

First Savings Financial Group Inc  
Form 10-Q  
May 15, 2012

**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, 2012

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)

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

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  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  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

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

The number of shares outstanding of the registrant's common stock as of April 30, 2012 was 2,364,107.



FIRST SAVINGS FINANCIAL GROUP, INC.

INDEX

Part I	Financial Information	Page
	Item 1. Financial Statements	
	Consolidated Balance Sheets as of March 31, 2012 and September 30, 2011 (unaudited)	3
	Consolidated Statements of Income for the three months and six months ended March 31, 2012 and 2011 (unaudited)	4
	Consolidated Statements of Comprehensive Income for the three months and six months ended March 31, 2012 and 2011 (unaudited)	5
	Consolidated Statement of Changes in Stockholders' Equity for the six months ended March 31, 2012 (unaudited)	6
	Consolidated Statements of Cash Flows for the six months ended March 31, 2012 and 2011 (unaudited)	7
	Notes to Consolidated Financial Statements (unaudited)	8-38
	Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	39-50
	Item 3. Quantitative and Qualitative Disclosures About Market Risk	51-52
	<b>Item 4. Controls and Procedures</b>	<b>53</b>
Part II	Other Information	
	Item 1. Legal Proceedings	54
	Item 1A. Risk Factors	54
	Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	55
	Item 3. Defaults Upon Senior Securities	55
	Item 4. Mine Safety Disclosures	55
	Item 5. Other Information	55
	Item 6. Exhibits	56

Signatures

57

-2-

## 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, 2012	September 30, 2011
<b>ASSETS</b>		
Cash and due from banks	\$ 12,440	\$ 18,099
Interest-bearing deposits with banks	5,891	9,104
Total cash and cash equivalents	18,331	27,203
Securities available for sale, at fair value	125,189	108,577
Securities held to maturity	8,742	9,506
Loans held for sale	121	-
Loans, net	353,690	354,432
Federal Home Loan Bank stock, at cost	4,900	4,400
Real estate development and construction	3,251	-
Premises and equipment	10,342	10,444
Foreclosed real estate	1,024	1,028
Accrued interest receivable:		
Loans	1,303	1,382
Securities	909	816
Cash surrender value of life insurance	8,697	8,548
Goodwill	5,940	5,940
Core deposit intangible	2,007	2,154
Other assets	1,803	2,656
<b>Total Assets</b>	<b>\$ 546,249</b>	<b>\$ 537,086</b>
<b>LIABILITIES</b>		
Deposits:		
Noninterest-bearing	\$ 38,794	\$ 33,426
Interest-bearing	370,912	354,200
Total deposits	409,706	387,626
Repurchase agreements	1,325	16,403
Borrowings from Federal Home Loan Bank	53,100	53,137
Accrued interest payable	276	399
Advance payments by borrowers for taxes and insurance	315	330

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

Accrued expenses and other liabilities	2,579	2,590
Total Liabilities	467,301	460,485
<b>STOCKHOLDERS' EQUITY</b>		
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	41,854	41,729
Retained earnings - substantially restricted	37,590	35,801
Accumulated other comprehensive income	3,677	3,354
Unearned ESOP shares	(1,271 )	(1,343 )
Unearned stock compensation	(812 )	(942 )
Less treasury stock, at cost - 177,935 shares (172,333 shares at September 30, 2011)	(2,115 )	(2,023 )
Total Stockholders' Equity	78,948	76,601
Total Liabilities and Stockholders' Equity	\$ 546,249	\$ 537,086

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 per share data)	Three Months Ended March 31,		Six Months Ended March 31,	
	2012	2011	2012	2011
<b>INTEREST INCOME</b>				
Loans, including fees	\$4,961	\$5,079	\$10,134	\$10,333
Securities:				
Taxable	921	1,107	1,802	2,153
Tax-exempt	273	185	545	354
Dividend income	42	30	72	58
Interest-bearing deposits with banks	2	4	6	7
Total interest income	6,199	6,405	12,559	12,905
<b>INTEREST EXPENSE</b>				
Deposits	856	986	1,767	2,047
Repurchase agreements	2	77	62	157
Borrowings from Federal Home Loan Bank	265	273	536	555
Total interest expense	1,123	1,336	2,365	2,759
Net interest income	5,076	5,069	10,194	10,146
Provision for loan losses	270	287	589	639
Net interest income after provision for loan losses	4,806	4,782	9,605	9,507
<b>NONINTEREST INCOME</b>				
Service charges on deposit accounts	274	313	575	674
Net gain on sales of securities available for sale	-	-	-	68
Unrealized gain (loss) on derivative contract	(12 )	(12 )	(20 )	33
Net gain on sales of loans	39	33	73	139
Increase in cash surrender value of life insurance	72	69	149	149
Commission income	76	53	135	86
Other income	205	174	414	335
Total noninterest income	654	630	1,326	1,484
<b>NONINTEREST EXPENSE</b>				
Compensation and benefits	2,183	2,057	4,267	4,257
Occupancy and equipment	437	453	935	898
Data processing	321	270	622	555



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

Advertising	80	70	359	162
Professional fees	228	153	410	273
FDIC insurance premiums	98	149	183	283
Net loss on foreclosed real estate	83	190	110	232
Other operating expenses	702	691	1,481	1,411
Total noninterest expense	4,132	4,033	8,367	8,071
Income before income taxes	1,328	1,379	2,564	2,920
Income tax expense	364	409	690	866
Net Income	\$964	\$970	\$1,874	\$2,054
Preferred stock dividends declared	43	-	85	-
Net Income Available to Common Shareholders	\$921	\$970	\$1,789	\$2,054
Net income per common share:				
Basic	\$0.43	\$0.46	\$0.83	\$0.96
Diluted	\$0.41	\$0.44	\$0.81	\$0.94
Weighted average common shares outstanding:				
Basic	2,156,730	2,127,440	2,155,539	2,142,246
Diluted	2,222,586	2,185,246	2,217,077	2,183,921

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, 2012		Six Months Ended March 31, 2011	
Net Income	\$964	\$970	\$1,874	\$2,054
<b>OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX</b>				
Unrealized gains (losses) on securities available for sale:				
Unrealized holding gains (losses) arising during the period	1,055	1,287	\$534	\$(1,225)
Income tax (expense) benefit	(418 )	(510 )	(211 )	416
Net of tax amount	637	777	323	(809 )
Less: reclassification adjustment for realized gains included in net income	-	-	-	(68 )
Income tax expense	-	-	-	23
Net of tax amount	-	-	-	(45 )
Other Comprehensive Income (Loss)	637	777	323	(854 )
Comprehensive Income	\$1,601	\$1,747	\$2,197	\$1,200

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 September 30, 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 declared	-	-	-	(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

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,	
	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$1,874	\$2,054
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	589	639
Depreciation and amortization	503	435
Amortization of premiums and accretion of discounts on securities, net	218	(83 )
Loans originated for sale	(3,455 )	(8,296 )
Proceeds on sales of loans	3,407	10,181
Gain on sales of loans	(73 )	(139 )
Net realized and unrealized loss on foreclosed real estate	20	183
Net gain on sales of securities available for sale	-	(68 )
Unrealized (gain) loss on derivative contract	20	(33 )
Increase in cash surrender value of life insurance	(149 )	(149 )
Deferred income taxes	64	192
ESOP and stock compensation expense	327	357
(Increase) decrease in accrued interest receivable	(14 )	12
Decrease in accrued interest payable	(123 )	(8 )
Change in other assets and liabilities, net	642	(348 )
Net Cash Provided By Operating Activities	3,850	4,929
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of securities available for sale	(35,864)	(26,377)
Proceeds from sales of securities available for sale	-	3,914
Proceeds from maturities of securities available for sale	9,118	4,156
Proceeds from maturities of securities held to maturity	274	-
Principal collected on mortgage-backed securities	10,943	6,756
Net decrease in loans	8	1,257
Purchase of Federal Home Loan Bank stock	(500 )	-
Proceeds from redemption of Federal Home Loan Bank stock	-	121
Proceeds from sale of foreclosed real estate	104	464
Investments in real estate development and construction	(3,251 )	-
Purchase of premises and equipment	(254 )	(903 )
Net Cash Used In Investing Activities	(19,422)	(10,612)

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

CASH FLOWS FROM FINANCING ACTIVITIES

Net increase in deposits	22,080	2,830
Net decrease in repurchase agreements	(15,078)	(209 )
Decrease in Federal Home Loan Bank line of credit	(37 )	(1,633 )
Proceeds from Federal Home Loan Bank advances	35,000	55,000
Repayment of Federal Home Loan Bank advances	(35,000)	(52,063)
Net increase (decrease) in advance payments by borrowers for taxes and insurance	(15 )	19
Purchase of treasury stock	(92 )	(665 )
Dividends paid on preferred stock	(158 )	-
Net Cash Provided By Financing Activities	6,700	3,279
Net Decrease in Cash and Cash Equivalents	(8,872 )	(2,404 )
Cash and cash equivalents at beginning of period	27,203	11,278
Cash and Cash Equivalents at End of Period	\$18,331	\$8,874

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 twelve 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, 2012, the results of operations for the three- and six-month periods ended March 31, 2012 and 2011, and the cash flows for the six-month periods ended March 31, 2012 and 2011. 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, 2011 included in the 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.



## FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*(Unaudited)***2. 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. Privately-issued CMO 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. The amortized cost of securities and their fair values are as follows:

	Gross Amortized Cost (In thousands)	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
March 31, 2012:				
Securities available for sale:				
Agency bonds and notes	\$19,824	\$ 79	\$ 147	\$19,756
Agency mortgage-backed	21,724	551	7	22,268
Agency CMO	22,462	327	15	22,774
Privately-issued CMO	10,092	1,936	109	11,919
Municipal	45,197	3,331	130	48,398
Subtotal – debt securities	119,299	6,224	408	125,115
Equity securities	-	74	-	74
Total securities available for sale	\$119,299	\$ 6,298	\$ 408	\$125,189
Securities held to maturity:				
Agency mortgage-backed	\$1,867	\$ 142	\$ -	\$2,009
Municipal	6,875	371	-	7,246



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

Total securities held to maturity	\$8,742	\$ 513	\$ -	\$9,255
-----------------------------------	---------	--------	------	---------

-9-

## FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*(Unaudited)*

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
(In thousands)				
September 30, 2011:				
Securities available for sale:				
Agency bonds and notes	\$12,762	\$ 104	\$ -	\$12,866
Agency mortgage-backed	17,719	590	-	18,309
Agency CMO	25,368	330	7	25,691
Privately-issued CMO	10,037	1,535	176	11,396
Municipal	37,344	2,915	-	40,259
Subtotal – debt securities	103,230	5,474	183	108,521
Equity securities	-	56	-	56
Total securities available for sale	\$103,230	\$ 5,530	\$ 183	\$108,577
Securities held to maturity:				
Agency mortgage-backed	\$2,337	\$ 184	\$ -	\$2,521
Municipal	7,169	-	-	7,169
Total securities held to maturity	\$9,506	\$ 184	\$ -	\$9,690

The amortized cost and fair value of investment securities as of March 31, 2012 by contractual maturity are shown below. Expected maturities of mortgage-backed securities and CMO 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
(In thousands)				
Due within one year	\$250	\$253	\$581	\$599
Due after one year through five years	3,099	3,170	2,528	2,633
Due after five years through ten years	6,372	6,787	2,180	2,334

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

Due after ten years	55,300	57,944	1,586	1,680
	65,021	68,154	6,875	7,246
Equity securities	-	74	-	-
CMO	32,554	34,693	-	-
Mortgage-backed securities	21,724	22,268	1,867	2,009
	\$119,299	\$125,189	\$8,742	\$9,255

-10-

## 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, 2012, 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	6	\$11,926	\$ 147
Agency mortgage-backed	1	1,240	7
Agency CMO	4	2,299	15
Privately-issued CMO	2	158	1
Municipal bonds	5	3,597	130
Total less than twelve months	18	19,220	300
Continuous loss position more than twelve months:			
Privately-issued CMO	5	863	108
Total more than twelve months	5	863	108
Total securities available for sale	23	\$20,083	\$ 408

At March 31, 2012, 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, 2012 have depreciated approximately 1.99% from the Company's amortized cost basis and are fixed and variable rate securities with a weighted-average yield of 2.31% and a weighted-average coupon rate of 2.42% at March 31, 2012.

U.S. government agency debt securities, including mortgage-backed securities and collateralized mortgage obligation securities, and municipal bonds in loss positions at March 31, 2012 had depreciated approximately 1.55% from the Company's amortized cost basis as of March 31, 2012. 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.

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*(Unaudited)*

The unrealized losses on agency and municipal securities 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.

At March 31, 2012, the five privately-issued CMO securities in loss positions more than 12 months had depreciated approximately 11.12% from the Company's carrying value and include securities collateralized by residential mortgage loans and residential home equity loans. Five of these securities with fair values totaling \$917,000 and unrealized losses of \$83,000 at March 31, 2012 were rated below investment grade by a nationally recognized statistical rating organization.

The Company evaluates the existence of a potential credit loss component related to the decline in fair value of the privately-issued CMO portfolio each quarter using an independent third party analysis. At March 31, 2012, the Company held twenty privately-issued CMO securities acquired in a 2009 bank acquisition with an aggregate carrying value of \$6.1 million and fair value of \$7.3 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. Based on the independent third party analysis of the expected cash flows, management has determined that the declines in value for these securities are temporary and, as a result, no other-than-temporary impairment has been recognized on the privately-issued CMO portfolio. While the Company did not recognize a credit-related impairment loss at March 31, 2012, 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 Company realized gross gains on sales of available for sale municipal securities of \$68,000 for the six months ended March 31, 2011.

## FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*(Unaudited)***3. Loans and Allowance for Loan Losses**

Loans at March 31, 2012 and September 30, 2011 consisted of the following:

	March 31, 2012	September 30, 2011
	(In thousands)	
Real estate mortgage:		
1-4 family residential	\$ 167,150	\$ 169,353
Multi-family residential	24,426	24,909
Commercial	80,500	73,513
Residential construction	9,052	8,002
Commercial construction	4,147	4,144
Land and land development	12,820	12,947
Commercial business loans	37,007	40,628
Consumer:		
Home equity loans	14,287	15,210
Auto loans	8,577	9,827
Other consumer loans	3,747	4,514
Gross loans	361,713	363,047
Deferred loan origination fees and costs, net	481	558
Undisbursed portion of loans in process	(3,581 )	(4,501 )
Allowance for loan losses	(4,923 )	(4,672 )
Loans, net	\$ 353,690	\$ 354,432

During the six-month period ended March 31, 2012, 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, 2011.

## 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 class as of March 31, 2012:

	Residential Real Estate (In thousands)	Commercial Real Estate	Multifamily	Construction	Land & Land Development	Commercial Business	Consumer	Total
Recorded Investment in Loans:								
Principal loan balance	\$ 167,150	\$ 80,500	\$ 24,426	\$ 9,618	\$ 12,820	\$ 37,007	\$ 26,611	\$ 358,132
Accrued interest receivable	630	276	77	24	41	159	96	1,303
Net deferred loan origination fees and costs	560	(64 )	(3 )	(6 )	(7 )	(24 )	25	481
Recorded investment in loans	\$ 168,340	\$ 80,712	\$ 24,500	\$ 9,636	\$ 12,854	\$ 37,142	\$ 26,732	\$ 359,916
Recorded Investment in Loans as Evaluated for Impairment:								
Individually evaluated for impairment	\$ 2,043	\$ 1,682	\$ -	\$ 174	\$ 340	\$ 98	\$ 215	\$ 4,552
Collectively evaluated for impairment	165,561	78,834	24,500	9,462	12,514	37,044	26,478	354,393
Acquired with deteriorated credit quality	736	196	-	-	-	-	39	971
Ending balance	\$ 168,340	\$ 80,712	\$ 24,500	\$ 9,636	\$ 12,854	\$ 37,142	\$ 26,732	\$ 359,916





## 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 class as of September 30, 2011:

	Residential Real Estate (In thousands)	Commercial Real Estate	Multifamily	Construction	Land & Land Development	Commercial Business	Consumer	Total
Recorded Investment in Loans:								
Principal loan balance	\$ 169,353	\$ 73,513	\$ 24,909	\$ 7,645	\$ 12,947	\$ 40,628	\$ 29,551	\$ 358,546
Accrued interest receivable	622	335	84	18	59	148	116	1,382
Net deferred loan origination fees and costs	619	(34 )	(3 )	(6 )	(6 )	(44 )	32	558
Recorded investment in loans	\$ 170,594	\$ 73,814	\$ 24,990	\$ 7,657	\$ 13,000	\$ 40,732	\$ 29,699	\$ 360,486
Recorded Investment in Loans as Evaluated for Impairment:								
Individually evaluated for impairment	\$ 3,758	\$ 1,133	\$ -	\$ 174	\$ 340	\$ 2	\$ 215	\$ 5,622
Collectively evaluated for impairment	166,427	72,100	24,990	7,483	12,660	40,730	29,444	353,834
Acquired with deteriorated credit quality	769	581	-	-	-	-	40	1,390

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

Ending balance	\$170,954	\$73,814	\$24,990	\$7,657	\$13,000	\$40,732	\$29,699	\$360,846
----------------	-----------	----------	----------	---------	----------	----------	----------	-----------

-15-

## 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, 2012 is as follows:

	Residential Real Estate (In thousands)	Commercial Real Estate	Multifamily	Construction	Land & Development	Commercial Business	Consumer	Total
Ending Allowance Balance Attributable to Loans: Individually evaluated for impairment	\$60	\$ 70	\$ -	\$ -	\$ -	\$ -	\$ 11	\$141
Collectively evaluated for impairment	919	1,542	647	64	33	1,379	198	4,782
Acquired with deteriorated credit quality	-	-	-	-	-	-	-	-
Ending balance	\$979	\$ 1,612	\$ 647	\$ 64	\$ 33	\$ 1,379	\$ 209	\$4,923

An analysis of the allowance for loan losses as of September 30, 2011 is as follows:

	Residential Real Estate (In thousands)	Commercial Real Estate	Multifamily	Construction	Land & Development	Commercial Business	Consumer	Total
Ending Allowance Balance Attributable to Loans: Individually evaluated for impairment	\$84	\$ 70	\$ -	\$ -	\$ -	\$ -	\$ 31	\$185
Collectively evaluated for impairment	749	1,244	604	56	53	1,525	256	4,487

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

Acquired with deteriorated credit quality	-	-	-	-	-	-	-	-
Ending balance	\$833	\$ 1,314	\$ 604	\$ 56	\$ 53	\$ 1,525	\$ 287	\$4,672

-16-

## 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 & 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 & 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)*

An analysis of the changes in the allowance for loan losses for the three months ended March 31, 2011 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	\$1,203	\$ 896	\$ 550	\$ 133	\$ 29	\$ 787	\$ 361	\$3,959
Provisions	44	(16 )	4	12	8	223	12	287
Charge-offs	(24 )	-	-	-	-	(53 )	(42 )	(119 )
Recoveries	13	-	-	-	-	4	13	30
Ending balance	\$1,236	\$ 880	\$ 554	\$ 145	\$ 37	\$ 961	\$ 344	\$4,157

An analysis of the changes in the allowance for loan losses for the six months ended March 31, 2011 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	\$1,242	\$ 600	\$ 369	\$ 218	\$ 62	\$ 891	\$ 429	\$3,811
Provisions	218	285	185	(65 )	(25 )	62	(21 )	639
Charge-offs	(237 )	(5 )	-	(8 )	-	(53 )	(94 )	(397 )
Recoveries	13	-	-	-	-	61	30	104
Ending balance	\$1,236	\$ 880	\$ 554	\$ 145	\$ 37	\$ 961	\$ 344	\$4,157

## 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, 2012 and for the three and six months ended March 31, 2012 and 2011. The Company did not recognize any interest income on impaired loans for the three and six months ended March 31, 2012 and 2011.

	At March 31, 2012			Three Months Ended March 31, 2012		Six Months Ended March 31, 2011	
	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	\$ 1,893	\$ 2,254	\$ -	\$ 2,706	\$ 2,533	\$ 2,999	\$ 2,475
Commercial real estate	1,444	1,461	-	1,121	1,196	1,047	1,187
Multifamily	-	-	-	-	16	-	11
Construction	174	174	-	174	548	174	572
Land and land development	340	346	-	340	397	340	265
Commercial business	98	98	-	49	154	33	217
Consumer	116	118	-	87	235	102	247
	\$ 4,065	\$ 4,451	\$ -	\$ 4,477	\$ 5,079	\$ 4,695	\$ 4,974
Loans with an allowance recorded:							
Residential real estate	\$ 150	\$ 151	\$ 60	\$ 149	\$ 345	\$ 158	\$ 552
Commercial real estate	238	235	70	238	486	237	324
Multifamily	-	-	-	-	-	-	-
Construction	-	-	-	-	140	-	140
Land and land development	-	-	-	-	-	-	-
Commercial business	-	-	-	-	-	-	-
Consumer	99	99	11	90	98	87	97
	\$ 487	\$ 485	\$ 141	\$ 477	\$ 1,069	\$ 482	\$ 1,113
Total:							
Residential real estate	\$ 2,043	\$ 2,405	\$ 60	\$ 2,855	\$ 2,878	\$ 3,157	\$ 3,027
Commercial real estate	1,682	1,696	70	1,359	1,682	1,284	1,511



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

Multifamily	-	-	-	-	16	-	11
Construction	174	174	-	174	688	174	712
Land and land development	340	346	-	340	397	340	265
Commercial business	98	98	-	49	154	33	217
Consumer	215	217	11	177	333	189	344
	\$4,552	\$ 4,936	\$ 141	\$ 4,954	\$ 6,148	\$ 5,177	\$ 6,087

-19-

## 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, 2011.

	Recorded Investment	Unpaid Principal Balance	Related Allowance
	(In thousands)		
Loans with no related allowance recorded:			
Residential real estate	\$3,584	\$ 3,953	\$ -
Commercial real estate	898	899	-
Multifamily	-	-	-
Construction	174	174	-
Land and land development	340	346	-
Commercial business	2	2	-
Consumer	134	136	-
	\$5,132	\$ 5,510	\$ -
Loans with an allowance recorded:			
Residential real estate	\$174	\$ 175	\$ 84
Commercial real estate	235	235	70
Multifamily	-	-	-
Construction	-	-	-
Land and land development	-	-	-
Commercial business	-	-	-
Consumer	81	81	31
	\$490	\$ 491	\$ 185
Total:			
Residential real estate	\$3,758	\$ 4,128	\$ 84
Commercial real estate	1,133	1,134	70
Multifamily	-	-	-
Construction	174	174	-
Land and land development	340	346	-
Commercial business	2	2	-
Consumer	215	217	31

\$5,622 \$ 6,001 \$ 185

## 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 by class of loans at March 31, 2012:

	Nonaccrual Loans	Loans 90+ Days Past Due Still Accruing	Total Nonperforming Loans
	(In thousands)		
Residential real estate	\$2,043	\$ 270	\$ 2,313
Commercial real estate	1,682	-	1,682
Multifamily	-	-	-
Construction	174	-	174
Land and land development	340	-	340
Commercial business	98	397	495
Consumer	215	5	220
Total	\$4,552	\$ 672	\$ 5,224

The following table presents the recorded investment in nonperforming loans by class of loans at September 30, 2011:

	Nonaccrual Loans	Loans 90+ Days Past Due Still Accruing	Total Nonperforming Loans
	(In thousands)		
Residential real estate	\$3,758	\$ 603	\$ 4,361
Commercial real estate	1,133	949	2,082
Multifamily	-	-	-
Construction	174	-	174
Land and land development	340	-	340
Commercial business	2	99	101
Consumer	215	61	276

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

Total	\$5,622	\$ 1,712	\$ 7,334
-------	---------	----------	----------

-21-

## 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, 2012 by class of loans:

	30-59 Days Past Due	60-89 Days Past Due	90 + Days Past Due	Total Past Due	Current	Total Loans
	(In thousands)					
Residential real estate	\$3,140	\$ 1,909	\$ 1,848	\$ 6,897	\$161,443	\$168,340
Commercial real estate	547	6	1,609	2,162	78,550	80,712
Multifamily	45	-	-	45	24,455	24,500
Construction	-	-	174	174	9,462	9,636
Land and land development	60	-	340	400	12,454	12,854
Commercial business	135	27	495	657	36,485	37,142
Consumer	442	54	122	618	26,114	26,732
Total	\$4,369	\$ 1,996	\$ 4,588	\$ 10,953	\$348,963	\$359,916

The following table presents the aging of the recorded investment in past due loans at September 30, 2011 by class of loans:

	30-59 Days Past Due	60-89 Days Past Due	90 + Days Past Due	Total Past Due	Current	Total Loans
	(In thousands)					
Residential real estate	\$4,145	\$ 842	\$ 2,213	\$ 7,200	\$163,754	\$170,954
Commercial real estate	216	400	2,003	2,619	71,195	73,814
Multifamily	-	-	-	-	24,990	24,990
Construction	-	-	174	174	7,483	7,657
Land and land development	47	-	341	388	12,612	13,000
Commercial business	122	932	101	1,155	39,577	40,732
Consumer	246	274	147	667	29,032	29,699

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

Total	\$4,776	\$ 2,448	\$ 4,979	\$ 12,203	\$348,643	\$360,846
-------	---------	----------	----------	-----------	-----------	-----------

-22-

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, without establishment of a specific valuation allowance or charge-off, 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, 2012, 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 Development	Commercial Business	Consumer	Total
Pass	\$ 153,894	\$ 74,728	\$ 21,362	\$ 9,462	\$ 12,102	\$ 34,674	\$ 25,964	\$ 332,186
Special Mention	2,815	2,293	322	-	377	1,508	93	7,408
Substandard	10,990	3,453	2,816	174	375	960	625	19,393
Doubtful	641	238	-	-	-	-	50	929
Loss	-	-	-	-	-	-	-	-
Total	\$ 168,340	\$ 80,712	\$ 24,500	\$ 9,636	\$ 12,854	\$ 37,142	\$ 26,732	\$ 359,916

As of September 30, 2011, 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 Development	Commercial Business	Consumer	Total
Pass	\$ 157,240	\$ 67,572	\$ 22,699	\$ 7,483	\$ 12,223	\$ 37,639	\$ 28,869	\$ 333,725
Special Mention	2,044	2,296	327	-	402	1,819	74	6,962
Substandard	10,696	3,711	1,964	174	375	1,272	650	18,842
Doubtful	974	235	-	-	-	2	106	1,317

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

Loss	-	-	-	-	-	-	-	-
Total	\$170,954	\$73,814	\$24,990	\$7,657	\$13,000	\$40,732	\$29,699	\$360,846

-24-

## 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, 2012 and September 30, 2011. There was no specific reserve included in the allowance for loan losses related to TDRs at March 31, 2012 or September 30 2011.

	Accruing	Nonaccrual	Total
	(In thousands)		
March 31, 2012:			
Residential real estate	\$1,914	\$ -	\$1,914
Commercial real estate	1,310	-	1,310
Multifamily	2,379	-	2,379
Total	\$5,603	\$ -	\$5,603
September 30, 2011:			
Residential real estate	\$1,499	\$ -	\$1,499

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

Commercial real estate	812	-	812
Total	\$2,311	\$ -	\$2,311

-25-

## 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, 2012:

	Pre- Number of Loans	Pre- Modification Principal Balance (In thousands)	Post- Modification Principal Balance
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
Total	9	\$ 3,359	\$ 3,608

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

The Company has not committed to lend any additional amounts as of March 31, 2012 and September 30, 2011 to customers with outstanding loans that are classified as TDRs.

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 (defined as more than 90 days past due). The Company recognized a net charge-off of \$42,000 for this TDR during the three-month period ended March 31, 2012.

#### **4. Real Estate Development and Construction**

On March 22, 2011 the Company acquired a 4.077 acre 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. The retail development may include a future branch location, but the Bank has not yet filed an application with the OCC seeking approval to locate a branch on the site. The total cost of the development is expected to be approximately \$6.9 million, including the \$3.3 million paid as of March 31, 2012. The development costs will be partially funded by a \$5 million loan commitment from another financial institution. The loan commitment is for a 10 year term loan with a fixed interest rate of 4% for the first six years of the loan term, then adjusting annually thereafter to the one-year LIBOR rate plus 250 basis points. The development is expected to be completed by December 31, 2013.

## FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*(Unaudited)*

**5. 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, 2012 and 2011.

	Three Months Ended March 31,		Six Months Ended March 31,	
	2012	2011	2012	2011
	(Dollars in thousands, except per share data)			
Basic:				
Earnings:				
Net income	\$964	\$970	\$1,874	\$2,054
Less: Preferred stock dividends declared	(43	) -	(85	) -
Net income available to common shareholders	\$921	\$970	\$1,789	\$2,054
Shares:				
Weighted average common shares outstanding	2,156,730	2,127,440	2,155,539	2,142,246
Net income per common share, basic	\$0.43	\$0.46	\$0.83	\$0.96
Diluted:				
Earnings:				
Net income	\$964	\$970	\$1,874	\$2,054
Less: Preferred stock dividends declared	(43	) -	(85	) -
Net income available to common shareholders	\$921	\$970	\$1,789	\$2,054

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

Shares:

Weighted average common shares outstanding	2,156,730	2,127,440	2,155,539	2,142,246
Add: Dilutive effect of outstanding options	48,435	39,937	45,759	27,827
Add: Dilutive effect of restricted stock	17,422	17,869	15,779	13,848
Weighted average common shares outstanding as adjusted	2,222,586	2,185,246	2,217,077	2,183,921

Net income per common share, diluted	\$0.41	\$0.44	\$0.81	\$0.94
--------------------------------------	--------	--------	--------	--------

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

-27-



**FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES**

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*(Unaudited)***6. Supplemental Disclosures of Cash Flow Information**

	Six Months Ended March 31, 2012    2011 <i>(In thousands)</i>	
Cash payments for:		
Interest	\$2,764	\$3,326
Taxes	199	490
Transfers from loans to foreclosed real estate	787	882
Proceeds from sales of foreclosed real estate financed through loans	647	221

**7. 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, 2012 and September 30, 2011. The Company had no liabilities measured at fair value as of March 31, 2012 or September 30, 2011.

-28-

## 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, 2012:				
Assets Measured - Recurring Basis:				
Securities available for sale:				
Agency bonds and notes	\$-	\$19,756	\$ -	\$19,756
Agency mortgage-backed	-	22,268	-	22,268
Agency CMO	-	22,774	-	22,774
Privately-issued CMO	-	11,919	-	11,919
Municipal	-	48,398	-	48,398
Equity securities	74	-	-	74
Total securities available for sale	\$74	\$125,115	\$ -	\$125,189
Interest rate cap contract	\$-	\$30	\$ -	\$30
Assets Measured - Nonrecurring Basis:				
Impaired loans	\$-	\$4,411	\$ -	\$4,411
Loans held for sale	-	121	-	121
Foreclosed real estate	-	1,024	-	1,024
September 30, 2011:				
Assets Measured - Recurring Basis:				
Securities available for sale:				
Agency bonds and notes	\$-	\$12,866	\$ -	\$12,866
Agency mortgage-backed	-	18,309	-	18,309
Agency CMO	-	25,691	-	25,691
Privately-issued CMO	-	11,396	-	11,396
Municipal	-	40,259	-	40,259
Equity securities	56	-	-	56
Total securities available for sale	\$56	\$108,521	\$ -	\$108,577
Interest rate cap contract	\$-	\$50	\$ -	\$50
Assets Measured - Nonrecurring Basis:				
Impaired loans	\$-	\$5,437	\$ -	\$5,437
Foreclosed real estate	-	1,028	-	1,028

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.

-29-

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.

***Securities Available for Sale.*** Securities classified as 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 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 carried at the present value of estimated future cash flows using the loan's existing rate or the fair value of collateral if the loan is collateral dependent. Impaired loans are evaluated and valued at the time the loan is identified as impaired at the lower of cost or market value. For collateral dependent impaired loans, market value is measured based on the value of the collateral securing these loans and is classified as Level 2 in the fair value hierarchy. 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. Impaired loans are reviewed and evaluated on at least a quarterly basis for additional impairment and adjusted accordingly, based on the same factors identified above.

***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.

***Foreclosed Real Estate.*** Foreclosed real estate held for sale is reported at fair value less estimated costs to dispose of the property using Level 2 inputs. The fair values are determined by real estate appraisals using valuation techniques consistent with the market approach using recent sales of comparable properties. In cases where such inputs are unobservable, the balance is reflected within the Level 3 hierarchy.

***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, 2012 and 2011. 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, 2012 and 2011.

-30-

## 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 estimated fair values of the Company's financial instruments are as follows:

	March 31, 2012		September 30, 2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In thousands)			
Financial assets:				
Cash and due from banks	\$12,440	\$12,440	\$18,099	\$18,099
Interest-bearing deposits with banks	5,891	5,891	9,104	9,104
Securities available for sale	125,189	125,189	108,577	108,577
Securities held to maturity	8,742	9,255	9,506	9,690
Loans, net	353,690	366,561	354,432	366,803
Loans held for sale	121	121	-	-
Federal Home Loan Bank stock	4,900	4,900	4,400	4,400
Accrued interest receivable	2,212	2,212	2,198	2,198
Financial liabilities:				
Deposits	409,706	416,414	387,626	394,303
Short-term repurchase agreements	1,325	1,325	16,403	16,457
Borrowings from Federal Home Loan Bank	53,100	54,355	53,137	54,534
Accrued interest payable	276	276	399	399
Advance payments by borrowers for taxes and insurance	315	315	330	330
Derivative financial instruments included in other assets:				
Interest rate cap	30	30	50	50

The carrying amounts in the preceding table 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:

-31-



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 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. The carrying amount of accrued interest receivable approximates its fair value.

**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 and repurchase agreements. 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 and FHLB line of credit borrowings, 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)***8. 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. 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, 2012 amounted to \$62,000 and \$122,000, respectively. Compensation expense recognized for the three- and six-month periods ended March 31, 2011 amounted to \$59,000 and \$125,000, respectively. Company common stock held by the ESOP trust at March 31, 2012 was as follows:

Allocated shares	76,269
Unearned shares	127,094
Total ESOP shares	203,363
Fair value of unearned shares	\$2,173,000

**9. 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.

-33-

## 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-month periods ended March 31, 2012 and 2011 amounted to \$65,000. Compensation expense related to restricted stock recognized for both the six-month periods ended March 31, 2012 and 2011 amounted to \$130,000. A summary of the Company's nonvested restricted shares activity under the Plan as of March 31, 2012 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, 2011	78,470	\$ 13.25
Granted	-	-
Vested	-	-
Forfeited	-	-
Nonvested at March 31, 2012	78,470	\$ 13.25

At March 31, 2012, there was \$813,000 of total unrecognized compensation expense related to nonvested restricted shares. The compensation expense is expected to be recognized over the remaining vesting period of 3.1 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, 2012, and changes during the six-month period then ended is presented below.

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
(Dollars in thousands, except per share data)				
Outstanding at October 1, 2011	245,232	\$ 13.25		
Granted	-	-		
Exercised	-	-		
Forfeited or expired	-	-		
Outstanding at March 31, 2012	245,232	\$ 13.25	8.1	\$ 944
Exercisable at March 31, 2012	49,050	\$ 13.25	8.1	\$ 189

The Company recognized compensation expense related to stock options of \$38,000 and \$76,000 for the three- and six-month periods ended March 31, 2012, respectively. The Company recognized compensation expense related to stock options of \$38,000 and \$101,000 for the three- and six-month periods ended March 31, 2011, respectively. At March 31, 2012, there was \$474,000 of unrecognized compensation expense related to nonvested stock options, which will be recognized over the remaining vesting period of 3.1 years.

**10. 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 the 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.





FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*(Unaudited)*

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 third dividend period ended March 31, 2012 was 1.0% and the weighted average dividend rate for the six-month period ended March 31, 2012 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.

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

**11. Recent Accounting Pronouncements**

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

In May 2011, the FASB issued Accounting Standards Update (“ASU”) No. 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements by U.S. GAAP and IFRSs*. The amendments in this ASU generally represent clarifications of FASB ASC Topic 820, but also include some instances where a particular principle or requirement for measuring fair value or disclosing information about fair value measurements has changed. This ASU results in common principles and requirements for measuring fair value and for disclosing information about fair value measurements in accordance with U.S. GAAP and IFRSs. The amendments in this ASU are to be applied prospectively. For public entities, the amendments are effective for interim and annual periods beginning after December 15, 2011. Early application by public entities is not permitted. Adoption of this ASU did not have any impact on the Company’s consolidated financial position or results of operations.

In June 2011, the FASB issued ASU No. 2011-05, *Amendments to Topic 220, Comprehensive Income*. Under the amendments in this ASU, an entity has the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. This ASU eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. The amendments in this ASU do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. The amendments in this ASU should be applied retrospectively. For public entities, the amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. Early adoption is permitted, because compliance with the amendments is already permitted. The amendments do not require any transition disclosures. The adoption of this ASU did not have any impact on the Company’s consolidated financial position or results of operations. ASU No. 2011-12 issued in December 2011 deferred the effective date of ASU No. 2011-05 related to the presentation of reclassifications of items out of accumulated other comprehensive income. All other requirements of ASU No. 2011-05 were not affected by ASU No. 2011-12.

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*(Unaudited)*

In December 2011, the FASB issued 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. The amendments in the update 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 this update is not expected to have any impact on the Company's consolidated 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, 2011 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, 2012, 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, 2011.

**Comparison of Financial Condition at March 31, 2012 and September 30, 2011**

**Cash and Cash Equivalents.** Cash and cash equivalents decreased from \$27.2 million at September 30, 2011 to \$18.3 million at March 31, 2012, due to decreases in cash and due from banks of \$5.7 million and interest-bearing deposits with banks of \$3.2 million. The decrease in cash and cash equivalents was primarily used to fund purchases of securities available for sale.

**Loans.** Net loans receivable decreased \$742,000, from \$354.4 million at September 30, 2011 to \$353.7 million at March 31, 2012, primarily due to decreases in commercial business loans of \$3.6 million, consumer loans of \$2.9 million, residential permanent and construction loans of \$1.2 million and multi-family residential mortgage loans of \$483,000, which more than offset an increase in nonresidential permanent and construction loans of \$7.0 million. The decreases in commercial business loans, residential mortgage loans, and consumer loans are primarily due to loan payoffs that have not been replaced by new originations for the Bank's in-house loan portfolio.

FIRST SAVINGS FINANCIAL GROUP, INC.

**PART I - ITEM 2**

**MANAGEMENT'S DISCUSSION AND**

**ANALYSIS OF FINANCIAL CONDITION AND**

**RESULTS OF OPERATIONS**

***Securities Available for Sale.*** Securities available for sale increased \$16.6 million from \$108.6 million at September 30, 2011 to \$125.2 million at March 31, 2012 due primarily to purchases of \$35.9 million, partially offset by maturities and calls of \$9.1 million and principal repayments of \$10.5 million. The increase in securities available for sale, primarily in U.S. government agency and sponsored enterprises securities and municipal securities, was primarily funded by the decrease in cash and cash equivalents.

***Securities Held to Maturity.*** Investment securities held-to-maturity decreased \$764,000 from \$9.5 million at September 30, 2011 to \$8.7 million at March 31, 2012 due primarily to principal repayments on mortgage-backed securities.

***Deposits.*** Total deposits increased \$22.1 million from \$387.6 million at September 30, 2011 to \$409.7 million at March 31, 2012 primarily due to increases in noninterest-bearing demand deposit accounts of \$5.4 million, interest-bearing demand deposit accounts of \$9.9 million, savings accounts of \$3.1 million, and money market deposit accounts of \$6.8 million, which more than offset a decrease in certificates of deposit of \$3.1 million during the period. The decrease in certificates of deposit occurred primarily in maturities of twelve months and less, which more than offset an increase in brokered certificates of deposit of \$8.0 million. Management has elected to replace some higher-rate maturing retail time deposits with brokered certificates of deposit given the advantageous lower interest rates.

***Borrowings.*** Repurchase agreements decreased \$15.1 million from \$16.4 million at September 30, 2011 to \$1.3 million at March 31, 2012 due to maturities. The repurchase agreements were replaced by increases in transactional deposit accounts and brokered certificates of deposit.

***Stockholders' Equity.*** Stockholders' equity increased \$2.3 million from \$76.6 million at September 30, 2011 to \$78.9 million at March 31, 2012. The increase was due primarily to \$1.8 million of retained net earnings and a \$323,000 increase in net unrealized gains on securities available for sale.



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, 2012 and 2011**

**Overview.** The Company reported 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 compared to net income of \$2.1 million, or \$0.94 per diluted share, for the six-month period ended March 31, 2011.

**Net Interest Income.** Net interest income increased \$48,000, or 0.9%, for the six-month period ended March 31, 2012 compared to the same period in 2011. Average interest-earnings assets increased \$25.9 million and average interest-bearing liabilities increased \$2.0 million when comparing the two periods. The tax-equivalent interest rate spread was 4.13% for 2012 as compared to 4.33% for 2011.

Total interest income decreased \$346,000, or 5.4%, when comparing the two periods due primarily to a decrease in the average tax-equivalent yield on interest-earning assets from 5.64% for 2011 to 5.25% for 2012, which more than offset the change in interest income due to an increase in the average balance of interest-earning assets of \$25.9 million from \$465.6 million for 2011 to \$491.5 million for 2012. The average balance of loans and investment securities increased \$16.8 million and \$7.9 million, respectively, when comparing the two periods.

Total interest expense decreased \$394,000, or 30.3%, due primarily to a decrease in the average cost of interest-bearing liabilities from 1.31% for 2011 to 1.12% for 2012, which more than offset the change in interest expense due to an increase in the average balance of interest-bearing liabilities of \$2.0 million from \$421.0 million for 2011 to \$423.0 million for 2012. The average cost of interest-bearing liabilities decreased for 2012 primarily as a result of lower market interest rates as compared to 2011, the repricing of certificates of deposit at lower market interest rates as they matured and the utilization of lower-cost brokered certificates of deposit as an alternative source of funding. The average balance of deposits increased \$9.3 million while the average balance of borrowings decreased \$7.3 million when comparing the two periods.





## 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. 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, 2012			2011		
	Average Balance	Interest and Dividends	Yield/ Cost	Average Balance	Interest and Dividends	Yield/ Cost
	(Dollars in thousands)					
Assets:						
Interest-bearing deposits with banks	\$4,547	\$ 6	0.26 %	\$3,971	\$ 7	0.35 %
Loans	359,992	10,187	5.66	343,187	10,366	6.04
Investment securities	99,558	2,330	4.68	98,920	2,485	5.02
Agency mortgage-backed securities	22,774	298	2.62	15,478	204	2.64
Federal Home Loan Bank stock	4,663	72	3.09	4,081	58	2.84
Total interest-earning assets	491,534	12,893	5.25	465,637	13,120	5.64
Non-interest-earning assets	46,001			43,088		
Total assets	\$537,535			\$508,725		
Liabilities and equity:						
NOW accounts	\$70,332	\$ 192	0.55 %	\$65,632	\$ 177	0.54
Money market deposit accounts	43,340	164	0.76	36,690	134	0.73
Savings accounts	42,319	54	0.26	39,068	51	0.26
Time deposits	195,247	1,357	1.39	200,527	1,685	1.68
Total interest-bearing deposits	351,238	1,767	1.01	341,917	2,047	1.20

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

Borrowings (1)	71,734	598	1.67	79,083	712	1.80
Total interest-bearing liabilities	422,972	2,365	1.12	421,000	2,759	1.31
Non-interest-bearing deposits	34,659			29,983		
Other non-interest-bearing liabilities	2,706			2,753		
Total liabilities	460,337			453,736		
Total equity	77,198			54,989		
Total liabilities and equity	\$537,535			\$508,725		
Net interest income		\$ 10,528			\$ 10,361	
Interest rate spread			4.13 %			4.33 %
Net interest margin			4.28 %			4.45 %
Average interest-earning assets to average interest-bearing liabilities			116.21 %			110.60 %

---

(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. 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, 2012 Compared to Six Months Ended March 31, 2011 Increase (Decrease) Due to		
	Rate	Volume	Net
	(In thousands)		
Interest income:			
Interest-bearing deposits with banks	\$(2 )	\$ 1	\$(1 )
Loans	(808)	629	(179)
Investment securities	(171)	16	(155)
Agency mortgage-backed securities	(1 )	95	94
Other interest-earning assets	5	9	14
Total interest-earning assets	(977)	750	(227)
Interest expense:			
Deposits	(338)	58	(280)
Borrowings (1)	(50 )	(64 )	(114)
Total interest-bearing liabilities	(388)	(6 )	(394)
Net increase (decrease) in net interest income	\$(589)	\$ 756	\$167

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

***Provision for Loan Losses.*** The provision for loan losses was \$589,000 for the six months ended March 31, 2012 compared to \$639,000 for the same period in 2011.

Net charge-offs were \$338,000 for the six months ended March 31, 2012 compared to net charge-offs of \$293,000 for the same period in 2011.

The recorded investment in nonperforming loans was \$5.2 million at March 31, 2012 compared to \$7.3 million at September 30, 2011 and \$6.7 million at March 31, 2011. Nonperforming loans at March 31, 2012 include nonaccrual loans of \$4.6 million and loans totaling \$672,000 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 decrease in nonperforming loans from September 30, 2011 to March 31, 2012 is due primarily to a single borrower relationship that was transferred from nonaccrual to accrual status during the six months ended March 31, 2012. This lending relationship had a total recorded investment of approximately \$2.0 million at March 31, 2012 and is secured by 23 non-owner occupied, one-to-four family investment properties, which were predominately constructed in the past ten years and sold on contract to their occupants. All of these loans were current at March 31, 2012 and the borrower had made all contractual principal and interest payments for a period of at least six consecutive months.

FIRST SAVINGS FINANCIAL GROUP, INC.

**PART I - ITEM 2**

**MANAGEMENT'S DISCUSSION AND**

**ANALYSIS OF FINANCIAL CONDITION AND**

**RESULTS OF OPERATIONS**

Gross loans receivable increased \$15.3 million from \$346.4 million at March 31, 2011 to \$361.7 million at March 31, 2012, primarily due to increases in nonresidential permanent and construction loans of \$15.6 million, commercial business loans of \$7.5 million, multi-family residential mortgage loans of \$1.0 million, and land and land development loans of \$3.1 million, which more that offset decreases in residential permanent and construction loans of \$5.2 million, and consumer loans of \$6.7 million when comparing the two periods. The decreases in residential mortgage loans and consumer loans are primarily due to loan payoffs that have not been replaced by new originations.

The allowance for loan losses was \$4.9 million at March 31, 2012 compared to \$4.7 million at September 30, 2011 and \$4.2 million at March 31, 2011. 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 decreased \$158,000 for the six-month period ended March 31, 2012 as compared to the same period in 2011. The decrease was due primarily to decreases in service charges on deposit accounts of \$99,000, net gains on the sale of loans of \$66,000 and gains on the sale of securities available for sale of \$68,000 for the 2012 period as compared to 2011, and a \$20,000 unrealized loss on an interest rate cap contract for the six-month period ended March 31, 2012, compared to an unrealized gain of \$33,000 on the interest rate cap contract for the same period in 2011. The decrease in service charges on deposits was due primarily to a decrease in overdraft fee income and the decrease in gains on sales of securities available for sale is due to gains recognized in the 2011 period while no sales of securities available for sale occurred in the 2012 period. These decreases offset increases in commissions and other income for 2012.

**Noninterest Expense.** Noninterest expenses increased \$296,000 for the six-month period ended March 31, 2012 as compared to the same period in 2011. The increase was due primarily to increases in advertising expense, professional fees, and data processing expense of \$197,000, \$137,000 and \$67,000, respectively, which more than offset decreases in FDIC insurance premiums and net losses on foreclosed real estate of \$100,000 and \$122,000, respectively. The increase in adverting expense was due primarily to a rebranding and advertising campaign for the Bank's new brand

and logo that was launched in September 2011. The increase in professional fees was due to consulting fees related to the development and enhancement of the Bank's cash management services and expenditures associated with the acquisition and integration of the four Indiana branch locations from First Federal Savings Bank of Elizabethtown that is currently scheduled to close on July 6, 2012. The increase in data processing is due primarily to expenditures associated with the planned integration of the branches to be acquired in July 2012.

***Income Tax Expense.*** The Company recognized income tax expense of \$690,000 for the six-month period ended March 31, 2012, for an effective tax rate of 26.9%, compared to income tax expense of \$866,000, for an effective tax rate of 29.7%, for the same period in 2011. The lower effective tax rate for the six months ended March 31, 2012 was due primarily to a higher level of tax exempt income as a percent of income before taxes for 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 Three Months Ended March 31, 2012 and 2011**

**Overview.** The Company reported 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 compared to net income of \$970,000, or \$0.44 per diluted share, for the quarter ended March 31, 2011.

**Net Interest Income.** Net interest income increased \$7,000, or 0.1%, for the three months ended March 31, 2012 compared to the same period in 2011. Average interest-earning assets increased \$22.7 million and average interest-bearing liabilities decreased \$300,000 when comparing the two periods. The tax-equivalent interest rate spread was 4.09% for 2012 as compared to 4.27% for 2011.

Total interest income decreased \$206,000, or 1.6%, when comparing the two periods due primarily to a decrease in the average tax-equivalent yield on interest-earning assets from 5.53% for 2011 to 5.15% for 2012, which more than offset the change in interest income due to an increase in the average balance of interest-earning assets of \$22.7 million from \$471.6 million for 2011 to \$494.3 million for 2012. The average balance of loans and investment securities increased \$16.3 million and \$4.0 million, respectively, when comparing the two periods.

Total interest expense decreased \$213,000, or 7.6%, due primarily to a decrease in the average cost of interest-bearing liabilities from 1.26% for 2011 to 1.06% for 2012. The average balance of interest-bearing liabilities decreased by \$300,000 from \$424.9 million for 2011 to \$424.6 million for 2012. The average cost of interest-bearing liabilities decreased for 2012 primarily as a result of lower market interest rates as compared to 2011, the repricing of certificates of deposit at lower market interest rates as they matured and the utilization of lower-cost brokered certificates of deposit as alternative sources of funding. The average balance of deposits increased \$15.7 million while the average balance of borrowings decreased \$15.9 million when comparing the two periods. The decrease in borrowings is due primarily to the maturity of \$15.0 million of repurchase agreements that occurred in the quarter ended December 31, 2011.





## 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. 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			2011		
	Average Balance	Interest and Dividends	Yield/ Cost	Average Balance	Interest and Dividends	Yield/ Cost
	(Dollars in thousands)					
Assets:						
Interest-bearing deposits with banks	\$5,473	\$ 2	0.15 %	\$3,954	\$ 4	0.40 %
Loans	359,572	4,984	5.54	343,247	5,093	5.94
Investment securities	101,084	1,183	4.68	105,897	1,270	4.80
Agency mortgage-backed securities	23,307	152	2.61	14,449	117	3.24
Federal Home Loan Bank stock	4,900	42	3.43	4,049	30	2.96
Total interest-earning assets	494,336	6,363	5.15	471,596	6,514	5.53
Non-interest-earning assets	46,070			41,096		
Total assets	\$540,406			\$512,692		
Liabilities and equity:						
NOW accounts	\$71,751	\$ 96	0.54 %	\$64,246	\$ 82	0.51
Money market deposit accounts	44,843	83	0.74	37,085	68	0.73
Savings accounts	42,836	28	0.26	39,730	23	0.23
Time deposits	199,888	649	1.30	202,575	813	1.61
Total interest-bearing deposits	359,318	856	0.95	343,636	986	1.15

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

Borrowings (1)	65,312	267	1.64	81,251	350	1.72
Total interest-bearing liabilities	424,630	1,123	1.06	424,887	1,336	1.26
Non-interest-bearing deposits	35,386			30,562		
Other non-interest-bearing liabilities	2,464			2,634		
Total liabilities	462,480			458,083		
	,					
Total equity	77,926			54,609		
Total liabilities and equity	\$540,406			\$512,692		
Net interest income		\$ 5,240			\$ 5,178	
Interest rate spread			4.09 %			4.27 %
Net interest margin			4.24 %			4.39 %
Average interest-earning assets to average interest-bearing liabilities			116.42 %			110.99 %

---

(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. 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, 2012 Compared to Three Months Ended March 31, 2011 Increase (Decrease) Due to		
	Rate	Volume (In thousands)	Net
Interest income:			
Interest-bearing deposits with banks	\$ (5 )	\$ 3	\$ (2 )
Loans	(371 )	262	(109 )
Investment securities	(31 )	(56 )	(87 )
Agency mortgage-backed securities	(16 )	51	35
Other interest-earning assets	5	7	12
Total interest-earning assets	(418 )	267	(151 )
Interest expense:			
Deposits	(176 )	46	(130 )
Borrowings (1)	(16 )	(67 )	(83 )
Total interest-bearing liabilities	(192 )	(21 )	(213 )
Net increase (decrease) in net interest income	\$ (226 )	\$ 288	\$ 62

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

***Provision for Loan Losses.*** The provision for loan losses was \$270,000 for the three months ended March 31, 2012 compared to \$287,000 for the same period in 2011. The decreased level of provision for loan losses for the 2012 period is primarily due to a decrease in nonperforming loans. As discussed earlier, the decrease in nonperforming loans from September 30, 2011 to March 31, 2012 is due primarily to a single borrower relationship that was transferred from nonaccrual to accrual status during the six months ended March 31, 2012. This lending relationship had a total recorded investment of approximately \$2.0 million at March 31, 2012 and is secured by 23 non-owner occupied, one-to-four family investment properties, which were predominately constructed in the past ten years and sold on contract to their occupants.

Net charge-offs were \$50,000 for the three months ended March 31, 2012 compared to net charge-offs of \$89,000 for the same period in 2011.

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 \$24,000 for the three-month period ended March 31, 2012 as compared to the same period in 2011. The increase was due primarily to increases in commissions of \$23,000 and other income of \$31,000, which more than offset a decrease in service charges on deposit accounts of \$39,000. The decrease in service charges on deposits was due primarily to a decrease in overdraft fee income.

**Noninterest Expense.** Noninterest expenses increased \$99,000 for the three-month period ended March 31, 2012 as compared to the same period in 2011. The increase was due primarily to increases in compensation and benefits, data processing, and professional fees expenses of \$126,000, \$51,000 and \$75,000, respectively, which more than offset decreases in FDIC insurance premiums and net losses on foreclosed real estate of \$51,000 and \$107,000, respectively. The increase in compensation and benefits expense is due primarily to normal salary, wages and benefits increases. The increases in data processing and professional fees expenses are due primarily to expenditures associated with the aforementioned branch acquisition.

**Income Tax Expense.** The Company recognized income tax expense of \$364,000 for the quarter ended March 31, 2012, for an effective tax rate of 27.4%, compared to income tax expense of \$409,000, for an effective tax rate of 29.7%, for the same period in 2011. The lower effective tax rate for the three months ended March 31, 2012 was due primarily to a higher level of tax exempt income as a percent of income before taxes for 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, 2012, the Bank had cash and cash equivalents of \$18.3 million and securities available-for-sale with a fair value of \$125.2 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, without the receipt of prior approval from the OCC but with prior notice to OCC, cannot exceed net income for that year to date plus retained net income (as defined) for the

preceding two calendar years. At March 31, 2012, the Company had liquid assets of \$1.5 million.

***Capital Management.*** The Bank is required to maintain specific amounts of capital pursuant to regulatory requirements. As of March 31, 2012, the Bank was in compliance with all regulatory capital requirements that were effective as of such date, with tangible, core and risk-based capital ratios of 11.74%, 11.74% and 18.56%, respectively. The regulatory requirements at that date were 1.5%, 3.0% and 8.0%, respectively. At March 31, 2012, 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, 2011.

For the six months ended March 31, 2012, 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.

-50-

FIRST SAVINGS FINANCIAL GROUP, INC.

**PART I – ITEM 3**

**QUANTITATIVE AND QUALITATIVE DISCLOSURES**

**ABOUT MARKET RISK**

**Qualitative Aspects of Market Risk.** The Bank’s principal financial objective is to achieve long-term profitability while reducing its exposure to fluctuating market interest rates. The Bank 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 Bank 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 Bank for its portfolio. The Bank 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.** The Bank does not maintain a trading account for any class of financial instrument nor does the Bank engage in hedging activities or purchase high-risk derivative instruments. Furthermore, the Bank is not subject to foreign currency exchange rate risk or commodity price risk.

The Bank uses interest rate sensitivity analysis to measure its interest rate risk by computing changes in net portfolio value (“NPV”) of its cash flows from assets, liabilities and off-balance sheet items in the event of a range of assumed changes in market interest rates. NPV represents the market value of portfolio equity and is equal to the market value of assets minus the market value of liabilities, with adjustments made for off-balance sheet items. This analysis assesses the risk of loss in market risk sensitive instruments in the event of a sudden and sustained 100 to 300 basis point increase or a sudden and sustained 100 basis point decrease in market interest rates with no effect given to any steps that management might take to counter the effect of that interest rate movement. Using data compiled by the OCC, the Bank receives a report that measures interest rate risk by modeling the change in NPV over a variety of interest rate scenarios.

FIRST SAVINGS FINANCIAL GROUP, INC.

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

The following table is provided by the OCC and sets forth the change in the Bank's NPV at December 31, 2011 based on OCC assumptions that would occur in the event of an immediate change in interest rates, with no effect given to any steps that management might take to counteract that change. Given the timing of the release of this information, the information as of March 31, 2012 is unavailable for inclusion in this report. Management believes that there have been no material changes in the market risk of the Company's asset and liability positions since December 31, 2011.

Change in Rates	At December 31, 2011 Net Portfolio Value			Net Portfolio Value as a Percent of Present Value of Assets			
	Dollar Amount (Dollars in thousands)	Dollar Change	Percent Change	NPV Ratio		Change	
300bp	\$67,263	\$(12,734)	(16)%	12.67	%	(174)	)bp
200bp	73,338	(6,659)	(8)	13.57		(84)	)bp
100bp	77,722	(2,275)	(3)	14.16		(25)	)bp
Static	79,997	-	-	14.41		-	bp
(100)bp	78,685	(1,312)	(2)	14.12		(29)	)bp

The preceding table indicates that the Bank's NPV would be expected to decrease in the event of a sudden and sustained 100 to 300 basis point increase in prevailing interest rates and decrease slightly in the event of a sudden and sustained decrease of 100 basis points in rates. The expected decrease in the Bank's NPV given a larger increase in rates is primarily attributable to the relatively high percentage of fixed-rate loans in the Bank's loan portfolio. At March 31, 2012, approximately 61.3% of the loan portfolio consisted of fixed-rate loans.

Certain assumptions utilized by the OCC in assessing the interest rate risk of savings associations within its region were utilized in preparing the preceding tables. These assumptions relate to interest rates, loan prepayment rates, deposit decay rates and the market values of certain assets under differing interest rate scenarios, among others.

As with any method of measuring interest rate risk, certain shortcomings are inherent in the method of analysis presented in the foregoing table. For example, although certain assets and liabilities may have similar maturities or

periods to repricing, they may react in different degrees to changes in market interest rates. Also, the interest rates on certain types of assets and liabilities may fluctuate in advance of changes in market interest rates, while interest rates on other types may lag behind changes in market rates. Additionally, certain assets, such as adjustable-rate mortgage loans, have features 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.

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, 2012, 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.

-53-

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, 2011 which could materially affect our business, financial condition or future results. Other than as noted below, 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.

The following disclosure has been added to the risk factor entitled "**Changing interest rates may hurt our earnings and asset value**":

At March 31, 2012 approximately \$219.6 million, or 61.3% of the total loan portfolio, consisted of fixed-rate mortgage loans. This investment in fixed-rate mortgage loans exposes the Company to increased levels of interest rate risk.

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, 2012:

<b>Period</b>	<b>(a) Total number of shares (or units) purchased</b>	<b>(b) Average price paid per share (or unit)</b>	<b>(c) Total number of shares (or units) purchased as part of publicly announced plans or programs (1)</b>	<b>(d) Maximum number (or appropriate dollar value) of shares (or units) that may yet be purchased under the plans or programs</b>
January 1, 2012 through January 31, 2012	—	—	—	60,942
February 1, 2012 through February 29, 2012	—	—	—	60,942
March 1, 2012 through March 31, 2012	—	—	—	60,942
Total	—	—	—	60,942

(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.

**Item 3. Defaults upon Senior Securities**

Not applicable.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

None.

-55-



FIRST SAVINGS FINANCIAL GROUP, INC.

PART II

**OTHER INFORMATION**

**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, 2012, 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, 2012      **BY:**    /s/ Larry W.  
Myers  
Larry W. Myers  
President and  
Chief Executive  
Officer

**Dated** May 15, 2012      **BY:**    /s/ Anthony  
A. Schoen  
Anthony A.  
Schoen  
Chief Financial  
Officer