

**MIDWESTONE  
FINANCIAL GROUP, INC.**

**CALCULATED FUTURE VALUES  
MARCH 31, 2007 - 2011**

## CALCULATED FUTURE VALUES

The calculations presented in the attached exhibits have been provided to clients requiring annual valuation reports. They were prepared in connection with a formal valuation report. The following comments and attached exhibits do not present any analysis beyond the mathematical calculations and do not constitute any opinion about the future values presented.

The relationship between value and expected cash flows is fundamental to the valuation process: “ownership of an asset confers the rights to the stream of benefits generated by the asset. Finance theory focuses primarily on . . . the cash flows paid by an asset over time.” (Smart, Megginson, Gitman; Corporate Finance (Thompson Southwestern, 2004), page 115). The authors go on to state that: “pricing an asset requires knowledge of both its future benefits and the appropriate discount rate that converts future benefits into a present value . . . the valuation process links an asset’s risk and return to determine its price.” This establishes the fundamental valuation model as the present value of all future cash flows.

The present value model commonly uses a five year horizon with a terminal value calculated for the end of year five. Given the expectations reflected in these cash flows and the discount rate applied, a current present value is calculated. To expand on this, the valuation date can be rolled forward to a future date and a future value calculated from the set of expectations used for the current valuation. A sample of such calculations is presented in the following exhibits.

The calculated returns, generally, will not be realized as the company’s actual performance differs from the projections set in the base year. However, as with a five year financial plan, these calculations provide a guide for evaluating the actual value realized at the future date and identifying why this value differed from the calculated future value.

**BASE YEAR:** Recaps the financial data presented in EXHIBITS FIVE through EIGHT of the March 31, 2006 valuation. The derived value and resulting price multiples correspond to the original presentation in EXHIBIT NINE.

**SUMMARY:** Presents the values derived on the following pages for each of the next five years. The net income and dividends are taken from EXHIBIT SIX.

**PER SHARE CALCULATIONS:** Shows the per share calculations from EXHIBIT ELEVEN of the March 31, 2006 valuation report. The returns differ from the Summary exhibit because the per share value is used as the basis for

calculating the return. This value reflects the minimal marketability discount observed between the calculated value and the reported market value.

Over the future valuation dates the number of shares issued for options increases as the calculated stock value increases: at the higher values fewer shares can be repurchased under the Treasury method. The total number of options that could be exercised is fixed at those vested as of March 31, 2006. The implicit assumption is that no additional options either vest or are granted over the next five years. The intent is to reflect the impact of the increase in the number of shares to be valued that is driven by the increased values.

**YEARS 1 THROUGH 5:** Cash flow projections are developed from the Base Year exhibit for each of the next five years. Moving forward year-to-year, the projection for the first year is shifted to the base column and each projection is shifted to the left. The projection in the terminal value column on the far right is moved into the fifth year.

The same present value calculation used in EXHIBIT EIGHT of the March 31, 2006 valuation report, recapped in the Base Year exhibit, is applied for each of the next five years.

**MIDWESTONE FINANCIAL GROUP, INC.**  
**CASH FLOW PROJECTIONS FOR MARCH, 2006 VALUATION**  
**BASE FOR CALCULATED FUTURE VALUES**  
**MARCH 31, 2006**  
(millions)

	<b>March 31,</b>						<b>Terminal Value</b>	
	<b>2006 Base</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>		
Projected assets	\$674.0	\$702.7	\$732.3	\$763.5	\$796.3	\$830.8	\$864.0	
Effective growth rate		4.3%	4.2%	4.3%	4.3%	4.3%	4.0%	
Common equity	\$59.7	\$61.7	\$63.9	\$66.4	\$69.2	\$72.3	\$73.2	
Tangible common equity	\$45.0	\$47.2	\$49.7	\$52.5	\$55.4	\$58.6	\$59.5	
Tangible common equity ratio	6.8%	6.9%	6.9%	7.0%	7.1%	7.2%	7.0%	
Average assets	\$682.3	\$688.3	\$717.5	\$747.9	\$779.9	\$813.5	\$847.4	
Return on assets	1.12%	0.97%	1.04%	1.12%	1.19%	1.26%	1.26%	
NET INCOME	<u>\$7.676</u>	\$6.650	\$7.483	\$8.340	\$9.268	\$10.273	\$10.684	
Retained earnings		(2.926)	(1.843)	(1.964)	(2.128)	(2.312)	10.0%	Capitalization rate
DIVIDENDS	<u>\$2.524</u>	\$3.724	\$5.640	\$6.376	\$7.140	\$7.960	\$106.835	Terminal value
Discount factor 14.0%		0.9366	0.8216	0.7207	0.6322	0.5545	0.5194	
ANNUAL PRESENT VALUES		<u>\$3.488</u>	<u>\$4.634</u>	<u>\$4.595</u>	<u>\$4.514</u>	<u>\$4.414</u>	<u>\$55.487</u>	P.V. of Terminal Value
TOTAL PRESENT VALUE		<u>\$77.131</u>						
					% of total in terminal		<u>72%</u>	

**CALCULATED VALUE** \$77.1

**PRICING MULTIPLES FOR BASE YEAR FINANCIALS**

Price/earnings 10.0  
Price/tangible book 1.72  
Price/7% tangible book 1.70

**7% TANGIBLE CAPITAL** \$46.1

**BASE YEAR**

**MIDWESTONE FINANCIAL GROUP, INC.**  
**SUMMARY OF CALCULATED FUTURE VALUES**  
**BASE VALUATION - MARCH 31, 2006**  
(millions)

	March 31,					
	Current 2006	Year 1 2007	Year 2 2008	Year 3 2009	Year 4 2010	Year 5 2011
<b><u>PRESENT VALUE</u></b>	\$77.1	\$83.8	\$88.6	\$93.2	\$97.6	\$101.7
<b><u>FINANCIAL METRICS:</u></b>						
Earnings	\$7.676	\$6.650	\$7.452	\$8.323	\$9.269	\$10.295
Total assets	\$674.0	\$702.7	\$732.3	\$763.5	\$796.3	\$830.8
Common equity	59.7	61.7	63.9	66.4	69.2	72.3
Tangible common equity	45.0	47.2	49.7	52.5	55.4	58.6
7% tangible common equity	46.1	50.2	52.3	54.4	56.7	59.1
<b><u>PRICING MULTIPLES:</u></b>						
Price/earnings	10.0	12.6	11.9	11.2	10.5	9.9
Price/tangible book	1.72	1.77	1.78	1.78	1.76	1.73
Price/7% tangible book	1.70	1.73	1.74	1.75	1.74	1.73
<b><u>RETURN TO SHAREHOLDERS:</u></b>						
Ending value		\$83.8	\$88.6	\$93.2	\$97.6	\$101.7
Beginning value		77.1	83.8	88.6	93.2	97.6
INCREASE IN VALUE		<u>\$6.7</u>	<u>\$4.8</u>	<u>\$4.6</u>	<u>\$4.4</u>	<u>\$4.1</u>
Dividends		<u>\$4.7</u>	<u>\$5.2</u>	<u>\$5.8</u>	<u>\$6.5</u>	<u>\$7.2</u>
<b><u>RETURN ON INVESTMENT:</u></b>						
Beginning year investment		<u>\$77.1</u>	<u>\$83.8</u>	<u>\$88.6</u>	<u>\$93.2</u>	<u>\$97.6</u>
Increase in value		8.68%	5.68%	5.20%	4.72%	4.20%
Returns from dividends		<u>6.04%</u>	<u>6.22%</u>	<u>6.58%</u>	<u>6.96%</u>	<u>7.38%</u>
TOTAL RETURN		<u>14.72%</u>	<u>11.91%</u>	<u>11.78%</u>	<u>11.68%</u>	<u>11.58%</u>

**SUMMARY**

**MIDWESTONE FINANCIAL GROUP, INC.**  
**SUMMARY OF CALCULATED PER SHARE VALUES**  
**BASE VALUATION - MARCH 31, 2006**

March 31,

	<u>Current 2006</u>	<u>Year 1 2007</u>	<u>Year 2 2008</u>	<u>Year 3 2009</u>	<u>Year 4 2010</u>	<u>Year 5 2011</u>	
<b><u>VALUE PER SHARE CALCULATION:</u></b>							
Aggregate value	\$77.131	\$83.829	\$88.592	\$93.199	\$97.594	\$101.689	MM
Shares outstanding, 3/31/06	3.707	3.707	3.707	3.707	3.707	3.707	MM
Issued for options	0.081	0.106	0.122	0.137	0.149	0.160	
TOTAL SHARES TO BE VALUED	<u>3.788</u>	<u>3.814</u>	<u>3.830</u>	<u>3.844</u>	<u>3.856</u>	<u>3.867</u>	
PRO RATA VALUE PER SHARE	\$20.36	\$21.98	\$23.13	\$24.25	\$25.31	\$26.30	
Discount for lack of marketability 3%	(0.56)	(0.61)	(0.64)	(0.67)	(0.70)	(0.73)	
DISCOUNTED VALUE PER SHARE	<u>\$19.80</u>	<u>\$21.37</u>	<u>\$22.49</u>	<u>\$23.58</u>	<u>\$24.61</u>	<u>\$25.57</u>	
<b><u>RETURN TO SHAREHOLDERS:</u></b>							
Ending value	\$19.80	\$21.37	\$22.49	\$23.58	\$24.61	\$25.57	
Beginning (Publicly-traded, 3/31/05)	17.50	19.80	21.37	22.49	23.58	24.61	
INCREASE IN VALUE	\$2.30	\$1.57	\$1.12	\$1.08	\$1.03	\$0.96	
Dividend	0.68	1.26	1.41	1.57	1.75	1.94	
TOTAL RETURN	<u>\$2.98</u>	<u>\$2.83</u>	<u>\$2.53</u>	<u>\$2.65</u>	<u>\$2.78</u>	<u>\$2.91</u>	
<b><u>Return on investment</u></b>							
Beginning (Publicly-traded, 3/31/05)	<u>\$17.50</u>	<u>\$19.80</u>	<u>\$21.37</u>	<u>\$22.49</u>	<u>\$23.58</u>	<u>\$24.61</u>	
Increase in value	13.14%	7.95%	5.24%	4.81%	4.38%	3.91%	
Dividend	3.89%	6.34%	6.58%	6.99%	7.42%	7.90%	
TOTAL RETURN	<u>17.03%</u>	<u>14.29%</u>	<u>11.82%</u>	<u>11.80%</u>	<u>11.80%</u>	<u>11.81%</u>	

**PER SHARE  
CALCULATIONS**

**MIDWESTONE FINANCIAL GROUP, INC.**  
**CASH FLOW PROJECTIONS FOR MARCH, 2006 VALUATION**  
**CALCULATED FUTURE VALUE**  
**MARCH 31, 2007**  
(millions)

	<b>March 31,</b>						
	<b>2007</b>						<b>Terminal</b>
	<b>Base</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>Value</b>
Projected assets	\$702.7	\$732.3	\$763.5	\$796.3	\$830.8	\$864.0	\$898.6
Effective growth rate		4.2%	4.3%	4.3%	4.3%	4.0%	4.0%
Common equity	\$61.7	\$63.9	\$66.4	\$69.2	\$72.3	\$73.2	\$75.6
Tangible common equity	\$47.2	\$49.7	\$52.5	\$55.4	\$58.6	\$59.5	\$61.9
Tangible common equity ratio	6.9%	6.9%	7.0%	7.1%	7.2%	7.0%	7.0%
Average assets	\$688.3	\$717.5	\$747.9	\$779.9	\$813.5	\$847.4	\$881.3
Return on assets	0.97%	1.04%	1.12%	1.19%	1.26%	1.26%	1.26%
NET INCOME	<u>\$6.650</u>	\$7.483	\$8.340	\$9.268	\$10.273	\$10.684	\$11.111
Retained earnings		(1.843)	(1.964)	(2.128)	(2.312)	(0.902)	10.0%
DIVIDENDS	<u>\$4.655</u>	\$5.640	\$6.376	\$7.140	\$7.960	\$9.781	\$111.108
Discount factor	14.0%	0.9366	0.8216	0.7207	0.6322	0.5545	0.5194
ANNUAL PRESENT VALUES		<u>\$5.282</u>	\$5.238	\$5.146	\$5.032	\$5.424	\$57.706
TOTAL PRESENT VALUE		<u>\$83.829</u>					
					% of total in terminal		<u>69%</u>

**CALCULATED VALUE** \$83.8

**PRICING MULTIPLES FOR BASE YEAR FINANCIALS**

Price/earnings	12.6
Price/tangible book	1.77
Price/7% tangible book	1.73

**7% TANGIBLE CAPITAL** \$50.2

**CALCULATED RETURNS**

Increase in value	8.68%
Returns from dividends	<u>6.04%</u>
TOTAL RETURN	<u>14.72%</u>

**YEAR 1**

**MIDWESTONE FINANCIAL GROUP, INC.**  
**CASH FLOW PROJECTIONS FOR MARCH, 2006 VALUATION**  
**CALCULATED FUTURE VALUE**  
**MARCH 31, 2008**  
(millions)

	<b>March 31,</b>						
	<b>2008</b>						<b>Terminal</b>
	<b>Base</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>Value</b>
Projected assets	\$732.3	\$763.5	\$796.3	\$830.8	\$864.0	\$898.6	\$934.5
Effective growth rate		4.3%	4.3%	4.3%	4.0%	4.0%	4.0%
Common equity	\$63.9	\$66.4	\$69.2	\$72.3	\$73.2	\$75.6	\$78.2
Tangible common equity	\$49.7	\$52.5	\$55.4	\$58.6	\$59.5	\$61.9	\$64.5
Tangible common equity ratio	6.9%	7.0%	7.1%	7.2%	7.0%	7.0%	7.0%
Average assets	\$717.5	\$747.9	\$779.9	\$813.5	\$847.4	\$881.3	\$916.6
Return on assets	1.04%	1.12%	1.19%	1.26%	1.26%	1.26%	1.26%
NET INCOME	<u>\$7.452</u>	\$8.340	\$9.268	\$10.273	\$10.684	\$11.111	\$11.555
Retained earnings		(1.964)	(2.128)	(2.312)	(0.902)	(2.419)	10.0%
DIVIDENDS	<u>\$5.217</u>	\$6.376	\$7.140	\$7.960	\$9.781	\$8.692	\$115.553
Discount factor	14.0%	0.9366	0.8216	0.7207	0.6322	0.5545	0.5194
ANNUAL PRESENT VALUES		<u>\$5.971</u>	\$5.866	\$5.737	\$6.183	\$4.820	\$60.015
TOTAL PRESENT VALUE		<u>\$88.592</u>					
					% of total in terminal		<u>68%</u>

**CALCULATED VALUE** \$88.6

**PRICING MULTIPLES FOR BASE YEAR FINANCIALS**

Price/earnings	11.9
Price/tangible book	1.78
Price/7% tangible book	1.74

**7% TANGIBLE CAPITAL** \$52.3

**CALCULATED RETURNS**

Increase in value	5.68%
Returns from dividends	<u>6.22%</u>
TOTAL RETURN	<u>11.91%</u>

**YEAR 2**



**MIDWESTONE FINANCIAL GROUP, INC.**  
**CASH FLOW PROJECTIONS FOR MARCH, 2006 VALUATION**  
**CALCULATED FUTURE VALUE**  
**MARCH 31, 2009**  
(millions)

	<b>March 31,</b>						
	<b>2009</b>						<b>Terminal</b>
	<b>Base</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>Value</b>
Projected assets	\$763.5	\$796.3	\$830.8	\$864.0	\$898.6	\$934.5	\$971.9
Effective growth rate		4.3%	4.3%	4.0%	4.0%	4.0%	4.0%
Common equity	\$66.4	\$69.2	\$72.3	\$73.2	\$75.6	\$78.2	\$80.8
Tangible common equity	\$52.5	\$55.4	\$58.6	\$59.5	\$61.9	\$64.5	\$67.1
Tangible common equity ratio	7.0%	7.1%	7.2%	7.0%	7.0%	7.0%	7.0%
Average assets	\$747.9	\$779.9	\$813.5	\$847.4	\$881.3	\$916.6	\$953.2
Return on assets	1.11%	1.19%	1.26%	1.26%	1.26%	1.26%	1.26%
NET INCOME	<u>\$8.323</u>	\$9.268	\$10.273	\$10.684	\$11.111	\$11.555	\$12.017
Retained earnings		(2.128)	(2.312)	(0.902)	(2.419)	(2.516)	10.0%
DIVIDENDS	<u>\$5.826</u>	\$7.140	\$7.960	\$9.781	\$8.692	\$9.039	\$120.175
Discount factor	14.0%	0.9366	0.8216	0.7207	0.6322	0.5545	0.5194
ANNUAL PRESENT VALUES		<u>\$6.687</u>	<u>\$6.540</u>	<u>\$7.049</u>	<u>\$5.495</u>	<u>\$5.013</u>	\$62.415
TOTAL PRESENT VALUE		<u>\$93.199</u>					
					% of total in terminal		<u>67%</u>

**CALCULATED VALUE** \$93.2

**PRICING MULTIPLES FOR BASE YEAR FINANCIALS**

Price/earnings	11.2
Price/tangible book	1.78
Price/7% tangible book	1.75

**7% TANGIBLE CAPITAL** \$54.4

**CALCULATED RETURNS**

Increase in value	5.20%
Returns from dividends	<u>6.58%</u>
TOTAL RETURN	<u>11.78%</u>

**YEAR 3**

**MIDWESTONE FINANCIAL GROUP, INC.**  
**CASH FLOW PROJECTIONS FOR MARCH, 2006 VALUATION**  
**CALCULATED FUTURE VALUE**  
**MARCH 31, 2010**  
(millions)

	<b>March 31,</b>						
	<b>2010</b>						<b>Terminal</b>
	<b>Base</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>Value</b>
Projected assets	\$796.3	\$830.8	\$864.0	\$898.6	\$934.5	\$971.9	\$1,010.8
Effective growth rate		4.3%	4.0%	4.0%	4.0%	4.0%	4.0%
Common equity	\$69.2	\$72.3	\$73.2	\$75.6	\$78.2	\$80.8	\$83.5
Tangible common equity	\$55.4	\$58.6	\$59.5	\$61.9	\$64.5	\$67.1	\$69.8
Tangible common equity ratio	7.1%	7.2%	7.0%	7.0%	7.0%	7.0%	7.0%
Average assets	\$779.9	\$813.5	\$847.4	\$881.3	\$916.6	\$953.2	\$991.4
Return on assets	1.19%	1.26%	1.26%	1.26%	1.26%	1.26%	1.26%
NET INCOME	<u>\$9.269</u>	\$10.273	\$10.684	\$11.111	\$11.555	\$12.017	\$12.498
Retained earnings		(2.312)	(0.902)	(2.419)	(2.516)	(2.617)	10.0%
DIVIDENDS	<u>\$6.488</u>	\$7.960	\$9.781	\$8.692	\$9.039	\$9.401	\$124.982
Discount factor	14.0%	0.9366	0.8216	0.7207	0.6322	0.5545	0.5194
ANNUAL PRESENT VALUES		<u>\$7.456</u>	\$8.036	\$6.264	\$5.714	\$5.213	\$64.912
TOTAL PRESENT VALUE		<u>\$97.594</u>					
					% of total in terminal		<u>67%</u>

**CALCULATED VALUE** \$97.6

**PRICING MULTIPLES FOR BASE YEAR FINANCIALS**

Price/earnings	10.5
Price/tangible book	1.76
Price/7% tangible book	1.74

**7% TANGIBLE CAPITAL** \$56.7

**CALCULATED RETURNS**

Increase in value	4.72%
Returns from dividends	<u>6.96%</u>
TOTAL RETURN	<u>11.68%</u>

**MIDWESTONE FINANCIAL GROUP, INC.**  
**CASH FLOW PROJECTIONS FOR MARCH, 2006 VALUATION**  
**CALCULATED FUTURE VALUE**  
**MARCH 31, 2011**  
(millions)

	<b>March 31,</b>						<b>Terminal</b>
	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>Value</b>
	<b>Base</b>						
Projected assets	\$830.8	\$864.0	\$898.6	\$934.5	\$971.9	\$1,010.8	\$1,051.2
Effective growth rate		4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Common equity	\$72.3	\$73.2	\$75.6	\$78.2	\$80.8	\$83.5	\$86.3
Tangible common equity	\$58.6	\$59.5	\$61.9	\$64.5	\$67.1	\$69.8	\$72.6
Tangible common equity ratio	7.2%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
Average assets	\$813.5	\$847.4	\$881.3	\$916.6	\$953.2	\$991.4	\$1,031.0
Return on assets	1.27%	1.26%	1.26%	1.26%	1.26%	1.26%	1.26%
NET INCOME	<u>\$10.295</u>	\$10.684	\$11.111	\$11.555	\$12.017	\$12.498	\$12.998
Retained earnings		(0.902)	(2.419)	(2.516)	(2.617)	(2.721)	10.0%
DIVIDENDS	<u>\$7.207</u>	\$9.781	\$8.692	\$9.039	\$9.401	\$9.777	\$129.981
Discount factor	14.0%	0.9366	0.8216	0.7207	0.6322	0.5545	0.5194
ANNUAL PRESENT VALUES		<u>\$9.161</u>	<u>\$7.141</u>	<u>\$6.514</u>	<u>\$5.943</u>	<u>\$5.422</u>	\$67.508
TOTAL PRESENT VALUE		<u>\$101.689</u>					
					% of total in terminal		<u>66%</u>

**CALCULATED VALUE** \$101.7

**PRICING MULTIPLES FOR BASE YEAR FINANCIALS**

Price/earnings	9.9
Price/tangible book	1.73
Price/7% tangible book	1.73

**7% TANGIBLE CAPITAL** \$59.1

**CALCULATED RETURNS**

Increase in value	4.20%
Returns from dividends	<u>7.38%</u>
TOTAL RETURN	<u>11.58%</u>

**YEAR 5**