



PUBLIC DISCLOSURE

February 13, 2017

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Ottawa Savings Bank FSB
Charter Number 717997

925 LaSalle Street
Ottawa, IL 61350

Office of the Comptroller of the Currency
Peoria Field Office
211 Fulton Street, Suite 604
Peoria, IL 61602

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

The primary factors that support this rating include:

- The majority of the loans originated by Ottawa Savings Bank, F.S.B. (OSB) are to borrowers inside its assessment area (AA).
- The geographic distribution of loans reflects reasonable dispersion throughout the AA, including moderate-income geographies, given the bank's product offerings and local economic conditions.
- OSB's quarterly average loan-to-deposit ratio of 78 percent over the evaluation period is reasonable.
- The distribution of loans to borrowers of different income levels is satisfactory.

SCOPE OF EXAMINATION

We evaluated OSB under the Small Savings Association evaluation procedures, which include a lending test. The lending test evaluates the bank's record of meeting the credit needs of its AA through its lending activities.

- The evaluation period is from the previous CRA evaluation, December 5, 2011, through February 13, 2017.
- The lending test is based on OSB's primary loan products, which are residential home loans. We evaluated loans originated from January 1, 2015, through December 31, 2016, under the lending test and compared them to 2010 census data.
- The bank is located in a Metropolitan Statistical Area (MSA) and is subject to the requirements of the Home Mortgage Disclosure Act (HMDA). We reviewed residential related loans reported under HMDA for the years 2015 and 2016.
- We conducted Data Integrity reviews of the HMDA data by comparing information from the bank's loan application registers to actual loan files. We found the HMDA data for 2015 and 2016 to be accurate and reliable for use in this evaluation.
- OSB has two assessment areas: LaSalle County AA and Grundy County AA. We conducted a full-scope review of the LaSalle County AA. We performed a limited scope review of the Grundy County AA since the volume of deposits and loans is significantly less than the LaSalle County AA.

DESCRIPTION OF INSTITUTION

Ottawa Savings Bank, F.S.B. is a \$230 million savings association headquartered in Ottawa, Illinois. Ottawa is located in the north central portion of Illinois along Interstate 80. OSB is a traditional thrift with one main office and two branches located in Marseilles and Morris, Illinois. OSB acquired the two branches (Marseilles and Morris) since the last CRA evaluation through its merger and acquisition of Twin Oaks Savings Bank on December 31, 2014. All locations are equipped with drive-up facilities. The bank also has four automated teller machines (ATM) located throughout the AA. OSB also has two loan production offices located in Joliet and Peru, Illinois.

There was a change in the bank's corporate structure since the previous CRA evaluation. OSB is a wholly-owned subsidiary of Ottawa Bancorp, Inc., a one-institution holding company. Ottawa Bancorp, Inc. is a majority-owned subsidiary of Ottawa Savings Bank MHC, a stock holding company. Prior to the conversion in October 2016, Ottawa Savings Bank MHC was a mutual holding company. There are no additional subsidiaries. OSB's affiliates do not negatively impact the bank's ability to meet the credit needs of the community.

OSB offers a full range of deposit and loan products and services. There are no financial, legal, or other factors impeding the bank's ability to help meet the credit needs of the bank's AA. OSB's previous CRA rating was "Satisfactory Record of Meeting Community Credit Needs" as detailed in the December 5, 2011, Performance Evaluation. OSB maintains its business strategy of a traditional thrift through soliciting deposits; originating mortgage, small business, and consumer loans; and providing financial services to the local community.

OSB's primary lending product is residential real estate loans. This lending category accounts for 74 percent of loans originated and purchased from January 1, 2015, to December 31, 2016. We used this lending product for the analysis of this evaluation. Commercial and consumer lending are not primary loan products, accounting for the remaining 26 percent of the loans originated and purchased during this period.

Table 1 - Loan Originations by Loan Type from January 1, 2015 through December 31, 2016				
Loan Category	Dollars (000s)	% of Dollars	Number of Loans	% of Number of Loans
Residential Loans	\$71,293	74%	486	55%
Commercial Loans	\$22,241	23%	148	17%
Consumer Loans	\$ 3,280	3%	246	28%
Other Loans	\$ 8	0%	2	0%
Total Originations	\$96,822	100%	882	100%

Source: Bank records from January 1, 2015 to December 31, 2016

As of December 31, 2016, OSB reported total loans of \$163 million and had a net loans and leases to total assets ratio of 70 percent. The loan portfolio composition is as follows:

Table 2 - Loan Portfolio Summary by Loan Product As of December 31, 2016		
Loan Category	Dollars Outstanding (000s)	% of Outstanding Dollars
Residential Loans	\$111,075	68%
Commercial Loans	\$ 37,490	23%
Consumer Loans	\$ 14,574	9%
Total Loans	\$163,139	100%

Source: Call Report dated December 31, 2016

DESCRIPTION OF ASSESSMENT AREAS

OSB's assessment areas meet the requirements of the regulation and do not arbitrarily exclude any low- or moderate-income geographies. OSB has two assessment areas: LaSalle County AA and Grundy County AA.

LaSalle County AA

LaSalle County is not located in a MSA. The LaSalle County AA consists of 16 census tracts in the central and southern portions of the county. Five CTs are designated upper-income, while the remaining eleven CTs are designated middle-income. There are no moderate- or low-income CTs. OSB ranks sixth in deposit market share of the twenty-three financial institutions in LaSalle County according to the FDIC Market Share Report dated June 30, 2016.

The local economic condition is stable. According to the Illinois Department of Employment Security, the December 2016 unemployment rate for LaSalle County was 6.9 percent. The December 2016 unemployment rate for the State of Illinois was 5.6 percent and 4.5 percent for the U.S. Unemployment is higher than both the state and national averages. Major employers include retail distribution centers, local hospitals and healthcare facilities, manufacturers, and local school districts.

A community contact from the LaSalle County AA indicated the primary credit needs of the AA are affordable rental housing and economic development opportunities. Overall, the contact felt the local financial institutions met the credit needs of the area.

The LaSalle County AA generates 91 percent of OSB's deposits and 88 percent of the loans through its two branches (67 percent of OSB locations). The LaSalle County AA received a full-scope review and received the most weight for our lending test analysis.

The following is demographic information for the LaSalle County AA:

Table 3 - Demographic Information for the LaSalle County AA					
Demographic Characteristics	#	Low % of #	Mod % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	16	0%	0%	69%	31%
Population by Geography	66,099	0%	0%	69%	31%
Owner-Occupied Housing by Geography	19,975	0%	0%	70%	30%
Businesses by Geography	3,210	0%	0%	68%	32%
Farms by Geography	302	0%	0%	64%	36%
Family Distribution by Census Tract	18,198	0%	0%	69%	31%
Family Distribution by Income Level	18,198	15%	17%	22%	46%
Median Family Income	\$62,222	Median Housing Value			\$129,404
2016 FFIEC Estimated Median Family Income	\$58,000	Average Monthly Gross Rent			\$636
Households Below the Poverty Level	10%				

Source: 2010 U.S. Census data

Grundy County AA

The Grundy County AA is located in the Chicago-Naperville-Arlington Heights, IL MSA and consists of ten CTs. One CT is designated moderate-income (10 percent), while the remaining CTs are designated middle- and upper-income (90 percent). The moderate-income geography is located in the eastern portion of the city of Morris. OSB ranks twelfth in deposit market share of the thirteen financial institutions in Grundy County according to the FDIC Market Share Report dated June 30, 2016.

The local economy is stable. According to the Illinois Department of Employment Security, the December 2016 unemployment rate for Grundy County was 6.6 percent. The December 2016 unemployment rate for the State of Illinois was 5.6 percent and 4.5 percent for the U.S. Unemployment is higher than both the state and national averages. Major employers include the Morris Hospital, Exelon, several retail distributors, and retail stores.

A community contact from the Grundy County AA indicated the primary credit need of the AA is affordable housing. Overall, the contact felt the local financial institutions are not addressing the availability or cost of affordable housing in Grundy County. OSB offers several products for low-income borrowers.

The Grundy County AA generates 9 percent of OSB’s deposits and 12 percent of the loans through its one branch (33 percent of OSB locations). The Grundy County AA received a limited scope review for our lending test analysis due to the smaller volume of loans and deposits derived from this market.

The following is demographic information for the Grundy County AA:

Table 4 - Demographic Information for the Grundy County AA					
Demographic Characteristics	#	Low % of #	Mod % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	10	0%	10%	80%	10%
Population by Geography	50,063	0%	7%	87%	6%
Owner-Occupied Housing by Geography	13,794	0%	7%	87%	6%
Businesses by Geography	2,459	0%	8%	87%	5%
Farms by Geography	207	0%	2%	87%	11%
Family Distribution by Census Tract	12,978	0%	8%	86%	6%
Family Distribution by Income Level	12,978	17%	18%	25%	40%
Median Family Income	\$74,602	Median Housing Value			\$196,936
2016 FFIEC Estimated Median Family Income	\$74,700	Average Monthly Gross Rent			\$872
Households Below the Poverty Level	8%				

Source: 2010 U.S. Census data

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

OSB's quarterly average loan-to-deposit ratio is reasonable given the bank's size, financial condition, and AA credit needs. OSB's quarterly average loan-to-deposit ratio for the period October 1, 2011, to December 31, 2016, is 78 percent. OSB had a quarterly low of 67 percent and a quarterly high of 88 percent. OSB's 78 percent is down slightly from the prior CRA evaluation's average loan-to-deposit ratio of 83 percent. We attribute this to significant market competition as well as selling a sizable volume of loans on the secondary market.

OSB's quarterly average loan-to-deposit ratio compares favorably to other community banks of similar size, location, and product offerings. OSB ranks second among ten similarly situated banks serving its AA. The quarterly average loan-to-deposit ratio for the other nine banks over the same period ranged from 39 to 84 percent. The other similarly situated banks used for comparison are community banks located in the AA and range in asset size from \$100 million to \$300 million.

Lending in Assessment Area

A majority of the loans originated by OSB are to borrowers inside its AA. OSB's lending to customers within its AA is satisfactory for its primary loan type. The following table

details the bank’s lending within the AA by number of loan originations and dollar volume during the evaluation period:

Table 5 - Lending in the Assessment Area										
Loan Product	Number of Loans					Dollars of Loans \$(000)s				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential RE	281	69%	129	31%	410	\$38,409	60%	\$25,090	40%	\$63,499

Source: HMDA records from January 1, 2015 to December 31, 2016

Lending to Borrowers of Different Incomes

The distribution of borrowers reflects reasonable penetration among individuals of different income levels given the demographics of the AA. Performance under this criterion displays satisfactory performance.

LaSalle County AA

The distribution of borrowers in the LaSalle County AA reflects reasonable penetration among individuals of different income levels given the demographics of the AA. OSB’s lending to low- and moderate-income borrowers is slightly below the level conveyed by HMDA-reporting financial institutions in the AA. OSB’s lending to moderate-income families within the AA is comparable to the geographic comparator. However, the bank’s lending to low-income borrowers is well below the geographic comparator. The lower level of lending to low-income families is partially attributed to 8 percent of the families in the AA being below the poverty level. Performance in the LaSalle County AA was given the most weight.

Table 6 – LaSalle County AA Borrower Distribution vs. HMDA Lending				
Income Category	Percent Families by Income Category	Peer Data Lending % 2015	OSB	
			Number of Loans	Percent of Loans
Low	15%	6%	9	4%
Moderate	17%	18%	37	16%
Middle	22%	22%	53	23%
Upper	46%	42%	123	52%
Unknown	-	12%	12	5%
Total	100%	100%	234	100%

Source: HMDA records from January 1, 2015 to December 31, 2016; 2010 Census data

Grundy County AA

The distribution of borrowers in the Grundy County AA reflects reasonable penetration among individuals of different income levels given the demographics of the AA. OSB’s lending to moderate-income borrowers is satisfactory as it is above the level reported by

other HMDA-reporting financial institutions in the AA as well as the geographic comparator. However, OSB’s lending to low-income borrowers is poor as it is below the level conveyed by HMDA-reporting financial institutions in the AA. OSB’s lending to low-income families within the AA is also well below the geographic comparator. The lower level of lending to low-income families is partially attributed to 8 percent of the families in the AA being below the poverty level. Overall performance under this criterion displays satisfactory performance.

Table 7 – Grundy County AA Borrower Distribution vs. HMDA Lending				
Income Category	Percent Families by Income Category	Peer Data Lending % 2015	OSB	
			Number of Loans	Percent of Loans
Low	17%	8%	2	4%
Moderate	18%	20%	10	21%
Middle	25%	23%	7	15%
Upper	40%	30%	28	60%
Unknown		19%	0	-
Total	100%	100%	47	100%

Source: HMDA records from January 1, 2015 to December 31, 2016; 2010 Census data

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the bank’s AA. The geographic distribution of loans is limited to the Grundy County AA because there are no low- or moderate-income geographies in the LaSalle County AA. Since all of the geographies in the LaSalle County AA are middle- or upper-income, the analysis is not meaningful for these areas. The LaSalle County AA carries more weight in our analysis.

Grundy County AA

OSB’s geographic distribution of residential lending in the Grundy County AA reflects an excellent dispersion in CTs of different income levels, including moderate-income CTs. We did not identify any conspicuous gaps in the bank’s lending performance. OSB’s lending in moderate-income CTs exceeds both the level reported by HMDA-reporting financial institutions as well as the level of owner-occupied housing located in the moderate-income geographies in the AA.

Table 8 – Grundy County AA Geographic Distribution vs. HMDA Lending				
Income Category	Distribution of OOHU’s*	Peer Data Lending % 2015	OSB	
			Number of Loans	Percent of Loans
Moderate	7%	6%	4	9%
Middle	87%	89%	40	85%

Upper	6%	5%	3	6%
Total	100%	100%	47	100%

Source: HMDA records from January 1, 2015 to December 31, 2016; 2010 Census data

* Owner Occupied Housing Unit (OOHU)

Responses to Complaints

OSB did not receive any complaints regarding its performance in helping to meet the credit needs within its AA during this evaluation period.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c), or 12 CFR 195.28(c), in determining a national bank's (bank) or federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.