We are ONE

2016 ANNUAL REPORT

MidWestOne Financial Group, Inc.™

TO OUR **SHAREHOLDERS**

CHARLES N. FUNK, President & CEO
KEVIN W. MONSON, Chairman

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

"When people shake their heads because we are living in a restless age, ask them how they would like to live life in a stationary one, and do without change."

GEORGE BERNARD SHAW

Financial results for 2016 were not up to the standards of the past five years, each of which was a company all-time high in terms of earnings per share. We will use this space to articulate where we fell short in 2016 and convey our plans for getting back on track in 2017.

Net income in 2016 fell 18.8% from the prior year, to $20.391 million. On a per share basis, the results are similar with earnings per share of $1.78 in 2016 compared to $2.42 in 2015. We incurred one-time costs in both years that were associated with our 2015 merger between MidWest*One* and Central Bancshares, Inc. These costs were $3.5 million in 2015 and a higher than expected $4.6 million in 2016. Excluding these one-time charges, 2016 earnings per share were $2.03 compared to $2.70 in 2015.

Return on assets (ROA) and return on average tangible equity (ROTE) tell a similar story. ROA fell to 0.68% in 2016 and ROTE was 10.13%. These numbers are below our results of the past five years as well as our long term goals. Our 12- to 18-month goal is to return ROA much closer to the 1% level and ROTE to the 12-14% range.

Our balance sheet expanded and at December 31, 2016 total assets were $3.08 billion, up 3.3% from $2.98 billion a year earlier. Total deposits increased from $2.46 billion at year-end 2015 to $2.48 billion a year later. Total loans increased from $2.13 billion at year-end 2015 to $2.14 billion at year-end 2016. Taken at face value, these numbers are not impressive in a year that our peers showed more balance sheet growth than MOFG. With that caveat, one should note that during the year we made a strategic decision to sell our offices in Barron and Rice Lake, Wisconsin and in Davenport, Iowa. Combined, these offices accounted for $39.6 million in deposits and $47.2 million in loans at the time of the sales. That we were able to grow through these asset and deposit sales is not a small accomplishment. On a geographic basis, loans increased in Minnesota, Wisconsin, and Florida and decreased in Iowa while the Iowa market contributed the largest increase in deposits in the company. We ended the year with a loan to deposit ratio of 87.3%, consistent with our long held strategy of this ratio being "in the 80's."

Turning to the income statement, the net interest margin was higher during the year, increasing to 3.80% from 3.71% in 2015. A large contributor to our decline in net income from 2015 was the large increase in our provision for loan losses, which will be discussed later in this letter. While our large one-time merger-related expenses clearly impacted 2016 results, we note that we achieved significant success in reducing the ongoing non-interest expense burden in the company. When we announced our merger with Central Bancshares in 2014, we set a goal to reduce our non-interest expenses by $8 million from the pro-forma company's non-interest expense as of 12-31-13. At this time, we believe we are on track to exceed this goal and success will be evident in 2017 results.

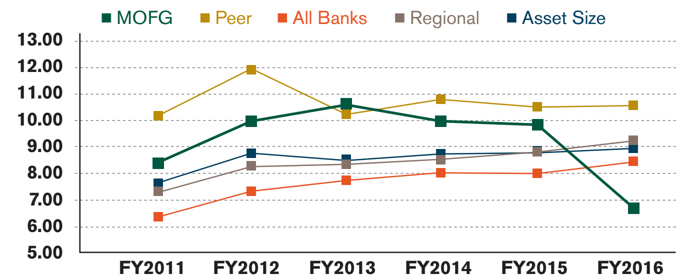
Business units that produce non-interest income in the company reported mixed results in 2016. Our Iowa-based Trust Department reported results that were about 4% lower than 2015. Our Investment Services unit, which employs 11 licensed investment professionals, saw revenues fall by approximately 12.1% in 2015. MidWest*One* Insurance Services also saw its revenues and net income fall in 2015, primarily due to a reduction in contingency income. Service charges and fees continued to increase during the year although in the years ahead, we believe increases in this line item will be modest.

Our Home Mortgage Division enjoyed a year of increased revenues of 37.8% during the year. While impressive on the surface, we continue to believe we are underperforming our peers in home mortgage and one of 2017's top goals is to improve the bottom line performance of this entity. Perhaps that is why we are excited that RJ Lang has agreed to join MidWest*One* as the leader of MidWest*One* Home Mortgage. RJ is an Eastern Iowa native, University of Iowa graduate, and will direct the department from our Stillwater, Minnesota, office and, most importantly, knows the significant role that mortgage activity plays in a community bank.

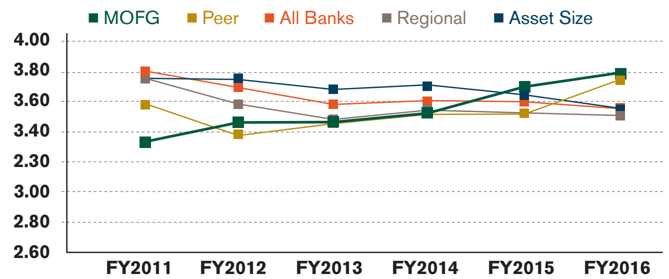
At this juncture, readers no doubt ascertain that many things did not go as planned in 2016. We will spend the remainder of this report outlining our plan to return to the performance

Region: Midwest - IL, IN, IA, KS, KY, MI, MN, MO, NE, ND, OH, SD, WI **Peers:** WTBA, QCRH, GSBC, SNLC, HBIA, ATLO, HTLF, TRVR **Asset Size:** $1-5 Billion **All Banks:** All NASDAQ Banks

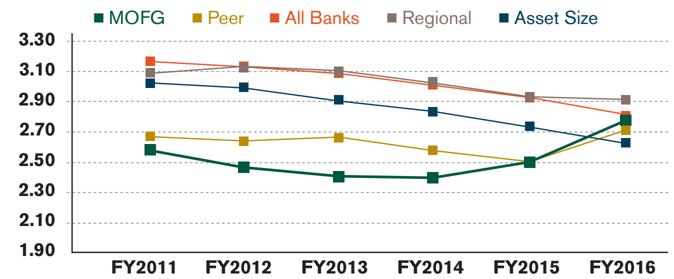
RETURN ON AVERAGE EQUITY (%)



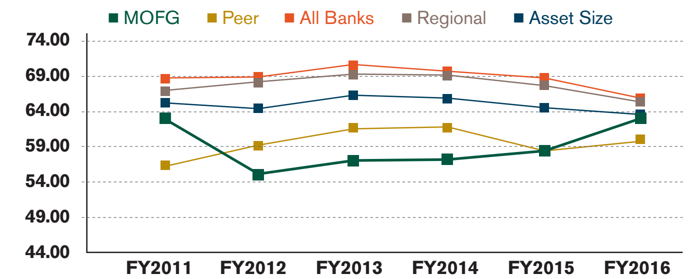
NET INTEREST MARGIN (%)



NONINTEREST EXPENSE / AVERAGE ASSETS (%)



EFFICIENCY RATIO (%)



levels to which our shareholders have become accustomed.

We begin with a discussion on asset quality and credit administration. Our net charged-off loans rose in 2016 to 0.26% of loans, a level we had not experienced since 2010, and our level of non-performing loans to total loans rose to 1.31%. In the fourth quarter of 2016, we dealt with five loans that required some sort of impairment and/or charge-off. Three of these loans had been on our radar for many months and continued to deteriorate during the year. The remaining two loans were not identified in prior months, and thus their deterioration came as a surprise. We dealt with all of these loans in a straightforward manner during the fourth quarter.

In every strategic planning session we have held for more than a decade, we recognized that asset quality is "job one" in our company. The quickest way to see our standing slip is to make poor credit decisions. We believe our track record over the past decade is very good and we acknowledge that 2016 was not up to our standards in this category. We've asked each person involved in the administration of credit to become more proactive. With that said, one cannot divorce the economy from loan portfolio performance. In our company, the Twin Cities and Southwest Florida economies are robust. As such, these markets have experienced lower than normal delinquencies. The Iowa economy is very much impacted by continued stress in the agricultural sector. Agricultural loans represent about 10% of our loan portfolio (one of the above-referenced loans was an agricultural loan). While our focus is always on the entire loan portfolio, the most near-term risk is in the Iowa portion of this portfolio.

Our confidence level is strong that we've put the worst of this behind us and that we should return to more normalcy in credit performance in 2017.

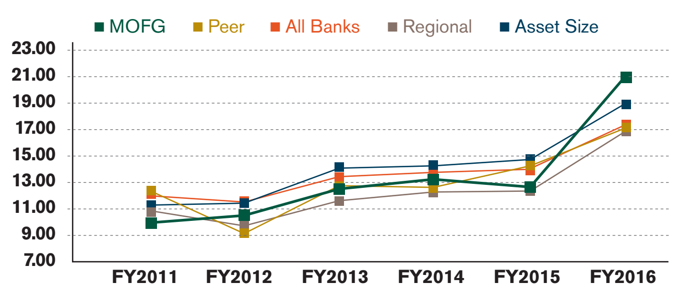
Turning to capital, our closely monitored tangible equity to tangible assets increased modestly to 7.62% at year-end 2016. Since merger, we have targeted a TE/TA ratio in the 8-8.50% range and we were at 7.94% as of September 30, 2016. The rise in interest rates in the fourth quarter caused an erosion in our "other comprehensive income," which we are allowed to count as capital. This accounts for the slippage in the TE/TA ratio in the fourth quarter, and our forecast is that the 8% level should be broached in the next 12 to 18 months. Our regulatory capital is well above the minimums established by our prudential regulators.

Prior to merger, this company routinely ran with an efficiency ratio in the mid-50% range. Since merger, we've seen that ratio move above 60%. Our plan and our goal is to move this back into the 50's in the next 12 to 24 months. Remember, increasing revenues enhance this ratio, as does judicious administration of expenses. Banks that succeed in moving their efficiency ratios below 60% are best equipped to weather storms when they come (as they inevitably do).

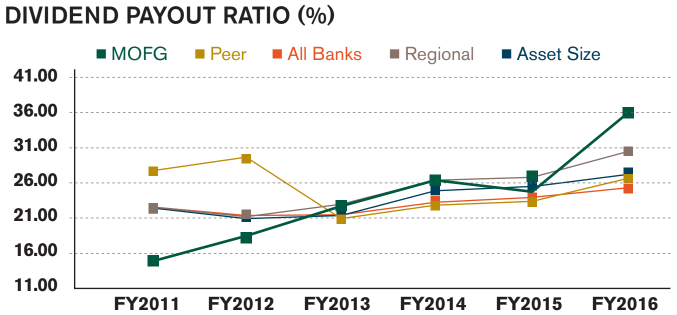
We believe our geographic diversification is an extremely positive element of this company and will allow us to produce above average growth in earnings in future years. As previously mentioned, it is the Twin Cities and Southwest Florida markets that are producing the growth in this company at this point in time. This is a role reversal from 2008-2011, when the Iowa economy was routinely outperforming the national economy.

In February, 2017, we announced our intent to open an office in Denver, Colorado. Late in 2016, we were introduced to a team of commercial bankers who expressed an interest in our company and, especially, in the culture we've worked so very hard to establish. After a few months of talking and planning, we announced the hiring of this talented team of bankers. They will be led by Regional President Joe Van Haselen and Senior Vice President/Commercial Banker, Kevin Conroy. Joe and Kevin have been in the Denver market for more than 20 years and they are persons of talent and integrity. As we look at our company, we believe that we are in outstanding markets in the Twin Cities, Southwest Florida, Denver, and with headquarters in Iowa City, a long-time leader in the Iowa economy. While our rural markets are currently not enjoying robust economies, they give the company great geographic balance. To summarize, we believe we are in markets that can consistently deliver top-line revenue growth. Our outlook for 2017 is that we should be able to grow deposits in most markets in our company and the Twin Cities, Florida and Iowa City markets are most likely to generate above trend loan growth.

PRICE/LTM EPS (X)



DIVIDEND PAYOUT RATIO (%)



To summarize, our success in 2017 will depend on deposit and loan growth, better performance from our fee-producing areas, and a return to the asset quality we have seen in the past. Moving our efficiency ratio back toward 60% and below is the final component to this plan.

Looking back at 2016, we have achieved noteworthy successes that did not manifest themselves in the financial results of the company. If there was one "home run" during the year, it was the early April combination of Central Bank into MidWest*One* Bank. We have all seen and heard of the horror stories that can arise when banks merge. We are pleased to report that the April merger of banks had minimal impact on our customers, our customer retention rate was extremely high, and the resulting bank is one that has better product offerings for its customers than either of the two banks prior to the merger. We doff our hats to the dozens of associates who made this happen. Because of their hard and good work, our customers were served as well as at any time in our 82-year history.

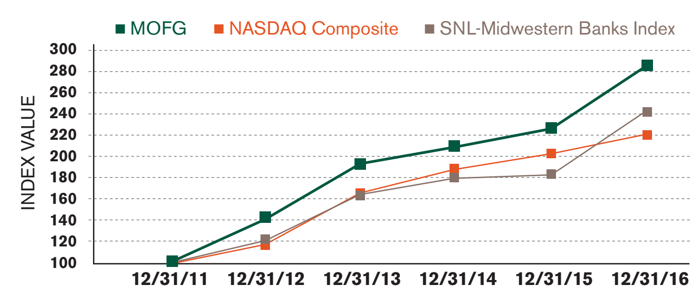
We continued to enhance our product offerings during the year as our customers continue to demand more from us, their financial provider. Usage of electronic services, particularly mobile, have increased dramatically. In 2016, adoption of our mobile banking app increased 75%, and mobile deposits increased 91%. We've also designated a "Fintech" (Financial Technology) task force to assess the technological landscape. We believe that the next five years will see much disruption in this space and our customers will continue to evolve in terms of the way that they choose to do business with us. Community banks who choose to ignore this trend do so at their peril.

With great confidence, we can say that the morale in the new company's employees is good and is improving each month. As with many mergers, there were rough patches. We endured them, we listened intently to our associates, and the team in place now is working well together. The Iowa bank was once again recognized by the Des Moines Register as one of the top workplaces in the state of Iowa – the fourth consecutive year for this designation. Our Leadership Institute completed its seventh year with another 12 graduates, 10 of them from our Minnesota and Wisconsin offices.

In November, we announced a program designed to help our employees to help repay their student loan debt. We recognize that this sort of debt has created a crisis of sorts for many millennials and Generation Xers. Our company will contribute a monthly stipend that goes to retire debt of employees who have student loan debt. We believe we are on the cutting edge with this benefit and while only 4% of employers in the U.S. currently offer it, the number is growing and we believe this benefit will become much more prevalent in the coming years.

Even in a down year for earnings, MidWest*One* Bank contributed more than $682,000 to the communities we serve. The South St. Paul, Minnesota market received the 2016 Community Impact Grant award of $50,000. These funds will go to the Cesar Chavez Charter School in St. Paul to purchase tables, book cases, furniture, and other needs for a brand-new media center, plus provide for improvements to the playground and ball fields to improve the safety for the children using them. Bank employees will teach financial literacy lessons within the school. In addition, the MidWest*One* Bank Foundation

TOTAL RETURN PERFORMANCE



contributed more than $120,000 to various worthy causes throughout our footprint. Contributions ranged from contributing to improvements for the school athletic fields in St. Croix, Wisconsin to assisting with the renovation of the high school library in Fort Madison, Iowa to helping a youth ice hockey association develop "dryland" training facilities in Eden Prairie, Minnesota. We do more than give money, however. We give our time and our talents as well throughout our footprint. For example, 2016 Veterans Day saw bank employees make Quilts of Valor for veterans who are employees or for their relatives. This project was well received and plans are afoot to do this in a bigger way in 2017.

Our stock price performed well during the year as shareholders saw their shares appreciate by 24%. To repeat what has been said in prior years' letters to our shareholders, we do not control the markets in the short term. We do believe that share prices follow earnings over time, thus our emphasis on improving this performance. In January of 2017, the Board of Directors increased the quarterly dividend to $0.165 per quarter, or $0.66 annually. This increase is a vote of confidence in the company's prospects in 2017 and beyond.

We cannot succeed over the long term without satisfying the core four constituencies: our customers, our employees, our communities, and our shareholders.

There were many comings and goings with key personnel as our company continues to evolve. Chief Operating Officer Susan R. Evans announced her plan to retire in October, 2017 and is currently in a phased retirement plan. Sue joined the company in 2001 as the head of retail banking in the Iowa State Bank & Trust Company and became the company's COO in 2009. Her contributions have been many but none more important than her role as the company's unofficial "Culture Warrior." Sue's creative ideas and implementation of them have played a primary role in establishing the strong culture that exists in our company today. She has led many banking initiatives in her 16 years here and she has won universal respect from her fellow associates. She has been a friend to numerous employees in times of need. To say we will miss Sue is an understatement.

Kurt R. Weise retired on December 31, 2016 as Executive Vice President. Kurt served with Central Bank before the merger and was instrumental in the founding of the bank in 1988. As Central grew over the years, Kurt was involved in an integral way in every key decision. Kurt is an accountant by trade and is very perceptive in his understanding of the business of banking. Kurt will remain as a director of the bank and holding company.

October, 2016 marked the retirement of Chief Financial Officer, Gary J. Ortale, who served this company for 29 years. Gary's career was capped by steering the company through the Central Bank merger, and the accounting and finance areas of the bank performed at a high level during this time. Gary will be remembered for his high level of integrity, his dry sense of humor, and a work ethic that was admired by all. As with Kurt and Sue, we thank Gary for his service to the company and though time marches on, he will not soon be forgotten.

We will have one change on our Board of Directors with the departure of William N. Ruud. Bill joined the board in 2013 and we have come to know and appreciate his many talents. Bill was an advocate for us in the Cedar Falls, Iowa community during his tenure as President of the University of Northern Iowa. We will miss Bill's sense of humor and counsel and note his good service on the company's Compensation Committee.

We welcomed Kevin E. Kramer to our company in October as Chief Operating Officer. Kevin brings many years of commercial banking and management experience to the table and he is off to a fast start. Kevin is a difference maker and will be a key to us achieving our goals in 2017.

As we announced in this space last year, Katie A. Lorenson is our new Senior Vice President and Chief Financial Officer. Katie worked closely with Gary Ortale as the merger took place and they facilitated a smooth transition in the office of the CFO. Katie is featured elsewhere in this report and is already a valued member of the senior management team.

In August, we promoted Golden Valley, Minnesota-based Mitchell W. Cook to Senior Regional President responsible for commercial banking in the Twin Cities. At the same time, Joel L. Larson (Hudson, Wisconsin), Chad W. Lindgren (Forest Lake, Minnesota), and Todd E. Peterson (St. Michael, Minnesota) were named Regional Presidents. The Twin Cities markets ended the year with good loan momentum thanks to their strong leadership.

At our all-employee Rally Day, held on Columbus Day, four employees were awarded the President's Award. They were:

- **Terry Engfer**, Vice President, Retail Operations, Newport, Minnesota
- **Amy Hospodarsky**, Community Relations Manager, Iowa City
- **Nikki Ribbl**e, Second Vice President Deposit Operations, Iowa City
- **Maggie Slaker**, Personal Banker in the Golden Valley, Minnesota office

We congratulate these four deserving employees and many others who were honored this day. Reward and recognition remains alive and well at MidWest*One*!

We know that there is work to be done in 2017. We also remain unfailingly optimistic about the future of MidWest*One*. We are in good markets with very good geographic diversity. We have an excellent management team and ever-improving employee engagement. We believe we have the necessary scale to succeed in the years ahead as banking continues to evolve and change.

It remains our great privilege to serve our shareholders. As always, we are available to answer your questions or receive your comments at any time. After all, you are the Ones for whom we diligently build as we strive to exceed your expectations.

Thank you for your faithful support.

Charles N. Funk
President & CEO

Kevin W. Monson
Chairman

MIDWEST*ONE* FINANCIAL GROUP, INC.
AND MIDWEST*ONE* BANK **BOARDS OF DIRECTORS**

From left:

Richard R. Donohue: CFO, Acumen Advisors

Ruth E. Stanoch: Corporate Affairs Consultant

William N. Ruud: President, Marietta College

Tracy S. McCormick: CFO & Director, Mill Creek Development Company

Kurt R. Weise: Retired Bank Executive, MidWest*One* Bank

Kevin W. Monson: Managing Partner, Neumann Monson Architects, PC, Chairman, MidWest*One* Financial Group, Inc.

Larry D. Albert: Retired Bank Executive, MidWest*One* Bank

Charles N. Funk: President & CEO, MidWest*One* Financial Group, Inc. and President & CEO, MidWest*One* Bank

Patricia A. Heiden: Retired Executive Director, Oaknoll Retirement Residence, MidWest*One* Bank Board Member

Stephen L. West: Chairman, West Music Company, Inc.

Richard J. Schwab: Investor, Entrepreneur, and Builder

R. Scott Zaiser: Owner, Zaiser's Landscaping, Inc.

Michael A. Hatch: Attorney, Blackwell Burke P.A

Not Pictured:

John S. Koza: Retired Bank Executive, MidWest*One* Bank, Director Emeritus

John M. Morrison: Former Chairman, MidWest*One* Financial Group, Inc.

W. Richard Summerwill: Retired Bank Executive, MidWest*One* Bank, Director Emeritus

MIDWEST*ONE* FINANCIAL GROUP, INC.
EXECUTIVE OFFICERS

From left:

Kent L. Jehle: Executive Vice President and Chief Credit Officer
Katie A. Lorenson: Senior Vice President, Chief Financial Officer
Kevin E. Kramer: Chief Operating Officer

MIDWEST*ONE* FINANCIAL GROUP, INC. **OFFICERS**

Kevin W. Monson: Chairman of the Board
Charles N. Funk: President and Chief Executive Officer
Kevin E. Kramer: Chief Operating Officer
Katie A. Lorenson: Senior Vice President and Chief Financial Officer
Kent L. Jehle: Executive Vice President and Chief Credit Officer
James M. Cantrell: Vice President, Chief Investment Officer and Treasurer
Karin M. Taylor: Vice President
Gregory W. Turner: Vice President and Head of Wealth Management
Kenneth R. Urmie: Corporate Secretary

Teamwork is job ONE

Talk to Katie Lorenson about her role as MidWest*One*'s new Chief Financial Officer, and you'll hear her use two terms repeatedly: team and talent. She could be talking about herself, of course; she leads a team of 10 and her professional talents are considerable. But like many of her MidWest*One* colleagues, Katie tends to credit others for the organization's success.

"I am continually amazed at the depth and efficiency of the accounting/finance team," she says. "The talent in this organization is incredible, and the communication and true teamwork are evident on a daily basis and across all facets of the company."

Katie first envisioned a career in banking at age 16, when she began working part-time at a community bank near her hometown in northwestern Minnesota.

"I worked at financial institutions throughout college," she says. "After graduation, I was hired by McGladrey and asked to join their financial institutions team. It turned out my years of experience as a teller, proof operator and financial aid assistant were very valuable in consulting and auditing banks. One of my first McGladrey clients was Central Bank, and in 2011, Central asked me to be their CFO. I didn't think twice about accepting."

Serving as Central's CFO was challenging, Katie says, but bigger challenges were ahead. Merger talks with MidWest*One* began in 2014, and the process was completed in 2016. "There were a few bumps," she says, "but it has been great seeing my peers rise to the occasion and really excel in the new opportunities that have presented themselves."

One of those new opportunities came to Katie. When long-time MidWest*One* CFO Gary Ortale announced his retirement, MidWest*One* President and CEO Charles N. Funk offered Katie the position. "Gary was a seasoned veteran with nearly 30 years of experience, and I wasn't exactly cut from the same cloth," says Katie. "But Charlie believed in me and has never tried to make me fit a different mold. I've learned a great deal from him. And before Gary retired I also was blessed to work with him, and he taught me so many things in a relatively short time."

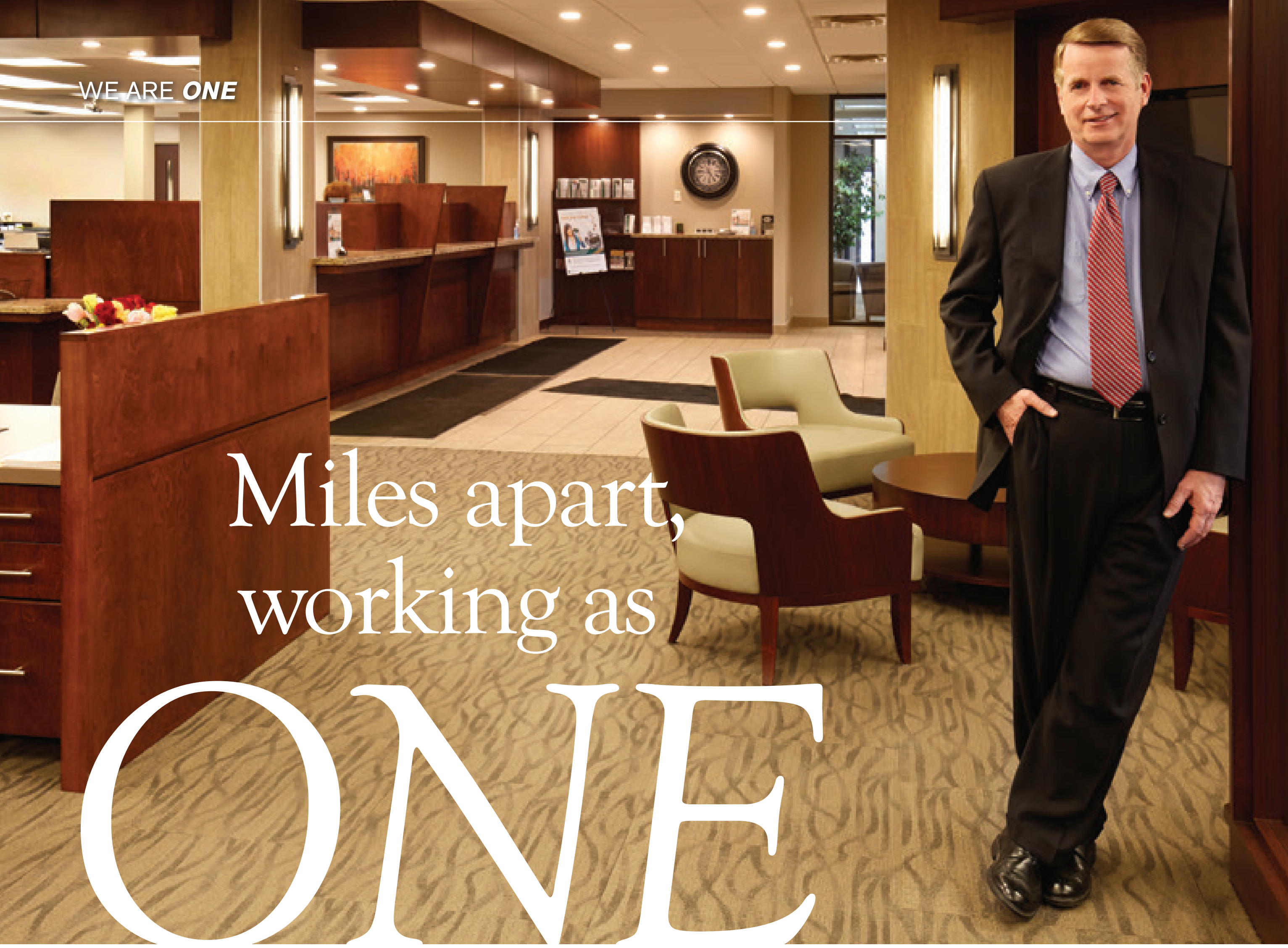
Katie began her new role in September 2016 and describes her position as multifaceted, encompassing financial and tax reporting to management, the board of directors, regulators, investors and analysts, as well as analysis, budgeting and forecasting.

With bank locations in several states, Katie has found some novel ways to encourage teamwork. "In order to put names to faces and spend quality time together, last year we joined forces with the internal audit team and planned an evening at a customer's wine and painting studio in Iowa City," she recalls. "It was a great bonding experience, and it turns out there are some talented painters on the finance team – though I am not one of them!"

Katie feels fortunate to have a seat at MidWest*One*'s strategy planning table, where she can help influence the bank's future direction. "This company has some incredible talent," she says, "and I look forward to what the future holds."

"The talent in this organization is incredible, and the communication and true teamwork are evident on a daily basis and across all facets of the company."

KATIE LORENSON
MidWest*One* Chief Financial Officer



Miles apart, working as ONE

When the MidWestOne-Central Bancshares merger was announced in 2014, Nikki Ribble, Second Vice President for Deposit Operations at MidWestOne in Iowa City, admits to some nervousness.

"I was excited for the adventure, challenges, and opportunities it would bring," she says, "but the unknown is always scary. I wondered how we were going to accomplish everything to align the companies and create a smooth transition for our customers and employees."

Many miles to the north, at Central Bank in Newport, Minnesota, Terry Engfer, now Vice President for Retail Operations at MidWestOne, felt more secure about the road ahead. "After 40 years in banking, I've become acclimated to constant change," he says. "I also understand that people adjust to change differently. It just takes patience and time."

How did these two leaders in two different functional areas, in two states, guide their teams through the transition's many uncertainties, resulting in newly cohesive operations? Their approaches were remarkably similar – and similarly successful.

For Nikki, who oversees a staff of 16 charged with all deposit-related functions, the biggest challenge was working through change itself. "For some staff members, everything they knew and were familiar with was turned upside down," she says. "Many processes and procedures changed completely. On top of learning new ways of doing things, employees also needed to address our customers' questions and concerns."

Committees were formed to compare and discuss both banks' deposit operation procedures and systems, which were then voted on for approval. Once approved, new procedures were created and staff training began. "It's still a work in progress," Nikki says, "but every day is a little better."

DEPOSIT OPERATIONS: FOCUSING ON MISSION

Key to the transition process, says Nikki, was a constant focus on MidWestOne's operating principles. "I'm proud of how my team embraced our mission by taking care of our customers and those who should be, and by working as one team. Keeping those operating principles at the forefront as we went about our day-to-day responsibilities really helped make the merger a success."

Terry also relied on the operating principles, which became essential guideposts for his staff. Like Nikki, he found the "work as one team" principle to be most impactful. "When it comes to mergers and acquisitions, if you don't have people who can work together and focus on best practices," he says, "you're just not going to make progress."

MidWestOne's Retail Operations serves as an operational, procedural, and training resource for front-line staff who work directly with customers. Terry also manages the bank's 17 retail branches in Minnesota and Wisconsin. His biggest task, he says, is "making sure people all are on the same page and doing the same thing, and that everyone is focused on taking good care of our customers."

With so many policies and procedures to review during the merger process, says Terry, the emphasis was "to get the best of the best" by retaining what worked well for both companies and, in some cases, coming up with new and better ideas.

RETAIL OPERATIONS: BUILDING BEST PRACTICES

As was the case in Iowa City, Terry's group convened several task forces to examine product integration, procedures, and other issues. "My manager really was clear about the vision," Terry says. "The whole purpose was to end up better together than we were on our own. We took time to go through every procedure to see who had the best practice and try to combine those as well as we could. We continually asked ourselves, do we need to revise these procedures, or maybe ask again why we do them the way we do?

"That was a big deal in this whole process, just asking why," he recalls. "Lots of times you find you are doing things a certain way because of something that happened 10 years ago, but no one can remember what that was and it's no longer relevant. It was a good exercise for us, and it made a difference."

Both Terry and Nikki agree that communication and training were essential to the transition process. And although the merger has been completed, communication and training need to continue. "It's a fine balance," Terry says. "Train too early and people forget things; train too late and it's too much to absorb. We've kept an eye on areas where employees seem to stumble, and with follow-up training, things start getting better.

"People need to see successes before they accept cultural change," he says, "and now they see things are going in a positive direction."

Or, in Nikki's words: "Today we're all working as one team."

“Our three grandchildren love to visit the bank. I’m pretty sure it’s not just for the free suckers!”

MAGGIE SLAKER
MidWest*One* Personal Banker

ONE
for all

Maggie Slaker grew up on a dairy farm in southern Minnesota and attended a small-town high school. She understood early in life that she preferred putting others’ needs ahead of her own.

“With just 44 kids in my graduating class, I was able to try lots of activities, from theatre to basketball,” Maggie says. “But I wasn’t much for learning lines or pretending to be someone I’m not. I’d rather cheer on others than be in the limelight myself.”

It’s little wonder, then, that Maggie was drawn to customer service positions. Her first job was working for a community hardware/sporting goods store, where she loved helping customers and getting to know the regulars.

After graduating from college, Maggie’s first banking-related position was as a commercial mortgage loan servicer. She later joined Central Bank and has been a Personal Banker – the position she holds today at MidWest*One* in Golden Valley, Minnesota – for 10 years.

Her duties range from opening new accounts to ongoing account maintenance, assisting customers in person, over the telephone and via email. “I’ve been blessed with the ability to put a name with a face,” she says. “Customers feel more comfortable in discussing their financial concerns when they know and trust their banker.”

Maggie’s definition of exceptional customer service is a perfect match for MidWest*One*. She’s committed to treating all customers with dignity and kindness, greeting everyone with a smile, listening, and anticipating customers’ needs. “And if you don’t know the answer,” she says, “promise to follow up and then follow through on that promise.”

If she had any concerns when the bank merger/acquisition plans were announced last year, those doubts were quickly dispelled. “I was very happy to learn about MidWest*One*’s core operating principle of ‘Taking good care of our customers, and those who should be,’” Maggie says. “I’m confident we’re moving in the right direction and that a stronger, cohesive organization will be the outcome.”

Rocking ONE big party

In the summer of 2016, when Amy Hospodarsky, Community Relations Manager for MidWest*One* in Iowa City, was tasked with creating a community event to celebrate several MidWest*One* milestones, she knew she had to think big.

The bank had just completed an extensive restoration of its historic 1912 headquarters building in the heart of downtown Iowa City. Just four blocks away, the bank's brand-new One Place at Riverfront Crossings, which houses the bank's Home Mortgage, Investment, and Operations Center, had just opened as well. Together, these major facilities projects represented a $22 million investment in the local community.

The bank's ongoing commitment to its hometown was underscored in what became the theme of the August 12 celebration, "Home Sweet Home Iowa City." But Amy also needed an event concept that would engage participants and link the two facilities projects. Fortunately, both buildings are located along Clinton Street, and that provided the answer.

"One of our staff members joked, 'let's just shut down Clinton Street,' and I said it couldn't be done," Amy recalls. "But when we approached the City of Iowa City, they were wonderful to work with. We ended up closing a major portion of Clinton from Washington Street to Burlington Street, and further south as well."

Amy and her team decided to turn part of the street into a canvas, and invited artists and community members to "Rock the Chalk."

"It was a Friday afternoon and we had everyone from semiprofessional artists to families, all chalking 8- by 8-foot squares of pavement in front of the historic building," Amy says. "I was amazed by what people drew, and the art was just wonderful.

"At the new building, we closed off a big section of the street and had tons of family-friendly activities, along with tours and other programming in both buildings. And in keeping with our 'Rock the Chalk' theme, we had stages with local bands on each end of Clinton Street."

About 75 MidWest*One* employees volunteered for the event, which Amy says drew an estimated 2,000-2,500 people. "Everyone had a blast," Amy says. "We're already talking about repeating the event and how to top ourselves in 2017."

"One of our staff members joked, 'let's just shut down Clinton Street.'"

AMY HOSPODARSKY
MidWest*One* Community Relations Manager

Archibald Alexander Elementary School

ONE SCHOOL, MANY NEEDS

Alexander Elementary, Iowa City's newest elementary school, enrolls approximately 350 children from preschool through 6th grade. More than 74 percent of its students qualify for the free or reduced-price lunch program. In cooperation with the Iowa City Community School District Foundation, Alexander Elementary and MidWest*One* are now piloting the district's very first "Support a School" project.

"We're here to fill the gaps for children who may be without family support because their parents are working or lack transportation or face other challenges," says MidWest*One* Community Relations Manager Amy Hospodarsky.

"So far, about 20 MidWest*One* volunteers are mentoring some 40 children, spending 20-25 minutes with them once a week," Amy says. "We've also been involved in everything from a winter clothing drive to delivering pizza on parent-teacher conference days – whatever the staff tell us they need.

"Besides being good for the children, this project gives our employees a much fuller picture of our community and how they can help. Supporting students and staff at Alexander Elementary is really about who we are, and our responsibility for the community as a whole. It's in our DNA. And working with these kids has been really cool."

FINANCIAL **HIGHLIGHTS**

(dollars in thousands, except per share amounts)

	2016	2015	2014
YEAR-END BALANCES			
Assets	$3,079,575	$2,979,975	$1,800,302
Investment Securities	645,910	545,664	526,466
Loans	2,165,143	2,151,942	1,132,519
Loan Pool Participations	-	-	21,466
Deposits	2,480,448	2,463,521	1,408,542
Shareholders' Equity	305,456	296,178	192,731
AVERAGE BALANCES			
Assets	$2,993,875	$2,773,095	$1,760,776
Investment Securities	551,383	542,515	534,371
Loans	2,161,376	1,962,846	1,092,280
Loan Pool Participations	-	10,032	24,321
Deposits	2,445,363	2,276,003	1,384,084
Shareholders' Equity	304,670	255,307	186,375
RESULTS OF OPERATIONS			
Net Interest Income	$99,606	$90,052	$54,853
Provision for Loan Losses	7,983	5,132	1,200
Noninterest Income	23,434	21,193	15,313
Noninterest Expense	87,806	73,176	43,413
Income Before Income Taxes	27,251	32,937	25,553
Net Income	20,391	25,118	18,522
PER COMMON SHARE			
Net Income - Basic	$1.78	$2.42	$2.20
Net Income - Diluted	1.78	2.42	2.19
Dividends	0.64	0.60	0.58
Book Value	26.71	25.96	23.07
Closing Price	37.60	30.41	28.81
ASSET QUALITY			
Bank Loans Past Due 30-89 Days	10,740	8,491	3,862
Non-Performing Bank Loans	28,465	11,528	13,021
Net Charge Offs	5,560	2,068	1,016
RATIOS			
Return on Average Equity	6.69%	9.84%	9.94%
Return on Average Tangible Equity	10.13%	14.29%	10.61%
Return on Average Assets	0.68%	0.91%	1.05%
Net Interest Margin	3.80%	3.71%	3.53%
Efficiency Ratio	66.43%	61.36%	58.71%
Average Equity as a % of Average Assets	10.18%	9.21%	10.58%
Allowance for Bank Loan Losses as a % of Bank Loans	1.01%	0.90%	1.44%
Net Bank Loan Charge-offs as a % of Average Bank Loans	0.26%	0.11%	0.09%
Non-performing Bank Loans as a % of Bank Loans	1.31%	0.54%	1.15%

SHARE **PRICE**

2015	HIGH	LOW	CASH DIVIDEND DECLARED
First Quarter	$29.82	$27.74	$0.15
Second Quarter	$33.88	$28.33	$0.15
Third Quarter	$34.04	$28.43	$0.15
Fourth Quarter	$32.52	$28.06	$0.15

2016	HIGH	LOW	CASH DIVIDEND DECLARED
First Quarter	$30.04	$24.71	$0.16
Second Quarter	$30.50	$25.49	$0.16
Third Quarter	$30.74	$26.50	$0.16
Fourth Quarter	$39.20	$27.93	$0.16

CONDENSED CONSOLIDATED **BALANCE SHEETS**

(dollars in thousands)

	DECEMBER 31, 2016	DECEMBER 31, 2015
ASSETS		
Cash and due from banks	$41,464	$44,199
Federal funds sold and other short-term investments	1,764	2,898
Cash and cash equivalents	**43,228**	**47,097**
Securities available for sale	477,518	427,241
Securities held to maturity	168,392	118,423
Loans held for sale	4,241	3,187
Loans	2,165,143	2,151,942
Allowance for loan losses	(21,850)	(19,427)
Loans, net	**2,143,293**	**2,132,515**
Premises and equipment, net	75,043	76,202
Accrued interest receivable	13,871	13,736
Goodwill	64,654	64,548
Other intangible assets, net	15,171	19,141
Bank owned life insurance	47,231	46,295
Other real estate owned	2,097	8,834
Other assets	24,836	22,756
Total assets	**$3,079,575**	**$2,979,975**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Deposits:		
Non-interest-bearing demand	$494,586	$559,586
Interest-bearing checking	1,136,282	1,064,350
Savings	197,698	189,489
Certificates of deposit under $100,000	326,832	348,268
Certificates of deposit over $100,000	325,050	301,828
Total Deposits	**2,480,448**	**2,463,521**
Federal funds purchased and securities sold under agreements to repurchase	117,871	68,963
Federal Home Loan Bank borrowings	115,000	87,000
Junior subordinated notes issued to capital trusts	23,692	23,587
Long-term debt	17,500	22,500
Accrued expenses and other liabilities	19,608	18,226
Total liabilities	**2,774,119**	**2,683,797**
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 as of December 31, 2016 and 2015	-	-
Capital stock, common, $1 par value; authorized 15,000,000 shares; 11,713,481 shares issued at December 31, 2016 and 2015	11,713	11,713
Additional paid-in capital	163,667	163,487
Treasury stock, at cost; 277,121 shares and 304,708 shares at December 31, 2016 and 2015, respectively	(5,766)	(6,331)
Retained earnings	136,975	123,901
Accumulated other comprehensive income	(1,133)	3,408
Total shareholders' equity	**305,456**	**296,178**
Total liabilities and shareholders' equity	**$3,079,575**	**$2,979,975**

CONDENSED CONSOLIDATED **STATEMENTS OF OPERATIONS**

(dollars in thousands, except per share amounts)

	YEAR ENDED DECEMBER 31,		
INTEREST INCOME	**2016**	**2015**	**2014**
Loans	$98,162	$86,544	$48,466
Loan pool participations	-	798	1,516
Securities:			
Taxable securities	8,297	7,734	8,921
Tax-exempt securities	5,703	5,553	5,455
Federal funds sold and other short-term investments	166	71	46
Total interest income	**112,328**	**100,700**	**64,404**
INTEREST EXPENSE:			
Interest-bearing checking	3,151	2,627	2,168
Savings	267	360	145
Certificates of deposit	5,961	4,851	4,714
Federal funds purchased and securities sold under agreements to repurchase	205	210	127
Federal Home Loan Bank advances	1,827	1,451	2,092
Other borrowings	19	22	24
Junior subordinated notes issued to capital trusts	825	592	281
Subordinated notes	-	162	-
Long-term debt	467	373	-
Total interest expense	**12,722**	**10,648**	**9,551**
Net interest income	**99,606**	**90,052**	**54,853**
PROVISION FOR LOAN LOSSES	7,983	5,132	1,200
Net interest income after provision for loan losses	**91,623**	**84,920**	**53,653**
NONINTEREST INCOME:			
Trust, investment, and insurance fees	5,574	6,005	5,771
Service charges on deposit accounts	5,219	4,401	3,279
Loan origination and servicing fees	3,771	2,756	1,554
Other service charges and fees	5,951	5,215	2,307
Bank-owned life insurance income	1,366	1,307	1,102
Securities gains, net	464	1,011	1,227
Other gains	1,089	498	73
Total noninterest income	**23,434**	**21,193**	**15,313**
NONINTEREST EXPENSE:			
Salaries and employee benefits	49,621	41,865	24,918
Net occupancy and equipment	13,066	9,975	6,293
Data processing	4,940	2,659	1,565
FDIC insurance	1,563	1,397	964
Amortization of intangible assets	3,970	3,271	547
Other expenses	14,646	14,009	9,126
Total noninterest expense	**87,806**	**73,176**	**43,413**
Income before income taxes	**27,251**	**32,937**	**25,553**
Income Taxes	**6,860**	**7,819**	**7,031**
NET INCOME	**$20,391**	**$25,118**	**$18,522**
EARNINGS PER COMMON SHARE			
Basic	$ 1.78	$ 2.42	$ 2.20
Diluted	$ 1.78	$ 2.42	$ 2.19

CONSOLIDATED STATEMENTS OF **SHAREHOLDERS' EQUITY**

(dollars in thousands, except per share amounts)

YEARS ENDED DECEMBER 31, 2016, 2015, AND 2014	**PREFERRED STOCK**	**COMMON STOCK**	**ADDITIONAL PAID-IN CAPITAL**	**TREASURY STOCK**	**RETAINED EARNINGS**	**ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)**	**TOTAL**
Balance, December 31, 2013	**$ -**	**$8,690**	**$80,506**	**$(3,702)**	**$91,473**	**$1,049**	**$178,016**
Net income	-	-	-	-	18,522	-	18,522
Dividends paid on common stock ($0.58 per share)	-	-	-	-	(4,868)	-	(4,868)
Stock options exercised (15,419 shares)	-	-	(26)	285	-	-	259
Release/lapse of restriction on RSUs (27,491 shares)	-	-	(436)	459	-	-	23
Repurchase of common stock (165,766 shares)	-	-	-	(3,987)	-	-	(3,987)
Stock compensation	-	-	493	-	-	-	493
Other comprehensive income, net of tax	-	-	-	-	-	4,273	4,273
Balance, December 31, 2014	**$ -**	**$8,690**	**$80,537**	**$(6,945)**	**$105,127**	**$5,322**	**$192,731**
Net income	-	-	-	-	25,118	-	25,118
Issuance of common stock due to business combination (2,723,083 shares)	-	2,723	75,172	-	-	-	77,895
Issuance of common stock - private placement (300,000 shares)	-	300	7,600	-	-	-	7,900
Dividends paid on common stock ($0.60 per share)	-	-	-	-	(6,344)	-	(6,344)
Stock options exercised (8,414shares)	-	-	(40)	169	-	-	129
Release/lapse of restriction on RSUs (23,123 shares)	-	-	(416)	445	-	-	29
Stock compensation	-	-	634	-	-	-	634
Other comprehensive income, net of tax	-	-	-	-	-	(1,914)	(1,914)
Balance, December 31, 2015	**$ -**	**$11,713**	**$163,487**	**$(6,331)**	**$123,901**	**$3,408**	**$296,178**
Net income	-	-	-	-	20,391	-	20,391
Dividends paid on common stock ($0.64 per share)	-	-	-	-	(7,317)	-	(7,317)
Stock options exercised (2,900 shares)	-	-	(22)	60	-	-	38
Release/lapse of restriction on RSUs (26,133 shares)	-	-	(529)	505	-	-	(24)
Stock compensation	-	-	731	-	-	-	731
Other comprehensive income, net of tax	-	-	-	-	-	(4,541)	(4,541)
Balance, December 31, 2016	**$ -**	**$11,713**	**$163,667**	**$(5,766)**	**$136,975**	**$(1,133)**	**$305,456**

TRANSFER AGENT/ DIVIDEND PAYING AGENT

American Stock Transfer
& Trust Company, LLC
6201 15th Avenue
Brooklyn, New York 11219

GENERAL COUNSEL

Barack Ferrazzano Kirschbaum &
Nagelberg LLP
200 West Madison Street, Suite 3900
Chicago, Illinois 60606-3465

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

RSM US, LLP
201 1st Street SE
Suite 800
Cedar Rapids, Iowa 52401

MIDWEST*ONE* BANK

IOWA

Belle Plaine	802 13th Street	319-444-2842
Burlington	3225 Division Street	319-754-6526
Cedar Falls	4510 Prairie Parkway	319-277-2500
Conrad	120 West Center Street	641-366-2165
Coralville	110 First Avenue	319-356-5800
Fairfield	58 East Burlington Avenue	641-472-6511
Fairfield	2408 West Burlington Avenue	641-472-2424
Fort Madison	926 Avenue G	319-372-3991
Iowa City	102 South Clinton Street	319-356-5800
Iowa City	500 South Clinton Street	319-356-5960
Iowa City	1906 Keokuk Street	319-356-5800
Iowa City	2233 Rochester Avenue	319-356-5800
Melbourne	202 Main Street	641-482-3105
North English	10030 Highway 149	319-664-3311
North Liberty	465 Hwy 965 NE, Suite A	319-356-5800
Oskaloosa	124 South First Street	641-673-8303
Oskaloosa	222 First Avenue East	641-673-8303
Parkersburg	1001 Highway 57	319-346-1645
Pella	700 Main Street	641-628-4356
Pella	500 Oskaloosa Street	641-628-4356
Sigourney	112 North Main Street	641-622-2381
Waterloo	3110 Kimball Avenue	319-232-5513
West Liberty	305 West Rainbow Drive	319-627-2100

Toll Free **1-800-247-4418**
En Español **319-688-3938**

MINNESOTA

Centerville	7111 21st Avenue North	651-762-9440
Centerville SBA Loan Office	7031 20th Avenue South	651-257-7525
Chisago City	11151 Lake Boulevard	651-257-6561
Coon Rapids	3585 124th Avenue	763-780-0484
Eden Prairie	6640 Shady Oak Road	952-944-6640
Elk River	18233 Carson Court NW	763-274-3200
Forest Lake	1650 South Lake Street	651-464-2880
Golden Valley	945 Winnetka Avenue North	763-545-9005
Minneapolis (Lowry Hill)	2120 Hennepin Avenue South	612-767-5600
Newport	2104 Hastings Avenue	651-256-7250
South St. Paul	835 Southview Boulevard	651-451-2133
Stillwater	2270 Frontage Road West	651-439-3050
St. Michael	750 Central Avenue E, Suite 100	763-497-3114
White Bear Lake	3670 East County Line North	651-426-2554

WISCONSIN

Hudson	404 County Road UU	715-377-7180
North Hudson	880 Sixth Street North	715-386-8700
Osceola	304 Cascade Street	715-294-2183
St. Croix Falls	2183 US Highway 8 East	715-483-9800

FLORIDA

Fort Myers	1520 Royal Palm Square Boulevard Suite 100	239-274-1900
Naples	4099 Tamiami Trail North Suite 100	239-430-2500

MIDWEST*ONE* INSURANCE SERVICES

IOWA

Cedar Falls	4510 Prairie Parkway	319-277-2500
Conrad	120 West Center Street	641-366-2165
Melbourne	202 Main Street	641-482-3105
Oskaloosa	124 South First Street	641-673-8603
Parkersburg	1001 Highway 57	319-346-1645
Pella	700 Main Street	641-628-4904

Toll Free **1-800-934-7763**

MIDWEST*ONE* FINANCIAL GROUP, INC.

Corporate Headquarters
102 South Clinton Street
Iowa City, Iowa 52240-4065
1-800-247-4418

MidWestOne.com
NASDAQ Symbol: MOFG

Direction: Nick Pfeiffer, MidWest*One*
Writing: Shullaw and Associates, Iowa City, Iowa
Photography: fisheye, Hiawatha, Iowa
Design: Benson & Hepker Design, Iowa City, Iowa
Printing: Tru Art, Iowa City, Iowa

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