

Ottawa Savings Bancorp, Inc.  
Form 10-Q  
August 13, 2010  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**FORM 10-Q**

(mark one)

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

For the quarterly period ended June 30, 2010

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 000-51367

**OTTAWA SAVINGS BANCORP, INC.**

(Exact name of registrant as specified in its charter)

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**United States**  
(State or other jurisdiction of  
incorporation or organization)

**20-3074627**  
(I.R.S. Employer

Identification Number)

**925 LaSalle Street**

**Ottawa, Illinois 61350**

(Address of principal executive offices)

**(815) 433-2525**

(Registrant's telephone number, including area code)

**Not Applicable**

(Former name, former address and former fiscal year, if changed since last report)

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 (Section 232.405 of this chapter) 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 the 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 Exchange 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 Rule 12b-2 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

**Class**  
Common Stock, \$0.01 par value

**Outstanding as of August 12, 2010**  
2,121,045

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**OTTAWA SAVINGS BANCORP, INC.**

**FORM 10-Q**

**For the quarterly period ended June 30, 2010**

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## ITEM 1 FINANCIAL STATEMENTS

**OTTAWA SAVINGS BANCORP, INC.****Consolidated Balance Sheets****June 30, 2010 and December 31, 2009**

(Unaudited)

|   | <b>June 30,<br/>2010</b> | <b>December 31,<br/>2009</b> |
|---|--------------------------|------------------------------|
| <b>Assets</b>   |                          |                              |
| Cash and due from banks   | \$ 2,042,551             | \$ 1,858,421                 |
| Interest bearing deposits   | 3,346,427                | 1,114,371                    |
| <b>Total cash and cash equivalents</b>  | <b>5,388,978</b>         | <b>2,972,792</b>             |
| Federal funds sold  | 1,574,000                | 3,917,000                    |
| Securities held to maturity (fair value of \$21 and \$723,413 at June 30, 2010 and December 31, 2009, respectively)         | 19                       | 721,101                      |
| Securities available for sale   | 35,271,563               | 27,118,824                   |
| Non-marketable equity securities  | 2,534,952                | 2,534,952                    |
| Loans, net of allowance for loan losses of \$3,977,380 and \$3,514,704 at June 30, 2010 and December 31, 2009, respectively | 141,736,953              | 148,700,290                  |
| Premises and equipment, net   | 7,163,118                | 7,282,235                    |
| Accrued interest receivable   | 909,959                  | 889,562                      |
| Foreclosed real estate  | 1,201,502                | 832,809                      |
| Deferred tax asset  | 2,118,879                | 1,901,837                    |
| Cash value of life insurance  | 1,503,597                | 1,489,657                    |
| Prepaid FDIC premiums   | 843,983                  | 1,013,083                    |
| Other assets  | 1,192,466                | 1,322,757                    |
| <b>Total assets</b>   | <b>\$ 201,439,969</b>    | <b>\$ 200,696,899</b>        |
| <b>Liabilities and Stockholders Equity</b>  |                          |                              |
| <b>Liabilities</b>  |                          |                              |
| Deposits:   |                          |                              |
| Non-interest bearing  | \$ 3,199,879             | \$ 3,141,577                 |
| Interest bearing  | 173,354,180              | 172,867,675                  |
| <b>Total deposits</b>   | <b>176,554,059</b>       | <b>176,009,252</b>           |
| Accrued interest payable  | 88,063                   | 144,246                      |
| Other liabilities   | 2,268,482                | 2,268,085                    |
| <b>Total liabilities</b>  | <b>178,910,604</b>       | <b>178,421,583</b>           |
| <b>Commitments and contingencies</b>  |                          |                              |
| Redeemable common stock held by ESOP plan   | 205,616                  | 227,906                      |
| <b>Stockholders Equity</b>  |                          |                              |
| Common stock, \$.01 par value, 12,000,000 shares authorized; 2,224,911 shares issued  | 22,249                   | 22,249                       |

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|  |                |                |
|--|----------------|----------------|
| Additional paid-in-capital                       | 8,744,046      | 8,726,277      |
| Retained earnings                                | 14,998,061     | 15,045,706     |
| Unallocated ESOP shares                          | (483,322)      | (508,760)      |
| Unearned management recognition plan shares      | (232,771)      | (267,336)      |
| Accumulated other comprehensive income           | 678,089        | 454,167        |
|  | 23,726,352     | 23,472,303     |
| Less:  |                |                |
| Treasury shares, at cost, 103,866 shares         | (1,196,987)    | (1,196,987)    |
| Maximum cash obligation related to ESOP shares   | (205,616)      | (227,906)      |
| <b>Total stockholders equity</b>                 | 22,323,749     | 22,047,410     |
| <b>Total liabilities and stockholders equity</b> | \$ 201,439,969 | \$ 200,696,899 |

See accompanying notes to these unaudited consolidated financial statements.

**Table of Contents****OTTAWA SAVINGS BANCORP, INC.****Consolidated Statements of Operations****Three and Six Months Ended June 30, 2010 and 2009**

(Unaudited)

|   | Three Months Ended |                  | Six Months Ended |                  |
|---|--------------------|------------------|------------------|------------------|
|   | June 30,           |                  | June 30,         |                  |
|   | 2010               | 2009             | 2010             | 2009             |
| <b>Interest and dividend income:</b>                          |                    |                  |                  |                  |
| Interest and fees on loans                                    | \$ 2,190,749       | \$ 2,384,731     | \$ 4,376,162     | \$ 4,783,025     |
| <b>Securities:</b>  |                    |                  |                  |                  |
| Mortgage-backed and related securities                        | 230,030            | 254,157          | 479,705          | 534,650          |
| U.S. agency securities  | 79,343             | 76,754           | 139,150          | 163,592          |
| Interest-bearing deposits                                     | 2,035              | 797              | 4,550            | 1,217            |
| <b>Total interest and dividend income</b>                     | <b>2,502,157</b>   | <b>2,716,439</b> | <b>4,999,567</b> | <b>5,482,484</b> |
| <b>Interest expense:</b>                                      |                    |                  |                  |                  |
| Deposits  | 872,880            | 1,257,484        | 1,813,069        | 2,563,165        |
| Other borrowings  |                    | 10               |                  | 5,943            |
| <b>Total interest expense</b>                                 | <b>872,880</b>     | <b>1,257,494</b> | <b>1,813,069</b> | <b>2,569,108</b> |
| <b>Net interest income</b>                                    | <b>1,629,277</b>   | <b>1,458,945</b> | <b>3,186,498</b> | <b>2,913,376</b> |
| Provision for loan losses                                     | 833,074            | 676,605          | 1,080,574        | 938,598          |
| <b>Net interest income after provision for loan losses</b>    | <b>796,203</b>     | <b>782,340</b>   | <b>2,105,924</b> | <b>1,974,778</b> |
| <b>Other income:</b>  |                    |                  |                  |                  |
| (Loss) gain on sale of securities                             | (1,984)            | 22,480           | (422)            | 22,480           |
| Gain on sale of loans   | 12,370             | 80,564           | 21,102           | 136,669          |
| Origination of mortgage servicing rights, net of amortization | 2,324              | 33,932           | 3,687            | 52,157           |
| Customer service fees   | 65,142             | 72,270           | 131,805          | 135,211          |
| Income on bank owned life insurance                           | 8,071              | 5,428            | 13,940           | 10,464           |
| Other   | 14,027             | 8,002            | 26,462           | 18,951           |
| <b>Total other income</b>                                     | <b>99,950</b>      | <b>222,676</b>   | <b>196,574</b>   | <b>375,932</b>   |
| <b>Other expenses:</b>  |                    |                  |                  |                  |
| Salaries and employee benefits                                | 705,540            | 472,983          | 1,137,261        | 941,016          |
| Directors fees  | 21,009             | 21,033           | 42,018           | 42,065           |
| Occupancy   | 125,481            | 120,248          | 251,099          | 247,696          |
| Deposit insurance premium                                     | 111,410            | 174,341          | 183,594          | 300,043          |
| Legal and professional services                               | 81,953             | 47,876           | 143,461          | 95,608           |
| Data processing   | 74,100             | 67,265           | 142,666          | 135,683          |
| Foreclosed real estate  | 44,147             | 84,284           | 67,669           | 152,373          |
| (Gain) loss on sale of foreclosed real estate                 | (33,751)           |                  | 20,311           |                  |
| Loss on sale of repossessed assets                            | 2,007              | 8,477            | 2,200            | 13,930           |
| Other   | 149,749            | 162,658          | 264,083          | 293,812          |

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|  |              |              |           |           |
|--|--------------|--------------|-----------|-----------|
| <b>Total other expenses</b>              | 1,281,645    | 1,159,165    | 2,254,362 | 2,222,226 |
| <b>Income (loss) before income taxes</b> | (385,492)    | (154,149)    | 48,136    | 128,484   |
| Income tax expense (benefit)             | (146,701)    | (51,701)     | 11,489    | 51,248    |
| <b>Net (loss) income</b>                 | \$ (238,791) | \$ (102,448) | \$ 36,647 | \$ 77,236 |
| <b>Basic (loss) earnings per share</b>   | \$ (0.12)    | \$ (0.05)    | \$ 0.02   | \$ 0.04   |
| <b>Diluted (loss) earnings per share</b> | \$ (0.12)    | \$ (0.05)    | \$        |           |