

First Savings Financial Group Inc
Form 10-Q
February 14, 2014

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549**

FORM 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2013

OR

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

For the transition period from _____ to _____

Commission File No. 1-34155

First Savings Financial Group, Inc.

(Exact name of registrant as specified in its charter)

Indiana
(State or other jurisdiction of
incorporation or organization)

37-1567871
(I.R.S. Employer
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

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

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, 2014 was 2,259,232.

FIRST SAVINGS FINANCIAL GROUP, INC.
INDEX

	Page
Part I	
Financial Information	
 Item 1. Financial Statements	
Consolidated Balance Sheets as of December 31, 2013 and September 30, 2013 (unaudited)	3
Consolidated Statements of Income for the three months ended December 31, 2013 and 2012 (unaudited)	4
Consolidated Statements of Comprehensive Income for the three months ended December 31, 2013 and 2012 (unaudited)	5
Consolidated Statements of Changes in Stockholders' Equity for the three months ended December 31, 2013 and 2012 (unaudited)	6
Consolidated Statements of Cash Flows for the three months ended December 31, 2013 and 2012 (unaudited)	7
Notes to Consolidated Financial Statements (unaudited)	8-41
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	42-50
Item 3. Quantitative and Qualitative Disclosures About Market Risk	51-53
Item 4. Controls and Procedures	54
 Part II	
Other Information	
Item 1. Legal Proceedings	55
Item 1A. Risk Factors	55
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	56
Item 3. Defaults Upon Senior Securities	56
Item 4. Mine Safety Disclosures	56
Item 5. Other Information	57
Item 6. Exhibits	57
 Signatures	58

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

(In thousands, except share and per share data)	December 31, 2013	September 30, 2013
ASSETS		
Cash and due from banks	\$ 9,171	\$ 9,607
Interest-bearing deposits with banks	10,786	11,208
Total cash and cash equivalents	19,957	20,815
Interest-bearing time deposits	1,500	1,500
Trading account securities, at fair value	4,154	3,210
Securities available for sale, at fair value	174,719	164,167
Securities held to maturity	6,184	6,417
Loans held for sale	99	399
Loans, net	419,021	408,375
Federal Home Loan Bank stock, at cost	5,675	5,500
Real estate development and construction	7,195	7,178
Premises and equipment	14,918	14,842
Other real estate owned, held for sale	979	799
Accrued interest receivable:		
Loans	1,238	1,208
Securities	1,484	1,183
Cash surrender value of life insurance	18,030	12,933
Goodwill	7,936	7,936
Core deposit intangibles	1,983	2,069
Other assets	1,871	1,924
Total Assets	\$ 686,943	\$ 660,455
LIABILITIES		
Deposits:		
Noninterest-bearing	\$ 47,359	\$ 50,093
Interest-bearing	444,163	427,633
Total deposits	491,522	477,726
Repurchase agreements	1,336	1,335
Borrowings from Federal Home Loan Bank	102,565	89,348
Other long-term debt	4,939	4,973
Accrued interest payable	177	184
Advance payments by borrowers for taxes and insurance	522	707
Accrued expenses and other liabilities	3,435	3,929
Total Liabilities	604,496	578,202
STOCKHOLDERS' EQUITY		

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

Preferred stock of \$.01 par value per share		
Authorized 982,880 shares; none issued	-	-
Senior Non-Cumulative Perpetual Preferred Stock, Series A,		
\$.01 par value; Authorized 17,120 shares; issued and outstanding	-	-
17,120 shares; aggregate liquidation preference of \$17,120		
Common stock of \$.01 par value per share		
Authorized 20,000,000 shares; issued 2,542,042 shares; outstanding	25	25
2,262,305 shares (2,299,654 shares at September 30, 2013)		
Additional paid-in capital - preferred	17,120	17,120
Additional paid-in capital - common	25,759	25,464
Retained earnings - substantially restricted	43,668	42,870
Accumulated other comprehensive income	1,131	1,468
Unearned ESOP shares	(658)	(865)
Unearned stock compensation	(357)	(422)
Less treasury stock, at cost - 279,737 shares	(4,241)	(3,407)
(242,388 shares at September 30, 2013)		
Total Stockholders' Equity	82,447	82,253
Total Liabilities and Stockholders' Equity	\$ 686,943	\$ 660,455

See notes to consolidated financial statements.

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

(In thousands, except share and per share data)	Three Months Ended December 31,	
	2013	2012
INTEREST INCOME		
Loans, including fees	\$ 5,225	\$ 5,261
Securities:		
Taxable	1,030	1,046
Tax-exempt	420	393
Dividend income	50	56
Interest-bearing deposits with banks	9	4
Total interest income	6,734	6,760
INTEREST EXPENSE		
Deposits	612	799
Repurchase agreements	1	2
Borrowings from Federal Home Loan Bank	252	294
Loans payable	57	-
Total interest expense	922	1,095
Net interest income	5,812	5,665
Provision for loan losses	301	452
Net interest income after provision for loan losses	5,511	5,213
NONINTEREST INCOME		
Service charges on deposit accounts	318	338
Net gain on sales of available for sale securities	1	1
Net gain on trading account securities	157	102
Unrealized loss on derivative contract	(2)	-
Net gain on sales of loans	77	107
Increase in cash surrender value of life insurance	97	78
Commission income	67	78
Real estate lease income	142	45
Other income	247	251
Total noninterest income	1,104	1,000
NONINTEREST EXPENSE		
Compensation and benefits	2,979	2,816
Occupancy and equipment	633	485
Data processing	310	310
Advertising	67	105
Professional fees	245	230
FDIC insurance premiums	120	114
Net loss on other real estate owned	70	66

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

Other operating expenses	740	693
Total noninterest expense	5,164	4,819
Income before income taxes	1,451	1,394
Income tax expense	423	378
Net Income	\$ 1,028	\$ 1,016
Preferred stock dividends declared	43	43
Net Income Available to Common Shareholders	\$ 985	\$ 973
Net income per common share:		
Basic	\$ 0.46	\$ 0.45
Diluted	\$ 0.44	\$ 0.43
Weighted average common shares outstanding:		
Basic	2,158,106	2,155,999
Diluted	2,260,658	2,237,367
Dividends per common share	\$ 0.10	\$ 0.40

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,	
	2013	2012
Net Income	\$ 1,028	\$ 1,016
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX		
Unrealized gains (losses) on securities available for sale:		
Unrealized holding gains (losses) arising during the period	(509)	288
Income tax (expense) benefit	173	(98)
Net of tax amount	(336)	190
Less: reclassification adjustment for realized gains included in net income	(1)	(1)
Income tax expense	-	-
Net of tax amount	(1)	(1)
Other Comprehensive Income (Loss)	(337)	189
Comprehensive Income	\$ 691	\$ 1,205

See notes to consolidated financial statements.

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

(In thousands, except share and per share data)	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Unearned Stock Compensation and ESOP	Treasury Stock	Total
Balances at October 1, 2012	\$ -	\$ 25	\$ 42,021	\$ 39,917	\$ 5,609	\$ (1,880)	\$ (2,766)	82,926
Net income	-	-	-	1,016	-	-	-	1,016
Other comprehensive income	-	-	-	-	189	-	-	189
Preferred stock dividends	-	-	-	(43)	-	-	-	(43)
Common stock dividends (\$0.40 per share)	-	-	-	(877)	-	-	-	(877)
Stock compensation expense	-	-	38	-	-	65	-	103
Shares released by ESOP trust	-	-	198	-	-	218	-	416
Purchase of 11,866 treasury shares	-	-	-	-	-	-	(228)	(228)
Balances at December 31, 2012	\$ -	\$ 25	\$ 42,257	\$ 40,013	\$ 5,798	\$ (1,597)	\$ (2,994)	\$ 83,502
Balances at October 1, 2013	\$ -	\$ 25	\$ 42,584	\$ 42,870	\$ 1,468	\$ (1,287)	\$ (3,407)	\$ 82,253
Net income	-	-	-	1,028	-	-	-	1,028
Other comprehensive loss	-	-	-	-	(337)	-	-	(337)
Preferred stock dividends	-	-	-	(43)	-	-	-	(43)

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

Common stock dividends (\$0.10 per share)	-	-	-	(187)	-	-	-	(187)
Stock compensation expense	-	-	38	-	-	65	-	103
Shares released by ESOP trust	-	-	257	-	-	207	-	464
Purchase of 37,349 treasury shares	-	-	-	-	-	-	(834)	(834)
Balances at December 31, 2013	\$ -	\$ 25	\$ 42,879	\$ 43,668	\$ 1,131	\$ (1,015)	\$ (4,241)	\$ 82,447

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,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 1,028	\$ 1,016
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	301	452
Depreciation and amortization	346	266
Amortization of premiums and accretion of discounts on securities, net	206	169
(Increase) decrease in trading account securities	(944)	131
Loans originated for sale	(2,168)	(4,100)
Proceeds on sales of loans	2,545	4,502
Net gain on sales of loans	(77)	(107)
Net realized and unrealized (gain) loss on other real estate owned	(32)	49
Net gain on sales of available for sale securities	(1)	(1)
Unrealized loss on derivative contract	2	-
Increase in cash surrender value of life insurance	(97)	(78)
Deferred income taxes	(130)	(620)
ESOP and stock compensation expense	531	495
Increase in accrued interest receivable	(331)	(230)
Decrease in accrued interest payable	(7)	(16)
Change in other assets and liabilities, net	-	48
Net Cash Provided By Operating Activities	1,172	1,976
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of securities available for sale	(16,434)	(35,014)
Proceeds from sales of securities available for sale	303	801
Proceeds from maturities of securities available for sale	1,243	7,475
Proceeds from maturities of securities held to maturity	94	20
Principal collected on securities	3,738	5,016
Net increase in loans	(11,160)	(4,367)
Purchase of Federal Home Loan Bank stock	(175)	-
Investment in cash surrender value of life insurance	(5,000)	(4,000)
Investment in real estate development and construction	(64)	(1,046)
Purchase of premises and equipment	(289)	(372)
Net Cash Used In Investing Activities	(27,744)	(31,487)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in deposits	13,796	(2,361)
Net increase in repurchase agreements	1	1
Increase in Federal Home Loan Bank line of credit	8,217	-
Proceeds from Federal Home Loan Bank advances	73,500	15,000
Repayment of Federal Home Loan Bank advances	(68,500)	(18)

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

Proceeds from other long-term debt	-	1,114
Repayment of other long-term debt	(34)	-
Net decrease in advance payments by borrowers for taxes and insurance	(185)	(173)
Purchase of treasury stock	(851)	(228)
Dividends paid on preferred stock	(43)	(43)
Dividends paid on common stock	(187)	(877)
Net Cash Provided By Financing Activities	25,714	12,415
Net Decrease in Cash and Cash Equivalents	(858)	(17,096)
Cash and cash equivalents at beginning of period	20,815	38,791
Cash and Cash Equivalents at End of Period	\$ 19,957	\$ 21,695

See notes to consolidated financial statements.

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Presentation of Interim Information

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

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

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

The accompanying unaudited consolidated financial statements and notes have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial statements, conform to general practices within the banking industry and are presented as permitted by the instructions to Form 10-Q. Accordingly, they do not contain certain information included in the Company’s audited consolidated financial statements and related notes for the year ended September 30, 2013 included in the Company’s Annual Report on Form 10-K.

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

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(Unaudited)

2. Investment Securities

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

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

Trading Account Securities

The Company invests in small and medium lot, investment grade municipal bonds through a managed brokered account. The brokerage account is managed by an investment advisory firm registered with the U.S. Securities and Exchange Commission. At December 31, 2013 and September 30, 2013, trading account securities recorded at fair value totaled \$4.2 million and \$3.2 million, respectively, comprised of investment grade municipal bonds. During the three-months ended December 31, 2013, the Company reported net gains on trading account securities of \$157,000, including net realized gains on the sale of securities of \$167,000, partially offset by net unrealized losses on securities still held as of the balance sheet date of \$10,000. During the three months ended December 31, 2012, the Company reported net gains on trading account securities of \$102,000, including net realized gains on the sale of securities of \$110,000 and net unrealized losses on securities still held as of the balance sheet date of \$8,000.

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

Securities Available for Sale and Held to Maturity

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

	Amortized Cost (In thousands)	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2013:				
Securities available for sale:				
Agency bonds and notes	\$ 14,869	\$ 2	\$ 737	\$ 14,134
Agency mortgage-backed	48,172	296	433	48,035
Agency CMO	25,682	140	334	25,488
Privately-issued CMO	3,783	729	2	4,510
Privately-issued ABS	5,796	1,911	2	7,705
SBA certificates	2,034	-	2	2,032
Municipal obligations	72,407	1,858	1,557	72,708
Subtotal debt securities	172,743	4,936	3,067	174,612
Equity securities	-	107	-	107
Total securities available for sale	\$ 172,743	\$ 5,043	\$ 3,067	\$ 174,719
Securities held to maturity:				
Agency mortgage-backed	\$ 593	\$ 45	\$ -	\$ 638
Municipal obligations	5,591	165	50	5,706
Total securities held to maturity	\$ 6,184	\$ 210	\$ 50	\$ 6,344

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(Unaudited)

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

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

Available for Sale	Fair	Held to Maturity	Fair
Amortized	Value	Amortized	Value
Cost		Cost	
(In thousands)			