

IOWA FIRST BANCSHARES CORP.

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PRESS RELEASE

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Iowa First Bancshares Corp. Reports Fourth Quarter and Year-to Date 2019 Financial Results and Dividend Payment

Iowa First Bancshares Corp. (OTC Pink: IOFB) today reported financial results for both the fourth quarter and full year of 2019. Net income of \$974,000 for the quarter ended December 31, 2019 compared to net income of \$195,000 for the quarter ended December 31, 2018, an increase of \$779,000 or 400%. The increase in fourth quarter net income year-over-year of \$779,000 was primarily attributable to lower provision for loan losses which decreased \$1,310,000, noninterest income which grew \$48,000 and was offset by a decrease of net interest income of \$241,000, an increase in noninterest expense of \$67,000, and an increase in income tax expense of \$271,000.

Basic and diluted earnings per share were \$.87 for the three months ended December 31, 2019, \$.70 or 412% more than the same period in 2018.

The Company's consolidated net income of \$3,476,000 for the twelve months ended December 31, 2019, was \$1,165,000 (50.4%) more than the prior year. The significant increase in net income year over year is due to the steady performance of First National Bank of Muscatine ("Muscatine") and First National Bank in Fairfield ("Fairfield"), the smaller of the two subsidiary banks, recording net income of \$481,000 in 2019 after recognizing net losses in 2018 and 2017. The increase in consolidated net income resulted mainly from a decrease in provision for loan losses of \$2,391,000 (67.4%) and was offset by a decrease in net interest income of \$586,000 (3.9%), a decrease in noninterest income of \$51,000 (1.5%), an increase in noninterest expense of \$227,000 (1.9%), and an increase in income tax expense of \$362,000 (53.7%).

Iowa First Bancshares Corp. maintains a strong capital position, as evidenced by its December 31, 2019 total risk-based capital ratio of 15.5%. Furthermore, the company's earnings and cash flow provided for non-scheduled principal payments of \$280,000 on borrowed funds in 2019. The board of directors declared a \$.29 per common share cash dividend which was paid on January 28, 2020 to shareholders of record January 2, 2020. On an annualized basis this dividend represents a return of 3.2% on the December 31, 2018 stock price. Iowa First Bancshares Corp. has paid a cash dividend to shareholders every year since 1989. While thinly traded, it should be noted that Iowa First's stock price per share increased by 20% during 2019, reaching \$43.50 per share at December 31, 2019.

Basic and diluted earnings per share were \$3.08 for the twelve months ended December 31, 2019, an increase of \$1.04 or 51% from the same period in 2018. The Company's annualized return on average assets for 2019 and 2018 was .75% and .49%, respectively. The Company's annualized return on average equity for the twelve months ended December 31, 2019 and December 31, 2018 was 7.2% and 4.9%, respectively.

Total assets at December 31, 2019 were \$470,535,000, an increase of \$8,376,000 (1.8%) from year-end 2018. Gross loans outstanding decreased \$23,558,000 (6.2%), while total deposits increased \$9,822,000 (2.5%) year-over-year. The allowance for loan losses totaled \$6,853,000 at December 31, 2019, or 1.92% of gross loans outstanding. Net charge-offs for the Company as a percentage of gross loans decreased to .17% in 2019 versus .77% in 2018.

In October 2019, Fairfield entered into a Consent Order (the Order) with its primary regulator, the Office of the Comptroller of the Currency (the OCC). As required under the Order, the Bank's Board of Directors has appointed a Compliance Committee to be responsible for monitoring and coordinating the Bank's adherence to the provisions of the Order and submitting quarterly written progress reports to the OCC. Fairfield is in the process of addressing each of the provisions of the Order.

Iowa First Bancshares Corp. is a bank holding company headquartered in Muscatine, Iowa. The Company provides a wide array of banking and other financial services to individuals, businesses and governmental organizations through its two wholly-owned national banks located in Muscatine and Fairfield, Iowa.

This press release may contain forward-looking statements. Investors are cautioned that all forward-looking statements involve risks and uncertainties, and many factors could cause actual results to differ materially from the results anticipated or projected. Our ability to predict results, or the actual effect of future plans or strategies, is inherently uncertain. Factors that could cause

actual results to differ materially from those set forth in the forward-looking statements or that could have a material effect on the operations and future prospects of the Company include, but are not limited to: (1) credit quality deterioration or pronounced and sustained reduction in real estate or other collateral values could cause an increase in the allowance for loan losses and a reduction in net income; (2) our management's ability to reduce and effectively manage interest rate risk and the impact of interest rates in general on the level and volatility of our net interest income; (3) changes in the economic environment, competition, or other factors that may affect our ability to acquire loans or influence the anticipated growth rate of loans and deposits and the quality of the loan portfolio and loan and deposit pricing; (4) fluctuations in the value of our investment securities; (5) governmental monetary and fiscal policies; (6) legislative, regulatory and tax law changes as well as changes in the scope and cost of Federal Deposit Insurance Corporation insurance and other fees; (7) the ability to attract and retain key executives and employees; (8) the sufficiency of the allowance for loan losses to absorb the amount of actual losses inherent in our loan portfolio; (9) our ability to adapt successfully to technological changes; (10) credit risks and risks from concentrations (by geographic area and by industry) within our loan portfolio; (11) the effects of competition from numerous sources; (12) the failure of assumptions underlying the establishment of allowances for loan losses and estimation of values of collateral and various other financial assets and liabilities; (13) volatility, duration and matching risks of rate-sensitive assets and liabilities as well as liquidity risk; (14) operational risks, including data processing system failure or fraud; (15) the costs, effects and outcomes of existing or future litigation; (16) changes in general economic or industry conditions, nationally or in the communities in which we conduct business; (17) changes in accounting policies and practices; and (18) other risks.

CONSOLIDATED FINANCIAL HIGHLIGHTS
(Dollar amounts in thousands, except share and per share data)
(unaudited)

	For the Three Months Ended December 31, 2019	For the Three Months Ended December 31, 2018	For the Twelve Months Ended December 31, 2019	For the Twelve Months Ended December 31, 2018
Net Interest Income	\$ 3,456	\$ 3,697	\$ 14,477	\$ 15,063
Provision for Loan Losses	115	1,425	1,155	3,546
Noninterest Income	940	892	3,466	3,517
Noninterest Expense	3,021	2,954	12,276	12,049
Income Tax Expense (Benefit)	286	15	1,036	674
Net Income after Income Taxes	974	195	3,476	2,311
Net Income Per Common Share, Basic and Diluted	\$.87	\$.17	\$ 3.08	\$ 2.04
Average year-to-date common shares outstanding, basic and diluted	1,126,253	1,130,966	1,129,352	1,131,455
	<u>As of December 31, 2019</u>	<u>As of December 31, 2018</u>		
Gross Loans	\$ 356,179	\$ 379,737		
Total Assets	470,535	462,159		
Total Deposits	405,869	396,047		
Tier 1 Capital	49,006	47,036		
Return on Average Equity	7.2%	4.9%		
Return on Average Assets	.75	.49		
Net Interest Margin (tax equivalent)	3.29	3.42		
Allowance as a Percent of Total Loans	1.92	1.66		