

OLD SECOND BANCORP INC  
Form 10-Q  
November 08, 2006

## 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 September 30, 2006

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

## OLD SECOND BANCORP, INC.

(Exact name of Registrant as specified in its charter)

**Delaware**

(State or other jurisdiction  
of incorporation or organization)

**36-3143493**

(I.R.S. Employer Identification Number)

**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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

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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 November 3, 2006, the Registrant had outstanding 13,126,798 shares of common stock, \$1.00 par value per share.

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**OLD SECOND BANCORP, INC.**

**Form 10-Q Quarterly Report**

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**PART I - FINANCIAL INFORMATION****Item 1. Financial Statements****Old Second Bancorp, Inc. and Subsidiaries****Consolidated Balance Sheets***(In thousands, except share data)*

	(Unaudited) September 30, 2006	December 31, 2005
<b>Assets</b>		
Cash and due from banks	\$ 58,758	\$ 65,010
Interest bearing deposits with banks	117	105
Cash and cash equivalents	58,875	65,115
Securities available for sale	445,437	470,431
Federal Home Loan Bank and Federal Reserve Bank Stock	8,783	8,418
Loans held for sale	5,509	11,397
Loans	1,785,406	1,704,382
Allowance for loan losses	16,344	15,329
Net loans	1,769,062	1,689,053
Premises and equipment, net	45,736	42,485
Other real estate owned	83	251
Mortgage servicing rights	2,900	2,271
Goodwill	2,130	2,130
Core deposit intangible assets, net	89	355
Bank owned life insurance	43,071	41,627
Accrued interest and other assets	30,989	34,297
Total assets	\$ 2,412,664	\$ 2,367,830
<b>Liabilities</b>		
Deposits:		
Demand	\$ 258,403	\$ 264,124
Savings, NOW, and money market	813,641	795,028
Time	945,787	876,126
Total deposits	2,017,831	1,935,278
Securities sold under repurchase agreements	42,506	57,625
Other short-term borrowings	133,724	171,825
Junior subordinated debentures	31,625	31,625
Note payable	13,375	3,200
Accrued interest and other liabilities	19,049	16,015
Total liabilities	2,258,110	2,215,568
<b>Stockholders Equity</b>		
Preferred stock, no par value; authorized 300,000 shares; none issued		
Common stock, \$1.00 par value; authorized 20,000,000 shares; issued 16,634,026 in 2006 and 16,592,301 in 2005; outstanding 13,166,798 in 2006 and 13,520,073 in 2005	16,634	16,592
Additional paid-in capital	14,758	13,746
Retained earnings	188,768	176,824
Accumulated other comprehensive loss	(3,310)	(4,562)
Treasury stock, at cost, 3,467,228 in 2006 and 3,072,228 in 2005	(62,296)	(50,338)
Total stockholders equity	154,554	152,262
Total liabilities and stockholders equity	\$ 2,412,664	\$ 2,367,830

See accompanying notes to unaudited consolidated financial statements.

## Old Second Bancorp, Inc. and Subsidiaries

## Consolidated Statements of Income

*(In thousands, except share data. Unaudited)*

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
<b>Interest and Dividend Income</b>				
Loans, including fees	\$ 31,867	\$ 26,413	\$ 91,544	\$ 74,373
Loans held for sale	127	185	353	547
Securities:				
Taxable	3,167	3,193	9,518	8,785
Tax-exempt	1,258	1,266	3,749	3,597
Federal funds sold	2	4	5	7
Interest bearing deposits with banks	1	1	3	2
Total interest and dividend income	36,422	31,062	105,172	87,311
<b>Interest Expense</b>				
Savings, NOW, and money market deposits	5,031	3,276	12,861	8,227
Time deposits	10,523	6,760	29,480	18,392
Repurchase agreements	517	390	1,511	897
Other short-term borrowings	2,289	1,135	5,702	2,920
Junior subordinated debentures	617	617	1,850	1,831
Note payable	146	35	244	85
Total interest expense	19,123	12,213	51,648	32,352
Net interest income	17,299	18,849	53,524	54,959
Provision for loan losses	400	450	1,244	813
Net interest income after provision for loan losses	16,899	18,399	52,280	54,146
<b>Noninterest Income</b>				
Trust income	1,707	1,580	5,494	4,858
Service charges on deposits	2,146	2,194	6,149	6,103
Gain on sale of loans	849	1,531	2,755	4,359
Secondary mortgage fees	201	288	513	759
Mortgage servicing income	133	62	348	112
Securities gains (losses), net			418	(5)
Increase in cash surrender value of bank owned life insurance	483	218	1,444	652
Other income	1,355	1,501	4,193	4,113
Total noninterest income	6,874	7,374	21,314	20,951
<b>Noninterest Expense</b>				
Salaries and employee benefits	9,193	8,780	27,293	26,880
Loss on settlement of benefit obligation	1,001		1,358	
Occupancy expense, net	1,179	1,015	3,369	2,609
Furniture and equipment expense	1,418	1,378	3,958	3,827
Amortization of core deposit intangible assets	89	88	266	266
Advertising expense	485	473	1,461	1,311
Other expense	3,812	3,316	11,267	10,566
Total noninterest expense	17,177	15,050	48,972	45,459
Income before income taxes	6,596	10,723	24,622	29,638
Provision for income taxes	1,648	3,541	7,203	9,697
Net income	\$ 4,948	\$ 7,182	\$ 17,419	\$ 19,941
<b>Share and per share information:</b>				
Ending number of shares	13,166,798	13,497,889	13,166,798	13,497,889
Average number of shares	13,279,824	13,497,889	13,443,668	13,482,340

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Diluted average number of shares	13,451,345	13,690,895	13,619,125	13,675,603
Basic earnings per share	\$ 0.37	\$ 0.53	\$ 1.30	\$ 1.48
Diluted earnings per share	\$			