



FIRST
OTTAWA
BANCSHARES, INC.

October 18th, 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. The focus of our growth is the Chicagoland marketplace where we do business as American Commercial Bank and Trust – www.ACBandT.com. This marketing and branding strategy follows our historical corporate strategy as we do business in Yorkville as Yorkville National Bank & Trust, in Morris as Morris National Bank & Trust, in Streator as Streator National Bank, and in Ottawa as The First National Bank of Ottawa.

Our strategy in Chicagoland is to become a premier commercial bank serving small to mid-sized, privately-owned businesses. For the first three quarters of 2019 our investment in this strategy exceeded \$2,000,000. Despite not having a single branch in the market, the growth from this investment accelerated during the third quarter which ended with total loans and deposits of ACB&T exceeding \$100,000,000 and revenue exceeding \$700,000.

During the third quarter of 2019 we successfully recruited six senior bankers to join our commercial and residential banking team bringing our total of new production partners to 19. Each banker demonstrated their long-term commitment to our bank by making a substantial investment in First Ottawa Bancshares.

During the last days of September we occupied our first full-service ACB&T branch at 4733 Main Street in Lisle, IL. Seven commercial bankers, 2 commercial banking associates, and 2 residential bankers moved into the branch and began serving customers.

Our application to the Office of the Comptroller of the Currency to open a full-service branch in the Schaumburg Corporate Center in Schaumburg, IL was approved. Progress to remodel and improve the office suite continues with our anticipated opening in late November of this year.

FIRST OTTAWA BANCSHARES, INC. (FOTB)
701 LASALLE STREET
OTTAWA, ILLINOIS 61350
WWW.FIRSTOTTAWA.COM
(815) 434-0044

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

	2019	2018
Net Income	\$1,847k	\$2,685k
Diluted EPS	\$2.45**	\$4.41**
ROAA	0.76	1.23
ROAE	5.54%	11.10%
Net Interest Margin	4.27%	4.42%
Tier 1 leverage	12.45%	10.42%

*dollars in thousands, except per share data

**First Ottawa Bancshares

Average Balances, Allowance for Loan Losses, and Credit Quality

Compared to the prior year, third quarter average total loans, increased by \$33.1 million, or 14.3%, to \$265 million, and third quarter average total deposits increased by \$72.1 million, or 33.1%, to \$290 million.

The allowance for loan losses totaled \$3.93 million compared to \$2.75 million for the prior year period. Classified assets for the period were 14.94% of Capital as compared to 21.34% for the prior year period.

Classified assets were almost exclusively impacted by a single credit relationship. 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 over the past few years however, competitive pressures, uncertain economic conditions, regulatory burden and the historically low 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