

2008 Annual Report



To Our Shareholders:

It was just nine months ago that we sent you our 2007 annual report amid all of the optimism that accompanies the merger of two fine companies. Much has transpired since that shareholder letter was penned and while this letter looks back at 2008, it must also look forward to what this new company, MidWestOne Financial Group, Inc., can accomplish in the future.

As we reported in our fourth quarter report to shareholders, your company sustained a loss of \$ 24.6 million or \$3.09 per share for 2008. Much of this loss was driven by a goodwill impairment charge of \$27.2 million taken in the fourth quarter. The fourth quarter and full year results were also significantly affected as the company took a \$6.2 million write-down on a group of securities in its investment portfolio.

While realizing that these losses were not a pleasant experience for anyone, we strongly believe what we have consistently stated: the company remains in sound financial condition. We ended the year with a tangible equity to asset ratio of 7.82%, which we consider to be a strong position. Our strong and diverse deposit base provides the company with good liquidity and we continue to seek good loan opportunities to help our communities grow.

Indeed, last year's shareholder letter stated that "capital and liquidity are two words that are on everyone's minds these days." That has not changed, but we will add a third concern: credit quality of the loan portfolio. MidWestOne actually has two loan portfolios within its bank. The largest portfolio, the bank loan portfolio, ended the year with about \$1 billion in loans. The percentage of non-performing loans to total loans was 1.43%. While this is higher than we've seen for several years, it compares well within the Midwestern peer groups of companies our size which we use for comparative purposes. The second loan portfolio in the bank is what we call our loan pool participations. These consist of participation interests in performing, sub-performing and non-performing loans that have been purchased from various non-affiliated banking organizations and are serviced by a third-party company. Our strategy is to have about \$100 million in this portfolio, which is a line of business that the "old" MidWestOne has engaged in since 1988. While the return on this portfolio was a bit lower, at 8.41%, than in prior years, it nevertheless provided a positive return to the company's income statement.

While we recognize the extreme difficulties and uncertainties in the current economic climate, we believe we have the capital, the management expertise and the underlying quality of loans to be able to withstand the current storm. With that said, we do not expect a rebound in our local economy until later in 2009, if then.

One bad habit of many American corporations is that goals are set in letters such as this one, but the goals are soon forgotten and never revisited. This will not be true at MidWestOne! Last year's letter to shareholders laid out three goals for the next 12-18 months:

*The first goal was to move our loan to deposit ratio lower "into the 80's". This ratio continued to move higher, into the high 90's, throughout 2008 as we satisfied our significant loan demand--especially in the agricultural sector-- while our deposits were relatively flat. The loan to deposit goal continues to be an important one for our balance sheet and we are placing a high emphasis on deposit generation in 2009. This deposit generation will allow us to continue to make good loans that keep our local economy growing.

*The second goal was to raise our non-interest income to total revenues toward the 30% level over a period of several years. The significant decline in the U.S. equity markets has derailed this goal in the short term as so many trust and investment service revenues are dependent on asset value. But this goal, too, remains intact and achievable over the next few years.

*Our third goal of implementing a disciplined approach to expense management is continuing. Significant resources were expended to complete the merger of the three subsidiary banks into one and also to bring the company into compliance with provisions of Sarbanes-Oxley that previously did not apply to the company. Though we incurred FDIC insurance expense of \$595,000 in 2008, we expect to pay more than \$4 million in FDIC insurance premiums in 2009. So, while it may not look like we are making expense management progress to the outside world, we will continue to gain operational efficiencies as we move through 2009 and into 2010.

As we have repeatedly stated, the outlook for 2009 will be largely dependent on the quality of our bank loan portfolio. We believe we have the capital, the earnings stream and the management expertise to weather the current economic storm and position the company well for the future.

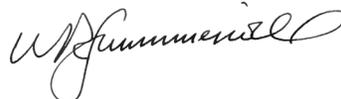
Our entire employee base will continue to receive focused and comprehensive training on providing an outstanding level of customer service. This will continue to be the way that MidWestOne Bank differentiates itself within the communities in which it does business. Our commitment to our employees is to give them all the tools they need to succeed.

The real heroes of 2008 are the more than 430 employees who comprise MidWestOne. This group of dedicated professionals was asked to endure many changes and obstacles during the merger, but they rolled up their sleeves and provided an outstanding level of customer service throughout the 20 communities in which we do business. This group also endured a tornado that destroyed the Parkersburg office in May and the Flood of 2008 that closed our Waterloo and Coralville offices less than two weeks later.

We welcomed John P. Pothoven to our Board of Directors. John is well known throughout banking circles in the State of Iowa and served the company for 33 years prior to his retirement in July, 2008. Our shareholders are fortunate to have someone of John's expertise as a Director. Chief Financial Officer and board member Dave Meinert announced his retirement, effective December 31 of last year. We wish Dave well and thank him for his 30 year contribution to the company.

While we remain wary of the current economic climate, we nevertheless are very optimistic that this company will prosper as a leading Iowa banking company in the years ahead. We thank you for your investment in MidWestOne and for your continued support.

Sincerely,



W. Richard Summerwill
Chairman of the Board



Charles N. Funk
President & CEO

MidWestOne Financial Group, Inc.
And Subsidiaries
Consolidated Financial Summary (Unaudited)

Period Ended	12/31/08	12/31/07	12/31/06	12/31/05	12/31/04
(In thousands, except per share data)					
Summary of income data:					
Total interest income	\$ 70,206	\$ 38,305	\$ 35,308	\$ 30,627	\$ 28,417
Total interest expense	30,397	19,038	16,759	11,742	9,503
Net interest income	39,808	19,267	18,549	18,885	18,914
Provision for loan losses	4,366	500	550	300	195
Noninterest income	5,950	8,806	7,572	8,722	8,189
Noninterest expenses	66,405	18,620	17,680	17,514	16,551
Income (loss) before income tax	(25,013)	8,953	7,891	9,793	10,357
Income tax (benefit) expense	(450)	2,305	2,093	2,876	3,149
Net income (loss)	(24,562)	6,648	5,798	6,917	7,208
Per share data:					
Net income (loss) - basic	\$ (3.09)	\$ 1.29	\$ 1.11	\$ 1.32	\$ 1.38
Net income (loss) - diluted	(3.09)	1.29	1.11	1.32	1.38
Cash dividends declared	0.46	0.65	0.32	0.28	0.27
Book value	15.15	14.98	14.14	13.18	12.59
Net tangible book value	13.58	14.14	13.29	12.34	11.76
Selected financial ratios:					
Net income to average assets	(1.61)%	0.98 %	0.87 %	1.06 %	1.15 %
Net income to average equity	(15.96)	8.98	8.16	10.27	11.32
Net income to average tangible equity	(17.50)	9.54	8.69	10.98	12.15
Total shareholders' equity to total assets	8.66	11.02	10.95	10.30	10.35
Average shareholders' equity to average assets	10.11	10.94	10.39	10.39	10.00
Tangible shareholders' equity to tangible assets	7.83	10.47	10.36	9.71	9.73
Tier 1 risk-based capital ratio	10.24	15.35	14.69	15.65	15.60
Net interest margin	3.38	3.25	3.12	3.29	3.35
Allowance for bank loan losses to total bank loans	1.08	1.36	1.40	1.41	1.46
Non-performing bank loans to total bank loans	1.43	0.32	0.20	0.20	0.16
Net bank loans charged off (recovered) to average bank loans	0.52	0.09	0.13	(0.01)	0.26

December 31	12/31/08	12/31/07	12/31/06	12/31/05	12/31/04
(In thousands)					
Selected balance sheet data:					
Total assets	\$ 1,505,501	\$ 701,983	\$ 668,671	\$ 669,769	\$ 635,713
Total loans net of unearned discount	1,014,814	401,554	378,612	370,849	335,551
Allowance for loan losses	10,977	5,466	5,298	5,227	4,894
Total deposits	1,128,189	526,615	492,901	492,581	474,559
Total shareholder equity	130,343	77,392	73,209	68,959	65,772

BOARD OF DIRECTORS

Richard R. Donohue, Managing Principal
TD&T Financial Group, P.C.

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

Charles S. Howard, Vice Chairman
MidWestOne Financial Group, Inc. and Vice Chairman, MidWestOne Bank

John S. Koza, Retired Bank Executive
MidWestOne Bank

Sally K. Mason, President
The University of Iowa

David A. Meinert, Executive Vice President, Chief Financial Officer & Treasurer
MidWestOne Financial Group, Inc. and Executive Vice President & CFO,
MidWestOne Bank
- Retired December 31, 2008

Kevin W. Monson, Managing Partner
Neumann Monson Architects, PC

John P. Pothoven, Retired Bank Executive
MidWestOne Bank
- Appointed January 22, 2009, to replace Mr. Meinert

W. Richard Summerwill, Chairman
MidWestOne Financial Group, Inc. and Chairman, MidWestOne Bank

James G. Wake, General Manager
Smith-Wake Ag Services

Robert D. Wersen, President
Interpower Corporation

Stephen L. West, President
West Music Company, Inc.

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

OFFICERS

W. Richard Summerwill, Chairman
Charles S. Howard, Vice Chairman
Charles N. Funk, President & Chief Executive Officer
Kent L. Jehle, Executive Vice President & Chief Lending Officer
Gary J. Ortale, Vice President
Douglas L. Benjamin, Vice President
Kenneth R. Urmie, Secretary

CORPORATE HEADQUARTERS

MidWestOne Financial Group, Inc. 102 S. Clinton St., Iowa City, IA 52240-4024
1-800-247-4418
www.midwestone.com
NASDAQ symbol: MOFG

SUBSIDIARIES

MidWestOne Bank
MidWestOne Insurance Services, Inc.



MidWestOne
Financial Group, Inc.™