

ISB Financial Corp.
Form S-4/A
January 14, 2008
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As filed with the Securities and Exchange Commission on January 14, 2008

Registration No. 333-147628

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

Amendment No. 1
to
FORM S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

ISB FINANCIAL CORP.

(Exact Name of Registrant as Specified in its Charter)

Iowa
(State or other jurisdiction of
incorporation or organization)

6022
(Primary Standard Industrial
Classification Code Number)
102 South Clinton St.

Iowa City, Iowa 52240

42-1206172
(I.R.S. Employer
Identification Number)

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(319) 356-5800

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

Charles N. Funk

President

ISB Financial Corp.

102 South Clinton St.

Iowa City, Iowa 52240

(319) 356-5800

(name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective and all other conditions to the proposed merger described herein have been satisfied or waived.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. "

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information contained herein is not complete and may change. A registration statement relating to the securities to be issued by ISB Financial Corp. has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted before the registration statement becomes effective. This document shall not constitute an offer to sell or the solicitation of any offer to buy these securities in any jurisdiction in which such offer, solicitation or sale is not permitted.

Subject to completion, dated January 14, 2008

**Proxy Statement for the Special Meeting of Shareholders of ISB
Financial Corp.**

**Proxy Statement for the Special Meeting of
Shareholders of MidWestOne Financial Group, Inc.
Prospectus of ISB Financial Corp.**

MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT

The Boards of Directors of ISB Financial Corp. and MidWestOne Financial Group, Inc. have approved a merger agreement that would result in a tax-free merger of MidWestOne with and into ISB Financial Corp., or ISBF, with the combined entity operating under the name MidWestOne Financial Group, Inc.

If the merger is completed, MidWestOne shareholders will receive 0.95 share of ISBF common stock for each share of MidWestOne common stock they own. As a result of the fixed exchange ratio, the value of the stock consideration that MidWestOne shareholders will receive in the merger will fluctuate as the trading price of ISBF common stock changes. ISBF common stock does not trade on any national securities exchange but currently is quoted on the Pink Sheets under the symbol ISBO.PK. The last reported trading price of ISBF common stock prior to the date of this joint proxy statement-prospectus was \$ on , 2008. ISBF's common stock is thinly traded, and because of the absence of generally accessible business and financial information about ISBF, you should not place undue reliance on Pink Sheets quotations of ISBF common stock. If the merger is approved and completed, the stock of the combined company will be listed on the Nasdaq Global Market under the symbol .

To complete this merger we must obtain the necessary government approvals and the approval of the shareholders of each of our companies who own a majority of the common stock of each company. Each company will hold a special meeting of its shareholders to vote on this merger proposal as described in greater detail in this joint proxy statement-prospectus. ISBF shareholders also will consider and vote upon a proposed equity incentive plan. **Your vote is very important. Even if you plan to attend your shareholder meeting, please take the time to vote by completing and mailing the enclosed proxy card or by following the telephone or Internet voting procedures described on the proxy card.** If you do not vote or if you do not instruct your broker how to vote any shares held for you in your broker's name, the effect will be a vote against this merger.

The dates, times and places of the meetings are as follows:

For ISBF shareholders:

For MidWestOne shareholders:

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[]

[]

[]

[]

[]

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, 2008, : .m., central standard time , 2008, : .m., central standard time
This joint proxy statement-prospectus gives you detailed information about the merger we are proposing, and it includes our merger agreement as an appendix. You can obtain additional information about MidWestOne from publicly available documents it has filed with the Securities and Exchange Commission. We encourage you to read this entire document carefully. **For a discussion of certain risks that you should consider in evaluating the merger and related matters described in this document, see Risk Factors beginning on page 35.**

W. Richard Summerwill

Charles S. Howard

Chairman of the Board and Chief Executive Officer

Chairman, President and Chief Executive Officer

ISB Financial Corp.

MidWestOne Financial Group, Inc.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued under this joint proxy statement-prospectus or determined if this joint proxy statement-prospectus is truthful or complete. Any representation to the contrary is a criminal offense. The securities being offered through this document are not savings or deposit accounts or other obligations of any bank or non-bank subsidiary of either ISBF or MidWestOne, and they are not insured by the Federal Deposit Insurance Corporation, the Deposit Insurance Fund or any other federal or state governmental agency.

This joint proxy statement-prospectus is dated , 2008, and is first being mailed to shareholders on or about , 2008.

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ISB Financial Corp.

102 South Clinton St.

Iowa City, Iowa 52240

Notice of Special Meeting of Shareholders

To Be Held On _____, 2008

A special meeting of the shareholders of ISB Financial Corp., an Iowa corporation (ISBF) will be held at _____, located at _____, Iowa City, Iowa, on _____, 2008 at _____ : _____ .m., central standard time, for the following purposes:

1. to consider and approve the Agreement and Plan of Merger, dated September 11, 2007, between ISBF and MidWestOne Financial Group, Inc., an Iowa corporation (MidWestOne), pursuant to which MidWestOne will merge with and into ISBF, and approve the transactions it contemplates, including the issuance of shares of ISBF common stock as consideration in the proposed merger.
2. as a condition to consummating the proposed merger, to consider, approve and adopt amended and restated articles of incorporation of ISBF to, among other things, change ISBF s corporate name to MidWestOne Financial Group, Inc. and provide for a classified board of directors.
3. to consider and approve the 2008 Equity Incentive Plan, which, if approved, will be in effect for the combined company following the merger;
4. to approve any adjournment of the special meeting if necessary to solicit additional proxies in order to approve the merger agreement; and
5. to transact such other business as may properly be brought before the special meeting, or any adjournments or postponements of the special meeting, including whether or not to adjourn the special meeting.

The close of business on _____, 2008, has been fixed as the record date for determining those shareholders entitled to vote at the special meeting and any adjournments or postponements of the special meeting. Accordingly, only shareholders of record on that date are entitled to notice of, and to vote at, the special meeting and any adjournments or postponements of the special meeting.

Whether or not you plan to attend the special meeting in person, please take the time to vote by completing and mailing the enclosed proxy card or by following the telephone or Internet voting procedures described on the proxy card. If you attend the special meeting, you still may vote in person if you wish, even if you have previously returned your proxy card. Because the affirmative vote of the holders of a majority of the outstanding shares of common stock entitled to vote at the special meeting is required to approve proposals 1, 2 and 3 above, the failure to vote by proxy or in person will have the same effect as a vote against such proposals. Abstentions and broker non-votes will have the same affect as a vote against these proposals.

Your board of directors unanimously recommends that you vote FOR the approval of the merger agreement and the transactions it contemplates, including the issuance of shares of ISBF common stock as consideration in the proposed merger; FOR the approval and adoption of amended and restated articles of incorporation; FOR the approval of the 2008 Equity Incentive Plan; and FOR any adjournment of the special meeting to solicit additional proxies, if necessary.

_____, 2008

By Order of the Board of Directors

W. Richard Summerwill
Chairman of the Board

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MidWestOne Financial Group, Inc.

222 First Avenue East

Oskaloosa, Iowa 52577

Notice of Special Meeting of Shareholders

To Be Held On _____, 2008

A special meeting of the shareholders of MidWestOne Financial Group, Inc., an Iowa corporation (MidWestOne), will be held at _____, located at _____, Oskaloosa, Iowa, on _____, 2008, at _____ : _____ .m., central standard time, for the following purposes:

1. to consider and approve the Agreement and Plan of Merger, dated September 11, 2007, between ISB Financial Corp, an Iowa corporation (ISBF), and MidWestOne and the transactions it contemplates, including the merger of MidWestOne with and into ISBF;
2. to approve any adjournment of the special meeting if necessary to solicit additional proxies in order to approve the merger agreement; and
3. to transact such other business as may properly be brought before the special meeting, or any adjournments or postponements of the special meeting, including whether or not to adjourn the special meeting.

The close of business on _____, 2008, has been fixed as the record date for determining those shareholders entitled to vote at the special meeting and any adjournments or postponements of the special meeting. Accordingly, only shareholders of record on that date are entitled to notice of, and to vote at, the special meeting and any adjournments or postponements of the special meeting.

Whether or not you plan to attend the special meeting in person, please take the time to vote by completing and mailing the enclosed proxy card or by following the telephone or Internet voting procedures described on the proxy card. If you attend the special meeting, you may still vote in person if you wish, even if you have previously returned your proxy card. Because the affirmative vote of the holders of a majority of the outstanding shares of common stock entitled to vote at the special meeting is required to approve the merger proposal, the failure to vote by proxy or in person will have the same effect as a vote against the merger proposal. Abstentions and broker non-votes will have the same affect as a vote against the merger proposal.

Your board of directors unanimously recommends that you vote FOR the approval of the merger agreement and the transactions it contemplates and FOR any adjournment of the special meeting to solicit additional proxies, if necessary.

_____, 2008

By Order of the Board of Directors

Charles S. Howard
Chairman of the Board

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ADDITIONAL INFORMATION

This joint proxy statement-prospectus refers to important business and financial information about ISB Financial Corp. and MidWestOne Financial Group, Inc. that is not included in or delivered with this joint proxy statement-prospectus. This information is described under Where You Can Find More Information. You can obtain free copies of documents related to ISB Financial Corp. and MidWestOne Financial Group, Inc. that contain this information through the Securities and Exchange Commission's website at <http://www.sec.gov> or by writing or calling:

ISB Financial Corp.

102 South Clinton Street

Iowa City, Iowa 52240

Attention: Kenneth R. Urmie

Telephone: (319) 356-5925

MidWestOne Financial Group, Inc.

222 First Avenue East

Oskaloosa, Iowa 52577

Attention: Karen K. Binns

Telephone: (641) 673-8448

To obtain timely delivery of the documents, you must request the information by special meeting.

, 2008 in order to receive them before the

You also may obtain additional proxy cards and other information related to the proxy solicitation by contacting the appropriate contact listed above. You will not be charged for any of these documents that you request.

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**QUESTIONS AND ANSWERS ABOUT THE MERGER
AND THE SPECIAL MEETINGS**

Q: What am I being asked to vote on?

A: ISBF shareholders and MidWestOne shareholders are being asked to approve a merger agreement, pursuant to which MidWestOne will merge with and into ISBF, and to approve the transactions it contemplates, including the merger. By approving the merger agreement, ISBF shareholders also will be approving the issuance of ISBF common stock as consideration in the proposed merger.

As provided in the merger agreement, as a condition to consummating the proposed merger, ISBF shareholders must adopt and approve amended and restated articles of incorporation of ISBF that will amend ISBF's existing articles of incorporation to, among other things change ISBF's corporate name to MidWestOne Financial Group, Inc. and provide for a classified board of directors. Approval of the amended and restated articles of incorporation by ISBF shareholders is a condition to closing the proposed merger. **Therefore, ISBF shareholders must approve both proposal 1, the merger agreement with MidWestOne, and proposal 2, the amended and restated articles of incorporation of ISBF, in order to approve the proposed merger with MidWestOne.** The merger can not proceed unless each of these proposals is approved by the required number of affirmative votes.

Additionally, ISBF shareholders are being asked to approve the 2008 Equity Incentive Plan, which, if approved, will govern equity awards that may be made from time to time by the board of directors (or compensation committee of the board of directors) of the combined company.

Q: Why do ISBF and MidWestOne want to merge?

A: ISBF and MidWestOne believe that the proposed merger will create a strong, independent financial services institution, headquartered in Iowa, that will have the resources of a combined institution and the potential to achieve greater earnings and balance sheet growth. As a larger company, ISBF and MidWestOne believe their customers will appreciate the expanded geographic presence of the combined company, and their shareholders will benefit from owning stock in a company with greater capital and resources than either company standing alone. The merger is expected to create a platform for expanding the combined company's branch network and, if opportunities arise, considering future strategic partnering and acquisition opportunities.

Q: What will happen to MidWestOne and ISBF as a result of the merger?

A: If the merger is completed, MidWestOne will merge with and into ISBF, with ISBF being the surviving entity in the merger. However, the new, combined entity will operate under the name MidWestOne Financial Group, Inc. as it is more representative of the larger geographic area that will be served by the combined institution. As a merger of equals, each company will contribute an equal number of directors to the combined company's board of directors. Additionally, certain executives from both companies will comprise the executive team of the combined company, as more fully described in this joint proxy statement-prospectus.

Q: Will MidWestOne Bank, Iowa State Bank & Trust Company and First State Bank merge as well?

A: Yes. The merger of equals transaction between ISBF and MidWestOne is the first step in a process that calls for the eventual merger and consolidation of Iowa State Bank & Trust Company, First State Bank, and MidWestOne Bank, which we expect to occur in the third quarter of 2008. The resulting combined bank is expected to operate under the name MidWestOne Bank.

Q: Where will the combined company be located?

A: Following the merger, the headquarters of the combined company will be in Iowa City, Iowa. All Oskaloosa, Iowa locations are expected to remain open.

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Q: What will I receive for my shares of MidWestOne?

A: Shareholders of MidWestOne will be entitled to receive 0.95 share of ISBF common stock for each share of MidWestOne common stock that they own at the effective time of the merger. Fractional shares will not be issued in the merger. Instead of fractional shares, MidWestOne shareholders will receive cash in an amount determined as described in this joint proxy statement-prospectus. *Current MidWestOne shareholders should not send in their stock certificates at this time.*

Q: What will happen to my shares of ISBF?

A: All shares of ISBF will remain outstanding following consummation of the merger and current ISBF shareholders will not need to do anything in connection with the closing of the merger. Because ISBF will be changing its name, current ISBF shareholders will be given the opportunity following the consummation of the merger to exchange their stock certificates for new certificates, which will reflect the new corporate name of MidWestOne Financial Group, Inc. This exchange, however, is not required as current ISBF certificates will continue to represent ownership of common stock of the combined company. Information will be sent to current ISBF shareholders after the consummation of the merger regarding the process for exchanging their current certificates for new certificates, if they elect to do so. *Current ISBF shareholders should not send in their stock certificates for exchange at this time.*

Q: Will the shares of the new, combined company be listed on a stock exchange?

A: Yes. Currently MidWestOne shares are listed on the Nasdaq Global Market and ISBF shares are quoted on the Pink Sheets. As a condition to consummating the merger, shares of the combined company will be listed on the Nasdaq Global Market under the symbol _____.

Q: Will the value of the merger consideration fluctuate?

A: Yes. Because the exchange ratio is fixed at 0.95 share of ISBF common stock per share of MidWestOne common stock, the value of the stock consideration payable to MidWestOne shareholders will fluctuate as the value of ISBF common stock changes. The market for ISBF common stock, like many Pink Sheets securities, is relatively illiquid, or thinly traded, which tends to increase price volatility. Illiquid securities are often difficult for investors to buy or sell without dramatically affecting the quoted price. Current, publicly available information regarding issuers of Pink Sheet securities, such as ISBF, and their prospects, the risks associated with their business, or an investment in their securities may not be available to the general public. As a result, it can be difficult to properly value an investment in a Pink Sheets security. The MidWestOne board of directors considered these aspects of ISBF's trading price as quoted on the Pink Sheets in making its determination to approve the merger with ISBF and looked to other business and financial measures available to them concerning ISBF. You should keep these factors in mind when obtaining current market price quotations for ISBF common stock.

As noted above, the shares of common stock of the combined company will be listed on the Nasdaq Global Market. The Nasdaq Global Market is a more liquid market than the over-the-counter market in which shares quoted exclusively on the Pink Sheets trade, although there is no guarantee that there will be a liquid market for the shares of the combined company's stock following the merger. Additionally, unlike ISBF currently, access to the business and financial information of the combined company will be available as a result of the combined company's reporting obligations under U.S. securities laws. These and other factors will affect the market price of the combined company after the merger. As a result, you should not place undue reliance on volume data and current price quotations of ISBF common stock in determining the current or prospective value of the stock consideration to be paid in the merger.

Q: Is the merger expected to be taxable to me?

A:

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In general, the exchange of your *MidWestOne* common stock solely for ISBF common stock will not cause you to recognize any taxable gain or loss for federal income tax purposes. However, *MidWestOne*

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shareholders will have to recognize taxable income, gain or loss in connection with cash received in lieu of any fractional shares of common stock of the combined company.

Because ISBF shareholders are not receiving any cash or stock in the merger, the merger will have no U.S. federal income tax consequences to them.

Each of ISBF's and MidWestOne's respective obligations to complete the merger is conditioned upon receipt of an opinion about the U.S. federal income tax treatment of the merger. The opinion will not bind the Internal Revenue Service, which could take a different view. You should consult your own tax advisor for a full understanding of the tax consequences to you of the merger.

Q: Why is ISBF proposing to amend its articles of incorporation as part of the merger?

A: In the merger agreement, each of ISBF and MidWestOne agreed to amend the articles of incorporation of ISBF to change ISBF's corporate name to MidWestOne Financial Group, Inc., to provide for a classified board of directors and, as a technical matter, to change the combined company's registered agent, subject to approval by ISBF shareholders. Although ISBF shareholders would be assenting to these amendments by approving the merger agreement, we are required to permit ISBF shareholders to vote on these amendments as a separate proposal.

Both ISBF and MidWestOne believe that operating the combined company under MidWestOne's corporate name will be more representative of the larger geographic area that will be served by the combined institution. In addition, both companies' boards of directors believe that a classified board structure for the combined company will ensure each of ISBF and MidWestOne has substantially equal representation on the combined company's board of directors after the completion of the proposed merger, consistent with a merger-of-equals transaction. The classified board may provide certain other advantages, including continuity and stability in the combined company board's leadership and policies, and in the management of the combined company's business and affairs.

ISBF shareholders who vote FOR approval of the merger agreement should vote FOR the adoption of ISBF's amended and restated articles of incorporation if they desire to approve the merger with MidWestOne. The proposed merger can not be consummated unless the proposal to adopt the amended and restated articles of incorporation also is approved.

Q: Why is ISBF proposing to put in place a new equity incentive plan?

A: Following the merger, we believe it is important to our long-term financial success to provide a means to attract, retain and reward individuals who can and will contribute to such success and to further align their interests with those of the combined company's shareholders. Subject to certain permitted adjustments, the maximum number of shares that may be issued under the 2008 Equity Incentive Plan will be 750,000 shares of the combined company's common stock, less the number of shares subject to outstanding awards granted under the current plans of MidWestOne and ISBF.

Q: Who must approve the proposals at the special meeting?

A: Holders of a majority of the outstanding shares of common stock of each of MidWestOne and ISBF as of the record dates of their respective special meetings must approve the merger agreement and the transactions it contemplates, and a majority of the outstanding shares of ISBF common stock must approve the amended and restated articles of incorporation and the 2008 Equity Incentive Plan.

Q: When and where will the special meetings take place?

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A: The ISBF special meeting will be held on _____, 2008, at _____ central standard time, at _____, Iowa City, Iowa. The
MidWestOne special meeting will be held on _____, 2008, at _____ central standard time, at _____, Oskaloosa, Iowa.

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Q: Who can vote at the special meetings?

A: You can vote at the ISBF special meeting if you owned shares of ISBF common stock at the close of business on _____, 2008, the record date for the ISBF special meeting. You can vote at the MidWestOne special meeting if you owned shares of MidWestOne common stock at the close of business on _____, 2008, the record date for the MidWestOne special meeting.

All of MidWestOne's directors, including the MidWestOne executive officers who also serve as directors, have agreed to vote the shares of MidWestOne common stock over which they have voting control in favor of the merger agreement at the special meeting. All of ISBF's directors, including the ISBF executive officers who also serve as directors, have agreed to vote the shares of ISBF common stock over which they have voting control in favor of the merger agreement and the amended and restated articles of incorporation at the special meeting.

Q: What do the ISBF board of directors and the MidWestOne board of directors recommend?

A: Each of the boards of directors of ISBF and MidWestOne recommend that their respective shareholders vote **FOR** approval of the merger agreement and the transactions it contemplates. Additionally, the ISBF board of directors recommends that ISBF shareholders vote **FOR** the approval of the amended and restated articles of incorporation and **FOR** the approval of the 2008 Equity Incentive Plan.

Q: What do I need to do now?

A: After reviewing this document, submit your proxy using any of the proxy delivery or voting methods indicated on the proxy card. By submitting your proxy, you authorize the individuals named in it to represent you and vote your shares at the special meeting in accordance with your instructions. **Your proxy vote is important. Whether or not you plan to attend your respective special meeting, please submit your proxy promptly in the enclosed envelope or vote telephonically or through the Internet by following the instructions on the proxy card.** ISBF and MidWestOne shareholders should not send in their stock certificates at this time. A letter of transmittal regarding MidWestOne stock certificates will be sent to MidWestOne shareholders if the merger is consummated.

Q: How will my shares be voted if I return a blank proxy card?

A: If you sign and date your proxy card but do not indicate how you want to vote, your proxies will be counted as a vote **FOR** the approval of the merger agreement and the transactions it contemplates, **FOR** the proposal to adjourn the special meeting, if necessary, to solicit additional proxies to approve the merger agreement, and in the discretion of the persons named as proxies in any other matters properly presented at the special meeting. With respect to ISBF shareholders, it also will be voted **FOR** the approval of the amended and restated articles of incorporation and **FOR** the approval of the 2008 Equity Incentive Plan.

Q: What will be the effect if I do not vote?

A: Your failure to vote will have the same effect **as if you voted against** approval of the merger agreement and the transactions it contemplates and, with respect to ISBF shareholders, as if you voted against the approval of the amended and restated articles of incorporation and the 2008 Equity Incentive Plan.

Q: If my shares are held in street name by my broker, will my broker vote my shares for me?

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A: Your broker will vote your shares only if you instruct your broker on how to vote. Your broker will send you directions on how to do this. If you fail to provide your broker with instructions on how to vote your shares it will not be able to vote them at the special meeting.

Q: Can I vote my shares in person?

A: Yes, if your shares are registered in your own name, you may attend the special meeting and vote your shares in person. If your shares are held in street name (for example, if they are held through a broker or

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with a trust company), you will need to obtain a legal proxy from your broker to vote your shares in person at the special meeting. We recommend that you sign, date and promptly mail the enclosed proxy card (or follow the telephone or Internet voting instructions described on the proxy card) even if you intend to attend the special meeting.

Q: Can I change my mind and revoke my proxy?

A: Yes, you may revoke your proxy and change your vote at any time before the polls close at your special meeting by following the instructions in this document.

Q: What if I oppose the merger? Do I have appraisal or dissenters rights?

A: Neither *MidWestOne* shareholders nor ISBF shareholders have appraisal or dissenters rights under Iowa law.

Q: When do you expect the merger to be completed?

A: If approved by the ISBF and *MidWestOne* shareholders, we anticipate closing the merger in the first quarter of 2008. However, it is possible that factors outside our control could require us to complete the merger at a later time or not complete it at all.

Q: How do I exchange my *MidWestOne* stock certificates?

A: If the merger is approved and consummated, after the merger is effective, the exchange agent will send to you a letter of transmittal, which will include instructions on where to surrender your stock certificates for exchange.

Q: Who can answer my questions?

A: You should contact:

For ISBF shareholders: Gary J. Ortale, Treasurer, at (319) 356-5924 or via email at gortale@isbt.com

For *MidWestOne* shareholders: David Meinert, Chief Financial Officer, at (641) 673-1522 or via email at dmeinert@mwofg.com

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SUMMARY

*This brief summary highlights selected information from this joint proxy statement-prospectus and does not contain all of the information that may be important to you. We urge you to carefully read this entire document and the other documents we refer to in this document. These will give you a more complete description of the transaction we are proposing. For more information about our two companies, see *Where You Can Find More Information*. We have included page references in this summary to direct you to other places in this joint proxy statement-prospectus where you can find a more complete description of the topics we have summarized.*

*As used in this joint proxy statement-prospectus, the term *ISBF* refers to ISB Financial Corp. and its consolidated subsidiaries, and *MidWestOne* refers to MidWestOne Financial Group, Inc., and its consolidated subsidiaries, in each case unless the context indicates otherwise. The terms *the combined company* and *the continuing company* as used herein refer to ISBF, the surviving company, following the merger of MidWestOne with and into ISBF and its name change to *MidWestOne Financial Group, Inc.**

General

This joint proxy statement-prospectus relates to the proposed merger between MidWestOne and ISBF. ISBF and MidWestOne believe that the proposed merger will create a strong, independent financial services company that will have the resources of a combined institution and the ability to achieve greater earnings and balance sheet growth. As a larger company, ISBF and MidWestOne believe customers will appreciate the expanded geographic presence, and shareholders will benefit from owning stock in a combined company with greater capital and resources than either company standing alone. The merger is expected to create a platform for expanding the combined company's branch network and, if opportunities arise, future strategic partnering and acquisition opportunities.

The Companies

ISB Financial Corp.

102 South Clinton St.

Iowa City, Iowa 52240

(319) 356-5800

ISBF is the holding company for Iowa State Bank & Trust Company in Iowa City, Iowa, and First State Bank in Conrad, Iowa. ISBF is a traditional community bank provider, offering a full range of business and consumer bank products and services including trust and brokerage services through its subsidiary banks' investment and trust divisions and insurance and real estate brokerage services through divisions of First State Bank. ISBF has a network of ten branches serving the greater Iowa City market in east-central Iowa and the communities of Conrad, Melbourne and Parkersburg in north-central Iowa. At September 30, 2007, ISBF reported, on a consolidated basis, total assets of approximately \$682.1 million, deposits of approximately \$499.2 million and stockholders' equity of approximately \$76.0 million.

MidWestOne Financial Group, Inc.

222 First Avenue East

Oskaloosa, Iowa 52577

(641) 673-8448

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MidWestOne shareholders. You may vote at the meeting of *MidWestOne* s shareholders if you owned *MidWestOne* common stock at the close of business on _____, 2008. You can cast one vote for each share of *MidWestOne* common stock that you owned at that time. To approve the merger agreement and the transactions it contemplates, the holders of a majority of the outstanding voting shares of *MidWestOne* as of the record date must vote in favor of doing so.

You may vote your shares in person by attending the meeting or by mailing us your proxy if you are unable to or do not wish to attend. You can revoke your proxy at any time before *MidWestOne* takes a vote at the meeting by submitting a written notice revoking the proxy or a later-dated proxy to the secretary of *MidWestOne*, or by attending the meeting and voting in person.

Share Ownership of Directors and Executive Officers (pages _____ and _____)

ISBF shareholders. On the record date, *ISBF* s directors and executive officers beneficially owned approximately _____ million shares, or approximately _____ % of the outstanding shares of *ISBF* common stock. All of *ISBF* s directors, including the *ISBF* executive officers who also serve as directors, have agreed to vote the shares of *ISBF* common stock over which they have voting control to approve the merger agreement and the transactions it contemplates. However, because they have the power to vote only approximately _____ % of the outstanding shares of *ISBF* common stock entitled to vote at the special meeting, there is no assurance that the proposal will be approved by *ISBF* shareholders.

MidWestOne shareholders. On the record date, *MidWestOne* s directors and executive officers beneficially owned approximately _____ million shares, or approximately _____ % of the outstanding shares of *MidWestOne* common stock. All of *MidWestOne* s directors, including the *MidWestOne* executive officers who also serve as directors, have agreed to vote the shares of *MidWestOne* common stock over which they have voting control in favor of the merger agreement at the special meeting. However, because they have the power to vote only approximately _____ % of the outstanding shares of *MidWestOne* common stock entitled to vote at the special meeting, there is no assurance that the proposal will be approved by *MidWestOne* shareholders.

Recommendation to Shareholders (pages _____ and _____)

ISBF shareholders. *ISBF* s board of directors believes that the merger agreement and the merger are fair to its shareholders and in their best interests, and unanimously recommends that they vote **FOR** the proposal to approve the merger agreement and the transactions it contemplates, including the issuance of shares of *ISBF* common stock as consideration in the proposed merger, **FOR** the adoption of the amended and restated articles of incorporation, and **FOR** the approval of the 2008 Equity Incentive Plan.

MidWestOne shareholders. *MidWestOne* s board of directors believes that the merger agreement and the merger are fair to its shareholders and in their best interests, and unanimously recommends that they vote **FOR** the proposal to approve the merger agreement and the transactions it contemplates.

The Merger and Related Transactions

The Merger (page _____)

Pursuant to the merger agreement, *MidWestOne* will merge with *ISBF* in exchange for shares of *ISBF* common stock. The combined company will continue under the name *MidWestOne* Financial Group, Inc. and its shares will be listed on the Nasdaq Global Market under the symbol _____. The combined company s main office will be located in Iowa City, Iowa. We expect to complete the merger in the first quarter of 2008, although delays could occur.

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During the third quarter of 2008, we intend to consolidate Iowa State Bank & Trust, First State Bank and MidWestOne Bank as one bank, although delays could occur. The resulting institution will be an Iowa chartered commercial bank with its home office in Iowa City, Iowa, and will operate under the name MidWestOne Bank.

We have attached a copy of the merger agreement as Appendix A to this document. Please read the merger agreement. It is the legal document that governs the merger.

What You Will Receive in the Merger (page)

ISBF shareholders. Each share of ISBF common stock will remain outstanding, and will represent a share of common stock of the combined company.

MidWestOne shareholders. If the merger is completed, each share of MidWestOne common stock will automatically become a right to receive 0.95 share of common stock of the combined company. The total number of shares you will have the right to receive will be equal to the number of shares of MidWestOne common stock you own multiplied by 0.95. For example, if you hold 100 shares of MidWestOne common stock, you will be entitled to receive 95 shares (100 x 0.95) of common stock of the combined company. Based on the last reported trade price of \$ per share of ISBF common stock on , 2008, the value of 0.95 share of ISBF common stock was \$, and the total value of the merger consideration was approximately \$ million. However, because the exchange ratio is fixed, the market value of the shares of ISBF common stock you will receive in the merger will fluctuate from time to time, causing the total value of the merger consideration to fluctuate. Additionally, because of the illiquid trading market for ISBF common stock and the absence of publicly available business and financial information for ISBF, you should not place undue reliance on current price quotations of ISBF common stock in determining the current or prospective value of the stock consideration to be paid in the merger.

ISBF will not issue any fractional shares. Instead, MidWestOne shareholders will receive cash in lieu of any fractional shares of common stock of the combined company owed to them in exchange for their shares of MidWestOne common stock. The amount of cash to be paid for a fractional share will be equal to the product of the average of the closing prices of ISBF common stock for the ten trading days immediately preceding the date of the merger agreement and the fractional share amount.

Market Prices of ISBF and MidWestOne Common Stock (page)

Shares of ISBF common stock are quoted on the Pink Sheets under the symbol ISBO.PK. On September 11, 2007, the last trading day before we announced the merger, the last reported trading price of ISBF common stock was \$27.50 per share. The last reported trading price of ISBF common stock before the mailing of the joint proxy statement-prospectus was \$ per share on , 2008. As a condition to the completion of the merger, the shares of common stock of the combined company will be listed on the Nasdaq Global Market. We can make no prediction or guarantee at what price the shares of the combined company will trade after the completion of the merger.

Shares of MidWestOne common stock are traded on the Nasdaq Global Market under the symbol OSKY. On September 11, 2007, the last trading day before we announced the merger, the last reported trading price of MidWestOne common stock was \$16.99 per share. On , 2008, the last trading day before the mailing of the joint proxy statement-prospectus, the last reported trading price of MidWestOne common stock was \$ per share.

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Exchange of Stock Certificates (page)

Shortly after the effective date of the merger, MidWestOne shareholders will receive a transmittal letter and instructions from the exchange agent on how to surrender their stock certificates representing MidWestOne common stock in exchange for stock certificates of the combined company. MidWestOne shareholders must carefully review and complete these materials and return them as instructed along with their MidWestOne common stock certificates. **MidWestOne shareholders should not send any stock certificates to ISBF or MidWestOne until they receive these instructions. ISBF shareholders should not exchange their certificates at this time.** If the merger is approved and completed, ISBF shareholders will be afforded the opportunity to exchange their current certificates for new certificates that reflect the new name of the combined company. However, this will not be required and ISBF shareholders will not have to take any action after the merger.

Effect of the Merger on Stock Options and Other Equity Awards (page and)

In the merger, options to purchase MidWestOne common stock outstanding immediately before completing the merger will become options to purchase ISBF common stock and will continue to be governed by the terms of the original MidWestOne plans under which they were issued. The number of shares of ISBF common stock subject to each of these converted stock options, as well as the exercise price of these stock options, will reflect the exchange ratio applicable in the merger.

The merger agreement provides that ISBF and MidWestOne shall, prior to the effective time of the merger, cause each outstanding unexercised ISBF stock option and MidWestOne stock option, as the case may be, to vest and become exercisable upon consummation of merger. In addition, the merger agreement provides that MidWestOne shall, prior to the effective time of the merger, accelerate the vesting of each share of restricted stock that is then outstanding and unvested, and cause such share to be free of all restrictions.

Ownership After the Merger (page)

Based on the exchange ratio contained in the merger agreement and the number of shares of MidWestOne common stock currently outstanding, upon completion of the merger, ISBF will issue between 3,510,843 and 3,963,115 shares of its common stock to MidWestOne shareholders. Based on the minimum issuance and assuming no exercises of currently outstanding ISBF or MidWestOne options, immediately after the merger existing ISBF shareholders would own approximately 59.5%, and former MidWestOne shareholders would own approximately 40.5%, of the outstanding shares of common stock of the combined company.

Regulatory Approvals (page)

As of December 14, 2007, we had received the required prior approval to the merger from both the Board of Governors of the Federal Reserve System and the Iowa Division of Banking, or IDOB. In addition, on December 29, 2007, the statutory waiting period for consummation of the merger required by the Federal Reserve had expired.

In addition, if the merger is completed, First State Bank and MidWestOne Bank will be merged with Iowa State Bank & Trust, with the resulting bank to be named MidWestOne Bank. The merger of MidWestOne Bank with and into Iowa State Bank & Trust is subject to the prior approval of the Federal Deposit Insurance Corporation and the IDOB. It is expected that applications will be filed with the IDOB and the FDIC for approval of the bank merger, which would be expected to occur during the third quarter of 2008.

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Effective Time of the Merger (page)

The merger will become effective on the close of business on the day when articles of merger are filed with the Secretary of State of the State of Iowa or such later date or time as we agree and specify in the articles of merger. If our shareholders approve the merger at their special meetings, and if ISBF obtains all required regulatory approvals, we anticipate that the merger will be completed before the end of the first quarter of 2008, although delays could occur.

We cannot assure you that we can obtain the necessary shareholder and regulatory approvals or that the other conditions to completion of the merger can or will be satisfied.

Appraisal Rights (page)

MidWestOne and ISBF Shareholders. Under Iowa law, neither MidWestOne shareholders nor ISBF shareholders have the right to dissent from the merger and receive in cash the fair value of their shares.

Federal Income Tax Consequences (page)

For U.S. federal income tax purposes, the exchange of shares of MidWestOne common stock for shares of ISBF common stock will not cause the holders of MidWestOne common stock to recognize any gain or loss. Holders of MidWestOne common stock, however, will recognize income, gain or loss in connection with any cash received to redeem any fractional share interest. Because ISBF shareholders are not receiving any cash or stock in the merger, the merger will have no U.S. federal income tax consequences to them.

Tax matters can be complicated, and the tax consequences of the merger to you will depend on your particular tax situation. We urge you to consult your tax advisor to determine the tax consequences of the merger to you.

Accounting Treatment (page)

The merger will be accounted for as a purchase transaction in accordance with accounting principles generally accepted in the United States.

Reasons for the Merger (pages and)

Each of our boards of directors believes the merger will enhance shareholder value by permitting the combined company to expand its market presence in Iowa. We expect the merger to strengthen our position as a competitor in the financial services business as a result of the increased resources and expanded geographic footprint of a combined institution.

You can find a more detailed discussion of the background of the merger and ISBF's and MidWestOne's reasons for the merger in this document under "The Merger Background of the Merger," "ISBF's Reasons for the Merger and Board Recommendation" and "MidWestOne's Reasons for the Merger and Board Recommendation." The discussion of our reasons for the merger includes forward-looking statements about possible or assumed future results of our operations and the performance of the combined company after the merger. For a discussion of factors that could affect these future results, see "Forward-Looking Statements."

Interests of Certain Persons in the Merger (page)

Some members of our respective management and boards of directors may be deemed to have interests in the merger that are in addition to their interests as shareholders generally.

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In the case of *MidWestOne*, currently outstanding but unexercisable options to purchase common stock held by directors, officers and other employees of *MidWestOne* will vest and become exercisable upon the effectiveness of the merger. In addition, Charles S. Howard, the Chairman, President and Chief Executive Officer of *MidWestOne*, and David A. Meinert, Executive Vice President and Chief Financial Officer of *MidWestOne*, entered into agreements with ISBF, effective upon the closing of the merger, providing for terms of their employment with, or service as a director of, the combined company following the merger. Executive officers also will receive options to purchase common stock of the combined company as well as restricted stock units if the merger is consummated, and certain executives are entitled to change-in-control payments under their current salary continuation or deferred compensation agreements with *MidWestOne*.

As a result of the merger, Mr. Howard will receive a lump sum change in control payment of \$968,600 pursuant to his existing salary continuation agreement. Additionally, outstanding options to purchase 1,020 shares of *MidWestOne* common stock with an exercise price of \$17.70 per share will vest and the restrictions on 375 shares of restricted stock will lapse as a result of the merger. With respect to Mr. Meinert, John P. Pothoven, President and Chief Executive Officer of *MidWestOne* Bank, and Jerry D. Krause, Regional President for Southern Region of *MidWestOne* Bank, options to purchase 1,020, 850 and 714 shares, respectively, of *MidWestOne* common stock with an exercise price of \$17.70 per share will vest and the restrictions on 375, 375 and 225 shares, respectively, of restricted stock will lapse as a result of the merger. Options to purchase 2,081 shares of common stock held by each non-employee director of *MidWestOne* (with an exercise price of \$17.56 as to 411 shares, \$19.07 as to 670 shares and \$17.15 as to the remaining 1,000 shares (16,648 shares in the aggregate)) also will become vested and exercisable as a result of the merger, and the restrictions on 1,000 shares of restricted stock held by each non-employee director (8,000 shares in the aggregate) will lapse as a result of the merger. In addition to the foregoing, Mr. Meinert will be entitled to receive an initial option grant to purchase 3,000 shares of the combined company's common stock if the merger is completed.

In the case of ISBF, in connection with the execution of the merger agreement, ISBF has executed agreements with certain officers of ISBF, effective upon the closing of the merger, which provide for terms of their employment with, or service as a director of, the combined company following the merger. Certain executive officers also will receive options to purchase common stock of the combined company as well as restricted stock units if the merger is consummated.

As a result of the merger, Charles N. Funk, the President of ISBF and President and Chief Financial Officer of Iowa State Bank & Trust who will become President and Chief Executive Officer of the combined company, and Kent L. Jehle, the Executive Vice President Commercial Banking of Iowa State Bank & Trust who will become the Chief Lending Officer of the combined company, will experience substantial increases in their annual compensation levels. Specifically, Mr. Funk's annual base salary will increase from \$231,000 to \$300,000 and Mr. Jehle's will increase from \$145,950 to \$205,000. Mr. Funk and Mr. Jehle will be entitled to receive an initial option grant to purchase 6,000 and 3,000 shares, respectively, of the combined company's stock if the merger is completed. Neither Mr. Funk nor Mr. Jehle received any equity-based compensation in 2007.

Also a result of the merger, W. Richard Summerwill, the Chairman and Chief Executive Officer of ISBF who will become the non-executive Chairman of the combined company, will receive 500 restricted stock units and will have his annual base salary increased to \$80,000, but he will no longer be entitled to receive director fees in addition to his salary. In 2007, Mr. Summerwill did not receive any equity-based compensation, had an annual base salary of \$60,000 and received director fees (separate from his salary) of \$15,950.

The board of directors of each of ISBF and *MidWestOne* were aware of these interests and considered them, together with the other matters described in this joint proxy statement-prospectus, in approving the merger agreement and the merger.

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Opinion of Financial Advisors (pages and)

MidWestOne shareholders. Each of Sandler O'Neill & Partners, L.P. and Howe Barnes Hofer & Arnett, Inc. has delivered a written opinion, dated September 11, 2007, to the MidWestOne board of directors that the exchange ratio of 0.95 share of ISBF common stock for each share of MidWestOne common stock to be exchanged in the merger is fair to the holders of MidWestOne common stock from a financial point of view. We have attached these opinions to this document as Appendix B and Appendix C, respectively. You should read these opinions carefully to understand the procedures followed, matters considered and limitations on the reviews undertaken by Sandler O'Neill and Howe Barnes in providing their respective opinions.

ISBF shareholders. Keefe, Bruyette & Woods, Inc. has delivered a written opinion, dated September 11, 2007, to the ISBF board of directors that the exchange ratio is fair to the holders of ISBF common stock from a financial point of view. We have attached this opinion to this document as Appendix D. You should read this opinion carefully to understand the procedures followed, matters considered and limitations on the reviews undertaken by Keefe Bruyette in providing its opinion.

Conditions to Completion of the Merger (page)

The completion of the merger depends on a number of conditions being met. Subject to exceptions described in the merger agreement, these include:

approval of the merger agreement by each company's shareholders;

approval of regulatory authorities and the receipt of all required consents;

accuracy of the respective representations and warranties of ISBF and MidWestOne in the merger agreement;

compliance in all material respects by each of ISBF and MidWestOne with their respective covenants and agreements in the merger agreement;

the absence of any event that had or would be reasonably likely to have a material adverse effect on the other party;

receipt from such company's legal counsel of an opinion that, among other things, for federal income tax purposes MidWestOne shareholders who exchange their shares for shares of common stock of the combined company will not recognize any gain or loss as a result of the merger, except in connection with the payment of cash instead of fractional shares;

the absence of any injunction, legal proceeding or other restraint preventing the consummation of the merger or the merger of MidWestOne Bank and First State Bank with Iowa State Bank & Trust; and

the shares of ISBF common stock having been approved for listing on the Nasdaq Market.

A party to the merger agreement could choose to complete the merger even though a condition to its obligation has not been satisfied by waiving such condition, as long as the law allows it to do so. We cannot be certain when or if the conditions to the merger will be satisfied or waived, or that the merger will be completed.

Termination and Termination Fees (page)

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The parties can mutually agree at any time to terminate the merger agreement without completing the merger. Also, either party can decide, without the consent of the other, to terminate the merger agreement if the merger has not been completed by May 31, 2008, unless the failure to complete the merger by that time is due to a violation of the merger agreement by the party seeking to terminate the merger agreement.

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In addition, either ISBF or MidWestOne can terminate the merger agreement if the conditions to its respective obligation to complete the merger have not been satisfied, on the basis of a breach by the other party of certain representations, warranties or covenants that have not been cured, or, under certain circumstances, if the other party takes certain actions with respect to a competing takeover proposal from a third party.

Either ISBF or MidWestOne may be required to pay the other party a termination fee if the merger agreement is terminated due to certain circumstances outlined in the merger agreement, including, among other things, disapproval of the merger by either company's shareholders. Depending on the circumstances, the termination fee payable by either party may range from \$350,000 to \$3,350,000. For a discussion of these conditions and fees, see The Merger Agreement Termination and Termination Fees.

Waiver and Amendment (page)

ISBF and MidWestOne may jointly amend the merger agreement before the effective time of the merger; however, if the merger agreement already has been submitted to the shareholders of MidWestOne or ISBF, the merger agreement may be amended only if such amendment would not materially adversely affect the rights of MidWestOne or ISBF shareholders. In addition, either party may waive its right to require the other party to adhere to any term or condition of the merger agreement.

Management and Board of Directors Composition After the Merger (page)

The present management groups of both companies will share the responsibility of managing the combined company after the completion of the merger. Charles N. Funk, presently the President of ISBF and the President and Chief Executive Officer of Iowa State Bank & Trust, will serve as President and Chief Executive Officer of the combined company. David A. Meinert, presently the Executive Vice President and Chief Financial Officer of MidWestOne, will serve as Executive Vice President, Chief Financial Officer and Treasurer of the combined company. John P. Pothoven, presently the President of MidWestOne Bank, and Kent L. Jehle, presently the Executive Vice President Commercial Banking of Iowa State Bank & Trust, will serve as Chief Operating Officer and Chief Lending Officer, respectively, of the combined company. Mr. Pothoven is expected to retire early to mid-2008.

The board of directors of the combined company will initially be comprised of 12 members, six designated by ISBF and six designated by MidWestOne, split equally among three classes of directors serving staggered terms. Both ISBF and MidWestOne intend for the board of directors of the combined company to remain evenly split between ISBF designated directors and MidWestOne designated directors until at least the second annual meeting of the shareholders of the combined company.

Dividend Policy After the Merger; Coordination of Dividends (pages and)

The merger agreement permits MidWestOne to continue to pay regular quarterly cash dividends to its shareholders prior to merger completion. In addition, ISBF is permitted under the merger agreement to pay its annual cash dividend on its common stock in the amount of not more than \$0.33 per share, prior to merger completion. MidWestOne has agreed in the merger agreement to coordinate with ISBF regarding dividend declarations and payment dates so that MidWestOne shareholders will not receive more than one regular quarterly dividend, or fail to receive one regular quarterly dividend, for any single quarter. Accordingly, prior to the merger, MidWestOne may coordinate and alter its dividend record dates in order to effect this policy.

The payment of dividends by the combined company on its common stock in the future is subject to the determination of its board of directors and depends on cash requirements, financial condition and earnings, legal and regulatory considerations and other factors. The parties expect, however, that the combined company after the merger will, in its initial fiscal year, declare and pay to its shareholders quarterly cash dividends of \$0.1525 per share. This expectation is not assured, and any decision as to the amount and timing of dividends is subject to the determination of the combined company's board of directors and may change at any time.

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Differences in the Rights of Shareholders (page)

Because each of MidWestOne and ISBF is incorporated in and governed by Iowa law, and because the combined company will continue to be governed by Iowa law, the rights of ISBF and MidWestOne shareholders as governed by Iowa law will not change. Although there are differences between the provisions contained in MidWestOne's and ISBF's articles of incorporation and bylaws, there are no material differences in the voting rights, dividend rights, liquidation rights or other material rights of shareholders. However, the combined company's articles of incorporation and bylaws will contain provisions providing for a classified board of directors. Although MidWestOne currently has a classified board of directors, ISBF does not. Among other things, a classified board of directors makes it more difficult for shareholders to effect significant changes in the composition of the board of directors in any one year. For a comparison of the rights of the shareholders of ISBF and MidWestOne, see Description of ISBF Capital Stock and Comparison of Shareholder Rights.

Authority to Adjourn Special Meeting to Solicit Additional Proxies (pages and)

Each of ISBF and MidWestOne is asking its shareholders to grant full authority for their respective special meetings to be adjourned, if necessary, to permit solicitation of additional proxies to approve the transactions proposed by this joint proxy statement-prospectus.

Amendments to ISBF's Articles of Incorporation and Bylaws (pages and)

As a condition to consummating the proposed merger, ISBF shareholders will be asked to approve amended and restated articles of incorporation of ISBF which, upon filing with the Iowa Secretary of State, will effect amendments to ISBF's current articles of incorporation to change the name of ISBF to MidWestOne Financial Group, Inc. and provide for a classified board of directors consisting of three classes serving staggered three-year terms. In addition, the bylaws of the combined company will be amended to provide for certain board of director supermajority voting provisions for specific matters.

The 2008 Equity Incentive Plan (page)

The 2008 Equity Incentive Plan is intended to provide the board of directors of the combined company a means to grant a broad variety of cash-based and equity-based incentive compensation in an effort to promote the long-term financial success of the combined company. Through cash-based and equity-based awards that may be made from time to time under the plan, the combined company will seek to attract, retain and reward persons who can contribute to the success of the combined company and further align the interests of the combined company's directors, officers, employees and other eligible participants with those of the combined company's shareholders. Subject to permitted adjustments for certain corporate transactions, the maximum number of shares that may be awarded to participants, or their beneficiaries, under the 2008 Equity Incentive Plan will be 750,000 shares of the combined company's common stock, less the number of shares subject to outstanding awards granted under the current plans of MidWestOne and ISBF as of the effective time of the merger. The effective date of the 2008 Equity Incentive Plan will be the date on which the merger is consummated, subject to approval by shareholders.

Table of Contents**PRICE RANGE OF COMMON STOCK AND DIVIDEND INFORMATION**

ISBF common stock is quoted on the Pink Sheets under the symbol ISBO.PK and MidWestOne common stock is traded on the Nasdaq Global Market under the symbol OSKY. The following table sets forth the last reported trade price of ISBF common stock, the closing price of MidWestOne common stock, and the equivalent per share value of MidWestOne common stock giving effect to the merger, as of September 11, 2007, the date immediately prior to public announcement of the merger. The equivalent per share value of MidWestOne common stock shown below represents the product achieved by multiplying the last reported trade price of ISBF common stock by the exchange ratio of 0.95.

| | Last reported trade price per share of ISBF common stock ⁽¹⁾ | Closing price per share of MidWestOne common stock | MidWestOne equivalent per share value |
|--------------------|--|---|---|
| September 11, 2007 | \$ 27.50 | \$ 16.99 | \$ 26.13 |

(1) The last reported trade of ISBF common stock prior to the announcement of the transaction was on September 11, 2007. The following table sets forth for the periods indicated the high and low reported bid prices per share and the intra-day high and low sales prices per share, respectively, of ISBF and MidWestOne common stock as reported by Pink Sheets and the Nasdaq Global Market, respectively, along with the cash dividends per share declared during such periods. With respect to the high and low bid information of ISBF provided below, the per share prices reflect inter-dealer prices without adjustments for markups, markdowns or commissions and may not necessarily represent actual transactions.

| | ISBF Common Stock | | | MidWestOne Common Stock | | |
|----------------|-------------------|----------|------------------------------|-------------------------|----------|------------------------------|
| | High | Low | Cash Dividend Declared | High | Low | Cash Dividend Declared |
| 2006 | | | | | | |
| First Quarter | \$ 21.33 | \$ 20.17 | \$ 0.32 | \$ 19.80 | \$ 17.50 | \$ 0.17 |
| Second Quarter | 22.33 | 20.17 | | 19.75 | 18.75 | 0.18 |
| Third Quarter | | | | 19.92 | 18.80 | 0.18 |
| Fourth Quarter | 22.50 | 22.00 | | 20.98 | 18.65 | 0.18 |
| 2007 | | | | | | |
| First Quarter | \$ 26.75 | \$ 22.50 | \$ 0.32 | \$ 19.73 | \$ 17.45 | \$ 0.18 |
| Second Quarter | 26.80 | 22.50 | | 17.58 | 16.90 | 0.18 |
| Third Quarter | 26.00 | 20.00 | | 24.00 | 15.64 | 0.18 |
| Fourth Quarter | 24.00 | 18.55 | | 18.50 | 16.00 | 0.18 |

Based on the last reported trade price prior to the date of this joint proxy statement-prospectus of \$ _____ per share of ISBF common stock on _____, 2008, the value of the aggregate consideration that MidWestOne shareholders will receive in the merger is approximately \$ _____ million based on the number of MidWestOne shares issued and outstanding on _____, 2008. Because of the illiquid trading market of ISBF common stock and the absence of publicly available business and financial information for ISBF, you should not place undue reliance on current price quotations of ISBF common stock in determining the current or prospective value of the stock consideration to be paid in the merger. See Risk Factors The lack of a liquid public market for ISBF's common stock may make it difficult to evaluate the fairness of the merger. ISBF will apply to list its common stock, including the common stock to be issued to MidWestOne shareholders in the merger, on the Nasdaq Global Market, and the consummation of the merger is conditioned upon the common stock of the combined company being accepted for listing by Nasdaq. ISBF anticipates that the merger and the listing of its common stock on the Nasdaq Global Market will result in a more active trading market for the

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combined company's common stock. However, ISBF cannot assure you that a liquid trading market for the combined company's common stock will develop or be sustained after the merger. You may not be able to sell your shares quickly or at the market price if trading in the combined company's common stock is not active. As of September 30, 2007, there were approximately 270 holders of record of ISBF common stock.

Dividends. Dividends currently may be paid on ISBF's and MidWestOne's common stock, as and when declared by ISBF's board of directors and MidWestOne's board of directors, respectively, out of any of funds legally available for the payment of such dividends, subject to any and all preferences and rights of any preferred stock or a series thereof. The amount of dividends payable will depend upon the earnings and financial condition of ISBF and MidWestOne and other factors, including applicable governmental regulations and policies. ISBF expects to declare and pay its annual dividend of \$0.33 per share in December 2007. The merger agreement prohibits ISBF from paying any other cash dividends prior to the closing date of the merger. MidWestOne has declared its regular fourth quarter cash dividend and has set the record date to occur prior to December 31, 2007 so that MidWestOne shareholders will receive payment of the fourth quarter dividend prior to the closing of the merger. Under the terms of merger agreement, MidWestOne may declare and pay to its shareholders a cash dividend not to exceed \$0.18 per share per quarter.

MidWestOne historically has paid a higher cash dividend per share than ISBF. It is expected that the combined company will pay dividends closer to MidWestOne's current quarterly dividend rate of \$0.18 per share. However, this expectation is not assured, and the timing and amount of future dividends, if any, paid by the combined company following the merger will be subject to determination by the combined company's board of directors in its discretion and will depend upon earnings, cash requirements and the financial condition of the combined company and its subsidiaries, applicable government regulations and other factors deemed relevant by the combined company's board of directors. Various state and federal laws and other restrictions will limit the ability of the combined company's subsidiary banks to pay dividends to the combined company after the merger. It is currently expected, but not assured, that the combined company will, in its initial fiscal year, declare and pay to its shareholders quarterly cash dividends of \$0.1525 per share, subject to declaration by the combined company's board of directors and the other considerations described above.

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SELECTED HISTORICAL FINANCIAL DATA

The following tables present selected consolidated historical financial data as of September 30, 2007, and 2006, and for the nine-month periods then ended, and as of December 31, 2006, 2005, 2004, 2003 and 2002 and for each of the years then ended, for each of ISBF and MidWestOne.

You should read the following tables in conjunction with the consolidated financial statements and notes thereto included in this joint proxy statement-prospectus beginning on page F-1.

Historical results do not necessarily indicate the results that you can expect for any future period. Management of each of ISBF and MidWestOne believe that all adjustments (which include only normal recurring adjustments) necessary to arrive at a fair presentation of their respective company's interim results of operations have been included. Results for the interim period ended September 30, 2007, do not necessarily indicate the results that you can expect for the year as a whole.

Table of Contents**ISBF SELECTED HISTORICAL FINANCIAL DATA**

(dollars in thousands, except per share data)

Nine Months Ended

| | September 30, | | 2006 | Years Ended December 31, | | | |
|--|----------------------|-------------|-------------|---------------------------------|-------------|-------------|-------------|
| | 2007 | 2006 | | 2005 | 2004 | 2003 | 2002 |
| Summary of income data: | | | | | | | |
| Total interest income | \$ 28,511 | \$ 26,177 | \$ 35,308 | \$ 30,627 | \$ 28,417 | \$ 28,794 | \$ 31,935 |
| Total interest expense | 14,177 | 12,232 | 16,759 | 11,742 | 9,503 | 10,775 | 13,591 |
| Net interest income | 14,334 | 13,945 | 18,549 | 18,885 | 18,914 | 18,019 | 18,344 |
| Provision for loan losses | 425 | 330 | 550 | 300 | 195 | 660 | 1,336 |
| Noninterest income | 6,493 | 5,921 | 7,572 | 8,722 | 8,189 | 9,253 | 8,419 |
| Noninterest expenses | 13,919 | 13,294 | 17,680 | 17,514 | 16,551 | 16,172 | 16,410 |
| Income before income tax | 6,483 | 6,242 | 7,891 | 9,793 | 10,357 | 10,440 | 9,017 |
| Income tax expense | 1,666 | 1,700 | 2,093 | 2,876 | 3,149 | 3,271 | 2,754 |
| Income before minority interest | 4,817 | 4,542 | 5,798 | 6,917 | 7,208 | 7,169 | 6,263 |
| Minority interest in net income of subsidiary | | | | | | (28) | (86) |
| Net income | \$ 4,817 | \$ 4,542 | \$ 5,798 | \$ 6,917 | \$ 7,208 | \$ 7,141 | \$ 6,177 |
| Per share data:⁽¹⁾ | | | | | | | |
| Net income basic | \$ 0.93 | \$ 0.87 | \$ 1.11 | \$ 1.32 | \$ 1.38 | \$ 1.37 | \$ 1.18 |
| Net income diluted | 0.93 | 0.87 | 1.11 | 1.32 | 1.38 | 1.37 | 1.18 |
| Cash dividends declared | 0.32 | 0.32 | 0.32 | 0.28 | 0.27 | 0.23 | 0.21 |
| Book value | 14.73 | 13.78 | 14.14 | 13.18 | 12.59 | 11.79 | 10.99 |
| Net tangible book value | 13.88 | 12.94 | 13.29 | 12.34 | 11.76 | 10.96 | 10.20 |
| Selected financial ratios | | | | | | | |
| Net income to average assets | 0.95% | 0.91% | 0.87% | 1.06% | 1.15% | 1.20% | 1.12% |
| Net income to average equity | 8.63 | 8.68 | 8.16 | 10.27 | 11.32 | 12.01 | 11.42 |
| Net income to average tangible equity | 9.17 | 9.23 | 8.69 | 10.98 | 12.15 | 12.94 | 12.36 |
| Dividend payout ratio | 28.56 | 23.96 | 23.96 | 20.53 | 19.52 | 19.69 | 18.16 |
| Total shareholder's equity to total assets | 11.14 | 10.78 | 10.95 | 10.30 | 10.35 | 10.04 | 9.98 |
| Tangible shareholder's equity to tangible assets | 10.57 | 10.19 | 10.36 | 9.71 | 9.73 | 9.40 | 9.32 |
| Average shareholder's equity to average assets | 10.93 | 10.26 | 10.39 | 10.39 | 10.00 | 9.96 | 9.67 |
| Tier 1 risk-based capital ratio | 15.85 | 15.19 | 14.69 | 15.65 | 15.60 | 15.65 | 15.37 |
| Net interest margin | 3.25 | 3.13 | 3.12 | 3.29 | 3.35 | 3.39 | 3.67 |
| Allowance for loan losses to total loans | 1.43 | 1.38 | 1.40 | 1.41 | 1.46 | 1.72 | 1.79 |
| Non-performing loans to total loans | 0.47 | 0.19 | 0.20 | 0.20 | 0.16 | 0.33 | 0.55 |
| Net loans charged off (recovered) to average loans | 0.03 | 0.09 | 0.13 | (0.01) | 0.26 | 0.11 | 0.72 |
| Selected balance sheet data: | | | | | | | |
| Total assets | \$ 682,085 | \$ 662,155 | \$ 668,671 | \$ 669,769 | \$ 635,713 | \$ 613,420 | \$ 574,275 |

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| | | | | | | | |
|--------------------------------------|---------|---------|---------|---------|---------|---------|---------|
| Total loans net of unearned discount | 391,975 | 383,829 | 378,612 | 370,849 | 335,551 | 322,018 | 291,603 |
| Allowance for loan losses | 5,622 | 5,308 | 5,298 | 5,227 | 4,894 | 5,553 | 5,233 |
| Total deposits | 499,212 | 488,123 | 492,901 | 492,581 | 474,559 | 453,252 | 435,070 |
| Total shareholders' equity | 75,992 | 71,408 | 73,209 | 68,959 | 65,772 | 61,611 | 57,291 |

(1) In 2006, ISBF's board declared a three-for-one stock split. Per share amounts for all periods have been adjusted for this split.

Table of Contents**MIDWESTONE SELECTED HISTORICAL FINANCIAL DATA**

(dollars in thousands, except per share data)

| | Nine Months Ended September 30, | | Years Ended December 31, | | | | |
|--|------------------------------------|------------|--------------------------|------------|------------|------------|------------|
| | 2007 (unaudited) | 2006 | 2006 | 2005 | 2004 | 2003 | 2002 |
| Summary of Income data: | | | | | | | |
| Interest income excluding loan pool participations | 31,701 | 27,284 | \$ 37,312 | \$ 29,858 | \$ 27,977 | \$ 28,593 | \$ 27,482 |
| Interest and discount on loan pool participations | 6,134 | 7,134 | 9,142 | 10,222 | 9,395 | 8,985 | 10,058 |
| Total interest income | 37,835 | 34,418 | 46,454 | 40,080 | 37,372 | 37,578 | 37,540 |
| Total interest expense | 19,453 | 15,134 | 21,209 | 15,426 | 13,370 | 14,767 | 17,027 |
| Net interest income | 18,382 | 19,284 | 25,245 | 24,654 | 24,002 | 22,811 | 20,513 |
| Provision for loan losses | 739 | 90 | 180 | 468 | 858 | 589 | 1,070 |
| Noninterest income | 4,542 | 4,367 | 5,928 | 4,428 | 4,276 | 4,358 | 3,787 |
| Noninterest expenses | 16,389 | 16,039 | 21,459 | 19,415 | 18,513 | 17,387 | 14,426 |
| Income before income tax | 5,796 | 7,522 | 9,534 | 9,199 | 8,907 | 9,193 | 8,804 |
| Income tax expense | 1,786 | 2,502 | 3,093 | 3,111 | 3,078 | 3,267 | 3,015 |
| Net income | \$ 4,010 | 5,020 | \$ 6,441 | 6,088 | 5,829 | 5,926 | 5,789 |
| Per share data: | | | | | | | |
| Net income basic | \$ 1.08 | \$ 1.36 | \$ 1.74 | \$ 1.63 | \$ 1.54 | \$ 1.54 | \$ 1.49 |
| Net income diluted | 1.07 | 1.33 | 1.71 | 1.59 | 1.50 | 1.50 | 1.46 |
| Cash dividends declared | 0.54 | 0.53 | 0.71 | 0.68 | 0.68 | 0.64 | 0.64 |
| Book value | 17.46 | 16.61 | 16.83 | 15.77 | 15.18 | 14.84 | 14.17 |
| Net tangible book value | 13.58 | 12.64 | 12.92 | 11.77 | 11.32 | 11.08 | 11.53 |
| Selected financial ratios: | | | | | | | |
| Net income to average assets | 0.72% | 0.97% | 0.92% | 0.93% | 0.92% | 0.98% | 1.07% |
| Net income to average equity | 8.48 | 11.19 | 10.65 | 10.49 | 10.23 | 10.52 | 10.91 |
| Dividend payout ratio | 50.00 | 38.97 | 40.80 | 41.72 | 44.16 | 41.56 | 42.95 |
| Total shareholder's equity to total assets | 8.40 | 8.49 | 8.39 | 8.63 | 8.75 | 9.01 | 10.37 |
| Tangible shareholder's equity to tangible assets | 6.66 | 6.59 | 6.57 | 6.59 | 6.67 | 6.88 | 8.60 |
| Tier 1 capital ratio | 10.23 | 10.09 | 10.01 | 10.38 | 10.88 | 11.20 | 14.67 |
| Net interest margin | 3.66 | 4.13 | 3.99 | 4.11 | 4.14 | 4.10 | 4.10 |
| Gross revenue of loan pools to total gross revenue | 14.47 | 18.39 | 17.45 | 22.97 | 22.17 | 21.42 | 24.34 |
| Allowance for loan losses to total loans | 0.99 | 1.18 | 1.13 | 1.16 | 1.19 | 1.29 | 1.30 |
| Non-performing loans to total loans | 0.87 | 0.84 | 1.15 | 0.77 | 0.73 | 0.83 | 0.86 |
| Net loans charged off (recovered) to average loans | 0.21 | (0.14) | (0.11) | 0.05 | 0.25 | 0.08 | 0.15 |
| Selected balance sheet data: | | | | | | | |
| Total assets | \$ 768,887 | \$ 719,094 | \$ 744,911 | \$ 676,332 | \$ 650,564 | \$ 623,306 | \$ 537,026 |
| Total loans net of unearned discount | 533,361 | 489,164 | 503,832 | 433,437 | 398,854 | 377,017 | 306,024 |

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| | | | | | | | |
|--------------------------------|-----------|---------|---------|---------|---------|---------|---------|
| Total loan pool participations | 90,757 | 92,450 | 98,885 | 103,570 | 105,502 | 89,059 | 82,341 |
| Allowance for loan losses | 5,299 | 5,769 | 5,693 | 5,011 | 4,745 | 4,857 | 3,967 |
| Total deposits | 558,262 | 524,532 | 560,615 | 505,245 | 475,102 | 453,125 | 395,546 |
| Total shareholders equity | \$ 64,579 | 61,044 | 62,533 | 58,386 | 56,930 | 56,144 | 55,698 |

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**SELECTED CONSOLIDATED PRO FORMA FINANCIAL DATA OF
ISBF AND MIDWESTONE**

The following table shows selected consolidated pro forma financial data reflecting the merger of *MidWestOne* with ISBF, assuming the companies had been combined at the dates and for the periods shown. The pro forma amounts reflect certain purchase accounting adjustments, which are based on estimates that are subject to change depending on fair values as of the merger completion date. These adjustments are described in the notes to the unaudited pro forma combined financial statements that follow this presentation under the caption *Unaudited Pro Forma Combined Financial Information*. The pro forma financial information in the table below does not include any projected cost savings, revenue enhancements or other possible financial benefits of the merger to the combined company and does not attempt to suggest or predict future results. This information also does not necessarily reflect what the historical financial condition or results of operations of the combined company would have been had ISBF and *MidWestOne* been combined as of the dates and for the periods shown.

| | At or for the Nine Months Ended September 30, 2007 | For the Year Ended December 31, 2006 |
|---|---|---|
| | (dollars in thousands) | |
| Summary of income data: | | |
| Interest income | \$ 67,461 | \$ 83,249 |
| Interest expense | 33,769 | 38,154 |
| Net interest income | 33,692 | 45,095 |
| Provision for loan losses | 1,164 | 730 |
| Net interest income (after provision for loan losses) | 32,528 | 44,365 |
| Noninterest income | 11,035 | 13,500 |
| Noninterest expenses | 31,467 | 40,649 |
| Income before income taxes | 12,096 | 17,216 |
| Income tax expense | 3,384 | 5,109 |
| Net income | \$ 8,712 | \$ 12,107 |
| Selected balance sheet data: | | |
| Total assets | \$ 1,469,596 | |
| Total loans net of unearned interest | 914,825 | |
| Total loan pool participations | 89,520 | |
| Allowance for loan losses | 9,447 | |
| Total deposits | 1,057,579 | |
| Total stockholders' equity | 159,380 | |

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UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

The accompanying unaudited pro forma combined balance sheet data assumes the merger took place as of September 30, 2007. The unaudited pro forma consolidated balance sheet data combines the unaudited consolidated balance sheet data of ISBF as of September 30, 2007, and the unaudited consolidated balance sheet data of *MidWestOne* as of September 30, 2007.

The accompanying unaudited pro forma combined statement of income data presents the unaudited consolidated statement of income data of ISBF for the nine months ended September 30, 2007, and the audited consolidated statement of income data for the year ended December 31, 2006, combined, respectively, with *MidWestOne*'s unaudited consolidated statement of income data for the nine months ended September 30, 2007, and audited consolidated statement of income data for the year ended December 31, 2006. The unaudited pro forma combined statement of income gives effect to the merger as if it had occurred as of the beginning of each period.

The pro forma financial information includes purchase accounting adjustments to record the assets and liabilities of *MidWestOne* at their estimated fair values and to record certain exit costs related to *MidWestOne*. The pro forma adjustments included herein are subject to updates as additional information becomes available and as additional analyses are performed. Any change in the fair value of the net assets of *MidWestOne* will change the estimated purchase accounting adjustments and the amount of the purchase price allocable to goodwill. Additionally, changes to *MidWestOne*'s stockholders' equity, including net income from October 1, 2007, through the date the merger is completed, will also change the amount of goodwill recorded. Final adjustments may be materially different from the unaudited pro forma adjustments presented herein.

ISBF and *MidWestOne* anticipate that the merger will provide the combined company with financial benefits that include increased revenue opportunities and reduced operating expenses, but these financial benefits are not reflected in the pro forma information. Accordingly, the pro forma information does not attempt to predict or suggest future results. It also does not necessarily reflect what the historical results of the combined company would have been had our companies been combined during the periods presented.

Historical results do not necessarily indicate the results that you can expect for any future period. ISBF and *MidWestOne* believe that all adjustments (which include only normal recurring adjustments) have been included that are necessary to arrive at a fair presentation of the interim results of operations. Results for the interim period ended September 30, 2007, do not necessarily indicate the results that you can expect for the year as a whole.

The unaudited pro forma financial information presented below should be read together with the historical financial statements of ISBF and *MidWestOne*, including the related notes, and the other financial information, including the related notes, included in this document.

Table of Contents**UNAUDITED PRO FORMA FINANCIAL INFORMATION****Pro Forma Statement of Financial Condition as of September 30, 2007**

(dollars in thousands, except per share data)

| | Historical | | Pro Forma | Purchase Accounting | | Pro Forma |
|--|-------------------|-------------------|---------------------|--------------------------|-----------------------------|---------------------|
| | ISBF | MidWestOne | Before | Debit | Credit | After |
| | | | Entries | | | Entries |
| ASSETS | | | | | | |
| Cash and due from banks | \$ 12,184 | \$ 13,055 | 25,239 | | \$ 4,595 ⁽ⁿ⁾ | \$ 20,644 |
| Federal funds sold | 10,350 | | 10,350 | | | 10,350 |
| Investment securities | 235,070 | 87,478 | 322,548 | | 217 ^(a) | 322,331 |
| Loans (net of unearned interest) | 391,975 | 533,361 | 925,336 | | 10,511 ^{(b)(d)(e)} | 914,825 |
| Allowance for loan losses | (5,622) | (5,299) | (10,921) | 1,474 ^(e) | | (9,447) |
| Net loans | 386,353 | 528,062 | 914,415 | | | 905,378 |
| Loan pool participations | | 90,757 | 90,757 | | 1,237 ^(c) | 89,520 |
| Premises and equipment | 11,553 | 13,544 | 25,097 | 2,000 ^(f) | | 27,097 |
| Loans held for sale | 1,144 | | 1,144 | | | 1,144 |
| Other real estate owned | | 1,579 | 1,579 | | | 1,579 |
| Goodwill | 4,356 | 13,405 | 17,761 | 35,921 ^(p) | 13,405 ^(g) | 40,277 |
| Core deposit intangible | | 449 | 449 | 8,720 ^(m) | 449 ^(g) | 8,720 |
| Other intangibles | 300 | 489 | 789 | 400 ^(q) | 489 ^(g) | 700 |
| Other assets (includes deferred taxes) | 20,775 | 20,069 | 40,844 | 1,556 ^{(g)(n)} | 544 ^(l) | 41,856 |
| Total assets | \$ 682,085 | \$ 768,887 | \$ 1,450,972 | \$ 50,071 | \$ 31,447 | \$ 1,469,596 |
| LIABILITIES AND STOCKHOLDERS | | | | | | |
| EQUITY | | | | | | |
| Liabilities | | | | | | |
| Deposits: | | | | | | |
| Noninterest-bearing | \$ 62,779 | \$ 49,451 | \$ 112,230 | | | \$ 112,230 |
| Interest-bearing | 436,433 | 508,811 | 945,244 | | 105 ^(h) | 945,349 |
| Total deposits | 499,212 | 558,262 | 1,057,474 | | | 1,057,579 |
| Federal funds purchased and securities sold under agreements to repurchase | 58,749 | 18,545 | 77,294 | | | 77,294 |
| Federal Home Loan Bank advances | 43,500 | 90,600 | 134,100 | 602 ⁽ⁱ⁾ | | 133,498 |
| Short-term borrowings | | 2,500 | 2,500 | | | 2,500 |
| Long-term debt | 315 | | 315 | | | 315 |
| Trust preferred securities | | 25,774 | 25,774 | | 312 ^(j) | 26,086 |
| Other liabilities | 4,317 | 8,627 | 12,944 | | | 12,944 |
| Total liabilities | \$ 606,093 | \$ 704,308 | \$ 1,310,401 | | | \$ 1,310,216 |
| Stockholders Equity | | | | | | |
| Common stock | \$ 5,159 | \$ 24,564 | \$ 29,723 | \$ 24,564 ^(k) | \$ 3,514 ^(o) | \$ 8,673 |
| Surplus | 21 | 13,206 | 13,227 | 13,206 ^(k) | 80,741 ^{(n)(o)} | 80,762 |
| Retained earnings | 72,203 | 44,459 | 116,662 | 45,326 ^{(k)(n)} | | 71,336 |
| Accumulated other comprehensive income (loss) | (1,391) | (136) | (1,527) | | 136 ^(k) | (1,391) |

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| | | | | | | | |
|--|-------------------|-------------------|---------------------|------------------|-------------------|-----------------------|---------------------|
| Total stockholders equity before treasury stock | 75,992 | 82,093 | 158,085 | | | | |
| Treasury stock | | (17,514) | (17,514) | | | 17,514 _(k) | |
| Total stockholders equity | 75,992 | 64,579 | 140,571 | | | | 159,380 |
| Total liabilities and stockholders equity | \$ 682,085 | \$ 768,887 | \$ 1,450,972 | \$ 83,698 | \$ 102,322 | | \$ 1,469,596 |

See Notes to Unaudited Pro Forma Combined Financial Statements.

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Following are estimates and assumptions for purchase accounting adjustments. Actual adjustments will be determined at transaction date and may differ significantly from this pro forma disclosure.

- (a) Reduce carrying value of *MidWestOne* s held-to-maturity investment securities by \$217,000 to fair market value; fair market value adjustment to be accreted over remaining life for each security on a level-yield basis.
- (b) Reduce carrying value of *MidWestOne* s loans to fair market value; fair market value adjustment to be accreted over average life of portfolio on a level-yield basis.
- (c) Reduce carrying value of *MidWestOne* s loan pool participations to fair market value; fair market value adjustment to be accreted over average life of portfolio on a level-yield basis.
- (d) As required by SFAS 141, loans of the acquired enterprise are to be recorded at fair value. The fair value adjustment removes any previously-deferred loan origination fees or costs and establishes a new book value equal to the present value of expected future cash flows of the loan portfolio.
- (e) Reduce carrying value of *MidWestOne* s loans and allowances for loan losses for specific reserves assigned to impaired loans.
- (f) Increase carrying value of *MidWestOne* s premises and equipment to fair market value; estimated fair market value adjustment to be amortized on straight-line basis over 15 years.
- (g) Eliminate existing *MidWestOne* goodwill, core deposit, and customer list intangible asset and related deferred tax liability.
- (h) Adjust *MidWestOne* time deposits to fair market value; estimated fair market value adjustment to be accreted over the average life of time deposit portfolio of one year on a level-yield basis.
- (i) Adjust FHLB advances to fair market value; estimate fair market value adjustment to be accreted on individual advances over remaining term on a level-yield basis.
- (j) Adjust trust preferred securities to fair market value; estimate fair market value adjustment to be accreted over remaining 30-year term on a straight-line basis.
- (k) Eliminate *MidWestOne* stockholders' equity.
- (l) Net impact of deferred tax entries on purchase accounting adjustments.
- (m) Record core deposit intangible, estimated at 4% of *MidWestOne* deposits, excluding certificates of deposit, anticipated to be amortized on an accelerated basis over a 10 year period.

| | Amortization |
|---------|---------------------|
| Year 1 | \$ 1,586 |
| Year 2 | 1,427 |
| Year 3 | 1,268 |
| Year 4 | 1,110 |
| Year 5 | 951 |
| Year 6 | 793 |
| Year 7 | 634 |
| Year 8 | 476 |
| Year 9 | 317 |
| Year 10 | 158 |
| | \$ 8,720 |

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(n) Pro forma merger costs expected by ISBF:

| | |
|---|--------|
| Professional fees (legal and accounting) | \$ 325 |
| Investment banking fees | 300 |
| Proxy printing | 25 |
| ISBF direct costs to be capitalized (all cash disbursement) | 650* |
| Excess value of new stock option replacement awards | 1,276 |
| Marketing and other merger costs | 100* |
| Less estimated deferred tax benefits | (509) |
| ISBF indirect merger costs to be expensed | 867 |
| Total cash disbursements associated with ISBF indirect merger costs | 100 |

Pro forma merger costs expected by MidWestOne:

| | |
|---|--------|
| Professional fees (legal and accounting) | 475* |
| Investment banking fees | 1,170* |
| Proxy printing | 50* |
| Employment contract termination, severance and stay bonuses | 1,500* |
| Acceleration of restricted stock unit vesting | 281 |
| Acceleration of stock option vesting | 163 |
| Marketing and other merger-related expenses | 150* |
| Donation to ISBF Foundation | 500* |
| MidWestOne costs to be expensed | 4,289 |
| * Total cash disbursement associated with merger costs | 4,595 |

Note: The following outlines the effect on the transaction of the new stock option replacement awards being issued in the transaction.

| | Total | Per share |
|---|--------------|------------------|
| Calculated Fair Value of awards as of measurement date (9/12/07)** | \$ 2,618 | \$ 6.07 |
| Less: Calculated excess fair value of awards allocated to compensation costs, at 9/3/07 | (1,276) | (2.96) |
| Amount allocated to transaction purchase price | \$ 1,342 | \$ 3.11 |

** The fair value of each stock option was established at the announcement/measurement date (September 12, 2007), using a fair value of \$23.23 per share of ISBF stock (calculated as described in footnote (o)) and the Black-Scholes valuation model with the following assumptions: Expected dividend rate of 2.47%, average risk-free interest rate of 4.98%, average expected option life of 54 months and expected volatility of 16%. Due to limited market activity, the expected volatility is based on the historical volatility of the KBW Bank Index, which is a modified-capitalization-weighted index, and is highly representative of the banking industry. The risk-free interest rates for periods within the expected life of the awards are based on the U.S. Treasury yield curve in effect at the date of valuation. The expected life is based on historical exercise experience. The dividend yield assumption is based on the projected dividend payout of the combined company.

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| | |
|--|------------------|
| (o) MidWestOne shares outstanding as of September 30, 2007 | 3,699,275 |
| Fixed exchange ratio per merger agreement | 0.95 |
| Total ISBF common shares to be issued | 3,514,311 |
| Fair value per share of ISBF stock | \$ 23.23 |
| Fair value of stock consideration (dollars in thousands) | \$ 81,637 |
| MidWestOne stock options outstanding | 454,274 |
| Fixed exchange ratio per merger agreement | 0.95 |
| ISBF options to be granted | 431,560 |
| Estimated per share fair value of ISBF stock options to be granted | \$ 3.11 |
| Fair value of stock option consideration (dollars in thousands) | 1,342 |
| Total Stock and stock option consideration (dollars in thousands) | 82,979 |
| Par value of common shares to be issued (\$1.00/share) | 3,514 |
| Addition to surplus on common stock to be issued | 78,123 |
| Addition to surplus on fair value of stock options to be issued | 1,342 |
| Total credit to stockholder s equity | 82,979 |

Note: Due to limited market activity, the fair value per share of ISBF stock of \$23.23 was calculated by taking the interpolated book value as of September 12, 2007 (\$14.61) times the medium price-to-book value for twenty publicly-traded peer institutions (159%).

- (p) Estimated goodwill related to total transaction cost in excess of net assets acquired (see Note 3, Purchase Price and Acquisition Costs).
- (q) Customer list intangible for MidWestOne Insurance Services customer base, estimated at \$400, anticipated to be amortized on a straight-line basis over 5 years.

Table of Contents**UNAUDITED PRO FORMA FINANCIAL INFORMATION****Pro Forma Statement of Income for Nine Months Ended September 30, 2007**

(dollars in thousands, except per share data)

| | Historical | | Pro Forma | Mark-to-market | | Pro Forma |
|---|------------|------------|-----------|-------------------------|-----------------------|-----------|
| | ISBF | MidWestOne | Before | Debit | Credit | After |
| | | | Entries | | | Entries |
| Interest income | | | | | | |
| Loans | \$ 20,563 | \$ 28,849 | \$ 49,412 | | \$ 898 ^(b) | \$ 50,310 |
| Loan pool participations | | 6,134 | 6,134 | | 185 ^(c) | 6,319 |
| Securities | 7,438 | 2,762 | 10,200 | | 32 ^(a) | 10,232 |
| Federal funds sold and other | 510 | 90 | 600 | | | 600 |
| Total interest income | 28,511 | 37,835 | 66,346 | | | 67,461 |
| Interest expense | | | | | | |
| Deposits | 10,998 | 14,656 | 25,654 | | 79 ^(e) | 25,575 |
| Federal funds purchased and repurchase agreements and short-term borrowings | 1,624 | 340 | 1,964 | | | 1,964 |
| Federal Home Loan Bank advances | 1,478 | 3,444 | 4,922 | \$ 226 ^(f) | | 5,148 |
| Long-term debt | 77 | 266 | 343 | | | 343 |
| Trust preferred securities | | 747 | 747 | | 8 ^(g) | 739 |
| Total interest expense | 14,177 | 19,453 | 33,630 | | | 33,769 |
| Net interest income before provision for loan losses | 14,334 | 18,382 | 32,716 | | | 33,692 |
| Provision for loan losses | 425 | 739 | 1,164 | | | 1,164 |
| Net interest income after provision for loan losses | 13,909 | 17,643 | 31,552 | | | 32,528 |
| Noninterest income | | | | | | |
| Trust and investment fees | 2,667 | 614 | 3,281 | | | 3,281 |
| Service charges on deposit accounts | 1,526 | 1,562 | 3,088 | | | 3,088 |
| Gain on sale of mortgage loans and servicing fees | 1,027 | 440 | 1,467 | | | 1,467 |
| Other service fees and commissions | 1,572 | 1,877 | 3,449 | | | 3,449 |
| Investment securities gains (losses), net | (299) | 49 | (250) | | | (250) |
| Total noninterest income | 6,493 | 4,542 | 11,035 | | | 11,035 |
| Noninterest expense | | | | | | |
| Salaries and employee benefits | 8,161 | 9,774 | 17,935 | | | 17,935 |
| Occupancy | 1,010 | 1,324 | 2,334 | 100 ^(d) | | 2,434 |
| Equipment | 1,217 | 1,302 | 2,519 | | | 2,519 |
| Office supplies, postage, and telephone | 753 | 546 | 1,299 | | | 1,299 |
| Other | 2,778 | 3,443 | 6,221 | 1,249 ^{(h)(i)} | 190 ^(j) | 7,280 |
| Total other expenses | 13,919 | 16,389 | 30,308 | | | 31,467 |
| Income before taxes | 6,483 | 5,796 | 12,279 | | | 12,096 |
| Income taxes | 1,666 | 1,786 | 3,452 | | 68 ^(k) | 3,384 |

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| | | | | | | | | | | | | |
|---|----|-----------|----|-----------|----|-------|----|-------|----|-------|----|-----------|
| Net income | \$ | 4,817 | \$ | 4,010 | \$ | 8,827 | \$ | 1,575 | \$ | 1,460 | \$ | 8,712 |
| Net income for common stockholders | \$ | 4,817 | \$ | 4,010 | | | | | | | \$ | 8,712 |
| Basic earnings per common share | \$ | 0.93 | \$ | 1.08 | | | | | | | \$ | 1.00 |
| Diluted earnings per common share | \$ | 0.93 | \$ | 1.07 | | | | | | | \$ | 1.00 |
| Basic weighted average common shares outstanding | | 5,167,598 | | 3,701,675 | | | | | | | | 8,681,909 |
| Diluted weighted average common shares outstanding | | 5,174,684 | | 3,736,747 | | | | | | | | 8,722,313 |

See Notes to Unaudited Pro Forma Combined Financial Statements.

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Following are estimates and assumptions for purchase accounting adjustments for the Unaudited Pro Forma Combined Statement of Income for the Nine Months ended September 30, 2007. Actual adjustments will be determined at transaction date and may differ significantly from this pro forma disclosure.

| | | |
|-----|---|---------|
| (a) | Accretion of purchase accounting adjustment on investments acquired over expected five-year life. | \$ (32) |
| (b) | Accretion of purchase accounting adjustment on acquired loans over expected seven-year life. | (898) |
| (c) | Accretion of purchase accounting adjustment on acquired loan pools over expected five-year life. | (185) |
| (d) | Amortization of purchase accounting adjustment on acquired premises and equipment on straight-line basis over estimated remaining life of 15 years. | 100 |
| (e) | Accretion of purchase accounting adjustment on time deposits over expected one-year life. | (79) |
| (f) | Amortization of purchase accounting adjustment on FHLB advances over expected two-year life. | 226 |
| (g) | Amortization of purchase accounting adjustment on trust preferred securities over 30 years. | (8) |
| (h) | Amortization of core deposit intangible on an accelerated basis over expected ten-year life. | 1,189 |
| (i) | Amortization of purchase accounting adjustment on customer list intangible over expected five-year life. | 60 |
| (j) | Elimination of amortization expense on existing <i>MidWestOne</i> intangible assets | (190) |
| (k) | Decreased tax cost of amortization and accretion of purchase accounting adjustments assuming a combined marginal tax rate of 37%. | (68) |

Note: Approximately 95% of *MidWestOne*'s outstanding options will be fully vested as of the closing date, and the remaining 5% will vest upon consummation of the merger pursuant to the merger agreement. Accordingly, the costs of the stock option replacement awards are not included in the pro forma income statements.

Table of Contents**UNAUDITED PRO FORMA FINANCIAL INFORMATION****Pro Forma Statement of Income for Twelve Months Ended December 31, 2006**

(dollars in thousands, except per share data)

| | Historical | | Pro Forma Before Entries | Mark-to-market Adjustments | | Pro Forma After Entries |
|---|------------|------------|--------------------------------|-------------------------------|-------------------------|-------------------------------|
| | ISBF | MidWestOne | | Debit | Credit | |
| Interest income | | | | | | |
| Loans | \$ 25,850 | 33,897 | 59,747 | | \$ 1,197 ^(b) | \$ 60,944 |
| Loan pool participations | | 9,142 | 9,142 | | 247 ^(c) | 9,389 |
| Securities | 9,175 | 3,299 | 12,474 | | 43 ^(a) | 12,517 |
| Federal funds sold and other | 283 | 116 | 399 | | | 399 |
| Total interest income | 35,308 | 46,454 | 81,762 | | | 83,249 |
| Interest expense | | | | | | |
| Deposits | 12,348 | 15,045 | 27,393 | | 105 ^(e) | 27,288 |
| Federal funds purchased and repurchase agreements and short-term borrowings | 1,878 | 418 | 2,296 | | | 2,296 |
| Federal Home Loan Bank advances | 2,436 | 4,446 | 6,882 | \$ 301 ^(f) | | 7,183 |
| Long-term debt | 97 | 373 | 470 | | | 470 |
| Trust preferred securities | | 927 | 927 | | 10 ^(g) | 917 |
| Total interest expense | 16,759 | 21,209 | 37,968 | | | 38,154 |
| Net interest income before provision for loan losses | 18,549 | 25,245 | 43,794 | | | 45,095 |
| Provision for loan losses | 550 | 180 | 730 | | | 730 |
| Net interest income after provision for loan losses | 17,999 | 25,065 | 43,064 | | | 44,365 |
| Noninterest income | | | | | | |
| Trust and investment fees | 2,889 | 995 | 3,884 | | | 3,884 |
| Service charges on deposit accounts | 1,935 | 2,114 | 4,049 | | | 4,049 |
| Gain on sale of mortgage loans and servicing fees | 963 | 580 | 1,543 | | | 1,543 |
| Other service fees and commissions | 1,893 | 2,451 | 4,344 | | | 4,344 |
| Investment securities gains (losses), net | (108) | (212) | (320) | | | (320) |
| Total noninterest income | 7,572 | 5,928 | 13,500 | | | 13,500 |
| Noninterest expense | | | | | | |
| Salaries and employee benefits | 10,081 | 12,546 | 22,627 | | | 22,627 |
| Occupancy | 1,291 | 1,660 | 2,951 | 133 ^(d) | | 3,084 |
| Equipment | 1,520 | 1,831 | 3,351 | | | 3,351 |
| Office supplies, postage, and telephone | 960 | 865 | 1,825 | | | 1,825 |
| Other | 3,828 | 4,557 | 8,385 | 1,666 ^{(h)(i)} | 289 ^(j) | 9,762 |
| Total other expenses | 17,680 | 21,459 | 39,139 | | | 40,649 |

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| | | | | | | |
|---|-----------|-----------|-----------|----------|-------------------|-----------|
| Income before taxes | 7,891 | 9,534 | 17,425 | | | 17,216 |
| Income taxes | 2,093 | 3,093 | 5,186 | | 77 ^(k) | 5,109 |
| Net income | \$ 5,798 | \$ 6,441 | \$ 12,239 | \$ 2,100 | \$ 1,968 | \$ 12,107 |
| Net income for common stockholders | \$ 5,798 | \$ 6,441 | | | | \$ 12,107 |
| Basic earnings per common share | \$ 1.11 | \$ 1.74 | | | | \$ 1.39 |
| Diluted earnings per common share | \$ 1.11 | \$ 1.71 | | | | \$ 1.38 |
| Basic weighted average common shares outstanding | 5,204,957 | 3,694,972 | | | | 8,719,268 |
| Diluted weighted average common shares outstanding | 5,213,878 | 3,764,802 | | | | 8,794,528 |

See Notes to Unaudited Pro Forma Combined Financial Statements.

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Following are estimates and assumptions for purchase accounting adjustments for Unaudited Pro Forma Combined Statement of Income for the Twelve Months Ended December 31, 2006. Actual adjustments will be determined at transaction date and may differ significantly from this pro forma disclosure.

| | | |
|-----|---|---------|
| (a) | Accretion of purchase accounting adjustment on investments acquired over expected five-year life. | \$ (43) |
| (b) | Accretion of purchase accounting adjustment on acquired loans over expected seven-year life. | (1,197) |
| (c) | Accretion of purchase accounting adjustment on acquired loan pools over expected five-year life. | (247) |
| (d) | Amortization of purchase accounting adjustment on acquired premises and equipment on straight-line basis over estimated remaining life of 15 years. | 133 |
| (e) | Accretion of purchase accounting adjustment on time deposits over expected one-year life. | (105) |
| (f) | Amortization of purchase accounting adjustment on FHLB advances over expected two-year life. | 301 |
| (g) | Amortization of purchase accounting adjustment on trust preferred securities over 30 years | (10) |
| (h) | Amortization of core deposit intangible on an accelerated basis over expected ten-year life. | 1,586 |
| (i) | Amortization of purchase accounting adjustment on customer list intangible over expected five-year life. | 80 |
| (j) | Elimination of amortization expense on existing <i>MidWestOne</i> intangible assets. | (289) |
| (k) | Decreased tax cost of amortization and accretion of purchase accounting adjustments assuming a combined marginal tax rate of 37%. | (77) |

Notes To Unaudited Pro Forma Combined Financial Statements**Note 1. Basis of Presentation**

The combination will be accounted for using the purchase method of accounting.

Statement of Financial Accounting Standards (SFAS) No. 141, *Business Combinations*, requires the purchase method of accounting for business combinations. SFAS No. 142, *Goodwill and Other Intangible Assets*, establishes standards for goodwill acquired in a business combination and sets for the methods to periodically evaluate goodwill for impairment at least annually. The purchase method of accounting for business combinations requires that the assets acquired and liabilities assumed be recorded at their respective estimated fair market values as of the closing date. The excess of the total acquisition cost over the sum of the assigned fair values of the tangible and identifiable intangible assets acquired, less liabilities assumed, should be recorded as goodwill and evaluated thereafter at least annually for impairment. Financial statements of the combined company issued after the consummation of the merger are required to reflect those values, as well as the results of operations of the combined company beginning after the closing date of the merger. Historical financial statements of ISBF issued prior to the consummation of the merger will not be restated to reflect *MidWestOne* historical financial condition or results of operations.

The unaudited pro forma combined balance sheet as of September 30, 2007, gives effect to the merger as if the merger had occurred on September 30, 2007. The unaudited pro forma combined statement of income for the nine months ended September 30, 2007, and for the year ended December 31, 2006, give effect to the merger as if the merger had occurred on January 1, 2007 and 2006 respectively.

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The unaudited pro forma financial data is based on preliminary estimates and various assumptions that ISBF management and MidWestOne management believe are reasonable in these circumstances. The unaudited pro forma adjustments reflect transaction-related items only and are based on currently available information. Purchase price allocations and related amortization, accretion and depreciation periods will be based on final appraisals, evaluations, and estimates of fair values. As a result, actual asset and liability values established and related operating results, including actual amortization and accretion, could differ materially from those reflected in the unaudited pro forma combined financial statements. No estimates of anticipated cost savings, potential revenue enhancements or synergies that ISBF and MidWestOne expect to realize in connection with the combination have been reflected in the unaudited pro forma combined financial statement. The unaudited pro forma combined financial statements do not reflect the impact of conforming MidWestOne accounting policies to those of ISBF, as the impact, if any has not yet been determined.

Note 2. Merger Consideration

Under terms of the merger agreement, ISBF expects to issue between 3,510,843 and 3,963,115 shares of common stock for the currently outstanding shares of MidWestOne common stock and the shares of MidWestOne common stock subject to options. ISBF currently does not own any shares of MidWestOne common stock.

Note 3. Purchase Price and Acquisition Costs

ISBF has estimated the relative fair value of MidWestOne net assets in order to determine a preliminary allocation of the purchase price to the net assets to be acquired. For purposes of the accompanying unaudited pro forma condensed combined financial statements, the excess of the purchase price over the book value of net assets to be acquired has been estimated as follows:

| | |
|--|------------------|
| MidWestOne shares outstanding as of September 30, 2007 | 3,699,275 |
| Fixed exchange ratio per merger agreement | 0.95 |
| Total ISBF common shares to be issued | 3,514,311 |
| Fair value per share of ISBF stock | \$ 23.23 |
| Fair value of stock consideration (dollars in thousands) | 81,637 |
| MidWestOne stock options outstanding | 454,274 |
| Fixed exchange ratio per merger agreement | 0.95 |
| ISBF options to be granted | 431,560 |
| Estimated per share fair value of ISBF stock options to be granted | \$ 3.11 |
| Fair value of stock option consideration (dollars in thousands) | 1,342 |