

First Savings Financial Group Inc
Form 10-Q
February 14, 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 December 31, 2011

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 January 31, 2012 was 2,364,107.

FIRST SAVINGS FINANCIAL GROUP, INC.

INDEX

	Page
Part I Financial Information	
Item 1. Financial Statements	
Consolidated Balance Sheets as of December 31, 2011 and September 30, 2011 (unaudited)	3
Consolidated Statements of Income for the three months ended December 31, 2011 and 2010 (unaudited)	4
Consolidated Statements of Comprehensive Income for the three months ended December 31, 2011 and 2010 (unaudited)	5
Consolidated Statement of Changes in Stockholders' Equity for the three months ended December 31, 2011 (unaudited)	6
Consolidated Statements of Cash Flows for the three months ended December 31, 2011 and 2010 (unaudited)	7
Notes to Consolidated Financial Statements (unaudited)	8-37
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	38-45
Item 3. Quantitative and Qualitative Disclosures About Market Risk	46-47
Item 4. Controls and Procedures	48
Part II Other Information	
Item 1. Legal Proceedings	49
Item 1A. Risk Factors	49
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	49
Item 3. Defaults Upon Senior Securities	50
Item 4. Mine Safety Disclosures	50
Item 5. Other Information	50

Item 6. Exhibits	50
Signatures	51

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

	December 31, 2011	September 30, 2011
(In thousands, except share and per share data)		
ASSETS		
Cash and due from banks	\$ 10,562	\$ 18,099
Interest-bearing deposits with banks	5,764	9,104
Total cash and cash equivalents	16,326	27,203
Securities available for sale, at fair value	119,674	108,577
Securities held to maturity	9,154	9,506
Loans held for sale	252	-
Loans, net	355,414	354,432
Federal Home Loan Bank stock, at cost	4,900	4,400
Premises and equipment	13,645	10,444
Foreclosed real estate	1,502	1,028
Accrued interest receivable:		
Loans	1,447	1,382
Securities	1,101	816
Cash surrender value of life insurance	8,625	8,548
Goodwill	5,940	5,940
Core deposit intangible	2,080	2,154
Other assets	2,179	2,656
Total Assets	\$ 542,239	\$ 537,086
LIABILITIES		
Deposits:		
Noninterest-bearing	\$ 31,709	\$ 33,426
Interest-bearing	337,912	354,200
Total deposits	369,621	387,626
Repurchase agreements	1,323	16,403
Borrowings from Federal Home Loan Bank	91,806	53,137
Accrued interest payable	313	399

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

Advance payments by borrowers for taxes and insurance	203	330
Accrued expenses and other liabilities	1,749	2,590
Total Liabilities	465,015	460,485
STOCKHOLDERS' EQUITY		
Preferred stock of \$.01 par value per share Authorized 982,880 shares; none issued	-	-
Senior Non-Cumulative Perpetual Preferred Stock, Series A, \$.01 par value; Authorized 17,120 shares; issued 17,120 shares; aggregate liquidation preference of \$17,120	-	-
Common stock of \$.01 par value per share Authorized 20,000,000 shares; issued 2,542,042 shares	25	25
Additional paid-in capital	41,790	41,729
Retained earnings - substantially restricted	36,668	35,801
Accumulated other comprehensive income	3,040	3,354
Unearned ESOP shares	(1,307)	(1,343)
Unearned stock compensation	(877)	(942)
Less treasury stock, at cost - 177,935 shares (172,333 shares at September 30, 2011)	(2,115)	(2,023)
Total Stockholders' Equity	77,224	76,601
Total Liabilities and Stockholders' Equity	\$ 542,239	\$ 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 December 31,	
	2011	2010
INTEREST INCOME		
Loans, including fees	\$5,173	\$5,254
Securities:		
Taxable	881	1,046
Tax-exempt	272	169
Dividend income	30	28
Interest-bearing deposits with banks	4	3
Total interest income	6,360	6,500
INTEREST EXPENSE		
Deposits	911	1,061
Repurchase agreements	60	80
Borrowings from Federal Home Loan Bank	271	282
Total interest expense	1,242	1,423
Net interest income	5,118	5,077
Provision for loan losses	319	352
Net interest income after provision for loan losses	4,799	4,725
NONINTEREST INCOME		
Service charges on deposit accounts	301	361
Net gain on sales of securities available for sale	-	68
Unrealized gain (loss) on derivative contract	(8) 45
Net gain on sales of loans	34	106
Increase in cash surrender value of life insurance	77	80
Commission income	59	33
Other income	209	161
Total noninterest income	672	854
NONINTEREST EXPENSE		
Compensation and benefits	2,084	2,200
Occupancy and equipment	498	445

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

Data processing	301	285
Advertising	279	92
Professional fees	182	120
FDIC insurance premiums	85	134
Net loss on foreclosed real estate	27	42
Other operating expenses	779	720
Total noninterest expense	4,235	4,038
Income before income taxes	1,236	1,541
Income tax expense	326	457
Net Income	910	1,084
Preferred stock dividends declared	43	-
Net Income Available to Common Shareholders	\$867	\$1,084
Net income per common share:		
Basic	\$0.40	\$0.50
Diluted	\$0.39	\$0.50
Weighted average common shares outstanding:		
Basic	2,154,339	2,156,683
Diluted	2,211,424	2,180,418

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 December 31, 2011 2010	
Net Income	\$910	\$1,084
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX		
Unrealized gains on securities available for sale:		
Unrealized holding losses arising during the period	(521)	(2,403)
Income tax benefit	207	817
Net of tax amount	(314)	(1,586)
Less: reclassification adjustment for realized gains included in net income	-	(68)
Income tax expense	-	23
Net of tax amount	-	(45)
Other Comprehensive Loss	(314)	(1,631)
Comprehensive Income (Loss)	\$596	\$(547)

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	-	-	-	910	-	-	-	910
Change in unrealized gain on securities available for sale, net of reclassification adjustments and tax effect	-	-	-	-	(314)	-	-	(314)
Preferred stock dividends declared	-	-	-	(43)	-	-	-	(43)
Stock compensation expense	-	-	37	-	-	65	-	102
Shares released by ESOP trust	-	-	24	-	-	36	-	60
Purchase of 5,602 treasury shares	-	-	-	-	-	-	(92)	(92)
Balances at December 31, 2011	\$ -	\$ 25	\$ 41,790	\$ 36,668	\$ 3,040	\$ (2,184)	\$(2,115)	\$ 77,224

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)	Three Months Ended December 31,	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$910	\$1,084
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	319	352
Depreciation and amortization	268	212
Amortization of premiums and accretion of discounts on securities, net	119	(50)
Mortgage loans originated for sale	(1,905)	(6,448)
Proceeds on sales of loans	1,687	6,899
Gain on sales of loans	(34)	(106)
Net realized and unrealized (gain) loss on foreclosed real estate	(13)	8
Net gain on sales of securities available for sale	-	(68)
Unrealized (gain) loss on derivative contract	8	(45)
Increase in cash surrender value of life insurance	(77)	(80)
Deferred income taxes	196	221
ESOP and stock compensation expense	163	195
Increase in accrued interest receivable	(350)	(38)
Decrease in accrued interest payable	(86)	(12)
Change in other assets and liabilities, net	(307)	(543)
Net Cash Provided By Operating Activities	898	1,581
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of securities available for sale	(23,873)	(20,770)
Proceeds from sales of securities available for sale	-	3,914
Proceeds from maturities of securities available for sale	7,618	619
Principal collected on mortgage-backed securities	4,886	3,996
Net (increase) decrease in loans	(1,841)	3,416
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	80	284
Purchase of premises and equipment	(3,395)	(576)
Net Cash Used In Investing Activities	(17,025)	(8,996)

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

CASH FLOWS FROM FINANCING ACTIVITIES

Net increase (decrease) in deposits	(18,005)	7,863
Net decrease in repurchase agreements	(15,080)	(105)
Increase (decrease) in Federal Home Loan Bank line of credit	3,669	(331)
Proceeds from Federal Home Loan Bank advances	35,000	25,000
Repayment of Federal Home Loan Bank advances	-	(24,044)
Net decrease in advance payments by borrowers for taxes and insurance	(127)	(104)
Purchase of treasury stock	(92)	(665)
Dividends paid on preferred shares	(115)	-
Net Cash Provided By Financing Activities	5,250	7,614
Net Increase (Decrease) in Cash and Cash Equivalents	(10,877)	199
Cash and cash equivalents at beginning of period	27,203	11,278
Cash and Cash Equivalents at End of Period	\$16,326	\$11,477

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. (“Company”), an Indiana corporation, was incorporated in May 2008 to serve as the holding company for First Savings Bank, F.S.B. (“Bank”), a federally-chartered savings bank. On October 6, 2008, in accordance with a Plan of Conversion adopted by its board of directors and approved by its members, the Bank converted from a mutual savings bank to a stock savings bank and became the wholly-owned subsidiary of the Company. In connection with the conversion, the Company issued an aggregate of 2,542,042 shares of common stock at an offering price of \$10.00 per share. In addition, in connection with the conversion, First Savings Charitable Foundation was formed, to which the Company contributed 110,000 shares of common stock and \$100,000 in cash. The Company’s common stock began trading on the Nasdaq Capital Market on October 7, 2008 under the symbol “FSFG”.

The Bank has three-wholly owned subsidiaries: First Savings Investments, Inc., a Nevada corporation that manages a securities portfolio, Southern Indiana Financial Corporation, which sells non-deposit investment products, and FFCC, Inc., 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 December 31, 2011, the results of operations for the three-month periods ended December 31, 2011 and 2010, and the cash flows for the three-month periods ended December 31, 2011 and 2010. 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 special-purpose entities that are generally collateralized by first position residential mortgage loans and first position 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:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
(In thousands)				
December 31, 2011:				
Securities available for sale:				
Agency bonds and notes	\$14,290	\$ 125	\$ 1	\$14,414
Agency mortgage-backed	20,866	546	-	21,412
Agency CMO	26,676	258	40	26,894
Privately-issued CMO	10,053	1,102	213	10,942
Municipal	42,942	3,009	1	45,950
Subtotal – debt securities	114,827	5,040	255	119,612
Equity securities	-	62	-	62
Total securities available for sale	\$ 114,827	\$ 5,102	\$ 255	\$119,674
Securities held to maturity:				
Agency mortgage-backed	\$1,993	\$ 144	\$ -	\$2,137

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

Municipal	7,161	153	-	7,314
Total securities held to maturity	\$9,154	\$ 297	\$ -	\$9,451

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

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The amortized cost and fair value of investment securities as of December 31, 2011 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	\$65	\$66	\$518	\$525
Due after one year through five years	3,283	3,321	2,701	2,736
Due after five years through ten years	6,380	6,821	2,164	2,208
Due after ten years	47,504	50,156	1,778	1,845
	57,232	60,364	7,161	7,314
Equity securities	-	62	-	-
CMO	36,729	37,836	-	-
Mortgage-backed securities	20,866	21,412	1,993	2,137
	\$114,827	\$119,674	\$9,154	\$9,451

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 December 31, 2011, 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	1	\$2,033	\$ 1
Agency CMO	7	7,869	40
Privately-issued CMO	6	3,603	134
Municipal bonds	1	999	1
Total less than twelve months	15	14,504	176
Continuous loss position more than twelve months:			
Privately-issued CMO	3	155	79
Total more than twelve months	3	155	79
Total securities available for sale	18	\$14,659	\$ 255

At December 31, 2011, 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, 2011 have depreciated approximately 1.7% from the Company's amortized cost basis and are fixed and variable rate securities with a weighted-average yield of 2.73% and a weighted-average coupon rate of 3.12% at December 31, 2011.

U.S. government agency debt securities, including mortgage-backed securities and collateralized mortgage obligations securities, and municipal bonds in loss positions at December 31, 2011 had depreciated approximately 0.4% from the Company's amortized cost basis as of December 31, 2011. 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 December 31, 2011, the nine privately-issued CMO securities in loss positions had depreciated approximately 5.4% from the Company's amortized cost basis and include securities collateralized by home equity lines of credit or other mortgage-related loan products. Five of these securities with fair values totaling \$3.7 million and unrealized losses of \$181,000 at December 31, 2011 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 December 31, 2011, the Company held twenty privately-issued CMO securities with an aggregate amortized cost of \$6.0 million and fair value of \$6.6 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 December 31, 2011, 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 three months ended December 31, 2010.

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

	December 31, 2011	September 30, 2011
	(In thousands)	
Real estate mortgage:		
1-4 family residential	\$ 167,329	\$ 169,353
Multi-family residential	24,442	24,909
Commercial	79,537	73,513
Residential construction	8,341	8,002
Commercial construction	4,158	4,144
Land and land development	12,302	12,947
Commercial business loans	38,178	40,628
Consumer:		
Home equity loans	15,032	15,210
Auto loans	9,272	9,827
Other consumer loans	4,069	4,514
Gross loans	362,660	363,047
Deferred loan origination fees and costs, net	514	558
Undisbursed portion of loans in process	(3,057)	(4,501)
Allowance for loan losses	(4,703)	(4,672)
Loans, net	\$ 355,414	\$ 354,432

During the three-month period ended December 31, 2011, 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 December 31, 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	\$ 167,329	\$ 79,537	\$ 24,442	\$ 9,442	\$ 12,302	\$ 38,178	\$ 28,373	\$ 359,603
Accrued interest receivable	640	364	77	23	49	190	104	1,447
Net deferred loan origination fees and costs	592	(61)	(3)	(7)	(5)	(30)	28	514
Recorded investment in loans	\$ 168,561	\$ 79,840	\$ 24,516	\$ 9,458	\$ 12,346	\$ 38,338	\$ 28,505	\$ 361,564
Recorded Investment in Loans as Evaluated for Impairment:								
Individually evaluated for impairment	\$ 3,669	\$ 1,036	\$ -	\$ 174	\$ 340	\$ -	\$ 138	\$ 5,357
Collectively evaluated for impairment	164,137	78,579	24,516	9,284	12,006	38,338	28,328	355,188
Acquired with deteriorated credit quality	755	225	-	-	-	-	39	1,019
Ending balance	\$ 168,561	\$ 79,840	\$ 24,516	\$ 9,458	\$ 12,346	\$ 38,338	\$ 28,505	\$ 361,564

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

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

An analysis of the allowance for loan losses as of December 31, 2011 is as follows:

	Residential Real Estate	Commercial Real Estate	Multifamily	Construction	Land & Land Development	Commercial Business	Consumer	Total
	(In thousands)							
Ending Allowance Balance Attributable to Loans: Individually evaluated for impairment	\$ 60	\$ 70	\$ -	\$ -	\$ -	\$ -	\$ 14	\$ 144
Collectively evaluated for impairment	872	1,348	593	56	30	1,427	233	4,559
Acquired with deteriorated credit quality	-	-	-	-	-	-	-	-
Ending balance	\$ 932	\$ 1,418	\$ 593	\$ 56	\$ 30	\$ 1,427	\$ 247	\$ 4,703

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

	Residential Real Estate	Commercial Real Estate	Multifamily	Construction	Land & Land Development	Commercial Business	Consumer	Total
	(In thousands)							
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
Acquired with deteriorated credit quality	-	-	-	-	-	-	-	-

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

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 December 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	\$ 833	\$ 1,314	\$ 604	\$ 56	\$ 53	\$ 1,525	\$ 287	\$4,672
Provisions	274	104	(11)	-	(23)	(99)	74	319
Charge-offs	(186)	-	-	-	-	-	(127)	(313)
Recoveries	11	-	-	-	-	1	13	25
Ending balance	\$ 932	\$ 1,418	\$ 593	\$ 56	\$ 30	\$ 1,427	\$ 247	\$4,703

An analysis of the changes in the allowance for loan losses for the three months ended December 31, 2010 is as follows:

	Residential Real Estate	Commercial Real Estate	Multifamily	Construction	Land & Lan 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	174	301	181	(77)	(33)	(161)	(33)	352
Charge-offs	(213)	(5)	-	(8)	-	-	(52)	(278)
Recoveries	-	-	-	-	-	57	17	74
Ending balance	\$ 1,203	\$ 896	\$ 550	\$ 133	\$ 29	\$ 787	\$ 361	\$3,959

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 December 31, 2011, and for the three months ended December 31, 2011 and 2010. The Company did not recognize any interest income on impaired loans for the three months ended December 31, 2011 and 2010.

	At December 31, 2011			Three Months Ended December 31, 2011 2010	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Average Recorded Investment
	(In thousands)				
Loans with no related allowance recorded:					
Residential real estate	\$3,519	\$ 3,931	\$ -	\$3,552	\$ 2,348
Commercial real estate	798	814	-	848	1,078
Multifamily	-	-	-	-	-
Construction	174	174	-	174	487
Land and land development	340	346	-	340	199
Commercial business	-	-	-	1	253
Consumer	58	59	-	96	242
	\$4,889	\$ 5,324	\$ -	\$5,011	\$ 4,607
Loans with an allowance recorded:					
Residential real estate	\$150	\$ 151	\$ 60	\$162	\$ 652
Commercial real estate	238	235	70	236	247
Multifamily	-	-	-	-	-
Construction	-	-	-	-	200
Land and land development	-	-	-	-	-
Commercial business	-	-	-	-	-
Consumer	80	80	14	80	98
	\$468	\$ 466	\$ 144	\$478	\$ 1,197
Total:					
Residential real estate	\$3,669	\$ 4,082	\$ 60	\$3,714	\$ 3,000

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

Commercial real estate	1,036	1,049	70	1,084	1,325
Multifamily	-	-	-	-	-
Construction	174	174	-	174	687
Land and land development	340	346	-	340	199
Commercial business	-	-	-	1	253
Consumer	138	139	14	176	340
	\$5,357	\$ 5,790	\$ 144	\$5,489	\$ 5,804

-18-

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 December 31, 2011:

	Nonaccrual Loans	Loans 90+ Days Past Due Still Accruing	Total Nonperforming Loans
	(In thousands)		
Residential real estate	\$3,669	\$ 1,120	\$ 4,789
Commercial real estate	1,036	966	2,002
Multifamily	-	-	-
Construction	174	-	174
Land and land development	340	-	340
Commercial business	-	817	817
Consumer	138	105	243
Total	\$5,357	\$ 3,008	\$ 8,365

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
-------	---------	----------	----------

-20-

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 December 31, 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	\$4,592	\$ 1,644	\$ 2,695	\$8,931	\$159,630	\$168,561
Commercial real estate	264	63	1,926	2,253	77,587	79,840
Multifamily	-	-	-	-	24,516	24,516
Construction	-	-	174	174	9,284	9,458
Land and land development	-	-	340	340	12,006	12,346
Commercial business	941	92	817	1,850	36,488	38,338
Consumer	340	28	163	531	27,974	28,505
Total	\$6,137	\$ 1,827	\$ 6,115	\$14,079	\$347,485	\$361,564

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

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 December 31, 2011, and based on the most recent analysis performed, the recorded investment in loans by risk category is as follows:

	Residential Real Estate	Commercial Real Estate	Multifamily	Construction	Land and Land Development	Commercial Business	Consumer	Total
	<i>(In thousands)</i>							
Pass	\$ 155,050	\$ 73,710	\$ 22,227	\$ 9,284	\$ 11,599	\$ 36,125	\$ 27,735	\$ 335,730
Special Mention	2,101	2,280	325	-	372	1,467	63	6,608
Substandard	10,529	3,612	1,964	174	375	746	641	18,041
Doubtful	881	238	-	-	-	-	66	1,185
Loss	-	-	-	-	-	-	-	-
Total	\$ 168,561	\$ 79,840	\$ 24,516	\$ 9,458	\$ 12,346	\$ 38,338	\$ 28,505	\$ 361,564

As of September 30, 2011, and based on the most recent analysis performed, the recorded investment in loans by risk category is as follows:

	Residential Real Estate	Commercial Real Estate	Multifamily	Construction	Land and Land Development	Commercial Business	Consumer	Total
	<i>(In thousands)</i>							
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
Loss	-	-	-	-	-	-	-	-

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

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

-23-

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Modification of a loan is considered to be a trouble 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 placed on 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 December 31, 2011 and September 30, 2011. There was no specific reserve included in the allowance for loan losses related to TDRs at December 31, 2011 or September 30 2011.

	Accruing	Nonaccrual	Total
	(In thousands)		
December 31, 2011:			
Residential real estate	\$1,368	\$ 313	\$1,681
Commercial real estate	805	-	805
Total	\$2,173	\$ 313	\$2,486
September 30, 2011:			
Residential real estate	\$1,499	\$ -	\$1,499
Commercial real estate	812	-	812
Total	\$2,311	\$ -	\$2,311

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-month period ended December 31, 2011:

	Pre- Number of Loans	Pre- Modification Principal Balance (In thousands)	Post- Modification Principal Balance
Residential real estate	2	\$ 197	\$ 185
Total	2	\$ 197	\$ 185

For the TDRs listed above, the terms of modification included 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 December 31, 2011 and September 30, 2011 to customers with outstanding loans that are classified as TDRs.

During the three-month period ended December 31, 2011, 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 loan was secured by residential real estate and was on nonaccrual status as of December 31, 2011.

4. Premises and Equipment

On December 22, 2011 the Company acquired a 4.077 acre parcel of land in New Albany, Indiana for \$2.97 million. The Bank has filed an application with 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.

-25-

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 periods ended December 31, 2011 and 2010.

(Dollars in thousands, except per share data)	Three Months Ended December 31,	
	2011	2010
Basic:		
Earnings:		
Net income	\$910	\$1,084
Less: Preferred stock dividends declared	(43)	-
Net income available to common shareholders	\$867	\$1,084
Shares:		
Weighted average common shares outstanding	2,154,339	2,156,683
Net income per common share, basic	\$0.40	\$0.50
Diluted:		
Earnings:		
Net income	\$910	\$1,084
Less: Preferred stock dividends declared	(43)	-
Net income available to common shareholders	\$867	\$1,084
Shares:		
Weighted average common shares outstanding	2,154,339	2,156,683
Add: Dilutive effect of outstanding options	43,000	14,385
Add: Dilutive effect of nonvested restricted stock	14,085	9,350
Weighted average shares outstanding, as adjusted	2,211,424	2,180,418

Net income per common share, diluted	\$0.39	\$0.50
--------------------------------------	--------	--------

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

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	Three Months Ended December 31, 2011 2010 <i>(In thousands)</i>	
Cash payments for:		
Interest	\$1,536	\$1,740
Taxes	-	75
Transfers from loans to foreclosed real estate	604	836
Proceeds from sales of foreclosed real estate financed through loans	62	83

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 3: 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 December 31, 2011 and September 30, 2011. The Company had no liabilities measured at fair value as of December 31, 2011 or September 30, 2011.

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

	Carrying Value			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
December 31, 2011:				
Assets Measured - Recurring Basis:				
Securities available for sale:				
Agency bonds and notes	\$-	\$14,414	\$ -	\$14,414
Agency mortgage-backed	-	21,412	-	21,412
Agency CMO	-	26,894	-	26,894
Privately-issued CMO	-	10,942	-	10,942
Municipal	-	45,950	-	45,950
Equity securities	62	-	-	62
Total securities available for sale	\$62	\$119,612	\$ -	\$119,674
Interest rate cap contract	\$-	\$42	\$ -	\$42
Assets Measured - Nonrecurring Basis:				
Impaired loans	\$-	\$5,213	\$ -	\$5,213
Loans held for sale	-	252	-	252
Foreclosed real estate	-	1,502	-	1,502
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.

-28-

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 three-month periods ended December 31, 2011 and 2010. In addition, there were no transfers into or out of Levels 1 and 2 of the fair value hierarchy during the three-month periods ended December 31, 2011 and 2010.

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:

	December 31, 2011		September 30, 2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In thousands)			
Financial assets:				
Cash and due from banks	\$10,562	\$10,562	\$18,099	\$18,099
Interest-bearing deposits with banks	5,764	5,764	9,104	9,104
Securities available for sale	119,674	119,674	108,577	108,577
Securities held to maturity	9,154	9,451	9,506	9,690
Loans, net	355,414	367,819	354,432	366,803
Loans held for sale	252	252	-	-
Federal Home Loan Bank stock	4,900	4,900	4,400	4,400
Accrued interest receivable	2,548	2,548	2,198	2,198
Financial liabilities:				
Deposits	369,621	375,988	387,626	394,303
Short-term repurchase agreements	1,323	1,323	16,403	16,457
Borrowings from Federal Home Loan Bank	91,806	93,182	53,137	54,534
Accrued interest payable	313	313	399	399
Advance payments by borrowers for taxes and insurance	203	203	330	330
Derivative financial instruments included in other assets:				
Interest rate cap	42	42	50	50

Off-balance-sheet financial instruments:

Asset related to commitments

to extend credit	-	34	-	37
------------------	---	----	---	----

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:

-30-

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.

Off-Balance-Sheet Financial Instruments

Commitments to extend credit were evaluated and fair value was estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed-rate loan commitments, the fair value estimate considers the difference between current interest rates and the committed rates.

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-month periods ended December 31, 2011 and 2010 amounted to \$60,000 and \$67,000, respectively. Company common stock held by the ESOP trust at December 31, 2011 was as follows:

Allocated shares	72,643
Unearned shares	130,720
Total ESOP shares	203,363

Fair value of unearned shares \$2,211,782

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.

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 December 31, 2011 and 2010 amounted to \$65,000. A summary of the Company's nonvested restricted shares activity under the Plan as of December 31, 2011 and changes during the three-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 December 31, 2011	78,470	\$ 13.25

At December 31, 2011, there was \$877,000 of total unrecognized compensation expense related to nonvested restricted shares. The compensation expense is expected to be recognized over the remaining vesting period of 3.3 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.

-33-

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

A summary of stock option activity under the Plan as of December 31, 2011, and changes during the three-month period then ended is presented below.

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at October 1, 2011	245,232	\$ 13.25		
Granted	-	-		
Exercised	-	-		
Forfeited or expired	-	-		
Outstanding at December 31, 2011	245,232	\$ 13.25	8.3	\$ 900
Exercisable at December 31, 2011	49,050	\$ 13.25	8.3	\$ 180

The Company recognized compensation expense related to stock options of \$38,000 and \$64,000 for the three-month periods ended December 31, 2011 and 2010, respectively. At December 31, 2011, there was \$511,000 of unrecognized compensation expense related to nonvested stock options, which will be recognized over the remaining vesting period of 3.3 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 Company’s 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.

-34-

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 second dividend period ended December 31, 2011 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 Annex E to 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 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. The adoption of this ASU is not expected to 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 three-month period ended December 31, 2011, 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 December 31, 2011 and September 30, 2011

Cash and Cash Equivalents. Cash and cash equivalents decreased from \$27.2 million at September 30, 2011 to \$16.3 million at December 31, 2011, due to decreases in cash and due from banks of \$7.5 million and interest-bearing deposits with banks of \$3.3 million. The decrease in cash and cash equivalents was primarily used to fund purchases of securities available for sale.

Loans. Net loans receivable increased \$982,000, from \$354.4 million at September 30, 2011 to \$355.4 million at December 31, 2011, primarily due an increase in nonresidential permanent and construction loans of \$6.0 million, which more than offset decreases in commercial business loans of \$2.5 million, residential permanent and construction loans of \$2.0 million, consumer loans of \$1.2 million, land and land development loans of \$645,000, and multi-family residential mortgage loans of \$467,000. The decrease in residential mortgage loans is primarily due to loan payoffs that have not been replaced by new originations for the Bank's in-house loan portfolio. In addition, the Bank has continued to emphasize the origination of commercial loans in order to further diversify the 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 \$11.1 million from \$108.6 million at September 30, 2011 to \$119.7 million at December 31, 2011 due primarily to purchases of \$23.9 million, partially offset by maturities and calls of \$7.6 million and principal repayments of \$4.5 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 \$352,000 from \$9.5 million at September 30, 2011 to \$9.2 million at December 31, 2011 due primarily to principal repayments on mortgage-backed securities.

Deposits. Total deposits decreased \$18.0 million from \$387.6 million at September 30, 2011 to \$369.6 million at December 31, 2011 primarily due to decreases in certificates of deposit of \$20.3 million, noninterest-bearing demand deposit accounts of \$1.7 million and savings accounts of \$577,000, which more than offset increases in money market deposit accounts of \$3.1 million and interest-bearing demand deposit accounts of \$1.5 million during the period. The decrease in certificates of deposit is due primarily to the maturity of \$15.0 million of brokered certificates of deposit. The repayment upon the maturities of these brokered certificates of deposit was funded primarily with FHLB borrowings, which were advantageous given the lower interest rate.

Borrowings. Borrowings from FHLB increased \$38.7 million from \$53.1 million at September 30, 2011 to \$91.8 million at December 31, 2011 while repurchase agreements decreased \$15.1 million from \$16.4 million at September 30, 2011 to \$1.3 million at December 31, 2011. Management has increased the level of FHLB advances in order repay matured brokered certificates of deposit and repurchase agreements, to take advantage of historically low interest rates, provide short-term liquidity and provide funding for purchases of available for sale securities.

Stockholders' Equity. Stockholders' equity increased \$623,000 from \$76.6 million at September 30, 2011 to \$77.2 million at December 31, 2011. The increase was due primarily to \$867,000 of retained net earnings, which more than

offset a \$314,000 decrease 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 Three Months Ended December 31, 2011 and 2010

Overview. The Company reported net income of \$910,000 and net income available to common shareholders of \$867,000, or \$0.39 per diluted share, for the quarter ended December 31, 2011 compared to net income of \$1.1 million, or \$0.50 per diluted share, for the quarter ended December 31, 2010.

Net Interest Income. Net interest income increased \$41,000, or 0.8%, for the three months ended December 31, 2011 compared to the same period in 2010. Average interest-earnings assets increased \$29.0 million and average interest-bearing liabilities increased \$4.1 million when comparing the two periods. The tax-equivalent interest rate spread was 4.16% for 2011 as compared to 4.38% for 2010.

Total interest income decreased \$140,000, or 2.2%, when comparing the two periods due primarily to a decrease in the average tax-equivalent yield on interest-earning assets from 5.75% for 2010 to 5.34% for 2011, which more than offset the change in interest income due to an increase in the average balance of interest-earning assets of \$29.0 million from \$459.8 million for 2010 to \$488.8 million for 2011. The average balance of loans and investment securities increased \$17.4 million and \$11.7 million, respectively, when comparing the two periods.

Total interest expense decreased \$181,000, or 12.9%, due primarily to a decrease in the average cost of interest-bearing liabilities from 1.37% for 2010 to 1.18% for 2011, which more than offset the change in interest expense due to an increase in the average balance of interest-bearing liabilities of \$4.1 million from \$417.2 million for 2010 to \$421.3 million for 2011. The average cost of interest-bearing liabilities decreased for 2011 primarily as a result of lower market interest rates as compared to 2010, the repricing of certificates of deposit at lower market interest rates as they matured and the utilization of lower-cost FHLB advances and brokered deposits as alternative sources of funding. The average balances of deposits and borrowings increased \$3.0 million and \$1.1 million, respectively, 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%.

	Three Months Ended December 31,						
	2011			2010			
	Average Balance	Interest and Dividends	Yield/ Cost	Average Balance	Interest and Dividends	Yield/ Cost	
	(Dollars in thousands)						
Assets:							
Interest-bearing deposits with banks	\$3,632	\$ 4	0.44	% \$3,986	\$ 3	0.30	%
Loans	360,491	5,202	5.77	343,129	5,273	6.15	
Investment securities	98,049	1,149	4.69	92,094	1,215	5.28	
Agency mortgage-backed securities	22,246	146	2.63	16,486	87	2.11	
Federal Home Loan Bank stock	4,427	30	2.71	4,112	28	2.72	
Total interest-earning assets	488,845	6,531	5.34	459,807	6,606	5.75	
Non-interest-earning assets	45,850			45,037			
Total assets	\$534,695			\$504,844			
Liabilities and equity:							
NOW accounts	\$68,929	\$ 95	0.55	\$68,184	\$ 94	0.55	
Money market deposit accounts	41,852	81	0.77	35,107	66	0.75	
Savings accounts	41,808	27	0.26	38,420	28	0.29	
Time deposits	190,657	708	1.49	198,524	873	1.76	
Total interest-bearing deposits	343,246	911	1.06	340,235	1,061	1.25	

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

Borrowings (1)	78,086	331	1.70	76,961	363	1.89
Total interest-bearing liabilities	421,332	1,242	1.18	417,196	1,424	1.37
Non-interest-bearing deposits	33,940			29,417		
Other non-interest-bearing liabilities	2,945			2,870		
Total liabilities	458,217			449,483		
Total equity	76,478			55,361		
Total liabilities and equity	\$534,695			\$504,844		
Net interest income		\$ 5,289			\$ 5,182	
Interest rate spread			4.16 %			4.38 %
Net interest margin			4.33 %			4.51 %
Average interest-earning assets to average interest-bearing liabilities			116.02 %			110.21 %

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

FIRST SAVINGS FINANCIAL GROUP, INC.

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

Rate/Volume Analysis. The following table sets forth the effects of changing rates and volumes on our net interest income. 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 December 31, 2011 Compared to Three Months Ended December 31, 2010 Increase (Decrease) Due to		
	Rate	Volume (In thousands)	Net
Interest income:			
Interest-bearing deposits with banks	\$ 1	\$ -	\$ 1
Loans	(392)	321	(71)
Investment securities	(156)	90	(66)
Agency mortgage-backed securities	24	35	59
Other interest-earning assets	-	2	2
Total interest-earning assets	(523)	448	(75)
Interest expense:			
Deposits	(159)	9	(150)
Borrowings (1)	(37)	5	(32)
Total interest-bearing liabilities	(196)	14	(182)
Net increase (decrease) in net interest income	\$ (327)	\$ 434	\$ 107

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

Provision for Loan Losses. The provision for loan losses was \$319,000 for the three months ended December 31, 2011 compared to \$352,000 for the same period in 2010.

Net charge-offs were \$288,000 for the three months ended December 31, 2011 compared to net charge-offs of \$204,000 for the same period in 2010.

The recorded investment in nonperforming loans was \$8.4 million at December 31, 2011 compared to \$7.3 million at September 30, 2011 and \$5.6 million at December 31, 2010. Nonperforming loans at December 31, 2011 include nonaccrual loans of \$5.4 million and loans totaling \$3.0 million that are over 90 days past due, but still accruing interest. These loans are still accruing interest because the estimated value of the collateral and collection efforts are deemed sufficient to ensure their full recovery. The increase in nonperforming loans from September 30, 2011 to December 31, 2011 is due primarily to two commercial loans over 90 days past their maturity dates at December 31, 2011 that were in the process of renewal and that continued to accrue interest as of December 31, 2011. One of these loans, with an outstanding balance of \$249,000, was secured by receivables, inventory and equipment, and was current and performing in accordance with the terms of the original matured note as of December 31, 2011. The second such loan, with an outstanding principal balance of \$450,000, was secured in full by a certificate of deposit.

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 \$18.9 million from \$343.8 million at December 31, 2010 to \$362.7 million at December 31, 2011, primarily due to increases in nonresidential permanent and construction loans of \$17.2 million, commercial business loans of \$7.6 million, multi-family residential mortgage loans of \$5.0 million, and land and land development loans of \$3.9 million, which more that offset decreases in residential permanent and construction loans of \$7.8 million, and consumer loans of \$6.8 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 \$4.7 million at December 31, 2011 compared to \$4.7 million at September 30, 2011 and \$4.0 million at December 31, 2010. 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 \$182,000 for the three-month period ended December 31, 2011 as compared to the same period in 2010. The decrease was due primarily to decreases in service charges on deposit accounts of \$60,000, net gains on sales of loans of \$72,000 and gains on sales of securities available for sale of \$68,000 for the 2011 period as compared to 2010, and an \$8,000 unrealized loss on an interest rate cap contract for the three-month period ended December 31, 2011, compared to an unrealized gain of \$45,000 on the interest rate cap contract for the same period in 2010. 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 2010 period while no sales of securities available for sale occurred in the 2011 period.

Noninterest Expense. Noninterest expenses increased \$197,000 for the three-month period ended December 31, 2011 as compared to the same period in 2010. The increase was due primarily to increases in advertising expense, professional fees, occupancy and equipment expense, and other operating expense of \$187,000, \$62,000, \$53,000 and \$59,000, respectively. The increases in adverting expense and occupancy and equipment expense were due primarily to a rebranding and advertising campaign, including the write-off of obsolete signage, for the Bank's new branding 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. These increases more than offset decreases in compensation and benefits expense of \$116,000 and FDIC insurance premiums of \$49,000. The decrease in compensation and benefits expense was due primarily to \$104,000 of severance compensation for the early retirement of several officers recorded during the quarter ended December 31, 2010 and the decrease in FDIC insurance premiums is due to lower assessments in the 2011 period as compared to 2010.

Income Tax Expense. The Company recognized income tax expense of \$326,000 for the three-month period ended December 31, 2011, for an effective tax rate of 26.4%, compared to income tax expense of \$457,000, for an effective tax rate of 29.7%, for the same period in 2010. The lower effective tax rate for the quarter ended December 31, 2011 was due primarily to a higher level of tax exempt income as a percent of income before taxes for the 2011 quarter.

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 December 31, 2011, the Bank had cash and cash equivalents of \$16.3 million and securities available-for-sale with a fair value of \$119.7 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 December 31, 2011, the Company had liquid assets of \$1.8 million.

Capital Management. The Bank is required to maintain specific amounts of capital pursuant to regulatory requirements. As of December 31, 2011, 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 11.48%, 11.48% and 17.76%, respectively. The regulatory requirements at that date were 1.5%, 3.0% and 8.0%, respectively. At December 31, 2011, 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 three months ended December 31, 2011, 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.

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 September 30, 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 by the OCC, information as of December 31, 2011 is unavailable for inclusion in this report.

Change in Rates	At September 30, 2011			Net Portfolio Value as a	
	Dollar Amount (Dollars in thousands)	Dollar Change	Percent Change	Percent of Present NPV Ratio	Value of Assets Change
300bp	\$65,474	\$(10,421)	(14)%	12.40%	(139)bp
200bp	71,095	(4,800)	(6)	13.23	(56)bp
100bp	74,628	(1,267)	(2)	13.70	(9)bp
Static	75,895	-	-	13.79	-bp
(100)bp	75,563	(332)	-	13.65	(14)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 December 31, 2011, 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 December 31, 2011, 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.

-48-

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. 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.

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 December 31, 2011:

Period	(a) Total number of shares (or units) purchased	(b) Average price paid per share (or unit)	(c) Total number of shares (or units) purchased as part of publicly	(d) Maximum number (or appropriate dollar value) of shares (or units) that may yet
---------------	--	---	--	---

			announced plans or programs (1)	or be purchased under the plans or programs
October 1, 2011 through October 31, 2011	4,080	\$ 16.27	4,080	62,464
November 1, 2011 through November 30, 2011	1,046	16.61	1,046	61,418
December 1, 2011 through December 31, 2011	476	17.30	476	60,942
Total	5,602	16.42	5,602	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.

FIRST SAVINGS FINANCIAL GROUP, INC.

PART II

OTHER INFORMATION

Item
3. Defaults upon Senior Securities

Not applicable.

Item
4. Mine Safety Disclosures

Not applicable.

Item
5. Other Information

None.

Item
6. Exhibits

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

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

32.1 Section 1350 Certification of Chief Executive Officer

32.2 Section 1350 Certification of Chief Financial Officer

The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2011, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated 101* Balance Sheets, (ii) 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 February 14, 2012 **BY:**/s/ Larry W. Myers
Larry W. Myers
President and Chief Executive Officer

Dated February 14, 2012 **BY:**/s/ Anthony A. Schoen
Anthony A. Schoen
Chief Financial Officer