FIRST GUARANTY BANCSHARES, INC.

Defining FGB

ROA = 1.08%

ROE* = 13.89%

FIRST GUARANTY BANK

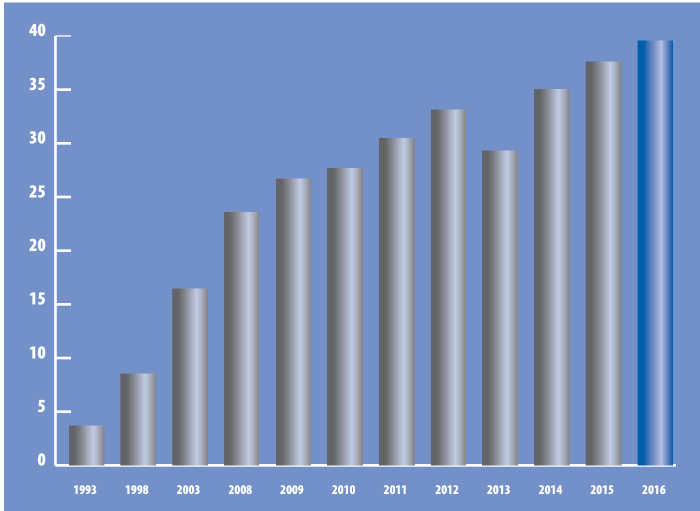
ANNUAL REPORT 2016

Financial Snapshot

PERFORMANCE GRAPHS

Book Value Growth Per One 1993 Share[1]

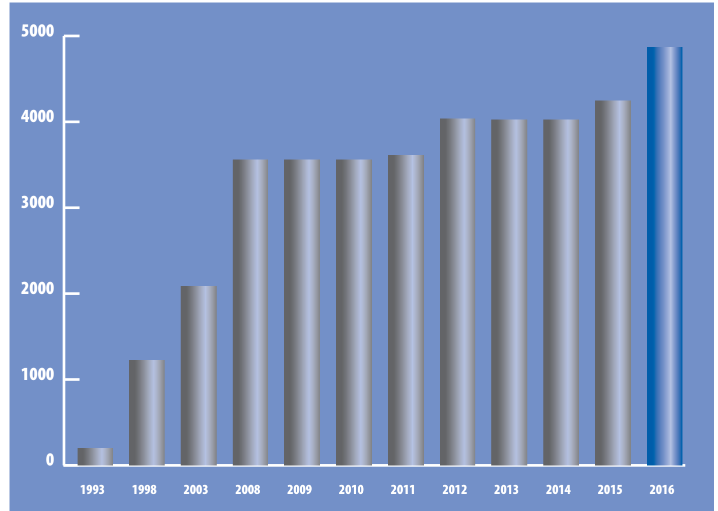
(per common share)



Book Value per one 1993 share has increased from **$3.70** to **$39.54** since 1993.

Cash Dividends on Common Stock

(In thousands)



First Guaranty has paid **$61.7 million** in Cash Dividends to common shareholders since 1993.

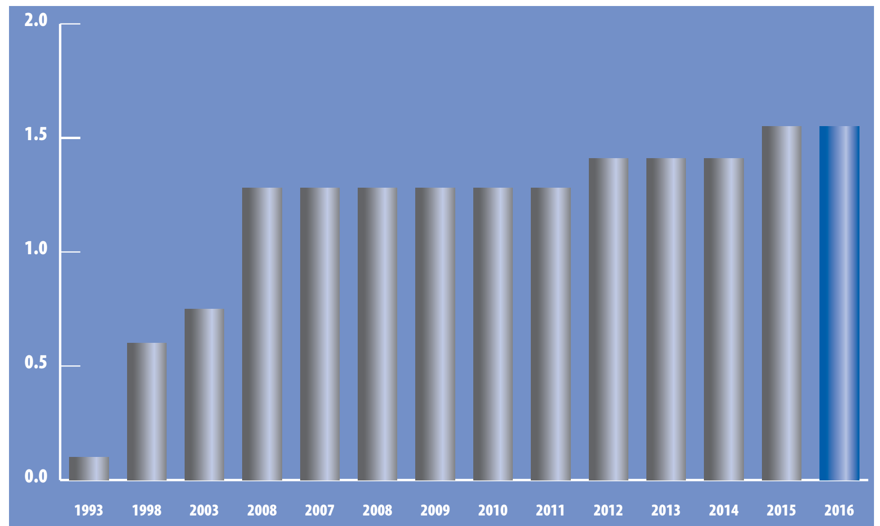
First Guaranty Bancshares, Inc.

At December 31, 2016, total assets were $1.5 billion, net income was $14.1 million, earnings per common share was $1.85. Return on average assets was 0.97% and return on average common equity was 11.18%. The company's shares trade on the Nasdaq Global Market. First Guaranty Bancshares, Inc. paid a quarterly dividend for 94 consecutive quarters at December 31, 2016. Our commitment to customer service, combined with the hard work of our employees are among the attributes that define FGB.

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 has 293 employees as of December 31, 2016.

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

*Footnote from front cover ROE: This is the return on average equity adjusted for the effect of prior capital injections made by the holding company into the bank subsidiary.

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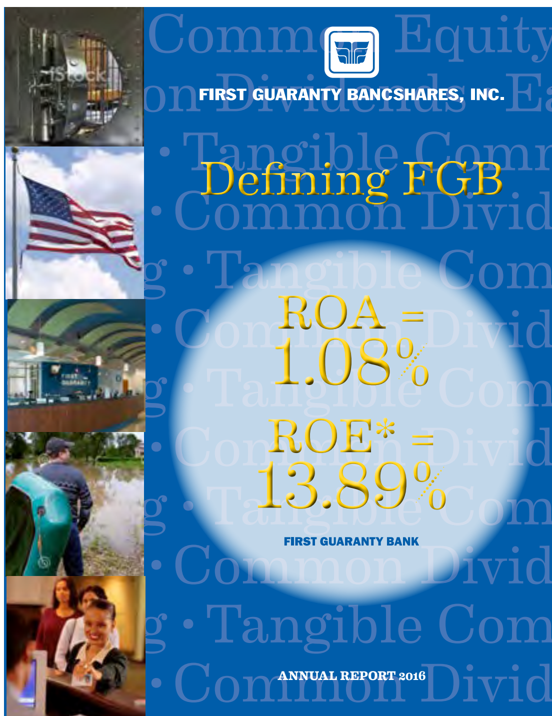
Visit www.fgb.net for additional information.

Stock Ticker Symbol: FGBI

Follow us on Facebook, Twitter and LinkedIn.

FORTRESS BANKING
DEFINING FGB



*Footnote: This is the return on average equity adjusted for the effect of prior capital injections made by the holding company into the bank subsidiary.

FIRST GUARANTY BANCSHARES, INC., AND ITS WHOLLY-OWNED SUBSIDIARY FIRST GUARANTY BANK, continues to grow and thrive. Return on Assets at 2016 year end for First Guaranty Bank is 1.08% with Return on Adjusted Equity at 13.89%*. This outstanding performance is the result of many factors, all of which are key in defining FGB.

The cornerstone of this well-run financial institution is leadership's unrelenting focus on fortress banking. Fortress banking requires analysis and decision-making based on strengthening the core and protecting against obstacles. Whether in banking or daily life, we know problems will arise – it is the manner in which we address those challenges that defines us and illustrates our strength of character.

To build a fortress balance sheet, the bank must maintain good credit ratings, monitor risk and create a strong balance sheet able to withstand shock. Employee benefits, capital spending and other cost control measures are imperative. When defining FGB, one will realize an emphasis on cash, as well as on earnings.

accomplish
əˈkämpliSH/Submit
verb
achieve or complete successfully.
synonyms: fulfill, achieve, succeed in, realize, attain, manage, bring about/off, carry out/through, execute, effect, perform, do, discharge, complete, finish, consummate, conclude

To become a strong, rock solid bank and achieve such results as the 2016 ROA, ROE, book value and strong balance sheet, First Guaranty maintains essential vision, insight and determination. Fortress banking requires attention, effort and strength. Fortress banking creates a fit company, capable of handling new, more stringent federal regulations with the flexibility to adapt.

Your team of First Guaranty Bancshares, Inc. Board of Directors and Advisory Board members are among the most dedicated. Add the Bank's management and group of devoted employees throughout the state, and you will see strength, intelligence, concern and compassion. The business of successfully attracting customers and loans is competitive while often, it is the personal relationship that makes the difference.

FORTRESS BANKING
DEFINING FGB

Fortress banking includes recognizing opportunities for additional banking centers, mergers and acquisitions and other strategic moves to solidify market position and fulfilling our service mission with customers. With the new, forthcoming Bossier City Banking Center and acquisition of Synergy Bank in Texas, First Guaranty has once again strengthened its core and grown to serve additional markets. Defining FGB and its fortress banking philosophy compels us to strengthen our internal operations to set the stage for external business development.

vi·sion
/ˈviZHən/
noun
The ability to think about or plan the future with imagination or wisdom

Defining FGB insists we examine shareholder value and the bank's strong capital base. Tangible common equity, book value, assets, earnings and common dividends also serve as criteria to measure achievement, value and success.

Defining First Guaranty requires resiliency to propel us through difficult times, be it economic or natural disasters. From tornadoes and floods to hurricanes, Louisiana, First Guaranty, its employees and customers have shown their power of resiliency. The 2016 floods impacted many employees, customers and physical First Guaranty locations, all of whom required rock solid commitment and determination to overcome obstacles. Working together in a compassionate manner each day and during crises helps define FGB.

Yet another aspect of defining FGB is strong core growth, facilitated by the diversity of industries and companies we are privileged to name as customers. We also enjoy the strength of diversity throughout our geographic locations, board members, employees and customers.

Increased profitability, a keen eye on expense reduction and balance sheet growth are goals of any prosperous company, particularly First Guaranty.

Fortress banking, Tangible Common Equity, Book Value, assets, common dividends, earnings, achievement, rock solid, strong, compassionate, insight, resilient, vision, diverse and focus are all words defining FGB.

The Great Flood of 2016

resilient
rəˈzilyənt/
adjective
able to withstand or recover quickly from difficult conditions.
synonyms: strong, tough, hardy

During approximately 48 hours, ***6.9 trillion gallons of rain fell*** on an area roughly 50 miles wide and 30 miles long. Some communities within this zone received ***31 inches of rain*** in less than three days! – (equivalent to six months of rain within two days.)

In the Great Flood of 2016, areas 20 to 30 feet ***above*** sea level flooded. Carefully designed rainwater drainage systems which performed flawlessly for 40 years began running ***backwards***, causing areas to flood that have not been beneath water in recorded history. [1]

First responders rescued thousands of people with high-water vehicles, boats and helicopters. Thousands were also delivered to safety by all-volunteer members of the self-described Cajun Navy, hundreds of boat owners who searched for survivors and abandoned pets. Experts say more than 110,000 homes were damaged, with an estimated 70,000 totally destroyed.[2]

Many First Guaranty Bank customers along with a significant number of bank employees experienced flooding in their homes and businesses, as did two First Guaranty Banking Centers – the Watson and Denham Springs branches were devastated by flood waters. The flood of March 2016 ravaged both north and south Louisiana and the flood of August 2016 brought great destruction all across south Louisiana.

First Guaranty and the members of the First Guaranty Bank team, stood together to overcome overwhelming adversity by:

- assisting flood victims with clean-up and rebuilding;
- helping with the distribution of free meals to flood victims;
- granting 90 day extensions to loan customers in the flooded areas (with the 90 days added to the ***back*** of the loan);
- offering low interest loans to employees; and
- contributing to an employee relief fund.

These efforts achieved during extremely difficult times define First Guaranty and First Guaranty team members' commitment to the welfare and success of our communities.

[1]https://www.straighttalkla.com/the-great-flood-of-2016-history-is-reset/
By Michael Bertaut
[2]Jarrett S. Flood, M.D., President & CEO – Flood International Consulting Agency
https://floodconsulting.com/news-posts/louisiana-great-flood-2016/

Front row, from left, student Joseph Edwards, FGB Chief Credit Officer Randy Vicknair and Chief Financial Officer Eric Dosch; second row, from left, FGB Chief Executive Officer Alton Lewis, students Andrea Villarreal, Nick Byrd, Tarez Cowsar and Southeastern Faculty Advisor Danielle Lewis.

Community Bank Project

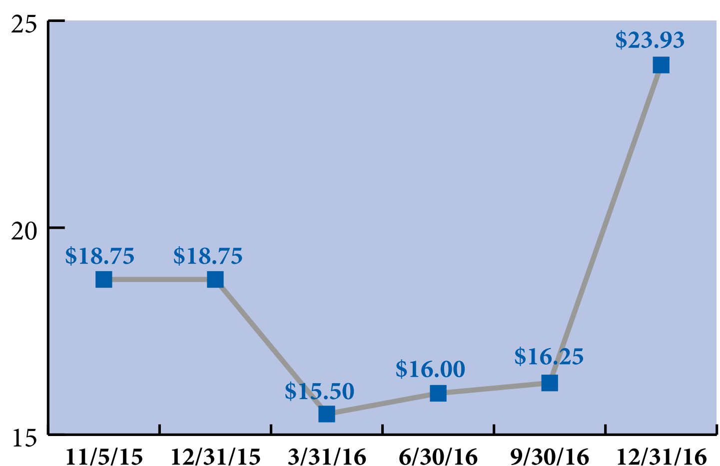
A team of Finance students from Southeastern Louisiana University won the national Community Bank Case Study competition. The team, led by Dr. Danielle Lewis, competed against 22 other teams/colleges from across the country. They prepared a 25 page report and 10 minute video regarding the bank's small business lending efforts. The competition required the students to address three areas: an assessment of the impact of the institution's small business lending efforts on the community, an analysis of how the bank's small business lending affects financial performance, and an evaluation of the institution's management of small business lending.

A great example of our continued support of the communities we serve, we were honored to partner with Southeastern for the competition.

2016 Accomplishments and Highlights

1. Total 2016 Earnings to Common Shareholders of $14.1 million.
2. Paid our 94th consecutive quarterly cash dividend. $61.7 million in dividends to common shareholders have been paid since 1993.
3. First Guaranty contributed $415,000 to our local communities in 2016.
4. Set a record in our lending portfolio of $948.9 million in loans outstanding at year end.

FGBI – Nasdaq Trading Price by Quarter
Stock Ticker Symbol: FGBI



First Guaranty Bancshares, Inc. is traded on NASDAQ exchange at ticker symbol FGBI with a record of strength. Past performance is not indicative of future performance.

Marshall T. Reynolds
Chairman of the Board

FIRST GUARANTY BANCSHARES, INC.

Dear Fellow Shareholder:

At First Guaranty Bancshares, Inc. we are all pleased and very proud of the results for 2016. This makes back to back fourteen million dollar net profit years. After a generous and continuous (ninety four quarters) of dividends, we added millions to the company's retained earnings moving us further along the path to a fortress balance sheet while our recent Texas commitment has a real chance of catapulting the Bank significantly forward.

These continuing results begs the question; Why? The answer seems to be two fold. One, President Lewis has recruited a young and ambitious staff that has now gained experience and savvy—the results show.

Secondly, this is probably the most involved Board of Directors in America. A few examples are as follows:

1. The Directors Loan Committee meets every Thursday. There are nine of them and the meetings sometime last up to three hours. Bill Hood has been Chairman of this committee since I can remember. They are highly engaged, experienced, and committed to doing it right for the customer and the Bank. They have made a great contribution.

2. Two of our directors have added enormously to their stock holdings thus telling the outside world of public shareholders that we believe in ourselves and what we are creating.

3. Several directors have enhanced their holdings as well.

4. We are opening our branch in Bossier City in May. This is a beautiful building created by Director Andrew Gasaway. We are most fortunate to have his talent on the board.

5. Three of our directors (Messrs. Hood, Smith and Gabriel) went to Texas to personally see what the Bank was acquiring.

All said, it gets down to people and talent. It appears that our cup is running over with Management and Directors who seem to have plenty of talent and they all care.

Sincerely,

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

in·sight
/ˈinˌsīt/
noun
An accurate and deep understanding

Alton B. Lewis
Chief Executive Officer & President

Dear Shareholders,

With each passing year, it becomes clearer and clearer that First Guaranty Bancshares, Inc. is a strong financial institution with great earnings power which will allow First Guaranty to become stronger as time passes. 2016 was a continuation of this strengthening toward a fortress balance sheet as First Guaranty totaled earnings for the year ending December 31, 2016 of $14,093,000 compared to $14,121,000 as of December 31, 2015. The strong income was in spite of flood related expenses which totaled $275,000 pre-tax, $178,750 after tax and in spite of the interest expense related to the debt originated for the redemption of Small Business Lending Fund Preferred Stock in December 2015. This interest expense totaled $1,404,000 for the 12 months ending on December 31, 2016.

Earnings strengthened the balance sheet by adding $9.2 million to retained earnings for the year. As of December 31, 2016, retained earnings were $59,155,000 compared to $49,932,000 as of December 31, 2015. That increase in retained earnings was net of dividends paid shareholders of $4,870,000, or $0.64 per share. In 2016 we paid dividends of $0.16 per share for each quarter bringing our total consecutive quarters of dividends paid in by First Guaranty Bancshares, Inc. to 94.

Strong earnings and the building of capital were driven by continued strong loan growth. Our loan portfolio grew by $107.3 million during 2016, totaling $949 million as of December 31, 2016. Loan interest for the year increased to $45.5 million compared to $42.5 million for the year ending December 31, 2015. Net interest margin for the year ended at 3.39% compared to 3.26% for the year 2015.

In March 2016, we celebrated the opening of our new branch office in Ponchatoula. During 2016, we also began construction of our new branch located in Bossier City. Completion of that branch is anticipated in May 2017 and will bring our branches in Northwest Louisiana to a total number of 7 and our total branch network to a total of 22. To reach these achievements, we had to overcome the flood of March 2016 which ravaged both North and South Louisiana and the flood of August 2016 which brought great destruction all across South Louisiana. First Guaranty and the members of the First Guaranty Bank team, stepped up to meet this adversity by assisting flood victims with clean up and rebuilding, by helping with the distribution of free meals to flood victims, by granting 90 day extensions to loan customers in the flooded areas (with the 90 days added to the back of the loan), by offering low interest loans to employees and by contributing to an employee relief fund. These efforts demonstrated the commitment of First Guaranty and First Guaranty team members to our communities and to the welfare of our communities.

The First Guaranty system itself was damaged as the Watson and Denham Springs branches were devastated by the flood waters. Although the Watson branch returned to service at Thanksgiving, the Denham Springs branch rehabilitation continues and will not return to service until June 2017.

First Guaranty rose to the challenge. 2016 was another year of building toward a solid fortress balance sheet and enhancing shareholder value. It is the intention of the Board of Directors, Management and the entire First Guaranty Bank team to work together to achieve our goals. The results achieved in 2016 were the result of everyone in the organization working together toward common goals.

Looking forward, in January 2017, we entered into an agreement to purchase Premier Bancshares, Inc., and its wholly owned subsidiary Synergy Bank, headquartered in McKinney, Texas, with branches in Garland, Denton, Fort Worth and Waco. This acquisition will move First Guaranty beyond the borders of Louisiana and, hopefully, launch us on a new path to greatness and enhance 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 2016. We continued our momentum from 2015 as we expanded our loan portfolio, grew our net interest margin, and decreased our securities portfolio.

Loans grew by 12.8% or $107.3 million from $841.6 million in 2015 to $948.9 million in 2016. First Guaranty increased loan interest income $2.9 million in 2016. 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, 2016 at 63% of total assets, an increase from 58% of total assets at December 31, 2015. Our average loan yield has remained consistently above 5.0% during the last two years. The average loan yield was 5.16% for 2016 compared to 5.21% for 2015. The net interest margin increased from 3.26% in 2015 to 3.39% in 2016.

Total common shareholder's equity increased $6.1 million from $118.2 million in 2015 to $124.3 million in 2016. Retained earnings increased $9.2 million from $49.9 million in 2015 to $59.1 million in 2016. Our tangible common equity ratio improved from 7.89% at December 31, 2015 to 8.10% at December 31, 2016. The loan loss reserve increased from $9.4 million at 2015 to $11.1 million at 2016.

Earnings per common share were $1.85 in 2016. Tangible book value per share increased 5.6% from $15.10 at December 31, 2015 to $15.95 at December 31, 2016. Return on average assets was 0.97% for 2016. The efficiency ratio was 56.8% in 2016. Return on average common equity was 11.18% in 2016.

First Guaranty Bancshares paid a total of $4,870,000 in cash dividends to common shareholders in 2016. The Company has paid 94 consecutive quarters of dividends as of 12/31/2016.

First Guaranty continues to build strength for the future. 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 John Dosch

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

The Southwest Louisiana Division of First Guaranty Bank continued to grow and flourish in 2016, notwithstanding an unprecedented climatic event, which caused extensive property damage and loss to our customers and employees. When faced with unrelenting rain, rising flood waters and extreme adversity, our customers turned to First Guaranty Bank for strength and resilience, and we delivered.

As most of you are aware, the prolonged rainfall during August of 2016 resulted in catastrophic flooding, which submerged thousands of homes, farms and businesses. Due to this flood damage, our agricultural customers realized lower yields for their rice, soybean, sugarcane and other growing crops. In some instances, growing crops were completely destroyed which required replanting. Furthermore, increased labor, seed, fuel and other expenses necessitated upward adjustments in loan amounts and credit lines.

Our commercial hospitality customers sustained damage to their establishments, which caused loss of income and significant cost increases for remedial demolition and construction. Our residential customers experienced damage to their homes, displacing many whose dwellings were rendered uninhabitable; this required the additional expense and inconvenience of alternate housing. Consequently, loan extensions, modifications and new construction loans immediately became necessary.

Through all of the hardship, our First Guaranty Bank team remained ready, able and willing to support our customers by tending to their financial needs, with compassion and understanding, in the midst of these most trying times. With an additional effort to support the public, First Guaranty Bank provided 1,800 meals to flood victims in our Abbeville Banking Center parking lot.

Mother Nature's siege of water was no match for our fortress. The Jennings Banking Center ended 2016 with $36.1 million in deposits and $18.9 million in loan volume – an increase of $2.1 million in loans from 2015. The Abbeville Banking Center closed out the year with $118.9 million in deposits and $99.9 million in loan volume – an increase of $22.3 million in loans from 2015.

The endurance and continued success of our institution is borne from the dedication and professionalism of our employees, the guidance of our board of directors and the loyalty of our valued customers. This collective, and continuing, commitment to trust and success has resulted in another year for First Guaranty Bank that can only be defined as triumphant.

Sincerely,

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

di·verse
/dəˈvərs,dīˈvərs/
adjective
Made up of distinct characteristics, qualities, or elements.
Relating to or containing people from different ethnicities and social backgrounds.

BOARD OF DIRECTORS

Dr. Glenda B. Glover

Front row, left to right: Gloria M. Dykes and Nancy C. Ribas
Middle row, left to right: Edwin L. Hoover, Robert H. Gabriel, Marshall T. Reynolds, Anthony J. Berner, Jr., Dr. Phillip E. Fincher, Edgar R. Smith, III.
Back row, left to right: Morgan S. Nalty, William K. Hood, Richard W. "Dickie" Sitman, Ann A. Smith, Alton B. Lewis, Andrew Gasaway, Jr. and Charles Brister.

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.

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Retired Economics/Finance Professor
North Louisiana Advisory Board

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President, Gabriel Building Supply Company

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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

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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

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

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Owner/Manager, World Trend Properties
And University Motors

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Board Member CoBank ACB, (Denver Colorado)

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Tangipahoa Parish School Board Member
(Former President and Finance Chair)
Board of Supervisors of Southern University System, Chairwoman
Louisiana Office of Student Financial Advising Board (LOSFA), Chairwoman,

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

First Guaranty Bank
ADVISORY BOARD

Britt L. Synco

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

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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CHERYL Q. BRUMFIELD
KIMBERLY D. CAMAILLE
COLLEEN B. EBARB
RONALD W. EDMONDS
DENISE D. FLETCHER
RONALD R. FOSHEE
ADAM J. JOHNSTON
MIKKI M. KELLEY
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MICHAEL A. MOSBEY
RONALD C. PITTMAN
SCOTT B. SCHILLING
DESIREE B. SIMMONS
EVAN M. SINGER
BSA Officer

RANDY S. VICKNAIR
Chief Credit Officer

Assistant Vice Presidents

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JENNIFER J. LAPEYROUSE
D. LYNN TALLEY
KRISTINA E. TERRY

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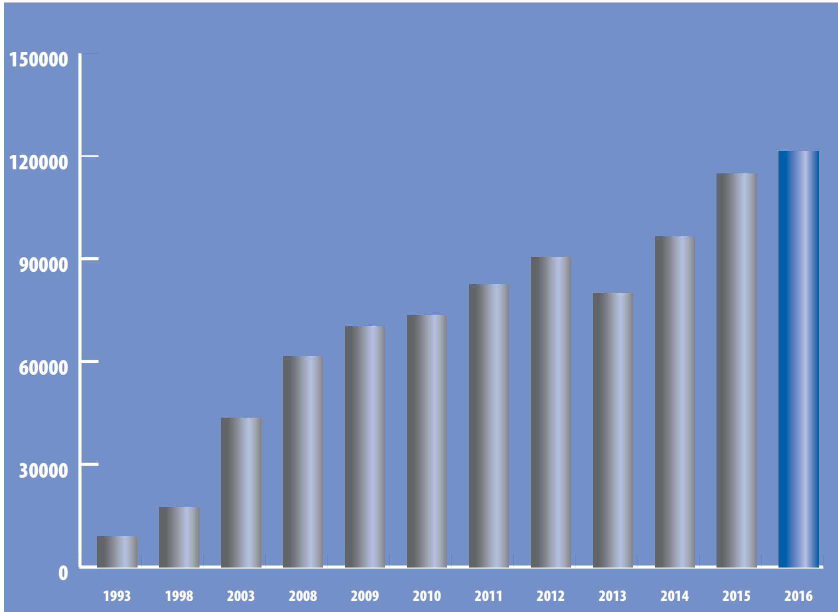
LAURYN H. COBURN
VANESSA R. DREW
JEANNETTE N. ERNST
DIANE PATTERSON
CRAIG E. SCELFO
KRISTIN M. WILLIAMS

team·work
ˈtēmˌwərk/Submit
noun
the combined action of a group of people, especially when effective and efficient.

PERFORMANCE GRAPHS

Tangible Common Equity [3]
(in thousands)

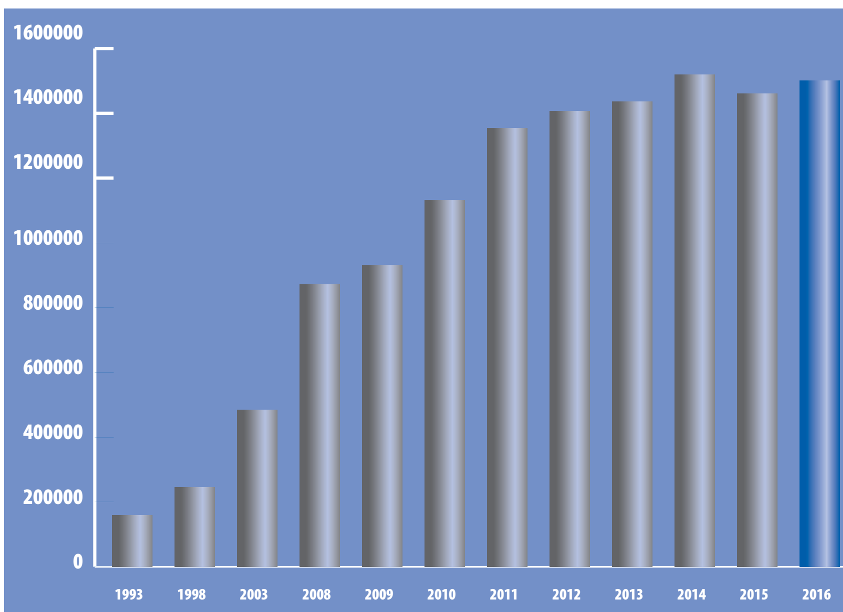


Tangible Common Equity
(in thousands)

1993	$ 9,005
1998	$17,376
2003	$43,557
2008	$61,429
2009	$70,273
2010	$73,424
2011	$82,560
2012	$90,490
2013	$80,033
2014	$96,531
2015	$114,927
2016	**$121,372**

Tangible Common Equity has increased **$121.4 million** since 1993.

Total Assets
(in millions)

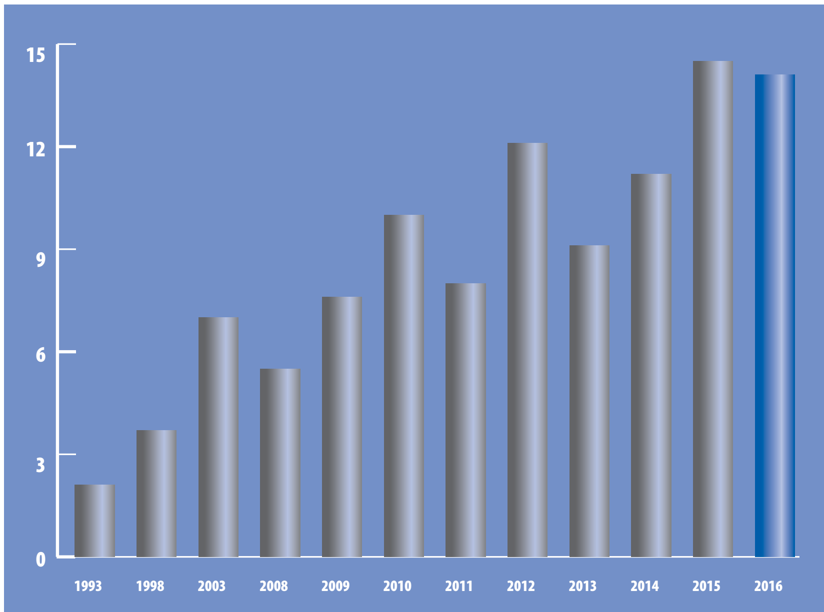


Total Assets
(in millions)

1993	$159
1998	$245
2003	$485
2008	$871
2009	$931
2010	$1,133
2011	$1,354
2012	$1,407
2013	$1,436
2014	$1,519
2015	$1,460
2016	**$1,501**

First Guaranty Assets have increased **843%** since 1993.

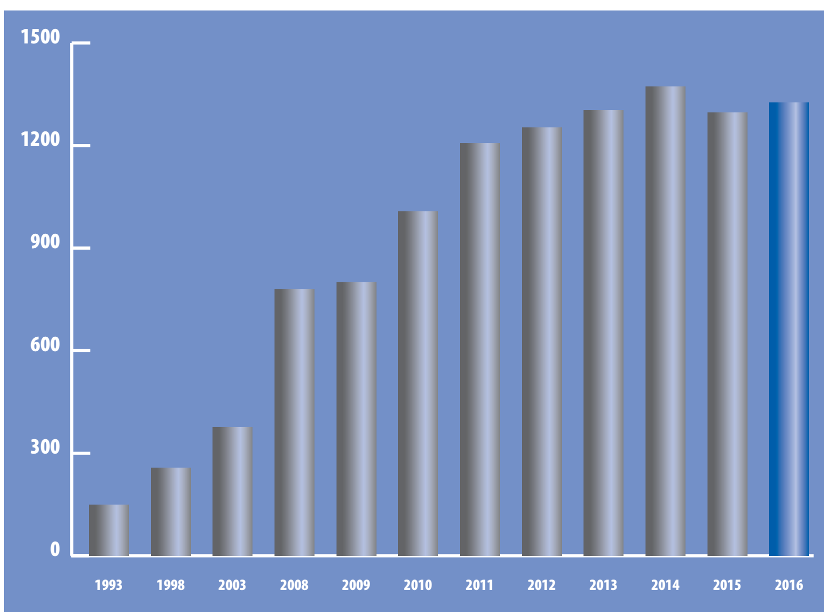
Net Income
(in millions)



Net Income
(in millions)

Year	Net Income
1993	$2.1
1998	$3.7
2003	$7.0
2008	$5.5
2009	$7.6
2010	$10.0
2011	$8.0
2012	$12.1
2013	$9.1
2014	$11.2
2015	$14.5
2016	**$14.1**

Total Deposits
(in millions)



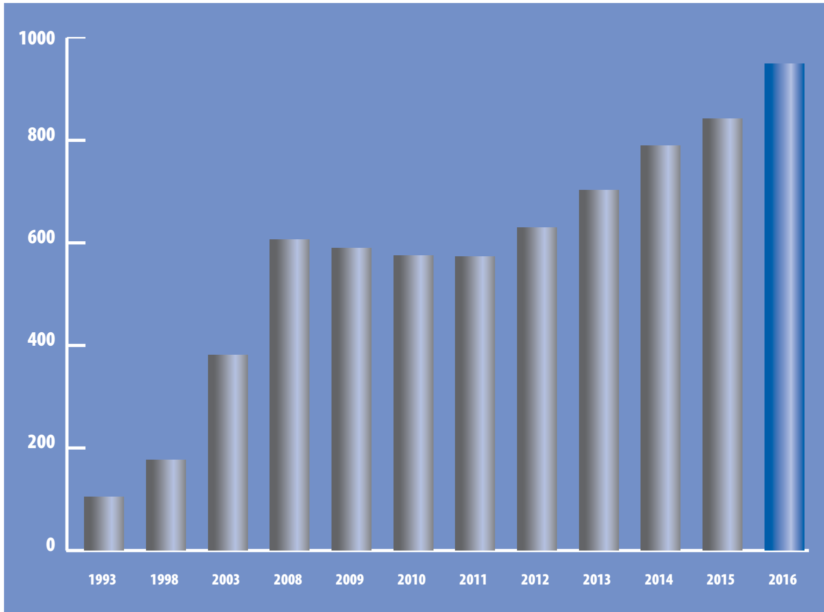
Total Deposits
(in millions)

Year	Total Deposits
1993	$149
1998	$257
2003	$376
2008	$780
2009	$800
2010	$1,007
2011	$1,207
2012	$1,253
2013	$1,303
2014	$1,372
2015	$1,296
2016	**$1,326**

PERFORMANCE GRAPHS

Loans, Net of Unearned Income [4]

(in millions)



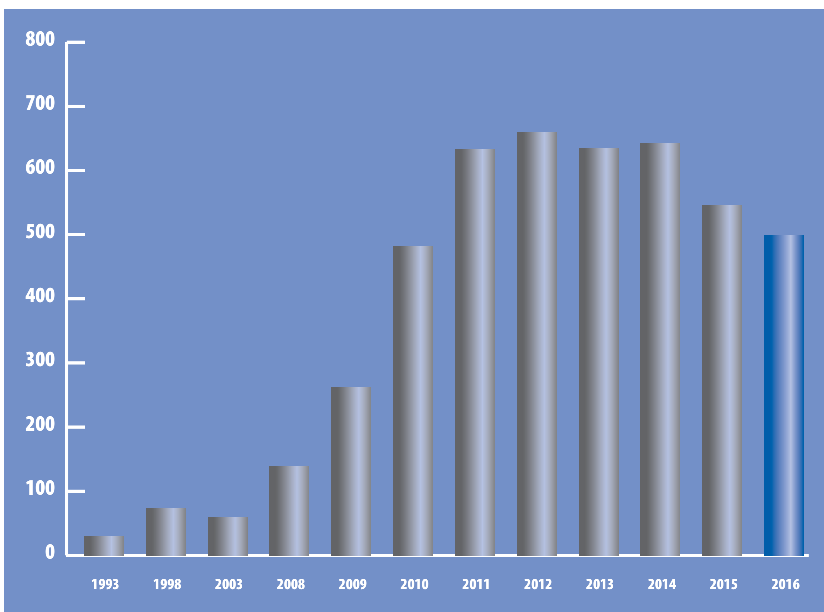
Loans, net of unearned income

(in millions)

1993	$105
1998	$177
2003	$381
2008	$606
2009	$590
2010	$576
2011	$573
2012	$630
2013	$703
2014	$790
2015	$842
2016	**$949**

Investments [5]

(in millions)



Investments

(in millions)

1993	$30
1998	$73
2003	$59
2008	$139
2009	$262
2010	$482
2011	$633
2012	$659
2013	$635
2014	$642
2015	$546
2016	**$499**

[3]Total equity less preferred equity, 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

Remembering Josie Tubbs

First Guaranty, Banking in Louisiana, and all the members in the Communities in the Bernice/Dubach area suffered a great loss on November 13, 2016 with the sudden and unexpected passing of Josie Tubbs.

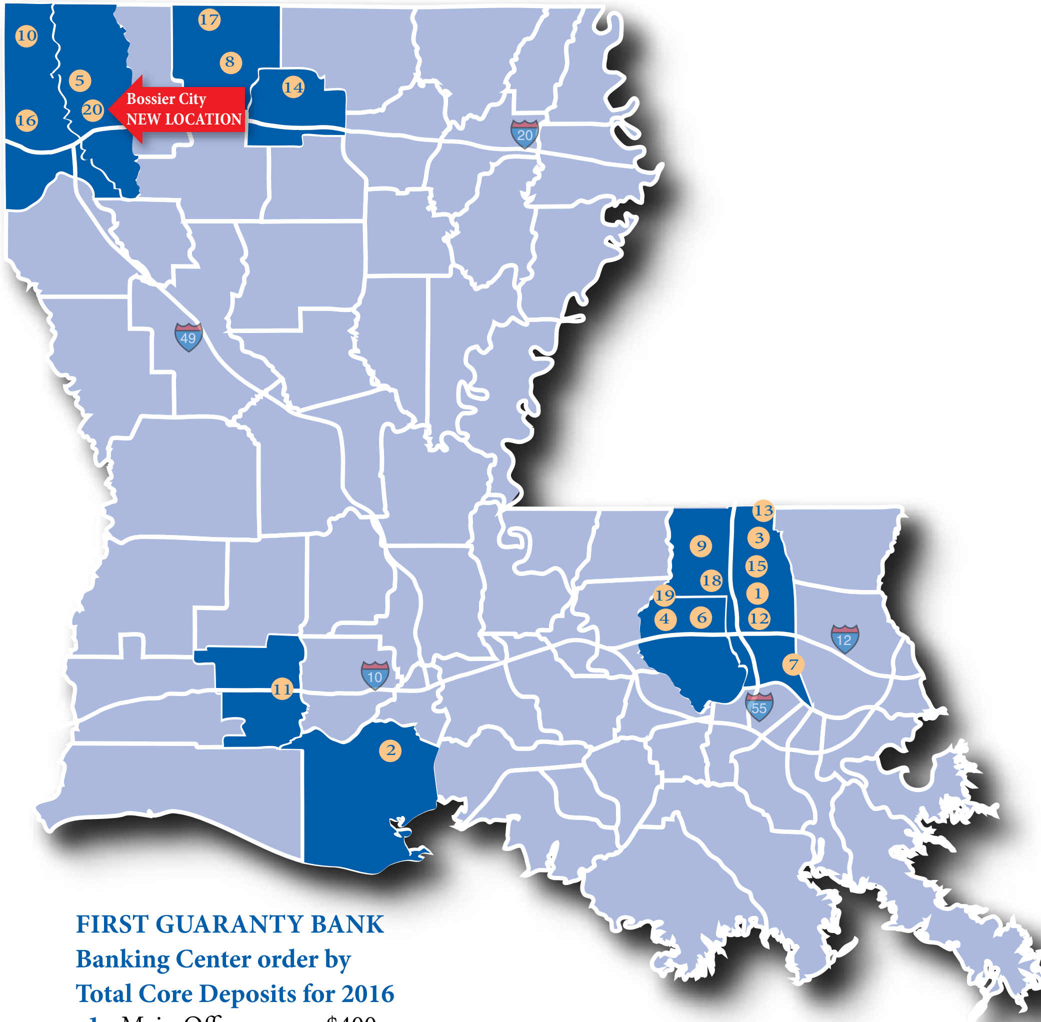
Josie had a long and distinguished career in banking. In 2015, Josie was honored by the Louisiana Bankers Association for 54 years of banking experience. Josie saw and adapted to incredible changes in banking over that 54 year period. Her ability to do so is a testament to Josie's unique intelligence and unique ability to adjust to any situation.

But Josie was more than just a banker. Josie was the epitome of First Guaranty's vision of what a community banker should be. Josie was deeply involved in many activities in all of her communities. Josie selflessly gave of her time and energy to support and participate in activities throughout her communities. Josie motivated First Guaranty Bank to be involved in and support the activities of her communities. What was very evident if you knew Josie was Josie wasn't just a professional banker Josie sincerely and deeply cared about all of her communities and the members of her communities, her family and First Guaranty Bank.

Some losses are worse than others. The loss of Josie Tubbs is an incredible loss to Banking, First Guaranty Bank, and to all of the communities of the Bernice/ Dubach area. Heaven is now a better place.

a·chieve·ment
/əˈCHēvmənt/
noun
A thing done successfully with effort, skill, or courage

First Guaranty Bank BANKING CENTERS



FIRST GUARANTY BANK Banking Center order by Total Core Deposits for 2016

1.	Main Office	$400
2.	Abbeville	119
3.	Amite	120
4.	Denham Springs	105
5.	Benton	100
6.	Walker	54
7.	Ponchatoula	98
8.	Homer	55
9.	Greensburg	48
10.	Vivian	42
11.	Jennings	36
12.	Guaranty West	31
13.	Kentwood	34
14.	Dubach	29
15.	Independence	24
16.	Oil City	18
17.	Haynesville	14
18.	Montpelier	7
19.	Watson	8
	Total Deposits	**$1,342**
	(In millions)	

20. Bossier City (New Location)

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

Bossier City, LA
(New Location – Opening June, 2017)
4221 Airline Drive

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

Banking Center placement is based on 2016 Total Core Deposits, from highest to lowest.

Ponchatoula and Kentwood data each include both Banking Center locations. Homer Banking Center is placed before Ponchatoula to allow both Ponchatoula locations to appear on the same page.

GUARANTY SQUARE

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

APPRAISAL REVIEW

Left to right: Shannon Smith, Kristina Terry, Starr Bernier

HUMAN RESOURCES

Back row: Mikki Kelley

Middle row, left to right: Landa Domangue, Shelley Taylor

Front row: Chantelle Starkey

Not pictured: Mandi Aguillard

COLLATERAL

Backrow, left to right: Cate Mathes, TJ Songy, Lauryn Coburn

Front row, left to right: LaQuita Johnson, Kelli Jordan, Jeannette Ernst

CUSTOMER SUPPORT CENTER

Back row, left to right: Alexander Gondolfi, Kyle Reeves, Chantal Jarrell, Davon Mitchell

Front row, left to right: Jessica Spears, Sharon Rogers, Laquinta Jackson, Danyelle Green, Moises Rodriguez

Not pictured: Pamela Stafford, Trinitrius Brown

DEPOSIT OPERATIONS

Back row, left to right: Kim Fletcher, Sandra Edwards, Glenda Saucier, Shirley Jones, Tammy Graves

Front row, left to right: Divetta Stallworth, Tae Anderson, Lori Lloyd

CASH MANAGEMENT

Vikki Dupaquier

Miranda Derveloy

Hannah Winget

FINANCE

Back row, left to right: Philip Qualls, Donna Scamardo, Katherine Campbell, Anna Cusick, Diane Patterson, Diane Lanier, Michael Moye

Front row, left to right: Eric Dosch, Tarez Cowsar, Heather Lee, Eric Fuller

Not pictured: Karen Gregory

CREDIT

Back row, left to right: Colton McDaniel, Silvia Rodriguez, Jakayla Brown, Emily Creech, Nick Byrd, Jessica Hrenyk, Melanie Gottschalck, Louis Cusimano

Front row, left to right: Alex Becnel, Randy Vicknair, Monica Crane, Brandon Daniels

INFORMATION TECHNOLOGY

Back row, left to right: John Farrell, Thomas Hibbs, Allen Daussin, Kyle Herndon, Keith Mills

Front row, left to right: David Couvillon, Star Lala, Craig Rachel, Hector Garcia

COMMUNITY RELATIONS

Bernadette Kemp

LENDING

Back row, left to right: Tracy Nelson, Craig Scelfo, Christy Wells, Mike Knighten

Front row, left to right: Catherine Egnew, Vickie Jenkins

LOAN OPERATIONS

Back row, left to right: Audrey Carter, Kellie Weisler, Bonnie Garcia, Donna Hodges, Lynn Talley, Ariele Davis, Amanda Rodriguez, Amy Fabre

Front row, left to right: Steve Hathorn, Star Spriggs, Natasha Montgomery, Luke Lavergne

PURCHASING & DOCUMENT SECURITY

Back row, left to right: Joseph Ernest, David Wright

Front row: Teresa Wempren

MORTGAGE

Back row, left to right: Amy Hopson, Kimberly Duckworth Camaille, Mandy Lee

Front row, left to right: Susan Fitzgerald, Melissa Duchmann, Laci Farkas

FRONT LINE

Back row, left to right: Shawnta Henderson, Latoya Williams

Middle row, left to right: Ashleigh Duroncelet, Chandra McKinney

Front row, left to right: Megan Braden, Linda Miller

Not Pictured: Elizabeth Fenters, April Hodges, Timothy Thibodaux

OPERATIONS

Back row, left to right: Kendra Fairburn, Debbie Dubuisson, Carla Cook, Teri Duncan, Shane Hughes, Elisa Constanza, Kerri Gladney

Front row, left to right: Desiree Theall, Brittany Harness, Tracey Robertson, Christe Feimster

Not Pictured: Elaine Connor

Richard Stark

MARKETING

Back row, left to right: Mackenzie Russell, April Alford

Front row, left to right: Jane Wear, Desiree Simmons

COMPLIANCE

Left to right: Colleen Ebarb, Becky Brown

BSA/FRAUD

Back row, left to right: JoEllen Juhasz, Evan Singer

Front row, left to right: Casey Turner, Sharmaine Robertson

TRAINING

Back row, left to right: Shanon Dunn, Danyelle Horton, Danielle Willie

Front row: Vikki Dupaquier

AUDIT

Back row, left to right: Michael Mosbey, Thomas Brothers, Jason McKenzie

Front row, left to right: Michelle Dionne, Nancy Rodriguez, Lana Quinn

fo·cus
/ˈfōkəs/
noun
pay particular attention to.
Concentrate.

SPECIAL ASSETS

Back row, left to right: Ronnie Pittman, Lucus Hammonds

Front row, left to right: Kriss Patterson, Lee Ann Sibley

LOAN REVIEW

Left to Right: Jennifer Lapeyrouse, Bill Worthy

strong
/strôNG/
adjective
Able to perform a specified action well and powerfully

EXECUTIVE

Back row: Alton Lewis

Middle row, left to right: Kristin Williams, Casie Navarre

Front row: Vanessa Drew

Back row, left to right: Stephanie Campo, Marsha Spring, Scott Schilling, Suzette Brooks, Tamara Neil

Front row, left to right: Brianna Scott, Miranda Ordoyne, Betty Jo Whiddon, Jenny Sue Weedman, Brittani Erdey

Not pictured: Susie Smith

AMITE BANKING CENTER

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

Back row, left to right: Amy Broussard, Lisa Kritzer, Glenn Duhon, Tanya Menard , April Frederick

Front row, left to right: Charisse Cormier, Diane Frederick

Not pictured: Gretchen Meaux

ABBEVILLE BANKING CENTER

(337) 893-1777 / (800) 306-3276
799 West Summers Drive
Abbeville, LA 70510

DENHAM SPRINGS BANKING CENTER

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

Back row, left to right: Ludrick Hildago, Lisa Thompson, Danna Jo Erwin, Sharon Moore, Kevin Foster

Front row, left to right: Kathie Alimia, Courtney Ortego, Kandace Sparacino, Michelle Gehling

Ronald Foshee

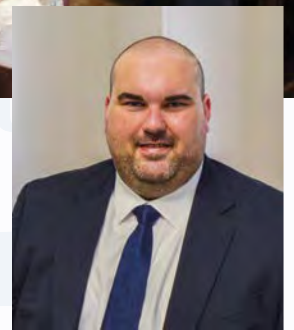
BENTON BANKING CENTER

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

Back row, left to right: Marcus Rounds, Rhonda Beavers, Donna Cummings, Joedi Snipes, Terboris Posey

Middle row, left to right: Jocelyn Cato, Colette Morehead

Front row: Alisha Blakenship



Adam Johnston

Back row, left to right: Donna Turnage, Denise Fletcher, Mike Lofaso, Brandon Wear, Amanda Klumpp (Floater)

Front row, left to right: Amiee Gervais, Renee Rhody, Tyvon Adams, Kristy Petit, Katie Aylor

PONCHATOULA BANKING CENTER

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

Left to right: Tammy Carraway, Kelly Wall (Floater), Victoria Welch

PONCHATOULA-BERRYLAND BANKING CENTER

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

HOMER BANKING CENTER

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

Back row, left to right: Elaine Atencio, Shirley White, Debbie Spigener

Middle row, left to right: Kitsha Ridley, Caroline Arnold, Candie White, Hannah Winget, Caree Bailey, Courtney Williams

Front row, left to right: Dot Frazier, Ron Edmonds, Tracy Perry, Jamie Williams

WALKER BANKING CENTER

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

Back row, left to right: Sylvia Moore, Betty Boney, Brandi Steffek (Floater)

Front row, left to right: Sheila Lofton, Robin Bonfanti

Clint Trant

Back row, left to right: Evan Singer, Rhonda Miller, Kaycee Bridges, Paula McNabb, Harrison Gill

Front row, left to right: Melissa Smith, Michelle Brasseaux

Not pictured: April Slayter, Phylicia Vernon

GREENSBURG BANKING CENTER

(225) 222-6101 / (800) 227-6101
6151 Highway 10
Greensburg, LA 70441

Back row, left to right: Bri Perkins, Amber Smith, Stacy Thompson, Frances Thompson, Tina Gay

Front row, left to right: Brandy Moon, Bobbie Clark, Teresa Hasha

VIVIAN BANKING CENTER

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

KENTWOOD BANKING CENTER

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

Back row, left to right: Lindsey George, Angela Lott, Lisa Rushing, Ashlyne' Richard, Lance Davis

Front row, left to right: Connie Butler, Patsy Meyer, Alma Sims

KENTWOOD WEST

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

Back row: Brittany Graham

Front row, left to right: Ruby Carter, Mary Roberts

rock sol·id
adjective
unlikely to change, fail, or collapse

Back row, left to right: Rahul Patel, Gwendolyn Pete, Trisha Patterson, DD Bruchhaus

Front row, left to right: Vanessa O'Quinn, Mona Fontenot, Amber Dupre

JENNINGS BANKING CENTER

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

Back row, left to right: Connie Miller, Arielle Adkins, Jerika Williams, Shari Wheeler, Lindsey Wright

Front row, left to right: Tania Wren, Stacy Williams, Tyjia Ard

HAMMOND – GUARANTY WEST BANKING CENTER

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

DUBACH BANKING CENTER

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

Back row, left to right: Kristy Puckett, Diane Shoemaker, Laurie Traylor

Front row, left to right: Heather Croxton, Mic Baxter

Not pictured: Sue Yates

INDEPENDENCE BANKING CENTER

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

Back row, left to right: Devona Matthews, Carmella Coslan, Richard Hamilton, Cheryl Brumfield, Ashley James

Front row, left to right: Karen Paille, Pam Brazil

Back row, left to right: Shannon Jackson, Emma Rolling, Glenda Graham, Mary Casey, Andie Bruno

Front row, left to right: Glynda Bounds, Toni Harris

Adam Johnston

OIL CITY BANKING CENTER

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

Back row: Ron Edmonds

Front row, left to right: Jamie Williams, Tracy Perry, Carla Goode, Sara Pennington (Floater), Aleshia Lee

Not pictured: Tammy Burley

HAYNESVILLE BANKING CENTER

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

WATSON BANKING CENTER

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

Back row, left to right: Ludrick Hildago, Carrie Jarreau, Dev Patel, Judy Hughes

MONTPELIER BANKING CENTER

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

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

Back row, left to right: Daniel Loe, Joedi Snipes, Erika Taylor, Adam Johnston

Front row, left to right: Nikio Reese, Irvin Williams, Angelena Warren, Ellen Buskey, Hannah Winget, Terboris Posey

BOSSIER CITY

4221 Airline Drive
Bossier City, LA 71111

Our newest Bossier City Banking Center location is currently under construction and expected to open in June, 2017. This First Guaranty branch location on Airline Drive is centrally located in the Shreveport MSA, with easy access to I-20.

Bossier City was selected as an ideal location for First Guaranty due to strong market demographics and solid loan growth opportunities. Part of the Shreveport, Louisiana MSA, Bossier City offers a diversified economy including government, education and wholesale/retail trade. Barksdale Air Force Base is the largest area employer with 10,284 employees. Projected income growth of 4.20% is predicted over the next five years. Bossier City has a population of 67,472; median household income of $47,103; a median age of 31.8 years; and is one of the fastest growing school districts in Louisiana.

With a strong financial presence in Bossier City, First Guaranty will increase its deposit and loan market share.

This beautiful new building (designed by the firm of Gasaway, Gasaway, Bankston Architects) will be a functional and efficient building, as well as beautiful. Completion of this new Banking Center will bring our branches in Northwest Louisiana to a total number of seven and our branch network to a total of 22.

COMMUNITY IMPACT

Community contributions are a priority budget item for First Guaranty Bank. Listed are the institutions, organizations and associations that have been assisted through contributions and sponsorship during 2016.

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.

Scott Schilling presented a contribution to Carol Brooke, Chairman of the Amite Oyster Festival.

Rhonda Beavers presented a contribution to the Mayor of Benton Mr. Wayne Cathcart and Ellen Cathcart for the Benton Farmer's Market.

Joedi Snipes presented a contribution to Chad Yates, President of Bossier Little League, for the Bossier Little League.

Mona Fontenot presented a contribution to Chanyon Robinson, Treasurer for CADA for the Taste N Tell event.

First Guaranty Bank presented a contribution to Courtney Christian School for the 2016 Fall Fest. Left to right: Stacy Hoover, Sue Courtney, April Alford, Mackenzie Russell and Amanda Lightfoot.

First Guaranty Bank *contributions for community support were* **$415,000** *in 2016 .*

Ronnie Foshee presented a contribution to Denham Springs Kiwanis President, Jan Fairchild, for the Platinum Sponsorship at the annual Kiwanis Golf Tournament. The proceeds help children in our community.

Josie Tubbs and Diane Shoemaker presented a contribution to Gail Colvin, President of DRABO, for the Louisiana Chicken Festival.

Josie Tubbs presented a contribution and snacks for the after school tutoring class at Dubach School. Left to right: Stanley Lewis, Assistant Principal at Dubach School, Josie Tubbs, First Guaranty Bank, Assistant Branch Manager, Pam Pruden, Principal, Dubach School and Diane Shoemaker, First Guaranty Bank, Operations Manager.

Harrison Gill presented a contribution to Mr. Bobby Belser representing First Baptist Church of Greensburg. He is chairman of their fund raising committee. The benefit golf tournament is to raise money for their Youth Ministry.

Lee Ann Sibley presented a contribution to Kelly Wells for the CRA finals held at the Florida Parishes Arena.

Adam Johnston presented a contribution to Dr. Timothy J. Magner, the President of the Greater Shreveport Chamber of Commerce for the 40 under 40 Awards Gala.

Community Impact

Ronnie Pittman presented a contribution to Brian Shirey, Hammond Chamber of Commerce, for the Blues and BBQ event.

Alton Lewis presented a contribution to Guy Recotta, City of Hammond, and Melissa Bordelon, Hammond Chamber, for the LHSAA Ladies' Top 28 State Basketball Tournament. Mr. Lewis was also presented a framed Ladies Top 28 poster.

Bernadette Kemp presented a contribution to Brian Shirey and Melissa Bordelon with the Hammond Chamber, for the Chillin' with the Chamber event.

Donna Hodges presented a contribution to Derwin K. Miley, President of the Hammond Fire Fighters Association Local 2361 for the Memorial Run sponsorship.

Jeannette Ernst presented a contribution to Kris LaBruzzo, Principal, and Amy Dunn, Teacher and Renaissance Foundation Chairperson, both of Hammond High Magnet School for the Excellent Academic Awards.

Randy Vicknair presented a contribution to Sgt. Charlie Deliberto with the Hammond Police Union Local 345 for the Policeman's Ball.

Desiree Simmons and Colleen Ebarb, presented a contribution to Chris Mouswaswa, Recreation Supervisor, Desiree Dotey, Recreation Director and Mayor Pete Panepinto for the City of Hammond's rec park camp.

Joellen Juhasz presented a contribution to the City of Hammond Recreation Department. Left to right: Desiree Dotey, Director, Demarquis Burise, Sports Coordinator, Joellen Juhasz, First Guaranty Bank and Silvia Hymel, Senior Activity Coordinator.

Back to School Bash! Left to right: Alex Richardson of the TPSO, Amanda Kay Bennett with the Hammond Rotary, Hope Foster with the TPSO, Lance Kern representing TARC, Mayor Pete Panepinto, Lindsey Palmer with Stirling Properties-Hammond Square Mall, Bernadette Kemp with First Guaranty Bank, Donna Miller owner of PJ's, Judy Couvillion of Hammond Kiwanis and Judge Grace Bennett Gasaway from the City Court of Hammond.

Mona Fontenot presented a check to Darlene Guidry, After Prom committee chairman with Hathaway High.

Elaine Atencio presented a contribution to Timothy Crittendon, Vice Principal of the Haynesville JR High/High School.

Elaine Atencio presented a contribution for the Haynesville High school Quarterback Club to Gayla Camp, Secretary of the Haynesville High school Quarterback Club.

Elaine Atencio presented a contribution for the Haynesville Lions Club Golf Tournament to Hugh Miller, member of the Haynesville Lions Club.

Cheryl Brumfield presented a contribution for the Independence Chamber of Commerce. Left to right: Mayor Michael Ragusa, Cheryl Brumfield and Heather Howell, Independence Chamber of Commerce President.

Pam Brazil presented a contribution to Coach Latonia Phillips, the Independence High School Ladies Basketball & Track and Field Coach.

Community Impact

Cheryl Brumfield presented a contribution to Chasity Collier, Independence High School Principal for the Senior Awards Brunch.

Cheryl Brumfield presented a contribution to Colby McDonald, Independence High School Baseball Coach.

Ambre Dupre presented a contribution to Geraldine Segura with Jeff Davis Parish School family reading program.

Mona Fontenot presented a contribution to Robin Touchet with The Jennings Festival Association.

Vanessa O'Quinn presented a contribution for the Jennings High School Jazzers, to Layna Touchet, Co-Captain.

Denise Fletcher presented a contribution to Anthony J Berner Sr., Kiwanis Club of Ponchatoula member, for the golf tournament.

Jeannette Ernst presented a contribution for the Knights of Columbus to Sir Knight Charles H. Cochran.

Cheryl Brumfield presented a contribution to Sherre Pack Hookfin, Hospital Administrator for the Lallie Kemp Foundation Board for the Annual Gala.

Anna Cusick presented a contribution to Loranger High School Principal Joseph Torrence and Head Football Coach Sam Messina for a Loranger High School Football sponsorship.

Shelbi Rayborn, Alton Lewis and April Alford presented a contribution to the Louisiana Children's Discovery Museum Jazz Brunch event to the Board of Directors from the Children's Discovery Museum, Mrs. Alexis Ducorbier and Mrs. Kathy Montecino. Also in the photograph are Director Mr. Leon Philpot, Event Coordinator, Keely Schneider and Playologist/Pawologist, Sam.

Vanessa Drew presented a contribution to Peggy Hoover, Board member, Leon Philpot, Director and Lauren Williams, Coordinator of Development of the Louisiana Children's Discovery Museum.

The Independence Branch recently served as a corporate partner of the Mater Dolorosa Catholic School Thanksgiving Food Drive in Independence. The branch also served as a collection site. Left to right: Cheryl Brumfield, Linda Wisinger, Mater Dolorosa Catholic School Principal, and Karen Paille.

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

Trella Page presented a contribution to Morgan Chapel. Left to right: Geraldine Moore, Trella Page, Bruce Wheeler and Rev. Vons Henry, Sr.

Alton Lewis presented a contribution to Guy Recotta and Patricia Westmoreland for the Richard Murphy Hospice Gala.

Community Impact

Cheryl Brumfield presented a check to the New Horizons Youth Service Bureau. Left to right: Cheryl Brumfield, Cindy Martens - Executive Director, Greta Hammel - Assistant Executive Director and Stacy Williams.

Cheryl Brumfield presented a contribution to Independence Magnet School. Left to right: Tyronee Williams, Acting Interim Assistant Principal, Cheryl Brumfield, Donnis Casanave, Acting Principal.

Adam Johnston presented a contribution to Scott Martinez, NLEP President, for the North Louisiana Economic Partnership.

Jennifer O'Neil and Jaclyn Rice, both of Options, Inc. accepted the collected Christmas gifts for their community home participants from Emily Creech and Ashleigh Duroncelet, both of First Guaranty Bank.

Katherine Aylor presented a contribution to Ms. Jeannie Cutrer for the PHS Project Graduation event.

Denise Fletcher presented a contribution to Mr. James Square, Ponchatoula High School Band Director, for a free concert presenting the US Air Force Band, the Premier Jazz Ensemble.

Denise Fletcher presented a contribution to Heather Miller, Ponchatoula Band Boosters - Secretary/Treasurer, for the Ponchatoula Band Boosters to assist with the purchase of new percussion instruments.

Katie Aylor presented a contribution to Ms. Melissa Waddell with the PHS Lady Wave Basketball.

Denise Fletcher presented a contribution to Mr. Ronald Rocquin, Director of Ponchatoula Area Recreation Department for the Ponchatoula Area Recreation Department.

Harrison Gill presents a contribution to Jim Rob at the St. Helena Council on Aging.

Adam Johnston presented a contribution for the Piggly Wiggly Steak Cook-off in Springhill, LA. Proceeds from the event benefit St. Jude's Children's Hospital in Memphis, TN. Left to right: Renee Jones - Marketing/Property Management, Kenyan Enterprises, Adam Johnston - VP, First Guaranty Bank, Mark Lowery - Director, Piggly Wiggly and David Scruggs - Controller, Kenyan Companies.

com·mu·ni·ty
kəˈmyo͞onədē/
noun
1. a group of people living in the same place or having a particular characteristic in common.
2. a feeling of fellowship with others, as a result of sharing common attitudes, interests and goals.

Cheryl Brumfield presented a contribution to Anthony Catalano, Festival Chairman, and Evelyn Mitchell, Poster Committee Chairperson, for the Sicilian Heritage Festival.

Cheryl Brumfield presented a contribution to Dr. Alecia Cyprian, Chief Executive Officer of Southeast Louisiana Community Health Systems.

Community Impact

Randy Vicknair presented a contribution to Lynn Horgan for the Southeastern Louisiana University Chef's Evening event.

Alton Lewis presented a contribution to Lynn Horgan, Director of Individual, Corporate and Foundation Relations, and Lauryn Williams at Southeastern Louisiana University. Also pictured are a few employees from First Guaranty Bank that are alumnus of Southeastern, Desiree Simmons, Kristin Williams, Lucas Hammonds and Kristina Terry.

Danielle Willie and Jane Wear presented a contribution for the Community Music School sponsorship to Lynn Horgan, Director of Individual, Corporate and Foundation Relations and Jivka Duke, Director of Community Music School with Southeastern Louisiana University.

Vanessa Drew presented a contribution to C. Roy Blackwood, the Executive Director of the Columbia Theatre and Lynn Horgan, Director of Individual, Corporate and Foundation Relations at Southeastern Louisiana University.

Alton Lewis presented a contribution to Jay Artigues, Athletic Director of Southeastern Louisiana University.

Bernadette Kemp presented a contribution to Julie Perise with the Southeastern Alumni Association for the SLU Convocation Picnic.

im·pact
verb
imˈpakt/
have a strong effect on someone or something.
synonyms: affect, influence, have an effect on, make an impression on;

April Alford presented a contribution to Linda Stegall, Randy Stegall and Debbie DePhillips with the Tangi Humane Society.

Kristin Williams presented a contribution to Pascal Dean for South Tangi Relay for Life.

Cheryl Brumfield, Vice President, Independence Branch Lending Manager and Stacy Williams, Branch Operations Manager, Guaranty West Branch presented a contribution to Delmas Dunn, President of the Tangipahoa African American Heritage Museum and Veterans Archives for the Black Tie Affair event.

Lee Ann Sibley and Vickie Jenkins presented a contribution to Jill Hutcheson and James Sparacello with the Tangipahoa Parish Sheriff's Office for the Mounted Division Rodeo.

Ronnie Pittman presented a contribution to Jodie Rohner for the Nite Out 5K sponsorship.

Cheryl Brumfield presented a contribution to Toys for Tots. Left to right: Mira Sharpe, Heather Howell, Greg Gray, Cheryl Brumfield and Brent Pizzolato.

Community Impact

A

American Cancer Society – Relay for Life Sponsors

American Legion Auxiliary Post #47 – Boys State and Girls State Program Sponsors

Amite Chamber of Commerce – Bon Appetit Food Fest

Amite High School – Baseball Sign and Amite Job Fair

Amite Oyster Festival – Pearl Sponsor

Jason Ard Campaign

B

Banzai Inc. – Walker School Sponsor

Benton (Town of) Farmers Market – Garden Sponsor

Benton (Town of) Festival – Christmas on the Square Foundation

Bossier Chamber of Commerce

Bossier Little League – Baseball/Softball Programs Sponsors

Boy Scouts of America

C

CADA

Child Advocacy Services

Christmas on Caddo – Fireworks Sponsor

City of Hammond – Back2School Bash

City of Hammond Recreation Department – North Oak Playground, HOPE Summer Camp, Sports Programs

Claiborne Academy – Football Sign

Claiborne Chamber of Commerce – Diamond Sponsor Annual Banquet

Claiborne Charity Inc. – Golf Tournament Sponsor

Claiborne Christmas Committee – Christmas Lights Sponsor

Claiborne Parish Sheriff – 12 Body Cameras

Claiborne Scholastic Banquet

Courtney Christian School – Fall Fest Sponsor

Crimestoppers of Tangipahoa – Light the Night and Clay Shoot Fundraiser Sponsors

D

Delta Tau Delta – Feeding Community Flood Victims

Drago's Foundation – Feeding Community Flood Victims

Dubach Restoration and Beautification Organization – Chicken Fest Sponsor

Dubach School – Tutoring

E

Elton Elementary – Positive Behavior Program

F

First Baptist Church of Greensburg – Golf Tournament Sponsor, Fish Fry Fundraiser

Florida Parishes Arena – Gold Sponsor Rodeo

Herbert S. Ford Memorial Museum

Full of Grace Inc. – Parking Lot St. Helena Catholic Church

G

Greater St. James Missionary – Ladies Tea Ministry

Greater Shreveport Chamber of Commerce – YPI Forum Sponsor

Gujarati Samaj of Mississippi – Annual Banquet

Gusher Days – Festival Sponsor

H

Hammond BBQ Inc. – Blues & BBQ Sponsor

Hammond Chamber of Commerce – Installation Banquet Sponsor, Slam Dunk Sponsor, Chillin' With the Chamber, Ladies Top 28

Hammond Firefighters Association – MDA Fundraiser 5K Sponsor

Hammond High - Baseball Booster, Renaissance Foundation, Jr. High Football Equipment

Hammond Police Union Local 345 – Policeman's Ball Platinum Sponsor

Hammond Regional Arts Center – Brews Arts Fest Sponsor

Hathaway High School – Prom Lock-in

Haynesville Beautification Committee – Pot Luck Fair

Haynesville Jr. High School – Picnic Tables

Haynesville Lions Club – Golf Tournament Sponsor

Haynesville Quarterback Club

Hearts and Paws United

Homer Golf Club – T Box Sign and North Louisiana Golf Tournament

Homer High School – Baseball and Football Signs

HUB Urban Ministry

I

ICBA

Independence High School – Grand Slam Tiger Baseball Sponsor, Basketball/Track Teams, Senior Awards Ceremony

Independence Middle Magnet School – Football Program

Independence Sicilian Heritage – Padrino Festival Sponsor

Italian Festival Inc.

J

Jeff Davis Chamber of Commerce – Golf Tournament Sponsor and Fundraiser

Jeff Davis Rice Growers Association – SWLA Rice/Soybean Clinic Meal

Jeff Davis Title Parent Center – Family Reading Time

Jennings Festival Association

Jennings High School Jazzers

K

Kentwood Alumni Association – Golf Tournament

Kentwood Baseball/Softball Association – Sign and Golf Tournament Sponsor

Kentwood Rotary Club

Kentwood (Town of) – School Supply Giveaway

Kiwanis Club of Denham Springs – Golf Tournament & Christmas Parade

Kiwanis Club of Hammond

Kiwanis Club of Ponchatoula – Golf Tournament Sponsors and Poinsettias

Knights of Columbus – Le Jour De CaJun, Steak Dinner Fundraiser

L

Lake Claiborne Inc. – July 4th Fireworks

Lallie Kemp Foundation – Christmas in July Gala

Land Trust for Southeast Louisiana – Polo Match Sponsor

Leadership Excel

Lincoln Parish Sheriff – Senior Citizen Expo Sponsor

Lions Charity Golf

Livingston Parish School Board

Livingston Parks & Recreation – Little League Baseball Sponsor

Loranger High School – Softball, Football, Basketball and Volleyball Program Sponsors

Louisiana Bankers Association
Louisiana Bankers Education Foundation
Louisiana Children's Discovery Center – Jazz Brunch & Annual Sponsorship
Louisiana Marathon
LSU Ag Center (Homer) – 4-H Livestock Auction

M

Mater Dolorosa Catholic School – Steak Dinner Fundraiser, Door Prize
Minden Athletics – Minden All Stars Team
Mission International Church – Leadercast 2016
Monterey Country Club – Golf Tournament
Morgan Chapel AME Church – Annual Picnic
Richard Murphy Hospice Foundation – Gala Sponsorships

N

New Horizons Youth Service Bureau
North Caddo Magnet High School – Basketball Team Playoffs
North Caddo Medical Center Foundation – Denim Derby Fundraiser
Northshore Area Board – Crawfish Boil Sponsor

O

Oak Forest Academy – Fall Festival
Oak Grove Church of Christ – Food Fest and Gold Key Advocate
Options, Inc.

P

PHS Band Boosters Inc. – Green Wave Band
PHS Grand Slam Boosters – Baseball Sign

PHS Lady Wave Basketball
Ponchatoula High School – Project Graduation, Air Force Band Sponsor, Senior Breakfast, Lady Wave Volleyball Sponsor, FFA Chapter National Convention
Ponchatoula Lions Club – Hot Rod Show, Raffle
Ponchatoula Youth Baseball – Softball Team

R

Rosaryville Spirit Life Center – 5K Sponsor
Rotary Club of Amite – Golf Tournament Sponsor
Rotary Club of Hammond – Shamrock Run Sponsor

S

St. Helena Catholic Church
St. Helena Forestry Association – Annual Meeting Sponsor
St. Helena Nursing Home
St. Helena Parish Hospital – Health Fair
St. Helena Sheriff's Office – Santa's Helper Fundraiser
St. Helena/Tangipahoa Dairy Day
St. Jude Fundraiser
Shreveport Regional Arts Council – Tea Party
Southeastern Louisiana University Alumni Association – Salute the Lions Evening, Annual Convocation Picnic, Felions Champagne Bingo
Southeastern Louisiana University Athletic Association
SLU Columbia Theatre for the Arts
SLU Foundation – Chefs Evening, SLU Channel Sponsor, Partner, Community Music School Sponsor, College of Business
Southeast Community Health System – Back2School Health Expos
Special Olympics Louisiana – Trivia Night Sponsor

Summerfield High School – Championship Rings, Softball and Baseball Signs, T-Shirts

T

Tangi Academy – Golf Tournament
Tangi Humane Society – Pet Expo Sponsor
Tangi Professional Women's Organization – Conference Sponsor
Tangipahoa African American Heritage Museum & Veterans Archive – Black Tie Affair Sponsor
Tangipahoa Parish School System – Talented Theatre
Tangipahoa Parish Sheriff's Office – Mounted Division Rodeo Sponsor, Angels in the Dark
Tiger Athletic Foundation – LSU Baseball
Toys for Tots Foundation

U

United Way of Southeast Louisiana

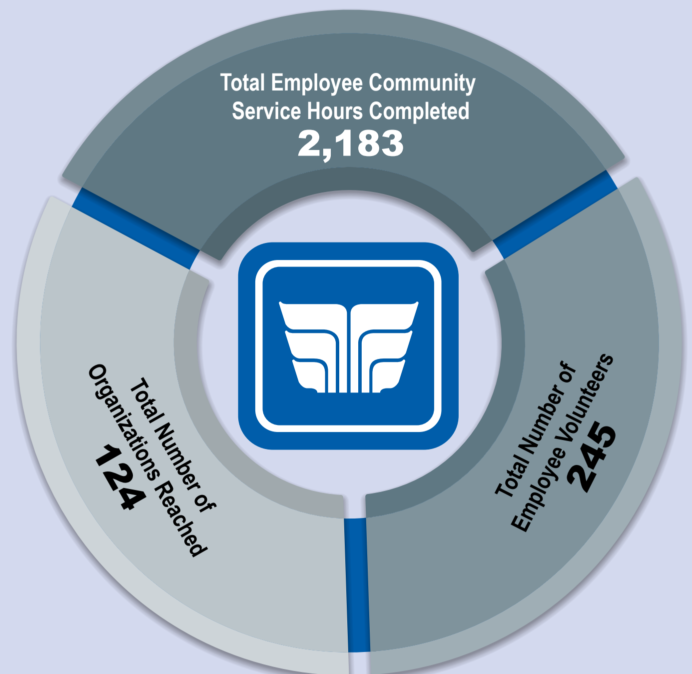
V

Vermilion Parish School Board - Band Room Cabinetry

W

Walker High School – Gym Sign
Westminster Homes Inc.
Woodland Park Magnet School – PE Equipment

2016 FGB Volunteer Results



DEFINING FGB – EARNINGS & DIVIDENDS

	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	■ 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
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 ■ Listed in NASDAQ ■ Redeemed SBLF Preferred Stock
2016	**$14.1 million**	**$4,870,000**	**$82,668,000**	■ **Loans totaled $949 million** ■ **94th consecutive quarterly dividend**
	$165.8 million	**$61,686,000**		

** 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, 2016*

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

Our Mission

The mission of First Guaranty Bank and First Guaranty Bancshares 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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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,				
	2016	2015	2014	2013	2012
	(in thousands except for % and share data)				
Year End Balance Sheet Data:					
Investment securities	**$ 499,336**	$ 546,121	$ 641,603	$ 634,504	$ 659,243
Federal funds sold	**$ 271**	$ 582	$ 210	$ 665	$ 2,891
Loans, net of unearned income	**$ 948,921**	$ 841,583	$ 790,321	$ 703,166	$ 629,500
Allowance for loan losses	**$ 11,114**	$ 9,415	$ 9,105	$ 10,355	$ 10,342
Total assets	**$ 1,500,946**	$ 1,459,753	$ 1,518,876	$ 1,436,441	$ 1,407,303
Total deposits	**$ 1,326,181**	$ 1,295,870	$ 1,371,839	$ 1,303,099	$ 1,252,612
Borrowings	**$ 43,230**	$ 42,221	$ 3,255	$ 6,288	$ 15,846
Shareholders' equity	**$ 124,349**	$ 118,224	$ 139,583	$ 123,405	$ 134,181
Common shareholders' equity	**$ 124,349**	$ 118,224	$ 100,148	$ 83,970	$ 94,746
Performance Ratios and Other Data:					
Return on average assets	**0.97%**	0.97%	0.77%	0.65%	0.89%
Return on average common equity	**11.18%**	12.98%	11.40%	9.31%	10.90%
Return on average tangible assets	**0.98%**	0.99%	0.79%	0.67%	0.91%
Return on average tangible common equity	**11.64%**	13.60%	12.10%	9.99%	11.70%
Net interest margin	**3.39%**	3.26%	3.11%	2.92%	3.20%
Average loans to average deposits	**68.57%**	61.31%	55.72%	53.58%	49.04%
Efficiency ratio(1)	**56.85%**	55.11%	62.85%	65.61%	58.56%
Efficiency ratio (excluding amortization of intangibles and securities transactions)(1)	**60.19%**	57.74%	62.58%	67.17%	63.73%
Full time equivalent employees (year end)	**293**	277	271	278	274
Capital Ratios:					
Average shareholders' equity to average assets	**8.63%**	9.88%	9.24%	9.28%	9.72%
Average tangible equity to average tangible assets	**8.44%**	9.67%	9.00%	9.02%	9.43%
Common shareholders' equity to total assets	**8.28%**	8.10%	6.59%	5.85%	6.73%
Tier 1 leverage capital consolidated	**8.68%**	8.17%	9.33%	9.14%	9.24%
Tier 1 capital consolidated	**10.59%**	10.85%	13.16%	13.61%	14.13%
Total risk-based capital consolidated	**12.79%**	13.13%	14.05%	14.71%	15.31%
Common equity tier one capital consolidated	**10.59%**	10.85%	N/A	N/A	N/A
Tangible common equity to tangible assets(2)	**8.10%**	7.89%	6.37%	5.59%	6.45%

Income Data:					
Interest income	**$ 58,532**	$ 56,079	$ 53,297	$ 50,886	$ 55,195
Interest expense	**$ 10,140**	$ 8,608	$ 9,202	$ 11,134	$ 13,120
Net interest income	**$ 48,392**	$ 47,471	$ 44,095	$ 39,752	$ 42,075
Provision for loan losses	**$ 3,705**	$ 3,864	$ 1,962	$ 2,520	$ 4,134
Noninterest income (excluding securities transactions)	**$ 5,656**	$ 5,656	$ 5,882	$ 5,907	$ 6,272
Securities gains	**$ 3,799**	$ 3,300	$ 295	$ 1,571	$ 4,868
Noninterest expense	**$ 32,885**	$ 31,095	$ 31,594	$ 30,987	$ 31,161
Earnings before income taxes	**$ 21,257**	$ 21,468	$ 16,716	$ 13,723	$ 17,920
Net income	**$ 14,093**	$ 14,505	$ 11,224	$ 9,146	$ 12,059
Net income available to common shareholders	**$ 14,093**	$ 14,121	$ 10,830	$ 8,433	$ 10,087
Per Common Share Data: (4)					
Net earnings	**$ 1.85**	$ 2.01	$ 1.57	$ 1.22	$ 1.46
Cash dividends paid	**$ 0.64**	$ 0.60	$ 0.58	$ 0.58	$ 0.58
Book value	**$ 16.34**	$ 15.54	$ 14.47	$ 12.13	$ 13.69
Tangible book value (3)	**$ 15.95**	$ 15.10	$ 13.95	$ 11.57	$ 13.08
Dividend payout ratio	**34.56%**	30.07%	37.18%	47.75%	40.00%
Weighted average number of shares outstanding	**7,609,194**	7,013,869	6,920,022	6,920,022	6,921,696
Number of shares outstanding	**7,609,194**	7,609,194	6,920,022	6,920,022	6,920,022
Asset Quality Ratios:					
Non-performing assets to total assets	**1.48%**	1.51%	0.99%	1.27%	1.67%
Non-performing assets to total loans	**2.34%**	2.62%	1.90%	2.60%	3.74%
Non-performing loans to total loans	**2.30%**	2.43%	1.62%	2.12%	3.36%
Loan loss reserve to non-performing assets	**50.04%**	42.74%	60.74%	56.72%	43.94%
Net charge-offs to average loans	**0.23%**	0.44%	0.45%	0.38%	0.45%
Provision for loan loss to average loans	**0.42%**	0.47%	0.27%	0.38%	0.70%
Allowance for loan loss to total loans	**1.17%**	1.12%	1.15%	1.47%	1.64%

(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,				
	2016	2015	2014	2013	2012
	(in thousands except for share data and %)				
Tangible Common Equity					
Total shareholders' equity	$ 124,349	$ 118,224	$ 139,583	$ 123,405	$ 134,181
Adjustments:					
Preferred	-	-	39,435	39,435	39,435
Goodwill	1,999	1,999	1,999	1,999	1,999
Acquisition intangibles	978	1,298	1,618	1,938	2,257
Tangible common equity	**$ 121,372**	**$ 114,927**	**$ 96,531**	**$ 80,033**	**$ 90,490**
Common shares outstanding	7,609,194	7,609,194	6,920,022	6,920,022	6,920,022
Book value per common share	$ 16.34	$ 15.54	$ 14.47	$ 12.13	$ 13.69
Tangible book value per common share	$ 15.95	$ 15.10	$ 13.95	$ 11.57	$ 13.08
Tangible Assets					
Total Assets	$ 1,500,946	$ 1,459,753	$ 1,518,876	$ 1,436,441	$ 1,407,303
Adjustments:					
Goodwill	1,999	1,999	1,999	1,999	1,999
Acquisition intangibles	978	1,298	1,618	1,938	2,257
Tangible Assets	**$ 1,497,969**	**$1,456,456**	**$1,515,259**	**$1,432,504**	**$1,403,047**
Tangible common equity to tangible assets	**8.10%**	**7.89%**	**6.37%**	**5.59%**	**6.45%**

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,				
	2016	2015	2014	2013	2012
	(in thousands except for share data and %)				
GAAP-based efficiency ratio	**56.85%**	**55.11%**	**62.85%**	**65.61%**	**58.56%**
Noninterest expense	$32,885	$31,095	$31,594	$30,987	$31,161
Amortization of intangibles	320	320	320	320	350
Noninterest expense, excluding amortization	32,565	30,775	31,274	30,667	30,811
Net interest income	48,392	47,471	44,095	39,752	42,075
Noninterest income	9,455	8,956	6,177	7,478	11,140
Adjustments:					
Securities transactions	3,739	3,125	295	1,571	4,868
Noninterest income, excluding securities transactions	$ 5,716	$ 5,831	$ 5,882	$ 5,907	$ 6,272
Efficiency ratio	**60.19%**	**57.74%**	**62.58%**	**67.17%**	**63.73%**

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 Item 6, "Selected Financial Data" and our audited consolidated financial statements and the accompanying notes included elsewhere in this Annual Report. 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," "Risk Factors" and elsewhere in this Annual Report, 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, 2016 and December 31, 2015. Total deposits were $1.3 billion at December 31, 2016 and December 31, 2015. Total loans were $948.9 million at December 31, 2016, an increase of $107.3 million, or 12.8%, compared with December 31, 2015. Common shareholders' equity was $124.3 million and $118.2 million at December 31, 2016 and December 31, 2015, respectively.

Net income was $14.1 million, $14.5 million and $11.2 million for the years ended December 31, 2016, 2015 and 2014, 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.

Financial highlights for 2016 and 2015:

- Total assets at December 31, 2016 increased $41.2 million, or 2.8%, to $1.5 billion when compared to December 31, 2015. Total loans at December 31, 2016 were $948.9 million, an increase of $107.3 million, or 12.8%, compared with December 31, 2015. Common shareholders' equity was $124.3 million and $118.2 million at December 31, 2016 and 2015, respectively.
- Net income for the years ended December 31, 2016 and 2015 was $14.1 million and $14.5 million, respectively.
- Net income available to common shareholders after preferred stock dividends was $14.1 million for the years ended December 31, 2016 and 2015. Due to the redemption on December 22, 2015 of First Guaranty's Series C preferred stock issued to the U.S. Treasury Department Small Business Lending Fund, preferred dividends were discontinued.
- Earnings per common share were $1.85 and $2.01 for the years

ended December 31, 2016 and 2015, respectively. Total shares outstanding were 7,609,194 at December 31, 2016 compared to 7,013,869 at December 31, 2015. The increase in shares was due to the completion of First Guaranty's common stock offering and 10% common stock dividend in December 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. As of December 31, 2016 the senior secured loan had an outstanding principal balance of $22.1 million.
- Net interest income for 2016 was $48.4 million compared to $47.5 million for 2015.
- The provision for loan losses totaled $3.7 million for 2016 compared to $3.9 million in 2015.
- The net interest margin for 2016 was 3.39%, which was an increase of 13 basis points from the net interest margin of 3.26% for 2015. First Guaranty attributed the improvement in the net interest margin to the continued shift in interest-earning asset balances from lower yielding securities to higher yielding loans.
- Investment securities totaled $499.3 million at December 31, 2016, a decrease of $46.8 million when compared to $546.1 million at December 31, 2015. At December 31, 2016, available for sale securities, at fair value, totaled $397.5 million, an increase of $21.1 million when compared to $376.4 million at December 31, 2015. At December 31, 2016, held to maturity securities, at amortized cost, totaled $101.9 million, a decrease of $67.9 million when compared to $169.8 million at December 31, 2015. The decrease in investment securities was primarily associated with early payoffs of government agency securities and the decision to sell corporate bonds and municipal securities to fund loan growth.
- Total loans net of unearned income were $948.9 million at December 31, 2016 compared to $841.6 million at December 31, 2015. The net loan portfolio at December 31, 2016 totaled $937.8 million, a net increase of $105.6 million from $832.2 million at December 31, 2015. Total loans net of unearned income are reduced by the allowance for loan losses which totaled $11.1 million at December 31, 2016 and $9.4 million at December 31, 2015.
- Total impaired loans increased $3.0 million to $28.8 million at December 31, 2016 compared to $25.8 million at December 31, 2015.
- Nonaccrual loans increased $1.6 million to $21.7 million at December 31, 2016 compared to $20.0 million at December 31, 2015.
- Return on average assets for the years ended December 31, 2016 and December 31, 2015 was 0.97%. Return on average common equity was 11.18% and 12.98% for 2016 and 2015, 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 $16.34 as of December 31, 2016 compared to $15.54 as of December 31, 2015. Tangible book value per common share was $15.95 as of December 31, 2016 compared to $15.10 as of December 31, 2015.
- The increase in book value was principally due to an increase in common shareholders' equity of $6.1 million to $124.3 million at December 31, 2016. Retained earnings increased $9.2 million to $59.2 million at December 31, 2016. These increases were offset by changes in accumulated other comprehensive income (loss) ("AOCI") of $3.1 million from an unrealized loss of $0.9 million at December 31, 2015 to an unrealized loss of $4.0 million at December 31, 2016.
- First Guaranty's Board of Directors declared and First Guaranty paid cash dividends of $0.64 and $0.60 per common share in 2016 and 2015. First Guaranty has paid 94 consecutive quarterly dividends as of December 31, 2016.

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, 2016, an increase of $41.2 million, or 2.8%, from total assets at December 31, 2015, primarily due to the growth in our loan portfolio of $105.6 million, partially offset by a decrease of our investment securities portfolio of $46.8 million and cash and cash equivalents of $19.2 million.

Loans.

Net loans increased $105.6 million, or 12.7%, to $937.8 million at December 31, 2016 from $832.2 million at December 31, 2015. Net loans increased during 2016 primarily due to a $93.7 million increase in non-farm non-residential loans, a $28.1 million increase in construction and land development loans, an $8.8 million increase in consumer and other loans, a $5.6 million increase in one- to four-family residential loans and a $3.5 million increase in farmland loans, partially offset by a $30.2 million decrease in commercial and industrial loans and a $2.1 million decrease in agricultural loans. Non-farm non-residential loans increased due to an increase in local originations and the purchase of commercial real estate loans. Construction and land development loans increased principally due to the funding of unfunded commitments on various construction projects. Consumer and other loans increased due to the continued growth in our commercial lease originations. One- to four-family residential loans increased primarily due to the continued growth in local loan originations and the purchase of conforming one-to four-family residential loans. Farmland loans increased due to seasonal funding on agricultural loan commitments. Commercial and industrial loans decreased primarily due to pay downs in our small business loans and syndicated loans. Agricultural loans decreased due to seasonal fluctuations. Syndicated loans declined during 2016 from $105.9 million at December 31, 2015 to $82.8 million at December 31, 2016. First Guaranty had approximately 2.8% of funded and 0.4% of unfunded commitments in our loan portfolio to businesses engaged in support or service activities for oil and gas operations. There are no significant concentrations of credit to any individual borrower.

As of December 31, 2016, 70.5% of our loan portfolio was secured primarily or secondarily by real estate. The largest portion of our loan portfolio, at 43.9% at December 31, 2016, was non-farm non-residential loans secured by real estate. Approximately 32.7% 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, 2016. Approximately 74.6% of the loan portfolio is scheduled to mature within five years from December 31, 2016.

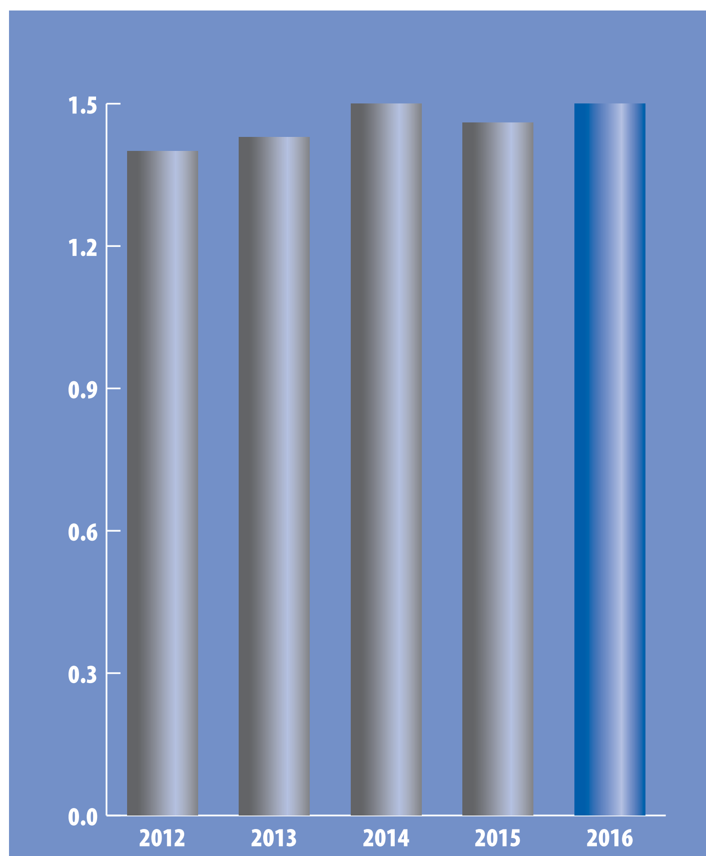
Loan Portfolio Composition.

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,									
	2016		2015		2014		2013		2012	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
	(in thousands except for %)									
Real Estate:										
Construction & land development	$ 84,239	8.9%	$ 56,132	6.6%	$ 52,094	6.6%	$ 47,550	6.7%	$ 44,856	7.1%
Farmland	21,138	2.2%	17,672	2.1%	13,539	1.7%	9,826	1.4%	11,182	1.8%
1- 4-Family	135,211	14.2%	129,610	15.4%	118,181	14.9%	103,764	14.7%	87,473	13.8%
Multi-family	12,450	1.3%	12,629	1.5%	14,323	1.8%	13,771	2.0%	14,855	2.4%
Non-farm non-residential	417,014	43.9%	323,363	38.3%	328,400	41.5%	336,071	47.7%	312,716	49.6%
Total Real Estate	**670,052**	**70.5%**	**539,406**	**63.9%**	**526,537**	**66.5%**	**510,982**	**72.5%**	**471,082**	**74.7%**
Non-Real Estate:										
Agricultural	23,783	2.5%	25,838	3.1%	26,278	3.3%	21,749	3.1%	18,476	2.9%
Commercial and industrial	193,969	20.4%	224,201	26.6%	196,339	24.8%	151,087	21.4%	117,425	18.6%
Consumer and other	63,011	6.6%	54,163	6.4%	42,991	5.4%	20,917	3.0%	23,758	3.8%
Total Non-Real Estate	**280,763**	**29.5%**	**304,202**	**36.1%**	**265,608**	**33.5%**	**193,753**	**27.5%**	**159,659**	**25.3%**
Total Loans Before Unearned Income	**950,815**	**100.0%**	**843,608**	**100.0%**	**792,145**	**100.0%**	**704,735**	**100.0%**	**630,741**	**100.0%**
Less: Unearned income	(1,894)		(2,025)		(1,824)		(1,569)		(1,241)	
Total Loans Net Of Unearned Income	**$948,921**		**$841,583**		**$790,321**		**$703,166**		**$629,500**	

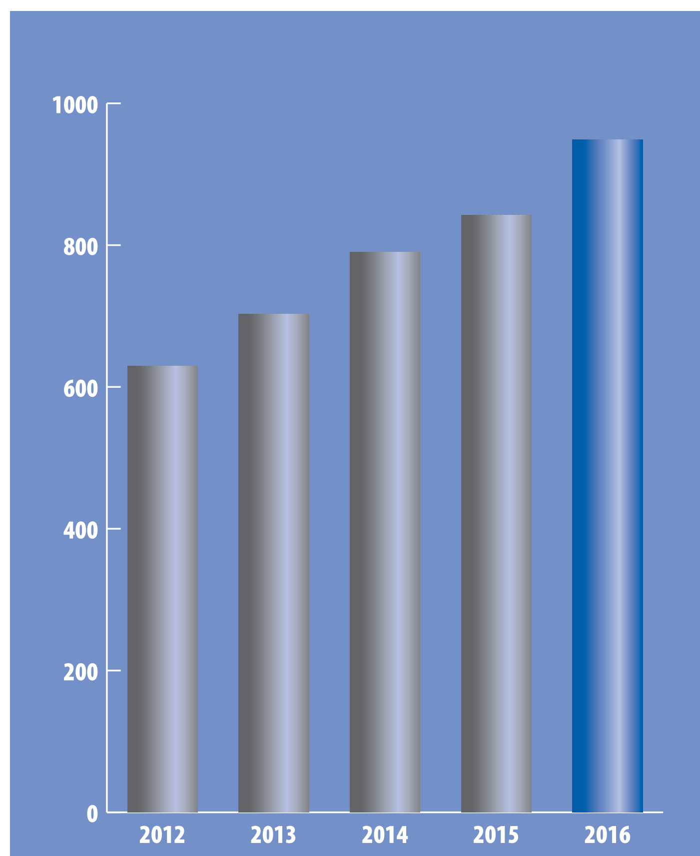
TOTAL ASSETS

In Billions



TOTAL LOANS

In Millions



Loan Portfolio Maturities.

The following tables summarize the scheduled repayments of our loan portfolio at December 31, 2016 and 2015. 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, 2016			
	One Year or Less	More Than One Year Through Five Years	After Five Years	Total
	(in thousands)			
Real Estate:				
Construction & land development	$ 25,096	$ 49,820	$ 9,323	$ 84,239
Farmland	8,833	4,584	7,721	21,138
1 – 4-family	13,476	42,778	78,957	135,211
Multi-family	642	8,629	3,179	12,450
Non-farm non-residential	53,408	258,300	105,306	417,014
Total Real Estate	**101,455**	**364,111**	**204,486**	**670,052**
Non-real Estate:				
Agricultural	9,964	4,340	9,479	23,783
Commercial and industrial	22,667	163,802	7,500	193,969
Consumer and other	19,446	43,202	363	63,011
Total Non-Real Estate	**52,077**	**211,344**	**17,342**	**280,763**
Total Loans Before Unearned Income	**$153,532**	**$575,455**	**$221,828**	**950,815**
Less: unearned income				(1,894)
Total Loans Net Of Unearned Income				**$948,921**

	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**

The following table sets forth the scheduled repayments of fixed and adjustable-rate loans at December 31, 2016 that are contractually due after December 31, 2017.

	Due After December 31, 2016 (in thousands)		
	Fixed	Floating	Total
One to five years	$352,000	$206,676	$558,676
Five to 15 years	115,691	46,116	161,807
Over 15 years	53,150	5,830	58,980
Subtotal	**$520,841**	**$258,622**	**$779,463**
Nonaccrual loans			21,674
Total			**$757,789**

As of December 31, 2016, $127.7 million of floating rate loans were at their interest rate floor. At December 31, 2015, $132.9 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, 2016, 2015, 2014, 2013 and 2012.

	December 31,				
	2016	2015	2014	2013	2012
			(in thousands)		
Nonaccrual loans:					
Real Estate:					
Construction and land development	$ 551	$ 558	$ 486	$ 73	$ 854
Farmland	105	117	153	130	312
1 – 4-family residential	2,242	4,538	3,819	4,248	4,603
Multi-family	5,014	9,045	-	-	-
Non-farm non-residential	2,753	2,934	4,993	7,539	11,571
Total Real Estate	**10,665**	**17,192**	**9,451**	**11,990**	**17,340**
Non-Real Estate:					
Agricultural	1,958	2,628	832	526	512
Commercial and industrial	8,070	48	1,907	1,946	2,831
Consumer and other	981	171	4	23	5
Total Non-Real Estate	**11,009**	**2,847**	**2,743**	**2,495**	**3,348**
Total nonaccrual loans	**21,674**	**20,039**	**12,194**	**14,485**	**20,688**
Loans 90 days and greater delinquent & still accruing:					
Real Estate:					
Construction and land development	34	-	-	-	-
Farmland	-	19	-	-	-
1 - 4-family residential	145	391	599	414	455
Multi-family	-	-	-	-	-
Non-farm non-residential	-	-	-	-	-
Total Real Estate	**179**	**410**	**599**	**414**	**455**
Non-Real Estate:					
Agricultural	-	-	-	-	-
Commercial and industrial	-	-	-	-	-
Consumer and other	-	-	-	-	-
Total Non-Real Estate	-	-	-	-	-
Total loans 90 days and greater delinquent & still accruing	**179**	**410**	**599**	**414**	**455**
Total non-performing loans	**21,853**	**20,449**	**12,793**	**14,899**	**21,143**
Other real estate owned and foreclosed assets:					
Real Estate:					
Construction and land development	-	25	127	754	1,083
Farmland	-	-	-	-	-
1 – 4-family residential	71	880	1,121	1,803	1,186
Multi-family	-	-	-	-	-
Non-farm non-residential	288	672	950	800	125
Total Real Estate	**359**	**1,577**	**2,198**	**3,357**	**2,394**
Non-Real Estate:					
Agricultural	-	-	-	-	-
Commercial and industrial	-	-	-	-	-
Consumer and other	-	-	-	-	-
Total Non-Real Estate	-	-	-	-	-
Total other real estate owned and foreclosed assets	**359**	**1,577**	**2,198**	**3,357**	**2,394**
Total non-performing assets	**$22,212**	**$22,026**	**$14,991**	**$18,256**	**$23,537**
Non-performing assets to total loans	**2.34%**	**2.62%**	**1.90%**	**2.60%**	**3.74%**
Non-performing assets to total assets	**1.48%**	**1.51%**	**0.99%**	**1.27%**	**1.67%**
Non-performing loans to total loans	**2.30%**	**2.43%**	**1.62%**	**2.12%**	**3.36%**

For the years ended December 31, 2016 and 2015, gross interest income which would have been recorded had the non-performing loans been current in accordance with their original terms amounted to $1.5 million and $1.1 million, respectively. We recognized $0.1 million and $0.1 million of interest income on such loans during the years ended December 31, 2016 and 2015, respectively. For the years ended December 31, 2016 and 2015, gross interest income which would have been recorded had the troubled debt restructured loans been current in accordance with their original terms amounted to $0.1 million and $0.3 million, respectively. We recognized $0.3 million and $0.2 million of interest income on such loans during the years ended December 31, 2016 and 2015, respectively.

Non-performing assets were $22.2 million, or 1.48%, of total assets at December 31, 2016, compared to $22.0 million, or 1.51%, of total assets at December 31, 2015, which represented an increase in non-performing assets of $0.2 million. The increase in non-performing assets occurred primarily as a result of an increase in non-accrual loans from $20.0 million at December 31, 2015 to $21.7 million at December 31, 2016. The increase in non-accrual loans was concentrated in commercial and industrial loans and consumer and other loans. This increase was partially offset by a decrease in other real estate owned of $1.2 million to $0.4 million at December 31, 2016. Non-performing assets included $1.6 million, or 7.4% of non-performing assets are 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, 2016 nonaccrual loans totaled $21.7 million, an increase of $1.6 million, or 8.2%, compared to nonaccrual loans of $20.0 million at December 31, 2015. The increase in non-accrual loans was primarily associated with the decision to transfer a $7.9 million syndicate loan that provides services to the oil and gas industry to non-accrual status during the first quarter of 2016. The loan was further downgraded to doubtful status as of third quarter of 2016. The current balance on this loan was $7.7 million at December 31, 2016 and it has a specific reserve of $2.3 million. Management continues to evaluate the potential for loss associated with this credit. Additional future reserves or charge-offs may occur with this credit as new information is evaluated. In addition, approximately $1.0 million of commercial leases were transferred to non-accrual status in the second quarter of 2016. These increases to non-accrual loans were partially offset by the return to accrual status of a $2.8 million loan secured by a multi-family real estate property; a payoff of a $0.9 million non-accrual multi-family loan; and the sale of a $1.8 million non-accrual loan secured by a hotel property. These reductions in non-accrual loans occurred during the first quarter of 2016. During the second quarter of 2016, the primary reduction in non-accrual loans occurred due to principal reductions on government guaranteed agricultural loans due to the receipt of guarantee proceeds. During the third quarter of 2016, the primary reduction in non-accrual loans occurred due to a $1.6 million one- to four-family lending relationship that was returned to accrual status. During the fourth quarter of 2016, a $1.2 million non-farm non-residential loan was transferred to non-accrual status. This increase to non-accrual loans was partially offset by the payoff of a $0.4 million agricultural loan. Nonaccrual loans were concentrated in three loan relationships that totaled $14.0 million or 64.6% of nonaccrual loans at December 31, 2016.

At December 31, 2016 loans 90 days or greater delinquent and still accruing totaled $0.2 million, a decrease of $0.2 million, or 56.3%, compared to $0.4 million at December 31, 2015.

Other real estate owned at December 31, 2016 totaled $0.4 million, a decrease of $1.2 million from $1.6 million at December 31, 2015. The decrease in other real estate owned was due to write-downs of $0.3 million and sales of $1.1 million, primarily related to residential properties.

At December 31, 2016, our largest non-performing assets were comprised of the following non-accrual loans: (1) a commercial and industrial loan that totaled $7.7 million that is a shared national credit involved in oil and gas support and service activity; (2) a multi-family real estate loan with a balance of $5.0 million secured by an apartment complex; and (3) a non-farm non-residential loan that totaled $1.2 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, 2016, 2015 and 2014:

	At December 31,		
	2016	**2015**	**2014**
	(in thousands)		
TDRs:			
In Compliance with Modified Terms	$2,987	$3,431	$2,998
Past Due 30 through 89 days and still accruing	-	-	2,204
Past Due 90 days and greater and still accruing	-	-	-
Nonaccrual	361	368	-
Restructured Loans that subsequently defaulted	100	1,908	230
Total TDR	**$3,448**	**$5,707**	**$5,432**

At December 31, 2016, the outstanding balance of our troubled debt restructurings, was $3.4 million as compared to $5.7 million at December 31, 2015. At December 31, 2016, we had three outstanding TDRs: (1) a $2.9 million non-farm non-residential loan secured by commercial real estate, which was performing in accordance with its modified terms; (2) a $0.4 million construction and land development loan secured by raw land that is on non-accrual; (3) a $0.1 million loan secured by commercial real estate that subsequently defaulted and is on non-accrual. The restructuring of these loans was related to interest rate or amortization concessions. The decline in TDRs occurred due to two credit relationships in the aggregate amount of $2.1 million that had returned to market terms and been in compliance with their modified terms for 12 months.

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, 2016, 2015 and 2014. Classified assets totaled $49.7 million at December 31, 2016, and included $21.9 million of non-performing loans.

	At December 31,		
	2016	2015	2014
	(in thousands)		
Classification of Loans:			
Substandard	$41,992	$58,654	$44,752
Doubtful	7,730	-	-
Total Classified Assets	**$49,722**	**$58,654**	**$44,752**
Special Mention	$17,705	$10,752	$28,702

The decrease in classified assets at December 31, 2016 as compared to December 31, 2015 was due to a $16.7 million decrease in substandard loans, offset by an increase in doubtful loans of $7.7 million. The decrease in substandard loans was due primarily to payoffs and sales of loans along with the decision to transfer one loan to doubtful status. Substandard loans at December 31, 2016 consisted of $18.3 million in non-farm non-residential, $7.0 million in multifamily, $6.6 million in one- to four-family residential, $4.0 million in construction and land development, $3.0 million in commercial and industrial, $2.0 million in agricultural and the remaining $1.1 million comprised of farmland and consumer and other loans. Doubtful loans increased by $7.7 million due to the transfer of the previously mentioned $7.7 million commercial and industrial loan from substandard to doubtful status. Special mention loans increased by $7.0 million due primarily to the upgrade of loans from substandard status.

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 $11.1 million at December 31, 2016 compared to $9.4 million at December 31, 2015.

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,				
	2016	2015	2014	2013	2012
	(dollars in thousands)				
Balance at beginning of year	$ 9,415	$ 9,105	$ 10,355	$ 10,342	$ 8,879
Charge-offs:					
Real Estate:					
Construction and land development	-	(559)	(1,032)	(233)	(65)
Farmland	-	-	-	(31)	-
1 – 4-family residentiall	(244)	(410)	(589)	(220)	(1,409)
Multi-family	-	(947)	-	-	(187
Non-farm non-residential	(1,373)	(1,137)	(1,515)	(1,148)	(459)
Total Real Estate	(1,617)	(3,053)	(3,136)	(1,632)	(2,120)
Non-Real Estate:					
Agricultural	(83)	(491)	(2)	(41)	(49)
Commercial and industrial loans	(579)	(79)	(266)	(1,098)	(809)
Consumer and other	(635)	(550)	(289)	(262)	(473)
Total Non-Real Estate	(1,297)	(1,120)	(557)	(1,401)	(1,331)
Total charge-offs	(2,914)	(4,173)	(3,693)	(3,033)	(3,451)
Recoveries:					
Real Estate:					
Construction and land development	4	5	6	10	15
Farmland	-	-	-	140	1
1 – 4-family residential	45	94	99	49	35
Multi-family	401	46	49	-	-
Non-farm non-residential	16	5	9	8	116
Total Real Estate	466	150	163	207	167
Non-Real Estate:					
Agricultural	113	3	1	5	1
Commercial and industrial loans	146	315	118	71	329
Consumer and other	183	151	199	243	283
Total Non-Real Estate	442	469	318	319	613
Total recoveries	908	619	481	526	780
Net (charge-offs) recoveries	(2,006)	(3,554)	(3,212)	(2,507)	(2,671)
Provision for loan losses	3,705	3,864	1,962	2,520	4,134
Balance at end of year	$11,114	$ 9,415	$ 9,105	$10,355	$10,342
Ratios:					
Net loan charge-offs to average loans	0.23%	0.44%	0.45%	0.38%	0.45%
Net loan charge-offs to loans at end of year	0.21%	0.42%	0.41%	0.36%	0.42%
Allowance for loan losses to loans at end of year	1.17%	1.12%	1.15%	1.47%	1.64%
Net loan charge-offs to allowance for loan losses	18.05%	37.75%	35.28%	24.21%	25.83%
Net loan charge-offs to provision charged to expense	54.14%	91.98%	163.71%	99.48%	64.61%

A provision for loan losses of $3.7 million was made during the year ended December 31, 2016 as compared to $3.9 million for 2015. The provisions made in 2016 were taken to provide for current loan and deposit losses and to maintain the allowance proportionate to risks inherent in the loan portfolio.

Total charge-offs were $2.9 million during the year ended December 31, 2016 as compared to $4.2 million for 2015. Recoveries totaled $0.9 million for the year ended December 31, 2016 and $0.6 million during 2015. Comparing the year ended December 31, 2016 to the year ended December 31, 2015, the increase in the allowance was primarily attributed to growth in the loan portfolio. The primary change was an increase in the balance associated with commercial and industrial loans. The reason for this change was due to the $7.7 million commercial and industrial loan mentioned above that was determined to be impaired.

The charged-off loan balances for the year ended December 31, 2016 were concentrated in five loan relationships which totaled $1.4 million, or 48.0%, of the total charged-off amount. The details of the $1.4 million in charged-off loans were as follows:

- First Guaranty charged off $0.6 million on a non-farm non-residential real estate loan in the first quarter of 2016. This loan which had a remaining balance of $1.2 million was subsequently sold in the first quarter of 2016.
- First Guaranty charged off $0.2 million on a commercial and industrial loan in the first quarter of 2016 and had no remaining principal balance at December 31, 2016.
- First Guaranty charged off $0.2 million on a commercial and industrial loan in the second quarter of 2016 and had no remaining principal balance at December 31, 2016.
- First Guaranty charged off $0.2 million on a non-farm non-residential real estate loan in the second quarter of 2016 and had no remaining principal balance at December 31, 2016.
- First Guaranty charged off $0.2 million on a non-farm non-residential real estate loan in the third quarter of 2016 and had a remaining principal balance of $0.1 million at December 31, 2016.
- $1.5 million of charge-offs for 2016 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,					
	2016			2015		
	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	$ 1,232	11.1%	8.9%	$ 962	10.2%	6.6%
Farmland	19	0.2%	2.2%	54	0.6%	2.1%
1 - 4-family residential	1,204	10.8%	14.2%	1,771	18.8%	15.4%
Multi-family	591	5.3%	1.3%	557	5.9%	1.5%
Non-farm non-residential	3,451	31.0%	43.9%	3,298	35.0%	38.3%
Non-Real Estate:						
Agricultural	74	0.7%	2.5%	16	0.2%	3.1%
Commercial and industrial	3,543	31.9%	20.4%	2,527	26.9%	26.6%
Consumer and other	972	8.7%	6.6%	230	2.4%	6.4%
Unallocated	28	0.3%	-%	-	-%	-%
Total Allowance	$11,114	100.0%	100.0%	$ 9,415	100.0%	100.0%

	At December 31,					
	2014			2013		
	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	$ 702	7.7%	6.6%	$ 1,530	14.8%	6.7%
Farmland	21	0.2%	1.7%	17	0.2%	1.4%
1 - 4-family residential	2,131	23.4%	14.9%	1,974	19.1%	14.7%
Multi-family	813	8.9%	1.8%	376	3.6%	2.0%
Non-farm non-residential	2,713	29.8%	41.5%	3,607	34.8%	47.7%
Non-Real Estate:						
Agricultural	293	3.2%	3.3%	46	0.4%	3.1%
Commercial and industrial	1,797	19.8%	24.8%	2,176	21.0%	21.4%
Consumer and other	371	4.1%	5.4%	208	2.0%	3.0%
Unallocated	264	2.9%	-%	421	4.1%	-%
Total Allowance	**$ 9,105**	**100.0%**	**100.0%**	**$10,355**	**100.0%**	**100.0%**

	At December 31,		
	2012		
	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	$ 1,098	10.6%	7.1%
Farmland	50	0.5%	1.8%
1 - 4-family residential	2,239	21.7%	13.8%
Multi-family	284	2.7%	2.4%
Non-farm non-residential	3,666	35.4%	49.6%
Non-Real Estate:			
Agricultural	64	0.6%	2.9%
Commercial and industrial	2,488	24.1%	18.6%
Consumer and other	233	2.3%	3.8%
Unallocated	220	2.1%	-%
Total Allowance	**$10,342**	**100.0%**	**100.0%**

Investment Securities.

Investment securities at December 31, 2016 totaled $499.3 million, a decrease of $46.8 million, or 8.6%, compared to $546.1 million at December 31, 2015. The decrease was primarily attributed to First Guaranty's continuing strategy to transition assets from securities to the loan portfolio. 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, 2016, the U.S Government and Government agency securities and municipal bonds qualified as securities available to collateralize public funds. Securities pledged totaled $368.2 million at December 31, 2016 and $427.4 million at December 31, 2015. 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,					
	2016		2015		2014	
	(in thousands)					
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Available-for-sale:						
U.S Treasuries	$ 29,994	$ 29,994	$ 29,999	$ 29,999	$ 36,000	$ 36,000
U.S. Government Agencies	183,152	178,332	165,364	163,811	295,620	291,495
Corporate debt securities	132,448	131,972	105,680	105,136	126,654	130,063
Mutual funds or other equity securities	580	573	580	582	570	574
Municipal bonds	28,177	27,957	47,339	48,233	40,599	41,676
Mortgage-backed securities	29,181	28,645	28,891	28,608	-	-
Total available-for-sale securities	$403,532	$397,473	$377,853	$376,369	$499,443	$499,808
Held-to-maturity:						
U.S. Government Agencies	$ 18,167	$ 17,512	$ 77,343	$ 76,622	$ 84,479	$ 82,529
Mortgage-backed securities	83,696	82,394	92,409	91,526	57,316	57,159
Total held-to-maturity securities	$101,863	$99,906	$169,752	$168,148	$141,795	$139,688

Our available-for-sale securities portfolio totaled $397.5 million at December 31, 2016, an increase of $21.1 million, or 5.6%, compared to $376.4 million at December 31, 2015. The increase was primarily due to the purchase of U.S. Government agency securities used to collateralize public funds deposits and the purchase of corporate debt securities. Partially offsetting this increase was the sale of $15.1 million in municipal and corporate securities in the second and third quarters of 2016 for which the proceeds were used to fund loan growth. At December 31, 2016, First Guaranty had two corporate debt securities with other-than-temporary impairment. Credit related impairment in the amount of $0.1 million was charged to earnings. Non-credit related other-than-temporary impairment of $6,000 was recorded in other comprehensive income. No other declines in fair value were deemed other-than-temporary. There were $0.2 million other-than-temporary charges recognized in earnings on securities in 2015 and no other-than-temporary losses recognized on securities in 2014.

Our held-to-maturity securities portfolio had an amortized cost of $101.9 million at December 31, 2016, a decrease of $67.9 million, or 40.0%, compared to $169.8 million at December 31, 2015. The decrease was due to the early payoffs of existing securities, the continued amortization of our mortgage-backed securities and the decision to keep a higher level of securities in our available-for-sale portfolio in order to manage liquidity and fund loan growth.

The following table sets forth the stated maturities and weighted average yields of our investment securities at December 31, 2016 and 2015.

	At December 31, 2016							
	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	$ 29,994	0.4%	$ -	-%	$ -	-%	$ -	-%
U.S. Government Agencies	-	-%	44,401	1.0%	116,602	2.3%	17,329	2.8%
Corporate and other debt securities	6,454	3.8%	41,909	4.0%	82,472	3.6%	1,137	5.4%
Mutual funds or other equity securities	-	-%	-	-%	-	-%	573	-%
Municipal bonds	3,324	2.1%	6,301	2.7%	10,896	2.9%	7,436	2.9%
Mortgage-backed securities	-	-%	-	-%	-	-%	28,645	2.0%
Total available-for-sale securities	**$39,772**	**1.1%**	**$ 92,611**	**2.5%**	**$ 209,970**	**2.8%**	**$ 55,120**	**2.5%**
Held-to-maturity:								
U.S. Government Agencies	$ -	-%	$ 4,998	1.5%	$ 13,169	2.0%	$ -	-%
Mortgage-backed securities	-	-%	-	-%	-	-%	83,696	2.1%
Total held-to-maturity securities	**$ -**	**-%**	**$ 4,998**	**1.5%**	**$ 13,169**	**2.0%**	**$83,696**	**2.1%**

	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%
Total held-to-maturity securities	**$ -**	**-%**	**$ 21,803**	**1.6%**	**$ 55,540**	**2.2%**	**$92,409**	**2.4%**

At December 31, 2016, $39.8 million, or 8.0%, 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 $26.5 million, or 5.3%, of the total portfolio at December 31, 2016. 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, 2016, we believe that the securities portfolio has a forecasted weighted average life of approximately 5.9 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 6.2 years.

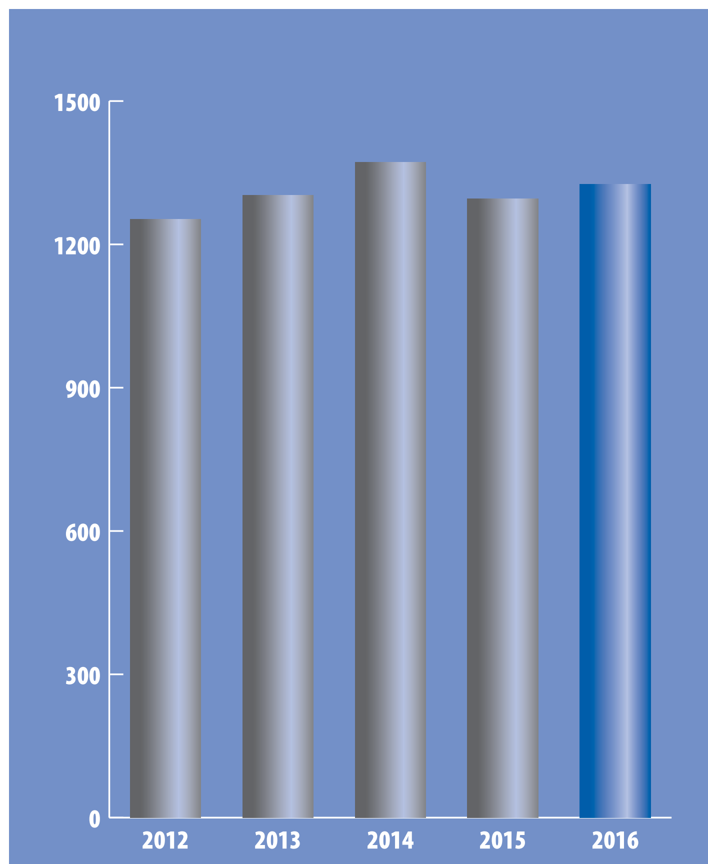
At December 31, 2016, the following table identifies the issuers, and the aggregate amortized cost and aggregate fair value of the securities of such issuers that exceeded 10% of our total shareholders' equity:

	At December 31, 2016	
	Amortized Cost	Fair Value
	(in thousands)	
U.S. Treasuries	$ 29,994	$ 29,994
FHLB	53,342	52,113
Freddie Mac	53,422	52,734
Fannie Mae	109,095	106,474
Federal Farm Credit Bank	98,337	95,562
Total	$344,190	$336,877

com·mit·ment
kəˈmitmənt
noun
The state or quality of being dedicated to a cause, activity, etc.
synonyms: dedication, devotion, allegiance, loyalty, faithfulness, fidelity
synonyms: responsibility, obligation, duty, tie

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 interestbearing 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, 2015 to December 31, 2016, total deposits increased $30.3 million, or 2.3%, to $1.3 billion. Noninterest-bearing demand deposits increased $17.9 million to $231.1 million at December 31, 2016. Interest-bearing demand deposits increased $70.6 million to $479.8 million at December 31, 2016. Time deposits decreased $74.0 million, or 12.5%, to $518.0 million at December 31, 2016 compared to $592.0 million at December 31, 2015. First Guaranty had $91.1 million in brokered deposits at December 31, 2016.

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,								
	2016			2015			2014		
	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	$ 221,634	17.2%	-%	$ 211,584	15.9%	-%	$ 200,127	15.3%	-%
Interest-bearing Demand	415,410	32.3%	0.6%	401,617	30.2%	0.4%	386,363	29.6%	0.3%
Savings	89,279	7.0%	0.1%	77,726	5.8%	-%	69,719	5.4%	-%
Time	558,982	43.5%	1.1%	640,134	48.1%	1.1%	649,165	49.7%	1.2%
Total Deposits	$1,285,305	100.0%	0.7%	$1,331,061	100.0%	0.6%	$1,305,374	100.0%	0.8%

Individual and Business Deposits	For the Years Ended December 31,								
	2016			2015			2014		
	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	$ 217,245	30.1%	-%	$ 207,334	27.6%	-%	$ 197,332	25.3%	-%
Interest-bearing Demand	117,221	16.2%	0.3%	112,864	15.0%	0.2%	105,569	13.5%	0.2%
Savings	72,647	10.0%	0.1%	65,775	8.7%	0.1%	61,288	7.9%	-%
Time	316,191	43.7%	1.3%	366,244	48.7%	1.4%	414,975	53.3%	1.4%
Total Individual and Business Deposits	$ 723,304	100.0%	0.6%	$ 752,217	100.0%	0.7%	$ 779,164	100.0%	0.8%

Public Fund Deposits	For the Years Ended December 31,								
	2016			2015			2014		
	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	$ 4,389	0.8%	-%	$ 4,250	0.7%	-%	$ 2,795	0.5%	-%
Interest-bearing Demand	298,189	53.0%	0.8%	288,753	49.9%	0.4%	280,794	53.4%	0.4%
Savings	16,632	3.0%	0.3%	11,951	2.1%	-%	8,431	1.6%	-%
Time	242,791	43.2%	0.8%	273,890	47.3%	0.7%	234,190	44.5%	0.7%
Total Public Fund Deposits	$ 562,001	100.0%	0.8%	$ 578,844	100.0%	0.5%	$ 526,210	100.0%	0.5%

At December 31, 2016, public funds deposits totaled $556.9 million compared to $568.7 million at December 31, 2015. 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. $453.6 million of these accounts at December 31, 2016 are under fiscal agency agreements with terms of three years or less. Deposits under fiscal agency agreements are generally stable but public entities may maintain the ability to negotiate term deposits on a specific basis including with other financial institutions. Three of these relationships account for 48.2% of public fund deposits that are under fiscal agency agreements. 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,		
	2016	2015	2014
	(in thousands except for %)		
Public Funds:			
Noninterest-bearing Demand	$ 4,114	$ 4,906	$ 3,241
Interest-bearing Demand	324,356	296,416	321,382
Savings	20,116	14,667	10,142
Time	208,330	252,688	266,743
Total Public Funds	**$ 556,916**	**$ 568,677**	**$ 601,508**
Total Deposits	$1,326,181	$1,295,870	$1,371,839
Total Public Funds as a percent of Total Deposits	**42.0%**	**43.9%**	**43.9%**

At December 31, 2016, the aggregate amount of outstanding certificates of deposit in amounts greater than or equal to $100,000 was approximately $367.9 million. At December 31, 2016, approximately $82.1 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, 2016.

	December 31, 2016
	(in thousands)
Due in one year or less	$ 285,838
Due after one year through three years	63,763
Due after three years	18,333
Total certificates of deposit greater than or equal to $100,000	$ 367,934

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 $6.5 million at December 31, 2016 and $1.8 million at December 31, 2015. The short-term borrowings at December 31, 2016 were comprised of a line of credit of $2.5 million, with no outstanding balance and collateralized short-term borrowings from the Federal Home Loan Bank totaling $6.5 million.

At December 31, 2016, we had $226.1 million in FHLB letters of credit outstanding obtained solely for collateralizing public deposits.

compassionate
kəmˈpaSHənət/Submit
adjective
feeling or showing sympathy and concern for others.

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,		
	2016	2015	2014
	(in thousands except for %)		
Balance at end of year	$ 6,500	$ 1,800	$ 1,800
Maximum month-end outstanding	$25,000	$ 13,800	$22,356
Average daily outstanding	$ 8,775	$ 4,217	$ 6,960
Total Weighted average rate during the year	0.85%	2.12%	1.08%
Average rate during year	0.65%	4.50%	4.50%

First Guaranty Bancshares had senior long-term debt totaling $22.1 million at December 31, 2016 and $25.8 million at December 31, 2015.

First Guaranty also had junior subordinated debentures totaling $14.6 million at December 31, 2016 and December 31, 2015.

Shareholders' Equity

Total shareholders' equity increased to $124.3 million at December 31, 2016 from $118.2 million at December 31, 2015. The increase in shareholders' equity was principally the result of a $9.2 million increase in retained earnings, offset by an increase of $3.1 million in accumulated other comprehensive loss. The increase in accumulated other comprehensive loss was primarily attributed to the increase in unrealized losses on available-for-sale securities during the year. The $9.2 million increase in retained earnings was due to net income of $14.1 million during the year ended December 31, 2016, partially offset by $4.9 million in cash dividends paid on our common stock.

Results of Operations

Performance Summary

Year ended December 31, 2016 compared with year ended December 31, 2015. Net income for the year ended December 31, 2016 was $14.1 million, a decrease of $0.4 million, or 2.8%, from $14.5 million for the year ended December 31, 2015. Net income available to common shareholders for the year ended December 31, 2016 was $14.1 million which was a decrease of $28,000. The decrease in net income of $0.4 million for the year ended December 31, 2016 was primarily the result of increased interest expense and increased noninterest expense, partially offset by an increase in interest income and noninterest income. Net gains on securities sales for the years ended December 31, 2016 and 2015 were $3.8 million and $3.3 million, respectively. Earnings per common share for the year ended December 31, 2016 was $1.85 per common share, a decrease of 8.0% or $0.16 per common share from $2.01 per common share for the year ended December 31, 2015 (as adjusted for the 10% stock dividend in December 2015).

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 sales 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).

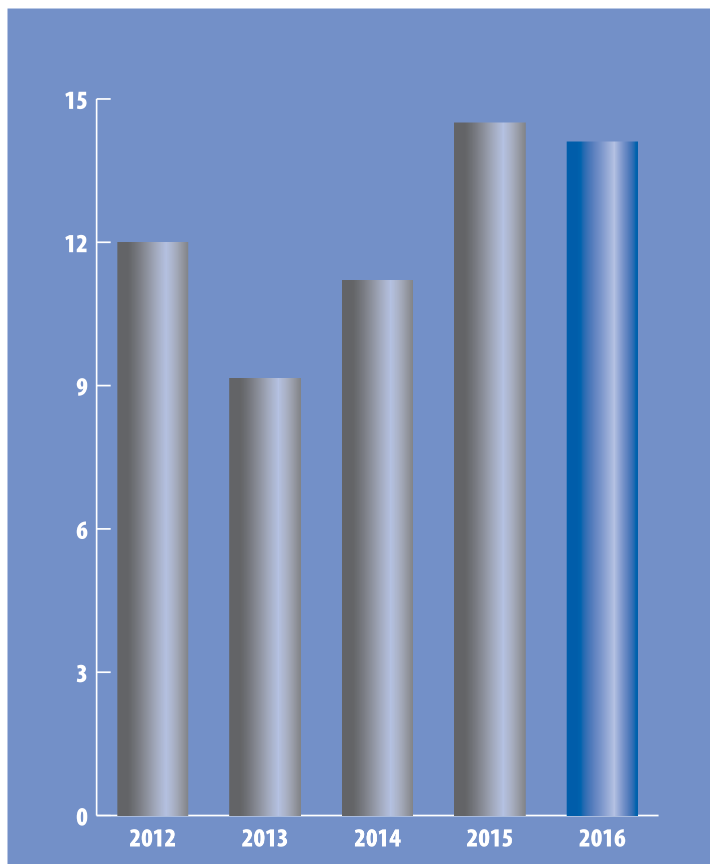
Net Interest Income

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.

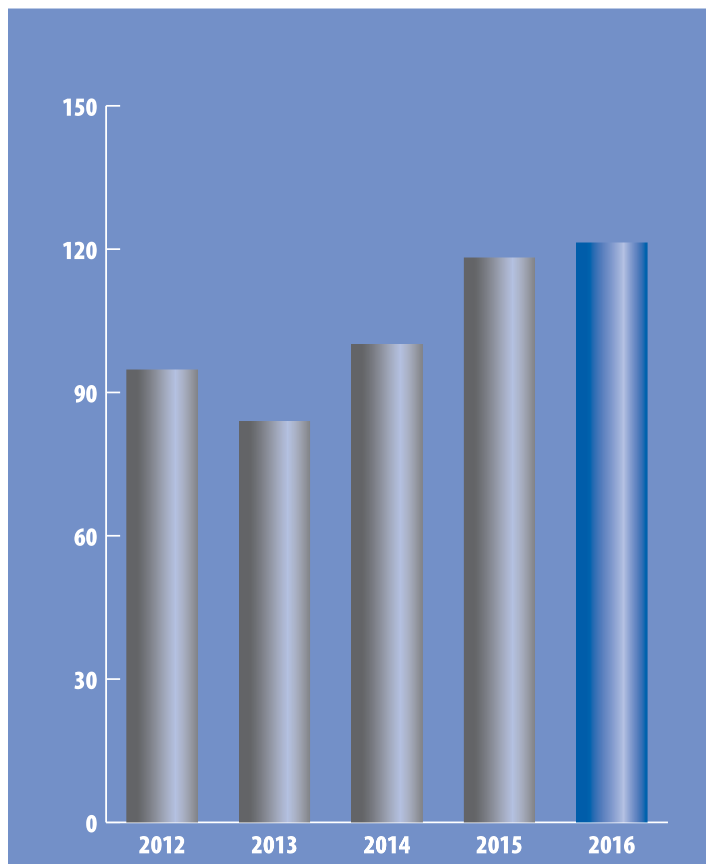
TOTAL NET INCOME

In Millions



TOTAL COMMON SHAREHOLDERS' EQUITY

In Millions



Year ended December 31, 2016 compared with year ended December 31, 2015. Net interest income for the year ended December 31, 2016 and 2015 was $48.4 million and $47.5 million, respectively. The increase in net interest income for the year ended December 31, 2016 was primarily due to a decrease in the average balance of our total interest-bearing liabilities and an increase in the average yield of our total interest-earnings assets partially offset by the increase in the average rate of our total interest-bearing liabilities and a decrease in the average balance of our total interest-earning assets. The average balance of total interest-bearing liabilities decreased by $18.7 million to $1.1 billion for the year ended December 31, 2016 as compared to the year ended December 31, 2015. The average yield on our total interest-earning assets increased 25 basis points to 4.10% for the year ended December 31, 2016 compared to 3.85% for the year ended December 31, 2015. The average rate of our total interest-bearing liabilities increased by 16 basis points to 0.92% for the year ended December 31, 2016 compared to 0.76% for the year ended December 31, 2015. The average balance of total interest-earning assets decreased by $30.2 million to $1.4 billion for the year ended December 31, 2016 as compared to the year ended December 31, 2015. As a result, our net interest rate spread increased nine basis points to 3.18% for the year ended December 31, 2016 from 3.09% for the year ended December 31, 2015, and our net interest margin increased 13 basis points to 3.39% for the year ended December 31, 2016 from 3.26% for the year ended December 31, 2015.

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 sixteen 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 fifteen basis points to 3.26% for the year ended December 31, 2015 from 3.11% for the year ended December 31, 2014.

Interest Income

Year ended December 31, 2016 compared with year ended December 31, 2015. First Guaranty continues to transition assets from lower yielding securities to higher yielding loans in order to increase interest income. Interest income increased $2.5 million, or 4.4%, to $58.5 million for the year ended December 31, 2016 from $56.1 million for the year ended December 31, 2015 primarily as a result of a $3.0 million increase in interest income on loans. The increase in interest income resulted primarily from an increase in the average yield of interest-earning assets by 25 basis points to 4.10% for the year ended December 31, 2016 compared to 3.85% for the year ended December 31, 2015. This increase was partially offset by a $30.2 million decrease in the average balance of our interest-earnings assets to $1.4 billion for the year ended December 31, 2016 as compared to the prior year.

Interest income on securities decreased $0.5 million, or 3.7%, to $13.0 million for the year ended December 31, 2016 as a result of the decrease in the average balance of securities, which was partially offset by an increase in the average yield on securities. The average balance of securities decreased $85.9 million to $523.4 million for the year ended December 31, 2016 from $609.3 million for the year ended December 31, 2015 as a result of First Guaranty's plan to transition assets from securities into loans. The average yield on securities increased by 27 basis points to 2.48% for the year ended December 31, 2016 compared to 2.21% for the year ended December 31, 2015.

Interest income on loans increased $3.0 million, or 7.0%, to $45.5 million for the year ended December 31, 2016 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 increased by $65.4 million to $881.4 million for the year ended December 31, 2016 from $816.0 million for the year ended December 31, 2015 as a result of new loan originations, the majority of which were one- to four-family residential loans, the origination of commercial leases, commercial real estate loans and commercial and industrial loans. Partially offsetting the increase in interest income on loans was a decrease in the average yield on loans, which decreased by five basis points to 5.16% for the year ended December 31, 2016 compared to 5.21% for the year ended December 31, 2015 as a result of the low interest rate environment in 2016.

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.

Interest Expense

Year ended December 31, 2016 compared with year ended December 31, 2015. Interest expense increased $1.5 million, or 17.8%, to $10.1 million for the year ended December 31, 2016 from $8.6 million for the year ended December 31, 2015 due to an increase in the average rate on deposits partially offset by the decrease in the average balance of deposits. Interest expense also increased due to the origination of a senior secured loan and the issuance of junior subordinated debt used to redeem the SBLF preferred stock at the end of 2015. The approximate increase in interest expense due to these borrowings was $1.4 million for the year ended December 31, 2016. The average rate of time deposits decreased by two basis points during the year ended December 31, 2016 to 1.07%, reflecting downward repricing of our time deposits in the continued low interest rate environment. The decrease was offset by an increase in the average rate of interest-bearing demand deposits of 28 basis points during the year ended December 31, 2016 to 0.63%. The average balance of interest-bearing deposits decreased by $55.8 million during the year ended December 31, 2016 to $1.1 billion as a result of a $81.2 million decrease in the average balance of time deposits that was partially offset by a $25.3 million increase in the average balance of interest-bearing demand deposits and savings deposits.

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.

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, 2016			December 31, 2015			December 31, 2014		
	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]	$ 20,857	$ 69	0.33%	$ 30,485	$ 72	0.24%	$ 46,455	$ 115	0.25%
Securities (including FHLB stock)	523,438	12,968	2.48%	609,348	13,471	2.21%	644,561	13,395	2.08%
Federal funds sold	256	-	-%	312	-	-%	304	-	-%
Loans held for sale	-	-	-%	-	-	-%	10	-	-%
Loans, net of unearned income	881,387	45,495	5.16%	816,027	42,536	5.21%	727,385	39,787	5.47%
Total interest-earning assets	**1,425,938**	**58,532**	**4.10%**	**1,456,172**	**56,079**	**3.85%**	**1,418,715**	**53,297**	**3.76%**
Noninterest-earning assets:									
Cash and due from banks	7,915			7,191			9,030		
Premises and equipment, net	22,306			20,300			19,738		
Other assets	3,800			5,870			7,528		
Total assets	**$1,459,959**			**$1,489,533**			**$1,455,011**		
Liabilities and Shareholders' Equity									
Interest-bearing liabilities:									
Demand deposits	$ 415,410	2,633	0.63%	$401,617	1,419	0.35%	$386,363	1,312	0.34%
Savings deposits	89,279	80	0.09%	77,726	38	0.05%	69,719	33	0.05%
Time deposits	558,982	5,954	1.07%	640,134	6,985	1.09%	649,165	7,716	1.19%
Borrowings	43,474	1,473	3.39%	6,320	166	2.62%	10,083	141	1.40%
Total interest-bearing liabilities	**1,107,145**	**10,140**	**0.92%**	**1,125,797**	**8,608**	**0.76%**	**1,115,330**	**9,202**	**0.83%**
Noninterest-bearing liabilities:									
Demand deposits	221,634			211,584			200,127		
Other	5,144			5,010			5,157		
Total Liabilities	**1,333,923**			**1,342,391**			**1,320,614**		
Shareholders' equity	**126,036**			**147,142**			**134,397**		
Total liabilities and shareholders' equity	**$1,459,959**			**$1,489,533**			**$1,455,011**		
Net interest income		**$48,392**			**$47,471**			**$44,095**	
Net interest rate spread[2]			**3.18%**			**3.09%**			**2.93%**
Net interest-earning assets[3]	**$ 318,793**			**$ 330,375**			**$ 303,385**		
Net interest margin[4][5]			**3.39%**			**3.26%**			**3.11%**
Average interest-earning assets to interest-bearing liabilities			**128.79%**			**129.35%**			**127.20%**

(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 3.42%, 3.29% and 3.13% for the years ended December 31, 2016, 2015 and 2014. 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, 2016 vs. 2015			For the Years Ended December 31, 2015 vs. 2014		
	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	$ (27)	$ 24	$ (3)	$ (38)	$ (5)	$ (43)
Securities (including FHLB stock)	(2,023)	1,520	(503)	(754)	830	76
Federal funds sold	-	-	-	-	-	-
Loans held for sale	-	-	-	-	-	-
Loans, net of unearned income	3,377	(418)	2,959	4,684	(1,935)	2,749
Total interest income	**1,327**	**1,126**	**2,453**	**3,892**	**(1,110)**	**2,782**
Interest paid on:						
Demand deposits	50	1,164	1,214	53	54	107
Savings deposits	7	35	42	4	1	5
Time deposits	(868)	(163)	(1,031)	(106)	(625)	(731)
Borrowings	1,245	62	1,307	(66)	91	25
Total interest expense	**434**	**1,098**	**1,532**	**(115)**	**(479)**	**(594)**
Change in net interest income	**$ 893**	**$ 28**	**$ 921**	**$4,007**	**$ (631)**	**$3,376**

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 $3.7 million provision for loan losses for the year ended December 31, 2016 compared to $3.9 million for 2015. The allowance for loan losses at December 31, 2016 was $11.1 million or 1.17% of total loans, compared to $9.4 million or 1.12% of total loans at December 31, 2015. The decrease in the provision was attributed to the improvement in credit quality of the loan portfolio. The primary change to the credit quality of the loan portfolio was associated with the upgrades of loans. Substandard loans decreased $16.7 million to $42.0 million at December 31, 2016 from $58.7 million at December 31, 2015, partially offset by an increase in doubtful loans of $7.7 million. 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, 2015, the provision for loan losses was $3.9 million, an increase of $1.9 million from $2.0 million for 2014. The allowance for loan losses was $9.4 million and $9.1 million at December 31, 2015 and 2014, respectively. The primary change to the credit quality of the loan portfolio was associated with the downgrades of loans. The impaired loan portfolio did not suffer additional declines in estimated fair value requiring further provisions

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 $9.5 million for the year ended December 31, 2016, an increase of $0.5 million when compared to $9.0 million for 2015. The increase was primarily due to higher gains on securities sales. Net securities gains were $3.8 million for the year ended December 31, 2016 and $3.3 million for 2015. The gains on securities sales occurred as First Guaranty sold investment securities in order to fund loan growth. We also continued to have gains from bonds that were called and paid off before their contractual maturity. Service charges, commissions and fees totaled $2.4 million for the year ended December 31, 2016 and $2.7 million for 2015. ATM and debit card fees totaled $1.9 million for the year ended December 31,

2016 and $1.8 million for 2015. Other noninterest income increased by $0.3 million to $1.4 million for the year ended December 31, 2016 compared to $1.1 million for 2015. Other noninterest income included a $0.1 million other-than-temporary impairment charge on an investment security.

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 Expense

Noninterest expense includes salaries and employee benefits, occupancy and equipment expense and other types of expenses. Noninterest expense increased $1.8 million to $32.9 million for the year ended December 31, 2016 compared to $31.1 million in 2015. Salaries and employee benefits expense totaled $16.6 million for 2016 and $15.5 million for 2015. Occupancy and equipment expense totaled $4.2 million for 2016 and $3.8 million for 2015. Other noninterest expense increased by $0.3 million to $12.1 million for the year ended December 31, 2016 as compared to 2015. Included in noninterest expense were flood related expenses of approximately $0.3 million that occurred during the year ended December 31, 2016.

Noninterest expense decreased $0.5 million to $31.1 million for the year ended December 31, 2015 compared to 2014. Salaries and employee 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.

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

	December 31, 2016	December 31, 2015	December 31, 2014
		(in thousands)	
Other noninterest expense:			
Legal and professional fees	$ 2,185	$ 2,019	$ 1,982
Data processing	1,259	1,184	1,153
ATM fees	1,044	1,022	1,122
Marketing and public relations	878	848	700
Taxes - sales, capital and franchise	787	717	605
Operating supplies	471	414	410
Software expense and amortization	835	612	499
Travel and lodging	710	818	566
Telephone	177	172	242
Amortization of core deposits	320	320	320
Donations	298	332	150
Net costs from other real estate and repossessions	498	493	1,374
Regulatory assessment	1,005	1,111	1,181
Other	1,599	1,692	1,522
Total other expense	**$12,066**	**$11,754**	**$11,826**

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, 2016, 2015 and 2014 was $7.2 million, $7.0 million and $5.5 million, respectively. The provision for income taxes decreased in 2016 as compared to 2015. Our statutory tax rate was 35.0% for 2016, 2015 and 2014.

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, 2016 totaled $149.7 million. At December 31, 2016, time deposits maturing within one year or less totaled $359.9 million. Our held-to-maturity investment securities portfolio at December 31, 2016 was $101.9 million or 20.4% of the investment portfolio compared to $169.8 million or 31.1% at December 31, 2015. 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, 2016. The held-to-maturity portfolio had a forecasted weighted average life of approximately 5.7 years based on current interest rates at December 31, 2016. 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 $397.5 million, or 79.6% of the investment portfolio at December 31, 2016 compared to $376.4 million, or 68.9% at December 31, 2015. 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 $45.8 million and $116.7 million at December 31, 2016 and December 31, 2015, respectively with $6.5 million in FHLB advances outstanding at December 31, 2016 and no borrowings outstanding at December 31, 2015. At December 31, 2016, we had outstanding letters of credit from the FHLB in the amount of $226.1 million that were used to collateralize public funds deposits. We also have a discount window line with the Federal Reserve Bank of $14.9 million, with no outstanding balance at December 31, 2016. We also maintain federal funds lines of credit at various correspondent banks with borrowing capacity of $70.5 million at December 31, 2016. We have a revolving line of credit for $2.5 million, with no outstanding balance at December 31, 2016 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 increased to $124.3 million at December 31, 2016 from $118.2 million at December 31, 2015. The increase in total shareholders' equity was principally the result of the increase in retained earnings of $9.2 million offset by a decrease in the balance of accumulated other comprehensive income of $3.1 million to a $4.0 million loss at December 31, 2016. The $9.2 million increase in retained earnings was due to net income of $14.1 million during the year ended December 31, 2016, partially offset by $4.9 million in cash dividends paid on our common stock.

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, 2016, First Guaranty Bancshares and First Guaranty Bank were classified as well-capitalized. First Guaranty Bancshares, Inc. capital conservation buffer was 4.59% at December 31, 2016. First Guaranty Bank's capital conservation buffer was 4.99% at December 31, 2016.

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

	"Well Capitalized Minimums"	At December 31, 2016	"Well Capitalized Minimums"	At December 31, 2015
		(in thousands except for %)		
Tier 1 Leverage Ratio:				
Consolidated	N/A	8.68%	N/A	8.17%
Bank	5.00%	9.88%	5.00%	9.74%
Tier 1 Risk-based Capital Ratio:				
Consolidated	N/A	10.59%	N/A	10.85%
Bank	8.00%	12.05%	8.00%	12.98%
Total Risk-based Capital Ratio:				
Consolidated	N/A	12.79%	N/A	13.13%
Bank	10.00%	12.99%	10.00%	13.86%
Common Equity Tier One Capital:				
Consolidated	N/A	10.59%	N/A	10.85%
Bank	6.50%	12.05%	0.065	12.98%

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, 2016, 2015 and 2014 are as follows:

Contract Amount	December 31, 2016	December 31, 2015	December 31, 2014
		(in thousands)	
Commitments to Extend Credit	$ 56,910	$ 88,081	$ 59,675
Unfunded Commitments under lines of credit	$128,428	$107,581	$111,247
Commercial and Standby letters of credit	$ 6,602	$ 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 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, 2016, 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, 2016, 2015 and 2014.

Contractual Obligations

The following table summarizes our fixed and determinable contractual obligations and other funding needs by payment date at December 31, 2016. 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.

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.

Payments Due by Period:	December 31, 2016			
	Less Than One Year	One to Three Years	Over Three Years	Total
	(in thousands)			
Operating leases	$ 33	$ 61	$ 37	$ 131
Software contracts	1,114	1,682	-	2,796
Time deposits	359,943	120,015	38,039	517,997
Short-term borrowings	6,500	-	-	6,500
Senior long-term debt	2,125	5,000	15,000	22,125
Junior subordinated debentures	-	-	15,000	15,000
Total contractual obligations	**$369,715**	**$126,758**	**$68,076**	**$564,549**

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

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, 2016 illustrated on the next page reflects a liability-sensitive position with a negative cumulative gap on a one-year basis.

	December 31, 2016				
	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)	$ 365,395	$ 53,796	$419,191	$529,730	$ 948,921
Securities (including FHLB stock)	35,351	6,237	41,588	459,564	501,152
Federal Funds Sold	271	-	271	-	271
Other earning assets	9,427	-	9,427	-	9,427
Total earning assets	**$ 410,444**	**$ 60,033**	**$470,477**	**$989,294**	**$1,459,771**
Source of Funds:					
Interest-bearing accounts:					
Demand deposits	$479,810	$ -	$479,810	$ -	$479,810
Savings deposits	97,280	-	97,280	-	97,280
Time deposits	154,773	205,170	359,943	158,054	517,997
Short-term borrowings	6,500	-	6,500	-	6,500
Senior long-term debt	21,850	250	22,100	-	22,100
Junior subordinated debt	-	-	-	14,630	14,630
Noninterest-bearing, net	-	-	-	321,454	321,454
Total source of funds	**$ 760,213**	**$205,420**	**$965,633**	**$494,138**	**$1,459,771**
Period gap	$(349,769)	$(145,387)	$(495,156)	$495,156	
Cumulative gap	$(349,769)	$(495,156)	$(495,156)	$ -	
Cumulative gap as a percent of earning assets	-24.0%	-33.9%	-33.9%		

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, 2016. 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, 2016	
Instantaneous Changes in Interest Rates (basis points)	Percent Change in Net Interest Income
+400	(14.10%)
+300	(10.44%)
+200	(6.76%)
+100	(3.21%)
Base	-%
-100	(1.59%)

Gradual Changes in Interest Rates (basis points)	Percent Change in Net Interest Income
+400	(7.29%)
+300	(5.38%)
+200	(3.51%)
+100	(1.59%)
Base	-%
-100	2.55%

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 37.5% in 2015 to 35.0% in 2016. 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.

balance Sheet

A statement of financial condition at a given date

A balance sheet also known as the statement of financial position tells about the assets, liabilities and equity of a business at a specific point of time. It is a snapshot of a business.

A balance sheet is an extended form of the accounting equation. An accounting equation is:

Assets = Liabilities + Equity

Assets are the resources controlled by a business, equity is the obligation of the company to its owners and liabilities are the obligations of parties other than owners.

A balance sheet is named so because it lists all resources owned by the company and shows that it is equal to the sum of all liabilities and the equity balance.

http://accountingexplained.com/financial/statements/balance-sheet

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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. and subsidiary as of December 31, 2016 and 2015, 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, 2016. 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. and subsidiary as of December 31, 2016 and 2015, and the consolidated results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2016 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. and subsidiary's internal control over financial reporting as of December 31, 2016, 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 30, 2017 expressed an unqualified opinion thereon.

Castaing, Hussey & Lolan, LLC

Castaing, Hussey & Lolan, LLC
New Iberia, Louisiana

March 30, 2017

FIRST GUARANTY BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

	December 31, 2016	December 31, 2015
	(in thousands, except share data)	
Assets		
Cash and cash equivalents:		
Cash and due from banks	$ 17,840	$ 36,690
Federal funds sold	271	582
Cash and cash equivalents	**18,111**	**37,272**
Interest-earning time deposits with banks	-	997
Investment securities:		
Available-for-sale, at fair value	397,473	376,369
Held to maturity, at cost (estimated fair value of $99,906 and $168,148, respectively)	101,863	169,752
Investment securities	**499,336**	**546,121**
Federal Home Loan Bank stock, at cost	1,816	935
Loans, net of unearned income	948,921	841,583
Less: allowance for loan losses	11,114	9,415
Net loans	**937,807**	**832,168**
Premises and equipment, net	23,519	22,019
Goodwill	1,999	1,999
Intangible assets, net	1,056	1,394
Other real estate, net	359	1,577
Accrued interest receivable	7,039	6,015
Other assets	9,904	9,256
Total Assets	**$1,500,946**	**$1,459,753**
Liabilities and Shareholders' Equity		
Deposits:		
Noninterest-bearing demand	$231,094	$213,203
Interest-bearing demand	479,810	409,209
Savings	97,280	81,448
Time	517,997	592,010
Total deposits	**1,326,181**	**1,295,870**
Short-term borrowings	6,500	1,800
Accrued interest payable	1,931	1,707
Senior long-term debt	22,100	25,824
Junior subordinated debentures	14,630	14,597
Other liabilities	5,255	1,731
Total Liabilities	**1,376,597**	**1,341,529**
Shareholders' Equity		
Common stock[1]:		
$1 par value - authorized 100,600,000 shares; issued 7,609,194 shares	7,609	7,609
Surplus	61,584	61,584
Retained earnings	59,155	49,932
Accumulated other comprehensive (loss) income	(3,999)	(901)
Total Shareholders' Equity	**124,349**	**118,224**
Total Liabilities and Shareholders' Equity	**$1,500,946**	**$1,459,753**

See Notes to the Consolidated Financial Statements.

[1] All share amounts have been restated to 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,		
	2016	2015	2014
	(in thousands, except share data)		
Interest Income:			
Loans (including fees)	$ 45,495	$42,536	$39,787
Deposits with other banks	69	72	115
Securities (including FHLB stock)	12,968	13,471	13,395
Total Interest Income	**58,532**	**56,079**	**53,297**
Interest Expense:			
Demand deposits	2,633	1,419	1,312
Savings deposits	80	38	33
Time deposits	5,954	6,985	7,716
Borrowings	1,473	166	141
Total Interest Expense	**10,140**	**8,608**	**9,202**
Net Interest Income	**48,392**	**47,471**	**44,095**
Less: Provision for loan losses	3,705	3,864	1,962
Net Interest Income after Provision for Loan Losses	**44,687**	**43,607**	**42,133**
Noninterest Income:			
Service charges, commissions and fees	2,388	2,736	2,767
ATM and debit card fees	1,859	1,779	1,671
Net gains on securities	3,799	3,300	295
Net gain (loss) on sale of loans	14	4	(12)
Other	1,395	1,137	1,456
Total Noninterest Income	**9,455**	**8,956**	**6,177**
Noninterest Expense:			
Salaries and employee benefits	16,577	15,496	15,840
Occupancy and equipment expense	4,242	3,845	3,928
Other	12,066	11,754	11,826
Total Noninterest Expense	**32,885**	**31,095**	**31,594**
Income Before Income Taxes	**21,257**	**21,468**	**16,716**
Less: Provision for income taxes	7,164	6,963	5,492
Net Income	**14,093**	**14,505**	**11,224**
Preferred stock dividends	-	(384)	(394)
Income Available to Common Shareholders	**$ 14,093**	**$ 14,121**	**$ 10,830**
Per Common Share[1]:			
Earnings	$ 1.85	$ 2.01	$ 1.57
Cash dividends paid	$ 0.64	$ 0.60	$ 0.58
Weighted Average Common Shares Outstanding	**7,609,194**	**7,013,869**	**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	$14,093	$14,505	$11,224
Other comprehensive income (loss):			
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the period	(955)	1,394	14,499
Reclassification adjustments for net gains included in net income	(3,799)	(3,300)	(295)
Reclassification of OTTI losses included in net income	60	175	-
Change in unrealized gains (losses) on securities	**(4,694)**	**(1,731)**	**14,204**
Tax impact	1,596	589	(4,829)
Other comprehensive income (loss)	**(3,098)**	**(1,142)**	**9,375**
Comprehensive Income	**$10,995**	**$13,363**	**$20,599**

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 (Loss) Income	Total
	(in thousands, except share data)						
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**
Net income	-	-	-	-	14,093	-	14,093
Other comprehensive income	-	-	-	-	-	(3,098)	(3,098)
Cash dividends on common stock ($0.64 per share)	-	-	-	-	(4,870)	-	(4,870)
Balance December 31, 2016	**$ -**	**$7,609**	**$61,584**	**$ -**	**$59,155**	**$ (3,999)**	**$124,349**

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,		
	2016	2015	2014
		(in thousands)	
Cash Flows From Operating Activities:			
Net income	$ 14,093	$ 14,505	$11,224
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	3,705	3,864	1,962
Depreciation and amortization	2,190	1,995	2,143
Amortization/Accretion of investments	2,239	2,036	2,164
Gain on sale/call of securities	(3,799)	(3,300)	(295)
Other than temporary impairment charge on securities	60	175	-
Gain on sale of assets	(76)	(6)	(17)
Repossessed asset writedowns and loss on disposition	243	411	665
FHLB stock dividends	(6)	(4)	(4)
Net decrease in loans held for sale	-	-	88
Change in other assets and liabilities, net	3,563	(2,461)	(1,140)
Net cash provided by operating activities	**22,212**	**17,215**	**16,790**
Cash Flows From Investing Activities:			
Funds invested in certificates of deposit	-	-	(10,000)
Proceeds from maturities and calls of certificates of deposit	1,001	9,250	500
Proceeds from maturities and calls of HTM securities	85,875	72,036	8,279
Proceeds from maturities, calls and sales of AFS securities	1,000,905	723,249	535,167
Funds invested in HTM securities	(18,563)	(48,318)	-
Funds Invested in AFS securities	(1,024,632)	(650,698)	(538,209)
Proceeds from sale/redemption of Federal Home Loan Bank stock	-	3,554	4,169
Funds invested in Federal Home Loan Bank stock	(875)	(2,864)	(3,950)
Net increase in loans	(109,467)	(56,000)	(92,697)
Purchases of premises and equipment	(4,109)	(4,400)	(1,668)
Proceeds from sales of premises and equipment	983	4	375
Proceeds from sales of other real estate owned	1,098	1,394	3,049
Net cash (used in) provided by investing activities	**(67,784)**	**47,207**	**(94,985)**
Cash Flows From Financing Activities:			
Net increase (decrease) in deposits	30,311	(75,969)	68,740
Net increase (decrease) in federal funds purchased and short-term borrowings	4,700	-	(3,988)
Proceeds from long-term borrowings, net of costs	-	24,969	1,555
Repayment of long-term borrowings	(3,730)	(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	(4,870)	(4,631)	(4,421)
Net cash provided by (used in) financing activities	**26,411**	**(71,725)**	**61,286**
Net decrease in cash and cash equivalents	(19,161)	(7,303)	(16,909)
Cash and cash equivalents at the beginning of the period	37,272	44,575	61,484
Cash and cash equivalents at the end of the period	**$ 18,111**	**$ 37,272**	**$44,575**
Noncash activities:			
Loans transferred to foreclosed assets	$ 123	$ 1,184	$ 2,330
Cash paid during the period:			
Interest on deposits and borrowed funds	$ 9,916	$ 8,898	$ 9,569
Income taxes	$ 3,000	$ 8,400	$ 4,500

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 income. 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 2013. 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 2016.

Note 2. Recent Accounting Pronouncements

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.

In June 2016, the FASB issued ASU 2016-13, "Measurement of Credit Losses on Financial Instruments". This ASU amends guidance on reporting credit losses for assets held at amortized cost basis and available for sale debt securities. The ASU amendments require the measurement of all expected credit losses for financial assets held at the reporting date be based on historical experience, current conditions, and reasonable and supportable forecasts. The ASU requires assets held at cost basis to reflect the Company's current estimate of all expected credit losses. For available for sale debt securities, credit losses should be presented as an allowance rather than as a write-down. In addition, this ASU amends the accounting for purchased financial assets with credit deterioration. This ASU is effective for annual and interim periods beginning after December 15, 2019. We are currently evaluating the impact of the adoption of this guidance on the Consolidated Financial Statements.

In January 2017, the FASB issued ASU 2017-04, "Intangibles - Goodwill and Other: Simplifying the Test for Goodwill Impairment". This ASU amends the guidance on impairment testing. The ASU eliminates

Step 2 from the goodwill impairment test. The annual, or interim, goodwill impairment test is performed by comparing the fair value of a reporting unit with its carrying amount. An impairment charge should be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. In addition, income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit should be considered when measuring the goodwill impairment loss, if applicable. The ASU also eliminates the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative test, to perform Step 2 of the goodwill impairment test. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. This ASU is effective for annual and interim periods beginning after December 15, 2019. We are currently evaluating the impact of the adoption of this guidance on the Consolidated Financial Statements.

In January 2017, the FASB issued ASU 2017-01, "Business Combinations: Clarifying the Definition of a Business". This ASU clarifies the definition of a business. The amendments affect all companies and other reporting organizations that must determine whether they have acquired or sold a business. The definition of a business affects many areas of accounting including acquisitions, disposals, goodwill, and consolidation. This ASU is intended to help companies and other organizations evaluate whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. This ASU is effective for annual and interim periods beginning December 15, 2017. The adoption of this ASU is not expected to have a material effect on the 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, 2016 and 2015. At December 31, 2016 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 $4,000. 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.

Note 4. Securities

A summary comparison of securities by type at December 31, 2016 and 2015 is shown below.

	December 31, 2016				December 31, 2015			
	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	$ 29,994	$ -	$ -	$ 29,994	$ 29,999	$ -	$ -	$ 29,999
U.S. Government Agencies	183,152	-	(4,820)	178,332	165,364	-	(1,553)	163,811
Corporate debt securities	132,448	1,624	(2,100)	131,972	105,680	2,259	(2,803)	105,136
Mutual funds or other equity securities	580	-	(7)	573	580	2	-	582
Municipal bonds	28,177	100	(320)	27,957	47,339	899	(5)	48,233
Mortgage-backed securities	29,181	-	(536)	28,645	28,891	-	(283)	28,608
Total available-for-sale securities	**$ 403,532**	**$1,724**	**$(7,783)**	**$397,473**	**$377,853**	**$3,160**	**$(4,644)**	**$376,369**
Held to maturity:								
U.S. Government Agencies	$ 18,167	$ -	$ (655)	$ 17,512	$ 77,343	$ -	$ (721)	$ 76,622
Mortgage-backed securities	83,696	-	(1,302)	82,394	92,409	9	(892)	91,526
Total held to maturity securities	**$101,863**	**$ -**	**$(1,957)**	**$99,906**	**$169,752**	**$ 9**	**$(1,613)**	**$168,148**

The scheduled maturities of securities at December 31, 2016, 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, 2016	
	Amortized Cost	Fair Value
	(in thousands)	
Available-for-sale:		
Due in one year or less	$ 39,711	$ 39,772
Due after one year through five years	91,818	92,611
Due after five years through 10 years	215,615	209,970
Over 10 years	27,207	26,475
Subtotal	**374,351**	**368,828**
Mortgage-backed Securities	29,181	28,645
Total available-for-sale securities	**$403,532**	**$397,473**
Held-to-maturity:		
Due in one year or less	$ -	$ -
Due after one year through five years	4,998	4,953
Due after five years through 10 years	13,169	12,559
Over 10 years	-	-
Subtotal	**18,167**	**17,512**
Mortgage-backed Securities	83,696	82,394
Total held-to-maturity securities	**$101,863**	**$ 99,906**

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, 2016								
	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	3	$ 10,997	$ -	-	$ -	$ -	3	$ 10,997	$ -
U.S. Government agencies	54	178,331	(4,820)	-	-	-	54	178,331	(4,820)
Corporate debt securities	185	61,669	(1,613)	26	6,440	(487)	211	68,109	(2,100)
Mutual funds or other equity securities	1	493	(7)	-	-	-	1	493	(7)
Municipal bonds	14	10,210	(320)	-	-	-	14	10,210	(320)
Mortgage-backed securities	16	28,645	(536)	-	-	-	16	28,645	(536)
Total available-for-sale securities	**273**	**$290,345**	**$(7,296)**	**26**	**$6,440**	**$ (487)**	**299**	**$296,785**	**$(7,783)**
Held-to-maturity:									
U.S. Government agencies	10	$ 17,512	$ (655)	-	$ -	$ -	10	$ 17,512	$ (655)
Mortgage-backed securities	48	82,394	(1,302)	-	-	-	48	82,394	(1,302)
Total held-to-maturity securities	**58**	**$ 99,906**	**$(1,957)**	**-**	**$ -**	**$ -**	**58**	**$ 99,906**	**$(1,957)**

	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)**

As of December 31, 2016, 357 of First Guaranty's debt securities had unrealized losses totaling 2.4% of the individual securities' amortized cost basis and 1.9% of First Guaranty's total amortized cost basis of the investment securities portfolio. 26 of the 357 securities had been in a continuous loss position for over 12 months at such date. The 26 securities had an aggregate amortized cost basis of $6.9 million and an unrealized loss of $0.5 million at December 31, 2016. 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 have other-than-temporary impairment losses at December 31, 2016. 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 date.

During the years ended December 31, 2016 and 2015, First Guaranty recorded OTTI losses on available-for-sale securities as follows:

	Year Ended December 31, 2016	Year Ended December 31, 2015
	(in thousands)	(in thousands)
Total OTTI charge realized and unrealized	$66	$571
OTTI recognized in other comprehensive income (non-credit component)	6	396
Net impairment losses recognized in earnings (credit component)	**$60**	**$175**

There were $0.1 million, $0.2 million, and $0 other-than-temporary impairment losses recognized on securities in 2016, 2015 and 2014, respectively.

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 ended December 31, 2016 and 2015:

	(in thousands)	(in thousands)
Beginning balance of credit losses at beginning of year	$175	$ -
Other-than-temporary impairment credit losses on securities not previously OTTI	60	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	(175)	-
Ending balance of cumulative credit losses recognized in earnings at end of year	**$ 60**	**$175**

In 2016 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 $0.1 million at December 31, 2016. 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 $0.1 million that experienced declines in its financial performance associated with the utilities industry. This corporate debt security had a non-credit related impairment of approximately $6,000.

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. 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. This security was sold in 2016. 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 $6,000 in 2016, $0.4 million in 2015, and zero in 2014. The impairment losses in 2016 were related to one available for sale corporate bond security, described above, which had original amortized cost of $0.1 million. The impairment losses in 2015 were related to two available for sale corporate bond securities, described above, which had original amortized cost of $0.8 million.

At December 31, 2016 and 2015 the carrying value of pledged securities totaled $368.2 million and $427.4 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 $3.6 million, $3.3 million (including the sale of the converted preferred security) and $0.2 million for the years ended December 31, 2016, 2015 and 2014, respectively. Gross realized losses were $53,000, $0.4 million and $0.2 million for the years ended December 31, 2016, 2015 and 2014. The tax applicable to these transactions amounted to $1.3 million, $1.2 million, and $0 million for 2016, 2015 and 2014, respectively. Proceeds from sales of securities classified as available-for-sale amounted to $191.0 million, $290.0 million and $109.8 million for the years ended December 31, 2016, 2015 and 2014, respectively.

Net unrealized losses on available-for-sale securities included in accumulated other comprehensive income (loss) ("AOCI"), net of applicable income taxes, totaled $4.0 million at December 31, 2016. At December 31, 2015 net unrealized losses included in AOCI, net of applicable income taxes, totaled $0.9 million. During 2016 and 2015 net gains, net of tax, reclassified out of AOCI into earnings totaled $2.5 million and $2.1 million, respectively.

At December 31, 2016, First Guaranty's exposure to investment securities issuers that exceeded 10% of shareholders' equity as follows:

	At December 31, 2016	
	Amortized Cost	Fair Value
	(in thousands)	
U.S. Treasuries	$ 29,994	$ 29,994
Federal Home Loan Bank (FHLB)	53,342	52,113
Federal Home Loan Mortgage Corporation (Freddie Mac-FHLMC)	53,422	52,734
Federal National Mortgage Association (Fannie Mae-FNMA)	109,095	106,474
Federal Farm Credit Bank (FFCB)	98,337	95,562
Total	$344,190	$336,877

Note 5. Loans

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

	December 31,			
	2016		2015	
	Balance	As % of Category	Balance	As % of Category
	(in thousands except for %)			
Real Estate:				
Construction & land development	$ 84,239	8.9%	$ 56,132	6.6%
Farmland	21,138	2.2%	17,672	2.1%
1-4 Family	135,211	14.2%	129,610	15.4%
Multifamily	12,450	1.3%	12,629	1.5%
Non-farm non-residential	417,014	43.9%	323,363	38.3%
Total Real Estate	670,052	70.5%	539,406	63.9%
Non-real Estate:				
Agricultural	23,783	2.5%	25,838	3.1%
Commercial and industrial	193,969	20.4%	224,201	26.6%
Consumer and other	63,011	6.6%	54,163	6.4%
Total Non-real Estate	280,763	29.5%	304,202	36.1%
Total Loans Before Unearned Income	950,815	100.0%	843,608	100.0%
Unearned income	(1,894)		(2,025)	
Total Loans Net of Unearned Income	$948,921		$841,583	

The following table summarizes fixed and floating rate loans by contractual maturity, excluding nonaccrual loans, as of December 31, 2016 and December 31, 2015 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,					
	2016			2015		
	(in thousands)					
	Fixed	Floating	Total	Fixed	Floating	Total
One year or less	$ 97,713	$ 51,965	$149,678	$ 86,975	$ 48,111	$135,086
One to five years	352,000	206,676	558,676	315,685	246,374	562,059
Five to 15 years	115,691	46,116	161,807	49,197	31,456	80,653
Over 15 years	53,150	5,830	58,980	36,438	9,333	45,771
Subtotal	$618,554	$310,587	929,141	$488,295	$335,274	823,569
Nonaccrual loans			21,674			20,039
Total Loans Before Unearned Income			950,815			843,608
Unearned income			(1,894)			(2,025)
Total Loans Net of Unearned Income			$948,921			$841,583

As of December 31, 2016, $127.7 million of floating rate loans were at their interest rate floor. At December 31, 2015, $132.9 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, 2016					
	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	$ 173	$ 585	$ 758	$ 83,481	$ 84,239	$ 34
Farmland	234	105	339	20,799	21,138	-
1 - 4 family	1,108	2,387	3,495	131,716	135,211	145
Multifamily	-	5,014	5,014	7,436	12,450	-
Non-farm non-residential	1,618	2,753	4,371	412,643	417,014	-
Total Real Estate	3,133	10,844	13,977	656,075	670,052	179
Non-Real Estate:						
Agricultural	64	1,958	2,022	21,761	23,783	-
Commercial and industrial	552	8,070	8,622	185,347	193,969	-
Consumer and other	182	981	1,163	61,848	63,011	-
Total Non-Real Estate	798	11,009	11,807	268,956	280,763	-
Total Loans Before Unearned Income	$3,931	$21,853	$25,784	$925,031	950,815	$179
Unearned income					(1,894)	
Total Loans Net of Unearned Income					$948,921	

	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	

The tables above include $21.7 million and $20.0 million of nonaccrual loans for December 31, 2016 and 2015, 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,	
	2016	2015
	(in thousands)	
Real Estate:		
Construction & land development	$ 551	$ 558
Farmland	105	117
1-4 family	2,242	4,538
Multifamily	5,014	9,045
Non-farm non-residential	2,753	2,934
Total Real Estate	10,665	17,192
Non-Real Estate:		
Agricultural	1,958	2,628
Commercial and industrial	8,070	48
Consumer and other	981	171
Total Non-Real Estate	11,009	2,847
Total Nonaccrual Loans	$21,674	$20,039

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

	As of December 31, 2016					As of December 31, 2015				
	Pass	Special Mention	Sub-standard	Doubtful	Total	Pass	Special Mention	Sub-standard	Doubtful	Total
					(in thousands)					
Real Estate:										
Construction & land development	$ 79,069	$ 1,162	$ 4,008	$ -	$84,239	$ 51,681	$ 386	$ 4,065	$ -	$56,132
Farmland	20,652	381	105	-	21,138	17,554	-	118	-	17,672
1-4 family	123,191	5,460	6,560	-	135,211	115,878	6,425	7,307	-	129,610
Multifamily	4,268	1,132	7,050	-	12,450	3,584	-	9,045	-	12,629
Non-farm non-residential	392,355	6,406	18,253	-	417,014	296,682	3,288	23,393	-	323,363
Total Real Estate	619,535	14,541	35,976	-	670,052	485,379	10,099	43,928	-	539,406
Non-Real Estate:										
Agricultural	20,890	920	1,973	-	23,783	20,860	4	4,974	-	25,838
Commercial and industrial	182,381	850	3,008	7,730	193,969	214,184	471	9,546	-	224,201
Consumer and other	60,582	1,394	1,035	-	63,011	53,779	178	206	-	54,163
Total Non-Real Estate	263,853	3,164	6,016	7,730	280,763	288,823	653	14,726	-	304,202
Total Loans Before Unearned Income	$883,388	$ 17,705	$41,992	$7,730	950,815	$ 774,202	$10,752	$58,654	$ -	843,608
Unearned income					(1,894)					(2,025)
Total Loans Net of Unearned Income					$948,921					$841,583

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, 2016, 2015 and 2014 are as follows:

	As of December 31,									
	2016					2015				
	Beginning Allowance (12/31/15)	Charge-Offs	Recoveries	Provision	Ending Allowance (12/31/16)	Beginning Allowance (12/31/14)	Charge-Offs	Recoveries	Provision	Ending Allowance (12/31/15)
	(in thousands)									
Real Estate:										
Construction & land development	$ 962	$ -	$ 4	$ 266	$ 1,232	$ 702	$(559)	$ 5	$ 814	$ 962
Farmland	54	-	-	(35)	19	21	-	-	33	54
1-4 family	1,771	(244)	45	(368)	1,204	2,131	(410)	94	(44)	1,771
Multifamily	557	-	401	(367)	591	813	(947)	46	645	557
Non-farm non-residential	3,298	(1,373)	16	1,510	3,451	2,713	(1,137)	5	1,717	3,298
Total Real Estate	6,642	(1,617)	466	1,006	6,497	6,380	(3,053)	150	3,165	6,642
Non-Real Estate:										
Agricultural	16	(83)	113	28	74	293	(491)	3	211	16
Commercial and industrial	2,527	(579)	146	1,449	3,543	1,797	(79)	315	494	2,527
Consumer and other	230	(635)	183	1,194	972	371	(550)	151	258	230
Unallocated	-	-	-	28	28	264	-	-	(264)	-
Total Non-Real Estate	2,773	(1,297)	442	2,699	4,617	2,725	(1,120)	469	699	2,773
Total	$ 9,415	$(2,914)	$908	$3,705	$11,114	$ 9,105	$(4,173)	$619	$3,864	$9,415

	As of December 31,				
	2014				
	Beginning Allowance (12/31/13)	Charge-Offs	Recoveries	Provision	Ending Allowance (12/31/14)
	(in thousands)				
Real Estate:					
Construction & land development	$ 1,530	$(1,032)	$ 6	$ 198	$ 702
Farmland	17	-	-	4	21
1-4 family	1,974	(589)	99	647	2,131
Multifamily	376	-	49	388	813
Non-farm non-residential	3,607	(1,515)	9	612	2,713
Total Real Estate	7,504	(3,136)	163	1,849	6,380
Non-Real Estate:					
Agricultural	46	(2)	1	248	293
Commercial and industrial	2,176	(266)	118	(231)	1,797
Consumer and other	208	(289)	199	253	371
Unallocated	421	-	-	(157)	264
Total Non-Real Estate	2,851	(557)	318	113	2,725
Total	$10,355	$(3,693)	$481	$1,962	$9,105

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, 2016					
	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	$ -	$1,232	$1,232	$ 361	$ 83,878	$ 84,239
Farmland	-	19	19	-	21,138	21,138
1-4 family	8	1,196	1,204	1,130	134,081	135,211
Multifamily	164	427	591	5,014	7,436	12,450
Non-farm non-residential	247	3,204	3,451	10,803	406,211	417,014
Total Real Estate	**419**	**6,078**	**6,497**	**17,308**	**652,744**	**670,052**
Non-Real Estate:						
Agricultural	11	63	74	1,614	22,169	23,783
Commercial and industrial	2,375	1,168	3,543	8,965	185,004	193,969
Consumer and other	193	779	972	924	62,087	63,011
Unallocated	-	28	28	-	-	-
Total Non-Real Estate	**2,579**	**2,038**	**4,617**	**11,503**	**269,260**	**280,763**
Total	**$2,998**	**$8,116**	**$11,114**	**$28,811**	**$922,004**	**950,815**
Unearned Income						(1,894)
Total Loans Net of Unearned Income						**$948,921**

	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, 2016, 2015 and 2014, First Guaranty had loans totaling $21.7 million, $20.0 million and $12.2 million, respectively, not accruing interest. As of December 31, 2016, 2015 and 2014, First Guaranty had loans past due 90 days or more and still accruing interest totaling $0.2 million, $0.4 million and $0.6 million, respectively. The average outstanding balance of nonaccrual loans in 2016 was $22.5 million compared to $14.9 million in 2015 and $13.8 million in 2014.

Included in the above table is a loan for $5.3 million at December 31, 2015, that was not considered impaired but was still individually evaluated for impairment since it was formally a restructured credit that subsequently return to market terms.

As of December 31, 2016, 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, 2016:

	As of December 31, 2016					
	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	$ 361	$ 823	$ -	$ 363	$ -	$ -
Farmland	-	-	-	-	-	-
1-4 family	863	1,196	-	1,044	49	48
Multifamily	-	-	-	-	-	-
Non-farm non-residential	8,501	9,430	-	8,949	196	175
Total Real Estate	**9,725**	**11,449**	**-**	**10,356**	**245**	**223**
Non-Real Estate:						
Agricultural	1,603	1,742	-	1,377	30	-
Commercial and industrial	-	-	-	-	-	-
Consumer and other	686	685	-	724	18	12
Total Non-Real Estate	**2,289**	**2,427**	**-**	**2,101**	**48**	**12**
Total Impaired Loans with no related allowance	**12,014**	**13,876**	**-**	**12,457**	**293**	**235**
Impaired Loans with an allowance recorded:						
Real estate:						
Construction & land development	-	-	-	-	-	-
Farmland	-	-	-	-	-	-
1-4 family	267	303	8	279	-	-
Multifamily	5,014	5,305	164	5,169	-	-
Non-farm non-residential	2,302	2,296	247	2,334	119	113
Total Real Estate	**7,583**	**7,904**	**419**	**7,782**	**119**	**113**
Non-Real Estate:						
Agricultural	11	11	11	11	-	-
Commercial and industrial	8,965	9,117	2,375	9,379	72	72
Consumer and other	238	244	193	289	8	7
Total Non-Real Estate	**9,214**	**9,372**	**2,579**	**9,679**	**80**	**79**
Total Impaired Loans with an allowance recorded	**16,797**	**17,276**	**2,998**	**17,461**	**199**	**192**
Total Impaired Loans	**$28,811**	**$31,152**	**$2,998**	**$29,918**	**$ 492**	**$ 427**

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 Non-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**

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 2016, there were no credit relationships that were restructured in a troubled debt restructuring. 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.

The following table is an age analysis of TDRs as of December 31, 2016 and December 31, 2015:

Troubled Debt Restructurings	December 31, 2016				December 31, 2015			
	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	$ -	$ -	$361	$ 361	$ -	$ -	$ 368	$ 368
Farmland	-	-	-	-	-	-	-	-
1-4 Family	-	-	-	-	-	-	1,702	1,702
Multifamily	-	-	-	-	-	-	-	-
Non-farm non residential	2,987	-	100	3,087	3,431	-	206	3,637
Total Real Estate	2,987	-	461	3,448	3,431	-	2,276	5,707
Non-Real Estate:								
Agricultural	-	-	-	-	-	-	-	-
Commercial and industrial	-	-	-	-	-	-	-	-
Consumer and other	-	-	-	-	-	-	-	-
Total Non-Real Estate	-	-	-	-	-	-	-	-
Total	$2,987	$ -	$461	$3,448	$3,431	$ -	$2,276	$5,707

The following table discloses TDR activity for the twelve months ended December 31, 2016.

	Trouble Debt Restructured Loans Activity — Twelve Months Ended December 31, 2016								
	Beginning balance (December 31, 2015)	New TDRs	Charge-Offs post-modification	Transferred to ORE	Paydowns	Construction to permanent financing	Restructured to market terms	Other adjustments	Ending balance (December 31, 2016)
	(in thousands)								
Real Estate:									
Construction & land development	$ 368	$ -	$ -	$ -	$(6)	$ -	$ -	$(1)	$ 361
Farmland	-	-	-	-	-	-	-	-	-
1-4 family	1,702	-	-	-	(32)	-	(1,670)	-	-
Multifamily	-	-	-	-	-	-	-	-	-
Non-farm non-residential	3,637	-	(111)	-	(3)	-	(441)	5	3,087
Total Real Estate	5,707	-	(111)	-	(41)	-	(2,111)	4	3,448
Non-Real Estate:									
Agricultural	-	-	-	-	-	-	-	-	-
Commercial and industrial	-	-	-	-	-	-	-	-	-
Consumer and other	-	-	-	-	-	-	-	-	-
Total Non-Real Estate	-	-	-	-	-	-	-	-	-
Total Impaired Loans with no related allowance	$5,707	$ -	$(111)	$ -	$(41)	$ -	$(2,111)	$ 4	$3,448

There were no commitments to lend additional funds to debtors whose terms have been modified in a troubled debt restructuring at December 31, 2016.

Note 7. Premises and Equipment

The components of premises and equipment at December 31, 2016 and 2015 are as follows:

	December 31,	
	2016	2015
	(in thousands)	
Land	$ 7,185	$ 7,227
Bank premises	21,229	18,914
Furniture and equipment	21,689	21,060
Construction in progress	2,106	2,667
Acquired value	52,209	49,868
Less: accumulated depreciation	28,690	27,849
Net book value	$23,519	$22,019

Depreciation expense amounted to $1.7 million, $1.6 million and $1.7 million for 2016, 2015 and 2014, 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, 2016 and 2015.

The following table summarizes intangible assets subject to amortization.

	December 31,					
	2016			2015		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	(in thousands)					
Core deposit intangibles	$9,350	$ 8,372	$978	$9,350	$ 8,052	$1,298
Mortgage servicing rights	267	189	78	267	171	96
Total	$9,617	$ 8,561	$1,056	$9,617	$ 8,223	$1,394

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 3.6 years.

Amortization expense relating to purchase accounting intangibles totaled $0.3 million, $0.3 million, and $0.3 million for the years ended December 31, 2016, 2015, and 2014, 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, 2017	$320
December 31, 2018	$320
December 31, 2019	$135
December 31, 2020	$135
December 31, 2021	$ 68

Note 9. Other Real Estate

Other real estate owned consists of the following:

	December 31,	
	2016	2015
	(in thousands)	
Real Estate Owned Acquired by Foreclosure:		
Residential	$ 71	$880
Construction & land development	-	25
Non-farm non-residential	288	672
Total Other Real Estate Owned and Foreclosed Property	$359	$1,577

Note 10. Deposits

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

	December 31, 2016
	(in thousands)
2017	$359,943
2018	78,927
2019	41,088
2020	23,318
2021 and thereafter	14,721
Total	$517,997

The table above includes, for December 31, 2016, brokered deposits totaling $20.8 million. The aggregate amount of jumbo time deposits, each with a minimum denomination of $250,000 totaled $241.4 million and $305.1 million at December 31, 2016 and 2015, respectively.

Note 11. Borrowings

Short-term borrowings are summarized as follows:

	December 31, 2016	December 31, 2015
	(in thousands)	
Federal Home Loan Bank advances	$6,500	$ -
Line of credit	-	1,800
Total short-term borrowings	$6,500	$1,800

First Guaranty maintains borrowing relationships with other financial institutions as well as the Federal Home Loan Bank on a short and long-term basis to meet liquidity needs. Short-term borrowings totaled $6.5 million at December 31, 2016 and $1.8 million at December 31, 2015. Short-term borrowing consisted of a line of credit of $2.5 million, with no outstanding balance at December 31, 2016 and collateralized short-term borrowings from the Federal Home Loan Bank totaling $6.5 million at December 31, 2016.

Available lines of credit totaled $133.7 million at December 31, 2016 and $206.2 million at December 31, 2015.

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

	December 31,		
	2016	2015	2014
	(in thousands except for %)		
Outstanding at year end	$ 6,500	$ 1,800	$ 1,800
Maximum month-end outstanding	$25,000	$13,800	$22,356
Average daily outstanding	$ 8,775	$ 4,217	$ 6,960
Weighted average rate during the year	0.85%	2.12%	1.08%
Average rate at year end	0.65%	4.50%	4.50%

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 (4.50%), totaled $0.3 million at December 31, 2016 and $0.9 million at December 31, 2015. 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 (3.37%), totaled $21.8 million at December 31, 2016 and $25.0 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, 2016 and $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 and 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 $2.5 million at December 31, 2016. This line of credit is secured by the same collateral as the senior term loan and is priced at 4.75%.

At December 31, 2016, letters of credit issued by the FHLB totaling $226.1 million were outstanding and carried as off-balance sheet items, all of which expire in 2017. 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 expired in 2016. 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, 2016 obligations on senior long-term debt and junior subordinated debentures totaled $36.7 million. The scheduled maturities are as follows:

	Senior Long-term Debt	Junior Subordinated Debentures
	(in thousands)	
2017	$ 2,125	$ -
2018	2,500	-
2019	2,500	-
2020	2,500	-
2021	2,500	-
2022 and thereafter	10,000	15,000
Subtotal	**$22,125**	**$15,000**
Debt issuance costs	(25)	(370)
Total	**$22,100**	**$14,630**

Note 12. Preferred Stock

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 2016 First Guaranty paid no preferred stock dividends compared to $0.4 million in 2015 and $0.4 million in 2014.

On December 22, 2015, First Guaranty redeemed all of the 39,435 shares of its Senior Non-Cumulative Perpetual Preferred Stock, Series C, which 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, 2016 and 2015, that First Guaranty and the Bank met all capital adequacy requirements.

In addition to establishing the minimum regulatory capital requirements, the regulations limit capital distributions and certain discretionary bonus payments to management if the institution does not hold a "capital conservation buffer" consisting of 2.5% of common equity Tier 1 capital to risk-weighted asset above the amount necessary to meet its minimum risk-based capital requirements. The capital conservation buffer requirement is being phased in beginning January 1, 2016 at 0.625% of risk-weighted assets and increasing each year until fully implemented at 2.5% on January 1, 2019. For 2017, the capital conservation buffer will be 1.25% of risk-weighted assets. First Guaranty Bancshares, Inc. capital conservation buffer was 4.59% at December 31, 2016. First Guaranty Bank's capital conservation buffer was 4.99% at December 31, 2016.

As of December 31, 2016, 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, 2016 and 2015 are presented in the following table.

First Guaranty's and the Bank's actual capital amounts and ratios as of December 31, 2016 and 2015 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, 2016						
Total Risk-Based Capital:						
Consolidated	$151,877	12.79%	$ 94,982	8.00%	N/A	N/A
Bank	$153,768	12.99%	$ 94,717	8.00%	$118,396	10.00%
Tier 1 Capital:						
Consolidated	$125,763	10.59%	$ 71,236	6.00%	N/A	N/A
Bank	$142,654	12.05%	$ 71,038	6.00%	$ 94,717	8.00%
Tier 1 Leverage Capital:						
Consolidated	$125,763	8.68%	$ 57,930	4.00%	N/A	N/A
Bank	$142,654	9.88%	$ 57,771	4.00%	$ 72,214	5.00%
Common Equity Tier One Capital:						
Consolidated	$125,763	10.59%	$ 53,427	4.50%	N/A	N/A
Bank	$142,654	12.05%	$ 53,278	4.50%	$ 76,958	6.50%
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%

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 2017 without permission will be limited to 2017 earnings plus the undistributed earnings of $3.8 million from 2016.

Accordingly, at January 1, 2017, $137.4 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, 2016 and 2015 follows:

	December 31,	
	2016	2015
	(in thousands)	
Balance, beginning of year	$57,816	$53,808
Net Increase	463	4,008
Balance, end of year	**$58,279**	**$57,816**

Unfunded commitments to First Guaranty and Bank directors and executive officers totaled $24.9 million and $31.6 million at December 31, 2016 and 2015, respectively. At December 31, 2016 First Guaranty and the Bank had deposits from directors and executives totaling $28.7 million. There were no participations in loans purchased from affiliated financial institutions included in First Guaranty's loan portfolio in 2016 or 2015.

During the years ended 2016, 2015 and 2014, First Guaranty paid approximately $0.3 million, $0.2 million and $0.2 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, $0 and $2.3 million for 2016, 2015 and 2014, 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.

On December 21, 2015, First Guaranty issued a $15.0 million subordinated note (the "Note") to Edgar Ray Smith III, a director of First Guaranty. The Note is for a ten-year term (non-callable for first five years) and will bear interest at a fixed annual rate of 4.0% for the first five years of the term and then adjust to a floating rate based on the Prime Rate as reported by the Wall Street Journal plus 75 basis points for the period of time after the fifth year until redemption or maturity. First Guaranty paid interest of $0.6 million in 2016 for this note.

During the years ended 2016, 2015 and 2014, First Guaranty paid approximately $0.3 million, $0.2 million and $25,000, respectively, for architectural services in relation to bank branches to Gasaway Gasaway Bankston Architects, of which bank subsidiary board member Andrew B. Gasaway is part owner.

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 $191,000, $86,000 and $87,000 in 2016, 2015 and 2014, 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 2016, 2015 or 2014. As of December 31, 2016, the ESOP held 15,159 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,		
	2016	2015	2014
	(in thousands)		
Other noninterest expense:			
Legal and professional fees	$ 2,185	$ 2,019	$ 1,982
Data processing	1,259	1,184	1,153
ATM Fees	1,044	1,022	1,122
Marketing and public relations	878	848	700
Taxes - sales, capital and franchise	787	717	605
Operating supplies	471	414	410
Software expense and amortization	835	612	499
Travel and lodging	710	818	566
Telephone	177	172	242
Amortization of core deposits	320	320	320
Donations	298	332	150
Net costs from other real estate and repossessions	498	493	1,374
Regulatory assessment	1,005	1,111	1,181
Other	1,599	1,692	1,522
Total other noninterest expense	**$12,066**	**$11,754**	**$11,826**

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, $0.6 million and $0.4 million for 2016, 2015 and 2014, 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,		
	2016	2015	2014
	(in thousands)		
Current	$8,168	$7,347	$4,898
Deferred	(1,004)	(384)	594
Total	**$7,164**	**$6,963**	**$5,492**

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,		
	2016	2015	2014
	(in thousands except for %)		
Statutory tax rate	35.0%	35.0%	35.0%
Federal income taxes at statutory rate	$7,440	$7,514	$5,851
Tax exempt municipal income	(283)	(436)	(284)
Other	7	(115)	(75)
Total	**$7,164**	**$6,963**	**$5,492**

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,	
	2016	2015
	(in thousands)	
Deferred tax assets:		
Allowance for loan losses	$3,890	$3,201
Other real estate owned	60	127
Unrealized losses on available for sale securities	2,060	445
Other	449	541
Gross deferred tax assets	**6,459**	**4,314**
Deferred tax liabilities:		
Depreciation and amortization	(1,480)	(1,588)
Core deposit intangibles	(342)	(441)
Unrealized gains on available for sale securities	-	-
Other	(376)	(373)
Gross deferred tax liabilities	**(2,198)**	**(2,402)**
Net deferred tax assets	**$ 4,261**	**$1,912**

As of December 31, 2016 and 2015, 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, 2016, 2015 and 2014, 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, 2016 and December 31, 2015.

	December 31,	
	2016	2015
	(in thousands)	
Contract Amount		
Commitments to Extend Credit	$ 56,910	$ 88,081
Unfunded Commitments under lines of credit	$ 128,428	$107,581
Commercial and Standby letters of credit	$ 6,602	$ 7,486

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 2016, 2015 or 2014.

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, 2016 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, 2016 and 2015 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, 2016 and 2015, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	December 31,	
	2016	2015
	(in thousands)	
Available for Sale Securities Fair Value Measurements Using:		
Level 1: Quoted Prices in Active Markets For Identical Assets	$ 30,487	$ 30,501
Level 2: Significant Other Observable Inputs	347,586	338,167
Level 3: Significant Unobservable Inputs	19,400	7,701
Securities available for sale measured at fair value	$397,473	$376,369

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 2 securities available for sale from December 31, 2015 was due principally to the purchase of corporate bond securities. The change in Level 3 securities available for sale from December 31, 2015 was due to the purchase of $8.5 million in municipal securities and $4.5 million of subordinated debt securities offset by the maturity of $1.3 million in municipal securities.

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

	Level 3 Changes	
	December 31,	
	2016	2015
	(in thousands)	
Balance, beginning of year	$ 7,701	$8,780
Total gains or losses (realized/unrealized):		
Included in earnings	-	-
Included in other comprehensive income	-	-
Purchases, sales, issuances and settlements, net	11,699	(1,079)
Transfers in and/or out of Level 3	-	-
Balance as of end of year	$19,400	$7,701

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, 2016.

The following table measures financial assets and financial liabilities measured at fair value on a non-recurring basis as of December 31, 2016, segregated by the level of valuation inputs within the fair value hierarchy utilized to measure fair value:

	December 31,	
	2016	2015
	(in thousands)	
Fair Value Measurements Using: Impaired Loans		
Level 1: Quoted Prices in Active Markets For Identical Assets	$ -	$ -
Level 2: Significant Other Observable Inputs	259	293
Level 3: Significant Unobservable Inputs	18,559	16,401
Impaired loans measured at fair value	$18,818	$16,694
Fair Value Measurements Using: Other Real Estate Owned		
Level 1: Quoted Prices in Active Markets For Identical Assets	$ -	$ -
Level 2: Significant Other Observable Inputs	226	1,104
Level 3: Significant Unobservable Inputs	133	473
Other real estate owned measured at fair value	$ 359	$ 1,577

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, 2016 and 2015 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, 2016 and 2015 are presented in the following table:

	December 31,			
	2016		2015	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
	(in thousands)			
Assets				
Cash and cash equivalents	$ 18,111	$ 18,111	$ 37,272	$ 37,272
Securities, available for sale	$ 397,473	$ 397,473	$ 376,369	$ 376,369
Securities, held to maturity	$ 101,863	$ 99,906	$ 169,752	$ 168,148
Federal Home Loan Bank stock	$ 1,816	$ 1,816	$ 935	$ 935
Loans, net	$ 937,807	$ 937,495	$ 832,168	$ 831,731
Accrued interest receivable	$ 7,039	$ 7,039	$ 6,015	$ 6,015
Liabilities				
Deposits	$ 1,326,181	$ 1,325,972	$ 1,295,870	$ 1,296,468
Borrowings	$ 28,600	$ 28,625	$ 27,624	$ 27,624
Junior subordinated debentures	$ 14,630	$ 13,909	14,597	14,597
Accrued interest payable	$ 1,931	$ 1,931	$ 1,707	$ 1,707

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, 2016. 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 42.0% of First Guaranty's deposits are derived from local governmental agencies at December 31, 2016. 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 $556.9 million at December 31, 2016.

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. Subsequent Events

On January 30, 2017, First Guaranty entered into an Agreement and Plan of Merger (the "Merger Agreement") with Premier Bancshares, Inc., a Texas corporation ("Premier"), pursuant to which Premier will merge with and into First Guaranty (the "Merger"). Following the consummation of the Merger, and following the consummation of a merger of Premier's wholly-owned subsidiary, Premier Delaware Bancshares, Inc. ("Premier Delaware"), with and into First Guaranty, Synergy Bank, S.S.B., a Texas-state chartered savings bank and wholly-owned subsidiary of Premier ("Synergy Bank"), will merge with and into First Guaranty Bank with First Guaranty Bank continuing as the surviving entity. The Merger Agreement was unanimously approved by the Board of Directors of each of First Guaranty and Premier.

The aggregate purchase price of the transaction is approximately $21.0 million. Under the terms of the Merger Agreement, each outstanding share of Premier common stock will be converted into the right to receive (i) an amount in cash, equal to the Premier book value as of December 31, 2016 as reflected on the audited financial statements of Premier plus $1.5 million (the "Gross Consideration"), divided by the total number of shares of Premier common stock outstanding as of the business day immediately prior to the closing date, multiplied by 50%; and (ii) that number of shares of First Guaranty common stock equal to the Gross Consideration divided by the total number of shares of Premier common stock outstanding as of the business day immediately prior to the closing date, multiplied by 50%, divided by the Average Closing Price of First Guaranty common stock. Average Closing Price means the average of the closing prices of First Guaranty common stock as reported on the NASDAQ Global Market for the 20 consecutive trading days ending on the fifth business day immediately prior to the closing date. The Gross Consideration will be comprised of 50% First Guaranty common stock and 50% cash.

At December 31, 2016, Premier Bancshares had total assets of approximately $154 million, including loans of $114 million. Total deposits were $129 million.

The Merger Agreement includes customary representations and warranties made by First Guaranty and Premier, each with respect to its and its subsidiaries' businesses. Each party has also agreed to customary covenants, including, among others, covenants relating to the conduct of its business during the interim period between the execution of the Merger Agreement and the consummation of the Merger.

The Merger is subject to approval by Premier's stockholders as well as regulatory approval and other customary closing conditions. The Merger Agreement provides certain termination rights for both First Guaranty and Premier and further provides that a termination fee of $500,000 will be payable by Premier to First Guaranty or by First Guaranty to Premier, as applicable, upon termination of the Merger Agreement under certain circumstances.

The Merger is expected to close either late in the second quarter or early in the third quarter of 2017 following receipt of all regulatory and shareholder approvals.

Note 25. 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,	
	2016	2015
	(in thousands)	
Assets		
Cash	$ 16,088	$ 16,862
Investment in bank subsidiary	141,241	140,518
Investment Securities (available-for-sale, at fair value)	80	80
Other assets	4,197	3,233
Total Assets	161,606	$ 160,693
Liabilities and Shareholders' Equity		
Short-term debt	-	$ 1,800
Senior long-term debt	22,100	25,824
Junior subordinated debentures	14,630	14,597
Other liabilities	527	248
Total Liabilities	37,257	42,469
Shareholders' Equity	124,349	118,224
Total Liabilities and Shareholders' Equity	$161,606	$160,693

First Guaranty Bancshares, Inc.
Condensed Statements of Income

	December 31,		
	2016	2015	2014
	(in thousands)		
Operating Income			
Dividends received from bank subsidiary	$11,858	$ 9,843	$ 6,448
Net gains on securities	-	2,652	-
Other income	160	261	162
Total operating income	**12,018**	**12,756**	**6,610**
Operating Expenses			
Interest expense	1,444	192	130
Salaries & Benefits	200	172	140
Other expenses	948	766	464
Total operating expenses	**2,592**	**1,130**	**734**
Income before income tax benefit and increase in equity in undistributed earnings of subsidiary	**9,426**	**11,626**	**5,876**
Income tax benefit (expense)	846	(605)	229
Income before increase in equity in undistributed earnings of subsidiary	**10,272**	**11,021**	**6,105**
Increase in equity in undistributed earnings of subsidiary	3,821	3,484	5,119
Net Income	**14,093**	**14,505**	**11,224**
Less preferred stock dividends	-	(384)	(394)
Net income available to common shareholders	**$14,093**	**$14,121**	**$10,830**

First Guaranty Bancshares, Inc.
Condensed Statements of Cash Flows

	December 31,		
	2016	2015	2014
	(in thousands)		
Cash flows from operating activities:			
Net income	$14,093	$14,505	$11,224
Adjustments to reconcile net income to net cash provided by operating activities:			
Increase in equity in undistributed earnings of subsidiary	(3,821)	(3,484)	(5,119)
Depreciation and amortization	7	-	-
Gain on sale of securities	-	(2,652)	-
Net change in other liabilities	318	(28)	55
Net change in other assets	(971)	396	(3,383)
Net cash provided by operating activities	9,626	8,737	2,777
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:			
Net decrease in short-term borrowings	(1,800)	-	-
Proceeds from long-term debt, net of costs	-	24,969	2,555
Repayment of long-term debt	(3,730)	(1,584)	(616)
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	(4,870)	(4,631)	(4,421)
Net cash (used in) provided by financing activities	(10,400)	3,260	(2,482)
Net (decrease) increase in cash and cash equivalents	(774)	16,139	290
Cash and cash equivalents at the beginning of the period	16,862	723	433
Cash and cash equivalents at the end of the period	$16,088	$16,862	$ 723

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 beginning on 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, 2016, 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, 2016 and 2015. 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.

	2016			2015		
Quarter Ended *:	High	Low	Dividend	High	Low	Dividend
March 31,	$ 16.83	$15.50	$ 0.16	$19.00	$16.70	$ 0.16
June 30,	$ 16.15	$15.95	$ 0.16	$21.00	$15.00	$ 0.16
September 30,	$ 16.41	$16.17	$ 0.16	$20.74	$15.00	$ 0.16
December 31,	$ 23.93	$23.32	$ 0.16	$21.73	$14.60	$ 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 94 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.

FIRST GUARANTY BANCSHARES, INC.

www.fgb.net

Annual Meeting

The Annual Meeting of Shareholders will convene at 2:00 p.m. Central Daylight Saving Time (CDT) on Thursday, May 18, 2017 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.

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