

IOWA FIRST BANCSHARES CORP. CORPORATE GOVERNANCE PRINCIPLES

I. Purpose

These Corporate Governance Principles, adopted by the Board of Directors of the Company, together with the charters of the Audit Committee, the Human Resource and Compensation Committee, and the Nominating and Corporate Governance Committee of the Board, provide the framework for the governance of Iowa First Bancshares Corp. The Board will review these principles and other aspects of Iowa First Bancshares Corp. governance annually or more often, as the Board deems necessary or appropriate.

The Board of Directors of the Company is elected by and responsible to the shareholders. Iowa First Bancshares Corp.'s business is conducted by its employees and officers, under the direction of the chief executive officer (the CEO) and the oversight of the Board, to enhance the long-term value of the Company for its shareholders. The Board of Directors monitors the performance of the CEO and senior management to assure that the long-term interests of the shareholders are being served.

II. Board of Directors Structure and Operations/Board Compensation

Selection Process and Size of Board

The board of directors is divided into three classes of directors having staggered terms of three years. Consequently, approximately one-third of the total number of directors are elected each year by the shareholders at the annual meeting of shareholders. Shareholders may propose nominees (other than self-nominations) for consideration by the Nominating and Corporate Governance Committee of the Board by submitting the names, qualifications, and other supporting information to: Chief Financial Officer, 300 East Second St., Muscatine, IA 52761. Properly submitted nominations must be received by the date set forth in the corporate By-Laws to be considered by the Nominating and Corporate Governance Committee for inclusion in the following year's nominations for election.

The Board proposes a slate of nominees to the shareholders for election to the Board. The Board also determines the number of directors on the Board in accordance with the By-Laws of the Company. Any vacancy occurring in the Board of Directors for any reason may be filled by the Board of Directors or by the shareholders. Unless sooner filled by the shareholders, the vacancy or new Directorship may be filled by the affirmative vote of a majority of the Directors then in office. A Director elected as provided herein shall be elected for the unexpired term of his or her predecessor in office or the unexpired term of the class of Directors to which his or her new Directorship is assigned.

Qualifications

Directors should possess the highest personal and professional ethical standards, integrity and values, and be committed to representing the long-term interests of the shareholders. Directors must also have practical wisdom and mature judgment. Directors must be objective and inquisitive. Iowa First Bancshares Corp. recognizes the value of diversity and endeavors to have a Board with experience in various aspects of business, education, technology, or any other areas that are relevant to the Company's activities. Directors must be willing to devote sufficient time to carrying out their duties and responsibilities effectively, and should be committed to serve on the Board for an extended period

of time. Directors should be prepared to offer their resignation in the event of any significant change in their personal circumstances that could affect the discharge of their responsibilities as directors of the Company, including a change in their principal job responsibilities.

Because of the value the Board places on having directors who are knowledgeable about the Company and its operations, the Board does not believe that arbitrary term limits on directors' service are appropriate.

Upon attainment of age 75, a director shall tender his or her resignation from the board of directors, effective on or before the date of the next regularly scheduled shareholders meeting.

Independence of Directors

A majority of the directors must be independent directors as described below. The Board of Directors recognizes, however, that directors who do not meet the independence standards have historically made, and can be expected to continue to make, valuable contributions to the Board and to the Company by reason of their experience, judgment, intelligence and wisdom.

To be considered independent, the Board must determine that a director does not have any direct or indirect material relationship with Iowa First Bancshares Corp. The Board has established the following guidelines to assist it in determining director independence in accordance with the rules:

- No director who is an employee or a former employee of the Company can be independent until 3 years after termination of such employment.
- No director who is, or in the past 3 years has been, affiliated with, or employed by, the Company's present or former independent auditor can be independent until 3 years after the end of the affiliation, employment, or auditing relationship.
- No director can be independent if he or she is, or in the past 3 years has been, part of an interlocking directorship in which an executive officer of the Company serves on the compensation committee of another company that employs the director.
- No director can be independent if he or she is receiving, or in the last 3 years has received, more than \$60,000 during any 12-month period in payments from the Company, other than director and committee fees and pension or other forms of deferred compensation for prior service.
- Directors with immediate family members in the foregoing categories are subject to the same 3-year restriction.
- The following commercial, charitable and educational relationships will **not** be considered to be material relationships that would impair a director's independence:
 - (i) if within the preceding three years an Iowa First Bancshares Corp. director was an executive officer or employee of another company (or an immediate family member of the director was an executive officer of such company) that did business with Iowa First

Bancshares Corp. and either: (a) the annual sales to Iowa First Bancshares Corp. were less than the greater of \$200,000 or five percent of the total annual revenues of such company, or (b) the annual purchases from Iowa First Bancshares Corp. were less than the greater of \$200,000 or five percent of the total annual revenues of Iowa First Bancshares Corp., in each case for any of the three most recently completed fiscal years;

(ii) if any loans made to a director, a member of his or her family, or a company controlled by a director, have been underwritten on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with others.

(iii) if within the preceding three years an Iowa First Bancshares Corp. director served as an executive officer, director or trustee of a charitable or educational organization, and Iowa First Bancshares Corp.'s discretionary contributions to the organization were less than the greater of \$200,000 or five percent of that organization's total annual discretionary receipts for any of the three most recently completed fiscal years.

For relationships not qualifying within guidelines (ii) and (iii) above, the determination of whether the relationship is material, and therefore whether the director is independent, shall be made by the directors who satisfy the above independence guidelines.

Board Committees

The Board has established the following Committees to assist the Board in discharging its responsibilities: (i) Audit, (ii) Human Resource and Compensation, (iii) Retirement, and (iv) Nominating and Corporate Governance. The Committee chairs report on the matters considered at each of their meetings to the full Board of Directors following each Committee meeting.

In addition to the requirement that a majority of the Board satisfy the independence standards discussed above, members of the Audit Committee must also satisfy additional independence requirements. Specifically, Audit Committee members may not directly or indirectly receive any compensation from the Company other than their directors' compensation, such compensation to include reasonable reimbursements of travel expenses incurred due to service by a director on the board .

Compensation of Board

If not previously determined by the Human Resource and Compensation Committee of the board, the Nominating and Corporate Governance Committee shall have the responsibility for recommending to the Board compensation for non-employee directors. In discharging this duty, the Nominating and Corporate Governance Committee shall be guided by the following: (i) compensation should be competitive and fairly compensate directors for the time and effort required of Board and Committee members in a company of Iowa First Bancshares Corp.'s size and scope; (ii) compensation should align directors' interests with the long-term interests of shareholders; and (iii) the structure of the compensation should be simple, transparent and easy for shareholders to understand. Each year, the Nominating and Corporate Governance Committee shall review non-employee director compensation.

Access to Senior Management

Non-employee directors shall have full and complete access to the senior managers of the Company and, if desired, without the supervisors of such senior managers present.

Access to Independent Advisors

The Board and its Committees shall have the right at any time to retain independent outside financial, legal or other advisors at Company expense.

III. Meetings

The Board of Directors typically has 12 scheduled meetings a year. Directors ordinarily are expected to attend all scheduled Board and Committee meetings, the annual meeting of shareholders, and are expected to review the materials provided to them in advance of each meeting.

The Chairman of the Board shall be responsible for the board agenda. Each director is encouraged to suggest items to be included in the board agenda.

IV. Responsibilities and Duties

CEO/Management Oversight and Compensation

In addition to the Board's general oversight of the CEO and senior management, the Board also is responsible for:

- selecting, evaluating and compensating the CEO and overseeing CEO succession planning;
- providing counsel and oversight on the selection, evaluation, development and compensation of the officers of the Company; and
- approving and maintaining a succession plan for other key senior executives, to the extent possible given the relatively small number of key senior executives employed by the Company.

Business, Product and Strategic Matters/Compliance with Law and Company Policy

As part of its overall responsibility to serve the long-term interests of the shareholders, the Board also shall:

- review, approve and monitor fundamental financial and business strategies and major Company actions;
- review and discuss reports by management on the performance of the Company, its finances, plans, products and prospects;

- assess major risks facing the Company – and review and approve strategies for addressing such risks; and
- ensure processes are in place for maintaining the integrity and reputation of the Company, the integrity of the financial statements, compliance with law and Company policy, the integrity of relationships with customers, suppliers, and other Company stakeholders.

Conflicts of Interest and Concern Reporting

The Board expects Iowa First Bancshares Corp. directors, as well as officers and employees, to act ethically at all times and in accordance with applicable Company codes of ethics. If an actual or potential conflict of interest arises for a director, the director shall promptly inform the Chairman. If a significant conflict exists and cannot be resolved, the director should resign. All directors will recuse themselves from any discussion or decision affecting their personal, business or professional interests. The Board shall resolve any conflict of interest question involving the Chairman, or a Board member, and the Board or a designated committee thereof comprised of independent directors shall resolve any conflict of interest question involving any other officer of the Company.

Any person who wants to send a written communication to the Board, including any person who has a concern about Iowa First Bancshares Corp.'s conduct, or about the Company's accounting, internal accounting controls or auditing matters, may send a communication to the Board or to the Audit Committee. Such communications may be confidential or anonymous. All such communications will be reviewed and addressed by the Board. Company policy expressly prohibits any employee from retaliating or taking any adverse action against anyone who, in good faith, raises or helps to resolve integrity or other corporate concerns.

V. Annual Performance Evaluation

The Board and each of the Committees may perform an annual self-evaluation. Each of the directors may be requested to provide his or her assessment of the effectiveness of the Board and the Committees on which he or she serves.