First Savings Financial Group Inc
Form 10-Q
May 15, 2013

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, 2013

OR

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

For the transition period from __________________ to __________________

Commission File No. 1-34155

First Savings Financial Group, Inc.

(Exact name of registrant as specified in its charter)

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

501 East Lewis & Clark Parkway, Indiana 47129

(Address of principal executive offices) (Zip Code)

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

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

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

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

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

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

Non-accelerated Filer ¨ Smaller Reporting Company x

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

The number of shares outstanding of the registrant's common stock as of April 30, 2013 was 2,317,815.

FIRST SAVINGS FINANCIAL GROUP, INC.

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PART I - FINANCIAL INFORMATION

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except share and per share data)	March 31, 2013	September 30, 2012
ASSETS		
Cash and due from banks	$ 14,145	$ 27,569
Interest-bearing deposits with banks	13,359	11,222
Total cash and cash equivalents	27,504	38,791
Trading account securities, at fair value	3,851	3,562
Securities available for sale, at fair value	170,555	152,543
Securities held to maturity	7,284	7,848
Loans held for sale	618	643
Loans, net	394,691	389,067
Federal Home Loan Bank stock, at cost	5,400	5,400
Real estate development and construction	6,728	4,538
Premises and equipment	11,139	10,907
Foreclosed real estate	674	1,481
Accrued interest receivable:		
Loans	1,327	1,358
Securities	1,143	1,054
Cash surrender value of life insurance	12,736	8,548
Goodwill	7,936	7,936
Core deposit intangibles	2,241	2,413
Other assets	2,328	2,824
Total Assets	$ 656,155	$ 638,913
LIABILITIES		
Deposits:		
Noninterest-bearing	$ 53,165	$ 50,502
Interest-bearing	442,090	443,732
Total deposits	495,255	494,234
Repurchase agreements	1,332	1,329
Borrowings from Federal Home Loan Bank	65,098	53,062

Other long-term debt	4,432	2,132
Accrued interest payable	208	236
Advance payments by borrowers for taxes and insurance	550	622
Accrued expenses and other liabilities	5,041	4,372
Total Liabilities	571,916	555,987
STOCKHOLDERS' EQUITY		
Preferred stock of $.01 par value per share Authorized 982,880 shares; none issued	-	-
Senior Non-Cumulative Perpetual Preferred Stock, Series A, $.01 par value; Authorized 17,120 shares; issued 17,120 shares; aggregate liquidation preference of $17,120	-	-
Common stock of $.01 par value per share Authorized 20,000,000 shares; issued 2,542,042 shares	25	25
Additional paid-in capital - preferred	17,120	17,120
Additional paid-in capital - common	25,220	24,901
Retained earnings - substantially restricted	40,908	39,917
Accumulated other comprehensive income	5,454	5,609
Unearned ESOP shares	(942)	(1,198)
Unearned stock compensation	(552)	(682)
Less treasury stock, at cost - 224,227 shares (212,361 shares at September 30, 2012)	(2,994)	(2,766)
Total Stockholders' Equity	84,239	82,926
Total Liabilities and Stockholders' Equity	$ 656,155	$ 638,913

See notes to consolidated financial statements.

PART I - FINANCIAL INFORMATION

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	Three Months Ended March 31,		Six Months Ended March 31,	
(In thousands, except share and per share data)	2013	2012	2013	2012
INTEREST INCOME				
Loans, including fees	$5,498	$4,961	$10,759	$10,134
Securities:				
Taxable	1,053	921	2,099	1,802
Tax-exempt	396	273	789	545
Dividend income	47	42	103	72
Interest-bearing deposits with banks	7	2	11	6
Total interest income	7,001	6,199	13,761	12,559
INTEREST EXPENSE				
Deposits	731	856	1,530	1,767
Repurchase agreements	1	2	3	62
Borrowings from Federal Home Loan Bank	265	265	559	536
Loans payable	13	-	13	-
Total interest expense	1,010	1,123	2,105	2,365
Net interest income	5,991	5,076	11,656	10,194
Provision for loan losses	550	270	1,002	589
Net interest income after provision for loan losses	5,441	4,806	10,654	9,605
NONINTEREST INCOME				
Service charges on deposit accounts	279	274	617	575
Net gain on sales of available for sale securities	-	-	1	-
Net gain on trading account securities	129	-	231	-
Unrealized loss on derivative contract	(1)	(12)	(1)	(20)
Net gain on sales of loans	72	39	179	73
Increase in cash surrender value of life insurance	113	72	191	149
Commission income	70	76	148	135
Real estate lease income	59	-	104	-
Other income	204	205	455	414
Total noninterest income	925	654	1,925	1,326

NONINTEREST EXPENSE

Compensation and benefits	2,494	2,183	5,310	4,267
Occupancy and equipment	512	437	997	935
Data processing	315	321	625	622
Advertising	111	80	216	359
Professional fees	257	228	487	410
FDIC insurance premiums	119	98	233	183
Net loss on foreclosed real estate	31	83	97	110
Other operating expenses	938	702	1,631	1,481
Total noninterest expense	4,777	4,132	9,596	8,367
Income before income taxes	1,589	1,328	2,983	2,564
Income tax expense	419	364	797	690
Net Income	$1,170	$964	$2,186	$1,874
Preferred stock dividends declared	43	43	86	85
Net Income Available to Common Shareholders	$1,127	$921	$2,100	$1,789
Net income per common share:				
Basic	$0.52	$0.43	$0.97	$0.83
Diluted	$0.50	$0.41	$0.93	$0.81
Weighted average common shares outstanding:				
Basic	2,162,863	2,156,730	2,159,464	2,155,539
Diluted	2,268,040	2,222,587	2,253,242	2,217,077
Dividends per common share	$0.10	$-	$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)

	Three Months Ended March 31,		Six Months Ended March 31,	
(In thousands)	2013	2012	2013	2012
Net Income	$ 1,170	$ 964	$ 2,186	$ 1,874
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX				
Unrealized gains on securities available for sale:				
Unrealized holding gains (losses) arising during the period	(521)	1,055	(234)	534
Income tax expense (benefit)	177	(418)	79	(211)
Net of tax amount	(344)	637	(155)	323
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)	(344)	637	(155)	323
Comprehensive Income	$ 826	$ 1,601	$ 2,031	$ 2,197

See notes to consolidated financial statements.

PART I - FINANCIAL INFORMATION

FIRST SAVINGS FINANCIAL GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(Unaudited)

					Accumulated	Unearned
Sandra A. Frankhouse(3)	100,000	10.9%	$ 0.81	November 1, 2009	$ 22,379	$ 49,451
Miles A. McIntosh(4)	100,000	10.9%	$ 0.81	November 1, 2009	$ 22,379	$ 49,451

(1) Based on an aggregate of 917,500 options to purchase common shares that we granted to employees in 2004. The options granted were granted under our 2000 Performance Plan.

(2) The potential realizable value represents amounts, net of exercise price before taxes that may be realized upon exercise of the options immediately prior to the expiration of their terms assuming appreciation of 5% and 10% over the option term. Assuming 5% and 10% annual appreciation, these values are calculated based on rules promulgated by the Securities and Exchange Commission and do not reflect our estimate of future stock price growth. The actual value realized may be greater or less than the potential realizable value set forth in the table.

(3) The options granted to Ms. Frankhouse have a term of five years and vest 40% upon the first anniversary of the grant date, another 30% upon the second anniversary of the date of grant and 30% upon the third anniversary of the date of grant.

(4) The options granted to Mr. McIntosh have a term of five years and vest 40% upon the first anniversary of the grant date, another 30% upon the second anniversary of the grant date, and 30% upon the third anniversary of the grant date.

2004 Option Values

The following table shows the value realized upon exercise of options during 2004 and the number and value of unexercised options held by each named executive officer at December 31, 2004.

	Number of Shares Acquired on Exercise(#)	Value Realized ($)	Number of Securities Underlying Unexercised Options at FY-End(#)		Value of Unexercised In-the-Money Options at FY-End($)(1)(2)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
James L. Green			251,894	250	$ 127,500	
Sandra A. Frankhouse			54,894	100,250	$ 25,500	$ 36,000
Miles A. McIntosh			204,063	100,187	$ 102,000	$ 36,000

(1) Options are in-the-money if closing price of our common shares on December 31, 2004 is greater than the per share option exercise price.

(2) Represents the total gain that would be realized if all in-the-money options held at December 31, 2004 were exercised, determined by multiplying the number of shares underlying the options by the difference between the per share option exercise price and the last sales price of the common shares of $1.17 on the NASDAQ SmallCap Market on December 31, 2004.

Equity Compensation Plan Information

The following table sets forth information concerning common shares authorized or available for issuance under our equity compensation plans as of the December 31, 2004.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
	(a)	(b)	(c)
Equity compensation plans approved by shareholders	2,037,487	$ 2.24	4,911,200(1)
Equity compensation plans not approved by shareholders	0		0
Total	2,037,487	$ 2.24	4,911,200

(1) Includes 2,873,713 shares that remain available for purchase under our 2000 Employee Stock Purchase Plan.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Our director, E. Richard Hottenroth, is a partner in a law firm that provides services to us. See   Compensation Committee Interlocks and Insider Participation.

We have a policy that all transactions between us and our officers, directors and affiliates must be on terms no less favorable to us than those that could be obtained from unrelated third parties and must be approved by a majority of disinterested members of our Board of Directors.

COMPENSATION/NOMINATING COMMITTEE REPORT ON EXECUTIVE COMPENSATION

The following Report on Executive Compensation and the Performance Graph included below does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other Company filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent the Company specifically incorporates this Report by reference therein.

General

The following report of the Compensation/Nominating Committee describes the philosophy, objectives and components of our executive compensation program for 2004 and discusses the determinations concerning the compensation for our President and Chief Executive Officer for 2004.

With the exception of E. Richard Hottenroth, the Compensation/Nominating Committee is comprised solely of non-employee directors for purposes of Section 16(a) of the Securities and Exchange Act of 1934. Mr. Hottenroth is not considered a non-employee director under Section 16(a) of the Securities Exchange Act of 1934 because he is an attorney whose firm provides services to us. Accordingly, Mr. Hottenroth has abstained from voting when the Compensation/Nominating Committee has considered approving stock option grants in order that such grants be exempt from the short-swing profit recapture provisions of Section 16(b) of the Securities Exchange Act of 1934.

The Compensation/Nominating Committee reviews and makes decisions regarding our compensation policies, and the amounts and forms of compensation to be provided to our executive officers and other employees, which generally include annual salaries and bonuses, equity awards and other incentive compensation arrangements. As part of the foregoing, the Compensation/Nominating Committee approves management recommendation for stock option grants under our 2000 Performance Plan. The Compensation/Nominating Committee periodically reviews the job performance of our President and Chief Executive Officer.

Compensation Philosophy

Our executive compensation program has been designed to attract and retain exceptional executives who seek a long-term association with us and who enjoy the challenge of pay for performance. The basic program consists of two cash compensation components: base salary and a performance-based annual bonus. A third component, ownership-linked stock options, is used for executive retention, to attract new key people, to recognize accomplishments under individually tailored business growth programs and to align the long-term interests of eligible executives with those of the shareholders.

Base Salary

Base salary for our President and Chief Executive Officer is set annually taking into consideration our sales and profit growth, overall job performance and pay levels for chief executive officers of corporations of similar size. The Compensation/Nominating Committee utilizes, as a reference, up-to-date information on compensation practices of other companies from several independent sources. Base salary is then set so as to represent no more than 60% of total attainable compensation, the balance of which is fully contingent upon the achievement of both qualitative and quantitative levels of performance and shareholder return. James L. Green, a director and our former President and Chief Executive Officer agreed to serve again as President and Chief Executive Officer in April 2003. Mr. Green agreed to a base salary of $120,000 and was granted options to purchase 250,000 of our common shares upon his return. Mr. Green s base salary was adjusted to the original approved salary of $250,000 as of November 1, 2004. Mr. Green s base salary is considered to be at approximately the median base compensation level paid to chief executive officers of corporations of similar size and complexity to us.

Stock Bonus Program/Annual Cash Incentives

From time to time the Board of Directors has issued bonuses to employees in the form of cash and/or common shares. The Board of Directors did not authorize a bonus payment plan during fiscal 2004. Therefore, the Company did not pay any bonuses to named executive officers in 2004.

Stock Options

The third compensation component is an ownership-linked stock option program, which provides long-term incentives to our executives that are aligned with the interests of our shareholders. Stock options, granted at market price, typically vest annually in 25% increments over four years or 40% after the first year and 30% for second and third years. A longer-term perspective is established by the sequential vesting of options. The program is designed to encourage senior executives to be long-term shareholders and to have owner concern and care of the company as a whole. The intent of the option program is to provide an executive with the opportunity for financial gain which is larger than the cumulative annual bonuses, but which takes much longer to achieve and requires meaningful long-term growth in the market price of our common shares for the gain to be realized.

The size and frequency of option grants are based on level of responsibility, performance of the company as a whole and the executive s personal performance. Annually, both financial and non-financial specific goals are set aimed at building future marketplace strengths and achieving corporate success factors. Other option grants may be made based upon management s specific recommendations, and review and approval by the Compensation/Nominating Committee. Grants are made from a Compensation/Nominating Committee defined pool of shares.

Section 162(m)

Section 162(m) of the Internal Revenue Code generally limits our ability to deduct compensation expense in excess of $1 million paid to any our executive officers named in the Summary Compensation Table contained in this proxy statement. The Nominating/Compensation Committee s policy with respect to Section 162(m) is to make every reasonable effort to ensure that compensation is deductible to the extent permitted, while simultaneously providing our executives with appropriate rewards for their performance. Towards this end, our 2000 Performance Plan has been drafted in a manner that will qualify stock options and performance-related compensation not subject to the cap on deductibility imposed by Section 162(m). We do not believe that the 162(m) limitations will impact the Company because the current level of compensation for each of PECO II s executive officers is well below the $1 million salary limitation.

COMPENSATION/NOMINATING COMMITTEE

E. RICHARD HOTTENROTH, CHAIRMAN

GEORGE J. DALLAS

LUCILLE GARBER FORD

R. LOUIS SCHNEEBERGER

THOMAS R. THOMSEN

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PERFORMANCE GRAPH

The line graph below compares the cumulative total shareholders return on our common shares between August 18, 2000 (the date of our initial public offering) and December 31, 2004 with the cumulative total return of the NASDAQ Stock Market (U.S. Companies) Index and the Russell 2000 Index during such period. The graph assumes that the value of the investment in our common shares and each index was $100 on August 18, 2000, and that all dividends, if any, were reinvested. At this time, we do not believe we can reasonably identify an industry peer group, and therefore we instead selected the Russell 2000 Index, which includes companies with similar market capitalization to that of our own market capitalization, as a comparative index for purposes of complying with certain requirements of the Securities and Exchange Commission.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires our executive officers and directors and persons who own 10% or more of a registered class of our equity securities, to file reports of ownership and changes in ownership on Forms 3, 4 and 5 with the SEC. Executive officers, directors and 10% or greater shareholders are required by SEC regulations to furnish us with copies of all Forms 3, 4 and 5 they file.

Based solely on our review of the copies of such forms we have received, we believe that all of our executive officers and directors complied with all filing requirements applicable to them.

SHAREHOLDER PROPOSALS

Any shareholder proposal to be considered by us for inclusion in the proxy statement and form of proxy for the 2006 annual meeting, expected to be held in April 2006, must be received by our Secretary at our corporate headquarters, 1376 State Route 598, Galion, Ohio 44833, no later than January 2, 2006.

Shareholder proposals not intended to be included in the proxy statement and form of proxy for the 2006 annual meeting, as well as proposed shareholder nominations for the election of directors at the 2006 annual meeting must each comply with advance notice procedures set forth in our amended and restated code of regulations to be properly brought before the 2006 annual meeting. In general, written notice of a shareholder proposal or a director nomination not to be included in the proxy statement and form of proxy must be delivered to our Secretary not less than 60 days nor more than 90 days prior to the first anniversary of the date on which the company first mailed our proxy materials for the prior year s annual meeting. With regard to the 2006 Annual Meeting of Shareholders, written notice must be received by our Secretary at the address above between February 1, 2006 and March 3, 2006. If we do not receive the notice between these dates, the notice will be considered untimely.

In addition to timing requirements, the advance notice provisions of our amended and restated code of regulations contain informational content requirements that also must be met. A copy of our amended and restated code of regulations may be obtained by writing to our Secretary at the address below.

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OTHER MATTERS

Our Board of Directors is not aware of any matter to come before the meeting other than those mentioned in the accompanying notice. If other matters shall properly come before the meeting, however, it is the intention of the persons named in the accompanying proxy to vote in accordance with their best judgment on such matters.

Upon the receipt of a written request from any shareholder entitled to vote at the forthcoming annual meeting, we will mail, at no charge to the shareholder, a copy of our Annual Report on Form 10-K, including the financial statements and schedules required to be filed with the SEC pursuant to Rule 13a-1 under the Securities Exchange Act of 1934 for our most recent fiscal year. Requests from beneficial owners of our voting securities must set forth a good-faith representation that as of the record date for the annual meeting, the person making the request was the beneficial owner of securities entitled to vote at such annual meeting. Written requests for the Annual Report on Form 10-K should be directed to:

Sandra A. Frankhouse

Chief Financial Officer/Treasurer/Secretary

PECO II, Inc.

1376 State Route 598

Galion, Ohio 44833

You are urged to sign and return your proxy promptly in order to make certain your shares will be voted at the annual meeting. For your convenience a return envelope is enclosed requiring no additional postage if mailed in the United States.

By Order of the Board of Directors,

SANDRA A. FRANKHOUSE

Chief Financial Officer/Treasurer/Secretary

May 2, 2005

ê Please fold and detach card at perforation before mailing. ê

PECO II, INC. **PROXY**

The Board of Directors recommends you vote FOR the Director nominees listed below. If no direction is given, said shares will be voted FOR the election of the Directors nominated by the Board of Directors.

1. ELECTION OF DIRECTORS.

¨ **FOR** all nominees listed below *(except as marked to the contrary below)*

¨ **WITHHOLD** Authority *to vote for all nominees listed below*

(To withhold authority to vote for a nominee, draw a line through the nominee s name)

Lucille Garber Ford E. Richard Hottenroth Thomas R. Thomsen

2. IN THEIR DISCRETION TO ACT ON ANY OTHER MATTER OR MATTERS WHICH MAY PROPERLY COME BEFORE THE ANNUAL MEETING OR ANY ADJOURNMENTS OR POSTPONEMENTS THEREOF.

¨ Check box if you plan to attend the meeting.

(Continued, and to be signed and dated on reverse side)

c/o National City Bank

Corporate Trust Operations

Locator 5352

P. O. Box 92301

Cleveland, OH 44101-4301

YOUR VOTE IS IMPORTANT

Regardless of whether you plan to attend the Annual Meeting of

Shareholders, you can be sure your shares are represented at the

meeting by promptly returning your proxy in the enclosed envelope**.**

ê Please fold and detach card at perforation before mailing. ê

PECO II, INC.
ANNUAL MEETING OF SHAREHOLDERS JUNE 9, 2005

This proxy is solicited on behalf of the Board of Directors

The undersigned hereby (i) appoints E. Richard Hottenroth and Dr. Lucille G. Ford and each of them, as proxy holders and attorneys, with full power of substitution, to appear and vote all of the Common Shares of PECO II, Inc., which the undersigned shall be entitled to vote at the Annual Meeting of Shareholders of the Company, to be held at St. Joseph s Activity Center, 135 North Liberty Street, Galion, Ohio, on June 9, 2005, at 9:00 a.m., local time, and at any adjournments or postponements thereof, hereby revoking any and all proxies heretofore given, and (ii) authorizes and directs said proxy holders to vote all of the Common Shares of the Company represented by this proxy as indicated on the reverse side.

Dated: , 2005

Signature

Signature
Your signature to this proxy should be exactly the same as the name imprinted hereon. Persons signing as executors, administrators, trustees or in similar capacities should so indicate. For joint accounts, the name of each

joint owner must be signed.