

**FIRST OTTAWA BANCSHARES, INC.  
AND SUBSIDIARY  
Ottawa, Illinois**

**CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2025 and 2024**

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## Independent Auditor's Report

Audit Committee  
First Ottawa Bancshares, Inc. and Subsidiary  
Ottawa, Illinois

### ***Opinions on the Financial Statements and Internal Control Over Financial Reporting***

We have audited the accompanying consolidated financial statements (the "financial statements") of First Ottawa Bancshares, Inc. and Subsidiary (the "Company"), which comprise the balance sheets as of December 31, 2025 and 2024, and the related statements of income, comprehensive income, stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of First Ottawa Bancshares, Inc. and Subsidiary as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

We also have audited the Company's internal control over financial reporting based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2025, based on criteria established in *Internal Control—Integrated Framework* issued by COSO in 2013.

### ***Basis for Opinions***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements and Internal Control Over Financial Reporting section of our report. We are required to be independent of First Ottawa Bancshares, Inc. and Subsidiary and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## ***Responsibilities of Management for the Financial Statements and Internal Control Over Financial Reporting***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. Management is also responsible for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying Management Report.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about First Ottawa Bancshares, Inc. and Subsidiary's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

## ***Auditor's Responsibilities for the Audits of the Financial Statements and Internal Control Over Financial Reporting***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and about whether effective internal control over financial reporting was maintained in all material respects, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of financial statements or an audit of internal control over financial reporting conducted in accordance with GAAS will always detect a material misstatement or a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit of financial statements or an audit of internal control over financial reporting in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the financial statement audit in order to design audit procedures that are appropriate in the circumstances.
- Obtain an understanding of internal control over financial reporting relevant to the audit of internal control over financial reporting, assess the risks that a material weakness exists, and test and evaluate the design and operating effectiveness of internal control over financial reporting based on the assessed risk.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about First Ottawa Bancshares, Inc. and Subsidiary's ability to continue as a going concern for a reasonable period of time.

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We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the financial statement audit.

***Definition and Inherent Limitations of Internal Control over Financial Reporting***

An entity’s internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with GAAP.

An entity’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention or timely detection and correction of unauthorized acquisition, use, or disposition of the entity’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect and correct misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

*Wipfli LLP*

Wipfli LLP

Aurora, Illinois  
March 20, 2026

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FIRST OTTAWA BANCSHARES, INC. AND SUBSIDIARY  
CONSOLIDATED BALANCE SHEETS  
December 31, 2025 and 2024  
(In thousands, except share and per share data)

	2025	2024
<b>Assets</b>		
Cash and Due from Banks	\$ 5,986	\$ 5,049
Interest Bearing Deposits in Financial Institutions	28,250	24,501
Cash and Cash Equivalents	34,236	29,550
Securities Available for Sale at Fair Value (Amortized Cost is \$203,245 in 2025 and \$194,527 in 2024)	199,708	186,927
Loans Held for Sale	62,408	-
Loans, Net of Allowance for Credit Losses of \$24,368 in 2025 and \$22,226 in 2024	1,653,790	1,427,606
Premises and Equipment, Net	9,574	9,389
Goodwill	2,446	2,446
Cash Surrender Value of Life Insurance	40,948	33,706
Accrued Interest Receivable and Other Assets	32,506	28,466
Total Assets	\$ 2,035,616	\$ 1,718,090
<b>Liabilities and Shareholders' Equity</b>		
<b>Liabilities</b>		
Deposits	\$ 1,746,166	\$ 1,512,951
Borrowings	137,950	87,500
Other Liabilities	17,153	12,427
Total Liabilities	1,901,269	1,612,878
<b>Shareholders' Equity</b>		
Common Stock, \$1 Par Value, 2,000,000 Shares Authorized; 1,029,029 and 1,012,073 Issued in 2025 and 2024, Respectively	\$ 1,029	\$ 1,012
Additional Paid-In Capital	26,465	24,132
Retained Earnings	114,482	90,932
Treasury Stock, at cost, 87,743 and 87,743 shares in 2025 and 2024, Respectively	-4,830	-4,830
Accumulated Other Comprehensive Loss	-2,799	-6,034
Total Shareholders' Equity	134,347	105,212
Total Liabilities and Shareholders' Equity	\$ 2,035,616	\$ 1,718,090

The accompanying notes are an integral part of the consolidated financial statements.

FIRST OTTAWA BANCSHARES, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF INCOME  
Years Ended December 31, 2025 and 2024  
(In thousands, except share and per share data)

	\$		\$	
Loans, Including Fees		105,021		90,273
Securities Available for Sale:				
Taxable		9,570		8,885
Exempt from Federal Tax		82		89
Other		1,611		1,439
Total Interest and Dividend Income		116,284		100,686
<b>Interest Expense</b>				
Deposits		42,777		38,890
Borrowings		5,252		5,826
Total Interest Expense		48,029		44,716
<b>Net Interest Income</b>		68,255		55,970
Provision for Credit Losses		4,380		3,700
<b>Net Interest Income After Provision for Credit Losses</b>		63,875		52,270
<b>Noninterest Income</b>				
Service Fees		3,710		3,025
Trust and Farm Management Fees		1,271		1,095
Mortgage Servicing Income, Net		465		479
Increase in Cash Value of Life Insurance, Net		1,843		1,222
Gain/(Loss) on sale of Investment Securities, Net		10		-
Other		1,354		476
Total Noninterest Income		8,653		6,297
<b>Noninterest Expense</b>				
Salaries and Employee Benefits		25,108		20,577
Occupancy and Equipment		3,226		3,095
Data Processing Fees		2,476		2,035
Insurance		1,985		2,051
Professional Fees		1,664		1,165
Other Real Estate Owned, Net		87		53
Advertising		386		287
Supplies		110		140
Other		3,324		3,106
Total Noninterest Expenses		38,366		32,509
<b>Income Before Income Tax</b>		34,162		26,058
Income Tax Expense		9,204		7,052
<b>Net Income</b>		\$ 24,958		\$ 19,006
<b>Earnings Per Share - Basic</b>		\$ 26.72		\$ 20.79
<b>Average Shares Outstanding</b>		934,222		914,136

The accompanying notes are an integral part of the consolidated financial statements.

FIRST OTTAWA BANCSHARES, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
Years Ended December 31, 2025 and 2024  
(In thousands)

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	2025	2024
<b>Net Income</b>	\$ 24,958	\$ 19,006
Other Comprehensive Income (Loss):		
Unrealized Gains (Losses) on Securities Available for Sale	4,073	(1,386)
Reclassification Adjustment for Net Gain/(Loss) on Sale of Securities		
Available for Sale Realized in Net Income	(10)	-
Income Tax Benefit (Expense) Relating to Securities Available for Sale	(828)	264
Total Other Comprehensive Income (Loss)	3,235	(1,122)
<b>Total Comprehensive Income</b>	\$ 28,193	\$ 17,884

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The accompanying notes are an integral part of the consolidated financial statements.

FIRST OTTAWA BANCSHARES, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY  
Years Ended December 31, 2025 and 2024  
(In thousands, except share and per share data)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income(Loss)	Total
<b>Balance, December 31, 2023</b>	\$ 992	\$ 22,050	\$ 73,305	\$ (4,830)	\$ (4,912)	\$ 86,605
Net Income	-	-	19,006	-	-	19,006
Other Comprehensive Loss	-	-	-	-	(1,122)	(1,122)
Cash Dividends Declared (\$1.50 per share)	-	-	(1,379)	-	-	(1,379)
RSUs Vested (5,311 shares)	5	517	-	-	-	522
Common Shares Sold to ESOP (3,377 shares)	3	344	-	-	-	347
Common Shares Sold (11,436 shares)	12	1,221	-	-	-	1,233
<b>Balance, December 31, 2024</b>	1,012	24,132	90,932	(4,830)	(6,034)	105,212
Net Income	-	-	24,958	-	-	24,958
Other Comprehensive Income	-	-	-	-	3,235	3,235
Cash Dividends Declared (\$1.50 per share)	-	-	(1,408)	-	-	(1,408)
RSUs Vested (6,099 shares)	6	811	-	-	-	817
Common Shares Sold to ESOP (3,321 shares)	3	428	-	-	-	431
Common Shares Sold (7,356 shares)	8	1,094	-	-	-	1,102
<b>Balance, December 31, 2025</b>	\$ 1,029	\$ 26,465	\$ 114,482	\$ (4,830)	\$ (2,799)	\$ 134,347

The accompanying notes are an integral part of the consolidated financial statements.

FIRST OTTAWA BANCSHARES, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
Years Ended December 31, 2025 and 2024  
(In thousands)

	2025	2024
<b>Operating Activities</b>		
Net Income	\$ 24,958	\$ 19,006
Items Not Requiring (Providing) Cash:		
Provision for Credit Losses	4,380	3,700
Amortization on Securities Available for Sale, Net	585	740
Depreciation	1,001	983
Deferred Income Taxes	(1,014)	(819)
Loans Originated for Sale	(39,863)	(37,111)
Gain on Sale of Securities Available for Sale	(10)	-
Gain on Sale of Loans Held for Sale	(629)	(567)
Net Mortgage Servicing Rights Recorded	163	89
Proceeds from Sale of Loans Originated for Sale	39,849	38,841
Stock compensation expense	817	522
Gains on Sales of Premises and Equipment	(22)	(7)
Writedowns and Net Loss on Sales of Other Real Estate Owned	-	5
Increase in Cash Surrender Value of Life Insurance	(1,843)	(1,222)
Net Change in:		
Interest Receivable and Other Assets	789	(4,520)
Interest Payable and Other Liabilities	4,726	(680)
Net Cash Provided by Operating Activities	33,887	18,960
<b>Investing Activities</b>		
Purchase of Securities Available for Sale	(33,938)	(45,320)
Sale of Securities Available for Sale	6,208	469
Proceeds from Maturities, Calls and Paydowns of Securities		
Available for Sale	18,859	19,502
Purchase of Bank Owned Life Insurance	(5,399)	-
Purchase of FRB Stock	(18)	(35)
Purchase of FHLB Stock	(1,257)	-
Redemption of FHLB Stock	-	1,884
Purchase of Loans for Resale	(309,680)	-
Proceeds from Sales of Loans Purchased for Resale	247,416	-
Net Change in Loans	(229,907)	(204,574)
Proceeds from Sales of Other Real Estate Owned	-	45
Net Purchases of Premises and Equipment	(275)	(418)
Net Cash Used by Investing Activities	(307,991)	(228,447)

FIRST OTTAWA BANCSHARES, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)  
Years Ended December 31, 2025 and 2024  
(In thousands)

	2025	2024
<b>Financing Activities</b>		
Net Change in Deposits	\$ 233,215	\$ 277,220
Net Change in FHLB Advances	50,450	(66,000)
Paydown Senior Debt	(5,000)	-
Dividends Paid	(1,408)	(1,379)
Shares Sold to ESOP	431	347
Common Shares Sold	1,102	1,233
Net Cash Provided by Financing Activities	<u>278,790</u>	<u>211,421</u>
 <b>Net Change in Cash and Cash Equivalents</b>	 4,686	 1,934
 <b>Cash and Cash Equivalents, Beginning of Year</b>	 <u>29,550</u>	 <u>27,616</u>
 <b>Cash and Cash Equivalents, End of Year</b>	 <u>\$ 34,236</u>	 <u>\$ 29,550</u>
 <b>Additional Cash Flows Information</b>		
Interest Paid	\$ 47,412	\$ 43,625
Income Taxes Paid:	10,376	8,139
Federal	7,430	6,873
State		
Illinois	2,910	1,224
Florida	36	42
 Transfers from Loans to Other Real Estate Owned	 657	 49
Change in Dividends Payable	706	(678)

The accompanying notes are an integral part of the consolidated financial statements.

FIRST OTTAWA BANCSHARES, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025 and 2024

(Table dollar amounts in thousands, except per share data)

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Operations and Principles of Consolidation: First Ottawa Bancshares, Inc. is a bank holding company whose principal activity is the ownership and management of its wholly owned subsidiary, American Commercial Bank & Trust, National Association (formerly The First National Bank of Ottawa) (the Bank). The Bank is primarily engaged in providing a full range of banking and financial services to individual and corporate customers in LaSalle, Grundy, Cook, and surrounding counties in Illinois. The Bank is subject to competition from other financial institutions. The Bank is subject to the regulation of certain federal and state agencies and undergoes periodic examinations by those regulatory authorities. The consolidated financial statements include First Ottawa Bancshares, Inc. and the Bank, and the Bank's wholly owned subsidiary, First Ottawa Financial Corporation, together referred to as the Company. First Ottawa Financial Corporation discontinued operations in the first quarter of 2020 and these discontinued operations are considered immaterial to the consolidated financial statements taken as a whole.

Intercompany transactions and balances are eliminated in consolidation.

Use of Estimates: To prepare financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP), management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the consolidated financial statements and the disclosures provided, and future results could differ. The allowance for credit losses, the classification and valuation of securities, valuation of mortgage servicing rights, valuation of other real estate owned, valuation of goodwill, fair values of financial instruments are particularly subject to change.

Significant Group Concentrations of Credit Risk: Most of the Company's activities are with customers located within LaSalle, Grundy, Cook, and surrounding counties in Illinois. Note 2 discusses the types of securities that the Company invests in. Note 3 discusses the types of lending that the Company engages in. The Company does not have any significant concentrations to any one industry or customer.

Commercial real estate, including commercial construction loans, represented 56.0% of the total portfolio at December 31, 2025 and 2024.

Cash and Cash Equivalents: As of December 31, 2025, the Company has deposits of approximately \$1,445,000 at Northern Trust Bank, \$303,000 at US Bank, \$626,000 at Pacific Coast Bankers Bank, \$840,000 at CIBC Bank, and \$25.5 million at the Federal Reserve Bank, which are not fully insured by the FDIC. For purposes of the consolidated statements of cash flows, cash and cash equivalents include cash on hand, amounts due from banks, and federal funds sold, all of which have original maturities of ninety days or less.

Securities Available for Sale: Debt securities are classified as available for sale. Securities available for sale are carried at fair value with unrealized gains and losses reported in other comprehensive income (loss). Realized gains and losses on securities available for sale are included in noninterest income and, when applicable, are reported as a reclassification adjustment, net of tax, in other comprehensive income (loss). Gains and losses on sales of securities are determined using the specific identification method on the trade date. The amortization of premiums and accretion of discounts are recognized in interest income using methods approximating the interest method over the period to maturity. For callable debt securities purchased at a premium, the amortization period is shortened to the earliest call date.

The Company evaluates individual securities available for sale in an unrealized loss position by first determining whether the decline in fair value below the amortized cost basis of the security has resulted from a credit loss or other factors. A credit loss exists when the present value of cash flows expected to be collected from the security is less than the amortized cost basis of the security. In determining whether a credit loss exists, the Company considers the extent to which the fair value is less than the amortized cost basis, adverse conditions related to the security, the industry, or geographic areas, the payment structure of the debt security, failure of the issuer to make scheduled payments, and any changes to the rating of the security. Impairment related to credit losses is recognized through an allowance for credit losses up to the amount that fair value is less than the amortized cost

FIRST OTTAWA BANCSHARES, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025 and 2024

(Table dollar amounts in thousands, except per share data)

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

basis. Changes to the allowance are recognized through earnings as a provision for (or recovery of) credit losses. Impairment related to other factors is recognized in other comprehensive income.

The Company excludes accrued interest receivable from the amortized cost basis of securities available for sale when estimating credit losses and when presenting required disclosures in the financial statements. Accrued interest on securities available for sale totaling approximately \$756,000 and \$780,000 at December 31, 2025, and 2024, respectively, was excluded from the amortized cost basis of securities available for sale as accrued interest receivable and other assets on the consolidated balance sheet.

Restricted Stock: The Bank, as a member of the Federal Home Loan Bank of Chicago (FHLB), is required to maintain an investment in the capital stock of the Federal Home Loan Bank. The Bank also maintains an investment in the capital stock of the Federal Reserve Bank of Chicago (FRB). For financial reporting purposes, such stock qualifies as Restricted stock and is carried at cost, subject to impairment, and reported as part of other assets on the consolidated balance sheets. Both cash and stock dividends are reported as income.

The Company owns \$1,918,100 and \$1,900,100 of FRB stock as of December 31, 2025, and 2024. The Company owns \$4,258,000 and \$3,000,699 of FHLB stock as of December 31, 2025, and 2024. Management performed an analysis and deemed the investments in restricted stock were not impaired at December 31, 2025 and 2024.

Derivatives: All derivative instruments are recorded at their fair values and the change in the fair value of a derivative is included in interest income. If derivative instruments are designated as hedges of fair values, both the change in the fair value of the hedge and the hedged item are included in current earnings. Fair value adjustments related to cash flow hedges are recorded in other comprehensive income and reclassified to earnings when the hedged transaction is reflected in earnings. Ineffective portions of hedges are reflected in earnings as they occur.

Loans Held for Sale: Mortgage loans originated or purchased and intended for sale in the secondary market are carried at the lower of cost or fair value in the aggregate. Net unrealized losses, if any, are recognized through a valuation allowance by charges to income.

Loans: Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off generally are reported at their outstanding unpaid principal balances adjusted for charge-offs and the allowance for credit losses. Loan origination fees, net of certain direct origination costs, as well as premiums and discounts, are deferred and recognized as an adjustment of the related loan yield using the interest method. Amortization of deferred loan fees is discontinued when a loan is placed on nonaccrual status.

Interest income is accrued on the unpaid principal balance. The accrual of interest on mortgage and commercial loans is discontinued at the time the loan is 90 days past due unless the credit is well secured and in process of collection. Credit card loans and other personal loans are typically charged off no later than 180 days past due. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

The Company excludes accrued interest receivable from the amortized cost basis of loans when estimating credit losses and when preparing required disclosures in the financial statements. Accrued interest on loans totaling \$6,386,000 and \$5,131,000 at December 31, 2025, and 2024, respectively, was excluded from the amortized cost basis of loans on the balance sheet, and included in accrued interest and other assets.

FIRST OTTAWA BANCSHARES, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025 and 2024

(Table dollar amounts in thousands, except per share data)

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The Company assigns a risk rating to all loans except pools of homogeneous loans and periodically performs detailed internal reviews of all such loans over a certain threshold to identify credit risks and to assess the overall collectability of the portfolio. These risk ratings are also subject to examination by the Company's regulators. During the internal reviews, management monitors and analyzes the financial condition of borrowers and guarantors, trends in the industries in which the borrowers operate and the fair values of collateral securing the loans. These credit quality indicators are used to assign a risk rating to each individual loan. The risk ratings can be grouped into six major categories, defined as follows:

Satisfactory: Loans classified as satisfactory are supported by financial statements that indicate average risk. The loans have exhibited two or more years of satisfactory repayment with a reasonable reduction of principal.

Satisfactory/Monitored: Loans classified as satisfactory/monitored are considered to be of acceptable credit quality so long as they are given the proper level of management supervision.

Special Mention: Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, this potential weakness may result in deterioration of the repayment prospects for the loan or of the Company's credit position at some future date. Special Mention loans are not adversely classified and do not expose the Company to sufficient risk to warrant adverse classification.

Substandard: Loans classified as substandard are not adequately protected by the current net worth and paying capacity of the borrower or of the collateral pledged, if any. Loans classified as Substandard have a well-defined weakness or weaknesses that jeopardize the repayment of the debt. Well-defined weaknesses include a borrower's lack of marketability, inadequate cash flow, or collateral support, failure to complete construction on time, or the failure to fulfill economic expectations. They are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.

Doubtful: Loans classified as Doubtful have all the weaknesses inherent in those classified as Substandard, with the added characteristic that the weaknesses make collection or repayment in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loss: Loans classified as Loss are considered uncollectible and charged off immediately.

The Company portfolio segments include the following:

Commercial Real Estate: Commercial real estate loans generally possess a higher inherent risk of loss than other real estate portfolio segments, except land and construction loans. Adverse economic developments or an overbuilt market impact commercial real estate projects and may result in troubled loans. Trends in vacancy rates of commercial properties impact the credit quality of these loans. High vacancy rates reduce operating revenues and the ability for the properties to produce sufficient cash flow to service debt obligations.

Commercial Non-Real Estate: Commercial non-real estate loans generally possess a lower inherent risk of loss than real estate portfolio segments because these loans are generally underwritten to existing cash flows of operating businesses. Debt coverage is provided by business cash flows and economic trends influenced by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans.

Construction and Land Development: Construction and land development loans generally possess a higher inherent risk of loss than other real estate portfolio segments. A major risk arises from the necessity to complete projects within a specified cost and time line. Trends in the construction industry significantly impact the credit quality of these loans, as demand drives construction activity. In addition, trends in real estate values significantly impact the credit quality of these loans, as property values determine the economic viability of construction projects.

FIRST OTTAWA BANCSHARES, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2025 and 2024  
(Table dollar amounts in thousands, except per share data)

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Agricultural: Agricultural loans generally possess a lower inherent risk of loss than commercial non-real estate or real estate portfolio segments because these loans are generally underwritten to existing cash flows of operating agricultural businesses. Debt coverage is provided by business cash flows and economic trends influenced by unemployment rates and other key economic indicators are not closely correlated to the credit quality of these loans.

Residential: The degree of risk in residential mortgage lending depends primarily on the loan amount in relation to collateral value, the interest rate, and the borrower's ability to repay in an orderly fashion. These loans generally possess a lower inherent risk of loss than other real estate portfolio segments. Economic trends determined by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans. Weak economic trends indicate that the borrowers' capacity to repay their obligations may be deteriorating.

Consumer: The consumer loan portfolio is usually comprised of a large number of small loans scheduled to be amortized over a specific period. Most loans are made directly for consumer purchases. Economic trends determined by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans. Weak economic trends indicate the borrowers' capacity to repay their obligations may be deteriorating.

Allowance for Credit Losses and Unfunded Commitments:

The allowance for credit losses on loans is a valuation allowance that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the Company's loan portfolio. The allowance for credit losses on loans is established through provisions for credit losses charged against earnings. When available information confirms that specific loans, or portions thereof, are uncollectible, these amounts are charged against the allowance for credit losses on loans, and subsequent recoveries, if any, are credited to the allowance for credit losses on loans.

The Company uses a current expected credit loss ("CECL") model to estimate the allowance for credit losses on loans. The CECL model considers historical loss rates and other qualitative adjustments, as well as a forward looking component that considers reasonable and supportable forecasts over the expected life of each loan. To develop the allowance for credit losses on loans estimate under the CECL model, the Company segments the loan portfolio into loan pools based on loan type and similar credit risk elements; performs an individual evaluation of certain collateral dependent and other credit deteriorated loans; calculates the historical loss rates for the segmented loan pools; applies the loss rates over the calculated life of the collectively evaluated loan pools; adjusts for forecasted macro level economic conditions and other anticipated changes in credit quality; and determines qualitative adjustments based on factors and conditions unique to the Company's loan portfolio.

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Under the CECL model, loans that do not share similar risk characteristics with loans in their respective pools are individually evaluated for expected credit losses and are excluded from the collectively evaluated loan credit loss estimates. A loan is considered individually evaluated when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as individually evaluated. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

The following describes the types of collateral that secure collateral dependent loans:

- Commercial and industrial loans considered collateral dependent are primarily secured by accounts receivable, inventory and equipment
- Commercial real estate - Construction loans are primarily secured by resident and commercial properties, which are under construction and/or redevelopment, and by raw land
- Commercial real estate loans - other are primarily secured by office and industrial buildings, warehouses, retail shopping facilities and various special purpose properties, including hotels and restaurants.
- Residential - First mortgages are primarily secured by first liens on residential real estate.
- Residential - Junior mortgages are primarily secured by first and junior liens on residential real estate.

Management evaluates all collectively evaluated loan pools using the weighted average remaining life ("remaining life") methodology. The remaining life methodology applies calculated quarterly net loss rates to collectively evaluated loan pools on a periodic basis based on the estimated remaining life of each pool. The estimated losses under the remaining life methodology are then adjusted for qualitative factors deemed appropriate by management.

The estimated remaining life of each pool is determined using quarterly, pool based attrition measurements using the Company's loan level historical data. The Company's historical call report data is utilized for historical loss rate calculations, and the lookback period for each collectively evaluated loan pool is determined by management based upon the estimated remaining life of the pool. Forecasted historical loss rates are calculated using the Company's historical data based on the lookback, forecast, and reversion period inputs by management. Management elected to utilize peer group loss rates to supplement the Company's data to provide a forecasted market adjustment.

The quantitative analysis under the remaining life methodology is supplemented with other qualitative factors based on the risks management determines are present for each collectively evaluated loan pool. The Qualitative Adjustment factor is intended to embody a forecasting component based on an independent economic metric. The Company has selected for this component regional unemployment for consumer portfolio segments and regional gross domestic product for nonconsumer portfolio segments.

In addition to the allowance for credit losses on loans, the Company maintains a reserve for unfunded loan commitments at a level that management believes is adequate to absorb estimated probable credit losses over the contractual terms of the Company's noncancellable loan commitments. The reserve for unfunded commitments, which is included in other liabilities on the consolidated balance sheet is established through provisions for credit losses charged against earnings.

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Unfunded loan commitments are segmented into the same pools used for estimating the allowance for credit losses on loans. Estimated credit losses on unfunded loan commitments are based on the same methodology, inputs, and assumptions used to estimate credit losses on collectively evaluated loans, adjusted for estimated funding probabilities. The estimated funding probabilities represent management's estimate of the amount of the current unfunded loan commitment that will be funded over the remaining contractual life of the commitment and is based on historical data.

The Company may modify loans to borrowers experiencing financial difficulty and grant certain concessions that include principal forgiveness, a term extension, an other than insignificant payment delay, an interest rate reduction, or a combination of these concessions. An assessment of whether the borrower is experiencing financial difficulty is made at the time of the loan modification.

Off-Consolidated Balance Sheet Credit Related Financial Instruments: In the ordinary course of business, the Company has entered into commitments to extend credit, including commitments under credit arrangements, commercial letters of credit, and standby letters of credit. Such financial instruments are recorded when they are funded.

Premises and Equipment: Asset cost is reported net of accumulated depreciation. Buildings and related components are depreciated using the straight-line method with useful lives ranging from 7 to 39 years. Furniture, fixtures, and equipment are depreciated using the straight-line method with useful lives ranging from 5 to 15 years. These assets are reviewed for impairment when events indicate that the carrying amount may not be recoverable. Maintenance and repairs are charged to expense and improvements are capitalized.

Impairment of Long-Lived Assets: The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or fair value less estimated costs to sell.

Other Real Estate Owned: Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less estimated cost to sell at the date of foreclosure, establishing a new cost basis. Any writedowns based on the asset's fair value at the date of acquisition are charged to the allowance for credit losses. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less estimated cost to sell. This evaluation is inherently subjective and requires estimates that are susceptible to significant revisions as more information becomes available. Due to potential changes in conditions, it is at least reasonably possible that changes in fair values will occur in the near term and that such changes could materially affect the amounts reported in the Company's consolidated financial statements. Revenue and expenses from operations are included in net expenses from other real estate owned.

Residential real estate loans that were in the process of foreclosure totaled \$72,000 at December 31, 2025, and \$37,000 at December 31, 2024.

Mortgage Servicing Rights: Servicing rights are recognized as assets for the allocated value of servicing rights retained on loans sold and are classified with accrued interest receivable and other assets in the consolidated balance sheets. Servicing rights are expensed in proportion to and over the period of estimated net servicing revenues. Impairment is evaluated based on the fair value of the rights using groupings of the underlying loans as to interest rates and then, secondarily, as to geographic and prepayment characteristics. Fair value is determined using prices for similar assets with similar characteristics, when available, or based upon discounted cash flows using market-based assumptions. Any impairment of a grouping is reported as a valuation allowance. There was no such valuation allowance recorded at December 31, 2025 and 2024.

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Goodwill: Goodwill represents the excess of the original cost over fair value of assets acquired and liabilities assumed and related acquisition costs. Goodwill is reviewed for impairment annually with any loss recognized through the income statement. Goodwill is tested qualitatively and quantitatively for possible impairment at least annually or more frequently if events and circumstances occur that indicate a goodwill impairment test should be performed.

Cash Surrender Value of Life Insurance: The Company has purchased life insurance policies on certain key employees. These life insurance policies are recorded at their cash surrender value or the amount that can be realized, if lower.

Restricted Stock Units Award Agreements: The Company has Restricted Stock Unit Award Agreements (RSUs) that provide for the granting of shares to directors and select executives. Compensation expense is recognized at the vesting date of the awards based on the appraised value of the stock at the time of vesting.

Revenue Recognition: Topic 606 does not apply to revenue associated with financial instruments, including revenue from loans and securities. In addition, certain noninterest income streams such as gain or loss associated with mortgage servicing rights, investment transactions, and income from bank owned life insurance are also not within the scope of the new guidance. Topic 606 is applicable to noninterest income such as trust department income, deposit related fees, and ATM processing fees. However, the recognition of these revenue streams did not change significantly upon adoption of Topic 606. Noninterest income considered to be within the scope of Topic 606 is discussed below.

Non-transactional Deposit Account Fees: The Company earns fees from its deposit customers for non-transaction-based overdraft and nonsufficient funds (NSF) fees services. Overdraft and NSF fees are recognized at the point in time that the overdraft or NSF occurs. Service charges on deposits are withdrawn from the customer's account balance. Non-transactional deposit fees of \$3,482,000 and \$2,777,000 are included in Service Fees for 2025 and 2024, respectively.

Trust Department Fees: Trust management fees are billed fees as the management services are performed. Services provided to clients include personal and fiduciary services, investment management accounts, bill paying agency accounts, investment custody services, corporate fiduciary accounts, and farm management services.

ATM Processing Services: Revenue from ATM transaction processing and settlement services is recognized at the time the services are performed. ATM fees of approximately \$227,000 and \$244,000 are included in Services Fees for 2025 and 2024, respectively.

The Company does not typically enter into long-term revenue contracts with customers, and therefore, does not experience significant contract balances. As of December 31, 2025 and 2024, the Company did not have any significant contract balances. As of December 31, 2025 and 2024, the Company did not capitalize any contract acquisition costs.

Income Taxes: Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

These calculations are based on many complex factors including estimates of the timing of reversals of temporary differences, the interpretation of federal and state income tax laws, and a determination of the differences between the tax and the financial reporting basis of assets and liabilities. Actual results could differ significantly from the estimates and interpretations used in determining the current and deferred income tax liabilities.

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Under generally accepted accounting principles, a valuation allowance is required to be recognized if it is “more likely than not” that the deferred tax asset will not be realized. The determination of the realizability of the deferred tax assets is highly subjective and dependent upon judgment concerning management’s evaluation of both positive and negative evidence, the forecasts of future income, applicable tax planning strategies and assessments of the current and future economic and business conditions.

With regards to uncertain tax matters, the Company can recognize in financial statements the impact of a tax position taken, or expected to be taken, if it is more likely than not that the position will be sustained during a tax audit based on the technical merit of the position. See Note 11 - Income Taxes for additional disclosures. When applicable, the Company recognizes both interest and penalties related to tax matters as a component of other operating expenses. The Company did not recognize any significant interest or penalties related to tax matters in 2025 or 2024.

The Company files consolidated federal and state income tax returns and it is not subject to federal or state income tax examinations for taxable years prior to 2022.

Earnings Per Share: Basic earnings per share are calculated based on the weighted-average common shares outstanding during the year.

Fair Values of Financial Instruments: The Company categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

*Level 1* – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity has the ability to access.

*Level 2* – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

*Level 3* – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity’s own assumptions, as there is little, if any, related market activity.

Subsequent to initial recognition, the Company may remeasure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

Professional standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis. The Company adopted the policy to value certain financial instruments at fair value. The Company has not elected to measure any existing financial instruments at fair value; however, it may elect to measure newly acquired financial instruments at fair value in the future.

Comprehensive Income: Comprehensive income includes both net income and other comprehensive income (loss). Other comprehensive income (loss) includes the changes in unrealized gains and losses on securities available for sale, net of deferred income taxes.

Trust Department Assets: Property held for customers in fiduciary or agency capacities is not included in the accompanying consolidated balance sheets, as such items are not assets of the Bank.

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Transfers of Financial Assets and Participating Interests: Transfers of an entire financial asset or a participating interest in an entire financial asset are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

The transfer of a participating interest in an entire financial asset must also meet the definition of a participating interest. A participating interest in a financial asset has all of the following characteristics: (1) from the date of transfer, it must represent a proportionate (pro rata) ownership interest in the financial asset, (2) from the date of transfer, all cash flows received, except any cash flows allocated as any compensation for servicing or other services performed, must be divided proportionately among participating interest holders in the amount equal to their share ownership, (3) the rights of each participating interest holder must have the same priority, and (4) no party has the right to pledge or exchange the entire financial asset unless all participating interest holders agree to do so.

Advertising Costs: Advertising costs are expensed as incurred.

Accounting for Certain Loans or Debt Securities Acquired in a Transfer: GAAP requires acquired loans to be initially recorded at fair value and prohibits carrying over valuation allowances in the initial accounting for acquired impaired loans. Loans carried at fair value, mortgage loans held for sale, and loans to borrowers in good standing under revolving credit agreements are excluded from the scope of these requirements.

Leases: Lease liabilities. A lease liability is initially and subsequently measured based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate, and are measured using the index or rate at the commencement date. The discount rate is the implicit rate if it is readily determinable; otherwise the Company uses its incremental borrowing rate. The implicit rates of all the Company's leases are not readily determinable; accordingly, the Company uses its incremental borrowing rate based on the information available at the commencement date for each lease. The Company's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment. The Company determines its incremental borrowing rates by starting with the interest rates on its recent borrowings and other observable market rates and adjusting those rates to reflect differences in the amount of collateral and the payment terms of the leases.

ROU assets. A lessee's ROU asset is measured at the commencement date at the amount of the initially-measured lease liability plus any lease payments made to the lessor before or at the commencement date, minus any lease incentives received; plus any initial direct costs. Unless impaired, the ROU asset is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

Accounting policy election for short-term leases. The Company has elected, for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement, and do not include an option to purchase the underlying asset that the Company is reasonably certain to exercise. The Company recognizes lease cost associated with its short-term leases on a straight-line basis over the lease term.

See Note 13, "COMMITMENTS, OFF-BALANCE-SHEET RISK, AND CONTINGENCIES" for additional information on the Company's leases.

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

New Accounting Pronouncements: The Company recently adopted the following Accounting Standards Updates (ASU) issued by the Financial Standards Board (FASB).

ASU No. 2023-09, Improvements to Income Tax Disclosures – This standard requires public business entities to disclose, on an annual basis, specific categories in the income tax rate reconciliation and additional information for reconciling items that meet a quantitative threshold. The standard also requires that all entities disclose disaggregated information about income taxes paid along with certain other disclosures. The Company adopted this new accounting standard for the year ended December 31, 2025 on a retrospective basis. As a result, income taxes related disclosures in Note 11 for all years presented have been updated to reflect the new requirements.

Subsequent Events: Management evaluated subsequent events through March 20, 2026, the date the consolidated financial statements were available to be issued.

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**NOTE 2 - SECURITIES AVAILABLE FOR SALE**

	Amortized	Gross Unrealized	Gross Unrealized	
<b>December 31, 2025</b>	<u>Cost</u>	<u>Gains</u>	<u>Losses</u>	<u>Fair Value</u>
US Treasury Securities	\$ 4,724	\$ -	\$ (106)	\$ 4,618
Federal Agencies	-	-	-	-
State and Municipal	11,229	41	(1,510)	9,760
Mortgage-Backed Securities and				
Collateral Mortgage Obligations	150,381	977	(2,816)	148,542
Asset Backed Securities	15,811	9	(132)	15,688
Other	21,100	-	-	21,100
	<u>21,100</u>	<u>-</u>	<u>-</u>	<u>21,100</u>
 Total Securities Available for Sale	 <u>\$ 203,245</u>	 <u>\$ 1,027</u>	 <u>\$ (4,564)</u>	 <u>\$ 199,708</u>
	Amortized	Gross Unrealized	Gross Unrealized	
<b>December 31, 2024</b>	<u>Cost</u>	<u>Gains</u>	<u>Losses</u>	<u>Fair Value</u>
US Treasury Securities	\$ 4,701	\$ -	\$ (275)	\$ 4,426
Federal Agencies	2,003	-	(30)	1,973
State and Municipal	12,794	40	(2,016)	10,818
Mortgage-Backed Securities and				
Collateral Mortgage Obligations	142,525	232	(5,498)	137,259
Asset Backed Securities	17,553	69	(122)	17,500
Other	14,951	-	-	14,951
	<u>14,951</u>	<u>-</u>	<u>-</u>	<u>14,951</u>
 Total Securities Available for Sale	 <u>\$ 194,527</u>	 <u>\$ 341</u>	 <u>\$ (7,941)</u>	 <u>\$ 186,927</u>

As of December 31, 2025 and 2024, the Company had approximately \$1,345,000 and \$1,680,000, respectively, invested in bonds issued by municipalities located within LaSalle County, Illinois.

Securities with a carrying value of approximately \$39,614,000 and \$65,639,000 were pledged at December 31, 2025 and 2024, respectively, to secure trust and public deposits, and for other purposes as required or permitted by law.

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**NOTE 2 - SECURITIES AVAILABLE FOR SALE (CONTINUED)**

The amortized cost and fair value of securities available for sale at December 31, 2025 by contractual maturity, was as follows. Securities not due at a single maturity date, primarily mortgage-backed and equity securities, are shown separately.

	Amortized Cost	Fair Value
Within One Year	\$ 1,847	\$ 1,837
One to Five Years	16,379	16,255
Five to Ten Years	9,048	8,398
After Ten Years	4,490	3,576
	31,764	30,066
Mortgage-Backed Securities and Collateralized Mortgage Obligations	150,381	148,542
Other	21,100	21,100
Total	\$ 203,245	\$ 199,708

Sales of securities available for sale were as follows for the years ended December 31, 2025 and 2024.

	2025	2024
Proceeds from Sale	\$ 6,208	\$ 469
Gross Realized Gains	10	-
Gross Realized Losses	-	-

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**NOTE 2 - SECURITIES AVAILABLE FOR SALE (CONTINUED)**

The following tables show our investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position.

Description of Securities	Less than 12 Months		Over 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<b>December 31, 2025</b>						
US Treasury Securities	\$ -	\$ -	\$ 4,618	\$ (106)	\$ 4,618	\$ (106)
Federal Agencies	-	-	-	-	-	-
State and Municipal	-	-	8,095	(1,510)	8,095	(1,510)
Asset Backed Securities	3,825	(41)	7,841	(91)	11,666	(132)
Mortgage-Backed Securities and Collateralized Mortgage Obligations	4,288	(9)	79,518	(2,807)	83,806	(2,816)
Other	-	-	-	-	-	-
Total Temporarily Impaired Securities	<u>\$ 8,113</u>	<u>\$ (50)</u>	<u>\$ 100,072</u>	<u>\$ (4,514)</u>	<u>\$ 108,185</u>	<u>\$ (4,564)</u>
<b>December 31, 2024</b>						
US Treasury Securities	\$ -	\$ -	\$ 4,426	\$ (275)	\$ 4,426	\$ (275)
Federal Agencies	-	-	1,973	(30)	1,973	(30)
State and Municipal	278	(4)	7,623	(2,012)	7,901	(2,016)
Asset Backed Securities	1,941	(7)	7,352	(115)	9,293	(122)
Mortgage-Backed Securities and Collateralized Mortgage Obligations	47,354	(1,195)	65,339	(4,303)	112,693	(5,498)
Other	-	-	-	-	-	-
Total Temporarily Impaired Securities	<u>\$ 49,573</u>	<u>\$ (1,206)</u>	<u>\$ 86,713</u>	<u>\$ (6,735)</u>	<u>\$ 136,286</u>	<u>\$ (7,941)</u>

The unrealized losses relate principally to the changes in interest rates and are not due to changes in the financial condition of the issuer, the quality of the underlying assets, or applicable credit enhancements. In reaching the conclusion that the allowance for credit losses is unnecessary, management observed that the securities were issued by a government body or agency, the securities continue to be highly rated (AA or better) where applicable, the issuer continues to make contractual payments, and the quality of the underlying assets or credit enhancements has not changed. Since management has the ability to hold debt securities for the foreseeable future, the Company expects to recover the amortized cost basis of these securities before they are sold or mature.

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**NOTE 2 - SECURITIES AVAILABLE FOR SALE (CONTINUED)**

The following table presents the number and aggregate depreciation from the Company's amortized cost basis of debt securities available for sale in a continuous unrealized loss position by security type at December 31, 2025.

	<u>Number of Securities</u>	<u>Aggregate Depreciation</u>
US Treasury Securities	5	2.24%
Federal Agencies	0	0.00%
State and Municipal	19	15.72%
Asset Backed Securities	20	1.12%
Mortgage Backed Securities And Collateralized Mortgage Obligations	51	3.25%

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**NOTE 3 - LOANS AND THE ALLOWANCE FOR CREDIT LOSSES**

Major classifications of loans as of December 31 are summarized as follows:

	2025	2024
Commercial:		
Real Estate	\$ 819,508	\$ 723,298
Non-Real Estate	466,268	406,586
Construction and Land Development	116,631	88,539
Agricultural	37,879	30,238
Residential	235,218	199,734
Consumer	2,654	1,437
Total Loans	1,678,158	1,449,832
Allowance for Credit Losses	(24,368)	(22,226)
Loans, Net	\$ 1,653,790	\$ 1,427,606

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**NOTE 3 - LOANS AND THE ALLOWANCE FOR CREDIT LOSSES (CONTINUED)**

The following tables present the recorded investment in loans and the related allowance for credit losses by portfolio segment and based on impairment method as of December 31, 2025 and 2024:

	2025						
	Commercial		Construction		Residential		Total
	Real Estate	Non-Real Estate	Development	and Land	Agricultural	Consumer	
<b>Allowance for Credit Losses:</b>							
Balances, January 1	\$ 12,503	\$ 4,323	\$ 1,882	\$ 48	\$ 2,071	\$ 24	\$ 22,226
Provision for Credit Losses	2,750	847	816	(17)	493	7	4,380
Recoveries on Loans	77	99	18	-	-	-	194
Loans Charged-Off	(1,831)	(472)	(116)	-	(13)	-	(2,432)
Balances, December 31	<u>\$ 13,499</u>	<u>\$ 4,797</u>	<u>\$ 2,600</u>	<u>\$ 31</u>	<u>\$ 2,551</u>	<u>\$ 31</u>	<u>\$ 24,368</u>
	2024						
	Commercial		Construction		Residential		Total
	Real Estate	Non-Real Estate	Development	and Land	Agricultural	Consumer	
<b>Allowance for Credit Losses:</b>							
Balances, January 1	\$ 9,697	\$ 5,774	\$ 1,617	\$ 13	\$ 2,349	\$ 30	\$ 21,044
Provision for Credit Losses	3,085	358	247	35	(298)	12	3,250
Recoveries on Loans	16	140	18	-	22	-	196
Loans Charged-Off	(295)	(1,949)	-	-	(2)	(18)	(2,264)
Balances, December 31	<u>\$ 12,503</u>	<u>\$ 4,323</u>	<u>\$ 1,882</u>	<u>\$ 48</u>	<u>\$ 2,071</u>	<u>\$ 24</u>	<u>\$ 22,226</u>

FIRST OTTAWA BANCSHARES, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025 and 2024

(Table dollar amounts in thousands, except per share data)

**NOTE 3 - LOANS AND THE ALLOWANCE FOR CREDIT LOSSES (CONTINUED)**

At December 31, 2025, and 2024, the Company maintained a reserve for unfunded loan commitments totaling \$1.3 million, which is included in other liabilities on the accompanying consolidated balance sheet. The provision for credit losses on unfunded loan commitments totaled \$0 and \$450,000 for the years ended December 31, 2025 and 2024.

Information regarding collateral dependent loans as of December 31, 2025 and 2024 follows:

	Recorded Investment	Related Allowance	Recorded Investment	Related Allowance
	December 31, 2025		December 31, 2024	
Commercial:				
Real Estate	\$ 5,096	\$ -	\$ 7,236	\$ 500
Non-Real Estate	700	-	472	-
Construction and				
Land Development	-	-	-	-
Agricultural	-	-	-	-
Residential	77	-	92	-
Consumer	-	-	-	-
Total	\$ 5,873	\$ -	\$ 7,800	\$ 500

FIRST OTTAWA BANCSHARES, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025 and 2024

(Table dollar amounts in thousands, except per share data)

**NOTE 3 - LOANS AND THE ALLOWANCE FOR CREDIT LOSSES (CONTINUED)**

Information regarding nonaccrual loans during the years ended December 31, 2025 and 2024 follows:

	December 31, 2025					
	Nonaccrual Loans With No Allowance for Credit Losses	Nonaccrual Loans With An Allowance for Credit Losses	Total Nonaccrual Loans	Total Nonaccrual Loans at Beginning of Year	Interest Income Recognized on Nonaccrual Loans	Amortized Cost Basis Loans 90 Days Past Due Not on Nonaccrual
Commercial:						
Real Estate	\$ 5,096	\$ -	\$ 5,096	\$ 7,236	\$ -	\$ -
Non-Real Estate	700	-	700	472	79	349
Construction & Land						
Development	-	-	-	-	-	-
Agricultural	-	-	-	-	-	-
Consumer	-	-	-	-	-	-
Residential	77	-	77	92	-	332
Total	\$ 5,873	\$ -	\$ 5,873	7,800	\$ 79	\$ 681

	December 31, 2024					
	Nonaccrual Loans With No Allowance for Credit Losses	Nonaccrual Loans With An Allowance for Credit Losses	Total Nonaccrual Loans	Total Nonaccrual Loans at Beginning of Year	Interest Income Recognized on Nonaccrual Loans	Amortized Cost Basis Loans 90 Days Past Due Not on Nonaccrual
Commercial:						
Real Estate	\$ 5,291	\$ 1,945	\$ 7,236	\$ 2,853	\$ 17	\$ 59
Non-Real Estate	472	-	472	1,945	26	15
Construction & Land						
Development	-	-	-	-	-	-
Agricultural	-	-	-	-	-	-
Consumer	-	-	-	-	-	-
Residential	92	-	92	110	-	54
Total	\$ 5,855	\$ 1,945	\$ 7,800	\$ 4,908	\$ 43	\$ 128

FIRST OTTAWA BANCSHARES, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025 and 2024

(Table dollar amounts in thousands, except per share data)

**NOTE 3 - LOANS AND THE ALLOWANCE FOR CREDIT LOSSES (CONTINUED)**

The following tables present the recorded investment in loans by class based on current payment and accrual status as of December 31, 2025 and 2024:

	December 31, 2025				
	Accruing Interest			Total Nonaccrual	Total Loans
	Current	30-89 Days Past Due	More Than 90 Days Past Due		
Commercial:					
Real Estate	\$ 814,353	\$ 59	\$ -	\$ 5,096	\$ 819,508
Non-Real Estate	464,235	984	349	700	466,268
Construction and					
Land Development	116,631	-	-	-	116,631
Agricultural	37,757	122	-	-	37,879
Residential	234,129	680	332	77	235,218
Consumer	2,653	1	-	-	2,654
Total	\$ 1,669,758	\$ 1,846	\$ 681	\$ 5,873	\$ 1,678,158

	December 31, 2024				
	Accruing Interest			Total Nonaccrual	Total Loans
	Current	30-89 Days Past Due	More Than 90 Days Past Due		
Commercial:					
Real Estate	\$ 716,003	\$ -	\$ 59	\$ 7,236	\$ 723,298
Non-Real Estate	406,078	21	15	472	406,586
Construction and					
Land Development	88,539	-	-	-	88,539
Agricultural	30,238	-	-	-	30,238
Residential	198,626	962	54	92	199,734
Consumer	1,427	10	-	-	1,437
Total	\$ 1,440,911	\$ 993	\$ 128	\$ 7,800	\$ 1,449,832

FIRST OTTAWA BANCSHARES, INC. AND SUBSIDIARY  
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December 31, 2025 and 2024

(Table dollar amounts in thousands, except per share data)

**NOTE 3 - LOANS AND THE ALLOWANCE FOR CREDIT LOSSES (CONTINUED)**

The following tables present loans by class based on their assigned classifications determined by management as of December 31, 2025 and 2024:

	2025	2024	2023	2022	2021	Prior	Revolving	Revolving Converted to Term	Total
Commercial Real Estate:									
Pass	\$117,718	\$143,090	\$134,909	\$148,555	\$115,475	\$116,896	\$ 19,398	\$ -	\$796,040
Special Mention/Watch	-	1,079	920	-	-	-	-	-	1,999
Substandard	-	-	12,406	1,652	1,471	2,395	-	-	17,924
Doubtful	-	-	-	-	-	3,545	-	-	3,545
<b>Totals</b>	<b>\$117,718</b>	<b>\$144,170</b>	<b>\$148,235</b>	<b>\$150,207</b>	<b>\$116,946</b>	<b>\$122,835</b>	<b>\$ 19,398</b>	<b>\$ -</b>	<b>\$819,508</b>

Current period

gross charge offs      \$ -      \$ -      \$ -      \$ -      \$ -      \$ (1,831)      \$ -      \$ -      \$ (1,831)

	2024	2023	2022	2021	Prior	Revolving	Revolving Converted to Term	Total
Commercial Real Estate:								
Pass	\$214,363	\$ 98,678	\$151,097	\$108,093	\$ 94,697	\$ 27,456	\$ -	\$694,384
Special Mention/Watch	3,949	9,631	1,712	1,646	-	-	-	16,938
Substandard	524	128	-	2,647	4,326	102	-	7,727
Doubtful	-	-	500	3,303	446	-	-	4,249
<b>Totals</b>	<b>\$218,836</b>	<b>\$108,437</b>	<b>\$153,309</b>	<b>\$115,689</b>	<b>\$ 99,469</b>	<b>\$ 27,558</b>	<b>\$ -</b>	<b>\$723,298</b>

Current period

gross charge offs      \$ -      \$ -      \$ -      \$ -      \$ (295)      \$ -      \$ -      \$ (295)

FIRST OTTAWA BANCSHARES, INC. AND SUBSIDIARY  
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(Table dollar amounts in thousands, except per share data)

**NOTE 3 - LOANS AND THE ALLOWANCE FOR CREDIT LOSSES (CONTINUED)**

	2025	2024	2023	2022	2021	Prior	Revolving	Revolving Converted to Term	Total
Commercial Non-Real Estate:									
Pass	\$ 77,723	\$ 58,730	\$ 27,058	\$ 60,479	\$ 22,395	\$ 38,516	\$152,850	\$ -	\$437,751
Special Mention/Watch	-	553	2,881	4,577	542	12	2,082	-	10,647
Substandard	110	6,029	1,202	377	891	1,250	8,011	-	17,870
Doubtful	-	-	-	-	-	-	-	-	-
<b>Totals</b>	<b>\$ 77,833</b>	<b>\$ 65,312</b>	<b>\$ 31,141</b>	<b>\$ 65,433</b>	<b>\$ 23,829</b>	<b>\$ 39,778</b>	<b>\$162,943</b>	<b>\$ -</b>	<b>\$466,268</b>
Current period									
gross charge offs	\$ -	\$ -	\$ (472)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (472)

	2024	2023	2022	2021	Prior	Revolving	Revolving Converted to Term	Total
Commercial Non-Real Estate:								
Pass	\$103,918	\$ 50,462	\$ 40,129	\$ 13,890	\$ 8,408	\$161,828	\$ -	\$378,635
Special Mention/Watch	13,294	1,134	1,553	997	-	8,194	-	25,172
Substandard	1,761	-	-	-	248	299	-	2,308
Doubtful	-	471	-	-	-	-	-	471
<b>Totals</b>	<b>\$118,973</b>	<b>\$ 52,067</b>	<b>\$ 41,682</b>	<b>\$ 14,887</b>	<b>\$ 8,656</b>	<b>\$170,321</b>	<b>\$ -</b>	<b>\$406,586</b>
Current period								
gross charge offs	\$ -	\$ -	\$ -	\$ -	\$ (1,949)	\$ -	\$ -	\$ (1,949)

FIRST OTTAWA BANCSHARES, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025 and 2024

(Table dollar amounts in thousands, except per share data)

**NOTE 3 - LOANS AND THE ALLOWANCE FOR CREDIT LOSSES (CONTINUED)**

	2025	2024	2023	2022	2021	Prior	Revolving	Revolving Converted to Term	Total
Construction and Land Development:									
Pass	\$ 66,016	\$ 18,122	\$ 8,443	\$ 3,865	\$ 94	\$ 3,220	\$ 16,872	\$ -	\$116,631
Special Mention/Watch	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
<b>Totals</b>	<b>\$ 66,016</b>	<b>\$ 18,122</b>	<b>\$ 8,443</b>	<b>\$ 3,865</b>	<b>\$ 94</b>	<b>\$ 3,220</b>	<b>\$ 16,872</b>	<b>\$ -</b>	<b>\$116,631</b>
Current period									
gross charge offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (116)	\$ -	\$ -	\$ (116)

	2024	2023	2022	2021	Prior	Revolving	Revolving Converted to Term	Total
Construction and Land Development:								
Pass	\$ 68,323	\$ 17,789	\$ 25	\$ -	\$ 188	\$ -	\$ -	\$ 86,325
Special Mention/Watch	-	2,214	-	-	-	-	-	2,214
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
<b>Totals</b>	<b>\$ 68,323</b>	<b>\$ 20,003</b>	<b>\$ 25</b>	<b>\$ -</b>	<b>\$ 188</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 88,539</b>
Current period								
gross charge offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

FIRST OTTAWA BANCSHARES, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(Table dollar amounts in thousands, except per share data)

**NOTE 3 - LOANS AND THE ALLOWANCE FOR CREDIT LOSSES (CONTINUED)**

	2025	2024	2023	2022	2021	Prior	Revolving	Revolving Converted to Term	Total
Agricultural									
Pass	\$ 17,485	\$ 7,237	\$ 744	\$ 2,557	\$ 674	\$ 9,156	\$ 26	\$ -	\$ 37,879
Special Mention/Watch	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
<b>Totals</b>	<b>\$ 17,485</b>	<b>\$ 7,237</b>	<b>\$ 744</b>	<b>\$ 2,557</b>	<b>\$ 674</b>	<b>\$ 9,156</b>	<b>\$ 26</b>	<b>\$ -</b>	<b>\$ 37,879</b>
Current period									
gross charge offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	2024	2023	2022	2021	Prior	Revolving	Revolving Converted to Term	Total	
Agricultural									
Pass	\$ 10,792	\$ 1,859	\$ 8,036	\$ 924	\$ 2,659	\$ 5,968	\$ -	\$ 30,238	
Special Mention/Watch	-	-	-	-	-	-	-	-	
Substandard	-	-	-	-	-	-	-	-	
Doubtful	-	-	-	-	-	-	-	-	
<b>Totals</b>	<b>\$ 10,792</b>	<b>\$ 1,859</b>	<b>\$ 8,036</b>	<b>\$ 924</b>	<b>\$ 2,659</b>	<b>\$ 5,968</b>	<b>\$ -</b>	<b>\$ 30,238</b>	
Current period									
gross charge offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

FIRST OTTAWA BANCSHARES, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025 and 2024

(Table dollar amounts in thousands, except per share data)

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**NOTE 3 - LOANS AND THE ALLOWANCE FOR CREDIT LOSSES (CONTINUED)**

Information regarding the credit quality indicators most closely monitored for residential real estate and consumer loans by class as of December 31, 2025 and 2024 follows:

	2025		
	Performing	Non-performing	Total
Residential	\$ 234,809	\$ 409	\$ 235,218
Consumer	2,654	-	2,654
	<u>\$ 237,463</u>	<u>\$ 409</u>	<u>\$ 237,872</u>

	2024		
	Performing	Non-performing	Total
Residential	\$ 199,588	\$ 146	\$ 199,734
Consumer	1,437	-	1,437
	<u>\$ 201,025</u>	<u>\$ 146</u>	<u>\$ 201,171</u>

FIRST OTTAWA BANCSHARES, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(Table dollar amounts in thousands, except per share data)

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**NOTE 3 - LOANS AND THE ALLOWANCE FOR CREDIT LOSSES (CONTINUED)**

The Company did not have any loan modifications to borrowers experiencing financial difficulties during the years ended December 31, 2025 and 2024.

Certain executive officers, directors, and their related interests are loan customers of the Company. A summary of such loans made by the Company in the ordinary course of business and made on substantially the same terms (including interest rates and collateral) as those prevailing at the time for comparable transactions with other persons is as follows:

	2025	2024
Balance at January 1	\$ 588	\$ 1,805
New Loans	-	24
Repayments	(16)	(1,241)
Change in Related Party Status	-	-
Balance at December 31	\$ 572	\$ 588

FIRST OTTAWA BANCSHARES, INC. AND SUBSIDIARY  
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**NOTE 4 - LOAN SALES AND SERVICING**

The Company sells mortgage loans with servicing retained to the Federal Home Loan Mortgage Corporation (FHLMC), the Federal National Mortgage Association (FNMA), and the Federal Home Loan Bank (FHLB). The Company realized gross proceeds from the sales of originated mortgage loans totaling \$39,528,000 and \$37,111,000 in 2025 and 2024, respectively. Mortgage loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balances of these loans are summarized as follows:

	2025	2024
Total Loans Serviced	\$ 441,020	\$ 453,128

Following is an analysis of the changes in originated mortgage servicing rights, which are included in accrued interest receivable and other assets on the consolidated balance sheets:

	2025	2024
Balances, January 1	\$ 6,099	\$ 6,188
Servicing Rights Capitalized	534	501
Amortization of Servicing Rights	(697)	(590)
Balances, December 31	\$ 5,936	\$ 6,099
Estimated Fair value, January 1	\$ 6,152	\$ 6,444
Estimated Fair value, December 31	\$ 6,038	\$ 6,152
Range of discount rates	9.74%	9.73%
Range of prepayment speeds	6.79% to 7.27%	6.91% to 7.17%
Weighted average default rate	0.25%	0.26%

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(Table dollar amounts in thousands, except per share data)

**NOTE 5 - PREMISES AND EQUIPMENT**

Premises and equipment consisted of the following at December 31:

	2025	2024
Cost		
Land	\$ 1,415	\$ 1,415
Buildings and Land Improvements	13,308	13,259
Equipment	9,576	9,326
Construction In Progress	489	-
Total Cost	24,788	24,000
Accumulated Depreciation	(15,214)	(14,611)
Net	\$ 9,574	\$ 9,389

Depreciation expense for the years ended December 31, 2025 and 2024 amounted to approximately \$1,001,000 and \$983,000, respectively.

**NOTE 6 - DEPOSITS**

Deposits consisted of the following at December 31:

	2025	2024
Noninterest Bearing Demand	\$ 394,958	\$ 391,292
Interest Bearing Demand	347,404	218,609
Savings	52,434	52,722
Money Market Savings	288,153	332,073
Certificates and Other Time Deposits of \$250,000 or More	51,299	42,320
Other Certificates and Time Deposits	611,918	475,935
Total	\$ 1,746,166	\$ 1,512,951

At December 31, 2025, the scheduled maturities of certificates and other time deposits were as follows:

Year Ending December 31,	Amount
2026	\$ 435,176
2027	168,836
2028	42,788
2029	14,303
2030	2,114
Total	\$ 663,217

Deposits held by the Company from related parties at December 31, 2025 and 2024 totaled \$1,357,000 and \$1,540,000, respectively.

FIRST OTTAWA BANCSHARES, INC. AND SUBSIDIARY  
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**NOTE 7 - BORROWINGS**

At December 31, 2025 and 2024, the Company had a revolving line of credit with a total available of \$4.0 million with Chippewa Valley Bank. The note will bear interest at a variable rate of interest equal to Wall Street Journal Prime less 0.75%. The note requires quarterly payments of interest. There is no outstanding balance at December 31, 2025 or 2024. The Company had one term note outstanding at December 31, 2025 and had two term notes outstanding at December 31, 2024 with Chippewa Valley Bank. The remaining \$4.0 million term note had interest on unpaid principal at a fixed rate of 4.99% for three years until September 6<sup>th</sup>, 2025, and then converted to Wall Street Journal Prime less 0.75%. The \$5.0 million note was paid off and closed in December 2025 when the company refinanced their 2020 sub-debt. The remaining balance with Chippewa is \$4.0 million as of December 31, 2025; at December 31, 2024, the combined balance of the two notes was \$9.0 million.

The Bank has a master contract agreement with the Federal Reserve Bank that provides for collateralized borrowing at the Federal Reserve Bank discount window. As of December 31, 2025, the Bank had pledged loans totaling approximately \$251.2 million, which would allow for borrowing up to approximately \$220.3 million. No amounts were drawn against this agreement as of December 31, 2025.

As of December 31, 2025 and 2024, a blanket lien on the Company's portfolio of one-to-four family and multifamily mortgages, small farm and business loans, and other real estate related collateral which was approximately \$950.5 million and \$834.4 million, respectively, was used to secure current and potential future FHLB borrowings. As of December 31, 2025 and 2024, the Company had short term fixed rate advances (30 days or less) outstanding of \$86.0 million and \$35.0 million, respectively. As of December 31, 2025 and 2024, the Company also had a letter of credit from the FHLB in connection with public funds held on deposit at the Company of \$59.2 million and \$12.0 million, respectively. As of December 31, 2025 and 2024, there was no outstanding principal balance for the letter of credit. At December 31, 2025 and 2024, long term advances were \$6.7 million and \$7.3 million. All advances were fixed-rate, with interest rates from 0 to 4.85%. The weighted average rate at December 31, 2025 and 2024 was 4.50% and 4.31%, respectively.

The Company issued \$7.75 million and \$28.5 million of ten-year subordinated debt at the Holding Company in 2022 and 2021, respectively. The company refinanced the \$28.5 million in December 2025 and paid off the 2021 issuance. In addition, the company paid off \$5.0MM of the Chippewa balances. The new sub-debt reissued in December 2025 totaled \$33.5MM and has a fixed rate of 7.00% for five years from the date of issuance at which time it converts to a variable rate. The Company can call on or after June 1, 2027 for the 2022 issuance. The subordinated debt can be called in whole or part or at any time based on specified events.

At December 31, 2025, the scheduled maturities of borrowings were as follows:

<u>Year Ending December 31,</u>	<u>Rate</u>	<u>Amount</u>
2026	0% to 4.85%	\$ 91,700
2027	6.75%	4,000
2028	N/A	-
2029	2.49%	1,000
2030	N/A	-
Thereafter	5.50% to 7.00%	<u>41,250</u>
Total		<u>\$ 137,950</u>

FIRST OTTAWA BANCSHARES, INC. AND SUBSIDIARY  
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(Table dollar amounts in thousands, except per share data)

**NOTE 8- ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)**

The following table presents the activity and accumulated balances for components of other comprehensive income (loss):

	(1) Unrealized Gains (Losses) On Securities
<b>Balances, December 31, 2023</b>	\$ (4,912)
Other Comprehensive Income (Loss) Before Reclassification	\$ (1,386)
Amounts Reclassified from Accumulated Other Comprehensive Income (Loss)	-
Other Comprehensive Income (Loss), Before Tax	(1,386)
Income Tax effect	264
<b>Balances, December 31, 2024</b>	\$ (6,034)
Other Comprehensive Income (Loss) Before Reclassification	\$ 4,073
Amounts Reclassified from Accumulated Other Comprehensive Income (Loss)	(10)
Other Comprehensive Loss, Before Tax	4,063
Income Tax effect	(828)
<b>Balances, December 31, 2025</b>	\$ (2,799)

(1) The pre-tax amounts reclassified from accumulated other comprehensive loss are included in "Gain/(Loss)" on sale of investment securities, net" in the consolidated statements of income.

FIRST OTTAWA BANCSHARES, INC. AND SUBSIDIARY  
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**NOTE 9 - BENEFIT PLANS**

The Bank has a directors' retirement plan which provides retirement benefits primarily to former members of the board of directors. The Bank also maintains a supplemental executive retirement plan that provides benefits to certain key executive officers and directors in accordance with the plan document. At December 31, 2025 and 2024, the Bank had Supplemental Retirement Plan Balances of \$574,000, and \$593,000, respectfully. The balances are included in Other Liabilities in the Consolidated Balance Sheet. The Bank accrued expenses related to these plans totaling \$144,000 in 2025 and \$120,000 in 2024.

The Company also has a combined employee stock ownership plan (ESOP) and 401(k) profit-sharing plan, also known as a KSOP. The Company's KSOP covers eligible employees with more than 90 days of service, as defined, and who are at least 21 years of age. The plan allows employee contributions. The Company may make a matching contribution equal to a percentage of salary deferral, and discretionary profit sharing and ESOP contributions. The Company's contributions are voluntary and at the discretion of the Board of Directors. All contributions are subject to statutory restrictions. The Company's matching contributions were made throughout the year in 2025, profit sharing contributions are made following the end of the calendar year, matching and profit sharing contributions of \$1,093,000 for 2025, and \$996,000 for 2024. There were 27,021 Company shares held by the plan as of December 31, 2025, and 23,700 as of December 31, 2024.

**NOTE 10 - STOCK-BASED COMPENSATION**

Restricted Stock Unit Award

Restricted Stock Unit Award Agreements (RSU) provides for the issuance of shares to directors and select executives. Compensation expense is recognized at the vesting date of the awards based on the appraised value of the stock at the timing of vesting. The fair value of the stock was determined using the appraised price. RSU shares fully vest in the same year of grant date for Directors and vest ratably over four years for select officers. Totals shares outstanding but unvested under the plan are 10,135 shares at December 31, 2025, and 10,193 shares at December 31, 2024. Total compensation cost of \$817,000 and \$522,000 was recorded in 2025 and 2024, respectively.

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**NOTE 10 - STOCK-BASED COMPENSATION (CONTINUED)**

A summary of changes in the Company's nonvested shares for the year follows:

Nonvested Shares	Shares	2025 Weighted-Average Grant Date Fair Value
Nonvested Shares, Beginning of Year	10,193	\$ 95.91
Granted	6,041	136.46
Vested	(6,099)	108.28
Forfeited	-	-
Nonvested, End of Year	<u>10,135</u>	<u>\$ 113.70</u>
Nonvested Shares	Shares	2024 Weighted-Average Grant Date Fair Value
Nonvested Shares, Beginning of Year	8,309	\$ 97.71
Granted	7,195	105.53
Vested	(5,311)	104.15
Forfeited	-	-
Nonvested, End of Year	<u>10,193</u>	<u>\$ 95.91</u>

The total fair value of shares vested during the years ended December 31, 2025 and 2024 was \$824,000 and \$553,000, respectively.

The RSUs for executives are forfeited if the executive terminates prior to the expiration of the Restricted Period.

Future compensation expense is estimated at:

For the Year End		
2026	\$	979
2027		789
2028		581
2029		<u>430</u>
	<u>\$</u>	<u>2,779</u>

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**NOTE 11 - INCOME TAXES**

Income tax expense for the years ended December 31, 2025 and 2024 consisted of:

	2025	2024
Income Tax Expense		
Currently Payable		
Federal	\$ 7,180	\$ 5,590
State*	3,038	2,281
Deferred	(1,014)	(819)
Total Income Tax Expense	\$ 9,204	\$ 7,052

Total income tax expense differed from the amounts computed by applying the U.S. federal income tax rate of 21% to income before income tax expense as a result of the following:

	2025	2024
Reconciliation of Federal Statutory to Actual Tax Expense		
Federal Statutory Income Tax at 21%	\$ 7,174	\$ 5,472
Tax-Exempt Income	(429)	(299)
Effect of State Income Taxes*	2,166	1,604
Other Items, Net	293	275
Total Income Tax Expense	\$ 9,204	\$ 7,052

Effective Tax Rate	26.94%	27.06%
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\*State taxes in Illinois make up the majority (greater than 50%) of the tax effect in this category.

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**NOTE 11 - INCOME TAXES (CONTINUED)**

The components of the deferred tax assets (liabilities) are included in Accrued Interest Receivable and Other Assets on the consolidated balance sheets are as follows:

	2025	2024
Asset		
Allowance for Credit Losses	\$ 7,328	\$ 6,717
Unrealized Loss on Securities for Sales	783	1,720
Deferred Compensation	1,398	982
Other Real Estate Owned	-	-
Other	205	290
Total Assets	<u>9,714</u>	<u>9,709</u>
Liabilities:		
Depreciation	(359)	(446)
Mortgage Servicing Rights	(1,692)	(1,739)
Goodwill	(697)	(697)
Other	(142)	(80)
Total Liabilities	<u>(2,890)</u>	<u>(2,962)</u>
Total Deferred Tax Assets	<u>\$ 6,824</u>	<u>\$ 6,747</u>

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**NOTE 12 – DERIVATIVE INSTRUMENTS NOT DESIGNATED AS HEDGING INSTRUMENTS**

The key terms of the receive-fixed-pay-variable interest rate swaps entered into with a customer are identical to key terms to the receive-variable-pay-fixed interest rate swaps entered into with a third-party institution. Since any fair value adjustments for credit risk insignificant at December 31, 2025, and 2024, the fair value of interest rate swaps recognized as assets in the same as the fair value of interest rate swaps recognized as liabilities.

The information pertaining to outstanding interest rate swap agreements at December 31 is as follows:

	<u>2025</u>	<u>2024</u>
Notional Amount	\$23,392	\$10,747
Weighted average variable rate over indexes	2.55%	2.60%
Weighted average fixed rate	6.68%	6.84%
Weighted average maturity in years	4.69	5.23
Fair value of interest rate swap	\$727	\$13
Balance Sheet Location	Other assets/ Other liabilities	Other assets / Other liabilities

No interest rate swap agreement was terminated in 2025. Any of the interest rate swap agreements may be settled at any time at the then current fair value at the discretion of the Bank. As part of its interest rate swap agreement with a third-party institution, the Bank must maintain the categorization of “well-capitalized” as defined by regulatory agencies.

The counterparties and the Bank pledge interest-bearing deposits as collateral, in place of securities. The pledged interest-bearing balances at the Bank were \$526,000 and \$0 as of December 31, 2025, and 2024, respectively. The pledged interest-bearing deposits at other banks were \$840,000 and \$0 at December 31, 2025, and 2024, respectively.

The net gain recognized on the change in fair value of asset derivatives was equal to the net loss recognized on the change in fair value of liability derivatives. Thus, the recognition of changes in fair value of interest rate swaps did not have an overall impact on the consolidated statements of income.

Interest rate swaps: Derivative instruments are classified as Level 2 measurements within the fair value hierarchy. The fair value measurement of a derivative instrument is based on a discount cash flow model that utilizes observable market data, such as market interest rates and interest rate curves.

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**NOTE 13 - COMMITMENTS, OFF-BALANCE-SHEET RISK, AND CONTINGENCIES**

There are various contingent liabilities that are not reflected in the consolidated financial statements, including claims and legal actions arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, the ultimate disposition of these claims and legal actions is not expected to have a material effect on financial condition or results of operations.

The Bank is required to maintain reserve funds in cash and/or on deposit with the Federal Reserve Bank. There was no reserve requirement as of December 31, 2025 or December 31, 2024.

Some financial instruments are used in the normal course of business to meet the financing needs of customers. These financial instruments include unfunded commitments and standby letters of credit. These involve, to varying degrees, credit and interest rate risk in excess of the amounts reported in the consolidated financial statements.

Exposure to credit loss if the other party does not perform is represented by the contractual amount for these commitments. The same credit policies are used for commitments and conditional obligations as are used for loans. Collateral or other security is normally required to support financial instruments with credit risk.

Unfunded commitments under commercial lines of credit, revolving credit lines, and credit cards are commitments for possible future extensions of credit to existing customers. These lines of credit are uncollateralized and usually do not contain a specified maturity date and may not be drawn upon to the total extent to which the Company is committed.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those letters of credit are primarily issued to support public and private borrowing arrangements. Essentially all letters of credit issued have expiration dates within one year. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company generally holds collateral supporting those commitments if deemed necessary.

A summary of the notional or contractual amounts of financial instruments with off-balance sheet risk at year-end follows:

	<u>2025</u>	<u>2024</u>
Unfunded Commitments	\$ 386,187	\$ 392,592
Standby Letters of Credit	15,786	15,723

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**NOTE 13 - COMMITMENTS, OFF-BALANCE-SHEET RISK, AND CONTINGENCIES (CONTINUED)**

In 2021, the Company began to account for its leases in accordance with FASB ASC 842, Leases. The Company is a lessee in several non-cancellable operating leases, for office space and certain office equipment. The Company determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. The Company recognized a lease liability of \$4,728,000 and a right of use (ROU) asset of \$4,728,000, after the initial adoption of this accounting policy.

The Company is a lessee in several non-cancellable operating leases for office space. Future minimum lease payments outstanding at December 31, 2025 are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2026	\$ 605
2027	618
2028	632
2029	654
2030	669
Thereafter	489
Total lease payments	<u>\$ 3,667</u>
Less: Imputed interest	<u>(394)</u>
Total lease liability	<u><u>\$ 3,273</u></u>

The total lease expense included in the Occupancy and Equipment line item, pursuant to the above operating leases amounted to approximately \$550,000 and \$460,000 as of December 31, 2025 and 2024, respectively.

Amounts reported in the Statement of Financial Condition as of December 31, 2025 and 2024 were as follows:  
Operating leases:

Operating lease ROU assets were \$ 3,321,000 at December 31 2025 and \$ 3,365,000 for 2024 (included in Accrued Interest Receivable and Other Assets).

Operating lease liabilities were at \$3,273,000 December 31, 2025 and \$3,318,000 for 2024 (included in Other liabilities).

Other information related to leases as of December 31, 2025 and 2024 was as follows:

Weighted-average remaining lease term:

Operating leases 5.9 years for December 31, 2025, and 6.9 years for 2024.

Weighted-average discount rate:

Operating leases 1.85% for December 2025 and 2024

Amounts disclosed for ROU assets obtained in exchange for lease liabilities and reductions to ROU assets resulting from reductions to lease liabilities include amounts added to or reduced from the carrying amount of ROU assets resulting from new leases, lease modifications or reassessments.

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**NOTE 14 - FAIR VALUES OF FINANCIAL INSTRUMENTS**

**Recurring Basis**

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Company measures fair value refer to Note 1 - Summary of Significant Accounting Policies. The following table presents the balances of the assets and liabilities measured at fair value on a recurring basis as of December 31, 2025 and 2024:

	Fair Value	2025 Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Securities Available for Sale:				
US Treasury Securities	\$ 4,618	\$ 4,618	\$ -	\$ -
Federal Agencies	-	-	-	-
State and Municipals	9,760	-	9,760	-
Mortgage-Backed Securities and Collateralized Mortgage Obligations	148,542	-	148,542	-
Asset Backed Securities	15,688	-	15,688	-
Other	21,100	21,000	-	-
<b>Total</b>	<b>\$ 199,708</b>	<b>\$ 25,618</b>	<b>\$ 173,990</b>	<b>\$ -</b>
	Fair Value	2024 Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Securities Available for Sale:				
US Treasury Securities	\$ 4,426	\$ 4,426	\$ -	\$ -
Federal Agencies	1,973	-	1,973	-
State and Municipals	10,818	-	10,818	-
Mortgage-Backed Securities and Collateralized Mortgage Obligations	137,259	-	137,259	-
Asset Backed Securities	17,500	-	17,500	-
Other	14,951	14,951	-	-
<b>Total</b>	<b>\$ 186,927</b>	<b>\$ 19,377</b>	<b>\$ 167,550</b>	<b>\$ -</b>

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**NOTE 14 - FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)**

The following is a description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Investment Securities

When available, the Company uses quoted market prices to determine the fair value of securities; such items are classified in Level 1 of the fair value hierarchy. For the Company's securities where quoted prices are not available for identical securities in an active market, the Company determines fair value utilizing vendors who apply matrix pricing for similar bonds where no price is observable or may compile prices from various sources. These models are primarily industry-standard models that consider various assumptions, including time value, yield curve, volatility factors, prepayment speeds, default rates, loss severity, current market, and contractual prices for the underlying financial instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace, can be derived from observable data, or are supported by observable levels at which transactions are executed in the marketplace. Fair values from these models are verified, where possible, against quoted market prices for recent trading activity of assets with similar characteristics to the security being valued. Such methods are generally classified as Level 2. However, when prices from independent sources vary, cannot be obtained, or cannot be corroborated, a security is generally classified as Level 3.

Nonrecurring Basis

Certain assets are measured at fair value on a nonrecurring basis. These assets are not measured at fair value on an ongoing basis; however, they are subject to fair value adjustments in certain circumstances, such as there is evidence of individually evaluated or a change in the amount of previously recognized individually evaluated.

The following table presents the balances of the assets measured at fair value on a nonrecurring basis as of December 31, 2025 and 2024, as well as any related net impairment losses for the years ended December 31, 2025 and 2024:

	December 31, 2025			
	Level 1	Level 2	Level 3	Impairment Losses
Collateral Dependent Loans	\$ -	\$ -	\$ -	\$ -
Other Real Estate Owned	-	-	657	-
	December 31, 2024			
	Level 1	Level 2	Level 3	Impairment Losses
Collateral Dependent Loans	\$ -	\$ -	\$ 1,945	\$ 500
Other Real Estate Owned	-	-	-	-

Collateral Dependent Loans

In accordance with the provisions of the individually evaluated loan guidance, credit loss was measured for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement. The fair value of collateral dependent loans is estimated using one of several methods, including collateral value, market value of similar debt, or discounted cash flows. Collateral dependent loans require classification in the fair value hierarchy. Collateral values are estimated using Level 3 inputs based on customized discounting criteria.

Credit losses on collateral dependent loans represent specific valuation allowance and write-downs during the period presented on collateral dependent loans that were individually evaluated for reserve based on the estimated fair value of the collateral less estimated selling costs, excluding collateral dependent loans fully charged-off.

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**NOTE 14 - FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)**

Foreclosed Assets

Foreclosed assets are recorded at fair value based on property appraisals, less estimated selling costs, at the date of the transfer. Subsequent to the transfer, foreclosed assets are carried at the lower of cost or fair value, less estimated selling costs. Values are estimated using Level 3 inputs based on customized discounting criteria. The carrying value of foreclosed assets is not re-measured to fair value on a recurring basis but is subject to fair value adjustments when the carrying value exceeds the fair value, less estimated selling costs.

Impairment losses on foreclosed assets represent specific valuation allowance and write-downs during the periods presented where the carrying value of the foreclosed assets exceeded the current fair value less estimated selling costs of the foreclosed asset subsequent to their initial classification as foreclosed assets.

Collateral-Dependent Loans and Foreclosed Assets

The estimated fair value of collateral-dependent loans and foreclosed assets is based on the appraised fair value of the collateral, less estimated costs to sell. Collateral-dependent loans and foreclosed assets are classified within Level 3 of the fair value hierarchy.

The Company considers the appraisal or a similar evaluation as the starting point for determining fair value and then considers other factors and events in the environment that may affect the fair value. Appraisals or a similar evaluation of the collateral underlying collateral-dependent loans and foreclosed assets are obtained when the loan is determined to be collateral-dependent and at the time a loan is transferred to foreclosed assets. Appraisals or similar evaluations are obtained subsequently as deemed necessary by management but at least annually on foreclosed assets. Appraisals are reviewed for accuracy and consistency by management. Appraisals are performed by individuals selected from the list of approved appraisers maintained by management. The appraised values are reduced by discounts to consider lack of marketability and estimated costs to sell. These discounts and estimates are developed by management by comparison to historical results.

Unobservable (Level 3) Inputs

The following table presents quantitative information about unobservable inputs used in nonrecurring Level 3 fair value measurements.

	December 31, 2025	Valuation Technique	Unobservable Inputs	(Weighted Average)
Collateral Dependent Loans	\$ -	Market Comparable Properties	Marketability Discount	N/A
Other Real Estate Owned	657	Market Comparable Properties	Marketability Discount	0%
	Fair Value at December 31, 2024	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Collateral Dependent Loans	\$ 1,945	Market Comparable Properties	Marketability Discount	10% to 50%
Other Real Estate Owned	-	Market Comparable Properties	Marketability Discount	N/A

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**NOTE 14 - FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)**

The following methods and assumptions were used to estimate fair values for financial instruments carried on the consolidated balance sheets at other than fair value. The carrying amount is considered to estimate fair value for cash and cash equivalents, deposits with no stated maturity such as demand, NOW, money market and savings deposits, accrued interest receivable and payable, and variable rate loans or deposits. For interest-bearing time deposits, fixed rate loans and deposits, or borrowings, the fair value is estimated by discounted cash flow analysis using current market rates for the estimated life and credit risk. The carrying amount of life insurance approximates fair value as it reflects the policies' cash surrender values. The fair value of off-balance-sheet items is based on the fees or cost that would currently be charged to enter into or terminate such agreements and is not material.

The carrying values and estimated fair values of the Company's financial instruments as of December 31, 2025 and 2024 were as follows:

	2025		2024	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Cash and Cash Equivalents	\$ 34,236	\$ 34,236	\$ 29,550	\$ 29,550
Loans Held for Sale	62,408	62,292	-	-
Loans (NHFS), Net	1,653,790	1,650,713	1,427,606	1,403,265
Cash Surrender Value of Life Insurance	40,948	40,948	33,706	33,706
Accrued Interest Receivable	7,147	7,147	5,965	5,965
Liabilities:				
Deposits With no Stated Maturities	1,082,949	967,648	994,696	875,790
Time Deposits	663,217	664,861	518,255	520,566
Borrowings	137,950	137,703	87,500	87,371
Accrued Interest Payable	2,999	2,999	2,382	2,382

The following methods and assumptions, not previously presented, used to estimate fair values and are described as follows:

Cash and Cash Equivalents - The carrying amounts of cash and short-term instruments approximate fair values and are classified as Level 1.

Loans Held for Sale - Loans held for sale in the secondary market are carried at the lower of aggregate cost or estimated fair value. The fair value measurement of a loan held for sale is based on current secondary market prices for similar loans, which is considered a Level 2 measurement.

Loans (NHFS) Net - The fair value of loans is calculated based on exit price using various components using yield, credit and liquidity marks. A third-party calculates the exit price using an asset/liability model based off information from the Company's loan information. Loan fair values are estimated using Level 3 inputs based on customized discounting criteria.

Cash Surrender Value of Life Insurance - The carrying amounts of cash surrender value of life insurance approximate fair values and are classified as Level 1.

Deposits - The fair values disclosed for demand deposits are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amounts). The carrying amounts of interest-bearing deposits without maturity dates and variable-rate certificates of deposit approximate their fair values at the reporting date. Fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered on like-term certificates of deposit.

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Borrowings - The fair values of the Company's Borrowings are estimated using discounted cash flow analyses based on the current borrowing rates for similar types of borrowing arrangements resulting in a Level 2 classification.

Accrued Interest Receivable/Payable - The carrying amounts of accrued interest approximate fair value resulting in a Level 2 classification.

**NOTE 15 - REGULATORY AND CAPITAL MATTERS**

The Company may pay dividends without prior approval from the Federal Reserve Bank so long as it remains "adequately capitalized" after such payment. The Bank is subject to statutory dividend restrictions which provide, in general, that the Bank may pay the current year's earnings and the prior two years' retained earnings without the prior approval of the Office of the Comptroller of Currency. At December 31, 2025, the Bank's shareholder's equity totaled \$178.1 million, of which \$59.6 million was available for payment of dividends without prior regulatory approval.

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. These capital requirements were modified in 2013 with the Basel III capital rules, which establish a new comprehensive capital framework for U.S. banking organizations. The Bank became subject to the new rules on January 1, 2015, with a phase-in period for many of the new provisions.

Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Prompt corrective action provisions are not applicable to bank holding companies.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the following table) of Common Equity Tier I, Tier I, and total capital (as defined in the regulations) to risk-weighted assets (as defined) and Tier I capital (as defined) to average assets (as defined). Management believes, as of December 31, 2025 and 2024, that the Bank met all capital adequacy requirements to which they are subject.

As of December 31, 2025, the Bank met the requirements to be categorized as "well capitalized" under the regulatory framework for prompt correction action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier I risk-based, Common Equity Tier 1 risk-based, and Tier I leverage ratios as set forth in the following table (as defined). Management is not aware of any conditions or events since December 31, 2025 that would change the Bank's category.

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**NOTE 15 - REGULATORY AND CAPITAL MATTERS (CONTINUED)**

The Bank's actual capital amounts and ratios as of December 31, 2025 and 2024 are presented in the following tables:

<b>December 31, 2025</b>	Actual		Minimum Capital Requirement		Minimum to be Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Amounts in Thousands)			
Common Equity Tier 1 Capital to Risk Weighted Assets (CET1) :	\$ 179,131	9.99%	\$ 80,657	4.50%	\$ 116,504	6.25%
Tier I Capital to Risk Weighted Assets:	179,131	9.99%	107,543	6.00%	143,390	8.00%
Total Capital to Risk Weighted Assets:	201,576	11.25%	143,390	8.00%	179,238	10.00%
Tier I Capital to Average Assets:	179,131	9.08%	78,891	4.00%	98,614	5.00%
<b>December 31, 2024</b>	Actual		Minimum Capital Requirement		Minimum to be Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Amounts in Thousands)			
Common Equity Tier 1 Capital to Risk Weighted Assets (CET1) :	\$ 152,104	9.75%	\$ 70,216	4.50%	\$ 101,422	6.50%
Tier I Capital to Risk Weighted Assets:	152,104	9.75%	93,621	6.00%	124,828	8.00%
Total Capital to Risk Weighted Assets:	171,657	11.00%	124,828	8.00%	156,035	10.00%
Tier I Capital to Average Assets:	152,104	9.06%	67,186	4.00%	83,983	5.00%

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**NOTE 16 - PARENT COMPANY FINANCIAL STATEMENTS**

The following are the condensed balance sheets and statements of income for First Ottawa Bancshares, Inc. for the years ending December 31, 2025 and 2024.

**Condensed Balance Sheets**

	2025	2024
<b>Assets</b>		
Cash and Due From Banks	\$ 1,336	\$ 2,146
Investment in Common Stock of Bank	178,081	147,819
Other Assets	1,633	1,062
Total Assets	\$ 181,050	\$ 151,027
<b>Liabilities</b>		
Dividends Payable	\$ 706	\$ -
Other Liabilities	747	565
Borrowings	45,250	45,250
<b>Stockholders' Equity</b>	134,347	105,212
Total Liabilities and Stockholders' Equity	\$ 181,050	\$ 151,027

**Condensed Statements of Income**

	2025	2024
<b>Income - Dividends from Bank</b>	\$ 720	\$ 1,500
<b>Expenses</b>	3,017	2,604
<b>Income (Loss) Before Income Tax and Equity in Undistributed Income of Subsidiary</b>	(2,297)	(1,104)
<b>Income Tax Expense (Benefit)</b>	(829)	(729)
<b>Income Before Equity in Undistributed Income of Subsidiary</b>	(1,468)	(375)
<b>Equity in Undistributed Income of Subsidiary</b>	26,426	19,381
<b>Net Income</b>	\$ 24,958	\$ 19,006

This information is an integral part of the accompanying consolidated financial statements.