



FIRST OTTAWA BANCSHARES, INC.

Direct Parent Company of The First National Bank of Ottawa

December 9, 2015

Dear Shareholders,

The Board of Directors has announced the declaration of a dividend, in the same amount as that payable on July 1, 2015 of \$.32 per share payable on January 1, 2016 to owners of record on December 1, 2015. Our financial performance to date has continued to improve, without unexpected lending losses, or reductions in the value of assets. Outstanding holding company debt has been regularly reduced and scheduled to have decreased by 81% by year end, compared to year end 2014, while we continue to maintain and improve our capital position.

The stock repurchase program continues to be ongoing with relatively modest re-purchases to date, but seems to have stimulated increased activity in overall stock transactions. These transactions are from both the repurchase initiative as well as transactions apart from the repurchase in the general marketplace.

We have disposed of a number of properties that we acquired as other real estate owned subject to foreclosure or other collateral recapture. Additionally, we have divested the bank of ownership of the old Streator Main building at 401 E. Main Street in Streator.

Loan income has increased to date by approximately 14% over 2014. This is primarily reflective of increased average net loan volume of approximately 22%, and has allowed us to deploy funds from our investment portfolio into higher yielding assets. The cost of funds has declined significantly, by approximately 33% with very little change in overall deposits. Time deposits have declined overall, and have renewed at lower rates as the low rate environment has extended, with some deposit shift to NOW accounts occurring as well. Net interest income has improved by approximately 11% over the prior year.

Noninterest income has improved as well, by approximately 16% primarily due to increased gains on sale of loans, realized securities gains resulting from some portfolio restructuring, and some non-recurring asset sales or other income. Overall, net income year over year has improved by approximately 46%.

We continue to see improvement in problem assets, and have continued to focus on debt reduction, maintenance of a strong capital position, and as the stock repurchase initiative continues, enhanced shareholder value and shareholder liquidity.

As always, thank you for your continued support. Please feel free to contact either myself or bank President and CEO, Steven Gonzalo should you have any comments or questions that we may address.

Very truly yours,

Donald J. Harris
First Ottawa Bancshares, Inc.
Chairman, CEO and President

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