



# First Security Inc.

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Press Release

For Immediate Release

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## **First Security Inc. the bank holding company for First Security Bank, headquartered in Owensboro, Kentucky, announces record earnings and growth.**

First Security Inc. the bank holding company for First Security Bank, headquartered in Owensboro, Kentucky, with offices in Bowling Green and Franklin, KY and Evansville, IN announced today record earnings and growth for the third quarter.

Highlights for the quarter follow:

- **Assets** at quarter-end totaled \$333.5 million which is an **increase** of 104.8 million or **46%** over prior quarter end and an **increase** of \$131.6 million or **65%** over same period prior year.
- **Net Income** for the quarter was \$397,588, **up \$118,262 or 42%** over the same quarter in 2009. Net Income for year to date was \$1,014,864, **up \$417,737 or 70%** over year to date, prior period.
- **Return on assets**, year to date 2010 was .54% compared to .30% year to date in 2009, **an improvement of 24 points**. Return on equity was 7.65% compared to 3.32% year to date prior period, **an improvement of 433 points**.
- **Earnings per share** for the third quarter were **\$.57** versus \$.47 in the same quarter prior year. **Earnings per share, year to date were \$1.61** compared to \$1.00 year to date in 2009.
- **Net Interest Margin improved 70 basis points** on a year to date basis, from 2.97% in 2009 to 3.67% in 2010.
- **Non-Performing and delinquent loans** totaling **1.72%** for quarter end 2010, **improved 24 basis points** from the prior quarter of 1.96% and improved 20 basis points compared to the third quarter end in 2009 at 1.92%.
- **Dividends**-A dividend of **12.5 cents per share** payable to shareholders of record as of October 27<sup>th</sup>, 2010 was declared for the third quarter. This is the sixth consecutive year of increased dividends for the company.

- **Capital raise-** The Company completed a successful capital raise totaling **\$12 million dollars** originating from non-institutional accredited investors through the end of the third quarter, which was the original capital raise end date.
- **Loans increased 68%** on a comparable year to date basis, while **Deposits increased 62%** for the same period. These exceptional growth numbers are represented in part by the branch office acquisition completed in the third quarter.

M. Lynn Cooper, President and Chief Executive Officer, stated "We are pleased with the efforts of our management team to control costs and increase loans while maintaining minimal loan losses. At the same time we have integrated 5 new branches to our company and improved our performance in nearly every area of the bank, thus creating improved earnings and increased dividends for a greater return to our shareholders."

Significant factors influenced the company's performance for the current period and year to date comparisons. Some of those events included strategic expenses which are one-time non-recurring costs associated with the five branch office purchase in Western Kentucky. Additionally, a substantial portion of the securities portfolio was sold resulting in a gain; however that gain was more than offset by FHLB prepayment expense, which reduced the size of the company's balance sheet but also eliminated some high cost funding.

Due to increased demand for both the debenture and stock offerings, the holding company board has approved extending the capital raise. Technically, one capital raise must end and another begins. The terms of the convertible debenture, 10 years @ 7.00% with a five year call and an option to purchase stock at \$33.00 as well as the offered stock price of \$28.00 per share is the same as previously offered.

The performance of the five branch office acquisition in Bowling Green and Franklin, KY is as anticipated. A good cadre of people compliments well the work force in other locations in Owensboro, Kentucky and Evansville, Indiana.

Management remains steadfast in its commitment to maintain an adequate allowance for loan losses. While the Company has an allowance for loan losses to total loans of 0.84%, accounting standards limit the Company's ability to provide an allowance for loan losses for loans recently acquired. Instead, accounting standards require that the Company record the recently acquired loans at their fair market value. Thus, the Company has recorded a \$2.2 million discount on purchased loans. Allowance for loan losses coupled with the loan discount equals \$4.4 million, representing **1.64% of total loans**. The Company believes it has recorded an adequate allowance for loan losses and discount on purchased loans.

**FIRST SECURITY, INC**  
**Unaudited Consolidated Income Statement**

	<u>QTD</u> <u>Actual</u>	<u>QTD</u> <u>Actual</u>	<u>YTD</u> <u>Actual</u>	<u>YTD</u> <u>Actual</u>
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Total interest income	3,952,450	2,542,603	9,379,590	7,041,811
Total interest expense	1,030,993	1,036,006	3,015,245	3,029,066
<b>Net interest income</b>	<b>2,921,457</b>	<b>1,506,597</b>	<b>6,364,345</b>	<b>4,012,745</b>
Provision for loan losses	405,000	82,500	615,000	247,500
<b>Noninterest income:</b>				
Service charges on deposits	296,069	87,861	466,530	226,907
Net gains on sale of loans	170,216	106,174	340,020	149,227
Net gains on sale of securities	1,155,556	-	1,157,470	73,888
Other noninterest income	174,361	34,558	253,590	88,614
<b>Total noninterest income</b>	<b>1,796,202</b>	<b>228,593</b>	<b>2,217,610</b>	<b>538,636</b>
<b>Noninterest expenses:</b>				
Personnel expense	1,151,731	659,797	2,600,577	1,885,940
Occupancy and equipment expense	274,055	172,753	572,032	486,842
Strategic Expenses	413,806	-	620,734	-
FHLB Prepayment Penalty	1,170,591	-	1,170,591	-
Other noninterest expense	705,531	446,353	1,549,085	1,158,701
<b>Total noninterest expenses</b>	<b>3,715,714</b>	<b>1,278,903</b>	<b>6,513,019</b>	<b>3,531,483</b>
Income before tax expense	596,945	373,787	1,453,936	772,398
Income tax expense	199,357	94,461	439,072	175,271
<b>Net income</b>	<b>397,588</b>	<b>279,326</b>	<b>1,014,864</b>	<b>597,127</b>
Net income per share - basic	\$ 0.57	\$ 0.47	\$ 1.61	\$ 1.00
Net income per share - diluted	\$ 0.53	\$ 0.47	\$ 1.57	\$ 1.00
Average shares outstanding - basic	701,627	594,590	631,161	594,590
Average shares outstanding - diluted	911,326	594,590	705,114	594,590
<b>Performance ratios:</b>				
Return on average assets	0.51%	0.52%	0.54%	0.30%
Return on average equity	8.03%	6.45%	7.65%	3.32%
Net interest margin	4.23%	3.25%	3.67%	2.97%
Efficiency ratio	78.8%	73.3%	75.9%	77.6%

**FIRST SECURITY, INC**  
**Unaudited Consolidated Statement of Condition**

<b>ASSETS</b>	<b>Sept 2010</b>	<b>Dec 2009</b>
Cash & due from banks	15,218,902	14,182,309
Federal funds sold	3,729	8,696,000
Cash & cash equivalents	15,222,631	22,878,309
Securities available for sale	29,762,208	27,174,887
Securities held to maturity	2,051,185	2,580,359
Total securities	31,813,393	29,755,246
Loans	266,159,869	158,692,083
Less allowance for loan losses	(2,220,077)	(1,928,035)
Less Loan Discount	(2,135,598)	-
Net loans	261,804,194	156,764,048
Mortgages held for sale	4,602,689	2,532,087
Regulatory Stock	1,091,459	1,022,459
Property and equipment	9,224,921	2,135,222
Goodwill	4,346,458	-
Core Deposit	2,407,356	-
Other assets	2,978,947	2,170,648
<b>TOTAL ASSETS</b>	<b>333,492,048</b>	<b>217,258,019</b>

<b>LIABILITIES &amp; EQUITY</b>	<b>Sept 2010</b>	<b>Dec 2009</b>
Non interest bearing deposits	29,891,643	30,678,789
Interest-bearing deposits	233,451,588	132,260,158
Total deposits	263,343,231	162,938,947
Other borrowed funds	32,229,352	37,223,497
Other liabilities	1,556,898	817,241
Subordinated Note	8,587,000	-
Note Payable	7,730,260	-
<b>Total liabilities</b>	<b>313,446,741</b>	<b>200,979,685</b>
<b>Stockholders' equity</b>		
Common stock	9,592,083	7,983,597
Surplus	6,088,215	4,506,295
Undivided profits	3,981,818	3,194,653
Other comprehensive income	383,191	593,789
<b>Total stockholders' equity</b>	<b>20,045,307</b>	<b>16,278,334</b>
<b>TOTAL LIABILITIES &amp; EQY</b>	<b>333,492,048</b>	<b>217,258,019</b>
<b>Book value Per Share</b>	<b>\$ 28.06</b>	<b>\$ 27.38</b>