

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

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2014

OR

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

For the transition period from _____ to _____

Commission File No. 1-34155

First Savings Financial Group, Inc.

(Exact name of registrant as specified in its charter)

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Indiana **37-1567871**
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification Number)

501 East Lewis & Clark Parkway, Indiana 47129

(Address of principal executive offices) (Zip Code)

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

Not applicable

(Former name, former address and former fiscal year, if changed since last report)

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

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

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

(Check one): Large Accelerated Filer ☐ Accelerated Filer ☐

Non-accelerated Filer ☐ Smaller Reporting Company ☒

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

The number of shares outstanding of the registrant's common stock as of April 30, 2014 was 2,184,959.

FIRST SAVINGS FINANCIAL GROUP, INC.

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

	March 31, 2014	September 30, 2013
(In thousands, except share and per share data)		
ASSETS		
Cash and due from banks	\$ 8,746	\$ 9,607
Interest-bearing deposits with banks	11,125	11,208
Total cash and cash equivalents	19,871	20,815
Interest-bearing time deposits	1,500	1,500
Trading account securities, at fair value	5,099	3,210
Securities available for sale, at fair value	182,930	164,167
Securities held to maturity	5,824	6,417
Loans held for sale	59	399
Loans, net	428,553	408,375
Federal Home Loan Bank stock, at cost	5,675	5,500
Real estate development and construction	7,300	7,178
Premises and equipment	14,720	14,842
Other real estate owned, held for sale	762	799
Accrued interest receivable:		
Loans	1,249	1,208
Securities	1,257	1,183
Cash surrender value of life insurance	18,164	12,933
Goodwill	7,936	7,936
Core deposit intangibles	1,897	2,069
Other assets	1,374	1,924
Total Assets	\$ 704,170	\$ 660,455
LIABILITIES		
Deposits:		
Noninterest-bearing	\$ 53,495	\$ 50,093
Interest-bearing	470,395	427,633
Total deposits	523,890	477,726
Repurchase agreements	1,336	1,335
Borrowings from Federal Home Loan Bank	85,744	89,348

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Other long-term debt	4,896	4,973
Accrued interest payable	182	184
Advance payments by borrowers for taxes and insurance	654	707
Accrued expenses and other liabilities	4,150	3,929
Total Liabilities	620,852	578,202

STOCKHOLDERS' EQUITY

Preferred stock of \$.01 par value per share Authorized 982,880 shares; none issued	-	-
Senior Non-Cumulative Perpetual Preferred Stock, Series A, \$.01 par value; Authorized 17,120 shares; issued and outstanding 17,120 shares; aggregate liquidation preference of \$17,120	-	-
Common stock of \$.01 par value per share Authorized 20,000,000 shares; issued 2,542,042 shares; outstanding 2,193,580 shares (2,299,654 shares at September 30, 2013)	25	25
Additional paid-in capital - preferred	17,120	17,120
Additional paid-in capital - common	25,850	25,464
Retained earnings - substantially restricted	44,913	42,870
Accumulated other comprehensive income	2,190	1,468
Unearned ESOP shares	(618)	(865)
Unearned stock compensation	(292)	(422)
Less treasury stock, at cost - 348,462 shares (242,388 shares at September 30, 2013)	(5,870)	(3,407)
Total Stockholders' Equity	83,318	82,253
Total Liabilities and Stockholders' Equity	\$ 704,170	\$ 660,455

See notes to consolidated financial statements.

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

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

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

See notes to consolidated financial statements.

PART I - FINANCIAL INFORMATION

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

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

See notes to consolidated financial statements.

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

	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Unearned Stock Compensation and ESOP	Treasury Stock	Total
(In thousands, except share and per share data)								
Six Months Ended March 31, 2013:								
Balances at October 1, 2012	\$-	\$25	\$42,021	\$39,917	\$5,609	\$(1,880)	\$(2,766)	82,926
Net income	-	-	-	2,186	-	-	-	2,186
Other comprehensive loss	-	-	-	-	(155)	-	-	(155)
Preferred stock dividends	-	-	-	(86)	-	-	-	(86)
Common stock dividends (\$0.50 per share)	-	-	-	(1,162)	-	-	-	(1,162)
Stock compensation expense	-	-	76	-	-	130	-	206
Shares released by ESOP trust	-	-	243	53	-	256	-	552
Purchase of 11,866 treasury shares	-	-	-	-	-	-	(228)	(228)
Balances at March 31, 2013	\$-	\$25	\$42,340	\$40,908	\$5,454	\$(1,494)	\$(2,994)	\$84,239
Six Months Ended March 31, 2014:								
Balances at October 1, 2013	\$-	\$25	\$42,584	\$42,870	\$1,468	\$(1,287)	\$(3,407)	\$82,253
Net income	-	-	-	2,564	-	-	-	2,564
Other comprehensive income	-	-	-	-	722	-	-	722
Preferred stock dividends	-	-	-	(86)	-	-	-	(86)
Common stock dividends (\$0.21 per share)	-	-	-	(435)	-	-	-	(435)
Stock compensation expense	-	-	76	-	-	130	-	206

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

See notes to consolidated financial statements.

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

(In thousands)	Six Months Ended March 31,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$2,564	\$2,186
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	604	1,002
Depreciation and amortization	704	544
Amortization of premiums and accretion of discounts on securities, net	304	356
Increase in trading account securities	(1,889)	(289)
Loans originated for sale	(3,396)	(6,894)
Proceeds on sales of loans	3,855	7,098
Net gain on sales of loans	(119)	(179)
Net realized and unrealized (gain) loss on other real estate owned	4	(19)
Net gain on sales of available for sale securities	(1)	(1)
Unrealized loss on derivative contract	5	1
Increase in cash surrender value of life insurance	(231)	(191)
Deferred income taxes	(193)	(715)
ESOP and stock compensation expense	727	682
Increase in accrued interest receivable	(115)	(58)
Decrease in accrued interest payable	(2)	(28)
Change in other assets and liabilities, net	555	1,212
Net Cash Provided By Operating Activities	3,376	4,707
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of securities available for sale	(27,133)	(39,350)
Proceeds from sales of securities available for sale	303	801
Proceeds from maturities of securities available for sale	2,233	10,300
Proceeds from maturities of securities held to maturity	384	293
Principal collected on securities	6,842	9,963
Net increase in loans	(21,112)	(6,275)
Purchase of Federal Home Loan Bank stock	(175)	-
Investment in cash surrender value of life insurance	(5,000)	(4,000)
Proceeds from life insurance	-	606
Proceeds from sale of foreclosed real estate	317	418
Investment in real estate development and construction	(216)	(2,218)
Purchase of premises and equipment	(316)	(576)

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

See notes to consolidated financial statements.

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Presentation of Interim Information

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

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

In the opinion of management, the unaudited consolidated financial statements include all adjustments considered necessary to present fairly the financial position as of March 31, 2014, the results of operations for the three- and six-month periods ended March 31, 2014 and 2013, and the cash flows for the six-month periods ended March 31, 2014 and 2013. All of these adjustments are of a normal, recurring nature. Such adjustments are the only adjustments included in the unaudited consolidated financial statements. Interim results are not necessarily indicative of results for a full year.

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

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

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(Unaudited)

2. Investment Securities

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

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

Trading Account Securities

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

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

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

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

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

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(Unaudited)

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

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

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

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

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FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(Unaudited)

Information pertaining to investment securities with gross unrealized losses at March 31, 2014, aggregated by investment category and the length of time that individual securities have been in a continuous loss position, follows:

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

At March 31, 2014, the Company did not have any securities held to maturity with an unrealized loss.

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects

of the issuer, and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

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

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(Unaudited)

U.S. government agency bonds and notes, mortgage-backed securities, CMOs, SBA certificates and municipal obligations in loss positions at March 31, 2014 had depreciated approximately 2.24% from the Company's amortized cost basis as of March 31, 2014. All of the agency and municipal securities are issued by U.S. government agencies, U.S. government-sponsored enterprises and municipal governments, and are generally secured by first mortgage loans and municipal project revenues.

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

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

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

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

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

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FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(Unaudited)

3. Loans and Allowance for Loan Losses

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

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

During the six-month period ended March 31, 2014, there was no significant change in the Company's lending activities or methodology used to estimate the allowance for loan losses as disclosed in the Company's Annual Report on Form 10-K for the year ended September 30, 2013.

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(Unaudited)

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(Unaudited)

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(Unaudited)

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

	Residential Real Estate (In thousands)	Commercial Real Estate (In thousands)	Multifamily	Construction	Land & Hand Development	Commercial Business	Consumer	Total
Ending Allowance Balance Attributable to Loans:								
Individually evaluated for impairment	\$30	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3	\$33
Collectively evaluated for impairment	596	3,440	271	222	356	907	235	6,027
Acquired with deteriorated credit quality	-	-	-	-	-	-	-	-
Ending balance	\$626	\$ 3,440	\$ 271	\$ 222	\$ 356	\$ 907	\$ 238	\$6,060

An analysis of the allowance for loan losses as of September 30, 2013 is as follows:

	Residential Real Estate (In thousands)	Commercial Real Estate (In thousands)	Multifamily	Construction	Land & Hand Development	Commercial Business	Consumer	Total
Ending Allowance Balance Attributable to Loans:								
Individually evaluated for impairment	\$30	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6	\$36
Collectively evaluated for impairment	750	2,826	249	229	299	907	242	5,502
Acquired with deteriorated credit quality	-	-	-	-	-	-	-	-

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Ending balance	\$780	\$ 2,826	\$ 249	\$ 229	\$ 299	\$ 907	\$ 248	\$5,538
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FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(Unaudited)

An analysis of the changes in the allowance for loan losses for the three months ended March 31, 2014 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	\$660	\$ 3,080	\$ 253	\$ 255	\$ 367	\$ 1,070	\$ 286	\$5,971
Provisions	(15)	504	18	(33)	(11)	(163)	3	303
Charge-offs	(21)	(144)	-	-	-	-	(69)	(234)
Recoveries	2	-	-	-	-	-	18	20
Ending balance	\$626	\$ 3,440	\$ 271	\$ 222	\$ 356	\$ 907	\$ 238	\$6,060

An analysis of the changes in the allowance for loan losses for the six months ended March 31, 2014 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	\$780	\$ 2,826	\$ 249	\$ 229	\$ 299	\$ 907	\$ 248	\$5,538
Provisions	(61)	539	22	(7)	57	-	54	604
Charge-offs	(97)	(144)	-	-	-	-	(99)	(340)
Recoveries	4	219	-	-	-	-	35	258
Ending balance	\$626	\$ 3,440	\$ 271	\$ 222	\$ 356	\$ 907	\$ 238	\$6,060

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(Unaudited)

An analysis of the changes in the allowance for loan losses for the three months ended March 31, 2013 is as follows:

	Residential Real Estate	Commercial Real Estate	Multifamily	Construction	Land & Development	Commercial Business	Consumer	Total
	(In thousands)							
Changes in Allowance for Loan Losses:								
Beginning balance	\$851	\$ 2,135	\$ 418	\$ 61	\$ 45	\$ 1,360	\$ 265	\$5,135
Provisions	52	36	(90)	2	(2)	573	(21)	550
Charge-offs	(33)	-	-	-	-	(270)	(22)	(325)
Recoveries	11	-	-	-	-	1	17	29
Ending balance	\$881	\$ 2,171	\$ 328	\$ 63	\$ 43	\$ 1,664	\$ 239	\$5,389

An analysis of the changes in the allowance for loan losses for the six months ended March 31, 2013 is as follows:

	Residential Real Estate	Commercial Real Estate	Multifamily	Construction	Land & Development	Commercial Business	Consumer	Total
	(In thousands)							
Changes in Allowance for Loan Losses:								
Beginning balance	\$908	\$ 2,204	\$ 389	\$ 52	\$ 2	\$ 1,084	\$ 267	\$4,906
Provisions	79	(47)	(61)	11	41	986	(7)	1,002
Charge-offs	(156)	(11)	-	-	-	(407)	(53)	(627)
Recoveries	50	25	-	-	-	1	32	108
Ending balance	\$881	\$ 2,171	\$ 328	\$ 63	\$ 43	\$ 1,664	\$ 239	\$5,389

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The following table presents impaired loans individually evaluated for impairment as of March 31, 2014 and for the three and six months ended March 31, 2014 and 2013.

	At March 31, 2014			Three Months Ended March 31,				Six Months Ended March 31,			
	Recorded Investment	Unpaid Principal Balance	Related Allowance	2014 Average Recorded Investment	2014 Interest Income Recognized	2013 Average Recorded Investment	2013 Interest Income Recognized	2014 Average Recorded Investment	2014 Interest Income Recognized	2013 Average Recorded Investment	2013 Interest Income Recognized
	<i>(In thousands)</i>										
Loans with no related allowance recorded:											
Residential real estate	\$5,306	\$5,856	\$ -	\$6,023	\$ 34	\$7,462	\$ 31	\$6,166	\$ 65	\$7,054	\$ 66
Commercial real estate	5,809	5,840	-	5,822	53	2,145	19	5,934	111	2,103	39
Multifamily Construction	2,280	2,221	-	2,227	28	2,283	28	2,234	56	2,283	57
Land and land development	-	-	-	-	-	174	-	-	-	174	-
Commercial business	262	445	-	446	1	654	1	446	1	515	1
Consumer	294	294	-	298	1	358	2	310	3	317	4
	\$13,951	\$14,656	\$ -	\$14,816	\$ 117	\$13,076	\$ 81	\$15,090	\$ 236	\$12,446	\$ 167
Loans with an allowance recorded:											
Residential real estate	\$60	\$55	\$ 30	\$55	\$ -	\$242	\$ -	\$55	\$ -	\$183	\$ -
Commercial real estate	-	-	-	-	-	147	-	-	-	146	-
Multifamily Construction	-	-	-	-	-	-	-	-	-	-	-
Land and land development	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	370	-	-	-	212	-

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Commercial business											
Consumer	72	73	3	97	-	82	-	96	-	83	-
	\$ 132	\$ 128	\$ 33	\$ 152	\$ -	\$ 841	\$ -	\$ 151	\$ -	\$ 624	\$ -
Total:											
Residential real estate	\$5,366	\$5,911	\$ 30	\$6,078	\$ 34	\$7,704	\$ 31	\$6,221	\$ 65	\$7,237	\$ 66
Commercial real estate	5,809	5,840	-	5,822	53	2,292	19	5,934	111	2,249	39
Multifamily	2,280	2,221	-	2,227	28	2,283	28	2,234	56	2,283	57
Construction	-	-	-	-	-	174	-	-	-	174	-
Land and land development	-	-	-	-	-	-	-	-	-	-	-
Commercial business	262	445	-	446	1	1,024	1	446	1	727	1
Consumer	366	367	3	395	1	440	2	406	3	400	4
	\$14,083	\$14,784	\$ 33	\$14,968	\$ 117	\$13,917	\$ 81	\$15,241	\$ 236	13,070	\$ 167

The Company recognized \$41,000 of interest income on an impaired commercial real estate loan using the cash receipts method during the six months ended March 31, 2014. The Company did not recognize any interest income using the cash receipts method during the three months ended March 31, 2014 or during the three and six months ended March 31, 2013.

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(Unaudited)

The following table presents impaired loans individually evaluated for impairment as of September 30, 2013.

	Recorded Investment	Unpaid Principal Balance	Related Allowance
	(In thousands)		
Loans with no related allowance recorded:			
Residential real estate	\$5,647	\$ 5,975	\$ -
Commercial real estate	6,091	6,099	-
Multifamily	2,306	2,246	-
Construction	29	13	-
Land and land development	-	-	-
Commercial business	235	235	-
Consumer	361	357	-
	\$ 14,669	\$ 14,925	\$ -
Loans with an allowance recorded:			
Residential real estate	\$59	\$ 55	\$ 30
Commercial real estate	-	-	-
Multifamily	-	-	-
Construction	-	-	-
Land and land development	-	-	-
Commercial business	-	-	-
Consumer	95	95	6
	\$ 154	\$ 150	\$ 36
Total:			
Residential real estate	\$5,706	\$ 6,030	\$ 30
Commercial real estate	6,091	6,099	-
Multifamily	2,306	2,246	-
Construction	29	13	-
Land and land development	-	-	-
Commercial business	235	235	-
Consumer	456	452	6

\$14,823 \$15,075 \$ 36

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(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 at March 31, 2014:

	Nonaccrual Loans	Loans 90+ Days Past Due Still Accruing	Total Nonperforming Loans
(In thousands)			
Residential real estate	\$2,595	\$ 947	\$ 3,542
Commercial real estate	1,060	18	1,078
Multifamily	-	-	-
Construction	-	-	-
Land and land development	-	-	-
Commercial business	247	40	287
Consumer	226	23	249
Total	\$4,128	\$ 1,028	\$ 5,156

The following table presents the recorded investment in nonperforming loans at September 30, 2013:

	Nonaccrual Loans	Loans 90+ Days Past Due Still Accruing	Total Nonperforming Loans
(In thousands)			
Residential real estate	\$3,519	\$ 143	\$ 3,662
Commercial real estate	4,817	-	4,817
Multifamily	-	-	-
Construction	29	-	29
Land and land development	-	-	-
Commercial business	218	-	218
Consumer	310	21	331

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Total	\$8,893	\$ 164	\$ 9,057
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FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(Unaudited)

The following table presents the aging of the recorded investment in past due loans at March 31, 2014:

	30-59 Days Past Due (In thousands)	60-89 Days Past Due	90 + Days Past Due	Total Past Due	Current	Total Loans
Residential real estate	\$4,864	\$ 199	\$ 2,342	\$ 7,405	\$174,354	\$181,759
Commercial real estate	456	198	78	732	142,640	143,372
Multifamily	-	-	-	-	28,161	28,161
Construction	-	-	-	-	13,387	13,387
Land and land development	-	-	-	-	12,274	12,274
Commercial business	112	-	287	399	31,221	31,620
Consumer	275	59	108	442	24,847	25,289
Total	\$5,707	\$ 456	\$ 2,815	\$ 8,978	\$426,884	\$435,862

The following table presents the aging of the recorded investment in past due loans at September 30, 2013:

	30-59 Days Past Due (In thousands)	60-89 Days Past Due	90 + Days Past Due	Total Past Due	Current	Total Loans
Residential real estate	\$2,981	\$ 1,333	\$ 2,466	\$ 6,780	\$178,625	\$185,405
Commercial real estate	295	211	667	1,173	116,756	117,929
Multifamily	35	-	-	35	26,743	26,778
Construction	-	-	-	-	14,863	14,863
Land and land development	9	-	-	9	11,420	11,429
Commercial business	-	14	234	248	31,460	31,708
Consumer	186	53	223	462	26,547	27,009
Total	\$3,506	\$ 1,611	\$ 3,590	\$ 8,707	\$406,414	\$415,121

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(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 is not warranted.

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(Unaudited)

Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered to be pass rated loans. As of March 31, 2014, and based on the most recent analysis performed, the recorded investment in loans by risk category was as follows:

	Residential Real Estate (In thousands)	Commercial Real Estate	Multifamily	Construction	Land and Land Development	Commercial Business	Consumer	Total
Pass	\$170,535	\$131,282	\$28,161	\$13,387	\$12,122	\$30,955	\$24,707	\$411,149
Special Mention	4,555	5,979	-	-	40	135	246	10,955
Substandard	6,053	6,111	-	-	112	325	283	12,884
Doubtful	616	-	-	-	-	205	53	874
Loss	-	-	-	-	-	-	-	-
Total	\$181,759	\$143,372	\$28,161	\$13,387	\$12,274	\$31,620	\$25,289	\$435,862

As of September 30, 2013, the recorded investment in loans by risk category was as follows:

	Residential Real Estate (In thousands)	Commercial Real Estate	Multifamily	Construction	Land and Land Development	Commercial Business	Consumer	Total
Pass	\$173,350	\$109,311	\$26,778	\$14,863	\$11,283	\$30,920	\$26,272	\$392,777
Special Mention	4,519	2,104	-	-	146	373	114	7,256
Substandard	7,190	6,033	-	-	-	210	568	14,001
Doubtful	346	481	-	-	-	205	55	1,087
Loss	-	-	-	-	-	-	-	-
Total	\$185,405	\$117,929	\$26,778	\$14,863	\$11,429	\$31,708	\$27,009	\$415,121

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(Unaudited)

Modification of a loan is considered to be a troubled debt restructuring (“TDR”) if the debtor is experiencing financial difficulties and the Company grants a concession to the debtor that it would not otherwise consider. By granting the concession, the Company expects to obtain more cash or other value from the debtor, or to increase the probability of receipt, than would be expected by not granting the concession. The concession may include, but is not limited to, reduction of the stated interest rate of the loan, reduction of accrued interest, extension of the maturity date or reduction of the face amount or maturity amount of the debt. A concession will be granted when, as a result of the restructuring, the Company does not expect to collect all amounts due, including interest at the original stated rate. A concession may also be granted if the debtor is not able to access funds elsewhere at a market rate for debt with similar risk characteristics as the restructured debt. The Company’s determination of whether a loan modification is a TDR considers the individual facts and circumstances surrounding each modification.

Loans modified in a TDR may be retained on accrual status if the borrower has maintained a period of performance in which the borrower’s lending relationship was not greater than ninety days delinquent at the time of restructuring and the Company determines the future collection of principal and interest is reasonably assured. Loans modified in a TDR that are placed on nonaccrual status at the time of restructuring will continue 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 at March 31, 2014 and September 30, 2013. There was no specific reserve included in the allowance for loan losses related to TDRs at March 31, 2014 and September 30, 2013.

	Accruing	Nonaccrual	Total
	(In thousands)		
March 31, 2014:			
Residential real estate	\$2,771	\$ 235	\$3,006
Commercial real estate	4,749	714	5,463
Multifamily	2,280	-	2,280
Commercial business	15	13	28
Consumer	140	-	140
Total	\$9,955	\$ 962	\$10,917

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September 30, 2013:

Residential real estate	\$2,187	\$ 777	\$2,964
Commercial real estate	1,274	4,029	5,303
Multifamily	2,306	-	2,306
Commercial business	17	13	30
Consumer	146	-	146
Total	\$5,930	\$ 4,819	\$10,749

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FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(Unaudited)

The following table summarizes information in regard to TDRs that were restructured during the three- and six-month periods ended March 31, 2014 and 2013:

	Pre- Modification Principal Balance (In thousands)	Post- Modification Principal Balance
March 31, 2014:		
Three Months Ended March 31, 2014:		
Residential real estate	1 \$ 42	\$ 42
Total	1 \$ 42	\$ 42
Six Months Ended March 31, 2014:		
Residential real estate	3 \$ 139	\$ 159
Commercial real estate	1 716	724
Total	4 \$ 855	\$ 883
March 31, 2013:		
Three Months Ended March 31, 2013:		
Residential real estate	1 \$ 127	\$ 127
Commercial business	1 18	20
Consumer	1 5	5
Total	3 \$ 150	\$ 152
Six Months Ended March 31, 2013:		
Residential real estate	2 \$ 143	\$ 143
Commercial business	1 18	20
Consumer	1 5	5
Total	4 \$ 166	\$ 168

For the TDRs listed above, the terms of modification included reduction of the stated interest rate and extension of the maturity date where the debtor was unable to access funds elsewhere at a market interest rate for debt with similar risk

characteristics.

The Company had not committed to lend any additional amounts as of March 31, 2014 and September 30, 2013 to customers with outstanding loans classified as TDRs at such dates.

During the six-month period ended March 31, 2014, the Company had two TDRs totaling \$489,000 that were modified within the previous twelve months and for which there was a payment default (defined as more than 90 days past due or in the process of foreclosure). As of March 31, 2014, both loans were over 90 days past due and still accruing interest. During the six-month period ended March 31, 2013, the Company had two TDRs totaling \$143,000 that were modified within the previous twelve months and for which there was a payment default. These loans were on nonaccrual status as of March 31, 2013.

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FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(Unaudited)

4. Real Estate Development and Construction

The Company is developing a parcel of land in New Albany, Indiana for retail purposes through the Bank's subsidiary, FFCC. The total cost of the development is expected to be approximately \$7.7 million, including the \$7.5 million paid as of March 31, 2014. The development costs were partially funded by a loan from another financial institution. The development is substantially completed, with only certain tenant improvements in a multi-tenant retail building to be completed for current and future lessees, and nine tenants have commenced occupancy as of March 31, 2014. The development plans provide for up thirteen tenants when fully occupied.

Development and construction period interest of \$20,000 and \$42,000 was capitalized as part of the real estate carrying value during the three and six months ended March 31, 2013, respectively.

Depreciation expense of \$47,000 and \$94,000 was recognized for real estate development and construction for the three- and six-month periods ended March 31, 2014, respectively. Depreciation expense of \$16,000 and \$28,000 was recognized for real estate development and construction for the three- and six-month periods ended March 31, 2013, respectively.

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(Unaudited)

5. Supplemental Disclosure for Earnings Per Share

When presented, basic earnings per share are computed by dividing income available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity. Earnings per share information is presented below for the three-month and six-month periods ended March 31, 2014 and 2013.

	Three Months Ended March 31, 2014		Six Months Ended March 31, 2014	
	2013		2013	
	(Dollars in thousands, except per share data)			
Basic:				
Earnings:				
Net income	\$1,536	\$1,170	\$2,564	\$2,186
Less: Preferred stock dividends declared	(43)	(43)	(86)	(86)
Net income available to common shareholders	\$1,493	\$1,127	\$2,478	\$2,100
Shares:				
Weighted average common shares outstanding	2,140,414	2,162,863	2,149,426	2,159,464
Net income per common share, basic	\$0.70	\$0.52	\$1.15	\$0.97
Diluted:				
Earnings:				
Net income	\$1,536	\$1,170	\$2,564	\$2,186
Less: Preferred stock dividends declared	(43)	(43)	(86)	(86)
Net income available to common shareholders	\$1,493	\$1,127	\$2,478	\$2,100
Shares:				
Weighted average common shares outstanding	2,140,414	2,162,863	2,149,426	2,159,464
Add: Dilutive effect of outstanding options	93,337	85,821	91,359	76,519
Add: Dilutive effect of restricted stock	15,210	19,356	14,214	17,259

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Weighted average common shares outstanding as adjusted	2,248,961	2,268,040	2,254,999	2,253,242
Net income per common share, diluted	\$0.66	\$0.50	\$1.10	\$0.93

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

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FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(Unaudited)

6. Supplemental Disclosures of Cash Flow Information

	Six Months Ended March 31, 2014 2013 (In thousands)	
Cash payments for:		
Interest	\$ 1,945	\$ 2,451
Taxes	620	185
Transfers from loans to foreclosed real estate	776	247
Proceeds from sales of foreclosed real estate financed through loans	496	655

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; quoted market prices for identical or similar assets or liabilities in markets that are not active; or inputs that are derived principally from or can be corroborated by observable market data by correlation or other means.

Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Level 3 Level assets and liabilities include financial instruments whose value is determined using discounted cash flow methodologies, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

A description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below. These valuation methodologies were applied to all of the Company's financial assets carried at fair value or the lower of cost or fair value. The table below presents the balances of financial assets measured at fair value on a recurring and nonrecurring basis as of March 31, 2014 and September 30, 2013. The Company had no liabilities measured at fair value as of March 31, 2014 or September 30, 2013.

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FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(Unaudited)

	Carrying Value			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
March 31, 2014:				
Assets Measured - Recurring Basis:				
Trading account securities	\$-	\$5,099	\$-	\$5,099
Securities available for sale:				
Agency bonds and notes	\$-	\$14,761	\$-	\$14,761
Agency mortgage-backed	-	50,695	-	50,695
Agency CMO	-	29,257	-	29,257
Privately-issued CMO	-	4,097	-	4,097
Privately-issued ABS	-	7,559	-	7,559
SBA certificates	-	1,853	-	1,853
Municipal	-	74,603	-	74,603
Equity securities	105	-	-	105
Total securities available for sale	\$105	\$182,825	\$-	\$182,930
Interest rate cap contract	\$-	\$6	\$-	\$6
Assets Measured - Nonrecurring Basis:				
Impaired loans:				
Residential real estate	\$-	\$-	\$5,336	\$5,336
Commercial real estate	-	-	5,809	5,809
Multifamily	-	-	2,280	2,280
Commercial business	-	-	262	262
Consumer	-	-	363	363
Total impaired loans	\$-	\$-	\$14,050	\$14,050
Loans held for sale	\$-	\$59	\$-	\$59
Other real estate owned, held for sale:				
Residential real estate	\$-	\$-	\$536	\$536
Commercial real estate	-	-	213	213
Land and land development	-	-	13	13
Total other real estate owned	\$-	\$-	\$762	\$762

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(Unaudited)

	Carrying Value			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
September 30, 2013:				
Assets Measured - Recurring Basis:				
Trading account securities	\$-	\$3,210	\$-	\$3,210
Securities available for sale:				
Agency bonds and notes	\$-	\$15,197	\$-	\$15,197
Agency mortgage-backed	-	41,714	-	41,714
Agency CMO	-	24,074	-	24,074
Privately-issued CMO	-	4,616	-	4,616
Privately-issued ABS	-	7,799	-	7,799
SBA certificates	-	2,093	-	2,093
Municipal	-	68,581	-	68,581
Equity securities	93	-	-	93
Total securities available for sale	\$93	\$164,074	\$-	\$164,167
Interest rate cap contract	\$-	\$11	\$-	\$11
Assets Measured - Nonrecurring Basis:				
Impaired loans:				
Residential real estate	\$-	\$-	\$5,676	\$5,676
Commercial real estate	-	-	6,091	6,091
Multifamily	-	-	2,306	2,306
Construction	-	-	29	29
Commercial business	-	-	235	235
Consumer	-	-	450	450
Total impaired loans	\$-	\$-	\$14,787	\$14,787
Loans held for sale	\$-	\$399	\$-	\$399
Other real estate owned, held for sale:				
Residential real estate	\$-	\$-	\$397	\$397
Commercial real estate	-	-	375	375
Multifamily	-	-	27	27
Total other real estate owned	\$-	\$-	\$799	\$799

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.

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(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. There were no changes in the valuation techniques and related inputs used for assets measured at fair value during the six-month period ended March 31, 2014.

Trading Account Securities and Securities Available for Sale. Securities classified as trading and 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 trading account securities are reported in noninterest income. 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 reviewed and evaluated on at least a quarterly basis for additional impairment and adjusted accordingly. The fair value of impaired loans is classified as Level 3 in the fair value hierarchy.

Impaired loans are measured at the present value of estimated future cash flows using the loan's effective interest rate or the fair value of the collateral if the loan is a collateral-dependent loan. 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. The appraisals are then discounted to reflect management's estimate of the fair value of the collateral given the current market conditions and the condition of the collateral. At March 31, 2014, the significant unobservable inputs used in the fair value measurement of impaired loans included a discount from appraised value ranging from 0.0% to 15.0% and estimated costs to sell the collateral ranging from 0.0% to 6.0%. During the six-month period ended March 31, 2014, the Company

recognized provisions for loan losses of \$2,000 for impaired loans. No provisions for loan losses were recognized for the three months ended March 31, 2014 for impaired loans. During the three- and six-month periods ended March 31, 2013, the Company recognized provisions for loan losses of \$390,000 and \$416,000, respectively, for impaired loans.

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(Unaudited)

Loans Held for Sale. Loans held for sale are carried at the lower of cost or market value. The portfolio is 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.

Other Real Estate Owned. Other real estate owned held for sale is reviewed and evaluated on at least a quarterly basis for additional impairment and adjusted accordingly. Fair value of other real estate owned is classified as Level 3 in the fair value hierarchy.

Other real estate owned is reported at fair value less estimated costs to dispose of the property. The fair values are determined by real estate appraisals which are then discounted to reflect management's estimate of the fair value of the property given current market conditions and the condition of the collateral. At March 31, 2014, the significant unobservable inputs used in the fair value measurement of other real estate owned included a discount from appraised value ranging from 0.0% to 15.0% and estimated costs to sell the property ranging from 0.0% to 6.0%. The Company recognized charges of \$65,000 and \$102,000 to write down foreclosed real estate to fair value for the three and six months ended March 31, 2014, respectively. The Company recognized charges of \$24,000 and \$71,000 to write down foreclosed real estate to fair value for the three and six months ended March 31, 2013, respectively.

Transfers Between Categories. There were no transfers into or out of Level 3 financial assets for the six-month periods ended March 31, 2014 and 2013. In addition, there were no transfers into or out of Levels 1 and 2 of the fair value hierarchy during the six-month periods ended March 31, 2014 and 2013.

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(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 carrying amounts and estimated fair values of the Company's financial instruments are as follows:

March 31, 2014:	Carrying Amount	Fair Value Measurements Using:		
		Level 1	Level 2	Level 3
		(In thousands)		
Financial assets:				
Cash and due from banks	\$8,746	\$8,746	\$-	\$-
Interest-bearing deposits with banks	11,125	11,125	-	-
Interest-bearing time deposits	1,500	-	1,490	-
Trading account securities	5,099	-	5,099	-
Securities available for sale	182,930	105	182,825	-
Securities held to maturity	5,824	-	6,089	-
Loans, net	428,553	-	-	429,355
Loans held for sale	59	-	59	-
Federal Home Loan Bank stock	5,675	-	5,675	-
Accrued interest receivable	2,506	-	2,506	-
Interest rate cap (included in other assets)	6	-	6	-
Financial liabilities:				
Deposits	523,890	-	-	526,984
Short-term repurchase agreements	1,336	-	1,336	-
Borrowings from Federal Home Loan Bank	85,744	-	86,984	-
Other long-term debt	4,896	-	4,896	-
Accrued interest payable	182	-	182	-
Advance payments by borrowers for taxes and insurance	654	-	654	-

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(Unaudited)

September 30, 2013:	Carrying Amount	Fair Value Measurements Using:		
		Level 1	Level 2	Level 3
		(In thousands)		
Financial assets:				
Cash and due from banks	\$9,607	\$9,607	\$ -	\$ -
Interest-bearing deposits with banks	11,208	11,208	-	-
Interest-bearing time deposits	1,500	-	1,475	-
Trading account securities	3,210	-	3,210	-
Securities available for sale	164,167	93	164,074	-
Securities held to maturity	6,417	-	6,514	-
Loans, net	408,375	-	-	413,629
Loans held for sale	399	-	399	-
Federal Home Loan Bank stock	5,500	-	5,500	-
Accrued interest receivable	2,391	-	2,391	-
Interest rate cap (included in other assets)	11	-	11	-
Financial liabilities:				
Deposits	477,726	-	-	477,094
Short-term repurchase agreements	1,335	-	1,335	-
Borrowings from Federal Home Loan Bank	89,348	-	87,932	-
Other long-term debt	4,973	-	4,973	-
Accrued interest payable	184	-	184	-
Advance payments by borrowers for taxes and insurance	707	-	707	-

The carrying amounts in the preceding tables 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:

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(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 and Interest-Bearing Time Deposits

For marketable equity securities, the fair values are based on quoted market prices. For debt securities and interest-bearing time deposits, 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, excluding loans held for sale, 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. Impaired loans are valued at the lower of their carrying value or fair value, as previously described. The carrying amount of accrued interest receivable approximates its fair value.

The fair value of loans held for sale is estimated based on specific prices of underlying contracts for sales to investors, as previously described.

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, repurchase agreements and other long-term debt. 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, FHLB line of credit borrowings and other debt, the carrying value is a reasonable estimate of fair value.

Derivative Financial Instruments

For derivative financial instruments, the fair values generally represent an estimate of the amount the Company would receive or pay upon termination of the agreement at the reporting date, taking into account the current interest rates, and exclusive of any accrued interest.

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

*(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 or by utilizing the dividends as additional debt service on the ESOP loan. Dividends payable on unallocated shares are not considered dividends for financial reporting purposes. Shares held by the ESOP trust are allocated to participant accounts based on the ratio of the current year principal and interest payments to the total of the current year and future years’ principal and interest to be paid on the employer loan. Compensation expense is recognized based on the average fair value of shares released for allocation to participant accounts during the year with a corresponding credit to stockholders’ equity. Compensation expense recognized for the three- and six-month periods ended March 31, 2014 amounted to \$93,000 and \$521,000, respectively. Compensation expense recognized for the three- and six-month periods ended March 31, 2013 amounted to \$84,000 and \$476,000, respectively. Company common stock held by the ESOP trust at March 31, 2014 and September 30, 2013 was as follows:

	March 31, 2014	September 30, 2013
Allocated shares	127,848	103,116
Unearned shares	61,763	86,495
Total ESOP shares	189,611	189,611
Fair value of unearned shares	\$ 1,450,000	\$ 1,946,000

9. Stock Based Compensation Plans

The Company’s 2010 Equity Incentive Plan (“Plan”), which the Company’s shareholders approved in February 2010, provides for the award of stock options, restricted shares and performance shares. The aggregate number of shares of the Company’s common stock available for issuance under the Plan may not exceed 355,885 shares. The Company may grant both non-statutory and statutory (i.e., incentive) stock options that may not have a term exceeding ten years. An award of a performance share is a grant of a right to receive shares of the Company’s common stock contingent upon the achievement of specific performance criteria or other objectives set at the grant date. Awards granted under the Plan may be granted either alone, in addition to, or in tandem with any other award granted under

the Plan. The terms of the Plan include a provision whereby all unearned options and shares become immediately exercisable and fully vested upon a change in control.

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FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(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 each of the three- and six-month periods ended March 31, 2014 and 2013 amounted to \$65,000 and \$130,000, respectively. A summary of the Company's nonvested restricted shares activity under the Plan as of March 31, 2014 and changes during the six-month period then ended is presented below.

	Number of Shares	Weighted Average Grant Date Fair Value
Nonvested at October 1, 2013	39,230	\$ 13.25
Granted	-	-
Vested	-	-
Forfeited	-	-
Nonvested at March 31, 2014	39,230	\$ 13.25

There were no restricted shares granted or vested during the six-month periods ended March 31, 2014 and 2013. At March 31, 2014, there was \$292,000 of total unrecognized compensation expense related to nonvested restricted shares. The compensation expense is expected to be recognized over the remaining vesting period of 1.13 years.

In May 2010, the Company awarded 177,549 incentive and 76,655 non-statutory stock options to directors, officers and key employees. The options granted vest ratably over five years and are exercisable in whole or in part for a period up to ten years from the date of the grant. Compensation expense is measured based on the fair market value of the options at the grant date and is recognized ratably over the period during which the shares are earned (the vesting period). The weighted average fair value at the grant date for options granted in 2010 was \$3.09, as determined at the date of grant using the Binomial option pricing model.

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(Unaudited)

A summary of stock option activity under the Plan as of March 31, 2014, and changes during the six-month period then ended is presented below.

	Number of Shares (Dollars in thousands, except per share data)	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding at October 1, 2013	245,232	\$ 13.25	6.6	\$ 2,268
Granted	-	-		
Exercised	-	-		
Forfeited or expired	-	-		
Outstanding at March 31, 2014	245,232	\$ 13.25	6.1	\$ 2,509
Exercisable at March 31, 2014	147,141	\$ 13.25	6.1	\$ 1,505

There were no stock options granted or exercised during the six-month periods ended March 31, 2014 and 2013. The Company recognized compensation expense related to stock options of \$38,000 and \$76,000 for each of three- and six-month periods ended March 31, 2014 and 2013, respectively. At March 31, 2014, there was \$170,000 of unrecognized compensation expense related to nonvested stock options, which will be recognized over the remaining vesting period of 1.13 years.

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(Unaudited)

10. Preferred Stock

On August 11, 2011, the Company entered into a Securities Purchase Agreement (“Purchase Agreement”) with the United States Department of the Treasury, pursuant to which the Company issued 17,120 shares of the its Senior Non-Cumulative Perpetual Preferred Stock, Series A (“Series A Preferred Stock”), having a liquidation amount per share equal to \$1,000, for a total purchase price of \$17,120,000. The Purchase Agreement was entered into, and the Series A Preferred Stock was issued, pursuant to the Small Business Lending Fund (“SBLF”) program, a \$30 billion fund established under the Small Business Jobs Act of 2010, that encourages lending to small businesses by providing Tier 1 capital to qualified community banks with assets of less than \$10 billion.

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 eleventh dividend period ended March 31, 2014 was 1.0% and the weighted average dividend rate for the six-month period ended March 31, 2014 was 1.0%. The dividend rate for the twelfth dividend period through the eighteenth dividend period will be 1.0%.

The Series A Preferred Stock is non-voting, except in limited circumstances. In the event that the Company fails to timely make five dividend payments, whether or not consecutive, the holder of the Series A Preferred Stock will have the right, but not the obligation, to appoint a representative as an observer on the Company’s board of directors.

The Series A Preferred Stock may be redeemed at any time at the Company's option, at a redemption price of one hundred percent (100%) of the liquidation amount plus accrued but unpaid dividends to the date of redemption for the current period, subject to the approval of its federal banking regulator.

The Series A Preferred Stock was issued in a private placement exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, as amended. The Company has agreed to register the Series A Preferred Stock under certain circumstances set forth in the Purchase Agreement. The Series A Preferred Stock is not subject to any contractual restrictions on transfer.

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(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 January 2014, the FASB issued ASU No. 2014-04, *Receivables – Troubled Debt Restructurings by Creditors (Subtopic 310-40), Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure*. The objective of the amendments in this update is to reduce diversity by clarifying when an in substance repossession or foreclosure occurs, that is, when a creditor should be considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan such that the loan receivable should be derecognized and the real estate property recognized. The amendments in the update clarify that an in substance repossession or foreclosure occurs, and a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, upon either (1) the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure, or (2) the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. Additionally, the amendments require interim and annual disclosure of both (1) the amount of foreclosed residential real estate property held by the creditor, and (2) the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure according to local requirements of the applicable jurisdiction. The amendments in the update are effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. The adoption of this update is not expected to have a material impact on the Company's consolidated financial position or results of operations.

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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; 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, 2013 under "Part II, Item 1A. Risk Factors." These factors should be considered in evaluating the forward-looking statements and undue reliance should not be placed on such statements. Except as required by applicable law or regulation, the Company assumes no obligation and disclaims any obligation to update any forward-looking statements.

Critical Accounting Policies

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

Comparison of Financial Condition at March 31, 2014 and September 30, 2013

Cash and Cash Equivalents. Cash and cash equivalents decreased \$944,000, from \$20.8 million at September 30, 2013 to \$19.9 million at March 31, 2014.

Loans. Net loans receivable increased \$20.2 million, from \$408.4 million at September 30, 2013 to \$428.6 million at March 31, 2014, primarily due to increases in commercial real estate and multi-family residential loans of \$25.5 million and \$1.4 million, respectively, which more than offset decreases in residential mortgage loans and consumer loans of \$3.6 million and \$1.7 million, respectively. The decreases in residential mortgage and consumer loans are primarily due to loan payoffs that have not been replaced by new originations, as the Company's primary lending focus continues to be the origination of commercial loans.

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Trading Account Securities. Trading account securities increased by \$1.9 million from \$3.2 million at September 30, 2013 to \$5.1 million at March 31, 2014 due primarily to purchases. Trading account securities are comprised of investment grade municipal bonds and the portfolio is managed by an investment advisory firm registered with the U.S. Securities and Exchange Commission.

Securities Available for Sale. Securities available for sale increased \$18.7 million from \$164.2 million at September 30, 2013 to \$182.9 million at March 31, 2014 due primarily to purchases of \$27.1 million, partially offset by maturities and calls of \$2.2 million, principal repayments of \$6.6 million and sales of \$303,000. The increase in securities available for sale, primarily in U.S. government agency and sponsored enterprises securities, including mortgage-backed securities and CMOs, and municipal bonds was primarily funded by deposit growth.

Securities Held to Maturity. Investment securities held-to-maturity decreased \$593,000 from \$6.4 million at September 30, 2013 to \$5.8 million at March 31, 2014 due primarily to principal repayments on mortgage-backed securities.

Cash Surrender Value of Life Insurance. Cash surrender value of life insurance increased \$5.3 million, from \$12.9 million at September 30, 2013 to \$18.2 million at March 31, 2014 primarily as the result of an investment in bank-owned life insurance of \$5.0 million in December 2013.

Deposits. Total deposits increased \$46.2 million from \$477.7 million at September 30, 2013 to \$523.9 million at March 31, 2014 primarily due to an increase in certificates of deposit, savings accounts, noninterest-bearing demand deposit accounts and interest-bearing demand deposit accounts of \$38.5 million, \$3.4 million, \$3.4 million and \$1.0 million, respectively, which more than offset a decrease in money market deposit accounts of \$220,000 during the period. The increase in certificates of deposit is due to an increase of \$47.5 million in brokered certificates of deposits, which more than offset decreases in various maturity classes of retail certificates of deposit. The decrease in retail certificates of deposits is primarily attributed to maturities that customers are investing in more liquid accounts given

the low interest rate environment. Management has increased the level of brokered certificates of deposit in order to take advantage of historically low interest rates, provide short-term liquidity, replace attrition of retail certificates of deposit, and provide funding for the loan portfolio growth, purchases of available for sale securities and the investment in additional bank-owned life insurance.

Borrowings. Borrowings from the FHLB decreased \$3.6 million from \$89.3 million at September 30, 2013 to \$85.7 million at March 31, 2014. The decrease in borrowings from the FHLB is due primarily to deposit growth, including the increase in brokered certificates of deposits.

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Stockholders' Equity. Stockholders' equity increased \$1.0 million from \$82.3 million at September 30, 2013 to \$83.3 million at March 31, 2014. Retained earnings increased \$2.0 million due to net income available to common shareholders of \$2.5 million, partially offset by common stock cash dividends of \$435,000. Other comprehensive income increased \$722,000 as a result of an increase in net unrealized gains on securities available for sale, which is due to changes in the yield curve and long-term rate forecasts. The Company also repurchased 106,074 shares of common stock on the open market for a total cost of \$2.5 million during the six-month period ended March 31, 2014. Book value (common shareholders' equity) per common share was \$30.18 at March 31, 2014 as compared to \$28.32 at September 30, 2013. Tangible book value (common shareholders' equity) per common share was \$25.70 at March 31, 2014 as compared to \$23.97 at September 30, 2013.

Results of Operations for the Six Months Ended March 31, 2014 and 2013

Overview. The Company reported net income of \$2.6 million and net income available to common shareholders of \$2.5 million, or \$1.10 per diluted share, for the six-month period ended March 31, 2014 compared to net income of \$2.2 million and net income available to common shareholders of \$2.1 million, or \$0.93 per diluted share, for the six-month period ended March 31, 2013. The annualized return on average assets, average equity and average common stockholders' equity were 0.75%, 6.15% and 7.74%, respectively, for the six-month period ended March 31, 2014.

Net Interest Income. Net interest income increased \$258,000, or 2.2%, for the six-month period ended March 31, 2014 compared to the same period in 2013. Average interest-earnings assets increased \$41.1 million and average interest-bearing liabilities increased \$36.6 million when comparing the two periods. The tax-equivalent interest rate spread was 3.89% for 2014 as compared to 4.05% for 2013.

Total interest income decreased \$37,000, or 0.3%, when comparing the two periods due primarily to a decrease in the average tax-equivalent yield on interest-earning assets from 4.88% for 2013 to 4.55% for 2014, which more than

offset the change in interest income due to an increase in the average balance of interest-earning assets of \$41.1 million from \$583.1 million for 2013 to \$624.2 million for 2014. The average balance of loans, investment securities and interest-bearing deposits with banks increased \$28.6 million, \$9.5 million and \$2.7 million, respectively, when comparing the two periods.

Total interest expense decreased \$295,000, or 14.0%, due primarily to a decrease in the average cost of interest-bearing liabilities from 0.83% for 2013 to 0.66% for 2014, which more than offset the change in interest expense due to an increase in the average balance of interest-bearing liabilities of \$36.6 million from \$509.3 million for 2013 to \$545.9 million for 2014. The average cost of interest-bearing liabilities decreased for 2014 primarily as a result of lower market interest rates as compared to 2013 and the repricing of certificates of deposit and borrowings at lower market interest rates as they matured. The average balance of borrowings increased \$30.2 million while the average balance of total deposits increased \$6.3 million when comparing the two periods.

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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 for the six-month periods ended March 31, 2014 and 2013. The yields and costs for the periods indicated are derived by dividing income or expense by the average balances of assets or liabilities, respectively, for the periods presented. Nonaccrual loans are included in average balances only. Loan fees are included in interest income on loans and are not material. Tax exempt income on loans and investment securities has been calculated on a tax equivalent basis using a federal marginal tax rate of 34%.

	Six Months Ended March 31, 2014				2013			
	Average Balance	Interest and Dividends	Yield/ Cost		Average Balance	Interest and Dividends	Yield/ Cost	
	(Dollars in thousands)							
Assets:								
Interest-bearing deposits with banks	\$11,992	\$ 17	0.28	%	\$9,247	\$ 11	0.24	%
Loans	424,883	10,524	4.95		396,260	10,815	5.46	
Investment securities	134,059	3,038	4.53		127,972	2,870	4.49	
Agency mortgage-backed securities	47,632	494	2.07		44,259	424	1.92	
Federal Home Loan Bank stock	5,629	128	4.55		5,400	103	3.81	
Total interest-earning assets	624,195	14,201	4.55		583,138	14,223	4.88	
Non-interest-earning assets	59,094				63,708			
Total assets	\$683,289				\$646,846			
Liabilities and equity:								
NOW accounts	\$116,248	\$ 122	0.21	%	\$105,111	\$ 195	0.37	%
Money market deposit accounts	71,818	120	0.33		66,256	154	0.46	
Savings accounts	68,776	21	0.06		64,280	39	0.12	
Time deposits	191,076	947	0.99		205,939	1,142	1.11	
Total interest-bearing deposits	447,918	1,210	0.54		441,586	1,530	0.69	

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Borrowings (1)	97,978	600	1.22	67,735	575	1.70
Total interest-bearing liabilities	545,896	1,810	0.66	509,321	2,105	0.83
Non-interest-bearing deposits	49,076			48,583		
Other non-interest-bearing liabilities	4,969			5,337		
Total liabilities	599,941			563,241		
Total equity	83,348			83,605		
Total liabilities and equity	\$683,289			\$646,846		
Net interest income		\$ 12,391			\$ 12,118	
Interest rate spread			3.89 %			4.05 %
Net interest margin			3.97 %			4.16 %
Average interest-earning assets to average interest-bearing liabilities			114.34 %			114.49 %

(1) Includes FHLB borrowings, repurchase agreements and other long-term debt.

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Rate/Volume Analysis. The following table sets forth the effects of changing rates and volumes on our net interest income for the six-month periods ended March 31, 2014 and 2013. The rate column shows the effects attributable to changes in rate (changes in rate multiplied by prior volume). The volume column shows the effects attributable to changes in volume (changes in volume multiplied by prior rate). The net column represents the sum of the prior columns. Changes attributable to changes in both rate and volume have been allocated proportionally based on the absolute dollar amounts of change in each.

	Six Months Ended March 31, 2014 Compared to Six Months Ended March 31, 2013 Increase (Decrease) Due to		
	Rate	Volume (In thousands)	Net
Interest income:			
Interest-bearing deposits with banks	\$ 2	\$ 4	\$ 6
Loans	(1,284)	993	(291)
Investment securities	26	142	168
Agency mortgage-backed securities	35	35	70
Other interest-earning assets	20	5	25
Total interest-earning assets	(1,201)	1,179	(22)
Interest expense:			
Deposits	(343)	23	(320)
Borrowings (1)	(43)	68	25
Total interest-bearing liabilities	(386)	91	(295)
Net increase (decrease) in net interest income	\$ (815)	\$ 1,088	\$ 273

(1) Includes FHLB borrowings, repurchase agreements and other long-term debt.

Provision for Loan Losses. The provision for loan losses was \$604,000 for the six-month period ended March 31, 2014 compared to \$1.0 million for the same period in 2013. The decrease in the provision for loans losses for 2014 as compared to the prior period was due primarily to decreases in net charge-offs and nonperforming loans when comparing the two periods.

The Company recognized net charge-offs of \$82,000 for the six-month period ended March 31, 2014 compared to net charge-offs of \$519,000 for the same period in 2013.

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The recorded investment in nonperforming loans was \$5.2 million at March 31, 2014 compared to \$9.1 million at September 30, 2013 and \$7.7 million at March 31, 2013. Nonperforming loans at March 31, 2014 include nonaccrual loans of \$4.1 million and loans totaling \$1.0 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 decrease in nonperforming loans from September 30, 2013 to March 31, 2014 is due primarily to a single commercial real estate loan with an outstanding balance of \$4.0 million that was reclassified from nonaccrual to accruing status as of December 31, 2013. This loan was current at March 31, 2014 and continues to perform according to the restructured terms.

Gross loans receivable increased \$35.8 million from \$404.8 million at March 31, 2013 to \$440.6 million at March 31, 2014, primarily due to an increase in commercial real estate loans of \$44.7 million, which more than offset a decrease in commercial business, consumer and residential permanent and construction loans of \$4.4 million, \$2.9 million and \$1.1 million, respectively. The increase in commercial real estate loans when comparing the two periods is due primarily to a commercial real estate lending program started in January 2013 that is focused on loans to high net worth individuals that are secured by low loan-to-value, single-tenant commercial properties that are leased to investment grade national-brand retailers. This program is designed to diversify the Company's geographic and credit risk profile given the geographic dispersion of the loans outside of the Company's primarily market area and collateral, and the investment grade credit of the national-brand lessees. The balance of this portfolio was \$24.8 million at March 31, 2014.

The allowance for loan losses was \$6.1 million at March 31, 2014 compared to \$5.5 million at September 30, 2013 and \$5.4 million at March 31, 2013. 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 increased \$561,000 for the six-month period ended March 31, 2014 as compared to the same period in 2013. The increase was due primarily to increases in other income, real estate lease

income and net gain on trading account securities of \$325,000, \$157,000 and \$131,000, respectively, which more than offset a decrease in the net gain on sales of loans of \$60,000. The increase in other income is due primarily to a litigation settlement of \$277,000 received as a partial recovery of losses on commercial bond investments recognized by Community First Bank in 2008. There were nine active tenants in the real estate development at March 31, 2014, described above in Note 4 of the Notes to Consolidated Financial Statements, compared to two active tenants at March 31, 2013.

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Noninterest Expense. Noninterest expenses increased \$589,000 for the six-month period ended March 31, 2014 as compared to the same period in 2013. The increase was due primarily to increases in compensation and benefits expense, occupancy and equipment expense, and professional fees of \$399,000, \$278,000 and \$145,000, respectively, which more than offset decreases in other operating expenses and advertising expense of \$136,000 and \$76,000, respectively. The increase in compensation and benefits expense is due primarily to normal salary, wages and benefits increases, and increased ESOP compensation expense. The increase in occupancy and equipment expense is due primarily to the Bank's new branch location in New Albany, Indiana, which opened in August 2013. The increase in professional fees expense is due primarily to \$201,000 for consulting services related to a revenue enhancement and operating expense efficiencies project undertaken by the Company in 2014. The decrease in other operating expenses is due primarily to \$214,000 in expenses during the 2013 period associated with the Company's debit card reward points program.

Income Tax Expense. The Company recognized income tax expense of \$1.0 million for the six-months ended March 31, 2014, for an effective tax rate of 29.0%, compared to income tax expense of \$797,000, for an effective tax rate of 26.7%, for the same period in 2013.

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Results of Operations for the Three Months Ended March 31, 2014 and 2013

Overview. The Company reported net income and net income available to common shareholders of \$1.5 million, or \$0.66 per diluted share, for the three-month period ended March 31, 2014 compared to net income of \$1.2 million and net income available to common shareholders of \$1.1 million, or \$0.50 per diluted share, for the three-month period ended March 31, 2013. The annualized return on average assets, average equity and average common stockholders' equity were 0.88%, 7.35% and 9.24%, respectively, for the three-month period ended March 31, 2014.

Net Interest Income. Net interest income increased \$111,000, or 1.9%, for the three-month period ended March 31, 2014 compared to the same period in 2013. Average interest-earning assets increased \$45.0 million and average interest-bearing liabilities increased \$42.8 million when comparing the two periods. The tax-equivalent interest rate spread was 3.91% for 2014 as compared to 4.12% for 2013.

Total interest income decreased \$11,000, or 0.2%, when comparing the two periods due primarily to a decrease in the average tax-equivalent yield on interest-earning assets from 4.90% for 2013 to 4.55% for 2014, which more than offset the change in interest income due to an increase in the average balance of interest-earning assets of \$45.0 million from \$590.6 million for 2013 to \$635.6 million for 2014. The average balance of loans, investment securities and interest-bearing deposits with banks increased \$32.3 million, \$11.2 million and \$1.2 million, respectively, when comparing the two periods.

Total interest expense decreased \$122,000, or 12.1%, due primarily to a decrease in the average cost of interest-bearing liabilities from 0.78% for 2013 to 0.64% for 2014, which more than offset the change in interest expense due to an increase in the average balance of interest-bearing liabilities of \$42.7 million from \$515.5 million for 2013 to \$558.3 million for 2014. The average cost of interest-bearing liabilities decreased for 2014 primarily as a result of lower market interest rates as compared to 2013 and the repricing of certificates of deposit and borrowings at lower market interest rates as they matured. The average balance of borrowings increased \$23.1 million while the

average balance of total deposits increased \$19.7 million when comparing the two periods.

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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 for the three-month periods ended March 31, 2014 and 2013. The yields and costs for the periods indicated are derived by dividing income or expense by the average balances of assets or liabilities, respectively, for the periods presented. Nonaccrual loans are included in average balances only. Loan fees are included in interest income on loans and are not material. Tax exempt income on loans and investment securities has been calculated on a tax equivalent basis using a federal marginal tax rate of 34%.

	Three Months Ended March 31, 2014			2013		
	Average Balance	Interest and Dividends	Yield/ Cost	Average Balance	Interest and Dividends	Yield/ Cost
	(Dollars in thousands)					
Assets:						
Interest-bearing deposits with banks	\$12,446	\$ 8	0.26 %	\$11,217	\$ 7	0.25 %
Loans	430,674	5,278	4.90	398,374	5,525	5.55
Investment securities	136,870	1,591	4.65	130,627	1,448	4.43
Agency mortgage-backed securities	49,968	274	2.19	44,971	205	1.82
Federal Home Loan Bank stock	5,675	78	5.50	5,400	47	3.48
Total interest-earning assets	635,633	7,229	4.55	590,589	7,232	4.90
Non-interest-earning assets	60,632			63,152		
Total assets	\$696,265			\$653,741		
Liabilities and equity:						
NOW accounts	\$115,800	\$ 58	0.20 %	\$108,435	\$ 97	0.36 %
Money market deposit accounts	71,751	59	0.33	68,017	76	0.45
Savings accounts	69,478	11	0.06	65,328	19	0.12
Time deposits	204,531	470	0.92	200,048	539	1.08
Total interest-bearing deposits	461,560	598	0.52	441,828	731	0.66

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Borrowings (1)	96,689	290	1.20	73,639	279	1.52
Total interest-bearing liabilities	558,249	888	0.64	515,467	1,010	0.78
Non-interest-bearing deposits	49,438			49,163		
Other non-interest-bearing liabilities	4,954			5,187		
Total liabilities	612,641			569,817		
Total equity	83,624			83,924		
Total liabilities and equity	\$696,265			\$653,741		
Net interest income		\$				