

FOR IMMEDIATE RELEASE

OSAGE BANCSHARES, INC.
ANNOUNCES EARNINGS,
QUARTERLY DIVIDEND

October 26, 2011

Pawhuska, OK

Mark S. White, President and Chief Executive Officer of Osage Bancshares, Inc. (OTC Bulletin Board: OSBK.OB) (the “Company”) and its subsidiary Osage Federal Bank, today announced that the Company recorded net income for the quarter ended September 30, 2011 of \$288,000 (\$0.12 per diluted share), compared to \$313,000 (\$0.14 per diluted share) in the same period of 2010. During the quarter ended September 30, 2010, the Company recorded a pre-tax charge of \$128,000 (\$.03 per diluted share) related to other-than-temporary impairment (OTTI) on held-to-maturity private label securities. These charges have to do with estimated credit losses on these securities. Excluding these charges, net income in the prior year quarter would have been \$392,000. There were no OTTI charges in the quarter ended September 30, 2011.

The annualized return on assets for the quarter was 0.73%, with an annualized return on equity of 4.67%, compared to 0.78% and 5.16%, respectively, for the quarter ended September 30, 2010. Excluding the credit losses, the annualized return on assets in the previous year quarter would have been 0.98% and the annualized return on equity would have been 6.47%.

Net interest income for the current quarter was \$1.2 million, a \$28,000 decrease from the same quarter last year. The net interest margin for the quarter was 3.23% compared to 3.26% in the prior year quarter. While loan yields for the current quarter decreased slightly, from 6.50% to 6.43%, the favorable decrease in average deposit rates (from 1.57% in last year’s quarter to 1.21% in the current quarter) almost entirely offset the loan yield decrease.

We took a \$15,000 provision for loan losses during the current quarter, in order to increase our ratio of allowance for loan losses to loans. There was no provision expense in the same quarter last year.

Noninterest income for the current quarter was \$298,000, a \$42,000 decrease from the same quarter last year. Gains on loan sales to the secondary market accounted for \$39,000 of this decrease, because of lower volumes of loans sold. Service charges, including overdraft and return check fees, decreased \$14,000 from the previous year quarter, while fees from debit card transactions rose \$11,000 during the same time period. We continue to see increases in these fees as consumers expand their usage of debit cards.

Noninterest expense for the quarter ended September 30, 2011 was \$1.1 million, a decrease of \$60,000 from the same quarter last year. Excluding the \$128,000 OTTI impairment charge in the previous year quarter, noninterest expense increased \$68,000. Salaries and benefits increased \$33,000, due to higher annual bonus costs. Expenses on real estate owned increased \$28,000, primarily because of high carrying costs on a commercial real estate property.

Total assets increased \$4.3 million from June 30, 2011, and as of September 30, 2011 were \$159.4 million, reflecting a \$4.2 million increase in cash and cash equivalents. Loans were up slightly, about \$240,000, and investment securities, including both held-to-maturity and available-for-sale, decreased \$514,000 from June 30, 2011. Deposits increased \$2.9 million, including a \$3.4 million increase in transaction accounts. We have been reducing rates paid on deposits to more closely reflect current market conditions. As a result of these rates changes, our overall deposit costs for the quarter ended September 30, 2011 are 1.21%, a decrease of 8 basis points from the quarter ended June 30, 2011. Stockholders' equity decreased \$53,000 from June 30, 2011. The three major changes affecting stockholders' equity were our net income of \$288,000, less net dividends paid of \$209,000, less share repurchases totaling \$176,000.

The Company's asset quality ratios continue to be strong. The Company had \$853,000 of non-performing loans at September 30, 2011. The allowance for loan losses at September 30, 2011 was \$589,000, and represented .66% of total loans. Net loan charge-offs for the quarter ended September 30, 2011 were \$1,300, compared to net recoveries of \$1,000 in 2010.

The Company also announced that its Board of Directors had declared a quarterly cash dividend of \$.085 per share, payable November 22, 2011 to stockholders of record as of November 8, 2011. It is the Board of Directors' current intention to pay dividends quarterly. The payment of future dividends, however, will be subject to the financial condition, earnings and capital requirements of the Company and the Bank. Osage Bancshares, Inc., through its subsidiary Osage Federal Bank, operates three offices and three automated teller machines in Osage and Washington Counties, Oklahoma. The Company's stock is traded on the Over the Counter Bulletin Board under the symbol OSBK.OB.

Statements contained in this news release which are not historical facts are forward-looking statements as the term is defined in the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties which could cause actual results to differ materially from those currently anticipated due to a number of factors, which include, but are not limited to, changes in economic conditions in our market area, regulatory changes, interest rate changes, and competition.

A consolidated financial summary follows.

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OSAGE BANCSHARES, INC.
FINANCIAL HIGHLIGHTS
(Dollars in thousands, except per share data)
(unaudited)

	September 30, 2011	As of June 30, 2011
Financial Condition Highlights:		
Total assets	\$ 159,386	\$ 155,098
Loans	88,600	88,359
Total investment securities	41,846	42,361
Foreclosed assets	724	784
Deposits	112,634	109,763
Advances with Federal Home Loan Bank	18,153	19,194
Stockholders' equity	23,039	23,092
Stockholders' equity per outstanding common share	\$ 9.29	\$ 9.23
Selected Asset Quality Ratios:		
Nonperforming loans to total loans	0.96 %	1.08 %
Nonperforming assets to total assets	0.99	1.12
Allowance for loan losses to total loans	0.66	0.65
Nonperforming assets to stockholders' equity	6.85	7.55
	Three months ended September 30,	
	2011	2010
Operating Highlights:		
Net interest income	\$ 1,219	\$ 1,247
Provision for loan losses	15	-
Noninterest income	298	340
Noninterest expense	1,051	1,111
Noninterest expense excluding impairment charges on investment securities	1,051	983
Income before income taxes	451	476
Income taxes	163	163
Net income	\$ 288	\$ 313
Net income per share (diluted)	\$ 0.12	\$ 0.14
Return on assets	0.73 %	0.78 %
Return on stockholders' equity	4.67	5.16