



NEWS RELEASE

Old Second Bancorp, Inc. Announces Third Quarter 2011 Results

10/26/2011

Capital Requirements Exceeded and Asset Quality Improvement Continued

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 third quarter of 2011. The Company reported a net loss of \$1.4 million, compared to a net loss of \$88,000 in the third quarter of 2010. The Company's pretax loss of \$1.4 million for the third quarter of 2011 compared to a \$1.2 million pretax loss for the third quarter of 2010. The Company's net loss available to common shareholders of \$2.6 million, or \$0.18 per diluted share, for the third quarter of 2011, compared to a net loss available to common shareholders of \$1.2 million, or \$0.09 per diluted share, in the third quarter of 2010.

The Company's \$3.0 million provision for loan losses for the third quarter of 2011 compared favorably to the \$11.8 million provision in the third quarter of 2010. The allowance for loan losses was 42.95% of nonperforming loans as of September 30, 2011, compared to 29.84% a year earlier and 36.81% as of June 30, 2011.

"We are very pleased to announce that we continue to exceed the capital ratio objectives that we agreed to with the OCC," said Bill Skoglund, Chairman and CEO. "As of September 30, 2011, the Bank's leverage ratio was 9.52%, up 142 basis points from December 31, 2010, and 77 basis points above the objective the Bank had agreed with the OCC to maintain of 8.75%. The Bank's total capital ratio was 12.98%, up 135 basis points from December 31, 2010, and 173 basis points above the objective of 11.25%."

"Consecutive quarterly declines in nonperforming assets are encouraging," continued Skoglund. "While uncertainty remains in the broader economy, we have seen signs of stabilization in commercial real estate values in our market



area, which we believe will be a key to our continuing improvement. Also, our long standing and valued customers continue to allow us to work with them to achieve their long term financial objectives.”

2011 Financial Highlights/Overview

Earnings

- Third quarter net loss before taxes of \$1.4 million compared to a net loss before taxes of \$1.2 million in the same quarter of 2010.
- Third quarter net loss to common stockholders of \$2.6 million compared to a net loss to common stockholders of \$1.2 million in the same quarter of 2010.
- The tax-equivalent net interest margin was 3.63% during the third quarter of 2011 compared to 3.60% in the same quarter of 2010, and reflected an increase of 4 basis points compared to the second quarter of 2011.
- Noninterest income of \$26.8 million was \$7.0 million lower in the first nine months of 2011 than in the first nine months of 2010 reflecting lower securities gains, deposit service charges, and mortgage sale revenues. Results for 2010 also included the nonrecurring revenues on bank owned life insurance and litigation related income. Excluding the nonrecurring revenue recorded in the 2010 period, noninterest income decreased by \$3.4 million year to date 2011.
- Noninterest expenses of \$71.8 million were \$2.0 million lower in the first nine months of 2011 than in the first nine months of 2010 reflecting flat or reduced expenses in most categories.

Capital

- Bank leverage capital ratio increased from 8.10% to 9.52% in the first nine months of 2011.
- Bank total capital ratio increased from 11.63% to 12.98% in the first nine months of 2011.
- Company leverage ratio increased from 4.74% to 5.18% in the first nine months of 2011.
- Company total capital ratio increased from 11.46% to 12.37% in the first nine months of 2011.
- Company tangible common equity to tangible assets decreased from 0.28% in the second quarter of 2011 to 0.15% in the third quarter of 2011 and declined from 0.40% at year end 2010.

Asset Quality/Balance Sheet Overview

- Nonperforming loans declined \$89.5 million (39.1%) during the first nine months of 2011 to \$139.3 million as of September 30, 2011, from \$228.9 million as of December 31, 2010 and declined \$40.1 million (22.4%)

during the quarter from \$179.4 million as of June 30, 2011.

- The provision for loan loss expense decreased to \$3.0 million for the third quarter ended September 30, 2011, compared to \$11.8 million in the same period in 2010.
- Loans that were classified as performing but 30 to 89 days past due and still accruing interest decreased to \$10.0 million at September 30, 2011, from \$13.9 million at December 31, 2010, and \$17.6 million at September 30, 2010.
- Securities available-for-sale increased \$39.5 million in the first nine months of 2011 to \$188.2 million from \$148.6 million with no impact on current liquidity profile.

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.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Summary Statements of Operations:				
Net interest and dividend income	\$ 15,922	\$ 19,461	\$ 48,933	\$ 60,457
Provision for loan losses	3,000	11,825	7,500	75,668
Noninterest income	8,508	14,695	26,846	33,810
Noninterest expense	22,820	23,555	71,776	73,783
Benefit for income taxes	-	(1,136)	-	(23,159)
Net loss	(1,390)	(88)	(3,497)	(32,025)
Net loss available to common stockholders	(2,580)	(1,223)	(7,021)	(35,419)
Key Ratios (annualized):				
Return on average assets	(0.28%)	(0.01%)	(0.23%)	(1.73%)
Return to common stockholders on average assets	(0.52%)	(0.20%)	(0.46%)	(1.91%)
Return on average equity	(6.84%)	(0.21%)	(5.81%)	(23.54%)
Return on average common equity	(100.92%)	(5.16%)	(91.98%)	(42.09%)
Net interest margin (non-GAAP tax equivalent) ¹	3.63%	3.60%	3.57%	3.67%
Efficiency ratio (non-GAAP tax equivalent) ¹	70.79%	59.97%	73.06%	61.32%
Tangible common equity to tangible assets ²	0.15%	3.75%	0.15%	3.75%
Tier 1 common equity to risk weighted assets ²	0.22%	1.14%	0.22%	1.14%
Company total capital to risk weighted assets ³	12.37%	11.37%	12.37%	11.37%
Company tier 1 capital to risk weighted assets ³	6.39%	7.64%	6.39%	7.64%
Company tier 1 capital to average assets	5.18%	6.30%	5.18%	6.30%
Bank total capital to risk weighted assets ³	12.98%	11.41%	12.98%	11.41%
Bank tier 1 capital to risk weighted assets ³	11.70%	10.13%	11.70%	10.13%
Bank tier 1 capital to average assets	9.52%	8.38%	9.52%	8.38%
Per Share Data:				
Basic loss per share	(\$0.18)	(\$0.09)	(\$0.49)	(\$2.52)
Diluted loss per share	(\$0.18)	(\$0.09)	(\$0.49)	(\$2.52)
Dividends declared per share	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.02
Common book value per share	\$ 0.55	\$ 6.60	\$ 0.55	\$ 6.60
Tangible common book value per share	\$ 0.20	\$ 6.19	\$ 0.20	\$ 6.19
Ending number of shares outstanding	14,034,991	13,911,475	14,034,991	13,911,475
Average number of shares outstanding	14,034,991	13,911,596	14,014,841	13,920,628
Diluted average shares outstanding	14,217,216	14,028,832	14,222,392	14,085,198
End of Period Balances:				
Loans	\$ 1,423,957	\$ 1,815,667	\$ 1,423,957	\$ 1,815,667
Deposits	1,728,034	2,002,558	1,728,034	2,002,558
Stockholders' equity	78,278	161,569	78,278	161,569
Total earning assets	1,714,809	2,028,190	1,714,809	2,028,190
Total assets	1,940,704	2,297,904	1,940,704	2,297,904
Average Balances:				
Loans	\$ 1,483,109	\$ 1,868,053	\$ 1,569,422	\$ 1,943,004
Deposits	1,746,854	2,090,457	1,832,242	2,144,899
Stockholders' equity	80,649	163,603	80,479	181,888
Total earning assets	1,751,347	2,160,359	1,843,264	2,240,199
Total assets	1,959,914	2,392,049	2,043,061	2,473,144

[For complete financial results, go to the investor relations section under 8-K filings at www.oldsecond.com]

1 Tabular disclosures of the tax equivalent calculation including the net interest margin and efficiency ratio for the quarters ending September 30, 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 September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Asset Quality				
Charge-offs	\$ 10,898	\$ 26,395	\$ 30,977	\$ 76,294
Recoveries	1,732	1,775	7,021	4,250
Net charge-offs	\$ 9,166	\$ 24,620	\$ 23,956	\$ 72,044
Provision for loan losses	3,000	11,825	7,500	75,668
Allowance for loan losses to loans	4.20%	3.75%	4.20%	3.75%
	As of September 30,		(audited) December 31,	
	2011	2010	2010	
Nonaccrual loans ¹	\$ 122,111	\$ 209,876	\$ 212,225	
Restructured loans	13,596	16,187	15,637	
Loans past due 90 days	3,634	2,335	1,013	
Nonperforming loans	139,341	228,398	228,875	
Other real estate	100,554	54,577	75,613	
Receivable from swap terminations	-	2,169	3,520	
Nonperforming assets	\$ 239,895	\$ 285,144	\$ 308,008	

¹ Includes \$15.8 million and \$26.7 million in nonaccrual restructured loans at September 30, 2011, and 2010, respectively.

Major Classifications of Loans

	As of September 30,		(audited) December 31,
	2011	2010	2010
Commercial and industrial	\$ 107,589	\$ 178,283	\$ 149,552
Real estate - commercial	730,554	864,095	821,101
Real estate - construction	77,958	154,433	129,601
Real estate - residential	489,985	586,443	557,635
Installment	4,187	5,562	4,949
Overdraft	409	565	739
Lease financing receivables	2,223	3,052	2,774
Other	11,242	24,061	24,487
	1,424,147	1,816,494	1,690,838
Unearned origination fees, net	(190)	(827)	(709)
	\$ 1,423,957	\$ 1,815,667	\$ 1,690,129

Major Classifications of Deposits

	As of September 30,		(audited) December 31,
	2011	2010	2010
Noninterest bearing	\$ 347,154	\$ 312,738	\$ 330,846
Savings	191,721	177,448	180,127
NOW accounts	258,216	384,439	304,287
Money market accounts	287,228	318,961	297,702
Certificates of deposits of less than \$100,000	408,236	495,677	491,234
Certificates of deposits of \$100,000 or more	235,479	313,295	304,332
	\$ 1,728,034	\$ 2,002,558	\$ 1,908,528

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

(unaudited)
September 30,

(audited)
December 31,

	2011	2010
Assets		
Cash and due from banks	\$ 29,337	\$ 28,584
Interest bearing deposits with financial institutions	79,334	69,492
Federal funds sold	-	682
Cash and cash equivalents	108,671	98,758
Securities available-for-sale	188,187	148,647
Federal Home Loan Bank and Federal Reserve Bank stock	14,050	13,691
Loans held-for-sale	9,281	10,655
Loans	1,423,957	1,690,129
Less: allowance for loan losses	59,852	76,308
Net loans	1,364,105	1,613,821
Premises and equipment, net	51,972	54,640
Other real estate owned, net	100,554	75,613
Mortgage servicing rights, net	3,605	3,897
Core deposit and other intangible asset, net	4,814	5,525
Bank-owned life insurance (BOLI)	52,096	50,966
Other assets	43,369	47,708
Total assets	<u>\$ 1,940,704</u>	<u>\$ 2,123,921</u>
Liabilities		
Deposits:		
Noninterest bearing demand	\$ 347,154	\$ 330,846
Interest bearing:		
Savings, NOW, and money market	737,165	782,116
Time	643,715	795,566
Total deposits	1,728,034	1,908,528
Securities sold under repurchase agreements	2,631	2,018
Other short-term borrowings	4,315	4,141
Junior subordinated debentures	58,378	58,378
Subordinated debt	45,000	45,000
Notes payable and other borrowings	500	500
Other liabilities	23,568	21,398
Total liabilities	<u>1,862,426</u>	<u>2,039,963</u>
Stockholders' Equity		
Preferred stock	70,622	69,921
Common stock	18,628	18,467
Additional paid-in capital	65,714	65,209
Retained earnings	21,314	28,335
Accumulated other comprehensive loss	(3,107)	(3,130)
Treasury stock	(94,893)	(94,844)
Total stockholders' equity	<u>78,278</u>	<u>83,958</u>
Total liabilities and stockholders' equity	<u>\$ 1,940,704</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 September 30,		(unaudited) Year to Date September 30,	
	2011	2010	2011	2010
Interest and Dividend Income				
Loans, including fees	\$ 19,800	\$ 24,521	\$ 61,765	\$ 76,291
Loans held-for-sale	72	115	198	295
Securities, taxable	928	1,261	2,691	3,714
Securities, tax exempt	114	210	383	1,644
Dividends from Federal Reserve Bank and Federal Home Loan Bank stock	73	66	216	184
Federal funds sold	-	1	1	2
Interest bearing deposits with financial institutions	58	42	197	102
Total interest and dividend income	<u>21,045</u>	<u>26,216</u>	<u>65,451</u>	<u>82,232</u>
Interest Expense				
Savings, NOW, and money market deposits	327	819	1,275	3,404
Time deposits	3,436	4,622	11,220	14,469
Securities sold under repurchase agreements	-	4	-	27
Other short-term borrowings	-	-	-	18
Junior subordinated debentures	1,155	1,072	3,401	3,216
Subordinated debt	201	234	610	632
Notes payable and other borrowings	4	4	12	9

Total interest expense	5,123	6,755	16,518	21,775
Net interest and dividend income	15,922	19,461	48,933	60,457
Provision for loan losses	3,000	11,825	7,500	75,668
Net interest and dividend income (expense) after provision for loan losses	12,922	7,636	41,433	(15,211)
Noninterest Income				
Trust income	1,657	1,746	5,156	5,255
Service charges on deposits	2,157	2,238	6,021	6,542
Secondary mortgage fees	269	473	732	1,034
Mortgage servicing loss, net of changes in fair value	(328)	(322)	(221)	(876)
Net gain on sales of mortgage loans	1,314	3,328	3,667	6,716
Securities (loss) gains, net	(63)	620	588	2,374
Increase in cash surrender value of bank-owned life insurance	233	519	1,130	1,210
Death benefit realized on bank-owned life insurance	-	938	-	938
Debit card interchange income	775	699	2,259	2,086
Lease revenue from other real estate owned	1,060	429	2,537	1,389
Net gain on sales of other real estate owned	297	199	933	697
Litigation related income	-	2,645	-	2,645
Other income	1,137	1,183	4,044	3,800
Total noninterest income	8,508	14,695	26,846	33,810
Noninterest Expense				
Salaries and employee benefits	7,985	9,227	25,494	27,170
Occupancy expense, net	1,273	1,236	3,928	3,998
Furniture and equipment expense	1,405	1,511	4,340	4,694
FDIC insurance	1,032	848	3,884	3,803
General bank insurance	845	165	2,496	438
Amortization of core deposit and other intangible asset	276	282	711	847
Advertising expense	311	353	731	1,048
Debit card interchange expense	394	349	1,091	996
Legal fees	924	964	2,907	2,189
Other real estate expense	5,353	5,354	16,618	18,627
Other expense	3,022	3,266	9,576	9,973
Total noninterest expense	22,820	23,555	71,776	73,783
Loss before income taxes	(1,390)	(1,224)	(3,497)	(55,184)
Benefit for income taxes	-	(1,136)	-	(23,159)
Net loss	\$ (1,390)	\$ (88)	\$ (3,497)	\$ (32,025)
Preferred stock dividends and accretion	1,190	1,135	3,524	3,394
Net loss available to common stockholders	\$ (2,580)	\$ (1,223)	\$ (7,021)	\$ (35,419)
Basic loss per share	\$ (0.18)	\$ (0.09)	\$ (0.49)	\$ (2.52)
Diluted loss per share	(0.18)	(0.09)	(0.49)	(2.52)
Dividends declared per share	-	-	-	0.02

ANALYSIS OF AVERAGE BALANCES,
TAX EQUIVALENT INTEREST AND RATES
Three Months ended September 30, 2011, and 2010
(Dollar amounts in thousands - unaudited)

	2011			2010		
	Average Balance	Interest	Rate	Average Balance	Interest	Rate
Assets						
Interest bearing deposits	\$ 91,178	\$ 58	0.25%	\$ 72,447	\$ 42	0.23%
Federal funds sold	-	-	-	2,927	1	0.13
Securities:						
Taxable	144,581	928	2.57	172,603	1,261	2.92
Non-taxable (tax equivalent)	12,172	176	5.78	21,517	323	6.00
Total securities	156,753	1,104	2.82	194,120	1,584	3.26
Dividends from FRB and FHLB stock	14,050	73	2.08	13,690	66	1.93
Loans and loans held-for-sale 1	1,489,366	19,899	5.23	1,877,175	24,650	5.14
Total interest earning assets	1,751,347	21,134	4.73	2,160,359	26,343	4.78
Cash and due from banks	32,264	-	-	36,368	-	-
Allowance for loan losses	(65,660)	-	-	(82,045)	-	-
Other noninterest bearing assets	241,963	-	-	277,367	-	-
Total assets	\$ 1,959,914			\$ 2,392,049		
Liabilities and Stockholders' Equity						
NOW accounts	\$ 259,505	\$ 95	0.15%	\$ 403,062	\$ 240	0.24%
Money market accounts	285,712	164	0.23	340,450	428	0.50
Savings accounts	193,267	68	0.14	187,367	151	0.32
Time deposits	663,613	3,436	2.05	837,111	4,622	2.19
Interest bearing deposits	1,402,097	3,763	1.06	1,767,990	5,441	1.22

Securities sold under repurchase agreements	1,930	-	-	13,587	4	0.12
Other short-term borrowings	2,865	-	-	3,111	-	-
Junior subordinated debentures	58,378	1,155	7.91	58,378	1,072	7.35
Subordinated debt	45,000	201	1.75	45,000	234	2.03
Notes payable and other borrowings	500	4	3.13	500	4	3.13
Total interest bearing liabilities	1,510,770	5,123	1.35	1,888,566	6,755	1.42
Noninterest bearing deposits	344,757	-	-	322,467	-	-
Other liabilities	23,738	-	-	17,413	-	-
Stockholders' equity	80,649	-	-	163,603	-	-
Total liabilities and stockholders' equity	<u>\$ 1,959,914</u>			<u>\$ 2,392,049</u>		
Net interest income (tax equivalent)		<u>\$ 16,011</u>			<u>\$ 19,588</u>	
Net interest income (tax equivalent) to total earning assets			<u>3.63%</u>			<u>3.60%</u>
Interest bearing liabilities to earning assets		<u>86.26%</u>			<u>87.42%</u>	

[For complete financial results, go to the investor relations section under 8-K filings at www.oldsecond.com]

1. Interest income from loans is shown on a tax equivalent basis as discussed in the table on page 19 and includes fees of \$448,000 and \$641,000 for the third 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%.

ANALYSIS OF AVERAGE BALANCES,
TAX EQUIVALENT INTEREST AND RATES
Nine Months ended September 30, 2011, and 2010
(Dollar amounts in thousands - unaudited)

	2011			2010		
	Average Balance	Interest	Rate	Average Balance	Interest	Rate
Assets						
Interest bearing deposits	\$ 105,618	\$ 197	0.25%	\$ 59,495	\$ 102	0.23%
Federal funds sold	713	1	0.18	2,138	2	0.12
Securities:						
Taxable	134,596	2,691	2.67	159,221	3,714	3.11
Non-taxable (tax equivalent)	13,364	590	5.89	55,156	2,529	6.11
Total securities	147,960	3,281	2.96	214,377	6,243	3.88
Dividends from FRB and FHLB stock	13,934	216	2.07	13,392	184	1.83
Loans and loans held-for-sale 1	1,575,039	62,024	5.19	1,950,797	76,653	5.18
Total interest earning assets	1,843,264	65,719	4.70	2,240,199	83,184	4.90
Cash and due from banks	34,023	-	-	37,060	-	-
Allowance for loan losses	(73,201)	-	-	(74,029)	-	-
Other noninterest bearing assets	238,975	-	-	269,914	-	-
Total assets	<u>\$ 2,043,061</u>			<u>\$ 2,473,144</u>		
Liabilities and Stockholders' Equity						
NOW accounts	\$ 265,126	\$ 347	0.17%	\$ 410,701	\$ 934	0.30%
Money market accounts	297,603	670	0.30	373,468	1,895	0.68
Savings accounts	191,256	258	0.18	187,336	575	0.41
Time deposits	724,219	11,220	2.07	854,632	14,469	2.26
Interest bearing deposits	1,478,204	12,495	1.13	1,826,137	17,873	1.31
Securities sold under repurchase agreements	1,911	-	-	18,649	27	0.19
Other short-term borrowings	2,900	-	-	5,664	18	0.42
Junior subordinated debentures	58,378	3,401	7.77	58,378	3,216	7.35
Subordinated debt	45,000	610	1.79	45,000	632	1.85
Notes payable and other borrowings	500	12	3.16	500	9	2.37
Total interest bearing liabilities	1,586,893	16,518	1.39	1,954,328	21,775	1.49
Noninterest bearing deposits	354,038	-	-	318,762	-	-
Other liabilities	21,651	-	-	18,166	-	-
Stockholders' equity	80,479	-	-	181,888	-	-
Total liabilities and stockholders' equity	<u>\$ 2,043,061</u>			<u>\$ 2,473,144</u>		

Net interest income (tax equivalent)	<u>\$ 49,201</u>		<u>\$ 61,409</u>
Net interest income (tax equivalent) to total earning assets		<u>3.57%</u>	
Interest bearing liabilities to earning assets	<u>86.09%</u>		<u>87.24%</u>

[For complete financial results, go to the investor relations section under 8-K filings at www.oldsecond.com]

1. Interest income from loans is shown on a tax equivalent basis as discussed in the table on page 19 and includes fees of \$1.7 million and \$1.9 million for the first nine months 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 September 30,		Year to Date September 30,	
	2011	2010	2011	2010
Net Interest Margin				
Interest income (GAAP)	\$ 21,045	\$ 26,216	\$ 65,451	\$ 82,232
Taxable equivalent adjustment:				
Loans	27	14	61	67
Securities	62	113	207	885
Interest income (TE)	21,134	26,343	65,719	83,184
Interest expense (GAAP)	5,123	6,755	16,518	21,775
Net interest income (TE)	<u>\$ 16,011</u>	<u>\$ 19,588</u>	<u>\$ 49,201</u>	<u>\$ 61,409</u>
Net interest income (GAAP)	<u>\$ 15,922</u>	<u>\$ 19,461</u>	<u>\$ 48,933</u>	<u>\$ 60,457</u>
Average interest earning assets	\$ 1,751,347	\$ 2,160,359	\$ 1,843,264	\$ 2,240,199
Net interest margin (GAAP)	3.61%	3.57%	3.55%	3.61%
Net interest margin (TE)	3.63%	3.60%	3.57%	3.67%
Efficiency Ratio				
Noninterest expense	\$ 22,820	\$ 23,555	\$ 71,776	\$ 73,783
Less amortization of core deposit and other intangible asset	276	282	711	847
Less other real estate expense	5,353	5,354	16,618	18,627
Adjusted noninterest expense	17,191	17,919	54,447	54,309
Net interest income (GAAP)	15,922	19,461	48,933	60,457
Taxable-equivalent adjustment:				
Loans	27	14	61	67
Securities	62	113	207	885
Net interest income (TE)	16,011	19,588	49,201	61,409
Noninterest income	8,508	14,695	26,846	33,810
Less death benefit related to bank-owned life insurance	-	938	-	938
Less litigation settlement income	-	2,645	-	2,645
Less securities gain (loss), net	(63)	620	588	2,374
Less gain on sale of OREO	297	199	933	697
Adjusted noninterest income, plus net interest income (TE)	24,285	29,881	74,526	88,565
Efficiency ratio	70.79%	59.97%	73.06%	61.32%

(unaudited)

(unaudited)

	As of September 30,		December 31,
	2011	2010	2010
	(dollars in thousands)		
Tier 1 capital			
Total stockholders' equity	\$ 78,278	\$ 161,569	\$ 83,958
Tier 1 adjustments:			
Trust preferred securities	27,128	54,740	29,029
Cumulative other comprehensive loss	3,107	2,652	3,130
Disallowed intangible assets	(4,814)	(5,807)	(5,525)
Disallowed deferred tax assets	(2,175)	(66,739)	(2,064)
Other	(360)	(245)	(390)
Tier 1 capital	\$ 101,164	\$ 146,170	\$ 108,138
Total capital			
Tier 1 capital	\$ 101,164	\$ 146,170	\$ 108,138
Tier 2 additions:			
Allowable portion of allowance for loan losses	20,288	24,453	22,875
Additional trust preferred securities disallowed for tier 1 capital	29,497	1,885	27,596
Subordinated debt	45,000	45,000	45,000
Other Tier 2 capital components	(7)	(7)	(7)
Total capital	\$ 195,942	\$ 217,501	\$ 203,602
Tangible common equity			
Total stockholders' equity	\$ 78,278	\$ 161,569	\$ 83,958
Less: Preferred equity	70,622	69,695	69,921
Intangible assets	4,814	5,807	5,525
Tangible common equity	\$ 2,842	\$ 86,067	\$ 8,512
Tier 1 common equity			
Tangible common equity	\$ 2,842	\$ 86,067	\$ 8,512
Tier 1 adjustments:			
Cumulative other comprehensive loss	3,107	2,652	3,130
Other	(2,535)	(66,984)	(2,454)
Tier 1 common equity	\$ 3,414	\$ 21,735	\$ 9,188
Tangible assets			
Total assets	\$ 1,940,704	\$ 2,297,904	\$ 2,123,921
Less:			
Intangible assets	4,814	5,807	5,525
Tangible assets	\$ 1,935,890	\$ 2,292,097	\$ 2,118,396
Total risk-weighted assets			
On balance sheet	\$ 1,533,543	\$ 1,840,794	\$ 1,723,519
Off balance sheet	49,902	71,727	53,051
Total risk-weighted assets	\$ 1,583,445	\$ 1,912,521	\$ 1,776,570
Average assets			
Total average assets for leverage	\$ 1,952,565	\$ 2,319,257	\$ 2,281,579

Old Second Bancorp, Inc.

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Chief Financial Officer

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Source: Old Second Bancorp, Inc.