NEWS RELEASE

# Old Second Bancorp, Inc. Announces Second Quarter Net Income of $3.5 million

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AURORA, Ill., July 24, 2013 /PRNewswire/ -- 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 second quarter of 2013. The Company reported net income of $3.5 million, compared to net income of $1.3 million in the second quarter of 2012. The Company's net income available to common shareholders of $2.2 million, or $0.15 per diluted share, for the quarter compared to net income available to common shareholders of $14,000, or $0.00 per diluted share, in the second quarter of 2012.

The Company reported net income of $8.9 million in the first half of 2013, compared to a loss of $1.7 million in the first half of 2012. The Company's net income available to common shareholders of $6.4 million, or $0.45 per diluted share, for the first half of 2013, compared to a net loss available to common shareholders of $4.2 million, or $0.29 per diluted share, in the first half of 2012.

Chairman Bill Skoglund said "Our second quarter and six month results are encouraging as we continue to transition to consistent, high quality earnings. The economic and competitive environments remain challenging and we expect to be further tested as we progress through 2013. We have received benefit from our traditional community banking programs in business and personal lending, deposit services, card services, wealth management and residential mortgage banking. Further, our experienced and dedicated professional staff (augmented by several key additions) has continued to excel at our relationship approach to banking related services. Last, our customers remain loyal to Old Second as a long standing organization with outstanding quality and deep roots in our market areas.

Mr. Skoglund continued "Customers continue to be cautious in expanding their businesses in an uncertain economy.  Our managers are fortifying relationships and building pipelines with current and prospective clients. We expect to grow our businesses and provide outstanding service while continuing to maintain our disciplined approach.  Of course, dependable, high caliber earnings have been and will continue to be a top priority."

"As we work through transition, it is critical that we be viewed as an institution that is unquestionably strong and stable.  To that end, our strength continues as measured in several ways  --  by declining Classified Assets (down to $141.1 million at June 30 from $168.0 million at March 31) and our Bank Leverage Capital Ratio (at 10.40% on June 30 compared to 9.94%% for March 31 and 9.35% for June 30, 2012)."

The Company's release of $1.8 million from its loan loss reserve for the second quarter of 2013 benefited earnings and compares to a $200,000 provision in the second quarter of 2012 and a $2.5 million release in the first quarter of 2013.  The second quarter release was done under our established loan loss reserve methodology.  The allowance for loan losses was 55.9% of nonperforming loans as of June 30, 2013, an increase from 55.3% as of March 31, 2013, and 35.8% a year earlier.  Old Second further improved its overall asset quality by maintaining an elevated level of investment securities.

## 2013 Financial Highlights/Overview

### Earnings

- Second quarter net income before taxes of $3.5 million compared to net income before taxes of $1.3 million in the second quarter of 2012.  The increase was primarily due to release of $1.8 million in loan loss reserves and reduced other real estate expenses.
- In 2013, net income declined from $5.5 million in the first quarter to $3.5 million in the second quarter.  This decline primarily resulted from a $514,000 decline in net interest income, a reduction in the amount of loan loss reserve release from $2.5 million in the first quarter to a $1.8 million release in the second quarter and reduced gains on securities sales from $1.5 million in first quarter to $745,000 in the second quarter.
- Second quarter net income available to common stockholders of $2.2 million compared to net income available to common stockholders of $14,000 in the same quarter of 2012.
- The tax-equivalent net interest margin was 3.07% during the second quarter of 2013 compared to 3.65% in the same quarter of 2012.  The second quarter of 2013 was a decrease of 11 basis points compared to the first quarter of 2013.
- Noninterest income of $21.1 million was $219,000 higher in the first half of 2013 than in the same period of 2012 reflecting higher gains on securities sold, recapture of expense previously recorded on restricted stock awards and one time card services revenue.
- Noninterest expenses of $43.7 million were $3.4 million or 7.1% lower in the first half of 2013 than in the same period of 2012, reflecting overall expense control and reduced expenses in most categories most

notably in other real estate owned ("OREO") expenses (down $3.8 million year over year on elevated but improved valuation adjustment expense) and legal fees at least partially on accounting recovery of some legal fees paid on OREO.

## Capital

| | June 30, 2013 | March 31, 2013 | Basis Point Change |
|---|---|---|---|
| The Bank's leverage capital ratio | 10.40% | 9.94% | 0.46% |
| The Bank's total capital ratio | 16.30% | 15.79% | 0.51% |
| The Company's leverage capital ratio | 5.46% | 5.11% | 0.35% |
| The Company's total capital ratio | 14.70% | 14.33% | 0.37% |
| The Company's tangible common equity to tangible assets | (0.18)% | 0.05% | (0.23)% |

## Asset Quality & Earning Assets Review

- Nonperforming loans declined $19.9 million (24.1%) during the six months of 2013 to $62.7 million as of June 30, 2013, from $82.6 million as of December 31, 2012. Our June 30, 2013, lower level of nonperforming loans as measured at quarter-end was the lowest since June 30, 2008. Nonperforming loans declined primarily because of successful negotiations by our staff with guarantors and movement to OREO, as well as loans being upgraded to accruing status when borrowers financial condition showed meaningful improvement.
- Loans that were classified as performing but 30 to 89 days past due and still accruing interest decreased to $4.3 million at June 30, 2013, from $12.9 million at December 31, 2012, and from $6.4 million at June 30, 2012.
- OREO declined from $72.4 million at December 31, 2012, to $59.5 million at June 30, 2013. OREO dispositions totaling $19.5 million in the six month period were somewhat offset by new OREO and improvements to existing OREO of $11.2 million. Valuation write-downs of properties held for sale reduced the reported total by $4.7 million with related expense recognized.
- Securities available-for-sale increased $5.1 million during 2013 to $584.9 million from $579.9 million at December 31, 2012. At $290.9 million (49.7% of the portfolio) and $168.5 million (28.8% of total) asset-backed

securities and collateralized mortgage-backed securities, respectively, were the largest components of the portfolio as of June 30, 2013. The Company's asset-backed securities were heavily oriented to those backed by student loan debt under a guarantee from the U.S. Department of Education.

Non-GAAP Presentations: Management has traditionally disclosed certain non-GAAP ratios to evaluate and measure the Company's performance, including a net interest margin calculation. The net interest margin is calculated by dividing net interest income on a tax equivalent basis by average earning assets for the period. Management believes this measure provides investors with information regarding balance sheet profitability. Management also presents an efficiency ratio that is non-GAAP. The efficiency ratio is calculated by dividing adjusted noninterest expense by the sum of net interest income on a tax equivalent basis and adjusted noninterest income. Management believes this measure provides investors with information regarding the Company's operating efficiency and how management evaluates performance internally. Consistent with industry practice, management also disclosed the tangible common equity to tangible assets and the Tier 1 common equity to risk weighted assets in the discussion immediately above and in the following tables. The tables provide a reconciliation of each non-GAAP measure to the most comparable GAAP equivalent.

Forward Looking Statements: This report may contain forward-looking statements. Forward looking statements are identifiable by the inclusion of such qualifications as expects, intends, believes, may, likely or other indications that the particular statements are not based upon facts but are rather based upon the Company's beliefs as of the date of this release. Actual events and results may differ significantly from those described in such forward-looking statements, due to changes in the economy, interest rates or other factors. Additionally, all statements in this document, including forward-looking statements, speak only as of the date they are made, and the Company undertakes no obligation to update any statement in light of new information or future events. For additional information concerning the Company and its business, including other factors that could materially affect the Company's financial results, please review our filings with the Securities and Exchange Commission.

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