

Press Release

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First Security Bank Announces 4th Quarter 2013 and Yearly Results

OWENSBORO, KENTUCKY - First Security, Inc. (the Company, for First Security Bank, Inc.) announced net income of \$295,000 or \$0.37 diluted earnings per share for the fourth quarter of 2013, down from the fourth quarter of 2012 but up from the prior quarter. The Company reported two main reasons for the decline in earnings from one year ago, higher personnel and occupancy costs associated with three new banking centers opened in mid to late 2012 and a decline in the Bank's net interest margin.

As was stated in the beginning of 2013, this year was a year of building on the foundation laid in previous months and years.

Follows are just a few of the many accomplishments during the year.

- A capital raise for our retail investors was successful at raising just over \$1 million in a very short period of time.
- Announced and paid a 5% stock dividend.
- Our loans grew by \$67 million which was approximately 23% growth and in the top percentile of our peer group.
- Our deposits grew \$29 million, an increase of nearly 8%.
- Introduced a new checking product, BaZing Checking, a No Closing Cost mortgage loan and several other new innovations.
- Our Lexington location recouped all of the costs associated with opening a new branch and is now consistently profitable in a record period of time.
- Our newly opened Newburgh location reached profitability in December while our new Downtown Evansville location is close to posting its first profitable month.
- We were featured in TOPS magazine, Lexington, Kentucky's premier magazine publication.
- Began operation of the brokerage unit to provide a wider array of products and services for our customers.
- Featured on the front cover and inside article of the Evansville Business magazine.
- Veribanc, an independent bank rating firm recognized us as a Blue Ribbon Bank with a Commendation of Excellence, awarding First Security their highest rating.
- Inc. Magazine named First Security Bank as one of their Hire Power award winners as a Top 10 private business job creator in the State of KY, and the only bank in the state so recognized.

- Owensboro Chamber of Commerce recognized First Security as their Business of the Year in the large business category of over 51 employees.

The Board of Directors has declared a **Common Stock dividend of \$0.16 per share**, the **42nd consecutive dividend**, to all shareholders of record as of January 29, 2014, the record date.

Financial highlights of the year, as compared to one year ago unless indicated otherwise, follow:

- **Assets** at year end totaled \$479 million which is an **increase of 12%**
- **Loans and Deposits - Loans increased 23%** while **Deposits increased 8%**
- **Book Value per Share** increased **2%**
- **Tangible Book Value per Share** declined **6%** primarily influenced by accounting rules relative to the value of our investment portfolio.
- **Net Income** for the quarter was \$295,000, down 74% over the same quarter in 2012. However, adjusting 2012 fourth quarter net income for securities gains and strategic expenses results in a **77% increase** in fourth quarter 2013 net income as compared to 2012.
- **Non-interest income**, excluding securities gains, was **up 10%**
- **Non-interest expense** was up 13% year over year but up only 7% for the fourth quarter of 2013 as compared to the fourth quarter of 2012 as the Company's non-interest expense has begun to normalize. Most of the increase was related to compensation of new staff at the three new locations opened in the prior year.
- **Return on assets**, year to date was .25% compared to .61%
- **Return on equity** was 4.78% compared to 10.18%
- **Diluted earnings per share** were \$1.40 compared to \$2.72
- **Non-performing assets to total assets is .98%**

Maintaining strong credit quality will continue to be a focus. While not immune from credit losses, First Security has continued to perform better than its peer group. The total amount set aside as reserves to cover losses within the Company's loan portfolio totals \$4.1 million, representing **1.10% 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.

Net income for the year was \$1.1 million resulting in basic and diluted earnings per share of \$1.40. While net income for 2013 was less than 2012, our results were slightly better than expected based on the initial expense of opening three new locations as well as the significant security sales recorded in 2012.

For the Company, adjusting for certain one-time events including securities gains and strategic expenses, net income for the fourth quarter of 2013 versus 2012 was \$295 thousand as compared to \$167 thousand, representing an increase of \$128 thousand. Net income, as adjusted, during each quarter of 2013 was better than the prior quarter as the Company posted \$158 thousand during the first quarter of 2013, \$230 thousand during the second quarter of 2013, \$265 thousand during the third quarter of 2013, and \$295 thousand during the fourth quarter.