META FINANCIAL GROUP INC

FORM 10-Q
(Quarterly Report)

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Address	121 EAST FIFTH STREET P O BOX 1307
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Industry	S&Ls/Savings Banks
Sector	Financial
Fiscal Year	09/30

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended December 31, 1996

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

For the transaction period from __________ to __________

Commission File Number: 0-22140

FIRST MIDWEST FINANCIAL, INC.

(Exact name of small business issuer as specified in its charter)

Delaware	42-1406262
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

Fifth at Erie, Storm Lake, Iowa 50588
(Address of principal executive offices)

(712) 732-4117
(Issuer's telephone number, including area code)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past twelve 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 the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class:	Outstanding at December 31, 1996:
Common Stock, $.01 par value	2,896,536 Common Shares

Transitional Small Business Disclosure Format: Yes [ ] No [X]

FIRST MIDWEST FINANCIAL, INC.

FORM 10-Q

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Part I. Financial Information

Item 1. Financial Statements

FIRST MIDWEST FINANCIAL, INC.
AND SUBSIDIARIES
Consolidated Balance Sheets

	December 31, 1996	September 30, 1996
Assets		
Cash and cash equivalents	$ 12,759,322	$ 14,628,652
Securities available for sale, amortized cost of $91,824,710 and $109,444,536	92,218,350	109,491,558
Loans receivable - net of allowances of $2,381,956 and $2,356,113	244,065,909	243,533,519
Real estate owned - net of allowance of $5,000	62,692	86,818
Accrued interest receivable	5,378,350	5,029,047
Federal Home Loan Bank stock	5,524,700	5,524,700
Premises and equipment, net	4,118,421	3,680,332
Excess of cost over net assets acquired	5,000,266	5,090,959
Other assets	757,061	942,713
Total Assets	$369,885,071	$388,008,298
Liabilities and Shareholders' Equity		
Liabilities		
Deposits	$232,612,127	$233,405,726
Advances from Federal Home Loan Bank	86,035,005	102,287,803
Securities sold under agreements to repurchase	2,789,918	2,789,918
Other borrowings	-	1,400,000
Advances from borrowers for taxes and insurance	570,511	490,243
Accrued interest payable	1,248,558	1,271,465
Other liabilities	2,960,430	3,153,441
Total Liabilities	326,216,549	344,798,596
Shareholders' Equity		
Preferred stock, 800,000 shares authorized, no shares issued or outstanding	-	-
Common stock, $.01 par value, 5,200,000 shares authorized, 2,959,077 and 1,990,495 issued (see Note 3)	29,591	19,905
Additional paid-in capital	20,691,776	20,862,551
Retained earnings - substantially restricted	24,438,579	23,748,383
Net unrealized appreciation on securities available for sale, net of tax of $143,055 and $18,324	250,585	28,698
Unearned Employee Stock Ownership Plan shares	(717,400)	(767,200)
Treasury stock, 62,541 and 44,760 common shares, at cost	(1,024,609)	(682,635)
Total Shareholders' Equity	43,668,522	43,209,702
Total Liabilities and Shareholders' Equity	$369,885,071	$388,008,298

The accompanying notes are an integral part of these consolidated financial statements.

FIRST MIDWEST FINANCIAL, INC.
AND SUBSIDIARIES
Consolidated Statements of Income

	Three Months Ended December 31, 1996	Three Months Ended December 31, 1995
Interest Income:		
Loans receivable	$ 5,550,790	$ 4,021,721
Securities available for sale	1,657,640	1,262,661
Dividends on FHLB stock	97,499	78,950
Total interest income	7,305,929	5,363,332
Interest Expense:		
Deposits	2,950,598	2,166,635
FHLB advances and other borrowings	1,338,195	793,559
Total interest expense	4,288,793	2,960,194
Net interest income	3,017,136	2,403,138
Provision for loan losses	30,000	30,000
Net interest income after provision for loan losses	2,987,136	2,373,138
Noninterest income:		
Loan fees and service charges	333,687	196,468
Gain on sale of securities available for sale	-	29,050
Brokerage commissions	22,998	60,946
Other income	50,970	36,612
Total noninterest income	407,655	323,076
Noninterest expense:		
Employee compensation and benefits	1,036,579	879,524
Occupancy and equipment expense	224,421	102,980
SAIF deposit insurance premium	95,710	102,905
Data processing expense	78,281	59,460
Other expense	378,354	262,064
Total noninterest expense	1,813,345	1,406,933
Income before income taxes	1,581,446	1,289,281
Income tax expense	628,230	512,436
Net income	$ 953,216	$ 776,845
Primary and Fully Diluted Earnings per Common Share (see Notes 2 and 3):	$ .33	$ .29

The accompanying notes are an integral part of these consolidated financial statements.

FIRST MIDWEST FINANCIAL, INC.
AND SUBSIDIARIES
Consolidated Statement of Changes in Shareholders' Equity
For the Three Months Ended December 31, 1996

	Common Stock	Additional Paid-In Capital	Retained Earnings	Net Unrealized Appreciation (Depreciation) on Securities Available for Sale, Net of Tax	Unearned Employee Stock Ownership Plan Shares	Treasury Stock	Total Shareholders' Equity
Balance at September 30, 1996	$19,905	$20,862,551	$23,748,383	$ 28,698	$(767,200)	$ (682,635)	$43,209,702
4,980 common shares committed to be released under the ESOP	-	66,583	-	-	49,800	-	116,383
Cash dividends declared on common stock ($0.09 per share)	-	-	(262,178)	-	-	-	(262,178)
Net change in unrealized appreciation (depreciation) on securities available for sale, net of tax of $124,731	-	-	-	221,887	-	-	221,887
Amortization of recognition and retention plan common shares and tax benefit of restricted stock under the plan	-	10,486	-	-	-	-	10,486
Retirement of 2,396 common shares	(24)	24	-	-	-	-	-
Purchase of 31,500 common shares of treasury stock	-	-	-	-	-	(614,507)	(614,507)
Issuance of 13,719 common shares from treasury stock due to exercise of stock options	-	(238,158)	-	-	-	272,533	34,375
Issuance of 970,978 common shares for stock dividend declared on common stock, net of cash paid in lieu of fractional shares	9,710	(9,710)	(842)	-	-	-	(842)
Net income for the three months ended December 31, 1996	-	-	953,216	-	-	-	953,216
Balance at December 31, 1996	$29,591	$20,691,776	$24,438,579	$ 250,585	$(717,400)	$(1,024,609)	$43,668,522

The accompanying notes are an integral part of these consolidated financial statements.

FIRST MIDWEST FINANCIAL, INC.
AND SUBSIDIARIES
Consolidated Statements of Cash Flows

	Three Months Ended December 31, 1996	1995
Cash flows from operating activities:		
Net income	$ 953,216	$ 776,845
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation, amortization and accretion, net	222,446	188,542
Provision for loan losses	30,000	30,000
Gain on sales of securities available for sale, net	-	(29,050)
Gain on sales of office property, net	-	(3,399)
Stock dividends from Federal Home Loan Bank stock	-	(78,900)
Proceeds from sales of loans held for sale	16,651	6,188
Originations of loans held for sale	(104,536)	(83,036)
Net change in accrued interest receivable	(349,303)	(113,215)
Net change in other assets	184,833	95,530
Net change in accrued interest payable	(22,907)	61,675
Net change in accrued expenses and other liabilities	(318,581)	8,805,121
Net cash from operating activities	611,819	9,656,301
Cash flows from investing activities:		
Purchase of securities available for sale	(1,024,000)	(33,369,386)
Proceeds from sales of securities available for sale	-	165,000
Proceeds from maturities of securities available for sale	16,893,776	20,650,000
Proceeds from principal repayment of mortgage-backed securities	1,750,045	1,482,321
Net change in loans receivable	2,968,453	1,583,497
Loans purchased	(3,370,130)	(8,376,596)
Purchase of Iowa Bancorp, Inc., net of cash received	-	(5,217,265)
Proceeds from sales of foreclosed real estate	24,126	11,796
Purchase of premises and equipment, net	(514,979)	(574,178)
Proceeds from sales of assets	-	26,335
Net cash from investing activities	16,727,291	(23,618,476)

FIRST MIDWEST FINANCIAL, INC.
AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(continued)

	Three Months Ended December 31, 1996	1995
Cash flows from financing activities:		
Net change in non-interest bearing demand, savings, NOW and money market demand accounts	283,365	(382,995)
Net change in other time deposits	(1,076,965)	6,420,940
Proceeds from advances from Federal Home Loan Bank	25,000,000	49,000,240
Payments of advances from Federal Home Loan Bank	(41,252,798)	(32,002,798)
Net change in securities sold under agreements to repurchase	-	500,000
Net change in other borrowings	(1,400,000)	-
Net change in advances from borrowers for taxes and insurance	80,268	(44,440)
Cash dividends paid	(262,178)	(196,683)
Proceeds from exercise of stock options	34,375	-
Purchase of treasury stock	(614,507)	(83,500)
Net cash from financing activities	(19,208,440)	23,210,764
Net change in cash and cash equivalents	(1,869,330)	9,248,589
Cash and cash equivalents at beginning of period	14,628,652	4,615,712
Cash and cash equivalents at end of period	$ 12,759,322	$ 13,864,301

The accompanying notes are an integral part of these consolidated financial statements.

FIRST MIDWEST FINANCIAL, INC.
AND SUBSIDIARIES

Notes to consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies followed by First Midwest Financial, Inc. ("First Midwest" or the "Company") and its consolidated subsidiaries, First Federal Savings Bank of the Midwest ("First Federal"), Security State Bank ("Security"), First Services Financial Limited and Brookings Service Corporation, for interim reporting are consistent with the accounting policies followed for annual financial reporting. All adjustments that, in the opinion of management, are necessary for a fair presentation of the results for the periods reported have been included in the accompanying unaudited consolidated financial statements, and all such adjustments are of a normal recurring nature. The accompanying financial statements do not purport to contain all the necessary financial disclosures required by generally accepted accounting principles that might otherwise be necessary in the circumstances and should be read in conjunction with the Company's financial statements, and notes thereto, for the year ended September 30, 1996.

2. EARNINGS PER SHARE

Earnings per share is computed by dividing net income by the sum of the weighted average number of common shares outstanding during the period and the common share equivalents which would arise from considering dilutive stock options, which totaled 2,923,736 and 2,687,150 shares for the three months ended December 31, 1996 and 1995, respectively. The difference between primary and fully diluted earnings per share is not material. Unallocated shares of common shares held by the employee stock ownership plan are not considered outstanding for the purpose of calculating earnings per share.

3. SUBSEQUENT EVENT

On November 25, 1996, the Company declared a 50% stock dividend payable on January 2, 1997 to stockholders of record December 16, 1996. The stock dividend is reflected in the balance sheet, and dividend and earnings per share data has been restated for all reported periods.

4. ACQUISITIONS

On December 29. 1995, the Company acquired 100% of the common stock of Iowa Bancorp, Inc. ("Iowa Bancorp"), and its wholly-owned subsidiary, Iowa Savings Bank, a federal savings bank, ("Iowa Savings") located in Des Moines, Iowa, in a purchase transaction with $25 million in assets. Each share of Iowa Bancorp's common stock was exchanged for $20.39 in cash. The Company paid aggregate consideration of approximately $8 million. Iowa Bancorp's results of operations are included in the consolidated income statement of the Company beginning as of the purchase date.

Presented below are the unaudited consolidated proforma results of operations of the Company for the three months ended December 31, 1995, assuming the Iowa Bancorp acquisition had occurred as of the beginning of the period.

	Three Months Ended December 31, 1995
Net interest income	$ 2,512,000
Net Income	633,000
Earnings per weighted average common and common equivalent share	
Fully diluted:	
Net income	$0.24

On September 30, 1996, the Company acquired 100% of the common stock of Central West Bancorporation ("Central West"), and its wholly-owned subsidiary, Security State Bank, located in Stuart, Iowa, in a purchase transaction with $33 million in assets. Each share of Central West's common stock was exchanged for $18.04 in cash and 2.3528 shares of the Company's common stock. The Company paid approximately $1.3 million and issued 171,158 common shares valued at $23 per share for a total value of approximately $3.9 million. Central West's results of operations are included in the consolidated income statement of the Company beginning as of the purchase date.

Presented below are the unaudited consolidated proforma results of operations of the Company for the three months ended December 31, 1995, assuming the Central West acquisition had occurred as of the beginning of the period.

	Three Months Ended December 31, 1995
Net interest income	$ 2,619,000
Net Income	755,000
Earnings per weighted average common and common equivalent share	
Fully diluted:	
Net income	$0.26

5. SECURITIES

During the year ended September 30, 1995, the Company reclassified all securities, including mortgage-backed securities, previously designated as held to maturity to the available for sale category. All securities acquired subsequent to this reclassification have also been designated as available for sale.

6. COMMITMENTS

At December 31, 1996 and September 30, 1996, the Company had outstanding commitments to originate and purchase loans totaling $24.1 million and $20.7 million, respectively, excluding undisbursed portions of loans in process. It is expected that outstanding loan commitments will be funded with existing liquid assets.

7. ACCOUNTING STANDARDS IMPLEMENTED

In March 1995, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of. SFAS No. 121 establishes accounting standards for the impairment of long-lived assets, certain identifiable intangibles, and goodwill related to those assets to be held and used, and for long-lived assets and certain identifiable intangibles to be disposed of. The Statement requires review of such assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Measurement of an impairment loss for long-lived assets and identifiable intangibles that an entity expects to hold and use should be based on the fair value of the asset. The Statement is effective for financial statements for fiscal years beginning after December 15, 1995. The Company adopted SFAS No. 121 effective October 1, 1996. The adoption had no material effect on the Company's financial position or results of operations for the three months ended December 31, 1996.

The FASB issued SFAS No. 122, Accounting for Mortgage Servicing Rights, in May 1995. This Statement changes the accounting for mortgage servicing rights retained by the loan originator. Under this Statement, an entity that acquires mortgage servicing rights through either the purchase or origination of mortgage loans and sells or securitizes those loans with servicing rights retained should allocate the total cost of the mortgage loans to the mortgage servicing rights and the loans (without the mortgage servicing rights) based on their relative fair values. Under current practice, all such costs are assigned to the loan. The costs allocated to mortgage servicing rights are to be recorded as a separate asset and amortized in proportion to, and over the life of, the net servicing income. The carrying value of the mortgage servicing rights are to be periodically evaluated for impairment. The Statement became effective for the Company as of October 1, 1996. The adoption of SFAS No. 122 did not have a material effect on the Company's financial position or results of operations for the three months ended December 31, 1996.

In October 1995, the FASB issued SFAS No. 123, Accounting for Stock-Based Compensation. SFAS No. 123 encourages, but does not require, entities to use a fair value based method to account for stock-based compensation plans. If the fair value accounting encouraged by SFAS No. 123 is not adopted, entities must disclose the proforma effect on net income and on earnings per common share had the fair value accounting been adopted. The proforma disclosures are not required in noncomplete interim financial statements. The Company will provide any required proforma disclosures in any future complete financial statements.

Part I. Financial Information

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

FIRST MIDWEST FINANCIAL, INC.
AND SUBSIDIARIES

GENERAL

First Midwest Financial, Inc. ("First Midwest" or the "Company") is a bank holding company whose primary assets 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. All references to the Company prior to September 20, 1993, except where otherwise indicated, are to First Federal and its subsidiary on a consolidated basis.

The following discussion focuses on the consolidated financial condition of the Company and its subsidiaries, at December 31, 1996, compared to September 30, 1996, and the consolidated results of operations for the three months ended December 31, 1996, compared to the same period in 1995. This discussion should be read in conjunction with the Company's financial statements, and notes thereto, for the year ended September 30, 1996.

FINANCIAL CONDITION

Total assets decreased by $18.1 million, or 4.7%, from $388.0 million at September 30, 1996, to $369.9 million at December 31, 1996. The decrease is primarily attributable to a reduction in the Company's portfolio of securities available for sale as a result of maturities, the proceeds of which were used to repay advances from the Federal Home Loan Bank and other borrowings.

Cash and cash equivalents decreased $1.9 million, or 12.8%, to $12.8 million at December 31, 1996, from $14.6 million at September 30, 1996. The decrease was due primarily to the use of liquid funds to fund growth in the loan portfolio and repayment of short-term borrowings.

The portfolio of securities available for sale decreased by $17.3 million, or 15.8%, to $92.2 million at December 31, 1996, from $109.4 million at September 30, 1996. The decrease is the result of the maturity or call of securities an amount that exceeded purchases made during the period.

The portfolio of net loans receivable increased by $532,000, or 0.2%, to $244.1 million at December 31, 1996, from $243.5 million at September 30, 1996. The increase in loans receivables reflects increased originations of residential, agricultural, commercial business and consumer loans, and the purchase of multi-family residential and commercial real estate loans during the period.

Deposit balances decreased by $794,000, or 0.3%, to $232.6 million at December 31, 1996, from $233.4 million at September 30, 1996. The decrease in deposits resulted from declines in money market accounts, savings accounts and certificates of deposit, and was partially offset by an increase in checking accounts.

The balance in advances from the Federal Home Loan Bank of Des Moines decreased by $16.3 million, or 15.9%, to $86.0 million at December 31, 1996 from $102.3 million at September 30, 1996. In addition, other borrowings were repaid in whole resulting in a decrease of $1.4 million. The decrease in FHLB advances and other borrowings reflects the repayment of short-term debt that had primarily been used to fund the purchase of securities available for sale. These securities matured or were called during the period and the proceeds were used to repay the borrowings.

Total shareholders' equity increased by $460,000, or 1.1%, to $43.7 million at December 31, 1996 from $43.2 million at September 30, 1996. The increase in shareholder's equity was due to growth in retained earnings and an increase in unrealized appreciation on securities available for sale. The increase was partially offset by the effect of the purchase of treasury stock during the period.

NON-PERFORMING ASSETS AND ALLOWANCE FOR LOAN LOSSES

Non-performing assets at December 31, 1996 totaled $2.8 million, which reflects an increase of $57,000, or 2.1%, from the $2.7 million balance at September 30, 1996. At December 31, 1996, non-performing assets included twelve non-accrual mortgage loans with an aggregate outstanding balance of $2.1 million, and fifty-five non-accrual consumer and commercial loans with an aggregate outstanding balance of $600,000. In addition, non-performing assets at December 31, 1996 included real estate owned and other repossessed assets totaling $63,000, compared to $87,000 at September 30, 1996.

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 non-accrual status and, as a result of this action, previously accrued interest income on the loan is taken out of current income. The loan will remain on non-accrual status as long as the loan is 90 days or more delinquent.

The Company establishes its provision for possible loan losses, and evaluates the adequacy of its allowance for loan losses based upon a systematic methodology consisting of a number of factors including, among others, historic loss experience, the overall level of non-performing loans, the composition of its loan portfolio and the general economic environment within which the Bank and its borrowers operate. As a result of this analysis, the Company has established an allowance for loan losses at December 31, 1996, of $2.4 million. The allowance represents approximately 85.4% of the total non-performing assets at December 31, 1996.

Financial Accounting Standards Board (FASB) Statement No. 114, Accounting by Creditors for Impairment of a Loan, as amended by Standard No. 118, Accounting by Creditors for Impairment of a Loan - Income Recognition and Disclosure, was adopted as of October 1, 1995. Under this statement, loans considered to be impaired are reduced to the present value of expected future cash flows or to the fair value of collateral, by allocating a portion of the allowance for loan losses to such loans. If these allocations cause the allowance for loan losses to require increase, such increase is reported as provision for loan loss expense. The adoption of this statement had no impact on the provision for loan loss expense for the three month periods ended December 31, 1996 or 1995.

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

	(In Thousands)
Balance, September 30, 1996	$ 2,356
Charge-offs	4
Transfers to real estate owned	-
Recoveries	-
Additions charged to operations	30
Balance, December 31, 1996	$ 2,382

Based on currently available information, management believes that the allowance for loan losses is adequate to absorb potential losses in the portfolio. Future additions to the allowance for loan losses may become necessary based upon changing economic conditions, increased loan balances or changes in the underlying collateral of the loan portfolio.

RESULTS OF OPERATIONS

General. Net income for the three months ended December 31, 1996 increased $176,000, or 22.7%, to $953,000 from $777,000 during the same period in 1995. The increase in net income is primarily due to an increase in net interest income resulting from a significant increase in earning assets between the comparable periods. The increase in earning assets is due to the acquisitions of Iowa Bancorp and Central West and, additionally, to the growth in the Company's loan portfolio.

Interest Income. Total interest income for the three months ended December 31, 1996 increased by $1.9 million, or 36.2%, to $7.3 million, compared to $5.4 million during the same period in 1995. The increase is primarily due to a $1.5 million increase in interest income from the loan portfolio and a $395,000 increase in interest income from the portfolio of securities available for sale. These increases are due to higher average portfolio balances during the 1996 period compared to 1995 as a result of the acquisitions of Iowa Bancorp and Central West, the increased origination and purchase of loans, and the purchase of securities available for sale.

Interest expense. Total interest expense for the three months ended December 31, 1996 increased by $1.3 million, or 44.9%, to $4.3 million from $3.0 million during the same period in 1995. The increase is due to a $784,000 increase in interest expense on deposits as a result of higher deposit balances associated with the acquisitions of Iowa Bancorp and Central West. In addition, the increase is due to a $545,000 increase in interest expense on FHLB advances and other borrowings as a result of increased borrowings used to fund the origination and purchase of loans and the purchase of securities available for sale.

Net Interest Income. Net interest income increased by $614,000, or 25.5%, to $3.0 million for the three months ended December 31, 1996, from $2.4 million for the same period in 1995. The increase in net interest income is due primarily to the overall increase in interest-earning assets between the comparable periods, which resulted from the acquisitions of Iowa Bancorp and Central West and, additionally, as a result of increases in the loan portfolio and the portfolio of securities available for sale.

Provision for Loan Losses. For each of the three month periods ended December 31, 1996 and 1995, the provision for loan losses was $30,000. Management believes, based on review of historic loan losses, current economic conditions, the level of non-performing loans, and other factors, that the current level of provision for loan losses, and the resulting level in the allowance for loan losses, reflects an adequate reserve against potential losses from the loan portfolio.

Non-Interest Income. Non-interest income increased by $85,000, or 26.2%, to $408,000 for the three months ended December 31, 1996, from $323,000 for the same period in 1995. The increase reflects the higher collection of loan fees from the origination and purchase of loans and the increased collection of service charges on deposit accounts.

Non-Interest Expense. Non-interest expense increased $406,000, or 28.9%, to $1.8 million for the three months ended December 31, 1996, from $1.4 million for the same period in 1995. The increase in non-interest expense reflects the operation of additional office facilities associated with the acquisitions of Iowa Bancorp and Central West.

Income Tax Expense. Income tax expense increased $116,000, or 22.6%, to $628,000 for the three months ended December 31, 1996, from $512,000 for the same period in 1995. The increase is due to the higher level of taxable income between the comparable periods.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary sources of funds are deposits, principal and interest payments on loans, investments and mortgage-backed securities, and funds provided by operations. While scheduled payments on loans, mortgage-backed securities and short-term investments are relatively predictable sources of funds, deposit flows are greatly influenced by general interest rates, economic conditions and competition.

Federal regulations require First Federal to maintain minimum levels of liquid assets. Currently, First Federal is required to maintain liquid assets of at least 5% of the average daily balance of net withdrawable savings deposits and borrowings payable on demand in one year or less during the preceding calendar month, of which short-term liquid assets must comprise not less than 1%. Liquid assets for purposes of this ratio include cash, certain time deposits, U.S. Government, government agency and corporate securities and obligations generally having remaining terms to maturity of less than five years, unless otherwise pledged. First Federal has historically maintained its liquidity ratio at levels well in excess of those required. First Federal's regulatory liquidity ratios at December 31, 1996 and September 30, 1996, were 5.8% and 5.4%, respectively.

The Company uses its capital resources principally to meet ongoing commitments to fund maturing certificates of deposits and loan commitments, to maintain liquidity and to meet operating expenses. At December 31, 1996, the Company had commitments to originate and purchase loans totalling $24.1 million. The Company believes that loan repayment and other sources of funds will be adequate to meet its foreseeable short- and long-term liquidity needs.

Regulations require First Federal to maintain minimum amounts and ratios of tangible capital and leverage capital to average assets, and risk-based capital to risk-weighted assets. The following table sets forth First Federal's actual capital and required capital amounts and ratios at December 31, 1996 which, at that date, exceeded the capital adequacy requirements:

	Actual Amount	Actual %	Requirement For Capital Adequacy Purposes Amount	Requirement For Capital Adequacy Purposes %	To Be Well Capitalized Under Prompt Corrective Action Provisions Amount	To Be Well Capitalized Under Prompt Corrective Action Provisions %
	(Dollars in Thousands)					
Tangible Capital	$32,436	9.9%	$ 4,436	1.5%	$ 9,877	3.0%
Leverage Capital	$32,436	9.9%	$ 9,877	3.0%	$19,754	6.0%
Risk-Based Capital	$34,203	16.6%	$16,471	8.0%	$20,589	10.0%

Regulations require Security to maintain minimum amounts and ratios of total risk-based capital and Tier 1 capital to risk-weighted assets and a leverage ratio consisting of Tier 1 capital to average assets. The following table sets forth Security's actual capital and required capital amounts and ratios at December 31, 1996 which, at that date, exceeded the capital adequacy requirements:

	Actual Amount	Actual %	Requirement For Capital Adequacy Purposes Amount	Requirement For Capital Adequacy Purposes %	To Be Well Capitalized Under Prompt Corrective Action Provisions Amount	To Be Well Capitalized Under Prompt Corrective Action Provisions %
	(Dollars in Thousands)					
Tier 1 Capital (to risk-weighted assets)	$3,140	13.3%	$ 945	4.0%	$1,418	6.0%
Leverage Capital (to average assets)	$3,140	9.0%	$1,392	4.0%	$1,740	5.0%
Risk-Based Capital (to risk-weighted assets)	$3,459	14.6%	$1,890	8.0%	$2,363	10.0%

The Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA) established five regulatory capital categories and authorized the banking regulators to take prompt corrective action with respect to institutions in an undercapitalized category. At December 31, 1996, First Federal and Security exceeded minimum requirements for the well-capitalized category.

FIRST MIDWEST FINANCIAL, INC.

PART II - OTHER INFORMATION

FORM 10-Q

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits: None

(b) Reports on Form 8-K:

First Midwest filed Form 8-K dated October 1, 1996 to report the issuance of a press release that announced the acquisition of Central West Bancorporation, the holding company for Security State Bank, Stuart, Iowa.

First Midwest filed Form 8-K dated October 15, 1996 to report the completion of the acquisition of Central West Bancorporation.

First Midwest filed Form 8-K dated October 18, 1996 to report the issuance of a press release that announced the Company's fourth quarter and fiscal year earnings, and announced plans to repurchase up to 150,000 shares of the Company's outstanding common stock.

First Midwest filed Form 8-K dated November 25, 1996 to report the issuance of a press release that announced the payment of a cash dividend of $.135 per share, payable January 2, 1997 to stockholders of record on December 16, 1996, and announced the payment of a 50% stock dividend to be paid on January 2, 1997 to stockholders of record December 16, 1996.

All other items have been omitted as not required or not applicable under the instructions.

FIRST MIDWEST FINANCIAL, INC.

SIGNATURES

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

FIRST MIDWEST FINANCIAL, INC.

Date: February 11, 1997 *By:/s/ James S. Haahr*
James S. Haahr
Chairman of the Board,
President and Chief Executive Officer

Date: February 11, 1997 *By:/s/ Donald J. Winchell*
Donald J. Winchell
Vice President,
Treasurer and Chief Financial Officer

ARTICLE 9

PERIOD TYPE	3 MOS
FISCAL YEAR END	SEP 30 1997
PERIOD END	DEC 31 1996
CASH	693,116
INT BEARING DEPOSITS	7,136,406
FED FUNDS SOLD	4,929,800
TRADING ASSETS	0
INVESTMENTS HELD FOR SALE	92,218,350
INVESTMENTS CARRYING	0
INVESTMENTS MARKET	0
LOANS	246,447,865
ALLOWANCE	2,381,956
TOTAL ASSETS	369,885,071
DEPOSITS	232,612,127
SHORT TERM	44,739,918
LIABILITIES OTHER	4,779,499
LONG TERM	44,085,005
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	29,591
OTHER SE	43,638,931
TOTAL LIABILITIES AND EQUITY	369,885,071
INTEREST LOAN	5,550,790
INTEREST INVEST	1,755,139
INTEREST OTHER	0
INTEREST TOTAL	7,305,929
INTEREST DEPOSIT	2,950,598
INTEREST EXPENSE	4,288,793
INTEREST INCOME NET	3,017,136
LOAN LOSSES	30,000
SECURITIES GAINS	0
EXPENSE OTHER	1,813,345
INCOME PRETAX	1,581,446
INCOME PRE EXTRAORDINARY	1,581,446
EXTRAORDINARY	0
CHANGES	0
NET INCOME	953,216
EPS PRIMARY	.33
EPS DILUTED	.33
YIELD ACTUAL	0
LOANS NON	2,704,258
LOANS PAST	206,057
LOANS TROUBLED	0
LOANS PROBLEM	1,376,867
ALLOWANCE OPEN	2,356,113
CHARGE OFFS	4,157
RECOVERIES	0
ALLOWANCE CLOSE	2,381,956
ALLOWANCE DOMESTIC	2,381,956
ALLOWANCE FOREIGN	0
ALLOWANCE UNALLOCATED	0

End of Filing