Ottawa Savings Bancorp, Inc.
Form 10-Q
May 10, 2016

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, 2016

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)

United States (State or other jurisdiction of incorporation or organization)	**20-3074627** (I.R.S. Employer Identification Number)
925 LaSalle Street **Ottawa, Illinois** (Address of principal executive offices)	**61350** (Zip Code)

(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 (§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	**Outstanding as of May 10, 2016**
Common Stock, $0.01 par value	2,894,123

OTTAWA SAVINGS BANCORP, INC.

FORM 10-Q

For the quarterly period ended March 31, 2016

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Part I – Financial Information

ITEM 1 – FINANCIAL STATEMENTS

OTTAWA SAVINGS BANCORP, INC.

Consolidated Balance Sheets

March 31, 2016 and December 31, 2015

(Unaudited)

	March 31, 2016	**December 31, 2015**
Assets		
Cash and due from banks	$2,524,974	$2,096,966
Interest bearing deposits	1,635,668	5,038,753
Total cash and cash equivalents	4,160,642	7,135,719
Time deposits	250,000	250,000
Federal funds sold	949,000	1,604,000
Securities available for sale	48,444,907	46,984,907
Non-marketable equity securities	1,358,121	1,358,121
Loans, net of allowance for loan losses of $2,191,844 and $2,224,006 at March 31, 2016 and December 31, 2015, respectively	144,743,430	140,110,201
Loans held for sale	100,000	-
Premises and equipment, net	7,005,512	7,058,047
Accrued interest receivable	801,846	775,641
Foreclosed real estate	318,670	313,368
Deferred tax assets	2,552,190	2,725,354
Cash value of life insurance	2,207,596	2,195,424
Goodwill	649,869	649,869
Core deposit intangible	428,000	451,000
Other assets	2,595,360	1,951,700
Total assets	$216,565,143	$213,563,351
Liabilities and Stockholders' Equity		
Liabilities		
Deposits:		
Non-interest bearing	$11,084,694	$10,325,832
Interest bearing	169,090,829	166,409,076
Total deposits	180,175,523	176,734,908
Accrued interest payable	1,902	394
FHLB advances	1,138,422	2,139,117

Other liabilities	3,786,854	3,600,655
Total liabilities	185,102,701	182,475,074
Commitments and contingencies		
Redeemable common stock held by ESOP plan	422,255	376,543
Stockholders' Equity		
Common stock, $.01 par value, 12,000,000 shares authorized; 3,001,055 shares issued	30,010	30,010
Additional paid-in-capital	15,847,200	15,845,341
Retained earnings	16,453,280	16,194,374
Unallocated ESOP shares	(190,785)	(203,504)
Unearned management recognition plan shares	(2,649)	(3,751)
Accumulated other comprehensive income	537,504	437,925
	32,674,560	32,300,395
Less:		
Treasury stock, at cost; 106,932 shares	(1,212,118)	(1,212,118)
Maximum cash obligation related to ESOP shares	(422,255)	(376,543)
Total stockholders' equity	31,040,187	30,711,734
Total liabilities and stockholders' equity	$216,565,143	$213,563,351

See accompanying notes to these unaudited consolidated financial statements.

OTTAWA SAVINGS BANCORP, INC.

Consolidated Statements of Operations

Three Months Ended March 31, 2016 and 2015

(Unaudited)

	Three Months Ended March 31,	
	2016	**2015**
Interest and dividend income:		
Interest and fees on loans	$1,723,298	$1,752,996
Securities:		
Residential mortgage-backed and related securities	152,077	157,273
State and municipal securities	134,980	142,027
Dividends on non-marketable equity securities	2,190	1,376
Interest-bearing deposits	7,344	5,352
Total interest and dividend income	2,019,889	2,059,024
Interest expense:		
Deposits	202,470	224,255
Borrowings	4,620	15,868
Total interest expense	207,090	240,123
Net interest income	1,812,799	1,818,901
Provision for loan losses	120,000	165,000
Net interest income after provision for loan losses	1,692,799	1,653,901
Other income:		
Gain on sale of securities	96	21,630
Gain on sale of loans	38,930	38,608
Gain on sale of OREO	65,197	5,491
Gain on sale of repossessed assets	632	-
Loan origination and servicing income	58,622	46,856
Origination of mortgage servicing rights, net of amortization	2,130	(970)
Customer service fees	98,271	94,797
Income on bank owned life insurance	12,172	12,184
Other	24,819	27,389
Total other income	300,869	245,985
Other expenses:		
Salaries and employee benefits	827,685	711,343
Directors fees	40,800	37,800
Occupancy	152,078	153,765
Deposit insurance premium	44,223	44,907
Legal and professional services	87,128	103,660
Data processing	135,022	374,928
Loss on sale of securities	-	2,039
Loan expense	58,542	60,268

Valuation adjustments and expenses on foreclosed real estate	36,513	20,098
Loss on sale of repossessed assets	-	9,883
Other	237,756	221,187
Total other expenses	1,619,747	1,739,878
Income before income tax expense	373,921	160,008
Income tax expense	115,015	16,344
Net income	$258,906	$143,664
Basic earnings per share	$0.09	$0.05
Diluted earnings per share	$0.09	$0.05

See accompanying notes to these unaudited consolidated financial statements.

OTTAWA SAVINGS BANCORP, INC.

Consolidated Statements of Comprehensive Income

Three Ended March 31, 2016 and 2015

(Unaudited)

	Three Months Ended March 31,	
	2016	**2015**
Net income	$258,906	$143,664
Other comprehensive income, before tax:		
Securities available for sale:		
Unrealized holding gains arising during the period	163,649	408,355
Reclassification adjustment for (gains) included in net income	(96)	(19,591)
Other comprehensive income, before tax	163,553	388,764
Income tax expense related to items of other comprehensive income	63,974	150,911
Other comprehensive income, net of tax	99,579	237,853
Comprehensive income	$358,485	$381,517

See accompanying notes to these unaudited consolidated financial statements.

OTTAWA SAVINGS BANCORP, INC.

Consolidated Statements of Cash Flows

Three Months Ended March 31, 2016 and 2015

(Unaudited)

	2016	**2015**
Cash Flows from Operating Activities		
Net income	$258,906	$143,664
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	58,535	56,426
Provision for loan losses	120,000	165,000
Provision for deferred income taxes	109,190	31,172
Net amortization of premiums and discounts on securities	163,362	171,845
Gain on sale of securities, net	(96)	(19,591)
Origination of mortgage loans held for sale	(1,473,405)	(1,197,400)
Proceeds from sale of mortgage loans held for sale	1,412,335	921,548
Gain on sale of loans, net	(38,930)	(38,608)
Origination and purchase of mortgage servicing rights, net of amortization	(2,130)	970
Gain on sale of foreclosed real estate, net	(65,197)	(5,491)
Write down of foreclosed real estate	14,550	-
(Gain) loss on sale of repossessed assets, net	(632)	9,883
ESOP compensation expense	13,121	13,287
MRP compensation expense	1,102	2,138
Compensation expense on RRP options granted	1,457	2,576
Amortization of core deposit intangible	23,000	29,000
Amortization (accretion) of fair value adjustments on acquired:		
Loans	30,796	6,847
Certificates of deposit	(19,000)	(31,000)
Federal Home Loan Bank Advances	(695)	-
Increase in cash surrender value of life insurance	(12,172)	(12,184)
Change in assets and liabilities:		
(Increase) decrease in accrued interest receivable	(26,205)	63,803
(Increase) decrease in other assets	(654,907)	21,925
Increase (decrease) in accrued interest payable and other liabilities	240,143	(7,161)
Net cash provided by operating activities	153,128	328,649
Cash Flows from Investing Activities		
Securities available for sale:		
Purchases	(3,613,482)	(3,241,338)
Sales, calls, maturities and paydowns	2,153,769	7,274,293
Net decrease in time deposits	-	100,000
Net increase in loans	(4,896,715)	(467,343)
Net decrease in federal funds sold	655,000	(1,373,000)
Proceeds from sale of foreclosed real estate	102,099	153,091

Proceeds from sale of repossessed assets	17,509	51,434
Purchase of premises and equipment	(6,000)	(62,186)
Net cash (used in) provided by investing activities	(5,587,820)	2,434,951
Cash Flows from Financing Activities		
Net increase in deposits	3,459,615	1,120,848
Principal reduction of Federal Home Loan Bank advances	(1,000,000)	(2,792,728)
Net cash provided by (used in) financing activities	2,459,615	(1,671,880)
Net (decrease) increase in cash and cash equivalents	(2,975,077)	1,091,720
Cash and cash equivalents:		
Beginning of period	7,135,719	5,193,235
End of period	$4,160,642	$6,284,955

(Continued)

See accompanying notes to these unaudited consolidated financial statements.

OTTAWA SAVINGS BANCORP, INC.

Consolidated Statements of Cash Flows

Three Months Ended March 31, 2016 and 2015

(Unaudited)

	2016	2015
Supplemental Disclosures of Cash Flow Information		
Cash payments for:		
Interest paid to depositors	$200,962	$222,831
Interest paid on borrowings	4,620	15,868
Income taxes paid, net of refunds received	-	(13,800)
Supplemental Schedule of Noncash Investing and Financing Activities		
Real estate acquired through or in lieu of foreclosure	109,190	426,207
Other assets acquired in settlement of loans	3,500	34,600
Increase in ESOP put option liability	45,712	82,275

See accompanying notes to these unaudited consolidated financial statements.

OTTAWA SAVINGS BANCORP, INC.

Notes to Unaudited Consolidated Financial Statements

(Continuted)

NOTE 1 – NATURE OF BUSINESS

Ottawa Savings Bancorp, Inc. (the “Company”) is a savings and loan holding company incorporated under the laws of the United States on July 11, 2005, for the purpose of serving as the holding company of Ottawa Savings Bank (the “Bank”), as part of the Bank’s conversion from a mutual to a stock form of organization. The Company is a publicly traded banking company with assets of $216.6 million at March 31, 2016 and is headquartered in Ottawa, Illinois. The Bank’s business is to attract deposits from the general public and use those funds to originate and purchase one-to-four family, multi-family and non-residential real estate, construction, commercial and consumer loans, which the Bank primarily holds for investment. The Bank has continually diversified its products to meet the needs of the communities it serves.

In 2005, the Board of Directors of the Bank unanimously adopted a plan of conversion providing for the conversion of the Bank from an Illinois chartered mutual savings bank to a federally chartered stock savings bank and the purchase of all of the common stock of the Bank by the Company.

The conversion was completed in 2005 when the Company issued 1,223,701 shares of common stock to Ottawa Savings Bancorp MHC (a mutual holding company) and 1,001,210 shares of common stock to the public.

On December 31, 2014, the Company acquired Twin Oaks Savings Bank (“Twin Oaks”) and merged Twin Oaks with and into the Bank, with the Bank being the surviving entity in the merger (the “Merger”). As a result of the Merger, the Company increased its market share in the La Salle County market and expanded into Grundy County.

In connection with the Merger, the Company issued 776,144 shares of common stock to Ottawa Savings Bancorp, MHC. As of March 31, 2016, Ottawa Savings Bancorp MHC holds 1,999,845 shares of common stock, representing 69.1% of the Company’s common shares outstanding.

NOTE 2 – BASIS OF PRESENTATION

The consolidated financial statements presented in this quarterly report include the accounts of the Company and the Bank. The consolidated financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information and predominant practices followed by the financial services industry, and are unaudited. In the opinion of the Company’s management, all adjustments, consisting of normal recurring adjustments, which the Company considers necessary to fairly state the Company’s financial position and the results of operations and cash flows have been recorded. The interim financial statements should be read in conjunction with the audited financial statements and accompanying notes of the Company for the year ended December 31, 2015. Certain amounts in the accompanying financial statements and footnotes for 2015 have been reclassified with no effect on net income or stockholders’ equity to be consistent with the 2016 classifications. The results of the Company’s operations for any interim period are not necessarily indicative of the results of the Company’s operations for any other interim period or for a full fiscal year.

NOTE 3 – USE OF ESTIMATES

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statements. Changes in these estimates and assumptions are considered reasonably possible and may have a material impact on the consolidated financial statements and, thus, actual results could differ from the amounts reported and disclosed herein.

At March 31, 2016, there were no material changes in the Company’s significant accounting policies from those disclosed in the Form 10-K filed with the Securities and Exchange Commission on March 30, 2016.

NOTE 4 – CRITICAL ACCOUNTING POLICIES

We consider accounting policies involving significant judgments and assumptions by management that have, or could have, a material impact on the carrying value of certain assets or on income to be critical accounting policies. We consider the allowance for loan losses to be our critical accounting policy.

OTTAWA SAVINGS BANCORP, INC.

Notes to Unaudited Consolidated Financial Statements

(Continued)

Allowance for Loan Losses. The allowance for loan losses is an amount necessary to absorb known or inherent losses that are both probable and reasonably estimable and is established through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. The allowance for loan losses is evaluated on a regular basis by management and is based upon management’s periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect each borrower’s ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

A loan is considered impaired when, based on current information and events, it is probable that we will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower’s prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan by loan basis for commercial and construction loans by either the present value of expected future cash flows discounted at the loan’s effective interest rate, the loan’s obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

NOTE 5 – EARNINGS PER SHARE

Basic earnings per share is based on net income divided by the weighted average number of shares outstanding during the period, including allocated and committed-to-be-released Employee Stock Ownership Plan (“ESOP”) shares and vested Management Recognition Plan (“MRP”) shares. Diluted earnings per share show the dilutive effect, if any, of additional common shares issuable under stock options and awards.

	Three Months Ended
	March 31,

	2016	2015
Net income available to common stockholders	$258,906	$143,664
Basic potential common shares:		
Weighted average shares outstanding	2,894,123	2,894,123
Weighted average unallocated ESOP shares	(19,912)	(25,000)
Weighted average unvested MRP shares	(1,047)	(2,795)
Basic weighted average shares outstanding	2,873,164	2,866,328
Dilutive potential common shares:		
Weighted average unrecognized compensation on MRP shares	919	2,338
Weighted average RRP options outstanding	7,752	7,660
Dilutive weighted average shares outstanding	2,881,835	2,876,326
Basic earnings per share	$0.09	$0.05
Diluted earnings per share	$0.09	$0.05

NOTE 6 – EMPLOYEE STOCK OWNERSHIP PLAN

On July 11, 2005, the Company adopted an ESOP for the benefit of substantially all employees. Upon adoption of the ESOP, the ESOP borrowed $763,140 from the Company and used those funds to acquire 76,314 shares of the Company's stock in the initial public offering at a price of $10.00 per share.

Shares purchased by the ESOP with the loan proceeds are held in a suspense account and are allocated to ESOP participants on a pro rata basis as principal and interest payments are made by the ESOP to the Company. The loan is secured by shares purchased with the loan proceeds and will be repaid by the ESOP with funds from the Company’s discretionary contributions to the ESOP and earnings on the ESOP assets. Annual principal and interest payments of approximately $77,000 are to be made by the ESOP.

OTTAWA SAVINGS BANCORP, INC.

Notes to Unaudited Consolidated Financial Statements

(Continued)

As shares are released from collateral, the Company will report compensation expense equal to the current market price of the shares, and the shares will become outstanding for earnings-per-share ("EPS") computations. Dividends on allocated ESOP shares reduce retained earnings, and dividends on unallocated ESOP shares reduce accrued interest.

A terminated participant or the beneficiary of a deceased participant who received a distribution of employer stock from the ESOP has the right to require the Company to purchase such shares at their fair market value any time within 60 days of the distribution date. If this right is not exercised, an additional 60 day exercise period is available in the year following the year in which the distribution is made and begins after a new valuation of the stock has been determined and communicated to the participant or beneficiary. At March 31, 2016, 38,739 shares at a fair value of $10.90 have been classified as mezzanine capital.

The following table reflects the status of the shares held by the ESOP:

	March 31, 2016	December 31, 2015
Shares allocated	57,236	55,964
Shares withdrawn from the plan	(18,497)	(18,497)
Unallocated shares	19,078	20,350
Total ESOP shares	57,817	57,817
Fair value of unallocated shares	$207,950	$204,518

NOTE 7 – INVESTMENT SECURITIES

The amortized cost and fair values of securities, with gross unrealized gains and losses, follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
March 31, 2016:				
Available for Sale				
State and municipal securities	$18,582,161	$574,479	$1,487	$19,155,153
Residential mortgage-backed securities	28,979,926	414,918	105,090	29,289,754
	$47,562,087	$989,397	$106,577	$48,444,907
December 31, 2015:				

Available for Sale				
State and municipal securities	$18,733,573	$525,089	$21,454	$19,237,208
Residential mortgage-backed securities	27,532,067	365,558	149,926	27,747,699
	$46,265,640	$890,647	$171,380	$46,984,907

The amortized cost and fair value at March 31, 2016, by contractual maturity, are shown below. Maturities may differ from contractual maturities in residential mortgage-backed securities because the mortgages underlying the securities may be called or prepaid without penalties. Therefore, stated maturities of residential mortgage-backed securities are not disclosed.

	Securities Available for Sale	
	Amortized Cost	Fair Value
Due in three months or less	$-	$-
Due after three months through one year	35,628	36,029
Due after one year through five years	2,086,238	2,148,217
Due after five years through ten years	7,200,706	7,425,262
Due after ten years	9,259,589	9,545,645
Residential mortgage-backed securities	28,979,926	29,289,754
	$47,562,087	$48,444,907

OTTAWA SAVINGS BANCORP, INC.

Notes to Unaudited Consolidated Financial Statements

(Continued)

The following table reflects securities with gross unrealized losses for less than 12 months and for 12 months or more at March 31, 2016 and December 31, 2015:

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
March 31, 2016						
Securities Available for Sale						
State and municipal securities	$898,342	$ 1,487	$-	$ -	$898,342	$ 1,487
Residential mortgage-backed securities	6,637,334	64,876	3,288,403	40,214	9,925,737	105,090
	$7,535,676	$ 66,363	$3,288,403	$ 40,214	$10,824,079	$ 106,577
December 31, 2015						
Securities Available for Sale						
State and municipal securities	$169,601	$ 101	$436,067	$ 21,353	$605,668	$ 21,454
Residential mortgage-backed securities	10,468,746	120,218	1,247,527	29,708	11,716,273	149,926
	$10,638,347	$ 120,319	$1,683,594	$ 51,061	$12,321,941	$ 171,380

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability to retain and whether it is not more likely than not the Company will be required to sell its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and industry analysts' reports.

At March 31, 2016, 18 securities had unrealized losses with an aggregate depreciation of 0.98% from the Company's amortized cost basis. The Company does not consider these investments to be other than temporarily impaired at March 31, 2016 due to the following:

Decline in value is attributable to interest rates.

The value did not decline due to credit quality.
The Company does not intend to sell these securities.
The Company has adequate liquidity such that it will not more likely than not have to sell these securities before recovery of the amortized cost basis, which may be at maturity.

There were proceeds of $0.6 million from the sales of securities for the three months ended March 31, 2016 and proceeds of $5.6 million for the three months ended March 31, 2015. The sales during the three months ended March 31, 2016 resulted in gross realized gains of $96 and no realized losses. The sales during the three months ended March 31, 2015 resulted in gross realized gains of $21,630 and gross realized losses of $2,039, for net realized gains of $19,591. The tax provision applicable to the realized gains amounted to $38 and $7,605, respectively, for the three months ended March 31, 2016 and 2015.

OTTAWA SAVINGS BANCORP, INC.

Notes to Unaudited Consolidated Financial Statements

(Continuted)

NOTE 8 – LOANS AND ALLOWANCE FOR CREDIT LOSSES

The components of loans, net of deferred loan costs (fees), are as follows:

	March 31, 2016	December 31, 2015
Mortgage loans:		
One-to-four family residential loans	$99,223,438	$99,254,737
Multi-family residential loans	4,183,641	3,969,207
Total mortgage loans	103,407,079	103,223,944
Other loans:		
Non-residential real estate loans	20,491,126	20,177,322
Commercial loans	11,573,233	12,069,815
Consumer direct	1,989,695	1,651,371
Purchased auto	9,474,141	5,211,755
Total other loans	43,528,195	39,110,263
Gross loans	146,935,274	142,334,207
Less: Allowance for loan losses	(2,191,844)	(2,224,006)
Loans, net	$144,743,430	$140,110,201

The following table reflects the carrying amount of loans acquired in the Twin Oaks merger, which are included in the loan categories above as of the dates indicated.

	March 31, 2016	December 31, 2015
Mortgage loans:		
One-to-four family residential loans	$20,308,604	$20,752,355
Multi-family residential loans	277,231	294,020
Total mortgage loans	20,585,835	21,046,375
Other loans:		
Non-residential real estate loans	2,652,108	2,685,987
Commercial loans	829,194	852,077
Consumer direct	415,551	541,174
Total other loans	3,896,853	4,079,238

Gross loans	24,482,688	25,125,613
Less: Allowance for loan losses	(100,000)	(85,000)
Loans, net	$24,382,688	$25,040,613

Purchases of loans receivable, segregated by class of loans, for the periods indicated were as follows:

	Three Months Ended March 31,	
	2016	2015
Purchased auto loans	$5,007,392	$ -

OTTAWA SAVINGS BANCORP, INC.

Notes to Unaudited Consolidated Financial Statements

(Continued)

Net (charge-offs) / recoveries, segregated by class of loans, for the periods indicated were as follows:

	Three Months Ended March 31, 2016	2015
One-to-four family	$(151,015)	$48,566
Multi-family	3,972	(352)
Non-residential	-	-
Commercial	-	-
Consumer direct	1,727	(23,488)
Purchased auto	(6,846)	(17,508)
Net (charge-offs)/recoveries	$(152,162)	$7,218

The following table presents the activity in the allowance for loan losses by portfolio segment for the three months ended March 31, 2016 and 2015:

March 31, 2016	One-to-Four Family	Multi-family	Non-residential	Commercial	Consumer Direct	Purchased Auto	Total
Balance at beginning of period	$1,727,582	$ 142,237	$ 198,340	$ 51,306	$37,187	$67,354	$2,224,006
Provision charged to income	26,052	15,940	7,910	(1,863)	12,683	59,278	120,000
Loans charged off	(189,894)	-	-	-	-	(8,680)	(198,574)
Recoveries of loans previously charged off	38,879	3,972	-	-	1,727	1,834	46,412
Balance at end of period	$1,602,619	$ 162,149	$ 206,250	$ 49,443	$51,597	$119,786	$2,191,844

March 31, 2015	One-to-Four Family	Multi-family	Non-residential	Commercial	Consumer Direct	Purchased Auto	Total
Balance at beginning of period	$1,812,448	$ 121,918	$ 245,098	$ 35,947	$10,804	$88,392	$2,314,607
Provision charged to income	95,169	9,714	(16,925)	8,019	33,626	35,397	165,000
Loans charged off	-	(4,323)	-	-	(25,025)	(19,661)	(49,009)
Recoveries of loans previously charged off	48,566	3,971	-	-	1,537	2,153	56,227
Balance at end of period	$1,956,183	$ 131,280	$ 228,173	$ 43,966	$20,942	$106,281	$2,486,825

The following table presents the recorded investment in loans and the related allowances allocated by portfolio segment and based on impairment method as of March 31, 2016 and December 31, 2015:

March 31, 2016	One-to-four Family	Multi-family	Non-residential	Commercial	Consumer Direct	Purchased Auto	Total
Loans individually evaluated for impairment	$2,367,914	$-	$2,027,946	$-	$-	$-	$4,395,860
Loans acquired with deteriorated credit quality	526,435	-	-	-	-	-	526,435
Loans collectively evaluated for impairment	96,329,089	4,183,641	18,463,180	11,573,233	1,989,695	9,474,141	142,012,979

Ending Balance	$99,223,438	$4,183,641	$20,491,126	$11,573,233	$1,989,695	$9,474,141	$146,935,274
Period-end amount allocated to:							
Loans individually evaluated for impairment	$86,056	$-	$75,135	$-	$-	$-	$161,191
Loans acquired with deteriorated credit quality	32,685	-	-	-	-	-	32,685
Loans collectively evaluated for impairment	1,483,878	162,149	131,115	49,443	51,597	119,786	1,997,968
Balance at end of period	$1,602,619	$162,149	$206,250	$49,443	$51,597	$119,786	$2,191,844

December 31, 2015	One-to-four Family	Multi-family	Non-residential	Commercial	Consumer Direct	Purchased Auto	Total
Loans individually evaluated for impairment	$2,311,855	$-	$ 2,069,922	$-	$-	$3,069	$4,384,846
Loans acquired with deteriorated credit quality	575,605	-	-	-	-	-	575,605
Loans collectively evaluated for impairment	96,367,277	3,969,207	18,107,400	12,069,815	1,651,371	5,208,686	