

Ottawa Savings Bancorp, Inc.

Form 10-Q

November 14, 2008

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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 September 30, 2008

or

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

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 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 November 14, 2008
 2,124,791

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OTTAWA SAVINGS BANCORP, INC.

FORM 10-Q

For the quarterly period ended September 30, 2008

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Table of Contents**OTTAWA SAVINGS BANCORP, INC.****Consolidated Balance Sheets****September 30, 2008 and December 31, 2007**

(Unaudited)

	September 30, 2008	December 31, 2007
Assets		
Cash and due from banks	\$ 2,394,033	\$ 2,469,629
Interest bearing deposits	2,405,039	5,115,608
Total cash and cash equivalents	4,799,072	7,585,237
Securities held to maturity (fair value of \$860,230 and \$961,861 at September 30, 2008 and December 31, 2007, respectively)	869,679	976,394
Securities available for sale	28,608,193	25,834,721
Non-marketable equity securities	2,534,952	2,534,952
Loans, net of allowance for loan losses of \$530,926 and \$605,450 at September 30, 2008 and December 31, 2007, respectively	157,185,999	157,702,260
Premises and equipment, net	7,559,804	7,755,284
Accrued interest receivable	1,075,242	1,055,328
Mortgage servicing rights	108,523	104,077
Foreclosed real estate		108,159
Deferred tax asset	1,053,119	1,032,798
Cash value of life insurance	1,451,630	1,405,380
Other assets	1,183,396	1,219,086
Total assets	\$ 206,429,609	\$ 207,313,676
Liabilities and Stockholders Equity		
Liabilities		
Deposits:		
Non-interest bearing	\$ 1,946,873	\$ 2,626,967
Interest bearing	180,352,726	180,454,652
Total deposits	182,299,599	183,081,619
Accrued interest payable	374,577	132,746
Other liabilities	1,998,818	2,142,025
Total liabilities	184,672,994	185,356,390
Commitments and contingencies		
Redeemable common stock held by ESOP plan	200,330	171,709
Stockholders Equity		
Common Stock, \$.01 par value 12,000,000 shares authorized; 2,224,911 shares issued	22,249	22,249
Additional paid-in-capital	8,658,160	8,607,615
Retained earnings	15,314,128	14,670,844
Unallocated ESOP shares	(572,355)	(610,512)
Unearned MRP shares	(404,893)	(479,982)
Accumulated other comprehensive loss	(99,984)	(24,928)

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	22,917,305	22,185,286
Less:		
Treasury shares at cost, 100,120 shares at September 30, 2008 and 21,000 shares at December 31, 2007	(1,160,690)	(228,000)
Maximum cash obligation related to ESOP shares	(200,330)	(171,709)
Total Stockholders Equity	21,556,285	21,785,577
Total liabilities and stockholders equity	\$ 206,429,609	\$ 207,313,676

See accompanying notes to these unaudited consolidated financial statements.

Table of Contents**OTTAWA SAVINGS BANCORP, INC.****Consolidated Statements of Income****Three and Nine Months Ended September 30, 2008 and 2007**

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Interest and dividend income:				
Interest and fees on loans	\$ 2,506,505	\$ 2,598,251	\$ 7,574,847	\$ 7,427,938
Securities:				
Mortgage-backed and related securities	284,237	264,942	759,930	806,176
U.S. agency securities	101,686	193,762	253,757	606,493
Dividends on non-marketable equity securities		16,384		58,531
Interest-bearing deposits	11,436	27,829	101,309	212,054
Total interest and dividend income	2,903,864	3,101,168	8,689,843	9,111,192
Interest expense:				
Deposits	1,625,527	1,968,201	5,226,137	5,783,033
Other borrowings	433	8,542	433	8,542
Total interest expense	1,625,960	1,976,743	5,226,570	5,791,575
Net interest income	1,277,904	1,124,425	3,463,273	3,319,617
Provision for loan losses		22,117	33,435	(2,020,503)
Net interest income after provision for loan losses	1,277,904	1,102,308	3,429,838	5,340,120
Other income:				
Gain (loss) on sale of securities available for sale	6,750	(372)	65,629	(261)
Gain on sale of loans	8,620	11,812	48,139	29,075
Origination of mortgage servicing rights, net of amortization	(1,265)	1,314	4,446	661
Gain (loss) on sale of foreclosed real estate	318		(8,350)	
Loss on sale of repossessed assets	(16,655)		(26,812)	
Customer service fees	67,476	65,978	187,443	174,323
Income on bank owned life insurance	15,051		46,250	
Other	8,579	14,003	35,458	28,558
Total other income	88,874	92,735	352,203	232,356
Other expenses:				
Salaries and employee benefits	427,138	424,228	1,296,881	1,254,394
Directors fees	21,078	21,161	63,236	63,482
Occupancy	123,689	119,903	364,370	360,436
Deposit insurance premium	27,924	5,307	38,318	15,977
Legal and professional services	56,823	55,089	194,244	158,304
Data processing	58,459	65,440	216,626	192,892
Other	116,655	135,779	411,195	388,867

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Total other expenses	831,766	826,907	2,584,870	2,434,352
Income before income taxes	535,012	368,136	1,197,171	3,138,124
Income tax expense	189,178	120,064	424,678	1,158,042
Net income	\$ 345,834	\$ 248,072	\$ 772,493	\$ 1,980,082
Basic earnings per share	\$ 0.17	\$ 0.12	\$ 0.38	\$ 0.94
Diluted earnings per share	\$ 0.17	\$ 0.12	\$ 0.37	\$ 0.94
Dividends per share	\$ 0.05	\$ 0.05	\$ 0.15	\$ 0.15

See accompanying notes to these unaudited consolidated financial statements.

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OTTAWA SAVINGS BANCORP, INC.

Consolidated Statements of Comprehensive Income (Loss)

Three and Nine Months Ended September 30, 2008 and 2007

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Comprehensive income (loss):				
Net income	\$ 345,834	\$ 248,072		