



FIRST
OTTAWA
BANCSHARES, INC.

January 31st, 2020

Dear Shareholders,

Our strategy for 2019 was 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.

Our strategy in Chicagoland to become a premier commercial bank serving small to mid-sized, privately-owned businesses accelerated during the fourth quarter. Despite having only one branch in the market, ACB&T ended 2019 with total loans and deposits exceeding \$174,000,000 and revenue exceeding \$2,000,000.

During the fourth quarter of 2019 we successfully recruited three senior bankers to join our commercial and residential banking team bringing our total of new production partners to 22. Each banker demonstrated their long-term commitment to our bank by making a substantial investment in First Ottawa Bancshares.

Progress on our full-service branch in the Schaumburg Corporate Center in Schaumburg, IL has been slower than anticipated however, move in is scheduled for the last week of February.

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

	2019	2018
Net Income	\$2,375k	\$3,509k
Diluted EPS	\$3.10**	\$5.68**
ROAA	0.68	1.20
ROAE	5.24%	10.50%
Net Interest Margin	4.21%	4.41%
Tier 1 leverage	11.27%	12.40%

*dollars in thousands, except per share data

**First Ottawa Bancshares

Average Balances, Allowance for Loan Losses, and Credit Quality

Compared to the prior year, fourth quarter average total loans, increased by \$148.4 million, or 64.7%, to \$378 million, and fourth quarter average total deposits increased by \$83.3 million, or 32.1%, to \$342 million.

The allowance for loan losses totaled \$4.50 million compared to \$3.21 million for the prior year period. Classified assets for the period were 20.01% of Capital as compared to 19.96% for the prior year period.

Classified assets were primarily impacted by two credit relationships. 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. During the first half of 2020 most of our new production bankers will see their non-solicit agreements expire and we expect to see their production accelerate as they become free to contact former clients. 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, the national election, and the continued 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