



FIRST
OTTAWA
BANCSHARES, INC.

July 17th, 2020

Dear Shareholders,

Our strategy for 2020 is to remain a premier bank in LaSalle, Grundy, and Kendall counties and to become a premier commercial bank in Chicagoland where we do business as American Commercial Bank & Trust (ACB&T).

During the second quarter and continuing today, every aspect of the US Economy and the global news cycle are dominated by the global COVID-19 pandemic. The US Government continues to respond to the economic uncertainty with massive and unprecedented liquidity measures and programs to support businesses including a second round of the US Small Business Administration (SBA) Paycheck Protection Program (PPP) with an additional funding of \$310 billion to help businesses keep their workforce employed. Through the end of the second quarter we funded more than 650 PPP loans totaling over \$195mm.

On May 20, 2020, at our Annual Meeting of Shareholders, three incumbent directors were re-elected to three-year terms: Joseph Chiariello, Lynn M. Dubajic, and William K Walsh. William Walsh, Jr. was elected Chairman of First Ottawa Bancshares and Lynn Dubajic, Vice-Chairman. Dan Miller was elected Chairman of the First National Bank of Ottawa. The Board of Directors announced a dividend of \$0.75 per share payable on July 1, 2020.

I want to applaud our employees for continuing to demonstrate extraordinary courage and dedication. In the face of great uncertainty, and oftentimes fear, our employees continue coming to work with a strength of character and dedication to each other and our clients, customers, and communities and continuing to operate with the highest standards every day.

These efforts were recognized by the Independent Community Bankers of America ranking of the “Top Lenders of 2020”. The First National Bank of Ottawa ranked 5th amongst all commercial banks in the United States with assets under \$500mm. The full article can be found at:

https://www.acbandt.com/images/Independent_Banker_7.1.2020.pdf

https://www.firstottawa.com/images/Independent_Banker_7.1.2020.pdf

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The following table summarizes unaudited net income and key ratios for the second quarter of 2020 compared to the same quarter of 2019*:

	2020	2019
Net Income	\$2,074k	\$1,160k
Diluted EPS	\$2.41**	\$1.59**
ROAA	0.67	0.77
ROAE	7.92%	5.38%
Net Interest Margin	2.83%	4.26%
Tier 1 leverage	7.32%	14.18%

*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 \$277.4 million, or 130%, to \$490 million, and average total deposits increased by \$278.8 million, or 110%, to \$533 million.

The allowance for loan losses totaled \$5.91 million compared to \$3.55 million for the prior year period. Classified assets for the period were 11.13% of Capital as compared to 15.63% for the prior year period.

Outlook

In the second quarter, the underlying results of the company were good and our growth well above our expectations, however given the continued likelihood of a fairly severe recession, it may be necessary to further build credit reserves and provide payment relief to our clients affected by the global pandemic.

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