



First Security Inc.

Press Release

For: Immediate Release

Date: August 5, 2014

For further information contact:

M. Lynn Cooper, President and CEO, 270-663-4678 or LCooper@FirstSecurity.net or
Michael Beckwith, E.V.P. and Chief Financial Officer, 270-663-4668 or MBeckwith@FirstSecurity.net
313 South Frederica Street, Owensboro, KY 42301

First Security Bank Announces 2nd Quarter 2014 Results and Record First Six Months Earnings in addition to reaching milestone One-half Billion dollars in assets.

Owensboro, Kentucky- First Security Inc. (The holding company for First Security Bank, Inc.) announced today their performance for the second quarter of 2014. Earnings, Loans and Deposits continued its strong growth into the second quarter of the year with earnings up 67%, loans up 16%, and deposits up 6% compared to the second quarter of last year.

“We exceeded **one half billion dollars in assets** and set **record earnings** for the first six months of this year. Our loans increased over 16% compared to prior year, when many financial institutions are having difficulty maintaining their loan balances,” stated M. Lynn Cooper, President and CEO.

Highlights of the quarter include:

- **Asset size** - The bank holding company assets exceeded one half billion for the first time. A celebratory milestone in the history of the company.
- **Earnings** - Second quarter earnings were **up \$263,000 or 67%** as compared to the second quarter of 2013 and were **up \$252,000 or 63%** over the most recent prior quarter. This is the **second highest quarterly earnings in the company’s history** when comparing to historical core earnings excluding any gains on the sale of securities or other one-time events. On a year to date basis, the Company recorded net income of \$1.1 million during the first six months of 2014 as compared to \$549,000 during the same year to date period in 2013, a **92% increase**. This is the **highest first 6 months earnings on record for the company**.

- **Cash Dividend** - A dividend was declared in the amount of \$.16 per share, the company's 44th consecutive dividend. The dividend is payable to shareholders of record August 15, 2014.
- **Asset Quality** – Nonperforming assets to assets was 0.87% as of the end of the second quarter of 2014 compared to 1.27% as of the end of the second quarter of 2013, a **31% improvement** and better than many of its peers. During this same year over year period the allowance for loan losses has grown to 1.05% of loans, up over 8% from a year ago, recognition that along with the strong loan growth, adequate reserves are necessary when building a strong bank.
- **Expansion** – The Company is actively pursuing many opportunities to help further grow shareholder value. These opportunities may result in an expansion within the existing footprint or in the newer markets. The company also continues to look for ways to deliver more and better products and services to its client base.
- **Consolidation** - The company consolidated two facilities into one in the Bowling Green market and at the same time is considering a new branch facility in Bowling Green to potentially further consolidate smaller facilities.

Financial highlights below reflect second quarter results as compared to the first quarter of 2014 as well as financial results for the first six months of 2014 as compared to the first six months of 2013:

| | Compared to Prior Quarter | First Six Months Comparing Last Year |
|-----------------------------|----------------------------------|---|
| Loans | Up \$17 million or 5% | Up \$54 million or 16% |
| Deposits | Down \$2.3 million or 1% | Up \$23 million or 6% |
| Stockholders' Equity | Up \$800 thousand or 1% | Up \$30 million or 121% |
| Net Income | Up \$252 thousand or 63% | Up \$507 thousand or 92% |
| Non-Interest Income | Up \$252 thousand or 31% | Up \$161 thousand or 9% |
| Non-Interest Expense | Up \$71 thousand or 2% | Up \$224 thousand or 3% |
| Net Interest Income | Up \$218 thousand or 6% | Up \$964 thousand or 14% |

Other areas of note include improvement to net interest margin, return on assets, and non-interest income. See attached second quarter 2014 financial summary.

Earnings per share for the first six months of 2014 were \$0.68 per share as compared to \$0.70 per share for the same period in 2013. While this represents a slight decline, the new capital raised in the first quarter of 2014 significantly increased the outstanding shares.

The stock trading activity for First Security (symbol FIIT) can be accessed at www.otcmarkets.com.

FIRST SECURITY, INC.
Unaudited Consolidated Statement of Condition

| ASSETS | June 2014 | December 2013 | June 2013 |
|---|-----------------------|--------------------------|-----------------------|
| Cash & due from banks | \$ 11,586,645 | \$ 18,551,425 | \$ 13,982,597 |
| Federal funds sold | 69,000 | 68,000 | 80,302 |
| Cash & cash equivalents | \$ 11,655,645 | \$ 18,619,425 | \$ 14,062,899 |
| Securities available for sale | \$ 51,843,887 | \$ 52,428,298 | \$ 54,050,273 |
| Securities held to maturity | 10,072,809 | - | - |
| Total securities | \$ 61,916,696 | \$ 52,428,298 | \$ 54,050,273 |
| Loans | \$ 399,676,067 | \$ 375,687,097 | \$ 345,723,115 |
| Less allowance for loan losses | (4,195,545) | (3,608,139) | (3,356,837) |
| Less Loan Discount | (377,240) | (501,778) | (641,790) |
| Net loans | \$ 395,103,282 | \$ 371,577,181 | \$ 341,724,487 |
| Mortgages held for sale | \$ 2,575,629 | \$ 1,695,169 | \$ 5,797,826 |
| Regulatory stock | 1,591,029 | 1,557,040 | 1,215,540 |
| Property and equipment | 15,144,104 | 15,976,571 | 15,928,659 |
| Other real estate owned | 284,265 | 295,100 | 268,850 |
| Goodwill | 4,346,458 | 4,346,458 | 4,346,458 |
| Core deposit | 1,341,042 | 1,491,299 | 1,644,910 |
| Bank Owned Life Insurance | 6,508,029 | 6,406,749 | 6,297,209 |
| Other assets | 3,419,291 | 4,638,882 | 3,418,797 |
| TOTAL ASSETS | \$ 503,885,470 | \$ 479,032,171 | \$ 448,755,908 |
| LIABILITIES & EQUITY | | | |
| Non interest bearing deposits | \$ 51,255,030 | \$ 53,267,569 | \$ 42,714,412 |
| Interest-bearing deposits | 348,151,559 | 343,868,587 | 333,222,032 |
| Total deposits | 399,406,589 | 397,136,156 | 375,936,444 |
| Other borrowed funds | \$ 36,447,763 | \$ 35,954,453 | \$ 27,636,559 |
| Other liabilities | 4,276,119 | 4,714,247 | 3,630,114 |
| Subordinated note | 9,875,000 | 9,875,000 | 9,875,000 |
| Note payable | - | 7,086,060 | 7,389,572 |
| Total liabilities | \$ 450,005,471 | \$ 454,765,915 | \$ 424,467,689 |
| Non-voting common | \$ 11,565,727 | \$ - | \$ - |
| Common stock | 23,002,358 | 10,727,995 | 10,727,995 |
| Surplus | 11,842,558 | 7,344,458 | 7,344,458 |
| Undivided profits | 8,576,169 | 8,014,437 | 7,710,293 |
| Other comprehensive income | (1,106,813) | (1,820,634) | (1,494,528) |
| Total stockholders' equity | \$ 53,879,999 | \$ 24,266,256 | \$ 24,288,218 |
| TOTAL LIABILITIES & STOCKHOLDERS' EQUITY | \$ 503,885,470 | \$ 479,032,171 | \$ 448,755,908 |
| Book value Per Share* | \$ 24.05 | \$ 32.65 | \$ 32.27 |
| Tangible Book Value per Share | \$ 21.08 | \$ 23.07 | \$ 22.90 |

* Excludes the impact of other comprehensive income

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

| | June - Quarter to Date | | June - Year to Date | |
|---|------------------------|--------------------------|----------------------|--------------|
| | 2014 | 2013 | 2014 | 2013 |
| Total interest income | \$ 5,140,568 | \$ 4,718,826 | \$ 10,155,847 | \$ 9,294,934 |
| Total interest expense | 1,203,342 | 1,304,221 | 2,499,360 | 2,602,476 |
| Net interest income | \$ 3,937,226 | \$ 3,414,605 | \$ 7,656,487 | \$ 6,692,458 |
| Provision for loan losses | \$ 375,000 | \$ 330,000 | \$ 750,000 | \$ 655,000 |
| Noninterest income | | | | |
| Service charges on deposits | \$ 332,594 | \$ 214,521 | \$ 609,457 | \$ 436,140 |
| Net gains on sale of loans | 185,294 | 210,932 | 308,843 | 318,112 |
| Net gains on sale of securities | - | 244,617 | - | 244,753 |
| Net gain (loss) on sale of OREO | (23,382) | 15,973 | (23,382) | 15,973 |
| Net gains on sale of fixed assets | 92,520 | - | 92,520 | - |
| Bank Owned Life Insurance Income | 48,709 | 55,913 | 101,280 | 115,285 |
| Other noninterest income | 423,217 | 317,477 | 777,482 | 575,041 |
| Total noninterest income | \$ 1,058,953 | \$ 1,059,433 | \$ 1,866,200 | \$ 1,705,304 |
| Noninterest expenses | | | | |
| Personnel expense | \$ 2,087,463 | \$ 2,059,013 | \$ 4,179,853 | \$ 4,000,646 |
| Occupancy and equipment expense | 578,905 | 592,223 | 1,151,526 | 1,228,831 |
| Other noninterest expense | 1,004,641 | 984,707 | 1,939,124 | 1,816,353 |
| Total noninterest expenses | \$ 3,671,009 | \$ 3,635,943 | \$ 7,270,503 | \$ 7,045,830 |
| Income before tax expense | \$ 950,169 | \$ 508,095 | \$ 1,502,184 | \$ 696,932 |
| Income tax expense | 296,403 | 117,339 | 446,827 | 148,117 |
| Net income | \$ 653,766 | \$ 390,756 | \$ 1,055,357 | \$ 548,815 |
| Net income per share - basic | \$ 0.19 | \$ 0.49 | \$ 0.68 | \$ 0.70 |
| Net income per share - diluted | \$ 0.19 | \$ 0.46 | \$ 0.68 | \$ 0.70 |
| Average shares outstanding - basic | 2,286,202 | 792,895 | 1,554,894 | 780,527 |
| Average shares outstanding - diluted | 2,600,406 | 1,107,099 | 1,869,098 | 1,094,731 |
| Performance ratios | | | | |
| Return on average assets | 0.53% | 0.36% | 0.43% | 0.25% |
| Return on average equity | 4.82% | 6.22% | 5.17% | 4.44% |
| Net interest margin | 3.44% | 3.40% | 3.42% | 3.35% |
| Efficiency ratio | 73.5% | 81.3% | 76.4% | 83.9% |
| Asset Quality | June 30, 2014 | December 31, 2013 | June 30, 2013 | |
| Allowance for Loan Loss to Loans | 1.05% | 0.96% | 0.97% | |
| Non Performing Assets to Assets | 0.87% | 0.97% | 1.27% | |
| Non Performing Loans to Loans | 1.03% | 1.16% | 1.57% | |
| Allowance for Loan Loss to Non Performing Loans | 101.99% | 82.71% | 61.98% | |