

Ottawa Savings Bancorp, Inc.  
Form 10-Q  
May 11, 2009  
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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 March 31, 2009

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):

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Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Smaller Reporting Company

(Do not check if a 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:

<b>Class</b>	<b>Outstanding as of May 11, 2009</b>
Common Stock, \$0.01 par value	2,123,017

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**OTTAWA SAVINGS BANCORP, INC.**

**FORM 10-Q**

**For the quarterly period ended March 31, 2009**

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**Table of Contents****OTTAWA SAVINGS BANCORP, INC.****Consolidated Balance Sheets****March 31, 2009 and December 31, 2008**

(Unaudited)

	<b>March 31, 2009</b>	<b>December 31, 2008</b>
<b>Assets</b>		
Cash and due from banks	\$ 1,802,925	\$ 1,432,594
Interest bearing deposits	920,884	1,664,148
<b>Total cash and cash equivalents</b>	<b>2,723,809</b>	<b>3,096,742</b>
Securities held to maturity (fair value of \$805,716 and \$821,840 at March 31, 2009 and December 31, 2008, respectively)	813,188	839,236
Securities available for sale	28,720,549	30,582,039
Non-marketable equity securities	2,534,952	2,534,952
Loans, net of allowance for loan losses of \$1,072,696 and \$1,604,731 at March 31, 2009 and December 31, 2008, respectively)	154,936,701	156,444,223
Loans held for sale	434,051	
Premises and equipment, net	7,445,213	7,503,726
Accrued interest receivable	936,377	981,330
Mortgage servicing rights	125,500	107,274
Foreclosed real estate	405,905	95,000
Deferred tax asset	981,620	1,182,387
Cash value of life insurance	1,470,789	1,465,753
Other assets	1,048,657	1,081,825
<b>Total assets</b>	<b>\$ 202,577,311</b>	<b>\$ 205,914,487</b>
<b>Liabilities and Stockholders Equity</b>		
<b>Liabilities</b>		
Deposits:		
Non-interest bearing	\$ 2,606,444	\$ 2,295,792
Interest bearing	174,924,366	172,934,309
<b>Total deposits</b>	<b>177,530,810</b>	<b>175,230,101</b>
Accrued interest payable	235,687	204,425
FHLB Advances		6,300,000
Other liabilities	2,457,918	2,180,283
<b>Total liabilities</b>	<b>180,224,415</b>	<b>183,914,809</b>
Commitments and contingencies		
Redeemable common stock held by ESOP plan	182,718	171,270
<b>Stockholders Equity</b>		
Common Stock, \$.01 par value 12,000,000 shares authorized; 2,224,911 shares issued	22,249	22,249
Additional paid-in-capital	8,680,657	8,673,250
Retained earnings	15,114,438	14,976,595
Unallocated ESOP shares	(546,917)	(559,636)

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Unearned MRP shares	(345,672)	(379,199)
Accumulated other comprehensive income	606,394	444,672
	23,531,149	23,177,931
Less:		
Treasury Shares at cost; 101,894 shares	(1,178,253)	(1,178,253)
Maximum cash obligation related to ESOP shares	(182,718)	(171,270)
<b>Total Stockholders Equity</b>	22,170,178	21,828,408
<b>Total liabilities and stockholders equity</b>	\$ 202,577,311	\$ 205,914,487

See accompanying notes to these unaudited consolidated financial statements.

**Table of Contents****OTTAWA SAVINGS BANCORP, INC.****Consolidated Statements of Income****Three Months Ended March 31, 2009 and 2008**

(Unaudited)

	<b>2009</b>	<b>2008</b>
Interest and dividend income:		
Interest and fees on loans	\$ 2,398,294	\$ 2,545,798
Securities:		
Mortgage-backed and related securities	280,493	242,195
U.S. agency securities	86,838	78,724
Interest-bearing deposits	420	48,938
<b>Total interest and dividend income</b>	<b>2,766,045</b>	<b>2,915,655</b>
Interest expense:		
Deposits	1,305,681	1,867,679
Other Borrowings	5,932	
<b>Total interest expense</b>	<b>1,311,613</b>	<b>1,867,679</b>
<b>Net interest income</b>	<b>1,454,432</b>	<b>1,047,976</b>
Provision for loan losses	261,993	(17,578)
<b>Net interest income after provision for loan losses</b>	<b>1,192,439</b>	<b>1,065,554</b>
Other income:		
Gain on sale of securities available for sale		4,659
Gain on sale of loans	56,105	10,825
Origination of mortgage servicing rights, net of amortization	18,226	3,753
Customer service fees	62,942	57,962
Income on bank owned life insurance	5,036	16,042
Other	10,949	18,845
<b>Total other income</b>	<b>153,258</b>	<b>112,086</b>
Other expenses:		
Salaries and employee benefits	468,033	418,140
Directors fees	21,033	21,079
Occupancy	127,448	118,264
Deposit insurance premium	125,702	5,252
Legal and professional services	47,733	73,166
Data processing	68,418	90,659
Foreclosed real estate	68,089	3,408
Loss on sale of foreclosed real estate		8,831
Loss on sale of repossessed assets	5,453	10,157
Other	131,154	123,321
<b>Total other expenses</b>	<b>1,063,063</b>	<b>872,277</b>

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<b>Income before income taxes</b>	282,634	305,363
Income tax expense	102,950	140,170
<b>Net income</b>	<b>\$ 179,684</b>	<b>\$ 165,193</b>
<b>Basic earnings per share</b>	<b>\$ 0.09</b>	<b>\$ 0.08</b>
<b>Diluted earnings per share</b>	<b>\$ 0.09</b>	<b>\$ 0.08</b>
<b>Dividends per share</b>	<b>\$ 0.05</b>	<b>\$ 0.05</b>

See accompanying notes to these unaudited consolidated financial statements.



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**OTTAWA SAVINGS BANCORP, INC.**

**Consolidated Statements of Comprehensive Income**

**Three Months Ended March 31, 2009 and 2008**

(Unaudited)

	2009	2008
Comprehensive income:		
Net income	\$ 179,684	\$ 165,193
Other comprehensive income, net of tax:		
Unrealized gain on securities available for sale arising during period, net of income taxes	161,722	199,564
Less: Reclassification adjustment for gains included in net income, net of tax expense		3,075
Comprehensive income	\$ 341,406	\$ 361,682

See accompanying notes to these unaudited consolidated financial statements.

**Table of Contents****OTTAWA SAVINGS BANCORP, INC.****Consolidated Statements of Cash Flows****Three Months Ended March 31, 2009 and 2008**

(Unaudited)

	2009	2008
<b>Cash Flows from Operating Activities</b>		
Net income	\$ 179,684	\$ 168,601
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	65,255	65,984
Provision for loan losses	261,993	(17,578)
Provision for deferred income taxes	117,456	64,709
Net amortization of premiums and discounts on securities	6,963	2,533
Gain on sale of available for sale securities		(4,659)
Origination of mortgage loans held for sale	(5,098,646)	(1,126,012)
Proceeds from sale of mortgage loans held for sale	4,720,700	958,428
Gain on sale of loans, net	(56,105)	(10,825)
Origination of mortgage servicing rights, net of amortization	(18,226)	(3,753)
Loss on sale of foreclosed real estate		8,831
Loss on sale of repossessed assets	5,453	10,157
ESOP compensation expense	11,935	14,203
MRP compensation expense	33,527	25,695
Compensation expense on RRP options granted	8,191	15,556
Increase in cash surrender value of life insurance	(5,036)	(16,042)
Change in assets and liabilities:		
Decrease in accrued interest receivable	44,953	95,413
Decrease (increase) in other assets	27,756	(9,813)
Increase in accrued interest payable and other liabilities	308,897	133,906
<b>Net cash provided by operating activities</b>	<b>614,750</b>	<b>375,334</b>
<b>Cash Flows from Investing Activities</b>		
Securities available for sale:		
Sales, calls, maturities and paydowns	2,100,115	1,305,145
Securities held to maturity:		
Maturities and paydowns	25,493	29,467
Net decrease (increase) in loans	913,624	(451,406)
Proceeds from sale of foreclosed real estate		15,000
Proceeds from sale of repossessed assets	20,959	59,643
Purchase of premises and equipment	(6,742)	
<b>Net cash provided by investing activities</b>	<b>3,053,449</b>	<b>957,849</b>
<b>Cash Flows from Financing Activities</b>		
Net increase in deposits	2,300,709	2,097,969
Principal reduction of Federal Home Loan Bank advances	(6,300,000)	