



First Security Inc.

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Press Release

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## First Security Inc. Announces Record Second Quarter and Year to date 2015 Results

Owensboro, Kentucky - First Security Inc., the bank holding company for First Security Bank, Inc., announced today another record performance for the second quarter and first half of 2015 at First Security.

### Highlights of the quarter include:

- **Two New Records** – We are pleased to report two new records in the history of our company. The strongest earnings for any second quarter and the strongest earnings for any first 6 months.
- **Earnings** - Second quarter earnings were \$1,022,441, **up** \$369,000 or **56%** as compared to the second quarter of 2014. Year to date earnings for 2015 were \$ 1,876,163 **up** \$821,000 or **78%** as compared to the same period in 2014.
- **Growth**- Sustained strong loan growth up over \$17 million for the quarter and solid deposit growth, up over \$12 million, along with a stable to growing net interest margin, indicate a continued ability to gain market share with new customers.
- **Cash Dividend** - A dividend was declared of \$.17 per share payable to shareholders of record August 15, 2015, our 48<sup>th</sup> consecutive dividend.

“We are very excited to be able to report record net income of nearly \$1.9 million during the first half of 2015 and over \$1.0 million during the second quarter of 2015. Existing operations not only grew their net income base in 2015 over 2014, but also provided enough of an increase to help the Company

overcome the investment expense in our newest branch office location in Lexington, Kentucky, ” stated M. Lynn Cooper, President and CEO.

The Company also posted good deposit growth during the first half of 2015 as noninterest bearing deposits were up 24% year over year. These zero cost deposits are not only the Company’s cheapest source of funds, but also represent excellent core deposit customers. “We have implemented initiatives to increase our deposit balances to help augment our strong loan growth. We believe that these initiatives are important in growing a solid balance sheet that will help lead to even greater shareholder value,” further commented Mr. Cooper.

The second quarter 2015 financial report of First Security reflects current financial highlights for the second quarter as compared to the prior year’s second quarter.

- Assets at quarter end total \$569 million, representing an increase of 13%
- Loans and Deposits increased 15% and 5% respectively
- Tangible Book Value increased \$1.19 to \$22.27 per share, up 6%
- Net Income increased \$369,000 or 56%
- Provision for Loan Losses increased \$15,000 or 3%
- Net Interest Income increased \$632,000 or 16%
- Net Interest Margin increased from 3.44% to 3.53%, an increase of 0.09 points
- Non-Interest Income increased \$91,000 up 9%
- Non-Interest Expense increased \$162,000 or 4%
- Efficiency Ratio successfully declined to 67.0% as compared to 76.4%. This ratio has steadily declined as the Bank has grown its revenue from newly expanded locations.
- Non-Performing Assets to total assets improved and were 0.61% at the end of June 2015, a decline of 0.27% from the prior year’s ratio of 0.87%.
- Return on Assets improved from 0.53% to 0.72%
- Basic Earnings-Per-Share were \$0.43 as compared to \$0.19, up 126%. Second quarter earnings per share in 2014 were negatively impacted by a large number of new shares issued during the first quarter of 2014.

M. Lynn Cooper, President and CEO closed stating, “First Security remains steadfast in its commitment to build a franchise of quality people, products, services and customers.”

**FIRST SECURITY, INC.**  
**Unaudited Consolidated Statement of Condition**

<b>ASSETS</b>	<b>June 2015</b>	<b>December 2014</b>	<b>June 2014</b>
Cash & due from banks	\$ 12,814,605	\$ 15,080,035	\$ 11,586,645
Federal funds sold	-	-	69,000
Cash & cash equivalents	\$ 12,814,605	\$ 15,080,035	\$ 11,655,645
Securities available for sale	\$ 48,314,613	\$ 51,118,647	\$ 51,843,887
Securities held to maturity	8,727,384	9,401,143	10,072,809
Total securities	\$ 57,041,997	\$ 60,519,790	\$ 61,916,696
Loans	\$ 459,262,723	\$ 435,917,038	\$ 399,676,067
Less allowance for loan losses	(5,192,237)	(4,755,625)	(4,195,545)
Less Loan Discount	(226,960)	(251,411)	(377,240)
Net loans	\$ 453,843,526	\$ 430,910,002	\$ 395,103,282
Mortgages held for sale	\$ 6,884,647	\$ 2,759,844	\$ 2,575,629
Regulatory stock	2,308,986	2,250,644	1,591,029
Property and equipment	15,784,788	15,912,473	15,144,104
Other real estate owned	-	25,415	284,265
Goodwill	4,346,458	4,346,458	4,346,458
Core deposit	1,086,492	1,213,767	1,341,042
Bank Owned Life Insurance	9,611,686	9,454,812	6,508,029
Other assets	4,974,404	3,871,763	3,419,291
<b>TOTAL ASSETS</b>	<b>\$ 568,697,588</b>	<b>\$ 546,345,003</b>	<b>\$ 503,885,470</b>
<b>LIABILITIES &amp; EQUITY</b>			
Non interest bearing deposits	\$ 63,616,113	\$ 55,391,527	\$ 51,255,030
Interest-bearing deposits	353,953,587	341,251,735	348,151,559
Total deposits	\$ 417,569,701	\$ 396,643,262	\$ 399,406,589
Other borrowed funds	\$ 80,640,714	\$ 78,418,763	\$ 36,447,763
Other liabilities	2,067,488	3,903,502	4,276,119
Subordinated note	9,875,000	9,875,000	9,875,000
Total liabilities	\$ 510,152,903	\$ 488,840,527	\$ 450,005,471
Non-voting common	\$ 11,565,727	\$ 11,565,727	\$ 11,565,727
Common stock	24,325,821	24,151,714	23,002,358
Unearned Shares	(124,919)	-	-
Surplus	12,524,281	12,420,350	11,842,558
Undivided profits	10,968,046	9,898,629	8,576,169
Other comprehensive income	(714,271)	(531,944)	(1,106,813)
Total stockholders' equity	\$ 58,544,685	\$ 57,504,476	\$ 53,879,999
<b>TOTAL LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>	<b>\$ 568,697,588</b>	<b>\$ 546,345,003</b>	<b>\$ 503,885,470</b>
Book value Per Share*	\$ 24.85	\$ 24.47	\$ 24.05
Tangible Book Value per Share	\$ 22.27	\$ 21.90	\$ 21.08

\* Excludes the impact of other comprehensive income

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

	June - Quarter to Date		June - Year to Date	
	2015	2014	2015	2014
Total interest income	\$ 5,727,476	\$ 5,140,568	\$ 11,507,645	\$ 10,155,847
Total interest expense	1,158,488	1,203,342	2,293,112	2,499,360
Net interest income	\$ 4,568,988	\$ 3,937,226	\$ 9,214,533	\$ 7,656,487
Provision for loan losses	\$ 390,000	\$ 375,000	\$ 775,000	\$ 750,000
<b>Noninterest income</b>				
Service charges on deposits	\$ 296,741	\$ 332,594	\$ 617,693	\$ 609,457
Net gains on sale of loans	301,488	185,294	529,146	308,843
Net gains on sale of securities	-	-	-	-
Net gain (loss) on sale of OREO	-	(23,382)	(13,996)	(23,382)
Net gains on sale of fixed assets	-	92,520	-	92,520
Bank Owned Life Insurance Income	77,944	48,709	156,874	101,280
Other noninterest income	473,906	423,217	850,255	777,482
<b>Total noninterest income</b>	\$ 1,150,079	\$ 1,058,953	\$ 2,139,972	\$ 1,866,200
<b>Noninterest expenses</b>				
Personnel expense	2,020,143	\$ 2,087,463	\$ 4,092,355	\$ 4,179,853
Occupancy and equipment expense	\$ 815,981	578,905	1,599,825	1,151,526
Other noninterest expense	997,258	1,004,641	2,158,544	1,939,124
<b>Total noninterest expenses</b>	\$ 3,833,382	\$ 3,671,009	\$ 7,850,724	\$ 7,270,503
Income before tax expense	\$ 1,495,686	\$ 950,169	\$ 2,728,781	\$ 1,502,184
Income tax expense	473,245	296,403	852,618	446,827
<b>Net income</b>	\$ 1,022,441	\$ 653,766	\$ 1,876,163	\$ 1,055,357
Net income per share - basic	\$ 0.43	\$ 0.19	\$ 0.79	\$ 0.68
Net income per share - diluted	\$ 0.42	\$ 0.19	\$ 0.79	\$ 0.68
Average shares outstanding - basic	2,383,611	2,286,202	2,378,684	1,554,894
Average shares outstanding - diluted	2,697,815	2,600,406	2,692,888	1,869,098
<b>Performance ratios</b>				
Return on average assets	0.72%	0.53%	0.69%	0.43%
Return on average equity	7.01%	4.82%	6.48%	5.17%
Net interest margin	3.53%	3.44%	3.61%	3.42%
Efficiency ratio	67.0%	73.5%	69.1%	76.4%
<b>Asset Quality</b>	<b>June 30, 2015</b>	<b>December 31, 2014</b>	<b>June 30, 2014</b>	
Allowance for Loan Loss to Loans	1.13%	1.09%	1.05%	
Non Performing Assets to Assets	0.61%	0.75%	0.87%	
Non Performing Loans to Loans	0.76%	0.93%	1.03%	
Allowance for Loan Loss to Non Performing Loans	149.02%	117.58%	101.99%	