

OLD SECOND BANCORP, INC.
AUDIT COMMITTEE CHARTER
2003
(Ratified 10-19-2004)

I. Organization

This charter governs the operations of the Audit Committee (the "Committee"). The Committee shall review and reassess this charter at least annually and present it for the approval of the Board of Directors. The Committee shall be appointed by the Board of Directors and shall comprise of at least three directors, each of whom shall be an independent, non-employee director, free from any relationship that would interfere with the exercise of his or her independent judgment. Additionally, each Committee member shall be independent as defined by the rules and regulations of the Securities and Exchange Commission (the "SEC"), the Nasdaq Stock Market (or by the rules and regulations of any other exchange or national market on which the Company's common stock is quoted or listed for trading) and any other body with regulatory authority over the Company. All members of the Committee shall have a basic understanding of finance and accounting and be able to read and understand financial statements. The Committee shall determine whether a member of the Committee possesses financial management expertise sufficient to qualify as an "audit committee "financial expert" as defined by the rules and regulations of the SEC.

The Board of Directors shall appoint the members of the Committee. If a Committee Chair is not designated or present, the members of the Committee may designate a Chair by majority vote of the Committee membership.

II. Committee's Purpose

The Committee shall provide assistance to the Board of Directors (the "Board") in fulfilling their oversight responsibility to the stockholders, the investment community, and others relating to:

- a. The integrity of the Company's financial statements and financial reporting process;
- b. The systems of internal accounting and financial controls;
- c. The qualifications, independence and performance of the Company's independent auditors;
- d. The Company's compliance with ethical policies and legal and regulatory requirements; and
- e. The performance of the Company's internal audit function.

In doing so, it is the responsibility of the Committee to maintain free and open communication between the Committee, independent auditors, the internal auditors and management of the Company. In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Company and the power to retain outside counsel, or other experts for this purpose.

III. Meetings

The Committee shall meet at least once quarterly, or more frequently as circumstances dictate. As part of its job to foster open communication, the Committee shall meet at least annually with management, the internal auditors and the independent accountants in separate executive sessions to discuss any matters that the Committee or each of these groups believes should be discussed privately. In addition, the Committee, or the Chairman of the Committee, shall meet with the independent accountants and management quarterly to review the Company's financial statements.

IV. Committee's Duties, Responsibilities and Processes

The primary responsibility of the Committee is to oversee the Company's financial reporting process on behalf of the Board and report the results of their activities to the Board. Management is responsible for the preparation, presentation, and integrity of the Company's financial statements, and for the appropriateness of the accounting principals and reporting policies that are used by the Company. The independent auditors are responsible for auditing the Company's financial statements and for reviewing the Company's unaudited interim financial statements.

The Committee, in carrying out its responsibilities, believes its policies and procedures should remain flexible in order to best react to changing conditions and circumstances. The Committee should take the appropriate actions to set the overall corporate “tone” for quality financial reporting, sound business risk practices, and ethical behavior. The following shall be the principal duties and responsibilities of the Committee. These are set forth as a guide with the understanding that the Committee may supplement them as appropriate.

The following shall be the principal recurring processes of the Committee in carrying out its oversight responsibilities. The processes are set forth as a guide with the understanding that the Committee may supplement them as appropriate:

A. Financial Statement and Disclosure Matters

1. Prepare the report required by the rules of the SEC to be included in the Company’s annual proxy statement.
2. Discuss the interim financial statements, including footnotes and Management’s Discussion and Analysis of Financial Condition and Results of Operations, with management and the independent auditors prior to the filing of the Company’s Quarterly Report on Form 10-Q. Also, the Committee shall review the results of the quarterly review and any other matters required to be communicated to the Committee by the independent auditors under generally accepted auditing standards. The Chair of the Committee or designee may represent the entire Committee for the purposes of this review.
3. Review with management and the independent auditors the financial statements and disclosures under Management’s Discussion and Analysis of Financial Condition and Results of Operations to be included in the Company’s Annual Report on Form 10-K, including their judgment about the quality, not just the acceptability, of accounting principles, the reasonableness of significant judgments, and the clarity of the disclosures in the financial statements. Also, the Committee shall discuss the results of the annual audit and any other matters required to be communicated to the Committee by the independent auditors under general accepted auditing standards.
4. Receive and review regular reports from the independent auditor on the critical policies and practices of the Company, and all alternative treatments of financial information within generally accepted accounting principals that have been discussed with management.
5. Discuss with management and the independent auditor significant financial reporting issues and judgments made in connection with the preparation of the Company’s financial statements, including any significant changes in the Company’s selection or application of accounting principles, any major issues as to the adequacy of the Company’s internal controls and any special steps adopted in light of material control deficiencies.
6. Review and discuss with management and the independent auditor press releases regarding the reporting of financial results, as well as financial information and earnings guidance provided to analysts and rating agencies.

B. Oversight of the Company’s Relationship with the Independent Auditor

1. The Committee shall be directly responsible for the appointment and termination, fees and compensation, and oversight of the work of the independent auditors, including resolution of disagreements between management and the auditor regarding financial reporting. The independent auditors shall report directly to the Committee.
2. The Committee shall approve all services to be provided to the Company by the independent auditors, including the pre-approval of (a) certain auditing services, including the scope of the annual audit, and (b) any significant audit-related or non-audit services to be performed for the Company by the

independent auditor, subject to the requirements of applicable law or regulation. The Committee may delegate the authority to grant such pre-approvals to one or more Committee members designated by the Committee, provided that any matters so pre-approved shall be presented to the full Committee at its next regular meeting. The Committee has adopted an Audit and Non-Audit Services Pre-approval Policy that defines the approval process for services to be performed by the independent auditors.

3. Obtain and review a written report from the independent auditor at least annually regarding (a) their internal quality control procedures, (b) any material issues raised by their most recent internal quality control review, peer review or any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more of their independent audits, and any steps taken to deal with any such issues, (c) all relationships between the independent auditors and the Company (to assess the independence of the independent auditors), together with any other matters required to be included by Independence Standards Board No. 1, "Independence Discussions with Audit Committees", and (d) the nature and scope of any disclosed relationships or professional services.
4. Review and evaluate the lead partner of the independent auditor team. The Committee shall ensure the rotation of (a) the lead audit partner having primary responsibility for the audit, (b) the audit partner responsible for reviewing the audit and (c) any other audit personnel as required by laws, regulations and rules.
5. Establish policies for the Company's hiring of employees or former employees of its independent auditors in accordance with applicable laws and regulations.
6. Discuss with the internal auditors and the independent auditors the overall scope and plans for their respective audits including the adequacy of staffing and compensation. Also, the Committee shall discuss with management, the internal auditors, and the independent auditors the adequacy and effectiveness of the accounting and financial controls, including the Company's policies and procedures to assess, monitor, and manage business risk, and legal and ethical compliance programs.
7. The Committee shall review with the independent auditor any audit problems or difficulties and management's response.

C. Oversight of the Company's Internal Audit Function

1. Discuss with management the Company's internal auditing responsibilities, budget and staffing and any recommended changes in the planned scope of the audit.
2. Review reports to management prepared by the internal audit department.
3. Review appointment and replacement of the Director of Internal Audit.

D. Other

1. Establish procedures for the receipt, retention, and treatment of complaints received by the issuer regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of the Company and its subsidiaries of concerns regarding questionable accounting or auditing matters.
2. The Committee shall receive corporate attorneys' reports of evidence of a material violation of securities laws or breaches of fiduciary duty.
3. The Committee shall perform an evaluation of its performance at least annually to determine whether it is functioning effectively.
4. Perform any other activities consistent with this Charter, the Company's Bylaws and the rules and regulations of the SEC, the Nasdaq Stock Market or any other exchange or national market on which the Company's common stock is quoted or listed for trading, as the Committee or the Board of

Directors deem necessary or appropriate.