META FINANCIAL GROUP INC

FORM 10-Q
(Quarterly Report)

Filed 2/11/1999 For Period Ending 12/31/1998

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

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended December 31, 1998

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

For the transaction period from __________ to __________

Commission File Number: 0-22140

FIRST MIDWEST FINANCIAL, INC.

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

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

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

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

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past twelve months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

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

Class: Outstanding at December 31, 1998:
Common Stock, $.01 par value 2,514,745 Common Shares

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

FIRST MIDWEST FINANCIAL, INC.

FORM 10-Q

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Part I. Financial Information

Item 1. Financial Statements

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

	December 31, 1998	September 30, 1998
Assets		
Cash and due from banks	$ 1,101,395	$ 908,984
Interest-bearing deposits in other financial institutions - short-term (cost approximates market value)	6,153,052	5,818,460
Total cash and cash equivalents	7,254,447	6,727,444
Securities available for sale, amortized cost of $178,286,702 and $119,336,365	178,599,591	120,609,531
Loans receivable - net of allowances of $3,045,224 and $2,908,902	266,360,283	270,286,189
Foreclosed real estate, net	153,180	1,063,317
Accrued interest receivable	5,213,134	4,968,607
Federal Home Loan Bank stock, at cost	6,810,300	5,505,800
Premises and equipment, net	4,036,900	4,048,945
Excess of cost over net assets acquired	4,406,582	4,497,815
Other assets	650,289	672,747
Total Assets	$ 473,484,706	$ 418,380,395
Liabilities and Shareholders' Equity		
Liabilities		
Deposits	$ 293,499,725	$ 283,858,152
Advances from Federal Home Loan Bank	132,445,880	85,263,562
Securities sold under agreements to repurchase	2,669,567	4,074,567
Other borrowings	200,000	550,000
Advances from borrowers for taxes and insurance	466,859	405,218
Accrued interest payable	776,089	834,741
Other liabilities	1,773,816	1,108,592
Total Liabilities	431,831,936	376,094,832

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

	December 31, 1998	September 30, 1998
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 2,514,745 shares outstanding at December 31, 1998; 2,957,999 shares issued and 2,553,245 shares outstanding at September 30, 1998	29,580	29,580
Additional paid-in capital	21,321,053	21,330,075
Retained earnings - substantially restricted	28,569,454	27,985,814
Accumulated other comprehensive income, net of tax of $117,005 and $474,346	195,884	798,820
Unearned Employee Stock Ownership Plan shares	(317,175)	(367,200)
Treasury stock, 443,254 and 404,754 common shares, at cost ..	(8,146,026)	(7,491,526)
Total Shareholders' Equity	41,652,770	42,285,563
Total Liabilities and Shareholders' Equity	$ 473,484,706	$ 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 (Unaudited)

	Three Months Ended December 31, 1998	1997
Interest and Dividend Income:		
Loans receivable	$6,031,456	$ 5,751,832
Securities available for sale	2,630,636	2,045,425
Dividends on FHLB stock	99,032	97,477
Total interest and dividend income	8,761,124	7,894,734
Interest Expense:		
Deposits	3,647,421	3,222,795
FHLB advances and other borrowings	1,694,836	1,489,844
Total interest expense	5,342,257	4,712,639
Net interest income	3,418,867	3,182,095
Provision for loan losses	243,000	35,000
Net interest income after provision for loan losses ...	3,175,867	3,147,095
Noninterest income:		
Loan fees and deposit account service charges	359,547	328,208
Gain on sale of securities available for sale, net	22,110	114,139
Gain (loss) on sales of foreclosed real estate, net	11,771	(6,513)
Brokerage commissions	14,914	14,251
Other income	39,689	39,012
Total noninterest income	448,031	489,097
Noninterest expense:		
Employee compensation and benefits	1,226,791	1,158,707
Occupancy and equipment expense	283,171	287,196
SAIF deposit insurance premium	34,967	35,567
Data processing expense	97,966	83,010
Other expense	464,243	389,571
Total noninterest expense	2,107,138	1,954,051
Income before income taxes	1,516,760	1,682,141
Income tax expense	608,243	693,086
Net income	$ 908,517	$ 989,055
Earnings Per Share (see Note 2):		
Basic	$ .37	$ .38
Diluted	$ .36	$ .36

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 (Unaudited)
For the Three Months Ended December 31, 1998 and 1997

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income, Net of Tax
Balance at September 30, 1998	$ 29,580	$ 21,330,075	$ 27,985,814	$798,820
Comprehensive income:				
Net income for the three months ended December 31, 1998	--	--	908,517	--
Net change in unrealized appreciation on securities available for sale, net of reclassification adjustments and tax of $(357,341)				(602,936)
Total comprehensive income				
7,500 common shares committed to be released under the ESOP	--	73,645	--	--
Cash dividends declared on common stock ($0.13 per share)	--	--	(324,877)	--
Purchase of 46,500 common shares of treasury stock	--	--	--	--
Issuance of 8,000 common shares from treasury stock due to exercise of stock options	--	(82,667)	--	--
Balance at December 31, 1998	$ 29,580	$ 21,321,053	$ 28,569,454	$195,884

FIRST MIDWEST FINANCIAL, INC.
AND SUBSIDIARIES
Consolidated Statements of Changes in Shareholders' Equity (Unaudited)
For the Three Months Ended December 31, 1998 and 1997
(continued)

	Unearned Employee Stock Ownership Plan Shares	Treasury Stock	Total Shareholders' Equity
Balance at September 30, 1998	$(367,200)	$(7,491,526)	$ 42,285,563
Comprehensive income:			
Net income for the three months ended December 31, 1998	--	--	908,517
Net change in unrealized appreciation on securities available for sale, net of reclassification adjustments and tax of $(357,341)			(602,936)
Total comprehensive income			305,581
7,500 common shares committed to be released under the ESOP	50,025	--	123,670
Cash dividends declared on common stock ($0.13 per share)	--	--	(324,877)
Purchase of 46,500 common shares of treasury stock	--	(790,500)	(790,500)
Issuance of 8,000 common shares from treasury stock due to exercise of stock options	--	136,000	53,333
Balance at December 31, 1998	$(317,175)	$(8,146,026)	$ 41,652,770

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 (Unaudited)
For the Three Months Ended December 31, 1998 and 1997
(continued)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income, Net of Tax
Balance at September 30, 1997	$ 29,580	$20,984,754	$26,427,657	$ 960,371
Comprehensive income:				
Net income for the three months ended December 31, 1997	-	-	989,055	-
Net change in unrealized appreciation on securities available for sale, net of reclassification adjustments and tax of $28,805				44,927
Total comprehensive income				
7,470 common shares committed to be released under the ESOP	-	106,156	-	-
Cash dividends declared on common stock ($0.12 per share)	-	-	(323,027)	-
Purchase of 11,800 common shares of treasury stock	-	-	-	-
Purchase of 715 shares upon exercise of stock options	-	-	-	-
Issuance of 5,500 common shares from treasury stock due to exercise of stock options	-	(74,708)	-	-
Balance at December 31, 1997	$ 29,580	$21,016,202	$27,093,685	$1,005,298

FIRST MIDWEST FINANCIAL, INC.
AND SUBSIDIARIES
Consolidated Statements of Changes in Shareholders' Equity (Unaudited)
For the Three Months Ended December 31, 1998 and 1997
(continued)

	Unearned Employee Stock Ownership Plan Shares	Treasury Stock	Total Shareholders' Equity
Balance at September 30, 1997	$(567,200)	$(4,358,158)	$43,477,004
Comprehensive income:			
Net income for the three months ended December 31, 1997	-	-	989,055
Net change in unrealized appreciation on securities available for sale, net of reclassification adjustments and tax of $28,805			44,927
Total comprehensive income			1,033,982
7,470 common shares committed to be released under the ESOP	49,800	-	155,956
Cash dividends declared on common stock ($0.12 per share)	-	-	(323,027)
Purchase of 11,800 common shares of treasury stock	-	(243,950)	(243,950)
Purchase of 715 shares upon exercise of stock options	-	(14,658)	(14,658)
Issuance of 5,500 common shares from treasury stock due to exercise of stock options	-	111,375	36,667
Balance at December 31, 1997	$ (517,400)	$(4,505,391)	$44,121,974

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, 1998	1997
Cash flows from operating activities:		
Net income	$ 908,517	$ 989,055
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation, amortization and accretion, net	347,954	254,745
Provision for loan losses	243,000	35,000
Gain on sales of securities available for sale, net	(22,110)	(114,139)
Loss on sales of real estate owned, net	(11,771)	6,513
Proceeds from sales of loans held for sale	--	2,258,940
Originations of loans held for sale	--	(2,258,940)
Net change in accrued interest receivable	(244,527)	(418,506)
Net change in other assets	22,458	367,631
Net change in accrued interest payable	(58,652)	(82,416)
Net change in accrued expenses and other liabilities	1,022,530	1,082,652
Net cash from operating activities	2,207,399	2,120,535
Cash flows from investing activities:		
Purchase of securities available for sale	(1,275,000)	(9,992,083)
Purchase of mortgage-backed securities available for sale	(61,618,382)	--
Purchase of Federal Home Loan Bank stock	(1,304,500)	--
Proceeds from sales of securities available for sale	1,022,110	322,564
Proceeds from maturities of securities available for sale	852,600	11,000,000
Proceeds from principal repayment of mortgage-backed securities	2,101,362	2,897,271
Net change in loans receivable	6,207,272	2,436,156
Loans purchased	(2,713,941)	(2,447,787)
Proceeds from sales of foreclosed real estate	1,055,842	78,643
Purchase of premises and equipment, net	(80,308)	(88,479)
Net cash from investing activities	(55,748,885)	4,206,285

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

	Three Months Ended December 31, 1998	1997
Cash flows from financing activities:		
Net change in non-interest bearing demand, savings, NOW and money market demand accounts	12,856,273	4,204,873
Net change in other time deposits	(3,214,700)	9,027,268
Proceeds from advances from Federal Home Loan Bank	174,800,000	17,000,000
Payments of advances from Federal Home Loan Bank	(127,617,682)	(26,353,060)
Net change in securities sold under agreements to repurchase	(1,405,000)	258,334
Net change in other borrowings	(350,000)	(2,900,000)
Net change in advances from borrowers for taxes and insurance	61,641	91,533
Cash dividends paid	(324,877)	(323,027)
Proceeds from exercise of stock options	53,334	22,009
Purchase of treasury stock	(790,500)	(243,950)
Net cash from financing activities	54,068,489	783,980
Net change in cash and cash equivalents	527,003	7,110,800
Cash and cash equivalents at beginning of period	6,727,444	12,852,426
Cash and cash equivalents at end of period	$ 7,254,447	$ 19,963,226
Supplemental disclosure of non-cash investing and financing activities:		
Loans transferred to foreclosed real estate	$ 133,934	$ 1,455,067

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 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, 1998.

Comprehensive Income: Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes the net change in unrealized appreciation (depreciation) on securities available for sale, net of tax, which is also recognized as a separate component of shareholders' equity. The accounting standard that requires reporting of comprehensive income first applies for the quarter ended December 31, 1998, with prior information restated to be comparable.

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 of the basic earnings per common share and earnings per common share assuming dilution computations for the three months ended December 31, 1998 and 1997 is presented below.

	Three Months Ended December 31,	
	1998	1997
Basic Earnings Per Common Share:		
Numerator:		
Net Income	$ 908,517	$ 989,055
Denominator:		
Weighted average common shares outstanding	2,512,734	2,695,192
Less: Weighted average unallocated ESOP shares	(52,580)	(82,580)
Weighted average common shares outstanding for basic earnings per share	2,460,154	2,612,612
Basic earnings per common share ..	$ 0.37	$ 0.38
Diluted Earnings Per Common Share:		
Numerator:		
Net Income	$ 908,517	$ 989,055
Denominator:		
Weighted average common shares outstanding for basic earnings per common share	2,460,154	2,612,612
Add: Dilutive effects of assumed exercises of stock options ...	88,721	160,711
Weighted average common and dilutive potential common shares outstanding	2,548,875	2,773,323
Earnings Per Share Assuming Dilution	$ 0.36	$ 0.36

3. COMMITMENTS

At December 31, 1998 and September 30, 1998, the Company had outstanding commitments to originate and purchase loans totaling $22.3 million and $27.4 million, respectively, excluding undisbursed portions of loans in process. It is expected that outstanding loan commitments will be funded with existing liquid assets.

Part I. Financial Information

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

FIRST MIDWEST FINANCIAL, INC.
AND SUBSIDIARIES

GENERAL

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

The following discussion focuses on the consolidated financial condition of the Company and its subsidiaries, at December 31, 1998, compared to September 30, 1998, and the consolidated results of operations for the three months ended December 31, 1998, compared to the same period in 1998. This discussion should be read in conjunction with the Company's consolidated financial statements, and notes thereto, for the year ended September 30, 1998.

FINANCIAL CONDITION

Total assets increased by $55.1 million, or 13.2%, from $418.4 million at September 30, 1998, to $473.5 million at December 31, 1998. The increase was primarily attributable to an increase in the Company's balance of securities available for sale.

Cash and cash equivalents increased $527,000, or 7.8%, to $7.3 million at December 31, 1998, from $6.7 million at September 30, 1998. The increase was due primarily to the accumulation of liquid funds from repayments of loans receivable during the period.

The portfolio of securities available for sale increased $58.0 million, or 48.1%, to $178.6 million at December 31, 1998, from $120.6 million at September 30, 1998. The increase was the result of securities purchased during the period in an amount greater than sales, maturities and principal repayments received on securities. Securities purchased during the period consist primarily of fixed-rate mortgage-backed securities, and were funded by advances from the Federal Home Loan Bank of Des Moines and through internal deposit growth.

The portfolio of net loans receivable decreased by $3.9 million, or 1.4%, to $266.4 million at December 31, 1998, from $270.3 million at September 30, 1998. The decrease in loans receivable was due to decreases in residential mortgage loans, consumer loans, commercial business loans and agricultural loans in the amounts of $1.6 million, $1.1 million, $220,000, and $4.1 million, respectively. The decrease in residential mortgage loans and consumer loans was primarily due to prepayments of principal as a result of the relatively low interest rate environment. The reduction in agricultural loans was primarily due to seasonal repayment of loans used in agricultural operations. The decrease in the loan portfolio was partially offset by an increase in commercial and multi-family real estate loans in the amount of $3.3 million.

Deposit balances increased by $9.6 million, or 3.4%, to $293.5 million at December 31, 1998, from $283.9 million at September 30, 1998. The increase in deposit balances resulted from increases in checking accounts and money market accounts, which increased by $5.6 million and $8.0 million, respectively. This increase resulted from the Company's promotional emphasis on transaction accounts that generally carry a lower interest cost. The increase was partially offset by a decrease in savings accounts and certificates of deposit in the amount of $786,000 and $3.2 million, respectively.

The balance in advances from the Federal Home Loan Bank of Des Moines (FHLB) increased by $47.1 million, or 55.2%, to $132.4 million at December 31, 1998 from $85.3 million at September 30, 1998. The increase in FHLB advances was primarily used to fund the purchase of available for sale securities.

Other borrowings, consisting of short-term borrowings from the Federal Reserve Bank, decreased $350,000, or 63.6%, to $200,000 at December 31, 1998 from $550,000 at September 30, 1998. The reduction was due to repayment on these short-term borrowings used primarily to fund seasonal loans to agricultural customers.

Total shareholders' equity decreased $632,000, or 1.5%, to $41.7 million at December 31, 1998 from $42.3 million at September 30, 1998. The decrease in shareholder's equity was due to the purchase of treasury stock and the payment of cash dividends to shareholders in amounts that exceeded net earnings during the period.

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.

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 December 31, 1998. At December 31, 1998, loans delinquent 30 days and over totaled 3.3% of total loans as compared to 6.2% at September 30, 1998.

	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	18	$ 809	0.95%	6	$ 305	0.36%	18	$ 669	0.79%
Commercial and multi-family	2	1,041	1.33	3	1,400	1.79	3	1,577	2.02
Agricultural real estate ..	2	70	0.69	0	0	0.00	0	0	0.00
Consumer	69	443	1.76	20	183	0.73	43	302	1.20
Agricultural operating	25	629	1.87	0	0	0.00	25	788	2.35
Commercial business	9	326	1.53	7	318	1.49	17	321	1.50
Total	125	$3,318	1.19%	36	$2,206	0.79%	106	$3,657	1.31%

At December 31, 1998, commercial and multi-family real estate loans delinquent 90 days and over totaled $1.6 million, or 0.6% of the total loan portfolio as compared to $4.6 million, or 1.6% of total loans at September 30, 1998. 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. The majority of the Company's delinquent commercial and multi-family real estate loans have been purchased as participations with other lenders, are serviced by other lenders and are secured by properties outside the Company's primary market area. These loans are being closely monitored by management, however, there can be no assurance that all loans will be fully collectible.

At December 31, 1998, agricultural operating loans delinquent 90 days and over totaled $788,000, or 0.3% of the total loan portfolio as compared to $1.7 million, or 0.6% of total loans at September 30, 1998. 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. Foreclosed assets include assets acquired in settlement of loans.

	December 31, 1998	September 30, 1998
	(Dollars in Thousands)	
Non-accruing loans:		
One-to four family	$ 669	$ 298
Commercial and multi-family	1,577	777
Consumer	303	142
Agricultural operating	788	1,738
Commercial business	321	209
Total non-accruing loans	3,658	3,164
Accruing loans delinquent 90 days or more	--	3,905
Total non-performing loans	3,658	7,069
Foreclosed assets:		
One- to four family	115	19
Commercial real estate	--	1,324
Consumer	38	19
Total	153	1,362
Less: Allowance for losses	--	299
Total	153	1,063
Total non-performing assets	$3,811	$8,132
Total as a percentage of total assets	0.80%	1.94%

For the three months ended December 31, 1998, gross interest income which would have been recorded had the non-accruing loans been current in accordance with their original terms amounted to approximately $111,000, of which none was included in interest income.

Other Loans of Concern. At December 31, 1998, there were loans totaling $4.6 million not included in the table above where known information about 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 nine one- to four-family residential real estate loans totaling $282,000, one commercial real estate loan totaling $55,000, nine commercial business loans totaling $451,000, twelve consumer loans totaling $85,000, and thirty-one agricultural operating loans totaling $3.7 million. At September 30, 1998, other loans of concern totaled $3.9 million.

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, who 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, 1998, the Company had classified a total of $6.8 million of its assets as substandard, $1.1 million as doubtful and none as loss as compared to classifications at September 30, 1998 of $6.4 million substandard, $835,000 doubtful and none as loss.

Allowance for Loan Losses. The Company establishes its provision for possible loan losses, and evaluates the adequacy of its allowance for loan losses based upon a systematic methodology consisting of a number of factors including, among others, historic loss experience, the overall level of non-performing loans, the composition of its loan portfolio and the general economic environment within which the Bank and its borrowers operate.

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.

At December 31, 1998, the Company has established an allowance for loan losses totaling $3.0 million. The allowance represents approximately 83% of the total non-performing loans at December 31, 1998.

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

	(In Thousands)
Balance, September 30, 1998	$ 2,909
Charge-offs	(118)
Recoveries	11
Additions charged to operations	243
Balance, December 31, 1998	$ 3,045

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

RESULTS OF OPERATIONS

General. For the three months ended December 31, 1998, the Company recorded net income of $909,000 compared to net income of $989,000 for the same period in 1997. The decrease in net income was due primarily to increased charges to provision for loan losses during the 1998 period as compared to 1997. In addition, the Company recorded higher gains on sales of securities available for sale during the 1997 period.

Interest and Dividend Income. Total interest and dividend income for the three months ended December 31, 1998 increased by $866,000, or 11.0%, to $8.76 million, compared to $7.90 million during the same period in 1997. The increase is due to higher balances in interest earning assets during the 1998 period compared to the previous year, primarily as a result of increased purchases of securities available for sale and, to a lesser extent, the increased origination and purchase of loans.

Interest Expense. Total interest expense for the three months ended December 31, 1998 increased by $630,000, or 13.4%, to $5.34 million from $4.71 million during the same period in 1997. The increase in interest expense reflects a higher balance in deposit accounts during the 1998 periods due to internal growth of the deposit portfolio. In addition, the increase in interest expense for 1998 reflects an increased balance of Federal Home Loan Bank advances used primarily to fund the purchase of securities available for sale.

Net Interest Income. Net interest income increased by $237,000, or 7.4%, to $3.42 million for the three months ended December 31, 1998 from $3.18 million for the same period in 1997. The increase in net interest income is due to the overall increase in net earning assets between the comparable periods that resulted from increases in average balances held in the loan portfolio and the portfolio of securities available for sale.

Provision for Loan Losses. For the three month period ended December 31, 1998, the provision for loan losses was $243,000 compared to $35,000 for the same period in 1997. The increase was due to management's determination that the allowance for loan losses should be increased to reflect changes in the level of classified assets and the composition of the loan portfolio (see "Allowance for Loan Losses").

Non-Interest Income. Non-interest income decreased by $41,000, or 8.4%, to $448,000 for the three months ended December 31, 1998, from $489,000 for the same period in 1997. The decrease in non-interest income reflects a $92,000 reduction in the gain on sales of securities available for sale during the 1998 period as compared to 1997. This decrease was partially offset by an increase in the collection of loan fees and deposit account service charges and, in addition, an increase in the gain on sales of foreclosed real estate.

Non-Interest Expense. Non-interest expense increased $153,000, or 7.8%, to $2.11 million for the three months ended December 31, 1998, from $1.95 million for the same period in 1997. The increase in non-interest expense is due primarily to recruitment, compensation, and benefits expense related to additions to the Company's staff of officers and employees. The additions to staff reflect the Company's previous growth and enhances the level of expertise available to support continued growth in the future.

Income Tax Expense. Income tax expense decreased $85,000, or 12.2%, to $608,000 for the three months ended December 31, 1998, from $693,000 for the same period in 1997. The decrease is due to a reduction in 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.

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, government 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 at December 31, 1998 and September 30, 1998, were 21.7% and 15.4%, respectively.

The Company uses its capital resources principally to meet ongoing commitments to fund maturing certificates of deposits and loan commitments, to maintain liquidity and to meet operating expenses. At December 31, 1998, the Company had commitments to originate and purchase loans totalling $22.3 million. The Company believes that loan repayment and other sources of funds will be adequate to meet its foreseeable short- and long-term liquidity needs.

Regulations require First Federal to maintain minimum amounts and ratios of tangible capital and leverage capital to average assets, and risk-based capital to risk-weighted assets. The following table sets forth First Federal's actual capital and required capital amounts and ratios at December 31, 1998 which, at that date, exceeded the capital adequacy requirements:

	Actual		Minimum Requirement For Capital Adequacy Purposes		Minimum Requirement To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	%	Amount	%	Amount	%
			(Dollars in Thousands)			
Total Capital (to risk weighted assets)	$33,364	12.5%	$21,305	8.0%	$26,632	10.0%
Tier I (Core) Capital (to risk weighted assets)	$30,653	11.5%	$10,653	4.0%	$15,979	6.0%
Tier I (Core) Capital (to adjusted total assets)	$30,653	7.2%	$12,854	3.0%	N/A	N/A
Tangible Capital (to adjusted total assets)	$30,653	7.2%	$ 6,427	1.5%	N/A	N/A
Tier I (Core) Capital (to average assets)	$30,653	7.5%	$16,353	4.0%	$20,442	5.0%

Regulations require Security to maintain minimum amounts and ratios of total risk-based capital and Tier 1 capital to risk-weighted assets and a leverage ratio consisting of Tier 1 capital to average assets. The following table sets forth Security's actual capital and required capital amounts and ratios at December 31, 1998 which, at that date, exceeded the capital adequacy requirements:

	Actual		Minimum Requirement For Capital Adequacy Purposes		Minimum Requirement To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	%	Amount	%	Amount	%
			(Dollars in Thousands)			
Total Capital (to risk weighted assets)	$3,858	16.2%	$1,902	8.0%	$2,379	10.0%
Tier I Capital (to risk weighted assets)	$3,561	15.0%	$ 951	4.0%	$1,427	6.0%
Tier I Capital (to average assets)	$3,561	9.6%	$1,483	4.0%	$1,854	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, 1998, First Federal and Security exceeded minimum requirements for the well-capitalized category.

The Year 2000 Issue

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 is providing users of the system the opportunity to test the system for readiness.

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 requested or already received certification letters from these vendors that their systems will be Year 2000 ready on a timely basis. Testing will be 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 cost of the remediation effort to make its systems Year 2000 ready will not be material. Such costs will be charged to expense as they are incurred.

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.

Part I. Financial Information

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 which 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 levels 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 which is acceptable given certain interest rate changes.

Presented below, as of December 31, 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 declines due both to the rate increase and the related slowing of prepayments. When rates decline, the Company does not experience a significant rise in market value for these loans 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.

	At December 31, 1998		
Change in Interest Rate (Basis Points)	Board Limit % Change	$ Change	% Change
	(Dollars in Thousands)		
+200 bp	(40)%	$ (2,613)	(6.6)%
+100 bp	(25)	(924)	(2.3)
0 bp	-	-	-
- 100 bp	(10)	(31)	(0.1)
- 200 bp	(15)	(710)	(1.8)

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.

FIRST MIDWEST FINANCIAL, INC.

PART II - OTHER INFORMATION

FORM 10-Q

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits: None

(b) Reports on Form 8-K:

First Midwest Financial, Inc. filed Form 8-K dated November 23, 1998 to report an increase in the Company's regular quarterly cash dividend to shareholders.

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

FIRST MIDWEST FINANCIAL, INC.

SIGNATURES

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

FIRST MIDWEST FINANCIAL, INC.

Date:	*February 11, 1999*	*By:*	*/s/ James S. Haahr*
			James S. Haahr, Chairman of the Board, President and Chief Executive Officer
Date:	*February 11, 1999*	*By:*	*/s/ Donald J. Winchell*
			Donald J. Winchell, Vice President, Treasurer and Chief Financial Officer

ARTICLE 9

PERIOD TYPE	3 MOS
FISCAL YEAR END	SEP 30 1999
PERIOD END	DEC 31 1998
CASH	1,101,395
INT BEARING DEPOSITS	6,153,052
FED FUNDS SOLD	0
TRADING ASSETS	0
INVESTMENTS HELD FOR SALE	178,599,591
INVESTMENTS CARRYING	0
INVESTMENTS MARKET	0
LOANS	269,405,507
ALLOWANCE	3,045,224
TOTAL ASSETS	473,484,706
DEPOSITS	293,499,725
SHORT TERM	21,669,567
LIABILITIES OTHER	3,016,764
LONG TERM	113,645,880
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	29,580
OTHER SE	41,623,190
TOTAL LIABILITIES AND EQUITY	473,484,706
INTEREST LOAN	6,031,456
INTEREST INVEST	2,729,668
INTEREST OTHER	0
INTEREST TOTAL	8,761,124
INTEREST DEPOSIT	3,647,421
INTEREST EXPENSE	5,342,257
INTEREST INCOME NET	3,418,867
LOAN LOSSES	243,000
SECURITIES GAINS	22,110
EXPENSE OTHER	2,107,138
INCOME PRETAX	1,516,760
INCOME PRE EXTRAORDINARY	908,517
EXTRAORDINARY	0
CHANGES	0
NET INCOME	908,517
EPS PRIMARY	.37
EPS DILUTED	.36
YIELD ACTUAL	0
LOANS NON	3,657,555
LOANS PAST	0
LOANS TROUBLED	1,195,000
LOANS PROBLEM	4,580,804
ALLOWANCE OPEN	2,908,902
CHARGE OFFS	118,374
RECOVERIES	11,696
ALLOWANCE CLOSE	3,045,224
ALLOWANCE DOMESTIC	2,845,903
ALLOWANCE FOREIGN	0
ALLOWANCE UNALLOCATED	199,321

End of Filing