Ottawa Savings Bancorp, Inc.
Form PRE 14A
August 22, 2014

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934 (Amendment No. ___)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement
Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
Definitive Proxy Statement
Definitive Additional Materials
Soliciting Material pursuant to §240.14a-12

Ottawa Savings Bancorp, Inc.
(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.
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1. Amount Previously Paid:
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[OTTAWA SAVINGS BANCORP, INC. LOGO]

[MAIL DATE]

Dear Shareholder:

You are cordially invited to attend the annual meeting of shareholders of Ottawa Savings Bancorp, Inc. (the "Company"). We will hold the meeting at the Company's Offices, located at 925 LaSalle Street, Ottawa, Illinois, on **[MEETING DATE]** at __:__ _.m., local time.

The notice of annual meeting and proxy statement appearing on the following pages describe the formal business to be transacted at the meeting. During the meeting, you will be asked to approve the issuance of 722,223 additional shares of our common stock, subject to adjustment, to Ottawa Savings Bancorp MHC in connection with a merger between Ottawa Savings Bank FSB and Twin Oaks Savings Bank. You will also be asked to vote on an amendment to our charter to permit future issuances of our common stock to Ottawa Savings Bancorp MHC without requiring a shareholder vote, to elect two directors to our Board of Directors for a three-year term each and to ratify the appointment of McGladrey LLP as our independent auditors for the fiscal year ending December 31, 2014.

The completion of the merger is subject to certain conditions, including the approval of the stock issuance to Ottawa Savings Bancorp MHC by the affirmative vote of a majority of our outstanding shares by our shareholders. We urge you to read the attached proxy statement carefully. It describes the merger in detail and includes a copy of the merger agreement as Appendix A.

It is important that your shares are represented at this meeting, whether or not you attend the meeting in person and regardless of the number of shares you own. To make sure your shares are represented, we urge you to complete and mail the enclosed proxy card or a voting instruction card. If you attend the meeting, you may vote in person even if you have previously mailed a proxy card or a voting instruction card.

We look forward to seeing you at the meeting.

Sincerely,

Jon Kranov

President and Chief Executive Officer

[OTTAWA SAVINGS BANCORP, INC. LOGO]

925 LaSalle Street

Ottawa, Illinois 61350

(815) 433-2525

NOTICE OF 2014 ANNUAL MEETING OF SHAREHOLDERS

TIME AND DATE	_:__ _.m., local time, on **[MEETING DATE]**.	
PLACE	Offices of the Company, 925 LaSalle Street, Ottawa, Illinois 61350.	
ITEMS OF BUSINESS	(1)	The approval of the issuance of 722,223 shares of common stock, $0.01 par value, of Ottawa Savings Bancorp, Inc., subject to adjustment, to Ottawa Savings Bancorp MHC pursuant to the Agreement and Plan of Merger, dated as of June 30, 2014, by and among Ottawa Savings Bancorp MHC, Ottawa Savings Bancorp, Inc., Ottawa Savings Bank FSB and Twin Oaks Savings Bank, pursuant to which Twin Oaks Savings Bank will merge with and into Ottawa Savings Bank FSB;
	(2)	The approval of an amendment to the charter of Ottawa Savings Bancorp, Inc. to permit future issuances of its common stock to Ottawa Savings Bancorp MHC without requiring a shareholder vote;
	(3)	To elect two directors to serve for a term of three years each;
	(4)	To ratify the selection of McGladrey LLP as our independent registered public accounting firm for fiscal year 2014; and
	(5)	To transact such other business as may properly come before the meeting and any adjournment or

postponement of the meeting.

RECORD DATE	To vote, you must have been a shareholder at the close of business on **[RECORD DATE].**
PROXY VOTING	It is important that your shares be represented and voted at the meeting. You can vote your shares by completing and returning the proxy card or voting instruction card sent to you. Voting instructions are printed on your proxy or voting instruction card and included in the accompanying proxy statement. You can revoke a proxy at any time before its exercise at the meeting by following the instructions in the proxy statement.

BY ORDER OF THE BOARD OF DIRECTORS

Laurie Duffell
Assistant Corporate Secretary

Ottawa, Illinois

[MAIL DATE]

Note: **Whether or not you plan to attend the annual meeting, please vote by marking, signing, dating and promptly returning the enclosed proxy card or voting instruction card.**

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Questions and Answers About the Meeting

Question: What am I being asked to vote on and how does my Board recommend that I vote?

Answer: You are being asked to vote on four matters:

1. The issuance of 722,223 shares of common stock, $0.01 par value, of Ottawa Savings Bancorp, subject to adjustment, to Ottawa Savings Bancorp MHC pursuant to the Agreement and Plan of Merger, dated as of June 30, 2014, by and among Ottawa Savings Bancorp MHC, Ottawa Savings Bancorp, Ottawa Savings Bank FSB and Twin Oaks Savings Bank, pursuant to which Twin Oaks Savings Bank will merge with and into Ottawa Savings Bank FSB;
2. An amendment to the charter of Ottawa Savings Bancorp to permit future issuances of Ottawa Savings Bancorp common stock to Ottawa Savings Bancorp MHC without requiring a shareholder vote;
3. The election of two directors to serve for a term of three years each; and
4. The ratification of the selection of McGladrey LLP as our independent registered public accounting firm for fiscal year 2014.

Our Board of Directors has determined that: (1) the merger agreement, including the merger between Ottawa Savings Bank and Twin Oaks Savings Bank (“Twin Oaks”), and the issuance of our common stock; and (2) the amendment of our charter to permit future issuances of our common stock to Ottawa Savings Bancorp MHC without requiring a shareholder vote, are in the best interests of our shareholders and unanimously recommends that you vote “**FOR**” the approval of the stock issuance and “**FOR**” the amendment to our charter. The Company’s Board of Directors also recommends that you vote “**FOR**” election of each of the nominees for election as director and for the ratification of the independent auditors.

Question: Why are we merging with Twin Oaks?

Answer: We believe that the merger will benefit our customers, employees and shareholders by creating a stronger financial institution that will be better positioned to compete in the financial services industry in our market area by offering a broader range of financial products and services through more efficient operations. To review our reasons for the merger in greater detail, see pages __ through __.

Question: What votes are required in connection with the proposed merger?

Answer: In addition to regulatory approvals and the approval of the merger by Twin Oaks' members, company shareholders will vote to approve the issuance of additional shares of company common stock to Ottawa Savings Bancorp MHC, which approval requires the affirmative vote of a majority of the outstanding shares.

Question: How will the merger effect my shares?

Answer: Your shares will remain outstanding and will not change as a result of the merger. However, as a result of the issuance of 722,223 shares of our common stock to Ottawa Savings Bancorp MHC, our shareholders (other than Ottawa Savings Bancorp MHC) are expected to experience dilution in ownership interest of approximately 10.73% when the new shares are issued.

Question: When is the merger expected to be completed?

Answer: We expect to complete the merger as soon as practicable after receiving all necessary shareholder, member and regulatory approvals. We currently expect that all approvals will be received in the fourth quarter of 2014.

Question: What are the tax consequences of the merger to me?

Answer: You should not recognize any gain or loss for federal income tax purposes solely as a result of the merger or the issuance of shares of our common stock to Ottawa Savings Bancorp MHC.

Question: Why are we amending the charter?

Answer: As part of the merger, Ottawa Savings Bancorp will issue to Ottawa Savings Bancorp MHC a number of shares equal to the fair market value of Twin Oaks divided by the per share market value of Ottawa Savings Bancorp, each as determined by an independent appraiser. Notwithstanding that none of the shares to be issued in the merger will be issued to insiders of Ottawa, because Ottawa Savings Bancorp MHC is a controlling person of Ottawa Savings Bancorp, we are required to obtain shareholder approval. To prevent having to incur the expense of obtaining a shareholder vote in connection with future similarly-structured transactions the Board of Directors is proposing to amend this charter provision to exclude future stock issuances made solely to Ottawa Savings Bancorp MHC.

Question: What should I do now?

Answer: After you have carefully read this document, please indicate on your proxy card or your voting instruction card how you want to vote. Then, sign, date and mail the executed card in the enclosed postage-prepaid envelope as soon as possible. This will enable your votes to be represented at the meeting.

Question: Who can help answer my questions?

Answer: If you want additional copies of this document, or if you want to ask any questions about the merger or the amendment of our charter, you should contact:

Jon Kranov
President and Chief Executive Officer
Ottawa Savings Bancorp, Inc.
925 LaSalle Street
Ottawa, Illinois 61350
(815) 433-2525

Summary

This summary highlights selected information from this proxy statement and does not contain all the information that is important to you. For a more complete description of the terms of the proposed merger, we urge you to read carefully the entire document and the other documents to which we refer, including the merger agreement, which is attached as Appendix A.

THE PARTIES TO THE MERGER

Ottawa Savings Bancorp MHC **Ottawa Savings Bancorp, Inc.** **Ottawa Savings Bank FSB** *925 LaSalle Street* *Ottawa, Illinois 61350* *(815) 433-2525*	Ottawa Savings Bank FSB is a federally chartered stock savings bank headquartered in Ottawa, Illinois. Ottawa Savings Bancorp is the majority-owned subsidiary of Ottawa Savings Bancorp MHC, which owns 57.8% of the Company's outstanding shares. Ottawa Savings Bank, originally chartered in 1871, is a community bank serving Ottawa, Illinois and LaSalle County through its main office in Ottawa, Illinois. Ottawa Savings Bank is the oldest savings institution in the State of Illinois. Ottawa Savings Bank converted into the mutual holding company form of ownership in 2005. At June 30, 2014, Ottawa Savings Bancorp had assets of approximately \$165.9 million, deposits of \$140.1 million and total shareholders' equity of \$22.2 million. Ottawa Savings Bancorp's common stock trades on the OTC Bulletin Board under the symbol "OTTW."
Twin Oaks Savings Bank *125 West Bluff Street* *Marseilles, Illinois 61341* *(815) 795-2129*	Twin Oaks, which was founded in 1890, is headquartered in Marseilles, Illinois. It is an Illinois chartered mutual savings bank and serves LaSalle and Grundy Counties in Illinois through its main office and a branch office located in Morris, Illinois. At June 30, 2014, Twin Oaks had total assets of \$66.7 million, deposits of \$53.7 million and capital of \$6.8 million.
Note Regarding Use of Names in This Proxy Statement	As used in this proxy statement, Twin Oaks Savings Bank is referred to as "Twin Oaks."

As used in this proxy statement, Ottawa Savings Bank FSB is sometimes referred to as "Ottawa Savings Bank" and Ottawa Savings Bancorp, Inc. is sometimes referred to as "Ottawa Savings Bancorp," the "Company," or "we," "us" or "our". Ottawa Savings Bank, Ottawa Savings Bancorp and Ottawa Savings Bancorp MHC are sometimes collectively referred to as "Ottawa."

THE ANNUAL MEETING

Place, Date and Time	The annual meeting of shareholders will be held at the Company's offices located at 925 LaSalle Street, Ottawa, Illinois on **[MEETING DATE]** at _:__ _.m., local time.
Purpose of the Meeting	At the meeting, you will be asked to approve: (1) the issuance of additional shares of our common stock to Ottawa Savings Bancorp MHC pursuant to the merger agreement; (2) the amendment of our charter to permit future issuances of our common stock to Ottawa Savings Bancorp MHC without requiring a shareholder vote; (3) the election of two directors; and (4) the ratification of the independent auditors for the 2014 fiscal year.
Who Can Vote at the Meeting	You are entitled to vote your shares of Ottawa Savings Bancorp common stock that you owned as of **[RECORD DATE].** As of the close of business on **[RECORD DATE]**, _______ shares of Ottawa Savings Bancorp common stock were outstanding, including ______ shares of common stock held by Ottawa Savings Bancorp MHC.
What Vote is Required to Approve the Issuance of Shares and the Charter Amendment	To approve the issuance of shares of our common stock and the charter amendment, a majority of the outstanding shares of our common stock must vote in favor of the proposal. You can vote your shares by attending the annual meeting and voting in person or by completing and mailing the enclosed proxy card or voting instruction card.

THE MERGER

A copy of the merger agreement is provided as Appendix A to this proxy statement. Please read the entire merger agreement carefully. It is the legal document that governs the merger.

Overview of the Transaction (page __)	Under the merger agreement, Twin Oaks will merge with and into Ottawa Savings Bank, and Ottawa Savings Bank will be the surviving institution.
What You Will Receive in the Merger (page __)	Each of your outstanding shares of our common stock will remain outstanding and unchanged in the merger. However, as a result of the issuance of an additional 722,223 shares of our common stock to Ottawa Savings Bancorp MHC, you are expected to experience a dilution in ownership percentage of approximately 10.73% when the new shares are issued. Members of Twin Oaks will not receive any shares of Ottawa Savings Bancorp common stock in the merger.

To reflect the value of Twin Oaks that is transferred to Ottawa Savings Bank, the merger agreement provides that, upon consummation of the merger, Ottawa Savings Bancorp will issue to Ottawa Savings Bancorp MHC a number of shares of its common stock equal to the quotient obtained by dividing the appraised value of Twin Oaks by the Ottawa Savings Bancorp common stock market price per share rounded to the nearest whole number of shares.

Issuance of Our Shares to Ottawa Savings Bancorp MHC

(page __)

Twin Oaks has obtained a pro forma valuation of Twin Oaks by FinPro Capital Advisors, Inc. (“FinPro”), a firm experienced in appraisals of financial institutions. The appraisal states that as of June 6, 2014, the estimated pro forma market value of Twin Oaks was $6.5 million. Ottawa engaged Keller and Company, an independent appraisal firm that is an expert in preparing stock valuations for financial institutions, to determine the market price per share of the Ottawa Savings Bancorp common stock to calculate the number of shares of common stock that will be issued to Ottawa Savings Bancorp MHC. This stock valuation states that as of June 6, 2014, the price per share of Ottawa Savings Bancorp common stock was $9.00. The appraisal and the stock valuation will be updated as of a date within 20 days of the closing of the merger, which could result in a change in the appraised value of Twin Oaks or the number of shares to be issued by Ottawa Savings Bancorp to Ottawa Savings Bancorp MHC.

Tax Consequences of the Merger
(page __)

We have received an opinion of counsel to the effect that, based on certain facts, representations and assumptions, the merger will be a “tax-free reorganization” for federal income tax purposes.

Our Board of Directors Recommends that You Vote to Approve Issuance of Additional Shares
(page __)

Our Board of Directors believes that the merger is fair and in the best interests of our shareholders, and unanimously recommends that you vote “**FOR**” the proposal to approve the issuance of shares of our common stock to Ottawa Savings Bancorp MHC.

For a discussion of the factors considered by our Board of Directors in approving the merger agreement, see pages __ through __.

Conditions to Completing the Merger (page __)

The completion of the merger depends on a number of conditions being met. These conditions include:

approval of the merger agreement by Twin Oaks' members;

approval by Ottawa shareholders of the proposal to issue additional shares of our common stock to Ottawa Savings Bancorp MHC;

approval of the merger by the Office of the Comptroller of the Currency (the "OCC") and the Board of Governors of the Federal Reserve System (the "Federal Reserve Board") in each case without any condition or requirement that would so materially affect the economic benefits of the merger that, had the condition or requirement been known, Ottawa or Twin Oaks would not have entered into the merger agreement;

the continued accuracy of certain representations and warranties made on the date of the merger agreement; and

the absence of material adverse changes in certain aspects of Twin Oaks' operations and financial position.

We cannot be certain when, or if, the conditions to the merger will be satisfied or waived, or that the merger will be completed.

Agreement Not to Solicit Other Proposals (page __)

Twin Oaks has agreed not to initiate, solicit, encourage or take any other action to facilitate, any inquiries, discussions or the making of any proposal that constitutes or could reasonably be expected to lead to an any acquisition proposal with a third party. Despite its agreement not to solicit other acquisition proposals, its Board of Directors may generally negotiate or have discussions with, or provide information to, a third party who makes an unsolicited, written, bona fide acquisition proposal, provided that its Board of Directors determines in good faith:

after consultation with and based upon the advice of its legal counsel, that failing to take such actions would cause the Board to breach its fiduciary duties under applicable law; and

after consultation with Twin Oaks' outside legal counsel that such proposal would be more favorable to Twin Oaks' members than the merger with Ottawa Savings Bank.

Terminating the Merger Agreement (page __)	Ottawa and Twin Oaks may agree at any time not to complete the merger, even if our shareholders and Twin Oaks' members have approved it. Also, either Ottawa or Twin Oaks may decide to terminate the merger agreement: in response to a material breach by the other party, which is not or cannot be cured within 30 days; if the merger is not completed by April 30, 2015; if any required regulatory or member approval is not obtained; or in response to a withdrawal of the Board of Directors of either party of its recommendation to approve the merger agreement or a modification or qualification of its recommendation in a manner adverse to the other party. Twin Oaks may also terminate the merger agreement if its Board of Directors authorizes it to enter into an agreement with a third party that its Board determines in good faith, after consulting with its legal counsel, is a superior proposal to the Ottawa merger agreement. In such case, Twin Oaks must give Ottawa three days in which to match or exceed the superior proposal.
Regulatory Approvals Needed to Complete the Merger (page __)	The merger cannot be completed unless we receive the approval of the OCC and the Federal Reserve Board. Ottawa has filed applications with these agencies. As of the date of this proxy statement, Ottawa has not received any regulatory approvals.

Termination Fees (page __)

If the merger agreement is terminated because Twin Oaks breaches its covenants related to acquisition proposals from third parties or is otherwise terminated by either party as a consequence of Twin Oaks' receipt of a superior proposal, Twin Oaks will pay Ottawa a termination fee of $250,000. If the merger agreement is terminated as a result of certain willful or intentional acts or omissions of either party, and, in the case of Twin Oaks, such willful or intentional acts are not related to receipt of an acquisition proposal, such party may be obligated to pay the other party a termination fee of $122,500. If the merger agreement is terminated by Ottawa because Twin Oaks has experienced a material adverse effect, as such term is identified in the merger agreement, that is identified by the preparation of Twin Oaks' audited financial statements, then Twin Oaks will pay Ottawa a termination fee equal to the reasonable expenses Ottawa has incurred in connection with the preparation of the merger agreement and any actions relating thereto or as a result thereof, up to a maximum of $122,500.

THE CHARTER AMENDMENT

Overview (page __)

As part of the merger, Ottawa Savings Bancorp will issue to Ottawa Savings Bancorp MHC a number of shares equal to the fair market value of Twin Oaks divided by the per share market value of Ottawa Savings Bancorp, each as determined by an independent appraisal in the case of Twin Oaks and a stock valuation in the case of Ottawa. Notwithstanding that none of the shares to be issued in the merger will be issued to insiders of Ottawa, because Ottawa Savings Bancorp MHC is a controlling person of Ottawa Savings Bancorp, we are required to obtain shareholder approval. To prevent having to incur the expense of obtaining a shareholder vote in connection with future similarly-structured transactions the Board of Directors is proposing to amend this charter provision to exclude future stock issuances made solely to Ottawa Savings Bancorp MHC.

Our Board of Directors Recommends that You Vote to Approve the Charter Amendment

Our Board of Directors believes that the charter amendment is fair and in the best interests of our shareholders, and unanimously recommends that you vote "**FOR**" the proposal to approve the charter amendment.

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Conditions to Approval of the Charter Amendment	The amendment to the Company’s charter is conditioned on the approval of the charter amendment by our shareholders. The approval of the charter amendment is not conditioned upon approval of the merger agreement and the approval of the merger agreement is not conditioned upon the approval of the charter amendment.

OTTAWA SAVINGS BANCORP, INC.

PROXY STATEMENT

This proxy statement is furnished in connection with the solicitation of proxies by the Board of Directors of Ottawa Savings Bancorp, Inc. (“Ottawa Savings Bancorp” or the “Company”) to be used at the annual meeting of shareholders of the Company. The Company is the holding company for Ottawa Savings Bank (the “Bank”) and the majority-owned subsidiary of Ottawa Savings Bancorp MHC (the “MHC”). The annual meeting will be held at 925 LaSalle Street, Ottawa, Illinois on _______, **[MEETING DATE]** at _:__ _.m., local time. This proxy statement and the enclosed proxy card are being first mailed to shareholders on or about **[MAIL DATE]**.

Important Notice Regarding the Availability of Proxy Materials for the Shareholders Meeting to be held on [MEETING DATE]

The Proxy Statement and Annual Report for the year ended December 31, 2013 are available at http://www.rdgir.com/ottowa-savings-bancorp-inc.

The Annual Meeting

Who Can Vote at the Meeting

You are entitled to vote your shares of Ottawa Savings Bancorp common stock if the records of the Company show that you held your shares as of the close of business on **[RECORD DATE]**. If your shares are held in a stock brokerage account or by a bank or other nominees, you are considered the beneficial owner of shares held in “street name” and these proxy materials are being forwarded to you by your broker, bank or nominees. As the beneficial owner, you have the right to direct your broker on how to vote your shares. Your broker, bank or nominees has enclosed a voting instruction card for you to use in directing it on how to vote your shares.

As of the close of business on **[RECORD DATE],** 2,117,979 shares of Ottawa Savings Bancorp common stock were outstanding and entitled to vote. Each share of common stock has one vote.

Attending the Meeting

If you are a shareholder as of the close of business on **[RECORD DATE],** you may attend the meeting. However, if you hold your shares in street name, you will need proof of ownership to be admitted to the meeting. A recent brokerage statement or letter from a bank, broker or other nominees are examples of proof of ownership. If you want to vote your shares of Ottawa Savings Bancorp common stock held in street name in person at the meeting, you will need a written proxy in your name from the broker, bank or other nominees who holds your shares.

Vote by Ottawa Savings Bancorp MHC

Ottawa Savings Bancorp MHC, the mutual holding company for the Company, owned 57.8% of the outstanding shares of common stock of the Company as of **[RECORD DATE].** All shares of common stock owned by Ottawa Savings Bancorp MHC will be voted in accordance with the instructions of the Board of Directors of Ottawa Savings Bancorp MHC, the members of which are identical to the members of the Board of Directors of the Company. Ottawa Savings Bancorp MHC is expected to vote such shares “FOR” the approval of the issuance of shares of common stock to Ottawa Savings Bancorp MHC pursuant to the Agreement and Plan of Merger, “FOR” the approval of the amendment to the Company’s charter, “FOR” the nominees for election as directors and “FOR” ratification of the appointment of McGladrey LLP as the Company’s independent registered public accounting firm for the 2014 fiscal year.

Vote Required

The annual meeting will be held only if there is a quorum. A majority of the outstanding shares of Ottawa Savings Bancorp common stock entitled to vote, represented in person or by proxy, constitutes a quorum. If you return valid proxy instructions or attend the meeting in person, your shares will be counted for purposes of determining whether there is a quorum, even if you abstain from voting. Broker non-votes also will be counted for purposes of determining the existence of a quorum. A broker non-vote occurs when a broker, bank or other nominees holding shares for a beneficial owner does not vote on a particular proposal because the broker, bank or other nominees does not have discretionary voting power with respect to that item and has not received voting instructions from the beneficial owner.

Approval of the proposal to issue additional shares of our common stock and the approval of the proposal to amend of our charter, each requires the affirmative vote of a majority of our shares of common stock outstanding. Failure to return a properly executed proxy card or to vote in person and abstentions and broker non-votes will have the same effect as a vote “AGAINST” the proposal to approve the issuance of additional shares of our common stock and the proposal to amend our charter.

In voting on the election of directors, you may vote in favor of the nominees or withhold votes as to the nominees. There is no cumulative voting for the election of directors. Directors are elected by a plurality of the votes cast at the annual meeting. “Plurality” means that the nominees receiving the largest number of votes cast will be elected up to the maximum number of directors to be elected at the annual meeting. The maximum number of directors to be elected at the annual meeting is two. In the election of directors, votes that are withheld will have no effect on the outcome of the election.

In voting to ratify the appointment of McGladrey LLP as the Company’s independent registered public accounting firm, you may vote in favor of the proposal, against the proposal or abstain from voting. To be approved, this matter requires the affirmative vote of a majority of our shares of common stock. In counting votes on the proposal to ratify the appointment of the independent registered public accounting firm, abstentions will have the same effect as a negative vote while broker non-votes will have no impact on the outcome of the proposal.

Because Ottawa Savings Bancorp MHC owns in excess of 50% of the outstanding shares of Company common stock, the votes it casts will ensure the presence of a quorum and determine the outcome of Proposal 1 (Issuance of Additional Shares of Our Common Stock Pursuant to the Merger), Proposal 2 (Amendment to Our Charter), Proposal 3 (Election of Directors) and Proposal 4 (Ratification of Independent Registered Public Accounting Firm).

Effect of Not Casting Your Vote

If you hold your shares in street name it is critical that you cast your vote if you want it to count in the issuance of additional shares of our common stock, the amendment to Company's charter and election of directors (Proposals 1, 2 and 3 of this proxy statement).

Current regulations restrict the ability of your bank or broker to vote your uninstructed shares in the issuance of additional shares of our common stock, election of directors and other matters on a discretionary basis. Thus, if you hold your shares in street name and you do not instruct your bank or broker how to vote in the issuance of additional shares of our common stock and election of directors, no votes will be cast on your behalf. These are referred to as broker non-votes. Your bank or broker will, however, continue to have discretion to vote any uninstructed shares on the ratification of the appointment of the Company’s independent registered public accounting firm (Proposal 4 of this proxy statement). If you are a shareholder of record and you do not cast your vote, no votes will be cast on your behalf on any of the items of business at the annual meeting.

Voting by Proxy

This proxy statement is being sent to you by the Board of Directors of the Company to request that you allow your shares of the Company common stock to be represented at the annual meeting by the persons named in the enclosed proxy card. All shares of Company common stock represented at the meeting by properly executed and dated proxies will be voted according to the instructions indicated on the proxy card. If you sign, date and return a proxy card without giving voting instructions, your shares will be voted as recommended by the Company’s Board of Directors. **The Board of Directors recommends that you vote “FOR” the approval of the issuance of shares of common stock pursuant to the Agreement and Plan of Merger, “FOR” the amendment to Company’s charter, “FOR” the nominees for election as director and “FOR” ratification of the appointment of McGladrey LLP as the Company’s independent registered public accounting firm.**

If any matter not described in this proxy statement is properly presented at the annual meeting, the persons named in the proxy card will use their judgment to determine how to vote your shares. This includes a motion to adjourn or postpone the meeting to solicit additional proxies. If the annual meeting is postponed or adjourned, your shares of Ottawa Savings Bancorp common stock may also be voted by the persons named in the proxy card on the new meeting date, unless you have revoked your proxy. The Company does not know of any other matters to be presented at the meeting.

You may revoke your proxy at any time before the vote is taken at the meeting. To revoke your proxy, you must either advise the Assistant Corporate Secretary of the Company in writing before your Company common stock has been voted at the annual meeting, deliver a later-dated valid proxy or attend the meeting and vote your shares in person. Attendance at the annual meeting will not in itself constitute revocation of your proxy.

If your Ottawa Savings Bancorp common stock is held in street name, you will receive instructions from your broker, bank or other nominees that you must follow to have your shares voted. Your broker, bank or other nominees may allow you to deliver your voting instructions by telephone or by the Internet. Please see the voting instruction card provided by your broker, bank or other nominees that accompanies this proxy statement. If you wish to change your voting instructions after you have returned your voting instruction card to your broker, bank or other nominees, you must contact your broker, bank or other nominees.

Participants in the Bank’s ESOP and 401(k) Plan

If you participate in the Ottawa Savings Bank Employee Stock Ownership Plan (the “ESOP”) or if you hold shares through the Ottawa Savings Bank Employees’ Savings and Profit Sharing Plan (the “401(k) Plan”), you will receive a voting instruction card for each plan that reflects all shares you may vote under the plan. Under the terms of the ESOP, the ESOP trustee votes all shares held by the ESOP, but each ESOP participant may direct the trustee how to vote the shares of common stock allocated to his or her account. The ESOP trustee, subject to the exercise of its fiduciary duties, will vote all unallocated shares of Company common stock held by the ESOP and allocated shares for which it does not receive timely voting instructions in the same proportion as shares for which it has received timely voting instructions. Under the terms of the 401(k) Plan, a participant may direct the trustee how to vote the shares of Ottawa Savings Bancorp common stock credited to his or her account in the 401(k) Plan. The 401(k) Plan trustee will vote all shares for which it does not receive timely instructions in the same proportion as shares for which it has received timely instructions. The deadline for returning your voting instructions to each plan’s trustee is _____________.

Corporate Governance

General

The Company periodically reviews its corporate governance policies and procedures to ensure that the Company meets the highest standards of ethical conduct, reports results with accuracy and transparency and maintains full compliance with the laws, rules and regulations that govern the Company's operations. As part of this periodic corporate governance review, the Board of Directors reviews and adopts best corporate governance policies and practices for the Company.

Corporate Governance Policies and Procedures

The Company has adopted a corporate governance policy to govern certain activities including:

(1) the duties and responsibilities of each director;
(2) the composition, duties and responsibilities and operation of the Board of Directors;
(3) the selection of Chairman and President;
(4) the establishment and operation of Board committees;
(5) succession planning;
(6) convening executive sessions of independent directors;
(7) the Board of Directors' interaction with management and third parties;
(8) the distribution of Board materials in advance of meetings;
(9) review of director compensation;
(10) the evaluation of the performance of the Board of Directors and of the Chief Executive Officer; and
(11) the orientation of new directors and continuing education.

Code of Ethics and Business Conduct

The Company has adopted a Code of Ethics and Business Conduct that is designed to ensure that the Company's directors, executive officers and employees meet the highest standards of ethical conduct. The Code of Ethics and Business Conduct requires that the Company's directors, executive officers and employees avoid conflicts of interest, comply with all laws and other legal requirements, conduct business in an honest and ethical manner and otherwise act with integrity and in the Company's best interest. Under the terms of the Code of Ethics and Business Conduct, directors, executive officers and employees are required to report any conduct that they believe in good faith to be an actual or apparent violation of the Code.

As a mechanism to encourage compliance with the Code of Ethics and Business Conduct, the Company has established procedures to receive, retain and treat complaints received regarding accounting, internal accounting controls or auditing matters. These procedures ensure that individuals may submit concerns regarding questionable accounting or auditing matters in a confidential and anonymous manner. The Code of Ethics and Business Conduct also prohibits the Company from retaliating against any director, executive officer or employee who reports actual or apparent violations of the Code of Ethics.

Meetings and Committees of the Board of Directors

The Company conducts business through meetings of its Board of Directors and its committees. The Company's Board of Directors held 12 regular meetings during the fiscal year ended December 31, 2013. No director attended fewer than 75% of the total meetings of the Company's Board of Directors and committees on which such director served.

The following table identifies our standing committees and their members as of December 31, 2013. All members of each committee are independent in accordance with the listing standards of the Nasdaq Stock Market.

Director	Audit Committee	Nominating and Corporate Governance Committee	Compensation Committee	Assets and Liability Committee
John M. Armstrong	X	X	X	X
James A. Ferrero	X *	X	X	X
Keith Johnson	X	X	X *	X *
Arthur C. Mueller	X	X	X	X
Jon Kranov				X
Daniel J. Reynolds	X	X *	X	X
Number of Meetings in 2013	5	1	6	4

* Chairman

Audit Committee. The Audit Committee meets periodically with the independent registered public accounting firm and management to review accounting, auditing, internal control structure and financial reporting matters. The Board of Directors has determined that James Ferrero is an "audit committee financial expert," as such term is defined by the rules and regulations of the Securities and Exchange Commission. Mr. Ferrero is independent under the listing standards of the Nasdaq Stock Market. The Audit Committee acts under a written charter, a copy of which is available on the Company's website at www.ottawasavings.com. The report of the Audit Committee appears in this proxy statement under the heading *"Audit Committee Report."*

Compensation Committee. The Compensation Committee is responsible for human resource policies, salaries and benefits, incentive compensation, executive development and management succession planning. It also handles policies relating to nondiscriminatory employment practices, including those related to hiring, compensation and promotion. The Compensation Committee reviews all compensation components for the Company's President and Chief Executive Officer including annual salary, bonus, stock options, and other direct and indirect benefits, as well as reviews the Company's executive and employee compensation programs, and director compensation. The Committee considers the performance of the Company, shareholder return, competitive market values, and the compensation given to the President and Chief Executive Officer over recent years when determining appropriate compensation for the President and Chief Executive Officer. In setting executive compensation, the Committee ensures that a significant portion of compensation is connected to the long-term interest of shareholders. In its oversight of employee compensation programs, prior to making its recommendation to the Board, the Committee reviews recommendations from the President and Chief Executive Officer and Human Resources Manager. Decisions by the Compensation Committee with respect to the compensation levels are approved by the full Board of Directors. The Compensation Committee acts under a written charter. A copy of the Compensation Committee charter is not available on the Company's website. A copy of the Compensation Committee charter was attached to the Company's 2013 annual meeting proxy statement and is publicly available on the Securities and Exchange Commission's website.

Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee is responsible for the annual selection of the Board of Directors' nominees for election as directors and developing and implementing policies and practices relating to corporate governance, including implementation of and monitoring adherence to Ottawa Savings Bancorp's corporate governance policy. The Nominating and Corporate Governance Committee acts under a written charter adopted by the Board of Directors. A copy of the Nominating and Corporate Governance Committee charter is not available on the Company's website. A copy of the Nominating and Corporate Governance Committee charter was attached to the Company's 2013 annual meeting proxy statement and is publicly available on the Securities and Exchange Commission's website.

Minimum Qualifications. The Nominating and Corporate Governance Committee has adopted a set of criteria that it considers when it selects individuals to be nominated for election to the Board of Directors. First, a candidate must meet the eligibility requirements set forth in the Company's Bylaws, which include an age limitation, a stock ownership requirement and a requirement that the candidate not have been subject to certain criminal or regulatory actions. A candidate also must meet any qualification requirements set forth in any Board or committee governing documents.

The Nominating and Corporate Governance Committee will consider the following criteria in selecting nominees: contributions to the range of talent, skill and expertise appropriate for the Board; financial, regulatory and business experience; knowledge of the banking and financial services industries; familiarity with the operations of public companies and ability to read and understand financial statements; familiarity with the Company's market area and participation in and ties to local businesses and local civic, charitable and religious organizations; personal and professional integrity, honesty and reputation; ability to represent the best interests of the shareholders of the Company and the best interests of the institution; ability to devote sufficient time and energy to the performance of his or her duties; independence; current equity holdings in the Company; and any other factors the Nominating and Corporate Governance Committee deems relevant, including age, diversity, size of the Board of Directors and regulatory disclosure obligations. In its consideration of diversity, the Nominating and Corporate Governance Committee seeks to create a Board that is strong in its collective knowledge and that has a diverse set of skills and experience with respect to management and leadership, vision and strategy, accounting and finance, business operations and judgment, industry knowledge and corporate governance.

In addition, prior to nominating an existing director for re-election to the Board of Directors, the Nominating and Corporate Governance Committee will consider and review an existing director's Board and Committee attendance and performance; length of Board service; experience, skills and contributions that the existing director brings to the Board; and independence.

Director Nomination Process. The process that the Nominating and Corporate Governance Committee follows when it identifies and evaluates individuals to be nominated for election to the Board of Directors is as follows:

For purposes of identifying nominees for the Board of Directors, the Nominating and Corporate Governance Committee relies on personal contacts of the committee members and other members of the Board of Directors, as well as their knowledge of members of the communities served by the Bank. The Nominating and Corporate Governance Committee also will consider director candidates recommended by shareholders in accordance with the policy and procedures set forth below. The Nominating and Corporate Governance Committee has not previously used an independent search firm to identify nominees.

In evaluating potential nominees, the Nominating and Corporate Governance Committee determines whether the candidate is eligible and qualified for service on the Board of Directors by evaluating the candidate under the selection criteria set forth above. In addition, the Nominating and Corporate Governance Committee will conduct a check of the individual's background and interview the candidate to further assess the qualities of the prospective nominees and the contributions he or she would make to the Board.

Consideration of Recommendations by Shareholders. It is the policy of the Nominating and Corporate Governance Committee of the Board of Directors of the Company to consider director candidates recommended by shareholders who appear to be qualified to serve on the Company's Board of Directors. The Nominating and Corporate Governance Committee may choose not to consider an unsolicited recommendation if no vacancy exists on the Board of Directors and the Nominating and Corporate Governance Committee does not perceive a need to increase the size of the Board of Directors. In order to avoid the unnecessary use of the Nominating and Corporate Governance Committee's resources, the Nominating and Corporate Governance Committee will consider only those director candidates recommended in accordance with the procedures set forth below.

Procedures to be Followed by Shareholders. To submit a recommendation of a director candidate to the Nominating and Corporate Governance Committee, a shareholder should submit the following information in writing, addressed to the Chairman of the Nominating and Corporate Governance Committee, care of the Corporate Secretary, at the main office of the Company:

1. The name of the person recommended as a director candidate;
2. All information relating to such person that is required to be disclosed in solicitations of proxies for election of directors pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended;
3. The written consent of the person being recommended as a director candidate to being named in the proxy statement as a nominees and to serving as a director if elected;
4. As to the shareholder making the recommendation, the name and address, as they appear on the Company's books, of such shareholder; provided, however, that if the shareholder is not a registered holder of the Company's common stock, the shareholder should submit his or her name and address along with a current written statement from the record holder of the shares that reflects ownership of the Company's common stock; and
5. A statement disclosing whether such shareholder is acting with or on behalf of any other person and, if applicable, the identity of such person.

In order for a director candidate to be considered for nomination at the Company’s annual meeting of shareholders, the recommendation must be received by the Nominating and Corporate Governance Committee at least 120 calendar days prior to the date the Company’s proxy statement was released to shareholders in connection with the previous year’s annual meeting, advanced by one year.

Board Leadership Structure and Risk Oversight

The positions of Chairman of the Board and Chief Executive Officer of the Company are each held by Jon Kranov. The Chairman of the Board has no greater nor lesser vote on matters considered by the Board than any other director, and the Chairman does not vote on any related party transaction. All directors of the Company, including the Chairman, are bound by fiduciary obligations, imposed by law, to serve the best interests of the shareholders. The Board’s decision regarding how to structure its leadership is based on its familiarity and comfort with the Chief Executive Officer and its belief in the potential efficiencies of having the Chief Executive Officer also serve in the role of Chairman of the Board.

A fundamental part of the Company's risk management is not only understanding the risks the Company faces and what steps management is taking to manage those risks, but also understanding what level of risk is appropriate for the Company. The full Board of Directors' involvement in helping to set the Company's business strategy is an important aspect of its assessment of management's tolerance for risk and its determination of the appropriate level of risk for the Company. While the Board of Directors has the ultimate oversight responsibility for the risk management process, various committees of the Board also have responsibility for risk management. In particular, the Audit Committee focuses on financial risk by providing oversight of the quality and integrity of the Company's financial reporting and internal controls, as well as the Company's compliance with legal and regulatory requirements. The Company's Compensation Committee reviews the Company's and the Bank's compensation policies and practices to help ensure there is a direct relationship between pay levels and corporate performance and return to shareholders.

Attendance at the Annual Meeting

The Board of Directors encourages directors to attend the annual meeting of shareholders. All six directors attended the Company's annual meeting of shareholders in 2013.

Directors' Compensation

The following table sets forth the fees earned for fiscal year 2013 and either paid in cash or deferred at the election of the director by non-employee directors for their service on our Board of Directors during 2013.

Name	*Fees Earned or Paid in Cash* ($)	*Stock Awards* ($)	*Option Awards*	*All Other Compensation* ($)	*Total* ($)
James A. Ferrero	16,800	—	—	—	16,800
Keith F. Johnson	16,800	—	—	—	16,800
Arthur C. Mueller	16,800	—	—	—	16,800
Daniel J. Reynolds	16,800	—	—	—	16,800
John M. Armstrong	16,800	—	—	—	16,800

All non-employee directors of the Ottawa Savings Bank were paid a monthly retainer in the amount of $1,050 for their service on the Ottawa Savings Bank's Board of Directors. All non-employee directors of the Company were paid a quarterly retainer in the amount of $1,050 for their service on the Company's Board of Directors. Directors do not receive fees for service on Board committees. Directors do not receive any compensation for their service on the Board of Directors of the MHC.

Stock Ownership

The following table provides information as of **[RECORD DATE]** about the persons known to the Company to be the beneficial owners of more than 5% of the Company's outstanding common stock. A person may be considered to beneficially own any shares of common stock over which he or she has, directly or indirectly, sole or shared voting or investment power.

Name and Address	Number of Shares Owned	Percent of Common Stock Outstanding (1)
Ottawa Savings Bancorp MHC 925 LaSalle Street Ottawa, Illinois 61350	1,223,701	57.8%
Tyndall Capital Partners, LP 599 Lexington Avenue Suite 4100 New York, New York 10022	129,237 (2)	6.1%

(1) Based on 2,117,979 shares of Company common stock outstanding and entitled to vote as of **[RECORD DATE].** Based exclusively on a Schedule 13G/A filed with the Securities and Exchange Commission on February 14, 2013. Tyndall Partners, L.P. ("Tyndall") owns 91,172 shares and Tyndall Institutional Partners, L.P. owns 38,065 shares.

(2) Tyndall Capital Partners, L.P. is the general partner of Tyndall and Tyndall Institutional Partners, L.P. and possesses the sole power to vote and the sole power to direct the disposition of all shares held by Tyndall and Tyndall Institutional Partners, L.P.

The following table provides information as of **[RECORD DATE]** about the shares of Ottawa Savings Bancorp common stock that may be considered to be beneficially owned by each director or nominee for director of the Company, by those named executive officers of the Company listed in the *Summary Compensation Table* and all directors and executive officers of the Company as a group. A person may be considered to beneficially own any shares of common stock over which he or she has directly or indirectly, sole or shared voting or investment power. Unless otherwise indicated, none of the shares listed are pledged as security and each of the listed individuals has sole voting and investment power with respect to the shares shown.

Name	Number of Shares Owned (Excluding Options) (1)		Number of Shares That May be Acquired Within 60 Days by Exercising Options	Percent of Common Stock Outstanding (2)	
Directors:					
John M. Armstrong	3,810		—	*	%
James A. Ferrero	20,180	(3)	5,451	1.21	
Keith Johnson	19,180	(4)	5,451	1.16	
Jon Kranov	35,651		23,765	2.81	
Arthur C. Mueller	12,180		5,451	*	
Daniel J. Reynolds	24,680	(5)	5,451	1.42	
Executive Officers Who Are Not Directors:					
Philip Devermann	16,429		17,443	1.60	
Marc N. Kingry	8,792		5,232	*	
All directors and executive officers as a group (8 persons)	140,902		68,244	9.87	

*Represents less than 1% of the Company’s outstanding shares.

(1) This column includes the following:

Name	Shares of Restricted Stock Awards Held in Trust	Shares Allocated Under the Ottawa Savings Bank ESOP	Shares Held in Trust in the Ottawa Savings Bank 401(k) Plan
John M. Armstrong	—	—	—
Philip Devermann	—	5,341	10,194
James A. Ferrero	—	—	—
Keith Johnson	—	—	—
Marc N. Kingry	3,141	1,657	—
Jon Kranov	1,398	6,535	5,373
Arthur C. Mueller	—	—	—
Daniel J. Reynolds	—	—	—

(2) Based on 2,117,979 shares of Company common stock outstanding and entitled to vote as of **[RECORD DATE].**
(3) Includes 500 shares of which Mr. Ferrero may be deemed the beneficial owner as the trustee of his daughter's trust.
(4) Includes 17,000 shares pledged as security for a loan with an unrelated financial institution.
(5) Includes 8,500 shares held by Mr. Reynolds' spouse.

Selected Historical Consolidated Financial Information for Ottawa Savings Bancorp, Inc.

The following is selected consolidated financial information for Ottawa Savings Bancorp, Inc. at or for the six months ended June 30, 2014 and 2013 and the years ended December 31, 2013 and 2012. The financial information at and for the six-month period ended June 30, 2014 and 2013 is unaudited but in the opinion of management reflects all adjustments, consisting of normal recurring adjustments, which are necessary to present fairly the results for such period. The results of operations for the six months ending June 30, 2014 are not necessarily indicative of the results of operation for the year ending December 31, 2014 or for any other period.

	Six Months Ended June 30,		**Year Ended December 31,**	
	2014	**2013**	**2013**	**2012**
(In thousands, except per share data)	**(Unaudited)**			
Statement of Financial Condition:				
Assets	$165,896	$176,969	$170,610	$179,046
Cash and cash equivalents	3,750	5,733	6,606	10,788
Investment securities	35,297	35,868	34,547	28,864
Loans receivable, net	110,077	115,885	110,673	121,945
Deposits	140,130	152,600	145,769	155,075
Total shareholders’ equity	22,226	21,023	21,486	21,046
Operating Data:				
Interest income	$3,274	$3,619	$6,952	$7,919
Interest expense	507	809	1,452	2,169
Net interest income	2,767	2,810	5,500	5,749
Provision for loan losses	470	550	875	1,912
Net interest income after provision for loan losses	2,297	2,260	4,625	3,838
Other income	241	380	659	642
Other expenses	1,913	1,908	3,815	3,536
Income before taxes	625	732	1,469	944
Income tax expense	193	266	540	270
Net income	$432	$466	$929	$674
Per Share Data:				
Earnings per share, basic	$0.21	$0.22	$0.45	$0.33
Earnings per share, diluted	$0.21	$0.22	$0.45	$0.32
Dividends per share	–	–	–	–

	Six Months Ended June 30,		Year Ended December 31,	
	2014	2013	2013	2012
	(Unaudited)			
Selected Financial Ratios and Other Data				
Performance Ratios:				
Return on average assets	0.25 %	0.25 %	0.53 %	0.37 %
Return on average equity	1.97	2.20	4.38	3.23
Interest rate spread (1)	3.53	3.38	3.38	3.36
Efficiency ratio (2)	63.60	59.81	61.94	55.31
Asset Quality Ratios:				
Nonperforming assets to total assets	3.84	3.85	3.80	4.26
Nonperforming loans to total loans	5.00	5.01	5.10	5.04
Allowance for loan losses to nonperforming loans	52.18	64.13	49.49	53.46
Allowance for loan losses to total loans	2.61	3.21	2.52	2.69
Capital Ratios:				
Risk-based capital (to risk-weighted assets) (3)	20.99	18.77	20.79	18.19
Tier 1 risk-based capital (to risk-weighted assets) (3)	19.72	17.49	19.52	16.92
Core capital (to adjusted assets) (3)	12.17	10.48	11.32	10.30
Equity to total assets	13.40	11.88	12.59	11.75
Tangible capital (to tangible assets)	12.17	10.48	11.32	10.30
Other Data				
Number of full service offices	1	1	1	1
Full-time equivalent employees	23	22	22	22

(1) Represents the difference between the weighted average yield on average interest-earning assets and the weighted average cost of interest-bearing liabilities.
(2) Represents other expenses divided by the sum of net interest income and other income.
(3) Ratios are for Ottawa Savings Bank FSB.

Selected Historical Financial Information for
Twin Oaks Savings Bank

The following is selected financial information for Twin Oaks at or for the three months ended June 30, 2014 and 2013 and fiscal years ended March 31, 2014 and 2013. The information at March 31, 2014 is derived from the audited financial statements of Twin Oaks, copies of which are included beginning on page F-1 of this proxy statement. The financial information at and for the three-month period ended June 30, 2014 and 2013 and at and for the first year ended March 31, 2013 are unaudited but in the opinion of management reflects all adjustments, consisting only of normal recurring adjustments, which are necessary to present fairly the results for such periods. The results of operations for the three months ending June 30, 2014 are not necessarily indicative of the results of operation for the year ending March 31, 2015 or for any other period.

	Three Months Ended		**Year Ended**	
	June 30,		**March 31,**	
	2014	**2013**	**2014**	**2013**
(In thousands)	**(Unaudited)**			**(Unaudited)**
Statement of Financial Condition:				
Assets	$66,694	$71,138	$67,948	$ 73,290
Cash and cash equivalents	3,701	4,781	2,426	5,861
Loans, net	30,255	31,767	30,083	32,085
Securities and investment certificates of deposit	29,882	31,956	32,641	33,177
Deposits	53,652	57,406	55,426	58,302
Borrowings	5,389	6,219	5,208	7,230
Members' equity	6,845	6,869	6,661	7,185
Operating Data:				
Total interest and dividend income	$580	$544	$2,216	$ 2,481
Total interest expense	129	156	605	735
Net interest income	451	388	1,611	1,746
Provision for loan losses	53	(10)	874	249
Net interest income after provision for loan losses	398	398	737	1,497
Other income	91	58	230	431
Other expense	613	427	1,671	1,637
Income (loss) before taxes	(124)	29	(704)	291
Income tax expense (benefit)	(82)	2	(400)	24
Net income (loss)	$(42)	$27	$(304)	$ 267

	Three Months Ended		Year Ended	
	June 30,		March 31,	
	2014	2013	2014	2013
Selected Financial Ratios and Other Data Performance Ratios:				
Return on average assets	(0.06)%	0.05 %	(0.45)%	0.36 %
Return on average members' equity	(0.64)	0.43	(4.57)	3.71
Net interest rate spread (1)	2.99	2.67	2.95	2.60
Efficiency ratio (2)	113.10	90.33	90.77	75.20
Asset Quality Ratios:				
Nonperforming assets to total assets	2.83	1.68	0.99	1.42
Nonperforming loans to gross loans	5.91	2.45	2.08	2.91
Allowance for loan losses to total nonperforming loans	80.85	82.77	228.05	109.54
Allowance for loan losses to gross loans outstanding	4.78	2.03	4.74	3.19
Regulatory Capital Ratios:				
Total risk-based capital (to risk-weighted assets)	22.06	22.57	22.70	22.13
Tier 1 core capital (to risk-weighted assets)	20.77	21.31	21.41	20.94
Core capital (to adjusted assets)	9.68	9.51	9.64	9.40
Equity to total assets at end of period	10.26	9.66	9.80	9.80
Other Data:				
Number of full-service offices	2	2	2	2
Full-time equivalent employees	16	16	16	16

(1) Represents the difference between the weighted average yield on average interest-earning assets and the weighted average cost of interest-bearing liabilities.
(2) Represents other expenses divided by the sum of net interest income and other income.

Summary Selected Pro Forma Combined Data

The following table shows selected financial information on a pro forma combined basis giving effect to the merger as if the merger had become effective on the date presented, in the case of balance sheet information, and at the beginning of the period presented, in the case of income statement information. The pro forma information reflects the acquisition method of accounting.

We anticipate that the merger will provide the combined company with financial benefits that include reduced operating expenses and the opportunity to earn more revenue. The pro forma information, while helpful in illustrating the financial characteristics of the new company under one set of assumptions, does not reflect these benefits and, accordingly, does not attempt to predict or suggest future results. It also does not necessarily reflect what the historical results of the new company would have been had our companies been combined during this period.

Because we have a December 31 fiscal year end and Twin Oaks has a March 31 fiscal year end, Twin Oaks' historical information has been adjusted to correspond to our fiscal year end. You should read this summary pro forma information in conjunction with the information under *"Pro Forma Financial Information"* beginning on page ____.

	For the Six Months Ended June 30, 2014	**For the Year Ended December 31, 2013**
	(In thousands)	
Pro forma combined income statement data:		
Interest and dividend income	$4,433	$ 9,209
Interest expense	658	1,887
Net interest and dividend income	3,775	7,322
Provision for loan losses	1,042	1,230
Net interest and dividend income after provision for loan losses	2,733	6,092
Non-interest income	354	852
Non-interest expense	3,045	5,543
Income before income tax expense (benefit)	42	1,401
Income tax expense (benefit)	(102)	399

Net income	$144	$ 1,002

	At June 30, 2014 (in thousands)
Pro forma combined balance sheet data:	
Total assets	$ 232,658
Investment and mortgage-backed securities	66,413
Loans receivable, net	140,407
Deposits	193,782
FHLB advances and other borrowings	5,261
Total shareholders’ equity	28,746

Proposal 1 - Issuance of Additional Shares of Our Common Stock Pursuant to the Merger

The following discussion of the merger is qualified by reference to the merger agreement, which is attached to this proxy statement as Appendix A. You should read the entire merger agreement carefully. It is the legal document that governs the merger. All information contained in this proxy statement with respect to Twin Oaks Savings Bank has been supplied by Twin Oaks Savings Bank for inclusion herein and has not been independently verified by us.

The Parties to the Merger

Ottawa Savings Bancorp, Inc.

Ottawa Savings Bank FSB

Ottawa Savings Bancorp MHC

Ottawa Savings Bancorp, Inc. became the federally chartered stock holding company for Ottawa Savings Bank FSB in connection with the conversion of Ottawa Savings Bank FSB from the mutual to stock form and the reorganization of Ottawa Savings Bank FSB into a mutual holding company structure on July 11, 2005. In connection with the reorganization, Ottawa Savings Bancorp MHC was organized and became the majority holder of Ottawa Savings Bancorp, Inc.'s outstanding common stock. As federally chartered savings and loan holding companies, Ottawa Savings Bancorp, Inc. and Ottawa Savings Bancorp MHC are regulated by the Board of Governors of the Federal Reserve System. Since their formation, Ottawa Savings Bancorp's and Ottawa Savings Bancorp MHC's principal activities have been to direct and coordinate the business of Ottawa Savings Bank. At June 30, 2014, we had total assets of $165.9 million, total deposits of $140.1 million and total shareholders' equity of $22.2 million.

Ottawa Savings Bank, a federally chartered stock savings bank located in Ottawa, Illinois, was originally chartered in 1871. Ottawa Savings Bank is regulated by the Office of the Comptroller of the Currency and its deposits are insured by the Federal Deposit Insurance Corporation up to applicable limits. Ottawa Savings Bank is a community bank serving LaSalle County, Illinois through its main office in Ottawa, Illinois. Ottawa Savings Bank is the oldest savings institution in the State of Illinois.

Twin Oaks Savings Bank

Twin Oaks, which was founded in 1890, is headquartered in Marseilles, Illinois. It is an Illinois chartered mutual savings bank and serves LaSalle and Grundy Counties in Illinois through its main office and a branch office located in Morris, Illinois. Twin Oaks is regulated by the Federal Deposit Insurance Corporation and its deposits are insured by the Federal Deposit Insurance Corporation up to applicable limits. At June 30, 2014, Twin Oaks Savings Bank had total assets of $66.7 million, total deposits of $53.7 million and capital of $6.8 million.

Form of the Merger

The merger agreement provides for the merger of Twin Oaks with and into Ottawa Savings Bank. Ottawa Savings Bank will be the surviving institution of the merger. The merger agreement provides that we may change the structure utilized to combine with Twin Oaks, provided that any change cannot jeopardize receipt of any required regulatory approval in such a manner as to delay the consummation of the merger beyond December 31, 2014, adversely affect the rights of the depositors or members of Twin Oaks or change the benefits or other arrangements that the merger agreement provides will be made to or on behalf of Twin Oaks' directors, officers and employees.

We Will Issue Additional Shares to Ottawa Savings Bancorp MHC

At the effective time of the merger, we will issue such shares to Ottawa Savings Bancorp MHC to preserve the interests of the Twin Oaks Savings Bank members that are being transferred to Ottawa Savings Bancorp MHC in the merger. The issuance of these shares to Ottawa Savings Bancorp MHC will increase its ownership interest in Ottawa Savings Bancorp relative to that of other shareholders. Ottawa Savings Bancorp MHC currently owns 57.8% of our outstanding common stock. As part of the merger, we will issue additional shares of our common stock to Ottawa Savings Bancorp MHC in an amount equal to the quotient obtained by dividing the appraised value of Twin Oaks by the Ottawa Savings Bancorp common stock market price per share rounded to the nearest whole number of shares. Twin Oaks Savings Bank's independent appraiser, FinPro, has determined that the estimated pro forma market value of Twin Oaks Savings Bank was $6.5 million as of June 6, 2014. Keller and Company's stock valuation of Ottawa Savings Bancorp states that as of June 6, 2014, the price per share of our common stock was $9.00. Based on a $9.00 stock valuation of Ottawa Savings Bancorp common stock and an estimated pro forma market value of Twin Oaks of $6.5 million, we would issue 722,223 shares of common stock to Ottawa Savings Bancorp MHC in connection with the merger. The Twin Oaks appraisal and our stock valuation will be updated as a date within 20 days of the completion of the merger. Such updates could result in a change in the appraised value of Twin Oaks and/or the stock valuation of Ottawa Savings Bancorp, which could change the number of our shares to be issued to Ottawa Savings Bancorp MHC.

Twin Oaks Deposit Accounts and Loans After the Merger

Each of Twin Oaks Savings Bank's borrowers and each holder of a deposit account in Twin Oaks as of the effective time of the merger will have the same rights and privileges in Ottawa Savings Bank as if such borrowing and/or deposit account, respectively, had been established at Ottawa Savings Bank, and all deposit accounts established at Twin Oaks prior to the effective time of the merger shall confer on a depositor the same rights and privileges in Ottawa Savings Bank as if such deposit account had been established at Ottawa Savings Bank on the date established at Twin Oaks.

All loans of Twin Oaks Savings Bank will retain the same status that they had prior to the merger. The amount, interest rate, maturity and security for each loan will remain as they were contractually fixed prior to the merger.

All deposit accounts in Twin Oaks Savings Bank will continue to be insured up to the applicable limits by the Federal Deposit Insurance Corporation in the same manner as such deposit accounts were insured immediately before the merger.

Twin Oaks Members Will Become Members of Ottawa Savings Bancorp MHC

As a federally chartered mutual holding company, Ottawa Savings Bancorp MHC does not have authorized capital stock and, therefore, has no shareholders. The merger will result in the depositors and borrowers of Twin Oaks at the effective time of the merger becoming members of Ottawa Savings Bancorp MHC as long as they continue to maintain a deposit or borrower account with Ottawa Savings Bank. Former Twin Oaks members will be entitled to vote on all questions requiring action by the members of Ottawa Savings Bancorp MHC including, without limitation, the election of directors of Ottawa Savings Bancorp MHC.

Ottawa Savings Bancorp MHC's charter does not currently provide borrowers of Ottawa Savings Bank with member rights. Twin Oaks' charter provides borrowers with members rights. Specifically, Twin Oaks borrowers are entitled to cast one vote on all questions requiring action by members. As described below, Twin Oaks borrowers also would have subscription rights if Ottawa Savings Bancorp MHC undertakes a second-step conversion. To comply with applicable law, we have agreed to vote on a proposal to amend Ottawa Savings Bancorp MHC's charter to include Twin Oaks borrowers as members of Ottawa Savings Bancorp MHC as of the closing of the merger.

Twin Oaks Members Will Have Subscription Rights if a Second-Step Conversion Occurs

In the future, Ottawa Savings Bancorp MHC may convert from the mutual to capital stock form, in a transaction commonly known as a “second-step” conversion. Under current Federal Reserve Board regulations, a second-step conversion requires the approval of a majority of the shares of our common stock, other than shares owned by Ottawa Savings Bancorp MHC and a majority of the total votes eligible to be cast by Ottawa Savings Bancorp MHC. In a second-step conversion, members of Ottawa Savings Bancorp MHC at such time would have subscription rights to purchase shares of the converted Ottawa Savings Bancorp MHC on a priority basis. Our shareholders would be entitled to exchange their shares of common stock for shares of the converted Ottawa Savings Bancorp MHC. It is expected that our public shareholders would own the same percentage of the resulting entity as they owned immediately prior to the second-step conversion. Our Board of Directors has no current plan to undertake a “second-step conversion” transaction.

Material Federal Income Tax Consequences of the Merger

This discussion is based on the Internal Revenue Code of 1986, as amended, Treasury regulations, administrative rulings and judicial decisions, all as in effect as of the date of this proxy statement and all of which are subject to change (possibly with retroactive effect) and to differing interpretations. Tax considerations under state, local and foreign laws are not addressed in this document.

Based upon facts and representations and assumptions regarding factual matters that were provided by Ottawa Savings Bancorp MHC, Ottawa Savings Bancorp, Ottawa Savings Bank and by Twin Oaks, Kilpatrick Townsend & Stockton LLP has opined with respect to the material federal income tax consequences of the merger that: (1) the merger will be treated for federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code, and (2) Ottawa Savings Bank and Twin Oaks will each be a party to that reorganization within the meaning of Section 368(b) of the Internal Revenue Code.

None of Ottawa Savings Bancorp MHC, Ottawa Savings Bancorp, Ottawa Savings Bank and Twin Oaks has requested or will request a ruling from the Internal Revenue Service as to any of the tax effects to Ottawa Savings Bancorp’s shareholders or Twin Oaks’ members of the transactions discussed in this proxy statement.

Recommendation of Our Board; Our Reasons for the Merger and Issuance of the Shares

Our Board of Directors has unanimously approved the merger agreement and recommends that you vote "FOR" approval of the proposal to issue additional shares of our common stock to Ottawa Savings Bancorp MHC in connection with the merger.

Our Board of Directors has determined that the merger and the merger agreement are in the best interests of Ottawa and Ottawa Savings Bancorp's shareholders. In reaching its determination to issue additional shares of our common stock to Ottawa Savings Bancorp MHC and to approve and adopt the merger agreement and the transactions contemplated by the merger agreement, our Board of Directors reviewed with our legal advisors the terms and conditions of the merger and our obligations under the merger agreement, and considered a number of factors, from a short-term and long-term perspective, including without limitation, the following:

No Consideration being Paid to Twin Oaks' Members. Pursuant to the merger agreement, we are required to issue to Ottawa Savings Bancorp MHC a number of shares equal to the fair market value of Twin Oaks, as determined by an independent appraisal, divided by the per share market value of Ottawa Savings Bancorp, as determined by an independent stock valuation; however, we will not be required to pay any consideration directly to any affiliated party, including Twin Oaks' members, in the merger.

Due Diligence Review. Information concerning the businesses, earnings, operations, financial condition and prospects of Ottawa and Twin Oaks, both individually and as combined. Ottawa's Boards took into account the results of our due diligence review of Twin Oaks.

Complementary Markets. The complementary nature of the businesses and market areas of Ottawa Savings Bank and Twin Oaks, as well as our ability to increase our presence in Twin Oaks' market area through the Twin Oaks' branches we will acquire in the merger.

Continuity of Management. That our management team immediately before the merger will remain intact following the merger, with the addition of Twin Oaks' President Craig Hepner being added as Ottawa Savings Bancorp's and Ottawa Savings Bank's Chief Operating Officer, and that Ottawa Savings Bancorp MHC, Ottawa Savings Bancorp and Ottawa Savings Bank's Boards of Directors will be increased to accommodate the addition of the three members Twin Oaks' Board of Directors.

Cost Savings. The opportunities for decreasing operating expenses for the combined company, including savings of approximately $180,000 annually after the first year.

Current Environment. The current and prospective economic, competitive and regulatory environment facing Ottawa Savings Bancorp, Ottawa Savings Bank, Twin Oaks and the financial services industry.

Termination Fee. The $250,000 or $122,500 termination fees to which we would be entitled under certain circumstances and that we might be required to pay Twin Oaks a termination fee of $122,500 if the merger agreement is terminated under certain circumstances.

More Competitive. The Board of Directors' assessment that we would be better able to serve the convenience and needs of Ottawa Savings Bank's customers and communities by becoming a larger institution better suited for competing against regional financial institutions in our market area.

Accretive to Earnings. That the merger is expected to be accretive to earnings and is expected to provide Ottawa Savings Bank with an enhanced opportunity to leverage its current lending activities in Twin Oaks' market area, and that the business and financial advantages contemplated in connection with the merger will likely be achieved within a reasonable time frame.

Likelihood of Consummation. The likelihood that the proposed merger would receive the required approvals.

Intended to Receive Tax-Free Treatment. That the merger is intended to be tax-free reorganization for U.S. federal income tax purposes for Ottawa and Twin Oaks.

Twin Oaks' CRA Rating. The "satisfactory" Community Reinvestment Act rating at the most recent examination of Twin Oaks.

The discussion of the information and factors considered by Ottawa's Boards of Directors is not intended to be exhaustive, but includes all material factors considered by our Board of Directors. In reaching their determination to approve and recommend the merger agreement, including the issuance of additional shares to Ottawa Savings Bancorp MHC, the Boards of Directors did not assign any specific or relative weights to any of the foregoing factors, and individual directors may have weighed factors differently.

Twin Oaks Appraisal

The Twin Oaks appraisal was prepared by FinPro. FinPro has been in the business of financial consulting for the bank and thrift industries for 27 years and its services include the appraisal and valuation of bank and thrift institutions and their securities in connection with corporate transactions. FinPro has knowledge of and experience with the bank and thrift market and financial organizations operating in that market. The Twin Oaks appraisal was prepared in accordance with the OCC appraisal guidelines for institutions that are converting from the mutual to stock form and are selling their stock to the public.

Although Twin Oaks is not conducting a mutual to stock conversion and simultaneous stock offering in connection with the merger, the Twin Oaks appraisal considered, among other factors, the pro forma impact of an assumed offering of common stock equaling $6.5 million, the estimated market value of Twin Oaks as of June 6, 2014. In preparing the appraisal, FinPro reviewed Twin Oaks' financial statements for the fiscal years ended **March 31, 2014 and 2013.** FinPro compared Twin Oaks' financial performance with selected publicly traded thrift institutions. The Twin Oaks appraisal applied three primary methodologies: the pro forma price-to-book value approach applied to both reported book value and tangible book value; the pro forma price-to- earnings approach applied to reported and core earnings; and the pro forma price-to-assets approach. The market value ratios applied in the three methodologies were based upon the current market valuations of the peer group companies identified by FinPro, subject to adjustments applied by FinPro to account for differences between Twin Oaks and the peer group.

FinPro also considered the following factors, among others in determining the appraised value of Twin Oaks:

- the present results and financial condition of Twin Oaks and the projected results and financial condition of Twin Oaks;
- the economic and demographic conditions in Twin Oaks' existing market area;
- certain historical, financial and other information relating to Twin Oaks;

- a comparative evaluation of the operating and financial characteristics of Twin Oaks with those of its peer group of similarly situated publicly traded savings institutions;

- a review of recently completed standard conversion offerings; and

- the impact of the assumed offering proceeds on Twin Oaks' equity capital and earnings potential.

The Twin Oaks appraisal states that as of June 6, 2014, the estimated pro forma market value of Twin Oaks is $6.5 million. Based on the stock valuation of Ottawa Savings Bancorp common stock equal to $9.00 per share as of June 6, 2014, Ottawa Bancorp would be required to issue 722,223 shares of common stock to Ottawa Savings Bancorp MHC at this appraisal value of Twin Oaks and stock valuation of Ottawa Savings Bancorp. These shares would represent approximately 25% of outstanding Ottawa Savings Bancorp common stock.

The following table presents a summary of selected pricing ratios for Twin Oaks and our peer group companies identified by FinPro. These ratios are based on Twin Oaks' earnings for the 12 months ended March 31, 2014, and its book value as of March 31, 2014. Compared to the median pricing of the peer group, the pro forma pricing ratios indicated a discount of 35.69% on a price-to-book value and a discount of 37.71% on a price-to-tangible book value basis. The pricing ratios result from Twin Oaks' significantly smaller balance sheet size, balance sheet composition, weaker asset quality condition and weaker profitability than the companies in the peer group on a pro forma basis. The earnings multiples are “NM”, or “Not Meaningful” given the fact that net income for the 12 months ended March 31, 2014 was negative.

	Price Relative to				
	Earnings	Core Earnings	Book	Tangible Book	Assets
The Bank (at midpoint) Full Conversion	NM	NM	55.40%	55.96%	8.90%
Comparable Group Median	17.64	18.40	86.15%	89.84%	12.02%
(Discount) Premium	NA	NA	-35.69%	-37.71%	-25.96%

FinPro’s appraisal does not constitute an endorsement of the merger or a recommendation to any shareholder as to how such shareholder should vote at the annual meeting. The valuation is necessarily based upon estimates and projections of a number of matters, all of which are subject to change from time to time.

Copies of the appraisal of FinPro are available for inspection at our main office.

Ottawa Stock Valuation

Due to the low trading volume of our common stock, we retained Keller and Company to provide an independent valuation of the market value our common stock. This valuation, together with Twin Oaks’ appraised value, serves as the basis for calculating the number of shares of common stock to be issued to Ottawa Savings Bancorp MHC in connection with the merger. The stock valuation was prepared in accordance with the OCC appraisal guidelines for institutions that are converting from the mutual to stock form and are selling their stock to the public. Keller and Company performs a similar process each year for us as required by our employee stock ownership plan trustee.

Keller and Company is a financial advisory and appraisal firm with experience in financial institution stock valuations. Keller and Company has been in the business of providing appraisal and stock valuation services to the bank and thrift industry for many years and its services include the valuation of the securities of financial institutions and their holding companies in connection with mergers, acquisitions and other securities transactions. Keller and Company has knowledge of and experience with Ottawa Savings Bank and thrift market and financial organizations operating in that market. Keller and Company also reviewed the negotiated terms of the merger agreement.

The Keller and Company stock valuation prepared for us indicates a total value of $19,062,000 or $9.00 a share, as of June 6, 2014, and is based on 2,117,979 shares outstanding. In preparing the stock valuation for our common stock, Keller and Company reviewed the following:

- Ottawa Savings Bancorp’s audited financial statements for the fiscal years ended December 31, 2011, 2012 and 2013;
- Ottawa Savings Bancorp’s unaudited financial statements for the three months ended March 31, 2014; and
- Ottawa Savings Bank’s quarterly Call Reports for the periods ended March 31, 2013, June 30, 2013, September 30, 2013, December 31, 2013 and March 31, 2014.

Keller and Company also considered the following factors, among others, in determining the per share price of Ottawa Savings Bancorp common stock:

- the market condition for securities in general and for publicly traded thrift stocks in particular;
- the economic and demographic characteristics of Ottawa Savings Bancorp's primary market and an analysis of that market area relative to Illinois and the United States;
- the condition and performance of Ottawa Savings Bancorp compared to the condition and performance of the thrift industry and selected publicly traded thrifts and thrift holding companies, *i.e.,* the comparable group; and
- historical, financial and other information related to Ottawa Savings Bancorp.

The selection of an appropriate group of similar publicly traded thrifts or thrift holding companies, including mutual holding companies is integral to Keller and Company's valuation of Ottawa Savings Bancorp. Keller and Company evaluates parameters relating to the candidates' balance sheet strength, financial performance and asset quality characteristics. The ten comparable group members share the following characteristics, among others:

- location within the Midwest, North Central, Northeast, or Southeast regions of the United States;
- membership on one of the three major U.S. stock exchanges, *i.e.,* New York Stock Exchange (NYSE), American Stock Exchange (AMEX), or the NASDAQ Stock Market (NASDAQ);
- total assets of less than $1.4 billion;
- core ROAA of less than 1.15; and
- core ROAE of less than 12.00.

Keller and Company's financial analysis focuses on financial condition, earnings performance, and pertinent industry ratios. Then, to determine fair value, market value adjustments are made based upon a comparison with the comparable group. Adjustment considerations include, among others, earnings performance, financial condition, market area, dividends, liquidity/limited marketability of the stock, and assessment of management strengths and weaknesses.

Under normal stock market conditions, the Price to Book Value ratio is the method most frequently used for determining the fair market value of common stock for thrift institutions. Also, as earnings have improved, increasing emphasis has been placed on the Price to Earnings valuation method. Keller and Company has employed both methods to determine the per share price of Ottawa Savings Bancorp common stock. In addition, a third valuation method, the Price to Net Assets method, has been used to provide additional analytical and correlative perspective.

The Ottawa Savings Bancorp valuation indicates a total value of $19,062,000 or $9.00 a share, as of June 6, 2014, and is based on 2,117,979 shares outstanding. The valuation represents a price to book ratio of 87.49 percent and a price to core earnings multiple of 21.25 times earnings. The price to book ratio is moderately below the comparable group at 101.56 percent, and the price to core earnings multiple is similar to the comparable group at 20.63 times earnings.

The ten comparable group institutions, along with their price to book ratios and price to core earnings multiples, follow:

Institution	Comparable Group Price/Book Ratio (%)	Price/Core Earnings (x)
First Capital, Inc.	102.41	10.81
First Clover Leaf Financial Corp.	90.41	22.83
IF Bancorp, Inc.	90.74	20.98
Jacksonville Bancorp, Inc.	90.75	13.91
Kentucky First Federal Bancorp (MHC)	109.15	31.67
Lake Shore Bancorp, Inc. (MHC)	107.85	19.52
Madison County Financial, Inc.	91.13	19.89
Pulaski Financial Corp.	121.38	18.43
River Valley Bancorp	127.62	9.90
Wolverine Bancorp, Inc.	84.14	38.34
Average	101.56 %	20.63x

Keller and Company's stock valuation does not constitute an endorsement of the merger or a recommendation to any shareholder as to how such shareholder should vote at the annual meeting. The valuation is necessarily based upon estimates and projections of a number of matters, all of which are subject to change from time to time.

Copies of the stock valuation report of Keller and Company are available for inspection at our main office.

Certain of Our Obligations in Connection with the Merger

In the merger agreement, we agreed to take certain actions with regard to Twin Oaks' directors and officers.

Appoint Three Twin Oaks Board Members to Ottawa Savings Bancorp's, Ottawa Savings Bancorp MHC's and Ottawa Savings Bank FSB's Board of Directors. Upon completion of the merger, Ottawa will appoint three members of Twin Oaks' Board of Directors, Craig M. Hepner, Thomas Adler and William Kuiper, to the Boards of Directors of Ottawa Savings Bancorp, Ottawa Savings Bancorp MHC and Ottawa Savings Bank. Messrs. Hepner, Adler and Kuiper will each be appointed to a different class of the three classes of directors for each of Ottawa Savings Bancorp

MHC, Ottawa Savings Bancorp and Ottawa Savings Bank.

Offer of Employment to Craig M. Hepner. Ottawa Savings Bancorp and Ottawa Savings Bank have agreed that on the closing date of the merger, it will offer Mr. Hepner employment as the Chief Operating Officer of Ottawa Savings Bancorp and Ottawa Savings Bank.

Indemnify Twin Oaks Savings Bank Directors and Officers Against Claims. For a period of six years, we have agreed to indemnify and hold harmless each present and former Twin Oaks director and officer from liability and expenses arising out of matters existing or occurring at or before the consummation of the merger to the fullest extent allowed under federal law and Twin Oaks' charter and bylaws. We will advance any related costs to each of these persons as they are incurred. We also will also maintain a policy of directors' and officers' liability insurance coverage for the benefit of Twin Oaks' directors and officers for three years following consummation of the merger, subject to certain limitations on the amount of premiums to be paid.

Approvals Needed to Complete the Merger

In addition to the requisite approvals of our shareholders and the Twin Oaks members, completion of the merger and the transactions contemplated by the merger agreement are subject to the prior approval of the Federal Reserve Board. In reviewing applications, the Federal Reserve Board must consider, among other factors, the financial and managerial resources and future prospects of the existing and resulting institutions and the convenience and needs of the communities to be served. In addition, the Federal Reserve Board may not approve a transaction if it will result in a monopoly or otherwise be anti-competitive.

Under the Community Reinvestment Act of 1977, the Federal Reserve Board must take into account the record of performance of Ottawa Savings Bank and Twin Oaks in meeting the credit needs of the entire community served by each institution, including low and moderate income neighborhoods. As part of the review process, bank regulatory agencies frequently receive comments and protests from community groups and others. Ottawa Savings Bank and Twin Oaks each received a “satisfactory” rating in their last respective Community Reinvestment Act examinations.

In addition, a period of 15 to 30 days must expire following approval by the Federal Reserve Board within which period the United States Department of Justice may file objections to the merger under the federal anti-trust laws. While we believe that the likelihood of such action by the Department of Justice is remote in this case, there can be no assurance that the Department of Justice will not initiate proceedings to block the merger. If such proceeding is instituted or challenge is made, we cannot ensure a favorable result.

Additionally, Ottawa Savings Bancorp MHC’s charter does not currently provide borrowers of Ottawa Savings Bank with member rights. Twin Oaks’ charter provides borrowers with members’ rights. To comply with applicable law, we have agreed to vote on a proposal to amend Ottawa Savings Bancorp MHC’s charter to include Twin Oaks borrowers as members of Ottawa Savings Bancorp MHC as of the closing of the merger.

Accounting Treatment of the Merger

The merger will be accounted for under the acquisition method of accounting. Under this method of accounting, Ottawa Savings Bank and Twin Oaks will be treated as one company as of the date of the merger, and we will record the fair value of Twin Oaks’ assets (including intangible assets which arise from either contractual or other legal rights) and liabilities on our consolidated financial statements. The fair value of the shares issued in excess of the fair value of the net assets acquired will be recorded as goodwill if this arises. If any goodwill is recognized, it will not be amortized for financial accounting purposes, but instead will be tested for impairment annually. To the extent goodwill is impaired, its carrying value will be written down to its implied fair value and a charge will be made to earnings. At this time, the projections show a minimal bargain purchase which results from the excess of net assets acquired by the buyer (which is 100% of the target's net assets measured predominantly at fair value) over the sum of: (a) consideration transferred (measured predominantly at fair value); (b) the fair value of any noncontrolling interest; and (c) the fair value of any previously held equity interest of the buyer. In the rare case in which a gain from a bargain purchase results from the buyer's accounting for a business combination, the buyer must perform a thorough self-review of: (a) the accuracy and completeness of the identifiable assets acquired and liabilities assumed and (b) the appropriateness of the procedures used to measure the individual components within each element of the goodwill calculation and the results of applying those procedures. If a gain from a bargain purchase still exists after the buyer performs this thorough self-review, then the buyer would recognize a gain from a bargain purchase in its income statement and prepare its disclosure explaining why a bargain purchase resulted from the business combination. The gain would be attributed entirely to the buyer (i.e., none of the gain would be attributed to any noncontrolling interest) and it would not be classified as extraordinary on the income statement. However, core deposit and other intangibles recorded by us in connection with the merger will be amortized to expense over their estimated useful lives. Twin Oaks' results of operations will be included in our income statement after completion of the merger.

Completion of the Merger

The closing of the merger will take place on a date designated by us within 30 days following the date on which all of the conditions to the merger contained in the merger agreement are satisfied or waived, unless Ottawa Savings Bancorp and Twin Oaks agree to a later date. See *"—Conditions to Completing the Merger."* On the closing date, Ottawa Savings Bank will file articles of combination with the OCC to effect the merger. The merger will become effective at the time stated in the articles of combination.

We currently expect to complete the merger in the fourth calendar quarter of 2014. However, neither Ottawa nor Twin Oaks can guarantee when or if the conditions precedent to consummation of the merger will be satisfied.

Conditions to Completing the Merger

The respective obligations of Ottawa and Twin Oaks to effect the merger are subject to the satisfaction or waiver of the conditions specified in the merger agreement, including:

approval of the merger agreement by the Twin Oaks' members;

approval of the issuance of additional shares of our common stock to Ottawa Savings Bancorp MHC;

each party fulfilling their obligations under the merger agreement;

the continued accuracy of their representations and warranties;

obtaining regulatory approval from the Federal Reserve Board and that such approval does not contain a condition or requirement that would so materially affect the economic benefits of the merger that, had the condition been known, we would not have entered into the merger agreement;

the absence of any order, decree, or injunction of a court or agency of competent jurisdiction that would prevent the completion of the merger;

receiving officers' certificates from each other that confirm that each party's representations and warranties are materially true and that the party has performed in all material respects all of its obligations under the merger agreement; and

obtaining all necessary third party consents to the merger.

Our obligation to close is also contingent on the absence of any event or occurrence that would have or will reasonably result in any material adverse effect on Twin Oaks.

We cannot guarantee that all of these conditions will be satisfied or waived.

Representations and Warranties

Each party has made certain customary representations and warranties to the other party with respect to various matters, including its financial statements, capital structure, business, loans, investments, regulatory filings and benefit plans. These representations and warranties must generally remain accurate in all material respects through the completion of the merger. A party can terminate the merger agreement if the other party's representations and warranties are not true and correct and have a material adverse effect on that other party. If the merger is completed, or if the merger agreement is terminated for some unrelated reason, the representations and warranties become void. You can find detailed information concerning these representations and warranties in Article III of the merger agreement located in Appendix A.

Cooperation and Conduct of Business; Agreement Not to Solicit Other Proposals

Each party has agreed, between the signing of the merger agreement and the completion of the merger, to cooperate in completing the merger and to avoid taking any action that would adversely affect or delay its ability to perform its obligations under the merger agreement or to complete the merger. In addition, Twin Oaks has agreed not to initiate, solicit, encourage or facilitate any acquisition proposal with a third party. An acquisition proposal means any proposal or offer with regard to:

any merger, consolidation, share exchange, business combination, or other similar transaction involving Twin Oaks;

any sale, lease, exchange, mortgage, pledge, transfer or other disposition of 20% or more of Twin Oaks' consolidated assets in a single transaction or series of transactions; or

any public announcement of a proposal, plan or intention to do any of the foregoing or any agreement to engage in any of the foregoing.

Despite the agreement not to solicit other acquisition proposals, the Twin Oaks Board of Directors may generally negotiate or have discussions with, or provide information to, a third party who makes an unsolicited, written, bona fide acquisition proposal, provided that Twin Oaks has entered into a confidentiality agreement with the third party and the Board of Directors determines in good faith:

after consultation with and based upon the advice of its legal counsel, that failing to take such action would constitute a breach of its fiduciary duties under applicable law; and

after consulting with its legal counsel and its financial advisor, that such proposal would be more favorable to the Twin Oaks members than the Ottawa Savings Bank merger, taking into consideration all legal, financial, regulatory and other aspects of the acquisition proposal and the entity making the proposal (*i.e.,* a "superior proposal").

If Twin Oaks determines that such unsolicited acquisition proposal is a superior proposal, Twin Oaks will have the right to terminate the merger agreement. However, before terminating the merger agreement, Twin Oaks must first provide us with three business days to match or exceed the terms of the superior proposal.

Waiver and Amendment

Any provision in the agreement may be modified at any time by a written agreement between the parties. Additionally, any provision may be waived by the party benefitting from such provision.

Terminating the Merger Agreement

Ottawa Savings Bancorp and Twin Oaks can agree at any time not to complete the merger, even if our shareholders and Twin Oaks' members have approved it. Also, either Ottawa Savings Bancorp or Twin Oaks can decide, without the consent of the other, to terminate the merger agreement:

- if the merger is not completed by April 30, 2015, unless the failure to complete the merger by that time is due to the failure of the party seeking to terminate the agreement to perform or observe its obligations set forth in the merger agreement;

- if the approval of the shareholders of Ottawa Savings Bancorp or the members of Twin Oaks required for the consummation of the merger is not obtained (provided that the party that seeks to terminate the merger agreement on this basis has complied with its obligations to seek the approval of its shareholders or members as required under the merger agreement);

if a required regulatory approval is denied or a governmental agency issues an order that precludes the consummation of the merger;

if there shall have been a material breach of any representation, warranty, covenant or other obligation of the other party and the breach cannot be, or shall not have been, remedied within thirty days after receipt by such other party of notice in writing specifying the nature of such breach and requesting that it be remedied.

by either party, if the Twin Oaks' Board of Directors does not recommend, or withdraws its recommendation, to its members that such members approve the merger; and

by Twin Oaks, if its Board of Directors authorizes it to enter into an agreement that the Board determines is a superior proposal to the merger agreement with Ottawa (as described above). Twin Oaks must provide Ottawa within three business days to match or exceed such superior proposal.

Termination Fee and Reimbursement of Expenses

If the merger agreement is terminated because Twin Oaks breaches its covenants related to acquisition proposals from third parties or is otherwise terminated by either party as a consequence of Twin Oaks' receipt of a superior proposal, Twin Oaks will pay Ottawa a termination fee of $250,000. If the merger agreement is terminated as a result of certain willful or intentional acts or omissions of either party, and, in the case of Twin Oaks, such willful or intentional acts are not related to receipt of an acquisition proposal, such party may be obligated to pay the other party a termination fee of $122,500. If the merger agreement is terminated by Ottawa because Twin Oaks has experienced a material adverse effect, as such term is identified in the merger agreement, that is identified by the preparation of Twin Oaks' audited financial statements, then Twin Oaks will pay Ottawa a termination fee equal to the reasonable expenses Ottawa has incurred in connection with the preparation of the merger agreement and any actions relating thereto or as a result thereof, up to a maximum of $122,500.

Pro Forma Financial Information

The following unaudited pro forma consolidated condensed combined balance sheet as of June 30, 2014 and unaudited pro forma consolidated condensed combined statement of operations for the six months ended June 30, 2014 and for the year ended December 31, 2013 give effect to the pending merger, accounted for as an acquisition.

Because Ottawa has a December 31 fiscal year end and Twin Oaks has a March 31 fiscal year end, Twin Oaks' historical information has been adjusted to correspond to our fiscal year end.

The unaudited pro forma consolidated condensed combined financial information is based on the historical consolidated financial statements of Ottawa and Twin Oaks under the assumptions and adjustments set forth in the accompanying notes. The unaudited pro forma consolidated condensed combined balance sheet gives effect to the merger as if the merger had been consummated at the end of the period presented. The unaudited pro forma consolidated condensed combined statement of operations for the six months ended June 30, 2014 give effect to the merger as if the merger had been consummated on January 1, 2014. The unaudited pro forma consolidated condensed combined statement of operations for the year ended December 31, 2013 give effect to the merger as if the merger had been consummated on January 1, 2013. The unaudited pro forma consolidated condensed combined financial statements do not give effect to the anticipated cost savings in connection with the merger.

You should read the unaudited pro forma consolidated condensed combined financial statements in conjunction with the historical consolidated financial statements of Ottawa and Twin Oaks, including the respective notes to those statements. The pro forma information is intended for informational purposes only and is not necessarily indicative of the combined financial position or the results of operations in the future or of the combined financial position or the results of operations which would have been realized had the merger been consummated during the periods or as of the dates for which the pro forma information is presented.

Ottawa Savings Bancorp, Inc.

and Twin Oaks Savings Bank

Unaudited Pro Forma Consolidated Condensed

Combined Balance Sheet as of June 30, 2014

(In thousands)

	Historical			
	Ottawa	**Twin Oaks**	**Pro Forma Adjustments**	**Pro Forma Combined**
ASSETS:				
Cash and cash equivalents	$5,506	$3,701	$ (429)	$ 8,778
Securities	36,531	29,882	—	66,413
Loans, net	110,077	30,255	75	140,407
Accrued interest receivable	651	267	—	918
Premises and equipment, net	6,370	1,030	—	7,400
Core deposit intangible	—	—	422	422
Goodwill	—	—	—	—
Other assets	6,761	1,559	—	8,230
Total assets	$165,896	$66,694	$ 68	$ 232,658
LIABILITIES AND STOCKHOLDERS' EQUITY:				
Deposits	$140,130	$53,652	$ 265	$ 193,782
FHLB advances	—	5,198	63	5,261
Advance payments by borrowers for taxes and insurance	—	138	—	—
Other liabilities	3,201	861	64	4,264
Total liabilities	143,331	$59,849	$ 392	$ 203,572
Commitments and contingencies:				
Redeemable common stock held by ESOP	$339	$—	$ —	$ 339
Stockholders' Equity				
Common stock	22	—	7	29
Additional paid-in capital	8,709	—	6,493	15,202
Retained earnings	15,051	6,515	(6,515)	15,051
Bargain purchase gain	—	—	21	21
Unallocated ESOP shares	(280)	—	—	(280)

Unearned management recognition plan shares	(17)	—	—	(17)
Accumulated other comprehensive income	292	330	(330)	292
	$23,777	$6,845	$ (324)	$ 30,298
Less:				
Treasury stock, at cost	(1,212)	—	—	(1,212)
Maximum cash obligation related to ESOP shares	(339)	—	—	(339)
Total stockholders' equity	$22,226	$6,845	(324)	$ 28,746
Total liabilities and stockholders' equity	$165,896	$66,694	$ 68	$ 232,658

See Notes to the Unaudited Pro Forma Consolidated Condensed Combined Financial Statements.

Ottawa Savings Bancorp, Inc.

and Twin Oaks Savings Bank

Unaudited Pro Forma Consolidated Condensed

Combined Statement of Operations

For the Six Months Ended June 30, 2014

(In thousands)

	Historical			
	Ottawa	**Twin Oaks**	**Pro Forma Adjustments**	**Pro Forma Combined**
Interest and dividend income:				
Interest and fees on loans	$2,847	$752	$ (20)	$ 3,579
Investment and mortgage-backed securities	427	427	—	854
Other	—	—	—	—
Total interest and dividend income	$3,274	$1,179	$ (20)	$ 4,433
Interest expense:				
Deposits and advanced payments by borrowers for taxes and insurance	$507	$190	$ (88)	$ 609
Federal Home Loan Bank advances	—	84	(35)	49
Total interest expense	$507	$274	$ (123)	$ 658
Net interest and dividend income	$2,767	$905	$ 103	$ 3,775
Provision for loan losses	470	572	—	1,042
Net interest and dividend income after provision for loan losses	$2,297	$333	$ 103	$ 2,733
Noninterest income:				
Service charges on deposit accounts	$144	$50	$ —	$ 194
Gain on sales of securities	—	32	—	32
Gain on sales of loans	7	20	—	27
Other income	90	11	—	101
Total noninterest income	$241	$113	$ —	$ 354
Noninterest expense:				
Compensation and benefits	$874	$539	$ —	$ 1,413

Occupancy	260	105	—	365
Deposit insurance premium	69	60	—	129
Legal and professional services	221	160	—	381
Data processing	139	84	—	223
Valuation adjustments and expenses on foreclosed real estate	42	8	—	50
Loss on sale of OREO	—	—	—	—
Loss on sale of repossessed assets	—	—	—	—
Amortization of core deposit intangible	—	—	50	50
Other	308	126	—	434
Total noninterest expense	$1,913	$1,082	$ 50	$ 3,045
Income before income tax expense	$625	$(636)	$ 53	$ 42
Income tax expense	193	(315)	20	(102)
Net income	$432	$(321)	$ 33	$ 144

See Notes to the Unaudited Pro Forma Consolidated Condensed Combined Financial Statements.

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Ottawa Savings Bancorp, Inc.

and Twin Oaks Savings Bank

Unaudited Pro Forma Consolidated Condensed

Combined Statement of Operations

For the Year Ended December 31, 2013

(In thousands)

	Historical			
	Ottawa	Twin Oaks	Pro Forma Adjustments	Pro Forma Combined
Interest and dividend income:				
Interest and fees on loans	$6,206	$1,576	$ (38)	$ 7,744
Investment and mortgage-backed securities	746	719	—	1,465
Other	—	—	—	—
Total interest and dividend income	$6,952	$2,295	$ (38)	$ 9,209
Interest expense:				
Deposits and advanced payments by borrowers for taxes and insurance	$1,452	$427	$ (141)	$ 1,738
Federal Home Loan Bank advances	—	200	(51)	149
Total interest expense	$1,452	$627	$ (192)	$ 1,887
Net interest and dividend income	$5,500	$1,668	$ 154	$ 7,322
Provision for loan losses	875	355	—	1,230
Net interest and dividend income after provision for loan losses	$4,625	$1,313	$ 154	$ 6,092
Noninterest income:				
Service charges on deposit accounts	$299	$103	$ —	$ 402
Gain on sales of securities	—	9	—	9
Gain on sales of loans	66	92	—	158
Other income	294	(11)	—	283
Total noninterest income	$659	$193	$ —	$ 852
Noninterest expense:				
Compensation and benefits	$1,730	$922	$ —	$ 2,652

Occupancy	455	215	—	670
Deposit insurance premium	189	5	—	194
Legal and professional services	275	68	—	343
Data processing	290	179	—	469
Valuation adjustments and expenses on foreclosed real estate	335	5	—	340
Loss on sale of OREO	4	—	—	4
Loss on sale of repossessed assets	7	—	—	7
Amortization of core deposit intangible	—	—	100	100
Other	530	234	—	764
Total noninterest expense	$3,815	$1,628	$ 100	$ 5,543
Income before income tax expense	$1,470	$(122)	$ 54	$ 1,401
Income tax expense	540	(162)	21	399
Net income	$929	$40	$ 33	$ 1,003

See Notes to the Unaudited Pro Forma Consolidated Condensed Combined Financial Statements.

Notes to the Unaudited Pro Forma Consolidated Condensed

Combined Financial Statements

A. Basis of Presentation

The pro forma information presented is not necessarily indicative of the results of operations or the combined financial position or results of operation that would have resulted had the merger been consummated as of or for the periods indicated, nor is it necessarily indicative of the results of operations in future periods or the future financial position of the combined company. It is anticipated that the merger will be completed in the fourth quarter of calendar year 2014.

The unaudited pro forma consolidated financial information reflects the application of the acquisition method of accounting. Under this method, the assets and liabilities of Twin Oaks will be recorded at their estimated fair values at the effective time. As described in the accompanying notes, the estimated fair values of the assets and liabilities of Twin Oaks have been combined with the historical carrying amounts of the assets and liabilities of Ottawa. However, changes to pro forma adjustments reflected herein are expected as valuations of assets and liabilities are completed and additional information becomes available. Accordingly, the final combined amounts will differ from the pro forma combined amounts presented herein.

The unaudited pro forma consolidated condensed combined statement of operations for the six months ended June 30, 2014 give effect to the merger as if the merger had been consummated on January 1, 2014. The unaudited pro forma consolidated condensed combined statements of operations for the year ended December 31, 2013 give effect to the merger as if the merger occurred on January 1, 2013. The unaudited pro forma consolidated condensed combined balance sheet assumes the merger was consummated on June 30, 2014. Certain reclassifications have been included in the unaudited pro forma consolidated condensed combined balance sheet and unaudited pro forma consolidated condensed combined statements of operations to conform the presentation.

Assumptions relating to the pro forma adjustments set forth in the unaudited pro forma consolidated condensed combined financial statements are summarized as follows:

Estimated fair values for the assets and liabilities of Twin Oaks were obtained as follows:

Cash and Cash Equivalents. The carrying amounts of cash and cash equivalents approximate their fair value.

Investment and Mortgage-Backed Securities. Securities classified as available for sale are recorded at fair value on a recurring basis using pricing obtained from an independent pricing service. Where quoted market prices are available in an active market such pricing is used. If quoted market prices are not available, the pricing service estimates the fair values by using pricing models or quoted prices of securities with similar characteristics. For these securities, the inputs used by the pricing service to determine fair value consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and bonds' terms and conditions.

Stock in Federal Home Loan Bank and Other Restricted Equity Securities. No ready market exists for these stocks and they have no quoted market value; however, redemption of these stocks has historically been at par value. Accordingly, the carrying amount is deemed to be a reasonable estimate of fair value.

Loans. Fair values for loans held for investment and other loans are estimated by segregating the portfolio by type of loan and discounting scheduled cash flows using interest rates currently being offered for loans with similar terms. A prepayment assumption is used as an estimate of the portion of loans that will be repaid prior to their scheduled maturity. The allowance for loan losses as recorded is deemed to be a reasonable estimate of the credit adjustment.

Office Properties and Equipment. The fair value of office properties is estimated based on an independent appraisal. The book value of equipment is deemed to be a reasonable estimate of fair value.

Deposits. The fair values disclosed for demand deposits (*e.g.,* interest and noninterest checking, passbook savings and market accounts) are, by definition, equal to the amount payable on demand at the reporting date (*i.e.,* their carrying amounts). Fair values for fixed-rate certificate accounts are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on certificate accounts.

Other Assets and Other Liabilities. Because these financial instruments will typically be received or paid within three months, the carrying amounts of such instruments are deemed to be a reasonable estimate of fair value. The discount on investments will be accreted to interest income over five years so as to approximate the interest method; the premium on loans will be amortized to interest income over three to ten years so as to approximate a constant yield to maturity. The fair market value adjustment for deposits will be accreted to interest expense over three years so as to approximate a constant yield to maturity. The decrease in premises to fair value will be accreted over a one-year period as a reduction to expense.

B. Acquisition Accounting Adjustments

Acquisition accounting adjustments are estimated as follows (in thousands)

Fair value adjustment on loans:	
Decrease in value of loans relative to historical cost	$(1,445)
Elimination of Twin Oaks' allowance for loan and lease loss	1,520
Increase in value of loans (net)	75
Core deposit intangible recorded	422
Increase liability for term deposits	(265)
Increase liability for FHLB advances	(63)
Deferred tax liability	(64)
Total	105
Equity of Twin Oaks	6,845
Total value of net assets acquired	$6,950

C. Calculation of Goodwill

Excess of cost over the fair value of net assets acquired for the merger was calculated as follows (in thousands):

Cost	$6,500
Anticipated costs after filing [1]	429
Fair value of net assets acquired	(6,950)
Goodwill (bargain purchase price)	$(21)

(1) Twin Oaks anticipated costs not included above are estimated as follows:

Electronic data processing conversion and termination expenses	$612
Termination of Directors Retirement Plan	80
Pre-tax expenses	692
Tax benefit of expenses based on a 38% combined state and and federal tax rate	(263)
After tax impact of transaction to Twin Oaks	$429

These anticipated costs between the date of the filing and the anticipated closing date will reduce the capital position.

D. Pro Forma Income Statement Adjustments

Pro forma income statement adjustments that were calculated for the merger are as follows (in thousands):

	For the Year Ended December 31, 2013 Income (Expense)	For the Six Months Ended June 30, 2014 Income (Expense)
Amortization of premium on loans receivable	$ (38)	$ (20)
Accretion of fair value adjustment for term deposits	141	88
Accretion of fair value adjustment for FHLB advances	51	35
Amortization of core deposit intangible	(100)	(50)
Income tax expense	(21)	(20)
	$ 33	$ 33

	Net Increase (Decrease) In Net Income of Amortized Amounts
Future impact of recognition of acquisition accounting adjustments:	
Fiscal 2015	$ 11
Fiscal 2016	(13)
Fiscal 2017	(31)
Fiscal 2018	(35)
Fiscal 2019	(32)
Fiscal 2020 and thereafter	(98)

E. Transfer of Capital

Amounts release from retained earnings and accumulated other comprehensive income represent the recognized value of Twin Oaks.

F. Issuance of Shares to Ottawa Savings Bancorp MHC

Based on the stock valuation of Ottawa Savings Bancorp common stock equal to $9.00 per share, the issuance of 722,223 shares of common stock to Ottawa Savings Bancorp MHC is reflected by an increase of $6,493 to additional paid-in capital and $7 to common stock.

Twin Oaks Savings Bank Management's Discussion and Analysis of Financial Condition and Results of Operations

General

Twin Oaks Savings Bank is a community and customer-oriented savings bank. Twin Oaks' business has historically consisted of attracting deposits from the general public and using those funds to originate and purchase one-to-four family, multi-family and non-residential real estate, construction, commercial and consumer loans, which Twin Oaks primarily holds for investment. The Bank has continually diversified its products to meet the needs of the community.

Comparison of Financial Condition at June 30, 2014 and March 31, 2014

Twin Oaks' total assets decreased $1.2 million, or 1.8%, to $66.7 million at June 30, 2014, from $67.9 million at March 31, 2014. The decrease in assets was primarily due to a decrease in securities available for sale of $2.4 million, a decline in federal funds sold of $0.4 million and a decline in investment certificates of deposit of $0.3 million. The decrease in assets was partially offset by an increase in cash and cash equivalents of $1.7 million and an increase in other assets of $0.4 million.

Cash and cash equivalents increased $1.7 million, or 85.0%, to $3.7 million at June 30, 2014 from $2.0 million at March 31, 2014, primarily as a result of cash used in financing activities related to a decrease in investment, to have sufficient cash on hand to cover deposit withdrawals and on-going merger related expenses and to prepare for the repayment of the $1 million FHLB advance on July 9, 2014.

Federal funds sold decreased $0.4 million, or 100.0%, to $0 million at June 30, 2014 from $0.4 million at March 31, 2014, primarily as a result of the timing of cash flows from the security sales discussed below and at which correspondent bank the cash was at for quarter end.

Securities available for sale decreased $2.4 million or 7.8% to $28.2 million at June 30, 2014 as compared to $30.6 million at March 31, 2014 due to principal pay downs on the MBS portfolio and the sale of 8 investments with a market value of approximately $1.56 million. On June 2, 2014, a municipal bond with a $200,000 market value was called.

Loans, net of the allowance for loan losses, was stable between the periods as it was $30.3 million at June 30, 2014 from $30.1 million at March 31, 2014.

Other assets comprised primarily of deferred taxes, deferred director compensation accounts, and cash value of life insurance policies, increased $0.1 million as the balance as of June 30, 2014 was $1.0 million as compared to $0.9 million on March 31, 2014. The increase is related to the increase related to the loss for the three months ended June 30, 2014 that increased the deferred taxes, specifically the income tax receivable.

Total deposits decreased $1.8 million, or 3.3%, to $53.6 million at June 30, 2014, from $55.4 million at March 31, 2014. The decrease is primarily due to a decrease in certificates of deposit of $1.9 million, or 7.7%. The reduction in certificate of deposit accounts is due to management’s strategic initiative to pay competitive rates, but not the highest rates in the market and customers moving their funds into other non-banking investments. The Federal Home Loan Bank Advances remained constant at $5.2 million at June 30, 2014 and March 31, 2014.

Equity increased $0.1 million, or 7.3%, to $6.8 million at June 30, 2014, from $6.7 million at March 31, 2014. The increase in equity is primarily a result of the increase in other comprehensive income of almost $0.2 million offset by the $0.1 million decrease in retained earnings due to the net loss recorded for the three months ended June 30, 2014 of approximately $42,000.

The ongoing state of economic uncertainty continues to affect asset quality. We continue to experience a decline in the market values of homes in our market area in general and also on specific properties held as collateral. In addition, higher unemployment locally continues to affect some of our borrowers' ability to timely repay their obligations to Twin Oaks. These conditions have resulted in nonperforming loans totaling 5.9% of total loan receivables as of June 30, 2014, up from 2.1% at March 31, 2014.

Comparison of Results of Operation for the Twelve Months Ended June 30, 2014 and 2013

General. Net loss for the three months ended June 30, 2014 was $42,000 compared to net income of $27,000 for the three months ended June 30, 2013. A net loss occurred during 2014 due to the elevated level other expenses related to merger costs expensed during the period.

Net interest income increased $62,000, or 16.0%, to $450,000 for the three months ended June 30, 2014 compared to $388,000 for the period ended June 30, 2013. Interest income increased $36,000 or 6.6% due to improved yield in the securities and mortgage-backed securities portfolios. The decline in the loan portfolios and pressure on the yield on the loan portfolio contributed to a decline in interest income from the loan portfolio. The yield on the loan portfolio declined as the low rate environment continued during 2014 as well as an increase in non-accruing assets. This increase in interest income was augmented by a $27,000, or 17.3%, reduction in interest expense. Additionally, the balance of interest bearing liabilities declined by $1.5 million.

Provision for Loan Losses. Management recorded a loan loss provision of $53,000 for the three months ended June 30, 2014, compared to ($10,000) for the period ended June 30, 2013. The provision is primarily attributed to the reserves required for the one-to-four family segment as the economic conditions in the local market continue to negatively impact collateral values of real estate and the ability of borrowers to keep current per terms of their obligations. The slow payment activity and continued decline of property values are the result of local economic conditions that are improving, but continuing to lag national indicators. Based on a review of the loans that were in the loan portfolio at June 30, 2014, management believes that the allowance is maintained at a level that represents its best estimate of inherent losses in the loan portfolio that were both probable and reasonably estimable.

Management uses available information to establish the appropriate level of the allowance for loan losses. Future additions or reductions to the allowance may be necessary based on estimates that are susceptible to change as a result of changes in economic conditions and other factors. As a result, our allowance for loan losses may not be sufficient to cover actual loan losses, and future provisions for loan losses could materially adversely affect Twin Oaks' operating results. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Twin Oaks' allowance for loan losses. Such agencies may require Twin Oaks to recognize adjustments to the allowance based on their judgments about information available to them at the time of their examination.

The increase in total other income of $33,000 was primarily due to the gain on sale of securities which was $32,000 as compared to $0 in the same period ended June 30, 2013. All other noninterest income categories were comparable between the periods.

Total noninterest expense increased 43.6% as it was $0.6 million for the three months ended June 30, 2014 as compared to $0.4 million for the period ended June 30, 2013. Compensation and benefits declined 5.6% or $12,000 and occupancy and equipment declined 7.4% or $4,000. Additionally, data processing costs declined by 24.4% or $11,000. However, other expense increased 190% or $213,000 due to merger related expenses (i.e. legal, audit, actuary, valuation, etc.).

Income Taxes. Twin Oaks recorded an income tax benefit of $82,000 and an expense of $2,000 for the three months ended June 30, 2014 and 2013, respectively.

Comparison of Financial Condition at March 31, 2014 and March 31, 2013

Twin Oaks' total assets decreased $5.5 million, or 7.5%, to $67.9 million at March 31, 2014, from $73.4 million at March 31, 2013. The decrease in assets was primarily due to a decrease in Federal funds sold of $2.2 million, a decrease in cash and cash equivalents of $1.3 million, and a decrease in net loans of $2.0 million. The decrease in assets was partially offset by an increase in other assets of $0.6 million.

Cash and cash equivalents decreased $1.3 million, or 38.8%, to $2.0 million at March 31, 2014 from $3.3 million at March 31, 2013, primarily as a result of cash used in financing activities related to a decrease in deposits, which resulted from management strategically pricing deposits based on market conditions, and exceeding the cash provided by operating and investing activities.

Federal funds sold decreased $2.2 million, or 84.5%, to $0.4 million at March 31, 2014 from $2.6 million at March 31, 2013, primarily as a result of cash used in financing activities exceeding the cash provided by operating and investing activities which resulted from management strategically limiting funds in the Bank’s low yielding over-night accounts at the Bankers’ Bank and Federal Home Loan in order to enhance overall asset yield.

Securities available for sale was unchanged as it was $30.6 million at March 31, 2014 as compared to $30.7 million at March 31, 2013.

Loans, net of the allowance for loan losses, decreased $2.0 million, or 6.2%, to $30.1 million at March 31, 2014 from $32.1 million at March 31, 2013. The decrease in loans, net of the allowance for loan losses, was primarily due to normal attrition and pay-downs and principal reductions exceeding the level of originations. Additionally, there were net loan charge-offs during the year of $409,000.

Other assets comprised primarily of deferred taxes, deferred director compensation accounts, and deposit premium accounts $0.6 million as the balance as of March 31, 2014 was $0.9 million as compared to $0.3 million on March 31, 2013. The increase is related to the deferred taxes from the income tax receivable

Total deposits decreased $2.8 million, or 4.8%, to $55.4 million at March 31, 2014, from $58.2 million at March 31, 2013. The decrease is primarily due to a decrease in certificates of deposit of $3.5 million, or 12%. The decrease was partially offset by an increase in savings accounts of $0.9 million, or 4.4%. The reduction in certificate of deposit accounts is due to management's strategic initiative to pay competitive rates, but not the highest rates in the market and customers moving their funds into other non-banking investments. The increase in savings accounts is primarily due to customers moving funds into non-term products as they wait for a better rate environment. Federal Home Loan Bank Advances decreased $2.0 million to $5.2 million at March 31, 2014 from $7.2 million at March 31, 2013 as two $1 million advances were not renewed when their terms expired, one in April, 2013 and the other in March, 2014.

Equity decreased approximately $0.5 million, or 7.3%, to $6.7 million at March 31, 2014, from $7.2 million at March 31, 2013. The decrease in equity is primarily a result of the net loss recorded for the twelve months ended March 31, 2014 of approximately $0.3 million and a decrease in other comprehensive income of almost $0.2 million.

The ongoing state of economic uncertainty continues to affect asset quality. We continue to experience a decline in the market values of homes in our market area in general and also on specific properties held as collateral. In addition, higher unemployment locally continues to affect some of our borrowers' ability to timely repay their obligations to Twin Oaks. These conditions have resulted in nonperforming loans totaling 2.08% of total loan receivables as of March 31, 2014, down slightly from 2.91% at March 31, 2013.

Comparison of Results of Operation for the Twelve Months Ended March 31, 2014 and March 31, 2013

General. Net loss for the twelve months ended March 31, 2014 was $304,000 compared to net income of $267,000 for the twelve months ended March 31, 2013. A net loss occurred during 2014 due to the elevated level of provision for loan losses required for the nonperforming loans identified during the period. Additionally, interest income was lower during the year as loan balances were lower and non-accrual loan levels increased.

Net interest income decreased $241,000, or 13.0%, to $1.6 million for the twelve months ended March 31, 2014 compared to $1.9 million for the period ended March 31, 2013. Interest income decreased $309,000 or 17.4% due to the decline in earning assets of and the yield decreasing on interest earning assets. The decline in the loan portfolios contributed to a significant amount of the decline in earning assets. The yield on the loan portfolio declined as the low rate environment continued during 2014. This decline in interest income was slightly offset by a $129,000, or 17.5%, reduction in interest expense. The cost of funds declined 13 basis points, or 12.2%, during 2014 as compared to the cost of funds for 2013 as the low rate environment continued. Additionally, the balance of interest bearing liabilities declined by $4.85 million.

Provision for Loan Losses. Management recorded a loan loss provision of $874,000 for the twelve months ended March 31, 2014, compared to $249,000 for the period ended March 31, 2013. The provision is primarily attributed to the reserves required for the one-to-four family segment as the economic conditions in the local market continue to negatively impact collateral values of real estate and the ability of borrowers to keep current per terms of their obligations. The slow payment activity and continued decline of property values are the result of local economic conditions that are improving, but continuing to lag national indicators. Based on a review of the loans that were in the loan portfolio at March 31, 2014, management believes that the allowance is maintained at a level that represents its best estimate of inherent losses in the loan portfolio that were both probable and reasonably estimable.

Management uses available information to establish the appropriate level of the allowance for loan losses. Future additions or reductions to the allowance may be necessary based on estimates that are susceptible to change as a result of changes in economic conditions and other factors. As a result, our allowance for loan losses may not be sufficient to cover actual loan losses, and future provisions for loan losses could materially adversely affect Twin Oaks' operating results. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Bank's allowance for loan losses. Such agencies may require Twin Oaks to recognize adjustments to the allowance based on their judgments about information available to them at the time of their examination.

The decrease in total other income of $155,000 was primarily due to the decline in volume for loans originated for sale as gains on loans sold declined to $53,000 as compared to $204,000 for the period ended March 31, 2013.

Total noninterest expense improved 1.5% as it dropped to $1.67 million for the twelve months ended March 31, 2014 as compared to $1.7 million for the period ended March 31, 2013. Compensation and benefits declined 4% or $35,000 and occupancy and equipment declined 11% or $23,000. Additionally, other expense improved 4% or $18,000. These improvements were slightly offset by an increase in data processing costs as they increased 28% or $51,000.

Income Taxes. Twin Oaks recorded an income tax benefit of $424,000 and an expense of $24,000 for the twelve months ended March 31, 2014 and 2013, respectively.

Proposal 2 – Amendment to Our Charter

The second paragraph of Section 5 of the Ottawa Savings Bancorp's current charter provides:

Except for the initial offering of shares of the Holding Company, no shares of capital stock (including shares issuable upon conversion, exchange, or exercise of other securities) shall be issued, directly or indirectly, to officers, directors, or controlling persons of the Holding Company other than as part of a general public offering or as qualifying shares to a director, unless their issuance or the plan under which they would be issued has been approved by a majority of the total votes eligible to be cast at a legal meeting.

This provision is a part of the model charter initially adopted by the Office of Thrift Supervision and currently maintained by the Board of Governors of the Federal Reserve System. It is our understanding that this provision was established to prevent a company and its board and management from unjustly enriching themselves through stock issuances without making simultaneous issuances available to the general public or unless shareholders have previously approved either the stock issuance or the plan under which the stock issuances were contemplated.

In the merger agreement between Ottawa and Twin Oaks, Ottawa Savings Bancorp is required to issue to Ottawa Savings Bancorp MHC a number of additional shares of its common stock equal to the quotient obtained by dividing the appraised value of Twin Oaks by the Ottawa Savings Bancorp common stock market price per share rounded to the nearest whole number of shares, each as determined by an independent appraisal. Notwithstanding that none of the shares to be issued in the merger will be issued to insiders of Ottawa, because Ottawa Savings Bancorp MHC is a controlling person of Ottawa Savings Bancorp, we are required to obtain shareholder approval of the merger agreement, which is the plan under which the shares of stock will be issued. To prevent having to incur the expense of obtaining a shareholder vote in connection with future similarly-structured transactions, if any, the Board of Directors is proposing to amend this charter provision to exclude future stock issuances made solely to Ottawa Savings Bancorp MHC.

To effect this change, the Board of Directors is proposing to amend the second paragraph of Section 5 of the charter to read as follows (changes underlined):

Except for the initial offering of shares of the Holding Company, no shares of capital stock (including shares issuable upon conversion, exchange, or exercise of other securities) shall be issued, directly or indirectly, to officers, directors, or controlling persons of the Holding Company <u>(other than to Ottawa Savings Bancorp MHC)</u> other than as part of a general public offering or as qualifying shares to a director, unless their issuance or the plan under which they would be issued has been approved by a majority of the total votes eligible to be cast at a legal meeting.

The Board of Directors has unanimously approved and recommends to the shareholders the amendment to permit future issuances of our common stock to Ottawa Savings Bancorp MHC without requiring a shareholder vote. The Board of Directors believes that this proposal is in the best interest of the Company and its shareholders and recommends a vote "**FOR**" the proposed amendment.

Proposal 3 - Election of Directors

Ottawa Savings Bancorp's Board of Directors consists of six members, all of whom are independent under the current listing standards of the Nasdaq Stock Market, except for Mr. Kranov, who is the Company's and the Bank's President and Chief Executive Officer. In determining the independence of its directors, the Board considered transactions, relationships or arrangements between the Company, the Bank and its directors that are not required to be disclosed in this proxy statement under the heading *"Transactions with Related Persons*." The Board is divided into three classes with three-year staggered terms, with one-third of the directors elected each year. Two directors will be elected at the annual meeting to serve for a three-year term, or until their respective successors have been elected and qualified. The Board of Directors' nominees for election to each serve a three year term is John M. Armstrong and Jon Kranov.

Unless you indicate on the proxy card that your shares should not be voted for the nominees, the Board of Directors intends that the proxies solicited by it will be voted for the election of the Board's nominees. If the nominees are unable to serve, the persons named in the proxy card will vote your shares to approve the election of any substitute proposed by the Board of Directors. Alternatively, the Board of Directors may adopt a resolution to reduce the size of the Board. At this time, the Board of Directors knows of no reason why any nominees might be unable to serve.

The Board of Directors recommends a vote "FOR" the election of John M. Armstrong and

Jon Kranov.

Information regarding the Board of Directors' nominees for election at the annual meeting is provided below. Unless otherwise stated, each director has held his current occupation for the last five years. The age indicated for each individual is as of December 31, 2013. There are no family relationships among the directors or executive officers. The indicated period of service as a director includes service as a director of the Bank.

Nominees for Election of Directors:

John M. Armstrong is a Principal at Armstrong & Associates, a registered investment advisory firm, in Ottawa, Illinois. Age 57. Director since 2012. As a Certified Public Accountant and Certified Financial Planner, Mr. Armstrong provides the Board of Directors with experience regarding accounting and financial matters. Additionally, as a lifelong resident of Ottawa, Mr. Armstrong has been actively involved in various community organizations, having served on the Board of the Ottawa Elementary School and the Illinois Valley Fine Arts Trust and as a committee member with the United Way.

Jon Kranov has been employed with Ottawa Savings Bank since 1978 and has served as President of Ottawa Savings Bank, Ottawa Savings Bancorp and Ottawa Savings Bancorp MHC since May 2010. He is currently the Chairman of the Bank's Board of Directors and attends all committee meetings of the Board of Directors in his capacity as such. Mr. Kranov served as the Senior Vice President and Chief Financial Officer of the Bank from 1996 until May 2010 and 1996 until December 2011, respectively. He served in the positions of Senior Vice President and Chief Financial Officer of Ottawa Savings Bancorp and Ottawa Savings Bancorp MHC from 2005 until May 2010 and 2005 until December 2010, respectively. Age 59. Director since May 2010.

Mr. Kranov's involvement in the Bank's and Company's local community affords the Board valuable insight regarding the business and operation of the Bank and the Company. Mr. Kranov's experience as Chief Financial Officer and knowledge of the various financial and accounting issues facing public companies in the banking sector, as well as his long history with the Bank and the Company, position him well as our President and Chief Executive Officer. Mr.

Kranov has an undergraduate degree in Accountancy from Western Illinois University and has received a Masters Degree from Lewis University.

Directors Continuing in Office:

The following directors have terms ending in 2015:

Arthur C. Mueller is the President of Mueller Funeral Homes, Inc. Age 60. Director since 1987. As a life-long and 6th generation resident of LaSalle County, Mr. Mueller has been actively involved in various community organizations, having served on the Board of Ottawa Regional Hospital and Healthcare Center and the Chamber of Commerce and as a member of Rotary International. With five funeral home locations in LaSalle County, Mr. Mueller has extensive ties to the Bank's and the Company's market area, as well as valuable leadership experience that he brings to the Board of Directors.

Daniel J. Reynolds is the co-owner of H.R. Imaging, Inc., a photography business in Ottawa, Illinois. Age 67. Director since 2003. As a life-long resident of Ottawa, Illinois who is actively involved in various community organizations, Mr. Reynolds has in-depth knowledge of the Bank's and the Company's market area. Additionally, Mr. Reynolds involvement in real estate development has given him knowledge of the local real estate industry, and his experience as a small business owner has given him organizational understanding and management expertise that he brings to the Board of Directors.

The following directors have terms ending in 2016:

James A. Ferrero retired from LaSalle County Housing Authority as of December 31, 2005. He is the owner and president of a package store in Ottawa, Illinois. Age 64. Director since 2000. As a life-long resident of Ottawa, Illinois who is actively involved in various community organizations, like the Chamber of Commerce, Mr. Ferrero has developed extensive ties to the market area in which the Bank and Company operate. Additionally, Mr. Ferrero's education in finance and experience as a small business owner have provided him with financial experience and expertise that is valuable to the Board of Directors.

Keith F. Johnson is the co-owner of Johnson Pattern and Machine Co. in Ottawa, Illinois. Age 60. Director since 2001. As a lifelong resident of Ottawa, Illinois who is actively involved in various community organizations, Mr. Johnson has in-depth knowledge of the market area in which the Bank and Company operate. Mr. Johnson's service as an elected Commissioner of our local government has provided him with leadership and managerial skills, which are valuable to the Board of Directors.

Executive Officers who are not also Directors:

Below is information regarding our officers who are not also directors. Each officer has held his current position for at least the last five years, unless otherwise stated. Ages presented are as of December 31, 2013.

Philip Devermann has served as the Vice President of Ottawa Savings Bank since 1996. Mr. Devermann has served as the Vice President of Ottawa Savings Bancorp and Ottawa Savings Bancorp MHC since 2005. He has been employed with Ottawa Savings Bank since 1979. Mr. Devermann has an undergraduate degree in Finance from Eastern Illinois University. Age 63.

Marc N. Kingry has served as the Chief Financial Officer of Ottawa Savings Bank, Ottawa Savings Bancorp and Ottawa Savings Bancorp MHC since December 2010. Prior to 2010, Mr. Kingry was Senior Vice President and

Controller at a bank in Ottawa, Illinois since 2002. Mr. Kingry has an undergraduate degree in accountancy and has received a Masters Degree in Accounting from Illinois State University. He is a licensed Certified Public Accountant. Age 51.

Proposal 4 - Ratification of Independent Registered Public Accounting Firm

The Audit Committee of the Board of Directors has appointed McGladrey LLP to be the Company's independent registered public accounting firm for the 2014 fiscal year, subject to ratification by shareholders. A representative of McGladrey LLP is expected to be present at the annual meeting to respond to appropriate questions from shareholders and will have the opportunity to make a statement should he or she desire to do so.

If the ratification of the appointment of the auditors is not approved by a majority of the shares represented at the meeting and entitled to vote, the Audit Committee will consider other independent registered public accounting firms.

The Board of Directors recommends a vote "FOR" the ratification of the appointment of McGladrey LLP as the Company's independent registered public accounting firm.

Audit and Non-Audit Fees

The following table sets forth the fees billed to the Company for the fiscal years ending December 31, 2013 and December 31, 2012 for services provided by McGladrey LLP.

	2013	**2012**
Audit Fees (1)	$113,800	$108,500
Audit-Related Fees	—	—
Tax Fees (2)	11,600	11,995
All Other Fees	—	—

(1) For 2012 and 2013, includes fees for performance of the audit, review of financial statements for public filings and attendance at the annual meeting.

(2) For 2012 and 2013, represents fees for preparation of federal and state consolidated tax returns, claims for refunds and tax payment-planning services for tax compliance, tax planning and tax advice.

Pre-Approval of Services by the Independent Registered Public Accounting Firm

The Audit Committee is responsible for appointing, setting compensation and overseeing the work of the independent registered public accounting firm. In accordance with its charter, the Audit Committee approves, in advance, all audit and permissible non-audit services to be performed by the independent registered public accounting firm. Such approval process ensures that the independent registered public accounting firm does not provide any non-audit services to the Company that are prohibited by law or regulation.

In addition, the Audit Committee has established a policy regarding pre-approval of all audit and permissible non-audit services provided by the independent registered public accounting firm. Requests for services by the independent registered public accounting firm for compliance with the auditor services policy must be specific as to the particular services to be provided. The request may be made with respect to either specific services or a type of service for predictable or recurring services.

Any proposed specific engagement may be presented to the Audit Committee for consideration at its next regular meeting or, if earlier consideration is required, to the Audit Committee or one or more of its members. The member or members to whom such authority is delegated shall report any specific approval of services at the next regular meeting of the Audit Committee. The Audit Committee will regularly review summary reports detailing all services being provided to the Company by its independent registered public accounting firm.

During the year ended December 31, 2013, all services were approved, in advance, by the Audit Committee in compliance with these procedures.

Audit Committee Report

The Company’s management is responsible for the Company’s internal control over financial reporting. The independent registered public accounting firm is responsible for performing an independent audit of the Company’s consolidated financial statements and issuing an opinion on the conformity of those financial statements with generally accepted accounting principles. The Audit Committee oversees the Company’s internal control over financial reporting on behalf of the Board of Directors.

In this context, the Audit Committee has met and held discussions with management and the independent registered public accounting firm. Management represented to the Audit Committee that the Company’s consolidated financial statements were prepared in accordance with generally accepted accounting principles, and the Audit Committee has reviewed and discussed the consolidated financial statements with management and the independent registered public accounting firm. The Audit Committee discussed with the independent registered public accounting firm all communications required by generally accepted accounting standards.

In addition, the Audit Committee has received the written disclosures and the letter from the independent registered public accounting firm required by the applicable requirements of the Public Company Accounting Oversight Board and has discussed with the independent registered public accounting firm the accounting firm’s independence from the Company and its management. In concluding that the accounting firm is independent, the Audit Committee considered, among other factors, whether the non-audit services provided by the independent registered public accounting firm were compatible with their independence.

The Audit Committee discussed with the Company’s independent registered public accounting firm the overall scope and plans for their audit. The Audit Committee meets with the independent registered public accounting firm, with and without management present, to discuss the results of their examination, their evaluation of the Company’s internal control over financial reporting, and the overall quality of the Company’s financial reporting process.

In performing all of these functions, the Audit Committee acts only in an oversight capacity. In its oversight role, the Audit Committee relies on the work and assurances of the Company’s management, which has the primary responsibility for financial statements and reports, and of the independent registered public accounting firm who, in its report, expresses an opinion on the conformity of the Company’s financial statements to generally accepted accounting principles. The Audit Committee’s oversight does not provide it with an independent basis to determine that management has maintained appropriate accounting and financial reporting principles or policies, or appropriate internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. Furthermore, the Audit Committee’s considerations and discussions with management and the independent registered public accounting firm do not assure that the Company’s financial statements are presented in accordance with generally accepted accounting principles, that the audit of the Company’s consolidated financial statements has been carried out in accordance with the standards of the Public Company Accounting Oversight Board or that the Company’s independent registered public accounting firm is in fact “independent.”

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors, and the Board has approved, that the audited consolidated financial statements be included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2013 for filing with the Securities and Exchange Commission. The Audit Committee has appointed, subject to shareholder ratification, the selection of the Company’s independent registered public accounting firm for the fiscal year ended December 31, 2014.

AUDIT COMMITTEE OF THE OTTAWA SAVINGS BANCORP BOARD OF DIRECTORS

James A. Ferrero (Chairman)

John M. Armstrong

Keith Johnson

Arthur C. Mueller

Daniel J. Reynolds

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Executive Compensation

Summary Compensation Table

The following information is furnished for all individuals serving as the principal executive officer of the Company for the two most recently completed fiscal years and the next two most highly compensated executive officers of the Company whose total compensation for each of the 2012 and 2013 fiscal years exceeded $100,000.

Name and Principal Position	**Year**	**Salary ($)**	**Bonus ($)**	**Nonequity Incentive Plan Compensation ($)(1)**	**All Other Compensation ($) (2)**	**Total ($)**
Jon Kranov	2013	176,500	—	34,258	40,107	250,865
President and Chief Executive Officer	2012	166,650	—	31,211	35,235	233,096
Philip Devermann	2013	124,500	—	18,124	15,753	158,377
Vice President	2012	120,848	—	16,998	13,050	150,896
Marc Kingry	2013	101,145	—	16,013	12,417	129,575
Chief Financial Officer	2012	93,425	—	13,143	7,891	114,459

(1) Represents payments made pursuant to the Employee Incentive Compensation Plan. Awards earned during 2013 were paid in March 2014.

(2) Details of the amounts reported in "All Other Compensation" for fiscal 2013 are provided in the table below. All perquisites, which in the aggregate were less than $10,000 for an individual, are excluded from "All Other Compensation."

	Mr. Kranov	**Mr. Devermann**	**Mr. Kingry**
Board of Director fees	$ 16,800	$ —	$ —
Fair market value of employee stock ownership plan allocation	8,613	5,679	4,999
Fair market value of employer contributions to 401(k) Plan	12,462	8,490	6,857
Dollar value of dividends received on unvested restricted stock awards	105	—	—
Auto allowance	1,095	—	—
Life insurance premiums	1,032	1,584	561

Salary Continuation Agreements

Ottawa Savings Bank has entered into a Salary Continuation Agreement with each of Jon Kranov and Philip B. Devermann. Under the Salary Continuation Agreements, if Mr. Kranov's or Mr. Devermann's employment with Ottawa Savings Bank terminates (1) on or after his 65th birthday; (2) subsequent to a change in control (as defined in each agreement); (3) on account of a disability; or (4) because of death, they will be entitled to receive $25,258 and $27,480, respectively, per year for 20 years commencing at the later of age 65 or the date of his termination of employment. The executive may elect, subject to the requirements of Section 409A of the Internal Revenue Code, to receive a lump sum payment that is actuarially equivalent to the normal retirement benefit. If the executive terminates employment before his 65th birthday for reasons other than cause, death or disability, and not subsequent to a change in control, he will receive a reduced benefit, which varies depending on the date of termination. The executive will forfeit his entitlement to all benefits under the Salary Continuation Agreement if his employment with the Bank is terminated for cause as specified in his respective agreement.

Employee Incentive Compensation Plan

The Employee Incentive Compensation Plan (the "EIP") is an annual, variable compensation program designed to encourage participants to produce results that enable the Bank to reach targeted levels of performance for the fiscal year.

Outstanding Equity Awards at Fiscal Year-End

The following table provides information concerning unexercised options and stock awards that have not vested for each named executive officer outstanding as of December 31, 2013.

	Option Awards					Stock Awards		
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercis-able		Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested		Market Value of Shares or Units of Stock That Have Not Vested (1)
Jon Kranov	18,533	—		$ 12.35	11/21/2016	—		—
	5,232	3,490	(2)	$ 6.00	11/17/2020	1,398	(2)	$11,883
Philip Devermann	17,443	—		$ 12.35	11/21/2016	—		—
Marc Kingry	5,232	7,851	(3)	$ 4.25	11/16/2021	3,141	(3)	$26,698

(1) Market value is calculated on the basis of $8.50 per share, which was the closing sales price for our common stock on December 31, 2013.

(2) Stock options and stock awards granted pursuant to the 2006 Equity Incentive Plan vest in five approximately equal installments commencing on November 17, 2011.

(3) Stock options and stock awards granted pursuant to the 2006 Equity Incentive Plan vest in five approximately equal installments commencing on November 19, 2012.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company's executive officers and directors, and persons who own more than 10% of any registered class of the Company's equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Executive officers, directors and greater than 10% shareholders are required by regulation to furnish the Company with copies of all Section 16(a) reports they file.

Based solely on its review of the copies of the reports it has received and written representations provided to the Company from the individuals required to file the reports, the Company believes that each of its executive officers and directors has complied with applicable reporting requirements for transactions in Ottawa Savings Bancorp common stock during the year ended December 31, 2013.

Policies and Procedures for Approval of Related Persons Transactions

We maintain a Policy and Procedures Governing Related Person Transactions, which is a written policy and set of procedures for the review and approval or ratification of transactions involving related persons. Under the policy, related persons consist of directors, director nominees, executive officers, persons or entities known to us to be the beneficial owner of more than five percent of any outstanding class of the voting securities of the Company, or immediate family members or certain affiliated entities of any of the foregoing persons.

Transactions covered by the policy consist of any financial transaction, arrangement or relationship or series of similar transactions, arrangements or relationships, in which:

the aggregate amount involved will or may be expected to exceed $25,000 in any calendar year;

the Company is, will, or may be expected to be a participant; and

any related person has or will have a direct or indirect material interest.

The policy excludes certain transactions, including:

any compensation paid to an executive officer of the Company if the Compensation Committee of the Board approved (or recommended that the Board approve) such compensation;

any compensation paid to a director of the Company if the Board or an authorized committee of the Board approved such compensation; and

any transaction with a related person involving consumer and investor financial products and services provided in the ordinary course of the Company’s business and on substantially the same terms as those prevailing at the time for comparable services provided to unrelated third parties or to the Company’s employees on a broad basis (and, in the case of loans, in compliance with the Sarbanes-Oxley Act of 2002).

Related person transactions will be approved or ratified by the Audit Committee. In determining whether to approve or ratify a related person transaction, the Audit Committee will consider all relevant factors, including:

whether the terms of the proposed transaction are at least as favorable to the Company as those that might be achieved with an unaffiliated third party;

the size of the transaction and the amount of consideration payable to the related person;

the nature of the interest of the related person;

whether the transaction may involve a conflict of interest; and whether the transaction involves the provision of goods and services to the Company that are available from unaffiliated third parties.

A member of the Audit Committee who has an interest in the transaction will abstain from voting on approval of the transaction, but may, if so requested by the chair of the Audit Committee, participate in some or all of the discussion.

Transactions with Related Persons

The Sarbanes-Oxley Act generally prohibits loans by the Bank to its executive officers and directors. However, the Sarbanes-Oxley Act contains a specific exemption from such prohibition for loans by the Bank to its executive officers and directors in compliance with federal banking regulations. Federal regulations require that all loans or extensions of credit to executive officers and directors of insured institutions must be made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and must not involve more than the normal risk of repayment or present other unfavorable features. Ottawa Savings Bank is therefore prohibited from making any new loans or extensions of credit to executive officers and directors at different rates or terms than those offered to the general public. Notwithstanding this rule, federal regulations permit the Bank to make loans to executive officers and directors at reduced interest rates if the loan is made under a benefit program generally available to all other employees and does not give preference to any executive officer or director over any other employee.

In accordance with banking regulations, the Board of Directors reviews all loans made to a director or executive officer in an amount that, when aggregated with the amount of all other loans to such person and his or her related interests, exceed the greater of $25,000 or 5% of Ottawa Savings Bancorp’s capital and surplus (up to a maximum of $500,000) and such loan must be approved in advance by a majority of the disinterested members of the Board of Directors. Additionally, pursuant to the Company’s Code of Ethics and Business Conduct, all executive officers and directors of the Company must disclose any existing or emerging conflicts of interest to the President and Chief Executive Officer of the Company. Such potential conflicts of interest include, but are not limited to, the following: (i) the Company conducting business with or competing against an organization in which a family member of an executive officer or director has an ownership or employment interest; and (ii) the ownership of more than 1% of the outstanding securities (or that represents more than 5% of the total assets of the employee and/or family member) of any business entity that does business with or is in competition with the Company.

Shareholder Proposals and Nominations

The Company must receive proposals that shareholders seek to have included in the proxy statement for the Company’s next annual meeting no later than ____________, 2014. If next year’s annual meeting is held on a date more than 30 calendar days from December ___, 2015, a shareholder proposal must be received by a reasonable time before the Company begins to print and mail its proxy solicitation materials. Any shareholder proposals will be subject to the requirements of the proxy rules adopted by the Securities and Exchange Commission.

The Company’s Bylaws provide that in order for a shareholder to make nominations for the election of directors or proposals for business to be brought before a meeting of shareholders, a shareholder must deliver written notice of such nominations and/or proposals to the Corporate Secretary not less than 30 days before the date of the meeting; provided that if less than 40 days notice or prior public disclosure of the meeting is given or made to shareholders, such notice must be delivered not later than the close of the tenth day following the day on which notice of the meeting was mailed to shareholders or such public disclosure was made.

Shareholder Communications

The Company encourages shareholder communications to the Board of Directors and/or individual directors. Shareholders who wish to communicate with the Board of Directors or an individual director should send their communications to the care of Laurie Duffell, Assistant Corporate Secretary, Ottawa Savings Bancorp, 925 LaSalle Street, Ottawa, Illinois 61350. Communications regarding financial or accounting policies should be sent to the attention of the Chairperson of the Audit Committee. All other communications should be sent to the attention of the Chairperson of the Nominating and Corporate Governance Committee.

Miscellaneous

The Company will pay the cost of this proxy solicitation. In addition to the solicitation of proxies by mail, _____________, a proxy solicitation firm, will assist the Company in soliciting proxies for the annual meeting. The Company will pay a fee of $______ for these services. The Company will reimburse brokerage firms and other custodians, nominees and fiduciaries for reasonable expenses incurred by them in sending proxy materials to the beneficial owners of the Company. In addition to soliciting proxies by mail, directors, officers and regular employees of the Company may solicit proxies personally or by telephone. None of these persons will receive additional compensation for these activities.

If you and others who share your address own your shares in "street name," your broker or other holder of record may be sending only one annual report and proxy statement to your address. This practice, known as "householding," is designed to reduce our printing and postage costs. However, if a shareholder residing at such an address wishes to receive a separate annual report or proxy statement in the future, he or she should contact the broker or other holder of record. If you own your shares in "street name" and are receiving multiple copies of our annual report and proxy statement, you can request householding by contacting your broker or other holder of record.

A copy of the Company's Annual Report on Form 10-K, without exhibits, for the year ended December 31, 2013 is being delivered with this proxy statement.

Index to Twin Oaks Savings Bank Financial Statements

REPORT OF INDEPENDENT AUDITORS

Twin Oaks Savings Bank

Marseilles, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of Twin Oaks Savings Bank, which comprise the balance sheet as of March 31, 2014, and the related statements of operations, members' equity, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Twin Oaks Savings Bank as of March 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Crowe Horwath LLP

Oak Brook, Illinois

July 16, 2014

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TWIN OAKS SAVINGS BANK

BALANCE SHEET

March 31, 2014

ASSETS	
Cash on hand and in banks	$1,878,430
Federal funds sold	409,000
Interest-bearing deposits in other banks	138,949
Total cash and cash equivalents	2,426,379
Investment certificates of deposits	1,999,969
Securities available for sale	30,641,100
Loans, net	30,082,993
Premises and equipment, net	1,052,128
Federal Home Loan Bank and Bankers Bank stock	547,138
Accrued interest receivable	315,447
Other assets	883,098
Total assets	$67,948,252
LIABILITIES AND MEMBERS' EQUITY	
Liabilities	
Deposits	$55,425,739
Federal Home Loan Bank advances	5,208,496
Advances from borrowers for escrow	233,518
Accrued interest payable and other liabilities	419,002
Total liabilities	61,286,755
Members' equity	
Retained earnings, substantially restricted	6,557,055
Accumulated other comprehensive income	104,442
	6,661,497
Total liabilities and members' equity	$67,948,252

See accompanying notes to financial statements.

TWIN OAKS SAVINGS BANK

STATEMENT OF OPERATIONS

Year ended March 31, 2014

Interest income	
Loans	$1,459,748
Securities	402,993
Mortgage-backed securities	321,576
Other	32,194
Total interest income	2,216,511
Interest expense	
Deposits	413,859
Federal Home Loan Bank advances	191,411
Total interest expense	605,270
Net interest income	1,611,241
Provision for loan losses	874,000
Net interest income after provision for loan losses	737,241
Noninterest income	
Service fees	141,256
Gain on sale of loans	52,706
Loss on sale of securities	(709)
Other	36,390
Total noninterest income	229,643
Noninterest expense	
Compensation and benefits	821,527
Occupancy and equipment	196,561
Data processing	231,133
Other	422,358
Total noninterest expense	1,671,579
Loss before income taxes	(704,695)
Income tax benefit	400,422

Net loss	$(304,273)

See accompanying notes to financial statements.

TWIN OAKS SAVINGS BANK

STATEMENT OF COMPREHENSIVE INCOME

Year ended March 31, 2014

Net loss	$(304,273)
Other comprehensive income (loss):	
Unrealized holding loss arising during the period	(337,617)
Reclassification adjustment for losses included in net loss	709
Tax effect	117,581
Total other comprehensive loss	(219,327)
Comprehensive loss	$(523,600)

See accompanying notes to financial statements.

TWIN OAKS SAVINGS BANK

STATEMENT OF MEMBERS' EQUITY

Year ended March 31, 2014

	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance at April 1, 2013	$6,861,328	$ 323,769	$7,185,097
Net loss	(304,273)	-	(304,273)
Total other comprehensive loss	-	(219,327)	(219,327)
Balance at March 31, 2014	$6,557,055	$ 104,442	$6,661,497

See accompanying notes to financial statements.

TWIN OAKS SAVINGS BANK

STATEMENT OF CASH FLOWS

Year ended March 31, 2014

Cash flows from operating activities	
Net loss	$(304,273)
Adjustments to reconcile net loss to net cash from operating activities	
Depreciation	98,553
Amortization of premiums and discounts	533,174
Provision for loan losses	874,000
Loss on sales of securities	709
Gain on sales of loans	(52,706)
Origination of mortgage loans	(2,026,855)
Proceeds from sales of mortgage loans	2,079,561
Amortization of mortgage servicing rights	19,207
Earnings on bank-owned life insurance	(17,084)
Change in accrued interest receivable and other assets	(563,184)
Change in other liabilities	(169,807)
Net cash from operating activities	471,295
Cash flows from investing activities	
Purchase of investments in certificates of deposit	(604,861)
Proceeds from maturities of investments in certificates of deposit	1,101,861
Proceeds from maturities and calls of securities	6,847,510
Purchase of securities	(7,804,353)
Proceeds from sales of securities	242,398
Loan originations, net of principal payments	688,993
Proceeds from sale of other real estate owned	484,500
Expenditures for premises and equipment	(38,867)
Net cash from investing activities	917,181
Cash flows from financing activities	
Net change in deposits	(2,776,190)
Proceeds from Federal Home Loan Bank advances	255,000
Maturities of Federal Home Loan Bank advances	(2,276,504)
Net change in advances from borrowers for escrow	(25,719)
Net cash used in financing activities	(4,823,413)
Net decrease in cash and cash equivalents	(3,434,937)

Cash and cash equivalents at beginning of year	5,861,316
Cash and cash equivalents at end of year	$2,426,379
Supplemental disclosures of cash flow information	
Cash paid during the year for:	
Interest	$610,354
Income taxes paid	22,656
Non-cash transfer of loans to other real estate owned	$420,000

See accompanying notes to financial statements.

TWIN OAKS SAVINGS BANK

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations: Twin Oaks Savings Bank (the Bank) is a state-chartered mutual savings bank. Through its main office located in Marseilles, Illinois and a branch located in Morris, Illinois, the Bank provides a variety of financial services to customers in Marseilles and the surrounding area. Financial services consist primarily of checking, savings, term certificates of deposit, and consumer loans secured by residential real estate. There are no concentrations of loans to any one industry or customer. The customers' ability to repay is dependent on the real estate and general economic conditions in the area.

Use of Estimates: To prepare financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided, and future results could differ. The allowance for loan losses and fair values of securities are particularly subject to change.

Subsequent Events: The Bank has evaluated subsequent events for recognition and disclosure through July 16, 2014, which is the date the financial statements were available to be issued.

Interest-Bearing Deposits in Other Financial Institutions: Interest-bearing deposits in other financial institutions mature within one year and are carried at cost.

Securities: Securities are classified as available for sale when they might be sold before maturity. Securities available for sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income net of tax.

Interest income includes amortization of purchase premium or discount. Premiums and discounts on securities are amortized on the level-yield method without anticipating prepayments, except for mortgage backed securities where prepayments are anticipated. Gains and losses on sales are recorded on the trade date and determined using the specific identification method.

Management evaluates securities for other-than-temporary impairment on at least a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. For securities in an unrealized loss position, management considers the extent and duration of the unrealized loss, and the financial condition and near-term prospects of the issuer. Management also assesses whether it intends to sell, or it is more likely than not that it will be required to sell, a security in an unrealized loss position before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the entire difference between amortized cost and fair value is recognized as impairment through earnings. For debt securities that do not meet the aforementioned criteria, the amount of impairment is split into two components as follows: 1) other-than-temporary impairment related to credit loss, which must be recognized in the income statement and 2) other-than-temporary impairment related to other factors, which is recognized in other comprehensive income. The credit loss is defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis.

<u>Loans</u>: Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at the principal balance outstanding, net of deferred loan fees and costs, and an allowance for loan losses. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the level-yield method without anticipating prepayments.

(Continued)

TWIN OAKS SAVINGS BANK

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest income on mortgage and commercial loans is discontinued at the time the loan is 90 days delinquent unless the loan is well-secured and in process of collection. Consumer and credit card loans are typically charged off no later than 90 days past due. Past due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful. Nonaccrual loans and loans past due 90 days still on accrual include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans. A loan is moved to non-accrual status in accordance with the Bank’s policy, typically after 90 days of non-payment.

All interest accrued but not received for loans placed on nonaccrual is reversed against interest income. Interest received on such loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

<u>Allowance for Loan Losses</u>: The allowance for loan losses is a valuation allowance for probable incurred credit losses. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management’s judgment, should be charged off.

The allowance consists of specific and general components. The specific component relates to loans that are individually classified as impaired when, based on current information and events, it is probable that the Bank will be unable to collect all amounts due according to the contractual terms of the loan agreement. Loans for which the terms have been modified resulting in a concession, and for which the borrower is experiencing financial difficulties, are considered troubled debt restructurings and classified as impaired.

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 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.

If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral.

Troubled debt restructurings are separately identified for impairment disclosures and are measured at the present value of estimated future cash flows using the loan's effective rate at inception. If a troubled debt restructuring is considered to be a collateral dependent loan, the loan is reported, net, at the fair value of the collateral. For troubled debt restructurings that subsequently default, the Bank determines the amount of reserve in accordance with the accounting policy for the allowance for loan losses.

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TWIN OAKS SAVINGS BANK

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The general component covers non-impaired loans and is based on historical loss experience adjusted for current factors. The historical loss experience is determined by portfolio segment and is based on the actual loss history experienced by the Bank over the most recent three years. This actual loss experience is supplemented with other economic factors based on the risks present for each portfolio segment.

The following portfolio segments have been identified, real estate, automobile, commercial and consumer. The real estate category is further broken down into the following classes: 1-4 famiy, multifamily, commercial and land loans. The Bank considers loan performance and collateral values in assessing risk as follows:

Real estate loans are affected by the local residential real estate market, the local economy, and movement in interest rates. The Bank evaluates the borrower’s repayment ability through a review of credit reports and debt-to-income ratios. Appraisals are obtained to support the loan amount.

Commercial loans are dependent on the strength of the industries of the related borrowers and the success of their businesses. Commercial loans are advanced for equipment purchases or to provide working capital or meet other financing needs of the business. These loans may be secured by accounts receivable, inventory, equipment or other business assets. Financial information is obtained from the borrower to evaluate the debt service coverage and ability to repay the loans.

Automobile loans are secured by the automobile. The Bank evaluates the borrower’s ability to repay based on review of credit reports and debt-to-income ratios.

Consumer loans are dependent on the local economy. Consumer loans are generally secured by consumer assets, but may be unsecured. The Bank evaluates the borrower’s repayment ability through a review of credit scores and evaluation of debt-to-income ratios.

Transfers of Financial Assets: Transfers of financial assets are accounted for as sales, when control over the assets has been relinquished. Control over transferred assets is deemed to be surrendered when the assets have been isolated from the Bank, the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and the Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Premises and Equipment: Land is carried at cost. Premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Furniture, fixtures and equipment are depreciated using the straight-line over the estimated useful lives of the assets.

Federal Home Loan Bank (FHLB) and Bankers Bank Stock: The Bank is a member of the FHLB and Bankers Bank. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. FHLB and Bankers Bank stock are carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

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TWIN OAKS SAVINGS BANK

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loan Commitments and Related Financial Instruments: Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and letters of credit, issued to meet customer financing needs. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded.

Income Taxes: Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and tax bases of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized

A tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded.

The Bank recognizes interest and/or penalties related to income tax matters in income tax expense.

Bank-Owned Life Insurance: The Bank has purchased life insurance policies on certain key executives. Bank owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement.

Other Real Estate Owned: Assets acquired through or instead of loan foreclosure are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. These assets are subsequently accounted for at lower of cost or fair value less estimated costs to sell. If fair value declines subsequent to foreclosure, a valuation allowance is recorded through expense. Operating costs after acquisition are expensed.

Cash Flows: Cash and cash equivalents include cash on hand and amounts due from banks. Net cash flows are reported for customer loan and deposit transactions.

Fair Value of Financial Instruments: Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in a separate note. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect these estimates.

Benefits: Retirement plan expense is the amount of discretionary contributions made to employees' individual retirement accounts. Deferred compensation plan expense allocates the benefits over years of service.

Loss Contingencies: Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe that there now are such matters that will have a material effect on the financial statements.

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TWIN OAKS SAVINGS BANK

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Servicing Rights: Servicing rights are recognized separately when they are acquired through sales of loans. Servicing rights are initially recorded at fair value with the income statement effect recorded in gains on sales of loans. Fair value is based on market prices for comparable mortgage servicing contracts. All classes of servicing assets are subsequently measured using the amortization method, which requires servicing rights to be amortized into non-interest income in proportion to, and over the period of, the estimated future net servicing income of the underlying loans.

Servicing assets are evaluated for impairment based upon the fair value of the rights as compared to carrying amount. Impairment is recognized through a valuation allowance to the extent that fair value isles than the carrying amount. If the Bank later determines that all or a portion of the impairment no longer exists, a reduction of the allowance may be recorded as an increase to income. The fair values of servicing rights are subject to significant fluctuations as a result of changes in estimated and actual prepayment speeds and default rates and losses.

Servicing fee income is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal. The amortization of mortgage servicing rights is netted against loan servicing fee income. Total loans serviced at March 31, 2014 were $22,712,743. Servicing fees totaled $59,349 during the year ended March 31, 2014. Late fees and ancillary fees related to loan servicing are not material.

Comprehensive Income (Loss): Comprehensive income (loss) consists of net income (loss) and other comprehensive income. Other comprehensive income includes unrealized gains and losses on securities available for sale, net of tax, which are also recognized as separate components of members’ equity.

NOTE 2 - SECURITIES AVAILABLE FOR SALE

The following table summarizes the amortized cost and fair value of securities available for sale and the corresponding amounts of gross unrealized gains and losses recognized in accumulated other comprehensive income at March 31, 2014:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale:				
U.S. government agencies	$ 195,237	$ 809	$ -	$ 196,046
State and political subdivisions	13,237,358	286,757	(238,221)	13,285,894
Mortgage-backed: residential	16,145,767	200,179	(91,502)	16,254,444
Collateralized mortgage obligations: residential	902,058	2,658	-	904,716
Total available for sale	$ 30,480,420	$ 490,403	$ (329,723)	$ 30,641,100

(Continued)

TWIN OAKS SAVINGS BANK

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

NOTE 2 - SECURITIES AVAILABLE FOR SALE (Continued)

The amortized cost and fair value of debt securities are shown by contractual maturity. Expected maturities may differ from contractual maturities if borrowers have the right to call or prepay obligations with or without call or prepayment penalties. Securities not due at a single maturity date are shown separately.

	Amortized Cost	Fair Value
Due in one year or less	$412,890	$414,802
Due after one year through five years	1,980,517	1,998,352
Due after five years through ten years	1,543,712	1,542,047
Due after ten years	9,495,476	9,526,739
Mortgage-backed	16,145,767	16,254,444
Collateralized mortgage obligations	902,058	904,716
	$30,480,420	$30,641,100

The proceeds from sales of securities and the associated gains and losses are listed below:

Proceeds	$242,398
Gross gains	478
Gross losses	(1,187)

At year-end 2014, there were no holdings of securities of any one issuer, other than the U.S. government and its agencies, in an amount greater than 10% of shareholders' equity.

Securities with unrealized losses at March 31, 2014, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, are as follows:

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
State and political subdivisions	$3,932,905	$(146,841)	$1,386,815	$(91,380)	$5,319,720	$(238,221)
Mortgage-backed	4,563,370	(69,228)	1,118,983	(22,274)	5,682,353	(91,502)
Total available for sale	$8,496,275	$(216,069)	$2,505,798	$(113,654)	$11,002,073	$(329,723)

Unrealized losses on securities have not been recognized into income because management does not intend to sell and it is likely that management will not be required to sell the securities prior to their anticipated recovery, and the decline in fair value is largely due to changes in interest rates and other market conditions. The fair value is expected to recover as the bonds approach maturity.

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TWIN OAKS SAVINGS BANK

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

NOTE 3 - LOANS

A summary of loans by major category was as follows at March 31, 2014:

Real estate:	
1-4 family residential	$25,565,343
Multifamily	315,384
Commercial	3,473,072
Land	875,094
	30,228,893
Automobile	839,858
Commercial	417,851
Consumer	107,586
	1,365,295
Gross loans	31,594,188
Net deferred loan origination fees	(15,260)
Allowance for loan losses	(1,495,935)
Loans, net	$30,082,993

(Continued)

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TWIN OAKS SAVINGS BANK

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

NOTE 3 - LOANS (Continued)

Activity in the allowance for loan losses during the year ended March 31, 2014 was as follows:

	Real Estate 1-4 Family Residential	Multifamily	Commercial	Land	Automobile	Commercial	Consumer	Total
Allowance for loan losses:								
Beginning balance	$332,502	$3,809	$124,233	$577,784	$9,345	$3,864	$4,051	$1,055,588
Provision for loan losses	733,033	(655)	106,471	24,348	(946)	5,257	6,492	874,000
Loans charged-off	-	-	-	(459,482)	-	-	(903)	(460,385)
Recoveries	25,244	-	-	1,455	-	-	33	26,732
Total ending allowance balance	$1,090,779	$3,154	$230,704	$144,105	$8,399	$9,121	$9,673	$1,495,935

The balance in the allowance for loan losses and the recorded investment based on impairment was as follows at March 31, 2014:

	Real Estate 1-4 Family Residential	Multifamily	Commercial	Land	Automobile	Commercial	Consumer	Total
Allowance for loan losses:								

Ending allowance balance attributable to loans:								
Individually evaluated for impairment	$898,739	$-	$200,352	$114,440	$-	$4,992	$5,490	$1,224,013
Collectively evaluated for impairment	192,040	3,154	30,352	29,665	8,399	4,129	4,183	271,922
Total ending allowance balance	$1,090,779	$3,154	$230,704	$144,105	$8,399	$9,121	$9,673	$1,495,935
Loans:								
Loans individually evaluated for Impairment	$2,411,414	$-	$386,266	$152,778	$-	$4,992	$5,490	$2,960,940
Loans collectively evaluated for Impairment	23,153,929	315,384	3,086,806	722,316	839,858	412,859	102,096	28,633,248
Total ending loans balance	$25,565,343	$315,384	$3,473,072	$875,094	$839,858	$417,851	$107,586	$31,594,188

(Continued)

TWIN OAKS SAVINGS BANK

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

NOTE 3 - LOANS (Continued)

Information related to loans individually evaluated for impairment was as follows as of and during the year ended March 31, 2014:

	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated	Average Recorded Investment	Interest Income Recognized	Cash Basis Interest Recognized
With no related allowance recorded:						
1-4 family residential	$529,149	$529,149	$ -	$532,389	$ 20,577	$ 20,577
With an allowance recorded:						
1-4 family residential	1,882,265	1,882,265	898,739	2,156,511	91,313	91,313
Commercial real estate	386,266	386,266	200,352	464,721	18,588	18,588