Spaeth Ronald G
Form 4
May 25, 2011

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
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(Print or Type Responses)

1. Name and Address of Reporting Person *
Spaeth Ronald G

(Last) (First) (Middle)

28161 N. KEITH DRIVE

(Street)

LAKE FOREST, IL 60045

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
STERICYCLE INC [SRCL]

3. Date of Earliest Transaction (Month/Day/Year)
05/24/2011

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director
_____ 10% Owner
_____ Officer (give title below)
_____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amour Underlying Securit (Instr. 3 and 4)

	Derivative Security					(A) or Disposed of (D) (Instr. 3, 4, and 5)					
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amo or Num of Shar
Non-Qualified Stock Option (right to buy)	$ 87.8	05/24/2011		A		6,605		05/24/2012	05/24/2021	Common Stock	6,6

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Spaeth Ronald G 28161 N. KEITH DRIVE LAKE FOREST, IL 60045	X			

Signatures

Ronald G Spaeth	05/25/2011
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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38,784

Allowance for loan losses
(19,849
)

(18,632

)

Other assets
159,596

65,020

Total assets
$
2,961,462

$
1,773,129

Average Interest-Bearing Liabilities:

Savings and interest-bearing demand deposits
$
1,236,800

$
866

0.28
%

$
717,294

$
571

0.32
%
Certificates of deposit
645,205

1,208

0.75

465,772

1,152

1.00

Total deposits
1,882,005

Explanation of Responses:

2,074

0.44

1,183,066

1,723

0.59

Federal funds purchased and repurchase agreements
63,849

78

0.49

68,172

42

0.25

Federal Home Loan Bank borrowings
127,852

451

1.42

85,278

399

1.90

Long-term debt and other
47,755

327

2.75

15,773

76

1.95

Total borrowed funds
239,456

856

1.44

169,223

517

1.24

Total interest-bearing liabilities
$
2,121,461

$
2,930

0.56
%

$
1,352,289

$
2,240

0.67
%

Net interest spread(2)

3.85
%

3.59
%

Demand deposits
524,132

213,418

Other liabilities
16,798

12,661

Shareholders’ equity
299,071

194,761

Total liabilities and shareholders’ equity
$
2,961,462

$
1,773,129

Interest income/earning assets (2)
$
2,707,915

$
29,672

4.41
%

$
1,668,922

$
17,538

4.26
%
Interest expense/earning assets
$
2,707,915

$
2,930

0.44
%

$
1,668,922

$
2,240

0.54
%
Net interest margin (2)(5)

$
26,742

3.97
%

$
15,298

3.72
%

Non-GAAP to GAAP Reconciliation:

Tax Equivalent Adjustment:

Loans

$
428

$
322

Securities

759

734

Total tax equivalent adjustment

1,187

1,056

Net Interest Income

$
25,555

$
14,242

(1) Loan fees included in interest income are not material.
(2) Computed on a tax-equivalent basis, assuming a federal income tax rate of 35%.
(3) Non-accrual loans have been included in average loans, net of unearned discount.
(4) Includes interest income and discount realized on loan pool participations.
(5) Net interest margin is tax-equivalent net interest income as a percentage of average earning assets.

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The following table sets forth an analysis of volume and rate changes in interest income and interest expense on our average earning assets and average interest-bearing liabilities during the three months ended March 31, 2016, compared to the same period in 2015, reported on a fully tax-equivalent basis assuming a 35% 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.

	Three Months Ended March 31, 2016 Compared to 2015 Change due to		
	Volume	Rate/Yield	Net
(in thousands)			
Increase (decrease) in interest income:			
Loans, tax equivalent	$ 12,011	$ 634	$ 12,645
Loan pool participations	(310)	(310)	(620)
Investment securities:			
Taxable investments	702	(672)	30
Tax exempt investments	416	(344)	72
Total investment securities	1,118	(1,016)	102
Federal funds sold and interest-bearing balances	6	1	7
Change in interest income	12,825	(691)	12,134
Increase (decrease) in interest expense:			
Savings and interest-bearing demand deposits	741	(446)	295
Certificates of deposit	1,446	(1,390)	56
Total deposits	2,187	(1,836)	351
Federal funds purchased and repurchase agreements	(18)	54	36
Federal Home Loan Bank borrowings	578	(526)	52
Other long-term debt	209	42	251
Total borrowed funds	769	(430)	339
Change in interest expense	2,956	(2,266)	690
Increase in net interest income	$ 9,869	$ 1,575	$ 11,444
Percentage increase in net interest income over prior period			74.8 %

Interest income and fees on loans on a tax-equivalent basis in the first quarter of 2016 increased $12.6 million, or 98.0%, compared with the same period in 2015. This increase includes the effect of the merger-related accretion income of $1.2 million on loans. Average loans were $1.01 billion, or 87.8%, higher in the first quarter of 2016 compared with the first quarter of 2015, due primarily to the merger with Central. In addition to purchase accounting adjustments, the yield on our loan portfolio is affected by the amount of nonaccrual loans (which do not earn interest income), the mix of the portfolio (real estate loans generally have a lower overall yield than commercial and agricultural loans), the effects of competition and the interest rate environment on the amounts and volumes of new loan originations, and the mix of variable-rate versus fixed-rate loans in our portfolio. While the increase in interest income on loans was primarily the result of the larger loan portfolio, the average yield on loans increased from 4.53% in the first quarter of 2015 to 4.74% in the first quarter of 2016, which was primarily attributable to purchase accounting adjustments and to market conditions in the areas served by Central Bank, which allow for somewhat higher loan rates.

Interest and discount income on loan pool participations decreased $0.6 million, or 100.0%, from $0.6 million in the first quarter of 2015 to zero in the same period of 2016. The Company entered into this business upon consummation of a prior merger in March 2008. These loan pool participations were investments in pools of performing, subperforming and nonperforming loans purchased at varying discounts to the aggregate outstanding principal amount of the underlying loans. The loan pool participations were held and serviced by a third-party independent servicing corporation, and the amount of income received from them varied widely due to unpredictable payment collections

and loss recoveries. The Company sold its remaining loan pool participations in the second quarter of 2015.
Interest income on investment securities on a tax-equivalent basis totaled $4.1 million in the first quarter of 2016 compared with $4.0 million for the same period of 2015, including $0.1 million of purchase accounting premium amortization expense in 2016. The tax-equivalent yield on our investment portfolio in the first quarter of 2016 decreased to 3.10% from 3.31% in the comparable period of 2015, partially due to a decline of 7 basis points attributable to premium amortization from the acquisition of the Central portfolio at fair value on May 1, 2015. The average balance of investments in the first quarter of 2016 was $534.2 million compared with $492.5 million in the first quarter of 2015, an increase of $41.6 million, or 8.5%. The increase in

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average balance resulted primarily from the merger, despite using proceeds from the pre-merger sale and maturity of securities to pay the cash portion of the merger consideration for the closing of the Central acquisition.

Interest expense on deposits increased $0.4 million, or 20.4%, in the first quarter of 2016 compared with the same period in 2015, primarily due to the addition of deposits resulting from the Central merger. The weighted average rate paid on interest-bearing deposits was 0.44% in the first quarter of 2016, compared with 0.59% in the first quarter of 2015. This decrease includes the effect of the merger-related premium amortization of $0.4 million on certificates of deposit, which served to decrease deposit interest expense. Average interest-bearing deposits for the first quarter of 2016 increased $698.9 million compared with the same period in 2015, due primarily to the merger.

Interest expense on borrowed funds of $0.9 million was $0.3 million higher in the first quarter of 2016 compared with the same period in 2015, due primarily to increased balances. Average borrowed funds for the first quarter of 2016 were $70.2 million higher compared with the same period in 2015. This increase was primarily due to the borrowing of $25.0 million in new long-term debt as well as $21.6 million of subordinated notes assumed in connection with the merger in the second quarter of 2015, along with the $42.6 million increase in the average level of FHLB borrowing. The weighted average rate on borrowed funds increased to 1.44% for the first quarter of 2016 compared with 1.24% for the first quarter of 2015, reflecting the increased cost of new debt relative to that of pre-merger debt.

Provision for Loan Losses

The provision for loan losses is a current charge against income and represents an amount which management believes is sufficient to maintain an adequate allowance for known and probable losses. In assessing the adequacy of the allowance for loan losses, management considers the size and quality of the loan portfolio measured against prevailing economic conditions, regulatory guidelines, historical loan loss experience and credit quality of the portfolio. When a determination is made by management to charge off a loan balance, such write-off is charged against the allowance for loan losses.

We recorded a provision for loan losses of $1.1 million in the first quarter of 2016, an increase of $0.5 million, from $0.6 million in the first quarter of 2015. The increased provision reflects primarily the increase in outstanding loan balances in the first quarter of 2016, compared to the first quarter of 2015. Net loans charged off in the first quarter of 2016 totaled $0.2 million, compared to $0.4 million net loans charged off in the first quarter of 2015. We determine an appropriate provision based on our evaluation of the adequacy of the allowance for loan losses in relationship to a continuing review of problem loans, current economic conditions, actual loss experience and industry trends. We believe that the allowance for loan losses was adequate based on the inherent risk in the portfolio as of March 31, 2016; however, there is no assurance losses will not exceed the allowance, and any growth in the loan portfolio and the uncertainty of the general economy may require additional provisions in future periods as deemed necessary.

Sensitive assets include nonaccrual loans, loans on MidWestOne Bank's and, prior to the merger, Central Bank's, watch loan reports and other loans identified as having higher potential for loss. We review sensitive assets on at least a quarterly basis for changes in the customers' ability to pay and changes in the valuation of underlying collateral in order to estimate probable losses. We also periodically review a watch loan list which is comprised of loans that have been restructured or involve customers in industries which have been adversely affected by market conditions. The majority of these loans are being repaid in conformance with their contracts.

Noninterest Income

	Three Months Ended March 31,			
	2016	2015	$ Change	% Change
(dollars in thousands)				
Trust, investment, and insurance fees	$1,498	$1,581	$(83)	(5.2)%
Service charges and fees on deposit accounts	1,258	733	525	71.6
Mortgage origination and loan servicing fees	549	238	311	130.7
Other service charges, commissions and fees	2,618	603	2,015	334.2
Bank-owned life insurance income	384	295	89	30.2
Gain on sale or call of available for sale securities	244	555	(311)	(56.0)
Gain (loss) on sale of premises and equipment	(146)	3	(149)	NM

Total noninterest income	$6,405	$4,008	$2,397	59.8	%
Noninterest income as a % of total revenue*	19.8 %	19.5 %			

* Total revenue is net interest income plus noninterest income excluding gain/loss on securities and premises and equipment and impairment of investment securities.

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Total noninterest income for the first quarter of 2016 increased to $6.4 million, up $2.4 million, or 59.8%, from $4.0 million in the first quarter of 2015, due primarily to the merger. The increase was primarily in other service charges, commissions and fees, which increased by $2.0 million, or 334.2%, from $0.6 million in the first quarter of 2015 to $2.6 million for the first quarter of 2016. While the majority of this increase was due to the merger, $0.7 million of the increase represents the gain on sale of our Barron and Rice Lake, Wisconsin branches, which was completed in early February 2016. Service charges and fees on deposit accounts in the first quarter of 2016 increased $0.5 million, or 71.6%, compared to the first quarter of 2015, and mortgage origination and loan servicing fees rose $0.3 million, or 130.7%, from $0.2 million for the first quarter of 2015 to $0.5 million for the first quarter of 2016. The noted increases were partially offset by decreased gains on the sale of available for sale securities of $0.3 million, and losses on the sale of premises and equipment of $0.1 million, due primarily to the loss on the sale of the Rice Lake, Wisconsin building in a transaction separate from the sale of the branch.

Management's strategic goal is for noninterest income to constitute 25% of total revenues (net interest income plus noninterest income excluding gain/loss on securities and premises and equipment and impairment of investment securities) over time. For the three months ended March 31, 2016, noninterest income comprised 19.8% of total revenues, compared with 19.5% for the same period in 2015. With the recent merger of Central Bank into MidWestOne Bank, management expects to see gradual improvement in this ratio in future periods.

Noninterest Expense

	Three Months Ended March 31,			
	2016	2015	$ Change	% Change
(dollars in thousands)				
Salaries and employee benefits	$12,645	$6,869	$5,776	84.1 %
Net occupancy and equipment expense	3,251	1,524	1,727	113.3
Professional fees	946	680	266	39.1
Data processing expense	2,573	432	2,141	495.6
FDIC insurance expense	421	239	182	76.2
Amortization of intangible assets	1,061	108	953	882.4
Other operating expense	2,549	1,327	1,222	92.1
Total noninterest expense	$23,446	$11,179	$12,267	109.7 %

Noninterest expense for the first quarter of 2016 was $23.4 million, up $12.3 million, or 109.7%, from the first quarter of 2015. The increase was mainly due to operating a larger company with a new markets following the Central merger. Salaries and employee benefits increased $5.8 million, or 84.1%, between the first quarter of 2015 and the first quarter of 2016 mainly as a result of the increased number of employees of the Company after the merger. Likewise, net occupancy and equipment expense increased $1.7 million, or 113.3%, from $1.5 million for the first quarter of 2015 to $3.3 million for the first quarter of 2016 mainly due to the merger. Merger-related expenses, relating to the bank merger, in the first quarter of 2016 were $2.2 million, compared to $0.5 million of expenses related to the holding company merger in the first quarter of 2015. The majority of the 2016 bank merger expenses were comprised of data processing fees, which increased $2.1 million, or 495.6%, for the first quarter of 2016, compared with the first quarter of 2015. The increase was primarily due to the bank merger-related data processing contract termination expense of $1.8 million realized during the quarter. Professional fees expense increased $0.3 million, or 39.1%, for the first quarter of 2016, compared with the first quarter of 2015. Other operating expense for the first quarter of 2016 increased $1.2 million, or 92.1%, compared with the first quarter of 2015, primarily due to the merger of the banks.

Income Tax Expense

Our effective income tax rate, or income taxes divided by income before taxes, was 25.6% for the first quarter of 2016, which was lower than the effective tax rate of 25.9% for the first quarter of 2015. Income tax expense was $1.9 million in the first quarter of 2016 compared to $1.7 million for the same period of 2015. The primary reason for the increase in income tax expense was primarily due to an increase in the level of taxable income between the comparable periods due to the merger.

FINANCIAL CONDITION

Our total assets decreased to $2.96 billion at March 31, 2016 from $2.98 billion at December 31, 2015. The main areas of asset decreases were investment securities available for sale and loans held for sale. These decreases were partially offset by an increase in loans, and cash and cash equivalents. Total deposits at March 31, 2016, were $2.43 billion, a decrease of $33.9 million from December 31, 2015. The deposit decrease was concentrated in non-interest-bearing demand deposits, which decreased $46.6 million, or 8.3%, between the two dates, and certificates of deposits under $100,000, which decreased $10.4 million, or 3.0%, to $337.9 million at March 31, 2016, from $348.3 million at December 31, 2015. Securities sold under agreement to repurchase declined $9.6 million, or 14.2%, from $67.5 million at December 31, 2015 to $57.9 million at March 31, 2016. These decreases were somewhat offset by an increase in FHLB borrowings of $25.0 million, or 28.7% between December 31, 2015 and March 31,

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2016, to $112.0 million at March 31, 2016. The amounts recognized in the financial statements for the merger have been determined to be final as of March 31, 2016. See Note 2. “Business Combination” to our consolidated financial statements for additional information related to our merger with Central.

Investment Securities

Investment securities totaled $505.7 million at March 31, 2016, or 17.1% of total assets, a decrease of $39.9 million, or 7.3%, from $545.7 million, or 18.3% of total assets, as of December 31, 2015. A total of $387.5 million of the investment securities were classified as available for sale at March 31, 2016, compared to $427.2 million at December 31, 2015. Investment securities available for sale decreased $39.7 million, or 9.30%, from December 31, 2015 to March 31, 2016 due to the sale of securities to provide liquidity for loan originations. As of March 31, 2016, the portfolio consisted mainly of obligations of states and political subdivisions (48.9%), mortgage-backed securities and collateralized mortgage obligations (37.0%), and obligations of U.S. government agencies (2.3%). Investment securities held to maturity were $118.2 million at March 31, 2016, compared to $118.4 million at December 31, 2015.

Loans

The composition of loans (before deducting the allowance for loan losses) was as follows:

	March 31, 2016			December 31, 2015		
	Balance	% of Total		Balance	% of Total	
(dollars in thousands)						
Agricultural	$123,495	5.7	%	$121,714	5.7	%
Commercial and industrial	471,830	21.7		467,412	21.7	
Credit cards	1,488	0.1		1,377	0.1	
Overdrafts[1]	—	0.0		1,483	0.1	
Commercial real estate:						
Construction and development	115,218	5.3		120,753	5.6	
Farmland	91,816	4.2		89,084	4.1	
Multifamily	125,410	5.8		121,763	5.7	
Commercial real estate-other	687,808	31.6		660,341	30.7	
Total commercial real estate	1,020,252	46.9		991,941	46.1	
Residential real estate:						
One- to four- family first liens	418,341	19.3		428,233	19.9	
One- to four- family junior liens	100,536	4.6		102,273	4.7	
Total residential real estate	518,877	23.9		530,506	24.6	
Consumer	36,449	1.7		37,509	1.7	
Total loans	$2,172,391	100.0	%	$2,151,942	100.0	%

(1) As of the first quarter 2016, overdrafts are no longer included as a separate class of loan.

Total loans (excluding loans held for sale) increased $20.4 million, or 1.0%, from December 31, 2015, to $2.17 billion at March 31, 2016, primarily due to new originations. The increase was primarily concentrated in commercial real estate-other, and commercial and industrial loans, partially offset by decreases in one- to four- family first liens and construction and development loans. As of March 31, 2016, the largest category of bank loans was commercial real estate loans, comprising approximately 47% of the portfolio, which included 4% of total loans being farmland, 5% being construction and development, 6% being multifamily residential mortgages, and 32% being other commercial real estate. Residential real estate loans was the next largest category at 24% of total loans, followed by commercial and industrial loans at 22%, agricultural loans at 6%, and consumer loans at 2%. The Company also held $24.5 million net of a discount of $6.8 million, or 1.1% of the total loan portfolio, in purchased credit impaired loans as a result of the merger. As of March 31, 2016, our loan to deposit ratio was 89.4% compared with a loan to deposit ratio of 87.4% at December 31, 2015. We anticipate that the loan to deposit ratio will remain relatively stable in future periods.

We have minimal direct exposure to subprime mortgages in our loan portfolio. Our loan policy provides a guideline that real estate mortgage borrowers have a Beacon score of 640 or greater. Exceptions to this guideline have been noted but the overall exposure is deemed minimal by management. Mortgages we originate and sell on the secondary market are typically underwritten according to the guidelines of secondary market investors. These mortgages are sold on a non-recourse basis.

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Premises and Equipment

As of March 31, 2016, premises and equipment totaled $75.5 million, a decrease of $0.7 million, or 1.0%, from $76.2 million at December 31, 2015. This decrease was primarily due the sale of the Rice Lake and Barron, Wisconsin branch buildings and associated furniture, fixtures, and equipment, combined with normal depreciation expense of $1.1 million. These decreases were partially offset by the ongoing major construction project involving the main office of MidWestOne Bank and headquarters of the Company in Iowa City, Iowa. In August 2013, we entered into a contract for the restoration and remodeling of the building, with an estimated cost of the restoration and remodeling of $13.8 million, and an anticipated completion in April 2016. As of March 31, 2016, an estimated $1.9 million remained to be paid on this contract. We expect the balance of premises and equipment to stabilize and then begin declining in the future as this project reaches completion in 2016.

Deposits

Total deposits as of March 31, 2016 were $2.43 billion, a decrease of $33.9 million, or 1.4%, from $2.46 billion as of December 31, 2015. The decrease was primarily due to the sale of the Rice Lake and Barron, Wisconsin branches and the deposits associated with those branches. Interest-bearing checking deposits were the largest category of deposits at March 31, 2016, representing approximately 44.3% of total deposits. Total interest-bearing checking deposits were $1.08 billion at March 31, 2016, an increase of $11.1 million, or 1.0%, from $1.06 billion at December 31, 2015. Included in interest-bearing checking deposits at March 31, 2016 was $7.7 million of brokered deposits in the Insured Cash Sweep (ICS) program, a decrease of $12.6 million, or 62.0%, from $20.3 million at December 31, 2015, due primarily to a withdrawal by one account holder. Non-interest bearing demand deposits were $513.0 million at March 31, 2016, a decrease of $46.6 million, or 8.3%, from $559.6 million at December 31, 2015. Savings deposits were $194.5 million at March 31, 2016, an increase of $5.0 million, or 2.7%, from December 31, 2015 to March 31, 2016. Total certificates of deposit were $646.7 million at March 31, 2016, down $3.4 million, or 0.5%, from $650.1 million at December 31, 2015. Included in total certificates of deposit at March 31, 2016 was $2.9 million of brokered deposits in the Certificate of Deposit Account Registry Service (CDARS) program, unchanged from December 31, 2015. Based on recent experience, management anticipates that many of the maturing certificates of deposit will not be renewed upon maturity due to the current low interest rate environment. Approximately 87.3% of our total deposits were considered "core" deposits as of March 31, 2016.

Debt

Federal Home Loan Bank Borrowings

FHLB borrowings totaled $112.0 million as of March 31, 2016 compared with $87.0 million as of December 31, 2015. We utilize FHLB borrowings as a supplement to customer deposits to fund earning assets and to assist in managing interest rate risk. Thus, when deposits decline, FHLB borrowing may increase to provide necessary liquidity. See Note 11. "Long-Term Borrowings" to our consolidated financial statements for additional information related to our FHLB borrowings.

Junior Subordinated Notes Issued to Capital Trusts

Junior subordinated notes that have been issued to capital trusts that issued trust preferred securities were $23.6 million as of March 31, 2016, unchanged from December 31, 2015. See Note 10. "Subordinated Notes Payable" to our consolidated financial statements for additional information related to our junior subordinated notes.

Long-term Debt

Long-term debt in the form of a $35.0 million unsecured note payable to a correspondent bank was entered into on April 30, 2015 in connection with the payment of the merger consideration at the closing of the Central merger, of which $21.3 million was outstanding as of March 31, 2016. See Note 11. "Long-Term Borrowings" to our consolidated financial statements for additional information related to our long-term debt.

Goodwill and Other Intangible Assets

Goodwill increased from $64.5 million as of December 31, 2015, to $64.7 million as of March 31, 2016 due to the finalization of merger accounting issues related to the Central merger. Other intangible assets decreased $1.1 million, or 5.5%, to $18.1 million at March 31, 2016 compared to $19.1 million at December 31, 2015, due to normal amortization. See Note 7. "Goodwill and Intangible Assets" to our consolidated financial statements for additional information.

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Nonperforming Assets

The following tables set forth information concerning nonperforming loans by class of financing receivable at March 31, 2016 and December 31, 2015:

(in thousands)	90 Days or More Past Due and Still Accruing Interest	Restructured	Nonaccrual	Total
March 31, 2016				
Agricultural	$ 315	$ 2,795	$ 218	$3,328
Commercial and industrial	10	700	5,756	6,466
Credit cards	—	—	—	—
Commercial real estate:				
Construction and development	—	—	44	44
Farmland	—	2,174	249	2,423
Multifamily	—	—	224	224
Commercial real estate-other	16	249	7,812	8,077
Total commercial real estate	16	2,423	8,329	10,768
Residential real estate:				
One- to four- family first liens	177	1,301	2,034	3,512
One- to four- family junior liens	—	84	139	223
Total residential real estate	177	1,385	2,173	3,735
Consumer	9	14	10	33
Total	$ 527	$ 7,317	$ 16,486	$24,330

(in thousands)	90 Days or More Past Due and Still Accruing Interest	Restructured	Nonaccrual	Total
December 31, 2015				
Agricultural	$ —	$ 2,901	$ 172	$3,073
Commercial and industrial	—	1,122	575	1,697
Credit cards	—	—	—	—
Overdrafts	—	—	—	—
Commercial real estate:				
Construction and development	—	—	95	95
Farmland	80	2,209	20	2,309
Multifamily	—	—	224	224
Commercial real estate-other	—	—	1,452	1,452
Total commercial real estate	80	2,209	1,791	4,080
Residential real estate:				
One- to four- family first liens	199	972	1,182	2,353
One- to four- family junior liens	—	13	281	294
Total residential real estate	199	985	1,463	2,647
Consumer	5	15	11	31

Total	$ 284	$ 7,232	$ 4,012	$11,528

Not included in the loans above as of March 31, 2016, were purchased credit impaired loans with an outstanding balance of $4.5 million, net of a discount of $1.8 million.

Our nonperforming assets totaled $30.5 million as of March 31, 2016, an increase of $10.1 million, or 49.8%, from December 31, 2015. The balance of OREO at March 31, 2016 was $6.2 million, a decrease of $2.6 million, from $8.8 million of OREO at December 31, 2015. All of the OREO property was acquired through foreclosures, and we are actively working to sell all properties held as of March 31, 2016. OREO is carried at appraised value less estimated cost of disposal at the date of acquisition. Additional discounts could be required to market and sell the properties, resulting in a write down through expense. Nonperforming

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loans totaled $24.3 million (1.12% of total loans) as of March 31, 2016, compared to $11.5 million (0.54% of total loans) as of December 31, 2015.

At March 31, 2016, nonperforming loans increased from $11.5 million, or 0.54% of total loans, at December 31, 2015, to $24.3 million, or 1.12% of total loans, at March 31, 2016. At March 31, 2016, nonperforming loans consisted of $16.5 million in nonaccrual loans, $7.3 million in troubled debt restructures and $0.5 million in loans past due 90 days or more and still accruing. This compares to nonaccrual loans of $4.0 million, TDRs of $7.2 million, and loans past due 90 days or more and still accruing of $0.3 million at December 31, 2015. Nonaccrual loans increased by $12.5 million between March 31, 2016 and December 31, 2015 due primarily to the addition of one commercial loan customer with four loans totaling $10.4 million. The increase in TDRs was primarily due the addition of three loans totaling $0.2 million, partially offset by payments collected from TDR-status borrowers. Loans 90 days past due and still accruing interest increased $0.2 million between December 31, 2015 and March 31, 2016. Loans past due 30 to 89 days and still accruing interest (not included in the nonperforming loan totals) increased to $9.2 million at March 31, 2016, compared with $8.5 million at December 31, 2015. At March 31, 2016, other real estate owned (not included in nonperforming loans) was $6.2 million, down from $8.8 million of other real estate owned at December 31, 2015. During the first three months of 2016, the Company had a net decrease of 10 properties in other real estate owned. As of March 31, 2016, the allowance for loan losses was $20.2 million, or 0.93% of total loans, compared with $19.4 million, or 0.90% of total loans, at December 31, 2015. The allowance for loan losses represented 83.2% of nonperforming loans at March 31, 2016, compared with 168.5% of nonperforming loans at December 31, 2015. The Company had net loan charge-offs of $0.2 million in the three months ended March 31, 2016, or an annualized 0.05% of average loans outstanding, compared to net charge-offs of $0.4 million, or an annualized 0.15% of average loans outstanding, for the same period of 2015.

Loan Review and Classification Process for Agricultural, Commercial and Industrial, and Commercial Real Estate Loans at MidWestOne Bank:

MidWestOne Bank maintains a loan review and classification process which involves multiple officers of MidWestOne Bank and is designed to assess the general quality of credit underwriting and to promote early identification of potential problem loans. All commercial and agricultural loan officers are charged with the responsibility of risk rating all loans in their portfolios and updating the ratings, positively or negatively, on an ongoing basis as conditions warrant. A monthly loan officer validation worksheet documents this process. Risk ratings are selected from an 8-point scale with ratings as follows: ratings 1- 4 Satisfactory (pass), rating 5 Watch (potential weakness), rating 6 Substandard (well-defined weakness), rating 7 Doubtful, and rating 8 Loss.

When a loan officer originates a new loan, based upon proper loan authorization, he or she documents the credit file with an offering sheet summary, supplemental underwriting analysis, relevant financial information and collateral evaluations. All of this information is used in the determination of the initial loan risk rating. MidWestOne Bank's loan review department undertakes independent credit reviews of relationships based on either criteria established by loan policy, risk-focused sampling, or random sampling. Loan policy requires all lending relationships with total exposure of $5.0 million or more as well as all classified and Watch rated credits over $1.0 million be reviewed no less than annually. The individual loan reviews consider such items as: loan type; nature, type and estimated value of collateral; borrower and/or guarantor estimated financial strength; most recently available financial information; related loans and total borrower exposure; and current/anticipated performance of the loan. The results of such reviews are presented to executive management.

Through the review of delinquency reports, updated financial statements or other relevant information, the lending officer and/or loan review personnel may determine that a loan relationship has weakened to the point that a criticized (loan grade 5) or classified (loan grades 6 through 8) status is warranted. When a loan relationship with total related exposure of $1.0 million or greater is adversely graded (5 or above), or is classified as a TDR (regardless of size), the lending officer is then charged with preparing a loan strategy summary worksheet that outlines the background of the credit problem, current repayment status of the loans, current collateral evaluation and a workout plan of action. This plan may include goals to improve the credit rating, assist the borrower in moving the loans to another institution and/or collateral liquidation. All such reports are first presented to regional management and then to the board of directors of MidWestOne Bank by the Executive Vice President, Chief Credit Officer (or a designee) of MidWestOne

Bank.

Depending upon the individual facts and circumstances and the result of the Classified/Watch review process, loan officers and/or loan review personnel may categorize the loan relationship as impaired. Once that determination has occurred, the loan officer, in conjunction with regional management, will complete an evaluation of the collateral (for collateral-dependent loans) based upon the estimated collateral value, adjusting for current market conditions and other local factors that may affect collateral value. Loan review personnel may also complete an independent impairment analysis when deemed necessary. These judgmental evaluations may produce an initial specific allowance for placement in the Company’s allowance for loan and lease losses calculation. As soon as practical, an updated value estimate of the collateral backing that impaired loan relationship is completed. After the updated value is determined, regional management, with assistance from the loan review department, reviews the valuation

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and updates the specific allowance analysis for each loan relationship accordingly. The board of directors of MidWestOne Bank on a quarterly basis reviews the Classified/Watch reports including changes in credit grades of 5 or higher as well as all impaired loans, the related allowances and OREO.

In general, once the specific allowance has been finalized, regional and executive management will consider a chargeoff prior to the calendar quarter-end in which that reserve calculation is finalized.

The review process also provides for the upgrade of loans that show improvement since the last review. All requests for an upgrade of a credit are approved by loan strategy committee before the rating can be changed.

Loan Review and Classification Process for Agricultural, Commercial and Industrial, and Commercial Real Estate Loans at Central Bank:

Prior to the bank merger on April 2, 2016, Central Bank had a loan classification process that started with the relationship managers who were ultimately responsible for properly risk rating the loans in their portfolio. A 9 point scale was used with ratings 1-5 as pass; 6 watch (potential weakness); 7 substandard (well defined weakness); 8 Doubtful and 9 Loss. When a loan officer originated a new loan, renewed an existing loan or performed an annual review, either a loan presentation or a summary comment was created which summarized the current financial condition of that customer. A formal evaluation of its risk rating was done at that time. The lender was also responsible for monitoring their portfolio throughout the course of the year and proactively reacting to changing conditions by making any risk rating adjustments.

On a bi-monthly basis the Chief Executive Officer of Central Bank, Chief Credit Officer of Central Bank and Senior Vice President of Special Assets of Central Bank met with each Market President and reviewed their watch list, past due report and past due real estate taxes report. The action plans for watch list credits were reviewed at these meetings and adjustments were made as needed. Each watch list credit was labeled either “Retain” or “Exit” with those labeled “Exit” transferred to special assets. On a monthly basis the board of directors of Central Bank reviewed: a watch list containing watch list credits greater than $500,000; a summary report of loans removed from the watch list; and a summary report of any additions to the list.

Central Bank engaged an outside consultant to conduct independent credit reviews of relationships based on criteria established by policy, risk-focused sampling or random sampling. The individual loan reviews considered borrower and/or guarantor financial strength, most recently available financial information, current/anticipated performance of the loan, appropriateness of credit risk grading, compliance with loan approval requirements, and completeness of loan and collateral documentation. The results of credit reviews were presented to management.

Each 7 rated credit was reviewed for impairment. If the loan was determined to be impaired an impairment worksheet was completed which focused on updating the collateral values based on the current market conditions. These worksheets were updated on a quarterly basis by either the lender or analyst and reviewed and compiled by credit administration. Credit administration sent the compiled impairment information to the finance department for the allowance calculation.

Restructured Loans

We restructure loans for our customers who appear to be able to meet the terms of their loan over the long term, but who may be unable to meet the terms of the loan in the near term due to individual circumstances. We consider the customer’s past performance, previous and current credit history, the individual circumstances surrounding the current difficulties and their plan to meet the terms of the loan in the future prior to restructuring the terms of the loan. The following factors are indicators that a concession has been granted (one or multiple items may be present):

- The borrower receives a reduction of the stated interest rate for the remaining original life of the debt.
- The borrower receives an extension of the maturity date or dates at a stated interest rate lower than the current market interest rate for new debt with similar risk characteristics.
- The borrower receives a reduction of the face amount or maturity amount of the debt as stated in the instrument or other agreement.
- The borrower receives a deferral of required payments (principal and/or interest).
- The borrower receives a reduction of the accrued interest.

Generally, loans are restructured through short-term interest rate relief, short-term principal payment relief or short-term principal and interest payment relief. Once a restructured loan has gone 90 days or more past due or is placed on nonaccrual status, it is included in the 90 days and over past due or nonaccrual totals in the previous table.

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During the three months ended March 31, 2016, the Company restructured three loans by granting a concession to a borrower experiencing financial difficulties.
A loan classified as a troubled debt restructuring will no longer be included in the troubled debt restructuring disclosures in the periods after the restructuring if the loan performs in accordance with the terms specified by the restructuring agreement and the interest rate specified in the restructuring agreement represents a market rate at the time of modification. The specified interest rate is considered a market rate when the interest rate is equal to or greater than the rate the Company is willing to accept at the time of restructuring for a new loan with comparable risk. If there are concerns that the borrower will not be able to meet the modified terms of the loan, the loan will continue to be included in the troubled debt restructuring disclosures.
We consider all TDRs, regardless of whether they are performing in accordance with their modified terms, to be impaired loans when determining our allowance for loan losses. A summary of restructured loans as of March 31, 2016 and December 31, 2015 is as follows:

	March 31, 2016	December 31, 2015
(in thousands)		
Restructured Loans (TDRs):		
In compliance with modified terms	$ 7,317	$ 7,232
Not in compliance with modified terms - on nonaccrual status	440	458
Total restructured loans	$ 7,757	$ 7,690

Allowance for Loan Losses
Our ALLL as of March 31, 2016 was $20.2 million, which was 0.93% of total loans as of that date. This compares with an ALLL of $19.4 million as of December 31, 2015, which was 0.90% of total loans. Gross charge-offs for the first three months of 2016 totaled $0.4 million, while recoveries of previously charged-off loans totaled $0.1 million. Annualized net loan charge offs to average loans for the first three months of 2016 was 0.05% compared to 0.11% for the year ended December 31, 2015. As of March 31, 2016, the ALLL was 83.2% of nonperforming loans compared with 168.5% as of December 31, 2015. Based on the inherent risk in the loan portfolio, we believe that as of March 31, 2016, the ALLL was adequate; however, there is no assurance losses will not exceed the allowance, and any growth in the loan portfolio or uncertainty in the general economy may require that management continue to evaluate the adequacy of the ALLL and make additional provisions in future periods as deemed necessary.
Non-acquired loans with a balance of $1.43 billion had $19.4 million of the allowance for loan losses allocated to them, providing an allocated allowance for loan loss to non-acquired loan ratio of 1.35%. Non-acquired loans are total loans minus those loans acquired in the Central merger. New loans and loans renewed after the merger are considered non-acquired loans.

	Gross Loans (A)	Discount (B)	Loans, Net of Discount (A-B)	Allowance (C)	Allowance/Gross Loans (C/A)		Allowance + Discount/Gross Loans ((B+C)/A)	
Total Non-Acquired Loans	$1,518,675	$—	$1,518,675	$ 19,414	1.28	%	1.28	%
Total Acquired Loans	672,600	18,884	653,716	831	0.12		2.93	
Total Loans	$2,191,275	$18,884	$2,172,391	$ 20,245	0.92	%	1.79	%

As part of the merger between MidWestOne Bank and Central Bank, management developed a single methodology for determining the amount of the ALLL that would be needed at the combined bank. The new methodology is a hybrid of the methods used at MidWestOne Bank and Central Bank prior to the bank merger and the results from the new ALLL model are consistent with the results that the two banks calculated individually.
During the first quarter of 2016 we changed the historical charge-off component of the ALLL calculation to include both Central Bank and MidWestOne Bank in the 20-quarter annual average. A separate qualitative factor table is now being maintained for each region it services (Iowa, Minnesota/Wisconsin, and Florida), all with a similar methodology, but adjusted based on the economic/business conditions in each region. Loans below $250,000 continue

to be evaluated solely based on delinquency status, but no longer receive an increased allocation of between 25% and 50% of the loss given default. Instead they receive the normal ASC 450 allocation based on the type of loan and the risk rating. To streamline the ALLL process, a number of low-balance loan types that do not have a material impact on the overall calculation are now excluded. As of the first quarter 2016, overdrafts are no longer included in the ALLL calculation. Additionally, the guaranteed portion of government guaranteed loans is no longer being adjusted out of the calculation, and as a result, the entire loan balance is subject to reserve requirements. Special mention/watch and substandard rated credits not individually reviewed for impairment previously received an allocation of 2 and 6 times respectively of the pass allocation. Due to the inherent risks associated with special mention/watch risk rated loans (i.e. early stages of financial deterioration, technical exceptions, etc.), this subset is reserved at a level that will cover losses above a pass

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allocation for loans that had a loss in the last 20 quarters in which the loan was risk rated special mention/watch at the time of the loss. Substandard loans carry exponentially greater risk than special mention/watch loans, and as such, this subset is reserved at a level that covers losses above a pass allocation for loans that had a loss in the last 20 quarters in which the loans was risk rated substandard at the time of the loss. Classified and impaired loans are reviewed per the requirements of FASB ASC Topic 310.

We currently track the loan to value ("LTV") ratio of loans in our portfolio, and those loans in excess of internal and supervisory guidelines are presented to the Bank's board of directors on a quarterly basis. At March 31, 2016, there were 18 owner-occupied 1-4 family loans with a LTV ratio of 100% or greater. In addition, there were 54 home equity loans without credit enhancement that had a LTV ratio of 100% or greater. We have the first lien on 28 of these equity loans and other financial institutions have the first lien on the remaining 26. Additionally, there were 63 commercial real estate loans without credit enhancement that exceeded the supervisory LTV guidelines.

We review all impaired and nonperforming loans individually on a quarterly basis to determine their level of impairment due to collateral deficiency or insufficient cash-flow based on a discounted cash-flow analysis. At March 31, 2016, TDRs were not a material portion of the loan portfolio. We review loans 90 days and over past due that are still accruing interest no less than quarterly to determine if there is a strong reason that the credit should not be placed on non-accrual.

Capital Resources

Total shareholders' equity was $301.8 million as of March 31, 2016, compared to $296.2 million as of December 31, 2015, an increase of $5.6 million, or 1.9%. This increase was primarily attributable to net income of $5.5 million for the first three months of 2016, a $1.7 million increase in accumulated other comprehensive income due to market value adjustments on investment securities available for sale, and a $0.3 million decrease in treasury stock due to the issuance of 16,262 shares of Company common stock in connection with stock compensation plans. These increases were partially offset by the payment of $1.8 million in common stock dividends. No shares of Company common stock were repurchased in the first quarter of 2016.

Total shareholders' equity was 10.18% of total assets as of March 31, 2016 and was 9.94% of total assets as of December 31, 2015. The ratio of tangible equity to tangible assets was 7.75% as of March 31, 2016 and 7.51% as of December 31, 2015. Our Tier 1 capital to risk-weighted assets ratio was 10.65% as of March 31, 2016 and was 10.63% as of December 31, 2015. Risk-based capital guidelines require the classification of assets and some off-balance-sheet items in terms of credit-risk exposure and the measuring of capital as a percentage of the risk-adjusted asset totals. We believe that, as of March 31, 2016, the Company and its two bank subsidiaries met all capital adequacy requirements to which we were subject. As of that date, both bank subsidiaries were "well capitalized" under regulatory prompt corrective action provisions.

In July 2013, the U.S. federal banking agencies approved the implementation of the Basel III regulatory capital reforms in pertinent part, and, at the same time, promulgated rules effecting certain changes required by the Dodd-Frank Act (the "Basel III Rules"). In contrast to capital requirements historically, which were in the form of guidelines, Basel III was released in the form of regulations by each of the regulatory agencies. The Basel III Rules are applicable to all banking organizations that are subject to minimum capital requirements, including federal and state banks and savings and loan associations, as well as to bank and savings and loan holding companies, other than "small bank holding companies" (generally bank holding companies with consolidated assets of less than $1 billion which are not publicly traded companies). The Basel III Rules not only increase most of the required minimum regulatory capital ratios, but they also introduce a Common Equity Tier 1 Capital ratio and the concept of a capital conservation buffer. The Basel III Rules also expand the definition of capital as in effect previously by establishing criteria that instruments must meet to be considered Additional Tier 1 Capital (Tier 1 Capital in addition to Common Equity) and Tier 2 Capital. A number of instruments that previously generally qualified as Tier 1 Capital now do not qualify, or their qualifications changed. The Basel III Rules also permitted banking organizations with less than $250.0 billion in assets to retain, through a one-time election, the existing treatment for accumulated other comprehensive income, which previously did not affect regulatory capital. The Company elected to retain this treatment, which reduces the volatility of regulatory capital levels. The Basel III Rules have maintained the general structure of the prompt corrective action framework, while incorporating the increased requirements. The prompt corrective action guidelines were also revised to add the Common Equity Tier 1 Capital ratio. In order to be a "well-capitalized" depository institution under the new regime, a bank and holding company must maintain a Common Equity Tier 1 Capital ratio of 6.5% or more; a Tier 1 Capital ratio of 8% or more; a Total Capital ratio of 10% or more; and a leverage ratio of 5% or more. A new capital conservation buffer, comprised of common equity Tier 1 capital, is also established above the regulatory minimum capital requirements. This capital conservation buffer is being phased in, which began January 1, 2016, at 0.625% of risk-weighted assets and increases each subsequent year by an additional 0.625% until reaching the final level of 2.5% on January 1, 2019. Generally, financial institutions became subject to the new Basel III Rules on January 1, 2015, with phase-in periods for many of the changes.

We have traditionally disclosed certain non-GAAP ratios and amounts to evaluate and measure our financial condition, including our Tier 1 capital to risk-weighted assets ratio. We believe this ratio provides investors with information regarding our

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financial condition and how we evaluate our financial condition internally. The following table provides a reconciliation of this non-GAAP measure to the most comparable GAAP equivalent.

	At March 31,	At December 31,
(in thousands)	2016	2015
Tier 1 capital		
Total shareholders' equity	$301,777	$296,178
Less: Net unrealized gains on securities available for sale	(5,143)	(3,408)
Disallowed Intangibles	(72,803)	(72,203)
Common equity tier 1 capital	$223,831	220,567
Plus: Junior subordinated notes issued to capital trusts (qualifying restricted core capital)	23,614	23,587
Tier 1 capital	$247,445	$244,154
Risk-weighted assets	$2,322,675	$2,296,478
Tier 1 capital to risk-weighted assets	10.65 %	10.63 %
Common equity tier 1 capital to risk-weighted assets	9.64 %	N/A

The following table provides the capital levels and minimum required capital levels for the Company, MidWestOne Bank, and Central Bank:

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
(dollars in thousands)						
At March 31, 2016						
Consolidated:						
Total capital/risk based	$267,932	11.54%	$185,814	8.00%	N/A	N/A
Tier 1 capital/risk based	247,445	10.65	92,907	6.00	N/A	N/A
Common equity tier 1 capital/risk based	223,831	9.64	104,520	4.50	N/A	N/A
Tier 1 capital/adjusted average	247,445	8.57	115,483	4.00	N/A	N/A
MidWestOne Bank:						
Total capital/risk based	$172,150	12.50%	$110,182	8.00%	$137,727	10.00%
Tier 1 capital/risk based	154,941	11.25	55,091	6.00	82,636	8.00
Common equity tier 1 capital/risk based	154,941	11.25	61,977	4.50	89,523	6.50
Tier 1 capital/adjusted average	154,941	9.09	68,198	4.00	85,247	5.00
Central Bank:						
Total capital/risk based	$104,692	11.12%	$75,326	8.00%	$94,157	10.00%
Tier 1 capital/risk based	101,420	10.77	37,663	6.00	56,494	8.00
Common equity tier 1 capital/risk based	101,420	10.77	42,371	4.50	61,202	6.50
Tier 1 capital/adjusted average	101,420	8.53	47,542	4.00	59,427	5.00
At December 31, 2015						
Consolidated:						
Total capital/risk based	$263,717	11.48%	$183,718	8.00%	N/A	N/A
Tier 1 capital/risk based	244,154	10.63	137,789	6.00	N/A	N/A
Common equity tier 1 capital/risk based	220,567	9.60	103,342	4.50	N/A	N/A
Tier 1 capital/adjusted average	244,154	8.34	117,123	4.00	N/A	N/A
MidWestOne Bank:						
Total capital/risk based	$171,583	12.53%	$109,578	8.00%	$136,972	10.00%
Tier 1 capital/risk based	154,726	11.30	82,183	6.00	109,578	8.00

Common equity tier 1 capital/risk based	154,726	11.30	61,638	4.50	89,032	6.50
Tier 1 capital/adjusted average	154,726	8.90	69,501	4.00	86,876	5.00
Central Bank:						
Total capital/risk based	$102,718	11.14%	$73,792	8.00%	$92,240	10.00%
Tier 1 capital/risk based	100,017	10.84	55,344	6.00	73,792	8.00
Common equity tier 1 capital/risk based	100,017	10.84	41,508	4.50	59,956	6.50
Tier 1 capital/adjusted average	100,017	8.44	47,412	4.00	59,265	5.00

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On February 15, 2016, 30,200 restricted stock units were granted to certain officers of the Company. Additionally, during the first three months of 2016, 17,708 shares of common stock were issued in connection with the vesting of previously awarded grants of restricted stock units, of which 1,446 shares were surrendered by grantees to satisfy tax requirements, and 50 nonvested restricted stock units were forfeited. No shares of common stock were issued in connection with the exercise of previously issued stock options, and no options were forfeited.

Liquidity

Liquidity management involves meeting the cash flow requirements of depositors and borrowers. We conduct liquidity management on both a daily and long-term basis, and adjust our investments in liquid assets based on expected loan demand, projected loan maturities and payments, expected deposit flows, yields available on interest-bearing deposits, and the objectives of our asset/liability management program. We had liquid assets (cash and cash equivalents) of $60.7 million as of March 31, 2016, compared with $47.1 million as of December 31, 2015. Interest-bearing deposits in banks at March 31, 2016, increased to $20.5 million, an increase of $17.8 million from December 31, 2015. Investment securities classified as available for sale, totaling $387.5 million and $427.2 million as of March 31, 2016 and December 31, 2015, respectively, could be sold to meet liquidity needs if necessary. Additionally, our bank subsidiaries maintain unsecured lines of credit with several correspondent banks and secured lines with the Federal Reserve Bank Discount Window and the FHLB that would allow us to borrow funds on a short-term basis, if necessary. Management believes that the Company had sufficient liquidity as of March 31, 2016 to meet the needs of borrowers and depositors.

Our principal sources of funds between December 31, 2015 and March 31, 2016 were proceeds from the maturity and sale of investment securities, and FHLB borrowings. While scheduled loan amortization and maturing interest-bearing deposits are relatively predictable sources of funds, deposit flows and loan prepayments are greatly influenced by economic conditions, the general level of interest rates, and competition. We utilize particular sources of funds based on comparative costs and availability. This includes fixed-rate FHLB borrowings that can generally be obtained at a more favorable cost than deposits of comparable maturity. We generally manage the pricing of our deposits to maintain a steady deposit base but from time to time may decide, as we have done in the past, not to pay rates on deposits as high as our competition.

As of March 31, 2016, we had $21.3 million of long-term debt outstanding to an unaffiliated banking organization. See Note 11. “Long-Term Borrowings” to our consolidated financial statements for additional information related to our long-term debt. We also have $23.6 million of indebtedness payable under junior subordinated debentures issued to subsidiary trusts that issued trust preferred securities in pooled offerings. See Note 10. “Subordinated Notes Payable” to our consolidated financial statements for additional information related to our junior subordinated notes.

Inflation

The effects of price changes and inflation can vary substantially for most financial institutions. While management believes that inflation affects the growth of total assets, it is difficult to assess its overall impact on the Company. The price of one or more of the components of the CPI may fluctuate considerably and thereby influence the overall CPI without having a corresponding effect on interest rates or upon the cost of those goods and services normally purchased by us. In years of high inflation and high interest rates, intermediate and long-term interest rates tend to increase, thereby adversely impacting the market values of investment securities, mortgage loans and other long-term fixed rate loans held by financial institutions. In addition, higher short-term interest rates caused by inflation tend to increase financial institutions’ cost of funds. In other years, the reverse situation may occur.

Off-Balance-Sheet Arrangements

We are a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of our customers, which include commitments to extend credit, standby and performance letters of credit, and commitments to originate residential mortgage loans held for sale. Commitments to extend credit are agreements to lend to customers at predetermined interest rates, as long as there is no violation of any condition established in the contracts. Our exposure to credit loss in the event of nonperformance by the other party to the commitments to extend credit is represented by the contractual amount of those instruments. We use the same credit policies in making off-balance sheet commitments as we do for on-balance-sheet instruments.

Commitments to extend credit generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. We evaluate each customer's creditworthiness on a case-by-case basis. As of March 31, 2016, outstanding commitments to extend credit totaled approximately $398.8 million. We have established a reserve of $0.2 million, which represents our estimate of probable losses as a result of these transactions. This reserve is not part of our allowance for loan losses.

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Commitments under standby and performance letters of credit outstanding aggregated $12.1 million as of March 31, 2016. We do not anticipate any losses as a result of these transactions.
Residential mortgage loans sold to others are predominantly conventional residential first lien mortgages originated under our usual underwriting procedures, and are most often sold on a nonrecourse basis. At March 31, 2016, there were approximately $6.5 million of mandatory commitments with investors to sell not yet originated residential mortgage loans. We do not anticipate any losses as a result of these transactions.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.
In general, market risk is the risk of change in asset values due to movements in underlying market rates and prices. Interest rate risk is the risk to earnings and capital arising from movements in interest rates. Interest rate risk is the most significant market risk affecting the Company as other types of market risk, such as foreign currency exchange rate risk and commodity price risk, play a lesser role in the normal course of our business activities.
In addition to interest rate risk, economic conditions in recent years have made liquidity risk (in particular, funding liquidity risk) a more prevalent concern among financial institutions. In general, liquidity risk is the risk of being unable to fund an entity's obligations to creditors (including, in the case of banks, obligations to depositors) as such obligations become due and/or fund its acquisition of assets.
Liquidity Risk
Liquidity refers to our ability to fund operations, to meet depositor withdrawals, to provide for our customers' credit needs, and to meet maturing obligations and existing commitments. Our liquidity principally depends on cash flows from operating activities, investment in and maturity of assets, changes in balances of deposits and borrowings, and our ability to borrow funds.
Net cash inflows from operating activities were $12.0 million in the first three months of 2016, compared with $8.6 million in the first three months of 2015. Net income before depreciation, amortization, and accretion is generally the primary contributor for net cash inflows from operating activities.
Net cash inflows from investing activities were $24.7 million in the first three months of 2016, compared to net cash inlows of $20.0 million in the comparable three-month period of 2015. In the first three months of 2016, investment securities transactions resulted in net cash inflows of $42.4 million, compared to inflows of $65.1 million during the same period of 2015. Increased loan volume accounted for net cash outflows of $21.1 million for the first three months of 2016, compared with $44.2 million of net cash outflows for the same period of 2015. Purchases of premises and equipment resulted in $1.9 million cash outflows in the first three months of 2016, compared to outflows of $2.2 million relating to premises and equipment in the comparable period of 2015, both resulting from the two large building projects currently underway to restore and remodel the main office of MidWestOne Bank and headquarters of the Company, and to construct a new Home Mortgage Center, and partially offset by the sale of the Rice Lake and Barron, Wisconsin branch offices. There were no cash inflows from loan pool participations during the first three months of 2016 compared to $1.1 million during the same period of 2015, as we sold our interest in these instruments in the second quarter of 2015.
Net cash used in financing activities in the first three months of 2016 was $23.1 million, compared with net cash used of $30.5 million for the same period of 2015. The largest financing cash outflows during the three months ended March 31, 2016 was a $33.9 million decrease in deposits. Other cash outflows included a decrease of $9.6 million in securities sold under agreements to repurchase, a decrease of $1.5 million in federal funds purchased, and the use of $1.8 million to pay dividends. Sources of cash inflows during the first three months of 2016 were a net increase of $25.0 million in FHLB borrowings.
To further mitigate liquidity risk, both MidWestOne Bank and, previously, Central Bank have several sources of liquidity in place to maximize funding availability and increase the diversification of funding sources. The criteria for evaluating the use of these sources include volume concentration (percentage of liabilities), cost, volatility, and the fit with the current asset/liability management plan. These acceptable sources of liquidity include:
•Federal Funds Lines
•FHLB Borrowings
•Brokered Deposits

•Brokered Repurchase Agreements
•Federal Reserve Bank Discount Window

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Federal Funds Lines:
Routine liquidity requirements are met by fluctuations in the federal funds position of both MidWestOne Bank and, previously, Central Bank. The principal function of these funds is to maintain short-term liquidity. Unsecured federal funds purchased lines are viewed as a volatile liability and are not used as a long-term funding solution, especially when used to fund long-term assets. Multiple correspondent relationships are preferable and federal funds sold exposure to any one customer is continuously monitored. The current federal funds purchased limit is 10% of total assets, or the amount of established federal funds lines, whichever is smaller. Currently, MidWestOne Bank has unsecured federal funds lines totaling $95.0 million, which lines are tested annually to ensure availability.
FHLB Borrowings:
FHLB borrowings provide both a source of liquidity and long-term funding for both MidWestOne Bank and, previously, Central Bank. Use of this type of funding is coordinated with both the strategic balance sheet growth projections and interest rate risk profile of MidWestOne Bank and, previously, Central Bank. Factors that are taken into account when contemplating use of FHLB borrowings are the effective interest rate, the collateral requirements, community investment program credits, and the implications and cost of having to purchase incremental FHLB stock. The current FHLB borrowing limit is 35% of total assets. As of March 31, 2016, MidWestOne Bank and Central Bank had $112.0 million in outstanding FHLB borrowings, leaving $253.8 million available for liquidity needs, based on collateral capacity. These borrowings are secured by various real estate loans (residential, commercial and agricultural).
Brokered Deposits:
MidWestOne Bank and, previously, Central Bank have brokered certificate of deposit lines/deposit relationships available to help diversify their various funding sources. Brokered deposits offer several benefits relative to other funding sources, such as: maturity structures which cannot be duplicated in the current deposit market, deposit gathering which does not cannibalize the existing deposit base, the unsecured nature of these liabilities, and the ability to quickly generate funds. However, brokered deposits are often viewed as a volatile liability by banking regulators and market participants. This viewpoint, and the desire to not develop a large funding concentration in any one area outside of the respective bank’s core market area, is reflected in an internal policy stating that MidWestOne Bank and, previously, Central Bank limit the use of brokered deposits as a funding source to no more than 10% of total assets. Board approval is required to exceed this limit. MidWestOne Bank will also have to maintain a “well capitalized” standing to access brokered deposits, as an “adequately capitalized” rating would require an FDIC waiver to do so, and an “undercapitalized” rating would prohibit them from using brokered deposits altogether.
Brokered Repurchase Agreements:
Brokered repurchase agreements may be established with approved brokerage firms and banks. Repurchase agreements create rollover risk (the risk that a broker will discontinue the relationship due to market factors) and are not used as a long-term funding solution, especially when used to fund long-term assets. Collateral requirements and availability are evaluated and monitored. The current policy limit for brokered repurchase agreements is 10% of total assets. There were no outstanding brokered repurchase agreements at March 31, 2016.
Federal Reserve Bank Discount Window:
The Federal Reserve Bank Discount Window is another source of liquidity, particularly during difficult economic times. MidWestOne Bank and, previously, Central Bank each have a borrowing capacity with the Federal Reserve Bank of Chicago limited by the amount of municipal securities pledged against the line. As of March 31, 2016, the banks had combined municipal securities with an approximate market value of $13.1 million pledged for liquidity purposes.
Interest Rate Risk
Interest rate risk is defined as the exposure of net interest income and fair value of financial instruments (interest-earning assets, deposits and borrowings) to movements in interest rates. The Company’s results of operations depend to a large degree on its net interest income and its ability to manage interest rate risk. The Company considers interest rate risk to be one of its more significant market risks. The major sources of the Company's interest rate risk are timing differences in the maturity and re-pricing characteristics of assets and liabilities, changes in the shape of the yield curve, changes in customer behavior and changes in relationships between rate indices (basis risk). Management

measures these risks and their impact in various ways, including through the use of simulation and valuation analyses. The interest rate scenarios may include gradual or rapid changes in interest rates, spread narrowing and widening, yield curve twists and changes in assumptions about customer behavior in various interest rate scenarios. A mismatch between maturities, interest rate sensitivities and prepayment characteristics of assets and liabilities results in interest-rate risk. Like most financial institutions, we have material interest-rate risk exposure to changes in both short-term and long-term interest rates, as well as variable interest rate indices (e.g., the prime rate or LIBOR). The change in the Company’s interest rate profile between March 31, 2016 and December 31, 2015 is largely attributable to the change in the mix

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of earning assets. During the first quarter, investment portfolio balances declined while floating-rate loan balances increased. This shift toward more rapidly repricing assets is the primary reason the Company became more asset sensitive during the quarter.

MidWestOne Bank’s and, previously, Central Bank’s Asset and Liability Committees meet regularly and are responsible for reviewing their respective interest rate sensitivity positions and establishing policies to monitor and limit exposure to interest rate risk. Our asset and liability committees seek to manage interest rate risk under a variety of rate environments by structuring our balance sheet and off-balance-sheet positions in such a way that changes in interest rates do not have a large negative impact. The risk is monitored and managed within approved policy limits.

We use a third-party service to model and measure our exposure to potential interest rate changes. For various assumed hypothetical changes in market interest rates, numerous other assumptions are made, such as prepayment speeds on loans and securities backed by mortgages, the slope of the Treasury yield-curve, the rates and volumes of our deposits, and the rates and volumes of our loans. There are two primary tools used to evaluate interest rate risk: net interest income simulation and economic value of equity ("EVE"). In addition, interest rate gap is reviewed to monitor asset and liability repricing over various time periods.

Net Interest Income Simulation:

Management utilizes net interest income simulation models to estimate the near-term effects of changing interest rates on its net interest income. Net interest income simulation involves forecasting net interest income under a variety of scenarios, including the level of interest rates and the shape of the yield curve. Management exercises its best judgment in making assumptions regarding events that management can influence, such as non-contractual deposit re-pricings, and events outside management's control, such as customer behavior on loan and deposit activity and the effect that competition has on both loan and deposit pricing. These assumptions are subjective and, as a result, net interest income simulation results will differ from actual results due to the timing, magnitude and frequency of interest rate changes, changes in market conditions, customer behavior and management strategies, among other factors. We perform various sensitivity analyses on assumptions of deposit attrition and deposit re-pricing.

The following table presents the anticipated effect on net interest income over a twelve month period if short- and long-term interest rates were to sustain an immediate increase of 100 basis points and 200 basis points:

	Immediate Change in Rates	
	+100	+200
(dollars in thousands)		
March 31, 2016		
Dollar change	$1,058	$2,874
Percent change	1.1 %	3.0 %
December 31, 2015		
Dollar change	$636	$1,616
Percent change	0.7 %	1.7 %

As of March 31, 2016, 39.8% of the Company’s earning asset balances will reprice or are expected to pay down in the next twelve months, and 46.2% of the Company’s deposit balances are low cost or no cost deposits.

Economic Value of Equity:

Management also uses EVE to measure risk in the balance sheet that might not be taken into account in the net interest income simulation analysis. Net interest income simulation highlights exposure over a relatively short time period, while EVE analysis incorporates all cash flows over the estimated remaining life of all balance sheet positions. The valuation of the balance sheet, at a point in time, is defined as the discounted present value of asset cash flows minus the discounted present value of liability cash flows. EVE analysis addresses only the current balance sheet and does not incorporate the run-off replacement assumptions that are used in the net interest income simulation model. As with the net interest income simulation model, EVE analysis is based on key assumptions about the timing and variability of balance sheet cash flows and does not take into account any potential responses by management to anticipated changes in interest rates.

Interest Rate Gap:

The interest rate gap is the difference between interest-earning assets and interest-bearing liabilities re-pricing within a given period and represents the net asset or liability sensitivity at a point in time. An interest rate gap measure could be significantly affected by external factors such as loan prepayments, early withdrawals of deposits, changes in the correlation of various interest-bearing instruments, competition, or a rise or decline in interest rates.

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Item 4. Controls and Procedures.

Disclosure Controls and Procedures

Under supervision and with the participation of certain members of our management, including our chief executive officer and chief financial officer, we completed an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of March 31, 2016. Based on this evaluation, our chief executive officer and chief financial officer have concluded that the disclosure controls and procedures were effective as of the end of the period covered by this report with respect to timely communication to them and other members of management responsible for preparing periodic reports of material information required to be disclosed in this report as it relates to the Company and our consolidated subsidiaries.

The effectiveness of our or any system of disclosure controls and procedures is subject to certain limitations, including the exercise of judgment in designing, implementing, and evaluating the controls and procedures, the assumptions used in identifying the likelihood of future events, and the inability to eliminate misconduct completely. As a result, there can be no assurance that our disclosure controls and procedures will prevent all errors or fraud or ensure that all material information will be made known to appropriate management in a timely fashion. By their nature, our or any system of disclosure controls and procedures can provide only reasonable assurance regarding management's control objectives.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting during the last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Special Cautionary Note Regarding Forward-Looking Statements

This report contains certain "forward-looking statements" within the meaning of such term in the Private Securities Litigation Reform Act of 1995. We and our representatives may, from time to time, make written or oral statements that are "forward-looking" and provide information other than historical information. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results to be materially different from any results, levels of activity, performance or achievements expressed or implied by any forward-looking statement. These factors include, among other things, the factors listed below.

Forward-looking statements, which may be based upon beliefs, expectations and assumptions of our management and on information currently available to management, are generally identifiable by the use of words such as "believe", "expect", "anticipate", "should", "could", "would", "plans", "intend", "project", "estimate", "forecast", "may" or similar expre
forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those expressed in, or implied by, these statements. Readers are cautioned not to place undue reliance on any such forward-looking statements, which speak only as of the date made. Additionally, we undertake no obligation to update any statement in light of new information or future events, except as required under federal securities law.

Our ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors that could have an impact on our ability to achieve operating results, growth plan goals and future prospects include, but are not limited to, the following:

- credit quality deterioration or pronounced and sustained reduction in real estate market values could cause an increase in our allowance for credit losses and a reduction in net earnings;
- our management's ability to reduce and effectively manage interest rate risk and the impact of interest rates in general on the volatility of our net interest income;
- changes in the economic environment, competition, or other factors that may affect our ability to acquire loans or influence the anticipated growth rate of loans and deposits and the quality of the loan portfolio and loan and deposit pricing;
- fluctuations in the value of our investment securities;
- governmental monetary and fiscal policies;
- legislative and regulatory changes, including changes in banking, securities and tax laws and regulations and their application by our regulators (particularly with respect to the Dodd-Frank Act and the extensive regulations

promulgated and to be promulgated thereunder, as well as the Basel III Rules and changes in the scope and cost of FDIC insurance and other coverages);

- the ability to attract and retain key executives and employees experienced in banking and financial services;
- the sufficiency of the allowance for loan losses to absorb the amount of actual losses inherent in our existing loan portfolio;

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- our ability to adapt successfully to technological changes to compete effectively in the marketplace;
- credit risks and risks from concentrations (by geographic area and by industry) within our loan portfolio;
- the effects of competition from other commercial banks, thrifts, mortgage banking firms, consumer finance companies, credit unions, securities brokerage firms, insurance companies, money market and other mutual funds, and other financial institutions operating in our markets or elsewhere or providing similar services;
- the failure of assumptions underlying the establishment of allowances for loan losses and estimation of values of collateral and various financial assets and liabilities;
- the risks of mergers, including, without limitation, the related time and costs of implementing such transactions, integrating operations as part of these transactions and possible failures to achieve expected gains, revenue growth and/or expense savings from such transactions;
- volatility of rate-sensitive deposits;
- operational risks, including data processing system failures or fraud;
- asset/liability matching risks and liquidity risks;
- the costs, effects and outcomes of existing or future litigation;
- changes in general economic or industry conditions, nationally or in the communities in which we conduct business;
- changes in accounting policies and practices, as may be adopted by state and federal regulatory agencies and the FASB;
- cyber-attacks; and
- other factors and risks described under “Risk Factors” in our Annual Report on Form 10-K for the period ended December 31, 2015.

We qualify all of our forward-looking statements by the foregoing cautionary statements. Because of these risks and other uncertainties, our actual future results, performance or achievement, or industry results, may be materially different from the results indicated by these forward-looking statements. In addition, our past results of operations are not necessarily indicative of our future results.

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PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

The Company and its subsidiaries are from time to time parties to various legal actions arising in the normal course of business. We believe that there are no threatened or pending proceedings, other than ordinary routine litigation incidental to the Company's business, against the Company or its subsidiaries or of which any of their property is the subject, which, if determined adversely, would have a material adverse effect on the business or financial condition of the Company.

Item 1A. Risk Factors.

There have been no material changes from the risk factors set forth in Part I, Item 1A. "Risk Factors" of our Annual Report on Form 10-K for the period ended December 31, 2015. Please refer to that section of our Form 10-K for disclosures regarding the risks and uncertainties related to our business.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Issuer Purchases of Equity Securities

We did not repurchase any of our equity securities during the first quarter of 2016.

On July 17, 2014, the board of directors of the Company approved a new share repurchase program, allowing for the repurchase of up to $5.0 million of stock through December 31, 2016. The new repurchase program replaced the Company's prior repurchase program, pursuant to which the Company had repurchased approximately $3.7 million of common stock since January 1, 2013. Pursuant to the program, the Company may continue to repurchase shares from time to time in the open market, and the method, timing and amounts of repurchase will be solely in the discretion of the Company's management. The repurchase program does not require the Company to acquire a specific number of shares. Therefore, the amount of shares repurchased pursuant to the program will depend on several factors, including market conditions, capital and liquidity requirements, and alternative uses for cash available. Of the $5.0 million of stock authorized under the repurchase plan, $3.8 million remained available for possible future repurchases as of March 31, 2016.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not Applicable.

Item 5. Other Information.

None.

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Item 6. Exhibits.

Exhibit Number	Description	Incorporated by Reference to:
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a)	Filed herewith
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a)	Filed herewith
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith
101.INS	XBRL Instance Document	Filed herewith
101.SCH	XBRL Taxonomy Extension Schema Document	Filed herewith
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	Filed herewith
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	Filed herewith
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	Filed herewith
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	Filed herewith

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

		MIDWESTONE FINANCIAL GROUP, INC.	
Dated:	May 5, 2016	By:	/s/ CHARLES N. FUNK Charles N. Funk President and Chief Executive Officer
		By:	/s/ GARY J. ORTALE Gary J. Ortale Executive Vice President and Chief Financial Officer

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