

2018

ANNUAL
REPORT

EMPOWERED
for what's ahead



MidWestOne[™]
FINANCIAL GROUP, INC.

To our shareholders



KEVIN W. MONSON | Chairman
CHARLES N. FUNK | President and CEO

TWENTY EIGHTEEN WAS A YEAR OF IMPROVEMENT AND PROGRESS. As you will read, our net income and earnings per share (EPS) were at all-time highs, and we made tangible improvements in many areas of our operations. We announced a strategic acquisition of Dubuque, Iowa-based ATBancorp, which we are confident will add long-term value to our shareholders. At the same time, we know that we have much to accomplish to achieve our intermediate and long-term goals.

To summarize from 20,000 feet: our company is clearly moving forward, and we are determined to speed up our rate of progress.

Net income of \$30.3 million and EPS of \$2.48 in 2018 were well ahead of \$21.9 million and \$1.82 in 2017, respectively, exclusive of deferred-tax adjustment. With the ATBancorp acquisition, we incurred transaction-related expenses of \$0.8 million. Thus, we believe the better comparison is 2018 operating net income of \$31.1 million and EPS of \$2.54. As stated in the opening paragraph, this is the best year in our company's history on both counts.



Last year was the third consecutive year that we fell short of our own expectations in terms of asset (loan) quality. It was also the second consecutive year that provision for loan losses was the singular barrier in reaching our financial goals. As we wrote in our 2017 annual shareholders' letter, we have taken "a deep dive into the credit administration process," and what we found "was a process that had served us very well for two decades but needed an upgrade due to the growth and increasing complexity of the company." Our commitment to improvement continued in 2018 and was bolstered at midyear with the hire of Gary Sims as our Senior Vice President and Chief Credit Officer. Gary has more than twenty-five years of credit experience with companies larger than MidWestOne, and after a period of assessment, he has strengthened our credit administration procedures even further. Our process to identify and monitor weakening loans is clearly trending in the right direction, as evidenced by internal and external loan reviews during the second half of 2018.

NET CHARGE-OFFS TRENDED DOWN

from 0.51 percent of total loans at year-end 2017 to 0.26 percent of loans at year-end 2018. Non-performing loans to total loans were 1.07 percent at year-end 2018 compared to 1.08 percent at year-end 2017. Our loan-loss reserve maintained coverage for troubled loans at 114.6 percent, a solid ratio. It should be noted that our provision for loan losses did register a significant decline, from \$17.3 million in 2017 to \$7.3 million in 2018. This level of provision remains too high for a company of our size, and we are confident there will again be a positive trend in the year ahead.

Within the MidWestOne geographic footprint, the rural Iowa economy continues to suffer the effects of low commodities prices for corn and soybeans. While our agricultural

borrowers are experiencing generally weak operating results, we continue to forecast relatively low charge-offs for this portfolio. Elsewhere in our footprint, in Iowa City—where our headquarters is located—the economy is stable. The Twin Cities' economy continues to be strong, and the economies in our two other major markets, Denver, and Southwest Florida, continue to be robust. Loan growth in these three markets in 2018 reflected that economic strength.

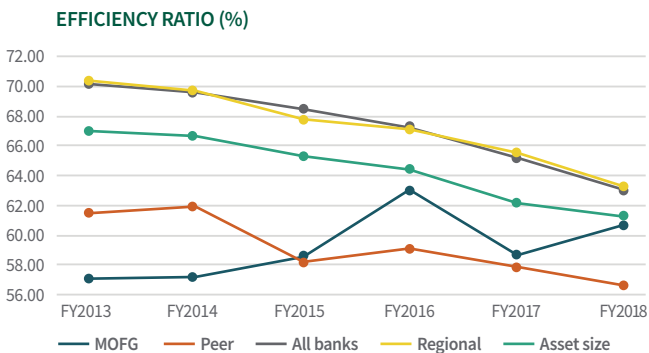
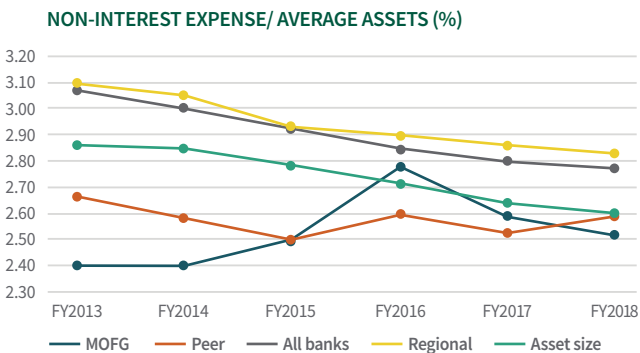
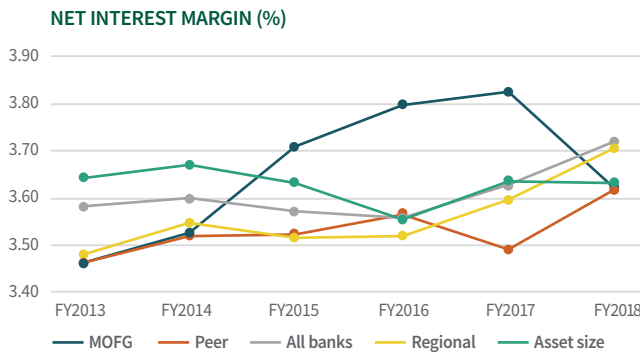
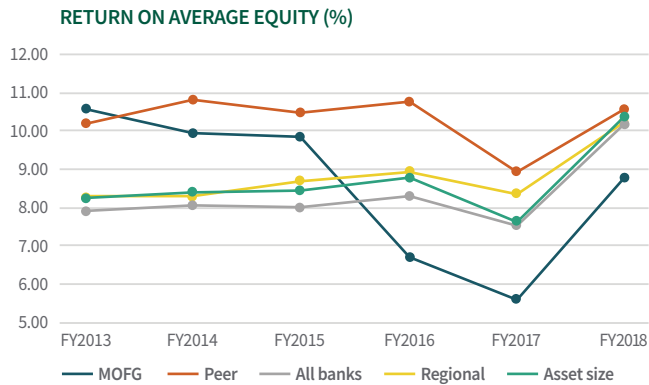
To recap, while we fell short of our goals for asset quality in 2018, we did register significant improvement from 2017. We believe we are well positioned to enjoy another significant step forward in 2019, and we see tangible reasons for our optimism.

MidWestOne ended 2018 with assets of \$3.29 billion, up slightly from \$3.21 billion at year-end 2017. Total loans increased by a healthy 4.9 percent to \$2.40 billion by December 31, 2018. This increase was primarily driven by our Twin Cities, Denver, and Southwest Florida markets. Total deposits at \$2.61 billion were flat compared to year-end 2017. However, there was a large amount of short-term deposits in the bank at year-end 2017, and importantly, average deposits for 2018 registered a 4.2 percent increase over the prior year. Again, we note significant efforts from the Twin Cities and Denver, which provided the needed lift in deposits during the year.

THE BANKING INDUSTRY IS CURRENTLY IN A BATTLE for deposit dollars, and we regard funding loan demand with core deposits as one of our great challenges of 2019. Interestingly, technology has enabled our large U.S. bank and brokerage competitors to increasingly compete with local community banks for deposit dollars—despite having no physical presence in our communities. Banks without a sound deposit strategy will struggle to grow in the coming years.



“What we prepare for is what we shall get.”



Our Home Mortgage Center was hampered by a weaker national housing market in 2018. This was evidenced in a 19.9 percent drop in fees from mortgage originations. However, income from our mortgage-servicing portfolio, increased by 3.5 percent during the year. Several years ago, we made the decision to increase our real-estate loan-servicing portfolio, and that decision has proved to be good. Our servicing portfolio at year-end 2018 had risen to \$299.6 million. Most impressive is the improvement we have made in delivering home mortgages to our customers. We are more efficient while delivering a better product. Our progress over the past two years is notable and positions us for better years when the mortgage market improves.

Wealth Management, comprising our Trust Department, Investment Services group, and MidWestOne Insurance Services, saw a relatively flat year in terms of fees collected. Given the nature of financial markets, this is not unusual. Of particular note is the MidWestOne Trust Department, which saw its revenues grow by 5 percent over the prior year. Investment Services and Trust are well positioned to grow their books of business in 2019.

To summarize, we saw good loan growth in 2018 and slightly improved operating metrics from the non-interest income segments of the company, and we managed to achieve a stable “core” net-interest margin (“core” subtracts the discount accretion income from the total). Asset quality, while slightly better than 2017, fell short of expectations and must improve throughout 2019 for us to achieve our financial goals.

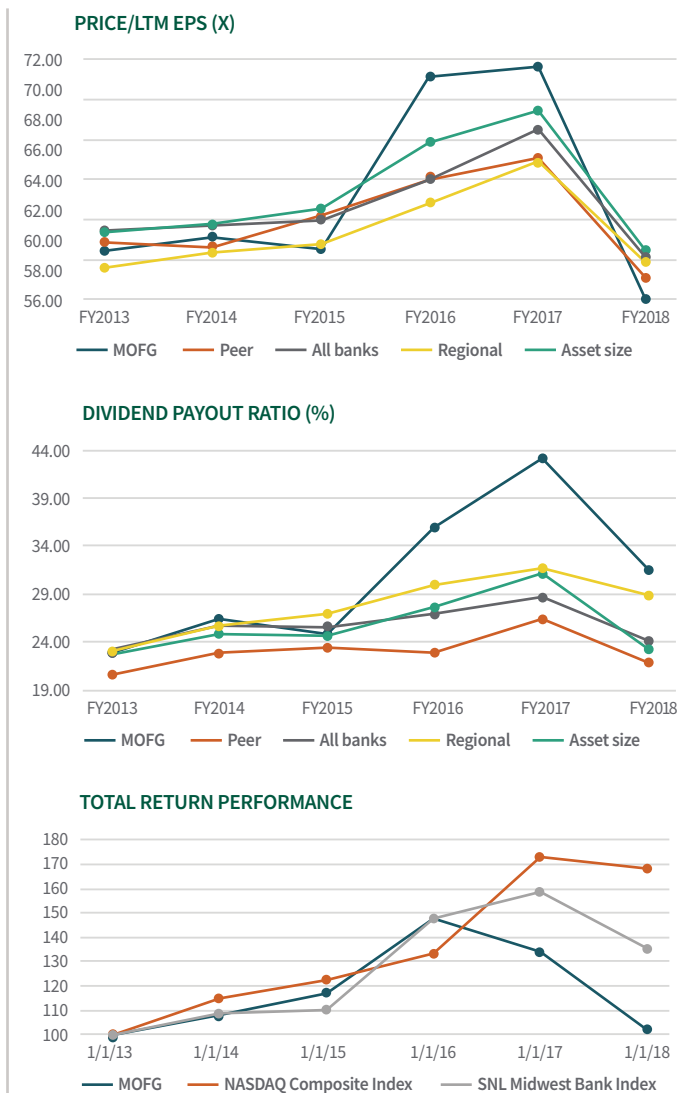
THE MOST EXCITING NEWS for the company in 2018 was the announcement of our acquisition of ATBancorp, which operates two banks, one headquartered in Dubuque, Iowa, and one in Cuba City, Wisconsin (just across the Mississippi River from Dubuque).

ATBancorp has approximately \$1.4 billion in assets and a history of community banking prowess. The Dubuque-based American Trust & Savings Bank has been among the most admired banks in Iowa for many years and is the second-ranked bank in the Dubuque market in terms of market share.

For many reasons, we believe that ATBancorp is a very good fit for MidWestOne and our culture. The company's asset quality is excellent, as evidenced by its low loan charge-offs and past-due loans in recent years. ATBancorp has shown an ability to grow its franchise in both metro and rural Iowa and in rural Wisconsin. The cost-savings metrics on this transaction are excellent and, we believe, readily achievable. The \$1 billion-plus American Trust & Savings Bank Trust Department will add scale and non-interest income to our income statement.

AS WE WRITE THIS LETTER, we have received all regulatory approvals, and we anticipate a May 1 transaction closing date. When we announced the transaction in August, we spoke of earnings accretion—that is, increased EPS to our shareholders—from this transaction. As this report goes to press, we believe these projections remain accurate. When completed, we will have a \$4.7 billion banking organization spanning five states with sixty banking offices. While bigger does not mean better, we will have added scale to continue to satisfy our customers' preferences for products and technology, and we will have joined efforts with a very talented group of bankers in our regional footprint. We believe this will be good for our employees, our communities, our customers, and our shareholders.

TECHNOLOGY IN BANKING IS ESSENTIAL in 2019. It is also expensive. To survive as a company, we have no choice but to strategically offer our customers what they need to simplify and enhance their financial lives. We are not backing down from this challenge, and we continue to make record investments to remain technologically relevant.



In 2018 and 2019, our customers can now:

- ▶ Navigate a much improved and user-friendly website that integrates more functions and apps than ever before.
- ▶ Enjoy real-time consumer “P2P” (person-to-person) payments via the Zelle® application, which was launched in February.
- ▶ Receive real-time alerting to see balance and transaction information.
- ▶ Open deposit accounts and apply for loans online.

Note: In the third quarter of 2018, only 18 percent of customer transactions were made in our branch offices. The others? They took place through our Service Center and on smartphones, tablets, desktop computers, and ATMs. The world continues to change. So must we.

We continue to make worthwhile investments in the communities we serve. We feature one such project elsewhere in these pages, led by our staff in Coon Rapids, Minnesota. In 2018, our company returned more than \$800,000 to our communities in charitable contributions, and provided hundreds of hours of volunteerism from our community-minded employees. You read each year in this letter that this is what exemplifies excellence in the industry that we proudly call community banking.

Our employees remain our greatest strength. This is not simply a tried-and-true statement that gets dusted off each year for the annual report. Our company continues to evolve following our 2015 merger that brought Minnesota, Wisconsin, and Southwest Florida into our footprint. For the sixth consecutive year, MidWestOne’s Iowa franchise was recognized as a “best workplace” by the *Des Moines Register*. Only 150 Iowa businesses receive this designation and the recognition is awarded after an anonymous survey of our employees. What’s more, the Denver, Southwest Florida and Twin Cities groups all scored above the national averages on this survey.

Communication in our geographically growing company has become more complex. We remain committed to winning this challenge because we know that good communication encourages and supports each employee in their achievement for—and engagement in—our fine company.

Each year, on Columbus Day, we come together as a company for our Rally Day celebration. In 2018, five worthy bankers received our President’s Award:

RYAN KLEIN
Personal Banker, Burlington, IA

LISA WASSON
Retail Managing Officer, Forest Lake, MN

KELLI BACKSTROM
Vice President, Regional Retail Manager, South St. Paul, MN

JACK COURTEY
Second Vice President, E-Commerce, Iowa City, IA

MELISSA PAYNE
Second Vice President, Service Center and Virtual Banking, Iowa City, IA

With each year there is always change. In 2018, we said goodbye to Kent Jehle, who retired in September as our Chief Credit Officer. Kent served the company for thirty years and made key contributions to our growth over the past two decades. Kent was a team player in the bank and in the Iowa City community. We thank him for his service and wish Kent well.

During 2018, we bid farewell to Directors John Morrison and Mike Hatch, who each resigned late in the year. John is a legend in Minnesota banking circles and the former owner of Central Bank, acquired by our company in 2015. He served for one year as Chairman of our company. Mike is the former Minnesota Attorney General and served as a director after we acquired Central. Replacing John and Mike are Larry Albert and Jennifer Hauschildt. Larry was the longtime Chief Executive Officer of Central Bank and has served as a MidWestOne Bank director since 2015. Jennifer is new to our company and brings management experience as well as information technology knowledge from her position as Chief Information Officer—North America for Uponor, an international manufacturing company with U.S. headquarters in Apple Valley, Minnesota. We thank John Morrison and Mike Hatch

for their service to our company and look forward to working with Larry and Jennifer in the years ahead.

Directors Pat Heiden, Richard Schwab, and Scott Zaiser will retire from our board at the April annual meeting. Pat joined the bank board in 2014 and has been a big supporter of our company in the Iowa City community. She was recently elected to the Board of Supervisors of Johnson County, Iowa. Dick Schwab joined the board in 2004 and has been a stalwart on our board.

He has chaired the Nominating and Corporate Governance Committee for the past six years and has been a key member of the Audit Committee. Dick will be leaving our region to retire in northern Wisconsin. Scott Zaiser joined our board with the 2008 merger with MidWestOne and has been with us every step of the way since. Scott owns a successful century-old family business in Burlington, Iowa. His continual encouragement will not be easily replaced. We thank Pat, Dick, and Scott for their loyalty to our company and hope for their continued success in their lives.

Joining our company in 2018 was Barry Ray, our Senior Vice President and Chief Financial Officer. Barry came to us after twelve years at a regional West Coast institution, and he hit the ground running at full speed. Barry was a critical element in the completion of our ATBancorp transaction. He brings a new CFO perspective to our company, and Barry’s prior experience is already serving us very well.

AS WE CLOSE, we acknowledge that our shareholders are right to expect continued improvement in performance from this company. This letter outlines the demonstrable progress that was made in 2018. With the close of the ATBancorp acquisition and continued improvements in the legacy of MidWestOne, we believe we are on the right path. As the quote at the opening of this letter notes, we achieve what we prepare for. We are prepared for another year of solid improvement in 2019.

It is our great privilege to serve you, our loyal shareholders. Thank you for your faithful support. ■


Charles N. Funk
President & CEO


Kevin W. Monson
Chairman



Board of Directors

FIRST ROW, LEFT TO RIGHT:

RICHARD R. DONOHUE | MidWestOne Bank Director & MidWestOne Financial Group, Inc. Director

RICHARD J. SCHWAB | MidWestOne Bank Director & MidWestOne Financial Group, Inc. Director

MICHAEL A. HATCH | MidWestOne Financial Group, Inc. Director

W. RICHARD SUMMERWILL | MidWestOne Financial Group, Inc. Director Emeritus

TRACY S. MCCORMICK | MidWestOne Bank Director & MidWestOne Financial Group, Inc. Director

SECOND ROW, LEFT TO RIGHT:

R. SCOTT ZAISER | MidWestOne Bank Director & MidWestOne Financial Group, Inc. Director

PATRICIA A. HEIDEN | MidWestOne Bank Director

NATHANIEL J. KAEDING | MidWestOne Bank Director & MidWestOne Financial Group, Inc. Director

KURT R. WEISE | MidWestOne Bank Director & MidWestOne Financial Group, Inc. Director

CHARLES N. FUNK | MidWestOne Financial Group, Inc. President & CEO, & MidWestOne Bank President & CEO

LARRY D. ALBERT | MidWestOne Bank Director & MidWestOne Financial Group, Inc. Director

DOUGLAS K. TRUE | MidWestOne Bank Director & MidWestOne Financial Group, Inc. Director

RUTH E. STANOCH | MidWestOne Bank Director & MidWestOne Financial Group, Inc. Director

KEVIN W. MONSON | MidWestOne Bank Chairman & MidWestOne Financial Group, Inc. Chairman



\$50,000 grant to Eagle's Healing Nest

EMPOWERS VETERANS

Melony Butler had to do something.

The proud military wife and mother watched as her son suffered from post-traumatic stress disorder (PTSD). After he was turned away from the Veterans Affairs (VA) Hospital due to overcrowding, she decided to open her own nonprofit facility to help veterans and their families.

Eagle's Healing Nest in Sauk Centre, Minnesota, opened in 2012 as a home for veterans to heal in peace. State Senator Jim Abeler, R-Anoka, a MidWestOne customer, wanted to bring Eagle's Healing Nest to his home of Anoka, Minnesota. He and Butler set about restoring "cottages" on the historic State Hospital property. In December 2017, the first restored cottage opened for male veterans.

"After learning about Eagle's Healing Nest through Jim, we knew we had to help in some way," Don McGuire, market president, said. "Those in our armed forces give so much to our country, and we want to give back to them—especially to those struggling with basic needs such as housing, food, and mental health."

McGuire, along with other bankers at MidWestOne's Coon Rapids location, applied for a \$50,000 Community Impact Grant from MidWestOne. They knew the grant would be instrumental in restoring another cottage at the Anoka-based Eagle's Healing Nest.

Each year, the MidWestOne markets compete for the coveted prize, and Eagle's Healing Nest and the many veterans it serves were this year's recipients.

"When we found out we won this year's grant, everyone in the location just stood up and cheered," said McGuire. "It's such an important cause, and it was very touching to see everyone rally behind our effort."

The \$50,000 grant went to restoring Cottage No. 4, called Lady Liberty, which became the first-ever shelter for female veterans in the state of Minnesota. The cottage had been in a state of deterioration before the grant money helped complete the restoration.

"There are currently no other homes in Minnesota that are specifically for veterans who are women," said McGuire. "We are so excited to be able to help Eagle's Healing Nest create this safe haven for female veterans. They have served our country, and it's only right that we now support them."

"WHEN WE FOUND OUT WE WON THIS YEAR'S GRANT, EVERYONE IN THE LOCATION JUST STOOD UP AND CHEERED."—Don McGuire

Many MidWestOne Coon Rapids employees have become involved in Eagle's Healing Nest. Beyond the grant money, they have given their time to help Eagle's Healing Nest staff members make connections in the community. They have also participated in the restoration by adopting a room and renovating it.

For Butler, who worked against many odds to make Eagle's Healing Nest the home it is, the community support is overwhelming.

"The Nest is so grateful to MidWestOne Bank for this amazing gift," said Butler. "The strong support of the community in both the renovations and operations has helped the Nest tremendously. This has enabled us to focus on our mission of providing our veterans, military members, and families a safe home, giving hope and offering resources to heal.

Thank you from the bottom of our hearts to MidWestOne Bank for helping us complete our home that will help countless veterans for decades to come."

The U.S. Department of Veterans Affairs estimates that roughly 11 percent of the adult homeless population are veterans. Most are single, live in urban areas, and suffer from mental illness, alcohol and/or substance abuse, or co-occurring disorders. Although the transient nature of homeless populations makes it challenging to get accurate numbers, the U.S. Department of Housing and Urban Development (HUD) estimates that 40,056 veterans are homeless on any given night.

With renovations to the women's home wrapping up, Eagle's Healing Nest will now turn its attention to the third and final building on the historic property. Cottage No. 3 is slated to become a home for military families.

MidWestOne team members, such as those at the Coon Rapids branch, play a vital role in giving back to their surrounding communities, and with the MidWestOne Community Impact Grant, employees can continue to help those in need soar. ■



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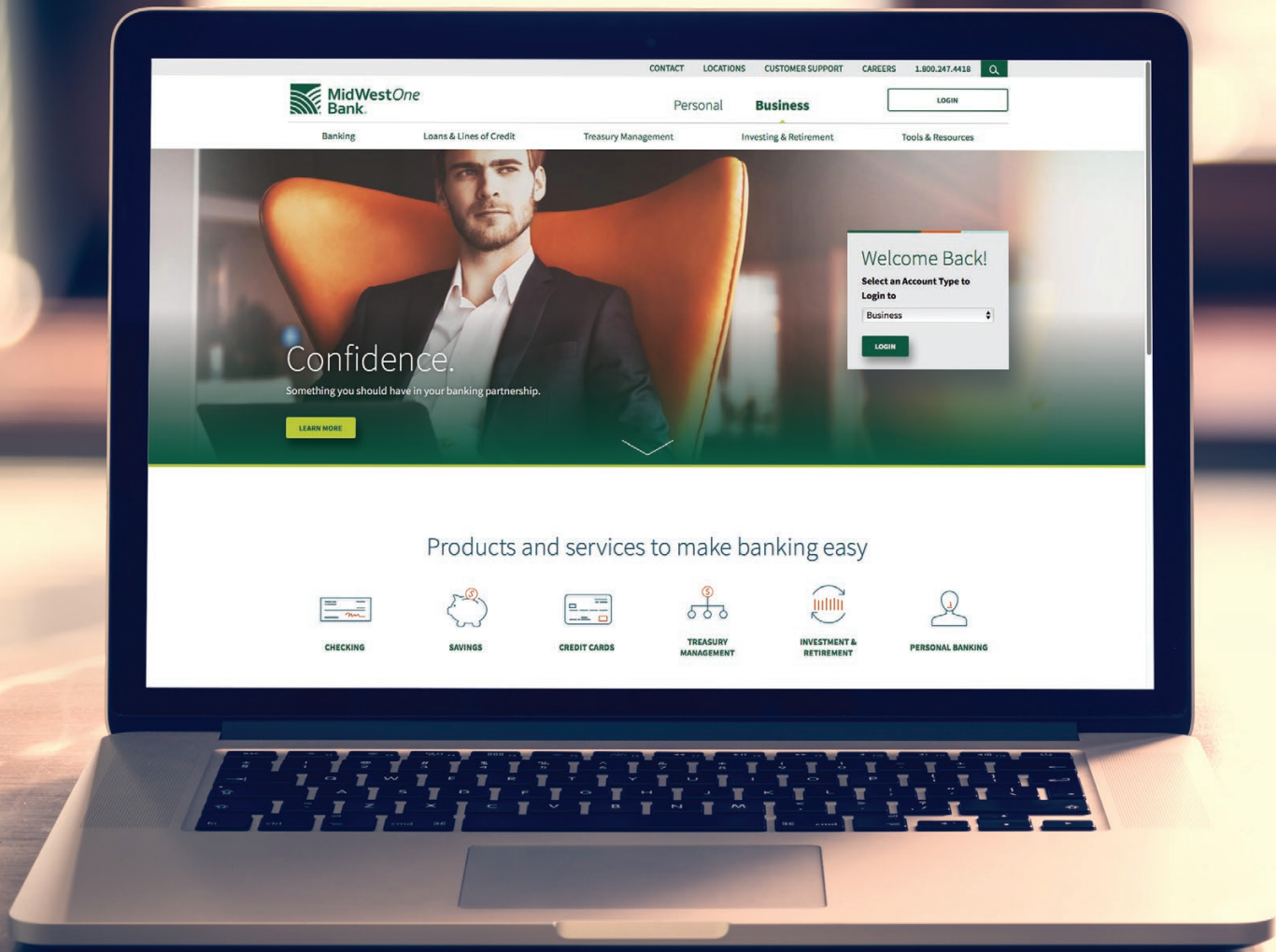
“Those in our armed forces give so much to our country, and we want to give back to them—especially to those struggling with basic needs such as housing, food, and mental health.”

—Don McGuire

OPPOSITE PAGE:
Laura Bartley, director, Eagle's Healing Nest Anoka Branch

BELOW:
Tom Wilkinson, a general contractor who rehabbed two older Anoka buildings





Investments in technology and security

EMPOWER CUSTOMERS

“Empowering customers is about providing people the ability to meet their own needs without us getting in the way,” according to John Henk, Senior Vice President and Chief Information Officer.

New technology and security features do just that by enabling customers to better manage their money and make banking with MidWestOne a streamlined, convenient, and secure experience.

“It’s all about making the customer experience as frictionless as possible,” said Henk. “If we can do this while improving customer service and our own productivity, everyone wins.”

In December, MidWestOne launched a new user-friendly website. The reorganized content makes information readily accessible and digestible.

It also makes it easier for visitors to reach their bankers and find phone numbers and locations. With more customers choosing to access the internet from their devices, the website is also mobile responsive.

As part of the new website, MidWestOne also launched a new content-marketing strategy that features weekly blog articles designed to promote educational information. This content provides useful resources to enrich customers’ financial well-being.



“Empowering customers is about providing people the ability to meet their own needs without us getting in the way.”

“We are investing in these technologies to enhance the MidWestOne banking experience,” said Jack Courtney, Second Vice President, E-Commerce. “Most of our interactions with customers now take place through digital channels. So it’s critical we provide customers with simplified, intuitive, and secure banking options.”

MidWestOne is also improving its personal mobile banking suite with Zelle®—a fast, safe, and easy way for customers to send money to family and friends in minutes, all from the MidWestOne mobile app. Zelle operates similarly to other person-to-person payment platforms. It also features the same enhanced security that protects customers’ bank accounts and is available to each person on an account.

“IT’S CRITICAL WE PROVIDE CUSTOMERS WITH SIMPLIFIED, INTUITIVE, AND SECURE BANKING OPTIONS.”—Jack Courtney

“When considering new solutions, like Zelle, we always adopt the perspective of the customer,” said Henk. “The latest technology has no value if it isn’t beneficial to the customer. This is a hard discipline, and we work hard to get this right.”

Henk also pointed to a new online loan application making it easier and more convenient for customers to apply for a loan.

The reorganized internal loan process improves employee productivity and results in a faster, better experience for customers.

A new, highly secure and customizable platform called Business Online Cash Manager now enables customers to have a real-time view of accounts, transfers, and fund-management activities. It also provides for quick and easy disbursements, tax and loan payments, automated clearinghouse (ACH) transactions, internal transfers, and more.

“I THINK CUSTOMERS WILL GET A TON OF VALUE OUT OF OUR ENHANCED ALERTS SERVICE. THE NEW SERVICE WILL PROVIDE CUSTOMERS GREATER CONTROL OVER THEIR FINANCES AND A SUPERIOR EXPERIENCE.”—John Henk

Digital security has also been enhanced. SecureNow requires additional authentication steps when a customer attempts to access his or her account from an unknown device, and new real-time alerts notify the customer to take immediate action if a suspicious transaction occurs. Customers can choose to receive their real-time alerts via e-mail, short message service (SMS), online secure inbox, and/or push notifications.

“I think customers will get a ton of value out of our enhanced alerts service,” Courtney said. “The new service will provide customers greater control over their finances and a superior experience.” ■

FROM LEFT: Jack Courtney and John Henk of MidWestOne





Growing home





MidWestOne empowers vibrant communities



MidWestOne will soon make itself at home in Dubuque, Dallas, and Polk Counties in Iowa and Grant County in Wisconsin.

Seven American Trust offices are located in Dubuque, one in Farley, two in Dyersville, and two in the Des Moines area.

“We’re thrilled to be joining these fine Iowa communities,” said MidWestOne President and CEO Charlie Funk. “These cities are among the strongest and fastest-growing in our state. They make Iowa a great place to live and work.”

With one of the lowest unemployment rates in the state, Dubuque is a hub for the Tri-State Area of Iowa, Wisconsin, and Illinois. In addition to being named an All-America City four times, Dubuque has been recognized as one of the 100 Best Communities for Young People, one of the Best Small Places for Business and Careers, and one of the Smartest Cities on the Planet.¹

Dubuque’s Lower Main Street and Historic Millworks districts continue to expand with new loft apartments, breweries, restaurants, and entertainment venues. Along the U.S. Highway 20 corridor west to Farley and Dyersville, new neighborhoods are being constructed, and manufacturing companies are hiring.

To position the company for growth outside the Tri-State Area, American Trust entered the Des Moines metro area in 2005. Today the bank has an office in West Des Moines and in Windsor Heights. In 2018, *U.S. News* ranked Des Moines fourth on the list of best places to live and fiftieth on the list of best places to retire.²

East across the Mississippi River, Grant County, Wisconsin, is an important portion of the Tri-State Area. American Bank & Trust–Wisconsin has five offices, one in each of the communities of Cuba City, Hazel Green, Fennimore, Lancaster, and Platteville.

“IT’S AN EXCITING TIME AND AN INCREDIBLE OPPORTUNITY FOR THE ENTIRE ORGANIZATION. WE CAN’T WAIT TO SEE WHERE THIS GROWTH TAKES US.”

—Charlie Funk

Composed primarily of agriculture, business, and industrial sectors, Grant County is brimming with economic opportunity. Quality schools, including the University of Wisconsin – Platteville and Southwest Wisconsin Technical College at Fennimore, yield highly qualified, knowledge-based, and skilled workers.

The relationships American Trust and American Bank have forged with their customers over the years are a testimony to the trust they have earned in the communities they serve. As measured by annual research, the loyalty of American Trust’s customers has remained remarkably strong and consistent over the years.

“We’re really looking forward to welcoming the American Trust and American Bank team members, and to integrating ourselves into their vibrant communities,” said Funk. “It’s an exciting time and an incredible opportunity for the entire organization. We can’t wait to see where this growth takes us.” ■

¹<https://www.greaterdubuque.org/gddc/who-we-are/awards-and-accolades>

²<https://realestate.usnews.com/places/rankings/best-places-to-live>



FROM LEFT: Michael Goedken and Chris Klitgaard of MediRevv, Inc.

Expertise and service EMPOWER BUSINESSES

USING SOPHISTICATED TECHNOLOGY AND SOLID EXPERTISE, MidWestOne bankers helped one local company power its growth.

MediRevv, Inc., a revenue-cycle-management company, works with large physician groups, hospitals, and health systems to add efficiency to the entire billing and payment cycle. From patient and insurance follow-ups to medical records and coding, MediRevv helps patients decipher their bills and ensures doctors are reimbursed for their services.

Chief Executive Officer Chris Klitgaard started the company in 2007 in Coralville, Iowa, with just one colleague and one client. MediRevv's growth has been on the fast track ever since. In 2008, the company made \$1 million in revenue. In 2018 it surpassed \$50 million.

For years, MediRevv employed fewer than one hundred people. Today, the company employs 675 people, primarily in Iowa City/Coralville, Iowa; Scottsbluff, Nebraska; and Anaheim, California.

Before he founded MediRevv, Chris enjoyed a well-established personal banking relationship with MidWestOne. That's why, with high expectations, Chris chose to partner with MidWestOne when he began his business.

"We needed a community bank that understood the importance of growing here in the Corridor," said Michael Goedken, vice president of finance at MediRevv, Inc. "Chris has strong roots in Iowa and wanted to grow the company in Iowa. It was important to him to keep that connection and to leverage MidWestOne's ability to understand the business; what it needs and when."

"WE COULDN'T HAVE GOTTEN TO WHERE WE ARE WITHOUT THE EXPERTISE AND THE LINE OF CREDIT WE WERE EXTENDED. IT WAS ABLE TO FUEL SOME GROWTH."
—Michael Goedken

MediRevv's line of credit has been an important tool in managing revenue ebbs and flows. With funds readily available, the company efficiently managed cash flow, made strategic financial decisions, and planned a dynamic future as it continued to grow.

"We couldn't have gotten to where we are without the expertise and the line of credit we were extended," Michael said. "It was able to fuel some of our growth."

MediRevv's finance team regularly uses MidWestOne technology services—including positive pay, risk management, and remote deposit capture—all of which streamlined their banking to free up time for other business needs. From enhanced security features to improved user experiences, MidWestOne is committed to keeping pace in the banking industry.

"CANDID CONVERSATIONS HAVE RESULTED IN A LEVEL OF TRUST BETWEEN US THAT HELPS US THINK ABOUT THINGS IN DIFFERENT WAYS THAN WE PREVIOUSLY HAD."—Michael Goedken

Beyond technology, Michael pointed to the bank's personal touch as one of the primary reasons MediRevv banks with MidWestOne—Vice President (VP)/Regional Credit Officer Chase Stafford, VP/Private Banker Kevin Werner, and VP/Treasury Manager Renee Smith-LaBarge have made substantial contributions to MediRevv.

"We value the input we get from our bankers," Michael said. "Renee, Chase, and Kevin have great suggestions for the business, and I've been happy with all of them. Candid conversations have resulted in a level of trust between us that helps us think about things in different ways than we previously had." ■

Proactive banking solutions

EMPOWER NONPROFITS



After an extensive search, one Colorado-based nonprofit found the personal connection it was looking for in a team of *MidWestOne* bankers.

The Colorado Safety Association (CSA) provides training for companies who want to improve workplace safety and gain access to safety resources. The small, four-employee organization has 460 members and celebrated fifty years of service in 2018.

When Trish Ennis joined CSA last year as its new Executive Director, she decided the bank they were working with was operating on autopilot and began to consider making a change. When that bank called her the day before an important deadline and couldn't answer any of her questions, Ennis made her decision. She began a determined search for a new banking partner.

"When I was exploring banks and going in and meeting with them, I didn't feel like I was meeting anyone who would actually be handling my account," Trish said. "There was no sort of personalization to it. But with *MidWestOne*, it was different. Now their team knows who I am, and I know who they are. It's really nice to be able to pick up the phone and get answers to my questions."

"THEY'VE EMPOWERED ME AND MY STAFF BY SAVING US TIME AND ENERGY. I DON'T HAVE TO THINK ABOUT THE BANK."—Trish Ennis

Senior VP Kevin Conroy and VP/Treasury Management Jess Klotsche, both based out of the Denver branch, were two of the bankers Trish met that day. To Trish, the duo offered the personal connection and proactive solutions she was missing. As a result, CSA began banking with *MidWestOne* last year.

Trish Ennis of the Colorado Safety Association

"The thing that drew me to them was their focus on us," Trish said. "When I sat down with Kevin and Jess, they took the time to understand who we are, how we operate, and how they could help us. Their attention, their availability, and their abilities to make our banking easier was just really perfect."

In addition to her efficient nonprofit checking account, Trish appreciates the ease and convenience of *MidWestOne's* online banking services. Since the organization receives numerous checks daily, remote deposit capture has been a huge time saver for her staff.

"I don't have to be a banker to understand my accounts and finances because they walk me through everything," Trish said. "Nonprofits are different. What's beautiful about *MidWestOne* is they don't treat us like a small business, like a small fish in the big pond. I feel like I'm important to them. I didn't feel like that with previous banks."

"...WITH MIDWESTONE, IT WAS DIFFERENT. NOW THEIR TEAM KNOWS WHO I AM, AND I KNOW WHO THEY ARE. IT'S A REALLY NICE BENEFIT TO BE ABLE TO PICK UP THE PHONE AND GET ANSWERS TO MY QUESTIONS."—Trish Ennis

Her personalized banking relationship has Trish singing *MidWestOne's* praises. What used to be a stressful situation is now a productive partnership that helps CSA look confidently to the future.

"They've empowered me and my staff by saving us time and energy," Trish said. "I don't have to think about the bank. I can just go about running the association because I know *MidWestOne* has it covered. Exceptional skills and commitment to relationships; those are the reasons, as a nonprofit, I feel *MidWestOne* is good to bank with." ■



ANNUAL REPORT 2018

FINANCIAL HIGHLIGHTS

(dollars in thousands, except per share amounts)

	2018	2017	2016
YEAR-END BALANCES			
Assets	\$3,291,480	\$3,212,271	\$3,079,575
Investment securities	612,660	643,279	645,910
Loans	2,398,779	2,286,695	2,165,143
Total deposits	2,612,929	2,605,319	2,480,448
Shareholders' equity	357,067	340,304	305,456
AVERAGE BALANCES			
Assets	\$3,249,718	\$3,097,496	\$2,993,875
Investment securities	639,083	641,328	551,383
Loans	2,354,354	2,201,364	2,161,376
Total deposits	2,608,725	2,503,481	2,445,363
Shareholders' equity	345,734	334,966	304,670
RESULTS OF OPERATIONS			
Net interest income	\$ 105,983	\$ 104,175	\$ 99,606
Provision for loan losses	7,300	17,334	7,983
Non-interest income	22,788	22,370	23,434
Non-interest expense	83,503	80,136	87,806
Income before income taxes	37,968	29,075	27,251
Net income	30,351	18,699	20,391
PER COMMON SHARE			
Earnings - basic	\$ 2.48	\$ 1.55	\$ 1.78
Earnings - diluted	2.48	1.55	1.78
Dividends	0.78	0.67	0.64
Book value	29.32	27.85	26.71
Closing price	24.83	33.53	37.60
ASSET QUALITY			
Loans past due 30-89 days	\$ 9,671	\$ 9,252	\$ 10,740
Non-performing loans	25,573	24,806	28,530
Net loan charge-offs	6,052	11,125	5,560
RATIOS			
Return on average equity	8.78%	5.58%	6.69%
Return on average tangible equity	11.86	8.00	10.13
Return on average assets	0.93	0.60	0.68
Net Interest margin	3.62	3.83	3.80
Efficiency ratio	62.05	58.64	66.43
Average equity as a % of average assets	10.64	10.81	10.18
Allowance for loan losses as a % of loans	1.22	1.23	1.01
Net loan charge-offs to average loans	0.26	0.51	0.26
Non-performing loans to total loans	1.07	1.08	1.32

(dollars in thousands, except per share amounts)

	2018	2017
ASSETS		
Cash and due from banks	\$43,787	\$44,818
Federal funds sold and other short-term investments	1,693	6,154
Cash and cash equivalents	45,480	50,972
Equity securities, at fair value	2,737	2,336
Debt securities available for sale, at fair value	414,101	445,324
Debt securities held to maturity, at amortized cost	195,822	195,619
Loans held for sale	666	856
Loans held for investment, net of unearned income	2,398,779	2,286,695
Allowance for loan losses	(29,307)	(28,059)
Loans held for investment, net	\$2,369,472	\$2,258,636
Premises and equipment, net	75,773	75,969
Goodwill	64,654	64,654
Other intangible assets, net	9,875	12,046
Bank-owned life insurance	60,989	59,831
Foreclosed assets, net	535	2,010
Other assets	51,376	44,018
Total assets	\$3,291,480	\$3,212,271
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Deposits:		
Non-interest bearing deposits	439,133	461,969
Interest-bearing deposits	2,173,796	2,143,350
Total deposits	\$2,612,929	\$2,605,319
Federal funds purchased and securities sold under agreements to repurchase	131,422	97,229
Federal home loan bank borrowings	136,000	115,000
Junior subordinated notes issued to capital trusts	23,888	23,793
Long-term debt	7,500	12,500
Accrued expenses and other liabilities	22,674	18,126
Total liabilities	\$2,934,413	\$2,871,967
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, 2018 and 2017	-	-
Capital stock, common, \$1 par value; authorized 30,000,000 shares at December 31, 2018 and December 31, 2017; 12,463,481 shares issued at December 31, 2018 and December 31, 2017	12,463	12,463
Additional paid-in capital	187,813	187,486
Treasury stock, at cost; 283,466 shares at December 31, 2018 and 243,870 shares at December 31, 2017	(6,499)	(5,121)
Retained earnings	168,951	148,078
Accumulated other loss	(5,661)	(2,602)
Total shareholders' equity	357,067	340,304
Total liabilities and shareholders' equity	\$3,291,480	\$3,212,271

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CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(dollars in thousands, except per share amounts)

	2018	2017	2016
INTEREST INCOME			
Loans	\$111,193	\$102,366	\$98,162
Taxable securities	11,742	10,573	8,297
Tax-exempt securities	5,827	6,239	5,703
Federal funds sold and other short-term investments	62	142	166
Total interest income	128,824	119,320	112,328
INTEREST EXPENSE			
Deposits	17,331	11,489	9,379
Federal funds purchased and securities sold under agreements to repurchase	1,302	412	205
Federal home loan bank advances	2,612	1,838	1,827
Other borrowings	13	12	19
Junior subordinated notes issued to capital trusts	1,184	949	825
Long-term debt	399	445	467
Total interest expense	22,841	15,145	12,722
Net interest income	105,983	104,175	99,606
PROVISION FOR LOAN LOSSES	7,300	17,334	7,983
Net interest income after provision for loan losses	98,683	86,841	91,623
NON-INTEREST INCOME:			
Trust, investment and insurance fees	6,237	6,189	5,574
Service charges on deposit accounts	4,649	5,126	5,219
Loan origination and servicing fees	3,622	3,421	3,771
Other service charges and fees	6,215	5,992	5,951
Bank-owned life insurance income	1,610	1,388	1,366
Securities gains, net	193	241	464
Other gains	262	13	1,089
Total non-interest income	22,788	22,370	23,434
NON-INTEREST EXPENSE:			
Salaries and employee benefits	49,758	47,864	49,621
Occupancy and equipment, net	13,037	12,305	13,066
Professional fees	4,641	3,962	4,216
Data processing	2,951	2,674	4,940
FDIC insurance	1,533	1,265	1,563
Amortization of intangibles	2,296	3,125	3,970
Other expenses	9,287	8,941	10,430
Total non-interest expense	83,503	80,136	87,806
Income before income taxes	37,968	29,075	27,251
Income taxes	7,617	10,376	6,860
Net income	\$ 30,351	\$ 18,699	\$20,391
EARNINGS PER COMMON SHARE			
Basic	\$ 2.48	\$ 1.55	\$ 1.78
Diluted	\$ 2.48	\$ 1.55	\$ 1.78

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(dollars in thousands, except per share amounts)

		Common stock	Additional paid-in capital	Treasury stock	Retained earnings	Accumulated other comprehensive income (loss)	Total
Years ended December 31, 2018, 2017, 2016							
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-based compensation		-	731	-	-	-	731
Other comprehensive loss, net of tax		-	-	-	-	(4,541)	(4,541)
Balance, December 31, 2016	\$	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
Reclassification from AOCI to retained earnings, tax effect(1)		-	-	-	465	(465)	-
Other comprehensive loss, net of tax		-	-	-	-	(1,004)	(1,004)
Balance, December 31, 2017	\$	12,463	187,486	(5,121)	148,078	(2,602)	340,304
Cumulative effect of change in accounting principle(2)		-	-	-	57	(57)	-
Net income		-	-	-	30,351	-	30,351
Dividends paid on common stock (\$0.78 per share)		-	-	-	(9,535)	-	(9,535)
Stock options exercised (9,700 shares)		-	(68)	204	-	-	136
Release/lapse of restriction on RSUs (29,715 shares)		-	(635)	547	-	-	(88)
Repurchase of common stock (76,128 shares)		-	-	(2,129)	-	-	(2,129)
Stock-based compensation		-	1,030	-	-	-	1,030
Other comprehensive loss, net of tax		-	-	-	-	(3,002)	(3,002)
Balance, December 31, 2018	\$	12,463	187,813	(6,499)	168,951	(5,661)	357,067

SHARE PRICE

	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	
	2018	High	Low	Cash dividend declared
First quarter	\$34.99	\$30.70	\$0.195	
Second quarter	\$34.75	\$31.94	\$0.195	
Third quarter	\$35.20	\$31.92	\$0.195	
Fourth quarter	\$34.83	\$23.80	\$0.195	

(1) Reclassification due to the adoption of ASU 2018-02, Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income.

(2) Reclassification due to the adoption of ASU 2016-01, Financial Instruments-Overall, Recognition and Measurement of Financial Assets and Financial Liabilities.

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