

Ottawa Bancorp, Inc. & Subsidiary

Consolidated Financial Statements
December 31, 2025 and 2024

Ottawa Bancorp, Inc. & Subsidiary

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders
Ottawa Bancorp, Inc., and Subsidiary
Ottawa, Illinois

Opinion

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ottawa Bancorp, Inc., and Subsidiary as of December 31, 2025, and 2024, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Ottawa Bancorp, 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 opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement 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 judgement made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Ottawa Bancorp, Inc. and Subsidiary's internal control. Accordingly, no such opinion is expressed.
- 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 consolidated financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Ottawa Bancorp, Inc. and Subsidiary's ability to continue as a going concern for a reasonable period of time.

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 control-related matters that we identified during the audit.

Other Information Included in the Corporation's Annual Report

Management is responsible for the other information included in the Corporation's Annual Report. The other information comprises general information to stockholders, but it does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance on it.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Clark Schaefer Hackett.

Cincinnati, Ohio

March 27, 2026

Ottawa Bancorp, Inc. & Subsidiary
Consolidated Balance Sheets
December 31, 2025 and 2024

	2025	2024
Assets		
Cash and due from banks	\$ 14,340,734	\$ 9,863,824
Interest bearing deposits	6,719,709	2,651,481
Federal funds sold	<u>3,259,000</u>	<u>4,493,000</u>
Total cash and cash equivalents	24,319,443	17,008,305
Debt securities available-for-sale, at fair value	16,002,114	16,821,297
Loans, net of allowance for credit losses of \$4,190,140 and \$4,276,409 at December 31, 2025 and 2024, respectively	305,758,202	301,741,977
Loans held-for-sale	-	232,000
Mortgage servicing rights	1,075,957	1,141,023
Premises and equipment, net	5,887,528	6,005,515
Accrued interest receivable	1,413,551	2,108,565
Federal Home Loan Bank stock	1,380,798	1,380,798
Deferred tax assets, net	2,133,620	2,553,346
Cash surrender value of life insurance	528,464	528,129
Goodwill	649,869	649,869
Other assets	<u>3,442,607</u>	<u>3,480,537</u>
Total assets	<u>\$ 362,592,153</u>	<u>\$ 353,651,361</u>

See Accompanying Notes to Consolidated Financial Statements

Ottawa Bancorp, Inc. & Subsidiary
Consolidated Balance Sheets (continued)
December 31, 2025 and 2024

	2025	2024
Liabilities and stockholders' equity		
Liabilities		
Deposits:		
Non-interest bearing	\$ 23,086,883	\$ 22,630,273
Interest bearing	<u>275,026,699</u>	<u>260,177,320</u>
Total deposits	298,113,582	282,807,593
Accrued interest payable	545,766	853,122
FHLB advances	15,860,000	22,250,000
Long-term debt	1,238,661	1,380,988
Allowance for credit losses on off-balance sheet credit exposures	83,629	79,199
Other liabilities	<u>5,047,185</u>	<u>4,497,152</u>
Total liabilities	<u>320,888,823</u>	<u>311,868,054</u>
Commitments and contingencies ESOP repurchase obligation	<u>2,672,922</u>	<u>2,230,729</u>
Stockholders' equity	2025	2024
Common stock, \$0.01 par value, 12,000,000 shares authorized; 2,292,784 and 2,419,911 shares issued and outstanding at December 31, 2025 and 2024, respectively	22,928	24,199
Additional paid-in-capital	21,060,890	22,898,558
Retained earnings	22,166,573	21,503,222
Unallocated ESOP shares	(162,974)	(358,737)
Unearned management recognition plan shares	(46,375)	(70,193)
Accumulated other comprehensive loss	<u>(1,337,712)</u>	<u>(2,213,742)</u>
	41,703,330	41,783,307
Less:		
ESOP owned shares	<u>(2,672,922)</u>	<u>(2,230,729)</u>
Total stockholders' equity	<u>39,030,408</u>	<u>39,552,578</u>
Total liabilities and stockholders' equity	<u>\$ 362,592,153</u>	<u>\$ 353,651,361</u>

See Accompanying Notes to Consolidated Financial Statements.

Ottawa Bancorp, Inc. & Subsidiary
Consolidated Statements of Operations
Years Ended December 31, 2025 and 2024

	2025	2024
Interest and dividend income:		
Interest and fees on loans	\$ 15,880,232	\$ 15,222,704
Securities:		
Residential mortgage-backed and related securities	461,530	372,829
State and municipal securities	90,775	73,086
Dividends on non-marketable equity securities	129,320	131,615
Interest-bearing deposits	<u>742,003</u>	<u>414,524</u>
Total interest and dividend income	<u>17,303,860</u>	<u>16,214,758</u>
Interest expense:		
Deposits	6,297,495	6,424,177
Borrowings	<u>673,966</u>	<u>858,653</u>
Total interest expense	<u>6,971,461</u>	<u>7,282,830</u>
Net interest income	10,332,399	8,931,928
Recovery of credit losses – loans	(48,462)	(134,826)
Provision for (recovery of) credit losses – off-balance sheet credit exposures	<u>4,430</u>	<u>(14,937)</u>
Net interest income after recovery of credit losses	<u>10,376,431</u>	<u>9,081,691</u>
Noninterest income:		
Gain on sale of loans, net	167,078	184,652
Loan origination and servicing income	565,351	596,315
Customer service fees	506,207	467,832
Increase in cash surrender value of life insurance	<u>335</u>	<u>51,159</u>
Total noninterest income	<u>1,238,971</u>	<u>1,299,958</u>
Noninterest expenses:		
Salaries and employee benefits	5,310,915	4,825,949
Directors fees	174,000	175,000
Occupancy	639,215	622,292
Deposit insurance premium	156,295	160,317
Legal and professional services	423,622	528,845
Data processing	1,176,614	1,213,852
Loss on sale of securities	-	600,408
Loan expense	276,086	305,919
Mortgage servicing rights amortization	121,601	172,057
Advertising	129,793	98,893
Other	<u>773,411</u>	<u>602,982</u>
Total noninterest expenses	<u>9,181,552</u>	<u>9,306,514</u>
Income before income tax expense	2,433,850	1,075,135
Income tax expense	<u>753,084</u>	<u>296,998</u>
Net income	<u>\$ 1,680,766</u>	<u>\$ 778,137</u>
Basic earnings per share	<u>\$ 0.71</u>	<u>\$ 0.31</u>
Diluted earnings per share	<u>\$ 0.71</u>	<u>\$ 0.31</u>
Dividends per share	<u>\$ 0.43</u>	<u>\$ 0.44</u>

See Accompanying Notes to Consolidated Financial Statements.

Ottawa Bancorp, Inc. & Subsidiary
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2025 and 2024

	2025	2024
Net income	\$ 1,680,766	\$ 778,137
Other comprehensive income, before tax:		
Securities available-for-sale:		
Unrealized holding gains (losses) arising during the period	\$ 1,225,303	\$ (277,151)
Reclassification adjustment for losses included in net income	-	600,408
Other comprehensive income, before tax	\$ 1,225,303	\$ 323,257
Income tax expense related to items of other comprehensive income	\$ 349,273	\$ 92,143
Other comprehensive income, net of tax	\$ 876,030	\$ 231,114
Comprehensive income	\$ 2,556,796	\$ 1,009,251

See Accompanying Notes to Consolidated Financial Statements.

Ottawa Bancorp, Inc. & Subsidiary
Consolidated Statements of Stockholders' Equity
Years Ended December 31, 2025 and 2024

	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Unallocated ESOP Shares</u>	<u>Unearned MRP Shares</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Maximum Cash Obligation Related to ESOP Shares</u>	<u>Total</u>
Balance, January 1, 2024	\$ 25,529	\$ 24,738,476	\$ 21,798,054	\$ (682,192)	\$ (103,417)	\$ (2,444,856)	\$ (1,691,975)	\$ 41,639,619
Net income	-	-	778,137	-	-	-	-	778,137
Other comprehensive income, net of taxes of \$92,143	-	-	-	-	-	231,114	-	231,114
Allocation of 32,345 of ESOP shares	-	-	-	323,455	-	-	-	323,455
ESOP Shares Buy Back-8,809 shares	(85)	(91,040)	-	-	-	-	-	(91,125)
Grant of 3,028 MRP Shares	30	41,433	-	-	(11,550)	-	-	29,913
Compensation expense on								
MRP awards granted	-	-	-	-	44,774	-	-	44,774
Change in cash obligation	-	-	-	-	-	-	(538,754)	(538,754)
Cash dividends paid, \$0.11 per share	-	-	(1,072,969)	-	-	-	-	(1,072,969)
Repurchase 127,332 shares	(1,275)	(1,790,311)	-	-	-	-	-	(1,791,586)
Balance, December 31, 2024	<u>\$ 24,199</u>	<u>\$ 22,898,558</u>	<u>\$ 21,503,222</u>	<u>\$ (358,737)</u>	<u>\$ (70,193)</u>	<u>\$ (2,213,742)</u>	<u>\$ (2,230,729)</u>	<u>\$ 39,552,578</u>
Net income	-	-	1,680,766	-	-	-	-	1,680,766
Other comprehensive income, net of taxes of \$349,273	-	-	-	-	-	876,030	-	876,030
Allocation of 19,578 of ESOP shares	-	-	-	195,763	-	-	-	195,763
ESOP Shares Buy Back- 9,063 shares	(91)	(80,084)	-	-	-	-	-	(80,175)
Grant of 3,932 MRP Shares	29	44,786	-	-	(14,850)	-	-	29,965
Compensation expense on								
MRP awards granted	-	-	-	-	38,668	-	-	38,668
Change in cash obligation	-	-	-	-	-	-	(442,193)	(442,193)
Cash dividends paid, \$0.11 per share	-	-	(1,017,415)	-	-	-	-	(1,017,415)
Repurchase 120,996 shares	(1,209)	(1,802,370)	-	-	-	-	-	(1,803,579)
Balance, December 31, 2025	<u>\$ 22,928</u>	<u>\$ 21,060,890</u>	<u>\$ 22,166,573</u>	<u>\$ (162,974)</u>	<u>\$ (46,375)</u>	<u>\$ (1,337,712)</u>	<u>\$ (2,672,922)</u>	<u>\$ 39,030,408</u>

See Accompanying Notes to Consolidated Financial Statements

Ottawa Bancorp, Inc. & Subsidiary
Consolidated Statements of Cash Flows
Years Ended December 31, 2025 and 2024

	2025	2024
Cash flows from operating activities		
Net income	\$ 1,680,766	\$ 778,137
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	248,956	247,412
Recovery of credit losses - loans	(48,462)	(134,826)
Provision for (recovery of) credit losses – off-balance sheet credit exposures	4,430	(14,937)
Provision for deferred income taxes	70,453	154,014
Net accretion of premiums and discounts on securities	(62,895)	(38,752)
Loss on sale of securities, net	-	600,408
Origination of mortgage loans held-for-sale	(15,186,718)	(8,349,560)
Proceeds from sale of mortgage loans held-for-sale	15,585,796	8,302,212
Gain on sale of loans	(167,078)	(184,652)
Net amortization of mortgage servicing rights	65,067	87,302
Compensation expense on ESOP shares released	195,763	323,455
Compensation expense on MRP options granted	68,633	74,687
Amortization of core deposit intangible	-	31,909
Increase in cash surrender value of life insurance	(335)	(51,159)
Change in assets and liabilities:		
Change in accrued interest receivable	695,014	(407,654)
Change in other assets	37,929	(430,464)
Change in accrued interest payable and other liabilities	<u>242,677</u>	<u>(1,605,856)</u>
Net cash provided by (used in) operating activities	<u>3,429,996</u>	<u>(618,324)</u>
Cash flows from investing activities		
Securities available-for-sale:		
Purchases	(11,860,474)	(5,022,568)
Sales, calls, maturities and paydowns	13,967,855	6,744,335
Proceeds from the sale of life insurance	-	2,240,918
Net change in loans	(3,967,763)	10,574,767
Purchase of property and equipment	<u>(130,969)</u>	<u>(254,185)</u>
Net cash provided by (used in) investing activities	<u>(1,991,351)</u>	<u>14,283,267</u>
Cash flows from financing activities		
Net change in deposits	15,305,989	1,721,635
Proceeds from Federal Home Loan Bank advances	860,000	38,400,000
Principal reduction of Federal Home Loan Bank advances	(7,250,000)	(46,900,000)
Principal reduction of long-term debt	(142,327)	(319,012)
Shares repurchased and cancelled	(1,883,754)	(1,882,711)
Dividends paid	<u>(1,017,415)</u>	<u>(1,072,969)</u>
Net cash provided by (used in) financing activities	<u>5,872,493</u>	<u>(10,053,057)</u>
Net change in cash and cash equivalents	7,311,138	3,611,886
Cash and cash equivalents:		
Beginning of year	<u>17,008,305</u>	<u>13,396,419</u>
End of year	<u>\$ 24,319,443</u>	<u>\$ 17,008,305</u>

See Accompanying Notes to Consolidated Financial Statements.

Ottawa Bancorp, Inc. & Subsidiary
Consolidated Statements of Cash Flows (continued)
Years Ended December 31, 2025 and 2024

	2025	2024
Supplemental disclosures of cash flow information		
Cash payments for:		
Interest paid to depositors	\$ 6,510,697	\$ 5,999,766
Interest paid on borrowings	667,666	869,954
Federal income taxes paid	647,000	192,000
Illinois State income taxes paid	299,000	83,000
Supplemental schedule of noncash investing and financing activities		
Change in ESOP obligation	442,193	538,754

See Accompanying Notes to Consolidated Financial Statements.

Ottawa Bancorp, Inc. & Subsidiary
Notes to Consolidated Financial Statements
Years Ended December 31, 2025 and 2024

Note 1. Summary of Significant Accounting Policies

Entity structure

Ottawa Bancorp, Inc. (the "Company") is a Maryland corporation that was incorporated in May 2016 as the successor to Ottawa Savings Bancorp, Inc. ("Ottawa Savings Bancorp") upon completion of the second-step conversion of Ottawa Savings Bank from the two-tier mutual holding company structure to the stock holding company structure. Ottawa Savings Bancorp MHC was the former mutual holding company for Ottawa Savings Bancorp prior to completion of the second-step conversion. In conjunction with the second-step conversion, Ottawa Savings Bancorp MHC merged into Ottawa Savings Bancorp (and ceased to exist), and Ottawa Savings Bancorp merged into the Company, with the Company as the surviving entity. The second-step conversion was completed on October 11, 2016, at which time the Company sold, for gross proceeds of \$23.8 million, a total of 2,383,950 shares of common stock at \$10.00 per share, including 190,716 shares purchased by the Bank's employee stock ownership plan. Capital increased an additional \$126,000 due to cash contributed by Ottawa Savings Bancorp MHC upon merging into Ottawa Savings Bancorp, Inc. Also, as part of the second-step conversion, treasury shares held by Ottawa Savings Bancorp, Inc. were retired and each of the existing outstanding shares of Ottawa Savings Bancorp common stock owned by persons other than Ottawa Savings Bancorp MHC was converted into 1.1921 of a share of Company common stock.

On December 31, 2014, Ottawa Savings Bancorp completed its acquisition of Twin Oaks Savings Bank ("Twin Oaks"), whereby Twin Oaks was merged with and into the Bank, with the Bank as the surviving institution. As a result of the Merger, Ottawa Savings Bancorp increased its market share in the LaSalle County market and expanded into Grundy County.

On June 30, 2020, Ottawa Bancorp Inc. voluntarily delisted its common stock from the NASDAQ Capital Market and withdrew its registration of its common stock with the SEC under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Thus, the Company is no longer required to file periodic reports with the SEC, including reports on Forms 10-K, 10-Q and 8-K. The Company has its shares now quoted on the OTCQX Market following the NASDAQ delisting.

On September 27, 2021, Ottawa Savings Bank converted from a federally-chartered savings bank to an Illinois-chartered commercial bank. In connection with the charter conversion, the Bank changed its name to OSB Community Bank and the Company converted from a savings and loan holding company to a bank holding company.

Principles of consolidation

The accompanying consolidated financial statements include the accounts of Ottawa Bancorp, Inc. (the Company) and its wholly owned subsidiary OSB Community Bank (the Bank). All significant intercompany transactions and balances are eliminated in consolidation.

Nature of business

The primary business of the Company is the ownership of the Bank. Through the Bank, the Company is engaged in providing a variety of financial services to individual and corporate customers in the Ottawa, Marseilles, and Morris, Illinois areas, which are primarily agricultural areas consisting of several rural communities with small to medium-sized businesses. The Bank's primary source of revenue is interest and fees related to single-family residential loans to middle-income individuals and interest and fees related to commercial loans to small businesses.

Ottawa Bancorp, Inc. & Subsidiary
Notes to Consolidated Financial Statements
Years Ended December 31, 2025 and 2024

Note 1. Summary of Significant Accounting Policies (Continued)

Use of estimates

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change relate to the fair value of securities available-for-sale, the determination of the allowance for credit losses, the valuation of deferred income taxes, and the fair value measurement for the assets and liabilities.

The determination of the adequacy of the allowance for credit losses is based on estimates that are particularly susceptible to significant changes in the present economic environment. In conjunction with the determination of the estimated losses on loans (the statement of operation's provision for credit losses) management must exercise judgement and obtain independent appraisals for significant collateral.

The Bank's loans are generally secured by specific items of collateral including real property, consumer assets, and business assets. Although the Bank has a diversified loan portfolio, a substantial portion of its debtors' ability to honor their contracts is dependent on local economic conditions.

While management uses available information to recognize losses on loans, further reductions in the carrying amounts of loans may be necessary based on changes in economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the estimated losses on loans. Such agencies may require the Bank to recognize additional losses based on their judgments about information available to them at the time of their examination. Because of these factors, it is reasonably possible that the estimated losses on loans may change materially. However, the amount of the change that is reasonably possible cannot be presently estimated.

Concentration of credit risk

Most of the Bank's business activity is with customers within the Ottawa, Marseilles, and Morris areas. The Bank does not have any significant concentrations to any one industry or customer.

The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

Cash and cash equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand and amounts due from banks and interest-bearing deposits, including cash items in process of clearing. Cash flows from loans, deposits, time deposits and federal funds sold or purchased are treated as net increases or decreases in the statement of cash flows. Federal funds sold and purchased consist of overnight unsecured lending and borrowing transactions with other financial institutions and are carried at principal balance, which approximates fair value.

Debt securities

Debt securities classified as available-for-sale are those debt securities that the Company intends to hold for an indefinite period of time, but not necessarily to maturity. Any decision to sell a security classified as available-for-sale would be based on various factors, including significant movements in interest rates, changes in maturity mix of the Company's assets and liabilities, liquidity needs, regulatory capital considerations and other similar factors. Securities available-for-sale are carried

Ottawa Bancorp, Inc. & Subsidiary
Notes to Consolidated Financial Statements
Years Ended December 31, 2025 and 2024

Note 1. Summary of Significant Accounting Policies (Continued)

at fair value and transactions are recorded on the trade date. The difference between the fair value and amortized cost, adjusted for amortization of premium and accretion of discounts, computed by the interest method over their contractual maturity or the earliest call date if the bond was purchased with a premium and has a call date, results in an unrealized gain or loss. Unrealized gains or losses are reported as accumulated other comprehensive income, net of the related deferred tax effect and are included as a component of stockholders' equity. Gains or losses from the sale of securities are determined using the specific identification method and are included in earnings. Declines in the fair value of available-for-sale securities below their amortized cost basis that are deemed to have credit impairment would be reflected in an allowance for credit losses on the balance sheet. Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities factoring in amortizing premiums to earliest call date.

Non-marketable equity securities

Non-marketable equity securities consist primarily of the Bank's investment in the Federal Home Loan Bank of Chicago stock. The Bank is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowing and other factors and may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted security reported in other assets. The investment was \$1,380,798 as of December 31, 2025 and 2024 and is periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

Loans

The Bank primarily lends to small and mid-sized businesses, non-residential real estate customers and consumers providing mortgage, commercial and consumer loans. A substantial portion of the loan portfolio is represented by mortgage loans throughout Ottawa, Marseilles and Morris, Illinois and the surrounding areas. The ability of the Bank's debtors to honor their contracts is dependent upon the real estate and general economic conditions in the areas in which they lend. It is the Bank's policy to review each prospective credit in order to determine the appropriateness and the adequacy of security or collateral prior to making a loan. In the event of borrower default, the Bank seeks recovery in compliance with state lending laws, the Bank's lending standards, and credit monitoring and remediation procedures.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are generally reported at their outstanding unpaid principal balances adjusted for charge-offs, the allowance for credit losses ('ACL'), and any deferred fees or costs on originated loans. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the related loan yield over the contractual life of the loan using the interest method.

The following portfolio segments and classes of loan receivables have been identified by the Company:

- Commercial
- Non-residential real estate
- One-to-four family residential
- Multi-family residential
- Consumer direct

Generally, for all classes of loans receivable, loans are considered past due when contractual payments are delinquent for 31 days or greater. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual status or charged-off at an earlier date if collection of principal or interest is considered doubtful.

For all classes of loans receivable, loans are placed on nonaccrual status when the loan has become over 90 days past due (unless the loan is well secured and in the process of collection).

Ottawa Bancorp, Inc. & Subsidiary
Notes to Consolidated Financial Statements
Years Ended December 31, 2025 and 2024

Note 1. Summary of Significant Accounting Policies (Continued)

When a loan is placed on nonaccrual status, income recognition is ceased. Previously recorded but uncollected amounts of interest on nonaccrual loans are reversed at the time the loan is placed on nonaccrual status. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual status. Should full collection of principal be expected, cash collected on nonaccrual loans can be recognized as interest income.

For all classes of loans receivable, nonaccrual loans may be restored to accrual status provided the following criteria are met:

- The loan is current, and all principal and interest amounts contractually due have been made,
- All principal and interest amounts contractually due, including past due payments, are reasonably assured of repayment within a reasonable period, and
- There is a period of minimum repayment performance, as follows, by the borrower in accordance with contractual terms:
 - Six months of repayment performance for contractual monthly payments, or
 - One year of repayment performance for contractual quarterly or semi-annual payments.

Allowance for Credit Losses

Securities – available-for-sale

For available-for-sale debt securities in an unrealized loss position, the Bank first assesses whether it intends to sell or if it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For debt securities available-for-sale that do not meet the aforementioned criteria, the Bank evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost of the security. If the present value of the cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance is recognized in other comprehensive income. Changes in the allowance for credit losses are recorded as credit loss expense (or reversal). Losses are charged against the allowance when management believes the uncollectibility of an available-for-sale security is confirmed or when either of the criteria regarding intent or requirement to sell is met. Accrued interest receivable on securities available-for-sale is not included in the estimate of credit losses. Accrued interest receivable on securities available-for-sale totaled \$50,866 and \$60,175 as of December 31, 2025 and December 31, 2024, respectively.

Loans Receivable

The Allowance for Credit Losses (ACL) is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the uncollectibility of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses, although management also compares their own data with peer data. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as difference

Ottawa Bancorp, Inc. & Subsidiary
Notes to Consolidated Financial Statements
Years Ended December 31, 2025 and 2024

Note 1. Summary of Significant Accounting Policies (Continued)

in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environmental conditions, such as changes in unemployment rates, property values or other relevant factors. Accrued interest receivable on loans receivable is not included in the estimate of credit losses. Accrued interest receivable on loans totaled \$1,362,685 and \$2,048,392 as of December 31, 2025 and December 31, 2024, respectively.

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. The Bank has identified portfolio segments and measures the allowance for credit losses using risk characteristics as described in Note 3.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not included in the collective evaluation. When management determines that foreclosure is probable or when the borrower is experiencing financial difficulty at the reporting date, and repayment is expected to be provided substantially through the operation or sale of the collateral, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate.

When the discounted cash flow method is used to determine the allowance for credit losses, management may adjust the effective interest rate used to discount expected cash flows to incorporate expected prepayments.

Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate. The contractual terms exclude expected extensions, renewals, and modifications unless either of the following applies: management has a reasonable expectation at the reporting date that a troubled debt restructuring will be executed with an individual borrower or the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Bank.

A loan is considered impaired 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 impaired. 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. Impairment is measured on a loan-by-loan basis for commercial and non-residential loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral-dependent.

A discussion of the risk characteristics and the allowance for estimated losses on loans, by each portfolio segment, follows:

Collateral for commercial loans generally includes accounts receivable, inventory, and equipment. The lending policy specifies approved collateral types and corresponding maximum advance percentages. The value of collateral pledged on loans must exceed the loan amount by a margin sufficient to absorb potential erosion of its value in the event of foreclosure and cover the loan amount plus costs incurred to convert it to cash. The lending policy specifies maximum term limits for commercial loans. For term loans, the maximum term is 10 years. Generally, term loans range from 3 to 5 years. For lines of credit, the maximum term is 365 days. In addition, the Company often takes personal guarantees as support for repayment. Loans may be made on an unsecured basis if warranted by the overall financial condition of the borrower.

Non-residential real estate loans are subject to underwriting standards and processes similar to commercial loans, in addition to those standards and processes specific to real estate loans. Collateral for non-residential real estate loans generally includes the underlying real estate and improvements and may include additional assets of the borrower. The lending policy

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Notes to Consolidated Financial Statements
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Note 1. Summary of Significant Accounting Policies (Continued)

specifies maximum loan-to-value limits based on the category of non-residential real estate (non-residential real estate loans on improved property, raw land, land development, and commercial construction). These limits are the same limits established by regulatory authorities. The lending policy also includes guidelines for real estate appraisals, including minimum appraisal standards based on certain transactions. In addition, the Company often takes personal guarantees as support for repayment.

Some of the non-residential loans that the Company originates finance the construction of residential dwellings and land development. For land development, the loans generally can be made with a maximum loan to value ratio of 70% and a maximum term up to 10 years. Additionally, the Company will underwrite commercial construction loans for commercial development projects including condominiums, apartment buildings, single-family subdivisions, single-family speculation loans, as well as owner-occupied properties used for business. These loans provide for payment of interest only during the construction phase and may, in the case of an apartment or commercial building, convert to a permanent loan upon completion. In the case of a single-family subdivision or construction or builder loan, as individual lots are sold, the principal balance is reduced by a minimum of 80% of the net lot sales price. In the case of a commercial construction loan, the construction period may be from nine months to two years. Loans are generally made to a maximum of 80% of the appraised value as determined by an appraisal of the property made by an independent state-certified general real estate appraiser. Periodic inspections are required of the property during the term of the construction loan for both residential and commercial construction loans.

For commercial and non-residential real estate loans, the ACL consists of specific and general components. For loans that are considered impaired as defined above, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan.

The Company hires an independent firm to perform a loan review every 12 months to validate the risk ratings on selected commercial and non-residential loans. Additionally, the reviews include an analysis of debt service requirements, covenant compliance, if applicable, and collateral adequacy. They also perform a documentation review on selected loans to determine if the credit is properly documented and closed in accordance with approval authorities and conditions.

Generally, the Company's one-to-four family real estate loans conform to the underwriting standards of Freddie Mac and Fannie Mae which would allow the Company the ability to sell the loans in the secondary market. The Company structures most loans that will not conform to those underwriting requirements as adjustable-rate mortgages that adjust in one, three or five-year increments and retains those in its portfolio. The board approved lending policy establishes minimum appraisal and credit underwriting guidelines. The Company also participates with the USDA Rural Development Agency to offer loans to qualifying borrowers. USDA guaranteed loans are granted up to 100% of the appraised value and the USDA guarantees up to 90% of the loan. These loans typically require no down payment but are subject to maximum income limitations.

The Company also originates loans for multi-family dwellings. These loans follow board and regulatory approved underwriting guidelines similar to commercial loans, in addition to those standards and processes specific to real estate loans. Collateral for multi-family real estate loans generally includes the underlying real estate and improvements and may include additional assets of the borrower. The board approved lending policy specifies maximum loan-to-value limits based on the type of property. The lending policy also includes guidelines for real estate appraisals, including minimum appraisal standards based on certain transactions. The policy also specifies minimum ongoing credit administration procedures including the collection of financial statements, tax returns and rent rolls when applicable. Additionally, the Company will take personal guarantees and cross collateralize other assets of the guarantors as support for repayment.

The Company provides many types of installment and other consumer loans including motor vehicle, home improvement, share loans, personal unsecured loans, home equity, and small personal credit lines. The lending policy addresses specific credit guidelines by consumer loan type. Unsecured loans generally have a maximum borrowing limit of \$25,000 and a maximum term of four years.

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Note 1. Summary of Significant Accounting Policies (Continued)

The procedures for underwriting consumer loans include an assessment of the applicant's payment history on other debts and ability to meet existing obligations and payments on the proposed loans. Although the applicant's credit-worthiness is a primary consideration, the underwriting process also includes a comparison of the value of the collateral, if any, to the proposed loan amount.

For residential real estate loans, multi-family and consumer direct loans (e.g. installment, in-house auto, other consumer loans, etc.) The allowance for estimated losses on loans consists of a specific and general component. The specific component is evaluated for only loans that are classified as impaired, which is based on current information and events if it is probable that the Company will be unable to collect the scheduled payments according to the terms of the agreement. Impairment on these is measured on a case-by-case basis by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price or the fair value of the collateral if the loan is collateral dependent. For large groups of smaller balance homogenous loans that are under 90 days past due, they are collectively measured using the expected credit loss basis. To determine the general component, the Company measures relevant information about past events, including historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the amortized cost basis. Adjustments to historical loss information are made for differences in current loan specific in underwritten standards, portfolio mix, delinquency level or term as well as changes in environmental conditions such as unemployment rates, property values and other relevant factors. Ongoing impacts of CECL will be dependent upon changes in economic conditions and forecast, prepayment speeds, credit performance trends, portfolio duration and other factors. Quantitative factors based on historical charge-off experience in total for each segment. Additionally, the historical loss factors are adjusted based on qualitative factors determined by the Company which impact each segment.

Off-balance sheet instruments

The Bank estimates expected credit losses over the contractual period in which the Bank is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Bank. The allowance for credit losses on off-balance credit exposures is adjusted through provision for credit losses. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life.

Loans Acquired in a Transfer

The loans acquired in the Twin Oaks merger were recorded at fair value as of the acquisition date and no separate valuation allowance was established. Management engaged the services of an independent valuation specialist to determine the fair values based on expected cash flows discounted at appropriate rates.

FASB ASC Topic 310-30, *Loans and Debt Securities Acquired with Deteriorated Credit Quality*, applies to loans acquired in a transfer with evidence of deterioration of credit quality for which it is probable, at acquisition, that the investor will be unable to collect all contractually required payments receivable. If both conditions exist, the Company determines whether to account for each loan individually or whether such loans will be assembled into pools based on common risk characteristics such as credit score, loan type, and origination date. Based on this evaluation, the Company determined that the loans acquired from the Twin Oaks merger subject to ASC Topic 310-30 would be accounted for individually.

The Company considered expected prepayments and estimated the total expected cash flows, which included undiscounted expected principal and interest. The excess of that amount over the fair value of the loan is referred to as accretable yield. Accretable yield is recognized as interest income on a constant yield basis over the expected life of the loan. The excess of the contractual cash flows over expected cash flows is referred to as non-accretable difference and is not accreted

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Years Ended December 31, 2025 and 2024

Note 1. Summary of Significant Accounting Policies (Continued)

into income. Over the life of the loan, the Company continues to estimate expected cash flows. Subsequent decreases in expected cash flows are recognized as impairments in the current period through the ACL. Subsequent increases in cash flows to be collected are first used to reverse any existing valuation allowance and any remaining increases are recognized prospectively through an adjustment of the loan's yield over its remaining life.

FASB ASC Topic 310-20, *Nonrefundable Fees and Other Costs*, was applied to loans not considered to have deteriorated credit quality at acquisition. Under ASC Topic 310-20, the difference between the loan's principal balance at the time of purchase and the fair value is recognized as an adjustment of yield over the life of the loan.

Mortgage Partnership Finance Program

In 2018, the Company began participating in the Mortgage Partnership Finance ("MPF") Program of the Federal Home Loan Bank of Chicago ("FHLBC"). The program is intended to provide member institutions with an alternative to holding fixed-rate mortgage in their loan portfolios or selling in the secondary market. The Company participates in the MPF Program by either originating individual loans on a "flow" basis as an agent for the FHLBC pursuant to the "MPF Original Program" and the "MPF 125 Program" or by selling, as a principal, closed loans owned by the Company to the FHLBC pursuant to one of the FHLBC's closed loan programs. Under the MPF Program, credit risk is shared by the Company and the FHLBC by structuring the loss exposure in several layers, with the Company being liable for losses after application of an initial layer of losses (after any private mortgage insurance) is absorbed by the FHLBC, subject to an agreed-upon maximum amount of such secondary credit enhancement which is intended to be in an amount equivalent to a "AA" credit risk by a rating agency. The Company may also be liable for certain first layer losses after a specified period of time. The Company received credit enhancement fees from the FHLBC for providing this credit enhancement and continuing to manage the credit risk of the MPF Program loans. MPF program loans totaled \$50.3 million and \$52.4 million as of December 31, 2025 and December 31, 2024, respectively.

Servicing

Servicing assets are recognized as separate assets when rights are acquired through purchase or through sale of financial assets. For sales of mortgage loans, a portion of the cost of originating the loan is allocated to the servicing right based on fair value. Fair value is based on market prices for comparable mortgage servicing contracts, when available, or alternatively, is based on a valuation model that calculates the present value of estimated future net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income, such as the cost to service, the discount rate, the custodial earnings rate, an inflation rate, ancillary income, prepayment speeds and default rates and losses. Capitalized servicing rights are amortized into non-interest income in proportion to, and over the period of, the estimated future net servicing income of the underlying financial assets. The Company's servicing of assets is recorded in other assets.

Servicing assets are evaluated for impairment based upon the fair value of the rights as compared to amortized cost. Impairment is determined by stratifying rights into tranches based on predominant risk characteristics, such as interest rate, loan type and investor type. Impairment is recognized through a valuation allowance for an individual tranche, to the extent that fair value is less than the capitalized amount for the tranche. If the Company later determines that all or a portion of the impairment no longer exists for a particular tranche, a reduction of the allowance may be recorded as an increase to income.

Servicing fee income is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal or a fixed amount per loan and are recorded as income when earned. The amortization of mortgage servicing rights is netted against loan servicing fee income.

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Note 1. Summary of Significant Accounting Policies (Continued)

Transfers of financial assets

Transfers of financial assets 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.

Accounting Pronouncements Adopted in Fiscal Year 2025

ASU 2023-09 — Income Taxes (Topic 740): Improvements to Income Tax Disclosures - In December 2023, the FASB issued guidance to improve income tax disclosures, primarily related to the tax rate reconciliation and income taxes paid information. This standard is intended to enhance transparency of income tax information provided to users of financial statements. The amendments are to be applied on a prospective basis and became effective for annual periods beginning after December 15, 2024. Adoption of this standard impacted income tax disclosures and did not have a material impact on the Company's consolidated financial statements.

ASU 2023-07 — Income Statement (Topic 220): Expense Disaggregation Disclosures - In November 2023, the FASB issued guidance for public business entities regarding disclosures of certain costs and expenses. This standard requires disclosure of specified information about certain costs and expenses, including employee compensation, depreciation, amortization of intangible assets, and selling expenses, by relevant income statement line item. For public business entities, the amendments are effective for annual periods beginning after December 15, 2026. Early adoption is permitted. The Company adopted these amendments without material effect on its financial statements.

Income taxes

Deferred income tax assets and liabilities are computed quarterly for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to amounts which are more likely than not realizable. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50 percent; the terms examined and upon examination also include resolution of the related appeals or litigation process, if any. A tax position that meets the more likely than not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more likely than not recognition threshold considers the facts, circumstances, and information available at the reporting date and is subject to management's judgment. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized. The Company has no uncertain tax positions for which a liability has been recorded. The Company is no longer subject to examination by federal or state taxing authorities for tax years prior to 2022.

Ottawa Bancorp, Inc. & Subsidiary
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Years Ended December 31, 2025 and 2024

Note 1. Summary of Significant Accounting Policies (Continued)

Premises and equipment

Land is carried at cost. Premises and equipment are carried at cost, less accumulated depreciation. Premises and equipment are depreciated using the straight-line and accelerated depreciation methods over the estimated useful lives of the assets:

	<u>Years</u>
Buildings and improvements	7-39
Furniture and equipment	5-15

Employee stock ownership plan

The Bank has an employee stock ownership plan (ESOP) covering substantially all employees. The cost of shares issued to the ESOP but not yet allocated to participants is presented in the consolidated balance sheets as a reduction of stockholders' equity. Compensation expense is recorded based on the market price of the shares as they are committed to be released for allocation to participant accounts. Dividends on allocated ESOP shares reduce retained earnings; dividends on unearned ESOP shares reduce debt and accrued interest.

Stock-based compensation

The Company recognizes compensation cost for all stock-based awards based on the estimated grant date fair value. The fair value of stock options is estimated using a Black-Scholes option pricing model and amortized to expense over the option's vesting periods, as more fully disclosed in Note 9. Forfeiture of stock-based compensation occurs when an employee's employment is terminated before the awards vest or when performance conditions are not met, requiring a reversal of previously recognized compensation expense.

Off-balance-sheet financial instruments

Financial instruments include off-balance-sheet credit instruments, such as commitments to originate loans, issued to meet customer financing needs. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded.

Comprehensive income

Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on securities available-for-sale net of the related tax effect.

Revenue from Contracts with Customers

The Company records revenue from contracts with customers in accordance with Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers* (ASC 606). Under ASC 606, the Company must identify the contract with a customer, identify the performance obligation(s) within the contract, determine the transaction price, allocate the transaction price to the performance obligation(s) within the contract, and recognize revenue when (or as) the performance obligation(s) are/is satisfied. The core principle under ASC 606 requires the Company to recognize revenue to depict the transfer of services or products to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those services or products recognized as performance obligations are satisfied. The Company generally fully satisfies its performance obligations on its contracts with customers as services are rendered and the transaction prices are typically fixed; charged either

Ottawa Bancorp, Inc. & Subsidiary
Notes to Consolidated Financial Statements
Years Ended December 31, 2025 and 2024

Note 1. Summary of Significant Accounting Policies (Continued)

on a periodic basis or based on activity. Since performance obligations are satisfied as services are rendered and the transaction prices are fixed, there is little judgment involved in applying ASC 606 that significantly affects the determination of the amount and timing of revenue from contracts with customers.

The majority of the Company's revenue is not subject to ASC 606, including net interest income, loan servicing income, fees related to loans and loan commitments, increase in cash surrender value of bank owned-life insurance, and gain on sales of loans and securities.

The following revenue-generating transactions are within the scope of ASC 606, which are presented in the consolidated statements of operations as components of noninterest income:

Customer service fees – The Company earns fees from its deposit customers for transaction-based, account maintenance, and overdraft services. Transaction-based fees, such as ATM use fees, wires, stop payment charges, statement rendering, and ACH fees, are recognized at the time the transaction is executed as that is the point in time the Company fulfills the customer's request. Account maintenance fees, which relate primarily to monthly service charges and maintenance fees, are earned over the course of a month, representing the period over which the Company satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs as this corresponds with the Company's performance obligation.

Interchange fees – Customers use a bank-issued debit card to purchase goods and services, and the Company earns interchange fees on those transactions, typically a percentage of the sale amount of the transaction. The Company is considered an agent with respect to these transactions. Interchange fee payments received, net of related expense, are recognized as income daily, concurrently with the transaction processing services provided to the cardholder through the payment networks. There are no contingent debit card interchange fees recorded by the Company that could be subject to a claw-back in future periods. These amounts are included in the customer service fees line item on the statements of operations.

Gain (loss) on sale of foreclosed assets – The Company records a gain or loss from the sale of foreclosed assets when control of the property transfers to the buyer, which generally occurs at the time of an executed deed and transfer of control is completed. When the Company finances the sale to the buyer, the Company assesses whether the buyer is committed to perform their obligations under the contract and whether the Company expects to collect substantially all of the transaction price. Once these criteria are met, the asset is derecognized and the gain or loss on the sale is recognized. In determining the gain or loss on the sale, the Company adjusts the transaction price and related gain (loss) on sale if the financing does not include market terms.

Loss contingencies

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable, and an amount or range of loss can be reasonably estimated. In the normal course of business, management will reach settlements over legal issues which are recorded in the period received.

Management does not believe there are any such matters that will have a material effect on the consolidated financial statements.

Ottawa Bancorp, Inc. & Subsidiary
Notes to Consolidated Financial Statements
Years Ended December 31, 2025 and 2024

Note 1. Summary of Significant Accounting Policies (Continued)

Fair value measurements

In accordance with the provisions of FASB ASC 820, *Fair Value Measurements and Disclosures*, fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants and is not adjusted for transaction costs. This guidance also establishes a framework for measuring fair value and disclosure of fair value measurements. See Note 14 for additional information.

Fair value of financial instruments

Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in Note 15. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect the estimates.

Cash surrender value of life insurance

The Company has purchased bank-owned life insurance on certain directors and officers. Bank-owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement.

Goodwill

Goodwill resulting from business combinations is generally determined as the excess of the fair value of the consideration transferred over the fair value of the net assets acquired and liabilities assumed as of the acquisition date. On December 31, 2014, the Company completed its acquisition of Twin Oaks Savings Bank, which resulted in the recognition of goodwill of \$649,869.

Goodwill acquired in a business combination is not amortized but tested for impairment at least annually or more frequently if events or circumstances exist that indicate that a goodwill test should be performed. The Company has selected December 31 as the date to perform the annual impairment test. At December 31, 2025, the Company's evaluation of goodwill indicated that goodwill was not impaired.

Core deposit intangible

The core deposit intangible represented the value of acquired customer relationships resulting from the Company's December 31, 2014 merger with Twin Oaks. The core deposit intangible has amortized using the double declining balance method over an estimated useful life of 9.8 years. The Company would periodically review the status of the core deposit intangible for any events or circumstances which could change the recoverability of the underlying basis. During 2024, the core deposit intangible was fully amortized.

Reclassifications

Some items in the prior year's financial statements were reclassified to conform to the current presentation. Reclassifications had no effect on prior year's net income or equity.

Ottawa Bancorp, Inc. & Subsidiary
Notes to Consolidated Financial Statements
Years Ended December 31, 2025 and 2024

Note 1. Summary of Significant Accounting Policies (Continued)

Earnings per share

Basic earnings per share is based on net income divided by the weighted average number of shares outstanding during the period, including allocated and committed-to-be-released Employee Stock Ownership Plan (“ESOP”) shares and vested Management Recognition Plan (“MRP”) shares. Diluted earnings per share show the dilutive effect, if any, of additional common shares issuable under stock options and awards. See Note 9 for additional information on the MRP and Recognition and Retention Plan (“RRP”) plans.

	Years ended December 31,	
	2025	2024
Net income available to common stockholders	<u>\$ 1,680,766</u>	<u>\$ 778,137</u>
Basic potential common shares:		
Weighted average shares outstanding	2,394,023	2,511,786
Weighted average unvested MRP shares	(36,018)	(68,308)
Weighted average unallocated ESOP shares	<u>(5,003)</u>	<u>(7,852)</u>
Basic weighted average shares outstanding	2,353,002	2,435,626
Dilutive potential common shares:	798	-
Dilutive weighted average shares outstanding	<u>2,353,800</u>	<u>2,435,626</u>
Basic earnings per share	<u>\$ 0.71</u>	<u>\$ 0.31</u>
Diluted earnings per share	<u>\$ 0.71</u>	<u>\$ 0.31</u>

Operating Segments

The Company operates as a single reportable segment, which reflects the manner in which the Chief Executive Officer evaluates financial performance and allocates resources. The Chief Executive Officer reviews consolidated financial information, including total revenues, net interest income, noninterest income, and net income, to assess performance and make operating decisions.

As the Company operates in one segment, all significant segment expenses and other items are included in the consolidated financial statements. The following significant expense categories are regularly provided to the Chief Executive Officer and are included in the measure of segment profit and loss:

- Interest expense
- Salaries and employee benefits
- Occupancy
- Data processing
- Legal and professional services

The Company also considers the following other segment items in evaluating performance:

- Income tax expense
- Depreciation and amortization

No additional measures of segment profit or loss are used by the Chief Executive Officer. The Company does not allocate assets or liabilities to the segment for internal reporting purposes, and therefore such disclosures are not presented.

Ottawa Bancorp, Inc. & Subsidiary
Notes to Consolidated Financial Statements
Years Ended December 31, 2025 and 2024

Note 2. Debt Securities

The amortized cost and fair values of debt securities, with gross unrealized gains and losses, follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2025:				
Available-for-Sale				
State and municipal securities	\$ 3,026,547	\$ 24,440	\$ 43,523	\$ 3,007,464
Residential mortgage-backed securities	<u>14,846,624</u>	<u>99,099</u>	<u>1,951,073</u>	<u>12,994,650</u>
	<u>\$ 17,873,171</u>	<u>\$ 123,539</u>	<u>\$ 1,994,596</u>	<u>\$ 16,002,114</u>
December 31, 2024:				
Available-for-Sale				
State and municipal securities	\$ 3,207,549	\$ 4,512	91,085	\$ 3,120,976
Residential mortgage-backed securities	<u>16,710,108</u>	<u>465</u>	<u>3,010,252</u>	<u>13,700,321</u>
	<u>\$ 19,917,657</u>	<u>\$ 4,977</u>	<u>\$ 3,101,337</u>	<u>\$ 16,821,297</u>

There were no sales of debt securities during the year ended December 31, 2025. During the year ended December 31, 2024, the Company sold certain debt securities with gross proceeds of \$4,034,688, resulting in a net realized loss of \$600,408, which was recognized as a loss on sale of securities in the consolidated statements of operation.

At December 31, 2025 and 2024, there were no securities pledged.

The amortized cost and fair value at December 31, 2025, by contractual maturity, are shown below. Maturities may differ from contractual maturities in residential mortgage-backed securities because the mortgages underlying the securities may be called or repaid without any penalties. Therefore, stated maturities of residential mortgage-backed securities are not disclosed.

	Securities Available-for-Sale	
	Amortized Cost	Fair Value
Due in three months or less	\$ 80,000	\$ 80,061
Due after three months through one year	237,932	235,247
Due after one year through five years	676,652	672,447
Due after five years through ten years	949,630	970,521
Due after ten years	1,082,333	1,049,188
Residential mortgage-backed securities	<u>14,846,624</u>	<u>12,994,650</u>
	<u>\$ 17,873,171</u>	<u>\$ 16,002,114</u>

Ottawa Bancorp, Inc. & Subsidiary
Notes to Consolidated Financial Statements
Years Ended December 31, 2025 and 2024

Note 2. Debt Securities (Continued)

Information pertaining to securities with gross unrealized losses at December 31, 2025, and 2024 aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows:

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2025						
Securities Available-for-Sale						
State and municipal securities	\$ 108,364	\$ 1,636	\$ 1,131,045	\$ 41,887	\$ 1,239,409	\$ 43,523
Residential mortgage-backed securities	-	-	<u>8,508,996</u>	<u>1,951,073</u>	<u>8,508,996</u>	<u>1,951,073</u>
	<u>\$ 108,364</u>	<u>\$ 1,636</u>	<u>\$ 9,640,041</u>	<u>\$ 1,992,960</u>	<u>\$ 9,748,405</u>	<u>\$ 1,994,596</u>
December 31, 2024						
Securities Available-for-Sale						
State and municipal securities	\$ 666,955	\$ 23,762	\$ 1,213,650	\$ 67,323	\$ 1,880,605	\$ 91,085
Residential mortgage-backed securities	<u>6,738,300</u>	<u>877,236</u>	<u>6,135,873</u>	<u>2,133,016</u>	<u>12,874,173</u>	<u>3,010,252</u>
	<u>\$ 7,405,255</u>	<u>\$ 900,998</u>	<u>\$ 7,349,523</u>	<u>\$ 2,200,339</u>	<u>\$ 14,754,778</u>	<u>\$ 3,101,337</u>

Management evaluates securities for credit impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability to retain and whether it is not more likely than not the Company will be required to sell its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and industry analysts' reports.

At December 31, 2025, eleven securities had an unrealized loss from their amortized cost basis. Because the decline in market value is attributable to changes in interest rates and not credit quality, and because the Company does not intend to sell these securities and it is not more likely than not the Company will be required to sell these securities before recovery of the amortized cost basis, which may be maturity, the Company does not consider these investments to be credit impaired at December 31, 2025 and an ACL has not been recorded.

Ottawa Bancorp, Inc. & Subsidiary
Notes to Consolidated Financial Statements
Years Ended December 31, 2025 and 2024

Note 3. Loans and Allowance for Credit Losses

Loans

The components of loans, net of deferred loan costs (fees), are as follows:

	December 31, 2025	December 31, 2024
Mortgage loans:		
One-to-four family	\$ 172,526,444	\$ 178,767,918
Multi-family	<u>14,345,083</u>	<u>18,797,406</u>
Total mortgage loans	<u>186,871,527</u>	<u>197,565,324</u>
Other loans:		
Non-residential	87,933,034	77,612,196
Commercial loans	33,101,943	27,148,087
Consumer direct	<u>2,041,838</u>	<u>3,692,779</u>
Total other loans	<u>123,076,815</u>	<u>108,453,062</u>
Gross loans	309,948,342	306,018,386
Less: Allowance for credit losses	<u>(4,190,140)</u>	<u>(4,276,409)</u>
Loans, net	<u>\$ 305,758,202</u>	<u>\$ 301,741,977</u>

Loans acquired in the merger with deteriorated credit quality and accounted for under FASB ASC Topic 310-30 as of the acquisition date, which was December 31, 2014, had a contractual balance due of approximately \$3,194,000 and an estimated fair value of approximately \$1,324,000. The estimate of the contractual cash flows not expected to be collected due to credit quality was approximately \$1,870,000 which consisted of an accretable discount of \$(362,000) and non-accretable discount of \$(1,508,000).

The following table reflects activity for the loans acquired with deteriorated credit quality for the years ended December 31, 2025 and 2024:

	2025	2024
Balance, beginning of year	\$ 450	\$ 112,201
Payment activity	<u>(450)</u>	<u>(111,751)</u>
	<u>\$ -</u>	<u>\$ 450</u>

The contractual amount outstanding for the loans acquired with deteriorated credit quality totaled \$273,000 and \$285,000 as of December 31, 2025, and December 31, 2024, respectively.

There were no purchases of loans receivable for the years ended December 31, 2025, and 2024.

**Ottawa Bancorp, Inc. & Subsidiary Notes to
Consolidated Financial Statements
Years Ended December 31, 2025 and 2024**

Note 3. Loans and Allowance for Credit Losses (Continued)

The following table presents the activity in the ACL by portfolio segment as of or for the years ended December 31, 2025, and 2024:

	One-to-Four Family	Multi-family	Non-residential	Commercial	Consumer Direct	Total
December 31, 2025						
Balance at beginning of period	\$ 2,490,137	\$ 249,276	\$ 1,254,369	\$ 221,175	\$ 61,452	\$ 4,276,409
Provision for (recovery of) credit losses	(34,729)	(51,289)	(51,005)	92,436	(3,875)	(48,462)
Loans charged off	-	-	(214,992)	-	(19,566)	(234,558)
Recoveries of loans previously charged off	14,385	-	181,975	-	391	196,751
Balance at end of period	<u>\$ 2,469,793</u>	<u>\$ 197,987</u>	<u>\$ 1,170,347</u>	<u>\$ 313,611</u>	<u>\$ 38,402</u>	<u>\$ 4,190,140</u>
Period-end amount allocated to:						
Loans individually evaluated for impairment	\$ 87,694	\$ -	\$ -	\$ -	\$ -	\$ 87,694
Loans collectively evaluated for impairment	<u>2,382,099</u>	<u>197,987</u>	<u>1,170,347</u>	<u>313,611</u>	<u>38,402</u>	<u>4,102,446</u>
Balance at end of period	<u>\$ 2,469,793</u>	<u>\$ 197,987</u>	<u>\$ 1,170,347</u>	<u>\$ 313,611</u>	<u>\$ 38,402</u>	<u>\$ 4,190,140</u>
December 31, 2024						
Balance at beginning of period	\$ 2,544,360	\$ 178,753	\$ 1,303,813	\$ 263,142	\$ 80,866	\$ 4,370,934
Provision for (recovery of) credit losses	(111,376)	70,523	(49,444)	(41,967)	(2,562)	(134,826)
Loans charged off	-	-	-	-	(16,852)	(16,852)
Recoveries of loans previously charged off	57,153	-	-	-	-	57,153
Balance at end of period	<u>\$ 2,490,137</u>	<u>\$ 249,276</u>	<u>\$ 1,254,369</u>	<u>\$ 221,175</u>	<u>\$ 61,452</u>	<u>\$ 4,276,409</u>
Period-end amount allocated to:						
Loans individually evaluated for impairment	\$ 60,814	\$ -	\$ 237,521	\$ -	\$ 15,210	\$ 313,545
Loans collectively evaluated for impairment	<u>2,429,323</u>	<u>249,276</u>	<u>1,016,848</u>	<u>221,175</u>	<u>46,242</u>	<u>3,962,864</u>
Balance at end of period	<u>\$ 2,490,137</u>	<u>\$ 249,276</u>	<u>\$ 1,254,369</u>	<u>\$ 221,175</u>	<u>\$ 61,452</u>	<u>\$ 4,276,409</u>

The ACL is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions.

Ottawa Bancorp, Inc. & Subsidiary
Notes to Consolidated Financial Statements
Years Ended December 31, 2025 and 2024

Note 3. Loans and Allowance for Credit Losses (Continued)

Impaired Loans

The following table presents the amortized cost basis of collateral-dependent loans by type of collateral and by class of loans at December 31, 2025 and 2024:

December 31, 2025	Residential Real Estate	Non-Residential Real Estate	Vehicles	Related Allowance
One-to-four family	\$ 249,023	\$ -	\$ -	\$ 87,694
Non-residential	-	923,926	-	-
Consumer direct	-	-	6,467	-
	<u>\$ 249,023</u>	<u>\$ 923,926</u>	<u>\$ 6,467</u>	<u>\$ 87,694</u>
December 31, 2024	Residential Real Estate	Non-Residential Real Estate	Vehicles	Related Allowance
One-to-four family	\$ 370,142	\$ -	\$ -	\$ 60,814
Non-residential	-	3,617,833	-	237,521
Consumer direct	-	-	-	-
	<u>\$ 370,142</u>	<u>\$ 3,617,833</u>	<u>\$ -</u>	<u>\$ 298,335</u>

The recorded investment in loans excludes accrued interest receivable and loan origination fees. For purposes of this disclosure, the unpaid principal balance is reduced for partial charge-offs. There were no outstanding commitments to lend additional amounts to borrowers who have impaired loans at December 31, 2025 and December 31, 2024.

Loan Modifications

Occasionally, the Company modifies loans to borrowers in financial distress by providing concessions was a reduction in the interest rate on the loan, payment extensions, principal forgiveness, forbearance, or other actions intended to maximize collection. Modifying the terms of the loans may result in an increase or decrease in the allowance for credit losses depending upon the change in terms. In some cases, the Company may provide multiple types of concessions on one loan. There were no loans that were experiencing both financial distress and modified during the years ended December 31, 2025, and December 31, 2024.

Ottawa Bancorp, Inc. & Subsidiary
Notes to Consolidated Financial Statements
Years Ended December 31, 2025 and 2024

Note 3. Loans and Allowance for Credit Losses (Continued)

The Company recognized no material cash basis interest income on impaired loans for the years ended December 31, 2025, and 2024. The following table presents the recorded investment in nonaccrual loans and loans past due over 90 days still on accrual status, by class of loans, as of December 31, 2025, and 2024:

	Nonaccrual individually analyzed with specific allowance	Nonaccrual individually analyzed without specific allowance	Nonaccrual not individually analyzed	Total Nonaccrual	Loans Past Due Over 90 Days Still Accruing
December 31, 2025					
One-to-four family	\$ 87,694	\$ 139,290	\$ 245,834	\$ 472,818	\$ -
Multi-family	-	-	-	-	-
Non-residential	-	-	287,103	287,103	866,249
Commercial	-	-	-	-	-
Consumer direct	-	6,467	184,145	190,612	-
	<u>\$ 87,694</u>	<u>\$ 145,757</u>	<u>\$ 717,082</u>	<u>\$ 950,533</u>	<u>\$ 866,249</u>

	Nonaccrual individually analyzed with specific allowance	Nonaccrual individually analyzed without specific allowance	Nonaccrual not individually analyzed	Total Nonaccrual	Loans Past Due Over 90 Days Still Accruing
December 31, 2024					
One-to-four family	\$ 370,142	\$ 540,369	\$ -	\$ 910,511	\$ -
Multi-family	-	-	-	-	-
Non-residential	513,569	290,355	-	803,924	3,104,264
Commercial	-	-	-	-	-
Consumer direct	15,210	-	-	15,210	-
	<u>\$ 898,921</u>	<u>\$ 830,724</u>	<u>\$ -</u>	<u>\$ 1,729,645</u>	<u>\$ 3,104,264</u>

Ottawa Bancorp, Inc. & Subsidiary
Notes to Consolidated Financial Statements
Years Ended December 31, 2025 and 2024

Note 3. Loans and Allowance for Credit Losses (Continued)

The following table presents the aging of the recorded investment in loans, by class of loans, as of December 31, 2025 and 2024:

	Loans 30-59 Days Past Due	Loans 60-89 Days Past Due	Loans 90 or More Days Past Due	Total Past Due Loans	Current Loans	Total Loans
December 31, 2025						
One-to-four family	\$ 1,050,369	\$ 624,497	\$ 296,154	\$ 1,971,020	\$ 170,555,424	\$ 172,526,444
Multi-family	-	-	-	-	14,345,083	14,345,083
Non-residential	1,361,707	37,756	893,902	2,293,365	85,639,669	87,933,034
Commercial	-	-	-	-	33,101,943	33,101,943
Consumer direct	8,876	-	-	8,876	2,032,962	2,041,838
	<u>\$ 2,240,952</u>	<u>\$ 662,253</u>	<u>\$ 1,190,056</u>	<u>\$ 4,273,261</u>	<u>\$ 305,675,081</u>	<u>\$ 309,948,342</u>
	Loans 30-59 Days Past Due	Loans 60-89 Days Past Due	Loans 90 or More Days Past Due	Total Past Due Loans	Current Loans	Total Loans
December 31, 2024						
One-to-four family	\$ 3,086,268	\$ 933,535	\$ 1,080,348	\$ 5,908,144	\$ 173,435,767	\$ 178,767,918
Multi-family	-	-	-	-	18,797,406	18,797,406
Non-residential	877,601	-	3,846,856	3,916,464	72,887,739	77,612,196
Commercial	-	-	-	-	27,148,087	27,148,087
Consumer direct	3,738	13,969	9,154	26,861	3,665,919	3,692,780
	<u>\$ 3,967,607</u>	<u>\$ 947,504</u>	<u>\$ 4,936,358</u>	<u>\$ 9,851,469</u>	<u>\$ 295,934,918</u>	<u>\$ 306,018,387</u>

Credit Quality Indicators:

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as current financial information, historical payment experience, credit documentation, public information and current economic trends, among other factors. The Company analyzes loans individually by classifying the loans as to credit risk. For commercial and non-residential real estate loans, the Company's credit quality indicator is internally assigned risk ratings. Each commercial and non-residential real estate loan is assigned a risk rating upon origination. The risk rating is reviewed annually, at a minimum, and on an as needed basis depending on the specific circumstances of the loan.

For residential real estate, multi-family real estate, consumer direct and purchased auto loans, the Company's credit quality indicator is performance, determined by delinquency status. Delinquency status is updated regularly by the Company's loan system for residential real estate, multi-family real estate and consumer direct loans. The Company receives monthly reports on the delinquency status of the purchased auto loan portfolio from the servicing company.

Ottawa Bancorp, Inc. & Subsidiary
Notes to Consolidated Financial Statements
Years Ended December 31, 2025 and 2024

Note 3. Loans and Allowance for Credit Losses (Continued)

The Company uses the following definitions for risk ratings:

- Pass – loans classified as pass are of a higher quality and do not fit any of the other “rated” categories below (e.g. special mention, substandard or doubtful). The likelihood of loss is considered remote.
- Special Mention – loans classified as special mention have a potential weakness that deserves management’s close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution’s credit position at some future date.
- Substandard – loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. 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 liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable.
- Not Rated – loans in this category are not evaluated on an individual basis.

Ottawa Bancorp, Inc. & Subsidiary
Notes to Consolidated Financial Statements
Years Ended December 31, 2025 and 2024

Note 3. Loans and Allowance for Credit Losses (Continued)

Based on the most recent analysis performed, the risk category of the amortized cost basis of loans by class of loans is as follows:

As of December 31, 2025	Term Loans by Origination Year					Revolving Loans	Total	
	2025	2024	2023	2022	2021			Prior
One-to-four family								
Risk rating:								
Pass	\$ 12,499,171	\$ 8,790,911	\$ 9,172,622	\$ 27,515,105	\$ 46,589,389	\$ 59,106,849	\$ 6,231,853	\$169,905,900
Special mention	-	-	862,932	872,991	-	602,413	33,185	2,371,521
Substandard	-	-	-	-	-	196,918	52,105	249,023
Total	<u>\$ 12,499,171</u>	<u>\$ 8,790,911</u>	<u>\$ 10,035,554</u>	<u>\$ 28,388,096</u>	<u>\$ 46,589,389</u>	<u>\$ 59,906,180</u>	<u>\$ 6,317,143</u>	<u>\$172,526,444</u>
Current period charge offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Multi-family								
Risk rating:								
Pass	\$ 4,132,804	\$ 3,802,989	\$ -	\$ 2,426,915	\$ 942,471	\$ 3,039,904	\$ -	\$ 14,345,083
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Total	<u>\$ 4,132,804</u>	<u>\$ 3,802,989</u>	<u>\$ -</u>	<u>\$ 2,426,915</u>	<u>\$ 942,471</u>	<u>\$ 3,039,904</u>	<u>\$ -</u>	<u>\$ 14,345,083</u>
Current period charge offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Non-residential								
Risk rating:								
Pass	\$ 22,712,632	\$ 3,642,711	\$ 7,390,474	\$ 20,473,877	\$ 15,181,644	\$16,350,528	\$ -	\$ 85,751,866
Special mention	-	-	-	-	998,529	258,713	-	1,257,242
Substandard	-	-	-	-	866,249	57,677	-	923,926
Total	<u>\$ 22,712,632</u>	<u>\$ 3,642,711</u>	<u>\$ 7,390,474</u>	<u>\$ 20,473,877</u>	<u>\$ 17,046,422</u>	<u>\$16,666,918</u>	<u>\$ -</u>	<u>\$ 87,933,034</u>
Current period charge offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 214,992	\$ -	\$ 214,992
Commercial								
Risk rating:								
Pass	\$ 8,409,318	\$ 4,102,823	\$ 2,904,352	\$ 3,441,475	\$ 4,782,993	\$ 9,460,982	\$ -	\$ 33,101,943
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Total	<u>\$ 8,409,318</u>	<u>\$ 4,102,823</u>	<u>\$ 2,904,352</u>	<u>\$ 3,441,475</u>	<u>\$ 4,782,993</u>	<u>\$ 9,460,982</u>	<u>\$ -</u>	<u>\$ 33,101,943</u>
Current period charge offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Consumer direct								
Risk rating:								
Pass	\$ 328,938	\$ 323,316	\$ 478,048	\$ 344,969	\$ 124,076	\$ 436,024	\$ -	\$ 2,035,371
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	6,467	-	-	6,467
Total	<u>\$ 328,938</u>	<u>\$ 323,316</u>	<u>\$ 478,048</u>	<u>\$ 344,969</u>	<u>\$ 130,543</u>	<u>\$ 436,024</u>	<u>\$ -</u>	<u>\$ 2,041,838</u>
Current period charge offs	\$ -	\$ -	\$ 16,850	\$ -	\$ -	\$ 2,716	\$ -	\$ 19,566

Ottawa Bancorp, Inc. & Subsidiary
Notes to Consolidated Financial Statements
Years Ended December 31, 2025 and 2024

Note 3. Loans and Allowance for Credit Losses (Continued)

<u>As of December 31, 2024</u>	Term Loans by Origination Year					Revolving Loans	Total
	2024	2023	2022	2021	Prior		
One-to-four family							
Risk rating:							
Pass	\$ 12,712,287	\$ 14,780,349	\$ 31,257,445	\$ 49,930,146	\$ 64,286,234	\$ 4,594,240	\$ 177,560,701
Special mention	-	-	-	-	296,706	-	296,706
Substandard	-	-	-	-	735,785	174,726	910,511
Total	<u>\$ 12,712,287</u>	<u>\$ 14,780,349</u>	<u>\$ 31,257,445</u>	<u>\$ 49,930,146</u>	<u>\$ 65,318,725</u>	<u>\$ 4,768,966</u>	<u>\$ 178,767,918</u>
Current period charge offs	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Multi-family							
Risk rating:							
Pass	\$ 803,391	\$ -	\$ 8,164,292	\$ 2,078,392	\$ 7,751,331	\$ -	\$ 18,797,406
Special mention	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-
Total	<u>\$ 803,391</u>	<u>\$ -</u>	<u>\$ 8,164,292</u>	<u>\$ 2,078,392</u>	<u>\$ 7,751,331</u>	<u>\$ -</u>	<u>\$ 18,797,406</u>
Current period charge offs	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Non-residential							
Risk rating:							
Pass	\$ 3,303,094	\$ 5,912,684	\$ 25,451,190	\$ 16,679,843	\$ 22,287,589	\$ -	\$ 73,634,400
Special mention	-	-	-	-	69,608	-	69,608
Substandard	-	-	117,908	3,399,197	391,083	-	3,908,188
Total	<u>\$ 3,303,094</u>	<u>\$ 5,912,684</u>	<u>\$ 25,569,098</u>	<u>\$ 20,079,040</u>	<u>\$ 22,748,280</u>	<u>\$ -</u>	<u>\$ 77,612,196</u>
Current period charge offs	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Commercial							
Risk rating:							
Pass	\$ 5,652,476	\$ 3,385,664	\$ 5,579,599	\$ 4,576,213	\$ 7,954,135	\$ -	\$ 27,148,087
Special mention	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-
Total	<u>\$ 5,652,476</u>	<u>\$ 3,385,664</u>	<u>\$ 5,579,599</u>	<u>\$ 4,576,213</u>	<u>\$ 7,954,135</u>	<u>\$ -</u>	<u>\$ 27,148,087</u>
Current period charge offs	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Consumer direct							
Risk rating:							
Pass	\$ 546,800	\$ 789,128	\$ 664,224	\$ 482,156	\$ 1,195,261	\$ -	\$ 3,677,569
Special mention	-	-	-	-	-	-	-
Substandard	9,154	6,056	-	-	-	-	15,210
Total	<u>\$ 555,954</u>	<u>\$ 795,184</u>	<u>\$ 664,224</u>	<u>\$ 482,156</u>	<u>\$ 1,195,261</u>	<u>\$ -</u>	<u>\$ 3,692,779</u>
Current period charge offs	<u>\$ -</u>	<u>\$ 16,852</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,852</u>

Ottawa Bancorp, Inc. & Subsidiary
Notes to Consolidated Financial Statements
Years Ended December 31, 2025 and 2024

Note 3. Loans and Allowance for Credit Losses (Continued)

The Bank has had, and may be expected to have in the future, banking transactions in the ordinary course of business with directors, principal officers, their immediate families and companies in which these parties have a 10% or more beneficial ownership. Loans to directors, principal officers, and their immediate families at December 31, 2025, and 2024 were \$0 and \$0 respectively.

Note 4. Servicing

Loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balances of mortgage and other loans serviced for others were \$121,733,375 and \$124,447,750 at December 31, 2025, and 2024, respectively. The carrying value of mortgage servicing rights associated with loans serviced for others included in other assets on the consolidated balance sheets, as of December 31, 2025, and 2024, was \$1,075,957 and \$1,141,023, respectively.

The following is an analysis of the activity of mortgage servicing rights (MSRs) for the years December 31, 2025, and 2024:

	<u>2025</u>	<u>2024</u>
Balance, beginning of year	\$ 1,141,023	\$ 1,228,325
Additions, net	56,534	84,755
Amortization	<u>(121,601)</u>	<u>(172,057)</u>
Balance, end of year	<u>\$ 1,075,957</u>	<u>\$ 1,141,023</u>

There is no valuation allowance related to mortgage servicing rights recorded as of December 31, 2025 and 2024.

Note 5. Premises and Equipment

Premises and equipment at December 31, 2025, and 2024, are summarized as follows:

	<u>2025</u>	<u>2024</u>
Cost:		
Land	\$ 2,190,649	\$ 2,190,649
Buildings and improvements	7,868,338	7,762,206
Furniture and equipment	<u>1,960,117</u>	<u>1,935,280</u>
	12,019,104	11,888,135
Less: Accumulated depreciation	<u>6,131,576</u>	<u>5,882,620</u>
	<u>\$ 5,887,528</u>	<u>\$ 6,005,515</u>

Ottawa Bancorp, Inc. & Subsidiary
Notes to Consolidated Financial Statements
Years Ended December 31, 2025 and 2024

Note 6. Deposits

Deposits at December 31, 2025, and 2024, are summarized as follows:

	2025		2024	
	Amount	Percent	Amount	Percent
Non-interest bearing checking	<u>\$ 23,086,883</u>	<u>7.74%</u>	<u>\$ 22,630,273</u>	<u>8.00%</u>
Interest bearing checking	76,382,491	25.62%	71,791,538	25.39%
Money market	25,839,842	8.67%	24,253,518	8.58%
Savings	28,903,147	9.70%	29,682,948	10.50%
Certificates of deposit	<u>143,901,219</u>	<u>48.27%</u>	<u>134,449,316</u>	<u>47.54%</u>
Interest bearing	<u>275,026,699</u>	<u>92.26%</u>	<u>260,177,320</u>	<u>92.00%</u>
Total	<u>\$ 298,113,582</u>	<u>100.00%</u>	<u>\$ 282,807,593</u>	<u>100.00%</u>

Interest expense on deposits is summarized as follows:

	Years Ended December 31,	
	2025	2024
Money market	\$ 308,397	\$ 245,668
Savings	30,376	30,282
Certificates of deposit	4,627,483	4,729,339
Interest bearing checking	<u>1,331,239</u>	<u>1,418,888</u>
	<u>\$ 6,297,495</u>	<u>\$ 6,424,177</u>

Deposits from directors, principal officers, and their immediate families at December 31, 2025, and 2024 were \$514,008 and \$356,215 respectively.

The aggregate amount of public deposits at December 31, 2025, and 2024 was \$38,484,340 and \$36,503,770 respectively.

Certificates of deposit with balances greater than \$250,000 totaled approximately \$59.1 million and \$46.9 million at December 31, 2025, and 2024, respectively.

At December 31, 2025, scheduled maturities of certificates of deposit are as follows:

2026	\$ 117,597,731
2027	20,031,428
2028	3,305,085
2029	1,723,986
2030	<u>1,242,989</u>
	<u>\$ 143,901,219</u>

Ottawa Bancorp, Inc. & Subsidiary
Notes to Consolidated Financial Statements
Years Ended December 31, 2025 and 2024

Note 6. Deposits (Continued)

The Company held brokered deposits of approximately \$58.2 million and \$53.1 million, respectively at December 31, 2025, and 2024. The broker receives a fee from the Company for the brokered deposits. The broker fees totaled to the amount of \$35,500 and \$20,500 were recognized for the year ended December 31, 2025, and 2024, respectively.

Note 7. Borrowings

Our borrowings consist of open line and term advances from the Federal Home Loan Bank of Chicago (“FHLB”) and Federal Funds purchased from Bankers Bank of Wisconsin. As a member, the Company is required to own capital stock in the FHLB and are authorized to apply for advances on the security of such stock and certain of our mortgage loans and other assets (principally securities which are obligations of, or guaranteed by, the United States), provided certain standards related to credit-worthiness have been met. At December 31, 2025, we had the ability to borrow \$61.4 million from the FHLB. In addition, as of December 31, 2025, the Bank had \$7.9 million of available credit from Bankers Bank of Wisconsin to purchase Federal Funds and \$5.0 million of available credit from Midwest Independent Bank to purchase federal funds. There were Federal Home Loan Bank advances outstanding of approximately \$15.9 million and \$22.3 million, respectively at December 31, 2025, and 2024. There were no Federal Funds purchased outstanding at December 31, 2025, or 2024.

A summary of outstanding advances is as follows as of December 31:

	2025	2024
Matures 01/02/2025 at 4.46%, fixed	\$ -	\$ 1,250,000
Matures 03/03/2025 at 1.19%, fixed	-	2,000,000
Matures 02/02/2027 at 4.23%, fixed	2,500,000	2,500,000
Matures 11/26/2027 at 3.10%, fixed	860,000	-
Matures 08/28/2029 at 1.93%, fixed	1,500,000	1,500,000
Matures 10/03/2029 at 1.96%, fixed	1,000,000	1,000,000
Matures 01/28/2030 at 2.06%, fixed	1,500,000	1,500,000
Matures 02/25/2030 at 1.81%, fixed	1,000,000	1,000,000
Matures 08/24/2033 at 3.80%, fixed	-	4,000,000
Matures 09/26/2033 at 4.03%, fixed	3,500,000	3,500,000
Matures 11/02/2033 at 4.03%, fixed	2,000,000	2,000,000
Matures 05/03/2034 at 3.22%, fixed	2,000,000	2,000,000
	\$ 15,860,000	\$ 22,250,000

The Company has outstanding borrowings with a Banker’s Bank, which provide funding for general corporate and liquidity management purposes. At December 31, 2025 and 2024, the outstanding balance of borrowings with the Banker’s Bank was \$1,238,661 and \$1,380,988, respectively.

Scheduled maturities on the note payable at December 31, 2025 are as follows:

2026	\$	150,824
2027		159,817
2028		169,193
2029		<u>758,827</u>
	\$	<u><u>1,238,661</u></u>

Ottawa Bancorp, Inc. & Subsidiary
Notes to Consolidated Financial Statements
Years Ended December 31, 2025 and 2024

Note 8. Employment Benefit and Retirement Plans

Employee stock ownership plan

On May 6, 2005, the Company adopted an employee stock ownership plan (ESOP) for the benefit of substantially all employees. On July 8, 2005, the ESOP borrowed \$763,140 from the Company and used those funds to acquire 76,314 shares of the Company's stock in the initial public offering at a price of \$10.00 per share. On October 11, 2016, the ESOP borrowed \$1,907,160 from the Company and used those funds to acquire 190,716 shares of the Company's stock in its conversion to a fully public stock holding company at a price of \$10.00 per share. As of December 31, 2019, the shares purchased in 2005 were all released and the loan was fully repaid.

Shares purchased by the ESOP with the loan proceeds are held in a suspense account and are allocated to ESOP participants on a pro rata basis as principal and interest payments are made by the ESOP to the Company. The loan is secured by shares purchased with the loan proceeds and will be repaid by the ESOP with funds from the Company's discretionary contributions to the ESOP and earnings on the ESOP assets. Annual principal and interest payments of approximately \$161,000 are to be made by the ESOP.

As shares are released from the plan, the Company will report compensation expense equal to the current market price of the shares, and the shares will become outstanding for earnings-per-share (EPS) computations. Dividends on allocated ESOP shares reduce retained earnings; dividends on unallocated ESOP shares reduce the ESOP principal balance. During 2025, 19,578 shares, with an average fair value of \$14.92 per share were committed to be released, resulting in ESOP compensation expense of \$225,980. During 2024, 32,345 shares, with an average fair value of \$12.93 per share were committed to be released, resulting in ESOP compensation expense of \$172,738 for 2024. Additionally, during 2025 ESOP participants exchanged \$66,000 for 5,738 shares of ESOP shares at a price of \$14.00 per share. The \$66,000 was applied to the principal balance. There was no ESOP compensation expense related to this exchange.

A terminated participant or the beneficiary of a deceased participant who received a distribution of employer stock from the ESOP has the right to require the Company to purchase such shares at their fair market value any time within 60 days of the distribution date. If this right is not exercised, an additional 60-day exercise period is available in the year following the year in which the distribution is made and begins after a new valuation of the stock has been determined and communicated to the participant or beneficiary.

	December 31,	
	2025	2024
Total shares originally in the plan	281,691	281,691
Shares withdrawn from the plan	<u>(98,336)</u>	<u>(89,273)</u>
Shares remaining in the plan	<u>183,355</u>	<u>192,418</u>
Unallocated shares	<u>16,297</u>	<u>35,876</u>
Allocated shares	<u>167,058</u>	<u>156,542</u>
Fair value of unallocated shares	<u>\$ 260,752</u>	<u>\$ 511,228</u>

Ottawa Bancorp, Inc. & Subsidiary
Notes to Consolidated Financial Statements
Years Ended December 31, 2025 and 2024

Note 8. Employment Benefit and Retirement Plans (Continued)

Supplemental executive retirement plan (SERP)

On September 19, 2007, the Bank entered into salary continuation agreements with certain of its executive officers to provide additional benefits upon retirement. The present value of the estimated liability under the agreement is being accrued using a discount rate of 4.5 percent ratably over the remaining years to the date when each executive is first eligible for benefits. The recorded SERP liability included in other liabilities on the consolidated balance sheets was \$88,349 as of December 31, 2025, and \$104,178 as of December 31, 2024. The SERP compensation charged to expense totaled \$5,823 and \$6,729 for the years ended December 31, 2025, and 2024, respectively.

The Bank allows certain executive officers to defer all or any portion of their compensation. Specifically, participants may elect to defer a designated percentage of base pay or cash incentive awards. This election must be made no later than December 31st of the year preceding the year the compensation is earned or, for new participants, within 30 days of the participant's initial eligibility under the plan. The recorded liability for deferred compensation included in other liabilities on the consolidated balance sheets was \$0 and \$6,678 as of the years ended December 31, 2025, and 2024, respectively. The deferred compensation charges to expense totaled \$0 and \$0 for the years ended December 31, 2025, and 2024, respectively. Additionally, there were payments of \$6,678 and \$39,286 for the years ended December 31, 2025, and 2024, respectively.

401(k) plan

The Bank maintains a voluntary 401(k) plan for substantially all employees. Employees may contribute a percentage of their compensation to the plan subject to certain limits based on federal tax laws. The Bank makes matching contributions to the 401(k) plan of 50 percent of the first 6 percent of an employee's compensation contributed to the plan. The Bank also makes Safe Harbor contributions, in addition to any matching contributions, equal to 3 percent of an eligible employee's compensation to the 401(k) plan each pay period. Employer contributions vest to the employee ratably over a six-year period. Employer contribution expense was \$187,027 and \$193,293 for the years ended December 31, 2025, and 2024, respectively.

Deferred directors fees

The Bank has agreements with certain directors that are funded through the deferral of monthly fees earned. Contributions to the plan for the years ended December 31, 2025, and 2024 were \$24,000 and \$24,000, respectively. The deferred liability included on the consolidated balance sheet in other liabilities was \$1,954,871 and \$1,909,058 at December 31, 2025, and 2024, respectively. Additionally, there are savings accounts established for the directors containing \$312,211 and \$313,054 at December 31, 2025, and 2024 respectively. There are also funds held in a retirement trust account at a third party totaling \$1,954,871 and \$1,909,058 as of December 31, 2025, and 2024 recorded in other assets.

Director retirement plan

The Bank has, as a result of the Twin Oaks merger, a director retirement plan for five of the former members of the Twin Oak's Board of Directors. The plan provides monthly retirement benefits equal to one-twelfth of the annual Board fees. Payments are based on years of service on the Twin Oaks Board of Directors prior to the merger, with ten years of payments guaranteed. Four of the former members are retired and collecting benefit payments. One former member became part of the Bank's board as of the merger date and will not commence their benefit until they retire. As of the merger date, the Plan was frozen as to benefit accruals and years of service. The compensation liability included on the consolidated balance sheet in other liabilities was \$222,519 and \$229,275 as of December 31, 2025, and 2024, respectively. This is an unfunded plan.

Ottawa Bancorp, Inc. & Subsidiary
Notes to Consolidated Financial Statements
Years Ended December 31, 2025 and 2024

Note 8. Employment Benefit and Retirement Plans (Continued)

Director retirement plan valuation

	December 31,	
	2025	2024
Number of participants:		
Retirees	4	4
Active directors - not yet eligible	1	1
Total	5	5

Obligations and funded status:

	Years ended December 31,	
	2025	2024
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 229,275	\$ 241,400
Interest cost	12,000	12,000
Actuarial gain	10,944	5,575
Benefits paid	(29,700)	(29,700)
Benefit obligation at end of year	\$ 222,519	\$ 229,275
Change in plan assets		
Employer contributions	\$ 29,700	\$ 29,700
Benefits paid	(29,700)	(29,700)
Fair value of plan assets at year end	-	-
Funded status	(229,275)	(241,400)
Change in funded status	6,756	12,125
Net amount recognized	\$ (222,519)	\$ (229,275)

Amounts recognized in the consolidated balance sheets consist of:

	December 31,	
	2025	2024
Accumulated post-retirement benefit obligation:		
Active participants	\$ (63,991)	\$ (65,908)
Retired participants including beneficiaries	(158,528)	(163,367)
Total	(222,519)	(229,275)
Plan assets at fair value	-	-
Funded status	(229,275)	(241,400)
Actuarial gain	6,756	12,125
Accrued cost included in other liabilities	\$ (222,519)	\$ (229,275)

Ottawa Bancorp, Inc. & Subsidiary
Notes to Consolidated Financial Statements
Years Ended December 31, 2025 and 2024

Note 8. Employment Benefit and Retirement Plans (Continued)

Components of Net Periodic Benefit Cost:

	Years ended December 31,	
	2025	2024
Service cost	\$ -	\$ -
Interest cost	12,000	12,000
Amortization net gain	-	-
Net cost	\$ 12,000	\$ 12,000

Note 9. Stock Compensation

Management recognition plan

A Management Recognition and Retention Plan (“MRP”) provides for the issuance of shares to directors and officers. Pursuant to the Ottawa Savings Bancorp, Inc. 2018 Equity Incentive Plan, 333,753 shares were authorized by the Company in May 2018. Additionally, 30,000 of incentive stock options were also authorized. Generally, granted shares vest in equal installments over a three-to-five-year period, with ownership of the share transferring to the recipient upon vesting. During 2025, there were 3,932 shares granted, of these 1,932 vested immediately. The remaining 1,000 shares vest over three years. During 2024, there were 3,028 shares granted, of these, 2,028 vested immediately. At December 31, 2025, there were 5,028 shares not yet vested. At December 31, 2024, there were 7,351 shares not yet vested.

A summary of the status of the MRP stock awards is as follows:

	Shares	Weighted Average Grant Date Fair Value
Year ended December 31, 2025		
Outstanding and non-vested at beginning of year	7,351	\$ 15.68
Granted	3,932	10.70
Vested and transferred to recipients	(6,255)	14.64
Outstanding and non-vested at end of year	5,028	14.27
Year ended December 31, 2024		
Outstanding and non-vested at beginning of year	9,338	\$ 14.40
Granted	3,028	13.69
Vested and transferred to recipients	(5,015)	14.28
Outstanding and non-vested at end of year	7,351	15.68

Ottawa Bancorp, Inc. & Subsidiary
Notes to Consolidated Financial Statements
Years Ended December 31, 2025 and 2024

Note 9. Stock Compensation (Continued)

At December 31, 2025, there were 36,109 shares vested and 5,028 shares not vested. Therefore, there was \$43,764 of future compensation cost related to non-vested shares not yet recognized at December 31, 2025. The Company recognized compensation expense of \$38,668 for the year ended December 31, 2025. At December 31, 2024, there were 30,147 shares vested and 7,351 shares not vested. Therefore, there was \$69,198 of future compensation cost related to non-vested shares not yet recognized at December 31, 2024. The Company recognized compensation expense of \$44,774 for the year ended December 31, 2024.

Note 10. Income Taxes

The Company and Bank file a consolidated federal income tax return on a calendar year basis. All taxes related to U.S. Domestic income taxes.

Income tax expense is summarized as follows:

	Years Ended December 31,	
	2025	2024
Federal:		
Current	\$ 466,803	\$ 436,526
Deferred	<u>63,760</u>	<u>(167,743)</u>
	<u>530,563</u>	<u>268,783</u>
State:		
Current	215,828	45,823
Deferred	<u>6,693</u>	<u>(17,608)</u>
	<u>222,521</u>	<u>28,215</u>
	<u>\$ 753,084</u>	<u>\$ 296,998</u>

	Years Ended December 31,			
	2025		2024	
	Amount	Percent	Amount	Percent
Federal income taxes computed at the statutory rate	\$ 512,074	21.00%	\$ 225,778	21.00%
Increase (decrease) in taxes resulting from:				
Tax exempt interest	(15,945)	(0.65)%	(13,041)	(1.21)%
Non-taxable income on bank-owned life insurance	(70)	(0.01)%	(10,743)	(1.00)%
Illinois state taxes, net of federal tax benefit	172,241	7.06%	78,624	7.31%
Other	<u>84,783</u>	<u>3.48%</u>	<u>16,380</u>	<u>1.52%</u>
	<u>\$ 753,084</u>	<u>30.88%</u>	<u>\$ 296,998</u>	<u>27.62%</u>

Ottawa Bancorp, Inc. & Subsidiary
Notes to Consolidated Financial Statements
Years Ended December 31, 2025 and 2024

Note 10. Income Taxes (Continued)

The components of the net deferred tax asset are as follows:

	December 31,	
	2025	2024
Deferred tax assets:		
Employee benefit plans	\$ 718,127	\$ 722,772
Allowance for credit losses	1,175,531	1,206,313
Unrealized losses on AFS Securities	481,237	864,016
Purchase accounting - acquisition expenses	29,551	37,142
Accrued bonus	42,281	587
Nonaccrual interest	129,025	129,732
Deferred loan fees	<u>5,278</u>	<u>-</u>
Total deferred tax assets	<u>2,581,030</u>	<u>2,960,562</u>
Deferred tax liabilities:		
Prepaid expenses	(47,307)	(47,573)
Depreciation	(106,093)	(89,035)
Origination of mortgage servicing rights	(176,522)	(195,844)
Deferred loan fees	-	(29,897)
Other	<u>(117,488)</u>	<u>(44,867)</u>
Total deferred tax liabilities	<u>(447,410)</u>	<u>(407,216)</u>
Net deferred tax asset	<u>\$ 2,133,620</u>	<u>\$ 2,553,346</u>

Stockholders' equity at December 31, 2025, and 2024 includes approximately \$2.3 million for which no federal income tax liability has been recognized. This amount represents an allocation of income to bad debt deductions for tax purposes only. Reductions of amounts so allocated for purposes other than bad debt losses or adjustments arising from carry-back of net operating losses would create income for tax purposes only, which would be subject to the then current corporate income tax rate. The unrecorded deferred income tax liability on the above amount was approximately \$646,000 at December 31, 2025, and December 31, 2024.

Management believes that it is more likely than not that the deferred tax assets included in the accompanying consolidated balance sheets will be fully utilized. We have determined that no valuation allowance is required as of December 31, 2025, although there is no guarantee that those assets will be fully recognizable in future periods.

Note 11. Regulatory Matters

Banks and bank holding companies are subject to regulatory capital requirements administered by the federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgements by regulators. Failure to meet the capital requirements can initiate regulatory action. The net unrealized gain or loss on available-for-sale securities is included in computing regulatory capital. Management believes as of December 31, 2025, and December 31, 2024, the Company and Bank meet all capital adequacy requirements to which they are subject.

Ottawa Bancorp, Inc. & Subsidiary
Notes to Consolidated Financial Statements
Years Ended December 31, 2025 and 2024

Note 11. Regulatory Matters (Continued)

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At year-end 2025 and 2024, the most recent regulatory notifications categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the institution's category.

The Company's principal source of funds for dividend payments is dividends received from the Bank. Banking regulations limit the amount of dividends that may be paid without prior approval of regulatory agencies. As of December 31, 2025, \$12.9 million of retained earnings is available to pay dividends. As of December 31, 2024, \$15.8 million of retained earnings is available to pay dividends.

As of December 31, 2025, the most recent examination conducted by the FDIC categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier 1 risk-based, Common equity Tier 1 risk-based, and Tier 1 leverage ratios as disclosed in the following table. There are no conditions or events that management believes have occurred that would change the Bank's capitalization classification.

The Bank's actual capital amounts and ratios as of December 31, 2025, and 2024, are presented below:

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Purposes	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2025:			(Dollars in thousands)			
Total Risk-Based Capital (to risk-weighted assets)	\$ 44,273	16.777%	\$ 21,111	8.000%	\$ 26,388	10.000%
Tier I Capital (to risk-weighted assets)	\$ 40,964	15.523%	\$ 15,833	6.000%	\$ 21,111	8.000%
Common Equity Tier I (to risk-weighted assets)	\$ 40,964	15.523%	\$ 11,875	4.500%	\$ 17,152	6.500%
Tier I Leverage (to adjusted total assets)	\$ 40,964	11.241%	\$ 14,577	4.000%	\$ 18,221	5.000%
December 31, 2024:						
Total Risk-Based Capital (to risk-weighted assets)	\$ 45,792	18.171%	\$ 20,161	8.000%	\$ 25,201	10.000%
Tier I Capital (to risk-weighted assets)	\$ 42,630	16.916%	\$ 15,120	6.000%	\$ 20,161	8.000%
Common Equity Tier I (to risk-weighted assets)	\$ 42,630	16.916%	\$ 11,340	4.500%	\$ 16,381	6.500%
Tier I Leverage (to adjusted total assets)	\$ 42,630	12.056%	\$ 14,144	4.000%	\$ 17,681	5.000%

Ottawa Bancorp, Inc. & Subsidiary
Notes to Consolidated Financial Statements
Years Ended December 31, 2025 and 2024

Note 12. Commitments and Contingencies

In the ordinary course of business, the Bank has various commitments and contingent liabilities that are not reflected in the accompanying consolidated financial statements. In the opinion of management, the ultimate disposition of these matters is not expected to have a material adverse effect on the financial position of the Bank.

The Bank is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit. These instruments involve elements of credit and interest-rate risk in excess of the amount recognized in the balance sheets.

At December 31, 2025, and 2024, the following financial instruments were outstanding whose contract amounts represent credit risk:

	Variable rate	Fixed rate	Total	Range of rates on fixed rate commitments
As of December 31, 2025:				
Commitments to originate loans	\$ 2,992,750	\$ 60,000	\$ 3,052,750	3.67%-8.00%
Unfunded commitments on construction loans	3,318,135	13,021,525	16,339,660	
Unfunded commitments under lines of credit	<u>16,624,999</u>	<u>2,565,564</u>	<u>19,190,563</u>	
	22,935,884	15,647,089	38,582,973	
Standby letters of credit	<u>-</u>	<u>10,000</u>	<u>10,000</u>	
	<u>\$ 22,935,884</u>	<u>\$ 15,657,089</u>	<u>\$ 38,592,973</u>	
As of December 31, 2024:				
Commitments to originate loans	\$ 51,488	\$ 1,006,100	\$ 1,057,588	4.00%-9.00%
Unfunded commitments on construction loans	3,971,810	11,392,659	15,364,469	
Unfunded commitments under lines of credit	<u>15,715,846</u>	<u>2,983,660</u>	<u>18,699,506</u>	
	19,739,144	15,382,419	35,121,563	
Standby letters of credit	<u>-</u>	<u>10,000</u>	<u>10,000</u>	
	<u>\$ 19,739,144</u>	<u>\$ 15,392,419</u>	<u>\$ 35,131,563</u>	

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The commitments for equity lines of credit may expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if it is deemed necessary by the Bank, is based on management's credit evaluation of the customer.

Unfunded commitments under commercial lines-of-credit, revolving credit lines and overdraft protection agreements 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 fully drawn upon to the total extent of the approximately \$38.6 million to which the Bank is committed. Off-balance-sheet risk to credit loss exists up to the face amount of these instruments, although material losses are not anticipated. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet obligations.

The Company does not engage in the use of interest rate swaps or futures, forwards or option contracts.

Ottawa Bancorp, Inc. & Subsidiary
Notes to Consolidated Financial Statements
Years Ended December 31, 2025 and 2024

Note 13. Comprehensive Income Reclassification Adjustment

There were no reclassification adjustments for components of accumulated other comprehensive income in 2025. In 2024, there was a reclassification adjustment related to the sales of security as follows:

<u>Accumulated Other Comprehensive Loss Components</u>	<u>Reclassification Amount</u>	<u>Affected Line Item in the Consolidated Statements of Income</u>
Unrealized losses on securities available-for-sale	\$ (600,408)	Net realized loss on sale of securities
	<u>171,116</u>	Federal income tax benefit
Total reclassifications for the period	\$ <u>(429,292)</u>	Reclassification adjustment, net of tax

Note 14. Fair Values Measurements and Disclosures

FASB ASC Topic 820, Fair Value Measurements and Disclosures, clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants and is not adjusted for transaction costs. This guidance also establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement inputs) and the lowest priority to unobservable inputs (Level 3 measurement inputs). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Basis of Fair Value Measurement:

- Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets.
- Level 2 - Significant other observable inputs other than Level 1 prices such as quoted prices in markets that are not active, quoted prices for similar assets, or other inputs that are observable, either directly or indirectly, for substantially the full term of the asset.
- Level 3 - Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

Following is a description of valuation methodologies used for assets and liabilities recorded at fair value.

Securities Available-for-Sale

Securities classified as available-for-sale are recorded at fair value on a recurring basis using pricing obtained from an independent pricing service. Where quoted market prices are available in an active market, securities are classified within Level 1. The Company has no securities classified within Level 1. If quoted market prices are not available, the pricing service estimates the fair values by using pricing models or quoted prices of securities with similar characteristics. For these securities, the inputs used by the pricing service to determine fair value consider observable data that may include dealer quotes, market spreads, cash flows, the U.S.

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Note 14. Fair Values Measurements and Disclosures (continued)

Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and bonds' terms and conditions, among other things resulting in classification within Level 2. Level 2 securities include state and municipal securities and residential mortgage-backed securities. In cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3. The Company has no securities classified within Level 3.

Collateral-dependent Impaired Loans

Impairments of collateral-dependent individually analyzed loans is generally based on the fair value of the loan's collateral. Fair value is generally determined based on an independent third-party appraisal of the property net of estimated costs to sell. If the fair value of the collateral-dependent loan is less than the carrying amount of the loan, a specific reserve for the loan is made in the allowance for credit losses and the loan is included in the table below as a Level 2 measurement in the period in which the adjustment is recorded. If the fair value of the collateral exceeds the carrying amount of the loan, the loan is not included in the table below as it is not currently being carried at its fair value.

The tables below present the recorded amount of assets measured at fair value on a recurring basis at December 31, 2025 and 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total Fair Value</u>
December 31, 2025				
State and municipal securities	\$ -	\$ 3,007,464	\$ -	\$ 3,007,464
Residential mortgage-backed securities	-	12,994,650	-	12,994,650
	<u>\$ -</u>	<u>\$ 16,002,114</u>	<u>\$ -</u>	<u>\$16,002,114</u>
December 31, 2024				
State and municipal securities	\$ -	\$ 3,120,976	\$ -	\$ 3,120,976
Residential mortgage-backed securities	-	13,700,321	-	13,700,321
	<u>\$ -</u>	<u>\$ 16,821,297</u>	<u>\$ -</u>	<u>\$16,821,297</u>

The tables below present the recorded amount of assets and liabilities measured at fair value on a non-recurring basis at December 31, 2025 and December 31, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total Fair Value</u>
December 31, 2025				
Collateral-dependent impaired loans	\$ -	\$ 161,329	\$ -	\$ 161,329
December 31, 2024				
Collateral-dependent impaired loans	\$ -	\$ 585,376	\$ -	\$ 585,376

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Note 15. Fair Values of Financial Instruments

The estimated fair values of the Bank's financial instruments are as follows:

	Carrying Amount	December 31, 2025 using:			
		Level 1	Level 2	Level 3	Total
Financial Assets:					
Cash and cash equivalents	\$ 21,060,443	\$ 21,060,443	\$ -	\$ -	\$ 21,060,443
Federal funds sold	3,259,000	3,259,000	-	-	3,259,000
Securities	16,002,114	-	16,002,114	-	16,002,114
Net loans	305,758,202	-	-	288,059,427	288,059,427
Accrued interest receivable	1,413,551	1,413,551	-	-	1,413,551
Mortgage servicing rights	1,075,957	-	-	1,152,458	1,152,458
Financial Liabilities:					
Non-interest bearing deposits	23,086,883	23,086,883	-	-	23,086,883
Interest bearing deposits	275,026,699	-	-	267,552,906	267,552,906
Accrued interest payable	545,766	545,766	-	-	545,766
FHLB advances	15,860,000	-	15,860,000	-	15,860,000
Long-term debt	1,238,661	-	1,236,911	-	1,236,911
	Carrying Amount	December 31, 2024 using:			
		Level 1	Level 2	Level 3	Total
Financial Assets:					
Cash and cash equivalents	\$ 12,515,305	\$ 12,515,305	\$ -	\$ -	\$ 12,515,305
Federal funds sold	4,493,000	4,493,000	-	-	4,493,000
Securities	16,821,297	-	16,821,297	-	16,821,297
Net loans	301,741,977	-	-	277,573,272	277,573,272
Loans Held-for-sale	232,000	-	232,000	-	232,000
Accrued interest receivable	2,108,565	2,108,565	-	-	2,108,565
Mortgage servicing rights	1,141,023	-	-	1,141,023	1,141,023
Financial Liabilities:					
Non-interest bearing deposits	22,630,273	22,630,273	-	-	22,630,273
Interest bearing deposits	260,177,320	-	-	263,257,265	263,257,265
Accrued interest payable	853,122	853,122	-	-	853,122
FHLB advances	22,250,000	-	22,250,000	-	22,250,000
Long-term debt	1,380,988	-	1,328,892	-	1,328,892

In addition, other assets and liabilities of the Bank that are not defined as financial instruments are not included in the above disclosures, such as property and equipment. Also, non-financial instruments typically not recognized in financial statements nevertheless may have value but are not included in the above disclosures. These include, among other items, the estimated earnings power of core deposit accounts, the trained work force, customer goodwill and similar items.

Note. 16 Legal Proceedings

As of the date of these financial statements, the Bank is not involved in any legal proceedings that would have a material adverse effect on its financial condition or results of operations. The Bank has assessed its exposure to potential legal claims and has determined that no provisions are necessary.

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Note. 17 Upcoming accounting pronouncements

The following ASUs have been issued by FASB and may have an impact on the Company's financial statements in future reporting periods:

ASU 2025-08 — Financial Instruments—Credit Losses (Topic 326): Purchased Loans - In November 2025, the FASB issued guidance to improve the accounting for credit losses on purchased loans. This standard introduces the concept of purchased seasoned loans and extends the gross-up approach previously applied to purchased credit-deteriorated loans to most acquired loans, thereby eliminating the recognition of a day-one provision expense at acquisition. For public business entities, the amendments are effective for fiscal years beginning after December 15, 2026, including interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact this standard will have on its financial statements.

ASU 2025-09 — Derivatives and Hedging (Topic 815): Hedge Accounting Improvements - In November 2025, the FASB issued guidance intended to improve and simplify hedge accounting by better aligning hedge accounting requirements with entities' risk management activities. The amendments provide targeted improvements related to hedge documentation, assessment of hedge effectiveness, and application of certain hedge accounting provisions. For public business entities, the amendments are effective for annual periods beginning after December 15, 2026, including interim periods within those fiscal years. Early adoption is permitted. The Company is evaluating the impact this guidance will have on its financial statements.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies are not expected to have a material impact on the Company's financial position, results of operations or cash flows.

Note 18. Condensed Parent Only Financial Statements

	December 31,	
	2025	2024
Balance sheets		
Assets:		
Cash and cash equivalents	\$ 2,510,555	\$ 2,213,358
Equity in net assets of OSB Community Bank	40,181,469	40,878,346
ESOP note receivable	178,318	391,854
Other assets	26,881	26,100
Total assets	\$ 42,897,223	\$ 43,509,658
Liabilities and stockholders' equity:		
Liabilities:		
Long-term debt	1,238,661	1,380,988
Other liabilities	(44,768)	345,363
Total liabilities	1,193,893	1,726,351
Commitments and contingencies		
ESOP repurchase obligation	2,672,922	2,230,729
Stockholders' equity:		
Total equity	39,030,408	39,552,528
Total liabilities and stockholders' equity	\$ 42,897,223	\$ 43,509,658

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Note 18. Condensed Parent Only Financial Statements (continued)

	<u>2025</u>	<u>2024</u>
Statements of operations		
Equity in net income of subsidiary	\$ 2,117,812	\$ 1,143,614
Interest income	<u>13,780</u>	<u>26,092</u>
Operating income	2,131,592	1,169,706
Other expenses	<u>535,397</u>	<u>466,384</u>
Income before income tax benefit	1,596,195	703,322
Income tax benefit	<u>(84,571)</u>	<u>(74,815)</u>
Net income	<u>\$ 1,680,766</u>	<u>\$ 778,137</u>
 Statements of cash flows		
	<u>2025</u>	<u>2024</u>
Operating activities:		
Net income	\$ 1,680,766	\$ 778,137
Adjustments to reconcile net income to net cash from operating activities:		
Compensation expense on ESOP shares released	195,763	323,455
Compensation expense on MRP shares granted	68,633	74,687
Undistributed earnings of subsidiary	1,572,907	1,287,340
Change in assets and liabilities:		
Change in other assets	(781)	(600)
Change in other liabilities	<u>(390,131)</u>	<u>199,270</u>
Net cash from operating activities	<u>3,127,157</u>	<u>2,662,289</u>
Investing activities:		
Payments received on ESOP notes receivable	<u>213,536</u>	<u>350,276</u>
Net cash from investing activities	<u>213,536</u>	<u>350,276</u>
Financing activities:		
Repayments on long-term debt	(142,327)	(319,012)
Shares repurchased and cancelled	(1,883,754)	(1,882,711)
Dividends paid	<u>(1,017,415)</u>	<u>(1,072,969)</u>
Net cash from financing activities	<u>(3,043,496)</u>	<u>(3,274,692)</u>
Net change in cash	297,197	(262,127)
Cash and cash equivalents – beginning of year	<u>2,213,358</u>	<u>2,475,485</u>
Cash and cash equivalents – end of year	<u>\$ 2,510,555</u>	<u>\$ 2,213,358</u>
Supplemental noncash disclosures:		
Change in unrealized gain	\$ (876,030)	\$ (231,114)
Change in ESOP obligation	\$ 442,193	\$ 538,755

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Note. 19 Subsequent Events

The Company evaluates events and transactions occurring subsequent to the date of the consolidated financial statements for matters requiring recognition or disclosure in the consolidated financial statements. The accompanying consolidated financial statements consider events through March 27, 2026, the date which the financial statements were available to be issued.