



2013 ANNUAL REPORT

OUR OPERATING PRINCIPLES:

TAKE GOOD CARE OF OUR CUSTOMERS

HIRE AND RETAIN EXCELLENT EMPLOYEES

Always conduct yourself with the utmost integrity

WORK AS ONE TEAM

LEARN CONSTANTLY SO WE CAN CONTINUALLY IMPROVE

TO OUR SHAREHOLDERS

CHARLES N. FUNK, President & CEO

KEVIN W. MONSON, Chairman



Kevin W. Monson, left, Chairman, and Charles N. Funk, President & CEO, right.

We know of no other way to say it. In the 79 year history of this company, 2013 will stand out as a year of achievement and success.

For the third consecutive year, we achieved record earnings. Perhaps more significantly, we were honored in multiple forums for things that go to the core of what we believe are critical to the long term success of this company. In this letter, we will discuss these achievements as we review 2013 and look ahead to what we need to do in 2014 to be successful.

2013 was a year in which the banking industry showed that the 2008-09 recession is in the past. MidWestOne Financial Group, Inc. continued its four year earnings improvement. Net income of \$18,607,000 and \$2.18 per diluted share are all-time records. The full year return on assets of 1.06% and return on tangible common equity of 11.43% are very respectable returns in the low interest rate environment that has been persistent for the past five years. We closely monitor our efficiency ratio and we are pleased to report that it fell to 57.23% for 2013. Our goal of moving MidWestOne Bank's efficiency ratio to 55% was achieved ahead of schedule as that banking unit achieved a 54.34% ratio for 2013. For those unfamiliar with the efficiency ratio, it simply measures how much a company expends to produce a dollar of income; the lower the number the better. At these levels of efficiency, we are much better than average for banks of similar size.

A year ago, we were pleased to report about the rapid asset and deposit growth experienced during 2012. That stopped in 2013 and at year-end 2013, our deposits were about \$24.8 million less than the \$1.4 billion outstanding at year-end 2012. At \$1.755 billion, our company assets were \$37.6 million less than at year-end 2012. This is not necessarily bad news, however. The company's balance sheet became more

efficient as net loans in the bank portfolio increased by \$52.9 million to end 2013 at \$1.072 billion, an increase of 5.2%. In an economy that grew by less than 3%, we regard this as above average performance. Just as importantly, the net interest margin of the company was 3.46% in 2013, unchanged from 2012. Those who read this letter a year ago will recall our pessimism for the net interest margin in 2013 and 2014. Thanks to strong loan growth and disciplined pricing throughout the balance sheet, we were able to hold our margin in 2013.

Since our 2008 merger of equals, we have spoken of our desire to move our revenues from non-interest income to 30% of total revenues. Unfortunately, we continue to move further from this goal. We believe that banks of all sizes must develop alternative sources of revenue beyond the traditional "flywheel" that is turned by collecting deposits and making good loans. At MidWestOne, our non-interest income is derived from three broad categories: real estate origination and servicing fees, wealth management fees, and fees from services we perform for our deposit and loan customers.

As in most banks across America, real estate origination and servicing fees fell in 2013 compared to 2012 as the great refinancing wave ended with the increase in long-term interest rates earlier this year. At MidWestOne, these fees fell 10.3% in 2013 to \$3,209,000. This is a bit deceptive, however, as we were aided by a significant increase in the value of our mortgage servicing portfolio rights. We are keenly aware that residential real estate lending should be a core competency of a bank such as ours and we are working feverishly to improve our product mix, our efficiency, and our outreach to area realtors in order to capture a larger

share of the residential lending market. The bottom line here is that there is work to be done in 2014!

Our Wealth Management division continued to post impressive numbers. This division is comprised of three entities, the bank Trust Department, the bank's Investment Services Department, and MidWestOne Insurance Services. The Trust department has increased revenues at a 7% pace for the past five years with net income rising at 12% per year. The Trust Department's 2013 net income was 7.1% higher than in 2012. The Investment Services Department had a break-out year, with its top line revenue increasing 13.4% from 2012 and its net income up 46.5%. The Investment Services Department has a five-year trend of revenues increasing by 14%. Although the five-year trend in net income in Investment Services is 61% per year, this is coming off of a very low base. For us to continue to achieve stellar increases, we must attract a few high level producers to our company. Most pleasing is the sincere focus on the customer that is evident in these departments. We do not allow or encourage "product pushing." The goal is to find solutions that fit our customers and if we can do that, we know the bank will also benefit.

MidWestOne Insurance Services, Inc. turned a corner in 2013, posting a modest profit after several years of losses related in part to acquisition costs and staffing overlap. Margaret Ratcliff was named President of this insurance unit late in 2013, and we are confident that, under her leadership, the insurance unit will continue to improve its operating performance in 2014 and beyond. Our efficiency is very good in this business unit, and top line revenue growth will continue to produce improved operating results.

From school boards, to not for profit chairpersons, to volunteers at local festivals and celebrations, we are there. We are *always* there!



What's with all the sunglasses?
In honor of MidWestOne being named the "Coolest Place to Work in the Corridor" by the *Corridor Business Journal*, we decided it was best to dress the part.

Fees for services performed for deposit and loan customers continued their multi-year decline in 2013, falling 8.2% to \$2,980,000. There are several reasons for the decline. As we have previously stated, the regulatory authorities continue to limit our ability to recover a fair fee for some services we perform. Beyond that, however, is the fact that we believe our staff can be better disciplined in terms of collecting fair fees for services performed and we will be looking hard at this aspect of fee collection in 2014.

Asset quality continues to be very good in the company. We cannot say it often enough: it is our belief that the quickest way to banking oblivion is to make poor loan decisions. Fortunately, our history has been that we are a conservative lender and this is validated by the year-end 2013 numbers. We've long said that the "rubber meets the road" in the net charge-off ratio. Aided by a large recovery in the first quarter, MidWestOne charged off just 0.10% of its loan portfolio in 2013! Throughout the dark days of 2008-2010, our company never charged off more than 0.50% of its portfolio. At year-end, 2013, non-performing bank loans were 1.27% of bank loans. Although up from 1.03% at year-end 2012, 1.27% is an outstanding number in any peer group of similar-sized banks. At year-end 2013, the loan loss reserve for bank loans stood at 1.49% of bank loans outstanding and was deemed to be well in excess of our "required" reserve. Additionally, the reserve covered 119% of bank non-performing loans at year-end.

How have we done serving our four core constituencies? Let's take a look.....

Our customers were well served in 2013. We know that our customers, when viewed as a large group, are changing their behavior. Quite simply, they are coming into our offices much less frequently than in the past. We track office traffic and can report that for the past few years, visits are down 5-10%, depending on the year. For that reason, it is incumbent on us to find better ways to engage our customers and make it more convenient for them to transact business with us.

We introduced mobile banking in 2012 and it continues to grow as more customers find it easier to check their account balances on their phones rather than on their personal computers. This mirrors a national trend. In 2013, we added a customized "app" for iPhone and Android devices and added an iPad "app" in January 2014. The ability to reach our customers via their preferred channels is a differentiator for our company.

We survey our customers semiannually and can report consistent levels of satisfaction with the customer service our staff provides. When we asked "How satisfied are you with MidWestOne Bank?" the average response was 4.4 on a 5-point scale based on 1,836 respondents. Our adjusted Net Promoter Score reached a three-year high at 30 in the third quarter. This tells us our customers will be very likely to recommend MidWestOne to a friend or family member.

Social media continues to be a buzz word in ours, and in most industries. MidWestOne Bank has been a leader in social media communications and became one of the first banks in Iowa with an active Facebook page. In 2013, we added LinkedIn, Twitter, and YouTube as additional forms of communications. In July, the

Independent Community Bankers Association ranked MidWestOne #18 in their list of the Top 50 Community Bank Leaders in Social Media.

Finally, we know that each customer will not be happy in each interaction with our bank. For that reason, we pay particular attention to customer complaints and our ability to respond in a satisfactory manner to our customers. Are we 100% successful in this regard? No. But we continue to believe that our brand loyalty can be enhanced when we exceed our customers' expectations as we resolve their problems.

Our employees had another fine year in 2013. We continued to pour considerable resources into staff training as we know that our staff must have the resources available to succeed in their jobs. Perhaps the most gratifying part of our job is watching our good employees continue to improve, assume more responsibility as well as more compensation for their efforts, and, often receive positive recognition in their communities.

We graduated another class of twelve from the MidWestOne Leadership Institute, which is a year-long leadership program for persons deemed to have high potential. The fifth year of the Institute has just begun with another dozen promising employees eager to learn.

Rally Day, 2013, held on Columbus Day in Cedar Rapids, scored high marks from our staff. This is the only day of the year that our entire staff (and many directors) gather together for awards, reflection, motivation, and camaraderie. Though not cheap, we believe this day is essential for the esprit de corps necessary for a top-flight company.

Several of our officers received acclaim for their contribution to the communities in which they live in 2013:

- Peggy Doerge, Vice President and Senior Underwriter, was elected

President of the Board of Directors of the Iowa Mortgage Association.

- Mike Shinn, Vice President and Retail Managing Officer, Burlington, was named a "40 and Under Business Professional" by the *Burlington Hawk Eye*. Mike is also serving on the Burlington Community School District Board of Education.
- Barb Finney, Senior Vice President and Regional President, Oskaloosa, was named the Chair of the Iowa Bankers Association Legislative Committee and is serving a two year term on the IBA Board of Directors.

MidWestOne Bank was honored to be recognized as the Company of the Year by the United Way of Johnson County in April. The award was a reflection on our employees' commitment in both dollars and hours of volunteerism over the past year.

Finally, we were honored to receive two awards based on how our employees responded to workplace surveys. In June, the *Corridor Business Journal* named MidWestOne Bank the "Coolest Place to Work in the Corridor." The inaugural list honored the top 24 companies based in the Cedar Rapids-Iowa City area out of the over 90 companies nominated. For a company our size, let alone a bank, to be named the "coolest" says a lot about our employees and our practice of hiring and retaining excellent talent to take good care of our customers. The results were based on a scientific employee survey that included subject matter of hiring practices, employee benefits, work environment, and branding.

Then, in September, the *Des Moines Register* released their list of "the one-hundred best places to work in Iowa." The Bank was ranked as the 19th best place to work in the mid-sized company division of this survey and we were the highest ranked bank to be listed among these companies.

While we acknowledge that we have a fine place to work, we are decidedly not complacent as we seek to be even better. A happy and engaged workforce will pay big dividends for our shareholders!

The communities in which we have a presence continue to benefit from our involvement. We know that there is not one robust community in the state of Iowa that does not have at least one and usually several successful community banks. Successful communities and strong community banks go hand in hand. As our profitability has improved, so, too, has our charitable giving increased in a significant way. We feel an obligation to return a portion of our profits every year to the communities we serve.

A year ago, we told the readers of this letter about the Healthy Kids Initiative that MidWestOne brought to Johnson County. Whether it was a free dental screening, a free toothbrush, a community garden at their school, or new equipment in their school kitchen, approximately 5,000 elementary school students in the Iowa City Community School District received at least one direct benefit from this grant program. Numerous future dentists in the UI Dentistry program received valuable hands on experience. Over 125 different MidWestOne Bank employees volunteered their time out of the Bank in one way or another assisting with the facilitation of this program.

This employee-led community initiative was honored with the Gold Community Betterment Award from the Iowa Bankers Association. This is the highest community betterment award given by the IBA.

The second annual recipient of the MidWestOne Community Impact Grant was the community of Sigourney. Our bank staff took on the responsibility to work with the City to purchase and raze a nuisance property to build a park. This park will have a picnic shelter,

playground, and Veterans memorial, and will become the permanent home for the community's farmers market.

But this is about so much more than money. As we've said repeatedly, if one looks at the communities in which MidWestOne is present, one will find our employees (and directors) in community leadership positions. From school boards, to not-for-profit chairpersons, to volunteers at local festivals and celebrations, we are there. We are *always* there! Giving our most precious commodity, our time, benefits each community we serve in ways that are incalculable.

Our shareholders had another good year in 2013. As our earnings have increased, so, too, has our stock price. At year-end 2013, our share price stood 33% higher than at year-end 2012. Since year-end 2009, our share price has increased 211% as the company's earnings have recovered. We seldom make public proclamations regarding the price of our stock, but we will say that we believe our stock remains a good value and is trading at multiples that are slightly less than our similarly-sized peer banks.

In early 2014, we increased our quarterly dividend to \$0.145 per quarter or a yearly dividend of \$0.58. This is a 16% increase over the dividend level in 2013. We continue to target a pay-out ratio of 25-35% of our earnings and we are well within this band at present. In addition, we repurchased 40,713 shares of our stock in 2013, thus returning \$967,000 to our shareholders. In total, the company returned \$5,205,000 to its shareholders in 2013 in the form of dividends and share repurchases.

We fervently believe our shareholders are well served by a strong balance sheet. At year-end 2013, our tangible common equity was 9.69% of tangible assets. Our strategic plan calls for this ratio to be in the 8%-8.50% range over the long term. We continue to search for prudent ways to further

Our capital strength gives us much flexibility and we intend to explore every avenue that presents itself to reward our shareholders.

leverage our capital in ways that will benefit our shareholders. Our capital strength gives us much flexibility and we intend to explore every avenue that presents itself to reward our shareholders.

We are happy to report that we have moved our closely-watched loan to deposit ratio "into the 80's" and we hope to stay there. We believe a loan to deposit ratio of 80%-90% is the optimum level for our company to succeed in the long-term.

We are thankful that our shareholders realize that we are long-term decision-makers and not simply chasing the "flavor of the day". We remind all that the stock market (and MOFG) do not rise by double-digit percentages each year! That is why we continue to take the long view in all that we do.

The banking landscape continues to be dominated by the cumulative effects of what we consider to be excessive regulation. We have discussed this in prior letters and will not dwell on it this year. More than 5,500 pages of new regulation were issued in the fourth quarter of 2013. This is not unusual and it is increasingly apparent that our banking regulators are becoming more restrictive and less tolerant of instances when we may not live up to their expectations. We have made it a high priority to be in compliance with all regulations and all should know it takes an increased allocation of resources to do so. Be assured that our management and directors use every possible forum to advocate for more sensible and practical rulemaking from Washington, D.C.

As we begin a new year, we believe MidWestOne is well positioned for the future. It is very conceivable that consolidation will begin to increase in Iowa and surrounding states in 2014 as management teams and boards see opportunities to strategically align themselves with larger partners. MidWestOne will continue to evaluate

opportunities to grow via acquisition as the year unfolds and we think this can be a productive use of our excess capital.

Our sense is that 2014 will be a year in which we have to scratch and claw for every additional dollar of revenue. We must show an above average growth rate in our loan portfolio and we must begin to again increase our deposit totals as we believe franchise value is derived from a healthy deposit base. As stated earlier, we have plans to improve each major element of our noninterest income and we will, of course, continue to be vigilant in the management of our noninterest expenses. Banking is not rocket science but it is a business in which execution matters most.

We said (or will say) good-bye to three directors. Charles S. Howard resigned from the Board in July, 2013. Charlie served as the long time CEO of the former MidWestOne Financial Group and served the first three years after the merger as Vice Chairman of the Board of MOFG. He was a loyal confidant and served this board with distinction. We miss Charlie and wish him the very best in his retirement.

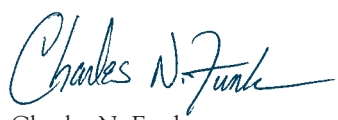
The 2013 annual meeting will mark the retirement from the Board of Directors of John S. Koza and Robert D. Wersen. Bob has been a director of the company since the 2008 merger and became a director of the former MidWestOne in 2006 after serving as a director of one of the Bank's predecessor banks since 1996. Bob has a passion for strategic planning and has been a very successful entrepreneur in the Oskaloosa community as the President and CEO of Interpower Corporation and owner of Tassel Ridge Winery. He has been an engaged director every step of the way with our company. John Koza's retirement concludes a 41-year career as an employee and director. John joined the Board of Directors in 1983 and, like Bob, has been enthusiastic and passionate in his support for our company's operating principles.

It's been said that no one loves our company as John does and we think there is merit in that statement! The May board meeting will seem quite different without Bob and John seated at the table.

We welcomed William N. Ruud, President of the University of Northern Iowa, to the MOFG Board of Directors in September, 2013. Bill has quickly made friends in the board room and has contributed from his first meeting. We look forward to welcoming Patricia A. Heiden, Executive Director of Oaknoll Retirement Residence in Iowa City. She will join the board following the annual meeting. Pat is a community leader who is widely liked and respected and she will fit well into our corporate culture.

In conclusion, it is our great privilege to serve in a leadership capacity for this fine company. Our shareholders have been very supportive for many years. As we are sure you can see from our preceding comments, we are excited and confident in our future. We continue to encourage you to let us know when you have questions and comments about any aspect of our business. After all, You're the Ones for whom we will diligently work, for whom we diligently build as we strive to exceed your expectations.

Yours very truly,



Charles N. Funk
President & CEO



Kevin W. Monson
Chairman



MIDWESTONE FINANCIAL GROUP, INC. AND MIDWESTONE BANK **BOARDS OF DIRECTORS**

From Left:

Kevin W. Monson: Chairman, Managing Partner, Neumann Monson Architects, PC, MOFG and MidWestOne Bank Board Member

Charles N. Funk: President & CEO, MidWestOne Financial Group, Inc. and President & CEO, MidWestOne Bank

Richard R. Donohue: Managing Principal, TD&T Financial Group, P.C., MOFG and MidWestOne Bank Board Member

Barbara J. Kniff-McCulla: CEO, KLK Construction, MOFG and MidWestOne Bank Board Member

John P. Pothoven: Retired Bank Executive, MidWestOne Bank, MOFG and MidWestOne Bank Board Member

Stephen L. West: Chairman, West Music Company, Inc., MOFG and MidWestOne Bank Board Member

Robert D. Wersen: President, Interpower Corporation, MOFG and MidWestOne Bank Board Member

Robert J. Latham: Chairman and President, Latham and Associates, Inc., MOFG and MidWestOne Bank Board Member

Tracy S. McCormick: Past Vice President, Investment Banking, JP Morgan and Co., MOFG Board Member

R. Scott Zaiser: Owner, Zaiser's Landscaping, Inc, MOFG and MidWestOne Bank Board Member

John S. Koza: Retired Bank Executive, MidWestOne Bank, MOFG and MidWestOne Bank Board Member

Richard J. Schwab: Investor, Entrepreneur, and Builder, MOFG and MidWestOne Bank Board Member

Not Pictured:

William N. Ruud: President, University of Northern Iowa, MOFG Board Member

W. Richard Summerwill: Retired Bank Executive, MidWestOne Bank, Director Emeritus of MOFG and MidWestOne Bank



MIDWESTONE FINANCIAL GROUP, INC. **EXECUTIVE OFFICERS**

Gary J. Ortale, Executive Vice President, Chief Financial Officer & Treasurer (front, seated)

Susan R. Evans, Chief Operating Officer (right, seated)

Kent L. Jehle, Executive Vice President & Chief Credit Officer (back, standing)

MIDWESTONE FINANCIAL GROUP, INC. **OFFICERS**

Kevin W. Monson: Chairman

Charles N. Funk: President & Chief Executive Officer

Susan R. Evans: Chief Operating Officer

Gary J. Ortale: Executive Vice President, Chief Financial Officer & Treasurer

Kent L. Jehle: Executive Vice President & Chief Credit Officer

James M. Cantrell: Vice President & Chief Risk Officer

Gregory W. Turner: Vice President & Head of Wealth Management

Kenneth R. Urmie: Corporate Secretary



ALWAYS CONDUCT YOURSELF
WITH THE UTMOST INTEGRITY

“[My parents] taught me the importance of doing the right thing when you know it’s the right thing to do.”

Gary Ortale, Executive Vice President and Chief Financial Officer

and after high school, he earned an accounting degree from an Australian technical college. He missed the U.S., however, and returned to Des Moines to work in public accounting. In the evenings, he attended Drake University to earn a second degree, learn more about U.S. corporate and tax law, and gain exposure to the liberal arts.

After graduating from Drake, Gary switched from public accounting to banking. “It was 1978 and a bank in Des Moines was hiring a lot of young professionals,” he recalls. “I started there as the Assistant Auditor. It was an exciting time to be in banking because of deregulation. But as we moved into the 1980s and the farm crisis hit Iowa, with internal turmoil at the bank, I decided it was a good time to look for new opportunities.

“At the time, Iowa State Bank & Trust here in Iowa City was looking for a Controller,” he continues. “I applied and was hired in 1987, and was subsequently named as Iowa State Bank’s CFO in the early 2000s.” When the MidWestOne bank merger took place in 2007, Gary served for one year as the company’s Chief Risk Officer and then was named CFO in 2009.

Despite being a self-described “numbers guy,” Gary says what really appealed to him about accounting besides the math was the amount of subjectivity and judgment involved. “Contrary to what some people might think, not everything is black and white,” he says. “You’re often asked make judgment calls when it comes to

estimates and valuation. That’s where integrity comes in. And it’s where that moral compass takes over.”

These days, Gary is able to exercise his creativity in new directions, helping to oversee several MidWestOne facilities projects in and near downtown Iowa City. The original bank building at the corner of Clinton and Washington Streets, which has just passed its 100th birthday, will undergo extensive interior and exterior renovations over the next few years, while the adjacent building will be updated as well. The Bank is also building a mixed-use building in the city’s Riverfront Crossings District, which will house the bank’s drive-thru facility, Home Mortgage Center, and other operations personnel.

When he’s not tending to bank business, Gary indulges in a passion that grew out of his early love of comics. “I’m a movie guy,” he says. He’s drawn to films with strong characters who overcome impossible odds, particularly classic films from the 1940s, ‘50s and ‘60s, although he’s intrigued by some of today’s cinematic superheroes as well.

Gary Ortale may not be able to leap tall buildings in a single bound, and he doesn’t claim to have X-Ray vision. Nevertheless, this Superman fan is keeping a close eye on MidWestOne’s financial integrity. The Man of Steel would approve.

It’s a bird, it’s a plane . . .

LIKE MANY KIDS GROWING UP IN THE 1950s,



Gary Ortale became a comic book fan at an early age. His favorite character, then and now, is Superman. Not a bad role model for someone who, while not sporting a red cape at the office, does share his superhero’s commitment to “truth, justice, and the American way” – the same integrity-based values one expects to see in MidWestOne’s Executive Vice President and Chief Financial Officer.

“My parents gave me a very solid moral grounding,” Gary says. “They taught me the importance of doing the

right thing when you know it’s the right thing to do. That’s one way to define integrity. But integrity also is about consistency and leading by example. And in a field like accounting, where I began my career, integrity means full disclosure—being open and honest when the truth needs to be told. Believe me, when something in my area of responsibility goes wrong, I’m the first one to raise my hand.”

Born in Des Moines, Gary was just 10 when his father passed away and the family moved to Brisbane, Australia, to be closer to his mother’s relatives. Gary was always “good at numbers,” he says,

Making a splash

EVERY SMALL IOWA COMMUNITY

has its favorite gathering spots, from the town square to the local café. In North English, a town of about 1,000 people located some 30 miles southwest of Iowa City, the place to be during the warm summer months is the swimming pool at Knoll Ridge Country Club. Although it includes a golf course and is membership-based, Knoll Ridge is not the sort of restrictive, members-only club to which urbanites may be accustomed.

“The city of North English provides us with funding each year that enables everyone in the community—in the entire area, really—to use the pool whenever they like,” explains Debbie Tippie, Knoll Ridge Clubhouse Manager and manager/agent for English Valleys Insurance. “It’s a very popular place in the summertime for children and adults alike.”

But storm clouds were gathering last summer: In order to comply with provisions in the Americans with Disabilities Act (ADA), Knoll Ridge needed to install a lift to make the pool accessible. The cost posed a serious financial hardship and the compliance deadline was approaching. Without funding, there was a real possibility that the pool would have to close.

“When Debbie talked to me about the ADA mandate, I immediately thought of MidWestOne’s Community Impact Grant program,” says Mary Schmidt, Second Vice President and Senior Personal Banking Officer for MidWestOne’s North English office. “After we submitted our application, the bank felt the Knoll Ridge pool was such a central part of the community that we provided a donation of nearly \$7,000 to purchase the lift.”

“We were so excited when we learned about the grant,” Debbie says. “We were able to install a portable, battery-operated lift, so we can keep it out of the weather and it will last longer. I’m so grateful to Mary and MidWestOne for making this happen.”

Mary, who celebrated her 30th year in the banking business in 2013, says the decision reflects the local bank’s commitment to doing what’s right for the community. “We’re part of this community, we take a lot of pride in what we do, and we feel a responsibility for making it better,” she says. “When the grant came through, we were absolutely thrilled.”

From left: Susan Koehn, Mary Schmidt, Marty O’Rourke, Barb Jackson, Dolores Grimm, and Don Banning head to the community pool in North English. The pool was able to remain open, thanks to a grant from MidWestOne that funded the installation of a lift.



“We’re part of this community, we take a lot of pride in what we do, and we feel a responsibility for making it better.”

Mary Schmidt, Second Vice President and Senior Personal Banking Officer, North English



ALWAYS CONDUCT YOURSELF
WITH THE UTMOST INTEGRITY



OneFit Wonder

EMPLOYEE FITNESS PLANS ARE PART OF NEARLY EVERY WORKPLACE THESE DAYS,

and MidWestOne is no exception.

In fact, explains Soni Harney, Senior Vice President and Director of Human Resources, MidWestOne has had a plan in place since the early 1990s that rewards employees for various physical fitness activities. But the program was unfocused, participation had stalled, and Soni knew it was time for a makeover.

Last year, MidWestOne shifted into high gear by launching the OneFit wellness program. Human Resources Officer Kathy Simon and a team of company-wide co-

workers were tasked with, as Soni says, “morphing the program into something bigger.”

“I would love to say that OneFit was my brainchild, but the committee came together and really made this happen,” Kathy says. “First, we updated our online tracking system, where employees record the time they devote to physical fitness. Then, rather than focus on a variety of activities, we chose to embrace the American Heart Association guidelines and push toward the recommended standard of a

30-minute workout at least four times a week. And finally, we developed a tiered rating system to reward different levels of achievement.”

For example, Kathy explains, employees who achieve and record the ideal “30 x 4” fitness routine are at the Gold level; those who are work out two or three times a week at Silver. Points are given per hour of workout activity, and those points can be redeemed for fitness-related services or equipment, from gym memberships to workout clothes.

“Our goal is to get at least 50 percent of our employees to record their workout time on the OneFit tracking system,” Kathy says. “We pull reports each month and publicize the results in our employee newsletter, and we launched a OneFit blog and a wellness page on our intranet, all of which helps boost participation. Plus, we’ve started a ‘biggest loser’ weight-loss competition, which has been really popular, and we’re beginning to expand OneFit with healthier snacks in the workplace and other healthy options.”

Adds Soni, “We had the sense that the old program was intimidating for people. Our message with OneFit is to make this more of an invitation and to say: MidWestOne really cares about your health and your lifestyle. It doesn’t matter what you choose to do. We just want you to get moving.”

ONEFIT WELLNESS PROGRAM COMMITTEE

- Chair: Kathy Simon, Iowa City
- Jane Krutzfeldt, Oskaloosa
- Jenny Olson, Iowa City
- Melissa Payne, Iowa City
- Curran Putney, Iowa City
- Kara Sabo, Iowa City
- Sara Sojka, Iowa City
- Andrea Walz Hartman, Burlington



Kathy Cohea (front) and Sandy O'Donnell leave the elevator behind and opt for the stairs as part of their efforts to work fitness into their daily routines. At her desk (left), Megan Tjernagel enjoys a healthy snack.



Applause, applause

WALK OR DRIVE BY MIDWESTONE'S DOWNTOWN IOWA CITY LOCATION

and you'll see the historic building's exterior covered by scaffolding, part of a multi-year renovation project. In finalizing designs for the bank's lobby, it may be time to consider adding a large trophy case.

In 2013, MidWestOne received six local, regional, and national awards that confirm the bank's commitment to its core principles, and how those principles have impacted bank employees and the communities they serve.

Most of the recent citations fall into two categories: those recognizing MidWestOne as an exceptional place to work, and those honoring the bank's community-wide contributions of time, talent, and resources.

"Each of these awards is important and a great source of pride," says MidWestOne President and CEO, Charlie Funk. "The 'Top 100 Workplaces' honor is especially meaningful to me, and shows we are making great progress in hiring and retaining good people. Equally important is the IBA Gold Community Betterment Award, because it demonstrates the fact that MidWestOne truly puts its money and human capital to work to make our communities better."

Chief Operating Officer Sue Evans sees connections among the awards themselves. "To me, these mean that

our employees are satisfied with their workplace, which makes them feel good about what they do for us each and every day. And that carries over to their time outside of work, which is even more important and shows that our employees feel they can achieve a good work/life balance here."

Funk and Evans also agree that these recent honors underscore the bank's commitment to operating with integrity. "It's very hard to have a culture such as ours if there is not integrity throughout the company," Charlie explains. "It starts in the board room and is acted out in 25 locations each business day at MidWestOne. We've never apologized that we strive to 'conduct ourselves with the utmost integrity' and I think our employees appreciate that."

Speaking of the board room, Sue Evans adds that the bank received one more honor in 2013, when Charlie Funk was elected to the American Bankers Association Board of Directors. "Only 30 bankers from across America serve on this board, and Charlie was chosen the first time he was nominated," she says. "These bankers represent community banks nationwide on matters of great importance to our industry. Charlie's selection is a huge honor for him, personally, as well as a tribute to the bank's quality and integrity as a whole."

"We've never apologized that we strive to 'conduct ourselves with the utmost integrity,' and I think our employees appreciate that."

Charlie Funk, President and CEO

IN 2013, MIDWESTONE WAS NAMED:

- One of the "Top 100 Workplaces in Iowa" by the *Des Moines Register*
- Company of the Year by the United Way of Johnson and Washington Counties
- Coolest Place to Work in the Corridor by the *Corridor Business Journal*
- Best Place for Young Professionals to Work by ePIC (Empowered Professionals of Iowa City)
- Winner of the Iowa Bankers Association's 2013 Gold (First Place) Community Betterment Award
- One of the "Top Community Bankers in Social Media" (#18 nationally) by the Independent Community Bankers Association
- West Music Business Partner of the Year
- Iowa College Foundation 50 Year Contributor



FINANCIAL HIGHLIGHTS

(dollars in thousands, except per share amounts)

YEAR-END BALANCES	2013	2012	2011
Assets	\$ 1,755,218	\$ 1,792,819	\$ 1,695,244
Securities	531,186	590,210	536,116
Loans	1,088,412	1,035,284	986,173
Loan Pool Participations	27,667	37,784	52,186
Deposits	1,374,942	1,399,733	1,306,642
Shareholders' Equity	178,016	173,932	156,494
AVERAGE BALANCES			
Assets	\$ 1,756,344	\$ 1,721,792	\$ 1,628,253
Securities	568,518	562,889	507,466
Loans	1,059,356	1,001,259	953,392
Loan Pool Participations	32,648	44,507	59,972
Deposits	1,359,479	1,335,476	1,262,705
Shareholders' Equity	175,666	165,429	158,146
RESULTS OF OPERATIONS			
Net Interest Income	\$ 53,962	\$ 53,350	\$ 48,798
Provision for Loan Losses	1,350	2,379	3,350
Noninterest Income	14,728	19,737	14,707
Noninterest Expense	42,087	48,960	42,235
Income Before Income Taxes	25,253	21,748	17,920
Net Income	18,607	16,534	13,311
PER COMMON SHARE			
Net Income - Basic	\$ 2.19	\$ 1.95	\$ 1.47
Net Income - Diluted	2.18	1.94	1.47
Dividends	0.50	0.36	0.22
Book Value	20.99	20.51	18.35
Closing Share Price	27.20	20.51	14.62
ASSET QUALITY			
Bank Loans Past Due 30-89 Days	\$ 4,901	\$ 6,141	\$ 7,001
Non-Performing Bank Loans	13,776	10,654	18,106
Net Charge Offs	1,128	2,098	2,841
RATIOS			
Return on Average Equity	10.59%	9.99%	8.42%
Return on Average Tangible Common Equity	11.43	10.95	9.50
Return on Average Assets	1.06	0.96	0.82
Net Interest Margin	3.46	3.46	3.34
Efficiency Ratio	57.23	67.32	62.94
Average Equity as a % of Average Assets	10.00	9.61	9.71
Allowance for Bank Loan Losses as a % of Bank Loans	1.49	1.54	1.59
Net Bank Loan Charge-offs as a % of Average Bank Loans	0.10	0.21	0.30
Non-performing Bank Loans as a % of Bank Loans	1.25	1.03	1.84

2012 and 2011 values differ from last year's report due to previously disclosed prior period accounting correction.

SHARE PRICE

2012	HIGH	LOW	CASH DIVIDEND DECLARED
First Quarter	\$ 19.36	\$ 14.41	\$ 0.085
Second Quarter	\$ 22.20	\$ 18.76	\$ 0.085
Third Quarter	\$ 23.25	\$ 20.58	\$ 0.095
Fourth Quarter	\$ 22.50	\$ 19.31	\$ 0.095

2013	HIGH	LOW	CASH DIVIDEND DECLARED
First Quarter	\$ 24.25	\$ 20.80	\$ 0.125
Second Quarter	\$ 24.25	\$ 23.14	\$ 0.125
Third Quarter	\$ 28.48	\$ 23.40	\$ 0.125
Fourth Quarter	\$ 29.30	\$ 23.50	\$ 0.125

CONDENSED CONSOLIDATED BALANCE SHEETS

(dollars in thousands, except per share amounts)

ASSETS	DECEMBER 31, 2013	DECEMBER 31, 2012
Cash and due from banks	\$ 24,516	\$ 30,197
Federal funds sold and other short-term investments	374	16,994
Cash and cash equivalents	24,890	47,191
Securities available for sale	498,561	557,541
Securities held to maturity	32,625	32,669
Loans held for sale	357	1,195
Loans	1,088,412	1,035,284
Allowance for loan losses	(16,179)	(15,957)
Loans, net	1,072,233	1,019,327
Loan pool participations, net	25,533	35,650
Premises and equipment, net	27,682	25,609
Accrued interest receivable	10,409	10,292
Intangible assets, net	8,806	9,469
Bank owned life insurance	29,598	28,676
Other real estate owned	1,770	3,278
Other assets	22,754	21,922
Total assets	\$1,755,218	\$1,792,819
LIABILITIES AND SHAREHOLDERS' EQUITY	DECEMBER 31, 2013	DECEMBER 31, 2012
Liabilities		
Deposits:		
Non-interest-bearing demand	\$ 222,359	\$ 190,491
Interest-bearing checking	592,673	582,283
Savings	94,559	91,603
Certificates of deposit under \$100,000	256,283	312,489
Certificates of deposit over \$100,000	209,068	222,867
Total deposits	1,374,942	1,399,733
Federal funds purchased and securities sold under agreements to repurchase	66,665	68,823
Federal Home Loan Bank borrowings	106,900	120,120
Long-term debt	15,464	15,464
Accrued expenses and other liabilities	13,231	14,747
Total liabilities	1,577,202	1,618,887
Shareholders' Equity		
Preferred stock, no par value, with a liquidation preference of \$1,000 per share; authorized 500,000 shares; no shares issued and outstanding at December 31, 2013 and 2012	-	-
Capital stock, common, \$1 par value; authorized 15,000,000 shares; 8,690,398 shares issued at December 31, 2013 and 2012	8,690	8,690
Additional paid-in capital	80,506	80,383
Treasury stock, at cost; 208,599 shares and 209,910 shares at December 31, 2013 and 2012, respectively	(3,702)	(3,316)
Retained earnings	91,473	77,125
Accumulated other comprehensive income	1,049	11,050
Total shareholders' equity	178,016	173,932
Total liabilities and shareholders' equity	\$1,755,218	\$1,792,819

2012 values differ from last year's report due to previously disclosed prior period accounting correction.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(dollars in thousands, except per share amounts)

	YEAR ENDED DECEMBER 31,		
	2013	2012	2011
INTEREST INCOME			
Loans	\$48,828	\$51,355	\$52,163
Loan pool participations	2,046	1,978	1,108
Securities:			
Taxable securities	9,905	10,836	10,934
Tax-exempt securities	5,298	5,078	4,339
Federal funds sold and other short-term investments	17	55	37
Total interest income	66,094	69,302	68,581
INTEREST EXPENSE			
Interest-bearing checking	2,362	3,007	3,891
Savings	140	143	200
Certificates of deposit	6,453	8,814	11,231
Federal funds purchased and securities sold under agreements to repurchase	166	204	272
Federal Home Loan Bank advances	2,686	3,094	3,494
Long-term debt	296	656	657
Other borrowings	29	34	38
Total interest expense	12,132	15,952	19,783
Net interest income	53,962	53,350	48,798
Provision for Loan Losses	1,350	2,379	3,350
Net interest income after provision for loan losses	52,612	50,971	45,448
NONINTEREST INCOME			
Trust, investment, and insurance fees	5,345	4,995	4,537
Service charges on deposit accounts	2,980	3,247	3,702
Mortgage origination and servicing fees	3,209	3,578	2,691
Bank-owned life insurance income	922	953	951
Investment securities impairment losses	-	(345)	(9)
Securities gains, net	65	805	490
Other income	2,207	6,504	2,345
Total noninterest income	14,728	19,737	14,707
NONINTEREST EXPENSE			
Salaries and employee benefits	24,596	30,684	23,194
Net occupancy and equipment	6,356	6,246	6,537
Data processing	1,452	1,679	1,670
FDIC insurance	1,066	1,224	1,612
Amortization of intangible assets	663	778	896
Other expenses	7,954	8,349	8,326
Total noninterest expense	42,087	48,960	42,235
Income before income taxes	25,253	21,748	17,920
Income Taxes	6,646	5,214	4,609
Net income	\$18,607	\$16,534	\$13,311
Less: Preferred stock dividends and discount accretion	-	-	645
Net income available to common shareholders	\$18,607	\$16,534	\$12,666
EARNINGS PER COMMON SHARE			
Basic	\$ 2.19	\$ 1.95	\$ 1.47
Diluted	\$ 2.18	\$ 1.94	\$ 1.47

2012 and 2011 values differ from last year's report due to previously disclosed prior period accounting correction.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(dollars in thousands, except per share amounts)

YEARS ENDED DECEMBER 31, 2013, 2012, AND 2011	PREFERRED STOCK	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	TREASURY STOCK	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TOTAL
Balance, December 31, 2010	\$15,767	\$ 8,690	\$ 81,268	\$ (1,052)	\$ 52,971	\$ 822	\$158,466
Net income	-	-	-	-	13,311	-	13,311
Dividends paid on common stock (\$0.22 per share)	-	-	-	-	(1,891)	-	(1,891)
Dividends paid on preferred stock	-	-	-	-	(513)	-	(513)
Stock options exercised (6,832 shares)	-	-	(17)	97	-	-	80
Release/lapse of restriction on RSUs (10,850 shares)	-	-	(138)	141	-	-	3
Preferred stock discount accretion	233	-	-	-	(233)	-	-
Redemption of preferred stock (16,000 shares)	(16,000)	-	-	-	-	-	(16,000)
Repurchase of common stock warrant	-	-	(1,000)	-	-	-	(1,000)
Repurchase of common stock (102,190 shares)	-	-	-	(1,498)	-	-	(1,498)
Stock compensation	-	-	220	-	-	-	220
Other comprehensive income, net of tax	-	-	-	-	-	5,316	5,316
Balance, December 31, 2011	\$ -	\$ 8,690	\$ 80,333	\$ (2,312)	\$ 63,645	\$ 6,138	\$156,494
Net income	-	-	-	-	16,534	-	16,534
Dividends paid on common stock (\$0.36 per share)	-	-	-	-	(3,054)	-	(3,054)
Stock options exercised (55,986 shares)	-	-	(16)	593	-	-	577
Release/lapse of restriction on RSUs (15,810 shares)	-	-	(200)	213	-	-	13
Repurchase of common stock (104,518 shares)	-	-	-	(1,810)	-	-	(1,810)
Stock compensation	-	-	266	-	-	-	266
Other comprehensive income, net of tax	-	-	-	-	-	4,912	4,912
Balance, December 31, 2012	\$ -	\$ 8,690	\$ 80,383	\$ (3,316)	\$ 77,125	\$ 11,050	\$173,932
Net income	-	-	-	-	18,607	-	18,607
Dividends paid on common stock (\$0.50 per share)	-	-	-	-	(4,259)	-	(4,259)
Stock options exercised (56,314 shares)	-	-	9	296	-	-	305
Release/lapse of restriction on RSUs (19,585 shares)	-	-	(270)	285	-	-	15
Repurchase of common stock (40,713 shares)	-	-	-	(967)	-	-	(967)
Stock compensation	-	-	384	-	-	-	384
Other comprehensive income, net of tax	-	-	-	-	-	(10,001)	(10,001)
Balance, December 31, 2013	\$ -	\$ 8,690	\$ 80,506	\$ (3,702)	\$ 91,473	\$ 1,049	\$178,016

2012 and 2011 values differ from last year's report due to previously disclosed prior period accounting correction.

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Coralville	110 First Avenue	319-356-5800
Davenport	101 W. Second St., Suite 100	563-322-9900
Fairfield	58 East Burlington Avenue	641-472-6511
Fairfield	2408 West Burlington Avenue	641-472-2424
Fort Madison	926 Avenue G	319-372-3991
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Iowa City	509 South Dubuque Street	319-356-5960
Iowa City	1906 Keokuk Street	319-356-5800
Iowa City	2233 Rochester Avenue	319-356-5800
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North Liberty	465 Hwy 965 NE, Suite A	319-356-5800
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