

IOWA FIRST BANCSHARES CORP.

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PRESS RELEASE

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Iowa First Bancshares Corp. Reports First Quarter Financial Results and Dividend Payment

Iowa First Bancshares Corp. (OTC Pink: IOFB) today reported operating results for the three month period ended March 31, 2018. Consolidated net income totaled \$733,000 compared to net income of \$393,000 for the same period last year, an increase of \$340,000 or 86.5%. Comparing first quarter 2018 and first quarter 2017 results: net interest income decreased \$29,000 or 0.8%; provision for loan losses decreased \$540,000 or 50.0%; noninterest income declined by \$22,000 or 2.6%; noninterest expense increased \$119,000 or 4.0%; and income tax expense increased \$30,000 or 16.0%.

Basic and diluted earnings per share were \$.65 for the three months ended March 31, 2018, an increase of \$.30 from the same period in 2017. The Company's annualized return on average assets for the first quarter of 2018 and 2017 was .62% and .33%, respectively. The Company's annualized return on average equity for the first quarter of 2018 and 2017 was 6.4% and 3.5%, respectively.

Total assets at March 31, 2018 were nearly \$477.7 million, an increase of approximately \$7.7 million (1.6%) from March 31, 2017. Deposits totaled \$407.6 million, an increase of approximately \$9.0 million (2.3%) when comparing the end of the first quarter of 2018 to 2017. Gross loans outstanding at March 31, 2018, decreased \$7.6 million (1.9%), compared to March 31, 2017.

The allowance for loan losses totaled \$5.75 million at March 31, 2018, or 1.44% of gross loans outstanding compared to 1.13% of gross loans at March 31, 2017. Net loans charged-off during the first quarter of 2018 and 2017 totaled \$478,000 and \$1,160,000, respectively. The vast majority of first quarter 2018 net charge-offs have been in the agriculture loan portfolio. Nonaccrual loans totaled \$7.6 million or 1.9% of gross outstanding loans at March 31, 2018, a substantial increase from \$2.4 million or .6% of gross outstanding loans at March 31, 2017. This disappointing increase in nonaccrual loans has occurred primarily at the Fairfield subsidiary bank and partially accounts for the decline in consolidated net interest margin from 3.47% for the year ended December 31, 2017 to 3.40% during the first quarter of 2018. At March 31, 2018, approximately 48% of nonaccrual loans are in the agriculture loan portfolio and approximately 30% are in the commercial and industrial loan portfolio. The remaining nonaccrual loans are in commercial and residential real estate and consumer loans. Management is focused on improving the quality of the overall loan portfolio and reducing the amount of nonaccrual loans. Realistically, however, it will likely take several quarters of hard work to reduce this nonaccrual loan total to a more acceptable level.

Over the past year, the Fairfield subsidiary bank has had its President and CEO retire and two senior lending officers resign to pursue other career opportunities. Fortunately, a very experienced President and CEO and a new, experienced Chief Credit Officer have joined our management team. Together these very talented bankers have been focusing on enhancing the bank's policies, procedures, training and overall lending culture.

To provide these leaders the opportunity to succeed in their efforts to restore the Fairfield bank to a position as a significant contributor to shareholder value, Iowa First completed during the first quarter of 2018 a capital (cash) injection of \$2.0 million into the Fairfield bank. This capital injection was funded by cash on hand combined with \$1.4 million of borrowed funds. As a result of this capital injection, the bank's tier 1 capital to average assets ratio increased from 7.8% on December 31, 2017 to 9.1% at March 31, 2018, and its total capital to risk-weighted assets ratio increased from 11.0% to 12.5%.

The board of directors declared a quarterly cash dividend of \$.29 per share payable April 24, 2018, to shareholders of record April 2, 2018. On an annualized basis this dividend represents a return of 2.6% on the December 31, 2017 stock price. Iowa First Bancshares Corp. has paid a cash dividend to shareholders every year since 1989.

At the annual shareholders meeting held April 19, 2018, the shareholders voted in favor of the election of all four director nominees. The shareholders also voted in favor of each of the other proposals which had been recommended by the Company.

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 Quarter Ended <u>March 31, 2018</u>	For the Quarter Ended <u>March 31, 2017</u>
Net Interest Income	\$ 3,744	\$ 3,773
Provision for Loan Losses	540	1,080
Noninterest Income	833	855
Noninterest Expense	3,086	2,967
Income Tax Expense	218	188
Net Income after Income Taxes	733	393
 Net Income Per Common Share, Basic and Diluted	 \$ 0.65	 \$ 0.35

	As of <u>March 31, 2018</u>	As of <u>December 31, 2017</u>	As of <u>March 31, 2017</u>
Gross Loans	\$ 398,383	\$ 406,367	\$ 405,949
Total Assets	477,660	482,158	469,999
Total Deposits	407,643	410,752	398,633
Tier 1 Capital	46,482	45,942	44,862
Average Common Shares Outstanding, Basic and Diluted	1,131,847	1,131,440	1,130,436
Return on Average Equity	6.4%	5.2%	3.5%
Return on Average Assets	.62%	.50%	.33%
Net Interest Margin (tax equivalent)	3.40%	3.47%	3.41%
Allowance as a Percent of Total Loans	1.44%	1.40%	1.13%