META FINANCIAL GROUP INC

FORM 10-K
(Annual Report)

Filed 12/29/2003 For Period Ending 9/30/2003

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-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, 2003

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). YES |_| NO |X|

As of March 31, 2003, the Registrant had issued and outstanding 2,493,949 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 March 31, 2003, was $29.3 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, 2003. PART III of Form 10-K -- Portions of the Proxy Statement for the Annual Meeting of Shareholders to be held during January 2004.

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. 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, commercial and multi-family real estate loans, one- to four-family residential loans and, to a lesser extent, 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, 2003, the Company had total assets of $772.3 million, deposits of $435.6 million, and shareholders' equity of $43.0 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 Trust 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/Northwest Iowa (FFSL), , Brookings Federal Bank (BFB), Iowa Savings Bank (ISB), and First Federal Savings Bank Sioux Falls (FFSF). First Federal's headquarters is located on the corner of Fifth and Erie streets in Storm Lake, Iowa. FFSL operates a total of six offices in Storm Lake, Lake View, Laurens, Manson, Odebolt and Sac City, Iowa. BFB operates one office in Brookings, South Dakota. ISB operates four offices in Des Moines, West Des Moines and Urbandale, Iowa. FFSF operates one office in Sioux Falls with plans to open a second office in 2004.

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, Dallas, Guthrie, Ida, Pocahontas, Polk and Sac, and the South Dakota counties of Brookings, Lincoln and Minnehaha.

Iowa ranks sixth lowest nationally in business costs (Economy.com Inc. 2003), among the top ten states for "technology sophistication" in K-12 schools (Market Data Retrieval), third most favorable business liability climate in the nation (Harris Interactive Survey, U.S. Chamber of Commerce, 2003), second "most livable" state in the nation (Morgan Qullno State Rankings, 2003), and has low corporate income taxes.

South Dakota ranks first in "entrepreneurial friendliness" (Small Business Survival Foundation, 2002), first in students per computer (Technology Courts 2002), is the second "safest" state (FBI, 2001), and has no corporate income tax, personal income tax, personal property tax, business inventory tax, or inheritance tax.

Storm Lake is located in Iowa's Buena Vista County approximately 150 miles northwest of Des Moines and 200 miles south of Minneapolis. 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, Tyson-Foods, Bil Mar Foods of Iowa, and Buena Vista University, which currently enrolls 1,257 full-time students at its Storm Lake campus and employs 81 full-time faculty members.

Brookings is located in east central South Dakota's Brookings County, approximately 50 miles north of Sioux Falls and 200 miles west of Minneapolis. BFB'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 10,561 students enrolled for the 2003 fall term and employs 420 full-time faculty members. 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. ISB's main office is located in a high growth area just off I-80 at the intersection of two major streets in Urbandale. 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 thoroughfare, in a densely populated area. The Highland Park facility is located in a historical district approximately five minutes north of downtown Des Moines. The Des Moines metro area is one of the top three insurance centers in the world, with sixty-seven insurance company headquarters and over one hundred regional insurance offices. Major employers include Principle Life Insurance Company, Des Moines Community Schools, Central Iowa Hospital Corporation, Mercy Hospital Medical Center, Hy-Vee Food Stores, Inc., Wells Fargo Home Mortgage Inc., Pioneer Hi Bred International Inc., Bridgestone/Firestone, Communications Data Services Inc., and Meredith Corporation. Universities and colleges in the area include Des Moines Area Community College, Drake University, Simpson College, Des Moines University - Osteopathic Medical Center, Grand View College, AIB College of Business, and Upper Iowa University. Unemployment rate in the Des Moines metro area was 3.2% as of October 2003.

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. Sioux Falls ranks third in a national list of top cities to start a company according to a report by Cognetics, Inc. (Kiplinger Report, April 2001). Sioux Falls received an "A+" on Zero Population Growth's 2001 Kid-Friendly Cities Report Card, excelling in health, public safety, education, economics, environment, and community life; ranking third out of 140 cities. The city was called a "Diamond in the Rough" as a great smaller market for businesses to make a move. The magazine cited the community's growth rates as a hugh opportunity and recognized the state's friendly tax laws. (Sales & Marketing Management April 2002.) The bank is located at a high-traffic intersection of Minnesota and 33rd in the heart of Sioux Falls. The second location, expected to open in 2004, is located at the high-traffic intersection of 12th and Elmwood. 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 home to Augustana College with 2003 fall enrollment of 1,848 and The University of Sioux Falls with 2003 fall enrollment of 1,485. Unemployment rate in Sioux Falls was 2.6% as of September 2003.

Security's main office operates in Stuart, which is located in west-central Iowa on the border of Adair and Guthrie counties, approximately 40 miles west of Des Moines. Security's market area is highly dependent on farming and agriculture. Local businesses include Agri-Drain Corporation, Cardinal Glass, Rose Acre Farms, Wausau Supply and Schafer Systems, Inc. In addition, a large number of area residents commute to the Des Moines metro area 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 with rail access recently added to the Stuart area. This development provides economic diversity to Security's market area.

Several of the Company's market areas are dependant on agriculture-related businesses. Iowa land values are currently near the all-time high of 1981. 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, although most such loans are sold in the secondary market. 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, 2003, the Company's net loan portfolio totaled $349.7 million, or 45.3% 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, 2003, the Company's largest lending relationship to a single borrower or group of related borrowers totaled $9.8 million. This lending relationship has total borrowings outstanding with the Company of $23.8 million, with $14.0 million sold to other participants. The Company had twenty-two other lending relationships in excess of $3.0 million as of September 30, 2003 with the average outstanding balance of such loans totaling approximately $4.4 million. At September 30, 2003, 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,					
	2003		2002		2001	
	Amount	Percent	Amount	Percent	Amount	Percent
Real Estate Loans						
One- to four-family	$ 52,193	14.4%	$ 72,678	20.5%	$ 95,612	27.9%
Commercial and multi-family	171,791	47.2	151,806	42.9	123,636	36.0
Agricultural	11,639	3.2	12,067	3.4	11,729	3.4
Construction or development	19,435	5.3	25,745	7.3	21,884	6.4
Total real estate loans	255,058	70.1	262,296	74.1	252,861	73.7
Other Loans:						
Consumer Loans:						
Home equity	18,126	5.0	14,669	4.2	17,458	5.1
Automobile	3,271	0.9	3,287	0.9	4,160	1.2
Other(1)	5,237	1.4	5,637	1.6	6,551	1.9
Total consumer loans	26,634	7.3	23,593	6.7	28,169	8.2
Agricultural operating	22,599	6.2	25,308	7.1	25,253	7.4
Commercial business	59,468	16.4	42,844	12.1	36,773	10.7
Total other loans	108,701	29.9	91,745	25.9	90,195	26.3
Total loans	363,759	100.0%	354,041	100.0%	343,056	100.0%
Less:						
Loans in process	8,895		7,155		5,859	
Deferred fees and discounts	210		256		266	
Allowance for losses	4,962		4,693		3,869	
Total loans receivable, net	$349,692		$341,937		$333,062	

	September 30,			
	2000		1999	
	Amount	Percent	Amount	Percent
Real Estate Loans				
One- to four-family	$105,702	31.6%	$110,317	34.8%
Commercial and multi-family	103,595	31.0	85,793	27.1
Agricultural	10,895	3.3	9,874	3.1
Construction or development	31,301	9.4	28,379	9.0
Total real estate loans	251,493	75.3	234,363	74.0
Other Loans:				
Consumer Loans:				
Home equity	18,144	5.4	14,834	4.7
Automobile	2,596	.8	3,861	1.3
Other(1)	5,743	1.7	4,731	1.4
Total consumer loans	26,483	7.9	23,426	7.4
Agricultural operating	26,810	8.0	29,284	9.2
Commercial business	29,332	8.8	29,942	9.4
Total other loans	82,625	24.7	82,652	26.0
Total loans	334,118	100.0%	317,015	100.0%
Less:				
Loans in process	5,424		10,494	
Deferred fees and discounts	401		350	
Allowance for losses	3,590		3,093	
Total loans receivable, net	$324,703		$303,078	

(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,					
	2003		2002		2001	
	Amount	Percent	Amount	Percent	Amount	Percent
	(Dollars in Thousands)					
Fixed Rate Loans						
Real estate:						
One- to four-family	$ 36,655	10.1%	$ 45,387	12.8%	$ 55,521	16.2%
Commercial and multi-family	95,976	26.4	72,658	20.5	40,778	11.9
Agricultural	5,311	1.5	5,498	1.6	5,605	1.6
Construction or development	11,528	3.1	2,788	0.8	5,545	1.6
Total fixed-rate real estate loans	149,470	41.1	126,331	35.7	107,449	31.3
Consumer	17,889	4.9	20,282	5.7	25,834	7.5
Agricultural operating	5,238	1.4	9,339	2.6	7,402	2.2
Commercial business	27,967	7.7	14,455	4.1	14,986	4.4
Total fixed-rate loans	200,564	55.1	170,407	48.1	155,671	45.4
Adjustable Rate Loans:						
Real estate:						
One- to four-family	15,538	4.3	27,291	7.7	40,091	11.7
Commercial and multi-family	75,815	20.8	79,148	22.4	82,858	20.5
Agricultural	6,328	1.7	6,569	1.9	6,124	1.8
Construction or development	7,907	2.2	22,957	6.5	16,339	4.8
Total adjustable-rate real estate loans	105,588	29.0	135,965	38.5	145,412	42.4
Consumer	8,745	2.4	3,311	0.9	2,335	.7
Agricultural operating	17,361	4.8	15,969	4.5	17,851	5.2
Commercial business	31,501	8.7	28,389	8.0	21,787	6.4
Total adjustable rate loans	163,195	44.9	183,634	51.9	187,385	54.6
Total loans	363,759	100.0%	354,041	100.0%	343,056	100.0%
Less:						
Loans in process	8,895		7,155		5,859	
Deferred fees and discounts	210		256		266	
Allowance for losses	4,962		4,693		3,869	
Total loans receivable, net	$349,692		$341,937		$333,062	

	September 30,			
	2000		1999	
	Amount	Percent	Amount	Percent
	(Dollars in Thousands)			
Fixed Rate Loans				
Real estate:				
One- to four-family	$ 50,813	15.2%	$ 52,943	16.7%
Commercial and multi-family	35,277	10.6	34,326	10.8
Agricultural	3,147	.9	5,080	1.6
Construction or development	4,001	1.2	2,322	.8
Total fixed-rate real estate loans	93,238	27.9	94,671	29.9
Consumer	25,066	7.5	21,803	6.9
Agricultural operating	10,396	3.1	14,896	4.7
Commercial business	14,215	4.3	23,206	7.3
Total fixed-rate loans	142,915	42.8	154,576	48.8
Adjustable Rate Loans:				
Real estate:				
One- to four-family	54,889	16.4	57,374	18.1
Commercial and multi-family	68,318	20.5	51,467	16.2
Agricultural	7,748	2.3	4,794	1.6
Construction or development	27,300	8.2	26,057	8.2
Total adjustable-rate real estate loans	158,255	47.4	139,692	44.1
Consumer	1,417	.4	1,623	.5
Agricultural operating	16,414	4.9	14,388	4.5
Commercial business	15,117	4.5	6,736	2.1
Total adjustable rate loans	191,203	57.2	162,439	51.2
Total loans	334,118	100.0%	317,015	100.0%
Less:				
Loans in process	5,424		10,494	
Deferred fees and discounts	401		350	
Allowance for losses	3,590		3,093	

Total loans receivable, net	$324,703	$303,078
	========	========

The following table illustrates the interest rate sensitivity of the Company's loan portfolio at September 30, 2003. 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	
	Amount	Weighted Average Rate	Amount	Weighted Average Rate	Amount	Weighted Average Rate	Amount	Weighted Average Rate
	(Dollars in Thousands)							
Due During Years Ending September 30								
2004(2)	$ 91,891	5.93%	$ 12,735	6.46%	$ 13,021	5.78%	$ 17,989	6.42%
2005-2008	103,798	6.28	6,116	6.38	10,094	7.33	3,502	6.18
2009 and following	39,934	6.43	584	4.50	3,519	7.56	1,108	6.48

	Commercial Business		Total	
	Amount	Weighted Average Rate	Amount	Weighted Average Rate
	(Dollars in Thousands)			
Due During Years Ending September 30				
2004(2)	$ 35,092	5.45%	$170,728	5.91%
2005-2008	22,960	5.51	146,470	6.23
2009 and following	1,416	6.04	46,561	6.48

(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, 2004 which have predetermined interest rates is $153.6 million, while the total amount of loans due after such date which have floating or adjustable interest rates is $100.9 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, 2003, the Company's one- to four-family residential mortgage loan portfolio totaled $52.2 million, or 14.4% of the Company's total gross loan portfolio. Approximately 11.0% of the Company's one- to four-family mortgage loans or 1.6% 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, 2003, the average outstanding principal balance of a one- to four-family residential mortgage loan was $54,000.

The Company offers fixed-rate and ARM loans. During the year ended September 30, 2003, the Company originated $1.7 million of adjustable-rate loans and $76.2 million of fixed-rate loans secured by one- to four-family residential real estate, of which approximately $31.6 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 greater than 15 years. 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, 2003, the Company's commercial and multi-family real estate loan portfolio totaled $171.8 million, or 47.2% 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 $26.2 million, $24.5 million, and $24.0 million of such loans during fiscal 2003, 2002 and 2001, respectively. At September 30, 2003, $417,000 or 0.2% 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, 2003, the Company's largest commercial and multi-family real estate loan was a $7.4 million loan secured by residential housing developments. The Company had eighteen 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, 2003, the average outstanding principal balance of a commercial or multi-family real estate loan held by the Company was $545,000.

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, 2003, the Company's construction loan portfolio totaled $19.4 million, or 5.3% 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, 2003, the Company had $1.4 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, 2003, the Company had approximately $18.0 million of loans for the construction of commercial and multi-family real estate. This amount consisted of three loans totaling $496,000 for the construction of non-owner occupied single family residences, two loans totaling $2.9 million for the construction of churches, and nine loans totaling $14.6 million for the construction of commercial facilities. All of these loans were performing in accordance with their terms at September 30, 2003.

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, 2003, the Company had agricultural real estate loans secured by farmland of $11.6 million or 3.2% of the Company's gross loan portfolio. At the same date, $22.6 million, or 6.2% 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, 2003, the average outstanding principal balance of an agricultural operating loan held by the Company was $47,000. At September 30, 2003, $291,000, or 1.3%, 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, 2003, none 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, 2003, the Company's consumer loan portfolio totaled $26.6 million, or 7.3% of its total gross loan portfolio. Of the consumer loan portfolio at September 30, 2003, 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, 2003, 17,000, or 0.1%, 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, 2003, $59.5 million, or 16.4% 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, 2003 was a $7.9 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, 2003 was a $5.8 million loan secured by operating assets used in the manufacture and sale of commercial signs. The Company had ten other commercial business loans outstanding in excess of $1.0 million at September 30, 2003. All of these loans are currently performing in accordance with their terms. At September 30, 2003, the average outstanding principal balance of a commercial business loan held by the Company was $142,000.

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, 2003, $126,000 or 0.2% 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, 2003, 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 $48.1 million at September 30, 2003, of which $26.0 million were sold to Fannie Mae and $22.1 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,		
	2003	2002	2001
	(Dollars in Thousands)		
Originations by type:			
Adjustable rate:			
Real estate - one- to four-family	$ 1,748	$ 1,892	$ 1,957
- commercial and multi-family	24,452	23,781	5,691
- agricultural real estate	5,861	3,807	3,622
Non-real estate - consumer	10,424	3,161	7,288
- commercial business	68,088	83,479	31,016
- agricultural operating	25,133	20,036	23,748
Total adjustable-rate	135,706	136,156	73,322
Fixed rate:			
Real estate - one- to four-family	76,215	49,493	37,116
- commercial and multi-family	52,282	50,848	6,504
Non-real estate - consumer	12,578	13,823	17,894
- commercial business	33,405	33,277	15,776
- agricultural operating	14,502	16,265	8,980
Total fixed-rate	188,982	163,706	86,270
Total loans originated	324,688	299,862	159,592
Purchases:			
Real estate- one-to-four-family	--	--	4,735
- commercial and multi-family	26,163	24,542	23,960
Non-real estate - commercial business	--	2,563	4,514
Total loans	26,163	27,105	33,209
Total mortgage-backed securities	428,753	128,494	22,886
Total purchased	454,916	155,599	56,095
Sales and Repayments:			
Sales:			
Real estate - one- to four family	46,418	21,486	14,085
Non-real estate - commercial business	--	--	--
Total loans	46,418	21,486	14,085
Mortgaged-backed securities	88,210	--	--
Total sales	134,628	21,486	14,085
Repayments:			
Loan principal repayments	294,761	293,241	169,809
Mortgage-backed securities repayments	185,621	48,519	16,447
Total principal repayments	480,382	341,760	186,256
Total reductions	615,010	363,246	200,341
Increase (decrease) in other items, net	(7,067)	(1,389)	4,816
Net increase (decrease)	$ 157,527	$ 90,826	$ 20,162

At September 30, 2003, approximately $76.3 million, or 21.0%, 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 Company does not record any adjustments to the allowance for loan losses as a result of these loan purchases.

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, 2003. Not included in the following table are purchased commercial business loans totaling $631,000, approximately 45% 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	$ 34	1	$ 6,516	2	$ --	--	$ 6,550	3
California	1	1	2,667	2	--	--	2,668	3
Colorado	--	--	5,105	8	--	--	5,105	8
Iowa	728	18	5,049	6	--	--	5,777	24
Minnesota	--	--	4,053	5	--	--	4,053	5
Missouri	478	9	3,712	3	--	--	4,190	12
Montana	--	--	1,491	1	--	--	1,491	1
North Carolina	2,689	13	--	--	--	--	2,689	13
Oregon	--	--	--	--	2,496	1	2,496	1
South Dakota	92	7	3,773	3	--	--	3,865	10
Washington	639	2	24,404	10	3,395	1	28,438	13
Wisconsin	--	--	5,596	4	--	--	5,596	4
Other states	1,089	65	1,631	4	--	--	2,720	69
Total	$5,750	116	$63,997	48	$5,891	2	$75,638	166
Percent of loan Portfolio	11.0%		37.3%		30.3%		20.8%	

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 initiates collection procedures by mailing a delinquency notice. The customer is contacted again, by written notice or telephone, before the payment is 30 days past due and again before 60 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, 2003.

	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	1	$ 69	.13%	1	$ 27	.05%	1	$ 156	.30%
Commercial and multi-family	--	--	--	--	--	--	1	417	.24
Consumer	10	111	.42	2	14	.05	2	17	.06
Agricultural operating	--	--	--	--	--	--	1	291	1.29
Commercial business	5	757	1.27	--	--	--	3	126	.21
Total	16	$ 937	.26%	3	$ 41	.01%	8	$1,007	.28%

Delinquencies 90 days and over constituted .28% of total loans and .13% 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,				
	2003	2002	2001	2000	1999
Non-accruing loans:					
One- to four-family	$ 156	$ 51	$ 168	$ 206	$ 613
Commercial and multi-family	417	417	464	--	1,055
Agricultural real estate	--	41	--	37	70
Consumer	17	--	33	--	140
Agricultural operating	291	394	569	17	285
Commercial business	126	408	369	51	75
Total non-accruing loans	1,007	1,311	1,603	311	2,238
Accruing loans delinquent 90 days or more	--	819	--	--	--
Total non-performing loans	1,007	2,130	1,603	311	2,238
Restructured Loans:					
Consumer	--	--	10	--	--
Agricultural operating	28	9	14	918	923
Commercial business	31	71	--	43	53
Total restructured loans	59	80	24	961	976
Foreclosed assets:					
One- to four-family	--	--	--	--	94
Commercial real estate	912	1,310	889	430	--
Consumer	4	18	51	15	24
Commercial business	193	--	--	--	25
Total	1,109	1,328	940	445	143
Less: Allowance for losses	--	--	--	--	--
Total foreclosed assets, net	1,109	1,328	940	445	143
Total non-performing assets	$2,175	$3,538	$2,567	$1,717	$3,357
Total as a percentage of total assets	.28%	.58%	.49%	.34%	.66%

For the year ended September 30, 2003, gross interest income which would have been recorded had the non-accruing loans been current in accordance with their original terms amounted to approximately $128,000, of which none was included in interest income.

Non-accruing Loans. At September 30, 2003, the Company had $1.0 million in non-accruing loans, which constituted .28% 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, 2003, the Company has no accruing loans delinquent 90 days or more.

Other Loans of Concern. At September 30, 2003, there were loans totaling $8.5 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 three one- to four-family residential mortgage loans totaling $95,000, six commercial business loans totaling $724,000, six agricultural operating loans totaling $1.7 million, eleven consumer loans totaling $209,000 and three commercial real estate loans totaling $5.8 million.

Commercial real estate loans of concern at September 30, 2003 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, 2003.

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, 2003, the Company had classified a total of $9.5 million of its assets as substandard, $33,000 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 generally 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. 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				
	2003	2002	2001	2000	1999
	(Dollars in Thousands)				
Balance at beginning of period	$ 4,693	$ 3,869	$ 3,590	$ 3,093	$ 2,909
Charge-offs:					
One-to four family	(4)	(11)	(37)	(65)	(84)
Agricultural operating	--	(84)	(308)	--	(1,160)
Commercial and multi-family	(31)	--	--	(370)	--
Consumer	(49)	(139)	(61)	(104)	(202)
Commercial business	(29)	(86)	(76)	(731)	(420)
Total charge-offs	(113)	(320)	(482)	(1,270)	(1,866)
Recoveries:					
One-to-four family	2	2	2	--	--
Consumer	13	39	29	55	39
Commercial business	10	4	3	33	8
Commercial and multi-family	--	--	--	--	--
Agricultural operating	7	9	17	39	11
Total recoveries	32	54	51	127	58
Net charge-offs	(81)	(266)	(431)	(1,143)	(1,808)
Additions charged to operations	350	1,090	710	1,640	1,992
Balance at end of period	$ 4,962	$ 4,693	$ 3,869	$ 3,590	$ 3,093
Ratio of net charge-offs during the period to average loans outstanding during the period	.02%	.08%	.13%	.37%	.63%
Ratio of net charge-offs during the period to average non-performing assets	2.50%	4.54%	16.04%	64.53%	43.12%

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,									
	2003		2002		2001		2000		1999	
	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	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	$ 135	14.35%	$ 170	20.53%	$ 222	27.87%	$ 250	31.63%	$ 331	34.80%
Commercial and multi-family real estate	2,390	46.99	2,536	42.88	1,604	36.04	1,183	31.01	772	27.06
Agricultural real estate ..	116	3.20	131	3.41	128	3.42	124	3.26	114	3.11
Construction	122	5.58	129	7.27	88	6.38	125	9.37	123	8.95
Consumer	344	7.32	317	6.66	403	8.21	335	7.93	308	7.39
Agricultural operating	628	6.21	639	7.15	617	7.36	611	8.02	806	9.24
Commercial business	1,027	16.35	663	12.10	618	10.72	592	8.78	449	9.45
Unallocated	200	--	108	--	189	--	370	--	190	--
Total	$4,962	100.00%	$4,693	100.00%	$3,869	100.00%	$3,590	100.00%	$3,093	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, 2003, 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,		
	2003	2002	2001
	(Dollars in Thousands)		
Investment Securities:			
Trust preferred securities(1)	$23,323	$24,128	$24,680
Federal agency obligations	--	--	5,080
Municipal bonds	606	764	1,023
Equity investments	494	660	420
Freddie Mac preferred stock	226	191	249
Fannie Mae common stock	140	156	160
Other	1,001	--	--
Subtotal	25,790	25,899	31,612
FHLB stock	10,930	6,843	6,399
Total investment securities and FHLB stock	$36,720	$32,742	$38,011
Other Interest-Earning Assets:			
Interest bearing deposits in other financial institutions and Federal Funds sold	$ 7,667	$ 6,051	$ 7,750

(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, 2003: Key Corp Capital I, $4.4 million; Bank Boston Capital Trust IV, $4.3 million; BankAmerica Capital III, $4.6 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, 2003					
	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	$ --	$ --	$ --	$23,323	$26,741	$23,323
Municipal bonds	319	287	--	--	585	606
Other	--	1,001	--	--	998	1,001
Total investment securities	$ 319	$ 1,288	$ --	$23,323	$28,324	$24,930
Weighted average yield(1)	5.90%	5.57%	0.00%	2.66%	2.69%	2.85%

(1) Yields on tax-exempt obligations have not been computed on a tax-equivalent basis.

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, 2003, the Company held CMOs totaling $3.8 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, 2003, $339.7 million or 99.8% of the Company's mortgage-backed securities portfolio had fixed rates of interest and $614,000 or 0.2% 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, 2003, $288.8 million or 84.9% 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,		
	2003	2002	2001
	(Dollars in Thousands)		
Ginnie Mae	$ 12,548	$ 23,484	$ 39,490
CMO	3,824	43,259	68,845
Freddie Mac	183,899	33,320	3,180
Fannie Mae	139,848	92,075	1,952
Privately Issued Mortgage Pass-Through Certificates	166	210	295
Total	$340,285	$192,348	$113,762

The following table sets forth the contractual maturities of the Company's mortgage-backed securities at September 30, 2003. 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, 2003 Balance Outstanding
	(Dollars in Thousands)				
Ginnie Mae	$ --	$ --	$ 10	$12,538	$ 12,548
CMO	--	--	3,371	453	3,824
Freddie Mac	184	117	183,460	138	183,899
Fannie Mae	--	10	130,586	9,252	139,848
Privately Issued Mortgage Pass-Through Certificates(1)	--	--	--	166	166
Total	$184	$127	$317,427	$22,547	$340,285
Weighted average yield	6.62%	8.83%	2.75%	4.72%	2.87%

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

At September 30, 2003, the contractual maturity of 6.6% 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,		
	2003	2002	2001
	(Dollars in Thousands)		
Opening balance	$ 355,780	$ 338,782	$ 318,654
Deposits	1,528,054	978,256	723,458
Withdrawals	(1,457,277)	(972,856)	(718,006)
Interest credited	8,996	11,598	14,676
Ending balance	$ 435,553	$ 355,780	$ 338,782
Net increase	$ 79,773	$ 16,998	$ 20,128
Percent increase	22.42%	5.02%	6.32%

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,					
	2003		2002		2001	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
	(Dollars in Thousands)					
Transactions and Savings Deposits:						
Commercial Demand	$ 17,458	4.01%	$ 11,935	3.35%	$ 7,733	2.28%
Passbook Accounts	21,323	4.89	15,064	4.23	12,221	3.61
NOW Accounts	24,603	5.65	20,088	5.65	19,511	5.76
Money Market Accounts	73,572	16.89	55,261	15.53	51,185	15.11
Total Non-Certificate	136,956	31.44	102,348	28.76	90,650	26.76
Certificates:						
Variable	2,210	0.51	2,169	0.61	1,011	0.30
0.00 - 1.99%	110,833	25.45	10,252	2.88	--	--
2.00 - 3.99%	130,236	29.90	134,446	37.79	19,598	5.78
4.00 - 5.99%	38,633	8.87	61,541	17.30	106,841	31.54
6.00 - 7.99%	16,685	3.83	45,024	12.66	120,682	35.62
Total Certificates	298,597	68.56	253,432	71.24	248,132	73.24
Total Deposits	$435,553	100.00%	$355,780	100.00%	$338,782	100.00%

The following table shows rate and maturity information for the Company's certificates of deposit as of September 30, 2003.

	Variable	0.00 - 1.99%	2.00- 3.99%	4.00- 5.99%	6.00- 7.99%	Total	Percent of Total
				(Dollars in Thousands)			
Certificate accounts maturing in quarter ending:							
December 31, 2003	$ 639	$ 45,175	$ 24,354	$ 2,282	$ 2,531	$ 74,981	25.1%
March 31, 2004	318	25,304	6,692	3,385	1,176	36,875	12.3
June 30, 2004	455	12,984	27,403	1,647	1,204	43,693	14.6
September 30, 2004	209	14,392	11,104	2,500	639	28,844	9.7
December 31, 2004	217	3,189	8,813	679	1,893	14,791	5.0
March 31, 2005	271	4,762	10,671	737	1,307	17,748	5.9
June 30, 2005	101	1,971	11,352	1,394	2,691	17,509	5.9
September 30, 2005	--	2,023	3,763	731	1,091	7,608	2.5
December 31, 2005	--	846	6,741	352	3,646	11,585	3.9
March 31, 2006	--	114	5,376	524	210	6,224	2.1
June 30, 2006	--	10	1,929	976	297	3,212	1.1
September 30, 2006	--	60	2,430	700	--	3,190	1.1
Thereafter	--	3	9,608	22,726	--	32,337	10.8
Total	$ 2,210	$110,833	$130,236	$ 38,633	$ 16,685	$298,597	100.0%
Percent of total	0.74%	37.11%	43.62%	12.94%	5.59%	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, 2003.

	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	$28,453	$16,201	$48,935	$ 95,579	$189,168
Certificates of deposit of $100,000 or more	46,528	20,674	23,602	18,625	109,429
Total certificates of deposit	$74,981	$36,875	$72,537	$114,204	$298,597(1)

(1) Includes deposits from governmental and other public entities totaling $71.5 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, 2003, the Company had $223.8 million of advances from the FHLB of Des Moines and the ability to borrow up to an approximate additional $95.5 million. At September 30, 2003, advances totaling $110.8 million had terms to maturity of one year or less. The remaining $112.9 million had maturities ranging up to 16 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, 2003, the Company had $202,000 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, 2003, the Company had $57.5 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,		
	2003	2002	2001
	(Dollars in Thousands)		
Maximum Balance:			
FHLB advances	$226,165	$125,090	$129,010
Retail and reverse repurchase agreements	110,488	70,176	20,239
Preferred securities of subsidiary trust	10,000	10,000	10,000
Average Balance:			
FHLB advances	$176,961	$118,415	$126,208
Retail and reverse repurchase agreements	78,209	39,288	6,490
Preferred securities of subsidiary trust	10,000	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,		
	2003	2002	2001
	(Dollars in Thousands)		
FHLB advances	$223,784	$125,090	$126,352
Retail and reverse repurchase agreements	57,702	70,176	1,993
Preferred securities of subsidiary trust	10,000	10,000	10,000
Total borrowings	$291,486	$205,266	$138,345
Weighted average interest rate of FHLB advances	3.40%	5.46%	5.76%
Weighted average interest rate of retail and reverse repurchase agreements	1.16%	1.90%	4.57%
Weighted average interest rate of preferred securities of subsidiary trust	4.90%	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, 2003, the net book value of First Federal's investment in First Services was approximately $84,000. 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 $35,000 during fiscal 2003.

Regulation

Recent Legislation - USA Patriot Act of 2001. In October 2001, the USA Patriot Act of 2001 was enacted in response to the terrorist attacks in New York, Pennsylvania and Washington, D.C. which occurred on September 11, 2001. The Patriot Act is intended to strengthen U.S. law enforcement's and the intelligence communities' abilities to work cohesively to combat terrorism on a variety of fronts. The potential impact of the Patriot Act on financial institutions of all kinds is significant and wide ranging. The Patriot Act contains sweeping anti-money laundering and financial transparency laws and imposes various regulations, including standards for verifying client identification at account opening, and rules to promote cooperation among financial institutions, regulators and law enforcement entities in identifying parties that may be involved in terrorism or money laundering.

Sarbanes-Oxley Act of 2002. On July 30, 2002, President Bush signed into law the Sarbanes-Oxley Act of 2002, or the SOA. The SOA is the most far-reaching U.S. securities legislation enacted in many years, and includes many substantive and disclosure-based requirements. The stated goals of the SOA are to increase corporate responsibility, to provide for enhanced penalties for accounting and auditing improprieties at publicly traded companies and to protect investors by improving the accuracy and reliability of corporate disclosures pursuant to the securities laws. The SOA generally applies to all companies, both U.S. and non-U.S., that file or are required to file periodic reports with the Securities and

Exchange Commission under the Securities Exchange Act of 1934 (the "Exchange Act"). Given the extensive and continuing SEC role in implementing rules relating to many of the SOA's new requirements, the effects of these requirements remain to be determined, although it is likely that the Company's costs will increase somewhat, at least in the short term, as a result of SOA implementation.

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 March 24, 2003. Security is subject to similar regulation and oversight by the ISB and the FRB and was last examined as of April 1, 2003.

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, 2003, First Federal's and Security's lending limit under these restrictions was $7.6 million and $972,000, 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, 2003, 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, 2003, 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 2003 and both received a rating of "satisfactory."

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, 2003, the Banks had in the aggregate $10.9 million in FHLB stock, which was in compliance with this requirement. For the fiscal year ended September 30, 2003, dividends paid by the FHLB of Des Moines to First Federal and Security totaled $286,000. Over the past five calendar years such dividends have averaged 3.0% and were 3.0% for the first three quarters of the calendar year 2003.

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, 2003, 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 a consolidated Iowa corporation tax return 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 deductible 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 a consolidated South Dakota franchise tax return 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, Dallas, 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 twelve 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, 2003, the Company and its subsidiaries had a total of 178 employees, including 20 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 51, serves as Senior Vice President, Secretary, 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.

On December 5, 2003, Mr. Ronald J. Walters was hired to assume the position of Chief Financial Officer in the place of Mr. Winchell, who is leaving the company effective January 9, 2004 to pursue other interests. Mr. Walters, age 54, joined First Midwest as Senior Vice President. Prior to joining the Company, Mr. Walters served as Vice President, Treasurer and Chief Financial Officer of Kankakee Bancorp, Inc. of Kankakee, Illinois, (now known as Centrue Financial Corporation) having worked for the company since 1984. Mr. Walters received a Bachelor of Science degree from the University of Illinois, Chicago, Illinois. Mr. Walters 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, 2003 was $11.4 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, 2003 was approximately $791,000.

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, 2003.

PART II

Item 5. Market for Registrant's Common Equity and Related Shareholder Matters

Page 48 of the attached 2003 Annual Report to Shareholders is herein incorporated by reference.

Item 6. Selected Financial Data

Page 14 of the attached 2003 Annual Report to Shareholders is herein incorporated by reference.

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

Pages 15 through 23 of the attached 2003 Annual Report to Shareholders are herein incorporated by reference.

Item 7A. Quantitative and Qualitative Disclosure About Market Risk

Pages 19 through 20 of the attached 2003 Annual Report to Shareholders are herein incorporated by reference.

Item 8. Financial Statements and Supplementary Data

Pages 24 through 45 of the attached 2003 Annual Report to Shareholders are herein incorporated by reference.

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

Not applicable.

Item 9a. Controls and Procedures

Any control system, no matter how well designed and operated, can provide only reasonable (not absolute) assurance that its objectives will be met. Furthermore, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

Disclosure Controls and Procedures

The Corporation's management, with the participation of the Corporation's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of its disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (Exchange Act)) as of the end of the period covered by this report. Based on such evaluation, the Corporation's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Corporation's disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Corporation in the reports that it files or submits under the Exchange Act.

Internal Control Over Financial Reporting

There have not been any changes in the Corporation's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fourth quarter of the fiscal year to which this report relates that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

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 2004 filed on December 17, 2003.

The Company has adopted a Code of Ethics that applies to its principal executive officer and principal financial officers of the Company. A copy of the Code Ethics, included as an exhibit to this Form 10-K and filed with the Securities and Exchange Commission, may also be found on the Company's website at www.fmficash.com.

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 2004, filed on December 17, 2003 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, 2003, all
Section 16(a) filing requirements applicable to its officers, directors and greater than 10 percent beneficial owners were complied with except that during the fiscal year ended September 30, 2003, Mr. Gaskill and Mr. Thure each inadvertently failed to file a timely Form 4 and Form 3, respectively. Both forms were subsequently filed.

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 2004, filed on December 17, 2003.

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 2004, filed on December 17, 2003, and Note 11 of Notes to Consolidated Financial Statements.

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 2004, filed on December 17, 2003.

Item 14. Principal Accountant Fees and Services

Audit Fees

1. Fees paid to McGladrey & Pullen, LLP and its associated entity, RSM McGladrey, Inc., for each of the last two fiscal years are set forth below.

Fiscal Year	Audit Fees	Audit-Related Fees	Tax Fees	All Other Fees
2003	$83,000	$7,000	$9,000	$ --
2002	$62,000	$6,000	$11,000	$6,000

Audit fees include fees for services performed to comply with generally accepted auditing standards, including the recurring audit of the Company's consolidated financial statements. This category also includes fees for audits provided in connection with statutory filings or services that generally only the principal auditor reasonably can provide to a client, such as procedures related to audit of income tax provisions and related reserves, consents and assistance with and review of documents filed with the Securities and Exchange Commission.

Audit-related fees include fees associated with assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements. This category includes fees related to assistance in financial due diligence related to mergers and acquisitions, consultations regarding generally accepted accounting principles, reviews and evaluations of the impact of new regulatory pronouncements, general assistance with implementation of the new SEC and Sarbanes-Oxley Act of 2002 requirements and audit services not required by statute or regulation. Audit-related fees also include audits of employee benefit plans, as well as the review of information systems and general internal controls unrelated to the audit of the financial statements.

Tax fees primarily include fees associated with tax audits, tax compliance, tax consulting, as well as tax planning. This category also includes services related to tax disclosure and filing requirements.

The Audit Committee has not authorized any non-audit services by the independent auditor. The Audit Committee must approve any such services prior to the services being performed. The Audit Committee's considerations would include whether such services are consistent with the SEC's rules on auditor independence.

PART IV

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, 2003 and 2002.

3. Consolidated Statements of Income for the Years Ended September 30, 2003, 2002 and 2001.

4. Consolidated Statements of Changes in Shareholders' Equity for the Years Ended September 30, 2003, 2002 and 2001.

5. Consolidated Statements of Cash Flows for the Years Ended September 30, 2003, 2002 and 2001.

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, 2003, the Registrant filed and furnished, respectively, two current reports on Form 8-K, one dated July 7, 2003, to report the issuance of a press release announcing the authorization of a stock repurchase program, and another dated July 18, 2003, to report the issuance of a press release announcing the Company's earnings for the three months and nine months ended June 30, 2003.

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 26, 2003

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 and Chief Executive Officer (Principal Executive Officer)*	*Date: December 26, 2003*
By: /s/ J. Tyler Haahr *J. Tyler Haahr, Director, President and Chief Operating Officer*	*Date: December 26, 2003*
By: /s/ E. Wayne Cooley *E. Wayne Cooley, Director*	*Date: December 26, 2003*
By: /s/ E. Thurman Gaskill *E. Thurman Gaskill, Director*	*Date: December 26, 2003*
By: /s/ Rodney G. Muilenburg *Rodney G. Muilenburg, Director*	*Date: December 26, 2003*
By: /s/ Jeanne Partlow *Jeanne Partlow, Director*	*Date: December 26, 2003*
By: /s/ G. Mark Mickelson *G. Mark Mickelson, Director*	*Date: December 26, 2003*
By: /s/ John Thune *John Thune, Director*	*Date: December 26, 2003*
By: /s/ Donald J. Winchell *Donald J. Winchell, Senior Vice President, Secretary, Treasurer and Chief Financial Officer (Principal Financial and Accounting Officer)*	*Date: December 26, 2003*

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.

10.9 Registrant's 2002 Omnibus Incentive Plan.*

11 Statement re: computation of per share earnings (included under Note 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.

31.1 Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

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

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

99 Code of Ethics*

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* Filed Herewith

EXHIBIT 10.9

FIRST MIDWEST FINANCIAL, INC.

2002 OMNIBUS INCENTIVE PLAN

1. Plan Purpose. The purpose of the Plan is to promote the long-term interests of the Company and its stockholders by providing a means for attracting and retaining directors, advisory directors, officers and employees of the Company and its Affiliates.

2. Definitions. The following definitions are applicable to the Plan:

"Affiliate" -- means any "parent corporation" or "subsidiary corporation" of the Company as such terms are defined in Section 424(e) and (f), respectively, of the Code.

"Award" -- means the grant by the Committee under this Plan of an Incentive Stock Option, a Non-Qualified Stock Option, a Stock Appreciation Right, Restricted Stock or a Performance Award, or any combination thereof, as provided in the Plan.

"Award Agreement" -- means the agreement evidencing the grant of an Award made under the Plan.

"Cause" -- means termination of service by reason of personal dishonesty, incompetence, willful misconduct, breach of fiduciary duty involving personal profit, intentional failure to perform stated duties or gross negligence.

"Code" -- means the Internal Revenue Code of 1986, as amended.

"Committee" -- means the Committee referred to in Section 3 hereof.

"Company" -- means First Midwest Financial Inc. and any successor thereto.

"Continuous Service" -- means the absence of any interruption or termination of service as a director, advisory director, officer or employee of the Company or an Affiliate, except that when used with respect to a person granted an Incentive Stock Option means the absence of any interruption or termination of service as an employee of the Company or an Affiliate. Service shall not be considered interrupted in the case of sick leave, military leave or any other leave of absence approved by the Company or in the case of transfers between payroll locations of the Company or between the Company, its parent, its subsidiaries or its successor.

"ERISA" -- means the Employee Retirement Income Security Act of 1974, as amended.

"Incentive Stock Option" -- means an option to purchase Shares granted by the Committee which is intended to qualify as an Incentive Stock Option under Section 422 of the Code. Unless otherwise set forth in the Award Agreement, any Option which does not qualify as an Incentive Stock Option for any reason shall be deemed a Non-Qualified Stock Option.

"Market Value" -- means the closing high bid with respect to a Share on the date in question on the Nasdaq Stock Market, or any similar system then in use, or, if the Shares are not then traded on the Nasdaq Stock Market or any similar system, the closing sales price on such date (or, if there is no reported sale on such date, on the last preceding date on which any reported sale occurred) of a Share on the Composite Tape for New York Stock Exchange-Listed Stocks, or, if on such date the Shares are not quoted on the Composite Tape, on the New York Stock Exchange, or if the Shares are not listed or admitted to trading on such Exchange, on the principal United States securities exchange registered under the Securities Exchange Act of 1934 (the "Exchange Act") on which the Shares are listed or admitted to trading, or, if the Shares are not listed or admitted to trading on any such exchange, the fair market value on such date of a Share as the Committee shall determine.

"Non-Qualified Stock Option" -- means an option to purchase Shares granted by the Committee which does not qualify, for any reason, as an Incentive Stock Option under Section 422 of the Code.

"Option" -- means an Incentive Stock Option or a Non-Qualified Stock Option awarded to a Participant pursuant to Section 5(a) hereof.

"Participant" -- means any director, advisory director, officer or employee of the Company or any Affiliate who is selected by the Committee to receive an Award.

"Performance Award" -- means an Award granted pursuant to Section 5(d) herein.

"Plan" -- means this 2002 Omnibus Incentive Plan of the Company.

"Related" -- means (i) in the case of a Stock Appreciation Right, a Stock Appreciation Right which is granted in connection with, and to the extent exercisable, in whole or in part, in lieu of, an Option or another Stock Appreciation Right and (ii) in the case of an Option, an Option with respect to which and to the extent a Stock Appreciation Right is exercisable, in whole or in part, in lieu thereof.

"Restricted Stock" -- means Shares awarded to a Participant pursuant to Section 5(c) hereof.

"Retirement" -- means retirement from employment with the Company or an Affiliate thereof, as an employee, director, director emeritus or advisory director thereof, having reached the age of 65.

"Shares" -- means the shares of common stock of the Company.

"Stock Appreciation Right" -- means a stock appreciation right with respect to Shares granted by the Committee pursuant to the Plan.

"Ten Percent Holder" -- means any individual who owns stock possessing more than ten percent of the total combined voting power of all classes of stock of the Company and any Affiliate.

"Termination of Service" - means cessation of service, for any reason, whether voluntary or involuntary, so that the affected individual is not either (i) an employee of the Corporation or any Affiliate for purposes of an Incentive Stock Option, or (ii) a director, advisory director or employee of the Corporation or any affiliate for purpose of any other Award.

3. Administration. The Plan shall be administered by a Committee consisting of two or more members of the Board of Directors of the Company, each of whom (i) shall be an outside director as defined under Section 162(m) of the Code and the regulations thereunder and (ii) shall be a Non-Employee Director as defined under Rule 16(b) of the Securities Exchange Act of 1934 or any similar or successor provision. The members of the Committee shall be appointed by the Board of Directors of the Company. Except as limited by the express provisions of the Plan or by resolutions adopted by the Board of Directors of the Company, the Committee shall have sole and complete authority and discretion to

(i) select Participants and grant Awards; (ii) determine the number of Shares to be subject to types of Awards generally, as well as to individual Awards granted under the Plan; (iii) determine the terms and conditions upon which Awards shall be granted under the Plan; (iv) prescribe the form and terms of instruments evidencing such grants; and (v) establish from time to time regulations for the administration of the Plan, interpret the Plan, to correct any defect or supply an omission or reconcile any inconsistency in the Plan, and make all determinations deemed necessary or advisable for the administration of the Plan.

A majority of the Committee shall constitute a quorum, and the acts of a majority of the members present at any meeting at which a quorum is present, or acts approved in writing by a majority of the Committee without a meeting, shall be acts of the Committee.

4. Shares Subject to Plan.

(a) Subject to adjustment by the operation of Section 7, the maximum number of Shares with respect to which Awards may be made under the Plan is 200,000 Shares. The Shares with respect to which Awards may be made under the Plan may be either authorized and unissued shares or previously issued shares reacquired and held as treasury shares. Shares which are subject to Related Stock Appreciation Rights and Related Options shall be counted only once in determining whether the maximum number of Shares with respect to which Awards may be granted under the Plan has been exceeded. An Award shall not be considered to have been made under the Plan with respect to any Option or Stock Appreciation Right which terminates or with respect to Restricted Stock which is forfeited, and new Awards may be granted under the Plan with respect to the number of Shares as to which such termination or forfeiture has occurred.

(b) During any calendar year, no Participant may be granted Awards under the Plan of more than 100,000 Shares, subject to adjustment as provided in
Section 7.

5. Awards.

(a) Options. The Committee is hereby authorized to grant Options to Participants with the following terms and conditions and with such additional terms and conditions not inconsistent with the provisions of the Plan as the Committee shall determine, including the granting of Options in tandem with other Awards under the Plan:

(i) Exercise Price. The exercise price per Share for an Option shall be determined by the Committee; provided that, in the case of an Incentive Stock Option, the exercise price thereof shall not be less than 100% of the Market Value of a Share on the date of grant of such Option; provided further that, in the case of an Incentive Stock Option granted to a Ten Percent Holder, the exercise price thereof shall not be less than 110% of the Market Value of a Share on the date of grant of such Option.

(ii) Option Term. The term of each Option shall be fixed by the Committee, but shall be no greater than 15 years; provided that, in the case of an Incentive Stock Option, the term of such Option shall not exceed ten years; provided further that, in the case of an Incentive Stock Option granted to a Ten Percent Holder, the term of such option shall not exceed five years.

(iii) Time and Method of Exercise. Except as provided in paragraph (a) of Section 6, no Option granted hereunder may be exercised unless at the time the Participant exercises such Option, such Participant has maintained Continuous Service since the date of grant of such Option. To exercise an Option under the Plan, the

Participant to whom such Option was granted shall give written notice to the Company in form satisfactory to the Committee (and, if partial exercises have been permitted by the Committee, by specifying the number of Shares with respect to which such Participant elects to exercise such Option) together with full payment of the exercise price, if any and to the extent notice is received by the Company. Payment, if any is required, shall be made either (i) in cash (including check, bank draft or money order) or, if the Committee specifically approves in writing on an individual basis, (ii) by delivering (A) Shares already owned by the Participant and having a fair market value equal to the applicable exercise price, such fair market value to be determined in such appropriate manner as may be provided by the Committee or as may be required in order to comply with or to conform to requirements of any applicable laws or regulations, or (B) a combination of cash and such Shares.

(iv) Option Agreements. At the time of an Award of an Option, the Participant shall enter into an Award Agreement with the Company in a form specified by the Committee, agreeing to the terms and conditions of the Award and such other matters as the Committee shall in its sole discretion determine.

(v) Limitations on Value of Exercisable Incentive Stock Options. The aggregate Market Value of the Shares with respect to which Incentive Stock Options are exercisable for the first time by a Participant in any calendar year shall not exceed $100,000.

(vi) Eligible Recipients of Incentive Stock Options. Incentive Stock Options may be granted by the Committee only to employees of the Company or its Affiliates.

(vii) Incentive Stock Options must be granted no later than 10 years from the date the Plan is adopted or approved by the stockholders, whichever is earlier.

(b) Stock Appreciation Rights. The Committee is hereby authorized to grant Stock Appreciation Rights to Participants with the following terms and conditions and with such additional terms and conditions not inconsistent with the provisions of the Plan as the Committee shall determine:

(i) General. A Stock Appreciation Right shall, upon its exercise, entitle the Participant to whom such Stock Appreciation Right was granted to receive a number of Shares or cash or combination thereof, as the Committee in its discretion shall determine, the aggregate value of which (i.e., the sum of the amount of cash and/or Market Value of such Shares on date of exercise) shall equal (as nearly as possible, it being understood that the Company shall not issue any fractional shares) the amount by which the Market Value per Share on the date of such exercise shall exceed the exercise price of such Stock Appreciation Right, multiplied by the number of Shares with respect to which such Stock Appreciation Right shall have been exercised.

(ii) Related Options. A Stock Appreciation Right may be Related to an Option or may be granted independently of any Option as the Committee shall from time to time in each case determine. In the case of a Related Option, such Related Option shall cease to be exercisable to the extent of the Shares with respect to which the Related Stock Appreciation Right was exercised. Upon the exercise or termination of a Related Option, any Related Stock Appreciation Right shall terminate to the extent of the Shares with respect to which the Related Option was exercised or terminated. If the Related Option is an Incentive Stock Option, the Related Option shall satisfy all restrictions and

the limitations imposed on Incentive Stock Options under paragraph
(a) of this Section 5 (including, without limitation, restrictions on exercise price and term).

(iii) Exercise Price and Term. The exercise price and term of each Stock Appreciation Right shall be fixed by the Committee; provided that, that the term of a Stock Appreciation Right shall not exceed 15 years.

(iv) Stock Appreciation Right Agreements. At the time of an Award of a Stock Appreciation Right, the Participant shall enter into an Award Agreement with the Company in a form specified by the Committee, agreeing to the terms and conditions of the Award and such other matters as the Committee shall in its sole discretion determine.

(v) Time and Method of Exercise. Except as provided in paragraph (a) of Section 6, no Stock Appreciation Right may be exercised unless at the time the Participant exercises such Stock Appreciation Right, such Participant has maintained Continuous Service since the date of grant of such Stock Appreciation Right. To exercise a Stock Appreciation Right under the Plan, the Participant to whom such Stock Appreciation Right was granted shall give written notice to the Company in form satisfactory to the Committee (and, if partial exercises have been permitted by the Committee, by specifying the number of Shares with respect to which such Participant elects to exercise such Stock Appreciation Right) together with full payment of the exercise price, if any and to the extent required. The date of exercise shall be the date on which such notice is received by the Company. Payment, if any is required, shall be made either (i) in cash (including check, bank draft or money order) or with the specific written permission of the Committee (ii) by delivering (A) Shares already owned by the Participant and having a fair market value equal to the applicable exercise price, such fair market value to be determined in such appropriate manner as may be provided by the Committee or as may be required in order to comply with or to conform to requirements of any applicable laws or regulations, or (B) a combination of cash and such Shares.

(c) Restricted Stock. The Committee is hereby authorized to grant Awards of Restricted Stock to Participants with the following terms and conditions and with such additional terms and conditions not inconsistent with the provisions of the Plan as the Committee shall determine:

(i) Restrictions. Shares of Restricted Stock shall be subject to such restrictions as the Committee may impose (including, without limitation, any limitation on the right to vote a Share of Restricted Stock or the right to receive any dividend or other right or property with respect thereto), which restrictions may lapse separately or in combination at such time or times, in such installments or otherwise as the Committee may deem appropriate. During the period of time in which the Shares awarded as Restricted Stock are subject to the restrictions contemplated herein (a "Restricted Period"), unless otherwise permitted by the Plan or by the Committee as provided in the applicable Award Agreement, such Shares may not be sold, assigned, transferred, pledged or otherwise encumbered by the Participant. Except for the restrictions which may be imposed on Restricted Stock, a Participant to whom Shares of Restricted Stock have been awarded shall have all the rights of a stockholder, including but not limited to the right to receive all dividends paid on such Shares and the right to vote such Shares.

(ii) Restricted Stock Agreements. At the time of an Award of Shares of Restricted Stock, the Participant shall enter into an Award Agreement with the Company in a form specified by the Committee, agreeing to the terms and conditions of the Award and such other matters as the Committee shall in its sole discretion determine.

(iii) Stock Certificates. Any Restricted Stock granted under the Plan shall be evidenced by issuance of a stock certificate or certificates, which certificate or certificates shall be held by the Company. Such certificate or certificates shall be registered in the name of the Participant and shall bear the following (or similar) legend:

"The transferability of this certificate and the shares of stock represented hereby are subject to the terms and conditions (including forfeiture) contained in the Company's 2002 Omnibus Incentive Plan and an Agreement entered into between the registered owner and the Company. Copies of such Plan and Agreement are on file in the offices of the Secretary of the Company, Fifth at Erie, Storm Lake, Iowa 50588."

(iv) Removal of Restrictions. Shares representing Restricted Stock that are no longer subject to restrictions shall be delivered to the holder thereof promptly after the applicable restrictions lapse or are waived.

(d) Performance Awards. The Committee is hereby authorized to grant Performance Awards to Participants subject to the terms of the Plan and the applicable Award Agreement. At the time of grant of a Performance Award, the Participant shall enter into an Award Agreement with the Company in a form specified by the Committee, agreeing to the terms and conditions of the Performance Award and such other matters as the Committee shall in its sole discretion determine. A Performance Award granted under the Plan (i) may be denominated or payable in cash, Shares (including, without limitation, Restricted Stock), other securities, other Awards or other property and (ii) shall confer on the holder thereof the right to receive payments, in whole or in part, upon the achievement of such performance goals during such performance periods as the Committee shall establish. Subject to the terms of the Plan, the performance goals to be achieved during any performance period, the length of any performance period, the amount of any Performance Award granted and the amount of any payment or transfer to be made pursuant to any Performance Award shall be determined by the Committee as provided in the applicable Award Agreement. Unless otherwise provided in the Performance Award, the term of a Performance Award shall not exceed 15 years.

6. Termination of Service.

(a) Options and Stock Appreciation Rights.

(i) If a Participant to whom an Option or Stock Appreciation Right was granted shall cease to maintain Continuous Service for any reason (including total and partial disability but excluding Retirement, death and termination of employment by the Company or any Affiliate for Cause), such Participant may, but only within the period of three months, in the case of an Incentive Stock Option, or one year, in the case of a Non-Qualified Stock Option or Stock Appreciation Right, immediately succeeding such cessation of Continuous Service and in no event after the expiration date of such Option or Stock Appreciation Right, exercise such Option or Stock Appreciation Right to the extent that such Participant was entitled to exercise such Option or Stock Appreciation Right at the date of such cessation of Continuous Service. If the Continuous Service of a Participant to whom an Option or Stock Appreciation Right was granted by the Company is terminated for Cause, all rights under any Option or Stock Appreciation Right of such

Participant shall expire immediately upon the giving to the Participant of notice of such termination.

(ii) If a Participant to whom an Option or Stock Appreciation Right was granted shall cease to maintain Continuous Service due to Retirement, such Participant may, but only within the period of three months, in the case of an Incentive Stock Option, or two years, in the case of a Non-Qualified Stock Option or Stock Appreciation Right, immediately succeeding such cessation of Continuous Service and in no event after the expiration date of such Option or Stock Appreciation Right, exercise such Option or Stock Appreciation Right to the extent that such Participant was entitled to exercise such Option or Stock Appreciation Right at the date of such cessation of Continuous Service.

(iii) In the event of the death of a Participant while in the Continuous Service of the Company or an Affiliate or within the periods referred to in paragraphs (a)(i) and (a)(ii) of this Section 6, the person to whom any Option or Stock Appreciation Right held by the Participant at the time of his or her death is transferred by will or the laws of descent and distribution or in the case of an Award other than an Incentive Stock Option, pursuant to a qualified domestic relations order, as defined in the Code or Title I of ERISA or the rules thereunder, or as otherwise permitted to be transferred under Section 10 of the Plan may, but only within the period of two years immediately succeeding the date of death of such Participant, and in no event after the expiration date of such Option or Stock Appreciation Right, exercise such Option or Stock Appreciation Right to the extent that such Participant was entitled to exercise such Option or Stock Appreciation Right immediately prior to his death. Following the death of any Participant to whom an Option was granted under the Plan, irrespective of whether any Related Stock Appreciation Right shall have theretofore been granted to the Participant or whether the person entitled to exercise such Related Stock Appreciation Right desires to do so, the Committee may, as an alternative means of settlement of such Option, elect to pay to the person to whom such Option is transferred as permitted by Section 10 of this Plan, the amount by which the Market Value per Share on the date of exercise of such Option shall exceed the exercise price of such Option, multiplied by the number of Shares with respect to which such Option is properly exercised. Any such settlement of an Option shall be considered an exercise of such Option for all purposes of the Plan.

(iv) Notwithstanding the provisions of subparagraphs (i) through (iii) above, the Committee may, in its sole discretion, establish different terms and conditions pertaining to the effect of termination to the extent permitted by applicable federal and state law.

(b) Restricted Stock. Except as otherwise provided in this Plan, if a Participant ceases to maintain Continuous Services for any reason (other than death, total or partial disability or Retirement) unless the Committee, in its sole discretion, shall otherwise determine, all shares of Restricted Stock theretofore awarded to such Participant and which at the time of such termination of Continuous Service are subject to the restrictions imposed by paragraph (c)(i) of Section 5 shall upon such termination of Continuous Service be forfeited and returned to the Company. Unless the Committee, in its sole discretion, shall otherwise determine, if a Participant ceases to maintain Continuous Service by reason of death, total or partial disability or Retirement, all shares of Restricted Stock theretofore awarded to such Participant and which at the time of such termination of Continuous Service are subject to the restrictions imposed by paragraph (c)(i) of Section 5 shall upon such termination of Continuous Service be free of restrictions and shall not be forfeited.

(c) Performance Awards. In the event that a Participant to whom a Performance Award has been granted shall cease to maintain Continuous Service for any reason, the rights of such Participant or any person to whom the Award may have been transferred as permitted by Section 10 shall be governed by the terms of the Plan and the applicable Award Agreement.

7. Adjustments Upon Changes in Capitalization. In the event of any change in the outstanding Shares subsequent to the effective date of the Plan by reason of any reorganization, recapitalization, stock split, stock dividend, combination or exchange of shares, merger, consolidation or any change in the corporate structure or Shares of the Company, the maximum aggregate number and class of shares and exercise price of the Award, if any, as to which Awards may be granted under the Plan and the number and class of shares and exercise price of the Award, if any, with respect to which Awards have been granted under the Plan shall be appropriately adjusted by the Committee, whose determination shall be conclusive. Any Award which is adjusted as a result of this Section 7 shall be subject to the same restrictions as the original Award.

8. Effect of Merger on Options and Stock Appreciation Rights. In the case of any merger, consolidation or combination of the Company (other than a merger, consolidation or combination in which the Company is the continuing corporation and which does not result in the outstanding Shares being converted into or exchanged for different securities, cash or other property, or any combination thereof), any Participant to whom an Option or Stock Appreciation Right has been granted shall have the additional right (subject to the provisions of the Plan and any limitation applicable to such Option or Stock Appreciation Right), thereafter and during the term of each such Option or Stock Appreciation Right, to receive upon exercise of any such Option or Stock Appreciation Right an amount equal to the excess of the fair market value on the date of such exercise of the securities, cash or other property, or combination thereof, receivable upon such merger, consolidation or combination in respect of a Share over the exercise price of such Stock Appreciation Right or Option, multiplied by the number of Shares with respect to which such Option or Stock Appreciation Right shall have been exercised. Such amount may be payable fully in cash, fully in one or more of the kind or kinds of property payable in such merger, consolidation or combination, or partly in cash and partly in one or more of such kind or kinds of property, all in the discretion of the Committee.

9. Effect of Change in Control. Each of the events specified in the following clauses (i) through (iii) of this Section 9 shall be deemed a "change of control": (i) any third person, including a "group" as defined in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended, shall become the beneficial owner of shares of the Company with respect to which 25% or more of the total number of votes for the election of the Board of Directors of the Company may be cast, (ii) as a result of, or in connection with, any cash tender offer, merger or other business combination, sale of assets or contested election, or combination of the foregoing, the persons who were directors of the Company shall cease to constitute a majority of the Board of Directors of the Company, or (iii) the stockholders of the Company shall approve an agreement providing either for a transaction in which the Company will cease to be an independent publicly-owned corporation or for a sale or other disposition of all or substantially all the assets of the Company. Upon a change in control, unless the Committee shall have otherwise provided in the applicable Award Agreement, any restrictions or vesting period with respect to any outstanding Awards shall lapse and all such Awards shall become fully vested in the Participant to whom such Awards were awarded; provided, however, that no Award which has previously been exercised or otherwise terminated shall become exercisable.

10. Assignments and Transfers. No Award granted under the Plan shall be transferable otherwise than by will or the laws of descent and distribution, except that an Award other than an Incentive Stock Option may be transferred pursuant to a qualified domestic relations order or by gift to any member of the Participant's immediate family or to a trust for the benefit of one or more of such

immediate family members. During the lifetime of an Award recipient, an Award shall be exercisable only by the Award recipient unless it has been transferred as permitted hereby, in which case it shall be exercisable only by such transferee. For the purpose of this Section 10, a Participant's "immediate family" shall mean the Participant's spouse, children and grandchildren.

11. Employee Rights Under the Plan. No person shall have a right to be selected as a Participant nor, having been so selected, to be selected again as a Participant and no officer, employee or other person shall have any claim or right to be granted an Award under the Plan or under any other incentive or similar plan of the Company or any Affiliate. Neither the Plan nor any action taken thereunder shall be construed as giving any employee any right to be retained in the employ of or serve as a director or advisory director of the Company or any Affiliate.

12. Delivery and Registration of Stock. The Company's obligation to deliver Shares with respect to an Award shall, if the Committee so requests, be conditioned upon the receipt of a representation as to the investment intention of the Participant to whom such Shares are to be delivered, in such form as the Committee shall determine to be necessary or advisable to comply with the provisions of the Securities Act of 1933, as amended, or any other federal, state or local securities legislation. It may be provided that any representation requirement shall become inoperative upon a registration of the Shares or other action eliminating the necessity of such representation under such Securities Act or other securities legislation. The Company shall not be required to deliver any Shares under the Plan prior to (i) the admission of such Shares to listing on any stock exchange on which Shares may then be listed, and
(ii) the completion of such registration or other qualification of such Shares under any state or federal law, rule or regulation, as the committee shall determine to be necessary or advisable.

13. Withholding Tax. Upon the termination of the restricted period with respect to any shares of Restricted Stock (or at any such earlier time, if any, that an election is made by the Participant under Section 83(b) of the Code, or any successor provision thereto, to include the value of such shares in taxable income), the Company shall have the right to require the Participant or other person receiving such shares to pay the Company the amount of any taxes which the Company is required to withhold with respect to such shares, or, in lieu thereof, to retain or sell without notice, a sufficient number of shares held by it to cover the amount required to be withheld. The Company shall have the right to deduct from all dividends paid with respect to shares of Restricted Stock the amount of any taxes which the Company is required to withhold with respect to such dividend payments.

The Company shall have the right to deduct from all amounts paid in cash with respect to the exercise of a Stock Appreciation Right under the Plan any taxes required by law to be withheld with respect to such cash payments. Where a Participant or other person is entitled to receive Shares pursuant to the exercise of an Option or Stock Appreciation Right pursuant to the Plan, the Company shall have the right to require the Participant or such other person to pay the Company the amount of any taxes which the Company is required to withhold with respect to such Shares, or, in lieu thereof, to retain, or sell without notice, a number of such Shares sufficient to cover the amount required to be withheld.

All withholding decisions pursuant to this Section 13 shall be at the sole discretion of the Committee or the Company.

14. Amendment or Termination.

(a) Subject to paragraph (b) of this Section 14, the Board of Directors of the Company may amend, alter, suspend, discontinue, or terminate the Plan at any time without the consent of shareholders or Participants, except that any such action will be subject to the approval of the Company's shareholders if, when and to the extent such shareholder approval is necessary or required for purposes of any applicable federal or state law or regulation or the rules of any stock exchange or automated quotation system on which the Shares may then be listed or quoted, or if the Board of Directors of the Company, in its discretion, determines to seek such shareholder approval.

(b) Except as otherwise provided herein, the Committee may waive any conditions of or rights of the Company or modify or amend the terms of any outstanding Award. The Committee may not, however, amend, alter, suspend, discontinue or terminate any outstanding Award without the consent of the Participant or holder thereof, except as otherwise herein provided.

15. Effective Date and Term of Plan. The Plan shall become effective upon its adoption by the Board of Directors of the Company, subject to the approval of the Plan by the shareholders of the Company. It shall continue in effect for a term of 15 years unless sooner terminated under Section 14 hereof.

[GRAPHIC OMITTED]

PEOPLE
HELPING
PEOPLE

[LOGO]

FIRST MIDWEST FINANCIAL, INC.

2003 ANNUAL REPORT

2003 ANNUAL REPORT

[GRAPHIC OMITTED]

JESSICA J. STRUVE, Account Services "Working in a numbers-focused industry, I believe a company's success still comes from its people. That's why I am proud to be part of the First Midwest family. We know that a handshake and smile, along with the financial services we provide, can make life a little easier for our customers."

Fun Fact: Recently accepted a marriage proposal while working at our bank's drive-up window.

FINANCIAL HIGHLIGHTS

CONTENTS

(Dollars in Thousands except Per Share Data)	2003	2002	2001	2000	1999
AT SEPTEMBER 30					
Total assets	$772,285	$607,648	$523,183	$505,590	$511,213
Total loans, net	349,692	341,937	333,062	324,703	303,079
Total deposits	435,553	355,780	338,782	318,654	304,780
Shareholders' equity	43,031	44,588	43,727	40,035	39,771
Book value per common share	$ 17.25	$ 18.06	$ 17.71	$ 16.48	$ 15.86
Total equity to assets	5.57%	7.34%	8.36%	7.93%	7.78%
FOR THE FISCAL YEAR					
Net interest income	$ 15,728	$ 13,700	$ 12,833	$ 14,177	$ 13,559
Net income	3,397	2,157	1,910	2,328	2,641
Diluted earnings per share	$ 1.36	$ 0.87	$ 0.78	$ 0.93	$ 1.04
Return on average assets	.47%	.38%	.37%	.46%	.54%
Return on average equity	7.57%	4.95%	4.57%	5.98%	6.35%
Net yield on interest-earning assets	2.31%	2.56%	2.59%	2.86%	2.91%

[THE FOLLOWING TABLES WERE REPRESENTED BY BAR CHARTS IN THE PRINTED MATERIAL.]

	99	00	01	02	03
TOTAL ASSETS In Millions	$511	$506	$523	$608	$772
TOTAL LOANS, NET In Millions	$303	$325	$333	$342	$350
TOTAL DEPOSITS In Millions	$305	$319	$339	$356	$436
NET INCOME In Millions	$2.6	$2.3	$1.9	$2.2	$3.4

The Company and its subsidiaries exceed regulatory capital requirements.

Banks are Members FDIC and Equal Housing Lenders.

LETTER TO SHAREHOLDERS

TO OUR SHAREHOLDERS

2003 WAS A STRONG YEAR FOR OUR COMPANY. FIRST MIDWEST FINANCIAL, INC.'S EARNINGS ROSE 57 PERCENT DURING THE FISCAL YEAR. NET INCOME WAS $3.4 MILLION OR $1.36 PER DILUTED SHARE FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003 COMPARED TO $2.2 MILLION OR $0.87 PER DILUTED SHARE THE PREVIOUS YEAR. THE 57 PERCENT JUMP IN EARNINGS FOLLOWS A 13 PERCENT INCREASE THE PREVIOUS YEAR.

Net interest income rose 15 percent, or more than $2 million, compared to the previous fiscal year. Loan-to-deposit interest rate spreads were wider in 2003 due, in part, to our 34 percent growth in low-cost deposit balances (checking, money market, and savings accounts) and 44 percent growth in originated commercial loans.

Total deposit balances grew 22 percent, or $80 million, to total $436 million at year end. The Company's five-year deposit trends are most telling:
118 percent increase in low-cost deposit balances and 53.5 percent increase in total deposit balances. Both our low-cost and total deposit balance growth outperformed the average deposit percent growth for national commercial banks, savings banks and total FDIC-insured domestic deposits in 2003 and the last five years.(1)

[GRAPHIC OMITTED]

"Our goal is to make financial management easy for customers through every life stage."

Our commitment to attract low-cost deposits has shifted the percentage of low-cost funds from 22 percent of total deposits to 31.5 percent during the past five years. The shift directly improves loan-to-deposit interest rate spreads and enhances the Company's ability to cultivate banking relationships that start from core services.

[BAR CHART]

LOW-COST
DEPOSIT BALANCES
In millions

Low-cost deposits include
checking, money market, and
savings accounts.

[LINE GRAPH]

LOW-COST DEPOSIT BALANCES AS A PERCENTAGE OF TOTAL DEPOSIT BALANCES

As our concentration and volume of originated commercial loans increase, the Company benefits with the related deposit accounts, better loan-to-deposit spreads, less interest rate sensitivity, and more fee income. Originated commercial loans grew $53 million, or 44 percent during fiscal 2003. This follows a 68 percent increase in 2002.

LETTER TO SHAREHOLDERS

	FMFIB	NAT	NAB	IAB
LOAN QUALITY AND ALLOWANCE COMPARISON				
Delinquent Loans >30 Days to Total Loans	0.57%	NA	NA	NA
Non-Performing Loans to Total Loans	0.30%	0.84%	1.33%	0.91%
Non-Performing Assets to Total Assets	0.28%	0.63%	0.84%	0.57%
Net Charge-Offs to Average Loans (Fiscal Year Annualized)	0.02%	0.32%	0.93%	0.19%
Allowance for Loan Losses to Total Loans	1.42%	0.90%	1.81%	1.36%

FMFIB (First Midwest Financial, Inc. Banks) statistics are as of September 30, 2003. The most current statistics available for NAT (National Average Thrift), NAB (National Average Bank), and IAB (Iowa Average Bank) are as of June 30, 2003. Peer group data, institutions with assets greater than $100 million, is taken from the FDIC.

Credit quality ratios outpaced the Company's state and national peer group in 2003.(1)

Centralization and expansion are two words that best describe our mortgage operation in 2003. We streamlined mortgage lending processes and purchased new software to make getting home loans easier for our customers, and more profitable for our banks. Now customers can choose from over 160 mortgage programs and customize the loan to suit their needs. Plus, we are increasing our mortgage lending staff to make service more responsive and personalized, so we can increase market share.

Start up costs associated with the mortgage operation and the new Des Moines and Urbandale, Iowa bank facilities contributed to an increase in noninterest expense for fiscal 2003 compared to 2002. The Company opened its Urbandale banking office in November 2002. At September 2003, the new Urbandale office has attracted more than $28 million in deposits and is quickly becoming a profitable branch for the Company.

LOOKING AHEAD

Former South Dakota Congressman John Thune joined our board of directors in January 2003. We are pleased and honored to welcome him. He brings a wealth of local, regional, and national insight that will benefit our customers, our banks, and First Midwest shareholders.

J. Tyler Haahr was promoted to president and chief operating officer in October of this year. He joined First Midwest's Board of Directors in 1992 and became an executive officer for First Midwest and its affiliates in March 1997. Tyler's new position reflects the leadership and contributions he has provided to our people and to our organization.

In recent years, the Company has focused primarily on managing credit quality, profitable growth, and streamlining operations. These areas are still top of mind as we implement plans for the next fiscal year.

2004 strategies include initiatives such as:

1. Maintain exceptional credit quality.

2. Increase low-cost deposits.

3. Establish more full-service commercial relationships.

4. Increase mortgage business and streamline operations.

5. Implement branch expansion plans.

On October 6, 2003 First Midwest announced a definitive agreement with Manson State Bank (MSB) under which MSB will acquire First Federal's branch office in Manson, Iowa. The transaction is expected to close by January 31, 2004 and is subject to regulatory approval.

In July 2003, First Midwest announced its intention to repurchase up to 150,000 shares or approximately 6 percent of the Company's outstanding shares during the following twelve months. Since initiating its first stock repurchase program in 1994, the Company has invested a total of $14.7 million in the repurchase of more than 1 million shares. The Company's stock repurchase program confirms that we believe "CASH" is an attractive investment.

First Midwest Financial is a company of people helping people. It is that simple. Our goal is to make financial management easy for customers through every life stage. We know banking is not just about money. It is about making money work so customers have more time for what is really important in life. 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 *Chairman of the Board & CEO*	*J. TYLER HAAHR* *President & COO*

(1) Based on reports distributed by the FDIC.

2003 ANNUAL REPORT

COMPANY STRUCTURE

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                              ----------------------------
                              First Midwest Financial,Inc.
                              ----------------------------
                 ----------------------------  |   -----------------------
                 First Services Trust Company  |   First Midwest Financial
                                               |        Capital Trust
                 ----------------------------  |   -----------------------
                                               |
     |-----------------------------------------------------------------------------
     |                                                                            |
-------------------------                 ------------------          -------------------
First Federal Savings Bank -----------     First Services            Security State Bank
     of the Midwest                       Financial Limited
-------------------------                 ------------------          -------------------
     |
     |-----------------------------------------------------------------------------
     |                          |                       |                          |
------------------------   ----------------------   -----------------   -------------------------
First Federal Storm Lake/  Brookings Federal Bank   Iowa Savings Bank   First Federal Sioux Falls
 Northwest Iowa Division          Division               Division                Division
------------------------   ----------------------   -----------------   -------------------------
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COMPANY PROFILE

First Midwest Financial, Inc. is a $772 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/Northwest Iowa, 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., provides professional trust services to bank customers. First Midwest Financial Capital Trust, also a wholly-owned subsidiary of First Midwest, was established in July 2001 for the purpose of issuing Company Trust Preferred Securities. 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, LLC.

COMPANY HISTORY

1954 Storm Lake Savings and Loan Association was granted a charter by the State of Iowa. Founder, Stanley H. Haahr, invested $2,000 of his personal savings and raised another $8,000 from friends to meet the $10,000 capital requirement. The first office was equipped with a desk, a cash box, and a borrowed vault in the back of Mr. Haahr's Buena Vista Abstract and Mortgage business.

1955 The Association applied for a Federal Charter. Stan Haahr collected deposits from one hundred friends to meet the required number of deposit accounts.

1957 The Association was converted to a Federal Charter and named First Federal Savings and Loan Association of Storm Lake (FFSLASL).

1971-1981 The Association maintained a subsidiary, Colonial Service Corporation, for the purpose of making consumer loans.

1973 Branch opened in Sac City, Iowa.

1975 Branches opened in Manson, Laurens, Odebolt and Lake View, Iowa.

1977-1981 The Association maintained a mortgage banking operation, First Services Mortgage Corporation, in Sioux Falls and Rapid City, South Dakota.

1979 Storm Lake Plaza branch opened.

1983 First Services Financial Limited, a subsidiary of the Association, was incorporated to serve as a full-service brokerage operation that offers a wide range of noninsured investments through LaSalle St. Securities, LLC.

1993 FFSLASL became First Federal Savings Bank of the Midwest, a subsidiary of First Midwest Financial, Inc. (FMFI). First Federal changed from a mutual savings institution to a public company through its association with FMFI. 1.9 million shares of FMFI stock were issued at $10.00 per share ($6.67 per share stock split adjusted) and began trading on the NASDAQ under the symbol "CASH."

1994 Brookings Federal Bank in Brookings, South Dakota was purchased.

1995 Iowa Savings Bank in Des Moines, Iowa was purchased.

1996 Security State Bank in Stuart, Iowa was purchased.

1997 Iowa Savings Bank opened its second office in West Des Moines, Iowa.

2000 First Federal opened a new bank in Sioux Falls, South Dakota.

2001 Iowa Savings Bank opened its third office in Des Moines, Iowa.

2002 Iowa Savings Bank built a new main office in Urbandale, Iowa, the fourth facility in the Des Moines area.

First Services Trust Company, a subsidiary of the Company, was established in Sioux Falls, South Dakota. The South Dakota charter allows the Company's customers to benefit from some of the most favorable trust and tax laws in the nation.

2003 First Federal Savings Bank leased land for a second Sioux Falls bank location. Keep reading for more 2003 highlights.

[GRAPHIC OMITTED]

STANLEY H. HAAHR, Founder "It's been nearly 50 years since we hung our shingle above the door. In my wildest dreams, I didn't image our little $10,000 shop would become what it is today. I guess that's what happens when you are honest and you take care of people. I'm proud to be associated with such a fine organization, as a customer and an investor."

Fun Facts: Recently celebrated his 88th birthday, with only one candle on the cake. Still follows "CASH" daily.

BANK HIGHLIGHTS

BANK EASY. LIVE LIFE.
Making life easier for you.

BANKING IS MORE THAN SIMPLY DEPOSITS AND LOANS. MUCH MORE.

OUR COMPANY MAKES FINANCIAL MANAGEMENT EASY FOR CUSTOMERS THROUGH EVERY LIFE STAGE. THAT IS BECAUSE WE KNOW BANKING IS NOT JUST ABOUT MONEY. IT IS ABOUT YOU. A GREAT BANK GIVES YOU CHOICES, AND HAS PEOPLE READY TO WORK WITH YOU EVERY STEP OF THE WAY. OUR COMPANY PUTS YOUR MONEY TO WORK, NO MATTER WHERE YOU ARE IN LIFE, SO YOU HAVE LESS WORRIES AND MORE TIME FOR WHAT IS REALLY IMPORTANT... LIVING LIFE.

HOW CAN WE MAKE MONEY MANAGEMENT EASIER FOR YOU?

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 Planning
Credit Life and Disability 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 Planning
Tax-advantaged Investments

TRUST SERVICES

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

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

[GRAPHIC OMITTED]

RHONDA KIMBLE, Vice President and Residential Lending Manager "People helping people is a core philosophy that helps our team do the right things right. From first-time homebuyer programs to new construction and refinances, we offer more than 160 mortgage loan programs that can be customized to suit your needs."

Fun Fact: Started fun-thing-of-the-month program. In November team members mailed care packages to U.S. troops overseas.

[GRAPHIC OMITTED]

LARRY RINGGENBERG, Vice President "Agriculture is a constantly changing industry, and an integral part of midwestern life. It is exciting to be part of an organization that is committed to helping our ag customers succeed."

Fun Facts: Serves as chairman of the South Dakota Bankers Ag Credit Committee. Once caught a 17 pound brown trout.

BANK EASY. LIVE LIFE.
Making business easier for you.

IN TODAY'S DOG-EAT-DOG WORLD IT TAKES MORE THAN JUST HARD WORK TO RUN A SUCCESSFUL BUSINESS. YOU NEED THE RIGHT PEOPLE, THE RIGHT PRODUCT, AND THE RIGHT LOCATION. NOW, MORE THAN EVER, YOU ALSO NEED THE RIGHT FINANCIAL PARTNER.

FROM INVENTORY AND REAL ESTATE LOANS TO ONLINE CASH MANAGEMENT AND AUTOMATED PAYROLL SERVICES, OUR HOMETOWN KNOW-HOW AND BIG BANK RESOURCES CAN GIVE YOUR BUSINESS THE FINANCIAL BACKING IT NEEDS TO REACH ITS TRUE POTENTIAL. LET US ROLL UP OUR SLEEVES AND WORK WITH YOU EVERY STEP OF THE WAY. WE KEEP IT SIMPLE SO YOU HAVE MORE TIME AND MORE MONEY TO GET DOWN TO BUSINESS.

HOW CAN WE MAKE MONEY MANAGEMENT EASIER FOR YOUR BUSINESS?

BUSINESS FINANCING SERVICES

Commercial Real Estate Loans

Lines of Credit

Term Loans

Equipment Financing

Construction Lending

Management Buyouts

Employee Stock Ownership Plan

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 SOLUTIONS

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 Planning

Personal Trust Services

Merchant Credit Card Processing

Business Credit Cards

Online Business Resource Center

Business and Cash Management

Planning

Interactive Web Sites

BANK HIGHLIGHTS

BANK EASY. LIVE LIFE.
Making life better in our communities.

WE HAVE A SPECIAL CONNECTION TO OUR COMMUNITIES JUST 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.

OUR COMPANY ACTIVELY PARTICIPATES IN THE FEDERAL COMMUNITY REINVESTMENT ACT (CRA) TO MEET THE CREDIT NEEDS IN OUR COMMUNITIES. THAT MEANS YOUR INVESTMENTS WITH US ARE REINVESTED RIGHT BACK INTO OUR NEIGHBORHOODS TO MAKE THEM A BETTER PLACE TO LIVE, WORK, AND PLAY.

VOLUNTEERISM

Through our Volunteer of the Year program, we encourage every employee to become actively involved in community improvement programs. This year alone, employees volunteered 14,000 hours to more than 550 community projects. From sponsoring youth sports teams and providing volunteer coaches to feeding those in need, our company dedicates financial resources and employee talent to make our communities stronger.

BANK OF PROMISE

Each of our banks is recognized as a Bank of Promise. We are dedicated to building the character and competence of our nation's youth by fulfilling five promises:

1 CARING ADULTS - Provide ongoing relationships with caring adults, parents, mentors, tutors or coaches.

2 SAFE PLACES - Provide safe places with structured activities during nonschool hours.

3 HEALTHY START AND FUTURE - Provide adequate nutrition, health care and health education.

4 MARKETABLE SKILLS - Increase marketable skills through effective education.

5 OPPORTUNITIES TO SERVE - Provide opportunities to give back through community service.

TOUCHDOWN SCHOLARSHIPS

Our company partners with local schools to provide scholarships to high school seniors who typify leadership, community and school involvement, and scholastic achievement. Each year the bank contributes to the Touchdown Scholarship Fund each time a touchdown is made for our community school teams during home football games. The scholarship amount ranges from a minimum of $250 to $1,000 for each student. We have awarded more than $18,500 in scholarships to 50 area students who are interested in further education.

SCHOOL EDUCATION PROGRAMS

In collaboration with the American Bankers Association Education Foundation and local schools, our employees have taught more than 180 financial education lessons to more than 6,000 children from preschool through high school. These age-appropriate lessons help teach children basic money management skills. We are proud to invest in the future of our youth by teaching them how to make smart financial decisions.

CHARITY COOKOUTS

Charity Cookouts are held throughout our bank communities each Fall. For the past eight years, the bank has provided food, entertainment, and prizes for customers and friends. Together, we have raised more than $53,000 for local fire departments, community playgrounds, the United Way and other charities in need.

COMMITMENT

We remain committed to these and other community-centered programs that make life better for our neighbors and friends. 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, for our communities, and for each other.

[GRAPHIC OMITTED]

KATHY M. THORSON, Vice President "We have business banking services that can help customers manage cash flow, fund operations, and better serve their employees. Just as important, we have the hands-on service they deserve. Customers can talk with us and get answers."

Fun Facts: Enjoys rollerblading with her daughter. Active board member and past president of Rotary North in Sioux Falls.

[GRAPHIC OMITTED]

LISA RICHMOND-KIRBY, Trust Officer "First Services Trust Company provides a full range of trust services to customers at all bank office locations. Thanks to its South Dakota charter, our customers benefit from some the most favorable trust and tax laws in the nation."

Fun Facts: Is an energetic room mother in both her daughters' classes at school. Serves on the Children's Inn and the Children's Home Society Boards to enhance the lives of Sioux Falls children.

OFFICE LOCATIONS

FIRST FEDERAL SAVINGS BANK OF THE MIDWEST

[GRAPHIC OMITTED]

First Federal Storm Lake,
Main Office

FIRST FEDERAL
STORM LAKE/NORTHWEST
IOWA DIVISION

MAIN OFFICE
Fifth at Erie
P.O. Box 1307
Storm Lake, Iowa 50588
712.732.4117
800.792.6815
712.732.7105 fax

STORM LAKE PLAZA
1413 North Lake Avenue
Storm Lake, Iowa 50588
712.732.6655
712.732.7924 fax

LAKE VIEW
Fifth at Main
P.O. Box 649
Lake View, Iowa 51450
712.657.2721
712.657.2896 fax

LAURENS
104 North Third Street
Laurens, Iowa 50554
712.841.2588
712.841.2029 fax

MANSON
11th at Main
P.O. Box 130
Manson, Iowa 50563
712.469.3319
712.469.2458 fax

ODEBOLT
219 South Main Street
P.O. Box 465
Odebolt, Iowa 51458
712.668.4881
712.668.4882 fax

SAC CITY
518 Audubon Street
Sac City, Iowa 50583
712.662.7195
712.662.7196 fax
efirstfed.com

[GRAPHIC OMITTED]

Brookings Federal Bank,
Main Office

BROOKINGS FEDERAL BANK
DIVISION

MAIN OFFICE
600 Main Avenue
P.O. Box 98
Brookings, South Dakota 57006
605.692.2314
800.842.7452
605.692.7059 fax
brookingsfed.com

[GRAPHIC OMITTED]

First Federal Sioux Falls,
Main Office

FIRST FEDERAL
SIOUX FALLS DIVISION

MAIN OFFICE
2500 South Minnesota Avenue
Sioux Falls, South Dakota 57105
605.977.7500
605.977.7501 fax

12th AT ELMWOOD
(coming soon)
2104 West 12th Street
Sioux Falls, South Dakota 57104
605.336.8900
605.336.8901 fax
firstfedsf.com

FIRST SERVICES FINANCIAL LIMITED
and FIRST SERVICES TRUST COMPANY

Investment(1) and trust services are
available at all bank locations.

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

[GRAPHIC OMITTED]

Iowa Savings Bank,
Main Office

IOWA SAVINGS BANK DIVISION

MAIN OFFICE
4848 86th Street
Urbandale, Iowa 50322
515.309.9800
515.309.9801 fax

HIGHLAND PARK
3624 Sixth Avenue
Des Moines, Iowa 50313
515.288.4866
515.288.3104 fax

INGERSOLL
3401 Ingersoll Avenue
Des Moines, Iowa 50312
515.274.9674
515.274.9675 fax

WEST DES MOINES
3448 Westown Parkway
West Des Moines, Iowa 50266
515.226.8474
515.226.8475 fax
iowasavings.com

SECURITY STATE BANK

[GRAPHIC OMITTED]

Security State Bank,
Main Office

MAIN OFFICE
615 South Division
P.O. Box 606
Stuart, Iowa 50250
515.523.2203
800.523.8003
515.523.2460 fax

CASEY
101 East Logan
P.O. Box 97
Casey, Iowa 50048
641.746.3366
800.746.3367
641.746.2828 fax

MENLO
501 Sherman
P.O. Box 36
Menlo, Iowa 50164
641.524.4521
esecuritystate.com

[GRAPHIC OMITTED]

First Midwest Financial, Inc. and Subsidiaries

SELECTED CONSOLIDATED FINANCIAL INFORMATION

SEPTEMBER 30,	2003	2002	2001	2000	1999
SELECTED FINANCIAL CONDITION DATA (In Thousands)					
Total assets	$772,285	$607,648	$523,183	$505,590	$511,213
Loans receivable, net	349,692	341,937	333,062	324,703	303,079
Securities available for sale	366,075	218,247	145,374	147,479	178,489
Excess of cost over net assets acquired, net	3,403	3,403	3,403	3,768	4,133
Deposits	435,553	355,780	338,782	318,654	304,780
Total borrowings	291,486	205,266	138,344	143,993	164,369
Shareholders' equity	43,031	44,588	43,727	40,035	39,771

YEAR ENDED SEPTEMBER 30,	2003	2002	2001	2000	1999
SELECTED OPERATIONS DATA (In Thousands, Except Per Share Data)					
Total interest income	$ 35,179	$ 35,434	$ 38,224	$ 38,755	$ 35,735
Total interest expense	19,451	21,734	25,391	24,578	22,176
Net interest income	15,728	13,700	12,833	14,177	13,559
Provision for loan losses	350	1,090	710	1,640	1,992
Net interest income after provision for loan losses	15,378	12,610	12,123	12,537	11,567
Total noninterest income	3,555	2,781	1,492	782	1,556
Total noninterest expense	13,858	12,268	10,695	9,408	8,645
Income before income taxes	5,075	3,123	2,920	3,911	4,478
Income tax expense	1,678	966	1,010	1,583	1,837
Net income	$ 3,397	$ 2,157	$ 1,910	$ 2,328	$ 2,641
Earnings per common and common equivalent share:					
Basic earnings per share	$ 1.37	$ 0.88	$ 0.79	$ 0.95	$ 1.07
Diluted earnings per share	$ 1.36	$ 0.87	$ 0.78	$ 0.93	$ 1.04

YEAR ENDED SEPTEMBER 30,					
SELECTED FINANCIAL RATIOS AND OTHER DATA					
PERFORMANCE RATIOS					
Return on average assets	0.47%	0.38%	0.37%	0.46%	0.54%
Return on average shareholders' equity	7.57%	4.95%	4.57%	5.98%	6.35%
Interest rate spread information:					
Average during the year	2.18%	2.37%	2.24%	2.46%	2.51%
End of year	1.90%	2.53%	2.21%	2.32%	2.40%
Net yield on average interest-earning assets	2.31%	2.56%	2.59%	2.86%	2.91%
Ratio of operating expense to average total assets	1.93%	2.16%	2.09%	1.85%	1.80%
QUALITY RATIOS					
Non-performing assets to total assets at end of year	0.28%	0.58%	0.49%	0.34%	0.66%
Allowance for loan losses to non-performing loans	492.75%	220.33%	240.02%	1,156.13%	137.16%
CAPITAL RATIOS					
Shareholders' equity to total assets at end of period	5.57%	7.34%	8.36%	7.93%	7.78%
Average shareholders' equity to average assets	6.25%	7.68%	8.17%	7.67%	8.65%
Ratio of average interest-earning assets to average interest-bearing liabilities	104.53%	104.86%	106.90%	108.02%	108.39%
OTHER DATA					
Book value per common share outstanding	$ 17.25	$ 18.06	$ 17.71	$ 16.48	$ 15.86
Dividends declared per share	$ 0.52	$ 0.52	$ 0.52	$ 0.52	$ 0.52
Dividend payout ratio	38%	59%	65%	55%	48%
Number of full-service offices	16	15	14	14	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, Dallas, 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, 2003 were $772.3 million, an increase of $164.7 million, or 27.1%, from $607.6 million at September 30, 2002. The increase in assets was due primarily to increases in securities available for sale and to a lesser extent in net loans receivable, total cash and cash equivilants, and Federal Home Loan Bank (FHLB) stock, and was funded by increases in deposits and advances from the FHLB, offset in part by a decrease in securities sold under agreements to repurchase.

The Company's portfolio of securities available for sale increased $147.9 million, or 67.8%, to $366.1 million at September 30, 2003 from $218.2 million at September 30, 2002. 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 Note 3 of Notes to Consolidated Financial Statements.)

The Company's portfolio of net loans receivable increased by $7.8 million, or 2.3%, to $349.7 million at September 30, 2003 from $341.9 million at September 30, 2002. 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 an increase in consumer loans. Conventional one to four family residential mortgage loans declined as existing originated and purchased loans were repaid in amounts greater than new originations retained in portfolio during the period. (See Note 4 of Notes to Consolidated Financial Statements.)

The Company's investment in FHLB stock increased $4.1 million, or 60.3%, to $10.9 million at September 30, 2003 from $6.8 million at September 30, 2002. The increase is due to an increase in the level of borrowings from the FHLB, which require a calculated level of stock investment based on a formula determined by the FHLB.

Customer deposit balances increased by $79.8 million, or 22.4%, to $435.6 million at September 30, 2003 from $355.8 million at September 30, 2002. The increase in deposits reflects the opening of a new office in Des Moines, Iowa, and management's continued efforts to enhance deposit product design and marketing programs. Deposit balances increased for noninterest-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 $5.5 million, $29.1 million, and $45.2 million, respectively. Included in the increase in time certificates of deposit is a $61.0 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 increased by $98.7 million, or 78.9%, to $223.8 million at September 30, 2003 from $125.1 million at September 30, 2002. The balance in securities sold under agreements to repurchase decreased by $12.5 million, or 17.8%, to $57.7 million at September 30, 2003 from $70.2 million at September 30, 2002. The overall increase in borrowings, in conjunction with the increase in deposits, was used to fund balance sheet growth during the period. (See Notes 8 and 9 of Notes to Consolidated Financial Statements.)

Shareholders' equity decreased $1.6 million, or 3.6%, to $43.0 million at September 30, 2003 from $44.6 million at September 30, 2002. The decrease in shareholders' equity was primarily due to dividends declared and an increase in unrealized loss on securities available for sale in accordance with SFAS 115, which was partially offset by net earnings during the period. (See Note 15 of Notes to Consolidated Financial Statements.)

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 as well as gains or losses on the sale of loans and securities available for sale. 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.

COMPARISON OF OPERATING RESULTS FOR THE YEARS ENDED SEPTEMBER 30, 2003 AND SEPTEMBER 30, 2002

GENERAL

Net income for the year ended September 30, 2003 increased $1,240,000, or 57.5%, to $3,397,000, from $2,157,000 for the same period ended September 30, 2002. The increase in net income reflects an increase in net interest income, an increase in noninterest income and a decrease in provision for loan losses, which were partially offset by an increase in noninterest expense.

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,	2003	2002	2001
WEIGHTED AVERAGE YIELD ON			
Loans receivable	6.17%	7.02%	7.93%
Mortgage-backed securities available for sale	2.87	5.29	6.46
Securities available for sale	2.23	2.85	4.61
FHLB stock	3.00	3.00	4.08
Combined weighted average yield on interest-earning assets	4.42	6.16	7.27
WEIGHTED AVERAGE RATE PAID ON			
Demand, NOW and money market demand deposits	0.83	1.27	2.06
Savings deposits	1.14	1.46	1.69
Time deposits	2.78	4.07	5.73
FHLB advances	3.40	5.46	5.76
Other borrowed money	1.71	2.36	7.07
Combined weighted average rate paid on interest-bearing liabilities	2.52	3.63	5.06
Spread	1.90	2.53	2.21

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 that cannot be segregated have been allocated proportionately to the change due to volume and the change due to rate.

YEAR ENDED SEPTEMBER 30,	2003 VS. 2002			2002 VS. 2001		
(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	$ 360	$ (1,575)	$ (1,215)	$ 874	$ (3,312)	$ (2,438)
Mortgage-backed securities available for sale	4,876	(3,355)	1,521	2,427	(860)	1,567
Securities available for sale	(84)	(535)	(619)	(471)	(1,248)	(1,719)
FHLB stock	72	(14)	58	(42)	(158)	(200)
Total interest-earning assets	$ 5,224	$ (5,479)	$ (255)	$ 2,788	$ (5,578)	$ (2,790)
INTEREST-BEARING LIABILITIES						
Demand, NOW and money market deposits	$ 236	$ (398)	$ (162)	$ 168	$ (904)	$ (736)
Savings deposits	32	(63)	(31)	57	(108)	(51)
Time deposits	693	(3,468)	(2,775)	26	(3,327)	(3,301)
FHLB advances	2,414	(2,008)	406	(453)	(29)	(482)
Other borrowed money	734	(455)	279	1,128	(215)	913
Total interest-bearing liabilities	$ 4,109	$ (6,392)	$ (2,283)	$ 926	$ (4,583)	$ (3,657)
Net effect on net interest income	$ 1,115	$ 913	$ 2,028	$ 1,862	$ (995)	$ 867

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,	2003			2002			2001		
(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)	$ 343,879	$ 24,099	7.01%	$ 338,736	$ 25,314	7.47%	$ 327,036	$ 27,752	8.49%
Mortgage-backed securities available for sale	288,560	9,900	3.43	146,435	8,379	5.72	104,012	6,812	6.55
Securities available for sale	38,623	894	2.31	42,273	1,513	3.58	55,442	3,232	5.83
FHLB stock	9,188	286	3.11	6,861	228	3.32	8,118	428	5.27
Total interest-earning assets	680,250	$ 35,179	5.17%	534,305	$ 35,434	6.63%	494,608	$ 38,224	7.73%
Noninterest-earning assets	37,737			32,374			18,251		
Total assets	$ 717,987			$ 566,679			$ 512,859		
INTEREST-BEARING LIABILITIES									
Demand, NOW and money market demand deposits	$ 95,118	$ 1,099	1.16%	$ 74,656	$ 1,261	1.69%	$ 64,711	$ 1,997	3.09%
Savings deposits	17,239	207	1.20	14,582	238	1.63	11,115	289	2.60
Time deposits	273,214	9,185	3.36	252,606	11,960	4.73	252,171	15,261	6.05
FHLB advances	176,961	7,297	4.12	118,415	6,891	5.82	126,208	7,373	5.84
Other borrowed money	88,209	1,663	1.89	49,288	1,384	2.81	8,471	471	5.56
Total interest-bearing liabilities	650,741	$ 19,451	2.99%	509,547	$ 21,734	4.27%	462,676	$ 25,391	5.49%
Noninterest-bearing:									
Deposits	15,375			10,105			6,551		
Liabilities	6,978			3,501			1,751		
Total liabilities	673,094			523,153			470,978		
Shareholders' equity	44,893			43,526			41,881		
Total liabilities and shareholders equity	$ 717,987			$ 566,679			$ 512,859		
Net interest-earning assets	$ 29,509			$ 24,758			$ 31,932		
Net interest income		$ 15,728			$ 13,700			$ 12,833	
Net interest rate spread			2.18%			2.37%			2.24%
Net yield on average interest-earning assets			2.31%			2.56%			2.59%
Average interest-earning assets to average interest-bearing liabilities	104.53%			104.86%			106.90%		

(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, 2003 increased by $2,029,000, or 14.8%, to $15,728,000 compared to $13,699,000 for the period ended September 30, 2002. The increase in net interest income reflects a $145.9 million increase in the average balance of interest-earning assets, which was partially offset by a decrease in the net yield on average earning assets.

The net yield on average earning assets decreased to 2.31% for the period ended September 30, 2003 from 2.56% for the same period in 2002. The decrease in net yield on average earning assets was due primarily to balance sheet growth during the year through the purchase of securities available for sale funded primarily with borrowings, which provided a net interest spread relatively lower than the spread received on the Company's loans and deposits. The average interest rate spread between loans and deposits increased to 4.29% for the fiscal year ended September 30, 2003 from 3.53% 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, 2003 decreased $254,000, or 0.7%, to $35,179,000 from $35,433,000 for the same period in 2002. The decrease is due primarily to a $1,215,000 decline in interest income from loans receivable as a result of a decrease in the average yield on these assets during the period. The decrease was partially offset by a $902,000 increase in interest income on securities available for sale due to a higher average balance of these assets during the period.

INTEREST EXPENSE

Interest expense decreased $2,283,000 or 10.5%, to $19,451,000 for the year ended September 30, 2003 from $21,734,000 for the same period in 2002. Interest expense was reduced due primarily to a $2,968,000 decrease in interest expense on deposits as a result of a decline in the average rates paid on deposits during the period. The decrease was partially offset by a $685,000 increase in interest expense on FHLB advances and 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, 2003 was $350,000 compared to $1,090,000 for the same period in 2002. 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 $774,000, or 27.8%, to $3,555,000 for the year ended September 30, 2003 from $2,781,000 for the same period in 2002. The increase in noninterest income reflects a $168,000 increase in service charges collected on deposit accounts, and a $334,000 increase in gain on sales of loans. The increase also reflects a gain on sale of securities available for sale in the amount of $243,000 during fiscal 2003 compared to a gain on sale of $86,000 in the previous year. Other noninterest income increased $177,000 for the year ended September 30, 2003 compared to the previous year due primarily to a gain on the sale of a building formerly used as a drive- up branch facility.

NONINTEREST EXPENSE

Noninterest expense increased by $1,590,000, or 13.0%, to $13,858,000 for the year ended September 30, 2003 from $12,268,000 for the same period in 2002. The increase in noninterest expense primarily reflects the costs associated with opening new offices during the period. In November 2001, the Company opened its third Des Moines, Iowa, location and in November 2002, the Company opened its newly constructed facility in Urbandale, Iowa, which serves as the Company's Des Moines area main office. Noninterest expense also increased by $501,000 due to prepayment fees associated with the early extinguishment of FHLB advances that were repaid in conjunction with the sale of securities available for sale and early repayments received on loans.

INCOME TAX EXPENSE

Income tax expense increased by $712,000, or 73.7%, to $1,678,000 for the year ended September 30, 2003 from $966,000 for the same period in 2002. The increase in income tax expense reflects the increase in the level of taxable income between the comparable periods.

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 noninterest income, which were partially offset by an increase in noninterest expense and an increase in the provision for loan losses.

NET INTEREST INCOME

Net interest income for the year ended September 30, 2002 increased by $866,000, or 6.7%, to $13,699,000 compared to $12,833,000 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. The net yield on average earning assets decreased slightly to 2.56% for the period ended September 30, 2002 from 2.59% for the same period in 2001. The average interest rate spread increased to 2.37% for the fiscal year ended September 30, 2002 from 2.24% 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 $2,791,000, or 7.3%, to $35,433,000 from $38,224,000 for the same period in 2001. The decrease is due primarily to a $2,438,000 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.

NONINTEREST INCOME

Noninterest income increased by $1,289,000, or 86.4%, to $2,781,000 for the year ended September 30, 2002 from $1,492,000 for the same period in 2001. The increase in noninterest income reflects a $421,000 increase in gain on sales of loans 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 $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 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.

CRITICAL ACCOUNTING POLICY

The Company's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The financial information contained within these statements is, to a significant extent, financial information that is based on approximate measures of the financial effects of transactions and events that have already occurred. Based on its consideration of accounting policies that involve the most complex and subjective decisions and assessments, management has identified its most critical accounting policy to be that related to the allowance for loan losses. The Company's allowance for loan loss methodology incorporates a variety of risk considerations, both quantitative and qualitative in establishing an allowance for loan loss that management believes is appropriate at each reporting date. Quantitative factors include the Company's historical loss experience, delinquency and charge-off trends, collateral values, changes in nonperforming loans, and other factors. Quantitative factors also incorporate known information about individual loans, including borrowers' sensitivity to interest rate movements. Qualitative factors include the general economic environment in the Company's markets, including economic conditions throughout the Midwest and in particular, the state of certain industries. Size and complexity of individual credits in relation to loan structure, existing loan policies and pace of portfolio growth are other qualitative factors that are considered in the methodology. As the Company adds new products and increases the complexity of its loan portfolio, it will enhance its methodology accordingly. Management may report a materially different amount for the provision for loan losses in the statement of operations to change the allowance for loan losses if its assessment of the above factors were different. This discussion and analysis should be read in conjunction with the Company's financial statements and the accompanying notes presented elsewhere herein, as well as the portion of this Management's Discussion and Analysis section entitled "Asset Quality." Although management believes the levels of the allowance as of both September 30, 2003 and September 30, 2002 were adequate to absorb losses inherent in the loan portfolio, a decline in local economic conditions, or other factors, could result in increasing losses.

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 theoretically 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, 2003 and 2002, 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, 2003 was more sensitive to increasing interest rates than to declining interest rates. This occurs primarily because, as rates rise, the market value of fixed-rate loans and mortgage-backed securities declines due to both the rate increase and the related slowing of prepayments on loans. When rates decline, the Company does not experience a significant rise in market value for these loans and mortgage-backed securities because borrowers prepay at relatively higher rates. The value of the Company's deposits and borrowings change in approximately the same proportion in rising and falling rate scenarios. The Company experienced an increase in interest rate sensitivity at September 30, 2003 compared to September 30, 2002 due primarily to an increase in fixed-rate mortgage-backed securities and a reduction in the average maturity of its borrowings.

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.

Change in Interest Rate (Basis Points)	Board Limit % Change	At September 30, 2003 $ Change	% Change	At September 30, 2002 $ Change	% Change
Dollars In Thousands					
+200 bp	(40)%	$ (6,062)	(19)%	$ 1,543	4%
+100 bp	(25)	(2,451)	(8)	1,898	5
0	--	--	--	--	--
-100 bp	(25)	1,085	3	(4,362)	(12)
-200 bp	(40)	925	3	(8,873)	(25)

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, 2003, 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 $2,175,000, or 0.28% of total assets, compared to $3,538,000, or 0.58% of total assets, for the fiscal year ended 2002.

Non-accruing loans at September 30, 2003 include, among others, a commercial real estate loan in the amount of $417,000 secured by a casino and an agricultural operating loan in the amount of $291,000 secured by agricultural land.

Foreclosed real estate at September 30, 2003 consists primarily of a nursing home in the amount of $889,000 and a car wash facility in the amount of $193,000.

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, 2003, the Company had an allowance for loan losses in the amount of $4,962,000 as compared to $4,693,000 at September 30, 2002. 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, 2003, $312,000 of the allowance for loan losses was allocated to impaired loans (See Note 4 of Notes to Consolidated Financial Statements), $1,522,000 was allocated to identified problem loan situations, and $3,128,000 was allocated as a reserve against losses from the overall loan portfolio based on historical loss experience and general economic conditions. At September 30, 2002, $304,000 of the allowance for loan losses was allocated to impaired loans, $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.

The September 30, 2003 allowance for loan losses that was allocated to impaired loans was $312,000, which is 39.5% of impaired loans as of that date. The September 30, 2002 allowance allocated to impaired loans was $304,000, which is 25.6% 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, 2003 allowance allocated to other identified problem loan situations was $1,522,000 as compared to $1,701,000 at September 30, 2002, a decrease of $179,000. The decrease in the dollar amount of the allocated allowance is due to a relative decrease 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, 2003 allowance that was not specifically allocated to individual loans was $3,128,000 as compared to $2,688,000 at September 30, 2002, an increase of $440,000. 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.

The Company relies on competitive pricing policies, advertising and customer service to attract and retain its deposits and only solicits these deposits from its primary market area. 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. The Company's ability to attract and retain time deposits has been, and will continue to be, significantly affected by market conditions. However, the Company does not foresee significant funding issues resulting from disintermediation of its portfolio of time deposits.

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 FHLB and has collateral eligible for use with reverse repurchase agreements. The Company is not aware of any significant trends in the Company's liquidity or its ability to borrow additional funds if needed.

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, 2003, 2002 and 2001, the Company originated loans totaling $324.7 million, $299.9 million and $159.6 million, respectively. Purchases of loans totaled $26.2 million, $27.1 million and $32.8 million during the years ended September 30, 2003, 2002 and 2001, respectively. During fiscal 2003, the mix of loans outstanding changed, with commercial and multi-family real estate loans, commercial business loans and consumer loans increasing while one-to-four family residential mortgage loans and other categories of loans decreased. (See Note 4 of Notes to Consolidated Financial Statements.) During the years ended September 30, 2003, 2002 and 2001, the Company purchased mortgage-backed securities and other securities available for sale in the amount of $431.7 million, $135.5 million and $22.9 million, respectively. (See Note 3 of Notes to Consolidated Financial Statements.)

At September 30, 2003, the Company had outstanding commitments to originate and purchase loans of $63.4 million. (See Note 14 of Notes to Consolidated Financial Statements.) Certificates of deposit scheduled to mature in one year or less from September 30, 2003 total $184.4 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, 2003, 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.) The Company does not anticipate any significant changes to its capital structure.

On July 7, 2003, the Company announced its intention to repurchase up to 150,000 shares, or approximately 6% of the Company's outstanding shares, through open market and privately negotiated transactions. The shares will be purchased at prevailing market prices during the next twelve months, depending upon market conditions. The repurchased shares will become treasury shares to be used for general corporate purposes, including the issuance of shares in connection with grants and awards under the Company's stock-based benefits plans. The Company also believes the repurchase of shares to be an attractive investment that will benefit the Company and its shareholders. Through December 1, 2003, no shares had been purchased under the program.

The payment of dividends and repurchase of shares has the effect of reducing stockholders' equity. Prior to authorizing such transactions, the Board of Directors considers the effect the dividend or repurchase of shares would have on liquidity and capital ratios. The Banks and the Company may not declare or pay cash dividends if the effect thereof would cause equity to be reduced below applicable regulatory capital requirements.

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 November 2002, the FASB issued Interpretation No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others, an interpretation of FASB Statements No. 5, 57, and 107 and a rescission of FASB Interpretation No. 34. This Interpretation elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under guarantees issued and clarifies that a guarantor is required to recognize, at inception of a guarantee, a liability for the fair value of the obligation undertaken. The effects of implementation on the Company's financial statements were not material.

In December 2002, the FASB issued SFAS No. 148, Accounting for Stock-Based Compensation - Transition and Disclosure, an amendment of FASB Statement No.
123. This Statement amends FASB Statement No. 123, Accounting for Stock-Based Compensation, to provide alternative methods of transition for a voluntary change to the fair value method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of Statement No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. Certain of the disclosure modifications are required for fiscal years ending after December 15, 2002 and are included in the notes to these consolidated financial

statements.

FIN No. 46, Consolidation of Variable Interest Entities, an interpretation of Accounting Research Bulletin No. 51, establishes accounting guidance for consolidation of variable interest entities (VIE) that function to support the activities of the primary beneficiary. Prior to the implementation of FIN 46, VIEs were generally consolidated by an enterprise when the enterprise had a controlling financial interest through ownership of a majority of voting interest in the entity. The provisions of FIN 46 were effective immediately for all arrangements entered into after January 31, 2003. For existing VIEs, the implementation date of FIN 46 is the first period ending after December 15, 2003.

The Company expects to adopt FIN 46 in connection with its consolidated financial statements beginning October 1, 2003. In its current form, FIN 46 may require the Company to deconsolidate its investment in First Midwest Financial Capital Trust I in future financial statements. The potential deconsolidation of subsidiary trusts of bank holding companies formed in connection with the issuance of trust preferred securities, like First Midwest Financial Capital Trust I, appears to be an unintended consequence of FIN 46. It is currently unknown if, or when, the FASB will address this issue. In July 2003, the Board of Governors of the Federal Reserve System issued a supervisory letter instructing bank holding companies to continue to include the trust preferred securities in their Tier I capital for regulatory capital purposes until notice is given to the contrary. The Federal Reserve intends to review the regulatory implications of any accounting treatment changes and, if necessary or warranted, provide further appropriate guidance. There can be no assurance that the Federal Reserve will continue to permit institutions to include trust preferred securities in Tier I capital for regulatory capital purposes. As of September 30, 2003, assuming the Company was not permitted to include the $10 million in trust preferred securities issued by First Midwest Financial Capital Trust I in its Tier 1 capital, the Company would still exceed the regulatory required minimums for capital adequacy purposes (see Note 13 of Notes to Consolidated Financial Statements). If the trust preferred securities were no longer permitted to be included in Tier 1 capital, the Company would also be permitted to redeem the capital securities, which bear interest at 4.9%, without penalty.

The interpretations of FIN 46 and its application to various transaction types and structures are evolving. Management continuously monitors emerging issues related to FIN 46, some of which could potentially impact the Company's financial statements.

In April 2003, the FASB issued SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities, (SFAS 149). SFAS 149 amends Statement 133 for certain items. The Company adopted SFAS 149 on July 1, 2003 and such adoption did not have a material effect on its financial position or results of operations.

In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity (SFAS 150). SFAS 150 established standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or asset in some circumstances). The Company adopted SFAS 150 on July 1, 2003 and such adoption did not have a material effect on its financial position or results of operations.

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 AUDITOR'S 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, 2003 and 2002, 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, 2003. 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, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2003, in conformity with accounting principles generally accepted in the United States of America.

/s/ McGladrey & Pullen, LLP

Des Moines, Iowa
October 23, 2003

CONSOLIDATED BALANCE SHEETS

SEPTEMBER 30, 2003 AND 2002

	2003	2002
ASSETS		
Cash and due from banks	$ 2,090,221	$ 1,325,139
Interest-bearing deposits in other financial institutions	7,666,594	6,051,295
Total cash and cash equivalents	9,756,815	7,376,434
Securities available for sale	366,075,033	218,247,310
Loans receivable, net of allowance for loan losses of $4,961,777 in 2003 and $4,692,988 in 2002	349,691,995	341,937,408
Loans held for sale	1,126,310	1,254,962
Federal Home Loan Bank (FHLB) stock, at cost	10,930,300	6,842,600
Accrued interest receivable	3,932,076	4,320,514
Premises and equipment, net	11,353,365	11,054,243
Foreclosed real estate	1,109,338	1,327,802
Bank owned life insurance	11,301,390	10,742,301
Other assets	7,008,505	4,544,886
Total assets	$ 772,285,127	$ 607,648,460
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Noninterest-bearing demand deposits	$ 17,457,662	$ 11,934,712
Savings, NOW and money market demand deposits	119,497,887	90,413,488
Time certificates of deposit	298,597,193	253,431,553
Total deposits	435,552,742	355,779,753
Advances from FHLB	223,784,394	125,089,999
Securities sold under agreements to repurchase	57,702,034	70,176,228
Trust preferred securities	10,000,000	10,000,000
Advances from borrowers for taxes and insurance	268,682	355,884
Accrued interest payable	506,861	671,033
Accrued expenses and other liabilities	1,439,615	987,797
Total liabilities	729,254,328	563,060,694
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 2,493,949 shares outstanding at September 30, 2003; 2,957,999 shares issued and 2,468,804 shares outstanding at September 30, 2002	29,580	29,580
Additional paid-in capital	20,538,879	20,593,768
Retained earnings - substantially restricted	34,057,741	31,940,648
Accumulated other comprehensive income (loss)	(3,028,762)	494,834
Unearned Employee Stock Ownership Plan shares	(401,676)	(46,142)
Treasury stock, 464,050 and 489,195 common shares, at cost, at September 30, 2003 and 2002, respectively	(8,164,963)	(8,424,922)
Total shareholders' equity	43,030,799	44,587,766
Total liabilities and shareholders' equity	$ 772,285,127	$ 607,648,460

See Notes to Consolidated Financial Statements.

First Midwest Financial, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED SEPTEMBER 30, 2003, 2002 AND 2001

	2003	2002	2001
Interest and dividend income:			
Loans receivable, including fees	$ 24,098,700	$ 25,313,828	$ 27,752,278
Securities available for sale	10,794,142	9,891,529	10,043,154
Dividends on FHLB stock	286,311	228,137	428,472
	35,179,153	35,433,494	38,223,904
Interest expense:			
Deposits	10,490,920	13,458,794	17,546,621
FHLB advances and other borrowings	8,959,831	8,275,256	7,843,978
	19,450,751	21,734,050	25,390,599
Net interest income	15,728,402	13,699,444	12,833,305
Provision for loan losses	350,000	1,090,000	710,000
Net interest income after provision for loan losses	15,378,402	12,609,444	12,123,305
Noninterest income:			
Deposit service charges and other fees	1,324,769	1,157,217	1,078,904
Gain on sales of loans, net	955,469	621,491	199,623
Bank owned life insurance	628,957	671,136	105,000
Gain (loss) on sales of securities available for sale, net	242,562	86,194	(60,275)
Gain (loss) on sales of foreclosed real estate, net	(5,372)	(42,866)	27,017
Brokerage commissions	125,374	181,296	96,808
Other income	283,297	106,481	44,745
	3,555,056	2,780,949	1,491,822
Noninterest expense:			
Employee compensation and benefits	8,400,501	7,528,999	6,552,712
Occupancy and equipment expense	2,154,355	2,077,885	1,569,387
Deposit insurance premium	61,950	61,508	63,944
Data processing expense	634,098	563,485	457,766
Prepayment fee on FHLB advances	500,674	--	--
Other expense	2,106,590	2,036,006	2,051,029
	13,858,168	12,267,883	10,694,838
Net income before income tax expense	5,075,290	3,122,510	2,920,289
Income tax expense	1,678,286	965,882	1,010,546
Net income	$ 3,397,004	$ 2,156,628	$ 1,909,743
Earnings per common and common equivalent share:			
Basic earnings per common share	$ 1.37	$ 0.88	$ 0.79
Diluted earnings per common share	1.36	0.87	0.78

See Notes to Consolidated Financial Statements.

First Midwest Financial, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

YEARS ENDED SEPTEMBER 30, 2003, 2002 AND 2001

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)
Balance, September 30, 2000	$ 29,580	$20,976,107	$30,404,386	$(2,553,891)
Comprehensive income:				
Net income for the year ended September 30, 2001	--	--	1,909,743	--
Net change in net unrealized gains and losses on securities available for sale, net of reclassification adjustments and tax effects	--	--	--	2,892,318
Total comprehensive income				
Purchase of 1,847 common shares of treasury stock	--	--	--	--
Purchase of 30,000 common shares for ESOP	--	--	--	--
15,000 common shares committed to be released under the ESOP	--	(5,340)	--	--
Issuance of 40,000 common shares from treasury stock due to exercise of stock options	--	(181,388)	--	--
Tax benefit from exercise of stock options	--	74,000	--	--
Cash dividends declared on common stock ($.52 per share)	--	--	(1,247,486)	--
Balance, September 30, 2001	$ 29,580	$20,863,379	$31,066,643	$ 338,427
Balance, September 30, 2001	$ 29,580	$20,863,379	$31,066,643	$ 338,427
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	--	--	--	--
Purchase of 10,238 common shares for ESOP	--	--	--	--
22,000 common shares committed to be released under the ESOP	--	24,718	--	--
Issuance of 61,524 common shares from treasury stock due to exercise of stock options	--	(369,364)	--	--
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
Balance, September 30, 2002	$ 29,580	$20,593,768	$31,940,648	$ 494,834
Comprehensive income:				
Net income for the year ended September 30, 2003	--	--	3,397,004	--
Net change in net unrealized gains and losses on securities available for sale, net of reclassification adjustments and tax effects	--	--	--	(3,523,596)
Total comprehensive (loss)				
Purchase of 10,147 common shares of treasury stock	--	--	--	--
Purchase of 35,574 common shares for ESOP	--	--	--	--
15,000 common shares committed to be released under the ESOP	--	10,005	--	--
Issuance of 35,292 common shares from treasury stock due to exercise of stock options	--	(189,770)	--	--
Tax benefit from exercise of stock options	--	124,876	--	--
Cash dividends declared on common stock ($.52 per share)	--	--	(1,279,911)	--
Balance, September 30, 2003	$ 29,580	$20,538,879	$34,057,741	$(3,028,762)

	Unearned Employee Stock Ownership Plan Shares	Treasury Stock	Total Shareholders' Equity
Balance, September 30, 2000	$ --	$(8,821,097)	$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)	(17,777)
Purchase of 30,000 common shares for ESOP	(360,000)	--	(360,000)
15,000 common shares committed to be released under the ESOP	180,000	--	174,660
Issuance of 40,000 common shares from treasury stock due to exercise of stock options	--	448,055	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	$ (180,000)	$(8,390,819)	$43,727,210
Balance, September 30, 2001	$ (180,000)	$(8,390,819)	$43,727,210
Comprehensive income:			
Net income for the year ended September 30, 2002	--	--	2,156,628
Net change in net unrealized gains and losses on securities available for sale, net of reclassification adjustments and tax effects	--	--	156,407
Total comprehensive income			2,313,035
Purchase of 62,447 common shares of treasury stock	--	(843,327)	(843,327)
Purchase of 10,238 common shares for ESOP	(145,892)	--	(145,892)
22,000 common shares committed to be released under the ESOP	279,750	--	304,468
Issuance of 61,524 common shares from treasury stock due to exercise of stock options	--	809,224	439,860
Tax benefit from exercise of stock options	--	--	75,035
Cash dividends declared on common stock ($.52 per share)	--	--	(1,282,623)
Balance, September 30, 2002	$ (46,142)	$(8,424,922)	$44,587,766
Balance, September 30, 2002	$ (46,142)	$(8,424,922)	$44,587,766
Comprehensive income:			
Net income for the year ended September 30, 2003	--	--	3,397,004
Net change in net unrealized gains and losses on securities available for sale, net of reclassification adjustments and tax effects	--	--	(3,523,596)
Total comprehensive (loss)			(126,592)
Purchase of 10,147 common shares of treasury stock	--	(165,092)	(165,092)
Purchase of 35,574 common shares for ESOP	(608,584)	--	(608,584)
15,000 common shares committed to be released under the ESOP	253,050	--	263,055
Issuance of 35,292 common shares from treasury stock due to exercise of stock options	--	425,051	235,281
Tax benefit from exercise of stock options	--	--	124,876
Cash dividends declared on common stock ($.52 per share)	--	--	(1,279,911)
Balance, September 30, 2003	$ (401,676)	$(8,164,963)	$43,030,799

See Notes to Consolidated Financial Statements.

First Midwest Financial, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2003, 2002 AND 2001

	2003	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 3,397,004	$ 2,156,628	$ 1,909,743
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization and accretion, net	3,380,213	2,186,335	849,695
Provision for loan losses	350,000	1,090,000	710,000
Prepayment fee on FHLB advances	500,674	--	--
(Gain) loss on sales of securities available for sale, net	(242,562)	(86,194)	60,275
(Gain) on sales of office property, net	(134,700)	--	--
Proceeds from sales of loans held for sale	76,465,663	22,107,878	14,284,441
Originations of loans held for sale	(75,381,542)	(22,741,349)	(14,084,818)
(Gain) on sales of loans, net	(955,469)	(621,491)	(199,623)
(Gain) loss on sales of foreclosed real estate, net	5,372	42,866	(27,017)
Net change in:			
Accrued interest receivable	388,438	430,278	466,137
Other assets	(809,716)	(836,105)	88,031
Accrued interest payable	(164,172)	(197,248)	(138,060)
Accrued expenses and other liabilities	451,818	48,015	(425,537)
Net cash provided by operating activities	7,251,021	3,579,613	3,493,267
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of securities available for sale	(431,711,574)	(135,493,814)	(22,886,271)
Proceeds from sales of securities available for sale	90,473,567	7,464,706	795,000
Proceeds from maturities and principal repayments of securities available for sale	185,761,348	54,277,854	28,670,713
Loans purchased	(26,162,845)	(27,104,383)	(32,754,225)
Net change in loans	17,696,050	16,402,377	22,830,506
Proceeds from sales of foreclosed real estate	631,156	317,000	521,074
Proceeds from sale of office building	197,169	--	--
Purchase of shares by ESOP	(608,584)	--	--
Purchase of FHLB stock	(7,786,600)	(443,700)	(71,300)
Proceeds from redemption of FHLB stock	3,698,900	--	2,000,000
Purchase of other investment	--	--	(10,000,000)
Purchase of premises and equipment	(1,254,819)	(2,532,542)	(3,914,687)
Net cash (used in) investing activities	(169,066,232)	(87,112,502)	(14,809,190)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net change in noninterest-bearing demand, savings, NOW and money market demand deposits	$ 34,607,349	$ 11,698,102	$ 12,100,577
Net change in time deposits	45,165,640	5,299,773	8,027,580
Proceeds from advances from FHLB	1,219,200,000	275,520,000	133,265,000
Repayments of advances from FHLB	(1,121,006,279)	(276,781,762)	(146,651,690)
Net change in securities sold under agreements to repurchase	(12,474,194)	68,183,508	(2,262,245)
Proceeds from issuance of trust preferred securities	--	--	10,000,000
Net change in advances from borrowers for taxes and insurance	(87,202)	(90,513)	(15,117)
Debt issuance costs incurred	--	--	(305,812)
Cash dividends paid	(1,279,911)	(1,282,623)	(1,247,486)
Proceeds from exercise of stock options	235,281	439,860	266,667
Purchase of treasury stock	(165,092)	(843,327)	(17,777)
Net cash provided by financing activities	164,195,592	82,143,018	13,159,697
Net change in cash and cash equivalents	2,380,381	(1,389,871)	1,843,774
CASH AND CASH EQUIVALENTS			
Beginning of year	7,376,434	8,766,305	6,922,531
End of year	$ 9,756,815	$ 7,376,434	$ 8,766,305
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid during the year for:			
Interest	$ 19,614,923	$ 21,931,298	$ 25,528,659
Income taxes	1,757,440	889,568	926,543
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES			
Loans transferred to foreclosed real estate	$ 418,064	$ 747,525	$ 989,067

See Notes to Consolidated Financial Statements.

First Midwest Financial, Inc. and Subsidiaries

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 trust 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, 2003 and 2002, trust assets totaled approximately $15,383,000 and $13,842,000, 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 regularly and it is reasonably possible that circumstances that exist at September 30, 2003, 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, 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, which range from 15 to 39 years for buildings and 3 to 7 years for furniture, fixtures and equipment. 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.

BANK OWNED LIFE INSURANCE

Bank owned life insurance consists of investments in life insurance contracts. Earnings on the contracts are based on the earnings on the cash surrender value, less mortality costs.

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 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.

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. Goodwill results from the acquisition of three banks. At the time of each acquisition, the purchase price of the acquisition was allocated to various assets and liabilities with the remainder allocated to goodwill. The Company has completed the annual goodwill impairment tests and has determined that there has been no impairment of goodwill.

As of September 30, 2003 and 2002, 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 years ended September 30, 2003 and 2002.

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

YEAR ENDED SEPTEMBER 30, 2001

	Net Income	Basic Earnings Per Share	Diluted Earnings Per Share
Net income:			
As reported	$1,909,743	$ 0.79	$ 0.78
Add: Goodwill amortization	364,932	0.15	0.15
Pro forma net income	$2,274,675	$ 0.94	$ 0.93

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. Diluted earnings per common share shows the dilutive effect of additional potential common shares issuable under stock options.

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.

SFAS No. 123, which became effective for stock-based compensation during fiscal years beginning after December 15, 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 2003, 2002 or 2001.

	2003	2002	2001
Net income as reported	$ 3,397,004	$ 2,156,628	$ 1,909,743
Proforma net income	3,253,603	2,091,222	1,836,857
Reported earnings per common and common equivalent share:			
Basic	$ 1.37	$ 0.88	$ 0.79
Diluted	1.36	0.87	0.78
Proforma earnings per common and common equivalent share:			
Basic	$ 1.32	$ 0.85	$ 0.76
Diluted	1.30	0.84	0.75

The fair value of options granted during 2003, 2002 and 2001 is estimated using the following weighted-average information: risk-free interest rate of 3.53%, 3.57% and 4.52%, expected life of 7 years, expected dividends of 2.41%, 3.68% and 3.85% per year and expected stock price volatility of 22.54%, 21.36% and 22.36% per year, respectively.

NEW ACCOUNTING PRONOUNCEMENTS

In November 2002, the FASB issued Interpretation No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others, an interpretation of FASB Statements No. 5, 57, and 107 and a rescission of FASB Interpretation No. 34. This Interpretation elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under guarantees issued and clarifies that a guarantor is required to recognize, at inception of a guarantee, a liability for the fair value of the obligation undertaken. The effects of implementation on the Company's financial statements were not material.

In December 2002, the FASB issued SFAS No. 148, Accounting for Stock-Based Compensation - Transition and Disclosure, an amendment of FASB Statement No.
123. This Statement amends FASB Statement No. 123, Accounting for Stock-Based Compensation, to provide alternative methods of transition for a voluntary change to the fair value method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of Statement No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. Certain of the disclosure modifications are required for fiscal years ending after December 15, 2002 and are included in the notes to these consolidated financial statements.

FIN No. 46, Consolidation of Variable Interest Entities, an interpretation of Accounting Research Bulletin No. 51, establishes accounting guidance for consolidation of variable interest entities (VIE) that function to support the activities of the primary beneficiary. Prior to the implementation of FIN 46, VIEs were generally consolidated by an enterprise when the enterprise had a controlling financial interest through ownership of a majority of voting interest in the entity. The provisions of FIN 46 were effective immediately for all arrangements entered into after January 31, 2003. For existing VIEs, the implementation date of FIN 46 is the first period ending after December 15, 2003.

The Company expects to adopt FIN 46 in connection with its consolidated financial statements beginning October 1, 2003. In its current form, FIN 46 may require the Company to deconsolidate its investment in First Midwest Financial Capital Trust I in future financial statements. The potential deconsolidation of subsidiary trusts of bank holding companies formed in connection with the issuance of trust preferred securities, like First Midwest Financial Capital Trust I, appears to be an unintended consequence of FIN 46. It is currently unknown if, or when, the FASB will address this issue. In July 2003, the Board of Governors of the Federal Reserve System issued a supervisory letter instructing bank holding companies to continue to include the trust preferred securities in their Tier I capital for regulatory capital purposes until notice is given to the contrary. The Federal Reserve intends to review the regulatory implications of any accounting treatment changes and, if necessary or warranted, provide further appropriate guidance. There can be no assurance that the Federal Reserve will continue to permit institutions to include trust preferred securities in Tier I capital for regulatory capital purposes. As of September 30, 2003, assuming the Company was not permitted to include the $10 million in trust preferred securities issued by First Midwest Financial Capital Trust I in its Tier 1 capital, the Company would still exceed the regulatory required minimums for capital adequacy purposes (see Note 13). If the trust preferred securities were no longer permitted to be included in Tier 1 capital, the Company would also be permitted to redeem the capital securities, which bear interest at 4.9%, without penalty.

The interpretations of FIN 46 and its application to various transaction types and structures are evolving. Management continuously monitors emerging issues related to FIN 46, some of which could potentially impact the Company's financial statements.

In April 2003, the FASB issued SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities, (SFAS 149). SFAS 149 amends Statement 133 for certain items. The Company adopted SFAS 149 on July 1, 2003 and such adoption did not have a material effect on its financial position or results of operations.

In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity (SFAS 150). SFAS 150 established standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or asset in some circumstances). The Company adopted SFAS 150 on July 1, 2003 and such adoption did not have a material effect on its financial position or results of operations.

RECLASSIFICATION OF CERTAIN ITEMS

Certain items on the consolidated balance sheets and statements of income for 2002 and 2001, have been reclassified, with no effect on shareholders' equity, net income or earnings per common share, to be consistent with the classifications adopted for 2003.

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:

	2003	2002	2001
Basic earnings per common share:			
Numerator, net income	$ 3,397,004	$ 2,156,628	$ 1,909,743
Denominator, weighted average common shares outstanding	2,485,088	2,461,402	2,433,453
Less weighted average unallocated ESOP shares	(13,797)	(8,294)	(13,353)
Weighted average common shares outstanding for basic earnings per common share	2,471,291	2,453,108	2,420,100
Basic earnings per common share	$ 1.37	$ 0.88	$ 0.79
Diluted earnings per common share:			
Numerator, net income	$ 3,397,004	$ 2,156,628	$ 1,909,743
Denominator, weighted average common shares outstanding for basic earnings per common share	2,471,291	2,453,108	2,420,100
Add dilutive effects of assumed exercises of stock options, net of tax benefits	33,654	31,428	42,973
Weighted average common and dilutive potential common shares outstanding	2,504,945	2,484,536	2,463,073
Diluted earnings per common share	$ 1.36	$ 0.87	$ 0.78

Stock options totaling 58,566, 136,464 and 171,416 shares were not considered in computing diluted earnings per common share for the years ended September 30, 2003, 2002 and 2001, respectively, because they were not dilutive.

NOTE 3. SECURITIES

Year end securities available for sale were as follows:

2003	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt securities:				
Trust preferred	$ 26,741,317	$ 120,200	$ (3,538,252)	$ 23,323,265
Obligations of states and political subdivisions	585,000	21,395	--	606,395
Mortgage-backed securities	341,973,353	1,399,297	(3,088,061)	340,284,589
Other	998,229	2,711	--	1,000,940
	370,297,899	1,543,603	(6,626,313)	365,215,189
Marketable equity securities	602,331	263,942	(6,429)	859,844
	$370,900,230	$ 1,807,545	$ (6,632,742)	$366,075,033

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

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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.

	Amortized Cost	Fair Value
Due in one year or less	$ 310,000	$ 318,875
Due after one year through five years	1,273,229	1,288,460
Due after five years through ten years	--	--
Due after ten years	26,741,317	23,323,265
	28,324,546	24,930,600
Mortgage-backed securities	341,973,353	340,284,589
	$370,297,899	$365,215,189

Activities related to the sale of securities available for sale are summarized below

	2003	2002	2001
Proceeds from sales	$ 90,473,567	$7,464,706	$ 795,000
Gross gains on sales	342,871	86,194	76,874
Gross (losses) on sales	(100,309)	--	(137,149)

NOTE 4. LOANS RECEIVABLE, NET

Year-end loans receivable were as follows:

	2003	2002
One to four family residential mortgage loans	$ 52,192,827	$ 72,678,866
Construction	19,435,319	25,744,856
Commercial and multi-family real estate loans	171,791,575	151,805,753
Agricultural real estate loans	11,638,780	12,066,776
Commercial business loans	59,467,802	42,844,163
Agricultural business loans	22,599,397	25,308,066
Consumer loans	26,633,610	23,592,634
	363,759,310	354,041,114
Less:		
Allowance for loan losses	(4,961,777)	(4,692,988)
Undistributed portion of loans in process	(8,895,047)	(7,155,273)
Net deferred loan origination fees	(210,491)	(255,445)
	$ 349,691,995	$ 341,937,408

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

	2003	2002	2001
Beginning balance	$ 4,692,988	$ 3,868,664	$ 3,589,873
Provision for loan losses	350,000	1,090,000	710,000
Recoveries	32,148	54,240	51,331
Charge-offs	(113,359)	(319,916)	(482,540)
Ending balance	$ 4,961,777	$ 4,692,988	$ 3,868,664

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 $76,269,000 at September 30, 2003, and were secured by properties located, as a percentage of total loans, as follows: 8% in Washington, 1% in Colorado, 1% in Minnesota, 2% in Iowa, 2% in Wisconsin, 1% in South Dakota, 2% in Arizona, 1% in Missouri and the remaining 3% in 14 other states. 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 14 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 $20,070,000 and $28,470,000 of loans secured by hotel properties and $16,891,000 and $22,416,000 of loans secured by assisted living facilities at September 30, 2003 and 2002, 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:

	2003	2002
Year-end loans with no allowance for loan losses allocated	$ --	$ --
Year-end loans with allowance for loan losses allocated	790,430	1,186,739
Amount of the allowance allocated	312,359	303,730
Average of impaired loans during the year	910,303	4,676,344
Interest income recognized during impairment	--	--

Cash interest collected on impaired loans was not material during the years ended September 30, 2003, 2002 and 2001.

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:

	2003	2002
Mortgage loan portfolios serviced for FNMA	$25,957,000	$18,164,000
Other	22,095,000	22,170,000
	$48,052,000	$40,334,000

Custodial escrow balances maintained in connection with the foregoing loan servicing were approximately $112,000 and $168,000 at September 30, 2003 and 2002, respectively.

NOTE 6. PREMISES AND EQUIPMENT, NET

Year end premises and equipment were as follows:

	2003	2002
Land	$ 2,120,000	$ 2,049,135
Buildings	9,134,858	9,535,699
Furniture, fixtures and equipment	4,804,462	4,545,443
	16,059,320	16,130,277
Less accumulated depreciation	(4,705,955)	(5,076,034)
	$ 11,353,365	$ 11,054,243

Depreciation of premises and equipment included in occupancy and equipment expense was approximately $893,000, $825,000 and $660,000 for the years ended September 30, 2003, 2002 and 2001, respectively.

NOTE 7. DEPOSITS

Jumbo certificates of deposit in denominations of $100,000 or more were approximately $109,429,000 and $48,416,000 at September 30, 2003 and 2002, respectively.

At September 30, 2003, the scheduled maturities of certificates of deposit were as follows for the years ending September 30:

2004	$184,392,769
2005	57,656,158
2006	24,210,808
2007	22,327,729
2008	8,905,573
Thereafter	1,104,156
	$298,597,193

NOTE 8. ADVANCES FROM FEDERAL HOME LOAN BANK

At September 30, 2003 advances from the FHLB of Des Moines with fixed and variable rates ranging from 1.12% to 7.19% (weighted-average rate of 3.41%) 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.

2004	$110,835,778
2005	14,884,475
2006	8,601,886
2007	11,188,213
2008	23,568,667
Thereafter	54,705,375
	$223,784,394

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 2003 and 2002, First Federal and Security collectively pledged securities with amortized costs of $168,857,000 and $75,975,000 and fair values of approximately $167,899,000 and $77,641,000 against specific FHLB advances. In addition, qualifying mortgage loans of approximately $120,888,000 and $70,258,000 were pledged as collateral at September 30, 2003 and 2002.

NOTE 9. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

Securities sold under agreements to repurchase totaled $57,702,034 and $70,176,228 at September 30, 2003 and 2002, respectively.

An analysis of securities sold under agreements to repurchase is as follows:

	2003	2002
Highest month-end balance	$110,488,119	$70,176,228
Average balance	78,208,576	39,288,209
Weighted average interest rate during the period	1.42%	2.01%
Weighted average interest rate at end of period	1.16%	1.90%

At year-end 2003, securities sold under agreements to repurchase had a weighted average maturity of less than 1 month.

The Company pledged securities with amortized costs of approximately $81,428,000 and $79,548,000 and fair values of approximately $81,612,000 and $80,950,000, respectively, at year-end 2003 and 2002 as collateral for securities sold under agreements to repurchase.

NOTE 10. TRUST PREFERRED SECURITIES

The Company issued all of the 10,000 authorized shares of trust 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% (4.90% at September 30, 2003 and 5.61% at September 30, 2002), 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 of September 30, 2003 as liabilities.

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 2001, the ESOP borrowed $360,000 from the Company to purchase 30,000 shares of the Company's common stock. Final payment of this loan was received during the year ended September 30, 2002. In 2002, the ESOP borrowed $145,982 from the Company to purchase 10,238 shares of the Company's common stock. Final payment of this loan was received during the year ended September 30, 2003. In 2003, the ESOP borrowed $608,584 from the Company to purchase 35,574 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 $263,055, $304,468 and $174,660 was recorded for the years ended September 30, 2003, 2002 and 2001, respectively. Contributions of $253,050, $279,750 and $180,000 were made to the ESOP during the years ended September 30, 2003, 2002 and 2001, 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, 2003, 2002 and 2001, 15,000, 22,000 and 15,000 shares with an average fair value of $17.54, $13.84 and $11.64 per share, respectively, were committed to be released. Also for the years ended September 30, 2003, 2002 and 2001, allocated shares and total ESOP shares reflect 4,865, 12,629 and 5,514 shares, respectively, withdrawn from the ESOP by participants who are no longer with the Company and 6,569, 7,760 and 9,312 shares, respectively, purchased for dividend reinvestment.

Year-end ESOP shares are as follows:

	2003	2002	2001
Allocated shares	252,448	235,744	218,613
Unearned shares	23,812	3,238	15,000
Total ESOP shares	276,260	238,982	233,613
Fair value of unearned shares	$525,055	$ 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. 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, 2003, 205,277 shares were authorized for future grants.

Information about option grants follows:

	Number of Options	Weighted-Average Exercise Price
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
Granted	36,708	21.45
Exercised	(35,292)	6.67
Forfeited	--	--

Outstanding, September 30, 2003	252,589	$ 15.99

The weighted-average fair value per option for options granted in 2003, 2002 and 2001 was $4.81, $2.41 and $2.61. At September 30, 2003, options outstanding were as follows:

Exercise Price	Weighted-Average Exercise Price	Weighted-Average Remaining Life (Years)	Number of Options
$ 9.63 - $ 9.99	$ 9.63	6.91	21,824
$10.00 - $14.99	13.68	7.63	81,234
$15.00 - $19.99	16.78	3.55	104,383
$20.00 - $21.77	21.39	8.61	45,148
	$ 15.99	6.06	252,589

Options exercisable at year end were as follows:

	Number of Options	Weighted-Average Exercise Price
2001	270,556	12.38
2002	237,048	13.95
2003	236,464	15.99

PROFIT SHARING PLAN

The Company has a profit sharing plan covering substantially all full-time employees. Contribution expense for the years ended September 30, 2003, 2002 and 2001, was $283,212, $244,927 and $315,773, 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 recap-ture 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.

The provision for income taxes consists of:

	2003	2002	2001
Federal:			
Current	$ 1,430,109	$ 904,539	$ 1,170,302
Deferred	(23,962)	(64,787)	(105,167)
	1,406,147	839,752	1,065,135
State:			
Current	278,015	153,170	(27,756)
Deferred	(5,876)	(27,040)	(26,833)
	272,139	126,130	(54,589)
Income tax expense	$ 1,678,286	$ 965,882	$ 1,010,546

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

	2003	2002	2001

Income taxes at 34% federal tax rate	$ 1,726,000	$ 1,062,000	$ 993,000
Increase (decrease) resulting from:			
State income taxes - net of federal benefit	141,000	97,000	113,000
Nondeductible goodwill	--	--	124,000
Nontaxable buildup in cash surrender value	(190,000)	(217,000)	--
Resolution of a tax contingency	--	--	(139,000)
Other, net	1,286	23,882	(80,454)
Total income tax expense	$ 1,678,286	$ 965,882	$ 1,010,546

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year-end deferred tax assets and liabilities consist of:

	2003	2002
Deferred tax assets:		
Bad debts	$ 1,640,000	$ 1,447,000
Net unrealized losses on securities available for sale	1,796,435	--
Other	--	54,000
	3,436,435	1,501,000
Deferred tax liabilities:		
Federal Home Loan Bank stock dividend	(452,000)	(452,000)
Premises and equipment	(342,000)	(204,000)
Deferred loan fees	(148,000)	(97,000)
Net unrealized gains on securities available for sale	--	(291,680)
Other	(98,335)	(178,173)
	(1,040,335)	(1,222,853)
Net deferred tax assets	$ 2,396,100	$ 278,147

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, 2003 and 2002. 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.

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 regulatory 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 adequacy 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, 2003, 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, 2003:						
Total capital (to risk-weighted assets):						
First Federal	$50,794	12.1%	$33,721	8.0%	$42,152	10.0%
Security	4,588	15.5	2,366	8.0	2,957	10.0
Tier 1 (Core) capital (to risk-weighted assets):						
First Federal	46,058	10.9	16,861	4.0	25,291	6.0
Security	4,294	14.5	1,183	4.0	1,774	6.0
Tier 1 (Core) capital (to average total assets):						
First Federal	46,058	7.1	26,108	4.0	32,634	5.0
Security	4,294	6.7	2,549	4.0	3,186	5.0
Tier 1 (Core) capital (to total assets),						
First Federal	46,058	6.5	28,222	4.0	35,277	5.0
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

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, 2003, approximately $5,662,000 of First Federal's retained earnings and $119,000 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, 2003 and 2002, loan commitments approximated $63,421,000 and $35,562,000, respectively, excluding undisbursed portions of loans in process. Loan commitments at September 30, 2003 included commitments to originate fixed-rate loans with interest rates ranging from 4% to 10% totaling $13,208,000 and adjustable-rate loan commitments with interest rates ranging from 3% to 18% totaling $30,663,000. The Company also had commitments to purchase adjustable rate loans of $14,000,000 with interest rates ranging from 5% to 5.79% and fixed-rate loans of $5,550,000 with interest rates ranging from 5.38% to 8%. 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%. 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 $31,349,000 and $31,381,000 and fair values of approximately $27,858,000 and $28,954,000 at September 30, 2003 and 2002, respectively, were pledged as collateral for public funds on deposit.

Securities with amortized costs of approximately $6,040,000 and $7,280,000 and fair values of approximately $6,220,000 and $7,568,000 at September 30, 2003 and 2002, 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 $2,688,000 as of September 30, 2003.

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:

	2003	2002	2001
Net change in net unrealized gains and losses on securities available for sale:			
Unrealized gains (losses) arising during the year	$(5,369,149)	$ 335,288	$ 4,546,133
Reclassification adjustment for (gains) losses included in net income	(242,562)	(86,194)	60,275
Net change in unrealized gains and losses on securities available for sale	(5,611,711)	249,094	4,606,408
Tax effects	2,088,115	(92,687)	(1,714,090)
Other comprehensive income (loss)	$(3,523,596)	$ 156,407	$ 2,892,318

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 $52,200 plus the payment of the property taxes, normal maintenance and insurance on the property

The total minimum rental commitment at September 30, 2003, under the leases is as follows:

2004	$ 96,400
2005	100,600
2006	99,140
2007	99,580
2008	99,015
Thereafter	362,550
	$857,285

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, 2003 AND 2002

	2003	2002
ASSETS		
Cash and cash equivalents	$ 138,017	$ 57,651
Securities available for sale	2,613,771	2,609,357
Investment in subsidiaries	50,832,669	51,975,306
Loan receivable from ESOP	401,676	46,142
Loan receivable	1,307,259	1,349,543
Other assets	916,660	350,302
Total assets	$ 56,210,052	$ 56,388,301

LIABILITIES AND SHAREHOLDERS' EQUITY

LIABILITIES

Loan payable to subsidiaries	$ 2,900,000	$ 1,755,000
Trust preferred securities	10,000,000	10,000,000
Accrued expenses and other liabilities	279,253	45,535
Total liabilities	13,179,253	11,800,535
SHAREHOLDERS' EQUITY		
Common stock	29,580	29,580
Additional paid-in capital	20,538,879	20,593,768
Retained earnings, substantially restricted	34,057,741	31,940,648
Accumulated other comprehensive income (loss)	(3,028,762)	494,834
Unearned Employee Stock Ownership Plan shares	(401,676)	(46,142)
Treasury stock, at cost	(8,164,963)	(8,424,922)
Total shareholders' equity	43,030,799	44,587,766
Total liabilities and shareholders' equity	$ 56,210,052	$ 56,388,301

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED STATEMENTS OF INCOME
YEARS ENDED SEPTEMBER 30, 2003, 2002 AND 2001

	2003	2002	2001
Dividend income from subsidiaries	$ 1,250,000	$ 245,000	$ 1,550,000
Interest income	334,656	322,345	309,054
Gain (loss) on sales of securities available for sale, net	48,109	48,064	(60,275)
	1,632,765	615,409	1,798,779
Interest expense	644,385	682,134	332,250
Operating expenses	662,046	618,578	550,038
	1,306,431	1,300,712	882,288
Income (loss) before income taxes and equity in undistributed net income of subsidiaries	326,334	(685,303)	916,491
Income tax (benefit)	(304,000)	(304,000)	(247,000)
Income (loss) before equity in undistributed net income of subsidiaries	630,334	(381,303)	1,163,491
Equity in undistributed net income of subsidiaries	2,766,670	2,537,931	746,252
Net income	$ 3,397,004	$ 2,156,628	$ 1,909,743

CONDENSED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2003, 2002 AND 2001

	2003	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 3,397,004	$ 2,156,628	$ 1,909,743
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed net income of subsidiaries	(2,766,670)	(2,537,931)	(746,252)
(Gain) loss on sales of securities available for sale, net	(48,109)	(48,064)	60,275
Change in other assets	(465,296)	436,856	(364,088)
Change in accrued expenses and other liabilities	233,718	75,539	(61,205)
Net cash provided by operating activities	350,647	83,028	798,473
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in subsidiary	--	(250,000)	(7,000,000)
Repayment of securities	--	342	3,806
Purchase of securities available for sale	(48,325)	(1,000,000)	--
Proceeds from sales of securities available for sale	156,016	1,410,770	795,000
Loan to ESOP	(608,584)	(145,893)	(360,000)
Net change in loan receivable	42,284	(450,230)	(574,134)
Repayments on loan receivable from ESOP	253,050	279,751	180,000
Net cash (used in) investment activities	(205,559)	(155,260)	(6,955,328)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of trust preferred securities	--	--	10,000,000
Proceeds from loan payable to subsidiaries	1,975,000	1,755,000	--
Repayments on loan payable to subsidiaries	(830,000)	--	(2,550,000)
Debt issuance costs incurred	--	--	(305,812)
Cash dividends paid	(1,279,911)	(1,282,623)	(1,247,486)
Proceeds from exercise of stock options	235,281	439,860	266,667
Purchase of treasury stock	(165,092)	(843,327)	(17,777)
Net cash provided by (used in) financing activities	(64,722)	68,910	6,145,592
Net change in cash and cash equivalents	80,366	(3,322)	(11,263)
CASH AND CASH EQUIVALENTS			
Beginning of year	57,651	60,973	72,236
End of year	$ 138,017	$ 57,651	$ 60,973

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid during the year for interest	$ 644,385	$ 682,134	$ 332,250

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 2003:				
Total interest income	$ 8,952,749	$ 9,001,683	$ 8,773,197	$ 8,451,524
Total interest expense	5,027,183	4,854,739	4,841,730	4,727,099
Net interest income	3,925,566	4,146,944	3,931,467	3,724,425
Provision for loan losses	175,000	108,000	67,000	--
Net income	844,256	915,186	892,407	741,155
Earnings per common and common equivalent share:				
Basic	$ 0.34	$ 0.37	0.36	$ 0.30
Diluted	0.34	0.37	0.36	0.30
FISCAL YEAR 2002:				
Total interest income	$ 8,990,799	$ 8,633,888	$ 8,904,424	$ 8,904,383
Total interest expense	5,928,035	5,429,196	5,293,508	5,083,311
Net interest income	3,062,764	3,204,692	3,610,916	3,821,072
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	$ 9,861,440	$ 9,534,327	$ 9,419,259	$ 9,408,878
Total interest expense	6,545,052	6,349,019	6,250,738	6,245,790
Net interest income	3,316,388	3,185,308	3,168,521	3,163,088
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

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, 2003 and 2002. This information is presented solely for compliance with SFAS No. 107 and is subject to change over time based on a variety of factors.

	2003		2002	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Selected assets:				
Cash and cash equivalents	$ 9,756,815	$ 9,757,000	$ 7,376,434	$ 7,376,000
Securities available for sale	366,075,033	366,075,000	218,247,310	218,247,000
Loans receivable, net	349,691,995	352,547,000	341,937,408	345,473,000
Loans held for sale	1,126,310	1,126,000	1,254,962	1,255,000
FHLB stock	10,930,300	10,930,000	6,842,600	6,843,000
Accrued interest receivable	3,932,076	3,932,000	4,320,514	4,321,000
Selected liabilities:				
Noninterest bearing demand deposits	(17,457,662)	(17,458,000)	(11,934,712)	(11,935,000)
Savings, NOW and money market demand deposits	(119,497,887)	(119,498,000)	(90,413,488)	(90,413,000)
Time certificates of deposit	(298,597,193)	(303,189,000)	(253,431,553)	(257,688,000)
Total deposits	(435,552,742)	(440,145,000)	(355,779,753)	(360,036,000)
Advances from FHLB	(223,784,394)	(236,829,000)	(125,089,999)	(138,495,000)
Securities sold under agreements to repurchase	(57,702,034)	(57,703,000)	(70,176,228)	(70,180,000)
Trust preferred securities	(10,000,000)	(10,227,000)	(10,000,000)	(10,008,000)
Advances from borrowers for taxes and insurance	(268,682)	(269,000)	(355,884)	(356,000)
Accrued interest payable	(506,861)	(507,000)	(671,033)	(671,000)
Off-balance-sheet instruments, loan commitments	--	--	--	--

The following sets forth the methods and assumptions used in determining the fair value estimates for the Company's financial instruments at September 30, 2003 and 2002.

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 AND LOANS HELD FOR SALE

The fair value of loans 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, 2003 and 2002. 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, 2003 and 2002, 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, 2003 and 2002, for advances with similar terms and remaining maturities.

SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE, OTHER BORROWINGS AND TRUST PREFERRED SECURITIES

The fair value of securities sold under agreements to repurchase, other borrowings and trust preferred securities was estimated by discounting the expected future cash flows using derived interest rates approximating market as of September 30, 2003 and 2002, 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.

[GRAPHIC OMITTED]

JOHN THUNE, Board Member "It is a privilege to serve on the Board of Directors at First Midwest and its banks. From the front-line staff to my peers on the Board, this organization is filled with quality people. In fact, my wife and I just experienced the company's first-class service when we refinanced our home."

Fun Fact: Having given up aspirations of making it in the NBA, John now plays in Sioux Falls' over-40 basketball league.

2003 ANNUAL REPORT

BOARD OF DIRECTORS

JAMES S. HAAHR

Chairman of the Board and Chief Executive Officer for First Midwest Financial, Inc. (FMFI) and First Federal Savings Bank of the Midwest (FFSBM); Chairman of the Board for Security State Bank (SSB)

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

President and Chief Operating Officer for FMFI and FFSBM, Chief Executive Officer of SSB, 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.

RODNEY G. MUILENBURG

Retired Dairy Specialist Manager for Purina Mills, Inc.; Consultant for TransOva Genetics Dairy Division

JEANNE PARTLOW

Retired Chairman of the Board and President of Iowa Savings Bank

JOHN THUNE

Thune Group, LLC, and Senior Government Relations Advisor to Arent Fox Kintner Plotkin & Kahn, PLLC; Former South Dakota Representative to the U.S. House of Representatives

EXECUTIVE OFFICERS

JAMES S. HAAHR
J. TYLER HAAHR

DONALD J. WINCHELL, CPA

Senior Vice President, Secretary, Treasurer and Chief Financial Officer for FMFI and FFSBM; and Secretary for SSB

ELLEN E. MOORE

Vice President of Marketing and Sales for FMFI and Senior Vice President of Marketing and Sales for FFSBM

BEN GUENTHER

President, First Federal Storm Lake/Northwest Iowa Division

TIM D. HARVEY

President, Brookings Federal Bank Division

TROY MOORE

President, Iowa Savings Bank Division

TONY TRUSSELL

President, First Federal Sioux Falls Division

I. EUGENE RICHARDSON, JR.

President, Security State Bank

CHARLES B. FRIEDERICHS

Senior Vice President and Chief Information Officer

JON C. GEISTFELD

Senior Vice President and Chief Lending Officer

SANDRA K. HEGLAND

Senior Vice President of Human Resources

SUSAN C. JESSE

Senior Vice President of Compliance and Operations

BANK DIRECTORS

FEDERAL SAVINGS BANK
OF THE MIDWEST
James S. Haahr, Chairman
E. Wayne Cooley
E. Thurman Gaskill
J. Tyler Haahr
G. Mark Mickelson
Rodney G. Muilenburg
Jeanne Partlow
John Thune

SECURITY STATE BANK
James S. Haahr, Chairman
Jeffrey N. Bump
E. Wayne Cooley
E. Thurman Gaskill
J. Tyler Haahr
G. Mark Mickelson
Rodney G. Muilenburg
Jeanne Partlow
I. Eugene Richardson, Jr.
John Thune

2003 ANNUAL REPORT

INVESTOR INFORMATION

ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of Shareholders will convene at 1:00 pm on Monday, January 26, 2004. 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.

GENERAL COUNSEL

Mack, Hansen, Gadd, Armstrong & Brown, P.C. 316 East Sixth Street
P.O. Box 278
Storm Lake, Iowa 50588

SPECIAL COUNSEL

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, 2003 (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 2002 and 2003 were $0.13. The price range of the common stock, as reported on the Nasdaq System, was as follows:

	FISCAL YEAR 2003 LOW	FISCAL YEAR 2003 HIGH	FISCAL YEAR 2002 LOW	FISCAL YEAR 2002 HIGH
First Quarter	$14.16	$16.57	$12.90	$14.10
Second Quarter	15.88	17.16	12.95	14.25
Third Quarter	16.21	19.25	13.44	14.50
Fourth Quarter	18.37	24.50	12.90	15.45

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 13 of the Notes to Consolidated Financial Statements included in this Annual Report.

As of September 30, 2003, First Midwest had 2,493,949 shares of common stock outstanding, which were held by 257 shareholders of record, and 252,589 shares subject to outstanding options. The shareholders of record number does not reflect approximately 433 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, 2003: Brokerage America, LLC; CIBC World Markets Corp.; Fig Partners, LLC; Friedman Billings Ramsey & Co.; FTN Midwest Research Secs.; Goldman, Sachs & Co.; Howe Barnes Investments, Inc.; Knight Equity Markets, L.P.; Sandler O'Neill & Partners; and Schwab Capital Markets.

2003 ANNUAL REPORT

[GRAPHIC OMITTED]

DIANA GONZALES PAULEY, Bilingual Mortgage Originator "Home ownership is an American dream. I enjoy sitting down with our customers and really getting to know them. What I learn helps me recommend a mortgage loan that is right for their budget and their lifestyle. I'm happiest when helping others."

Fun Facts: Makes homemade enchiladas for teammates and customers over lunch breaks. Volunteered 265 hours in the community this year.

[LOGO] First Midwest financial, Inc.
People helping people

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

www.fmficash.com

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 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 Statements on Form S-8 of First Midwest Financial, Inc., pertaining to the First Midwest Financial, Inc. 1995 Stock Option and Incentive Plan and the First Midwest Financial, Inc. 2002 Omnibus Incentive Plan, of our report dated October 23, 2003, which appears in the annual report on Form 10-K of First Midwest Financial, Inc. and subsidiaries for the year ended September 30, 2003.

/s/ McGladrey & Pullen, LLP

McGladrey & Pullen, LLP

Des Moines, Iowa
December 26, 2003

EXHIBIT 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

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 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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-15(e) and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure and procedures, as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant issuer's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that as materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 26, 2003

/s/ James S. Haahr

Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

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 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows 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-15(e) and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure and procedures, as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that as materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 26, 2003

/s/ Donald J. Winchell

Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report First Midwest Financial, Inc. (the "Company") on Form 10-K for the year ended September 30, 2003, as filed with the Securities and Exchange Commission on the date of this Certification (the "Report"), I, James S. Haahr, the Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report 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 26, 2003

Exhibit 32.2

CERTIFICATION PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report First Midwest Financial, Inc. (the "Company") on Form 10-K for the year ended September 30, 2003, as filed with the Securities and Exchange Commission on the date of this Certification (the "Report"), I, Donald J. Winchell, the Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report 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 26, 2003

EXHIBIT 99

CODE OF ETHICS

Exhibit 99

CODE OF ETHICS FOR THE PRINCIPAL EXECUTIVE OFFICER AND SENIOR FINANCIAL OFFICERS OF FIRST MIDWEST FINANCIAL, INC.

Introduction

This Code of Ethics for the Principal Executive Officer and Senior Financial Officers (the "Code of Ethics") has been adopted by the Board of Directors (the "Board") of First Midwest Financial Inc. (the "Company") to promote honest and ethical conduct, full, fair, accurate, timely and understandable disclosure of information in the Company's periodic and other public reports, and compliance with applicable laws, rules, and regulations by the Company's Senior Financial Officers.

Senior Financial Officers

As used in this Code of Ethics, the term Senior Financial Officer means the Company's Chief Executive Officer, Chief Financial Officer, Controller or Principal Accounting Officer, and any other persons performing similar functions for the Company.

Code of Ethics

In performing his or her duties, each of the Senior Financial Officers must:

1. Maintain high standards of honest and ethical conduct and avoid any actual or apparent conflicts of interest between personal and professional relationships;

2. Report to the Audit Committee of the Board any conflict of interest that may arise and any material transaction or relationship that reasonably could be expected to give rise to a conflict of interest;

3. Provide, or cause to be provided, full, fair, accurate, timely, and understandable disclosure in reports and documents that the Company files with or submits to the Securities and Exchange Commission and in other public communications;

4. Comply and take all reasonable actions to cause others to comply with applicable laws, rules, and regulations; and

5. Promptly report violations of this Code of Ethics to the Audit Committee.

Waiver or Amendments

Any request for waiver of any provision of this Code of Ethics must be submitted in writing to the Company's Audit Committee. Waivers may only be granted by the Audit Committee. This Code of Ethics may only be amended by the Board. Any waiver or amendment of this Code of Ethics will be promptly disclosed on the Company's Internet website, a Current Report on Form 8-K or any other means approved by the Securities and Exchange Commission.

Compliance and Accountability

The Audit Committee will assess compliance with this Code of Ethics, report material violations to the Board, and recommend to the Board appropriate action, which may include, but is not limited to, reprimand and/or dismissal.