

## CAPITAL MARKETS ANNOUNCEMENT

**First Security Group, Inc. (NASDAQ: FSGI; Chattanooga, TN) Closes \$91.1 Million Private Placement of Common Stock**

Sandler O'Neill + Partners L.P. served as lead placement agent for this transaction and Sandler O'Neill Mortgage Finance, L.P. acted as exclusive financial advisor in connection with the completed loan sale.

This transaction represents the 140<sup>th</sup> public offering or private placement of common stock or preferred stock for a bank or thrift since January 1, 2009 for which Sandler O'Neill acted as book manager or placement agent, more than any other investment bank during that period. These transactions have raised over \$11.7 billion for our clients.<sup>1</sup>

**About the Offering:**

First Security Group, Inc. announced today that it completed its previously announced recapitalization, including the restructuring of its TARP CPP preferred stock. On April 11, 2013, the Company issued approximately 9.9 million shares of the Company's common stock to the U.S. Treasury for full satisfaction of the Treasury's TARP CPP investment in the Company. The Treasury immediately sold the common stock to institutional and other accredited investors previously identified by the Company at \$1.50 per share. On April 12, 2013, the Company issued an additional approximately 50.8 million shares of common stock at \$1.50 per share to institutional investors. In aggregate, investors purchased 60,735,000 shares for \$91.1 million. The recapitalization was previously announced on February 26, 2013.

On April 12, 2013, the Company downstreamed approximately \$65 million in capital to FSGBank in order to improve FSGBank's regulatory capital ratios and to support future balance sheet growth. The combined effects of the additional capital and the previously announced and completed loan sale are expected to result in an improved risk profile, enhanced profitability and compliance with most, but not all, aspects of the regulatory orders of the Company and FSGBank.

*This announcement is for informational purposes only and does not constitute an offer to sell or the solicitation of an offer to buy securities.*

**About the Company:**

Founded in 1999, First Security Group, Inc. has 30 full-service banking offices along the interstate corridors of eastern and middle Tennessee and northern Georgia. In Dalton, Georgia, the Company operates under the name of Dalton Whitfield Bank; along the Interstate 40 corridor in Tennessee, the Company operates under the name of Jackson Bank & Trust. The Company provides retail and commercial banking services, trust and investment management, mortgage banking, financial planning and Internet banking services.

*(1) Source: SNL Financial; does not combine the results of advisors which have merged until the date such merger was completed*

April 12, 2013

**\$91.1 Million**  
Common Stock

**First Security Group**  
INC.



Lead Placement Agent

SANDLER O'NEILL + PARTNERS

## Financial Highlights

*(Dollars in millions)*

Total Assets	\$1,064
Gross Loans	\$567
Total Deposits	\$1,008
Total Equity	\$29
TCE/TA	(0.38)%
Tier 1 Capital Ratio	4.23 %
Total Risk-Based Ratio	5.49 %

*Note: Financial data as of 12/31/12**Source: SNL Financial*

## Sandler O'Neill Contacts:

<b>Bob Kleinert</b> Managing Principal (212) 466-7806	<b>Peter Finnerty</b> Principal (404) 442-2865	<b>Jacques de St. Phalle</b> Principal (212) 466-7721	<b>Chris DeCresce</b> Managing Director (212) 466-7992	<b>Demetrios Hadgis</b> Associate Director (212) 466-8019	<b>Alec MacColl</b> Associate (404) 442-2868
---	--	---	--	---	--