



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**December 5, 2011**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Ottawa Savings Bank  
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:**

**Ottawa Savings Bank (“OSB”) is rated Satisfactory.**

**The Lending Test is rated: Satisfactory.**

- OSB’s distribution of loans to individuals of different income levels (including low-, and moderate-income) and to businesses of different sizes is reasonable.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area (“AA”), including the one moderate-income geography.
- A majority of the loans originated by OSB are to customers from within its AA.
- OSB’s quarterly average loan-to-deposit ratio of 83 percent over the evaluation period is reasonable.

## **SCOPE OF EXAMINATION**

This Performance Evaluation assesses OSB’s record of meeting the credit needs of the communities in which it operates. We evaluated OSB under the Small Bank performance criterion, which includes a lending test. The lending test evaluates a bank’s record of helping to meet the credit needs of its AA through its lending activities.

- The evaluation period covers loans originated or purchased from July 31, 2006 through November 30, 2011.
- OSB has one AA, generating a majority of the bank’s loans and deposits. The lending test is based on OSB’s primary loan products.
- Conclusions regarding the bank’s lending performance are based on commercial and residential loans originated or purchased from January 1, 2009 through November 30, 2011, utilizing 2000 census data.
- The bank is not located in a Metropolitan Statistical Area and is not subject to the requirements of the Home Mortgage Disclosure Act (“HMDA”). However, management does keep a Loan Application Register (“LAR”) modeled after the requirements of HMDA.
- 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 LAR data for 2009, 2010 and 2011 to be accurate and reliable for use in this examination.
- OSB is not required to maintain revenue or income information on commercial loans outside of the individual credit files. Thus, we reviewed the credit files of the population of commercial loans to obtain the annual revenue information on the

loans originated during the evaluation period to assess the level of lending to businesses of different sizes.

## DESCRIPTION OF INSTITUTION

OSB is a \$183 million intrastate financial institution headquartered in Ottawa, Illinois, which is located in north central Illinois along Interstate 80 and at the confluence of the Fox and Illinois rivers. OSB's only location is one full-service office in downtown Ottawa. OSB has three non-depository automated teller machines ("ATMs"), all located in LaSalle County. There are two ATM's located in Ottawa, one at the bank location and one at Herman's Package Store, while the third ATM is located at Casey's General Store in Marseilles.

OSB is a wholly-owned subsidiary of Ottawa Savings Bank, Inc., ("OSBI") a one-institution holding company. OSBI is a majority-owned subsidiary of Ottawa Savings Bank MHC, a mutual savings and loan holding company. Minority ownership of OSBI is widely held locally. 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 has not opened or closed any branches since the last examination. OSB continues to maintain the business strategy of a traditional thrift. Solicit deposits, originate mortgage, small business, and consumer loans, and provide financial services to the local community.

OSB has two primary lending products: residential and commercial loans. Residential and commercial lending account for 88 percent of the amount and 81 percent of the number of all loan originations during the evaluation period, and 89 percent of the outstanding loan balances as of September 30, 2011. Consumer lending is not a primary loan product accounting for 12 percent of the amount and 19 percent of the number of loan originations during the evaluation period, and 11 percent of the outstanding loan balances as of September 30, 2011.

<b>Table 1 – Loan Originations by Loan Type from January 1, 2009 through November 30, 2011</b>				
<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>	<b>#</b>	<b>%</b>
Residential Loans	\$ 47,635	57%	371	60%
Commercial Loans	\$ 26,042	31%	133	21%
Consumer Loans	\$ 10,091	12%	117	19%
Agricultural Loans	\$ - 0 -	0%	0	0%
<b>Total Originations</b>	<b>\$ 83,768</b>	<b>100%</b>	<b>621</b>	<b>100%</b>

Source: Bank Records from January 1, 2009 – November 30, 2011

As of September 30, 2011, the bank reported \$134 million in outstanding loans and had a net loans and leases to total assets ratio of 73 percent. The loan portfolio consists of the following:

<b>Table 2 – Loan Portfolio Summary by Loan Type September 30, 2011</b>		
<b>Loan Category</b>	<b>\$(000)</b>	<b>%</b>
Residential Loans	\$ 79,908	60%
Commercial Loans	\$ 38,533	29%
Consumer Loans	\$ 15,537	11%
Agricultural Loans	\$ - 0 -	0%
<b>Total Loans</b>	<b>\$133,978</b>	<b>100%</b>

Source: Thrift Financial Report September 30, 2011

There are no financial conditions, legal constraints or other factors that would hinder the bank’s ability in helping to meet the credit needs of the communities within its AA. Tier 1 capital was reported at \$16.2 million as of September 30, 2011. The bank’s previous CRA rating as of July 31, 2006, was Satisfactory.

## **DESCRIPTION OF ASSESSMENT AREA**

OSB’s AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas. OSB has one AA, consisting of ten census tracts (“CTs”) in central and eastern LaSalle County. This is a small change in the AA from the prior evaluation. The two additional CTs are located in eastern LaSalle County, include the towns of Marseilles and Seneca, and were included due to an increase in loan origination volume.

Within the AA, one CT is designated moderate-income (10 percent), while the remaining CTs in the AA are designated as middle- or upper-income (90 percent). The one moderate-income CT is located in Ottawa and primarily consists of the downtown area. The following is demographic information for the assessment area:

<b>Table 3 - Demographic Information for the LaSalle County Assessment Area</b>					
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>
Geographies (Census Tracts)	10	0%	10%	40%	50%
Population by Geography	39,528	0%	6%	37%	57%

Owner-Occupied Housing by Geography	10,959	0%	5%	40%	55%
Businesses by Geography	2,846	0%	17%	31%	52%
Families by Geography	10,337	0%	5%	39%	56%
Family Distribution by Income Level	10,337	15%	15%	22%	48%
Distribution of Low- and Moderate-Income Families throughout the AA	3,117	0%	9%	44%	47%
Median Family Income	\$49,922	Median Housing Value		\$97,877	
2011 HUD Adjusted Median Family Income for Illinois non- MSA	\$56,600	Median Year Built		1958	
Families Below the Poverty Level	7%	Average Monthly Gross Rent		\$489	

Source: 2000 U.S. Census Data

## Economic Data

The local economy remains weakened from the prolonged effects of the recession, and is concentrated in the warehousing, healthcare, education, and manufacturing. The October 2011 unemployment rate for LaSalle County was 11.1 percent, well above the 9.0 percent national average and the 10.1 percent State of Illinois average rate. Major employers include; the Ottawa Community Hospital, warehousing distribution centers for: PetsMart, Kohl's, Seattle Sutton, and Tyson Foods, Exelon Corporation, U.S. Silica Company, SABIC Innovative Plastics, HR Imaging Partners, the local school districts, and the city and county governments.

We contacted a local Ottawa official during the examination. The official indicated the local economy is stronger than other areas in LaSalle County. The primary credit needs in the AA are commercial, small business, residential, and personal loans. The contact indicated there are no credit needs or banking services not met or provided for by the local financial institutions. Overall, the contact felt OSB and other local financial institutions are meeting the credit needs of the area. The contact stated all local banks and their employees are actively involved in the community.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

### LENDING TEST

OSB meets the standards for satisfactory performance.

- The distribution of borrowers reflects, given the demographics of the AA, a reasonable penetration among individuals of different income levels (including low-, and moderate-income) and businesses of different sizes.
- The geographic distribution of loans reflects reasonable dispersion throughout the AA, including the one moderate-income geography.
- A majority of the loans originated by OSB are to customers from within its AA.
- OSB's average loan-to-deposit ratio is reasonable given the bank's size, financial condition, and AA credit needs.

## LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

The distribution of loans reflects a reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.

### Residential Real Estate Loans

The distribution of borrowers reflects, given the demographics of the AA, reasonable penetration among individuals of different income levels. In making this determination, we weighed the performance with low- and moderate-income families.

OSB's lending to low- and moderate-income borrowers is reasonable, even though it is below the percentage of low- and moderate-income families. The overall lending to low- and moderate-income borrowers is reasonable, given the downturn in the economy during the evaluation period, the high level of unemployment in LaSalle County, and that seven percent of the families in the AA are below the poverty level.

Table 4 – Borrower Distribution of Residential Real Estate Loans in the AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number	% of AA Families	% of Number	% of AA Families	% of Number	% of AA Families	% of Number
Residential Real Estate	15%	5%	15%	10%	22%	24%	48%	61%

Source: Bank records on loans originated or purchased from January 1, 2009 to November 30, 2011; 2000 Census Data.

Table 5 – Borrower Distribution of Residential Real Estate Loans in the AA						
Income Category	Percent Families by Income Category	2010 Peer HDMA Data	Ottawa Savings Bank			
			Number of Loans	% of Number	Loan Amt \$ (000s)	% of Loan Amount
<b>Low</b>	15%	3%	14	5%	\$ 866	2%
<b>Moderate</b>	15%	11%	32	10%	\$ 3,021	8%
<b>Middle</b>	22%	23%	76	24%	\$ 7,317	20%
<b>Upper</b>	48%	54%	189	61%	\$26,483	70%

<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>311</b>	<b>100%</b>	<b>\$37,689</b>	<b>100%</b>
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Source: Bank records on loans originated or purchased from January 1, 2009 to November 30, 2011; 2010 HMDA Data.

As indicated above, the percent of residential loans originated to low- and moderate-income borrowers is below the percentage of low- and moderate-income families, but is comparable to peer lenders in the AA based on the number of loans originated.

### **Commercial Loans**

The distribution of loans to businesses reflects, given the demographics of the AA, reasonable penetration among businesses of different sizes. Based on the population of commercial loan originations, ninety-one percent of the number of loans in the AA were originated to small businesses, while eighty-seven percent of the dollar amount of loans in the AA were originated to small businesses. Small businesses are businesses with annual gross revenues equal to, or less than, one million dollars. The demographic data for the AA shows seventy-six percent of the businesses reporting revenue data had annual gross revenues equal to, or less than, one million dollars.

<b>Table 6 – Borrower Distribution of Loans to Businesses of Different Sizes in the AA</b>					
Business Revenues	Number of Loans		% Businesses in AA	Dollars of Loans	
	#	%		\$(000)	%
≤\$1,000,000	79	91%	76%	\$6,611	87%
>\$1,000,000	7	8%	4%	\$ 953	13%
Not Reported	1	1%	20%	\$ 17	0%
<b>Total</b>	<b>87</b>	<b>100%</b>	<b>100%</b>	<b>\$6,941</b>	<b>100%</b>

Source: Bank records on new loans originated from January 1, 2009 to November 30, 2011; 2000 Census Data.

### **GEOGRAPHIC DISTRIBUTION OF LOANS**

The geographic distribution of loans reflects a reasonable dispersion throughout the bank's AA.

### **Residential Real Estate Loans**

OSB's geographic distribution of residential lending reflects a reasonable dispersion throughout the census tracts of different income levels, including the moderate-income CT. The percentage of residential loans originated in the one moderate-income CT is slightly above the level of owner occupied housing located in the moderate-income CT.

**Table 7 – Geographic Distribution of Residential Real Estate Loans in the AA**

CT Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Owner Occupied Housing	% of Number	% of AA Owner Occupied Housing	% of Number	% of AA Owner Occupied Housing	% of Number	% of AA Owner Occupied Housing	% of Number
Residential	0%	0%	5%	6%	40%	44%	55%	50%

Source: Bank records on loans originated or purchased from January 1, 2009 to November 30, 2011; 2000 Census Data.

**Table 8 – Geographic Distribution of Residential Real Estate Loans in the AA**

Income Category	Percent of Owner Occupied Housing Units	2010 Peer HDMA Data	Ottawa Savings Bank			
			Number of Loans	% of Number	Loan Amt \$ (000s)	% of Loan Amount
<b>Moderate</b>	5%	2%	18	6%	\$ 1,252	3%
<b>Middle</b>	40%	37%	139	44%	\$16,015	42%
<b>Upper</b>	55%	61%	160	50%	\$20,917	55%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>317</b>	<b>100%</b>	<b>\$38,184</b>	<b>100%</b>

Source: Bank records on loans originated or purchased from January 1, 2009 to November 30, 2011; 2010 HMDA Data.

As indicated above, the record of originations in the one moderate-income CT is slightly above the area’s demographics, but is comparable to other lenders in the AA.

**Geographic Distribution Commercial Loans**

OSB’s geographic distribution of commercial lending reflects a reasonable dispersion in geographies of different income levels, including the moderate-income CT. Based on the population of commercial loans originated during the evaluation period, the percentage of commercial loans originated in the moderate-income CT is slightly below the level of commercial businesses located in the moderate-income geography within the AA.



**Table 9 – Geographic Distribution of Loans to Businesses in the AA**

CT Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of Number	% of AA Businesses	% of Number	% of AA Businesses	% of Number	% of AA Businesses	% of Number
Commercial	0%	0%	17%	13%	31%	57%	52%	30%

Source: Bank records on loans originated from January 1, 2009 to November 30, 2011; 2000 Census Data.

**LENDING IN THE ASSESSMENT AREA**

A majority of the loans originated by OSB are to customers within its AA. OSB's lending to customers within the AA for all loan types is satisfactory. The following table details the bank's lending within the AA based on the number of loan originations and dollar volume during the evaluation period.

**Table 10 – Loans Originated within the AA**

Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total \$(000)
	#	%	#	%		\$(000)	%	\$(000)	%	
Residential	317	85%	54	15%	371	\$ 38,184	80%	\$ 9,437	20%	\$ 47,621
Commercial	87	65%	46	35%	133	\$ 7,581	29%	\$18,461	71%	\$ 26,042
Consumer	100	85%	17	15%	117	\$ 6,456	64%	\$ 3,635	36%	\$ 10,091
Totals	504	81%	117	19%	621	\$ 52,221	62%	\$31,533	38%	\$ 83,754

Source: Bank records on loans originated in 2009, 2010, and through November 30, 2011.

**LOAN-TO-DEPOSIT RATIO**

OSB's 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 September 30, 2006, to September 30, 2011, was eighty-three percent, with a high of ninety percent and a low of seventy-eight percent.

The quarterly average loan-to-deposit ratio for other similarly situated financial institutions over the same time period ranged from forty-six percent to one hundred-two percent. OSB ranks second among eleven other similarly situated financial institutions, which range in asset size from \$55 million to \$404 million. The similarly situated banks utilized for comparison purposes are community banks located in LaSalle County

Illinois.

## **RESPONSES TO COMPLAINTS**

OSB has received no complaints about its performance in helping to meet the credit needs within its AA during this evaluation period.

## **FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

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