



NEWS RELEASE

Old Second Reports Second Quarter 2015 Net Income of \$4.1 million

7/22/2015

AURORA, Ill., July 22, 2015 /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 second quarter of 2015. The Company reported net income of \$4.1 million for the second quarter of 2015, compared to net income of \$2.0 million in the second quarter of 2014. The Company's net income available to common stockholders of \$3.4 million, or \$0.12 per diluted share for the second quarter of 2015, compared to \$7.5 million, or \$0.26 per diluted share, in the second quarter of 2014. This reflects a redemption of the Company's Fixed Rate Cumulative Perpetual Preferred Stock, Series B (the "Series B Stock") that was completed in the second quarter of 2014, which resulted in a \$6.8 million of increase to net income available to common stockholders in that quarter.

Operating Results

- Second quarter 2015 net income before taxes increased by \$3.5 million, or 113.3%, from the second quarter of 2014 and \$1.2 million, or 21.3%, from the first quarter of 2015. When compared to the second quarter of 2014, the quarter reflects improved net interest income, improved noninterest income, essentially unchanged noninterest expense and a larger loan loss reserve release. The net income increase from the first quarter of 2015 was driven by improved revenues and a \$2.3 million loan loss reserve release. Noteworthy linked quarter expense increases are found in other real estate owned ("OREO") expense, resulting from increased valuation reserve expense, and in the other noninterest expense category. Second quarter 2015 net income available to common stockholders of \$3.4 million compares to \$2.7 million for first quarter 2015 and \$7.5 million for the second quarter of 2014. Results for 2015 reflect lower preferred stock dividends as a result of management's determination to redeem an additional portion of the outstanding preferred stock in the first quarter of 2015.

- Noninterest expenses of \$18.9 million for the second quarter of 2015 were essentially unchanged from the second quarter of 2014. Noninterest expenses for the second quarter of 2015 were 10.3% higher compared to the first quarter of 2015 as decreases or modest increases in many categories were offset by linked quarter increases in several other categories, most notably a \$1.5 million increase in OREO valuation expenses.
- In June, the Bank announced that a branch in Batavia, Illinois would be closed as of September 30, 2015. Management expects that closing this location will not have a material impact on future Bank performance. Another existing branch, also in Batavia, is located near the branch that will be closed.
- On July 14, 2015, the Company provided notice that it was redeeming the remaining 31,553 issued and outstanding shares of the Company's Series B stock. The effective date for the redemption is August 14, 2015, and the redemption price will be the stated liquidation value of \$1,000 per share, together with any accrued and unpaid dividends accumulated to, but excluding, the redemption date

Capital Ratios

	June 30, 2015		March 31, 2015	
	17.42		16.91	
The Bank's common equity tier 1 capital ratio	9.78	%	9.46	%
The Company's common equity tier 1 capital ratio	18.68	%	18.17	%
The Bank's total capital ratio	17.04	%	17.30	%
The Company's total capital ratio	10.02	%	9.82	%
The Company's tier 1 leverage capital ratio		%		%

- All ratios presented are based on the regulatory capital rules in effect on January 1, 2015. The Bank ratios shown above exceed levels required to be considered "well capitalized".

Asset Quality & Earning Assets

- Nonperforming loans declined by \$4.1 million to \$19.3 million at June 30, 2015, from \$23.4 million at March 31, 2015. The largest component of nonperforming loans, nonaccrual loans, decreased \$4.1 million in second quarter to \$19.0 million at June 30, 2015. These reductions were primarily the result of the Company's sale of \$6.9 million of nonaccrual loans,
- OREO assets moved only slightly in 2015 from \$32.0 million at December 31, 2014, (but down from \$41.5

million at December 31, 2013) to end unchanged at \$32.0 million at June 30, 2015. New additions to the OREO portfolio in second quarter were modest. Valuation writedowns continued with an expense of \$2.1 million in the quarter.

- Loans were essentially unchanged from year end 2014 but increased \$7.8 million from March 31, 2015. Second quarter 2015 average loans (including loans held-for-sale) decreased by \$9.0 million from the first quarter of 2015 and but increased \$31.6 million compared to the second quarter of last year. The management directed loan sale discussed above reduced loans by an additional \$2.2 million beyond the \$6.9 million in nonaccrual reduction mentioned above.
- Securities held-to-maturity at amortized cost total \$253.4 million at June 30, 2015. The end of the second quarter of 2015 total compares to \$259.7 million securities held-to-maturity at amortized cost at year end 2014. At June 30, 2015, available-for-sale securities at fair value totaled \$399.8 million, which is an increase from \$385.5 million at December 31, 2014.
- Management review of the loan portfolio concluded that a loan loss reserve release of \$2.3 million was appropriate in the second quarter.

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. Consistent with industry practice, management also disclosed other non-GAAP measures in the discussion 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.

Conference Call

The Company will also host an earnings call on Thursday, July 23, 2015, 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 877-407-8035. Investors should call into the dial-in number set forth above at least 10 minutes prior to the scheduled start of the call.

A replay of the earnings call will be available until 11:59 p.m. Eastern Time (10:59 p.m. Central Time) on August 6, 2015, by dialing 877-660-6853, using Conference ID #: 13613523.

To view the original version on PR Newswire, visit: <http://www.prnewswire.com/news-releases/old-second-reports-second-quarter-2015-net-income-of-41-million-300117396.html>

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