META FINANCIAL GROUP INC

FORM 10-K
(Annual Report)

Filed 12/28/1999 For Period Ending 9/30/1999

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

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended September 30, 1999

OR

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

For the transition period from _______ to _______

Commission file number 0-22140.

FIRST MIDWEST FINANCIAL, INC.

(Name of Registrant as specified in its charter)

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

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

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

None

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to

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

Registrant's revenues for the most recent fiscal year ended were $37.3 million.

As of December 16, 1999, the Registrant had issued and outstanding 2,522,073 shares of Common Stock. The aggregate market value of the voting stock held by non-affiliates of the Registrant, computed by reference to the average of the closing bid and asked prices of such stock on the Nasdaq System as of December 16, 1999, was $22.5 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, 1999.

PART III of Form 10-K -- Portions of the Proxy Statement for the Annual

Meeting of Shareholders to be held during January 2000.

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 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 been an active acquiror of 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 its subsidiaries on a consolidated basis. See "Management's Discussion and Analysis -- Acquisitions Completed" in the Annual Report to Shareholders attached hereto as Exhibit 13 (the "Annual Report").

First Federal and Security (collectively, the "Banks") are the only direct, active 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 its subsidiary Banks, provides a full range of financial services. The principal business of First Federal historically has consisted of attracting retail deposits from the general public and investing those funds primarily in one- to four-family residential mortgage loans and, to a lesser extent, commercial and multi-family real estate, agricultural operating and real estate, construction, consumer and commercial business loans primarily in First Federal's market area. Recently, First Federal's lending activities have expanded to include an increased emphasis on originations and purchases of commercial and multi-family real estate loans. The principal business of Security has been and continues to be attracting retail deposits from the general public and investing those funds in agricultural real estate and operating loans and, to a lesser extent, one- to four-family residential, commercial business and consumer loans. The Banks also purchase mortgage-backed securities and invest in U.S. Government and agency obligations and other permissible investments. At September 30, 1999, the Company had total assets of $511.2 million, deposits of $304.8 million, and shareholders' equity of $39.8 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"), and indirectly through independent contractors, offers mutual funds and, in some locations, insurance products and annuities. In addition, Brookings Service Corporation, a subsidiary of First Services, offers full service brokerage services through PrimeVest Financial Services, Inc., a third party vendor.

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.

The Company is aware of the issues associated with the programming code in existing computer systems as the year 2000 approaches. The issue is whether computer systems will properly recognize date sensitive information when the year changes to 2000. Systems that do not properly recognize such information could generate erroneous data or cause a system to fail. The Company is heavily dependent on computer processing in its business activities and the Year 2000 issue creates risk for the Company from unforeseen problems in the Company's computer system and from third parties whom the Company uses to process information. Such failures of the Company's computer system and/or third parties computer systems could have a material impact on the Company's ability to conduct its business. See the discussion on "Year 2000 Issues" contained in the Annual Report.

Market Area

First Federal Savings Bank of the Midwest has three divisions: First Federal Savings Bank, Brookings Federal Bank and Iowa Savings Bank. First Federal Savings Bank's headquarters is located on the corner of Fifth and Erie streets in Storm Lake, Iowa. The bank operates a total of six branch offices in Storm Lake, Lake View, Laurens, Manson, Odebolt and Sac City, Iowa. Brookings Federal Bank operates two facilities in Brookings, South Dakota. Iowa Savings Bank has bank facilities in Des Moines and West Des Moines, Iowa. A third Iowa Savings Bank office, and its new main office, is under construction in Urbandale, Iowa.

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

The Company's primary market area includes Adair, Buena Vista, Calhoun, Guthrie, Ida, Pocahontas, Polk and Sac Counties in Iowa and Brookings County in South Dakota.

Storm Lake is located in northwest Iowa approximately 150 miles northwest of Des Moines and 200 miles south of Minneapolis in Buena Vista County. Like much of the State of Iowa, Storm Lake and the Company's primary market area are highly dependent upon farming and agricultural markets. Major employers in the area include Buena Vista County Hospital, IBP, Inc. and Bil Mar Foods of Iowa. The world's largest electricity-generating wind farm is located in Buena Vista County. This $235 million project, completed in June 1999, provides enough electricity to serve 71,000 average-sized Midwestern households. Storm Lake is also home to Buena Vista University, which currently enrolls 1,256 full-time students at its Storm Lake campus and employs 79 full-time faculty.

Brookings is located in east central South Dakota, approximately 50 miles north of Sioux Falls and 200 miles west of Minneapolis in Brookings County. First Federal's market area in South Dakota 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 8,540 students enrolled for the 1999 fall term and employs 504 full-time faculty. The community also has several manufacturing companies, including 3M, Larson Manufacturing, Daktronics, Falcon Plastics and Twin City Fan. The Brookings division operates from a main office located in downtown Brookings and one drive-up branch office also located in Brookings.

Des Moines, the State of Iowa's capitol, is located in central Iowa. The Des Moines market area encompasses Polk County and surrounding counties. Iowa Savings Bank Division's main office operates near a high-traffic intersection, across from a major shopping mall in West Des Moines. The Highland Park facility is located in a historical district approximately five minutes north of downtown Des Moines. Des Moines is one of the top three insurance centers in the world, with sixty-seven insurance company headquarters and over one hundred regional insurance offices. Other major businesses include Hy-Vee Food Stores, Inc., Bridgestone-Firestone, Inc., Communication Data Services, Inc., Pioneer Hi-Bred, John Deere, and Meredith Corporation. Universities in the area include Drake University, Upper Iowa University, Simpson College, Grand View College, Hamilton College and the University of Osteopathic Medicine and Health Sciences.

Security's main office operates in Stuart, which is located in west-central Iowa, approximately 40 miles west of Des Moines on the border of Adair and Guthrie counties. Security's market area, as well as our other market areas, except perhaps Des Moines, are highly dependent on farming and agriculture-related businesses. Agriculture-related businesses in recent years have performed well due to a relatively stable agricultural environment in the Company's market area. Recently, however, agriculture commodity prices have declined significantly for the major agricultural products produced in the Company's market area. Commodity price fluctuations are a normal part of agriculture, but it is unusual for the pricing of all major products to be depressed at the same time. Although there has been minimal effect observed to date, an extended period of low commodity prices could result in reduced demand for goods and services provided by agriculture-related businesses, which could also affect other businesses in the Company's market area.

In recent years, the westward expansion of Des Moines, combined with direct interstate highway access to Stuart, has resulted in significant development of new service-related businesses in the community. This development provides economic diversity to Security's market area.

Lending Activities

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

While the Company historically has focused its lending activities on the origination of loans secured by first mortgages on owner-occupied one- to four-family residences, it also originates and purchases commercial and multi-family real estate loans and originates consumer, commercial business, residential and commercial construction and agriculturally related loans. The Company originates most of its loans in its primary market area. More recently, the Company has increased its emphasis, both in absolute dollars and as a percentage of its gross loan portfolio, on these less traditional lending activities. At September 30, 1999, the Company's net loan portfolio totaled $303.1 million, or 59.3% 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 comprised of officers of such Banks. Loans in excess of certain amounts require the approval of at least two committee members who must also be executive officers, or by such 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, 1999, the Company's largest lending relationship to a single borrower or group of related borrowers totaled $6.0 million. The Company had twelve other lending relationships in excess of $2.5 million as of September 30, 1999 with the average outstanding balance of such loans totaling approximately $3.8 million. At September 30, 1999, 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,					
	1995		1996		1997	
	Amount	Percent	Amount	Percent	Amount	Percent
	(Dollars in Thousands)					
Real Estate Loans						
One- to four-family	$ 57,274	30.4%	$ 78,476	31.6%	$ 73,903	27.8%
Commercial and multi-family	73,419	38.9	85,157	34.2	74,870	28.1
Agricultural	7,021	3.7	11,068	4.5	11,732	4.4
Construction or development	17,877	9.5	7,819	3.1	21,264	8.0
Total real estate loans	155,591	82.5	182,520	73.4	181,769	68.3
Other Loans:						
Consumer Loans:						
Home equity	4,906	2.6	7,823	3.1	14,007	5.3
Automobile	3,663	1.9	5,356	2.2	6,106	2.3
Deposit account	330	.2	666	.3	533	.2
Student	382	.2	324	.1	383	.1
Other (1)	3,727	2.0	6,259	2.5	6,369	2.4
Total consumer loans	13,008	6.9	20,428	8.2	27,398	10.3
Agricultural operating	11,905	6.3	30,364	12.2	38,650	14.5
Commercial business	8,173	4.3	15,468	6.2	18,456	6.9
Total other loans	33,086	17.5	66,260	26.6	84,504	31.7
Total loans	188,677	100.0%	248,780	100.0%	266,273	100.0%
Less:						
Loans in process	8,071		2,240		8,700	
Deferred fees and discounts	404		650		553	
Allowance for losses	1,650		2,356		2,379	
Total loans receivable, net	$178,552		$243,534		$254,641	

	September 30,			
	1998		1999	
	Amount	Percent	Amount	Percent
	(Dollars in Thousands)			
Real Estate Loans				
One- to four-family	$ 85,799	30.5%	$110,317	34.8%
Commercial and multi-family	66,845	23.8	85,793	27.1
Agricultural	10,537	3.8	9,874	3.1
Construction or development	32,990	11.7	28,379	9.0
Total real estate loans	196,171	69.8	234,363	74.0
Other Loans:				
Consumer Loans:				
Home equity	15,285	5.4	14,834	4.7
Automobile	4,445	1.6	3,861	1.3
Deposit account	716	.3	443	.1
Student	421	.1	460	.1
Other (1)	5,372	1.9	3,828	1.2
Total consumer loans	26,239	9.3	23,426	7.4
Agricultural operating	37,234	13.2	29,284	9.2
Commercial business	21,587	7.7	29,942	9.4
Total other loans	85,060	30.2	82,652	26.0
Total loans	281,231	100.0%	317,015	100.0%
Less:				
Loans in process	7,738		10,494	
Deferred fees and discounts	298		350	
Allowance for losses	2,909		3,093	
Total loans receivable, net	$270,286		$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,					
	1995		1996		1997	
	Amount	Percent	Amount	Percent	Amount	Percent
	(Dollars in Thousands)					
Fixed Rate Loans:						
Real estate:						
One- to four-family	$ 22,875	12.1%	$ 41,322	16.6%	$ 33,369	12.5%
Commercial and multi-family	14,262	7.6	14,036	5.6	11,124	4.2
Agricultural	5,536	2.9	4,250	1.7	5,978	2.3
Construction or development	2,342	1.3	2,938	1.2	2,997	1.1
Total fixed-rate real estate loans	45,015	23.9	62,546	25.1	53,468	20.1
Consumer	12,303	6.5	19,145	7.7	26,100	9.8
Agricultural operating	7,335	3.9	14,998	6.1	16,280	6.1
Commercial business	5,521	2.9	7,200	2.9	10,462	3.9
Total fixed-rate loans	70,174	37.2	103,889	41.8	106,310	39.9
Adjustable Rate Loans:						
Real estate:						
One- to four-family	34,399	18.2	37,154	14.9	40,534	15.2
Commercial and multi-family	59,157	31.4	71,121	28.6	63,746	23.9
Agricultural	1,485	.8	6,818	2.7	5,754	2.2
Construction or development	15,535	8.2	4,881	2.0	18,267	6.9
Total adjustable-rate real estate loans	110,576	58.6	119,974	48.2	128,301	48.2
Consumer	705	.4	1,283	.5	1,298	.5
Agricultural operating	4,570	2.4	15,366	6.2	22,370	8.4
Commercial business	2,652	1.4	8,268	3.3	7,994	3.0
Total adjustable rate loans	118,503	62.8	144,891	58.2	159,963	60.1
Total loans	188,677	100.0%	248,780	100.0%	266,273	100.0%
Less:						
Loans in process	8,071		2,240		8,700	
Deferred fees and discounts	404		650		553	
Allowance for loan losses	1,650		2,356		2,379	
Total loans, net	$178,552		$243,534		$254,641	

	September 30,			
	1998		1999	
	Amount	Percent	Amount	Percent
	(Dollars in Thousands)			
Fixed Rate Loans:				
Real estate:				
One- to four-family	$ 51,235	18.2%	$ 52,943	16.7%
Commercial and multi-family	11,582	4.1	34,326	10.8
Agricultural	4,982	1.8	5,080	1.6
Construction or development	1,829	.7	2,322	.8
Total fixed-rate real estate loans	69,628	24.8	94,671	29.9
Consumer	24,909	8.8	21,803	6.9
Agricultural operating	18,821	6.7	14,896	4.7
Commercial business	15,108	5.4	23,206	7.3
Total fixed-rate loans	128,466	45.7	154,576	48.8
Adjustable Rate Loans:				
Real estate:				
One- to four-family	34,564	12.3	57,374	18.1
Commercial and multi-family	55,263	19.6	51,467	16.2
Agricultural	5,555	2.0	4,794	1.6
Construction or development	31,161	11.1	26,057	8.2
Total adjustable-rate real estate loans	126,543	45.0	139,692	44.1
Consumer	1,330	.5	1,623	.5
Agricultural operating	18,413	6.5	14,388	4.5
Commercial business	6,479	2.3	6,736	2.1
Total adjustable rate loans	152,765	54.3	162,439	51.2
Total loans	281,231	100.0%	317,015	100.0%
Less:				
Loans in process	7,738		10,494	
Deferred fees and discounts	298		350	
Allowance for loan losses	2,909		3,093	
Total loans, net	$270,286		$303,078	

The following table illustrates the interest rate sensitivity of the Company's loan portfolio at September 30, 1999. Mortgages which have adjustable or renegotiable interest rates are shown as maturing in the period during which the contract reprices. The table does not reflect the effects of possible prepayments or enforcement of due-on-sale clauses.

	Real Estate							
	Mortgage(1)		Construction		Consumer		Agricultural Operating	
Due During Years Ending September 30,	Amount	Weighted Average Rate	Amount	Weighted Average Rate	Amount	Weighted Average Rate	Amount	Weighted Average Rate
	(Dollars in Thousands)							
2000(2)	$69,826	8.05%	$22,710	9.07%	$9,682	9.37%	$26,972	9.44%
2001-2004	71,760	7.43	3,079	8.67	9,415	9.08	1,905	8.91
2004 and following	64,398	7.34	2,590	8.41	4,329	9.25	407	8.96

	Commercial Business		Total	
Due During Years Ending September 30,	Amount	Weighted Average Rate	Amount	Weighted Average Rate
	(Dollars in Thousands)			
2000(2)	$21,525	9.30%	$150,715	8.69%
2001-2004	8,181	8.73	94,340	7.77
2004 and following	236	8.63	71,960	7.50

(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, 2000 which have predetermined interest rates is $99.1 million, while the total amount of loans due after such date which have floating or adjustable interest rates is $134.7 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, 1999, the Company's one- to four-family residential mortgage loan portfolio totaled $110.3 million, or 34.8% of the Company's total gross loan portfolio. Approximately 35.8% of the Company's one- to four-family mortgage loans or 12.5% of the Company's gross loans have been purchased, generally from other financial institutions. See "--Originations, Purchases, Sales and Servicing of Loans and Mortgage-Backed Securities." At September 30, 1999, the average outstanding principal balance of a one- to four-family residential mortgage loan was $57,000.

The Company offers fixed-rate and ARM loans. During the year ended September 30, 1999, the Company originated $1.5 million of adjustable-rate loans and $25.7 million of fixed-rate loans secured by one- to four-family residential real estate. 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 95% 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. Residential loans generally do not include prepayment penalties.

The Company currently offers one, three and five year ARM loans with an initial interest rate margin over the yield on the corresponding U.S. Treasury Security. 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. From time to time the Company may permit ARM loans to be assumed by qualified borrowers upon payment of an assumption fee. The Company qualifies ARM loan borrowers at the fully indexed rate. 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 has historically retained its fixed-rate loans for its loan portfolio, however, from June 1996 through March 1998, the Company sold, with servicing retained, most of its fixed-rate loans with terms of 15 years or greater to Fannie Mae. The Company suspended selling these loans due to limited opportunity for other types of investments or to purchase loans due to the present low interest rate environment. The Company may decide to sell loans in the future.

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, 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. The purchased loans and loan participation interests are generally secured by properties located in the Midwest and Northwest. 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 $42.4 million, $16.3 million and $26.8 million of such loans during fiscal 1999, 1998 and 1997, respectively. However, due to a large number of prepayments and maturities of commercial and multi-family real estate loans during fiscal 1999, 1998 and 1997 as a result of a favorable interest rate environment, at September 30, 1999, 1998 and 1997, the Company had $85.8 million, $66.8 million and $74.9 million, respectively, of commercial and multi-family real estate loans compared to $85.2 million at September 30, 1996. At September 30, 1999, $1.1 million, or 1.2% 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, to a lesser extent, 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 75% 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, 1999, the Company's largest commercial and multi-family real estate loan was a $5.8 million loan secured by a retail shopping center, a single-family residential housing development and other real estate. The Company had seven other commercial and/or multi-family loans in excess of $2.5 million at such date. All of these loans are currently performing in accordance with their terms. At September 30, 1999, the average outstanding principal balance of a commercial or multi-family real estate loan held by the Company was $333,000.

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, 1999, the Company's construction loan portfolio totaled $28.4 million, or 9.0% 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, 1999, the Company had $1.6 million of construction loans to borrowers intending to live in the properties upon completion of construction.

Construction loans to builders of one- to four-family residences require the payment of interest only for up to 24 months and have terms of up to 24 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%. At September 30, 1999, the Company did not have any construction loans to builders of one- to four-family residences.

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 structured to be converted to permanent loans at the end of the construction phase, which generally runs up to 18 months. These construction loans have rates and terms which match any permanent multi-family or commercial real estate loan then offered by the Company, except that 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, 1999, the Company had approximately $26.8 million of loans for the construction of commercial and multi-family real estate. This amount consisted of two loans totaling $5.7 million for the construction of assisted living facilities, four loans totaling $5.7 million for the construction of hotels, two loans totaling $3.1 million for the construction of apartment complexes, and seven loans totaling $12.3 million for the construction of commercial facilities. All of these loans were performing in accordance with their terms at September 30, 1999.

Construction loans are obtained principally through continued business from builders who have previously borrowed from the Company, as well as referrals from existing customers and walk-in customers. The application process includes a submission to the Company of accurate plans, specifications and costs of the project to be constructed. 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, 1999, the Company had agricultural real estate loans secured by farmland of $9.9 million or 3.1% of the Company's gross loan portfolio. At the same date, $29.3 million, or 9.2% 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, 1999, the average outstanding principal balance of an agricultural operating loan held by the Company was $43,200. At September 30, 1999, $285,000, or 1.0%, 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, adjusting 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, 1999, $70,000, or .7% 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 multi-peril crop insurance which can guarantee set yields to provide certainty of repayment. Government support programs, and recently the Company, generally require that farmers procure multi-peril crop insurance.

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 provide a "floor" below which prices will not fall. The Company generally does not require the use by borrowers of future contracts or options.

Another risk is the uncertainty of government programs and other regulations. Some farmers rely on the income from government programs 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, 1999, the Company's consumer loan portfolio totaled $23.4 million, or 7.4% of its total gross loan portfolio. Of the consumer loan portfolio at September 30, 1999, substantially all 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 10 years, respectively.

The Company primarily originates automobile loans on a direct basis and 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, 1999, $140,000 or .6% 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, 1999, $29.9 million, or 9.4% 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, 1999 was a $6.0 million loan secured by bank stock and other assets. Subsequent to fiscal year end, this loan was paid down to $3.0 million. The next largest commercial business loan outstanding at September 30, 1999 was a $5.3 million warehouse line of credit secured by the assignment of automobile contracts. The Company had three other commercial business loans outstanding in excess of $1.0 million at September 30, 1999. All of these loans are currently performing in accordance with their terms. At September 30, 1999, the average outstanding principal balance of a commercial business loan held by the Company was $79,400.

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, 1999, $75,000 or .3% 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 environment.

The Company, from time to time, sells whole loans and loan participations generally without recourse. At September 30, 1999, 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 mortgage loans that it originated and sold totaling $16.0 million at September 30, 1999, of which $5.0 million were sold to Fannie Mae and $11.0 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.

	Year Ended September 30, 1997	1998	1999
	(In Thousands)		
Originations by type:			
Adjustable rate:			
Real estate - one- to four-family	$ 7,875	$ 4,356	$ 1,532
- commercial and multi-family	4,873	8,543	4,354
- agricultural real estate	--	1,808	1,357
Non-real estate - consumer	931	745	1,480
- commercial business	9,998	7,459	7,669
- agricultural operating	27,469	20,905	17,110
Total adjustable-rate	51,146	43,816	33,502
Fixed rate:			
Real estate - one- to four-family	7,260	17,775	25,662
- commercial and multi-family	4,214	7,756	18,871
- agricultural real estate	2,581	2,576	2,146
Non-real estate - consumer	23,688	20,172	15,272
- commercial business	19,127	29,437	30,135
- agricultural operating	27,635	25,716	17,687
Total fixed-rate	84,505	103,432	109,773
Total loans originated	135,651	147,248	143,275
Purchases:			
Real estate- one-to-four-family	--	15,933	25,531
- commercial and multi-family	26,766	16,324	42,398
Non-real estate - commercial business	3,053	4,290	9,401
- agricultural operating	--	400	--
Total loans	29,819	36,947	77,330
Total mortgage-backed securities	16,417	39,409	93,409
Total purchased	46,236	76,356	170,739
Sales and Repayments:			
Sales:			
Real estate - one- to four-family	3,324	5,613	270
Non-real estate - consumer	268	--	--
- commercial business	--	--	7,134
Total loans	3,592	5,613	7,404
Mortgage-backed securities	--	5,916	--
Total sales	3,592	11,529	7,404
Repayments:			
Loan principal repayments	144,364	163,435	182,915
Mortgage-backed securities repayments	7,969	15,713	19,055
Total principal repayments	152,333	179,148	201,970
Total reductions	155,925	190,677	209,374
Increase (decrease) in other items, net	370	60	2,119
Net increase (decrease)	$ 26,332	$ 32,987	$106,759

At September 30, 1999, approximately $125.8 million, or 39.7%, of the Company's gross loan portfolio consisted of purchased loans. The Company believes that purchasing loans secured by real estate located outside of its market area assists the Company in diversifying its portfolio and may lessen the adverse affects on the Company's business or operations which could result in the event of a downturn or weakening of the local economy in which the Company conducts its operations. However, additional risks are associated with purchasing loans secured by real estate outside of the Company's market area, including the lack of knowledge of the local real estate market and difficulty in monitoring and inspecting the property securing the loans.

The following table provides information regarding the Company's balance of wholly purchased real estate loans and real estate loan participations for each state in which the balance of such loans exceeded $1.0 million at September 30, 1999. Not included in the following table are purchased commercial business loans totaling $8.2 million, over 85% 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	$ 86	1	$ 1,589	3	$ --	--	$1,675	4
Colorado	12	4	434	2	1,602	4	2,048	10
Florida	11	1	--	--	3,000	1	3,011	2
Illinois	--	--	3,728	5	--	--	3,728	5
Iowa	262	27	3,512	6	400	1	4,174	34
Minnesota	--	--	7,665	10	7,358	4	15,023	14
Missouri	976	28	1,592	6	--	--	2,568	34
Nebraska	101	9	4,706	2	1,615	2	6,422	13
New Mexico ...	--	--	--	--	5,275	1	5,275	1
New York	1,493	69	450	1	--	--	1,943	70
North Carolina	18,443	86	--	--	--	--	18,443	86
North Dakota .	38	9	2,029	6	--	--	2,067	15
South Dakota .	378	24	5,341	9	--	--	5,719	33
Washington ...	16,355	58	13,491	6	6,740	2	36,586	66
Wisconsin	--	--	5,917	9	--	--	5,917	9
Other states .	1,349	65	1,657	16	--	--	3,006	81
Total	$39,504	381	$52,111	81	$25,990	15	$117,605	477
Percent of loan portfolio	35.8%		60.7%		91.5%		37.1%	

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

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

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

The following table sets forth the Company's loan delinquencies by type, before allowance for loan losses, by amount and by percentage of type at September 30, 1999.

	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	19	$ 674	.6%	6	$ 317	.3%	19	$ 613	.6%
Commercial and multi-family	---	---	---	1	490	.6	2	1,055	1.2
Agricultural real estate	---	---	---	---	---	---	1	70	.7
Consumer	33	300	1.3	10	42	.2	24	140	.6
Agricultural operating	4	138	.5	2	78	.3	9	285	1.0
Commercial business	16	469	1.6	7	111	.4	2	75	.3
Total	72	$1,581	.5%	26	$1,038	.3%	57	$2,238	.7%

Delinquencies 90 days and over constituted .7% of total loans and .4% 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. At September 30, 1999, the Company had four 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) totaling $1.6 million, all of which were performing as agreed. The Company has not had any other troubled debt restructurings for the periods presented in the table below. Foreclosed assets include assets acquired in settlement of loans.

	September 30,				
	1995	1996	1997	1998	1999
	(Dollars in Thousands)				
Non-accruing loans:					
One- to four-family	$ 127	$ 347	$ 444	$ 298	$ 613
Commercial and multi-family	199	1,623	1,692	777	1,055
Agricultural real estate	46	127	--	--	70
Consumer	206	331	246	142	140
Agricultural operating	100	184	289	1,738	285
Commercial business	48	33	204	209	75
Total non-accruing loans	726	2,645	2,875	3,164	2,238
Accruing loans delinquent 90 days or more	--	177	282	3,905	--
Total non-performing loans	726	2,822	3,157	7,069	2,238
Foreclosed assets:					
One- to four-family	48	75	85	19	94
Commercial real estate	--	--	67	1,324	--
Consumer	--	8	--	19	24
Commercial business	--	9	4	--	25
Total	48	92	156	1,362	143
Less: Allowance for losses	--	5	--	299	--
Total	48	87	156	1,063	143
Total non-performing assets	$ 774	$2,909	$3,313	$8,132	$2,381
Total as a percentage of total assets	.29%	.75%	.82%	1.94%	.47%

For the year ended September 30, 1999, gross interest income which would have been recorded had the non-accruing loans been current in accordance with their original terms amounted to approximately $148,000, of which none was included in interest income.

Non-accruing Loans. At September 30, 1999, the Company had $2.2 million in non-accruing loans, which constituted .72% 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, except as described below.

Non-accruing loans at September 30, 1999 included a commercial real estate participation loan in the amount of $1.0 million secured by a 116 unit apartment complex located in Fitchburg, Wisconsin. This loan is in process of being refinanced and is anticipated to be paid off by March 31, 2000.

The balance of non-accruing agricultural operating loans declined at September 30, 1999 as a result of stringent adherence to underwriting guidelines on new and renewed loans, diligent collection efforts, and charge-offs during the period.

Other Loans of Concern. At September 30, 1999, there were loans totaling $3.9 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 seven one- to four-family residential mortgage loans totaling $312,000, six commercial business loans totaling $1.0 million, 21 agricultural operating loans totaling $2.4 million and 12 consumer loans totaling $109,000.

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, 1999, the Company had classified a total of $5.9 million of its assets as substandard, $142,000 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 indicate potential weakness due to historically low 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.

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.

	Year Ended September 30,				
	1995	1996	1997	1998	1999
	(Dollars in Thousands)				
Balance at beginning of period	$1,442	$1,650	$2,356	$2,379	$2,909
Iowa Savings acquisition	---	132	---	---	---
Security acquisition	---	563	---	---	---
Charge-offs:					
One-to four-family	---	---	---	(103)	(84)
Agricultural operating	---	---	---	(595)	(1,160)
Commercial and multi-family	(30)	(35)	(2)	(299)	---
Consumer	(12)	(54)	(66)	(152)	(202)
Commercial business	---	---	(55)	(17)	(420)
Total charge-offs	(42)	(89)	(123)	(1,166)	(1,866)
Recoveries:					
Consumer	---	---	---	17	39
Commercial business	---	---	---	5	8
Commercial and multi-family	---	---	2	---	---
Agricultural operating	---	---	24	11	11
Total recoveries	---	---	26	33	58
Net charge-offs	(42)	(89)	(97)	(1,133)	(1,808)
Additions charged to operations	250	100	120	1,663	1,992
Balance at end of period	$1,650	$2,356	$2,379	$2,909	$3,093
Ratio of net charge-offs during the period to average loans outstanding during the period	.03%	.04%	.04%	.44%	.63%
Ratio of net charge-offs during the period to average non-performing assets	5.08%	5.30%	4.46%	21.50%	43.12%

For each of the periods indicated in the table above, the additions charged to operations (provision for loan losses) were relatively constant, except for fiscal 1998 and 1999. 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,									
	1995		1996		1997		1998		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	$ 172	30.36%	$235	31.54%	$ 222	27.75%	$ 257	30.50%	$ 331	35.43%
Commercial and multi-family real estate	551	38.92	639	34.23	712	28.12	602	23.77	772	27.55
Agricultural real estate	70	3.72	138	4.45	117	4.41	132	3.75	114	3.17
Construction	134	9.47	59	3.14	106	7.99	165	11.73	123	7.32
Consumer	145	6.89	270	8.21	289	10.29	277	9.33	308	7.52
Agricultural operating	208	6.31	531	12.21	580	14.51	1,024	13.24	806	9.40
Commercial business	123	4.33	271	6.22	277	6.93	324	7.68	449	9.61
Unallocated	247	---	213	---	76	---	128	---	190	---
Total	$ 1,650	100.00%	$2,356	100.00%	$2,379	100.00%	$2,909	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, 1999, 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,		
	1997	1998	1999
	(In Thousands)		
Investment Securities:			
Trust preferred securities(1)	$ --	$27,256	$26,998
U.S. government securities	2,956	757	--
Federal agency obligations	65,529	27,015	15,492
Municipal bonds	1,390	1,341	1,387
Equity investments	1,255	1,230	856
Freddie Mac preferred stock	336	427	202
Fannie Mae common stock	94	129	125
Subtotal	71,560	58,155	45,060
FHLB stock	5,629	5,506	8,126
Total investment securities and FHLB stock	$77,189	$63,661	$53,186
Other Interest-Earning Assets:			
Interest bearing deposits in other financial institutions and Federal Funds sold	$12,177	$ 5,818	$ 4,208

(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, 1999:

PNC Capital Trust	$4.8 million
Key Corp Capital I	$5.0 million
Huntington Capital II	$4.9 million
Bank Boston Capital Trust IV	$4.8 million
BankAmerica Capital III	$4.8 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, 1999					
	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	$ --	$ --	$ --	$26,998	$27,630	$26,998
Municipal bonds	105	959	323	--	1,360	1,387
Federal agency obligations	--	4,939	10,553	--	15,923	15,492

Total investment securities	$ 105	$ 5,898	$10,876	$26,998	$44,913	$43,877
Weighted average yield	5.83%	5.60%	6.83%	6.11%	6.22%	6.22%

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, 1999, the Company held CMOs totaling $95.3 million, all of which were secured by underlying collateral issued under government-sponsored agency programs or residential real estate mortgage loans. Premiums associated with the purchase of these CMOs are not significant, therefore, the risk of significant yield adjustments because of accelerated prepayments is limited. Yield adjustments are encountered as interest rates rise or decline, which in turn slows or increases prepayment rates and affect the average lives of the CMOs.

At September 30, 1999, $130.9 million or 98.1% of the Company's mortgage-backed securities portfolio had fixed rates of interest and $2.5 million or 1.9% 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, 1999, $98.1 million or 73.5% 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,		
	1997	1998	1999
	(In Thousands)		
Ginnie Mae	$ 20,925	$ 42,951	$ 27,886
CMO	3,832	11,283	95,325
Freddie Mac	3,813	2,827	5,791
Fannie Mae	14,939	4,711	3,934
Privately Issued Mortgage Pass-Through Certificates	916	682	493
Total	$ 44,425	$ 62,454	$133,429

The following table sets forth the contractual maturities of the Company's mortgage-backed securities at September 30, 1999. 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, 1999 Balance Outstanding
	(Dollars in Thousands)				
Ginnie Mae	$ --	$ --	$ 112	$ 27,774	$ 27,886
CMO	--	9,563	16,597	69,165	95,325
Freddie Mac	110	161	895	4,625	5,791

Fannie Mae	--	94	1,594	2,246	3,934
Privately Issued Mortgage Pass-Through Certificates(1)	--	--	--	493	493
Total	$ 110	$ 9,818	$ 19,198	$104,303	$133,429
Weighted average yield	10.75%	6.58%	6.66%	6.47%	6.50%

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

At September 30, 1999, the contractual maturity of 78.2% 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 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 (including interest earned on mortgage-backed securities), 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 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.

	Year Ended September 30,		
	1997	1998	1999
	(Dollars in Thousands)		
Opening balance	$ 233,406	$ 246,116	$ 283,858
Deposits	543,824	615,028	608,478
Withdrawals	(541,351)	(589,176)	(599,915)
Interest credited	10,237	11,890	12,359
Ending balance	$ 246,116	$ 283,858	$ 304,780

Net increase (decrease)	$ 12,710	$ 37,742	$ 20,922
Percent increase (decrease) .	5.45%	15.34%	7.37%

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.

	Year Ended September 30,					
	1997		1998		1999	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
	(Dollars in Thousands)					
Transactions and Savings Deposits:						
Commercial Demand	$ 5,572	2.26%	$ 4,971	1.75%	$ 5,681	1.86%
Passbook Accounts	21,562	8.76	18,610	6.56	17,043	5.59
NOW Accounts	16,408	6.67	16,637	5.86	16,055	5.27
Money Market Accounts	11,869	4.82	22,509	7.93	41,905	13.75
Total Non-Certificate	55,411	22.51	62,727	22.10	80,684	26.47
Certificates:						
Variable	1,259	.51	559	.20	1,253	.41
0.00 - 3.99%	202	.08	95	.03	267	.09
4.00 - 5.99%	129,409	52.58	130,729	46.05	185,476	60.85
6.00 - 7.99%	56,515	22.97	87,940	30.98	37,098	12.17
8.00 - 9.99%	3,320	1.35	1,808	.64	2	.01
Total Certificates	190,705	77.49	221,131	77.90	224,096	73.53
Total Deposits	$246,116	100.00%	$283,858	100.00%	$304,780	100.00%

The following table shows rate and maturity information for the Company's certificates of deposit as of September 30, 1999.

	Variable	0.00-3.99%	4.00-5.99%	6.00-7.99%	8.00-9.99%	Total	Percent of Total
			(Dollars in Thousands)				
Certificate accounts maturing in quarter ending:							
December 31, 1999	$ 249	$179	$37,837	$ 8,944	$ 2	$ 47,211	21.1%
March 31, 2000	245	8	39,778	4,332	---	44,363	19.8
June 30, 2000	183	--	40,080	8,558	---	48,821	21.8
September 30, 2000	192	---	24,521	3,883	---	28,596	12.8
December 31, 2000	189	---	10,782	1,625	---	12,596	5.6
March 31, 2001	85	8	8,048	1,435	---	9,576	4.3
June 30, 2001	---	---	6,729	2,015	---	8,744	3.9
September 30, 2001	---	---	4,828	1,669	---	6,497	2.9
December 31, 2001	---	---	3,089	229	---	3,318	1.5
March 31, 2002	---	---	3,549	298	---	3,847	1.7
June 30, 2002	---	---	1,255	251	---	1,506	.6
September 30, 2002	---	---	1,700	818	---	2,518	1.1
Thereafter	110	72	3,280	3,041	---	6,503	2.9
Total	$1,253	$267	$185,476	$37,098	$ 2	$224,096	100.0%
Percent of total	.56%	.12%	82.76%	16.55%	.01%	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, 1999.

	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	$42,653	$42,436	$66,018	$52,258	$203,365
Certificates of deposit of $100,000 or more	5,930	5,064	6,770	2,967	20,731
Total certificates of deposit	$48,583	$47,500	$72,788	$55,225	$224,096(1)

(1) Includes deposits from governmental and other public entities totaling $6.6 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, 1999, the Company had $161.3 million of advances from the FHLB of Des Moines and the ability to borrow up to an additional $37.3 million. All of the Company's advances currently carry fixed rates, except a $200,000 line of credit which adjusts daily. At September 30, 1999, advances totaling $48.8 million (including the line of credit) had terms to maturity of one year or less. The remaining $112.5 million had maturities ranging up to 20 years.

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, 1999, the Company had approximately $3.0 million of retail repurchase agreements outstanding.

The Company has also, from time to time, 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 30 days to a maximum of six months. The Company has not entered into any reverse repurchase agreements in the past five years.

The following table sets forth the maximum month-end balance and average balance of FHLB advances, retail repurchase agreements and other borrowings (consisting of FRB advances) for the periods indicated.

	Year Ended September 30,		
	1997	1998	1999
	(In Thousands)		
Maximum Balance:			
FHLB advances	$107,426	$109,766	$161,348
Retail repurchase agreements	2,790	4,075	4,322
Other borrowings	2,900	2,100	200
Average Balance:			
FHLB advances	$ 80,685	$ 95,328	$135,846
Retail repurchase agreements	2,285	2,916	3,300
Other borrowings	1,258	557	48

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

	At September 30,		
	1997	1998	1999
	(Dollars in Thousands)		
FHLB advances	$107,426	$ 85,264	$161,348
Retail repurchase agreements	1,800	4,075	3,021
Other borrowings	2,900	550	--
Total borrowings	$112,126	$ 89,889	$164,369
Weighted average interest rate of FHLB advances	5.86%	5.91%	5.38%
Weighted average interest rate of retail repurchase agreements	5.79%	5.71%	5.28%
Weighted average interest rate of other borrowings	5.55%	5.45%	---%

Subsidiary Activities

The only subsidiaries of the Company are First Federal and Security. First Federal has one service subsidiary, First Services Financial Limited ("First Services"). At September 30, 1999, the net book value of First Federal's investment in First Services was approximately $749,000. 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 and, in some locations, insurance products and annuities. In addition, Brookings Service Corporation ("BSC"), a subsidiary of First Services, offers full brokerage services through PrimeVest Financial Services, Inc., a third party vendor. First Services, together with its subsidiary BSC, recognized a net loss of $17,000 during fiscal 1999.

Regulation

General. First Midwest currently has two wholly-owned subsidiaries, First Federal, a federally-chartered thrift institution and Security, an Iowa-chartered commercial bank. 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 it 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 (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 such regulation and oversight, whether by the OTS, the FDIC, the FRB or the 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 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 October 4, 1999. When these examinations are conducted by the OTS, the examiners may require First Federal to provide for higher general or specific loan loss reserves. Security is subject to similar regulation and oversight by the ISB and the FRB and was last examined as of January 18, 1999.

Each federal banking regulator has extensive enforcement authority over its regulated institutions. This enforcement authority includes, among other things, 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 also generally authorized to branch nationwide whereas Iowa chartered banks such as Security are limited to establishing branches in the counties contiguous to the county where their home office is located. At September 30, 1999, First Federal and Security were in compliance with the noted restrictions.

First Federal's general permissible lending limit for loans-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, 1999, First Federal's and Security's lending limit under these restrictions was $5.3 million and $964,000, respectively. First Federal and Security are in compliance with the loans-to-one-borrower limitation.

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% of 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, 1999, each of First Federal and Security met the capital requirements of a "well capitalized" institution and were not subject to any assessment. See Note 14 of Notes to Consolidated Financial Statements in the Annual Report.

Prior to the enactment of the legislation recapitalizing the SAIF in 1996, a portion of the SAIF assessment imposed on savings associations was used to repay obligations issued by a federally chartered corporation to provide financing for resolving the thrift crisis in the 1980s. Although the legislation also now requires assessments to be made on BIF-assessable deposits for this purpose, effective January 1, 1997, that assessment will be limited to 20% of the rate imposed on SAIF assessable deposits until the earlier of December 31, 1999 or when no savings association continues to exist, thereby imposing a greater burden on SAIF member institutions such as First Federal. Thereafter, however, assessments on BIF-member institutions will be made on the same basis as SAIF-member institutions. The rates established by the FDIC to implement this requirement for all FDIC-insured institutions is approximately a 6 basis points assessment on SAIF deposits and a 1 basis point assessment on BIF deposits until BIF insured institutions participate fully in the assessment.

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 14 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.

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, 1999, 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 immediately ineligible to receive any new FHLB borrowings and 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. In addition, it must repay promptly any outstanding FHLB borrowings, which may result in prepayment penalties.

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 May 1997 and Security was examined in June 1999 and both received a rating of "satisfactory."

Bank Holding Company Regulation

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

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

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

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

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.

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.

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, 1999, the Banks had in the aggregate $8.1 million in FHLB stock, which was in compliance with this requirement. For the fiscal year ended September 30, 1999, dividends paid by the FHLB of Des Moines to First Federal and Security totaled $469,000. Over the past five calendar years such dividends have averaged 7.25% and were 6.25% for the first three quarters of the calendar year 1999.

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.

Federal and State Taxation

Federal Taxation. Savings institutions such as First Federal that meet certain definitional tests relating to the composition of assets and other conditions prescribed by the Internal Revenue Code of 1986, as amended (the "Code"), are permitted to establish reserves for bad debts and to make annual additions which may, within specified formula limits, be taken as a deduction in computing taxable income for federal income tax purposes. The amount of the bad debt reserve deduction is computed under the experience method.

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, 1999, First Federal's Excess for tax purposes totaled approximately $6.7 million.

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

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

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

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

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

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

Competition

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

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

The Company serves Adair, Buena Vista, Calhoun, Guthrie, Ida, Pocahontas, Polk and Sac counties in Iowa and Brookings County in South Dakota. There are 31 commercial banks, four savings banks, other than First Federal, and one credit union which compete for deposits and loans in the 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 South Dakota. In addition, there are twelve commercial banks in Security's primary market area in west central Iowa. First Federal entered the Des Moines, Iowa market area as a result of the acquisition of Iowa Savings and competes for deposits and loans with numerous financial institutions located throughout the metropolitan area.

Employees

At September 30, 1999, the Company and its subsidiaries had a total of 130 employees, including 13 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 47, serves as Senior Vice President, Treasurer and Chief Financial Officer of First Midwest and First Federal, and is responsible for the formulation and implementation of policies and objectives for First Federal's finance and accounting functions. His duties include financial planning, interest rate risk management, accounting, investments, financial policy development and compliance, budgeting and asset/liability management. Mr. Winchell also serves as Treasurer of First Services Financial Limited and Brookings Service Corporation. Mr. Winchell joined First Federal in 1989 as Vice President and Chief Financial Officer, was appointed Treasurer in 1990, and Senior Vice President in 1992. Prior to joining First Federal, Mr. Winchell served as Senior Vice President and Chief Financial Officer of Midwest Federal Savings and Loan Association of Nebraska City, Nebraska since 1981. Mr. Winchell received a Bachelor of Science degree and a Bachelor of Business Administration degree from Washburn University, Topeka, Kansas. Mr. Winchell is a certified public accountant.

Item 2. Description of Property

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 two offices in Brookings, South Dakota, through the Company's Brookings Federal Bank division of the Bank; two offices in Des Moines, Iowa, through the Company's Iowa Savings Bank 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, 1999 was $4.8 million. See Note 7 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 Company has initiated plans to construct two new offices to be located in Urbandale, Iowa and Sioux Falls, South Dakota. The construction of these offices is anticipated to be completed during the first quarter of the 2001 fiscal year. In November 1996, the Company purchased an existing building located in West Des Moines, Iowa. In March 1998, the facility opened as an additional office of the Iowa Savings Bank Division of First Federal.

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, 1999 was approximately $302,000.

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, 1999.

PART II

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

Page 56 of the attached 1999 Annual Report to Shareholders is herein incorporated by reference.

Item 6. Selected Financial Data

Page 9 of the attached 1999 Annual Report to Shareholders is herein incorporated by reference.

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

Pages 10 through 21 of the attached 1999 Annual Report to Shareholders are herein incorporated by reference.

Item 7A. Quantitative and Qualitative Disclosure About Market Risk

Pages 16 through 18 of the attached 1999 Annual Report to Shareholders are herein incorporated by reference.

Item 8. Financial Statements and Supplementary Data

Pages 22 through 52 of the attached 1999 Annual Report to Shareholders are herein incorporated by reference.

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

There has been no Current Report on Form 8-K filed within 24 months prior to the date of the most recent financial statements reporting a change of accountants and/or reporting disagreements on any matter of accounting principle or financial statement disclosure.

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 held in January 2000, a copy of which will be filed not later than 120 days after the close of the fiscal year.

Executive Officers

Information concerning executive officers of the Company are incorporated herein by reference from the Company's definitive Proxy Statement for the Annual Meeting of Shareholders to be held in January 2000, a copy of which will be filed not later than 120 days after the close of the fiscal year, 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, except as noted below, 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, 1999, all Section 16(a) filing requirements applicable to its officers, directors and greater than 10 percent beneficial owners were complied with. G. Mark Mickelson filed late two reports in connection with two acquisitions of First Midwest common stock.

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 2000, a copy of which will be filed not later than 120 days after the close of the fiscal year.

Item 12. Security Ownership of Certain Beneficial Owners and Management

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 2000, a copy of which will be filed not later than 120 days after the close of the fiscal year.

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 2000, a copy of which will be filed not later than 120 days after the close of the fiscal year.

PART IV

Item 14. 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, 1999 and 1998.

3. Consolidated Statements of Income for the Years Ended September 30, 1999, 1998 and 1997.

4. Consolidated Statements of Changes in Shareholders' Equity for the Years Ended September 30, 1999, 1998 and 1997.

5. Consolidated Statements of Cash Flows for the Years Ended September 30, 1999, 1998 and 1997.

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:

There were no Form 8-Ks filed by the Registrant during the three month period ended September 30, 1999.

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 28, 1999	*By: /s/James S. Haahr* -------------------------------- *James S. Haahr* *(Duly Authorized Representative)*

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

By: /s/James S. Haahr -------------------------------- *James S. Haahr, Chairman of the Board President and Chief Executive Officer (Principal Executive Officer)*	*Date: December 28, 1999*
By: /s/E. Wayne Cooley -------------------------------- *E. Wayne Cooley, Director*	*Date: December 28, 1999*
By: /s/E. Thurman Gaskill -------------------------------- *E. Thurman Gaskill, Director*	*Date: December 28, 1999*
By: /s/Rodney G. Muilenburg -------------------------------- *Rodney G. Muilenburg, Director*	*Date: December 28, 1999*
By: /s/Jeanne Partlow -------------------------------- *Jeanne Partlow, Director*	*Date: December 28, 1999*
By: /s/G. Mark Mickelson -------------------------------- *G. Mark Mickelson, Director*	*Date: December 28, 1999*
By: /s/J. Tyler Haahr -------------------------------- *J. Tyler Haahr, Director, Senior Vice President, Secretary and Chief Operating Officer*	*Date: December 28, 1999*
By: /s/Donald J. Winchell -------------------------------- *Donald J. Winchell, Senior Vice President Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)*	*Date: December 28, 1999*

INDEX TO EXHIBITS

Exhibit Number	Description
3(i)	Registrant's Articles of Incorporation as currently in effect, filed on June 17, 1993 as an exhibit to the Registrant's registration statement on Form S-1 (Commission File No. 33-64654), are incorporated herein by reference.
3(ii)	Registrant's Bylaws, as amended and restated, filed as Exhibit 3(ii) to Registrant's Report on Form 10-K for the fiscal year ended September 30, 1998 (Commission File No. 0-22140), is incorporated herein by reference.
4	Registrant's Specimen Stock Certificate, filed on June 17, 1993 as an exhibit to the Registrant's registration statement on Form S-1 (Commission File No. 33-64654), is incorporated herein by reference.
10.1	Registrant's 1995 Stock Option and Incentive Plan, filed as Exhibit 10.1 to Registrant's Report on Form 10-KSB for the fiscal year ended September 30, 1996 (Commission File No. 0-22140), is incorporated herein by reference.
10.2	Registrant's 1993 Stock Option and Incentive Plan, filed on June 17, 1993 as an exhibit to the Registrant's registration statement on Form S-1 (Commission File No. 33-64654), is incorporated herein by reference.
10.3	Registrant's Recognition and Retention Plan, filed on June 17, 1993 as an exhibit to the Registrant's registration statement on Form S-1 (Commission File No. 33-64654), is incorporated herein by reference.
10.4	Employment agreement between First Federal Savings Bank of the Midwest and J. Tyler Haahr, filed as an exhibit to Registrant's Report on Form 10-K for the fiscal year ended September 30, 1997 (Commission File No. 0-22140), is incorporated herein by reference.
10.5	Registrant's Supplemental Employees' Investment Plan, filed as an exhibit to Registrant's Report on Form 10-KSB for the fiscal year ended September 30, 1994 (Commission File No. 0-22140), is incorporated herein by reference.
10.6	Employment agreements between First Federal Savings Bank of the Midwest and James S. Haahr and Donald J. Winchell, filed on June 17, 1993 as an exhibit to the Registrant's registration statement on Form S-1 (Commission File No. 33-64654), is incorporated herein by reference.
10.7	Registrant's Executive Officer Compensation Program, filed as Exhibit 10.6 to Registrant's Report on Form 10-K for the fiscal year ended September 30, 1998 (Commission File No. 0-22140), is incorporated herein by reference.
10.8	Registrant's Executive Officer Incentive Stock Option Plan for Mergers and Acquisitions, filed as Exhibit 10.7 to Registrant's Report on Form 10-K for the fiscal year ended September 30, 1998 (Commission File No. 0-22140), is incorporated herein by reference.
11	Statement re: computation of per share earnings (included under Note 1 and 2 of Notes to Consolidated Financial Statements in the Annual Report to Shareholders' attached hereto as Exhibit 13).
13	Annual Report to Shareholders.
21	Subsidiaries of the Registrant.
23	Consent of Expert.
27	Financial Data Schedule (electronic filing only).

EXHIBIT 13

ANNUAL REPORT TO SHAREHOLDERS

Advancing into the next
millennium

Company Vision and Mission

VISION OF FIRST MIDWEST FINANCIAL, INC.
BUILD THE BEST SUPER-COMMUNITY BANK SYSTEM IN THE MIDWEST.

VISION OF FIRST MIDWEST FINANCIAL BANKS
BE THE BANK OF CHOICE FOR FINANCIAL SERVICES IN OUR MARKET AREA.

MISSION
HAVE A PROFESSIONAL, KNOWLEDGEABLE TEAM THAT COST EFFECTIVELY PROVIDES VALUE-ADDED FINANCIAL PRODUCTS AND SERVICES THAT BENEFIT OUR CUSTOMERS.

Company Values

CUSTOMER SERVICE
OUTSTANDING INTERNAL AND EXTERNAL CUSTOMER SERVICE ARE THE FOUNDATION OF OUR SUCCESS. MEETING CUSTOMER FINANCIAL NEEDS AND EXCEEDING EXPECTATIONS CONTRIBUTE TO CUSTOMER SATISFACTION AND LONG-TERM RELATIONSHIPS.

CONTINUOUS IMPROVEMENT
WE EMBRACE CHANGE TO IMPROVE THE QUALITY AND PRODUCTIVITY OF OUR PRODUCT OFFERINGS, BUSINESS OPERATIONS, AND CUSTOMER SERVICE.

GREAT WORK ENVIRONMENT
WE EMBRACE AN ATMOSPHERE OF OPEN COMMUNICATION AND MUTUAL RESPECT WHERE PEOPLE ARE TREATED FAIRLY, HAVE FULFILLING CAREER OPPORTUNITIES AND CHALLENGES, AND ARE ABLE TO MAKE A DIFFERENCE IN THE COMMUNITIES WE SERVE.

RESULTS
WE ARE RESULTS ORIENTED. MEETING GOALS ALLOWS THE COMPANY TO EARN A FAIR PROFIT WHILE SERVICING OUR CUSTOMERS IN AN EFFICIENT AND PROFESSIONAL MANNER.

First Midwest Financial, Inc.

First Federal Savings Bank

of the Midwest		Security State Bank
Brookings Federal Bank Division	First Federal Savings Bank Division	Iowa Savings Bank Divisions

Company Profile

First Midwest Financial, Inc., with assets of $511 million, is the 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 acquire commercial and savings banks while preserving its close community interaction. 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 three divisions: Brookings Federal Bank, First Federal Savings Bank, and Iowa Savings Bank. Eleven offices support customers in Brookings, South Dakota, and throughout central and northwest Iowa. Plans are underway to begin construction of two additional offices in the cities of Urbandale, Iowa and Sioux Falls, South Dakota.

Security State Bank operates as a state-chartered commercial bank. It is headquartered in Stuart, Iowa, with two branch offices located in central Iowa.

First Services Financial Limited, a subsidiary of First Federal Savings Bank, offers discount brokerage services and noninsured investment products through contracts with LaSalle St. Securities, Inc., Ameritas Investment Corp., and Central Financial Group. Brookings Service Corporation, a First Services subsidiary, is a full-service brokerage operation offering a wide range of noninsured investment products through PrimeVest Investment Center.

First Midwest Financial, Inc.'s common stock is listed under the trading symbol "CASH" on the Nasdaq National Market.

Banks are members FDIC and Equal Housing Lenders.

Financial Highlights

(Dollars In Thousands Except Per Share Data)	1999	1998	1997	1996	1995
AT SEPTEMBER 30					
Total assets	$511,213	$418,380	$404,589	$388,008	$264,213
Total loans	303,079	270,286	254,641	243,534	178,552
Total deposits	304,780	283,858	246,116	233,406	171,793
Shareholders' equity	39,771	42,286	43,477	43,210	38,013
Book value per common share (1)	$ 15.86	$ 16.56	$ 16.11	$ 14.81	$ 14.13
Total equity to assets	7.78%	10.11%	10.75%	11.14%	14.39%
FOR THE FISCAL YEAR					
Net interest income	$ 13,197	$ 12,829	$ 11,946	$ 10,359	$ 9,405
Net income	2,641	2,785	3,642	2,414(2)	3,544
Diluted earnings per share (1)	$ 1.04	$ 1.03	$ 1.28	$ 0.90(2)	$ 1.33
Return on average assets	.54%	.68%	.98%	.77%(2)	1.31%
Return on average equity	6.35%	6.43%	8.41%	6.22%(2)	9.86%
Net yield on interest-earning assets	2.83%	3.26%	3.38%	3.47%	3.63%
Cash earnings (3)	$ 3,006	$ 3,150	$ 4,006	$ 2,584(2)	$ 3,670
Cash earnings per share diluted (1) (3)	$ 1.18	$ 1.17	$ 1.40	$ 0.96(2)	$ 1.39
Cash return on average assets (3)	.61%	.77%	1.08%	.82%(2)	1.36%
Cash return on average equity (3)	7.23%	7.27%	9.25%	6.66%(2)	10.21%

[GRAPHIC OMITTED -- Bar Graph - Total Assets]

[GRAPHIC OMITTED -- Bar Graph - Total Deposits]

[GRAPHIC OMITTED -- Bar Graph - Net Interest Income]

[GRAPHIC OMITTED -- Bar Graph - Net Income]

(1) Amounts reported have been adjusted for the three for two stock split paid January 2, 1997 in the form of a 50 percent stock dividend.

(2) Reflects the one-time, industry-wide special assessment to recapitalize the Savings Association Insurance Fund. Excluding the special assessment, Net income, Diluted earnings per share, Return on average assets, and Return on average equity would have been $3,209,000, $1.19, 1.01%, and 8.22%, respectively.

(3) Cash earnings exclude the amortization of goodwill from net income, net of related income taxes.

The company and its subsidiaries exceed their regulatory capital requirements.

Advancing into the next millenium

Contents

Chairman's Letter

To our Shareholders

Asset growth of 22 percent boosted the Company past the half billion-dollar milestone, to a record $511 million in assets.

The Company faced challenging business conditions in 1999. The economic environment in our agriculturally-based markets continues to impact farmers and main street. Despite hardships, our earnings per share increased to $1.04, up from $1.03 in 1998. Asset growth of 22 percent boosted the Company past the half billion-dollar milestone, to a record $511 million in assets.

Continued turbulence in agricultural markets is evident. We remain committed to serving the ag credit needs of our communities. However, current and projected conditions demand that we be selective. We have upgraded our lending staff, redoubled our efforts to manage credit quality, and further diversified our loan portfolio to benefit both customers and shareholders. In addition, the Company proactively increased the reserve for loan loss to protect future earnings.

Deposit growth is a highlight for the Company. Core deposits rose over 7 percent amidst heightened competition in the financial services industry. Our strategy to lower the Company's cost of money by increasing demand deposit balances is working as intended. Demand deposits increased 44 percent this past year.

On the lending side, the Company benefited from both increased loan volume and improved credit quality. Loan growth totaled nearly 11 percent for the year. The percentage of loans greater than 30 days past due dropped from 6.36 percent in 1998 to 1.59 percent in 1999, while the percentage of nonperforming loans dropped from 2.59 percent to .73 percent. These positive results are a reflection of our upgraded lending team and our focus on credit quality.

"We are poised to expand operations, pursue profitable growth, and increase the Company's value in 2000 and beyond."

The Company's branding program is taking shape as we make adjustments to our product mix and introduce new or revamped products to meet our customers' needs. Timeless Checking, a nationally recognized packaged account that promotes cross-selling and relationship banking, and the QUICKcard Cash & Check help differentiate us from our competitors. QUICKbank, a 24-hour telephone banking service, is slated for introduction during the first half of 2000. This additional delivery channel offers our customers another convenient option to conduct account transactions 24 hours a day, seven days a week.

We recognize that our competitors are not just the banks across the street. Regulatory changes, advances in technology, and consolidation in the financial services industry have produced fewer differences among financial service providers. Customers have a choice where to conduct their financial business. We are actively implementing operational and marketing strategies designed to enhance our competitive position.

First Midwest is committed to profitable growth. We continue to seek opportunities to expand our branch network and to acquire savings banks, commercial banks, and other related-service companies in our geographical area. In addition, we consider dividend and stock repurchase possibilities. The Company analyzes each capital leverage and capital management strategy carefully before taking action. We are dedicated to increasing return on equity that will provide increased shareholder value for you.

In the spring of 2000, we break ground on the construction of two new locations: Iowa Savings Bank's new headquarters in Urbandale, Iowa and a new office building in Sioux Falls, South Dakota. Both are prime locations and we anticipate a timely return on our investment in these expanding markets.

"First Midwest Financial, Inc. is a stronger company today than it was two years ago, and we believe our stock remains an attractive investment."

For the past three years, we have worked closely with regulators to ensure our banks are Y2K ready. Donna Tanoue, Chairperson of the Federal Deposit Insurance Corporation, stated earlier this year that nearly all federally insured financial institutions are prepared for the Year 2000. Only about one quarter of one percent of the federally insured institutions have a Y2K supervisory rating of less than satisfactory. I am confident January 1, 2000 will be business as usual for the Company.

On behalf of the Board of Directors and employees, thank you for your confidence and support. First Midwest Financial, Inc. is a stronger company today than it was two years ago, and we believe our stock remains an attractive investment. You will find, as you read this report, many signs that you are investing in the right company. We are poised to expand operations, pursue profitable growth, and increase the Company's value in 2000 and beyond. The First Midwest team is proudly advancing into the next millennium, dedicated to increasing shareholder value and enhancing your investment.

Sincerely,

/s/JAMES S. HAAHR

JAMES S. HAAHR
Chairman of the Board,
President & CEO
December 22, 1999

Tradition

Ready. Set. Grow.

First Midwest's banks rely on a strong history of trust, customer loyalty, community, and financial strength. The Company's founding bank, First Federal, was established in 1954 to help local families buy homes and earn a fair return on their savings. Today, we still uphold the ideals of yesterday as we position ourselves for profitable growth into the next millennium. Our bank structure and mission have expanded to better meet the changing needs of our customers.

The 1993 conversion to stock ownership was our first step in creating a super-community bank system. Capital raised during the conversion allows the Company to acquire additional banks and broaden our branch network. The new structure offers improved service to our customers, streamlined operating efficiencies for each bank, and greater market potential for the Company.

In 1994, Brookings Federal Bank merged with First Federal to become part of First Midwest. Iowa Savings Bank joined the Company in 1995, with Security State Bank following in 1996. Together, we are driven toward one vision: Be the bank of choice for financial services in our market areas. Employees support this by executing our company values each day: Customer Service, Continuous Improvement, Great Work Environment, and Results.

"The Company began 45 years ago with a small group of friends, $10,000, and a vision. Our goal was to provide competitive mortgage lending and savings products to meet the needs of our local customers. Today, the banks provide a wide range of financial services that help over 25,000 customers throughout the Midwest. I am proud of the progress, and I am still a loyal customer and investor."

STANLEY H. HAAHR, FOUNDER AND PAST CHAIRMAN OF THE BOARD

"We're not just a bank anymore. Today's savvy customers demand that we offer services beyond traditional bank products. We embrace the challenge and are actively implementing strategies designed to provide better customer service and to increase revenue."

ELLEN MOORE, SENIOR VICE PRESIDENT OF MARKETING AND SALES

Innovation

Exceeding customer
expectations
requires an on-going commitment to excellence. The only way to move ahead of the competition is to embrace change and strive toward continuous improvement in everything we do.

Our employees are empowered to make changes that benefit the Company. Employee ideas saved the Company thousands of dollars in expense and added thousands of dollars to revenue this past year. The implementation of innovative ideas fosters healthy growth.

We look at technology as an opportunity to improve our operating efficiencies and to provide 24-hour service options for our customers. Our product mix continues to be updated and united across the company to offer unique solutions for customers.

Better than Free
Timeless Checking | Commercial Checking | Photo ID QUICKcard Cash & Check | Money Market Accounts | Certificates of Deposit | Savings Accounts | Mortgage Lending | Commercial Lending | Agricultural Lending | Consumer Lending | Credit Life Insurance | Crop Insurance | Credit Cards | Retirement and Trust Services | Ready Reserve | Overdraft Protection | Automated Clearing House Origination | Direct Deposit | Automatic Payment | Investments(1)

(1) Non traditional bank products offered through LaSalle St. Securities, Inc.; Ameritas Investment Corp.; Central Financial Group; and Primevest Investment Center are not FDIC insured, nor are they guaranteed by the banks of First Midwest or any affiliate.

"Our customer satisfaction surveys show that a high percentage of current and past customers would recommend our bank to a friend. We are using that feedback to improve our service and to continually increase customer satisfaction."

TIM HARVEY, PRESIDENT OF BROOKINGS FEDERAL BANK DIVISION

Customer Service and Teamwork

The driving force
behind First Midwest is our people. The talents, dedication, and experience they offer establish a competitive advantage for the Company. We combine individual efforts with teamwork to pass major milestones on the road of success.

Employees are encouraged to expand their professional skills through individual development plans. The plans are tied to the company values and business plan goals. We believe that training our employees to be their best will encourage them to go the extra mile for customers.

We strive to develop mutually beneficial partnerships between our banks, customers, and the communities we serve. Employees' financial knowledge and needs-based approach add genuine value to customer relationships. Our customer service goal is simple. We want every customer to have a positive experience with our banks. We think customer loyalty is a true measure of our success.

Results

Our team
follows the motto "Do the Right Things Right." That is why each year we review past performance, update our strategies, and develop specific action plans to achieve our goals. Employees participate in the business planning process so that all personnel understand how they affect results. The Company believes that hardworking people, working together toward common goals, drives results. Results are promising as we proudly advance into the next millennium.

1999 Bank Highlights

FIRST FEDERAL SAVINGS BANK

-- Demand deposit balances
increase 28 percent.

-- Home and commercial loan
volumes grow 44 percent
and 25 percent respectively.

-- Enhanced lending staff provides
additional expertise and improved
loan quality.

SECURITY STATE BANK

-- Earnings increase 7 percent,
a record high.

-- Demand deposit balances grow over 17 percent.

-- Gene Richardson joins the Security State Bank team as President.

IOWA SAVINGS BANK

-- Demand deposit balances grow 187 percent.

-- Loan volume rises 27 percent.

-- Announcement that a new
division headquarters will
be built next year in Urbandale, Iowa.

BROOKINGS FEDERAL BANK

-- Enhanced lending staff
provides additional expertise and
improved loan quality.

-- Renovated facilities streamline operations and improve customer service.

-- Deposit balances increase
12 percent.

FINANCIAL CONTENTS

First Midwest Financial, Inc. and Subsidiaries

SEPTEMBER 30,	1999	1998	1997	1996	1995
SELECTED FINANCIAL CONDITION DATA (IN THOUSANDS)					
Total assets	$511,213	$418,380	$404,589	$388,008	$264,213
Loans receivable, net	303,079	270,286	254,641	243,534	178,552
Securities available for sale	178,489	120,610	115,985	109,492	70,232
Excess of cost over net assets acquired, net	4,133	4,498	4,863	5,091	1,690
Deposits	304,780	283,858	246,116	233,406	171,793
Total borrowings	164,369	89,888	112,126	106,478	52,248
Shareholders' equity	39,771	42,286	43,477	43,210	38,013

YEAR ENDED SEPTEMBER 30, (IN THOUSANDS, EXCEPT PER SHARE DATA)	1999	1998	1997	1996	1995
Total interest income	$ 35,373	$ 32,059	$ 29,005	$ 24,337	$ 21,054
Total interest expense	22,176	19,230	17,059	13,978	11,649
Net interest income	13,197	12,829	11,946	10,359	9,405
Provision for loan losses	1,992	1,663	120	100	250
Net interest income after provision for loan losses	11,205	11,166	11,826	10,259	9,155
Total noninterest income	1,918	1,875	1,700	1,419	2,286
Total noninterest expense	8,645	8,253	7,382	7,568(2)	5,576
Income before income taxes	4,478	4,788	6,144	4,110	5,865
Income tax expense	1,837	2,003	2,502	1,696	2,321
Net income	$ 2,641	$ 2,785	$ 3,642	$ 2,414(2)	$ 3,544
Earnings per common and common equivalent share:					
Net income(1)					
Basic earnings per share	$ 1.07	$ 1.08	$ 1.34	$ 0.95(2)	$ 1.39
Diluted earnings per share	$ 1.04	$ 1.03	$ 1.28	$ 0.90(2)	$ 1.34

YEAR ENDED SEPTEMBER 30, SELECTED FINANCIAL RATIOS AND OTHER DATA	1999	1998	1997	1996	1995
Performance Ratios					
Return on average assets	0.54%	0.68%	0.98%	0.77%(2)	1.31%
Return on average shareholders' equity	6.35	6.43	8.41	6.22(2)	9.86
Interest rate spread information:					
Average during year	2.55	2.76	2.80	2.83	3.13
End of year	2.40	2.74	2.78	2.84	2.85
Net yield on average interest-earning assets	2.83	3.26	3.38	3.47	3.63
Ratio of operating expense to average total assets	1.80	2.00	2.00	2.40(2)	2.06
Quality Ratios					
Non-performing assets to total assets	.47	1.94	.82	.75	.29
Allowance for loan losses to non-performing loans	137.16	41.15	75.36	83.49	227.27
Capital Ratios					
Shareholders' equity to total assets	7.78	10.11	10.75	11.14	14.39
Average shareholders' equity to average assets	8.65	10.51	11.62	12.44	13.28
Ratio of average interest-earning assets to average interest-bearing liabilities	108.39	110.22	112.00	113.72	111.35
Other Data					
Cash earnings (in thousands) (3)	$ 3,006	$ 3,150	$ 4,006	2,584(2)	$ 3,670
Cash earnings per share - diluted (1) (3)	$ 1.18	$ 1.17	$ 1.40	$ 0.96(2)	$ 1.39
Cash return on average assets (3)	.61%	.77%	1.08%	.82%(2)	1.36%
Cash return on average equity (3)	7.23%	7.27%	9.25%	6.66%(2)	10.21%
Book value per common share outstanding (1)	$ 15.86	$ 16.56	$ 16.11	$ 14.81	$ 14.13
Dividends declared per share (1)	$ 0.52	$ 0.48	$ 0.36	$ 0.29	$ 0.20
Dividend payout ratio	48.24%	44.05%	26.41%	30.90%	14.53%
Number of full-service offices	13	13	13	12	8

(1) Amounts reported have been adjusted for the three-for-two stock split paid January 2, 1997 in the form of a 50% stock dividend.

(2) Reflects the one-time industry-wide special assessment to recapitalize the Savings Association Insurance Fund.

(3) Cash earnings excludes from net income the amortization of goodwill, net of related income taxes.

Management's Discussion and Analysis

GENERAL

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

The Company focuses on establishing and maintaining long-term relationships with customers, and is committed to serving the financial service needs of the communities in its market area. The Company's primary market area includes the following counties: Adair, Buena Vista, Calhoun, Ida, Guthrie, Pocahontas, Polk, and Sac located in Iowa, and Brookings county 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, 1999 were $511.2 million, an increase of $92.8 million, or 22.2%, from $418.4 million at September 30, 1998. The increase in assets was due to the purchase of securities available for sale and the increased origination and purchase of loans during the period. The increase in assets was funded by an increase in retail deposits and an increase in advances from the Federal Home Loan Bank of Des Moines (the "FHLB").

The Company's portfolio of securities available for sale, excluding mortgage-backed securities, decreased $13.1 million, or 22.5%, to $45.1 million at September 30, 1999 from $58.2 million at September 30, 1998. The decrease in securities available for sale was the result of securities that matured, were called or were sold during the period in an amount greater than new security purchases. During fiscal 1999, the Company sold securities available for sale totaling $24.8 million, consisting primarily of government agency issued securities that had appreciated over purchase cost.

The balance in mortgage-backed securities available for sale increased by $70.9 million, or 113.4%, from $62.5 million at September 30, 1998, to $133.4 million at September 30, 1999. The increase resulted from the purchase of fixed-rate mortgage-backed securities in conjunction with an investment strategy designed to enhance net interest income through leverage of the balance sheet at an acceptable spread to funding cost. The purchase of mortgage-backed securities was generally funded by proceeds from the maturity, call, or sale of other securities available for sale, advances from the FHLB and increases in customer deposits.

The Company's portfolio of net loans receivable increased by $32.8 million, or 12.1%, to $303.1 million at September 30, 1999 from $270.3 million at September 30, 1998. The increase in net loans receivable is due to the increased origination and purchase of residential mortgage loans, the increased purchase of commercial and multi-family real estate loans, and the increased origination of commercial business loans. Construction, consumer and agricultural-related loan balances declined as a result of repayments in excess of new originations during the period.

The balance of customer deposits increased by $20.9 million, or 7.4%, from $283.9 million at September 30, 1998 to $304.8 million at September 30, 1999. The increase in deposits resulted from management's continued efforts to enhance deposit product design and marketing programs. Deposit balances increased for noninterest-bearing demand accounts, interest-bearing transaction accounts and other time certificates of deposit in the amounts of $709,000, $17.2 million and $3.0 million, respectively.

The Company's borrowings from the FHLB increased by $76.0 million, or 89.1%, from $85.3 million at September 30, 1998 to $161.3 million at September 30, 1999. The increased borrowings were used in the purchase of fixed-rate mortgage-backed securities, as noted above, and to fund growth of the Company's loan portfolio.

Shareholders' equity decreased $2.5 million, or 5.9%, to $39.8 million at September 30, 1999 from $42.3 million at September 30, 1998. The decrease in shareholders' equity is the result of stock repurchases during the year, the payment of cash dividends on common stock, and an increase in net unrealized losses on securities available for sale.

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 the Company's ability to manage 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 and for the origination of loans, both of which help offset the costs associated with establishing and maintaining deposit and loan accounts. In addition, noninterest income is derived from the activities of First Federal's wholly-owned subsidiaries, First Services Financial Limited and Brookings Service Corporation. Both engage in the sale of various non-insured investment products. Historically, the Company has not derived significant income as a result of gains on the sale of securities and other assets. However, during the years ended September 30, 1999, 1998, and 1997, gains were recorded in the amounts of $332,000, $399,000, and $217,000, respectively, as a result of the sale of securities available for sale.

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,	1999	1998	1997
WEIGHTED AVERAGE YIELD ON			
Loans receivable	8.09%	8.80%	8.84%
Mortgage-backed securities	6.38	7.15	7.34
Securities available for sale	6.14	6.40	6.41
FHLB stock	6.25	6.75	7.00
Combined weighted average yield on interest-earning assets	7.39	8.13	8.11
WEIGHTED AVERAGE RATE PAID ON			
Demand, NOW deposits and Money Market	3.24	3.00	2.61
Savings deposits	2.50	2.48	2.49
Time deposits	5.32	5.80	5.79
FHLB advances	5.38	5.91	5.86
Other borrowed money	5.28	5.68	5.64
Combined weighted average rate paid on interest-bearing liabilities	4.99	5.39	5.33
Spread	2.40%	2.74%	2.78%

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,	1999 vs. 1998			1998 vs. 1997		
(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	$ 2,399	$(1,658)	$ 741	$ 665	$ (43)	$ 622
Mortgage-backed securities	4,088	(262)	3,826	1,402	(65)	1,337
Securities available for sale	(1,276)	(72)	(1,348)	814	293	1,107
FHLB stock	114	(19)	95	(2)	(10)	(12)
Total interest-earning assets	$ 5,325	$(2,011)	$ 3,314	$ 2,879	$ 175	$ 3,054
INTEREST-BEARING LIABILITIES						
Demand, NOW deposits and Money Market	$ 587	$ 210	$ 797	$ 101	$ 17	$ 118
Savings deposits	(65)	10	(55)	(12)	8	(4)
Time deposits	997	(665)	332	1,403	(67)	1,336
FHLB advances	2,233	(343)	1,890	860	(153)	707
Other borrowed money	(7)	(11)	(18)	(18)	32	14
Total interest-bearing liabilities	$ 3,745	$ (799)	$ 2,946	$ 2,334	$ (163)	$ 2,171
Net effect on net interest income	$ 1,580	$(1,212)	$ 368	$ 545	$ 338	$ 883

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. All average balances are quarterly average balances. Non-accruing loans have been included in the table as loans carrying a zero yield.

YEAR ENDED SEPTEMBER 30,	1999			1998			1997		
(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)	$285,232	$ 23,796	8.34%	$256,482	$ 23,055	8.99%	$249,076	$ 22,433	9.01%
Mortgage-backed securities	115,784	7,504	6.48	52,722	3,678	6.98	32,618	2,341	7.18
Securities available for sale	58,190	3,604	6.19	78,789	4,952	6.29	65,843	3,845	5.84
FHLB stock	7,278	469	6.44	5,514	374	6.78	5,546	386	6.96
Total interest-earning assets	466,484	$ 35,373	7.58%	393,507	$ 32,059	8.15%	353,083	$ 29,005	8.21%
Noninterest-earning assets	14,719			18,415			19,408		
Total assets	$481,203			$411,922			$372,491		
INTEREST-BEARING LIABILITIES									
Demand, NOW deposits and Money Market	$ 51,778	$ 1,730	3.34%	$ 34,202	$ 933	2.73%	$ 30,398	$ 815	2.68%
Savings deposits	17,528	447	2.55	20,090	502	2.50	20,538	506	2.46
Time deposits	221,873	12,330	5.56	203,932	11,998	5.88	180,088	10,662	5.92
FHLB advances	135,846	7,483	5.51	95,328	5,593	5.87	80,685	4,886	6.06
Other borrowed money	3,348	186	5.56	3,473	204	5.87	3,543	190	5.36
Total interest-bearing liabilities	430,373	$ 22,176	5.15%	357,025	$ 19,230	5.39%	315,252	$ 17,059	5.41%
Noninterest-bearing:									
Deposits	5,749			5,646			5,619		
Liabilities	3,451			5,956			8,320		
Total liabilities	439,573			368,627			329,191		
Shareholders' equity	41,630			43,295			43,300		
Total liabilities and shareholders' equity	$481,203			$411,922			$372,491		
Net interest-earning assets	$ 36,111			$ 36,482			$ 37,831		
Net interest income		$ 13,197			$ 12,829			$ 11,946	
Net interest rate spread			2.43%			2.76%			2.80%
Net yield on average interest-earning assets			2.83%			3.26%			3.38%
Average interest-earning assets to average interest-bearing liabilities	108.39%			110.22%			112.00%		

(1) Calculated net of deferred loan fees, loan discounts, loans in process and loss reserves.

COMPARISON OF OPERATING RESULTS FOR THE YEARS ENDED SEPTEMBER 30, 1999 AND SEPTEMBER 30, 1998

General

Net income for the year ended September 30, 1999 decreased $144,000, or 5.2%, to $2,641,000, from $2,785,000 for the same period ended September 30, 1998. The decrease in net income reflects increases in the provision for loan losses and noninterest expense, which were partially offset by increases in net interest income and noninterest income.

Net Interest Income

Net interest income for the year ended September 30, 1999 increased by $368,000, or 2.9%, to $13,197,000 compared to $12,829,000 for the same period ended September 30, 1998. The increase in net interest income reflects an overall increase in the balance of average interest-earning assets during the period. The net yield on average earning assets decreased to 2.83% for the period ended September 30, 1999 from 3.26% for the same period in 1998. The decrease in net yield is primarily due to interest rates remaining generally at historically low levels throughout the period, which resulted in the continued refinance and repayment of relatively higher yielding loans and mortgage-backed securities. These earning assets were replaced through the origination and purchase of loans and mortgage-backed securities at comparatively lower yields. The reduction in yield on earning assets was partially offset by a reduction in the cost of interest-bearing liabilities.

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. 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.

Interest Income

Interest income for the year ended September 30, 1999 increased $3,314,000, or 10.3%, to $35,373,000 from $32,059,000 for the same period in 1998. The increase reflects a $2,478,000 increase in interest earned on the portfolio of securities available for sale, which increased to $11,108,000 for the year ended September 30, 1999 from $8,630,000 in 1998. The increase in interest income from securities resulted from a higher average securities portfolio balance which was partially offset by a lower average yield on the securities portfolio during fiscal 1999 compared to 1998. In addition, interest income was higher due to a $741,000 increase in interest earned on the loan portfolio as a result of a higher average loan portfolio balance which was partially offset by a lower average yield during fiscal 1999 compared to 1998.

Interest Expense

Interest expense increased $2,946,000, or 15.3%, to $22,176,000 for the year ended September 30, 1999 from $19,230,000 for the same period in 1998. The increase in interest expense is due to increases in the average outstanding balance of demand deposits, time deposits, and FHLB advances during the year ended September 30, 1999 as compared to the same period in 1998. The increase in the average balance of demand and time deposits resulted from internal growth of the deposit portfolio. The average balance of FHLB advances increased due to borrowing activity throughout the period used to fund growth of the loan portfolio and the purchase of securities available for sale. The increase in interest expense was partially offset by lower interest rates paid on time deposits and FHLB borrowings during the year ended September 30, 1999 as compared to the previous year, as market interest rates have generally trended downward.

Provision for Loan Losses

The provision for loan losses for the year ended September 30, 1999 was $1,992,000 compared to $1,663,000 for the same period in 1998. Management believes that, based on a detail 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 reserve against potential losses from the loan portfolio.

Current economic conditions in the agricultural sector of the Company's market area indicate potential weakness due to a continuation of historically low 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 additional 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. 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.

Noninterest Income
Noninterest income for the year ended September 30, 1999 increased $43,000, or 2.3%, to $1,918,000 from $1,875,000 for the same period in 1998. The increase in noninterest income reflects an increase in loan fees and deposit service charges of $83,000 for fiscal 1999 compared to the same period in 1998 as a result of increased lending activity and increased activity on transaction accounts subject to service charges. Noninterest income also increased due to an increase in brokerage commissions from sales of non-insured investment products through First Federal's subsidiaries and increased as a result of a net gain on sales of foreclosed real estate compared to a net loss on sales in 1998. Noninterest income reflects lower net gain on the sales of securities available for sale for fiscal 1999 compared to 1998.

Noninterest Expense
Noninterest expense increased by $392,000, or 4.7%, to $8,645,000 for the year ended September 30, 1999 compared to $8,253,000 for the same period in 1998. The increase in noninterest expense for fiscal 1999 reflects a $491,000 increase in employee compensation and benefits expense primarily due to the addition of personnel and the upgrade of expertise in existing positions to support current and anticipated growth of the Company. In addition, other noninterest expense increased for fiscal 1999 by $123,000 compared to 1998 due primarily to expenses related to the recruitment of new personnel. Noninterest expense for fiscal 1998 included a $300,000 charge to provision for losses on foreclosed real estate for which there was no comparable charge in fiscal 1999.

Income Tax Expense
Income tax expense decreased by $167,000, or 8.3%, to $1,837,000 for the year ended September 30, 1999 from $2,004,000 for the same period in 1998. The decrease in income tax expense reflects the decrease in the level of taxable income for the period ended September 30, 1999 compared to the same period in 1998.

COMPARISON OF OPERATING RESULTS FOR THE YEARS ENDED SEPTEMBER 30, 1998 AND SEPTEMBER 30, 1997

General
Net income for the year ended September 30, 1998 decreased $857,000, or 23.5%, to $2,785,000, from $3,642,000 for the same period ended September 30, 1997. The decrease in net income reflects an increase in charges to the provision for loan and foreclosed real estate losses and an increase in noninterest expense for fiscal 1998 compared to 1997.

Net Interest Income
Net interest income for the year ended September 30, 1998 increased by $883,000, or 7.4%, to $12,829,000 compared to $11,946,000 for the same period ended September 30, 1997. The increase in net interest income reflects an overall increase in the balance of average interest-earning assets during the period. The net yield on average earning assets decreased to 3.26% for the period ended September 30, 1998 from 3.38% for the same period in 1997. The decrease in net yield is due to a decline in the ratio of total average interest-earning assets compared to total average interest-bearing liabilities and an increase in the average balance of non-accruing loans during the 1998 period.

Interest Income
Interest income for the year ended September 30, 1998 increased $3,054,000, or 10.5%, to $32,059,000 from $29,005,000 for the same period in 1997. The increase reflects a $2,444,000 increase in interest earned on the portfolio of securities available for sale, which increased to $8,630,000 for the year ended

September 30, 1998, from $6,185,000 in 1997. The increase in interest income from securities resulted from a higher average securities portfolio balance and, to a lesser extent, to a higher average yield on the securities portfolio during fiscal 1998 compared to 1997. In addition, interest income increased due to a $622,000 increase in interest earned on the loan portfolio as a result of a higher average loan portfolio balance during fiscal 1998 compared to 1997.

Interest Expense
Interest expense increased $2,171,000, or 12.7%, to $19,230,000 for the year ended September 30, 1998 from $17,059,000 for the same period in 1997. The increase in interest expense was due to increases in the average outstanding balance of demand deposits, time deposits, and FHLB advances during the year ended September 30, 1998, compared to the same period in 1997. The increase in the average balance of demand and time deposits resulted from internal growth of the deposit portfolio. The average balance of FHLB advances increased due to borrowing activity throughout the period used primarily to fund growth of the loan portfolio and the purchase of securities available for sale. The increase in interest expense was partially offset by lower interest rates paid on time deposits and FHLB borrowings during the year ended September 30, 1998, compared to the previous year, as market interest rates generally have trended downward.

Provision for Loan Losses
The provision for loan losses for the year ended September 30, 1998 was $1,663,000 compared to $120,000 for the same period in 1997. During 1998, the Company determined that an agricultural loan officer located in a subsidiary branch office had, through abuse of position, misrepresentation to management and possibly fraud, authorized the disbursement of funds on loans for which collateral was inadequate. This mismanagement and possible fraud was discovered as a result of the Company's routine internal audit procedures. The loan officer involved is no longer with the Company. A thorough review was performed by the Company of the accounts in which the loan officer was involved. Management believes all loans were identified for which material weaknesses exist and has classified those loans accordingly.

Noninterest Income
Noninterest income for the year ended September 30, 1998 increased $174,000, or 10.2%, to $1,875,000 from $1,701,000 for the same period in 1997. The increase in noninterest income reflects an increase in loan fees and deposit service charges of $155,000 for fiscal 1998 compared to the same period in 1997 as a result of increased lending activity and increased activity on transaction accounts subject to service charges. In addition, gain on sales of securities available for sale increased by $182,000 for the year ended September 30, 1998 compared to 1997. Noninterest income was reduced for fiscal 1998 compared to 1997 due to a decline in brokerage commissions from sales of non-insured investment products through First Federal's subsidiaries and as a result of an increase in net loss on sales of foreclosed real estate.

Noninterest Expense
Noninterest expense increased by $871,000, or 11.8%, to $8,253,000 for the year ended September 30, 1998 compared to $7,382,000 for the same period in 1997. Noninterest expense for employee compensation and benefits, and occupancy and equipment expense increased during fiscal 1998, compared to the same period in 1997, as a result of the full year operation of a new branch office in West Des Moines, Iowa. In addition, noninterest expense reflects a $300,000 charge to provision for losses on foreclosed real estate primarily related to a 104 unit apartment complex located in Madison, Wisconsin, which was acquired through foreclosure during fiscal 1998.

Income Tax Expense
Income tax expense decreased by $498,000, or 19.9%, to $2,004,000 for the year ended September 30, 1998 from $2,502,000 for the same period in 1997. The decrease in income tax expense reflects the decrease in the level of taxable income for the period ended September 30, 1998 compared to the same period in 1997.

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 significant market risk.

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 continually 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 relatively short terms to maturity, generally 15 years or less. This allows the Company to maintain a portfolio of loans that will be 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 loan funding needs. 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 which 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, 1999 and 1998, 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 is more sensitive to rising rate changes than declining 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, 1999 as compared to the end of the previous year due primarily to the purchase of fixed-rate mortgage-backed securities in conjunction with a leveraged growth strategy.

(DOLLARS IN THOUSANDS)

Change in Interest Rate	Board Limit	At September 30, 1999		At September 30, 1998	
(BASIS POINTS)	% CHANGE	$ CHANGE	% CHANGE	$ CHANGE	% CHANGE
+200 bp	(40)%	$(10,919)	(25)%	$(2,957)	(7)%
+100 bp	(25)	(5,200)	(12)	(1,477)	(3)
0	-	---	--	---	--
- 100 bp	(10)	4,441	10	1,115	3
- 200 bp	(15)	5,095	12	1,877	4

Certain shortcomings are inherent in the method of analysis presented in the foregoing tables. 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 which 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 tables. Finally, the ability of some borrowers to service their debt may decrease in the event of an interest rate increase. The Company considers all of these factors in monitoring its exposure to interest rate risk.

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

Asset Quality

It is management's belief, based on information available, that the Company's current asset quality is satisfactory. At September 30, 1999, non-performing assets, consisting of non-accruing loans, accruing loans delinquent 90 days or more, real estate owned, and repossessed consumer property, totaled $2,381,000, or 0.47% of total assets, compared to $8,132,000, or 1.94% of total assets, for the fiscal year ended 1998. The decrease in non-performing assets during fiscal 1999 reflects management's effort to strengthen the quality of its loan portfolio through adherence to written underwriting guidelines, an on-going credit review program, and diligent collection practices.

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.

Federal regulations require First Federal to maintain minimum levels of liquid assets. Currently, First Federal is required to maintain liquid assets of at least 4% of the average daily balance of net withdrawable savings deposits and borrowings payable on demand in one year or less during the preceding calendar quarter. Liquid assets for purposes of this ratio include cash, certain time deposits, U.S. Government, governmental agency, and corporate securities and obligations, unless otherwise pledged. First Federal has historically maintained its liquidity ratio at levels in excess of those required. First Federal's regulatory liquidity ratios were 9.1%, 15.4% and 9.8% at September 30, 1999, 1998 and 1997, respectively.

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

The primary investing activities of the Company are the origination and purchase of loans and the purchase of securities. During the years ended September 30, 1999, 1998 and 1997, the Company originated loans totaling $143.3 million, $147.2 million and $135.7 million, respectively. Purchases of loans totaled $77.3 million, $36.9 million and $29.8 million during the years ended September 30, 1999, 1998 and 1997, respectively. During the years ended September 30, 1999, 1998 and 1997, the Company purchased mortgage-backed securities and other securities available for sale in the amount of $125.4 million, $89.9 million and $67.6 million, respectively.

At September 30, 1999, the Company had outstanding commitments to originate and purchase loans of $33.2 million. (See Note 15 of Notes to Consolidated Financial Statements.) Certificates of deposit scheduled to mature in one year or less from September 30, 1999 total $168.9 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.

The Company has initiated plans to construct two new offices to be located in Urbandale, Iowa and Sioux Falls, South Dakota. The construction of these offices is anticipated to be completed during the first quarter of the 2001 fiscal year. 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, 1999, the liquidation account approximated $2.7 million.

First Federal and Security are in full compliance with their capital requirements. See Note 14 of Notes to Consolidated Financial Statements for additional information.

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

SFAS No. 133 on derivatives will, beginning with the quarter ended December 31, 2000, require all derivatives to be recorded at fair value in the balance sheet, with changes in fair value run through income. If derivatives are documented and effective as hedges, the change in the derivative fair value will be offset by an equal change in the fair value of the hedged item. The adoption of SFAS No. 133 is not expected to have a material impact on the results of operations or financial condition of the Company.

YEAR 2000 ISSUES

The Company is aware of the issues associated with the programming code in existing computer systems as the year 2000 approaches. The issue is whether computer systems will properly recognize date sensitive information when the year changes to 2000. Systems that do not properly recognize such information could generate erroneous data or cause a system to fail. The Company is heavily dependent on computer processing in its business activities and the Year 2000 issue creates risk for the Company from unforeseen problems in the Company's computer system and from third parties whom the Company uses to process information. Such failures of the Company's computer system and/or third parties computer systems could have a material impact on the Company's ability to conduct its business.

The Company's primary data processing is provided by a major third party vendor. This provider has advised the Company that it has completed the renovation of its system to be Year 2000 ready, and has provided users of the system the opportunity to test the system for readiness. The Company has completed testing of its primary data processing system for Year 2000 readiness with satisfactory results.

The Company has performed an assessment of its internal computer hardware and software and, where needed, has upgraded those systems to be Year 2000 ready. In addition, the Company has reviewed other external third party vendors that provide services to the Company (i.e. utility companies, electronic funds transfer providers, alarm companies, insurance providers, loan participation companies, and mortgage loan secondary market agencies), and has received certification letters from these vendors that their systems will be Year 2000 ready on a timely basis. Testing has been performed with these service providers, where possible, to determine their Year 2000 readiness.

The Company could incur losses if loan payments are delayed due to Year 2000 problems affecting significant borrowers. The Company is communicating with such parties to assess their progress in evaluating and implementing any corrective measures required by them to be Year 2000 ready. To date, the Company has not been advised by such parties that they do not have plans in place to address and correct the issues associated with the Year 2000 problem; however, no assurance can be given as to the adequacy of such plans or to the timeliness of their implementation. As part of the current credit approval process, new and renewed loans are evaluated as to the borrower's Year 2000 readiness.

Based on the Company's review of its computer systems, management believes the direct cost of the remediation effort to make its systems Year 2000 ready will be approximately $60,000, of which approximately $40,000 has been incurred. Such costs will be charged to expense as they are incurred.

The Company, as with all financial institutions, has reviewed the possibility of some level of reduction in its deposits during December 1999. Based on its review, the Company has determined that alternate sources of funds should be available to maintain adequate funding throughout this period.

The Company has developed a Year 2000 contingency plan that addresses, among other issues, critical operations and potential failures thereof, and strategies for business continuation. Virtually all of the Company's mission critical systems are dependent upon third party vendors or service providers, therefore, contingency plans include the selection of a new vendor or service provider and the conversion to a new system. For some systems, contingency plans consist of using internal spreadsheet software or reverting to manual systems until system problems can be corrected.

Although management believes the Company's computer systems and service providers will be Year 2000 ready, there can be no assurance that these systems, or those systems of other companies on which the Company's systems rely, will be fully functional in the Year 2000. Such failure could have a significant adverse impact on the financial condition and results of operations of the Company.

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 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, 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.

First Midwest Financial, Inc. and Subsidiaries
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 1999 AND 1998

	1999	1998
ASSETS		
Cash and due from banks	$ 1,165,895	$ 908,984
Interest-bearing deposits in other financial institutions - short-term	4,208,016	5,818,460
Total cash and cash equivalents	5,373,911	6,727,444
Securities available for sale	178,489,030	120,609,531
Loans receivable, net of allowance for loan losses of $3,092,628 in 1999 and $2,908,902 in 1998	303,078,500	270,286,189
Federal Home Loan Bank (FHLB) stock, at cost	8,125,800	5,505,800
Accrued interest receivable	5,046,234	4,968,607
Premises and equipment, net	4,770,056	4,048,945
Foreclosed real estate, net of allowances of $-0- in 1999 and $299,532 in 1998	142,901	1,063,317
Other assets	6,186,320	5,170,562
Total assets	$ 511,212,752	$ 418,380,395
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Noninterest-bearing demand deposits	$ 5,680,923	$ 4,971,562
Savings, NOW and money market demand deposits	75,003,028	57,755,615
Other time certificates of deposit	224,095,970	221,130,975
Total deposits	304,779,921	283,858,152
Advances from FHLB	161,348,071	85,263,562
Securities sold under agreements to repurchase	3,020,951	4,074,567
Other borrowings	--	550,000
Advances from borrowers for taxes and insurance	422,593	405,218
Accrued interest payable	875,365	834,741
Accrued expenses and other liabilities	995,103	1,108,592
Total liabilities	471,442,004	376,094,832
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 2,507,073 shares outstanding at September 30, 1999; 2,957,999 shares issued and 2,553,245 shares outstanding at September 30, 1998	29,580	29,580
Additional paid-in capital	21,305,937	21,330,075
Retained earnings - substantially restricted	29,352,943	27,985,814
Accumulated other comprehensive income, net of tax of $(1,494,005) in 1999 and $474,346 in 1998	(2,520,633)	798,820
Unearned Employee Stock Ownership Plan shares	(167,200)	(367,200)
Treasury stock, 450,926 and 404,754 common shares, at cost, at September 30, 1999 and 1998, respectively	(8,229,879)	(7,491,526)
Total shareholders' equity	39,770,748	42,285,563
Total liabilities and shareholders' equity	$ 511,212,752	$ 418,380,395

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

First Midwest Financial, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED SEPTEMBER 30, 1999, 1998 AND 1997

	1999	1998	1997
Interest and dividend income			
Loans receivable, including fees	$ 23,795,796	$ 23,054,813	$ 22,432,828
Securities available for sale	11,108,170	8,629,761	6,185,385
Dividends on FHLB stock	468,765	374,220	386,462
	35,372,731	32,058,794	29,004,675
Interest expense			
Deposits	14,506,472	13,432,454	11,982,913
FHLB advances and other borrowings	7,669,408	5,797,499	5,076,144
	22,175,880	19,229,953	17,059,057
Net interest income	13,196,851	12,828,841	11,945,618
Provision for loan losses	1,992,000	1,662,472	120,000
Net interest income after provision for loan losses	11,204,851	11,166,369	11,825,618
Noninterest income			
Loan fees and deposit service charges	1,346,117	1,263,367	1,108,233
Gain on sales of securities available for sale, net	331,611	398,903	216,614
Gain (loss) on sales of foreclosed real estate, net	16,513	(33,034)	(6,722)
Brokerage commissions	79,159	52,479	69,379
Other income	144,625	193,158	313,168
	1,918,025	1,874,873	1,700,672
Noninterest expense			
Employee compensation and benefits	5,135,672	4,644,809	4,341,038
Occupancy and equipment expense	1,158,946	1,133,187	1,006,190
SAIF deposit insurance premium	155,901	143,199	220,849
Data processing expense	378,709	339,385	321,369
Provision for losses on foreclosed real estate	-	299,532	-
Other expense	1,815,730	1,692,728	1,492,819
	8,644,958	8,252,840	7,382,265
Income before income taxes	4,477,918	4,788,402	6,144,025
Income tax expense	1,836,786	2,003,520	2,502,069
Net income	$ 2,641,132	$ 2,784,882	$ 3,641,956
Earnings per common and common equivalent share			
Basic earnings per common share	$ 1.07	$ 1.08	$ 1.34
Diluted earnings per common share	$ 1.04	$ 1.03	$ 1.28

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

First Midwest Financial, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED SEPTEMBER 30, 1999, 1998 AND 1997

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income, Net of Tax	Unearned Employee Stock Ownership Plan Shares
Balance at September 30, 1996	$19,905	$20,862,551	$23,748,383	$ 28,698	$(767,200)
Comprehensive Income:					
Net income for the year ended September 30, 1997	-	-	3,641,956	-	-
Net change in net unrealized gains and losses on securities available for sale, net of reclassification adjustments and tax effects	-	-	-	931,673	-
Total comprehensive income					
Purchase of 248,419 common shares of treasury stock	-	-	-	-	-
Retirement of 3,474 common shares	(35)	35	-	-	-
30,000 common shares committed to be released under the ESOP	-	295,740	-	-	200,000
Amortization of management recognition and retention plan common shares and tax benefit of restricted stock under the plans	-	93,401	-	-	-
Cash dividends declared on common stock ($.36 per share)	-	-	(961,849)	-	-
Issuance of 970,978 common shares for stock dividend declared on common stock, net of cash paid in lieu of fractional shares	9,710	(9,710)	(833)	-	-
Purchase of 7,263 common shares upon exercise of stock options	-	-	-	-	-
Issuance of 41,347 common shares from treasury stock due to exercise of stock options	-	(257,263)	-	-	-
Balance at September 30, 1997	$29,580	$20,984,754	$26,427,657	$ 960,371	$(567,200)
Balance at September 30, 1997	$29,580	$20,984,754	$26,427,657	$ 960,371	$(567,200)
Comprehensive income:					
Net income for the year ended September 30, 1998	-	-	2,784,882	-	-
Net change in net unrealized gains and losses on securities available for sale, net of reclassification adjustments and tax effects	-	-	-	(161,551)	-
Total comprehensive income					
Purchase of 152,226 common shares of treasury stock	-	-	-	-	-
30,000 common shares committed to be released under the ESOP	-	454,460	-	-	200,000
Cash dividends declared on common stock ($.48 per share)	-	-	(1,226,725)	-	-
Purchase of 1,033 common shares upon exercise of stock options	-	-	-	-	-
Issuance of 7,600 common shares from treasury stock due to exercise of stock options	-	(109,139)	-	-	-
Balance at September 30, 1998	$29,580	$21,330,075	$27,985,814	$ 798,820	$(367,200)

	Treasury Stock	Total Shareholders' Equity
Balance at September 30, 1996	$ (682,635)	$43,209,702
Comprehensive Income:		
Net income for the year ended September 30, 1997	-	3,641,956
Net change in net unrealized gains and losses on securities available for sale, net of reclassification adjustments and tax effects	-	931,673
Total comprehensive income		4,573,629
Purchase of 248,419 common shares of treasury stock	(4,268,777)	(4,268,777)
Retirement of 3,474 common shares	-	-
30,000 common shares committed to be released under the ESOP	-	495,740
Amortization of management recognition and retention plan common shares and tax benefit of restricted stock under the plans	-	93,401
Cash dividends declared on common stock ($.36 per share)	-	(961,849)
Issuance of 970,978 common shares for stock dividend declared on common stock, net of cash paid in lieu of fractional shares	-	(833)
Purchase of 7,263 common shares upon exercise of stock options	(175,445)	(175,445)
Issuance of 41,347 common shares from treasury stock due to exercise of stock options	768,699	511,436
Balance at September 30, 1997	$(4,358,158)	$43,477,004
Balance at September 30, 1997	$(4,358,158)	$43,477,004
Comprehensive income:		
Net income for the year ended September 30, 1998	-	2,784,882
Net change in net unrealized gains and losses on securities available for sale, net of reclassification adjustments and tax effects	-	(161,551)
Total comprehensive income		2,623,331
Purchase of 152,226 common shares of treasury stock	(3,271,203)	(3,271,203)
30,000 common shares committed to be released under the ESOP	-	654,460
Cash dividends declared on common stock ($.48 per share)	-	(1,226,725)
Purchase of 1,033 common shares upon exercise of stock options	(21,972)	(21,972)
Issuance of 7,600 common shares from treasury stock due to exercise of stock options	159,807	50,668
Balance at September 30, 1998	$(7,491,526)	$42,285,563

First Midwest Financial, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)
YEARS ENDED SEPTEMBER 30, 1999, 1998 AND 1997

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income, Net of Tax	Unearned Employee Stock Ownership Plan Shares
Balance at September 30, 1998	$29,580	$21,330,075	$27,985,814	$ 798,820	$(367,200)
Comprehensive income (loss):					
Net income for the year ended September 30, 1999	-	-	2,641,132	-	-
Net change in net unrealized gains and losses on securities available for sale, net of reclassification adjustments and tax effects	-	-	-	(3,319,453)	-
Total comprehensive income (loss)					
Purchase of 79,647 common shares of treasury stock	-	-	-	-	-
30,000 common shares committed to be released under the ESOP	-	255,220	-	-	200,000
Amortization of management recognition and retention plan common shares and tax benefits of restricted stock under the plans	-	101,634	-	-	-
Cash dividends declared on common stock ($.52 per share)	-	-	(1,274,003)	-	-
Issuance of 23,051 common shares from treasury stock due to exercise of stock options	-	(222,026)	-	-	-
Issuance of 10,424 common shares from treasury stock for award of stock under management recognition and retention plans	-	(158,966)	-	-	-
Balance at September 30, 1999	$29,580	$21,305,937	$29,352,943	$(2,520,633)	$(167,200)

	Treasury Stock	Total Shareholders' Equity
Balance at September 30, 1998	$(7,491,526)	$42,285,563
Comprehensive income (loss):		
Net income for the year ended September 30, 1999	-	2,641,132
Net change in net unrealized gains and losses on securities available for sale, net of reclassification adjustments and tax effects	-	(3,319,453)
Total comprehensive income (loss)		(678,321)
Purchase of 79,647 common shares of treasury stock	(1,289,186)	(1,289,186)
30,000 common shares committed to be released under the ESOP	-	455,220
Amortization of management recognition and retention plan common shares and tax benefits of restricted stock under the plans	-	101,634
Cash dividends declared on common stock ($.52 per share)	-	(1,274,003)
Issuance of 23,051 common shares from treasury stock due to exercise of stock options	391,867	169,841
Issuance of 10,424 common shares from treasury stock for award of stock under management recognition and retention plans	158,966	-
Balance at September 30, 1999	$(8,229,879)	$39,770,748

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

First Midwest Financial, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 1999, 1998 AND 1997

	1999	1998	1997
Cash flows from operating activities			
Net income	$ 2,641,132	$ 2,784,882	$ 3,641,956
Adjustments to reconcile net income to net cash from operating activities			
Depreciation, amortization and accretion, net	1,757,207	973,454	1,092,782
Provision for loan losses	1,992,000	1,662,472	120,000
Provision for losses on foreclosed real estate	--	299,532	--
Gain on sales of securities available for sale, net	(331,611)	(398,903)	(216,614)
Proceeds from the sales of loans held for sale	7,403,780	5,613,115	3,592,055
Originations of loans held for sale	(7,403,780)	(5,613,115)	(3,592,055)
(Gain) loss on sales of foreclosed real estate, net	(16,513)	33,034	6,722
Net change in			
Accrued interest receivable	(77,627)	397,502	(337,062)
Other assets	113,315	46,622	223,344
Accrued interest payable	40,624	(231,005)	(205,719)
Accrued expenses and other liabilities	360,857	(152,159)	(2,348,712)
Net cash from operating activities	6,479,384	5,415,431	1,976,697
Cash flows from investing activities			
Net change in interest-bearing deposits in other financial institutions	--	200,000	100,000
Purchase of securities available for sale	(125,354,705)	(89,877,636)	(67,569,576)
Proceeds from sales of securities available for sale	24,791,295	18,280,412	804,067
Proceeds from maturities and principal repayment of securities available for sale	37,255,192	67,062,074	61,943,630
Loans purchased	(77,329,717)	(36,947,582)	(29,819,316)
Net change in loans	42,151,758	18,415,456	18,519,590
Proceeds from sales of foreclosed real estate	1,357,430	440,401	93,453
Purchase of FHLB stock	(2,620,000)	(447,700)	(104,600)
Proceeds from redemption of FHLB stock	--	571,200	--
Purchase of premises and equipment, net	(1,110,859)	(227,895)	(842,423)
Net cash from investing activities	(100,859,606)	(22,531,270)	(16,875,175)

First Midwest Financial, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 1999, 1998 AND 1997

	1999	1998	1997
Cash flows from financing activities			
Net change in noninterest-bearing demand, savings, NOW, and money market demand deposits	$ 17,956,774	$ 7,316,146	$ 599,642
Net change in other time deposits	2,964,995	30,426,308	12,110,330
Proceeds from advances from FHLB	278,950,000	198,850,000	143,000,000
Repayments of advances from FHLB	(202,865,491)	(221,012,663)	(137,861,578)
Net change in securities sold under agreements to repurchase	(1,053,616)	2,274,567	(989,918)
Net change in other borrowings	(550,000)	(2,350,000)	1,500,000
Net change in advances from borrowers for taxes and insurance	17,375	(44,269)	(40,756)
Cash dividends paid	(1,274,003)	(1,226,725)	(962,682)
Proceeds from exercise of stock options	169,841	28,696	335,991
Purchase of treasury stock	(1,289,186)	(3,271,203)	(4,268,777)
Net cash from financing activities	93,026,689	10,990,857	13,422,252
Net change in cash and cash equivalents	(1,353,533)	(6,124,982)	(1,476,226)
Cash and cash equivalents at beginning of year	6,727,444	12,852,426	14,328,652
Cash and cash equivalents at end of year	$ 5,373,911	$ 6,727,444	$ 12,852,426
Supplemental disclosure of cash flow information			
Cash paid during the year for:			
Interest	$ 22,135,256	$ 19,460,958	$ 17,264,776
Income taxes	1,919,389	1,795,805	2,415,042
Supplemental schedule of non-cash investing and financing activities			
Loans transferred to foreclosed real estate	$ 420,501	$ 1,679,984	$ 169,657

The accompanying notes are an integral part of these 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., a bank holding company located in Storm Lake, Iowa, (the "Company") and its wholly-owned subsidiaries which include First Federal Savings Bank of the Midwest (the "Bank" or "First Federal"), Security State Bank ("Security"), First Services Financial Limited, which offers brokerage services and non-insured investment products and Brookings Service Corporation. 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 and, addition-ally, see "Provision for Loan Losses" discussion in management's discussion and analysis of financial condition and results of operations for discussion of risks related to agricultural loans. 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 chief decision makers monitor 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, 1999 and 1998, trust assets totaled approximately $14,405,000 and $14,165,000, respectively.

Use of Estimates in Preparing Financial Statements: The preparation of financial statements in conformity with generally accepted accounting principles 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, fair values of securities and other financial instruments, and stock-based compensation expense, involve certain significant estimates made by management. These estimates are reviewed by management routinely and it is reasonably possible that circumstances that exist at September 30, 1999 may change in the near-term future and that the effect could be material to the consolidated financial statements.

Certain Vulnerability Due to Certain Concentrations: Management is of the opinion that no concentrations exist that make the Company vulnerable to the risk of near-term severe impact.

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, interest-bearing deposits in other financial institutions, and short-term borrowings with maturities of 90 days or less.

Securities: The Company classifies securities into held to maturity, available for sale and trading categories. Held to maturity securities are those which the Company has the positive intent and ability to hold to maturity, and are reported at amortized cost. 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. Trading securities are bought principally for sale in the near term, and are reported at fair value with unrealized gains and losses included in earnings.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 earnings.

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.

Loan Servicing Rights: Effective October 1, 1996, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 122, "Accounting for Mortgage Servicing Rights." This Statement changed the accounting for mortgage servicing rights retained by a loan originator. Under this standard, if the originator sells or securitizes mortgage loans and retains the related servicing rights, the total cost of the mortgage loan is allocated between the loan (without the servicing rights) and the servicing rights, based on their relative fair values. Under prior practice, all such costs were assigned to the loan. The costs allocated to mortgage servicing rights are now recorded as a separate asset and are amortized in proportion to, and over the life of, the net servicing income. The carrying value of the mortgage servicing rights are periodically evaluated for impairment. The effect of adopting the statement was not material.

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 adjusted for any charge-offs, the allowance for loan losses, and any deferred fees or costs on originated loans and unamortized premiums or discounts on purchased 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.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 loans and mortgage loans secured by other properties are evaluated individually for impairment. When analysis of borrower operating results and financial condition indicates that underlying cash flows of the borrower's business are not adequate to meet its debt service requirements, the loan is evaluated for impairment. Often this is associated with a delay or shortfall in payments of 90 days or more. Nonaccrual loans are often also considered impaired. Impaired loans, or portions thereof, are charged off when deemed uncollectible.

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

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

Premises and Equipment: Land is carried at cost. Buildings, furniture, fixtures and equipment are carried at cost, less accumulated depreciation and amortization computed principally by using the straight-line method over the estimated useful lives of the assets ranging from 3 to 40 years. These assets are reviewed for impairment under SFAS No. 121 when events indicate the carrying amount may not be recoverable.

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

Financial Instruments with Off-Balance-Sheet Risk: The Company, in the normal course of business, makes commitments to make loans which are not reflected in the consolidated financial statements. A summary of these commitments is disclosed in Note 15.

Intangible Assets: Goodwill arising from the acquisition of subsidiary banks is amortized over 15 years using the straight-line method. As of September 30, 1999 and 1998, unamortized goodwill totaled approximately $4,132,883 and $4,497,815, respectively. Amortization expense was $364,932, $364,932 and $363,923 for the years ended September 30, 1999, 1998 and 1997.

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 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.

Stock Dividends: Common share amounts related to the ESOP plan, stock compensation plans and earnings and dividends per share are restated for stock splits and stock dividends, including the three-for-two stock split effected in the form of a 50% stock dividend which was paid on January 2, 1997.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Comprehensive Income: Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes the net change in net unrealized gains and losses on securities available for sale, net of reclassification adjustments and tax effects, and is also recognized as a separate component of shareholders' equity. The accounting standard that requires reporting comprehensive income first applies for 1999, with prior information restated to be comparable.

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. If applicable, disclosures of net income and earnings per share are provided as if the fair value method of SFAS No. 123 were used for stock-based compensation.

New Accounting Pronouncements: SFAS No. 133 on derivatives will, beginning with the quarter ended December 31, 2000, require all derivatives to be recorded at fair value in the balance sheet, with changes in fair value run through income. If derivatives are documented and effective as hedges, the change in the derivative fair value will be offset by an equal change in the fair value of the hedged item. The adoption of SFAS No. 133 is not expected to have a material impact on the results of operations or financial condition of the Company.

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.

YEAR ENDED SEPTEMBER 30,	1999	1998	1997
Basic Earnings Per Common Share:			
Numerator			
Net income	$ 2,641,132	$ 2,784,882	$ 3,641,956
Denominator			
Weighted average common shares outstanding	2,510,494	2,646,105	2,822,021
Less: Weighted average unallocated ESOP shares	(41,327)	(71,327)	(101,375)
Weighted average common shares outstanding for basic earnings per common share	2,469,167	2,574,778	2,720,646
Basic earnings per common share	$ 1.07	$ 1.08	$ 1.34

Note 2. EARNINGS PER COMMON SHARE (CONTINUED)

YEAR ENDED SEPTEMBER 30,	1999	1998	1997
Diluted Earnings Per Common Share			
Numerator			
Net income	$ 2,641,132	$ 2,784,882	$ 3,641,956
Denominator			
Weighted average common shares outstanding for basic earnings per common share	2,469,167	2,574,778	2,720,646
Add: Dilutive effects of assumed exercises of stock options and average nonvested MRRP shares, net of tax benefits	79,681	127,862	130,638
Weighted average common and dilutive potential common shares outstanding	2,548,848	2,702,640	2,851,284
Diluted earnings per common share	$ 1.04	$ 1.03	$ 1.28

Stock options totaling 100,448 shares and 55,500 shares were not considered in computing diluted earnings per common share for the years ended September 30, 1999 and 1997, respectively, because they were antidilutive.

During the year ended September 30, 1999, the Company redeemed approximately 3.1% (79,647 shares) of its beginning of year outstanding common shares under its common stock repurchase program. This repurchase will affect the Company's future earnings per common share computations by reducing amounts available for investment and weighted average shares outstanding.

Note 3. SECURITIES

Year end securities available for sale were as follows:

1999	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt securities				
Trust preferred	$ 27,629,975	$ 34,696	$ (667,073)	$26,997,598
Obligations of states and political subdivisions	1,360,307	37,368	(10,830)	1,386,845
U.S. Government and federal agencies	15,922,716	-	(430,409)	15,492,307
Mortgage-backed securities	136,600,215	425,464	(3,596,526)	133,429,153
	181,513,213	497,528	(4,704,838)	177,305,903
Marketable equity securities	990,455	302,168	(109,496)	1,183,127
	$182,503,668	$ 799,696	$ (4,814,334)	$178,489,030

Note 3. SECURITIES (CONTINUED)

1998	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt securities				
Trust preferred	$ 27,638,030	$ 61,333	$ (443,567)	$ 27,255,796
Obligations of states and political subdivisions	1,307,076	34,588	(711)	1,340,953
U.S. Government and federal agencies	26,985,523	786,407	(77)	27,771,853
Mortgage-backed securities	61,767,555	778,961	(92,073)	62,454,443
	117,698,184	1,661,289	(536,428)	118,823,045
Marketable equity securities	1,638,181	315,815	(167,510)	1,786,486
	$119,336,365	$ 1,977,104	$ (703,938)	$120,609,531

The amortized cost and fair value of debt securities by contractual maturity are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	SEPTEMBER 30, 1999	
	Amortized Cost	Fair Value
Due in one year or less	$ 105,000	$ 105,231
Due after one year through five years	5,923,132	5,898,459
Due after five years through ten years	11,254,891	10,875,462
Due after ten years	27,629,975	26,997,598
	44,912,998	43,876,750
Mortgage-backed securities	136,600,215	133,429,153
	$181,513,213	$177,305,903

Activities related to the sale of securities available for sale and mortgage-backed securities available for sale are summarized as follows:

YEARS ENDED SEPTEMBER 30,	1999	1998	1997
Proceeds from sales	$24,791,295	$18,280,412	$ 804,067
Gross gains on sales	331,611	398,903	216,614

Note 4. LOANS RECEIVABLE, NET

Year end loans receivable were as follows:

	1999	1998
One to four family residential mortgage loans:		
Insured by FHA or guaranteed by VA	$ 107,610	$ 299,454
Conventional	110,209,779	85,499,468
Construction	28,379,330	32,989,982
Commercial and multi-family real estate loans	85,793,177	66,845,149
Agricultural real estate loans	9,873,850	10,536,857
Commercial business loans	29,941,661	21,587,249
Agricultural business loans	29,284,440	37,233,902
Consumer loans	23,425,672	26,238,825
	317,015,519	281,230,886
Less: Allowance for loan losses	(3,092,628)	(2,908,902)
Undistributed portion of loans in process	(10,494,446)	(7,738,379)
Net deferred loan origination fees	(349,945)	(297,416)
	$ 303,078,500	$ 270,286,189

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

	1999	1998	1997
Beginning balance	$ 2,908,902	$ 2,379,091	$ 2,356,113
Provision for loan losses	1,992,000	1,662,472	120,000
Recoveries	58,240	33,635	25,638
Charge-offs	(1,866,514)	(1,166,296)	(122,660)
Ending balance	$ 3,092,628	$ 2,908,902	$ 2,379,091

Virtually all of the Company's originated loans are to Iowa and South Dakota-based individuals and organizations. The Company's purchased loans totalled approximately $125,475,000 at September 30, 1999 and were secured by properties located, as a percentage of total loans, as follows: 12% in Washington, 6% in North Carolina, 5% in Minnesota, 3% in Iowa, 2% in Wisconsin, 2% in New Mexico, 2% in South Dakota, 2% in Nebraska and the remaining 6% in twenty other states. The Company's purchased loans totalled approximately $93,482,000 at September 30, 1998 and were secured by properties located, as a percentage of total loans, as follows: 10% in Washington, 5% in Wisconsin, 4% in Minnesota, 2% in New Mexico, 2% in North Dakota, 2% in South Dakota, and the remaining 8% in sixteen 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 $13,022,252 and $8,100,000 of loans secured by nursing homes at September 30, 1999 and 1998, 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.

The amount of restructured and related party loans as of September 30, 1999 and 1998 were not significant. The amount of non-accruing loans as of September 30, 1999 and 1998 were $2,238,536 and $3,164,000, respectively.

Note 4. LOANS RECEIVABLE, NET (CONTINUED)

Impaired loans were as follows:

	1999	1998
Year end loans with no allowance for loan losses allocated	$ 109,461	$ -
Year end loans with allowance for loan losses allocated	4,019,156	912,629
Amount of the allowance allocated	438,452	240,300
Average of impaired loans during the year	3,188,310	677,696
Interest income recognized during impairment	206,778	-
Cash-basis interest income recognized	-	-

Note 5. FORECLOSED REAL ESTATE

Year end foreclosed real estate was as follows:

	1999	1998
Foreclosed real estate	$ 142,901	$ 1,362,849
Less: Allowance for foreclosed real estate losses	-	(299,532)
	$ 142,901	$ 1,063,317

Activity in the allowance for foreclosed real estate losses for the years ended September 30 was as follows:

	1999	1998	1997
Balance, beginning of period	$ 299,532	$ -	$ 5,000
Provision for losses on foreclosed real estate	-	299,532	-
Less: Losses charged against allowance	(299,532)	-	(5,000)
Balance, end of period	$ -	$ 299,532	$ -

Note 6. 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:

	1999	1998
Mortgage loan portfolios serviced for FNMA	$ 4,941,000	$ 6,766,000
Other	11,040,000	4,198,000
Total	$ 15,981,000	$ 10,964,000

Custodial escrow balances maintained in connection with the foregoing loan servicing were approximately $97,074 and $111,000 at September 30, 1999 and 1998, respectively.

Note 7. PREMISES AND EQUIPMENT, NET

Year end premises and equipment were as follows:

	1999	1998
Land	$ 935,289	$ 535,233
Buildings	4,858,210	4,674,969
Furniture, fixtures and equipment	2,969,748	2,450,526
	8,763,247	7,660,728
Less accumulated depreciation	(3,993,191)	(3,611,783)
	$ 4,770,056	$ 4,048,945

Depreciation of premises and equipment included in occupancy and equipment expense was $389,748, $355,261 and $346,444 for the years ended September 30, 1999, 1998 and 1997.

Note 8. DEPOSITS

Jumbo certificates of deposit in denominations of $100,000 or more was approximately $20,533,000 and $14,183,000 at year end 1999 and 1998.

At September 30, 1999, the scheduled maturities of certificates of deposit were as follows for the years ended September 30:

2000	$ 168,871,050
2001	37,302,497
2002	11,320,082
2003	4,882,051
2004	1,554,015
Thereafter	166,275
	$ 224,095,970

Note 9. ADVANCES FROM FEDERAL HOME LOAN BANK

At September 30, 1999, advances from the FHLB of Des Moines with fixed and variable rates ranging from 4.06% to 7.82% are required to be repaid in the year ending September 30 as follows:

2000	$ 53,794,620
2001	8,301,689
2002	11,961,763
2003	1,205,605
2004	6,270,778
Thereafter	79,813,616
	$ 161,348,071

Note 9. ADVANCES FROM FEDERAL HOME LOAN BANK (CONTINUED)

The Bank and Security have executed blanket pledge agreements whereby the Bank and Security assign, transfer and pledge to the FHLB and grant to the FHLB a security interest in all property now or hereafter owned. How-ever, the Bank and Security have the right to use, commingle and dispose of the collateral they have assigned to the FHLB. Under the agreements, the Bank 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 1999 and 1998, the Bank and Security pledged securities with amortized costs of approximately $88,067,000 and $41,980,000 and fair values of approximately $86,741,000 and $42,636,000 against specific FHLB advances. In addition, qualifying mortgage loans of approximately $107,712,000 and $82,165,000 were pledged as collateral at year end 1999 and 1998.

Note 10. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

Year end securities sold under agreements to repurchase totaled $3,020,951 and $4,074,567 for 1999 and 1998.

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

YEARS ENDED	1999	1998
Highest month-end balance	$ 4,321,674	$ 4,074,567
Average balance	3,299,584	2,915,614
Weighted average interest rate during the period	5.38%	5.80%
Weighted average interest rate at end of period	5.28%	5.71%

At year end 1999, securities sold under agreements to repurchase had maturities ranging from 1 to 19 months with a weighted average maturity of 6 months.

The Company pledged securities with amortized costs of approximately $6,105,000 and $4,285,000 and fair values of approximately $6,079,000 and $4,439,000, respectively, at year end 1999 and 1998 as collateral for securities sold under agreements to repurchase.

Note 11. OTHER BORROWINGS

Other borrowings at year end 1999 and 1998 consisted of $-0- and $550,000 of advances from the Federal Reserve Bank of Chicago. The advances outstanding at year end 1998 had a 5.45% interest rate and were due October 2, 1998. The Company pledged securities with amortized costs of approximately $1,499,000 and fair values of approximately $1,512,000 at year end 1998 as collateral for other borrowings.

Note 12. 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 and who have attained age 21. The ESOP borrowed $1,534,100 from the Company to purchase 230,115 shares of the Company's common stock. Collateral for the loan is the unearned shares of common stock purchased with the loan proceeds by the ESOP. The loan will be repaid principally from the Bank's discretionary contributions to the ESOP over a period of 8 years. The interest rate for the loan is 8%. Shares purchased by the ESOP are held in suspense for allocation among participants as the loan is repaid. ESOP expense of $455,220, $654,460 and $495,740 was recorded for the years ended September 30, 1999, 1998 and 1997. Contributions of $200,000, $200,000 and $200,000 were made to the ESOP during the years ended September 30, 1999, 1998 and 1997.

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, normal retirement, 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.

ESOP participants are entitled to receive distributions from their ESOP accounts only upon termination of service.

For the years ended September 30, 1999, 1998 and 1997, 30,000, 30,000 and 30,000 shares with an average fair value of $15.17, $21.82 and $16.52 per share, respectively, were committed to be released. Also, for the years ended September 30, 1999, 1998 and 1997, allocated shares and total ESOP shares reflects 18,540, 8,617 and 4,517 shares withdrawn from the ESOP by participants who are no longer with the Company, net of shares purchased for dividend reinvestment.

Year end ESOP shares are as follows:

	1999	1998	1997
Allocated shares	168,588	157,128	135,745
Unearned shares	25,080	55,080	85,080
Total ESOP shares	193,668	212,208	220,825
Fair value of unearned shares	$ 319,770	$ 950,130	$ 1,690,965

Stock Options and Incentive Plans: Certain officers and directors of the Company have been granted options to purchase common stock of the Company pursuant to stock option plans.

SFAS No. 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, compensation cost actually recognized for stock options was $-0- for 1999, 1998 and 1997.

Note 12. EMPLOYEE BENEFITS (CONTINUED)

The fair value of options granted during 1999, 1998 and 1997 is estimated using the following weighted-average information: risk-free interest rate of 6.17%, 4.49% and 6.44%, expected life of 7.0 years, expected dividends of 4.00%, 2.69% and 2.02% per year and expected stock price volatility of 22%, 20% and 18% per year.

	1999	1998	1997
Net income as reported	$ 2,641,132	$ 2,784,882	$ 3,641,956
Proforma net income	$ 2,569,635	$ 2,689,596	$ 3,531,215
Reported earnings per common and common equivalent share			
Basic	$1.07	$1.08	$1.34
Diluted	$1.04	$1.03	$1.28
Proforma earnings per common and common equivalent share			
Basic	$1.04	$1.04	$1.30
Diluted	$1.01	$1.00	$1.24

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

Stock option plans are used to reward directors, officers and employees and provide them with an additional equity interest. Options are issued for 10 year periods, with 100% vesting generally occurring either at grant date or 48 months after grant date. At fiscal year end 1999, 124,782 shares were authorized for future grants. Information about option grants follows.

	Number of options	Weighted-average exercise price
Outstanding, September 30, 1996	308,706	$ 8.45
Granted	69,930	17.91
Exercised	(51,838)	9.87
Forfeited	(1,500)	14.75
Outstanding, September 30, 1997	325,298	10.23
Granted	13,418	17.88
Exercised	(7,600)	6.67
Forfeited	-	-
Outstanding, September 30, 1998	331,116	10.62
Granted	26,335	13.00
Exercised	(23,051)	7.37
Forfeited	(9,000)	17.59
Outstanding, September 30, 1999	325,400	$10.85

The weighted-average fair value per option for options granted in 1999, 1998 and 1997 was $1.54, $2.01 and $4.15. At year end 1999, options outstanding had a weighted-average remaining life of 5.70 years and a range of exercise price from $6.67 to $20.13.

Note 12. EMPLOYEE BENEFITS (CONTINUED)

Options exercisable at year end are as follows.

	Number of options	Weighted-average exercise price
1997	269,798	$ 8.77
1998	285,491	$ 9.54
1999	286,650	$ 10.09

Management Recognition and Retention Plans: The Company granted 10,424, 7,191 and 106,428 (8,986 of which have been forfeited under terms of the Plan due to termination of service) shares of the Company's common stock on September 30, 1999, May 23, 1994 and September 20, 1993, respectively, to certain officers of the Bank pursuant to a management recognition and retention plan (the "Plan"). The holders of the restricted stock have all of the rights of a shareholder, except that they cannot sell, assign, pledge or transfer any of the restricted stock during the restricted period. The stock granted in 1999 under the Plan vests as follows: 5,212 shares vested at the date of grant on September 30, 1999 and 5,212 shares vests on September 30, 2000. Previously granted restricted stock vests at a rate of 25% on each anniversary of the grant date. Expense of $101,634, $-0- and $41,947 was recorded for these plans for the years ended 1999, 1998 and 1997. The remaining unamortized unearned compensation value of the plans at September 30, 1999 and 1998 was $57,332 and $-0-.

Note 13. 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 as reported 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 1996 now requires the Bank to deduct a provision for bad debts for tax purposes based on actual loss experience and recapture the excess bad debt reserve accumulated in tax years beginning after September 30, 1987. The related amount of deferred tax liability which must be recaptured is approximately $554,000 and is payable over a six year period beginning with the tax year ending September 30, 1999.

The provision for income taxes consists of:

	1999	1998	1997
Federal			
Current	$ 1,690,170	$ 2,012,841	$ 1,599,255
Deferred	(90,137)	(230,887)	569,133
	1,600,033	1,781,954	2,168,388
State			
Current	250,616	304,679	314,712
Deferred	(13,863)	(83,113)	18,969
	236,753	221,566	333,681
Income tax expense	$ 1,836,786	$ 2,003,520	$ 2,502,069

Note 13. INCOME TAXES (CONTINUED)

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

YEARS ENDED SEPTEMBER 30,	1999	1998	1997
Income taxes at 34% Federal tax rate	$ 1,522,000	$ 1,628,000	$ 2,089,000
Increase (decrease) resulting from:			
State income taxes - net of federal benefit	156,000	146,000	220,000
Excess of cost over net assets acquired	124,000	124,000	124,000
Excess of fair value of ESOP shares released over cost	87,000	155,000	101,000
Other - net	(52,214)	(49,480)	(31,931)
Total income tax expense	$ 1,836,786	$ 2,003,520	$ 2,502,069

Year end deferred tax assets and liabilities consist of:

	1999	1998
Deferred tax assets:		
Bad debts	$ 570,000	$ 375,000
Deferred loan fees	65,000	111,000
Net unrealized losses on securities available for sale	1,494,005	-
Allowance for foreclosed real estate losses	-	118,000
Other items	72,000	46,000
	2,201,005	650,000
Deferred tax liabilities:		
Federal Home Loan Bank stock dividend	(452,000)	(452,000)
Accrual to cash basis	(133,000)	(178,000)
Net unrealized gains on securities available for sale	-	(474,346)
Other	(74,000)	(76,000)
	(659,000)	(1,180,346)
Valuation allowance	-	-
Net deferred tax asset (liability)	$ 1,542,005	$ (530,346)

Federal income tax laws provide 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 $2,300,000 at September 30, 1999 and 1998. 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 14. 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.

Regulations require First Federal to maintain minimum capital amounts and ratios as set forth below. Management believes, as of September 30, 1999, that First Federal meets the capital adequacy requirements.

First Federal'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, 1999						
Total Capital (to risk weighted assets)	$35,111	12.0%	$23,470	8.0%	$29,338	10.0%
Tier 1 (Core) Capital (to risk weighted assets)	$32,172	11.0%	$11,735	4.0%	$17,603	6.0%
Tier 1 (Core) Capital (to adjusted total assets)	$32,172	7.0%	$18,507	4.0%	$23,134	5.0%
Tier 1 (Core) Capital (to average assets)	$32,172	7.3%	$17,602	4.0%	$22,002	5.0%
As of September 30, 1998						
Total Capital (to risk weighted assets)	$33,520	13.2%	$20,396	8.0%	$25,495	10.0%
Tier 1 (Core) Capital (to risk weighted assets)	$31,113	12.2%	$10,198	4.0%	$15,297	6.0%
Tier 1 (Core) Capital (to adjusted total assets)	$31,113	8.3%	$14,959	4.0%	$18,699	5.0%
Tier 1 (Core) Capital (to average assets)	$31,113	8.8%	$14,108	4.0%	$17,635	5.0%

Regulations of the Office of Thrift Supervision limit the amount of dividends and other capital distributions that may be paid by a savings institution without prior approval of the Office of Thrift Supervision. The regulatory restriction is based on a three-tiered system with the greatest flexibility being afforded to well-capitalized (Tier 1) institutions. First Federal is currently a Tier 1 institution. Accordingly, First Federal can make, without prior regulatory approval, distributions during a calendar year up to 100% of its 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 First Federal would remain well-capitalized, as defined in the Office of Thrift Supervision prompt corrective action regulations, following the proposed distribution. Accordingly, at September 30, 1999, approximately $1,229,000 of First Federal's retained earnings was potentially available for distribution to the Company.

Note 14. CAPITAL REQUIREMENTS AND RESTRICTIONS ON RETAINED EARNINGS (CONTINUED)

Quantitative measures established by regulation to ensure capital adequacy require Security to maintain minimum amounts and ratios (set forth in the table below) of total risk-based capital and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined), and a leverage ratio consisting of Tier 1 capital (as defined) to average assets (as defined). Management believes, as of September 30, 1999, that Security meets all capital adequacy requirements to which it is subject.

As of the most recent notification date, the Federal Deposit Insurance Corporation categorized Security as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized Security must maintain minimum, Tier 1 risk-based, Tier 1 leverage and total risk-based capital ratios as set forth in the table below. There are no conditions or events since that notification that management believes have changed the institution's category. At September 30, 1999, approximately $53,000 of Security's retained earnings was potentially available for distribution to the Company.

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, 1999						
Total Capital (to risk weighted assets)	$3,890	14.8%	$2,107	8.0%	$2,634	10.0%
Tier 1 Capital (to risk weighted assets)	$3,670	13.9%	$1,053	4.0%	$1,580	6.0%
Tier 1 Capital (to average assets)	$3,670	9.4%	$1,563	4.0%	$1,954	5.0%
As of September 30, 1998						
Total Capital (to risk weighted assets)	$3,751	16.7%	$1,794	8.0%	$2,242	10.0%
Tier 1 Capital (to risk weighted assets)	$3,469	15.5%	$ 897	4.0%	$1,345	6.0%
Tier 1 Capital (to average assets)	$3,469	8.8%	$1,585	4.0%	$1,981	5.0%

Note 15. 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, 1999 and 1998, loan commitments approximated $33,212,000 and $27,353,000, respectively, excluding undisbursed portions of loans in process. Loan commitments at September 30, 1999 included commitments to originate fixed-rate loans with interest rates ranging from 6.875% to 8.75% totaling $865,000 and adjustable-rate loan commitments with interest rates ranging from 7.75% to 10.25% totaling $18,391,000. The Company also had commitments to purchase adjustable rate loans of $7,056,000 with interest rates ranging from 7.50% to 9.25%, and commitments to purchase $6,900,000 in fixed rate loans with interest rates ranging from 7.375% to 7.50% as of year end 1999. Loan commitments at September 30, 1998 included commitments to originate fixed-rate loans with interest rates ranging from 6.50% to 12.50% totaling $6,142,000 and adjustable-rate loan commitments with interest rates ranging from 8.30% to 10.25% totaling $9,277,000. The Company also had commitments to purchase adjustable-rate loans of $9,934,000 with interest rates ranging from 7.75% to 9.75%, and commitments to purchase $2,000,000 in fixed rate loans at 7.45% as of year end 1998. 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 non-performance 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 $11,958,000 and $7,663,000 and fair values of approximately $11,767,000 and $7,859,000 at September 30, 1999 and 1998, respectively, were pledged as collateral for public funds on deposit.

Securities with amortized costs of approximately $5,813,000 and $6,557,000 and fair values of approximately $5,865,000 and $6,827,000 at September 30, 1999 and 1998, 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 $2,392,000 as of September 30, 1999.

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 16. OTHER COMPREHENSIVE INCOME (LOSS)

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

	1999	1998	1997
Net change in net unrealized gains and losses on securities available for sale			
Unrealized gains (losses) arising during the year	$ (4,956,193)	$ 143,685	$ 1,697,976
Reclassification adjustment for gains included in net income	(331,611)	(398,903)	(216,614)
Net change in net unrealized gains and losses on securities available for sale	(5,287,804)	(255,218)	1,481,362
Tax effects	1,968,351	93,667	(549,689)
Total other comprehensive income (loss)	$ (3,319,453)	$ (161,551)	$ 931,673

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, 1999 AND 1998	1999	1998
ASSETS		
Cash and cash equivalents	$ 435,866	$ 104,518
Securities available for sale	3,546,100	4,257,486
Investment in subsidiary banks	38,373,373	40,643,747
Loan receivable from ESOP	167,200	367,200
Other assets	272,713	131,945
Total assets	$ 42,795,252	$ 45,504,896
LIABILITIES		
Loan payable to subsidiary banks	$ 2,750,000	$ 3,050,000
Accrued expenses and other liabilities	274,504	169,333
Total liabilities	3,024,504	3,219,333
SHAREHOLDERS' EQUITY		
Common stock	29,580	29,580
Additional paid-in capital	21,305,937	21,330,075
Retained earnings - substantially restricted	29,352,943	27,985,814
Accumulated other comprehensive income, net of tax of $(1,494,005) in 1999 and $474,346 in 1998	(2,520,633)	798,820
Unearned Employee Stock Ownership Plan shares	(167,200)	(367,200)
Treasury stock, at cost	(8,229,879)	(7,491,526)
Total shareholders' equity	39,770,748	42,285,563
Total liabilities and shareholders' equity	$ 42,795,252	$ 45,504,896

Note 17. PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

CONDENSED STATEMENTS OF INCOME
YEARS ENDED SEPTEMBER 30, 1999, 1998 AND 1997

	1999	1998	1997
Dividend income from subsidiary banks	$ 2,350,000	$ 2,000,000	$ 6,000,000
Interest income	297,447	272,260	145,339
Gain on sales of securities available for sale, net	62,466	317,960	216,614
	2,709,913	2,590,220	6,361,953
Interest expense	210,444	72,581	132,014
Operating expenses	405,076	354,945	348,162
	615,520	427,526	480,176
Income before income taxes and equity in undistributed net income of subsidiaries	2,094,393	2,162,694	5,881,777
Income tax expense (benefit)	(106,000)	50,000	(55,000)
Income before equity in undistributed net income of subsidiaries	2,200,393	2,112,694	5,936,777
(Distributions in excess of) equity in undistributed net income of subsidiary banks	440,739	672,188	(2,294,821)
Net income	$2,641,132	$2,784,882	$3,641,956

Note 17. PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

CONDENSED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 1999, 1998 AND 1997

	1999	1998	1997
Cash flows from operating activities			
Net income	$ 2,641,132	$ 2,784,882	$ 3,641,956
Adjustments to reconcile net income to net cash from operating activities			
Distribution in excess of (equity in undistributed) net income of subsidiary banks	(440,739)	(672,188)	2,294,821
Amortization of recognition and retention plan	101,634	-	41,947
Gain on sales of securities available for sale, net	(62,466)	(317,960)	(216,614)
Change in other assets	(38,470)	174,711	(245,225)
Change in accrued expenses and other liabilities	94,617	142,705	(611,711)
Net cash from operating activities	2,295,708	2,112,150	4,905,174
Cash flows from investing activities			
Purchase of securities available for sale	(1,626,721)	(5,150,000)	(231,000)
Proceeds from sales of securities available for sale	2,155,709	2,195,509	804,067
Repayments on loan receivable from ESOP	200,000	200,000	200,000
Net cash from investment activities	728,988	(2,754,491)	773,067
Cash flows from financing activities			
Proceeds from loan payable to subsidiary banks	1,150,000	4,550,000	-
Repayments on loan payable to subsidiary banks	(1,450,000)	(1,500,000)	-
Cash dividends paid	(1,274,003)	(1,226,725)	(962,682)
Proceeds from exercise of stock options	169,841	28,696	335,991
Purchase of treasury stock	(1,289,186)	(3,271,203)	(4,268,777)
Net cash from financing activities	(2,693,348)	(1,419,232)	(4,895,468)
Net change in cash and cash equivalents	331,348	(2,061,573)	782,773
Cash and cash equivalents at beginning of year	104,518	2,166,091	1,383,318
Cash and cash equivalents at end of year	$ 435,866	$ 104,518	$ 2,166,091
Supplemental disclosure of cash flow information			
Cash paid during the year for interest	$ 210,444	$ 72,581	$ 132,014

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 14).

Note 18. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

	QUARTER ENDED			
	December 31	March 31	June 30	September 30
Fiscal year 1999:				
Total interest income	$ 8,761,124	$ 8,585,259	$ 8,842,903	$ 9,183,445
Total interest expense	5,342,257	5,472,837	5,577,855	5,782,931
Net interest income	3,418,867	3,112,422	3,265,048	3,400,514
Provision for loan losses	243,000	358,000	299,000	1,092,000
Net income	908,517	759,500	756,673	216,442
Earnings per common and common equivalent share				
Basic	$ .37	$ .31	$ .31	$ .09
Diluted	$ .36	$ .30	$ .30	$ .09
Fiscal year 1998:				
Total interest income	$ 7,894,734	$7,839,781	$ 7,996,291	$ 8,327,988
Total interest expense	4,712,639	4,622,771	4,815,319	5,079,224
Net interest income	3,182,095	3,217,010	3,180,972	3,248,764
Provision for loan losses	35,000	1,345,000	55,000	227,472
Net income	989,055	46,316	893,056	856,455
Earnings per common and common equivalent share				
Basic	$ .38	$ .02	$ .35	$ .34
Diluted	$ .36	$ .02	$ .33	$ .32
Fiscal year 1997:				
Total interest income	$ 7,305,929	$6,882,095	$ 7,331,501	$ 7,485,150
Total interest expense	4,288,793	3,973,985	4,356,367	4,439,912
Net interest income	3,017,136	2,908,110	2,975,134	3,045,238
Provision for loan losses	30,000	30,000	30,000	30,000
Net income	953,216	849,539	912,504	926,697
Earnings per common and common equivalent share				
Basic	$ .34	$ .31	$ .34	$ .35
Diluted	$ .33	$ .29	$ .33	$ .33

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, 1999 and 1998, 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, 1999 and 1998. This information is presented solely for compliance with SFAS No. 107 and is subject to change over time based on a variety of factors.

	1999		1998	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
SELECTED ASSETS:				
Cash and cash equivalents	$ 5,373,911	$ 5,374,000	$ 6,727,444	$ 6,727,000
Securities available for sale	178,489,030	178,489,000	120,609,531	120,610,000
Loans receivable, net	303,078,500	302,980,000	270,286,189	273,096,000
FHLB Stock	8,125,800	8,126,000	5,505,800	5,506,000
Accrued interest receivable	5,046,234	5,046,000	4,968,607	4,969,000
SELECTED LIABILITIES:				
Noninterest bearing demand deposits	(5,680,923)	(5,681,000)	(4,971,562)	(4,972,000)
Savings, NOW and money market demand deposits	(75,003,028)	(75,003,000)	(57,755,615)	(57,756,000)
Other time certificates of deposit	(224,095,970)	(224,027,000)	(221,130,975)	(222,807,000)
Total deposits	(304,779,921)	(304,711,000)	(283,858,152)	(285,535,000)
Advances from FHLB	(161,348,071)	(159,253,000)	(85,263,562)	(87,360,000)
Securities sold under agreements to repurchase	(3,020,951)	(3,026,000)	(4,074,567)	(4,095,000)
Other borrowings	-	-	(550,000)	(550,000)
Advances from borrowers for taxes and insurance	(422,593)	(423,000)	(405,218)	(405,000)
Accrued interest payable	(875,365)	(875,000)	(834,741)	(835,000)
OFF-BALANCE-SHEET INSTRUMENTS:				
Loan commitments	(33,212,000)	-	(27,353,000)	-

Note 19. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

The following sets forth the methods and assumptions used in determining the fair value estimates for the Company's financial instruments at September 30, 1999 and 1998.

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

Securities Available For Sale: Quoted market prices or dealer quotes were used to determine the fair value of securities available for sale.

Loans Receivable, Net: The fair value of loans receivable, net was estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for similar remaining maturities. When using the discounting method to determine fair value, loans were gathered by homogeneous groups with similar terms and conditions and discounted at a target rate at which similar loans would be made to borrowers as of September 30, 1999 and 1998. 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, 1999 and 1998 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, 1999 and 1998, for advances with similar terms and remaining maturities.

Securities Sold Under Agreements to Repurchase and Other Borrowings: The fair value of securities sold under agreements to repurchase and other borrowings was estimated by discounting the expected future cash flows using derived interest rates approximating market as of September 30, 1999 and 1998 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.

19. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

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.

REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying consolidated balance sheets of First Midwest Financial, Inc. and Subsidiaries (the "Company") as of September 30, 1999 and 1998 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years ended September 30, 1999, 1998 and 1997. 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 generally accepted auditing standards. 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 the Company as of September 30, 1999 and 1998 and the results of its operations and its cash flows for the years ended September 30, 1999, 1998 and 1997 in conformity with generally accepted accounting principles.

/s/Crowe, Chizek and Company LLP

Crowe, Chizek and Company LLP
South Bend, Indiana

October 15, 1999

Directors of First Midwest Financial, Inc.

[GRAPHICS OMITTED -- Photographs of Directors]

JAMES S. HAAHR -- Chairman of the Board, President and Chief Executive Officer for First Midwest Financial, Inc. and First Federal Savings Bank of the Midwest; Chairman of the Board for Security State Bank. Mr. Haahr has served in various capacities since beginning his career with First Federal in 1961. He is a member of the Board of Trustees and Chairman of the Investment Committee of Buena Vista University. He is a member of the Board of Directors of America's Community Bankers, member of the Savings Association Insurance Fund Industry Advisory Committee, and member of the Legislative Committee of Iowa Bankers Association. Mr. Haahr is former Vice Chairman of the Board of Directors of the Federal Home Loan Bank of Des Moines, former Chairman of the Iowa League of Savings Institutions, and a former director of the U.S. League of Savings Institutions. Board committee: First Federal Trust Committee. James S. Haahr is the father of J. Tyler Haahr.

J. TYLER HAAHR -- Senior Vice President, Secretary and Chief Operating Officer for First Midwest Financial, Inc.; Executive Vice President, Secretary, Chief Operating Officer, and Division President for First Federal Savings Bank of the Midwest; Chief Executive Officer of Security State Bank; and Vice President and Secretary of First Services Financial Limited. First Midwest and its affiliates have employed Mr. Haahr since March 1997. Previously Mr. Haahr was a partner with the law firm of Lewis and Roca LLP, Phoenix, Arizona. He is active in many local charities and was Co-chair for Buena Vista University's 1998 Community Campaign Fundraising. Board committee: First Federal Trust Committee. J. Tyler Haahr is the son of James S. Haahr.

E. WAYNE COOLEY -- Member of the Board of Directors for First Midwest Financial, Inc., First Federal Savings Bank of the Midwest, and Security State Bank. Dr. Cooley has served as Executive Secretary of the Iowa Girls' High School Athletic Union in Des Moines, Iowa, since 1954. He is Executive Vice President of the Iowa High School Speech Association, a member of the Buena Vista University Board of Trustees, a member of the Drake Relays Executive Committee, and on the Board of Directors of the Women's College Basketball Association Hall of Fame. Dr. Cooley has served as Chairman of the Iowa Heart Association and as Vice Chairman of the Iowa Games. Board committees: Chairman of the Audit-Compensation/Person-nel Committee and member of the Stock Option Committee.

E. THURMAN GASKILL -- Member of the Board of Directors for First Midwest Financial, Inc., First Federal Savings Bank of the Midwest, and Security State Bank. Mr. Gaskill has owned and operated a grain farming operation located near Corwith, Iowa, since 1958. He has served as a commissioner with the Iowa Department of Economic Development and also as a commissioner with the Iowa Department of Natural Resources. Mr. Gaskill is the past president of Iowa Corn Growers Association, past chairman of the United States Feed Grains Council, and has served in numerous other agriculture positions. He was elected to the Iowa State Senate in 1998 and represents District 8. He serves as Chairman of the Senate Agricultural Committee. Board committees Chairman of the First Federal Trust Committee and member of the Audit-Compensation/Personnel Committee.

G. MARK MICKELSON -- Member of the Board of Directors for First Midwest Financial, Inc., First Federal Savings Bank of the Midwest, and Security State Bank. Mr. Mickelson is Vice President of Acquisitions for Northwestern Growth Corporation in Sioux Falls, South Dakota. Northwestern Growth Corporation is the unregulated investment subsidiary of Northwestern Public Service. Mr. Mickelson graduated with high honors from Harvard Law School and is a Certified Public Accountant. Board committees: First Federal Audit-Compensation/Personnel Committee and Stock Option Committee.

RODNEY G. MUILENBURG -- Member of the Board of Directors for First Midwest Financial, Inc., First Federal Savings Bank of the Midwest, and Security State Bank. Mr. Muilenburg is employed as a dairy specialist with Purina Mills, Inc. and supervises the sale of agricultural products in a region encompassing northwest Iowa, southeast South Dakota, and southwest Minnesota. Board committees: Chairman of the Stock Option Committee and member of the Audit-Compensation/Personnel Committee.

JEANNE PARTLOW -- Member of the Board of Directors for First Midwest Financial, Inc. Mrs. Partlow retired in June 1998 as President of the Iowa Savings Bank Division of First Federal, located in Des Moines, Iowa. She was President, Chief Executive Officer and Chairperson of the Board of Iowa Savings Bank, F.S.B., from 1987 until the end of December 1995, when Iowa Savings Bank was acquired by and became a division of First Federal Savings Bank of the Midwest. Mrs. Partlow is a past member of the Board of Directors of the Federal Home Loan Bank of Des Moines. Board committee: Stock Option Committee.

Executive Officers

[GRAPHICS OMITTED -- Photographs of Executive Officers]

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

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

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

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

TIM D. HARVEY
President for Brookings Federal
Bank Division

TROY MOORE
President for Iowa Savings
Bank Division

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

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

DIRECTORS OF FIRST 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

DIRECTORS OF 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
I. EUGENE RICHARDSON, JR.

BROOKINGS FEDERAL BANK
ADVISORY BOARD
FRED J. RITTERSHAUS, CHAIRMAN
VIRGIL G. ELLERBRUCH
J. TYLER HAAHR
TIM D. HARVEY
O. DALE LARSON
EARL R. RUE

Office Locations

[GRAPHICS OMITTED -- Photographs of Branches with Map]

FIRST FEDERAL SAVINGS BANK OF THE MIDWEST
First Federal Savings Bank Division
Main Bank 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 Office
1415 North Lake Avenue
Storm Lake, Iowa 50588
712-732-6655
712-732-7924 fax

Lake View Office
Fifth at Main
Lake View, Iowa 51450
712-657-2721
712-657-2896 fax

Laurens Office
104 North Third Street
Laurens, Iowa 50554
712-845-2588
712-845-2029 fax

Manson Office
Eleventh at Main
Manson, Iowa 50563
712-469-3319
712-469-2458 fax

Odebolt Office
219 South Main Street
Odebolt, Iowa 51458
712-668-4881
712-668-4882 fax

Sac City Office
518 Audubon Street
Sac City, Iowa 50583
712-662-7195
712-662-7196 fax

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

Eastbrook Office
425 22nd Avenue South
Brookings, South Dakota 57006
605-692-2314

Iowa Savings Bank

Division
Main Office
3448 Westown Parkway
West Des Moines, Iowa 50266
515-226-8474
515-226-8475 fax

Highland Park Office
3624 Sixth Avenue
Des Moines, Iowa 50313
515-288-4866
515-288-3104 fax

SECURITY STATE BANK
Main Office
615 South Division
P.O. Box 606
Stuart, Iowa 50250
515-523-2203
800-523-8003
515-523-2460 fax

Casey Office
101 East Logan
P.O. Box 97
Casey, Iowa 50048
515-746-3366
800-746-3367
515-746-2828 fax

Menlo Office
501 Sherman
P.O. Box 36
Menlo, Iowa 50164
515-524-4521

Corporate Information

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

ANNUAL MEETING OF SHAREHOLDERS
The Annual Meeting of Shareholders will convene at 1 p.m. on Monday, January 24, 2000. The meeting will be held in the Board Room of First Federal Savings Bank of the Midwest, 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
Silver, Freedman & Taff, LLP
1100 New York Avenue, NW
Washington, DC 20005-3934

INDEPENDENT AUDITORS
Crowe, Chizek and Company LLP
330 East Jefferson Boulevard
P.O. Box 7
South Bend, Indiana 46624

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: 1-800-368-5948

FORM 10-K

Copies of the Company's annual report or Form 10-K for the year ended September 30, 1999 (excluding exhibits thereto) are available without charge, upon request to:

Investor Relations
First Midwest Financial, Inc.
First Federal Building, Fifth at Erie P.O. Box 1307
Storm Lake, Iowa 50588
Telephone: 712-732-4117

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 1998 and 1999 were $.12 and $.13 respectively. The price range of the common stock, as reported on the Nasdaq System, was as follows:

	FISCAL YEAR 1999		FISCAL YEAR 1998	
	Low	High	Low	High

First Quarter	$14.13	$19.63	$19.50	$22.63
Second Quarter	$14.25	$16.00	$21.88	$23.25
Third Quarter	$14.25	$15.50	$21.38	$25.25
Fourth Quarter	$12.50	$14.75	$17.13	$24.00

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

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

As of September 30, 1999, First Midwest had 2,507,073 shares of common stock outstanding, which were held by 318 shareholders of record, and 325,400 shares subject to outstanding options. The shareholders of record number does not reflect approximately 565 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, 1999: Everen Securities, Inc.; Herzog, Heine, Geduld, Inc.; Howe Barnes Investments, Inc.; Spear, Leeds & Kellogg; Sandler O'Neill & Partners; and Tucker Anthony Incorporated.

Economic Data

First Federal Savings Bank
AVERAGE LAND VALUE AS OF
SEPTEMBER 1999
High quality farmland in northwest Iowa: $2,334 per acre

BUILDING PERMITS 1998

```
Storm Lake
Residential -- $1,376,566
Commercial -- $6,677,743
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TAXABLE RETAIL SALES 1998
Storm Lake -- $120,626,460

UNEMPLOYMENT RATE AS OF
AUGUST 1999
Buena Vista County -- 2.2%

Brookings Federal Bank

AVERAGE LAND VALUE AS OF
FEBRUARY 1999
High-productivity, non-irrigated
cropland in east-central
South Dakota: $949 per acre

BUILDING PERMITS 1998

```
Brookings
Residential -- $5,742,100
Commercial -- $12,032,000
```

TAXABLE RETAIL SALES 1998
Brookings -- $154,805,404

UNEMPLOYMENT RATE
AS OF AUGUST 1999
Brookings -- 1.6%

Iowa Savings Bank

AVERAGE LAND VALUE AS OF
SEPTEMBER 1999
High quality farmland in
central Iowa: $2,463 per acre

BUILDING PERMITS 1998 Metropolitan Statistical Area* Residential -- $246,210,000 Commercial -- $180,200,000

TAXABLE RETAIL SALES 1998
Des Moines -- $3,944,053,446

UNEMPLOYMENT RATE
AS OF AUGUST 1998
Polk County -- 2.0%

* MSA = Dallas, Polk, and Warren Counties

Security State Bank

AVERAGE LAND VALUE AS OF
SEPTEMBER 1999

High quality farmland in west-
central Iowa: $2,354 per acre

BUILDING PERMITS 1998
N/A

TAXABLE RETAIL SALES 1998
Stuart -- $6,719,643

UNEMPLOYMENT RATE
AS OF AUGUST 1999
Guthrie County -- 1.8%

[GRAPHIC -- Logo]
First Midwest Financial, Inc.

First Federal Building
Fifth at Erie
P.O. Box 1307

Storm Lake, Iowa 50588

EXHIBIT 21

SUBSIDIARIES OF THE REGISTRANT

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 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 EXPERT

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in Registration Statement Nos. 33-80171 and 333-22523 of First Midwest Financial, Inc. on Forms S-8 and in Registration Statement No. 333-9871 of First Midwest Financial, Inc. on Form S-3 of our report dated October 15, 1999, contained in Exhibit 13 to First Midwest Financial, Inc.'s Annual Report on Form 10-K for the fiscal year ended September 30, 1999.

/s/ Crowe, Chizek and Company LLP

Crowe, Chizek and Company LLP

South Bend, Indiana

December 27, 1999

ARTICLE 9

PERIOD TYPE	YEAR
FISCAL YEAR END	SEP 30 1999
PERIOD END	SEP 30 1999
CASH	1,165,895
INT BEARING DEPOSITS	4,208,016
FED FUNDS SOLD	0
TRADING ASSETS	0
INVESTMENTS HELD FOR SALE	178,489,030
INVESTMENTS CARRYING	0
INVESTMENTS MARKET	0
LOANS	306,171,128
ALLOWANCE	3,092,628
TOTAL ASSETS	511,212,752
DEPOSITS	304,779,921
SHORT TERM	65,770,951
LIABILITIES OTHER	2,293,061
LONG TERM	98,598,071
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	29,580
OTHER SE	39,741,168
TOTAL LIABILITIES AND EQUITY	511,212,752
INTEREST LOAN	23,795,796
INTEREST INVEST	11,576,935
INTEREST OTHER	0
INTEREST TOTAL	35,372,731
INTEREST DEPOSIT	14,506,472
INTEREST EXPENSE	22,175,880
INTEREST INCOME NET	13,196,851
LOAN LOSSES	1,992,000
SECURITIES GAINS	331,611
EXPENSE OTHER	8,644,958
INCOME PRETAX	4,477,918
INCOME PRE EXTRAORDINARY	2,641,132
EXTRAORDINARY	0
CHANGES	0
NET INCOME	2,641,132
EPS BASIC	1.07
EPS DILUTED	1.04
YIELD ACTUAL	2.83
LOANS NON	2,238,536
LOANS PAST	0
LOANS TROUBLED	1,601,000
LOANS PROBLEM	3,914,000
ALLOWANCE OPEN	2,908,902
CHARGE OFFS	1,866,514
RECOVERIES	58,240
ALLOWANCE CLOSE	3,092,628
ALLOWANCE DOMESTIC	2,902,628
ALLOWANCE FOREIGN	0
ALLOWANCE UNALLOCATED	190,000

End of Filing