



FIRST
OTTAWA
BANCSHARES, INC.

April 16th, 2021

Dear Shareholders,

The first quarter of 2021 continued the socioeconomic dichotomy and volatility seen in 2020. Tremendous optimism from the start of a global vaccination program was tempered by concerns of new Covid -19 variants. Economic relief in the form of Round II of the SBA PPP program for businesses was tempered by supply chain interruptions and shortages of workers to fulfill growing demand for goods and services. Families received a second round of stimulus checks and an extension of unemployment benefits but still dealt with the challenges of children not in school and working from home. In some parts of the country the hospitality and entertainment industries resumed to near pre-pandemic levels while other parts dealt with renewed lockdowns and restrictions. Unemployment remained elevated but US stock markets saw continued expansion to record levels.

Despite the challenges the reputation of our bank grew dramatically even with virtually no marketing or advertising budget. Simply, clients referred their personal friends and business associates and offered testimonials to the value of their relationship with our bank and our bankers. There is no greater praise.

During the first quarter, the bank participated in Round II of the SBA PPP program and funded more than 400 loans totaling over \$100 million dollars in vital economic support of our clients and their employees. The Residential Mortgage Division originated loans totaling just under \$96 million. The Treasury Management Division which supports products and services like International Foreign Exchange Wires, Commercial Lockbox Payments Processing, ACH origination, Remote and Mobile Check Deposit Processing, and Commercial Bill Payment Processing saw their non-interest income grow by over \$60K per month over the prior year. We simply could not compete and serve many of our new clients without the expertise and dedication of our TM team.

Our burgeoning reputation resulted in financial performance and growth exceeding both budget expectations and historic records. Loan growth over 105% and Deposit growth over 78% resulted in Net Income of \$3.1 million and Diluted EPS of \$3.38 per share. In March, the bank was recognized for ranking #6 in Percentage Loan Growth in Illinois out of all 402 banks.

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The following table summarizes unaudited net income and key ratios for the first quarter of 2021 compared to the same quarter of 2020*:

	2021	2020
Net Income	\$3,092K	\$507K
Diluted EPS	\$3.38**	\$0.58**
ROAA	1.33%	0.39%
ROAE	15.57%	3.97%
Net Interest Margin	3.08%	3.81%
Tier 1 leverage	8.56%	9.99%

*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 \$410 million, or 105%, to \$800 million. Average total deposits increased by \$342.4 million, or 78%, to \$781 million. The allowance for loan losses totaled \$9.91 million compared to \$5.05 million for the prior year period. Classified assets for the period improved to 5.65% of Capital as compared to 11.52% for the prior year period.

Outlook

In the first quarter, the underlying results of the company were very positive. Earnings and growth were above expectations fueled by continued strength in commercial credit and residential mortgage originations. The second round of PPP loans provided relief to business owners. Stress in the credit portfolio remains muted with past due ratios and forbearance agreements continuing to improve. However, given the historic budget deficit driven by fiscal stimulus, the disruptions to supply chains, and continued concern around the pandemic, the potential of a recession and/or significant inflation remain concerning. We communicate constantly with our clients in order to help them navigate this uncertainty. In the first quarter some banks stopped contributing to their loan loss reserves and others even decreased them. We continued a disciplined contribution despite the positive performance as we see opportunities for growth continuing and the possibility of an economic downturn remains elevated in our opinion.

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