

People.  
Passion.  
Progress.

**2017 Annual Report**



**MidWestOne**<sup>®</sup>  
FINANCIAL GROUP, INC.

**“Times of stress and difficulty are seasons of opportunity when the seeds of progress are sown.”**

— Thomas F. Woodlock

## TO OUR SHAREHOLDERS

**CHARLES N. FUNK**, President and CEO  
**KEVIN W. MONSON**, Chairman

A year ago in this space, we reported sub-par earnings results and a plan to improve our performance in 2017. MidWestOne Financial Group did indeed show many improvements in operating performance in 2017. Unfortunately, the third and fourth quarters brought unexpected credit surprises causing company performance to fall short of our expectations. The following paragraphs will inform our shareholders of many areas of progress during 2017 as well as where we fell short of our goals.

Net income for the company declined to \$18.7 million from \$20.4 million in 2016. In Year 2017 we incurred a \$3.2 million increase in income tax expense from the Tax Cuts and Jobs Act of 2017. This charge will be recovered over the next two years by a reduction in the company’s federal tax rate. Thus, we believe the more appropriate comparison of net income is \$21.9 million in 2017 compared to \$20.4 million in 2016. On an earnings per



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share basis, 2017 EPS was \$1.55 versus \$1.78 the prior year. When adjusted for the deferred tax expense, 2017 EPS was \$1.82.

With \$18.7 million of net income, return on average assets of 0.60% and return on average tangible equity of 8.00% are well short of our long-term goals. One bright spot in the financial metrics is that our closely watched efficiency ratio declined to 58.64% in 2017 from 66.43% in 2016. It is our view that this is a harbinger of good things to come in our future.

The “elephant in the room” in regard to our financial results is the provision for loan losses. This line item single-handedly kept us from our 2017 goals. Last year, in this space, we wrote “we recognize that asset quality is ‘job one’ in our company. The quickest way to see our standing slip is to make poor credit decisions.” We went on to say that 2016 was not up to our historical standards in asset quality. The same can be said of 2017 as the third and fourth quarters each saw outsized loan loss provisions to account primarily for deteriorating conditions in two large commercial loans. The result was a provision for loan losses of \$17.334 million in 2017, well above an already outsized \$7.983 million in 2016. To give readers some perspective on these numbers, we had expected the provision to total \$5 million in 2017, so one can see how this derailed financial performance.

We ended the year with non-performing loans to total loans a respectable 1.04% and net loan charge-offs of 0.51%, the largest number for our company since becoming a public company ten years ago. We ended 2017 with a loan loss reserve to total loans of 1.23% and note that this reserve more than covered our nonperforming loans by 1.17 times. This compares to like ratios of 1.01% and 0.77 times at year-end 2016. The 2017 numbers represent progress and are more in line with our historical metrics.

Most important, events in the last six months of 2017 caused us to take a deep dive into our credit administration process. What we found was a process that had served us very well for more than two decades, but needed an upgrade due to the growth and increasing complexity of the company. We are confident that the process now in place will serve stakeholders very well in the years to come.

Readers will be interested to know that senior leaders and board members were involved in this process.

It is not a surprise that most, but not all, of our credit issues have been in our Iowa footprint. However, surprising to many is that it is not the agricultural portion of our portfolio that has created the large problems. Rather, these have come from our commercial portfolio. While rural Iowa continues to show below average growth, we believe our agricultural portfolios are going to stand up well over the long term. We will need to reserve more for some of these loans due to increased risk, but we believe charge-offs will be minimal. Our collateral margins, while narrowing, are still good. Elsewhere in our footprint, credit conditions in the Twin Cities and western Wisconsin, southwest Florida and Denver remain strong. The diversity of our credit exposure will continue to be a strength of *MidWestOne*.

To summarize: We believe the worst is behind us and our highest 2018 priority is to return our company to the superior asset quality it enjoyed from 2008 to mid-2016. As you will see in succeeding paragraphs, much progress was made at MOFG during 2017.

By any measure, the company enjoyed solid growth in 2017. Total assets increased 4.3% to \$3.212 billion at year-end 2017. Total loans increased 5.6% in 2017 to \$2.287 billion and deposits followed closely, rising 5% year over year to \$2.605 billion at year-end. Net interest income, which provides the bulk of our revenues, increased 4.6% in 2017. The numbers cited above are the best we’ve seen in many years at MOFG. To provide context, deposit growth occurred company-wide with the strongest performance coming from our Iowa offices. The loan growth, not surprisingly, came from the robust economies of the Twin Cities, Denver and southwest Florida. It is our expectation that these trends will continue in 2018 and we do expect a greater contribution to loan growth from our larger markets in Iowa.

There is also a good story to tell from the non-interest income-producing entities in the company. Wealth Management, which consists of Trust, Investment Services and *MidWestOne* Insurance, saw its revenues increase 11%. Investment Services rebounded strongly from a down performance in 2016. Each of these units

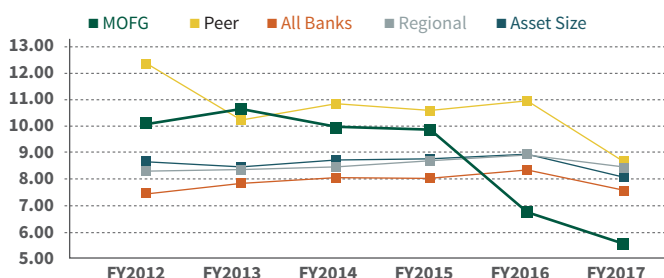
Region: Midwest - IL, IN, IA, KS, KY, MI, MN, MO, NE, ND, OH, SD, WI

Peers: WTBA, QCRH, GSBC, SNLC, HBIA, ATLO, HTLF, TRVR

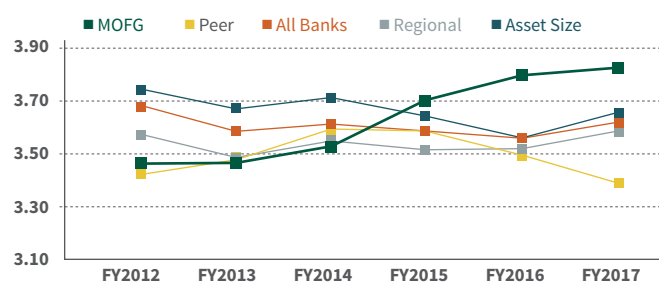
Asset Size: \$1-5 Billion

All Banks: All NASDAQ Banks

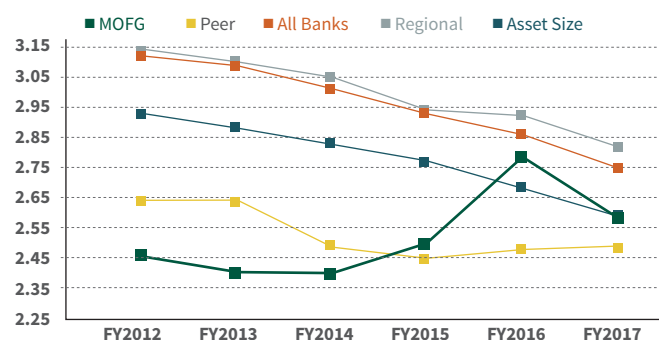
### RETURN ON AVERAGE EQUITY (%)



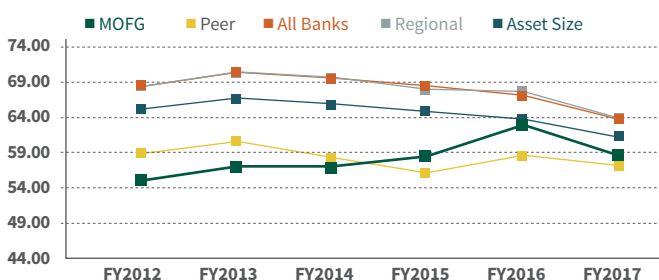
### NET INTEREST MARGIN (%)



### NONINTEREST EXPENSE / AVERAGE ASSETS (%)



### EFFICIENCY RATIO (%)



is well set for a strong 2018 and there is a significant emphasis on acquiring more revenue producers in this area of the bank.

Our Home Mortgage center saw its revenues decrease by some 9.3% during the year. This is a cyclical business and this decrease is in line with industry averages. More impressive, this unit worked hard to decrease the average “days to close” a mortgage loan by about 25% during the year with more progress anticipated in 2018. Our servicing portfolio of mortgage loans, which will sustain us in years when loan originations are down, has grown to \$288 million. As was the case a year ago, we remain very positive on the contribution this unit will make to our bank in the years ahead.

As we disclosed a year ago in this letter, our downtown Denver office opened for business in May, 2017. By year-end, Regional President Joe VanHaselen and his team were well ahead of schedule, with more than \$48 million in loans outstanding and \$20 million in deposits. This office attained profitability in its first six months of existence and we anticipate more growth in 2018. Their focus on commercial and industrial loans brings much balance to our overall loan portfolio.

In late March, our company had the opportunity to raise 750,000 shares of common stock at an average price of \$34.25 per share. Demand for our shares was strong and bolstered an already strong capital position. MOFG ended the year with tangible equity of 8.44% of tangible assets, up from 7.62% at year-end 2016. We are well above all regulatory capital guidelines.

During 2017, we developed and implemented a five-year strategic plan that charts our path to the future. While this self-examination of the company was in some ways overdue, one thing did not change: Our determination to put our operating principles at the center of everything we do.

- Take care of our customers
- Hire and retain good employees
- Always conduct yourself with the utmost integrity
- Work as one team
- Learn constantly so we continually improve

We have seen that a company committed to these operating principles will be able to attract and retain the very best talent that allows us to produce the results our shareholders expect. There was again evidence in 2017 that our company’s morale is good and improving. For the fifth consecutive year we were named as a Top Workplace in the state of Iowa. The award is given based on an anonymous survey of our employees. We incorporate employee feedback via the survey into continual improvements in our workplace.

As we look to the future, our strategic plan is mindful that the lion's share of our operating revenues will come from our deposit generation and lending activities. We will continue to provide innovative ways for our customers to use MidWestOne to meet their financial needs. And, we will continue to seek out bankers who fit our operating principles to work at MidWestOne.

Our Wealth Management team has done a very good job over the past eight years of growing its revenues. That said, the banks we've acquired have not had large wealth management components, so our fees as a percentage of revenues have fallen. We will be more actively looking for ways to expand our wealth management presence in 2018 and beyond. Senior Vice President Greg Turner will be leading this effort.

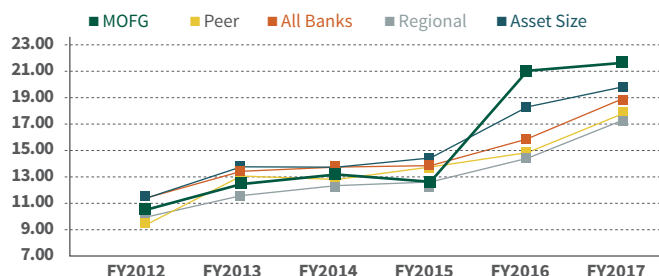
Financial technology, better known as Fintech, is swiftly emerging in our industry. As the world changes—faster and faster, it seems—so must our industry evolve to keep up with our customers' changing preferences. We have found that our company can compete in this space, but we must be smart about how we compete. The expense associated with meeting the ever-increasing demands of the digital customer requires significant investment. For 2018, our goal is to progressively improve our digital customer experience while remaining competitive. Senior Vice President John Henk leads our Fintech charge. Here is a preview of 2018 Fintech initiatives:

- Next generation digital channel upgrades
- Real-time consumer P2P payment capability
- Real-time alerting and fraud management support
- Digital channel loan and deposit application support, including mobile application functionality
- Enhanced deposit and loan processing automation

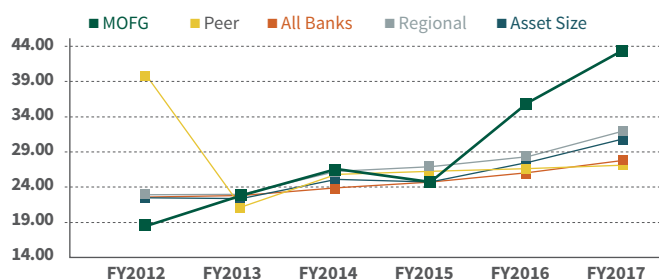
As customer expectations change, we recognize that our digital delivery must keep pace. This includes a flexible and secure platform that offers a seamless customer experience regardless of the channel. It also includes support for real-time person-to-person payments that are easy to use, ubiquitous and safe. Actionable alerts and fraud controls are intended to build customer engagement by helping customers stay aware and in control. We also understand that turning prospects into customers means offering options to make this easy in the channel of the customer's choice. Although it isn't as visible, technology that automates manual processes has the added benefit of improving the customer experience, as well as staff efficiency.

Fintech, combined with exceptional customer service delivered by our MidWestOne team, allows us to stand apart from the competition. Remember, technology without exceptional people will not deliver the returns our shareholders expect.

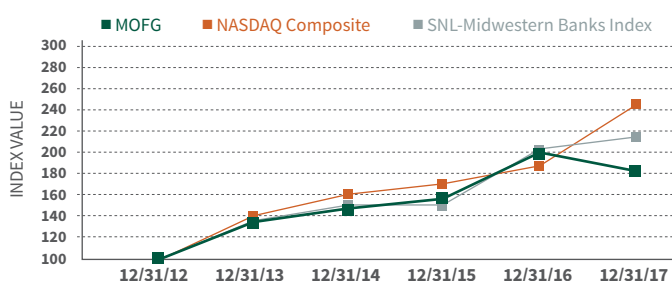
PRICE/LTM EPS (X)



DIVIDEND PAYOUT RATIO (%)



TOTAL RETURN PERFORMANCE





**We are very pleased with tangible progress in many areas throughout the company in 2017. Priority one in 2018 is to deliver good financial results to our shareholders.**

As we continually improve in areas of customer experience and employee engagement, we are also focused on continual improvement in supporting the communities where we serve. In 44 locations, across five states, we partnered with our fellow employees and customers to support organizations that create opportunities. A year of giving and volunteering included our continued partnerships with United Way, Boys & Girls Club of America, American Heart Association, Family Pathways and Habitat for Humanity. Our annual Community Impact Grant program is a contest across all branches for a \$50,000 grant. This year, the grant went to the construction of the Environmental Learning Center of Mahaska County, IA.

We conclude the report on the operations of our company with the acknowledgement that our equity price has not kept up with the average bank stock over the past two years. We've long said we cannot control our stock price, only our financial results. In this vein, we know 2018 is a year to return to our accustomed performance levels that were produced in the 2011-2015 timeframe. In that context, the Board of Directors authorized an 14.7% increase in the quarterly dividend of the company to an annualized amount of \$0.78 per share. This reflects the board's confidence in the company's future.

The 2017 annual meeting will mark the end of Steve West's tenure as a bank and holding company director. Steve joined our company as a director in 1991 and has been a stalwart member of this body. Steve served as the Chairman of the Compensation Committee from 2008-2017 and was the company's lead director during this period as well. Steve is thoughtful and has always been a positive contributor in the board room. We will miss him and thank him for his loyal service to the company. Steve has been with us through thick and thin.

Joining our board will be Nathaniel J. Kaeding. Nate is best known as an All-American kicker for the Iowa Hawkeyes and for nine seasons in the NFL as a Pro-Bowl kicker. But there is much more to Nate as he returned to Iowa City, attained his M.B.A. and is now an active and well-respected member of the Iowa City community. He is Director of Business Development and Client Relations with Build to Suit, a local development company. We welcome Nate to the Board.

New to our company is David Lindstrom, who was hired in January as Senior Vice President of Retail Banking. David comes to our company with 28 years of experience with larger banking organizations. It was David's personality and values that attracted us to him and our culture that attracted him to us. We believe he is a great culture fit and will help us drive top line revenues in the years ahead.

At our 2017 Rally Day, held on Columbus Day, four employees were honored with the President's Award. They were:

- Sara Benscoter, Commercial/Consumer Loan Processor – Belle Plaine, Iowa
- Wayne Bethke, Staff Accountant – Iowa City, Iowa
- Debra Koehler, Vice President, BSA Officer – Golden Valley, Minnesota
- Susan Weinschenk, Vice President, Human Resources Development – Iowa City, Iowa

We congratulate these four worthy recipients along with many others who were honored for their positive contributions at Rally Day.

As we conclude, we go back to where we began this missive. We are not satisfied with the 2017 financial results. That said, we are very much pleased with tangible progress in many areas throughout the company in 2017. And priority one in 2018 is to deliver good financial results to our shareholders.

It is our great privilege to serve you, our shareholders.

Thank you for your faithful support.



Charles N. Funk  
President and CEO



Kevin W. Monson  
Chairman



**MidWestOne Financial Group, Inc.  
and MidWestOne Bank Boards of Directors**

**Back row (left to right):**

- Patricia A. Heiden:** Retired Executive Director, Oaknoll Retirement Residence, MidWestOne Bank Board Member
- Kurt R. Weise:** Retired Bank Executive, MidWestOne Bank
- Charles N. Funk:** President and CEO, MidWestOne Financial Group, Inc. and President and CEO, MidWestOne Bank
- Larry D. Albert:** Retired Bank Executive, MidWestOne Bank, MidWestOne Bank Board Member
- Douglas K. True:** Retired Senior Vice President and Treasurer, University of Iowa
- John M. Morrison:** Former Chairman, MidWestOne Financial Group, Inc.

**Front row (left to right):**

- Richard J. Schwab:** Investor, Entrepreneur, and Builder
- R. Scott Zaiser:** Owner, Zaiser's Landscaping, Inc.
- Kevin W. Monson:** Managing Partner, Neumann Monson Architects, PC, Chairman, MidWestOne Financial Group, Inc.
- Ruth E. Stanoch:** Corporate Affairs Consultant
- Richard R. Donohue:** CFO, Acumen Advisors
- Michael A. Hatch:** Attorney, Blackwell Burke P.A.
- Tracy S. McCormick:** CFO and Director, Mill Creek Development Company

**Missing from photo:**

- Stephen L. West:** Chairman, West Music Company, Inc.
- John S. Koza:** Retired Bank Executive, MidWestOne Bank, Director Emeritus
- W. Richard Summerwill:** Retired Bank Executive, MidWestOne Bank, Director Emeritus

**MidWestOne Financial Group, Inc. Executive Officers**

- Charles N. Funk:** President and Chief Executive Officer
- Kevin E. Kramer:** Chief Operating Officer
- Kent L. Jehle:** Executive Vice President and Chief Credit Officer
- James M. Cantrell:** Vice President, Chief Investment Officer, Treasurer and interim Chief Financial Officer

**MidWestOne 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
- Kent L. Jehle:** Executive Vice President and Chief Credit Officer
- James M. Cantrell:** Vice President, Chief Investment Officer, Treasurer and interim Chief Financial Officer
- Karin M. Taylor:** Vice President and Chief Risk Officer
- Gregory W. Turner:** Vice President and Head of Wealth Management
- Kenneth R. Urmie:** Corporate Secretary

# The right leadership at the

**“We have seen that a company committed to these operating principles will be able to attract and retain the very best talent that allows us to produce the results that our shareholders expect.”**

— Charlie Funk

“Our strategic plan highlights four guiding factors: our culture, our operating principles, our commitment to creating shareholder value and the need to stay ahead of evolving technology. Of those, culture is our bedrock. It’s the reason we’ve had such success in recruiting so many new leaders. Many of those individuals have come from larger and more complex institutions and were drawn to MidWestOne because they wanted a culture they can believe in.

“While our focus may be on culture, we’re not resting there. Moving forward, we will continue to build the company and expand our product set. We will reach our customers in ways we haven’t done before, whether in person or online. We will be a proactive partner in identifying needs and providing solutions. As a result, our customers should expect a better experience and thus our shareholders expect a greater return.”

**KEVIN KRAMER**  
Chief Operating Officer





# right time



“Our operations team is focused on supporting our customers and maintaining high standards so everyone involved can accomplish great things. Our teams know it all starts and ends with serving people, and our operating principles serve as the guide to carry this out.

I believe a key differentiator is our team of experienced operations managers who are not only experts in their fields, but also understand it goes beyond this. They are leaders who understand the importance of teamwork, and they completely support our culture and operating principles. Through this leadership we’ve seen a commitment to operational efficiencies and continuous improvement, without losing sight of the customer experience. It is rewarding to frequently see employees go the extra mile to help a customer or a co-worker.”

**BARB FINNEY**  
Senior Vice President, Operations



“When I joined *MidWestOne* in January 2018, I was drawn by the people, the professionalism and the culture, which puts customers at the center of everything we do. This organization perfectly balances being a people-focused community bank while at the same time offering all the services, conveniences and technology solutions that the big banks do. We’re about building relationships and actually getting to know our customers as individuals. That’s a key driver of success.

“We need to take more opportunities to have broader and more holistic conversations with our customers about their goals and dreams. In every interaction with *MidWestOne*, I’d like to see the customer come away with something new, a pleasant surprise, a nugget of useful information that the customer wasn’t expecting. That’s a win, and that’s the value-add I want us to focus on.”

**DAVID LINDSTROM**  
Senior Vice President, Retail Banking



“We’ve built great teams in each of the Wealth Management divisions of Insurance, Investments, Private Banking and Trust. We have a talented staff with a deep bench of knowledge and competencies, and a strong commitment to our customers’ best interests. Our next challenge is to extend our Wealth Management expertise into Minnesota, Wisconsin, Denver and Florida.

“I believe if you provide a great service and are a trusted advisor to someone, they’re going to seek you out, wherever they may be. Not to exaggerate, but technology now makes the entire U.S. a potential *MidWestOne* customer. It completely changes the dynamic of how we take care of and retain our existing customers, as well as those who should be. It’s a fun and exciting time to be here.”

**GREG TURNER**  
Senior Vice President,  
Wealth Management

# New markets bring new o

**“The company enjoyed solid growth in 2017, with strong performances from our Iowa offices as well as the robust economies of the Twin Cities, Denver and southwest Florida. We expect these trends to continue in 2018.”**

— Charlie Funk



“Here in Denver, our team includes bankers that have worked together for many years and share a passion for building long-term client relationships. MidWestOne embraces this philosophy and provides us with the latitude to be able to remove road blocks and do what’s needed to provide excellent customer service. That’s why MidWestOne is such a great fit for us.

“Our mission is to continue to build our portfolio of commercial companies that are looking for a more meaningful relationship with their banker — someone who can be a resource and advocate as they grow. They want a banker who understands their business and will support them through the inevitable ups and downs in a business life cycle. We try to surround each client with a team of bankers who put the customer first. This combination of big-bank services in a community bank setting is very appealing to our commercial clients.”

**JOE VANHASELEN**  
Regional President, Colorado

# ppportunities

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“My job is a little different from the regional officers in other parts of the country. We have two branches here, in Fort Myers and Naples, and I oversee those branches’ daily operations. We’re getting ready to relocate to a brand-new facility in Fort Myers, which is exciting. It will be our signature location in Florida and will allow us to expand our staff and services.

“Many of our staff have been with us for more than 10 years, which is unusual in retail banking. They live here in the community, they know the local market and they know our customers on a more personal level. That’s important, because our customers still want that home-town feel, whether they come into the bank or work with us via phone or email. The more we know about our customers, the better we can be at providing solutions to meet their needs.”

**ANA MARIA SENICA**  
Vice President and Regional Retail Manager, Florida



“Among our regional priorities is targeting growth in deposits and capitalizing on what I call our gateway products. For example, let’s say someone is new to a community and comes to us for a loan. Often we can help them with a checking account or other product or service as well. These are all gateways into a customer’s life, ways that we can capture more wallet share. But it has to be intentional and part of a trusting relationship.

“I see my job as building those trusting relationships with our clients and communities. MidWestOne is a community bank led by community bankers, which is a real differentiator in this industry. Our customers know we are investing in their success. They know they can count on us for security, access and convenience and that we’ll be here when they need us. If we do these things well, the bank will be successful.”

**MARK ERICKSON**  
Regional President, Minnesota and Wisconsin

# An individualized custom

**“We will continue to provide innovative ways for our customers to use MidWestOne to meet their financial needs.”**

— Charlie Funk



“On the investment side of Wealth Management we try to give people options, and I see myself as an educator as much as a financial advisor. I learn about products and income-planning strategies so that you, as a customer, don’t have to spend your Saturday afternoons trying to figure out which college savings plan is best or what mutual fund to buy.

“By offering quality solutions, we have a better chance to answer more of our customers’ needs beyond traditional banking, and we can better anticipate their future needs as well. I want clients to understand their financial plan, but it can be at a very high level, whereas my job is to build the details. The goals are theirs; we provide the options to help them get there. And that gives customers peace of mind. They want to know someone is watching out for them.”

**JOHN EVANS**

Vice President, Investment Services Manager

“Our goal in the Mortgage Division is the same as the rest of the company: to ensure our customers’ overall financial success. We play a big role in that because for most customers, a mortgage is both their largest debt and their largest asset. We go deep with our customers to fully understand their needs and long-term goals. Although we are growing the breadth of our mortgage products pretty significantly, we are not product-pushers; we are client developers.

“I’m more excited about being here now than I was when I joined MidWestOne a few months ago. It’s such a professional organization. And to me, the really cool thing is a strong appreciation for the past and for tradition, coupled with a very progressive eye to the future. We’re making decisions not just based on where we came from or where we are today, but where we want to go.”

**R. J. LANG**

Senior Vice President, Residential Mortgage Division Manager



# er experience



“At the core of the Trust Department is our fiduciary responsibility to act in our clients’ best interests and on their behalf when they may not be able to do so. This means we need to listen to and know our customers really well, so we can create an authentic customer experience. Caring isn’t something you can fake. Unless you bring your heart into this work, you’re not going to fully understand the needs of others.

“The challenge now is to expand our services throughout the bank’s footprint while preserving what makes us so good at what we do. We need to make better use of technology and provide our team with effective tools and support. When we solve how to deliver our services and tailor them to our clients’ needs in any community we’re doing business in, we have huge potential for growth.”

**THAIS WINKLEBLACK**

Vice President, Senior Private Banker and Trust Department Manager

# Mission, message and med

**“Turning prospects into customers means offering options in the channel of the customer’s choice. We have found that we can compete in this space, but we must be smart about how we compete.”**

— Charlie Funk



“The wonderful thing about this organization, and it is extremely rare in marketing, is that what we believe about ourselves — this amazing culture we have — is also why our customers do business with us. It’s a great story to tell, but we need to do so more consistently. We need to focus on the value the customer sees in us, what they believe they can do better by working with us. And we need to meet customers where they are.

“At the end of this strategic planning period I believe MidWestOne will be a financial services company in the eyes of our customers. A bank does a lot of things, but customers don’t inherently understand what a bank is capable of doing, whereas a financial services company contributes to every aspect of a person’s financial life. In fact, we’re there now. We just need to let people know it.”

**LYNDA WHITTLE**  
Senior Vice President, Marketing

“Our customers’ businesses are changing rapidly. We no longer see a business that buys a product and resells it and that’s their business plan for 20 years. Today businesses are transforming and they’re completely different from 10 years ago. How they go about their business, things that would have been either a challenge for them or an opportunity for them to add value — all of that has changed because of technology.

“The days of the business owner stopping in and making a deposit every day at lunch are over. Commercial customers are embracing technology, from remote deposits to online banking. Our role is to help them embrace that change. And that includes fraud protection, which has become a big deal. We believe we can do a better job for small- to medium-sized businesses, and provide them with a lot more advice and guidance.”

**MITCH COOK**  
Senior Regional President, Minnesota and Wisconsin



“In Information Services, we view our role as more than just providing technology. What can’t be lost is maintaining the trust our customers have placed in us. Meeting or exceeding security standards and customer confidentiality is absolutely critical. We must also ensure our delivery channels and systems continue to evolve to meet changing customer expectations. Throughout my banking career this has always been the case.

“However, the pace of change associated with technology and its impact on the financial services industry cannot be underestimated. We consider it a strategic imperative to adapt and act on opportunities and customer expectations as they are identified. The end goal is the same as it has always been, ‘To take care of our customers, and those who should be.’ The difference is incorporating these new methods and technologies in a thoughtful way that allows us to meet our mission.”

**JOHN HENK**  
Senior Vice President, Chief Information Officer

## FINANCIAL HIGHLIGHTS

(dollars in thousands, except per share amounts)

	2017	2016	2015
<b>YEAR-END BALANCES</b>			
Assets	\$3,212,271	\$3,079,575	\$2,979,975
Investment Securities	643,279	645,910	545,664
Loans	2,286,695	2,165,143	2,151,942
Total Deposits	2,605,319	2,480,448	2,463,521
Shareholders' Equity	340,304	305,456	296,178
<b>AVERAGE BALANCES</b>			
Assets	\$3,097,496	\$2,993,875	\$2,773,095
Investment Securities	641,328	551,383	542,515
Loans	2,201,364	2,161,376	1,962,846
Loan Pool Participations	-	-	10,032
Total Deposits	2,503,481	2,445,363	2,276,003
Shareholders' Equity	334,966	304,670	255,307
<b>RESULTS OF OPERATIONS</b>			
Net Interest Income	\$ 104,175	\$ 99,606	\$ 90,052
Provision for Loan Losses	17,334	7,983	5,132
Noninterest Income	22,370	23,434	21,193
Noninterest Expense	80,136	87,806	73,176
Income Before Income Taxes	29,075	27,251	32,937
Net Income	18,699	20,391	25,118
<b>PER COMMON SHARE</b>			
Net Income - Basic	\$ 1.55	\$ 1.78	\$ 2.42
Net Income - Diluted	1.55	1.78	2.42
Dividends	0.67	0.64	0.60
Book Value	27.85	26.71	25.96
Closing Price	33.53	37.60	30.41
<b>ASSET QUALITY</b>			
Bank Loans Past Due 30-89 Days	\$ 9,252	\$ 10,740	\$ 8,491
Non-Performing Bank Loans	23,861	28,465	11,528
Net Charge Offs	11,125	5,560	2,068
<b>RATIOS</b>			
Return on Average Equity	5.58%	6.69%	9.84%
Return on Average Tangible Equity	8.00	10.13	14.29
Return on Average Assets	0.60	0.68	0.91
Net Interest Margin	3.83	3.80	3.71
Efficiency Ratio	58.64	66.43	61.36
Average Equity as a % of Average Assets	10.81	10.18	9.21
Allowance for Bank Loan Losses as a % of Bank Loans	1.23	1.01	0.90
Net Bank Loan Charge-offs as a % of Average Bank Loans	0.51	0.26	0.11
Non-performing Bank Loans as a % of Bank Loans	1.04	1.31	0.54

## SHARE PRICE

2016	HIGH	LOW	CASH DIVIDEND DECLARED
First Quarter	\$30.04	\$24.71	\$0.160
Second Quarter	30.50	25.49	0.160
Third Quarter	30.74	26.50	0.160
Fourth Quarter	39.20	27.93	0.160
2017	HIGH	LOW	CASH DIVIDEND DECLARED
First Quarter	\$38.56	\$33.25	\$0.165
Second Quarter	36.72	32.92	0.165
Third Quarter	35.63	31.93	0.170
Fourth Quarter	37.94	30.56	0.170



## CONDENSED CONSOLIDATED BALANCE SHEETS

(dollars in thousands)

	DECEMBER 31,	
	2017	2016
<b>ASSETS</b>		
Cash and due from banks	\$44,818	\$41,464
Federal funds sold and other short-term investments	6,154	1,764
<b>Cash and cash equivalents</b>	<b>50,972</b>	<b>43,228</b>
Securities available for sale	447,660	477,518
Securities held to maturity	195,619	168,392
Loans held for sale	856	4,241
Loans	2,286,695	2,165,143
Allowance for loan losses	(28,059)	(21,850)
<b>Loans, net</b>	<b>2,258,636</b>	<b>2,143,293</b>
Premises and equipment, net	75,969	75,043
Accrued interest receivable	14,732	13,871
Goodwill	64,654	64,654
Other intangible assets, net	12,046	15,171
Bank owned life insurance	59,831	47,231
Other real estate owned	2,010	2,097
Other assets	29,286	24,836
<b>Total assets</b>	<b>\$3,212,271</b>	<b>\$3,079,575</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Liabilities</b>		
Deposits:		
Non-interest-bearing demand	\$461,969	\$494,586
Interest-bearing checking	1,228,112	1,136,282
Savings	213,430	197,698
Certificates of deposit under \$100,000	324,681	326,832
Certificates of deposit over \$100,000	377,127	325,050
<b>Total Deposits</b>	<b>2,605,319</b>	<b>2,480,448</b>
Federal funds purchased and securities sold under agreements to repurchase	97,229	117,871
Federal Home Loan Bank borrowings	115,000	115,000
Junior subordinated notes issued to capital trusts	23,793	23,692
Long-term debt	12,500	17,500
Accrued expenses and other liabilities	18,126	19,608
<b>Total liabilities</b>	<b>2,871,967</b>	<b>2,774,119</b>
<b>Shareholders' Equity</b>		
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, 2017 and 2016	-	-
Capital stock, common, \$1 par value; authorized 30,000,000 shares at December 31, 2017 and 15,000,000 shares at December 31, 2016; 12,463,481 shares issued at December 31, 2017 and 11,713,481 shares issued at December 31, 2016	12,463	11,713
Additional paid-in capital	187,486	163,667
Treasury stock, at cost; 243,870 shares and 277,121 shares at December 31, 2017 and 2016, respectively	(5,121)	(5,766)
Retained earnings	148,078	136,975
Accumulated other comprehensive income (loss)	(2,602)	(1,133)
<b>Total shareholders' equity</b>	<b>340,304</b>	<b>305,456</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$3,212,271</b>	<b>\$3,079,575</b>

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(dollars in thousands, except per share amounts)

	<b>YEAR ENDED DECEMBER 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>INTEREST INCOME</b>			
Loans	\$102,366	\$ 98,162	\$ 86,544
Loan pool participations	-	-	798
Securities:			
Taxable securities	10,573	8,297	7,734
Tax-exempt securities	6,239	5,703	5,553
Federal funds sold and other short-term investments	142	166	71
<b>Total interest income</b>	<b>119,320</b>	<b>112,328</b>	<b>100,700</b>
<b>INTEREST EXPENSE:</b>			
Interest-bearing checking	3,648	3,151	2,627
Savings	215	267	360
Certificates of deposit	7,626	5,961	4,851
Federal funds purchased and securities sold under agreements to repurchase	412	205	210
Federal Home Loan Bank advances	1,838	1,827	1,451
Other borrowings	12	19	22
Junior subordinated notes issued to capital trusts	949	825	592
Subordinated notes	-	-	162
Long-term debt	445	467	373
<b>Total interest expense</b>	<b>15,145</b>	<b>12,722</b>	<b>10,648</b>
<b>Net interest income</b>	<b>104,175</b>	<b>99,606</b>	<b>90,052</b>
<b>PROVISION FOR LOAN LOSSES</b>	17,334	7,983	5,132
<b>Net interest income after provision for loan losses</b>	<b>86,841</b>	<b>91,623</b>	<b>84,920</b>
<b>NONINTEREST INCOME:</b>			
Trust, investment, and insurance fees	6,189	5,574	6,005
Service charges on deposit accounts	5,126	5,219	4,401
Loan origination and servicing fees	3,421	3,771	2,756
Other service charges and fees	5,992	5,951	5,215
Bank-owned life insurance income	1,388	1,366	1,307
Securities gains, net	241	464	1,011
Other gains	13	1,089	498
<b>Total noninterest income</b>	<b>22,370</b>	<b>23,434</b>	<b>21,193</b>
<b>NONINTEREST EXPENSE:</b>			
Salaries and employee benefits	47,864	49,621	41,865
Net occupancy and equipment	12,305	13,066	9,975
Data processing	2,674	4,940	2,659
FDIC insurance	1,265	1,563	1,397
Amortization of intangible assets	3,125	3,970	3,271
Other expenses	12,903	14,646	14,009
<b>Total noninterest expense</b>	<b>80,136</b>	<b>87,806</b>	<b>73,176</b>
<b>Income before income taxes</b>	<b>29,075</b>	<b>27,251</b>	<b>32,937</b>
<b>Income Taxes</b>	<b>10,376</b>	<b>6,860</b>	<b>7,819</b>
<b>NET INCOME</b>	<b>\$ 18,699</b>	<b>\$20,391</b>	<b>\$25,118</b>
<b>EARNINGS PER COMMON SHARE</b>			
Basic	\$ 1.55	\$ 1.78	\$ 2.42
Diluted	\$ 1.55	\$ 1.78	\$ 2.42

## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(dollars in thousands, except per share amounts)

YEARS ENDED DECEMBER 31, 2017, 2016, AND 2015	PREFERRED STOCK	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	TREASURY STOCK	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TOTAL
<b>Balance, December 31, 2014</b>	\$ -	\$ 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 (8,414 shares)	-	-	(40)	169	-	-	129
Release/lapse of restriction on RSUs (23,123 shares)	-	-	(416)	445	-	-	29
Stock-based compensation	-	-	634	-	-	-	634
Other comprehensive income (loss), net of tax	-	-	-	-	-	(1,914)	(1,914)
<b>Balance, December 31, 2015</b>	\$ -	\$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-based compensation	-	-	731	-	-	-	731
Other comprehensive income (loss), net of tax	-	-	-	-	-	(4,541)	(4,541)
<b>Balance, December 31, 2016</b>	\$ -	\$11,713	\$163,667	\$(5,766)	\$136,975	\$(1,133)	\$305,456
Net income	-	-	-	-	18,699	-	18,699
Issuance of common stock (750,000 shares)	-	750	23,610	-	-	-	24,360
Dividends paid on common stock (\$0.67 per share)	-	-	-	-	(8,061)	-	(8,061)
Stock options exercised (8,750 shares)	-	-	(83)	183	-	-	100
Release/lapse of restriction on RSUs (27,625 shares)	-	-	(576)	462	-	-	(114)
Stock-based compensation	-	-	868	-	-	-	868
Tax Cuts and Jobs Act of 2017, reclassification from AOCI to Retained Earnings, tax effect	-	-	-	-	465	(465)	-
Other comprehensive income (loss), net of tax	-	-	-	-	-	(1,004)	(1,004)
<b>Balance, December 31, 2017</b>	\$ -	\$12,463	\$187,486	\$(5,121)	\$148,078	\$(2,602)	\$340,304

### TRANSFER AGENT/ DIVIDEND PAYING AGENT

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Chicago, Illinois 60606-3465

### INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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Suite 800  
Cedar Rapids, Iowa 52401

## MidWestOne 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 W Center Street	641-366-2165
Coralville	110 First Avenue	319-356-5800
Fairfield	58 E Burlington Avenue	641-472-6511
Fairfield	2408 W Burlington Avenue	641-472-2424
Fort Madison	926 Avenue G	319-372-3991
Iowa City	102 S Clinton Street	319-356-5800
Iowa City	500 S Clinton Street	319-356-5800
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 Highway 965 NE	319-356-5800
Oskaloosa	124 South First Street	641-673-8303
Oskaloosa	222 First Avenue E	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 N Main Street	641-622-2381
Waterloo	3110 Kimball Avenue	319-232-5513
West Liberty	305 W Rainbow Drive	319-627-2100

**Toll Free 800-247-4418**  
**En Espanol 319-688-3938**

## MidWestOne Insurance Services, Inc.

### IOWA

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

**Toll Free 800-934-7763**

### MINNESOTA

Centerville	7111 21st Avenue N	651-762-9440
Chisago City	11151 Lake Boulevard	651-257-6561
Coon Rapids	3585 124th Avenue NW	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 S	651-464-2880
Golden Valley	945 Winnetka Avenue N	763-545-9005
Minneapolis	2120 Hennepin Avenue S	612-767-5600
Newport	2104 Hastings Avenue	651-256-7250
Saint Michael	750 Central Avenue E	763-497-3114
South Saint Paul	930 Southview Boulevard	651-451-2133
Stillwater	2270 Frontage Road W	651-439-3050
White Bear Lake	3670 Each County Line N	651-426-2554

### WISCONSIN

Hudson	404 County Road UU	715-377-7180
North Hudson	880 6th Street N	715-386-8700
Osceola	304 Cascade Street	715-294-2183
Saint Croix Falls	2183 Highway 8 E	715-483-9800

### FLORIDA

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

### COLORADO

Denver	1899 Wynkoop Street	720-739-2300
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**NASDAQ Symbol: MOFG**

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