MidWestOne Financial Group, Inc.
Form 10-K
April 15, 2008
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934**
For fiscal year ended December 31, 2007

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934**
For transition period from ______ to ______

Commission File Number: 000-24630

MidWest*One* Financial Group, Inc.

(Exact name of Registrant as specified in its charter)

Iowa	**42-1206172**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**

102 South Clinton St.

Iowa City, Iowa 52240

(Address of principal executive offices) (Zip Code)

(319) 356-5800

(Registrant s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock, par value $0.01 per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ¨ No x

Indicate by check mark whether the Registrant (1) has filed all reports to be filed by Section 13 or 15(d) of the Securities and Exchange Act 0f 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this 10-K or any amendment to this form 10-K. ¨

Indicate by check mark whether registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Act). (check one): Large accelerated filer ¨ Accelerated filer ¨ Non-accelerated filer ¨ (do not check if a smaller reporting company) Smaller reporting company x

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2). Yes ¨ No x

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant, based on the last sales price quoted on the Nasdaq Global Market on June 30, 2007, the last business day of the registrant s most recently completed second fiscal quarter, was approximately $57.2 million.

At March 14, 2008, the total number of shares of common stock outstanding was 3,705,270.

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MidWest*One* Financial Group, Inc.

2007 Form 10-K Annual Report

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Introductory Note

On Friday, March 14, 2008, MidWest*One* Financial Group, Inc. merged with and into ISB Financial Corp. in accordance with the Agreement and Plan of Merger, dated as of September 11, 2007 (the Merger). As a result of the Merger, MidWest*One* Financial Group, Inc. (Former MidWest*One*) ceased to exist as a legal entity and ISB Financial Corp. survived the merger and changed its name to MidWest*One* Financial Group, Inc. The surviving company is referred to in this document as New MidWest*One*.

For purposes of Rule 12g-3(a) under the Securities Exchange Act, as amended (the Exchange Act), New MidWest*One* is the successor issuer to Former MidWest*One*. As a result, because Former MidWest*One* did not file its Form 10-K for the year ended December 31, 2007 prior to the consummation of the Merger, New MidWest*One* is required to file this Form 10-K as successor issuer to Former MidWest*One*. Even though this Form 10-K is filed under the name of New MidWest*One*, pursuant to Rule 12g-3, this Form 10-K must report Former MidWest*One* s information as of December 31, 2007. Additionally there is no financial information for New MidWest*One* presented in this Form 10-K. Therefore, this document presents information regarding Former MidWest*One* as of the dates indicated. There are instances where information is presented for New MidWest*One*, and the context of such references should make it clear whether the information relates to Former MidWest*One* or New MidWest*One* (formerly ISB Financial Corp. and the surviving legal entity of the Merger).

PART I.

ITEM 1. BUSINESS

General

Merger Transaction. As noted above, on Friday, March 14, 2008, MidWest*One* Financial Group, Inc. merged with and into ISB Financial Corp. in accordance with the Agreement and Plan of Merger, dated as of September 11, 2007 (the Merger). As a result of the Merger, MidWest*One* Financial Group, Inc. (Former MidWest*One*) ceased to exist as a legal entity and ISB Financial Corp. survived the merger and changed its name to MidWest*One* Financial Group, Inc. The surviving company is referred to in this document as New MidWest*One*.

At the time of the Merger, Former MidWest*One* was the holding company of MidWest*One* Bank, an Iowa state bank with its main office in Oskaloosa, Iowa and ISB Financial was the holding company of Iowa State Bank & Trust Company, an Iowa state bank with its main office in Iowa City, Iowa and First State Bank, an Iowa state bank with its main office in Conrad, Iowa. As a result of the merger, New MidWest*One* became the holding company of MidWest*One* Bank, Iowa State Bank & Trust and First State Bank. New MidWest*One* s management intends on consolidating these three current bank subsidiaries into one bank charter with the name MidWest*One* Bank with its headquarters in Iowa City, Iowa. It is expected that this consolidation will be completed in the third quarter of 2008.

Prior to the Merger. Prior to the Merger, Former MidWest*One* was a community-based financial holding company headquartered in Oskaloosa, Mahaska County, Iowa. Former MidWest*One*, through its wholly-owned subsidiaries, provided a wide range of services, including traditional banking services, trust services, residential mortgage services, insurance brokerage and retail securities brokerage services. Former MidWest*One* provided a full range of services to individual and corporate customers. Former MidWest*One* s principal operating subsidiary was MidWest*One* Bank, with headquarters in Oskaloosa.

Since 1988, Former MidWest*One*, either directly or through MidWest*One* Bank, invested in loan pool participations that were purchased by certain non-affiliated independent service corporations (collectively, the Servicer) from various sources including large financial institutions and the Federal Deposit Insurance Corporation (FDIC). These loan pool investments generally consisted of nonperforming and distressed loans that were sold at prices reflecting varying discounts from the aggregate outstanding principal amount of the underlying loans. The amount of the discount depended on the credit quality of the portfolio. The Servicer collects these loans from the borrowers.

Former MidWest*One* was incorporated in Iowa in 1973 and was a bank holding company registered under the Bank Holding Company Act of 1956. Effective January 9, 2005, Former MidWest*One* became a financial holding company pursuant to the provisions of the Gramm-Leach-Bliley Act of 1999. Prior to the Merger, Former MidWest*One* provided support services to MidWest*One* Bank including management assistance, auditing services and loan review.

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Subsidiaries

Former MidWest*One* s subsidiaries that existed prior to the Merger remain as operating subsidiaries under New MidWest*One*. As described above, New MidWest*One* s management intends on consolidating the three bank subsidiaries, into one bank charter with the name MidWest*One* Bank and headquartered in Iowa City, Iowa. It is expected that this consolidation will be completed in the third quarter of 2008. Additionally, other subsidiaries may be consolidated at that time to provide for increased market efficiencies.

The following are the subsidiaries of Former MidWest*One* that existed prior to the Merger. Except for MidWest*One* Investment Services, Inc., each of the following remains as a subsidiary under New MidWest*One*:

MidWestOne Bank Former MidWest*One* had one bank subsidiary operating under the name of MidWest*One* Bank. Prior to January 1, 2006, Former MidWest*One* had four bank subsidiaries. On January 1, 2006, the four banks were merged into one Iowa-chartered subsidiary bank with headquarters located in Oskaloosa, Iowa. All previously existing banking locations were retained as branches of the newly consolidated bank.

MidWest*One* Bank is a full-service, commercial bank chartered as an Iowa state bank in 1931. MidWest*One* Bank was known as Mahaska State Bank until 2003, when the name was changed to MidWest*One* Bank & Trust. On January 1, 2006, the Bank adopted the name MidWest*One* Bank. The Bank operates in 12 counties with 19 offices in 13 communities in south central and eastern Iowa. MidWest*One* Bank serves Mahaska County from its main bank and two branch offices in Oskaloosa. It also serves Benton County from its two offices in Belle Plaine, Black Hawk County from its offices in Hudson and Waterloo, Des Moines County from its two offices in Burlington, Iowa County from its office in North English, Jefferson County from its two offices in Fairfield, Keokuk County from its office in Sigourney, Lee County from its office in Fort Madison, Louisa County from its office in Wapello, Marion County from its two offices in Pella, Scott County from its office in Davenport and Wapello County from its office in Ottumwa. MidWest*One* Bank provides a wide array of retail and commercial banking services, including demand, savings and time deposits; real estate, commercial, agricultural and consumer loans; and trust services.

MIC Financial, Inc. MIC Financial is an Iowa corporation that was formed by Former MidWest*One* in 1974 under the name of MIC Leasing Co. MIC Financial operated under the name of On-Site Commercial Services until June 1997 when the name was officially changed to On-Site Credit Services, Inc. Effective March 21, 2000, the name was changed to MIC Financial, Inc. MIC Financial currently is inactive.

MidWestOne Investment Services, Inc. MWI is an Iowa corporation that was formed in 2004. The entity provided retail brokerage and financial planning services in conjunction with MidWest*One* Bank s locations in Pella, Oskaloosa, Sigourney and Burlington, Iowa. Shortly before the Merger, Former MidWest*One* consolidated the operations of MWI into MidWest*One* Bank, so MWI is no longer a subsidiary. MidWest*One* Bank provides retail brokerage through an arrangement with a third party firm and also provides financial planning services.

MidWestOne Insurance Services, Inc. MWO is an Iowa corporation that was acquired by Former MidWest*One* in 2005. MWO acts as an insurance agency for individuals and businesses in the Pella, Iowa area.

Lending Services

Former MidWest*One* provided a broad range of commercial and retail lending services to corporations, partnerships, individuals and government agencies through its banking subsidiary, MidWest*One* Bank a subsidiary of New MidWest*One*, and it conducts business in the same manner as prior to the Merger. MidWest*One* Bank s loan portfolio consists of residential real estate loans, commercial loans, commercial real estate loans, agricultural loans, construction and land development loans, and consumer loans. Management emphasizes credit quality and seeks to avoid undue concentrations of loans to a single industry or based on a single class of collateral. MidWest*One* Bank has established lending policies that included a number of underwriting factors to be considered in making a loan, including location, loan-to-value ratio, cash flow, interest rate and credit history of the borrower. MidWest*One* Bank focuses its efforts on building its lending business in the following areas:

Residential Real Estate Loans. Residential real estate loans are made to finance residential units housing from one to four families. While MidWest*One* Bank originates both fixed and adjustable rate residential real estate loans, it sells most of the long-term fixed-rate loans in the secondary market. In the normal course of business, MidWest*One* Bank retains variable-rate mortgages and fixed-rate mortgages with a maturity of five years or less.

Commercial Loans. Commercial loans are made to small- to medium-sized businesses consisting of sole proprietorships, partnerships and corporations. Generally, these loans are secured with collateral including accounts receivable, inventory and equipment. The personal guarantees of the principals also may be required. Frequently, these loans are further secured with real estate collateral.

Commercial Real Estate Loans. Commercial real estate loans are loans secured by real estate including farmland, multifamily residential properties and other nonfarm-nonresidential properties.

Agricultural Loans. Agricultural loans are loans made to farming operations owned by sole proprietorships, partnerships and small farm corporations. These loans include operating loans to finance crop input or livestock purchase and loans to finance facilities, equipment and machinery.

Construction and Land Development Loans. Construction and land development loans included loans for commercial and residential development and improvements. The majority of these loans are in-market to known and established borrowers. MidWest*One* Bank s loan policy stated that land development loans should not exceed a term of three years. MidWest*One* Bank requires that careful consideration be given to the financial capacity and experience of the developer.

Consumer Loans. Consumer loans are primarily collateralized loans to individuals for various personal purposes such as financing automobiles and other consumer-oriented goods. Home equity lines of credit are included in MidWest*One* Bank s consumer loan portfolio and are secured by the borrower s home. These lines of credit could be drawn at the discretion of the borrower and were, generally, at variable interest rates.

Lending officers are assigned various levels of loan approval authority based upon their respective levels of experience and expertise. Loan approval is also subject to MidWest*One* Bank s written loan policy, as established by MidWest*One* Bank s board of directors. The loan approval process is designed to facilitate timely decisions while adhering to policy parameters and risk management factors. MidWest*One* Bank also has an independent loan review function to analyze credits of the bank.

Loan Pool Participations

Former MidWest*One*, through MidWest*One* Bank, had participation interests in pools of loans purchased at varying discounts from the aggregate outstanding principal amount of the underlying loans. MidWest*One* Bank has been purchasing participation interests in discounted loans since 1988. These pools of loans are currently held and serviced by a separate independent servicing corporation known as States Resources Corporation (the Servicer). Neither Former MidWest*One* nor New MidWest*One* had or has any ownership interest in or control over States Resources Corporation.

MidWest*One* Bank has invested in loan pools purchased by the Servicer from large nonaffiliated banking organizations and from the FDIC acting as receiver of failed banks and savings institutions. The sales of loan pools by the sellers is generally conducted by sealed bid auction. A sealed bid auction requires each bidder to submit a confidential bid on the subject loan pool and the loan pool is awarded to the highest bidder. The loans comprising the pools were originated throughout the United States. The Servicer acquires the loan pools without recourse against the sellers and, accordingly, the risk of noncollectibility for the portion purchased by MidWest*One* Bank is assumed by MidWest*One* Bank.

Each pool has a different composition and different characteristics. The pools MidWest*One* Bank invested in and held in 2007 were comprised primarily of performing, past-due and nonperforming loans secured by commercial real estate and other commercial assets. The price bid and paid for such a loan pool is determined based on the credit quality of the loans in the particular pool, the amounts the Servicer believes can be collected on such a pool, and the risks associated with the collection of such amounts.

In considering an investment in a loan pool, the Servicer will evaluate loans owned and being offered and make recommendations to MidWest*One* Bank concerning the creditworthiness of the loans in the proposed loan pool purchase. The Servicer performs a comprehensive analysis of the loan pool in an attempt to ensure proper valuation and adequate safeguards in the event of default. In many cases substantial uncertainties may exist regarding the collectibility of the various loans in the pool. MidWest*One* Bank makes its own decisions as to whether or not to participate in a particular loan pool that has been recommended by the Servicer, based on MidWest*One* Bank s experience with the various categories and qualities of loans.

Upon the acquisition of a participation interest in a loan pool, MidWest*One* Bank assumes the risk to the extent of MidWest*One* Bank s participation interest that the Servicer will be unable to recover an amount equal to the purchase price plus the carrying costs, if any, and collection costs on such accounts. The extent of such risk is dependent on a number of factors, including the Servicer s ability to locate the debtors, the debtors financial condition, the possibility that a debtor may file for protection under applicable bankruptcy laws, the Servicer s ability to locate the collateral, if any, for the loan and to obtain possession of such collateral, the value of such collateral, and the length of time it takes to realize the ultimate recovery either through collection procedures or through a resale of the loans following a restructure.

A cost basis is assigned to each individual loan acquired on a cents per dollar basis (discounted price) based on the Servicer s assessment of the recovery potential of each such loan in relation to the total discounted price paid to acquire the pool. This methodology assigns a higher basis to performing loans with greater potential collectibility and a lower basis to those loans identified as having little or no potential for collection.

Loan pool participations are shown on Former MidWest*One* s balance sheet as a separate asset category. The original carrying value of loan pool participations represents the discounted price paid by MidWest*One* Bank to acquire its participation interests in various loan pools purchased by the Servicer. MidWest*One* Bank s investment balance is reduced as the Servicer collects principal payments on the loans and remits the proportionate share of such payments to MidWest*One* Bank.

Loan pools acquired after January 1, 2005, are accounted for in accordance with the provisions of Statement of Position 03-3, Accounting for Certain Loans or Debt Securities Acquired in a Transfer (SOP 03-3) issued by the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants. According to SOP 03-3, in order to apply the interest method of recognition to these types of loans, there must be sufficient information to reasonably estimate the amount and timing of the cash flows expected to be collected. When that is not the case, the loan is accounted for on nonaccrual status applying cash basis income recognition to the loan. For those pools acquired prior to December 31, 2004, the accounting treatment utilized is the nonaccrual (or cash) basis.

In each case, where changed circumstances or new information lead the Servicer to believe that collection of the loan or recovery of the basis through collateral would be less than originally determined, the cost basis assigned to the loan is written down or written off through a charge against discount income. The Servicer and representatives of MidWest*One* Bank evaluate at least quarterly the collectability of the loans and the recovery of the underlying basis. On a quarterly basis, those loans that are determined to have a possible recovery of less than the assigned basis amount are placed on a watch list. The amount of basis exceeding the estimated recovery amount on the watch list loans is written off by a charge against discount income.

Interest income and discount on loan pool participations recorded by MidWest*One* Bank is net of collection expenses incurred by the Servicer and net of the servicing fee and share of recovery profit paid to the Servicer. Collection costs include salary and benefits paid by the Servicer to its employees, legal fees, costs to maintain and insure real estate owned, and other operating expenses. Under the terms of the agreement with the Servicer, it receives a servicing fee based on one percent of the gross monthly collections of principal and interest, net of collection costs. Additionally, the Servicer receives a tiered percentage share of the recovery profit in excess of the investors required return on investment on each individual loan pool. The Servicer s percentage share of recovery profit is linked to a ten-tier index and ranges from zero to twenty-seven percent depending upon the return on investment achieved. The investor s minimum required return on investment is based on the two-year treasury rate at the time a loan pool is purchased plus 4.0 percent. For every one percent increase obtained over the investor s minimum required return, the Servicer percentage moves up one tier level. In the event that the return on a particular pool does not exceed the required return on investment, the Servicer does not receive a percentage share of the recovery profit. Historically, discount income has added to interest income and reflected as one amount on Former MidWest*One* s consolidated statement of income.

The Servicer provides MidWest*One* Bank with monthly reports detailing collections of principal and interest, face value of loans collected and those written off, actual operating expenses incurred, remaining asset balances (both in terms of cost basis and principal amount of loans), a comparison of actual collections and expenses with target collections and budgeted expenses, and summaries of remaining collection targets. The Servicer also provides aging reports and watch lists for the loan pools. Monthly meetings are held between MidWest*One* Bank and representatives of the Servicer to review collection efforts and results, to discuss future plans of action, and to discuss potential opportunities. Additionally, MidWest*One* Bank s and the Servicer s personnel communicate on almost a daily basis to discuss various issues regarding the loan pools. Company management personnel visit the Servicer s operation on a regular basis and MidWest*One* Bank s loan review officer and its internal auditor perform asset reviews and audit procedures on a regular basis.

MidWest*One* Bank s overall cost basis in its loan pool participations represents a discount from the aggregate outstanding principal amount of the loans underlying the pools. For example, as of December 31, 2007, 2006 and 2005, such cost basis was $93,058,000, $98,885,000 and $103,570,000, respectively, while the contractual outstanding principal amounts of the underling loans as of such dates were approximately $163,505,000, $146,529,000 and $150,556,000, respectively. The discounted cost basis inherently reflects the assessed collectibility of the underlying loans. MidWest*One* Bank does not include any amounts related to the loan pool participations in its totals of nonperforming loans.

As part of the ongoing collection process, the Servicer may, from time to time, foreclose on real estate mortgages and acquire title to property in satisfaction of such debts. This real estate may be held by the Servicer as real estate owned for a period of time until it can be sold. Since MidWest*One* Bank s investment in loan pools is classified as participations in pools of loans, MidWest*One* Bank does not include the real estate owned that is held by the Servicer with the amount of any other real estate it may hold directly as a result of its own foreclosure activities.

The underlying loans in the loan pool participations include both fixed rate and variable rate instruments. No amounts for interest due are reflected in the carrying value of the loan pool participations. Based on historical experience, the average period of collectibility for loans underlying MidWest*One* Bank s loan pool participations, many of which have exceeded contractual maturity dates, is approximately three to five years. Management has reviewed the recoverability of the underlying loans and believes that the carrying value does not exceed the net realizable value of its investment in loan pool participations at December 31, 2007 and 2006.

Other Products and Services

Deposit Products. MidWest*One* Bank offers competitive deposit products and programs that management believes address the needs of customers in each of the local markets served. The deposit products are offered to individuals, non-profit organizations, partnerships, small businesses, corporations and public entities. These products include non-interest bearing and interest bearing demand deposits, savings accounts, money market accounts and time certificates of deposit.

Trust Activities. MidWest*One* Bank offers personal and corporate trust, employee benefit trust and agency trust services.

Insurance Services. MidWest*One* Insurance Services, Inc. (f/k/a Cook & Son Agency, Inc.), or MWO, offers property and casualty insurance products to individuals and small businesses in markets served by MidWest*One* Bank.

Securities Brokerage and Financial Planning. MidWest*One* Investment Services, Inc., or MWI, provided securities brokerage and financial planning services. Shortly before the Merger, Former MidWest*One* consolidated the operations of MWI into MidWest*One* Bank, so MWI is no longer a subsidiary. MidWest*One* Bank provides retail brokerage through an arrangement with a third party firm and also provides financial planning services.

Competition

Former MidWest*One* competed in the commercial banking industry through MidWest*One* Bank and New MidWest*One* competes through MidWestOne Bank, Iowa State Bank & Trust and First State Bank. This industry is highly competitive, and MidWest*One* Bank and the other banking subsidiaries have faced, and continue to face, strong direct competition for deposits, loans, and other financial-related services. The offices compete with other commercial banks, thrifts, credit unions, stockbrokers, finance divisions of auto and farm equipment companies, agricultural suppliers, and other agricultural-related lenders. Some of these competitors are local, while others are statewide or nationwide. MidWest*One* Bank and the other banking subsidiaries compete for deposits principally by offering depositors a wide variety of deposit programs, convenient office locations, hours and other services, and for loan originations primarily through interest rates and loan fees they charge, the efficiency and quality of services they provide to borrowers and the variety of their loan products. Some of the financial institutions and financial service organizations with which they compete are not subject to the same degree of regulation as that imposed on federally insured Iowa-chartered banks. As a result, such competitors may have advantages over the banks in providing certain services.

MidWest*One* Bank also faces competition with respect to its investments in loan pool participations. MidWest*One* Bank s financial success regarding loan pools to date is largely attributable to the Servicer s ability to determine which loan pools to bid on and ultimately purchase, the availability of assets to fund the purchases and the Servicer s ability to collect on the underlying assets. Investments in loan pools have become increasingly popular in recent years, leading financial institutions and other competitors to become active at loan pool auctions conducted by the FDIC and other sellers. There is no assurance that MidWest*One* Bank, through the Servicer, will be able to bid successfully in the future. Certain existing competitors of MidWest*One* Bank are substantially larger and have significantly greater financial resources than MidWest*One* Bank. Increased participation by new institutions or other investors may also create increased buying interest which could also result in higher bid prices for the type of loan pools considered for investment by MidWest*One* Bank. In addition, new and existing competitors may develop due diligence procedures comparable to the Servicer s procedures.

Supervision and Regulation

Financial holding companies and banks are extensively regulated under federal and state law. References under this heading to applicable statutes or regulations are brief summaries of the portions thereof and do not purport to be complete and are qualified in their entirety by reference to those statutes and regulations. Any change in applicable laws or regulations may have a material adverse effect on the business of New MidWest*One* and its banking subsidiaries.

Former MidWest*One* was, and New MidWest*One* is, a financial holding company. A financial holding company is subject to regulation under the Bank Holding Company Act of 1956 (the Act) and is registered with the Board of Governors of the Federal Reserve System. Under the Act, a financial holding company is prohibited, with certain exceptions, from acquiring direct or indirect ownership or control of more than 5% of the voting shares of any company which is not a bank and from engaging in any business other than that of banking, managing and controlling banks or furnishing services to affiliated banks, except that a financial holding company may engage in and own shares of companies engaged in certain businesses found by the Board of Governors to be so closely related to banking as to be proper incident thereto, such as owning a savings association. The Act does not place territorial restrictions on the activities of bank-related subsidiaries of bank holding companies. New MidWest*One* is required by the Act to file

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periodic reports of its operations with the Board of Governors and is subject to examination by the Board of Governors. Under the Act and Federal Reserve Board regulations, New MidWest*One* and its subsidiary banks are prohibited from engaging in certain tie-in arrangements in connection with an extension of credit, lease, sale of property, or furnishing of services.

Iowa law permits bank holding companies domiciled in Iowa to make acquisitions throughout the state. Iowa law also permits bank holding companies located in the Midwestern Region (defined to include Illinois, Iowa, Minnesota, Missouri, Nebraska, South Dakota, and Wisconsin) to acquire banks or bank holding companies located in Iowa subject to approval by the Iowa Division of Banking and subject to certain statutory limitations. In addition, New MidWest*One* may acquire banks or bank holding companies located in the Midwestern Region or outside the Midwestern Region, provided New MidWest*One* s principal place of business remains in the Midwestern Region and the acquisition is authorized by the laws of the state in which the acquisition is to be made.

New MidWest*One* and its subsidiaries are affiliates within the meaning of the Federal Reserve Act. As affiliates, they are subject to certain restrictions on loans by an affiliated bank or thrift (collectively affiliated banks) to New MidWest*One*, other affiliated banks or such other subsidiaries, on investments by an affiliated bank in their stock or securities and on an affiliated bank taking such stock and securities as collateral for loans to any borrower. New MidWest*One* is also subject to certain restrictions with respect to direct issuance, flotation, underwriting, public sale or distribution of certain securities.

Each of the subsidiary banks is an Iowa state-chartered bank. Under Iowa law, the subsidiary banks are subject to supervision and examination by the Iowa Division of Banking. They are required to pay supervisory assessments to the Iowa Division of Banking to fund the operations of that agency. The amount of the assessment is calculated on the basis of the institution s total assets. As an affiliate of the banks, New MidWest*One* is also subject to examination by the Iowa Division of Banking.

The customer deposits in the bank are insured by the FDIC, thus they are subject to the supervision and examination by the FDIC. The bank is required to maintain certain minimum capital ratios established by these regulators. The banks are assessed fees by the FDIC to insure the funds of customers on deposit.

In addition, Iowa state law imposes restrictions on the operations of state-chartered banks including limitations on the amount a bank can lend to a single borrower and limitations on the nature and amount of securities in which it may invest. Iowa state-chartered banks are limited to loaning money to a single borrower in an amount not to exceed 15% of the individual bank s aggregate capital, plus additional amounts under certain circumstances.

Iowa law currently permits the establishment of branches anywhere within the state, subject to the receipt of all required regulatory approvals. The number of offices a state bank may establish is not limited.

New MidWest*One* operates within a regulatory structure that continuously evolves. In the last several years, significant changes have occurred that affected Former MidWest*One* and will continue to affect New MidWest*One*. There can be no assurance that the Iowa or federal regulators will not in the future impose further restrictions or limits on MidWest*One* s business operations including loan pool activities.

The FDIC Improvement Act of 1991 (the FDICIA) was primarily designed to recapitalize the FDIC s Bank Insurance Fund (the BIF) and the Savings Association Insurance Fund (the SAIF). To accomplish this purpose the FDIC was granted additional borrowing authority, granted the power to levy emergency special assessments on all insured depository institutions, granted the power to change the BIF and SAIF rates on deposits on a semi-annual basis, and directed to draft regulations that provided for a Risk-Based Assessment System that was implemented on January 1, 1994. The FDICIA also imposed additional regulatory safety and soundness standards upon depository institutions and granted additional authority to the FDIC. The FDICIA generally requires that all institutions be examined by the FDIC annually. Under the provisions of the FDICIA, all regulatory authorities are required to examine their regulatory accounting standards and, to the extent possible, are required to conform to generally accepted accounting principles. Finally, the FDICIA requires the federal banking regulators to take prompt corrective action with respect to depository institutions that fall below certain capital standards and prohibits any depository institution from making any capital distribution that would cause it to be undercapitalized.

Legislation became effective on September 30, 1995, which served to lessen or remove certain legal barriers to interstate banking and branching by financial institutions. The legislation has resulted in an increase in the nationwide consolidation activity occurring among financial institutions by facilitating interstate bank operations and acquisitions.

On November 2, 1999, the Gramm-Leach-Bliley Act was enacted into law. This legislation provides for significant financial services reform by repealing key provisions of the Glass Steagall Act thereby permitting commercial banks to affiliate with investment banks, it substantially modifies the Bank Holding Company Act of 1956 to permit companies that own banks to engage in any type of financial activity, and it allows subsidiaries of banks to engage in a broad range of financial activities that are not permitted for banks themselves. The Gramm-Leach-Bliley Act significantly changed the competitive environment in which Former MidWest*One* and New MidWest*One* and its subsidiaries conduct business, including the opportunity for brokerage, financial and insurance agency services.

In early 2006, the Federal Deposit Insurance Reform Act of 2005 (the Reform Act) was signed into law. The Reform Act implements deposit insurance reform through the merger of the BIF and the SAIF, increases the coverage limit and indexes the limit for retirement accounts, establishes the methodology for deposit premium assessment based on risk criteria and grants a one-time initial assessment credit based on an institution s past contributions to the deposit insurance fund. The new assessment rates were effective January 1, 2007.

The earnings of New MidWest*One* are affected by the policies of regulatory authorities, including the Federal Reserve System. Federal Reserve System monetary policies have had a significant effect on the operating results of banks and thrifts in the past and are expected to do so in the future. Because of changing conditions in the economy and in the money markets as a result of actions by monetary and fiscal authorities, interest rates, credit availability and deposit levels may change due to circumstances beyond the control of New MidWest*One*. Future policies of the Federal Reserve System and other authorities cannot be predicted, nor can their effect on future earnings be predicted.

Employees

On December 31, 2007, Former MidWest*One* had 220 full-time equivalent employees. Following the Merger, New MidWest*One* had approximately 400 full-time equivalent employees.

Former MidWest*One* provided, and New MidWest*One* continues to provide, its employees with a comprehensive program of benefits, some of which are on a contributory basis, including comprehensive medical and dental plans, life insurance, long-term and short-term disability coverage, a 401(k) plan, and an employee stock ownership plan. None of the employees of Former MidWest*One* s was, and none of New MidWest*One* is, represented by unions.

Company Website

New MidWest*One* maintains a corporate website at www.midwestonebank.com. New MidWest*One* makes available free of charge on its website the annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after New MidWest*One* electronically files such material with, or furnish it to, the SEC. Many of New MidWest*One* s policies, including its code of conduct and ethics, committee charters and other investor information are available on the web site. New MidWest*One* will also provide copies of its filings free of charge upon written request to the Corporate Secretary at the address listed on the front of this Form 10-K.

ITEM 1A. RISK FACTORS

Former or New MidWest*One* qualifies as a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and is not required to provide the information under this item.

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ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

Former MidWest*One* owned its headquarters building located at 222 First Avenue East, Oskaloosa, Iowa and, following the merger, New MidWest*One* has retained this building, although the company s headquarters are now located in Iowa City. The Oskaloosa building is a two-story combination office, data processing facility, and motor bank that was constructed in 1975. MidWest*One* Bank rents the first floor motor bank area, which includes four drive-up lanes and two walk-up windows and the basement from the holding company. The basement contains a meeting room, kitchen, and storage.

MidWest*One Bank*. The principal offices of MidWest*One* Bank are located at 124 South First Street, Oskaloosa, Iowa, in a two-story building owned by MidWest*One* Bank that contains a full banking facility. The bank also owns a second building in Oskaloosa located at 301 A Avenue West. This one-story banking facility includes two drive-up lanes and is located five blocks northwest of the bank s principal offices. In addition, the bank owns a 24-hour automatic teller machine located at 211 South First Street, Oskaloosa, Iowa. The bank also has four branch locations located outside of Oskaloosa in the communities of North English, Belle Plaine, Hudson and Waterloo, Iowa. All of these branches are full-banking facilities. North English is located 40 miles northeast of Oskaloosa and the branch has two drive-up lanes and a 24-hour automatic teller machine. Belle Plaine is located 60 miles northeast of Oskaloosa and the branch occupies a 6,500 square foot building. This branch also has a motor bank located one block away with one drive-up lane and a 24-hour automatic teller machine. Hudson is located 80 miles north of Oskaloosa and the 2,592 square foot branch has two drive-up lanes and a 24-hour automatic teller machine. Waterloo is located 90 miles north of Oskaloosa and the 3,837 square foot branch has one drive-up lane.

MidWest*One* Bank owns four facilities in the communities of Ottumwa, Fairfield, and Sigourney, Iowa. The Ottumwa building is a two-story brick structure constructed in 1981 and completely remodeled and expanded in 2005. The approximately 10,910 square foot building has several offices, two drive-up lanes, and a drive-up 24 hour automatic teller machine. The building is located at 116 West Main in Ottumwa s downtown business district. The Fairfield facility is a two-story building located at 58 East Burlington on the southeast corner of the downtown square. The building s 8,932 square feet is all utilized by the bank. The bank also owns and occupies a 3,500 square foot branch facility at 2408 West Burlington Street in Fairfield. The Sigourney facility located at 112 North Main Street is one-half block northwest of the community s courthouse square in the downtown business district. The 4,596 square foot one-story masonry building was constructed in 1972 as a banking facility with one drive-up window.

MidWest*One* Bank leases a facility in Pella s downtown business district that opened on January 29, 2001. The 5,700 square foot facility is located in a retail/office complex and is leased for a period of ten years with options to renew. The bank owns a branch facility at 500 Oskaloosa Street in Pella, Iowa. The facility is located approximately six blocks south of the community s main business district. The building was acquired in the summer of 1997 and was completely renovated to become a modern banking facility containing approximately 1,860 square feet of usable space with two drive-up teller lanes.

MidWest*One* Bank owns two offices in Burlington, Iowa and two branch office facilities in other communities near Burlington. The Burlington office located at 3225 Division Street, on the western side of the community, is adjacent to one of the major highways through Burlington. It is a one-story facility of approximately 10,300 square feet, constructed in 1974, with four drive-up lanes and one ATM. The bank also owns a branch facility located in Burlington s main downtown business district at 323 Jefferson Street. This facility is approximately 2,400 square feet and was the main office until 1974. The branch located in Fort Madison, Iowa at 926 Avenue G was acquired in 1975, has one drive-up window, and contains approximately 3,300 square feet on one level. The 960 square foot Wapello, Iowa branch is located on Highway 61 and was acquired in 1974.

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MidWest*One* bank leases a branch office facility in downtown Davenport, Iowa that was occupied on February 26, 2007. The branch contains approximately 6,450 square feet and has two drive-up lanes and an ATM. The lease agreement is for a period of twelve years with a bargain purchase option.

The bank also recently completed construction of a new branch facility in Cedar Falls, Iowa, in a new commercial/retail/residential development on the city s south side. The new facility contains approximately 7,250 square feet of space on one level and will have two drive-up lanes and an ATM. The new facility is in an area that management believes will attract more retail deposits and loans.

MWI leased approximately 2,600 square feet of office space adjoining the bank facility in downtown Pella and, following its consolidation into MidWest*One* Bank, the bank has taken over that lease. The office space is leased for a period of ten years with options to renew.

MWO rents office space of approximately 1,260 square feet in downtown Pella. The rental agreement is on a month-to-month basis.

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ITEM 3. LEGAL PROCEEDINGS

Former MidWest*One* and its subsidiaries were involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters would not have a material adverse effect on New MidWest*One* s financial position or results of operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted to a vote of security holders during the quarter ended December 31, 2007.

PART II.

ITEM 5. MARKET FOR THE COMPANY S COMMON STOCK, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Former MidWest*One* common stock was traded on the Nasdaq Global Market under the symbol OSKY. The following table sets forth for the periods indicated the intra-day high and low sales prices per share of Former MidWest*One* common stock as reported by the Nasdaq Global Market along with the cash dividends per share declared during such periods.

	High	Low	Cash Dividend Declared
2006			
First Quarter	$ 19.80	$ 17.50	$ 0.17
Second Quarter	19.75	18.75	0.18
Third Quarter	19.92	18.80	0.18
Fourth Quarter	20.98	18.65	0.18
2007			
First Quarter	$ 19.73	$ 17.45	$ 0.18
Second Quarter	17.58	16.90	0.18
Third Quarter	24.00	15.64	0.18
Fourth Quarter	18.50	16.00	0.18

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As of December 31, 2007, there were approximately 388 holders of record of Former MidWest*One* common stock.

Following the Merger, New MidWest*One* was listed on the Nasdaq Global Select Market and currently trades under the symbol MOFG . Following the Merger, there were approximately 648 holders of record of New MidWest*One* common stock.

Dividends. Former MidWest*One* paid dividends on a quarterly basis.

Stock repurchases. Former MidWest*One* did not repurchase any of its shares during the fourth quarter of 2007.

ITEM 6. SELECTED FINANCIAL DATA

	Year Ended December 31,				
	2007	2006	2005	2004	2003
	(in thousands, except per share data)				
Summary of income data:					
Interest income excluding loan pool participations	$ 42,464	37,312	29,858	27,977	28,593
Interest and discount on loan pool participations	7,802	9,142	10,222	9,395	8,985
Total interest income	50,266	46,454	40,080	37,372	37,578
Total interest expense	26,350	21,209	15,426	13,370	14,767
Net interest income	23,916	25,245	24,654	24,002	22,811
Provision for loan losses	982	180	468	858	589
Noninterest income	5,900	5,928	4,428	4,276	4,358
Noninterest expense	22,419	21,459	19,415	18,513	17,387
Income before income tax expense	6,415	9,534	9,199	8,907	9,193
Income tax expense	2,153	3,093	3,111	3,078	3,267
Net income	$ 4,262	6,441	6,088	5,829	5,926
Per share data:					
Net income - basic	$ 1.15	1.74	1.63	1.54	1.54
Net income - diluted	1.14	1.71	1.59	1.50	1.50
Cash dividends declared	0.72	0.71	0.68	0.68	0.64
Book value	17.43	16.83	15.77	15.18	14.84
Net tangible book value	13.57	12.92	11.77	11.32	11.08
Selected financial ratios:					
Net income to average assets	0.57%	0.92%	0.93%	0.92%	0.98%
Net income to average equity	6.70	10.65	10.49	10.23	10.52
Dividend payout ratio	62.61	40.80	41.72	44.16	41.56
Total shareholder's equity to total assets	8.23	8.39	8.63	8.75	9.01
Tangible shareholder's equity to tangible assets	6.53	6.57	6.59	6.67	6.88
Tier 1 capital ratio	10.12	10.01	10.38	10.88	11.20
Net interest margin	3.55	3.99	4.11	4.14	4.10
Gross revenue of loan pools to total gross revenue	13.89	17.45	22.97	22.17	21.42
Allowance for loan losses to total loans	1.00	1.13	1.16	1.19	1.29
Non-performing loans to total loans	0.67	1.15	0.77	0.73	0.83
Net loans charged off (recovered) to average loans	0.25	(0.11)	0.05	0.25	0.08

	2007	2006	December 31, 2005 (in thousands)	2004	2003
Selected balance sheet data:					
Total assets	$ 784,461	744,911	676,332	650,564	623,306
Total loans net of unearned discount	536,051	503,832	433,437	398,854	377,017
Total loan pool participations	93,058	98,885	103,570	105,502	89,059
Allowance for loan losses	5,348	5,693	5,011	4,745	4,857
Total deposits	574,789	560,615	505,245	475,102	453,125
Total shareholders equity	64,555	62,533	58,386	56,930	56,144

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

On Friday, March 14, 2008, MidWest*One* Financial Group, Inc. merged with and into ISB Financial Corp. in accordance with the Agreement and Plan of Merger, dated as of September 11, 2007 (the Merger). As a result of the Merger, MidWest*One* Financial Group, Inc. (Former MidWest*One*) ceased to exist as a legal entity and ISB Financial Corp. survived the merger and changed its name to MidWest*One* Financial Group, Inc. The surviving company is referred to in this document as New MidWest*One*.

For purposes of Rule 12g-3(a) under the Securities Exchange Act, as amended (the Exchange Act), New MidWest*One* is the successor issuer to Former MidWest*One*. Because Former MidWest*One* did not file its Form 10-K for the year ended December 31, 2007 prior to the consummation of the Merger, New MidWest*One* is required to file this Form 10-K as successor issuer to Former MidWestOne. Even though this Form 10-K is filed under the name of New MidWestOne, pursuant to Rule 12g-3, the Form 10-K must report Former MidWest*One* s information as of December 31, 2007. Therefore, the following presents management s discussion and analysis of the consolidated financial condition and results of operations of Former MidWest*One* as of the dates and for the periods indicated. This discussion should be read in conjunction with Former MidWest*One* s consolidated financial statements and the notes thereto and the selected financial data presented elsewhere in this Form 10-K.

The information presented below does not include any information relating to the results of operations or financial condition of New MidWestOne (formerly ISB Financial Corp. and the surviving legal entity of the Merger).

Overview

Prior to the Merger, Former MidWest*One* was a diversified financial services holding company providing full-service community banking through its banking subsidiaries in south central and eastern Iowa. The profitability of Former MidWest*One* depended primarily on its net interest income, provision for loan losses, noninterest income and noninterest expenses. Additionally, Former MidWest*One* derived a substantial portion of its revenue from its investments in pools of performing and non-performing loans referred to as loan pool participations.

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Net interest income is the difference between total interest income and total interest expense. Interest income was earned by Former MidWest*One* on its loans made to customers, the investment securities it holds in its portfolio, and the interest and discount recovery generated from its loan pool participations. The interest expense incurred by Former MidWest*One* resulted from the interest paid on customer deposits and borrowed funds. Fluctuations in net interest income could result from the changes in volumes of assets and liabilities as well as changes in market interest rates. The provision for loan losses reflected the cost of credit risk in Former MidWest*One* s loan portfolio and was dependent on increases in the loan portfolio and management s assessment of the collectibility of the loan portfolio under current economic conditions. Noninterest income consisted of service charges on deposit accounts, commissions and fees for securities brokerage, commissions from the sale of insurance policies, fees received for data processing services provided to nonaffiliated banks, mortgage loan origination fees, other fees and commissions, and realized security gains or losses. Noninterest expenses included salaries and employee benefits, occupancy and equipment expenses, professional fees, other noninterest expenses, and the amortization of intangible assets. These noninterest expenses were significantly influenced by the growth of operations, with additional employees necessary to staff new banking centers.

Performance Summary

For the year ended December 31, 2007, Former MidWest*One* recorded net income of $4,262,000, or $1.15 per share basic and $1.14 per share diluted. This compares with $6,441,000, or $1.74 per share basic and $1.71 per share diluted, for the year ended December 31, 2006. Net income was $2,179,000, or 34 percent, less in 2007 due to a decrease in net interest income, an increase in loan loss provision and an increase in noninterest expense.

As a result of the merger, Former MidWest*One* incurred approximately $702,000 in merger-related costs during the year ended December 31, 2007. These costs were deemed to be non-tax deductible for book purposes and included investment banking fees, legal, accounting and other consulting fees. The effect of these non-tax deductible merger-related expenses was a reduction in basic and diluted earnings per share of $0.19.

Total assets of Former MidWest*One* increased $39,550,000 or 5 percent to $784,461,000 as of December 31, 2007 compared to $744,911,000 as of December 31, 2006. Former MidWest*One* s total loans outstanding at December 31, 2007 increased 6 percent from $503,832,000 at December 31, 2006. Loan pool participations as of December 31, 2007 of $93,058,000 represented a decrease of 6 percent from the December 31, 2006 balance of $98,885,000. Deposits as of December 31, 2007 increased $14,174,000 or 3 percent to $574,789,000 compared to December 31, 2006.

Return on average assets is a measure of profitability that indicates how effectively a financial institution utilizes its assets. It is calculated by dividing net income by average total assets. Former MidWest*One* s return on average assets was 0.57 percent for 2007 and 0.92 percent for 2006. The decline in Former MidWest*One* s return on average assets for the year ended December 31, 2007 in comparison to the same period in 2006 was due to reduced net income in the 2007 period attributable to lower net interest income, greater provision for loan losses and costs related to the merger with ISB Financial Corp. Average total assets increased in the 2007 period, which also contributed to the lower return on assets.

Return on average equity indicates what a company earned on its shareholders investment and is calculated by dividing net income by average total shareholders equity. The return on average equity for Former MidWest*One* was 6.70 percent for 2007 and 10.65 percent for 2006. The decrease in return on average shareholders equity in 2007 compared to 2006 reflected the decreased earnings of Former MidWest*One* in 2007 and an increase in average shareholders equity.

Various operating and equity ratios for Former MidWest*One* are presented in the table below for the periods and years indicated. The dividend payout ratio represents the percentage of Former MidWest*One* s net income that was paid to shareholders in the form of cash dividends. Average equity to average assets is a measure of capital adequacy that presents the percentage of average total shareholders equity compared to the average assets of Former MidWest*One*. The equity to assets ratio expresses this ratio using the period-end amounts instead of on an average basis.

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	Year ended December 31,		
	2007	2006	2005
Return on average total assets	0.57%	0.92%	0.93%
Return on average equity	6.70%	10.65%	10.49%
Dividend payout ratio	62.61%	40.80%	41.72%
Average equity to average assets	8.44%	8.65%	8.86%
Equity to assets ratio (at period end)	8.23%	8.39%	8.63%

Results of Operations

2007 Compared to 2006

Net Interest Income. Net interest income decreased $1,329,000 or 5 percent in 2007 to $23,916,000 compared with $24,245,000 in 2006 due primarily to higher market interest rates on paying liabilities partially offset by greater loan volumes. The net interest margin decreased in 2007 to 3.55 percent compared with 3.99 percent in 2006 as the increase in net interest income was proportionately less than the increase in average earning assets.

Total interest income increased $3,812,000 or 8 percent in 2007 compared with 2006. Interest and fees on loans and interest income on investment securities increased in 2007, while interest and discount on loan pools and interest on other earning assets declined. Interest income on loans totaled $38,640,000 in 2007, an increase of $4,743,000 or 14 percent compared with 2006. The higher interest income on loans was due to growth in loan volumes and higher market interest rates. The average volume of loans outstanding in 2007 was $51,364,000 greater than in 2006. Substantially all of this increase was in the agricultural operating, agricultural real estate, commercial and commercial real estate loan categories. A significant portion of Former MidWest*One* s loan growth was attributable to agricultural loan demand in the Oskaloosa and Belle Plaine markets and commercial loan demand in the Waterloo/Cedar Falls, Iowa market. The overall average rate on the total loan portfolio increased to 7.42 percent for 2007 compared with 7.23 percent for 2006. Interest and discount on loan pools decreased $1,340,000 or 15 percent in 2007 compared with 2006. The average balance of loan pools was $87,707,000 in 2007 compared with $92,133,000 in 2006, a decrease of $4,426,000 or 5 percent. This decrease in volume contributed to the reduction in interest income, as did a lower yield on the loan pools. The average yield on loan pools declined to 8.90 percent in 2007 from 9.92 percent in 2006. The lower yield on loan pools in 2007 was due to reduced collection of loan principal and interest. Interest income on investment securities increased $426,000 in 2007 to $3,725,000. This compares with $3,299,000 in 2006. The average balance of investment securities increased $3,497,000 as the cash generated from loan pool collections was utilized to purchase additional investment securities. The average tax-equivalent yield on the investment portfolio increased to 5.14 percent in 2007 compared with 4.59 percent in 2006 as lower-yielding securities matured and were replaced with securities having a higher market interest rate. The overall yield on earning assets increased to 7.32 percent in 2007 from 7.27 percent in 2006, while total earning assets averaged $697,649,000, or $50,040,000 higher in 2007.

Growth in deposits, additional borrowed funds and higher market interest rates contributed to an increase in total interest expense for 2007 in comparison to 2006. Total interest expense increased $5,141,000 or 24 percent in 2007 to $26,350,000. Total interest-bearing deposits averaged $42,297,000 higher in 2007 compared with 2006, while the average rate paid on deposits increased to 3.86 percent in 2007 versus 3.21 percent in 2006. Interest expense on deposits was $19,716,000 in 2007, an increase of $4,671,000 or 31 percent from 2005. Factors that contributed to the increase in interest expense on deposits for the year 2007 compared to 2006 included higher market interest rates and growth in the interest-bearing deposit totals resulting from an emphasis by Former MidWest*One* on attracting more deposits. In order to attract more deposits in its markets, Former MidWest*One* increased

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the rates it paid on selected terms of certificates of deposit to meet or exceed the competition s rates. Throughout the year 2007, Former MidWest*One* averaged $9,290,000 in federal funds purchased compared with $7,849,000 for 2006. Interest expense on federal funds purchased increased $73,000 in 2007 compared with 2006 due to the higher average balance in federal funds purchased. The average rate paid by Former MidWest*One* on federal funds purchased decreased to 5.28 percent in 2007 compared with 5.32 percent in 2006. The average balance of Federal Home Loan Bank Advances was $161,000 less in 2007, with the average rate paid increasing to 4.99 percent in 2007 from 4.83 percent in 2006. The increase in average rate was due to maturing advances that either were paid off or renewed at higher rates during the year. Interest expense on Federal Home Loan Bank Advances was $138,000 higher in 2007 compared with 2006. The average rate paid on all interest-bearing liabilities increased to 4.18 percent for 2007, compared with 3.64 percent for 2006.

The following table presents a comparison of the average balance of earning assets, interest-bearing liabilities, interest income and expense, and average yields and costs for the years indicated. Interest income on tax-exempt securities is reported on a fully tax-equivalent basis assuming a 34 percent tax rate. Dividing income or expense by the average balances of assets or liabilities results in average yields and costs. Average balances are derived from daily balances. Nonaccrual loans are included in the loan category.

	Year ended December 31,								
	2007			2006			2005		
	Average Balance	Interest Income[(2)]/ Expense	Average Rate/ Yield	Average Balance	Interest Income[(2)]/ Expense	Average Rate/ Yield	Average Balance	Interest Income[(2)]/ Expense	Average Rate/ Yield
Average earning assets:									
Loans[(1)]	$ 522,676	$ 38,797	7.42%	$ 471,312	$ 34,052	7.23%	$ 413,972	$ 26,518	6.41%
Loan pool participations	87,707	7,802	8.90	92,133	9,142	9.92	100,808	10,222	10.14
Interest-bearing deposits	603	37	6.30	541	32	5.78	393	9	2.25
Investment securities available for sale:									
Taxable investments	52,570	2,407	4.58	58,097	2,379	4.09	74,869	2,671	3.57
Tax exempt investments	21,525	1,301	6.04	11,351	652	5.75	4,193	239	5.70
Investment securities held to maturity:									
Taxable investments	473	24	5.11	456	26	5.72	220	13	5.90
Tax exempt investments	10,889	659	6.05	12,056	702	5.83	12,141	721	5.93
Federal funds sold	1,206	62	5.11	1,663	84	5.05	500	13	2.70
Total earning assets	$ 697,649	$ 51,089	7.32	$ 647,609	$ 47,069	7.27	$ 607,096	$ 40,406	6.66

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	Year ended December 31, 2007 Average Balance	2007 Interest Income/ Expense	2007 Average Rate/ Yield	2006 Average Balance	2006 Interest Income/ Expense	2006 Average Rate/ Yield	2005 Average Balance	2005 Interest Income/ Expense	2005 Average Rate/ Yield
Average interest-bearing liabilities:									
Interest-bearing checking	$ 65,944	$ 461	0.70	$ 64,056	$ 347	0.54	$ 67,591	$ 321	0.47
Savings	106,032	2,896	2.73	114,040	2,818	2.47	119,850	1,677	1.40
Certificates of deposit	338,349	16,359	4.84	289,932	11,880	4.10	246,210	7,891	3.20
Federal funds purchased	9,290	491	5.28	7,849	418	5.32	7,698	272	3.54
Federal Home Loan Bank advances	91,930	4,584	4.99	92,091	4,446	4.83	85,327	3,933	4.61
Notes payable	3,948	308	7.81	4,881	373	7.63	9,998	583	5.83
Long-term debt	14,561	1,251	8.59	10,310	927	8.99	10,310	749	7.26
Total interest-bearing liabilities	$ 583,159	$ 26,350	4.18	$ 583,159	$ 21,209	3.64	$ 546,984	$ 15,426	2.82
Net interest income		$ 24,739	3.14		$ 25,860	3.63		$ 24,980	3.84
Net interest margin(3)			3.55%			3.99%			4.11%

(1) Average loans outstanding includes the daily average balance of non-performing loans. Interest on these loans does not include additional interest of $250,000, $196,000, and $353,000 for 2007, 2006 and 2005, respectively, which would have been accrued based on the original terms of these loans compared to the interest that was actually recorded. Interest earned on loans includes loan fees (which are not material in amount).

(2) Includes interest income and discount realized on loan pool participations.

(3) Net interest margin is net interest income divided by average total earning assets.

The following table sets forth an analysis of volume and rate changes in interest income and interest expense of Former MidWest*One* s average earning assets and average interest-bearing liabilities reported on a fully tax-equivalent basis assuming a 34 percent tax rate. The table distinguishes between the changes related to average outstanding balances (changes in volume holding the initial interest rate constant) and the changes related to average interest rates (changes in average rate holding the initial outstanding balance constant). The change in interest due to both volume and rate has been allocated to volume and rate changes in proportion to the relationship of the absolute dollar amounts of the change in each.

	Year ended December 31,					
	2007 Compared to 2006 Increase/(Decrease) Due to			2006 Compared to 2005 Increase/(Decrease) Due to		
	Volume	Rate	Net	Volume	Rate	Net
	(in thousands)					
Interest income from average earning assets:						
Loans	$ 3,792	$ 953	$ 4,745	$ 3,917	$ 3,617	$ 7,534
Loan pool participations[1]	(425)	(915)	(1,340)	(865)	(215)	(1,080)
Interest-bearing deposits	3	2	5	5	18	23
Investment securities available for sale:						
Taxable investments	(239)	267	28	(651)	359	(292)
Tax exempt investments	614	35	649	411	2	413
Investment securities held to maturity:						
Taxable investments	1	(3)	(2)	13		13
Tax exempt investments	(69)	26	(43)	(6)	(13)	(19)
Federal funds sold	(23)	1	(22)	52	19	71
Total income from earning assets	3,654	366	4,020	2,876	3,787	6,663
Interest expense from average interest-bearing liabilities:						
Interest-bearing checking	11	103	114	(18)	44	26
Savings	(206)	284	78	(85)	1,226	1,141
Certificates of deposit	2,155	2,324	4,479	1,553	2,436	3,989
Federal funds purchased	76	(3)	73	6	140	146
Federal Home Loan Bank advances	(8)	146	138	321	192	513
Notes payable	(73)	8	(65)	(356)	146	(210)
Long-term debt	367	(43)	324		178	178
Total expense from interest-bearing liabilities	2,322	2,819	5,141	1,421	4,362	5,783
Net interest income	$ 1,332	$ (2,453)	$ (1,121)	$ 1,455	$ (575)	$ 880

(1) Includes interest income and discount realized on loan pool participations.

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Provision for Loan Losses. The provision for loan losses recorded by Former MidWest*One* for 2007 was $982,000, an increase of $802,000 or 446 percent, compared with the provision of $180,000 for 2006. Early in 2006, Former MidWest*One* recovered $901,000 from an agricultural loan that had been charged off in 2001. This amount was credited to the allowance for loan losses, resulting in lower provision for loan losses for 2006. Management determines an appropriate provision based on its evaluation of the adequacy of the allowance for loan losses in relationship to a continuing review of current collection risks within its loan portfolio, identified problem loans, the current local and national economic conditions, actual loss experience, regulatory policies, and industry trends. The increase in the provision for loan losses in 2007 compared with 2006 primarily reflected the recovery of the previously charged off loan in 2006. Net loan charge-offs for 2007 totaled $1,327,000 compared with net recoveries of $502,000 in 2006.

Noninterest Income. Noninterest income (including realized investment security gains and losses) decreased $28,000 or less than 1 percent in 2007 to $5,900,000. This compares with noninterest income of $5,928,000 for 2006. Former MidWest*One* recognized gains of $49,000 from the sale of investment securities available for sale in 2007 compared with realized losses of $212,000 in 2006. Excluding security losses recognized and gains realized, noninterest income was $5,851,000 for 2007 compared with $6,140,000 for 2006. Brokerage commissions attributable to MidWest*One* Investment Services, Inc. decreased $180,000 or 18 percent in 2007 as a result of a decrease in investment sales to clients. Other operating income totaled $340,000 in 2007, a decrease of $143,000 or 30 percent in 2007. The decrease was primarily due to the nonrecurring gain on the sale of Former MidWest*One* s minority interest in a commercial real estate development partnership during 2006.

Noninterest Expense. Noninterest expense totaled $22,419,000 for 2007 compared with $21,459,000 for 2006, an increase of $960,000 or 4 percent. Salaries and employee benefits decreased $145,000 or 1 percent in 2007. Data processing expense was $410,000 in 2007 compared with $656,000 in 2006, reflecting lower computer supplies and personal computer expenses. Other intangible asset amortization decreased to $252,000 in 2007 from $289,000 in 2006 reflecting the utilization of accelerated amortization method for the customer list intangible of MidWestOne Investment Services, Inc. and MidWest*One* Insurance Services, Inc. Professional fees were $1,588,000 or 239 percent higher in 2007 compared with 2006 primarily due to legal, accounting and consultant fees totaling $702,000 for the merger with ISB Financial Corp. Other operating expense increased $267,000 or 7 percent in 2007 mainly due to the write-down of a truck stop/convenience store property carried in Other Real Estate Owned.

Income Tax Expense. Income taxes decreased $940,000 in 2007 compared with 2006 primarily due a decrease in the pre-tax income. Former MidWest*One* s consolidated income tax rate varies from the statutory rate mainly due to the amount of tax-exempt income. The 2007 effective income tax as a percentage of income before tax was 33.5 percent, compared with 32.4 percent for 2006. A portion in the increase in the effective tax rate between 2007 and 2006 was due to the non-deductibility of the merger-related expenses.

Analysis of Financial Condition at December 31, 2007

Loans

Former MidWest*One* s loan portfolio increased $32,219,000 or 6 percent to $536,051,000 on December 31, 2007 from $503,832,000 on December 31, 2006. Most of this increase was in the commercial, commercial real estate and agricultural loan categories. A decrease of $4.1 million was noted in the 1-4 family residential real estate loans as borrowers refinanced their homes to take advantage of lower fixed-rates. Much of the loan growth occurred in the Oskaloosa, Cedar Falls/Waterloo and Belle Plaine markets. As of December 31, 2007, Former MidWest*One* s loan to deposit ratio was 93.3 percent, compared with 89.9 percent at December 31, 2006.

Former MidWest*One* s loan portfolio largely reflected the profile of the communities in which it operated. Total real estate loans (including 1-4 family residential, commercial, agricultural, construction, and multi-family real estate) were $346,219,000 as of December 31, 2007 compared with $332,534,000 as of December 31, 2006. Real estate loans of all types were Former MidWest*One* s largest category of loans, comprising 64.6 percent of total loans at year-end 2007 and 66.0 percent at December 31, 2006. Commercial loans were the next largest category of loans at December 31, 2007, totaling approximately $99,416,000 or 18.5 percent of total loans compared with $89,236,000 or 17.7 percent of loans at December 31, 2006. As a percentage of Former MidWest*One* s total loans as of December 31, 2007, agricultural loans were 14.0 percent compared with 13.2 percent as of December 31, 2006.

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Agricultural loans totaled $75,121,000 on December 31, 2007 compared with $66,393,000 as of December 31, 2006. The remaining 2.9 percent of the portfolio as of December 31, 2007 consisted of $15,295,000 in consumer and other loans compared with $15,579,000 as of December 31, 2006.

The following table shows the composition of Former MidWest*One* s loan portfolio as of the dates indicated. Total loans do not include Former MidWest*One* s investment in loan pool participations.

	2007		2006		December 31, 2005		2004		2003	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
					(dollars in thousands)					
Agricultural	$ 75,121	14.0%	$ 66,393	13.2%	$ 55,471	12.8%	$ 53,545	13.4%	$ 56,036	14.9%
Commercial	99,416	16.5	89,326	17.7	72,248	16.7	70,104	17.6	60,532	16.0
Real estate:										
1-4 family residences	127,114	23.7	131,223	26.0	130,605	30.1	132,702	33.3	132,801	35.2
5+ residential property	14,798	2.8	14,752	2.9	11,077	2.5	10,210	2.5	7,323	1.9
Agricultural	57,547	10.7	52,765	10.5	40,641	9.4	38,163	9.6	42,809	11.4
Construction	67,042	12.5	57,669	11.5	36,654	8.5	20,113	5.0	10,475	2.8
Commercial	79,718	14.9	76,125	15.1	74,386	17.2	63,334	15.9	56,360	14.9
Real estate total	346,219	64.6	332,534	66.0	293,363	67.7	264,522	66.3	249,768	66.2
Installment	15,295	2.9	15,579	3.1	12,355	2.8	10,464	2.6	10,415	2.8
Lease financing							219	0.1	266	0.1
Total loans(1)	$ 536,051	100.0%	$ 503,832	100.0%	$ 433,437	100.0%	$ 398,854	100.0%	$ 377,017	100.0%
Total assets	$ 784,461		$ 744,911		$ 676,332		$ 650,564		$ 623,306	
Loans to total assets		68.3%		67.6%		64.1%		61.3%		60.5%

(1) Total loans do not include Former MidWest*One* s investments in loan pool participations.

The following table sets forth the remaining maturities for certain loan categories as of December 31, 2007.

	Due Within One Year	Due in One to Five Years	Due After Five Years	Total	Total for Loans Due Within One Year Having: Fixed Rates	Variable Rates	Total for Loans Due After One year Having: Fixed Rates	Variable Rates
				(in thousands)				
Agricultural	$ 55,346	$ 16,040	$ 3,735	$ 75,121	$ 9,621	$ 45,725	$ 13,394	$ 6,381
Commercial	47,653	44,801	6,962	99,416	15,767	31,886	38,502	13,261
Real estate:								
1-4 family residences	10,742	29,832	86,540	127,114	9,487	1,255	32,934	83,438
5+ residential property	4,538	8,902	1,507	14,798	4,389		8,956	1,453
Agricultural	7,538	26,025	23,984	57,547	7,538		30,670	19,339
Construction	47,553	18,025	1,464	67,042	33,455	14,098	17,922	1,567
Commercial	14,940	41,041	23,737	79,718	13,746	1,194	44,023	20,755

Real estate total	85,162	123,825	137,232	346,219	68,615	16,547	134,505	126,551
Installment	3,823	10,798	674	15,295	2,898	924	11,109	363
Total loans	$ 191,984	$ 195,464	$ 148,603	$ 536,051	$ 96,902	$ 95,062	$ 197,510	$ 146,567

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Investment in Loan Pools

Former MidWest*One* invested in pools of performing and nonperforming loans categorized as loan pool participations. These loan pool participations were purchased at a discount from the aggregate outstanding principal amount of the underlying loans. Income was derived from this investment in the form of interest collected and the repayment of principal in excess of the purchase cost which is herein referred to as discount. For a more detailed discussion of loan pool participations and related accounting treatment, refer to Part I, Item 1. Business, Section C. Loan Pool Participations in this document.

At year-end 2007, Former MidWest*One* s loan pool participation total was $93,058,000 compared with $98,885,000 in 2006, a decrease of $5,827,000 or 6 percent. The balance of the loan pool participations represents the purchase cost of the loans less principal collections net of discount income recognized. The average loan pool participation investment for 2007 was $87,707,000 compared with an average of $92,133,000 for 2006. The average balance of loan pool participations was affected by the ability to purchase loan pools, collection activity, and refinancing and settlements from borrowers. The ability of the servicer to purchase pools of loans was influenced by the availability of pools from selling banks, competition from other buyers, liquidity of Former MidWest*One* and the interest rate environment. Former MidWest*One* is under no obligation to invest in any additional loan pools. Loan pool participation purchases made by Former MidWest*One* during 2007 totaled $35,577,000 compared with purchases of $40,071,000 in 2006. Approximately $12,268,000 or 34 percent of the loan pool purchases for 2007 were made in the fourth quarter of the year. Throughout 2007, loan pool participations represented 12.6 percent of average earning assets while in 2006 they represented 14.2 percent of average earning assets.

Loan Quality

Non-performing assets as of December 31, 2007 totaled $4,904,000 or 0.91 percent of total loans. The year-end 2007 total of non-performing assets decreased $1,085,000 or 18 percent when compared with the December 31, 2006 amount of $5,989,000 or 1.19 percent of total loans. Non-performing assets consist of nonaccrual loans, loans past due 90 days and still accruing, troubled debt restructurings and other real estate owned. Nonaccrual loans increased $1,324,000 to a December 31, 2007 total of $2,051,000. Loans past due 90 days and over as of year-end 2007 totaled $1,550,000, a decrease of $1,510,000 compared with the year-end 2006 total. Approximately one-half of the decrease in loans past due 90 days and over was attributable to one credit, which is a truck terminal/warehouse facility. There was no troubled debt restructurings on December 31, 2007 and $2,014,000 on December 31, 2006. The decrease in troubled debt restructurings was attributable to a truck stop/convenience store that was carried in other real estate on December 31, 2007 as a result of foreclosure in 2007. Other real estate owned consists of real estate acquired by Former MidWest*One* through foreclosure. Other real estate owned increased $1,115,000 in 2007 to $1,303,000 as of December 31, 2007 from the December 31, 2006 total of $188,000 as a result of the aforementioned truck stop/convenience store on which Former MidWestOne foreclosed in 2007. Former MidWest*One* does not have any commitments to lend additional funds to any borrowers who have non-performing loans or troubled debt restructurings. Efforts to further improve asset quality continue.

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The following table provides information on Former MidWest*One* s non-performing loans as of the dates indicated.

	December 31, 2007	2006	2005	2004	2003
	(dollars in thousands)				
90 days past due	$ 1,550	$ 3,060	$ 1,671	$ 858	$ 825
Restructured		2,014	159	486	567
Nonaccrual	2,051	727	1,522	1,571	1,737
Total non-performing loans	$ 3,601	$ 5,801	$ 3,352	$ 2,915	$ 3,129
Ratio of nonperforming loans to total loans	.67%	1.15%	0.77%	0.73%	0.83%

The allowance for loan losses was $5,348,000 on December 31, 2007 and totaled $5,693,000 as of December 31, 2006. The allowance represented 1.00 percent of total loans at December 31, 2007 and 1.13 percent of loans on December 31, 2006. Changes in the allowance for the year 2007 occurred as a result of economic conditions as related to Former MidWest*One s* loan portfolio. The allowance as a percentage of non-performing assets was 109.1 percent on December 31, 2007 and 95.1 percent on December 31, 2006. The allowance as a percentage of non-performing loans was 148.5 percent and 98.1 percent as of December 31, 2007 and 2006, respectively. The increase in the percentage of the allowance relative to non-performing loans reflected the decrease in troubled debt restructure of the truck stop/convenience store property, which was included in the non-performing loan category in 2006. Net loan net charge-offs were $1,327,000 or .25% of average loans compared with 2006 net recoveries of $502,000 or (.11) percent of average loans. In January 2006 Former MidWest*One* received the proceeds from the recovery of an agricultural loan that had been charged off in 2001 totaling $901,000. This amount was credited to the allowance for loan losses as a recovery in 2006. The allowance for loan losses was maintained at a level considered by Former MidWest*One* s management to be adequate to provide for loan losses inherent in the portfolio at the balance sheet date.

The following table sets forth loans charged off and recovered by the type of loan and an analysis of the allowance for loan losses for the years indicated.

	Year ended December 31, 2007	2006	2005	2004	2003
	(dollars in thousands)				
Amount of loans outstanding at end of period (net of unearned interest)(1)	$ 536,051	$ 503,832	$ 433,437	$ 398,854	$ 377,017
Average amount of loans outstanding for the period (net of unearned interest)	$ 522,676	$ 471,312	$ 413,972	$ 391,131	$ 366,754
Allowance for loan losses at beginning of period	$ 5,693	$ 5,011	$ 4,745	$ 4,857	$ 3,967
Charge-offs:					
Agricultural	1	113	67	333	65

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	Year ended December 31, 2007	2006	2005	2004	2003
	(dollars in thousands)				
Commercial	284	119	141	282	44
Real estate mortgage	990	285	50	350	150
Installment	96	43	54	77	88
Lease financing			153		
Total charge-offs	1,371	560	465	1,042	347
Recoveries:					
Agricultural	10	968	160	18	5
Commercial	4	81	15	7	7
Real estate mortgage	22	6	72	17	7
Installment	8	7	16	30	22
Total recoveries	44	1,062	263	72	41
Net loans charged off (recovered)	1,327	(502)	202	970	306
Provision for loan losses	982	180	468	858	589
Allowance at date of acquisition					607
Allowance for loan losses at end of period	$ 5,348	$ 5,693	$ 5,011	$ 4,745	$ 4,857
Net loans charged off (recovered) to average loans	.25%	(0.11)%	0.05%	0.25%	0.08%
Allowance for loan losses to total loans at end of period	1.00%	1.13%	1.16%	1.19%	1.29%

(1) Loans do not include, and the allowance for loan losses does not include, any allowance for investments in loan pool participations.

Former MidWest*One* allocated the allowance for loan losses to provide for loan losses within the categories of loans set forth in the table below. The allocation of the allowance and the ratio of loans within each category to total loans as of the dates indicated are as follows:

	December 31,									
	2007		2006		2005		2004		2003	
	Allowance Amount	Percent of Loans to Total Loans	Allowance Amount	Percent of Loans to Total Loans	Allowance Amount	Percent of Loans to Total Loans	Allowance Amount	Percent of Loans to Total Loans	Allowance Amount	Percent of Loans to Total Loans
	(dollars in thousands)									
Agricultural	$ 773	14.0%	$ 1,189	13.2%	$ 1,333	12.8%	$ 1,183	13.4%	$ 1,231	14.9%
Commercial	774	18.5	1,343	17.7	1,069	16.7	1,245	17.6	1,038	16.1
Real estate mortgage	3,489	64.6	3,021	66.0	2,410	67.7	2,089	66.3	2,329	66.1
Installment	312	2.9	140	3.1	199	2.8	156	2.6	183	2.8
Lease financing							72	0.1	76	0.1
Total	$ 5,348	100.0%	$ 5,693	100.0%	$ 5,011	100.0%	$ 4,745	100.0%	$ 4,857	100.0%

Investment Securities

Former MidWest*One* managed its investment portfolio to provide both a source of liquidity and earnings. The portfolio largely consisted of U.S. Government agency securities, corporate securities, mortgage-backed securities, and municipal bonds. Investment securities available for sale totaled $76,046,000 on December 31, 2007 compared to $70,743,000 at December 31, 2006. Former MidWest*One* s investment in available for sale securities balances was reduced to fund loan growth in 2006. Securities classified as held to maturity decreased by $1,585,000 to a balance of $10,635,000 on December 31, 2007.

The following table sets forth certain information with respect to the book value of Former MidWest*One* s investment portfolio as of December 31, 2007, 2006, and 2005.

	December 31,		
	2007	2006	2005
	(in thousands)		
Securities available for sale:			
U.S. government agency securities	$ 27,902	$ 23,776	$ 31,039
Mortgage-backed securities	14,095	16,166	19,292
Obligations of states and political subdivisions	24,389	17,131	7,250
Corporate debt securities	2,523	7,436	11,182
Total debt securities	68,909	64,509	68,763
Federal Home Loan Bank stock	6,285	5,439	4,937
Equity securities	852	795	806

	December 31, 2007	2006 (in thousands)	2005
Total securities available for sale	76,046	70,743	74,506
Securities held to maturity:			
Mortgage-backed securities	115	129	157
Obligations of states and political subdivisions	10,520	12,091	12,829
Total securities held to maturity	10,635	12,220	12,986
Total investment securities	$ 86,681	$ 82,963	$ 87,492

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The following table sets forth the contractual maturities of investment securities as of December 31, 2007, and the weighted average yields (for tax-exempt obligations on a fully tax-equivalent basis assuming a 34 percent tax rate) of such securities. As of December 31, 2007, Former MidWest*One* held no securities with a book value exceeding 10 percent of shareholders equity.

	Maturity							
	Within *One* Year		After *One* but Within Five Years		After Five but Within Ten Years		After Ten Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	(dollars in thousands)							
Securities available for sale:								
U.S. government agency securities	$ 4,343	3.74%	$ 17,395	5.08%	$ 6,164	5.65%	$	%
Mortgage-backed securities	363	3.43	13,732	4.10				
Obligations of states and political subdivisions	739	5.10	3,600	6.10	12,514	5.91	7,536	6.42
Corporate debt securities			2,523	4.96				
Total securities available for sale	5,445	3.90	37,250	4.81	18,678	5.82	7,536	6.42
Securities held to maturity:								
Mortgage-backed securities							115	6.02
Obligations of states and political subdivisions	906	5.13	7,725	6.24	1,889	5.96		
Total securities held to maturity	906	5.13	7,725	6.24	1,889	5.96	115	6.02