



FIRST  
OTTAWA  
BANCSHARES, INC.

April 15th, 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 2019, ACB&T grew loans and deposits in excess of \$174,000,000. This accomplishment was primarily the result of recruiting 22 of the best commercial bankers and supporting them with the best personnel, products, and services.

In the first quarter of 2020 we officially occupied our permanent office suite in the Schaumburg Corporate Center at 1475 Woodfield Road, Suite 100. The addition of our second location contributed to the growth of our ACB Division which ended the first quarter with total loans and deposits of \$284.8mm (\$76.4mm in deposits and \$208.4mm in loans).

As our strategy was gaining momentum the news of a pandemic became a growing concern. By the end of the first 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 responded to the economic uncertainty with massive and unprecedented liquidity measures and programs to support small businesses. As the first quarter came to an end the US Small Business Administration (SBA) announced the Paycheck Protection Program (PPP) with funding of \$350 billion to help businesses keep their workforce employed. On Friday, April 3, 2020 the program began accepting applications via the SBA website. Many of the largest banks in the country and most of our Chicagoland competitors were unable to respond. We began to receive desperate calls from business owners that were not our clients and were unable to reach their bank much less submit an application. Our clients heard from us and on Saturday, April 4<sup>th</sup>, 2020 we began submitting dozens of applications and reassuring businesses that their applications had been approved. A team of bankers and a team of support specialists worked all day on Saturday and all day on Palm Sunday accepting, underwriting and submitting applications. Late on Sunday evening we finished every eligible application and had received approval for more than \$80mm in government guaranteed loans. The demand by current and prospective clients continued and by the end of that week we had approval for more than \$150mm.

I want to thank our employees for demonstrating extraordinary courage and dedication. I'm proud that in the face of great uncertainty and oftentimes fear our employees responded by 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.

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

	<b>2020</b>	<b>2019</b>
Net Income	\$507k	\$463k
Diluted EPS	\$.58**	\$.68**
ROAA	0.39	0.66
ROAE	3.97%	4.48%
Net Interest Margin	3.77%	4.26%
Tier 1 leverage	9.99%	15.33%

\*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 \$179.9 million, or 85.6%, to \$390 million, and average total deposits increased by \$198.3 million, or 82.4%, to \$439 million.

The allowance for loan losses totaled \$5.05 million compared to \$3.37 million for the prior year period. Classified assets for the period were 11.52% of Capital as compared to 17.61% for the prior year period.

Classified assets dropped by almost 35% during Q1 as we were able to work out a large credit relationship that had suffered a bankruptcy in 2019 with a much smaller loss than anticipated.

### **Outlook**

In the first quarter, the underlying results of the company were good and our growth above our expectations, however given the 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