

OLD SECOND BANCORP INC  
Form 10-Q  
August 07, 2015  
Table of Contents

I

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2015

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For transition period from        to

Commission File Number 0 -10537

(Exact name of Registrant as specified in its charter)

Delaware  
(State or other jurisdiction)

36-3143493  
(I.R.S. Employer Identification Number)

Edgar Filing: OLD SECOND BANCORP INC - Form 10-Q

of incorporation or organization)

37 South River Street, Aurora, Illinois 60507

(Address of principal executive offices) (Zip Code)

(630) 892-0202

(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes      No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes   No

Indicate by check mark whether registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Act). (check one):

Large accelerated filer    Accelerated filer    Non-accelerated filer    (do not check if a smaller reporting company)    Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2).

Yes      No

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date: As of August 6, 2015, the Registrant had outstanding 29,478,429 shares of common stock, \$1.00 par value per share.



Table of Contents

OLD SECOND BANCORP, INC.

Form 10-Q Quarterly Report

Table of Contents

	Page Number
<u>PART I</u>	
<u>Item 1.</u> <u>Financial Statements</u>	3
<u>Item 2.</u> <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	33
<u>Item 3.</u> <u>Quantitative and Qualitative Disclosures about Market Risk</u>	45
<u>Item 4.</u> <u>Controls and Procedures</u>	46
<u>PART II</u>	
<u>Item 1.</u> <u>Legal Proceedings</u>	47
<u>Item 1.A.</u> <u>Risk Factors</u>	47
<u>Item 2.</u> <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	47
<u>Item 3.</u> <u>Defaults Upon Senior Securities</u>	47
<u>Item 4.</u> <u>Mine Safety Disclosure</u>	47
<u>Item 5.</u> <u>Other Information</u>	47
<u>Item 6.</u> <u>Exhibits</u>	47
<u>Signatures</u>	48

Table of Contents

## PART I - FINANCIAL INFORMATION

## Item 1. Financial Statements

## Old Second Bancorp, Inc. and Subsidiaries

## Consolidated Balance Sheets

(In thousands, except share data)

	(Unaudited) June 30, 2015	December 31, 2014
Assets		
Cash and due from banks	\$ 29,164	\$ 30,101
Interest bearing deposits with financial institutions	9,352	14,096
Cash and cash equivalents	38,516	44,197
Securities available-for-sale, at fair value	399,836	385,486
Securities held-to-maturity, at amortized cost	253,419	259,670
Federal Home Loan Bank and Federal Reserve Bank stock	8,271	9,058
Loans held-for-sale	6,208	5,072
Loans	1,158,883	1,159,332
Less: allowance for loan losses	18,321	21,637
Net loans	1,140,562	1,137,695
Premises and equipment, net	41,696	42,335
Other real estate owned	31,964	31,982
Mortgage servicing rights, net	5,884	5,462
Bank-owned life insurance (BOLI)	57,444	56,807
Deferred tax assets, net	65,473	70,141
Other assets	15,780	13,882
Total assets	\$ 2,065,053	\$ 2,061,787
Liabilities		
Deposits:		
Noninterest bearing demand	\$ 432,773	\$ 400,447
Interest bearing:		
Savings, NOW, and money market	877,587	865,103
Time	403,192	419,505
Total deposits	1,713,552	1,685,055
Securities sold under repurchase agreements	32,415	21,036
Other short-term borrowings	20,000	45,000
Junior subordinated debentures	58,378	58,378
Subordinated debt	45,000	45,000
Notes payable and other borrowings	500	500
Other liabilities	9,967	12,655
Total liabilities	1,879,812	1,867,624

Edgar Filing: OLD SECOND BANCORP INC - Form 10-Q

Stockholders' Equity		
Preferred stock	31,553	47,331
Common stock	34,423	34,365
Additional paid-in capital	115,651	115,332
Retained earnings	106,791	100,697
Accumulated other comprehensive loss	(7,211)	(7,713)
Treasury stock	(95,966)	(95,849)
Total stockholders' equity	185,241	194,163
Total liabilities and stockholders' equity	\$ 2,065,053	\$ 2,061,787

	June 30, 2015		December 31, 2014	
	Preferred Stock	Common Stock	Preferred Stock	Common Stock
	\$ 1	\$ 1	\$ 1	\$ 1
Par value				
Liquidation value	1,000	n/a	1,000	n/a
Shares authorized	300,000	60,000,000	300,000	60,000,000
Shares issued	31,553	34,422,234	47,331	34,364,734
Shares outstanding	31,553	29,478,429	47,331	29,442,508
Treasury shares	-	4,943,805	-	4,922,226

See accompanying notes to consolidated financial statements.

Table of Contents

Old Second Bancorp, Inc. and Subsidiaries

Consolidated Statements of Income

(In thousands, except share data)

	(unaudited) Three Months Ended		(unaudited) Six Months Ended	
	June 30, 2015	2014	June 30, 2015	2014
Interest and dividend income				
Loans, including fees	\$ 13,467	\$ 13,046	\$ 26,685	\$ 25,984
Loans held-for-sale	72	29	115	54
Securities:				
Taxable	3,372	3,352	6,747	6,854
Tax exempt	163	118	304	266
Dividends from Federal Reserve Bank and Federal Home Loan Bank stock	77	78	154	154
Interest bearing deposits with financial institutions	19	20	31	35
Total interest and dividend income	17,170	16,643	34,036	33,347
Interest expense				
Savings, NOW, and money market deposits	183	188	362	387
Time deposits	771	1,210	1,578	2,531
Other short-term borrowings	7	3	16	5
Junior subordinated debentures	1,071	1,388	2,143	2,775
Subordinated debt	202	198	399	394
Notes payable and other borrowings	-	4	4	8
Total interest expense	2,234	2,991	4,502	6,100
Net interest and dividend income	14,936	13,652	29,534	27,247
Loan loss reserve release	(2,300)	(1,000)	(2,300)	(2,000)
Net interest and dividend income after provision for loan losses	17,236	14,652	31,834	29,247
Noninterest income				
Trust income	1,596	1,677	3,082	3,136
Service charges on deposits	1,779	1,796	3,320	3,516
Secondary mortgage fees	281	155	525	267
Mortgage servicing gain, net of changes in fair value	500	64	292	17
Net gain on sales of mortgage loans	1,695	1,038	3,318	1,700
Securities (loss) gain, net	(12)	295	(121)	226
Increase in cash surrender value of bank-owned life insurance	283	366	637	724
Debit card interchange income	1,050	930	2,009	1,760
Other income	1,092	1,160	3,175	2,456
Total noninterest income	8,264	7,481	16,237	13,802
Noninterest expense				
Salaries and employee benefits	9,149	9,183	18,404	18,284
Occupancy expense, net	1,094	1,185	2,365	2,666
Furniture and equipment expense	1,065	984	2,066	1,967

Edgar Filing: OLD SECOND BANCORP INC - Form 10-Q

FDIC insurance	377	627	650	906
General bank insurance	310	343	667	832
Amortization of core deposit	-	511	-	1,023
Advertising expense	353	459	558	762
Debit card interchange expense	400	412	752	790
Legal fees	420	409	643	666
Other real estate expense, net	2,388	1,650	3,740	2,658
Other expense	3,371	3,289	6,235	6,014
Total noninterest expense	18,927	19,052	36,080	36,568
Income before income taxes	6,573	3,081	11,991	6,481
Provision for income taxes	2,444			