

Annual Disclosure Statement

DECEMBER 2010

for FFIEC 041 Bank MIDWESTONE BANK

This statement has not been reviewed or confirmed for accuracy or relevance by the Federal Deposit Insurance Corporation.
Federal Deposit Insurance Corporation Format (FFIEC 041)

Balance Sheet

(Dollar Amounts in Thousands)

ASSETS	December 31,	
	2010	2009
Cash and balances due from depository institutions:		
Noninterest-bearing balances and currency and coin	13,720	25,452
Interest-bearing balances	5,769	1,488
Securities:		
Held-to-maturity securities	4,032	8,009
Available-for-sale securities	460,478	361,153
Federal funds sold and securities purchased under agreements to resell:		
Federal funds sold	726	0
Securities purchased under agreements to resell	0	0
Loans and lease financing receivables:		
Loans and leases held for sale	702	1,208
Loans and leases, net of unearned income	992,987	1,041,526
LESS: Allowance for loan and lease losses	17,301	16,091
Loans and leases, net of unearned income and allowance	975,686	1,025,435
Trading assets	0	0
Premises and fixed assets (including capitalized leases)	26,186	28,081
Other real estate owned	4,139	14,293
Investments in unconsolidated subsidiaries and associated companies	0	0
Direct and indirect investments in real estate ventures	500	0
Intangible assets:		
Goodwill	0	0
Other intangible assets	11,092	11,255
Other assets	58,912	51,491
Total assets	1,561,942	1,527,865

continued.....

Balance Sheet

(Dollar Amounts in Thousands)

LIABILITIES

December 31,

2010

2009

Deposits:		
In domestic offices	1,223,944	1,186,400
Noninterest-bearing	130,475	134,244
Interest-bearing	1,093,469	1,052,156
Federal funds purchased and securities sold under agreements to repurchase:		
Federal funds purchased	0	1,875
Securities sold under agreements to repurchase	50,194	43,098
Trading liabilities	0	0
Other borrowed money (includes mortgage indebtedness and obligations under capitalized leases)	127,998	131,076
Subordinated notes and debentures	0	0
Other liabilities	9,731	11,639
Total liabilities	1,411,867	1,374,088

EQUITY CAPITAL

Perpetual preferred stock and related surplus	0	0
Common stock	1,000	1,000
Surplus (exclude all surplus related to preferred stock)	136,298	136,298
Retained earnings	14,797	17,543
Accumulated other comprehensive income	(2,020)	(1,064)
Other equity capital components	0	0
Total Bank equity capital	150,075	153,777
Noncontrolling (minority) interests in consolidated subsidiaries	0	0
Total equity capital	150,075	153,777
Total liabilities and equity capital	1,561,942	1,527,865

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Income Statement

(Dollar Amounts in Thousands)

December 31,

	2010	2009
Interest Income:		
Interest and fee income on loans:		
Loans secured by real estate:		
Loans secured by 1-4 family residential properties	14,450	15,857
All other loans secured by real estate	28,037	29,578
Commercial and industrial loans	11,948	11,584
Loans to individuals for household, family, and other personal expenditures:		
Credit cards	0	0
Other (Includes single payment, installment, all student loans, and revolving credit plans other than credit cards)	2,307	2,525
Loans to foreign governments and official institutions	0	0
All other loans	5,210	5,568
Total interest and fee income on loans	61,952	65,112
Income from lease financing receivables	0	0
Interest income on balances due from depository institutions	32	10
Interest and dividend income on securities:		
U.S. Treasury securities and U.S. Government agency obligations (excluding mortgage-backed securities)	2,578	3,044
Mortgage-backed securities	3,847	3,649
All other securities (Includes securities issued by states and political subdivisions in the U.S.)	6,846	5,951
Interest income from trading assets	0	0
Interest income on federal funds sold and securities purchased under agreements to resell	6	47
Other interest income	271	98
Total interest income	75,532	77,911
Interest expense:		
Interest on deposits:		
Transaction accounts (NOW accounts, ATS accounts, and telephone and preauthorized transfer accounts)	202	3,439
Nontransaction accounts:		
Savings deposits (Includes MMDAs)	4,275	1,319
Time deposits of \$100,000 or more	3,910	5,026
Time deposits of less than \$100,000	9,232	11,871
Expense of federal funds purchased and securities sold under agreements to repurchase	303	461
Interest on trading liabilities and other borrowed money	4,698	5,513
Interest on subordinated notes and debentures	0	0
Total interest expense	22,620	27,629
Net interest income	52,912	50,282
Provision for loan and lease losses	8,463	12,154

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Income Statement

(Dollar Amounts in Thousands)
December 31,

	2010	2009
Noninterest income:		
Income from fiduciary activities	1,756	1,602
Service charges on deposit accounts	4,042	3,981
Trading revenue	0	0
Fees and commissions from securities brokerage	699	657
Investment banking, advisory, and underwriting fees and commissions	0	0
Fees and commissions from annuity sales	666	592
Underwriting income from insurance and reinsurance activities	0	0
Income from other insurance activities	36	79
Venture capital revenue	0	0
Net servicing fees	1,489	749
Net securitization income	0	0
Net gains (losses) on sales of loans and leases	1,942	1,929
Net gains (losses) on sales of other real estate owned	(1,766)	(591)
Net gains (losses) on sales of other assets (excluding securities)	(633)	4
Other noninterest income	3,037	3,112
Total noninterest income	11,268	12,114
Realized gains (losses) on held-to-maturity securities	0	0
Realized gains (losses) on available-for-sale securities	426	(833)
Noninterest expense:		
Salaries and employee benefits	21,594	21,854
Expenses of premises and fixed assets (net of rental income) (excluding salaries and employee benefits and mortgage interest)	6,455	6,244
Goodwill impairment losses	0	0
Amortization expense and impairment losses for other intangible assets	858	950
Other noninterest expense	11,860	13,933
Total noninterest expense	40,767	42,981
Income (loss) before income taxes and extraordinary items, and other adjustments	15,376	6,428
Applicable income taxes	4,122	718
Income (loss) before extraordinary items and other adjustments	11,254	5,710
Extraordinary items and other adjustments, net of income taxes	0	0
Net income (loss) attributable to bank and noncontrolling (minority) interests	11,254	5,710
LESS: Net income (loss) attributable to noncontrolling (minority) interests	0	0
Net income (loss) attributable to bank	11,254	5,710

continued.....

Income Statement

(Dollar Amounts in Thousands)

MEMORANDA:

December 31,

2010

2009

Interest expense incurred to carry tax-exempt securities, loans, and leases acquired after August 7, 1986, that is not deductible for federal income tax purposes

The following item to be completed by banks with \$1 billion or more in total assets:

Income from the sale and servicing of mutual funds and annuities

Income on tax-exempt loans and leases to states and political subdivisions in the U.S.

Income on tax-exempt securities issued by states and political subdivisions in the U.S.

Number of full-time equivalent employees at end of current period

The following item is to be completed by:

- banks with \$300 million or more in total assets, and
- banks with less than \$300 million in total assets that have loans to finance agricultural production and other loans to farmers exceeding five percent of total loans.

Interest and fee income on loans to finance agricultural production and other loans to farmers

Trading revenue (from cash instruments and derivative instruments) (To be completed by banks that reported average trading assets of \$2 million or more for any quarter of the preceding calendar year.):

Interest rate exposures	N/A	N/A
Foreign exchange exposures	N/A	N/A
Equity security and index exposures	N/A	N/A
Commodity and other exposures	N/A	N/A
Credit exposures	N/A	N/A

Net gains (losses) recognized in earnings on credit derivatives that economically hedge credit exposures held outside the trading account:

Net gains (losses) on credit derivatives held for trading	0	0
Net gains (losses) on credit derivatives held for purposes other than trading	0	0

The following item to be completed by banks with \$300 million or more in total assets:

Credit losses on derivatives

Does the reporting bank have a Subchapter S election in effect for federal income tax purposes for the current tax year?	YES / NO NO	YES / NO NO
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The following item is to be completed by banks that are required to complete Schedule RC-C, part I, Memorandum items 8.b and 8.c.

Noncash income from negative amortization on closed-end loans secured by 1-4 family residential properties (included in Schedule RI, item 1.a.(1))

The following items are to be completed by banks that have elected to account for assets and liabilities under a fair value option.

Net gains (losses) recognized in earnings on assets and liabilities that are reported at fair value under a fair value option:

Net gains (losses) on assets	N/A	N/A
Estimated net gains (losses) on loans attributable to changes in instrument-specific credit risk	N/A	N/A
Net gains (losses) on liabilities	N/A	N/A
Estimated net gains (losses) on liabilities attributable to changes in instrument-specific credit risk	N/A	N/A

continued.....

Income Statement

(Dollar Amounts in Thousands)

December 31,

MEMORANDA:

Other-than-temporary impairment losses on held-to-maturity
and available-for-sale debt securities:**2010****2009**

Total other-than-temporary impairment losses	189
Portion of losses recognized in other comprehensive income (before income taxes)	0
Net impairment losses recognized in earnings	189

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Changes in Equity Capital

(Dollar Amounts in Thousands)
December 31,

	2010	2009
Total bank equity capital most recently reported at the end of the prior year		
Reports of Condition and Income	153,777	128,447
Restatements due to corrections of material accounting errors and changes in accounting principles	0	3,266
Balance end of previous calendar year as restated	153,777	131,713
Net income (loss) attributable to bank	11,254	5,710
Sale, conversion, acquisition, or retirement of capital stock, net (excluding treasury stock transactions)	0	0
Treasury stock transactions, net	0	0
Changes incident to business combinations, net	0	0
LESS: Cash dividends declared on preferred stock	0	0
LESS: Cash dividends declared on common stock	1,970	0
Other comprehensive income	(956)	354
Other transactions with parent holding company	(12,030)	16,000
Total bank equity capital end of current period	150,075	153,777

Changes in Allowance for Loan and Lease Losses

Balance most recently reported at the end of the prior year		
Reports of Condition and Income	16,091	13,115
Recoveries	668	631
LESS: Charge-offs	7,921	9,809
LESS: Write-downs arising from transfers of loans to a held-for-sale account	0	0
Provision for loan and lease losses	8,463	12,154
Adjustments	0	0
Balance end of current period	17,301	16,091

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Past Due and Nonaccrual Loans, Leases, and Other Assets

(Dollar Amounts in Thousands)

Past Due 90 days or more and still accruing:

December 31,

2010

2009

Loans secured by real estate:

Construction, land development, and other land loans:		
1-4 family residential construction loans	255	138
Other construction loans and all land development and other land loans	1,320	530
Secured by farmland	2,419	3,804
Secured by 1-4 family residential properties:		
Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit	0	85
Closed-end loans secured by 1-4 family residential properties		
Secured by first liens	2,809	3,921
Secured by junior liens	939	821
Secured by multifamily (5 or more) residential properties	62	76
Secured by nonfarm nonresidential properties:		
Loans secured by owner-occupied nonfarm nonresidential properties	6,356	13,319
Loans secured by other nonfarm nonresidential properties	1,220	2,666
Loans to depository institutions and acceptances of other banks	0	0
Commercial and industrial loans	2,092	2,558
Loans to individuals for household, family, and other personal expenditures:		
Credit cards	0	0
Other (Includes single payment, installment, all student loans, and revolving credit plans other than credit cards)	206	144
Loans to foreign governments and official institutions	0	0
All other loans	72	270
Lease financing receivables	0	0
Debt securities and other assets (exclude other real estate owned and other repossessed assets)	0	0
Loans and leases reported above which are wholly or partially guaranteed by the U.S. Government	0	0
Guaranteed portion of loans and leases included above (exclude rebooked "GNMA loans")	0	0
Rebooked "GNMA loans" that have been repurchased or are eligible for repurchase included above	0	0

MEMORANDA:

Restructured loans and leases included in Schedule RC-N, items 1 through 8.

Loans secured by 1-4 family residential properties	0	0
Other loans and all leases	0	0

Loans to finance commercial real estate, construction, and land development activities (not secured by real estate)	0	0
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*The following four items are to be completed**by banks with \$300 million or more in total assets:*

Loans secured by real estate to non-U.S. addressees (domicile)	0	0
Loans to and acceptances of foreign banks	0	0
Commercial and industrial loans to non-U.S.addressees (domicile)	0	0
Leases to individuals for household, family, and other personal expenditures	0	0

The following item is to be completed by:

- banks with \$300 million or more in total assets
- banks with less than \$300 million or more in total assets that have loans to finance agricultural production and other loans to farmers exceeding five percent of total loans:

Loans to finance agricultural production and other loans to farmers	72	270
Loans and leases held for sale and loans measured at fair value	0	0

Loans measured at fair value:

Fair value	0	0
Unpaid principal balance	0	0

The following item is to be completed by banks with \$300 million or more in total assets:

Derivative contracts:		
Fair value of amounts carried as assets	0	0

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