

First Savings Financial Group Inc
Form 10-Q
May 15, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2013

OR

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

For the transition period from _____ to _____

Commission File No. 1-34155

First Savings Financial Group, Inc.

(Exact name of registrant as specified in its charter)

Indiana **37-1567871**
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification Number)

501 East Lewis & Clark Parkway, Indiana 47129

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code 1-812-283-0724

Not applicable
(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No "

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

(Check one): Large Accelerated Filer " Accelerated Filer "

Non-accelerated Filer " Smaller Reporting Company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes
" No x

The number of shares outstanding of the registrant's common stock as of April 30, 2013 was 2,317,815.

FIRST SAVINGS FINANCIAL GROUP, INC.

INDEX

	Page
Part I Financial Information	
Item 1. Financial Statements	
Consolidated Balance Sheets as of March 31, 2013 and September 30, 2012 (unaudited)	3
Consolidated Statements of Income for the three months and six months ended March 31, 2013 and 2012 (unaudited)	4
Consolidated Statements of Comprehensive Income for the three months and six months ended March 31, 2013 and 2012 (unaudited)	5
Consolidated Statements of Changes in Stockholders' Equity for the six months ended March 31, 2013 and 2012 (unaudited)	6
Consolidated Statements of Cash Flows for the six months ended March 31, 2013 and 2012 (unaudited)	7
Notes to Consolidated Financial Statements (unaudited)	8-43
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	44-56
Item 3. Quantitative and Qualitative Disclosures About Market Risk	57-59
Item 4. Controls and Procedures	60
Part II Other Information	
Item 1. Legal Proceedings	61
Item 1A. Risk Factors	61
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	62
Item 3. Defaults Upon Senior Securities	62
Item 4. Mine Safety Disclosures	62

Item 5. Other Information	63
Item 6. Exhibits	63
Signatures	64

PART I - FINANCIAL INFORMATION**FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS***(Unaudited)*

(In thousands, except share and per share data)	March 31, 2013	September 30, 2012
ASSETS		
Cash and due from banks	\$ 14,145	\$ 27,569
Interest-bearing deposits with banks	13,359	11,222
Total cash and cash equivalents	27,504	38,791
Trading account securities, at fair value	3,851	3,562
Securities available for sale, at fair value	170,555	152,543
Securities held to maturity	7,284	7,848
Loans held for sale	618	643
Loans, net	394,691	389,067
Federal Home Loan Bank stock, at cost	5,400	5,400
Real estate development and construction	6,728	4,538
Premises and equipment	11,139	10,907
Foreclosed real estate	674	1,481
Accrued interest receivable:		
Loans	1,327	1,358
Securities	1,143	1,054
Cash surrender value of life insurance	12,736	8,548
Goodwill	7,936	7,936
Core deposit intangibles	2,241	2,413
Other assets	2,328	2,824
Total Assets	\$ 656,155	\$ 638,913
LIABILITIES		
Deposits:		
Noninterest-bearing	\$ 53,165	\$ 50,502
Interest-bearing	442,090	443,732
Total deposits	495,255	494,234
Repurchase agreements	1,332	1,329
Borrowings from Federal Home Loan Bank	65,098	53,062

Edgar Filing: First Savings Financial Group Inc - Form 10-Q

Other long-term debt	4,432	2,132
Accrued interest payable	208	236
Advance payments by borrowers for taxes and insurance	550	622
Accrued expenses and other liabilities	5,041	4,372
Total Liabilities	571,916	555,987
STOCKHOLDERS' EQUITY		
Preferred stock of \$.01 par value per share Authorized 982,880 shares; none issued	-	-
Senior Non-Cumulative Perpetual Preferred Stock, Series A, \$.01 par value; Authorized 17,120 shares; issued 17,120 shares; aggregate liquidation preference of \$17,120	-	-
Common stock of \$.01 par value per share Authorized 20,000,000 shares; issued 2,542,042 shares	25	25
Additional paid-in capital - preferred	17,120	17,120
Additional paid-in capital - common	25,220	24,901
Retained earnings - substantially restricted	40,908	39,917
Accumulated other comprehensive income	5,454	5,609
Unearned ESOP shares	(942)	(1,198)
Unearned stock compensation	(552)	(682)
Less treasury stock, at cost - 224,227 shares (212,361 shares at September 30, 2012)	(2,994)	(2,766)
Total Stockholders' Equity	84,239	82,926
Total Liabilities and Stockholders' Equity	\$ 656,155	\$ 638,913

See notes to consolidated financial statements.

PART I - FINANCIAL INFORMATION**FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME***(Unaudited)*

(In thousands, except share and per share data)	Three Months Ended March 31,		Six Months Ended March 31,	
	2013	2012	2013	2012
INTEREST INCOME				
Loans, including fees	\$5,498	\$4,961	\$10,759	\$10,134
Securities:				
Taxable	1,053	921	2,099	1,802
Tax-exempt	396	273	789	545
Dividend income	47	42	103	72
Interest-bearing deposits with banks	7	2	11	6
Total interest income	7,001	6,199	13,761	12,559
INTEREST EXPENSE				
Deposits	731	856	1,530	1,767
Repurchase agreements	1	2	3	62
Borrowings from Federal Home Loan Bank	265	265	559	536
Loans payable	13	-	13	-
Total interest expense	1,010	1,123	2,105	2,365
Net interest income	5,991	5,076	11,656	10,194
Provision for loan losses	550	270	1,002	589
Net interest income after provision for loan losses	5,441	4,806	10,654	9,605
NONINTEREST INCOME				
Service charges on deposit accounts	279	274	617	575
Net gain on sales of available for sale securities	-	-	1	-
Net gain on trading account securities	129	-	231	-
Unrealized loss on derivative contract	(1) (12) (1) (20
Net gain on sales of loans	72	39	179	73
Increase in cash surrender value of life insurance	113	72	191	149
Commission income	70	76	148	135
Real estate lease income	59	-	104	-
Other income	204	205	455	414
Total noninterest income	925	654	1,925	1,326
NONINTEREST EXPENSE				

Edgar Filing: First Savings Financial Group Inc - Form 10-Q

Compensation and benefits	2,494	2,183	5,310	4,267
Occupancy and equipment	512	437	997	935
Data processing	315	321	625	622
Advertising	111	80	216	359
Professional fees	257	228	487	410
FDIC insurance premiums	119	98	233	183
Net loss on foreclosed real estate	31	83	97	110
Other operating expenses	938	702	1,631	1,481
Total noninterest expense	4,777	4,132	9,596	8,367
Income before income taxes	1,589	1,328	2,983	2,564
Income tax expense	419	364	797	690
Net Income	\$1,170	\$964	\$2,186	\$1,874
Preferred stock dividends declared	43	43	86	85
Net Income Available to Common Shareholders	\$1,127	\$921	\$2,100	\$1,789
Net income per common share:				
Basic	\$0.52	\$0.43	\$0.97	\$0.83
Diluted	\$0.50	\$0.41	\$0.93	\$0.81
Weighted average common shares outstanding:				
Basic	2,162,863	2,156,730	2,159,464	2,155,539
Diluted	2,268,040	2,222,587	2,253,242	2,217,077
Dividends per common share	\$0.10	\$-	\$0.50	\$-

See notes to consolidated financial statements.

PART I - FINANCIAL INFORMATION**FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME***(Unaudited)*

(In thousands)	Three Months Ended March 31,		Six Months Ended March 31,	
	2013	2012	2013	2012
Net Income	\$ 1,170	\$ 964	\$ 2,186	\$ 1,874
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX				
Unrealized gains on securities available for sale:				
Unrealized holding gains (losses) arising during the period	(521)	1,055	(234)	534
Income tax expense (benefit)	177	(418)	79	(211)
Net of tax amount	(344)	637	(155)	323
Less: reclassification adjustment for realized gains included in net income	(1)	-	(1)	-
Income tax expense	1	-	1	-
Net of tax amount	-	-	-	-
Other Comprehensive Income (Loss)	(344)	637	(155)	323
Comprehensive Income	\$ 826	\$ 1,601	\$ 2,031	\$ 2,197

See notes to consolidated financial statements.

PART I - FINANCIAL INFORMATION**FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY***(Unaudited)*

(In thousands, except share and per share data)	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Unearned Stock Compensation and ESOP	Treasury Stock	Total
Balances at October 1, 2011	\$-	\$25	\$41,729	\$35,801	\$3,354	\$(2,285)	\$(2,023)	76,601
Net income	-	-	-	1,874	-	-	-	1,874
Change in unrealized gain on securities available for sale, net of reclassification adjustments and tax effect	-	-	-	-	323	-	-	323
Preferred stock dividends	-	-	-	(85)	-	-	-	(85)
Stock compensation expense	-	-	76	-	-	130	-	206
Shares released by ESOP trust	-	-	49	-	-	72	-	121
Purchase of 5,602 treasury shares	-	-	-	-	-	-	(92)	(92)
Balances at March 31, 2012	\$-	\$25	\$41,854	\$37,590	\$3,677	\$(2,083)	\$(2,115)	\$78,948
Balances at October 1, 2012	\$-	\$25	\$42,021	\$39,917	\$5,609	\$(1,880)	\$(2,766)	\$82,926
Net income	-	-	-	2,186	-	-	-	2,186
Change in unrealized gain on securities available for sale, net of reclassification adjustments and tax effect	-	-	-	-	(155)	-	-	(155)
Preferred stock dividends	-	-	-	(86)	-	-	-	(86)
Common stock dividends (\$0.50 per share)	-	-	-	(1,162)	-	-	-	(1,162)
Stock compensation expense	-	-	76	-	-	130	-	206

Edgar Filing: First Savings Financial Group Inc - Form 10-Q

Shares released by ESOP trust	-	-	243	53	-	256	-	552
Purchase of 11,866 treasury shares	-	-	-	-	-	-	(228)	(228)
Balances at March 31, 2013	\$-	\$25	\$42,340	\$40,908	\$5,454	\$(1,494)	\$(2,994)	\$84,239

See notes to consolidated financial statements.

PART I - FINANCIAL INFORMATION**FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS***(Unaudited)*

(In thousands)	Six Months Ended March 31,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$2,186	\$1,874
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	1,002	589
Depreciation and amortization	544	503
Amortization of premiums and accretion of discounts on securities, net	356	218
Increase in trading account securities	(289)	-
Loans originated for sale	(6,894)	(3,455)
Proceeds on sales of loans	7,098	3,407
Net gain on sales of loans	(179)	(73)
Net realized and unrealized (gain) loss on foreclosed real estate	(19)	20
Net gain on sales of available for sale securities	(1)	-
Unrealized loss on derivative contract	1	20
Increase in cash surrender value of life insurance	(191)	(149)
Deferred income taxes	(715)	64
ESOP and stock compensation expense	682	327
Increase in accrued interest receivable	(58)	(14)
Decrease in accrued interest payable	(28)	(123)
Change in other assets and liabilities, net	1,212	642
Net Cash Provided By Operating Activities	4,707	3,850
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of securities available for sale	(39,350)	(35,864)
Proceeds from sales of securities available for sale	801	-
Proceeds from maturities of securities available for sale	10,300	9,118
Proceeds from maturities of securities held to maturity	293	274
Principal collected on securities	9,963	10,943
Net (increase) decrease in loans	(6,275)	8
Purchase of Federal Home Loan Bank stock	-	(500)
Investment in cash surrender value of life insurance	(4,000)	-
Proceeds from life insurance	606	-
Proceeds from sale of foreclosed real estate	418	104
Investment in real estate development and construction	(2,218)	(3,251)
Purchase of premises and equipment	(576)	(254)

Edgar Filing: First Savings Financial Group Inc - Form 10-Q

Net Cash Used In Investing Activities	(30,038)	(19,422)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in deposits	1,021	22,080
Net increase (decrease) in repurchase agreements	3	(15,078)
Increase (decrease) in Federal Home Loan Bank line of credit	73	(37)
Proceeds from Federal Home Loan Bank advances	45,000	35,000
Repayment of Federal Home Loan Bank advances	(33,037)	(35,000)
Proceeds from other long-term debt	2,300	-
Net decrease in advance payments by borrowers for taxes and insurance	(72)	(15)
Purchase of treasury stock	(228)	(92)
Dividends paid on preferred stock	(86)	(158)
Dividends paid on common stock	(930)	-
Net Cash Provided By Financing Activities	14,044	6,700
Net Decrease in Cash and Cash Equivalents	(11,287)	(8,872)
Cash and cash equivalents at beginning of period	38,791	27,203
Cash and Cash Equivalents at End of Period	\$27,504	\$18,331

See notes to consolidated financial statements.

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Presentation of Interim Information

First Savings Financial Group, Inc. (the “Company”) is the thrift holding company of First Savings Bank, F.S.B. (the “Bank”), a wholly-owned subsidiary. The Bank is a federally-chartered savings bank which provides a variety of banking services to individuals and business customers through fourteen locations in southern Indiana. The Bank attracts deposits primarily from the general public and uses those funds, along with other borrowings, primarily to originate residential mortgage, commercial mortgage, construction, commercial business and consumer loans, and to a lesser extent, to invest in mortgage-backed securities and other securities.

The Bank has three-wholly owned subsidiaries: First Savings Investments, Inc., a Nevada corporation that manages a securities portfolio, FFCC, Inc., which is an Indiana corporation that participates in commercial real estate development and leasing, and Southern Indiana Financial Corporation, which is currently inactive.

In the opinion of management, the unaudited consolidated financial statements include all adjustments considered necessary to present fairly the financial position as of March 31, 2013, the results of operations for the three- and six-month periods ended March 31, 2013 and 2012, and the cash flows for the six-month periods ended March 31, 2013 and 2012. All of these adjustments are of a normal, recurring nature. Such adjustments are the only adjustments included in the unaudited consolidated financial statements. Interim results are not necessarily indicative of results for a full year.

The accompanying unaudited consolidated financial statements and notes have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial statements, conform to general practices within the banking industry and are presented as permitted by the instructions to Form 10-Q. Accordingly, they do not contain certain information included in the Company’s audited consolidated financial statements and related notes for the year ended September 30, 2012 included in the Company’s Annual Report on Form 10-K.

The unaudited consolidated financial statements include the accounts of the Company and its subsidiaries. All material intercompany balances and transactions have been eliminated in consolidation. Certain prior period amounts have been reclassified to conform with the current period presentation.

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

2. Acquisition of Branches

On July 6, 2012, the Company acquired the Indiana branch offices of Elizabethtown, Kentucky-based First Federal Savings Bank of Elizabethtown, Inc. ("First Federal"), pursuant to an Agreement to Purchase Assets and Assume Liabilities dated February 8, 2012 (the "Agreement"). Pursuant to the terms of the Agreement, the Company assumed certain deposit and other liabilities and purchased certain performing loans, real estate and other assets associated with the four First Federal banking offices. The transaction was accounted for using the purchase method of accounting.

The offices are located in Corydon, Elizabeth, Georgetown and Lanesville, Indiana. The Company has consolidated the operations of the acquired Corydon and Georgetown offices with its existing Corydon and Georgetown offices because of their close proximities. The acquisition expanded the Company's presence in Harrison and Floyd Counties, Indiana, and the Company expects to benefit from growth in this market area as well as from expansion of the banking services provided to the existing customers of First Federal.

3. Investment Securities

Agency bonds and notes, agency mortgage-backed securities and agency collateralized mortgage obligations ("CMO") include securities issued by the Government National Mortgage Association ("GNMA"), a U.S. government agency, and the Federal National Mortgage Association ("FNMA"), the Federal Home Loan Mortgage Corporation ("FHLMC") and the Federal Home Loan Bank ("FHLB"), which are U.S. government-sponsored enterprises. The Company also holds a pass-through asset-backed security guaranteed by the Small Business Administration ("SBA") representing participating interests in pools of long-term debentures issued by state and local development companies certified by the SBA. Privately-issued CMO and asset-backed securities ("ABS") are complex securities issued by non-government special-purpose entities that are collateralized by residential mortgage loans and residential home equity loans.

Investment securities have been classified according to management's intent.

Trading Account Securities

On May 31, 2012, the Company invested in a managed brokerage account that invests in small and medium lot, investment grade municipal bonds. The brokerage account is managed by an investment advisory firm registered with the U.S. Securities and Exchange Commission. At March 31, 2013 and September 30, 2012, trading account securities recorded at fair value totaled \$3.9 million and \$3.6 million, respectively, comprised of investment grade municipal bonds. During the six-months ended March 31, 2013, the Company reported net gains on trading account securities of \$231,000, including net realized gains on the sale of securities of \$245,000, partially offset by net unrealized losses on securities still held as of the balance sheet date of \$14,000. During the three months ended March 31, 2013 the Company reported net gains on trading account securities of \$129,000, including net realized gains on the sale of securities of \$135,000, partially offset by net unrealized losses on securities still held as of the balance sheet date of \$6,000.

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*(Unaudited)**Securities Available for Sale and Held to Maturity*

The amortized cost of securities available for sale and held to maturity and their approximate fair values are as follows:

	Gross Amortized Cost (In thousands)	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
March 31, 2013:				
Securities available for sale:				
Agency bonds and notes	\$17,228	\$ 74	\$ 10	\$17,292
Agency mortgage-backed	41,882	960	48	42,794
Agency CMO	26,735	250	134	26,851
Privately-issued CMO	4,088	800	-	4,888
Privately-issued ABS	5,947	2,353	36	8,264
SBA certificates	2,231	-	1	2,230
Municipal obligations	63,687	4,581	108	68,160
Subtotal – debt securities	161,798	9,018	337	170,479
Equity securities	-	76	-	76
Total securities available for sale	\$161,798	\$ 9,094	\$ 337	\$170,555
Securities held to maturity:				
Agency mortgage-backed	\$1,076	\$ 84	\$ -	\$1,160
Municipal obligations	6,208	275	-	6,483
Total securities held to maturity	\$7,284	\$ 359	\$ -	\$7,643

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

	Gross Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<i>(In thousands)</i>				
September 30, 2012:				
Securities available for sale:				
Agency bonds and notes	\$15,940	\$ 124	\$ -	\$16,064
Agency mortgage-backed	42,255	1,165	-	43,420
Agency CMO	17,186	358	3	17,541
Privately-issued CMO	4,283	1,006	-	5,289
Privately-issued ABS	5,797	1,481	51	7,227
Municipal	58,135	4,838	40	62,933
Subtotal – debt securities	143,596	8,972	94	152,474
Equity securities	-	69	-	69
Total securities available for sale	\$143,596	\$ 9,041	\$ 94	\$152,543
Securities held to maturity:				
Agency mortgage-backed	\$1,342	\$ 118	\$ -	\$1,460
Municipal obligations	6,506	348	-	6,854
Total securities held to maturity	\$7,848	\$ 466	\$ -	\$8,314

The amortized cost and fair value of investment securities as of March 31, 2013 by contractual maturity are shown below. Expected maturities of mortgage-backed securities, CMO and ABS may differ from contractual maturities because the mortgages underlying the obligations may be prepaid without penalty.

	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
<i>(In thousands)</i>				
Due within one year	\$1,078	\$1,101	\$547	\$563

Edgar Filing: First Savings Financial Group Inc - Form 10-Q

Due after one year through five years	5,004	5,068	2,293	2,373
Due after five years through ten years	17,155	17,849	2,023	2,116
Due after ten years	57,678	61,434	1,345	1,431
	80,915	85,452	6,208	6,483
Equity securities	-	76	-	-
CMO	30,823	31,739	-	-
ABS	5,947	8,264	-	-
SBA certificates	2,231	2,230	-	-
Mortgage-backed securities	41,882	42,794	1,076	1,160
	\$161,798	\$170,555	\$7,284	\$7,643

- 11 -

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Information pertaining to available for sale securities with gross unrealized losses at March 31, 2013, aggregated by investment category and the length of time that individual securities have been in a continuous loss position, follows:

	Number of Investment Positions (Dollars in thousands)	Gross Fair Value	Unrealized Losses
Securities available for sale:			
Continuous loss position less than twelve months:			
Agency bonds and notes	3	\$ 6,494	\$ 10
Agency mortgage-backed	6	8,736	48
Agency CMO	5	14,518	134
SBA certificates	1	2,230	1
Municipal obligations	11	6,565	96
Total less than twelve months	26	38,543	289
Continuous loss position more than twelve months:			
Privately-issued ABS	1	74	36
Municipal obligations	1	238	12
Total more than twelve months	2	312	48
Total securities available for sale	28	\$ 38,855	\$ 337

At March 31, 2013, the Company did not have any securities held to maturity with an unrealized loss.

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

The total available for sale debt securities in loss positions at March 31, 2013 had depreciated approximately 0.86% from the Company's amortized cost basis and are fixed and variable rate securities with a weighted-average yield of 1.70% and a weighted-average coupon rate of 3.49% at March 31, 2013.

U.S. government agency bonds and notes, mortgage-backed securities, SBA certificates and CMOs, and municipal obligations in loss positions at March 31, 2013 had depreciated approximately 0.77% from the Company's amortized cost basis as of March 31, 2013. All of the agency and municipal securities are issued by U.S. government agencies, U.S. government-sponsored enterprises and municipal governments, and are generally secured by first mortgage loans and municipal project revenues.

- 12 -

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The Company evaluates the existence of a potential credit loss component related to the decline in fair value of the privately-issued CMO and ABS portfolios each quarter using an independent third party analysis. At March 31, 2013, the Company held nineteen privately-issued CMO and ABS securities acquired in a 2009 bank acquisition with an aggregate carrying value of \$3.1 million and fair value of \$4.4 million that have been downgraded to a substandard regulatory classification due to a downgrade of the security's credit quality rating by various rating agencies.

At March 31, 2013, the one privately-issued ABS security in a loss position had depreciated approximately 32.73% from the Company's carrying value and was collateralized by residential mortgage loans. This security had a fair value of \$74,000 and an unrealized loss of \$36,000 at March 31, 2013, and was rated below investment grade by a nationally recognized statistical rating organization ("NRSRO"). Based on the independent third party analysis of the expected cash flows, management has determined that the decline in value for this security is temporary and, as a result, no other-than-temporary impairment has been recognized on the privately-issued CMO and ABS portfolios. While the Company did not recognize a credit-related impairment loss at March 31, 2013, additional deterioration in market and economic conditions may have an adverse impact on the credit quality in the future and therefore, require a credit-related impairment charge.

The unrealized losses on agency securities and municipal bonds relate principally to current interest rates for similar types of securities. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government, its agencies, or other governments, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition. As management has the ability to hold debt securities to maturity, or for the foreseeable future if classified as available for sale, no declines are deemed to be other-than-temporary.

During the six months ended March 31, 2013, the Company realized gross gains on sales of available for sale U.S. government agency notes of \$1,000.

Certain available for sale debt securities were pledged under repurchase agreements at March 31, 2013 and 2012, and may be pledged to secure federal funds borrowings and Federal Home Loan Bank ("FHLB") borrowings.

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*(Unaudited)***4. Loans and Allowance for Loan Losses**

Loans at March 31, 2013 and September 30, 2012 consisted of the following:

	March 31, 2013	September 30, 2012
	(In thousands)	
Real estate mortgage:		
1-4 family residential	\$ 186,858	\$ 190,958
Commercial	98,514	90,290
Multifamily residential	28,582	23,879
Residential construction	8,485	10,748
Commercial construction	6,315	5,182
Land and land development	12,007	12,320
Commercial business loans	35,931	36,189
Consumer:		
Home equity loans	16,976	18,294
Auto loans	7,346	8,219
Other consumer loans	3,831	4,114
Gross loans	404,845	400,193
Deferred loan origination fees and costs, net	304	382
Undisbursed portion of loans in process	(5,069)	(6,602)
Allowance for loan losses	(5,389)	(4,906)
Loans, net	\$394,691	\$ 389,067

During the six-month period ended March 31, 2013, there was no significant change in the Company's lending activities or methodology used to estimate the allowance for loan losses as disclosed in the Company's Annual Report on Form 10-K for the year ended September 30, 2012.

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The following table provides the components of the recorded investment in loans for each portfolio segment as of March 31, 2013:

	Residential Real Estate	Commercial Real Estate	Multifamily	Construction	Land & Land Development	Commercial Business	Consumer	Total
	(In thousands)							
Recorded Investment in Loans:								
Principal loan balance	\$ 186,858	\$ 98,514	\$ 28,582	\$ 9,731	\$ 12,007	\$ 35,931	\$ 28,153	\$ 399,776
Accrued interest receivable	649	304	60	24	69	130	91	1,327
Net deferred loan origination fees and costs	463	(98)	(15)	(40)	(2)	(19)	15	304
Recorded investment in loans	\$ 187,970	\$ 98,720	\$ 28,627	\$ 9,715	\$ 12,074	\$ 36,042	\$ 28,259	\$ 401,407
Recorded Investment in Loans as Evaluated for Impairment:								
Individually evaluated for impairment	\$ 6,048	\$ 1,960	\$ 2,331	\$ 174	\$ -	\$ 1,238	\$ 409	\$ 12,160
Collectively evaluated for impairment	181,234	96,564	26,296	9,541	12,074	34,804	27,815	388,328
Acquired with deteriorated credit quality	688	196	-	-	-	-	35	919
Ending balance	\$ 187,970	\$ 98,720	\$ 28,627	\$ 9,715	\$ 12,074	\$ 36,042	\$ 28,259	\$ 401,407

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The following table provides the components of the recorded investment in loans for each portfolio segment as of September 30, 2012:

	Residential Real Estate	Commercial Real Estate	Multifamily	Construction	Land & Land Development	Commercial Business	Consumer	Total
	(In thousands)							
Recorded Investment in Loans:								
Principal loan balance	\$ 190,958	\$ 90,290	\$ 23,879	\$ 9,328	\$ 12,320	\$ 36,189	\$ 30,627	\$ 393,591
Accrued interest receivable	691	305	69	21	43	128	101	1,358
Net deferred loan origination fees and costs	502	(75)	(6)	(41)	(5)	(13)	20	382
Recorded investment in loans	\$ 192,151	\$ 90,520	\$ 23,942	\$ 9,308	\$ 12,358	\$ 36,304	\$ 30,748	\$ 395,331
Recorded Investment in Loans as Evaluated for Impairment:								
Individually evaluated for impairment	\$ 5,210	\$ 1,993	\$ 2,356	\$ 174	\$ -	\$ 80	\$ 333	\$ 10,146
Collectively evaluated for impairment	186,236	88,331	21,586	9,134	12,358	36,224	30,379	384,248
Acquired with deteriorated credit quality	705	196	-	-	-	-	36	937
Ending balance	\$ 192,151	\$ 90,520	\$ 23,942	\$ 9,308	\$ 12,358	\$ 36,304	\$ 30,748	\$ 395,331

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

An analysis of the allowance for loan losses as of March 31, 2013 is as follows:

	Residential Real Estate Estate (In thousands)	Commercial Real Estate	Multifamily	Construction	Land & Land Development	Commercial Business	Consumer	Total
Ending Allowance Balance Attributable to Loans:								
Individually evaluated for impairment	\$91	\$ 1	\$ -	\$ -	\$ -	\$ 350	\$ 19	\$461
Collectively evaluated for impairment	790	2,170	328	63	43	1,314	220	4,928
Acquired with deteriorated credit quality	-	-	-	-	-	-	-	-
Ending balance	\$881	\$ 2,171	\$ 328	\$ 63	\$ 43	\$ 1,664	\$ 239	\$5,389

An analysis of the allowance for loan losses as of September 30, 2012 is as follows:

	Residential Real Estate Estate (In thousands)	Commercial Real Estate	Multifamily	Construction	Land & Land Development	Commercial Business	Consumer	Total
Ending Allowance Balance Attributable to Loans:								
Individually evaluated for impairment	\$-	\$ 60	\$ -	\$ -	\$ -	\$ -	\$ 14	\$74
Collectively evaluated for impairment	908	2,144	389	52	2	1,084	253	4,832
Acquired with deteriorated credit quality	-	-	-	-	-	-	-	-
Ending balance	\$908	\$ 2,204	\$ 389	\$ 52	\$ 2	\$ 1,084	\$ 267	\$4,906

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

An analysis of the changes in the allowance for loan losses for the three months ended March 31, 2013 is as follows:

	Residential Real Estate	Commercial Real Estate	Multifamily	Construction	Land & Land Development	Commercial Business	Consumer	Total
	(In thousands)							
Changes in Allowance for Loan								
Losses:								
Beginning balance	\$851	\$ 2,135	\$ 418	\$ 61	\$ 45	\$ 1,360	\$ 265	\$5,135
Provisions	52	36	(90)	2	(2)	573	(21)	550
Charge-offs	(33)	-	-	-	-	(270)	(22)	(325)
Recoveries	11	-	-	-	-	1	17	29
Ending balance	\$881	\$ 2,171	\$ 328	\$ 63	\$ 43	\$ 1,664	\$ 239	\$5,389

An analysis of the changes in the allowance for loan losses for the six months ended March 31, 2013 is as follows:

	Residential Real Estate	Commercial Real Estate	Multifamily	Construction	Land & Land Development	Commercial Business	Consumer	Total
	(In thousands)							
Changes in Allowance for Loan Losses:								
Beginning balance	\$ 908	\$ 2,204	\$ 389	\$ 52	\$ 2	\$ 1,084	\$ 267	\$4,906
Provisions	79	(47)	(61)	11	41	986	(7)	1,002
Charge-offs	(156)	(11)	-	-	-	(407)	(53)	(627)
Recoveries	50	25	-	-	-	1	32	108
Ending balance	\$ 881	\$ 2,171	\$ 328	\$ 63	\$ 43	\$ 1,664	\$ 239	\$5,389

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

An analysis of the changes in the allowance for loan losses for the three months ended March 31, 2012 is as follows:

	Residential Real Estate	Commercial Real Estate	Multifamily	Construction	Land & Land Development	Commercial Business	Consumer	Total
(In thousands)								
Changes in Allowance for Loan Losses:								
Beginning balance	\$932	\$ 1,418	\$ 593	\$ 56	\$ 30	\$ 1,427	\$ 247	\$4,703
Provisions	56	208	54	8	3	(48)	(11)	270
Charge-offs	(104)	(14)	-	-	-	-	(40)	(158)
Recoveries	95	-	-	-	-	-	13	108
Ending balance	\$979	\$ 1,612	\$ 647	\$ 64	\$ 33	\$ 1,379	\$ 209	\$4,923

An analysis of the changes in the allowance for loan losses for the six months ended March 31, 2012 is as follows:

	Residential Real Estate	Commercial Real Estate	Multifamily	Construction	Land & Land Development	Commercial Business	Consumer	Total
(In thousands)								
Changes in Allowance for Loan Losses:								
Beginning balance	\$833	\$ 1,314	\$ 604	\$ 56	\$ 53	\$ 1,525	\$ 287	\$4,672
Provisions	330	312	43	8	(20)	(147)	63	589
Charge-offs	(290)	(14)	-	-	-	-	(167)	(471)
Recoveries	106	-	-	-	-	1	26	133
Ending balance	\$979	\$ 1,612	\$ 647	\$ 64	\$ 33	\$ 1,379	\$ 209	\$4,923

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The following table presents impaired loans individually evaluated for impairment as of March 31, 2013 and for the three and six months ended March 31, 2013 and 2012. The Company did not recognize any interest income on impaired loans for the three and six months ended March 31, 2013 and 2012.

	At March 31, 2013			Three Months Ended March 31, 2013	2012	Six Months Ended March 31, 2013	2012
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Average Recorded Investment	Average Recorded Investment	Average Recorded Investment
	(In thousands)						
Loans with no related allowance recorded:							
Residential real estate	\$4,118	\$ 4,488	\$ -	\$ 4,922	\$ 2,706	\$ 4,710	\$ 2,999
Commercial real estate	674	704	-	868	1,121	836	1,047
Multifamily	-	-	-	-	-	-	-
Construction	174	174	-	174	174	174	174
Land and land development	-	-	-	-	340	-	340
Commercial business	712	717	-	641	49	572	33
Consumer	189	187	-	203	87	170	102
	\$5,867	\$ 6,270	\$ -	\$ 6,808	\$ 4,477	\$ 6,462	\$ 4,695
Loans with an allowance recorded:							
Residential real estate	\$144	\$ 139	\$ 39	\$ 243	\$ 149	\$ 214	\$ 158
Commercial real estate	196	196	1	147	238	147	237
Multifamily	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-
Land and land development	-	-	-	-	-	-	-
Commercial business	506	494	350	370	-	247	-
Consumer	63	63	5	82	90	83	87
	\$909	\$ 892	\$ 395	\$ 842	\$ 477	\$ 691	\$ 482
Total:							
Residential real estate	\$4,262	\$ 4,627	\$ 39	\$ 5,165	\$ 2,855	\$ 4,924	\$ 3,157
Commercial real estate	870	900	1	1,015	1,359	983	1,284

Edgar Filing: First Savings Financial Group Inc - Form 10-Q

Multifamily	-	-	-	-	-	-	-
Construction	174	174	-	174	174	174	174
Land and land development	-	-	-	-	340	-	340
Commercial business	1,218	1,211	350	1,011	49	819	33
Consumer	252	250	5	285	177	253	189
	\$6,776	\$ 7,162	\$ 395	\$ 7,650	\$ 4,954	\$ 7,153	\$ 5,177

- 20 -

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The following table presents impaired loans individually evaluated for impairment as of September 30, 2012.

	Recorded Investment	Unpaid Principal Balance	Related Allowance
	(In thousands)		
Loans with no related allowance recorded:			
Residential real estate	\$2,775	\$ 3,161	\$ -
Commercial real estate	745	772	-
Multifamily	-	-	-
Construction	174	174	-
Land and land development	-	-	-
Commercial business	66	65	-
Consumer	97	99	-
	\$3,857	\$ 4,271	\$ -
Loans with an allowance recorded:			
Residential real estate	\$-	\$ -	\$ -
Commercial real estate	154	146	60
Multifamily	-	-	-
Construction	-	-	-
Land and land development	-	-	-
Commercial business	-	-	-
Consumer	78	78	14
	\$232	\$ 224	\$ 74
Total:			
Residential real estate	\$2,775	\$ 3,161	\$ -
Commercial real estate	899	918	60
Multifamily	-	-	-
Construction	174	174	-
Land and land development	-	-	-
Commercial business	66	65	-
Consumer	175	177	14

\$4,089 \$ 4,495 \$ 74

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Nonperforming loans consists of nonaccrual loans and loans over 90 days past due and still accruing interest. The following table presents the recorded investment in nonperforming loans at March 31, 2013:

	Nonaccrual Loans	Loans 90+ Days Past Due Still Accruing	Total Nonperforming Loans
(In thousands)			
Residential real estate	\$4,262	\$ 421	\$ 4,683
Commercial real estate	870	303	1,173
Multifamily	-	-	-
Construction	174	-	174
Land and land development	-	-	-
Commercial business	1,218	236	1,454
Consumer	252	2	254
Total	\$6,776	\$ 962	\$ 7,738

The following table presents the recorded investment in nonperforming loans at September 30, 2012:

	Nonaccrual Loans	Loans 90+ Days Past Due Still Accruing	Total Nonperforming Loans
(In thousands)			
Residential real estate	\$2,775	\$ 1,548	\$ 4,323
Commercial real estate	899	3	902
Multifamily	-	-	-
Construction	174	-	174
Land and land development	-	-	-
Commercial business	66	98	164
Consumer	175	94	269

Edgar Filing: First Savings Financial Group Inc - Form 10-Q

Total	\$4,089	\$ 1,743	\$ 5,832
-------	---------	----------	----------

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The following table presents the aging of the recorded investment in past due loans at March 31, 2013:

	30-59 Days Past Due (In thousands)	60-89 Days Past Due	90 + Days Past Due	Total Past Due	Current	Total Loans
Residential real estate	\$4,664	\$ 198	\$ 3,646	\$ 8,508	\$179,462	\$187,970
Commercial real estate	1,552	2,168	1,106	4,826	93,894	98,720
Multifamily	-	607	-	607	28,020	28,627
Construction	-	-	-	-	9,715	9,715
Land and land development	12	1,564	-	1,576	10,498	12,074
Commercial business	381	281	653	1,315	34,727	36,042
Consumer	282	47	143	472	27,787	28,259
Total	\$6,891	\$ 4,865	\$ 5,548	\$ 17,304	\$384,103	\$401,407

The following table presents the aging of the recorded investment in past due loans at September 30, 2012:

	30-59 Days Past Due (In thousands)	60-89 Days Past Due	90 + Days Past Due	Total Past Due	Current	Total Loans
Residential real estate	\$4,636	\$ 1,926	\$ 3,754	\$ 10,316	\$181,835	\$192,151
Commercial real estate	20	90	833	943	89,577	90,520
Multifamily	-	-	-	-	23,942	23,942
Construction	-	-	-	-	9,308	9,308
Land and land development	51	-	-	51	12,307	12,358
Commercial business	109	-	164	273	36,031	36,304
Consumer	286	98	174	558	30,190	30,748
Total	\$5,102	\$ 2,114	\$ 4,925	\$ 12,141	\$383,190	\$395,331

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, public information, historical payment experience, credit documentation, and current economic trends, among other factors. The Company classifies loans based on credit risk at least quarterly. The Company uses the following regulatory definitions for risk ratings:

Special Mention: Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

Substandard: Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Doubtful: Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loss: Loans classified as loss are considered uncollectible and of such little value that their continuance on the Company's books as an asset is not warranted.

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered to be pass rated loans. As of March 31, 2013, and based on the most recent analysis performed, the recorded investment in loans by risk category was as follows:

	Residential Real Estate (In thousands)	Commercial Real Estate	Multifamily	Construction	Land and Land Development	Commercial Business	Consumer	Total
Pass	\$174,279	\$92,076	\$28,020	\$9,715	\$9,604	\$32,895	\$27,596	\$374,185
Special Mention	3,027	1,636	-	-	906	27	60	5,656
Substandard	10,015	4,528	607	-	1,564	2,826	543	20,083
Doubtful	649	480	-	-	-	294	60	1,483
Loss	-	-	-	-	-	-	-	-
Total	\$187,970	\$98,720	\$28,627	\$9,715	\$12,074	\$36,042	\$28,259	\$401,407

As of September 30, 2012, the recorded investment in loans by risk category was as follows:

	Residential Real Estate (In thousands)	Commercial Real Estate	Multifamily	Construction	Land and Land Development	Commercial Business	Consumer	Total
Pass	\$175,694	\$85,439	\$21,268	\$9,308	\$11,942	\$32,687	\$29,993	\$366,331
Special Mention	4,919	2,642	318	-	416	2,158	142	10,595
Substandard	11,130	1,805	2,356	-	-	1,459	600	17,350
Doubtful	408	634	-	-	-	-	13	1,055
Loss	-	-	-	-	-	-	-	-
Total	\$192,151	\$90,520	\$23,942	\$9,308	\$12,358	\$36,304	\$30,748	\$395,331

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Modification of a loan is considered to be a troubled debt restructuring (“TDR”) if the debtor is experiencing financial difficulties and the Company grants a concession to the debtor that it would not otherwise consider. By granting the concession, the Company expects to obtain more cash or other value from the debtor, or to increase the probability of receipt, than would be expected by not granting the concession. The concession may include, but is not limited to, reduction of the stated interest rate of the loan, reduction of accrued interest, extension of the maturity date or reduction of the face amount or maturity amount of the debt. A concession will be granted when, as a result of the restructuring, the Company does not expect to collect all amounts due, including interest at the original stated rate. A concession may also be granted if the debtor is not able to access funds elsewhere at a market rate for debt with similar risk characteristics as the restructured debt. The Company’s determination of whether a loan modification is a TDR considers the individual facts and circumstances surrounding each modification.

Loans modified in a TDR may be retained in accrual status if the borrower has maintained a period of performance in which the borrower’s lending relationship was not greater than ninety days delinquent at the time of restructuring and the Company determines the future collection of principal and interest is reasonably assured. Loans modified in a TDR that are placed on nonaccrual status at the time of restructuring will continue in nonaccrual status until the Company determines the future collection of principal and interest is reasonably assured, which generally requires that the borrower demonstrate a period of performance according to the restructured terms of at least six consecutive months.

The following table summarizes the Company’s recorded investment in TDRs by class of loan and accrual status at March 31, 2013 and September 30, 2012:

	Accruing	Nonaccrual	Total	Related Allowance For Loan Losses
	(In thousands)			
March 31, 2013:				
Residential real estate	\$ 2,209	\$ 784	\$2,993	\$ 53
Commercial real estate	1,286	-	1,286	-
Multifamily	2,331	-	2,331	-
Commercial business	20	14	34	-
Consumer	157	-	157	14

Edgar Filing: First Savings Financial Group Inc - Form 10-Q

Total	\$ 6,003	\$ 798	\$6,801	\$ 67
September 30, 2012:				
Residential real estate	\$ 2,993	\$ -	\$2,993	\$ -
Commercial real estate	1,290	-	1,290	-
Multifamily	2,356	-	2,356	-
Commercial business	14	-	14	-
Consumer	158	-	158	-
Total	\$ 6,811	\$ -	\$6,811	\$ -

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The following table summarizes information in regard to TDRs that were restructured during the three- and six-month periods ended March 31, 2013 and 2012:

	Pre- Number of Loans Modification Principal Balance (In thousands)	Post- Modification Principal Balance
March 31, 2013:		
Three Months Ended March 31, 2013:		
Residential real estate	1 \$ 127	\$ 127
Commercial business	1 18	20
Consumer	1 5	5
Total	3 \$ 150	\$ 152
Six Months Ended March 31, 2013:		
Residential real estate	2 \$ 143	\$ 143
Commercial business	1 18	20
Consumer	1 5	5
Total	4 \$ 166	\$ 168
March 31, 2012:		
Three Months Ended March 31, 2012:		
Residential real estate	5 \$ 593	\$ 603
Commercial real estate	1 772	506
Multifamily	1 1,797	2,313
Total	7 \$ 3,162	\$ 3,422
Six Months Ended March 31, 2012:		
Residential real estate	7 \$ 790	\$ 789
Commercial real estate	1 772	506
Multifamily	1 1,797	2,313

Edgar Filing: First Savings Financial Group Inc - Form 10-Q

Total	9	\$ 3,359	\$ 3,608
-------	---	----------	----------

For the TDRs listed above, the terms of modification included reduction of the state interest rate and extension of the maturity date where the debtor was unable to access funds elsewhere at a market interest rate for debt with similar risk characteristics.

The Company had not committed to lend any additional amounts as of March 31, 2013 and September 30, 2012 to customers with outstanding loans classified as TDRs.

During the three and six-month periods ended March 31, 2013, the Company had two TDRs totaling \$143,000 that were modified within the previous twelve months for which there was a payment default (defined as more than 90 days past due). These loans were on nonaccrual status as of March 31, 2013. During the six-month period ended March 31, 2012, the Company had one TDR with a balance of \$262,000 that was modified within the previous twelve months for which there was a payment default. The Company recognized a net charge-off of \$42,000 for this TDR during the three-month period ended March 31, 2012.

- 27 -

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

5. Real Estate Development and Construction

On March 22, 2011, the Company acquired a parcel of land in New Albany, Indiana for \$2.97 million. On April 5, 2012, the Bank received approval from the Office of the Comptroller of the Currency (“OCC”) to develop the land for retail purposes through its subsidiary, FFCC. On July 27, 2012, the Company transferred ownership of the property to FFCC. The retail development will include a future branch office location of the Bank, which is expected to open in July 2013. The total cost of the development is expected to be approximately \$7.8 million, including the \$6.7 million paid as of March 31, 2013. The development costs will be partially funded by a loan from another financial institution. The loan has a maximum commitment of \$5.0 million and FFCC had borrowed \$4.4 million under the loan as of March 31, 2013. The development is partially completed with two tenants that have commenced occupancy as of March 31, 2013 and it is expected to be fully completed by July 31, 2013.

Development and construction period interest of \$20,000 and \$42,000 was capitalized as part of the real estate carrying value during the three and six months ended March 31, 2013, respectively.

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

6. Supplemental Disclosure for Earnings Per Share

When presented, basic earnings per share are computed by dividing income available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity. Earnings per share information is presented below for the three-month and six-month periods ended March 31, 2013 and 2012.

	Three Months Ended March 31,		Six Months Ended March 31,	
	2013	2012	2013	2012
	(Dollars in thousands, except per share data)			
Basic:				
Earnings:				
Net income	\$1,170	\$964	\$2,186	\$1,874
Less: Preferred stock dividends declared	(43)	(43)	(86)	(85)
Net income available to common shareholders	\$1,127	\$921	\$2,100	\$1,789
Shares:				
Weighted average common shares outstanding	2,162,863	2,156,730	2,159,464	2,155,539
Net income per common share, basic	\$0.52	\$0.43	\$0.97	\$0.83
Diluted:				
Earnings:				
Net income	\$1,170	\$964	\$2,186	\$1,874
Less: Preferred stock dividends declared	(43)	(43)	(86)	(85)
Net income available to common shareholders	\$1,127	\$921	\$2,100	\$1,789
Shares:				
Weighted average common shares outstanding	2,162,863	2,156,730	2,159,464	2,155,539
Add: Dilutive effect of outstanding options	85,821	48,435	76,519	45,759
Add: Dilutive effect of restricted stock	19,356	17,422	17,259	15,779

Edgar Filing: First Savings Financial Group Inc - Form 10-Q

Weighted average common shares outstanding as adjusted	2,268,040	2,222,586	2,253,242	2,217,077
Net income per common share, diluted	\$0.50	\$0.41	\$0.93	\$0.81

Unearned ESOP and nonvested restricted Unearned ESOP and nonvested restricted stock shares are not considered as outstanding for purposes of computing weighted average common shares outstanding.

- 29 -

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*(Unaudited)***7. Supplemental Disclosures of Cash Flow Information**

	Six Months Ended March 31, 2013 2012 <i>(In thousands)</i>	
Cash payments for:		
Interest	\$2,451	\$2,764
Taxes	100	199
Transfers from loans to foreclosed real estate	247	787
Proceeds from sales of foreclosed real estate financed through loans	655	647

8. Fair Value Measurements and Disclosures about Fair Value of Financial Instruments

Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 820, *Fair Value Measurements*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC Topic 820 are described as follows:

Level 1: Inputs to the valuation methodology are quoted prices, unadjusted, for identical assets or liabilities in active markets. A quoted market price in an active market provides the most reliable evidence of fair value and shall be used to measure fair value whenever available.

Level 2: Inputs to the valuation methodology include quoted market prices for similar assets or liabilities in active markets; inputs to the valuation methodology include quoted market prices for identical or similar assets or liabilities in markets that are not active; or inputs to the valuation methodology that are derived principally from or can be corroborated by observable market data by correlation or other means.

Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Level 3 Level assets and liabilities include financial instruments whose value is determined using discounted cash flow methodologies, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

A description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below. These valuation methodologies were applied to all of the Company's financial assets carried at fair value or the lower of cost or fair value. The table below presents the balances of financial assets measured at fair value on a recurring and nonrecurring basis as of March 31, 2013 and September 30, 2012. The Company had no liabilities measured at fair value as of March 31, 2013 or September 30, 2012.

- 30 -

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

	Carrying Value			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
March 31, 2013:				
Assets Measured - Recurring Basis:				
Trading account securities	\$-	\$3,851	\$-	\$3,851
Securities available for sale:				
Agency bonds and notes	\$-	\$17,292	\$-	\$17,292
Agency mortgage-backed	-	42,794	-	42,794
Agency CMO	-	26,851	-	26,851
Privately-issued CMO	-	4,888	-	4,888
Privately-issued ABS	-	8,264	-	8,264
SBA	-	2,230	-	2,230
Municipal	-	68,160	-	68,160
Equity securities	76	-	-	76
Total securities available for sale	\$76	\$170,479	\$-	\$170,555
Interest rate cap contract	\$-	\$10	\$-	\$10
Assets Measured - Nonrecurring Basis:				
Impaired loans:				
Residential real estate	\$-	\$-	\$4,223	\$4,223
Commercial real estate	-	-	869	869
Construction	-	-	174	174
Commercial business	-	-	868	868
Consumer	-	-	247	247
Total impaired loans	\$-	\$-	\$6,381	\$6,381
Loans held for sale	\$-	\$618	\$-	\$618
Foreclosed real estate:				
Residential real estate	\$-	\$-	\$308	\$308
Commercial real estate	-	-	339	339
Land and land development	-	-	27	27
Total foreclosed real estate	\$-	\$-	\$674	\$674

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

	Carrying Value			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
September 30, 2012:				
Assets Measured - Recurring Basis:				
Trading account securities	\$-	\$3,562	\$-	\$3,562
Securities available for sale:				
Agency bonds and notes	\$-	\$16,064	\$-	\$16,064
Agency mortgage-backed	-	43,420	-	43,420
Agency CMO	-	17,541	-	17,541
Privately-issued CMO	-	5,289	-	5,289
Privately-issued ABS	-	7,227	-	7,227
Municipal	-	62,933	-	62,933
Equity securities	69	-	-	69
Total securities available for sale	\$69	\$152,474	\$-	\$152,543
Interest rate cap contract	\$-	\$11	\$-	\$11
Assets Measured - Nonrecurring Basis:				
Impaired loans:				
Residential real estate	\$-	\$-	\$2,775	\$2,775
Commercial real estate	-	-	839	839
Construction	-	-	174	174
Commercial business	-	-	66	66
Consumer	-	-	161	161
Total impaired loans	\$-	\$-	\$4,015	\$4,015
Loans held for sale	\$-	\$643	\$-	\$643
Foreclosed real estate:				
Residential real estate	\$-	\$-	\$487	\$487
Commercial real estate	-	-	231	231
Multifamily	-	-	357	357
Land and land development	-	-	406	406
Total foreclosed real estate	\$-	\$-	\$1,481	\$1,481

Fair value is based upon quoted market prices where available. If quoted market prices are not available, fair value is based on internally developed models or obtained from third parties that primarily use, as inputs, observable

market-based parameters or a matrix pricing model that employs the Bond Market Association's standard calculations for cash flow and price/yield analysis and observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value, or the lower of cost or fair value. These adjustments may include unobservable parameters. Any such valuation adjustments have been applied consistently over time.

- 32 -

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The Company's valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While management believes the Company's valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. There were no changes in the valuation techniques and related inputs used for assets measured at fair value during the six-month periods ended March 31, 2013 and 2012.

Trading Account Securities and Securities Available for Sale. Securities classified as trading and available for sale are reported at fair value on a recurring basis. These securities are classified as Level 1 of the valuation hierarchy where quoted market prices from reputable third-party brokers are available in an active market. If quoted market prices are not available, the Company obtains fair value measurements from an independent pricing service. These securities are reported using Level 2 inputs and the fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, U.S. government and agency yield curves, live trading levels, trade execution data, market consensus prepayment speeds, credit information, and the security's terms and conditions, among other factors. Changes in fair value of trading account securities are reported in noninterest income. Changes in fair value of securities available for sale are recorded in other comprehensive income, net of income tax effect.

Derivative Financial Instruments. Derivative financial instruments consist of an interest rate cap contract. As such, significant fair value inputs can generally be verified by counterparties and do not involve significant management judgments (Level 2 inputs).

Impaired Loans. Impaired loans are reviewed and evaluated on at least a quarterly basis for additional impairment and adjusted accordingly. The fair value of impaired loans is classified as Level 3 in the fair value hierarchy.

Impaired loans are measured at the present value of estimated future cash flows using the loan's effective interest rate or the fair value of the collateral if the loan is a collateral-dependent loan. Collateral may be real estate and/or business assets, including equipment, inventory and/or accounts receivable, and its fair value is generally determined based on real estate appraisals or other independent evaluations by qualified professionals. The appraisals are then discounted to reflect management's estimate of the fair value of the collateral given the current market conditions and the condition of the collateral. At March 31, 2013, the significant unobservable inputs used in the fair value measurement of impaired loans included a discount from appraised value ranging from 0.0% to 15.0% and estimated costs to sell the collateral ranging from 0.0% to 6.0%. During the three- and six-month periods ended March 31, 2013, the

Company recognized provisions for loan losses of \$390,000 and \$416,000, respectively, for impaired loans.

Loans Held for Sale. Loans held for sale are carried at the lower of cost or market value. The portfolio comprised of residential real estate loans and fair value is based on specific prices of underlying contracts for sales to investors. These measurements are carried at Level 2.

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Foreclosed Real Estate. Foreclosed real estate held for sale is reviewed and evaluated on at least a quarterly basis for additional impairment and adjusted accordingly. Fair value of foreclosed real estate held for sale is classified as Level 3 in the fair value hierarchy.

Foreclosed real estate held for sale is reported at fair value less estimated costs to dispose of the property. The fair values are determined by real estate appraisals which are then discounted to reflect management's estimate of the fair value of the property given current market conditions and the condition of the collateral. At March 31, 2013, the significant unobservable inputs used in the fair value measurement of foreclosed real estate held for sale included a discount from appraised value ranging from 0.0% to 15.0% and estimated costs to sell the property ranging from 0.0% to 6.0%. The Company recognized charges of \$71,000 and \$18,000 to write down foreclosed real estate held for sale to fair value for the six months ended March 31, 2013 and 2012, respectively.

Transfers Between Categories. There were no transfers into or out of the Company's Level 3 financial assets for the six-month periods ended March 31, 2013 and 2012. In addition, there were no transfers into or out of Levels 1 and 2 of the fair value hierarchy during the six-month periods ended March 31, 2013 and 2012.

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

GAAP requires disclosure of fair value information about financial instruments for interim reporting periods, whether or not recognized in the consolidated balance sheet. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instruments. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company. The carrying amounts and estimated fair values of the Company's financial instruments are as follows:

March 31, 2013:	Carrying Amount	Fair Value Measurements Using:		
		Level 1	Level 2	Level 3
	(In thousands)			
Financial assets:				
Cash and due from banks	\$14,145	\$14,145	\$-	\$-
Interest-bearing deposits with banks	13,359	13,359	-	-
Trading account securities	3,851	-	3,851	-
Securities available for sale	170,555	76	170,479	-
Securities held to maturity	7,284	-	7,643	-
Loans, net	394,691	-	-	401,281
Loans held for sale	618	-	618	-
Federal Home Loan Bank stock	5,400	-	5,400	-
Accrued interest receivable	2,470	-	2,470	-
Financial liabilities:				
Deposits	495,255	-	-	489,768
Short-term repurchase agreements	1,332	-	-	1,332
Borrowings from Federal Home Loan Bank	65,098	-	65,140	-
Other long-term debt	4,432	-	4,432	-
Accrued interest payable	208	-	208	-
Advance payments by borrowers for taxes and insurance	550	-	550	-
Derivative financial instruments included in other assets:				
Interest rate cap	10	-	10	-

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

September 30, 2012:	Carrying Amount	Fair Value Measurements Using:		
		Level 1	Level 2	Level 3
	(In thousands)			
Financial assets:				
Cash and due from banks	\$27,569	\$27,569	\$-	\$-
Interest-bearing deposits with banks	11,222	11,222	-	-
Trading account securities	3,562	-	3,562	-
Securities available for sale	152,543	69	152,474	-
Securities held to maturity	7,848	-	8,314	-
Loans, net	389,067	-	-	388,790
Loans held for sale	643	-	643	-
Federal Home Loan Bank stock	5,400	-	5,400	-
Accrued interest receivable	2,412	-	2,412	-
Financial liabilities:				
Deposits	494,234	-	-	492,161
Short-term repurchase agreements	1,329	-	1,329	-
Borrowings from Federal Home Loan Bank	53,062	-	53,752	-
Other long-term debt	2,132	-	2,132	-
Accrued interest payable	236	-	236	-
Advance payments by borrowers for taxes and insurance	622	-	622	-
Derivative financial instruments included in other assets:				
Interest rate cap	11	-	11	-

The carrying amounts in the preceding tables are included in the consolidated balance sheets under the applicable captions. The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate that value:

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Cash and Cash Equivalents

For cash and short-term instruments, including cash and due from banks and interest-bearing deposits with banks, the carrying amount is a reasonable estimate of fair value.

Debt and Equity Securities

For marketable equity securities, the fair values are based on quoted market prices. For debt securities, the Company obtains fair value measurements from an independent pricing service and the fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, U.S. government and agency yield curves, live trading levels, trade execution data, market consensus prepayment speeds, credit information, and the security's terms and conditions, among other factors. For FHLB stock, a restricted equity security, the carrying amount is a reasonable estimate of fair value because it is not marketable.

Loans

The fair value of loans, excluding loans held for sale, is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and terms. Impaired loans are valued at the lower of their carrying value or fair value, as previously described. The carrying amount of accrued interest receivable approximates its fair value.

The fair value of loans held for sale is estimated based on specific prices of underlying contracts for sales to investors, as previously described.

Deposits

The fair value of demand and savings deposits and other transaction accounts is the amount payable on demand at the balance sheet date. The fair value of fixed-maturity time deposits is estimated by discounting the future cash flows using the rates currently offered for deposits with similar remaining maturities. The carrying amount of accrued interest payable approximates its fair value.

Borrowed Funds

Borrowed funds include borrowings from the FHLB, repurchase agreements and other long-term debt. Fair value for FHLB advances and long-term repurchase agreements is estimated by discounting the future cash flows at current interest rates for FHLB advances of similar maturities. For short-term repurchase agreements, FHLB line of credit borrowings and other debt, the carrying value is a reasonable estimate of fair value.

Derivative Financial Instruments

For derivative financial instruments, the fair values generally represent an estimate of the amount the Company would receive or pay upon termination of the agreement at the reporting date, taking into account the current interest rates, and exclusive of any accrued interest.

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*(Unaudited)***9. Employee Stock Ownership Plan**

On October 6, 2008, the Company established a leveraged employee stock ownership plan (“ESOP”) covering substantially all employees. The ESOP trust acquired 203,363 shares of Company common stock at a cost of \$10.00 per share financed by a term loan with the Company. The employer loan and the related interest income are not recognized in the consolidated financial statements as the debt is serviced from Company contributions. Dividends payable on allocated shares are charged to retained earnings and are satisfied by the allocation of cash dividends to participant accounts or by utilizing the dividends as additional debt service on the ESOP loan. Dividends payable on unallocated shares are not considered dividends for financial reporting purposes. Shares held by the ESOP trust are allocated to participant accounts based on the ratio of the current year principal and interest payments to the total of the current year and future years’ principal and interest to be paid on the employer loan. Compensation expense is recognized based on the average fair value of shares released for allocation to participant accounts during the year with a corresponding credit to stockholders’ equity. Compensation expense recognized for the three- and six-month periods ended March 31, 2013 and 2012 amounted to \$84,000 and \$476,000, respectively. Company common stock held by the ESOP trust at March 31, 2013 was as follows:

Allocated shares	109,182
Unearned shares	94,181
Total ESOP shares	203,363
Fair value of unearned shares	\$2,044,670

10. Stock Based Compensation Plans

The Company’s 2010 Equity Incentive Plan (“Plan”), which the Company’s shareholders approved in February 2010, provides for the award of stock options, restricted shares and performance shares. The aggregate number of shares of the Company’s common stock available for issuance under the Plan may not exceed 355,885 shares. The Company may grant both non-statutory and statutory (i.e., incentive) stock options that may not have a term exceeding ten years. An award of a performance share is a grant of a right to receive shares of the Company’s common stock contingent upon the achievement of specific performance criteria or other objectives set at the grant date. Awards granted under the Plan may be granted either alone, in addition to, or in tandem with any other award granted under the Plan. The terms of the Plan include a provision whereby all unearned options and shares become immediately exercisable and fully vested upon a change in control.

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

In April 2010, the Company funded a trust, administered by an independent trustee, which acquired 101,681 common shares in the open market at a price per share of \$13.60 for a total cost of \$1.4 million. These acquired common shares were later granted to directors, officers and key employees in the form of restricted stock in May 2010 at a price per share of \$13.25 for a total of \$1.3 million. The difference between the purchase price and grant price of the common shares issued as restricted stock, totaling \$41,000, was recognized by the Company as a reduction of additional paid in capital. The restricted stock vests ratably over a five-year period from the grant date. Compensation expense is measured based on the fair market value of the restricted stock at the grant date and is recognized ratably over the period during which the shares are earned (the vesting period). Compensation expense related to restricted stock recognized for both the three- and six-month periods ended March 31, 2013 and 2012 amounted to \$65,000 and \$130,000, respectively. A summary of the Company's nonvested restricted shares activity under the Plan as of March 31, 2013 and changes during the six-month period then ended is presented below.

	Number of Shares	Weighted Average Grant Date Fair Value
Nonvested at October 1, 2012	58,850	\$ 13.25
Granted	-	-
Vested	-	-
Forfeited	-	-
Nonvested at March 31, 2013	58,850	\$ 13.25

At March 31, 2013, there was \$552,000 of total unrecognized compensation expense related to nonvested restricted shares. The compensation expense is expected to be recognized over the remaining vesting period of 2.1 years.

In May 2010, the Company awarded 177,549 incentive and 76,655 non-statutory stock options to directors, officers and key employees. The options granted vest ratably over five years and are exercisable in whole or in part for a period up to ten years from the date of the grant. Compensation expense is measured based on the fair market value of the options at the grant date and is recognized ratably over the period during which the shares are earned (the vesting period). The weighted average fair value at the grant date for options granted in 2010 was \$3.09, as determined at the date of grant using the Binomial option pricing model.

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

A summary of stock option activity under the Plan as of March 31, 2013, and changes during the six-month period then ended is presented below.

	Number Exercise of Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
	(Dollars in thousands, except per share data)			
Outstanding at October 1, 2012	245,232	\$ 13.25		
Granted	-	-		
Exercised	-	-		
Forfeited or expired	-	-		
Outstanding at March 31, 2013	245,232	\$ 13.25	7.1	\$ 2,075
Exercisable at March 31, 2013	98,095	\$ 13.25	7.1	\$ 830

The Company recognized compensation expense related to stock options of \$38,000 and \$76,000 for both the three- and six-month periods ended March 31, 2013 and 2012, respectively. At March 31, 2013, there was \$322,000 of unrecognized compensation expense related to nonvested stock options, which will be recognized over the remaining vesting period of 2.1 years.

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

11. Preferred Stock

On August 11, 2011, the Company entered into a Securities Purchase Agreement (“Purchase Agreement”) with the United States Department of the Treasury, pursuant to which the Company issued 17,120 shares of its Senior Non-Cumulative Perpetual Preferred Stock, Series A (“Series A Preferred Stock”), having a liquidation amount per share equal to \$1,000, for a total purchase price of \$17,120,000. The Purchase Agreement was entered into, and the Series A Preferred Stock was issued, pursuant to the Small Business Lending Fund (“SBLF”) program, a \$30 billion fund established under the Small Business Jobs Act of 2010, that encourages lending to small businesses by providing Tier 1 capital to qualified community banks with assets of less than \$10 billion.

Holders of the Series A Preferred Stock are entitled to receive non-cumulative dividends, payable quarterly, on each January 1, April 1, July 1 and October 1, beginning October 1, 2011. The dividend rate, as a percentage of the liquidation amount, can fluctuate on a quarterly basis during the first ten quarters during which the Series A Preferred Stock is outstanding and may be adjusted between 1.0% and 5.0% per annum, to reflect the amount of change in the Bank’s level of Qualified Small Business Lending (“QSBL”) (as defined in the Purchase Agreement) over the baseline level calculated under the terms of the Purchase Agreement (“Baseline”). In addition to the dividend, in the event the Bank’s level of QSBL has not increased relative to the Baseline, at the beginning of the tenth calendar quarter, the Company will be subject to an additional lending incentive fee equal to 2.0% per annum. For the eleventh dividend period through the eighteenth dividend period, inclusive, and that portion of the nineteenth dividend period before, but not including, the four and one half (4½) year anniversary of the date of issuance, the dividend rate will be fixed at between 1.0% and 7.0% per annum based upon the increase in QSBL as compared to the Baseline. After four and one half (4½) years from issuance, the dividend rate will increase to nine 9.0%. Based upon the Bank’s level of QSBL over the Baseline for purposes of calculating the dividend rate for the initial dividend period, the dividend rate for the initial dividend period ended September 30, 2011 was 4.84%. The dividend rate for the seventh dividend period ended March 31, 2013 was 1.0% and the weighted average dividend rate for the six-month period ended March 31, 2013 was 1.0%.

The Series A Preferred Stock is non-voting, except in limited circumstances. In the event that the Company fails to timely make five dividend payments, whether or not consecutive, the holder of the Series A Preferred Stock will have the right, but not the obligation, to appoint a representative as an observer on the Company’s board of directors.

The Series A Preferred Stock may be redeemed at any time at the Company’s option, at a redemption price of one hundred percent (100%) of the liquidation amount plus accrued but unpaid dividends to the date of redemption for the

current period, subject to the approval of its federal banking regulator.

The Series A Preferred Stock was issued in a private placement exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, as amended. The Company has agreed to register the Series A Preferred Stock under certain circumstances set forth in the Purchase Agreement. The Series A Preferred Stock is not subject to any contractual restrictions on transfer.

- 41 -

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

12. Recent Accounting Pronouncements

The following are summaries of recently issued accounting pronouncements that impact the accounting and reporting practices of the Company:

In December 2011, the FASB issued Accounting Standards Update (“ASU”) No. 2011-11, *Balance Sheet (Topic 210)*. The update requires an entity to disclose information about offsetting and related arrangements to enable users of the financial statements to understand the effect of netting arrangements on the entity’s financial position. The scope includes derivatives, sale and repurchase agreements and reverse sale and repurchase agreements, and securities borrowing and securities lending arrangements. ASU No. 2013-01 was issued in January 2013 to address implementation issues and clarify the scope of ASU No. 2011-11. The amendments in the updates are effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods, with disclosures required by the amendments provided retrospectively for all comparative periods presented. The adoption of these updates is not expected to have any material impact on the Company’s consolidated financial position or results of operations.

In October 2012, the FASB issued ASU No. 2012-06, *Subsequent Accounting for an Indemnification Asset Recognized at the Acquisition Date as a Result of a Government-Assisted Acquisition of a Financial Institution*. The update indicates that when a reporting entity initially recognizes an indemnification asset as a result of a government-assisted acquisition of a financial institution and subsequently a change in the cash flows expected to be collected on the indemnification asset occurs, the reporting entity should subsequently account for the change in the measurement of the indemnification asset on the same basis as the change in the assets subject to indemnification. Any amortization of changes in value should be limited to the contractual term of the indemnification agreement (that is, the lesser of the term of the indemnification agreement and the remaining life of the indemnified assets). The amendments in the update are effective for fiscal years, and interim periods within those years, beginning on or after December 15, 2012, and should be applied prospectively to any new indemnification assets acquired after the date of adoption and to indemnification assets existing as of the date of adoption. Early adoption is permitted. The adoption of this update is not expected to have any material impact on the Company’s consolidated financial position or results of operations.

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

In February 2013, the FASB issued ASU No. 2013-02, *Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*. The update does not change the current requirements for reporting net income or other comprehensive income in financial statements. The amendments require an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail about those amounts. For public entities, the amendments in the update are effective prospectively for reporting periods beginning after December 15, 2012. Early adoption is permitted. The adoption of this update is not expected to have any material impact on the Company's financial position or results of operations.

FIRST SAVINGS FINANCIAL GROUP, INC.

PART I - ITEM 2

**MANAGEMENT'S DISCUSSION AND
ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS**

Safe Harbor Statement for Forward-Looking Statements

This report may contain forward-looking statements within the meaning of the federal securities laws. These statements are not historical facts; rather they are statements based on the Company's current expectations regarding its business strategies and their intended results and its future performance. Forward-looking statements are preceded by terms such as "expects," "believes," "anticipates," "intends" and similar expressions.

Forward-looking statements are not guarantees of future performance. Numerous risks and uncertainties could cause or contribute to the Company's actual results, performance and achievements being materially different from those expressed or implied by the forward-looking statements. Factors that may cause or contribute to these differences include, without limitation, general economic conditions, including changes in market interest rates and changes in monetary and fiscal policies of the federal government; legislative and regulatory changes; the quality and composition of the loan and investment securities portfolio; loan demand; deposit flows; competition; the ability to successfully integrate the operations of Community First; and changes in accounting principles and guidelines. Additional factors that may affect our results are discussed herein and in our Annual Report on Form 10-K for the year ended September 30, 2012 under "Part II, Item 1A. Risk Factors." These factors should be considered in evaluating the forward-looking statements and undue reliance should not be placed on such statements. Except as required by applicable law or regulation, the Company assumes no obligation and disclaims any obligation to update any forward-looking statements.

Critical Accounting Policies

During the six-month period ended March 31, 2013, there was no significant change in the Company's critical accounting policies or the application of critical accounting policies as disclosed in the Company's Annual Report on Form 10-K for the year ended September 30, 2012.

Comparison of Financial Condition at March 31, 2013 and September 30, 2012

Cash and Cash Equivalents. Cash and cash equivalents decreased from \$38.8 million at September 30, 2012 to \$27.5 million at March 31, 2013, due primarily to a decrease in cash and due from banks of \$13.4 million. The decrease in cash and cash equivalents was primarily used to fund purchases of securities available for sale.

Loans. Net loans receivable increased \$5.6 million, from \$389.1 million at September 30, 2012 to \$394.7 million at March 31, 2013, primarily due to increases in commercial real estate and multi-family residential loans of \$8.2 million and \$4.7, respectively, which more than offset decreases in residential permanent and construction loans of \$6.3 million. The decrease in residential mortgage loans is primarily due to loan payoffs that have not been replaced by new originations.

FIRST SAVINGS FINANCIAL GROUP, INC.

PART I - ITEM 2

MANAGEMENT'S DISCUSSION AND

ANALYSIS OF FINANCIAL CONDITION AND

RESULTS OF OPERATIONS

Trading Account Securities. Trading account securities increased by \$289,000 from \$3.6 million at September 30, 2012 to \$3.9 million at March 31, 2013. Trading account securities are comprised of investment grade municipal bonds.

Securities Available for Sale. Securities available for sale increased \$18.1 million from \$152.5 million at September 30, 2012 to \$170.6 million at March 31, 2013 due primarily to purchases of \$39.4 million, partially offset by maturities and calls of \$10.3 million, principal repayments of \$9.7 million and sales of \$801,000. The increase in securities available for sale, primarily in U.S. government agency and sponsored enterprises securities, including mortgage-backed securities and CMOs, and municipal bonds was primarily funded by the decrease in cash and cash equivalents.

Securities Held to Maturity. Investment securities held-to-maturity decreased \$564,000 from \$7.8 million at September 30, 2012 to \$7.3 million at March 31, 2013 due primarily to principal repayments on mortgage-backed securities.

Cash Surrender Value of Life Insurance. Cash surrender value of life insurance increased from \$8.5 million at September 30, 2012 to \$12.7 million at March 31, 2013 primarily as the result of an investment in bank-owned life insurance of \$4.0 million in December 2012.

Deposits. Total deposits increased \$1.1 million from \$494.2 million at September 30, 2012 to \$495.3 million at March 31, 2013 primarily due to an increase in noninterest bearing demand deposit accounts of \$2.7 million, savings accounts of \$4.6 million, interest-bearing demand deposit accounts of \$10.6 million and money market deposit accounts of \$6.8, which more than offset a decrease in certificates of deposit of \$23.6 million during the period. The decrease in certificates of deposit occurred in various maturity classes and is primarily attributed to maturities that customers are investing in more liquid accounts given the low interest rate environment.

Borrowings. Borrowings from the FHLB increased \$12.0 million from \$53.1 million at September 30, 2012 to \$65.1 million at March 31, 2013. Management has increased the level of FHLB advances in order to take advantage of historically low interest rates, provide short-term liquidity and provide funding for the loan portfolio growth, purchases of available for sale securities and the investment in additional bank-owned life insurance.

Stockholders' Equity. Stockholders' equity increased \$1.3 million from \$82.9 million at September 30, 2012 to \$84.2 million at March 31, 2013. Retained earnings increased \$991,000 due to net income available to common shareholders of \$2.1 million, partially offset by dividends declared to common shareholders totaling \$1.2 million during the six-month period ended March 31, 2013, including the declaration of a special cash dividend of \$0.40 per share to common stockholders of record as of the close of business on November 30, 2012, which totaled \$930,000 and was paid on December 31, 2012.

FIRST SAVINGS FINANCIAL GROUP, INC.

PART I - ITEM 2

**MANAGEMENT'S DISCUSSION AND
ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS**

Results of Operations for the Six Months Ended March 31, 2013 and 2012

Overview. The Company reported net income of \$2.2 million and net income available to common shareholders of \$2.1 million, or \$0.93 per diluted share, for the six-month period ended March 31, 2013 compared to net income of \$1.9 million and net income available to common shareholders of \$1.8 million, or \$0.81 per diluted share, for the six-month period ended March 31, 2012. The annualized return on average assets, average equity and average common stockholders' equity were 0.68%, 5.23% and 6.58%, respectively, for the six-month period ended March 31, 2013.

Net Interest Income. Net interest income increased \$1.5 million, or 14.3%, for the six-month period ended March 31, 2013 compared to the same period in 2012. Average interest-earnings assets increased \$91.6 million and average interest-bearing liabilities increased \$86.3 million when comparing the two periods. The tax-equivalent interest rate spread was 4.05% for 2013 as compared to 4.13% for 2012.

Total interest income increased \$1.2 million, or 9.6%, when comparing the two periods due primarily to an increase in the average balance of interest-earning assets of \$91.6 million from \$491.5 million for 2012 to \$583.1 million for 2013, which more than offset the change in interest income due to a decrease in the average tax-equivalent yield on interest-earning assets from 5.25% for 2012 to 4.88% for 2013. The average balance of loans and investment securities increased \$36.3 million and \$49.9 million, respectively, when comparing the two periods.

Total interest expense decreased \$260,000, or 10.8%, due primarily to a decrease in the average cost of interest-bearing liabilities from 1.12% for 2012 to 0.83% for 2013, which more than offset the change in interest expense due to an increase in the average balance of interest-bearing liabilities of \$86.3 million from \$423.0 million for 2012 to \$509.3 million for 2013. The average cost of interest-bearing liabilities decreased for 2013 primarily as a result of lower market interest rates as compared to 2012 and the repricing of certificates of deposit at lower market

interest rates as they matured. The average balance of deposits increased \$90.3 million while the average balance of borrowings decreased \$4.0 million when comparing the two periods. The increase in the average balance of deposits is due primarily to the acquisition of the First Federal branches.

- 46 -

FIRST SAVINGS FINANCIAL GROUP, INC.

PART I - ITEM 2

MANAGEMENT'S DISCUSSION AND

ANALYSIS OF FINANCIAL CONDITION AND

RESULTS OF OPERATIONS

Average Balance Sheets. The following table presents information regarding average balances of assets and liabilities, the total dollar amounts of interest income and dividends from average interest-earning assets, the total dollar amounts of interest expense on average interest-bearing liabilities, and the resulting annualized average yields and costs for the six-month periods ended March 31, 2013 and 2012. The yields and costs for the periods indicated are derived by dividing income or expense by the average balances of assets or liabilities, respectively, for the periods presented. Nonaccrual loans are included in average balances only. Loan fees are included in interest income on loans and are not material. Tax exempt income on loans and investment securities has been calculated on a tax equivalent basis using a federal marginal tax rate of 34%.

	Six Months Ended March 31, 2013			2012		
	Average Balance	Interest and Dividends	Yield/ Cost	Average Balance	Interest and Dividends	Yield/ Cost
	(Dollars in thousands)					
Assets:						
Interest-bearing deposits with banks	\$9,247	\$ 11	0.24 %	\$4,547	\$ 6	0.26 %
Loans	396,260	10,815	5.46	359,992	10,187	5.66
Investment securities	127,972	2,870	4.49	99,558	2,330	4.68
Agency mortgage-backed securities	44,259	424	1.92	22,774	298	2.62
Federal Home Loan Bank stock	5,400	103	3.81	4,663	72	3.09
Total interest-earning assets	583,138	14,223	4.88	491,534	12,893	5.25
Non-interest-earning assets	63,708			46,001		
Total assets	\$646,846			\$537,535		
Liabilities and equity:						
NOW accounts	\$105,111	\$ 195	0.37 %	\$70,332	\$ 192	0.55 %
Money market deposit accounts	66,256	154	0.46	43,340	164	0.76
Savings accounts	64,280	39	0.12	42,319	54	0.26
Time deposits	205,939	1,142	1.11	195,247	1,357	1.39
Total interest-bearing deposits	441,586	1,530	0.69	351,238	1,767	1.01

Edgar Filing: First Savings Financial Group Inc - Form 10-Q

Borrowings (1)	67,735	575	1.70	71,734	598	1.67
Total interest-bearing liabilities	509,321	2,105	0.83	422,972	2,365	1.12
Non-interest-bearing deposits	48,583			34,659		
Other non-interest-bearing liabilities	5,337			2,706		
Total liabilities	563,241			460,337		
Total equity	83,605			77,198		
Total liabilities and equity	\$646,846			\$537,535		
Net interest income		\$ 12,118			\$ 10,528	
Interest rate spread			4.05 %			4.13 %
Net interest margin			4.16 %			4.28 %
Average interest-earning assets to average interest-bearing liabilities			114.49 %			116.21 %

(1) Includes Federal Home Loan Bank borrowings and repurchase agreements.

FIRST SAVINGS FINANCIAL GROUP, INC.

PART I - ITEM 2**MANAGEMENT'S DISCUSSION AND****ANALYSIS OF FINANCIAL CONDITION AND****RESULTS OF OPERATIONS**

Rate/Volume Analysis. The following table sets forth the effects of changing rates and volumes on our net interest income for the six-month period ended March 31, 2013 and 2012. The rate column shows the effects attributable to changes in rate (changes in rate multiplied by prior volume). The volume column shows the effects attributable to changes in volume (changes in volume multiplied by prior rate). The net column represents the sum of the prior columns. Changes attributable to changes in both rate and volume have been allocated proportionally based on the absolute dollar amounts of change in each.

	Six Months Ended March 31, 2013 Compared to Six Months Ended March 31, 2012 Increase (Decrease) Due to		
	Rate	Volume (In thousands)	Net
Interest income:			
Interest-bearing deposits with banks	\$ -	\$ 5	\$ 5
Loans	(339)	967	628
Investment securities	(89)	629	540
Agency mortgage-backed securities	(50)	176	126
Other interest-earning assets	18	13	31
Total interest-earning assets	(460)	1,790	1,330
Interest expense:			
Deposits	(1,263)	1,026	(237)
Borrowings (1)	11	(34)	(23)
Total interest-bearing liabilities	(1,252)	992	(260)
Net increase (decrease) in net interest income	\$ 792	\$ 798	\$ 1,590

(1) Includes Federal Home Loan Bank borrowings and repurchase agreements.

Provision for Loan Losses. The provision for loan losses was \$1.0 million for the six-month period ended March 31, 2013 compared to \$589,000 for the same period in 2012. The increase in the provision for loans losses for 2013 as compared to the prior period was in order to increase the level of allowance for loan losses as a result of increases in net charge-offs and nonperforming loans when comparing the two periods.

Net charge-offs were \$519,000 for the six-month period ended March 31, 2013 compared to net charge-offs of \$338,000 for the same period in 2012.

- 48 -

FIRST SAVINGS FINANCIAL GROUP, INC.

PART I - ITEM 2

MANAGEMENT'S DISCUSSION AND

ANALYSIS OF FINANCIAL CONDITION AND

RESULTS OF OPERATIONS

The recorded investment in nonperforming loans was \$7.7 million at March 31, 2013 compared to \$5.8 million at September 30, 2012 and \$5.2 million at March 31, 2012. Nonperforming loans at March 31, 2013 include nonaccrual loans of \$6.8 million and loans totaling \$962,000 that are over 90 days past due, but still accruing interest. These loans are still accruing interest because the estimated value of the collateral and collection efforts are deemed sufficient to ensure their full recovery. The increase in nonperforming loans from September 30, 2012 to March 31, 2013 is due primarily to three commercial business loan relationships, including \$506,000 secured by equipment, inventory, accounts receivable and general business assets, \$294,000 secured by stock of a closely-held business, and \$404,000 secured by stock of a publicly traded company. Each of these three relationships was in nonaccrual status at March 31, 2013 and a specific reserve of \$350,000 was established for the \$506,000 relationship during the three months ended March 31, 2013.

Gross loans receivable increased \$43.1 million from \$361.7 million at March 31, 2012 to \$404.8 million at March 31, 2013, primarily due to increases in residential permanent and commercial real estate \$19.7 million and \$18.0 million, respectively. The increases in residential permanent loans and commercial real estate are due primarily to the acquisition of the First Federal branches.

The allowance for loan losses was \$5.4 million at March 31, 2013 compared to \$4.9 million at September 30, 2012 and \$4.9 million at March 31, 2012. Management has deemed these amounts as adequate on those dates based on its best estimate of probable known and inherent loan losses. The consistent application of management's allowance for loan losses methodology resulted in an increase in the level of the allowance for loan losses consistent with changes in the loan portfolio and overall economic conditions.

Noninterest Income. Noninterest income increased \$599,000 for the six-month period ended March 31, 2013 as compared to the same period in 2012. The increase was due primarily to net gains on the trading account securities portfolio of \$231,000 for 2013, an increase in net gains on the sale of loans of \$106,000, and real estate lease income of \$104,000. The net gain on sale of loans is due to an increase in secondary market residential mortgage loan sales. The increase in real estate lease income is due to the commencement of rents for two of the tenants in the real estate development that is described above in Note 5 of the Notes to Consolidated Financial Statements.

Noninterest Expense. Noninterest expenses increased \$1.2 million for the six-month period ended March 31, 2013 as compared to the same period in 2012. The increase was due primarily to increases in compensation and benefits and other operating expenses of \$1.0 million and \$150,000, respectively, which more than offset a decrease in advertising expenses of \$143,000. The increase in compensation and benefits expense is due primarily to normal salary, wages and benefits increases, the addition of employees as a result of the acquisition of the First Federal branches, and increased ESOP compensation expense of approximately \$333,000 due to the accelerated repayment of the ESOP loan. The increase in other operating expenses is due primarily to the accrual of debit card reward points. The decrease in advertising expense was due primarily to expenses recognized in 2012 that were associated with the rebranding and advertising campaign for the Bank's new look and logo that was launched in September 2011.

- 49 -

FIRST SAVINGS FINANCIAL GROUP, INC.

PART I - ITEM 2

**MANAGEMENT'S DISCUSSION AND
ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS**

Income Tax Expense. The Company recognized income tax expense of \$797,000 for the six-month period ended March 31, 2013, for an effective tax rate of 26.7%, compared to income tax expense of \$690,000, for an effective tax rate of 26.9%, for the same period in 2012.

- 50 -

FIRST SAVINGS FINANCIAL GROUP, INC.

PART I - ITEM 2

MANAGEMENT'S DISCUSSION AND

ANALYSIS OF FINANCIAL CONDITION AND

RESULTS OF OPERATIONS

Results of Operations for the Three Months Ended March 31, 2013 and 2012

Overview. The Company reported net income of \$1.2 million and net income available to common shareholders of \$1.1 million, or \$0.50 per diluted share, for the quarter ended March 31, 2013 compared to net income of \$964,000 and net income available to common shareholders of \$921,000, or \$0.41 per diluted share, for the quarter ended March 31, 2012. The annualized return on average assets, average equity and average common stockholders' equity were 0.72%, 5.58% and 7.01%, respectively, for the three-month period ended March 31, 2013.

Net Interest Income. Net interest income increased \$915,000, or 17.9%, for the three months ended March 31, 2013 compared to the same period in 2012. Average interest-earnings assets increased \$96.3 million and average interest-bearing liabilities increased \$90.9 million when comparing the two periods. The tax-equivalent interest rate spread was 4.12% for 2013 as compared to 4.09% for 2012.

Total interest income increased \$802,000, or 12.9%, when comparing the two periods due primarily to an increase in the average balance of interest-earning assets of \$96.3 million from \$494.3 million for 2012 to \$590.6 million for 2013, which more than offset the change in interest income due to a decrease in the average tax-equivalent yield on interest-earning assets from 5.15% for 2012 to 4.90% for 2013. The average balance of loans and investment securities increased \$38.8 million and \$51.2 million, respectively, when comparing the two periods.

Total interest expense decreased \$113,000, or 10.3%, due primarily to a decrease in the average cost of interest-bearing liabilities from 1.06% for 2012 to 0.78% for 2013, which more than offset the change in interest expense due to an increase in the average balance of interest-bearing liabilities of \$90.9 million from \$424.6 million for 2012 to \$515.5 million for 2013. The average cost of interest-bearing liabilities decreased for 2013 primarily as a result of lower market interest rates as compared to 2012 and the repricing of certificates of deposit at lower market interest rates as they matured. The average balance of deposits increased \$82.5 million and the average balance of borrowings increased \$8.3 million when comparing the two periods. The increase in the average balance of deposits is

due primarily to the acquisition of the First Federal branches.

- 51 -

FIRST SAVINGS FINANCIAL GROUP, INC.

PART I - ITEM 2**MANAGEMENT'S DISCUSSION AND****ANALYSIS OF FINANCIAL CONDITION AND****RESULTS OF OPERATIONS**

Average Balance Sheets. The following table presents information regarding average balances of assets and liabilities, the total dollar amounts of interest income and dividends from average interest-earning assets, the total dollar amounts of interest expense on average interest-bearing liabilities, and the resulting annualized average yields and costs for the three-month periods ended March 31, 2013 and 2012. The yields and costs for the periods indicated are derived by dividing income or expense by the average balances of assets or liabilities, respectively, for the periods presented. Nonaccrual loans are included in average balances only. Loan fees are included in interest income on loans and are not material. Tax exempt income on loans and investment securities has been calculated on a tax equivalent basis using a federal marginal tax rate of 34%.

	Three Months Ended March 31,			2012			
	2013						
	Average Balance	Interest and Dividends	Yield/ Cost	Average Balance	Interest and Dividends	Yield/ Cost	
	(Dollars in thousands)						
Assets:							
Interest-bearing deposits with banks	\$ 11,217	\$ 7	0.25	% \$ 5,473	\$ 2	0.15	%
Loans	398,374	5,525	5.55	359,572	4,984	5.54	
Investment securities	130,627	1,448	4.43	101,084	1,183	4.68	
Agency mortgage-backed securities	44,971	205	1.82	23,307	152	2.61	
Federal Home Loan Bank stock	5,400	47	3.48	4,900	42	3.43	
Total interest-earning assets	590,589	7,232	4.90	494,336	6,363	5.15	
Non-interest-earning assets	63,152			46,070			
Total assets	\$ 653,741			\$ 540,406			
Liabilities and equity:							
NOW accounts	\$ 108,435	\$ 97	0.36	% \$ 71,751	\$ 96	0.54	%
Money market deposit accounts	68,017	76	0.45	44,843	83	0.74	
Savings accounts	65,328	19	0.12	42,836	28	0.26	
Time deposits	200,048	539	1.08	199,888	649	1.30	
Total interest-bearing deposits	441,828	731	0.66	359,318	856	0.95	

Edgar Filing: First Savings Financial Group Inc - Form 10-Q

Borrowings (1)	73,639	279	1.52	65,312	267	1.64
Total interest-bearing liabilities	515,467	1,010	0.78	424,630	1,123	1.06
Non-interest-bearing deposits	49,163			35,386		
Other non-interest-bearing liabilities	5,187			2,464		
Total liabilities	569,817			462,480		
Total equity	83,924			77,926		
Total liabilities and equity	\$653,741			\$540,406		
Net interest income		\$ 6,222			\$ 5,240	
Interest rate spread			4.12 %			4.09 %
Net interest margin			4.21 %			4.24 %
Average interest-earning assets to average interest-bearing liabilities			114.57 %			116.42 %

(1) Includes Federal Home Loan Bank borrowings and repurchase agreements.

FIRST SAVINGS FINANCIAL GROUP, INC.

PART I - ITEM 2**MANAGEMENT'S DISCUSSION AND****ANALYSIS OF FINANCIAL CONDITION AND****RESULTS OF OPERATIONS**

Rate/Volume Analysis. The following table sets forth the effects of changing rates and volumes on our net interest income for the three-month period ended March 31, 2013 and 2012. The rate column shows the effects attributable to changes in rate (changes in rate multiplied by prior volume). The volume column shows the effects attributable to changes in volume (changes in volume multiplied by prior rate). The net column represents the sum of the prior columns. Changes attributable to changes in both rate and volume have been allocated proportionally based on the absolute dollar amounts of change in each.

	Three Months Ended March 31, 2013 Compared to Three Months Ended March 31, 2012 Increase (Decrease) Due to		
	Rate	Volume (In thousands)	Net
Interest income:			
Interest-bearing deposits with banks	\$ 2	\$ 3	\$ 5
Loans	9	532	541
Investment securities	(59)	324	265
Agency mortgage-backed securities	(26)	79	53
Other interest-earning assets	1	4	5
Total interest-earning assets	(73)	942	869
Interest expense:			
Deposits	(505)	380	(125)
Borrowings (1)	(16)	28	12
Total interest-bearing liabilities	(521)	408	(113)
Net increase (decrease) in net interest income	\$ 448	\$ 534	\$ 982

(1) Includes Federal Home Loan Bank borrowings and repurchase agreements.

Provision for Loan Losses. The provision for loan losses was \$550,000 for the three-month period ended March 31, 2013 compared to \$270,000 for the same period in 2012. The increase in the provision for loans losses for 2013 as compared to the prior period was in order to increase the level of allowance for loan losses as a result of increases in net charge-offs and nonperforming loans when comparing the two periods.

Net charge-offs were \$296,000 for the three-month period ended March 31, 2013 compared to net charge-offs of \$50,000 for the same period in 2012.

- 53 -

FIRST SAVINGS FINANCIAL GROUP, INC.

PART I - ITEM 2

MANAGEMENT'S DISCUSSION AND

ANALYSIS OF FINANCIAL CONDITION AND

RESULTS OF OPERATIONS

Noninterest Income. Noninterest income increased \$271,000 for the three-month period ended March 31, 2013 as compared to the same period in 2012. The increase was due primarily to net gains on the trading account securities portfolio of \$129,000 for 2013 and increases in cash surrender value of life insurance and real estate lease income of \$41,000 and \$59,000, respectively. The increase in cash surrender value on life insurance is due to the purchase of \$4.0 million of bank-owned life insurance in December 2012. The increase in real estate lease income is due to the commencement of rents for two of the tenants in the real estate development that is described above in Note 5 of the Notes to Consolidated Financial Statements.

Noninterest Expense. Noninterest expenses increased \$645,000 for the quarter ended March 31, 2013 as compared to the same period in 2012. The increase was due primarily to increases in compensation and benefits and other operating expenses of \$311,000 and \$236,000, respectively, which more than offset a decrease in net loss on foreclosed real estate of \$52,000. The increase in compensation and benefits expense is due primarily to normal salary, wages and benefits increases, and the addition of employees as a result of the acquisition of the First Federal branches. The increase in other operating expenses is due primarily to the accrual of debit card reward points.

Income Tax Expense. The Company recognized income tax expense of \$419,000 for the quarter ended March 31, 2013, for an effective tax rate of 26.4%, compared to income tax expense of \$364,000, for an effective tax rate of 27.4%, for the same period in 2012.

FIRST SAVINGS FINANCIAL GROUP, INC.

PART I - ITEM 2

**MANAGEMENT'S DISCUSSION AND
ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS**

Liquidity and Capital Resources

Liquidity Management. Liquidity is the ability to meet current and future financial obligations of a short-term nature. The Bank's primary sources of funds are customer deposits, proceeds from loan repayments, maturing securities and FHLB advances. While loan repayments and maturities are a predictable source of funds, deposit flows and mortgage prepayments are greatly influenced by market interest rates, general economic conditions and competition. At March 31, 2013, the Bank had cash and cash equivalents of \$27.5 million, trading account securities with a fair value of \$3.9 million and securities available-for-sale with a fair value of \$170.6 million. If the Bank requires funds beyond its ability to generate them internally, it has additional borrowing capacity with the FHLB, borrowing capacity on a federal funds purchased line of credit facility with another financial institution and additional collateral eligible for repurchase agreements.

The Bank's primary investing activity is the origination of one-to-four family mortgage loans and, to a lesser extent, consumer, multi-family, commercial real estate, commercial business and residential construction loans. The Bank also invests in U.S. government agency and sponsored enterprises securities, mortgage backed securities and collateralized mortgage obligations issued by U.S. government agencies and sponsored enterprises, and municipal bonds.

The Bank must maintain an adequate level of liquidity to ensure the availability of sufficient funds to support loan growth and deposit withdrawals, to satisfy financial commitments and to take advantage of investment opportunities. Historically, the Bank has been able to retain a significant amount of its deposits as they mature.

The Company is a separate legal entity from the Bank and must provide for its own liquidity to pay its operating expenses and other financial obligations, to pay any dividends and to repurchase any of its outstanding common stock. The Company's primary source of income is dividends received from the Bank. The amount of dividends that the Bank may declare and pay to the Company in any calendar year cannot exceed net income for that year to date plus retained

net income (as defined) for the preceding two calendar years. The Company must also file prior notice with the Federal Reserve Board before the Bank may declare and pay dividends to the Company. At March 31, 2013, the Company had liquid assets of \$322,000.

Capital Management. The Bank is required to maintain specific amounts of capital pursuant to regulatory requirements. As of March 31, 2013, the Bank was in compliance with all regulatory capital requirements that were effective as of such date, with tier 1 capital (to adjusted total assets), tier 2 capital (to risk-weighted assets) and total capital (to risk-weighted assets) ratios of 10.33 %, 16.22% and 17.48%, respectively. The regulatory requirements at that date were 5.0%, 6.0% and 10.0%, respectively, in order to be categorized as “well capitalized” under applicable regulatory guidelines. At March 31, 2013, the Bank was considered “well-capitalized” under applicable regulatory guidelines.

FIRST SAVINGS FINANCIAL GROUP, INC.

PART I - ITEM 2

**MANAGEMENT'S DISCUSSION AND
ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS**

Off-Balance Sheet Arrangements

In the normal course of operations, the Company engages in a variety of financial transactions that, in accordance with GAAP, are not recorded on the Company's financial statements. These transactions involve, to varying degrees, elements of credit, interest rate and liquidity risk. Such transactions are primarily used to manage customers' requests for funding and take the form of loan commitments and letters of credit. A further presentation of the Company's off-balance sheet arrangements is presented in the Company's Annual Report on Form 10-K for the year ended September 30, 2012.

For the six months ended March 31, 2013, the Company did not engage in any off-balance sheet transactions reasonably likely to have a material effect on the Company's financial condition, results of operations or cash flows.

- 56 -

FIRST SAVINGS FINANCIAL GROUP, INC.

PART I – ITEM 3

QUANTITATIVE AND QUALITATIVE DISCLOSURES

ABOUT MARKET RISK

Qualitative Aspects of Market Risk. Market risk is the risk that the estimated fair value of our assets, liabilities, and derivative financial instruments will decline as a result of changes in interest rates or financial market volatility, or that our net income will be significantly reduced by interest rate changes.

The Company's principal financial objective is to achieve long-term profitability while reducing its exposure to fluctuating market interest rates by operating within acceptable limits established for interest rate risk and maintaining adequate levels of funding and liquidity. The Company has sought to reduce the exposure of its earnings to changes in market interest rates by attempting to manage the mismatch between asset and liability maturities and interest rates. In order to reduce the exposure to interest rate fluctuations, the Company has developed strategies to manage its liquidity, shorten its effective maturities of certain interest-earning assets and decrease the interest rate sensitivity of its asset base. Management has sought to decrease the average maturity of its assets by emphasizing the origination of short-term residential mortgage, commercial mortgage and commercial business loans, all of which are retained by the Company for its portfolio. The Company relies on retail deposits as its primary source of funds. Management believes the primary use of retail deposits, complimented with a modest allocation of brokered deposits and FHLB borrowings, reduce the effects of interest rate fluctuations because they generally represent a more stable source of funds.

Quantitative Aspects of Market Risk. Potential cash flows, sales, or replacement value of many of our assets and liabilities, especially those that earn or pay interest, are sensitive to changes in the general level of interest rates. This interest rate risk arises primarily from our normal business activities of gathering deposits and extending loans. Many factors affect our exposure to changes in interest rates, such as general economic and financial conditions, customer preferences, historical pricing relationships, and re-pricing characteristics of financial instruments. Our earnings can also be affected by the monetary and fiscal policies of the U.S. Government and its agencies, particularly the Federal Reserve Board. Furthermore, the Company does not engage in hedging activities or purchase high-risk derivative instruments and also is not subject to foreign currency exchange rate risk or commodity price risk.

An element in our ongoing process is to measure and monitor interest rate risk using a Net Interest Income at Risk simulation to model the interest rate sensitivity of the balance sheet and to quantify the impact of changing interest rates on the Company. The model quantifies the effects of various possible interest rate scenarios on projected net interest income over a one-year horizon. The model assumes a semi-static balance sheet and measures the impact on net interest income relative to a base case scenario of hypothetical changes in interest rates over twelve months and

provides no effect given to any steps that management might take to counter the effect of the interest rate movements. The scenarios include prepayment assumptions, changes in the level of interest rates, the shape of the yield curve, and spreads between market interest rates in order to capture the impact from re-pricing, yield curve, option, and basis risks.

- 57 -

FIRST SAVINGS FINANCIAL GROUP, INC.

PART I – ITEM 3

QUANTITATIVE AND QUALITATIVE DISCLOSURES

ABOUT MARKET RISK

Results of our simulation modeling, which assumes an immediate and sustained parallel shift in market interest rates, project that the Company’s net interest income could change as follows over a one-year horizon, relative to our base case scenario, based on March 31, 2013 financial information. The Company implemented the Net Interest Income at Risk simulation during the quarter ended June 30, 2012 and therefore does not have comparable information for the quarter ended March 31, 2012.

Immediate Change in the Level of Interest Rates	At March 31, 2013 One Year Horizon		
	Dollar Change (Dollars in thousands)	Percent Change	
300bp	\$ 847	3.73	%
200bp	496	2.18	
100bp	250	1.10	
Static	-	-	
(100)bp	120	0.53	

At March 31, 2013, our simulated exposure to an increase in interest rates shows that an immediate and sustained increase in rates of 1.00% will increase our net interest income by \$250,000 or 1.10% over a one year horizon compared to a flat interest rate scenario. Furthermore, rate increases of 2.00% and 3.00% would cause net interest income to increase by 2.18% and 3.73%, respectively.

The Company also has longer term interest rate risk exposure, which may not be appropriately measured by Net Interest Income at Risk modeling, and therefore uses an Economic Value of Equity (“EVE”) interest rate sensitivity analysis in order to evaluate the impact of its interest rate risk on earnings and capital. This is measured by computing the changes in net EVE for its cash flows from assets, liabilities and off-balance sheet items in the event of a range of assumed changes in market interest rates. EVE modeling involves discounting present values of all cash flows for on and off balance sheet items under different interest rate scenarios and provides no effect given to any steps that management might take to counter the effect of the interest rate movements. The discounted present value of all cash flows represents the Company’s EVE and is equal to the market value of assets minus the market value of liabilities, with adjustments made for off-balance sheet items. The amount of base case EVE and its sensitivity to shifts in

interest rates provide a measure of the longer term re-pricing and option risk in the balance sheet.

- 58 -

FIRST SAVINGS FINANCIAL GROUP, INC.

PART I – ITEM 3**QUANTITATIVE AND QUALITATIVE DISCLOSURES****ABOUT MARKET RISK**

Results of our simulation modeling, which assumes an immediate and sustained parallel shift in market interest rates, project that Company's EVE could change as follows, relative to our base case scenario, based on March 31, 2013 financial information.

Immediate Change in the Level of Interest Rates	At March 31, 2013			Economic Value of Equity as a		
	Economic Dollar Amount	Value of Equity Dollar Change	Percent Change	Percent of Present Value of Assets EVE Ratio	Change	
	(Dollars in thousands)					
300bp	\$84,259	\$(16,651)	(16.50)%	14.04	%	(116)bp
200bp	91,738	(9,172)	(9.09)	14.74		(46)bp
100bp	97,294	(3,616)	(3.58)	15.12		(8)bp
Static	100,910	-	-	15.20		bp
(100)bp	96,117	(4,793)	(4.75)	14.29		(91)bp

The previous table indicates that at March 31, 2013, the Company would expect a decrease in its EVE in the event of a sudden and sustained 100 to 300 basis point increase and/or 100 basis point decrease in prevailing interest rates. The expected decrease in the Company's EVE given a larger increase in rates is primarily attributable to the relatively high percentage of fixed-rate loans in the Company's loan portfolio. At March 31, 2013, approximately 59.8% of the loan portfolio consisted of fixed-rate loans.

The models are driven by expected behavior in various interest rate scenarios and many factors besides market interest rates affect the Company's net interest income and EVE. For this reason, we model many different combinations of interest rates and balance sheet assumptions to understand its overall sensitivity to market interest rate changes. Therefore, as with any method of measuring interest rate risk, certain shortcomings are inherent in the method of analysis presented in the foregoing tables and it's recognized that the model outputs are not guarantees of actual results. For example, although certain assets and liabilities may have similar maturities or periods to repricing, they may react in different degrees to changes in market interest rates. Also, the interest rates on certain types of assets and liabilities may fluctuate in advance of changes in market interest rates, while interest rates on other types may lag behind changes in market rates. Additionally, certain assets, such as adjustable-rate mortgage loans, have features that restrict changes in interest rates on a short-term basis and over the life of the asset. Further, in the event of a change in

interest rates, expected rates of prepayments on loans and early withdrawals from certificates of deposit could deviate significantly from those assumed in calculating the table.

- 59 -

FIRST SAVINGS FINANCIAL GROUP, INC.

PART I - ITEM 4

CONTROLS AND PROCEDURES

Controls and Procedures

The Company's management, including the Company's principal executive officer and the Company's principal financial officer, have evaluated the effectiveness of the Company's "disclosure controls and procedures," as such term is defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended. Based on their evaluation, the principal executive officer and the principal financial officer concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective for the purpose of ensuring that information required to be disclosed in reports that the Company files or submits under the Exchange Act with the SEC (1) is recorded, processed, summarized, and reported within the time periods specified in the SEC's Rules and Forms and (2) is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

During the quarter ended March 31, 2013, there were no changes in the Company's internal control over financial reporting that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

- 60 -

FIRST SAVINGS FINANCIAL GROUP, INC.

PART II

OTHER INFORMATION

Item 1.

Legal Proceedings

The Company is not a party to any legal proceedings. Periodically, there have been various claims and lawsuits involving the Bank, mainly as a plaintiff, such as claims to enforce liens, condemnation proceedings on properties in which the Bank holds security interests, claims involving the making and servicing of real property loans and other issues incident to the Bank's business. The Bank is not a party to any pending legal proceedings that it believes would have a material adverse affect on its financial condition or operations.

Item 1A.

Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended September 30, 2012 which could materially affect our business, financial condition or future results. There have been no material changes to the risk factors described in our Annual Report on Form 10-K, however, these are not the only risks that we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

- 61 -

FIRST SAVINGS FINANCIAL GROUP, INC.

PART II

OTHER INFORMATION**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

The following table presents information regarding the Company's stock repurchase activity during the quarter ended March 31, 2013:

Period	(a) Total number of shares (or units) purchased	(b) Average price paid per share (or unit)	(c) Total number of shares (or units) purchased as part of publicly announced plans or programs (1)	(d) Maximum number (or appropriate dollar value) of shares (or units) that may yet be purchased under the plans or programs
January 1, 2013 through January 31, 2013	—	—	—	14,650
February 1, 2013 through February 28, 2013	—	—	—	14,650
March 1, 2013 through March 31, 2013	—	—	—	14,650
Total	—	—	—	14,650

(1) On October 20, 2010, the Company announced that its Board of Directors authorized a stock repurchase program to acquire up to 120,747 shares, or 5.0% of the Company's outstanding common stock. Under the program, repurchases are to be conducted through open market purchases or privately negotiated transactions, and were to be made from time to time depending on market conditions and other factors.

New Stock Repurchase Program

On November 16, 2012, the Company authorized a new stock repurchase program to acquire up to 230,217 shares, or approximately 10%, of the Company's outstanding common stock that will be outstanding upon completion of the

current stock repurchase program. The Company's current repurchase program has 14,650 shares remaining to be purchased as of the close of trading on March 31, 2013. The new repurchases will commence upon completion of the current repurchase program. Repurchases, which will be conducted through open market purchases or privately negotiated transactions, will be made from time to time depending on market conditions and other factors. There is no guarantee as to the exact number of shares to be repurchased by the Company. Repurchased shares will be held in treasury.

Item 3.

Defaults upon Senior Securities

Not applicable.

Item 4.

Mine Safety Disclosures

Not applicable.

FIRST SAVINGS FINANCIAL GROUP, INC.

PART II

OTHER INFORMATION

Item 5.

Other Information

None.

Item 6.

Exhibits

31.1 Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer

31.2 Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer

32.1 Section 1350 Certification of Chief Executive Officer

32.2 Section 1350 Certification of Chief Financial Officer

The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) 101*the Consolidated Statements of Income, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statement of Changes in Stockholders' Equity, (v) the Consolidated Statements of Cash Flows and (vi) related notes

* Furnished, not filed.

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 SAVINGS FINANCIAL GROUP,
INC.
(Registrant)

Dated May 15, 2013 **BY:** /s/ Larry W. Myers
Larry W. Myers
President and Chief Executive Officer

Dated May 15, 2013 **BY:** /s/ Anthony A. Schoen
Anthony A. Schoen
Chief Financial Officer