

First Savings Financial Group Inc
Form 10-Q
May 15, 2014

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, 2014

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)

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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, 2014 was 2,184,959.

FIRST SAVINGS FINANCIAL GROUP, INC.

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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, 2014	September 30, 2013
ASSETS		
Cash and due from banks	\$8,746	\$ 9,607
Interest-bearing deposits with banks	11,125	11,208
Total cash and cash equivalents	19,871	20,815
Interest-bearing time deposits	1,500	1,500
Trading account securities, at fair value	5,099	3,210
Securities available for sale, at fair value	182,930	164,167
Securities held to maturity	5,824	6,417
Loans held for sale	59	399
Loans, net	428,553	408,375
Federal Home Loan Bank stock, at cost	5,675	5,500
Real estate development and construction	7,300	7,178
Premises and equipment	14,720	14,842
Other real estate owned, held for sale	762	799
Accrued interest receivable:		
Loans	1,249	1,208
Securities	1,257	1,183
Cash surrender value of life insurance	18,164	12,933
Goodwill	7,936	7,936
Core deposit intangibles	1,897	2,069
Other assets	1,374	1,924
Total Assets	\$ 704,170	\$ 660,455
LIABILITIES		
Deposits:		
Noninterest-bearing	\$ 53,495	\$ 50,093
Interest-bearing	470,395	427,633
Total deposits	523,890	477,726
Repurchase agreements	1,336	1,335
Borrowings from Federal Home Loan Bank	85,744	89,348

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Other long-term debt	4,896	4,973
Accrued interest payable	182	184
Advance payments by borrowers for taxes and insurance	654	707
Accrued expenses and other liabilities	4,150	3,929
Total Liabilities	620,852	578,202
STOCKHOLDERS' EQUITY		
Preferred stock of \$.01 par value per share Authorized 982,880 shares; none issued	-	-
Senior Non-Cumulative Perpetual Preferred Stock, Series A, \$.01 par value; Authorized 17,120 shares; issued and outstanding 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; outstanding 2,193,580 shares (2,299,654 shares at September 30, 2013)	25	25
Additional paid-in capital - preferred	17,120	17,120
Additional paid-in capital - common	25,850	25,464
Retained earnings - substantially restricted	44,913	42,870
Accumulated other comprehensive income	2,190	1,468
Unearned ESOP shares	(618)	(865)
Unearned stock compensation	(292)	(422)
Less treasury stock, at cost - 348,462 shares (242,388 shares at September 30, 2013)	(5,870)	(3,407)
Total Stockholders' Equity	83,318	82,253
 Total Liabilities and Stockholders' Equity	 \$ 704,170	 \$ 660,455

See notes to consolidated financial statements.

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

(In thousands, except share and per share data)	Three Months Ended March 31,		Six Months Ended March 31,	
	2014	2013	2014	2013
INTEREST INCOME				
Loans, including fees	\$5,257	\$5,498	\$10,482	\$10,759
Securities:				
Taxable	1,223	1,053	2,253	2,099
Tax-exempt	424	396	844	789
Dividend income	78	47	128	103
Interest-bearing deposits with banks	8	7	17	11
Total interest income	6,990	7,001	13,724	13,761
INTEREST EXPENSE				
Deposits	598	731	1,210	1,530
Repurchase agreements	1	1	2	3
Borrowings from Federal Home Loan Bank	241	265	493	559
Loans payable	48	13	105	13
Total interest expense	888	1,010	1,810	2,105
Net interest income	6,102	5,991	11,914	11,656
Provision for loan losses	303	550	604	1,002
Net interest income after provision for loan losses	5,799	5,441	11,310	10,654
NONINTEREST INCOME				
Service charges on deposit accounts	279	279	597	617
Net gain on sales of available for sale securities	-	-	1	1
Net gain on trading account securities	205	129	362	231
Unrealized loss on derivative contract	(3) (1) (5) (1
Net gain on sales of loans	42	72	119	179
Increase in cash surrender value of life insurance	134	113	231	191
Commission income	73	70	140	148
Real estate lease income	119	59	261	104
Other income	533	204	780	455
Total noninterest income	1,382	925	2,486	1,925
NONINTEREST EXPENSE				

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Compensation and benefits	2,730	2,494	5,709	5,310
Occupancy and equipment	642	512	1,275	997
Data processing	294	315	604	625
Advertising	73	111	140	216
Professional fees	387	257	632	487
FDIC insurance premiums	102	119	222	233
Net loss on other real estate owned	38	31	108	97
Other operating expenses	755	938	1,495	1,631
Total noninterest expense	5,021	4,777	10,185	9,596
Income before income taxes	2,160	1,589	3,611	2,983
Income tax expense	624	419	1,047	797
Net Income	\$1,536	\$1,170	\$2,564	\$2,186
Preferred stock dividends declared	43	43	86	86
Net Income Available to Common Shareholders	\$1,493	\$1,127	\$2,478	\$2,100
Net income per common share:				
Basic	\$0.70	\$0.52	\$1.15	\$0.97
Diluted	\$0.66	\$0.50	\$1.10	\$0.93
Weighted average common shares outstanding:				
Basic	2,140,414	2,162,863	2,149,426	2,159,464
Diluted	2,248,961	2,268,040	2,254,999	2,253,242
Dividends per common share	\$0.11	\$0.10	\$0.21	\$0.50

See notes to consolidated financial statements.

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

(In thousands)	Three Months Ended March 31,		Six Months Ended March 31,	
	2014	2013	2014	2013
Net Income	\$ 1,536	\$ 1,170	\$ 2,564	\$ 2,186
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX				
Unrealized gains (losses) on securities available for sale:				
Unrealized holding gains (losses) arising during the period	1,604	(521)	1,095	(234)
Income tax (expense) benefit	(545)	177	(373)	79
Net of tax amount	1,059	(344)	722	(155)
Less: reclassification adjustment for realized gains included in net income	-	-	(1)	(1)
Income tax expense	-	-	1	1
Net of tax amount	-	-	-	-
Other Comprehensive Income (Loss)	1,059	(344)	722	(155)
Comprehensive Income	\$ 2,595	\$ 826	\$ 3,286	\$ 2,031

See notes to consolidated financial statements.

PART I - FINANCIAL INFORMATION**FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS 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
Six Months Ended March 31, 2013:								
Balances at October 1, 2012	\$-	\$25	\$42,021	\$39,917	\$5,609	\$(1,880)	\$(2,766)	82,926
Net income	-	-	-	2,186	-	-	-	2,186
Other comprehensive loss	-	-	-	-	(155)	-	-	(155)
Preferred stock dividends	-	-	-	(86)	-	-	-	(86)
Common stock dividends (\$0.50 per share)	-	-	-	(1,162)	-	-	-	(1,162)
Stock compensation expense	-	-	76	-	-	130	-	206
Shares released by ESOP trust	-	-	243	53	-	256	-	552
Purchase of 11,866 treasury shares	-	-	-	-	-	-	(228)	(228)
Balances at March 31, 2013	\$-	\$25	\$42,340	\$40,908	\$5,454	\$(1,494)	\$(2,994)	\$84,239
Six Months Ended March 31, 2014:								
Balances at October 1, 2013	\$-	\$25	\$42,584	\$42,870	\$1,468	\$(1,287)	\$(3,407)	\$82,253
Net income	-	-	-	2,564	-	-	-	2,564
Other comprehensive income	-	-	-	-	722	-	-	722
Preferred stock dividends	-	-	-	(86)	-	-	-	(86)
Common stock dividends (\$0.21 per share)	-	-	-	(435)	-	-	-	(435)
Stock compensation expense	-	-	76	-	-	130	-	206

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Shares released by ESOP trust	-	-	310	-	-	247	-	557
Purchase of 106,074 treasury shares	-	-	-	-	-	-	(2,463)	(2,463)
Balances at March 31, 2014	\$-	\$25	\$42,970	\$44,913	\$2,190	\$(910)	\$(5,870)	\$83,318

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,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$2,564	\$2,186
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	604	1,002
Depreciation and amortization	704	544
Amortization of premiums and accretion of discounts on securities, net	304	356
Increase in trading account securities	(1,889)	(289)
Loans originated for sale	(3,396)	(6,894)
Proceeds on sales of loans	3,855	7,098
Net gain on sales of loans	(119)	(179)
Net realized and unrealized (gain) loss on other real estate owned	4	(19)
Net gain on sales of available for sale securities	(1)	(1)
Unrealized loss on derivative contract	5	1
Increase in cash surrender value of life insurance	(231)	(191)
Deferred income taxes	(193)	(715)
ESOP and stock compensation expense	727	682
Increase in accrued interest receivable	(115)	(58)
Decrease in accrued interest payable	(2)	(28)
Change in other assets and liabilities, net	555	1,212
Net Cash Provided By Operating Activities	3,376	4,707
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of securities available for sale	(27,133)	(39,350)
Proceeds from sales of securities available for sale	303	801
Proceeds from maturities of securities available for sale	2,233	10,300
Proceeds from maturities of securities held to maturity	384	293
Principal collected on securities	6,842	9,963
Net increase in loans	(21,112)	(6,275)
Purchase of Federal Home Loan Bank stock	(175)	-
Investment in cash surrender value of life insurance	(5,000)	(4,000)
Proceeds from life insurance	-	606
Proceeds from sale of foreclosed real estate	317	418
Investment in real estate development and construction	(216)	(2,218)
Purchase of premises and equipment	(316)	(576)

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Net Cash Used In Investing Activities	(43,873)	(30,038)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in deposits	46,164	1,021
Net increase in repurchase agreements	1	3
Increase in Federal Home Loan Bank line of credit	1,396	73
Proceeds from Federal Home Loan Bank advances	177,000	45,000
Repayment of Federal Home Loan Bank advances	(182,000)	(33,037)
Proceeds from other long-term debt	-	2,300
Repayment of other long-term debt	(77)	-
Net decrease in advance payments by borrowers for taxes and insurance	(53)	(72)
Purchase of treasury stock	(2,357)	(228)
Dividends paid on preferred stock	(86)	(86)
Dividends paid on common stock	(435)	(930)
Net Cash Provided By Financing Activities	39,553	14,044
Net Decrease in Cash and Cash Equivalents	(944)	(11,287)
Cash and cash equivalents at beginning of period	20,815	38,791
Cash and Cash Equivalents at End of Period	\$19,871	\$27,504

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 savings and loan 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 fifteen 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 an investment 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, 2014, the results of operations for the three- and six-month periods ended March 31, 2014 and 2013, and the cash flows for the six-month periods ended March 31, 2014 and 2013. 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, 2013 included in the Company’s Annual Report on Form 10-K.

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

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(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. The Company also holds a pass-through asset-backed security guaranteed by the Small Business Administration (“SBA”) representing participating interests in pools of long-term debentures issued by state and local development companies certified by the SBA. Privately-issued CMO and asset-backed securities (“ABS”) are complex securities issued by non-government special-purpose entities that are collateralized by residential mortgage loans and residential home equity loans.

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

Trading Account Securities

The Company invests in small and medium lot, investment grade municipal bonds through a brokerage account that is managed by an investment advisory firm registered with the U.S. Securities and Exchange Commission. At March 31, 2014 and September 30, 2013, trading account securities recorded at fair value totaled \$5.1 million and \$3.2 million, respectively, comprised of investment grade municipal bonds. During the six-months ended March 31, 2014, the Company reported net gains on trading account securities of \$362,000, including net realized gains on the sale of securities of \$418,000, partially offset by net unrealized losses on securities still held as of the balance sheet date of \$56,000. During the three-months ended March 31, 2014, the Company reported net gains on trading account securities of \$205,000, including net realized gains on the sale of securities of \$252,000, partially offset by net unrealized losses on securities still held as of the balance sheet date of \$47,000. During the six-months ended March 31, 2013, the Company reported net gains on trading account securities of \$231,000, including net realized gains on the sale of securities of \$245,000 and net unrealized losses on securities still held as of the balance sheet date of \$14,000. During the three-months ended March 31, 2013, the Company reported net gains on trading account securities of \$129,000, including net realized gains on the sale of securities of \$134,000 and net unrealized losses on securities still held as of the balance sheet date of \$5,000.

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

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

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

	Amortized Cost (In thousands)	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
March 31, 2014:				
Securities available for sale:				
Agency bonds and notes	\$15,288	\$ 4	\$ 531	\$14,761
Agency mortgage-backed	50,547	400	252	50,695
Agency CMO	29,407	128	278	29,257
Privately-issued CMO	3,436	662	1	4,097
Privately-issued ABS	5,745	1,814	-	7,559
SBA certificates	1,858	-	5	1,853
Municipal obligations	73,039	2,382	818	74,603
Subtotal – debt securities	179,320	5,390	1,885	182,825
Equity securities	-	105	-	105
Total securities available for sale	\$179,320	\$ 5,495	\$ 1,885	\$182,930
Securities held to maturity:				
Agency mortgage-backed	\$535	\$ 42	\$ -	\$577
Municipal obligations	5,289	223	-	5,512
Total securities held to maturity	\$5,824	\$ 265	\$ -	\$6,089

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(Unaudited)

	Gross Amortized Cost (In thousands)	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
September 30, 2013:				
Securities available for sale:				
Agency bonds and notes	\$15,877	\$ 10	\$ 690	\$15,197
Agency mortgage-backed	41,720	285	291	41,714
Agency CMO	24,200	199	325	24,074
Privately-issued CMO	3,881	735	-	4,616
Privately-issued ABS	5,829	1,972	2	7,799
SBA certificates	2,081	12	-	2,093
Municipal obligations	68,072	2,057	1,548	68,581
Subtotal – debt securities	161,660	5,270	2,856	164,074
Equity securities	-	93	-	93
Total securities available for sale	\$161,660	\$ 5,363	\$ 2,856	\$164,167
Securities held to maturity:				
Agency mortgage-backed	\$721	\$ 52	\$ -	\$773
Municipal	5,696	45	-	5,741
Total securities held to maturity	\$6,417	\$ 97	\$ -	\$6,514

The amortized cost and fair value of investment securities as of March 31, 2014 by contractual maturity are shown below. Expected maturities of mortgage-backed securities, CMO and ABS may differ from contractual maturities because the mortgages underlying the obligations may be prepaid without penalty.

	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In thousands)			
Due within one year	\$2,015	\$2,019	\$585	\$603

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Due after one year through five years	5,359	5,418	2,035	2,132
Due after five years through ten years	20,506	20,726	1,575	1,653
Due after ten years	60,447	61,201	1,094	1,124
	88,327	89,364	5,289	5,512
Equity securities	-	105	-	-
CMO	32,843	33,354	-	-
ABS	5,745	7,559	-	-
SBA certificates	1,858	1,853	-	-
Mortgage-backed securities	50,547	50,695	535	577
	\$179,320	\$182,930	\$5,824	\$6,089

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FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(Unaudited)

Information pertaining to investment securities with gross unrealized losses at March 31, 2014, 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)	Fair Value	Gross Unrealized Losses
Securities available for sale:			
Continuous loss position less than twelve months:			
Agency bonds and notes	6	\$12,392	\$ 396
Agency mortgage-backed	12	20,147	229
Agency CMO	6	9,458	27
Privately-issued CMO	1	85	1
SBA certificates	1	1,853	5
Municipal obligations	30	19,988	670
Total less than twelve months	56	63,923	1,328
Continuous loss position more than twelve months:			
Agency bonds and notes	1	1,865	135
Agency mortgage-backed	2	2,270	23
Agency CMO	4	11,256	251
Municipal obligations	6	3,063	148
Total more than twelve months	13	18,454	557
Total securities available for sale	69	\$82,377	\$ 1,885

At March 31, 2014, 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 investment securities in loss positions at March 31, 2014 had depreciated approximately 2.24% from the Company's amortized cost basis and are fixed and variable rate securities with a weighted-average yield of 2.05% and a weighted-average coupon rate of 3.11% at March 31, 2014.

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FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(Unaudited)

U.S. government agency bonds and notes, mortgage-backed securities, CMOs, SBA certificates and municipal obligations in loss positions at March 31, 2014 had depreciated approximately 2.24% from the Company's amortized cost basis as of March 31, 2014. 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.

The Company evaluates the existence of a potential credit loss component related to the decline in fair value of the privately-issued CMO and ABS portfolios each quarter using an independent third party analysis. At March 31, 2014, the Company held nineteen privately-issued CMO and ABS securities acquired in a 2009 bank acquisition with an aggregate carrying value of \$2.6 million and fair value of \$3.9 million that have been downgraded to a substandard regulatory classification due to a downgrade of the security's credit quality rating by various rating agencies.

At March 31, 2014, one privately-issued CMO was in a loss position and had depreciated approximately 0.53% from the Company's carrying value and was collateralized by residential mortgage loans. This security had a total fair value of \$85,000 and a total unrealized loss of \$1,000 at March 31, 2014, and was rated below investment grade by a nationally recognized statistical rating organization ("NRSRO"). Based on the independent third party analysis of the expected cash flows, management determined that the decline in value for this security is temporary and, as a result, no other-than-temporary impairment was recognized on the privately-issued CMO and ABS portfolios at March 31, 2014. While the Company did not recognize a credit-related impairment loss at March 31, 2014, additional deterioration in market and economic conditions may have an adverse impact on the credit quality in the future and therefore, require a credit-related impairment charge.

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

During each of the six-month periods ended March 31, 2014 and 2013, the Company realized gross gains on sales of available for sale U.S. government agency notes of \$1,000. The Company did not realize any gains or losses on sales of available for sale securities during the three-month periods ended March 31, 2014 and 2013.

Certain available for sale debt securities were pledged under repurchase agreements at March 31, 2014 and September 30, 2013, and may be pledged to secure federal funds borrowings and Federal Home Loan Bank (“FHLB”) borrowings.

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FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

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

Loans at March 31, 2014 and September 30, 2013 consisted of the following:

	March 31, 2014	September 30, 2013
	(In thousands)	
Real estate mortgage:		
1-4 family residential	\$ 180,794	\$ 184,390
Commercial	143,251	117,782
Multifamily residential	28,132	26,759
Residential construction	13,453	12,537
Commercial construction	6,010	6,730
Land and land development	12,229	11,396
Commercial business loans	31,523	31,627
Consumer:		
Home equity loans	16,738	17,133
Auto loans	5,978	6,519
Other consumer loans	2,496	3,266
Gross loans	440,604	418,139
Undisbursed portion of construction loans	(6,032)	(4,389)
Principal loan balance	434,572	413,750
Deferred loan origination fees and costs, net	41	163
Allowance for loan losses	(6,060)	(5,538)
Loans, net	\$428,553	\$ 408,375

During the six-month period ended March 31, 2014, 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, 2013.

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(Unaudited)

The following table provides the components of the recorded investment in loans as of March 31, 2014:

	Residential Real Estate (In thousands)	Commercial Real Estate	Multifamily	Construction	Land & Land Development	Commercial Business	Consumer	Total
Recorded Investment in Loans:								
Principal loan balance	\$ 180,794	\$ 143,251	\$ 28,132	\$ 13,431	\$ 12,229	\$ 31,523	\$ 25,212	\$ 434,572
Accrued interest receivable	595	349	67	28	43	101	66	1,249
Net deferred loan origination fees and costs	370	(228)	(38)	(72)	2	(4)	11	41
Recorded investment in loans	\$ 181,759	\$ 143,372	\$ 28,161	\$ 13,387	\$ 12,274	\$ 31,620	\$ 25,289	\$ 435,862
Recorded Investment in Loans as Evaluated for Impairment:								
Individually evaluated for impairment	\$ 5,108	\$ 5,809	\$ 2,280	\$ -	\$ -	\$ 262	\$ 366	\$ 13,825
Collectively evaluated for impairment	176,079	137,563	25,881	13,387	12,274	31,358	24,890	421,432
Acquired with deteriorated credit quality	572	-	-	-	-	-	33	605

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Ending balance	\$181,759	\$ 143,372	\$ 28,161	\$ 13,387	\$ 12,274	\$ 31,620	\$ 25,289	\$ 435,862
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FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(Unaudited)

The following table provides the components of the recorded investment in loans as of September 30, 2013:

	Residential Real Estate (In thousands)	Commercial Real Estate	Multifamily	Construction	Land & Land Development	Commercial Business	Consumer	Total
Recorded Investment in Loans:								
Principal loan balance	\$ 184,390	\$ 117,782	\$ 26,759	\$ 14,878	\$ 11,396	\$ 31,627	\$ 26,918	\$ 413,750
Accrued interest receivable	600	316	57	31	40	86	78	1,208
Net deferred loan origination fees and costs	415	(169)	(38)	(46)	(7)	(5)	13	163
Recorded investment in loans	\$ 185,405	\$ 117,929	\$ 26,778	\$ 14,863	\$ 11,429	\$ 31,708	\$ 27,009	\$ 415,121
Recorded Investment in Loans as Evaluated for Impairment:								
Individually evaluated for impairment	\$ 5,429	\$ 6,091	\$ 2,306	\$ 29	\$ -	\$ 235	\$ 456	\$ 14,546
Collectively evaluated for impairment	179,372	111,838	24,472	14,834	11,429	31,473	26,519	399,937
Acquired with deteriorated credit quality	604	-	-	-	-	-	34	638

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Ending balance	\$185,405	\$117,929	\$26,778	\$14,863	\$11,429	\$31,708	\$27,009	\$415,121
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FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(Unaudited)

An analysis of the allowance for loan losses as of March 31, 2014 is as follows: