

First Savings Financial Group Inc
Form 10-Q
February 17, 2015

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 December 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)

Indiana

37-1567871

(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification Number)

501 East Lewis & Clark Parkway, Clarksville, Indiana 47129

(Address of principal executive offices) (Zip Code)

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

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

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

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

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

(Check one): Large Accelerated Filer Accelerated Filer

Non-accelerated Filer Smaller Reporting Company x

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

The number of shares outstanding of the registrant's common stock as of December 31, 2014 was 2,187,993.

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)	December 31, 2014	September 30, 2014
ASSETS		
Cash and due from banks	\$ 7,844	\$ 8,853
Interest-bearing deposits with banks	13,128	11,477
Total cash and cash equivalents	20,972	20,330
Interest-bearing time deposits	2,235	1,500
Trading account securities, at fair value	4,680	5,319
Securities available for sale, at fair value	183,278	184,697
Securities held to maturity	5,350	5,419
Loans held for sale	-	281
Loans, net	441,206	433,876
Federal Reserve Bank and Federal Home Loan Bank stock, at cost	7,462	6,517
Real estate development and construction	7,153	7,202
Premises and equipment	14,063	14,275
Other real estate owned, held for sale	549	953
Accrued interest receivable:		
Loans	1,246	1,276
Securities	1,460	1,235
Cash surrender value of life insurance	18,149	18,021
Goodwill	7,936	7,936
Core deposit intangibles	1,639	1,725
Other assets	5,766	2,567
Total Assets	\$ 723,144	\$ 713,129
LIABILITIES		
Deposits:		
Noninterest-bearing	\$ 54,448	\$ 56,092
Interest-bearing	461,299	477,102
Total deposits	515,747	533,194
Repurchase agreements	1,339	1,338
Borrowings from Federal Home Loan Bank	101,863	79,548
Other long-term debt	4,769	4,812
Accrued interest payable	174	175
Advance payments by borrowers for taxes and insurance	599	748

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Accrued expenses and other liabilities	9,144	6,234
Total Liabilities	633,635	626,049
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 2,187,993 shares (2,171,812 shares at September 30, 2014)	25	25
Additional paid-in capital - preferred	17,120	17,120
Additional paid-in capital - common	26,388	26,079
Retained earnings - substantially restricted	48,123	47,175
Accumulated other comprehensive income	4,495	3,853
Unearned ESOP shares	(323)	(537)
Unearned stock compensation	(94)	(162)
Less treasury stock, at cost - 354,049 shares (370,230 shares at September 30, 2014)	(6,225)	(6,473)
Total Stockholders' Equity	89,509	87,080
Total Liabilities and Stockholders' Equity	\$ 723,144	\$ 713,129

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	
	December 31,	
	2014	2013
INTEREST INCOME		
Loans, including fees	\$5,370	\$5,225
Securities:		
Taxable	1,092	1,030
Tax-exempt	471	420
Dividend income	63	50
Interest-bearing deposits with banks	13	9
Total interest income	7,009	6,734
INTEREST EXPENSE		
Deposits	642	612
Repurchase agreements	1	1
Borrowings from Federal Home Loan Bank	240	252
Loans payable	48	57
Total interest expense	931	922
Net interest income	6,078	5,812
Provision for loan losses	207	301
Net interest income after provision for loan losses	5,871	5,511
NONINTEREST INCOME		
Service charges on deposit accounts	371	318
Net gain on sales of available for sale securities	-	1
Net gain on trading account securities	71	157
Unrealized loss on derivative contract	-	(2)
Net gain on sales of loans	85	77
Increase in cash surrender value of life insurance	128	97
Commission income	61	67
Real estate lease income	151	142
Other income	244	247
Total noninterest income	1,111	1,104
NONINTEREST EXPENSE		
Compensation and benefits	3,001	2,979
Occupancy and equipment	604	633
Data processing	381	310
Advertising	106	67

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Professional fees	314	245
FDIC insurance premiums	109	120
Net loss on other real estate owned	5	70
Other operating expenses	854	740
Total noninterest expense	5,374	5,164
Income before income taxes	1,608	1,451
Income tax expense	408	423
Net Income	\$1,200	\$1,028
Preferred stock dividends declared	43	43
Net Income Available to Common Shareholders	\$1,157	\$985
Net income per common share:		
Basic	\$0.55	\$0.46
Diluted	\$0.52	\$0.44
Weighted average common shares outstanding:		
Basic	2,111,962	2,158,106
Diluted	2,217,472	2,260,658
Dividends per common share	\$0.11	\$0.10

See notes to consolidated financial statements.

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

(In thousands)	Three Months Ended December 31,	
	2014	2013
Net Income	\$ 1,200	\$ 1,028
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX		
Unrealized gains (losses) on securities available for sale:		
Unrealized holding gains (losses) arising during the period	996	(531)
Income tax (expense) benefit	(354)	195
Net of tax amount	642	(336)
Less: reclassification adjustment for realized gains included in net income	-	(1)
Income tax expense	-	-
Net of tax amount	-	(1)
Other Comprehensive Income (Loss)	642	(337)
Comprehensive Income	\$ 1,842	\$ 691

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)

<i>(In thousands, except share and per share data)</i>	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Unearned Stock Compensation and ESOP	Treasury Stock	Total
Three Months Ended December 31, 2013:								
Balances at October 1, 2013	\$ -	\$ 25	\$ 42,584	\$ 42,870	\$ 1,468	\$ (1,287)	\$ (3,407)	\$ 82,253
Net income	-	-	-	1,028	-	-	-	1,028
Other comprehensive loss	-	-	-	-	(337)	-	-	(337)
Preferred stock dividends	-	-	-	(43)	-	-	-	(43)
Common stock dividends (\$0.10 per share)	-	-	-	(187)	-	-	-	(187)
Stock compensation expense	-	-	38	-	-	65	-	103
Shares released by ESOP trust	-	-	257	-	-	207	-	464
Purchase of 37,349 treasury shares	-	-	-	-	-	-	(834)	(834)
Balances at December 31, 2013	\$ -	\$ 25	\$ 42,879	\$ 43,668	\$ 1,131	\$ (1,015)	\$ (4,241)	\$ 82,447
Three Months Ended December 31, 2014:								
Balances at October 1, 2014	\$ -	\$ 25	\$ 43,199	\$ 47,175	\$ 3,853	\$ (699)	\$ (6,473)	\$ 87,080
Net income	-	-	-	1,200	-	-	-	1,200
Other comprehensive income	-	-	-	-	642	-	-	642
Preferred stock dividends	-	-	-	(43)	-	-	-	(43)
Common stock dividends (\$0.11 per share)	-	-	-	(209)	-	-	-	(209)

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Stock compensation expense	-	-	72	-	-	68	-	140
Shares released by ESOP trust	-	-	326	-	-	214	-	540
Stock options exercise - 20,972 shares	-	-	(89)	-	-	-	367	278
Purchase of 4,791 treasury shares	-	-	-	-	-	-	(119)	(119)
Balances at December 31, 2014	\$ -	\$ 25	\$ 43,508	\$ 48,123	\$ 4,495	\$ (417)	\$ (6,225)	\$ 89,509

See notes to consolidated financial statements.

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

(In thousands)	Three Months Ended December 31,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$1,200	\$1,028
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	207	301
Depreciation and amortization	357	346
Amortization of premiums and accretion of discounts on securities, net	181	206
(Increase) decrease in trading account securities	639	(944)
Loans originated for sale	(2,046)	(2,168)
Proceeds on sales of loans	2,411	2,545
Net gain on sales of loans	(85)	(77)
Net realized and unrealized (gain) loss on other real estate owned	9	(32)
Net gain on sales of available for sale securities	-	(1)
Unrealized loss on derivative contract	-	2
Increase in cash surrender value of life insurance	(128)	(97)
Deferred income taxes	(169)	(130)
ESOP and stock compensation expense	596	531
Increase in accrued interest receivable	(195)	(331)
Decrease in accrued interest payable	(1)	(7)
Change in other assets and liabilities, net	8	-
Net Cash Provided By Operating Activities	2,984	1,172
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in interest-bearing time deposits	(735)	-
Purchase of securities available for sale	(5,732)	(16,434)
Proceeds from sales of securities available for sale	-	303
Proceeds from maturities of securities available for sale	4,632	1,243
Proceeds from maturities of securities held to maturity	25	94
Principal collected on securities	3,378	3,738
Net increase in loans	(7,226)	(11,160)
Purchase of Federal Reserve Bank stock	(945)	-
Purchase of Federal Home Loan Bank stock	(461)	(175)
Proceeds from redemption of Federal Home Loan Bank stock	461	-
Investment in cash surrender value of life insurance	-	(5,000)
Investment in historic tax credit entity	(417)	-
Proceeds from sale of other real estate owned	104	-
Investment in real estate development and construction	-	(64)
Purchase of premises and equipment	(10)	(289)

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Net Cash Used In Investing Activities	(6,926)	(27,744)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in deposits	(17,447)	13,796
Net increase in repurchase agreements	1	1
Increase (decrease) in Federal Home Loan Bank line of credit	(4,685)	8,217
Proceeds from Federal Home Loan Bank advances	115,000	73,500
Repayment of Federal Home Loan Bank advances	(88,000)	(68,500)
Repayment of other long-term debt	(43)	(34)
Net decrease in advance payments by borrowers for taxes and insurance	(149)	(185)
Exercise of stock options	278	-
Purchase of treasury stock	(119)	(851)
Dividends paid on preferred stock	(43)	(43)
Dividends paid on common stock	(209)	(187)
Net Cash Provided By Financing Activities	4,584	25,714
Net Increase (Decrease) in Cash and Cash Equivalents	642	(858)
Cash and cash equivalents at beginning of year	20,330	20,815
Cash and Cash Equivalents at End of Year	\$20,972	\$19,957

See notes to consolidated financial statements.

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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 a financial holding company and the parent of First Savings Bank (the “Bank”) and First Savings Insurance Risk Management, Inc. (the “Captive”).

The Bank, which is a wholly-owned Indiana-chartered commercial bank subsidiary of the Company, 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 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.

The Captive, which is a wholly-owned insurance subsidiary of the Company formed during the fourth fiscal quarter of 2014, is a Nevada corporation that provides property and casualty insurance to the Company, the Bank and the Bank’s active subsidiaries. In addition, the Captive provides reinsurance to seven other third-party insurance captives for which insurance may not be currently available or economically feasible in the insurance marketplace.

In the opinion of management, the unaudited consolidated financial statements include all adjustments considered necessary to present fairly the financial position as of December 31, 2014, the results of operations for the three-month periods ended December 31, 2014 and 2013, and the cash flows for the three-month periods ended December 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, 2014 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.

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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 managed brokerage account. The brokerage account is managed by an investment advisory firm registered with the U.S. Securities and Exchange Commission. At December 31, 2014 and September 30, 2014, trading account securities recorded at fair value totaled \$4.7 million and \$5.3 million, respectively, comprised of investment grade municipal bonds. During the three-months ended December 31, 2014, the Company reported net gains on trading account securities of \$71,000, including net realized gains on the sale of securities of \$77,000 and net unrealized losses on securities still held as of the balance sheet date of \$6,000. During the three-months ended December 31, 2013, the Company reported net gains on trading account securities of \$157,000, including net realized gains on the sale of securities of \$166,000 and net unrealized losses on securities still held as of the balance sheet date of \$9,000.

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:

	Gross Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<i>(In thousands)</i>				
December 31, 2014:				
Securities available for sale:				
Agency bonds and notes	\$9,092	\$ 7	\$ 72	\$9,027
Agency mortgage-backed	50,198	690	46	50,842
Agency CMO	28,111	78	207	27,982
Privately-issued CMO	3,256	573	-	3,829
Privately-issued ABS	5,393	1,673	-	7,066
SBA certificates	1,699	10	-	1,709
Municipal obligations	78,353	4,507	37	82,823
Total securities available for sale \$	176,102	\$ 7,538	\$ 362	\$183,278
Securities held to maturity:				
Agency mortgage-backed	\$413	\$ 34	\$ -	\$447
Municipal obligations	4,937	528	-	5,465
Total securities held to maturity	\$5,350	\$ 562	\$ -	\$5,912

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(Unaudited)

	Gross Amortized Cost	Gross Unrealized Gains	Unrealized Losses	Fair Value
<i>(In thousands)</i>				
September 30, 2014:				
Securities available for sale:				
Agency bonds and notes	\$12,269	\$ 12	\$ 190	\$12,091
Agency mortgage-backed	51,845	518	108	52,255
Agency CMO	29,648	95	259	29,484
Privately-issued CMO	3,302	618	-	3,920
Privately-issued ABS	5,552	1,801	-	7,353
SBA certificates	1,753	9	-	1,762
Municipal obligations	74,148	3,818	134	77,832
Total securities available for sale	\$178,517	\$ 6,871	\$ 691	\$184,697
Securities held to maturity:				
Agency mortgage-backed	\$455	\$ 37	\$ -	\$492
Municipal	4,964	393	-	5,357
Total securities held to maturity	\$5,419	\$ 430	\$ -	\$5,849

The amortized cost and fair value of investment securities as of December 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
<i>(In thousands)</i>				
Due within one year	\$830	\$831	\$592	\$630
Due after one year through five years	6,143	6,393	1,912	2,131

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Due after five years through ten years	21,725	22,628	1,502	1,676
Due after ten years	58,747	61,998	931	1,028
	87,445	91,850	4,937	5,465
CMO	31,367	31,811	-	-
ABS	5,393	7,066	-	-
SBA certificates	1,699	1,709	-	-
Mortgage-backed securities	50,198	50,842	413	447
	\$176,102	\$183,278	\$5,350	\$5,912

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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 December 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	Gross Fair Value (Dollars in thousands)	Unrealized Losses
Securities available for sale:			
Continuous loss position less than twelve months:			
Agency CMO	5	7,949	24
Municipal obligations	3	1,832	4
Total less than twelve months	8	9,781	28
Continuous loss position more than twelve months:			
Agency bonds and notes	3	6,428	72
Agency mortgage-backed	3	3,524	46
Agency CMO	3	8,804	182
Municipal obligations	4	2,257	34
Total more than twelve months	13	21,013	334
Total securities available for sale	21	\$ 30,794	\$ 362

At December 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 available for sale debt securities in loss positions at December 31, 2014, which consisted of U.S. government agency notes, mortgage-backed securities and CMOs, and municipal bonds, had depreciated approximately 1.17% from their amortized cost basis and are fixed and variable rate securities with a weighted-average yield of 1.62% and a weighted-average coupon rate of 2.89% at December 31, 2014. All of the agency and municipal securities are issued by 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 - CONTINUED

(Unaudited)

The Company evaluates the existence of a potential credit loss component related to the decline in fair value of the privately-issued CMO and ABS portfolios each quarter using an independent third party analysis. At December 31, 2014, the Company held twenty privately-issued CMO and ABS securities acquired in a 2009 bank acquisition with an aggregate carrying value of \$2.8 million and fair value of \$4.2 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 December 31, 2014, there were no privately-issued CMOs or ABS in loss positions. Based on the independent third party analysis of the expected cash flows, management has determined that no other-than-temporary impairment is required to be recognized on the privately-issued CMO and ABS portfolios. While the Company did not recognize a credit-related impairment loss at December 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 U.S. government agency notes, mortgage-backed securities and CMOs, and municipal bonds relate principally to current interest rates for similar types of securities. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government, its agencies, or other governments, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition. As management has the ability to hold debt securities to maturity, or for the foreseeable future if classified as available for sale, no declines are deemed to be other-than-temporary.

During the three-month period ended December 31, 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 period ended December 31, 2014.

Certain available for sale debt securities were pledged under repurchase agreements and to secure FHLB borrowings at December 31, 2014 and September 30, 2014, and may be pledged to secure federal funds borrowings.

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

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

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

	December 31, 2014	September 30, 2014
	(In thousands)	
Real estate mortgage:		
1-4 family residential	\$ 183,222	\$ 182,743
Commercial	161,324	153,896
Multifamily residential	23,782	21,286
Residential construction	12,360	14,528
Commercial construction	7,172	8,354
Land and land development	11,232	11,290
Commercial business loans	29,413	28,448
Consumer:		
Home equity loans	18,238	17,903
Auto loans	5,296	5,619
Other consumer loans	2,200	2,320
Gross loans	454,239	446,387
Undisbursed portion of construction loans	(6,557)	(6,271)
Principal loan balance	447,682	440,116
Deferred loan origination fees and costs, net	(26)	10
Allowance for loan losses	(6,450)	(6,250)
Loans, net	\$441,206	\$ 433,876

During the three-month period ended December 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, 2014.

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 December 31, 2014:

	Residential Real Estate	Commercial Real Estate	Multifamily	Construction	Land & Land Development	Commercial Business	Consumer	Total
	(In thousands)							
Recorded Investment in Loans:								
Principal loan balance	\$ 183,222	\$ 161,324	\$ 23,782	\$ 12,975	\$ 11,232	\$ 29,413	\$ 25,734	\$ 447,682
Accrued interest receivable	537	425	56	24	31	111	62	1,246
Net deferred loan origination fees and costs	317	(277)	(29)	(43)	5	(6)	7	(26)
Recorded investment in loans	\$ 184,076	\$ 161,472	\$ 23,809	\$ 12,956	\$ 11,268	\$ 29,518	\$ 25,803	\$ 448,902
Recorded Investment in Loans as Evaluated for Impairment:								
Individually evaluated for impairment	\$ 5,270	\$ 5,653	\$ -	\$ -	\$ -	\$ 194	\$ 341	\$ 11,458
Collectively evaluated for impairment	178,318	155,819	23,809	12,956	11,268	29,324	25,431	436,925
Acquired with deteriorated credit quality	488	-	-	-	-	-	31	519
Ending balance	\$ 184,076	\$ 161,472	\$ 23,809	\$ 12,956	\$ 11,268	\$ 29,518	\$ 25,803	\$ 448,902

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, 2014:

	Residential Real Estate	Commercial Real Estate	Multifamily	Construction	Land & Land Development	Commercial Business	Consumer	Total
	(In thousands)							
Recorded Investment in Loans:								
Principal loan balance	\$182,743	\$153,896	\$21,286	\$16,611	\$11,290	\$28,448	\$25,842	\$440,116
Accrued interest receivable	590	384	53	44	31	111	63	1,276
Net deferred loan origination fees and costs	337	(252)	(28)	(54)	4	(9)	12	10
Recorded investment in loans	\$183,670	\$154,028	\$21,311	\$16,601	\$11,325	\$28,550	\$25,917	\$441,402
Recorded Investment in Loans as Evaluated for Impairment:								
Individually evaluated for impairment	\$4,866	\$5,705	\$-	\$-	\$-	\$145	\$350	\$11,066
Collectively evaluated for impairment	178,298	148,323	21,311	16,601	11,325	28,405	25,535	429,798
Acquired with deteriorated credit quality	506	-	-	-	-	-	32	538
Ending balance	\$183,670	\$154,028	\$21,311	\$16,601	\$11,325	\$28,550	\$25,917	\$441,402

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(Unaudited)

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

	Residential Real Estate (In thousands)	Commercial Real Estate	Multifamily	Construction	Land & Hand Development	Commercial Business	Consumer	Total
Ending Allowance Balance Attributable to Loans: Individually evaluated for impairment	\$ 13	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17	\$ 30
Collectively evaluated for impairment	429	4,217	163	344	299	826	142	6,420
Acquired with deteriorated credit quality	-	-	-	-	-	-	-	-
Ending balance	\$ 442	\$ 4,217	\$ 163	\$ 344	\$ 299	\$ 826	\$ 159	\$ 6,450

An analysis of the allowance for loan losses as of September 30, 2014 is as follows:

Residential Real Estate	Commercial Real Estate	Multifamily
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