



First Security Inc.

Press Release

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First Security Bank announces second quarter earnings

OWENSBORO, KENTUCKY – August 9, 2012 – First Security Inc. announced its earnings report. Net income for the second quarter of 2012 was \$597,000 as compared to \$572,000 in 2011, up 4%. For the first half of the year, net income was down slightly from the prior year-to-date comparison. Without the effects of the recently opened Lexington branch, net income for the first two quarters in 2012 would have been \$1.1 million, a 9% increase over the year ago period. Financial highlights for the quarter, as compared to one year ago, follow:

- **Assets** at quarter-end totaled \$395 million which is an **increase** of 7%
- **Loans and Deposits - Loans increased 5%** while **Deposits increased 16%**.
- **Stockholders' Equity** increased 10%
- **Book Value per Share** increased 9%
- **Tangible Book Value per Share** increased 16%

While the Bank is expected to continue to be profitable, earnings are expected to be less than 2011 for the remainder of the year as the Company completes a number of strategic initiatives, some of which will impact earnings.

Highlights for the quarter:

New bank branch in Newburgh, Indiana. The acquisition of this property will represent the bank's second office in the Evansville area. The bank is expected to open this office in September.

The acquisition of four branches in Louisville, Kentucky. Announced in May of this year, this acquisition includes some loans and deposits associated with these branches. Upon completion of the acquisition, First Security is projected to have total assets of approximately \$650 million, total loans of \$380 million

and total deposits of \$540 million. This pending acquisition, scheduled to close later in 2012, will be the Company's entry into the largest city in Kentucky and certainly compliments existing Kentucky and Indiana locations. Upon closing, First Security's market share will rank approximately 23rd in the state and is estimated to be the 16th largest bank in the state of Kentucky for those banks headquartered in Kentucky. While this acquisition is expected to have a positive impact on earnings upon closing, the Company will have expense related to preparing for and completing the acquisition.

After completion of the Louisville transaction and opening of the Newburgh office, First Security will have **14** banking centers located in the Kentucky communities of Bowling Green, Franklin, Lexington, Louisville, and Owensboro and Indiana communities of Evansville and Newburgh.

5 STAR Rating: For the seventh time in a row, the bank received a **5 Star Rating from Bauer Financial Services**, an independent bank rating firm, which is the highest rating any bank can achieve.

Credit Quality: First Security continued to perform better than its peer group with nonperforming loans to total loans at the end of the quarter at 1.16%, down from the 1st quarter of 2012 and year end 2011. The total amount set aside as reserves to cover losses within the Company's loan portfolio totals \$3.7 million, representing 1.30% of total loans.

M. Lynn Cooper, President and CEO stated, "First Security Bank has experienced significant expansion and growth this year which is a direct result of our strategy to grow the company while maintaining a solid level of profitability. We attribute that growth to a well-trained cadre of staff who delivers customer service beyond the customer's expectations."