



NEWS RELEASE

Old Second Reports Second Quarter 2019 Net Income of \$9.3 million New Commercial Lending Additions

7/24/2019

AURORA, IL / ACCESSWIRE / July 24, 2019 /Old Second Bancorp, Inc. (the "Company" or "Old Second") (NASDAQ: OSBC), the parent company of Old Second National Bank (the "Bank"), today announced financial results for the second quarter of 2019. The Company's net income was \$9.3 million, or \$0.31 per diluted share, for the second quarter of 2019, compared to net income of \$8.5 million, or \$0.28 per diluted share, in the first quarter of 2019, and net income of \$6.3 million, or \$0.21 per diluted share, for the second quarter of 2018.

Old Second is also pleased to announce the expansion of its commercial lending team with the addition of three new officers during the second quarter. Louis L. Weinzbaum joined the Bank as Group President, Senior Managing Director. Louis was most recently with MB Financial Bank where he served as Group President of the Professional Services Group. Alan H. Kohn joined the Bank as Group President, Senior Managing Director. Alan was most recently with MB Financial Bank where he served as Group President for their Healthcare Banking Group. Donald J. Clark joined the Bank as Senior Vice President, Commercial Banking. Don was most recently with MB Financial Bank where he served as Managing Director/Senior Vice President with their Commercial Banking Group. We are honored to announce these additions and we are extremely excited about the wealth of experience and knowledge they bring to our commercial team and our Chicago banking office.

Operating Results

- Second quarter 2019 net income was \$9.3 million, reflecting an increase in earnings of \$809,000 from the first quarter of 2019, and an increase in earnings of \$3.0 million from the second quarter of 2018. Second quarter 2019 financial results were negatively impacted by a \$1.1 million mark to market loss on mortgage servicing

rights (“MSRs”), of which \$849,000 related solely to movements in interest rates, compared to a \$819,000 loss in the first quarter of 2019, of which \$642,000 related to movements in interest rates.

- Adjusted net income, a non-GAAP financial measure, was \$9.3 million, or \$0.31 per diluted share, for the second quarter of 2019, compared to adjusted net income of \$8.5 million, or \$0.28 per diluted share, for the first quarter of 2019, and adjusted net income of \$8.7 million, or \$0.29 per diluted share, for the second quarter of 2018.
 - Second quarter 2018 adjusted net income excluded \$2.5 million in costs, after tax, related to our acquisition of Greater Chicago Financial Corp. and its wholly owned subsidiary, ABC Bank, which was completed on April 20, 2018.
- Net interest and dividend income was \$24.8 million for the second quarter of 2019, an increase of \$718,000, or 3.0%, from \$24.0 million for the first quarter of 2019, and an increase of \$1.5 million, or 6.5%, from the second quarter of 2018. Net interest and dividend income in the second quarter of 2019 was favorably impacted by loan growth over the past year, as well as the December 2018 increase in interest rates.
- Noninterest income was \$8.1 million for the second quarter of 2019, an increase of \$1.7 million, or 25.6%, compared to \$6.5 million for the first quarter of 2019, and a decrease of \$390,000, or 4.6%, from \$8.5 million for the second quarter of 2018. Total noninterest income for the second quarter of 2019 was positively impacted by net security gains recorded of \$986,000, as well as growth in trust income of \$253,000, compared to the first quarter of 2019, and an increase in debit card interchange income of \$180,000, compared to the first quarter of 2019. The second quarter of 2019 was negatively impacted by a mark to market loss on MSRs of \$1.1 million, compared to a mark to market loss on MSRs of \$819,000 for the first quarter of 2019. Noninterest income for the second quarter of 2019 decreased \$390,000, compared to the second quarter of 2018, with increases in the second quarter of 2019 in securities gains, net, of \$674,000 and service charges on deposits of \$190,000, compared to the second quarter of 2018, which were more than offset by the mark to market loss on MSRs of \$1.0 million in the second quarter of 2019, compared to the second quarter of 2018.
- Noninterest expense was \$20.1 million for the second quarter of 2019, an increase of \$932,000, or 4.9%, compared to \$19.2 million for the first quarter of 2019, and a decrease of \$2.2 million, or 9.7%, from \$22.3 million for the second quarter of 2018. The increase in noninterest expense in the second quarter of 2019, compared to the first quarter of 2019, was primarily attributable to increases in salaries, computer and data processing expense, advertising expense, debit card interchange expense, OREO valuation reserves and other expense. The decrease in noninterest expense in the second quarter of 2019, compared to the second quarter of 2018, was primarily attributable to our ABC Bank acquisition in April 2018, which resulted in higher salaries and employee benefits expense and computer and data processing expense due to the core data conversion in the second quarter of 2018.



- The provision for income taxes totaled \$3.0 million for the second quarter of 2019, compared to \$2.4 million for the first quarter of 2019 and \$1.8 million for the second quarter of 2018. The linked quarter increase of \$638,000 was primarily due to an increase of \$1.4 million in pretax income in the second quarter of 2019, compared to the first quarter of 2019, as well as income tax credits in the first quarter of 2019 stemming from vested stock awards. The \$1.3 million increase in provision for income taxes for the year over year quarter was primarily due to the \$4.3 million increase in pretax income in the second quarter of 2019 compared to the second quarter of 2018.
- On July 16, 2019, the Company's Board of Directors declared a cash dividend of \$0.01 per share payable on August 5, 2019, to stockholders of record as of July 26, 2019.

Capital Ratios

	Well- Capitalized 1	June 30, 2019	March 31, 2019	June 30, 2018
The Company				
Common equity tier 1 capital ratio	N/A	10.26%	9.75%	8.49%
Total risk-based capital ratio	N/A	13.70%	13.17%	11.87%
Tier 1 risk-based capital ratio	N/A	12.83%	12.30%	10.99%
Tier 1 leverage ratio	N/A	10.85%	10.44%	9.37%
The Bank				
Common equity tier 1 capital ratio	6.50%	13.96%	13.60%	12.62%
Total risk-based capital ratio	10.00%	14.83%	14.47%	13.51%
Tier 1 risk-based capital ratio	8.00%	13.96%	13.60%	12.62%
Tier 1 leverage ratio	5.00%	11.96%	11.54%	10.75%

1Represents ratios required to be considered well capitalized under prompt corrective action provisions. The prompt corrective action provisions are only applicable at the bank level.

- The ratios shown above exceed levels required to be considered "well capitalized."

Asset Quality & Earning Assets

- Nonperforming loans totaled \$12.7 million at June 30, 2019, compared to \$14.9 million at March 31, 2019, and \$11.9 million at June 30, 2018. Credit metrics continue to be relatively stable regarding nonperforming loan levels, and management is carefully monitoring loans considered to be in a classified status. Nonperforming loans as a percent of total loans were 0.7% at June 30, 2019, 0.8% at March 31, 2019, and 0.6% at June 30, 2018. Purchased credit impaired ("PCI") loans acquired in our acquisition of ABC Bank totaled \$10.8 million, net of purchase accounting adjustments, at June 30, 2019. We do not consider PCI loans, which showed

evidence of deteriorated credit quality at acquisition, to be nonperforming assets as long as their cash flows and the timing of such cash flows continue to be estimable and probable of collection.

- OREO assets totaled \$5.7 million at June 30, 2019, compared to \$6.4 million at March 31, 2019, \$7.2 million at December 31, 2018, and \$8.9 million at June 30, 2018. Writedowns of \$196,000 were recorded in the second quarter of 2019, compared to no writedowns in the first quarter of 2019, and \$254,000 of valuation writedowns recorded in the second quarter of 2018. Nonperforming assets, as a percent of total loans plus OREO, was 1.0% at June 30, 2019, 1.1% at both March 31, 2019 and June 30, 2018, and 1.2% at December 31, 2018.
- Total loans were \$1.90 billion at June 30, 2019, reflecting a slight decrease of \$203,000 compared to March 31, 2019, an increase of \$5.9 million compared to December 31, 2018, and an increase of \$53.8 million compared to June 30, 2018, due primarily to growth in the commercial, leases, and real estate-commercial portfolios. Average loans (including loans held-for-sale) for the second quarter of 2019 were \$1.90 billion, reflecting an increase of \$1.8 million from the first quarter of 2019, and an increase of \$88.2 million from the second quarter of 2018. Growth in the year over year period is primarily due to our acquisition of ABC Bank on April 20, 2018, which included \$227.6 million of loans recorded, net of purchase accounting adjustments, which did not yet have a full quarter of average impact in the second quarter of 2018. In addition, the year over year period experienced organic growth in the commercial, leases, and real estate-commercial portfolios.
- Available-for-sale securities totaled \$492.1 million at June 30, 2019, compared to \$509.1 million at March 31, 2019, \$541.2 million at December 31, 2018, and \$543.6 million at June 30, 2018. Pretax net security gains of \$986,000 were recorded in the second quarter of 2019, compared to \$27,000 of pretax net security gains recorded in the first quarter of 2019, and \$312,000 of pretax net security gains recorded in the second quarter of 2018.

Non-GAAP Presentations: Management has disclosed in this earnings release certain non-GAAP financial measures to evaluate and measure the Company's performance, including adjusted net income, adjusted earnings per share, the presentation of net interest income and net interest margin on a fully taxable equivalent basis, and efficiency ratio calculations. Management believes the adjusted earnings per share data is more informative for the user if the per share impact of certain activity is excluded for quarterly comparative purposes. 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.

Forward-Looking Statements: This earnings release contains forward-looking statements. Forward looking statements can be identified by words such as "anticipated," "expects," "intends," "believes," "may," "likely," "will" or

other that indicate future periods. Such forward-looking statements are subject to risks, uncertainties, and other factors, including a downturn in the economy, particularly in the Company's markets, volatile credit and financial markets both domestic and foreign, potential deterioration in real estate values, regulatory changes and excessive loan losses, as well as additional risks and uncertainties contained in the "Risk Factors" and forward-looking statements disclosure contained in the Company's most recent Annual Report on Form 10-K and Quarterly Reports on Form 10-Q, any or all of which could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. The inclusion of this forward-looking information should not be construed as a representation by the Company or any person that future events, plans, or expectations contemplated by the Company will be achieved. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Conference Call

The Company will host an earnings call on Thursday, July 25, 2019, 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 844-369-8770. 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 11:00 a.m. Eastern Time (10:00 a.m. Central Time) on August 1, 2019, by dialing 877-481-4010, using Conference ID: 49597.

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