OLD NATIONAL BANCORP /IN/
Form 10-K
February 27, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
Annual Report Pursuant to Section 13 or 15(d)
Of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2007
Commission File Number 1-15817
OLD NATIONAL BANCORP
(Exact name of the Registrant as specified in its charter)

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

(812) 464-1294
(Registrant s telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act

Title of Each Class	Name of each exchange on which registered
Common Stock, No Par Value Preferred Stock Purchase Rights	**New York Stock Exchange**
8% Trust Preferred Securities of ONB Capital Trust II (and Registrant s guaranty with respect thereto)	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the Registrant is a well-known seasoned issuer (as defined in Rule 405 of the Securities Act).Yes þ No o

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ

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 such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. 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. (Check one)

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o	Smaller reporting company o

(Do not check if a smaller reporting company)

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

The aggregate market value of the Registrant s voting common stock held by non-affiliates on June 29, 2007, was $1,055,201,749 (based on the closing price on that date of $16.61). In calculating the market value of securities held by non-affiliates of the Registrant, the Registrant has treated as securities held by affiliates as of June 29, 2007, voting stock owned of record by its directors and principal executive officers, and voting stock held by the Registrant s trust department in a fiduciary capacity for benefit of its directors and principal executive officers. This calculation does not reflect a determination that persons are affiliates for any other purposes.

The number of shares outstanding of the Registrant s common stock, as of January 31, 2008, was 66,386,000.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the Annual Meeting of Shareholders to be held May 15, 2008, are incorporated by reference into Part III of this Form 10-K.

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FORWARD-LOOKING STATEMENTS

The following is a cautionary note about forward-looking statements. In its oral and written communications, Old National Bancorp (Old National or the Company) from time to time includes forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward looking statements can include statements about estimated cost savings, plans and objectives for future operations, and expectations about performance as well as economic and market conditions and trends. These statements often can be identified by the use of words like expect, may, could, intend, project, estimate, believe or anticipate. Old National may forward-looking statements in filings with the Securities and Exchange Commission, such as this Form 10-K, in other written materials and in oral statements made by senior management to analysts, investors, representatives of the media and others. It is intended that these forward-looking statements speak only as of the date they are made, and Old National undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the forward looking statement is made or to reflect the occurrence of unanticipated events. By their nature, forward-looking statements are based on assumptions and are subject to risks, uncertainties and other factors. Actual results may differ materially from those contained in any forward-looking statement. Uncertainties which could affect Old National s future performance include those that are discussed in Item 1A, Risk Factors. Investors should consider these risks, uncertainties and other factors in addition to those mentioned by Old National in this and its other filings from time to time when considering any forward-looking statement.

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PART I

ITEM 1. BUSINESS

GENERAL

Old National is a financial holding company incorporated in the State of Indiana and maintains its principal executive office in Evansville, Indiana. Old National, through its wholly owned banking subsidiary, provides a wide range of services, including commercial and consumer loan and depository services, investment and brokerage services, lease financing and other traditional banking services. Through its non-bank affiliates, Old National provides services to supplement the banking business including fiduciary and wealth management services, insurance and other financial services. As of December 31, 2007, Old National employed 2,494 full-time equivalent associates.

COMPANY PROFILE

Old National Bank, Old National s wholly owned banking subsidiary, was founded in 1834 and is the oldest company in Evansville, Indiana. In 1982, Old National was formed, in 2001 became a financial holding company and is currently the largest financial holding company headquartered in the state of Indiana. Also in 2001, Old National completed the consolidation of 21 bank charters enabling Old National to operate under a common name with consistent product offerings throughout the financial center locations, consolidating back-office operations and allowing Old National to provide more convenient service to clients. Old National provides financial services primarily in Indiana, eastern and southeastern Illinois, and central and western Kentucky.

OPERATING SEGMENTS

Old National operates in two segments: community banking and treasury. Substantially all of the Company s revenues are derived from customers located in, and substantially all of its assets are located in, the United States. A description of each segment follows.

Community Banking Segment

The community banking segment, operating under the name of Old National Bank, has traditionally been the most significant contributor to Old National. The primary goal of the community banking segment is to provide products and services that address clients needs and help clients reach their financial goals by providing a broad array of quality services. Old National s financial centers focus on convenience factors such as location, space for private consultations and quick client access to routine transactions.

As of December 31, 2007, Old National Bank operated 115 banking financial centers located primarily in Indiana, Illinois, and Kentucky. The community banking segment primarily consists of lending and depository activities along with merchant cash management, internet banking and other services relating to the general banking business. In addition, the community banking segment includes the Indiana Old National Insurance Company (IONIC) and Central Life Insurance Company, which reinsure credit life insurance. IONIC also provides property and casualty insurance for Old National and reinsures most of the coverage with non-affiliated carriers.

Lending Activities

Old National earns interest income on loans as well as fee income from the origination of loans. Lending activities include loans to individuals which primarily consist of home equity lines of credit, residential real estate loans and consumer loans, and loans to commercial clients, which include commercial loans, commercial real estate loans, letters of credit and lease financing. Typically, residential real estate loans are sold servicing released to secondary investors, with gains or losses from the sales being recognized.

Depository Activities

Old National strives to serve individuals and commercial clients by providing depository services that fit their needs at competitive rates. Old National pays interest on the interest-bearing deposits and receives service fee revenue on various accounts. Deposit accounts include products such as noninterest-bearing demand, negotiable order of withdrawal (NOW), savings and money market, and time deposits. Debit and ATM cards provide access to the clients accounts 24 hours a day at any ATM location. Old National also provides 24-hour telephone access and online banking as well as other electronic banking services.

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Investment and Brokerage Services
Old National, through a registered third party broker-dealer, provides clients with convenient and professional investment services and a variety of brokerage products. This line of business offers a full array of investment options and investment advice to its clients.

Treasury Segment

Treasury manages investments, wholesale funding, interest rate risk, liquidity and leverage for Old National. Treasury also provides capital markets products, including interest rate derivatives, foreign exchange and industrial revenue bond financing for Old National s commercial clients.

Other

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

Wealth Management
Fiduciary and trust services targeted at high net worth individuals are offered through an affiliate trust company under the business name of Old National Trust Company.

Insurance Agency Services
Through its insurance agency subsidiaries, Old National offers full-service insurance brokerage services including commercial property and casualty, surety, loss control services, employee benefits consulting and administration, and personal insurance. These subsidiaries are insurance agencies that offer products that are issued and underwritten by various insurance companies not affiliated with Old National.

Additional information about Old National s business segments is included in Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations and Note 23 to the consolidated financial statements.

MARKET AREA

Old National Bancorp owns the largest Indiana-based bank and one of the largest independent insurance agencies headquartered in Indiana. Operating from a home base in Evansville, Indiana, the Company has continued to grow its footprint in Indiana and Kentucky with continued expansion in the attractive Louisville, Indianapolis and Lafayette markets. In February 2007, Old National expanded into Northern Indiana by acquiring St. Joseph Capital Corporation, which had banking offices in Mishawaka and Elkhart, Indiana.

The following table reflects the market locations where Old National has a significant share of the deposit market.

Old National Deposit Market Share and Number of Branch Locations
Deposits as of June 30, 2007

Market Location	Number of Branches	Deposit Market Share Rank
Evansville, Indiana	15	1st
Greenville, Kentucky	2	1st
Carbondale, Illinois	2	2nd
Terre Haute, Indiana	4	2nd
Muncie, Indiana	5	3rd
Mishawaka, Indiana	1	3rd
Danville, Illinois	2	3rd
Bloomington, Indiana	4	3rd

Source: FDIC

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ACQUISITION AND DIVESTITURE STRATEGY

Since the formation of Old National in 1982, Old National has acquired more than 40 financial institutions and financial services companies. Future acquisitions and divestitures will be driven by a disciplined financial process and will be consistent with the existing focus on community banking, client relationships and consistent quality earnings. Targeted geographic markets for acquisitions include mid-size markets within or near Old National s existing franchise with average to above average growth rates.

As with previous acquisitions, the consideration paid by Old National will be in the form of cash, debt or Old National Bancorp stock. The amount and structure of such consideration is based on reasonable growth and cost savings assumptions and a thorough analysis of the impact on both long- and short-term financial results.

COMPETITION

The banking industry and related financial service providers operate in a highly competitive market. Old National competes with financial service providers such as local, regional and national banking institutions, savings and loan associations, credit unions, finance companies, investment brokers, and mortgage banking companies. In addition, Old National s non-bank services face competition with asset managers and advisory services, money market and mutual fund companies and insurance agencies.

SUPERVISION AND REGULATION

Old National is registered as a bank holding company and has elected to be a financial holding company. It is subject to the supervision of, and regulation by, the Board of Governors of the Federal Reserve System (Federal Reserve) under the Bank Holding Company Act of 1956, as amended (BHC Act). The Federal Reserve has issued regulations under the BHC Act requiring a bank holding company to serve as a source of financial and managerial strength to its subsidiary banks. It is the policy of the Federal Reserve that, pursuant to this requirement, a bank holding company should stand ready to use its resources to provide adequate capital funds to its subsidiary banks during periods of financial stress or adversity.

The BHC Act requires the prior approval of the Federal Reserve to acquire more than a 5% voting interest of any bank or bank holding company. Additionally, the BHC Act restricts Old National s non-banking activities to those which are determined by the Federal Reserve to be closely related to banking and a proper incident thereto.

On July 30, 2002, the Senate and the House of Representatives of the United States (Congress) enacted the Sarbanes-Oxley Act of 2002, a law that addresses, among other issues, corporate governance, auditing and accounting, executive compensation and enhanced and timely disclosures of corporate information. In response, the New York Stock Exchange also adopted new corporate governance rules that are intended to allow shareholders to more easily and efficiently monitor the performance of companies and directors.

Effective August 29, 2002, as directed by Section 302(a) of the Sarbanes-Oxley Act, Old National s principal executive officer and principal financial officer are required to certify that Old National s quarterly and annual reports do not contain any untrue statements of a material fact. The rules also require that these officers certify that they are responsible for establishing, maintaining and regularly evaluating the effectiveness of Old National s internal controls; they have made certain disclosures to auditors and the Audit Committee of the Board of Directors about internal controls; and they have included information in Old National s quarterly and annual reports about their evaluation and whether there have been significant changes in Old National s internal controls or in other factors that could significantly affect internal controls subject to the evaluation. Old National filed the Section 302(a) certifications with the SEC and the Listed Company Manual Section 303A.12(a) CEO certification with the New York Stock Exchange for the prior year. Old National s current year s Sarbanes-Oxley Section 302 certification is filed as an exhibit to this Form 10-K.

On October 26, 2001, the USA Patriot Act of 2001 was signed into law. Enacted in response to the terrorist attacks in New York, Pennsylvania and Washington, D.C. on September 11, 2001, the Patriot Act is intended to strengthen U.S. law enforcement s and the intelligence community s ability to work cohesively to combat terrorism on a variety of fronts. The potential impact of the Patriot Act on financial institutions of all kinds is significant and wide-ranging. The Patriot Act contains sweeping anti-money laundering and financial transparency laws and requires various regulations, including: (a) due diligence requirements for financial institutions that administer, maintain, or manage private bank accounts or correspondent accounts for non-U.S. persons; (b) standards for verifying customer identification at account opening; (c) rules to promote cooperation among financial institutions, regulators and law enforcement entities in identifying parties that may be involved in terrorism or money laundering; (d) reports by non-financial trades and businesses filed with the Treasury Department s Financial Crimes Enforcement Network for transactions exceeding $10,000; and (e) filing of suspicious activities reports by brokers and dealers if they believe a customer may be violating U.S. laws and regulations.

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Under the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA), a bank holding company is required to guarantee the compliance of any insured depository institution subsidiary that may become undercapitalized (as defined in FDICIA) with the terms of any capital restoration plan filed by such subsidiary with its appropriate federal bank regulatory agency.

Bank holding companies are required to comply with the Federal Reserve s risk-based capital guidelines. The Federal Deposit Insurance Corporation (FDIC) and the Office of the Comptroller of the Currency (OCC) have adopted risk-based capital ratio guidelines to which depository institutions under their respective supervision are subject. The guidelines establish a systematic analytical framework that makes regulatory capital requirements more sensitive to differences in risk profiles among banking organizations. Risk-based capital ratios are determined by allocating assets and specified off-balance sheet commitments to four risk-weighted categories, with higher levels of capital being required for the categories perceived as representing greater risk. Old National s affiliate bank met all risk-based capital requirements of the FDIC and OCC as of December 31, 2007. For Old National s regulatory capital ratios and regulatory requirements as of December 31, 2007, see Note 21 to the consolidated financial statements.

Old National s affiliate bank is subject to the provisions of the National Bank Act, is supervised, regulated and examined by the OCC, and is subject to the rules and regulations of the OCC, Federal Reserve and the FDIC.

A substantial portion of Old National s cash revenue is derived from dividends paid to it by its affiliate bank. These dividends are subject to various legal and regulatory restrictions as summarized in Note 21 to the consolidated financial statements.

Both federal and state law extensively regulate various aspects of the banking business, such as reserve requirements, truth-in-lending and truth-in-savings disclosures, equal credit opportunity, fair credit reporting, trading in securities and other aspects of banking operations. Branching by Old National s affiliate bank is subject to the jurisdiction and requires notice to or the prior approval of the OCC.

Old National and its affiliate bank are subject to the Federal Reserve Act, which restricts financial transactions between banks and affiliated companies. The statute limits credit transactions between banks, affiliated companies and its executive officers and its affiliates. The statute prescribes terms and conditions for bank affiliate transactions deemed to be consistent with safe and sound banking practices, and restricts the types of collateral security permitted in connection with a bank s extension of credit to an affiliate. Additionally, all transactions with an affiliate must be on terms substantially the same or at least as favorable to the institution as those prevailing at the time for comparable transactions with nonaffiliated parties.

FDICIA accomplished a number of sweeping changes in the regulation of depository institutions, including Old National s affiliate bank. FDICIA requires, among other things, federal bank regulatory authorities to take prompt corrective action with respect to banks which do not meet minimum capital requirements. FDICIA further directs that each federal banking agency prescribe standards for depository institutions and depository institution holding companies relating to internal controls, information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, management compensation, a maximum ratio of classified assets to capital, minimum earnings sufficient to absorb losses, a minimum ratio of market value to book value of publicly traded shares and such other standards as the agency deems appropriate.

The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 allows for interstate banking and interstate branching without regard to whether such activity is permissible under state law. Bank holding companies may now acquire banks anywhere in the United States subject to certain state restrictions.

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The Gramm-Leach-Bliley Act (GLBA) permits bank holding companies which have elected to become financial holding companies to engage in a substantially broader range of non-banking activities, including securities, investment advice and insurance activities, than is permissible for bank holding companies that have not elected to become financial holding companies. Old National has elected to be a financial holding company. As a result, Old National may underwrite and sell securities and insurance. It may acquire, or be acquired by, brokerage firms and insurance underwriters.

GLBA established new requirements for financial institutions to provide enhanced privacy protections to customers. In June of 2000, the Federal banking agencies jointly adopted a final regulation providing for the implementation of these protections. Financial institutions are required to provide notice to consumers which details its privacy policies and practices, describes under what conditions a financial institution may disclose nonpublic personal information about consumers to nonaffiliated third parties and provides an opt-out method which enables consumers to prevent the financial institution from disclosing customer information to nonaffiliated third parties. Financial institutions were required to be in compliance with the final regulation by July 1, 2001, and Old National was in compliance at such date and continues to be in compliance.

In addition to the matters discussed above, Old National s affiliate bank is subject to additional regulation of its activities, including a variety of consumer protection regulations affecting its lending, deposit and collection activities and regulations affecting secondary mortgage market activities. The earnings of financial institutions are also affected by general economic conditions and prevailing interest rates, both domestic and foreign and by the monetary and fiscal policies of the United States government and its various agencies, particularly the Federal Reserve.

Additional legislative and administrative actions affecting the banking industry may be considered by Congress, state legislatures and various regulatory agencies, including those referred to above. It cannot be predicted with certainty whether such legislative or administrative action will be enacted or the extent to which the banking industry in general or Old National and its affiliate bank in particular would be affected.

AVAILABLE INFORMATION

All reports filed electronically by Old National Bancorp with the Securities and Exchange Commission (SEC), including the annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy and information statements, other information and amendments to those reports filed (if applicable), are accessible at no cost on Old National s web site at www.oldnational.com. The SEC maintains an Internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC, and Old National s filings are accessible on the SEC s web site at www.sec.gov. The public may read and copy any materials filed by Old National with the SEC at the SEC s Public Reference Room at 100 F Street, N.E, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

ITEM 1A. RISK FACTORS

Old National s business could be harmed by any of the risks noted below. In analyzing whether to make or to continue an investment in Old National, investors should consider, among other factors, the following:

Risks Related to Old National s Business

Old National operates in an extremely competitive market, and Old National s business will suffer if Old National is unable to compete effectively.

In Old National s market area, the Company encounters significant competition from other commercial banks, savings and loan associations, credit unions, mortgage banking firms, consumer finance companies securities brokerage firms, insurance companies, money market mutual funds and other financial intermediaries. The Company s competitors may have substantially greater resources and lending limits than Old National does and may offer services that Old National does not or cannot provide. Old National s profitability depends upon Old National s continued ability to compete successfully in Old National s market area.

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We face risks with respect to future expansion.

We may acquire other financial institutions or parts of those institutions in the future and we may engage in de novo branch expansion. We may also consider and enter into new lines of business or offer new products or services. Acquisitions and mergers involve a number of expenses and risks, including:

- the time and costs associated with identifying potential new markets, as well as acquisition and merger targets;
- the estimates and judgments used to evaluate credit, operations, management and market risks with respect to the target institution may not be accurate;
- the time and costs of evaluating new markets, hiring experienced local management and opening new offices, and the time lags between these activities and the generation of sufficient assets and deposits to support the costs of the expansion;
- our ability to finance an acquisition and possible dilution to our existing shareholders;
- the diversion of our management s attention to the negotiation of a transaction, and the integration of the operations and personnel of the combined businesses;
- entry into new markets where we lack experience;
- the introduction of new products and services into our business;
- the incurrence and possible impairment of goodwill associated with an acquisition and possible adverse short-term effects on our results of operations; and
- the risk of loss of key employees and customers.

We may incur substantial costs to expand, and we can give no assurance such expansion will result in the levels of profits we seek. There can be no assurance integration efforts for any future mergers or acquisitions will be successful. Also, we may issue equity securities in connection with future acquisitions, which could cause ownership and economic dilution to our current shareholders. There is no assurance that, following any future mergers or acquisitions, our integration efforts will be successful or that, after giving effect to the acquisition, we will achieve profits comparable to or better than our historical experience.

The loss of key members of Old National s senior management team could adversely affect Old National s business.

Old National believes that Old National s success depends largely on the efforts and abilities of Old National s senior management. Their experience and industry contacts significantly benefit Old National. The competition for qualified personnel in the financial services industry is intense, and the loss of any of Old National s key personnel or an inability to continue to attract, retain and motivate key personnel could adversely affect Old National s business.

Old National s loan portfolio includes loans with a higher risk of loss.

The Bank originates commercial real estate loans, commercial loans, agricultural real estate loans, agricultural loans, consumer loans, and residential real estate loans primarily within Old National s market areas. Commercial real estate, commercial, consumer, and agricultural loans may expose a lender to greater credit risk than loans secured by residential real estate because the collateral securing these loans may not be sold as easily as residential real estate. These loans also have greater credit risk than residential real estate for the following reasons:

- *Commercial Real Estate Loans.* Repayment is dependent upon income being generated in amounts sufficient to cover operating expenses and debt service.
- *Commercial Loans.* Repayment is dependent upon the successful operation of the borrower s business.

Consumer Loans. Consumer loans (such as personal lines of credit) are collateralized, if at all, with assets that may not provide an adequate source of payment of the loan due to depreciation, damage, or loss.

Agricultural Loans. Repayment is dependent upon the successful operation of the business, which is greatly dependent on many things outside the control of either the Bank or the borrowers. These factors include weather, commodity prices, and interest rates.

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If Old National s actual loan losses exceed Old National s allowance for loan losses, Old National s net income will decrease.

Old National makes various assumptions and judgments about the collectibility of Old National s loan portfolio, including the creditworthiness of Old National s borrowers and the value of the real estate and other assets serving as collateral for the repayment of Old National s loans. Despite Old National s underwriting and monitoring practices, Old National s borrowers may not repay their loans according to their terms, and the collateral securing the payment of these loans may be insufficient to pay any remaining loan balance. As a result, Old National may experience significant loan losses that could have a material adverse effect on Old National s operating results. Since Old National must use assumptions regarding individual loans and the economy, Old National s current allowance for loan losses may not be sufficient to cover actual loan losses. Old National s assumptions may not anticipate the severity or duration of the current credit cycle and Old National may need to significantly increase Old National s provision for losses on loans if one or more of Old National s larger loans or credit relationships becomes delinquent or if Old National expands its commercial real estate and commercial lending. In addition, federal and state regulators periodically review Old National s allowance for loan losses and may require Old National to increase the provision for loan losses or recognize loan charge-offs. Material additions to Old National s allowance would materially decrease Old National s net income. There can be no assurance that Old National s monitoring procedures and policies will reduce certain lending risks or that Old National s allowance for loan losses will be adequate to cover actual losses.

If Old National forecloses on collateral property, Old National may be subject to the increased costs associated with the ownership of real property, resulting in reduced revenues.

Old National may have to foreclose on collateral property to protect Old National s investment and may thereafter own and operate such property, in which case Old National will be exposed to the risks inherent in the ownership of real estate. The amount that Old National, as a mortgagee, may realize after a default is dependent upon factors outside of Old National s control, including, but not limited to: (i) general or local economic conditions; (ii) neighborhood values; (iii) interest rates; (iv) real estate tax rates; (v) operating expenses of the mortgaged properties; (vi) environmental remediation liabilities; (vii) ability to obtain and maintain adequate occupancy of the properties; (viii) zoning laws; (ix) governmental rules, regulations and fiscal policies; and (x) acts of God. Certain expenditures associated with the ownership of real estate, principally real estate taxes, insurance, and maintenance costs, may adversely affect the income from the real estate. Therefore, the cost of operating real property may exceed the income earned from such property, and Old National may have to advance funds in order to protect Old National s investment, or Old National may be required to dispose of the real property at a loss. The foregoing expenditures and costs could adversely affect Old National s ability to generate revenues, resulting in reduced levels of profitability.

A breach of information security or compliance breach by one of our agents or vendors could negatively affect Old National s reputation and business.

Old National relies upon a variety of computing platforms and networks over the internet for the purposes of data processing, communication and information exchange. Despite the safeguards instituted by Old National, such systems are susceptible to a breach of security. In addition, Old National relies on the services of a variety of third-party vendors to meet Old National s data processing and communication needs. If confidential information is compromised, financial losses, costs and/or other damages could occur. Such costs and/or losses could materially affect Old National s earnings.

Fiduciary Activity Risk Factor

Old National Is Subject To Claims and Litigation Pertaining To Fiduciary Responsibility

From time to time, customers make claims and take legal action pertaining to Old National s performance of its fiduciary responsibilities. If such claims and legal actions are not resolved in a manner favorable to Old National they may result in significant financial liability and/or adversely affect the market perception of Old National and its products and services as well as impact customer demand for those products and services. Any financial liability or reputation damage could have a material adverse effect on the Old National s business, which, in turn, could have a material adverse effect on the Old National s financial condition and results of operations.

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Risks Related to the Banking Industry

Changes in economic or political conditions could adversely affect Old National s earnings, as Old National s borrowers ability to repay loans and the value of the collateral securing Old National s loans decline.

Old National s success depends, to a certain extent, upon economic or political conditions, local and national, as well as governmental monetary policies. Conditions such as inflation, recession, unemployment, changes in interest rates, money supply and other factors beyond Old National s control may adversely affect its asset quality, deposit levels and loan demand and, therefore, the Old National s earnings. Because Old National has a significant amount of commercial real estate loans, decreases in real estate values could adversely affect the value of property used as collateral. Adverse changes in the economy may also have a negative effect on the ability of Old National s borrowers to make timely repayments of their loans, which would have an adverse impact on Old National s earnings. In addition, substantially all of Old National s loans are to individuals and businesses in Old National s market area. Consequently, any economic decline in Old National s primary market areas which include Indiana, Kentucky and Illinois could have an adverse impact on Old National s earnings.

Changes in interest rates could adversely affect Old National s results of operations and financial condition.

Old National s earnings depend substantially on Old National s interest rate spread, which is the difference between (i) the rates Old National earns on loans, securities and other earning assets and (ii) the interest rates Old National pays on deposits and other borrowings. These rates are highly sensitive to many factors beyond Old National s control, including general economic conditions and the policies of various governmental and regulatory authorities. If market interest rates rise, Old National will have competitive pressures to increase the rates Old National pays on deposits, which could result in a decrease of Old National s net interest income. If market interest rates decline, Old National could experience fixed rate loan prepayments and higher investment portfolio cash flows, resulting in a lower yield on earnings assets.

Old National operates in a highly regulated environment, and changes in laws and regulations to which Old National is subject may adversely affect Old National s results of operations.

Old National operates in a highly regulated environment and is subject to extensive regulation, supervision and examination by the Office of Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC), the Board of Governors of the Federal Reserve System (the Federal Reserve) and the State of Indiana. See Business Supervision and Regulation herein. Applicable laws and regulations may change, and such changes may adversely affect Old National s business. Such regulation and supervision of the activities in which an institution may engage is primarily intended for the protection of the depositors and federal deposit insurance funds. Regulatory authorities have extensive discretion in connection with their supervisory and enforcement activities, including but not limited to the imposition of restrictions on the operation of an institution, the classification of assets by the institution and the adequacy of an institution s allowance for loan losses. Any change in such regulation and oversight, whether in the form of restrictions on activities, regulatory policy, regulations, or legislation, including but not limited to changes in the regulations governing institutions, could have a material impact on Old National and its operations.

Changes in technology could be costly.

The banking industry is undergoing technological innovation at a fast pace. To keep up with its competition, Old National needs to stay abreast of innovations and evaluate those technologies that will enable it to compete on a cost-effective basis. The cost of such technology, including personnel, can be high in both absolute and relative terms. There can be no assurance, given the fast pace of change and innovation, that Old National s technology, either purchased or developed internally, will meet or continue to meet the needs of Old National.

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Our earnings could be adversely impacted by incidences of fraud and compliance failures that are not within our direct control.

We are subject to fraud and compliance risk in connection with the origination of loans. Fraud risk includes the intentional misstatement of information in property appraisals or other underwriting documentation provided to us by third parties. Compliance risk is the risk that loans are not originated in compliance with applicable laws and regulations and our standards. There can be no assurance that we can prevent or detect acts of fraud or violation of law or our compliance standards by the third parties that we deal with. Repeated incidences of fraud or compliance failures adversely impact the performance of our loan portfolio.

Risks Related to Old National s Stock

Old National s charter documents and federal regulations may inhibit a takeover, prevent a transaction that may favor or otherwise limit Old National s growth opportunities, which could cause the market price of Old National s common stock to decline.

Certain provisions of Old National s charter documents and federal regulations could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from attempting to acquire, control of Old National. In addition, Old National must obtain approval from regulatory authorities before acquiring control of any other company.

The price of Old National s common stock may be volatile, which may result in losses for investors.

General market price declines or market volatility in the future could adversely affect the price of Old National s common stock. In addition, the following factors may cause the market price for shares of Old National s common stock to fluctuate:

- announcements of developments related to Old National s business;
- fluctuations in Old National s results of operations;
- sales or purchases of substantial amounts of Old National s securities in the marketplace;
- general conditions in Old National s banking niche or the worldwide economy;
- a shortfall or excess in revenues or earnings compared to securities analysts   expectations;
- changes in analysts   recommendations or projections; and
- Old National s announcement of new acquisitions or other projects.

We may not be able to pay dividends in the future in accordance with past practice.

Old National has traditionally paid a quarterly dividend to stockholders. The payment of dividends is subject to legal and regulatory restrictions. Any payment of dividends in the future will depend, in large part, on Old National s earnings, capital requirements, financial condition and other factors considered relevant by Old National s Board of Directors.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The executive offices of Old National are located at 1 Main Street, Evansville, Indiana. This building, which houses Old National s general corporate functions, is leased from an unaffiliated third party landlord. The lease term expires December 31, 2031, and provides for the tenant s option to extend the term of the lease for four five-year periods. In addition, during 2007 seventy-three financial centers were sold in a series of sale leaseback transactions to an unaffiliated third party landlord. These properties are leased back from the landlord with lease terms ranging from ten to twenty-four years. See Note 19 to the consolidated financial statements.

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As of December 31, 2007, Old National and its affiliates operated a total of 115 banking centers, loan production or other financial services offices, primarily in the states of Indiana, Illinois and Kentucky. Of these facilities, 16 were owned and 99 were leased from unaffiliated third parties.

ITEM 3. LEGAL PROCEEDINGS

Old National has no material pending legal proceedings required to be disclosed under Item 3.

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

No matters were submitted to a vote of security holders of Old National during the fourth quarter of 2007.

PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Old National s common stock is traded on the New York Stock Exchange (NYSE) under the ticker symbol ONB. The following table lists the high and low closing sales prices as reported by the NYSE, share volume and dividend data for 2007 and 2006:

	Price Per Share		Share	Dividend
	High	Low	Volume	Declared
2007				
First Quarter	**$ 19.42**	**$ 17.39**	**15,749,200**	**$ 0.22**
Second Quarter	**18.68**	**16.61**	**22,403,800**	**0.22**
Third Quarter	**17.06**	**14.03**	**28,821,500**	**0.22**
Fourth Quarter	**17.00**	**14.09**	**32,876,900**	**0.45**
2006				
First Quarter	$ 21.90	$ 20.18	10,425,500	$ 0.21
Second Quarter	21.38	18.79	13,102,200	0.21
Third Quarter	19.78	18.38	12,598,300	0.21
Fourth Quarter	19.45	18.27	10,703,400	0.21

There were 30,086 shareholders of record as of December 31, 2007. Old National declared cash dividends of $0.88 per share for 2007 and a cash dividend of $0.23 for the first quarter of 2008 during the year ended December 31, 2007. Old National declared cash dividends of $0.84 per share during the year ended December 31, 2006. Old National s ability to pay cash dividends depends primarily on cash dividends received from Old National Bank. Dividend payments from Old National Bank are subject to various regulatory restrictions. See Note 21 to the consolidated financial statements for additional information.

The following table summarizes the purchases of equity securities made by Old National during the fourth quarter of 2007:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
10/01/07 - 10/31/07		$		4,325,192
11/01/07 - 11/30/07				4,325,192
12/01/07 - 12/31/07	1,547	14.99	1,547	4,323,645

Total	1,547	$ 14.99	1,547	4,323,645

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In December 2005, the Board of Directors approved the repurchase of up to 6.0 million shares of stock over a three-year period beginning January 1, 2006 and ending December 31, 2008. The Company repurchased 0.2 million shares during 2007, and although authorized, under the current market conditions management does not intend to repurchase any additional shares in 2008. Should the current conditions change, there are 4,323,645 shares available for repurchase.

EQUITY COMPENSATION PLAN INFORMATION

The following table contains information concerning the 1999 Equity Incentive Plan approved by security holders in 1999 as of December 31, 2007.

1999 EQUITY COMPENSATION PLAN

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plan (c)
Equity compensation plans approved by security holders	6,395,266	$ 20.78	780,107
Equity compensation plans not approved by security holders			
Total	6,395,266	$ 20.78	780,107

Old National has assumed a number of stock options through various mergers. The number of stock options outstanding related to acquisitions at December 31, 2007 was 12,894 with a weighted-average exercise price of $15.11.

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The following table compares cumulative five-year total shareholder returns, assuming reinvestment of dividends, for the Company s common stock to cumulative total returns of a broad-based equity market index and two published industry indices.

The comparison of shareholder returns (change in December year end stock price plus reinvested dividends) for each of the periods assumes that $100 was invested on December 31, 2002, in common stock of each of the Company, the Russell 2000 Index, the NYSE Financial Index and the SNL Bank and Thrift Index with investment weighted on the basis of market capitalization.

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ITEM 6. SELECTED FINANCIAL DATA

(dollars in thousands, except per share data)	2007	2006	2005	2004	2003	2002	Five-Year Growth Rate
Results of Operations							
Net interest income (1)	**$ 236,351**	$ 232,243	$ 240,670	$ 255,652	$ 280,414	$ 304,697	(5.0)%
Fee and service charge income	**151,734**	147,902	149,540	149,162	140,512	122,972	4.3
Net securities gains (losses)	**(3,023)**	1,471	901	2,936	23,556	12,444	N/M
Gain on branch divestitures		3,036	14,597			12,473	N/M
Gain on sale leasebacks	**6,261**						N/M
Gain (loss) on derivatives	**166**	1,511	(3,436)	10,790	8,874	25,959	(63.6)
Total revenue (1)	**391,489**	386,163	402,272	418,540	453,356	478,545	(3.9)
Provision for loan losses	**4,118**	7,000	23,100	22,400	85,000	33,500	(34.2)
Salaries and other operating expenses	**277,998**	264,690	263,811	309,403	275,801	252,317	2.0
Income taxes (1)	**34,483**	35,100	36,772	26,424	29,504	65,230	(12.0)
Income from continuing operations	**74,890**	79,373	78,589	60,313	63,051	127,498	(10.1)
Discontinued operations (after-tax)			(14,825)	2,751	2,471	632	N/M
Net income	**$ 74,890**	$ 79,373	$ 63,764	$ 63,064	$ 65,522	$ 128,130	(10.2)%
Per Share Data (2)							
Income from continuing operations (diluted)	**$ 1.14**	$ 1.20	$ 1.15	$ 0.86	$ 0.90	$ 1.80	(8.7)%
Net income (diluted)	**1.14**	1.20	0.93	0.90	0.93	1.81	(8.8)
Cash dividends (4)	**1.11**	0.84	0.76	0.72	0.69	0.63	12.0
Book value at year-end	**9.86**	9.66	9.61	10.16	10.31	10.67	(1.6)
Stock price at year-end	**14.96**	18.92	21.64	24.63	20.72	20.99	(6.5)
Balance Sheet Data (at December 31)							
Total assets	**$ 7,846,126**	$ 8,149,515	$ 8,492,022	$ 8,898,304	$ 9,363,232	$ 9,612,556	(4.0)%
Loans (3)	**4,699,356**	4,716,637	4,937,631	4,987,326	5,586,455	5,769,635	(4.0)
Deposits	**5,663,383**	6,321,494	6,465,636	6,418,709	6,494,839	6,436,935	(2.5)

Other borrowings	**656,722**	747,545	954,925	1,306,953	1,613,942	1,220,171	(11.7)
Shareholders equity	**652,881**	642,369	649,898	704,092	720,880	750,991	(2.8)
Performance Ratios							
Return on average assets	**0.94%**	0.97%	0.74%	0.69%	0.69%	1.38%	
Return on average shareholders equity	**11.67**	12.43	9.31	8.83	8.72	18.43	
Dividend payout (4)	**97.38**	70.02	81.06	79.72	73.82	34.28	
Average equity to average assets	**8.04**	7.81	7.94	7.83	7.86	7.50	
Net interest margin (1)	**3.28**	3.15	3.09	3.08	3.18	3.54	
Efficiency ratio (noninterest expense/revenue) (1)	**71.01**	68.54	65.58	73.92	60.84	52.73	
Net charge-offs to average loans (3)	**0.44**	0.37	0.60	0.61	1.21	0.34	
Allowance for loan losses to ending loans (3)	**1.20**	1.44	1.60	1.72	1.70	1.52	
Other Data							
Number of full-time equivalent employees	**2,494**	2,568					
Number of shareholders	**30,086**	25,672					
Number of shares traded (in thousands) (2)	**99,851**	46,829					

(1) Includes the effect of taxable equivalent adjustments of $17.2 million for 2007, $19.5 million for 2006, $ 21.5 million for 2005, $23.9 million for 2004, $25.1 million for 2003, and $25.2 million for 2002, using the federal statutory tax rate in effect of 35% for all periods.

(2)

All share and per share data have been adjusted for stock dividends. Diluted data assumes the exercise of stock options and the vesting of restricted stock.

(3) Includes residential loans held for sale.

(4) 2007 includes cash dividends of $.88 paid in 2007 and cash dividends of $.23 declared for the first quarter of 2008.

N/M = Not meaningful

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ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion is an analysis of Old National s results of operations for the fiscal years ended December 31, 2007, 2006 and 2005, and financial condition as of December 31, 2007 and 2006. This discussion and analysis should be read in conjunction with Old National s consolidated financial statements and related notes. This discussion contains forward-looking statements concerning Old National s business. Readers are cautioned that, by their nature, forward-looking statements are based on estimates and assumptions and are subject to risks, uncertainties, and other factors. Actual results may differ materially from the expectations of the Company that are expressed or implied by any forward-looking statement. The discussion in Item 1A, Risk Factors, lists some of the factors that could cause the Company s actual results to vary materially from those expressed or implied by any forward-looking statements, and such discussion is incorporated into this discussion by reference.

GENERAL OVERVIEW

Old National is a financial holding company incorporated in the State of Indiana and maintains its principal executive offices in Evansville, Indiana. Old National, through its wholly owned banking subsidiary, provides a wide range of services, including commercial and consumer loan and depository services, lease financing and other traditional banking services. Through its non-bank affiliates, Old National provides services to supplement the banking business including fiduciary and wealth management services, investment and brokerage services, investment consulting, insurance and other financial services.

The Company s basic mission is to be THE community bank in the cities and towns it serves. The Company focuses on establishing and maintaining long-term relationships with customers, and is committed to serving the financial needs of the communities in its market area. Old National provides financial services primarily in Indiana, eastern and southeastern Illinois, and central and western Kentucky.

CORPORATE DEVELOPMENTS IN FISCAL 2007

During the second half of 2007, the banking industry began to experience a downturn led by significant declines in the values of financial assets backed by sub-prime mortgage loans. It is anticipated that the downturn will continue into 2008, the severity of which will be influenced by overall economic growth and consumer spending. Old National has exposure to the risks associated with the current credit environment as it impacts the Company s investing, lending and related activities. Old National does not believe that the current credit environment will have a material adverse effect on its financial condition, results of operations, or liquidity for the following reasons:

- Old National does not originate or purchase sub-prime loans;
- the Company has a conservative underwriting policy and aggressive problem loan management;
- Old National has taken a cautious stance towards commercial real estate since mid-2006; and
- the majority of the Company s asset-backed securities are conforming agency notes.

2007 full year results include an expanded net interest margin and improved credit quality. The Company expanded the net interest margin 13 basis points from December 2006. This increase was primarily the result of improved pricing discipline, declining federal funds rates, and the reduction of higher cost deposits and borrowings. In addition, credit quality remained solid. Criticized and classified loans decreased $54.6 million, or 20.0%, during 2007. Nonperforming loans decreased approximately $0.8 million during the year, and were 0.87% of total loans at December 31, 2007, down from 0.88% at December 31, 2006. The allowance for loan losses equaled 138% of nonperforming loans at December 31, 2007 compared to 163% at December 31, 2006. Net charge-offs were 0.44% of average loans in 2007 compared to 0.37% in 2006.

2007 full year net income of $74.9 million compared to $79.4 million in 2006. 2007 results included balance sheet restructuring charges of $5.0 million, net of tax, during the first quarter which should improve the Company s operating platform going forward. In addition, the Company sold 73 financial centers during the year which are leased back under 10 to 24 year leases. Most of the $111.1 million gain from these transactions will be amortized over the term of the leases in noninterest income, which will partially offset the increase in lease expense. The transaction freed

$176.3 million of capital, which was used to reduce higher-cost wholesale funding sources; thereby contributing to the increase in net interest margin.

The balance sheet continued to contract in 2007. Average earning assets and loans declined 2.2 % and 0.2%, respectively. The Company s conservative view on commercial real estate as well as the declining investment portfolio contributed to this decline. The decrease in commercial real estate loans was partially offset by loan growth in the commercial loan category. Average consumer loan balances declined approximately $32.3 million, or 2.6%. Management attributes the weak consumer demand to uncertainty surrounding the economy. Old National does not expect this trend to change significantly in 2008. Average deposits declined 0.8% during the year as the Company continued to reduce high cost money market accounts and public sector deposits.

BUSINESS OUTLOOK

The Company will continue to monitor asset quality closely in 2008 as the economic environment unfolds. If the domestic economy enters a recession in 2008, the Company may experience higher than planned credit costs. If the interest rates continue to decline, the Company may experience increased fixed rate loan prepayments and higher investment portfolio cash flows. Higher than expected prepayments and investment portfolio cash flows in a lower rate environment may reduce the yield on our earning assets. The Company will continue to focus on building its presence in higher growth markets, including Indianapolis, Louisville, Lafayette and northern Indiana. Other challenges include increasing loan and deposit growth in this difficult economic environment, managing through a soft insurance brokerage market and containing expenses.

RESULTS OF OPERATIONS

The following table sets forth certain income statement information of Old National for the years ended December 31, 2007, 2006, and 2005:

(dollars in thousands)	**2007**	2006	2005
Income Statement Summary:			
Net interest income	**$ 219,191**	$ 212,717	$ 219,152
Provision for loan losses	**4,118**	7,000	23,100
Noninterest income	**155,138**	153,920	161,602
Noninterest expense	**277,998**	264,690	263,811
Other Data:			
Return on average equity	**11.67%**	12.43%	9.31%
Efficiency ratio	**71.01%**	68.54%	65.58%
Tier 1 leverage ratio	**7.72%**	8.01%	7.67%
Net charge-offs to average loans	**0.44%**	0.37%	0.60%

Comparison of Fiscal Years 2007 and 2006

Net Interest Income

Net interest income was the most significant component of Old National s earnings, comprising over 60% of 2007 revenues. Net interest income and net interest margin in the following discussion are presented on a fully taxable equivalent basis, which adjusts tax-exempt interest income to an amount that would be comparable to interest subject to income taxes. Net income is unaffected by these taxable equivalent adjustments as an offsetting increase of the same amount is made in the income tax section. Net interest income included taxable equivalent adjustments of $17.2 million for 2007 and $19.5 million for 2006.

Net interest income and margin are influenced by many factors, primarily the volume and mix of earning assets and funding sources and interest rate fluctuations. Other factors include prepayment risk on mortgage and investment-related assets and the composition and maturity of earning assets and interest-bearing liabilities. Loans typically generate more interest income than investment securities with similar maturities. Funding from client deposits generally cost less than wholesale funding sources. Factors, such as general economic activity, Federal Reserve Board monetary policy and price volatility of competing alternative investments, can also exert significant influence on Old National s ability to optimize its mix of assets and funding and its net interest income and margin.

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Taxable equivalent net interest income was $236.4 million in 2007, a 1.8% increase from the $232.2 million reported in 2006. The net interest margin was 3.28% for 2007, a 13 basis point increase compared to the 3.15% reported in 2006. Included in net interest income for 2007 is a $2.6 million recovery of interest on two commercial real estate loans, which increased net interest margin by 4 basis points. Although average earning assets declined by $159.1 million, the yield on average earning assets increased 24 basis points from 6.39% to 6.63%. The decrease in average earning assets consisted of a $180.5 million decrease in lower yielding investment securities and an $8.3 million decrease in loans. These decreases were partially offset by an increase in federal funds sold and money market investments of $29.6 million. Also contributing to the improved margin was a $236.0 million or 3.6% decrease in average interest-bearing liabilities, consisting of a $160.2 million reduction in higher cost borrowings and a $75.8 million reduction in interest-bearing deposits. The cost of interest-bearing liabilities increased 19 basis points from 3.61% to 3.80%. Noninterest-bearing deposits increased by $27.8 million.

Fluctuation in interest rates has a notable effect on the volume, mix and yield of average earning assets. The target federal funds rate, the rate that dictates national prime rate and determines many other short-term loan and liability rates, continued to gradually increase during 2006 and was 5.25% at the end of the year. The federal funds rate started to decline in September 2007 and was 4.25% at December 31, 2007.

Significantly affecting average earning assets during 2006 and 2007 was management s decision to reduce the size of the investment portfolio, the acquisition of St. Joseph and the sale of the O Fallon, Illinois financial center in the first quarter of 2006. In addition, commercial and commercial real estate loans continue to be affected by weak loan demand in Old National s markets, more stringent loan underwriting standards and the Company s desire to lower future potential credit risk by being cautious towards the real estate market. However, the $116.0 million decline in commercial real estate loans during 2007 was partially offset by a $64.9 million increase in the commercial loan category. Year-over-year, commercial loans, which have an average yield higher than the investment portfolio, have increased as a percent of interest earning assets. Old National sold $28.8 million of nonaccrual and substandard commercial and commercial real estate loans in the third quarter of 2006 and $20.9 million during 2007. During 2006 and 2007, the Company continued its strategy to reduce the size of the investment portfolio, selling $273.1 million of investment securities during the third quarter of 2006. During the first quarter of 2007, the Company sold $148.2 million of investment securities.

Affecting average interest-bearing liabilities were decreases in borrowed funding due to the exercise of a call option on $20 million of high cost brokered certificates of deposit and the maturity of a $25 million Federal Home Loan Bank advance in the first quarter of 2006, and the maturity of $50 million of senior unsecured bank notes in the second quarter of 2006. Also affecting margin were decreases in borrowed funding due to the retirement of $89 million of Federal Home Loan Bank advances and $74 million of repurchase agreements in the first quarter of 2007. Old National also retired $23 million of Federal Home Loan Bank advances which were acquired from St. Joseph and a $15 million Federal Home Loan Bank advance acquired from St. Joseph also matured in the first quarter of 2007. In 2007, Old National called $98 million of high cost brokered certificates of deposit and $48.3 million of retail certificates of deposit. Year over year, long-term borrowings and brokered certificates of deposit, which have an average interest rate higher than deposits, have decreased as a percent of interest-bearing liabilities.

The following table presents a three-year average balance sheet and for each major asset and liability category, its related interest income and yield or its expense and rate for the years ended December 31.

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THREE-YEAR AVERAGE BALANCE SHEET AND NET INTEREST ANALYSIS

	2007			2006			2005		
(tax equivalent basis, dollars in thousands)	**Average Balance**	**Interest & Fees**	**Yield/ Rate**	**Average Balance**	**Interest & Fees**	**Yield/ Rate**	**Average Balance**	**Interest & Fees**	**Yield/ Rate**
Earning Assets									
Federal funds sold and money market investments	**$ 117,202**	**$ 6,266**	**5.35%**	$ 87,594	$ 4,557	5.20%	$ 37,102	$ 1,513	4.08%
Investment securities: (5)									
U.S. Treasury & Government-sponsored agencies (1)	**1,749,656**	**84,383**	**4.82**	1,799,289	81,894	4.55	1,921,042	76,851	4.00
States and political subdivisions (3)	**263,698**	**18,656**	**7.07**	408,469	28,306	6.93	536,928	36,965	6.88
Other securities	**268,564**	**14,091**	**5.25**	254,644	13,101	5.14	273,911	12,450	4.55
Total investment securities	**2,281,918**	**117,130**	**5.13**	2,462,402	123,301	5.01	2,731,881	126,266	4.62
Loans: (2)									
Commercial (3)	**1,679,626**	**125,512**	**7.47**	1,592,286	116,571	7.32	1,578,247	100,900	6.39
Commercial real estate	**1,374,703**	**103,939**	**7.56**	1,466,155	106,569	7.27	1,604,202	101,979	6.36
Residential real estate (4)	**556,038**	**32,568**	**5.86**	527,876	29,219	5.54	584,724	31,964	5.47
Consumer, net of unearned income	**1,204,503**	**93,113**	**7.73**	1,236,823	91,022	7.36	1,247,487	84,135	6.74
Total loans (4)	**4,814,870**	**355,132**	**7.38**	4,823,140	343,381	7.12	5,014,660	318,978	6.36
Total earning assets	**7,213,990**	**$ 478,528**	**6.63%**	7,373,136	$ 471,239	6.39%	7,783,643	$ 446,757	5.74%
Less: Allowance for loan losses	**(68,179)**			(76,455)			(82,929)		
Non-Earning Assets									
Cash and due from banks	**172,963**			165,670			183,995		
Other assets	**666,211**			711,072			741,793		
Total assets	**$ 7,984,985**			$ 8,173,423			$ 8,626,502		
Interest-Bearing Liabilities									
NOW deposits	**$ 1,490,413**	**$ 31,621**	**2.12%**	$ 1,429,757	$ 27,397	1.92%	$ 1,754,908	$ 25,235	1.44%
Savings deposits	**622,398**	**15,141**	**2.43**	441,305	5,655	1.28	485,323	4,200	0.87
	758,558	**23,623**	**3.11**	886,151	29,437	3.32	694,988	18,836	2.71

Money market deposits									
Time deposits	**2,426,346**	**112,728**	**4.65**	2,616,339	110,095	4.21	2,578,535	90,591	3.51
Total interest-bearing deposits	**5,297,715**	**183,113**	**3.46**	5,373,552	172,584	3.21	5,513,754	138,862	2.52
Short-term borrowings	**461,780**	**18,193**	**3.94**	402,240	15,995	3.98	388,161	9,629	2.48
Other borrowings	**615,878**	**40,871**	**6.64**	835,583	50,417	6.03	1,094,612	57,596	5.26
Total interest-bearing liabilities	**6,375,373**	**$ 242,177**	**3.80%**	6,611,375	$ 238,996	3.61%	6,996,527	$ 206,087	2.95%
Noninterest-Bearing Liabilities									
Demand deposits	**828,461**			800,682			837,579		
Other liabilities	**139,303**			123,007			107,139		
Shareholders equity	**641,848**			638,359			685,257		
Total liabilities and shareholders equity	**$ 7,984,985**			$ 8,173,423			$ 8,626,502		
Interest Margin Recap									
Interest income/average earning assets		**$ 478,528**	**6.63%**		$ 471,239	6.39%		$ 446,757	5.74%
Interest expense/average earning assets		**242,177**	**3.35**		238,996	3.24		206,087	2.65
Net interest income and margin		**$ 236,351**	**3.28%**		$ 232,243	3.15%		$ 240,670	3.09%

(1) Includes U.S. Government-sponsored entities and agency mortgage-backed securities.

(2) Includes principal balances of nonaccrual loans. Interest income relating to nonaccrual loans is included only if received. Includes loan fees of $4.9 million in 2007, $5.4 million in 2006 and $7.5 million in 2005.

(3) Interest on state and political subdivision investment securities and commercial loans includes the effect of taxable equivalent adjustments of $6.3 million and $10.8 million, respectively, in 2007; $9.6 million and $9.9 million, respectively, in 2006; and $12.6 million and $8.9 million, respectively, in 2005; using the federal statutory tax rate in effect of 35% for all periods.

(4) Includes residential loans held for sale.

(5) Yield information does not give effect to changes in fair value that are reflected as a component of shareholders equity.

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The following table shows fluctuations in net interest income attributable to changes in the average balances of assets and liabilities and the yields earned or rates paid for the years ended December 31.

NET INTEREST INCOME RATE/VOLUME ANALYSIS (tax equivalent basis, dollars in thousands)

	2007 vs. 2006			2006 vs. 2005		
	Total	Attributed to		Total	Attributed to	
	Change	Volume	Rate	Change	Volume	Rate
Interest Income						
Federal funds sold and money market investments	**$ 1,709**	**$ 1,561**	**$ 148**	$ 3,044	$ 2,342	$ 702
Investment securities (1)	**(6,171)**	**(9,150)**	**2,979**	(2,965)	(12,974)	10,009
Loans (1)	**11,751**	**(598)**	**12,349**	24,403	(12,908)	37,311
Total interest income	**7,289**	**(8,187)**	**15,476**	24,482	(23,540)	48,022
Interest Expense						
NOW deposits	**4,224**	**1,224**	**3,000**	2,162	(5,452)	7,614
Savings deposits	**9,486**	**3,362**	**6,124**	1,455	(472)	1,927
Money market deposits	**(5,814)**	**(4,106)**	**(1,708)**	10,601	5,765	4,836
Time deposits	**2,633**	**(8,410)**	**11,043**	19,504	1,459	18,045
Short-term borrowings	**2,198**	**2,357**	**(159)**	6,366	454	5,912
Other borrowings	**(9,546)**	**(13,918)**	**4,372**	(7,179)	(14,629)	7,450
Total interest expense	**3,181**	**(19,491)**	**22,672**	32,909	(12,875)	45,784
Net interest income	**$ 4,108**	**$ 11,304**	**$ (7,196)**	$ (8,427)	$ (10,665)	$ 2,238

The variance not solely due to rate or volume is allocated equally between the rate and volume variances.

(1) Interest on investment securities and loans includes the effect of taxable equivalent adjustments of $6.3 million and $10.8 million, respectively, in 2007; $9.6 million and $9.9 million, respectively, in

2006; and
$12.6 million
and
$8.9 million,
respectively, in
2005; using the
federal statutory
rate in effect of
35% for all
periods.

Provision for Loan Losses

The provision for loan losses was $4.1 million in 2007, a $2.9 million reduction from the $7.0 million recorded in 2006. The lower provision in 2007 is attributable to the decrease in nonaccrual, criticized and classified loans during 2007 and enhanced credit administration and underwriting functions that began in 2004. For additional information about non-performing loans, charge-offs and additional items impacting the provision, refer to the Risk Management Credit Risk section of Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations .

Noninterest Income

Old National generates revenues in the form of noninterest income through client fees and sales commissions from its core banking franchise and other related businesses, such as wealth management, investment consulting, investment products and insurance. This source of revenue has remained relatively constant as a percentage of total revenue at 39.6% in 2007 compared to 39.9% in 2006.

Noninterest income for 2007 was $155.1 million, an increase of $1.2 million, or 0.8% compared to $153.9 million reported for 2006. This increase is primarily the result of a $6.3 million gain on the sale and leaseback of real estate combined with a $2.5 million increase in service charges on deposits accounts, a $2.4 million increase in ATM and debit card fees and a $2.0 million increase in investment product fees. Partially offsetting these increases were a $2.5 million decrease in insurance premiums and commissions and a $1.3 million decrease in gains on derivatives. In 2007, Old National realized $3.0 million of losses on sales of securities in comparison to $1.5 million of gains for 2006. In addition, Old National recorded a $3.0 million gain from the sale of the O Fallon, Illinois financial center in the first quarter of 2006. There was no corresponding sale in 2007.

Service charges on deposit accounts were $44.8 million during 2007 compared to $42.3 million during 2006. The increase was primarily the result of an increase in the service charge fee rate on deposit accounts.

Insurance premiums and commissions decreased to $39.0 million in 2007 compared to $41.5 million during 2006. The decrease was primarily a result of decreases in commissions on property and casualty insurance and contingency income, which were partially offset by an increase in fees on employee benefit plans.

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Investment product fees increased $2.0 million primarily from increased sales of investment products.
Old National entered into a sale and leaseback transaction of its corporate offices in December of 2006. In addition, seventy-three financial centers were sold in a series of sale leaseback transactions during 2007. The majority of the $111.1 million gain associated with these transactions will be deferred and amortized over the term of the leases. In 2007, the total gain associated with the sale leaseback transactions, included in other income, was $6.3 million. The $6.3 million is comprised of $1.6 million of amortization of deferred gains and $4.7 million of current gains related to the 2007 transactions. Further discussion of the sale leaseback transactions is included in Note 19 to the consolidated financial statements.
The following table presents changes in the components of noninterest income for the years ended December 31.

NONINTEREST INCOME

				% Change From Prior Year	
(dollars in thousands)	**2007**	2006	2005	**2007**	2006
Wealth management fees	**$ 18,710**	$ 19,519	$ 20,269	**(4.1)%**	(3.7)%
Service charges on deposit accounts	**44,751**	42,291	47,154	**5.8**	(10.3)
ATM fees	**14,476**	12,077	11,145	**19.9**	8.4
Mortgage banking revenue	**4,439**	4,143	4,918	**7.2**	(15.8)
Insurance premiums and commissions	**38,996**	41,490	35,242	**(6.0)**	17.7
Investment product fees	**10,727**	8,699	8,975	**23.3**	(3.1)
Company-owned life insurance	**9,817**	8,966	8,147	**9.5**	10.1
Other income	**9,818**	10,717	13,690	**(8.4)**	(21.7)
Total fee and service charge income	**151,734**	147,902	149,540	**2.6**	(1.1)
Net securities gains (losses)	**(3,023)**	1,471	901	**N/M**	63.3
Gain on branch divestitures		3,036	14,597	**N/M**	(79.2)
Gain (loss) on derivatives	**166**	1,511	(3,436)	**(89.0)**	N/M
Gain on sale leasebacks	**6,261**			**N/M**	N/M
Total noninterest income	**$ 155,138**	$ 153,920	$ 161,602	**0.8%**	(4.8)%
Noninterest income to total revenue (1)	**39.6%**	39.9%	40.2%		

(1) Total revenue includes the effect of a taxable equivalent adjustment of $17.2 million in 2007, $19.5 million in 2006 and $21.5 million in

2005.

N/M = Not
meaningful

Noninterest Expense

Noninterest expense for 2007 totaled $278.0 million, an increase of $13.3 million, or 5.0% from the $264.7 million recorded in 2006. The $6.1 million increase in salaries and employee benefits combined with a $6.5 million increase in occupancy expense were the primary reasons for the increase in noninterest expense.

Salaries and benefits, the largest component of noninterest expense, totaled $163.7 million in 2007, compared to $157.6 million in 2006, an increase of $6.1 million, or 3.9%. Included in salaries and benefits expense for 2007 is approximately $3.5 million of expense associated with the acquisition of St. Joseph Capital Corporation. Also contributing to the increase is higher performance-based compensation expense in 2007.

Occupancy expense increased $6.5 million in 2007, primarily as a result of a $9.6 million increase in rent expense. The increase is rent expense is related to the sale leaseback transactions that occurred in December of 2006 and 2007. Partially offsetting the increase in rent expense was a $3.8 million decrease in depreciation expense, also related to the sale leaseback transactions. Further discussion of the sale leaseback transactions is included in Note 19 to the consolidated financial statements.

During 2007, Old National recorded a $1.5 million loss on the extinguishment of debt compared to a loss of $0.1 million in 2006. The $1.4 million increase was primarily related to the early retirement of Federal Home Loan Bank advances and repurchase agreements in the first quarter of 2007.

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Donations totaled $1.7 million in 2007, an increase of $1.4 million compared to $0.3 million for 2006. The increase was primarily attributable to the $1.4 million contribution in 2007 to the Old National Bank Foundation.

The remaining components of noninterest expense totaled $84.6 million for 2007 compared to $86.7 million for 2006. The $2.1 million decrease is primarily attributable to a $1.5 million reduction in the provision expense for unfunded commitments during 2007. In 2006, Old National recorded a $0.4 million provision expense.

The following table presents changes in the components of noninterest expense for the years ended December 31.

NONINTEREST EXPENSE

				% Change From Prior Year	
(dollars in thousands)	**2007**	**2006**	**2005**	**2007**	**2006**
Salaries and employee benefits	**$ 163,722**	$ 157,622	$ 147,782	**3.9%**	6.7%
Occupancy	**26,466**	19,927	20,352	**32.8**	(2.1)
Equipment	**11,109**	12,728	14,415	**(12.7)**	(11.7)
Marketing	**8,407**	10,400	8,323	**(19.2)**	25.0
Data processing	**19,212**	17,963	21,209	**7.0**	(15.3)
Communications	**9,334**	9,156	9,863	**1.9**	(7.2)
Professional fees	**7,705**	7,602	9,297	**1.4**	(18.2)
Loan expense	**5,965**	5,696	5,250	**4.7**	8.5
Supplies	**3,495**	3,413	3,812	**2.4**	(10.5)
Loss on extinguishment of debt	**1,541**	129	1,704	**N/M**	(92.4)
Impairment of long-lived assets	**1,163**	1,252		**(7.1)**	N/M
Donations	**1,718**	319	5,648	**N/M**	(94.4)
Other expense	**18,161**	18,483	16,156	**(1.7)**	14.4
Total noninterest expense	**$ 277,998**	$ 264,690	$ 263,811	**5.0%**	0.3%

N/M = Not meaningful

Provision for Income Taxes

Old National records a provision for income taxes currently payable and for income taxes payable or benefits to be received in the future, which arise due to timing differences in the recognition of certain items for financial statement and income tax purposes. The major difference between the effective tax rate applied to Old National s financial statement income and the federal statutory tax rate is caused by interest on tax-exempt securities and loans. Also impacting the effective tax rate in 2007 was the adoption of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*. The provision for income taxes on continuing operations, as a percent of pre-tax income, was 18.8% in 2007 compared to 16.4% in 2006. Contributing to the increase in the effective tax rate in 2007 was a lower percentage of tax-exempt income to income before income taxes. Partially offsetting the increase was a $1.8 million settlement which reduced the effective tax rate by 2.0%. See Note 12 to the consolidated financial statements for additional details on Old National s income tax provision.

Comparison of Fiscal Years 2006 and 2005

In 2006, Old National generated net income of $79.4 million and diluted net income per share of $1.20 compared to $63.8 million and $0.93, respectively in 2005. The 2006 earnings included a $3.0 million gain from the sale of the O Fallon financial center and a decrease of $16.1 million in the provision for loan losses. The 2005 earnings included a $14.6 million gain from the sale of the Clarksville, Tennessee branches and a $14.8 million loss from discontinued operations related to the sale of J.W. Terrill Insurance Agency and Fund Evaluation Group. Other factors which positively affected 2006 net income included a $6.2 million increase in insurance premiums and commissions compared to 2005 and a $4.9 million increase in gains on derivative instruments. Offsetting these increases to net income in 2006 was a $9.8 million increase in salaries and benefits expense compared to 2005.

Taxable equivalent net interest income was $232.2 million in 2006, a 3.5% decrease from the $240.7 million reported in 2005. The net interest margin was 3.15% for 2006, compared to 3.09% reported for 2005. The decline in net interest income was primarily a result of average earning assets declining more than average interest-bearing liabilities during 2006. Average earning assets decreased by $410.5 million in 2006 while average interest-bearing liabilities decreased by $385.2 million in 2006.

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The provision for loan losses was $7.0 million in 2006, a significant reduction from the $23.1 million for 2005. The lower provision in 2006 was attributable to a decrease in net charge-offs combined with a decrease in nonaccrual loans and enhanced credit administration and underwriting functions.

Noninterest income for 2006 was $153.9 million, a decrease of $7.7 million, or 4.8% from the $161.6 million reported for 2005. Included in 2005 was a $14.6 million gain related to a branch divestiture. In addition, service charges on deposit accounts were $4.9 million lower in 2006 than 2005. Partially offsetting these declines was a $6.2 million increase in insurance premiums and commissions and a $4.9 million increase in gains on derivatives instruments.

Noninterest expense for 2006 totaled $264.7 million, an increase of $0.9 million, or 0.3% from the $263.8 million recorded in 2005. This increase was primarily related to a $9.8 million increase in salaries and benefits expense and a $2.3 million increase in other expenses. Partially offsetting these increases in expense were decreases of $5.3 million in donations expense, $3.2 million in data processing expense, $1.7 million in equipment expense and $1.7 million in professional fees. Favorably impacting other expense in 2005 was a $5.6 million reduction in the reserve for unfunded commitments.

The provision for income taxes on continuing operations was relatively flat year over year. In 2006, the provision was $15.6 million compared to $15.3 million in 2005. Old National s effective tax rate was 16.4% in 2006 and 16.3% in 2005. The slight increase in the effective tax rate in 2006 resulted from a lower percentage of tax-exempt income to income before income taxes.

Old National operates in two operating segments: community banking and treasury. The community banking segment profit was $79.5 million in 2006 compared to $81.3 million in 2005. The decrease was primarily as a result of the decrease in earning assets and higher deposit costs in the community banking segment during 2006. The 2006 treasury segment profit increased $7.6 million from 2005, primarily as a result of fluctuations in the fair market value of derivative instruments. The other segment, which aggregates wealth management, investment consulting, insurance, brokerage and investment and annuity sales, included a $14.8 million loss from discontinued operations related to the sales of J.W. Terrill Insurance Agency and the Fund Evaluation Group in 2005.

BUSINESS LINE RESULTS

Old National is managed in two primary business segments. The following table summarizes Old National s business line results for the years ended December 31.

BUSINESS LINE RESULTS

(dollars in thousands)	**2007**	2006	2005
Community banking	**$ 78,924**	$ 74,256	$ 81,316
Treasury	**(3,937)**	2,511	(6,682)
Other	**(97)**	2,606	(10,870)
Consolidated net income	**$ 74,890**	$ 79,373	$ 63,764

The 2007 community banking segment profit increased $4.7 million, primarily as a result of increased service charges, ATM, and debit card fees. The 2006 community banking segment profit decreased $7.1 million from 2005, primarily as a result of the decrease in earning assets and higher deposit costs in the community banking segment during 2006. The 2007 treasury segment profit decreased $6.4 million from 2006 primarily as a result of the $4.5 million increase in net securities losses. Contributing to the increase in net securities losses was Old National s balance sheet restructuring initiative in the first quarter of 2007. The 2006 treasury segment profit increased $9.2 million from 2005 primarily as a result of fluctuations in the fair market value of derivative instruments.

The 2007 other segment profit decreased approximately $2.7 million primarily as a result of intercompany allocations and lower insurance contingency revenue. The 2005 other segment profit includes a loss from discontinued operations of $14.8 million related to the sales of J.W. Terrill Insurance Agency (Terrill) in St. Louis, Missouri, and the Fund Evaluation Group (FEG) in Cincinnati, Ohio.

FINANCIAL CONDITION

Overview

Old National s total assets at December 31, 2007, were $7.846 billion, a 3.7% decrease from $8.150 billion at December 31, 2006. The planned reduction of the investment portfolio, the reduction in federal funds sold, the sale of our corporate office buildings in December 2006 and the sale of seventy-three bank branch properties and one office building in 2007 have lowered our total assets, reducing the Company s reliance on long-term borrowings and brokered certificates of deposit. Partially offsetting the reduction in assets was the acquisition of St. Joseph. Earning assets, comprised of investment securities including money market investments, loans, and loans held for sale, were $7.016 billion at December 31, 2007, a decrease of 4.9% from $7.380 billion at December 31, 2006. Year over year, long-term borrowings and brokered certificates of deposit, which have average interest rates higher than most types of deposits, have decreased as a percent of interest-bearing liabilities.

Investment Securities

Old National classifies investment securities primarily as available-for-sale to give management the flexibility to sell the securities prior to maturity if needed, based on fluctuating interest rates or changes in the Company s funding requirements. However, Old National also has some 15- and 20-year fixed-rate mortgage pass-through securities in its held-to-maturity investment portfolio. At December 31, 2007, Old National does not believe any individual unrealized loss on available-for-sale securities represents other-than-temporary impairment. The unrealized losses are primarily attributable to changes in interest rates and recent market conditions. Old National has both the intent and ability to hold the securities for a time necessary to recover the amortized cost.

At December 31, 2007, the investment securities portfolio was $2.309 billion compared to $2.376 billion at December 31, 2006, a decrease of 2.8%. Investment securities represented 32.9% of earning assets at December 31, 2007, compared to 32.2% at December 31, 2006. The Company continued to decrease the size of the investment portfolio during 2006 and 2007, and used the cash flows generated by the declining investment portfolio to purchase higher-yielding securities and to reduce long-term borrowings and brokered certificates of deposit. Stronger commercial loan demand in the future could result in increased investments in loans and a continued reduction in the investment securities portfolio.

Investment securities available-for-sale portfolio had net unrealized losses of $6.7 million at December 31, 2007, compared to net unrealized losses of $27.6 million at December 31, 2006. These unrealized losses are primarily the result of changes in interest rates and recent market events. In addition, Old National had realized pre-tax net losses on the sale of securities from the available-for-sale portfolio of $3.0 million during 2007 and net gains of $1.5 million during 2006.

The investment portfolio had an effective duration of 2.96 years at December 31, 2007, compared to 2.90 years at December 31, 2006. The weighted average yields on available-for-sale investment securities were 5.24% in 2007 and 5.01% in 2006. The average yields on the held-to-maturity portfolio were 4.57% in 2007 and 4.50% in 2006.

At December 31, 2007, Old National had a concentration of investment securities issued by the state of Indiana and its political subdivisions with the aggregate market values of $94.1 million, which represented 14.4% of shareholders equity. At December 31, 2006, the aggregate market value of investment securities issued by the state of Indiana and its political subdivisions was $79.7 million, which represented 12.4% of shareholders equity. There were no other concentrations of investment securities issued by an individual state and its political subdivisions that were greater than 10% of shareholders equity.

Loan Portfolio

Old National lends primarily to small- and medium-sized commercial and commercial real estate clients in various industries including manufacturing, agribusiness, transportation, mining, wholesaling and retailing. Old National s policy is to concentrate its lending activity in the geographic market areas it serves, primarily Indiana, Illinois and Kentucky. The following table presents the composition of the loan portfolio at December 31.

LOAN PORTFOLIO AT YEAR-END

(dollars in thousands)	**2007**	**2006**	**2005**	**2004**	**2003**	**Four-Year Growth Rate**
Commercial	**$ 1,694,736**	$ 1,629,885	$ 1,553,742	$ 1,550,640	$ 1,618,095	1.2%
Commercial real estate	**1,270,408**	1,386,367	1,534,385	1,653,122	1,849,275	(9.0)
Consumer credit	**1,187,764**	1,198,855	1,261,797	1,205,657	1,163,325	0.5
Total loans excluding residential real estate	**4,152,908**	4,215,107	4,349,924	4,409,419	4,630,695	(2.7)
Residential real estate	**533,448**	484,896	543,903	555,423	939,422	(13.2)
Total loans	**4,686,356**	4,700,003	4,893,827	4,964,842	5,570,117	(4.2)%
Less: Allowance for loan losses	**56,463**	67,790	78,847	85,749	95,235	
Net loans	**$ 4,629,893**	$ 4,632,213	$ 4,814,980	$ 4,879,093	$ 5,474,882	

Commercial and Commercial Real Estate Loans

At December 31, 2007, commercial loans increased $64.9 million while commercial real estate loans decreased $116.0 million, respectively, from December 31, 2006. Included in total commercial and commercial real estate loans at December 31, 2007, are $106.9 million and $114.8 million, respectively, of loans acquired from St. Joseph. During 2007, the Company sold $8.3 million of commercial loans and $12.6 million of commercial real estate loans. A write-down of $5.3 million was recorded against the allowance for loan losses related to these sales. In the first quarter of 2006, the O Fallon, Illinois financial center was sold, which included $14.3 million of commercial loans and $11.0 million of commercial real estate loans. Weak loan demand in Old National s markets continues to affect loan growth. Old National also has continued to tighten its underwriting standards, which has slowed potential loan growth. Old National continues to be cautious towards the real estate market in an effort to lower future potential credit risk.

The following table presents the maturity distribution and rate sensitivity of commercial loans and an analysis of these loans that have predetermined and floating interest rates. A significant percentage of commercial loans are due within one year, reflecting the short-term nature of a large portion of these loans.

DISTRIBUTION OF COMMERCIAL LOAN MATURITIES AT DECEMBER 31, 2007

(dollars in thousands)	**Within 1 Year**	**1 - 5 Years**	**Beyond 5 Years**	**Total**
Interest rates:				
Predetermined	**$ 197,308**	**$ 336,168**	**$ 222,992**	**$ 756,468**
Floating	**654,804**	**206,689**	**76,775**	**938,268**
Total	**$ 852,112**	**$ 542,857**	**$ 299,767**	**$ 1,694,736**

Consumer Loans

Consumer loans, including automobile loans, personal and home equity loans and lines of credit, and student loans, decreased $11.1 million or 0.9% at December 31, 2007, compared to December 31, 2006. Included in consumer loans at December 31, 2007 is $23.1 million of consumer loans associated with the St. Joseph acquisition.

Residential Real Estate Loans

Residential real estate loans, primarily 1-4 family properties, have decreased in significance to the loan portfolio over the past five years due to the Company s decision to originate and sell the majority of its residential real estate loans into the secondary market, primarily to private investors. Old National sells the majority of residential real estate loans originated as a strategy to better manage interest rate risk and liquidity. Old National sells almost all residential real estate loans servicing released without recourse.

Residential real estate loans were $533.4 million at December 31, 2007, an increase of $48.6 million or 10.0% from December 31, 2006. The acquisition of St. Joseph was the primary reason for the increase in residential real estate loans.

Allowance for Loan Losses

To provide for the risk of loss inherent in extending credit, Old National maintains an allowance for loan losses. The determination of the allowance is based upon the size and current risk characteristics of the loan portfolio and includes an assessment of individual problem loans, actual loss experience, current economic events and regulatory guidance. Additional information about Old National s Allowance for Loan Losses is included in the Risk Management Credit Risk section of Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations and Note 1 to the consolidated financial statements.

At December 31, 2007, the allowance for loan losses was $56.5 million, a decrease of $11.3 million compared to $67.8 million at December 31, 2006. As a percentage of total loans, the allowance decreased to 1.20% at December 31, 2007, from 1.44% at December 31, 2006. During 2007, the provision for loan losses amounted to $4.1 million, a decrease of $2.9 million from the amount recorded in 2006. The lower provision in 2007 is attributable to the decrease in nonaccrual, criticized and classified loans during 2007. Also considered is the Company s migration loss rates which are declining as credits issued under the Company s enhanced credit administration and underwriting functions, begun in 2004, become more representative of the existing portfolio.

For commercial and commercial real estate loans, the reserve decreased by $9.8 million at December 31, 2007, compared to December 31, 2006. The reserve as a percentage of that portfolio decreased to 1.55% at December 31, 2007, from 1.85% at December 31, 2006. Nonaccrual loans decreased $0.7 million since December 31, 2006. Criticized and classified loans decreased $54.6 million, or 20.0%, from December 31, 2006.

The reserve for residential real estate loans as a percentage of that portfolio decreased to 0.30% at December 31, 2007, from 0.35% at December 31, 2006. The reserve for consumer loans decreased to 0.75% at December 31, 2007, from 0.86% at December 31, 2006. The lower reserve percentages for these portfolios are a result of improved credit quality in these portfolios during 2007.

Allowance for Losses on Unfunded Commitments

Old National maintains an allowance for losses on unfunded commercial lending commitments and letters of credit to provide for the risk of loss inherent in these arrangements. The allowance is computed using a methodology similar to that used to determine the allowance for loan losses, modified to take into account the probability of a drawdown on the commitment. This allowance is reported as a liability on the balance sheet within accrued expenses and other liabilities, while the corresponding provision for these loan losses is recorded as a component of other expense. As of December 31, 2007 and 2006, the allowance for losses on unfunded commitments was $3.7 million and $4.8 million, respectively.

Residential Loans Held for Sale

Residential loans held for sale were $13.0 million at December 31, 2007, compared to $16.6 million at December 31, 2006. Residential loans held for sale are loans that are closed, but not yet purchased by investors. The amount of residential loans held for sale on the balance sheet varies depending on the amount of originations and timing of loan sales to the secondary market. The decrease in residential loans held for sale from December 31, 2006, is primarily attributable to increased efficiencies in processing loan sales and the timing of loan sales to the secondary market.

Premises and Equipment

Premises and equipment, a large component of the Company s non-earning assets, totaled $48.7 million at December 31, 2007, a decrease of $74.2 million, or 60.4%, since December 31, 2006. The primary reason for this decrease was the sale and leaseback of seventy-three of Old National s branch facilities and an office building in the last half of 2007. The assets involved in the sale and leaseback transactions in 2007 had a carrying value of approximately $69.0 million. During 2006, premises and equipment decreased $77.0 million. This decrease is primarily attributable to the sale and leaseback of Old National s three main buildings in downtown Evansville, Indiana in the fourth quarter of 2006. The assets involved in the sale and leaseback in 2006 had a carrying value of approximately $69.9 million.

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Goodwill and Other Intangible Assets

Goodwill and other intangible assets at December 31, 2007, totaled $191.0 million, an increase of $56.8 million compared to $134.2 million at December 31, 2006. The increase is primarily the result of $60.3 million in goodwill and intangible assets related to the February 1, 2007 acquisition of St. Joseph Capital Corporation.

Assets Held for Sale

Assets held for sale were $4.0 million at December 31, 2007. Included in assets held for sale are nine financial centers that are pending completion of a sale leaseback transaction similar to those completed in 2007. Old National plans to continue occupying these properties under long-term lease agreements.

Funding

Total average funding, comprised of deposits and wholesale borrowings, was $7.204 billion at December 31, 2007, a decrease of 2.8% from $7.412 billion at December 31, 2006. Average deposits decreased 0.8% in 2007, compared to a decrease of 2.8% in 2006. Total deposits were $5.663 billion, including $3.602 billion in transaction accounts and $2.061 billion in time deposits at December 31, 2007. Included in total deposits is $287.9 million associated with the St. Joseph acquisition. Total deposits decreased 10.4% or $658.1 million compared to December 31, 2006. Money market deposits decreased 39.2% or $363.2 million and time deposits decreased 21.7% or $570.3 million compared to December 31, 2006. Savings deposits increased 76.8% or $336.4 million compared to December 31, 2006. Year over year, Old National has experienced a shift into lower cost deposit types.

Old National uses wholesale funding to augment deposit funding and to help maintain its desired interest rate risk position. Wholesale borrowings as a percentage of total funding at December 31, 2007 was 18.6% at December 31, 2007, compared to 14.4% at December 31, 2006. The primary cause for the increase in wholesale funding in 2007 is an increase in short-term borrowings. Short-term borrowings have increased $325.3 million since December 31, 2006 while long-term borrowings have decreased $90.8 million compared to December 31, 2006. The primary causes for the reduction in long-term borrowings were the retirement of $89 million of Federal Home Loan Bank advances and $74 million of repurchase agreements in the first quarter of 2007. Old National also retired $23 million of Federal Home Loan Bank advances which were acquired from St. Joseph and a $15 million Federal Home Loan Bank advance acquired from St. Joseph matured in the first quarter of 2007. The lower level of earning assets, primarily due to weak loan demand in Old National s markets, and a planned reduction of the investment portfolio during 2007 and 2006, reduced the Company s reliance on wholesale funding. See Notes 10 and 11 to the consolidated financial statements for additional details on Old National s financing activities.

The following table presents changes in the average balances of all funding sources for the years ended December 31.

FUNDING SOURCES AVERAGE BALANCES

				% Change From Prior Year	
(dollars in thousands)	**2007**	**2006**	**2005**	**2007**	**2006**
Demand deposits	**$ 828,461**	$ 800,682	$ 837,579	**3.5%**	(4.4)%
NOW deposits	**1,490,413**	1,429,757	1,754,908	**4.2**	(18.5)
Savings deposits	**622,398**	441,305	485,323	**41.0**	(9.1)
Money market deposits	**758,558**	886,151	694,988	**(14.4)**	27.5
Time deposits	**2,426,346**	2,616,339	2,578,535	**(7.3)**	1.5
Total deposits	**6,126,176**	6,174,234	6,351,333	**(0.8)**	(2.8)
Short-term borrowings	**461,780**	402,240	388,161	**14.8**	3.6
Other borrowings	**615,878**	835,583	1,094,612	**(26.3)**	(23.7)
Total funding sources	**$ 7,203,834**	$ 7,412,057	$ 7,834,106	**(2.8)%**	(5.4)%

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The following table presents a maturity distribution for certificates of deposit with denominations of $100,000 or more at December 31.

CERTIFICATES OF DEPOSIT, $100,000 AND OVER

			Maturity Distribution		
(dollars in thousands)	Year-End Balance	1-90 Days	91-180 Days	181-365 Days	Beyond 1 Year
2007	**$ 562,077**	**$ 218,620**	**$ 91,728**	**$ 149,238**	**$ 102,491**
2006	932,569	303,074	195,222	228,209	206,064
2005	840,861	253,417	103,819	204,251	279,374

Other liabilities have increased $109.7 million, or 87.6%, since December 31, 2006 primarily as a result of the deferred gains arising from the sale leaseback transactions entered into by Old National during 2007.

Capital

Shareholders equity totaled $652.9 million or 8.3% of total assets at December 31, 2007, and $642.4 million or 7.9% of total assets at December 31, 2006. The primary reason for the increase in shareholders equity at December 31, 2007, compared to December 31, 2006, was the increase in other comprehensive income resulting from the decrease in unrealized losses on securities available for sale.

During 2007, Old National paid cash dividends of $0.88 per share, and declared a cash dividend of $0.23 per share for the first quarter of 2008, which decreased equity by $72.9 million. This compares to cash dividends of $0.84 per share in 2006, which decreased equity by $55.6 million. Old National purchased shares of its stock in the open market under an ongoing repurchase program, reducing shareholders equity by $4.1 million in 2007 and $29.4 million in 2006. Shares issued for stock options, restricted stock and stock compensation plans increased shareholders equity by $1.8 million in 2007, compared to $1.5 million in 2006. In addition, $0.5 million of restricted stock and options were issued in connection with the acquisition of St. Joseph in 2007. The adoption of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109*, resulted in a $3.4 million reduction in equity during 2007. The adoption of EITF 06-5, *Accounting for Purchases of Life Insurance Determining the Amount That Could Be Realized in Accordance with FASB Technical Bulletin No. 85-4 (Accounting for Purchases of Life Insurance)*, also affected equity in 2007, resulting in a $0.1 million reduction.

Capital Adequacy

Old National and the banking industry are subject to various regulatory capital requirements administered by the federal banking agencies. For additional information on capital adequacy see Note 21 to the consolidated financial statements.

RISK MANAGEMENT

Overview

Old National management, with the oversight of the Board of Directors, has in place company-wide structures, processes, and controls for managing and mitigating risk. The following discussion addresses the three major risks facing Old National: credit, market, and liquidity.

Credit Risk

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

<u>Investment Activities</u>

Within Old National s securities portfolio, the non-agency collateralized mortgage obligations represent the greatest exposure to the current instability in the residential real estate and credit markets. At December 31, 2007, Old National had non-agency collateralized mortgage obligations of $262.7 million or approximately 12% of the available-for-sale securities portfolio.

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The Company expects conditions in the overall residential real estate and credit markets to remain uncertain for the foreseeable future. Deterioration in the performance of the underlying loan collateral could result in deterioration in the performance of our asset-backed securities.

At December 31, 2007, Old National does not believe that any individual unrealized loss represents an other-than-temporary impairment. The majority of the unrealized losses on mortgage-backed securities are attributable to both changes in interest rates and market aberrations.

The Company also carries a higher exposure to loss in its pooled trust preferred securities due to illiquidity in that market and performance of underlying collateral. At December 31, 2007, Old National had pooled trust preferred securities of approximately $49 million, or 2% of the available-for-sale securities portfolio.

The remainder of Old National s mortgage-backed securities are backed by U.S. government-sponsored or federal agencies. Municipal bonds, corporate bonds and other debt securities are evaluated by reviewing the credit-worthiness of the issuer and general market conditions. The Company has the intent and ability to hold all securities in an unrealized loss position at December 31, 2007 until the market value recovers or the securities mature.

Lending Activities

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

Old National lends primarily to small- and medium-sized commercial and commercial real estate clients in various industries including manufacturing, agribusiness, transportation, mining, wholesaling and retailing. As measured by Old National at December 31, 2007, the Company had no concentration of loans in any single industry exceeding 10% of its portfolio and has no exposure to foreign borrowers or lesser-developed countries. Old National s policy is to concentrate its lending activity in the geographic market areas it serves, primarily Indiana, Illinois and Kentucky. Old National continues to be affected by weakness in the economy of its principal markets, particularly in its home state of Indiana. Management expects that trends in under-performing, criticized and classified loans will be influenced by the degree to which the economy strengthens or weakens.

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Summary of under-performing, criticized and classified loans:

ASSET QUALITY

(dollars in thousands)	2007	2006	2005	2004	2003
Nonaccrual loans					
Commercial and commercial real estate	**$ 30,303**	$ 32,307	$ 39,828	$ 43,677	$ 91,589
Residential real estate	**5,996**	5,686	5,818	9,281	10,876
Consumer	**4,517**	3,525	9,943	1,932	2,162
Total nonaccrual loans	**40,816**	41,518	55,589	54,890	104,627
Renegotiated loans		52			
Past due loans still accruing (90 days or more):					
Commercial and commercial real estate	**738**	1,227	183	870	4,127
Residential real estate		127	479	270	67
Consumer	**773**	787	1,173	1,274	926
Total past due loans	**1,511**	2,141	1,835	2,414	5,120
Foreclosed properties	**2,876**	3,313	3,605	8,331	8,763
Total under-performing assets	**$ 45,203**	$ 47,024	$ 61,029	$ 65,635	$ 118,510
Classified loans (includes nonaccrual, renegotiated, past due 90 days and other problem loans)	**$ 115,121**	$ 153,215	$ 136,597	$ 192,214	$ 343,943
Criticized loans	**103,210**	119,757	83,213	148,118	215,700
Total criticized and classified loans	**$ 218,331**	$ 272,972	$ 219,810	$ 340,332	$ 559,643
Asset Quality Ratios:					
Non-performing loans/total loans (1) (2)	**0.87%**	0.88%	1.13%	1.10%	1.87%
Under-performing assets/total loans and foreclosed properties (1)	**0.96**	1.00	1.24	1.31	2.12
Under-performing assets/total assets	**0.58**	0.58	0.72	0.74	1.27
Allowance for loan losses/ under-performing assets	**124.91**	144.16	129.20	130.65	80.36

(1) Loans include residential loans held for sale.

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

Under-performing assets are closely monitored by Old National management and consist of: 1) nonaccrual loans, where the ultimate collectibility of interest or principal is uncertain; 2) loans renegotiated in some manner, primarily to provide for a reduction or deferral of interest or principal payments because the borrower s financial condition deteriorated; 3) loans with principal or interest past due ninety (90) days or more; and 4) foreclosed properties. Under-performing assets totaled $45.2 million at December 31, 2007 and $47.0 million at December 31, 2006. As a percent of total loans and foreclosed properties, under-performing assets at December 31 were 0.96% for 2007 and 1.00% for 2006. The nonaccrual category of under-performing loans was $40.8 million at December 31, 2007, a decrease of $0.7 million since December 31, 2006. Included in nonaccrual loans at December 31, 2007 is $10.6 million of nonaccrual loans acquired from St. Joseph. At December 31, 2007, the allowance for loan losses to under-performing assets ratio stood at 124.91% compared to 144.16% at December 31, 2006.

Classified loans, including nonaccrual, renegotiated, past due 90 days and other problem loans, were $115.1 million at December 31, 2007, a decrease of $38.1 million from $153.2 million at December 31, 2006. Of this total, other problem loans, which are loans reviewed for the borrowers ability to comply with present repayment terms, totaled $72.8 million at December 31, 2007, compared to $109.6 million at December 31, 2006. Classified loans related to the St. Joseph acquisition amounted to $11.7 million. Criticized loans, or special mention loans, were $103.2 million at December 31, 2007, a decrease of $16.6 million from $119.8 million at December 31, 2006.

Management believes it has taken a prudent approach to the evaluation of under-performing, criticized and classified loans, and the loan portfolio in general both in acknowledging the portfolio s general condition and in establishing the allowance for loan losses.

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Loan officers and credit underwriters jointly grade the larger commercial and commercial real estate loans in the portfolio periodically as determined by loan policy requirements or determined by specific guidelines based on loan characteristics as set by management and banking regulation. Periodically, these loan grades are reviewed independently by the loan review department. For impaired loans, an assessment is conducted as to whether there is likely loss in the event of default. If such a loss is determined to be likely, the loss is quantified and a specific reserve is assigned to the loan. For the balance of the commercial and commercial real estate loan portfolio, loan grade migration analysis coupled with historic loss experience within the respective grades is used to develop reserve requirement ranges. These reserve requirement ranges are adjusted for management s best estimate of the effects of current economic conditions, loan quality trends, results from internal and external review examinations, loan volume trends, credit concentrations and various other factors. Historic loss ratios adjusted for expectations of future economic conditions are used in determining the appropriate level of reserves for consumer and residential real estate loans.

The activity in our allowance for loan losses is as follows:

ALLOWANCE FOR LOAN LOSSES

(dollars in thousands)	**2007**	2006	2005	2004	2003
Balance, January 1	**$ 67,790**	$ 78,847	$ 85,749	$ 95,235	$ 87,742
Loans charged-off:					
Commercial and commercial real estate	**13,690**	16,483	17,747	28,656	50,173
Residential real estate	**1,613**	765	1,975	2,197	1,358
Consumer credit	**11,635**	10,696	16,418	10,393	10,123
Write-downs on loans transferred to held for sale	**5,337**	2,770	5,348	4,611	14,744
Total charge-offs	**32,275**	30,714	41,488	45,857	76,398
Recoveries on charged-off loans:					
Commercial and commercial real estate	**5,927**	7,282	7,830	9,940	5,622
Residential real estate	**138**	61	81	19	82
Consumer credit	**5,066**	5,314	3,575	3,257	2,523
Total recoveries	**11,131**	12,657	11,486	13,216	8,227
Net charge-offs	**21,144**	18,057	30,002	32,641	68,171
Transfer from (to) allowance for unfunded commitments				755	(9,336)
Provision charged to expense	**4,118**	7,000	23,100	22,400	85,000
Allowance of acquired bank	**5,699**				
Balance, December 31	**$ 56,463**	$ 67,790	$ 78,847	$ 85,749	$ 95,235
Average loans for the year (1)	**$ 4,814,870**	$ 4,823,140	$ 5,014,660	$ 5,340,687	$ 5,651,434
Asset Quality Ratios: (1)					
Allowance/year-end loans	**1.20%**	1.44%	1.60%	1.72%	1.70%
Allowance/average loans	**1.17**	1.41	1.57	1.61	1.69

Net charge-offs/average loans (2)	**0.44**	0.37	0.60	0.61	1.21

(1) Loans include loans held for sale.

(2) Net charge-offs include write-downs on loans transferred to held for sale.

Management believes that it has appropriately identified and reserved for its loan losses at December 31, 2007. Management will continue its efforts to reduce the level of non-performing loans and may consider the possibility of additional sales of troubled and non-performing loans, which could result in additional write-downs to the allowance for loan losses.

Interest income of approximately $3.4 million and $3.5 million would have been recorded on nonaccrual and renegotiated loans outstanding at December 31, 2007 and 2006, respectively if such loans had been accruing interest throughout the year in accordance with their original terms. The amount of interest income actually recorded on nonaccrual and renegotiated loans was $1.0 million in both 2007 and 2006. Approximately $12.0 million of nonaccrual loans were less than thirty days delinquent at December 31, 2007. Old National had no renegotiated loans at December 31, 2007 as compared to $52 thousand of renegotiated loans at December 31, 2006.

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Charge-offs, net of recoveries, excluding write-downs on loans transferred to held for sale totaled $15.8 million in 2007 and $15.3 million in 2006. Additionally write-downs related to loan sales of $5.3 million in 2007 and $2.8 million in 2006 were recognized from loans transferred to held for sale. Approximately 60% of net charge-offs have been concentrated in commercial and commercial real estate loans and 30% have been in consumer loans. No single industry segment represented a significant share of total net charge-offs. The allowance to average loans, which ranged from 1.17% to 1.69% for the last five years, was 1.17% at December 31, 2007.

The following table details the allowance for loan losses by loan category and the percent of loans in each category compared to total loans at December 31.

ALLOCATION OF THE ALLOWANCE FOR LOAN LOSSES BY CATEGORY OF LOANS AND THE PERCENTAGE OF LOANS BY CATEGORY TO TOTAL LOANS

	2007		2006		2005		2004		2003	
(dollars in thousands)	Amount	Percent of Loans to Total Loans	Amount	Percent of Loans to Total Loans	Amount	Percent of Loans to Total Loans	Amount	Percent of Loans to Total Loans	Amount	Percent of Loans to Total Loans
Commercial and commercial real estate	**$ 45,927**	**63.3%**	$ 55,755	64.2%	$ 59,498	63.1%	$ 70,292	64.5%	$ 82,635	62.2%
Residential real estate	**1,601**	**11.4**	1,702	10.3	3,849	11.1	3,689	11.2	4,400	16.9
Consumer credit	**8,935**	**25.3**	10,333	25.5	15,500	25.8	11,768	24.3	8,200	20.9
Total	**$ 56,463**	**100.0%**	$ 67,790	100.0%	$ 78,847	100.0%	$ 85,749	100.0%	$ 95,235	100.0%

Market Risk

Market risk is the risk of loss arising from adverse changes in the fair value of financial instruments due to changes in interest rates, currency exchange rates, and other relevant market rates or prices. Interest rate risk is Old National s primary market risk and results from timing differences in the re-pricing of assets and liabilities, changes in the slope of the yield curve, and the potential exercise of explicit or embedded options.

Old National manages interest rate risk within an overall asset and liability management framework that includes attention to credit risk, liquidity risk and capitalization. A principal objective of asset/liability management is to manage the sensitivity of net interest income to changing interest rates. Asset and liability management activity is governed by a policy reviewed and approved annually by the Board of Directors. The Board of Directors has delegated the administration of this policy to the Funds Management Committee, a committee of the Board of Directors, and the Executive Balance Sheet Management Committee, a committee comprised of senior executive management. The Funds Management Committee meets quarterly and oversees adherence to policy and recommends policy changes to the Board. The Executive Balance Sheet Management committee meets quarterly. This committee determines balance sheet management strategies and initiatives for the Company. A group comprised of corporate and line management meets monthly to implement strategies and initiatives determined by the Executive Balance Sheet Management Committee.

Old National uses two modeling techniques to quantify the impact of changing interest rates on the Company, Net Interest Income at Risk and Economic Value of Equity. Net Interest Income at Risk is used by management and the Board of Directors to evaluate the impact of changing rates over a two-year horizon. Economic Value of Equity is used to evaluate long-term interest rate risk. These models simulate the likely behavior of the Company s net interest income and the likely change in the Company s economic value due to changes in interest rates under various possible interest rate scenarios. Because the models are driven by expected behavior in various interest rate scenarios and many factors besides market interest rates affect the Company s net interest income and value, Old National recognizes that model outputs are not guarantees of actual results. For this reason, Old National models many different combinations of interest rates and balance sheet assumptions to understand its overall sensitivity to market interest rate changes.

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Policy guidelines, in addition to December 31, 2007 and 2006 results, are as follows:

Net Interest Income 12 Month Policies (+/-)

	Interest Rate Change in Basis Points (bp)					
	Down 300	**Down 200**	**Down 100**	**Up 100**	**Up 200**	**Up 300**
Green Zone	12.00%	6.50%	3.00%	3.00%	6.50%	12.00%
Yellow Zone	12.00% 15.00%	6.50% 8.50%	3.00% 4.00%	3.00% 4.00%	6.50% 8.50%	12.00% 15.00%
Red Zone	15.00%	8.50%	4.00%	4.00%	8.50%	15.00%
12/31/2007	0.35%	1.75%	1.45%	-1.46%	-3.10%	-4.98%
12/31/2006	-1.51%	0.40%	0.87%	-0.93%	-2.24%	-3.76%

Net Interest Income 24 Month Cumulative Policies (+/-)

	Interest Rate Change in Basis Points (bp)					
	Down 300	**Down 200**	**Down 100**	**Up 100**	**Up 200**	**Up 300**
Green Zone	10.00%	5.00%	2.25%	2.25%	5.00%	10.00%
Yellow Zone	10.00% 12.50%	5.00% 7.00%	2.25% 3.25%	2.25% 3.25%	5.00% 7.00%	10.00% 12.50%
Red Zone	12.50%	7.00%	3.25%	3.25%	7.00%	12.50%
12/31/2007	-4.76%	-1.43%	0.03%	-0.62%	-1.46%	-2.71%
12/31/2006	-2.96%	-0.59%	0.51%	-1.09%	-2.75%	-4.60%

Economic Value of Equity Policies (+/-)

	Interest Rate Change in Basis Points (bp)					
	Down 300	**Down 200**	**Down 100**	**Up 100**	**Up 200**	**Up 300**
Green Zone	22.00%	12.00%	5.00%	5.00%	12.00%	22.00%
Yellow Zone	22.00% 30.00%	12.00% 17.00%	5.00% 7.50%	5.00% 7.50%	12.00% 17.00%	22.00% 30.00%
Red Zone	30.00%	17.00%	7.50%	7.50%	17.00%	30.00%
12/31/2007	-21.80%	-10.55%	-3.39%	-0.78%	-3.78%	-8.54%
12/31/2006	-20.41%	-10.07%	-2.03%	0.17%	-0.66%	-2.93%

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

At December 31, 2007, modeling indicated Old National was within the green zone policy limits for all Net Interest Income at Risk and Economic Value of Equity Scenarios. Old National s green zone is considered the normal and acceptable interest rate risk level.

Old National uses derivatives, primarily interest rate swaps, as one method to manage interest rate risk in the ordinary course of business. The Company s derivatives had an estimated fair value gain of $20 thousand at December 31, 2007, compared to an estimated fair value loss of $20.4 million at December 31, 2006. In addition, the notional amount of derivatives decreased by $563.3 million. The increase in market value is primarily due to the reduction in the notional amount of the derivatives in the twelve months ended December 31, 2007 compared to the twelve months ended December 31, 2006. See Note 18 to the consolidated financial statements for further discussion of derivative financial instruments.

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Liquidity Risk

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

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

Old National s ability to acquire funding at competitive prices is influenced by rating agencies views of the Company s credit quality, liquidity, capital and earnings. Standard and Poor s, Moody s Investor Service and Dominion Bond Rating Services have each issued a stable outlook in conjunction with their ratings as of December 31, 2007. Fitch Rating Services reaffirmed a negative outlook in conjunction with their ratings as of December 31, 2007. The senior debt ratings of Old National Bancorp and Old National Bank at December 31, 2007, are shown in the following table.

SENIOR DEBT RATINGS

	Standard and Poor s		Moody s Investor Services		Fitch, Inc.		Dominion Bond Rating Svc.	
	Long term	Short term	Long term	Short term	Long term	Short term	Long term	Short term
Old National Bancorp	BBB	A2	A2	N/A	BBB	F2	BBB (high)	R-2 (high)
Old National Bank	BBB+	A2	A1	P-1	BBB+	F2	A (low)	R-1 (low)

N/A = not applicable

As of December 31, 2007, Old National Bank had the capacity to borrow $699.6 million from the Federal Reserve Bank s discount window. Old National Bank is also a member of the Federal Home Loan Bank (FHLB) of Indianapolis, which provides a source of funding through FHLB advances. Old National maintains relationships in capital markets with brokers and dealers to issue certificates of deposits and short-term and medium-term bank notes as well.

Old National Bancorp, the parent company, has routine funding requirements consisting primarily of operating expenses, dividends to shareholders, debt service, net derivative cash flows and funds used for acquisitions. Old National Bancorp obtains funding to meet its obligations from dividends and management fees collected from its subsidiaries and the issuance of debt securities. At December 31, 2007, the parent company s other borrowings outstanding was $256.1 million, remaining relatively constant compared with $255.5 million at December 31, 2006. Old National Bancorp, the parent company, has $100.0 million of debt scheduled to mature within the next 12 months. Federal banking laws regulate the amount of dividends that may be paid by banking subsidiaries without prior approval. Regulatory approval will be needed for Old National s affiliate bank to pay dividends in 2008.

OFF-BALANCE SHEET ARRANGEMENTS

Off-balance sheet arrangements include commitments to extend credit and financial guarantees. Commitments to extend credit and financial guarantees are used to meet the financial needs of Old National s customers. Old National s banking affiliates have entered into various agreements to extend credit, including loan commitments of $1.195 billion and standby letters of credit of $114.1 million at December 31, 2007. At December 31, 2006, loan commitments were $1.165 billion, commercial letters of credit were $40 thousand and standby letters of credit were $121.7 million. The term of these off-balance sheet arrangements is typically one year or less.

During the second quarter of 2007, Old National entered into a risk participation in an interest rate swap. The interest rate swap has a notional amount of $9.6 million.

CONTRACTUAL OBLIGATIONS, COMMITMENTS AND CONTINGENT LIABILITIES

The following table presents Old National s significant fixed and determinable contractual obligations and significant commitments at December 31, 2007. Further discussion of each obligation or commitment is included in the referenced note to the consolidated financial statements.

CONTRACTUAL OBLIGATIONS, COMMITMENTS AND CONTINGENT LIABILITIES

		Payments Due In				
(dollars in thousands)	Note Reference	One Year or Less	One to Three Years	Three to Five Years	Over Five Years	Total
Deposits without stated maturity		**$ 3,602,297**	**$**	**$**	**$**	**$ 3,602,297**
Consumer and brokered certificates of deposit	9	**1,397,316**	**308,776**	**99,799**	**255,195**	**2,061,086**
Short-term borrowings	10	**638,247**				**638,247**
Other borrowings	11	**151,037**	**101,083**	**225,734**	**178,868**	**656,722**
Operating leases	19	**27,986**	**53,871**	**50,794**	**320,840**	**453,491**

Old National is party to various derivative contracts as a means to manage the balance sheet and its related exposure to changes in interest rates, to manage its residential real estate loan origination and sale activity, and to provide derivative contracts to its clients. Since the derivative liabilities recorded on the balance sheet change frequently and do not represent the amounts that may ultimately be paid under these contracts, these liabilities are not included in the table of contractual obligations presented above. Further discussion of derivative instruments is included in Note 18 to the consolidated financial statements.

In the normal course of business, various legal actions and proceedings are pending against Old National and its affiliates which are incidental to the business in which they are engaged. Further discussion of contingent liabilities is included in Note 19 to the consolidated financial statements.

In addition, liabilities recorded under FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109* (FIN 48) are not included in the table because the amount and timing of any cash payments cannot be reasonably estimated. Further discussion of income taxes and liabilities recorded under FIN 48 is included in Note 12 to the consolidated financial statements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Old National s accounting policies are contained in the section of this annual report captioned Notes to Consolidated Financial Statements-Summary of Significant Accounting Policies . Certain accounting policies require management to use significant judgment and estimates, which can have a material impact on the carrying value of certain assets and liabilities. We consider these policies to be critical accounting policies. The judgment and assumptions made are based upon historical experience or other factors that management believes to be reasonable under the circumstances. Because of the nature of the judgment and assumptions, actual results could differ from these judgments and estimates which could have a material affect on our financial condition and results of operations.

The following accounting policies materially affect our reported earnings and financial condition and require significant judgments and estimates.

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

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

Old National uses migration analysis as a tool to determine the adequacy of the allowance for loan losses for non-retail loans that are not impaired. Migration analysis is a statistical technique that attempts to estimate probable losses for existing pools of loans by matching actual losses incurred on loans back to their origination.

Old National calculates migration analysis using several different scenarios based on varying assumptions to evaluate the widest range of possible outcomes. The migration-derived historical commercial loan loss rates are applied to the current commercial loan pools to arrive at an estimate of probable losses for the loans existing at the time of analysis. The amounts determined by migration analysis are adjusted for management s best estimate of the effects of current economic conditions, loan quality trends, results from internal and external review examinations, loan volume trends, credit concentrations and various other factors. Historic loss ratios adjusted for expectations of future economic conditions are used in determining the appropriate level of allowance for consumer and residential real estate loans.

Management s analysis of probable losses in the portfolio at December 31, 2007, resulted in a range for allowance for loan losses of $7.9 million with the potential effect to net income ranging from a decrease of $1.4 million to an increase of $3.7 million. These sensitivities are hypothetical and are not intended to represent actual results.

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

The determination of fair values is based on internal valuations using management s assumptions of future growth rates, future attrition, discount rates, multiples of earnings or other relevant factors. Changes in these factors, as well as downturns in economic or business conditions, could have a significant adverse impact on the carrying values of goodwill or intangible assets and could result in impairment losses affecting the financials of the

Company as a whole and the individual lines of business in which the goodwill or intangibles reside.

Derivative Financial Instruments. As part of the Company s overall interest rate risk management, Old National uses derivative instruments to reduce exposure to changes in interest rates and market prices for financial instruments. The application of the hedge accounting policy requires judgment in the assessment of hedge effectiveness, identification of similar hedged item groupings and measurement of changes in the fair value of derivative financial instruments and hedged items. To the extent hedging relationships are found to be effective, as determined by SFAS No. 133 *Accounting for Derivative Instruments and Hedging Activities*, changes in fair value of the derivatives are offset by changes in the fair value of the related hedged item or recorded to other comprehensive income. However, if in the future the derivative financial instruments used by the Company no longer qualify for hedge accounting treatment, all changes in fair value of the derivative would flow through the consolidated statements of income in other noninterest income, resulting in greater volatility in our earnings. Management believes hedge effectiveness is evaluated properly in preparation of the financial statements. All of the derivative financial instruments used by the Company have active markets and indications of fair value can be readily obtained. As of December 31, 2007, the Company was not using the short-cut method of accounting for any fair value derivatives.

Income Taxes. The Company is subject to the income tax laws of the U.S., its states and the municipalities in which the Company operates. These tax laws are complex and subject to different interpretations by the taxpayer and the relevant government taxing authorities. In establishing a provision for income tax expense, the Company must make judgments and interpretations about the application of these inherently complex tax laws. The Company must also make estimates about when in the future certain items will affect taxable income in the various tax jurisdictions. Disputes over interpretations of the tax laws may be subject to review/adjudication by the court systems of the various tax jurisdictions or may be settled with the taxing authority upon examination or audit. The Company reviews income tax expense and the carrying value of deferred tax assets quarterly; and as new information becomes available, the balances are adjusted as appropriate.

On January 1, 2007, the Company adopted FIN 48 to account for uncertain tax positions. FIN 48 prescribes a recognition threshold of more-likely-than-not, and a measurement attribute for all tax positions taken or expected to be taken on a tax return, in order for those tax positions to be recognized in the financial statements. See Note 12 to the Consolidated Financial Statements for a further description of the Company s provision and related income tax assets and liabilities.

Management has discussed the development and selection of these critical accounting estimates with the Audit Committee of the Board of Directors and the Audit Committee has reviewed the Company s disclosure relating to it in this Management s Discussion and Analysis .

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information contained under the caption Management s Discussion and Analysis of Financial Condition and Results of Operations Market Risk on page 33 of this Form 10-K is incorporated herein by reference in response to this item.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF MANAGEMENT

MANAGEMENT S RESPONSIBILITY FOR FINANCIAL REPORTING

Management is responsible for the preparation of the financial statements and related financial information appearing in this annual report on Form 10-K. The financial statements and notes have been prepared in conformity with accounting principles generally accepted in the United States of America and include some amounts which are estimates based upon currently available information and management s judgement of current conditions and circumstances. Financial information throughout this annual report on Form 10-K is consistent with that in the financial statements.

Management maintains a system of internal accounting controls which is believed to provide, in all material respects, reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, transactions are properly authorized and recorded, and the financial records are reliable for preparing financial statements and maintaining accountability for assets. In addition, Old National has a Code of Business Conduct and Ethics, a Senior Financial and Executive Officer Code of Ethics and Corporate Governance Guidelines that outline high levels of ethical business standards. All systems of internal accounting controls are based on management s judgment that the cost of controls should not exceed the benefits to be achieved and that no system can provide absolute assurance that control objectives are achieved. Management believes Old National s system provides the appropriate balance between cost of controls and the related benefits.

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In order to monitor compliance with this system of controls, Old National maintains an extensive internal audit program. Internal audit reports are issued to appropriate officers and significant audit exceptions, if any, are reviewed with management and the Audit Committee of the Board of Directors.

The Board of Directors, through an Audit Committee comprised solely of independent outside directors, oversees management s discharge of its financial reporting responsibilities. The Audit Committee meets regularly with Old National s independent registered public accounting firm, Crowe Chizek and Company LLC, and the managers of internal audit and loan review. During these meetings, the committee has the opportunity to meet privately with the independent registered public accounting firm as well as with internal audit and loan review personnel to review accounting, auditing, loan and financial reporting matters. The appointment of the independent registered public accounting firm is made by the Audit Committee of the Board of Directors.

The consolidated financial statements in this annual report on Form 10-K have been audited by Crowe Chizek and Company LLC, for the purpose of determining that the consolidated financial statements are presented fairly, in all material respects in conformity with accounting principles generally accepted in the United States of America. Crowe Chizek and Company LLC s report on the financial statements follows.

MANAGEMENT S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Old National is responsible for establishing and maintaining adequate internal control over financial reporting. A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Old National s management assessed the effectiveness of the company s internal control over financial reporting as of December 31, 2007. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control Integrated Framework*. Based on that assessment Old National has concluded that, as of December 31, 2007, the company s internal control over financial reporting is effective. Old National s independent registered public accounting firm has audited the effectiveness of the company s internal control over financial reporting as of December 31, 2007 as stated in their report which follows.

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Crowe Chizek and Company LLC
Member Horwath International

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
Old National Bancorp
Evansville, Indiana

We have audited the accompanying consolidated balance sheets of Old National Bancorp as of December 31, 2007 and 2006, and the related consolidated statements of income, changes in shareholders equity, and cash flows for the years then ended. We also have audited Old National Bancorp s internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Old National Bancorp s management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these financial statements and an opinion on the effectiveness of the company s internal control over financial reporting 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 and whether effective internal control over financial reporting was maintained in all material respects. Our audits of financial statements 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. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

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Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Old National Bancorp as of December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, Old National Bancorp maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control Integrated Framework* issued by the COSO.

Crowe Chizek and Company LLC
Indianapolis, Indiana
February 21, 2008

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Report of Independent Registered Public Accounting Firm

To the Shareholders and
Board of Directors of
Old National Bancorp:

In our opinion, the consolidated statements of income, changes in shareholders equity and cash flows for the year ended December 31, 2005 present fairly, in all material respects, the results of operations and cash flows of Old National Bancorp and its subsidiaries (the Company) for the year ended December 31, 2005, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 audit provides a reasonable basis for our opinion.

Chicago, Illinois
March 8, 2006

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OLD NATIONAL BANCORP
CONSOLIDATED BALANCE SHEETS

(dollars and shares in thousands, except per share data)	December 31, 2007	December 31, 2006
Assets		
Cash and due from banks	**$ 255,192**	$ 210,303
Federal funds sold and resell agreements		283,524
Money market investments	**8,480**	4,078
Total cash and cash equivalents	**263,672**	497,905
Securities available-for-sale, at fair value	**2,140,641**	2,175,163
Securities held-to-maturity, at amortized cost		
(fair value $124,504 and $157,720 respectively)	**126,769**	162,138
Federal Home Loan Bank stock, at cost	**41,090**	38,809
Residential loans held for sale	**13,000**	16,634
Loans, net of unearned income	**4,686,356**	4,700,003
Allowance for loan losses	**(56,463)**	(67,790)
Net loans	**4,629,893**	4,632,213
Premises and equipment, net	**48,652**	122,865
Accrued interest receivable	**50,277**	53,344
Goodwill	**159,198**	113,350
Other intangible assets	**31,778**	20,813
Company-owned life insurance	**214,486**	198,038
Assets held for sale	**3,969**	
Other assets	**122,701**	118,243
Total assets	**$ 7,846,126**	$ 8,149,515
Liabilities		
Deposits:		
Noninterest-bearing demand	**$ 855,449**	$ 877,870
Interest-bearing:		
NOW	**1,410,667**	1,449,202
Savings	**774,054**	437,702
Money market	**562,127**	925,296
Time	**2,061,086**	2,631,424
Total deposits	**5,663,383**	6,321,494
Short-term borrowings	**638,247**	312,911
Other borrowings	**656,722**	747,545
Accrued expenses and other liabilities	**234,893**	125,196
Total liabilities	**7,193,245**	7,507,146

Commitments and contingencies (Note 19)		
Shareholders Equity		
Preferred stock, 2,000 shares authorized, no shares issued or outstanding		
Common stock, $1 stated value, 150,000 shares authorized, 66,205 and 66,503 shares issued and outstanding, respectively	**66,205**	66,503
Capital surplus	**563,675**	565,106
Retained earnings	**34,346**	35,873
Accumulated other comprehensive loss, net of tax	**(11,345)**	(25,113)
Total shareholders equity	**652,881**	642,369