First Security Inc.

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First Security Bank Announces 1st Quarter 2013 Net Income

OWENSBORO, KENTUCKY - First Security, Inc. (the Company, Bank or First Security) announced net income of $158,000 or $0.21 diluted earnings per share, down from the first quarter of 2012. The Company reported two main reasons for the decline in earnings, higher personnel and occupancy costs associated with three new banking centers opened in 2012 and a decline in the Bank's net interest margin.

"We expect 2013 financial results to continue to be impacted by our investment in new banking centers. During the 1st quarter of 2013 the Bank has grown both loans and deposits at our new and existing banking centers. This growth will add to the Bank's net interest income and help the Bank's results in coming quarters," stated M. Lynn Cooper, President and Chief Executive Officer.

Highlights of the 1st quarter of 2013 as compared to one year ago follow:

- ***Assets*** *at quarter end totaled $440 million which is an increase of* ***11%***
- ***Loans -*** *Loans increased* ***9%***
- ***Deposits -*** *Deposits increased* ***10%****.*
- ***Stockholders' Equity*** *increased* ***7%***
- ***Book Value per Share*** *increased* ***7%***
- ***Tangible Book Value per Share*** *increased* ***9%***
- ***Net Interest Margin-*** *Margin declined 43 basis points from 3.84% to 3.41%*
- ***Net Income*** *for the quarter was $158,000, down from $407,000*
- ***Diluted earnings per share*** *was $0.21 versus $0.50*
- ***Net interest income*** *declined slightly or 1%*
- ***Noninterest income*** *increased* ***21%***
- ***Noninterest expense*** *increased 16%*

While the strong growth in loans, deposits and noninterest income came from both new and existing banking centers, the increase in noninterest expense was primarily driven by the addition of the Lexington, Newburgh and downtown Evansville branch offices opened in 2012. "Another substantial impact to earnings was a 43 point decline in net interest margin, which has negatively impacted most banks nationwide. We plan to offset this decline in part with additional, high quality loans," reported Mr. Cooper.

A brief summary of information on these new locations is enclosed for your review.

"While not immune from credit losses, we have continued to perform better than our peer group with nonperforming assets to total assets at the end the quarter at 1.40%," commented Mr. Cooper. The total amount set aside as reserves to cover losses within the Company's loan portfolio totals $3.9 million, representing **1.24% of total loans**. The Company believes it has recorded an adequate reserve, in the form of an allowance for loan losses and a discount on purchased loans.

In closing, Mr. Cooper stated, "We remain steadfast in our commitment to build a franchise of which each stakeholder, shareholders, clients and employees, will reap the benefits for many years to come."