

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended December 31, 2002

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

For the transaction period from _____ to _____

Commission File Number: 0-22140

FIRST MIDWEST FINANCIAL, INC.

(Exact name of registrant as specified in its charter)

Delaware

42-1406262

(State or other jurisdiction of
incorporation or organization)

(IRS Employer Identification No.)

Fifth at Erie, Storm Lake, Iowa 50588

(Address of principal executive offices)

(712) 732-4117

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) 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 whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ____ No X

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class:
Common Stock, \$.01 par value

Outstanding at February 14, 2003:
2,479,332 Common Shares

Transitional Small Business Disclosure Format: Yes; No X

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Part I. Financial Information

Item 1. Financial Statements

FIRST MIDWEST FINANCIAL, INC. AND SUBSIDIARIES Consolidated Balance Sheets (Unaudited)

	December 31, 2002	September 30, 2002
	-----	-----
Assets		
Cash and due from banks	\$ 1,645,913	1,325,139
Interest-bearing deposits in other financial institutions - short-term (cost approximates market value)	15,914,203	6,051,295
	-----	-----
Total cash and cash equivalents	17,560,116	7,376,434
Securities available for sale, amortized cost of \$273,605,738 at December 31, 2002 and \$217,460,796 at September 30, 2002	273,782,060	218,247,310
Loans receivable - net of allowance for loan losses of \$4,835,353 at December 31, 2002 and \$4,692,988 at September 30, 2002	341,664,894	343,192,370
Foreclosed real estate, net	1,442,239	1,327,802
Accrued interest receivable	4,160,021	4,320,514
Federal Home Loan Bank stock, at cost	7,032,100	6,842,600
Premises and equipment, net	11,354,708	11,054,243
Other assets	15,852,508	15,287,187
	-----	-----
Total Assets	\$ 672,848,646	607,648,460
	=====	=====
Liabilities and Shareholders' Equity		
Liabilities		
Deposits	\$ 382,642,428	355,779,753
Advances from Federal Home Loan Bank	122,194,521	125,089,999
Securities sold under agreements to repurchase	110,488,119	70,176,228
Company Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trust Holding Solely Subordinated Debentures	10,000,000	10,000,000
Advances from borrowers for taxes and insurance	358,079	355,884
Accrued interest payable	477,555	671,033
Other liabilities	2,036,828	987,797
	-----	-----
Total Liabilities	628,197,530	563,060,694
	-----	-----
Shareholders' Equity		
Preferred stock, 800,000 shares authorized, no shares issued or outstanding	-	-
Common stock, \$.01 par value, 5,200,000 shares authorized, 2,957,999 shares issued and 2,468,804 shares outstanding at December 31, 2002 and September 30, 2002	29,580	29,580
Additional paid-in capital	20,595,189	20,593,768
Retained earnings - substantially restricted	32,463,959	31,940,648
Accumulated other comprehensive income	111,692	494,834
Unearned Employee Stock Ownership Plan shares	(124,382)	(46,142)
Treasury stock, 489,195 common shares, at cost, at December 31, 2002 and September 30, 2002	(8,424,922)	(8,424,922)
	-----	-----
Total Shareholders' Equity	44,651,116	44,587,766
	-----	-----
Total Liabilities and Shareholders' Equity	\$ 672,848,646	607,648,460
	=====	=====

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

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

	Three Months Ended December 31,	
	2002	2001
Interest and Dividend Income:		
Loans receivable, including fees	\$ 6,579,485	\$ 6,794,813
Securities available for sale	2,604,997	2,334,250
Dividends on Federal Home Loan Bank stock	54,116	70,222
	-----	-----
Total interest and dividend income	9,238,598	9,199,285
Interest Expense:		
Deposits	2,800,867	3,804,005
FHLB advances and other borrowings	2,226,316	2,124,030
	-----	-----
Total interest expense	5,027,183	5,928,035
	-----	-----
Net interest income	4,211,415	3,271,250
Provision for loan losses	175,000	299,000
	-----	-----
Net interest income after provision for loan losses	4,036,415	2,972,250
Noninterest income:		
Deposit service charges and other fees	312,464	296,152
Gain (loss) on sales of securities available for sale, net	189,860	6,879
Gain (loss) on sales of foreclosed real estate, net	(2,550)	(1,704)
Brokerage commissions	18,065	75,655
Other income	209,650	192,696
	-----	-----
Total noninterest income	727,489	569,678
Noninterest expense:		
Employee compensation and benefits	2,096,451	1,851,407
Occupancy and equipment expense	496,809	454,466
Federal deposit insurance premium	15,374	15,781
Data processing expense	141,053	139,745
Prepayment penalty on FHLB advances	226,276	-
Other expense	539,233	474,846
	-----	-----
Total noninterest expense	3,515,196	2,936,245
	-----	-----
Income before income taxes	1,248,708	605,683
Income tax expense	404,452	168,898
	-----	-----
Net income	\$ 844,256	\$ 436,785
	=====	=====
Earnings per common share:		
Basic	\$ 0.34	\$ 0.18
	-----	-----
Diluted	\$ 0.34	\$ 0.18
	-----	-----

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

FIRST MIDWEST FINANCIAL, INC.
AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income (Loss) (Unaudited)

	Three Months Ended December 31,	
	2002	2001
	-----	-----
Net income	\$ 844,256	\$ 436,785
Other comprehensive income (loss):		
Net change in net unrealized gains and losses on securities available for sale	(610,192)	(1,047,938)
Deferred income tax expense (benefit)	(227,050)	(387,700)
	-----	-----
Total other comprehensive income (loss)	(383,142)	(660,238)
	-----	-----
Total comprehensive income (loss)	\$ 461,114	\$ (223,453)
	=====	=====

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

**FIRST MIDWEST FINANCIAL, INC.
AND SUBSIDIARIES**

Consolidated Statement of Changes in Shareholders' Equity (Unaudited) For the Three Months Ended December 31, 2002

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss), Net of Tax
	-----	-----	-----	-----
Balance at September 30, 2002	\$ 29,580	\$20,593,768	\$31,940,648	\$ 494,834
Cash dividends declared on common stock (\$0.13 per share)	-	-	(320,945)	-
Purchase of 11,100 common shares for ESOP	-	-	-	-
6,600 common shares committed to be released under the ESOP	-	1,421	-	-
Net change in net unrealized losses on securities available for sale, net of effect of income taxes of \$(227,050)	-	-	-	(383,142)
Net income for the three months ended December 31, 2002	-	-	844,256	-
	-----	-----	-----	-----
Balance at December 31, 2002	\$ 29,580	\$20,595,189	\$32,463,959	\$ 111,692
	=====	=====	=====	=====
	Unearned Employee Stock Ownership Plan Shares	Treasury Stock	Total Shareholders' Equity	
	-----	-----	-----	
Balance at September 30, 2002	\$ (46,142)	\$ (8,424,922)	\$44,587,766	
Cash dividends declared on common stock (\$0.13 per share)	-	-	(320,945)	
Purchase of 11,100 common shares for ESOP	(176,350)	-	(176,350)	
6,600 common shares committed to be released under the ESOP	98,110	-	99,531	
Net change in net unrealized losses on securities available for sale, net of effect of income taxes of \$(227,050)	-	-	(383,142)	
Net income for the three months ended December 31, 2002	-	-	844,256	
	-----	-----	-----	
Balance at December 31, 2002	\$ (124,382)	\$ (8,424,922)	\$44,651,116	
	=====	=====	=====	

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

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

	Three Months Ended December 31, 2002	2001
	-----	-----
Cash flows from operating activities:		
Net income	\$ 844,256	\$ 436,785
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation, amortization and accretion, net	851,997	441,097
Provision for loan losses	175,000	299,000
(Gain) loss on sales of foreclosed real estate, net	2,550	1,704
(Gain) loss on sales of securities available for sale	(189,860)	(6,879)
Loss on early extinguishment of FHLB advances	226,276	-
Proceeds from sales of loans held for sale	12,433,704	8,982,122
Originations of loans held for sale	(12,433,704)	(8,982,122)
Net change in accrued interest receivable	160,493	444,509
Net change in other assets	(338,267)	161,160
Net change in accrued interest payable	(193,478)	(205,174)
Net change in accrued expenses and other liabilities	1,049,031	166,087
	-----	-----
Net cash from operating activities	2,587,998	1,738,289
Cash flows from investing activities:		
Purchase of securities available for sale	(98,996,573)	(27,091,067)
Proceeds from sales of securities available for sale	2,102,500	-
Proceeds from maturities and principal repayments of securities available for sale	40,197,035	10,532,068
Net change in loans receivable	4,576,781	(6,696,745)
Loans purchased	(3,336,184)	(6,566,454)
Proceeds from sales of foreclosed real estate	15,050	53,146
Purchase of FHLB stock	(189,500)	(538,700)
Purchase of premises and equipment, net	(507,487)	(296,450)
	-----	-----
Net cash used in investing activities	(56,138,378)	(30,604,202)
Cash flows from financing activities:		
Net change in noninterest-bearing demand, savings, NOW, and money market demand deposits	29,692,406	6,770,290
Net change in other time deposits	(2,829,731)	(2,594,999)
Proceeds from advances from Federal Home Loan Bank	-	84,650,000
Repayments of advances from Federal Home Loan Bank	(3,121,754)	(86,934,704)
Net change in securities sold under agreements to repurchase	40,311,891	26,400,000
Net change in advances from borrowers for taxes and insurance	2,195	(125,151)
Cash dividends paid	(320,945)	(319,788)
Proceeds from the exercise of stock options	-	27,719
Purchase of treasury stock	-	(161,326)
	-----	-----
Net cash from financing activities	63,734,062	27,712,041
	-----	-----
Net change in cash and cash equivalents	10,183,682	(1,153,872)
Cash and cash equivalents at beginning of period	7,376,434	8,766,305
	-----	-----
Cash and cash equivalents at end of period	\$ 17,560,116	\$ 7,612,433
	=====	=====
Supplemental disclosure of cash flow information		
Cash paid during the period for:		
Interest	\$ 5,220,661	\$ 6,133,209
Income taxes	7,895	9,200
Supplemental schedule of non-cash investing and financing activities:		
Loans transferred to foreclosed real estate	\$ 132,037	\$ 94,459

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

**FIRST MIDWEST FINANCIAL, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements (Unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies followed by First Midwest Financial, Inc. ("First Midwest" or the "Company") and its consolidated subsidiaries, First Federal Savings Bank of the Midwest ("First Federal"), Security State Bank ("Security"), First Services Trust Company, First Services Financial Limited and Brookings Service Corporation, for interim reporting are consistent with the accounting policies followed for annual financial reporting. All adjustments that, in the opinion of management, are necessary for a fair presentation of the results for the periods reported have been included in the accompanying unaudited consolidated financial statements, and all such adjustments are of a normal recurring nature. The accompanying financial statements do not purport to contain all the necessary financial disclosures required by generally accepted accounting principles that might otherwise be necessary in the circumstances and should be read in conjunction with the Company's consolidated financial statements, and notes thereto, for the year ended September 30, 2002.

2. EARNINGS PER SHARE

Basic earnings per share is based on net income divided by the weighted average number of shares outstanding during the period. Diluted earnings per share shows the dilutive effect of additional common shares issuable under stock options.

A reconciliation of the numerators and denominators used in the basic earnings per common share and the diluted earnings per common share computations for the three months ended December 31, 2002 and 2001 is presented below.

	Three Months Ended December 31, -----	
	2002 ----	2001 ----
Basic Earnings Per Common Share:		
Numerator:		
Net Income	\$ 844,256 =====	\$ 436,785 =====
Denominator:		
Weighted average common shares outstanding	2,468,804	2,466,639
Less: Weighted average unallocated ESOP shares	(4,087) -----	(13,750) -----
Weighted average common shares outstanding for basic earnings per share	2,464,717 =====	2,452,889 =====
Basic earnings per common share	\$ 0.34 =====	\$ 0.18 =====

	Three Months Ended December 31,	
	2002	2001
Diluted Earnings Per Common Share:		
Numerator:		
Net Income	\$ 844,256	\$ 436,785
	=====	=====
Denominator:		
Weighted average common shares outstanding for basic earnings per common share	2,464,717	2,452,889
Add: Dilutive effects of assumed exercise of stock options, net of tax benefits	26,889	39,331
	-----	-----
Weighted average common and dilutive potential common shares outstanding	2,491,606	2,492,220
	=====	=====
Diluted earnings per common share	\$ 0.34	\$ 0.18
	=====	=====

3. COMMITMENTS

At December 31, 2002 and September 30, 2002, the Company had outstanding commitments to originate and purchase loans totaling \$34.0 million and \$35.6 million, respectively, excluding undisbursed portions of loans in process. It is expected that outstanding loan commitments will be funded with existing liquid assets.

4. INTANGIBLE ASSETS

As of December 31, 2002 and September 30, 2002 the Company had intangible assets of \$3,403,019, all of which has been determined to be goodwill. There was no goodwill impairment loss or amortization related to goodwill during the three-month periods ended December 31, 2002 and 2001.

5. CURRENT ACCOUNTING DEVELOPMENTS

The Financial Accounting Standards Board has issued Interpretation No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others - an interpretation of FASB Statements No. 5, 57 and 107 and rescission of FASB Interpretation No. 34. This interpretation elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and measurement provisions of this Interpretation are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. Implementation of these provisions of the Interpretation is not expected to have a material impact on the Company's financial statements. The disclosure requirements of the Interpretation are effective for financial statements of interim or annual periods ending after December 15, 2002, and have been adopted in the financial statements for December 31, 2002.

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

**FIRST MIDWEST FINANCIAL, INC.
AND SUBSIDIARIES**

GENERAL

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

The following discussion focuses on the consolidated financial condition of the Company and its subsidiaries, at December 31, 2002, compared to September 30, 2002, and the consolidated results of operations for the three months ended December 31, 2002, compared to the same period in 2001. This discussion should be read in conjunction with the Company's consolidated financial statements, and notes thereto, for the year ended September 30, 2002.

FINANCIAL CONDITION

Total assets increased by \$65.2 million, or 10.7%, to \$672.8 million at December 31, 2002, from \$607.6 million at September 30, 2002.

The portfolio of securities available for sale increased \$55.6 million, or 25.5%, to \$273.8 million at December 31, 2002, from \$218.2 million at September 30, 2002. The increase reflects the purchase of mortgage-backed securities, primarily with balloon maturities, which have relatively short expected average lives and limited maturity extension.

The portfolio of net loans receivable decreased by \$1.5 million, or 0.4%, to \$341.7 million at December 31, 2002, from \$343.2 million at September 30, 2002. The decrease reflects a reduction in conventional one to four family residential mortgage loans as existing originated and purchased loans were repaid in amounts greater than new originations retained in portfolio during the period. The decrease was partially offset by the increased origination of commercial and multi-family real estate loans on existing and newly constructed properties and by the increased origination of commercial business loans.

Deposit balances increased by \$26.8 million, or 7.5%, to \$382.6 million at December 31, 2002, from \$355.8 million at September 30, 2002. The increase in deposit balances resulted from increases in checking accounts, money market demand accounts, and savings accounts in the amounts of \$14.5 million, \$14.1 million, and \$1.0 million, respectively. These increases were partially offset by a \$2.8 million decrease in certificates of deposit.

The balance in advances from the Federal Home Loan Bank of Des Moines (FHLB) decreased by \$2.9 million, or 2.3%, to \$122.2 million at December 31, 2002 from \$125.1 million at September 30, 2002. The balance in securities sold under agreements to repurchase increased by \$40.3 million, or 57.4%, to \$110.5 million at December 31, 2002 from \$70.2 million at September 30, 2002. The increase in securities sold under agreements to repurchase reflects the use of this alternative borrowing source at a comparatively lower cost and was used to fund balance sheet growth during the period.

Total shareholders' equity increased \$63,000, or 0.1%, to \$44.7 million at December 31, 2002 from \$44.6 million at September 30, 2002. The increase in shareholders' equity reflects earnings during the period, which were partially offset by the payment of a cash dividend to shareholders and a decrease in unrealized gain on securities available for sale in accordance with SFAS 115.

NON-PERFORMING ASSETS AND ALLOWANCE FOR LOAN LOSSES

Generally, when a loan becomes delinquent 90 days or more, or when the collection of principal or interest becomes doubtful, the Company will place the loan on non-accrual status and, as a result of this action, previously accrued interest income on the loan is taken out of current income. The loan will remain on non-accrual status until the loan has been brought current, or until other circumstances occur that provide adequate assurance of full repayment of interest and principal.

At December 31, 2002, the Company had loans delinquent 30 days and over totaling \$3.2 million, or 0.9% of total loans compared to \$6.7 million, or 1.9% of total loans at September 30, 2002.

At December 31, 2002, commercial and multi-family real estate loans delinquent 30 days and over totaled \$417,000, or 0.1% of the total loan portfolio as compared to \$3.9 million, or 1.1% of total loans at September 30, 2002. 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. These loans are being closely monitored by management, however, there can be no assurance that all loans will be fully collectible.

At December 31, 2002, agricultural operating loans delinquent 30 days and over totaled \$1.5 million, or 0.4% of the total loan portfolio as compared to \$1.5 million, or 0.4% of total loans at September 30, 2002. Agricultural lending involves a greater degree of risk than one- to four-family residential mortgage loans because of the typically larger loan amounts. 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 factors outside the control of the agricultural borrower, such as the weather and grain and livestock prices. Although management believes the Company's portfolio of agricultural real estate and operating loans is well structured and adequately secured, there can be no assurance that all loans will be fully collectible.

The table below sets forth the amounts and categories of non-performing assets in the Company's loan portfolio. The Company's restructured loans (which involved forgiving a portion of the interest or principal on the loan or making loans at a rate materially less than market rates) are included in the table and were performing as agreed at the date shown. Foreclosed assets include assets acquired in settlement of loans.

	December 31, 2002	September 30, 2002
	-----	-----
	(Dollars in Thousands)	
Non-accruing loans:		
One-to four family	\$ 304	\$ 51
Commercial and multi-family	417	417
Agricultural real estate	-	41
Consumer	55	-
Agricultural operating	369	394
Commercial business	301	408
	-----	-----
Total non-accruing loans	1,446	1,311
Accruing loans delinquent 90 days or more	804	819
	-----	-----
Total non-performing loans	2,250	2,130
	-----	-----
Restructured loans:		
Consumer	9	-
Agricultural operating	156	9
Commercial business	-	71
	-----	-----
Total restructured loans	165	80
	-----	-----
Foreclosed assets:		
One-to four family	50	-
Commercial real estate	1,185	1,310
Consumer	7	18
Agricultural operating	7	-
Commercial business	193	-
	-----	-----
Total foreclosed assets	1,442	1,328
Less: Allowance for losses	-	-
	-----	-----
Total foreclosed assets, net	1,442	1,328
	-----	-----
Total non-performing assets	\$ 3,857	\$ 3,538
	=====	=====
Total as a percentage of total assets	0.57%	0.58%
	=====	=====

Classified Assets. Federal regulations provide for the classification of loans and other assets as "substandard", "doubtful" or "loss", based on the level of weakness determined to be inherent in the collection of the principal and interest. When loans are classified as either substandard or doubtful, the Company 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 loans. When assets are classified as loss, the Company is required either to establish a specific allowance for loan losses equal to 100% of that portion of the loan so classified, or to charge-off such amount. The Company's determination as to the classification of its loans and the amount of its valuation allowances are subject to review by its regulatory authorities, whom may require the establishment of additional general or specific loss allowances.

On the basis of management's review of its loans and other assets, at December 31, 2002, the Company had classified a total of \$13.1 million of its assets as substandard, \$72,000 as doubtful and none as loss as compared to classifications at September 30, 2002 of \$13.5 million substandard, \$114,000 doubtful and none as loss.

Allowance for Loan Losses. The Company establishes its provision for loan losses, and evaluates the adequacy of its allowance for loan losses based upon a systematic methodology consisting of a number of factors including, among others, historic loss experience, the overall level of non-performing loans, the

composition of its loan portfolio and the general economic environment within which the Bank and its borrowers operate.

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

At December 31, 2002, the Company has established an allowance for loan losses totaling \$4.8 million. The allowance represents approximately 215% of the total non-performing loans at December 31, 2002 as compared to approximately 220% of the total non-performing loans at September 30, 2002.

The following table sets forth an analysis of the activity in the Company's allowance for loan losses for the three-month periods ended December 31, 2002 and December 31, 2001:

	2002 ----	2001 ----
	(In Thousands)	
Balance, September 30,	\$ 4,693	\$ 3,869
Charge-offs	(48)	(39)
Recoveries	15	16
Additions charged to operations	175	299
	-----	-----
Balance, December 31,	\$ 4,835	\$ 4,145
	=====	=====

The allowance for loan losses reflects management's best estimate of probable losses inherent in the portfolio based on currently available information. Future additions to the allowance for loan losses may become necessary based upon changing economic conditions, increased loan balances or changes in the underlying collateral of the loan portfolio.

CRITICAL ACCOUNTING POLICY

The Company's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The financial information contained within these statements is, to a significant extent, financial information that is based on approximate measures of the financial effects of transactions and events that have already occurred. Based on its consideration of accounting policies that involve the most complex and subjective decisions and assessments, management has identified its most critical accounting policy to be that related to the allowance for loan losses. The Company's allowance for loan loss methodology incorporates a variety of risk considerations, both quantitative and qualitative in establishing an allowance for loan loss that management believes is appropriate at each reporting date. Quantitative factors include the Company's historical loss experience, delinquency and charge-off trends, collateral values, changes in nonperforming loans, and other factors. Quantitative factors also incorporate known information about individual loans, including borrowers' sensitivity to interest rate movements. Qualitative factors include the general economic environment in the Company's markets, including economic conditions throughout the Midwest and in particular, the state of certain industries. Size and complexity of individual credits in relation to loan structure, existing loan policies and pace of portfolio growth are other qualitative factors that are considered in the methodology. As the Company adds new products and increases the complexity of its loan portfolio, it will enhance its methodology accordingly.

Management may report a materially different amount for the provision for loan losses in the statement of operations to change the allowance for loan losses if its assessment of the above factors were different. This discussion and analysis should be read in conjunction with the Company's financial statements and the accompanying notes presented elsewhere herein, as well as the portion of this Management's Discussion and Analysis section entitled "Nonperforming Assets and Allowance for Loan Losses." Although management believes the levels of the allowance as of both December 31, 2002 and September 30, 2002 were adequate to absorb losses inherent in the loan portfolio, a decline in local economic conditions, or other factors, could result in increasing losses that cannot be reasonably predicted at this time.

RESULTS OF OPERATIONS

General. For the three months ended December 31, 2002, the Company recorded net income of \$844,000 compared to net income of \$437,000 for the same period in 2001. The increase in net income reflects increases in net interest income and noninterest income, and a decrease in provision for loan losses, which were partially offset by an increase in noninterest expense.

Net Interest Income. Net interest income increased by \$940,000, or 28.7%, to \$4,211,000 for the three months ended December 31, 2002 from \$3,271,000 for the same period in 2001. The increase in net interest income reflects a \$96.0 million increase in the average balance of interest-earning assets and an increase in the net yield on average earning assets between the comparable periods. The net yield on average earning assets increased to 2.76% for the quarter ended December 31, 2002 from 2.54% for the same period in 2001.

Provision for Loan Losses. For the three-month period ended December 31, 2002, the provision for loan losses was \$175,000 compared to \$299,000 for the same period in 2001. 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 allowance against probable losses from the loan portfolio.

Noninterest Income. Noninterest income increased \$157,000, or 27.5%, to \$727,000 for the three months ended December 31, 2002 from \$570,000 for the same period in 2001. The increase in noninterest income primarily reflects an increase in gain on sales of securities available for sale between the comparable periods, which was partially offset by a decrease in commissions received through the Company's brokerage subsidiary.

Noninterest Expense. Noninterest expense increased \$579,000, or 19.7%, to \$3,515,000 for the three months ended December 31, 2002, from \$2,936,000 for the same period in 2001. The increase in noninterest expense primarily reflects the costs associated with opening new offices during the period. In November 2001, the Company opened its third Des Moines, Iowa, location and in November 2002, the Company opened its newly constructed facility in Urbandale, Iowa, which serves as the Company's Des Moines area main office. Noninterest expense was increased by \$226,000 during the three months ended December 31, 2002 due to a prepayment penalty associated with the early extinguishment of FHLB advances, which were repaid in conjunction with the sale of securities available for sale. Noninterest expense also increased as a result of the Company's on-going effort to maintain and enhance its technology systems for the efficient delivery of products and customer service. This includes internet banking, which became available to customers in January 2002.

Income Tax Expense. Income tax expense increased \$235,000, or 139.1%, to \$404,000 for the three months ended December 31, 2002, from \$169,000 for the same period in 2001. The increase reflects the increase in the level of taxable income between the comparable periods.

LIQUIDITY AND CAPITAL RESOURCES

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

The Company uses its capital resources principally to meet ongoing commitments to fund maturing certificates of deposits and loan commitments, to maintain liquidity, and to meet operating expenses. At December 31, 2002, the Company had commitments to originate and purchase loans totaling \$34.0 million. The Company believes that loan repayment and other sources of funds will be adequate to meet its foreseeable short- and long-term liquidity needs.

Regulations require First Federal and Security to maintain minimum amounts and ratios of total risk-based capital and Tier 1 capital to risk-weighted assets, and a leverage ratio consisting of Tier 1 capital to average assets. The following table sets forth First Federal's and Security's actual capital and required capital amounts and ratios at December 31, 2002 which, at that date, exceeded the capital adequacy requirements:

At December 31, 2002 ----- (Dollars in Thousands)	Actual -----		Minimum Requirement For Capital Adequacy Purposes -----		Minimum Requirement To Be Well Capitalized Under Prompt Corrective Action Provisions -----	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital (to risk weighted assets):						
First Federal	\$48,744	12.6%	\$31,033	8.0%	\$38,791	10.0%
Security	4,501	14.7	2,446	8.0	3,057	10.0
Tier 1 (Core) Capital (to risk weighted assets):						
First Federal	44,167	11.4	15,516	4.0	23,275	6.0
Security	4,176	13.7	1,223	4.0	1,834	6.0
Tier 1 (Core) Capital (to adjusted total assets):						
First Federal	44,167	7.2	24,436	4.0	30,545	5.0
Security	4,176	7.6	2,212	4.0	2,765	5.0
Tier 1 (Core) Capital (to average assets):						
First Federal	44,167	7.6	23,201	4.0	29,001	5.0

The Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA) established five regulatory capital categories and authorized the banking regulators to take prompt corrective action with respect to institutions in an undercapitalized category. At December 31, 2002, First Federal and Security exceeded minimum requirements for the well-capitalized category.

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.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

Market Risk

The Company is exposed to the impact of interest rate changes and changes in the market value of its investments.

The Company currently focuses lending efforts toward originating and purchasing competitively priced adjustable-rate loan products and fixed-rate loan products with relatively short terms to maturity. 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. This portfolio is 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 from 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 that the increased net income which 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 December 31, 2002 and September 30, 2002, is an analysis of the Company's interest rate risk as measured by changes in NPV for an instantaneous and sustained parallel shift in the yield curve, in 100 basis point increments, up and down 200 basis points. As illustrated in the table, the Company's NPV at December 31, 2002 and September 30, 2002 was more sensitive to declining interest rates than to increasing interest rates. This reflects management's effort to manage the Company's interest rate sensitivity in light of the significant decline in interest rates during the periods. With interest rates at historically low levels, management believes there is less risk from interest rates declining substantially from current levels than from the potential increase in interest rates. The Company's sensitivity to declining interest rates exceeded the established limits at December 31, 2002 and September 30, 2002; however, the Board considers this to be acceptable given the interest rate environment.

Change in Interest Rates	Board Limit	At December 31, 2002		At September 30, 2002	
(Basis Points)	% Change	\$ Change	% Change	\$ Change	% Change
		(Dollars in Thousands)			
+200 bp	(40)%	\$ (509)	(1)%	\$ 1,543	4%
+100 bp	(25)	637	2	1,898	5
0 bp	-	-	-	-	-
-100 bp	(10)	(2,224)	(6)	(4,362)	(12)
-200 bp	(15)	(6,307)	(18)	(8,873)	(25)

Certain shortcomings are inherent in the method of analysis presented in the foregoing table. For example, although certain assets and liabilities may have similar maturities or periods to repricing, they may react in different degrees to changes in market interest rates. Also, the interest rates on certain types of assets and liabilities may fluctuate in advance of changes in market interest rates, while interest rates on other types

may lag behind changes in market rates. Additionally, certain assets such as adjustable-rate mortgage loans, have features 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.

Item 4. Disclosure Controls and Procedures

Disclosure Controls and Procedures

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

FIRST MIDWEST FINANCIAL, INC.

PART II - OTHER INFORMATION

FORM 10-Q

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

99.1 Certification of Chief Executive Officer.
99.2 Certification of Chief Financial Officer.

(b) Reports on Form 8-K:

None

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

FIRST MIDWEST FINANCIAL, INC.

SIGNATURES

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

FIRST MIDWEST FINANCIAL, INC.

Date: February 14, 2003 By: /s/ James S. Haahr

James S. Haahr, Chairman of the Board,
President and Chief Executive Officer

Date: February 14, 2003 By: /s/ Donald J. Winchell

Donald J. Winchell, Senior Vice President,
Treasurer and Chief Financial Officer

CERTIFICATION

I, James S. Haahr, certify that:

1. I have reviewed this quarterly report on Form 10-Q of First Midwest Financial, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: February 14, 2003

/s/ James S. Haahr

Chief Executive Officer

CERTIFICATION

I, Donald J. Winchell, certify that:

1. I have reviewed this quarterly report on Form 10-Q of First Midwest Financial, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: February 14, 2003

/s/ Donald J. Winchell

Chief Financial Officer

Exhibit 99.1

CERTIFICATION PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of First Midwest Financial, Inc. (the "Company") for the quarterly period ending December 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James S. Haahr, Chief Executive Officer of the Company, certify, pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

By: /s/ James S. Haahr

*Name: James S. Haahr
Chief Executive Officer
February 14, 2003*

CERTIFICATION PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of First Midwest Financial, Inc. (the "Company") for the quarterly period ending December 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Donald J. Winchell, Chief Financial Officer of the Company, certify, pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

By: /s/ Donald J. Winchell

Name: Donald J. Winchell

Chief Financial Officer

February 14, 2003