NEWS RELEASE

Old Second Bancorp, Inc. Announces Third Quarter Net Income of $72.9 Million

10/23/2013

AURORA, Ill., Oct. 23, 2013 /PRNewswire/ -- Old Second Bancorp, Inc. (the "Company" or "Old Second") (NASDAQ: OSBC), parent company of Old Second National Bank (the "Bank"), today announced financial results for the third quarter of 2013. The Company reported net income of $72.9 million after a $70.0 million benefit from the reversal of the valuation allowance against deferred tax assets. Income before taxes for the quarter, reflecting the benefit of a $1.8 million reversal in loan loss reserve, totaled $2.9 million. These results compare to net income of $3.5 million in the second quarter of this year and $120,000 in the third quarter of 2012. The Company's net income available to common shareholders of $71.6 million, or $5.08 per diluted share ($0.11 per share excluding the reversal of the valuation allowance against deferred tax assets), for the quarter compared to net loss available to common shareholders of $1.1 million or $(0.08) per diluted share, in the third quarter of 2012.

The Company reported net income of $81.9 million for the first nine months of 2013 ($11.9 million income before taxes excluding the reversal of the valuation allowance against the deferred tax assets), compared to a net loss of $1.6 million in the same period of 2012. The Company's net income available to common shareholders of $78.0 million, or $5.52 per diluted share ($0.56 per share excluding the reversal of the valuation allowance against the deferred tax assets), for the first nine months of 2013 compared to a net loss available to common shareholders of $5.3 million, or $(0.37) per diluted share, in the first nine months of 2012.

Chairman Bill Skoglund said, "Results for the third quarter and for the first nine months of 2013 reflect ongoing progress in our return to enduring profitability. Improvements in overall real estate markets in our market areas were offset by intense competition from other financial institutions and low loan demand from our small business customers resulting in restrained loan growth. Further, the move to a higher market interest rate environment pressured our residential mortgage business in the same manner as seen nationwide."

Mr. Skoglund continued, "Our momentum is building as our bankers solidify existing relationships and add to pipelines with current and prospective customers. Our organization becomes stronger as problems from past decisions are resolved -- evidenced by the action taken in the third quarter to reverse the reserve against our deferred tax assets and by this month's decision of the Office of the Comptroller of Currency to terminate the Consent Order under which we've been operating. Nonaccrual loans are down to $43.6 million from $77.5 million at December 31, 2012 and $58.2 million at June 30, 2013. Similarly, other real estate owned declined to $49.1 million from $72.4 million at year end 2012 and $59.5 million at June 30, 2013. Our mission remains robust improvement in earnings per share from greater revenues in all our products coupled with disciplined expense management."

2013 Financial Highlights/Overview

Operating Environment

- Loan growth prospects reasonably improving. Overall loan growth goal not yet attained.
- Loyal deposit customers and value added customer service maintains deposit base.
- Troubled real estate owned and real estate markets stabilizing.
- Marketable securities portfolio managed to utilize liquid funds in low interest rate environment.

Earnings

- Third quarter income before taxes of $2.9 million compared to income before taxes of $120,000 in the third quarter of 2012. The increase was primarily due to the release of $1.8 million in loan loss reserves and reduced other real owned estate expenses.
- Net income available to common shareholders of $71.6 million for the third quarter reflected the benefit of the reversal of the valuation allowance against the deferred tax assets.
- In 2013, income before taxes declined from $3.5 million in the second quarter to $2.9 million in the third quarter. This decline primarily resulted from a $1.6 million, or 56.3%, reduction in residential mortgage revenue, and reduced gains on securities sales from $745,000 in the second quarter to a$7,000 loss in the third quarter.
- The tax-equivalent net interest margin was 3.25% during the third quarter of 2013 compared to 3.44% in the same quarter of 2012. The third quarter of 2013 margin was an increase of 18 basis points compared to the second quarter of 2013.
- Noninterest income of $29.5 million was $1.7 million lower in the first nine months of 2013 compared to the same period of 2012, reflecting reduced residential mortgage revenue, service charges on deposits, and lease revenue from other real estate owned ("OREO").

- Noninterest expenses of $65.2 million were 9.4% lower in the first nine months of 2013 than in the same period of 2012, reflecting overall expense control and reduced expenses in most categories. Notable reductions are found in OREO expenses (down $6.9 million year over year essentially on still elevated but improved valuation adjustment expense, general bank insurance and the partial accounting recovery of some legal fees paid on OREO.

Capital

	September 30, 2013	June 30, 2013	Percent Change
The Bank's leverage capital ratio	11.08%	10.40%	0.68%
The Bank's total risk-based capital ratio	17.08%	16.30%	0.78%
The Company's leverage capital ratio	7.11%	5.46%	1.65%
The Company's total risk-based capital ratio	15.15%	14.70%	0.45%
The Company's tangible common equity to tangible assets	3.33%	(0.18)%	3.51%

Asset Quality & Earning Assets

- Nonperforming loans declined $34.8 million (42.2%) during the nine months ending September 30, 2013 to $47.8 million, from $82.6 million as of December 31, 2012. 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 the financial condition of borrowers improved.
- OREO declined from $72.4 million at December 31, 2012, to $49.1 million at September 30, 2013. OREO dispositions totaling $30.9 million in the nine month period ending September 30, 2013 were somewhat offset by new OREO and improvements to existing OREO of $14.3 million. Valuation write-downs of properties held for sale reduced the reported total by $6.7 million with related expense recognized.
- Securities available-for-sale decreased $206.4 million during 2013 to $373.5 million from $579.9 million at December 31, 2012 with the third quarter reclassification of $258.1 million to the held-to-maturity category. In all prior periods, all securities were held as available for sale. At $269.0 million (72.0% of the September 30, 2013 available-for-sale portfolio), of asset-backed securities were the largest component of the available-for-sale portfolio and total securities holdings as of September 30, 2013. The Company's asset-backed securities

were heavily oriented to those backed by student loan debt guaranteed by 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 or cause actual results to differ substantially from those discussed or implied in forward looking statements contained in this release, please review our filings with the Securities and Exchange Commission.

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