



# First Security Bank

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## News Release

For Immediate Release.

**Subject: First Security Announces 2<sup>nd</sup> Quarter Earnings and Purchase of a New Corporate Headquarters.**

**Date: August 17, 2010**

First Security Inc., the bank holding company for First Security Bank of Owensboro, Inc., announced their 2<sup>nd</sup> quarter earnings report.

- **Net income** for the **2<sup>nd</sup> Quarter** of 2010 was \$317,857 compared to \$189,539 for the same period in 2009, a **67.7% increase**. Earnings per share rose from \$0.32 in the prior year period to \$0.53 in the 2<sup>nd</sup> quarter. ROA was .57% compared to .42%, an increase of 15 points. ROE was 7.42% compared to 4.89%, an increase of 253 points.
- **Net Income** for the first **6 months** of 2010 was \$617,276 compared to \$317,801 for the same period in 2009, a **94.2% increase**. Earnings per share rose from \$0.53 in the prior year to date period to \$1.04 in the current year to date period in 2010. ROA was .56% compared to .30%, an increase of 26 points. ROE was 7.42% compared to 3.32%, an increase of 410 points.

The primary drivers that led to this increase were a 36% and 37% increase in net interest income and a 13% and 36% increase in noninterest income for the quarter and year to date periods. The increase in net interest income was primarily attributed to the significant increase in loans from June 2009 to June 2010 and a reduction in the Company's cost of funds. The increase in noninterest income was mostly due to a 184% and 294% increase in net gains on sale of residential mortgage loans for the quarter and year to date periods as the Company continues to benefit from low interest rates available to residential real estate customers as we originate loans that are then sold in the secondary market.

Offsetting the increase in net income was a 24% and 25% increase in noninterest expense for the quarter and year to date periods which was primarily due to additional personnel and strategic expenses related to the Company's acquisition of the Bowling Green and Franklin, Kentucky branches of Integra Bank. The Company believes that the investment in additional personnel will help support the Company's expansion and allow for greater shareholder value in the future. Strategic expenses represent one-time costs associated with acquiring the 5 branches and do not represent ongoing expenses for the Company.

- **Assets** total \$228,652,000 as of June 30<sup>th</sup> 2010, compared to \$188,985,000 one year ago, an increase of \$39,667,000 or **21%**.



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- **Loans** continued strong growth and for the quarter ended grew \$5.5 million or **3.45%** bucking the trend of the majority of banks nationwide. Balances for loans ended the quarter in excess of \$165 million compared to less than \$160 million for the prior quarter. Loans increased from year end 2009, approximately \$6.7 million or **4.2%** and \$20.1 million or **13.8%** for the last 12 months.
- **Deposits** declined per management's strategy of decreasing costs, modifying liquidity, and improving net interest margin. Deposits declined \$3.5 million or **2.3%** for the recent quarter and \$9.8 million or **6.0%** year to date. Consequently, **net interest margin** improved to **3.35%** for the most recent quarter compared to 3.16% for the prior quarter and 3.07% for the same quarter in 2009.
- **Asset quality** indicates total non-accrual loans for June 30, 2010 is 1.00% compared to 1.06% at year end 2009. Total delinquency on June 30<sup>th</sup> was 1.96% compared to 2.27% at year end 2009. net charge offs were .021% through June 30 compared to .056% for year end 2009., loan loss reserves continued to be adequate at 1.24% of loans.
- **Building Purchase-** The Company announced the purchase of a new corporate headquarters located at 313 Frederica Street in downtown Owensboro, KY.

First Security announced the acquisition of a 28,000 square foot building across the street from their existing headquarters in downtown Owensboro. M. Lynn Cooper, President and CEO stated "We are excited about remaining in downtown Owensboro. We need additional space to take care of our rapid growth and this building purchase provided us a long term strategic answer to our space needs. Additionally, we are committed to assisting Owensboro in its downtown growth initiative and felt we can best do so by remaining downtown and creating new jobs and enhanced facilities for our customers."

First Security Inc. is the holding company for First Security Bank of Owensboro, Inc. a \$335 million asset bank with locations in Owensboro, Bowling Green and Franklin, KY and Evansville, Indiana.

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