

**IOWA FIRST BANCSHARES CORP.
FIRST NATIONAL BANK OF MUSCATINE
FIRST NATIONAL BANK IN FAIRFIELD**

ETHICS POLICY

The directors and employees of First National Bank of Muscatine, First National Bank in Fairfield and Iowa First Bancshares Corp., collectively referred to as “Company”, are committed to high standards of honesty, integrity and impartiality in both their business and personal dealings. Our personal and business reputation is one of our most valuable assets and it depends on our conduct and concern for the people that we serve. It is important that all Company directors and employees avoid situations that will lead to a conflict between self-interest and our duty to promote the best interests of the Bank.

I. PURPOSE

The purpose of this Ethics Policy, also referenced as the Company’s “Code of Conduct”, is to give directors and employees guidelines to follow. It is not intended to be all-inclusive and cannot address every situation that may arise. This Policy will be maintained within the Employee Handbook, and is in conjunction with all other related Bank policies and operating procedures.

II. RESPONSIBILITIES

The Company has a responsibility to its shareholders, customers, employees and the community in which it serves. This Policy provides the avenue for ensuring that the conduct of its directors and employees is consistent with the institution's responsibilities. It is the responsibility of each of our directors and employees to be familiar with and to abide by both the letter and the spirit of this Ethics Policy.

Each director and employee is responsible for following these ethical standards in their respective day-to-day corporate and personal actions and conduct, whether with a customer, supplier, acquaintance, stockholder, director, fellow employee, auditor or examiner.

III. CONFIDENTIALITY

In the course of performing Company duties, directors and employees may be exposed to confidential information considered to be private and sensitive by the customer and/or deemed confidential pursuant to law. All customer information, which is not otherwise known to the general public, is to be considered private and confidential, and shall not be used in any way for personal gain. Directors and employees are specifically prohibited from accessing confidential information on a customer or other employee for any reason other than for legitimate Company business.

Customer information may not be revealed to unauthorized persons, agencies or other employees who do not have a legitimate business need to know the information. Information about customers may only be released by a director or designated employee and only when such a request is authorized by the customer or permitted under federal or state law. Information released must be accurate and within the confines of the requesting document.

Compliance with the Fair Credit Reporting Act, the Right to Financial Privacy Act, the Gramm – Leach – Bliley Act and other related legal and regulatory developments concerning confidentiality of financial institution records is required from all directors and employees.

IV. CONFLICTS OF INTEREST

A. *Definition*

Conflict of Interest is "a conflict between the private interests and the official responsibilities of a person in a position of trust."

Generally, no director or employee shall engage in any activities which create a conflict of interest, or might appear to conflict with an individual's responsibilities and obligations to the Company. An example of a conflict of interest, which is forbidden, is when a director or employee handles their own transactions (checking, savings, loans, etc.) or those of their family (spouse, all children, parents, grandparents, in-laws, brothers, sisters, etc.). This also includes any organization or trust, which you may be a treasurer or trustee of. Good judgment is essential and no list can provide for all of the possible circumstances that may arise to create a conflict of interest. Any questions regarding a conflict of interest or a potential conflict of interest should be directed to your supervisor and the Vice President of Human Resources.

B. *Outside Employment*

No director or employee shall engage in paid employment outside the Company if that "other outside" activity conflicts with his/her duties at the Company. As a precaution, any outside employment or activity that conflicts or could create the perception of conflicting or interfering with your employment, directorship, or your hours of employment with the Company, must be discussed with and have the **prior approval** of the Company's CEO or CFO and Vice President of Human Resources. **Employment at another bank, credit union, insurance company, securities firm or financial related institution will not be permitted.**

C. *"Extra" Compensation*

Employees shall not receive any form of compensation beyond compensation from the Company for performing their normal duties for the Company. Employees will only be reimbursed for actual business expenses incurred in connection with Company business. Expenses incurred on behalf of the Company shall be documented and processed in accordance with the Company's employee expense procedures.

D. *Financial Interests*

Confidential information about the Company's customers that reflects favorably or adversely on the investment value of any business enterprise is "insider" information. It may not be used for personal investment advantage or be provided to others for their investment advantage. No director or employee may invest in a customer's business without full disclosure to and **prior approval** by the Company's Board of Directors.

No director or employee may represent the Company in any transaction affecting the personal interests of such individual, such individual's children, relatives, close personal friends, or with any person with whom the director or employee has a material connection or financial interest, whether the transaction involves the director or employee as an individual or as a principal in a firm doing business with the Company. Similarly, no director or employee may direct, influence, or otherwise cause another to act on the director's or employee's behalf without full disclosure to the other who is performing the transaction. Such transactions include, but are not limited to, the processing or approving of loans, waived fees, waived requirements for financial statements or collateral documents, overdrafts, accepting checks on uncollected funds as well as the act of transferring, depositing, or withdrawing of funds.

No director or employee may accept offers to buy securities or anything else of monetary value at terms more favorable than those available to the general public.

All directors and employees are subject to public scrutiny in the handling of their financial affairs. Therefore, all financial obligations should be paid in a proper and timely manner so as not to reflect negatively on the Company's integrity or public image.

E. *Disclosure Of Information*

All directors and employees must comply with all internal control procedures established by the Company for the safeguarding of assets and proper reporting and disclosure of financial information. No director or employee shall disclose any confidential information regarding the Company or their suppliers and vendors, except after public disclosure of the information by our duly authorized personnel. This policy is not intended in any way to prevent employees from discussing among themselves or with others their terms and conditions of employment with the Company.

F. *Trusts*

It is improper for a director or employee to accept appointment of, or to continue to act as, a fiduciary or co-fiduciary of any trust, estate, agency, guardianship or custodianship of a customer without the prior approval of the Board of Directors. This excludes cases where the customer is part of the director's or employee's immediate family or is a personal friend whose relationship with the director or employee was established apart from the director's or employee's employment with or service to the Company.

Employees must report to the CEO or CFO and have it documented in their file with the Vice President of Human Resources any legacy or bequest to the employee under wills or trusts of customers (*other than from immediate family members or personal friend*). The Company's CEO and CFO, along with the Vice President of Human Resources, will evaluate such reports to safeguard that a conflict of interest does not exist. If a conflict of interest does exist, the conflict must be resolved to extinguish any hint of impropriety. **Trusts under the Company's Trust Umbrella are acceptable.**

G. *Use Of Company Property*

It is contrary to this Policy to permit the payment of Company funds or the use of Company property, either directly or indirectly, to secure favored business treatment for the Company. In addition, Company property or funds may not be used to support a campaign for public office. This includes the use of Company personnel and/or equipment, such as telephones, copy machines, postage, etc.

H. *Outside Activities*

While appropriate outside community activities and civic memberships are encouraged, no employee of the Company may accept membership on a public or municipal Board of Directors without the **prior approval** of the Board of Directors of the Company. Serving on a not-for-profit board is often encouraged and is regarded as giving back (*community service*). If time away from the Bank is required to serve on a not-for-profit board this should be discussed and approved by the employee's manager before accepting a position. All outside board or advisory roles for a not-for profit, trade association, etc., and any compensation, is to be reported to the Vice President of Human Resources for tracking and preparing an employee annual report to the Board of Directors for review and acknowledgement. *If pre-approved, the employee may retain any director's fees. This is not intended to be a prohibition against directorships or participation in charitable, religious, educational, or civic activities that would not conflict with the employee's normal business responsibilities.*

Volunteer participation in civic and political organizations by Company employees is encouraged. However, participation in any political organization is strictly on a personal basis, and it must be conducted on the employee's own time and cannot in any way be represented, directly or indirectly, as an expression of endorsement by the Company. Employees who are officers of outside organizations may not receive the organization's statements at the Company.

A director must obtain **prior approval** from the OCC and FDIC on any Board of Directors' position or management of another financial institution whether or not it is in direct competition with the Company. Similarly, a director must obtain **prior approval** from the regulators of membership on any Board of Directors of an organization that may be perceived as conflicting with the director's membership on the Board of Directors of the Company i.e. purchased BOLI insurance company or data processing company.

I. *Competition*

The Company believes that open and honest competition in the marketplace is healthy and beneficial to customers. Any collusion with competitors about the pricing of Company services, interest rates or otherwise engaging in any activity that has the effect, directly or indirectly, of lessening competition is strictly prohibited.

Directors and employees should avoid portraying the competition in a negative way. Offering the best service possible to our customers is much more effective than criticism of a competitor. Such criticism is not consistent with this Policy.

No director or employee may require a customer to engage in certain "tied" or reciprocal transactions. This is any transaction where a customer is required to purchase or receive one product or service in exchange for another being made available.

J. *Solicitation*

Soliciting donations or selling goods for outside charitable events or organizations can be disruptive. No employee is permitted to engage in soliciting donations or distributing literature on charitable organizations during his/her working hours, without prior approval of your location Branch Manager and the Company's Vice President of Human Resources. This rule does not apply during break periods and meal time.

V. **LOANS**

It is the Policy of the Company that credit standards will be consistent for all loan applications and existing customers regardless of race, color, national origin, religion, sex, sexual orientation, age, disability, marital status, veteran's status or any other legally protected status, provided the applicant has the capacity to enter into a binding contract.

An employee should not have lending authority over an account involving themselves, their immediate family, relatives or any related interests. All extensions of credit by the Company to an employee should be paid in accordance to the terms as set out in the loan documents.

Credit *cannot be extended* to any of the Company's executive officers, directors, principal shareholders or related interests *on terms different from the prevailing terms for comparable transactions* with individuals or entities not associated with the Company and should not involve more than the normal degree of risk of repayment, or present any other unfavorable characteristics. In addition, certain loans to the executive officers, directors, principal shareholders or related interests may require prior approval of the Board of Directors as required by Regulation O. Any extension of credit to an executive officer, director, principal shareholder or related interest is required to follow guidelines as set forth in the Company's Loan Policy and Reg O Policy.

The acceptance by executive officers, directors, principal shareholders of loans from other financial institutions with which the Company has a correspondent relationship, must be at terms no more favorable than available to the general public. Executive officers, principal shareholders and their related interests must notify the respective Board of Directors in writing of all borrowings from any such correspondent institution, in accordance with Regulation O and other applicable laws. Except for loans from financial institutions consistent with Regulation O, the acceptance of loans from Company vendors, Company customers or prospective Company customers is not appropriate.

VI. OVERDRAFTS

Directors and employees are accountable for their personal accounts, including joint accounts, and must not allow their accounts to be excessively overdrawn. Overdrafts may be subject to the overdraft fee applicable to Company customers. In the event of an overdraft, checks may be returned unpaid and the account may be subject to closing.

Overdrafts by executive officers and directors will not be permitted and must be covered with cash funds immediately. See *Federal Reserve Regulation O, 12 C.F.R. § 215.4 (d)*. See Regulation O: Insider Lending Policy for guidelines in regard to overdrafts by directors and executive officers of the Company covered under Regulation O. In regard to all other employees, additional guidance can be found in the current Loan Policy and the Employee Handbook. In the event of a financial emergency, the director, or employee must contact the CEO or CFO for assistance.

VII. INVESTMENTS

The following guidelines apply to investments by directors and employees:

- A. Speculative investing is not consistent with the personal conduct expected of a director, officer or company employee. Directors and employees shall adhere to an appropriate and prudent investment policy for their personal funds based on their personal knowledge of and expertise in the financial markets;
- B. The Company discourages any employee from maintaining a margin account.
- C. Information provided by customers and vendors that is not publicly available is to be considered confidential and may not be used for personal gain;
- D. Commissions paid to brokers or dealers to purchase or sell securities for Company customers shall never be used to obtain special concessions from the brokerage firm;
- E. A director or employee may not invest in a Company customer's business, unless the director or employee has received the necessary approvals under the Conflicts of Interest Section of this Policy; it is an arm's length transaction; and no confidential Company information is used as the basis for the transaction.

VIII. UNLAWFUL GAMBLING POLICY

No director or employee shall participate in any unlawful or disruptive gambling activity, including gambling devices, lotteries, pools, games for money or property, or numbers tickets, while on property owned or leased by the Company or while on duty as a Company representative at an outside civic/community event. The sale of raffle tickets for local civic groups that the Company supports does not constitute a gambling activity under this Ethics Policy.

IX. COMPANY BRIBERY ACT

The Company Bribery Act makes it illegal for anyone to offer or promise anything of value to a director, officer or employee with the intent to influence or reward the director or employee in connection with any business or transaction with the Company. It is also illegal for a director or employee to solicit or accept anything of value from any person intending to be influenced or rewarded in connection with any business or transaction with the Company.

It is unlawful to give or offer to give anything of monetary value to a Company vendor, securities dealer/broker or customer in order to receive preferential treatment. The giving or acceptance of food, refreshments, travel and/or accommodations of **reasonable value** in the ordinary course of business is acceptable. The giving or acceptance of anything of value which serves no legitimate business purpose is not acceptable. Transactions conducted in the course of Company business will be recorded in the Company's financial records.

Gifts during the holiday season, flowers and promotional items of nominal value may be accepted. Nominal value is defined as anything having a **fair market value of \$100.00 or less**. Any gift of greater value requires approval from the CEO or CFO and the Vice President Human Resources.

The giving or acceptance of gifts based on an obvious family or personal relationship is acceptable where it is clear that the gift is unrelated to any business transaction. The acceptance of gifts of modest value (*less than \$100.00*) in recognition of a promotion/new job, birthday, wedding, birth/adoption, illness, and/or retirement is permitted. Awards for recognition of service and accomplishment from civic, charitable, educational or religious organizations may be accepted.

Advertising or promotional materials with a value of less than \$100.00 may be accepted. Discounts or rebates on merchandise or services that do not exceed those available to other customers of the merchant may be accepted.

Direct any questions regarding whether it is appropriate to accept a gift or other things of value to the Vice President Human Resources and in her absence the CEO or CFO.

X. ANTI-MONEY LAUNDERING LAWS & OFAC

To prevent the Company from being used as a conduit for money laundering or for funding terrorist or other criminal activity, the Company is required to comply with the Bank Secrecy Act ("BSA") and related anti-money laundering ("AML") laws and regulations, including OFAC. Failing to comply can result in severe penalties.

Each director and employee is responsible for being knowledgeable about BSA, AML and OFAC laws and must be able to identify and report violations or suspicious activity. All such individuals are responsible for following the Company's policies and procedures for complying with BSA, AML, and OFAC obligations and are responsible for completing all required BSA, AML and OFAC training.

XI. CUSTOMER RELATIONS

Dealing with existing and prospective customers in a fair, reasonable, and ethical manner is essential to the success of the Company. Commitments to customers must be met. Customer inquiries must be handled in a timely and courteous manner.

From time to time, it is expected that certain employees' job descriptions will necessitate that they incur business development and travel related expenses on the behalf of the Company. Such expenses shall be documented and processed in strict accordance with Company policy and procedures, as applicable.

XII. NOTIFICATION AND DISCLOSURE

Directors and employees must immediately notify the Company's CEO or Vice President of Human Resources of an improper or illegal activities conducted by other directors or employees.

XIII. DISCIPLINARY ACTIONS

Any violations of this Ethics Policy by an employee must be reported in writing to the CEO and Vice President of Human Resources. This report will be kept in the employee's personnel file, and the employee will be given a complete copy of said

report with the opportunity to explain any “conflicts”. Any situation that puts the Company at risk will be reported to the Board of Directors for further action. The Board of Directors shall take whatever action it deems appropriate to remedy the situation and prevent the behavior from occurring in the future. Appropriate authorities will be notified, if there appears to be a violation of law.

The Company does not tolerate retaliation against anyone in connection with a good faith report of a violation of this Policy. Anyone who engages in retaliatory behavior will face disciplinary action, up to and including termination.

Failure to comply with these guidelines documented in the Employee Handbook may result in disciplinary action up to and including termination. It is impossible and impractical to publish all practices, rules and policies which might lead to disciplinary action. The following is a partial list of actions that may result in disciplinary action:

- ▶ dishonesty,
- ▶ disclosing confidential information in violation of Company policy,
- ▶ theft of Company or personal property of others,
- ▶ willful violation of Company rules and procedures,
- ▶ defacing or destroying Company property,
- ▶ misuse of deposits account, such as continued or excessive overdrafts;
- ▶ violence to another person,
- ▶ use of abusive, foul or obscene language,
- ▶ possessing or being under the influence of intoxicants or non-prescription drugs,
- ▶ insubordination or failure to carry out the directions of a supervisor or other management,
- ▶ unsatisfactory job performance,
- ▶ falsification of hours worked,
- ▶ excessive tardiness or absence and
- ▶ unnecessary personal phone calls and unauthorized long distance calls.

XIV. ADMINISTRATION

This Policy may be amended or modified by the Board of Directors or management of the Company at any time. In the event this Ethics Policy is changed, the revised Policy will be distributed to all directors and employees on a timely basis. On an annual basis, each director and every employee must file a statement acknowledging receipt of the Company’s most recent Ethics Policy and must agree to comply with the Policy. This affirmation is securely stored electronically.

Nothing in this Ethics Policy is intended to, nor shall be construed as providing any additional employment rights to directors, officers or employees of the Company.

Directors and employees are strongly encouraged to contact the Vice President of Human Resources or the CEO with any questions regarding this Ethics Policy.

ETHICS POLICY AFFIRMATION

I, the undersigned, acknowledge that I have received a copy of the Ethics Policy, and I have read such Policy in its entirety and agree to comply with the terms thereof.

I understand that failure to comply with the above constitutes grounds for termination. By signing below, I am also confirming that I have not previously committed any acts of dishonesty.

Date: _____

Signature: _____

Name (Print): _____