IOWA FIRST BANCSHARES CORP.

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

Iowa First Bancshares Corp. (OTC Pink: IOFB) ("Iowa First" or the "Company"), the holding company for First National Bank of Muscatine and First National Bank in Fairfield, today reported financial results for the three month period ended June 30, 2021. Net income was $847,000 for the quarter ended June 30, 2021, compared to net income of $682,000 for the quarter ended June 30, 2020, an increase of $165,000 or 24.2%. The increase in second quarter net income year-over-year of $165,000 was primarily attributable to higher net interest income which increased $292,000. Net interest income was positively affected by the recognition of unearned loan fees on PPP loans forgiven by the Small Business Administration (SBA) in the second quarter of 2021. Other factors affecting Iowa First's second quarter results year-over-year were provision for loan losses decreasing $105,000, noninterest income decreasing $229,000, noninterest expense decreasing $33,000, and income tax expense increasing $36,000.

The Company recorded net income of $1,322,000 for the six months ended June 30, 2021, compared with net income of $1,477,000 for the two quarters ended June 30, 2020, a decrease of $125,000 or 8.6%. Over that time period, net interest income decreased $92,000, provision for loan losses increased $45,000, noninterest income decreased $88,000, noninterest expense decreased $52,000, and income tax expense decreased $48,000.

Iowa First maintains a strong capital position, as evidenced by its June 30, 2021 total risk-based capital ratio of 18.6%. Basic and diluted earnings per share were $1.18 for the six months ended June 30, 2021, a decrease of $0.11 or 9% from the same period in 2020. The Company's annualized return on average assets for the first two quarters of 2021 and 2020 was .50% and .61% respectively. The Company's annualized return on average equity for the six months ended June 30, 2021 and June 30, 2020 was 5.2% and 5.8%, respectively.

Total assets at June 30, 2021 were $525,316,000, an increase of $31,585,000 (6.4%) from June 30, 2020. Gross loans outstanding decreased $42,695,000 (12.0%), while deposits increased $29,901,000 (7.0%) year-over-year. The allowance for loan losses totaled $6,481,000 at June 30, 2021, or 2.06% of gross loans outstanding. Nonaccrual loans totaled $7.9 million or 2.5% of gross loans outstanding at June 30, 2021, a decrease from $13.9 million or 3.9% at June 30, 2020. While nonaccrual loans remain at a higher than desired level, this significant decrease is a reflection of the continued focus at the Fairfield subsidiary on improving the quality of the overall loan portfolio and reducing the nonaccrual loans.

Both of the Iowa First banks were very active in the PPP loan program established through the SBA to assist businesses and farmers as they attempted to survive the coronavirus pandemic. Customer applications for loan forgiveness continue to be approved by the SBA, resulting in outstanding PPP loans as of June 30, 2021 of approximately $14 million, down from $21 million as of March 31, 2021.

The board of directors declared a quarterly cash dividend of $.15 per share payable August 31, 2021, to shareholders of record August 2, 2021. On an annualized basis this dividend represents a return of 2.22% on the December 31, 2020 stock price. Iowa First Bancshares Corp. has paid a cash dividend to shareholders every year since 1989.

About Us

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.

Special Note Concerning Forward-Looking Statements

This press release contains, and future oral and written statements of the Company and its management may contain, forward-looking statements with respect to the financial condition, results of operations, plans, objectives, future performance and business of the Company. 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. Additionally, all statements in this document, including forward-looking statements, speak only as of the date they are made, and the Company undertakes no obligation to update any statement in light of new information or future events. 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) the effects of the COVID-19 pandemic, including its potential effects on the economic environment, the Company's customers and its operations, as well as any changes to federal, state or local government laws, regulations or orders in connection with the pandemic; (2) 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; (3) 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 (including the impact of LIBOR phase-out); (4) 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; (5) fluctuation in the value of our investment securities; (6) governmental monetary and fiscal policies; (7) legislative, regulatory and tax law changes; (8) the ability to attract and retain key executives and employees; (9) the sufficiency of the allowance for loan losses to absorb the amount of actual losses inherent in our loan portfolio; (10) our ability to adapt successfully to technological changes; (11) credit risks from concentrations (by geographic area and by industry) within our loan portfolio; (12) the effects of competition from numerous sources; (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; and (17) changes in accounting policies and practices (including as a result of the future implementation of the current expected credit loss (CECL) impairment standards, that will change how the Company estimates credit losses).

CONSOLIDATED FINANCIAL HIGHLIGHTS

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

	For the Three Months Ended June 30, 2021	For the Three Months Ended June 30, 2020	For the Six Months Ended June 30, 2021	For the Six Months Ended June 30, 2020
Net Interest Income	$3,559	$3,267	$6,649	$6,741
Provision for Loan Losses	240	345	565	520
Noninterest Income	945	1,174	1,935	2,023
Noninterest Expense	3,166	3,199	6,300	6,352
Income Tax Expense	251	215	397	445
Net Income after Income Taxes	847	682	1,322	1,447
Net Income Per Common Share, Basic and Diluted	$ 0.75	$0.61	$1.18	$1.29
Average year-to-date common shares outstanding, Basic and Diluted	1,122,881	1,126,253	1,122,881	1,126,253

	As of June 30, 2021	As of December 31, 2020	As of June 30, 2020
Gross Loans	$314,088	$324,356	$356,783
Total Assets	525,316	511,522	493,731
Total Deposits	459,416	445,952	429,515
Tier 1 Capital	51,370	50,216	49,799
Return on Average Equity	5.2%	4.6%	5.8%
Return on Average Assets	.50	.48	.61
Net Interest Margin (tax equivalent)	2.66	2.93	3.05
Allowance as a Percent of Total Loans	2.06	1.88	1.70