



FIRST
OTTAWA
BANCSHARES, INC.

November 14th, 2018

Dear Shareholders,

Informed shareholders and financial transparency are integral to our long-term success and I consider shareholder communication one of my highest priorities. To efficiently and fairly disseminate information I will be posting future shareholder letters and press releases to the Shareholder Relations section of our website – (<http://www.firstottawa.com/shareholder-relations>). Should shareholders have questions about our corporate strategy, the future of our company, or any general question, I encourage them to contact me or stop by my office in Ottawa.

The following table summarizes the net income and key ratios for the first three quarters of 2018 compared to the same three quarters of 2017*:

	2018	2017
Net Income	\$2,685	\$2,303
Diluted EPS	\$4.41**	\$3.73**
ROAA	1.23	1.09
ROAE	11.10%	9.95%
Net Interest Margin	4.42%	4.20%
Tier 1 leverage	10.42%	10.04%

*dollars in thousands, except per share data

**First Ottawa Bancshares

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Average Balances, Provision for Loan Losses, and Credit Quality

Compared to the prior year period average total loans, net of the allowance, increased by \$17.6 million, or 9%, to \$214 million, and average total deposits increased by \$8.5 million, or 3.4%, to \$255 million.

The provision for loan losses totaled \$2.75 million compared to \$2.37 million for the prior year period. Classified assets for the period were 21.34% of Capital as compared to 16.26% for the prior year period.

Classified assets were almost exclusively impacted by a single credit relationship. The credit is performing under a forbearance agreement however, we believe there is a probability of loss. Management has significantly increased the provision for loan losses in order to mitigate the total exposure if liquidation is required.

Dividend

The Board of Directors declared a dividend of \$.75 per share payable on January 1, 2019 to common shareholders of record as of December 1, 2018.

Outlook

We continue to look for opportunities to grow the assets of our bank and expand into profitable geographies. Our strategy includes organic growth through the recruitment of talented and experienced bankers and through the acquisition of whole banks or branches. Today the company announced a number of significant events which create the foundation for advancing this strategy. The details of these events are contained in a separate press release.

Our strategy has translated into consistent growth in higher yielding loan assets and profitability over the past few years however, competitive pressures, uncertain economic conditions, regulatory burden and the interest rate environment pose significant risks to our growth and earnings.

On behalf of your Board of Directors, we thank you for your loyalty to First Ottawa Bancshares, Inc. and The First National Bank of Ottawa.

Sincerely



Steven M. Gonzalo

First Ottawa Bancshares

President & CEO