



NEWS RELEASE

Old Second Bancorp, Inc. Announces Improved First Quarter 2011 Results

4/28/2011

AURORA, Ill.--(BUSINESS WIRE)-- Old Second Bancorp, Inc. (the "Company" or "Old Second") (Nasdaq: OSBC), parent company of Old Second National Bank (the "Bank"), today announced results of operations for the first quarter of 2011. The Company recorded a net loss of \$3.1 million compared to a net loss of \$8.6 million in the first quarter of 2010. The Company's pretax net loss of \$3.1 million for the first quarter of 2011 compared to \$14.7 million for the first quarter of 2010. The Company's net loss available to common shareholders of \$4.3 million, or \$0.30 per share, for the first quarter of 2011, compared to a net loss available to common shareholders of \$9.7 million, or \$0.69 per share, in the first quarter of 2010.

The Company's \$4.0 million provision for loan losses for the first quarter of 2011 compared favorably to the \$19.2 million provision in the first quarter of 2010 and to the \$14.0 million provision in the fourth quarter of 2010. The first quarter 2011 provision increased the allowance coverage to 4.57% of loans, up from 3.41% at March 31, 2010 and 4.51% at December 31, 2010.

In announcing these results, the Company's Chairman and CEO, William Skoglund said, "We are very encouraged by our continued progress in addressing asset quality during the first quarter. Nonperforming loans were down \$35.9 million, or 15.7%, compared to year-end 2010. While we are not yet performing at desired levels, we believe this is a significant step in the right direction."

"Since this credit cycle began, we have tried to be as transparent as possible with the information at our disposal. We value our relationships with all of our stakeholders: customers, employees, investors and regulators. Our employees have been working diligently to move us toward a recovery and we believe that the results are beginning to show."

“Regulatory capital levels continue to improve at Old Second National Bank. At the end of the first quarter of 2011, total capital was 11.97%, up 24 basis points from December 31, 2010, and up 124 basis points from June 30, 2010. The leverage ratio was 8.64%, up 54 basis points from December 31, 2010, and 88 basis points from June 30, 2010. As previously disclosed, the bank was not in full compliance with the heightened capital ratios that it had agreed to maintain with the Office of the Controller of the Currency (OCC). Specifically the bank was slightly below the mandated leverage ratio of 8.75% although the bank’s total capital requirement exceeded the agreed to ratio of 11.25%.”

“Our strong and profitable wealth management and mortgage origination units and our valuable retail branch network comprise the core of our franchise. We are positioning the Company so that we can raise additional capital to build on that core when the appropriate time and opportunity presents itself,” he concluded.

First Quarter 2011 Highlight

Core Earnings

- Core earnings were \$5.4 million in the first quarter of 2011. (Core earnings exclude taxes, provisions for loan losses, and income and expenses associated with other real estate owned.)
- The tax-equivalent net interest margin was 3.42% in the first quarter of 2011.
- Noninterest income of \$9.3 million, \$1.0 million higher than in the first quarter of 2010.
- Noninterest expenses of \$24.6 million, \$151,000 lower in the first quarter of 2011 than in the first quarter of 2010.

Core Deposit Growth

- Noninterest bearing demand deposits increased \$41.1 million, or 12.4%, to \$371.9 million at March 31, 2011, compared to December 31, 2010.

Asset Quality

- Nonperforming loans declined \$35.9 million during the first quarter of 2011, to \$193.0 million as of March 31, 2011 from \$228.9 million as of December 31, 2010.
- The provision for loan loss expense decreased to \$4.0 million for the first quarter of 2011, compared to \$19.2 million in the same period in 2010 and \$14.0 million in the fourth quarter of 2010.
- The first quarter 2011 provision increased the allowance coverage to 4.57% of loans, which was an increase

from both 3.41% at March 31, 2010 and 4.51% at December 31, 2010.

- Loans that were classified as performing but 30 to 89 days past due and still accruing interest decreased to \$12.2 million at March 31, 2011 from \$13.9 million at December 31, 2010 and \$44.0 million at March 31, 2010.

Information from this press release is taken from the Company's quarterly earnings report for the period ended March 31, 2011 filed with the Securities and Exchange Commission on April 27, 2011.

The Company will host an earnings call on Thursday, April 28, 2011 at 11:00 a.m. Eastern Time (10:00 a.m. Central Time). Investors may listen to the Company's earnings call via telephone by dialing 877-407-9205. Investors should call in to this dial-in number at least 10 minutes prior to the scheduled start of the call.

A replay of the earnings call will be available until 12:00 p.m. Eastern Time (11:00 a.m. Central Time) on May 12, 2011, by dialing 877-660-6853, using Account Number 286, and Conference ID 371090.

Financial Highlights (unaudited) In thousands, except share data

	Three Months Ended March 31,		Year to Date December 31,
	2011	2010	2010
Summary Statements of Operations:			
Net interest and dividend income	\$ 16,190	\$ 20,981	\$ 78,613
Provision for loan losses	4,000	19,220	89,668
Noninterest income	9,288	8,267	44,910
Noninterest expense	24,598	24,749	100,636
Expense (benefit) for income taxes	-	(6,167)	41,868
Net loss	(3,120)	(8,554)	(108,649)
Net loss available to common stockholders	(4,279)	(9,682)	(113,187)
Key Ratios (annualized):			
Return on average assets	(0.60%)	(1.37%)	(4.48%)
Return to common stockholders on average assets	(0.82%)	(1.55%)	(4.66%)
Return on average equity	(15.52%)	(17.54%)	(61.79%)
Return on average common equity	(150.82%)	(30.51%)	(106.41%)
Net interest margin (non-GAAP tax equivalent) ¹	3.42%	3.78%	3.64%
Efficiency ratio (non-GAAP tax equivalent) ¹	75.63%	61.07%	62.15%
Tangible common equity to tangible assets ²	0.22%	4.50%	0.40%
Tier 1 common equity to risk weighted assets ²	0.31%	3.37%	0.52%
Total capital to risk weighted assets ³	11.65%	12.93%	11.46%
Tier 1 capital to risk weighted assets ³	6.04%	9.47%	6.09%
Tier 1 capital to average assets	4.88%	7.88%	4.74%
Per Share Data:			
Basic loss per share	(\$0.30)	(\$0.69)	(\$8.03)
Diluted loss per share	(\$0.30)	(\$0.69)	(\$8.03)
Dividends declared per share	\$ 0.00	\$ 0.01	\$ 0.02
Common book value per share	\$ 0.71	\$ 8.50	\$ 1.01
Tangible common book value per share	\$ 0.34	\$ 8.04	\$ 0.61
Ending number of shares outstanding	14,034,991	13,939,833	13,911,475
Average number of shares outstanding	13,973,870	13,916,650	13,918,309
Diluted average shares outstanding	14,213,701	14,197,223	14,104,228
End of Period Balances:			
Loans	\$ 1,601,761	\$ 1,958,101	\$ 1,690,129
Deposits	1,902,349	2,164,462	1,908,528
Stockholders' equity	80,186	187,740	83,958
Total earning assets	1,899,769	2,225,649	1,933,296
Total assets	2,115,406	2,497,685	2,123,921

Average Balances:

Loans	\$	1,651,952	\$	2,022,575	\$	1,900,604
Deposits		1,912,603		2,180,959		2,107,883
Stockholders' equity		81,544		197,829		175,850
Total earning assets		1,927,944		2,296,368		2,189,354
Total assets		2,122,275		2,529,942		2,426,356

1 Tabular disclosures of the tax equivalent calculation including the net interest margin and efficiency ratio for the quarters ending March 31, 2011 and 2010, respectively, are presented on page 19.

2 The information to reconcile GAAP measures and the ratios of Tier 1 capital, total capital, tangible common equity or Tier 1 common equity, as applicable, to average total assets, risk-weighted assets or tangible assets, as applicable, are presented on page 20.

3 The Company and the Bank are subject to regulatory capital requirements administered by federal banking agencies. Those agencies define the basis for these calculations including the prescribed methodology for the calculation of the amount of risk-weighted assets.

Financial Highlights, continued (unaudited) In thousands, except share data

	Three Months Ended March 31,		Year Ended
	2011	2010	December 31, 2010
Asset Quality			
Charge-offs	\$ 9,087	\$ 18,666	\$ 85,009
Recoveries	1,907	1,719	7,109
Net charge-offs	\$ 7,180	\$ 16,947	\$ 77,900
Provision for loan losses	4,000	19,220	89,668
Allowance for loan losses to loans	4.57%	3.41%	4.51%
Nonaccrual loans ¹	\$ 178,757	\$ 177,019	\$ 212,225
Restructured loans	13,909	14,739	15,637
Loans past due 90 days	342	981	1,013
Nonperforming loans	193,008	192,739	228,875
Other real estate	85,570	49,855	75,613
Receivable from foreclosed loan participation	-	20	-
Receivable from swap terminations	722	-	3,520
Nonperforming assets	\$ 279,300	\$ 242,614	\$ 308,008

¹ Includes \$28.4 million and \$28.2 million in non-accrual restructured loans at March 31, 2011 and 2010, respectively.

Major Classifications of Loans

Commercial and industrial	\$	164,594	\$	197,420	\$	173,884
Real estate - commercial		794,249		903,289		821,101
Real estate - construction		104,633		219,364		129,601
Real estate - residential		531,311		627,936		557,635
Installment		4,752		6,980		5,104
Overdraft		372		602		739
Lease financing receivables		2,397		3,631		2,774
		1,602,308		1,959,222		1,690,838
Unearned origination fees, net		(547)		(1,121)		(709)
	\$	1,601,761	\$	1,958,101	\$	1,690,129

Major Classifications of Deposits

Noninterest bearing	\$	371,940	\$	316,240	\$	330,846
Savings		193,141		190,599		180,127
NOW accounts		266,103		398,011		304,287
Money market accounts		303,295		392,615		297,702
Certificates of deposits of less than \$100,000		475,209		529,117		491,234
Certificates of deposits of \$100,000 or more		292,661		337,880		304,332
	\$	<u>1,902,349</u>	\$	<u>2,164,462</u>	\$	<u>1,908,528</u>

Old Second Bancorp, Inc. and Subsidiaries
Consolidated Balance Sheets
(In thousands)

	(unaudited) March 31, 2011	December 31, 2010
Assets		
Cash and due from banks	\$ 35,905	\$ 28,584
Interest bearing deposits with financial institutions	137,556	69,492
Federal funds sold	988	682
Cash and cash equivalents	174,449	98,758
Securities available-for-sale	142,225	148,647
Federal Home Loan Bank and Federal Reserve Bank stock	14,050	13,691
Loans held-for-sale	3,189	10,655
Loans	1,601,761	1,690,129
Less: allowance for loan losses	73,128	76,308
Net loans	<u>1,528,633</u>	<u>1,613,821</u>
Premises and equipment, net	53,650	54,640
Other real estate owned, net	85,570	75,613
Mortgage servicing rights, net	4,330	3,897
Core deposit and other intangible asset, net	5,296	5,525
Bank-owned life insurance (BOLI)	51,429	50,966
Other assets	52,585	47,708
Total assets	<u>\$ 2,115,406</u>	<u>\$ 2,123,921</u>
Liabilities		
Deposits:		
Noninterest bearing demand	\$ 371,940	\$ 330,846
Interest bearing:		
Savings, NOW, and money market	762,539	782,116
Time	767,870	795,566
Total deposits	<u>1,902,349</u>	<u>1,908,528</u>
Securities sold under repurchase agreements	1,878	2,018
Other short-term borrowings	4,579	4,141
Junior subordinated debentures	58,378	58,378
Subordinated debt	45,000	45,000
Notes payable and other borrowings	500	500
Other liabilities	22,536	21,398
Total liabilities	<u>2,035,220</u>	<u>2,039,963</u>
Stockholders' Equity		
Preferred stock	70,151	69,921
Common stock	18,628	18,467
Additional paid-in capital	65,286	65,209
Retained earnings	24,056	28,335
Accumulated other comprehensive loss	(3,042)	(3,130)
Treasury stock	<u>(94,893)</u>	<u>(94,844)</u>
Total stockholders' equity	<u>80,186</u>	<u>83,958</u>
Total liabilities and stockholders' equity	<u>\$ 2,115,406</u>	<u>\$ 2,123,921</u>

Old Second Bancorp, Inc. and Subsidiaries
Consolidated Statements of Operations
(In thousands, except share data)

	(unaudited) Three Months Ended March 31,	
	2011	2010
Interest and Dividend Income		
Loans, including fees	\$ 20,869	\$ 26,632
Loans held-for-sale	51	72
Securities, taxable	878	1,238
Securities, tax exempt	142	745
Dividends from Federal Reserve Bank and Federal Home Loan Bank stock	69	56
Interest bearing deposits with financial institutions	70	16
Total interest and dividend income	<u>22,079</u>	<u>28,759</u>
Interest Expense		
Savings, NOW, and money market deposits	576	1,385
Time deposits	3,993	5,097
Securities sold under repurchase agreements	-	10
Other short-term borrowings	-	18
Junior subordinated debentures	1,113	1,072
Subordinated debt	203	195
Notes payable and other borrowings	4	1
Total interest expense	<u>5,889</u>	<u>7,778</u>
Net interest and dividend income	16,190	20,981
Provision for loan losses	4,000	19,220
Net interest and dividend expense after provision for loan losses	<u>12,190</u>	<u>1,761</u>
Noninterest Income		
Trust income	1,784	1,657
Service charges on deposits	1,817	2,018
Secondary mortgage fees	227	223
Mortgage servicing income	370	163
Net gain on sales of mortgage loans	1,236	1,157
Securities gains(loss), net	139	(2)
Increase in cash surrender value of bank-owned life insurance	463	429
Debit card interchange income	700	663
Lease revenue from other real estate owned	520	518
Net gain on sales of other real estate owned	234	151
Other income	1,798	1,290
Total noninterest income	<u>9,288</u>	<u>8,267</u>
Noninterest Expense		
Salaries and employee benefits	8,929	9,025
Occupancy expense, net	1,345	1,525
Furniture and equipment expense	1,460	1,639
FDIC insurance	1,739	1,428
General bank insurance	825	140
Amortization of core deposit and other intangible asset	229	282
Advertising expense	233	256
Debit card interchange expense	373	310
Legal fees	943	559
Other real estate expense	5,314	6,428
Other expense	3,208	3,157
Total noninterest expense	<u>24,598</u>	<u>24,749</u>
Loss before income taxes	(3,120)	(14,721)
Benefit for income taxes	-	(6,167)
Net loss	<u>\$ (3,120)</u>	<u>\$ (8,554)</u>
Preferred stock dividends and accretion	1,159	1,128
Net loss available to common stockholders	<u>\$ (4,279)</u>	<u>\$ (9,682)</u>
Basic loss per share	\$ (0.30)	\$ (0.69)
Diluted loss per share	(0.30)	(0.69)
Dividends declared per share	-	0.01

ANALYSIS OF AVERAGE BALANCES,
TAX EQUIVALENT INTEREST AND RATES
Three Months ended March 31, 2011 and 2010
(Dollar amounts in thousands - unaudited)

	2011			2010		
	Average Balance	Interest	Rate	Average Balance	Interest	Rate
Assets						
Interest bearing deposits	\$ 113,100	\$ 70	0.25%	\$ 30,551	\$ 16	0.21%
Federal funds sold	1,465	-	-	1,440	-	-
Securities:						

Taxable	128,174	878	2.74	147,768	1,238	3.35
Non-taxable (tax equivalent)	14,976	219	5.85	75,246	1,146	6.09
Total securities	143,150	1,097	3.07	223,014	2,384	4.28
Dividends from FRB and FHLB stock	13,698	69	2.01	13,044	56	1.72
Loans and loans held-for-sale 1	1,656,531	20,933	5.05	2,028,319	26,744	5.27
Total interest earning assets	1,927,944	22,169	4.60	2,296,368	29,200	5.09
Cash and due from banks	34,882	-	-	36,868	-	-
Allowance for loan losses	(78,812)	-	-	(67,504)	-	-
Other noninterest bearing assets	238,261	-	-	264,210	-	-
Total assets	<u>\$ 2,122,275</u>			<u>\$ 2,529,942</u>		
Liabilities and Stockholders' Equity						
NOW accounts	\$ 272,092	\$ 139	0.21%	\$ 410,086	\$ 346	0.34%
Money market accounts	303,604	319	0.43	392,821	816	0.84
Savings accounts	184,861	118	0.26	183,331	223	0.49
Time deposits	785,937	3,993	2.06	885,795	5,097	2.33
Interest bearing deposits	1,546,494	4,569	1.20	1,872,033	6,482	1.40
Securities sold under repurchase agreements	1,754	-	-	19,736	10	0.21
Other short-term borrowings	3,036	-	-	10,509	18	0.69
Junior subordinated debentures	58,378	1,113	7.63	58,378	1,072	7.35
Subordinated debt	45,000	203	1.80	45,000	195	1.73
Notes payable and other borrowings	500	4	3.20	500	1	0.80
Total interest bearing liabilities	1,655,162	5,889	1.44	2,006,156	7,778	1.57
Noninterest bearing deposits	366,109	-	-	308,926	-	-
Other liabilities	19,460	-	-	17,031	-	-
Stockholders' equity	81,544	-	-	197,829	-	-
Total liabilities and stockholders' equity	<u>\$ 2,122,275</u>			<u>\$ 2,529,942</u>		
Net interest income (tax equivalent)		<u>\$ 16,280</u>			<u>\$ 21,422</u>	
Net interest income (tax equivalent) to total earning assets			<u>3.42%</u>			<u>3.78%</u>
Interest bearing liabilities to earning assets		<u>85.85%</u>			<u>87.36%</u>	

1. Interest income from loans is shown on a tax equivalent basis as discussed in the next table and includes fees of \$525,000 and \$683,000 for the first quarter of 2011 and 2010, respectively. Nonaccrual loans are included in the above stated average balances.

Note: Tax equivalent basis is calculated using a marginal tax rate of 35%.

The following tables provide a reconciliation of each non-GAAP measure to the most comparable GAAP equivalent. (Dollar amounts in thousands- unaudited)

	Three Months Ended March 31,		Year to Date December 31,
	2011	2010	2010
Net Interest Margin			
Interest income (GAAP)	\$ 22,079	\$ 28,759	\$ 106,681
Taxable equivalent adjustment:			
Loans	13	40	81
Securities	77	401	966
Interest income (TE)	22,169	29,200	107,728
Interest expense (GAAP)	5,889	7,778	28,068
Net interest income (TE)	<u>\$ 16,280</u>	<u>\$ 21,422</u>	<u>\$ 79,660</u>
Net interest income (GAAP)	<u>\$ 16,190</u>	<u>\$ 20,981</u>	<u>\$ 78,613</u>
Average interest earning assets	\$ 1,927,944	\$ 2,296,368	\$ 2,189,354
Net interest margin (GAAP)	3.41%	3.71%	3.59%
Net interest margin (TE)	3.42%	3.78%	3.64%
Efficiency Ratio			
Noninterest expense	\$ 24,598	\$ 24,749	\$ 100,636
Less amortization of core deposit and other intangible asset	229	282	1,129

Less other real estate expense	5,314	6,428	26,401
Adjusted noninterest expense	19,055	18,039	73,106
Net interest income (GAAP)	16,190	20,981	78,613
Taxable-equivalent adjustment:			
Loans	13	40	81
Securities	77	401	966
Net interest income (TE)	16,280	21,422	79,660
Noninterest income	9,288	8,267	44,910
Less death benefit related to bank-owned life insurance	-	-	943
Less litigation settlement income	-	-	2,656
Less securities gain (loss), net	139	(2)	2,727
Less gain on sale of OREO	234	151	614
Adjusted noninterest income, plus net interest income (TE)	25,195	29,540	117,630
Efficiency ratio	75.63%	61.07%	62.15%

	(unaudited) As of March 31,		(unaudited) December 31,
	2011	2010	2010
	(dollars in thousands)		
Tier 1 capital			
Total stockholders' equity	\$ 80,186	\$ 187,740	\$ 83,958
Tier 1 adjustments:			
Trust preferred securities	27,743	56,625	29,029
Cumulative other comprehensive loss	3,042	1,916	3,130
Disallowed intangible assets	(5,296)	(6,372)	(5,525)
Disallowed deferred tax assets	(2,129)	(44,221)	(2,064)
Other	(433)	(282)	(390)
Tier 1 capital	\$ 103,113	\$ 195,406	\$ 108,138
Total regulatory capital			
Tier 1 capital	\$ 103,113	\$ 195,406	\$ 108,138
Tier 2 additions:			
Allowable portion of allowance for loan losses	21,992	26,292	22,875
Additional trust preferred securities disallowed for tier 1 capital	28,883	-	27,596
Subordinated debt	45,000	45,000	45,000
Other Tier 2 capital components	(7)	(8)	(7)
Total regulatory capital	\$ 198,981	\$ 266,690	\$ 203,602
Tangible common equity			
Total stockholders' equity	\$ 80,186	\$ 187,740	\$ 83,958
Less: Preferred equity	70,151	69,254	69,921
Intangible assets	5,296	6,372	5,525
Tangible common equity	\$ 4,739	\$ 112,114	\$ 8,512
Tier 1 common equity			
Tangible common equity	\$ 4,739	\$ 112,114	\$ 8,512
Tier 1 adjustments:			
Cumulative other comprehensive loss	3,042	1,916	3,130
Other	(2,562)	(44,503)	(2,454)
Tier 1 common equity	\$ 5,219	\$ 69,527	\$ 9,188
Tangible assets			
Total assets	\$ 2,115,406	\$ 2,497,685	\$ 2,123,921
Less:			
Intangible assets	5,296	6,372	5,525
Tangible assets	\$ 2,110,110	\$ 2,491,313	\$ 2,118,396
Total risk-weighted assets			
On balance sheet	\$ 1,659,385	\$ 1,995,403	\$ 1,723,519
Off balance sheet	48,806	67,424	53,051
Total risk-weighted assets	\$ 1,708,191	\$ 2,062,827	\$ 1,776,570
Average assets			
Total quarterly average assets	\$ 2,114,417	\$ 2,479,067	\$ 2,281,579

Source: Old Second Bancorp, Inc.

Contact:

Old Second Bancorp

Doug Cheatham, Chief Financial Officer

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