2015 ANNUAL REPORT

Strength & Earnings Power

FIRST GUARANTY BANCSHARES, INC.

Financial Data – Review and Analysis

EFFICIENCY RATIO: **55%**

10.73% compounded growth for 23 years

ROA: **0.97%**

ROE: **12.98%**

Earnings: **$14,505,000**

Earnings to Common Shareholders: **$14,121,000**

10% Stock Dividend

Dividends - **90** consecutive quarterly dividends paid; **$56.8 million** paid since 1993.

Total Loans **$841.6 million**

FIRST GUARANTY BANCSHARES, INC.

Our Mission

The mission of First Guaranty Bank and First Guaranty Bancshares, Inc. is to increase shareholder value while providing financial services for and contributing to the growth and welfare of the communities we serve.

Our Values & Goals

Customers. We believe that every customer is our most important customer. We endeavor to provide levels of service that exceed their expectations.

Employees. We believe that our employees are our greatest asset as demonstrated in their professionalism and dedication. We encourage open communication and strive to cultivate an entrepreneurial environment in which our employees feel highly responsible for the performance of the Company. We believe in an environment where they will contribute new ideas and innovations that will help both us and them excel.

Shareholders. We seek to enhance shareholder value by continually improving the quality of assets, growth in earnings, return on equity and dividend payout.

Community. We strive to be a socially responsible corporate citizen by supporting community activities and encouraging employees to be actively involved in our communities. We are committed to the success of the communities that we serve, the same communities our employees call home. Our goals is to participate in making our communities better places in which to live, work and play.

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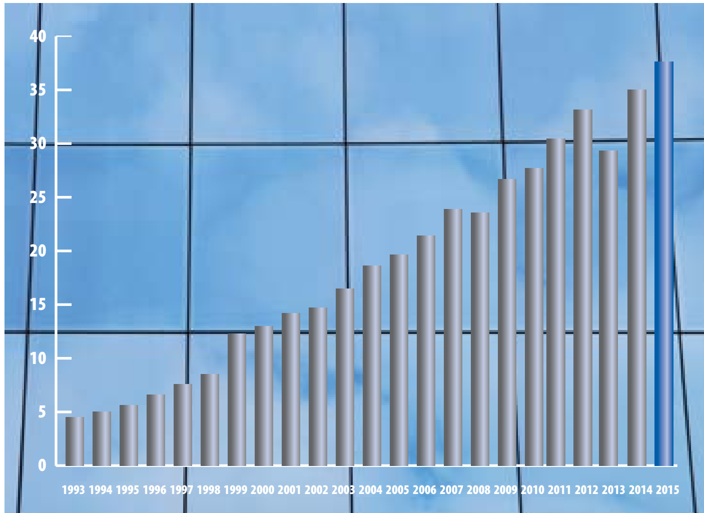
Financial Snapshot

Book Value Growth Per One 1993 Share[1]

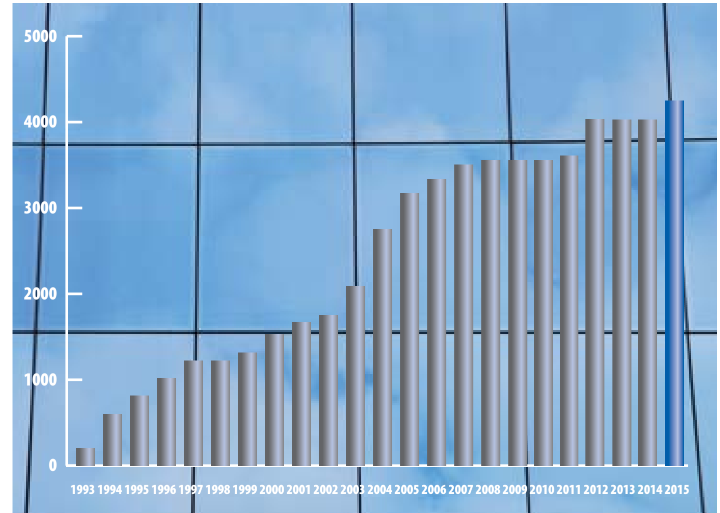
(per common share)



Book Value per one 1993 share has increased from **$4.49** to **$37.61** since 1993.

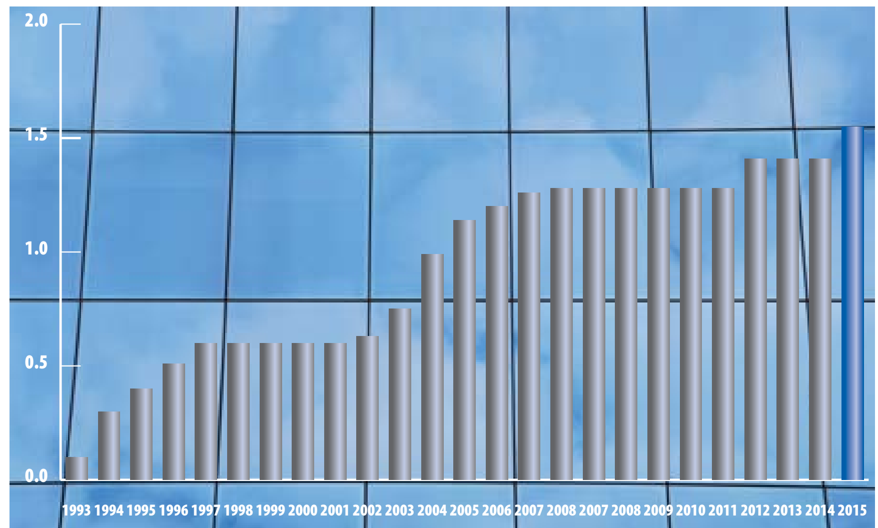
Cash Dividends on Common Stock

(In thousands)



First Guaranty has paid **$56.8 million** in Cash Dividends to common shareholders since 1993.

Dividends Per One 1993 Common Share [2]



[1] Book value has been adjusted for cumulative stock splits and dividend of 2.42 times since 1993.
[2] Cash dividends from the perspective of one original share of common stock from 1993 to present, this considers the impact of stock splits and stock dividends

First Guaranty Bancshares, Inc.

As of December 31, 2015, total assets were $1.5 billion, net income was $14.5 million, earnings per common share were $2.01 and tangible book value per share was $15.10. Return on average assets was 0.97% and return average common equity was 12.98% for 2015. In November 2015, the Company completed a public offering of 626,560 shares of its common stock, par value $1.00 per share, at a public offering price of $18.50 per share for net proceeds of $9.3 million. Concurrent with the completion of the offering, the Company's shares began to trade on the Nasdaq Global Market. Following the completion of the offering, the Company declared a 10% stock dividend. First Guaranty Bancshares, Inc. also paid a quarterly dividend for 90 consecutive quarters at December 31, 2015. Our commitment to customer service, combined with the hard work of our employees, is the foundation of our strength and earnings power. The Company emphasizes value to best serve the interests of our shareholders, customers, communities we serve and employees.

Profile

First Guaranty Bancshares, Inc. is the holding company of First Guaranty Bank, which it wholly owns. The Bank is a full-service financial institution with a major presence throughout Louisiana and serves customers from its 21 banking center locations. Headquartered in Hammond, Louisiana, the Company had 277 employees as of December 31, 2015.

STRENGTH & EARNINGS POWER

"The real source of strength in any type of enterprise is the people. First Guaranty Bank is blessed with a Board of Directors that are committed, knowledgeable, and diverse. The staff of First Guaranty Bank are good people who are loyal, competent, and committed to working together for success. The shareholders, customers, and citizens of First Guaranty Bank communities are solid, hardworking people trying to improve their lives and the lives of those around them. All of these people, together, are the source of the strength which will make First Guaranty Bank continue to be profitable and successful."

– President and CEO, Alton B. Lewis

FIRST GUARANTY BANCSHARES, INC. gained strength and earnings power in 2015. We increased our capital, grew the loan portfolio to a record level, improved our products and services, and expanded our infrastructure. We continued our focus on controlling expenses and efficiently delivering quality customer service. This increased strength translated into 2015 earnings that were 30% higher than 2014.

The effort to increase the bank's strength and earnings power can be found in many areas of the bank. Each day our employees work hard to strengthen relationships with customers and co-workers, to strengthen their knowledge, and to strengthen the brand of the bank. By streamlining processes and being more efficient with time, employees continue to contribute to the overall success of First Guaranty.

The board room is another area where strength can be found. Covered with banners, the First Guaranty board room walls tell the tale of our bank's performance. At every meeting, members of the board and management are reminded of where First Guaranty stands in relation to key metrics such as book value per share, deposit market data, asset quality, net interest margin, efficiency and profitability. Maximizing these ratios is key to achieving our goal of strengthening the bank and increasing our earnings power.

2015 Accomplishments and Highlights

1. Total 2015 Earnings to Common Shareholders of $14.1 million. Increase of 30% from $10.8 million in 2014.
2. Completed our capital raise. First Guaranty is now traded on the NASDAQ exchange under the symbol FGBI.
3. Redeemed $39.4 million in preferred stock issued to the U.S. Treasury under the SBLF program.
4. Declared a 10% common stock dividend.
5. Paid our 90th consecutive quarterly cash dividend. $56.8 million in dividends to common shareholders have been paid since 1993.
6. First Guaranty contributed $429,000 to our local communities in 2015.
7. Created the Access Account which allows more customers the financial freedom of a checking account.
8. Rolled out our first live Interactive Banker Machine in our Main Office branch.
9. Set a record in our lending portfolio of $842 million in loans outstanding at year end.

We Are Strength & Earnings Power

FGBI

For First Guaranty Bancshares, Inc., our capital raise and public listing on NASDAQ represents an opportunity for investment, new investors, expanded name recognition and increased liquidity in our stock.

A public listing on NASDAQ in November was a milestone for First Guaranty.

Lending didn't slow up in 2015 – we expanded our portfolio and hit record highs.

Progress with technology was evident in 2015 as we rolled out our first ever Live Interactive Banker, MiBY. Met MiBY?

The Access Account was introduced in 2015. This account has been a success as it allows more customers the opportunity to have a checking account.

In 2015, First Guaranty continued to give back to the community with our new initiative FGB Gives Back.

Marshall T. Reynolds
Chairman of the Board

FIRST GUARANTY BANCSHARES, INC.

Dear Fellow Shareholder:

If you have read our President's letter, you are aware of a multiplicity of good things that inured to our benefit during 2015. I would like to expand on two of those items.

FGBI made $14.1 million during the year. We paid $4.2 million in dividends and increased retained earnings by $9.9 million. This $9.9 million represents approximately a 10% addition to core capital. If we earn 10% return on equity, that should push next year's earnings up about 10% or an additional million dollars. I believe you can see the spiraling effect of these types of results.

First and foremost, I want to address the human (people) side of the bank. President Lewis has been in this position for about seven years. During this time we have made tremendous progress addressing our legacy problems. He has built a strong management organization with several excellent young managers and loan officers.

Inside ownership and individual involvement have increased tremendously during the last two years. Longtime directors Hood and Smith have stepped up and bought significant numbers of shares. I mean three and four times what they previously owned and they were substantial then. These are two very astute business men in my opinion. Could you go wrong following their lead? Probably not! In addition, I want all of my fellow shareholders to know that I have never sold one share of stock. Like Misters Hood and Smith, I believe this bank has a great future with this management team. Other board members have also stepped up and bought additional stock.

Sincerely,

Marshall T. Reynolds
Chairman of the Board
FIRST GUARANTY BANCSHARES, INC.
Chairman of the Board
FIRST GUARANTY BANK

Alton B. Lewis
Chief Executive Officer & President

Dear Shareholders,

Earnings translate into capital. Capital is strength. In 2015, First Guaranty Bancshares, Inc. accomplished many significant objectives. Perhaps the most significant was the 30.4% increase in income available to common shareholders to $14,121,000 for the year ending December 31, 2015 compared to $10,830,000 for the year ending December 31, 2014. Of the $14,121,000 in income available to common shareholders, $4,247,000 was paid to our shareholders as dividends and $9,874,000 remained in First Guaranty Bancshares, Inc. as capital. Our shareholders benefited both through direct income to them as shareholders and increased value in their investment in First Guaranty Bancshares, Inc. as Book value as of December 31, 2015 rose to $15.54 from $14.47 as of December 31, 2014 and tangible bank value was $15.10 as of December 31, 2015 compared to $13.95 on December 31, 2014. This increase in earnings and capital was a result of increase in interest income due to a $51 million increase in our loan portfolio plus a decrease in interest expense, plus an increase in non-interest income due primarily to significant gains on securities, and a decrease in non-interest expense. Very simply, we increased our income and reduced our expenses.

In 2015, we successfully completed our initial public offering and became listed on the NASDAQ exchange. The public offering increased our capital by a net of approximately $10 million.

In 2015, we successfully transitioned out of the US Treasury Small Business Loan Fund while maintaining our capital levels at First Guaranty Bank.

In 2015, we significantly enhanced our management structure with the addition of a highly qualified Chief Information Officer.

In 2015, we constructed our new Ponchatoula branch incorporating leading edge technology in the form of Interactive Teller machines with conventional customer service and teller service so that we satisfy the needs of our entire spectrum of customers.

The best part of 2015 is how it positioned us for the future. We have increased our strength so that we will be able to continue to move forward and grow and expand. Our lending corp has grown stronger and better trained and has outstanding leadership so that we can continue to grow our loan portfolio. Our Board and Management team are stronger. We can continue our growth and expansion while increasing profitability.

We have come a long way; however, we have not achieved our ultimate goals. We will continue to strive to maximize our shareholder value.

Thank you for your investment in First Guaranty Bancshares, Inc. and for your continued support.

If you have any questions about our financial position or any of the information presented in this report, please contact me directly at (985) 375-0350.

Sincerely,

Alton B. Lewis
Vice Chairman of the Board and Chief Executive Officer/President
FIRST GUARANTY BANCSHARES, INC.
Vice Chairman of the Board and Chief Executive Officer/President
FIRST GUARANTY BANK

Eric J. Dosch
Chief Financial Officer

First Guaranty Bancshares, Inc. continued to gain strength in 2015. We continued our momentum from 2014 as we expanded our loan portfolio, lowered deposit costs, reduced non-interest expense and increased earnings. First Guaranty completed a capital raise and listed our common shares on NASDAQ. We paid a 10% common stock dividend in December 2015. First Guaranty also redeemed the $39.4 million of preferred stock issued to the U.S. Treasury Department for the Small Business Lending Fund (SBLF) program. We used proceeds from an attractively priced senior loan and subordinated debt offering to refinance SBLF. The SBLF preferred stock was scheduled to increase to a pre-tax rate of over 13.0% in 2016 that was much higher than the rates we will pay on the senior loan and subordinated debt.

Loans grew by 6.5% or $51.3 million from $790.3 million in 2014 to $841.6 million in 2015. First Guaranty increased loan interest income $2.7 million while lowering interest expense by $0.6 million in 2015. We have continued to execute our plan of growing loans as a percentage of our balance sheet which has increased earnings and improved our net interest margin. Our loan portfolio finished December 31, 2015 at 58% of total assets, an increase from 52% of total assets at December 31, 2014. Our average loan yield has remained consistently above 5.0% during the last two years. The average loan yield was 5.21% for 2015 compared to 5.47% for 2014. The net interest margin increased from 3.11% in 2014 to 3.26% in 2015.

Total common shareholder's equity increased $18.1 million from $100.1 million in 2014 to $118.2 million in 2015. The increase in common shareholder's equity was driven by an increase in retained earnings and an increase in capital from the common stock offering. First Guaranty raised $9.3 million in net capital from the common stock offering and issued 626,560 new shares. Retained earnings increased $8.5 million from $41.4 million in 2014 to $49.9 million in 2015. Our tangible common equity ratio improved from 6.37% at December 31, 2014 to 7.89% at December 31, 2015. The loan loss reserve increased from $9.1 million at 2014 to $9.4 million at 2015.

Earnings per common share increased 28% from $1.57 in 2014 to $2.01 for 2015. Tangible book value per share increased 8.2% from $13.95 at December 31, 2014 to $15.10 at December 31, 2015. Return on average assets was 0.97% for 2015 compared to 0.77% for 2014. The efficiency ratio improved from 62.9% in 2014 to 55.1% in 2015. Return on average common equity was 12.98% in 2015 compared to 11.40% for 2014.

First Guaranty Bancshares paid a total of $4,247,000 in cash dividends to common shareholders in 2015. The Company has paid 90 consecutive quarters of dividends as of 12/31/2015.

First Guaranty continues to build strength for the future. Our common stock is now listed on a national exchange. We have increased our common capital. First Guaranty continues to maintain a leading deposit market share in the communities that we serve. Our continuing investment in the education of our employees and our planning and reporting systems has increased productivity. We believe that the combination of these efforts will lead to a strong and profitable future for First Guaranty Bancshares, Inc.

Sincerely,

Eric J. Dosch
Chief Financial Officer
FIRST GUARANTY BANCSHARES, INC.
Chief Financial Officer
FIRST GUARANTY BANK

Report from the Senior Vice President

Glenn A. Duhon, Sr.

Senior Vice President
Southwest Louisiana Division Manager

Southwest Louisiana Banking Centers gained "Strength and Earnings Power" in 2015. Both locations increased in loan volume, while keeping delinquency at an acceptable level. Our Jennings office concluded the year with $41.2 million in deposits compared to $40 million in deposits in 2014. That location also doubled loan volume, ending 2015 with $16.8 million as compared to $8 million in 2014. Deposits decreased at our Abbeville office to $127.7 million as compared to $145.9 million in 2014, however, loan volume increased by $22.1 million, ending 2015 with $77.6 million in total loan volume.

Combined, both locations completed 2015 with $168.9 million in deposits and $94.4 million in loan volume.

The continued success of this region is the result of a combination of customer loyalty, efficient management, board of director support and the dedication and tireless work ethic of our employees.

Sincerely,

Glenn A. Duhon, Sr.
Senior Vice President and Southwest Louisiana Division Manager
FIRST GUARANTY BANK

First Guaranty Bank
BOARD OF DIRECTORS

Back Row, Left to Right: Dr. Phillip E. Fincher, Robert H. Gabriel, Nancy C. Ribas, Gloria M. Dykes, Marshall T. Reynolds, Edgar R. Smith III, William K. Hood, Ann A. Smith

Front Row, Left to Right: Anthony J. Berner, Jr., Andrew Gasaway, Jr., Richard W. "Dickie" Sitman, Alton B. Lewis, Edwin L. Hoover, Jr., Charles Brister

Left to Right: Dr. Glenda B. Glover; Daniel F. Packer, Jr. and Morgan S. Nalty

ANTHONY J. BERNER, JR.
President, Pon Food Corporation

CHARLES BRISTER
President, Brister's Consulting and Rentals

GLORIA M. DYKES
Owner, Dykes Beef Farm and
Part Owner, Dykes Feed & Fertilizer, Inc.

DR. PHILLIP E. FINCHER
Retired Economics/Finance Professor
North Louisiana Advisory Board

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President, Gabriel Building Supply Company

ANDREW GASAWAY, JR.
Secretary to the Board
President, Gasaway-Gasaway-Bankston
Architects

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Chairman, Audit Committee of First Guaranty
Bancshares, Inc.
President, Tennessee State University

WILLIAM K. HOOD
Chairman, Directors Loan Committee and Audit
Committee of First Guaranty Bank
President, Hood Automotive Group

EDWIN L. HOOVER, JR.
President, Encore Development Corporation

ALTON B. LEWIS
Vice Chairman of the Board and
Chief Executive Officer/President,
First Guaranty Bancshares, Inc.
Vice Chairman of the Board and
Chief Executive Officer/President,
First Guaranty Bank

MORGAN S. NALTY
Investment Banking Executive & Partner,
Johnson, Rice & Company, LLC

DANIEL F. PACKER, JR.
President and Chief Executive Officer,
American Ethane, LLC and
President and Chief Executive Officer,
Urban Dimensions, LLC

MARSHALL T. REYNOLDS
Chairman of the Board,
First Guaranty Bancshares, Inc.
Chairman of the Board,
First Guaranty Bank
Chairman of the Board and Chief Executive
Officer, Champion Industries

NANCY C. RIBAS
Owner/Manager, World Trend Properties
And University Motors

RICHARD W. "DICKIE" SITMAN
Board President Dixie Electric Membership
Corp., (Baton Rouge, Louisiana)
Board Member CoBank ACB, (Denver Colorado)

ANN A. SMITH
Tangipahoa Parish School Board Member
(Former President and Finance Chair)
Board of Supervisors of Southern
University System

EDGAR R. SMITH, III
Chairman and Chief Executive Officer,
Smitty's Supply, Inc.

Directors Emeritus:

ROBERT H. BEYMER

ROBERT L. SHELL, JR.

First Guaranty Bank
ADVISORY BOARD

Above photo:
Thomas "Tommy" D. Crump, Jr., Gil Dowies, III,
Dr. Phillip E. Fincher, John D. Gladney, M.D.,

Inset photo:
Britt L. Synco

These adept gentlemen assist the bank in moving forward by sharing their breadth of experience and providing critical insight into essential business interests including oil and gas production, agriculture and forestry. The Advisory Board works with the Board of Directors and management to develop lending and marketing philosophies to best affect First Guaranty Bank. With wholesale and retail expertise throughout north Louisiana, this group examines financial and civic activities.

The members of the First Guaranty Bank Advisory Board include: Thomas D. "Tommy" Crump, Jr., Carrell G. "Gil" Dowies, III, Dr. Phillip E. Fincher, John D. Gladney, M.D. and Britt L. Synco.

FIRST GUARANTY BANK OFFICERS

EXECUTIVE

ALTON B. LEWIS*
President and CEO
Guaranty Square

ERIC J. DOSCH *
Chief Financial Officer
Guaranty Square

Senior Vice Presidents

GLENN A. DUHON, SR.
Regional Manager, Abbeville

MICHAEL F. LOFASO
Regional Manager, Ponchatoula

J. RICHARD STARK
Operations

CHRISTY L. WELLS
Regional Manager
Hammond

Controller

ERIC M. FULLER

**Officers of both First Guaranty Bank and First Guaranty Bancshares, Inc.*

Vice Presidents

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THOMAS F. BROTHERS
CHERYL Q. BRUMFIELD
KIMBERLY D. CAMAILLE
ROBERT E. DOUCETTE, CIO
COLLEEN B. EBARB
RONALD W. EDMONDS
DENISE D. FLETCHER
RONALD R. FOSHEE
ADAM J. JOHNSTON
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BERNADETTE Z. KEMP
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DESIREE B. SIMMONS
EVAN M. SINGER, BSA Officer
RANDY S. VICKNAIR, Chief Credit Officer

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MICHAEL D. KNIGHTEN
CHRISTOPHER W. MCGHEE
ROBERT M. MIZELL
MICHAEL A. MOSBEY
D. LYNN TALLEY
KRISTINA E. TERRY

Officers

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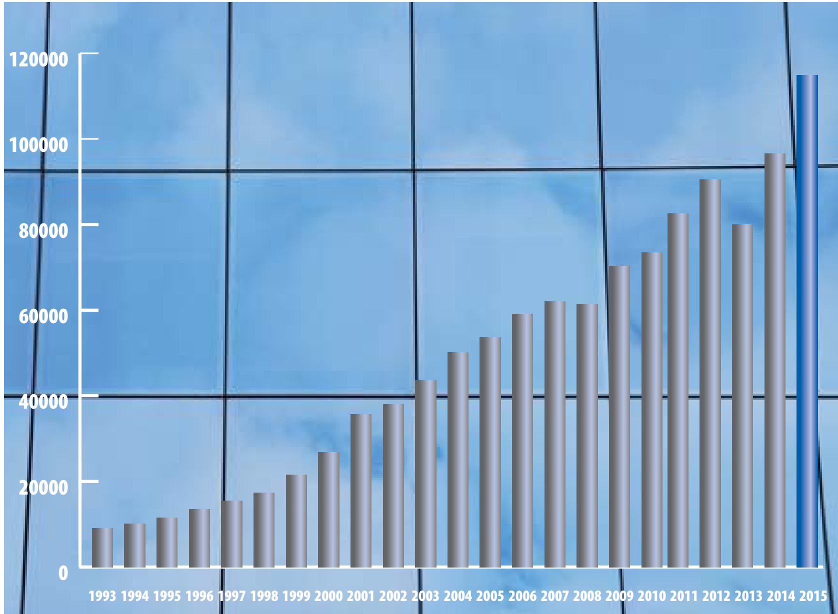
LAURYN H. COBURN
VANESSA R. DREW
JEANNETTE N. ERNST
DIANE PATTERSON
CRAIG E. SCELFO
KRISTIN M. WILLIAMS

Tangible Common Equity [3]

(in thousands)



Tangible Common Equity

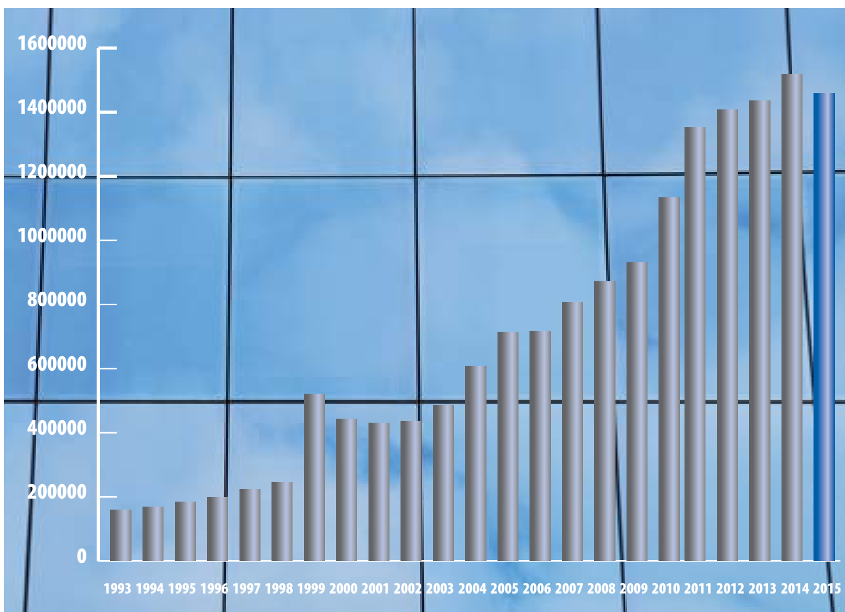
(in thousands)

Year	Amount	Year	Amount
1993	$ 9,005	2005	$53,671
1994	$10,071	2006	$59,060
1995	$11,477	2007	$62,061
1996	$13,485	2008	$61,429
1997	$15,414	2009	$70,273
1998	$17,376	2010	$73,424
1999	$21,564	2011	$82,560
2000	$26,786	2012	$90,490
2001	$35,709	2013	$80,033
2002	$37,964	2014	$96,531
2003	$43,557	**2015**	**$114,927**
2004	$50,095		

Tangible Common Equity has increased **$105.9 million** since 1993.

Total Assets

(in thousands)



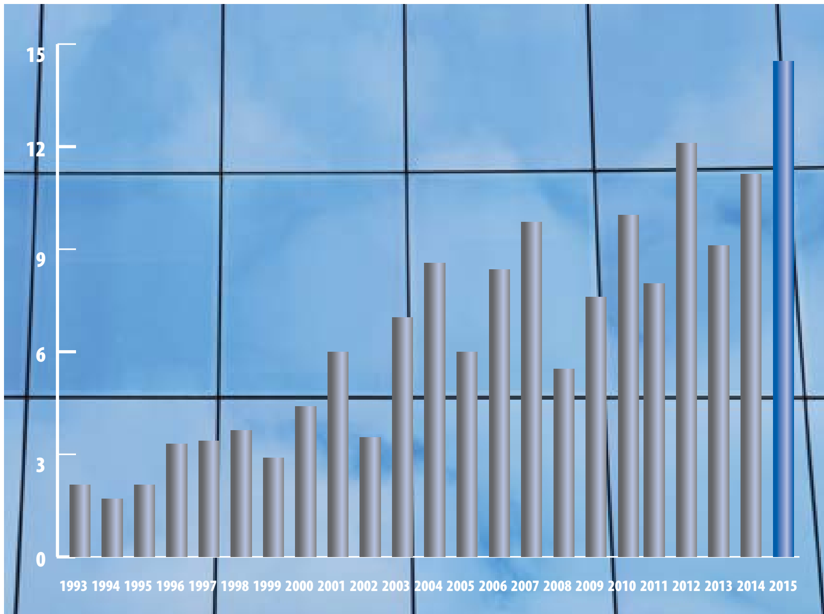
Total Assets

(in millions)

Year	Amount	Year	Amount
1993	$159	2005	$714
1994	$168	2006	$715
1995	$184	2007	$808
1996	$198	2008	$871
1997	$224	2009	$931
1998	$245	2010	$1,133
1999	$522	2011	$1,354
2000	$475	2012	$1,407
2001	$431	2013	$1,436
2002	$435	2014	$1,519
2003	$485	**2015**	**$1,460**
2004	$607		

First Guaranty Assets have increased **818%** since 1993.

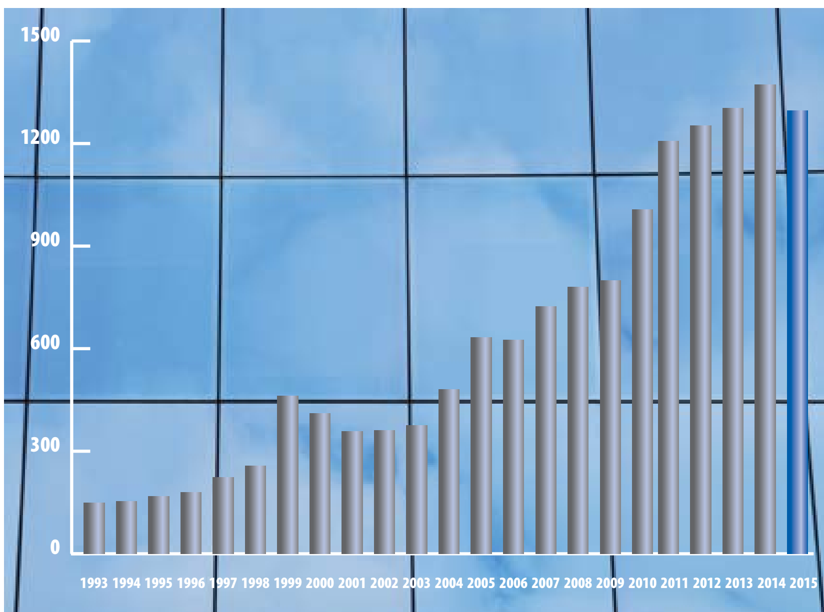
Net Income
(in millions)



Net Income
(in millions)

Year	Amount	Year	Amount
1993	$2.1	2005	$6.0
1994	$1.7	2006	$8.4
1995	$2.1	2007	$9.8
1996	$3.3	2008	$5.5
1997	$3.4	2009	$7.6
1998	$3.7	2010	$10.0
1999	$2.9	2011	$8.0
2000	$4.4	2012	$12.1
2001	$6.0	2013	$9.1
2002	$3.5	2014	$11.2
2003	$7.0	**2015**	**$14.5**
2004	$8.6		

Total Deposits
(in millions)

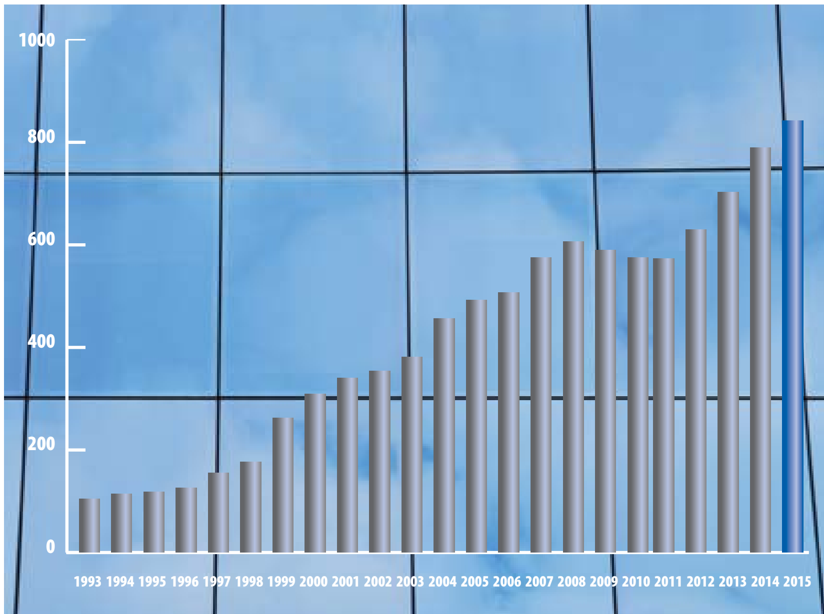


Total Deposits
(in millions)

Year	Amount	Year	Amount
1993	$149	2005	$633
1994	$154	2006	$626
1995	$168	2007	$723
1996	$179	2008	$780
1997	$223	2009	$800
1998	$257	2010	$1,007
1999	$461	2011	$1,207
2000	$410	2012	$1,252
2001	$358	2013	$1,303
2002	$361	2014	$1,372
2003	$376	**2015**	**$1,296**
2004	$481		

Loans, Net of Unearned Income [4]

(in millions)



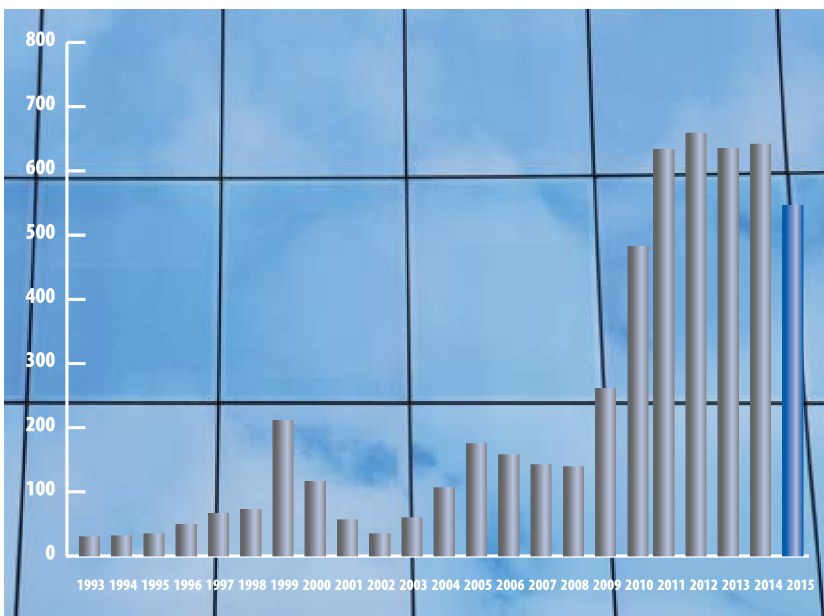
Loans, net of unearned income

(in millions)

1993	$105	2005	$492
1994	$114	2006	$507
1995	$118	2007	$575
1996	$126	2008	$606
1997	$155	2009	$590
1998	$177	2010	$576
1999	$263	2011	$573
2000	$309	2012	$630
2001	$340	2013	$703
2002	$354	2014	$790
2003	$381	**2015**	**$842**
2004	$456		

Investments [5]

(in millions)



Investments

(in millions)

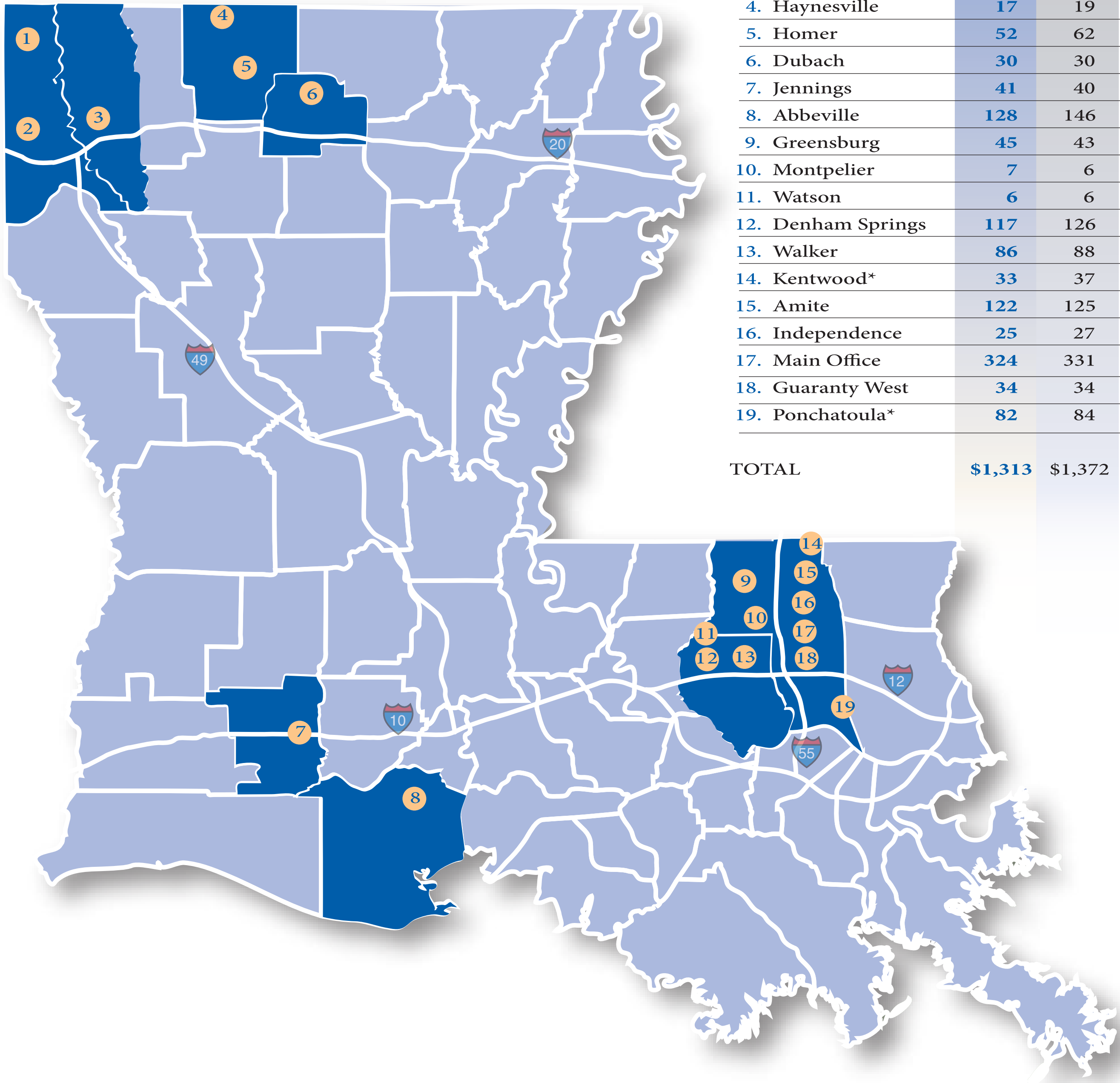
1993	$30	2005	$175
1994	$32	2006	$158
1995	$35	2007	$142
1996	$50	2008	$139
1997	$67	2009	$262
1998	$73	2010	$482
1999	$212	2011	$633
2000	$117	2012	$659
2001	$57	2013	$635
2002	$35	2014	$642
2003	$59	**2015**	**$546**
2004	$107		

[3]Tangible common equity as total shareholders' equity less preferred stock, goodwill and acquisition intangibles, principally core deposit intangibles, net of accumulated amortization.
[4] Includes loans held for sale
[5] Available for sale securities at fair value, held to maturity at amortized cost

Total Deposits

In millions

	2015	2014
1. Vivian	**$ 43**	$42
2. Oil City	**19**	25
3. Benton	**102**	101
4. Haynesville	**17**	19
5. Homer	**52**	62
6. Dubach	**30**	30
7. Jennings	**41**	40
8. Abbeville	**128**	146
9. Greensburg	**45**	43
10. Montpelier	**7**	6
11. Watson	**6**	6
12. Denham Springs	**117**	126
13. Walker	**86**	88
14. Kentwood*	**33**	37
15. Amite	**122**	125
16. Independence	**25**	27
17. Main Office	**324**	331
18. Guaranty West	**34**	34
19. Ponchatoula*	**82**	84
TOTAL	**$1,313**	$1,372



**Kentwood West is included in the Kentwood data and Berryland is included with Ponchatoula data.*

GROUND BREAKING

First Guaranty Directors at Ponchatoula Banking Center Groundbreaking

Left to right: William K. Hood, Andrew Gasaway, Jr., Nancy C. Ribas, Edwin L. Hoover, Jr., Alton B. Lewis, Richard W. "Dickie" Sitman, Anthony J. Berner, Jr., Robert H. Gabriel

Alton B. Lewis and Mayor Robert "Bob" Zabbia of Ponchatoula breaking ground on First Guaranty Bank's newest Banking Center.

Director Ed Hoover shares his enthusiasm during the groundbreaking.

Mike Lofaso and Denise Fletcher participate in the groundbreaking.

GRAND OPENING CELEBRATION

Back Row, Left to Right: Chris Bankston, Kim Zabbia, Michelle Juneau, Chuck Brister, Ed Hoover, Alton B. Lewis, Joseph Cross, Eric Dosch, Kathleen Elstrott, Chief of Police Bry Laryrisson

Front Row, Left to Right: Bob Gabriel, Andew Gasaway, Jeanette Gasaway, Mayor Bob Zabbia, Mike Lofaso, Denise Fletcher, Judge Grace Gasaway, Lauren Fannaly, Tony Sparacello

did someone say party!

We're Definitely Open to That... and you are invited!

come meet MiBY our

Live Interactive Banker

We're excited about this new and unique face-to-face experience that will give you faster service and extended drive-thru banking hours.

We call this service MiBY - our Live Interactive Banker. Now you can bank before work or after car pool line, without rushing.

At First Guaranty Bank, we're open to more options and more convenience in banking. We're still the familiar faces you know... just bringing you more options.

More options | More convenience

Member FDIC

Please join us for the

GRAND OPENING

OF OUR NEW PONCHATOULA BRANCH

THURSDAY, MARCH 24TH
3:00 PM - 6:00 PM

Food
Drinks
Entertainment
Prizes
Meet & Greet

meet MiBY

500 West Pine Street in Ponchatoula

Back Row, Left to Right: Gretchen Meaux, Diane Frederick, Glenn Duhon

Middle Row, Left to Right: April Frederick, Tanya Menard, Lisa Kritzer

Front Row, Left to Right: Amy Broussard, Charisse Stevens

Abbeville Banking Center

(337) 893-1777
799 West Summers Drive
Abbeville, LA 70510

Back Row, Left to Right: Shakayla Moore, Suzette Brooks, Susie Smith, Mindy Fitch, Jenny Sue Weedman, Betty Jo Whiddon, Stephanie Campo

Middle Row, Left to Right: Tamara Neil, Scott Schilling, Lacey Venable

Front Row, Left to Right: Brittani Ragusa, Marsha Spring

Amite Banking Center

(985) 748-5111
100 East Oak Street
Amite, LA 70422

Benton Banking Center

(318) 965-2221
189 Burt Boulevard
Benton, LA 71006

Back Row: Adam Johnston

Middle Row, Left to Right: Rhonda Beavers, Joedi Snipes

Front Row, Left to Right: Marcus Rounds, Colette Morehead, Donna Cummings

Not Pictured: Ellen Buskey, Monique Pruitt, Davena McMillian, Anthony Hughes

Denham Springs Banking Center

(225) 791-7964
2231 South Range Avenue
Denham Springs, LA 70726

Back Row, Left to Right: Ronnie Foshee, Lisa Thompson, Kevin Foster, Sharon Moore, Ludrick Hidalgo

Front Row, Left to Right: Kendra Fairburn, Michelle Gehling, Danna Jo Erwin, Meghan Alonzo, Kathie Alimia

Left to Right: Mic Baxter, Laurie Traylor, Lynnell Kimble, Sue Yates, Josie Tubbs, Heather Croxton

Not Pictured: Amber Urrey, Diane Shoemaker, Kristy Puckett

Dubach Banking Center

(318) 777-3461
117 East Hico Street
Dubach, LA 71235

Back Row, Left to Right: Evan Singer, Phylicia Vernon, April Morrison, Paula McNabb, Michelle Brasseaux

Front Row, Left to Right: Terbo Posey, Kaycee Bridges, Harrison Gill, Rhonda Miller

Not Pictured: Melissa Smith

Greensburg Banking Center

(225) 222-6101
6151 Highway 10
Greensburg, LA 70441

Guaranty Square

(985) 375-0300 / (985) 345-7685
(888) 375-3093
400 East Thomas Street
Hammond, LA 70401

APPRAISAL REVIEW

Back Row: Kristina Terry

Front Row, Left to Right: Shannon Smith, Steven Wood

HUMAN RESOURCES

Back Row, Left to Right: Shelley Taylor, Chantelle Starkey, Mandi Bankston

Front Row, Left to Right: Landa Domangue, Mikki Kelley

COLLATERAL

Back Row, Left to Right: Cate Sirghi, TJ Songy, Lauryn Coburn

Front Row, Left to Right: LaQuita Johnson, Jeannette Ernst, Sharon Compton

CUSTOMER SUPPORT CENTER

Back Row, Left to Right: Moises Rodriguez, Melanie Dalmado, Danyelle Green, Olivia Pevey

Front Row, Left to Right: Sharon Rogers, Davon Mitchell, Sharmaine Robertson

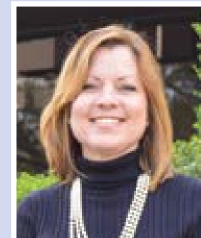
Not Pictured: Christina Foster, Pamela Stafford

DEPOSIT OPERATIONS

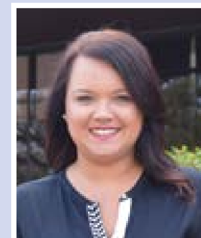
Back Row, Left to Right: Amy Neal, Kimberley Fletcher, Lori Lloyd, Shirley Jones

Front Row, Left to Right: Divetta Stallworth, Sandra Edwards, Tammy Graves

CASH MANAGEMENT



Vikki Dupaquier



Miranda Derveloy

Hannah Winget

FINANCE

Back Row, Left to Right: Eric Fuller, Eric Dosch, Anna Cusick, Tarez Cowsar, Michael Moye

Front Row, Left to Right: Karen Gregory, Diane Patterson, Diane Lanier, Donna Scamardo, Philip Qualls, Katherine Campbell

CREDIT

Back Row, Left to Right: Brandon Daniels, Randy Vicknair, Louis Cusimano, Abiola Oke, Monica Crane, Colton McDaniel

Front Row, Left to Right: Dev Patel, Jessica Hrenyk, Silvia Rodriguez, Emily Creech, Suraj Pathak, Ellen Wang, Melanie Gottschalck

INFORMATION TECHNOLOGY

Back Row, Left to Right: Dameon Bickham, Keith Mills, Gary Bouffard, Tom Hibbs, Kyle Herndon

Middle Row, Left to Right: David Couvillon, John Farrell, Hector Garcia

Front Row, Left to Right: Craig Rachel, Bob Doucette, Star Lala

COMMUNITY RELATIONS

Bernadette Kemp

LENDING

Back Row, Left to Right: Craig Scelfo, Jane Wear, Christy Wells, Michael Knighten

Front Row, Left to Right: Tracy Nelson, Catherine Egnew, Vickie Jenkins

LOAN OPERATIONS

Back Row, Left to Right: Laura Ard, Bonnie Garcia, Amanda Rodriguez, Lynn Talley, Amy Fabre, Stacy Penalber

Front Row, Left to Right: Audrey Carter, Star Spriggs, Steven Hathorn, Donna Hodges, Kellie Weisler

PURCHASING & DOCUMENT SECURITY

Back Row, Left to Right: Robert Mizell, Joseph Ernest

Front Row: Teresa Wempren

MORTGAGE

Back Row, Left to Right: Kimberly Duckworth Camaille, Tonya Messa, Tanja Wadsworth, Ryan Starns

Front Row, Left to Right: Amy Hopson, Mandy Lee, Michele Graham, Lisa Holmes

MAIN OFFICE BANKING CENTER STAFF

Back Row, Left to Right: BreAnna Sadowsky, Chandra McKinney, Shelbi Rayborn, Shawnta Henderson

Front Row, Left to Right: Glenda Saucier, Linda Miller, Ashleigh Duroncelet

Not Pictured: Giselle Leonard, Nydoria Jones, Latoya Williams, Molly Ducote, Lashabria Reed-Dantzler

OPERATIONS

Back Row, Left to Right: Brittany Harness, Christe Feimster, Elisa Costanza, Desiree Theall, Tracey Robertson

Front Row, Left to Right: Richard Stark, Carla McManus, Teri Duncan

Not Pictured: Lucille Conner, Deborah Dubuisson

MARKETING

Back Row, Left to Right: April Alford, Desiree Simmons

Front Row: Kelly Field

COMPLIANCE

Back Row: Colleen Ebarb

Front Row, Left to Right: Debbie Penton, Becky Brown

BSA/FRAUD

Back Row: Evan Singer

Front Row, Left to Right: JoEllen Juhasz, Casey Turner

TRAINING

Back Row, Left to Right: Shanon Dunn, Danielle Willie

Front Row, Left to Right: Danyelle Horton, Vikki Dupaquier

AUDIT

Back Row, Left to Right: Michael Mosbey, Thomas Brothers, Jason McKenzie

Front Row, Left to Right: Jordan Cormier, Nancy Rodriguez, Michelle Dionne, Lana Quinn

SPECIAL ASSETS

Back Row, Left to Right: Luke Hammonds, Ronnie Pittman

Front Row, Left to Right: Kriss Patterson, LeeAnn Silbey

LOAN REVIEW

Left to Right: Bill Worthy, Chris McGhee

EXECUTIVE

Back Row: Alton B. Lewis

Front Row, Left to Right: Casie Navarre, Kristin Williams, Vanessa Drew

Hammond – Guaranty West Banking Center

(985) 375-0371
2111 West Thomas Street
Hammond, LA 70401

Back Row, Left to Right: Tyjia Ard, Arielle Adkins, Tae Anderson, Nicole Conger, Jerika Williams

Front Row, Left to Right: Lindsey Wright, Shari Wheeler, Stacy Williams, Connie Miller, Briana Johnson

Haynesville Banking Center

(318) 624-1171
10065 Highway 79
Haynesville, LA 70138

Left to Right: Aleshia Lee, Elaine Atencio, Carla Goode

Not Pictured: Tammy Burley

Homer Banking Center

(318) 927-3000
401 North 2nd Street
Homer, LA 71040

Back Row, Left to Right: Candie White, Ron Edmonds, Tracy Perry

Front Row, Left to Right: Dot Frazier, Hannah Winget, Jamie Williams, Tina Dickerson, Sara Pennington, Kitsha Ridley

Not Pictured: Chelsea Kleinman

Independence Banking Center

(985) 878-6777
455 West Railroad Avenue
Independence, LA 70443

Back Row, Left to Right: Carmella Coslan, Megan Mackles, Ashley Addison, Karen Paille, Pamela Brazil

Front Row, Left to Right: Andrea James, Richard Hamilton, Cheryl Brumfield

Jennings Banking Center

(337) 824-1712
500 North Cary
Jennings, LA 70546

Left to Right: Gwendolyn Pete, Mona Fontenot, Darrell Bruchhaus, Amber Dupre, Trisha Patterson

Kentwood Banking Center

(985) 229-3361
301 Avenue F
Kentwood, LA 70444

Back Row, Left to Right: Lindsey George, Angie Lott, Kelly Wall, Lisa Rushing, Connie Butler, Lance Davis

Front Row, Left to Right: M'Kayla Saizan, Patsy Meyer, Alma Thomas, Tammy Carraway

Left to Right: Megan Roberts, Brittany Graham, Ruby Carter

Kentwood West

(985) 229-6101
723 Avenue G
Kentwood, LA 70444

Left to Right: Trella Page, Betsy Ehret, Elizabeth Zito

Montpelier Banking Center

(225) 777-4304
35651 Highway 16
Montpelier, LA 70422

Oil City Banking Center

(318) 995-6682
126 South Highway 1
Oil City, LA 71061

Back Row, Left to Right: Adam Johnston, Terri Brown
Front Row, Left to Right: Serita Wright, Andie Bruno, Latoya McFarland, Mary Casey
Not Pictured: Toni Harris

Ponchatoula Banking Center

(985) 386-2000
500 West Pine Street
Ponchatoula, LA 70454

Back Row, Left to Right: Kristy Petit, Amiee Gervais, Brandon Wear
Middle Row, Left to Right: Mike Lofaso, Renee Rhody, Kay Crocken
Front Row, Left to Right: Katherine Aylor, Denise Fletcher
Not Pictured: Holly Mulkey

Left to Right: Ashley Hart, Cassandra Brumfield

Not Pictured: Tyvon Adams

Ponchatoula-Berryland Banking Center

(985) 386-5430
105 Berryland Shopping Center
Ponchatoula, LA 70454

Back Row, Left to Right: Frances Thompson, Amber Smith, Teresa Hasha, Bobbie Clark

Front Row, Left to Right: Tina Gay, Stacy Thompson

Not Pictured: Brandy Moon, Joyce Glass

Vivian Banking Center

(318) 375-3202
102 East Louisiana Avenue
Vivian, LA 71082

Walker Banking Center

(225) 664-5549
29815 South Walker Drive
Walker, LA 70785

Left to Right: Brandi Steffek, Sheila Lofton, Clint Trant, Robin Bonfanti, Sylvia Moore
Not Pictured: Kendra Fairburn

Watson Banking Center

(225) 665-0400
33818 Highway 16
Denham Springs, LA 70706

Back Row: Ludrick Hidalgo
Front Row, Left to Right: Carrie Jarreau, Megan Braden
Not pictured: Judy Hughes, Edward Bertoniere

Community Commitment

Community contributions are a priority budget item for First Guaranty Bank. Listed are the institutions, organizations and associations that we have assisted with contributions and sponsorships during 2015.

At First Guaranty Bank, our goal is to help improve the communities we serve. In addition to monetary contributions, our employees dedicated time, energy and effort to many of these worthy causes.

Adam Johnston presented a contribution to Mary M. Cobb, Director of Events and Donor Relations of the LSU Health Shreveport Foundation. The contribution supports the Foundation's 2015 Evening for Healers event.

Adam Johnston presented a contribution to Piggly Wiggly Steak Cook-off. Pictured from left to right are Renee Jones, Karen Taylor, Adam Johnston, Crystal Lewis, Randy Smith, Piggly Wiggly Springhill, Store Manager and Bobby Vidrine.

Melissa Smith presented a contribution to Ann Huff, CFO at the Greensburg Sheriff's office.

Adam Johnston presented a contribution to Lion John Zielinski with the Bossier City Lions Club.

Diane Shoemaker and Josie Tubbs presented a contribution to Judy Mabry, the principal at Dubach School.

Mr. Harrison presented a contribution to SHPE representative Mr. James Miller.

First Guaranty Bank *contributions for community support were* **$429,000** *in 2015 which is* **23.4%** *more than in 2014.*

Mr. Harrison presented a contribution to Charles Hutchinson with the LSU Extension Dairy Specialist and Daryl Robertson, a dairy farmer.

Tracy Perry presented a contribution to Coach Elaine Gilbert of the Homer High School Track Team.

Elaine Atencio (right) presented a contribution to the Coordinator, Babs Maddox (left) at the Wee Care Committee Golf Tournament.

Niekitsha Jenkins and Hannah Winget presented a contribution to Sgt. Van McDaniel with the Homer Police Department for the Child Safety program.

Cheryl Brumfield presented a contribution to Linda Wisinger, Principal of Mater Dolorosa Catholic School for their Annual Steak Dinner.

Cheryl Brumfield presented a contribution to the Independence Middle Magnet School. In the photo from left to right are: Coach Tyronee Williams, Cheryl Brumfield and Ms. Alexa Hookfin, Principal.

A

Albany High School – Football Program Sponsor and Lady Hornet Fundraiser
American Cancer Society – Relay for Life in Vermilion and Tangipahoa Parishes and Relay for Life Bronze Sponsor
American Legion Auxiliary #47 – Boys State and Girls State
American Legion Post #141 (Vivian) – Boys State
Amite High School – Stadium Sign & Senior Breakfast
Amite Oyster Festival – Sponsor
Ancient Order of Hibernians – Help the Needy

B

Bossier City Lions Club
Bossier Restoration Foundation
Boy Scouts of America

C

Champ Cooper Junior High School – Athletic Program
Christmas on Caddo
Claiborne Academy
Claiborne Chamber of Commerce
Claiborne Charity Inc. – Golf Tournament Sponsor
Claiborne Christmas Committee
Claiborne 4-H Livestock Club

Cheryl Brumfield presented a contribution to the Lallie Kemp Foundation. Included in the photo are Cheryl Brumfield and Sherre Pack-Hookfin, Chief Executive Officer of LSU Lallie Kemp Medical Center.

Darrell Bruchhaus presented a contribution to Cynthia Hoffpauir, the CEO of the Jefferson Davis Chamber of Commerce.

Mona Fontenot presented a contribution to Jessica Kopnicky and Lakyn Kopnicky with the Melissa Doise Hope for the Miracle 5K committee.

Cheryl Brumfield and Lance Davis presented a contribution to the Town of Kentwood and Southeast Community Health Systems to purchase school supplies for the 9th Annual School Supplies Giveaway. Shown from left are: Dr. Alecia Cyprian, Southeast Community Health Systems, First Guaranty Bank Manager (Independence Branch) Cheryl Brumfield, First Guaranty Bank Manager (Kentwood Branch) Lance Davis, Town of Kentwood Mayor Irma Gordon and Town of Kentwood Office Clerk Donnisha Alexander.

Claiborne Scholastic Banquet
City of Hammond – Hope Summer Camp
City of Ponchatoula – Wellness Plaza
City of Walker – Challengers Field
Communication Expo Inc.
Council for a Better Louisiana
Crimestoppers of Tangipahoa

D

Dubach School – Adopt-A-School
Dubach Police Department
Dubach Restoration and Beautification Organization – Chicken Festival Sponsor Cards

E

Elton High School – FFA Community Day Sponsor
Elton Elementary School – Positive Behavior Program

F

First Baptist Church – Wee Care
First Baptist Church Greensburg – Golf Tournament
Florida Parishes Arena Rodeo
Herbert S. Ford Memorial Museum

Darrell Bruchhaus presented a contribution to Kevin Bruchhaus, Sports writer for Jennings Daily News. The Award was given to Morgan Woods from Lake Arthur High School.

Brooks Hebert presented a contribution to Trudy Marceaux, the Coordinator of Leadership Excel.

Brooks Hebert presented a contribution to Jasey Broussard, 2015-2016 Lake Arthur High School Cheerleaders.

Darrell Bruchhaus became a Premier Member of the Southwest Louisiana Economic Development Alliance. In the photo are Mike Mitchell - Sales representative and Paula Ramsey - VP Chamber membership.

Eric Dosch and Alton B. Lewis of First Guaranty Bank presented a contribution to Patricia Westmoreland and Donna Taylor for the Richard Murphy Hospice Gala.

First Guaranty Bank presented a contribution to the Loranger High School Softball team. The Head Coach is Anna Bankston and Assistant Head Coach is Steven Culberston. Standing left to right: Brenliegh Bankston, Macy Harrison, Jayla Robertson, Kaylin Lee, Jamie Lynn Rogers, Ashley Sharp, Anna Cusick, FGB Employee, Head Coach Anna Bankston, Cassie Bennett, Assistant Head Coach Steven Colbertson and Racheal Wyllie. Kneeling left to right: Avery Taylor, Sierra Cusick and Kaley Uter.

G

Greater St. James Missionary Church – Spring Tea

H

Hammond Blues & BBQ Sponsor
Hammond Chamber of Commerce
Hammond Firefighters Association
Hammond High Magnet School – Baseball and Slam Dunk Renewal, Wish List
Hammond Police Union Local 345
Hammond Regional Arts Center
Hathaway High School – Prom Lock, Football Championship and SAFE
Haynesville Beautification Committee
Haynesville High School
Haynesville Lions Club
Haynesville Quarterback Club
Homer Golf Club – Tee Box Sign and Golf Tournament Sponsor
Homer High School – Baseball, Softball and Track Sponsors
Homer Pelican Quarterback Club

I

Independence High School – Senior Awards,
Independence Middle School –Football Sponsor
Independence Sicilian Heritage Festival

Trevor Bergeron, Luke Hammonds and Melanie Gottschalck presented a contribution to Hammond Rotary representatives, Daryl Ferrara and Jenni O'Neil.

Randy Vicknair presented a contribution to Lauren Williams, Coordinator of Chefs Evening.

Melanie Gottschalck presented a contribution to Megan Roberts for 4H.

Ronnie Pittman presented a contribution to Brian Shirey with Hammond Blues and BBQ.

April Alford presented a contribution to Randy Stegall and Linda Stegall of Tangi Humane Society for their 2015 Pet Expo.

Eric Dosch presented a contribution to John Poteet and Jaclyn Rice for Options.

Danielle Willie presented a contribution on behalf of FGB Main Office Employees to Bonnie Garcia and Casie Navarre for the Cystic Fibrosis Foundation. The contribution will benefit the Hammond Great Strides Walk.

Independence Summer Baseball Team Sponsor
International Red Cross
Italian Festival

J

Rogers C. Jackson Memorial – Golf Tournament
Jeff Davis Chamber of Commerce
Jennings Daily News – Malcolm Connolly Sponsor
Jennings High School – Operation Graduation

K

Kentwood Baseball/Softball Association
Kentwood Garden Club
Kentwood High School – State Championship Tournament
Kentwood Rotary Club
Kiwanis Club of Denham Springs
Kiwanis Club of Hammond
Kiwanis Club of Ponchatoula
Knights of Columbus

L

Lafayette Housing Authority
Lake Arthur High School – T-Shirt Sponsor
Lake Claiborne Inc. – 4th of July Fireworks Sponsor
Lallie Kemp Foundation
Land Trust for Southeast Louisiana – Conservation Cup Sponsor
Charlie Landry Memorial Golf Tournament
Leadership Excel
Little Angels Foundation

Danyelle Sanders Horton presented a contribution to Sheryl Baham-Francis of Greater St. James Missionary Baptist Church for their 9th Annual Ladies' Spring Tea.

Phillip Qualls presented a contribution to Jonathan Kemp of the Louisiana State Troopers Association for their 2nd Annual Sporting Clays Tournament.

Desiree Simmons presented a contribution to Anette Kriylo, Executive Director of Louisiana Children's Discovery Center for their Jazz Brunch.

Danielle Willie presented a contribution for the Southeastern Foundation to Lynn Horgan, Director of Individual, Corporate and Foundation Relations.

Jason McKenzie and Abit Tiwari presented a contribution to Chris Nuebel of the American Red Cross of Louisiana for the earthquake victims in Nepal.

Anna Cusick presented a contribution to Loranger Volleyball Head Coach, Tyra Starkey.

Casie Navarre presented a contribution to Charley Vance with the Tangipahoa Parish School of Performing Arts.

Livingston Board of Realtors - Gold Forecast Sponsor
Livingston Parish School Board – Holiday Luncheon
Loranger High School – Softball, Volleyball and Baseball Programs Sponsor
Louisiana Bankers Association
Louisiana Children's Discovery Center – Jazz Brunch and Quiet Santa Event
Louisiana 4-H Foundation – Annual Fund
Louisiana State Troopers Association – Sporting Clays Tournament Sponsor
LSU Ag Center – Educational Program Sponsor
LSU Health Shreveport Foundation

M

Mater Dolorosa Catholic School – Baseball Sign and Steak Dinner Fundraiser
Melissa Doise Hope for the Miracle Race Fundraiser (to benefit cancer patients)
Monterey Country Club – Golf Tournament Sponsor
Richard Murphy Hospice Foundation

N

National Child Safety Council
New Horizons Youth Service Bureau
North Caddo Magnet High School – Basketball Program
North Caddo Medical Center Foundation – Gold Buckle Sponsor
North Tangi Support Group – Mardi Gras Parade Sponsor

Ragan Rodriguez presented a contribution to C. Roy Blackwood, the Executive Director of the Columbia Theatre.

Bernadette Kemp presented a contribution to Kathy Pittman, Director of Southeastern Louisiana University Alumni, for the Convocation picnic.

Bernadette Kemp presented a contribution to Katherine Marquette, Executive Director of the Hammond Regional Arts Center, for the Brews Arts Festival.

Donna Hodges presented a contribution to Captain Derwin Miley and Captain Terry Stewart with the Hammond Firefighters Association for the annual MDA fundraiser.

Desiree Simmons presented a contribution to Kayla Johnson, President of Livingston Board of Realtors.

Kristin Williams presented a contribution to Pascal Dean, treasurer for the South Tangipahoa Relay for Life.

Anette Kirylo, Executive Director of the Louisiana Children's Discovery Center presented Alton B. Lewis with a plaque for contributing to Louisiana Children's Discovery Center for five years.

O

Oak Forest Academy – Fall Carnival
Oak Grove Church of Christ – Food Festival
Options, Inc.

P

Ponchatoula Area Recreation
Ponchatoula Chamber of Commerce
Ponchatoula Football Boosters
Ponchatoula High School – Lady Wave Basketball, Project Graduation and Senior Breakfast
Ponchatoula High School Band Boosters
Ponchatoula High School Grand Slam Boosters
Ponchatoula Junior High – Volleyball Program
Ponchatoula Lions Club
Ponchatoula Youth Baseball – Team Sponsor
Layton Ricks Campaign Fundraiser

R

Rotary Club of Amite
Rotary Club of Hammond

S

St. Helena Advocacy for Parish Enrichment (Christmas in the Pines Celebration)
St. Helena Forestry Association
St. Helena Sheriff's Department
St. Helena/Tangipahoa Dairy Days
St. Joseph Catholic School – Spring Fair Sponsor
St. Jude Fundraiser
Senior Center – Bingo
Shreveport Bossier African American Chamber of Commerce

Kristin Williams presented Lacie Randall and Coach Stacy Darouse with a contribution to the Albany High School Ladies' Basketball team.

Randy Vicknair presented Dr. Antoinette Phillips with a contribution for Southeastern Louisiana University's Business Week.

Vanessa Drew presented a contribution to Director Leon Philpot and Playologist, Sam, from the Louisiana Children's Discovery for the Quiet Santa Event.

Desiree Simmons presented a contribution to Austin Sanders with Southeastern Louisiana University for the event Last Roar.

Lois Freeman presented a contribution to John "Bones" Kraft for Ponchatoula High School Baseball's Grand Slam Booster Club.

Mike Lofaso presented a contribution to Dr. Beth Moulds, Interim Principal Hammond High Magnet School. The funds will be used to purchase a variety of materials and equipment needed by students and faculty.

Society of St. Vincent de Paul
Southeast Community Health System – Back to School Expos
Southeastern Louisiana University Alumni Association – Felion Dinner, Salute the Lions, Fundraiser and Convocation Picnic Sponsors
Southeastern Louisiana University Athletic Association – Corporate Sponsor, Lion Nation and Sports Package
Southeastern Louisiana University Foundation –Chef's Evening Sponsor, SLU Channel Programming, Green Pig Sponsor, Community Music School Sponsorship, Partner, Columbia Theater for the Arts Sponsor, Last Roar Event and Business Perspectives Week
Southern Band – Mardi Gras Trip
Southwest Louisiana Veterans Home – Crawfish Boil Sponsor
Special Olympics Louisiana – Trivia Night Sponsor
Summerfield High School

T

Tangi Humane Society
Tangi Professional Women's Organization
Tangipahoa Parish 4-H – Belt Buckle Award and Pet Parade
Tangipahoa Parish School System – Talented Theatre
Tangipahoa Parish Sheriff's Office – Mounted Division Fundraiser
Tangipahoa African American Heritage Museum & Veterans Archive – Black Tie Event
Tangipahoa Voluntary Council on Aging – Purchased computers for Hammond Senior Center
Town of Benton Festival Fund

Alexis Drude and Denise Fletcher presented a contribution for the PHS Senior Breakfast to Mary Beth Crovetto, PHS Assistant Principal.

Denise Fletcher presented a contribution to Addie Eggers for the Ponchatoula Junior High Volleyball team.

Denise Fletcher presented a contribution to Latasha Banks, Administrator for Family Night at Westminster Place.

Tracey McNemar presented a contribution to Mr. James Square, Band Director and Band Booster Members for the PHS Band Boosters.

Katherine Aylor presented a contribution to the Tangipahoa Parish 4H Pet Parade which is co-sponsored by LSU Ag Center. Accepting the check from Katherine Aylor, (Universal Banker) are Ms. Rita Hoover (Tangipahoa 4 H) and Ms. JoAnna T Pesson (LSU Ag Center Extension Agent/Parish Chair for Tangipahoa).

Alton B. Lewis presented a contribution for the Ponchatoula Wellness Plaza to Mayor Robert “Bob” Zabbia and Rhonda Sheridan, Executive Assistant.

Town of Independence – Land Purchase/ Donation
Town of Kentwood – Southeast Community Health
Town of Vivian – Litter Campaign and Summer Youth Camp

U

United Way of Southeast Louisiana – Corporate Match Contribution
University Montessori School

V

Vivian Athletic Association

W

Walker High School – Banzai Program
Westminster Place Family Day

Z

Zachary Taylor Parkway Association

STRENGTH & EARNINGS POWER!

	Earnings	Total Common Dividends Paid	Cumulative Retained Earnings (Deficit)*	Notable Events
1993	$2.1 million	$ 200,000	$(4,984,000)	■ Investors purchased $3.6 million of common stock
1994	$1.7 million	$ 601,000	$(3,879,070)	
1995	$2.1 million	$ 815,000	$(2,796,000)	■ Investors purchased $337,000 of common stock
1996	$3.3 million	$1,020,000	$ (774,000)	■ Three-for-two stock split
1997	$3.4 million	$1,223,000	$ 1,205,000	
1998	$3.4 million	$1,223,000	$ 3,482,000	
1999	$3.4 million	$1,316,000	$ 4,473,000	■ Investors purchased $9.6 million of common stock ■ Acquired 13 branches from Bank One of Louisiana ■ Acquired First Southwest Bank
2000	$5.0 million	$1,530,000	$ 5,027,000	■ Gains from sale of acquired branches net of tax totaling $2.8 million
2001	$6.0 million	$1,668,000	$ 8,638,000	■ Acquired Woodlands Bancorp ■ Gains from sale of acquired branches net of tax totaling $1.3 million
2002	$3.5 million	$1,751,000	$10,426,000	
2003	$7.0 million	$2,086,000	$13,967,000	
2004	$8.6 million	$2,752,000	$19,771,000	
2005	$6.0 million	$3,173,000	$23,351,000	■ Four-for-three stock split
2006	$8.4 million	$3,335,000	$28,402,000	
2007	$9.8 million	$3,503,000	$34,671,000	■ Acquired Homestead Bancorp
2008	$5.5 million	$3,558,000	$36,626,000	
2009	$7.6 million	$3,558,000	$40,069,000	
2010	$10.0 million	$3,558,000	$45,203,000	
2011	$8.0 million	$3,610,000	$47,650,000	■ Acquired Greensburg Bancshares
2012	$12.1 million	$4,035,000	$53,702,000	■ 2,895 treasury shares purchased at $18.59 per share ■ 10% common stock dividend ■ Dividend rate per share remains $0.16 per quarter
2013	$9.1 million	$4,027,000	$58,102,000	■ Total loans exceeded $700 million ■ 82 consecutive quarterly dividends paid
2014	$11.2 million	$4,027,000	$64,905,000	■ Retained earnings grew by $6.8 million ■ Total loans reached $790 million
2015	**$14.5 million**	**$4,247,000**	**$73,445,000**	■ **10% common stock dividend** ■ **Dividend rate per share remains $0.16 per quarter** ■ **90th consecutive quarterly dividend** ■ **Listed in NASDAQ** ■ **Redeemed SBLF Preferred Stock**
	$151.7 million	**$56,816,000**		

** Retained earnings has not been adjusted to consider stock splits or stock dividends. This better reflects earnings that have been retained as capital. Retained earnings is the product of Company earnings less common and preferred dividends. The accumulated deficits in 1993 through 1996 were due to losses incurred prior to 1993.*

Banks Headquartered in Louisiana *Ranked by Asset Size as of December 31, 2015*

Rank	Bank	City
1	Iberiabank	Lafayette
2	First NBC Bank	New Orleans
3	Origin Bank	Choudrant
4	MidSouth Bank, National Association	Lafayette
5	Home Bank	Lafayette
6	Red River Bank	Alexandria
7	**First Guaranty Bank**	*Hammond*
8	Gulf Coast Bank and Trust Company	New Orleans
9	Business First Bank	Baton Rouge
10	Crescent Bank & Trust	New Orleans
11	Investar Bank	Baton Rouge
12	First American Bank and Trust	Vacherie
13	Citizens National Bank, N.A.	Bossier City
14	Sabine State Bank and Trust Company	Many
15	First National Banker's Bank	Baton Rouge
16	Fidelity Bank	New Orleans
17	JD Bank	Jennings
18	First Federal Bank of Louisiana	Lake Charles
19	First Bank and Trust	New Orleans
20	Ouachita Independent Bank	Monroe
21	Liberty Bank and Trust Company	New Orleans
22	The Evangeline Bank and Trust Company	Ville Platte
23	Resource Bank	Covington
24	St. Martin Bank and Trust Company	Saint Martinville
25	United Community Bank	Gonzales
26	Progressive Bank	Monroe
27	Concordia Bank & Trust Company	Vidalia
28	Synergy Bank	Houma
29	South Louisiana Bank, Houma, Louisiana	Houma
30	Community Bank of Louisiana	Mansfield
31	Coastal Commerce Bank	Houma
32	Merchants & Farmers Bank & Trust Company	Leesville
33	Fifth District Savings Bank	New Orleans
34	Gibsland Bank & Trust Company	Gibsland
35	Gulf Coast Bank	Abbeville
36	Rayne State Bank & Trust Company	Rayne
37	Metairie Bank & Trust Company	Metairie
38	Home Federal Bank	Shreveport
39	Bank of Commerce & Trust Co.	Crowley
40	First National Bank of Louisiana	Crowley
41	M C Bank & Trust Company	Morgan City
42	Cottonport Bank	Cottonport
43	Community First Bank	New Iberia
44	MBL Bank	Minden
45	Cross Keys Bank	Saint Joseph
46	City Savings Bank & Trust Company	Deridder
47	Farmers-Merchant Bank & Trust Company	Breaux Bridge
48	Richland State Bank	Rayville
49	Southern Heritage Bank	Jonesville
50	St. Landry Bank and Trust Company	Opelousas
51	Iberville Bank	Plaquemine
52	Patterson State Bank	Patterson
53	Citizens Bank & Trust Company	Plaquemine
54	City Bank & Trust Co.	Natchitoches
55	The Union Bank	Marksville
56	Delta Bank	Vidalia
57	Citizen's Bank	Ville Platte
58	First National Bank in Deridder	Deridder
59	Florida Parishes Bank	Hammond
60	The First National Bank of Jeanerette	Jeanerette
61	Bank of Montgomery	Montgomery
62	First National Bank	Arcadia
63	St. Landry Homestead Federal Savings Bank	Opelousas
64	Peoples Bank and Trust Company of Pointe Coupee Parish	New Roads
65	Bank of Ruston	Ruston
66	The Bank	Jennings
67	Bank of Coushatta	Coushatta
68	Tri-Parish Bank	Eunice
69	Citizens Savings Bank	Bogalusa
70	Bank of Zachary	Zachary
71	Guaranty Bank & Trust Company of Delhi, Louisiana	Delhi
72	Jonesboro State Bank	Jonesboro
73	Guaranty Bank and Trust Company	New Roads
74	American Bank & Trust Company	Opelousas
75	Catahoula - LaSalle Bank	Jonesville
76	Bank of Abbeville & Trust Company	Abbeville
77	Homeland Federal Savings Bank	Columbia
78	Caldwell Bank & Trust Company	Columbia
79	Marion State Bank	Marion
80	South Lafourche Bank & Trust Company	Larose
81	Franklin State Bank & Trust Company	Winnsboro
82	Washington State Bank	Washington
83	Lakeside Bank	Lake Charles
84	Tensas State Bank	Newellton
85	Plaquemine Bank & Trust Company	Plaquemine
86	Bank of Winnfield & Trust Company	Winnfield
87	Citizens Bank & Trust Company	Vivian
88	Anthem Bank & Trust	Plaquemine
89	The Highlands Bank	Jackson
90	State Bank & Trust Company	Golden Meadow
91	Winnsboro State Bank & Trust Company	Winnsboro
92	Vermilion Bank & Trust Company	Kaplan
93	First National Bank USA	Boutte
94	Bank of Sunset and Trust Company	Sunset
95	Exhange Bank and Trust Company, Natchitoches, Louisiana	Natchitoches
96	Citizens Progressive Bank	Winnsboro
97	Mississippi River Bank	Belle Chasse
98	Bank of St. Francisville	Saint Francisville
99	Citizens Bank & Trust Company	Covington
100	Hibernia Bank	New Orleans
101	American Bank & Trust Company	Covington
102	Feliciana Bank & Trust Company	Clinton
103	Landmark Bank	Clinton
104	Teche Bank & Trust Co.	Saint Martinville
105	Farmers State Bank & Trust Co.	Church Point
106	Colfax Banking Company	Colfax
107	Bank of Erath	Erath
108	Heritage Bank of St. Tammany	Covington
109	Eureka Homestead	Metairie
110	Kaplan State Bank	Kaplan
111	Jackson Parish Bank	Jonesboro
112	Bank of Gueydan	Gueydan
113	Commercial Capital Bank	Delhi
114	Bank of Louisiana	New Orleans
115	Simmesport State Bank	Simmesport
116	Union Savings and Loan Association	New Orleans
117	The Bank of Commerce	White Castle
118	Hodge Bank & Trust Company	Hodge
119	Abbevile Building & Loan (A State-Chartered Savings Bank)	Abbeville
120	Rayne Building and Loan Association	Rayne
121	Beauregard FSB	Deridder
122	Commerce Community Bank	Oak Grove
123	First National Bank of Benton	Benton
124	Bank of Ringgold	Ringgold
125	Basile State Bank	Basile
126	Bank of Oak Ridge	Oak Ridge
127	Peoples Bank	Chatham
128	Sicily Island State Bank	Sicily Island
129	Mutual Savings and Loan Association	Metairie
130	The Mer Rouge State Bank	Mer Rouge
131	Progressive National Bank of DeSoto Parish	Mansfield
132	Tri-State Bank and Trust	Haughton

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Selected Financial Data

The following table presents consolidated selected financial data for First Guaranty. It does not purport to be complete and is qualified in its entirety by more detailed financial information and the audited Consolidated Financial Statements contained elsewhere in this Annual Report.

	At or For the Years Ended December 31,				
	2015	2014	2013	2012	2011
	(in thousands except for % and share data)				
Year End Balance Sheet Data:					
Investment securities	**$ 546,121**	$ 641,603	$ 634,504	$ 659,243	$ 633,163
Federal funds sold	**$ 582**	$ 210	$ 665	$ 2,891	$ 68,630
Loans, net of unearned income	**$ 841,583**	$ 790,321	$ 703,166	$ 629,500	$ 573,100
Allowance for loan losses	**$ 9,415**	$ 9,105	$ 10,355	$ 10,342	$ 8,879
Total assets	**$ 1,459,753**	$ 1,518,876	$ 1,436,441	$ 1,407,303	$ 1,353,866
Total deposits	**$ 1,295,870**	$ 1,371,839	$ 1,303,099	$ 1,252,612	$ 1,207,302
Borrowings	**$ 42,221**	$ 3,255	$ 6,288	$ 15,846	$ 15,423
Shareholders' equity	**$ 118,224**	$ 139,583	$ 123,405	$ 134,181	$ 126,602
Common shareholders' equity	**$ 118,224**	$ 100,148	$ 83,970	$ 94,746	$ 87,167
Performance Ratios and Other Data:					
Return on average assets	**0.97%**	0.77%	0.65%	0.89%	0.65%
Return on average common equity	**12.98%**	11.40%	9.31%	10.90%	7.37%
Return on average tangible assets	**0.99%**	0.79%	0.67%	0.91%	0.67%
Return on average tangible common equity	**13.60%**	12.10%	9.99%	11.70%	7.97%
Net interest margin	**3.26%**	3.11%	2.92%	3.20%	3.31%
Average loans to average deposits	**61.31%**	55.72%	53.58%	49.04%	52.79%
Efficiency ratio[1]	**55.11%**	62.85%	65.61%	58.56%	56.77%
Efficiency ratio (excluding amortization of intangibles and securities transactions)[1]	**57.74%**	62.58%	67.17%	63.73%	60.29%
Full time equivalent employees (year end)	**277**	271	278	274	269
Capital Ratios:					
Average shareholders' equity to average assets	**9.88%**	9.24%	9.28%	9.72%	8.80%
Average tangible equity to average tangible assets	**9.67%**	9.00%	9.02%	9.43%	8.52%
Common shareholders' equity to total assets	**8.10%**	6.59%	5.85%	6.73%	6.44%
Tier 1 leverage capital consolidated	**8.17%**	9.33%	9.14%	9.24%	9.03%
Tier 1 capital consolidated	**10.85%**	13.16%	13.61%	14.13%	13.71%
Total risk-based capital consolidated	**13.13%**	14.05%	14.71%	15.31%	14.75%
Common equity tier one capital consolidated	**10.85%**	N/A	N/A	N/A	N/A
Tangible common equity to tangible assets[2]	**7.89%**	6.37%	5.59%	6.45%	6.12%

Income Data:					
Interest income	**$ 56,079**	$ 53,297	$ 50,886	$ 55,195	$ 54,609
Interest expense	**$ 8,608**	$ 9,202	$ 11,134	$ 13,120	$ 15,118
Net interest income	**$ 47,471**	$ 44,095	$ 39,752	$ 42,075	$ 39,491
Provision for loan losses	**$ 3,864**	$ 1,962	$ 2,520	$ 4,134	$ 10,187
Noninterest income (excluding securities transactions)	**$ 5,656**	$ 5,882	$ 5,907	$ 6,272	$ 7,742
Securities gains	**$ 3,300**	$ 295	$ 1,571	$ 4,868	$ 3,531
Noninterest expense	**$ 31,095**	$ 31,594	$ 30,987	$ 31,161	$ 28,821
Earnings before income taxes	**$ 21,468**	$ 16,716	$ 13,723	$ 17,920	$ 11,756
Net income	**$ 14,505**	$ 11,224	$ 9,146	$ 12,059	$ 8,033
Net income available to common shareholders	**$ 14,121**	$ 10,830	$ 8,433	$ 10,087	$ 6,057
Per Common Share Data: (4)					
Net earnings	**$ 2.01**	$ 1.57	$ 1.22	$ 1.46	$ 0.89
Cash dividends paid	**$ 0.60**	$ 0.58	$ 0.58	$ 0.58	$ 0.52
Book value	**$ 15.54**	$ 14.47	$ 12.13	$ 13.69	$ 12.59
Tangible book value (3)	**$ 15.10**	$ 13.95	$ 11.57	$ 13.08	$ 11.93
Dividend payout ratio	**30.07%**	37.18%	47.75%	40.00%	59.60%
Weighted average number of shares outstanding	**7,013,869**	6,920,022	6,920,022	6,921,696	6,825,779
Number of shares outstanding	**7,609,194**	6,920,022	6,920,022	6,920,022	6,923,205
Asset Quality Ratios:					
Non-performing assets to total assets	**1.51%**	0.99%	1.27%	1.67%	2.13%
Non-performing assets to total loans	**2.62%**	1.90%	2.60%	3.74%	5.04%
Non-performing loans to total loans	**2.43%**	1.62%	2.12%	3.36%	4.05%
Loan loss reserve to non-performing assets	**42.74%**	60.74%	56.72%	43.94%	30.73%
Net charge-offs to average loans	**0.44%**	0.45%	0.38%	0.45%	1.65%
Provision for loan loss to average loans	**0.47%**	0.27%	0.38%	0.70%	1.75%
Allowance for loan loss to total loans	**1.12%**	1.15%	1.47%	1.64%	1.55%

(1) Efficiency ratio represents noninterest expense divided by the sum of net interest income and noninterest income. We calculate both a GAAP and a non-GAAP efficiency ratio. The GAAP-based efficiency ratio is noninterest expenses divided by net interest income plus noninterest income. See below for our reconciliation of non-GAAP financial measures to their most directly comparable GAAP financial measures under the caption "Selected Financial Data—Non-GAAP Financial Measures."

(2) We calculate tangible common equity as total shareholders' equity less preferred stock, goodwill and acquisition intangibles, principally core deposit intangibles, net of accumulated amortization, and we calculate tangible assets as total assets less goodwill and core deposit intangibles. Tangible common equity to tangible assets is a non-GAAP financial measure, and, as we calculate tangible common equity to tangible assets, the most directly comparable GAAP financial measure is total shareholders' equity to total assets. See below for our reconciliation of non-GAAP financial measures to their most directly comparable GAAP financial measures under the caption "Selected Historical Consolidated Financial and Other Data—Non-GAAP Financial Measures."

(3) We calculate tangible book value per common share as total shareholders' equity less preferred stock, goodwill and acquisition intangibles, principally core deposit intangibles, net of accumulated amortization at the end of the relevant period, divided by the outstanding number of shares of our common stock at the end of the relevant period. Tangible book value per common share is a non-GAAP financial measure, and, as we calculate tangible book value per common share, the most directly comparable GAAP financial measure is book value per common share. See below for our reconciliation of non-GAAP financial measures to their most directly comparable GAAP financial measures under the caption "Selected Financial Data—Non-GAAP Financial Measures."

(4) Historical share and per share amounts have been adjusted to reflect the ten percent stock dividend paid December 17, 2015 to shareholders of record as of December 10, 2015.

Non-GAAP Financial Measures

Our accounting and reporting policies conform to accounting principles generally accepted in the United States, or GAAP, and the prevailing practices in the banking industry. However, we also evaluate our performance based on certain additional metrics. Tangible book value per share and the ratio of tangible equity to tangible assets are not financial measures recognized under GAAP and, therefore, are considered non-GAAP financial measures.

Our Management, banking regulators, many financial analysts and other investors use these non-GAAP financial measures to compare the capital adequacy of banking organizations with significant amounts of preferred equity and/or goodwill or other intangible assets, which typically stem from the use of the purchase accounting method of accounting for mergers and acquisitions. Tangible equity, tangible assets, tangible book value per share or related measures should not be considered in isolation or as a substitute for total shareholders' equity, total assets, book value per share or any other measure calculated in accordance with GAAP. Moreover, the manner in which we calculate tangible equity, tangible assets, tangible book value per share and any other related measures may differ from that of other companies reporting measures with similar names.

The following table reconciles, as of the dates set forth below, shareholders' equity (on a GAAP basis) to tangible equity and total assets (on a GAAP basis) to tangible assets and calculates our tangible book value per share.

	At December 31,				
	2015	2014	2013	2012	2011
	(in thousands except for share data and %)				
Tangible Common Equity					
Total shareholders' equity	$ 118,224	$ 139,583	$ 123,405	$ 134,181	$ 126,602
Adjustments:					
Preferred	-	39,435	39,435	39,435	39,435
Goodwill	1,999	1,999	1,999	1,999	1,999
Acquisition intangibles	1,298	1,618	1,938	2,257	2,608
Tangible common equity	**$ 114,927**	**$ 96,531**	**$ 80,033**	**$ 90,490**	**$ 82,560**
Common shares outstanding	7,609,194	6,920,022	6,920,022	6,920,022	6,923,205
Book value per common share	$ 15.54	$ 14.47	$ 12.13	$ 13.69	$ 12.59
Tangible book value per common share	$ 15.10	$ 13.95	$ 11.57	$ 13.08	$ 11.93
Tangible Assets					
Total Assets	$ 1,459,753	$ 1,518,876	$ 1,436,441	$ 1,407,303	$ 1,353,866
Adjustments:					
Goodwill	1,999	1,999	1,999	1,999	1,999
Acquisition intangibles	1,298	1,618	1,938	2,257	2,608
Tangible Assets	**$ 1,456,456**	**$1,515,259**	**$1,432,504**	**$1,403,047**	**$1,349,259**
Tangible common equity to tangible assets	**7.89%**	**6.37%**	**5.59%**	**6.45%**	**6.12%**

The efficiency ratio is a non-GAAP measure generally used by financial analysts and investment bankers to evaluate financial institutions. We calculate the efficiency ratio by dividing noninterest expense by the sum of net interest income and noninterest income, excluding amortizations of intangibles and securities transactions. The GAAP-based efficiency ratio is noninterest expenses divided by net interest income plus noninterest income.

The following table reconciles, as of the dates set forth below, our efficiency ratio to the GAAP-based efficiency ratio:

	For the Year Ended December 31,				
	2015	2014	2013	2012	2011
	(in thousands except for share data and %)				
GAAP-based efficiency ratio	**55.11%**	**62.85%**	**65.61%**	**58.56%**	**56.77%**
Noninterest expense	$31,095	$31,594	$30,987	$31,161	$28,821
Amortization of intangibles	320	320	320	350	286
Noninterest expense, excluding amortization	30,775	31,274	30,667	30,811	28,535
Net interest income	47,471	44,095	39,752	42,075	39,491
Noninterest income	8,956	6,177	7,478	11,140	11,273
Adjustments:					
Securities transactions	3,125	295	1,571	4,868	3,434
Noninterest income, excluding securities transactions	$ 5,831	$ 5,882	$ 5,907	$ 6,272	$ 7,839
Efficiency ratio	**57.74%**	**62.58%**	**67.17%**	**63.73%**	**60.29%**

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with "Selected Financial Data" and our Consolidated Financial Statements. This discussion and analysis contains forward-looking statements that are subject to certain risks and uncertainties and are based on certain assumptions that we believe are reasonable but may prove to be inaccurate. Certain risks, uncertainties and other factors, including those set forth under "Forward-Looking Statements," and "Risk Factors," may cause actual results to differ materially from those projected results discussed in the forward-looking statements appearing in this discussion and analysis. We assume no obligation to update any of these forward-looking statements.

Special Note Regarding Forward-Looking Statements

Congress passed the Private Securities Litigation Act of 1995 in an effort to encourage corporations to provide information about a Company's anticipated future financial performance. This act provides a safe harbor for such disclosure, which protects us from unwarranted litigation, if actual results are different from Management expectations. This discussion and analysis contains forward-looking statements and reflects Management's current views and estimates of future economic circumstances, industry conditions, company performance and financial results. The words "may," "should," "expect," "anticipate," "intend," "plan," "continue," "believe," "seek," "estimate" and similar expressions are intended to identify forward-looking statements. These forward-looking statements are subject to a number of factors and uncertainties, including, changes in general economic conditions, either nationally or in our market areas, that are worse than expected; competition among depository and other financial institutions; inflation and changes in the interest rate environment that reduce our margins or reduce the fair value of financial instruments; adverse changes in the securities markets; changes in laws or government regulations or policies affecting financial institutions, including changes in regulatory fees and capital requirements; our ability to enter new markets successfully and capitalize on growth opportunities; our ability to successfully integrate acquired entities, if any; changes in consumer spending, borrowing and savings habits; changes in accounting policies and practices, as may be adopted by the bank regulatory agencies, the Financial Accounting Standards Board, the Securities and Exchange Commission and the Public Company Accounting Oversight Board; changes in our organization, compensation and benefit plans; changes in our financial condition or results of operations that reduce capital available to pay dividends; and changes in the financial condition or future prospects of issuers of securities that we own, which could cause our actual results and experience to differ from the anticipated results and expectations, expressed in such forward-looking statements.

Overview

First Guaranty Bancshares is a Louisiana corporation and a bank holding company headquartered in Hammond, Louisiana. Our wholly-owned subsidiary, First Guaranty Bank, a Louisiana-chartered commercial bank, provides personalized commercial banking services primarily to Louisiana customers through 21 banking facilities primarily located in the MSAs of Hammond, Baton Rouge, Lafayette and Shreveport-Bossier City. We emphasize personal relationships and localized decision making to ensure that products and services are matched to customer needs. We compete for business principally on the basis of personal service to customers, customer access to officers and directors and competitive interest rates and fees.

Total assets were $1.5 billion at December 31, 2015 and December 31, 2014. Total deposits were $1.3 billion at December 31, 2015 and $1.4 billion at December 31, 2014. Total loans were $841.6 million at December 31, 2015, an increase of $51.3 million, or 6.5%, compared with December 31, 2014. Common shareholders' equity was $118.2 million and $100.1 million at December 31, 2015 and December 31, 2014, respectively.

Net income was $14.5 million, $11.2 million and $9.1 million for the years ended December 31, 2015, 2014 and 2013, respectively. We generate most of our revenues from interest income on loans, interest income on securities, sales of securities and service charges, commissions and fees. We incur interest expense on deposits and other borrowed funds and noninterest expense such as salaries and employee benefits and occupancy and equipment expenses. Net interest income is the difference between interest income earned on interest-earning assets such as loans and securities and interest expense paid on interest-bearing liabilities such as deposits and borrowings which are used to fund those assets. Net interest income is our largest source of revenue. To evaluate net interest income, we measure and monitor: (1) yields on our loans and other interest-earning assets; (2) the costs of our deposits and other funding sources; (3) our net interest spread; and (4) our net interest margin. Net interest spread is the difference between rates earned on interest-earning assets and rates paid on interest-bearing liabilities. Net interest margin is calculated as net interest income divided by average interest-earning assets. Because noninterest-bearing sources of funds, such as noninterest-bearing deposits also fund interest-earning assets, net interest margin includes the benefit of these noninterest-bearing sources.

Changes in market interest rates and interest rates we earn on interest-earning assets or pay on interest-bearing liabilities, as well as the volume and types of interest-earning assets, interest-bearing and noninterest-bearing liabilities are usually the largest drivers of periodic changes in net interest spread, net interest margin and net interest income. Fluctuations in market interest rates are driven by many factors, including governmental monetary policies, inflation, deflation, macroeconomic developments, changes in unemployment, the money supply, political and international conditions and conditions in domestic and foreign financial markets. Periodic changes in the volume and types of loans in our loan portfolio are affected by, among other factors, economic and competitive conditions in Louisiana and our other out-of-state market areas. During the extended period of historically low interest rates, we continue to evaluate our investments in interest-earning assets in relation to the impact such investments have on our financial condition, results of operations and shareholders' equity if interest rates were to suddenly increase as they did in the second and third quarters of 2013.

Financial highlights for 2015 and 2014:

- Total assets at December 31, 2015 decreased $59.1 million, or 3.9%, to $1.5 billion when compared to December 31, 2014. Total loans at December 31, 2015 were $841.6 million, an increase of $51.3 million, or 6.5%, compared with December 31, 2014. Common shareholders' equity was $118.2 million and $100.1 million at December 31, 2015 and 2014, respectively.
- Net income for the years ended December 31, 2015 and 2014 was $14.5 million and $11.2 million, respectively. The increase in net income for 2015 was the result of higher loan interest income and non-interest income and lower interest expense compared to 2014. In addition, First Guaranty liquidated an equity security during 2015 at a gain of $2.7 million.
- Net income available to common shareholders after preferred stock dividends was $14.1 million and $10.8 million for the years ended December 31, 2015 and 2014, respectively. Dividends on preferred stock were $0.4 million in 2015 and 2014.

- Earnings per common share were $2.01 and $1.57 for the years ended December 31, 2015 and 2014, respectively.
- First Guaranty completed its common stock offering on November 12, 2015 that raised $9.3 million in capital. First Guaranty's common stock is traded on NASDAQ under the symbol FGBI.
- First Guaranty declared a 10% common stock dividend on November 19, 2015 that was paid on December 17, 2015 to shareholders of record as of December 10, 2015.
- First Guaranty used proceeds from a $25.0 million senior secured loan and a $15.0 million subordinated debt offering to redeem all $39.4 million of its Series C preferred stock from the U.S. Treasury Department Small Business Lending Fund on December 22, 2015.
- Net interest income for 2015 was $47.5 million compared to $44.1 million for 2014.
- The provision for loan losses totaled $3.9 million for 2015 compared to $2.0 million in 2014. The increase in provision was due to growth in the loan portfolio and due to charge-offs of $4.2 million associated primarily with five loan relationships.
- The net interest margin for 2015 was 3.26%, which was an increase of fifteen basis points from the net interest margin of 3.11% for 2014. First Guaranty attributed the improvement in the net interest margin to the continued shift in interest earning asset balances from securities to loans and the continued reduction in interest expense over the last year.
- Investment securities totaled $546.1 million at December 31, 2015, a decrease of $95.5 million when compared to $641.6 million at December 31, 2014. At December 31, 2015, available for sale securities, at fair value, totaled $376.4 million; a decrease of $123.4 million when compared to $499.8 million at December 31, 2014. At December 31, 2015, held to maturity securities, at amortized cost, totaled $169.8 million; an increase of $28.0 million when compared to $141.8 million at December 31, 2014. Mortgage-backed securities, backed by U.S. Government agencies or enterprises, made up $92.4 million of the $169.8 million of the held to maturity securities at December 31, 2015.
- Total loans net of unearned income were $841.6 million at December 31, 2015 compared to $790.3 million at December 31, 2014. The net loan portfolio at December 31, 2015 totaled $832.2 million, a net increase of $51.0 million from $781.2 million at December 31, 2014. Total loans net of unearned income are reduced by the allowance for loan losses which totaled $9.4 million at December 31, 2015 and $9.1 million at December 31, 2014.
- Total impaired loans decreased $3.7 million to $25.8 million at December 31, 2015 compared to $29.5 million at December 31, 2014.
- Nonaccrual loans increased $7.8 million to $20.0 million at December 31, 2015 compared to $12.2 million at December 31, 2014.
- Common stock increased 0.7 million shares to 7.6 million shares at December 31, 2015 when compared to 6.9 million shares at December 31, 2014. This was due to the completion of the public offering in the fourth quarter of 2015.
- Retained earnings increased $8.5 million to $49.9 million at December 31, 2015 when compared to $41.4 million at December 31, 2014.
- Return on average assets for the year end December 31, 2015 and December 31, 2014 was 0.97% and 0.77%, respectively. Return on average common equity was 12.98% and 11.40% for 2015 and 2014, respectively. Return on average assets is calculated by dividing net income before preferred dividends by average assets. Return on average common equity is calculated by dividing net income to common shareholders by average common equity.
- Book value per common share was $15.54 as of December 31, 2015 compared to $14.47 as of December 31, 2014. Tangible book value per common share was $15.10 as of December 31, 2015 compared to $13.95 as of December 31, 2014.
- The increase in book value was principally due to an increase in common shareholders' equity of $18.1 million to $118.2 million at December 31, 2015. Surplus increased $9.9 million to $61.6 million at December 31, 2015. Retained earnings increased $8.5 million to $49.9 million at December 31, 2015. These increases were offset by a change in accumulated other comprehensive income (loss) from an unrealized gain of $0.2 million at December 31, 2014 to an unrealized loss of $0.9 million at December 31, 2015.
- First Guaranty's Board of Directors declared and First Guaranty paid cash dividends of $0.60 and $0.58 per common share in 2015 and 2014.

Application of Critical Accounting Policies

Our accounting and reporting policies conform to generally accepted accounting principles in the United States and to predominant accounting practices within the banking industry. Certain critical accounting policies require judgment and estimates which are used in the preparation of the financial statements.

Allowance for Loan Losses.

The allowance for loan losses is established through a provision for loan losses charged to expense. Loans are charged against the allowance for loan losses when management believes that the collectability of the principal is unlikely. The allowance, which is based on evaluation of the collectability of loans and prior loan loss experience, is an amount that, in the opinion of management, reflects the risks inherent in the existing loan portfolio and exists at the reporting date. The evaluations take into consideration a number of subjective factors including changes in the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans, current economic conditions that may affect a borrower’s ability to pay, adequacy of loan collateral and other relevant factors. In addition, regulatory agencies, as an integral part of their examination process, periodically review the estimated losses on loans. Such agencies may require additional recognition of losses based on their judgments about information available to them at the time of their examination.

The following are general credit risk factors that affect our loan portfolio segments. These factors do not encompass all risks associated with each loan category. Construction and land development loans have risks associated with interim construction prior to permanent financing and repayment risks due to the future sale of developed property. Farmland and agricultural loans have risks such as weather, government agricultural policies, fuel and fertilizer costs, and market price volatility. One- to four-family residential, multi-family and consumer credits are strongly influenced by employment levels, consumer debt loads and the general economy. Non-farm non-residential loans include both owner-occupied real estate and non-owner occupied real estate. Common risks associated with these properties is the ability to maintain tenant leases and keep lease income at a level able to service required debt and operating expenses. Commercial and industrial loans generally have non-real estate secured collateral which requires closer monitoring than real estate collateral.

Although Management uses available information to recognize losses on loans, because of uncertainties associated with local economic conditions, collateral values and future cash flows on impaired loans, it is reasonably possible that a material change could occur in the allowance for loan losses in the near term. However, the amount of the change that is reasonably possible cannot be estimated. The evaluation of the adequacy of loan collateral is often based upon estimates and appraisals. Because of changing economic conditions,

the valuations determined from such estimates and appraisals may also change. Accordingly, we may ultimately incur losses that vary from Management's current estimates. Adjustments to the allowance for loan losses will be reported in the period such adjustments become known or can be reasonably estimated. All loan losses are charged to the allowance for loan losses when the loss actually occurs or when the collectability of the principal is unlikely. Recoveries are credited to the allowance at the time of recovery.

The allowance consists of specific, general and unallocated components. The specific component relates to loans that are classified as doubtful, substandard and impaired. For such loans that are also classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. Also, a specific reserve is allocated for our syndicated loans. The general component covers non-classified loans and special mention loans and is based on historical loss experience adjusted for qualitative factors. An unallocated component is maintained to cover uncertainties that could affect the estimate of probable losses.

The allowance for loan losses is reviewed on a monthly basis. The monitoring of credit risk also extends to unfunded credit commitments, such as unused commercial credit lines and letters of credit. A reserve is established as needed for estimates of probable losses on such commitments.

Other-Than-Temporary Impairment of Investment Securities.

Management evaluates securities for other-than-temporary impairment ("OTTI") at least on a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. Declines in the fair value of securities below their cost that are other-than-temporary are reflected as realized losses. In estimating other-than-temporary losses, Management considers the length of time and extent that fair value has been less than cost and the financial condition and near term prospects of the issuer. Management also assesses whether it intends to sell, or it is more likely than not that it will be required to sell, a security in an unrealized loss position before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the entire difference between amortized cost and fair value is recognized as impairment through earnings. For debt securities that do not meet the aforementioned criteria, the amount of impairment is split into two components as follows: 1) OTTI related to credit loss, which must be recognized in the income statement and 2) OTTI related to other factors, which is recognized in other comprehensive income. The credit loss is defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis. For equity securities, the entire amount of impairment is recognized through earnings.

Valuation of Goodwill, Intangible Assets and Other Purchase Accounting Adjustments.

Intangible assets are comprised of goodwill, core deposit intangibles and mortgage servicing rights. Goodwill and intangible assets deemed to have indefinite lives are no longer amortized, but are subject to annual impairment tests. Our goodwill is tested for impairment on an annual basis, or more often if events or circumstances indicate impairment may exist. Adverse changes in the economic environment, declining operations or other factors could result in a decline in the implied fair value of goodwill. If the implied fair value is less than the carrying amount, a loss would be recognized in other noninterest expense to reduce the carrying amount to implied fair value of goodwill. Our goodwill impairment test includes two steps that are preceded by a "step zero" qualitative test. The qualitative test allows management to assess whether qualitative factors indicate that it is more likely than not that impairment exists. If it is not more likely than not that impairment exists, then the two step quantitative test would not be necessary. These qualitative indicators include factors such as earnings, share price, market conditions, etc. If the qualitative factors indicate that it is more likely than not that impairment exists, then the two step quantitative test would be necessary. Step one is used to identify potential impairment and compares the estimated fair value of a reporting unit with its carrying amount, including goodwill. If the estimated fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired. If the carrying amount of a reporting unit exceeds its estimated fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment loss, if any. Step two of the goodwill impairment test compares the implied estimated fair value of reporting unit goodwill with the carrying amount of that goodwill. If the carrying amount of goodwill for that reporting unit exceeds the implied fair value of that unit's goodwill, an impairment loss is recognized in an amount equal to the excess.

Identifiable intangible assets are acquired assets that lack physical substance but can be distinguished from goodwill because of contractual or legal rights or because the assets are capable of being sold or exchanged either on their own or in combination with related contract, asset or liability. Our intangible assets primarily relate to core deposits. Management periodically evaluates whether events or circumstances have occurred that would result in impairment of value.

Financial Condition

Assets.

Our total assets were $1.5 billion at December 31, 2015, a decrease of $59.1 million, or 3.9%, from total assets at December 31, 2014, primarily due to the decrease of our investment securities portfolio of $95.5 million and cash and cash equivalents of $7.3 million, partially offset by growth of $51.0 million in our loan portfolio.

Loans.

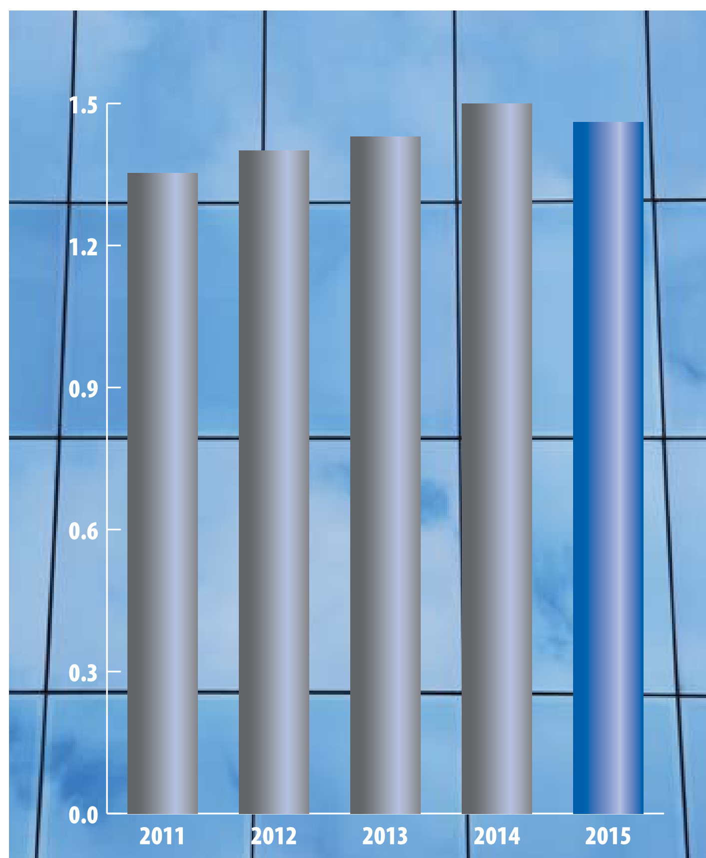
Net loans increased $51.0 million, or 6.5%, to $832.2 million at December 31, 2015 from $781.2 million at December 31, 2014. Net loans increased during 2015 primarily due to a $27.9 million increase in commercial and industrial loans, a $11.4 million increase in one- to four-family residential loans, a $11.2 million increase in consumer and other loans, a $4.1 million increase in farmland loans and a $4.0 million increase in construction and land development loans. Commercial and industrial loans increased primarily due to an increase in our small business lending as a result of our participation in the SBLF. Syndicated loans declined during 2015 from $129.0 million at December 31, 2014 to $105.9 million at December 31, 2015. One- to four-family residential loans increased due to an increase in our loan originations and the decision to retain one-to four-family residential loans in our portfolio rather than sell them in the secondary market. Consumer and other loans increased due to the continued growth in our commercial lease originations and due to increased funding associated with an existing credit facility to a financial institution. The increase in farmland loans was primarily the result of the increase in the disbursement of our farmland loan commitments due to the seasonality of farming operations during the year ended December 31, 2015. The increase in construction and land development loans was due to increased draws on lines of credit. There are no significant concentrations of credit to any individual borrower.

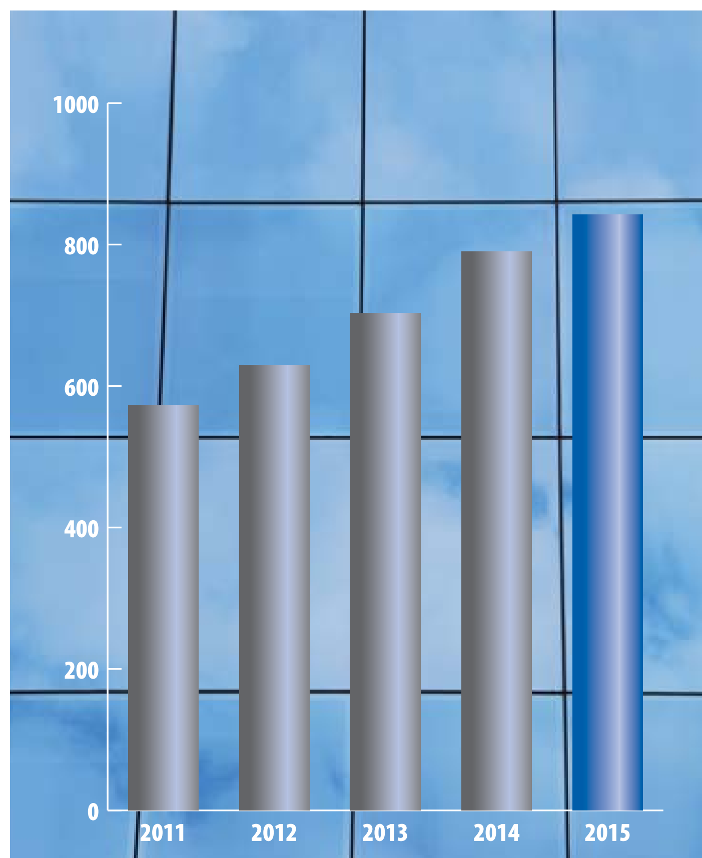
As of December 31, 2015, 63.9% of our loan portfolio was secured primarily or secondarily by real estate. The largest portion of our loan portfolio, at 38.3% at December 31, 2015, was non-farm non-residential loans secured by real estate. Approximately 39.8% of the loan portfolio is based on a floating rate tied to the prime rate or London InterBank Offered Rate, or LIBOR, at December 31, 2015. Approximately 82.6% of the loan portfolio is scheduled to mature within 5 years from December 31, 2015.

Loan Portfolio Composition.

The tables below sets forth the balance of loans, excluding loans held for sale, outstanding by loan type as of the dates presented, and the percentage of each loan type to total loans.

	At December 31,									
	2015		2014		2013		2012		2011	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
	(in thousands except for %)									
Real Estate:										
Construction & land development	$ 56,132	6.6%	$ 52,094	6.6%	$ 47,550	6.7%	$ 44,856	7.1%	$ 78,614	13.7%
Farmland	17,672	2.1%	13,539	1.7%	9,826	1.4%	11,182	1.8%	11,577	2.0%
1- 4-Family	129,610	15.4%	118,181	14.9%	103,764	14.7%	87,473	13.8%	89,202	15.6%
Multi-family	12,629	1.5%	14,323	1.8%	13,771	2.0%	14,855	2.4%	16,914	2.9%
Non-farm non-residential	323,363	38.3%	328,400	41.5%	336,071	47.7%	312,716	49.6%	268,618	46.8%
Total Real Estate	**539,406**	**63.9%**	**526,537**	**66.5%**	**510,982**	**72.5%**	**471,082**	**74.7%**	**464,925**	**81.0%**
Non-Real Estate:										
Agricultural	25,838	3.1%	26,278	3.3%	21,749	3.1%	18,476	2.9%	17,338	3.0%
Commercial and industrial	224,201	26.6%	196,339	24.8%	151,087	21.4%	117,425	18.6%	68,025	11.9%
Consumer and other	54,163	6.4%	42,991	5.4%	20,917	3.0%	23,758	3.8%	23,455	4.1%
Total Non-Real Estate	**304,202**	**36.1%**	**265,608**	**33.5%**	**193,753**	**27.5%**	**159,659**	**25.3%**	**108,818**	**19.0%**
Total Loans Before Unearned Income	**843,608**	**100.0%**	**792,145**	**100.0%**	**704,735**	**100.0%**	**630,741**	**100.0%**	**573,743**	**100.0%**
Less: Unearned income	(2,025)		(1,824)		(1,569)		(1,241)		(643)	
Total Loans Net Of Unearned Income	**$841,583**		**$790,321**		**$703,166**		**$629,500**		**$573,100**	





Loan Portfolio Maturities.

The following tables summarize the scheduled repayments of our loan portfolio at December 31, 2015 and 2014. Demand loans, loans having no stated repayment schedule or maturity, and overdraft loans are reported as being due in one year or less. Maturities are based on the final contractual payment date and do not reflect the effect of prepayments and scheduled principal amortization.

	December 31, 2015			
	One Year or Less	More Than One Year Through Five Years	After Five Years	Total
	(in thousands)			
Real Estate:				
Construction & land development	$ 6,450	$ 39,133	$ 10,549	$ 56,132
Farmland	4,080	9,115	4,477	17,672
1 – 4-family	15,543	44,109	69,958	129,610
Multi-family	4,386	7,055	1,188	12,629
Non-farm non-residential	63,145	237,223	22,995	323,363
Total Real Estate	**93,604**	**336,635**	**109,167**	**539,406**
Non-real Estate:				
Agricultural	10,364	3,704	11,770	25,838
Commercial and industrial	28,261	188,732	7,208	224,201
Consumer and other	11,834	41,965	364	54,163
Total Non-Real Estate	**50,459**	**234,401**	**19,342**	**304,202**
Total Loans Before Unearned Income	**$144,063**	**$571,036**	**$128,509**	**843,608**
Less: unearned income				(2,025)
Total Loans Net Of Unearned Income				**$841,583**

	December 31, 2014			
	One Year or Less	More Than One Year Through Five Years	After Five Years	Total
	(in thousands)			
Real Estate:				
Construction & land development	$ 19,747	$ 30,376	$ 1,971	$ 52,094
Farmland	1,084	9,135	3,320	13,539
1 – 4-family	20,869	32,048	65,264	118,181
Multi-family	5,437	7,686	1,200	14,323
Non-farm non-residential	69,575	222,648	36,177	328,400
Total Real Estate	**116,712**	**301,893**	**107,932**	**526,537**
Non-real Estate:				
Agricultural	12,190	3,214	10,874	26,278
Commercial and industrial	32,140	147,005	17,194	196,339
Consumer and other	6,642	30,660	5,689	42,991
Total Non-Real Estate	**50,972**	**180,879**	**33,757**	**265,608**
Total Loans Before Unearned Income	**$167,684**	**$482,772**	**$141,689**	**792,145**
Less: unearned income				(1,824)
Total Loans Net Of Unearned Income				**$790,321**

The following table sets forth the scheduled repayments of fixed and adjustable-rate loans at December 31, 2015 that are contractually due after December 31, 2016.

	Due After December 31, 2015 (in thousands)		
	Fixed	**Floating**	**Total**
One to five years	$315,685	$246,374	$562,059
Five to 15 years	49,197	31,456	80,653
Over 15 years	36,438	9,333	45,771
Subtotal	**$401,320**	**$287,163**	**$688,483**
Nonaccrual loans			20,039
Total			**$668,444**

As of December 31, 2015, $132.9 million of floating rate loans were at their interest rate floor. At December 31, 2014, $195.7 million of floating rate loans were at the floor rate. Nonaccrual loans have been excluded from these totals.

Non-performing Assets.

Non-performing assets consist of non-performing loans and other real-estate owned. Non-performing loans (including nonaccruing troubled debt restructurings described below) are those on which the accrual of interest has stopped or loans which are contractually 90 days past due on which interest continues to accrue. Loans are ordinarily placed on nonaccrual status when principal and interest is delinquent for 90 days or more. However, management may elect to continue the accrual when the estimated net available value of collateral is sufficient to cover the principal balance and accrued interest. It is our policy to discontinue the accrual of interest income on any loan for which we have reasonable doubt as to the payment of interest or principal. When a loan is placed on nonaccrual status, unpaid interest credited to income is reversed. Nonaccrual loans are returned to accrual status when the financial position of the borrower indicates there is no longer any reasonable doubt as to the payment of principal or interest. Other real estate owned consists of property acquired through formal foreclosure, in-substance foreclosure or by deed in lieu of foreclosure.

The following table shows the principal amounts and categories of our non-performing assets at December 31, 2015, 2014, 2013, 2012 and 2011.

	December 31,				
	2015	2014	2013	2012	2011
	(in thousands)				
Nonaccrual loans:					
Real Estate:					
Construction and land development	$ 558	$ 486	$ 73	$ 854	$ 1,520
Farmland	117	153	130	312	562
1 – 4-family residential	4,538	3,819	4,248	4,603	5,647
Multi-family	9,045	-	-	-	-
Non-farm non-residential	2,934	4,993	7,539	11,571	12,400
Total Real Estate	**17,192**	**9,451**	**11,990**	**17,340**	**20,129**
Non-Real Estate:					
Agricultural	2,628	832	526	512	315
Commercial and industrial	48	1,907	1,946	2,831	1,986
Consumer and other	171	4	23	5	20
Total Non-Real Estate	**2,847**	**2,743**	**2,495**	**3,348**	**2,321**
Total nonaccrual loans	**20,039**	**12,194**	**14,485**	**20,688**	**22,450**
Loans 90 days and greater delinquent & still accruing:					
Real Estate:					
Construction and land development	-	-	-	-	-
Farmland	19	-	-	-	-
1 - 4-family residential	391	599	414	455	309
Multi-family	-	-	-	-	-
Non-farm non-residential	-	-	-	-	419
Total Real Estate	**410**	**599**	**414**	**455**	**728**
Non-Real Estate:					
Agricultural	-	-	-	-	-
Commercial and industrial	-	-	-	-	-
Consumer and other	-	-	-	-	8
Total Non-Real Estate	**-**	**-**	**-**	**-**	**8**
Total loans 90 days and greater delinquent & still accruing	**410**	**599**	**414**	**455**	**736**
Total non-performing loans	**20,449**	**12,793**	**14,899**	**21,143**	**23,186**
Other real estate owned and foreclosed assets:					
Real Estate:					
Construction and land development	25	127	754	1,083	1,161
Farmland	-	-	-	-	-
1 – 4-family residential	880	1,121	1,803	1,186	1,342
Multi-family	-	-	-	-	-
Non-farm non-residential	672	950	800	125	3,206
Total Real Estate	**1,577**	**2,198**	**3,357**	**2,394**	**5,709**
Non-Real Estate:					
Agricultural	-	-	-	-	-
Commercial and industrial	-	-	-	-	-
Consumer and other	-	-	-	-	-
Total Non-Real Estate	**-**	**-**	**-**	**-**	**-**
Total other real estate owned and foreclosed assets	**1,577**	**2,198**	**3,357**	**2,394**	**5,709**
Total non-performing assets	**$22,026**	**$14,991**	**$18,256**	**$23,537**	**$28,895**
Non-performing assets to total loans	**2.62%**	**1.90%**	**2.60%**	**3.74%**	**5.04%**
Non-performing assets to total assets	**1.51%**	**0.99%**	**1.27%**	**1.67%**	**2.13%**
Non-performing loans to total loans	**2.43%**	**1.62%**	**2.12%**	**3.36%**	**4.05%**

For the years ended December 31, 2015 and 2014, gross interest income which would have been recorded had the non-performing loans been current in accordance with their original terms amounted to $1.1 million and $0.9 million, respectively. We recognized $0.1 million and $0.4 million of interest income on such loans during the years ended December 31, 2015 and 2014, respectively. For the years ended December 31, 2015 and 2014, gross interest income which would have been recorded had the troubled debt restructured loans been current in accordance with their original terms amounted to $0.3 million and $0.2 million, respectively. We recognized $0.2 million and $0.1 million of interest income on such loans during the years ended December 31, 2015 and 2014, respectively.

Non-performing assets were $22.0 million, or 1.51%, of total assets at December 31, 2015, compared to $15.0 million, or 0.99%, of total assets at December 31, 2014, which represented an increase in non-performing assets of $7.0 million. The increase in non-performing assets occurred primarily as a result of an increase in non-accrual loans from $12.2 million at December 31, 2014 to $20.0 million at December 31, 2015. The increase in non-performing assets was concentrated in multi-family real estate loans. This increase was partially offset by a decrease in other real estate owned of $0.6 million to $1.6 million at December 31, 2015. Non-performing assets includes $2.1 million, or 9.5% in loans with a government guarantee. These are structured as net loss guarantees in which up to 90% of loss exposure is covered.

At December 31, 2015, our largest non-performing assets were comprised of the following nonaccrual loans: (1) a multi-family real estate loan with a balance of $5.3 million secured by commercial property; (2) a multi-family real estate loan with a balance of $2.9 million secured by commercial property; (3) a non-farm non-residential loan with a balance of $1.8 million secured by commercial property; and (4) a lending relationship with three one- to four-family residential loans that in aggregate total $1.7 million.

Troubled Debt Restructuring.

Another category of assets which contribute to our credit risk is troubled debt restructurings ("TDRs"). A TDR is a loan for which a concession has been granted to the borrower due to a deterioration of the borrower's financial condition. Such concessions may include reduction in interest rates, deferral of interest or principal payments, principal forgiveness and other actions intended to minimize the economic loss and to avoid foreclosure or repossession of the collateral. We strive to identify borrowers in financial difficulty early and work with them to modify to more affordable terms before such loan reaches nonaccrual status. In evaluating whether to restructure a loan, Management analyzes the long-term financial condition of the borrower, including guarantor and collateral support, to determine whether the proposed concessions will increase the likelihood of repayment of principal and interest. TDRs that are not performing in accordance with their restructured terms and are either contractually 90 days past due or placed on nonaccrual status are reported as non-performing loans. Our policy provides that nonaccrual TDRs are returned to accrual status after a period of satisfactory and reasonable future payment performance under the terms of the restructuring. Satisfactory payment performance is generally no less than six consecutive months of timely payments and demonstrated ability to continue to repay.

The following is a summary of loans restructured as TDRs at December 31, 2015, 2014 and 2013:

	At December 31,		
	2015	**2014**	**2013**
	(in thousands)		
TDRs:			
In Compliance with Modified Terms	$3,431	$2,998	$3,006
Past Due 30 through 89 days and still accruing	-	2,204	-
Past Due 90 days and greater and still accruing	-	-	-
Nonaccrual	368	-	-
Restructured Loans that subsequently defaulted	1,908	230	230
Total TDR	**$5,707**	**$5,432**	**$3,236**

At December 31, 2015, the outstanding balance of our troubled debt restructurings, was $5.7 million as compared to $5.4 million at December 31, 2014. At December 31, 2015, we had five outstanding TDRs: (1) a $2.9 million non-farm non-residential loan secured by commercial real estate, which is performing in accordance with its modified terms; (2) a $1.7 million relationship with three individual loans secured by one-to four-family residential properties that subsequently defaulted and is on non-accrual; (3) a $0.4 million construction and land development loan secured by raw land that is on non-accrual; (4) a $0.4 million non-farm non-residential loan secured by commercial real estate, which is performing in accordance with its modified terms; and (5) a $0.2 million loan secured by commercial real estate that subsequently defaulted and is on non-accrual. Relationship number three was a new troubled debt restructuring in 2015. The other relationships were from prior years. The restructuring of these loans were related to interest rate or amortization concessions.

Classified Assets.

Federal regulations provide for the classification of loans and other assets, such as debt and equity securities considered by the FDIC to be of lesser quality, as "substandard," "doubtful" or "loss." An asset is considered "substandard" if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. "Substandard" assets include those characterized by the "distinct possibility" that the insured institution will sustain "some loss" if the deficiencies are not corrected. Assets classified as "doubtful" have all of the weaknesses inherent in those classified as "substandard," with the added characteristic that the weaknesses present make "collection or liquidation in full," on the basis of currently existing facts, conditions, and values, "highly questionable and improbable." Assets classified as "loss" are those considered "uncollectible" and of such little value that their continuance as assets without the establishment of a specific allowance for loan losses is not warranted. Assets that do not currently expose the insured institution to sufficient risk to warrant classification in one of the aforementioned categories but possess weaknesses are designated as "special mention" by our management.

When an insured institution classifies problem assets as either substandard or doubtful, it may establish general allowances in an amount deemed prudent by management to cover losses that were both probable and reasonable to estimate. General allowances represent allowances which have been established to cover accrued losses associated with lending activities that were both probable and reasonable to estimate, but which, unlike specific allowances, have not been allocated to particular problem assets. When an insured

institution classifies problem assets as "loss," it is required either to establish a specific allowance for losses equal to 100% of that portion of the asset so classified or to charge-off such amount. An institution's determination as to the classification of its assets and the amount of its valuation allowances is subject to review by the regulatory authorities, which may require the establishment of additional general or specific allowances.

In connection with the filing of our periodic regulatory reports and in accordance with our classification of assets policy, we continuously assess the quality of our loan portfolio and we regularly review the problem loans in our loan portfolio to determine whether any loans require classification in accordance with applicable regulations. Loans are listed on the "watch list" initially because of emerging financial weaknesses even though the loan is currently performing as agreed, or delinquency status, or if the loan possesses weaknesses although currently performing. Management reviews the status of our loan portfolio delinquencies, by product types, with the full board of directors on a monthly basis. Individual classified loan relationships are discussed as warranted. If a loan deteriorates in asset quality, the classification is changed to "special mention," "substandard," "doubtful" or "loss" depending on the circumstances and the evaluation. Generally, loans 90 days or more past due are placed on nonaccrual status and classified "substandard."

We also employ a risk grading system for our loans to help assure that we are not taking unnecessary and/or unmanageable risk. The primary objective of the loan risk grading system is to establish a method of assessing credit risk to further enable Management to measure loan portfolio quality and the adequacy of the allowance for loan losses. Further, we contract with an external loan review firm to complete a credit risk assessment of the loan portfolio on a regular basis to help determine the current level and direction of our credit risk. The external loan review firm communicates the results of their findings to the Bank's audit committee. Any material issues discovered in an external loan review are also communicated to us immediately.

The following table sets forth our amounts of classified loans and loans designated as special mention at December 31, 2015, 2014 and 2013. Classified assets totaled $58.7 million at December 31, 2015, and included $20.4 million of non-performing loans.

	At December 31,		
	2015	2014	2013
	(in thousands)		
Classification of Loans:			
Substandard	$58,654	$44,752	$ 39,856
Doubtful	-	-	-
Total Classified Assets	**$58,654**	**$44,752**	**$39,856**
Special Mention	$10,752	$28,702	$21,327

The increase in classified assets at December 31, 2015 as compared to December 31, 2014 was due to a $13.9 million increase in substandard loans. The increase in classified assets came primarily from assets previously designated as special mention that were moved to substandard. Substandard loans at December 31, 2015 consisted of $23.4 million in non-farm non-residential, $9.5 million in commercial and industrial, $9.0 million in multi-family, $7.3 million in one- to four-family residential, $5.0 million in agricultural and the remaining $4.4 million comprised of farmland, construction and land development and consumer and other loans. Substandard loans included one syndicated loan with a principal balance of $7.9 million that provides services for the oil and gas industry.

Allowance for Loan Losses.

The allowance for loan losses is maintained to absorb potential losses in the loan portfolio. The allowance is increased by the provision for loan losses offset by recoveries of previously charged off loans and is decreased by loan charge-offs. The provision is a charge to current expense to provide for current loan losses and to maintain the allowance commensurate with Management's evaluation of the risks inherent in the loan portfolio. Various factors are taken into consideration when determining the amount of the provision and the adequacy of the allowance. These factors include but are not limited to:

- past due and non-performing assets;
- specific internal analysis of loans requiring special attention;
- the current level of regulatory classified and criticized assets and the associated risk factors with each;
- changes in underwriting standards or lending procedures and policies;
- charge-off and recovery practices;
- national and local economic and business conditions;
- nature and volume of loans;
- overall portfolio quality;
- adequacy of loan collateral;
- quality of loan review system and degree of oversight by our board of directors;
- competition and legal and regulatory requirements on borrowers;
- examinations of the loan portfolio by federal and state regulatory agencies and examinations; and
- review by our internal loan review department and independent accountants.

The data collected from all sources in determining the adequacy of the allowance is evaluated on a regular basis by Management with regard to current national and local economic trends, prior loss history, underlying collateral values, credit concentrations and industry risks. An estimate of potential loss on specific loans is developed in conjunction with an overall risk evaluation of the total loan portfolio. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as new information becomes available.

The allowance consists of specific, general and unallocated components. The specific component relates to loans that are classified as doubtful, substandard and impaired. For such loans that are also classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. Also, a specific reserve is allocated for our syndicated loans, including shared national credits. The general component covers non-classified loans and special mention loans and is based on historical loss experience for the past three years adjusted for qualitative factors described above. An unallocated component is maintained to cover uncertainties that could affect the estimate of probable losses.

The allowance for losses was $9.4 million at December 31, 2015 compared to $9.1 million at December 31, 2014.

The balance in the allowance for loan losses is principally influenced by the provision for loan losses and by net loan loss experience. Additions to the allowance are charged to the provision for loan losses. Losses are charged to the allowance as incurred and recoveries on losses previously charged to the allowance are credited to the allowance at the time recovery is collected.

The table below reflects the activity in the allowance for loan losses for the years indicated.

	At or For the Years Ended December 31,				
	2015	2014	2013	2012	2011
	(dollars in thousands)				
Balance at beginning of year	$9,105	$ 10,355	$ 10,342	$ 8,879	$ 8,317
Charge-offs:					
Real Estate:					
Construction and land development	(559)	(1,032)	(233)	(65)	(1,093)
Farmland	-	-	(31)	-	(144)
1 – 4-family residentiall	(410)	(589)	(220)	(1,409)	(1,613)
Multi-family	(947)	-	-	(187)	-
Non-farm non-residential	(1,137)	(1,515)	(1,148)	(459)	(5,193)
Total Real Estate	**(3,053)**	**(3,136)**	**(1,632)**	**(2,120)**	**(8,043)**
Non-Real Estate:					
Agricultural	(491)	(2)	(41)	(49)	(23)
Commercial and industrial loans	(79)	(266)	(1,098)	(809)	(1,638)
Consumer and other	(550)	(289)	(262)	(473)	(653)
Total Non-Real Estate	**(1,120)**	**(557)**	**(1,401)**	**(1,331)**	**(2,314)**
Total charge-offs	**(4,173)**	**(3,693)**	**(3,033)**	**(3,451)**	**(10,357)**
Recoveries:					
Real Estate:					
Construction and land development	5	6	10	15	1
Farmland	-	-	140	1	-
1 – 4-family residential	94	99	49	35	118
Multi-family	46	49	-	-	-
Non-farm non-residential	5	9	8	116	13
Total Real Estate	**150**	**163**	**207**	**167**	**132**
Non-Real Estate:					
Agricultural	3	1	5	1	2
Commercial and industrial loans	315	118	71	329	371
Consumer and other	151	199	243	283	227
Total Non-Real Estate	**469**	**318**	**319**	**613**	**600**
Total recoveries	**619**	**481**	**526**	**780**	**732**
Net (charge-offs) recoveries	**(3,554)**	**(3,212)**	**(2,507)**	**(2,671)**	**(9,625)**
Provision for loan losses	3,864	1,962	2,520	4,134	10,187
Balance at end of year	**$9,415**	**$9,105**	**$10,355**	**$10,342**	**$ 8,879**
Ratios:					
Net loan charge-offs to average loans	0.44%	0.45%	0.38%	0.45%	1.65%
Net loan charge-offs to loans at end of year	0.42%	0.41%	0.36%	0.42%	1.68%
Allowance for loan losses to loans at end of year	1.12%	1.15%	1.47%	1.64%	1.55%
Net loan charge-offs to allowance for loan losses	37.75%	35.28%	24.21%	25.83%	108.40%
Net loan charge-offs to provision charged to expense	91.98%	163.71%	99.48%	64.61%	94.48%

A provision for loan losses of $3.9 million was made during the year ended December 31, 2015 as compared to $2.0 million for 2014. The provisions made in 2015 were taken to provide for current loan losses as a result of increased charge-offs and to maintain the allowance proportionate to risks inherent in the loan portfolio.

Total charge-offs were $4.2 million during the year ended December 31, 2015 as compared to $3.7 million for 2014. Recoveries totaled $0.6 million for the year ended December 31, 2015 and $0.5 million during 2014. Comparing the year ended December 31, 2015 to the year ended December 31, 2014, the increase in the allowance was attributed to growth in the loan portfolio. The primary change to the credit quality of the loan portfolio was associated with the downgrades of loans. Special mention loans decreased principally due to the downgrade of loans from special mention to substandard.

The charged-off loan balances for the year ended December 31, 2015 were concentrated in five loan relationships which totaled $2.5 million, or 61.4%, of the total charged-off amount. The details of the $4.2 million in charged-off loans were as follows:

- First Guaranty recorded a partial charge-off of $0.8 million on a non-farm non-residential loan. The loan had a balance of $1.8 million at December 31, 2015.
- First Guaranty recorded a partial charge-off of $0.5 million on a multi-family loan. The loan had a balance of $0.9 million at December 31, 2015.
- First Guaranty recorded a partial charge-off of $0.5 million on a multi-family loan. The loan had a balance of $5.3 million at December 31, 2015.
- First Guaranty recorded a partial charge-off of $0.4 million on a construction and land development loan relationship. The relationship had a balance of $0.4 million at December 31, 2015.
- First Guaranty charged off a $0.3 million agriculture loan.
- The remaining $1.7 million of charge-offs for 2015 were comprised of smaller loans and overdrawn deposit accounts.

Allocation of Allowance for Loan Losses.

The following tables set forth the allowance for loan losses allocated by loan category and the percent of loans in each category to total loans at the dates indicated. The allowance for loan losses allocated to each category is not necessarily indicative of future losses in any particular category and does not restrict the use of the allowance for losses in other categories.

	At December 31,					
	2015			2014		
	Allowance for Loan Losses	Percent of Allowance to Total Allowance for Loan Losses	Percent of Loans in Each Category to Total Loans	Allowance for Loan Losses	Percent of Allowance to Total Allowance for Loan Losses	Percent of Loans in Each Category to Total Loans
	(dollars in thousands)					
Real Estate:						
Construction and land development	$ 962	10.2%	6.6%	$ 702	7.7%	6.6%
Farmland	54	0.6%	2.1%	21	0.2%	1.7%
1 - 4-family residential	1,771	18.8%	15.4%	2,131	23.4%	14.9%
Multi-family	557	5.9%	1.5%	813	8.9%	1.8%
Non-farm non-residential	3,298	35.0%	38.3%	2,713	29.8%	41.5%
Non-Real Estate:						
Agricultural	16	0.2%	3.1%	293	3.2%	3.3%
Commercial and industrial	2,527	26.9%	26.6%	1,797	19.8%	24.8%
Consumer and other	230	2.4%	6.4%	371	4.1%	5.4%
Unallocated	-	-%	-%	264	2.9%	-%
Total Allowance	$ 9,415	100.0%	100.0%	$ 9,105	100.0%	100.0%

	At December 31,					
	2013			2012		
	Allowance for Loan Losses	Percent of Allowance to Total Allowance for Loan Losses	Percent of Loans in Each Category to Total Loans	Allowance for Loan Losses	Percent of Allowance to Total Allowance for Loan Losses	Percent of Loans in Each Category to Total Loans
	(dollars in thousands)					
Real Estate:						
Construction and land development	$ 1,530	14.8%	6.7%	$ 1,098	10.6%	7.1%
Farmland	17	0.2%	1.4%	50	0.5%	1.8%
1 - 4-family residential	1,974	19.1%	14.7%	2,239	21.7%	13.8%
Multi-family	376	3.6%	2.0%	284	2.7%	2.4%
Non-farm non-residential	3,607	34.8%	47.7%	3,666	35.4%	49.6%
Non-Real Estate:						
Agricultural	46	0.4%	3.1%	64	0.6%	2.9%
Commercial and industrial	2,176	21.0%	21.4%	2,488	24.1%	18.6%
Consumer and other	208	2.0%	3.0%	233	2.3%	3.8%
Unallocated	421	4.1%	-%	220	2.1%	-%
Total Allowance	$10,355	100.0%	100.0%	$10,342	100.0%	100.0%

	At December 31,		
	2011		
	Allowance for Loan Losses	Percent of Allowance to Total Allowance for Loan Losses	Percent of Loans in Each Category to Total Loans
	(dollars in thousands)		
Real Estate:			
Construction and land development	$ 1,002	11.3%	13.7%
Farmland	65	0.7%	2.0%
1 - 4-family residential	1,917	21.6%	15.6%
Multi-family	780	8.8%	2.9%
Non-farm non-residential	2,980	33.6%	46.8%
Non-Real Estate:			
Agricultural	125	1.4%	3.0%
Commercial and industrial	1,407	15.8%	11.9%
Consumer and other	314	3.5%	4.1%
Unallocated	289	3.3%	-%
Total Allowance	$ 8,879	100.0%	100.0%

Investment Securities.

Investment securities at December 31, 2015 totaled $546.1 million, a decrease of $95.5 million, or 14.9%, compared to $641.6 million at December 31, 2014. The decrease was primarily attributed to the sale of short-term U.S. government agencies and corporate bonds. Our investment securities portfolio is comprised of both available-for-sale securities and securities that we intend to hold to maturity. We purchase securities for our investment portfolio to provide a source of liquidity, to provide an appropriate return on funds invested, to manage interest rate risk and meet pledging requirements for public funds and borrowings. In particular, our held-to-maturity securities portfolio is used as collateral for our public funds deposits.

The securities portfolio consisted principally of U.S. Government and Government agency securities, agency mortgage-backed securities, corporate debt securities and municipal bonds. U.S. government agencies consist of FHLB, Federal Farm Credit Bank ("FFCB"), Freddie Mac and Fannie Mae obligations. Mortgage backed securities that we purchase are issued by Freddie Mac and Fannie Mae. Management monitors the securities portfolio for both credit and interest rate risk. We generally limit the purchase of corporate securities to individual issuers to manage concentration and credit risk. Corporate securities generally have a maturity of 10 years or less. U.S. Government securities consist of U.S. Treasury bills that have maturities of less than 30 days. Government agency securities generally have maturities of 15 years or less. Agency mortgage backed securities have stated final maturities of 15 to 20 years.

At December 31, 2015, the U.S Government and Government agency securities and municipal bonds qualified as securities available to collateralize public funds. Securities pledged totaled $427.4 million at December 31, 2015 and $516.5 million at December 31, 2014. Our public funds deposits have a seasonal increase due to tax collections at the end of the year and the first quarter. We typically collateralize the seasonal public fund increases with short-term instruments such as U.S. Treasuries or other agency backed securities.

The following table sets forth the amortized cost and fair values of our securities portfolio at the dates indicated.

	At December 31,					
	2015		2014		2013	
	(in thousands)					
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Available-for-sale:						
U.S Treasuries	$ 29,999	$ 29,999	$ 36,000	$ 36,000	$ 36,000	$ 36,000
U.S. Government Agencies	165,364	163,811	295,620	291,495	302,816	286,699
Corporate debt securities	105,680	105,136	126,654	130,063	142,580	144,481
Mutual funds or other equity securities	580	582	570	574	564	556
Municipal bonds	47,339	48,233	40,599	41,676	16,091	16,475
Mortgage-backed securities	28,891	28,608	-	-	-	-
Total available-for-sale securities	$377,853	$376,369	$499,443	$499,808	$498,051	$484,211
Held-to-maturity:						
U.S. Government Agencies	$ 77,343	$ 76,622	$ 84,479	$ 82,529	$ 86,927	$ 80,956
Mortgage-backed securities	92,409	91,526	57,316	57,159	63,366	60,686
Total held-to-maturity securities	$169,752	$168,148	$141,795	$139,688	$150,293	$141,642

Our available-for-sale securities portfolio totaled $376.4 million at December 31, 2015, a decrease of $123.4 million, or 24.7%, compared to $499.8 million at December 31, 2014. The decrease was due to the transfer of securities classified as available-for-sale to held-to-maturity along with the sale and maturities of short-term US government agencies and corporate bonds. The securities transferred to held-to-maturity were $51.8 million of government agency securities with unrealized losses of $128,000. These securities are primarily used for the collateralization of public funds deposits. These securities have a contractual maturity of five to ten years. First Guaranty completed its liquidation of the common stock from a converted preferred security in the third quarter of 2015 that generated a gain on sale of $2.7 million. During 2015, First Guaranty deemed two corporate debt securities to be other-than-temporarily impaired. Credit related impairment in the amount of $0.2 million was charged to earnings. Non-credit related other-than-temporary impairment of $0.4 million was recorded in other comprehensive income. No other declines in fair value were deemed other-than-temporary. During 2014 and 2013 there were no other-than-temporary charges recorded on First Guaranty's investment portfolio.

Our held-to-maturity securities portfolio had an amortized cost of $169.8 million at December 31, 2015, an increase of $28.0 million, or 19.7%, compared to $141.8 million at December 31, 2014. The increase was due to the transfer of securities classified as available-for-sale to held-to-maturity of $51.8 million, and the purchase of $48.3 million of securities classified as held-to-maturity that was partially offset by early payoffs of $64.1 million of government agencies and the continued amortization of our mortgage-backed securities.

The following table sets forth the stated maturities and weighted average yields of our investment securities at December 31, 2015 and 2014.

	At December 31, 2015							
	One Year or Less		More than One Year through Five Years		More than Five Years through Ten Years		More than Ten Years	
	Carrying Value	Weighted Average Yield	Carrying Value	Weighted Average Yield	Carrying Value	Weighted Average Yield	Carrying Value	Weighted Average Yield
	(in thousands except for %)							
Available-for-sale:								
U.S Treasuries	$ 29,999	0.1%	$ -	-%	$ -	-%	$ -	-%
U.S. Government Agencies	-	-%	86,856	1.6%	67,173	2.4%	9,782	3.0%
Corporate and other debt securities	7,656	3.5%	47,586	4.1%	47,895	3.8%	1,999	4.4%
Mutual funds or other equity securities	-	-%	-	-%	-	-%	582	-%
Municipal bonds	1,250	1.7%	4,482	2.1%	7,638	2.8%	34,863	2.7%
Mortgage-backed securities	-	-%	-	-%	-	-%	28,608	2.6%
Total available-for-sale securities	**$38,905**	**0.8%**	**$ 138,924**	**2.5%**	**$ 122,706**	**3.0%**	**$ 75,834**	**2.8%**
Held-to-maturity:								
U.S. Government Agencies	$ -	-%	$ 21,803	1.6%	$ 55,540	2.2%	$ -	-%
Mortgage-backed securities	-	-%	-	-%	-	-%	92,409	2.4%
Corporate and other debt securities	-	-%	-	-%	-	-%	-	-%
Total held-to-maturity securities	**$ -**	**-%**	**$ 21,803**	**1.6%**	**$ 55,540**	**2.2%**	**$92,409**	**2.4%**

	December 31, 2014							
	One Year or Less		More than One Year through Five Years		More than Five Years through Ten Years		More than Ten Years	
	Carrying Value	Weighted Average Yield	Carrying Value	Weighted Average Yield	Carrying Value	Weighted Average Yield	Carrying Value	Weighted Average Yield
	(in thousands except for %)							
Available-for-sale:								
U.S Treasuries	$ 36,000	0.0%	$ -	-%	$ -	-%	$ -	-%
U.S. Government Agencies	15,029	0.3%	160,611	1.0%	94,787	1.9%	21,068	3.0%
Corporate debt securities	18,834	1.7%	53,797	3.8%	53,748	3.9%	3,684	4.7%
Mutual funds or other equity securities	-	-%	-	-%	-	-%	574	0.0%
Municipal bonds	1,802	2.0%	5,377	1.9%	8,996	3.2%	25,501	3.0%
Mortgage-backed securities	-	-%	-	-%	-	-%	-	-%
Total available-for-sale securities	**$71,665**	**0.6%**	**$ 219,785**	**1.7%**	**$157,531**	**2.7%**	**$ 50,827**	**3.1%**
Held-to-maturity:								
U.S. Government Agencies	$ -	-%	$ 24,999	1.2%	$ 59,480	1.9%	$ -	-%
Mortgage-backed securities	-	-%	-	-%	-	-%	57,316	2.2%
Corporate and other debt securities	-	-%	-	-%	-	-%	-	-%
Total held-to-maturity securities	**$ -**	**-%**	**$ 24,999**	**1.2%**	**$ 59,480**	**1.9%**	**$57,316**	**2.2%**

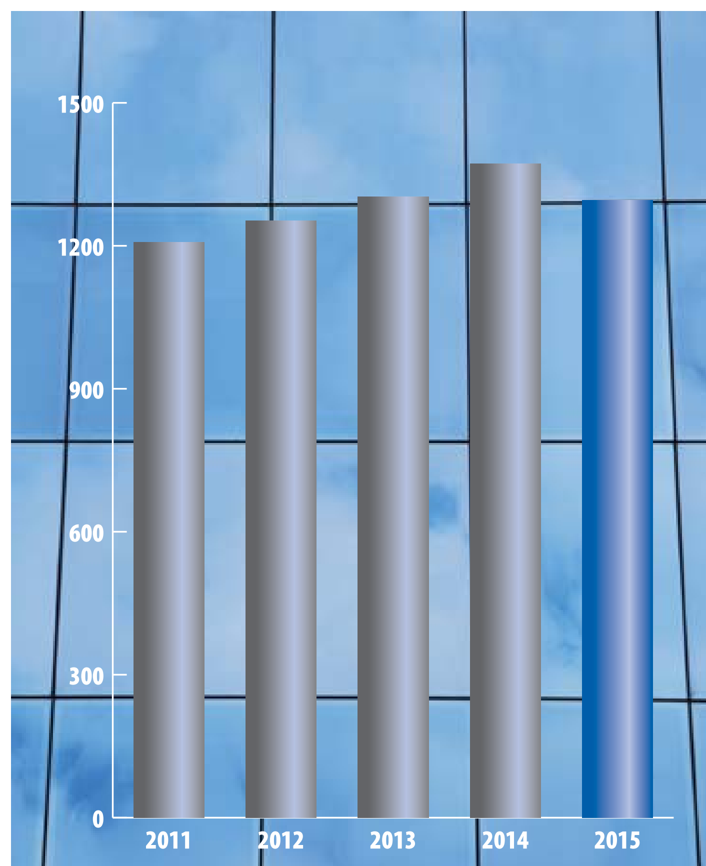
At December 31, 2015, $38.9 million, or 7.1%, of the securities portfolio was scheduled to mature in less than one year. Securities, not including mortgage-backed securities, with contractual maturity dates over 10 years totaled $47.2 million, or 8.7%, of the total portfolio at December 31, 2015. We closely monitor the investment portfolio's yield, duration and maturity to ensure a satisfactory return. The average maturity of the securities portfolio is affected by call options that may be exercised by the issuer of the securities and are influenced by market interest rates. Prepayments of mortgages that collateralize mortgage-backed securities also affect the maturity of the securities portfolio. Based on internal forecasts at December 31, 2015, we believe that the securities portfolio has a forecasted weighted average life of approximately 5.3 years based on the current interest rate environment. A parallel interest rate shock of 400 basis points is forecasted to increase the weighted average life of the portfolio to approximately 5.7 years.

At December 31, 2015, the following table identifies the issuers, and the aggregate amortized cost and aggregate fair value of the securities of such issuers that exceeded 10% of our total shareholders' equity:

	At December 31, 2015	
	Amortized Cost	Fair Value
	(in thousands)	
U.S. Treasuries	$ 29,999	$ 29,999
FHLB	85,507	84,689
Freddie Mac	66,271	65,589
Fannie Mae	127,504	126,294
Federal Farm Credit Bank	84,726	83,996
Total	$394,007	$390,567

TOTAL DEPOSITS

In Millions



Deposits

Managing the mix and pricing the maturities of deposit liabilities is an important factor affecting our ability to maximize our net interest margin. The strategies used to manage interest-bearing deposit liabilities are designed to adjust as the interest rate environment changes. We regularly assess our funding needs, deposit pricing and interest rate outlooks. From December 31, 2014 to December 31, 2015, total deposits decreased $76.0 million, or 5.5%, to $1.3 billion. Time deposits decreased $65.0 million, or 9.9%, to $592.0 million at December 31, 2015 compared to $657.0 million at December 31, 2014. The majority of the decrease in time deposits was associated with the maturity of higher priced individual and business time deposits that did not renew. Noninterest-bearing demand deposits increased $5.2 million from December 31, 2014 to December 31, 2015. Interest-bearing demand deposits decreased $23.1 million from December 31, 2014 to December 31, 2015. First Guaranty had $26.7 million in brokered deposits at December 31, 2015.

As we seek to strengthen our net interest margin and improve our earnings, attracting core noninterest-bearing deposits will be a primary emphasis. Management will continue to evaluate and update our product mix in its efforts to attract additional core customers. We currently offer a number of noninterest-bearing deposit products that are competitively priced and designed to attract and retain customers with primary emphasis on core deposits.

The following table sets forth the distribution of deposit accounts, by account type, for the dates indicated.

Total Deposits	For the Years Ended December 31,								
	2015			2014			2013		
	Average Balance	Percent	Weighted Average Rate	Average Balance	Percent	Weighted Average Rate	Average Balance	Percent	Weighted Average Rate
	(in thousands except for %)								
Noninterest-bearing Demand	$ 211,584	15.9%	0.0%	$ 200,127	15.3%	0.0%	$ 196,589	15.8%	0.0%
Interest-bearing Demand	401,617	30.2%	0.4%	386,363	29.6%	0.3%	334,573	26.8%	0.4%
Savings	77,726	5.8%	0.0%	69,719	5.4%	0.0%	64,639	5.2%	0.1%
Time	640,134	48.1%	1.1%	649,165	49.7%	1.2%	650,540	52.2%	1.5%
Total Deposits	**$1,331,061**	**100.0%**	**0.6%**	**$1,305,374**	**100.0%**	**0.8%**	**$1,246,341**	**100.0%**	**0.9%**

Individual and Business Deposits	For the Years Ended December 31,								
	2015			2014			2013		
	Average Balance	Percent	Weighted Average Rate	Average Balance	Percent	Weighted Average Rate	Average Balance	Percent	Weighted Average Rate
	(in thousands except for %)								
Noninterest-bearing Demand	$ 207,334	27.6%	0.0%	$ 197,332	25.3%	0.0%	$ 193,773	24.6%	0.0%
Interest-bearing Demand	112,864	15.0%	0.2%	105,569	13.5%	0.2%	85,384	10.9%	0.3%
Savings	65,775	8.7%	0.1%	61,288	7.9%	0.0%	57,819	7.3%	0.1%
Time	366,244	48.7%	1.4%	414,975	53.3%	1.4%	450,178	57.2%	1.8%
Total Individual and Business Deposits	**$ 752,217**	**100.0%**	**0.7%**	**$ 779,164**	**100.0%**	**0.8%**	**$ 787,154**	**100.0%**	**1.1%**

Public Fund Deposits	For the Years Ended December 31,								
	2015			2014			2013		
	Average Balance	Percent	Weighted Average Rate	Average Balance	Percent	Weighted Average Rate	Average Balance	Percent	Weighted Average Rate
	(in thousands except for %)								
Noninterest-bearing Demand	$ 4,250	0.7%	0.0%	$ 2,795	0.5%	0.0%	$ 2,816	0.6%	0.0%
Interest-bearing Demand	288,753	49.9%	0.4%	280,794	53.4%	0.4%	249,189	54.3%	0.4%
Savings	11,951	2.1%	0.0%	8,431	1.6%	0.0%	6,820	1.5%	0.1%
Time	273,890	47.3%	0.7%	234,190	44.5%	0.7%	200,362	43.6%	0.8%
Total Public Funds	**$578,844**	**100.0%**	**0.5%**	**$ 526,210**	**100.0%**	**0.5%**	**$459,187**	**100.0%**	**0.6%**

At December 31, 2015, public funds deposits totaled $568.7 million compared to $601.5 million at December 31, 2014. We have developed a program for the retention and management of public funds deposits. Since the end of 2012, we have maintained public funds deposits in excess of $400.0 million. These deposits are from public entities such as school districts, hospital districts, sheriff departments and municipalities. $462.9 million of these accounts at December 31, 2015 are under contracts with terms of three years or less. Three of these relationships account for 42.5% of our contract public funds deposits, each of which is currently under contract with us. These deposits generally have stable balances as we maintain both operating accounts and time deposits for these entities. There is a seasonal component to public deposit levels associated with annual tax collections. Public funds deposits will increase at the end of the year and the first quarter. Public funds deposit accounts are collateralized by FHLB letters of credit, by Louisiana municipal bonds and eligible government and government agency securities such as those issued by the FHLB, FFCB, Fannie Mae and Freddie Mac. We invest the majority of these public deposits in our investment portfolio, but have increasingly invested more public funds into loans during the last three years.

The following table sets forth our public funds as a percent of total deposits.

	At December 31,			
	2015	2014	2013	2012
	(in thousands except for %)			
Public Funds:				
Noninterest-bearing Demand	$ 4,906	$ 3,241	$ 3,016	$ 3,735
Interest-bearing Demand	296,416	321,382	296,739	265,296
Savings	14,667	10,142	7,209	6,415
Time	252,688	266,743	208,614	195,052
Total Public Funds	**$ 568,677**	**$ 601,508**	**$ 515,578**	**$ 470,498**
Total Deposits	$1,295,870	$1,371,839	$1,303,099	$1,252,612
Total Public Funds as a percent of Total Deposits	**43.9%**	**43.9%**	**39.6%**	**37.6%**

At December 31, 2015, the aggregate amount of outstanding certificates of deposit in amounts greater than or equal to $100,000 was approximately $426.1 million. At December 31, 2015, approximately $114.2 million of our certificates of deposit greater than or equal to $100,000 had a remaining term greater than one year.

The following table sets forth the maturity of the total certificates of deposit greater than or equal to $100,000 at December 31, 2015.

	December 31, 2015
	(in thousands)
Due in one year or less	$ 311,868
Due after one year through three years	88,315
Due after three years	25,885
Total certificates of deposit greater than or equal to $100,000	**$ 426,068**

Borrowings.

We maintain borrowing relationships with other financial institutions as well as the FHLB on a short and long-term basis to meet liquidity needs. Short-term borrowings totaled $1.8 million at December 31, 2015 and 2014. The short-term borrowings at December 31, 2015 were comprised of a line of credit of $2.5 million, with an outstanding balance of $1.8 million.

At December 31, 2015, we had $195.0 million in FHLB letters of credit outstanding obtained solely for collateralizing public deposits.

The following table sets forth information concerning balances and interest rates on our short-term borrowings at the dates and for the years indicated.

	At or For the Years Ended December 31,		
	2015	2014	2013
	(in thousands except for %)		
Balance at end of year	$ 1,800	$ 1,800	$ 5,788
Maximum month-end outstanding	$13,800	$ 22,356	$57,302
Average daily outstanding	$ 4,217	$ 6,960	$21,387
Total Weighted average rate during the year	2.12%	1.08%	0.98%
Average rate during year	4.50%	4.50%	1.51%

First Guaranty Bancshares had senior long-term debt totaling $25.8 million at December 31, 2015, an increase of $24.4 million, as compared to $1.5 million at December 31, 2014. The increase in long-term senior debt was due to the new term loan with a balance of $25.0 million at December 31, 2015 which was used to assist in repaying SBLF in December 2015.

First Guaranty also had junior subordinated debentures totaling $14.6 million at December 31, 2015 which were used to assist in repaying the preferred stock issued in connection with the SBLF program in December 2015.

Shareholders' Equity

Total shareholders' equity decreased to $118.2 million at December 31, 2015 from $139.6 million at December 31, 2014. The decrease in total shareholders' equity was principally the result of the redemption of the Series C Preferred Stock for $39.4 million in December 2015 from the U.S. Treasury in order to exit the SBLF program. The decrease was partially offset by the net proceeds of $9.3 million from the issuance of common stock in a public offering which closed in the fourth quarter of 2015. Total shareholders' equity also increased due to net income of $14.5 million during the year ended December 31, 2015, partially offset by $4.2 million in cash dividends paid on our common stock and $0.4 million in dividends paid on our preferred stock. The change in the balance of the accumulated other comprehensive income from a $0.2 million gain at December 31, 2014 to a $0.9 million loss at December 31, 2015 also reduced shareholders' equity. The reduction was due to a $1.6 million reduction in the gross unrealized mark to market gains on available-for-sale securities (before taxes).

Results of Operations

Performance Summary

Year ended December 31, 2015 compared with year ended December 31, 2014. Net income for the year ended December 31, 2015 was $14.5 million, an increase of $3.3 million, or 29.2%, from $11.2 million for the year ended December 31, 2014. Net income available to common shareholders for the year ended December 31, 2015 was $14.1 million which was an increase of $3.3 million from $10.8 million for 2014. The increase in net income for the year ended December 31, 2015 was primarily the result of increased loan interest income, increased noninterest income and lower interest expense. Net gains on securities for the years ended December 31, 2015 and 2014 were $3.3 million and $0.3 million, respectively. Earnings per common share for the year ended December 31, 2015 was $2.01 per common share, an increase of 28.0% or $0.44 per common share from $1.57 per common share for the year ended December 31, 2014 (as adjusted for the 10% stock dividend in December 2015).

Year ended December 31, 2014 compared with year ended December 31, 2013. Net income for the year ended December 31, 2014 was $11.2 million, an increase of $2.1 million, or 22.7%, from $9.1 million for the year ended December 31, 2013. Net income available to common shareholders for the year ended December 31, 2014 was $10.8 million which was an increase of $2.4 million from $8.4 million for 2013. The increase in net income for the year ended December 31, 2014 was primarily the result of increased loan interest income, lower interest expense and a lower provision expense. Net gains on securities for the years ended December 31, 2014 and 2013 were $0.3 million and $1.6 million, respectively. Earnings per common share for the year ended December 31, 2014 was $1.57 per common share, an increase of 28.7% or $0.35 per common share from $1.22 per common share for the year ended December 31, 2013 (as adjusted for the 10% stock dividend in December 2015).

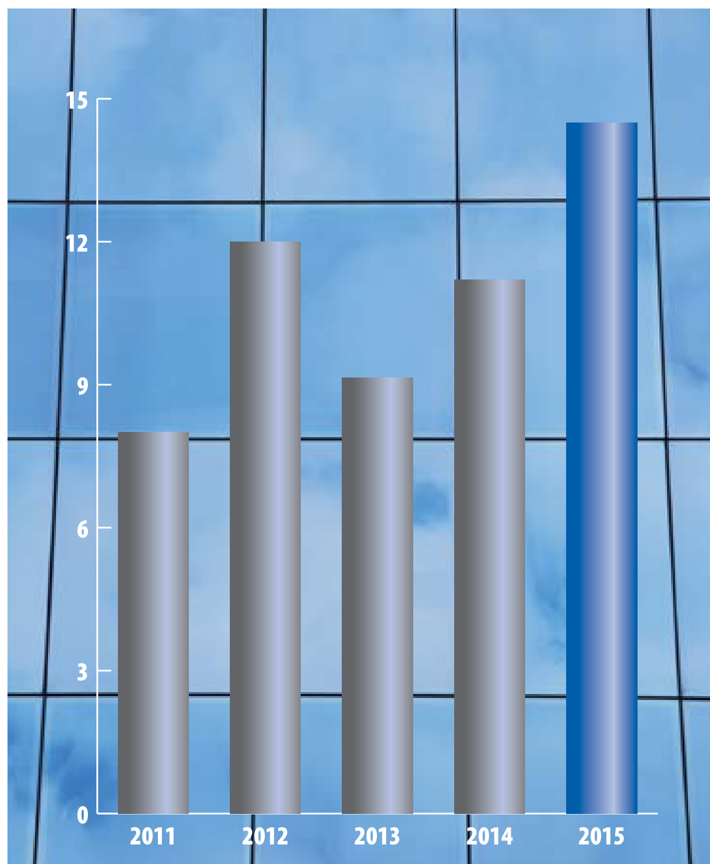
Net Interest Income

Our operating results depend primarily on our net interest income, which is the difference between interest income earned on interest-earning assets, including loans and securities, and interest expense incurred on interest-bearing liabilities, including deposits and other borrowed funds. Interest rate fluctuations, as well as changes in the amount and type of interest-earning assets and interest-bearing liabilities, combine to affect net interest income. Our net interest income is affected by changes in the amount and mix of interest-earning assets and interest-bearing liabilities. It is also affected by changes in yields earned on interest-earning assets and rates paid on interest-bearing deposits and other borrowed funds.

A financial institution's asset and liability structure is substantially different from that of a non-financial company, in that virtually all assets and liabilities are monetary in nature. Accordingly, changes in interest rates may have a significant impact on a financial institution's performance. The impact of interest rate changes depends on the sensitivity to the change of our interest-earning assets and interest-bearing liabilities. The effects of the low interest rate environment in recent years and our interest sensitivity position is discussed below.

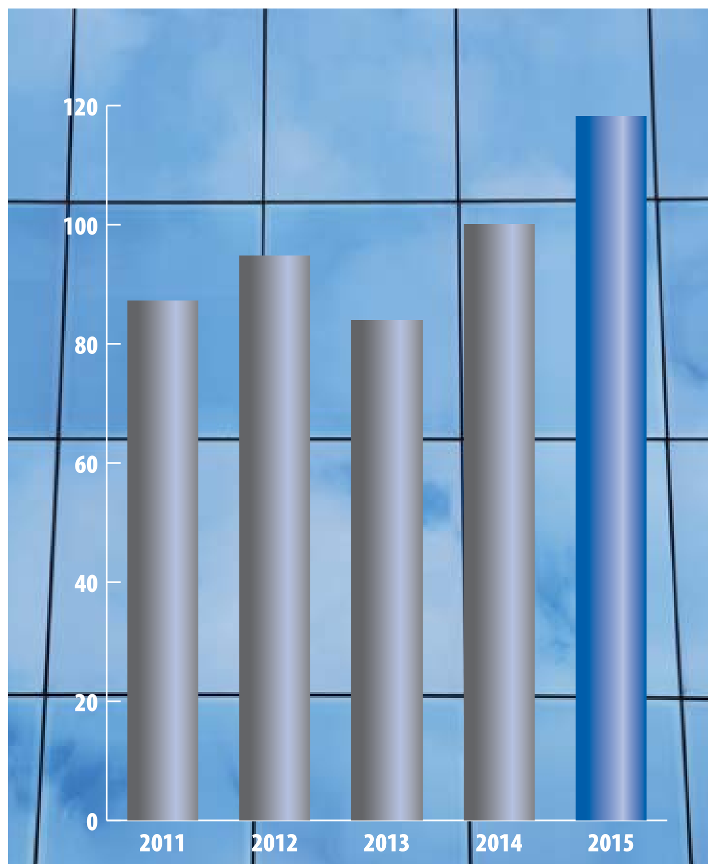
TOTAL NET INCOME

In Millions



TOTAL COMMON SHAREHOLDERS' EQUITY

In Millions



Year ended December 31, 2015 compared with the year ended December 31, 2014. Net interest income for the year ended December 31, 2015 and 2014 was $47.5 million and $44.1 million, respectively. The increase in net interest income for the year ended December 31, 2015 was primarily due to the increase in the average balance of our total interest-earning assets and a decrease in the average rate of our total interest-bearing liabilities. The average balance of total interest-earning assets increased by $37.5 million to $1.5 billion for the year ended December 31, 2015 as compared to the year ended December 31, 2014. The average yield on our total interest-earning assets increased nine basis points to 3.85% for the year ended December 31, 2015 compared to 3.76% for the year ended December 31, 2014. The average rate of our total interest-bearing liabilities decreased by seven basis points to 0.76% for the year ended December 31, 2015 compared to 0.83% for the year ended December 31, 2014, which was partially offset by the increase in the average balance of total interest-bearing liabilities by $10.5 million to $1.1 billion for the year ended December 31, 2015 as compared to the year ended December 31, 2014. As a result, our net interest rate spread increased 16 basis points to 3.09% for the year ended December 31, 2015 from 2.93% for the year ended December 31, 2014, and our net interest margin increased 15 basis points to 3.26% for the year ended December 31, 2015 from 3.11% for the year ended December 31, 2014.

Year ended December 31, 2014 compared with the year ended December 31, 2013. Net interest income for the year ended December 31, 2014 and 2013 was $44.1 million and $39.8 million, respectively. The increase in net interest income for the year ended December 31, 2014 was primarily due to the increase in the average balance of our total interest-earning assets and a decrease in the average rate of our total interest-bearing liabilities. The average balance of total interest-earning assets increased by $55.0 million to $1.4 billion for the year ended December 31, 2014 as compared to the year ended December 31, 2013. The average yield on our total interest-earning assets increased 3 basis points to 3.76% for the year ended December 31, 2014 compared to 3.73% for the year ended December 31, 2013. The average rate of our total interest-bearing liabilities decreased by 21 basis points to 0.83% for the year ended December 31, 2014 compared to 1.04% for the year ended December 31, 2013, which was partially offset by the increase in the average balance of total interest-bearing liabilities by $46.3 million to $1.1 billion for the year ended December 31, 2014 as compared to the year ended December 31, 2013. As a result, our net interest rate spread increased 24 basis points to 2.93% for the year ended December 31, 2014 from 2.69% for the year ended December 31, 2013, and our net interest margin increased 19 basis points to 3.11% for the year ended December 31, 2014 from 2.92% for the year ended December 31, 2013.

Interest Income

Year ended December 31, 2015 compared with the year ended December 31, 2014. Interest income increased $2.8 million, or 5.2%, to $56.1 million for the year ended December 31, 2015 from $53.3 million for the year ended December 31, 2014 primarily as a result of a $2.7 million increase in interest income on loans. The increase in interest income resulted primarily from a $37.5 million increase in the average balance of our interest-earnings assets to $1.5 billion for the year ended December 31, 2015. The average yield on our interest-earning assets increased by nine basis points to 3.85% for the year ended December 31, 2015 compared to 3.76% for the year ended December 31, 2014.

Interest income on loans increased $2.7 million, or 6.9%, to $42.5 million for the year ended December 31, 2015 as a result of an increase in the average balance of loans, partially offset by a decrease in the average yield on loans. The average balance of loans (excluding loans held for sale) increased by $88.6 million to $816.0 million for the year ended December 31, 2015 from $727.4 million for the year ended December 31, 2014 as a result of new loan originations, the majority of which were one-to four-family residential loans, a purchased pool of performing commercial leases, the origination of commercial leases and commercial and industrial loans. Partially offsetting the increase in interest income on loans was a decrease in the average yield on loans (excluding loans held for sale), which decreased by 26 basis points to 5.21% for the year ended December 31, 2015 compared to 5.47% for the year ended December 31, 2014 due to pay-offs of higher-yielding existing loans in the current low interest rate environment.

Interest income on securities increased $76,000, or 0.6%, to $13.5 million for the year ended December 31, 2015 as a result of the increase in the average yield on securities, which was partially offset by a decrease in the average balance of securities. The average yield on securities increased by 13 basis points to 2.21% for the year ended December 31, 2015 compared to 2.08% for the year ended December 31, 2014 due to the sale of lower yielding securities, which were reinvested in shorter duration higher yielding securities. The average balance of securities decreased $35.2 million to $609.3 million for the year ended December 31, 2015 from $644.6 million for the year ended December 31, 2014 due to the decrease in the average balance of our municipal and short-term agency securities.

Year ended December 31, 2014 compared with the year ended December 31, 2013. Interest income increased $2.4 million, or 4.7%, to $53.3 million for the year ended December 31, 2014 from $50.9 million for the year ended December 31, 2013 primarily as a result of a $2.5 million increase in interest income on loans. The increase in interest income resulted primarily from a $55.0 million increase in the average balance of our interest-earnings assets to $1.4 billion for the year ended December 31, 2014. The average yield on our interest-earning assets increased by 3 basis points to 3.76% for the year ended December 31, 2014 compared to 3.73% for the year ended December 31, 2013.

Interest income on loans increased $2.5 million, or 6.7%, to $39.8 million for the year ended December 31, 2014 as a result of an increase in the average balance of loans, partially offset by a decrease in the average yield on loans. The average balance of loans (excluding loans held for sale) increased by $59.6 million to $727.4 million for the year ended December 31, 2014 from $667.8 million for the year ended December 31, 2013 as a result of new loan originations, the majority of which were owner-occupied non-farm non-residential loans and commercial and industrial loans associated with syndicated loans, including shared national credits. Partially offsetting the increase in interest income on loans was a decrease in the average yield on loans (excluding loans held for sale), which decreased by 11 basis points to 5.47% for the year ended December 31, 2014 compared to 5.58% for the year ended December 31, 2013 due to pay-offs of higher-yielding existing loans in the current low interest rate environment.

Interest income on securities decreased $44,000, or 0.3%, to $13.4 million for the year ended December 31, 2014 as a result of the decrease in the average yield on securities, which was partially offset by an increase in the average balance of securities. The average balance of securities increased $14.0 million to $644.6 million for the year ended December 31, 2014 from $630.6 million for the year ended December 31, 2013 due to the increase in the average balance of our municipal and short-term agency securities. The average yield on securities decreased by 5 basis points to 2.08% for the year ended December 31, 2014 compared to 2.13% for the year ended December 31, 2013 due to payoffs of higher yielding securities, which were reinvested in shorter duration lower yielding securities.

Interest Expense

Year ended December 31, 2015 compared with the year ended December 31, 2014. Interest expense decreased $0.6 million, or 6.5%, to $8.6 million for the year ended December 31, 2015 from $9.2 million for the year ended December 31, 2014 due primarily to a decrease in the average rate on time deposits. The average rate of time deposits decreased by 10 basis points during the year ended December 31, 2015 to 1.09%, reflecting downward repricing of our time deposits in the continued low interest rate environment. The average balance of interest-bearing deposits increased by $14.2 million during the year ended December 31, 2015 to $1.1 billion as a result of a $15.3 million increase in the average balance of interest- bearing demand deposits, which was partially offset by a $9.0 million decrease in the average balance of time deposits.

Year ended December 31, 2014 compared with the year ended December 31, 2013. Interest expense decreased $1.9 million, or 17.4%, to $9.2 million for the year ended December 31, 2014 from $11.1 million for the year ended December 31, 2013 due primarily to a decrease in the average rate on time deposits. The average rate of time deposits decreased by 30 basis points during the year ended December 31, 2014 to 1.19%, reflecting downward repricing of our time deposits in the continued low interest rate environment. The average balance of interest-bearing deposits increased by $55.5 million during the year ended December 31, 2014 to $1.1 billion as a result of a $51.8 million increase in the average balance of interest-bearing demand deposits, which was partially offset by a $1.4 million decrease in the average balance of time deposits.

During the year ended December 31, 2014 and the year ended December 31, 2013, the lower cost of our deposits and the change in the mix of our deposits were primarily due to the repricing of our time deposits that were offered to customers through our local marketing campaign in 2010 to diversify our deposit base. These time deposits primarily matured in 2012, which allowed us to lower the costs of our time deposits by repricing our time deposits to lower interest rates which continued in 2014.

Average Balances and Yields.

The following table sets forth average balance sheet balances, average yields and costs, and certain other information for the years indicated. No tax-equivalent yield adjustments were made, as the effect thereof was not material. All average balances are daily average balances. Nonaccrual loans were included in the computation of average balances, but have been reflected in the table as loans carrying a zero yield. Loans, net of unearned income, include loans held for sale. The yields set forth below include the effect of deferred fees, discounts and premiums that are amortized or accreted to interest income or expense.

The net interest income yield presented below is calculated by dividing net interest income by average interest-earning assets and is a measure of the efficiency of the earnings from the balance sheet activities. It is affected by changes in the difference between interest on interest-earning assets and interest-bearing liabilities and the percentage of interest-earning assets funded by interest-bearing liabilities.

	December 31, 2015			December 31, 2014			December 31, 2013		
	Average Outstanding Balance	Interest	Average Yield/ Rate	Average Outstanding Balance	Interest	Average Yield/ Rate	Average Outstanding Balance	Interest	Average Yield/ Rate
				(in thousands except for %)					
Assets									
Interest-earning assets:									
Interest-earning deposits with banks[1]	$ 30,485	$ 72	0.24%	$ 46,455	$ 115	0.25%	$ 63,417	$ 157	0.25%
Securities (including FHLB stock)	609,348	13,471	2.21%	644,561	13,395	2.08%	630,586	13,439	2.13%
Federal funds sold	312	-	-%	304	-	-%	1,738	1	0.06%
Loans held for sale	-	-	-%	10	-	-%	119	-	-%
Loans, net of unearned income	816,027	42,536	5.21%	727,385	39,787	5.47%	667,814	37,289	5.58%
Total interest-earning assets	**1,456,172**	**56,079**	**3.85%**	**1,418,715**	**53,297**	**3.76%**	**1,363,674**	**50,886**	**3.73%**
Noninterest-earning assets:									
Cash and due from banks	7,191			9,030			9,219		
Premises and equipment, net	20,300			19,738			19,681		
Other assets	5,870			7,528			8,216		
Total assets	**$1,489,533**			**$1,455,011**			**$1,400,790**		
Liabilities and Shareholders' Equity									
Interest-bearing liabilities:									
Demand deposits	$401,617	1,419	0.35%	$386,363	1,312	0.34%	$334,573	1,262	0.38%
Savings deposits	77,726	38	0.05%	69,719	33	0.05%	64,639	41	0.06%
Time deposits	640,134	6,985	1.09%	649,165	7,716	1.19%	650,540	9,682	1.49%
Borrowings	6,320	166	2.62%	10,083	141	1.40%	19,286	149	0.77%
Total interest-bearing liabilities	**1,125,797**	**8,608**	**0.76%**	**1,115,330**	**9,202**	**0.83%**	**1,069,038**	**11,134**	**1.04%**
Noninterest-bearing liabilities:									
Demand deposits	211,584			200,127			196,589		
Other	5,010			5,157			5,110		
Total Liabilities	**1,342,391**			**1,320,614**			**1,270,737**		
Shareholders' equity	**147,142**			**134,397**			**130,053**		
Total liabilities and shareholders' equity	**$1,489,533**			**$1,455,011**			**$1,400,790**		
Net interest income		**$47,471**			**$44,095**			**$39,752**	
Net interest rate spread[2]			**3.09%**			**2.93%**			**2.69%**
Net interest-earning assets[3]	**$ 330,375**			**$ 303,385**			**$ 294,636**		
Net interest margin[4][5]			**3.26%**			**3.11%**			**2.92%**
Average interest-earning assets to interest-bearing liabilities			**129.35%**			**127.20%**			**127.56%**

(1) Includes Federal Reserve balances reported in cash and due from banks on the Consolidated Balance Sheets.
(2) Net interest rate spread represents the difference between the yield on average interest-earning assets and the cost of average interest-bearing liabilities.
(3) Net interest-earning assets represent total interest-earning assets less total interest-bearing liabilities.
(4) Net interest margin represents net interest income divided by average total interest-earning assets.
(5) The tax adjusted net interest margin was 3.29%, 3.13% and 2.93% for the years ended December 31, 2015, 2014 and 2013. A 35% tax rate was used to calculate the effect on securities income from tax exempt securities.

Volume/Rate Analysis.

The following table presents the dollar amount of changes in interest income and interest expense for major components of interest-earning assets and interest-bearing liabilities for the years indicated. The table distinguishes between: (1) changes attributable to volume (changes in volume multiplied by the prior year's rate); (2) changes attributable to rate (change in rate multiplied by the prior year's volume); and (3) total increase (decrease) (the sum of the previous columns). Changes attributable to both volume and rate are allocated ratably between the volume and rate categories.

	For the Years Ended December 31, 2015 vs. 2014			For the Years Ended December 31, 2014 vs. 2013		
	Increase (Decrease) Due To			Increase (Decrease) Due To		
	Volume	Rate	Increase/ Decrease	Volume	Rate	Increase/ Decrease
	(in thousands except for %)					
Interest earned on:						
Interest-earning deposits with banks	$ (38)	$ (5)	$ (43)	$ (42)	$ -	$ (42)
Securities (including FHLB stock)	(754)	830	76	294	(338)	(44)
Federal funds sold	-	-	-	-	(1)	(1)
Loans held for sale	-	-	-	-	-	-
Loans, net of unearned income	4,684	(1,935)	2,749	3,271	(773)	2,498
Total interest income	**3,892**	**(1,110)**	**2,782**	**3,523**	**(1,112)**	**2,411**
Interest paid on:						
Demand deposits	53	54	107	184	(134)	50
Savings deposits	4	1	5	3	(11)	(8)
Time deposits	(106)	(625)	(731)	(20)	(1,946)	(1,966)
Borrowings	(66)	91	25	(92)	84	(8)
Total interest expense	**(115)**	**(479)**	**(594)**	**75**	**(2,007)**	**(1,932)**
Change in net interest income	**$4,007**	**$ (631)**	**$3,376**	**$3,448**	**$ 895**	**$4,343**

Provision for Loan Losses

A provision for loan losses is a charge to income in an amount that management believes is necessary to maintain an adequate allowance for loan losses. The provision is based on management's regular evaluation of current economic conditions in our specific markets as well as regionally and nationally, changes in the character and size of the loan portfolio, underlying collateral values securing loans, and other factors which deserve recognition in estimating loan losses. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available or as future events change.

We recorded a $3.9 million provision for loan losses for the year ended December 31, 2015 compared to $2.0 million for 2014. The allowance for loan losses at December 31, 2015 was $9.4 million or 1.12% of total loans, compared to $9.1 million or 1.15% of total loans at December 31, 2014. The increase in the provision was attributed to growth in the loan portfolio and a $0.3 million increase in net charge-offs. The primary change to the credit quality of the loan portfolio was associated with the downgrades of loans. Substandard loans increased $13.9 million to $58.7 million at December 31, 2015 from $44.8 million at December 31, 2014. The impaired loan portfolio did not suffer additional declines in estimated fair value requiring further provisions. We believe that the allowance is adequate to cover potential losses in the loan portfolio given the current economic conditions, and current expected net charge-offs and non-performing asset levels.

For the year ended December 31, 2014, the provision for loan losses was $2.0 million, a decrease of $0.6 million from $2.5 million for 2013. The allowance for loan losses was $9.1 million and $10.4 million at December 31, 2014 and 2013, respectively. The decline in the provision was attributed to charge-offs related to impaired loans that had existing specific reserves, as well as improvement in the credit quality of the loan portfolio. The impaired loan portfolio did not suffer additional declines in estimated fair value requiring further provisions. The decline was also due to an improvement in our historical charge-off trends.

Noninterest Income

Our primary sources of recurring noninterest income are customer service fees, loan fees, gains on the sale of loans and available-for-sale securities and other service fees. Noninterest income does not include loan origination fees which are recognized over the life of the related loan as an adjustment to yield using the interest method.

Noninterest income totaled $9.0 million for the year ended December 31, 2015, an increase of $2.8 million when compared to $6.2 million for 2014. The majority of the increase was due to higher gains on securities sales. Net securities gains were $3.3 million for the year ended December 31, 2015 and $0.3 million for 2014. The gains on securities sales occurred as First Guaranty sold investment securities

in order to fund loan growth and liquidated its shares in a preferred security that converted to common stock in 2015 for a gain of $2.7 million. Service charges, commissions and fees totaled $2.7 million for the year ended December 31, 2015 and $2.8 million for 2014. ATM and debit card fees totaled $1.8 million for the year ended December 31, 2015 and $1.7 million for 2014. Other noninterest income decreased by $0.3 million to $1.1 million for the year ended December 31, 2015 compared to $1.5 million for 2014. The $0.3 million decrease in other noninterest income was partially caused by a $0.2 million other-than-temporary impairment charge on an investment security.

Noninterest income totaled $6.2 million in 2014 which was a decrease of $1.3 million compared to $7.5 million in 2013. The decrease in noninterest income was primarily due to a decrease in gains from the sale of investment securities of $1.3 million. Service charges, commissions and fees totaled $2.8 million for 2014 and $3.0 million for 2013. Other noninterest income increased $0.1 million to $1.5 million in 2014 from $1.3 million in 2013.

Noninterest Expense

Noninterest expense includes salaries and employee benefits, occupancy and equipment expense and other types of expenses. Noninterest expense decreased $0.5 million to $31.1 million for the year ended December 31, 2015 compared to 2014. Salaries and benefits expense totaled $15.5 million for 2015 and $15.8 million for 2014. Occupancy and equipment expense totaled $3.8 million for 2015 and $3.9 million for 2014. Other noninterest expense decreased by $0.1 million to $11.8 million for the year ended December 31, 2015.

Noninterest expense totaled $31.6 million in 2014 and $31.0 million in 2013. Salaries and benefits expense increased $1.5 million to $15.8 million for 2014 compared to $14.4 million in 2013. The increase in salaries and benefits expense was due primarily to increased costs associated with our employee health insurance plan. First Guaranty terminated the plan in 2014 and enrolled in a fully insured plan from a third party national provider of health insurance. Occupancy and equipment expense totaled $3.9 million for 2014 and 2013. Other noninterest expense totaled $11.8 million in 2014, a decrease of $0.8 million, or 6.7%, when compared to $12.7 million in 2013.

The following table presents, for the years indicated, the major categories of other noninterest expense:

	December 31, 2015	December 31, 2014	December 31, 2013
		(in thousands)	
Other noninterest expense:			
Legal and professional fees	$ 2,019	$ 1,982	$ 2,347
Data processing	1,184	1,153	1,269
Marketing and public relations	848	700	638
Taxes - sales, capital and franchise	717	605	584
Operating supplies	414	410	487
Travel and lodging	818	566	563
Telephone	172	242	206
Amortization of core deposits	320	320	320
Donations	332	150	294
Net costs from other real estate and repossessions	493	1,374	941
Regulatory assessment	1,111	1,181	1,784
Other	3,326	3,143	3,237
Total other expense	**$11,754**	**$11,826**	**$12,670**

Income Taxes.

The amount of income expense is influenced by the amount of pre-tax income, the amount of tax-exempt income and the amount of other non-deductible expenses. The provision for income taxes for the years ended December 31, 2015, 2014 and 2013 was $7.0 million, $5.5 million and $4.6 million, respectively. The provision for income taxes increased in 2015 as compared to 2014 due to the increase in income before taxes. Our statutory tax rate was 35.0% for 2015, 2014 and 2013.

Impact of Inflation

Our Consolidated Financial Statements and related notes included elsewhere in this Annual Report have been prepared in accordance with GAAP. These require the measurement of financial position and operating results in terms of historical dollars, without considering changes in the relative value of money over time due to inflation or recession.

Unlike many industrial companies, substantially all of our assets and liabilities are monetary in nature. As a result, interest rates have a more significant impact on our performance than the effects of general levels of inflation. Interest rates may not necessarily move in the same direction or in the same magnitude as the prices of goods and services. However, other operating expenses do reflect general levels of inflation.

Liquidity and Capital Resources

Liquidity

Liquidity refers to the ability or flexibility to manage future cash flows to meet the needs of depositors and borrowers and fund operations. Maintaining appropriate levels of liquidity allows us to have sufficient funds available to meet customer demand for loans, withdrawal of deposit balances and maturities of deposits and other liabilities. Liquid assets include cash and due from banks, interest-earning demand deposits with banks, federal funds sold and available-for-sale investment securities.

Loans maturing within one year or less at December 31, 2015 totaled $135.1 million. At December 31, 2015, time deposits maturing within one year or less totaled $401.5 million. Our held-to-maturity investment securities portfolio at December 31, 2015 was $169.8 million or 31.1% of the investment portfolio compared to $141.8 million or 22.1% at December 31, 2014. The securities in the held-to-maturity portfolio are used to collateralize public funds deposits and may also be used to secure borrowings with the FHLB or Federal Reserve Bank. The agency securities in the held-to-maturity portfolio have maturities of 10 years or less. The mortgage backed securities have stated final maturities of 15 to 20 years at December 31, 2015. The held-to-maturity portfolio had a forecasted weighted average life of approximately 5.6 years based on current interest rates at December 31, 2015. Management regularly monitors the size and composition of the held-to-maturity portfolio to evaluate its effect on our liquidity. Our available-for-sale portfolio was $376.4 million, or 68.9% of the investment portfolio at December 31, 2015 compared to $499.8 million, or 77.9% at December 31, 2014. The majority of the available-for-sale portfolio was comprised of U.S. Treasuries, U.S. Government Agencies, mortgage backed securities, municipal bonds and investment grade corporate bonds. We believe these securities are readily marketable and enhance our liquidity.

We maintained a net borrowing capacity at the FHLB totaling $116.7 million and $156.4 million at December 31, 2015 and December 31, 2014, respectively with no borrowings outstanding at either date. At December 31, 2015, we have outstanding letters of credit from the FHLB in the amount of $195.0 million that were used to collateralize public funds deposits. We also have a discount window line with the Federal Reserve Bank of $18.2 million, with no outstanding balance at December 31, 2015. We also maintain federal funds lines of credit at various correspondent banks with borrowing capacity of $70.5 million at December 31, 2015. We have a revolving line of credit for $2.5 million, with an outstanding balance of $1.8 million at December 31, 2015 secured by a pledge of the Bank's common stock. Management believes there is sufficient liquidity to satisfy current operating needs.

Capital Resources

Our capital position is reflected in total shareholders' equity, subject to certain adjustments for regulatory purposes. Further, our capital base allows us to take advantage of business opportunities while maintaining the level of resources we deem appropriate to address business risks inherent in daily operations.

Total shareholders' equity decreased to $118.2 million at December 31, 2015 from $139.6 million at December 31, 2014. The decrease in total shareholders' equity was principally the result of the redemption of the Series C Preferred Stock for $39.4 million in December 2015 from the U.S. Treasury in order to exit the SBLF program. The decrease was partially offset by the net proceeds of $9.3 million from the issuance of common stock in a public offering which closed in the fourth quarter of 2015. Total shareholders' equity also increased due to net income of $14.5 million during the year ended December 31, 2015, partially offset by $4.2 million in cash dividends paid on our common stock and $0.4 million in dividends paid on our preferred stock. The change in the balance of the accumulated other comprehensive income from a $0.2 million gain at December 31, 2014 to a $0.9 million loss at December 31, 2015 also reduced shareholders' equity. The reduction was due to a $1.6 million reduction in the gross unrealized mark to market gains on available-for-sale securities (before taxes).

Capital Management

We manage our capital to comply with our internal planning targets and regulatory capital standards administered by the Federal Reserve and the FDIC. We review capital levels on a monthly basis. We evaluate a number of capital ratios, including Tier 1 capital to total adjusted assets (the leverage ratio) and Tier 1 capital to risk-weighted assets. At December 31, 2015, First Guaranty Bancshares and First Guaranty Bank were classified as well-capitalized.

The following table presents our capital ratios as of the indicated dates.

	"Well Capitalized Minimums"	At December 31, 2015	"Well Capitalized Minimums"	At December 31, 2014
		(in thousands except for %)		
Tier 1 Leverage Ratio:				
Consolidated	N/A	8.17%	5.00%	9.33%
Bank	5.00%	9.74%	5.00%	9.26%
Tier 1 Risk-based Capital Ratio:				
Consolidated	N/A	10.85%	6.00%	13.16%
Bank	8.00%	12.98%	6.00%	13.08%
Total Risk-based Capital Ratio:				
Consolidated	N/A	13.13%	10.00%	14.05%
Bank	10.00%	13.86%	10.00%	13.96%
Common Equity Tier One Capital:				
Consolidated	N/A	10.85%	N/A	N/A
Bank	6.50%	12.98%	N/A	N/A

Off-balance sheet commitments

We are a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit and standby and commercial letters of credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in our Consolidated Balance Sheets. The contract or notional amounts of those instruments reflect the extent of the involvement in particular classes of financial instruments.

The exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby and commercial letters of credit is represented by the contractual notional amount of those instruments. The same credit policies are used in making commitments and conditional obligations as it does for on-balance sheet instruments. Unless otherwise noted, collateral or other security is not required to support financial instruments with credit risk.

The notional amounts of the financial instruments with off-balance sheet risk at December 31, 2015, 2014 and 2013 are as follows:

Contract Amount	December 31, 2015	December 31, 2014	December 31, 2013
		(in thousands)	
Commitments to Extend Credit	$ 88,081	$ 59,675	$ 30,516
Unfunded Commitments under lines of credit	$107,581	$111,247	$115,311
Commercial and Standby letters of credit	$ 7,486	$ 7,743	$ 7,695

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Each customer's creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on our credit evaluation of the counterpart. Collateral requirements vary but may include accounts receivable, inventory, property, plant and equipment, residential real estate and commercial properties.

Unfunded commitments under lines of credit are contractually obligated by us as long as the borrower is in compliance with the terms of the loan relationship. Unfunded lines of credit are typically operating lines of credit that adjust on a regular basis as a customer requires funding. There may be seasonal variations to the usage of these lines. At December 31, 2015, the largest concentration of unfunded commitments were lines of credit associated with commercial and industrial loans.

Commercial and standby letters of credit are conditional commitments to guarantee the performance of a customer to a third party. These guarantees are primarily issued to support public and private borrowing

arrangements, including commercial paper, bond financing and similar transactions. The majority of these guarantees are short-term (one year or less); however, some guarantees extend for up to three years. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. Collateral requirements are the same as on-balance sheet instruments and commitments to extend credit.

There were no losses incurred on any commitments during the years ended December 31, 2015, 2014 and 2013.

Contractual Obligations

The following table summarizes our fixed and determinable contractual obligations and other funding needs by payment date at December 31, 2015. The payment amounts represent those amounts due to the recipient and do not include any unamortized premiums or discounts or other similar carrying amount adjustments.

Payments Due by Period:	December 31, 2015			
	Less Than One Year	One to Three Years	Over Three Years	Total
	(in thousands)			
Operating leases	$ 32	$ 61	$ 57	$ 150
Software contracts	1,105	1,696	608	3,409
Time deposits	401,535	137,037	53,438	592,010
Short-term borrowings	1,800	-	-	1,800
Senior long-term debt	3,100	7,755	15,000	25,855
Junior subordinated debentures	-	-	15,000	15,000
Total contractual obligations	**$407,572**	**$146,549**	**$84,103**	**$638,224**

Item 7A – Quantitative and Qualitative Disclosures about Market Risk

Asset/Liability Management and Market Risk

Asset/Liability Management.

Our asset/liability management process consists of quantifying, analyzing and controlling interest rate risk to maintain reasonably stable net interest income levels under various interest rate environments. The principal objective of asset/liability management is to maximize net interest income while operating within acceptable limits established for interest rate risk and to maintain adequate levels of liquidity.

The majority of our assets and liabilities are monetary in nature. Consequently, one of our most significant forms of market risk is interest rate risk, which is inherent in our lending and deposit-taking activities. Our assets, consisting primarily of loans secured by real estate and fixed rate securities in our investment portfolio, have longer maturities than our liabilities, consisting primarily of deposits. As a result, a principal part of our business strategy is to manage interest rate risk and reduce the exposure of our net interest income to changes in market interest rates. The board of directors of First Guaranty Bank has established two committees, the management asset liability committee and the board investment committee, to oversee the interest rate risk inherent in our assets and liabilities, for determining the level of risk that is appropriate given our business strategy, operating environment, capital, liquidity and performance objectives and for managing this risk consistent with the guidelines approved by the board of directors. The management asset liability committee is comprised of senior officers of the Bank and meets as needed to review our asset liability policies and interest rate risk position. The board ALCO investment committee is comprised of certain members of the board of directors of the Bank and meets monthly. The management asset liability committee provides a monthly report to the board ALCO investment committee.

The need for interest sensitivity gap management is most critical in times of rapid changes in overall interest rates. We generally seek to limit our exposure to interest rate fluctuations by maintaining a relatively balanced mix of rate sensitive assets and liabilities on a one-year time horizon and greater than one-year time horizon. Because of the significant impact on net interest margin from mismatches in repricing opportunities, we monitor the asset-liability mix periodically depending upon the management asset liability committee's assessment of current business conditions and the interest rate outlook. We maintain exposure to interest rate fluctuations within prudent levels using varying investment strategies. These strategies include, but are not limited to, frequent internal modeling of asset and liability values and behavior due to changes in interest rates. We monitor cash flow forecasts closely and evaluate the impact of both prepayments and extension risk.

The following interest sensitivity analysis is one measurement of interest rate risk. This analysis, which we prepare monthly, reflects the contractual maturity characteristics of assets and liabilities over various time periods. This analysis does not factor in prepayments or interest rate floors on loans which may significantly change the report. This table includes nonaccrual loans in their respective maturity periods. The gap indicates whether more assets or liabilities are subject to repricing over a given time period. The interest sensitivity analysis at December 31, 2015 illustrated below reflects a liability-sensitive position with a negative cumulative gap on a one-year basis.

	December 31, 2015				
	Interest Sensitivity Within				
	3 Months Or Less	Over 3 Months thru 12 Months	Total One Year	Over One Year	Total
	(in thousands)				
Earning Assets:					
Loans (including loans held for sale)	$358,994	$ 58,193	$417,187	$ 424,396	$841,583
Securities (including FHLB stock)	33,694	6,146	39,840	507,216	547,056
Federal Funds Sold	582	-	582	-	582
Other earning assets	38,467	-	38,467	-	38,467
Total earning assets	$431,737	$ 64,339	$496,076	$ 931,612	$1,427,688
Source of Funds:					
Interest-bearing accounts:					
Demand deposits	$409,209	$ -	$409,209	$ -	$409,209
Savings deposits	81,448	-	81,448	-	81,448
Time deposits	143,708	257,827	401,535	190,475	592,010
Short-term borrowings	-	1,800	1,800	-	1,800
Senior long-term debt	25,824	-	25,824	-	25,824
Junior subordinated debt	-	-	-	14,597	14,597
Noninterest-bearing, net	-	-	-	302,800	302,800
Total source of funds	$660,189	$ 259,627	$919,816	$ 507,872	$1,427,688
Period gap	$(228,452)	$(195,288)	$(423,740)	$ 423,740	
Cumulative gap	$(228,452)	$(423,740)	$(423,740)	$ -	
Cumulative gap as a percent of earning assets	-16.0%	-29.7%	-29.7%		

Net Interest Income at Risk.

Net interest income at risk measures the risk of a decline in earnings due to changes in interest rates. The first table below presents an analysis of our interest rate risk as measured by the estimated changes in net interest income resulting from an instantaneous and sustained parallel shift in the yield curve over a 12-month horizon at December 31, 2015. The second table below presents an analysis of our interest rate risk as measured by the estimated changes in net interest income resulting from a gradual shift in the yield curve over a 12-month period. Shifts are measured in 100 basis point increments (+400 through -100 basis points) from base case. We do not present shifts less than 100 basis points because of the current low interest rate environment. The base case scenario encompasses key assumptions for asset/liability mix, loan and deposit growth, pricing, prepayment speeds, deposit decay rates, securities portfolio cash flows and reinvestment strategy and the market value of certain assets under the various interest rate scenarios. The base case scenario assumes that the current interest rate environment is held constant throughout the forecast period for a static balance sheet and the instantaneous and gradual shocks are performed against that yield curve.

December 31, 2015	
Instantaneous Changes in Interest Rates (basis points)	Percent Change in Net Interest Income
+400	(18.38%)
+300	(10.29%)
+200	(5.69%)
+100	(2.29%)
Base	-%
-100	(2.83%)

Gradual Changes in Interest Rates (basis points)	Percent Change in Net Interest Income
+400	(5.35%)
+300	(3.28%)
+200	(1.76%)
+100	(0.71%)
Base	-%
-100	(0.04%)

These scenarios above are both instantaneous and gradual shocks that assume balance sheet management will mirror the base case. Even if interest rates change in the designated amounts, there can be no assurance that our assets and liabilities would perform as anticipated. Additionally, a change in the U.S. Treasury rates in the designated amounts accompanied by a change in the shape of the U.S. Treasury yield curve would cause significantly different changes to net interest income than indicated above. Strategic management of our balance sheet would be adjusted to accommodate these movements. As with any method of measuring interest rate risk, certain shortcomings are inherent in the methods of analysis presented above. For example, although certain assets and liabilities may have similar maturities or periods to repricing, they may react in different degrees to changes in market interest rates. Also, the interest rates on certain types of assets and liabilities may fluctuate in advance of changes in market interest rates, while interest rates on other types may lag behind changes in market rates. Also, the ability of many borrowers to service their debt may decrease in the event of an interest rate increase. We consider all of these factors in monitoring exposure to interest rate risk.

We are pursuing a strategy that began in 2012 to reduce long-term interest rate risk. The contractual maturity of the investment portfolio was shortened and mortgage backed securities were purchased to enhance cash flow. We were able to grow our loan portfolio while reducing the size of the investment portfolio. New loans originated generally were either floating rate or were fixed rate with maturities that did not exceed five years. Securities as a percentage of average interest-earning assets decreased from 45.4% in 2014 to 37.5% in 2015. Deposit maturities were extended and generally priced lower. We believe that the addition of short-term securities and deploying our capital to grow our loan portfolio will help to lower interest rate risk.

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Report of Castaing, Hussey & Lolan, LLC
Independent Registered Accounting Firm

To the Shareholders and Board of Directors

First Guaranty Bancshares, Inc.

We have audited the accompanying consolidated balance sheets of First Guaranty Bancshares, Inc. as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2015. First Guaranty's management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of First Guaranty Bancshares, Inc. as of December 31, 2015 and 2014, and the consolidated results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2015 in conformity with accounting principles generally accepted in the United States of America.

We also audited, in accordance with the standards of the American Institute of Certified Public Accountants, First Guaranty Bancshares, Inc.'s internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated March 28, 2016 expressed an unqualified opinion thereon.

Castaing, Hussey & Lolan, LLC

Castaing, Hussey & Lolan, LLC
New Iberia, Louisiana

March 28, 2016

FIRST GUARANTY BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

	December 31, 2015	December 31, 2014
	(in thousands, except share data)	
Assets		
Cash and cash equivalents:		
Cash and due from banks	$ 36,690	$ 44,365
Federal funds sold	582	210
Cash and cash equivalents	**37,272**	**44,575**
Interest-earning time deposits with banks	997	10,247
Investment securities:		
Available-for-sale, at fair value	376,369	499,808
Held to maturity, at cost (estimated fair value of $168,148 and $139,688, respectively)	169,752	141,795
Investment securities	**546,121**	**641,603**
Federal Home Loan Bank stock, at cost	935	1,621
Loans, net of unearned income	841,583	790,321
Less: allowance for loan losses	9,415	9,105
Net loans	**832,168**	**781,216**
Premises and equipment, net	22,019	19,211
Goodwill	1,999	1,999
Intangible assets, net	1,394	1,733
Other real estate, net	1,577	2,198
Accrued interest receivable	6,015	6,384
Other assets	9,256	8,089
Total Assets	**$1,459,753**	**$1,518,876**
Liabilities and Shareholders' Equity		
Deposits:		
Noninterest-bearing demand	$213,203	$207,969
Interest-bearing demand	409,209	432,294
Savings	81,448	74,550
Time	592,010	657,026
Total deposits	**1,295,870**	**1,371,839**
Short-term borrowings	1,800	1,800
Accrued interest payable	1,707	1,997
Senior long-term debt	25,824	1,455
Junior subordinated debentures	14,597	-
Other liabilities	1,731	2,202
Total Liabilities	**1,341,529**	**1,379,293**
Shareholders' Equity		
Preferred stock:		
Series C - $1,000 par value - authorized 39,435 shares; issued and outstanding 0 and 39,435	-	39,435
Common stock[1]:		
$1 par value - authorized 100,600,000 shares; issued 7,609,194 and 6,923,206 shares	7,609	6,923
Surplus	61,584	51,646
Treasury stock, at cost, 0 and 3,184 shares	-	(54)
Retained earnings	49,932	41,392
Accumulated other comprehensive income (loss)	(901)	241
Total Shareholders' Equity	118,224	139,583
Total Liabilities and Shareholders' Equity	**$1,459,753**	**$1,518,876**

See Notes to the Consolidated Financial Statements.

[1] 2014 and 2015 share amounts reflect the ten percent stock dividend paid December 17, 2015 to shareholders of record as of December 10, 2015.

FIRST GUARANTY BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31,		
	2015	2014	2013
	(in thousands, except share data)		
Interest Income:			
Loans (including fees)	$42,536	$39,787	$37,289
Deposits with other banks	72	115	157
Securities (including FHLB stock)	13,471	13,395	13,439
Federal funds sold	-	-	1
Total Interest Income	**56,079**	**53,297**	**50,886**
Interest Expense:			
Demand deposits	1,419	1,312	1,262
Savings deposits	38	33	41
Time deposits	6,985	7,716	9,682
Borrowings	166	141	149
Total Interest Expense	**8,608**	**9,202**	**11,134**
Net Interest Income	**47,471**	**44,095**	**39,752**
Less: Provision for loan losses	3,864	1,962	2,520
Net Interest Income after Provision for Loan Losses	**43,607**	**42,133**	**37,232**
Noninterest Income:			
Service charges, commissions and fees	2,736	2,767	3,006
ATM and debit card fees	1,779	1,671	1,634
Net gains on securities	3,300	295	1,571
Net gain (loss) on sale of loans	4	(12)	(70)
Other	1,137	1,456	1,337
Total Noninterest Income	**8,956**	**6,177**	**7,478**
Noninterest Expense:			
Salaries and employee benefits	15,496	15,840	14,368
Occupancy and equipment expense	3,845	3,928	3,949
Other	11,754	11,826	12,670
Total Noninterest Expense	**31,095**	**31,594**	**30,987**
Income Before Income Taxes	21,468	16,716	13,723
Less: Provision for income taxes	6,963	5,492	4,577
Net Income	**14,505**	**11,224**	**9,146**
Preferred stock dividends	(384)	(394)	(713)
Income Available to Common Shareholders	**$14,121**	**$10,830**	**$8,433**
Per Common Share[1]:			
Earnings	$ 2.01	$ 1.57	$ 1.22
Cash dividends paid	$ 0.60	$ 0.58	$ 0.58
Weighted Average Common Shares Outstanding	**7,013,869**	**6,920,022**	**6,920,022**

See Notes to Consolidated Financial Statements

[1] All share and per share amounts reflect the ten percent stock dividend paid December 17, 2015 to shareholders of record as of December 10, 2015.

FIRST GUARANTY BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Years Ended December 31,		
	2015	2014	2013
	(in thousands)		
Net Income	$14,505	$ 11,224	$ 9,146
Other comprehensive income (loss):			
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the period	1,394	14,499	(21,432)
Reclassification adjustments for net gains included in net income	(3,300)	(295)	(1,571)
Reclassification of OTTI losses included in net income	175	-	-
Change in unrealized gains (losses) on securities	**(1,731)**	**14,204**	**(23,003)**
Tax impact	589	(4,829)	7,821
Other comprehensive income (loss)	**(1,142)**	**9,375**	**(15,182)**
Comprehensive Income (Loss)	**$13,363**	**$ 20,599**	**$ (6,036)**

See Notes to Consolidated Financial Statements

FIRST GUARANTY BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Series C Preferred Stock $1,000 Par	Common Stock $1 Par	Surplus	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total
	(in thousands, except share data)						
Balance December 31, 2012	**$39,435**	**$6,923**	**$51,646**	**$ (54)**	**$30,183**	**$6,048**	**$134,181**
Net income	-	-	-	-	9,146	-	9,146
Other comprehensive income	-	-	-	-	-	(15,182)	(15,182)
Cash dividends on common stock ($0.58 per share)	-	-	-	-	(4,027)	-	(4,027)
Preferred stock dividends	-	-	-	-	(713)	-	(713)
Balance December 31, 2013	**$39,435**	**$6,923**	**$51,646**	**$ (54)**	**$34,589**	**$(9,134)**	**$123,405**
Net income	-	-	-	-	11,224	-	11,224
Other comprehensive income	-	-	-	-	-	9,375	9,375
Cash dividends on common stock ($0.58 per share)	-	-	-	-	(4,027)	-	(4,027)
Preferred stock dividends	-	-	-	-	(394)	-	(394)
Balance December 31, 2014	**$39,435**	**$6,923**	**$51,646**	**$ (54)**	**$41,392**	**$ 241**	**$139,583**
Net income	-	-	-	-	14,505	-	14,505
Reclassification of treasury stock under the LCBA [(1)]	-	(3)	-	54	(51)	-	-
Other comprehensive income	-	-	-	-	-	(1,142)	(1,142)
Preferred stock redeemed, Series C	(39,435)	-	-	-	-	-	(39,435)
Common stock issued in initial public offering, 689,172 shares[(2)]	-	689	9,938	-	(1,283)	-	9,344
Cash dividends on common stock ($0.60 per share)	-	-	-	-	(4,247)	-	(4,247)
Preferred stock dividends	-	-	-	-	(384)	-	(384)
Balance December 31, 2015	**$ -**	**$7,609**	**$61,584**	**$ -**	**$49,932**	**$ (901)**	**$118,224**

See Notes to Consolidated Financial Statements

(1) Effective January 1, 2015, companies incorporated under Louisiana law became subject to the Louisiana Business Corporation Act (which replaces the Louisiana Business Corporation Law). Provisions of the Louisiana Business Corporation Act eliminate the concept of treasury stock and provide that shares reacquired by a company are to be treated as authorized but unissued shares. As a result of this change in law, shares previously classified as treasury stock were reclassified as a reduction to issued shares of common stock in the consolidated financial statements as of June 30, 2015, reducing the stated value of common stock and retained earnings.

(2) All share and per share amounts reflect the ten percent stock dividend paid December 17, 2015 to shareholders of record as of December 10, 2015.

FIRST GUARANTY BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
	2015	2014	2013
		(in thousands)	
Cash Flows From Operating Activities:			
Net income	$ 14,505	$11,224	$ 9,146
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	3,864	1,962	2,520
Depreciation and amortization	1,995	2,143	2,111
Amortization/Accretion of investments	2,036	2,164	2,141
Gain on sale/call of securities	(3,300)	(295)	(1,571)
Other than temporary impairment charge on securities	175	-	-
Loss (gain) on sale of assets	(6)	(17)	61
ORE and repossessed property writedowns and loss on disposition	411	665	335
FHLB stock dividends	(4)	(4)	(4)
Net decrease in loans held for sale	-	88	469
Change in other assets and liabilities, net	(2,461)	(1,140)	1,958
Net cash provided by operating activities	**17,215**	**16,790**	**17,166**
Cash Flows From Investing Activities:			
Funds invested in certificates of deposit	-	(10,000)	-
Proceeds from maturities and calls of certificates of deposit	9,250	500	-
Proceeds from maturities and calls of HTM securities	72,036	8,279	16,184
Proceeds from maturities, calls and sales of AFS securities	723,249	535,167	626,433
Funds invested in HTM securities	(48,318)	-	(107,616)
Funds Invested in AFS securities	(650,698)	(538,209)	(533,320)
Proceeds from sale/redemption of Federal Home Loan Bank stock	3,554	4,169	3,268
Funds invested in Federal Home Loan Bank stock	(2,864)	(3,950)	(3,825)
Net increase in loans	(56,000)	(92,697)	(78,777)
Purchases of premises and equipment	(4,400)	(1,668)	(1,757)
Proceeds from sales of premises and equipment	4	375	-
Proceeds from sales of other real estate owned	1,394	3,049	1,306
Net cash provided by (used in) investing activities	**47,207**	**(94,985)**	**(78,104)**
Cash Flows From Financing Activities:			
Net (decrease) increase in deposits	(75,969)	68,740	50,487
Net decrease in federal funds purchased and short-term borrowings	-	(3,988)	(8,958)
Proceeds from long-term borrowings, net of costs	24,969	1,555	-
Repayment of long-term borrowings	(600)	(600)	(600)
Proceeds from junior subordinated debentures, net of costs	14,597	-	-
Issuance of common stock, net of costs	9,344	-	-
Redemption of preferred stock	(39,435)	-	-
Dividends paid	(4,631)	(4,421)	(4,740)
Net cash (used in) provided by financing activities	**(71,725)**	**61,286**	**36,189**
Net decrease in cash and cash equivalents	(7,303)	(16,909)	(24,749)
Cash and cash equivalents at the beginning of the period	44,575	61,484	86,233
Cash and cash equivalents at the end of the period	**$ 37,272**	**$44,575**	**$61,484**
Noncash activities:			
Loans transferred to foreclosed assets	$ 1,184	$ 2,330	$ 2,604
Cash paid during the period:			
Interest on deposits and borrowed funds	$ 8,898	$ 9,569	$ 11,610
Income taxes	$ 8,400	$ 4,500	$ 2,850

See Notes to the Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Business and Summary of Significant Accounting Policies

Business

First Guaranty Bancshares, Inc. ("First Guaranty" or the "Company") is a Louisiana corporation headquartered in Hammond, LA. First Guaranty owns all of the outstanding shares of common stock of First Guaranty Bank. First Guaranty Bank (the "Bank") is a Louisiana state-chartered commercial bank that provides a diversified range of financial services to consumers and businesses in the communities in which it operates. These services include consumer and commercial lending, mortgage loan origination, the issuance of credit cards and retail banking services. The Bank also maintains an investment portfolio comprised of government, government agency, corporate and municipal securities. The Bank has twenty-one banking offices, including one drive-up banking facility, and twenty-seven automated teller machines (ATMs) in Southeast, Southwest and North Louisiana.

Summary of significant accounting policies

The accounting and reporting policies of First Guaranty conform to generally accepted accounting principles and to predominant accounting practices within the banking industry. The more significant accounting and reporting policies are as follows:

Consolidation

The consolidated financial statements include the accounts of First Guaranty Bancshares, Inc., and its wholly owned subsidiary, First Guaranty Bank. All significant intercompany balances and transactions have been eliminated in consolidation.

Acquisition Accounting

Acquisitions are accounted for under the purchase method of accounting. Purchased assets, including identifiable intangibles and assumed liabilities are recorded at their respective acquisition date fair values. If the fair value of net assets purchased exceeds the consideration given, a gain on acquisition is recognized. If the consideration given exceeds the fair value of the net assets received, goodwill is recognized. Fair values are subject to refinement for up to one year after the closing date of an acquisition as information relative to closing date fair values becomes available. Purchased loans acquired in a business combination are recorded at estimated fair value on their purchase date with no carryover of the related allowance for loan losses. See Acquired Loans section below for accounting policy regarding loans acquired in a business combination.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expense during the reporting periods. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near-term relate to the determination of the allowance for loan losses, the valuation of real estate acquired in connection with foreclosures or in satisfaction of loans and the valuation of investment securities. In connection with the determination of the allowance for loan losses and real estate owned, First Guaranty obtains independent appraisals for significant properties.

Cash and cash equivalents

For purposes of reporting cash flows, cash and cash equivalents are defined as cash, due from banks, interest-bearing demand deposits with banks and federal funds sold with maturities of three months or less.

Securities

First Guaranty reviews its financial position, liquidity and future plans in evaluating the criteria for classifying investment securities. Debt securities that Management has the ability and intent to hold to maturity are classified as held to maturity and carried at cost, adjusted for amortization of premiums and accretion of discounts using methods approximating the interest method. Securities available for sale are stated at fair value. The unrealized difference, if any, between amortized cost and fair value of these AFS securities is excluded from income and is reported, net of deferred taxes, in accumulated other comprehensive income as a part of shareholders' equity. Details of other comprehensive income are reported in the consolidated statements of comprehensive icome. Realized gains and losses on securities are computed based on the specific identification method and are reported as a separate component of other income. Amortization of premiums and discounts is included in interest income. Discounts and premiums related to debt securities are amortized using the effective interest rate method.

Management evaluates securities for other-than-temporary impairment ("OTTI") at least on a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. In estimating other-than-temporary losses, management considers the length of time and extent that fair value has been less than cost and the financial condition and near term prospects of the issuer. Management also assesses whether it intends to sell, or it is more likely than not that it will be required to sell, a security in an unrealized loss position before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the entire difference between amortized cost and fair value is recognized as impairment through earnings. For debt securities that do not meet the aforementioned criteria, the amount of impairment is split into two components as follows: 1) OTTI related to credit loss, which must be recognized in the income statement and 2) OTTI related to other factors, which is recognized in other comprehensive income. The credit loss is defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis. For equity securities, the entire amount of impairment is recognized through earnings.

Loans held for sale

Mortgage loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated fair value in the aggregate. Net unrealized losses, if any, are recognized through a valuation allowance by charges to income. Loans held for sale have primarily been fixed rate single-family residential mortgage loans under contract to be sold in the secondary market. In most cases, loans in this category are sold within thirty days. Buyers generally have recourse to return a purchased loan under limited circumstances. Recourse conditions may include early payment default, breach of representations or warranties and documentation deficiencies. Mortgage loans held for sale are generally sold with the mortgage servicing rights released. Gains or losses on sales of mortgage loans are recognized based on the differences between the selling price and the carrying value of the related mortgage loans sold.

Loans

Loans are stated at the principal amounts outstanding, net of unearned income and deferred loan fees. In addition to loans issued in the

normal course of business, overdrafts on customer deposit accounts are considered to be loans and reclassified as such. Interest income on all classifications of loans is calculated using the simple interest method on daily balances of the principal amount outstanding.

Accrual of interest is discontinued on a loan when Management believes, after considering economic and business conditions and collection efforts, the borrower's financial condition is such that reasonable doubt exists as to the full and timely collection of principal and interest. This evaluation is made for all loans that are 90 days or more contractually past due. When a loan is placed in nonaccrual status, all interest previously accrued but not collected is reversed against current period interest income. Income on such loans is then recognized only to the extent that cash is received and where the future collection of interest and principal is probable. Loans are returned to accrual status when, in the judgment of Management, all principal and interest amounts contractually due are reasonably assured to be collected within a reasonable time frame and when the borrower has demonstrated payment performance of cash or cash equivalents; generally for a period of six months. All loans, except mortgage loans, are considered past due if they are past due 30 days. Mortgage loans are considered past due when two consecutive payments have been missed. Loans that are past due 90-120 days and deemed uncollectible are charged-off. The loan charge off is a reduction of the allowance for loan losses.

Troubled Debt Restructurings (TDRs)

TDRs are loans in which the borrower is experiencing financial difficulty at the time of restructuring, and the Bank has granted a concession to the borrower. TDRs are undertaken in order to improve the likelihood of recovery on the loan and may take the form of modifications made with the stated interest rate lower than the current market rate for new debt with similar risk, other modifications to the structure of the loan that fall outside of normal underwriting policies and procedures, or in limited circumstances forgiveness of principal and / or interest. TDRs can involve loans remaining on non-accrual, moving to non-accrual or continuing on accrual status, depending on the individual facts and circumstances of the borrower. TDRs are subject to policies governing accrual and non-accrual evaluation consistent with all other loans as discussed in the "Loans" section above. All loans with the TDR designation are considered to be impaired, even if they are accruing.

First Guaranty's policy is to evaluate TDRs that have subsequently been restructured and returned to market terms after 12 months of performance. The evaluation includes a review of the loan file and analysis of the credit to assess the loan terms, including interest rate to insure such terms are consistent with market terms. The loan terms are compared to a sampling of loans with similar terms and risk characteristics, including loans originated by First Guaranty and loans lost to a competitor. The sample provides a guide to determine market terms pursuant to ASC 310-40-50-2. The loan is also evaluated at that time for impairment A loan determined to be restructured to market terms and not considered impaired will no longer be disclosed as a TDR in the years following the restructuring. These loans will continue to be individually evaluated for impairment. A loan determined to either be restructured to below market terms or to be impaired will remain a TDR.

Credit Quality

First Guaranty's credit quality indicators are pass, special mention, substandard and doubtful.

Loans included in the pass category are performing loans with satisfactory debt coverage ratios, collateral, payment history and documentation requirements.

Special mention loans have potential weaknesses that deserve close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects. Borrowers may be experiencing adverse operating trends (declining revenues or margins) or an ill proportioned balance sheet (e.g., increasing inventory without an increase in sales, high leverage, tight liquidity). Adverse economic or market conditions, such as interest rate increases or the entry of a new competitor, may also support a special mention rating. Nonfinancial reasons include management problems, pending litigation, an ineffective loan agreement or other material structural weakness and any other significant deviation from prudent lending practices.

A substandard loan is inadequately protected by the paying capacity of the obligor or of the collateral pledged, if any. Loans classified as substandard have a well-defined weakness. They are characterized by the distinct possibility that First Guaranty will sustain some loss if the deficiencies are not corrected. These loans require more intensive supervision. Substandard loans are generally characterized by current or expected unprofitable operations, inadequate debt service coverage, inadequate liquidity or marginal capitalization. Repayment may depend on collateral or other credit risk mitigates. For some substandard loans, the likelihood of full collection of interest and principal may be in doubt and interest is no longer accrued. Consumer loans that are 90 days or more past due or that are nonaccrual are considered substandard.

Doubtful loans have the weaknesses of substandard loans with the additional characteristic that the weaknesses make collection or liquidation in full questionable and there is a high probability of loss based on currently existing facts, conditions and values.

A loan is considered impaired when, based on current information and events, it is probable that First Guaranty will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by Management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for commercial and construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price or the fair value of the collateral if the loan is collateral dependent. This process is only applied to impaired loans or relationships in excess of $250,000. Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, individual consumer and residential loans are not separately identified for impairment disclosures, unless such loans are the subject of a restructuring agreement. Loans that have been restructured in a troubled debt restructuring will continue to be evaluated individually for impairment, including those no longer requiring disclosure.

Acquired Loans

Loans are recorded at estimated fair value on their purchase date with no carryover of the related allowance for loan losses. Acquired loans are segregated between those with deteriorated credit quality at acquisition and those deemed as performing. To make this determination, Management considers such factors as past due status, nonaccrual status, credit risk ratings, interest rates and collateral position. The fair value of acquired loans deemed performing is determined by discounting cash flows, both principal and interest, for each pool at prevailing market interest rates as well as consideration of inherent potential losses. The difference between the fair value and principal

balances due at acquisition date, the fair value discount, is accreted into income over the estimated life of each loan pool.

Loans acquired in a business combination are recorded at their estimated fair value on their purchase date with no carryover of the related allowance for loan losses. Performing acquired loans are subsequently evaluated for any required allowance at each reporting date. An allowance for loan losses is calculated using a similar methodology for originated loans.

Loan fees and costs

Nonrefundable loan origination and commitment fees and direct costs associated with originating loans are deferred and recognized over the lives of the related loans as an adjustment to the loans' yield using the level yield method.

Allowance for loan losses

The allowance for loan losses is established through a provision for loan losses charged to expense. Loans are charged against the allowance for loan losses when Management believes that the collectability of the principal is unlikely. The allowance, which is based on evaluation of the collectability of loans and prior loan loss experience, is an amount that, in the opinion of Management, reflects the risks inherent in the existing loan portfolio and exists at the reporting date. The evaluations take into consideration a number of subjective factors including changes in the nature and volume of the loan portfolio, historical losses, overall portfolio quality, review of specific problem loans, current economic conditions that may affect a borrower's ability to pay, adequacy of loan collateral and other relevant factors. In addition, regulatory agencies, as an integral part of their examination process, periodically review the estimated losses on loans. Such agencies may require additional recognition of losses based on their judgments about information available to them at the time of their examination.

The following are general credit risk factors that affect First Guaranty's loan portfolio segments. These factors do not encompass all risks associated with each loan category. Construction and land development loans have risks associated with interim construction prior to permanent financing and repayment risks due to the future sale of developed property. Farmland and agricultural loans have risks such as weather, government agricultural policies, fuel and fertilizer costs and market price volatility. 1-4 family, multi-family, and consumer credits are strongly influenced by employment levels, consumer debt loads and the general economy. Non-farm non-residential loans include both owner occupied real estate and non-owner occupied real estate. Common risks associated with these properties is the ability to maintain tenant leases and keep lease income at a level able to service required debt and operating expenses. Commercial and industrial loans generally have non-real estate secured collateral which requires closer monitoring than real estate collateral.

Although Management uses available information to recognize losses on loans, because of uncertainties associated with local economic conditions, collateral values and future cash flows on impaired loans, it is reasonably possible that a material change could occur in the allowance for loan losses in the near term. However, the amount of the change that is reasonably possible cannot be estimated. The evaluation of the adequacy of loan collateral is often based upon estimates and appraisals. Because of changing economic conditions, the valuations determined from such estimates and appraisals may also change. Accordingly, First Guaranty may ultimately incur losses that vary from Management's current estimates. Adjustments to the allowance for loan losses will be reported in the period such adjustments become known or can be reasonably estimated. All loan losses are charged to the allowance for loan losses when the loss actually occurs or when the collectability of the principal is unlikely. Recoveries are credited to the allowance at the time of recovery.

The allowance consists of specific, general, and unallocated components. The specific component relates to loans that are classified as doubtful, substandard, and impaired. For such loans that are also classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. Also, a specific reserve is allocated for syndicated loans. The general component covers non-classified loans and special mention loans and is based on historical loss experience adjusted for qualitative factors. An unallocated component is maintained to cover uncertainties that could affect the estimate of probable losses.

The allowance for loan losses is reviewed on a monthly basis. The monitoring of credit risk also extends to unfunded credit commitments, such as unused commercial credit lines and letters of credit. A reserve is established as needed for estimates of probable losses on such commitments.

Goodwill and intangible assets

Goodwill and intangible assets deemed to have indefinite lives are subject to annual impairment tests. First Guaranty's goodwill is tested for impairment on an annual basis, or more often if events or circumstances indicate that there may be impairment. Adverse changes in the economic environment, declining operations, or other factors could result in a decline in the implied fair value of goodwill. If the implied fair value is less than the carrying amount, a loss would be recognized in other non-interest expense to reduce the carrying amount to implied fair value of goodwill. The goodwill impairment test includes two steps that are preceded by a, "step zero", qualitative test. The qualitative test allows Management to assess whether qualitative factors indicate that it is more likely than not that impairment exists. If it is not more likely than not that impairment exists, then no impairment exists and the two step quantitative test would not be necessary. These qualitative indicators include factors such as earnings, share price, market conditions, etc. If the qualitative factors indicate that it is more likely than not that impairment exists, then the two step quantitative test would be necessary. Step one is used to identify potential impairment and compares the estimated fair value of a reporting unit with its carrying amount, including goodwill. If the estimated fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not considered impaired. If the carrying amount of a reporting unit exceeds its estimated fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment loss, if any. Step two of the goodwill impairment test compares the implied estimated fair value of reporting unit goodwill with the carrying amount of that goodwill. If the carrying amount of goodwill for that reporting unit exceeds the implied fair value of that unit's goodwill, an impairment loss is recognized in an amount equal to that excess.

Identifiable intangible assets are acquired assets that lack physical substance but can be distinguished from goodwill because of contractual or legal rights or because the assets are capable of being sold or exchanged either on their own or in combination with the related contract, asset or liability. First Guaranty's intangible assets primarily relate to core deposits. These core deposit intangibles are amortized on a straight-line basis over terms ranging from seven to fifteen years. Management periodically evaluates whether events or circumstances have occurred that impair this deposit intangible.

Premises and equipment

Premises and equipment are stated at cost, less accumulated depreciation. Depreciation is computed for financial reporting purposes using the straight-line method over the estimated useful lives of the respective assets as follows:

Buildings and improvements 10-40 years
Equipment, fixtures and automobiles 3-10 years

Expenditures for renewals and betterments are capitalized and depreciated over their estimated useful lives. Repairs, maintenance and minor improvements are charged to operating expense as incurred. Gains or losses on disposition, if any, are recorded as a separate line item in noninterest income on the Statements of Income.

Other real estate

Other real estate includes properties acquired through foreclosure or acceptance of deeds in lieu of foreclosure. These properties are recorded at the lower of the recorded investment in the property or its fair value less the estimated cost of disposition. Any valuation adjustments required prior to foreclosure are charged to the allowance for loan losses. Subsequent to foreclosure, losses on the periodic revaluation of the property are charged to current period earnings as other real estate expense. Costs of operating and maintaining the properties are charged to other real estate expense as incurred. Any subsequent gains or losses on dispositions are credited or charged to income in the period of disposition.

Off-balance sheet financial instruments

In the ordinary course of business, First Guaranty has entered into commitments to extend credit, including commitments under credit card arrangements, commitments to fund commercial real estate, construction and land development loans secured by real estate and performance standby letters of credit. Such financial instruments are recorded when they are funded.

Income taxes

First Guaranty and its subsidiary file a consolidated federal income tax return on a calendar year basis. In lieu of Louisiana state income tax, the Bank is subject to the Louisiana bank shares tax, which is included in noninterest expense in First Guaranty's consolidated financial statements. With few exceptions, First Guaranty is no longer subject to U.S. federal, state or local income tax examinations for years before 2012. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the deferred tax assets or liabilities are expected to be settled or realized. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be utilized.

Comprehensive income

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available for sale securities, are reported as a separate component of the equity section of the balance sheet, such items along with net income, are components of comprehensive income. The components of other comprehensive income and related tax effects are presented in the Statements of Comprehensive Income.

Fair Value Measurements

The fair value of a financial instrument is the current amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. Valuation techniques use certain inputs to arrive at fair value. Inputs to valuation techniques are the assumptions that market participants would use in pricing the asset or liability. They may be observable or unobservable. First Guaranty uses a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. See Note 21 for a detailed description of fair value measurements.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (i) the assets have been isolated from First Guaranty, (ii) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets and (iii) First Guaranty does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Earnings per common share

Earnings per share represents income available to common shareholders divided by the weighted average number of common shares outstanding during the period. In December of 2015, First Guaranty issued a pro rata, 10% common stock dividend. The shares issued for the stock dividend have been retrospectively factored into the calculation of earnings per share as well as cash dividends paid on common stock and represented on the face of the financial statements. No convertible shares of First Guaranty's stock are outstanding.

Operating Segments

All of First Guaranty's operations are considered by management to be aggregated into one reportable operating segment. While the chief decision-makers monitor the revenue streams of the various products and services, the identifiable segments are not material. Operations are managed and financial performance is evaluated on a Company-wide basis.

Reclassifications

Certain reclassifications have been made to prior year end financial statements in order to conform to the classification adopted for reporting in 2015.

Note 2. Recent Accounting Pronouncements

In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-03, "Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs." The amendments in this guidance require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this ASU.

This guidance is effective for interim and annual reporting periods beginning after December 15, 2015, with early adoption permitted. This guidance must be adopted retrospectively, wherein the balance sheet of each period presented should be adjusted to reflect the new guidance. First Guaranty has elected early adoption of this guidance in 2015. The adoption of this guidance did not have a material impact upon First Guaranty's financial statements. No adjustments to prior year information was necessary upon the adoption of the guidance.

In September 2015, the FASB issued ASU 2015-16, "Simplifying the Accounting for Measurement-Period Adjustments". The guidance eliminates the requirement that an acquirer in a business combination account for measurement-period adjustments retrospectively. The

ASU is effective for annual and interim periods beginning after December 15, 2015. The adoption of this ASU is not expected to have a material effect on First Guaranty's Consolidated Financial Statements.

In January 2016, the FASB issued ASU 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities". The ASU amendments include changes related to how certain equity investments are measured, recognize changes in the fair value of financial certain liabilities measured under the fair value option and disclose and present financial assets and liabilities on First Guaranty's consolidated financial statements. Additionally, the ASU will also require entities to present financial assets and financial liabilities separately, grouped by measurement category and form of financial asset in the statement of financial position or in the accompanying notes to the financial statements. Entities will also no longer have to disclose the methods and significant assumptions for financial instruments measured at amortized cost, but will be required to measure such instruments under the "exit price" notion for disclosure purposes. The ASU is effective for annual and interim periods beginning after December 15, 2017. The adoption of this ASU is not expected to have a material effect on First Guaranty's Consolidated Financial Statements.

In February 2016, the FASB issued ASU 2016-02, "Conforming Amendments Related to Leases". This ASU amends the codification regarding leases in order to increase transparency and comparability. The ASU requires companies to recognize lease assets and liabilities on the statement of condition and disclose key information about leasing arrangements. A lessee would recognize a liability to make lease payments and a right-of-use asset representing its right to use the leased asset for the lease term. The ASU is effective for annual and interim periods beginning after December 15, 2018. The adoption of this ASU is not expected to have a material effect on First Guaranty's Consolidated Financial Statements.

Note 3. Cash and Due from Banks

Certain reserves are required to be maintained at the Federal Reserve Bank. There was no reserve requirement as of December 31, 2015 and 2014. At December 31, 2015 First Guaranty had only one account at correspondent banks, excluding the Federal Reserve Bank, that exceeded the FDIC insurable limit of $250,000. This account was over the insurable limit by $2,000. At December 31, 2014 First Guaranty had only one account at correspondent banks, excluding the Federal Reserve Bank, that exceeded the FDIC insurable limit of $250,000. This account was over the insurable limit by $1,000.

Note 4. Securities

A summary comparison of securities by type at December 31, 2015 and 2014 is shown below.

	December 31, 2015				December 31, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)							
Available-for-sale:								
U.S Treasuries	$ 29,999	$ -	$ -	$ 29,999	$ 36,000	$ -	$ -	$ 36,000
U.S. Government Agencies	165,364	-	(1,553)	163,811	295,620	30	(4,155)	291,495
Corporate debt securities	105,680	2,259	(2,803)	105,136	126,654	4,415	(1,006)	130,063
Mutual funds or other equity securities	580	2	-	582	570	4	-	574
Municipal bonds	47,339	899	(5)	48,233	40,599	1,077	-	41,676
Mortgage-backed securities	28,891	-	(283)	28,608	-	-	-	-
Total available-for-sale securities	**$ 377,853**	**$3,160**	**$(4,644)**	**$ 376,369**	**$499,443**	**$5,526**	**$(5,161)**	**$499,808**
Held to maturity:								
U.S. Government Agencies	$ 77,343	$ -	$ (721)	$ 76,622	$ 84,479	$ -	$(1,950)	$ 82,529
Mortgage-backed securities	92,409	9	(892)	91,526	57,316	57	(214)	57,159
Total held to maturity securities	**$169,752**	**$ 9**	**$(1,613)**	**$168,148**	**$141,795**	**$ 57**	**$(2,164)**	**$139,688**

The scheduled maturities of securities at December 31, 2015, by contractual maturity, are shown below. Actual maturities may differ from contractual maturities due to call or prepayments. Mortgage-backed securities are not due at a single maturity because of amortization and potential prepayment of the underlying mortgages. For this reason they are presented separately in the maturity table below.

	December 31, 2015	
	Amortized Cost	Fair Value
	(in thousands)	
Available-for-sale:		
Due in one year or less	$ 38,847	$ 38,905
Due after one year through five years	138,704	138,924
Due after five years through 10 years	124,736	122,706
Over 10 years	46,675	47,226
Subtotal	**348,962**	**347,761**
Mortgage-backed Securities	28,891	28,608
Total available-for-sale securities	**$377,853**	**$376,369**
Held to maturity:		
Due in one year or less	$ -	$ -
Due after one year through five years	21,803	$ 21,545
Due after five years through 10 years	55,540	55,077
Over 10 years	-	-
Subtotal	**77,343**	**76,622**
Mortgage-backed Securities	92,409	91,526
Total held to maturity securities	**$169,752**	**$168,148**

The following is a summary of the fair value of securities with gross unrealized losses and an aging of those gross unrealized losses as of the dates indicated:

	At December 31, 2015								
	Less Than 12 Months			12 Months or More			Total		
	Number of Securities	Fair Value	Gross Unrealized Losses	Number of Securities	Fair Value	Gross Unrealized Losses	Number of Securities	Fair Value	Gross Unrealized Losses
	(in thousands except for %)								
Available-for-sale:									
U.S. Treasuries	2	$ 9,999	$ -	-	$ -	$ -	2	$ 9,999	$ -
U.S. Government agencies	49	116,473	(921)	11	47,338	(632)	60	163,811	(1,553)
Corporate debt securities	112	31,414	(1,509)	27	5,344	(1,294)	139	36,758	(2,803)
Mutual funds or other equity securities	-	-	-	-	-	-	-	-	-
Municipal bonds	2	679	(5)	-	-	-	2	679	(5)
Mortgage-backed securities	14	28,608	(283)	-	-	-	14	28,608	(283)
Total available-for-sale securities	**179**	**$187,173**	**$(2,718)**	**38**	**$52,682**	**$(1,926)**	**217**	**$239,855**	**$(4,644)**
Held to maturity:									
U.S. Government agencies	16	$ 51,865	$ (404)	7	$23,852	$ (317)	23	$ 75,717	$ (721)
Mortgage-backed securities	39	82,863	(892)	-	-	-	39	82,863	(892)
Total held to maturity securities	**55**	**$134,728**	**$(1,296)**	**7**	**$23,852**	**$ (317)**	**62**	**$ 158,580**	**$(1,613)**

	At December 31, 2014								
	Less Than 12 Months			12 Months or More			Total		
	Number of Securities	Fair Value	Gross Unrealized Losses	Number of Securities	Fair Value	Gross Unrealized Losses	Number of Securities	Fair Value	Gross Unrealized Losses
					(in thousands)				
Available-for-sale:									
U.S. Treasuries	4	$ 24,000	$ -	-	$ -	$ -	4	$24,000	$ -
U.S. Government Agencies	4	43,983	(17)	66	232,482	(4,138)	70	276,465	(4,155)
Corporate debt securities	37	15,395	(238)	50	15,397	(768)	87	30,792	(1,006)
Mutual funds or other equity securities	-	-	-	-	-	-	-	-	-
Municipal bonds	-	-	-	-	-	-	-	-	-
Total available-for-sale securities	**45**	**$ 83,378**	**$(255)**	**116**	**$247,879**	**$(4,906)**	**161**	**$331,257**	**$(5,161)**
Held to maturity:									
U.S. Government agencies	1	$ 4,993	$ (7)	19	$ 77,536	$(1,943)	20	$ 82,529	$ (1,950)
Mortgage-backed securities	7	12,008	(13)	12	29,415	(201)	19	41,423	(214)
Total held to maturity securities	**8**	**$17,001**	**$ (20)**	**31**	**$106,951**	**$(2,144)**	**39**	**$123,952**	**$(2,164)**

As of December 31, 2015, 279 of First Guaranty's debt securities had unrealized losses totaling 1.5% of the individual securities' amortized cost basis and 1.1% of First Guaranty's total amortized cost basis of the investment securities portfolio. 45 of the 279 securities had been in a continuous loss position for over 12 months at such date. The 45 securities had an aggregate amortized cost basis of $78.8 million and an unrealized loss of $2.2 million at December 31, 2015. Management has the intent and ability to hold these debt securities until maturity or until anticipated recovery.

Securities are evaluated for other-than-temporary impairment ("OTTI") at least quarterly and more frequently when economic or market conditions warrant. Consideration is given to (i) the length of time and the extent to which the fair value has been less than cost, (ii) the financial condition and near-term prospects of the issuer, (iii) the recovery of contractual principal and interest and (iv) the intent and ability of First Guaranty to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

Investment securities issued by the U.S. Government and Government sponsored agencies with unrealized losses and the amount of unrealized losses on those investment securities are the result of changes in market interest rates. First Guaranty has the ability and intent to hold these securities until recovery, which may not be until maturity.

Corporate debt securities in a loss position consist primarily of corporate bonds issued by businesses in the financial, insurance, utility, manufacturing, industrial, consumer products and oil and gas industries. Two issuers were determined during 2015 to have other-than-temporary impairment losses. First Guaranty believes that the remaining issuers will be able to fulfill the obligations of these securities based on evaluations described above. First Guaranty has the ability and intent to hold these securities until they recover, which could be at their maturity dates.

During the years ended December 31, 2015, First Guaranty recorded OTTI losses on available-for-sale securities as follows:

	Year Ended December 31, 2015
	(in thousands)
Total OTTI charge realized and unrealized	$ 571
OTTI recognized in other comprehensive income (non-credit component)	396
Net impairment losses recognized in earnings (credit component)	**$ 175**

There were no other-than-temporary impairment losses recognized on securities in 2014 or 2013.

The following table presents a roll-forward of the amount of credit losses on debt securities held by First Guaranty for which a portion of OTTI was recognized in other comprehensive income for the year end year ended December 31, 2015:

	(in thousands)
Beginning balance of credit losses at December 31, 2014	$ -
Other-than-temporary impairment credit losses on securities not previously OTTI	175
Increases for additional credit losses on securities previously determined to be OTTI	-
Reduction for increases in cash flows	-
Reduction due to credit impaired securities sold or fully settled	-
Ending balance of cumulative credit losses recognized in earnings at December 31, 2015	**$175**

In 2015 there were no other-than-temporary impairment credit losses on securities for which we had previously recognized OTTI. The amount related to losses on securities with no previous losses amounted to $0.2 million at December 31, 2015. For securities that have indications of credit related impairment, management analyzes future expected cash flows to determine if any credit related impairment is evident. Estimated cash flows are determined using Management's best estimate of future cash flows based on specific assumptions. The assumptions used to determine the cash flows were based on estimates of loss severity and credit default probabilities. Management reviews reports from credit rating agencies and public filings of issuers. The credit related impairment was related to one corporate debt security with a book balance of $0.5 million that experienced declines in its financial performance associated with the mining industry. This corporate debt security had a non-credit related impairment of $0.3 million. A second corporate debt security had a non-credit related impairment of $0.1 million due to the fact that the issuer went private and liquidity in its debt securities was reduced. Management anticipates receipt of all scheduled cash flows for this security.

Non-credit related other-than-temporary impairment losses recognized in other comprehensive income totaled $0.4 million in 2015 and zero in 2014. The impairment losses were related to two available for sale corporate bond securities, described above, which had original amortized cost of $0.8 million.

At December 31, 2015 and 2014 the carrying value of pledged securities totaled $427.4 million and $516.5 million, respectively. First Guaranty completed its liquidation of the common stock from a converted preferred security in the third quarter of 2015. The total gains realized on the security were $2.7 million. Gross realized gains on sales of securities were $3.3 million (including the sale of the converted preferred security), $0.2 million and $1.4 million for the years ended December 31, 2015, 2014 and 2013, respectively. Gross realized losses were $0.4 million, $0.2 million and $0 for the years ended December 31, 2015, 2014 and 2013. The tax applicable to these transactions amounted to $1.2 million, $0 million and $0.5 million for 2015, 2014 and 2013, respectively. Proceeds from sales of securities classified as available-for-sale amounted to $290.0 million, $109.8 million and $18.6 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Net unrealized losses on available-for-sale securities included in accumulated other comprehensive income (loss) ("AOCI"), net of applicable income taxes, totaled $0.9 million at December 31, 2015. At December 31, 2014 net unrealized gains included in AOCI, net of applicable income taxes, totaled $0.2 million. During 2015 and 2014 gains, net of tax, reclassified out of AOCI into earnings totaled $2.1 million and $0.2 million, respectively.

At December 31, 2015, First Guaranty's exposure to investment securities issuers that exceeded 10% of shareholders' equity as follows:

	At December 31, 2015	
	Amortized Cost	Fair Value
	(in thousands)	
U.S. Treasuries	$ 29,999	$ 29,999
Federal Home Loan Bank (FHLB)	85,507	84,689
Federal Home Loan Mortgage Corporation (Freddie Mac-FHLMC)	66,271	65,589
Federal National Mortgage Association (Fannie Mae-FNMA)	127,504	126,294
Federal Farm Credit Bank (FFCB)	84,726	83,996
Total	$394,007	$390,567

Note 5. Loans

The following table summarizes the components of First Guaranty's loan portfolio as of the dates indicated:

	December 31,			
	2015		2014	
	Balance	As % of Category	Balance	As % of Category
	(in thousands except for %)			
Real Estate:				
Construction & land development	$ 56,132	6.6%	$ 52,094	6.6%
Farmland	17,672	2.1%	13,539	1.7%
1-4 Family	129,610	15.4%	118,181	14.9%
Multifamily	12,629	1.5%	14,323	1.8%
Non-farm non-residential	323,363	38.3%	328,400	41.5%
Total Real Estate	539,406	63.9%	526,537	66.5%
Non-real Estate:				
Agricultural	25,838	3.1%	26,278	3.3%
Commercial and industrial	224,201	26.6%	196,339	24.8%
Consumer and other	54,163	6.4%	42,991	5.4%
Total Non-real Estate	304,202	36.1%	265,608	33.5%
Total Loans Before Unearned Income	843,608	100.0%	792,145	100.0%
Unearned income	(2,025)		(1,824)	
Total Loans Net of Unearned Income	$841,583		$790,321	

The following table summarizes fixed and floating rate loans by contractual maturity, excluding nonaccrual loans, as of December 31, 2015 and December 31, 2014 unadjusted for scheduled principal payments, prepayments, or repricing opportunities. The average life of the loan portfolio may be substantially less than the contractual terms when these adjustments are considered.

	December 31,					
	2015			2014		
	(in thousands)					
	Fixed	Floating	Total	Fixed	Floating	Total
One year or less	$ 86,975	$ 48,111	$ 135,086	$ 88,686	$ 72,250	$ 160,936
One to five years	315,685	246,374	562,059	253,306	225,655	478,961
Five to 15 years	49,197	31,456	80,653	67,012	39,634	106,646
Over 15 years	36,438	9,333	45,771	25,304	8,104	33,408
Subtotal	$488,295	$335,274	823,569	$434,308	$345,643	779,951
Nonaccrual loans			20,039			12,194
Total Loans Before Unearned Income			843,608			792,145
Unearned income			(2,025)			(1,824)
Total Loans Net of Unearned Income			$841,583			$790,321

As of December 31, 2015, $132.9 million of floating rate loans were at their interest rate floor. At December 31, 2014, $195.7 million of floating rate loans were at the floor rate. Nonaccrual loans have been excluded from these totals.

The following tables present the age analysis of past due loans for the periods indicated:

	As of December 31, 2015					
	30-89 Days Past Due	90 Days or Greater Past Due	Total Past Due	Current	Total Loans	Recorded Investment 90 Days Accruing
	(in thousands)					
Real Estate:						
Construction & land development	$ 12	$ 558	$ 570	$ 55,562	$ 56,132	$ -
Farmland	-	136	136	17,536	17,672	19
1 - 4 family	2,546	4,929	7,475	122,135	129,610	391
Multifamily	-	9,045	9,045	3,584	12,629	-
Non-farm non-residential	1,994	2,934	4,928	318,435	323,363	-
Total Real Estate	4,552	17,602	22,154	517,252	539,406	410
Non-Real Estate:						
Agricultural	2,346	2,628	4,974	20,864	25,838	-
Commercial and industrial	314	48	362	223,839	224,201	-
Consumer and other	965	171	1,136	53,027	54,163	-
Total Non-Real Estate	3,625	2,847	6,472	297,730	304,202	-
Total Loans Before Unearned Income	$8,177	$20,449	$28,626	$814,982	843,608	$410
Unearned income					(2,025)	
Total Loans Net of Unearned Income					$841,583	

	As of December 31, 2014					
	30-89 Days Past Due	90 Days or Greater Past Due	Total Past Due	Current	Total Loans	Recorded Investment 90 Days Accruing
	(in thousands)					
Real Estate:						
Construction & land development	$ 338	$ 486	$ 824	$ 51,270	$ 52,094	$ -
Farmland	10	153	163	13,376	13,539	-
1 - 4 family	2,924	4,418	7,342	110,839	118,181	599
Multifamily	2,990	-	2,990	11,333	14,323	-
Non-farm non-residential	1,509	4,993	6,502	321,898	328,400	-
Total Real Estate	7,771	10,050	17,821	508,716	526,537	599
Non-Real Estate:						
Agricultural	-	832	832	25,446	26,278	-
Commercial and industrial	1,241	1,907	3,148	193,191	196,339	-
Consumer and other	105	4	109	42,882	42,991	-
Total Non-Real Estate	1,346	2,743	4,089	261,519	265,608	-
Total Loans Before Unearned Income	$9,117	$12,793	$21,910	$770,235	792,145	$599
Unearned income					(1,824)	
Total Loans Net of Unearned Income					$790,321	

The tables above include $20.0 million and $12.2 million of nonaccrual loans for December 31, 2015 and 2014, respectively.

See the tables below for more detail on nonaccrual loans.

The following is a summary of nonaccrual loans by class for the periods indicated:

	As of December 31,	
	2015	2014
	(in thousands)	
Real Estate:		
Construction & land development	$ 558	$ 486
Farmland	117	153
1-4 family	4,538	3,819
Multifamily	9,045	-
Non-farm non-residential	2,934	4,993
Total Real Estate	17,192	9,451
Non-Real Estate:		
Agricultural	2,628	832
Commercial and industrial	48	1,907
Consumer and other	171	4
Total Non-Real Estate	2,847	2,743
Total Nonaccrual Loans	$20,039	$12,194

The following table identifies the credit exposure of the loan portfolio by specific credit ratings for the periods indicated:

	As of December 31, 2015					As of December 31, 2014				
	Pass	Special Mention	Sub-standard	Doubtful	Total	Pass	Special Mention	Sub-standard	Doubtful	Total
					(in thousands)					
Real Estate:										
Construction & land development	$ 51,681	$ 386	$ 4,065	$ -	$56,132	$ 46,451	$ 559	$ 5,084	$ -	$52,094
Farmland	17,554	-	118	-	17,672	13,299	87	153	-	13,539
1-4 family	115,878	6,425	7,307	-	129,610	103,582	6,113	8,486	-	118,181
Multifamily	3,584	-	9,045	-	12,629	3,581	6,414	4,328	-	14,323
Non-farm non-residential	296,682	3,288	23,393	-	323,363	300,319	6,788	21,293	-	328,400
Total Real Estate	485,379	10,099	43,928	-	539,406	467,232	19,961	39,344	-	526,537
Non-Real Estate:										
Agricultural	20,860	4	4,974	-	25,838	22,789	7	3,482	-	26,278
Commercial and industrial	214,184	471	9,546	-	224,201	185,839	8,611	1,889	-	196,339
Consumer and other	53,779	178	206	-	54,163	42,831	123	37	-	42,991
Total Non-Real Estate	288,823	653	14,726	-	304,202	251,459	8,741	5,408	-	265,608
Total Loans Before Unearned Income	$774,202	$10,752	$58,654	$ -	843,608	$ 718,691	$28,702	$44,752	$ -	792,145
Unearned income					(2,025)					(1,824)
Total Loans Net of Unearned Income					$841,583					$790,321

Note 6. Allowance for Loan Losses

A summary of changes in the allowance for loan losses, by loan type, for the years ended December 31, 2015, 2014 and 2013 are as follows:

	As of December 31,									
	2015					2014				
	Beginning Allowance (12/31/14)	Charge-Offs	Recoveries	Provision	Ending Allowance (12/31/15)	Beginning Allowance (12/31/13)	Charge-Offs	Recoveries	Provi-sion	Ending Allowance (12/31/14)
	(in thousands)									
Real Estate:										
Construction & land development	$ 702	$(559)	$ 5	$ 814	$ 962	$ 1,530	$(1,032)	$ 6	$ 198	$ 702
Farmland	21	-	-	33	54	17	-	-	4	21
1-4 family	2,131	(410)	94	(44)	1,771	1,974	(589)	99	647	2,131
Multifamily	813	(947)	46	645	557	376	-	49	388	813
Non-farm non-residential	2,713	(1,137)	5	1,717	3,298	3,607	(1,515)	9	612	2,713
Total Real Estate	6,380	(3,053)	150	3,165	6,642	7,504	(3,136)	163	1,849	6,380
Non-Real Estate:										
Agricultural	293	(491)	3	211	16	46	(2)	1	248	293
Commercial and industrial	1,797	(79)	315	494	2,527	2,176	(266)	118	(231)	1,797
Consumer and other	371	(550)	151	258	230	208	(289)	199	253	371
Unallocated	264	-	-	(264)	-	421	-	-	(157)	264
Total Non-Real Estate	2,725	(1,120)	469	699	2,773	2,851	(557)	318	113	2,725
Total	$ 9,105	$(4,173)	$619	$3,864	$9,415	$10,355	$(3,693)	$481	$1,962	$9,105

	As of December 31,				
	2013				
	Beginning Allowance (12/31/12)	Charge-Offs	Recoveries	Provision	Ending Allowance (12/31/13)
	(in thousands)				
Real Estate:					
Construction & land development	$ 1,098	$ (233)	$ 10	$ 655	$ 1,530
Farmland	50	(31)	140	(142)	17
1-4 family	2,239	(220)	49	(94)	1,974
Multifamily	284	-	-	92	376
Non-farm non-residential	3,666	(1,148)	8	1,081	3,607
Total Real Estate	7,337	(1,632)	207	1,592	7,504
Non-Real Estate:					
Agricultural	64	(41)	5	18	46
Commercial and industrial	2,488	(1,098)	71	715	2,176
Consumer and other	233	(262)	243	(6)	208
Unallocated	220	-	-	201	421
Total Non-Real Estate	3,005	(1,401)	319	928	2,851
Total	$ 10,342	$(3,033)	$526	$2,520	$10,355

Negative provisions are caused by changes in the composition and credit quality of the loan portfolio. The result is an allocation of the loan loss reserve from one category to another.

A summary of the allowance and loans individually and collectively evaluated for impairment are as follows:

	As of December 31, 2015					
	Allowance Individually Evaluated for Impairment	Allowance Collectively Evaluated for Impairment	Total Allowance for Credit Losses	Loans Individually Evaluated for Impairment	Loans Collectively Evaluated for Impairment	Total Loans before Unearned Income
	(in thousands)					
Real Estate:						
Construction & land development	$ -	$ 962	$ 962	$ 368	$ 55,764	$ 56,132
Farmland	-	54	54	-	17,672	17,672
1-4 family	611	1,160	1,771	3,049	126,561	129,610
Multifamily	454	103	557	9,045	3,584	12,629
Non-farm non-residential	1,298	2,000	3,298	13,646	309,717	323,363
Total Real Estate	2,363	4,279	6,642	26,108	513,298	539,406
Non-Real Estate:						
Agricultural	-	16	16	4,863	20,975	25,838
Commercial and industrial	-	2,527	2,527	-	224,201	224,201
Consumer and other	-	230	230	171	53,992	54,163
Unallocated	-	-	-	-	-	-
Total Non-Real Estate	-	2,773	2,773	5,034	299,168	304,202
Total	$2,363	$7,052	$9,415	$31,142	$812,466	843,608
Unearned Income						(2,025)
Total Loans Net of Unearned Income						$841,583

	As of December 31, 2014					
	Allowance Individually Evaluated for Impairment	Allowance Collectively Evaluated for Impairment	Total Allowance for Credit Losses	Loans Individually Evaluated for Impairment	Loans Collectively Evaluated for Impairment	Total Loans before Unearned Income
	(in thousands)					
Real Estate:						
Construction & land development	$ 126	$ 576	$ 702	$ 4,150	$ 47,944	$ 52,094
Farmland	-	21	21	-	13,539	13,539
1-4 family	598	1,533	2,131	3,420	114,761	118,181
Multifamily	437	376	813	7,201	7,122	14,323
Non-farm non-residential	468	2,245	2,713	16,287	312,113	328,400
Total Real Estate	1,629	4,751	6,380	31,058	495,479	526,537
Non-Real Estate:						
Agricultural	262	31	293	2,650	23,628	26,278
Commercial and industrial	19	1,778	1,797	1,664	194,675	196,339
Consumer and other	-	371	371	-	42,991	42,991
Unallocated	-	264	264	-	-	-
Total Non-Real Estate	281	2,444	2,725	4,314	261,294	265,608
Total	$1,910	$7,195	$9,105	$35,372	$756,773	792,145
Unearned Income						(1,824)
Total Loans Net Of Unearned Income						$790,321

As of December 31, 2015, 2014 and 2013, First Guaranty had loans totaling $20.0 million, $12.2 million and $14.5 million, respectively, not accruing interest. As of December 31, 2015, 2014 and 2013, First Guaranty had loans past due 90 days or more and still accruing interest totaling $0.4 million, $0.6 million and $0.4 million, respectively. The average outstanding balance of nonaccrual loans in 2015 was $14.9 million compared to $13.8 million in 2014 and $17.3 million in 2013.

Included in the above table is a loan for $5.3 million and $5.9 million at December 31, 2015 and 2014, respectively, that is no longer considered impaired but is still individually evaluated for impairment since it was formally a restructured credit that subsequently return to market terms.

As of December 31, 2015, First Guaranty has no outstanding commitments to advance additional funds in connection with impaired loans.

The following is a summary of impaired loans by class at December 31, 2015:

	As of December 31, 2015					
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized	Interest Income Cash Basis
	(in thousands)					
Impaired Loans with no related allowance:						
Real Estate:						
Construction & land development	$ 368	$ 823	$ -	$ 825	$ 41	$ 44
Farmland	-	-	-	-	-	-
1-4 family	1,054	1,358	-	1,354	79	84
Multifamily	3,728	4,240	-	4,305	254	72
Non-farm non-residential	3,637	4,116	-	4,124	165	147
Total Real Estate	**8,787**	**10,537**	**-**	**10,608**	**539**	**347**
Non-Real Estate:						
Agricultural	4,863	5,019	-	5,036	300	300
Commercial and industrial	-	-	-	-	-	-
Consumer and other	171	317	-	335	27	20
Total Non-Real Estate	**5,034**	**5,336**	**-**	**5,371**	**327**	**320**
Total Impaired Loans with no related allowance	**13,821**	**15,873**	**-**	**15,979**	**866**	**667**
Impaired Loans with an allowance recorded:						
Real estate:						
Construction & land development	-	-	-	-	-	-
Farmland	-	-	-	-	-	-
1-4 family	1,995	2,144	611	2,079	103	125
Multifamily	-	-	-	-	-	-
Non-farm non-residential	10,009	10,841	1,298	11,035	566	569
Total Real Estate	**12,004**	**12,985**	**1,909**	**13,114**	**669**	**694**
Non-Real Estate:						
Agricultural	-	-	-	-	-	-
Commercial and industrial	-	-	-	-	-	-
Consumer and other	-	-	-	-	-	-
Total Non-Real Estate	**-**	**-**	**-**	**-**	**-**	**-**
Total Impaired Loans with an allowance recorded	**12,004**	**12,985**	**1,909**	**13,114**	**669**	**694**
Total Impaired Loans	**$25,825**	**$28,858**	**$1,909**	**$29,093**	**$1,535**	**$1,361**

The following is a summary of impaired loans by class at December 31, 2014:

	As of December 31, 2014					
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized	Interest Income Cash Basis
			(in thousands)			
Impaired Loans with no related allowance:						
Real Estate:						
Construction & land development	$ 3,308	$ 4,359	$ -	$ 3,479	$ 217	$ 224
Farmland	-	-	-	-	-	-
1-4 family	1,368	1,656	-	397	72	43
Multifamily	-	-	-	148	31	34
Non-farm non-residential	7,439	9,008	-	8,694	422	275
Total Non-Real Estate	**12,115**	**15,023**	**-**	**12,718**	**742**	**576**
Non-Real Estate:						
Agricultural	-	-	-	-	-	-
Commercial and industrial	-	-	-	-	-	-
Consumer and other	-	-	-	-	-	-
Total Non-Real Estate	**-**	**-**	**-**	**-**	**-**	**-**
Total Impaired Loans with no related allowance	**12,115**	**15,023**	**-**	**12,718**	**742**	**576**
Impaired Loans with an allowance recorded:						
Real Estate:						
Construction & land development	842	842	126	829	48	43
Farmland	-	-	-	-	-	-
1-4 family	2,052	2,068	598	2,062	97	87
Multifamily	1,338	1,337	398	1,340	60	55
Non-farm non-residential	8,848	8,913	468	8,948	317	327
Total Real Estate	**13,080**	**13,160**	**1,590**	**13,179**	**522**	**512**
Non-Real Estate:						
Agricultural	2,650	2,650	262	-	-	-
Commercial and industrial	1,664	1,854	19	-	-	-
Consumer and other	-	-	-	-	-	-
Total Non-Real Estate	**4,314**	**4,504**	**281**	**-**	**-**	**-**
Total Impaired Loans with an allowance recorded	**17,394**	**17,664**	**1,871**	**13,179**	**522**	**512**
Total Impaired Loans	**$29,509**	**$32,687**	**$1,871**	**$25,897**	**$1,264**	**$1,088**

Troubled Debt Restructurings

A Troubled Debt Restructuring ("TDR") is a debt restructuring in which the creditor for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. The modifications to First Guaranty's TDRs were concessions on the interest rate charged. The effect of the modifications to First Guaranty was a reduction in interest income. These loans were evaluated in First Guaranty's reserve for loan losses. In 2015, there was one credit relationship in the amount of $0.4 million that was restructured in a troubled debt restructuring. The relationship was secured by raw land. The relationship was placed on interest only with a reduction in scheduled amortization payments and contractual interest rate. In 2014, there was one credit relationship in the amount of $2.2 million that was restructured in a troubled debt restructuring. The relationship was secured by 1- 4 family real estate and a non-farm non-residential real estate property. The relationship was placed on interest only with a reduction in scheduled amortization payments and contractual interest rate.

The following table is an age analysis of TDRs as of December 31, 2015 and December 31, 2014:

Troubled Debt Restructurings	December 31, 2015				December 31, 2014			
	Accruing Loans				Accruing Loans			
	Current	30-89 Days Past Due	Nonaccrual	Total TDRs	Current	30-89 Days Past Due	Nonaccrual	Total TDRs
	(in thousands)							
Real Estate:								
Construction & land development	$ -	$ -	$ 368	$ 368	$ -	$ -	$ -	$ -
Farmland	-	-	-	-	-	-	-	-
1-4 Family	-	-	1,702	1,702	-	1,752	-	1,752
Multifamily	-	-	-	-	-	-	-	-
Non-farm non residential	3,431	-	206	3,637	2,998	452	230	3,680
Total Real Estate	3,431	-	2,276	5,707	2,998	2,204	230	5,432
Non-Real Estate:		-						
Agricultural	-	-	-	-	-	-	-	-
Commercial and industrial	-	-	-	-	-	-	-	-
Consumer and other	-	-	-	-	-	-	-	-
Total Non-Real Estate	-	-	-	-	-	-	-	-
Total	$3,431	$ -	$2,276	$5,707	$2,998	$ 2,204	$230	$5,432

The following table discloses TDR activity for the twelve months ended December 31, 2015.

	Trouble Debt Restructured Loans Activity							
	Twelve Months Ended December 31, 2015							
	Beginning balance (December 31, 2014)	New TDRs	Charge-Offs post-modification	Transferred to ORE	Paydowns	Construction to permanent financing	Restructured to market terms	Ending balance (December 31, 2015)
	(in thousands)							
Real Estate:								
Construction & land development	$ -	$ 368	$ -	$ -	$ -	$ -	$ -	$ 368
Farmland	-	-	-	-	-	-	-	-
1-4 family	1,752	-	-	-	(50)	-	-	1,702
Multifamily	-	-	-	-	-	-	-	-
Non-farm non-residential	3,680	-	(29)	-	(14)	-	-	3,637
Total Real Estate	5,432	368	(29)	-	(64)	-	-	5,707
Non-Real Estate:								
Agricultural	-	-	-	-	-	-	-	-
Commercial and industrial	-	-	-	-	-	-	-	-
Consumer and other	-	-	-	-	-	-	-	-
Total Non-Real Estate	-	-	-	-	-	-	-	-
Total Impaired Loans with no related allowance	$5,432	$ 368	$(29)	$ -	$(64)	$ -	$ -	$5,707

There were no commitments to lend additional funds to debtors whose terms have been modified in a troubled debt restructuring at December 31, 2015.

Note 7. Premises and Equipment

The components of premises and equipment at December 31, 2015 and 2014 are as follows:

	December 31,	
	2015	2014
	(in thousands)	
Land	$ 7,227	$ 6,933
Bank premises	18,914	18,324
Furniture and equipment	21,060	19,995
Construction in progress	2,667	254
Acquired value	**49,868**	**45,506**
Less: accumulated depreciation	27,849	26,295
Net book value	**$22,019**	**$19,211**

Depreciation expense amounted to $1.6 million, $1.7 million and $1.7 million for 2015, 2014 and 2013, respectively.

Note 8. Goodwill and Other Intangible Assets

Goodwill and intangible assets deemed to have indefinite lives are no longer amortized, but are subject to impairment testing. Other intangible assets continue to be amortized over their useful lives. Goodwill represents the purchase price over the fair value of net assets acquired from the Homestead Bancorp in 2007. No impairment charges have been recognized since acquisition. Goodwill totaled $2.0 million at December 31, 2015 and 2014.

The following table summarizes intangible assets subject to amortization.

	December 31,					
	2015			2014		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	(in thousands)					
Core deposit intangibles	$9,350	$ 8,052	$1,298	$9,350	$7,732	$1,618
Mortgage servicing rights	267	171	96	267	152	115
Total	**$9,617**	**$ 8,223**	**$1,394**	**$9,617**	**$7,884**	**$1,733**

The core deposits intangible reflect the value of deposit relationships, including the beneficial rates, which arose from acquisitions. The weighted-average amortization period remaining for the core deposit intangibles is 4.4 years.

Amortization expense relating to purchase accounting intangibles totaled $0.3 million, $0.3 million and $0.3 million for the year ended December 31, 2015, 2014 and 2013, respectively.

Amortization expense of the core deposit intangible assets for the next five years is as follows:

For the Years Ended	Estimated Amortization Expense
	(in thousands)
December 31, 2016	$ 320
December 31, 2017	$ 320
December 31, 2018	$ 320
December 31, 2019	$135
December 31, 2020	$135

Note 9. Other Real Estate

Other real estate owned consists of the following:

	December 31,	
	2015	2014
	(in thousands)	
Real Estate Owned Acquired by Foreclosure:		
Residential	$880	$1,121
Construction & land development	25	127
Non-farm non-residential	672	950
Total Other Real Estate Owned and Foreclosed Property	$1,577	$2,198

Note 10. Deposits

A schedule of maturities of all time deposits are as follows:

	December 31, 2015
	(in thousands)
2016	$401,535
2017	118,340
2018	18,697
2019	28,209
2020 and thereafter	25,229
Total	$592,010

The table above includes, for December 31, 2015, brokered deposits totaling $26.7 million. The aggregate amount of jumbo time deposits, each with a minimum denomination of $250,000 totaled $305.1 million and $323.7 million at December 31, 2015 and 2014, respectively.

Note 11. Borrowings

Short-term borrowings are summarized as follows:

	December 31, 2015	December 31, 2014
	(in thousands)	
Securities sold under agreements to repurchase	$ -	$ -
Line of credit	1,800	1,800
Total short-term borrowings	$1,800	$1,800

Securities sold under agreements to repurchase, which are classified as secured borrowings, generally mature daily. Interest rates on repurchase agreements are set by Management and are generally based on the 91-day Treasury bill rate. First Guaranty no longer offered repurchase agreements beginning in April 2014.

Available lines of credit totaled $206.2 million at December 31, 2015 and $266.7 million at December 31, 2014.

The following schedule provides certain information about First Guaranty's short-term borrowings for the periods indicated:

	December 31,		
	2015	2014	2013
	(in thousands except for %)		
Outstanding at year end	$ 1,800	$ 1,800	$ 5,788
Maximum month-end outstanding	$13,800	$22,356	$57,302
Average daily outstanding	$ 4,217	$ 6,960	$21,387
Weighted average rate during the year	2.12%	1.08%	0.98%
Average rate at year end	4.50%	4.50%	1.51%

Long-term debt is summarized as follows:

Senior long-term debt with a commercial bank, priced at Wall Street Journal Prime plus 75 basis points (4.00%), totaled $0.9 million at December 31, 2015 and $1.5 million at December 31, 2014. First Guaranty pays $50,000 principal plus interest monthly. This loan has a contractual maturity date of May 12, 2017. This long-term debt is secured by a pledge of 13.2% (735,745 shares) of First Guaranty's interest in First Guaranty Bank (a wholly owned subsidiary).

Senior long-term debt with a commercial bank, priced at floating 3-month LIBOR plus 250 basis points, totaled $25.0 million at December 31, 2015. First Guaranty pays $625,000 principal plus interest quarterly. This loan was originated in December 2015 and has a contractual maturity date of December 22, 2020. This long-term debt is secured by a pledge of 85% (4,823,899 shares) of First Guaranty's interest in First Guaranty Bank (a wholly owned subsidiary).

Junior subordinated debt, priced at Wall Street Journal Prime plus 75 basis points (4.00%), totaled $14.6 million at December 31, 2015. First Guaranty pays interest semi-annually for the Fixed Interest Rate Period and quarterly for the Floating Interest Rate Period. The Note is unsecured and ranks junior in right of payment to any senior indebtedness and obligations to general and secured creditors. The Note was originated in December 2015 is scheduled to mature on December 21, 2025. Subject to limited exceptions, First Guaranty cannot repay the Note until after December 21, 2020. The Note qualifies for treatment as Tier 2 capital for regulatory capital purposes.

First Guaranty maintains a revolving line of credit for $2.5 million with an availability of $0.7 million at December 31, 2015. This line of credit is secured by the same collateral as the senior term loan and is priced at 4.50%.

At December 31, 2015, letters of credit issued by the FHLB totaling $195.0 million were outstanding and carried as off-balance sheet items, all of which expire in 2016. At December 31, 2014, letters of credit issued by the FHLB totaling $150.0 million were outstanding and carried as off-balance sheet items, all of which expired in 2015. The letters of credit are solely used for pledging towards public fund deposits. The FHLB has a blanket lien on substantially all of the loans in First Guaranty's portfolio which is used to secure borrowing availability from the FHLB. First Guaranty has obtained a subordination agreement from the FHLB on First Guaranty's farmland, agricultural and commercial and industrial loans. These loans are available to be pledged for additional reserve liquidity.

As of December 31, 2015 obligations on senior long-term debt and junior subordinated debentures totalled $40.4 million. The scheduled maturities are as follows:

	Senior Long-term Debt	Junior Subordinated Debentures
	(in thousands)	
2016	$ 3,100	$ -
2017	2,755	-
2018	2,500	-
2019	2,500	-
2020	2,500	-
2021 and thereafter	12,500	15,000
Subtotal	**$25,855**	**$15,000**
Debt issuance costs	(31)	(403)
Total	**$25,824**	**$14,597**

Note 12. Preferred Stock

On September 22, 2011, On September 22, 2011, First Guaranty received $39.4 million in funds from the U.S. Treasury's Small Business Lending Fund program. $21.1 million of the funds were used to redeem First Guaranty's Series A and B Preferred Stock issued to the U.S. Treasury under the Capital Purchase Program. The Preferred Series C shares received quarterly dividends and the initial dividend rate was 5.00%. The dividend rate was based on qualified loan growth two quarters in arrears. During 2014 First Guaranty achieved the growth in qualified loans required to achieve the 1.0% dividend rate. The 1.0% rate was locked in until December 31, 2015. During 2015 First Guaranty paid $0.4 million in preferred stock dividends compared to $0.4 million in 2014 and $0.7 million in 2013.

On December 22, 2015, First Guaranty redeemed all of the 39,435 shares of its Senior Non-Cumulative Perpetual Preferred Stock, Series C, that had been issued to the United States Department of Treasury pursuant to the Small Business Lending Fund (the "SBLF"). The shares were redeemed at their liquidation value of $1,000 per share plus accrued and unpaid dividends to, but excluding December 22, 2015, for a total redemption price of $39.5 million. The redemption was approved by the Federal Reserve Bank of Atlanta and the United States Department of Treasury. The redemption terminated First Guaranty's participation in the SBLF.

Note 13.Capital Requirements

First Guaranty and the Bank are subject to various regulatory capital requirements administered by federal and state banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions that, if undertaken, could have a direct material effect on First Guaranty's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, First Guaranty and the Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors. Prompt corrective action provisions are not applicable to bank holding companies.

Quantitative measures established by regulation to ensure capital adequacy require First Guaranty and the Bank to maintain minimum amounts and ratios of total and Tier 1 capital to risk-weighted assets and of Tier 1 capital to average assets. Management believes, as of December 31, 2015 and 2014, that First Guaranty and the Bank met all capital adequacy requirements.

As of December 31, 2015, the most recent notification from the Federal Deposit Insurance Corporation categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, an institution must maintain minimum total risk-based, Tier 1 risk-based and Tier 1 leverage ratios as set forth in the following table. There are no conditions or events since the notification that Management believes have changed the Bank's category.

First Guaranty's and the Bank's actual capital amounts and ratios as of December 31, 2015 and 2014 are presented in the following table.

	Actual		Minimum Capital Requirements		Minimum to be Well Capitalized Under Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(in thousands except for %)					
December 31, 2015						
Total Risk-Based Capital:						
Consolidated	$141,022	13.13%	$ 85,952	8.00%	N/A	N/A
Bank	$148,316	13.86%	$ 85,632	8.00%	$107,040	10.00%
Tier 1 Capital:						
Consolidated	$116,607	10.85%	$ 64,464	6.00%	N/A	N/A
Bank	$138,901	12.98%	$ 64,224	6.00%	$ 85,632	8.00%
Tier 1 Leverage Capital:						
Consolidated	$116,607	8.17%	$ 57,121	4.00%	N/A	N/A
Bank	$138,901	9.74%	$ 57,062	4.00%	$ 71,328	5.00%
Common Equity Tier One Capital:						
Consolidated	$116,607	10.85%	$ 48,348	4.50%	N/A	N/A
Bank	$138,901	12.98%	$ 48,168	4.50%	$ 69,576	6.50%
December 31, 2014						
Total Risk-Based Capital:						
Consolidated	$144,834	14.05%	$ 82,486	8.00%	N/A	N/A
Bank	$143,426	13.96%	$ 82,170	8.00%	$102,712	10.00%
Tier 1 Capital:						
Consolidated	$135,727	13.16%	$ 41,243	4.00%	N/A	N/A
Bank	$134,319	13.08%	$ 41,085	4.00%	$ 61,627	6.00%
Tier 1 Leverage Capital:						
Consolidated	$135,737	9.33%	$ 58,173	4.00%	N/A	N/A
Bank	$134,319	9.26%	$ 58,025	4.00%	$ 72,532	5.00%
Common Equity Tier One Capital:						
Consolidated	N/A	N/A	N/A	N/A	N/A	N/A
Bank	N/A	N/A	N/A	N/A	N/A	N/A

Note 14. Dividend Restrictions

The Federal Reserve Bank ("FRB") has stated that, generally, a bank holding company should not maintain a rate of distributions to shareholders unless its available net income has been sufficient to fully fund the distributions, and the prospective rate of earnings retention appears consistent with the bank holding company's capital needs, asset quality and overall financial condition. As a Louisiana corporation, First Guaranty is restricted under the Louisiana corporate law from paying dividends under certain conditions.

First Guaranty Bank may not pay dividends or distribute capital assets if it is in default on any assessment due to the FDIC. First Guaranty Bank is also subject to regulations that impose minimum regulatory capital and minimum state law earnings requirements that affect the amount of cash available for distribution. In addition, under the Louisiana Banking Law, dividends may not be paid if it would reduce the unimpaired surplus below 50% of outstanding capital stock in any year.

The Bank is restricted under applicable laws in the payment of dividends to an amount equal to current year earnings plus undistributed earnings for the immediately preceding year, unless prior permission is received from the Commissioner of Financial Institutions for the State of Louisiana. Dividends payable by the Bank in 2016 without permission

will be limited to 2016 earnings plus the undistributed earnings of $3.5 million from 2015.

Accordingly, at January 1, 2016, $137.0 million of First Guaranty's equity in the net assets of the Bank was restricted. In addition, dividends paid by the Bank to First Guaranty would be prohibited if the effect thereof would cause the Bank's capital to be reduced below applicable minimum capital requirements.

Note 15. Related Party Transactions

In the normal course of business, First Guaranty and its subsidiary, First Guaranty Bank, have loans, deposits and other transactions with its executive officers, directors and certain business organizations and individuals with which such persons are associated. These transactions are completed with terms no less favorable than current market rates. An analysis of the activity of loans made to such borrowers during the year ended December 31, 2015 and 2014 follows:

	December 31,	
	2015	2014
	(in thousands)	
Balance, beginning of year	$53,808	$49,951
Net Increase	4,008	3,857
Balance, end of year	$57,816	$53,808

Unfunded commitments to First Guaranty and Bank directors and executive officers totaled $31.6 million and $19.7 million at December 31, 2015 and 2014, respectively. At December 31, 2015 First Guaranty and the Bank had deposits from directors and executives totaling $22.7 million. There were no participations in loans purchased from affiliated financial institutions included in First Guaranty's loan portfolio in 2015 or 2014.

During the years ended 2015, 2014 and 2013, First Guaranty paid approximately $0.2 million, $0.2 million and $0.5 million, respectively, for printing services and supplies and office furniture and equipment to Champion Industries, Inc., of which Mr. Marshall T. Reynolds, the Chairman of First Guaranty's Board of Directors, is President, Chief Executive Officer, Chairman of the Board of Directors and a major shareholder of Champion.

First Guaranty paid insurance expenses of $0, $2.3 million and $2.4 million for 2015, 2014 and 2013, respectively for participation in an employee medical benefit plan in which several entities under common ownership of First Guaranty's Chairman participate. First Guaranty terminated the plan in 2014 and enrolled in a fully insured plan from a third party national provider of health insurance.

First Guaranty paid travel expenses to Sabre Transportation, Inc. of $0, $0 and $49,000 for 2015, 2014 and 2013, respectively. These expenses include the utilization of an aircraft, fuel, air crew and ramp fees. The Harrah and Reynolds Corporation, of which Mr. Reynolds is President and Chief Executive Officer and sole shareholder, has controlling interest in Sabre Transportation, Inc.

Note 16. Employee Benefit Plans

First Guaranty has an employee savings plan to which employees, who meet certain service requirements, may defer 1% to 20% of their base salaries, 6% of which may be matched up to 100%, at its sole discretion. Contributions to the savings plan were $86,000, $87,000 and $81,000 in 2015, 2014 and 2013, respectively. First Guaranty has an Employee Stock Ownership Plan ("ESOP") which was frozen in 2010. No contributions were made to the ESOP for the years 2015, 2014 or 2013. As of December 31, 2015, the ESOP held 14,653 shares. First Guaranty does not plan to make future contributions to this plan.

Note 17. Other Expenses

The following is a summary of the significant components of other noninterest expense:

	December 31,		
	2015	2014	2013
	(in thousands)		
Other noninterest expense:			
Legal and professional fees	$2,019	$ 1,982	$ 2,347
Data processing	1,184	1,153	1,269
Marketing and public relations	848	700	638
Taxes - sales, capital and franchise	717	605	584
Operating supplies	414	410	487
Travel and lodging	818	566	563
Telephone	172	242	206
Amortization of core deposits	320	320	320
Donations	332	150	294
Net costs from other real estate and repossessions	493	1,374	941
Regulatory assessment	1,111	1,181	1,784
Other	3,326	3,143	3,237
Total other noninterest expense	$11,754	$11,826	$12,670

First Guaranty does not capitalize advertising costs. They are expensed as incurred and are included in other noninterest expense on the Consolidated Statements of Income. Advertising expense was $0.6 million, $0.4 million and $0.4 million for 2015, 2014 and 2013, respectively.

Note 18. Income Taxes

The following is a summary of the provision for income taxes included in the Consolidated Statements of Income:

	December 31,		
	2015	2014	2013
	(in thousands)		
Current	$7,347	$4,898	$4,748
Deferred	(384)	594	(171)
Total	$6,963	$5,492	$4,577

The difference between income taxes computed by applying the statutory federal income tax rate and the provision for income taxes in the financial statements is reconciled as follows:

	December 31,		
	2015	2014	2013
	(in thousands except for %)		
Statutory tax rate	35.0%	35.0%	35.0%
Federal income taxes at statutory rate	$7,514	$5,851	$4,803
Tax exempt municipal income	(436)	(284)	(133)
Other	(115)	(75)	(93)
Total	$6,963	$5,492	$4,577

Deferred taxes are recorded based upon differences between the financial statement and tax basis of assets and liabilities, and available tax credit carryforwards. Temporary differences between the financial statement and tax values of assets and liabilities give rise to deferred taxes. The significant components of deferred taxes classified in First Guaranty's Consolidated Balance Sheets at December 31, 2015 and 2014 are as follows:

	December 31,	
	2015	2014
	(in thousands)	
Deferred tax assets:		
Allowance for loan losses	$3,201	$3,096
Other real estate owned	127	148
Unrealized losses on available for sale securities	445	-
Other	541	407
Gross deferred tax assets	4,314	3,651
Deferred tax liabilities:		
Depreciation and amortization	(1,588)	(1,779)
Core deposit intangibles	(441)	(550)
Unrealized gains on available for sale securities	-	(124)
Other	(373)	(359)
Gross deferred tax liabilities	(2,402)	(2,812)
Net deferred tax assets	$ 1,912	$ 839

As of December 31, 2015 and 2014, there were no net operating loss carryforwards for income tax purposes.

ASC 740-10, *Income Taxes*, clarifies the accounting for uncertainty in income taxes and prescribes a recognition threshold and measurement attribute for the consolidated financial statements recognition and measurement of a tax position taken or expected to be taken in a tax return. First Guaranty does not believe it has any unrecognized tax benefits included in its consolidated financial statements. First Guaranty has not had any settlements in the current period with taxing authorities, nor has it recognized tax benefits as a result of a lapse of the applicable statute of limitations. First Guaranty recognizes interest and penalties accrued related to unrecognized tax benefits, if applicable, in noninterest expense. During the years ended December 31, 2015, 2014 and 2013, First Guaranty did not recognize any interest or penalties in its consolidated financial statements, nor has it recorded an accrued liability for interest or penalty payments.

Note 19. Commitments and Contingencies

Off-balance sheet commitments

First Guaranty is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit and standby and commercial letters of credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the Consolidated Balance Sheets. The contract or notional amounts of those instruments reflect the extent of the involvement in particular classes of financial instruments.

The exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby and commercial letters of credit is represented by the contractual notional amount of those instruments. Unless otherwise noted, collateral or other security is not required to support financial instruments with credit risk.

Set forth below is a summary of the notional amounts of the financial instruments with off-balance sheet risk at December 31, 2015 and December 31, 2014.

	December 31,	
	2015	2014
	(in thousands)	
Contract Amount		
Commitments to Extend Credit	$ 88,081	$ 59,675
Unfunded Commitments under lines of credit	$ 107,581	$111,247
Commercial and Standby letters of credit	$ 7,486	$ 7,743

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Each customer's creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on Management's credit evaluation of the counterpart. Collateral requirements vary but may include accounts receivable, inventory, property, plant and equipment, residential real estate and commercial properties.

Standby and commercial letters of credit are conditional commitments to guarantee the performance of a customer to a third party. These guarantees are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing and similar transactions. The majority of these guarantees are short-term, one year or less; however, some guarantees extend for up to three years. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities. Collateral requirements are the same as on-balance sheet instruments and commitments to extend credit.

There were no losses incurred on off-balance sheet commitments in 2015, 2014 or 2013.

Note 20. Fair Value Measurements

The fair value of a financial instrument is the current amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. Valuation techniques use certain inputs to arrive at fair value. Inputs to valuation techniques are the assumptions that market participants would use in pricing the asset or liability. They may be observable or unobservable. First Guaranty uses a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1 Inputs – Unadjusted quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 Inputs – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These might include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (such as interest rates, volatilities, prepayment speeds or credit risks) or inputs that are derived principally from or corroborated by market data by correlation or other means.

Level 3 Inputs – Unobservable inputs for determining the fair values of assets or liabilities that reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

A description of the valuation methodologies used for instruments measured at fair value follows, as well as the classification of such instruments within the valuation hierarchy.

Securities available for sale. Securities are classified within Level 1 where quoted market prices are available in an active market. Inputs include securities that have quoted prices in active markets for identical assets. If quoted market prices are unavailable, fair value is estimated using quoted prices of securities with similar characteristics, at which point the securities would be classified within Level 2 of the hierarchy. Securities classified Level 3 as of December 31, 2015 include municipal bonds and an equity security.

Impaired loans. Loans are measured for impairment using the methods permitted by ASC Topic 310. Fair value of impaired loans is measured by either the fair value of the collateral if the loan is collateral dependent (Level 2 or Level 3), or the present value of expected future cash flows, discounted at the loan's effective interest rate (Level 3). Fair value of the collateral is determined by appraisals or by independent valuation.

Other real estate owned. Properties are recorded at the balance of the loan or at estimated fair value less estimated selling costs, whichever is less, at the date acquired. Fair values of other real estate owned ("OREO") at December 31, 2015 and 2014 are determined by sales agreement or appraisal, and costs to sell are based on estimation per the terms and conditions of the sales agreement or amounts commonly used in real estate transactions. Inputs include appraisal values or recent sales activity for similar assets in the property's market; thus OREO measured at fair value would be classified within either Level 2 or Level 3 of the hierarchy.

Certain non-financial assets and non-financial liabilities are measured at fair value on a non-recurring basis including assets and liabilities related to reporting units measured at fair value in the testing of goodwill impairment, as well as intangible assets and other non-financial long-lived assets measured at fair value for impairment assessment.

The following table summarizes financial assets measured at fair value on a recurring basis as of December 31, 2015 and 2014, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	December 31,	
	2015	2014
	(in thousands)	
Available for Sale Securities Fair Value Measurements Using:		
Level 1: Quoted Prices in Active Markets For Identical Assets	$ 30,501	$ 36,504
Level 2: Significant Other Observable Inputs	338,167	454,524
Level 3: Significant Unobservable Inputs	7,701	8,780
Securities available for sale measured at fair value	$376,369	$499,808

First Guaranty's valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While Management believes the methodologies used are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value.

The change in Level 1 securities available for sale from December 31, 2014 was due to a reduction in Treasury bills of $6.0 million. The change in Level 2 securities available for sale from December 31, 2014 was due principally to the sale of short-term agency securities.

The following table reconciles assets measured at fair value on a recurring basis using unobservable inputs (**Level 3**):

	Level 3 Changes	
	December 31,	
	2015	2014
	(in thousands)	
Balance, beginning of year	$8,780	$5,834
Total gains or losses (realized/unrealized):		
Included in earnings	-	-
Included in other comprehensive income	-	-
Purchases, sales, issuances and settlements, net	(1,079)	2,946
Transfers in and/or out of Level 3	-	-
Balance as of end of year	$7,701	$8,780

There were no gains or losses for the period included in earnings attributable to the change in unrealized gains or losses relating to assets still held as of December 31, 2015.

The following table measures financial assets and financial liabilities measured at fair value on a non-recurring basis as of December 31, 2015, segregated by the level of valuation inputs within the fair value hierarchy utilized to measure fair value:

	December 31,	
	2015	2014
	(in thousands)	
Fair Value Measurements Using: Impaired Loans		
Level 1: Quoted Prices in Active Markets For Identical Assets	$ -	$ -
Level 2: Significant Other Observable Inputs	293	5,244
Level 3: Significant Unobservable Inputs	16,401	15,618
Impaired loans measured at fair value	$16,694	$20,862
Fair Value Measurements Using: Other Real Estate Owned		
Level 1: Quoted Prices in Active Markets For Identical Assets	$ -	$ -
Level 2: Significant Other Observable Inputs	1,104	1,847
Level 3: Significant Unobservable Inputs	473	351
Other real estate owned measured at fair value	$ 1,577	$ 2,198

ASC 825-10 provides First Guaranty with an option to report selected financial assets and liabilities at fair value. The fair value option established by this statement permits First Guaranty to choose to measure eligible items at fair value at specified election dates and report unrealized gains and losses on items for which the fair value option has been elected in earnings at each reporting date subsequent to implementation.

First Guaranty has chosen not to elect the fair value option for any items that are not already required to be measured at fair value in accordance with accounting principles generally accepted in the United States.

Note 21. Financial Instruments

Fair value estimates are generally subjective in nature and are dependent upon a number of significant assumptions associated with each instrument or group of similar instruments, including estimates of discount rates, risks associated with specific financial instruments, estimates of future cash flows and relevant available market information. Fair value information is intended to represent an estimate of an amount at which a financial instrument could be exchanged in a current transaction between a willing buyer and seller engaging in an exchange transaction. However, since there are no established trading markets for a significant portion of First Guaranty's financial instruments, First Guaranty may not be able to immediately settle financial instruments; as such, the fair values are not necessarily indicative of the amounts that could be realized through immediate settlement. In addition, the majority of the financial instruments, such as loans and deposits, are held to maturity and are realized or paid according to the contractual agreement with the customer.

Quoted market prices are used to estimate fair values when available. However, due to the nature of the financial instruments, in many instances quoted market prices are not available. Accordingly, estimated fair values have been estimated based on other valuation techniques, such as discounting estimated future cash flows using a rate commensurate with the risks involved or other acceptable methods. Fair values are estimated without regard to any premium or discount that may result from concentrations of ownership of financial instruments, possible income tax ramifications or estimated transaction costs. The fair value estimates are subjective in nature and involve matters of significant judgment and, therefore, cannot be determined with precision. Fair values are also estimated at a specific point in time and are based on interest rates and other assumptions at that date. As events change the assumptions underlying these estimates, the fair values of financial instruments will change.

Disclosure of fair values is not required for certain items such as lease financing, investments accounted for under the equity method of accounting, obligations of pension and other postretirement benefits, premises and equipment, other real estate, prepaid expenses, the value of long-term relationships with depositors (core deposit intangibles) and other customer relationships, other intangible assets and income tax assets and liabilities. Fair value estimates are presented for existing on- and off-balance sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. In addition, the tax ramifications related to the realization of the unrealized gains and losses have not been considered in the estimates. Accordingly, the aggregate fair value amounts presented do not purport to represent and should not be considered representative of the underlying market or franchise value of First Guaranty.

Because the standard permits many alternative calculation techniques and because numerous assumptions have been used to estimate the fair values, reasonable comparison of the fair value information with other financial institutions' fair value information cannot necessarily be made. The methods and assumptions used to estimate the fair values of financial instruments are as follows:

Cash and due from banks, interest-bearing deposits with banks, federal funds sold and federal funds purchased.

These items are generally short-term and the carrying amounts reported in the consolidated balance sheets are a reasonable estimation of the fair values.

Investment Securities.

Fair values are principally based on quoted market prices. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments or the use of discounted cash flow analyses.

Loans Held for Sale.

Fair values of mortgage loans held for sale are based on commitments on hand from investors or prevailing market prices. These loans are classified within level 3 of the fair value hierarchy.

Loans, net.

Market values are computed present values using net present value formulas. The present value is the sum of the present value of all projected cash flows on an item at a specified discount rate. The discount rate is set as an appropriate rate index, plus or minus an appropriate spread. These loans are classified within level 3 of the fair value hierarchy.

Impaired loans

Fair value of impaired loans is measured by either the fair value of the collateral if the loan is collateral dependent (Level 2 or Level 3), or the present value of expected future cash flows, discounted at the loan's effective interest rate (Level 3). Fair value of the collateral is determined by appraisals or by independent valuation.

Accrued interest receivable.

The carrying amount of accrued interest receivable approximates its fair value.

Deposits.

Market values are actually computed present values using net present value formulas. The present value is the sum of the present value of all projected cash flows on an item at a specified discount rate. The discount rate is set as an appropriate rate index, plus or minus an appropriate spread. Deposits are classified within level 3 of the fair value hierarchy.

Accrued interest payable.

The carrying amount of accrued interest payable approximates its fair value.

Borrowings.

The carrying amount of federal funds purchased and other short-term borrowings approximate their fair values. The fair value of First Guaranty's long-term borrowings is computed using net present value formulas. The present value is the sum of the present value of all projected cash flows on an item at a specified discount rate. The discount rate is set as an appropriate rate index, plus or minus an appropriate spread. Borrowings are classified within level 3 of the fair value hierarchy.

Other Unrecognized Financial Instruments.

The fair value of commitments to extend credit is estimated using the fees charged to enter into similar legally binding agreements, taking into account the remaining terms of the agreements and customers' credit ratings. For fixed-rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates. Noninterest-bearing deposits are held at cost. The fair values of letters of credit are based on fees charged for similar agreements or on estimated cost to terminate them or otherwise settle the obligations with the counterparties at the reporting date. At December 31, 2015 and 2014 the fair value of guarantees under commercial and standby letters of credit was not material.

The estimated fair values and carrying values of the financial instruments at December 31, 2015 and 2014 are presented in the following table:

	December 31,			
	2015		2014	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
	(in thousands)			
Assets				
Cash and cash equivalents	$ 37,272	$ 37,272	$ 44,575	$ 44,575
Securities, available for sale	$ 376,369	$ 376,369	$ 499,808	$ 499,808
Securities, held to maturity	$ 169,752	$ 168,148	$ 141,795	$ 139,688
Federal Home Loan Bank stock	$ 935	$ 935	$ 1,621	$ 1,621
Loans, net	$ 832,168	$ 831,731	$ 781,216	$ 780,470
Accrued interest receivable	$ 6,015	$ 6,015	$ 6,384	$ 6,384
Liabilities				
Deposits	$ 1,295,870	$ 1,296,468	$ 1,371,839	$ 1,373,537
Borrowings	$ 27,624	$ 27,624	$ 3,255	$ 3,255
Junior subordinated debentures	$ 14,597	$ 14,597	-	-
Accrued interest payable	$ 1,707	$ 1,707	$ 1,997	$ 1,997

There is no material difference between the contract amount and the estimated fair value of off-balance sheet items that are primarily comprised of short-term unfunded loan commitments that are generally at market prices.

Note 22. Concentrations of Credit and Other Risks

First Guaranty monitors loan portfolio concentrations by region, collateral type, loan type and industry on a monthly basis and has established maximum thresholds as a percentage of its capital to ensure that the desired mix and diversification of its loan portfolio is achieved. First Guaranty is compliant with the established thresholds as of December 31, 2015. Personal, commercial and residential loans are granted to customers, most of who reside in northern and southern areas of Louisiana. Although First Guaranty has a diversified loan portfolio, significant portions of the loans are collateralized by real estate located in Tangipahoa Parish and surrounding parishes in Southeast Louisiana. Declines in the Louisiana economy could result in lower real estate values which could, under certain circumstances, result in losses to First Guaranty.

The distribution of commitments to extend credit approximates the distribution of loans outstanding. Commercial and standby letters of credit were granted primarily to commercial borrowers. Generally, credit is not extended in excess of $10.0 million to any single borrower or group of related borrowers.

Approximately 43.9% of First Guaranty's deposits are derived from local governmental agencies at December 31, 2015. These governmental depositing authorities are generally long-term customers. A number of the depositing authorities are under contractual obligation to maintain their operating funds exclusively with First Guaranty. In most cases, First Guaranty is required to pledge securities or letters of credit issued by the Federal Home Loan Bank to the depositing authorities to collateralize their deposits. Under certain circumstances, the withdrawal of all of, or a significant portion of, the deposits of one or more of the depositing authorities may result in a temporary reduction in liquidity, depending primarily on the maturities and/or classifications of the securities pledged against such deposits and the ability to replace such deposits with either new deposits or other borrowings. Public fund deposits totaled $568.7 million at December 31, 2015.

Note 23. Litigation

First Guaranty is subject to various legal proceedings in the normal course of its business. It is Management's belief that the ultimate resolution of such claims will not have a material adverse effect on First Guaranty's financial position or results of operations.

Note 24. Condensed Parent Company Information

The following condensed financial information reflects the accounts and transactions of First Guaranty Bancshares, Inc. for the dates indicated:

First Guaranty Bancshares, Inc.
Condensed Balance Sheets

	December 31,	
	2015	2014
	(in thousands)	
Assets		
Cash	$ 16,862	$ 723
Investment in bank subsidiary	140,518	138,176
Investment Securities (available-for-sale, at fair value)	80	70
Other assets	3,233	5,129
Total Assets	**$160,693**	**$144,098**
Liabilities and Shareholders' Equity		
Short-term debt	$ 1,800	$ 1,800
Senior long-term debt	25,824	2,439
Junior subordinated debentures	14,597	-
Other liabilities	248	276
Total Liabilities	**42,469**	**4,515**
Shareholders' Equity	**118,224**	**139,583**
Total Liabilities and Shareholders' Equity	**$160,693**	**$144,098**

First Guaranty Bancshares, Inc.
Condensed Statements of Income

	December 31,		
	2015	2014	2013
	(in thousands)		
Operating Income			
Dividends received from bank subsidiary	$ 9,843	$ 6,448	$4,669
Net gains on securities	2,652	-	-
Other income	261	162	90
Total operating income	**12,756**	6,610	**4,759**
Operating Expenses			
Interest expense	192	130	115
Salaries & Benefits	172	140	88
Other expenses	766	464	449
Total operating expenses	**1,130**	**734**	**652**
Income before income tax benefit and increase in equity in undistributed earnings of subsidiary	**11,626**	**5,876**	**4,107**
Income tax benefit	(605)	229	212
Income before increase in equity in undistributed earnings of subsidiary	**11,021**	**6,105**	**4,319**
Increase in equity in undistributed earnings of subsidiary	3,484	5,119	4,827
Net Income	**14,505**	**11,224**	**9,146**
Less preferred stock dividends	(384)	(394)	(713)
Net income available to common shareholders	**$14,121**	**$10,830**	**$8,433**

First Guaranty Bancshares, Inc.
Condensed Statements of Cash Flow

	December 31,		
	2015	2014	2013
	(in thousands)		
Cash flows from operating activities:			
Net income	$14,505	$11,224	$9,146
Adjustments to reconcile net income to net cash provided by operating activities:			
Increase in equity in undistributed earnings of subsidiary	(3,484)	(5,119)	(4,827)
Gain on sale of securities	(2,652)	-	-
Net change in other liabilities	(28)	55	2
Net change in other assets	396	(3,383)	161
Net cash provided by operating activities	**8,737**	**2,777**	**4,482**
Cash flows from investing activities:			
Proceeds from maturities, calls and sales of AFS securities	4,152	-	-
Funds Invested in AFS securities	(10)	(5)	-
Net cash provided by (used in) investing activities	**4,142**	**(5)**	-
Cash flows from financing activities:			
Proceeds from long-term debt, net of costs	24,969	2,555	-
Repayment of long-term debt	(1,584)	(616)	(600)
Proceeds from junior subordinated debentures, net of costs	14,597	-	-
Issuance of common stock, net of costs	9,344	-	-
Redemption of preferred stock	(39,435)	-	-
Dividends paid	(4,631)	(4,421)	(4,740)
Net cash provided by (used in) financing activities	**3,260**	**(2,482)**	**(5,340)**
Net increase (decrease) in cash and cash equivalents	**16,139**	**290**	**(858)**
Cash and cash equivalents at the beginning of the period	723	433	1,291
Cash and cash equivalents at the end of the period	**$16,862**	**$ 723**	**$ 433**

Item 5 - Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities

Shares of our common stock are traded on the NASDAQ Global Marketplace as of November 5, 2015, under the symbol "FGBI". Prior to November 5, 2015 our shares were quoted on the OTC Pink Marketplace. As of December 31, 2015, there were approximately 1,800 holders of record of our common stock.

The following table sets forth the quarterly high and low reported sales prices for our common stock for the years ended December 31, 2015 and 2014. These reported sales prices represent trades that were either quoted on the NASDAQ, OTC Pink or reported to First Guaranty's stock transfer agent, and prior to November 5, 2015, do not include retail markups, markdowns or commissions, and do not necessarily reflect actual transactions.

	2015			2014		
Quarter Ended: *	High	Low	Dividend	High	Low	Dividend
March 31,	$ 19.00	$16.70	$ 0.16	$19.60	$13.77	$ 0.16
June 30,	$ 21.00	$15.00	$ 0.16	$19.81	$13.50	$ 0.16
September 30,	$ 20.74	$15.00	$ 0.16	$19.81	$12.00	$ 0.16
December 31,	$ 21.73	$14.60	$ 0.16	$20.50	$15.39	$ 0.16

** Data above has not been adjusted to reflect the ten percent stock dividend paid December 17, 2015 to shareholders of record as of December 10, 2015.*

Our shareholders are entitled to receive dividends when, and if, declared by the Board of Directors, out of funds legally available for dividends. We have paid consecutive quarterly cash dividends on our common stock for each of the last 90 quarters dating back to the third quarter of 1993. The board of directors intends to continue to pay regular quarterly cash dividends. The ability to pay dividends in the future will depend on earnings and financial condition, liquidity and capital requirements, regulatory restrictions, the general economic and regulatory climate and ability to service any equity or debt obligations senior to common stock. There are legal restrictions on the ability of First Guaranty Bank to pay cash dividends to First Guaranty Bancshares, Inc. Under federal and state law, we are required to maintain certain surplus and capital levels and may not distribute dividends in cash or in kind, if after such distribution we would fall below such levels. Specifically, an insured depository institution is prohibited from making any capital distribution to its shareholders, including by way of dividend, if after making such distribution, the depository institution fails to meet the required minimum level for any relevant capital measure including the risk-based capital adequacy and leverage standards.

Additionally, under the Louisiana Business Corporation Act, First Guaranty Bancshares, Inc. is prohibited from paying any cash dividends to shareholders if, after the payment of such dividend First Guaranty Bancshares would not be able to pay its debts as they became due in the usual course of business or its total assets would be less than its total liabilities or where net assets are less than the liquidation value of shares that have a preferential right to participate in First Guaranty Bancshares, Inc.'s assets in the event First Guaranty Bancshares, Inc. were to be liquidated.

On November 19, 2015, First Guaranty sold an additional 26,560 shares of its common stock, $1.00 par value per share, pursuant to the partial exercise of the over-allotment option granted to the underwriter in connection with its public offering, at a public offering price of $18.50 per share. The partial exercise of the underwriter's over-allotment option generated additional gross proceeds of $491,360. The total number of shares sold in the offering was 626,560, resulting in net proceeds of approximately $9.3 million. The shares were issued pursuant to an effective Registration Statement on Form S-1 (File No. 333-199602) declared effective as of November 5, 2015 by the Securities and Exchange Commission.

Annual Meeting
The Annual Meeting of Shareholders will convene at 2:00 p.m. Central Daylight Saving Time (CDT) on Thursday, May 19, 2016 in the Auditorium, First Guaranty Square, 400 East Thomas Street, Hammond, Louisiana.

Corporate Headquarters
First Guaranty Square
400 East Thomas Street
Hammond, Louisiana 70401-3320
Telephone: (985) 345-7685

Shareholder Services
First Guaranty Bank
Post Office Box 2009
Hammond, Louisiana 70404-2009
Contact: Vanessa R. Drew
Telephone: (985) 375-0343
Email: drewvan@fgb.net

Certified Public Accountants
Castaing, Hussey & Lolan, LLC
New Iberia, Louisiana

Financial and General Information
Persons seeking financial or other information about the Company are invited to contact:

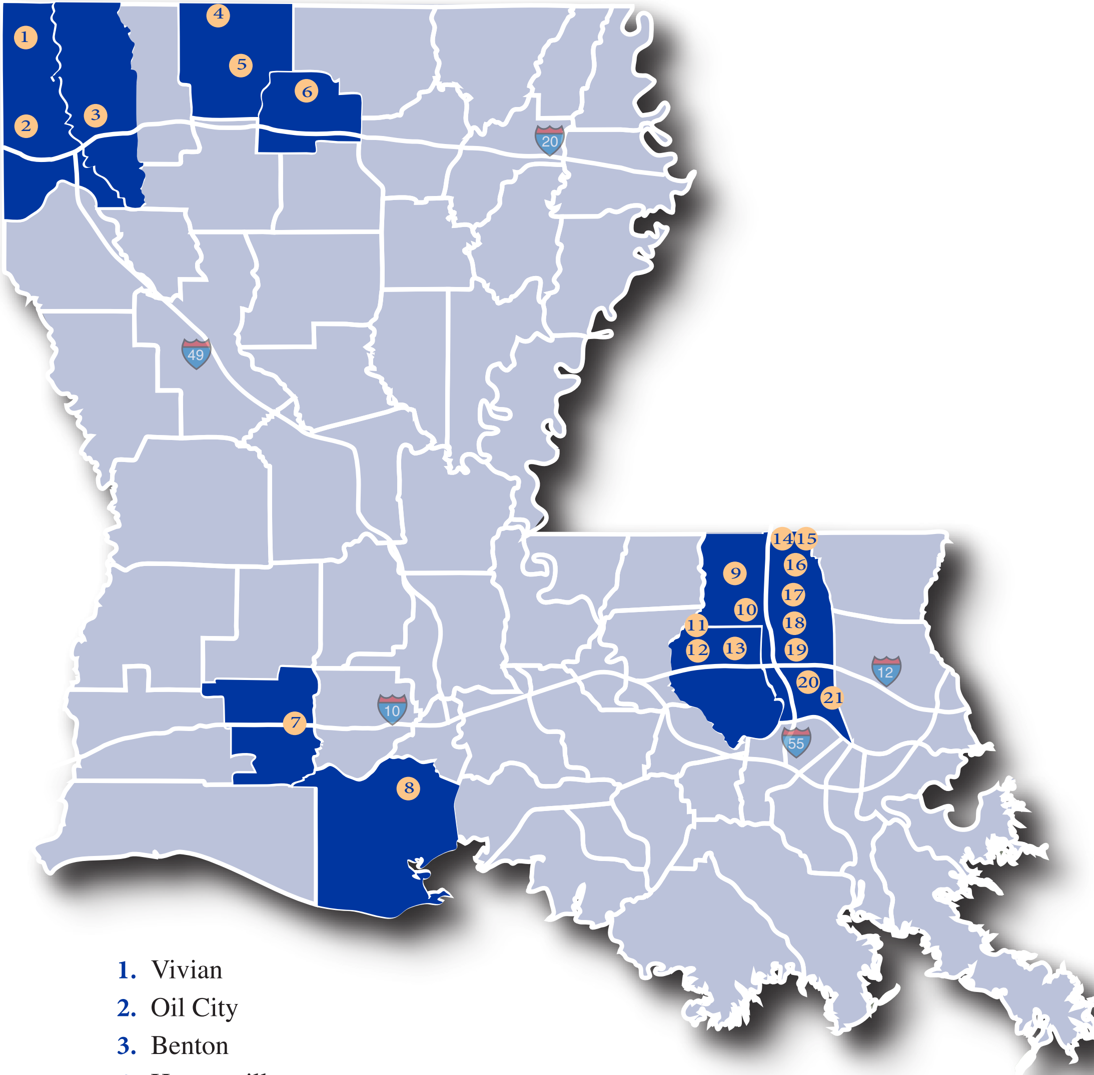
Eric J. Dosch
Chief Financial Officer, Treasurer and Secretary
First Guaranty Bancshares, Inc.
Post Office Box 2009
Hammond, Louisiana 70404-2009
Telephone (985) 375-0308

Notice to Shareholders
A copy of the First Guaranty Bancshares, Inc. Annual Report filed on Form 10-K with the U.S. Securities and Exchange Commission can be accessed through the Company's website at www.fgb.net or is available without charge by writing.

FIRST GUARANTY BANCSHARES, INC.

www.fgb.net

First Guaranty Bank Banking Centers



1. Vivian
2. Oil City
3. Benton
4. Haynesville
5. Homer
6. Dubach
7. Jennings
8. Abbeville
9. Greensburg
10. Montpelier
11. Watson
12. Denham Springs
13. Walker
14. Kentwood West
15. Kentwood
16. Amite
17. Independence
18. Main Office
19. Guaranty West
20. Ponchatoula
21. Berryland

Service 24 ATM Locations

SOUTH LOUISIANA

Abbeville, LA
799 West Summers Drive

Amite, LA
100 East Oak Street
1014 West Oak Street

Denham Springs, LA
2231 South Range Avenue

Greensburg
6151 Hwy. 10

Hammond, LA
1201 West University Avenue
2111 West Thomas Street
400 East Thomas
North Oaks Medical Center –
4 Medical Center Drive
North Oaks Rehabilitation Center –
1900 South Morrison Boulevard

Independence, LA
455 Railroad Avenue

Jennings, LA
500 North Cary

Kentwood, LA
723 Avenue G

Livingston, LA
(LPMC) Livingston Parish
Medical Center
17199 Spring Ranch Rd.

Loranger, LA
19518 Highway 40

Montpelier
35651 Hwy. 16

Ponchatoula, LA*
500 W. Pine St.
105 Berryland Shopping Center

Robert, LA
Robert's Supermarket -
22628 Highway 190

Walker, LA
29815 Walker Road South

Watson
33818 Hwy. 16

NORTH LOUISIANA

Benton, LA
189 Burt Boulevard

Dubach, LA
117 East Hico Street

Haynesville, LA
10065 Highway 79

Homer, LA
Homer Memorial Hospital
401 North 2nd Street

Oil City, LA
126 South Highway 1

Vivian, LA
102 East Louisiana Avenue

**The Ponchatoula branch at 195 N. 6th St. closed on March 7, 2016 and is relocated at 500 West Pine Street, Ponchatoula, LA 70454.*

FIRST GUARANTY BANCSHARES, INC.

www.fgb.net