**(NASDAQ:OSBC)** **Exhibit 99.1**

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**For Immediate Release**
**July 19, 2023**

# Old Second Bancorp, Inc. Reports Second Quarter 2023 Net Income of $25.6 Million, or $0.56 per Diluted Share

**AURORA, IL, July 19, 2023 –** Old Second Bancorp, Inc. (the "Company," "Old Second," "we," "us," and "our") (NASDAQ: OSBC), the parent company of Old Second National Bank (the "Bank"), today announced financial results for the second quarter of 2023. Our net income was $25.6 million, or $0.56 per diluted share, for the second quarter of 2023, compared to net income of $23.6 million, or $0.52 per diluted share, for the first quarter of 2023, and net income of $12.2 million, or $0.27 per diluted share, for the second quarter of 2022. Adjusted net income, a non-GAAP financial measure that excludes net pre-tax losses totaling $29,000 from branch sales, was also $25.6 million, or $0.56 per diluted share, for the second quarter of 2023, compared to $23.4 million, or $0.52 per diluted share, for the first quarter of 2023, and $13.8 million, or $0.31 per diluted share, for the second quarter of 2022. See the discussion entitled "Non-GAAP Presentations" below and the tables beginning on page 16 that provide a reconciliation of each non-GAAP measure to the most comparable GAAP equivalent.

Net income increased $2.0 million in the second quarter of 2023 compared to the first quarter of 2023. The increase was primarily due to the increase in interest and dividend income of $3.7 million, the decrease of $1.5 million in provision for credit losses, and a decrease in noninterest expense of $1.1 million in the second quarter of 2023, which were partially offset by a $4.2 million increase in interest expense. Net income increased $13.3 million in the second quarter of 2023 compared to the second quarter of 2022, primarily due to an increase in net interest income year over year due to rising market interest rates. The second quarter of 2023 was impacted by the recognition of $362,000 of deferred issuance costs related to the early payoff of approximately $45.0 million in senior debt on June 30, 2023, and a pre-tax net loss on the sale of securities of $1.5 million, compared to pre-tax net losses on the sale of securities of $1.7 million in the first quarter of 2023, and pre-tax net losses on the sale of securities of $33,000 in the second quarter of 2022.

## Operating Results

- Second quarter 2023 net income was $25.6 million, reflecting a $2.0 million increase from the first quarter 2023, and an increase of $13.3 million from the second quarter of 2022. Adjusted net income, a non-GAAP financial measure that excludes acquisition-related costs, net of gains on branch sales, was $25.6 million for the second quarter of 2023, an increase of $2.2 million from adjusted net income for the first quarter of 2023, and an increase of $11.8 million from adjusted net income for the second quarter of 2022.

- Net interest and dividend income was $63.6 million for the second quarter of 2023, reflecting a decrease of $506,000 from the first quarter of 2023, and an increase of $18.3 million, or 40.5%, from the second quarter of 2022.

- We recorded a net provision for credit losses of $2.0 million in the second quarter of 2023, compared to a net provision for credit losses of $3.5 million in the first quarter of 2023, and a net provision for credit losses of $550,000 in the second quarter of 2022.

- Noninterest income was $8.2 million for the second quarter of 2023, an increase of $873,000, or 11.9%, compared to $7.4 million for the first quarter of 2023, and a decrease of $988,000, or 10.7%, compared to $9.2 million for the second quarter of 2022.

- Noninterest expense was $34.8 million for the second quarter of 2023, a decrease of $1.1 million, or 3.0% compared to $35.9 million for the first quarter of 2023, and a decrease of $2.4 million, or 6.5%, compared to $37.2 million for the second quarter of 2022.

- We had a provision for income tax of $9.4 million for the second quarter of 2023, compared to a provision for income tax of $8.4 million for the first quarter of 2023 and a provision of $4.4 million for the second quarter of 2022.

- On July 18, 2023, our Board of Directors declared a cash dividend of $0.05 per share payable on August 7, 2023, to stockholders of record as of July 28, 2023.

## Financial Highlights

| | Quarters Ended | | |
|---|---|---|---|
| **(Dollars in thousands)** | **June 30, 2023** | **March 31, 2023** | **June 30, 2022** |
| **Balance sheet summary** | | | |
| Total assets | $ 5,883,942 | $ 5,920,283 | $ 6,005,543 |
| Total securities available-for-sale | 1,335,622 | 1,455,068 | 1,734,416 |
| Total loans | 4,015,525 | 4,003,354 | 3,625,070 |
| Total deposits | 4,717,582 | 4,897,220 | 5,342,855 |
| Total liabilities | 5,369,987 | 5,423,413 | 5,556,639 |
| Total equity | 513,955 | 496,870 | 448,904 |
| | | | |
| Total tangible assets | $ 5,785,028 | $ 5,820,751 | $ 5,904,231 |
| Total tangible equity | 415,041 | 397,338 | 347,592 |
| | | | |
| **Income statement summary** | | | |
| Net interest income | $ 63,580 | $ 64,086 | $ 45,264 |
| Provision for credit losses | 2,000 | 3,501 | 550 |
| Noninterest income | 8,223 | 7,350 | 9,211 |
| Noninterest expense | 34,830 | 35,922 | 37,249 |
| Net income | 25,562 | 23,607 | 12,247 |
| Effective tax rate | 26.91 % | 26.26 % | 26.56 % |
| | | | |
| **Profitability ratios** | | | |
| Return on average assets (ROAA) | 1.73 % | 1.62 % | 0.80 % |
| Return on average equity (ROAE) | 20.04 | 19.86 | 10.66 |
| Net interest margin (tax-equivalent) | 4.64 | 4.74 | 3.18 |
| Efficiency ratio | 46.84 | 47.52 | 67.07 |
| Return on average tangible common equity (ROATCE) | 25.30 | 25.54 | 14.21 |
| Tangible common equity to tangible assets (TCE/TA) | 7.17 | 6.83 | 5.89 |
| | | | |
| **Per share data** | | | |
| Diluted earnings per share | $ 0.56 | $ 0.52 | $ 0.27 |
| Tangible book value per share | 9.29 | 8.90 | 7.80 |
| | | | |
| **Company capital ratios** [1] | | | |
| Common equity tier 1 capital ratio | 10.29 % | 9.91 % | 9.35 % |
| Tier 1 risk-based capital ratio | 10.80 | 10.43 | 9.91 |
| Total risk-based capital ratio | 13.16 | 12.79 | 12.27 |
| Tier 1 leverage ratio | 8.96 | 8.56 | 7.24 |
| | | | |
| **Bank capital ratios** [1, 2] | | | |
| Common equity tier 1 capital ratio | 11.70 % | 11.98 % | 12.24 % |
| Tier 1 risk-based capital ratio | 11.70 | 11.98 | 12.24 |
| Total risk-based capital ratio | 12.83 | 13.10 | 13.25 |
| Tier 1 leverage ratio | 9.70 | 9.83 | 8.94 |

[1] *Both the Company and the Bank ratios are inclusive of a capital conservation buffer of 2.50%, and both are subject to the minimum capital adequacy guidelines of 7.00%, 8.50%, 10.50%, and 4.00% for the Common equity tier 1, Tier 1 risk-based, Total risk-based and Tier 1 leverage ratios, respectively.*

[2] *The prompt corrective action provisions are applicable only at the Bank level, and are 6.50%, 8.00%, 10.00%, and 5.00% for the Common equity tier 1, Tier 1 risk-based, Total risk-based and Tier 1 leverage ratios, respectively.*

President and Chief Executive Officer Jim Eccher said "Old Second reported strong results in the second quarter as we earned $25.6 million in net income, ROAA of 1.73% and ROATCE of 25.30%. Adjusting for merger related items, our earnings per share increased by 81% over the second quarter 2022. Our performance over the last year has been driven by the strength of the core deposit franchise we have built here at Old Second. Stable funding costs combined with quality loan growth have resulted in 146 basis points of expansion in our tax equivalent net interest margin over the same quarter last year. The efficiency ratio in the second quarter of 2023 was 46.8% on a GAAP basis and reflects strong balance sheet management, expense discipline in an inflationary environment and successful investments in lending teams and sales people over the last eighteen months.

"We are exceptionally pleased with our financial performance thus far in 2023 but we remain focused on the little things, such as receiving fair risk adjusted returns on our investments in a time of increasing funding costs while constantly assessing risks both within the loan portfolio and in the broader economy. To that end, we are continuing to build capital quickly and remain focused on optimizing the earning asset mix and reducing our overall sensitivity to interest rates in a prudent manner. Balance sheet growth over the remainder of the year is expected to be minimal and deposit funding costs are expected to increase modestly as we respond to competition in our markets. Any additional interest rate increases would benefit Old Second but not to the degree of prior increases. Tangible book value per share is compounding nicely and we are nearing targeted capital levels less than two years after a significant acquisition and following a period of significant volatility in interest rates. We look to finish the second half of the year on a strong note and effectively position Old Second for the years ahead."

## Asset Quality & Earning Assets

- Nonperforming loans, comprised of nonaccrual loans plus loans past due 90 days or more and still accruing, and, prior to January 1, 2023, performing troubled debt restructurings, totaled $61.2 million at June 30, 2023, $64.5 million at March 31, 2023, and $42.1 million at June 30, 2022. Nonperforming loans, as a percent of total loans, were 1.5% at June 30, 2023, 1.6% at March 31, 2023, and 1.2% at June 30, 2022. The decrease in the second quarter of 2023 is driven by the upgrade of a few credits during the quarter, due to improved borrower financial performance and debt service coverage enhancements.

- Total loans were $4.02 billion at June 30, 2023, reflecting an increase of $12.2 million compared to March 31, 2023, and an increase of $390.5 million compared to June 30, 2022. The increase year over year was largely driven by the growth in commercial, leases, commercial real estate-investor, and multifamily portfolios. Average loans (including loans held-for-sale) for the second quarter of 2023 totaled $4.04 billion, reflecting an increase of $107.7 million from the first quarter of 2023 and an increase of $531.3 million from the second quarter of 2022.

- Available-for-sale securities totaled $1.34 billion at June 30, 2023, compared to $1.46 billion at March 31, 2023, and $1.73 billion at June 30, 2022. The unrealized mark to market loss on securities totaled $112.4 million as of June 30, 2023, compared to $105.6 million as of March 31, 2023, and $89.8 million as of June 30, 2022, due to market interest rate fluctuations as well as changes year over year in the composition of the securities portfolio. During the quarter ended June 30, 2023, securities sales of $74.0 million resulted in net realized losses of $1.5 million, compared to sales of $66.2 million during the quarter ended March 31, 2023, which resulted in net realized losses of $1.7 million, and one security sold for the quarter ended June 30, 2022 that resulted in a loss of $33,000. We may continue to sell strategically identified securities as opportunities arise.

## Net Interest Income

**Analysis of Average Balances,**
**Tax Equivalent Income / Expense and Rates**
**(Dollars in thousands - unaudited)**

| | Quarters Ended | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | June 30, 2023 | | | March 31, 2023 | | | June 30, 2022 | | |
| | Average Balance | Income / Expense | Rate % | Average Balance | Income / Expense | Rate % | Average Balance | Income / Expense | Rate % |
| **Assets** | | | | | | | | | |
| Interest earning deposits with financial institutions | $ 50,309 | $ 643 | 5.13 | $ 49,310 | $ 585 | 4.81 | $ 426,820 | $ 782 | 0.73 |
| Securities: | | | | | | | | | |
| Taxable | 1,231,994 | 9,930 | 3.23 | 1,330,295 | 10,735 | 3.27 | 1,610,713 | 6,786 | 1.69 |
| Non-taxable (TE)[1] | 172,670 | 1,692 | 3.93 | 173,324 | 1,693 | 3.96 | 181,386 | 1,642 | 3.63 |
| Total securities (TE)[1] | 1,404,664 | 11,622 | 3.32 | 1,503,619 | 12,428 | 3.35 | 1,792,099 | 8,428 | 1.89 |
| FHLBC and FRBC Stock | 34,029 | 396 | 4.67 | 24,905 | 280 | 4.56 | 20,994 | 263 | 5.02 |
| Loans and loans held-for-sale[1, 2] | 4,040,202 | 61,591 | 6.11 | 3,932,492 | 57,228 | 5.90 | 3,508,856 | 38,267 | 4.37 |
| Total interest earning assets | 5,529,204 | 74,252 | 5.39 | 5,510,326 | 70,521 | 5.19 | 5,748,769 | 47,740 | 3.33 |
| Cash and due from banks | 56,191 | - | - | 55,140 | - | - | 53,371 | - | - |
| Allowance for credit losses on loans | (53,480) | - | - | (49,398) | - | - | (44,354) | - | - |
| Other noninterest bearing assets | 379,576 | - | - | 382,579 | - | - | 374,309 | - | - |
| **Total assets** | $ 5,911,491 | | | $ 5,898,647 | | | $ 6,132,095 | | |
| **Liabilities and Stockholders' Equity** | | | | | | | | | |
| NOW accounts | $ 600,957 | $ 312 | 0.21 | $ 601,030 | $ 242 | 0.16 | $ 604,937 | $ 102 | 0.07 |
| Money market accounts | 762,967 | 1,245 | 0.65 | 833,823 | 828 | 0.40 | 1,054,552 | 155 | 0.06 |
| Savings accounts | 1,073,172 | 185 | 0.07 | 1,126,040 | 79 | 0.03 | 1,213,133 | 90 | 0.03 |
| Time deposits | 436,524 | 1,156 | 1.06 | 434,655 | 664 | 0.62 | 469,009 | 265 | 0.23 |
| Interest bearing deposits | 2,873,620 | 2,898 | 0.40 | 2,995,548 | 1,813 | 0.25 | 3,341,631 | 612 | 0.07 |
| Securities sold under repurchase agreements | 25,575 | 7 | 0.11 | 31,080 | 9 | 0.12 | 34,496 | 9 | 0.10 |
| Other short-term borrowings | 402,527 | 5,160 | 5.14 | 200,833 | 2,345 | 4.74 | - | - | - |
| Junior subordinated debentures | 25,773 | 281 | 4.37 | 25,773 | 279 | 4.39 | 25,773 | 284 | 4.42 |
| Subordinated debentures | 59,329 | 546 | 3.69 | 59,308 | 546 | 3.73 | 59,244 | 547 | 3.70 |
| Senior notes | 44,134 | 1,414 | 12.85 | 44,599 | 994 | 9.04 | 44,520 | 578 | 5.21 |
| Notes payable and other borrowings | - | - | - | 5,400 | 87 | 6.53 | 13,103 | 95 | 2.91 |
| **Total interest bearing liabilities** | 3,430,958 | 10,306 | 1.20 | 3,362,541 | 6,073 | 0.73 | 3,518,767 | 2,125 | 0.24 |
| Noninterest bearing deposits | 1,920,448 | - | - | 2,002,801 | - | - | 2,119,667 | - | - |
| Other liabilities | 48,434 | - | - | 51,279 | - | - | 32,636 | - | - |
| Stockholders' equity | 511,651 | - | - | 482,026 | - | - | 461,025 | - | - |
| **Total liabilities and stockholders' equity** | $ 5,911,491 | | | $ 5,898,647 | | | $ 6,132,095 | | |
| Net interest income (GAAP) | | $ 63,580 | | | $ 64,086 | | | $ 45,264 | |
| Net interest margin (GAAP) | | | 4.61 | | | 4.72 | | | 3.16 |
| Net interest income (TE)[1] | | $ 63,946 | | | $ 64,448 | | | $ 45,615 | |
| Net interest margin (TE)[1] | | | 4.64 | | | 4.74 | | | 3.18 |
| Interest bearing liabilities to earning assets | 62.05 % | | | 61.02 % | | | 61.21 % | | |

[1] *Tax equivalent (TE) basis is calculated using a marginal tax rate of 21% in 2023 and 2022. See the discussion entitled "Non-GAAP Presentations" below and the tables beginning on page 16 that provides a reconciliation of each non-GAAP measures to the most comparable GAAP equivalent.*

[2] *Interest income from loans is shown on a tax equivalent basis, which is a non-GAAP financial measure as discussed in the table on page 16, and includes loan fee expense of $242,000 for the second quarter of 2023, and loan fee expense of $730,000 and $588,000 for the first quarter of 2023 and the second quarter of 2022, respectively. Nonaccrual loans are included in the above stated average balances.*

The increased yield of 20 basis points on interest earning assets compared to the linked period was driven by higher yields on loan originations than those in the previous period as well as repricing within the existing variable rate portfolios for securities available-for-sale and loans. Changes in the market interest rate environment impact earning assets at varying intervals depending on the repricing timeline of loans, as well as the securities maturity, paydown and purchase activities.

The year over year increase of 206 basis points on interest earning assets was driven by significant increases to benchmark interest rates as well as strong loan growth throughout the period, specifically within the commercial, leases, and commercial real estate portfolios, as these loan segments generally produce the greatest yield. The increases in benchmark interest rates impacted yields on the securities portfolio through the inverse relationship between interest rates and market value coupled with maturities and strategic sales of lower yielding assets and timely purchases of higher yielding securities, as we work to increase the weighted average yield in the portfolio.

Average balances of interest bearing deposit accounts have decreased steadily since the second quarter of 2022 through the second quarter of 2023, from $3.34 billion to $2.87 billion, with these decreases reflected in all deposit categories. We have continued to control the cost of funds over the periods reflected, with the rate of overall interest bearing deposits increasing to 40 basis points for the quarter ended June 30, 2023, from 25 basis points for the quarter ended March 31, 2023, and from seven basis points for the quarter ended June 30, 2022. A 25 basis point increase in the cost of money market funds for the quarter ended June 30, 2023 compared to prior linked quarter, and a 59 basis point increase compared to the prior year like quarter were both due to select deposit account exception pricing, and drove a significant portion of the overall increase. Average rates paid on time deposits for the quarter ended June 30, 2023 also increased by 44 basis points and 83 basis points in the quarter over linked quarter and year over year quarters, respectively, primarily due to CD rate specials we offered.

Borrowing costs increased in the second quarter of 2023, primarily due to the increase in average short term borrowings of $201.7 million stemming from growth in average FHLB advances over the prior quarter, and an average increase of $402.5 million year over year based on daily liquidity needs. Subordinated and junior subordinated debt interest expense were essentially flat over each of the periods presented. Senior notes had the most significant interest expense increase, as this issuance references three month LIBOR, and rising market interest rates as well as recognition of $362,000 of deferred issuance costs upon redemption resulted in a 381 basis point increase to 12.85% for the quarter ended June 30, 2023, compared to 9.04% for the quarter ended March 31, 2023, and a 764 basis point increase from 5.21% for the quarter ended June 30, 2022. On June 30, 2023, we redeemed all of the $45.0 million senior notes, net of deferred issuance costs, which were originally due in 2026. In February 2023, we paid off the remaining balance of $9.0 million on the original $20.0 million term note issued in 2020, resulting in notes payable and other borrowings having no balance after that time.

Our net interest margin (GAAP) decreased 11 basis points to 4.61% for the second quarter of 2023, compared to 4.72% for the first quarter of 2023, and increased 145 basis points compared to 3.16% for the second quarter of 2022. Our net interest margin (TE) decreased 10 basis points to 4.64% for the second quarter of 2023, compared to 4.74% for the first quarter of 2023, but increased 146 basis points compared to 3.18% for the second quarter of 2022. The decrease in the current quarter, compared to the prior quarter, is primarily due to increases in interest expense from FHLB advances and the redemption of the senior notes. The increase in the current quarter, compared to the prior year like quarter, is primarily due to an increase in market interest rates, and the related rate resets on loans and securities during the past year, as well as continuing loan growth relative to a more modest increase in costs of interest bearing liabilities. See the discussion entitled "Non-GAAP Presentations" and the tables beginning on page 16 that provide a reconciliation of each non-GAAP measure to the most comparable GAAP equivalent.

## Noninterest Income

| **Noninterest Income (Dollars in thousands)** | **Three Months Ended** | | | **2nd Quarter 2023 Percent Change From** | |
|---|---|---|---|---|---|
| | **June 30, 2023** | **March 31, 2023** | **June 30, 2022** | **March 31, 2023** | **June 30, 2022** |
| Wealth management | $ 2,458 | $ 2,270 | $ 2,506 | 8.3 | (1.9) |
| Service charges on deposits | 2,362 | 2,424 | 2,328 | (2.6) | 1.5 |
| Residential mortgage banking revenue | | | | | |
| Secondary mortgage fees | 76 | 59 | 50 | 28.8 | 52.0 |
| MSRs mark to market gain (loss) | 96 | (525) | 82 | 118.3 | 17.1 |
| Mortgage servicing income | 499 | 516 | 579 | (3.3) | (13.8) |
| Net gain on sales of mortgage loans | 398 | 306 | (262) | 30.1 | 251.9 |
| Total residential mortgage banking revenue | 1,069 | 356 | 449 | 200.3 | 138.1 |
| Securities losses, net | (1,547) | (1,675) | (33) | (7.6) | N/M |
| Change in cash surrender value of BOLI | 418 | 242 | 72 | 72.7 | 480.6 |
| Card related income | 2,690 | 2,244 | 2,965 | 19.9 | (9.3) |
| Other income | 773 | 1,489 | 924 | (48.1) | (16.3) |
| **Total noninterest income** | $ 8,223 | $ 7,350 | $ 9,211 | 11.9 | (10.7) |

N/M - *Not meaningful.*

Noninterest income increased $873,000, or 11.9%, in the second quarter of 2023, compared to the first quarter of 2023, and decreased $988,000, or 10.7%, compared to the second quarter of 2022. The increase from the first quarter of 2023 was primarily driven by a $621,000 increase in mortgage servicing rights ("MSR") mark to market gains, a $128,000 decrease in securities losses, net, based on strategic sales, and a $446,000 increase in card related income primarily due to increased activity. These increases in noninterest income in the second quarter of 2023, compared to the first quarter of 2023, were partially offset by a $716,000 decrease in other income driven by credits received in the first quarter of 2023 from a few vendors related to prior year service discounts.

The decrease in noninterest income of $988,000 in the second quarter of 2023, compared to the second quarter of 2022, is primarily due to an increase in security losses of $1.5 million on strategic sales for the quarter ended June 30, 2023. These decreases were partially offset by a $660,000 increase in net gains on sales of mortgage loans and a $346,000 increase in the cash surrender value of BOLI due to market interest rate changes.

## Noninterest Expense

| **Noninterest Expense (Dollars in thousands)** | **Three Months Ended** | | | **2nd Quarter 2023 Percent Change From** | |
|---|---|---|---|---|---|
| | **June 30, 2023** | **March 31, 2023** | **June 30, 2022** | **March 31, 2023** | **June 30, 2022** |
| Salaries | $ 16,310 | $ 16,087 | $ 15,995 | 1.4 | 2.0 |
| Officers incentive | 2,397 | 1,827 | 1,662 | 31.2 | 44.2 |
| Benefits and other | 3,091 | 4,334 | 3,675 | (28.7) | (15.9) |
| Total salaries and employee benefits | 21,798 | 22,248 | 21,332 | (2.0) | 2.2 |
| Occupancy, furniture and equipment expense | 3,639 | 3,475 | 3,046 | 4.7 | 19.5 |
| Computer and data processing | 1,290 | 1,774 | 4,006 | (27.3) | (67.8) |
| FDIC insurance | 794 | 584 | 702 | 36.0 | 13.1 |
| Net teller & bill paying | 515 | 502 | 834 | 2.6 | (38.2) |
| General bank insurance | 306 | 305 | 351 | 0.3 | (12.8) |
| Amortization of core deposit intangible asset | 618 | 624 | 659 | (1.0) | (6.2) |
| Advertising expense | 103 | 142 | 194 | (27.5) | (46.9) |
| Card related expense | 1,222 | 1,216 | 1,057 | 0.5 | 15.6 |
| Legal fees | 283 | 319 | 179 | (11.3) | 58.1 |
| Consulting & management fees | 520 | 790 | 523 | (34.2) | (0.6) |
| Other real estate owned expense, net | (98) | 306 | 87 | (132.0) | N/M |
| Other expense | 3,840 | 3,637 | 4,279 | 5.6 | (10.3) |
| **Total noninterest expense** | $ 34,830 | $ 35,922 | $ 37,249 | (3.0) | (6.5) |
| Efficiency ratio (GAAP)[1] | 46.84 % | 47.52 % | 67.07 % | | |
| Adjusted efficiency ratio (non-GAAP)[2] | 46.49 % | 47.66 % | 62.73 % | | |

N/M - *Not meaningful.*

[1] *The efficiency ratio shown in the table above is a GAAP financial measure calculated as noninterest expense, excluding amortization of core deposits and OREO expenses, divided by the sum of net interest income and total noninterest income less net gains or losses on securities and mark to market gains or losses on MSRs.*

[2] *The adjusted efficiency ratio shown in the table above is a non-GAAP financial measure calculated as noninterest expense, excluding amortization of core deposits, OREO expenses, and acquisition-related costs, net of gains on branch sales, divided by the sum of net interest income on a fully tax equivalent basis, total noninterest income less net gains or losses on securities, mark to market gains or losses on MSRs, and includes a tax equivalent adjustment on the change in cash surrender value of BOLI. See the discussion entitled "Non-GAAP Presentations" below and the table on page 17 that provides a reconciliation of this non-GAAP financial measure to the most comparable GAAP equivalent.*

Noninterest expense for the second quarter of 2023 decreased $1.1 million, or 3.0%, compared to the first quarter of 2023, and decreased $2.4 million, or 6.5%, compared to the second quarter of 2022. The decrease in the second quarter of 2023 compared to the first quarter of 2023 was attributable to a $450,000 decrease in salaries and employee benefits, primarily due to reductions in employee benefits expense related to a decline in group insurance premiums and payroll taxes, partially offset by an increase in salaries and the officer incentive accrual. Also contributing to the decrease in the second quarter of 2023 was a $484,000 decrease in computer and data processing costs as the first quarter of 2023 included additional costs due to timing of software contracts and incentives. Noninterest expense was further decreased in the second quarter of 2023 as there was no OREO valuation adjustment recorded compared to a $269,000 OREO valuation reserve recorded on two properties in the first quarter of 2023, reflected in other real estate owned expense, net.

The year over year decrease in noninterest expense is primarily attributable to a $2.7 million decrease in computer and data processing expenses and a $319,000 decrease in net teller & bill paying expense, both stemming from acquisition related costs in the second quarter of 2022 from our West Suburban acquisition. Partially offsetting the decrease in noninterest expense in the second quarter of 2023, compared to the second quarter of 2022, was a $466,000 increase in salaries and employee benefits and a $593,000 increase in occupancy, furniture and equipment expenses. Officer incentive compensation increased $735,000 in the second quarter of 2023, compared to the second quarter of 2022, as incentive accruals increased in the current year due to growth in our commercial and sponsored finance lending team staffing year over year, as well as loan growth in the year over year periods.

## Earning Assets

| **Loans (dollars in thousands)** | **As of** | | | **June 30, 2023 Percent Change From** | |
|---|---|---|---|---|---|
| | **June 30, 2023** | **March 31, 2023** | **June 30, 2022** | **March 31, 2023** | **June 30, 2022** |
| Commercial | $ 820,027 | $ 851,737 | $ 806,725 | (3.7) | 1.6 |
| Leases | 314,919 | 285,831 | 230,677 | 10.2 | 36.5 |
| Commercial real estate – investor | 1,080,073 | 1,056,787 | 834,395 | 2.2 | 29.4 |
| Commercial real estate – owner occupied | 824,277 | 870,115 | 870,181 | (5.3) | (5.3) |
| Construction | 189,058 | 174,683 | 170,037 | 8.2 | 11.2 |
| Residential real estate – investor | 55,935 | 56,720 | 61,220 | (1.4) | (8.6) |
| Residential real estate – owner occupied | 218,205 | 217,855 | 207,836 | 0.2 | 5.0 |
| Multifamily | 383,184 | 358,991 | 310,706 | 6.7 | 23.3 |
| HELOC | 102,058 | 104,941 | 120,138 | (2.7) | (15.0) |
| Other[1] | 27,789 | 25,694 | 13,155 | 8.2 | 111.2 |
| **Total loans** | $ 4,015,525 | $ 4,003,354 | $ 3,625,070 | 0.3 | 10.8 |

[1] *Other class includes consumer loans and overdrafts.*

Total loans increased by $12.2 million at June 30, 2023, compared to March 31, 2023, and increased $390.5 million for the year over year period. Loan growth of $390.5 million in the year over year period was driven by originations of loans with new lending groups, such as the sponsor finance team, recorded within commercial loans, as well as growth in leasing, commercial real estate – investor, construction, and multifamily loans.

| **Securities (dollars in thousands)** | **As of** | | | **June 30, 2023 Percent Change From** | |
|---|---|---|---|---|---|
| | **June 30, 2023** | **March 31, 2023** | **June 30, 2022** | **March 31, 2023** | **June 30, 2022** |
| **Securities available-for-sale, at fair value** | | | | | |
| U.S. Treasury | $ 214,613 | $ 214,734 | $ 214,820 | (0.1) | (0.1) |
| U.S. government agencies | 55,981 | 56,703 | 57,896 | (1.3) | (3.3) |
| U.S. government agency mortgage-backed | 115,140 | 121,938 | 141,836 | (5.6) | (18.8) |
| States and political subdivisions | 229,534 | 233,506 | 233,652 | (1.7) | (1.8) |
| Corporate bonds | 4,882 | 9,762 | 9,543 | (50.0) | (48.8) |
| Collateralized mortgage obligations | 407,495 | 454,106 | 641,498 | (10.3) | (36.5) |
| Asset-backed securities | 134,319 | 189,753 | 259,622 | (29.2) | (48.3) |
| Collateralized loan obligations | 173,658 | 174,566 | 175,549 | (0.5) | (1.1) |
| **Total securities available-for-sale** | $ 1,335,622 | $ 1,455,068 | $ 1,734,416 | (8.2) | (23.0) |

Our securities portfolio totaled $1.34 billion as of June 30, 2023, a decrease of $119.4 million from $1.46 billion as of March 31, 2023, and a decrease of $398.8 million since June 30, 2022. The portfolio decrease of $119.4 million in the second quarter of 2023, compared to the prior quarter-end, was due to security sales of $74.0 million, which resulted in a net realized loss of $1.5 million, as well as paydowns of $30.9 million. Net unrealized losses at June 30, 2023 were $112.4 million, compared to $105.6 million at March 31, 2023 and $89.8 million at June 30, 2022. The year over year increase in net unrealized losses is due to changes in the market interest rate environment as well as the impact of security sales undertaken to further reduce the portfolio's interest rate sensitivity. The portfolio continues to consist of high quality fixed-rate and floating-rate securities, with all except one publicly issued security rated AA or better, and displaying an effective duration of approximately 3 years.

## Asset Quality

| **Nonperforming assets (dollars in thousands)** | **As of June 30, 2023** | **As of March 31, 2023** | **As of June 30, 2022** | **June 30, 2023 Percent Change From March 31, 2023** | **June 30, 2023 Percent Change From June 30, 2022** |
|---|---|---|---|---|---|
| Nonaccrual loans | $ 60,925 | $ 63,561 | $ 35,712 | (4.1) | 70.6 |
| Performing troubled debt restructured loans accruing interest [1] | N/A | N/A | 1,108 | N/A | N/A |
| Loans past due 90 days or more and still accruing interest | 308 | 966 | 5,274 | (68.1) | (94.2) |
| Total nonperforming loans | 61,233 | 64,527 | 42,094 | (5.1) | 45.5 |
| Other real estate owned | 761 | 1,255 | 1,624 | (39.4) | (53.1) |
| **Total nonperforming assets** | $ 61,994 | $ 65,782 | $ 43,718 | (5.8) | 41.8 |

| | | | |
|---|---|---|---|
| 30-89 days past due loans and still accruing interest | $ 12,449 | $ 24,770 | $ 24,681 |
| Nonaccrual loans to total loans | 1.5 % | 1.6 % | 1.0 % |
| Nonperforming loans to total loans | 1.5 % | 1.6 % | 1.2 % |
| Nonperforming assets to total loans plus OREO | 1.5 % | 1.6 % | 1.2 % |
| Purchased credit-deteriorated loans to total loans | 1.6 % | 1.8 % | 2.3 % |
| Allowance for credit losses | $ 55,314 | $ 53,392 | $ 45,388 |
| Allowance for credit losses to total loans | 1.4 % | 1.3 % | 1.3 % |
| Allowance for credit losses to nonaccrual loans | 90.8 % | 84.0 % | 127.1 % |

N/A - *Not applicable.*

[1] *As of January 1, 2023, the Company prospectively adopted ASU 2022-02, Topic 326 "Troubled Debt Restructurings ("TDRs") and Vintage Disclosures", which eliminated the need for recognition, measurement and disclosure of TDRs going forward.*

Nonperforming loans consist of nonaccrual loans and loans 90 days or more past due and still accruing interest. Prior to January 1, 2023, nonperforming loans also included performing troubled debt restructured loans accruing interest. Purchased credit-deteriorated ("PCD") loans acquired in our acquisitions of West Suburban and ABC Bank totaled $64.1 million, net of purchase accounting adjustments, at June 30, 2023. PCD loans that meet the definition of nonperforming loans are included in our nonperforming disclosures. Nonperforming loans to total loans was 1.5% as of June 30, 2023, 1.6% as of March 31, 2023, and 1.2% as of June 30, 2022. Nonperforming assets to total loans plus OREO was 1.5% as of June 30, 2023, 1.6% as of March 31, 2023, and 1.2% as of June 30, 2022. Our allowance for credit losses to total loans was 1.4% as of June 30, 2023, and 1.3% as of both March 31, 2023 and June 30, 2022.

The following table shows classified loans by segment, which include nonaccrual loans, PCD loans if the risk rating so indicates, and all other loans considered substandard, for the following periods.

| **Classified loans (dollars in thousands)** | **As of June 30, 2023** | **As of March 31, 2023** | **As of June 30, 2022** | **June 30, 2023 Percent Change From March 31, 2023** | **June 30, 2023 Percent Change From June 30, 2022** |
|---|---|---|---|---|---|
| Commercial | $ 22,245 | $ 22,662 | $ 31,577 | (1.8) | (29.6) |
| Leases | 974 | 906 | 2,005 | 7.5 | (51.4) |
| Commercial real estate – investor | 57,041 | 52,615 | 30,407 | 8.4 | 87.6 |
| Commercial real estate – owner occupied | 38,495 | 37,545 | 28,715 | 2.5 | 34.1 |
| Construction | 116 | 241 | 1,238 | (51.9) | (90.6) |
| Residential real estate – investor | 1,714 | 1,702 | 1,246 | 0.7 | 37.6 |
| Residential real estate – owner occupied | 3,660 | 3,618 | 3,785 | 1.2 | (3.3) |
| Multifamily | 1,191 | 3,348 | 1,336 | (64.4) | (10.9) |
| HELOC | 2,152 | 2,635 | 2,853 | (18.3) | (24.6) |
| Other[1] | - | 2 | 2 | (100.0) | (100.0) |
| **Total classified loans** | $ 127,588 | $ 125,274 | $ 103,164 | 1.8 | 23.7 |

[1] *Other class includes consumer loans and overdrafts.*

Classified loans as of June 30, 2023 increased $2.3 million from March 31, 2023, and $24.4 million from June 30, 2022. The net increase from the first quarter of 2023 was driven by a $3.6 million addition in commercial real estate – investor and two additions totaling $2.2 million in commercial real estate – owner occupied. Remediation work continues on these three credits, with the goal of cash flow improvements with increased tenancy. Reductions in commercial and multifamily classified loans were noted in the second quarter of 2023 from the linked quarter and prior year like quarter due to ongoing remediation efforts.

## Allowance for Credit Losses on Loans and Unfunded Commitments

At June 30, 2023, our allowance for credit losses ("ACL") on loans totaled $55.3 million, and our ACL on unfunded commitments, included in other liabilities, totaled $3.1 million. In the second quarter of 2023, we recorded provision expense of $2.0 million based on historical loss rate updates, loan growth, our assessment of nonperforming loan metrics and trends, and estimated future credit losses. The second quarter's provision expense consisted of a $2.4 million provision for credit losses on loans, and a $427,000 reversal of provision for credit losses on unfunded commitments. The decrease in unfunded commitments was primarily due to an adjustment of historical benchmark assumptions, such as funding rates and the period used to forecast those rates, within the ACL calculation. We recorded net charge-offs of $505,000 in the second quarter of 2023, which reduced the ACL. The first quarter 2023 provision expense of $3.5 million consisted of a $4.7 million provision for credit losses on loans, and a $1.2 million reversal of provision for credit losses on unfunded commitments. We recorded net charge-offs of $740,000 in the first quarter of 2023. In the second quarter of 2022, we recorded provision expense of $550,000 based on our assessment of nonperforming loan metrics and trends and estimated future credit losses. We recorded net charge-offs of $250,000 in the second quarter of 2022, which reduced the ACL. Our ACL on loans to total loans was 1.4% as of June 30, 2023 and 1.3% as of March 31, 2023 and June 30, 2022.

The $650,000 decrease in our ACL on unfunded commitments at June 30, 2023, compared to March 31, 2023, was driven by a $427,000 reversal of provision expense in the quarter discussed above, as well as purchase accounting accretion on unfunded commitments recorded during the quarter. The ACL on unfunded commitments totaled $3.1 million as of June 30, 2023, $3.8 million as of March 31, 2023, and $4.7 million as of June 30, 2022.

## Net Charge-off Summary

| **Loan Charge–offs, net of recoveries (dollars in thousands)** | **Quarters Ended** | | | | | |
|---|---|---|---|---|---|---|
| | **June 30, 2023** | **% of Total [2]** | **March 31, 2023** | **% of Total [2]** | **June 30, 2022** | **% of Total [2]** |
| Commercial | $ 298 | 59.0 | $ (124) | (16.8) | $ 44 | 17.6 |
| Leases | (7) | (1.4) | 873 | 118.0 | - | - |
| Commercial real estate – Investor | 51 | 10.1 | (17) | (2.3) | 225 | 90.0 |
| Commercial real estate – Owner occupied | 198 | 39.2 | (2) | (0.3) | (7) | (2.8) |
| Residential real estate – Investor | (5) | (1.0) | (19) | (2.6) | (5) | (2.0) |
| Residential real estate – Owner occupied | (36) | (7.1) | (10) | (1.4) | (22) | (8.8) |
| HELOC | (24) | (4.8) | (29) | (3.9) | (31) | (12.4) |
| Other [1] | 30 | 6.0 | 68 | 9.3 | 46 | 18.4 |
| **Net charge–offs / (recoveries)** | $ 505 | 100.0 | $ 740 | 100.0 | $ 250 | 100.0 |

[1] *Other class includes consumer loans and overdrafts.*
[2] *Represents the percentage of net charge-offs attributable to each category of loans.*

Gross charge-offs for the second quarter of 2023 were $733,000, compared to $1.0 million for the first quarter of 2023 and $386,000 for the second quarter of 2022. Gross recoveries were $228,000 for the second quarter of 2023, compared to $282,000 for the first quarter of 2023, and $136,000 for the second quarter of 2022. Continued recoveries are indicative of the ongoing aggressive efforts by management to effectively manage and resolve prior charge-offs.

## Deposits

Total deposits were $4.72 billion at June 30, 2023, a decrease of $179.6 million, or 3.7%, compared to $4.90 billion at March 31, 2023, primarily due to a decline in money markets of $67.8 million, followed by a decrease of $58.2 million in savings and $52.5 million in non-interest bearing deposits. The bulk of the linked quarter decline in deposit balances occurred in April 2023 and is consistent with seasonal historical trends related to tax payments and commercial customer business volumes. Total quarterly average deposits decreased $667.2 million, or 12.2%, in the year over year period, driven by declines in our average demand deposits of $199.2 million, and savings, NOW and money markets combined of $435.5 million. In general, the bulk of the decline in deposits year over year can be characterized as rate sensitive with significant flows and transfers into investing activities, materially offsetting the significant expansion in those same accounts in the immediate aftermath of the pandemic.

## Borrowings

As of June 30, 2023, we had $485.0 million in other short-term borrowings due to short-term FHLB advances, compared to $315.0 million at March 31, 2023 and no short-term borrowings outstanding as of June 30, 2022.

During the second quarter of 2023, we redeemed all of the $45.0 million senior notes that were due in 2026. This senior debt issuance carried an interest rate of 9.39% at the time of redemption, and upon redemption, the related deferred debt issuance costs of $362,000 were also recorded as interest expense, resulting in an effective cost of this debt issuance of 12.85% for the second quarter of 2023.

During the first quarter of 2023, we paid off a $9.0 million term note payable upon maturity as of February 24, 2023. The note payable carried an interest rate of 6.32% at maturity. Please see Notes 9 and 10 of our Annual Report on Form 10-K for the year ended December 31, 2022, for further discussion of our borrowings.

## 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 adjusted net income, net interest income and net interest margin on a fully taxable equivalent basis, and our efficiency ratio calculations on a taxable equivalent basis. The net interest margin fully taxable equivalent is calculated by dividing net interest income on a tax equivalent basis by average earning assets for the period. Consistent with industry practice, management has disclosed the efficiency ratio including and excluding certain items, which is discussed in the noninterest expense presentation on page 6.

We consider the use of select non-GAAP financial measures and ratios to be useful for financial and operational decision making and useful in evaluating period-to-period comparisons. We believe that these non-GAAP financial measures provide meaningful supplemental information regarding our performance by excluding certain expenditures or assets that we believe are not indicative of our primary business operating results or by presenting certain metrics on a fully taxable equivalent basis. We believe these measures provide investors with information regarding balance sheet profitability, and we believe that management and investors benefit from referring to these non-GAAP financial measures in assessing our performance and when planning, forecasting, analyzing, and comparing past, present and future periods.

These non-GAAP financial measures should not be considered as a substitute for GAAP financial measures, and we strongly encourage investors to review the GAAP financial measures included in this earnings release and not to place undue reliance upon any single financial measure. In addition, because non-GAAP financial measures are not standardized, it may not be possible to compare the non-GAAP financial measures presented in this earnings release with other companies' non-GAAP financial measures having the same or similar names. The tables beginning on page 16 provide a reconciliation of each non-GAAP financial measure to the most comparable GAAP equivalent.

### ***Cautionary Note Regarding Forward-Looking Statements***

This earnings release and statements by our management may contain forward-looking statements within the Private Securities Litigation Reform Act of 1995. Forward looking statements can be identified by words such as "should," "anticipate," "expect," "estimate," "intend," "believe," "may," "likely," "will," "forecast," "project," "looking forward," "optimistic," "hopeful," "potential," "progress," "prospect," "remain," "continue," "trend," "momentum," "nearing" or other statements that indicate future periods. Examples of forward-looking statements include, but are not limited to, statements regarding the economic outlook, loan growth, deposit trends and funding, asset-quality trends, balance sheet growth, and building capital. Such forward-looking statements are subject to risks, uncertainties, and other factors, which could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements, (1) the strength of the United States economy in general and the strength of the local economies in which we conduct our operations may be different than expected; (2) the rate of delinquencies and amounts of charge-offs, the level of allowance for credit loss, the rates of loan growth, or adverse changes in asset quality in our loan portfolio, which may result in increased credit risk-related losses and expenses; (3) changes in legislation, regulation, policies, or administrative practices, whether by judicial, governmental, or legislative action; (4) risks related to future acquisitions, if any, including execution and integration risks; (5) adverse conditions in the stock market, the public debt market and other capital markets (including changes in interest rate conditions) could have a negative impact on us; (6) changes in interest rates, which may affect our deposit and funding costs, net income, prepayment penalty income, mortgage banking income, and other future cash flows, or the market value of our assets, including our investment securities; (7) elevated inflation which causes adverse risk to the overall economy, and could indirectly pose challenges to our clients and to our business; (8) any increases in FDIC assessment which has increased, and may continue to increase, our cost of doing business; and (9) the adverse effects of events beyond our control that may have a destabilizing effect on financial markets and the economy, such as epidemics and pandemics, war or terrorist activities, essential utility outages, deterioration in the global economy, instability in the credit markets, disruptions in our customers' supply chains or disruption in transportation. Additional risks and uncertainties are contained in the "Risk Factors" and forward-looking statements disclosure in our most recent Annual Report on Form 10-K, and Quarterly Reports on Form 10-Q. 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, except as required by law.

***Conference Call***

We will host a call on Thursday, July 20, 2023, at 11:00 a.m. Eastern Time (10:00 a.m. Central Time) to discuss our second quarter 2023 financial results. Investors may listen to our call via telephone by dialing 888-506-0062, using Entry Code 444016. 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 call will be available until 11:00 a.m. Eastern Time (10:00 a.m. Central Time) on July 27, 2023, by dialing 877-481-4010, using Conference ID: 48609.

**Old Second Bancorp, Inc. and Subsidiaries**
**Consolidated Balance Sheets**
*(In thousands)*

| | (unaudited) June 30, 2023 | December 31, 2022 |
|---|---|---|
| **Assets** | | |
| Cash and due from banks | $ 59,466 | $ 56,632 |
| Interest earning deposits with financial institutions | 53,144 | 58,545 |
| Cash and cash equivalents | 112,610 | 115,177 |
| Securities available-for-sale, at fair value | 1,335,622 | 1,539,359 |
| Federal Home Loan Bank Chicago ("FHLBC") and Federal Reserve Bank Chicago ("FRBC") stock | 36,730 | 20,530 |
| Loans held-for-sale | 1,218 | 491 |
| Loans | 4,015,525 | 3,869,609 |
| Less: allowance for credit losses on loans | 55,314 | 49,480 |
| Net loans | 3,960,211 | 3,820,129 |
| Premises and equipment, net | 72,797 | 72,355 |
| Other real estate owned | 761 | 1,561 |
| Mortgage servicing rights, at fair value | 11,041 | 11,189 |
| Goodwill | 86,478 | 86,478 |
| Core deposit intangible | 12,436 | 13,678 |
| Bank-owned life insurance ("BOLI") | 107,268 | 106,608 |
| Deferred tax assets, net | 39,827 | 44,750 |
| Other assets | 106,943 | 56,012 |
| Total assets | $ 5,883,942 | $ 5,888,317 |
| | | |
| **Liabilities** | | |
| Deposits: | | |
| Noninterest bearing demand | $ 1,897,694 | $ 2,051,702 |
| Interest bearing: | | |
| Savings, NOW, and money market | 2,368,033 | 2,617,100 |
| Time | 451,855 | 441,921 |
| Total deposits | 4,717,582 | 5,110,723 |
| Securities sold under repurchase agreements | 31,532 | 32,156 |
| Other short-term borrowings | 485,000 | 90,000 |
| Junior subordinated debentures | 25,773 | 25,773 |
| Subordinated debentures | 59,339 | 59,297 |
| Senior notes | - | 44,585 |
| Notes payable and other borrowings | - | 9,000 |
| Other liabilities | 50,761 | 55,642 |
| Total liabilities | 5,369,987 | 5,427,176 |
| | | |
| **Stockholders' Equity** | | |
| Common stock | 44,705 | 44,705 |
| Additional paid-in capital | 200,963 | 202,276 |
| Retained earnings | 355,219 | 310,512 |
| Accumulated other comprehensive loss | (86,186) | (93,124) |
| Treasury stock | (746) | (3,228) |
| Total stockholders' equity | 513,955 | 461,141 |
| Total liabilities and stockholders' equity | $ 5,883,942 | $ 5,888,317 |

## Old Second Bancorp, Inc. and Subsidiaries
## Consolidated Statements of Income
*(In thousands, except share data)*

| | (unaudited) Three Months Ended June 30, 2023 | (unaudited) Three Months Ended June 30, 2022 | (unaudited) Six Months Ended June 30, 2023 | (unaudited) Six Months Ended June 30, 2022 |
|---|---|---|---|---|
| **Interest and dividend income** | | | | |
| Loans, including fees | $ 61,561 | $ 38,229 | $ 118,771 | $ 74,595 |
| Loans held-for-sale | 19 | 32 | 31 | 89 |
| Securities: | | | | |
| Taxable | 9,930 | 6,786 | 20,665 | 11,954 |
| Tax exempt | 1,337 | 1,297 | 2,674 | 2,615 |
| Dividends from FHLBC and FRBC stock | 396 | 263 | 676 | 416 |
| Interest bearing deposits with financial institutions | 643 | 782 | 1,228 | 1,051 |
| Total interest and dividend income | 73,886 | 47,389 | 144,045 | 90,720 |
| **Interest expense** | | | | |
| Savings, NOW, and money market deposits | 1,742 | 347 | 2,891 | 744 |
| Time deposits | 1,156 | 265 | 1,820 | 542 |
| Securities sold under repurchase agreements | 7 | 9 | 16 | 20 |
| Other short-term borrowings | 5,160 | - | 7,505 | - |
| Junior subordinated debentures | 281 | 284 | 560 | 564 |
| Subordinated debentures | 546 | 547 | 1,092 | 1,093 |
| Senior notes | 1,414 | 578 | 2,408 | 1,063 |
| Notes payable and other borrowings | - | 95 | 87 | 198 |
| Total interest expense | 10,306 | 2,125 | 16,379 | 4,224 |
| Net interest and dividend income | 63,580 | 45,264 | 127,666 | 86,496 |
| Provision for credit losses | 2,000 | 550 | 5,501 | 550 |
| Net interest and dividend income after provision for credit losses | 61,580 | 44,714 | 122,165 | 85,946 |
| **Noninterest income** | | | | |
| Wealth management | 2,458 | 2,506 | 4,728 | 5,204 |
| Service charges on deposits | 2,362 | 2,328 | 4,786 | 4,402 |
| Secondary mortgage fees | 76 | 50 | 135 | 189 |
| Mortgage servicing rights mark to market (loss) gain | 96 | 82 | (429) | 3,060 |
| Mortgage servicing income | 499 | 579 | 1,015 | 1,098 |
| Net gain (loss) on sales of mortgage loans | 398 | (262) | 704 | 1,233 |
| Securities losses, net | (1,547) | (33) | (3,222) | (33) |
| Change in cash surrender value of BOLI | 418 | 72 | 660 | 196 |
| Card related income | 2,690 | 2,965 | 4,934 | 5,532 |
| Other income | 773 | 924 | 2,262 | 1,793 |
| Total noninterest income | 8,223 | 9,211 | 15,573 | 22,674 |
| **Noninterest expense** | | | | |
| Salaries and employee benefits | 21,798 | 21,332 | 44,046 | 41,299 |
| Occupancy, furniture and equipment | 3,639 | 3,046 | 7,114 | 6,745 |
| Computer and data processing | 1,290 | 4,006 | 3,064 | 10,274 |
| FDIC insurance | 794 | 702 | 1,378 | 1,112 |
| Net teller & bill paying | 515 | 834 | 1,017 | 2,741 |
| General bank insurance | 306 | 351 | 611 | 666 |
| Amortization of core deposit intangible | 618 | 659 | 1,242 | 1,324 |
| Advertising expense | 103 | 194 | 245 | 376 |
| Card related expense | 1,222 | 1,057 | 2,438 | 1,591 |
| Legal fees | 283 | 179 | 602 | 436 |
| Consulting & management fees | 520 | 523 | 1,310 | 1,139 |
| Other real estate expense, net | (98) | 87 | 208 | 75 |
| Other expense | 3,840 | 4,279 | 7,477 | 7,723 |
| Total noninterest expense | 34,830 | 37,249 | 70,752 | 75,501 |
| Income before income taxes | 34,973 | 16,676 | 66,986 | 33,119 |
| Provision for income taxes | 9,411 | 4,429 | 17,817 | 8,852 |
| **Net income** | $ 25,562 | $ 12,247 | $ 49,169 | $ 24,267 |
| | | | | |
| Basic earnings per share | $ 0.57 | $ 0.28 | $ 1.10 | $ 0.55 |
| Diluted earnings per share | 0.56 | 0.27 | 1.08 | 0.54 |
| Dividends declared per share | 0.05 | 0.05 | 0.10 | 0.10 |
| | | | | |
| Ending common shares outstanding | 44,665,127 | 44,562,068 | 44,665,127 | 44,562,068 |
| Weighted-average basic shares outstanding | 44,665,127 | 44,499,395 | 44,642,250 | 44,480,326 |
| Weighted-average diluted shares outstanding | 45,424,418 | 45,246,736 | 45,370,806 | 45,204,460 |

## Old Second Bancorp, Inc. and Subsidiaries
## Quarterly Consolidated Average Balance
*(In thousands, unaudited)*

| | 2022 | | | | 2023 | |
|---|---|---|---|---|---|---|
| **Assets** | **1st Qtr** | **2nd Qtr** | **3rd Qtr** | **4th Qtr** | **1st Qtr** | **2nd Qtr** |
| Cash and due from banks | $ 42,972 | $ 53,371 | $ 56,265 | $ 56,531 | $ 55,140 | $ 56,191 |
| Interest earning deposits with financial institutions | 635,302 | 426,820 | 131,260 | 50,377 | 49,310 | 50,309 |
| Cash and cash equivalents | 678,274 | 480,191 | 187,525 | 106,908 | 104,450 | 106,500 |
| Securities available-for-sale, at fair value | 1,807,875 | 1,792,099 | 1,703,348 | 1,576,004 | 1,503,619 | 1,404,664 |
| FHLBC and FRBC stock | 16,066 | 20,994 | 19,565 | 19,534 | 24,905 | 34,029 |
| Loans held-for-sale | 6,707 | 3,050 | 2,020 | 1,224 | 813 | 1,150 |
| Loans | 3,397,827 | 3,505,806 | 3,751,097 | 3,877,004 | 3,931,679 | 4,039,052 |
| Less: allowance for credit losses on loans | 44,341 | 44,354 | 45,449 | 48,778 | 49,398 | 53,480 |
| Net loans | 3,353,486 | 3,461,452 | 3,705,648 | 3,828,226 | 3,882,281 | 3,985,572 |
| Premises and equipment, net | 86,502 | 73,876 | 71,947 | 72,220 | 72,649 | 72,903 |
| Other real estate owned | 2,399 | 1,850 | 1,578 | 1,561 | 1,508 | 1,132 |
| Mortgage servicing rights, at fair value | 8,218 | 10,525 | 10,639 | 11,322 | 11,127 | 10,741 |
| Goodwill | 86,332 | 86,332 | 86,333 | 86,477 | 86,477 | 86,477 |
| Core deposit intangible | 15,977 | 15,286 | 14,561 | 13,950 | 13,327 | 12,709 |
| Bank-owned life insurance ("BOLI") | 105,396 | 105,463 | 105,448 | 105,754 | 106,655 | 107,028 |
| Deferred tax assets, net | 10,689 | 27,154 | 31,738 | 50,533 | 42,237 | 37,774 |
| Other assets | 55,474 | 53,823 | 55,606 | 53,909 | 48,599 | 50,812 |
| Total other assets | 370,987 | 374,309 | 377,850 | 395,726 | 382,579 | 379,576 |
| Total assets | $ 6,233,395 | $ 6,132,095 | $ 5,995,956 | $ 5,927,622 | $ 5,898,647 | $ 5,911,491 |
| **Liabilities** | | | | | | |
| Deposits: | | | | | | |
| Noninterest bearing demand | $ 2,093,293 | $ 2,119,667 | $ 2,092,301 | $ 2,083,503 | $ 2,002,801 | $ 1,920,448 |
| Interest bearing: | | | | | | |
| Savings, NOW, and money market | 2,899,497 | 2,872,622 | 2,765,281 | 2,680,767 | 2,560,893 | 2,437,096 |
| Time | 495,452 | 469,009 | 459,925 | 450,111 | 434,655 | 436,524 |
| Total deposits | 5,488,242 | 5,461,298 | 5,317,507 | 5,214,381 | 4,998,349 | 4,794,068 |
| Securities sold under repurchase agreements | 39,204 | 34,496 | 33,733 | 33,275 | 31,080 | 25,575 |
| Other short-term borrowings | - | - | 5,435 | 44,293 | 200,833 | 402,527 |
| Junior subordinated debentures | 25,773 | 25,773 | 25,773 | 25,773 | 25,773 | 25,773 |
| Subordinated debentures | 59,222 | 59,244 | 59,265 | 59,286 | 59,308 | 59,329 |
| Senior notes | 44,494 | 44,520 | 44,546 | 44,572 | 44,599 | 44,134 |
| Notes payable and other borrowings | 19,009 | 13,103 | 10,989 | 9,978 | 5,400 | - |
| Other liabilities | 60,819 | 32,636 | 34,949 | 51,753 | 51,279 | 48,434 |
| Total liabilities | 5,736,763 | 5,671,070 | 5,532,197 | 5,483,311 | 5,416,621 | 5,399,840 |
| **Stockholders' equity** | | | | | | |
| Common stock | 44,705 | 44,705 | 44,705 | 44,705 | 44,705 | 44,705 |
| Additional paid-in capital | 202,828 | 202,544 | 201,570 | 201,973 | 201,397 | 200,590 |
| Retained earnings | 258,073 | 267,912 | 284,302 | 301,753 | 324,785 | 346,042 |
| Accumulated other comprehensive loss | (3,074) | (49,151) | (63,216) | (100,817) | (86,736) | (78,940) |
| Treasury stock | (5,900) | (4,985) | (3,602) | (3,303) | (2,125) | (746) |
| Total stockholders' equity | 496,632 | 461,025 | 463,759 | 444,311 | 482,026 | 511,651 |
| Total liabilities and stockholders' equity | $ 6,233,395 | $ 6,132,095 | $ 5,995,956 | $ 5,927,622 | $ 5,898,647 | $ 5,911,491 |
| Total Earning Assets | $ 5,863,777 | $ 5,748,769 | $ 5,607,290 | $ 5,524,143 | $ 5,510,326 | $ 5,529,204 |
| Total Interest Bearing Liabilities | 3,582,651 | 3,518,767 | 3,404,947 | 3,348,055 | 3,362,541 | 3,430,958 |

**Old Second Bancorp, Inc. and Subsidiaries**
**Quarterly Consolidated Statements of Income**
*(In thousands, except per share data, unaudited)*

| | 2022 | | | | 2023 | |
|---|---|---|---|---|---|---|
| | 1st Qtr | 2nd Qtr | 3rd Qtr | 4th Qtr | 1st Qtr | 2nd Qtr |
| **Interest and Dividend Income** | | | | | | |
| Loans, including fees | $ 36,366 | $ 38,229 | $ 46,614 | $ 55,170 | $ 57,210 | $ 61,561 |
| Loans held-for-sale | 57 | 32 | 22 | 19 | 12 | 19 |
| Securities: | | | | | | |
| Taxable | 5,169 | 6,786 | 9,116 | 10,495 | 10,735 | 9,930 |
| Tax exempt | 1,317 | 1,297 | 1,332 | 1,341 | 1,337 | 1,337 |
| Dividends from FHLB and FRBC stock | 153 | 263 | 261 | 259 | 280 | 396 |
| Interest bearing deposits with financial institutions | 269 | 782 | 663 | 461 | 585 | 643 |
| Total interest and dividend income | 43,331 | 47,389 | 58,008 | 67,745 | 70,159 | 73,886 |
| **Interest Expense** | | | | | | |
| Savings, NOW, and money market deposits | 397 | 347 | 380 | 776 | 1,149 | 1,742 |
| Time deposits | 277 | 265 | 335 | 571 | 664 | 1,156 |
| Securities sold under repurchase agreements | 11 | 9 | 10 | 10 | 9 | 7 |
| Other short-term borrowings | - | - | 44 | 436 | 2,345 | 5,160 |
| Junior subordinated debentures | 280 | 284 | 285 | 287 | 279 | 281 |
| Subordinated debentures | 546 | 547 | 546 | 546 | 546 | 546 |
| Senior notes | 485 | 578 | 728 | 891 | 994 | 1,414 |
| Notes payable and other borrowings | 103 | 95 | 111 | 137 | 87 | - |
| Total interest expense | 2,099 | 2,125 | 2,439 | 3,654 | 6,073 | 10,306 |
| Net interest and dividend income | 41,232 | 45,264 | 55,569 | 64,091 | 64,086 | 63,580 |
| Provision for credit losses | - | 550 | 4,500 | 1,500 | 3,501 | 2,000 |
| Net interest and dividend income after provision for credit losses | 41,232 | 44,714 | 51,069 | 62,591 | 60,585 | 61,580 |
| **Noninterest Income** | | | | | | |
| Wealth management | 2,698 | 2,506 | 2,280 | 2,403 | 2,270 | 2,458 |
| Service charges on deposits | 2,074 | 2,328 | 2,661 | 2,499 | 2,424 | 2,362 |
| Secondary mortgage fees | 139 | 50 | 81 | 62 | 59 | 76 |
| Mortgage servicing rights mark to market gain (loss) | 2,978 | 82 | 548 | (431) | (525) | 96 |
| Mortgage servicing income | 519 | 579 | 514 | 518 | 516 | 499 |
| Net gain (loss) on sales of mortgage loans | 1,495 | (262) | 449 | 340 | 306 | 398 |
| Securities losses, net | - | (33) | (1) | (910) | (1,675) | (1,547) |
| Change in cash surrender value of BOLI | 124 | 72 | 146 | 376 | 242 | 418 |
| Card related income | 2,574 | 2,967 | 2,653 | 2,795 | 2,244 | 2,690 |
| Other income | 862 | 922 | 2,165 | 1,294 | 1,489 | 773 |
| Total noninterest income | 13,463 | 9,211 | 11,496 | 8,946 | 7,350 | 8,223 |
| **Noninterest Expense** | | | | | | |
| Salaries and employee benefits | 19,967 | 21,332 | 21,011 | 24,263 | 22,248 | 21,798 |
| Occupancy, furniture and equipment | 3,699 | 3,046 | 4,119 | 4,128 | 3,475 | 3,639 |
| Computer and data processing | 6,268 | 4,006 | 2,543 | 2,978 | 1,774 | 1,290 |
| FDIC insurance | 410 | 702 | 659 | 630 | 584 | 794 |
| Net teller & bill paying | 1,907 | 834 | 504 | 485 | 502 | 515 |
| General bank insurance | 315 | 351 | 257 | 298 | 305 | 306 |
| Amortization of core deposit intangible | 665 | 659 | 657 | 645 | 624 | 618 |
| Advertising expense | 182 | 194 | 83 | 130 | 142 | 103 |
| Card related expense | 534 | 1,057 | 1,453 | 1,304 | 1,216 | 1,222 |
| Legal fees | 257 | 179 | 212 | 225 | 319 | 283 |
| Consulting & management fees | 616 | 523 | 607 | 679 | 790 | 520 |
| Other real estate expense, net | (12) | 87 | 21 | 34 | 306 | (98) |
| Other expense | 3,444 | 4,279 | 3,862 | 3,885 | 3,637 | 3,840 |
| Total noninterest expense | 38,252 | 37,249 | 35,988 | 39,684 | 35,922 | 34,830 |
| Income before income taxes | 16,443 | 16,676 | 26,577 | 31,853 | 32,013 | 34,973 |
| Provision for income taxes | 4,423 | 4,429 | 7,054 | 8,238 | 8,406 | 9,411 |
| **Net income** | $ 12,020 | $ 12,247 | $ 19,523 | $ 23,615 | $ 23,607 | $ 25,562 |
| | | | | | | |
| Basic earnings per share (GAAP) | $ 0.27 | $ 0.28 | $ 0.43 | $ 0.53 | $ 0.53 | $ 0.57 |
| Diluted earnings per share (GAAP) | 0.27 | 0.27 | 0.43 | 0.52 | 0.52 | 0.56 |
| Dividends paid per share | 0.05 | 0.05 | 0.05 | 0.05 | 0.05 | 0.05 |

## Reconciliation of Non-GAAP Financial Measures

The tables below provide a reconciliation of each non-GAAP financial measure to the most comparable GAAP measure for the periods indicated. Dollar amounts below in thousands:

| | Quarters Ended | | |
|---|---|---|---|
| | June 30, 2023 | March 31, 2023 | June 30, 2022 |
| **Net Income** | | | |
| Income before income taxes (GAAP) | $ 34,973 | $ 32,013 | $ 16,676 |
| Pre-tax income adjustments: | | | |
| Merger-related costs, net of (gains)/losses on branch sales | 29 | (306) | 2,131 |
| Adjusted net income before taxes | 35,002 | 31,707 | 18,807 |
| Taxes on adjusted net income | 9,419 | 8,326 | 4,995 |
| Adjusted net income (non-GAAP) | $ 25,583 | $ 23,381 | $ 13,812 |
| | | | |
| Basic earnings per share (GAAP) | $ 0.57 | $ 0.53 | $ 0.28 |
| Diluted earnings per share (GAAP) | 0.56 | 0.52 | 0.27 |
| Adjusted basic earnings per share excluding acquisition-related costs (non-GAAP) | 0.58 | 0.52 | 0.31 |
| Adjusted diluted earnings per share excluding acquisition-related costs (non-GAAP) | 0.56 | 0.52 | 0.31 |

| | Quarters Ended | | |
|---|---|---|---|
| | June 30, 2023 | March 31, 2023 | June 30, 2022 |
| **Net Interest Margin** | | | |
| Interest income (GAAP) | $ 73,886 | $ 70,159 | $ 47,389 |
| Taxable-equivalent adjustment: | | | |
| Loans | 11 | 6 | 6 |
| Securities | 355 | 356 | 345 |
| Interest income (TE) | 74,252 | 70,521 | 47,740 |
| Interest expense (GAAP) | 10,306 | 6,073 | 2,125 |
| Net interest income (TE) | $ 63,946 | $ 64,448 | $ 45,615 |
| Net interest income (GAAP) | $ 63,580 | $ 64,086 | $ 45,264 |
| Average interest earning assets | $ 5,529,204 | $ 5,510,326 | $ 5,748,823 |
| Net interest margin (GAAP) | 4.61 % | 4.72 % | 3.16 % |
| Net interest margin (TE) | 4.64 % | 4.74 % | 3.18 % |

| Efficiency Ratio / Adjusted Efficiency Ratio | GAAP Three Months Ended June 30, 2023 | GAAP Three Months Ended March 31, 2023 | GAAP Three Months Ended June 30, 2022 | Non-GAAP Three Months Ended June 30, 2023 | Non-GAAP Three Months Ended March 31, 2023 | Non-GAAP Three Months Ended June 30, 2022 |
|---|---|---|---|---|---|---|
| Noninterest expense | $ 34,830 | $ 35,922 | $ 37,249 | $ 34,830 | $ 35,922 | $ 37,249 |
| Less amortization of core deposit | 618 | 624 | 659 | 618 | 624 | 659 |
| Less other real estate expense, net | (98) | 306 | 87 | (98) | 306 | 87 |
| Less acquisition related costs, net of (gains)/losses on branch sales | N/A | N/A | N/A | 29 | (306) | 2,132 |
| Noninterest expense less adjustments | $ 34,310 | $ 34,992 | $ 36,503 | $ 34,281 | $ 35,298 | $ 34,371 |
| Net interest income | $ 63,580 | $ 64,086 | $ 45,264 | $ 63,580 | $ 64,086 | $ 45,264 |
| Taxable-equivalent adjustment: | | | | | | |
| Loans | N/A | N/A | N/A | 11 | 6 | 6 |
| Securities | N/A | N/A | N/A | 355 | 356 | 345 |
| Net interest income including adjustments | 63,580 | 64,086 | 45,264 | 63,946 | 64,448 | 45,615 |
| Noninterest income | 8,223 | 7,350 | 9,211 | 8,223 | 7,350 | 9,211 |
| Less securities losses | (1,547) | (1,675) | (33) | (1,547) | (1,675) | (33) |
| Less MSRs mark to market gain (loss) | 96 | (525) | 82 | 96 | (525) | 82 |
| Taxable-equivalent adjustment: | | | | | | |
| Change in cash surrender value of BOLI | N/A | N/A | N/A | 111 | 64 | 19 |
| Noninterest income (excluding) / including adjustments | 9,674 | 9,550 | 9,162 | 9,785 | 9,614 | 9,181 |
| Net interest income including adjustments plus noninterest income (excluding) / including adjustments | $ 73,254 | $ 73,636 | $ 54,426 | $ 73,731 | $ 74,062 | $ 54,796 |
| Efficiency ratio / Adjusted efficiency ratio | 46.84 % | 47.52 % | 67.07 % | 46.49 % | 47.66 % | 62.73 % |

| Adjusted Return on Average Tangible Common Equity Ratio | Quarters Ended June 30, 2023 | Quarters Ended March 31, 2023 | Quarters Ended June 30, 2022 |
|---|---|---|---|
| **Net income (GAAP)** | $ 25,562 | $ 23,607 | $ 12,247 |
| Income before income taxes (GAAP) | $ 34,973 | $ 32,013 | $ 16,676 |
| Pre-tax income adjustments: | | | |
| Amortization of core deposit intangibles | 618 | 624 | 659 |
| Net income, excluding intangibles amortization, before taxes | 35,591 | 32,637 | 17,335 |
| Taxes on net income, excluding intangible amortization, before taxes | 9,578 | 8,570 | 4,604 |
| Net income, excluding intangibles amortization (non-GAAP) | $ 26,013 | $ 24,067 | $ 12,731 |
| **Total Average Common Equity** | $ 511,651 | 482,026 | $ 461,025 |
| Less Average goodwill and intangible assets | 99,186 | 99,804 | 101,618 |
| Average tangible common equity (non-GAAP) | $ 412,465 | $ 382,222 | $ 359,407 |
| Return on average common equity (GAAP) | 20.04 % | 19.86 % | 10.66 % |
| Return on average tangible common equity (non-GAAP) | 25.30 % | 25.54 % | 14.21 % |