



FIRST
OTTAWA
BANCSHARES, INC.

April 23rd, 2019

Dear Shareholders,

Our strategy for 2019 is to grow the assets of the bank in a disciplined and dramatic way by investing in the best commercial bankers and support personnel, opening new locations, and investing in new products.

In the first quarter of 2019 we successfully recruited five senior bankers to join our commercial banking team. Each banker demonstrated their long-term commitment to our bank by making substantial, not less than \$100,000, investments in First Ottawa Bancshares. These five men and women share a temporary office in Lombard, IL, which is beginning to get a bit crowded with the talented support personnel that followed them to us.

We submitted an application to the Office of the Comptroller of the Currency to open a full-service branch at the building we purchased last year at 4733 Main Street in Lisle, IL. We have made substantial progress to modernize and improve the building and expect to open in June of this year.

We licensed five new or enhanced software products that will add efficiency and capability as we continue to add life long relationships with our customers. One product will allow our commercial customers to make deposits and invoice customers from their mobile phones. These products will be available to all our customers in all locations.

The Chicagoland banking landscape continues to consolidate and creates opportunities for our new bankers to attract customers who are loath to give up their community bank relationship for an impersonal megabank from out of state. We feel uniquely positioned to take advantage of these circumstances and believe we need to continue investing in the future of our company.

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The following table summarizes unaudited net income and key ratios for the first quarter of 2019 compared to the same quarter of 2018*:

	2019	2018
Net Income	\$463k	\$753k
Diluted EPS	\$.68**	\$1.23**
ROAA	0.66	1.08
ROAE	4.48%	9.43%
Net Interest Margin	4.26%	4.26%
Tier 1 leverage	15.33%	10.91%

*dollars in thousands, except per share data

**First Ottawa Bancshares

Average Balances, Allowance for Loan Losses, and Credit Quality

Compared to the prior year period average total loans, net of the allowance, increased by \$15.4 million, or 7.9%, to \$210 million, and average total deposits decreased by \$4.5 million, or 1.8%, to \$241 million.

The allowance for loan losses totaled \$3.37 million compared to \$2.34 million for the prior year period. Classified assets for the period were 17.61% of Capital as compared to 13.53% for the prior year period.

Classified assets were almost exclusively impacted by a single credit relationship. The credit continues to perform 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.

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.

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, President & CEO

First Ottawa Bancshares