META FINANCIAL GROUP INC

FORM 10-K
(Annual Report)

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Address	121 EAST FIFTH STREET P O BOX 1307
	STORM LAKE, Iowa 50588
Telephone	712-732-4117
CIK	0000907471
Industry	S&Ls/Savings Banks
Sector	Financial
Fiscal Year	09/30

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

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended September 30, 2002 OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 0-22140.

FIRST MIDWEST FINANCIAL, INC.

(Name of registrant as specified in its charter)

Delaware	42-1406262
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
Fifth at Erie, Storm Lake, Iowa	50588
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number: (712) 732-4117

Securities Registered Pursuant to Section 12(b) of the Act:

None

Securities Registered Pursuant to Section 12(g) of the Act:

Common Stock, par value $0.01 per share
(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES [X] NO[ ]

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

As of December 17, 2002, the Registrant had issued and outstanding 2,468,804 shares of Common Stock. The aggregate market value of the voting stock held by non-affiliates of the Registrant, computed by reference to the average of the closing bid and asked prices of such stock on the Nasdaq System as of December 17, 2002, was $29.8 million. (The exclusion from such amount of the market value of the shares owned by any person shall not be deemed an admission by the Registrant that such person is an affiliate of the Registrant.)
DOCUMENTS INCORPORATED BY REFERENCE

PARTS II and IV of Form 10-K -- Portions of the Annual Report to Shareholders for the fiscal year ended September 30, 2002.

Forward-Looking Statements

First Midwest Financial, Inc. ("First Midwest," and with its subsidiaries, the "Company"), and its wholly-owned operating subsidiaries First Federal Savings Bank of the Midwest and Security State Bank, may from time to time make written or oral "forward-looking statements", including statements contained in its filings with the Securities and Exchange Commission (including this Annual Report on Form 10-K and the Exhibits hereto and thereto), in its reports to shareholders and in other communications by the Company, which are made in good faith by the Company pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995.

These forward-looking statements include statements with respect to the Company's beliefs, plans, objectives, goals, expectations, anticipations, estimates and intentions, that are subject to significant risks and uncertainties, and are subject to change based on various factors some of which are beyond the Company's control. The words "may", "could", "should", "would", "believe", "anticipate", "estimate", "expect", "intend", "plan" and similar expressions are intended to identify forward-looking statements. The important factors we discuss below and elsewhere in this document, as well as other factors discussed under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report to Shareholders and identified in our filings with the SEC and those presented elsewhere by our management from time to time, could cause actual results to differ materially from those indicated by the forward-looking statements made in this prospectus:

o the strength of the United States economy in general and the strength of the local economies in which the Company conducts operations;

o the effects of, and changes in, trade, monetary and fiscal policies and laws, including interest rate policies of the Federal Reserve Board;

o inflation, interest rate, market and monetary fluctuations;

o the timely development of and acceptance of new products and services of the Company and the perceived overall value of these products and services by users, including the features, pricing and quality compared to competitors' products and services;

o the willingness of users to substitute competitors' products and services for the Company's products and services;

o the success of the Company in gaining regulatory approval of its products and services, when required;

o the impact of changes in financial services' laws and regulations (including laws concerning taxes, banking, securities, agriculture and insurance);

o technological changes;

o acquisitions;

o changes in consumer spending and saving habits; and

o the success of the Company at managing the risks involved in the foregoing.

The Company wishes to caution readers that such forward-looking statements speak only as of the date made. The Company does not undertake, and expressly disclaims any intent or obligation, to update any forward-looking statement, whether written or oral, that may be made from time to time by or on behalf of the Company.

PART I

Item 1. Description of Business

General

First Midwest Financial, Inc. is a Delaware corporation, the principal assets of which are all the issued and outstanding shares of First Federal Savings Bank of the Midwest ("First Federal") and Security State Bank ("Security"). First Midwest, on September 20, 1993, acquired all of the capital stock of First Federal in connection with First Federal's conversion from the mutual to stock form ownership (the "Conversion"). On September 30, 1996, First Midwest became a bank holding company upon its acquisition of Security, as discussed below.

Since the Conversion, the Company has acquired several financial institutions. On March 28, 1994, First Midwest acquired Brookings Federal Bank in Brookings, South Dakota ("Brookings"). On December 29, 1995, First Midwest acquired Iowa Savings Bank, FSB in Des Moines, Iowa ("Iowa Savings"). Brookings and Iowa Savings were both merged with, and now operate as divisions of, First Federal. On September 30, 1996, First Midwest completed the acquisition of Central West Bancorporation ("CWB"). CWB was the holding company for Security in Stuart, Iowa, which upon the merger of CWB into First Midwest resulted in Security becoming a stand-alone banking subsidiary of First Midwest. Unless the context otherwise requires, references herein to the Company include First Midwest, Security and First Federal and all subsidiaries on a consolidated basis.

First Federal and Security (collectively, the "Banks") are the only direct, active banking subsidiaries of First Midwest. The Banks are community-oriented financial institutions offering a variety of financial services to meet the needs of the communities they serve. The Company, through the Banks, provides a full range of financial services. The principal business of First Federal historically has consisted of attracting retail deposits from the general public and investing those funds primarily in one- to four-family residential mortgage loans and, to a lesser extent, commercial and multi-family real estate, agricultural operating and real estate, construction, consumer and commercial business loans primarily in First Federal's market area. Recently, First Federal's lending activities have expanded to include an increased emphasis on originations of commercial and multi-family real estate loans and commercial business loans. The principal business of Security has been and continues to be attracting retail deposits from the general public and investing those funds in agricultural real estate and operating loans, and commercial and multi-family real estate loans and, to a lesser extent, one- to four-family residential, commercial business and consumer loans. The Banks also purchase mortgage-backed securities and invest in U.S. Government and agency obligations and other permissible investments. At September 30, 2002, the Company had total assets of $607.6 million, deposits of $355.8 million, and shareholders' equity of $44.6 million.

The Company's revenues are derived primarily from interest on mortgage loans, mortgage-backed securities, investments, consumer loans, agricultural operating loans, commercial business loans, income from service charges and loan originations, loan servicing fee income, and income from the sale of mutual funds, insurance products, annuities and brokerage services through its service corporation subsidiaries.

First Federal, directly through its wholly-owned subsidiary, First Services Financial Limited ("First Services"), offers mutual funds, equities, bonds, insurance products and annuities.

First Services Trust Company, established in April 2002 as a wholly-owned subsidiary of First Midwest, provides a full range of trust services. First Midwest Financial Capital Trust, also a wholly-owned subsidiary of First

Midwest, was established in July 2001 for the purpose of issuing Company Obligated Mandatorily Redeemable Preferred Securities.

First Midwest and the Banks are subject to comprehensive regulation. See "Regulation" herein.

The executive offices of the Company are located at Fifth at Erie, Storm Lake, Iowa 50588. Its telephone number at that address is (712) 732-4117.

Market Area

First Federal Savings Bank of the Midwest has four divisions: First Federal Savings Bank Storm Lake, Brookings Federal Bank, Iowa Savings Bank and First Federal Savings Bank Sioux Falls. First Federal's headquarters is located on the corner of Fifth and Erie streets in Storm Lake, Iowa. First Federal Storm Lake operates a total of seven offices in Storm Lake, Lake View, Laurens, Manson, Odebolt and Sac City, Iowa. Brookings Federal Bank operates one office in Brookings, South Dakota. Iowa Savings Bank operates four facilities in Des Moines, West Des Moines and Urbandale, Iowa. First Federal Sioux Falls moved from its temporary facility to a newly constructed building in April 2001.

Security State Bank operates its business through three full-service offices in Casey, Menlo and Stuart, Iowa.

The Company's primary market area includes the Iowa counties of Adair, Buena Vista, Calhoun, Guthrie, Ida, Pocahontas, Polk and Sac, and the South Dakota counties of Brookings, Lincoln and Minnehaha.

Storm Lake is located in northwest Iowa approximately 150 miles northwest of Des Moines and 200 miles south of Minneapolis in Buena Vista County. Like much of the State of Iowa, Storm Lake and the surrounding market area are highly dependent upon farming and agricultural markets. Major employers in the area include Buena Vista Regional Medical Center, IBP/Tyson, Inc., Bil Mar Foods of Iowa, and Buena Vista University, which currently enrolls 1,267 full-time students at its Storm Lake campus and employs 79 full-time faculty.

Brookings is located in east central South Dakota, approximately 50 miles north of Sioux Falls and 200 miles west of Minneapolis in Brookings County. The bank's market area encompasses approximately a 30-mile radius of Brookings. The area is generally rural, and agriculture is a significant industry in the community. South Dakota State University is the largest employer in Brookings. The University had 9,350 students enrolled for the 2001 fall term and employs 509 full-time faculty. The community also has several manufacturing companies, including 3M, Larson Manufacturing, Daktronics, Falcon Plastics and Twin City Fan. The Brookings division operates from an office located in downtown Brookings.

Des Moines, Iowa's capitol, is located in central Iowa. The Des Moines market area encompasses Polk County and surrounding counties. Iowa Savings Bank Division's main office is located just off I-80 at the intersection of two major streets in Urbandale - an area experiencing significant growth. The West Des Moines office operates near a high-traffic intersection, across from a major shopping mall. The Ingersoll office is located near the heart of Des Moines, on a major thorough fare, in a densely populated area. The Highland Park facility is located in a historical district approximately five minutes north of downtown Des Moines. Des Moines is one of the top three insurance centers in the world, with sixty-seven insurance company headquarters and over one hundred regional insurance offices. Other major businesses include Hy-Vee Food Stores, Inc., Bridgestone-Firestone, Inc., Communication Data Services, Inc., Pioneer Hi-Bred, John Deere, and Meredith Corporation. Universities in the area include Drake University, Upper Iowa University, Simpson College, Grand View College, Hamilton College and the Des Moines University - Osteopathic Medical Center.

Sioux Falls is located at the crossroads of Interstates 29 and 90 in southeast South Dakota, 270 miles southwest of Minneapolis. The Sioux Falls market area encompasses Minnehaha and Lincoln counties. The city has ranked number two on the list of national entrepreneurial hot spots in 1999 and was among the top ten cities for new jobs and for new or expanded facilities in 1998 (Cogenetics, Inc. April 1999; Site Selection, 1998). The bank is located at a high-traffic intersection of Minnesota and 33rd in the heart of Sioux Falls. Major employers in the area include Sioux Valley Hospital, Avera McKennan Hospital, John Morrell & Company, Gateway, Inc., and Hy-Vee Food Stores. Sioux Falls is also home to Augustana College with 2001 enrollment of 1,807, and The University of Sioux Falls with 2001 enrollment of 1,332.

Security's main office operates in Stuart, which is located in west-central Iowa, approximately 40 miles west of Des Moines on the border of Adair and Guthrie counties. Security's market area is highly dependent on farming and agriculture. Local businesses include Agri-Drain Corporation, Cardinal Glass, Rose Acre Farms and Schafer Systems, Inc. In addition, a large number of area residents commute to Des Moines for work. In recent years, efforts of the West Central I-80 Development Corporation have resulted in significant development of new service-related businesses in the area, associated with the westward expansion of Des Moines and direct interstate highway access. Seven industrial parks exist in these two counties. This development provides economic diversity to Security's market area.

Several of the Company's market areas are dependant on agriculture-related businesses. Agriculture-related businesses in recent years have performed well due to a relatively stable agricultural environment in the Company's market area. Generally low commodity prices have challenged area farmers over the past few years, however, commodity prices have improved over the past year to help stabilize the agricultural economy. Although there has been minimal effect observed to date, an extended period of low commodity prices could result in a reduced demand for goods and services provided by agriculture-related businesses, which could also affect other businesses in the Company's market area.

Lending Activities

General. Historically, the Company has originated fixed-rate, one- to four-family mortgage loans. In the early 1980's, the Company began to focus on the origination of adjustable-rate mortgage ("ARM") loans and short-term loans for retention in its portfolio in order to increase the percentage of loans in its portfolio with more frequent repricing or shorter maturities, and in some cases higher yields, than fixed-rate residential mortgage loans. The Company, however, has continued to originate fixed-rate residential mortgage loans in response to consumer demand. See "Management's Discussion and Analysis -- Asset/Liability Management" in the Annual Report.

While the Company historically has focused its lending activities on the origination of loans secured by first mortgages on owner-occupied one- to four-family residences, it also originates and purchases commercial and multi-family real estate loans and originates consumer, commercial business, residential and commercial construction and agriculturally related loans. The Company originates most of its loans in its primary market area. More recently, the Company has increased its emphasis, both in absolute dollars and as a percentage of its gross loan portfolio, on all types of commercial lending. At September 30, 2002, the Company's net loan portfolio totaled $343.2 million, or 56.5% of the Company's total assets.

Loan applications are initially considered and approved at various levels of authority, depending on the type, amount and loan-to-value ratio of the loan. The Company has loan committees for each of the Banks. Loans in excess of certain amounts require the approval of at least two committee members who must also be executive officers, by the Bank's Board loan committee or by the Bank's Board of Directors, which has responsibility for the overall supervision of the loan portfolio. The Company reserves the right to discontinue, adjust or create new lending programs to respond to its needs and to competitive factors.

At September 30, 2002, the Company's largest lending relationship to a single borrower or group of related borrowers totaled $8.7 million. The Company had nineteen other lending relationships in excess of $3.0 million as of September 30, 2002 with the average outstanding balance of such loans totaling approximately $4.4 million. At September 30, 2002, each of these loans was performing in accordance with its repayment terms.

Loan Portfolio Composition. The following table provides information about the composition of the Company's loan portfolio in dollar amounts and in percentages (before deductions for loans in process, deferred fees and discounts and allowances for losses) as of the dates indicated.

	September 30,					
	2002		2001		2000	
	Amount	Percent	Amount	Percent	Amount	Percent
	(Dollars in Thousands)					
Real Estate Loans						
One- to four-family	$ 73,933	20.8%	$ 95,612	27.9%	$105,702	31.6%
Commercial and multi-family............	151,806	42.7	123,636	36.0	103,595	31.0
Agricultural...........................	12,067	3.4	11,729	3.4	10,895	3.3
Construction or development............	25,745	7.3	21,884	6.4	31,301	9.4
Total real estate loans	263,551	74.2	252,861	73.7	251,493	75.3
Other Loans:						
Consumer Loans:						
Home equity..........................	14,669	4.1	17,458	5.1	18,144	5.4
Automobile...........................	3,287	0.9	4,160	1.2	2,596	.8
Other(1).............................	5,637	1.6	6,551	1.9	5,743	1.7
Total consumer loans...............	23,593	6.6	28,169	8.2	26,483	7.9
Agricultural operating.................	25,308	7.1	25,253	7.4	26,810	8.0
Commercial business....................	42,844	12.1	36,773	10.7	29,332	8.8
Total other loans..................	91,745	25.8	90,195	26.3	82,625	24.7
Total loans........................	355,296	100.0%	343,056	100.0%	334,118	100.0%
Less:						
Loans in process.......................	7,155		5,859		5,424	
Deferred fees and discounts............	256		266		401	
Allowance for losses...................	4,693		3,869		3,590	
Total loans receivable, net............	$343,192		$333,062		$324,703	

	September 30,			
	1999		1998	
	Amount	Percent	Amount	Percent
	(Dollars in Thousands)			
Real Estate Loans				
One- to four-family	$110,317	34.8%	$ 85,799	30.5%
Commercial and multi-family............	85,793	27.1	66,845	23.8
Agricultural...........................	9,874	3.1	10,537	3.8
Construction or development............	28,379	9.0	32,990	11.7
Total real estate loans................	234,363	74.0	196,171	69.8
Other Loans:				
Consumer Loans:				
Home equity..........................	14,834	4.7	15,285	5.4
Automobile...........................	3,861	1.3	4,445	1.6
Other(1).............................	4,731	1.4	6,509	2.3
Total consumer loans...............	23,426	7.4	26,239	9.3
Agricultural operating.................	29,284	9.2	37,234	13.2
Commercial business....................	29,942	9.4	21,587	7.7
Total other loans..................	82,652	26.0	85,060	30.2
Total loans........................	317,015	100.0%	281,231	100.0%
Less:				
Loans in process.......................	10,494		7,738	
Deferred fees and discounts............	350		298	
Allowance for losses...................	3,093		2,909	

Total loans receivable, net	$303,078	$270,286

(1) Consist generally of various types of secured and unsecured consumer loans.

The following table shows the composition of the Company's loan portfolio by fixed and adjustable rate at the dates indicated.

	September 30,					
	2002		2001		2000	
	Amount	Percent	Amount	Percent	Amount	Percent
	(Dollars in Thousands)					
Fixed Rate Loans						
Real estate:						
One- to four-family	$ 46,642	13.1%	$ 55,521	16.2%	$ 50,813	15.2%
Commercial and multi-family	72,658	20.5	40,778	11.9	35,277	10.6
Agricultural	5,498	1.5	5,605	1.6	3,147	.9
Construction or development	2,788	0.8	5,545	1.6	4,001	1.2
Total fixed-rate real estate loans	127,586	35.9	107,449	31.3	93,238	27.9
Consumer	20,282	5.7	25,834	7.5	25,066	7.5
Agricultural operating	9,339	2.6	7,402	2.2	10,396	3.1
Commercial business	14,455	4.1	14,986	4.4	14,215	4.3
Total fixed-rate loans	171,662	48.3	155,671	45.4	142,915	42.8
Adjustable Rate Loans:						
Real estate:						
One- to four-family	27,291	7.7	40,091	11.7	54,889	16.4
Commercial and multi-family	79,148	22.3	82,858	20.5	68,318	20.5
Agricultural	6,569	1.8	6,124	1.8	7,748	2.3
Construction or development	22,957	6.5	16,339	4.8	27,300	8.2
Total adjustable-rate real estate loans	135,956	38.3	145,412	42.4	158,255	47.4
Consumer	3,311	0.9	2,335	.7	1,417	.4
Agricultural operating	15,969	4.5	17,851	5.2	16,414	4.9
Commercial business	28,389	8.0	21,787	6.4	15,117	4.5
Total adjustable rate loans	183,634	51.7	187,385	54.6	191,203	57.2
Total loans	355,296	100.0%	343,056	100.0%	334,118	100.0%
Less:						
Loans in process	7,155		5,859		5,424	
Deferred fees and discounts	256		266		401	
Allowance for losses	4,693		3,869		3,590	
Total loans receivable, net	$343,192		$333,062		$324,703	

	September 30,			
	1999		1998	
	Amount	Percent	Amount	Percent
	(Dollars in Thousands)			
Fixed Rate Loans				
Real estate:				
One- to four-family	$ 52,943	16.7%	$ 51,235	18.2%
Commercial and multi-family	34,326	10.8	11,582	4.1
Agricultural	5,080	1.6	4,982	1.8
Construction or development	2,322	.8	1,829	.7
Total fixed-rate real estate loans	94,671	29.9	69.628	24.8
Consumer	21,803	6.9	24,909	8.8
Agricultural operating	14,896	4.7	18,821	6.7
Commercial business	23,206	7.3	15,108	5.4
Total fixed-rate loans	154,576	48.8	128,466	45.7
Adjustable Rate Loans:				
Real estate:				
One- to four-family	57,374	18.1	34,564	12.3
Commercial and multi-family	51,467	16.2	55,263	19.6
Agricultural	4,794	1.6	5,555	2.0
Construction or development	26,057	8.2	31,161	11.1
Total adjustable-rate real estate loans	139,692	44.1	126,543	45.0
Consumer	1,623	.5	1,330	.5
Agricultural operating	14,388	4.5	18,413	6.5

Commercial business	6,736	2.1	6,479	2.3
Total adjustable rate loans	162,439	51.2	152,765	54.3
Total loans	317,015	100.0%	281,231	100.0%
Less:				
Loans in process	10,494		7,738	
Deferred fees and discounts	350		298	
Allowance for losses	3,093		2,909	
Total loans receivable, net	$303,078		$270,286	

The following table illustrates the interest rate sensitivity of the Company's loan portfolio at September 30, 2002. Mortgages which have adjustable or renegotiable interest rates are shown as maturing in the period during which the contract reprices. The table does not reflect the effects of possible prepayments or enforcement of due-on-sale clauses.

	Real Estate							
	Mortgage(1)		Construction		Consumer		Agricultural Operating	
Due During Years Ending September 30	Amount	Weighted Average Rate	Amount	Weighted Average Rate	Amount	Weighted Average Rate	Amount	Weighted Average Rate
	(Dollars in Thousands)							
2003(2)	$91,803	6.75%	$22,452	5.92%	$ 8,605	7.99%	$19,550	7.06%
2004-2007	97,534	7.16	3,093	7.09	11,541	8.42	4,708	10.29
2008 and following	48,469	7.00	200	5.50	3,447	8.76	1,050	7.30

	Commercial Business		Total	
Due During Years Ending September 30	Amount	Weighted Average Rate	Amount	Weighted Average Rate
2003(2)	$32,660	6.30%	$175,070	6.65%
2004-2007	8,876	6.26	125,752	7.33
2008 and following	1,308	6.18	54,474	7.09

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(1) Includes one- to four-family, multi-family, commercial and agricultural real estate loans.

(2) Includes demand loans, loans having no stated maturity and overdraft loans.

The total amount of loans due after September 30, 2003 which have predetermined interest rates is $138.2 million, while the total amount of loans due after such date which have floating or adjustable interest rates is $169.1 million.

One- to Four-Family Residential Mortgage Lending. One- to four-family residential mortgage loan originations are generated by the Company's marketing efforts, its present customers, walk-in customers and referrals from real estate agents and builders. At September 30, 2002, the Company's one- to four-family residential mortgage loan portfolio totaled $73.9 million, or 20.8% of the Company's total gross loan portfolio. Approximately 20.7% of the Company's one- to four-family mortgage loans or 4.3% of the Company's gross loans have been purchased, generally from other financial institutions. The majority of these are ARM loans. See "--Originations, Purchases, Sales and Servicing of Loans and Mortgage-Backed Securities." At September 30, 2002, the average outstanding principal balance of a one- to four-family residential mortgage loan was $57,000.

The Company offers fixed-rate and ARM loans. During the year ended September 30, 2002, the Company originated $1.9 million of adjustable-rate loans and $49.5 million of fixed-rate loans secured by one- to four-family residential real estate, of which approximately $29.9 million was held in portfolio. The Company's one- to four-family residential mortgage originations are secured primarily by properties located in its primary market area and surrounding areas.

The Company originates one- to four-family residential mortgage loans with terms up to a maximum of 30-years and with loan-to-value ratios up to 97% of the lesser of the appraised value of the security property or the contract price. The Company generally requires that private mortgage insurance be obtained in an amount sufficient to reduce the Company's exposure to at or below the 80% loan-to-value level or the loans are sold. Residential loans generally do not include prepayment penalties.

The Company currently offers one, three, five and seven year ARM loans. These loans have a fixed-rate for the stated period and, thereafter, such loans adjust annually. These loans generally provide for an annual cap of up to a 200 basis points and a lifetime cap of 600 basis points over the initial rate. As a consequence of using an initial fixed-rate and caps, the interest rates on these loans may not be as rate sensitive as is the Company's cost of funds. The Company's ARMs do not permit negative amortization of principal and are not convertible into a fixed rate loan. The Company's delinquency experience on its ARM loans has generally been similar to its experience on fixed rate residential loans.

Due to consumer demand, the Company also offers fixed-rate mortgage loans with terms up to 30 years, most of which conform to secondary market standards,
i.e., Fannie Mae, Ginnie Mae, and Freddie Mac standards. Interest rates charged on these fixed-rate loans are competitively priced according to market conditions. The Company currently sells most, but not all, of its fixed-rate loans with terms of 15 years or longer. Historically, the Company had held in portfolio a higher percentage of its fixed rate mortgage loans.

In underwriting one- to four-family residential real estate loans, the Company evaluates both the borrower's ability to make monthly payments and the value of the property securing the loan. Most properties securing real estate loans made by the Company are appraised by independent fee appraisers approved by the Board of Directors. The Company generally requires borrowers to obtain an attorney's title opinion or title insurance, and fire and property insurance (including flood insurance, if necessary) in an amount not less than the amount of the loan. Real estate loans originated by the Company generally contain a "due on sale" clause allowing the Company to declare the unpaid principal balance due and payable upon the sale of the security property.

Commercial and Multi-Family Real Estate Lending. The Company is also engaged in commercial and multi-family real estate lending in its primary market area and surrounding areas and has purchased whole loan and participation interests in loans from other financial institutions. At September 30, 2002, the Company's commercial and multi-family real estate loan portfolio totaled $151.8 million, or 42.7% of the Company's total gross loan portfolio. The purchased loans and loan participation interests are generally secured by properties located in the Midwest and Northwest. See " - Originations, Purchases, Sales and Servicing of Loans and Mortgage-Backed Securities." The Company, in order to supplement its loan portfolio and consistent with management's objectives to expand the Company's commercial and multi-family loan portfolio, purchased $24.5 million, $24.0 million and $48.9 million of such loans during fiscal 2002, 2001 and 2000, respectively. At September 30, 2002, $417,000 or 0.3% of the Company's commercial and multi-family real estate loans were non-performing. See " -- Non-Performing Assets, Other Loans of Concern and Classified Assets."

The Company's commercial and multi-family real estate loan portfolio is secured primarily by apartment buildings, nursing homes, assisted living/retirement facilities, office buildings and hotels. Commercial and multi-family real estate loans generally have terms that do not exceed 20 years, have loan-to-value ratios of up to 80% of the appraised value of the security property, and are typically secured by personal guarantees of the borrowers. The Company has a variety of rate adjustment features and other terms in its commercial and multi-family real estate loan portfolio. Commercial and multi-family real estate loans provide for a margin over a number of different indices. In underwriting these loans, the Company currently analyzes the financial condition of the borrower, the borrower's credit history, and the reliability and predictability of the cash flow generated by the property securing the loan. Appraisals on properties securing commercial real estate loans originated by the Company are performed by independent appraisers.

At September 30, 2002, the Company's largest commercial and multi-family real estate loan was a $5.2 million loan secured by an assisted living care facility. The Company had thirteen other commercial and/or multi-family loans in excess of $3.0 million at such date. All of these loans are currently performing in accordance with their terms. At September 30, 2002, the average outstanding principal balance of a commercial or multi-family real estate loan held by the Company was $526,000.

Multi-family and commercial real estate loans generally present a higher level of risk than loans secured by one- to four-family residences. This greater risk is due to several factors, including the concentration of principal in a limited number of loans and borrowers, the effect of general economic conditions on income producing properties and the increased difficulty of evaluating and monitoring these types of loans. Furthermore, the repayment of loans secured by multi-family and commercial real estate is typically dependent upon the successful operation of the related real estate project. If the cash flow from the project is reduced (for example, if leases are not obtained or renewed, or a bankruptcy court modifies a lease term, or a major tenant is unable to fulfill its lease obligations), the borrower's ability to repay the loan may be impaired.

Construction Lending. The Company makes construction loans to individuals for the construction of their residences as well as to builders for the construction of one- to four-family residences and commercial and multi-family real estate. At September 30, 2002, the Company's construction loan portfolio totaled $25.7 million, or 7.3% of the Company's total gross loan portfolio.

Construction loans to individuals for their residences are structured to be converted to permanent loans at the end of the construction phase, which typically runs up to twelve months. These construction loans have rates and terms which generally match the one- to four-family loan rates then offered by the Company, except that during the construction phase the borrower pays interest only. Generally, the maximum loan-to-value ratio of owner occupied single family construction loans is 80% of appraised value. Residential construction loans are generally underwritten pursuant to the same guidelines used for originating permanent residential loans. At September 30, 2002, the Company had $1.1 million of construction loans to borrowers intending to live in the properties upon completion of construction.

Generally, construction loans to builders of one- to four-family residences require the payment of interest only for up to 12 months and have terms of up to 12 months. These loans may provide for the payment of interest and loan fees from loan proceeds and carry adjustable rates of interest. Loan fees charged in connection with the origination of such loans are generally 1%.

Construction loans on commercial and multi-family real estate projects may be secured by apartments, agricultural facilities, small office buildings, medical facilities, assisted living facilities, hotels or other property, and are generally structured to be converted to permanent loans at the end of the construction phase, which generally runs up to 18 months. During the construction phase the borrower pays interest only. These loans generally provide for the payment of interest and loan fees from loan proceeds. At September 30, 2002, the Company had approximately $24.6 million of loans for the construction of commercial and multi-family real estate. This amount consisted of one loan totaling $5.0 million for the construction of an assisted living care facility, two loans totaling $8.5 million for the construction of hotels, one loan totaling $2.0 million for the construction of an apartment complex, and seven loans totaling $9.1 million for the construction of commercial facilities. All of these loans were performing in accordance with their terms at September 30, 2002.

Construction loans are obtained principally through continued business from builders who have previously borrowed from the Company and from existing customers who are building new facilities. The application process includes a submission to the Company of accurate plans, specifications, costs of the project to be constructed and projected revenues from the project. These items are also used as a basis to determine the appraised value of the subject property. Loans are based on the lesser of the current appraised value of the property or the cost of construction (land plus building).

Because of the uncertainties inherent in estimating construction costs and the market for the project upon completion, it is relatively difficult to evaluate accurately the total loan funds required to complete a project, the related loan-to-value ratios and the likelihood of ultimate success of the project. Construction loans to borrowers other than owner-occupants also involve many of the same risks discussed above regarding multi-family and commercial real estate loans and tend to be more sensitive to general economic conditions than many other types of loans. Also, the funding of loan fees and interest during the construction phase makes the monitoring of the progress of the project particularly important, as customary early warning signals of project difficulties may not be present.

Agricultural Lending. The Company originates loans to finance the purchase of farmland, livestock, farm machinery and equipment, seed, fertilizer and for other farm related products. At September 30, 2002, the Company had agricultural real estate loans secured by farmland of $12.1 million or 3.4% of the Company's gross loan portfolio. At the same date, $25.3 million, or 7.1% of the Company's gross loan portfolio, consisted of secured loans related to agricultural operations.

Agricultural operating loans are originated at either an adjustable or fixed rate of interest for up to a one year term or, in the case of livestock, upon sale. Most agricultural operating loans have terms of one year or less. Such loans provide for payments of principal and interest at least annually, or a lump sum payment upon maturity if the original term is less than one year. Loans secured by agricultural machinery are generally originated as fixed-rate loans with terms of up to seven years. At September 30, 2002, the average outstanding principal balance of an agricultural operating loan held by the Company was $46,000. At September 30, 2002, $1.2 million, or 4.3%, of the Company's agricultural operating loans were non-performing.

Agricultural real estate loans are frequently originated with adjustable rates of interest. Generally, such loans provide for a fixed rate of interest for the first one to five years, which then balloon or adjust annually thereafter. In addition, such loans generally amortize over a period of ten to 20 years. Adjustable-rate agricultural real estate loans provide for a margin over the yields on the corresponding U.S. Treasury Security or prime rate. Fixed-rate agricultural real estate loans generally have terms up to five years. Agricultural real estate loans are generally limited to 75% of the value of the property securing the loan. At September 30, 2002, $41,000 or .3% of the Company's agricultural real estate portfolio was non-performing.

Agricultural lending affords the Company the opportunity to earn yields higher than those obtainable on one- to four-family residential lending. Nevertheless, agricultural lending involves a greater degree of risk than one- to four-family residential mortgage loans because of the typically larger loan amount. In addition, payments on loans are dependent on the successful operation or management of the farm property securing the loan or for which an operating loan is utilized. The success of the loan may also be affected by many factors outside the control of the farm borrower.

Weather presents one of the greatest risks as hail, drought, floods, or other conditions, can severely limit crop yields and thus impair loan repayments and the value of the underlying collateral. This risk can be reduced by the farmer with a variety of insurance coverages which can help to ensure loan repayment. Government support programs and the Company generally require that farmers procure crop insurance coverage.

Grain and livestock prices also present a risk as prices may decline prior to sale resulting in a failure to cover production costs. These risks may be reduced by the farmer with the use of futures contracts or options to mitigate price risk. The Company frequently requires borrowers to use future contracts or options to reduce price risk and help ensure loan repayment.

Another risk is the uncertainty of government programs and other regulations. During periods of low commodity prices, the income from government programs can be a significant source of cash to make loan payments and if these programs are discontinued or significantly changed, cash flow problems or defaults could result.

Finally, many farms are dependent on a limited number of key individuals upon whose injury or death may result in an inability to successfully operate the farm.

Consumer Lending. The Company offers a variety of secured consumer loans, including automobile, boat, home equity, home improvement, federally guaranteed student loans, and loans secured by savings deposits. In addition, the Company offers other secured and unsecured consumer loans. The Company currently originates substantially all of its consumer loans in its primary market area and surrounding areas. The Company originates consumer loans on both a direct and indirect basis. At September 30, 2002, the Company's consumer loan portfolio totaled $23.6 million, or 6.6% of its total gross loan portfolio. Of the consumer loan portfolio at September 30, 2002, most were short- and intermediate-term, fixed-rate loans.

The largest component of the Company's consumer loan portfolio consists of home equity loans and lines of credit. Substantially all of the Company's home equity loans and lines of credit are secured by second mortgages on principal residences. The Company will lend amounts which, together with all prior liens, may be up to 100% of the appraised value of the property securing the loan. Home equity loans and lines of credit have maximum terms of up to 15 years and five years, respectively.

The Company primarily originates automobile loans on a direct basis, but also originates indirect automobile loans on a very limited basis. Direct loans are loans made when the Company extends credit directly to the borrower, as opposed to indirect loans, which are made when the Company purchases loan contracts, often at a discount, from automobile dealers which have extended credit to their customers. The Company's automobile loans typically are originated at fixed interest rates with terms up to 60 months for new and used vehicles. Loans secured by automobiles are generally originated for up to 80% of the N.A.D.A. book value of the automobile securing the loan.

Consumer loan terms vary according to the type and value of collateral, length of contract and creditworthiness of the borrower. The underwriting standards employed by the Company for consumer loans include an application, a determination of the applicant's payment history on other debts and an assessment of ability to meet existing obligations and payments on the proposed loan. Although creditworthiness of the applicant is a primary consideration, the underwriting process also includes a comparison of the value of the security, if any, in relation to the proposed loan amount.

Consumer loans may entail greater credit risk than do residential mortgage loans, particularly in the case of consumer loans which are unsecured or are secured by rapidly depreciable assets, such as automobiles or recreational equipment. In such cases, any repossessed collateral for a defaulted consumer loan may not provide an adequate source of repayment of the outstanding loan balance as a result of the greater likelihood of damage, loss or depreciation. In addition, consumer loan collections are dependent on the borrower's continuing financial stability, and thus are more likely to be affected by adverse personal circumstances. Furthermore, the application of various federal and state laws, including bankruptcy and insolvency laws, may limit the amount which can be recovered on such loans. At September 30, 2002, none of the Company's consumer loan portfolio was non-performing.

Commercial Business Lending. The Company also originates commercial business loans. Most of the Company's commercial business loans have been extended to finance local and regional businesses and include short-term loans to finance machinery and equipment purchases, inventory and accounts receivable. Commercial loans also involve the extension of revolving credit for a combination of equipment acquisitions and working capital in expanding companies. At September 30, 2002, $42.8 million, or 12.1% of the Company's total gross loan portfolio was comprised of commercial business loans.

The maximum term for loans extended on machinery and equipment is based on the projected useful life of such machinery and equipment. Generally, the maximum term on non-mortgage lines of credit is one year. The loan-to-value ratio on such loans and lines of credit generally may not exceed 80% of the value of the collateral securing the loan. The Company's commercial business lending policy includes credit file documentation and analysis of the borrower's character, capacity to repay the loan, the adequacy of the borrower's capital and collateral as well as an evaluation of conditions affecting the borrower. Analysis of the borrower's past, present and future cash flows is also an important aspect of the Company's current credit analysis. Nonetheless, such loans are believed to carry higher credit risk than more traditional investments.

The largest commercial business loan outstanding at September 30, 2002 was a $7.3 million warehouse line of credit secured primarily by the assignment of automobile contracts and new and used automobiles. The next largest commercial business loan outstanding at September 30, 2002 was a $4.1 million loan secured by operating assets used in the manufacture and sale of commercial insulation systems. The Company had six other commercial business loans outstanding in excess of $1.0 million at September 30, 2002. All of these loans are currently performing in accordance with their terms. At September 30, 2002, the average outstanding principal balance of a commercial business loan held by the Company was $119,000.

Unlike residential mortgage loans, which generally are made on the basis of the borrower's ability to make repayment from his or her employment and other income and which are secured by real property whose value tends to be more easily ascertainable, commercial business loans typically are made on the basis of the borrower's ability to make repayment from the cash flow of the borrower's business. As a result, the availability of funds for the repayment of commercial business loans may be substantially dependent on the success of the business itself (which, in turn, is likely to be dependent upon the general economic environment). The Company's commercial business loans are usually, but not always, secured by business assets and personal guarantees. However, the collateral securing the loans may depreciate over time, may be difficult to appraise and may fluctuate in value based on the success of the business. At September 30, 2002, $408,000 or 1.0% of the Company's commercial business loan portfolio was non-performing.

Originations, Purchases, Sales and Servicing of Loans and Mortgage-Backed Securities

Loans are generally originated by the Company's staff of salaried loan officers. Loan applications are taken and processed in the branches and the main office of the Company. While the Company originates both adjustable-rate and fixed-rate loans, its ability to originate loans is dependent upon the relative customer demand for loans in its market. Demand is affected by the interest rate and economic environment.

The Company, from time to time, sells whole loans and loan participations generally without recourse. At September 30, 2002, there were no loans outstanding sold with recourse. When loans are sold the Company typically retains the responsibility for collecting and remitting loan payments, making certain that real estate tax payments are made on behalf of borrowers, and otherwise servicing the loans. The servicing fee is recognized as income over the life of the loans. The Company services loans that it originated and sold totaling $40.3 million at September 30, 2002, of which $18.1 million were sold to Fannie Mae and $22.2 million were sold to others.

In periods of economic uncertainty, the Company's ability to originate large dollar volumes of loans may be substantially reduced or restricted, with a resultant decrease in related loan origination fees, other fee income and operating earnings. In addition, the Company's ability to sell loans may substantially decrease as potential buyers (principally government agencies) reduce their purchasing activities.

The following table shows the loan origination (including undisbursed portions of loans in process), purchase and repayment activities of the Company for the periods indicated.

	September 30, 2002	September 30, 2001	September 30, 2000
	(Dollars in Thousands)		
Originations by type:			
Adjustable rate:			
Real estate - one- to four-family	$ 1,892	$ 1,957	$ 4,047
- commercial and multi-family	23,781	5,691	7,386
- agricultural real estate	3,807	3,622	2,933
Non-real estate - consumer	3,161	7,288	2,131
- commercial business	83,479	31,016	8,420
- agricultural operating	20,036	23,748	13,981
Total adjustable-rate	136,156	73,322	38,898
Fixed rate:			
Real estate - one- to four-family	49,493	37,116	11,268
- commercial and multi-family	50,848	6,504	8,659
- agricultural real estate	---	---	525
Non-real estate - consumer	13,823	17,894	17,233
- commercial business	33,277	15,776	14,747
- agricultural operating	16,265	8,980	12,992
Total fixed-rate	163,706	86,270	65,424
Total loans originated	299,862	159,592	104,322
Purchases:			
Real estate- one-to-four-family	---	4,735	---
- commercial and multi-family	24,542	23,960	48,877
Non-real estate - commercial business	2,563	4,514	6,688
Total loans	27,105	33,209	55,565
Total mortgage-backed securities	128,494	22,886	---
Total purchased	155,599	56,095	55,565
Sales and Repayments:			
Sales:			
Real estate - one- to four family	21,486	14,085	4,532
Non-real estate - commercial business	---	---	---
Total loans	21,486	14,085	4,532
Mortgaged-backed securities	---	---	20,654
Total sales	21,486	14,085	25,186
Repayments:			
Loan principal repayments	293,241	169,809	138,038
Mortgage-backed securities repayments	48,519	16,447	9,663
Total principal repayments	341,760	186,256	147,701
Total reductions	363,246	200,341	172,887
Increase (decrease) in other items, net	(1,389)	4,816	(788)
Net increase (decrease)	$ 90,826	$ 20,162	$(13,788)

At September 30, 2002, approximately $107.3 million, or 30.2%, of the Company's gross loan portfolio consisted of purchased loans. The Company believes that purchasing loans secured by real estate located outside of its market area assists the Company in diversifying its portfolio and may lessen the adverse affects on the Company's business or operations which could result in the event of a downturn or weakening of the local economy in which the Company conducts its operations. However, additional risks are associated with purchasing loans secured by real estate outside of the Company's market area, including the lack of knowledge of the local real estate market and difficulty in monitoring and inspecting the property securing the loans.

The following table provides information regarding the Company's balance of wholly purchased real estate loans and real estate loan participations for each state in which the balance of such loans exceeded $1.0 million at September 30, 2002. Not included in the following table are purchased commercial business loans totaling $1.4 million, approximately 88% of which are located in the Company's market area.

	One- to four-Family Loans		Commercial and Multi-Family		Construction Loans		Total Purchased Loans	
Location	Balance	Number of Loans	Balance	Number of Loans	Balance	Number of Loans	Balance	Number of Loans
	(Dollars in Thousands)							
Arizona.............	$ 68	2	$ 1,013	1	$ 5,000	1	$ 6,081	4
California..........	9	2	5,697	3	---	---	5,706	5
Colorado............	---	---	5,328	8	---	---	5,328	8
Illinois............	---	---	1,561	2	---	---	1,561	2
Iowa................	1,719	33	2,844	4	2,100	1	6,663	38
Minnesota...........	---	---	5,501	9	---	---	5,501	9
Missouri............	565	10	4,322	4	---	---	4,887	14
Nebraska............	35	5	285	1	---	---	320	6
North Carolina......	5,647	27	---	---	---	---	5,647	27
Oregon..............	---	---	---	---	4,000	2	4,000	2
South Dakota........	108	13	5,361	7	2,814	4	8,283	24
Washington..........	5,651	19	32,954	13	3,544	1	42,149	33
Wisconsin...........	---	---	6,461	5	---	---	6,461	5
Other states........	1,515	81	1,748	5	--	---	3,263	86
Total...........	$15,317	192	$ 73,075	62	$17,458	9	$105,850	263
Percent of loan Portfolio........	20.7%		48.1%		67.8%		29.8%	

Non-Performing Assets, Other Loans of Concern, and Classified Assets

When a borrower fails to make a required payment on real estate secured loans and consumer loans within 16 days after the payment is due, the Company generally institutes collection procedures by mailing a delinquency notice. The customer is contacted again, by written notice or telephone, before the payment is 45 days past due and again before 75 days past due. In most cases, delinquencies are cured promptly; however, if a loan has been delinquent for more than 90 days, satisfactory payment arrangements must be adhered to or the Company will initiate foreclosure or repossession.

Generally, when a loan becomes delinquent 90 days or more or when the collection of principal or interest becomes doubtful, the Company will place the loan on a non-accrual status and, as a result, previously accrued interest income on the loan is taken out of current income. The loan will remain on a non-accrual status until the loan becomes current.

The following table sets forth the Company's loan delinquencies by type, before allowance for loan losses, by amount and by percentage of type at September 30, 2002.

	Loans Delinquent For:								
	30-59 Days			60-89 Days			90 Days and Over		
	Number	Amount	Percent of Category	Number	Amount	Percent of Category	Number	Amount	Percent of Category
	(Dollars in Thousands)								
Real Estate:									
One- to four-family.......	7	$ 194	.26%	1	$ 61	.08%	3	$ 66	.09%
Commercial and multi-family	2	529	.35	1	2,959	1.95	1	417	.27
Agricultural real estate..	---	---	---	1	156	1.29	1	41	.34
Consumer.....................	12	180	.76	4	98	.42	---	---	---
Agricultural operating	1	128	.51	3	128	.51	4	1,198	4.73
Commercial business..........	4	152	.35	---	---	---	6	408	.95
Total..................	26	$1,183	.33%	10	$ 3,402	.96%	15	$ 2,130	.60%

Delinquencies 90 days and over constituted .60% of total loans and .35% of total assets.

The table below sets forth the amounts and categories of non-performing assets in the Company's loan portfolio. Loans, with some exceptions, are typically placed on non-accrual status when the loan becomes 90 days or more delinquent or when the collection of principal and/or interest become doubtful. For all years presented, the Company's troubled debt restructurings (which involved forgiving a portion of interest or principal on any loans or making loans at a rate materially less than that of market rates) are included in the table and were performing as agreed.

	September 30,				
	2002	2001	2000	1999	1998
Non-accruing loans:					
One- to four-family	$ 51	$ 168	$ 206	$ 613	$ 298
Commercial and multi-family	417	464	---	1,055	777
Agricultural real estate	41	---	37	70	---
Consumer	---	33	---	140	142
Agricultural operating	394	569	17	285	1,738
Commercial business	408	369	51	75	209
Total non-accruing loans	1,311	1,603	311	2,238	3,164
Accruing loans delinquent 90 days or more	819	---	---	---	3,905
Total non-performing loans	2,130	1,603	311	2,238	7,069
Restructured Loans:					
Consumer	---	10	---	---	---
Agricultural operating	9	14	918	923	---
Commercial business	71	---	43	53	---
Total restructured loans	80	24	961	976	---
Foreclosed assets:					
One- to four-family	---	---	---	94	19
Commercial real estate	1,310	889	430	---	1,324
Consumer	18	51	15	24	19
Commercial business	---	---	---	25	---
Total	1,328	940	445	143	1,362
Less: Allowance for losses	---	---	---	---	299
Total foreclosed assets, net	1,328	940	445	143	1,063
Total non-performing assets	$3,538	$2,567	$1,717	$3,357	$8,132
Total as a percentage of total assets	.58%	.49%	.34%	.66%	1.94%

For the year ended September 30, 2002, gross interest income which would have been recorded had the non-accruing loans been current in accordance with their original terms amounted to approximately $404,000, of which none was included in interest income.

Non-accruing Loans. At September 30, 2002, the Company had $1.3 million in non-accruing loans, which constituted .37% of the Company's gross loan portfolio. At such date, there were no non-accruing loans or aggregate non-accruing loans to one borrower in excess of $500,000 in net book value.

Accruing Loans Delinquent 90 Days or More. At September 30, 2002, accruing loans delinquent 90 days or more included a $804,000 agricultural loan secured by agricultural real estate, machinery and crops. The Company is well secured on this loan and anticipates collecting all principal and accrued interest.

Other Loans of Concern. At September 30, 2002, there were loans totaling $11.5 million not included in the table above where known information about the possible credit problems of borrowers caused management to have concern as to the ability of the borrower to comply with the present loan repayment terms. This amount consisted of two one- to four-family residential mortgage loans totaling $72,000, three commercial business loans totaling $100,000, seven agricultural operating loans totaling $1.9 million, twenty-nine consumer loans totaling $186,000 and four commercial real estate loans totaling $9.1 million.

Commercial real estate loans of concern at September 30, 2002 included a $4.1 million participation loan secured by a hotel located in Federal Way, Washington. A slow down in the travel industry after 9/11 contributed to delinquency issues with this loan during fiscal 2002. The travel industry is in process of recovering from this slow down and the loan was current at September 30, 2002.

Also included in commercial real estate loans of concern at September 30, 2002 was a $3.0 million participation loan secured by an assisted living care facility located in Federal Way, Washington. At September 30, 2002, the loan was 60 days delinquent due primarily to declining occupancy as a result of increased competition in the area. The borrower has focused on increasing occupancy rates and, subsequent to September 30, 2002, the loan was brought current.

Classified Assets. Federal regulations provide for the classification of loans and other assets such as debt and equity securities considered by the Office of Thrift Supervision (the "OTS") to be of lesser quality as "substandard," "doubtful" or "loss." An asset is considered "substandard" if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. "Substandard" assets include those characterized by the "distinct possibility" that the savings association will sustain "some loss" if the deficiencies are not corrected. Assets classified as "doubtful" have all of the weaknesses inherent in those classified "substandard," with the added characteristic that the weaknesses present make "collection or liquidation in full," on the basis of currently existing facts, conditions, and values, "highly questionable and improbable." Assets classified as "loss" are those considered "uncollectible" and of such minimal value that their continuance as assets without the establishment of a specific loss reserve is not warranted. The loans held by Security are subject to similar classification by its regulatory authorities.

When assets are classified as either substandard or doubtful, the Bank may establish general allowances for loan losses in an amount deemed prudent by management. General allowances represent loss allowances which have been established to recognize the inherent risk associated with lending activities, but which, unlike specific allowances, have not been allocated to particular problem assets. When assets are classified as "loss," the Bank is required either to establish a specific allowance for losses equal to 100% of that portion of the asset so classified or to charge-off such amount. The Banks' determinations as to the classification of their assets and the amount of their valuation allowances are subject to review by their regulatory authorities, who may order the establishment of additional general or specific loss allowances.

On the basis of management's review of its assets, at September 30, 2002, the Company had classified a total of $13.5 million of its assets as substandard, $114,000 as doubtful and none as loss.

Allowance for Loan Losses. The allowance for loan losses is established through a provision for loan losses based on management's evaluation of the risk inherent in its loan portfolio and changes in the nature and volume of its loan activity, including those loans which are being specifically monitored by management. Such evaluation, which includes a review of loans for which full collectibility may not be reasonably assured, considers among other matters, the estimated fair value of the underlying collateral, economic conditions, historical loan loss experience and other factors that warrant recognition in providing for an adequate loan loss allowance.

Current economic conditions in the agricultural sector of the Company's market area are stable due to generally higher commodity prices. Price levels for grain crops and livestock have improved in recent months and are currently at levels that present minimal concern. The agricultural economy is accustomed to commodity price fluctuations and is generally able to handle such fluctuations without significant problem. Although the Company underwrites its agricultural loans based on the current level of commodity prices, an extended period of low commodity prices or adverse growing conditions could result in weakness in the agricultural loan portfolio and could create a need for the Company to increase its allowance for loan losses through increased charges to provision for loan losses.

Real estate properties acquired through foreclosure are recorded at the lower of cost or fair value. If fair value at the date of foreclosure is lower than the balance of the related loan, the difference will be charged-off to the allowance for loan losses at the time of transfer. Valuations are periodically updated by management and if the value declines, a specific provision for losses on such property is established by a charge to operations.

Although management believes that it uses the best information available to determine the allowances, unforeseen market conditions could result in adjustments and net earnings could be significantly affected if circumstances differ substantially from the assumptions used in making the final determination. Future additions to the Company's allowances will be the result of periodic loan, property and collateral reviews and thus cannot be predicted in advance.

The following table sets forth an analysis of the Company's allowance for loan losses.

	September 30				
	2002	2001	2000	1999	1998
	(Dollars in Thousands)				
Balance at beginning of period	$3,869	$3,590	$3,093	$2,909	$2,379
Charge-offs:					
One-to four family	(11)	(37)	(65)	(84)	(103)
Agricultural operating	(84)	(308)	---	(1,160)	(595)
Commercial and multi-family	---	---	(370)	---	(299)
Consumer	(139)	(61)	(104)	(202)	(152)
Commercial business	(86)	(76)	(731)	(420)	(17)
Total charge-offs	(320)	(482)	(1,270)	(1,866)	(1,166)
Recoveries:					
One-to-four family	2	2	---	---	---
Consumer	39	29	55	39	17
Commercial business	4	3	33	8	5
Commercial and multi-family	---	---	---	---	---
Agricultural operating	9	17	39	11	11
Total recoveries	54	51	127	58	33
Net charge-offs	(266)	(432)	(1,142)	(1,808)	(1,133)
Additions charged to operations	1,090	710	1,640	1,992	1,663
Balance at end of period	$4,693	$3,869	$3,590	$3,093	$2,909

Ratio of net charge-offs during the period to average loans outstanding during the period.	.08%	.13%	.37%	.63%	.44%
Ratio of net charge-offs during the period to average non-performing assets...............	4.54%	16.04%	64.53%	43.12%	21.50%

For more information on the provision for loan losses, see "Management's Discussion and Analysis - Results of Operations" in the Annual Report.

The distribution of the Company's allowance for losses on loans at the dates indicated is summarized as follows:

	September 30, 2002		September 30, 2001		September 30, 2000	
	Amount	Percent of Loans in Each Category to Total Loans	Amount	Percent of Loans in Each Category to Total Loans	Amount	Percent of Loans in Each Category to Total Loans
	(Dollars in Thousands)					
One- to four-family............	$ 170	20.81%	$ 222	27.87%	$ 250	31.63%
Commercial and multi-family real estate....................	2,536	42.73	1,604	36.04	1,183	31.01
Agricultural real estate.......	131	3.40	128	3.42	124	3.26
Construction...................	129	7.24	88	6.38	125	9.37
Consumer.......................	317	6.64	403	8.21	335	7.93
Agricultural operating.........	639	7.12	617	7.36	611	8.02
Commercial business............	663	12.06	618	10.72	592	8.78
Unallocated....................	108	---	189	---	370	---
Total.......................	$ 4,693	100.00%	$3,869	100.00%	$3,590	100.00%

	September 30, 1999		September 30, 1998	
	Amount	Percent of Loans in Each Category to Total Loans	Amount	Percent of Loans in Each Category to Total Loans
	(Dollars in Thousands)			
One- to four-family............	$ 331	34.80%	$ 257	30.50%
Commercial and multi-family real estate....................	772	27.06	602	23.77
Agricultural real estate.......	114	3.11	132	3.75
Construction...................	123	8.95	165	11.73
Consumer.......................	308	7.39	2,277	9.33
Agricultural operating.........	806	9.24	1,024	13.24
Commercial business............	449	9.45	324	7.68
Unallocated....................	190	---	128	---
Total.......................	$3,093	100.00%	$2,909	100.00%

Investment Activities

General. The investment policy of the Company generally is to invest funds among various categories of investments and maturities based upon the Company's need for liquidity, to achieve the proper balance between its desire to minimize risk and maximize yield, to provide collateral for borrowings, and to fulfill the Company's asset/liability management policies. The Company's investment and mortgage-backed securities portfolios are managed in accordance with a written investment policy adopted by the Board of Directors, which is implemented by members of the Bank's Investment Committee.

As of September 30, 2002, the Company's entire investment and mortgage-backed securities portfolios were classified as available for sale. For additional information regarding the Company's investment and mortgage-backed securities portfolios, see Notes 1 and 3 of the Notes to Consolidated Financial Statements in the Annual Report.

Investment Securities. It is the Company's general policy to purchase investment securities which are U.S. Government securities and federal agency obligations, state and local government obligations, commercial paper, corporate debt securities and overnight federal funds.

The following table sets forth the carrying value of the Company's investment security portfolio, excluding mortgage-backed securities, at the dates indicated.

	September 30,		
	2002	2001	2000
	(Dollars in Thousands)		
Investment Securities:			
Trust preferred securities(1)	$24,128	$24,680	$25,921
Federal agency obligations	---	5,080	16,380
Municipal bonds	764	1,023	1,215
Equity investments	660	420	1,070
Freddie Mac preferred stock	191	249	213
Fannie Mae common stock	156	160	143
Subtotal	25,899	31,612	44,942
FHLB stock	6,843	6,399	8,328
Total investment securities and FHLB stock	$32,742	$38,011	$53,270
Other Interest-Earning Assets:			
Interest bearing deposits in other financial institutions and Federal Funds sold	$ 6,051	$ 7,750	$ 5,938

(1) Within the trust preferred securities presented above, there are securities from individual issuers that exceed 10% of the Company's total equity. The name and the aggregate market value of securities of each individual issuer are as follows, as of September 30, 2002: PNC Capital Trust, $4.3 million; Key Corp Capital I, $4.6 million; Huntington Capital II, $4.2 million; Bank Boston Capital Trust IV, $4.5 million; BankAmerica Capital III, $4.5 million.

The composition and maturities of the Company's investment securities portfolio, excluding equity securities, FHLB stock and mortgage-backed securities, are indicated in the following table.

	September 30, 2002					
	1 Year or Less	After 1 Year Through 5 Years	After 5 Years Through 10 Years	After 10 Years	Total Investment Securities	
	Carrying Value	Carrying Value	Carrying Value	Carrying Value	Amortized Cost	Market Value
	(Dollars in Thousands)					
Trust preferred securities	$ ---	$ ---	$ ---	$24,128	$26,731	$24,128
Municipal bonds.....................	144	620	---	---	725	764
Total investment securities.........	$ 144	$ 620	$ ---	$24,128	$27,456	$24,892
Weighted average yield..............	6.64%	5.38%	0.00%	3.26%	3.24%	3.33%

Mortgage-Backed Securities. The Company's mortgage-backed and related securities portfolio consists of securities issued under government-sponsored agency programs, including those of Ginnie Mae, Fannie Mae and Freddie Mac. The Company also holds Collateralized Mortgage Obligations ("CMOs"), as well as a limited amount of privately issued mortgage pass-through certificates. The Ginnie Mae, Fannie Mae and Freddie Mac certificates are modified pass-through mortgage-backed securities that represent undivided interests in underlying pools of fixed-rate, or certain types of adjustable-rate, predominantly single-family and, to a lesser extent, multi-family residential mortgages issued by these government-sponsored entities. Fannie Mae and Freddie Mac generally provide the certificate holder a guarantee of timely payments of interest, whether or not collected. Ginnie Mae's guarantee to the holder is timely payments of principal and interest, backed by the full faith and credit of the U.S. Government. Privately issued mortgage pass-through certificates generally provide no guarantee as to timely payment of interest or principal, and reliance is placed on the creditworthiness of the issuer, which the Company monitors on a regular basis.

CMOs are special types of pass-through debt in which the stream of principal and interest payments on the underlying mortgages or mortgage-backed securities is used to create classes with different maturities and, in some cases, amortization schedules, as well as a residual interest, with each such class possessing different risk characteristics. At September 30, 2002, the Company held CMOs totaling $43.3 million, all of which were secured by underlying collateral issued under government-sponsored agency programs or residential real estate mortgage loans. Premiums associated with the purchase of these CMOs are not significant, therefore, the risk of significant yield adjustments because of accelerated prepayments is limited. Yield adjustments are encountered as interest rates rise or decline, which in turn slows or increases prepayment rates and affect the average lives of the CMOs.

At September 30, 2002, $191.4 million or 99.5% of the Company's mortgage-backed securities portfolio had fixed rates of interest and $971,000 or 0.5% of such portfolio had adjustable rates of interest.

Mortgage-backed securities generally increase the quality of the Company's assets by virtue of the insurance or guarantees that back them, are more liquid than individual mortgage loans and may be used to collateralize borrowings or other obligations of the Company. At September 30, 2002, $172.9 million or 89.9% of the Company's mortgage-backed securities were pledged to secure various obligations of the Company.

While mortgage-backed securities carry a reduced credit risk as compared to whole loans, such securities remain subject to the risk that a fluctuating interest rate environment, along with other factors such as the geographic distribution of the underlying mortgage loans, may alter the prepayment rate of such mortgage loans and so affect both the prepayment speed, and value, of such securities. The prepayment risk associated with mortgage-backed securities is monitored periodically, and prepayment rate assumptions adjusted as appropriate to update the Company's mortgage-backed securities accounting and asset/liability reports. Classification of the Company's mortgage-backed securities portfolio as available for sale is designed to minimize that risk.

The following table sets forth the carrying value of the Company's mortgage-backed securities at the dates indicated.

	September 30,		
	2002	2001	2000
	(Dollars in Thousands)		
Ginnie Mae	$ 23,484	$ 39,490	$ 23,780
CMO	43,259	68,845	71,164
Freddie Mae	33,320	3,180	4,720
Fannie Mae	92,075	1,952	2,469
Privately Issued Mortgage Pass-Through Certificates	210	295	405
Total	$192,348	$113,762	$102,538

The following table sets forth the contractual maturities of the Company's mortgage-backed securities at September 30, 2002. Not considered in the preparation of the table below is the effect of prepayments, periodic principal repayments and the adjustable-rate nature of these instruments.

	Due in				
	1 Year or Less	After 1 Year Through 5 Years	After 5 Years Through 10 Years	After 10 Years	September 30, 2002 Balance Outstanding
	(Dollars in Thousands)				
Ginnie Mae	$ ---	$ ---	$ ---	$23,484	$ 23,484
CMO	---	---	10,857	32,402	43,259
Freddie Mac	1	1,115	32,006	198	33,320
Fannie Mae	---	16	72,403	19,656	92,075
Privately Issued Mortgage Pass-Through Certificates(1)	---	---	---	210	210
Total	$ 1	$1,131	$115,266	$75,950	$192,348
Weighted average yield	10.26%	5.50%	4.79%	6.08%	5.30%

(1) This security is rated Aaa by a nationally recognized rating agency.

At September 30, 2002, the contractual maturity of 39.5% of all of the Company's mortgage-backed securities was in excess of ten years. The actual maturity of a mortgage-backed security is typically less than its stated maturity due to scheduled principal payments and prepayments of the underlying mortgages. Prepayments that are different than anticipated will affect the yield to maturity. The yield is based upon the interest income and the amortization of any premium or discount related to the mortgage-backed security. In accordance with generally accepted accounting principles, premiums and discounts are amortized over the estimated lives of the loans, which decrease and increase interest income, respectively. The prepayment assumptions used to determine the amortization period for premiums and discounts can significantly affect the yield of the mortgage-backed security, and these assumptions are reviewed periodically to reflect actual prepayments. Although prepayments of underlying mortgages depend on many factors, including the type of mortgages, the coupon rate, the age of mortgages, the geographical location of the underlying real estate collateralizing the mortgages and general levels of market interest rates, the difference between the interest rates on the underlying mortgages and the prevailing mortgage interest rates generally is the most significant determinant of the rate of prepayments. During periods of falling mortgage interest rates, if the coupon rate of the underlying mortgages exceeds the prevailing market interest rates offered for mortgage loans, refinancing generally increases and accelerates the prepayment of the underlying mortgages and the related security. Under such circumstances, the Company may be subject to reinvestment risk because to the extent that the Company's mortgage-backed securities amortize or prepay faster than anticipated, the Company may not be able to reinvest the proceeds of such repayments and prepayments at a comparable rate.

Sources of Funds

General. The Company's sources of funds are deposits, borrowings, amortization and repayment of loan principal, interest earned on or maturation of investment securities and short-term investments, and funds provided from operations.

Borrowings, including Federal Home Loan Bank ("FHLB") of Des Moines and Federal Reserve Bank of Chicago ("FRB") advances, reverse repurchase agreements and retail repurchase agreements, may be used at times to compensate for seasonal reductions in deposits or deposit inflows at less than projected levels, may be used on a longer-term basis to support expanded lending activities, and may also be used to match the funding of a corresponding asset.

Deposits. The Company offers a variety of deposit accounts having a wide range of interest rates and terms. The Company's deposits consist of passbook savings accounts, money market savings accounts, NOW and regular checking accounts, and certificate accounts currently ranging in terms from fourteen days to 60 months. The Company only solicits deposits from its primary market area and does not currently use brokers to obtain deposits. The Company relies primarily on competitive pricing policies, advertising and customer service to attract and retain these deposits.

The flow of deposits is influenced significantly by general economic conditions, changes in money market and prevailing interest rates, and competition.

The variety of deposit accounts offered by the Company has allowed it to be competitive in obtaining funds and to respond with flexibility to changes in consumer demand. The Company has become more susceptible to short-term fluctuations in deposit flows, as customers have become more interest rate conscious. The Company endeavors to manage the pricing of its deposits in keeping with its asset/liability management and profitability objectives. Based on its experience, the Company believes that its passbook savings, money market savings accounts, NOW and regular checking accounts are relatively stable sources of deposits. However, the ability of the Company to attract and maintain certificates of deposit and the rates paid on these deposits has been and will continue to be significantly affected by market conditions.

The following table sets forth the savings flows at the Company during the periods indicated.

	September 30, 2002	September 30, 2001	September 30, 2000
	(Dollars in Thousands)		
Opening balance	$ 338,782	$ 318,654	$ 304,780
Deposits	978,256	723,458	655,460
Withdrawals	(972,856)	(718,006)	(654,717)
Interest credited	11,598	14,676	13,131
Ending balance	$ 355,780	$ 338,782	$ 318,654
Net increase (decrease)	$ 16,998	$ 20,128	$ 13,874
Percent increase (decrease)	5.02%	6.32%	4.55%

The following table sets forth the dollar amount of savings deposits in the various types of deposit programs offered by the Company for the periods indicated.

	September 30, 2002		2001		2000	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
	(Dollars in Thousands)					
Transactions and Savings Deposits:						
Commercial Demand	$ 11,935	3.35%	$ 7,733	2.28%	$ 6,041	1.90%
Passbook Accounts	15,064	4.23	12,221	3.61	15,025	4.71
NOW Accounts	20,088	5.65	19,511	5.76	16,472	5.17
Money Market Accounts	55,261	15.53	51,185	15.11	41,012	12.87
Total Non-Certificate	102,348	28.76	90,650	26.76	78,550	24.65
Certificates:						
Variable	2,169	0.61	1,011	0.30	1,077	0.34
0.00 - 1.99%	10,252	2.88	---	---	---	---
2.00 - 3.99%	134,446	37.79	19,598	5.78	100	0.03
4.00 - 5.99%	61,541	17.30	106,841	31.54	97,054	30.46
6.00 - 7.99%	45,024	12.66	120,682	35.62	141,873	44.52
Total Certificates	253,432	71.24	248,132	73.24	240,104	75.35
Total Deposits	$355,780	100.00%	$338,782	100.00%	$318,654	100.00%

The following table shows rate and maturity information for the Company's certificates of deposit as of September 30, 2002.

Certificate accounts maturing in quarter ending:	Variable	0.00 - 1.99%	2.00- 3.99%	4.00- 5.99%	6.00- 7.99%	Total	Percent of Total
	(Dollars in Thousands)						
December 31, 2002..................	$ 446	$ 3,354	$ 32,658	$ 9,586	$13,636	$ 59,680	23.6%
March 31, 2003.....................	242	5,960	15,855	6,010	5,729	33,796	13.3
June 30, 2003......................	208	58	22,205	5,983	4,964	33,418	13.2
September 30, 2003.................	246	853	24,980	6,478	4,542	37,099	14.7
December 31, 2003..................	562	3	8,270	2,009	2,386	13,230	5.2
March 31, 2004.....................	232	24	3,316	3,416	1,261	8,249	3.3
June 30, 2004......................	132	---	7,413	1,742	1,165	10,452	4.1
September 30, 2004.................	---	---	4,619	2,621	611	7,851	3.1
December 31, 2004..................	---	---	4,865	665	1,805	7,335	2.9
March 31, 2005.....................	---	---	5,366	766	1,331	7,463	2.9
June 30, 2005......................	101	---	2,845	1,349	2,579	6,874	2.7
September 30, 2005.................	---	---	874	707	1,061	2,642	1.0
Thereafter.........................	---	---	1,180	20,209	3,954	25,343	10.0
Total..............................	$2,169	$10,252	$134,446	$ 61,541	$45,024	$253,432	100.0%
Percent of total...................	0.86%	4.04%	53.05%	24.28%	17.77%	100.00%	

The following table indicates the amount of the Company's certificates of deposit and other deposits by time remaining until maturity as of September 30, 2002.

	Maturity				
	3 Months or Less	After 3 to 6 Months	After 6 to 12 Months	After 12 Months	Total
	(In Thousands)				
Certificates of deposit less than $100,000.......	$40,657	$26,839	$60,115	$77,405	$ 205,016
Certificates of deposit of $100,000 or more......	19,023	6,957	10,402	12,034	48,416
Total certificates of deposit....................	$59,680	$33,796	$70,517	$89,439	$ 253,432(1)
....					

(1) Includes deposits from governmental and other public entities totaling $19.4 million.

Borrowings. Although deposits are the Company's primary source of funds, the Company's policy has been to utilize borrowings when they are a less costly source of funds, can be invested at a positive interest rate spread, or when the Company desires additional capacity to fund loan demand.

The Company's borrowings historically have consisted of advances from the FHLB of Des Moines upon the security of a blanket collateral agreement of a percentage of unencumbered loans and the pledge of specific investment securities. Such advances can be made pursuant to several different credit programs, each of which has its own interest rate and range of maturities. At September 30, 2002, the Company had $125.1 million of advances from the FHLB of Des Moines and the ability to borrow up to an approximate additional $73.1

million. At September 30, 2002, advances totaling $5.2 million had terms to maturity of one year or less. The remaining $119.9 million had maturities ranging up to 18 years.

On July 16, 2001, the Company issued all of the 10,000 authorized shares of Company Obligated Mandatorily Redeemable Preferred Securities of First Midwest Financial Capital Trust I (preferred securities of subsidiary trust) holding solely subordinated debt securities. Distributions are paid semi-annually. Cumulative cash distributions are calculated at a variable rate of LIBOR (as defined) plus 3.75%, not to exceed 12.5%. The Company may, at one or more times, defer interest payments on the capital securities for up to 10 consecutive semi-annual periods, but not beyond July 25, 2031. At the end of any deferral period, all accumulated and unpaid distributions will be paid. The capital securities will be redeemed on July 25, 2031; however, the Company has the option to shorten the maturity date to a date not earlier than July 25, 2006. The redemption price is $1,000 per capital security plus any accrued and unpaid distributions to the date of redemption plus, if redeemed prior to July 25, 2011, a redemption premium as defined in the Indenture Agreement. Holders of the capital securities have no voting rights, are unsecured and rank junior in priority of payment to all of the Company's indebtedness and senior to the Company's common stock.

From time to time, the Company has offered retail repurchase agreements to its customers. These agreements typically range from 14 days to five years in term, and typically have been offered in minimum amounts of $100,000. The proceeds of these transactions are used to meet cash flow needs of the Company. At September 30, 2002, the Company had $1.3 million of retail repurchase agreements outstanding.

Historically, the Company has entered into reverse repurchase agreements through nationally recognized broker-dealer firms. These agreements are accounted for as borrowings by the Company and are secured by certain of the Company's investment and mortgage-backed securities. The broker-dealer takes possession of the securities during the period that the reverse repurchase agreement is outstanding. The terms of the agreements have typically ranged from 7 days to a maximum of six months. At September 30, 2002, the Company had $68.9 million of reverse repurchase agreements outstanding.

The following table sets forth the maximum month-end balance and average balance of FHLB advances, retail and reverse repurchase agreements and Preferred Securities of Subsidiary Trust for the periods indicated.

	September 30,		
	2002	2001	2000
	(Dollars in Thousands)		
Maximum Balance:			
FHLB advances	$125,090	$129,010	$157,658
Retail and reverse repurchase agreements	70,176	20,239	4,920
Preferred securities of subsidiary trust	10,000	10,000	---
Average Balance:			
FHLB advances	$118,415	$126,208	$149,896
Retail and reverse repurchase agreements	39,288	6,490	3,460
Preferred securities of subsidiary trust	10,000	1,981	---

The following table sets forth certain information as to the Company's FHLB advances and other borrowings at the dates indicated.

	September 30, 2002	2001	2000
	(Dollars in Thousands)		
FHLB advances	$125,090	$126,352	$139,738
Retail and reverse repurchase agreements	70,176	1,993	4,255
Preferred securities of subsidiary trust	10,000	10,000	---
Total borrowings	$205,266	$138,345	$143,993
Weighted average interest rate of FHLB advances	5.46%	5.76%	5.99%
Weighted average interest rate of retail and reverse repurchase agreements	1.90%	4.57%	6.32%
Weighted average interest rate of preferred securities of subsidiary trust	5.61%	7.57%	---%

Subsidiary Activities

The only subsidiaries of the Company are First Federal, Security, First Services Trust Company and First Midwest Financial Capital Trust I. First Federal has one service subsidiary, First Services Financial Limited ("First Services"). At September 30, 2002, the net book value of First Federal's investment in First Services was approximately $118,000. Security does not have any subsidiaries. First Federal organized First Services, its sole service corporation, in 1983. First Services is located in Storm Lake, Iowa and offers mutual funds, equities, bonds, insurance products and annuities. First Services recognized a net loss of $33,000 during fiscal 2002.

Regulation

General. Bank holding companies, such as First Midwest, are subject to comprehensive regulation by the FRB under the BHCA and the regulations of the FRB. As a bank holding company, First Midwest is required to file reports with the FRB and such additional information as the FRB may require, and is subject to regular inspections by the FRB. The FRB also has extensive enforcement authority over bank holding companies, including, among other things, the ability to assess civil money penalties, to issue cease and desist or removal orders and to require that a holding company divest subsidiaries (including its bank subsidiaries). In general, enforcement actions may be initiated for violations of law and regulations and unsafe or unsound practices.

Under FRB policy, a bank holding company must serve as a source of strength for its subsidiary banks. Under this policy the FRB may require a holding company to contribute additional capital to an undercapitalized subsidiary bank.

Under the BHCA, a bank holding company must obtain FRB approval before: (i) acquiring, directly or indirectly, ownership or control of any voting shares of another bank or bank holding company if, after such acquisition, it would own or control more than 5% of such shares (unless it already owns or controls the majority of such shares); (ii) acquiring all or substantially all of the assets of another bank or bank holding company; or (iii) merging or consolidating with another bank holding company.

The BHCA prohibits a bank holding company, with certain exceptions, from acquiring direct or indirect ownership or control of more than 5% of the voting shares of any company which is not a bank or bank holding company, or from engaging directly or indirectly in activities other than those of banking, managing or controlling banks, or providing services for its subsidiaries. The principal exceptions to these prohibitions involve certain non-bank activities which, by statute or by FRB regulation or order, have been identified as activities closely related to the business of banking or managing or controlling banks. The list of activities permitted by the FRB includes, among other things, operating a savings institution (such as First Federal), mortgage company, finance company, credit card company or factoring company; performing certain data processing operations; providing certain investment and financial advice; underwriting and acting as an insurance agent for certain types of credit-related insurance; leasing property on a full-payout, non-operating basis; real estate and personal property appraising; and, subject to certain limitations, providing securities brokerage services for customers. The scope of permissible activities may be expanded from time to time by the FRB. Such activities may also be affected by federal legislation.

First Midwest currently has four wholly-owned subsidiaries, First Federal, a federally-chartered thrift institution, Security, an Iowa-chartered commercial bank, First Midwest Financial Capital Trust I, a statutory business trust organized under the Delaware Business Trust Act and First Services Trust Company, a South Dakota corporation that provides trust services. First Federal is subject to extensive regulation, supervision and examination by the OTS, as its chartering authority and primary federal regulator, and by the Federal Deposit Insurance Corporation (the "FDIC"), which insures its deposits up to applicable limits. First Federal is a member of the FHLB System and is subject to certain limited regulation by the FRB. Such regulation and supervision governs the activities in which an institution can engage and the manner in which such activities are conducted, and is intended primarily for the protection of the insurance fund and depositors. Security is subject to extensive regulation, supervision and examination by the Iowa Superintendent of Banking (the "ISB") and the FRB, which are its state and primary federal regulators, respectively. It is also subject to regulation by the FDIC, which insures its deposits up to applicable limits. As with First Federal, such regulation and supervision governs the activities in which Security can engage and the manner in which such activities are conducted and is intended primarily for the protection of the insurance fund and depositors.

First Midwest is regulated as a bank holding company by the FRB. Bank holding companies are subject to comprehensive regulation and supervision by the FRB under the Bank Holding Company Act of 1956, as amended (the "BHCA") and the regulations of the FRB. As a bank holding company, First Midwest must file reports with the FRB and such additional information as the FRB may require, and is subject to regular inspections by the FRB. First Midwest is subject to the activity limitations imposed under the BHCA and in general may engage in only those activities that the FRB has determined to be closely related to banking.

Regulatory authorities have been granted extensive discretion in connection with their supervisory and enforcement activities which are intended to strengthen the financial condition of the banking industry, including the imposition of restrictions on the operation of an institution, the classification of assets by the institution and the adequacy of an institution's allowance for loan losses. Any change in the nature of such regulation and oversight, whether by the OTS, the FDIC, the FRB or legislatively by Congress, could have a material impact on First Midwest, First Federal or Security and their respective operations.

Certain of these regulatory requirements and restrictions are discussed below or elsewhere in this document.

Federal Regulation of Financial Institutions. The OTS has extensive supervisory and regulatory authority over the operations of savings associations. As part of this authority, First Federal is required to file periodic reports with the OTS and is subject to periodic examination by the OTS and the FDIC. The last regular OTS examination of First Federal was as of December 28, 2001. Security is subject to similar regulation and oversight by the ISB and the FRB and was last examined as of April 15, 2002.

Each federal and state banking regulator has extensive enforcement authority over its regulated institutions. This enforcement authority includes, among other things, the power to compel higher reserves, the ability to assess civil money penalties, to issue cease-and-desist or removal orders and to initiate injunctive actions. In general, these enforcement actions may be initiated for violations of laws and regulations and unsafe or unsound practices. Other actions or inactions may provide the basis for enforcement action, including misleading or untimely reports. Except under certain circumstances, public disclosure of final enforcement actions by the regulator is required.

In addition, the investment, lending and branching authority of First Federal is prescribed by federal laws and it is prohibited from engaging in any activities not permitted by such laws. Security is subject to such restrictions under state law as administered by the ISB. Federal savings associations are generally authorized to branch nationwide, whereas Iowa chartered banks, such as Security, are limited to establishing branches in the counties contiguous to or cornering upon the county where their home office is located.

Both First Federal's and Security's general permissible lending limit to one borrower is equal to the greater of $500,000 or 15% of unimpaired capital and surplus (except for loans fully secured by certain readily marketable collateral, in which case this limit is increased to 25% of unimpaired capital and surplus). Security is subject to similar restrictions. At September 30, 2002, First Federal's and Security's lending limit under these restrictions was $7.2 million and $978,000, respectively. First Federal and Security are in compliance with their lending limits.

Insurance of Accounts and Regulation by the FDIC. First Federal is a member of the Savings Association Insurance Fund (the "SAIF") and Security is a member of the Bank Insurance Fund (the "BIF"), each of which is administered by the FDIC. Deposits are insured up to applicable limits by the FDIC and such insurance is backed by the full faith and credit of the United States Government. As insurer, the FDIC imposes deposit insurance premiums and is authorized to conduct examinations of and to require reporting by FDIC-insured institutions. It also may prohibit any FDIC-insured institution from engaging in any activity the FDIC determines by regulation or order to pose a serious risk to the SAIF or the BIF. The FDIC also has the authority to initiate enforcement actions against any FDIC insured institution after giving its primary federal regulator the opportunity to take such action, and may terminate the deposit insurance if it determines that the institution has engaged in unsafe or unsound practices or is in an unsafe or unsound condition.

The FDIC's deposit insurance premiums are assessed through a risk-based system under which all insured depository institutions are placed into one of nine categories and assessed insurance premiums based upon their level of capital and supervisory evaluation. The current assessment rates range from zero to .27% per $100 of assessable deposits. Risk classification of all insured institutions will be made by the FDIC for each semi-annual assessment period. Institutions that are well-capitalized and have a high supervisory rating are subject to the lowest assessment rate. At September 30, 2002, each of First Federal and Security met the capital requirements of a "well capitalized" institution and were not subject to any assessment. See Note 13 of Notes to Consolidated Financial Statements in the Annual Report.

Regulatory Capital Requirements. Federally insured financial institutions, such as First Federal and Security, are required to maintain a minimum level of regulatory capital. These capital requirements mandate that an institution maintain at least the following ratios: (1) a core (or Tier 1) capital to adjusted total assets ratio of 4% (which can be reduced to 3% for highly rated institutions); (2) a Tier 1 capital to risk-weighted assets ratio of 4% and (3) a risk-based capital to risk-weighted assets ratio of 8%. Capital requirements in excess of these standards may be imposed on individual institutions on a case-by-case basis. See Note 13 of Notes to Consolidated Financial Statements in the Annual Report.

An FDIC-insured institution's primary federal regulator is also authorized and, under certain circumstances required, to take certain actions against an "undercapitalized institution" (generally defined to be one with less than either a 4% core capital ratio, a 4% Tier 1 risked-based capital ratio or an 8% risk-based capital ratio). Any such institution must submit a capital restoration plan and until such plan is approved by the OTS may not increase its assets, acquire another institution, establish a branch or engage in any new activities, and generally may not make capital distributions. The primary federal regulator is also authorized, and with respect to institution's whose capital is further depleted, required to impose additional restrictions that can affect all aspects of the institution's operations, including the appointment of a receiver for a "critically undercapitalized" institution (i.e., one with a tangible capital ratio of 2% or less). As a condition to the approval of the capital restoration plan, any company controlling an undercapitalized institution must agree that it will enter into a limited capital maintenance guarantee with respect to the institution's achievement of its capital requirements.

Though not anticipated, the imposition of any of these measures on First Federal or Security may have a substantial adverse effect on Company's operations and profitability. First Midwest shareholders do not have preemptive rights, and therefore, if First Midwest is directed by the OTS, the FRB or the FDIC to issue additional shares of Common Stock, such issuance may result in the dilution in shareholders percentage of ownership of First Midwest.

Limitations on Dividends and Other Capital Distributions. The OTS imposes various restrictions on savings associations with respect to their ability to make distributions of capital, which include dividends, stock redemptions or repurchases, cash-out mergers and other transactions charged to the capital account. The OTS also prohibits a savings association from declaring or paying any dividends or from repurchasing any of its stock if, as a result of such action, the regulatory capital of the association would be reduced below the amount required to be maintained for the liquidation account established in connection with the association's mutual to stock conversion.

Savings institutions such as First Federal may make a capital distribution without the approval of the OTS, provided they notify the OTS 30-days before they declare the capital distribution and they meet the following requirements:
(i) have a regulatory rating in one of the two top examination categories, (ii) are not of supervisory concern, and will remain adequately- or well-capitalized, as defined in the OTS prompt corrective action regulations, following the proposed distribution, and (iii) the distribution does not exceed their net income for the calendar year-to-date plus retained net income for the previous two calendar years (less any dividends previously paid). If a savings institution does not meet the above stated requirements, it must obtain the prior approval of the OTS before declaring any proposed distributions.

Security may pay dividends, in cash or property, only out of its undivided profits. In addition, FRB regulations prohibit the payment of dividends by a state member bank if losses have at any time been sustained by such bank that equal or exceed its undivided profits then on hand, unless (i) the prior approval of the FRB has been obtained and (ii) at least two-thirds of the shares of each class of stock outstanding have approved the dividend payment. FRB regulations also prohibit the payment of any dividend by a state member bank without the prior approval of the FRB if the total of all dividends declared by the bank in any calendar year exceeds the total of its net profits for that year combined with its retained net profits of the previous two calendar years (minus any required transfers to a surplus or to a fund for the retirement of any preferred stock).

Qualified Thrift Lender Test. All savings associations, including First Federal, are required to meet a qualified thrift lender ("QTL") test to avoid certain restrictions on their operations. This test requires a savings association to have at least 65% of its portfolio assets (as defined by regulation) in qualified thrift investments on a monthly average for nine out of every 12 months on a rolling basis or meet the requirements for a domestic building and loan association under the Internal Revenue Code. Under either test, the required assets primarily consist of residential housing related loans and investments. At September 30, 2002, First Federal met the test and has always met the test since its effectiveness.

Any savings association that fails to meet the QTL test must convert to a national bank charter, unless it requalifies as a QTL within one year and thereafter remains a QTL, or limits its new investments and activities to those permissible for both a savings association and a national bank. In addition, the association is subject to national bank limits for payment of dividends and branching authority. If such association has not requalified or converted to a national bank within three years after the failure, it must divest of all investments and cease all activities not permissible for a national bank.

Community Reinvestment Act. Under the Community Reinvestment Act ("CRA"), every FDIC insured institution has a continuing and affirmative obligation consistent with safe and sound banking practices to help meet the credit needs of its entire community, including low and moderate income neighborhoods. The CRA does not establish specific lending requirements or programs for financial institutions nor does it limit an institution's discretion to develop the types of products and services that it believes are best suited to its particular community, consistent with the CRA. The CRA requires the OTS and the FRB, in connection with the examination of First Federal and Security, respectively, to assess the institution's record of meeting the credit needs of its community and to take such record into account in its evaluation of certain applications, such as a merger or the establishment of a branch, by the institution. An unsatisfactory rating may be used as the basis for the denial of such an application. First Federal was examined for CRA compliance in January 2002 and Security was examined in June 1999 and both received a rating of "satisfactory."

Bank Holding Company Regulation

Interstate Banking and Branching. The FRB may approve an application of an adequately capitalized and adequately managed bank holding company to acquire control of, or acquire all or substantially all of the assets of, a bank located in a state other than such holding company's home state, without regard to whether the transaction is prohibited by the laws of any state. The FRB may not approve the acquisition of a bank that has not been in existence for the minimum time period (not exceeding five years) specified by the statutory law of the host state or if the applicant (and its depository institution affiliates) controls or would control more than 10% of the insured deposits in the United States or 30% or more of the deposits in the target bank's home state or in any state in which the target bank maintains a branch. Iowa has adopted a five year minimum existence requirement. States are authorized to limit the percentage of total insured deposits in the state which may be held or controlled by a bank or bank holding company to the extent such limitation does not discriminate against out-of-state banks or bank holding companies. Individual states may also waive the 30% state-wide concentration limit.

The federal banking agencies are also generally authorized to approve interstate merger transactions without regard to whether such transaction is prohibited by the law of any state. Interstate acquisitions of branches or the establishment of a new branch is permitted only if the law of the state in which the branch is located permits such acquisitions. Interstate mergers and branch acquisitions are also subject to the nationwide and statewide insured deposit concentration amounts described above. Iowa permits interstate branching only by merger.

Holding Company Dividends. The FRB has issued a policy statement on the payment of cash dividends by bank holding companies, which expresses the FRB's view that a bank holding company should pay cash dividends only to the extent that its net income for the past year is sufficient to cover both the cash dividends and a rate of earning retention that is consistent with the holding company's capital needs, asset quality and overall financial condition. The FRB also indicated that it would be inappropriate for a company experiencing serious financial problems to borrow funds to pay dividends. Furthermore, under the prompt corrective action regulations adopted by the FRB, the FRB may prohibit a bank holding company from paying any dividends if the holding company's bank subsidiary is classified as "undercapitalized."

Bank holding companies are required to give the FRB prior written notice of any purchase or redemption of its outstanding equity securities if the gross consideration for the purchase or redemption, when combined with the net consideration paid for all such purchases or redemptions during the preceding 12 months, is equal to 10% or more of their consolidated net worth. The FRB may disapprove such a purchase or redemption if it determines that the proposal would constitute an unsafe or unsound practice or would violate any law, regulation, FRB order, or any condition imposed by, or written agreement with, the FRB. This notification requirement does not apply to any company that meets the well-capitalized standard for commercial banks, has a safety and soundness examination rating of at least a "2" and is not subject to any unresolved supervisory issues.

Holding Company Capital Requirements. The FRB has established capital requirements for bank holding companies that generally parallel the capital requirements for commercial banks and federal thrift institutions such as First Federal and Security. First Midwest is in compliance with these requirements.

Federal Home Loan Bank System. First Federal and Security are both members of the FHLB of Des Moines, which is one of 12 regional FHLBs, that administers the home financing credit function of savings associations. Each FHLB serves as a reserve or central bank for its members within its assigned region. It makes loans to members (i.e., advances) in accordance with policies and procedures established by the board of directors of the FHLB. These policies and procedures are subject to the regulation and oversight of the Federal Housing Finance Board. All advances from the FHLB are required to be fully secured by sufficient collateral as determined by the FHLB. In addition, all long-term advances must be used for residential home financing.

As members of the FHLB System, First Federal and Security are required to purchase and maintain stock in the FHLB of Des Moines. At September 30, 2002, the Banks had in the aggregate $6.8 million in FHLB stock, which was in compliance with this requirement. For the fiscal year ended September 30, 2002, dividends paid by the FHLB of Des Moines to First Federal and Security totaled $228,000. Over the past five calendar years such dividends have averaged 6.27% and were 3.00% for the first three quarters of the calendar year 2002.

Under federal law the FHLBs are required to provide funds for the resolution of troubled savings associations and to contribute to low- and moderately priced housing programs through direct loans or interest subsidies on advances targeted for community investment and low- and moderate-income housing projects. These contributions have affected adversely the level of FHLB dividends paid and could continue to do so in the future. These contributions could also have an adverse effect on the value of FHLB stock in the future. A reduction in value of First Federal's FHLB stock may result in a corresponding reduction in First Federal's capital. Recent legislative changes will require the FHLB to change the characteristics and amount of FHLB stock held by its members. It is also anticipated that these changes will restrict the ability of FHLB members to redeem their shares of FHLB stock.

Federal and State Taxation

Federal Taxation. First Midwest and its subsidiaries file consolidated federal income tax returns on a fiscal year basis using the accrual method of accounting. In addition to the regular income tax, corporations, including savings banks such as First Federal, generally are subject to a minimum tax. An alternative minimum tax is imposed at a minimum tax rate of 20% on alternative minimum taxable income, which is the sum of a corporation's regular taxable income (with certain adjustments) and tax preference items, less any available exemption. The alternative minimum tax is imposed to the extent it exceeds the corporation's regular income tax and net operating losses can offset no more than 90% of alternative minimum taxable income.

To the extent earnings appropriated to a savings bank's bad debt reserves and deducted for federal income tax purposes exceed the allowable amount of such reserves computed under the experience method and to the extent of the bank's supplemental reserves for losses on loans ("Excess"), such Excess may not, without adverse tax consequences, be utilized for the payment of cash dividends or other distributions to a shareholder (including distributions on redemption, dissolution or liquidation) or for any other purpose (except to absorb bad debt losses). As of September 30, 2002, First Federal's Excess for tax purposes totaled approximately $6.7 million.

First Midwest and its consolidated subsidiaries have not been audited by the IRS within the past ten years. In the opinion of management, any examination of still open returns (including returns of subsidiaries and predecessors of, or entities merged into, First Midwest) would not result in a deficiency which could have a material adverse effect on the financial condition of First Midwest and its subsidiaries.

Iowa Taxation. First Federal and Security file Iowa franchise tax returns. First Midwest and First Federal's subsidiary file Iowa corporation tax returns on a fiscal year-end basis.

Iowa imposes a franchise tax on the taxable income of mutual and stock savings banks and commercial banks. The tax rate is 5%, which may effectively be increased, in individual cases, by application of a minimum tax provision. Taxable income under the franchise tax is generally similar to taxable income under the federal corporate income tax, except that, under the Iowa franchise tax, no deduction is allowed for Iowa franchise tax payments and taxable income includes interest on state and municipal obligations. Interest on U.S. obligations is taxable under the Iowa franchise tax and under the federal corporate income tax. The taxable income for Iowa franchise tax purposes is apportioned to Iowa through the use of a one-factor formula consisting of gross receipts only.

Taxable income under the Iowa corporate income tax is generally similar to taxable income under the federal corporate income tax, except that, under the Iowa tax, no deduction is allowed for Iowa income tax payments; interest from state and municipal obligations is included in income; interest from U.S. obligations is excluded from income; and 50% of federal corporate income tax payments are excluded from income. The Iowa corporate income tax rates range from 6% to 12% and may be effectively increased, in individual cases, by application of a minimum tax provision.

South Dakota Taxation. First Federal and First Services Trust Company file South Dakota franchise tax returns due to their operations in Sioux Falls and Brookings. The South Dakota franchise tax is imposed on depository institutions and trust companies. First Midwest, Security and First Federal's subsidiaries are therefore not subject to the South Dakota franchise tax.

South Dakota imposes a franchise tax on the taxable income of depository institutions and trust companies at the rate of 6%. Taxable income under the franchise tax is generally similar to taxable income under the federal corporate income tax, except that, under the South Dakota franchise tax, no deduction is allowed for state income and franchise taxes, bad debt deductions are determined on the basis of actual charge-offs, income from municipal obligations exempt from federal taxes are included in the franchise taxable income, and there is a deduction allowed for federal income taxes accrued for the fiscal year. The taxable income for South Dakota franchise tax purposes is apportioned to South Dakota through the use of a three-factor formula consisting of tangible real and personal property, payroll and gross receipts.

Delaware Taxation. As a Delaware holding company, First Midwest is exempted from Delaware corporate income tax but is required to file an annual report with and pay an annual fee to the State of Delaware. First Midwest is also subject to an annual franchise tax imposed by the State of Delaware.

Competition

The Company faces strong competition, both in originating real estate and other loans and in attracting deposits. Competition in originating real estate loans comes primarily from commercial banks, savings banks, credit unions, insurance companies, and mortgage bankers making loans secured by real estate located in the Company's market area. Commercial banks and credit unions provide vigorous competition in consumer lending. The Company competes for real estate and other loans principally on the basis of the quality of services it provides to borrowers, interest rates and loan fees it charges, and the types of loans it originates.

The Company attracts all of its deposits through its retail banking offices, primarily from the communities in which those retail banking offices are located; therefore, competition for those deposits is principally from other commercial banks, savings banks, credit unions and brokerage offices located in the same communities. The Company competes for these deposits by offering a variety of deposit accounts at competitive rates, convenient business hours, and convenient branch locations with interbranch deposit and withdrawal privileges at each.

The Company serves Adair, Buena Vista, Calhoun, Guthrie, Ida, Pocahontas, Polk and Sac counties in Iowa and Brookings, Lincoln and Minnehaha counties in South Dakota. There are thirty-six commercial banks, one savings bank, other than First Federal, and one credit union which compete for deposits and loans in First Federal's primary market area in northwest Iowa and eight commercial banks, one savings bank, other than First Federal, and one credit union which compete for deposits and loans in First Federal's market area in Brookings, South Dakota. In addition, there are thirteen commercial banks in Security's primary market area in west central Iowa. First Federal competes for deposits and loans with numerous financial institutions located throughout the metropolitan market areas of Des Moines, Iowa and Sioux Falls, South Dakota.

Employees

At September 30, 2002, the Company and its subsidiaries had a total of 167 employees, including 14 part-time employees. The Company's employees are not represented by any collective bargaining group. Management considers its employee relations to be good.

Executive Officers of the Company Who Are Not Directors

The following information as to the business experience during the past five years is supplied with respect to the executive officers of the Company who do not serve on the Company's Board of Directors. There are no arrangements or understandings between such persons named and any persons pursuant to which such officers were selected.

Donald J. Winchell - Mr. Winchell, age 50, serves as Senior Vice President, Treasurer and Chief Financial Officer of First Midwest and First Federal, and is responsible for the formulation and implementation of policies and objectives for First Federal's finance and accounting functions. His duties include financial planning, interest rate risk management, accounting, investments, financial policy development and compliance, budgeting and asset/liability management. Mr. Winchell also serves as Secretary of Security State Bank, Director and Secretary/Treasurer of First Services Trust Company, and Treasurer of First Services Financial Limited and Brookings Service Corporation. Mr. Winchell joined First Federal in 1989 as Vice President and Chief Financial Officer, was appointed Treasurer in 1990, and Senior Vice President in 1992. Prior to joining First Federal, Mr. Winchell served as Senior Vice President and Chief Financial Officer of Midwest Federal Savings and Loan Association of Nebraska City, Nebraska since 1981. Mr. Winchell received a Bachelor of Science degree and a Bachelor of Business Administration degree from Washburn University, Topeka, Kansas. Mr. Winchell is a certified public accountant.

Item 2. Properties

The Company conducts its business at its main office and branch office in Storm Lake, Iowa, and five other locations in its primary market area in Northwest Iowa. The Company also operates one office in Brookings, South Dakota, through the Company's Brookings Federal Bank division of the Bank; four offices in Des Moines, Iowa, through the Company's Iowa Savings Bank division of the Bank; one office in Sioux Falls, South Dakota, through the Company's Sioux Falls division of the Bank; and three offices in West Central Iowa through the Company's Security State Bank subsidiary.

The Company owns all of its offices, except for the branch offices located at Storm Lake Plaza, Storm Lake, Iowa and West Des Moines, Iowa as to which the land is leased. The total net book value of the Company's premises and equipment (including land, building and leasehold improvements and furniture, fixtures and equipment) at September 30, 2002 was $11.1 million. See Note 6 of Notes to Consolidated Financial Statements in the Annual Report.

The Company believes that its current facilities are adequate to meet the present and foreseeable needs of the Company and the Banks.

The Bank maintains an on-line data base with a service bureau, whose primary business is providing such services to financial institutions. The net book value of the data processing and computer equipment utilized by the Company at September 30, 2002 was approximately $810,000.

Item 3. Legal Proceedings

The Company is involved as plaintiff or defendant in various legal actions arising in the normal course of its business. While the ultimate outcome of these proceedings cannot be predicted with certainty, it is the opinion of management, after consultation with counsel representing Company in the proceedings, that the resolution of these proceedings should not have a material effect on Company's consolidated financial position or results of operations.

Item 4. Submission of Matters to a Vote of Security Holders

No matter was submitted to a vote of security holders, through the solicitation of proxies or otherwise, during the quarter ended September 30, 2002.

PART II

Item 5. Market for Registrant's Common Equity and Related Shareholder Matters
Page 52 of the attached 2002 Annual Report to Shareholders is herein incorporated by reference.

Item 6. Selected Financial Data Page 10 of the attached 2002 Annual Report to Shareholders is herein incorporated by reference.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Pages 11 through 21 of the attached 2002 Annual Report to Shareholders are herein incorporated by reference.

Item 7A. Quantitative and Qualitative Disclosure About Market Risk Pages 17 through 18 of the attached 2002 Annual Report to Shareholders are herein incorporated by reference.

Item 8. Financial Statements and Supplementary Data Pages 22 through 49 of the attached 2002 Annual Report to Shareholders are herein incorporated by reference.

Item 9. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure

Not applicable.

PART III

Item 10. Directors and Executive Officers of the Registrant Directors

Information concerning directors of the Company is incorporated herein by reference from the Company's definitive Proxy Statement for the Annual Meeting of Shareholders to be held in January 2003 filed on December 18, 2002.

Executive Officers

Information concerning the executive officers of the Company is incorporated herein by reference from the Company's definitive Proxy Statement for the Annual Meeting of Shareholders to be held in January 2003, filed on December 18, 2002 and from the information set forth under the caption "Executive Officers of the Company Who Are Not Directors" contained in Part I of this Form 10-K.

Compliance with Section 16(a)

Section 16(a) of the Exchange Act requires the Company's directors and executive officers, and persons who own more than 10% of a registered class of the Company's equity securities, to file with the SEC reports of ownership and reports of changes in ownership of common stock and other equity securities of the Company. Officers, directors and greater than 10% shareholders are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file.

To the Company's knowledge, based solely on a review of the copies of such reports furnished to the Company and written representations that no other reports were required during the fiscal year ended September 30, 2002, all
Section 16(a) filing requirements applicable to its officers, directors and greater than 10 percent beneficial owners were complied with.

Item 11. Executive Compensation

Information concerning executive compensation is incorporated herein by reference from the Company's definitive Proxy Statement for the Annual Meeting of Shareholders to be held in January 2003, filed on December 18, 2002.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Information concerning securities authorized for issuance under equity compensation plans and information concerning security ownership of certain beneficial owners and management is incorporated herein by reference from the Company's definitive Proxy Statement for the Annual Meeting of Shareholders to be held in January 2003, filed on December 18, 2002.

Item 13. Certain Relationships and Related Transactions

Information concerning certain relationships and transactions is incorporated herein by reference from the Company's definitive Proxy Statement for the Annual Meeting of Shareholders to be held in January 2003, filed on December 18, 2002.

PART IV

Item 14. Controls and Procedures

With the participation and under the supervision of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, and within 90 days of the filing date of this annual report, the Company's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-14(c) and 15(d)-14(c)) and, based on their evaluation, have concluded that the disclosure controls and procedures are effective. There were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective action with regard to significant deficiencies and material weaknesses.

Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) The following is a list of documents filed as part of this report:

(1) Financial Statements:

The following financial statements are incorporated by reference under Part II, Item 8 of this Form 10-K:

1. Report of Independent Auditors.

2. Consolidated Balance Sheets as of September 30, 2002 and 2001.

3. Consolidated Statements of Income for the Years Ended September 30, 2002, 2001 and 2000.

4. Consolidated Statements of Changes in Shareholders' Equity for the Years Ended September 30, 2002, 2001 and 2000.

5. Consolidated Statements of Cash Flows for the Years Ended September 30, 2002, 2001 and 2000.

6. Notes to Consolidated Financial Statements.

(2) Financial Statement Schedules:

All financial statement schedules have been omitted as the information is not required under the related instructions or is inapplicable.

(3) Exhibits:

See Index of Exhibits.

(b) Reports on Form 8-K:

During the three month period ended September 30, 2002, the Registrant filed a current report on Form 8-K dated July 31, 2002 to report the issuance of a press release announcing the completion of a stock repurchase program and a current report on Form 8-K dated August 26, 2002 to report the issuance of a press release announcing the declaration of a regular cash dividend to shareholders and the authorization for the purchase of shares by the Trustee of the Company's Employee Stock Ownership Plan.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

FIRST MIDWEST FINANCIAL, INC.

Date: December 27, 2002.	*By: /s/ James S. Haahr* *-----------------------------* *James S. Haahr* *(Duly Authorized Representative)*

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

By:/s/ James S. Haahr *---* *James S. Haahr, Chairman of the Board President and Chief Executive Officer (Principal Executive Officer)*	*Date: December 27, 2002*
By: /s/ E. Wayne Cooley *---* *E. Wayne Cooley, Director*	*Date: December 27, 2002*
By: /s/ E. Thurman Gaskill *--* *E. Thurman Gaskill, Director*	*Date: December 27, 2002*
By: /s/ Rodney G. Muilenburg *--* *Rodney G. Muilenburg, Director*	*Date: December 27, 2002*
By:/s/ Jeanne Partlow *---* *Jeanne Partlow, Director*	*Date: December 27, 2002*
By: /s/ G. Mark Mickelson *--* *G. Mark Mickelson, Director*	*Date: December 27, 2002*
By: /s/ J. Tyler Haahr *--* *J. Tyler Haahr, Director, Senior Vice President, Secretary and Chief Operating Officer*	*Date: December 27, 2002*
By: /s/ Donald J. Winchell *--* *Donald J. Winchell, Senior Vice President, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)*	*Date: December 27, 2002*

CERTIFICATIONS

I, James S. Haahr, certify that:

1. I have reviewed this annual report on Form 10-K of First Midwest Financial, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: December 27, 2002.

/s/ James S. Haahr

Chief Executive Officer

I, Donald J. Winchell, certify that:

1. I have reviewed this annual report on Form 10-K of First Midwest Financial, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: December 27, 2002.

/s/ Donald J. Winchell

Chief Financial Officer

INDEX TO EXHIBITS

Exhibit
Number Description

3(i) Registrant's Articles of Incorporation as currently in effect, filed on June 17, 1993 as an exhibit to the Registrant's registration statement on Form S-1 (Commission File No. 33-64654), are incorporated herein by reference.

3(ii)Registrant's Bylaws, as amended and restated, filed as Exhibit 3(ii) to Registrant's Report on Form 10-K for the fiscal year ended September 30, 1998 (Commission File No. 0-22140), is incorporated herein by reference.

4 Registrant's Specimen Stock Certificate, filed on June 17, 1993 as an exhibit to the Registrant's registration statement on Form S-1 (Commission File No. 33-64654), is incorporated herein by reference.

10.1 Registrant's 1995 Stock Option and Incentive Plan, filed as Exhibit 10.1 to Registrant's Report on Form 10-KSB for the fiscal year ended September 30, 1996 (Commission File No. 0-22140), is incorporated herein by reference.

10.2 Registrant's 1993 Stock Option and Incentive Plan, filed on June 17, 1993 as an exhibit to the Registrant's registration statement on Form S-1 (Commission File No. 33-64654), is incorporated herein by reference.

10.3 Registrant's Recognition and Retention Plan, filed on June 17, 1993 as an exhibit to the Registrant's registration statement on Form S-1 (Commission File No. 33-64654), is incorporated herein by reference.

10.4 Employment agreement between First Federal Savings Bank of the Midwest and J. Tyler Haahr, filed as an exhibit to Registrant's Report on Form 10-K for the fiscal year ended September 30, 1997 (Commission File No. 0-22140), is incorporated herein by reference.

10.5 Registrant's Supplemental Employees' Investment Plan, filed as an exhibit to Registrant's Report on Form 10-KSB for the fiscal year ended September 30, 1994 (Commission File No. 0-22140), is incorporated herein by reference.

10.6 Employment agreements between First Federal Savings Bank of the Midwest and James S. Haahr and Donald J. Winchell, filed on June 17, 1993 as an exhibit to the Registrant's registration statement on Form S-1 (Commission File No. 33-64654), is incorporated herein by reference.

10.7 Registrant's Executive Officer Compensation Program, filed as Exhibit 10.6 to Registrant's Report on Form 10-K for the fiscal year ended September 30, 1998 (Commission File No. 0-22140), is incorporated herein by reference.

10.8 Registrant's Executive Officer Incentive Stock Option Plan for Mergers and Acquisitions, filed as Exhibit 10.7 to Registrant's Report on Form 10-K for the fiscal year ended September 30, 1998 (Commission File No. 0-22140), is incorporated herein by reference.

11 Statement re: computation of per share earnings (included under Note 1 and 2 of Notes to Consolidated Financial Statements in the Annual Report to Shareholders' attached hereto as Exhibit 13).

13 Annual Report to Shareholders.

21 Subsidiaries of the Registrant.

23 Consent of McGladrey & Pullen, LLP.

99.1 Certification of the CEO pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

99.2 Certification of the CFO pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

COVER

First Midwest Financial, Inc.
2002 Annual Report

PEOPLE HELPING PEOPLE

[GRAPHIC - FULL PAGE PHOTO OF HANDSHAKE]

WE MAKE BANKING EASY

FIRST MIDWEST FINANCIAL, INC. 2002 ANNUAL REPORT

BACK COVER

First Midwest
Financial, Inc.
People helping people

First Midwest Financial, Inc.
First Federal Building
Fifth at Erie
P.O. Box 1307
Storm Lake, Iowa 50588

www.fmficash.com

INSIDE FRONT COVER

WE ARE A COMPANY OF PEOPLE HELPING PEOPLE.

TOGETHER, WE WORK HARD TO MAKE BANKING EASY FOR YOU.

EASY FOR YOUR BUSINESS. EASY FOR OUR COMMUNITIES.

CONTENTS

INSIDE BACK COVER

BANK WITH US

AND SEE HOW EASY BANKING CAN BE.

(Dollars in Thousands except Per Share Data)	2002	2001	2000	1999	1998
AT SEPTEMBER 30					
Total assets	$607,648	$523,183	$505,590	$511,213	$418,380
Total loans, net	343,192	333,062	324,703	303,079	270,286
Total deposits	355,780	338,782	318,654	304,780	283,858
Shareholders' equity	44,588	43,727	40,035	39,771	42,286
Book value per common share	$ 18.06	$ 17.71	$ 16.48	$ 15.86	$ 16.56
Total equity to assets	7.34%	8.36%	7.93%	7.78%	10.11%
FOR THE FISCAL YEAR					
Net interest income	$ 14,321	$ 13,033	$ 14,177	$ 13,559	$ 13,050
Net income	2,157	1,910	2,328	2,641	2,785
Diluted earnings per share	$ 0.87	$ 0.78	$ 0.93	$ 1.04	$ 1.03
Return on average assets	.38%	.37%	.46%	.54%	.68%
Return on average equity	4.95%	4.57%	5.98%	6.35%	6.43%
Net yield on interest-earning assets	2.68%	2.64%	2.86%	2.91%	3.32%

TOTAL ASSETS
In millions
[GRAPHIC-CHART]

TOTAL LOANS, NET
In millions
[GRAPHIC-CHART]

TOTAL DEPOSITS
In millions
[GRAPHIC-CHART]

The Company and its subsidiaries exceed regulatory capital requirements. Banks are Members FDIC and Equal Housing Lenders.

LETTER TO SHAREHOLDERS 2

TO OUR SHAREHOLDERS

**FIRST MIDWEST FINANCIAL
REACHED A TURNING POINT IN 2002.**

For the past five years, we invested considerable resources to align our internal capabilities with long-term strategies for high performance and growth. We hired additional expertise, embraced technology, implemented best practices and procedures, and launched new services and new locations to make banking with us easier than ever. All the while, earnings did not reflect the intrinsic value building within the Company.

This year's earnings begin to reveal the added value. Net income rose 13 percent to $0.87 per diluted share or $2.2 million compared to $0.78 per diluted share or $1.9 million for fiscal 2001.

**DEMAND
DEPOSIT BALANCES**
In millions
[GRAPHIC-CHART]

**"OUR GOAL IS TO CREATE SUPERIOR
SHAREHOLDER VALUE BY FULFILLING
OUR CUSTOMER PROMISE TO MAKE
BANKING WITH US EASIER THAN EVER"**

[PHOTO]

Fourth quarter earnings per share jumped 67 percent to $0.30 from $0.18 compared to the same period in 2001.

While we are pleased with the improved 2002 earnings, we are most optimistic about how our strong foundation positions us for better performance in years to come.

The Company opened its first retail location in Sioux Falls, South Dakota in April 2001. After one year, the new office reached profitability and finished the fiscal year with positive earnings. It grew deposits to $30 million during fiscal 2002. Lower-costing demand deposits reached $8.3 million. Total loans doubled, exceeding $45 million.

The Company's third Des Moines location opened in November 2001 and is moving quickly toward profitability. Construction was completed on time and on budget for the fourth facility, which opened in November 2002.

We are confident that these and future sites will enhance long-term earnings.

Loan-to-deposit interest rate spreads increased 55 basis during fiscal 2002. Both an increase in lower-costing deposit balances and a higher concentration of originated commercial loans contributed to the wider spreads.

Demand deposits increased 13 percent during fiscal 2002. The company's five-year deposit trends are most telling: a 158 percent increase in demand deposits and a 45 percent increase in total deposits.

Improvements in the mix and management of our portfolio also contributed to wider loan-to-deposit spreads. Net loans rose to a record $343 million, a 35 percent increase during the past five years. Originated commercial lending increased 68 percent in 2002 alone. The percentage of commercial loans in the portfolio increased from 32 percent to 55 percent of total loans since 1998.

With credit quality always top of mind, we continue to make sound decisions.

LETTER TO SHAREHOLDERS 3

Growth in commercial lending makes the Company less reliant on fixed-rate home mortgages and less sensitive to interest rate risk. We have found that hiring good people, with proven results in our new markets, is an effective strategy to quickly build quality business relationships. This strategy also holds true for our new trust company.

First Services Trust Company was established in April 2002 and is based in Sioux Falls, South Dakota. Thanks to its South Dakota charter, we are able to offer customers some of the most favorable trust laws in the nation.

LOOKING AHEAD

In many ways, First Midwest is just beginning to tap its potential. We have successfully merged tradition with new capabilities, and we are prepared for the next challenges. Our goal is to create superior shareholder value by fulfilling our customer promise to make banking with us easier than ever.

To accomplish this goal, we will embrace initiatives such as:

1. Explore branch expansion opportunities.

2. Maintain superior credit quality through wise decision making and proactive monitoring systems.

3. Aggressively attract and retain demand deposit accounts.

4. Develop full-service commercial relationships.

5. Utilize technology to better understand and respond to customer needs.

While the economy is weaker today than in recent years, our company is dedicated to working with individuals, businesses, and farmers to make our communities stronger. On September 11, 2001, a group of terrorists thought they could break our spirit and change our way of life when they attacked America. They were profoundly wrong. While they silenced the voices of our friends, they discovered that instead of destroying us, their actions brought us closer together and increased our resolve.

[GRAPHIC PIE CHARTS]

Our stock price was $13.50 per share on September 30, 2001. As we write this letter more than a year later, our stock price closed at $15.41 on November 21, 2002. That is a 12 percent annualized increase. Factor in First Midwest's 13 cent per share quarterly dividend and our shareholders earned a 16 percent annualized return on investment.

Our team remains dedicated to increasing shareholder value and enhancing your return. Thank you for your investment in First Midwest Financial.

/s/ James S. Haahr	*/s/ J. Tyler Haahr*
-----------------------	-----------------------
JAMES S. HAAHR	*J. TYLER HAAHR*
Chairman of the Board,	*Senior Vice President,*
President & CEO	*Secretary & COO*

COMPANY STRUCTURE 4

First Midwest Financial, Inc.

[GRAPHIC - CHART]

COMPANY PROFILE

First Midwest Financial, Inc. is a $608 million bank holding company for First Federal Savings Bank of the Midwest and Security State Bank. Headquartered in Storm Lake, Iowa, the Company converted from mutual ownership to stock ownership in 1993. Its primary business is marketing financial deposit and loan products to meet the needs of retail bank customers.

First Midwest operates under a super-community banking philosophy that allows the Company to grow while maintaining its community bank roots, with local decision making and customer service. Administrative functions, transparent to the customer, are centralized to enhance the banks' operational efficiencies and to improve customer service capabilities.

First Federal Savings Bank of the Midwest operates as a thrift with four divisions: First Federal Storm Lake, Brookings Federal Bank, Iowa Savings Bank, and First Federal Sioux Falls. Security State Bank operates as a state-chartered commercial bank. Sixteen offices support customers in Brookings and Sioux Falls, South Dakota, and throughout central and northwest Iowa.

First Services Trust Company, a subsidiary of First Midwest Financial, Inc. established in April 2002, provides a full range of trust services. First Services Financial Limited, a subsidiary of First Federal Savings Bank of the Midwest, is a full-service brokerage operation that offers a wide range of noninsured investment products to customers through LaSalle St. Securities, Inc.

COMPANY VISION, MISSION AND VALUES

VISION OF FIRST MIDWEST FINANCIAL, INC.
Build the best super-community bank system in the Midwest.

VISION OF FIRST MIDWEST FINANCIAL BANKS
Be the bank of choice for financial services in our market area.

MISSION

Have a professional, knowledgeable team that cost effectively provides value-added financial products and services that benefit our customers.

COMPANY VALUES

CUSTOMER SERVICE
Outstanding internal and external customer service are the foundation of our success. Meeting customer financial needs and exceeding expectations contribute to customer satisfaction and long-term relationships.

CONTINUOUS IMPROVEMENT
We embrace change to improve the quality and productivity of our product offerings, business operations, and customer service.

GREAT WORK ENVIRONMENT
We embrace an atmosphere of open communication and mutual respect where people are treated fairly, have fulfilling career opportunities and challenges, and are able to make a difference in the communities we serve.

RESULTS
We are results oriented. Meeting goals allows the company to earn a fair profit while servicing our customers in an efficient and professional manner.

BANK HIGHLIGHTS 5

BANKING MADE EASY FOR YOU

TIME IS PRICELESS. WHETHER YOU ARE AT A SOCCER GAME OR A HIGH-POWERED MEETING, WE KNOW YOU WANT TO MAKE THE MOST OF YOUR TIME. THAT IS WHY WE OFFER INNOVATIVE FINANCIAL PRODUCTS AND SERVICES DESIGNED TO FIT YOUR LIFESTYLE.

Our people are dedicated to making your banking experience with us a good one. We sit down and really get to know you and your financial needs. What we learn helps us recommend the right products and services to help you succeed. Better yet, our Switch Kit makes it easier than ever to open your accounts with us.

From banking in person to online bill payment, we have choices to make banking simple. Our new Privileged Status membership gives you surcharge-free access to over 2,400 ATMs across the country. And that is just one way to access your free or benefit-packed checking account. Just stop by one of our offices or visit our award-winning bank web sites to see how easy banking can be.

ONLINE SERVICE

www.efirstfed.com
www.brookingsfed.com
www.iowasavings.com
www.esecuritystate.com
www.firstfedsf.com

[PHOTO]
From a first home to a dream home, our home mortgage loans help people, like the VanHaaften family, fulfill their dreams. Barb, Brian and Courtney VanHaaften are pictured on their front porch.

PERSONAL
FINANCIAL SERVICES

Checking Choices
Online Express Check Reorder Online Banking Online Bill Payment QUICKbank 24-Hour Telebanking Overdraft Protection Privileged Status PhotoSecure QUICKcard Privileged Status ATM Card Money Market Silver Savings Moola Moola Kids Savings Club Certificates of Deposit Switch Kit Commercial Lending Mortgage Lending Agricultural Lending Consumer Lending Lines of Credit Ready Reserve 24-Hour Online Loan Applications Credit Cards Retirement Services Credit Life Insurance Direct Deposits Automatic Payment Safe Deposit Boxes Notary Service and Signature Guarantee Travelers Cheques Cashier's Checks American Express Gift Checks Interactive Web Sites

INVESTMENT AND INSURANCE SERVICES(1)

Stocks Bonds Mutual Funds
Fixed and Variable Annuities Life Insurance Disability Insurance Long-term Care Insurance Retirement Plans Tax-advantaged Investments

TRUST SERVICES

Trust and Estate Administration Investment Management Services Custody Services Retirement Planning Employee Benefit Services

(1) Non-traditional bank products offered through LaSalle St. Securities, Inc. are not FDIC insured, nor are they guaranteed by the banks of First Midwest or any affiliate.

BANKING MADE EASY FOR YOUR BUSINESS

BANK HIGHLIGHTS

WE BELIEVE A GOOD BUSINESS BANK DOES MORE THAN JUST OFFER THE PRODUCTS AND SERVICES YOU NEED. OUR EXPERIENCED BUSINESS BANKERS REALLY GET TO KNOW YOUR BUSINESS, INSIDE AND OUT, SO WE CAN RECOMMEND SERVICES TO HELP YOU GET AHEAD.

Whether you are starting a new business or want to expand your current operation, we have solutions to help you succeed. From real estate to equipment financing, our hometown know-how and big bank resources can provide you with the financial backing your business may need to reach its true potential. Plus, our new online cash management service helps you accelerate collections, streamline payments, and improve control over your day-to-day business cash flow. You have instant access to your business accounts with just the click of a mouse - any time of the day or night.

We know you have a business to run. That is why we push up our sleeves and go to work for you. Our job is to keep it simple so you can get down to business.

[PHOTO]

Silk Screen Ink, a custom embroidery, screen printing, and promotional item business, was honored as Iowa's 2001 Small Business of the Year. We are proud to provide checking, lending, retirement, trust, and cash management services to help Jay Butterfield manage and grow his business.

Banking is as easy as 1-2-click. For you or your business, our award-winning web sites give you instant access to your accounts.

BUSINESS SERVICES
FINANCING
Commercial Real Estate Loans Lines of Credit Term Loans Equipment Financing Construction Lending Management Buyouts Employee Stock Option Financing Specialized Industries
Small Business Administration (SBA) Lending Beginning Farmer Loan Programs Crop Loans and Insurance Livestock Loans Alternative Lending Options Letters of Credit

CASH MANAGEMENT
Business Advantage Checking Monthly, Quarterly, or Annual Analysis Business Money Market Accounts Interest Advantage Accounts for Non-Profit Entities Online Balance and Activity Reporting Loan and Investment Sweeps Zero Balance Accounts Online Services and Administration Automated Clearinghouse Origination Automated Payroll Services Domestic and International Wire Transfers Federal Tax Payments Ready Reserve Overdraft Protection Cash Concentration Services

OTHER SERVICES

Business Retirement Plans Personal Trust Services Merchant Credit Card Processing Business Credit Cards Online Business Resource Center Business and Cash Management Planning Interactive Web Site

BANKING MADE EASY FOR OUR COMMUNITIES

WE HAVE A SPECIAL CONNECTION TO OUR COMMUNITIES JUST THE BY THE NATURE OF OUR BUSINESS. LENDING MONEY FOR A FIRST HOME, A NEW BUSINESS, AND OTHER LIFE EVENTS IS ONE WAY OUR BANKS WORK TO ENHANCE PEOPLE'S LIVES.

We at First Midwest actively participate in the federal Community Reinvestment Act (CRA) to safely and consistently meet the credit needs in our communities. Your investments with us are reinvested right back into our neighborhoods to make them a better place to live, work and play.

Through our partnerships with the American Bankers Association and America's Promise, each of our banks is recognized as a Bank of Promise. That means we are dedicated to building the character and competence of our youth by fulfilling the Five Promises: Caring adults, Safe places, Healthy start and future, Marketable skills, and Opportunities to serve.

Over one hundred employees donate their time and talents each year to make a difference in the lives of others. Whether it is providing annual scholarships, teaching students the importance of good credit, or hosting our annual Charity Cookout, we dedicate financial resources and thousands of employee hours to make our communities stronger.

[PHOTO OF THE HEMMERS]

James Hemmer (center), his sons Brad, Jeff, Steve, and Mike, and grandson Brandon are pictured on their 4,500 acre family farm. We are pleased to provide financing for the Hemmers and other family farms in our communities.

[PHOTO OF TROY MOORE]

SCHOOL
Iowa Savings Bank President Troy Moore talks to children about the importance of saving money. Every year our employee volunteers dedicate more than 5,000 hours to youth-related activities.

[PHOTO OF SUE JESSE]

CHARITY
Sue Jesse welcomes guests to our annual Charity Cookout in Manson. The Company has donated over $40,000 to local charities since initiating the event five years ago.

OUR PEOPLE MAKE IT HAPPEN

WHEN YOU GET RIGHT DOWN TO IT, WE ARE IN THE BUSINESS OF HELPING PEOPLE. OUR SUCCESS COMES FROM THE EFFORTS OF TALENTED PEOPLE WORKING TOGETHER TO DO THE RIGHT THINGS RIGHT-FOR OUR CUSTOMERS AND FOR EACH OTHER.

Each year we review our past performance, update strategies, and develop specific action plans to achieve our goals. Together, we share best practices and challenge the status quo to enhance earnings and to make banking easier for our customers.

We believe the implementation of innovative ideas fosters healthy growth. From Integrity Selling to industry seminars, our people are encouraged to expand their financial knowledge and professional skills. It is what cultivates employee-driven initiatives that makes our organization better. Now that is rewarding.

After all, good service comes from good people. Customers can talk with a real person and get answers. That is what keeps our customers coming back. It is what being a super-community bank is all about - neighborhood service with the resources of a larger bank.

[PHOTO]

Our people make the difference. From left to right, Brandy Rudy, Josh Luther, Jamie Larson, Lisa Binder, Matt Janssen, and Kathy Thorson.

[PHOTO -SANDY HEGLAND]

"The best part of the bank is our people. Together, we make the Company stronger one relationship at a time."

-SANDY HEGLAND
VICE PRESIDENT OF HUMAN RESOURCES

First Midwest Financial, Inc. and Subsidiaries 10
SELECTED CONSOLIDATED FINANCIAL INFORMATION

SEPTEMBER 30,	2002	2001	2000	1999	1998
SELECTED FINANCIAL CONDITION DATA (In Thousands)					
Total assets	$607,648	$523,183	$505,590	$511,213	$418,380
Loans receivable, net	343,192	333,062	324,703	303,079	270,286
Securities available for sale	218,247	145,374	147,479	178,489	120,610
Excess of cost over net assets acquired, net	3,403	3,403	3,768	4,133	4,498
Deposits	355,780	338,782	318,654	304,780	283,858
Total borrowings	205,266	138,344	143,993	164,369	89,888
Shareholders' equity	44,588	43,727	40,035	39,771	42,286

YEAR ENDED SEPTEMBER 30,					
SELECTED OPERATIONS DATA (In Thousands, Except Per Share Data)					
Total interest income	$ 36,055	$ 38,424	$ 38,755	$ 35,735	$ 32,280
Total interest expense	21,734	25,391	24,578	22,176	19,230
Net interest income	14,321	13,033	14,177	13,559	13,050
Provision for loan losses	1,090	710	1,640	1,992	1,663
Net interest income after provision for loan losses	13,231	12,323	12,537	11,567	11,387
Total noninterest income	2,160	1,292	782	1,556	1,654
Total noninterest expense	12,268	10,695	9,408	8,645	8,253
Income before income taxes	3,123	2,920	3,911	4,478	4,788
Income tax expense	966	1,010	1,583	1,837	2,003
Net income	$ 2,157	$ 1,910	$ 2,328	$ 2,641	$ 2,785
Earnings per common and common equivalent share:					
Basic earnings per share	$ 0.88	$ 0.79	$ 0.95	$ 1.07	$ 1.08
Diluted earnings per share	$ 0.87	$ 0.78	$ 0.93	$ 1.04	$ 1.03

YEAR ENDED SEPTEMBER 30,					
SELECTED FINANCIAL RATIOS AND OTHER DATA					
PERFORMANCE RATIOS					
Return on average assets	0.38%	0.37%	0.46%	0.54%	0.68%
Return on average shareholders' equity	4.95	4.57	5.98	6.35	6.43
Interest rate spread information:					
Average during the year	2.48	2.28	2.46	2.51	2.81
End of year	2.53	2.21	2.32	2.40	2.74
Net yield on average interest-earning assets	2.68	2.64	2.86	2.91	3.32
Ratio of operating expense to average total assets	2.16	2.09	1.85	1.80	2.00
QUALITY RATIOS					
Non-performing assets to total assets at end of year	0.63	0.49	0.15	0.47	1.94
Allowance for loan losses to non-performing loans	220.33	240.02	1,156.13	137.16	41.15
CAPITAL RATIOS					
Shareholders' equity to total assets at end of period	7.34	8.36	7.93	7.78	10.11
Average shareholders' equity to average assets	7.68	8.17	7.67	8.65	10.51
Ratio of average interest-earning assets to average interest-bearing liabilities	104.86	106.90	108.02	108.39	110.22
OTHER DATA					
Book value per common share outstanding	$ 18.06	$ 17.71	$ 16.48	$ 15.86	$ 16.56
Dividends declared per share	$ 0.52	$ 0.52	$ 0.52	$ 0.52	$ 0.48
Dividend payout ratio	59%	65%	55%	48%	44%
Number of full-service offices	15	14	14	13	13

MANAGEMENT'S DISCUSSION AND ANALYSIS
GENERAL

First Midwest Financial, Inc. (the "Company" or "First Midwest") is a bank holding company whose primary subsidiaries are First Federal Savings Bank of the Midwest ("First Federal") and Security State Bank ("Security"). The Company was incorporated in 1993 as a unitary non-diversified savings and loan holding company and, on September 20, 1993, acquired all of the capital stock of First Federal in connection with First Federal's conversion from mutual to stock form of ownership. On September 30, 1996, the Company became a bank holding company in conjunction with the acquisition of Security.

The Company focuses on establishing and maintaining long-term relationships with customers, and is committed to serving the financial service needs of the communities in its market area. The Company's primary market area includes the following counties: Adair, Buena Vista, Calhoun, Ida, Guthrie, Pocahontas, Polk, and Sac located in Iowa, and the counties of Brookings and Minnehaha located in east central South Dakota. The Company attracts retail deposits from the general public and uses those deposits, together with other borrowed funds, to originate and purchase residential and commercial mortgage loans, to make consumer loans, and to provide financing for agricultural and other commercial business purposes.

The Company's basic mission is to maintain and enhance core earnings while serving its primary market area. As such, the Board of Directors has adopted a business strategy designed to (i) maintain the Company's tangible capital in excess of regulatory requirements, (ii) maintain the quality of the Company's assets, (iii) control operating expenses, (iv) maintain and, as possible, increase the Company's interest rate spread, and (v) manage the Company's exposure to changes in interest rates.

FINANCIAL CONDITION

The following discussion of the Company's consolidated financial condition should be read in conjunction with the Selected Consolidated Financial Information and Consolidated Financial Statements and the related notes included elsewhere herein.

The Company's total assets at September 30, 2002 were $607.6 million, an increase of $84.4 million, or 16.1%, from $523.2 million at September 30, 2001. The increase in assets was due primarily to an increase in securities available for sale and to a lesser extent in net loans receivable, and was funded primarily by an increase in securities sold under agreements to repurchase.

The Company's portfolio of securities available for sale increased $72.8 million, or 50.1%, to $218.2 million at September 30, 2002 from $145.4 million at September 30, 2001. The increase reflects the purchase of mortgage-backed securities, primarily with balloon maturities, which have relatively short expected average lives and limited maturity extension. (See Notes 1 and 3 of Notes to Consolidated Financial Statements.)

The Company's portfolio of net loans receivable increased by $10.1 million, or 3.0%, to $343.2 million at September 30, 2002 from $333.1 million at September 30, 2001. Net loans receivable increased as a result of the increased origination of commercial and multi-family real estate loans on existing and newly constructed properties and the increased origination of commercial business loans. In addition, the increase reflects increased origination of agricultural real estate and business loans. Conventional one to four family residential mortgage loans and consumer loans declined as existing originated and purchased loans were repaid in amounts greater than new originations retained in portfolio during the period. (See Notes 1 and 4 of Notes to Consolidated Financial Statements.)

The Company's investment in premises and equipment increased $1.8 million, or 19.4%, to $11.1 million at September 30, 2002 from $9.3 million at September 30, 2001. The increase is due to the construction of a new office facility in Urbandale, Iowa, which opened for business in November 2002.

Customer deposit balances increased by $17.0 million, or 5.0%, to $355.8 million at September 30, 2002 from $338.8 million at September 30, 2001. The increase in deposits resulted from the full-year operation of our new office in Sioux Falls, South Dakota, and the opening of a new office in Des Moines, Iowa. In addition, the increase reflects management's continued efforts to enhance deposit product design and marketing programs. Deposit balances increased for non-interest-bearing demand accounts, interest-bearing transaction accounts, which include savings, NOW and money market demand accounts, and time certificates of deposit in the amounts of $4.2 million, $7.5 million, and $5.3 million, respectively. Included in the increase in time certificates of deposit is a $12.9 million increase in jumbo certificates of deposit. (See Note 7 of Notes to Consolidated Financial Statements.)

The Company's borrowings from the Federal Home Loan Bank decreased by $1.3 million, or 1.0%, to $125.1 million at September 30, 2002 from $126.4 million at September 30, 2001. The balance in securities sold under agreements to repurchase increased to $70.2 million at September 30, 2002 from $2.0 million at September 30, 2001. The increase in securities sold under agreements to repurchase reflects the use of this alternative borrowing source at a comparatively lower cost and was used to fund balance sheet growth during the period. (See Notes 1 and 9 of Notes to Consolidated Financial Statements.)

Shareholders' equity increased $900,000, or 2.1%, to $44.6 million at September 30, 2002 from $43.7 million at September 30, 2001. The increase in shareholders' equity is the result of net earnings during the period, which was partially offset by the repurchase of common shares held as Treasury stock and by cash dividends paid to shareholders.

RESULTS OF OPERATIONS

The following discussion of the Company's results of operations should be read in conjunction with the Selected Consolidated Financial Information and Consolidated Financial Statements and the related notes included elsewhere herein.

The Company's results of operations are primarily dependent on net interest income, noninterest income, and operating expenses. Net interest income is the difference, or spread, between the average yield on interest-earning assets and the average rate paid on interest-bearing liabilities. The interest rate spread is affected by regulatory, economic, and competitive factors that influence interest rates, loan demand, and deposit flows. The Company, like other financial institutions, is subject to interest rate risk to the extent that its interest-earning assets mature or reprice at different times, or on a different basis, than its interest-bearing liabilities.

The Company's noninterest income consists primarily of fees charged on transaction accounts, which help offset the costs associated with establishing and maintaining these deposit accounts. In addition, noninterest income is derived from the activities of First Federal's wholly-owned subsidiary, First Services Financial Limited, which is engaged in the sale of various non-insured investment products. During fiscal year 2002, the Company established First Services Trust Company, a wholly-owned subsidiary of First Midwest that provides a variety of professional trust services.

Historically, the Company has not derived significant income as a result of gains on the sale of securities and other assets. During the year ended September 30, 2000, the Company recorded a loss on the sale of securities available for sale in the amount of $1,021,000 resulting from the planned restructuring of the balance sheet that involved the sale of lower yielding securities, the reinvestment of funds into higher yielding assets, and the repayment of borrowings. The loss on sale of securities was partially offset by a $561,000 gain on the transfer of Federal Home Loan Bank advances.

COMPARISON OF OPERATING RESULTS FOR THE YEARS ENDED SEPTEMBER 30, 2002 AND SEPTEMBER 30, 2001 GENERAL

Net income for the year ended September 30, 2002 increased $247,000, or 12.9%, to $2,157,000, from $1,910,000 for the same period ended September 30, 2001. The increase in net income reflects increases in net interest income and noninter-est income, which were partially offset by an increase in nonin-terest expense and an increase in the provision for loan losses.

The following table sets forth the weighted average effective interest rate on interest-earning assets and interest-bearing liabilities at the end of each of the years presented.

AT SEPTEMBER 30,	2002	2001	2000
WEIGHTED AVERAGE YIELD ON			
Loans receivable	7.02%	7.93%	8.47%
Mortgage-backed securities available for sale	5.29	6.46	6.66
Securities available for sale	2.85	4.61	6.92
FHLB stock	3.00	4.08	7.10
Combined weighted average yield on interest-earning assets	6.16	7.27	7.91
WEIGHTED AVERAGE RATE PAID ON			
Demand, NOW and money market demand deposits	1.27	2.06	3.50
Savings deposits	1.46	1.69	3.05
Time deposits	4.07	5.73	6.02
FHLB advances	5.46	5.76	5.99
Other borrowed money	2.36	7.07	6.32
Combined weighted average rate paid on interest-bearing liabilities	3.63	5.06	5.59
Spread	2.53	2.21	2.32

RATE/VOLUME ANALYSIS

The following schedule presents the dollar amount of changes in interest income and interest expense for major components of interest-earning assets and interest-bearing liabilities. It distinguishes between the increase related to higher outstanding balances and that due to the levels and volatility of interest rates. For each category of interest-earning assets and interest-bearing liabilities, information is provided on changes attributable to
(i) changes in volume (i.e., changes in volume multiplied by old rate) and (ii) changes in rate (i.e., changes in rate multiplied by old volume). For purposes of this table, changes attributable to both rate and volume, which cannot be segregated have been allocated proportionately to the change due to volume and the change due to rate.

YEAR ENDED SEPTEMBER 30,

	2002 VS. 2001			2001 VS. 2000		
(In Thousands)	Increase (Decrease) Due to Volume	Increase (Decrease) Due to Rate	Total Increase (Decrease)	Increase (Decrease) Due to Volume	Increase (Decrease) Due to Rate	Total Increase (Decrease)
INTEREST-EARNING ASSETS						
Loans receivable	$ 896	$(2,913)	$(2,017)	$ 1,476	$ (137)	$ 1,339
Mortgage-backed securities available for sale	2,427	(860)	1,567	(1,423)	25	(1,398)
Securities available for sale	(471)	(1,248)	(1,719)	161	(308)	(147)
FHLB stock	(42)	(158)	(200)	(4)	(121)	(125)
Total interest-earning assets	$ 2,810	$(5,179)	$(2,369)	$ 210	$ (541)	$ (331)
INTEREST-BEARING LIABILITIES						
Demand, NOW and money market deposits	$ 168	$ (904)	$ (736)	$ 170	$ (318)	$ (148)
Savings deposits	57	(108)	(51)	(127)	(61)	(188)
Time deposits	26	(3,327)	(3,301)	1,282	964	2,246
FHLB advances	(453)	(29)	(482)	(1,384)	22	(1,362)
Other borrowed money	1,128	(215)	913	302	(37)	265
Total interest-bearing liabilities	$ 926	$(4,583)	$(3,657)	$ 243	$ 570	$ 813
Net effect on net interest income	$ 1,884	$ (596)	$ 1,288	$ (33)	$(1,111)	$(1,144)

AVERAGE BALANCES, INTEREST RATES AND YIELDS

The following table presents for the periods indicated the total dollar amount of interest income from average interest-earning assets and the resultant yields, as well as the interest expense on average interest-bearing liabilities, expressed both in dollars and rates. No tax equivalent adjustments have been made. Non-accruing loans have been included in the table as loans carrying a zero yield.

YEAR ENDED SEPTEMBER 30,

	2002			2001			2000		
(Dollars in Thousands)	Average Outstanding Balance	Interest Earned /Paid	Yield /Rate	Average Outstanding Balance	Interest Earned /Paid	Yield /Rate	Average Outstanding Balance	Interest Earned /Paid	Yield /Rate
INTEREST-EARNING ASSETS									
Loans receivable(1)	$ 338,736	$ 25,935	7.66%	$ 327,036	$ 27,952	8.55%	$ 309,768	$ 26,613	8.59%
Mortgage-backed securities available for sale	146,435	8,379	5.72	104,012	6,812	6.55	125,749	8,210	6.53
Securities available for sale	42,273	1,513	3.58	55,442	3,232	5.83	52,672	3,379	6.42
FHLB stock	6,861	228	3.32	8,118	428	5.27	8,190	553	6.75
Total interest-earning assets	534,305	$ 36,055	6.75%	494,608	$ 38,424	7.77%	496,379	$ 38,755	7.81%
Noninterest-earning assets	32,374			18,251			10,879		
Total assets	$ 566,679			$ 512,859			$ 507,258		
INTEREST-BEARING LIABILITIES									
Demand, NOW and money market demand deposits	$ 74,656	$ 1,261	1.69%	$ 64,711	$ 1,997	3.09%	$ 59,199	$ 2,145	3.62%
Savings deposits	14,582	238	1.63	11,115	289	2.60	15,986	477	2.98
Time deposits	252,606	11,960	4.73	252,171	15,261	6.05	230,992	13,015	5.63
FHLB advances	118,415	6,891	5.82	126,208	7,373	5.84	149,896	8,735	5.83
Other borrowed money	49,288	1,384	2.81	8,471	471	5.56	3,460	206	5.95
Total interest-bearing liabilities	509,547	$ 21,734	4.27%	462,676	$ 25,391	5.49%	459,533	$ 24,578	5.35%
Noninterest-bearing:									
Deposits	10,105			6,551			5,639		
Liabilities	3,501			1,751			3,178		
Total liabilities	523,153			470,978			468,350		
Shareholders' equity	43,526			41,881			38,908		
Total liabilities and shareholders' equity	$ 566,679			$ 512,859			$ 507,258		
Net interest-earning assets	$ 24,758			$ 31,932			$ 36,846		
Net interest income		$ 14,321			$ 13,033			$ 14,177	
Net interest rate spread			2.48%			2.28%			2.46%
Net yield on average interest-earning assets			2.68%			2.64%			2.86%
Average interest-earning assets to average interest-bearing liabilities	104.86%			106.90%			108.02%		

(1) Calculated net of deferred loan fees, loan discounts, loans in process and allowance for loan losses.

NET INTEREST INCOME

Net interest income for the year ended September 30, 2002 increased by $1,288,000, or 9.9%, to $14,321,000 compared to $13,033,000 for the period ended September 30, 2001. The increase in net interest income reflects a $39.7 million increase in the average balance of interest-earning assets combined with an increase in the net yield on average earning assets. The net yield on average earning assets increased to 2.68% for the period ended September 30, 2002 from 2.64% for the same period in 2001. The increase in net yield on average earning assets was the result of an increase in the net interest rate spread between interest-earning assets and interest-bearing liabilities. The average interest rate spread increased to 2.48% for the fiscal year ended September 30, 2002 from 2.28% for the previous year. This increase reflects a reduction in the average cost of deposits due to an increase in the level of transactional deposit accounts and an increased percentage of originated commercial loans at relatively higher yields during the period.

INTEREST AND DIVIDEND INCOME

Interest and dividend income for the year ended September 30, 2002 decreased $2,369,000, or 6.2%, to $36,055,000 from $38,424,000 for the same period in 2001. The decrease is due primarily to a $2,017,000 decline in interest income from loans receivable as a result of a decrease in the average yield on these assets during the period. In addition, dividend income from FHLB stock decreased by $200,000 due primarily to a decline in average yield received.

INTEREST EXPENSE

Interest expense decreased $3,657,000, or 14.4%, to $21,734,000 for the year ended September 30, 2002 from $25,391,000 for the same period in 2001. Interest expense was reduced due to a $4,088,000 decrease in interest expense on deposits as a result primarily of a decline in the average rate paid on deposits during the period. In addition, interest expense was reduced by $482,000 on FHLB advances due primarily to a decrease in the average balance outstanding during the period. These decreases were partially offset by a $913,000 increase in expense on other borrowings due to an increase in the average balance outstanding during the period.

PROVISION FOR LOAN LOSSES

The provision for loan losses for the year ended September 30, 2002 was $1,090,000 compared to $710,000 for the same period in 2001. Management believes that, based on a detailed review of the loan portfolio, historic loan losses, current economic conditions, and other factors, the current level of provision for loan losses, and the resulting level of the allowance for loan losses, reflects an adequate allowance against probable losses from the loan portfolio at such date.

Economic conditions in the agricultural sector of the Company's market area are currently stable due to improved commodity prices. The agricultural economy is accustomed to commodity price fluctuations and is generally able to handle such fluctuations without significant problem. However, an extended period of low commodity prices could result in weakness of the Company's agricultural loan portfolio and could create a need for the Company to increase its allowance for loan losses through increased charges to provision for loan losses.

During recent years, the Company has increased its origination and purchase of multi-family and commercial real estate loans and has increased its origination of commercial business loans. The Company anticipates activity in this type of lending to continue in future years. While generally carrying higher rates, this lending activity is considered to carry a higher level of risk due to the nature of the collateral and the size of individual loans. As such, the Company anticipates continued increases in its allowance for loan losses as a result of this lending activity.

Although the Company maintains its allowance for loan losses at a level that it considers to be adequate, there can be no assurance that future losses will not exceed estimated amounts, or that additional provisions for loan losses will not be required in future periods. In addition, the Company's determination of the allowance for loan losses is subject to review by its regulatory agencies, which can require the establishment of additional general or specific allowances, though they have chosen not to do so in recent years.

NONINTEREST INCOME

Noninterest income increased by $867,000, or 67.1%, to $2,159,000 for the year ended September 30, 2002 from $1,292,000 for the same period in 2001. The increase in non-interest income reflects a $78,000 increase in service charges collected on deposit accounts, an $84,000 increase in commissions received through the Company's brokerage subsidiary, and a $566,000 increase in the accretion of income from bank owned life insurance, which was purchased in August 2001. In addition, the increase reflects a gain on sale of securities available for sale in the amount of $86,000 during fiscal 2002 compared to a loss on sale of $60,000 in the previous year.

NONINTEREST EXPENSE

Noninterest expense increased by $1,573,000, or 14.7%, to $12,268,000 for the year ended September 30, 2002 from $10,695,000 for the same period in 2001. The increase in noninterest expense primarily reflects the costs associated with opening new offices during the period. In April 2001, the Company moved into its newly constructed facility in Sioux Falls, South Dakota and opened its third Des Moines, Iowa, location in November 2001. In November 2002, the Company opened its newly constructed facility in Urbandale, Iowa, which is the Company's fourth Des Moines area location and serves as the Company's Des Moines area main office. Noninterest expense also increased as a result of the Company's on-going effort to maintain and enhance its technology systems for the efficient delivery of products and customer service. This includes internet banking, which became available to customers in January 2002.

INCOME TAX EXPENSE

Income tax expense decreased by $45,000, or 4.5%, to $966,000 for the year ended September 30, 2002 from $1,011,000 for the same period in 2001. The decrease in income tax expense reflects a decrease in taxable income between the comparable periods. Taxable income decreased due to an increase in the accretion of income from bank owned life insurance attributable to a buildup in cash surrender value, which is not taxable.

COMPARISON OF OPERATING RESULTS FOR THE YEARS ENDED SEPTEMBER 30, 2001 AND SEPTEMBER 30, 2000 GENERAL

Net income for the year ended September 30, 2001 decreased $418,000, or 18.0%, to $1,910,000, from $2,328,000 for the same period ended September 30, 2000. The decrease in net income reflects a reduction in net interest income and an increase in noninterest expense, which were partially offset by an increase in noninterest income and a decrease in the provision for loan losses. In addition, fiscal year 2000 included a gain on the transfer of Federal Home Loan Bank advances.

NET INTEREST INCOME

Net interest income for the year ended September 30, 2001 decreased by $1,144,000, or 8.1%, to $13,033,000 compared to $14,177,000 for the period ended September 30, 2000. The decrease in net interest income reflects a decrease in the net interest rate spread between interest-earning assets and interest-bearing liabilities during the period. The average interest rate spread declined to 2.28% for the fiscal year ended September 30, 2001 from 2.46% for the previous year. The decline in spread was due primarily to an increase in the average cost of time deposits as a result of an interest rate yield curve that was flat or inverted for much of the period. The net yield on average earning assets decreased to 2.64% for the period ended September 30, 2001 from 2.86% for the same period in 2000. The decrease in net yield is due to the decrease in net interest rate spread and a decrease in net earning assets.

INTEREST AND DIVIDEND INCOME

Interest and dividend income for the year ended September 30, 2001 decreased $331,000, or 0.85%, to $38,424,000 from $38,755,000 for the same period in 2000. The decrease is due primarily to a decline of $1,545,000 in interest income from securities available for sale due to a decrease in the average balance outstanding and to a decrease in the average yield on these assets during the period. In addition, dividend income from FHLB stock decreased by $125,000 due primarily to a decline in average yield received. These decreases were partially offset by a $1,339,000 increase in interest income from net loans receivable due to an increase in the average balance outstanding during the period.

INTEREST EXPENSE

Interest expense increased $813,000, or 3.3%, to $25,391,000 for the year ended September 30, 2001 from $24,578,000 for the same period in 2000. The increase is due to an increase of $1,910,000 in interest expense on deposits due to an increase in the average outstanding balance and to an increase in the average rate paid on deposits during the period. The increase in the average outstanding balance of deposits resulted from internal growth of the deposit portfolio. The increase in deposit interest expense was partially offset by a decrease of $1,098,000 in expense on FHLB advances and other borrowings due to a decline in the average balances outstanding during the period.

PROVISION FOR LOAN LOSSES

The provision for loan losses for the year ended September 30, 2001 was $710,000 compared to $1,640,000 for the same period in 2000. Management believes that, based on a detailed review of the loan portfolio, historic loan losses, current economic conditions, and other factors, the current level of provision for loan losses, and the resulting level of the allowance for loan losses, reflects an adequate allowance against probable losses from the loan portfolio.

NONINTEREST INCOME

Noninterest income increased by $511,000, or 65.4%, to $1,292,000 for the year ended September 30, 2001 from $781,000 for the same period in 2000. The increase in nonin-terest income reflects a $114,000 increase in deposit service charges. In addition, the loss on sale of securities available for sale totaled $60,000 for the year ended September 30, 2001 as compared to $1,021,000 for the previous year. The fiscal 2000 loss on sale of securities available for sale resulted primarily from the planned restructuring of the balance sheet that involved the sale of lower yielding securities, the reinvestment of proceeds into higher yielding assets, and the repayment of borrowings, which yielded a gain of $561,000.

NONINTEREST EXPENSE

Noninterest expense increased by $1,287,000, or 13.7%, to $10,695,000 for the year ended September 30, 2001 from $9,408,000 for the same period in 2000. The increase in non-interest expense reflects the costs associated with opening a new office in Sioux Falls, South Dakota, and the opening of the Company's third Des Moines location, which opened in November 2001. The Sioux Falls office opened in a temporary facility in September 2000, with construction of a permanent facility completed on schedule, and the move to the new office made in April 2001. Noninterest expense was also increased due to costs associated with a data processing conversion at the Company's Security State Bank subsidiary. This conversion will provide on-going efficiencies as a consistent data processing system is now in use throughout the Company's operating divisions. In addition, increased occupancy and equipment expense reflects the Company's on-going effort to enhance its technology systems for the efficient delivery of products and customer service.

INCOME TAX EXPENSE

Income tax expense decreased by $572,000, or 36.1%, to $1,011,000 for the year ended September 30, 2001 from $1,583,000 for the same period in 2000. The decrease in income tax expense reflects the decrease in the level of taxable income between the comparable periods. In addition, income tax expense was reduced for the period ended September 30, 2001 due to the favorable resolution of a tax contingency in the net amount of $139,000.

ASSET/LIABILITY MANAGEMENT AND MARKET RISK
QUALITATIVE ASPECTS OF MARKET RISK

As stated above, the Company derives its income primarily from the excess of interest collected over interest paid. The rates of interest the Company earns on assets and pays on liabilities generally are established contractually for a period of time. Market interest rates change over time. Accordingly, the Company's results of operations, like those of many financial institution holding companies and financial institutions, are impacted by changes in interest rates and the interest rate sensitivity of its assets and liabilities. The risk associated with changes in interest rates and the Company's ability to adapt to these changes is known as interest rate risk and is the Company's only significant market risk as defined in rules adopted by the Securities and Exchange Commission.

QUANTITATIVE ASPECTS OF MARKET RISK

In an attempt to manage the Company's exposure to changes in interest rates and comply with applicable regulations, we monitor the Company's interest rate risk. In monitoring interest rate risk, we analyze and manage assets and liabilities based on their payment streams and interest rates, the timing of their maturities, and their sensitivity to actual or potential changes in market interest rates.

An asset or liability is interest rate sensitive within a specific time period if it will mature or reprice within that time period. If the Company's assets mature or reprice more rapidly or to a greater extent than its liabilities, then net portfolio value and net interest income would tend to increase during periods of rising rates and decrease during periods of falling interest rates. Conversely, if the Company's assets mature or reprice more slowly or to a lesser extent than its liabilities, then net portfolio value and net interest income would tend to decrease during periods of rising interest rates and increase during periods of falling interest rates.

The Company currently focuses lending efforts toward originating and purchasing competitively priced adjustable-rate and fixed-rate loan products with short to intermediate terms to maturity, generally 15 years or less. This allows the Company to maintain a portfolio of loans that will be relatively sensitive to changes in the level of interest rates while providing a reasonable spread to the cost of liabilities used to fund the loans.

The Company's primary objective for its investment portfolio is to provide the liquidity necessary to meet the funding needs of the loan portfolio. The investment portfolio is also used in the ongoing management of changes to the Company's asset/liability mix, while contributing to profitability through earnings flow. The investment policy generally calls for funds to be invested among various categories of security types and maturities based upon the Company's need for liquidity, desire to achieve a proper balance between minimizing risk while maximizing yield, the need to provide collateral for borrowings, and to fulfill the Company's asset/liability management goals.

The Company's cost of funds responds to changes in interest rates due to the relatively short-term nature of its deposit portfolio. Consequently, the results of operations are generally influenced by the level of short-term interest rates. The Company offers a range of maturities on its deposit products at competitive rates and monitors the maturities on an ongoing basis.

The Company emphasizes and promotes its savings, money market, demand and NOW accounts and, subject to market conditions, certificates of deposit with maturities of six months through five years, principally in its primary market area. The savings and NOW accounts tend to be less susceptible to rapid changes in interest rates.

In managing its asset/liability mix, the Company, at times, depending on the relationship between long- and short-term interest rates, market conditions, and consumer preference, may place somewhat greater emphasis on maximizing its net interest margin than on strictly matching the interest rate sensitivity of its assets and liabilities. Management believes the increased net income that may result from an acceptable mismatch in the actual maturity or repricing of its asset and liability portfolios can, during periods of declining or stable interest rates, provide sufficient returns to justify the increased exposure to sudden and unexpected increases in interest rates that may result from such a mismatch. The Company has established limits, which may change from time to time, on the level of acceptable interest rate risk. There can be no assurance, however, that in the event of an adverse change in interest rates, the Company's efforts to limit interest rate risk will be successful.

NET PORTFOLIO VALUE

The Company uses a net portfolio value ("NPV") approach to the quantification of interest rate risk. This approach calculates the difference between the present value of expected cash flows from assets and the present value of expected cash flows from liabilities, as well as cash flows from off-balance-sheet contracts. Management of the Company's assets and liabilities is performed within the context of the marketplace, but also within limits established by the Board of Directors on the amount of change in NPV that is acceptable given certain interest rate changes.

Presented below, as of September 30, 2002 and 2001, is an analysis of the Company's interest rate risk as measured by changes in NPV for an instantaneous and sustained parallel shift in the yield curve, in 100 basis point increments, up and down 200 basis points. As illustrated in the table, the Company's NPV at September 30, 2002 and September 30, 2001 was more sensitive to declining interest rates than to increasing interest rates. This reflects management's effort to maintain the Company's interest rate sensitivity in light of the significant decline in interest rates during the periods. With interest rates at historically low levels, management believes there is less risk from interest rates declining substantially from current levels than from the potential increase in interest rates. The Company's sensitivity to declining interest rates exceeded the established limits at September 30, 2002 and September 30, 2001; however, the Board considers this to be acceptable given the interest rate environment.

Certain shortcomings are inherent in the method of analysis presented in the table. For example, although certain assets and liabilities may have similar maturities or periods to repricing, they may react in different degrees to changes in market interest rates. Also, the interest rates on certain types of assets and liabilities may fluctuate in advance of changes in market interest rates, while interest rates on other types may lag behind changes in market rates. Additionally, certain assets such as adjustable-rate mortgage loans have features that restrict changes in interest rates on a short-term basis and over the life of the asset. Further, in the event of a change in interest rates, prepayments and early withdrawal levels would likely deviate from those assumed in calculating the table. Finally, the ability of some borrowers to service their debt may decrease in the event of an interest rate increase. The Company considers all of these factors in monitoring its exposure to interest rate risk.

Management reviews the OTS measurements and related peer reports on NPV and interest rate risk on a quarterly basis. In addition to monitoring selected measures of NPV, management also monitors the effects on net interest income resulting from increases or decreases in interest rates. This measure is used in conjunction with NPV measures to identify excessive interest rate risk.

ASSET QUALITY

It is management's belief, based on information available at fiscal year end, that the Company's current asset quality is satisfactory. At September 30, 2002, non-performing assets, consisting of non-accruing loans, accruing loans delinquent 90 days or more, restructured loans, foreclosed real estate, and repossessed consumer property, totaled $3,836,000, or 0.63% of total assets, compared to $2,567,000, or 0.49% of total assets, for the fiscal year ended 2001.

Change in Interest Rate	Board Limit	At September 30, 2002		At September 30, 2001	
(Basis Points)	% Change	$ Change	% Change	$ Change	% Change
Dollars In Thousands					
+200 bp	(40)%	$ 1,543	4%	$ (2,472)	(6)%
+100 bp	(25)	1,898	5	(698)	(2)
0	--	--	--	--	--
-100 bp	(10)	(4,362)	(12)	(4,336)	(11)
-200 bp	(15)	(8,873)	(25)	(11,377)	(29)

Non-accruing loans at September 30, 2002 include, among others, a commercial real estate loan in the amount of $417,000 secured by a casino, an agricultural operating loan in the amount of $298,000 secured by agricultural land, and a commercial business loan in the amount of $181,000 secured by proceeds from the sale of a marina and residential real estate. Accruing loans delinquent 90 days or more includes an agricultural loan in the amount of $804,000 secured by farm machinery, crops and agricultural land. Foreclosed real estate at September 30, 2002 consists primarily of a nursing home in the amount of $889,000, a condominium project in the amount of $296,000, and a car wash facility in the amount of $125,000.

The Company maintains an allowance for loan losses because of the potential that some loans may not be repaid in full. (See Note 1 of Notes to Consolidated Financial Statements.) At September 30, 2002, the Company had an allowance for loan losses in the amount of $4,693,000 as compared to $3,869,000 at September 30, 2001. Management's periodic review of the adequacy of the allowance for loan losses is based on various subjective and objective factors including the Company's past loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral, and current economic conditions. While management may allocate portions of the allowance for specifically identified problem loan situations, the majority of the allowance is based on judgmental factors related to the overall loan portfolio and is available for any loan charge-offs that may occur.

In determining the allowance for loan losses, the Company specifically identifies loans that it considers to have potential collectibility problems. Based on criteria established by Statement of Financial Accounting Standards (SFAS) No. 114, some of these loans are considered to be "impaired" while others are not considered to be impaired, but possess weaknesses that the Company believes merit additional analysis in establishing the allowance for loan losses. All other loans are evaluated by applying estimated loss ratios to various pools of loans. The Company then analyzes other factors (such as economic conditions) in determining the aggregate amount of the allowance needed.

At September 30, 2002, $304,000 of the allowance for loan losses was allocated to impaired loans (See Note 4 of Notes to Consolidated Financial Statements), $1,701,000 was allocated to identified problem loan situations, and $2,688,000 was allocated as a reserve against losses from the overall loan portfolio based on historical loss experience and general economic conditions. At September 30, 2001, $168,000 of the allowance for loan losses was allocated to impaired loans, $1,048,000 was allocated to identified problem loan situations, and $2,653,000 was allocated as a reserve against losses from the overall loan portfolio based on historical loss experience and general economic conditions.

The September 30, 2002 allowance for loan losses that was allocated to impaired loans was $304,000, which is 25.6% of impaired loans as of that date. The September 30, 2001 allowance allocated to impaired loans was $168,000, which is 12.4% of impaired loans at that date. The increase in the dollar amount and percentage of the allocated allowance is a result of the specific analysis performed on a loan-by-loan basis as described above.

The September 30, 2002 allowance allocated to other identified problem loan situations was $1,701,000 as compared to $1,048,000 at September 30, 2001, an increase of $653,000. The increase in the dollar amount of the allocated allowance is due to a relative increase in identified problem loan situations between the periods and is the result of a specific analysis performed on a loan-by-loan basis as described above.

The portion of the September 30, 2002 allowance that was not specifically allocated to individual loans was $2,688,000 as compared to $2,653,000 at September 30, 2001, an increase of $35,000. The increase primarily reflects a change in the composition of the loan portfolio, which reduced one to four family residential mortgage loans and increased commercial and multi-family real estate loans.

LIQUIDITY AND SOURCES OF FUNDS

The Company's primary sources of funds are deposits, borrowings, principal and interest payments on loans and mortgage-backed securities, and maturing investment securities. While scheduled loan repayments and maturing investments are relatively predictable, deposit flows and early loan repayments are influenced by the level of interest rates, general economic conditions, and competition.

First Federal and Security are required by regulation to maintain sufficient liquidity to assure their safe and sound operation. In the opinion of management, both First Federal and Security are in compliance with this requirement.

Liquidity management is both a daily and long-term function of the Company's management strategy. The Company adjusts its investments in liquid assets based upon management's assessment of (i) expected loan demand, (ii) the projected availability of purchased loan products, (iii) expected deposit flows,
(iv) yields available on interest-bearing deposits, and (v) the objectives of its asset/liability management program. Excess liquidity is generally invested in interest-earning overnight deposits and other short-term government agency obligations. If the Company requires funds beyond its ability to generate them internally, it has additional borrowing capacity

with the Federal Home Loan Bank of Des Moines and has collateral eligible for use with reverse repurchase agreements.

The primary investing activities of the Company are the origination and purchase of loans and the purchase of securities. During the years ended September 30, 2002, 2001 and 2000, the Company originated loans totaling $299.9 million, $159.6 million and $104.3 million, respectively. Purchases of loans totaled $27.1 million, $32.8 million and $55.6 million during the years ended September 30, 2002, 2001 and 2000, respectively. During the years ended September 30, 2002, 2001 and 2000, the Company purchased mortgage-backed securities and other securities available for sale in the amount of $135.5 million, $22.9 million and $515,000, respectively.

At September 30, 2002, the Company had outstanding commitments to originate and purchase loans of $35.6 million. (See Note 14 of Notes to Consolidated Financial Statements.) Certificates of deposit scheduled to mature in one year or less from September 30, 2002 total $164.0 million. Based on its historical experience, management believes that a significant portion of such deposits will remain with the Company, however, there can be no assurance that the Company can retain all such deposits. Management believes that loan repayment and other sources of funds will be adequate to meet the Company's foreseeable short- and long-term liquidity needs.

During July 2001, the Company's trust subsidiary, First Midwest Financial Capital Trust I, sold $10 million in floating rate cumulative preferred securities. Proceeds from the sale were used to purchase subordinated debentures of First Midwest, which mature in the year 2031, and are redeemable at any time after five years. The Company used the proceeds for general corporate purposes.

During fiscal year 2002, the Company initiated construction of a new office facility in Urbandale, Iowa. Construction was completed in October 2002 and the facility opened as a branch office in November 2002. The source of funds for capital improvements of this type is from the normal operations of the Company.

On September 20, 1993, the Bank converted from a federally chartered mutual savings and loan association to a federally chartered stock savings bank. At that time, a liquidation account was established for the benefit of eligible account holders who continue to maintain their account with the Bank after the conversion. The liquidation account is reduced annually to the extent that eligible account holders have reduced their qualifying deposits. At September 30, 2002, the liquidation account approximated $2.6 million.

The Company, First Federal and Security are in compliance with their capital requirements and are considered "well capitalized" under current regulatory guidelines. (See Note 13 of Notes to Consolidated Financial Statements.)

IMPACT OF INFLATION AND CHANGING PRICES

The Consolidated Financial Statements and Notes thereto presented herein have been prepared in accordance with generally accepted accounting principles, which require the measurement of financial position and operating results in terms of historical dollars without considering the change in the relative purchasing power of money over time due to inflation. The primary impact of inflation is reflected in the increased cost of the Company's operations. Unlike most industrial companies, virtually all the assets and liabilities of the Company are monetary in nature. As a result, interest rates generally have a more significant impact on a financial institution's performance than do the effects of general levels of inflation. Interest rates do not necessarily move in the same direction, or to the same extent, as the prices of goods and services.

IMPACT OF NEW ACCOUNTING STANDARDS

In April 2002, the Financial Accounting Standards Board (FASB) issued SFAS No. 145, which rescinds prior accounting guidance that required gains and losses from extinguishment of debt to be classified as extraordinary items. As a result, gains and losses from extinguishment of debt should be classified as extraordinary items only if they meet the criteria in APB Opinion No. 30.

The Company has determined that its transfer of FHLB advances in fiscal 2000, as discussed in Note 8, does not meet the criteria in APB No. 30 for extraordinary reporting. Accordingly, the gain, net of applicable taxes, of $351,995, which was previously reported as an extraordinary item has been reclassified to noninterest income of $560,595 and income tax expense of $208,600, with no effect on net income or earnings per common share.

In October 2002, the FASB issued SFAS No. 147, which addresses the financial accounting and reporting for the acquisition of all or part of a financial institution, except for a transaction between two or more mutual enterprises. Transaction provisions for previously recognized unidentifiable intangible assets are effective on October 1, 2002, with earlier application permitted. The carrying amount of an unidentifiable intangible asset shall continue to be amortized after October 1, 2002, unless the transaction in which the asset arose was a business combination. If the transaction that gave rise to the unidentifiable intangible asset was a business combination, the carrying amount of the asset shall be reclassified to goodwill as of the later of the date of acquisition or the date SFAS No. 142 was applied in its entirety. The Company has no unidentifiable intangible assets recorded as of September 30, 2002, and therefore believes SFAS No. 147 has no effect on the accompanying consolidated financial statements.

FORWARD-LOOKING STATEMENTS

The Company, and its wholly-owned subsidiaries First Federal and Security, may from time to time make written or oral "forward-looking statements," including statements contained in its filings with the Securities and Exchange Commission, in this its annual report to shareholders, in other reports to shareholders, and in other communications by the Company, which are made in good faith by the Company pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995.

These forward-looking statements include statements with respect to the Company's beliefs, expectations, estimates, and intentions, that are subject to significant risks and uncertainties, and are subject to change based on various factors, some of which are beyond the Company's control. Such statements address the following subjects: future operating results; customer growth and retention; loan and other product demand; earnings growth and expectations; new products and services; credit quality and adequacy of reserves; technology; and our employees. The following factors, among others, could cause the Company's financial performance to differ materially from the expectations, estimates, and intentions expressed in such forward-looking statements: the strength of the United States economy in general and the strength of the local economies in which the Company conducts operations; the effects of, and changes in, trade, monetary, and fiscal policies and laws, including interest rate policies of the Federal Reserve Board; inflation, interest rate, market, and monetary fluctuations; the timely development of and acceptance of new products and services of the Company and the perceived overall value of these products and services by users; the impact of changes in financial services' laws and regulations; technological changes; acquisitions; changes in consumer spending and saving habits; and the success of the Company at managing the risks involved in the foregoing.

The foregoing list of factors is not exclusive. Additional discussion of factors affecting the Company's business and prospects is contained in the Company's periodic filings with the SEC. The Company does not undertake, and expressly disclaims any intent or obligation, to update any forward-looking statement, whether written or oral, that may be made from time to time by or on behalf of the Company.

INDEPENDENT AUDITORS REPORT

TO THE BOARD OF DIRECTORS
FIRST MIDWEST FINANCIAL, INC. AND SUBSIDIARIES
STORM LAKE, IOWA

We have audited the accompanying consolidated balance sheets of First Midwest Financial, Inc. and Subsidiaries as of September 30, 2002 and 2001, and the related consolidated statements of income, changes in shareholders' equity and cash flows for each of the three years in the period ended September 30, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of First Midwest Financial, Inc. and Subsidiaries as of September 30, 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2002, in conformity with accounting principles generally accepted in the United States of America.

/s/ McGladrey & Pullen, LLP

McGladrey & Pullen, LLP
Des Moines, Iowa
October 24, 2002

First Midwest Financial, Inc. and Subsidiaries 23
CONSOLIDATED BALANCE SHEETS

SEPTEMBER 30, 2002 AND 2001

	2002	2001
ASSETS		
Cash and due from banks	$ 1,325,139	$ 1,016,111
Interest-bearing deposits in other financial institutions	6,051,295	7,750,194
Total cash and cash equivalents	7,376,434	8,766,305
Securities available for sale	218,247,310	145,374,339
Loans receivable, net of allowance for loan losses of $4,692,988 in 2002 and $3,868,664 in 2001	343,192,370	333,062,025
Federal Home Loan Bank (FHLB) stock, at cost	6,842,600	6,398,900
Accrued interest receivable	4,320,514	4,750,792
Premises and equipment, net	11,054,243	9,346,788
Foreclosed real estate	1,327,802	940,143
Other assets	15,287,187	14,543,771
Total assets	$ 607,648,460	$ 523,183,063
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Noninterest-bearing demand deposits	$ 11,934,712	$ 7,733,294
Savings, NOW and money market demand deposits	90,413,488	82,916,804
Time certificates of deposit	253,431,553	248,131,780
Total deposits	355,779,753	338,781,878
Advances from FHLB	125,089,999	126,351,761
Securities sold under agreements to repurchase	70,176,228	1,992,720
Company Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trust Holding Solely Subordinated Debentures	10,000,000	10,000,000
Advances from borrowers for taxes and insurance	355,884	446,397
Accrued interest payable	671,033	868,281
Accrued expenses and other liabilities	987,797	1,014,816
Total liabilities	563,060,694	479,455,853
SHAREHOLDERS' EQUITY		
Preferred stock, 800,000 shares authorized; none issued	--	--
Common stock, $.01 par value; 5,200,000 shares authorized; 2,957,999 shares issued and 2,468,804 shares outstanding at September 30, 2002; 2,957,999 shares issued and 2,469,727 shares outstanding at September 30, 2001	29,580	29,580
Additional paid-in capital	20,593,768	20,863,379
Retained earnings - substantially restricted	31,940,648	31,066,643
Accumulated other comprehensive income	494,834	338,427
Unearned Employee Stock Ownership Plan shares	(46,142)	(180,000)
Treasury stock, 489,195 and 488,272 common shares, at cost, at September 30, 2002 and 2001, respectively	(8,424,922)	(8,390,819)
Total shareholders' equity	44,587,766	43,727,210
Total liabilities and shareholders' equity	$ 607,648,460	$ 523,183,063

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED SEPTEMBER 30, 2002, 2001 AND 2000

	2002	2001	2000
Interest and dividend income:			
Loans receivable, including fees	$ 25,935,319	$ 27,951,901	$ 26,613,094
Securities available for sale	9,891,529	10,043,154	11,589,221
Dividends on FHLB stock	228,137	428,472	553,165
	36,054,985	38,423,527	38,755,480
Interest expense:			
Deposits	13,458,794	17,546,621	15,636,793
FHLB advances and other borrowings	8,275,256	7,843,978	8,941,569
	21,734,050	25,390,599	24,578,362
Net interest income	14,320,935	13,032,928	14,177,118
Provision for loan losses	1,090,000	710,000	1,640,000
Net interest income after provision for loan losses	13,230,935	12,322,928	12,537,118
Noninterest income:			
Deposit service charges and other fees	1,157,217	1,078,904	965,186
Bank owned life insurance	671,136	105,000	--
Gain (loss) on sales of securities available for sale, net	86,194	(60,275)	(1,020,885)
Gain on transfer of FHLB advances	--	--	560,595
Gain (loss) on sales of foreclosed real estate, net	(42,866)	27,017	(12,033)
Brokerage commissions	181,296	96,808	131,801
Other income	106,481	44,745	156,707
	2,159,458	1,292,199	781,371
Noninterest expense:			
Employee compensation and benefits	7,528,999	6,552,712	5,830,791
Occupancy and equipment expense	2,077,885	1,569,387	1,301,495
Deposit insurance premium	61,508	63,944	89,990
Data processing expense	563,485	457,766	410,645
Other expense	2,036,006	2,051,029	1,775,122
	12,267,883	10,694,838	9,408,043
Net income before income tax expense	3,122,510	2,920,289	3,910,446
Income tax expense	965,882	1,010,546	1,582,820
Net income	$ 2,156,628	$ 1,909,743	$ 2,327,626
Earnings per common and common equivalent share:			
Basic earnings per common share	$ 0.88	$ 0.79	$ 0.95
Diluted earnings per common share	$ 0.87	$ 0.78	$ 0.93

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY

YEARS ENDED SEPTEMBER 30, 2002, 2001 AND 2000

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income, Net of Tax	Unearned Employee Stock Ownership Plan Shares	Treasury Stock
Balance, September 30, 1999	$ 29,580	$ 21,305,937	$ 29,352,943	$ (2,520,633)	$ (167,200)	$ (8,229,879)
Comprehensive income:						
Net income for the year ended September 30, 2000	--	--	2,327,626	--	--	--
Net change in net unrealized gains and losses on securities available for sale, net of reclassification adjustments and tax effects	--	--	--	(33,258)	--	--
Total comprehensive income						
Purchase of 129,999 common shares of treasury stock	--	--	--	--	--	(1,478,508)
25,080 common shares committed to be released under the ESOP	--	103,664	--	--	167,200	--
Issuance of 54,500 common shares from treasury stock due to exercise of stock options	--	(467,372)	--	--	--	887,290
Cash dividends declared on common stock ($.52 per share)	--	--	(1,276,183)	--	--	--
Amortization of management recognition and retention plan common shares and tax benefits of restricted stock under the plans	--	33,878	--	--	--	--
Balance, September 30, 2000	$ 29,580	$ 20,976,107	$ 30,404,386	$ (2,553,891)	$ --	$ (8,821,097)
Balance, September 30, 2000	$ 29,580	$ 20,976,107	$ 30,404,386	$ (2,553,891)	$ --	$ (8,821,097)
Comprehensive income:						
Net income for the year ended September 30, 2001	--	--	1,909,743	--	--	--
Net change in net unrealized gains and losses on securities available for sale, net of reclassification adjustments and tax effects	--	--	--	2,892,318	--	--
Total comprehensive income						
Purchase of 1,847 common shares of treasury stock	--	--	--	--	--	(17,777)
Purchase of 30,000 common shares for ESOP	--	--	--	--	(360,000)	--
15,000 common shares committed to be released under the ESOP	--	(5,340)	--	--	180,000	--
Issuance of 40,000 common shares from treasury stock due to exercise of stock options	--	(181,388)	--	--	--	448,055
Tax benefit from exercise of stock options	--	74,000	--	--	--	--
Cash dividends declared on common stock ($.52 per share)	--	--	(1,247,486)	--	--	--
Balance, September 30, 2001	$ 29,580	$ 20,863,379	$ 31,066,643	$ 338,427	$ (180,000)	$ (8,390,819)

YEARS ENDED SEPTEMBER 30, 2002, 2001 AND 2000

	Total Shareholders' Equity
Balance, September 30, 1999	$ 39,770,748
Comprehensive income:	
Net income for the year ended September 30, 2000	2,327,626
Net change in net unrealized gains and losses on securities available for sale, net of reclassification adjustments and tax effects	(33,258)
Total comprehensive income	2,294,368
Purchase of 129,999 common shares of treasury stock	(1,478,508)
25,080 common shares committed to be released under the ESOP	270,864
Issuance of 54,500 common shares from treasury stock due to exercise of stock options	419,918
Cash dividends declared on	

common stock ($.52 per share)	(1,276,183)
Amortization of management recognition and retention plan common shares and tax benefits of restricted stock under the plans	33,878
Balance, September 30, 2000	$ 40,035,085

Balance, September 30, 2000	$ 40,035,085
Comprehensive income:	
Net income for the year ended September 30, 2001	1,909,743
Net change in net unrealized gains and losses on securities available for sale, net of reclassification adjustments and tax effects	2,892,318
Total comprehensive income	4,802,061
Purchase of 1,847 common shares of treasury stock	(17,777)
Purchase of 30,000 common shares for ESOP	(360,000)
15,000 common shares committed to be released under the ESOP	174,660
Issuance of 40,000 common shares from treasury stock due to exercise of stock options	266,667
Tax benefit from exercise of stock options	74,000
Cash dividends declared on common stock ($.52 per share)	(1,247,486)
Balance, September 30, 2001	$ 43,727,210

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY, CONT.

YEARS ENDED SEPTEMBER 30, 2002, 2001 AND 2000

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income, Net of Tax	Unearned Employee Stock Ownership Plan Shares	Treasury Stock
Balance, September 30, 2001	$ 29,580	$20,863,379	$31,066,643	$ 338,427	$ (180,000)	$(8,390,819)
Comprehensive income:						
Net income for the year ended September 30, 2002	--	--	2,156,628	--	--	--
Net change in net unrealized gains and losses on securities available for sale, net of reclassification adjustments and tax effects	--	--	--	156,407	--	--
Total comprehensive income						
Purchase of 62,447 common shares of treasury stock	--	--	--	--	--	(843,327)
Purchase of 10,238 common shares for ESOP	--	--	--	--	(145,892)	--
22,000 common shares committed to be released under the ESOP	--	24,718	--	--	279,750	--
Issuance of 61,524 common shares from treasury stock due to exercise of stock options	--	(369,364)	--	--	--	809,224
Tax benefit from exercise of stock options	--	75,035	--	--	--	--
Cash dividends declared on common stock ($.52 per share)	--	--	(1,282,623)	--	--	--
Balance, September 30, 2002	$ 29,580	$20,593,768	$31,940,648	$ 494,834	$ (46,142)	$(8,424,922)

YEARS ENDED SEPTEMBER 30, 2002, 2001 AND 2000

	Total Shareholders' Equity
Balance, September 30, 2001	$43,727,210
Comprehensive income:	
Net income for the year ended September 30, 2002	2,156,628
Net change in net unrealized gains and losses on securities available for sale, net of reclassification adjustments and tax effects	156,407
Total comprehensive income	2,313,035
Purchase of 62,447 common shares of treasury stock	(843,327)
Purchase of 10,238 common shares for ESOP	(145,892)
22,000 common shares committed to be released under the ESOP	304,468
Issuance of 61,524 common shares from treasury stock due to exercise of stock options	439,860
Tax benefit from exercise of stock options	75,035
Cash dividends declared on common stock ($.52 per share)	(1,282,623)
Balance, September 30, 2002	$44,587,766

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2002, 2001 AND 2000

	2002	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 2,156,628	$ 1,909,743	$ 2,327,626
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization and accretion, net	2,186,335	849,695	1,522,239
Provision for loan losses	1,090,000	710,000	1,640,000
Gain on transfer of FHLB advances	--	--	(560,595)
(Gain) loss on sales of securities available for sale, net	(86,194)	60,275	1,020,885
Proceeds from the sales of loans held for sale	21,486,387	14,084,818	1,435,581
Originations of loans held for sale	(21,486,387)	(14,084,818)	(1,435,581)
(Gain) loss on sales of foreclosed real estate, net	42,866	(27,017)	12,033
Net change in:			
Accrued interest receivable	430,278	466,137	(170,695)
Other assets	(836,105)	88,031	(505,918)
Accrued interest payable	(197,248)	(138,060)	130,976
Accrued expenses and other liabilities	48,015	(425,537)	445,250
Net cash provided by operating activities	4,834,575	3,493,267	5,861,801
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of securities available for sale	(135,493,814)	(22,886,271)	(515,000)
Proceeds from sales of securities available for sale	7,464,706	795,000	20,275,060
Proceeds from maturities and principal repayments of securities available for sale	54,277,854	28,670,713	9,822,708
Loans purchased	(27,104,383)	(32,754,225)	(55,565,541)
Net change in loans	15,147,415	22,830,506	31,437,629
Proceeds from sales of foreclosed real estate	317,000	521,074	498,316
Purchase of FHLB stock	(443,700)	(71,300)	(201,800)
Proceeds from redemption of FHLB stock	--	2,000,000	--
Purchase of other investment	--	(10,000,000)	--
Purchase of premises and equipment	(2,532,542)	(3,914,687)	(1,770,906)
Net cash provided by (used in) investing activities	(88,367,464)	(14,809,190)	3,980,466
CASH FLOWS FROM FINANCING ACTIVITIES			
Net change in noninterest-bearing demand, savings, NOW and money market demand deposits	11,698,102	12,100,577	(2,134,430)
Net change in time deposits	5,299,773	8,027,580	16,008,230
Proceeds from advances from FHLB	275,520,000	133,265,000	789,920,595
Repayments of advances from FHLB	(276,781,762)	(146,651,690)	(810,969,620)
Net change in securities sold under agreements to repurchase	68,183,508	(2,262,245)	1,234,014
Proceeds from issuance of Company Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trust Holding Solely Subordinated Debentures	--	10,000,000	--
Net change in advances from borrowers for taxes and insurance	(90,513)	(15,117)	38,921
Debt issuance costs incurred	--	(305,812)	--
Cash dividends paid	(1,282,623)	(1,247,486)	(1,276,183)
Proceeds from exercise of stock options	439,860	266,667	363,335
Purchase of treasury stock	(843,327)	(17,777)	(1,478,509)
Net cash provided by (used in) financing activities	82,143,018	13,159,697	(8,293,647)
Net change in cash and cash equivalents	(1,389,871)	1,843,774	1,548,620
CASH AND CASH EQUIVALENTS			
Beginning of year	8,766,305	6,922,531	5,373,911
End of year	$ 7,376,434	$ 8,766,305	$ 6,922,531
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid during the year for:			
Interest	$ 21,931,298	$ 25,528,659	$ 24,447,386
Income taxes	889,568	926,543	2,038,500
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES			
Loans transferred to foreclosed real estate	$ 747,525	$ 989,067	$ 812,581

See Notes to Consolidated Financial Statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of First Midwest Financial, Inc. (the Company), a bank holding company located in Storm Lake, Iowa, and its wholly-owned subsidiaries which include First Federal Savings Bank of the Midwest (the Bank or First Federal), a federally chartered savings bank whose primary regulator is the Office of Thrift Supervision, Security State Bank (Security), a state chartered commercial bank whose primary regulator is the Federal Reserve, First Services Financial Limited and Brookings Service Corporation, which offer brokerage services and non-insured investment products, First Services Trust Company, which offers various trust services, and First Midwest Financial Capital Trust I, which was capitalized in July 2001, for the purpose of issuing Company Obligated Mandatorily Redeemable Preferred Securities. All significant intercompany balances and transactions have been eliminated.

NATURE OF BUSINESS, CONCENTRATION OF CREDIT RISK AND INDUSTRY SEGMENT INFORMATION

The primary source of income for the Company is the purchase or origination of consumer, commercial, agricultural, commercial real estate, and residential real estate loans. See Note 4 for a discussion of concentrations of credit risk. The Company accepts deposits from customers in the normal course of business primarily in northwest and central Iowa and eastern South Dakota. The Company operates primarily in the banking industry which accounts for more than 90% of its revenues, operating income and assets. While the Company's management monitors the revenue streams of the various Company products and services, operations are managed and financial performance is evaluated on a Company-wide basis. Accordingly, all of the Company's banking operations are considered by management to be aggregated in one reportable operating segment.

Assets held in trust or fiduciary capacity are not assets of the Company and, accordingly, are not included in the accompanying consolidated financial statements. At September 30, 2002 and 2001, trust assets totaled approximately $13,842,000 and $13,213,000, respectively.

USE OF ESTIMATES IN PREPARING FINANCIAL STATEMENTS

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

CERTAIN SIGNIFICANT ESTIMATES

The allowance for loan losses and fair values of securities and other financial instruments involve certain significant estimates made by management. These estimates are reviewed by management routinely and it is reasonably possible that circumstances that exist at September 30, 2002, may change in the near-term future and that the effect could be material to the consolidated financial statements.

CASH AND CASH EQUIVALENTS

For purposes of reporting cash flows, cash and cash equivalents is defined to include the Company's cash on hand and due from financial institutions and short-term interest-bearing deposits in other financial institutions. The Company reports net cash flows for customer loan transactions, deposit transactions, longer term interest-bearing deposits in other financial institutions, and short-term borrowings with maturities of 90 days or less.

SECURITIES

The Company classifies all securities as available for sale. Available for sale securities are those the Company may decide to sell if needed for liquidity, asset-liability management or other reasons. Available for sale securities are reported at fair value, with net unrealized gains and losses reported as other comprehensive income or loss and as a separate component of shareholders' equity, net of tax.

Gains and losses on the sale of securities are determined using the specific identification method based on amortized cost and are reflected in results of operations at the time of sale. Interest and dividend income, adjusted by amortization of purchase premium or discount over the estimated life of the security using the level yield method, is included in income as earned.

LOANS HELD FOR SALE

Mortgage loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated market value in the aggregate. Net unrealized losses are recognized in a valuation allowance by charges to income.

LOANS RECEIVABLE

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at their outstanding principal balances reduced by the allowance for loan losses and any deferred fees or costs on originated loans.

Premiums or discounts on purchased loans are amortized to income using the level yield method over the remaining period to contractual maturity, adjusted for anticipated prepayments.

Interest income on loans is accrued over the term of the loans based upon the amount of principal outstanding except when serious doubt exists as to the collectibility of a loan, in which case the accrual of interest is discontinued. Interest income is subsequently recognized only to the extent that cash payments are received until, in management's judgment, the borrower has the ability to make contractual interest and principal payments, in which case the loan is returned to accrual status.

LOAN ORIGINATION FEES, COMMITMENT FEES, AND RELATED COSTS

Loan fees and certain direct loan origination costs are deferred, and the net fee or cost is recognized as an adjustment to interest income using the interest method.

ALLOWANCE FOR LOAN LOSSES

Because some loans may not be repaid in full, an allowance for loan losses is recorded. The allowance for loan losses is increased by a provision for loan losses charged to expense and decreased by charge-offs (net of recoveries). Estimating the risk of loss and the amount of loss on any loan is necessarily subjective. Management's periodic evaluation of the adequacy of the allowance is based on the Company's past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral, and current economic conditions. While management may periodically allocate portions of the allowance for specific problem loan situations, the whole allowance is available for any loan charge-offs that occur.

Loans are considered impaired if full principal or interest payments are not anticipated in accordance with the contractual loan terms. Impaired loans are carried at the present value of expected future cash flows discounted at the loan's effective interest rate or at the fair value of the collateral if the loan is collateral dependent. A portion of the allowance for loan losses is allocated to impaired loans if the value of such loans is deemed to be less than the unpaid balance. If these allocations cause the allowance for loan losses to require an increase, such increase is reported as a component of the provision for loan losses.

Smaller-balance homogeneous loans are evaluated for impairment in total. Such loans include residential first mortgage loans secured by one-to-four family residences, residential construction loans, and automobile, manufactured homes, home equity and second mortgage loans. Commercial and agricultural loans and mortgage loans secured by other properties are evaluated individually for impairment. When analysis of borrower operating results and financial condition indicates that underlying cash flows of the borrower's business are not adequate to meet its debt service requirements, the loan is evaluated for impairment. Often this is associated with a delay or shortfall in payments of 90 days or more. Nonaccrual loans are often also considered impaired. Impaired loans, or portions thereof, are charged off when deemed uncollectible.

FORECLOSED REAL ESTATE

Real estate properties acquired through, or in lieu of, loan foreclosure are initially recorded at fair value at the date of acquisition, establishing a new cost basis. Any reduction to fair value from the carrying value of the related loan at the time of acquisition is accounted for as a loan loss and charged against the allowance for loan losses. Valuations are periodically performed by management and valuation allowances are adjusted through a charge to income for changes in fair value or estimated selling costs.

INCOME TAXES

The Company records income tax expense based on the amount of taxes due on its tax return plus deferred taxes computed based on the expected future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities, using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized.

PREMISES AND EQUIPMENT

Land is carried at cost. Buildings, furniture, fixtures and equipment are carried at cost, less accumulated depreciation and amortization computed principally by using the straight-line method over the estimated useful lives of the assets ranging from 3 to 40 years. These assets are reviewed for impairment under Statement of Financial Accounting Standards (SFAS) No. 144 when events indicate the carrying amount may not be recoverable.

EMPLOYEE STOCK OWNERSHIP PLAN

The Company accounts for its employee stock ownership plan (ESOP) in accordance with AICPA Statement of Position (SOP) 93-6. Under SOP 93-6, the cost of shares issued to the ESOP, but not yet allocated to participants, are presented in the consolidated balance sheets as a reduction of shareholders' equity. Compensation expense is recorded based on the market price of the shares as they are committed to be released for allocation to participant accounts. The difference between the market price and the cost of shares committed to be released is recorded as an adjustment to additional paid-in capital. Dividends on allocated ESOP shares are recorded as a reduction of retained earnings. Dividends on unearned shares are used to reduce the accrued interest and principal amount of the ESOP's loan payable to the Company.

FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

The Company, in the normal course of business, makes commitments to make loans which are not reflected in the consolidated financial statements. A summary of these commitments is disclosed in Note 14.

INTANGIBLE ASSETS

On October 1, 2001, the Company elected early adoption of Statement of Financial Accounting Standards No. 141, Business Combinations, and No. 142, Goodwill and Other Intangible Assets (SFAS 141 and 142). SFAS 141 addresses financial accounting and reporting for business combinations and replaces APB Opinion No. 16, Business Combinations (APB 16). SFAS 141 no longer allows the pooling of interests method of accounting for acquisitions, provides new recognition criteria for intangible assets and carries forward without reconsideration the guidance in APB 16 related to the application of the purchase method of accounting. SFAS 142 addresses financial accounting and reporting for acquired goodwill and other intangible assets and replaces APB Opinion No. 17, Intangible Assets. SFAS 142 addresses how intangible assets should be accounted for upon their acquisition and after they have been initially recognized in the financial statements. The new standards provide specific guidance on measuring goodwill for impairment annually using a two-step process. The first step identifies potential impairment and the second step measures the amount of goodwill impairment loss to be recognized.

As of October 1, 2001, the Company has undertaken to identify those intangible assets that remain separable under the provisions of the new standard and those that are to be included in goodwill and has concluded that all amounts should be included in goodwill. In the year of adoption, SFAS 142 requires the first step of the goodwill impairment test to be completed within the first six months and the final step to be completed within 12 months of adoption. The Company has completed the goodwill impairment test and has determined that there has been no impairment of goodwill.

Had the provisions of SFAS 141 and 142 been applied in fiscal years 2001 and 2000, the Company's net income and net income per share would have been as follows:

	Year Ended September 30, 2001			Year Ended September 30, 2000		
	Net Income	Basic Earnings Per Share	Diluted Earnings Per Share	Net Income	Basic Earnings Per Share	Diluted Earnings Per Share
Net income:						
As reported	$1,909,743	$ 0.79	$ 0.78	$2,327,626	$ 0.95	$ 0.93
Add: Goodwill amortization	364,932	0.15	0.15	364,932	0.15	0.15
Pro forma net income	$2,274,675	$ 0.94	$ 0.93	$2,692,558	$ 1.10	$ 1.08

As of September 30, 2002 and 2001, the Company had intangible assets of $3,403,019, all of which has been determined to be goodwill. There was no goodwill impairment loss or amortization related to goodwill during the year ended September 30, 2002.

SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

The Company enters into sales of securities under agreements to repurchase with primary dealers only, which provide for the repurchase of the same security. Securities sold under agreements to purchase identical securities are collateralized by assets which are held in safekeeping in the name of the Bank or Security by the dealers who arranged the transaction. Securities sold under agreements to repurchase are treated as financings and the obligations to repurchase such securities are reflected as a liability. The securities underlying the agreements remain in the asset accounts of the Company.

EARNINGS PER COMMON SHARE

Basic earnings per common share is based on the net income divided by the weighted average number of common shares outstanding during the period. ESOP shares are considered outstanding for earnings per common share calculations as they are committed to be released; unearned ESOP shares are not considered outstanding. Management Recognition and Retention Plan (MRRP) shares are considered outstanding for basic earnings per common share calculations as they become vested. Diluted earnings per common share shows the dilutive effect of additional potential common shares issuable under stock options and nonvested shares issued under management recognition and retention plans.

COMPREHENSIVE INCOME

Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes the net change in net unrealized gains and losses on securities available for sale, net of reclassification adjustments and tax effects, and is also recognized as a separate component of shareholders' equity.

STOCK COMPENSATION

Expense for employee compensation under stock option plans is based on Accounting Principles Board (APB) Opinion 25, with expense reported only if options are granted below market price at grant date. Disclosures of net income and earnings per share are provided as if the fair value method of SFAS No. 123 were used for stock-based compensation.

NEW ACCOUNTING PRONOUNCEMENTS

In April 2002, the Financial Accounting Standards Board (FASB) issued SFAS No. 145, which rescinds prior accounting guidance that required gains and losses from extinguishments of debt to be classified as extraordinary items. As a result, gains and losses from extinguishments of debt should be classified as extraordinary items only if they meet the criteria in APB Opinion No. 30.

The Company has determined that its transfer of FHLB advances in fiscal 2000, as discussed in Note 8, does not meet the criteria in APB No. 30 for extraordinary reporting. Accordingly, the gain, net of applicable taxes, of $351,995, which was previously reported as an extraordinary item has been reclassified to noninterest income of $560,595 and income tax expense of $208,600, with no effect on net income or earnings per common share.

In October 2002, the FASB issued SFAS No. 147, which addressees the financial accounting and reporting for the acquisition of all or part of a financial institution, except for a transaction between two or more mutual enterprises. Transaction provisions for previously recognized unidentifiable intangible assets are effective on October 1, 2002, with earlier application permitted. The carrying amount of an unidentifiable intangible asset shall continue to be amortized after October 1, 2002, unless the transaction in which the asset arose was a business combination. If the transaction that gave rise to the unidentifiable intangible asset was a business combination, the carrying amount of the asset shall be reclassified to goodwill as of the later of the date of acquisition or the date SFAS No. 142 was applied in its entirety. The Company has no unidentifiable intangible assets recorded as of September 30, 2002 and, therefore, believes SFAS No. 147 has no effect on the accompanying consolidated financial statements.

RECLASSIFICATION OF CERTAIN ITEMS

Certain items on the consolidated statements of income for the years ended September 30, 2001 and 2000, have been reclassified, with no effect on net income or earnings per common share, to be consistent with the classifications adopted for the year ended September 30, 2002.

NOTE 2. EARNINGS PER COMMON SHARE

A reconciliation of the numerators and denominators used in the computation of basic earnings per common share and diluted earnings per common share is presented below:

	2002	2001	2000
Basic earnings per common share:			
Numerator, net income	$ 2,156,628	$ 1,909,743	$ 2,327,626
Denominator, weighted average common shares outstanding	2,461,402	2,433,453	2,464,829
Less weighted average unallocated ESOP shares	(8,294)	(13,353)	(11,535)
Weighted average common shares outstanding for basic earnings per common share	2,453,108	2,420,100	2,453,294
Basic earnings per common share	$ 0.88	$ 0.79	$ 0.95
Diluted earnings per common share:			
Numerator, net income	$ 2,156,628	$ 1,909,743	$ 2,327,626
Denominator, weighted average common shares outstanding for basic earnings per common share	2,453,108	2,420,100	2,453,294
Add dilutive effects of assumed exercises of stock options and average nonvested MRRP shares, net of tax benefits	31,428	42,973	40,661
Weighted average common and dilutive potential common shares outstanding	2,484,536	2,463,073	2,493,955
Diluted earnings per common share	$ 0.87	$ 0.78	$ 0.93

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Stock options totaling 136,464, 171,416 and 171,096 shares were not considered in computing diluted earnings per common share for the years ended September 30, 2002, 2001 and 2000, respectively, because they were not dilutive.

NOTE 3. SECURITIES

Year end securities available for sale were as follows:

2002	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt securities:				
Trust preferred	$ 26,730,670	$ 51,000	$ (2,653,690)	$ 24,127,980
Obligations of states and political subdivisions	725,000	38,978	--	763,978
Mortgage-backed securities	189,343,213	3,131,194	(126,217)	192,348,190
	216,798,883	3,221,172	(2,779,907)	217,240,148
Marketable equity securities	661,913	352,254	(7,005)	1,007,162
	$ 217,460,796	$ 3,573,426	$ (2,786,912)	$ 218,247,310

2001	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt securities:				
Trust preferred	$ 27,170,021	$ 22,050	$ (2,512,211)	$ 24,679,860
Obligations of states and political subdivisions	980,029	43,060	--	1,023,089
U.S. Government and federal agencies	4,992,275	88,324	--	5,080,599
Mortgage-backed securities	111,119,632	2,644,002	(1,718)	113,761,916
	144,261,957	2,797,436	(2,513,929)	144,545,464
Marketable equity securities	574,962	312,613	(58,700)	828,875
	$ 144,836,919	$ 3,110,049	$ (2,572,629)	$ 145,374,339

The amortized cost and fair value of debt securities by contractual maturity are shown below. Certain securities have call features which allow the issuer to call the security prior to maturity. Expected maturities may differ from contractual maturities in mortgage-backed securities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Therefore these securities are not included in the maturity categories in the following maturity summary.

SEPTEMBER 30, 2002	Amortized Cost	Fair Value
Due in one year or less	$ 140,000	$ 144,223
Due after one year through five years	585,000	619,755
Due after five years through ten years	--	--
Due after ten years	26,730,670	24,127,980
	27,455,670	24,891,958
Mortgage-backed securities	189,343,213	192,348,190
	$216,798,883	$217,240,148

Activities related to the sale of securities available for sale are summarized below. Included in gross (losses) on sales in 2001 and 2000 are impairment losses of approximately $5,000 and $142,000, respectively.

	2002	2001	2000
Proceeds from sales	$ 7,464,706	$ 795,000	$ 20,275,060
Gross gains on sales	86,194	76,874	--
Gross (losses) on sales	--	(137,149)	(1,020,885)

NOTE 4. LOANS RECEIVABLE, NET

Year end loans receivable were as follows:

	2002	2001
One to four family residential mortgage loans	$ 73,933,828	$ 95,611,927
Construction	25,744,856	21,883,909
Commercial and multi-family real estate loans	151,805,753	123,636,351
Agricultural real estate loans	12,066,776	11,729,027
Commercial business loans	42,844,163	36,773,258
Agricultural business loans	25,308,066	25,253,174
Consumer loans	23,592,634	28,169,202
	355,296,076	343,056,848
Less:		
Allowance for loan losses	(4,692,988)	(3,868,664)
Undistributed portion of loans in process	(7,155,273)	(5,859,813)
Net deferred loan origination fees	(255,445)	(266,346)
	$ 343,192,370	$ 333,062,025

Activity in the allowance for loan losses for the years ended September 30 was as follows:

	2002	2001	2000
Beginning balance	$ 3,868,664	$ 3,589,873	$ 3,092,628
Provision for loan losses	1,090,000	710,000	1,640,000
Recoveries	54,240	51,331	126,887
Charge-offs	(319,916)	(482,540)	(1,269,642)
Ending balance	$ 4,692,988	$ 3,868,664	$ 3,589,873

Virtually all of the Company's originated loans are to Iowa and South Dakota-based individuals and organizations. The Company's purchased loans totaled approximately $107,279,000 at September 30, 2002, and were secured by properties located, as a percentage of total loans, as follows: 12% in Washington, 2% in North Carolina, 2% in Minnesota, 2% in Iowa, 2% in Wisconsin, 2% in California, 3% in South Dakota, 2% in Arizona and the remaining 3% in 6 other states. The Company's purchased loans totaled approximately $126,660,000 at September 30, 2001, and were secured by properties located, as a percentage of total loans, as follows: 15% in Washington, 3% in North Carolina, 3% in Minnesota, 3% in Iowa, 2% in Wisconsin, 2% in South Dakota, 2% in Arizona and the remaining 7% in 15 other states.

The Company originates and purchases commercial real estate loans. These loans are considered by management to be of somewhat greater risk of uncollectibility due to the dependency on income production. The Company's commercial real estate loans include approximately $28,470,000 and $28,141,000 of loans secured by hotel properties, $27,369,000 and $20,702,000 of loans secured by multi-family properties and $22,416,000 and $19,953,000 of loans secured by assisted living facilities at September 30, 2002 and 2001, respectively. The remainder of the commercial real estate portfolio is diversified by industry. The Company's policy for requiring collateral and guarantees varies with the credit-worthiness of each borrower.

Impaired loans were as follows:

	2002	2001
Year-end loans with no allowance for loan losses allocated	$ --	$ --
Year-end loans with allowance for loan losses allocated	1,186,739	1,347,574
Amount of the allowance allocated	303,730	167,693
Average of impaired loans during the year	4,676,344	4,770,909
Interest income recognized during impairment	--	255,002

Cash interest collected on impaired loans was not material during the years ended September 30, 2002, 2001 and 2000.

NOTE 5. LOAN SERVICING

Mortgage loans serviced for others are not reported as assets. The unpaid principal balances of these loans at year end were as follows:

	2002	2001
Mortgage loan portfolios serviced for FNMA	$ 18,164,000	$ 12,058,000
Other	22,170,000	20,450,000
	$ 40,334,000	$ 32,508,000

Custodial escrow balances maintained in connection with the foregoing loan servicing were approximately $168,000 and $11,000 at September 30, 2002 and 2001, respectively.

NOTE 6. PREMISES AND EQUIPMENT, NET

Year end premises and equipment were as follows:

	2002	2001
Land	$ 2,049,135	$ 2,043,370
Buildings	9,535,699	7,850,052
Furniture, fixtures and equipment	4,545,443	4,448,902
	16,130,277	14,342,324
Less accumulated depreciation	(5,076,034)	(4,995,536)
	$ 11,054,243	$ 9,346,788

Depreciation of premises and equipment included in occupancy and equipment expense was approximately $825,000, $660,000 and $449,000 for the years ended September 30, 2002, 2001 and 2000, respectively.

NOTE 7. DEPOSITS

Jumbo certificates of deposit in denominations of $100,000 or more were approximately $48,416,000 and $35,475,000 at year end 2002 and 2001, respectively.

At September 30, 2002, the scheduled maturities of certificates of deposit were as follows for the years ended September 30:

2003	$163,992,457
2004	39,782,225
2005	24,313,996
2006	7,240,837
2007	17,989,517
Thereafter	112,521
	$253,431,553

NOTE 8. ADVANCES FROM FEDERAL HOME LOAN BANK

At September 30, 2002 advances from the FHLB of Des Moines with fixed rates ranging from 2.08% to 7.21% (weighted-average rate of 5.46%) are required to be repaid in the year ending September 30 as presented below. Advances totaling $49,700,000 contain call features which allow the FHLB to call for the prepayment of the borrowing prior to maturity.

2003	$ 5,205,605
2004	11,735,778
2005	13,884,475
2006	5,601,886
2007	10,188,213
Thereafter	78,474,042
	$ 125,089,999

First Federal and Security have executed blanket pledge agreements whereby First Federal and Security assign, transfer and pledge to the FHLB and grant to the FHLB a security interest in all property now or hereafter owned. However, First Federal and Security have the right to use, commingle and dispose of the collateral they have assigned to the FHLB. Under the agreements, First Federal and Security must maintain "eligible collateral" that has a "lending value" at least equal to the "required collateral amount," all as defined by the agreements.

At year end 2002 and 2001, First Federal and Security collectively pledged securities with amortized costs of $75,975,000 and $67,678,000 and fair values of approx- imately $77,641,000 and $72,428,000 against specific FHLB advances. In addition, qualifying mortgage loans of approxi- mately $70,258,000 and $85,895,000 were pledged as collateral at year end 2002 and 2001.

During fiscal 2000, the Company recognized a gain totaling $560,595 on the transfer of $15,000,000 of FHLB advances. The transfer of FHLB advances was in conjunction with a restructuring of the balance sheet wherein lower yielding securities were sold with the proceeds reinvested in higher yielding loans and used to repay borrowings.

NOTE 9. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

Year end securities sold under agreements to repurchase totaled $70,176,228 and $1,992,720 for 2002 and 2001, respectively. An analysis of securities sold under agreements to repurchase is as follows:

	2002	2001
Highest month-end balance	$70,176,228	$20,239,242
Average balance	39,288,209	6,490,431
Weighted average interest rate during the period	2.01%	4.78%
Weighted average interest rate at end of period	1.90%	4.57%

At year end 2002, securities sold under agreements to repurchase had maturities ranging from 1 to 3 months with a weighted average maturity of 1 month.

The Company pledged securities with amortized costs of approximately $79,548,000 and $2,084,000 and fair values of approximately $80,950,000 and $2,154,000, respectively, at year end 2002 and 2001 as collateral for securities sold under agreements to repurchase.

NOTE 10. COMPANY OBLIGATED MANDATORILY REDEEMABLE PREFERRED SECURITIES OF SUBSIDIARY TRUST HOLDING SOLELY SUBORDINATED DEBENTURES

The Company issued all of the 10,000 authorized shares of Company Obligated Mandatorily Redeemable (COMR) Preferred Securities of First Midwest Financial Capital Trust I holding solely subordinated debt securities. Distributions are paid semi-annually. Cumulative cash distributions are calculated at a variable rate of LIBOR (as defined) plus 3.75%, not to exceed 12.5%. The Company may, at one or more times, defer interest payments on the capital securities for up to 10 consecutive semi-annual periods, but not beyond July 25, 2031. At the end of any deferral period, all accumulated and unpaid distributions will be paid. The capital securities will be redeemed on July 25, 2031; however, the Company has the option to shorten the maturity date to a date not earlier than July 25, 2006. The redemption price is $1,000 per capital security plus any accrued and unpaid distributions to the date of redemption plus, if redeemed prior to July 25, 2011, a redemption premium as defined in the Indenture agreement.

Holders of the capital securities have no voting rights, are unsecured and rank junior in priority of payment to all of the Company's indebtedness and senior to the Company's common stock.

The debentures are included on the balance sheet as a liability.

NOTE 11. EMPLOYEE BENEFITS
EMPLOYEE STOCK OWNERSHIP PLAN (ESOP)

The Company maintains an ESOP for eligible employees who have 1,000 hours of employment with the Bank, have worked one year at the Bank and who have attained age 21. In 1993, the ESOP borrowed $1,534,100 from the Company to purchase 230,115 shares of the Company's common stock. Final payment of this loan was received during the year ended September 30, 2000. In 2001, the ESOP borrowed $360,000 from the Company to purchase 30,000 shares of the Company's common stock. In 2002, the ESOP borrowed $145,892 from the Company to purchase 10,238 shares of the Company's common stock. Shares purchased by the ESOP are held in suspense for allocation among participants as the loan is repaid. ESOP expense of $304,468, $174,660 and $270,864 was recorded for the years ended September 30, 2002, 2001 and 2000, respectively. Contributions of $279,750, $180,000 and $167,200 were made to the ESOP during the years ended September 30, 2002, 2001 and 2000, respectively.

Contributions to the ESOP and shares released from suspense in an amount proportional to the repayment of the ESOP loan are allocated among ESOP participants on the basis of compensation in the year of allocation. Benefits generally become 100% vested after seven years of credited service. Prior to the completion of seven years of credited service, a participant who terminates employment for reasons other than death or disability receives a reduced benefit based on the ESOP's vesting schedule. Forfeitures are reallocated among remaining participating employees, in the same proportion as contributions. Benefits are payable in the form of stock upon termination of employment. The Company's contributions to the ESOP are not fixed, so benefits payable under the ESOP cannot be estimated.

For the years ended September 30, 2002, 2001 and 2000, 22,000, 15,000 and 25,080 shares with an average fair value of $13.84, $11.64 and $10.80 per share, respectively, were committed to be released. Also for the years ended September 30, 2002, 2001 and 2000, allocated shares and total ESOP shares reflect 12,629, 5,514 and 1,287 shares, respectively, withdrawn from the ESOP by participants who are no longer with the Company and 7,760, 9,312 and 7,434 shares, respectively, purchased for dividend reinvestment.

Year-end ESOP shares are as follows:

	2002	2001	2000
Allocated shares	235,744	218,613	199,815
Unearned shares	3,238	15,000	--
Total ESOP shares	238,982	233,613	199,815
Fair value of unearned shares	$ 46,142	$202,500	$ --

STOCK OPTIONS AND INCENTIVE PLANS

Certain officers and directors of the Company have been granted options to purchase common stock of the Company pursuant to stock option plans.

SFAS No. l23, which became effective for stock-based compensation during fiscal years beginning after December l5, 1995, requires proforma disclosures for companies that do not adopt its fair value accounting method for stock-based employee compensation for awards granted in the first fiscal year beginning after December 15, 1994. Accordingly, the following proforma information presents net income and earnings per share had the fair value method been used to measure compensation cost for stock option plans. The exercise price of options granted is equivalent to the market value of underlying stock at the grant date. Accordingly, no compensation cost was actually recognized for stock options during 2002, 2001 or 2000.

The fair value of options granted during 2002, 2001 and 2000 is estimated using the following weighted-average information: risk-free interest rate of 3.57%, 4.52% and 5.99%, expected life of 7.0 years, expected dividends of 3.68%, 3.85% and 5.30% per year and expected stock price volatility of 21.4%, 22.4%, and 22.3% per year, respectively.

	2002	2001	2000
Net income as reported	$ 2,156,628	$ 1,909,743	$ 2,327,626
Proforma net income	2,091,222	1,836,857	2,261,234
Reported earnings per common and common equivalent share:			
Basic	$ 0.88	$ 0.79	$ 0.95
Diluted	0.87	0.78	0.93
Proforma earnings per common and common equivalent share:			
Basic	$ 0.85	$ 0.76	$ 0.92
Diluted	0.84	0.75	0.91

In future years, the proforma effect of not applying this standard is expected to increase as additional options are granted.

Stock option plans are used to reward directors, officers and employees and provide them with an additional equity interest. Options are issued for 10 year periods, with 100% vesting generally occurring either at grant date or 48 months after grant date. At September 30, 2002, 41,985 shares were authorized for future grants. Information about option grants follows:

	Number of Options	Weighted-Average Exercise Price
Outstanding, September 30, 1999	325,400	$ 10.85
Granted	29,418	9.88
Exercised	(54,500)	6.67
Forfeited	--	--
Outstanding, September 30, 2000	300,318	11.51
Granted	31,738	13.61
Exercised	(40,000)	6.67
Forfeited	(4,000)	13.00
Outstanding, September 30, 2001	288,056	12.40
Granted	27,641	14.27
Exercised	(61,524)	7.14
Forfeited	(3,000)	13.22
Outstanding, September 30, 2002	251,173	$ 13.88

The weighted-average fair value per option for options granted in 2002, 2001 and 2000 was $2.41, $2.61 and $1.72. At September 30, 2002, options outstanding were as follows:

Exercise Price	Weighted-Average Exercise Price	Weighted-Average Remaining Life (Years)	Number of Options
$ 6.67 - $ 9.99	$ 7.80	3.62	57,116
$10.00 - $14.99	13.68	8.63	81,234
$15.00 - $19.99	16.80	4.43	102,383
$20.00 - $20.13	20.13	5.00	10,440
	$ 13.88	5.63	251,173

Options exercisable at year end are as follows:

	Number of Options	Weighted-Average Exercise Price
2000	270,443	11.17
2001	270,556	12.38
2002	237,048	13.95

MANAGEMENT RECOGNITION AND RETENTION PLANS

The Company granted 10,424, 7,191 and 106,428 (8,986 of which have been forfeited under terms of the Plan due to termination of service) shares of the Company's common stock on September 30, 1999, May 23, 1994 and September 20, 1993, respectively, to certain officers of the Bank pursuant to a management recognition and retention plan (the Plan). The holders of the restricted stock have all of the rights of a shareholder, except that they cannot sell, assign, pledge or transfer any of the restricted stock during the restricted period. The stock granted in 1999 under the Plan vests as follows: 5,212 shares vested at the date of grant on September 30, 1999 and 5,212 shares vests on September 30, 2000. Previously granted restricted stock vests at a rate of 25% on each anniversary of the grant date. Expense of $0, $0 and $33,878 was recorded for these plans for the years ended 2002, 2001 and 2000.

PROFIT SHARING PLAN

The Company has a profit sharing plan covering substantially all full-time employees. Contribution expense for the years ended September 30, 2002, 2001 and 2000, was $244,927, $315,773 and $329,108, respectively.

NOTE 12. INCOME TAXES

The Company, the Bank and its subsidiaries and Security file a consolidated federal income tax return on a fiscal year basis. Prior to fiscal year 1997, if certain conditions were met in determining taxable income" on the consolidated federal income tax return, the Bank was allowed a special bad debt deduction based on a percentage of taxable income (8% for 1996) or on specified experience formulas. The Bank used the percentage of taxable income method for the tax year ended September 30, 1996. Tax legislation passed in August l996 now requires the Bank to deduct a provision for bad debts for tax purposes based on actual loss experience and recapture the excess bad debt reserve accumulated in tax years beginning after September 30, 1987. The related amount of deferred tax liability which must be recaptured is approximately $554,000 and is payable over a 6-year period beginning with the tax year ending September 30, 1999.

Federal income tax laws provided savings banks with additional bad debt deductions through September 30, 1987, totaling $6,744,000 for the Bank. Accounting standards do not require a deferred tax liability to be recorded on this amount, which liability otherwise would total approximately $2,300,000 at September 30, 2002 and 2001. If the Bank were liquidated or otherwise ceases to be a bank or if tax laws were to change, the $2,300,000 would be recorded as expense.

The provision for income taxes consists of:

	2002	2001	2000
Federal:			
Current	$ 904,539	$ 1,170,302	$ 1,644,698
Deferred	(64,787)	(105,167)	(258,085)
	839,752	1,065,135	1,386,613
State:			
Current	153,170	(27,756)	236,122
Deferred	(27,040)	(26,833)	(39,915)
	126,130	(54,589)	196,207
Income tax expense	$ 965,882	$ 1,010,546	$ 1,582,820

Total income tax expense differs from the statutory federal income tax rate as follows:

	2002	2001	2000
Income taxes at 34% federal tax rate	$ 1,062,000	$ 993,000	$ 1,330,000
Increase (decrease) resulting from:			
State income taxes - net of federal benefit	97,000	113,000	147,000
Nondeductible goodwill	--	124,000	124,000
Nontaxable buildup in cash surrender value	(217,000)	--	--
Resolution of a tax contingency	--	(139,000)	--
Other, net	23,882	(80,454)	(18,180)
Total income tax expense	$ 965,882	$ 1,010,546	$ 1,582,820

Year end deferred tax assets and liabilities consist of:

	2002	2001
Deferred tax assets:		
Bad debts	$ 1,447,000	$ 1,047,000
Other items	54,000	112,000
	1,501,000	1,159,000
Deferred tax liabilities:		
Federal Home Loan Bank stock dividend	(452,000)	(452,000)
Accrual to cash basis	--	(44,000)
Premises and equipment	(204,000)	(108,000)
Deferred loan fees	(97,000)	(77,000)
Net unrealized gains on securities available for sale	(291,680)	(198,993)
Other	(178,173)	--
	(1,222,853)	(879,993)
Net deferred tax assets	$ 278,147	$ 279,007

NOTE 13. CAPITAL REQUIREMENTS AND RESTRICTIONS ON RETAINED EARNINGS

The Company has two primary subsidiaries, First Federal and Security. First Federal and Security are subject to various regu- latory capital requirements. Failure to meet minimum capital requirements can initiate certain mandatory or discretionary actions by regulators that, if undertaken, could have a direct material effect on the financial statements. Under capital ade- quacy guidelines and the regulatory framework for prompt corrective action, First Federal and Security must meet specific quantitative capital guidelines using their assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The requirements are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require First Federal and Security to maintain minimum amounts and ratios (set forth in the table below) of total risk-based capital and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and a leverage ratio consisting of Tier I capital (as defined) to average assets (as defined). Management believes, as of September 30, 2002, that First Federal and Security meet the capital adequacy requirements.

First Federal's and Security's actual capital and required capital amounts and ratios are presented below:

	Actual		Minimum Requirement For Capital Adequacy Purposes		Minimum Requirement To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars in thousands)					
AS OF SEPTEMBER 30, 2002:						
Total capital (to risk-weighted assets):						
First Federal	$47,800	12.9%	$29,603	8.0%	$37,004	10.0%
Security	4,773	15.0	2,543	8.0	3,179	10.0
Tier 1 (Core) capital (to risk-weighted assets):						
First Federal	43,327	11.7	14,801	4.0	22,202	6.0
Security	4,448	14.0	1,272	4.0	1,907	6.0
Tier 1 (Core) capital (to average total assets):						
First Federal	43,327	8.5	20,372	4.0	25,465	5.0
Security	4,448	8.3	2,142	4.0	2,677	5.0
Tier 1 (Core) capital (to total assets),						
First Federal	43,327	7.9	21,822	4.0	27,277	5.0
AS OF SEPTEMBER 30, 2001:						
Total capital (to risk-weighted assets):						
First Federal	$44,393	13.8%	$25,681	8.0%	$32,101	10.0%
Security	4,514	15.2	2,380	8.0	2,975	10.0
Tier 1 (Core) capital (to risk-weighted assets):						
First Federal	40,832	12.7	12,840	4.0	19,261	6.0
Security	4,179	14.0	1,190	4.0	1,785	6.0
Tier 1 (Core) capital (to average total assets):						
First Federal	40,832	8.8	18,565	4.0	23,206	5.0
Security	4,179	9.1	1,837	4.0	2,296	5.0
Tier 1 (Core) capital (to total assets),						
First Federal	40,832	8.7	18,828	4.0	23,535	5.0

Regulations limit the amount of dividends and other capital distributions that may be paid by a financial institution without prior approval of its primary regulator. The regulatory restriction is based on a three-tiered system with the greatest flexibility being afforded to well-capitalized (Tier 1) institutions. First Federal and Security are currently Tier 1 institutions. Accordingly, First Federal and Security can make, without prior regulatory approval, distributions during a calendar year up to 100% of their retained net income for the calendar year-to-date plus retained net income for the previous two calendar years (less any dividends previously paid) as long as they remain well-capitalized, as defined in prompt corrective action regulations, following the proposed distribution. Accordingly, at September 30, 2002, approximately $2,449,000 of First Federal's retained earnings and $324,000 of Security's retained earnings were potentially available for distribution to the Company.

NOTE 14. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Company's subsidiary banks make various commitments to extend credit which are not reflected in the accompanying consolidated financial statements.

At September 30, 2002 and 2001, loan commitments approximated $35,562,000 and $29,650,000, respectively, excluding undisbursed portions of loans in process. Loan commitments at September 30, 2002 included commitments to originate fixed-rate loans with interest rates ranging from 4.6% to 10% totaling $13,070,000 and adjustable-rate loan commitments with interest rates ranging from 2.1% to 18% totaling $18,492,000. The Company also had commitments to purchase adjustable rate loans of $3,000,000 with interest rates of 6.63% and fixed-rate loans of $1,000,000 with interest rates of 6.75%. Loan commitments at September 30, 2001 included commitments to originate fixed-rate loans with interest rates ranging from 5.5% to 8.5% totaling $7,730,000 and adjustable-rate loan commitments with interest rates ranging from 5.25% to 18% totaling $13,070,000. The Company also had commitments to purchase adjustable rate loans of $7,100,000 with interest rates ranging from 5.5% to 6.5% and fixed-rate loans of $1,750,000 with interest rates of 8.45%. Commitments, which are disbursed subject to certain limitations, extend over various periods of time. Generally, unused commitments are canceled upon expiration of the commitment term as outlined in each individual contract.

The exposure to credit loss in the event of nonperformance by other parties to financial instruments for commitments to extend credit is represented by the contractual amount of those instruments. The same credit policies and collateral requirements are used in making commitments and conditional obligations as are used for on-balance-sheet instruments.

Since certain commitments to make loans and to fund lines of credit and loans in process expire without being used, the amount does not necessarily represent future cash commitments. In addition, commitments used to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract.

Securities with amortized costs of approximately $31,381,000 and $14,234,000 and fair values of approximately $28,954,000 and $14,562,000 at September 30, 2002 and 2001, respectively, were pledged as collateral for public funds on deposit.

Securities with amortized costs of approximately $7,280,000 and $5,808,000 and fair values of approximately $7,568,000 and $6,057,000 at September 30, 2002 and 2001, respectively, were pledged as collateral for individual, trust and estate deposits.

Under employment agreements with certain executive officers, certain events leading to separation from the Company could result in cash payments totaling approximately $2,417,000 as of September 30, 2002.

The Company and its subsidiaries are subject to certain claims and legal actions arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, the ultimate disposition of these matters is not expected to have a material adverse effect on the consolidated financial position or results of operations of the Company.

NOTE 15. OTHER COMPREHENSIVE INCOME (LOSS)

Other comprehensive income (loss) components and related taxes were as follows:

	2002	2001	2000
Net change in net unrealized gains and losses on securities available for sale:			
Unrealized gains (losses) arising during the year	$ 335,288	$ 4,546,133	$(1,075,235)
Reclassification adjustment for (gains) losses included in net income	(86,194)	60,275	1,020,885
Net change in unrealized gains and losses on securities available for sale	249,094	4,606,408	(54,350)
Tax effects	(92,687)	(1,714,090)	21,092
Other comprehensive income (loss)	$ 156,407	$ 2,892,318	$ (33,258)

NOTE 16. LEASE COMMITMENT

The Company has leased property under various noncancelable operating lease agreements which expire at various times through December 2009, and require annual rentals ranging from $6,000 to $41,000 plus the payment of the property taxes, normal maintenance and insurance on the property.

The total minimum rental commitment at September 30, 2002, under the leases is as follows:

2003	$ 52,300
2004	46,600
2005	42,100
2006	40,600
2007	40,600
Thereafter	91,350
	$ 313,550

NOTE 17. PARENT COMPANY FINANCIAL STATEMENTS

Presented below are condensed financial statements for the parent company, First Midwest Financial, Inc.:

CONDENSED BALANCE SHEETS

SEPTEMBER 30, 2002 AND 2001

	2002	2001
ASSETS		
Cash and cash equivalents	$ 57,651	$ 60,973
Securities available for sale	2,609,357	2,863,251
Investment in subsidiary banks	51,975,306	48,940,931
Loan receivable from ESOP	46,142	180,000
Loan receivable	1,349,543	899,313
Other assets	350,302	827,772
Total assets	$ 56,388,301	$ 53,772,240
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Loan payable to subsidiary banks	$ 1,755,000	$ --
Company Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trust Holding Solely Subordinated Debentures	10,000,000	10,000,000
Accrued expenses and other liabilities	45,535	45,030
Total liabilities	11,800,535	10,045,030
SHAREHOLDERS' EQUITY		
Common stock	29,580	29,580
Additional paid-in capital	20,593,768	20,863,379
Retained earnings, substantially restricted	31,940,648	31,066,643
Accumulated other comprehensive income	494,834	338,427
Unearned employee stock ownership plan shares	(46,142)	(180,000)
Treasury stock, at cost	(8,424,922)	(8,390,819)
Total shareholders' equity	44,587,766	43,727,210
Total liabilities and shareholders' equity	$ 56,388,301	$ 53,772,240

CONDENSED STATEMENTS OF INCOME
YEARS ENDED SEPTEMBER 30, 2002, 2001 AND 2000

	2002	2001	2000
Dividend income from subsidiary banks	$ 245,000	$ 1,550,000	$ 2,525,000
Interest income	322,345	309,054	280,351
Gain (loss) on sales of securities available for sale, net	48,064	(60,275)	(37,206)
	615,409	1,798,779	2,768,145
Interest expense	682,134	332,250	205,863
Operation expenses	618,578	550,038	388,023
	1,300,712	882,288	593,886
Income (loss) before income taxes and equity in undistributed net income of subsidiaries	(685,303)	916,491	2,174,259
Income tax expense (benefit)	(304,000)	(247,000)	(142,000)
Income (loss) before equity in undistributed net income of subsidiaries	(381,303)	1,163,491	2,316,259
Equity in undistributed net income of subsidiary banks	2,537,931	746,252	11,367
Net income	$ 2,156,628	$ 1,909,743	$ 2,327,626

CONDENSED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2002, 2001 AND 2000

	2002	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 2,156,628	$ 1,909,743	$ 2,327,626
Adjustments to reconcile net income to net cash from operating activities:			
Equity in undistributed net income of subsidiary banks	(2,537,931)	(746,252)	(11,367)
Amortization of recognition and retention plan	--	--	33,878
(Gain) loss on sales of securities available for sale, net	(48,064)	60,275	37,206
Change in other assets	436,856	(364,088)	(9,817)
Change in accrued expenses and other liabilities	75,539	(61,205)	7,771
Net cash provided by operating activities	83,028	798,473	2,385,297
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in subsidiary	(250,000)	(7,000,000)	--
Repayment of securities	342	3,806	5,409
Purchase of securities available for sale	(1,000,000)	--	(500,000)
Proceeds from sales of securities available for sale	1,410,770	795,000	495,000
Loan to ESOP	(145,893)	(360,000)	--
Loans purchased, net	(450,230)	(574,134)	(325,179)
Repayments on loan receivable from ESOP	279,751	180,000	167,200
Net cash provided by (used in) investment activities	(155,260)	(6,955,328)	(157,570)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of Company Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trust Holding Solely Subordinated Debentures	--	10,000,000	--
Proceeds from loan payable to subsidiary banks	1,755,000	--	--
Repayments on loan payable to subsidiary banks	--	(2,550,000)	(200,000)
Debt issuance costs incurred	--	(305,812)	--
Cash dividends paid	(1,282,623)	(1,247,486)	(1,276,183)
Proceeds from exercise of stock options	439,860	266,667	363,335
Purchase of treasury stock	(843,327)	(17,777)	(1,478,509)
Net cash provided by (used in) financing activities	68,910	6,145,592	(2,591,357)
Net change in cash and cash equivalents	(3,322)	(11,263)	(363,630)
CASH AND CASH EQUIVALENTS			
Beginning of year	60,973	72,236	435,866
End of year	$ 57,651	$ 60,973	$ 72,236
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid during the year for interest	$ 682,134	$ 332,250	$ 209,447

The extent to which the Company may pay cash dividends to shareholders will depend on the cash currently available at the Company, as well as the ability of the subsidiary banks to pay dividends to the Company (see Note 13).

Note 18. Selected Quarterly Financial Data (Unaudited)

	Quarter Ended			
	December 31	March 31	June 30	September 30
Fiscal year 2002:				
Total interest income	$9,199,285	$8,760,140	$8,952,869	$9,142,691
Total interest expense	5,928,035	5,429,196	5,293,508	5,083,311
Net interest income	3,271,250	3,330,944	3,659,361	4,059,380
Provision for loan losses	299,000	136,000	280,000	375,000
Net income	436,785	448,123	528,458	743,262
Earnings per common and common equivalent share:				
Basic	$ 0.18	$ 0.18	$ 0.22	$ 0.30
Diluted	0.18	0.18	0.21	0.30
Fiscal year 2001:				
Total interest income	$9,882,061	$9,550,950	$9,487,807	$9,502,709
Total interest expense	6,545,052	6,349,019	6,250,738	6,245,790
Net interest income	3,337,009	3,201,931	3,237,069	3,256,919
Provision for loan losses	150,000	120,000	200,000	240,000
Net income	606,306	409,127	456,346	437,964
Earnings per common and common equivalent share:				
Basic	$ 0.25	$ 0.17	$ 0.19	$ 0.18
Diluted	0.25	0.17	0.19	0.18
Fiscal year 2000:				
Total interest income	$9,456,855	$9,594,633	$9,807,421	$9,896,571
Total interest expense	5,911,477	5,991,817	6,264,173	6,410,895
Net interest income	3,545,378	3,602,816	3,543,248	3,485,676
Provision for loan losses	325,000	270,000	400,000	645,000
Net income	764,680	760,747	354,050	448,149
Earnings per common and common equivalent share:				
Basic	$ 0.31	$ 0.31	$ 0.15	$ 0.18
Diluted	0.30	0.30	0.14	0.18

NOTE 19. FAIR VALUES OF FINANCIAL INSTRUMENTS

SFAS No. 107, Disclosures About Fair Value of Financial Instruments, requires that the Company disclose estimated fair value amounts of its financial instruments. It is management's belief that the fair values presented below are reasonable based on the valuation techniques and data available to the Company as of September 30, 2002 and 2001, as more fully described below. It should be noted that the operations of the Company are managed from a going concern basis and not a liquidation basis. As a result, the ultimate value realized for the financial instruments presented could be substantially different when actually recognized over time through the normal course of operations. Additionally, a substantial portion of the Company's inherent value is the subsidiary banks' capitalization and franchise value. Neither of these components have been given consideration in the presentation of fair values below.

The following presents the carrying amount and estimated fair value of the financial instruments held by the Company at September 30, 2002 and 2001. This information is presented solely for compliance with SFAS No. 107 and is subject to change over time based on a variety of factors.

	2002		2001	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Selected assets				
Cash and cash equivalents	$ 7,376,434	$ 7,376,000	$ 8,766,305	$ 8,766,000
Securities available for sale	218,247,310	218,247,000	145,374,339	145,374,000
Loans receivable, net	343,192,370	346,728,000	333,062,025	335,953,000
FHLB stock	6,842,600	6,843,000	6,398,900	6,399,000
Accrued interest receivable	4,320,514	4,321,000	4,750,792	4,751,000
Selected liabilities:				

Noninterest bearing demand deposits	(11,934,712)	(11,935,000)	(7,733,294)	(7,733,000)
Savings, NOW and money market demand deposits	(90,413,488)	(90,413,000)	(82,916,804)	(82,917,000)
Other time certificates of deposit	(253,431,553)	(257,688,000)	(248,131,780)	(253,180,000)
Total deposits	(355,779,753)	(360,036,000)	(338,781,878)	(343,830,000)
Advances from FHLB	(125,089,999)	(138,495,000)	(126,351,761)	(134,530,000)
Securities sold under agreements to repurchase	(70,176,228)	(70,180,000)	(1,992,720)	(2,008,000)
Company Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trust Holding Solely Subordinated Debentures	(10,000,000)	(10,008,000)	(10,000,000)	(10,078,000)
Advances from borrowers for taxes and insurance	(355,884)	(356,000)	(446,397)	(446,000)
Accrued interest payable	(671,033)	(671,000)	(868,281)	(868,000)
Off-balance-sheet instruments, loan commitments	35,562,000	--	29,650,000	--

The following sets forth the methods and assumptions used in determining the fair value estimates for the Company's financial instruments at September 30, 2002 and 2001.

CASH AND CASH EQUIVALENTS

The carrying amount of cash and short-term investments is assumed to approximate the fair value.

SECURITIES AVAILABLE FOR SALE

Quoted market prices or dealer quotes were used to determine the fair value of securities available for sale.

LOANS RECEIVABLE, NET

The fair value of loans receivable, net was estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for similar remaining maturities. When using the discounting method to determine fair value, loans were gathered by homogeneous groups with similar terms and conditions and discounted at a target rate at which similar loans would be made to borrowers as of September 30, 2002 and 2001. In addition, when computing the estimated fair value for all loans, allowances for loan losses have been subtracted from the calculated fair value for consideration of credit issues.

FHLB STOCK

The fair value of such stock approximates book value since the Company is able to redeem this stock with the Federal Home Loan Bank at par value.

ACCRUED INTEREST RECEIVABLE

The carrying amount of accrued interest receivable is assumed to approximate the fair value.

DEPOSITS

The fair value of deposits were determined as follows: (i) for noninterest bearing demand deposits, savings, NOW and money market demand deposits, since such deposits are immediately withdrawable, fair value is determined to approximate the carrying value (the amount payable on demand); (ii) for other time certificates of deposit, the fair value has been estimated by discounting expected future cash flows by the current rates offered as of September 30, 2002 and 2001, on certificates of deposit with similar remaining maturities. In accordance with SFAS No. 107. no value has been assigned to the Company's long-term relationships with its deposit customers (core value of deposits intangible) since such intangible is not a financial instrument as defined under SFAS No. 107.

ADVANCES FROM FHLB

The fair value of such advances was estimated by discounting the expected future cash flows using current interest rates as of September 30, 2002 and 2001, for advances with similar terms and remaining maturities.

SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE, OTHER BORROWINGS AND COMPANY OBLIGATED MANDATORILY REDEEMABLE PREFERRED SECURITIES OF SUBSIDIARY TRUST HOLDING SOLELY SUBORDINATED DEBENTURES

The fair value of securities sold under agreements to repurchase, other borrowings and company obligated mandatorily redeemable preferred securities of subsidiary trust holding solely subordinated debentures was estimated by discounting the expected future cash flows using derived interest rates approximating market as of September 30, 2002 and 2001, over the contractual maturity of such borrowings.

ADVANCES FROM BORROWERS FOR TAXES AND INSURANCE

The carrying amount of advances from borrowers for taxes and insurance is assumed to approximate the fair value.

ACCRUED INTEREST PAYABLE

The carrying amount of accrued interest payable is assumed to approximate the fair value.

LOAN COMMITMENTS

The commitments to originate and purchase loans have terms that are consistent with current market terms. Accordingly, the Company estimates that the fair values of these commitments are not significant.

LIMITATIONS

It must be noted that fair value estimates are made at a specific point in time, based on relevant market information about the financial instrument. Additionally, fair value estimates are based on existing on and off-balance-sheet financial instruments without attempting to estimate the value of anticipated future business, customer relationships and the value of assets and liabilities that are not considered financial instruments. These estimates do not reflect any premium or discount that could result from offering the Company's entire holdings of a particular financial instrument for sale at one time. Furthermore, since no market exists for certain of the Company's financial instruments, fair value estimates may be based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with a high level of precision. Changes in assumptions as well as tax considerations could significantly affect the estimates. Accordingly, based on the limitations described above, the aggregate fair value estimates are not intended to represent the underlying value of the Company, on either a going concern or a liquidation basis.

BOARD OF DIRECTORS 50

JAMES S. HAAHR
Chairman of the Board, President and Chief Executive Officer for First Midwest Financial, Inc. and First Federal Savings Bank of the Midwest; and Chairman of the Board for Security State Bank

E. WAYNE COOLEY
Consultant Emeritus of the Iowa Girls' High School Athletic Union

E. THURMAN GASKILL
Iowa State Senator and Owner of a Grain and Livestock Farming Operation

J. TYLER HAAHR
Senior Vice President, Secretary and Chief Operating Officer for First Midwest Financial, Inc.; Executive Vice President, Secretary, and Chief Operating Officer for First Federal Savings Bank of the Midwest; Chief Executive Officer of Security State Bank;Vice President and Secretary of First Services Financial Limited; and President of First Services Trust Company

G. MARK MICKELSON
Vice President of Operations for Blue Dot Services, Inc., a subsidiary of Northwestern Corporation

RODNEY G. MUILENBURG
Dairy Specialist Manager with Purina Mills, Inc.

JEANNE PARTLOW
Retired Chairman of the Board and President of Iowa Savings Bank

EXECUTIVE OFFICERS

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Chairman of the Board, President and Chief Executive Officer for First Midwest Financial, Inc. and First Federal Savings Bank of the Midwest; and Chairman of the Board for Security State Bank

J. TYLER HAAHR
Senior Vice President, Secretary and Chief Operating Officer for First Midwest Financial, Inc.; Executive Vice President, Secretary, and Chief Operating Officer for First Federal Savings Bank of the Midwest; Chief Executive Officer of Security State Bank;Vice President and Secretary of First Services Financial Limited; and President of First Services Trust Company

DONALD J. WINCHELL, CPA
Senior Vice President,Treasurer and Chief Financial Officer for First Midwest Financial, Inc. and First Federal Savings Bank of the Midwest; and Secretary for Security State Bank

ELLEN E. MOORE
Vice President of Marketing and Sales for First Midwest Financial, Inc. and Senior Vice President of Marketing and Sales for First Federal Savings Bank of the Midwest

BEN GUENTHER
President for First Federal Storm Lake Division

TIM D. HARVEY
President for Brookings Federal Bank Division

TROY MOORE
President for Iowa Savings Bank Division

TONY TRUSSELL
President for First Federal Sioux Falls Division

I. EUGENE RICHARDSON, JR.
President for Security State Bank

SUSAN C. JESSE
Senior Vice President for First Federal Savings Bank of the Midwest

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E. Wayne Cooley
E.Thurman Gaskill
J.Tyler Haahr
G. Mark Mickelson
Rodney G. Muilenburg
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I. Eugene Richardson, Jr.

BROOKINGS FEDERAL BANK ADVISORY BOARD

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FIRST FEDERAL SAVINGS BANK OF THE MIDWEST

[PHOTO]
First Federal Storm Lake, Main Office

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[PHOTO]
Brookings Federal Bank, Main Office

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[PHOTO]

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[PHOTO]
Iowa Savings Bank, Main Office

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SECURITY STATE BANK

[PHOTO]

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[PHOTO - MAP SOUTH DAKOTA AND IOWA BRANCH LOCATIONS]

INVESTOR INFORMATION

ANNUAL MEETING OF SHAREHOLDERS
The Annual Meeting of Shareholders will convene at 1:00 pm on Monday, January 27, 2003. The meeting will be held in the Board Room of First Federal Savings Bank, Fifth at Erie, Storm Lake, Iowa. Further information with regard to this meeting can be found in the proxy statement.

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Katten Muchin Zavis Rosenman
1025 Thomas Jefferson
Street NW East Lobby, Suite 700
Washington, D.C. 20007-5201

INDEPENDENT AUDITORS
McGladrey & Pullen LLP
400 Locust Street, Suite 640
Des Moines, Iowa 50309-2372

SHAREHOLDER SERVICES AND INVESTOR RELATIONS

Shareholders desiring to change the name, address, or ownership of stock; to report lost certificates; or to consolidate accounts, should contact the corporation's transfer agent:

REGISTRAR & TRANSFER COMPANY
10 Commerce Drive
Cranford, New Jersey 07016
Telephone: 800.368.5948 Email:
invrelations@rtco.com
Web site: www.rtco.com

FORM 10-K
Copies of the Company's Annual Report on Form 10-K for the year ended September 30, 2002 (excluding exhibits thereto) may be obtained without charge by contacting:

INVESTOR RELATIONS
First Midwest Financial, Inc.
First Federal Building,
Fifth at Erie
P.O. Box 1307
Storm Lake, Iowa 50588
Telephone: 712.732.4117
Email: invrelations@fmficash.com
Web site: www.fmficash.com

DIVIDEND AND STOCK MARKET INFORMATION

First Midwest Financial, Inc.'s common stock trades on the Nasdaq National Market under the symbol "CASH." The Wall Street Journal publishes daily trading information for the stock under the abbreviation,"FstMidwFnl," in the National Market Listing. Quarterly dividends for 2001 and 2002 were $0.13. The price range of the common stock, as reported on the Nasdaq System, was as follows:

	FISCAL YEAR 2002		FISCAL YEAR 2001	
	LOW	HIGH	LOW	HIGH

FIRST QUARTER	$12.90	$14.10	$ 8.81	$11.25
SECOND QUARTER	12.95	14.25	10.81	12.75
THIRD QUARTER	13.44	14.50	11.40	12.75
FOURTH QUARTER	12.90	15.45	12.31	14.25

Prices disclose inter-dealer quotations without retail mark-up, mark-down or commissions, and do not necessarily represent actual transactions.

Dividend payment decisions are made with consideration of a variety of factors including earnings, financial condition, market considerations, and regulatory restrictions. Restrictions on dividend payments are described in Note 14 of the Notes to Consolidated Financial Statements included in this Annual Report.

As of September 30, 2002, First Midwest had 2,468,804 shares of common stock outstanding, which were held by 259 shareholders of record, and 251,173 shares subject to outstanding options. The shareholders of record number does not reflect approximately 447 persons or entities who hold their stock in nominee or "street" name.

The following securities firms indicated they were acting as market makers for First Midwest Financial, Inc. stock as of September 30, 2002: AnPac Securities Group, Inc.; Cincinnati Stock Exchange; First Tennessee Securities; Friedman Billings Ramsey & Co.; Goldman, Sachs & Co.; Herzog, Heine, Geduld, Inc.; Howe Barnes Investments, Inc.; Knight Securities L.P.; Sandler O'Neill & Partners; and Spear, Leeds & Kellogg.

EXHIBIT 21

SUBSIDIARIES OF THE REGISTRANT

Parent	Subsidiary	Percentage of Ownership	State of Incorporation or Organization
First Midwest Financial, Inc.	First Federal Savings Bank of the Midwest	100%	Federal
First Midwest Financial, Inc.	Security State Bank	100%	Iowa
First Midwest Financial, Inc.	First Midwest Financial Capital Trust I	100%	Delaware
First Midwest Financial, Inc.	First Services Trust Company	100%	South Dakota
First Federal Savings Bank of the Midwest	First Services Financial Limited	100%	Iowa
First Services Financial Limited	Brookings Service Corporation	100%	South Dakota

The financial statements of First Midwest Financial, Inc. are consolidated with those of its subsidiaries.

EXHIBIT 23

CONSENT OF MCGLADREY & PULLEN, LLP

CONSENT OF INDEPENDENT AUDITORS

To the Board of Directors
First Midwest Financial, Inc.
Storm Lake, Iowa

We consent to the incorporation by reference in the First Midwest Financial, Inc. Registration Statement on Form S-8 of First Midwest Financial, Inc., pertaining to the First Midwest Financial, Inc. 1995 Stock Option and Incentive Plan, of our report dated October 24, 2002, which appears in the annual report on Form 10-K of First Midwest Financial, Inc. and subsidiaries for the year ended September 30, 2002.

/s/ McGladrey & Pullen, LLP

McGladrey & Pullen, LLP

Des Moines, Iowa
December 27, 2002

Exhibit 99.1

CERTIFICATION PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of First Midwest Financial, Inc. (the "Company") for the fiscal year ended September 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James S. Haahr, Chief Executive Officer of the Company, certify, pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

By: /s/ James S. Haahr

Name: James S. Haahr
Chief Executive Officer
December 27, 2002

Exhibit 99.2

CERTIFICATION PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of First Midwest Financial, Inc. (the "Company") for the fiscal year ended September 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Donald J. Winchell, Chief Financial Officer of the Company, certify, pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

By: /s/ Donald J. Winchell

Name: Donald J. Winchell
Chief Financial Officer
December 27, 2002