NEWS RELEASE

Old Second Reports Third Quarter 2019 Net Income of $12.2 million

10/23/2019

AURORA, IL / ACCESSWIRE / October 23, 2019 / Old Second Bancorp, Inc. (the "Company," "we," "us," and "our") (NASDAQ:OSBC), the parent company of Old Second National Bank (the "Bank"), today announced financial results for the third quarter of 2019. Our net income was $12.2 million, or $0.40 per diluted share, for the third quarter of 2019, compared to net income of $9.3 million, or $0.31 per diluted share, in the second quarter of 2019, and net income of $9.6 million, or $0.32 per diluted share, for the third quarter of 2018.

Operating Results

- Third quarter 2019 net income was $12.2 million, reflecting an increase in earnings of $2.9 million from the second quarter of 2019, and an increase in earnings of $2.5 million from the third quarter of 2018. Third quarter 2019 financial results were positively impacted by pretax securities gains, net, of $3.5 million compared to $986,000 in the second quarter of 2019 and $13,000 in the third quarter of 2018. Securities gains, net, were partially offset by mark to market losses on mortgage servicing rights ("MSRs") in each of the periods presented.
- Net interest and dividend income was $24.8 million for the third quarter of 2019, an increase of $26,000, or 0.1%, from $24.8 million for the second quarter of 2019, and an increase of $1.0 million, or 4.4%, from the third quarter of 2018. Net interest and dividend income in the third quarter of 2019 was favorably impacted by loan growth over the past year.
- Noninterest income was $11.9 million for the third quarter of 2019, an increase of $3.8 million, or 46.5%, compared to $8.1 million for the second quarter of 2019, and an increase of $4.1 million, or 52.7%, compared to $7.8 million for the third quarter of 2018. Noninterest income for the third quarter of 2019 was positively impacted by an increase in securities gains, net, of $2.5 million, as well as growth in net gain on sales of

mortgage loans of $911,000, compared to the second quarter of 2019. Noninterest income for the third quarter of 2019 increased $3.5 million due to securities gains, net, as well as growth in net gain on sales of mortgage loans of $1.1 million, compared to the third quarter of 2018.

- Noninterest expense was $20.0 million for the third quarter of 2019, a decrease of $172,000, or 0.9%, compared to $20.1 million for the second quarter of 2019, and an increase of $1.2 million, or 6.6%, from $18.7 million for the third quarter of 2018. The decrease in noninterest expense in the third quarter of 2019, compared to the second quarter of 2019, was primarily attributable to decreases in FDIC insurance, other real estate expense, net, and other expense, which was partially offset by increases in salaries and employee benefits and occupancy, furniture and equipment expense. The increase in noninterest expense in the third quarter of 2019, compared to the third quarter of 2018, was primarily attributable to higher salaries and employee benefits expense, occupancy, furniture and equipment expense and computer and data processing expense.
- The provision for income taxes totaled $4.0 million for the third quarter of 2019, compared to $3.0 million for the second quarter of 2019 and $3.2 million for the third quarter of 2018. The linked quarter increase of $993,000 was primarily due to an increase of $3.9 million in pretax income in the third quarter of 2019, compared to the second quarter of 2019. The $835,000 increase in provision for income taxes for the year over year quarter was primarily due to the $3.4 million increase in pretax income in the second quarter of 2019 compared to the third quarter of 2018.
- On October 15, 2019, our Board of Directors declared a cash dividend of $0.01 per share payable on November 4, 2019, to stockholders of record as of October 25, 2019.

Capital Ratios

	Minimum Capital Adequacy with Capital Conservation Buffer if applicable1	To Be Well Capitalized Under Prompt Corrective Action2	September 30, 2019	June 30, 2019	September 30, 2018
The Company					
Common equity tier 1 capital ratio	7.00%	N/A	10.89%	10.26%	9.12%
Total risk-based capital ratio	10.50%	N/A	14.34%	13.70%	12.57%
Tier 1 risk-based capital ratio	8.50%	N/A	13.45%	12.83%	11.67%
Tier 1 leverage ratio	4.00%	N/A	11.54%	10.85%	9.72%
The Bank					
Common equity tier 1 capital ratio	7.00%	6.50%	14.83%	13.96%	13.26%
Total risk-based capital ratio	10.50%	10.00%	15.72%	14.83%	14.16%
Tier 1 risk-based capital ratio	8.50%	8.00%	14.83%	13.96%	13.26%
Tier 1 leverage ratio	4.00%	5.00%	12.68%	11.96%	11.05%

1Amounts are shown inclusive of a capital conservation buffer of 2.5%. Under the Federal Reserve's Small Bank Holding Company Policy Statement, the Company is not subject to the minimum capital adequacy and capital conservation buffer capital requirements at the holding company level, unless otherwise advised by the Federal Reserve (such capital requirements are applicable at the Bank level). Although the minimum regulatory capital requirements are not applicable to the Company, we calculate these ratios for our own planning and monitoring purposes.

2 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 $13.4 million at September 30, 2019, compared to $12.7 million at June 30, 2019, and $11.8 million at September 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% both at September 30, 2019 and June 30, 2019, and 0.6% at September 30, 2018. Purchased credit impaired ("PCI") loans acquired in our acquisition of ABC Bank totaled $9.1 million, net of purchase accounting adjustments, at September 30, 2019. We do not consider PCI loans, which showed evidence of deteriorated credit quality at acquisition, to be nonperforming assets if their cash flows and the timing of such cash flows continue to be estimable and probable of collection.
- OREO assets totaled $4.7 million at September 30, 2019, compared to $5.7 million at June 30, 2019, $7.2 million at December 31, 2018, and $7.0 million at September 30, 2018. Writedowns of $203,000 were recorded in the third quarter of 2019, compared to $196,000 in the second quarter of 2019 and $119,000 in the third quarter of 2018. Nonperforming assets, as a percent of total loans plus OREO, were 1.0% at September 30, 2019, June 30, 2019, and September 30, 2018, and 1.2% at December 31, 2018.
- Total loans were $1.90 billion at September 30, 2019, reflecting a decrease of $3.1 million compared to June 30, 2019, an increase of $2.8 million compared to December 31, 2018, and an increase of $64.9 million compared to September 30, 2018, due primarily to growth in the commercial, leases, and real estate-commercial portfolios. Average loans (including loans held-for-sale) for the third quarter of 2019 were $1.90 billion, reflecting a decrease of $1.9 million from the second quarter of 2019 and an increase of $52.9 million from the third quarter of 2018. Growth in the year over year period is primarily due to organic growth in our leasing, commercial, and real estate-commercial portfolios, as well as select portfolio loan purchases.
- Available-for-sale securities totaled $488.4 million at September 30, 2019, compared to $492.1 million at June 30, 2019, $541.2 million at December 31, 2018, and $542.3 million at September 30, 2018. Pretax security

gains, net, of $3.5 million were recorded in the third quarter of 2019, compared to $986,000 in the second quarter of 2019, and $13,000 in the third quarter of 2018.

Non-GAAP Presentations: Management has disclosed in this earnings release certain non-GAAP financial measures to evaluate and measure our performance, including the presentation of net interest income and net interest margin on a fully taxable equivalent basis and our efficiency ratio calculations. 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 our 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 our 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 us or any person that future events, plans, or expectations contemplated by us will be achieved. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Conference Call

We will host an earnings call on Thursday, October 24, 2019, at 11:00 a.m. Eastern Time (10:00 a.m. Central Time). Investors may listen to our earnings call via telephone by dialing 844-407-9500. 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 October 31, 2019, by dialing 877-481-4010, using Conference ID: 53745.

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