Q4

NEWS RELEASE

Old Second Reports First Quarter Net Income of $2.2 million.

4/23/2014

AURORA, Ill., April 23, 2014 /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 first quarter of 2014. The Company reported net income of $2.2 million for the first quarter 2014, compared to a net income of $5.5 million in the first quarter of 2013. The Company's net income available to common stockholders of $630,000 or $0.04 per diluted share, for the quarter, compared to a net income available to common stockholders of $4.2 million, or $0.30 per diluted share, in the first quarter of 2013.

Chairman Bill Skoglund remarked "First quarter results reflect further measured progress on several key improvement objectives. Importantly, our loan portfolio shows a second consecutive quarterly increase while nonperforming assets declined since year end. Over the past year, OREO dropped sharply from $65.7 million at March 31, 2013, to $40.2 million at March 31, 2014. Over the same period, nonaccrual loans declined from $64.9 million to $36.7 million. Core profitability shows continued strength in an economy that continues to be uneven in its recovery. Capital ratios remain strong and in excess of goals established by our Board of Directors. Our community banking approach has been skillfully executed by our staff. Our loyal customers and the communities we serve have recognized and realized benefit from our services."

Mr. Skoglund continued "The Board and I are proud of Old Second and the great employees who do things every day to serve our customers and communities. We completed our public offering of common stock earlier this month and expect the proceeds will position Old Second for greater growth. The economy will continue to be challenging and our competitors are skillful but with additional capital, we are excited for 2014. We will continue to work hard to reduce problem assets. As business leader confidence grows with the recovery, we will also strive to grow loan earning assets with additional improvement in core profitability."

The public offering was registered with the Securities and Exchange Commission. The Company's board of directors determined on April 3, 2014, that it was in the best interests of Company shareholders to sell common stock in the offering at $4.40 per share. Old Second completed the sale of 15,525,000 shares at this price. Net proceeds from the offering of over $64.0 million will be used to pay the accrued but unpaid interest on trust preferred securities, the accumulated but unpaid dividends on preferred stock and to repurchase certain shares of preferred stock. Remaining proceeds will be used for general corporate purposes.

On April 21, 2014, the Company paid the accumulated unpaid interest on trust preferred securities and terminated the deferral period. The interest will not be immediately paid by the indenture trustees to the holders of such trust preferred securities. Instead, the indenture trustees will hold the interest payments in irrevocable deposit accounts. The interest will be paid by the trustees on the next applicable payment dates under the indentures to the holders of the securities on the record dates set forth in the appropriate indenture.

On April 15, 2014, the Company declared a dividend of approximately $15.8 million on its Series B Fixed Rate Cumulative Perpetual Preferred Stock (the "Series B Stock") payable to Series B Stockholders of record on May 1, 2014, the dividend will be paid on May 15, 2014.

The Company is currently in the process of repurchasing some of the Series B Stock from certain holders under privately negotiated agreements. As previously disclosed, the repurchase price for such Series B Stock equals 94.75% of the liquidation value of the Series B Stock, or $947.50 per share, provided that the holders of shares enter into agreements to forbear payment of dividends due and to waive any rights to such dividend upon repurchase. The Company is also repurchasing all shares of Series B Stock held by officers and directors of the Company on the same terms. The Company will not pay any holder of the Series B Stock whose shares are being repurchased by the Company such holder's pro rata share of the declared dividend on the Series B Stock.

Financial Highlights/Overview

First quarter net income before taxes of $3.4 million compared to income before taxes of $5.5 million in the same quarter of 2013.

- Year over year net income before tax declined on reduced net interest income, a smaller loan loss reserve release, a decline in securities sales gain and sharply lower residential mortgage banking revenue. Reduced noninterest expense year over year in FDIC deposit insurance, general banking insurance and OREO valuation expenses provided benefit in 2014 compared to 2013. First quarter income before taxes improved from the $32,000 loss in the fourth quarter of 2013. Fourth quarter results reflect management action in December, 2013 after Volcker rule release leading to a $4.1 million loss on collateralized debt obligation ("CDO") sales.

- The tax-equivalent net interest margin was 3.13% during the first quarter of 2014 compared to 3.18% in the same quarter of 2013. The first quarter of 2014 margin was unchanged from the fourth quarter of 2013.
- Noninterest income of $6.3 million was $3.7 million lower for the quarter ended March 31, 2014, compared to first quarter 2013. Operating categories were flat or down year over year, most notably residential mortgage banking revenue. First quarter 2013 results incorporate benefit from the clawback of restricted stock and securities sales gains not matched in any manner in first quarter 2014. On a linked quarter basis and excluding the loss on CDO sales recorded in 2013 fourth quarter, first quarter 2014 core noninterest income was lower than fourth quarter of 2013.
- Noninterest expenses of $17.5 million were 16.3% lower for the quarter ended March 31, 2014, compared to 2013, reflecting overall expense control and reduced expenses in most categories. Occupancy expense increased $202,000 or 15.8% compared to first quarter 2013 on winter related expenses while advertising expenses are up $137,000 or 82.5%. Notable reductions are found in FDIC insurance expense, OREO expenses (primarily from sharply reduced valuation expense) and general bank insurance. All categories flat or down on a linked quarter comparison except occupancy expense on weather related expenses.

Capital Ratios Increased period end risk-based assets on higher loans, securities and changes in loan / securities portfolios composition toward higher risk weight instruments impact risk-based ratios.

	March 31, 2014	December 31, 2013	March 31, 2013
The Bank's leverage capital ratio	11.12%	10.97%	9.94%
The Bank's total risk-based capital ratio	17.83%	18.04%	15.79%
The Company's leverage capital ratio	7.29%	6.96%	5.11%
The Company's total risk-based capital ratio	15.87%	15.88%	14.33%
The Company's tangible common equity to tangible assets	3.68%	3.67%	0.05%

Asset Quality & Earning Assets

- Nonperforming loans declined by $1.2 million during the first quarter of 2014 to $38.6 million at March 31, 2014, from $39.8 million at December 31, 2013. Nonperforming loan activity continued to reflect successful negotiations with guarantors, loan upgrades to accruing status and movement of selected credits to OREO.
- OREO declined from $41.5 million at December 31, 2013, to $40.2 million at March 31, 2014. OREO dispositions totaling $5.6 million in the first quarter 2014 were somewhat offset by new OREO of $4.7 million.
- Loans increased $10.0 million in the same period on continued realization of opportunities previously identified in the commercial lending pipeline development. Period end commercial loans and real estate commercial loans outstanding each grew in excess of 3% during the quarter.
- Securities held-to-maturity at amortized cost of $264.3 million at March 31, 2014, reflected one purchase in

the quarter. The end of first quarter total compares to $256.6 million held-to-maturity at year end 2013. First quarter available-for-sale purchases included local school district tax anticipation warrants, corporate bonds and asset-backed investments backed by student loan obligations largely guaranteed by the U.S. Department of Education. The first quarter purchase made in the held-to-maturity portfolio was a collateralized mortgage obligation. First quarter sales were made from available-for-sale corporate bonds, asset-backed investments largely guaranteed by the U.S. Department of Education and collateralized mortgage obligations. Securities available-for-sale at fair value increased $28.0 million reflecting net purchase activity during the first quarter of 2014.

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.

ForwardLooking 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.

SOURCE Old Second Bancorp, Inc.