OLD NATIONAL BANCORP /IN/
Form 10-Q
November 08, 2011

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

FORM 10-Q

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2011

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

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (s232.405 of this chapter) during the preceding 12 months (or for shorter period that the registrant was required to submit and post such files). Yes þ No o

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

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

Indicate the number of shares outstanding of each of the issuer s classes of common stock. The Registrant has one class of common stock (no par value) with 94,752,000 shares outstanding at September 30, 2011.

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OLD NATIONAL BANCORP
CONSOLIDATED BALANCE SHEETS

(dollars and shares in thousands, except per share data)	September 30, 2011 (unaudited)	December 31, 2010	September 30, 2010 (unaudited)
Assets			
Cash and due from banks	**$ 194,606**	$ 107,368	$ 129,169
Money market and other interest-earning investments	**74,623**	144,184	43,102
Total cash and cash equivalents	**269,229**	251,552	172,271
Trading securities at fair value	**2,794**		
Investment securities available-for-sale, at fair value			
U.S. Treasury	**65,951**	62,550	51,814
U.S. Government-sponsored entities and agencies	**180,934**	315,133	538,148
Mortgage-backed securities	**1,441,585**	1,071,252	1,102,758
States and political subdivisions	**391,202**	348,924	336,993
Other securities	**173,417**	162,363	161,091
Total investment securities available-for-sale	**2,253,089**	1,960,222	2,190,804
Investment securities held-to-maturity, at amortized cost (fair value $517,427, $625,643 and $770,688 respectively)	**493,282**	638,210	753,835
Federal Home Loan Bank stock, at cost	**34,870**	31,937	36,090
Residential loans held for sale, at fair value	**4,710**	3,819	3,512
Loans:			
Commercial	**1,246,289**	1,211,399	1,266,893
Commercial real estate	**1,128,374**	942,395	981,524
Residential real estate	**865,951**	664,705	482,967
Consumer credit, net of unearned income	**899,446**	924,952	971,756
Covered loans, net of discount	**711,266**		
Total loans	**4,851,326**	3,743,451	3,703,140
Allowance for loan losses	**(65,219)**	(72,309)	(72,149)
Allowance for loan losses covered loans	**(303)**		
Net loans	**4,785,804**	3,671,142	3,630,991
FDIC indemnification asset	**168,091**		
Premises and equipment, net	**75,257**	48,775	50,057
Accrued interest receivable	**43,713**	42,971	44,376
Goodwill	**265,985**	167,884	167,884
Other intangible assets	**36,298**	26,178	27,681
Company-owned life insurance	**247,234**	226,192	225,985
Other real estate owned	**9,390**	5,591	5,886
Other real estate owned covered	**31,908**		
Other assets	**211,046**	189,419	196,742
Total assets	**$ 8,932,700**	$ 7,263,892	$ 7,506,114

Liabilities			
Deposits:			
Noninterest-bearing demand	**$ 1,728,548**	$ 1,276,024	$ 1,267,404
Interest-bearing:			
NOW	**1,517,117**	1,297,443	1,163,610
Savings	**1,624,786**	1,079,376	1,046,011
Money market	**306,089**	334,825	344,297
Time	**1,690,723**	1,475,257	1,618,115
Total deposits	**6,867,263**	5,462,925	5,439,437
Short-term borrowings	**341,004**	298,232	367,761
Other borrowings	**443,884**	421,911	578,282
FDIC true-up liability	**14,090**		
Accrued expenses and other liabilities	**238,764**	202,019	224,950
Total liabilities	**7,905,005**	6,385,087	6,610,430
Shareholders Equity			
Preferred stock, series A, 1,000 shares authorized, no shares issued or outstanding			
Common stock, $1 stated value, 150,000 shares authorized, 94,752, 87,183 and 87,172 shares issued and outstanding, respectively	**94,752**	87,183	87,172
Capital surplus	**834,060**	748,873	748,292
Retained earnings	**74,312**	44,018	44,404
Accumulated other comprehensive income (loss), net of tax	**24,571**	(1,269)	15,816
Total shareholders equity	**1,027,695**	878,805	895,684
Total liabilities and shareholders equity	**$ 8,932,700**	$ 7,263,892	$ 7,506,114

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

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OLD NATIONAL BANCORP
CONSOLIDATED STATEMENTS OF INCOME (unaudited)

(dollars and shares in thousands, except per share data)	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Interest Income				
Loans including fees:				
Taxable	**$ 62,706**	$ 43,635	**$ 165,058**	$ 132,416
Nontaxable	**2,361**	2,479	**7,018**	7,145
Investment securities, available-for-sale:				
Taxable	**13,197**	16,470	**39,730**	57,021
Nontaxable	**3,331**	3,620	**10,172**	12,700
Investment securities, held-to-maturity, taxable	**5,487**	6,671	**18,039**	16,230
Money market and other interest-earning investments	**87**	70	**341**	371
Total interest income	**87,169**	72,945	**240,358**	225,883
Interest Expense				
Deposits	**9,401**	11,428	**28,989**	37,971
Short-term borrowings	**132**	132	**390**	527
Other borrowings	**5,044**	7,217	**14,701**	22,946
Total interest expense	**14,577**	18,777	**44,080**	61,444
Net interest income	**72,592**	54,168	**196,278**	164,439
Provision for loan losses	**(82)**	6,400	**6,437**	23,681
Net interest income after provision for loan losses	**72,674**	47,768	**189,841**	140,758
Noninterest Income				
Wealth management fees	**5,094**	3,847	**15,521**	12,097
Service charges on deposit accounts	**14,048**	12,411	**38,062**	37,507
ATM fees	**6,766**	5,821	**18,736**	17,278
Mortgage banking revenue	**699**	644	**2,560**	1,765
Insurance premiums and commissions	**8,335**	8,691	**27,916**	27,809
Investment product fees	**2,977**	2,325	**8,504**	6,613
Company-owned life insurance	**1,393**	1,034	**3,863**	3,059
Net securities gains	**2,861**	3,281	**5,026**	12,792
Total other-than-temporary impairment losses	**(140)**	(39)	**(1,872)**	(4,441)
Loss recognized in other comprehensive income	**140**		**1,373**	1,133
Impairment losses recognized in earnings		(39)	**(499)**	(3,308)
Gain on derivatives	**149**	370	**702**	1,386
Gain on sale leaseback transactions	**1,636**	1,636	**4,909**	4,815
Change in FDIC indemnification asset	**535**		**535**	
Other income	**2,833**	1,958	**7,901**	6,132
Total noninterest income	**47,326**	41,979	**133,736**	127,945

Noninterest Expense				
Salaries and employee benefits	**52,325**	41,696	**139,930**	125,214
Occupancy	**13,328**	11,723	**37,826**	35,781
Equipment	**2,878**	2,623	**8,720**	8,049
Marketing	**1,294**	1,527	**4,193**	4,274
Data processing	**5,703**	5,124	**17,538**	16,273
Communication	**2,529**	2,329	**7,507**	7,489
Professional fees	**5,905**	1,600	**10,462**	5,477
Loan expense	**1,139**	980	**3,351**	2,996
Supplies	**646**	710	**2,191**	2,179
Loss on extinguishment of debt		870		2,274
FDIC assessment	**1,657**	2,077	**5,621**	6,201
Amortization of intangibles	**2,106**	1,501	**5,868**	4,627
Other expense	**5,648**	3,342	**11,634**	10,199
Total noninterest expense	**95,158**	76,102	**254,841**	231,033
Income before income taxes	**24,842**	13,645	**68,736**	37,670
Income tax expense	**8,045**	1,749	**18,490**	5,182
Net income	**$ 16,797**	$ 11,896	**$ 50,246**	$ 32,488
Net income per common share basic	**$ 0.18**	$ 0.13	**$ 0.53**	$ 0.37
Net income per common share diluted	**0.18**	0.13	**0.53**	0.37
Weighted average number of common shares outstanding basic	**94,492**	86,795	**94,468**	86,778
Weighted average number of common shares outstanding diluted	**94,785**	86,931	**94,722**	86,890
Dividends per common share	**$ 0.07**	$ 0.07	**$ 0.21**	$ 0.21

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

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OLD NATIONAL BANCORP
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY (unaudited)

(dollars and shares in thousands)	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders Equity	Comprehensive Income
Balance, December 31, 2009	$ 87,182	$ 746,775	$ 30,235	$ (20,366)	$ 843,826	
Comprehensive income						
Net income			32,488		32,488	$ 32,488
Other comprehensive income (1)						
Change in unrealized gain (loss) on securities available for sale, net of reclassification and tax				29,295	29,295	29,295
Transferred securities, net of tax				5,110	5,110	5,110
Reclassification adjustment on cash flows hedges, net of tax				845	845	845
Net loss, settlement cost and amortization of net (gain) loss on defined benefit pension plans, net of tax				932	932	932
Total comprehensive income						$ 68,670
Dividends common stock			(18,268)		(18,268)	
Common stock issued	13	123			136	
Common stock repurchased	(41)	(442)			(483)	
Stock based compensation expense		1,702			1,702	
Stock activity under incentive comp plans	18	134	(51)		101	
Balance, September 30, 2010	$ 87,172	$ 748,292	$ 44,404	$ 15,816	$ 895,684	
Balance, December 31, 2010	**$ 87,183**	**$ 748,873**	**$ 44,018**	**$ (1,269)**	**$ 878,805**	
Comprehensive income						
Net income			**50,246**		**50,246**	**$ 50,246**
Other comprehensive income (1)						
Change in unrealized gain (loss) on securities available for sale, net of reclassification and tax				**25,222**	**25,222**	**25,222**
Transferred securities, net of tax				**(783)**	**(783)**	**(783)**
Reclassification adjustment on cash flows hedges, net of tax				**(481)**	**(481)**	**(481)**
				1,882	**1,882**	**1,882**

Net loss, settlement cost and amortization of net (gain) loss on defined benefit pension plans, net of tax						
Total comprehensive income						$ 76,086
Acquisition Monroe Bancorp	7,575	82,495			90,070	
Dividends common stock			(19,889)		(19,889)	
Common stock issued	15	151			166	
Common stock repurchased	(33)	(308)			(341)	
Stock based compensation expense		2,551			2,551	
Stock activity under incentive comp plans	12	298	(63)		247	
Balance, September 30, 2011	$ 94,752	$ 834,060	$ 74,312	$ 24,571	$ 1,027,695	

(1) See Note 5 to the consolidated financial statements.

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

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OLD NATIONAL BANCORP
CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

(dollars in thousands)	Nine Months Ended September 30, 2011	2010
Cash Flows From Operating Activities		
Net income	**$ 50,246**	$ 32,488
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	**7,269**	6,948
Amortization and impairment of other intangible assets	**5,868**	4,627
Net premium amortization on investment securities	**8,060**	4,860
Change in FDIC indemnification asset	**(535)**	
Stock-based compensation expense	**2,551**	1,702
Provision for loan losses	**6,437**	23,681
Net securities gains	**(5,026)**	(12,792)
Impairment on available-for-sale securities	**499**	3,308
Gain on sale leasebacks	**(4,909)**	(4,815)
Gain on derivatives	**(702)**	(1,386)
Net gains on sales and write-downs of loans and other assets	**(1,459)**	(1,131)
Loss on extinguishment of debt		2,274
Increase in cash surrender value of company owned life insurance	**(3,836)**	(1,333)
Residential real estate loans originated for sale	**(70,232)**	(44,404)
Proceeds from sale of residential real estate loans	**79,089**	59,635
Decrease in interest receivable	**5,812**	4,964
Decrease in other assets	**17,220**	4,529
Increase (decrease) in accrued expenses and other liabilities	**15,838**	1,380
Total adjustments	**61,944**	52,047
Net cash flows provided by operating activities	**112,190**	84,535
Cash Flows From Investing Activities		
Cash and cash equivalents of acquired banks	**398,558**	
Purchase of trust assets	**(1,301)**	
Net cash paid in FDIC-assisted transaction	**(151,264)**	
Purchases of investment securities available-for-sale	**(490,086)**	(873,737)
Purchases of investment securities held-to-maturity		(255,828)
Proceeds from the call/repurchase of FHLB stock	**14,587**	
Proceeds from maturities, prepayments and calls of investment securities available-for-sale	**379,727**	752,062
Proceeds from sales of investment securities available-for-sale	**454,110**	339,629
Proceeds from maturities, prepayments and calls of investment securities held-to-maturity	**147,050**	37,376
Proceeds from sale of loans	**4,743**	3,377
Net principal collected from customers	**105,354**	163,149
Proceeds from sale of premises and equipment and other assets	**413**	17
Proceeds from sale leaseback of real estate		3,697

Purchases of premises and equipment		**(4,184)**		(6,215)
Net cash flows provided by investing activities		**857,707**		163,527
Cash Flows From Financing Activities				
Net increase (decrease) in deposits and short-term borrowings:				
Noninterest-bearing demand deposits		**129,007**		79,061
Savings, NOW and money market deposits		**(59,887)**		(153,673)
Time deposits		**(762,052)**		(389,439)
Short-term borrowings		**(27,411)**		36,617
Payments for maturities on other borrowings		**(725)**		(75,674)
Proceeds from issuance of other borrowings				50,000
Payments related to retirement of debt		**(211,228)**		(101,356)
Cash dividends paid on common stock		**(19,889)**		(18,268)
Common stock repurchased		**(341)**		(483)
Proceeds from exercise of stock options, including tax benefit		**140**		12
Common stock issued		**166**		136
Net cash flows used in financing activities		**(952,220)**		(573,067)
Net increase (decrease) in cash and cash equivalents		**17,677**		(325,005)
Cash and cash equivalents at beginning of period		**251,552**		497,276
Cash and cash equivalents at end of period	**$**	**269,229**	$	172,271
Supplemental cash flow information:				
Total interest paid	**$**	**44,814**	$	62,181
Total taxes paid (net of refunds)	**$**	**4,605**	$	(2,775)

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

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OLD NATIONAL BANCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
NOTE 1 BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements include the accounts of Old National Bancorp and its wholly-owned affiliates (hereinafter collectively referred to as Old National) and have been prepared in conformity with accounting principles generally accepted in the United States of America and prevailing practices within the banking industry. Such principles require management to make estimates and assumptions that affect the reported amounts of assets, liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The allowance for loan losses, valuation and impairment of securities, goodwill and intangibles, derivative financial instruments, and income taxes are particularly subject to change. In the opinion of management, the consolidated financial statements contain all the normal and recurring adjustments necessary for a fair statement of the financial position of Old National as of September 30, 2011 and 2010, and December 31, 2010, and the results of its operations for the three and nine months ended September 30, 2011 and 2010. Interim results do not necessarily represent annual results. These financial statements should be read in conjunction with Old National s Annual Report for the year ended December 31, 2010.

All significant intercompany transactions and balances have been eliminated. Certain prior year amounts have been reclassified to conform with the 2011 presentation. Such reclassifications had no effect on net income or shareholders equity.

NOTE 2 RECENT ACCOUNTING PRONOUNCEMENTS

FASB ASC 350 In December 2010, the FASB issued an update (ASU No. 2010-28, When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts) impacting FASB ASC 350-20, Intangibles Goodwill and Other Goodwill. The amendments modify Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For these reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that a goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that an impairment may exist. This update became effective for the Company for interim and annual reporting periods beginning after December 15, 2010 and did not have a material impact on the consolidated financial statements or results of operations.

FASB ASC 805 In December 2010, the FASB issued an update (ASU No. 2010-29, Disclosure of Supplementary Pro Forma Information for Business Combinations) impacting FASB ASC 805-10, Business Combinations Overall. The amendments specify that if an entity presents comparative financial statements, the entity should disclose pro forma information, including pro forma revenue and earnings, for the combined entity as though the business combination that occurred in the current year had occurred as of the beginning of the comparable prior annual reporting period. Supplemental pro forma disclosures should include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. This update became effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010.

FASB ASC 310 In April 2011, the FASB issued an update (ASU No. 2011-02, A Creditor s Determination of Whether a Restructuring Is a Troubled Debt Restructuring) impacting FASB ASC 310-40, Troubled Debt Restructurings by Creditors. The amendments specify that in evaluating whether a restructuring constitutes a troubled debt restructuring, a creditor must separately conclude that both of the following conditions exist: the restructuring constitutes a concession and the debtor is experiencing financial difficulties. The amendments clarify the guidance on these points and give examples of both conditions. This update became effective for the Company for interim or annual reporting periods beginning on or after June 15, 2011 and did not have a material impact on the consolidated financial statements or results of operations.

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FASB ASC 860 In April 2011, the FASB issued an update (ASU No. 2011-03, Reconsideration of Effective Control for Repurchase Agreements) impacting FASB ASC 860-10, Transfers and Servicing Overall. The amendments remove from the assessment of effective control (1) the criterion requiring the transferor to have the ability to repurchase or redeem the financial assets on substantially the agreed terms, even in the event of default by the transferee, and (2) the collateral maintenance implementation guidance related to that criterion. This update becomes effective for the Company for interim and annual reporting periods beginning on or after December 15, 2011. The Company is currently evaluating the impact of adopting the new guidance on the consolidated financial statements, but it is not expected to have a material impact.

FASB ASC 820 In May 2011, the FASB issued an update (ASU No. 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs) impacting FASB ASC 820, Fair Value Measurement. The amendments in this update will improve the comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with U.S. GAAP and International Financial Reporting Standards (IFRSs). Among the many areas affected by this update are the concept of highest and best use, the fair value of an instrument included in shareholders equity and disclosures about fair value measurement, especially disclosures about fair value measurements categorized within Level 3 of the fair value hierarchy. This update becomes effective for the Company for interim and annual reporting periods beginning after December 15, 2011. The Company is currently evaluating the impact of adopting the new guidance on the consolidated financial statements, but it is not expected to have a material impact.

FASB ASC 220 In June 2011, the FASB issued an update (ASU No. 2011-05, Presentation of Comprehensive Income) impacting FASB ASC 220, Comprehensive Income. The amendments in this update eliminate the option to present components of other comprehensive income as part of the statement of changes in stockholders equity. An entity will have the option to present the total of comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. An entity will be required to present on the face of financial statements reclassification adjustments for items that are reclassified from other comprehensive income to net income. This update becomes effective for the Company for interim and annual reporting periods beginning after December 15, 2011. The Company is currently evaluating the alternative options for presentation established in the new guidance.

FASB ASC 350 In September 2011, the FASB issued an update (ASU No. 2011-08, Testing Goodwill for Impairment) impacting FASB ASC 350-20, Intangibles Goodwill and Other. The amendments in this update permit an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than the carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. The more likely than not threshold is defined as having a likelihood of more than 50 percent. If after assessing the totality of events or circumstances, it is not more likely than not that the fair value of the reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. If an entity concludes that it is more likely than not that the fair value of the reporting unit is less than the carrying amount, the entity is required to perform the first step of the two-step impairment. If the carrying amount of a reporting unit exceeds its fair value, then the entity is required to perform the second step of the goodwill impairment test to measure the amount of the impairment loss. This update is effective for the Company for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted. The Company is currently evaluating the impact of adopting the new guidance on the consolidated financial statements, but it is not expected to have a material impact.

NOTE 3 ACQUISITION AND DIVESTITURE ACTIVITY

Acquisitions

Integra Bank N.A.

On July 29, 2011, Old National acquired the banking operations of Integra Bank N.A. (Integra) in an FDIC assisted transaction. As part of the purchase and assumption agreement, the Company and the FDIC entered into loss sharing agreements (each, a loss sharing agreement and collectively, the loss sharing agreements), whereby the FDIC will cover a substantial portion of any future losses on loans (and related unfunded commitments), other real estate owned (OREO) and certain accrued interest on loans for up to 90 days.

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The acquired loans and OREO subject to the loss sharing agreements are referred to collectively as covered assets. Under the terms of the loss sharing agreements, the FDIC will reimburse Old National for 80% of losses up to $275.0 million, losses in excess of $275.0 million up to $467.2 million at 0% reimbursement, and 80% of losses in excess of $467.2 million. Old National will reimburse the FDIC for its share of recoveries with respect to losses for which the FDIC has reimbursed the Bank under the loss sharing agreements. The loss sharing provisions of the agreements for commercial and single family residential mortgage loans are in effect for five and ten years, respectively, from the July 29, 2011 acquisition date and the loss recovery provisions for such loans are in effect for eight years and ten years, respectively, from the acquisition date.

Integra was a full service community bank headquartered in Evansville, Indiana that operated 52 branch locations. We entered into this transaction due to the attractiveness in the pricing of the acquired loan portfolio, including the indemnification assets, and the attractiveness of immediate low cost core deposits. We also believed there were opportunities to enhance income and improve efficiencies. We believe participating with the FDIC in this assisted transaction was advantageous to the Company.

The assets acquired and liabilities assumed have been accounted for under the acquisition method of accounting (formerly the purchase method). The assets and liabilities, both tangible and intangible, were recorded at their estimated fair values as of the July 29, 2011 acquisition date. The application of the acquisition method of accounting resulted in the recognition of $29.7 million of goodwill and $4.3 million of core deposit intangible. The goodwill represents the excess of the estimated fair value of the liabilities assumed over the estimated fair value of the assets acquired and is influenced significantly by the FDIC-assisted transaction process. Goodwill of $29.0 million is deductible for income tax purposes.

Due primarily to the significant amount of fair value adjustments and the FDIC loss sharing agreements put in place, historical results for Integra are not meaningful to the Company s results and thus no pro forma information is presented.

A summary, at fair value, of the assets acquired and liabilities assumed in the Integra transaction, as of the acquisition date, is as follows:

(dollars in thousands)	
Assets Acquired	
Cash and cash equivalents	$ 314,954
Investment securities available for sale	452,478
Federal Home Loan Bank stock, at cost	15,226
Federal Reserve Bank stock, at cost	1,222
Residential loans held for sale	1,690
Loans covered	727,330
Loans non-covered	56,828
Premises and equipment	10,474
Other real estate owned	34,055
Accrued interest receivable	4,751
Goodwill	29,673
Other intangible assets	4,291
FDIC indemnification asset	167,948
Other assets	11,169
Assets acquired	$ 1,832,089
Liabilities Assumed	
Deposits	$ 1,443,209
Short-term borrowings	7,654

Other borrowings	192,895
FDIC settlement payable	161,520
Other liabilities	26,811
Liabilities assumed	$ 1,832,089

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Trust Business of Integra Bank

On June 1, 2011, Old National Bancorp s wholly owned trust subsidiary, American National Trust and Investment Management Company d/b/a Old National Trust Company (ONTC), acquired the trust business of Integra Bank, N.A. in a transaction unrelated to the previously noted FDIC transaction. As of the closing, the trust business had approximately $328 million in assets under management. This transaction brings the total assets under management by Old National s Wealth Management division to approximately $4.4 billion. Old National paid Integra $1.3 million in an all cash transaction and anticipates acquisition-related costs will approximate $150 thousand. Old National recorded $1.3 million of customer relationship intangible assets which will be amortized on an accelerated basis over 12 years and is included in the Other segment, as described in Note 20 of the consolidated financial statement footnotes.

Monroe Bancorp

On January 1, 2011, Old National acquired 100% of Monroe Bancorp (Monroe) in an all stock transaction. Monroe was headquartered in Bloomington, Indiana and had 15 banking centers. The acquisition increases Old National s market position to number 1 in Bloomington and strengthens its position as the third largest branch network in Indiana. Pursuant to the merger agreement, the shareholders of Monroe received approximately 7.6 million shares of Old National Bancorp stock valued at approximately $90.1 million.

Under the acquisition method of accounting, the total estimated purchase price is allocated to Monroe s net tangible and intangible assets based on their current estimated fair values on the date of the acquisition. Based on management s preliminary valuation of the fair value of tangible and intangible assets acquired and liabilities assumed, which are based on estimates and assumptions that are subject to change, the purchase price for the Monroe acquisition is allocated as follows (in thousands):

Cash and cash equivalents	$ 83,604
Investment securities	153,594
Loans	453,366
Premises and equipment	19,738
Accrued interest receivable	1,804
Company-owned life insurance	17,206
Other assets	41,538
Deposits	(653,813)
Short-term borrowings	(62,529)
Other borrowings	(37,352)
Accrued expenses and other liabilities	(6,000)
Net tangible assets acquired	11,156
Definite-lived intangible assets acquired	10,485
Goodwill	68,429
Purchase price	$ 90,070

Prior to the end of the one year measurement period for finalizing the purchase price allocation, if information becomes available which would indicate adjustments are required to the purchase price allocation, such adjustments will be included in the purchase price allocation retrospectively.

Of the total estimated purchase price, an estimate of $11.2 million has been allocated to net tangible assets acquired and $10.5 million has been allocated to definite-lived intangible assets acquired. The remaining purchase price has been allocated to goodwill. The goodwill will not be deductible for tax purposes and is included in the Community Banking and Other segments, as described in Note 20 of these consolidated financial statement footnotes.

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The components of the estimated fair value of the acquired identifiable intangible assets are in the table below. These intangible assets will be amortized on an accelerated basis over their estimated lives and are included in the Community Banking and Other segments, as described in Note 20 of these consolidated financial statement footnotes.

	Estimated Fair Value (in millions)	Estimated Useful Lives (Years)
Core deposit intangible	$ 8.2	10
Trust customer relationship intangible	$ 2.3	12

Divestiture

On October 13, 2011, Old National announced the signing of an agreement to sell the deposits of four former Integra Bank branches located in the Chicago area to First Midwest Bank. As such, these deposits are considered held for sale as of September 30, 2011. The deposits totaled approximately $185.0 million. First Midwest Bank has agreed to pay Old National 50 basis points, or approximately $0.5 million, on the transaction deposits at these four locations. Old National will retain all of the loans. The transaction is expected to close around December 3, 2011.

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NOTE 4 NET INCOME PER SHARE
The following table reconciles basic and diluted net income per share for the three and nine months ended September 30:

(dollars and shares in thousands, except per share data)	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010
Basic Earnings Per Share		
Net income	**$ 16,797**	$ 11,896
Weighted average common shares outstanding	**94,492**	86,795
Basic Earnings Per Share	**$ 0.18**	$ 0.13
Diluted Earnings Per Share		
Net income	**$ 16,797**	$ 11,896
Weighted average common shares outstanding	**94,492**	86,795
Effect of dilutive securities:		
Restricted stock (1)	**277**	126
Stock options (2)	**16**	10
Weighted average shares outstanding	**94,785**	86,931
Diluted Earnings Per Share	**$ 0.18**	$ 0.13

(dollars and shares in thousands, except per share data)	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Basic Earnings Per Share		
Net income	**$ 50,246**	$ 32,488
Weighted average common shares outstanding	**94,468**	86,778
Basic Earnings Per Share	**$ 0.53**	$ 0.37
Diluted Earnings Per Share		
Net income	**$ 50,246**	$ 32,488
Weighted average common shares outstanding	**94,468**	86,778
Effect of dilutive securities:		
Restricted stock (1)	**233**	101
Stock options (2)	**21**	11

Weighted average shares outstanding		**94,722**		86,890
Diluted Earnings Per Share	**$**	**0.53**	$	0.37

(1) 2 and 0 shares of restricted stock and restricted stock units were not included in the computation of net income per diluted share for the third quarter ended September 30, 2011 and 2010, respectively, because the effect would be antidilutive. 5 and 70 shares of restricted stock and restricted stock units were not included in the computation of net income per diluted share for the nine months ended September 30, 2011 and 2010, respectively, because the effect would be antidilutive.

(2) Options to purchase 4,626 shares and 6,001 shares outstanding at September 30, 2011 and 2010, respectively, were not included in the computation of net income per diluted share for the third quarter ended September 30, 2011 and 2010, respectively, because the exercise price of these options was greater than the average market price of the common shares and, therefore, the effect would be antidilutive. Options to purchase 4,605 and 6,001 shares outstanding at September 30, 2011 and 2010, respectively, were not included in the computation of net income per diluted share for the nine months ended September 30, 2011 and 2010, respectively, because the exercise price of these options was greater than the average market price of the common shares and, therefore, the effect would be antidilutive.

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NOTE 5 COMPREHENSIVE INCOME

Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on securities available-for-sale and unrealized gains and losses on cash flow hedges and changes in funded status of pension plans which are also recognized as separate components of equity. Following is a summary of other comprehensive income for the three and nine months ended September 30, 2011 and 2010:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollars in thousands)	**2011**	**2010**	**2011**	**2010**
Net income	**$ 16,797**	$ 11,896	**$ 50,246**	$ 32,488
Other comprehensive income				
Change in securities available for sale:				
Unrealized holding gains arising during the period	**16,032**	26,709	**47,324**	68,779
Reclassification for securities transferred to held-to-maturity				(9,371)
Reclassification adjustment for securities gains realized in income	**(2,861)**	(3,281)	**(5,026)**	(12,792)
Other-than-temporary-impairment on available-for-sale debt securities recorded in other comprehensive income	**(140)**		**(1,373)**	(1,133)
Other-than-temporary-impairment on available-for-sale debt securities associated with credit loss realized in income		39	**499**	3,308
Income tax effect	**(5,149)**	(9,176)	**(16,202)**	(19,496)
Change in securities held-to-maturity:				
Fair value adjustment for securities transferred from available-for-sale				9,371
Amortization of fair value previously recognized into accumulated other comprehensive income	**(337)**	(416)	**(1,304)**	(860)
Income tax effect	**134**	166	**521**	(3,401)
Cash flow hedges:				
Net unrealized derivative gains (losses) on cash flow hedges	**(412)**	201	**(1,021)**	1,190
Reclassification adjustment on cash flow hedges	**72**	72	**216**	216
Income tax effect	**137**	(109)	**324**	(561)
Defined benefit pension plans:				
Amortization of net loss recognized in income	**1,154**	750	**3,137**	1,552
Income tax effect	**(461)**	(299)	**(1,255)**	(620)
Total other comprehensive income	**8,169**	14,656	**25,840**	36,182
Comprehensive income	**$ 24,966**	$ 26,552	**$ 76,086**	$ 68,670

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The following tables summarize the changes within each classification of accumulated other comprehensive income (AOCI) for the nine months ended September 30, 2011 and 2010:

(dollars in thousands)	AOCI at December 31, 2010	Other Comprehensive Income	AOCI at September 30, 2011
Unrealized gains on available-for-sale securities	**$ 31,962**	**$ 26,058**	**$ 58,020**
Unrealized losses on securities for which other-than-temporary-impairment has been recognized	**(28,173)**	**(836)**	**(29,009)**
Unrealized gains (losses) on held-to-maturity securities	**5,667**	**(783)**	**4,884**
Unrecognized gain (loss) on cash flow hedges	**846**	**(481)**	**365**
Defined benefit pension plans	**(11,571)**	**1,882**	**(9,689)**
Accumulated other comprehensive income (loss)	**$ (1,269)**	**$ 25,840**	**$ 24,571**

(dollars in thousands)	AOCI at December 31, 2009	Other Comprehensive Income	AOCI at September 30, 2010
Unrealized gains on available-for-sale securities	$ 19,789	$ 29,967	$ 49,756
Unrealized losses on securities for which other-than-temporary-impairment has been recognized	(27,501)	(672)	(28,173)
Unrealized gains (losses) on held-to-maturity securities	812	5,110	5,922
Unrecognized gain on cash flow hedges	187	845	1,032
Defined benefit pension plans	(13,653)	932	(12,721)
Accumulated other comprehensive income (loss)	$ (20,366)	$ 36,182	$ 15,816

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NOTE 6 INVESTMENT SECURITIES

The following table summarizes the amortized cost and fair value of the available-for-sale and held-to-maturity investment securities portfolio at September 30, 2011 and December 31, 2010 and the corresponding amounts of unrealized gains and losses therein:

(dollars in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
September 30, 2011				
Available-for-sale				
U.S. Treasury	**$ 65,260**	**$ 691**	**$**	**$ 65,951**
U.S. Government-sponsored entities and agencies	**178,387**	**2,547**		**180,934**
Mortgage-backed securities Agency	**1,312,193**	**34,705**	**(364)**	**1,346,534**
Mortgage-backed securities Non-agency	**98,570**	**532**	**(4,051)**	**95,051**
States and political subdivisions	**365,305**	**26,051**	**(154)**	**391,202**
Pooled trust preferrred securities	**27,346**		**(19,816)**	**7,530**
Other securities	**158,224**	**9,684**	**(2,021)**	**165,887**
Total available-for-sale securities	**$ 2,205,285**	**$ 74,210**	**$ (26,406)**	**$ 2,253,089**
Held-to-maturity				
U.S. Government-sponsored entities and agencies	**$ 177,963**	**$ 11,654**	**$**	**$ 189,617**
Mortgage-backed securities Agency	**91,622**	**3,750**		**95,372**
States and political subdivisions	**216,643**	**8,848**	**(107)**	**225,384**
Other securities	**7,054**			**7,054**
Total held-to-maturity securities	**$ 493,282**	**$ 24,252**	**$ (107)**	**$ 517,427**
December 31, 2010				
Available-for-sale				
U.S. Treasury	$ 62,206	$ 371	$ (27)	$ 62,550
U.S. Government-sponsored entities and agencies	315,922	1,612	(2,401)	315,133
Mortgage-backed securities Agency	922,005	22,926	(485)	944,446
Mortgage-backed securities Non-agency	134,168	1,018	(8,380)	126,806
States and political subdivisions	343,970	7,503	(2,549)	348,924
Pooled trust preferrred securities	27,368		(18,968)	8,400
Other securities	148,203	7,816	(2,056)	153,963
Total available-for-sale securities	$ 1,953,842	$ 41,246	$ (34,866)	$ 1,960,222
Held-to-maturity				
U.S. Government-sponsored entities and agencies	$ 303,265	$ 2,247	$ (3,703)	$ 301,809
Mortgage-backed securities Agency	117,013	2,577	(510)	119,080
States and political subdivisions	217,381	1	(13,003)	204,379
Other securities	551		(176)	375
Total held-to-maturity securities	$ 638,210	$ 4,825	$ (17,392)	$ 625,643

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All of the mortgage-backed securities in the investment portfolio are residential mortgage-backed securities. The amortized cost and fair value of the investment securities portfolio are shown by expected maturity. Expected maturities may differ from contractual maturities if borrowers have the right to call or prepay obligations with or without call or prepayment penalties. Weighted average yield is based on amortized cost.

(dollars in thousands)	September 30, 2011 Amortized Cost	Fair Value	Weighted Average Yield
Maturity			
Available-for-sale			
Within one year	$ 172,177	$ 175,012	3.02%
One to five years	1,343,097	1,373,701	2.62
Five to ten years	219,497	231,257	4.11
Beyond ten years	470,514	473,119	4.92
Total	$ 2,205,285	$ 2,253,089	3.29%
Held-to-maturity			
Within one year	$ 4,113	$ 4,112	1.49%
One to five years	96,402	100,192	3.58
Five to ten years	12,505	13,259	4.05
Beyond ten years	380,262	399,864	4.08
Total	$ 493,282	$ 517,427	3.96%

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The following table summarizes the investment securities with unrealized losses at September 30, 2011 and December 31, 2010 by aggregated major security type and length of time in a continuous unrealized loss position:

	Less than 12 months		12 months or longer		Total	
(dollars in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
September 30, 2011						
Available-for-Sale						
Mortgage-backed securities Agency	**$ 130,244**	**$ (364)**	**$ 3**	**$**	**$ 130,247**	**$ (364)**
Mortgage-backed securities Non-agency	**9,685**	**(439)**	**62,079**	**(3,612)**	**71,764**	**(4,051)**
States and political subdivisions	**2,780**	**(154)**			**2,780**	**(154)**
Pooled trust preferrred securities			**7,531**	**(19,816)**	**7,531**	**(19,816)**
Other securities	**8,222**	**(127)**	**6,173**	**(1,894)**	**14,395**	**(2,021)**
Total available-for-sale	**$ 150,931**	**$ (1,084)**	**$ 75,786**	**$ (25,322)**	**$ 226,717**	**$ (26,406)**
Held-to-Maturity						
States and political subdivisions	**$**	**$**	**$ 13,324**	**$ (107)**	**$ 13,324**	**$ (107)**
Total held-to-maturity	**$**	**$**	**$ 13,324**	**$ (107)**	**$ 13,324**	**$ (107)**
December 31, 2010						
Available-for-Sale						
U.S. Treasury	$ 10,944	$ (27)	$	$	$ 10,944	$ (27)
U.S. Government-sponsored entities and agencies	120,404	(2,401)			120,404	(2,401)
Mortgage-backed securities Agency	160,784	(485)	483		161,267	(485)
Mortgage-backed securities Non-agency	13,265	(1,696)	79,327	(6,684)	92,592	(8,380)
States and political subdivisions	94,448	(2,549)			94,448	(2,549)
Pooled trust preferrred securities			8,400	(18,968)	8,400	(18,968)
Other securities	12,283	(206)	6,204	(1,850)	18,487	(2,056)
Total available-for-sale	$ 412,128	$ (7,364)	$ 94,414	$ (27,502)	$ 506,542	$ (34,866)
Held-to-Maturity						
U.S. Government-sponsored entities and agencies	$ 111,975	$ (3,703)	$	$	$ 111,975	$ (3,703)

Mortgage-backed securities											
Agency		67,837		(510)						67,837		(510)
States and political subdivisions		203,093		(13,003)						203,093		(13,003)
Other securities						375		(176)		375		(176)
Total held-to-maturity	$	382,905	$	(17,216)	$	375	$	(176)	$	383,280	$	(17,392)

Proceeds from sales and calls of securities available for sale were $763.5 million and $882.0 million for the nine months ended September 30, 2011 and 2010, respectively. Gains of $6.0 million and $13.1 million were realized on these sales during 2011 and 2010, respectively, and offsetting losses of $1.0 million and $0.3 million were realized on these sales during 2011 and 2010. Also included in net securities gains for the first nine months of 2011 is $1 thousand of gains associated with the trading securities and other-than-temporary impairment charges related to credit loss on three non-agency mortgage-backed securities in the amount of $0.5 million, described below. Impacting earnings in the first nine months of 2010 were other-than-temporary impairment charges related to credit loss on two pooled trust preferred securities and ten non-agency mortgage-backed securities in the amount of $3.3 million. Trading securities, which consist of mutual funds held in a trust associated with deferred compensation plans for former Monroe Bancorp directors and executives, are recorded at fair value and totaled $2.8 million at September 30, 2011.

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Management evaluates securities for other-than-temporary impairment (OTTI) at least on a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. The investment securities portfolio is evaluated for OTTI by segregating the portfolio into two general segments and applying the appropriate OTTI model. Investment securities classified as available-for-sale or held-to-maturity are generally evaluated for OTTI under FASB ASC 320 (SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities*). However, certain purchased beneficial interests, including non-agency mortgage-backed securities, asset-backed securities, and collateralized debt obligations, that had credit ratings at the time of purchase of below AA are evaluated using the model outlined in FASB ASC 325-10 (EITF Issue No. 99-20, *Recognition of Interest Income and Impairment on Purchased Beneficial Interests and Beneficial Interests that Continue to be Held by a Transfer in Securitized Financial Assets*).

In determining OTTI under the FASB ASC 320 (SFAS No. 115) model, management considers many factors, including: (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, (3) whether the market decline was affected by macroeconomic conditions, and (4) whether the entity has the intent to sell the debt security or more likely than not will be required to sell the debt security before its anticipated recovery. The assessment of whether an other-than-temporary decline exists involves a high degree of subjectivity and judgment and is based on the information available to management at a point in time. The second segment of the portfolio uses the OTTI guidance provided by FASB ASC 325-10 (EITF 99-20) that is specific to purchased beneficial interests that, on the purchase date, were rated below AA. Under the FASB ASC 325-10 model, the Company compares the present value of the remaining cash flows as estimated at the preceding evaluation date to the current expected remaining cash flows. An OTTI is deemed to have occurred if there has been an adverse change in the remaining expected future cash flows.

When other-than-temporary-impairment occurs under either model, the amount of the other-than-temporary-impairment recognized in earnings depends on whether an entity intends to sell the security or more likely than not will be required to sell the security before recovery of its amortized cost basis less any current-period credit loss. If an entity intends to sell or more likely than not will be required to sell the security before recovery of its amortized cost basis less any current-period credit loss, the other-than-temporary-impairment shall be recognized in earnings equal to the entire difference between the investment s amortized cost basis and its fair value at the balance sheet date. Otherwise, the other-than-temporary-impairment shall be separated into the amount representing the credit loss and the amount related to all other factors. The amount of the total other-than-temporary-impairment related to the credit loss is determined based on the present value of cash flows expected to be collected and is recognized in earnings. The amount of the total other-than-temporary-impairment related to other factors shall be recognized in other comprehensive income, net of applicable taxes. The previous amortized cost basis less the other-than-temporary-impairment recognized in earnings shall become the new amortized cost basis of the investment.

As of September 30, 2011, Old National s security portfolio consisted of 1,060 securities, 64 of which were in an unrealized loss position. The majority of unrealized losses are related to the Company s non-agency mortgage-backed and pooled trust preferred securities, as discussed below:

<u>Non-agency Mortgage-backed Securities</u>

At September 30, 2011, the Company s securities portfolio contained 14 non-agency collateralized mortgage obligations with a fair value of $95.1 million which had net unrealized losses of approximately $3.5 million. All of these securities are residential mortgage-backed securities. These non-agency mortgage-backed securities were rated AAA at purchase and are not within the scope of FASB ASC 325-10 (EITF 99-20). As of September 30, 2011, nine of these securities were rated below investment grade with grades ranging from B to CC. One of the nine securities is rated B and has a fair value of $14.3 million, three of the securities are rated CCC with a fair value of $27.8 million and five of the securities are rated CC with a fair value of $36.4 million. These securities were evaluated to determine if the underlying collateral is expected to experience loss, resulting in a principal loss of the notes. As part of the evaluation, a detailed analysis of deal-specific data was obtained from remittance reports provided by the trustee and data from the servicer. The collateral was broken down into several distinct buckets based on loan performance characteristics in order to apply different assumptions to each bucket. The most significant drivers affecting loan performance were examined including original loan-to-value (LTV), underlying property location and the loan status. The loans in the current status bucket were further divided based on their original LTV: a high-LTV and a low-LTV group to which different default curves and severity percentages were applied. The high-LTV group was further bifurcated into loans originated in high-risk states and all other states with a higher default-curve and severity percentages being applied to loans originated in the high-risk states. Different default curves and severity rates were applied to the remaining non-current collateral buckets. Using these collateral-specific assumptions, a model was built to project the future performance of the instrument. Based on this analysis of the underlying collateral, Old National recorded $0.5 million of credit losses on three of these securities for the nine months ended September 30, 2011. The fair value of these non-agency mortgage-backed securities remaining at September 30, 2011 was $78.5 million.

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Based on an analysis of the underlying collateral, Old National recorded $3.0 million of credit losses on ten non-agency mortgage-backed securities for the nine months ended September 30, 2010. The fair value of these non-agency mortgage-backed securities was $97.7 million at September 30, 2010.

Pooled Trust Preferred Securities

At September 30, 2011, the Company s securities portfolio contained nine pooled trust preferred securities with a fair value of $7.5 million and unrealized losses of $19.8 million. Seven of the pooled trust preferred securities in our portfolio fall within the scope of FASB ASC 325-10 (EITF 99-20) and have a fair value of $4.8 million with unrealized losses of $8.3 million at September 30, 2011. These securities were rated A2 and A3 at inception, but at September 30, 2011, one security was rated BB, four securities were rated C and two securities D. The issuers in these securities are primarily banks, but some of the pools do include a limited number of insurance companies. The Company uses the OTTI evaluation model to compare the present value of expected cash flows to the previous estimate to determine whether an adverse change in cash flows has occurred during the quarter. The OTTI model considers the structure and term of the collateralized debt obligation (CDO) and the financial condition of the underlying issuers. Specifically, the model details interest rates, principal balances of note classes and underlying issuers, the timing and amount of interest and principal payments of the underlying issuers, and the allocation of the payments to the note classes. The current estimate of expected cash flows is based on the most recent trustee reports and any other relevant market information including announcements of interest payment deferrals or defaults of underlying trust preferred securities. Assumptions used in the model include expected future default rates and prepayments. We assume no recoveries on defaults and a limited number of recoveries on current or projected interest payment deferrals. In addition, we use the model to stress each CDO, or make assumptions more severe than expected activity, to determine the degree to which assumptions could deteriorate before the CDO could no longer fully support repayment of Old National s note class. For the nine months ended September 30, 2011, our model indicated no other-than-temporary-impairment losses on these securities.

Two of our pooled trust preferred securities with a fair value of $2.7 million and unrealized losses of $11.5 million at September 30, 2011 are not subject to FASB ASC 325-10. These securities are evaluated using collateral-specific assumptions to estimate the expected future interest and principal cash flows. Our analysis indicated no other-than-temporary-impairment on these securities.

For the nine months ended September 30, 2010, our model indicated other-than-temporary-impairment losses on two securities of $0.3 million, which was recorded as a credit loss in earnings. At September 30, 2010, the fair value of these two securities was $1.1 million and they remained classified as available for sale.

The two pooled trust preferred securities which were not subject to FASB ASC 325-10 had a fair value of $3.6 million and unrealized losses of $10.5 million at September 30, 2010. These securities were evaluated using collateral-specific assumptions to estimate the expected future interest and principal cash flows. Our analysis indicated no other-than-temporary-impairment on these securities.

The table below summarizes the relevant characteristics of our nine pooled trust preferred securities as well as four single issuer trust preferred securities. Each of the pooled trust preferred securities support a more senior tranche of security holders except for the MM Community Funding II security which, due to payoffs, Old National is now in the most senior class.

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As depicted in the table below, all nine securities have experienced credit defaults. However, three of these securities have excess subordination and are not other-than-temporarily-impaired as a result of their class hierarchy which provides more loss protection.

Trust preferred securities September 30, 2011 (Dollars in Thousands)	Class	Lowest Credit Rating (1)	Amortized Cost	Fair Value	Unrealized Gain/ (Loss)	Realized Losses 2011	# of Issuers Currently Performing/ Remaining	Actual Deferrals and Defaults as a Percent of Original Collateral	Expected Defaults as a % of Remaining Performing Collateral	Excess Subordination as a % of Current Performing Collateral
Pooled trust preferred securities:										
TROPC 2003-1A	A4L	C	$ 977	$ 198	$ (779)	$	18/39	41.7%	17.5%	0.0%
MM Community Funding IX	B-2	D	2,076	859	(1,217)		16/31	41.1%	8.5%	0.0%
Reg Div Funding 2004	B-2	D	4,194	690	(3,504)		24/45	46.0%	6.8%	0.0%
Pretsl XII	B-1	C	2,886	1,508	(1,378)		50/77	30.4%	6.7%	0.0%
Pretsl XV	B-1	C	1,695	568	(1,127)		49/72	36.4%	10.0%	0.0%
Reg Div Funding 2005	B-1	C	311	58	(253)		23/49	49.3%	29.0%	0.0%
MM Community Funding II	B	BB	987	959	(28)		5/8	4.7%	0.0%	26.9%
Pretsl XXVII LTD	B	CC	4,835	655	(4,180)		33/49	28.1%	23.7%	35.6%
Trapeza Ser 13A	A2A	CCC-	9,385	2,035	(7,350)		36/56	29.2%	4.2%	39.8%
			27,346	7,530	(19,816)					
Single Issuer trust preferred securities:										
First Empire Cap (M&T)		BBB-	955	1,004	49					
First Empire Cap (M&T)		BBB-	2,904	3,013	109					
Fleet Cap Tr V (BOA)		BB+	3,357	2,295	(1,062)					
JP Morgan Chase Cap XIII		BBB+	4,710	3,878	(832)					
			11,926	10,190	(1,736)					
Total			$ 39,272	$ 17,720	$ (21,552)	$				

(1) Lowest rating for the security provided by any nationally recognized credit rating agency.

The following table details all securities with other-than-temporary-impairment, their credit rating at September 30, 2011 and the related credit losses recognized in earnings:

	Lowest Credit	Amortized	Amount of other-than-temporary impairment recognized in earnings Three months ended	Nine months ended

	Vintage	Rating (1)	Cost	September 30, 2011	September 30, 2011
Non-agency mortgage-backed securities:					
FHASI Ser 4	2007	CC	$ 20,003	$	$ 340
HALO Ser 1R	2006	B	15,640		16
RFMSI Ser S10	2006	CC	4,217		143
			$ 39,860		499
Total other-than-temporary-impairment recognized in earnings				$	$ 499

(1) Lowest rating for the security provided by any nationally recognized credit rating agency.

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The following table details all securities with other-than-temporary-impairment, their credit rating at September 30, 2010 and the related credit losses recognized in earnings:

	Vintage	Lowest Credit Rating (1)	Amortized Cost	Amount of other-than-temporary impairment recognized in earnings: Three months ended September 30, 2010	Amount of other-than-temporary impairment recognized in earnings: Nine months ended September 30, 2010
Non-agency mortgage-backed securities:					
BAFC Ser 4	2007	CCC	$ 14,026	$	$ 79
CWALT Ser 73CB	2005	CCC	6,606		207
CWALT Ser 73CB	2005	CCC	6,923		427
CWHL 2006-10	2006	C	10,030		309
CWHL 2005-20	2005	B-	9,734		39
FHASI Ser 4	2007	CCC	21,617	37	629
RFMSI Ser S9	2006	CC	32,070		923
RFMSI Ser S10	2006	CC	4,360	2	76
RALI QS2	2006	C	6,565		278
RFMSI S1	2006	CCC	5,127		30
			117,058	39	2,997
Pooled trust preferred securities:					
TROPC	2003	C	1,283		146
MM Community Funding IX	2003	C	2,107		165
			3,390		311
Total other-than-temporary-impairment recognized in earnings				$ 39	$ 3,308

(1) Lowest rating for the security provided by any nationally recognized credit rating agency.

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The following table details all securities with other-than-temporary-impairment, their credit rating at September 30, 2011, and the related credit losses recognized in earnings:

				Amount of other-than-temporary impairment recognized in earnings			
		Lowest		Nine months	Twelve months ended		
		Credit Rating	Amortized	September 30,	December 31,		Life-to
	Vintage	(1)	Cost	2011	2010	2009	date
Non-agency mortgage-backed securities:							
BAFC Ser 4	2007	CCC	$ 14,026	$	$ 79	$ 63	$ 142
CWALT Ser 73CB	2005	CC	3,842		207	83	290
CWALT Ser 73CB	2005	CC	4,791		427	182	609
CWHL 2006-10 (3)	2006				309	762	1,071
CWHL 2005-20	2005	CC	5,332		39	72	111
FHASI Ser 4	2007	CC	20,003	340	629	223	1,192
HALO Ser 1R	2006	B	15,640	16			16
RFMSI Ser S9 (2)	2006				923	1,880	2,803
RFMSI Ser S10	2006	CC	4,217	143	76	249	468
RALI QS2 (2)							