

MidWestOne Financial Group, Inc.  
Form DEF 14A  
May 15, 2015

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
SCHEDULE 14A  
(RULE 14a-101)  
INFORMATION REQUIRED IN PROXY STATEMENT  
SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934

Filed by the Registrant:  Filed by a party other than the Registrant:

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

MIDWESTONE FINANCIAL GROUP, INC.

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

- Fee paid previously with preliminary materials.  
Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

---

102 South Clinton St.  
Iowa City, Iowa 52240  
(319) 356-5800  
May 15, 2015

Dear Shareholder:

On behalf of the board of directors and management of MidWestOne Financial Group, Inc., we cordially invite you to attend the annual meeting of shareholders of MidWestOne Financial Group, Inc. to be held at 2:00 p.m. on June 16, 2015, at the Holiday Inn Hotel and Conference Center located at 1220 First Avenue, Coralville, Iowa 52241.

The accompanying Notice of Annual Meeting of Shareholders and proxy statement discuss the business to be conducted at the meeting. We also have enclosed a copy of our quarterly letter to shareholders providing a summary of our first quarter 2015 results. At the meeting, we will review our performance in 2014 and update you on how we are dealing with the current economic environment and our strategic plan as we move forward.

Our Nominating and Corporate Governance Committee has nominated four persons to serve as directors, each of whom is an incumbent director. We have also included a non-binding, advisory proposal to approve the compensation of our named executive officers, or “say-on-pay” proposal. Finally, our Audit Committee has selected, and we recommend that you ratify the selection of, McGladrey LLP to act as our independent registered public accounting firm for the year ending December 31, 2015. We recommend that you vote your shares for each of the four director nominees, in favor of the compensation arrangements of our named executive officers, and in favor of the ratification of our independent registered public accounting firm.

We encourage you to attend the meeting in person. However, whether or not you plan to attend the meeting in person, please take the time to vote by completing and mailing the enclosed proxy card or by following the telephone or Internet voting procedures described on the proxy card. This will assure that your shares are represented at the meeting. We look forward to seeing you at the meeting.

Very truly yours,

John M. Morrison  
Chairman of the Board

102 South Clinton St.  
Iowa City, Iowa 52240

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD JUNE 16, 2015

To Our Shareholders:

The annual meeting of the shareholders of MidWestOne Financial Group, Inc. will be held at 2:00 p.m. on June 16, 2015, at the Holiday Inn Hotel and Conference Center located at 1220 First Avenue, Coralville, Iowa 52241, for the following purposes:

1. to elect four members of the board of directors;
2. to approve, in a non-binding, advisory proposal, the compensation of our named executive officers, as described in the accompanying proxy statement, which is referred to as a “say-on-pay” proposal;
3. to ratify the appointment of McGladrey LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2015; and
4. to transact such other business as may properly be brought before the meeting and any adjournments or postponements of the meeting.

Only shareholders of record on our books at the close of business on May 5, 2015, the record date for the annual meeting, are entitled to notice of, and to vote at, the annual meeting and any adjournments or postponements of the annual meeting. In the event there are an insufficient number of votes for a quorum or to approve or ratify any of the foregoing proposals at the time of the annual meeting, the meeting may be adjourned or postponed in order to permit us to further solicit proxies.

Important Notice Regarding the Availability of Proxy Materials  
for the Shareholder Meeting to Be Held on June 16, 2015.

Our proxy statement for the annual meeting of shareholders to be held on June 16, 2015, other proxy materials, and our Annual Report on Form 10-K for the year ended December 31, 2014 are available at <http://ir.midwestone.com/docs.aspx?iid=1021746>.

By Order of the Board of Directors

John M. Morrison  
Chairman of the Board

Iowa City, Iowa  
May 15, 2015

WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING IN PERSON, PLEASE TAKE THE TIME TO VOTE BY COMPLETING AND MAILING THE ENCLOSED PROXY CARD OR BY FOLLOWING THE TELEPHONE OR INTERNET VOTING PROCEDURES DESCRIBED ON THE PROXY CARD. WE HOPE THAT YOU WILL BE ABLE TO ATTEND THE MEETING, AND, IF YOU DO, YOU MAY VOTE YOUR SHARES IN PERSON IF YOU WISH. YOU MAY REVOKE THE PROXY CARD AT ANY TIME PRIOR TO ITS EXERCISE.

Table Of Contents

	Page
<u>Questions and Answers</u>	<u>1</u>
<u>Proposal 1: Election of Directors</u>	<u>5</u>
<u>Information About Nominees, Continuing Directors and Named Executive Officers</u>	<u>5</u>
<u>Corporate Governance and Board Matters</u>	<u>10</u>
<u>Audit Committee Report</u>	<u>13</u>
<u>Compensation Discussion and Analysis</u>	<u>14</u>
<u>Executive Compensation</u>	<u>22</u>
<u>Director Compensation</u>	<u>30</u>
<u>Proposal 2: Non-Binding, Advisory Proposal to Approve Executive Compensation</u>	<u>32</u>
<u>Proposal 3: Ratification of Appointment of Independent Registered Public Accounting Firm</u>	<u>33</u>
<u>Security Ownership of Certain Beneficial Owners and Management</u>	<u>35</u>
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	<u>36</u>
<u>Certain Relationships and Related-Person Transactions</u>	<u>36</u>
<u>Equity Compensation Plan Information</u>	<u>37</u>
<u>Shareholder Communications with the Board and Nomination and Proposal Procedures</u>	<u>37</u>
<u>Annual Report and Financial Statements; Other Information</u>	<u>39</u>

---

Table of Contents

MIDWESTONE FINANCIAL GROUP, INC.

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS  
JUNE 16, 2015

This proxy statement and the accompanying proxy card are being furnished to our shareholders in connection with the solicitation by our board of directors of proxies to be used at the annual meeting of shareholders to be held at 2:00 p.m. on June 16, 2015, at the Holiday Inn Hotel and Conference Center located at 1220 First Avenue, Coralville, Iowa 52241, or at any adjournments or postponements of the meeting. This proxy statement, together with our quarterly letter to shareholders providing a summary of our first quarter 2015 results, is first being mailed to our shareholders on or about May 15, 2015.

QUESTIONS AND ANSWERS

The following is information regarding the meeting and the voting process, presented in a question and answer format. As used in this proxy statement, the terms “MidWestOne Financial,” “the Company,” “we,” “our,” and “us” all refer to MidWestOne Financial Group, Inc. and its consolidated subsidiaries. The term “MidWestOne Bank” and “the Bank” refer to the Company’s wholly-owned banking subsidiary, MidWestOne Bank, Iowa City, Iowa. The term “Central Bank” refers to the Company’s wholly-owned banking subsidiary, Central Bank, Golden Valley, Minnesota.

Q: What is a proxy?

A: A proxy is a document, also referred to as a “proxy card,” on which you authorize someone else to vote for you in the way that you want to vote. You may also choose to abstain from voting. The proxy is being solicited by our board of directors.

Q: What is a proxy statement?

A: A proxy statement is a document, such as this one, required by the Securities and Exchange Commission (the “SEC”) that, among other things, explains the items on which you are asked to vote on the proxy card.

Q: Why am I receiving this proxy statement and the accompanying proxy card?

A: You are receiving this proxy statement and the accompanying proxy card from us because on May 5, 2015, the record date for the annual meeting, you owned shares of MidWestOne Financial common stock. This proxy statement describes the matters that will be presented for consideration by our shareholders at the annual meeting to be held on June 16, 2015. It also gives you information concerning the matters to assist you in making an informed decision.

When you sign the enclosed proxy card or otherwise vote pursuant to the instructions set forth in the proxy card, you appoint the proxy holders as your representatives at the meeting. The proxy holders will vote your shares as you have instructed, thereby ensuring that your shares will be voted whether or not you attend the meeting. Even if you plan to attend the meeting, we ask that you instruct the proxies how to vote your shares in advance of the meeting just in case your plans change and you are unable to attend in person.

If you have signed and returned the proxy card and an issue comes up for a vote at the meeting that is not identified on the card, the proxy holders will vote your shares, pursuant to your proxy, in accordance with their judgment.

Q: What matters will be voted on at the meeting?

A: You are being asked to vote on: (i) the election of four members of our board of directors for a term expiring in 2018; (ii) a non-binding, advisory proposal to approve the compensation of our named executive officers (referred to as a “say-on-pay” proposal); and (iii) the ratification of the appointment of McGladrey LLP as our independent registered public accounting firm for the 2015 fiscal year. These matters are more fully described in this proxy statement.



Table of Contents

Q: How do I vote?

After reviewing this document, submit your proxy using any of the proxy delivery or voting methods indicated on the proxy card. By submitting your proxy, you authorize the individuals named in it to represent you and vote your A: shares at the annual meeting in accordance with your instructions. Your vote is important. Whether or not you plan to attend the annual meeting, please submit your proxy card promptly in the enclosed envelope or vote telephonically or through the Internet by following the instructions on the proxy card.

If you sign and return your proxy card but do not mark the card to provide voting instructions, the shares represented by your proxy card will be voted "for" all four nominees named in this proxy statement, "for" the say-on-pay proposal, and "for" the ratification of the appointment of McGladrey LLP as our independent registered public accounting firm for the 2015 fiscal year.

If you are a beneficial owner and a broker or other fiduciary is the record holder (which is usually referred to as "street name" ownership), then you received this proxy statement from the record holder of the shares that you beneficially own. The record holder should have given you instructions for directing how the record holder should vote your shares. It will then be the record holder's responsibility to vote your shares for you in the manner you direct.

If you want to vote in person, please come to the meeting. We will distribute written ballots to anyone who wants to vote at the meeting. Please note, however, that if your shares are held in the name of a broker or other fiduciary (i.e., in street name), you will need to arrange to obtain a legal proxy from the record holder in order to vote in person at the meeting. Even if you plan to attend the annual meeting, we ask that you complete and return your proxy card in advance of the annual meeting in case your plans change.

Q: If I hold shares in the name of a broker, who votes my shares?

Under the rules of various national and regional securities exchanges, brokers and other fiduciaries that hold securities on behalf of beneficial owners generally may vote on routine matters even if they have not received voting instructions from the beneficial owners for whom they hold securities, but are not permitted to vote on non-routine matters unless they have received such voting instructions. The ratification of the appointment of an A: issuer's independent registered public accounting firm is considered to be a routine matter; the election of directors and say-on-pay proposal are considered to be non-routine matters. Thus, if you do not provide instructions to your broker as to how it should vote the shares beneficially owned by you, your broker will be able to vote on the ratification of the appointment of McGladrey LLP as our independent registered public accounting firm, but generally will not be permitted to vote on either of the other matters described in this proxy statement.

We therefore encourage you to provide directions to your broker as to how you want your shares voted on all matters to be brought before the meeting. You should do this by carefully following the instructions your broker gives you concerning its procedures.

Q: How will my shares of common stock held in the employee stock ownership plan be voted?

We maintain an employee stock ownership plan ("ESOP") that owns 282,411 or 2.5% of the current outstanding shares of our common stock. Employees of the Company and the Bank participate in the ESOP. As of the record date, 282,411 shares have been allocated to ESOP participants. Each ESOP participant has the right to instruct the trustee of the plan how to vote the shares of our common stock allocated to his or her account under the ESOP. If A: an ESOP participant properly executes the voting instruction card, the ESOP trustee will vote the participant's shares in accordance with the participant's instructions. Shares of our common stock held in the ESOP, but not allocated to any participant's account, and allocated shares for which no voting instructions are received from participants, will be voted by the trustee in proportion to the results of the votes cast on the issue by the participants and beneficiaries.

Q: What does it mean if I receive more than one proxy card?

It means that you have multiple holdings reflected in our stock transfer records and/or in accounts with A: stockbrokers. Please sign and return ALL proxy cards to ensure that all of your shares are voted.



Table of Contents

Q: What if I change my mind after I return my proxy card?

A: If you hold your shares in your own name, you may revoke your proxy and change your vote at any time before the polls close at the meeting. You may do this by:

• signing another proxy card with a later date and returning that proxy card to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, New York 11717, by mail;

• timely submitting another proxy via the telephone or Internet, if that is the method that you originally used to submit your proxy;

• sending notice to us that you are revoking your proxy; or

• voting in person at the meeting.

All written notices of revocation and other written communications with respect to revocation of proxies should be sent to: MidWestOne Financial Group, Inc., 102 South Clinton St., Iowa City, Iowa 52240, Attention: Corporate Secretary. If you hold your shares in the name of your broker or other fiduciary and desire to revoke your proxy, you will need to contact that party to revoke your proxy.

Q: How many votes do we need to hold the annual meeting?

A: A majority of the shares that are outstanding and entitled to vote as of the record date must be present in person or by proxy at the meeting in order to hold the meeting and conduct business. Shares are counted as present at the meeting if the shareholder either:

• is present and votes in person at the meeting; or

• has properly submitted a signed proxy card or other form of proxy (through the telephone or Internet).

On May 5, 2015, the record date, there were 11,099,181 shares of common stock issued and outstanding. Therefore, at least 5,549,591 shares need to be present, in person or by proxy, at the annual meeting.

Q: What happens if a nominee is unable to stand for re-election?

A: The board may, by resolution, provide for a lesser number of directors or designate a substitute nominee. In the latter case, shares represented by proxies may be voted for a substitute nominee. Proxies cannot be voted for more than four nominees. We have no reason to believe any nominee will be unable to stand for re-election.

Q: What options do I have in voting on each of the proposals?

A: Except with respect to the election of directors, you may vote “for,” “against” or “abstain” on each proposal properly brought before the meeting. In the election of directors you may vote “for” or “withhold authority to vote for” each nominee.

Q: How many votes may I cast?

A: Generally, you are entitled to cast one vote for each share of stock you owned on the record date. The proxy card included with this proxy statement indicates the number of shares owned by an account attributable to you.

Q: How many votes are needed for each proposal?

A: Except with respect to the election of directors, a majority of the votes cast at the meeting will approve each matter that arises at the annual meeting. Directors will be elected by a plurality and the four individuals receiving the highest number of votes cast “for” their election will be elected as directors of MidWestOne Financial. Please note, however, that because the say-on-pay vote is advisory, the outcome of such vote will not be binding on the board of directors or the Compensation Committee.

Also, please remember that the election of directors and the say-on-pay proposal are both considered to be non-routine matters. As a result, if your shares are held by a broker or other fiduciary, it cannot vote your shares on these matters unless it has received voting instructions from you.

Table of Contents

Abstentions and broker non-votes, if any, will not be counted as votes cast, but will count for purposes of determining whether or not a quorum is present. Accordingly, so long as a quorum is present, abstentions and broker non-votes will have no effect on any of the matters presented for a vote at the annual meeting.

Q: Where do I find the voting results of the meeting?

A: If available, we will announce voting results at the meeting. The voting results also will be disclosed in a Form 8-K that we expect to file within four business days after the meeting.

Q: Who bears the cost of soliciting proxies?

We will bear the cost of soliciting proxies. In addition to solicitations by mail, our officers, directors or employees may solicit proxies in person or by telephone. These persons will not receive any special or additional compensation for soliciting proxies. We may reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation materials to shareholders.

**YOUR VOTE IS IMPORTANT. PLEASE RETURN YOUR MARKED AND SIGNED PROXY CARD PROMPTLY SO YOUR SHARES CAN BE REPRESENTED, EVEN IF YOU PLAN TO ATTEND THE MEETING IN PERSON.**

Table of Contents

**PROPOSAL 1: ELECTION OF DIRECTORS**

MidWestOne Financial's board of directors is divided into three classes. At the annual meeting to be held on June 16, 2015, you will be entitled to elect four directors for terms expiring in three years, as described herein. We have no knowledge that any of the nominees will refuse or be unable to serve as directors, but if any of the nominees becomes unavailable for election, the holders of proxies reserve the right to substitute another person of their choice as a nominee when voting at the meeting.

The Nominating and Corporate Governance Committee of our board of directors has nominated four persons for election at this annual meeting, all of whom are incumbent directors. These nominations were further approved by the full board. We did not receive any shareholder nominations for director for the 2015 annual meeting. Set forth below is information concerning the nominees for election and for the other directors whose term of office will continue after the meeting, including their age, year first elected or appointed as a director, position with MidWestOne Financial, qualifications to serve on the board and business experience. Unless otherwise specified, each position currently held by a nominee or director has been held for at least five years. The four nominees for director, if elected at the annual meeting, will serve for terms expiring in 2018.

Unless authority to vote for the nominees is withheld, the shares represented by the enclosed proxy card, if executed and returned, will be voted "for" the election of the nominees proposed by the board of directors.

The board of directors recommends that you vote your shares "for" each of the nominees for director.

**INFORMATION ABOUT NOMINEES, CONTINUING DIRECTORS AND NAMED EXECUTIVE OFFICERS**

All directors will hold office for the terms indicated, or until their earlier death, resignation, removal or disqualification, and until their respective successors are duly elected and qualified. There are no arrangements or understandings between any of the nominees, appointees, directors or executive officers and any other person pursuant to which any of our nominees, appointees, directors or executive officers have been selected for their respective positions, except as described under "EXECUTIVE COMPENSATION-Potential Payments Upon Termination or Change in Control-Employment Agreements and Change of Control Agreements" and "INFORMATION ABOUT NOMINEES, CONTINUING DIRECTORS AND NAMED EXECUTIVE OFFICERS-Merger-Related Agreements." No nominee, appointee, member of the board of directors or executive officer is related to any other nominee, appointee, member of the board of directors or executive officer. No nominee, appointee or director has been a director of another "public corporation" (i.e., subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the "Exchange Act") or of any investment company within the past five years.

As required by the terms of the Agreement and Plan of Merger, dated November 20, 2014, by and between Central Bancshares, Inc., a Minnesota corporation ("Central"), and the Company (the "Merger Agreement"), which contemplates the merger of Central with and into MidWestOne Financial (the "Merger"), the board restructured its composition effective as of the effective time of the Merger on May 1, 2015. As part of the restructuring of the board, Ms. Barbara J. Kniff McCulla and Mr. R. Scott Zaiser resigned as Class I directors, Ms. Patricia A. Heiden and Mr. Richard J. Schwab resigned as Class II directors, and Mr. John P. Pothoven resigned as a Class III director, each resignation effective as of the effective time of the Merger. Each informed the board that his or her respective resignation was not due to any disagreement with the Company.

Messrs. Zaiser and Pothoven and Mmes. Kniff-McCulla and Heiden have each been a valued presence within the MidWestOne Financial organization. Mr. Zaiser had served as a director of the former MidWestOne Financial Group, Inc. from 2006 until the consummation of our merger with that organization in March 2008, upon which time he joined our board of directors. Mr. Pothoven had served as a director of the former MidWestOne Financial from 1994 to 2008 and joined our board of directors in January 2009. Ms. Kniff-McCulla had served as a director of MidWestOne Financial since December 2010. Ms. Heiden had served as a director of the Company since April 2014. We appreciate the service of Messrs. Zaiser and Pothoven and Mmes. Kniff-McCulla and Heiden to the Company, and their commitment and expertise will be missed.

To fill the vacant seats created by Ms. Kniff-McCulla's and Mr. Zaiser's resignations, the board appointed Mr. Michael A. Hatch and Mr. John M. Morrison as Class I directors of MidWestOne Financial, effective as of the effective time of the Merger. Messrs. Hatch's and Morrison's terms as Class I directors will expire in 2017. To fill the vacant seats created by Ms. Heiden's and Mr. Schwab's resignations, the board appointed Ms. Ruth E. Stanoch and Mr. Weise as Class II directors of the Company, effective as of the effective time of the Merger. As Class II directors, Ms. Stanoch and Mr. Weise will stand for election at the 2015 annual meeting. To fill the vacant seat created by Mr. Pothoven's resignation, the board appointed Mr. Larry D. Albert as a Class III director of the Company, effective as of the effective time of the Merger. Additionally, as required by the terms of the Merger Agreement, the board increased the number of directors constituting the full board from twelve to thirteen, effective as of the

Table of Contents

effective time of the Merger, and reappointed Mr. Schwab as a Class III director of the Company to fill the resultant vacancy. As Class III directors, Messrs. Albert and Schwab will stand for election at the 2016 annual meeting.

## NOMINEES

## Term Expiring 2018

Name of Individual	Director Since	Position with MidWestOne Financial
Richard R. Donohue	2008 <sup>(1)</sup>	Director of MidWestOne Financial, the Bank and Central Bank
Ruth E. Stanoch	2015	Director of MidWestOne Financial
Kurt R. Weise	2015 <sup>(2)</sup>	Director and Executive Vice President of MidWestOne Financial; Director of the Bank; Chairman and Senior Vice President of Central Bank
Stephen L. West	1991	Director of MidWestOne Financial and the Bank

Mr. Donohue became a director of the Company upon completion of the merger with the former MidWestOne Financial Group, Inc. on March 14, 2008. He had been a director of the former MidWestOne Financial since 1999.

Mr. Weise became a director of the Company upon completion of the merger with Central on May 1, 2015. He had been a director of Central since 1988.

Richard R. Donohue. Mr. Donohue, 66, is the former Managing Partner of TD&T CPAs and Advisors, P.C. in Cedar Rapids, Iowa, a certified public accounting firm in which he was involved in all phases of the practice. Mr. Donohue joined the board of directors of the former MidWestOne Financial in 1999. He became a director of the Company upon completion of our merger with the former MidWestOne Financial in March 2008. Mr. Donohue was appointed to the board of directors of the Bank in 2009, and Central Bank in 2015. We consider Mr. Donohue to be a qualified candidate for service on the board, the Audit Committee, and the Nominating and Corporate Governance Committee due to his business and financial accounting expertise acquired as the managing partner of a certified public accounting firm, as well as his knowledge of and prominence in our market area.

Ruth E. Stanoch. Ms. Stanoch, 56, has been a corporate affairs consultant since 2008. She became a director of the Company upon completion of our merger with Central Bancshares in May 2015. Among her prior experiences, in 2010, Ms. Stanoch served as the senior advisor to Minnesota's governor-elect, Mark Dayton, and from 1994-2007, was employed with Thompson Legal & Regulatory. Between 2010 and 2012, Ms. Stanoch also served on various committees of the Board of Directors of Archipelago Learning, Inc., a leading subscription-based online education company. She received her Bachelor's degree from the University of Minnesota, and was a policy fellow at the University of Minnesota's Humphrey Institute of Public Affairs. Among other attributes, skills and qualifications, we believe that Ms. Stanoch's extensive corporate experience, leadership at a large corporation and previous service on a public company board provide valuable experience to the Company's board, Audit Committee, and Nominating and Corporate Governance Committee.

Kurt R. Weise. Mr. Weise, 58, is an Executive Vice President of the Company and Senior Vice President of Central Bank and was appointed to such position in May 2015 upon completion of our merger with Central. Mr. Weise joined the board of directors of Central in 1988, and he became a director of the Company and the Bank upon completion of our merger with Central in May 2015. Mr. Weise has also served as the Chairman of the Board of Central Bank since 1994. He previously served as the President of Central since 1988. In addition, Mr. Weise has served in various finance and banking roles with Mr. Morrison and certain of his associates since 1985. Mr. Weise received his Bachelor's degree from Winona State University and he is a CPA. Among other attributes, skills and qualifications, we believe that Mr. Weise's leadership as President of Central, his years of experience in finance and banking, and his status as a CPA enable him to bring valuable insight and knowledge to the Company's board.

Stephen L. West. Mr. West, 69, is the majority owner and Chairman of West Music Company Inc., a musical instrument and supply store headquartered in Coralville, Iowa. He has been a director of the Company and the Bank

since 1991. Mr. West is also the Treasurer of Accent LLC, a private-label musical instruments company, and the President of WestInvest, L.C., a family investment vehicle. We consider Mr. West to be a qualified candidate for service on the board, the Compensation Committee, and the Nominating and Corporate Governance Committee due to his skills and expertise acquired in positions of leadership at several institutions in MidWestOne Financial's market areas.

6

---

Table of Contents

## CONTINUING DIRECTORS AND NAMED EXECUTIVE OFFICERS

## Term Expiring 2016

Name of Individual	Director Since	Position with MidWestOne Financial
Larry D. Albert	2015	Director and Executive Vice President of MidWestOne Financial; Director of the Bank; Director and Chief Executive Officer of Central Bank
Robert J. Latham	2011	Director of MidWestOne Financial and the Bank
Tracy S. McCormick	2011	Director of MidWestOne Financial and the Bank
Kevin W. Monson	2005	Vice Chairman of MidWestOne Financial; Chairman of the Bank
Richard J. Schwab	2013	Director of MidWestOne Financial and the Bank

## Term Expiring 2017

Name of Individual	Director Since	Position with MidWestOne Financial
Charles N. Funk	2000	Director, President and Chief Executive Officer of MidWestOne Financial and the Bank
Michael A. Hatch	2015	Director of MidWestOne Financial
John M. Morrison	2015 <sup>(1)</sup>	Chairman of MidWestOne Financial and Central Bank
William N. Ruud	2013	Director of MidWestOne Financial

- (1) Mr. Morrison became a director of the Company upon completion of the merger with Central on May 1, 2015. He had been a director of Central since 1988.

Larry D. Albert. Mr. Albert, 64, is Executive Vice President of the Company and was appointed to such position in May 2015 upon completion of our merger with Central. He also became a director of the Company and the Bank upon the completion of our merger with Central in May 2015. He has also served as the Chief Executive Officer and as a director of Central Bank since 1996. Mr. Albert received his Bachelor's degree from Westmar University and his MBA from the University of St. Thomas. Among other attributes, skills and qualifications, we believe Mr. Albert is uniquely qualified to serve as a director because, as Chief Executive Officer of Central Bank, he is the person most familiar with Central Bank's business and industry and most capable of effectively identifying strategic priorities and leading the execution of strategy.

Charles N. Funk. Mr. Funk, 61, is the President and Chief Executive Officer of the Company and the Bank. He joined the Bank in these same roles in November 2000. Prior to that, he held positions as President and Central Region Manager and Chief Investment Officer for Brenton Bank-Des Moines. Mr. Funk currently serves on the faculty of the Colorado Graduate School of Banking in Boulder, Colorado, and the Iowa School of Banking. Previously, he taught for the Stonier Graduate School of Banking at Georgetown University. He also serves on the board of directors of Iowa SourceMedia Group and of the American Bankers Association, and was the Chairman of the Iowa Bankers Association in 2010 and 2011. Mr. Funk graduated with a B.A. from William Jewell College. We consider Mr. Funk to be a qualified candidate for service on the board due to his extensive expertise in the financial services industry, particularly in the state of Iowa, and intimate knowledge of MidWestOne Financial's business and operations and because of his role as the President and Chief Executive Officer of MidWestOne Financial and the Bank.

Michael A. Hatch. Mr. Hatch, 66, has been employed as a trial and litigation attorney with Blackwell Burke P.A. since 2007. He became a director of the Company upon the completion of our merger with Central in May 2015. Among his prior experience, Mr. Hatch served as Minnesota's Attorney General from 1999 to 2007, and he has served on the boards of a number of insurance companies. He earned his Bachelor's degree from the University of Minnesota-Duluth

and his Juris Doctorate from the University of Minnesota Law School. Among other attributes, skills and qualifications, we believe that Mr. Hatch's service as a board member of insurance companies and extensive experience in the Minnesota legal arena enable him to bring valuable insight and knowledge to the Company's board and Compensation Committee.

Robert J. Latham. Mr. Latham, 72, is the Chairman and President of Latham & Associates, Inc. in Cedar Rapids, Iowa, a utility analysis and consulting company, and is an economic and strategic analyst for the utility industry, with over 30 years of experience. Mr. Latham became a director of the Company and the Bank in 2011. He previously served on the board of directors



Table of Contents

of First National Bank in Iowa City, Iowa. He currently serves as Chairman of the Board of Peoples Trust and Savings Bank in Clive, Iowa. We consider Mr. Latham to be a qualified candidate for service on the board and the Compensation Committee due to his skills and expertise developed as a successful utility industry analyst, and his knowledge of and experience in the banking industry.

Tracy S. McCormick. Ms. McCormick, 54, is a retired Vice President in investment banking for J.P. Morgan & Co., Incorporated. Ms. McCormick is the daughter of our former Chairman and current Director Emeritus, W. Richard Summerwill, and became a director of the Company in 2011 following his retirement from the board. She became a director of the Bank upon the completion of our merger with Central in May 2015. Ms. McCormick was educated at the University of Michigan and the London School of Economics and Political Science. We consider Ms. McCormick to be a qualified candidate for service on the board, the Audit Committee and the Compensation Committee due to her skills and expertise developed in investment banking.

Kevin W. Monson. Mr. Monson, 64, is the Vice Chairman of the Board of the Company and Chairman of the Board of the Bank, and previously served as the Chairman of the Board of the Company prior to the Merger. He is the President, Managing Partner and the largest shareholder of Neumann Monson, Inc., an architectural services firm headquartered in Iowa City. He became a director of the Company and the Bank in 2005. Mr. Monson is also the majority partner in Tower Partners, a real estate investment partnership. We consider Mr. Monson to be a qualified candidate for service on the board due to his skills and expertise developed as the head of a successful architectural firm, and his knowledge of and prominence in the Iowa City market.

John M. Morrison. Mr. Morrison, 78, is the Chairman of the Board of the Company and was appointed to such position in May 2015 upon the completion of our merger with Central. Mr. Morrison also serves as Chairman of the Board of Central Bank, and he has served as a director of Central Bank since 1988. He previously served as the Chairman of Central since 1988. Mr. Morrison also serves as the Chairman of the University of St. Thomas. Among his prior experience, Mr. Morrison has also served as a director of three publicly traded companies. Mr. Morrison received his Bachelor's degree from the University of Minnesota and attended law school at LaSalle University. He received an honorary Dr. of Law degree from the University of St. Thomas. Among other attributes, skills and qualifications, we believe that Mr. Morrison's service as a board member of public and private companies enable him to bring valuable insight and knowledge to the Company's board.

William N. Ruud. Dr. Ruud, 62, is the president of the University of Northern Iowa, located in Cedar Falls, Iowa. Dr. Ruud became a director of the Company in September 2013. Dr. Ruud previously served on the board of directors of First Interstate Bank Corporation, Southern Idaho (now Wells Fargo) from 1994 to 1997. We consider Dr. Ruud to be a qualified candidate for service on the board and the Compensation Committee due to his skills and expertise acquired as the president of a large public educational institution, as well as his past service on the board of directors of First Interstate Bank Corporation, Southern Idaho (now Wells Fargo) from 1994 to 1997.

Richard J. Schwab. Mr. Schwab, 63, is a self-employed entrepreneur, angel fund investor, real estate investor and business owner, and is also a certified public accountant. He became a director of the Company in July 2013. Mr. Schwab was a director of the Company from 2004 to 2008, and has been a director of the Bank since 2004. We consider Mr. Schwab to be a qualified candidate for service on the board, the Audit Committee and the Nominating and Corporate Governance Committee due to his skills and expertise developed as an entrepreneur, and his knowledge of and prominence in the Iowa City market.

In addition, Mr. W. Richard Summerwill, who had served on our board of directors since our formation in 1983 and served as our long-time Chief Executive Officer prior to our merger with the former MidWestOne Financial in March 2008, and Mr. John S. Koza, who also had served on our board of directors since our formation in 1983 and retired from the board in 2014, both currently serve as non-voting Directors Emeriti.

Finally, the following individuals serve as executive officers of MidWestOne Financial, four of whom are named in the compensation tables included in this proxy statement:

James M. Cantrell. Mr. Cantrell, 55, is Vice President and Chief Risk Officer of the Company and Senior Vice President and Chief Risk Officer of the Bank. He joined the Company in his current position in July 2009. Prior to joining the Bank, he had been with Provident Bank in Baltimore, Maryland, since 2008, where he served as Senior Vice President and Director of Treasury Operations. In that capacity, he was responsible for management of

asset/liability activities, investment portfolio accounting, and derivative activity and compliance. Prior to that, he was employed as the Senior Vice President and Treasurer of Mercantile-Safe Deposit and Trust Company in Baltimore, Maryland, where he had been employed since 2001. Mr. Cantrell has a B.A. in business and economics from Wittenberg University.

Susan R. Evans. Ms. Evans, 57, is the Chief Operating Officer of the Company and the Bank. Ms. Evans joined the Company in 2001 as Vice President-Retail Banking of the Bank, and was appointed to her current role as Chief Operating Officer

Table of Contents

in August 2009. She has more than thirty years of banking experience, previously serving as Indianola Market President of Brenton Bank, Des Moines, as well as Retail Market and Sales Manager for U.S. Bank, Des Moines.

Kent L. Jehle. Mr. Jehle, 55, is the Executive Vice President and Chief Credit Officer of the Company and the Bank. He became the Company's Executive Vice President and Chief Credit Officer upon consummation of our merger with the former MidWestOne Financial in March 2008. Prior to that merger, Mr. Jehle had been serving as the Bank's Executive Vice President-Commercial Banking since 2004. He has been with the Company and the Bank since 1986.

Katie A. Lorenson. Ms. Lorenson, 34, is a Vice President of the Company. Prior to the Merger, she served as the Senior Vice President and Chief Financial Officer of Central and Central Bank since 2011. Prior to joining Central, Ms. Lorenson was a Manager with McGladrey, in the Financial Institutions practice, where she gained nearly 10 years of experience serving community banks in audit and accounting matters as well as mergers, acquisitions, and FDIC loss share accounting and best practices. Ms. Lorenson received her Bachelor's degree in accounting from Minnesota State University Moorhead. Ms. Lorenson is a certified public accountant and a member of the American Institute of Certified Public Accountants and the Minnesota Society of Certified Public Accountants.

Gary J. Ortale. Mr. Ortale, 64, is our Executive Vice President and Chief Financial Officer. He was appointed to such position in May 2009, after serving as our Interim Chief Financial Officer since January 2009. Prior to that time, he was the Senior Vice President and Chief Risk Officer of the Bank, a position he assumed upon consummation of our merger with the former MidWestOne Financial in March 2008. Prior to that merger, Mr. Ortale had been serving as the Treasurer of the Company and the Senior Vice President-Chief Financial Officer of the Bank since 2002. He began with the Company and the Bank as their Vice President and Controller in 1987. Mr. Ortale has a B.S. in accounting from Drake University.

Karin M. Taylor. Ms. Taylor, 47, is a Vice President of the Company. Prior to the Merger, she served as the Chief Risk Officer of Central Bank since 2009. Prior to joining Central, she worked as a Director in the Risk Management Consulting practice at McGladrey. She has 25 years of experience in industry and consulting including management of various operational, lending and retail divisions, regulatory compliance, internal audit, process design and workflow management. Ms. Taylor received her Bachelor's degree from St. Olaf College.

**Merger-Related Agreements**

Pursuant to the terms of the Merger Agreement, as the holder of all of the outstanding shares of the common stock of Central, the John M. Morrison Revocable Trust #4 (the "Trust") received as merger consideration, upon the closing of the Merger on May 1, 2015, \$64,000,000 in cash and 2,723,083 shares of MidWestOne Financial common stock, which represents 24.5% of the outstanding shares of MidWestOne Financial common stock. Mr. Morrison, Chairman of the Board of the Company, is the trustee of the Trust.

The Company and Central specifically negotiated and named in the Merger Agreement those individuals who will serve as the Company's executive officers following the Merger. The Company and Central also negotiated in the Merger Agreement that the board of directors of the Company following the Merger will initially consist of eight directors appointed by the Company (each, a "Company-Related Director") and five directors appointed by Central (each, a "Central-Related Director"). The Company and Central also negotiated in the Merger Agreement that Mr. Morrison would serve as the Chairman of the Board of the Company.

Pursuant to the Merger Agreement and as reflected in the Company's amended and restated bylaws which became effective upon the consummation of the Merger, the Class I directors consist of two Company-Related Directors and two Central-Related Directors, one of whom is required to be Mr. Morrison. At the 2017 annual meeting of shareholders, Mr. Morrison, if then still serving as a director, may not stand for reelection, but if he has served the entirety of his initial term, subject to the approval of the Nominating and Corporate Governance Committee, the board of directors will nominate an individual recommended by Mr. Morrison to fill the seat left vacant by Mr. Morrison. Class I will consist of two Central-Related Directors until the 2020 annual meeting of shareholders, except under certain circumstances described in the bylaws.

The Class II directors consist of two Company-Related Directors and two Central-Related Directors. Class II will consist of two Central-Related Directors until the 2021 annual meeting of shareholders, except under certain circumstances described in the bylaws. The Class III directors consist of four Company-Related Directors and one Central-Related Director, who is required to be Mr. Albert. At the 2016 annual meeting of shareholders, Mr. Albert

may not stand for reelection; thereafter, Class III will include no Central Related Directors, and the total number of Central-Related Directors will be reduced by one.

Mr. Morrison was also a party to the Shareholder Agreement dated as of November 20, 2014 (the “Shareholder Agreement”), among the Company, the Trust, CBS LLC (“TruPS Holder”), the holder of all outstanding preferred securities of

## Table of Contents

CBI Capital Trust III, Riverbank Insurance Center, Inc., the holder of all outstanding Class A units (the “Insurance Agency Units”) of Central Insurance Agency, LLC (“Insurance Agency Owner”) and Mr. Morrison, who has common control over the Trust, TruPS Holder and Insurance Agency Owner. Among other things, pursuant to the Shareholder Agreement: (i) the Trust and Mr. Morrison are entitled to certain preemptive rights with respect to MidWestOne Financial securities; (ii) the Trust, Insurance Agency Owner, TruPS Holder and Mr. Morrison are subject to a general prohibition on the sale or transfer of shares of MidWestOne Financial common stock until the first anniversary of the effective time of the Merger; (iii) the Company is generally entitled to a right of first refusal in the event that any of the Trust, Insurance Agency Owner, TruPS Holder and Mr. Morrison desire to sell shares of MidWestOne Financial common stock following the effective time of the Merger; and (iv) the Trust is entitled to certain customary registration rights relating to the shares of MidWestOne Financial common stock it receives in conjunction with the Merger. Additionally, the Shareholder Agreement subjects the Trust, Insurance Agency Owner, TruPS Holder and Mr. Morrison to certain customary “standstill” provisions and a requirement that such parties vote their shares of MidWestOne Financial common stock in accordance with the terms of the Shareholder Agreement with respect to various matters for certain periods of time. The Trust, Insurance Agency Owner, TruPS Holder and Mr. Morrison are required to vote their shares: (i) in favor of all nominees to the board of directors as approved by the board, through the 2018 annual meeting of shareholders; (ii) in favor of all proposals of the board of directors as approved by the board, unless the proposal adversely affects its own interests, through the 2017 annual meeting of shareholders; and (iii) against any shareholder proposal not approved by the board or recommended by the board for approval, through the 2017 annual meeting of shareholders.

Additionally, although the Shareholder Agreement originally contemplated that the Company would acquire the Insurance Agency Units, representing 75% of the outstanding units of Central Insurance Agency, LLC, for \$2.6 million at or prior to the closing of the Merger, the parties have agreed to postpone the acquisition of the Insurance Agency Units until after the closing of the Merger, and such acquisition has not yet occurred.

## CORPORATE GOVERNANCE AND BOARD MATTERS

### General

The board has adopted guidelines on significant corporate governance matters that, together with our Code of Business Conduct and Ethics and other policies, creates our corporate governance standards. Generally, the board oversees our business and monitors the performance of our management. In accordance with our corporate governance standards, the board does not involve itself in the day-to-day operations of MidWestOne Financial, which is monitored by our executive officers and management. Our directors fulfill their duties and responsibilities by attending regular meetings of the board, which convene at least on a quarterly basis, and through committee membership, which is discussed below. Our directors also discuss business and other matters with Mr. Funk, our President and Chief Executive Officer, other key executives and our principal external advisers (legal counsel, auditors and other consultants).

With the exception of Messrs. Albert, Funk, Monson, Morrison, and Weise, each of our current directors is “independent,” as defined under The Nasdaq Stock Market LLC’s listing rules, and the board has determined that the independent directors do not have other relationships with us that prevent them from making objective, independent decisions. The board of directors has established an Audit Committee, a Nominating and Corporate Governance Committee and a Compensation Committee, each of which is currently made up solely of independent directors. The current charters of each of these committees are available on our website at [www.midwestonefinancial.com](http://www.midwestonefinancial.com). Our Code of Business Conduct and Ethics is also available on our website. Also posted on our website is a general description regarding our company and links to our filings with the SEC.

Our board of directors held thirteen meetings during 2014. All of the directors attended at least 75% of the board meetings and meetings of committees of which they were members. While we do not have a specific policy regarding attendance at the annual shareholder meeting, all directors are encouraged and expected to attend the meeting. Last year’s annual meeting was attended by all of the directors in office at such time.

### Audit Committee

During the early part of 2014 through the time of our 2014 annual shareholder meeting, the Audit Committee was comprised of Messrs. Donohue (Chairman), Koza and Zaiser and Ms. McCormick. Upon Mr. Koza's retirement from the board of directors in April 2014, Mr. Schwab was appointed to the Audit Committee and has served on the committee since that time. Each individual is considered to be "independent" under Nasdaq listing rules and the regulations of the SEC. It is anticipated that the composition of the Audit Committee will remain the same throughout 2015, except that Mr. Zaiser resigned from the board in May 2015 in connection with the Merger, and Ms. Stanoch joined the Audit Committee in May 2015 to fill the vacant seat created by Mr. Zaiser's resignation. The board of directors has determined that Mr. Donohue qualifies as an "audit committee

## Table of Contents

financial expert” under the regulations of the SEC. The board has based this determination on Mr. Donohue’s education and his professional experience as the managing partner of a certified public accounting firm.

The functions performed by the Audit Committee include, among other things, the following:

- overseeing our accounting and financial reporting;
- selecting, appointing and overseeing our independent registered public accounting firm;
- reviewing actions by management on recommendations of the independent registered public accounting firm and internal auditors;
- meeting with management, the internal auditors and the independent registered public accounting firm to review the effectiveness of our system of internal controls and internal audit procedures; and
- reviewing reports of bank regulatory agencies and monitoring management’s compliance with recommendations contained in those reports.

To promote independence of the audit function, the Audit Committee consults separately and jointly with our independent registered public accounting firm, the internal auditors and management. We have adopted a written charter for the committee, which sets forth its duties and responsibilities. The current charter is available on our website at [www.midwestonefinancial.com](http://www.midwestonefinancial.com). In 2014, the committee met fourteen times.

### Compensation Committee

During the early part of 2014 through the time of our 2014 annual shareholder meeting, the Compensation Committee of MidWestOne Financial was comprised of Messrs. West (Chairman), Latham, and Wersen and Ms. Kniff-McCulla. Upon Mr. Wersen’s retirement from the board of directors in April 2014, Mr. Ruud was appointed to the Compensation Committee and has served on the committee since that time. Also, Ms. McCormick joined the Compensation Committee in October 2014. Each individual served as an “independent” director as defined by Nasdaq listing requirements, an “outside” director pursuant to Section 162(m) of the Internal Revenue Code and a “non-employee” director under Section 16 of the Exchange Act. It is anticipated that the composition of the Compensation Committee will remain the same throughout 2015, except that Ms. Kniff-McCulla resigned from the board in May 2015 in connection with the Merger, and Mr. Hatch joined the Compensation Committee in May 2015 to fill the vacant seat created by Ms. Kniff-McCulla’s resignation.

The Compensation Committee reviews the performance of our Chief Executive Officer, Charles N. Funk, and determines the salary and bonus paid to him. It also reviews and determines the salaries and bonuses paid to our other Named Executive Officers (“NEOs”). The committee relies upon Mr. Funk’s assessment of each NEO’s individual performance, which considers the executive’s efforts in achieving his or her individual goals each year, managing and developing employees and the enhancement of long-term relationships with customers, if applicable to his or her position. Individual goals for NEOs are established by Mr. Funk in consultation with each executive officer. Management also provides the committee with evaluations as to employee performance, guidance on establishing performance targets and objectives, and recommendations with respect to salary and bonus levels and various equity incentive awards. The committee also consults with management on matters relative to executive compensation and benefit plans where board or shareholder action is expected, including the adoption of new plans or the amendment of existing plans, and also works with management with respect to new or amended compensation-related policies. No executive officer participates in any recommendation or decision with respect to his or her own compensation or benefits. Further, the committee administers our equity incentive plans, our long-term incentive plans and our executive incentive bonus plans and, as a result, has ultimate responsibility for interpretation and oversight of those plans.

The Compensation Committee’s duties, responsibilities, and functions are further described in its charter. The committee reviews its charter at least annually. It then recommends approval of the charter to the Company’s board of directors. The committee’s charter is available on our website, [www.midwestonefinancial.com](http://www.midwestonefinancial.com). You may also request a copy of this charter by writing to the Compensation Committee Secretary at MidWestOne Bank, 102 South Clinton Street, P.O. Box 1700, Iowa City, Iowa 52244-1700.

The charter gives the Compensation Committee the authority and sole discretion to hire outside consultants to further its objectives and responsibilities. For the last several years and again in 2015, the committee has directly retained the independent compensation consultant services of F.W. Cook & Co., Chicago, Illinois, to provide expertise and serve

as a resource with respect to current market activities involving executive compensation practices and procedures, and also to help analyze our executive and director compensation practices and procedures. As part of the process for the selection of F.W. Cook & Co., the committee considered each of the factors set forth in Nasdaq Rule 5605(d)(3), and the fact that no conflicts of interest exist in the Company's relationship with F.W. Cook. F.W. Cook is independent, reports directly to the Chair of the Compensation Committee, and performs



## Table of Contents

no other work for the Company. The charter also gives the committee the power to delegate to sub-committees and individual members of the committee.

The Compensation Committee met four times during 2014. Mr. West, as Chairman of the Compensation Committee, also met as needed with internal staff members and members of management to assimilate compensation information for this proxy statement.

### Nominating and Corporate Governance Committee

We also have a Nominating and Corporate Governance Committee. During the early part of 2014 through the time of our 2014 annual shareholders meeting, the members of the committee were Messrs. Koza (Chairman), Donohue, and West. Upon Messrs. Koza's and Wersen's retirement from the board of directors in April 2014, Mr. Schwab was appointed as Chairman of the committee and Ms. Heiden was appointed as a member of the committee. Each individual is considered "independent" under Nasdaq listing rules. It is anticipated that the composition of the Nominating and Corporate Governance Committee will remain the same throughout 2015, except that Ms. Heiden resigned from the board in May 2015 in connection with the Merger, and Ms. Stanoch joined the Nominating and Corporate Governance Committee in May 2015 to fill the vacant seat created by Ms. Heiden's resignation. The primary purposes of the committee are to identify and recommend individuals to serve on our board of directors and to review and monitor our policies, procedures and structure as they relate to corporate governance. We have adopted a written charter for the committee, which sets forth its duties and responsibilities. The current charter is available on our website at [www.midwestonefinancial.com](http://www.midwestonefinancial.com). In 2014, the committee met two times.

### Director Nominations and Qualifications

For the 2015 annual meeting, the Nominating and Corporate Governance Committee nominated for re-election to the board the four incumbent directors whose current terms are set to expire at the 2015 annual meeting. These nominations were further approved by the full board. We did not receive any shareholder nominations for directorships for the 2015 annual meeting.

The Nominating and Corporate Governance Committee evaluates all potential nominees for election, including incumbent directors, board nominees and any shareholder nominees included in the proxy statement, in the same manner. Generally, the committee believes that, at a minimum, directors should possess certain qualities, including the highest personal and professional ethics and integrity, a sufficient educational and professional background, demonstrated leadership skills, sound judgment, a strong sense of service to the communities which we serve and an ability to meet the standards and duties set forth in our Code of Business Conduct and Ethics. While we do not have a separate diversity policy, the committee does consider the diversity of its directors and nominees in terms of knowledge, experience, skills, expertise, and other demographics which may contribute to the board. The committee also evaluates potential nominees to determine if they have any conflicts of interest that may interfere with their ability to serve as effective board members and to determine whether they are "independent" in accordance with Nasdaq listing rules (to ensure that at least a majority of the directors will, at all times, be independent). The committee has not, in the past, retained any third party to assist it in identifying qualified candidates.

The committee identifies nominees by first evaluating the current members of the board whose term is set to expire at the upcoming annual shareholder meeting and who are willing to continue in service. Current members of the board with skills and experience that are relevant to our business and who are willing to continue in service are considered for re-nomination. If any member of the board does not wish to continue in service or if the committee or the board decides not to re-nominate a member for re-election, the committee would identify the desired skills and experience of a new nominee in light of the criteria above.

### Board Leadership Structure

The positions of Chairman of the Board and Chief Executive Officer of MidWestOne are currently held by separate individuals. We believe this is the most appropriate structure for our board at this time. The Chairman provides leadership to the board and works with the board to define its structure and activities in the fulfillment of its responsibilities. The Chairman sets the board agendas with board and management input, facilitates communication among directors, works with the Chief Executive Officer to provide an appropriate information flow between management and the board and presides at meetings of the board and shareholders. With the Chairman's assumption of these duties, the Chief Executive Officer may place a greater focus on our strategic and operational activities. We also

believe our board feels a greater sense of involvement and brings a wider source of perspective as a result of this structure, from which we benefit. In connection with the Merger, we agreed to appoint Mr. Morrison as Chairman of the Board for the length of his current term, and Mr. Monson will serve as Vice Chairman of the Board.

## Table of Contents

### Independent Director Sessions

The board of directors has created the position of a “lead” independent director, currently filled by Mr. West. The Nominating and Corporate Governance Committee reviews this appointment annually and the full board has the opportunity to ratify the committee’s selection. The lead independent director assists the board in assuring effective corporate governance and serves as chairman of the independent director sessions. Consistent with Nasdaq listing rules, the independent directors regularly have the opportunity to meet without the non-independent directors present and in 2014 there were two such sessions.

### Board’s Role in Risk Oversight

Risk is inherent with every business, and how well a business manages risk can ultimately determine its success. We face a number of risks, including general economic risks, credit risks, regulatory risks, audit risks, reputational risks and others, such as risks related to the unintentional effects our compensation plans may have on employee decision-making or the impact of competition. Management is responsible for the day-to-day management of risks the Company faces, while the board, as a whole and through its committees, has responsibility for the oversight of risk management. In its risk oversight role, the board of directors has the responsibility to satisfy itself that the risk management processes designed and implemented by management are adequate and functioning as designed. While the full board of directors is charged with ultimate oversight responsibility for risk management, various committees of the board and members of management also have responsibilities with respect to our risk oversight. In particular, the Audit Committee plays a large role in monitoring and assessing our financial, legal, and organizational risks, and receives regular reports from our Chief Risk Officer regarding comprehensive organizational risk as well as particular areas of concern. The Compensation Committee monitors and assesses the various risks associated with compensation policies, and oversees incentive plans to ensure a reasonable and manageable level of risk-taking consistent with our overall strategy. Additionally, our Chief Credit Officer and loan review staff are directly responsible for overseeing our credit risk.

We believe that establishing the right “tone at the top” and providing for full and open communication between management and our board of directors are essential for effective risk management and oversight. Our executive management meets regularly with our other senior officers to discuss strategy and risks facing the Company. Senior officers attend many of the board meetings or, if not in attendance, are available to address any questions or concerns raised by the board on risk management-related and any other matters. Additionally, each of our board-level committees provides regular reports to the full board and apprises the board of our comprehensive risk profile and any areas of concern.

### Code of Ethics

We have a code of conduct in place that applies to all of our directors, officers and employees. The code sets forth the standard of ethics that we expect all of our directors, officers and employees to follow, including our Chief Executive Officer and Chief Financial Officer. The Code of Business Conduct and Ethics is posted on our website at [www.midwestonefinancial.com](http://www.midwestonefinancial.com). We intend to satisfy the disclosure requirements under Item 5.05(c) of Form 8-K regarding any amendment to or waiver of the code with respect to our Chief Executive Officer and Chief Financial Officer, and persons performing similar functions, by posting such information on our website.

## AUDIT COMMITTEE REPORT

The Audit Committee, which is comprised solely of independent directors, assists the board of directors in carrying out its oversight responsibilities for our financial reporting process, audit process and internal controls. The Audit Committee also reviews our audited financial statements and recommends to the board that they be included in our Annual Report on Form 10-K.

The Audit Committee has reviewed and discussed our audited financial statements for the year ended December 31, 2014 with our management and McGladrey LLP, the independent registered public accounting firm that audited our financial statements for that period. The committee has also discussed with McGladrey LLP the matters required to be discussed by Auditing Standards No. 16, and has received and discussed the written disclosures and the letter from McGladrey LLP required by Public Company Accounting Oversight Board Rule 3526, Communication with Audit Committees Concerning Independence. Based on the review and discussions with management and McGladrey LLP,

the committee has recommended to the board that the audited financial statements be included in our Annual Report on Form 10-K for the year ended December 31, 2014 for filing with the SEC.

## Table of Contents

Submitted by:

The MidWestOne Financial Group, Inc. Audit Committee

Richard R. Donohue (Chairman)

Tracy S. McCormick

Richard J. Schwab

R. Scott Zaiser

## COMPENSATION DISCUSSION AND ANALYSIS

### Introduction

This Compensation Discussion & Analysis (“CD&A”) describes MidWestOne Financial’s compensation philosophy and policies as applicable to the NEOs listed in the Summary Compensation Table on page 22. This CD&A is intended to explain the structure and rationale associated with each material element of the executives’ total compensation, and it provides important context for the more detailed disclosure tables and specific compensation amounts provided following this CD&A.

It is important to understand that MidWestOne Financial and MidWestOne Bank share an executive management team. The members of the executive management team, including the NEOs, are compensated by the Bank, not by MidWestOne Financial. The compensation packages of the NEOs are determined and approved by the Compensation Committee based on the executives’ performance and roles for both MidWestOne Financial and MidWestOne Bank. The Compensation Committee (the “Committee”) engaged the services of F.W. Cook & Co., an independent compensation consultant, to provide expertise and serve as a resource as the Committee continually evaluates and analyzes our executive compensation program. In connection with its work for the Committee during 2014, F.W. Cook assisted the Committee with identifying an effective peer group of financial institutions in the Midwestern United States. The peer group companies were identified based on asset size, economic factors, and geographical area. Following a customary annual review of peer group companies, a change in early 2014 was made by replacing CFS Bancorp, which was acquired by First Merchants Corporation, with Isabella Bank Corp. The peer group included the following organizations in 2014:

- Bank Mutual Corporation, Milwaukee, WI
- BankFinancial Corporation, Burr Ridge, IL
- Baylake Corp., Sturgeon Bay, WI
- Enterprise Financial Services Corp., Clayton, MO
- First Financial Corporation, Terra Haute, IN
- First Mid-Illinois Bancshares, Inc., Mattoon, IL
- German American Bancorp, Inc., Jasper, IN
- Hawthorn Bancshares, Inc., Lees Summit, MO
- Hills Bancorporation, Hills, IA
- Horizon Bancorp, Michigan City, IN
- Isabella Bank Corp., Mt. Pleasant, MI
- Lakeland Financial Corporation, Warsaw, IN
- MainSource Financial Group, Inc., Greensburg, IN
- MutualFirst Financial, Inc., Muncie, IN
- QCR Holdings, Inc., Moline, IL
- Waterstone Financial, Inc., Wauwatosa, WI
- West Bancorporation, West Des Moines, IA

### Named Executive Officers

Throughout this CD&A, and in the Summary Compensation Table that follows, we refer to our NEOs. With respect to 2014, the NEOs of MidWestOne Financial are Charles N. Funk, our President and Chief Executive Officer, Susan R. Evans, our Chief Operating Officer, Kent L. Jehle, our Executive Vice President and Chief Credit Officer, Gary J. Ortale, our Executive Vice President and Chief Financial Officer, and James M. Cantrell, our Vice President and Chief Risk Officer.

### Our 2014 Performance

MidWestOne Financial achieved considerable success during 2014 by recording net income of \$18.5 million or diluted earnings per share of \$2.19. After adjusting for merger-related expenses, earnings for the year totaled \$19.5 million, which was a fourth consecutive year of record earnings. The adjusted diluted earnings per share was \$2.31. Financial trends were very positive for the Company with a return on assets of 1.05% and a return on average tangible common equity of 10.61%. The Company’s management has continued to target the efficiency ratio as a key component of measuring operating performance and the efficiency ratio has held relatively stable at 58.74% at MidWestOne Financial and, more importantly, at 54.59% for MidWestOne Bank. Asset quality improved slightly

during the year with non-performing loans in the bank loan portfolio falling to 1.15% of total bank

14

---

## Table of Contents

loans. Net charged-off loans were an exceptional 0.09% of total loans. Capital levels remain very strong with tangible common equity to total assets rising to 10.29% at year-end. The profitability and asset quality metrics rank in the top eight and top seven, respectively, of the bank's peer group.

### 2014 Say-On-Pay

We received approximately 97% of votes cast in support of our executive compensation program during the 2014 annual shareholders meeting. MidWestOne Financial, the Board and the Committee pay careful attention to communications received from shareholders, including the results of these nonbinding, advisory say-on-pay votes. The Compensation Committee considered the results of the advisory vote, but not for specific 2014 compensation decisions. The Committee believes that the vote reflects our shareholders' support of our compensation philosophy and the manner in which we compensate our NEOs. As such, the Committee did not alter our compensation philosophy as a result of the 2014 vote.

### Regulatory Impact on Compensation

As a publicly-traded financial institution, MidWestOne Financial must contend with several often overlapping layers of regulations when considering and implementing compensation-related decisions. Although these regulations do not set specific parameters within which compensation decisions must be made, MidWestOne Financial and the Committee continue to be mindful of the risks that correlate with compensation programs designed to incentivize the achievement of targeted performance. As the regulatory focus on risk assessment has been heightened over the last several years, the incorporation of ongoing concepts of risk assessment into compensation decisions continues to be a key focus of the Committee in its decision making.

The Committee, with the assistance of its advisors and company management, continues to monitor the status of compensation-related rules and regulations expected to be finalized or issued under the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"). The Committee expects such regulatory activity to continue and remains attentive to its obligations with respect to our compensation programs. The Committee intends to maintain its readiness to adopt any future compensation programs which fully comply with such additional rules and regulations when finalized or issued.

In addition to the foregoing, as a publicly-traded corporation, MidWestOne Financial is also subject to the SEC's rules regarding risk assessment. These rules require a publicly-traded company to determine whether the structure and terms of its existing incentive compensation programs pose risks which are reasonably likely to have a material adverse effect on the Company. We do not believe that our programs pose risks that are reasonably likely to have a material adverse effect on MidWestOne Financial.

The Committee continues to take a prudent approach to the design and administration of its compensation practices by attempting to balance risk and reward when setting goals and objectives for MidWestOne executives. With this in mind, the Committee has regularly scheduled discussions to review various components of each named executive officer's compensation while considering the regulatory framework applicable to MidWestOne Financial. The Committee continues to maintain policies and incentive compensation methods which effectively consider and manage risk-taking by those eligible to earn incentive compensation within the Company's compensation plans. The Committee also believes that the framework of such policies and procedures limits the risk that any one employee could potentially undertake with respect to the manipulation of reporting of earnings in an effort to better his or her compensation.

### Compensation Philosophy and Objectives

The Committee believes that, at their core, our executive compensation plans, programs and arrangements must clearly align with MidWestOne Financial's achievement of sustained, long-term financial success and also with the overall goal of increasing shareholder value. All of MidWestOne Financial's compensation programs are designed to attract and retain key employees, motivate them to achieve desired performance, and to reward them for excellent performance. The programs are not designed or intended to reward substandard, or even mediocre, performance results. Our executive compensation programs are intended to align the interests of management with those of our shareholders without creating undue risk to the Company. Compensation programs provide elements of both short and long-term performance with the goal of increasing shareholder value over the long term, but we place a greater focus on long-term performance as we believe that our shareholders more often take a long-term view with respect to their

ownership in the Company. We believe that executive compensation should not be tied too closely to the short-term performance of our stock, whether favorable or unfavorable, because short-term changes to the price of our stock may be more closely related to general market issues, not necessarily our performance. Rather, we strive to design balanced goals that incorporate multiple levels of financial metrics including company or division performance results as such measures will more accurately reflect our performance. We continue to believe that executive compensation programs should reflect an environment of setting goals and expectations, and rewarding results, thus influencing the general compensation of all employees throughout the Company.



## Table of Contents

We also believe that the compensation programs of our named executives should reflect, in large part, success as a management team rather than as individuals, with focus on attaining key operating objectives with respect to loan, deposit, and total asset growth, asset quality, the growth and consistency of earnings, providing support to the many communities in which we do business, and ultimately an increased market price for our stock. Executive compensation programs are not designed or intended to provide our executives with incentives to engage in business activities or other conduct which would threaten the value of MidWestOne Financial or the investments of our shareholders. We believe that the performance of the executives, in consideration of the general economic, and specific company, industry, and competitive conditions, should be the basis for determining their overall compensation.

MidWestOne Financial's executive compensation program is designed and structured to be consistent with the guiding philosophies, and to achieve the strategic objectives, as follows:

- encourage a relatively consistent and competitive return to our shareholders;
- maintain an environment which encourages and promotes stability and a long-term perspective for both the Company and our management team;
- maintain a currently competitive compensation program, which is motivating for officers and staff members, giving us the flexibility to:
  - ensure the performance and success of each individual in support of our current goals and strategic plan;
  - allow the hiring and retention of key personnel who are critical to our long-term success;
  - emphasize goal-based performance objectives, including various incentive compensation programs which are aligned with management's strategic plan and focused efforts; and
  - minimize, and eliminate when possible, any undue risk to the Company with respect to all compensation practices and programs;
- provide consistent management practices which:
  - fulfill appropriate and necessary oversight responsibility to the constituents of MidWestOne Financial (shareholders, customers, employees, regulators, and communities);
  - maintain the highest level of ethical standards and conduct according to our overall corporate policies; and
  - avoid any implied or real conflict between management's responsibilities to the Company and each person's personal interests.

### Compensation Components

**General.** There are four major components to executive officer compensation: base salary, bonus, equity awards and additional benefits. The Committee's decisions regarding each of these components for the NEOs are based in part on its subjective judgment and take into account qualitative and quantitative factors, as set forth in the following discussion. In reviewing an executive officer's compensation, the Committee considers and evaluates all components of the officer's total compensation package, including base salary, bonus, incentive stock awards, perquisites, participation in our non-qualified executive plans, participation in our 401(k) and ESOP plans, and any other payments, awards, or benefits that an officer earns. The Committee makes a concerted effort to give consideration to the research and analysis conducted by its compensation consultant, F.W. Cook, to ensure that MidWestOne's executive officer total compensation is in line with its peers and that it remains competitive. Further, the Committee considers any amounts an officer is entitled to receive upon retirement, termination or a change-in-control event. The Committee strives to provide each executive officer with a competitive total compensation package.

MidWestOne Financial is a party to employment agreements with Mr. Funk, Ms. Evans and Messrs. Ortale and Jehle. In early 2015, MidWestOne Financial and Mr. Cantrell entered into an employment agreement in place of his change of control agreement. The Committee believes these agreements serve to attract and retain key executives to MidWestOne and that their terms allow each executive to focus on his or her significant individual contributions with the best interests of the Company in mind.

**Base Salary.** The Committee believes that competitive base salary received by an executive officer serves as a form of financial security to each individual, and enables the Company to maintain a stable management team, which in turn leads to a more stable corporate environment. The Committee believes that a consistent and motivated management team, made up of highly qualified executives, is key to the success of MidWestOne Financial. Therefore, base salary

makes up the largest portion of the total compensation package.

16

---

Table of Contents

The Committee continues to evaluate the total compensation programs of our NEOs with consideration given to the importance of providing competitive pay and benefits in order to attract and retain key officers. The Committee's approach to this review considers the relative performance and compensation trends of our peer group companies, as well as individual performance of each executive officer and how his or her level of responsibility and respective key contributions are valued. As discussed above, the Committee, with the assistance of F.W. Cook, performs a customary review of base salary levels, on at least an annual basis, by comparing MidWestOne Financial's compensation levels to those of its 17 regional peer companies. The Committee also acknowledges that the roles and responsibilities of our NEOs are substantial to the success of the Company and, therefore, the performance and respective compensation of our NEOs is critical to ongoing positive financial performance. The Committee generally strives to maintain a base salary position which is competitive and fair with respect to our regional peers, and, more specifically, aligns our NEOs' compensation with our financial performance relative to our peer group, with a goal of ranking within the top one-third of this group when supported by performance.

Each NEO's performance is evaluated by reviewing performance appraisal information and recommendations made available by management. This review considers each NEO's achievement of individual goals and how his or her performance has contributed to the overall financial performance of MidWestOne Financial. Mr. Funk presents the performance evaluations and his recommendations for each NEO, other than himself, to the Committee. Mr. West, the Committee's Chairperson, presents the same for Mr. Funk. The Chair of MidWestOne Financial's Board of Directors also provides feedback to the Committee about Mr. Funk's performance.

Generally, the Committee determines the annual base salaries for the coming year at the end of the prior calendar year. In determining these base salaries, we consider the same general factors discussed above including the evolving landscape of the banking environment regionally and nationally, the impact of the economy and increased regulation of our industry on our earnings, the return on average assets, and overall assets. The Committee also considers certain economic factors in the financial industry that are beyond the NEOs' control. The Committee believes that MidWestOne Financial's performance continues to compare favorably in several areas with other financial institutions, including those in our peer group.

**Cash Incentive Awards-Bonus.** The Committee also determines annual cash incentive awards for our NEOs with consideration to the performance results outlined in each executive's bonus plan. In addition to the CEO and other NEOs, the remaining members of MidWestOne Bank's senior management team are generally eligible for a bonus. Each bonus plan is designed to provide an incentive to achieve individual and corporate financial goals while considering the mitigation of any risks which may affect MidWestOne Financial's overall financial performance. Generally speaking, thresholds and targets are set within each bonus plan so that improvement in each goal category is necessary in order to receive any or all of the bonus payout. In addition, the bonus plans of the NEOs include a "knock out" provision that requires the attainment of a minimum Company-wide performance goal in order to be able to receive any portion of the annual bonus. The Committee does, however, retain the discretion to increase or decrease the amount of a bonus if it determines that special circumstances existed during the year which warranted adjustment of any bonus amount.

The bonus and corresponding goal setting process occurs annually. Mr. Funk provides recommendations with respect to members of management other than himself, to Mr. West and the Chairman of the Board for initial review. Mr. West and the Chairman of the Board discuss Mr. Funk's recommendations with members of the Compensation Committee and also consider factors applicable to Mr. Funk's annual bonus. Mr. West then presents bonus recommendations to the Committee for approval.

In 2014, pursuant to our bonus plan, Mr. Funk was potentially eligible for an annual bonus equal to one-third of his salary, or \$125,665. Based on his and the Company's performance during 2014, Mr. Funk earned 91.5% of his bonus. The components designated by the Committee, and the percentage of salary that the NEOs were eligible to earn for 2014 performance, were as follows:

Name	Profitability Net Operating Income/EPS	Peer Group Standing	Efficiency Ratio	Additional Individual Goals - Subjective	2014 Eligible Bonus (as % of Base Salary)
------	--	------------------------	---------------------	---	---

Edgar Filing: MidWestOne Financial Group, Inc. - Form DEF 14A

Charles N. Funk	40%	45%	10%	5%	33.3%
Susan R. Evans	40%	20%	20%	20%	25%
Kent L. Jehle	40%	50%	10%	—	25%
Gary J. Ortale	50%	25%	25%	—	25%
James M. Cantrell	50%	—	20%	30%	25%

Profitability, Net Operating Income and Earnings Per Share Component. The Committee believes that a profitability metric using net operating income and earnings per share are appropriate measures because each focuses on the financial

Table of Contents

performance of the Company, which in turn reflects shareholder value. Each NEO has a portion of his or her bonus tied to this metric. The Committee elected to use net operating income of \$18.3 million and earnings per share of \$2.16 as the 2014 targets. As a “knock out” provision, if net operating income was not at least \$16.5 million, no bonus was to be paid to the NEOs unless the Committee found special circumstances to warrant the payment of a bonus. Assuming the “knock out” threshold was exceeded, the NEOs would be eligible to receive 100% of the net operating income component of their bonuses if 2014 net operating income was at least \$18.3 million and earnings per share was at least \$2.16. Our 2014 net operating income was \$18.5 million and our 2014 earnings per share was \$2.19. Therefore, the NEOs earned 100% of this component.

**Peer Group Standing Component.** The Committee believes it is appropriate to incentivize our management team to ensure that the Company’s overall financial performance ranks in the top one-third of our 18 company peer group. The Committee is committed to paying our NEOs in a competitive compensation range as we work toward the achievement of this goal. The overall financial performance of MidWestOne with respect to its position within its peer group was a factor in determining the bonuses for Messrs. Funk, Jehle, and Ortale, and Ms. Evans, but was not a factor in determining Mr. Cantrell’s bonus. If the Company’s 2014 overall financial performance (as measured by its relative position within its peer group) was within the top one-third of those respective peer institutions, our NEOs would be deemed to have achieved this component of the bonus plan. The Committee determined that we met 80% of this goal for 2014 and, as such, the respective NEOs were awarded a percentage of their bonus for this component of the annual formula.

**Efficiency Ratio.** The Committee believes that expense control and efficiency of operations is a goal we must continually strive for in order to provide the best financial return for our shareholders. As such, the Committee deemed a bonus component in 2014 tied to continued improvement of our efficiency ratio to be merited. The Committee believes the efficiency ratio is a reliable metric on which to base a portion of the bonus because it reflects our relative cost of doing business. For 2014, Mr. Funk, Ms. Evans and Messrs. Ortale, Jehle, and Cantrell were asked to maintain MidWestOne Bank’s efficiency ratio at 56%. No payout would occur if MidWestOne Bank’s efficiency ratio, excluding costs associated with the pending transaction, was higher than 58%. As previously stated, the 2014 efficiency ratio for MidWestOne Bank was 54.59%. Also, MidWestOne Financial’s efficiency ratio, prior to adjustment for costs associated with the pending transaction was 58.74% and after such adjustment was 57.29%. As such, the Committee determined that our NEOs earned 100% of this component.

**Additional Individual Performance Component.** For 2014, additional individual goals were assigned to Messrs. Funk and Cantrell and Ms. Evans and generally reflect additional corporate measures that are affected by that executive’s performance. The Committee generally assesses overall progress toward each goal while retaining the discretion to reward other aspects of a NEO’s performance during the year if it is merited. As such, if unforeseen circumstances should warrant a bonus being paid to an executive, the Committee is authorized to consider the treatment of how the bonus payment is made.

In determining whether each of the respective NEOs met his or her individual goals during 2014, and was therefore eligible for this additional component of his or her bonus plan, the Committee considered the following:

- With respect to Mr. Funk, the committee considered his leadership in showing an increase to MidWestOne’s deposit growth above the state of Iowa average resulting in an increase in statewide market share.

- With respect to Ms. Evans, the Committee considered her leadership in attaining commercial and agricultural loan growth, deposit growth above the state of Iowa average resulting in an increase in statewide market share, as well as her oversight of revenue enhancement initiatives resulting in a decrease in non-interest expense and the efficiency improvements of operations.

- With respect to Mr. Cantrell, the Committee considered his leadership with ALCO, improvements to internal audit and loan review functional areas of the Bank, and continued tangible progress towards MidWestOne Bank’s enterprise risk management program.

In early 2015, the same bonus plan process was put in place with Mr. Funk and Mr. West presenting the executive bonus plans to the Committee. Bonus plans for each of the NEOs contained an established target percentage amount that each officer could potentially earn upon meeting the established corporate and where applicable, additional individual goals for the executive. A recommendation for 2015 bonus plans for the NEOs was presented to the

Committee by Mr. West and Mr. Funk at its January 2015 meeting which included changes to target percentages more appropriately aligned with peer group compensation levels. The Compensation Committee approved the bonus plans unanimously.

Long-Term Incentive Awards-Equity Awards. The Board of Directors and the Committee believe in management ownership of our common stock as an effective means to align the interests of management with those of the shareholders. Our current long-term incentive plan (“the 2008 Equity Incentive Plan”), which was approved by our shareholders in March 2008, is intended to promote equity ownership in MidWestOne Financial by the directors and selected officers, to focus the management

Table of Contents

team on increasing value to the shareholders, to increase the plan participants' proprietary interest in the success of MidWestOne Financial, and to encourage the retention of key employees for an extended period of time. The current Equity Incentive Plan authorizes the issuance of MidWestOne Financial's common stock, including the granting of stock options and restricted stock units.

All equity awards are at the discretion of the Committee and are generally subjective in nature. The Committee considers the position of the NEO, the officer's level of influence and the corresponding ability to contribute toward the success of MidWestOne Financial, individual and corporate performance and whether the respective goals were obtained, as well as the level of equity awards granted to individuals with similar positions at our peer companies. The Committee typically approves equity awards in January of each year. The timing of the equity grants coincides with the completion of annual performance evaluations and development of current-year bonus plans. The Committee reserves the right to grant additional equity awards at other times of the year in connection with the appointment of any new directors or officers or to compensate key employees for other significant or notable achievements. Although the 2008 Equity Incentive Plan allows for the granting of various types of equity awards, for 2014 and 2015, the Committee chose to grant only restricted stock units to NEOs.

**All Other Compensation.** We provide general and customary benefit programs to executive officers and other employees. Benefits offered to executives are intended to serve a different purpose than base salary, bonus and equity awards. While the benefits offered are competitive with the marketplace and help to attract and retain executives and employees, the benefit programs also provide financial security for employees for retirement as well as unforeseen life events such as illness, disability, or death. The benefits offered to executive officers are generally those offered to other employees. There are some additional perquisites that may only be offered to executive officers. Due to the nature of benefits offered, the Committee does not adjust the level of benefits offered on a year-to-year basis.

MidWestOne Financial will continue to offer benefits, the amount of which shall be determined from time-to-time at the sole discretion of the Committee, provided that such benefits are not determined by regulatory rules to be limited or prohibitive as outlined in their respective restrictions.

The following table illustrates benefits and perquisites we provide to employees, including our NEOs:

	Executive Officers	Other Officers / Managers	Full-Time Employees
<b>Health Plans:</b>			
Life & Disability Insurance	X	X	X
Medical/Dental/Vision Plans	X	X	X
<b>Retirement Plans:</b>			
401(k) Plan/Profit-Sharing	X	X	X
ESOP	X	X	X
SERP/Deferred Compensation Plan	X	X	Not Offered
<b>Perquisites:</b>			
Automobile Allowance	As Duties Require	As Duties Require	Not Offered
Social Club Membership	As Duties Require	As Duties Require	Not Offered

**401(k) Plan.** MidWestOne Financial sponsors a tax-qualified, tax-exempt 401(k) retirement plan. The 401(k) plan is considered a defined contribution plan. American Trust & Savings Bank of Dubuque, Iowa administers the plan. American Trust's services include general compliance advice, required testing, plan design, enrollment and distributions, and overall management of plan assets.

All employees are eligible to participate in this plan after meeting eligibility requirements pertaining to age and service. Eligible employees are permitted to contribute a portion of their own compensation up to a maximum dollar amount permitted by law. Participants may choose their own investments for their assets or they may elect a managed plan whereby a plan manager makes investment decisions on behalf of the participant according to the investment risk level the participant has chosen.

Pursuant to the plan, we provide a safe harbor matching contribution of a participant's elective deferrals. The safe harbor match formula is calculated at 100% of the first 3% of eligible compensation and 50% of the next 2% of eligible compensation.



Table of Contents

There is also a profit-sharing contribution component to the 401(k) plan which provides for an additional non-elective employer contribution to the retirement account of each participant. This contribution is discretionary and, if paid, is based on the Company's profitability in a given year, and is allocated to participants per plan terms based on their annual compensation. No profit-sharing contribution was made to the plan for 2014.

**Employee Stock Ownership Plan.** MidWestOne Financial sponsors a tax-qualified employee stock ownership plan, also known as the ESOP, designed primarily to reward eligible employees for their service to the Company in the form of a retirement benefit. As with the 401(k) plan, American Trust & Savings Bank of Dubuque, Iowa serves as the plan recordkeeper.

Any benefits payable under the ESOP are based solely upon the statutorily limited amounts contributed for the benefit of the participants, along with any changes in the value of those contributions while they are held in the ESOP. The ESOP does not permit or require any contributions by participating employees. Subject to certain exceptions under the law, contributions to the ESOP are fully vested after six years of service with the Company. MidWestOne Financial, the sponsor of the ESOP, makes an annual contribution which is allocated among all eligible employees of the Company, including executive officers. The ESOP contribution is calculated as a designated percentage of annual compensation each year. This contribution is discretionary in nature and is set and approved by the MidWestOne Financial Board of Directors each January. The Company's ESOP contribution approved for 2014 was 3.75% of salary for all eligible participants.

**Supplemental Executive Retirement Agreements (the "SERPs").** MidWestOne Financial provides certain of our executive officers with supplemental retirement benefits as an added incentive to remain with and focus on the long-term success of the Company. The supplemental retirement benefits are nonqualified deferred compensation arrangements. They are unfunded and unsecured promises of the Company to pay a benefit to each executive in the future. In the case of insolvency of the Company, the executives participating in such arrangements would be treated as general unsecured creditors of the Company. As such, we believe that these supplemental retirement agreements encourage our executive officers to think about, and work toward, the long-term health and success of MidWestOne Financial.

Mr. Funk, Ms. Evans and Messrs. Ortale and Jehle each participate in the supplemental retirement benefits. Pursuant to their individual agreements, they will each receive a set dollar amount upon a retirement from employment after attaining 65 years of age. Upon such a retirement, the executive's benefit will be paid in a series of 180 monthly installments. At age 65, Mr. Funk will receive a monthly benefit equal to \$2,083, Ms. Evans will receive a monthly benefit equal to \$1,250, Mr. Ortale will receive a monthly benefit equal to \$2,083, and Mr. Jehle will receive a monthly benefit equal to \$1,250.

If the executive retires after attaining age 60, but before attaining age 65, he or she will receive a reduced benefit. If the executive retires before attaining age 60, he or she shall forfeit any right to a benefit under the supplemental retirement agreement. The agreements provide for a full death benefit in the case of the executive's death while still employed by the Company.

In addition, Mr. Jehle participates in one other supplemental retirement benefit. Pursuant to this agreement, he will receive a set dollar amount upon a retirement from employment after attaining 60 years of age. Upon such a retirement, Mr. Jehle's benefit will be paid in a series of 120 monthly installments. At age 60, Mr. Jehle will receive a monthly benefit equal to \$833. The agreement provides for a full death benefit in the case of Mr. Jehle's death while still employed by the Company.

As a condition to receiving the continued stream of monthly installments, the executives will be subject to restrictive covenants for a period of 60 months following any retirement which results in payment to him or her of a supplemental retirement benefit.

**Other Perquisites.** We believe that perquisites for executive officers should be very limited and conservative in nature, both in scope and value. Consistent with this philosophy, MidWestOne Financial has generally provided nominal benefits to executives that are not available to other full time officers and employees. This approach to perquisites is anticipated to continue in the future. We provide country club memberships for all market presidents and certain commercial banking officers in each market up to a maximum amount of \$2,500.00 annually. The country club benefit is for single memberships only and intended to extend the officer's external visibility and resulting business

opportunities in their home community. An additional perquisite for certain officers includes a company automobile based on the needs of business travel. Mr. Funk, Ms. Evans and Messrs. Ortale and Jehle have company cars assigned to them. We have disclosed the value of all perquisites to NEOs in the Summary Compensation Table even if these fall below the disclosure thresholds under the SEC rules. MidWestOne Financial will continue to offer limited perquisites, the amount of which shall be determined from time-to-time in the sole discretion of the Committee, provided that such perquisites are not considered to be restricted or prohibited by any compensation regulations.

20

---

Table of Contents

## Compensation Decisions

This section describes the decisions made by the Compensation Committee with respect to the compensation for NEOs for 2014 as well as certain decisions with respect to 2015 compensation.

**Base Salary.** We review the base salaries of the NEOs annually to determine whether or not they will be adjusted, as described above. The salaries for 2014, determined by the Compensation Committee at the end of 2013, are set forth in the Summary Compensation Table on page 22.

At the end of 2014, the Compensation Committee met to set base salaries for 2015. In determining those base salaries, the Committee considered many of the same factors identified above. The total increase in base salaries for the NEOs for 2015 represented an increase of approximately 7.6% over 2014.

This table reflects base salaries of our NEOs which were earned in 2014 and those base salaries set for 2015:

Named Executive Officer	2014	2015
Charles N. Funk	\$377,000	\$410,000
Susan R. Evans	\$240,000	\$265,000
Kent L. Jehle	\$236,000	\$250,000
Gary J. Ortale	\$215,000	\$225,000
James M. Cantrell	\$191,000	\$205,000

**Bonus.** Our NEOs achieved the goals for earning a cash bonus established by the Compensation Committee and, therefore, were awarded cash bonuses as set forth below:

Name	Bonus Compensation Earned in 2014
Charles N. Funk	\$114,983
Susan R. Evans	\$54,300
Kent L. Jehle	\$57,120
Gary J. Ortale	\$51,063
James M. Cantrell	\$46,318

In early 2015, the Compensation Committee agreed on the terms of our 2015 bonus plan. Pursuant to that plan, Mr. Funk is eligible to receive a bonus up to a maximum of 50% of his base salary, Ms. Evans up to 40% of her base salary, and Messrs. Cantrell, Ortale, and Jehle, eligible to receive a bonus up to a maximum of 33.33% of their base salary.

**Equity Awards.** We typically grant equity incentives to our eligible employees, including the NEOs, in January of each year. The incentive stock options and/or restricted stock units granted to the NEOs vest in equal installments over four years and are subject to forfeiture until vested. There are no additional restricted stock units awarded equal in value to the amount of dividends paid with respect to the underlying shares of common stock.

In January 2014, the Compensation Committee approved equity grants for its NEOs comprised solely of restricted stock units. The committee made the following awards:

- ♣ Mr. Funk was awarded 5,000 restricted stock units.
- ♣ Ms. Evans and Messrs. Ortale and Jehle each received 2,500 restricted stock units.
- ♣ Mr. Cantrell was awarded 500 restricted stock units.

In January 2015, the Compensation Committee approved equity grants for its NEOs comprised solely of restricted stock units. The committee made the following awards:

- ♣ Mr. Funk was awarded 5,000 restricted stock units.
- ♣ Ms. Evans received 2,500 restricted stock units.
- ♣ Messrs. Ortale, Jehle and Cantrell each received 1,500 stock units.

Table of Contents

The restricted stock units granted to our NEOs will vest 25% on the first anniversary of the date of grant, 25% on the second anniversary, 25% on the third anniversary, and 25% on the fourth anniversary. There will be no dividend equivalents issued with respect to restricted stock units.

All Other Compensation. While the Compensation Committee reviews and monitors the level of other compensation offered to the NEOs, the committee typically does not adjust the level of benefits offered on an annual basis. The Committee does consider the benefits and perquisites offered to the NEOs in its evaluation of the total compensation received by each. The perquisites received by the NEOs in 2014 are reported in the Summary Compensation Table on page 22. The benefits offered in 2014 to the NEOs are expected to continue for 2015, unless otherwise limited or prohibited by any regulatory rules.

## EXECUTIVE COMPENSATION

## Summary Compensation Table

The following table sets forth information concerning the compensation of our NEOs, which consist of our Chief Executive Officer, Chief Financial Officer, and our three most highly compensated executive officers in 2014. Except as otherwise required pursuant to SEC rules, the table sets forth the following information for the years ended December 31, 2014, 2013, and 2012: (i) the dollar value of base salary and bonus earned; (ii) the aggregate grant date fair value of stock and option awards granted at any time computed in accordance with FASB ASC Topic 718; (iii) all other compensation; and (iv) the dollar value of total compensation.

Name and Principal Position	Year	Salary	Bonus	Stock Awards <sup>(1)</sup>	Option Awards <sup>(1)</sup>	Non-Equity Incentive Plan Compensation	Change in Pension Value and Nonqualified Deferred Compensation Earnings <sup>(2)</sup>	All Other Compensation	Total Compensation <sup>(3)</sup>
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Charles N. Funk President and Chief Executive Officer	2014	\$377,000	—	\$125,150	—	\$ 114,983	\$ 1,104	\$ 28,060	\$ 646,297
	2013	\$363,000	—	\$68,550	—	\$ 111,783	\$ 977	\$ 25,108	\$ 569,418
	2012	\$355,000	—	\$94,899	—	\$ 106,490	\$ 858	\$ 28,309	\$ 585,556
Susan R. Evans Chief Operating Officer	2014	\$240,000	—	\$62,575	—	\$ 54,300	\$ 932	\$ 25,507	\$ 383,314
	2013	\$229,000	—	\$34,275	—	\$ 53,376	\$ 809	\$ 25,748	\$ 343,208
	2012	\$223,000	—	\$16,850	—	\$ 50,733	\$ 694	\$ 26,616	\$ 317,893
Kent L. Jehle Executive Vice President and Chief Credit Officer	2014	\$236,000	—	\$62,575	—	\$ 57,120	\$ 622	\$ 25,796	\$ 382,113
	2013 <sup>(3)</sup>	\$227,500	—	\$34,275	—	\$ 52,609	\$ 556	\$ 24,164	\$ 339,104
	2012	\$222,000	—	\$16,850	—	\$ 50,505	\$ 495	\$ 25,229	\$ 315,079
Gary J. Ortale Executive Vice President and Chief Financial Officer	2014	\$215,000	—	\$62,575	—	\$ 51,063	\$ —	\$ 28,469	\$ 357,107
	2013	\$207,500	—	\$34,275	—	\$ 49,930	\$ —	\$ 28,482	\$ 320,187
	2012	\$202,000	—	\$16,850	—	\$ 45,325	\$ 8,411	\$ 26,724	\$ 299,310
James M. Cantrell	2014	\$191,000	—	\$12,515	—	\$ 46,318	\$ —	\$ 18,894	\$ 268,727

Vice President and Chief Risk Officer	2013	\$ 186,200	—	\$ 11,425	—	\$ 27,092	\$ —	\$ 16,059	\$ 240,776
	2012	\$ 179,000	—	\$ 8,425	—	\$ 22,366	\$ —	\$ 15,630	\$ 225,421

The amounts set forth in the "Stock Awards" column and the "Option Awards" column reflect the grant date fair value of awards granted during the years ended December 31, 2014, 2013 and 2012, in accordance with FASB ASC

(1) Topic 718. The assumptions used in calculating these amounts are set forth in Note 13 to our consolidated financial statements for the year ended December 31, 2014, which is located on pages 98 through 100 of our Annual Report on Form 10-K for the year ended December 31, 2014.

(2) The amounts set forth in the "Change in Pension Value and Nonqualified Deferred Compensation Earnings" column includes the change in the value of accrued benefits under the MidWestOne Bank Retirement Plan and above-market interest, as determined for proxy disclosure purposes only, accrued under the SERP during the year. The MidWestOne Bank Retirement Plan was liquidated in June 2012.

Table of Contents

The 2014 amounts attributable to each are as follows:

Name	Change in Pension Value	Above-Market Interest	Change in Pension Value and Nonqualified Deferred Compensation Earnings
Charles N. Funk	\$—	\$ 1,104	\$ 1,104
Susan R. Evans	\$—	\$ 932	\$ 932
Kent L. Jehle	\$—	\$ 622	\$ 622
Gary J. Ortale	\$—	\$—	\$—
James M. Cantrell	\$—	\$—	\$—

The 2013 amounts attributable to each are as follows:

Name	Change in Pension Value	Above-Market Interest	Change in Pension Value and Nonqualified Deferred Compensation Earnings
Charles N. Funk	\$—	\$ 977	\$ 977
Susan R. Evans	\$—	\$ 809	\$ 809
Kent L. Jehle	\$—	\$ 556	\$ 556
Gary J. Ortale	\$—	\$—	\$—
James M. Cantrell	\$—	\$—	\$—

The 2012 amounts attributable to each are as follows:

Name	Change in Pension Value	Above-Market Interest	Change in Pension Value and Nonqualified Deferred Compensation Earnings
Charles N. Funk	\$—	\$ 858	\$ 858
Susan R. Evans	\$—	\$ 694	\$ 694
Kent L. Jehle	\$—	\$ 495	\$ 495
Gary J. Ortale	\$8,411	\$—	\$ 8,411
James M. Cantrell	\$—	\$—	\$—

(3) The amounts reflected in the “Non-Equity Incentive Plan Compensation” and “Total” columns for 2013 were incorrectly calculated and have been adjusted by \$10,000 when compared to our prior disclosure of these amounts.

(4) All other compensation for the NEOs attributable to fiscal 2014 is summarized below.

Name	Perquisites <sup>(i)</sup>	401(k) Match	Supplemental Retirement Contribution	ESOP Contribution	Total “All Other Compensation”
Charles N. Funk	\$1,183	\$ 10,400	\$ 6,727	\$ 9,750	\$ 28,060

Edgar Filing: MidWestOne Financial Group, Inc. - Form DEF 14A

Susan R. Evans	\$2,139	\$9,927	\$3,691	\$9,750	\$25,507
Kent L. Jehle	\$1,895	\$10,234	\$3,917	\$9,750	\$25,796
Gary J. Ortale	\$582	\$8,808	\$9,329	\$9,750	\$28,469
James M. Cantrell	\$497	\$10,219	\$—	\$8,178	\$18,894

(i) Includes the incremental cost related to the use of a Company-owned automobile for Messrs. Funk, Jehle, and Ortale and Ms. Evans, and the Company-paid dinner club membership dues for Mr. Funk.

Table of Contents

## Grants of Plan Based Awards

The following table provides information on equity grants awarded to our NEOs during 2014. All such grants were made under our 2008 Equity Incentive Plan, which is described in more detail in the CD&A.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards <sup>(1)</sup>			All Other Stock Awards: # of Shares or Units	All Other Option Awards: # of Securities Underlying Options	Exercise or Base Price of Option Awards (\$/sh)	Grant Date Fair Value of Stock Unit Awards
		Threshold	Target	Maximum				
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
Charles N. Funk	2/15/2014	—	—	—	5,000	—	—	\$125,150
		—	\$125,665	—	—	—	—	—
Susan R. Evans	2/15/2014	—	—	—	2,500	—	—	\$62,575
		—	\$60,000	—	—	—	—	—
Kent L. Jehle	2/15/2014	—	—	—	2,500	—	—	\$62,575
		—	\$59,000	—	—	—	—	—
Gary J. Ortale	2/15/2014	—	—	—	2,500	—	—	\$62,575
		—	\$53,750	—	—	—	—	—
James M. Cantrell	2/15/2014	—	—	—	500	—	—	\$12,515
		—	\$47,750	—	—	—	—	—

The amounts set forth in the "Estimated Future Payouts Under Non-Equity Incentive Plan Awards" columns reflect the threshold and target payouts for performance under the bonus plan as described in the section titled "Cash Incentive Awards-Bonuses" in the CD&A above. The amount earned by each NEO for 2014 performance is included in the Summary Compensation Table in the column titled "Non-Equity Incentive Plan Compensation."

## Outstanding Equity Awards at Fiscal Year End

The following table sets forth information concerning the exercisable and unexercisable stock options and restricted stock units at December 31, 2014, held by each NEO:

Name	Option Awards Number of Securities Underlying Unexercised Options		Option Exercise Price (\$)	Option Expiration Date	Stock Awards # of Shares or Units of Stock that Have Not Vested <sup>(1)</sup>	Market Value of Shares or Units of Stock that Have Not Vested (\$) <sup>(2)</sup>
	Exercisable	Unexercisable				
(a)	(b)	(c)	(d)	(e)	(f)	(g)
Charles N. Funk	6,000	—	\$16.69	4/1/2018	—	—
	1,500	—	\$9.34	1/22/2019	—	—
	—	—	—	—	11,366	\$327,454
Susan R. Evans	500	—	\$16.69	4/1/2018	—	—
	500	—	\$9.34	1/22/2019	—	—
	1,200	—	\$7.02	7/16/2019	—	—
	—	—	—	—	4,300	\$123,883
Kent L. Jehle	3,000	—	\$16.69	4/1/2018	—	—
	1,500	—	\$9.34	1/22/2019	—	—
	—	—	—	—	4,300	\$123,883
Gary J. Ortale	500	—	\$16.69	4/1/2018	—	—
	500	—	\$9.34	1/22/2019	—	—
	4,800	—	\$7.02	7/16/2019	—	—



	—	—	—	—	4,300	\$123,883
James M. Cantrell	—	—	—	—	1,215	\$35,004

Table of Contents

(1) The table below shows the remaining vesting schedule for unvested restricted stock units granted on January 18, 2011.

Name	1/18/2015
Charles N. Funk	1,300
Susan R. Evans	175
Kent L. Jehle	175
Gary J. Ortale	175
James M. Cantrell	90

The table below shows the remaining vesting schedule for unvested restricted stock units granted on February 15, 2012.

Name	2/15/2015	2/15/2016
Charles N. Funk	1,408	1,408
Susan R. Evans	250	250
Kent L. Jehle	250	250
Gary J. Ortale	250	250
James M. Cantrell	125	125

The table below shows the remaining vesting schedule for unvested restricted stock units granted on February 15, 2013.

Name	2/15/2015	2/15/2016	2/15/2017
Charles N. Funk	750	750	750
Susan R. Evans	375	375	375
Kent L. Jehle	375	375	375
Gary J. Ortale	375	375	375
James M. Cantrell	125	125	125

The table below shows the remaining vesting schedule for unvested restricted stock units granted on February 15, 2014.

Name	2/15/2015	2/15/2016	2/15/2017	2/15/2018
Charles N. Funk	1,250	1,250	1,250	1,250
Susan R. Evans	625	625	625	625