

IOWA FIRST BANCSHARES CORP.

300 East Second Street
Muscatine, Iowa 52761
(563) 263-4221

For more information contact:

D. Scott Ingstad, Chairman, President and CEO (563-262-4202) Or

Kim K. Bartling, Executive Vice President, Chief Operating Officer & Treasurer (563-262-4216)

PRESS RELEASE

FOR RELEASE October 25, 2018, at 11:00 a.m. Central Standard Time

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

Iowa First Bancshares Corp. (OTC Pink: IOFB) today reported net income of \$422,000 for the quarter ended September 30, 2018, compared to revised net income of \$480,000 for the quarter ended September 30, 2017. The decrease in third quarter net income year-over-year of \$58,000 (12.1%) resulted from a decrease in net interest income of \$93,000 (2.4%), an increase in provision for loan losses of \$36,000 (3.2%) and an increase in noninterest expense of \$22,000 (0.7%). Noninterest income increased \$32,000 (3.7%) and income tax expense decreased \$61,000 (26.5%) when comparing the third quarter of 2018 to the same quarter in 2017.

The Company recorded net income of \$2,116,000 for the nine months ended September 30, 2018, compared with revised net income of \$2,013,000 for the three quarters ended September 30, 2017, an increase of \$103,000 (5.1%). Over that time period, net interest income decreased \$297,000 (2.6%), provision for loan losses decreased \$294,000 (12.2%), noninterest income increased \$17,000 (0.7%), noninterest expense increased \$231,000 (2.6%), and income tax expense decreased \$320,000 (32.7%).

Basic and diluted earnings per share were \$1.87 for the nine months ended September 30, 2018, up \$.09 or 5.1% from the revised earnings per share for the same period in 2017. The Company's annualized return on average assets for the first three quarters of 2018 and 2017 was .60% and .56%, respectively. The Company's annualized return on average equity for the nine months ended September 30, 2018 and September 30, 2017 was 6.0% and 5.9%, respectively.

Total assets at September 30, 2018 were \$456,806,000, a decrease of \$16,615,000 (3.5%) from September 30, 2017 revised total assets and total deposits decreased \$15,130,000 (3.8%) over the same time period.

Gross loans outstanding decreased \$21,008,000 (5.1%) year-over-year. The decrease in gross loans outstanding was primarily attributable to deterioration in loan quality at one of our subsidiary banks, First National Bank in Fairfield. Management of the Fairfield subsidiary bank has worked to assist certain borrowers in their efforts to reduce the amount of credit extended to them by the bank and, in some cases, to fully or partially refinance their debt with other financial institutions. The allowance for loan losses totaled \$7,224,000 at September 30, 2018, or 1.86% of gross loans outstanding. Net loans charged-off during the first nine months of 2018 and 2017 were \$581,000 and \$1,339,000, respectively. Nonaccrual loans totaled \$4.5 million or 1.2% of gross loans outstanding at September 30, 2018, compared to \$2.3 million of nonaccrual loans at September 30, 2017. However, significant improvement in the level of nonaccrual loans has occurred since March 31, 2018 when nonaccrual loans totaled \$7.6 million. The heightened level of nonaccrual loans during 2018 helps explain the modest decline in consolidated net interest margin from 3.47% for the year ended December 31, 2017 to 3.44% during the first three quarters of 2018.

The board of directors declared a \$.29 per common share cash dividend payable on October 30, 2018, to shareholders of record October 1, 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.

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)

(Results reported below for the three and nine month periods ended September 30, 2017 have been revised from those originally reported)

	<u>For the Three Months Ended September 30, 2018</u>	<u>For the Three Months Ended September 30, 2017</u>	<u>For the Nine Months Ended September 30, 2018</u>	<u>For the Nine Months Ended September 30, 2017</u>
Net Interest Income	\$ 3,863	\$ 3,956	\$ 11,366	\$ 11,663
Provision for Loan Losses	1,161	1,125	2,121	2,415
Noninterest Income	902	870	2,625	2,608
Noninterest Expense	3,013	2,991	9,095	8,864
Income Tax Expense	169	230	659	979
Net Income after Income Taxes	422	480	2,116	2,013
Net Income Per Common Share, Basic and Diluted	\$.37	\$.42	\$ 1.87	\$ 1.78
Average year-to-date common shares outstanding, basic and diluted	1,131,158	1,131,847	1,131,617	1,131,304
	<u>As of September 30, 2018</u>	<u>As of December 31, 2017</u>	<u>As of September 30, 2017</u>	
Gross Loans	\$ 387,801	\$ 406,367	\$ 408,809	
Total Assets	456,806	482,158	473,421	
Total Deposits	388,634	410,752	403,764	
Tier 1 Capital	47,169	45,942	45,885	
Return on Average Equity	6.0%	5.2%	5.9%	
Return on Average Assets	.60	.50	.56	
Net Interest Margin (tax equivalent)	3.44	3.47	3.50	
Allowance as a Percent of Total Loans	1.86	1.40	1.41	