transferred to the CFPB. The CFPB has a large budget and staff, and has the authority to implement regulations under federal consumer protection laws and enforce those laws against financial institutions. The CFPB will have examination and primary enforcement authority with respect to depository institutions with \$10 billion or more in assets. Smaller institutions will be subject to rules promulgated by the CFPB but will continue to be examined and supervised by the federal banking regulators for consumer compliance purposes. The CFPB will have authority to prevent unfair, deceptive or abusive practice in connection with the offering of consumer financial products. Additionally, the CFPB is authorized to collect fines and provide consumer restitution in the event of violations, engage in consumer financial education, track consumer complaints, request data, and promote the availability of financial services to underserved consumers and communities. Moreover, the Dodd-Frank Act authorizes the CFPB to establish certain minimum standards for the origination of residential mortgages including a determination of the borrower's ability to repay. In addition, the Dodd-Frank Act will allow borrowers to raise certain defenses to foreclosure if they receive any loan other than a qualified mortgage as defined by the CFPB.

The CFPB has indicated that mortgage lending is an area of supervisory focus and that it will concentrate its examination and rulemaking efforts on the variety of mortgage-related topics required under the Dodd-Frank Act, including minimum standards for the origination of residential mortgages. The CFPB has published several final

regulations impacting the mortgage industry, including rules related to ability-to-repay, mortgage servicing, escrow accounts, and mortgage loan originator compensation. The ability-to-repay rule makes lenders liable if they fail to assess ability to repay under a prescribed test, but also creates a safe harbor for so called qualified

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mortgages. Failure to comply with the ability-to-repay rule may result in possible CFPB enforcement action and special statutory damages plus actual, class action, and attorneys' fees damages, all of which a borrower may claim in defense of a foreclosure action at any time.

The Dodd-Frank Act contains numerous other provisions affecting financial institutions of all types, many of which may have an impact on the operating environment of LSB in substantial and unpredictable ways. Consequently, the Dodd-Frank Act is expected to increase LSB's cost of doing business, it may limit or expand LSB's permissible activities, and it may affect the competitive balance within LSB's industry and market areas. The nature and extent of future legislative and regulatory changes affecting financial institutions, including as a result of the Dodd-Frank Act and the CFPB, is unpredictable at this time. LSB's management continues to actively monitor the implementation of the Dodd-Frank Act and the regulations promulgated thereunder and assess its probable impact on the business, financial condition, and results of operations of LSB. However, the ultimate effect of the Dodd-Frank Act and the CFPB on the financial services industry in general, and LSB in particular, remains uncertain.

Mortgage reform and anti-predatory lending regulations have been evolving. Title XIV of the Dodd-Frank Act, the Mortgage Reform and Anti-Predatory Lending Act, includes a series of amendments to the Truth In Lending Act with respect to mortgage loan origination standards affecting, among other things, originator compensation, minimum repayment standards and pre-payments. With respect to mortgage loan originator compensation, except in limited circumstances, an originator is prohibited from receiving compensation that varies based on the terms of the loan (other than the principal amount). The amendments to the Truth In Lending Act also prohibit a creditor from making a residential mortgage loan unless it determines, based on verified and documented information of the consumer's financial resources, that the consumer has a reasonable ability to repay the loan. The amendments also prohibit certain pre-payment penalties and require creditors offering a consumer a mortgage loan with pre-payment penalty to offer the consumer the option of a mortgage loan without such a penalty. In addition, the Dodd-Frank Act expands the definition of a high-cost mortgage under the Truth In Lending Act, and imposes new requirements on high-cost mortgages and new disclosure, reporting and notice requirements for residential mortgage loans, as well as new requirements with respect to escrows and appraisal practices.

New capital rules have been approved that will affect LSB and Lafayette Savings as they are phased in from 2015 to 2019. On July 2, 2013, the Federal Reserve approved final rules that substantially amend the regulatory risk-based capital rules applicable to LSB and Lafayette Savings. The FDIC and the OCC subsequently approved these rules. The final rules implement the Basel III regulatory capital reforms and changes required by the Dodd-Frank Act. Basel III refers to two consultative documents released by the Basel Committee on Banking Supervision in December 2009, the rules released in December 2010, and loss absorbency rules issued in January 2011, which include significant changes to bank capital, leverage and liquidity requirements.

The final rules include new risk-based capital and leverage ratios, which will be phased in from 2015 to 2019, and will refine the definition of what constitutes capital for purposes of calculating those ratios. The new minimum capital level requirements applicable to LSB and Lafayette Savings under the final rules are: (i) a new common equity Tier 1 capital ratio of 4.5%; (ii) a Tier 1 capital ratio of 6% (increased from 4%); (iii) a total capital ratio of 8% (unchanged from current rules); and (iv) a Tier 1 leverage ratio of 4% for all institutions. The rules also establish a capital conservation buffer above the new regulatory minimum capital requirements, which must consist entirely of common equity Tier 1 capital. The capital conservation buffer requirement will be phased in over four years beginning on January 1, 2016, as follows: the maximum buffer will be 0.625% of risk-weighted assets for 2016, 1.25% for 2017, 1.875% for 2018, and 2.5% for 2019 and thereafter. This will result in the following minimum ratios beginning in 2019: (i) a common equity Tier 1 capital ratio of 7.0%, (ii) a Tier 1 capital ratio of 8.5%, and (iii) a total capital ratio of 10.5%. Under the final rules, institutions are subject to limitations on paying dividends, engaging in share repurchases, and paying discretionary bonuses if their capital levels fall below the buffer amount. These limitations

would establish a maximum percentage of eligible retained income that could be utilized for such actions.

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Basel III provided discretion for regulators to impose an additional buffer, the countercyclical buffer, of up to 2.5% of common equity Tier 1 capital to take into account the macro-financial environment and periods of excessive credit growth. However, the final rules permit the countercyclical buffer to be applied only to advanced approach banks (i.e., banks with \$250 billion or more in total assets or \$10 billion or more in total foreign exposures), which currently excludes LSB and Lafayette Savings. The final rules also implement revisions and clarifications consistent with Basel III regarding the various components of Tier 1 capital, including common equity, unrealized gains and losses, as well as certain instruments that will no longer qualify as Tier 1 capital, some of which would be phased out over time.

The final rules also contain revisions to the prompt corrective action framework, which is designed to place restrictions on insured depository institutions, including Lafayette Savings, if their capital levels begin to show signs of weakness. These revisions take effect January 1, 2015. Under the prompt corrective action requirements, which are designed to complement the capital conservation buffer, insured depository institutions will be required to meet the following increased capital level requirements in order to qualify as well capitalized: (i) a new common equity Tier 1 capital ratio of 6.5%; (ii) a Tier 1 capital ratio of 8% (increased from 6%); (iii) a total capital ratio of 10% (unchanged from current rules); and (iv) a Tier 1 leverage ratio of 5% (increased from 4%).

The final rules set forth certain changes for the calculation of risk-weighted assets, which LSB will be required to utilize beginning January 1, 2015. The standardized approach final rule utilizes an increased number of credit risk exposure categories and risk weights, and also addresses: (i) an alternative standard of creditworthiness consistent with Section 939A of the Dodd-Frank Act; (ii) revisions to recognition of credit risk mitigation; (iii) rules for risk weighting of equity exposures and past due loans; (iv) revised capital treatment for derivatives and repo-style transactions; and (v) disclosure requirements for top-tier banking organizations with \$50 billion or more in total assets that are not subject to the advance approach rules that apply to banks with greater than \$250 billion in consolidated assets.

Based on LSB's current capital composition and levels, LSB believes that it would be in compliance with the requirements as set forth in the final rules if they were presently in effect.

The current economic environment poses challenges for LSB and could adversely affect LSB's financial condition and results of operations. LSB continues to operate in a challenging and uncertain economic environment, including generally uncertain national conditions and local conditions in LSB's markets. Overall economic growth continues to be slow and national and regional unemployment rates remain at elevated levels. The risks associated with LSB's business remain acute in periods of slow economic growth and high unemployment. Moreover, many financial institutions continue to be affected by an uncertain real estate market. While LSB continues to take steps to decrease and limit its exposure to problem loans, and while the local economy has remained somewhat insulated from the most severe effects of the current economic environment, LSB nonetheless retains direct exposure to the residential and commercial real estate markets and LSB is affected by these events.

LSB's loan portfolio includes commercial real estate loans, residential mortgage loans, and construction and land development loans. Declines in real estate values, home sales volumes and financial stress on borrowers as a result of the uncertain economic environment, including job losses, could have an adverse effect on LSB's borrowers or their customers, which could adversely affect LSB's financial condition and results of operations. In addition, the current level of low economic growth on a national scale, the occurrence of another national recession or a deterioration in local economic conditions in LSB's markets could drive losses beyond that which is provided for in LSB's allowance for loan losses and result in the following other consequences: increases in loan delinquencies, problem assets and foreclosures may increase; demand for LSB's products and services may decline; deposits may decrease, which would adversely impact LSB's liquidity position; and collateral for LSB's loans, especially real estate, may decline in value, in turn reducing customers' borrowing power, and reducing the value of assets and collateral associated with LSB's

existing loans.

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Difficult market conditions have adversely affected LSB's industry. LSB is particularly exposed to downturns in the U.S. housing market. Dramatic declines in the housing market over the past five years, with falling home prices and increasing foreclosures, unemployment and under-employment, have negatively impacted the credit performance of mortgage and construction loans and securities and resulted in significant write-downs of asset values by financial institutions, including government-sponsored entities, major commercial and investment banks, and regional financial institutions. Reflecting concern about the stability of the financial markets generally and the strength of counterparties, many lenders and institutional investors have continued to observe tight lending standards, including with respect to other financial institutions, although there have been signs that lending is increasing. These market conditions have led to an increased level of commercial and consumer delinquencies, lack of consumer confidence, and increased market volatility. A worsening of these conditions would likely exacerbate the adverse effects of these difficult market conditions on LSB and others in the financial institutions industry. In particular, LSB may face the following risks in connection with these events:

LSB is experiencing, and expects to continue experiencing, increased regulation of its industry, particularly as a result of the Dodd-Frank Act and the CFPB. Compliance with such regulation is expected to increase LSB's costs and may limit its ability to pursue business opportunities.

LSB's ability to assess the creditworthiness of its customers may be impaired if the models and approach it uses to select, manage and underwrite its customers become less predictive of future behaviors.

The process LSB uses to estimate losses inherent in its credit exposure requires difficult, subjective and complex judgments, including forecasts of economic conditions and how these economic predictions might impair the ability of its borrowers to repay their loans, which may no longer be capable of accurate estimation which may, in turn, impact the reliability of the process.

LSB's ability to borrow from other financial institutions on favorable terms or at all could be adversely affected by disruptions in the capital markets or other events, including actions by rating agencies and deteriorating investor expectations.

Competition in LSB's industry could intensify as a result of the increasing consolidation of financial services companies in connection with current market conditions.

LSB may be required to pay higher deposit insurance premiums because market developments have depleted the insurance fund of the FDIC and reduced the ratio of reserves to insured deposits.

Future reduction in liquidity in the banking system could pose challenges for LSB. The Federal Reserve Bank has been injecting vast amounts of liquidity into the banking system to compensate for weaknesses in short-term borrowing markets and other capital markets. However, the Federal Reserve has announced that it will begin cutting back and reducing its bond-buying program during 2014. A reduction in the Federal Reserve's activities or capacity could reduce liquidity in the markets, thereby increasing funding costs to LSB or reducing the availability of funds to LSB to finance its existing operations.

Changes in insurance premiums could adversely affect LSB's financial condition and results of operations. The FDIC insures Lafayette Savings deposits up to a maximum amount, generally \$250,000 per depositor. Current economic conditions have increased expectations for bank failures. The FDIC takes control of failed banks and ensures payment of deposits up to insured limits using the resources of the Deposit Insurance Fund. The FDIC charges LSB premiums to maintain the Deposit Insurance Fund. The FDIC has set the designated reserve ratio for the Deposit Insurance Fund at 2.0% of insured deposits. Lafayette Savings is also subject to assessment for the Financing Corporation (FICO) to service the interest on its bond obligations. The amount assessed is in addition to the amount paid for deposit insurance. These assessments will continue until the FICO bonds are repaid between 2017 and 2019. Future increases in deposit insurance premiums or changes in risk classification would increase Lafayette Savings costs.

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The FDIC, pursuant to the Dodd-Frank Act, changed the assessment base for deposit insurance premiums from adjusted domestic deposits to average consolidated total assets minus average tangible equity, and scaled the insurance premium rates to the increased assessment base. As a result of the change to an asset-based assessment, LSB experienced a decrease in premiums.

The FDIC has authority to increase insurance assessments. A significant increase in insurance premiums would likely have an adverse effect on the operating expenses and results of operations of Lafayette Savings. LSB management cannot predict what insurance assessment rates will be in the future.

Concentrations of real estate loans could subject LSB to increased risks in the event of a real estate recession or natural disaster. A significant portion of LSB's loan portfolio is secured by real estate. The real estate collateral in each case provides an alternate source of repayment in the event of default by the borrower and may deteriorate in value during the time the credit is extended. While property values in the Midwest show signs of stabilizing, a further weakening of the real estate market in LSB's primary market area could result in an increase in the number of borrowers unable to refinance or who may default on their loans and a reduction in the value of the collateral securing their loans, which in turn could have an adverse effect on LSB's profitability and asset quality. If LSB is required to liquidate the collateral securing a loan to satisfy the debt during a period of reduced real estate values, LSB's earnings and capital could be adversely affected. Significant natural disasters can also negatively affect the value of real estate that secures LSB's loans or interrupts LSB's business operations, also negatively impacting LSB's operating results or financial condition.

Credit risk could adversely affect LSB's operating results or financial condition. One of the greatest risks facing lenders is credit risk—that is, the risk of losing principal and interest due to a borrower's failure to perform according to the terms of a loan agreement. During the recession, the banking industry experienced an increase in problem assets and credit losses, resulting from weakened national economic trends and a decline in housing values. Although improving, economic recovery has been slow. While LSB management attempts to provide an allowance for loan losses at a level adequate to cover probable incurred losses based on loan portfolio growth, past loss experience, general economic conditions, information about specific borrower situations, and other factors, future adjustments to reserves may become necessary, and net income could be significantly affected, if circumstances differ substantially from assumptions used with respect to such factors.

Interest rate risk could adversely affect LSB's operating results or financial condition. LSB's earnings depend to a great extent upon the level of net interest income, which is the difference between interest income earned on loans and investments and the interest expense paid on deposits and other borrowings. Interest rate risk is the risk that the earnings and capital will be adversely affected by changes in interest rates. While LSB attempts to adjust its asset/liability mix in order to limit the magnitude of interest rate risk, interest rate risk management is not an exact science. Rather, it involves estimates as to how changes in the general level of interest rates will impact the yields earned on assets and the rates paid on liabilities. Moreover, rate changes can vary depending upon the level of rates and competitive factors. From time to time, maturities of assets and liabilities are not balanced, and a rapid increase or decrease in interest rates could have an adverse effect on net interest margins and results of operations of LSB. Volatility in interest rates can also result in disintermediation, which is the flow of funds away from financial institutions into direct investments, such as U.S. Government and corporate securities and other investment vehicles, including mutual funds, which, because of the absence of federal insurance premiums and reserve requirements, generally pay higher rates of return than financial institutions.

Three Months Ended March 31, 2014

Executive Summary

LSB is the holding company of Lafayette Savings. LSB has no separate operations and its business consists only of the business of Lafayette Savings.

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Lafayette Savings is an independent, community-oriented financial institution. Lafayette Savings has been in business for 145 years and differs from many of its competitors by having a local board and local decision-making in all areas of business. In general, LSB's business consists of attracting or acquiring deposits and lending that money out primarily as real estate loans to construct and purchase single-family residential properties, multi-family and commercial properties and to fund land development projects. LSB also makes a limited number of commercial business and consumer loans.

LSB has an experienced and committed staff and enjoys a good reputation for serving the people of the community, for understanding their financial needs and for finding a way to meet those needs. LSB contributes time and money to improve the quality of life in its market area and many of its employees volunteer for local non-profit agencies. LSB believes this sets it apart from the other 22 banks and credit unions that compete with it. LSB also believes that operating independently under the same name for over 145 years is a benefit to it especially as local offices of large banks often have less local authority as their companies strive to consolidate. Focusing time and resources on acquiring customers who may be feeling disenfranchised by their no-longer-local or very large bank has proved to be a successful strategy.

Tippecanoe County and the eight surrounding counties comprise Lafayette Savings' primary market area. Lafayette is the county seat of Tippecanoe County and West Lafayette is the home of Purdue University. There are three things that set Greater Lafayette apart from other urban areas of the country: the presence of a world class university, Purdue University; a government sector due to the presence of the county seat; and the mix of heavy industry and high-tech innovative start-up companies tied to Purdue University. In addition, Greater Lafayette is a regional health care center serving nine counties and has a large campus of Ivy Tech Community College.

Tippecanoe County typically shows better growth and lower unemployment rates than Indiana or the national economy because of the diverse employment base. The Tippecanoe County unemployment rate peaked at 10.6% in July 2009 and at March 31, 2014 was at 5.8% compared to 6.1% for Indiana and 6.7% nationally. The local housing market has remained fairly stable for the last several years with no price bubble and no resulting price swings. As of the most recent third quarter results provided by the Federal Housing Finance Agency, the five year percent change in house prices for the Lafayette Metropolitan Statistical Area (MSA) was a 1.00% increase with the one-year change a 1.02% increase. For the third quarter of 2013, housing prices in the MSA increased 0.67%. Existing home sales increased 13% in Tippecanoe County in 2013, while the average price of a home sold in 2013 was 1% higher than in 2012. New home starts decreased to 457 in 2013 from 496 in 2012.

The area's diversity did not make LSB immune to the ongoing effects of the recession; however, growth continues, although still not at the same rate as before the recession. Current signs of recovery, based on a report from Greater Lafayette Commerce, include increasing manufacturing employment, a continuing commitment to new facilities and renovations at Purdue University, and signs of renewed activity in residential development projects. Capital investments announced and/or made in 2013 are expected to total over \$1 billion compared to \$605 million in 2012 and \$444 million in 2011. Purdue, the area's largest employer, announced enrollment of almost 39,000 in the fall 2013 semester.

Subaru, the area's largest industrial employer and producer of the Subaru Legacy, Outback and Tribeca, recently announced addition of more production capacity for a new model to be built there. They expect to hire 900 additional employees by 2016. Wabash National, the area's second largest industrial employer, continues to secure contracts to maintain its production level. Nanshan America began operating its new aluminum extrusion plant in Lafayette in 2012 and expects to employ 200 people. Alcoa will be adding a 115,000 square foot aluminum lithium plant to begin production in 2014 and employ 75 people. While the developments noted above lead LSB to believe the most serious problems are behind it as increased hiring and new industry moving to town have continued, LSB expects the

recovery to be long term. In addition, GE has recently announced it will be building an aircraft engine plant in Lafayette. The plant is expected to eventually employ 200 people.

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LSB has seen progress in its problem loans as more borrowers who had fallen behind on their loan payments are qualifying for troubled debt restructures, or have resumed payments or, less often, LSB has acquired control of their properties. The majority of LSB's delinquent loans are secured by real estate and LSB believes it has sufficient reserves to cover incurred losses. The challenge is to get delinquent borrowers back on a workable payment schedule or if that is not feasible, to get control of their properties through an overburdened court system. In 2013, LSB acquired one property through foreclosure and sold two OREO properties. In the first quarter of 2014, LSB took four properties into OREO and has sold one.

The funds LSB uses to make loans come primarily from deposits from customers in its market area, from brokered deposits and from Federal Home Loan Bank (FHLB) advances. In addition, LSB maintains an investment portfolio of available-for-sale securities to provide liquidity as needed. LSB's preference is to rely on local deposits unless the cost is not competitive, but if the need is immediate LSB will acquire pre-payable FHLB advances which are immediately available for member banks within their borrowing tolerance and can then be replaced with local or brokered deposits as they become available. LSB will also consider purchasing fixed term FHLB advances or brokered deposits as needed. LSB generally prefers brokered deposits over FHLB advances when the cost of raising money locally is not competitive. The deposits are available with a range of terms, there is no collateral requirement and the money is predictable as it cannot be withdrawn early except in the case of the death of a depositor and there is no option to have the money roll over at maturity. Deposits in the first quarter have remained fairly flat, decreasing by only \$2.4 million, or 0.76%, from \$314.6 million to \$312.2 million. LSB's reliance on brokered funds as a percentage of total deposits decreased slightly in 2014 from 4.35% of deposits to 3.80%, from \$13.7 million to \$11.6 million. While LSB always welcomes local deposits, the cost and convenience of brokered funds make them a useful alternative. LSB will also continue to rely on FHLB advances to provide immediate liquidity and help manage interest rate risk.

LSB's primary source of income is net interest income, which is the difference between the interest income earned on its loan and investment portfolios and the interest expense incurred on deposits and borrowings. LSB's net interest income depends on the balance of its loan and investment portfolios and the size of its net interest margin—the difference between the income generated from loans and the cost of funding. LSB's net interest income also depends on the shape of the yield curve. The Federal Reserve has held short-term rates at almost zero for the last four years while long-term rates have stayed in the 3.0% range. Because deposits are generally tied to shorter-term market rates and loans are generally tied to longer-term rates this would typically be viewed as a positive step. LSB expects that the interest rate margins which began to decline late in 2013 will continue to do so as deposits are already at very low levels but because of the relatively weak demand for loans, those rates continue to fall. LSB's expectation for 2014 is that deposit rates will remain at these low levels as the Federal Reserve continues to focus on strengthening the economy. Overall loan rates are expected to remain low.

Rate changes can typically be expected to have an impact on interest income. Because the Federal Reserve has stated it intends to keep rates low, LSB expects to see little change in the money supply or market rates in 2014. Low rates generally increase borrower preference for fixed rate products which LSB typically sells on the secondary market. Some existing adjustable rate loans can be expected to reprice to lower rates which could be expected to have a negative impact on LSB's interest income, although many of its loans have already reached their interest rate floors. While LSB would expect to sell the majority of its fixed rate loans on the secondary market, LSB expects to book some higher quality loans to replace runoff in the portfolio. Although new loans put on the books during these times will be at comparatively low rates LSB expects they will provide a return above any other opportunities for investment.

LSB's primary expense is interest on deposits and FHLB advances which are used to fund loan growth. LSB offers customers in its market area time deposits for terms ranging from three months to 66 months, checking accounts and savings accounts. LSB also purchases brokered deposits and FHLB advances as needed to provide funding or improve

its interest rate risk position. Generally when interest rates are low, depositors will choose shorter-term products and conversely when rates are high, depositors will choose longer-term products.

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LSB considers expected changes in interest rates when structuring its interest-earning assets and its interest-bearing liabilities. When rates are expected to increase LSB tries to book shorter-term assets that will reprice relatively quickly to higher rates over time, and book longer-term liabilities that will remain for a longer time at lower rates. Conversely, when rates are expected to fall, LSB would like its balance sheet to be structured such that loans will reprice more slowly to lower rates and deposits will reprice more quickly. LSB currently offers a three-year and a five-year certificate of deposit that allows depositors one opportunity to have their rate adjusted to the market rate at a future date to encourage them to choose longer-term deposit products. However, since LSB is not able to predict market interest rate fluctuations, its asset/liability management strategy may not prevent interest rate changes from having an adverse effect on its results of operations and financial condition.

LSB's results of operations may also be affected by general and local competitive conditions, particularly those with respect to changes in market rates, government policies and actions of regulatory authorities.

Critical Accounting Policies

Generally accepted accounting principles are complex and require management to apply significant judgments to various accounting, reporting and disclosure matters. Management of LSB must use assumptions and estimates to apply these principles where actual measurement is not possible or practical. For a complete discussion of LSB's significant accounting policies, see Note 1 to the Consolidated Financial Statements as of December 31, 2013, included in this proxy statement and prospectus. Certain policies are considered critical because they are highly dependent upon subjective or complex judgments, assumptions and estimates. Changes in such estimates may have a significant impact on the financial statements. Management has reviewed the application of these policies with the Audit Committee of LSB's Board of Directors. These policies include the following:

Allowance for Loan Losses. The allowance for loan losses represents management's estimate of probable losses inherent in Lafayette Savings' loan portfolios. In determining the appropriate amount of the allowance for loan losses, management makes numerous assumptions, estimates and assessments.

The strategy also emphasizes diversification on an industry and customer level, regular credit quality reviews and quarterly management reviews of large credit exposures and loans experiencing deterioration of credit quality.

Lafayette Savings' allowance consists of three components: probable losses estimated from individual reviews of specific loans, probable losses estimated from historical loss rates, and probable losses resulting from economic or other deterioration above and beyond what is reflected in the first two components of the allowance.

All loans that are rated substandard and impaired, or are troubled debt restructures, are subject to individual review. Where appropriate, reserves are allocated to individual loans based on management's estimate of the borrower's ability to repay the loan given the availability of collateral, other sources of cash flow and legal options available to Lafayette Savings. Included in the review of individual loans are those that are impaired as provided in FASB ASC 310-10. Any allowances for impaired loans are determined by the fair value of the underlying collateral based on the discounted appraised value. Allowances for loans that are not collateral dependent are determined by the present value of expected future cash flows discounted at the loan's effective interest rate. Historical loss rates are applied to all loans not included in the ASC310-10 calculation.

Historical loss rates for commercial and consumer loans may be adjusted for significant qualitative factors that, in management's judgment, reflect the impact of any current conditions on loss recognition. Factors which management considers in the analysis include the effects of the national and local economies, trends in the nature and volume of loans (delinquencies, charge-offs and non-accrual loans), changes in mix, asset quality trends, risk management and

loan administration, changes in the internal lending policies and credit standards, collection practices and examination results from bank regulatory agencies and Lafayette Savings internal loan review.

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Allowances on individual loans and historical loss rates are reviewed quarterly and adjusted as necessary based on changing borrower and/or collateral conditions and actual collection and charge-off experience.

Lafayette Savings primary market area for lending is Tippecanoe County, Indiana and to a lesser extent the eight surrounding counties. When evaluating the adequacy of the allowance, consideration is given to this regional geographic concentration and the closely associated effect of changing economic conditions on Lafayette Savings customers.

Mortgage Servicing Rights. Mortgage servicing rights (MSRs) associated with loans originated and sold, where servicing is retained, are capitalized and included in other intangible assets in the consolidated balance sheet. The value of the capitalized servicing rights represents the present value of the future servicing fees arising from the right to service loans in the portfolio. Critical accounting policies for MSRs relate to the initial valuation and subsequent impairment tests. The methodology used to determine the valuation of MSRs requires the development and use of a number of estimates, including anticipated principal amortization and prepayments of that principal balance. Events that may significantly affect the estimates used are changes in interest rates, mortgage loan prepayment speeds and the payment performance of the underlying loans. The carrying value of the MSRs is periodically reviewed for impairment based on a determination of fair value. For purposes of measuring impairment, the servicing rights are compared to a valuation prepared based on a discounted cash flow methodology, utilizing current prepayment speeds and discount rates. Impairment, if any, is recognized through a valuation allowance and is recorded as amortization of intangible assets.

Accounting for Foreclosed Assets. Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less cost to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in net income or expense from foreclosed assets.

Comparison of Financial Condition at March 31, 2014 and December 31, 2013

LSB's total assets decreased \$1.5 million, or 0.41%, during the three months from December 31, 2013 to March 31, 2014. Primary components of this decrease were a \$1.4 million net decrease in cash and cash equivalents, and a \$969,000 decrease in securities and interest-bearing time deposits. These were offset by a \$436,000 increase in net loans receivable including loans held for sale and a \$411,000 increase in fixed and other assets. The decrease in securities and cash were primarily due to the maturity of a \$2.1 million brokered deposit. The \$969,000 decrease in securities and interest-bearing time deposits was due to \$3.7 million of securities being called, maturing or paid down, offset by the purchase of a \$2.6 million mortgage-backed security. The increase in loans was due to a decision to retain a larger percentage of residential mortgage loans in LSB's portfolio until the commercial loan market becomes more active.

Non-performing assets, which include non-accruing loans and foreclosed assets, decreased from \$2.6 million at December 31, 2013 to \$2.5 million at March 31, 2014. Non-accruing loans at March 31, 2014 were comprised of \$2.2 million, or 90.95%, of one- to four-family residential real estate loans; \$140,000, or 5.86%, of non-real estate loans, \$61,000, or 2.55%, of multi-family residential real estate loans, and \$15,000, or 0.63%, of non-residential real estate loans. Non-performing assets at March 31, 2014 also included one \$157,000 foreclosed property compared to \$18,000 at December 31, 2013 with the addition of three non-owner occupied residential properties. At March 31, 2014, LSB's allowance for loan losses equaled 2.45% of total loans compared to 2.43% at December 31, 2013. The allowance for loan losses at March 31, 2014 totaled 251.14% of non-performing assets compared to 245.13% at December 31, 2013, and 267.64% of non-performing loans at March 31, 2014 compared to 246.81% at December 31, 2013. LSB's

non-performing assets equaled 0.70% of total assets at both March 31, 2014 and December 31, 2013.

When a loan is added to LSB s classified loan list, an impairment analysis is completed to determine expected losses upon final disposition of the property. An adjustment to loan loss reserves is made at that time

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for any anticipated losses. This analysis is updated quarterly thereafter. It may take up to two years to move a foreclosed property through the system to the point where LSB can obtain title to the property and dispose of it. LSB attempts to acquire properties through deeds in lieu of foreclosure if there are no other liens on the properties. LSB acquired four properties in the first quarter of 2014 through a sheriff's sale. Although LSB believes it uses the best information available to determine the adequacy of its allowance for loan losses, future adjustments to the allowance may be necessary, and net income could be significantly affected if circumstances and/or economic conditions cause substantial changes in the estimates LSB uses in making the determinations about the levels of the allowance for losses. Additionally, various regulatory agencies, as an integral part of their examination process, periodically review LSB's allowance for loan losses. These agencies may require the recognition of additions to the allowance based upon their judgments of information available at the time of their examination.

Shareholders' equity increased from \$40.7 million at December 31, 2013 to \$41.3 million at March 31, 2014, an increase of \$556,000, or 1.37%, primarily as a result of net income of \$520,000. Shareholders' equity to total assets was 11.28% at March 31, 2014 compared to 11.08% at December 31, 2013.

Average Balances, Interest Rates and Yields

The following table presents, for the periods indicated, the total dollar amount of interest income earned on average interest-earning assets and the resulting yields on such assets, as well as the interest expense paid on average interest-bearing liabilities, and the rates paid on such liabilities. No tax equivalent adjustments were made. All average balances are monthly average balances. Non-accruing loans have been included in the table as loans carrying a zero yield. Beginning on January 1, 2013, deposits at the Federal Reserve were included in interest-earning assets and not in cash accounts.

	Three months ended March 31, 2014			Three months ended March 31, 2013		
	Average Outstanding Balance	Interest Earned/ Paid	Yield/ Rate	Average Outstanding Balance	Interest Earned/ Paid	Yield/ Rate
(Unaudited; Dollars in thousands)						
Interest-Earning Assets:						
Loans receivable(1)	\$ 256,080	\$ 2,939	4.59%	\$ 277,883	\$ 3,477	5.00%
Other investments	85,002	305	1.44	64,730	165	1.02
Total interest-earning assets	341,082	3,244	3.80	342,613	3,642	4.25
Interest-Bearing Liabilities						
Savings deposits	\$ 30,363	4	0.05	\$ 30,078	4	0.05
Demand and NOW deposits	155,838	73	0.19	135,888	77	0.23
Time deposits	123,282	359	1.16	141,829	488	1.38
Borrowings	10,000	59	2.36	13,333	78	2.34
Total interest-bearing liabilities	319,483	495	0.62	321,128	647	0.81
Net interest income		\$ 2,749			\$ 2,995	

Net interest rate spread		3.18%	3.45%
Net earning assets	\$ 21,599	\$ 21,485	
Net yield on average interest-earning assets		3.22%	3.50%
Average interest-earning assets to average interest-bearing liabilities	1.07x	1.07x	

(1) Calculated net of deferred loan fees, loan discounts, loans in process and loss reserves.

Table of Contents**Results of Operations****Comparison of Operating Results for the Three Months Ended March 31, 2014 and March 31, 2013**

General. Net income for the three months ended March 31, 2014 was \$520,000, a decrease of \$133,000, or 20.37%, from the three months ended March 31, 2013. The decrease was primarily due to a \$246,000, or 8.21%, decrease in net interest income, a \$241,000 decrease in the gain on sale of loans, a \$97,000 decrease in fees from the sale of non-bank investment products and a \$63,000 increase in non-interest expense partially offset by a \$400,000, or 100.00%, decrease in the provision for loan losses and a \$104,000, or 27.01%, decrease in taxes.

Net Interest Income. Net interest income for the three months ended March 31, 2014 decreased \$246,000, or 8.21%, over the same period in 2013. This decrease was due to a 28 basis point decrease in LSB's net interest margin (net interest income divided by average interest-earning assets) from 3.50% for the three months ended March 31, 2013 to 3.22% for the three months ended March 31, 2014. Average net interest-earning assets were virtually unchanged at \$21.5 million. The decrease in net interest margin is primarily due to the 45 basis point decrease in the average rate on interest-earning assets from 4.25% for the three months ended March 31, 2013 to 3.80% for the three months ended March 31, 2014. This decrease was offset by a 19 basis point decrease in the average rate on interest-bearing liabilities from 0.81% to 0.62% for the same respective periods.

Interest income on loans decreased \$538,000 for the three months ended March 31, 2014 compared to the three months ended March 31, 2013 because of both lower average loan volume and a lower average yield. The average balance of loans held in LSB's portfolio decreased by \$21.8 million from \$277.9 million for the three-month period in 2013 to \$256.1 million in 2014. The average yield on loans decreased by 41 basis points from 5.00% to 4.59% over the same period.

Interest earned on other investments and FHLB stock increased by \$140,000 for the three months ended March 31, 2014 compared to the same period in 2013. This was primarily the result of a \$20.3 million increase in the average balance of investments and FHLB stock from \$64.7 million to \$85.0 million over the same periods. The average yield increased from 1.02% to 1.44% over the comparable periods, an increase helped by LSB's success in deploying cash items into higher earning investments.

Interest expense for the three months ended March 31, 2014 decreased \$152,000, or 23.49%, compared to the same period in 2013 consisting of a \$133,000 decrease in interest paid on deposits and a \$19,000 decrease in interest on FHLB advances. The lower deposit costs were primarily due to a decrease in the average rate paid on deposits from 0.74% for the first three months of 2013 to 0.56% for the first three months of 2014. Average deposits decreased by \$1.7 million over this period which included an \$18.5 million decrease in the average balance of higher rate time deposits offset by a \$20.0 million increase in the average balance of comparatively lower rate demand deposit accounts. The increase in demand accounts was largely due to depositors opting for fund availability over higher rates until they feel more confident about the economic situation. The decrease in FHLB advance expense was primarily due to a decrease in the average balance of advances from \$13.3 million for the three months of 2013 to \$10.0 million for the first three months of 2014 as LSB paid off a maturing advance as slow loan demand reduced LSB's need for additional funds. The average rate on advances increased from 2.34% to 2.36% as the maturing advance had a shorter term and a corresponding lower rate.

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Provision for Loan Losses. The evaluation of the level of loan loss reserves is an ongoing process that includes closely monitoring loan delinquencies. The following chart shows delinquent loans as well as a breakdown of non-performing assets.

	03/31/14	12/31/13	03/31/13
	(Dollars in thousands)		
Loans delinquent 30-59 days	\$ 46	\$ 483	\$ 461
Loans delinquent 60-89 days	157	388	
Total delinquencies under 90 days	\$ 203	\$ 871	\$ 461
Non-accruing loans	\$ 2,389	\$ 2,572	\$ 3,845
OREO	157	18	162
Total non-performing assets	\$ 2,546	\$ 2,590	\$ 4,007

Loans are included in the delinquent 30-59 days category when they become one month past due. Loans are included in the delinquent 60-89 days category when they become two months past due. Loans that are less than 90 days delinquent but are non-accruing are included in the non-accruing loan category but not in the delinquencies under 90 days.

The accrual of interest income is generally discontinued when a loan becomes 90 days past due. Loans 90 days past due but not yet three payments past due will continue to accrue interest as long as it has been determined that the loan is well secured and in the process of collection. Troubled debt restructurings that were non-performing at the time of their restructure are considered non-accruing loans until sufficient time has passed for them to establish a pattern of compliance with the terms of the restructure.

Changes in non-performing loans at March 31, 2014 compared to December 31, 2013 were primarily due to Lafayette Savings adding \$527,000 of loans to non-accrual status due to concerns about the full collectability of principal and interest, and taking \$208,000 into OREO, agreeing to short sales on \$441,000 of loans and upgrading a loan of \$28,000. In addition LSB received principal payments of \$33,000.

LSB establishes its provision for loan losses based on a systematic analysis of risk factors in the loan portfolio. The analysis includes consideration of concentrations of credit, past loss experience, current economic conditions, the amount and composition of the loan portfolio, estimated fair value of the underlying collateral, delinquencies and other relevant factors. From time to time, LSB also uses the services of a consultant to assist in the evaluation of its growing commercial real estate loan portfolio. On at least a quarterly basis, a formal analysis of the adequacy of the allowance is prepared and reviewed by LSB management and its board of directors. This analysis serves as a point-in-time assessment of the level of the allowance and serves as a basis for provisions for loan losses.

More specifically, LSB's analysis of the loan portfolio will begin at the time the loan is originated, at which time each loan is assigned a risk rating. If the loan is a commercial credit, the borrower will also be assigned a similar rating. Loans that continue to perform as agreed will be included in one of the non-classified loan categories. Portions of the allowance are allocated to loan portfolios in the various risk grades, based upon a variety of factors, including historical loss experience, trends in the type and volume of the loan portfolios, trends in delinquent and non-performing loans, and economic trends affecting LSB's market. Loans no longer performing as agreed are

assigned a higher risk rating, eventually resulting in their being regarded as classified loans. A collateral re-evaluation is completed on all classified loans. This process results in the allocation of specific amounts of the allowance to individual problem loans, generally based on an analysis of the collateral securing those loans. These components are added together and compared to the balance of LSB's allowance at the evaluation date.

At March 31, 2014, LSB's largest areas of concern were loans on one- to four-family non-owner occupied rental properties and to a lesser extent loans on commercial non-real estate loans on non-residential properties and loans on one- to four-family owner-occupied properties. Loans totaling \$1.0 million on one- to four-family

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rental properties, \$140,000 on commercial non-real estate, \$100,000 on non-residential properties and \$97,000 on one- to four-family owner-occupied properties were past due more than 30 days at March 31, 2014. There has been some improvement in the local economy and LSB is seeing enough improvement in its one- to four-family rental property market to warrant restructuring a number of those relationships. However, LSB is working to decrease its concentrations in that sector, especially in non-campus housing.

LSB recorded no provision for loan losses for the three months ended March 31, 2014 as a result of its analyses of its current loan portfolios, compared to \$400,000 during the same period in 2013. The main reason for the decrease for the first three months of 2014 compared to the same period in 2013 was the improvement in non-accruing and delinquent loans during the period. During the first three months of 2014, the net cost of taking properties into OREO and charging off losses was a \$9,000 recovery. LSB also had recoveries of \$142,000. LSB expects to obtain possession of more properties in 2014 that are currently in the process of foreclosure. The final disposition of these properties may result in a loss. The \$6.3 million allowance for loan losses was considered appropriate to cover probable incurred losses based on LSB's evaluation and its loan mix. LSB's ratio of allowance for loan losses to non-performing assets increased from 151.29% at March 31, 2013 to 251.14% at March 31, 2014. That ratio at December 31, 2013 was 245.13%.

LSB's loan portfolio contains no option ARM products, interest-only loans, or loans with initial teaser rates. While LSB occasionally makes loans with credit scores in the subprime range, these loans are only made if there are sufficient mitigating factors, not as part of a subprime mortgage plan. LSB occasionally makes mortgages that exceed high loan-to-value regulatory guidelines for property type. LSB currently has \$10.5 million of mortgage loans that are other than one- to four-family loans that qualify as high loan-to-value. LSB typically makes these loans only to well-qualified borrowers. None of these loans is delinquent more than 30 days. LSB also has \$4.7 million of one- to four-family loans which either alone or combined with a second mortgage exceed high loan-to-value guidelines. None of these loans was delinquent more than 30 days. LSB's total high loan-to-value loans at March 31, 2014 were at 35% of capital, well under regulatory guidelines of 100% of capital. LSB has \$16.2 million in home equity lines of credit, one of which was delinquent more than 30 days at March 31, 2014.

An analysis of the allowance for loan losses for the three months ended March 31, 2014 and 2013 follows:

	Three months ended March 31,	
	2014	2013
	(Dollars in thousands)	
Balance at January 1	\$ 6,348	\$ 5,900
Loans charged off	(96)	(321)
Recoveries	142	83
Provision		400
Balance at March 31	\$ 6,394	\$ 6,062

At March 31, 2014, non-performing assets, consisting of non-accruing loans and other real estate owned, totaled \$2.5 million compared to \$2.6 million at December 31, 2013. In addition to LSB's non-performing assets, LSB identified \$20.9 million in other loans of concern where information about possible credit problems of borrowers causes LSB management to have doubts as to the ability of the borrowers to comply with present repayment terms and may result in disclosure of such loans as non-performing assets in the future. The vast majority of these loans, as well as LSB's non-performing assets, are well collateralized.

At March 31, 2014, LSB believes that its allowance for loan losses was appropriate to absorb probable incurred losses inherent in its loan portfolio. LSB's allowance for losses equaled 2.45% of net loans receivable and 267.64% of non-performing loans at March 31, 2014 compared to 2.43% and 246.81% at December 31, 2013, respectively. LSB's non-performing assets equaled 0.70% of total assets at both March 31, 2014 and December 31, 2013.

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Non-Interest Income. Non-interest income for the three months ended March 31, 2014 decreased by \$328,000, or 29.34%, compared to the same period in 2013. This was primarily due to a \$241,000 decrease in the gain on sale of mortgage loans due to a decrease in loans sold from \$11.7 million in the first quarter of 2013 to \$3.4 million in the first quarter of 2014, a \$97,000 decrease in the fees from the sale of non-bank investment products through LSB's Money Concepts program due to less sales activity, and an \$8,000 decrease in service charges and fee income primarily due to a lower volume of customer overdrafts. These were partially offset by a \$12,000 increase in other income, primarily due to an increase in commercial loan prepayment fees and a \$5,000 decrease in the loss recognized on the sale of OREO due to swing from a loss of \$2,000 on the sale of an OREO property in the first quarter of 2013 to a \$3,000 gain on the sale of a property in the same period of 2014.

Non-Interest Expense. Non-interest expense for the three months ended March 31, 2014 increased \$63,000, or 2.36%, compared to the same period in 2013 due primarily to an \$86,000 increase in occupancy costs related to snow removal, winter maintenance related expenses and higher utility charges due to the unusually harsh weather, an \$18,000 increase in legal fees related to settling a small lawsuit, a \$12,000 increase in computer costs due to an increase in the services offered and an \$11,000 increase in other expenses due to slightly higher insurance and consulting fees. These were offset by a \$35,000 decrease in advertising costs due to a decision to focus marketing dollars on LSB's new branch opening in the second quarter and a \$31,000 decrease in salaries and employee benefits due to less commission earned by loan originators due to less activity.

Income Tax Expense. LSB's income tax provision decreased by \$104,000 for the three months ended March 31, 2014 compared to the three months ended March 31, 2013 due primarily to decreased pre-tax income.

Liquidity

LSB's primary sources of funds are deposits, repayment and prepayment of loans, interest earned on or maturation of investment securities and short-term investments, borrowings and funds provided from operations. While maturities and the scheduled amortization of loans, investments and mortgage-backed securities are a predictable source of funds, deposit flows and mortgage prepayments are greatly influenced by general market interest rates, economic conditions and competition.

LSB monitors its cash flow carefully and strives to minimize the level of cash held in low-rate overnight accounts or in cash on hand. LSB also carefully tracks the scheduled delivery of loans committed for sale to be added to its cash flow calculations.

Liquidity management is both a daily and long-term function for LSB's senior management. LSB adjusts its investment strategy, within the limits established by the investment policy, based upon assessments of expected loan demand, expected cash flows, FHLB advance opportunities, market yields and objectives of its asset/liability management program. Base levels of liquidity have generally been invested in interest-earning overnight and time deposits with the Federal Home Loan Bank of Indianapolis and more recently at the Federal Reserve since they have started to pay interest on deposits in excess of reserve requirements and because of increasing wire transfer requests due to a change in funding methods now required by title companies. Funds for which a demand is not foreseen in the near future are invested in investment and other securities for the purpose of yield enhancement and asset/liability management.

LSB's current internal policy for liquidity is 5% of total assets. LSB's liquidity ratio at March 31, 2014 was 22.11% as a percentage of total assets compared to 22.16% at December 31, 2013.

LSB anticipates that it will have sufficient funds available to meet current funding commitments. At March 31, 2014, LSB had outstanding commitments to originate loans and available lines of credit totaling \$28.7 million and commitments to provide funds to complete current construction projects in the amount of \$3.6 million. Certificates of deposit which will mature in one year or less totaled \$73.9 million at March 31, 2014. Included in that number are \$3.0 million of brokered deposits. Based on LSB's experience, certificates of deposit

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held by local depositors have been a relatively stable source of long-term funds as such certificates are generally renewed upon maturity since LSB has established long-term banking relationships with its customers. Therefore, LSB believes a significant portion of such deposits will remain with LSB, although this cannot be assured. Brokered deposits can be expected not to renew at maturity and will have to be replaced with other funding upon maturity. LSB has \$3.0 million FHLB advances maturing in the next twelve months.

Capital Resources

Shareholders' equity totaled \$41.3 million at March 31, 2014 compared to \$40.7 million at December 31, 2013, an increase of \$556,000, or 1.37%, due primarily to net income of \$520,000. Shareholders' equity to total assets was 11.28% at March 31, 2014 compared to 11.08% at December 31, 2013.

Federal insured savings institutions are required to maintain a minimum level of regulatory capital. If the requirement is not met, regulatory authorities may take legal or administrative actions, including restrictions on growth or operations or, in extreme cases, seizure. As of March 31, 2014 and December 31, 2013, Lafayette Savings was categorized as well capitalized. LSB's actual and required capital amounts and ratios at March 31, 2014 and December 31, 2013 are presented below:

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of March 31, 2014						
Total risk-based capital (to risk-weighted assets)	\$ 44,254	17.5%	\$ 20,249	8.0%	\$ 25,311	10.0%
Tier I capital (to risk-weighted assets)	41,050	16.2	10,124	4.0	15,187	6.0
Tier I capital (to adjusted total assets)	41,050	11.2	10,993	3.0	18,322	5.0
As of December 31, 2013						
Total risk-based capital (to risk-weighted assets)	\$ 43,604	17.4%	\$ 20,054	8.0%	\$ 25,067	10.0%
Tier I capital (to risk-weighted assets)	40,431	16.1	10,027	4.0	15,040	6.0
Tier I capital (to adjusted total assets)	40,431	11.0	11,048	3.0	18,413	5.0

Fiscal Year Ended December 31, 2013**Comparison of Financial Condition at December 31, 2013 compared to December 31, 2012**

As shown in the table above, the net balance in LSB's loan portfolio decreased by \$26.3 million from December 31, 2012 to December 31, 2013. Loans decreased primarily due to a \$22.2 million decrease in non-residential loans largely the result of continuing uncertainty in the market making people wary of initiating projects. The same uncertainty affected commercial business loans which decreased \$1.8 million. With the increase in longer term loan rates, LSB has seen a reduction in the number of residential borrowers taking advantage of low market interest rates and refinancing to primarily fixed rate loans which LSB typically sells on the secondary market. LSB sold \$45.3 million of residential loans in 2013 compared to \$84.1 million in 2012. These loans are sold based on asset/liability considerations and to increase income from the gain on sale of loans. There was also a slight decrease in home equity loans due primarily to the low volume of new loan activity combined with the paydown or chargeoff of existing loans.

The \$34.7 million increase in LSB's available-for-sale securities was primarily due to a desire to get a return on investments in light of slow loan demand and to have investments available to use for liquidity purposes. The balance in short term investments will be moved to investment securities as opportunities arise. Due to low returns on these investments LSB tries to keep the balances at the minimal amount needed to meet cash flow needs.

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Deposit balances increased by about \$6.0 million. Because LSB has minimal loan demand LSB is not aggressively working to generate deposits, however, LSB has worked to attract depositors to its core deposit accounts rather than into higher rate time deposits. Part of LSB's success in this endeavor is because of a desire on the part of depositors not to lock up their funds for longer periods in uncertain times. In 2013, LSB reduced time deposits by \$11.4 million and increased core deposits by \$17.4 million. LSB is generally letting brokered funds roll off as they mature.

LSB utilizes advances available through the FHLB as needed to provide additional funding for loan growth as well as for asset/liability management purposes. At December 31, 2013, LSB had \$10.0 million in FHLB advances outstanding compared to \$15.0 million at December 31, 2012. Based on the collateral LSB currently has listed under a blanket collateral arrangement with the FHLB, LSB could borrow up to \$52.5 million in additional advances. LSB has other collateral available if needed. These advances are generally available on the same day as requested and allow LSB the flexibility of keeping LSB's daily cash levels tighter than might otherwise be prudent.

Non-performing assets, which include non-accruing loans, accruing loans 90 days past due and foreclosed assets, decreased from \$6.7 million at December 31, 2012 to \$2.6 million at December 31, 2013. Non-performing loans at December 31, 2013 consisted of \$2.3 million of loans on residential real estate and \$248,000 on land or commercial real estate loans. Foreclosed assets consisted of an \$18,000 commercial real estate property. At December 31, 2013, LSB's allowance for loan losses equaled 2.43% of total loans compared to 2.06% at December 31, 2012. The allowance for loan losses at December 31, 2013 totaled 245.10% of non-performing assets compared to 88.07% at December 31, 2012, and 246.81% of non-performing loans at December 31, 2013 compared to 91.57% at December 31, 2012. LSB's non-performing assets equaled 1.84% of total assets at December 31, 2012 compared to 0.70% at December 31, 2013. The decrease in non-performing loans is due to \$2.7 million of loans being upgraded as they are performing as agreed and expected to fulfill the terms of their loans, \$1.9 million of properties sold in short sales where Lafayette Savings agreed to take a lesser amount for the loan, \$205,000 taken into OREO, \$160,000 of loans being charged down or charged off by Lafayette Savings, \$142,000 from loans paid off or paid down by borrowers, offset by \$537,000 of loans added to non-accrual during the year.

When a non-performing loan is added to LSB's classified loan list, an impairment analysis is completed to determine expected losses upon final disposition of the property. An adjustment to loan loss reserves is made at that time for any anticipated losses. This analysis is reviewed and updated quarterly thereafter. It may take several months or up to two years to move a foreclosed property through the system to the point where LSB can obtain title to and dispose of it. LSB attempts to acquire properties through deeds-in-lieu of foreclosure if there are no other liens on the properties. In 2013, LSB acquired 2 properties through foreclosure. In 2012, LSB acquired 5 properties through deeds-in-lieu of foreclosure and 5 properties through foreclosure. Although LSB believes it uses the best information available to determine the adequacy of its allowance for loan losses, future adjustments to the allowance may be necessary, and net income could be significantly affected if circumstances and/or economic conditions cause substantial changes in the estimates LSB uses in making the determinations about the levels of the allowance for losses. Additionally, various regulatory agencies, as an integral part of their examination process, periodically review LSB's allowance for loan losses. These agencies may require the recognition of additions to the allowance based upon their judgments of information available at the time of their examination.

Shareholders' equity increased \$1.8 million, or 4.55%, during 2013 primarily as a result of net income of \$2.5 million offset by the payment of \$375,000 of dividends to shareholders. Shareholders' equity to total assets was 11.08% at December 31, 2013 compared to 10.68% at December 31, 2012.

Results of Operations

LSB's results of operations depend primarily on the levels of net interest income, which is the difference between the interest income earned on loans and securities and other interest-earning assets, and the interest

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expense on deposits and borrowed funds. LSB's results of operations are also dependent upon the level of its non-interest income, including fee income and service charges, gains or losses on the sale of loans and the level of its non-interest expenses, including general and administrative expenses. Net interest income is dependent upon the volume of interest-earning assets and interest-bearing liabilities and upon the interest rate which is earned or paid on these items. LSB's results of operations are also affected by the level of the provision for loan losses. LSB, like other financial institutions, is subject to interest rate risk to the degree that LSB's interest-bearing liabilities mature or reprice at different times, or on a different basis, than its interest-earning assets.

Average Balances, Interest Rates and Yields

The following table presents for the periods indicated the total dollar amount of interest income earned on average interest-earning assets and the resultant yields on such assets, as well as the interest expense paid on average interest-bearing liabilities, and the rates paid on such liabilities. No tax equivalent adjustments were made. All average balances are monthly average balances. Non-accruing loans have been included in the table as loans carrying a zero yield.

	Average Outstanding Balance	2013 Interest Earned/ Paid	Yield/ Rate	Average Outstanding Balance	2012 Interest Earned/ Paid	Yield/ Rate
(Dollars in Thousands)						
Assets						
Interest-earning assets						
Loans receivable(1)	\$ 265,667	\$ 12,914	4.86%	\$ 291,590	\$ 15,162	5.20%
Mortgage-backed securities	10,956	238	2.17	6,749	175	2.59
Other investments	59,798	508	0.85	21,244	283	1.33
FHLB stock	3,185	111	3.49	3,185	100	3.14
Total interest-earning assets	339,607	13,771	4.05	322,768	15,720	4.87
Non-interest earning assets	21,241			41,576		
Total assets	\$ 360,847			\$ 364,344		
Liabilities and Shareholders Equity						
Interest-bearing liabilities:						
Savings deposits	\$ 30,561	18	0.06	\$ 27,890	20	0.07
Demand and NOW deposits	141,575	293	0.21	131,101	420	0.32
Time deposits	135,734	1,794	1.32	148,445	2,399	1.62
Borrowings	10,833	258	2.38	17,000	386	2.27
Total interest-bearing liabilities	318,704	2,363	0.74	324,436	3,225	0.99
Other liabilities	2,280			2,309		
Total liabilities	320,984			326,745		
Shareholders equity	39,863			37,599		

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Total liabilities and shareholders equity	\$ 360,847	\$ 364,344
Net interest income	\$ 11,408	\$ 12,495
Net interest rate spread	3.31%	3.88%
Net earning assets	\$ 20,903	\$ (1,668)
Net yield on average interest-earning assets	3.36%	3.87%
Average interest-earning assets to average interest-bearing liabilities	1.07x	0.99x

(1) Calculated net of deferred loan fees, loan discounts, loans in process and loss reserves.

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The following table presents the dollar amount of changes in interest income and interest expense for the major categories of interest-earning assets and interest-bearing liabilities. The change in total interest income and total interest expense is allocated between those related to changes in the outstanding balances and those due to changes in interest rates. For each category of interest-earning assets and interest-bearing liabilities, information is provided on changes attributable to (i) changes in volume (*i.e.*, changes in volume multiplied by old rate) and (ii) changes in rate (*i.e.*, changes in rate multiplied by old volume). For purposes of this table, changes attributable to both rate and volume, which cannot be segregated, have been allocated proportionately to the change due to volume and change due to rate.

	2013 vs. 2012		Total Increase (Decrease)
	Increase (Decrease) Due to Volume	Rate	
	(Dollars in Thousands)		
Interest-earning assets:			
Loans receivable	\$ (1,297)	\$ (951)	\$ (2,248)
Mortgage-backed securities	95	(32)	63
Other investments	358	(133)	225
FHLB stock		11	11
Total interest-earning assets	\$ (844)	\$ (1,105)	\$ (1,949)
Interest-bearing liabilities:			
Savings deposits	\$ 2	\$ (4)	\$ (2)
Demand deposits and NOW accounts	31	(158)	(127)
Time deposits	(193)	(412)	(605)
Borrowings	(146)	18	(128)
Total interest-bearing liabilities	\$ (306)	\$ (556)	\$ (862)
Net interest income			\$ (1,087)

Comparison of Operating Results for the Years Ended December 31, 2013 and December 31, 2012

General. Net income for the year ended December 31, 2013 was \$2.5 million, a decrease of \$121,000 or 4.6%, from net income of \$2.7 million for the year ended December 31, 2012. The primary reason for the decrease was a \$1.1 million decrease in non-interest income and an \$875,000 decrease in net interest income partially offset by a \$1.5 million decrease in the provision for loan losses, as well as a \$316,000 decrease in non-interest expenses and a \$76,000 decrease in taxes on income.

LSB's return on average assets was 0.70% for the year ended 2013, compared to 0.73% for the year ended 2012. Return on average equity was 6.37% for the year ended 2013, compared to 7.07% for 2012. LSB paid cash dividends on common stock during 2013 totaling \$375,000, or \$0.24 per share, representing a dividend payout ratio (dividends

declared per share divided by diluted net income per share) of approximately 14.7% compared to \$77,000, or \$0.05 per share, in 2012 for a dividend payout ratio of approximately 2.9%.

Net Interest Income. Net interest income for the year ended December 31, 2013 decreased \$1.1 million from the same period in 2012. LSB's net interest margin (net interest income divided by average interest-earning assets) decreased from 3.87% at December 31, 2012 to 3.36% at December 31, 2013. The largest factor in the decrease in net interest income was the decrease in the average rate on interest-earning assets, particularly loans, with the average rate on interest-earning assets decreasing 82 basis points from 4.87% in 2012 to 4.05% in 2013. The balance of average interest-earning assets increased over the period from \$322.8 million in 2012 to \$339.6 million in 2013, although most of the increase was in lower rate investment securities and interest-earning

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deposits which increased \$42.8 million offset by a \$25.9 million decrease in average loan balances. The average rate on deposits and FHLB advances decreased from 0.99% in 2012 to 0.74% in 2013 caused primarily by reductions in short-term interest rates due to cuts by the Federal Reserve. Separating deposits from FHLB advances, the rate on deposits decreased from 0.92% in 2012 to 0.68% in 2013. The rate on advances increased from 2.27% in 2012 to 2.38% in 2013 due to the maturity of a low rate advance late in 2012. Overall, the average rate on loans and investments decreased by 82 basis points while the average rate paid on advances and deposits decreased by only 25 basis points.

Interest income on loans decreased \$2.2 million for the year ended December 31, 2013 compared to a decrease of \$2.0 million for the year ended December 31, 2012 primarily because of lower average loan volume but also due to lower interest rates. The average balance of loans held in LSB's portfolio decreased by \$25.9 million from \$291.6 million in 2012 to \$265.7 million in 2013. The average yield on loans decreased from 5.20% for the year ended December 31, 2012 to 4.86% for the year ended December 31, 2013.

Interest income on investments increased \$299,000 taking into account an increase of \$11,000 in dividends on FHLB stock for the year ended December 31, 2013 compared to the year ended December 31, 2012. The increase in interest on investments and FHLB stock was primarily due to a \$42.7 million increase in the average balance of investments from \$31.2 million in 2012 to \$73.9 million in 2013 partially offset by a 63 basis point decrease in the average rates on investments from 1.79% in 2012 to 1.16% in 2013 due to the decrease in market rates.

Interest expense for the year ended December 31, 2013 decreased \$862,000 from the same period in 2012. This decrease was primarily due to a decrease in the average rate paid on interest-bearing liabilities consisting of deposit accounts and FHLB advances from 0.99% in 2012 to 0.74% in 2013. Average balances of deposits increased slightly from \$307.4 million in 2012 to \$307.9 million in 2013 while the average balances of FHLB advances decreased from \$17.0 million in 2012 to \$10.8 million in 2013.

Provision for Loan Losses. The evaluation of the level of loan loss reserves is an ongoing process that includes closely monitoring loan delinquencies. The following chart shows delinquent loans as well as a breakdown of non-performing assets.

	December 31,		
	2013	2012	2011
	(Dollars in Thousands)		
Loans delinquent 30-59 days	\$ 483	\$ 1,176	\$ 2,263
Loans delinquent 60-89 days	388	781	1,006
Total delinquencies	871	1,957	3,269
Accruing loans past due 90 days			
Non-accruing loans	2,542	6,443	12,059
Total non-performing loans	2,572	6,443	12,059
OREO	18	256	1,746
Total non-performing assets	\$ 2,590	\$ 6,699	\$ 13,805

The accrual of interest income is discontinued when a loan becomes 90 days and three payments past due. Loans 90 days past due but not yet three payments past due will continue to accrue interest as long as it has been determined that the loan is well secured and the borrower has the capacity to repay.

Troubled debt restructurings and loans that begin to perform after a period of nonperformance are considered non-accruing loans until sufficient time has passed for them to establish a pattern of compliance with the terms of the restructure. There were \$1.2 million of loans at December 31, 2013 considered non-accruing in the chart above that are troubled debt restructurings or loans that have begun to perform after a period of nonperformance compared to \$3.5 million at December 31, 2012.

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LSB establishes its provision for loan losses based on a systematic analysis of risk factors in the loan portfolio. The analysis includes consideration of concentrations of credit, past loss experience, current economic conditions, the amount and composition of the loan portfolio, estimated fair value of the underlying collateral, delinquencies and other relevant factors. From time to time, LSB also uses the services of a consultant to assist in the evaluation of its commercial real estate loan portfolio. On at least a quarterly basis, a formal analysis of the adequacy of the allowance is prepared and reviewed by LSB's management and board of directors. This analysis serves as a point-in-time assessment of the level of the allowance and serves as a basis for provision for loan losses.

More specifically, LSB's analysis of the loan portfolio will begin at the time the loan is originated, at which time each loan is assigned a risk rating. If the loan is a commercial credit, the borrower will also be assigned a similar rating. Loans that continue to perform as agreed will be included in one of ten non-classified loan categories. Portions of the allowance are allocated to loan portfolios in the various risk grades, based upon a variety of factors, including historical loss experience, trends in the type and volume of the loan portfolios, trends in delinquent and non-performing loans, and economic trends affecting LSB's market. Loans no longer performing as agreed are assigned a higher risk rating, eventually resulting in their being regarded as classified loans. A collateral reevaluation is completed on all classified loans. This process results in the allocation of specific amounts of the allowance to individual problem loans, generally based on an analysis of the collateral securing those loans. These components are added together and compared to the balance of LSB's allowance at the evaluation date.

At December 31, 2013, LSB's largest area of concern was loans on one- to four-family non-owner-occupied rental properties. Of lesser concern are loans on one- to four-family owner-occupied residences, loans on non-residential properties and land loans and non-residential commercial loans. Loans delinquent more than 30 days at December 31, 2013 included \$1.7 million of loans on one- to four-family rental properties, \$156,000 of land loans, a single non-residential commercial loan of \$140,000, a single \$111,000 loan on non-residential real estate, a single \$84,000 loan on one- to four-family owner-occupied properties, and a single \$65,000 loan on a multi-family property. There has been some improvement in the local economy and LSB is seeing enough improvement in its one- to four-family rental property market to warrant restructuring a number of those relationships. However, LSB is working to decrease its concentrations in that sector especially in non-campus housing.

LSB recorded a \$650,000 provision for loan losses during 2013 as a result of its analyses of its current loan portfolios, compared to \$2.1 million during 2012. The provisions were necessary to maintain the allowance for loan losses at a level considered adequate to absorb losses inherent and incurred in the loan portfolio. During the year 2013, LSB charged \$517,000 against loan loss reserves on 14 loans, either written off, written down to fair value or taken into other real estate owned, including a group of loans to a single borrower. LSB expects to obtain possession of more properties in 2014 that are currently in the process of foreclosure. The final disposition of these properties may be expected to result in a loss in some cases. The \$6.3 million reserve for loan losses in 2013 was considered adequate to cover further charge-offs based on LSB's evaluation and its loan mix.

LSB's loan portfolio does not contain option ARM products, interest only loans, or loans with initial teaser rates. While LSB occasionally makes loans to borrowers with credit scores in the subprime range, these loans are only made if there are sufficient mitigating factors, not as part of a subprime mortgage plan. LSB occasionally makes mortgages that exceed high loan-to-value regulatory guidelines for a particular property type. LSB currently has \$10.6 million of mortgage loans that are not one- to four-family loans that qualify as high loan-to-value. LSB typically makes these loans only to well-qualified borrowers and none of these loans are delinquent. LSB also has \$5.4 million of one- to four-family loans which either alone or combined with a second mortgage exceed high loan-to-value guidelines. None of these loans is currently over 30 days past due. LSB's total high loan-to-value loans at December 31, 2013 were at 36% of capital, well under regulatory guidelines of 100% of capital. LSB has \$16.4 million of home equity lines of credit of which none are delinquent more than 30 days.

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At December 31, 2013, non-performing assets, consisting of non-performing loans, accruing loans 90 days or more delinquent, loans less than 90 days past due still on non-accrual, and other real estate owned, totaled \$2.6 million compared to \$6.7 million at December 31, 2012. In addition to LSB's non-performing assets, LSB identified \$3.8 million in other loans of concern where information about possible credit problems of the borrowers causes LSB's management to have doubts as to the ability of the borrowers to comply with present repayment terms and that may result in disclosure of such loans as non-performing assets in the future. The vast majority of these loans, as well as LSB's non-performing assets, are well collateralized.

At December 31, 2013, LSB believes that its allowance for loan losses was adequate to absorb estimated losses inherent in its loan portfolio. LSB's allowance for losses equaled 2.43% of net loans receivable and 246.81% of non-performing loans at December 31, 2013, compared to 2.06% and 91.57% at December 31, 2012, respectively. LSB's non-performing assets equaled 0.70% of total assets at December 31, 2013 compared to 1.84% at December 31, 2012. LSB had only \$18,000 of OREO properties at December 31, 2013. The increase in reserves is deemed prudent until the rental market stabilizes at a level that can provide landlords with rents adequate to cover their costs and the local economy returns to full strength.

Non-Interest Income. Non-interest income for the year ended December 31, 2013 decreased by \$875,000, or 18.36%, compared to the same period in 2012. The decrease was primarily due to a \$1.2 million decrease in the gain on sale of loans due to a lower volume of loans sold, from \$84.1 million in 2012 to \$45.3 million in 2013, as well as a \$134,000 decrease in deposit account fees due primarily to changes in LSB's fee structure as a result of changes mandated by the Dodd-Frank Act. These decreases were partially offset by a \$327,000 increase in other non-interest income, including, a \$147,000 increase in income from LSB's wealth management department on the sale of non-bank investment products, a \$142,000 increase in mortgage loan servicing fees due to the increase in the volume of loans serviced, and a \$40,000 increase in debit card fees due to increased use, as well as an improvement in the loss recognized on the sale of OREO properties from a \$97,000 loss in 2012 to a \$53,000 loss in 2013.

Non-Interest Expense. Non-interest expense for the year ended December 31, 2013 decreased \$315,000 over the same period in 2012. The decrease was primarily due to a \$372,000 decrease in salaries and benefits from lower loan origination activity by commission-based loan originators and a decrease in the number of employees from 96 in 2012 to 93 in 2013. In addition, there was a \$128,000 decrease in other expenses including a \$131,000 decrease in expenses related to acquiring, maintaining and disposing of foreclosed and OREO properties because of the decrease in the number of these properties, offset by a \$93,000 increase in legal fees due primarily to the cost of an extended lawsuit over construction loan disbursements and change orders. LSB also experienced a decrease in accounting fees because no additional regulatory reporting was required in 2013. These decreases in expenses were offset by a \$118,000 increase in occupancy costs (primarily due to increased maintenance and janitorial costs of \$81,000 from weather-related maintenance and to the acquisition of an additional property) and to a \$21,000 increase in property taxes, a \$60,000 increase in advertising costs tied to the introduction of additional mobile banking products and services and a \$24,000 increase in ATM fees tied to increased use.

Income Tax Expense. LSB's income tax provision decreased by \$76,000 for the year ended December 31, 2013 compared to the year ended December 31, 2012 primarily due to decreased income.

Off-Balance-Sheet Arrangements

As of December 31, 2013, LSB did not have any off-balance-sheet arrangements that have or are reasonably likely to have a current or future effect on LSB's financial condition, change in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors. The term off-balance-sheet arrangement generally means any transaction, agreement, or other contractual arrangement to which

any entity unconsolidated with LSB is a party and under which LSB has (i) any obligation arising under a guarantee contract, derivative instrument or variable interest or (ii) a retained or contingent

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interest in assets transferred to such entity or similar arrangement that serves as credit, liquidity or market risk support for such assets.

See Note 16 to the Consolidated Financial Statements appearing elsewhere in this proxy statement and prospectus regarding off-balance-sheet commitments.

Impact of Inflation and Changing Prices

The Consolidated Financial Statements included in this proxy statement and prospectus have been prepared in accordance with generally accepted accounting principles. These principles require the measurement of financial position and operating results in terms of historical dollars, without considering changes in the relative purchasing power of money over time due to inflation.

LSB's primary assets and liabilities are monetary in nature. As a result, interest rates have a more significant impact on LSB's performance than the effects of general levels of inflation. Interest rates, however, do not necessarily move in the same direction or with the same magnitude as the price of goods and services, since such prices are affected by inflation. In a period of rapidly rising interest rates, the liquidity and maturities structures of LSB's assets and liabilities are critical to the maintenance of acceptable performance levels.

The principal effect of inflation, as distinct from levels of interest rates, on earnings is in the area of non-interest expense. Such expense items as employee compensation, employee benefits and occupancy and equipment costs may be subject to increases as a result of inflation. An additional effect of inflation is the possible increase in the dollar value of the collateral securing loans that LSB has made. LSB is unable to determine the extent, if any, to which properties securing LSB's loans have appreciated in dollar value due to inflation.

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The following table provides information as of the record date, about each person known by LSB to own beneficially 5% or more of its common stock.

5% Beneficial Owners	Shares Beneficially Owned(1)	Percent of Class
First Bankers Trust Services, Inc., Trustee of the LSB Financial Corp. Employee Stock Ownership Plan 2321 Kochs Lane Quincy, Illinois 62305	78,334(2)	5.0%
John C. Shen, Advisory Director(3) c/o Lafayette Savings Bank, FSB 101 Main Street Lafayette, Indiana 47901	83,644	5.3%
Morris Propp 366 Eagle Drive Jupiter, Florida 33477	140,000(4)	8.9%
E.A. Horwitz, LLC 1650 Lake Cook Road, Suite 190 Deerfield, Illinois 60015	83,024(5)	5.3%
Brown Trout Management, LLC Steven R. Gerbel 311 South Wacker Drive, Suite 6025 Chicago, Illinois 60606-6627	88,405(6)	5.6%

- (1) The information in this chart is based on Schedule 13D or 13G Report(s) filed by the above-listed persons with the Securities and Exchange Commission containing information concerning shares held by them. It does not reflect any changes in those shareholdings which may have occurred since the date of such filings or the date such information was obtained.
- (2) Represents shares held by the ESOP, all shares of which have been allocated to accounts of participants. Pursuant to the terms of the ESOP, each ESOP participant has the right to direct the voting of shares of common stock allocated to his or her account.
- (3) Mr. Shen was appointed as an advisory board member upon his retirement from LSB's board of directors on April 18, 2001.
- (4) Mr. Propp shares voting and investment power with respect to 96,800 of these shares.
- (5) E.A. Horwitz, LLC shares voting power as to 78,524 of these shares. It has sole voting power with respect to 4,500 of these shares and sole dispositive power as to 83,024 shares.
- (6) Steven R. Gerbel is a manager member of Brown Trout Management, LLC, an Illinois limited partnership (BTM), which serves as the general partner and investment manager of Chicago Capital Management, LP (CCM), an Illinois limited partnership. CCM and a separate account managed by BTM owns these shares. Mr. Gerbel and BTM share voting and dispositive power as to these shares.

Table of Contents**Beneficial Ownership by LSB Directors and Executive Officers**

The following table provides information on the shares of LSB common stock owned by directors and executives of LSB, including the number and percent of shares as of the record date. The table also includes information on the number of shares of common stock beneficially owned by all directors and executive officers of LSB as a group and by the Vice President-Director of Operations of Lafayette Savings.

Name	Position(s) Held	Common Stock Beneficially Owned as of June 15, 2014 (1)	Percentage of Class
Mary Jo David	Senior Vice President, Chief Financial Officer, Secretary and Director	29,673(2)	1.9%
Thomas B. Parent	Director	3,620(3)	*
Jeffrey A. Poxon	Director	19,591(4)	1.2%
James A. Andrew	Director	43,540(5)	2.8%
Stephen E. Belter	Director	4,969(6)	*
Kenneth P. Burns	Director	2,859(4)	*
Sarah R. Byrn	Director	1,500(7)	*
Philip W. Kemmer	Director	3,981(4)	*
Mariellen M. Neudeck	Chairman of the Board	27,091(8)	1.7%
Charles W. Shook	Director	3,687(4)	*
Randolph F. Williams	President, Chief Executive Officer and Director	28,973(9)	1.8%
Todd C. Van Sickle	Vice President Director of Operations of Lafayette Savings	3,566(10)	*
		173,050(11)	10.9%

* Under 1% of outstanding shares.

- (1) Includes shares held directly, as well as shares held jointly with family members, shares held in retirement accounts, held in a fiduciary capacity, held by certain of the group members' families, or held by trusts of which the group member is a trustee or beneficiary, with respect to which shares the group member may be deemed to have sole or shared voting and/or investment powers.
- (2) Includes 800 shares subject to stock options exercisable within 60 days of the record date and 12,921 shares held in the ESOP as of December 31, 2013. Excludes 5,925 shares subject to stock options which are not exercisable within 60 days of the record date.
- (3) Includes 1,250 shares held jointly with Mr. Parent's spouse and 2,370 shares subject to stock options exercisable within 60 days of the record date. Excludes 3,080 shares subject to stock options which are not exercisable within

60 days of the record date.

- (4) Includes 120 shares subject to stock options exercisable within 60 days of the record date. Excludes 2,630 shares subject to stock options which are not exercisable within 60 days of the record date.
- (5) Includes 14,359 shares held jointly by Mr. Andrew and his spouse, 958 held in a family trust, 2,680 shares held by Mr. Andrew's spouse, and 120 shares subject to stock options exercisable within 60 days of the record date. Excludes 2,630 shares subject to stock options which are not exercisable within 60 days of the record date.
- (6) Includes 60 shares subject to stock options exercisable within 60 days of the record date, and 4,909 shares held jointly by Mr. Belter and his spouse. Excludes 3,030 shares subject to stock options which are not exercisable within 60 days of the record date.
- (7) Includes 1,500 shares subject to stock options exercisable within 60 days of the record date. Excludes 3,300 shares subject to stock options which are not exercisable within 60 days of the record date.

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- (8) Includes 150 shares subject to stock options exercisable within 60 days of the record date. Excludes 2,675 shares subject to stock options which are not exercisable within 60 days of the record date.
- (9) Includes 3,782 shares held jointly with Mr. Williams spouse, 7,113 shares subject to stock options exercisable within 60 days of the record date, and 5,296 shares held in the ESOP as of December 31, 2013. Excludes 7,125 shares subject to stock options which are not exercisable within 60 days of the record date.
- (10) Includes 2,454 shares subject to stock options exercisable within 60 days of the record date and 1,112 shares held in the ESOP as of December 31, 2013. Excludes 5,925 shares subject to stock options which are not exercisable within 60 days of the record date.
- (11) Includes 14,297 shares subject to stock options exercisable within 60 days of the record date, and 19,329 shares held in the ESOP as of December 31, 2013. Excludes 44,960 shares subject to stock options which are not exercisable within 60 days of the record date.

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EXPERTS

The consolidated financial statements of Old National incorporated herein by reference to Old National's Annual Report on Form 10-K for the year ended December 31, 2013, have been audited by Crowe Horwath LLP, independent registered public accounting firm (Crowe), as set forth in their report thereon incorporated by reference in this proxy statement and prospectus in reliance upon such report given on the authority of Crowe as experts in accounting and auditing.

The consolidated financial statements of LSB as of and for the two years ended December 31, 2013 included in this proxy statement and prospectus have been audited by BKD LLP, independent registered public accounting firm (BKD), as set forth in their report thereon in reliance upon such report given on the authority of BKD as experts in accounting and auditing.

LEGAL MATTERS

Certain matters pertaining to the validity of the Old National common stock to be issued in connection with the Merger will be passed upon by Krieg DeVault LLP, Indianapolis, Indiana. Certain matters pertaining to the federal income tax consequences of the Merger will be passed upon for Old National and LSB by Krieg DeVault LLP.

SHAREHOLDER PROPOSALS FOR NEXT YEAR

Old National

If the Merger is completed, LSB shareholders will become shareholders of Old National following Old National's 2014 annual meeting. To be included in Old National's proxy statement and voted on at Old National's regularly scheduled 2015 annual meeting of shareholders, shareholder proposals must be submitted in writing by February 11, 2015, to Old National's Secretary, P.O. Box 718, Evansville, Indiana 47705-0718, which date is 120 calendar days before the date of the release of Old National's proxy statement for 2015. If notice of any other shareholder proposal intended to be presented at the annual meeting is not received by Old National on or before February 11, 2015, the proxy solicited by the Old National board of directors for use in connection with that meeting may confer authority on the proxies to vote in their discretion on such proposal, without any discussion in the Old National proxy statement for that meeting of either the proposal or how such proxies intend to exercise their voting discretion. Any such proposals will be subject to the requirements of the proxy rules and regulations adopted under the Exchange Act. If the date of the 2015 annual meeting is changed, the dates set forth above may change.

Pursuant to Old National's By-laws, any shareholder wishing to nominate a candidate for director or propose other business at an annual meeting must give Old National written notice not less 120 days before the meeting, and the notice must provide certain other information as described in the By-laws. Copies of the By-laws are available to shareholders free of charge upon request to Old National's Secretary.

LSB

If the Merger occurs, there will be no LSB annual meeting of shareholders for 2015. In that case, shareholder proposals must be submitted to Old National in accordance with the procedures described above.

If the Merger is not completed, a shareholder proposal submitted for presentation at the Annual Meeting but not for inclusion in LSB's proxy statement and form of proxy will normally be considered untimely if it is received by LSB later than 90 days prior to April 15, 2015. If, however, the date of the 2015 Annual Meeting is

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advanced by more than 20 days or delayed more than 60 days from such date, such proposal will be considered timely if it is received by LSB no later than the 90th day prior to such Annual Meeting or the proposal shall be considered untimely on the 10th day following the day on which the notice of the date of the meeting was mailed or the public disclosure was made. If LSB receives notice of the proposal after that time, each proxy that LSB receives will confer upon it the discretionary authority to vote on the proposal in the manner the proxies deem appropriate, even though there is no discussion of the proposal in LSB's proxy statement for the next Annual Meeting.

Proposals should be sent to the attention of the Secretary of LSB at 101 Main Street, Lafayette, Indiana 47901. All shareholder proposals are subject to the requirements of the proxy rules under the Exchange Act and LSB's articles of incorporation and by-laws, and Indiana law.

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WHERE YOU CAN FIND MORE INFORMATION

Old National and LSB file annual, quarterly, and current reports, proxy statements, and other information with the Securities and Exchange Commission. You may read and copy any reports, statements, or other information that the companies file at the Securities and Exchange Commission's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the Securities and Exchange Commission at 1-800-SEC-0330 for further information on the operation of the Public Reference Room. Old National's and LSB's public filings also are available to the public from commercial document retrieval services and on the Internet site maintained by the Securities and Exchange Commission at <http://www.sec.gov>. Shares of Old National common stock are listed on the NASDAQ Global Select Market under the symbol ONB, and shares of LSB common stock are quoted on the NASDAQ Global Market under the symbol LSBI.

Old National has filed with the Securities and Exchange Commission a registration statement on Form S-4 under the Securities Act with respect to the common stock of Old National being offered in the Merger. This proxy statement and prospectus, which constitutes part of the registration statement, does not contain all of the information set forth in the registration statement. Parts of the registration statement are omitted from the proxy statement and prospectus in accordance with the rules and regulations of the Securities and Exchange Commission. For further information, your attention is directed to the registration statement. Statements made in this proxy statement and prospectus concerning the contents of any documents are not necessarily complete, and in each case are qualified in all respects by reference to the copy of the document filed with the Securities and Exchange Commission.

The Securities and Exchange Commission allows Old National to incorporate by reference the information filed by Old National with the Securities and Exchange Commission, which means that Old National can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this proxy statement and prospectus.

Old National incorporates by reference the documents and information listed below:

- (1) Annual Report on Form 10-K for the year ended December 31, 2013;
- (2) Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2014;
- (3) Current Reports on Form 8-K filed January 8, 2014, January 23, 2014, March 18, 2014, April 11, 2014, May 9, 2014, June 2, 2014 and June 4, 2014; and
- (4) The description of Old National's common stock set forth in the registration statement on Form 8-A filed pursuant to Section 12 of the Exchange Act on August 14, 2013, including any amendment or report filed with the SEC for the purpose of updating such description.

Old National is also incorporating by reference any filings Old National makes with the Securities and Exchange Commission under Sections 13(a), 13(c), 14, and 15(d) of the Exchange Act between the date hereof and the date of the special meeting of LSB shareholders; provided, however, that Old National is not incorporating by reference any information furnished, but not filed.

Any statement contained in a document incorporated or deemed to be incorporated herein shall be deemed modified or superseded for purposes of this proxy statement and prospectus to the extent that a statement contained herein or in any other subsequently filed document that is deemed to be incorporated herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to

constitute a part of this proxy statement and prospectus.

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You should rely only on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information that is inconsistent with information contained in this document or any document incorporated by reference. This proxy statement and prospectus is not an offer to sell these securities in any state where the offer and sale of these securities is not permitted. The information in this proxy statement and prospectus is current as of the date it is mailed to security holders, and not necessarily as of any later date. If any material change occurs during the period that this proxy statement and prospectus is required to be delivered, this proxy statement and prospectus will be supplemented or amended.

All information regarding Old National in this proxy statement and prospectus has been provided by Old National, and all information regarding LSB in this proxy statement and prospectus has been provided by LSB.

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LSB Financial Corp.**

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<u>Consolidated Statements of Income and Comprehensive Income for the years ended December 31, 2013 and 2012</u>	F-4
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Report of Independent Registered Public Accounting Firm

Audit Committee, Board of Directors and Stockholders

LSB Financial Corp.

Lafayette, Indiana

We have audited the accompanying consolidated balance sheets of LSB Financial Corp. as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the years ended December 31, 2013 and 2012. The Company's management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing auditing procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. Our audits also included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of LSB Financial Corp. as of December 31, 2013 and 2012, and the results of its operations and its cash flows for each of the years ended December 31, 2013 and 2012, in conformity with accounting principles generally accepted in the United States of America.

/s/ BKD, LLP

Indianapolis, Indiana

March 14, 2014

Table of Contents**Consolidated Balance Sheets****December 31, 2013 and 2012**

(Dollars in Thousands, Except Per Share Data)

	2013	2012
Assets		
Cash and due from banks	\$ 21,961	\$ 25,643
Short-term investments	2,237	5,778
Cash and cash equivalents	24,198	31,421
Interest bearing time deposits	1,743	1,740
Available-for-sale securities	62,705	28,004
Loans held for sale	657	1,363
Loans, net of allowance for loan losses of \$6,348 and \$5,900 at December 31, 2013 and 2012, respectively	254,703	280,257
Premises and equipment, net	7,933	7,069
Federal Home Loan Bank stock	3,185	3,185
Bank-owned life insurance	6,745	6,595
Interest receivable and other assets	5,712	4,976
Total assets	\$ 367,581	\$ 364,610
Liabilities and Stockholders Equity		
Liabilities		
Deposits	\$ 314,620	\$ 308,637
Federal Home Loan Bank advances	10,000	15,000
Interest payable and other liabilities	2,234	2,018
Total liabilities	326,854	325,655
Commitments and Contingencies		
Stockholders Equity		
Common stock, \$.01 par value; authorized 7,000,000 shares; issued and outstanding 2013 1,564,838 shares, 2012 1,555,972 shares	15	15
Additional paid-in capital	11,348	11,121
Retained earnings	29,658	27,495
Accumulated other comprehensive income (loss)	(294)	324
Total stockholders equity	40,727	38,955
Total liabilities and stockholders equity	\$ 367,581	\$ 364,610

See Notes to Consolidated Financial Statements.

Table of Contents**Consolidated Statements of Income and Comprehensive Income****December 31, 2013 and 2012**

(Dollars in Thousands, Except Per Share Data)

	2013	2012
Interest and Dividend Income		
Loans	\$ 12,914	\$ 15,162
Securities		
Taxable	600	352
Tax-exempt	210	162
Other	47	44
Total interest and dividend income	13,771	15,720
Interest Expense		
Deposits	2,105	2,839
Borrowings	258	386
Total interest expense	2,363	3,225
Net Interest Income	11,408	12,495
Provision for Loan Losses	650	2,100
Net Interest Income After Provision for Loan Losses	10,758	10,395
Non-interest Income		
Deposit account service charges and fees	1,204	1,338
Net gains on loan sales	1,337	2,489
Net loss on other real estate owned	(53)	(97)
Debit card fees	598	558
Brokerage fees	267	119
Other	538	359
Total non-interest income	3,891	4,766
Non-interest Expense		
Salaries and employee benefits	5,833	6,205
Net occupancy and equipment expense	1,326	1,208
Computer service	606	618
Advertising	437	377
FDIC Insurance	476	481
ATM	289	265
Professional fees	500	500
Other	1,188	1,316

Total non-interest expense	10,655	10,970
Income Before Income Tax	3,994	4,191
Provision for Income Taxes	1,456	1,532
Net Income	\$ 2,538	\$ 2,659
Unrealized appreciation (depreciation) on available-for-sale securities, net of taxes of \$(412) and \$58 at December 31, 2013 and 2012, respectively	(618)	88
Total comprehensive income	\$ 1,920	\$ 2,747
Basic Earnings Per Share	\$ 1.63	\$ 1.71
Diluted Earnings Per Share	\$ 1.62	\$ 1.70

See Notes to Consolidated Financial Statements.

Table of Contents**Consolidated Statements of Stockholders Equity****December 31, 2013 and 2012**

(Dollars in Thousands, Except Per Share Data)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, January 1, 2012	\$ 15	\$ 11,010	\$ 24,913	\$ 236	\$ 36,174
Net income			2,659		2,659
Other comprehensive income				88	88
Stock options exercised (750 shares)		7			7
Tax benefit related to stock options exercised		2			2
Dividends on common stock, \$0.05 per share			(77)		(77)
Share-based compensation expense		102			102
Balance, December 31, 2012	15	11,121	27,495	324	38,955
Net income			2,538		2,538
Other comprehensive loss				(618)	(618)
Stock options exercised (8,866 shares)		185			185
Tax benefit related to stock options exercised		3			3
Dividends on common stock, \$0.24 per share			(375)		(375)
Share-based compensation expense		39			39
Balance, December 31, 2013	\$ 15	\$ 11,348	\$ 29,658	\$ (294)	\$ 40,727

See Notes to Consolidated Financial Statements.

Table of Contents**Consolidated Statements of Cash Flows****December 31, 2013 and 2012**

(Dollars in Thousands, Except Per Share Data)

	2013	2012
Operating Activities		
Net income	\$ 2,538	\$ 2,659
Items not requiring (providing) cash		
Depreciation	437	453
Provision for loan losses	650	2,100
Amortization of premiums and discounts on securities	233	155
Deferred income taxes	(227)	(242)
Loss on other real estate owned	53	97
Gain on sale of loans	(1,337)	(2,489)
Loans originated for sale	(43,506)	(80,317)
Proceeds on loans sold	45,272	84,144
Share-based compensation expense	39	102
Changes in		
Interest receivable and other assets	(208)	1,377
Interest payable and other liabilities	216	335
Net cash provided by operating activities	4,160	8,374
Investing Activities		
Net change in interest-bearing deposits	(3)	(1,740)
Purchases of available-for-sale securities	(37,881)	(19,454)
Proceeds from maturities of available-for-sale securities	1,917	5,282
Net change in loans	24,742	18,797
Proceeds from sale of other real estate owned	347	2,694
Purchase of premises and equipment	(1,301)	(1,376)
Net cash provided by (used in) investing activities	(12,179)	4,203
Financing Activities		
Net change in demand deposits, money market, NOW and savings accounts	17,402	12,425
Net change in certificates of deposit	(11,419)	(12,221)
Repayment of Federal Home Loan Bank advances	(5,000)	(3,000)
Proceeds from stock options exercised	184	7
Tax benefits related to stock options purchased	3	2
Dividends paid	(374)	(77)
Net cash provided by (used in) financing activities	796	(2,864)
Increase (Decrease) in Cash and Cash Equivalents	(7,223)	9,713

Cash and Cash Equivalents, Beginning of Year	31,421	21,708
Cash and Cash Equivalents, End of Year	\$ 24,198	\$ 31,421
Supplemental Cash Flows Information		
Interest paid	\$ 2,369	\$ 3,235
Income taxes paid	2,110	675
Supplemental Non-Cash Disclosures		
Capitalization of mortgage servicing rights	\$ 277	\$ 419
Loans transferred to other real estate owned	162	1,424
<i>See Notes to Consolidated Financial Statements.</i>		

Table of Contents**Note 1: Nature of Operations and Summary of Significant Accounting Policies*****Nature of Operations***

LSB Financial Corp. (Company) is a thrift holding company whose principal activity is the ownership and management of its wholly owned subsidiary, Lafayette Savings Bank (Bank). The Bank is primarily engaged in providing a full range of banking and financial services to individual and corporate customers in Tippecanoe and surrounding counties in Indiana. The Bank is subject to competition from other financial institutions. The Bank is subject to the regulation of certain federal and state agencies and undergoes periodic examinations by those regulatory authorities.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company, the Bank, and the Bank's subsidiary, L.S.B. Service Corporation (LSBSC). All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses and fair value of servicing rights and financial instruments. In connection with the determination of the allowance for loan losses, management obtains independent appraisals for significant properties. A substantial portion of the loan portfolio is secured by single and multi-family residential mortgages.

Cash Equivalents

The Company considers all liquid investments with original maturities of three months or less to be cash equivalents.

Securities

Available-for-sale securities, which include any security for which the Company has no immediate plan to sell but which may be sold in the future, are carried at fair value. Unrealized gains and losses are recorded, net of related income tax effects, in other comprehensive income.

Amortization of premiums and accretion of discounts are recorded as interest income from securities. Realized gains and losses are recorded as net security gains (losses). Gains and losses on sales of securities are determined on the specific-identification method.

Loans Held for Sale

Mortgage loans originated and intended for sale in the secondary market are carried at the lower of cost or fair value in the aggregate. Net unrealized losses, if any, are recognized through a valuation allowance by charges to non-interest income. Gains and losses on loan sales are recorded in non-interest income, and direct loan origination costs and fees

are deferred at origination of the loan and are recognized in non-interest income upon sale of the loan.

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Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoffs are reported at their outstanding principal balances adjusted for any charge-offs, the allowance for loan losses, any deferred fees or costs on originated loans and unamortized premiums or discounts on purchased loans. Interest income is reported on the interest method and includes amortization of net deferred loan fees and costs over the loan term.

For loans amortized at cost, interest income is accrued based on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, as well as premiums and discounts, are deferred and amortized as a level yield adjustment over the respective term of the loan.

The accrual of interest on mortgage and commercial loans is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. Past due status is based on contractual terms of the loan. In all cases, loans are placed on non-accrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on non-accrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to income. Loan losses are charged against the allowance when management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of allocated and general components. The allocated component relates to loans that are classified as impaired. For those loans that are classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers nonclassified loans and is based on historical charge-off experience and expected loss given default derived from the Company's internal risk rating process. Other adjustments may be made to the allowance for pools of loans after an assessment of internal or external influences on credit quality that are not fully reflected in the historical loss or risk rating data.

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the

borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for commercial and construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's observable market price or the fair value of the collateral if the loan is collateral dependent.

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Large groups of smaller balance homogenous loans are collectively evaluated for impairment. Accordingly, the Company does not separately identify individual consumer and residential loans for impairment measurements.

Premises and Equipment

Depreciable assets are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line and accelerated methods over the estimated useful lives of the assets ranging from 3 to 39 years.

Federal Home Loan Bank Stock

Federal Home Loan Bank stock is a required investment for institutions that are members of the Federal Home Loan Bank system. The required investment in the common stock is based on a predetermined formula, carried at cost and evaluated for impairment.

Foreclosed Assets Held for Sale

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less cost to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in net income or expense from foreclosed assets.

Servicing Rights

Servicing rights on originated loans that have been sold are initially recorded at fair value. Capitalized servicing rights are amortized in proportion to and over the period of estimated servicing revenues. Impairment of mortgage servicing rights is assessed based on the fair value of those rights. Fair values are estimated using discounted cash flows based on a current market interest rate. For purposes of measuring impairment, the rights are stratified based on the predominant risk characteristics of the underlying loans. The predominant characteristic currently used for stratification is type of loan. The amount of impairment recognized is the amount by which the capitalized mortgage servicing rights for a stratum exceed their fair value and is recorded through a valuation allowance.

Stock Options

The Company has a stock-based employee compensation plan, which is described more fully in Note 13.

Income Taxes

The Company accounts for income taxes in accordance with income tax accounting guidance (ASC 740, *Income Taxes*). The income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Company determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur. Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

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Uncertain tax positions are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50%; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances and information available at the reporting date and is subject to management's judgment. With a few exceptions, the Company is no longer subject to U.S. federal, state, and local or non-U.S. income tax examinations by authorities for years before 2010.

Earnings Per Share

Basic earnings per share represents income available to common stockholders divided by the weighted-average number of common shares outstanding during each period. Diluted earnings per share reflects additional potential common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed issuance. Potential common shares that may be issued by the Company relate solely to outstanding stock options and are determined using the treasury stock method.

Operating Segments

While the chief decision-makers monitor the revenue streams of the various products and services, the identifiable segments are not material and operations are managed and financial performance is evaluated on a Company-wide basis. Accordingly, all of the financial service operations are considered by management to be aggregated in one reportable operating segment.

Note 2: Restriction on Cash and Due From Banks

The Bank is required to maintain reserve funds in cash and/or on deposit with the Federal Reserve Bank. The reserve required at December 31, 2013 was \$2.0 million.

At December 31, 2013, the Company's interest-bearing cash accounts do not exceed federally insured limits. Additionally, approximately \$17.9 million and \$1.8 million of cash is held by the Federal Reserve Bank of Chicago and the FHLB of Indianapolis, respectively, which is not federally insured.

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Note 3: Securities

The amortized cost and approximate fair values, together with gross unrealized gains and losses, of securities are as follows:

	Amortized Cost	Gross Unreali
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