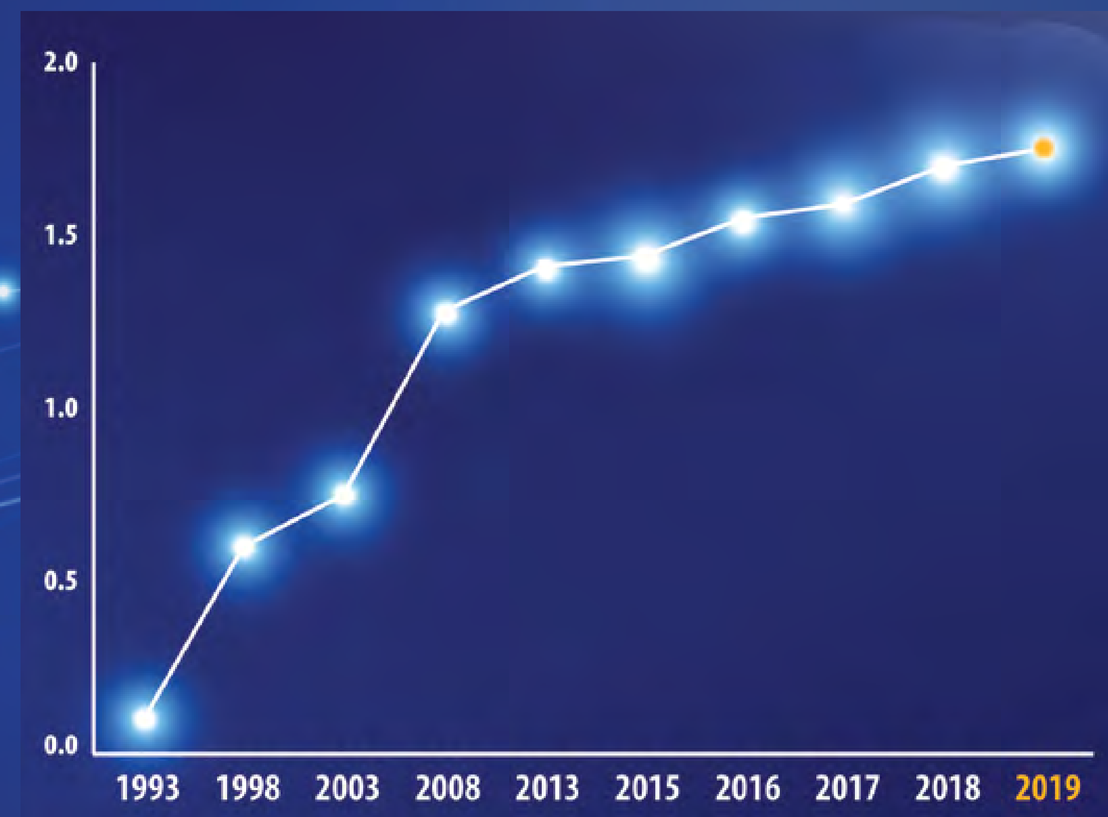
FIRST GUARANTY BANCSHARES, INC.

Persistence Pays Dividends



ANNUAL REPORT 2019

2019 FIRST GUARANTY BANCSHARES, INC. ANNUAL REPORT

FIRST GUARANTY BANCSHARES, INC.

www.fgb.net

The graph featured on the front cover depicts Dividends Per One 1993 Common Share. Please see the graph and accompanying footnotes found in the First Guaranty Bancshares Financial Snapshot on page 1.

First Guaranty Bancshares, Inc.
Financial Snapshot

First Guaranty Bancshares, Inc.

At December 31, 2019, total assets were $2.12 billion, net income was $14.2 million, earnings per common share was $1.47. Return on average assets was 0.76% and return on average common equity was 8.99%. First Guaranty Bancshares, Inc. shares are traded at the NASDAQ Global Market Exchange and has paid quarterly dividends for 106 consecutive quarters at December 31, 2019. First Guaranty Bancshares is committed to customer service and shareholder value. ***Persistence pays dividends!***

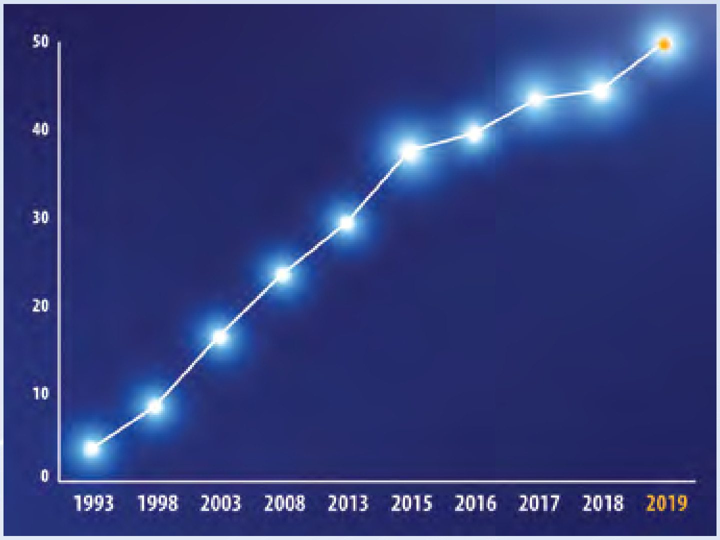
Profile

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 in northeast Texas, serving customers from 34 branch locations, including one loan production office. Headquartered in Hammond, Louisiana, the Company had 419 employees as of December 31, 2019.

PERFORMANCE GRAPHS

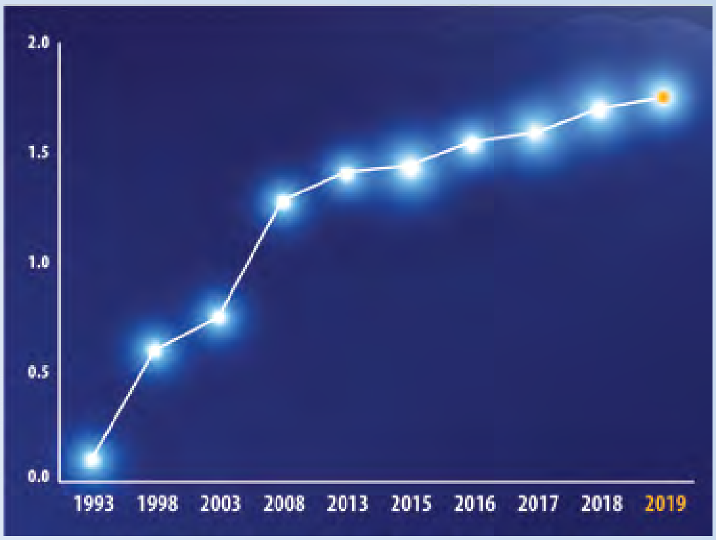
Book Value Growth Per One 1993 Share[1]

(per common share)



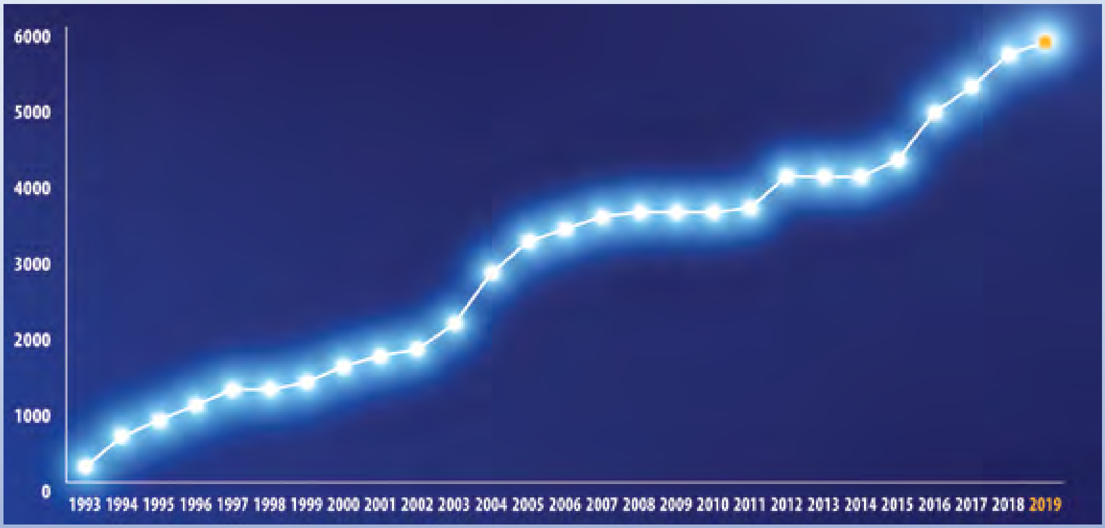
Book Value per one 1993 share has increased from **$3.70** to **$49.93** since 1993.

Dividends Per One 1993 Common Share [2]



[1] Book value has been adjusted for cumulative stock splits and dividends of 2.93 times since 1993

[2] Cash dividends from the perspective of one original common stock from 1993 to present, this considers the impact of stock splits and stock dividends.



Cash Dividends on Common Stock

(In thousands)

First Guaranty has paid **$78,335,000** in Cash Dividends to common shareholders since 1993.

First Guaranty Bank
Table of Contents

Visit www.fgb.net for additional information.

NASDAQ Stock Ticker Symbol: FGBI

Member FDIC

EQUAL HOUSING LENDER

Persistence Pays Dividends

Endurance, determination and persistence are hallmarks of First Guaranty Bancshares, Inc., resulting in consistent financial results witnessed year after year. From the boardroom to management team and to each branch where customers are personally served, everyone on the First Guaranty team comes to work each day to make First Guaranty an even better bank than the day before, for both customers and employees.

Whether a director, teller or lending officer, each person at First Guaranty enthusiastically helps spark awareness of the products and services offered. Everyone looks for ways to continuously improve. It is understood that improvement requires adapting to change wherever it arises, be it in the economy or one's individual career. **Persistence pays dividends in all areas of work and life.**

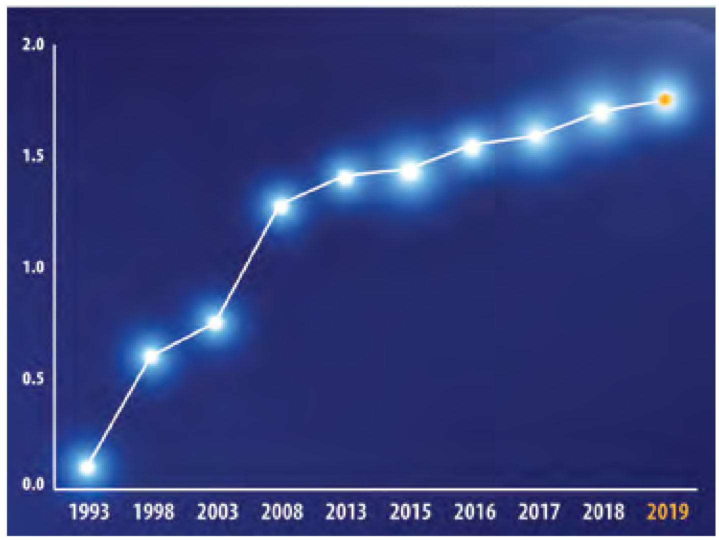
With direction from management, the entire First Guaranty Bank team decides what is most important and takes substantial action toward those ends. Results earned from persistence often take time and trial. Experience teaches us that trials and resistance build strength and endurance. At First Guaranty, not only is the outcome the focus, but also the process. Together, the "how and why" of an approach or methodology is reviewed.

According to Napoleon Hill in ***Think and Grow Rich***, persistence can be developed with a four-step plan:

1. **Identify a definite purpose, backed by a burning desire for its fulfillment.**
2. **Determine a definite plan, expressed in continuous action.**
3. **Close one's mind tightly against negative and discouraging influences.**
4. **Create a friendly alliance with one or more persons who encourage follow-through with both the purpose and plan.**

> **"The difference between a SUCCESSFUL person and others is not a lack of knowledge, but rather a lack in will."**
>
> **VINCE LOMBARDI, JR.**

First Guaranty Bancshares' leadership subscribes to and values comparable tenets. Dividends, the share of profits paid to stockholders, are so highly regarded by First Guaranty Bancshares, Inc. directors and management, that the front cover of the annual report features the dividends graph! This particular graph illustrates cash dividends from the perspective of one original common stock from 1993 to 2019, including the impact of stock splits and stock dividends. The discipline, consistency and persistence required to attain this level of growth and value speaks for itself.



Persistence pays dividends. Literally, persistence with its fortress balance sheet plan resulted in outstanding performance, allowing First Guaranty Bancshares, Inc. to issue 106 consecutive quarters of dividends to shareholders. Yes, 106 consecutive quarters of cash dividends!

Resilience, knowledge and passion with an overarching desire to be valuable to other individuals and businesses is fundamental to First Guaranty's success. The familiar account of Thomas Edison trying repeatedly to invent the light bulb, never quitting and finally succeeding is a well-known success story. Likewise, persistence in sports produces winners and propels athletes to keep improving. From Joe Burrow and Drew Brees in football to JJ Redick in basketball, these exceptional players possess a work and practice ethic that seems unmatched, combined with desire and persistence. As quoted in ***SB Nation***, Redick says of his quest to make every shot he takes, *"I think my mind set is always starting with self-responsibility of working to get better and improve myself, but also figuring out each year: how do I help whatever team I'm on win games?"* He is known to painstakingly plan every detail.

Similar to these sports legends, among the questions First Guaranty asks are:

> **"How can First Guaranty post its best year yet for shareholders?"**
>
> **"What more do our valued customers need from us and how can we best fulfill our commitment to customer service?"**
>
> **"How can First Guaranty develop each employee to their fullest potential, allowing each to achieve their personal dreams and create an environment where employees are encouraged to learn and grow with First Guaranty?"**

Persistence pays dividends in a myriad of ways:

- **a continued focus on customer service,**
- **determining consumer needs and providing solutions in real time,**
- **improving operations with cost-saving methods,**
- **enhancing shareholder value,**
- **boosting employee morale and enriching their careers and**
- **measuring performance based on capital, book value, earnings, deposits, loans, geographic growth and other critical metrics.**

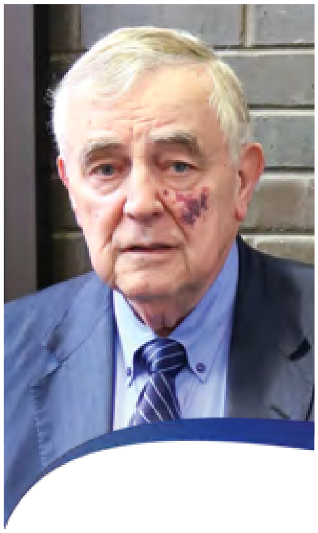
It is difficult to measure the personal satisfaction derived from a job well-done but upon achievement, no one denies the value of these dividends. This satisfaction often encourages one to try harder, dream bigger and achieve more, especially when there is an opportunity to help someone.

> **"Nothing in this world can take the place of persistence. Talent will not; nothing is more common than unsuccessful people with talent. Genius will not; unrewarded genius is almost a proverb. Education will not; the world is full of educated failures. Persistence and determination alone are omnipotent."**
>
> **CALVIN COOLIDGE**

Success depends upon drive and persistence. Desire, combined with organized and detailed plans, cooperation and habits are vital aspects of persistence. When obstacles and challenges arise, these vital aspects energize those who persevere. The book ends of "Don't Quit!" are "Do It!" Persistence is hard work. Persistence takes courage and fortitude. ***Persistence pays dividends.***

In 2018, First Guaranty Bancshares's message of "Consistency, The Path to Continued Success" shared parallel elements of purpose, planning and teamwork. In 2019, First Guaranty Bancshares remained consistent and persistent. Notable 2019 events included the acquisition of The Union Bank which added seven new branches, all located in central Louisiana. 2019 delivered a 10% stock dividend to shareholders, in addition to the 106^{th} quarter of cash dividends. Employee involvement in the communities First Guaranty serves included over 1,500 employee volunteer service hours benefitting 142 charitable and civic organizations. ***Persistence pays dividends!***

First Guaranty Bancshares, Inc. is committed to customer service and shareholder value. With the power to make loan decisions on a local level, First Guaranty possesses the strength to help meet the needs and expectations of our customers. First Guaranty remains steadfast. ***Persistence pays dividends.***



Marshall T. Reynolds
Chairman of the Board

FIRST GUARANTY BANCSHARES, INC.

Dear Shareholders,

We accomplished a significant number of projects in 2019. If you read the President's letter you will see them enumerated. Personally, I like to look to the future. What is going to happen to First Guaranty Bancshares in 2020?

According to our projection, FGB should realize a net profit of $23 million during the coming year. When you look at the $14 million we reported for 2019, that is approximately a 60% increase in earnings.

When it's all said and done, this is the most important figure in a bank's or business's reporting. We will keep you apprised via our quarterly reports. I cannot wait until our first quarter report appears.

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

Alton B. Lewis

Chief Executive Officer & President

Persistence. Determination. Strength. Success. Reward.

This string of words summarizes the year 2019 for First Guaranty Bancshares, Inc. 2019 was a year of headwinds and changes for financial institutions as interest rates dropped, as fears of a financial downturn shook business confidence, as trade wars increased uncertainty and as the political landscape was in constant upheaval.

Through all this, we, at First Guaranty Bancshares, Inc., kept our eyes on the goal and persisted in following our path to success. In the end, that persistence, that determination and that strength paid off with a strong conclusion to 2019. Fourth quarter earnings were $4,049, 000 compared to fourth quarter earnings of 2018 of $2,618,000, a 55% increase. This brought our earnings for the year of 2019 to a total of $14,241,000 a slight increase over 2018. A strong fourth quarter of Lending enabled us to reach our original First Guaranty Bank lending goals for 2019. That loan production plus the addition of The Union Bank in November of 2019 gave us a total loan portfolio as of December 31, 2019 of $1,525,490,169 compared to $1,225,267,846 as of December 31, 2018, an increase of $300 million or 25% year over year.

The strong fourth quarter brought the completion of the merger and acquisition with The Union Bank in Marksville, Louisiana which increased our total assets to $2,117,216,000 as of the end of 2019.

Beginning in September of 2019, we successfully implemented the Commercial loan portion of our nCino platform. This platform will significantly reduce the number of "touches" and the amount of time required to process a loan, will enable us to track the progress of a loan for our system, and will greatly enhance the customer service we provide our customers. In 2020, we are implementing the retail loan portion of the system, the deposit side of the system and online account opening and loan application.

In 2019, we contracted for the acquisition and implementation of a new online banking system which will provide to our customers many new services and features on a much faster basis.

In 2019, we completed the construction of our new branch in Amite and put it into operation.

In 2019, we began implementations of deposit strategies aimed to significantly reduce our cost of funds and increasing our income.

At the end of 2019, First Guaranty Bancshares, Inc. was significantly bigger in assets. At the end of 2019, First Guaranty Bancshares, Inc. and its wholly owned subsidiary, First Guaranty Bank had a total of 34 offices in Louisiana and Texas. At the end of 2019, First Guaranty Bancshares, Inc. made significant steps forward in keeping up with developments and technology to better serve our customers and to be more efficient. At the end of 2019, First Guaranty Bancshares, Inc. balance sheet was stronger as we made progress toward building a fortress balance sheet.

It took persistence, determination and strength. We were successful. At the end of 2019, our shareholders were rewarded with a book value that had increased from $15.20 at the end of 2018 to $17.04 at the end of 2019. At the end of 2019, our shareholders were rewarded with a 10% stock dividend which increased their number of shares by 10%. At the end of 2019, our shareholders had been rewarded with their 103rd, 104th, 105th and 106th consecutive quarterly dividends with total cash dividends paid during the year of $5.8 million.

Thank you for your continued support. We will continue to move toward our goals of fanatical customer service, growing First Guaranty Bancshares, Inc. and enhancing value for our shareholders.

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

Report from the **Chief Financial Officer**

Eric J. Dosch

Chief Financial Officer

Persistence Pays Dividends

First Guaranty Bancshares, Inc. continued its consistent track record of loan, dividend, and capital growth in 2019. The Texas loan portfolio grew to $204.5 million at December 31, 2019 which is a $46.6 million increase from $154.1 million at December 31, 2018. Texas loans have grown a total of $76.5 million from $128.0 million at the acquisition date in June 2017. Texas deposits grew to $230.5 million at December 31, 2019 from $144.1 million at December 31, 2018. Texas deposits have grown a total of $103.3 million from $127.2 million at June 2017.

First Guaranty acquired Union Bancshares, Inc. on November 7th, 2019. The acquisition increased First Guaranty's loans by $183.8 million, deposits by $205.2 million and added seven new locations in Central Louisiana. Following the Union acquisition, First Guaranty declared its third 10% common stock dividend in December and maintained the same $0.16 per share dividend rate. Shareholders received an additional 10% in common shares and their cash dividends received increased by 10%. All financial statement information reflects the adjustment for the stock dividend.

Loans, including The Union Bank acquisition, grew by 24.5% or $300.2 million from $1.23 billion in 2018 to $1.53 billion in 2019. First Guaranty increased loan interest income by $14.0 million in 2019. First Guaranty continues to execute its plan to grow loans as a percentage of our balance sheet. Our loan portfolio finished December 31, 2019 at 72% of total assets. Five years ago, the loan portfolio was only 52% of assets at December 31, 2014. The loan to deposit ratio was 82.32% at December 31, 2019 which still leaves us room to grow. Our average loan yield has remained consistently above 5.0% during the last several years. The average loan yield was 5.55% for 2018 and increased to 5.99% for 2019. The net interest margin was 3.41% for both 2018 and 2019.

Total common shareholder's equity increased $18.8 million from $147.3 million in 2018 to $166.0 million as of December 31, 2019. Retained earnings increased $8.3 million from $34.9 million in 2018 to $43.3 million as of December 31, 2019. The loan loss reserve was $10.9 million as of December 31, 2019.

Earnings per common share were $1.47 in 2019. Tangible book value per share increased from $14.57 at December 31, 2018 to $15.05 at December 31, 2019. Return on average assets was 0.76% for 2019. Return on average common equity was 8.99% in 2019.

First Guaranty Bancshares paid a total of $5,803,000 in cash dividends to common shareholders in 2019 which reflected the increase in cash dividends from the 10% common stock dividend declared at the end of the year. The Company has paid 106 consecutive quarters of dividends as of December 31, 2019.

First Guaranty continues to build strength for the future. We increased loans and capital in 2019. First Guaranty continues to maintain a leading deposit market share in the communities that we serve in Louisiana and our branches cover all Louisiana regions following The Union Bank acquisition. We have significantly expanded our business in Texas and will remain persistent in our quest for additional growth. 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
Chief Lending Officer

Brandon C. Long

Senior Vice President/
Chief Lending Officer

At First Guaranty Bank we continue to see tremendous growth in our loan portfolio and our people. 2019 was a year of expansion for the bank. We grew loans outstanding, acquired The Union Bank, and implemented a new loan processing system to improve our time to funding. This was a tremendous undertaking that took the focus, organization, and persistence of everyone involved.

In 2019, our total net outstanding loans grew to $1.515 billion which was a $300 million increase over the previous year end. This included our merger with The Union Bank in Central Louisiana in November which held $177 million in outstanding loans at year end. Our year over year loan growth in our heritage FGB markets was $125 million in 2019. The addition of Union Bank, with a strong community presence in central Louisiana has opened up strategic markets to us that were previously difficult to access. While we are proud of our loan growth we are also proud of our overall portfolio. We continue to focus on our loan portfolio which has diversified and become stronger. This is further reflected with the increase in our loan yields to 5.99% for 2019 versus 5.55% for 2018. This has been accomplished through a disciplined pricing strategy while maintaining high credit quality standards. Our team continues to get stronger and adapt to market pressures efficiently.

In October of 2018 we opened a Loan Production Office in Lake Charles, which is one of the fastest growing MSA's in Louisiana. We saw immediate results in 2019, our first full year in that community. Our market in Texas had a phenomenal year as well and we are seeing more and more opportunity for growth in what will be our third full year in that region.

Our goals in 2020 are to continue to grow responsibly and provide excellent service to our clients. We focus our lending in our local communities and we continue to provide training to our employees to better serve our clients. At First Guaranty we work hard for our clients and that work ethic not only enhances our outstanding customer relationships, it also enables us to build relationships with new clients.

Sincerely,

Brandon C. Long
Senior Vice President/Chief Lending Officer
FIRST GUARANTY BANK

Darrel D. Ryland

Director/Central Louisiana Area President

In these days of stock market volatility and political instability, isn't it good to know that a strong stalwart financial institution like First Guaranty Bancshares, Inc. provides consistency to its shareholders. You count on growth and First Guaranty delivers.

Allow me to introduce myself as I am the new kid on the block, well new member of the board. And no, I am not a kid. My name is Darrel D. Ryland and I hail from Marksville, LA. I have 45 years in the banking business from legal counsel to chairman and president of The Union Bank. Through the due and diligent efforts of Marshall Reynolds, Alton Lewis, and Eric Dosch, the First Guaranty leadership identified The Union Bank as a potential merger partner. The Union Bank was acquired by First Guaranty in November of 2019.

This acquisition added $260 million in assets, pushing First Guaranty over the $2 Billion threshold. It added seven additional bank branches, and an insurance agency to its Central Louisiana market. More importantly it added 80 experienced employees to the First Guaranty family. I agreed to remain President of the Central Louisiana Market to oversee operations, production, and loan/asset quality control. Our local customers will continue to see familiar faces.

In 2020 we expect to see continued growth in all aspects of our bank. For example, we can now add larger loans to our portfolio as the financial resources of First Guaranty equips us to compete with the biggest banks in this region. We will still focus on providing services to small businesses and farmers, but we can now service large commercial institutions as well.

I cannot thank the leadership of First Guaranty enough for the opportunity to grow with them. As a fellow shareholder, I look forward to continued growth and dividend return. Now that is what I call consistency that matters.

Sincerely,

Darrel D. Ryland

Darrel D. Ryland
Director
FIRST GUARANTY BANCSHARES, INC.
Central Louisiana Area President
FIRST GUARANTY BANK

Report from the **Texas Area President**

JORDAN M. LEWIS

Texas Area President

The difference between Texas and Louisiana is in the soil. While Louisiana has rich, alluvial soil throughout much of the state, the plains of Texas are comprised primarily of hardpan clay. While clay can also be rife with nutrients and moisture, it takes hard work and knowhow to plant in clay and reap an abundant harvest. That sort of persistence is exactly how First Guaranty Bank yielded a bumper crop in Texas in 2019.

As a whole, First Guaranty Bank increased its Texas loan production by 103% in 2019, closing over $103 million in new loans, while increasing its net loan portfolio by 34.7% - from $154 million to $204 million. At the same time, Texas deposits increased 60% from $144 million to $230 million. These incredible figures were not brought about by magic, but rather are the result of cooperation across all departments and regions of the bank, constant refinement of systems and communications channels, and an unwavering commitment to a culture of customer service.

The four branches of First Guaranty Bank in Dallas-Fort Worth (DFW) saw their collective loan portfolio increase steadily in 2019, from $140 million to almost $180 million, while deposits grew from about $107 million to $183 million. Of these four, the Garland branch (Dallas County, Texas) saw the greatest growth in both deposits and loans, increasing its loan portfolio from $14 million to $61 million and its deposits from $45 million to $96 million in 12 months. Farther south, the Waco region branch grew from $37 million in deposits to $47 million, while its loan portfolio grew from $18 million to about $25 million.

While 2019 was a benchmark year for First Guaranty Bank in Texas, there is every reason to believe that the future is now brighter than ever before. The thing about persistence is the way it builds deep efficiencies, stubbornly refusing to give up hard fought gains and creating smooth grooves for future progress. Though it may be gratifying to look back upon the successes of 2019, our faces and minds are firmly set on the future, excited to see what is ahead.

Ever onward,

Jordan Montgomery Lewis

Jordan M. Lewis
Texas Area President
FIRST GUARANTY BANK

Report from the **Senior Vice President**

Glenn A. Duhon, Sr.

Senior Vice President/ Regional Manager

The Southwest Louisiana Region of First Guaranty Bank has always been and continues to be persistent. We encourage employees daily, to work as a team and treat customers as they would like to be treated. A combination of loyal customers, dedicated employees, support of management and Board of Directors has allowed continued success in this competitive environment.

Our hotel/motel owners did well in 2019. Our competitors are usually not interested in construction of new sites. We have seen other lending institutions compete on performing sites due for balloon renewals. We received large payoffs in 2019 during the renewal periods. In the future we will try and offer lower renewal rates, on sites that are doing well, to maintain loan volume.

Our Agriculture business was affected by weather, however, most were still able to meet their financial obligations. Farmers not meeting all obligations will require rescheduling, allowing continuation of their farming operation. Commodity prices for rice and sugar cane, as well as government subsidies, have remained constant.

At one point in 2019 the Abbeville Branch exceeded $100 million in loan volume. We did not end the year at that level because of two large hotel payoffs. We are and will continue striving to get back and exceed that number with new construction our current owner/operators have planned. Abbeville ended the year with $77.0 million dollars in loan volume and $137.3 million dollars in deposits. The Jennings Branch ended with $14.9 million in loans and $40.6 million in deposits. Our Lake Charles Loan Production Office ended the year with $17.9 million in loans. The sum of these locations ended with a loan volume of $109.8 million. Total deposits for the Southwest Region ended with total deposits of $177.9 million. Comparing 2019 to 2018 region totals, loan volume dropped by $1.2 million and deposits increased by $11.9 million.

Our future is bright with the present customer base, addition of potential business and continued support of management and First Guaranty Bank's Board of Directors.

Sincerely,

Glenn A. Duhon, Sr.
Senior Vice President/Regional Manager
FIRST GUARANTY BANK

First Guaranty Bank
BOARD OF DIRECTORS

Front Row (left to right): Edgar R. Smith III, Nancy C. Ribas, Gloria M. Dykes, Dr. Phillip E. Fincher

Middle Row (left to right): Andrew Gasaway, Jr., Bruce McAnally, Marshall T. Reynolds, Ann A. Smith, William K. Hood, Jack Rossi, Robert H. Gabriel

Back Row (left to right): Jack M. Reynolds, Richard W. "Dickie" Sitman, Alton B. Lewis, Edwin L. Hoover, Jr., Anthony J. Berner, Morgan S. Nalty

Not Pictured: Darrel D. Ryland, 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.

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

ROBERT H. GABRIEL
President, Gabriel Building Supply Company

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

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

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

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

BRUCE McANALLY
Registered Pharmacist

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

JACK M. REYNOLDS
Vice President, Pritchard Electric Co. and
Vice President, Trifecta Productions, LLC

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

NANCY C. RIBAS
Owner, Ribas Holdings LLC and University Motors

JACK ROSSI
Chairman, Audit Committee of First Guaranty Bancshares, Inc.
CPA, consultant

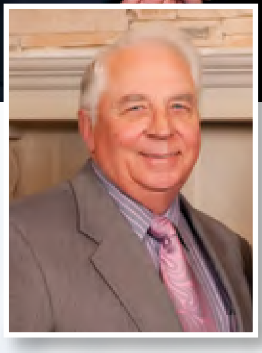
DARREL D. RYLAND
First Guaranty Bank Central Louisiana Area President
Darrel D. Ryland, LLC, Attorney

RICHARD W. "DICKIE" SITMAN
Board President, Dixie Business Center
Dixie Electric Membership Corp. Board Member
Past Board Member CoBank ACB (Denver, Colorado) and Bank of Greensburg

ANN A. SMITH
Member of the Southern University Board of Supervisors, Southern University Chairwoman Emeritus, former member of Louisiana Office of Student Financial Assistance Advisory Board (LOSFA). Retired member of the Tangipahoa Parish School Board

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

First Guaranty Bank
ADVISORY BOARD



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

Pictured at left: Britt L. Synco

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

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

First Guaranty Bank
OFFICERS

EXECUTIVE

ALTON B. LEWIS*
President and CEO

ERIC J. DOSCH*
Chief Financial Officer

Senior Vice Presidents

THOMAS F. BROTHERS
Director of Internal Audit

GLENN A. DUHON, SR.
Regional Manager
Abbeville

RONALD R. FOSHEE
Regional Manager
Denham Springs

ADAM J. JOHNSTON
Regional Manager
North Louisiana

MIKKI M. KELLEY
Human Resources Department Manager

JORDAN M. LEWIS
Texas Area President

BRANDON C. LONG
Chief Lending Officer

RONALD C. PITTMAN
Special Assets Manager

DARREL D. RYLAND
Central Louisiana Area President

DESIREE B. SIMMONS
Loan Administration, Marketing & Training

EVAN M. SINGER
Director of Mergers & Acquisitions
Regional Manager
Greensburg

J. RICHARD STARK
Operations

RANDY S. VICKNAIR
Chief Credit Officer

CHRISTY L. WELLS
Regional Manager
Hammond

Vice Presidents

CHARLES L. BAGGS
ASHLEY N. BELL
BETTY A. BONEY
BRENDA A. BRISCOE
CHERYL Q. BRUMFIELD
TIMOTHY L. CHESNEY , JR.
ROBERT W. CLIFTON, ISO
SCHEILA M. DAVIS
MARK J. DUCOING
VIKKI M. DUPAQUIER
COLLEEN B. EBARB
RONALD W. EDMONDS
DENISE D. FLETCHER
ERIC M. FULLER, Controller
HALI GASPARD
SHIRLEY P. JONES
JOELLEN K. JUHASZ, BSA Officer
MICHAEL D. KNIGHTEN
TERRIE E. MCCARTNEY
JASON NORMAND
STEVE OSMAN
GREG PRUDHOMME
CRAIG E. SCELFO
SCOTT B. SCHILLING
LISA K. STOKER
JOHN A. SYNCO
D. LYNN TALLEY
MICHAEL A. WIGGINS

Assistant Vice Presidents

DARRYL P. BOUDREAUX
LAURYN H. COBURN
LANCE S. DAVIS
SUSAN DESOTO
LANDA G. DOMANGUE
VANESSA R. DREW
KEVIN J. FOSTER
CHRISTY L. FRIERSON
HARRISON R. GILL
BONNIE J. GRIENER
LUDRICK P. HIDALGO
LESLIE A. HINZMAN
DONNA S. HODGES
A. SHANE HUGHES
KEITH T. KLEIN
MANDY P. LEE
PAM NORMAND
DEV M. PATEL
RAHUL R. PATEL
TRACY D. PERRY
NIEKITSHA S. RIDLEY

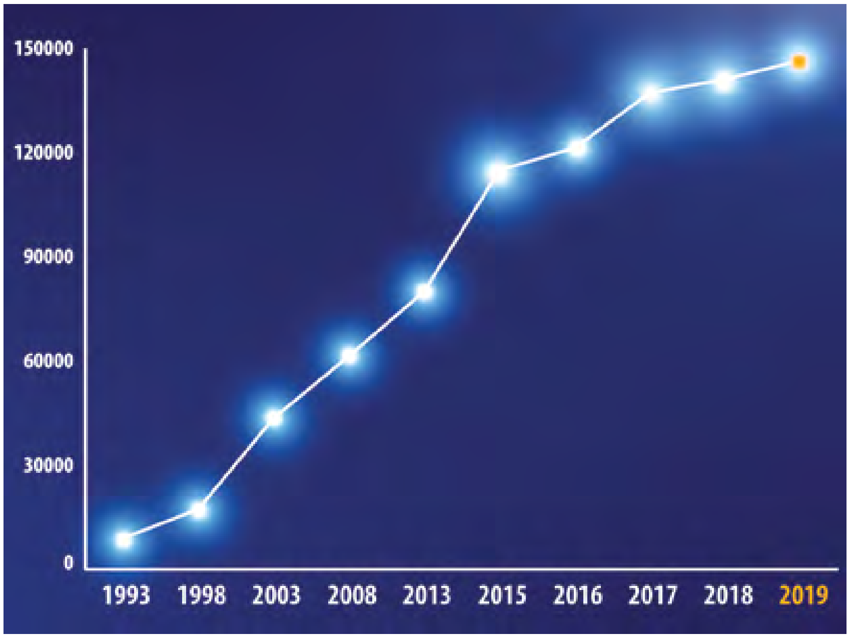
Officers

REBECCA G. BROWN
JEANNETTE N. ERNST
DIANE PATTERSON
KRISTIN M. WILLIAMS

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

First Guaranty Bank
PERFORMANCE GRAPHS

Tangible Common Equity [3]
(in thousands)

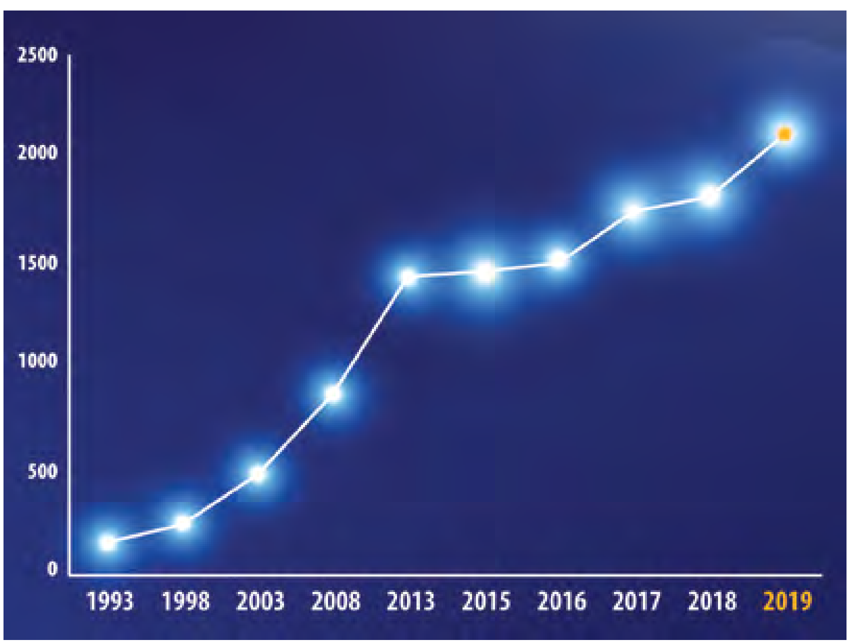


Tangible Common Equity
(in thousands)

1993	$9,005
1998	$17,376
2003	$43,557
2008	$61,429
2013	$80,033
2015	$114,927
2016	$121,372
2017	$137,262
2018	$141,108
2019	$146,566

Tangible Common Equity
has increased
$137.6 million since 1993.

Total Assets
(in millions)



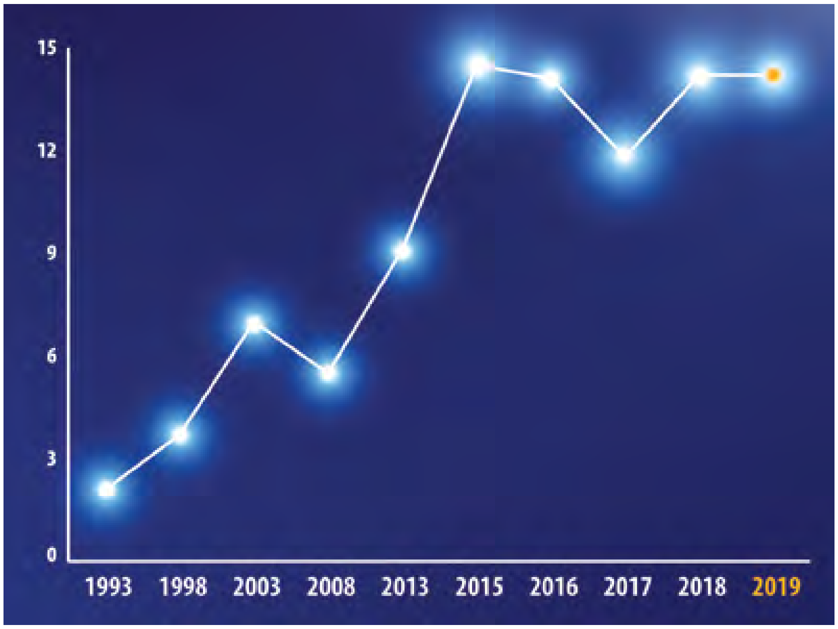
Total Assets
(in millions)

1993	$159
1998	$245
2003	$485
2008	$871
2013	$1,436
2015	$1,460
2016	$1,501
2017	$1,750
2018	$1,817
2019	$2,117

First Guaranty Assets
have increased
1,231% since 1993.

First Guaranty Bank
PERFORMANCE GRAPHS

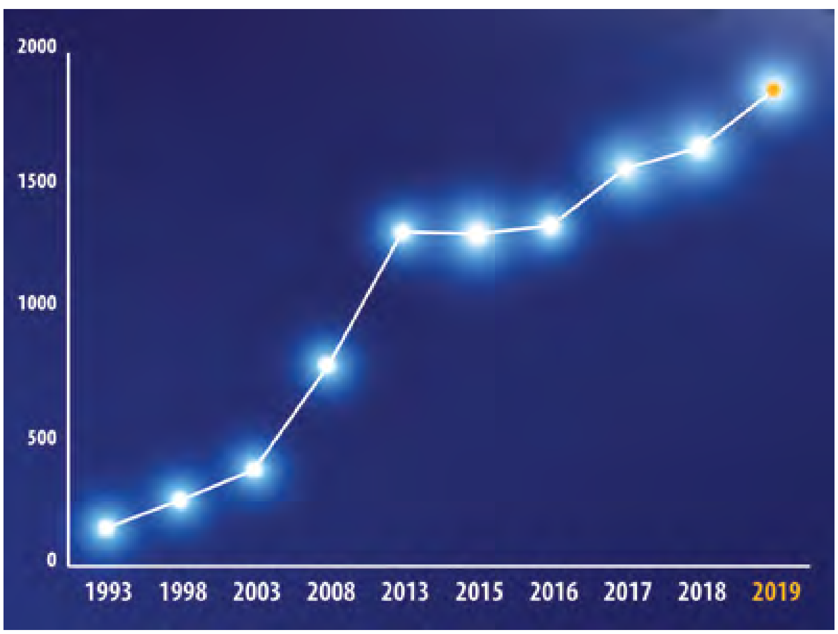
Net Income
(in millions)



Net Income
(in millions)

1993	$2.1
1998	$3.7
2003	$7.0
2008	$5.5
2013	$9.1
2015	$14.5
2016	$14.1
2017	$11.8
2018	$14.2
2019	$14.2

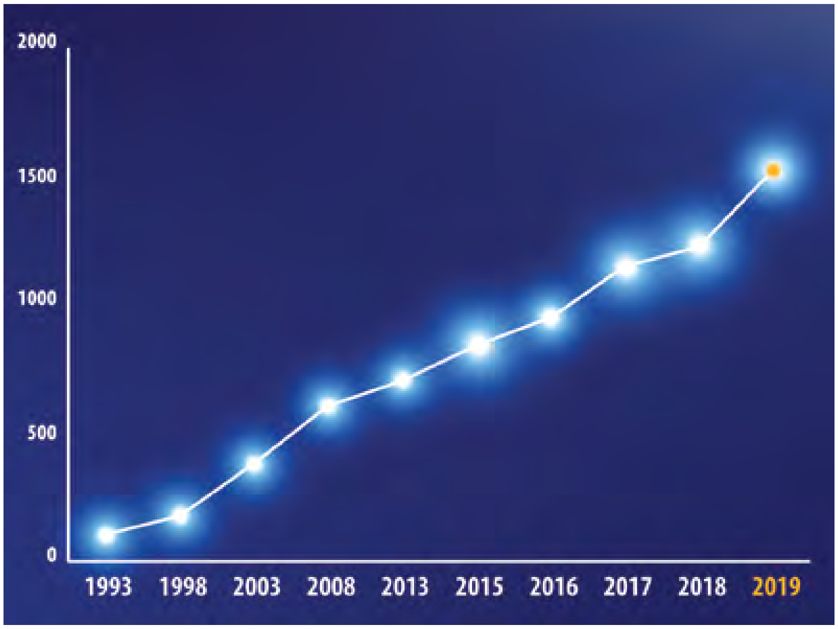
Total Deposits
(in millions)



Total Deposits
(in millions)

1993	$149
1998	$257
2003	$376
2008	$780
2013	$1,303
2015	$1,296
2016	$1,326
2017	$1,549
2018	$1,630
2019	$1,853

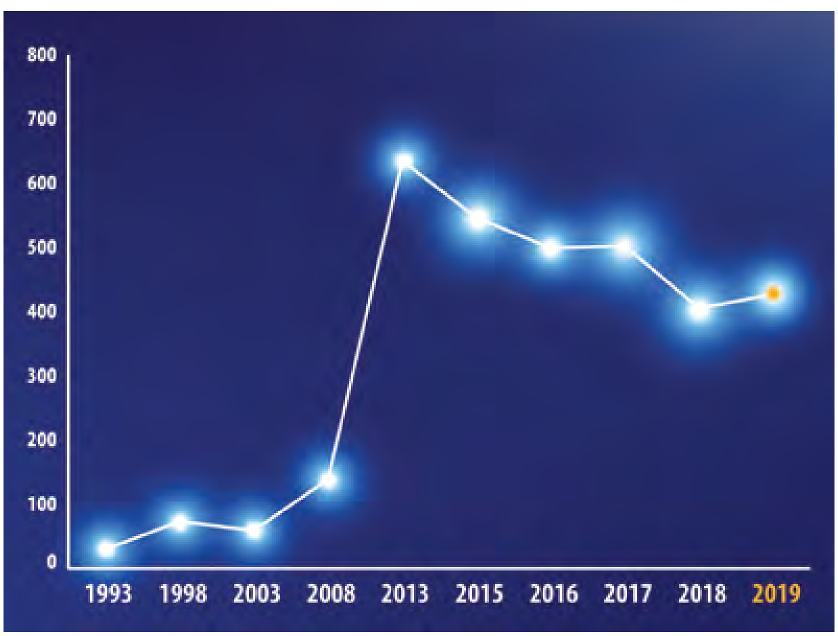
Loans, Net of Unearned Income
(in millions)



Loans, Net of Unearned Income
(in millions)

1993	$105
1998	$177
2003	$381
2008	$606
2013	$703
2015	$842
2016	$949
2017	$1,149
2018	$1,225
2019	$1,525

Investments [4]
(in millions)



Investments
(in millions)

1993	$30
1998	$73
2003	$59
2008	$139
2013	$635
2015	$546
2016	$499
2017	$502
2018	$405
2019	$427

[3] Total equity less preferred equity, goodwill and acquisition intangibles, principally core deposit intangibles, net of accumulated amortization.
[4] Available for sale securities at fair value, held to maturity at amortized cost

Our Mission

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

We believe that each customer is our most important customer and should be treated as such. We endeavor to provide levels of service that exceed the expectations of all our customers.

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

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

We strive to be a socially responsible corporate citizen by supporting community activities and encouraging our 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 goal is to participate in making our communities better places in which to live, work and play.

FIRST GUARANTY BANK

2019 Accomplishments and Highlights

- **106th** consecutive quarterly dividend
- Declared a **10%** stock dividend
- Acquisition of The Union Bank and addition of **seven** new Louisiana locations
- Total assets exceeded **$2 billion**
- Completed and opened our new Amite Branch office
- Celebrated openings of Texas branches
- Technology Updates: FGB installed **four** Interactive Teller Machines (ITMs) with plans for five more in 2020

Ethan Sansoni – ITM agent

Interactive Teller Machine (ITM)

An ITM is an innovative new banking technology that allows customers to conduct teller transactions via video conferencing at the drive-thru without entering a branch. A touch screen connects directly to an interactive teller. Secure identification scan and a digital signature authorizes transaction requests.

The ITM is an Interactive Banker with extended hours and no additional fees.

What transactions can be conducted at the ITM?

Most transactions that can be completed at a teller line may be completed at an ITM:

- Checking/savings deposits
- Checking/savings withdrawals
- Balance inquiries
- Account transfers
- Check cashing
- Loan payment

Texas Open Houses

Each Texas location hosted a Meet & Greet Open House with the purpose of introducing FGB to the community. We celebrated with food trucks and friendship combined with fun and the stars of our TV commercials in attendance! Each branch invited three local charities to attend the event. During each open house, the charities received a donation, the amount determined by votes cast by guests.

Beneficiaries included:

Denton Community Food Center
Health Services of North Texas
Denton Public School Foundation
Meals on Wheels
United Way
Ronald McDonald House
Achievement Center of Texas
The Friendship House
The Garland Area Habitat for Humanity
CASA of Collin County
Hugs Café
Samaritan Inn
No Limitations Waco
Waco Humane Society
Caritas of Waco

Denton

Fort Worth

Texas Open Houses

Garland

McKinney

Waco

Amite Grand Opening

On December 19, 2019, First Guaranty Bank celebrated the Grand Opening and ribbon cutting of the new Amite, Louisiana branch. Now located at 632 West Oak Street, the modern branch features ITMs and the same great customer service.

FIRST GUARANTY BANK + The Union Bank

Together WE ARE ONE

Together We Are One!
We are family: Customers, communities, employees and shareholders.

First Guaranty Bank extends a warm and sincere welcome to the First Guaranty Bank family! First Guaranty announced its seven newest branch locations throughout Central Louisiana: Alexandria, Bunkie, Hessmer, Marksville (two locations), Moreauville and Pineville.

To welcome our newest Central Louisiana customers, communities, employees and shareholders, First Guaranty sent an informative booklet to share details regarding our accounts, services, products and locations. First Guaranty Bank offers SecurLock Equip, Mobile Banking, Mobile Pay in addition to loans, certificates of deposit and traditional financial services.

Since the acquisition was made official in the fourth quarter, First Guaranty branding will be completed soon throughout these locations.

First Guaranty Bank signage being installed at Hessmer, LA branch.

FANATICAL BANKING!

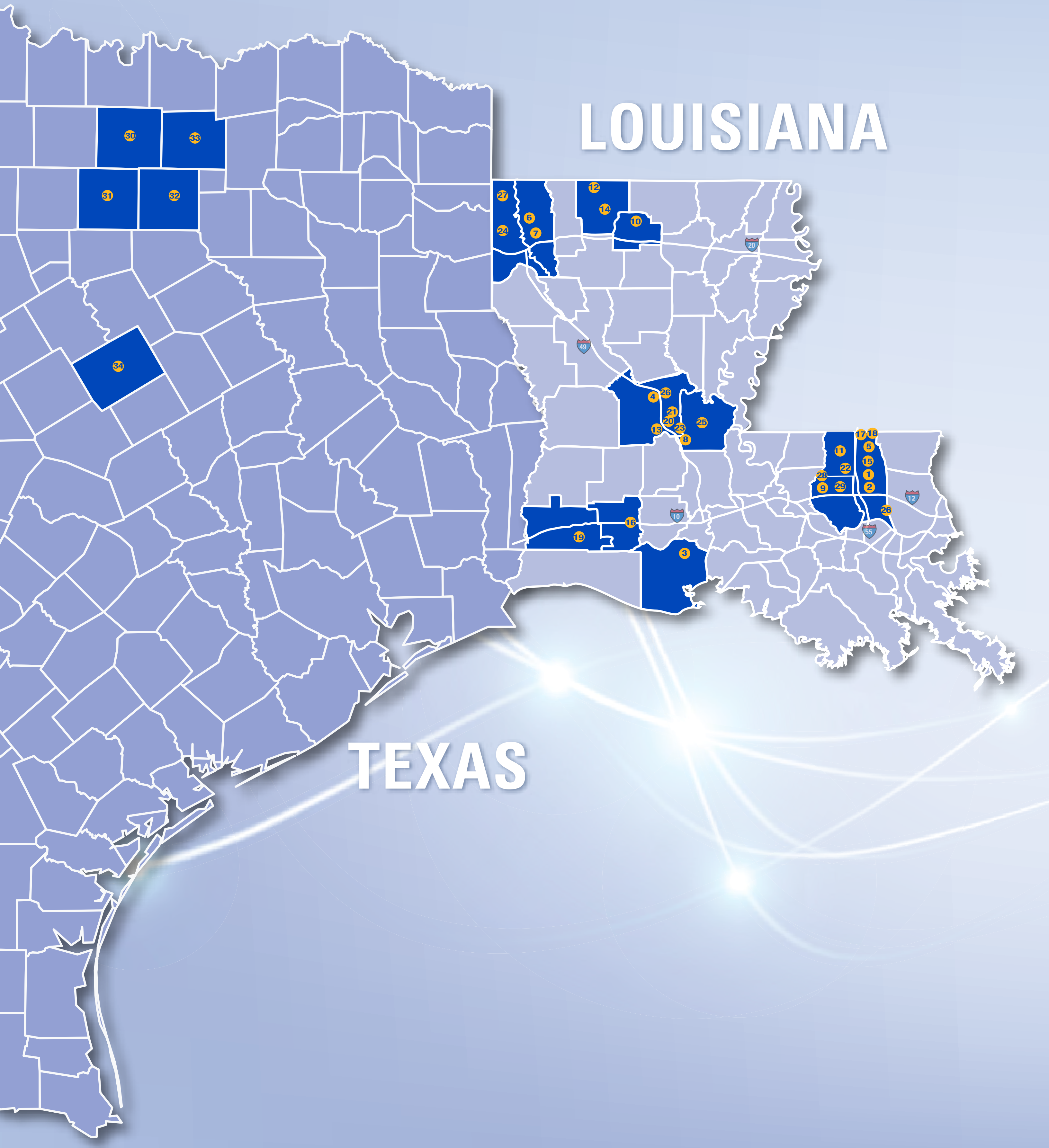
At First Guaranty Bank, we introduced Central Louisiana to Fanatical Banking. FGB is interested in passion, drive and total commitment to our customers and our community. We put our customers first, get to know our neighbors and understand their needs.

Fanatical is the spirit of “Let’s do this!” It’s authentic, accessible and built on a foundation of deep and abiding trust.

At First Guaranty Bank we’re fanatical about, well, just about everything. From holidays and celebrations to sharing life with our employees and their talents, both at work and at play. We are fanatical about providing quality banking and financial products and services. First Guaranty Bank is committed to improving the communities where we live and work through our FGB Gives Back program.

First Guaranty Bank is fanatical about YOU! We care about your small business, your home, your immediate needs and your dreams.

First Guaranty Bank
BANKING BRANCHES



First Guaranty Bank

BRANCHES AND ATM/ITM LOCATIONS

BRANCHES

1. **Main Office Hammond, LA – Guaranty Square**
2. Hammond, LA – Guaranty West
3. Abbeville, LA
4. Alexandria, LA
5. Amite, LA
6. Benton, LA
7. Bossier City, LA
8. Bunkie, LA
9. Denham Springs, LA
10. Dubach, LA
11. Greensburg, LA
12. Haynesville, LA
13. Hessmer, LA
14. Homer, LA
15. Independence, LA
16. Jennings, LA
17. Kentwood, LA
18. Kentwood, LA – West
19. Lake Charles, LA – Loan Production Office
20. Marksville, LA – Main Street
21. Marksville, LA – Tunica
22. Montpelier, LA
23. Moreauville, LA
24. Oil City
25. Pineville, LA
26. Ponchatoula, LA
27. Vivian, LA
28. Walker, LA
29. Watson, LA
30. Denton, TX
31. Fort Worth, TX
32. Garland, TX
33. McKinney, TX
34. Waco, TX

ATM LOCATIONS

SOUTH LOUISIANA

ABBEVILLE, LA
799 West Summers Drive

AMITE, LA
100 East Oak Street
1014 West Oak Street

BEDICO, LA
Bedico Supermarket,
28473 Highway 22

DENHAM SPRINGS, LA
2231 South Range Avenue

GREENSBURG, LA
6151 Highway 10

HAMMOND, LA
1201 West University Avenue
2111 West Thomas Street
400 East Thomas Street
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 Avenue

KENTWOOD, LA
723 Avenue G

LIVINGSTON, LA
(LPMC) Livingston Parish Medical Center:
17199 Spring Ranch Road

LORANGER, LA
19518 Highway 40

MONTPELIER, LA
35651 Highway 16

PONCHATOULA, LA
500 West Pine Street

ROBERT, LA
Robert's Supermarket -
22628 Highway 190

WALKER, LA
29815 Walker Road South

WATSON, LA
33818 Highway 16

NORTH LOUISIANA

BENTON, LA
189 Burt Boulevard

BOSSIER CITY, LA
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

CENTRAL LOUISIANA

ALEXANDRIA, LA
1701 Metro Drive
6201 Coliseum Boulevard

BUNKIE, LA
1110 Shirley Road

HESSMER, LA
2705 Main Street

MARKSVILLE, LA
211 East Tunica Drive
711 Paragon Place (Paragon Casino & Resort)

MOREAUVILLE, LA
10710 Highway 1

PINEVILLE, LA
40 Pinecrest Drive

New **Deposit Enabled ATMs *Coming Soon!***
- Waco
- McKinney

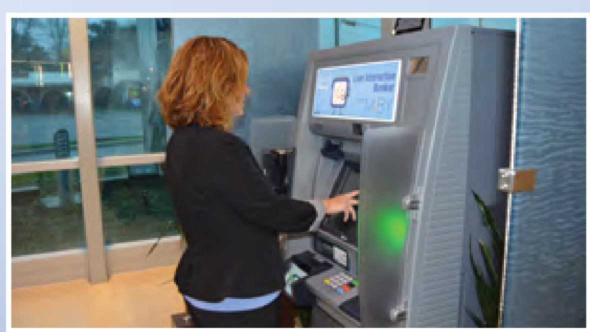
ITM LOCATIONS

AMITE, LA
632 West Oak Street

BOSSIER CITY, LA
4221 Airline Drive

DENHAM SPRINGS, LA
2231 South Range Avenue

PONCHATOULA, LA
500 West Pine Street



ITMs *Coming Soon!*
- Guaranty West - Hammond
- Guaranty Square - Main Office - Hammond (3 ITMs)
- Kentwood West

First Guaranty Bank
DEPARTMENTS & BRANCHES

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

First Guaranty Bank, Home of Fanatical Banking!

APPRAISAL REVIEW - HAMMOND:

Starr Bernier

Not Pictured: Bailey Janke

APPRAISAL REVIEW - MARKSVILLE:

Bradley Roy

BSA/FRAUD - HAMMOND:

Front Row (left to right): Kendra Fairburn, Linda Miller, Jonathan Fandal

Back Row (left to right): Christe Feimster, JoEllen Juhasz, Sharmaine Robertson

BSA/FRAUD - MARKSVILLE:

Front: Lucinda Jacobs

Back: Catherine Butter

COLLATERAL:

Front Row (left to right): Paul Lee, Cate Mathes, Lauryn Coburn

Back Row (left to right): Silvia Rodriguez, Robyn Giacone, Sarah Sheridan, Beth Harper, Emily McIntyre, Sarah Jenkins

COMPLIANCE - HAMMOND:

Front: Rebecca Brown

Middle: Ann Morgan

Back: Colleen Ebarb

COMPLIANCE - MARKSVILLE:

Front: Pamela Landry

Back: Stephanie Moses

CREDIT - HAMMOND:

Front Row (left to right): Madison Amos, Melanie Gottschalck, Jessica Hrenyk, Randy Vicknair, Roshmina Thapa

Middle Row (left to right): Cristen Williams, Lynda Brumfield, Jakayla Brown

Back Row (left to right): Louis Cusimano, Corey Hayden, Justin Dubose, Davon Mitchell, Adam Smith, Joshua Wooley, Colton McDaniel, Ian Navarre

Not Pictured: Brittanie Wallace

CREDIT - MCKINNEY:

Left to right: Keith Klein, Ben Golan

Not Pictured: Michael Wiggins

CUSTOMER SUPPORT CENTER:

Front Row (left to right): Chasity Williams, Danyelle Green, Heather Coslan

Back Row (left to right): Cassandra Brumfield, Kay Watts

Not Pictured: Laura Ard, Pamela Stafford

DEPOSIT OPERATIONS - HAMMOND:

Front Row (left to right): Tammy Graves, Maya Loving, Shirley Jones

Back Row (left to right): Lori Lloyd, Glenda Saucier, Sandra Edwards, Divetta Stallworth, Amanda Johnson, Letitia Cox

DEPOSIT OPERATIONS - MARKSVILLE:

Left to Right: Nickie Dauzat, Lakin Dupont, Melissa Small

Not Pictured: Megan Dauzat

EXECUTIVE:

Front : Alton Lewis, Jr.

Middle: Kristin Williams

Back: Vanessa Drew

FINANCE - HAMMOND:

Front Row (left to right): Michael Moye, Diane Patterson, Laquita Johnson, Donna Scamardo, Katherine Campbell

Middle Row (left to right): Rhesha Lamonte, Pamela Giarrusso, Chandra McKinney, Chuck Lyles,

Back Row (left to right): Eric Dosch, Eric Fuller

Not Pictured: Diane Lanier

FINANCE - MARKSVILLE:

Left to Right: Anshonarial Greenhouse, Calvin Ducote

FINANCE -TEXAS:

Charles Baggs

FRONT LINE:

Front Row (left to right): Shari Wheeler, Tylishia Randell, Ashley Oliver

Back Row (left to right): Latonia Cotton, Destiny Bankston, Richard Hamilton, Philana Servin, Christine Zeringue, Jeannette Ernst

Not Pictured: Landon Clements

HUMAN RESOURCES - HAMMOND:

Front Row (left to right): Mandi Aguillard, Landa Domangue, Hannah Castolenia

Back Row (left to right): Mikki Kelley, Danielle Willie

HUMAN RESOURCES - MARKSVILLE:

Jason Normand

INTERACTIVE BANKERS:

Front Row (left to right): James Lewis, Danyelle Green, Samantha Petracek

Back Row (left to right): Lauren Bush, Jessica West, Ethan Sansoni, Elizabeth Cantwell

INTERNAL AUDIT, LOAN REVIEW, & INFORMATION SECURITY:

Front Row (left to right): Tae Anderson, Lana Quinn, Hannah Primes

Back Row (left to right): Tahj Williams, Michelle Dionne, Casey Turner, Robert Clifton, Tom Brothers, Nancy Rodriguez

Not Pictured: Bill Worthy

IT/DATA PROCESSING - HAMMOND:

Front Row (left to right): Star Lala, David Couvillon, Timothy Chesney, Moises Rodriguez, Nicholas Schmitt
Middle Row (left to right): Keith Mills, Christopher Sharp, Carlos Davenport, Joshua Valladares, Matthew Bettencourtt
Back Row (left to right): Averi Dickerson, CJ Ardoin, Austin Grant

IT/DATA PROCESSING - MARKSVILLE:

Front: Tyler Roy
Back: Merill Magday
Not Pictured: Juan Bautista

IT/DATA PROCESSING - WACO:

Left to Right: Kenny Wilson, Federico Guerrero

LENDING:

Front Row (left to right): Brandon Long, Vickie Jenkins, Jason Wilson

Back Row (left to right): Michael Knighten, Catherine Egnew, Christy Wells, Evan Singer, Joedi Snipes, Laura Lacoste, Joshua Hajiakbarifini

Not Pictured: Jane Wear

LOAN OPERATIONS:

Front Row (left to right): Lynn Talley, Bonnie Griener, Darlene Albert, Audrey Carter, Allison Duke, Kellie Demarco

Back Row (left to right): Christy Frierson, Juliette Carmo, Luke Lavergne, Trinitrius Brown, Sharon Rogers

Not Pictured: Donna Hodges

LOAN OPERATIONS - MARKSVILLE:

Front: Samantha Lachney

Back (left to Right): Christy Marcotte, Carolyn Bordelon, Brittany Dauzat

LOAN OPERATIONS - MCKINNEY:

Seated: Lisa Stoker

Front Row (left to right): Jenny Bae, Senaida Martinez

Back Row (left to right): Carmen Murphy, Jan Brownd

MARKETING:

Front: Allison Ryan

Middle Row (left to right): Casie Qualls, April Alford

Back Row (left to right): Brian Friel, Carl Duplessis, Desiree Simmons

MERGERS AND ACQUISITIONS:

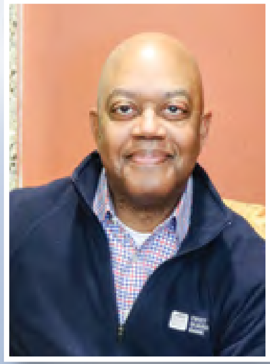
Front: Evan Singer

Back: Joshua Hajiakbarifini

MORTGAGE - HAMMOND:

Front Row (left to right): Megan Braden, Mandy Lee, April Slayter, Melissa Duchmann

Back Row (left to right): Susan Fitzgerald, Lisa Armstrong, Sheena Lewis, Nikki Hall



MORTGAGE - TEXAS:

Victor Hall

OPERATIONS - HAMMOND:

Front Row (left to right): Travis Hester, Jessica Spears, Jamie Wempren, Carla Cook, Betty Boney, Kerri Gladney, Denise Rehage

Back Row (left to right): Tracey Robertson, Scheila Davis, Richard Stark, Hoyt Verburg, Debbie Dubuisson, Susan Kimmerling, Julie Nevels

Not Pictured: Elisa Costanza

OPERATIONS - MARKSVILLE:

Hali Gaspard

OPERATIONS - MCKINNEY:

Ashley Bell

OPERATIONS - NORTH LOUISIANA:

Shane Hughes

PURCHASING - HAMMOND:

Front: Joseph Ernest II

Back Row (left to right): Darryl Boudreaux, Donna Turnage

PURCHASING - MARKSVILLE:

Front: Armenio Magday

Back: Stravis St. Romain

SALES MANAGEMENT & PUBLIC FUNDS - HAMMOND:

Front Row (left to right): Brandi Steffek, Mark Ducoing, Holly Tamburello

Back: Steve Osman

SALES MANAGEMENT & PUBLIC FUNDS - FORT WORTH:

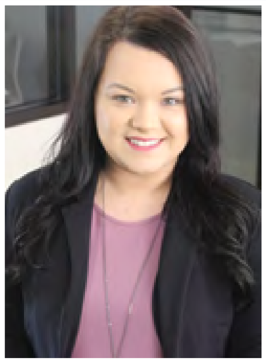
Letriche Miller

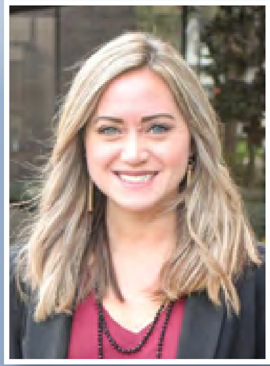
SPECIAL ASSETS - MARKSVILLE:

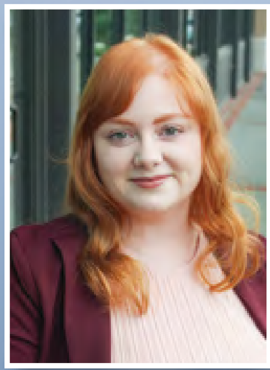
Left to Right: Benjamin Wood, Joann Moreau

SPECIAL ASSETS - HAMMOND

Front Row (left to right): Luke Hammonds, Lee Ann Sibley, Kriss Patterson, Ronnie Pittman







LEARNING AND DEVELOPMENT:

Left to Right: Miranda Derveloy, Vikki Dupaquier, Kendra Durham, Amber Smith, Casey Waters

Abbeville Branch

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

Front Row (left to right): Charisse Stevens-Cormier, Lisa Kritzer
Back Row (left to right): Cody Gil, Diane Frederick, Terry Fendley, Tanya Menard, Glenn Duhon, Gretchen Meaux, Amy Broussard

Alexandria Branch

(318) 443-8994
1701 Metro Drive
Alexandria, LA 70301

Front: Cynthia Sandoval
Middle Row (left to right): Courtney Mott, Kasey Perkins
Back: Latrice Winegeart
Not Pictured: Austin Mathews

Amite Branch

(985) 748-5111
632 West Oak Street
Amite, LA 70422

Front Row (left to right): Nicole Dunaway, Brittany Morgan, Shana Wells, Saleatha Gordon, Tammy Chavers

Back Row (left to right): Jenny Sue Weedmen, Marsha Spring, Scott Schilling, Stephanie Campo, Miranda Rainey

Benton Branch

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

Left to Right: Monique Rochelle, Larry Ross, Jr, Stephanie Brackens

Not Pictured: Alisha Blankenship, Donna Cummings

Bossier City Branch

(318) 383-5234
4221 Airline Drive
Bossier City, LA 71111

Front Row (left to right): Lynn Henry, Erika Taylor, Benita Douglas, Robin Brownmiller
Back Row (left to right): Matt Hudnall, Courtney Tramiel, Marley Walters, Daniel Loe

Adam Johnston

Bunkie Branch

(318) 346-4981
1110 Shirley Road
Bunkie, LA 71322

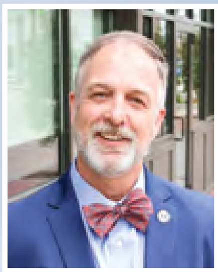
Front Row (left to right): Dominique Wilson, Rikki Deaville
Back Row (left to right): Kim Ferguson, Cheri Moses, Rebekah Turner

Denham Springs Branch

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

Front: *Courtney Lachney*
Middle Row (left to right): *Danna Jo Erwin, Michelle O'Quin*
Back Row (left to right): *Kathie Alimia, Clint Trant, Sharon Moore*
Not Pictured: *Kevin Foster*

Ludrick Hidalgo



Ronnie Foshee

Denton Branch

(940) 383-0700
2209 West University Drive
Denton, TX 76201

Front Row (left to right): Leslie Hinzman, Karen Stevenson
Back Row (left to right): Sandra Whittington, Daniel Prince
Not Pictured: Evan Baranosky

Dubach Branch

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

Front Row (left to right): Sue Yates, Heather Sullivant, Diane Shoemaker
Back Row (left to right): Kemberlin Locks, Kristy Puckett, Laura Pair

Fort Worth Branch

(817) 502-6611
2001 North Handley Ederville Road
Fort Worth, TX 76118

Front Row (left to right): Alyssa Al Sabi, Maty Sanchez
Back Row (left to right): Briana Ochoa, Indra Pant, Amanda Arizpe
Not picture: Dot Frazier

Garland Branch

(214) 227-4550
603 Main Street #101
Garland, TX 75040

Seated: Brenda Briscoe
Front Row (left to right): Jennifer Petty, Amy Turner
Back Row (left to right): Perla Alvizo, Tracy Perry

Greensburg Branch

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

Front Row (left to right): Melissa Smith, Michelle Brasseaux
Back Row (left to right): Rhonda Miller, Harrison Gill, Deionna Frank

Hammond – Guaranty West Branch

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

Left to Right: Danielle Day, Heather Lawrence, Janelle Vicaro, Janelle Heard, Brittany Gill

Haynesville Branch

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

Left to Right: Jasmine Penn, Julia Tabor, Hailee Ray
Not Pictured: Tammy Burley

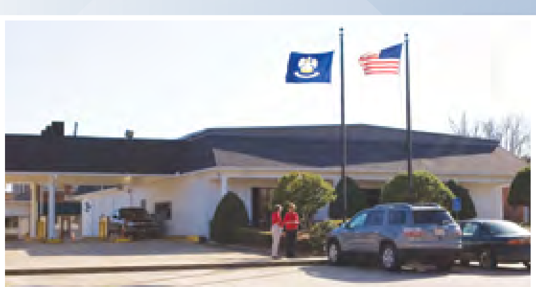
Hessmer Branch

(318) 563-4583
2705 Main Street
Hessmer, LA 71341

Front Row (left to right): Kathy Ponthieux, Courtney Lacombe
Back Row (left to right): Taylor Mire, Vicki Clopton
Not Pictured: Sandy Dauzat

Homer Branch

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



Front Row (left to right): Candie White, Ron Edmonds, Debra Spigener
Back Row (left to right): Cnya Anderson, Aleshia Lee, Ashley Bailey, John Synco, Kitsha Ridley, Caree Bailey, Jamie Williams

Independence Branch

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

Front Row (left to right): Peggy Garon, Cheryl Brumfield

Back Row (left to right): Karen Paille, Carmella Coslan, Caitlin Doty, Sonja Johnson, Chelsey Weedman

Jennings Branch

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

Front Row (left to right): Keisha Miller, Chanyon Robinson

Back Row (left to right): Gwendolyn Pete, Melina West, Lani Thompson, Melissa Daley, Amanda Crochet

Kentwood Branch

(888) 375-3093
301 Avenue F
Kentwood, LA 70444

Front Row (left to right): Lance Davis, Karen Griffin, Connie Butler

Back Row (left to right): Jhameilla McCray Anderson, Lindsey George, Lisa Rushing, Kelsey Travis, Astrid Diaz

Kentwood West Branch

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

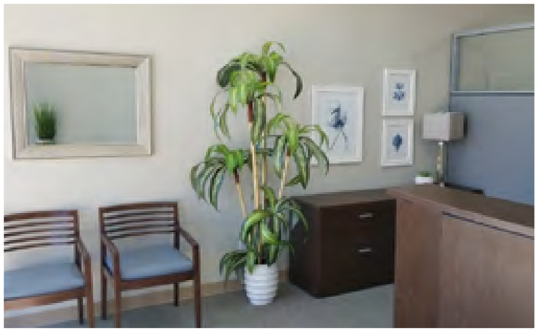
Left to Right: Ruby Carter, Allison Keating

Not Pictured: Rebecca Phelps

Lake Charles - Loan Production Office

(337) 824-1712
4740 Nelson Road, #320
Lake Charles, LA 70605

Lobby Hours: By Appointment



Rahul Patel, Commercial Lender

Marksville Branch

(318) 253-4531
305 North Main Street
Marksville, LA 71351

Front Row (left to right): Greg Prudhomme, Josiah Blood, Jana Joshua, Ronnie Chatelain, Robert Robinson

Middle Row (left to right): Mary Sampson, Carlyn Barron, Ann Tassin, Sheila Smith

Back: Hali Gaspard

Not Pictured: Colleen McGehee, Jeanne Lemoine

Marksville - Tunica Branch

(318) 253-9835
211 East Tunica Drive
Marksville, LA 71351

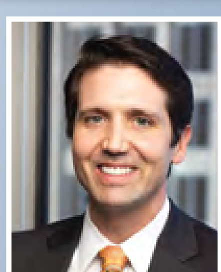
Front Row (left to right): *Elizabeth Bordelon, Melissa Alexander*
Back Row (left to right): *Cynthia Wyatt, Jill Lemoine, Hannah Lemoine, Stephanie Bergeron*

TAG & TITLE/INSURANCE
Front: Minnie Deshotel
Back: Kenneth Ducote

McKinney Branch

(972) 562-1400
8951 Synergy Drive, #100
McKinney, TX 75070

Front Row (left to right): Rebecca McKenna, Deborah King
Back Row (left to right): Conrad Arrambide, Krista Peterson
Not Pictured: Kathy Willett



Jordan Lewis

Montpelier Branch

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

Front row: Christina Lacara, Elizabeth Zito
Back Row (left to right): Betsy Ehret, Trella Page

Moreauville Branch

(318) 985-2299
10710 Highway 1
Moreauville, LA 71355

Front Row (left to right): Liz Lemoine, Susan Desoto
Back Row (left to right): Nancy Volentine, Tristen Steven, Johnette Lemoine, Laura Dufour

Oil City Branch

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

Front Row (left to right): Glenda Graham, Dollie Olgetree, Tina Gay
Back: Emma Rolling

Pineville Branch

(318) 641-7564
40 Pinecrest Drive
Pineville, LA 71360

Front Row (left to right): Jeanette Brown, Rachel Hazelton
Back Row (left to right): Jajuanna Pardue, Pam Normand
Not Pictured: Crystal Smiley

Ponchatoula Branch

(888) 375-3093
500 West Pine Street
Ponchatoula, LA 70454

Front Row (left to right): Craig Scelfo, Philip Jeanfreau, III
Back Row (left to right): Misty Chauvin, Amiee Gervais, Renee Stewart, Denise Fletcher, Brandon Wear, Keema Muse

Vivian Branch

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

Front Row (left to right): Nancy Garsee, Caroline Caldwell, Brandy Moon, Glenda Sepulveda
Back Row (left to right): Heather Webb, Stacy Thompson
Not Pictured: Shawn Hall

Waco Branch

(254) 399-0700
7600 Woodway Drive
Waco, TX 76712

Front Row (left to right): Lisa Lawrence, Amy Dennis, Lucinda Marquez
Back Row (left to right): Angelia Simmers, Pam Lambert, Amy Myers
Not Pictured: Terrie McCartney

Walker Branch

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

Left to Right: Sheila Lofton, Sylvia Moore, Sara El Kadi, Maryan Jillo

Watson Branch

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

Front: Krystal Dunaway
Middle: Ludrick Hidalgo
Back Row (left to right): Dev Patel, Emily Glaviano
Not Pictured: Judy Hughes

Community **IMPACT**

Community contributions are a priority budget item for First Guaranty Bank. Listed are the institutions, organizations and associations that we have assisted with contributions and sponsorships during 2019.

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.

First Guaranty Bank contributions for community support exceeded $500,000 in 2019.

The Oil City employees presented a contribution for Christmas on Caddo. Left to right: Andie Bruno, Dollie Ogletree, Casey Boddie Hartley (Christmas on Caddo), Glenda Graham, Mary Dunn (Christmas on Caddo), Heather Webb and Tina Gay.

Scott Schilling presented a contribution to head football coach Drew Misita for the Oak Forest Athletics Sponsorship.

A contribution was presented to Dubach School for the Adopt-A-School program. Left to right: Sue Yates, First Guaranty Bank, Pam Pardue, Principal and Diane Shoemaker, First Guaranty Bank.

Eric Dosch presented a contribution to DeMarquis Burise, Coordinator, for the Hammond Recreation Branch.

Matt Hudnall presented a contribution to Principal Hawkins (left) and Assistant Principal White (right) on their "Farm Day" at Benton Elementary School.

Melina West presented a contribution to Linda LeBlanc, Director for Jeff Davis Chamber of Commerce.

Harrison Gill presented a contribution to Steve Miller, Youth Minister for First Baptist Church of Greensburg.

Christine Zeringue presented a contribution to Hammond Westside Magnet Whirlbots.

A contribution was made to the Tangipahoa African American Heritage Museum. Left to right: First Row Cheryl Brumfield, Delmas Dunn, President. Back Row: Dr. Jesse Howard, Linda Parrish, Dr. John Hatcher, III, Cierra Tillman and Ty Randell.

Caroline Caldwell presented a contribution to Annie Cherry, Principal of North Caddo High School for the football program.

Lance Davis and Ann Smith, First Guaranty Bank Director, presented a contribution to Jonathan Foster, Kentwood High School Head Football Coach.

Amanda Crochet presented a contribution to Felicity LeLeaux for the Jennings Jazzers.

Lance Davis presented a contribution to Viral Patel of Gujarati Samaj of Mississippi, for an annual banquet.

Denise Fletcher presented a contribution to Brigette Delatte Hyde for the 2019 Ponchatoula High School Project Graduation.

Elaine Atencio presented a contribution to Ms. Iris Linder, Committee Member for the Claiborne Charity Golf Tournament.

Alton Lewis presented a contribution to Jay Artigue, Athletic Director and Kennedi Lee, cheerleader, for the Southeastern Louisiana University Athletics.

Vanessa Drew presented a contribution to Patti Roubique, Executive Director, for the Louisiana Children's Discovery Museum.

Sylvester Williams presented a contribution to Coach Phillip Hawke and Athletic Director Brandon White for Lee High School Baseball.

A contribution was presented to Fraternal Order of Police Lodge, #34 for the Back the Blue Sporting Clays Tournament. Left to right: Freeman Ramsey, II, Corey Morse, Melanie Gottschalck, Myles Miller and Ronney Domiano.

A contribution was presented for the Kentwood Community School Supply Giveaway. Left to right: Terrell Hookfin, Kentwood Councilman, Evelyn Williams, Kentwood Housing Director, Lance Davis, First Guaranty Bank and Rochelle Bates, Kentwood Mayor.

Kristin Williams presented a contribution to Erin Fleming and Lou Glover, of Hammond Eastside Magnet Parent Teacher Organization, for the Fall Festival.

Ronnie Pittman presented a contribution to Vicky Blaze, Administration of Tangipahoa Parish Crime Stoppers for the Safe Schools Initiative.

Casie Qualls presented a contribution to Charlie Vance for the Talented Theatre Program.

Elaine Atencio presented a contribution to Patricia Bates, Director, for Seeds of Light.

Jason Wilson presented a contribution to Erica Kelt, Director of Development for Mary Bird Perkins.

Jeannette Ernst presented a contribution to Sammy Buono for the Hammond Knights of Columbus.

Scott Schilling presented a contribution to Principal Brennan McCurley and Head Coach Zephaniah Powell for Amite High Magnet School.

A contribution was presented to the Assist Agency. Left to right: Melissa Daley, First Guaranty Bank, Melina West, First Guaranty Bank, Mardessa Poydras, ASSIST Agency Personnel/Physical Resource Officer, Vera Abraham, Volunteer and Keisha Miller, First Guaranty Bank.

Brenda Briscoe and Tracy Perry presented a contribution to Gwen Daniels of NAACP.

Randy Vicknair presented a contribution to Lynn Horgan and Jay Johnson, Assistant Dean of the College of Business, for Business Week at Southeastern Louisiana University.

Melanie Gottschalck presented a contribution to Charlie Diliberto for the Hammond Union of Police Policeman's Ball.

Leslie Hinzman presented a contribution to Pam Barnes for Taste of North Texas to Denton Kiwanis Noon Club.

Elaine Atencio presented a contribution to Amanda Lord, Business Development Director for the Claiborne Memorial Medical Branch's Go Red for Women's Health Banquet.

Alton Lewis and Desiree Simmons presented a contribution to Mayor Pete Panepinto and Guy Recotta for the Hammond Northshore Regional Airshow Sponsorship.

Harrison Gill presented a contribution to Idora Solomon, Director of St. Helena Summer Camp.

Elaine Atencio presented a contribution to the Tanique Beene Prom committee.

Cheryl Brumfield presented a contribution to Elder Timothy B. Richardson, Pastor for Faith Temple Ministries Church of God in Christ.

Amy Broussard and April Frederick presented a contribution to Andrew Granger with LSU Ag Branch for 2019 Rice Educational activities.

A contribution was presented to Dubach Restoration and Beautification Organization for the Chicken Festival. Left to right: Diane Shoemaker, First Guaranty Bank, Renee Simpson, DRABO Secretary and Sue Yates, First Guaranty Bank.

Leslie Hinzman, Jordan Lewis and Evan Baranosky presented a contribution to Bunny Hodges, Director for Ruth's Room.

Eric Dosch presented a contribution to Lynn Horgan and Ashlin Nicosia, Development Coordinator, for the Chefs Evening event at Southeastern Louisiana University.

April Alford presented a contribution to Randy Settoon, Director, for the Southeastern Channel.

Jason Wilson presented a contribution to Amber Andrews, CSP Deputy Director/Programs Director and Ryan Barker, Director of Chappapeela for the Share the Game Campaign.

Elaine Atencio presented a contribution to William Kennedy, Superintendent for Claiborne Parish Schools.

A contribution was presented to The Ballangee Foundation for the Partners in Prevention 2019. Left to right: Aelania Auzene, Joedi Snipes, Meghan Johnston and Hannah Teutsch.

Denise Fletcher presented a contribution to Candice Richardson, Member of the Flag Corp, for the Ponchatoula Band Boosters.

Randy Vicknair presented a contribution to Dr. Jay Johnson, Assistant Dean College of Business and Dr. Thomas Meyer, Finance Professor for Business Week at Southeastern Louisiana University.

Lance Davis presented a contribution to Bobby Bingham, County Agent at the LSU Ag Branch, for the Florida Parishes Dairy Day.

Christy Wells presented a contribution to Donna Olivia, RN House administrator, Jodee Hoover, Executive Director and Sarah Drude, Chairman of the Richard Murphy Hospice Foundation Board of Trustees for the Richard Murphy Hospice Gala.

Community IMPACT

Chanyon Robinson presented a contribution to Lacey Guidry, Jeff Davis CADA Director, for Jeff Davis Communities Against Domestic Abuse.

Donna Hodges presented a contribution to Captain Miley and Captain Maurer for the Hammond Firefighters Association.

A contribution was made to Haynesville Elementary. Left to right: Julia Tabor, First Guaranty Bank, Jane Brown, Haynesville Elementary Principal, Caree Bailey, First Guaranty Bank and Judy Holly, Vice Principal Haynesville Elementary.

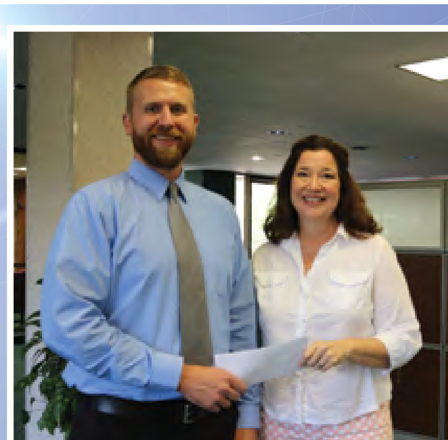
Elaine Atencio was recognized by Elizabeth Cascio for the contribution made to Homer High School FFA.

Cheryl Brumfield and Karen Paille presented a contribution to Sandra Kopfler, President for Society of St. Vincent DePaul.

Cheryl Brumfield presented a contribution to Deanne Foster, Assistant Principal, D. J. Cannon, Boys Head Basketball Coach, Cheryl Brumfield, First Guaranty Bank, Belancia Ray, Girls Head Basketball Coach and Amanda McDaniel, Disciplinarian, for the Hammond Westside Montessori School's Basketball team.

Cheryl Brumfield presented a contribution to Head Coach Tyra Starkey and the Volleyball players of Loranger High School, for the Volleyball Team.

Jason Wilson presented a contribution to Melissa Bordelon, CEO and Seth Bleakly, Member Relations Manager, of the Hammond Chamber of Commerce for the "Chillin' with the Chamber" event.



Lucas Hammonds presented a contribution to Maureen Joyce for the Brews Arts Festival.

A contribution was presented to Lincoln Parish Senior Expo. Left to right: Sue Yates, First Guaranty Bank, Deputy Stephen Quinnelly, Community Services, Emma Williams, Elder Service Officer and Diane Shoemaker, First Guaranty Bank.

Brandi Steffek presented a contribution to Lynn Horgan, Director of Corporate and Foundation Relations and Vanessa Prentice, Director of Development for Annual Giving, for Southeastern Louisiana University.

Jordan Lewis presented a contribution to Chad Kauffman, Chief Development Officer, Junior Achievement of Dallas.

Elaine F. Atencio presented a contribution to William Kennedy Superintendent of Claiborne Parish School Board for their Professional Development Day lunch.

Danielle Willie and Jane Wear presented a contribution to Jivka Duke for Southeastern Louisiana University Musician School.

Jason Wilson presented a contribution to Ryan Barker, Director of Chappapeela Sports Park for annual sponsorship.

A contribution was presented for the Kentwood High School Track Team. Left to right: Ann Smith, First Guaranty Bank Director, Jeremy Brown, Kentwood High Track Coach and Lance Davis, First Guaranty Bank.

A contribution was presented to Columbia Theatre. Left to right: Michelle Biggs, Columbia Theatre Advisory Board member, Lynn Horgan, Director of Corporate and Foundation Relations, Vanessa Drew, First Guaranty Bank, Jim Winter, Interim Artistic Director of Columbia Theatre and Michelle Reeves, Business Manager of Columbia Theatre.

Cheryl Brumfield and Karen Paille presented a contribution to Cheryl Santangelo, Principal of Mater Dolorosa Catholic School for the MDS Annual Steak Dinner.

Joedi Snipes presented a contribution to Mary Helen Marrs, Executive Director, for the Downtown Shreveport Unlimited.

Elaine Atencio and Niekitsha Ridley presented a contribution to Van McDaniel, Police Chief of Homer to purchase fans for the elderly.

April Alford presented a contribution to Patti Roubique, Executive Director of the Louisiana Children's Discovery Branch for the Bubble Exhibit.

Matt Hudnall presented a contribution to Philip Rodgers, Owner of Rodgers Homes and Construction for St. Jude's Dream Home Giveaway.

Leslie Hinzman presented a contribution to Kimberly Karl, Event Chair and Roy Metzler, President of MKOC for Monsignor King Outreach Branch in Denton's "Saddle Up for The Homeless" fundraiser.

DD Bruchhaus presented a contribution to Linda Leblanc, Director for the Jeff Davis Chamber.

Cheryl Brumfield presented a contribution to Delmas Dunn, President of the Tangipahoa African American Heritage Museum for the Black Tie Affair event.

Adam Johnston presented a contribution to Coach Stephens for the Bossier Parish Jamboree.

A

Achievement Center of Texas, Inc. – Garland Open House
Advocates for Community Transformation – Justice Summer Series
Alpha Kappa Alpha Sorority, Inc. – Pink & Green Gala
ALSAC/St. Jude's Hospital – Family Room Sponsorship
American Banker's Association – Voter Education
American Legion Post #47 (Ponchatoula) – Boys State & Girls State
American Legion Post #141 (Vivian) – Boys State
Amite High School – Championship Rings/Watches
Amite Oyster Festival – Pearl Sponsor
Assist Agency - Jennings Summer Camp

B

Benton Elementary Schools – Fall Run Sponsor
Benton High School – Baseball Sponsor
Bossier Arts Council – Artini Sponsor
Boys and Girls Club of Acadiana
Boys and Girls Club of Timber Ridge
Boy Scouts of America
City of Bunkie – Annual City Fireworks Display

C

Cada – Taste N Tell Fundraiser
Caddo Parish School Board – Herndon Magnet School Technology
Caritas of Waco
CASA Services, Inc. (Court Appointed Special Advocates) – Pinwheel Garden & Contribution
Centenary College of Louisiana – Cent Tank Competition
Children's Advocacy Branch of Collin County – Back to School Packs
Christmas on Caddo – Fireworks Fest Sponsor
Claiborne Academy – Golf Tournament, Sports Signage and Booster Club
Claiborne Charity Inc. – Golf Tournament Sponsor
Claiborne Memorial Medical Branch – GO RED and Men's Night Out
Claiborne Parish Council on Aging
Claiborne Parish Fair – 4H Livestock Auction
Claiborne Parish School Board – Leap Score Award and Sound Equipment
Claiborne Scholastic Banquet
Community Renewal International – Croquet Classic
Crimestoppers of Tangipahoa

D

Denton Community Food Center
Denton Parks Foundation
Denton Public School Foundation – New Employee Reception and Open House
Downtown Shreveport Unlimited – Mudbug Madness Sponsor
Dubach Restoration and Beautification Organization – Chicken Festival Sponsor
Dubach School – Adopt-A-School

E

East Baton Rouge Parish School System – Baseball Team Corporate Sponsor
Elton Elementary School – Teacher Appreciation Week

F

Faith Temple Ministries – Family Fun Day
First Baptist Church – Greensburg – Golf Tournament
Friendship House – Garland Open House
Fuzzy Friends Rescue – Bone A Fide Sponsor

G

Gingerbread House Bossier/Caddo – Partners in Prevention
Grace at the Greenlight Inc.
Greenville Park Leadership Academy – Teacher Appreciation
Gujarati Samaj of Mississippi – Banquet Sponsor

H

Habitat for Humanity – Greater Garland
City of Hammond – Back to School Bash & Fireworks Display
Hammond Area Recreation District
Hammond Blues & BBQ Challenge
Hammond Chamber of Commerce
Hammond Eastside Magnet School – Beta Convention, Fall Fest, Basketball Program
Hammond Firefighters Association – 5K Memorial Run
Hammond Fraternal Order of Police
Hammond High Magnet School – Football Stadium Sign, Boys Basketball, Volleyball Program
Hammond Police Union Local 345
Hammond-Ponchatoula Sunriser Rotary – Chili Cook-Off Sponsor
Hammond Regional Arts Branch – Brews Arts
Hammond Westside Montessori – Basketball Uniforms and Robotics Team Sponsor
Hathaway High School – Safe & Sober After Prom
Haynesville Beautification Committee
Haynesville High School – Shoot-A-Way Machine
Health Services of North Texas Inc.
Holden High School – Softball Championship Rings
Homer Golf Club – Tee Box Sign
Homer High School – FFA Chapter Sponsor, Football Sign Sponsor and Prom
Homer Police Department
Hugs Café Inc. – McKinney Open House
Humane Society of Central Texas

I

Independence High School – Football Signage & Program, Senior Awards
Independence Sicilian Heritage Festival
Independence Summer Baseball Program Sponsor
Independence Volunteer Fire – Smokin' on the Tracks Sponsor
Town of Independence – July 4th Fest Sponsor
The Italian Festival

J

Jeff Davis Chamber of Commerce
Jeff Davis Council on Aging
Jennings High School – Jazzers
Junior Achievement of Dallas Inc.

K

Kentwood Baseball/Softball Association – Signage
Kentwood High Magnet School – State Championship Rings, Beta Club, Baseball Banner
Kentwood Rotary Club
Town of Kentwood - School Supply Giveaway
Kiwanis Club of Denham Springs
Kiwanis Club of Denton – Taste of North Texas
Kiwanis Club of Hammond
Knights of Columbus
KRLQ/KWXM Radio – Dubach Chicken Festival

L

Lake Arthur High School – Safe and Sober Event
Lake Charles Racquet Club
Lake Claiborne Inc. – 4th of July Fireworks Sponsor
Lallie Kemp Foundation – Gala Sponsor
Leadership Excel
Lincoln Parish Sheriff – Senior Expo Sponsor
Live Oak High School – Cheerleader Golf Tournament
Livingston Parish Chamber of Commerce – Dodgeball Tournament
Livingston Parish Council on Aging
Livingston Parish School Board – Holiday Luncheon and Spring Conference
Loranger High School – Softball, Volleyball and Ladies State Championship Rings
Louisiana Bankers Association
Louisiana Children's Discovery Branch – Mad Hatter Brunch and Bubble Zone Sponsor
Louisiana 4-H Foundation
Louisiana Marathon
LSU Ag Branch – Jeff Davis Parish Rice and Soybean Clinic

M

Magnolia State Peace Officers Association
Main Street Homer – Harvest Fest
Marksville Senior Health Bingo
Mary Bird Perkins Cancer Branch – Geaux Yoga Balance
Mater Dolorosa Catholic School
Meals on Wheels – Tarrant County
Charles Robert Miller, Jr. – Seafood Dinner Fundraiser

Community **IMPACT**

Monsignor King Outreach Branch
Monterey Country Club – Golf Tournament Sponsor
Village of Moreauville
Richard Murphy Hospice Foundation

N

NAACP – Freedom Fund Brunch
Janey Neyrey – Costume
No Limitations Inc. – Waco Open House
Janey Neyrey – Nutcracker Sponsor
North Caddo Magnet High School – Football Program and Poster Ads
North Caddo Medical Branch Foundation – Gala Fundraiser
North Oaks Foundation – Neuro Bi-Plane Machine

O

Oak Forest Academy – Golf Tournament
Oak Grove Church of Christ
Operation Graduation - Jennings
Options, Inc.
Osyka Civic Club – Road to a Cure

P

Piggly Wiggly
Ponchatoula Area Recreation – Gold Corporate Sponsor
Ponchatoula Chamber of Commerce
Ponchatoula Council on Aging
Ponchatoula High School – Softball Field Sign, Project Graduation, Lady Wave Volleyball/Basketball and Senior Breakfast
PHS Band Boosters
PHS Football Booster Club
PHS Soccer Booster Club
Ponchatoula Lions Club
Ponchatoula Youth Baseball

Q

Quinn Chapel AME Church

R

Layton Ricks Campaign Fund
Ronald McDonald House of Fort Worth
Rosaryville Spirit Life Branch – Nun Run
Rotary Club of Amite – Golf Tournament
Rotary Club of Hammond – Shamrock Run
Rotary Club of Oil City – Fundraiser Auction
Ruth's Room Inc.

S

St. Helena Central High School – Marching Band
St. Helena/Tangipahoa Dairy Days
St. Thomas Aquinas High School – State Championship Rings
Samaritan Inn
Seeds of Light Inc. – Campout Night
Downtown Shreveport Unlimited – Mud Bug Madness Sponsor
Southeastern Louisiana University Alumni Association – FE Lion Event, Awards Evening Sponsor
Southeastern Louisiana University Athletic Association – Salute the Lions Sponsor, Champagne Bingo, Sports Package and Playoff Tickets
Southeastern Louisiana University Columbia Theatre for the Arts
Southeastern Louisiana University Foundation – Chef's Evening Sponsor, SLU Channel Programming, College of Business, Community Music School, Partner and Columbia Theater for the Arts Sponsor
Special Olympics Louisiana – Trivia Night/Silent Auction Sponsor
Springfield High School
Stirling Properties LLC – Stirling Fest Golf Tournament
Summerfield High School – Baseball and Softball Signs
Sumner High School

T

TARC – Radiothon
Tangi Parish Convention & Visitors Bureau
Tangi Professional Women's Organization – Leadership Sponsor
Tangipahoa African American Heritage Museum & Veterans Archive – Black Tie Gala Gold Sponsor
Tangipahoa Master Gardener Association
Tangipahoa Parish Fair ($-H)
Tangipahoa Parish School System – Talented Theatre and Spring Conference
Tangipahoa Parish Sheriff's Office – Mounted Division Rodeo
Tangipahoa Voluntary Council on Aging
Triad/SALT AARP – Expo

U

United Way of Southeast Louisiana – Employee Match and Corporate Contributions
United Way of Tarrant County

V

Vivian Athletic Association – Ballpark Sign
Vivian Chamber of Commerce – Christmas T-Shirt
Volunteers for Youth Justice

W

Waco Chamber of Commerce – Teen Leadership
Walker High School – Ladycat Basketball
Welsh High School – Safe and Sober Event

Y

Yellow Rose Gala Foundation

2019 FGB Volunteer Results

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
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
2017	$11.8 million	$5,210,000	$89,209,000	■ Acquisition of Synergy Bank and addition of five new Texas locations ■ 50% ownership in Centurion Insurance Services allowing First Guaranty to sell insurance products
2018	$14.2 million	$5,636,000	$97,786,00	■ Total loans surpassed $1.2 billion
2019	**$14.2 million**	**$5,820,000**	**$106,207,000**	■ **106th consecutive quarterly dividend** ■ **Declared a 10% stock dividend** ■ **Acquisition of The Union Bank and addition of seven new Louisiana locations** ■ **Total assets exceeded $2 billion** ■ **Completed and opened our new Amite Branch office**
	$206.0 million	**$78,352,000**		

* *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, 2019

1	Iberiabank	*Lafayette*
2	Origin Bank	*Choudrant*
3	b1Bank	*Baton Rouge*
4	Home Bank, National Association	*Lafayette*
5	Investar Bank, National Association	*Baton Rouge*
6	**First Guaranty Bank**	*Hammond*
7	Red River Bank	*Alexandria*
8	Gulf Coast Bank and Trust Company	***New Orleans***
9	Pedestal Bank	*Houma*
10	Citizens National Bank, N.A.	*Bossier City*
11	First Bank and Trust	*New Orleans*
12	Crescent Bank & Trust	*New Orleans*
13	Sabine State Bank and Trust Company	*Many*
14	First American Bank and Trust	*Vacherie*
15	First Federal Bank of Louisiana	*Lake Charles*
16	JD Bank	*Jennings*
17	First National Banker's Bank	*Baton Rouge*
18	Fidelity Bank	*New Orleans*
19	Resource Bank	*Covington*
20	Liberty Bank and Trust Company	*New Orleans*
21	Progressive Bank	*Monroe*
22	The Evangeline Bank and Trust Company	*Ville Platte*
23	Synergy Bank	*Houma*
24	United Community Bank	*Gonzales*
25	Concordia Bank & Trust Company	*Vidalia*
26	Community Bank of Louisiana	*Mansfield*
27	BOM Bank	*Natchitoches*
28	Century Next Bank	*Ruston*
29	South Louisiana Bank, Houma, Louisiana	*Houma*
30	Gibsland Bank & Trust Company	*Gibsland*
31	Home Federal Bank	*Shreveport*
32	Fifth District Savings Bank	*New Orleans*
33	Merchants & Farmers Bank & Trust Company	*Leesville*
34	Cross Keys Bank	*Saint Joseph*
35	Metairie Bank & Trust Company	*Metairie*
36	Community First Bank	*New Iberia*
37	First National Bank of Louisiana	*Crowley*
38	Rayne State Bank & Trust Company	*Rayne*
39	Cottonport Bank	*Cottonport*
40	Gulf Coast Bank	*Abbeville*
41	Homeland Federal Savings Bank	*Columbia*
42	Bank of Commerce & Trust Co.	*Crowley*
43	Citizens Bank & Trust Company	*Plaquemine*
44	Farmers-Merchant Bank & Trust Company	*Breaux Bridge*
45	First National Bank in DeRidder	*DeRidder*
46	Peoples Bank and Trust Company of Pointe Coupee Parish	*New Roads*
47	Jonesboro State Bank	*Jonesboro*
48	Delta Bank	*Vidalia*
49	M C Bank & Trust Company	*Morgan City*
50	Southern Heritage Bank	*Jonesville*
51	Caldwell Bank & Trust Company	*Columbia*
52	Tensas State Bank	*Newellton*
53	Anthem Bank & Trust	*Plaquemine*
54	Bank of St. Francisville	*Saint Francisville*
55	Bank of Sunset and Trust Company	*Sunset*
56	Exchange Bank and Trust Company, Natchitoches, Louisiana	*Natchitoches*
57	Landmark Bank	*Clinton*
58	South Lafourche Bank & Trust Company	*Larose*
59	Citizen's Bank & Trust Company of Vivian, Louisiana	*Vivian*
60	Bank of Winnfield & Trust Company	*Winnfield*
61	Heritage Bank of St. Tammany	*Covington*
62	First National Bank USA	*Boutte*
63	Vermilion Bank & Trust Company	*Kaplan*
64	Feliciana Bank & Trust Company	*Clinton*
65	Citizens Bank & Trust Company	*Covington*
66	State Bank & Trust Company	*Golden Meadow*
67	Colfax Banking Company	*Colfax*
68	Farmers State Bank & Trust Co.	*Church Point*
69	Simmesport State Bank	*Simmesport*
70	Eureka Homestead	*Metairie*
71	Mississippi River Bank	*Belle Chasse*
72	Bank of Erath	*Erath*
73	Peoples Bank	*Chatham*
74	Jackson Parish Bank	*Jonesboro*
75	Bank of Louisiana	*New Orleans*
76	Guaranty Bank & Trust Company of Delhi, Louisiana	*Delhi*
77	The First National Bank of Jeanerette	*Jeanerette*
78	St. Landry Bank and Trust Company	*Opelousas*
79	Patterson State Bank	*Patterson*
80	City Bank & Trust Co.	*Natchitoches*
81	First National Bank	*Arcadia*
82	The Bank	*Jennings*
83	Bank of Coushatta	*Coushatta*
84	Bank of Zachary	*Zachary*
85	Citizens Savings Bank	*Bogalusa*
86	Winnsboro State Bank & Trust Company	*Winnsboro*
87	St. Landry Homestead Federal Savings Bank	*Opelousas*
88	Guaranty Bank and Trust Company	*New Roads*
89	Lakeside Bank	*Lake Charles*
90	American Bank & Trust Company	*Opelousas*
91	Washington State Bank	*Washington*
92	Hibernia Bank	*New Orleans*
93	American Bank & Trust Company	*Covington*
94	CLB The Community Bank	*Jonesville*
95	Franklin State Bank & Trust Company	*Winnsboro*
96	Marion State Bank	*Marion*
97	Bank of Abbeville & Trust Company	*Abbeville*
98	Plaquemine Bank & Trust Company	*Plaquemine*
99	Commercial Capital Bank	*Delhi*
100	Citizens Progressive Bank	*Winnsboro*
101	Bank of Gueydan	*Gueydan*
102	Progressive National Bank of DeSoto Parish	*Mansfield*
103	Hodge Bank & Trust Company	*Hodge*
104	Beauregard FSB	*Deridder*
105	The Bank of Commerce	*White Castle*
106	Sicily Island State Bank	*Sicily Island*
107	Commerce Community Bank	*Oak Grove*
108	First National Bank of Benton	*Benton*
109	Basile State Bank	*Basile*
110	Bank of Oak Ridge	*Oak Ridge*
111	Abbevile Building & Loan (A State-Chartered Savings Bank)	*Abbeville*
112	Rayne Building and Loan Association	*Rayne*
113	Mutual Savings and Loan Association	*Metairie*
114	The Mer Rouge State Bank	*Mer Rouge*

Financial Table of Contents

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,				
	2019	2018	2017	2016	2015
	(in thousands, except for % and share data)				
Year End Balance Sheet Data:					
Investment securities	$ 427,013	$ 405,303	$ 501,656	$ 499,336	$ 546,121
Federal funds sold	$ 914	$ 549	$ 823	$ 271	$ 582
Loans, net of unearned income	$ 1,525,490	$ 1,225,268	$ 1,149,014	$ 948,921	$ 841,583
Allowance for loan losses	$ 10,929	$ 10,776	$ 9,225	$ 11,114	$ 9,415
Total assets	$ 2,117,216	$ 1,817,211	$ 1,750,430	$ 1,500,946	$ 1,459,753
Total deposits	$ 1,853,013	$ 1,629,622	$ 1,549,286	$ 1,326,181	$ 1,295,870
Borrowings	$ 86,747	$ 34,538	$ 52,938	$ 43,230	$ 42,221
Shareholders' equity	$ 166,035	$ 147,284	$ 143,983	$ 124,349	$ 118,224
Common shareholders' equity	$ 166,035	$ 147,284	$ 143,983	$ 124,349	$ 118,224
Performance Ratios and Other Data:					
Return on average assets	0.76%	0.82%	0.71%	0.97%	0.97%
Return on average common equity	8.99%	9.98%	8.59%	11.18%	12.98%
Return on average tangible assets (1)	0.78%	0.85%	0.73%	0.98%	0.99%
Return on average tangible common equity (1)	9.68%	10.77%	9.15%	11.64%	13.60%
Net interest margin	3.41%	3.41%	3.33%	3.39%	3.26%
Average loans to average deposits	78.59%	75.39%	72.23%	68.57%	61.31%
Efficiency ratio (2)	67.48%	69.46%	62.64%	56.85%	55.11%
Efficiency ratio (excluding amortization of intangibles and securities transactions) (2)	66.77%	66.63%	63.38%	60.19%	57.74%
Full time equivalent employees (year end)	431	346	338	293	277
Capital Ratios:					
Average shareholders' equity to average assets	8.42%	8.20%	8.31%	8.63%	9.88%
Average tangible equity to average tangible assets (3)	8.02%	7.86%	8.01%	8.44%	9.67%
Common shareholders' equity to total assets	7.84%	8.10%	8.23%	8.28%	8.10%
Tangible common equity to tangible assets (3)	6.99%	7.79%	7.87%	8.10%	7.89%

Income Data:					
Interest income	$ 91,643	$ 78,390	$ 67,546	$ 58,532	$ 56,079
Interest expense	$ 29,966	$ 21,366	$ 14,393	$ 10,140	$ 8,608
Net interest income	$ 61,677	$ 57,024	$ 53,153	$ 48,392	$ 47,471
Provision for loan losses	$ 4,860	$ 1,354	$ 3,822	$ 3,705	$ 3,864
Noninterest income (excluding securities transactions)	$ 8,456	$ 7,110	$ 6,943	$ 5,656	$ 5,656
Securities (losses) gains	$ (157)	$ (1,830)	$ 1,397	$ 3,799	$ 3,300
Noninterest expense	$ 47,219	$ 43,275	$ 38,521	$ 32,885	$ 31,095
Earnings before income taxes	$ 17,897	$ 17,675	$ 19,150	$ 21,257	$ 21,468
Net income	$ 14,241	$ 14,213	$ 11,751	$ 14,093	$ 14,505
Net income available to common shareholders	$ 14,241	$ 14,213	$ 11,751	$ 14,093	$ 14,121
Per Common Share Data: (5)					
Net earnings	$ 1.47	$ 1.47	$ 1.24	$ 1.53	$ 1.66
Cash dividends paid	$ 0.60	$ 0.58	$ 0.54	$ 0.53	$ 0.49
Book value	$ 17.04	$ 15.20	$ 14.86	$ 13.51	$ 12.84
Tangible book value (4)	$ 15.05	$ 14.57	$ 14.17	$ 13.18	$ 12.48
Dividend payout ratio	40.74%	39.65%	44.34%	34.56%	30.07%
Weighted average number of shares outstanding	9,695,131	9,687,123	9,468,145	9,205,635	8,485,408
Number of shares outstanding	9,741,253	9,687,123	9,687,123	9,205,635	9,205,635
Asset Quality Ratios:					
Non-performing assets to total assets	1.04%	0.55%	0.84%	1.48%	1.51%
Non-performing assets to total loans	1.44%	0.82%	1.28%	2.34%	2.62%
Non-performing loans to total loans	1.12%	0.73%	1.17%	2.30%	2.43%
Loan loss reserve to non-performing assets	49.86%	107.48%	62.88%	50.04%	42.74%
Net charge-offs to average loans	0.36%	(0.02)%	0.54%	0.23%	0.44%
Provision for loan loss to average loans	0.37%	0.12%	0.36%	0.42%	0.47%
Allowance for loan loss to total loans	0.72%	0.88%	0.80%	1.17%	1.12%

1. Tangible calculation eliminates goodwill and acquisition intangibles, principally core deposit intangibles, net of accumulated amortization, net of tax. 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.*"

2. 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.*"

3. 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.*"

4. 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.*"

5. Historical share and per share amounts have been adjusted to reflect the ten percent stock dividend paid December 16, 2019 to shareholders of record as of December 9, 2019.

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,				
	2019	2018	2017	2016	2015
	(in thousands, except for share data and %)				
Tangible Common Equity					
Total shareholders' equity	$ 166,035	$ 147,284	$ 143,983	$ 124,349	$ 118,224
Adjustments:					
Preferred	-	-	-	-	-
Goodwill	12,942	3,472	3,472	1,999	1,999
Acquisition intangibles	6,527	2,704	3,249	978	1,298
Tangible common equity	**$ 146,566**	**$ 141,108**	**$ 137,262**	**$ 121,372**	**$ 114,927**
Common shares outstanding [(1)]	9,741,253	9,687,123	9,687,123	9,205,635	9,205,635
Book value per common share [(1)]	$ 17.04	$ 15.20	$ 14.86	$ 13.51	$ 12.84
Tangible book value per common share [(1)]	$ 15.05	$ 14.57	$ 14.17	$ 13.18	$ 12.48
Tangible Assets					
Total Assets	$ 2,117,216	$ 1,817,211	$ 1,750,430	$ 1,500,946	$ 1,459,753
Adjustments:					
Goodwill	12,942	3,472	3,472	1,999	1,999
Acquisition intangibles	6,527	2,704	3,249	978	1,298
Tangible Assets	**$ 2,097,747**	**$1,811,035**	**$ 1,743,709**	**$ 1,497,969**	**$ 1,456,456**
Tangible common equity to tangible assets	**6.99%**	**7.79%**	**7.87%**	**8.10%**	**7.89%**

1. *All share amounts have been restated to reflect the ten percent stock dividend paid December 16, 2019 to shareholders of record as of December 9, 2019.*

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,				
	2019	2018	2017	2016	2015
	(in thousands, except for share data and %)				
GAAP-based efficiency ratio	**67.48%**	**69.46%**	**62.64%**	**56.85%**	**55.11%**
Noninterest expense	$47,219	$43,275	$38,521	$32,885	$31,095
Amortization of intangibles	390	545	432	320	320
Noninterest expense, excluding amortization	46,829	42,730	38,089	32,565	30,775
Net interest income	61,677	57,024	53,153	48,392	47,471
Noninterest income	8,299	5,280	8,340	9,455	8,956
Adjustments:					
Securities transactions	(157)	(1,830)	1,397	3,739	3,125
Noninterest income, excluding securities transactions	$ 8,456	$ 7,110	$ 6,943	$ 5,716	$ 5,831
Efficiency ratio	**66.77%**	**66.63%**	**63.38%**	**60.19%**	**57.74%**

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 financial 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 and Texas customers through 34 banking facilities primarily located in the MSAs of Hammond, Baton Rouge, Lafayette, Shreveport-Bossier City, Lake Charles and Alexandria, Louisiana and Dallas-Fort Worth-Arlington and Waco, Texas. 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. First Guaranty continued to expand in the Louisiana markets in 2019 with the acquisition of Union Bancshares, Incorporated and its wholly owned subsidiary, The Union Bank on November 7, 2019.

Total assets were $2.1 billion at December 31, 2019 and $1.8 billion at December 31, 2018. Total deposits were $1.9 billion at December 31, 2019 and $1.6 billion at December 31, 2018. Total loans were $1.5 billion at December 31, 2019, an increase of $300.2 million, or 24.5%, compared with December 31, 2018. Total shareholders' equity was $166.0 million and $147.3 million at December 31, 2019 and December 31, 2018, respectively.

Net income was $14.2 million, $14.2 million and $11.8 million for the years ended December 31, 2019, 2018 and 2017, 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, Texas 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 2019 and 2018:

- First Guaranty completed its merger with Union Bancshares, Incorporated. ("Union") and its wholly owned subsidiary, The Union Bank, on November 7, 2019. First Guaranty acquired a total of $274.8 million in assets and assumed $231.5 million in liabilities. Shareholders of Union received $1,061.20 per share in cash, yielding an aggregate deal value of $43.4 million. The cash consideration was partially financed by a $32.5 million term loan from First Horizon Bank. First Guaranty acquired a total of $184.2 million in loans, securities of $38.8 million, cash and due from banks of $20.1 million, premises of $7.2 million, other real estate owned of $1.6 million and other assets that totaled $9.3 million. Intangibles recorded from the transaction were a total of $13.7 million, including goodwill of $9.5 million. Total assumed liabilities included deposits of $205.0 million, FHLB advances of $16.6 million, repurchase agreements of $6.9 million and other liabilities of $3.0 million. Expenses related to the merger totaled approximately $0.3 million in 2019.

- Total assets at December 31, 2019 increased $300.0 million, or 16.5%, to $2.1 billion when compared with December 31, 2018. Total loans at December 31, 2019 were $1.5 billion, an increase of $300.2 million, or 24.5%, compared with December 31, 2018. Total deposits were $1.9 billion at December 31, 2019, an increase of $223.4 million, or 13.7% compared with December 31, 2018. Retained earnings were $43.3 million at December 31, 2019, an increase of $8.3 million compared to $34.9 million at December 31, 2018. Shareholders' equity was $166.0 million and $147.3 million at December 31, 2019 and December 31, 2018, respectively.
- Net income for each of the years ended December 31, 2019 and 2018 was $14.2 million.
- Earnings per common share were $1.47 for each of the years ended December 31, 2019 and 2018. Total weighted average shares outstanding were 9,695,131 at December, 31, 2019 compared to 9,687,123 at December 31, 2019. The change in shares was due to the issuance of 54,130 shares of stock in private placement in November of 2019.
- Net interest income for 2019 was $61.7 million compared to $57.0 million for 2018.
- The provision for loan losses totaled $4.9 million for 2019 compared to $1.4 million in 2018. First Guaranty received a $3.6 million negotiated payment in settlement of a commercial and industrial non-accrual loan on May 9, 2018. The payment resulted in a recovery of $1.6 million. The recovery impacted the allowance for loan losses and the end result was a negative provision for loan losses in the second quarter of 2018.
- Noninterest income for 2019 was $8.3 million compared to $5.3 million for 2018. During the third quarter of 2019, First Guaranty sold the guaranteed portion of SBA and USDA loans which generated a gain on the sale of loans of $1.4 million.
- The net interest margin was 3.41% for 2019 and 2018. First Guaranty attributed the stable net interest margin to a rise in interest income associated with loans and the change in balance sheet composition to higher yielding loans from lower yielding securities, partially offset by a rise in interest expense associated with interest-bearing deposits. Loans as a percentage of average interest earning assets increased to 72.7% at December 31, 2019 compared to 69.8% at December 31, 2018.
- Investment securities totaled $427.0 million at December 31, 2019, an increase of $21.7 million when compared to $405.3 million at December 31, 2018. First Guaranty acquired $38.8 million in securities from the Union acquisition and sold securities in order to fund loan growth and reduce interest rate risk. Losses on the sale of securities were $0.2 million for 2019 as compared to losses of $1.8 million for 2018. At December 31, 2019, available for sale securities, at fair value, totaled $340.4 million, an increase of $43.5 million when compared to $297.0 million at December 31, 2018. At December 31, 2019, held to maturity securities, at amortized cost, totaled $86.6 million, a decrease of $21.7 million when compared to $108.3 million at December 31, 2018.
- Total loans net of unearned income were $1.5 billion at December 31, 2019 compared to $1.2 billion at December 31, 2018. Total loans net of unearned income are reduced by the allowance for loan losses which totaled $10.9 million at December 31, 2019 and $10.8 million at December 31, 2018.
- Total impaired loans increased $11.9 million to $20.7 million at December 31, 2019 compared to $8.8 million at December 31, 2018.
- Nonaccrual loans increased $5.7 million to $14.4 million at December 31, 2019 compared to $8.7 million at December 31, 2018.
- The allowance for loan losses was 0.72% of loans at December 31, 2019. Loan discounts related to acquisition accounting from the Union transaction was approximately $2.4 million at December 31, 2019.
- Return on average assets was 0.76% and 0.82% for the years ended December 31, 2019 and 2018, respectively. Return on average common equity was 8.99% and 9.98% for 2019 and 2018, respectively. Return on average assets is calculated by dividing net income 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 $17.04 as of December 31, 2019 compared to $15.20 as of December 31, 2018. Tangible book value per common share was $15.05 as of December 31, 2019 compared to $14.57 as of December 31, 2018. The increase in book value was due primarily to an increase in accumulated other comprehensive income ("AOCI") and retained earnings. AOCI is comprised of unrealized gains and losses on available for sale securities.
- First Guaranty's Board of Directors declared cash dividends of $0.64 per common share in 2019, which was the equivalent of $0.60 per common share after adjusting for the 10% common stock dividend paid in December 2019. First Guaranty also declared cash dividends of $0.64 in 2018, which was the equivalent of $0.58 per common share after adjusting for the 10% common stock dividend paid in December 2019. First Guaranty has paid 106 consecutive quarterly dividends as of December 31, 2019.
- In November 2017, First Guaranty announced the launch of an At-The-Market Equity Offering program ("ATM Offering"). First Guaranty may sell up to $25.0 million of common stock under the ATM Offering. First Guaranty expects to use the net proceeds of the ATM Offering for general corporate purposes, including support for organic growth and financing possible acquisitions of other financial institutions. First Guaranty has not sold any shares of common stock under the ATM Offering during the years ended December 31, 2019 and 2018.
- First Guaranty currently has one new facility under construction in order to facilitate future expansion. This construction commitment totals $10.1 million, with $6.8 million incurred as of December 31, 2019. First Guaranty also completed construction on a new branch facility in Amite, Louisiana during the fourth quarter of 2019.

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, multifamily, 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.

First Guaranty accounts for acquisitions in accordance with ASC Topic No. 805, Business Combinations, which requires the use of the acquisition method of accounting. Under this method, First Guaranty is required to record the assets acquired, including identified intangible assets, and liabilities assumed, at their respective fair values, which in many instances involves estimates based on third party valuations, such as appraisals, or internal valuations based on discounted cash flow analyses or other valuation techniques. The determination of the useful lives of intangible assets is subjective, as is the appropriate amortization method for such intangible assets. In addition, business combinations typically result in recording goodwill.

Intangible assets are comprised of goodwill, core deposit intangibles and loan servicing assets. 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. First Guaranty concluded goodwill was not impaired as of October 1, 2019. Further, no events or changes in circumstances between October 1, 2019 and December 31, 2019 indicated that it was more likely than not the fair value of any reporting unit had been reduced below its carrying value.

Goodwill impairment evaluations require management to utilize significant judgments and assumptions including, but not limited to, the general economic environment and banking industry, reporting unit future performance (i.e., forecasts), events or circumstances affecting a respective reporting unit (e.g., interest rate environment), and changes in First Guaranty's stock price, amongst other relevant factors. Management's judgments and assumptions are based on the best information available at the time. Results could vary in subsequent reporting periods if conditions differ substantially from the assumptions utilized in completing the evaluations.

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 and loan servicing assets related to the SBA loan portfolio. Management periodically evaluates whether events or circumstances have occurred that would result in impairment of value.

Financial Condition

First Guaranty completed the acquisition of Union and its wholly owned subsidiary The Union Bank on November 7, 2019. This acquisition added seven branches, $205.0 million in deposits, and $184.2 million in loans to First Guaranty's balance sheet. The results of operations since the date of acquisition reflect the impact of the transaction.

Assets.

Our total assets were $2.1 billion at December 31, 2019, an increase of $300.0 million, or 16.5%, from total assets at December 31, 2018. Assets increased primarily due to increases in net loans of $300.1 million and investment securities of $21.7 million, partially offset by a decrease in cash and cash equivalents of $60.5 million.

Loans.

Net loans increased $300.1 million, or 24.7%, to $1.5 billion at December 31, 2019 from $1.2 billion at December 31, 2018. One- to four-family loans increased $116.9 million primarily due to the continued growth in local loan originations and the acquisition of loans from Union. Commercial and industrial loans increased $67.4 million primarily due to new originations and the acquisition of loans from Union. Consumer and other loans increased $49.4 million primarily due to origination of lease commitments and the acquisition of loans from Union. Construction and land development loans increased $47.6 million principally due to the funding of unfunded commitments on various construction projects and the acquisition of loans from Union. Non-farm non-residential loan balances increased $30.3 million primarily due to the acquisition of loans from Union. Non-farm non-residential loans would have declined without the acquisition of the Union loan portfolio. Farmland loans increased $4.3 million due to fundings on agricultural loan commitments and the acquisition of loans from Union. Agricultural loans increased $3.6 million primarily due to seasonal activity and the acquisition of loans from Union. Multifamily loans decreased $18.9 million primarily due to paydowns, primarily associated with one large credit that totaled $26.6 million. First Guaranty had approximately 3.5% of funded and 1.1% of unfunded commitments in our loan portfolio to businesses engaged in support or service activities for oil and gas operations. First Guaranty had $204.5 million in loans related to our Texas markets at December 31, 2019. Syndicated loans at December 31, 2019 were $39.9 million, of which $22.0 million were shared national credits. Syndicated loans decreased $27.1 million from $67.0 million at December 31, 2018 primarily due to payoffs of existing relationships.

As of December 31, 2019, 73.6% of our loan portfolio was secured by real estate. There are no significant concentrations of credit to any individual borrower. The largest portion of our loan portfolio, at 40.3% as of December 31, 2019, was non-farm non-residential loans secured by real estate. Approximately 33.3% of the loan portfolio was based on a floating rate tied to the prime rate or LIBOR as of December 31, 2019. 72.5% of the loan portfolio is scheduled to mature within five years from December 31, 2019.

First Guaranty acquired in the Premier acquisition a portfolio of loans comprised of loans guaranteed principally by the U.S. Small Business Administration ("SBA") or by the U.S. Department of Agriculture ("USDA") and the unguaranteed portion of SBA and USDA loans for which the guaranteed portion had been sold into the secondary market. First Guaranty has continued to originate SBA and USDA loans and sell the guaranteed portion. At December 31, 2019, First Guaranty's balance of SBA and USDA loans was $32.3 million of which $11.1 million retained the government guarantee and $21.2 million was the unguaranteed residual balance. At December 31, 2019, First Guaranty also serviced 49 SBA and USDA loans that totaled $51.3 million. First Guaranty receives servicing fee income on this portfolio

Loan Portfolio Composition.

The table 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,									
	2019		2018		2017		2016		2015	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
	(in thousands, except for %)									
Real Estate:										
Construction & land development	$ 172,247	11.3%	$ 124,644	10.1%	$ 112,603	9.8%	$ 84,239	8.9%	$ 56,132	6.6%
Farmland	22,741	1.5%	18,401	1.5%	25,691	2.2%	21,138	2.2%	17,672	2.1%
1- 4 Family	289,635	18.9%	172,760	14.1%	158,733	13.8%	135,211	14.2%	129,610	15.4%
Multifamily	23,973	1.6%	42,918	3.5%	16,840	1.4%	12,450	1.3%	12,629	1.5%
Non-farm non-residential	616,536	40.3%	586,263	47.7%	530,293	46.1%	417,014	43.9%	323,363	38.3%
Total Real Estate	**1,125,132**	**73.6%**	**944,986**	**76.9%**	**844,160**	**73.3%**	**670,052**	**70.5%**	**539,406**	**63.9%**
Non-Real Estate:										
Agricultural	26,710	1.8%	23,108	1.9%	21,514	1.9%	23,783	2.5%	25,838	3.1%
Commercial and industrial	268,256	17.5%	200,877	16.4%	230,638	20.0%	193,969	20.4%	224,201	26.6%
Consumer and other	108,868	7.1%	59,443	4.8%	55,185	4.8%	63,011	6.6%	54,163	6.4%
Total Non-Real Estate	**403,834**	**26.4%**	**283,428**	**23.1%**	**307,337**	**26.7%**	**280,763**	**29.5%**	**304,202**	**36.1%**
Total Loans Before Unearned Income	**1,528,966**	**100.0%**	**1,228,414**	**100.0%**	**1,151,497**	**100.0%**	**950,815**	**100.0%**	**843,608**	**100.0%**
Less: Unearned income	(3,476)		(3,146)		(2,483)		(1,894)		(2,025)	
Total Loans Net Of Unearned Income	**$1,525,490**		**$1,225,268**		**$1,149,014**		**$948,921**		**$841,583**	

Loan Portfolio Maturities.

The following tables summarize the scheduled repayments of our loan portfolio at December 31, 2019 and 2018. 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, 2019			
	One Year or Less	More Than One Year Through Five Years	After Five Years	Total
	(in thousands)			
Real Estate:				
Construction & land development	$ 35,393	$ 124,715	$ 12,139	$ 172,247
Farmland	8,348	10,283	4,110	22,741
1– 4 family	43,155	93,457	153,023	289,635
Multifamily	1,385	12,028	10,560	23,973
Non-farm non-residential	124,905	316,767	174,864	616,536
Total Real Estate	**213,186**	**557,250**	**354,696**	**1,125,132**
Non-Real Estate:				
Agricultural	13,290	5,087	8,333	26,710
Commercial and industrial	71,508	149,667	47,081	268,256
Consumer and other	15,454	90,029	3,385	108,868
Total Non-Real Estate	**100,252**	**244,783**	**58,799**	**403,834**
Total Loans Before Unearned Income	**$313,438**	**$802,033**	**$ 413,495**	**$ 1,528,966**
Less: unearned income				(3,476)
Total Loans Net Of Unearned Income				**$ 1,525,490**

	December 31, 2018			
	One Year or Less	More Than One Year Through Five Years	After Five Years	Total
	(in thousands)			
Real Estate:				
Construction & land development	$ 17,799	$ 74,681	$ 32,164	$ 124,644
Farmland	2,814	11,684	3,903	18,401
1– 4 family	11,182	45,004	116,574	172,760
Multifamily	7,525	32,284	3,109	42,918
Non-farm non-residential	81,007	336,493	168,763	586,263
Total Real Estate	**120,327**	**500,146**	**324,513**	**944,986**
Non-Real Estate:				
Agricultural	10,982	3,870	8,256	23,108
Commercial and industrial	45,604	134,967	20,306	200,877
Consumer and other	14,288	44,883	272	59,443
Total Non-Real Estate	**70,874**	**183,720**	**28,834**	**283,428**
Total Loans Before Unearned Income	**$191,201**	**$683,866**	**$353,347**	**$ 1,228,414**
Less: unearned income				(3,146)
Total Loans Net Of Unearned Income				**$ 1,225,268**

The following table sets forth the scheduled repayments of fixed and adjustable-rate loans at December 31, 2019 that are contractually due after December 31, 2020.

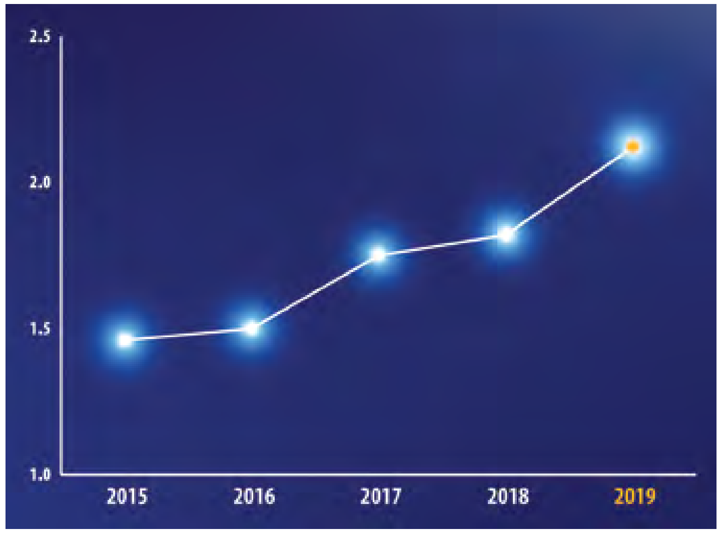
	Due After December 31, 2020 (in thousands)		
	Fixed	Floating	Total
One to five years	$ 509,455	$ 286,131	$ 795,586
Over five to 15 years	147,502	65,713	213,215
Over 15 years	143,695	51,612	195,307
Subtotal	**$ 800,652**	**$ 403,456**	**$ 1,204,108**
Nonaccrual loans			14,403
Total			**$ 1,218,511**

As of December 31, 2019, $153.3 million of floating rate loans were at their interest rate floor. At December 31, 2018, $27.7 million of floating rate loans were at the floor rate. Nonaccrual loans have been excluded from these totals.

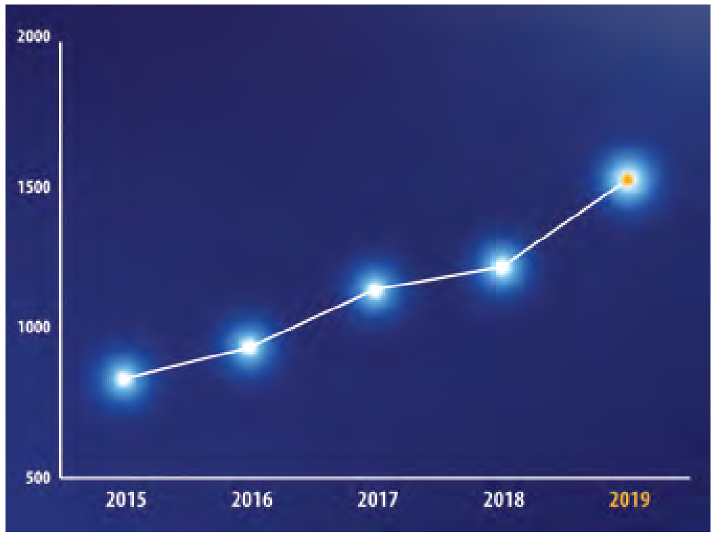
Non-performing Assets.

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

TOTAL ASSETS
In Billions



TOTAL LOANS
In Millions



The following table shows the principal amounts and categories of our non-performing assets at December 31, 2019, 2018, 2017, 2016 and 2015.

	December 31,				
	2019	2018	2017	2016	2015
	(in thousands)				
Nonaccrual loans:					
Real Estate:					
Construction and land development	$ 381	$ 311	$ 371	$ 551	$ 558
Farmland	1,274	1,293	65	105	117
1- 4 family	2,759	2,246	1,953	2,242	4,538
Multifamily	-	-	-	5,014	9,045
Non-farm non-residential	4,646	864	3,758	2,753	2,934
Total Real Estate	**9,060**	**4,714**	**6,147**	**10,665**	**17,192**
Non-Real Estate:					
Agricultural	4,800	3,651	1,496	1,958	2,628
Commercial and industrial	327	317	4,826	8,070	48
Consumer and other	216	61	81	981	171
Total Non-Real Estate	**5,343**	**4,029**	**6,403**	**11,009**	**2,847**
Total nonaccrual loans	**14,403**	**8,743**	**12,550**	**21,674**	**20,039**
Loans 90 days and greater delinquent & still accruing:					
Real Estate:					
Construction and land development	48	-	-	34	-
Farmland	-	-	-	-	19
1- 4 family	923	26	-	145	391
Multifamily	-	-	-	-	-
Non-farm non-residential	1,603	-	-	-	-
Total Real Estate	**2,574**	**26**	**-**	**179**	**410**
Non-Real Estate:					
Agricultural	-	-	41	-	-
Commercial and industrial	15	53	798	-	-
Consumer and other	50	66	-	-	-
Total Non-Real Estate	**65**	**119**	**839**	**-**	**-**
Total loans 90 days and greater delinquent & still accruing	**2,639**	**145**	**839**	**179**	**410**
Total non-performing loans	**$17,042**	**$ 8,888**	**$13,389**	**$21,853**	**$20,449**
Other real estate owned and foreclosed assets:					
Real Estate:					
Construction and land development	669	241	304	-	25
Farmland	-	-	-	-	-
1- 4 family	559	120	23	71	880
Multifamily	-	-	-	-	-
Non-farm non-residential	3,651	777	954	288	672
Total Real Estate	**4,879**	**1,138**	**1,281**	**359**	**1,577**
Non-Real Estate:					
Agricultural	-	-	-	-	-
Commercial and industrial	-	-	-	-	-
Consumer and other	-	-	-	-	-
Total Non-Real Estate	**-**	**-**	**-**	**-**	**-**
Total other real estate owned and foreclosed assets	**4,879**	**1,138**	**1,281**	**359**	**1,577**
Total non-performing assets	**$21,921**	**$10,026**	**$14,670**	**$22,212**	**$22,026**
Non-performing assets to total loans	**1.44%**	**0.82%**	**1.28%**	**2.34%**	**2.62%**
Non-performing assets to total assets	**1.04%**	**0.55%**	**0.84%**	**1.48%**	**1.51%**
Non-performing loans to total loans	**1.12%**	**0.73%**	**1.17%**	**2.30%**	**2.43%**

For the years ended December 31, 2019 and 2018, gross interest income which would have been recorded had the non-performing loans been current in accordance with their original terms amounted to $0.9 million and $0.7 million, respectively. We recognized $69,000 and $38,000 of interest income on such loans during the years ended December 31, 2019 and 2018, respectively. For the years ended December 31, 2019 and 2018, 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 and $0.1 million, respectively. We recognized $0 and $0.1 million of interest income on such loans during the years ended December 31, 2019 and 2018, respectively.

Non-performing assets were $21.9 million, or 1.04%, of total assets at December 31, 2019, compared to $10.0 million, or 0.55%, of total assets at December 31, 2018, which represented an increase in non-performing assets of $11.9 million. The increase in non-performing assets occurred as a result of several factors.

Nonaccrual loans increased from $8.7 million at December 31, 2018 to $14.4 million at December 31, 2019. The increase in nonaccrual loans was concentrated primarily in non-farm non-residential loans and agricultural loans. Nonaccrual loans were concentrated in seven loan relationships that totaled $8.8 million, or 61.3%, of nonaccrual loans at December 31, 2019. Non-performing assets included $5.3 million in loans with a government guarantee, or 24.3% of non-performing assets. These are structured as net loss guarantees in which up to 90% of loss exposure is covered.

At December 31, 2019 loans 90 days and greater delinquent and still accruing totaled $2.6 million, an increase of $2.5 million from $0.1 million at December 31, 2018. The increase in loans 90 days and greater delinquent and still accruing was concentrated in non-farm non-residential loans.

Other real estate owned at December 31, 2019 totaled $4.9 million, an increase of $3.7 million from $1.1 million at December 31, 2018. The increase was primarily due to acquired real estate from Union.

At December 31, 2019, our largest non-performing assets were comprised of the following nonaccrual loans and other real estate owned: (1) a non-farm non-residential loan secured by a hotel that totaled $3.7 million; (2) a $2.2 million non-farm non-residential property included in other real estate owned; (3) an agricultural/ farmland loan relationship that totaled $1.1 million; (4) an agricultural loan relationship that totaled $1.0 million; (5) an agricultural loan relationship that totaled $1.0 million; (6) an agricultural loan relationship that totaled $0.7 million; (7) an agricultural loan relationship that totaled $0.7 million; (8) a $0.6 million non-farm non-residential property included in other real estate owned; and (9) a one-to four-family loan that totaled $0.5 million. The agricultural loans are partially guaranteed by the USDA Farm Service Agency.

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, 2019, 2018 and 2017.

	At December 31,		
	2019	2018	2017
	(in thousands)		
TDRs:			
In Compliance with Modified Terms	$ -	$ 1,288	$ 2,138
Past Due 30 through 89 days and still accruing	-	-	-
Past Due 90 days and greater and still accruing	-	-	-
Nonaccrual	-	304	334
Restructured Loans that subsequently defaulted	-	-	-
Total TDR	$ -	$ 1,592	$ 2,472

At December 31, 2019, First Guaranty had no outstanding TDRs. The decline in TDRs occured due to two credit relationships in the aggregate amount of $1.6 million that had returned to market terms and been in compliance with their modified terms for more than six consecutive 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, 2019, 2018 and 2017. Classified assets totaled $53.1 million at December 31, 2019, and included $17.0 million of non-performing loans.

	At December 31,		
	2019	**2018**	**2017**
	(in thousands)		
Classification of Loans:			
Substandard	$53,072	$46,792	$48,417
Doubtful	-	523	4,560
Total Classified Assets	**$53,072**	**$47,315**	**$52,977**
Special Mention	$24,083	$26,413	$25,929

The increase in classified assets at December 31, 2019 as compared to December 31, 2018 was due to a $6.3 million increase in substandard loans partially offset by a $0.5 million decrease in doubtful loans. The increase in substandard loans during 2019 was primarily due to the addition of $8.7 million of purchase impaired loans from Union. Substandard loans at December 31, 2019 consisted of $19.0 million in non-farm non-residential, $13.5 million in one- to four-family residential, $7.1 million in multifamily, $5.1 million in agricultural, $4.6 million in commercial and industrial, $2.3 million in construction and land development, $1.3 million in farmland, and the remaining $0.1 million comprised of consumer and other loans. The decrease in doubtful loans was due to the upgrade of a non-farm non-residential loan to substandard status. Special mention loans decreased by $2.3 million in 2019 primarily due to the downgrade of syndicated loans offset by the upgrade of one-to four-family 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 $10.9 million at December 31, 2019 compared to $10.8 million at December 31, 2018.

The allowance for losses was $10.9 million at December 31, 2019 compared to $10.8 million at December 31, 2018.

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,				
	2019	2018	2017	2016	2015
	(dollars in thousands)				
Balance at beginning of year	$ 10,776	$ 9,225	$ 11,114	$ 9,415	$ 9,105
Charge-offs:					
Real Estate:					
Construction and land development	-	-	-	-	(559)
Farmland	-	-	-	-	-
1- 4 family	(552)	(99)	(33)	(244)	(410)
Multifamily	-	-	-	-	(947)
Non-farm non-residential	(2,603)	(404)	(1,291)	(1,373)	(1,137)
Total Real Estate	**(3,155)**	**(503)**	**(1,324)**	**(1,617)**	**(3,053)**
Non-Real Estate:					
Agricultural	(40)	(300)	(162)	(83)	(491)
Commercial and industrial loans	(879)	(179)	(3,629)	(579)	(79)
Consumer and other	(1,190)	(907)	(1,247)	(635)	(550)
Total Non-Real Estate	**(2,109)**	**(1,386)**	**(5,038)**	**(1,297)**	**(1,120)**
Total charge-offs	**(5,264)**	**(1,889)**	**(6,362)**	**(2,914)**	**(4,173)**
Recoveries:					
Real Estate:					
Construction and land development	-	3	43	4	5
Farmland	-	-	-	-	-
1- 4 family	39	90	92	45	94
Multifamily	-	20	40	401	46
Non-farm non-residential	5	89	85	16	5
Total Real Estate	**44**	**202**	**260**	**466**	**150**
Non-Real Estate:					
Agricultural	-	26	138	113	3
Commercial and industrial loans	267	1,642	30	146	315
Consumer and other	246	216	223	183	151
Total Non-Real Estate	**513**	**1,884**	**391**	**442**	**469**
Total recoveries	**557**	**2,086**	**651**	**908**	**619**
Net (charge-offs) recoveries	**(4,707)**	**197**	**(5,711)**	**(2,006)**	**(3,554)**
Provision for loan losses	4,860	1,354	3,822	3,705	3,864
Balance at end of year	**$ 10,929**	**$ 10,776**	**$ 9,225**	**$ 11,114**	**$ 9,415**
Ratios:					
Net loan charge-offs to average loans	0.36%	(0.02)%	0.54%	0.23%	0.44%
Net loan charge-offs to loans at end of year	0.31%	(0.02)%	0.50%	0.21%	0.42%
Allowance for loan losses to loans at end of year	0.72%	0.88%	0.80%	1.17%	1.12%
Net loan charge-offs to allowance for loan losses	43.07%	(1.83)%	61.91%	18.05%	37.75%
Net loan charge-offs to provision charged to expense	96.85%	(14.55)%	149.42%	54.14%	91.98%

A provision for loan losses of $4.9 million was made during the year ended December 31, 2019 as compared to $1.4 million for 2018. The provisions made in 2019 were taken to provide for current loan losses and to maintain the allowance proportionate to risks inherent in the loan portfolio. First Guaranty's loan loss calculation method incorporates risk factors in the loan portfolio and the composition of the loan portfolio affects the final allowance calculation. The loan portfolio composition shifts in 2019 that primarily affected the allocation of the allowance were the following:

- First Guaranty acquired $184.1 million in loans from the Union acquisition on November 7, 2019. These loans were subject to purchase accounting and are not included in the allowance calculation but are included in the overall allowance to total loan ratio calculation. Discounts on the acquired Union loans were approximately $2.4 million at December 31, 2019.
- First Guaranty's commercial lease portfolio increased by $44.2 million, which increased allocations for this portfolio.
- First Guaranty originated a $25.0 million cash secured loan in the fourth quarter of 2019. The cash secured loan did not require a related allowance.
- First Guaranty's syndicated loan portfolio declined in 2019, which lowered risk in the portfolio and required less of an allocation in the commercial and industrial portfolio.
- First Guaranty's non-farm non-residential loan portfolio declined by approximately $33.8 million when acquired loans are removed from total loans.
- First Guaranty's multifamily loan portfolio declined by $18.9 million, which required less of an allocation in the multifamily portfolio.
- First Guaranty charged-off $1.4 million on a previously allocated impaired loan that had a specific reserve of $1.0 million at December 31, 2018 and September 30, 2019.
- First Guaranty continued its growth of one-to four-family loans along with construction and land development loans. These loan categories generally require less of a risk allocation as compared to commercial real estate loans.

Total charge-offs were $5.3 million during the year ended December 31, 2019 as compared to $1.9 million for 2018. Recoveries totaled $0.6 million for the year ended December 31, 2019 and $2.1 million during 2018. Comparing the year ended December 31, 2019 to the year ended December 31, 2018, the increase in the allowance was primarily attributed to an increase in the provision related to impaired loans. The primary changes were an increase in the balance associated with non-farm non-residential loans, consumer and other loans, one-to four-family loans and farmland loans. In the third quarter of 2019, a $4.1 million loan secured by a hotel was determined to be impaired. An allocation of $1.9 million was made against it during the third quarter of 2019. This increase was partially offset by a decrease in the allowance for multifamily loans, agricultural loans and construction and land development loans.

The charged-off loan balances for the year ended December 31, 2019 were concentrated in seven loan relationships which totaled $4.1 million, or 78.3%, of the total charged-off amount. The details of the $5.3 million in charged-off loans were as follows:

- First Guaranty charged off $0.2 million on a commercial and industrial loan in the first quarter of 2019. This loan had no remaining principal balance at December 31, 2019.
- First Guaranty charged off $0.7 million on a purchased consumer loan pool during 2019. This pool had a remaining principal balance of $2.6 million at December 31, 2019.
- First Guaranty charged off $0.8 million on a non-farm non-residential loan in the second quarter of 2019. This loan had no remaining principal balance at December 31, 2019. The collateral balance of $2.2 million was transferred to other real estate owned during the second quarter of 2019.
- First Guaranty charged off $0.4 million on a one-to four-family residential loan in the second quarter of 2019. This loan had no remaining principal balance at December 31, 2019.
- First Guaranty charged off $1.4 million on a non-farm non-residential loan secured by a hotel in the fourth quarter of 2019. This loan had no remaining principal balance at December 31, 2019. This loan had been previously allocated for with a specific reserve of $1.0 million at September 30, 2019 and December 31, 2018.
- First Guaranty charged off $0.3 million on a non-farm non-residential loan secured by a hotel in the fourth quarter of 2019. This loan had a remaining principal balance of $3.7 million at December 31, 2019 with a specific reserve of $1.8 million allocated against it.
- First Guaranty charged off $0.2 million on a commercial and industrial loan in the fourth quarter of 2019. This loan had no remaining principal balance at December 31, 2019.
- Smaller loans and overdrawn deposit accounts comprised the remaining $1.3 million of charge-offs for 2019.

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,					
	2019			2018		
	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	$ 423	3.9%	11.3%	$ 581	5.4%	10.1%
Farmland	50	0.4%	1.5%	41	0.4%	1.5%
1- 4 family	1,027	9.4%	18.9%	911	8.5%	14.1%
Multifamily	1,038	9.5%	1.6%	1,318	12.2%	3.5%
Non-farm non-residential	5,277	48.3%	40.3%	4,771	44.3%	47.7%
Non-Real Estate:						
Agricultural	95	0.9%	1.8%	339	3.1%	1.9%
Commercial and industrial	1,909	17.5%	17.5%	1,909	17.7%	16.4%
Consumer and other	1,110	10.1%	7.1%	891	8.3%	4.8%
Unallocated	-	-%	-%	15	0.1%	-%
Total Allowance	$ 10,929	100.0%	100.0%	$10,776	100.0%	100.0%

	At December 31,					
	2017			2016		
	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	$ 628	6.8%	9.8%	$ 1,232	11.1%	8.9%
Farmland	5	0.1%	2.2%	19	0.2%	2.2%
1- 4 family	1,078	11.7%	13.8%	1,204	10.8%	14.2%
Multifamily	994	10.8%	1.4%	591	5.3%	1.3%
Non-farm non-residential	2,811	30.4%	46.1%	3,451	31.0%	43.9%
Non-Real Estate:						
Agricultural	187	2.0%	1.9%	74	0.7%	2.5%
Commercial and industrial	2,377	25.8%	20.0%	3,543	31.9%	20.4%
Consumer and other	1,125	12.2%	4.8%	972	8.7%	6.6%
Unallocated	20	0.2%	-%	28	0.3%	-%
Total Allowance	$ 9,225	100.0%	100.0%	$ 11,114	100.0%	100.0%

	At December 31,		
	2015		
	Allowance for Loan Losses	Percent of Allowance to Total Allowance for Loan Losses	Percent of Loans in Each Category to Total Loans
	(dollars in thousands)		
Real Estate:			
Construction and land development	$ 962	10.2%	6.6%
Farmland	54	0.6%	2.1%
1- 4 family	1,771	18.8%	15.4%
Multifamily	557	5.9%	1.5%
Non-farm non-residential	3,298	35.0%	38.3%
Non-Real Estate:			
Agricultural	16	0.2%	3.1%
Commercial and industrial	2,527	26.9%	26.6%
Consumer and other	230	2.4%	6.4%
Unallocated	-	-%	-%
Total Allowance	$ 9,415	100.0%	100.0%

Investment Securities.

Investment securities at December 31, 2019 totaled $427.0 million, an increase of $21.7 million, or 5.4%, compared to $405.3 million at December 31, 2018. 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, 2019, the U.S Government and Government agency securities and municipal bonds qualified as securities available to collateralize public funds. Securities pledged as collateral totaled $212.8 million at December 31, 2019 and $289.7 million at December 31, 2018. 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,					
	2019		2018		2017	
	(in thousands)					
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Available for sale:						
U.S. Treasuries	$ -	$ -	$ -	$ -	$ 19,490	$ 19,486
U.S. Government Agencies	16,380	16,393	146,911	141,389	200,052	195,983
Corporate debt securities	94,561	95,369	76,310	72,878	91,770	91,485
Other securities	497	497	483	483	500	493
Municipal bonds	30,297	32,153	32,956	33,901	37,210	39,569
Collateralized mortgage obligations	16,400	16,397	918	904	1,191	1,185
Mortgage-backed securities	179,546	179,625	48,434	47,422	33,680	33,334
Total available for sale securities	**337,681**	**340,434**	**306,012**	**296,977**	**383,893**	**381,535**
Held to maturity:						
U.S. Government Agencies	18,175	18,143	28,172	27,091	28,169	27,499
Municipal bonds	5,107	5,289	5,227	5,126	5,322	5,325
Mortgage-backed securities	63,297	63,385	74,927	72,623	86,630	85,733
Total held to maturity securities	**$ 86,579**	**$ 86,817**	**$108,326**	**$104,840**	**$120,121**	**$118,557**

Our available for sale securities portfolio totaled $340.4 million at December 31, 2019, an increase of $43.5 million, or 14.6%, compared to $297.0 million at December 31, 2018. The increase was primarily due to the acquired securities from Union of $14.7 million in collateralized mortgage obligations, $12.6 million in mortgage-backed securities, $6.9 million in municipal bonds and $2.3 million in U.S. Government agency securities. The acquisition of securities was partially offset by called bonds and the sale of securities. First Guaranty had $85.0 million in U.S. Government agency securities and $1.9 million of corporate securities called during 2019 due to the decrease in interest rates. First Guaranty had securities sales of $46.7 million in U.S. Government agency securities, $13.0 million in mortgage-backed securities, $23.3 million in corporate securities and $8.2 million in municipal securities for which the proceeds were used to fund loan growth during 2019.

Our held to maturity securities portfolio had an amortized cost of $86.6 million at December 31, 2019, a decrease of $21.7 million, or 20.1%, compared to $108.3 million at December 31, 2018. The decrease was primarily due to the call of $10.0 million in U.S. Government agency securities and the continued amortization of our mortgage-backed securities.

The following tables set forth the stated maturities and weighted average yields of our investment securities at December 31, 2019 and 2018.

	At December 31, 2019							
	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	$ -	-%	$ -	-%	$ -	-%	$ -	-%
U.S. Government Agencies	2,096	1.8%	4,647	2.2%	149	2.0%	9,501	2.9%
Corporate and other debt securities	640	3.4%	24,860	3.1%	68,129	3.6%	1,740	4.7%
Other securities	-	-%	-	-	-	-%	497	2.3%
Municipal bonds	1,785	4.1%	9,221	3.8%	9,665	3.8%	11,482	3.5%
Collateralized mortgage obligations	-	-%	55	2.1%	5,567	2.2%	10,775	2.2%
Mortgage-backed securities	-	-%	416	2.0%	1,393	2.2%	177,816	2.5%
Total available for sale securities	**$ 4,521**	**2.9%**	**$ 39,199**	**3.1%**	**$ 84,903**	**3.5%**	**$ 211,811**	**2.6%**
Held to maturity:								
U.S. Government Agencies	$ 5,000	1.5%	$ 7,177	2.0%	$ 5,998	2.1%	$ -	-%
Municipal bonds	50	1.6%	150	2.1%	1,498	2.6%	3,409	2.7%
Mortgage-backed securities	-	-%	-	-%	11,628	2.0%	51,669	2.3%
Total held to maturity securities	**$ 5,050**	**1.5%**	**$ 7,327**	**2.0%**	**$ 19,124**	**2.1%**	**$ 55,078**	**2.4%**

	At December 31, 2018							
	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	$ -	-%	$ -	-%	$ -	-%	$ -	-%
U.S. Government Agencies	-	-%	18,428	2.1%	114,053	2.5%	8,908	2.9%
Corporate and other debt securities	555	4.5%	28,538	3.0%	42,752	3.5%	1,033	5.5%
Other securities	-	-%	-	-%	-	-%	483	2.2%
Municipal bonds	2,493	3.0%	7,635	4.0%	17,502	3.2%	6,271	4.7%
Collateralized mortgage obligations	-	-%	-	-%	-	-%	904	2.4%
Mortgage-backed securities	-	-%	237	1.6%	966	2.3%	46,219	2.8%
Total available for sale securities	**$ 3,048**	**3.2%**	**$ 54,838**	**2.9%**	**$ 175,273**	**2.9%**	**$ 63,818**	**3.0%**
Held to maturity:								
U.S. Government Agencies	-	-%	$ 6,998	1.6%	$ 17,174	2.4%	$ 4,000	3.2%
Municipal bonds	-	-%	250	1.9%	165	2.6%	4,812	2.7%
Mortgage-backed securities	-	-%	-	-%	14,146	2.0%	60,781	2.6%
Total held to maturity securities	**$ -**	**-%**	**$ 7,248**	**1.6%**	**$ 31,485**	**2.2%**	**$ 69,593**	**2.6%**

At December 31, 2019, $9.6 million, or 2.2%, of the securities portfolio was scheduled to mature in less than one year. Securities, not including mortgage-backed securities and collateralized mortgage obligations, with contractual maturity dates over 10 years totaled $26.6 million, or 6.2%, of the total portfolio at December 31, 2019. 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.

At December 31, 2019, 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, 2019	
	Amortized Cost	Fair Value
	(in thousands)	
Freddie Mac	96,966	97,036
Fannie Mae	146,702	146,758
Federal Farm Credit Bank	18,227	18,211
Total	$ 261,895	$ 262,005

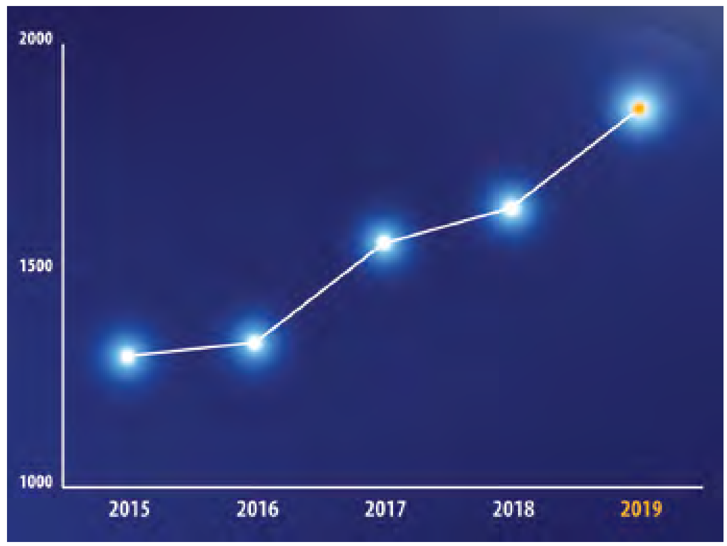
Deposits.

Managing the mix and pricing the maturities of deposit liabilities is an important factor affecting our ability to maximize our net interest margin. The strategies used to manage interest-bearing deposit liabilities are designed to adjust as the interest rate environment changes. We regularly assess our funding needs, deposit pricing and interest rate outlooks. From December 31, 2018 to December 31, 2019, total deposits increased $223.4 million, or 13.7%, to $1.9 billion. Noninterest-bearing demand deposits increased $81.4 million, or 33.3% to $325.9 million at December 31, 2019. The increase in noninterest-bearing demand deposits was due to acquired deposits from Union and fluctuations in existing customer balances. Interest-bearing demand deposits increased $41.6 million, or 7.0%, to $635.9 million at December 31, 2019. The increase in interest-bearing demand deposits was primarily concentrated in public funds interest-bearing demand deposits that seasonally increase during the end of the year tax collection period. Time deposits increased $75.2 million, or 11.1%, to $756.0 million at December 31, 2019, primarily due to our local deposit campaign. Savings deposits increased $25.2 million, or 22.9%, to $135.2 million at December 31, 2019, primarily due to acquired deposits from Union.

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

TOTAL DEPOSITS

In Millions



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, 2019			2018			2017		
	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	$ 262,379	15.7%	-%	$ 252,531	16.3%	-%	$ 244,949	16.7%	-%
Interest-bearing Demand	592,113	35.4%	1.8%	556,528	35.9%	1.5%	539,399	36.9%	1.0%
Savings	115,682	6.9%	0.4%	111,134	7.2%	0.4%	102,779	7.0%	0.2%
Time	703,685	42.0%	2.4%	628,457	40.6%	1.7%	575,666	39.4%	1.2%
Total Deposits	$1,673,859	100.0%	1.7%	$1,548,650	100.0%	1.3%	$1,462,793	100.0%	0.9%

Individual and Business Deposits	For the Years Ended December 31, 2019			2018			2017		
	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	$ 256,099	23.7%	-%	$ 246,550	26.7%	-%	$ 240,337	28.0%	-%
Interest-bearing Demand	241,290	22.3%	1.4%	204,405	22.1%	1.1%	187,439	21.8%	0.6%
Savings	86,972	8.0%	0.1%	84,844	9.2%	0.1%	82,442	9.6%	0.1%
Time	498,521	46.0%	2.6%	388,623	42.0%	1.7%	348,656	40.6%	1.3%
Total Individual and Business Deposits	$1,082,882	100.0%	1.5%	$ 924,422	100.0%	1.0%	$ 858,874	100.0%	0.7%

Public Fund Deposits	For the Years Ended December 31, 2019			2018			2017		
	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	$ 6,280	1.1%	-%	$ 5,981	1.0%	-%	$ 4,612	0.8%	-%
Interest-bearing Demand	350,823	59.3%	2.0%	352,123	56.4%	1.8%	351,960	58.3%	1.2%
Savings	28,710	4.9%	1.6%	26,290	4.2%	1.4%	20,337	3.4%	0.8%
Time	205,164	34.7%	2.1%	239,834	38.4%	1.7%	227,010	37.5%	1.1%
Total Public Fund Deposits	$ 590,977	100.0%	1.9%	$ 624,228	100.0%	1.7%	$ 603,919	100.0%	1.2%

At December 31, 2019, public funds deposits totaled $610.7 million compared to $645.5 million at December 31, 2018. Public funds time deposits totaled $146.4 million at December 31, 2019 compared to $247.0 million at December 31, 2018. 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. $463.7 million, or 76%, of these accounts at December 31, 2019, 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 33% of public funds 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 will increase at the end of the year and during the first quarter. In addition to seasonal fluctuations, there are monthly fluctuations associated with internal payroll and short-term tax collection accounts for our public funds deposit accounts. Public funds deposit accounts are collateralized by FHLB letters of credit, by expanded reciprocal deposit insurance programs, by Louisiana municipal bonds and by eligible government and government agency securities such as those issued by the FHLB, FFCB, Fannie Mae, and Freddie Mac.

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

	At December 31,		
	2019	2018	2017
	(in thousands except for %)		
Public Funds:			
Noninterest-bearing Demand	$ 9,944	$ 6,930	$ 4,828
Interest-bearing Demand	424,732	364,692	389,788
Savings	29,570	26,903	20,539
Time	146,420	247,004	225,591
Total Public Funds	**$ 610,666**	**$ 645,529**	**$ 640,746**
Total Deposits	$1,853,013	$1,629,622	$1,549,286
Total Public Funds as a percent of Total Deposits	**33.0%**	**39.6%**	**41.4%**

At December 31, 2019, the aggregate amount of outstanding certificates of deposit in amounts greater than or equal to $100,000 was approximately $524.5 million. At December 31, 2019, approximately $297.6 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, 2019.

	December 31, 2019
	(in thousands)
Due in one year or less	$ 226,971
Due after one year through three years	120,554
Due after three years	177,001
Total certificates of deposit greater than or equal to $100,000	**$ 524,526**

Borrowings.

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. First Guaranty had $19.9 million in short-term borrowings outstanding at December 31, 2019 compared to none outstanding at December 31, 2018. The short-term borrowings at December 31, 2019 were comprised of Federal Home Loan Bank advances of $13.1 million and repurchase agreements of $6.8 million. First Guaranty has a line of credit for $6.5 million, with no outstanding balance at December 31, 2019. The Federal Home Loan Bank advances and repurchase agreements were assumed as a result of the Union acquisition in November 2019.

At December 31, 2019, we had $355.2 million in FHLB letters of credit outstanding obtained primarily for collateralizing public deposits.

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

	At or For the Years Ended December 31,		
	2019	2018	2017
	(in thousands, except for %)		
Balance at end of year	$19,919	$ -	$15,500
Maximum month-end outstanding	$19,919	$37,000	$28,000
Average daily outstanding	$ 3,320	$ 7,119	$ 5,833
Total weighted average rate during the year	2.00%	2.21%	1.06%
Weighted average rate at the end of the year	2.00%	-%	1.51%

First Guaranty Bancshares had senior long-term debt totaling $48.6 million at December 31, 2019 and $19.8 million at December 31, 2018. The increase in long-term debt was due to a new $32.5 million term loan obtained in November 2019 to partially finance the Union acquisition.

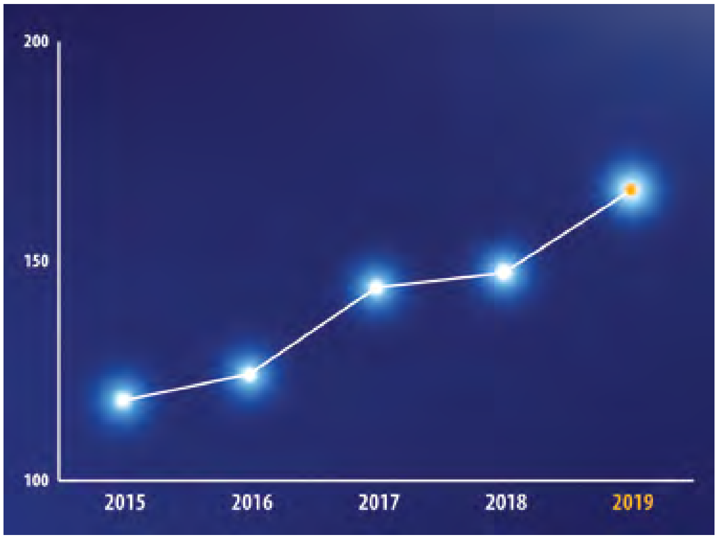
First Guaranty also had junior subordinated debentures totaling $14.7 million at December 31, 2019 and December 31, 2018.

Shareholders' Equity.

Total shareholders' equity increased to $166.0 million at December 31, 2019 from $147.3 million at December 31, 2018. The increase in shareholders' equity was principally the result of an increase of $9.3 million in accumulated other comprehensive income, an increase of $8.3 million in retained earnings and an increase of $1.0 million in surplus. The increase in accumulated other comprehensive income was primarily attributed to the decrease in unrealized losses on available for sale securities during the year ended December 31, 2019. The $8.3 million increase in retained earnings was due to net income of $14.2 million during the year ended December 31, 2019, partially offset by $5.8 million in cash dividends paid on shares of our common stock. The $1.0 million increase in surplus was due to common stock issued in a private placement.

TOTAL COMMON SHAREHOLDERS' EQUITY

In Millions



Results of Operations

Performance Summary

Year ended December 31, 2019 compared with year ended December 31, 2018. Net income for the year ended December 31, 2019 was $14.2 million, an increase of $28,000, or 0.2%, as compared to the year ended December 31, 2018. The increase in net income of $28,000 for the year ended December 31, 2019 was the result of several factors. First Guaranty experienced an increase in interest income associated with loans and increased noninterest income, partially offset by an increase in the provision for loan losses, increased interest expense and increased noninterest expense. Loan interest income increased due to the continued growth in First Guaranty's loan portfolio, an increase in the average yield on loans and due to the acquired loans from the Union acquisition. Noninterest income increased primarily as a result of gains on the sale of the guaranteed portion of SBA and USDA loans and an increase in securities gains. Factors that partially offset this increase in income include increased interest expense and noninterest expense. The increase in interest expense was due to the rising interest rate environment, increased competition and due to the acquired deposits from the Union acquisition. Noninterest expense increased primarily due to expenses associated with the Union acquisition that included approximately $0.3 million in one-time merger related expenses, as well as expenses associated with additional compensation, occupancy and other operating expenses for the branch offices acquired in the Union acquisition. The provision for loan losses increased to provide for current loan losses and to maintain the allowance proprtionate to risks inherent in the loan portfolio. Earnings per common share for the years ended December 31, 2019 and December 31, 2018 was $1.47 per common share (as adjusted for the 10% stock dividend in December 2019).

Year ended December 31, 2018 compared with year ended December 31, 2017. Net income for the year ended December 31, 2018 was $14.2 million, an increase of $2.5 million, or 21.0%, from $11.8 million for the year ended December 31, 2017. The increase in net income of $2.5 million for the year ended December 31, 2018 was the result of several factors. First Guaranty experienced increased interest income associated with loans along with a decrease in the provision for loan losses, partially offset by increased loan interest and noninterest expense and decreased noninterest income. The decrease in the provision for loan losses for the year ended December 31, 2018 was attributed to the aforementioned recovery associated with the payoff of the nonaccrual oil and gas credit along with improvement of overall credit quality of the loan portfolio. The increase in interest expense was due to the rising interest rate environment and increased competition. The decrease in noninterest income was primarily the result of an increase in securities losses. Losses on the sale of securities were $1.8 million for the year ended December 31, 2018 compared to gains of $1.4 million for 2017. First Guaranty also had a decrease in income tax expense of $3.9 million resulting from the decrease in the federal corporate tax rate as a result of the Tax Cuts and Jobs Act. Earnings per common share for the year ended December 31, 2018 was $1.47 per common share, an increase of 21.5% or $0.26 per common share from $1.21 per common share for the year ended December 31, 2017 (as adjusted for the 10% stock dividend in December 2019). The increase in earnings per share was caused by the increase in net income.

TOTAL NET INCOME

In Millions

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.

Year ended December 31, 2019 compared with year ended December 31, 2018. Net interest income for the years ended December 31, 2019 and 2018 was $61.7 million and $57.0 million, respectively. The increase in net interest income for the year ended December 31, 2019 as compared to the prior year was primarily due to an increase in the average balance of our total interest-earning assets and an increase in the average yield of our total interest-earning assets, partially offset by the increase in the average balance of our total interest-bearing liabilities and an increase in the average rate of our total interest-bearing liabilities. For the year ended December 31, 2019, the average balance of our total interest-earning assets increased by $136.3 million to $1.8 billion, and the average yield of our interest-earning assets increased by 38 basis points to 5.06% from 4.68% for the year ended December 31, 2018. For the year ended December 31, 2019, the average balance of our total interest-bearing liabilities increased by $117.0 million to $1.5 billion, and the average rate of our total interest-bearing liabilities increased by 46 basis points to 2.06% from 1.60% for the year ended December 31, 2018. As a result, our net interest rate spread decreased eight basis points to 3.00% for the year ended December 31, 2019 from 3.08% for the years ended December 31, 2018. Our net interest margin remained stable at 3.41% for the year ended December 31, 2019 and 2018

Year ended December 31, 2018 compared with year ended December 31, 2017. Net interest income for the year ended December 31, 2018 and 2017 was $57.0 million and $53.2 million, respectively. The increase in net interest income for the year ended December 31, 2018 as compared to the prior year was primarily due to an increase in the average balance of our total interest-earning assets and an increase in the average yield of our total interest-earning assets, partially offset by the increase in the average balance of our total interest-bearing liabilities and an increase in the average rate of our total interest-bearing liabilities. For the year ended December 31, 2018, the average balance of our total interest-earning assets increased by $79.4 million to $1.7 billion, and the average yield of our interest-earning assets increased by 45 basis points to 4.68% from 4.23% for the year ended December 31, 2017. For the year ended December 31, 2018, the average balance of our total interest-bearing liabilities increased by $76.2 million to $1.3 billion, and the average rate of our total interest-bearing liabilities increased by 46 basis points to 1.60% from 1.14% for the year ended December 31, 2017. As a result, our net interest rate spread decreased one basis point to 3.08% for the year ended December 31, 2018 from 3.09% for the year ended December 31, 2017. Our net interest margin increased eight basis points to 3.41% for the year ended December 31, 2018 from 3.33% for the year ended December 31, 2017.

Interest Income

Year ended December 31, 2019 compared with year ended December 31, 2018. Interest income increased $13.3 million, or 16.9%, to $91.6 million for the year ended December 31, 2019 as compared to the prior year. First Guaranty continues to transition assets from lower yielding securities and interest-earning bank balances to higher yielding loans in order to increase interest income. The increase in interest income resulted primarily from an increase in the average balance of our total interest-earning assets principally as a result of the Union acquisition along with an increase in the average yield of interest-earning assets. The average balance of our interest-earning assets increased $136.3 million to $1.8 billion for the year ended December 31, 2019 as compared to the prior year. The average yield of interest-earning assets increased by 38 basis points to 5.06% for the year ended December 31, 2019 compared to 4.68% for the year ended December 31, 2018.

Interest income on securities decreased $3.1 million to $9.8 million for the year ended December 31, 2019 as compared to the prior year primarily as a result of a decrease in the average balance of securities. The average balance of securities decreased $116.2 million to $349.2 million for the year ended December 31, 2019 from $465.4 million for the year ended December 31, 2018 due to a decrease in the average balance of our agency, mortgage-backed, corporate and municipal securities as a result of securities sales, calls and maturities. The average yield on securities increased by three basis points to 2.81% for the year ended December 31, 2019 from 2.78% for the year ended December 31, 2018 due to the rising interest rate environment for the majority of 2019.

Interest income on loans increased $14.1 million, or 21.7%, to $78.9 million for the year ended December 31, 2019 as a result of an increase in the average balance of loans along with an increase in the average yield on loans. The average balance of loans (excluding loans held for sale) increased by $148.1 million to $1.3 billion for the year ended December 31, 2019 from $1.2 billion for the year ended December 31, 2018 as a result of new loan originations, purchased loans and loans acquired from the Union acquisition. The average yield on loans (excluding loans held for sale) increased by 44 basis points to 5.99% for the year ended December 31, 2019 from 5.55% for the year ended December 31, 2018 as a result of the rising interest rate environment for the majority of 2019.

Year ended December 31, 2018 compared with year ended December 31, 2017. Interest income increased $10.8 million, or 16.1%, to $78.4 million for the year ended December 31, 2018 as compared to the prior year. First Guaranty continues to transition assets from lower yielding securities to higher yielding loans in order to increase interest income. The increase in interest income resulted primarily from an increase in the average balance of our total interest-earning assets principally as a result of the Premier acquisition along with an increase in the average yield of interest-earning assets. The average balance of our interest-earning assets increased $79.4 million to $1.7 billion for the year ended December 31, 2018 as compared to the prior year. The average yield of interest-earning assets increased by 45 basis points to 4.68% for the year ended December 31, 2018 compared to 4.23% for the year ended December 31, 2017.

Interest income on securities decreased $0.4 million to $12.9 million for the year ended December 31, 2018 primarily as a result of a decrease in the average balance of securities. The average balance of securities decreased $46.3 million to $465.4 million for the year ended December 31, 2018 from $511.7 million for the year ended December 31, 2017 due to a decrease in the average balance of our agency and corporate securities as a result of securities sales. The average yield on securities increased by 18 basis points to 2.78% for the year ended December 31, 2018 from 2.60% for the year ended December 31, 2017 due to the rising interest rate environment.

Interest income on loans increased $10.8 million, or 20.0%, to $64.8 million for the year ended December 31, 2018 as a result of an increase in the average balance of loans along with an increase in the average yield on loans. The average balance of loans (excluding loans held for sale) increased by $110.9 million to $1.2 billion for the year ended December 31, 2018 from $1.1 billion for the year ended December 31, 2017 as a result of new loan originations, purchased loans and loans acquired from the Premier acquisition, the majority of which were one- to four-family residential loans, commercial leases, commercial real estate loans and commercial and industrial loans. The average yield on loans (excluding loans held for sale) increased by 44 basis points to 5.55% for the year ended December 31, 2018 from 5.11% for the year ended December 31, 2017 as a result of the rising interest rate environment.

Interest Expense

Year ended December 31, 2019 compared with year ended December 31, 2018. Interest expense increased $8.6 million, or 40.3%, to $30.0 million for the year ended December 31, 2019 from $21.4 million for the year ended December 31, 2018 due primarily to an increase in the average balance of interest-bearing deposits along with an increase in the average rate paid on interest-bearing deposits. The average balance of interest-bearing deposits increased by $115.4 million during the year ended December 31, 2019 to $1.4 billion as a result of a $75.2 million increase in the average balance of time deposits, a $35.6 million increase in the average balance of interest-bearing demand deposits and a $4.5 million increase in the average balance of savings deposits. The average rate of interest-bearing demand deposits increased by 23 basis points during the year ended December 31, 2019 to 1.76% as compared to the prior year. The increase in the average rate on interest-bearing demand deposits was due to those deposits, primarily public funds accounts and brokered money market deposits, whose rates are contractually tied to national index rates such as the U.S. Federal Funds rate or short term U.S. Treasury rates. The average rate of time deposits increased 74 basis points during the year ended December 31, 2019 to 2.44% as compared to the prior year. The increase in the average rate and average balance of time deposits was due to changes in market rates and the initiation of a deposit campaign by First Guaranty in order to fund future loan growth and diversify the deposit portfolio. First Guaranty initiated a deposit campaign in 2018 to grow time deposits generally with terms greater than two years. This strategy is designed to fund loan growth and increase long term funding for the Bank.

Year ended December 31, 2018 compared with year ended December 31, 2017. Interest expense increased $7.0 million, or 48.4%, to $21.4 million for the year ended December 31, 2018 from $14.4 million for the year ended December 31, 2017 due primarily to an increase in the average balance of interest-bearing deposits principally as a result of the Premier acquisition along with an increase in the average rate paid on interest-bearing deposits. The average balance of interest-bearing deposits increased by $78.3 million during the year ended December 31, 2018 to $1.3 billion as a result of a $52.8 million increase in the average balance of time deposits, a $17.1 million increase in the average balance of interest-bearing demand deposits and a $8.4 million increase in the average balance of savings deposits. The average rate of interest-bearing demand deposits increased by 51 basis points during the year ended December 31, 2018 to 1.53% as compared to the prior year. The increase in the average rate on interest-bearing demand deposits was due to those deposits, primarily public funds accounts and brokered money market deposits, whose rates are contractually tied to national index rates such as the U.S. Federal Funds rate or short term U.S. Treasury rates which have increased over the last year. The increase in the average rate on time deposits was due to changes in market rates and the initiation of a deposit campaign by First Guaranty in order to fund future loan growth and diversify the deposit portfolio.

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, 2019			December 31, 2018			December 31, 2017		
	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate
				(in thousands, except for %)					
Assets									
Interest-earning assets:									
Interest-earning deposits with banks[1]	$ 144,298	$ 2,956	2.05%	$ 39,005	$ 612	1.57%	$ 23,913	$ 178	0.74%
Securities (including FHLB stock)	349,247	9,800	2.81%	465,399	12,941	2.78%	511,728	13,325	2.60%
Federal funds sold	592	1	0.25%	531	1	0.23%	977	9	0.89%
Loans held for sale	324	24	7.41%	1,330	84	6.32%	1,233	69	5.60%
Loans, net of unearned income	1,315,524	78,862	5.99%	1,167,458	64,752	5.55%	1,056,519	53,965	5.11%
Total interest-earning assets	**1,809,985**	**91,643**	**5.06%**	**1,673,723**	**78,390**	**4.68%**	**1,594,370**	**67,546**	**4.23%**
Noninterest-earning assets:									
Cash and due from banks	11,951			10,013			10,147		
Premises and equipment, net	45,037			38,502			31,885		
Other assets	15,256			13,805			9,536		
Total assets	**$1,882,229**			**$1,736,043**			**$1,645,938**		
Liabilities and Shareholders' Equity									
Interest-bearing liabilities:									
Demand deposits	$ 592,113	10,447	1.76%	$ 556,528	8,531	1.53%	$ 539,399	5,526	1.02%
Savings deposits	115,682	527	0.46%	111,134	407	0.37%	102,779	201	0.20%
Time deposits	703,685	17,141	2.44%	628,457	10,690	1.70%	575,666	7,112	1.24%
Borrowings	40,766	1,851	4.54%	39,150	1,738	4.44%	41,190	1,554	3.77%
Total interest-bearing liabilities	**1,452,246**	**29,966**	**2.06%**	**1,335,269**	**21,366**	**1.60%**	**1,259,034**	**14,393**	**1.14%**
Noninterest-bearing liabilities:									
Demand deposits	262,379			252,531			244,949		
Other	9,204			5,870			5,138		
Total Liabilities	**1,723,829**			**1,593,670**			**1,509,121**		
Shareholders' equity	**158,400**			**142,373**			**136,817**		
Total liabilities and shareholders' equity	**$1,882,229**			**$1,736,043**			**$1,645,938**		
Net interest income		**$61,677**			**$57,024**			**$53,153**	
Net interest rate spread[2]			**3.00%**			**3.08%**			**3.09%**
Net interest-earning assets[3]	**$ 357,739**			**$ 338,454**			**$ 335,336**		
Net interest margin[4][5]			**3.41%**			**3.41%**			**3.33%**
Average interest-earning assets to interest-bearing liabilities			**124.63%**			**125.35%**			**126.64%**

(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%, 3.42% and 3.36% for the years ended December 31, 2019, 2018 and 2017. A 21% tax rate was used to calculate the effect on securities income from tax exempt securities for the years ended December 31, 2019 and 2018. A 35% tax rate was used to calculate the effect on securities income from tax exempt securities for year ended December 31, 2017, respectively.

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, 2019 vs. 2018			For the Years Ended December 31, 2018 vs. 2017		
	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	$ 2,105	$ 239	$ 2,344	$ 157	$ 277	$ 434
Securities (including FHLB stock)	(3,259)	118	(3,141)	(1,255)	871	(384)
Federal funds sold	-	-	-	(3)	(5)	(8)
Loans held for sale	(72)	12	(60)	6	9	15
Loans, net of unearned income	8,618	5,492	14,110	5,934	4,853	10,787
Total interest income	7,392	5,861	13,253	4,839	6,005	10,844
Interest paid on:						
Demand deposits	570	1,346	1,916	180	2,825	3,005
Savings deposits	18	102	120	17	189	206
Time deposits	1,400	5,051	6,451	700	2,878	3,578
Borrowings	73	40	113	(79)	263	184
Total interest expense	2,061	6,539	8,600	818	6,155	6,973
Change in net interest income	$ 5,331	$ (678)	$ 4,653	$4,021	$ (150)	$3,871

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 $4.9 million provision for loan losses for the year ended December 31, 2019 compared to $1.4 million for 2018. The allowance for loan losses at December 31, 2019 was $10.9 million or 0.72% of total loans, compared to $10.8 million or 0.88% of total loans at December 31, 2018. The increase in the provision was attributed to additional provisions on loans evaluated individually for impairment. First Guaranty also received a $3.6 million negotiated payment in settlement of a commercial and industrial non-accrual loan on May 9, 2018. The payment resulted in a recovery of $1.6 million. The recovery impacted the allowance for loan losses and the end result was a negative provision for loan losses in the second quarter of 2018. The increase in the provision was also attributable to the increase in the balance of the loan portfolio and charge-offs not previously provided for. Substandard loans increased $6.3 million to $53.1 million at December 31, 2019 from $46.8 million at December 31, 2018. Doubtful loans decreased $0.5 million to $0 at December 31, 2019 from $0.5 million at December 31, 2018. The impaired loan portfolio did not suffer additional declines in estimated fair value requiring further provisions. We believe that the allowance is adequate to cover potential losses in the loan portfolio given the current economic conditions, and current expected net charge-offs and non-performing asset levels.

For the year ended December 31, 2018, the provision for loan losses was $1.4 million compared to $3.8 million for 2017. The allowance for loan losses at December 31, 2018 was $10.8 million or 0.88% of total loans, compared to $9.2 million or 0.80% of total loans at December 31, 2017. The decrease in the provision was attributed to improvement in credit quality of the loan portfolio. First Guaranty also received a $3.6 million negotiated payment in settlement of a commercial and industrial non-accrual loan on May 9, 2018. The payment resulted in a recovery of $1.6 million. The recovery impacted the allowance for loan losses and the end result was a negative provision for loan losses in the second quarter of 2018. Substandard loans decreased $1.6 million to $46.8 million at December 31, 2018 from $48.4 million at December 31, 2017. Doubtful loans decreased $4.0 million to $0.5 million at December 31, 2018 from $4.6 million at December 31, 2017. The allowance for loan losses as a percentage of total loans was 0.95% prior to the inclusion of the acquired loans from Premier. 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, ATM and debit card 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 $8.3 million for the year ended December 31, 2019, an increase of $3.0 million from $5.3 million for the year ended December 31, 2018. The increase was primarily due to increased gains on the sale of the guaranteed portion of SBA and USDA loans along with lower losses on the sale of securities. Net securities losses were $0.2 million for the year ended December 31, 2019 as compared to net securities losses of $1.8 million for 2018. The losses on securities sales occurred as First Guaranty sold investment securities in order to fund loan growth. Service charges, commissions and fees totaled $2.8 million for the year ended December 31, 2019 as compared to $3.0 million for 2018. ATM and debit card fees totaled $2.3 million for the year ended December 31, 2019 and $2.1 million for 2018. Net gains on the sale of loans were $1.4 million for the year ended December 31, 2019 and $0.3 million for 2018. Other noninterest income totaled $2.0 million and $1.7 million for the years ended December 31, 2019 and 2018, respectively.

Noninterest income totaled $5.3 million for the year ended December 31, 2018, a decrease of $3.1 million from $8.3 million for the year ended December 31, 2017. The decrease was primarily due to lower gains on securities sales. Net securities losses were $1.8 million for the year ended December 31, 2018 as compared to net securities gains of $1.4 million for 2017. The gains and losses on securities sales occurred as First Guaranty sold investment securities in order to fund loan growth. Service charges, commissions and fees totaled $3.0 million for the year ended December 31, 2018 as compared to $2.6 million for 2017. ATM and debit card fees totaled $2.1 million for the year ended December 31, 2018 and $2.0 million for 2017. Net gains on the sale of loans were $0.3 million for the year ended December 31, 2018 and $0.3 million for 2017. Other noninterest income totaled $1.7 million and $2.1 million for the years ended December 31, 2018 and 2017, respectively.

Noninterest Expense

Noninterest expense includes salaries and employee benefits, occupancy and equipment expense and other types of expenses. Noninterest expense totaled $47.2 million for the year ended December 31, 2019 and $43.3 million for the year ended December 31, 2018. Salaries and benefits expense totaled $25.0 million for the year ended December 31, 2019 and $22.9 million for the year ended December 31, 2018. The increase in salaries and benefits expense was primarily due to the increase in personnel expense from the Union acquisition and new hires. Occupancy and equipment expense increased to $6.1 million for the year ended December 31, 2019 from $5.6 million for the year ended December 31, 2018 due to the new offices acquired in the Union acquistion. Other noninterest expense totaled $16.1 million for the year ended December 31, 2019 and $14.8 million for 2018.

Noninterest expense totaled $43.3 million for the year ended December 31, 2018 and $38.5 million for the year ended December 31, 2017. Salaries and benefits expense totaled $22.9 million for the year ended December 31, 2018 and $20.1 million for the year ended December 31, 2017. The increase in salaries and benefits was primarily due to the increase in personnel expense from the Premier acquisition and new hires. Occupancy and equipment expense totaled $5.6 million for the year ended December 31, 2018 and $4.5 million for the year ended December 31, 2017. Other noninterest expense totaled $14.8 million for the year ended December 31, 2018 and $13.9 million for 2017. Legal and professional fees totaled $2.4 million for the year ended December 31, 2018, a decrease of $0.7 million from $3.0 million for the year ended December 31, 2017. The reduction was due to the non-recurring expenses included in the year ended December 31, 2017 related to the acquisition of Premier.

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

	December 31, 2019	December 31, 2018	December 31, 2017
		(in thousands)	
Other noninterest expense:			
Legal and professional fees	$ 2,648	$ 2,362	$ 3,049
Data processing	1,972	1,692	1,608
ATM fees	1,217	1,214	1,161
Marketing and public relations	1,456	1,329	1,205
Taxes - sales, capital and franchise	1,094	1,066	970
Operating supplies	674	562	496
Software expense and amortization	1,308	1,119	923
Travel and lodging	908	978	910
Telephone	193	208	167
Amortization of core deposits	390	545	432
Donations	603	380	322
Net costs from other real estate and repossessions	422	186	306
Regulatory assessment	683	941	726
Other	2,536	2,204	1,628
Total other expense	**$16,104**	**$14,786**	**$13,903**

Income Taxes

The amount of income tax 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, 2019, 2018 and 2017 was $3.7 million, $3.5 million and $7.4 million, respectively. The provision for income taxes in 2019 increased as compared to 2018 due to the increase in income before income taxes. First Guaranty recorded a one-time income tax expense of $0.9 million as a result of a remeasurement of its net deferred tax asset due to the enactment of the Tax Cuts and Jobs Act ("the "Tax Act") in December 2017, which reduced the corporate federal income tax rate from 35% to 21% beginning January 1, 2018. GAAP required that the impact of the Tax Act must be accounted for in the period of enactment of the new law. First Guaranty's statutory tax rate was 21.0% for the years ended December 31, 2019 and 2018, which was a decrease of 14 basis points from the year ended December 31, 2017 rate of 35.0%.

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, 2019 totaled $310.5 million. At December 31, 2019, time deposits maturing within one year or less totaled $300.6 million. First Guaranty's held to maturity ("HTM") investment securities portfolio at December 31, 2019 was $86.6 million or 20.3% of the investment portfolio compared to $108.3 million or 26.7% at December 31, 2018. The securities in the HTM portfolio are used to collateralize public funds deposits and may also be used to secure borrowings with the Federal Home Loan Bank or Federal Reserve Bank. The agency securities in the HTM portfolio have maturities of 10 years or less. The mortgage backed securities have stated final maturities of 15 to 20 years at December 31, 2019. The municipal securities in the HTM portfolio have maturities of 20 years or less. The HTM portfolio had a forecasted weighted average life of approximately 4.2 years based on current interest rates at December 31, 2019. Management regularly monitors the size and composition of the HTM portfolio to evaluate its effect on our liquidity. First Guaranty's available for sale ("AFS") portfolio was $340.4 million, or 79.7% of the investment portfolio at December 31, 2019 compared to $297.0 million, or 73.3% at December 31, 2018. The majority of the AFS 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 $170.3 million and $108.6 million at December 31, 2019 and December 31, 2018, respectively with $15.8 million and $0 in FHLB advances outstanding at December 31, 2019 and December 31, 2018, respectively. At December 31, 2019, we had outstanding letters of credit from the FHLB in the amount of $355.2 million that were primarily used to collateralize public funds deposits. We also have a discount window line with the Federal Reserve Bank. We also maintain federal funds lines of credit at various correspondent banks with borrowing capacity of $100.5 million at December 31, 2019. We have a revolving line of credit for $6.5 million, with no outstanding balance at December 31, 2019 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 $166.0 million at December 31, 2019 from $147.3 million at December 31, 2018. The increase in shareholders' equity was principally the result of an increase of $9.3 million in accumulated other comprehensive income, an increase of $8.3 million in retained earnings and an increase of $1.0 million in surplus. The increase in accumulated other comprehensive income was primarily attributed to the decrease in unrealized losses on available for sale securities during the year ended December 31, 2019. The $8.3 million increase in retained earnings was due to net income of $14.2 million during the year ended December 31, 2019, partially offset by $5.8 million in cash dividends paid on our common stock. The $1.0 million increase in surplus was due to the issuance of common stock in a private placement.

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, 2019, First Guaranty Bank was classified as well-capitalized. First Guaranty Bank's capital conservation buffer was 4.58% at December 31, 2019.

The following table presents First Guaranty Bank's capital ratios as of the indicated dates.

	"Well Capitalized Minimums"	At December 31, 2019	"Well Capitalized Minimums"	At December 31, 2018
Tier 1 Leverage Ratio	5.00%	10.44%	5.00%	9.79%
Tier 1 Risk-based Capital Ratio	8.00%	11.96%	8.00%	12.20%
Total Risk-based Capital Ratio	10.00%	12.61%	10.00%	12.97%
Common Equity Tier One Capital	6.50%	11.96%	6.50%	12.20%

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 our customers and to reduce our 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 we do 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, 2019, 2018 and 2017 are as follows:

Contract Amount	December 31, 2019	December 31, 2018	December 31, 2017
		(in thousands)	
Commitments to Extend Credit	$ 117,826	$ 108,348	$ 78,125
Unfunded Commitments under lines of credit	$ 148,127	$ 122,212	$ 101,344
Commercial and Standby letters of credit	$ 11,258	$ 6,912	$ 7,886

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, 2019, the largest concentrations of unfunded commitments were lines of credit associated with construction and land development loans and 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, 2019, 2018 and 2017.

Contractual Obligations

The following table summarizes our fixed and determinable contractual obligations and other funding needs by payment date at December 31, 2019. The payment amounts represent those amounts due to the recipient and do not include any unamortized premiums or discounts or other similar carrying amount adjustments.

Payments Due by Period:	**December 31, 2019**			
	Less Than One Year	**One to Three Years**	**Over Three Years**	**Total**
		(in thousands)		
Operating leases	$ 147	$ 241	$ 46	$ 434
Software contracts	1,484	2,276	1,678	5,438
Time deposits	344,758	167,902	243,367	756,027
Short-term advances from Federal Home Loan Bank	13,079	-	-	13,079
Repurchase agreements	-	6,840	-	6,840
Long-term advances from Federal Home Loan Bank	-	-	3,533	3,533
Senior long-term debt	19,349	6,500	22,750	48,599
Junior subordinated debentures	-	-	15,000	15,000
Total contractual obligations	**$ 378,817**	**$ 183,759**	**$ 286,374**	**$ 848,950**

Item 7A – Quantitative and Qualitative Disclosures about Market Risk

Asset/Liability Management and Market Risk

Asset/Liability Management

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

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

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

The following interest sensitivity analysis is one measurement of interest rate risk. This analysis, which we prepare quarterly, 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, 2019 illustrated below reflects a liability-sensitive position with a negative cumulative gap on a one-year basis.

	December 31, 2019				
	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)	$ 443,900	$ 172,007	$ 615,907	$ 909,583	$ 1,525,490
Securities (including FHLB stock)	4,027	8,851	12,878	417,443	430,321
Federal Funds Sold	914	-	914	-	914
Other earning assets	47,820	-	47,820	-	47,820
Total earning assets	**$ 496,661**	**$ 180,858**	**$ 677,519**	**$ 1,327,026**	**$ 2,004,545**
Source of Funds:					
Interest-bearing accounts:					
Demand deposits	$ 635,942	$ -	$ 635,942	$ -	$ 635,942
Savings deposits	135,156	-	135,156	-	135,156
Time deposits	73,427	227,170	300,597	455,430	756,027
Short-term borrowings	13,079	-	13,079	6,085	19,164
Senior long-term debt	48,558	-	48,558	3,533	52,091
Junior subordinated debt	-	-	-	14,737	14,737
Noninterest-bearing, net	-	-	-	391,428	391,428
Total source of funds	**$ 906,162**	**$ 227,170**	**$1,133,332**	**$ 871,213**	**$ 2,004,545**
Period gap	$ (409,501)	$ (46,312)	$ (455,813)	$ 455,813	
Cumulative gap	$ (409,501)	$ (455,813)	$ (455,813)	$ -	
Cumulative gap as a percent of earning assets	(20.4)%	(22.7)%	(22.7)%		

Net Interest Income at Risk

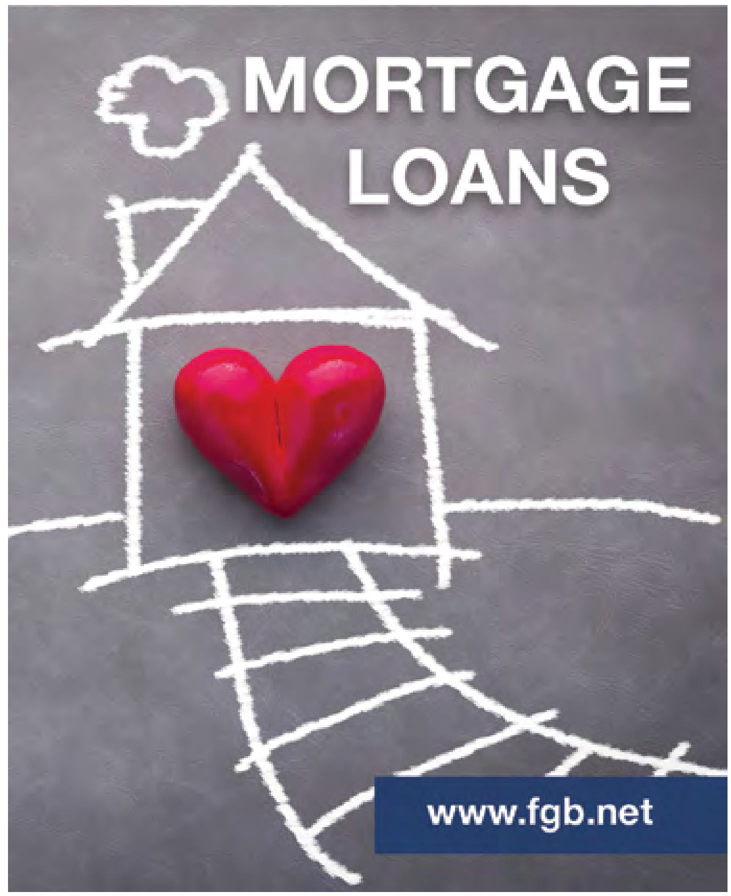
Net interest income at risk measures the risk of a decline in earnings due to changes in interest rates. The first table below presents an analysis of our interest rate risk as measured by the estimated changes in net interest income resulting from an instantaneous and sustained parallel shift in the yield curve over a 12-month horizon at December 31, 2019. 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, 2019	
Instantaneous Changes in Interest Rates (basis points)	Percent Change in Net Interest Income
+400	(0.71)%
+300	(0.41)%
+200	(0.13)%
+100	(0.21)%
Base	-%
-100	2.87%

Gradual Changes in Interest Rates (basis points)	Percent Change in Net Interest Income
+400	(2.45)%
+300	(1.77)%
+200	(1.15)%
+100	(0.4)%
Base	-%
-100	1.14%

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 27.8% in 2018 to 19.3% in 2019. 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.



Castaing
Hussey &
Lolan, LLC
— Certified Public Accountants

Samuel R. Lolan, CPA
Lori D. Percle, CPA
Debbie B. Taylor, CPA
Katherine H. Armentor, CPA
Robin G. Freyou, CPA

Charles E. Castaing, CPA (1930-2019)
Roger E. Hussey, CPA, Retired

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
First Guaranty Bancshares, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of First Guaranty Bancshares, Inc. and Subsidiaries (First Guaranty) as of December 31, 2019 and 2018, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2019, and the related notes (collectively referred to as the financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of First Guaranty as of December 31, 2019 and 2018, and the consolidated results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of First Guaranty's management. Our responsibility is to express an opinion on First Guaranty's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board ("PCAOB") and are required to be independent with respect to First Guaranty in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. First Guaranty is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of First Guaranty's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Castaing, Hussey & Lolan, LLC

We have served as First Guaranty Bancshares Inc. and Subsidiaries' auditor since 2001.

Castaing, Hussey & Lolan, LLC
New Iberia, Louisiana

March 16, 2020

525 Weeks Street • P.O. Box 14240 • New Iberia, Louisiana 70562-4240
Ph.: 337-364-7221 • Fax: 337-364-7235 • email: info@chlcpa.com
Members of American Institute of Certified Public Accountants • Society of Louisiana Certified Public Accountants

FIRST GUARANTY BANCSHARES, INC. AND SUBSIDIARY - CONSOLIDATED BALANCE SHEETS

	December 31, 2019	December 31, 2018
	(in thousands, except share data)	
Assets		
Cash and cash equivalents:		
Cash and due from banks	$ 66,511	$ 127,416
Federal funds sold	914	549
Cash and cash equivalents	**67,425**	**127,965**
Investment securities:		
Available for sale, at fair value	340,434	296,977
Held to maturity, at cost (estimated fair value of $86,817 and $104,840, respectively)	86,579	108,326
Investment securities	**427,013**	**405,303**
Federal Home Loan Bank stock, at cost	3,308	2,393
Loans held for sale	-	344
Loans, net of unearned income	1,525,490	1,225,268
Less: allowance for loan losses	10,929	10,776
Net loans	**1,514,561**	**1,214,492**
Premises and equipment, net	56,464	39,695
Goodwill	12,942	3,472
Intangible assets, net	7,166	3,528
Other real estate, net	4,879	1,138
Accrued interest receivable	8,412	6,716
Other assets	15,046	12,165
Total Assets	**$ 2,117,216**	**$ 1,817,211**
Liabilities and Shareholders' Equity		
Deposits:		
Noninterest-bearing demand	$ 325,888	$ 244,516
Interest-bearing demand	635,942	594,359
Savings	135,156	109,958
Time	756,027	680,789
Total deposits	**1,853,013**	**1,629,622**
Short-term advances from Federal Home Loan Bank	13,079	-
Repurchase agreements	6,840	-
Accrued interest payable	6,047	3,952
Long-term advances from Federal Home Loan Bank	3,533	-
Senior long-term debt	48,558	19,838
Junior subordinated debentures	14,737	14,700
Other liabilities	5,374	1,815
Total Liabilities	**1,951,181**	**1,669,927**
Shareholders' Equity		
Common stock:[1]		
$1 par value - authorized 100,600,000 shares; issued 9,741,253 and 9,687,123 shares	9,741	9,687
Surplus	110,836	109,788
Retained earnings	43,283	34,947
Accumulated other comprehensive income (loss)	2,175	(7,138)
Total Shareholders' Equity	**166,035**	**147,284**
Total Liabilities and Shareholders' Equity	**$ 2,117,216**	**$ 1,817,211**

See Notes to the Consolidated Financial Statements.

[1]All share and per share amounts have been restated to reflect the ten percent stock dividend paid December 16, 2019 to shareholders of record as of December 9, 2019.

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

	Years Ended December 31,		
	2019	2018	2017
	(in thousands, except share data)		
Interest Income:			
Loans (including fees)	$ 78,886	$ 64,836	$ 54,034
Deposits with other banks	2,956	612	178
Securities (including FHLB stock)	9,800	12,941	13,325
Federal funds sold	1	1	9
Total Interest Income	**91,643**	**78,390**	**67,546**
Interest Expense:			
Demand deposits	10,447	8,531	5,526
Savings deposits	527	407	201
Time deposits	17,141	10,690	7,112
Borrowings	1,851	1,738	1,554
Total Interest Expense	**29,966**	**21,366**	**14,393**
Net Interest Income	**61,677**	**57,024**	**53,153**
Less: Provision for loan losses	4,860	1,354	3,822
Net Interest Income after Provision for Loan Losses	**56,817**	**55,670**	**49,331**
Noninterest Income:			
Service charges, commissions and fees	2,808	2,988	2,589
ATM and debit card fees	2,254	2,122	1,986
Net (losses) gains on securities	(157)	(1,830)	1,397
Net gains on sale of loans	1,376	278	311
Other	2,018	1,722	2,057
Total Noninterest Income	**8,299**	**5,280**	**8,340**
Noninterest Expense:			
Salaries and employee benefits	25,019	22,888	20,113
Occupancy and equipment expense	6,096	5,601	4,505
Other	16,104	14,786	13,903
Total Noninterest Expense	**47,219**	**43,275**	**38,521**
Income Before Income Taxes	**17,897**	**17,675**	**19,150**
Less: Provision for income taxes	3,656	3,462	7,399
Net Income	**$ 14,241**	**$ 14,213**	**$ 11,751**
Per Common Share[1]:			
Earnings	$ 1.47	$ 1.47	$ 1.21
Cash dividends paid	$ 0.60	$ 0.58	$ 0.54
Weighted Average Common Shares Outstanding	9,695,131	9,687,123	9,687,123

See Notes to Consolidated Financial Statements

[1]All share and per share amounts have been restated to reflect the ten percent stock dividend paid December 16, 2019 to shareholders of record as of December 9, 2019.

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

	Years Ended December 31,		
	2019	2018	2017
		(in thousands)	
Net Income	$ 14,241	$ 14,213	$ 11,751
Other comprehensive income:			
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the period	11,435	(8,508)	5,098
Reclassification adjustments for gains (losses) included in net income	353	1,830	(1,397)
Change in unrealized gains (losses) on securities	**11,788**	**(6,678)**	**3,701**
Tax impact	(2,475)	1,402	(1,258)
Other comprehensive income (loss)	**9,313**	**(5,276)**	**2,443**
Comprehensive Income	**$ 23,554**	**$ 8,937**	**$ 14,194**

See Notes to Consolidated Financial Statements

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

	Common Stock $1 Par	Surplus	Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total
			(in thousands, except share data)		
December 31, 2016[(1)]	**$ 9,205**	**$ 97,649**	**$21,494**	**$ (3,999)**	**$ 124,349**
Net income	-	-	11,751	-	11,751
Common stock issued in acquisition, 481,488 shares[(1)]	482	12,139	(1,971)	-	10,650
Other comprehensive income	-	-	-	2,443	2,443
Cash dividends on common stock ($0.54 per share)[(1)]	-	-	(5,210)	-	(5,210)
Balance December 31, 2017	**$ 9,687**	**$109,788**	**$26,064**	**$ (1,556)**	**$ 143,983**
Reclassification of stranded tax effects in accumulated other comprehensive income[(2)]	-	-	306	(306)	-
Net income	-	-	14,213	-	14,213
Other comprehensive income (loss)	-	-	-	(5,276)	(5,276)
Cash dividends on common stock ($0.58 per share)[(1)]	-	-	(5,636)	-	(5,636)
Balance December 31, 2018	**$ 9,687**	**$109,788**	**$34,947**	**$ (7,138)**	**$ 147,284**
Net income	-	-	14,241	-	14,241
Common stock issued in private placement, 54,130 shares	54	1,048	(102)	-	1,000
Other comprehensive income	-	-	-	9,313	9,313
Cash dividends on common stock ($0.60 per share)	-	-	(5,803)	-	(5,803)
Balance December 31, 2019	**$ 9,741**	**$ 110,836**	**$ 43,283**	**$ 2,175**	**$ 166,035**

See Notes to Consolidated Financial Statements

(1) All share and per share amounts reflect the ten percent stock dividend paid December 16, 2019 to shareholders of record as of December 9, 2019.

(2) See Note 2 - Recent Accounting Pronouncements

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

	Years Ended December 31,		
	2019	2018	2017
		(in thousands)	
Cash Flows From Operating Activities:			
Net income	$ 14,241	$ 14,213	$ 11,751
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	4,860	1,354	3,822
Depreciation and amortization	3,057	3,289	2,444
Amortization/Accretion of investments	1,347	1,445	1,788
Loss (gain) on sale/call of securities	157	1,830	(1,397)
Gain on sale of assets	(1,304)	(301)	(361)
Repossessed asset writedowns, gains and losses on dispositions	90	(47)	103
FHLB stock dividends	(63)	(42)	(23)
Net decrease in loans held for sale	344	964	347
Change in other assets and liabilities, net	6,349	4,184	(6,199)
Net Cash Provided by Operating Activities	**29,078**	**26,889**	**12,275**
Cash Flows From Investing Activities:			
Proceeds from maturities and calls of HTM securities	21,190	11,197	11,703
Proceeds from maturities, calls and sales of AFS securities	279,590	384,549	542,894
Funds invested in HTM securities	-	-	(30,530)
Funds Invested in AFS securities	(274,437)	(309,346)	(517,185)
Net increase in loans	(123,553)	(76,354)	(80,816)
Purchases of premises and equipment	(11,933)	(3,787)	(6,814)
Proceeds from sales of premises and equipment	12	46	51
Proceeds from sales of other real estate owned	550	484	608
Cash paid in excess of cash received in acquisition	(23,325)	-	(2,907)
Net Cash (Used In) Provided By Investing Activities	**(131,906)**	**6,789**	**(82,996)**
Cash Flows From Financing Activities:			
Net increase in deposits	18,408	80,336	95,879
Net decrease in federal funds purchased and short-term borrowings	(28)	(15,500)	(700)
Proceeds from long-term borrowings, net of costs	32,465	-	3,750
Repayment of long-term borrowings	(3,754)	(2,941)	(3,081)
Common stock issued in private placement	1,000	-	-
Dividends paid	(5,803)	(5,636)	(5,210)
Net Cash Provided By Financing Activities	**42,288**	**56,259**	**90,638**
Net (Decrease) Increase in Cash and Cash Equivalents	(60,540)	89,937	19,917
Cash and Cash Equivalents at the Beginning of the Period	127,965	38,028	18,111
Cash and Cash Equivalents at the End of the Period	**$ 67,425**	**$ 127,965**	**$ 38,028**
Noncash Activities:			
Acquisition of real estate in settlement of loans	$ 2,789	$ 297	$ 1,374
Common stock issued in acquisition	$ -	$ -	$ 10,650
Cash Paid During the Period:			
Interest on deposits and borrowed funds	$ 27,871	$ 19,902	$ 13,836
Federal income taxes	$ 3,250	$ 2,400	$ 10,700
State income taxes	$ 23	$ -	$ -

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") 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 thirty-four banking offices, including one drive-up banking facility, and forty-eight automated teller machines (ATMs) in Southeast Louisiana, Southwest Louisiana, Central Louisiana, North Louisiana and North Central Texas.

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.

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 6 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 6 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 $500,000. 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 and loan servicing assets related to the SBA portfolio. 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 2016. 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 20 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 2019, 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 2019.

Note 2. Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, "Leases: 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 balance sheet 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. During 2018 and early 2019, the FASB issued ASU No. 2018-11, "Targeted Improvements", ASU No. 2018-20, "Narrow-Scope Improvements for Lessors", and ASU No. 2019-01, "Codification Improvements", which clarified certain implementation issues, provided an additional optional transition method and clarified the disclosure requirements during the period of adopting ASU 2016-02, among others. The ASU is effective for annual and interim periods beginning after December 15, 2018. First Guaranty adopted this ASU in the first quarter of 2019. As a result of adopting this ASU, First Guaranty established a right-to-use asset and a lease liability as of January 1, 2019 of $0.9 million. The right-to-use asset represents First Guaranty's right to use an underlying asset for the lease term and is included in other assets on First Guaranty's consolidated balance sheets. The lease liability represents First Guaranty's obligation to make lease payments and is included in other liabilities on First Guaranty's consolidated balance sheets. First Guaranty does not expect material changes to the recognition of lease expense in future periods as a result of the adopting this ASU.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments-Credit Losses: 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. On October 16, 2019, the FASB approved an effective date delay applicable to smaller reporting companies until fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. First Guaranty is currently evaluating the impact of this accounting standard and is implementing a new software application to assist in determining the impact 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. First Guaranty is currently evaluating the impact of the adoption of this guidance on the Consolidated Financial Statements.

In August 2018, the FASB issued ASU No. 2018-13, "Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement." This ASU removes, modifies, and adds certain disclosure requirements for fair value measurements. For example, public entities will no longer be required to disclose the valuation processes for Level 3 fair value measurements, but will be required to disclose the range and weighted average used to develop significant unobservable inputs for Level 3 fair value measurements. This ASU is effective for interim and annual reporting periods beginning after December 15, 2019. In addition, entities may early adopt the modified or eliminated disclosure requirements and delay adoption of the additional disclosure requirements until their effective date. First Guaranty does not believe the adoption of this ASU will have a material impact on the Consolidated Financial Statements, as the update only revises disclosure requirements.

In December 2019, the FASB issued ASU No. 2019-12, "Income Taxes: Simplifying the Accounting for Income Taxes". This ASU removes specific exceptions to the general principles in Topic 740, Income Taxes. The amendments also improve consistent application of and simplify GAAP for other areas of Topic 740 by clarifying and amending existing guidance. This ASU is effective for annual and interim periods beginning after December 15, 2020, with early adoption in any interim period permitted. First Guaranty is currently evaluating the impact of this accounting standard on the Consolidated Financial Statements.

Note 3. Merger Transaction

Effective at the close of business on November 7, 2019, First Guaranty completed its acquisition of 100% of the outstanding shares of Union Bancshares, Incorporated, a Louisiana corporation ("Union"), a single bank holding company headquartered in Marksville, Louisiana and its wholly owned subsidiary, Union Bank for $43.4 million in cash. This acquisition allowed First Guaranty to expand its presence into the Central Louisiana market area. The purchase price resulted in approximately $9.5 million in goodwill and $4.2 million in core deposit intangible, none of which is deductible for tax purposes.

First Guaranty accounts for business combinations under the acquisition method in accordance with ASC Topic 805, Business Combinations. Accordingly, for each transaction, the purchase price is allocated to the fair value of the assets acquired and liabilities assumed as of the date of the acquisition. In conjunction with the adoption of ASU 2015-16, upon receipt of final fair value estimates during the measurement period, which must be within one year of the acquisition dates, First Guaranty records any adjustments to the preliminary fair value estimates in the reporting period in which the adjustments are determined. First Guaranty is continuing to finalize the purchase price allocations related to the Union acquisition. Based on management's preliminary valuation of tangible and intangible assets acquired and liabilities assumed, the purchase price for the Union acquisition is allocated in the table below. These allocations are subject to change.

	Union Bancshares, Incorporated
	(in thousands)
Cash and due from banks	$ 20,058
Securities available for sale	38,813
Loans	184,165
Premises and equipment	7,223
Goodwill	9,469
Intangible assets	4,213
Other real estate	1,595
Other assets	9,303
Total assets acquired	**$ 274,839**
Deposits	204,983
FHLB borrowings	16,617
Repurchase agreements	6,863
Other liabilities	2,993
Total liabilities assumed	**$ 231,456**
Net assets acquired	**$ 43,383**

The following pro forma information for the twelve months ended December 31, 2019 and December 31, 2018 reflects First Guaranty's estimated consolidated results of operations as if the acquisition of Union occurred at January 1, 2018, unadjusted for potential cost savings.

	2019	2018
	(in thousands, except share data)	
Net Interest Income	$ 70,105	$ 67,194
Noninterest Income	9,877	7,075
Noninterest Expense	54,482	51,261
Net Income	16,459	17,259
Earnings per common share	$ 1.70	$ 1.78

The fair value of net assets acquired includes fair value adjustments to certain receivables that were not considered impaired as of the acquisition date. The non-impaired loans excluded from the purchase credit impairment requirements under ASC 310-30 were recorded at an estimated fair value of $176.9 million and had gross contractual amounts receivable of $174.2 million on the date of acquisition. Contractual cash flows not expected to be collected are estimated at $1.2 million.

Note 4. 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, 2019 and 2018. At December 31, 2019 First Guaranty had two accounts at correspondent banks, excluding the Federal Reserve Bank, that exceeded the FDIC insurable limit of $250,000. The amount of these accounts that were over the insurable limit totaled $5.7 million. At December 31, 2018 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 $127,000.

Note 5. Securities

A summary comparison of securities by type at December 31, 2019 and 2018 is shown below.

	December 31, 2019				December 31, 2018			
	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	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
U.S. Government Agencies	16,380	15	(2)	16,393	146,911	-	(5,522)	141,389
Corporate debt securities	94,561	1,110	(302)	95,369	76,310	72	(3,504)	72,878
Other securities	497	-	-	497	483	–	–	483
Municipal bonds	30,297	1,870	(14)	32,153	32,956	1,120	(175)	33,901
Collateralized mortgage obligations	16,400	40	(43)	16,397	918	-	(14)	904
Mortgage-backed securities	179,546	317	(238)	179,625	48,434	-	(1,012)	47,422
Total available for sale securities	$ 337,681	$ 3,352	$ (599)	$ 340,434	$306,012	$ 1,192	$ (10,227)	$296,977
Held to maturity:								
U.S. Government Agencies	$ 18,175	$ -	$ (32)	$ 18,143	$ 28,172	$ -	$ (1,081)	$ 27,091
Municipal bonds	5,107	182	-	5,289	5,227	-	(101)	5,126
Mortgage-backed securities	63,297	200	(112)	63,385	74,927	-	(2,304)	72,623
Total held to maturity securities	$ 86,579	$ 382	$ (144)	$ 86,817	$108,326	$ -	$ (3,486)	$104,840

The scheduled maturities of securities at December 31, 2019, 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, 2019	
	Amortized Cost	Fair Value
	(in thousands)	
Available for sale:		
Due in one year or less	$ 4,499	$ 4,520
Due after one year through five years	38,029	38,729
Due after five years through 10 years	76,584	77,943
Over 10 years	22,623	23,220
Subtotal	**141,735**	**144,412**
Collateralized mortgage obligations	16,400	16,397
Mortgage-backed Securities	179,546	179,625
Total available for sale securities	**$ 337,681**	**$ 340,434**
Held to maturity:		
Due in one year or less	$ 5,050	$ 5,047
Due after one year through five years	7,327	7,318
Due after five years through 10 years	7,496	7,543
Over 10 years	3,409	3,524
Subtotal	**23,282**	**23,432**
Mortgage-backed Securities	63,297	63,385
Total held to maturity securities	**$ 86,579**	**$ 86,817**

The following is a summary of the fair value of securities with gross unrealized losses and an aging of those gross unrealized losses at December 31, 2019.

	At December 31, 2019								
	Less Than 12 Months			12 Months or More			Total		
	Number of Securities	Fair Value	Gross Unrealized Losses	Number of Securities	Fair Value	Gross Unrealized Losses	Number of Securities	Fair Value	Gross Unrealized Losses
	(in thousands)								
Available for sale:									
U.S. Treasuries	-	$ -	$ -	-	$ -	$ -	-	$ -	$ -
U.S. Government Agencies	1	4,398	(1)	1	149	(1)	2	4,547	(2)
Corporate debt securities	42	21,269	(174)	12	3,184	(128)	54	24,453	(302)
Other securities	-	-	-	-	-	-	-	-	-
Municipal bonds	9	4,285	(14)	-	-	-	9	4,285	(14)
Collateralized mortgage obligations	12	10,022	(43)	-	-	-	12	10,022	(43)
Mortgage-backed securities	57	91,753	(186)	9	12,121	(52)	66	103,874	(238)
Total available for sale securities	**121**	**$131,727**	**$ (418)**	**22**	**$15,454**	**$ (181)**	**143**	**$147,181**	**$ (599)**
Held to maturity:									
U.S. Government Agencies	2	$ 2,177	$ (2)	8	$ 15,965	$ (30)	10	$ 18,142	$ (32)
Municipal bonds	-	-	-	1	50	-	1	50	-
Mortgage-backed securities	7	8,880	(58)	10	11,343	(54)	17	20,223	(112)
Total held to maturity securities	**9**	**$ 11,057**	**$ (60)**	**19**	**$ 27,358**	**$ (84)**	**28**	**$ 38,415**	**$ (144)**

The following is a summary of the fair value of securities with gross unrealized losses and an aging of those gross unrealized losses at December 31, 2018.

	At December 31, 2018								
	Less Than 12 Months			12 Months or More			Total		
	Number of Securities	Fair Value	Gross Unrealized Losses	Number of Securities	Fair Value	Gross Unrealized Losses	Number of Securities	Fair Value	Gross Unrealized Losses
	(in thousands)								
Available for sale:									
U.S. Treasuries	-	$ -	$ -	-	$ -	$ -	-	$ -	$ -
U.S. Government Agencies	1	4,227	(273)	50	137,162	(5,249)	51	141,389	(5,522)
Corporate debt securities	37	9,560	(252)	183	58,877	(3,252)	220	68,437	(3,504)
Other securities	-	-	-	-	-	-	-	-	-
Municipal bonds	1	115	-	19	8,436	(175)	20	8,551	(175)
Collateralized mortgage obligations	-	-	-	5	904	(14)	5	904	(14)
Mortgage-backed securities	16	19,453	(73)	38	27,969	(939)	54	47,422	(1,012)
Total available for sale securities	**55**	**$ 33,355**	**$ (598)**	**295**	**$ 233,348**	**$(9,629)**	**350**	**$266,703**	**$(10,227)**
Held to maturity:									
U.S. Government Agencies	-	$ -	$ -	14	$ 27,091	$ (1,081)	14	$ 27,091	$ (1,081)
Municipal bonds	-	-	-	9	5,126	(101)	9	5,126	(101)
Mortgage-backed securities	-	-	-	56	72,623	(2,304)	56	72,623	(2,304)
Total held to maturity securities	**-**	**$ -**	**$ -**	**79**	**$ 104,840**	**$(3,486)**	**79**	**$104,840**	**$ (3,486)**

As of December 31, 2019, 171 of First Guaranty's debt securities had unrealized losses totaling 0.4% of the individual securities' amortized cost basis and 0.2% of First Guaranty's total amortized cost basis of the investment securities portfolio. 41 of the 171 securities had been in a continuous loss position for over 12 months at such date. The 41 securities had an aggregate amortized cost basis of $43.1 million and an unrealized loss of $0.3 million at December 31, 2019. 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 at least quarterly and more frequently when economic or market conditions warrant such evaluation. 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 enterprises with unrealized losses and the amount of unrealized losses on those investment securities that are the result of changes in market interest rates will not be other-than-temporarily impaired. 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. No securities with an other-than-temporary impairment loss were held at December 31, 2019. First Guaranty believes that the remaining issuers will be able to fulfill the obligations of these securities based on evaluations described above. First Guaranty has the ability and intent to hold these securities until they recover, which could be at their maturity dates.

There were no other-than-temporary impairment losses recognized on securities during the years ended December 31, 2019, 2018, and 2017.

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, 2019, 2018, and 2017:

	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017
		(in thousands)	
Beginning balance of credit losses at beginning of year	$ 60	$ 60	$ 60
Other-than-temporary impairment credit losses on securities not previously OTTI	-	-	-
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	(60)	-	-
Ending balance of cumulative credit losses recognized in earnings at end of year	$ -	**$ 60**	**$ 60**

In 2019, 2018 and 2017 there were no other-than-temporary impairment credit losses on securities for which First Guaranty had previously recognized OTTI. 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.

At December 31, 2019 and 2018 the carrying value of pledged securities totaled $212.8 million and $289.7 million, respectively.

Gross realized gains on sales of securities were $0.8 million, $0.1 million and $1.4 million for the years ended December 31, 2019, 2018 and 2017, respectively. Gross realized losses were $1.1 million, $1.9 million and $100,000 for the years ended December 31, 2019, 2018 and 2017. The tax applicable to these transactions amounted to $(79,000), $(0.4) million, and $0.5 million for 2019, 2018 and 2017, respectively. Proceeds from sales of securities classified as available for sale amounted to $90.5 million, $114.5 million and $148.0 million for the years ended December 31, 2019, 2018 and 2017, respectively.

Net unrealized gains on available for sale securities included in accumulated other comprehensive income (loss) ("AOCI"), net of applicable income taxes, totaled $2.2 million at December 31, 2019. At December 31, 2018 net unrealized losses included in AOCI, net of applicable income taxes, totaled $7.1 million. During 2019 and 2018 net losses, net of tax, reclassified out of AOCI into earnings totaled $0.3 million and $1.4 million, respectively.

At December 31, 2019, First Guaranty's exposure to investment securities issuers that exceeded 10% of shareholders' equity was as follows:

	December 31, 2019	
	Amortized Cost	Fair Value
	(in thousands)	
Federal Home Loan Mortgage Corporation (Freddie Mac-FHLMC)	96,966	97,036
Federal National Mortgage Association (Fannie Mae-FNMA)	146,702	146,758
Federal Farm Credit Bank (FFCB)	18,227	18,211
Total	**$ 261,895**	**$ 262,005**

Note 6. Loans

The following table summarizes the components of First Guaranty's loan portfolio as of December 31, 2019 and December 31, 2018:

	December 31,			
	2019		2018	
	Balance	As % of Category	Balance	As % of Category
	(in thousands, except for %)			
Real Estate:				
Construction & land development	$ 172,247	11.3%	$ 124,644	10.1%
Farmland	22,741	1.5%	18,401	1.5%
1- 4 Family	289,635	18.9%	172,760	14.1%
Multifamily	23,973	1.6%	42,918	3.5%
Non-farm non-residential	616,536	40.3%	586,263	47.7%
Total Real Estate	**1,125,132**	**73.6%**	**944,986**	**76.9%**
Non-Real Estate:				
Agricultural	26,710	1.8%	23,108	1.9%
Commercial and industrial	268,256	17.5%	200,877	16.4%
Consumer and other	108,868	7.1%	59,443	4.8%
Total Non-Real Estate	**403,834**	**26.4%**	**283,428**	**23.1%**
Total Loans Before Unearned Income	**1,528,966**	**100.0%**	**1,228,414**	**100.0%**
Unearned income	(3,476)		(3,146)	
Total Loans Net of Unearned Income	**$ 1,525,490**		**$ 1,225,268**	

The following table summarizes fixed and floating rate loans by contractual maturity, excluding nonaccrual loans, as of December 31, 2019 and December 31, 2018 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,					
	2019			2018		
	(in thousands)					
	Fixed	Floating	Total	Fixed	Floating	Total
One year or less	$ 205,596	$ 104,859	$ 310,455	$ 108,160	$ 80,895	$ 189,055
One to five years	509,455	286,131	795,586	393,344	287,737	681,081
Five to 15 years	147,502	65,713	213,215	118,715	86,779	205,494
Over 15 years	143,695	51,612	195,307	85,611	58,430	144,041
Subtotal	**$ 1,006,248**	**$ 508,315**	**1,514,563**	**$ 705,830**	**$ 513,841**	**1,219,671**
Nonaccrual loans			14,403			8,743
Total Loans Before Unearned Income			**1,528,966**			**1,228,414**
Unearned income			(3,476)			(3,146)
Total Loans Net of Unearned Income			**$ 1,525,490**			**$ 1,225,268**

As of December 31, 2019, $153.3 million of floating rate loans were at their interest rate floor. At December 31, 2018, $27.7 million of floating rate loans were at their interest rate floor. Nonaccrual loans have been excluded from these totals.

The following tables present the age analysis of past due loans at December 31, 2019 and December 31, 2018:

	As of December 31, 2019					
	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	$ 760	$ 429	$ 1,189	$ 171,058	$ 172,247	$ 48
Farmland	6	1,274	1,280	21,461	22,741	-
1- 4 family	8,521	3,682	12,203	277,432	289,635	923
Multifamily	-	-	—	23,973	23,973	-
Non-farm non-residential	11,279	6,249	17,528	599,008	616,536	1,603
Total Real Estate	**20,566**	**11,634**	**32,200**	**1,092,932**	**1,125,132**	**2,574**
Non-Real Estate:						
Agricultural	310	4,800	5,110	21,600	26,710	-
Commercial and industrial	2,801	342	3,143	265,113	268,256	15
Consumer and other	794	266	1,060	107,808	108,868	50
Total Non-Real Estate	**3,905**	**5,408**	**9,313**	**394,521**	**403,834**	**65**
Total Loans Before Unearned Income	**$24,471**	**$17,042**	**$41,513**	**$1,487,453**	**1,528,966**	**$ 2,639**
Unearned income					(3,476)	
Total Loans Net of Unearned Income					**$1,525,490**	

	As of December 31, 2018					
	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	$ 936	$ 311	$ 1,247	$ 123,397	$ 124,644	$ -
Farmland	-	1,293	1,293	17,108	18,401	-
1- 4 family	4,333	2,272	6,605	166,155	172,760	26
Multifamily	648	-	648	42,270	42,918	-
Non-farm non-residential	4,897	864	5,761	580,502	586,263	-
Total Real Estate	**10,814**	**4,740**	**15,554**	**929,432**	**944,986**	**26**
Non-Real Estate:						
Agricultural	528	3,651	4,179	18,929	23,108	-
Commercial and industrial	742	370	1,112	199,765	200,877	53
Consumer and other	537	127	664	58,779	59,443	66
Total Non-Real Estate	**1,807**	**4,148**	**5,955**	**277,473**	**283,428**	**119**
Total Loans Before Unearned Income	**$ 12,621**	**$ 8,888**	**$21,509**	**$1,206,905**	**1,228,414**	**$ 145**
Unearned income					(3,146)	
Total Loans Net of Unearned Income					**$ 1,225,268**	

The tables above include $14.4 million and $8.7 million of nonaccrual loans for December 31, 2019 and 2018, respectively. See the tables below for more detail on nonaccrual loans.

The following is a summary of nonaccrual loans by class at the dates indicated:

	As of December 31,	
	2019	2018
	(in thousands)	
Real Estate:		
Construction & land development	$ 381	$ 311
Farmland	1,274	1,293
1- 4 family	2,759	2,246
Multifamily	-	-
Non-farm non-residential	4,646	864
Total Real Estate	9,060	4,714
Non-Real Estate:		
Agricultural	4,800	3,651
Commercial and industrial	327	317
Consumer and other	216	61
Total Non-Real Estate	5,343	4,029
Total Nonaccrual Loans	$14,403	$ 8,743

The following table identifies the credit exposure of the loan portfolio, including loans acquired with deteriorated credit quality, by specific credit ratings as of the dates indicated:

	As of December 31, 2019					As of December 31, 2018				
	Pass	Special Mention	Sub-standard	Doubtful	Total	Pass	Special Mention	Sub-standard	Doubtful	Total
	(in thousands)									
Real Estate:										
Construction & land development	$ 163,808	$ 6,180	$ 2,259	$ -	$ 172,247	$ 116,062	$ 5,698	$ 2,884	$ -	$124,644
Farmland	18,223	3,177	1,341	-	22,741	13,151	3,888	1,362	-	18,401
1- 4 family	271,392	4,751	13,492	-	289,635	160,581	2,815	9,364	-	172,760
Multifamily	16,025	805	7,143	-	23,973	35,554	-	7,364	-	42,918
Non-farm non-residential	589,800	7,743	18,993	-	616,536	564,993	2,888	17,859	523	586,263
Total Real Estate	1,059,248	22,656	43,228	-	1,125,132	890,341	15,289	38,833	523	944,986
Non-Real Estate:										
Agricultural	21,529	48	5,133	-	26,710	19,050	43	4,015	-	23,108
Commercial and industrial	262,416	1,199	4,641	-	268,256	186,176	10,930	3,771	-	200,877
Consumer and other	108,618	180	70	-	108,868	59,119	151	173	-	59,443
Total Non-Real Estate	392,563	1,427	9,844	-	403,834	264,345	11,124	7,959	-	283,428
Total Loans Before Unearned Income	$1,451,811	$ 24,083	$ 53,072	$ -	1,528,966	$ 1,154,686	$ 26,413	$46,792	$ 523	1,228,414
Unearned income					(3,476)					(3,146)
Total Loans Net of Unearned Income					$ 1,525,490					$1,225,268

Purchased Impaired Loans

As part of the acquisition of Union Bancshares, Inc. on November 7, 2019 and Premier Bancshares, Inc. on June 16, 2017, First Guaranty purchased credit impaired loans for which there was, at acquisition, evidence of deterioration of credit quality since their origination and it was probable, at acquisition, that all contractually required payments would not be collected. The carrying amount of those loans is as follows at December 31, 2019 and 2018.

	As of December 31, 2019	As of December 31, 2018
	(in thousands)	
Real Estate:		
Construction & land development	$ 526	$ -
Farmland	-	1
1- 4 family	6,402	48
Multifamily	-	-
Non-farm non-residential	2,294	2,301
Total Real Estate	**9,222**	**2,350**
Non-Real Estate:		
Agricultural	-	-
Commercial and industrial	1,198	909
Consumer and other	-	-
Total Non-Real Estate	**1,198**	**909**
Total	**$ 10,420**	**$ 3,259**

For those purchased loans disclosed above, there was no allowance for loan losses at December 31, 2019 or December 31, 2018.

Where First Guaranty can reasonably estimate the cash flows expected to be collected on the loans, a portion of the purchase discount is allocated to an accretable yield adjustment based upon the present value of the future estimated cash flows versus the current carrying value of the loan and the accretable yield portion is being recognized as interest income over the remaining life of the loan.

Where First Guaranty cannot reasonably estimate the cash flows expected to be collected on the loans, it has decided to account for those loans using the cost recovery method of income recognition. As such, no portion of a purchase discount adjustment has been determined to meet the definition of an accretable yield adjustment on those loans accounted for using the cost recovery method. If, in the future, cash flows from the borrower(s) can be reasonably estimated, a portion of the purchase discount would be allocated to an accretable yield adjustment based upon the present value of the future estimated cash flows versus the current carrying value of the loan and the accretable yield portion would be recognized as interest income over the remaining life of the loan. Until such accretable yield can be calculated, under the cost recovery method of income recognition, all payments will be used to reduce the carrying value of the loan and no income will be recognized on the loan until the carrying value is reduced to zero.

The accretable yield, or income expected to be collected, on the purchased loans above is as follows for the years ended December 31, 2019 and 2018.

	Year Ended December 31, 2019	Year Ended December 31, 2018
	(in thousands)	
Balance, beginning of period	$ 613	$ 1,031
Acquisition accretable yield	3,367	-
Accretion	(831)	(418)
Net transfers from nonaccretable difference to accretable yield	498	-
Balance, end of period	**$ 3,647**	**$ 613**

The contractually required payments of purchased impaired loans related to the Union acquisition totaled $13.7 million, while the cash flow expected to be collected at acquisition total $10.6 million, and the fair value of the acquired loans totaled $7.3 million.

Note 7. Allowance for Loan Losses

A summary of changes in the allowance for loan losses, by loan type, for the years ended December 31, 2019, 2018 and 2017 are as follows:

	As of December 31,									
	2019					2018				
	Beginning Allowance (12/31/18)	Charge-Offs	Recoveries	Provision	Ending Allowance (12/31/19)	Beginning Allowance (12/31/17)	Charge-Offs	Recoveries	Provision	Ending Allowance (12/31/18)
	(in thousands)									
Real Estate:										
Construction & land development	$ 581	$ -	$ -	$ (158)	$ 423	$ 628	$ -	$ 3	$ (50)	$ 581
Farmland	41	-	-	9	50	5	-	-	36	41
1- 4 family	911	(552)	39	629	1,027	1,078	(99)	90	(158)	911
Multifamily	1,318	-	-	(280)	1,038	994	-	20	304	1,318
Non-farm non-residential	4,771	(2,603)	5	3,104	5,277	2,811	(404)	89	2,275	4,771
Total Real Estate	**7,622**	**(3,155)**	**44**	**3,304**	**7,815**	**5,516**	**(503)**	**202**	**2,407**	**7,622**
Non-Real Estate:										
Agricultural	339	(40)	-	(204)	95	187	(300)	26	426	339
Commercial and industrial	1,909	(879)	267	612	1,909	2,377	(179)	1,642	(1,931)	1,909
Consumer and other	891	(1,190)	246	1,163	1,110	1,125	(907)	216	457	891
Unallocated	15	-	-	(15)	-	20	-	-	(5)	15
Total Non-Real Estate	**3,154**	**(2,109)**	**513**	**1,556**	**3,114**	**3,709**	**(1,386)**	**1,884**	**(1,053)**	**3,154**
Total	**$10,776**	**$ (5,264)**	**$ 557**	**$ 4,860**	**$10,929**	**$ 9,225**	**$ (1,889)**	**$2,086**	**$1,354**	**$ 10,776**

	As of December 31,				
	2017				
	Beginning Allowance (12/31/16)	Charge-Offs	Recoveries	Provision	Ending Allowance (12/31/17)
	(in thousands)				
Real Estate:					
Construction & land development	$ 1,232	$ -	$ 43	$ (647)	$ 628
Farmland	19	-	-	(14)	5
1- 4 family	1,204	(33)	92	(185)	1,078
Multifamily	591	-	40	363	994
Non-farm non-residential	3,451	(1,291)	85	566	2,811
Total Real Estate	**6,497**	**(1,324)**	**260**	**83**	**5,516**
Non-Real Estate:					
Agricultural	74	(162)	138	137	187
Commercial and industrial	3,543	(3,629)	30	2,433	2,377
Consumer and other	972	(1,247)	223	1,177	1,125
Unallocated	28	-	-	(8)	20
Total Non-Real Estate	**4,617**	**(5,038)**	**391**	**3,739**	**3,709**
Total	**$ 11,114**	**$ (6,362)**	**$ 651**	**$ 3,822**	**$ 9,225**

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, including loans acquired with deteriorated credit quality, individually and collectively evaluated for impairment are as follows:

	As of December 31, 2019							
	Allowance Individually Evaluated for Impairment	Allowance Individually Evaluated for Purchased Credit-Impairment	Allowance Collectively Evaluated for Impairment	Total Allowance for Credit Losses	Loans Individually Evaluated for Impairment	Loans Individually Evaluated for Purchased Credit-Impairment	Loans Collectively Evaluated for Impairment	Total Loans before Unearned Income
	(in thousands)							
Real Estate:								
Construction & land development	$ -	$ -	$ 423	$ 423	$ -	$ 526	$ 171,721	$ 172,247
Farmland	-	-	50	50	543	-	22,198	22,741
1- 4 family	34	-	993	1,027	1,058	6,402	282,175	289,635
Multifamily	-	-	1,038	1,038	-	-	23,973	23,973
Non-farm non-residential	1,879	-	3,398	5,277	12,120	2,294	602,122	616,536
Total Real Estate	**1,913**	**-**	**5,902**	**7,815**	**13,721**	**9,222**	**1,102,189**	**1,125,132**
Non-Real Estate:								
Agricultural	-	-	95	95	4,030	-	22,680	26,710
Commercial and industrial	111	-	1,798	1,909	2,981	1,198	264,077	268,256
Consumer and other	-	-	1,110	1,110	-	-	108,868	108,868
Unallocated	-	-	-	-	-	-	-	-
Total Non-Real Estate	**111**	**-**	**3,003**	**3,114**	**7,011**	**1,198**	**395,625**	**403,834**
Total	**$ 2,024**	**$ -**	**$ 8,905**	**$ 10,929**	**$ 20,732**	**$ 10,420**	**$ 1,497,814**	**$ 1,528,966**
Unearned Income								(3,476)
Total Loans Net of Unearned Income								**$ 1,525,490**

	As of December 31, 2018							
	Allowance Individually Evaluated for Impairment	Allowance Individually Evaluated for Purchased Credit-Impairment	Allowance Collectively Evaluated for Impairment	Total Allowance for Credit Losses	Loans Individually Evaluated for Impairment	Loans Individually Evaluated for Purchased Credit-Impairment	Loans Collectively Evaluated for Impairment	Total Loans before Unearned Income
	(in thousands)							
Real Estate:								
Construction & land development	$ 38	$ -	$ 543	$ 581	$ 304	$ -	$ 124,340	$ 124,644
Farmland	-	-	41	41	552	1	17,848	18,401
1- 4 family	-	-	911	911	631	48	172,081	172,760
Multifamily	-	-	1,318	1,318	-	-	42,918	42,918
Non-farm non-residential	1,152	-	3,619	4,771	4,881	2,301	579,081	586,263
Total Real Estate	**1,190**	**-**	**6,432**	**7,622**	**6,368**	**2,350**	**936,268**	**944,986**
Non-Real Estate:								
Agricultural	-	-	339	339	2,983	-	20,125	23,108
Commercial and industrial	110	-	1,799	1,909	1,088	909	198,880	200,877
Consumer and other	-	-	891	891	-	-	59,443	59,443
Unallocated	-	-	15	15	-	-	-	-
Total Non-Real Estate	**110**	**-**	**3,044**	**3,154**	**4,071**	**909**	**278,448**	**283,428**
Total	**$ 1,300**	**$ -**	**$ 9,476**	**$ 10,776**	**$ 10,439**	**$ 3,259**	**$ 1,214,716**	**1,228,414**
Unearned Income								(3,146)
Total Loans Net of Unearned Income								**$ 1,225,268**

As of December 31, 2019, 2018 and 2017, First Guaranty had loans totaling $14.4 million, $8.7 million and $12.6 million, respectively, not accruing interest. As of December 31, 2019, 2018 and 2017, First Guaranty had loans past due 90 days or more and still accruing interest totaling $2.6 million, $0.1 million and $0.8 million, respectively. The average outstanding balance of nonaccrual loans in 2019 was $12.0 million compared to $8.9 million in 2018 and $17.3 million in 2017.

As of December 31, 2019, First Guaranty has no outstanding commitments to advance additional funds in connection with impaired loans.

The following is a summary of impaired loans, excluding loans acquired with deteriorated credit quality, by class at December 31, 2019:

	As of December 31, 2019					
	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	$ -	$ -	$ -	$ -	$ -	$ -
Farmland	543	552	-	550	-	-
1- 4 family	541	541	-	544	27	22
Multifamily	-	-	-	-	-	-
Non-farm non-residential	8,307	8,307	-	9,940	673	688
Total Real Estate	**9,391**	**9,400**	**-**	**11,034**	**700**	**710**
Non-Real Estate:						
Agricultural	4,030	4,186	-	4,031	12	-
Commercial and industrial	1,962	1,962	-	1,788	81	67
Consumer and other			-			
Total Non-Real Estate	**5,992**	**6,148**	**-**	**5,819**	**93**	**67**
Total Impaired Loans with no related allowance	**15,383**	**15,548**	**-**	**16,853**	**793**	**777**
Impaired Loans with an allowance recorded:						
Real estate:						
Construction & land development	-	-	-	-	-	-
Farmland	-	-	-	-	-	-
1- 4 family	517	517	34	522	-	-
Multifamily	-	-	-	-	-	-
Non-farm non-residential	3,813	4,162	1,879	4,134	194	212
Total Real Estate	**4,330**	**4,679**	**1,913**	**4,656**	**194**	**212**
Non-Real Estate:						
Agricultural	-	-	-	-	-	-
Commercial and industrial	1,019	1,019	111	1,039	81	77
Consumer and other	-	-	-	-	-	-
Total Non-Real Estate	**1,019**	**1,019**	**111**	**1,039**	**81**	**77**
Total Impaired Loans with an allowance recorded	**5,349**	**5,698**	**2,024**	**5,695**	**275**	**289**
Total Impaired Loans	**$20,732**	**$21,246**	**$ 2,024**	**$ 22,548**	**$ 1,068**	**$1,066**

The following is a summary of impaired loans, excluding loans acquired with deteriorated credit quality, by class at December 31, 2018:

	As of December 31, 2018					
	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	$ -	$ -	$ -	$ -	$ -	$ -
Farmland	-	-	-	-	-	-
1- 4 family	631	631	-	626	13	-
Multifamily	-	-	-	-	-	-
Non-farm non-residential	523	523	-	536	33	34
Total Real Estate	**1,154**	**1,154**	**-**	**1,162**	**46**	**34**
Non-Real Estate:						
Agricultural	3,535	3,613	-	3,583	173	272
Commercial and industrial	-	-	-	-	-	-
Consumer and other	-	-	-	-	-	-
Total Non-Real Estate	**3,535**	**3,613**	**-**	**3,583**	**173**	**272**
Total Impaired Loans with no related allowance	**4,689**	**4,767**	**-**	**4,745**	**219**	**306**
Impaired Loans with an allowance recorded:						
Real estate:						
Construction & land development	-	-	-	-	-	-
Farmland	-	-	-	-	-	-
1- 4 family	-	-	-	-	-	-
Multifamily	-	-	-	-	-	-
Non-farm non-residential	3,070	3,070	1,150	3,104	139	139
Total Real Estate	**3,070**	**3,070**	**1,150**	**3,104**	**139**	**139**
Non-Real Estate:						
Agricultural	-	-	-	-	-	-
Commercial and industrial	1,088	1,088	110	1,115	55	64
Consumer and other	-	-	-	-	-	-
Total Non-Real Estate	**1,088**	**1,088**	**110**	**1,115**	**55**	**64**
Total Impaired Loans with an allowance recorded	**4,158**	**4,158**	**1,260**	**4,219**	**194**	**203**
Total Impaired Loans	**$ 8,847**	**$ 8,925**	**$ 1,260**	**$ 8,964**	**$ 413**	**$ 509**

Troubled Debt Restructurings

A Troubled Debt Restructuring ("TDR") is considered such if the lender 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 either the interest rate charged or the amortization. The effect of the modifications to First Guaranty was a reduction in interest income. These loans have an allocated reserve in First Guaranty's allowance for loan losses. First Guaranty has not restructured any loans that are considered TDRs in the years ended December 31, 2019 and 2018. At December 31, 2019, First Guaranty had no outstanding TDRs.

The following table is an age analysis of TDRs as of December 31, 2019 and December 31, 2018:

	December 31, 2019				December 31, 2018			
	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	$ -	$ -	$ -	$ -	$ -	$ -	$ 304	$ 304
Farmland	-	-	-	-	-	-	-	-
1- 4 Family	-	-	-	-	-	-	-	-
Multifamily	-	-	-	-	-	-	-	-
Non-farm non residential	-	-	-	-	1,288	-	-	1,288
Total Real Estate	-	-	-	-	1,288	-	304	1,592
Non-Real Estate:								
Agricultural	-	-	-	-	-	-	-	-
Commercial and industrial	-	-	-	-	-	-	-	-
Consumer and other	-	-	-	-	-	-	-	-
Total Non-Real Estate	-	-	-	-	-	-	-	-
Total	$ -	$ -	$ -	$ -	$1,288	$ -	$ 304	$1,592

The following table discloses TDR activity for the twelve months ended December 31, 2019.

	Trouble Debt Restructured Loans Activity								
	Twelve Months Ended December 31, 2019								
	Beginning balance (December 31, 2018)	New TDRs	Charge-Offs post-modification	Transferred to ORE	Paydowns	Construction to permanent financing	Restructured to market terms	Other adjustments	Ending balance (December 31, 2019)
	(in thousands)								
Real Estate:									
Construction & land development	$ 304	$ -	$ -	$ -	$ -	$ -	$ (304)	$ -	$ -
Farmland	-	-	-	-	-	-	-	-	-
1- 4 family	-	-	-	-	-	-	-	-	-
Multifamily	-	-	-	-	-	-	-	-	-
Non-farm non-residential	1,288	-	-	-	-	-	(1,288)	-	-
Total Real Estate	1,592	-	-	-	-	-	(1,592)	-	-
Non-Real Estate:									
Agricultural	-	-	-	-	-	-	-	-	-
Commercial and industrial	-	-	-	-	-	-	-	-	-
Consumer and other	-	-	-	-	-	-	-	-	-
Total Non-Real Estate	-	-	-	-	-	-	-	-	-
Total Impaired Loans with no related allowance	$1,592	$ -	$ -	$ -	$ -	$ -	$(1,592)	$ -	$ -

There were no commitments to lend additional funds to debtors whose terms have been modified in a troubled debt restructuring at December 31, 2019.

Note 8. Premises and Equipment

The components of premises and equipment at December 31, 2019 and 2018 are as follows:

	December 31,	
	2019	2018
	(in thousands)	
Land	$ 15,180	$ 12,875
Bank premises	40,536	33,457
Furniture and equipment	27,255	25,453
Construction in progress	9,534	2,046
Acquired value	**92,505**	**73,831**
Less: accumulated depreciation	36,041	34,136
Net book value	**$ 56,464**	**$39,695**

Depreciation expense amounted to $2.3 million, $2.1 million and $1.8 million for 2019, 2018 and 2017, respectively. Interest cost capitalized as a construction cost was $91,000, $54,000 and $0 for 2019, 2018 and 2017.

Note 9. 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, Premier Bancshares, Inc. in 2017 and Union Bancshares, Incorporated in 2019. No impairment charges have been recognized since acquisition. Goodwill totaled $12.9 million and $3.5 million at December 31, 2019 and 2018, respectively.

The following table summarizes intangible assets subject to amortization.

	December 31,					
	2019			2018		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	(in thousands)					
Core deposit intangibles	$ 16,266	$ 9,739	$ 6,527	$ 12,053	$ 9,349	$ 2,704
Loan servicing assets	1,558	918	640	1,441	617	824
Total	**$ 17,824**	**$ 10,657**	**$ 7,167**	**$ 13,494**	**$ 9,966**	**$ 3,528**

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 10.8 years.

Amortization expense relating to purchase accounting intangibles totaled $0.4 million, $0.5 million, and $0.4 million for the years ended December 31, 2019, 2018, and 2017, 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, 2020	$712
December 31, 2021	$644
December 31, 2022	$576
December 31, 2023	$576
December 31, 2024	$576

Note 10. Other Real Estate

Other real estate owned consists of the following at the dates indicated:

	December 31,	
	2019	2018
	(in thousands)	
Real Estate Owned Acquired by Foreclosure:		
Residential	$ 559	$ 120
Construction & land development	669	241
Non-farm non-residential	3,651	777
Total Other Real Estate Owned and Foreclosed Property	**$ 4,879**	**$ 1,138**

Note 11. Deposits

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

	December 31, 2019
	(in thousands)
2020	$ 344,758
2021	90,279
2022	77,623
2023	101,672
2024 and thereafter	141,695
Total	**$ 756,027**

The table above includes $3.4 million in brokered deposits for December 31, 2019. The aggregate amount of jumbo time deposits, each with a minimum denomination of $250,000 totaled $290.3 million and $301.8 million at December 31, 2019 and 2018, respectively.

Note 12. Borrowings

Short-term borrowings are summarized as follows:

	December 31, 2019	December 31, 2018
	(in thousands)	
Federal Home Loan Bank advances	$ 13,079	$ -
Repurchase agreements	6,840	
Line of credit	-	-
Total short-term borrowings	**$ 19,919**	**$ -**

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. First Guaranty had $19.9 million in short-term borrowings outstanding at December 31, 2019 compared to none outstanding at December 31, 2018. First Guaranty has an available line of credit of $6.5 million, with no outstanding balance at December 31, 2019.

Available lines of credit totaled $278.8 million at December 31, 2019 and $216.4 million at December 31, 2018.

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

	December 31,		
	2019	2018	2017
	(in thousands, except for %)		
Outstanding at year end	$19,919	$ -	$15,500
Maximum month-end outstanding	$19,919	$37,000	$28,000
Average daily outstanding	$ 3,320	$ 7,119	$ 5,833
Weighted average rate during the year	2.00%	2.21%	1.06%
Weighted average rate at year end	2.00%	-%	1.51%

Long-term debt is summarized as follows:

Long-term Federal Home Loan Bank advance, fixed at 2.12%, totaled $3.5 million at December 31, 2019 and $0 at December 31, 2018. This advance was acquired in the Union acquisition and has a contractual maturity date of September 1, 2037.

Senior long-term debt with a commercial bank, priced at floating 3-month LIBOR plus 250 basis points (4.61%), totaled $16.9 million at December 31, 2019 and $19.8 million at December 31, 2018. First Guaranty pays $735,294 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).

Senior long-term debt with a commercial bank, priced at floating Wall Street Journal Prime less 70 basis points (4.05%), totaled $31.7 million at December 31, 2019 and $0 at December 31, 2018. First Guaranty pays $812,500 principal plus interest quarterly. This loan was originated in November 2019 and has a contractual maturity date of November 7, 2024. 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 $14.7 million at December 31, 2019 and December 31, 2018. 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 $6.5 million with an availability of $6.5 million at December 31, 2019. This line of credit is secured by a pledge of 13.2% (735,745 shares) of First Guaranty's interest in First Guaranty Bank (a wholly owned subsidiary) and is priced at 5.00%.

At December 31, 2019, letters of credit issued by the FHLB totaling $355.2 million were outstanding and carried as off-balance sheet items, all of which expire by 2024. At December 31, 2018, letters of credit issued by the FHLB totaling $344.3 million were outstanding and carried as off-balance sheet items, all of which expired in 2019. 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, 2018 obligations on senior long-term debt and junior subordinated debentures totaled $63.3 million. The scheduled maturities are as follows:

	Senior Long-term Debt	Junior Subordinated Debentures
	(in thousands)	
2020	$ 19,349	$ -
2021	3,250	-
2022	3,250	-
2023	3,250	-
2024	19,500	
2024 and thereafter	-	15,000
Subtotal	**$48,599**	**$15,000**
Debt issuance costs	(41)	(263)
Total	**$48,558**	**$14,737**

Note 13. Capital Requirements

First Guaranty Bank is 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, 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.

Quantitative measures established by regulation to ensure capital adequacy require 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, 2019 and 2018, that 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 2019, the capital conservation buffer will be 2.500% of risk-weighted assets. First Guaranty Bank's capital conservation buffer was 4.58% at December 31, 2019.

As of December 31, 2019, 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 Bank's actual capital amounts and ratios as of December 31, 2019 and 2018 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, 2019						
Total Risk-Based Capital:	$ 213,962	12.61%	$ 135,697	8.00%	$ 169,621	10.00%
Tier 1 Capital:	$ 203,034	11.96%	$ 101,773	6.00%	$ 135,697	8.00%
Tier 1 Leverage Capital:	$ 203,033	10.44%	$ 77,771	4.00%	$ 97,214	5.00%
Common Equity Tier One Capital:	$ 203,034	11.96%	$ 76,329	4.50%	$ 110,254	6.50%
December 31, 2018						
Total Risk-Based Capital:	$ 181,618	12.97%	$ 112,055	8.00%	$ 140,069	10.00%
Tier 1 Capital:	$ 170,842	12.20%	$ 84,041	6.00%	$ 112,055	8.00%
Tier 1 Leverage Capital:	$ 170,842	9.79%	$ 69,822	4.00%	$ 87,277	5.00%
Common Equity Tier One Capital:	$ 170,842	12.20%	$ 63,031	4.50%	$ 91,045	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 2020 without permission will be limited to 2020 earnings plus the undistributed earnings of $2.1 million from 2019.

Accordingly, at January 1, 2020, $222.6 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, affiliates 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, 2019 and 2018 follows:

	December 31,	
	2019	2018
	(in thousands)	
Balance, beginning of year	$ 63,907	$82,918
Net (Decrease) Increase	(2,087)	(19,011)
Balance, end of year	$61,820	$63,907

Unfunded commitments to First Guaranty and Bank directors and executive officers totaled $21.6 million and $8.6 million at December 31, 2019 and 2018, respectively. At December 31, 2019 First Guaranty and the Bank had deposits from directors and executives totaling $41.5 million. There were no participations in loans purchased from affiliated financial institutions included in First Guaranty's loan portfolio in 2019 or 2018.

During the years ended 2019, 2018 and 2017, First Guaranty paid approximately $0.5 million, $0.3 million and $0.4 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.

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 2019 and 2018 for this note.

During the years ended 2019, 2018 and 2017, First Guaranty paid approximately $0.1 million, $0.2 million and $6,000, respectively, for the purchase and maintenance of First Guaranty's automobiles to subsidiaries of Hood Automotive Group, of which William K. Hood, a director of First Guaranty, is President.

During the years ended 2019, 2018 and 2017, First Guaranty paid approximately $69,000, $0.7 million and $0.2 million, 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.

During the years ended 2019 and 2018, First Guaranty paid approximately $0.3 million and $0.2 million to Centurion Insurance, an insurance brokerage agency, to bind coverage at market terms for property casualty insurance and health insurance. First Guaranty owns a 40% interest in Centurion and accounts for this investment under the equity method.

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 $149,000, $292,000 and $240,000 in 2019, 2018 and 2017, 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 2019, 2018 or 2017. As of December 31, 2019, the ESOP held 5,644 shares. First Guaranty is in the process of terminating the plan.

Note 17. Other Expenses

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

	December 31,		
	2019	2018	2017
	(in thousands)		
Other noninterest expense:			
Legal and professional fees	$ 2,648	$ 2,362	$ 3,049
Data processing	1,972	1,692	1,608
ATM Fees	1,217	1,214	1,161
Marketing and public relations	1,456	1,329	1,205
Taxes - sales, capital and franchise	1,094	1,066	970
Operating supplies	674	562	496
Software expense and amortization	1,308	1,119	923
Travel and lodging	908	978	910
Telephone	193	208	167
Amortization of core deposits	390	545	432
Donations	603	380	322
Net costs from other real estate and repossessions	422	186	306
Regulatory assessment	683	941	726
Other	2,536	2,204	1,628
Total other noninterest expense	**$16,104**	**$14,786**	**$13,903**

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 $0.8 million, $0.9 million and $0.7 million for 2019, 2018 and 2017, respectively.

Note 18. Income Taxes

The Tax Cuts and Jobs Act ("TCJA") signed into law on December 22, 2017, makes broad and complex changes to the U.S. tax code that affected income tax expense in 2017. The TCJA reduced the U.S. federal corporate income tax rate from 35% to 21% beginning January 1, 2018 and also established new tax laws that affect 2018.

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

	December 31,		
	2019	2018	2017
	(in thousands, except for %)		
Current	$ 3,770	$ 3,929	$ 4,638
Deferred	(114)	(467)	2,761
Total	$ 3,656	$ 3,462	$ 7,399

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,		
	2019	2018	2017
	(in thousands, except for %)		
Statutory tax rate	21.0%	21.0%	35.0%
Federal income taxes at statutory rate	$3,758	$3,712	$6,703
Tax exempt municipal income	(140)	(166)	(254)
Other [(1)]	38	(84)	950
Total	$3,656	$3,462	$7,399

(1) Included in other for the year ended December 31, 2017 is $0.9 million related to the estimated net impact from the remeasurement of deferred tax assets and liabilities as a result of the passage of the Tax Cuts and Jobs Act in December 2017.

Deferred taxes are recorded based upon differences between the financial statement and tax basis of assets and liabilities, and available tax credit carry forwards. 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, 2019 and 2018 are as follows:

	December 31,	
	2019	2018
	(in thousands)	
Deferred tax assets:		
Allowance for loan losses	$ 1,720	$ 2,159
Other real estate owned	257	28
Unrealized losses on available for sale securities	-	1,897
Net operating loss	1,282	1,374
Other	508	456
Gross deferred tax assets	**3,767**	**5,914**
Deferred tax liabilities:		
Depreciation and amortization	(2,010)	(1,537)
Core deposit intangibles	(1,359)	(552)
Unrealized gains on available for sale securities	(578)	-
Discount on purchased loans	(267)	-
Other	(670)	(589)
Gross deferred tax liabilities	**(4,884)**	**(2,678)**
Net deferred tax (liabilities) assets	**$(1,117)**	**$ 3,236**

At December 31, 2019, First Guaranty had recorded a net deferred tax liability position. First Guaranty determined that the net deferred tax asset at December 31, 2018 was more likely than not to be realized based on an assessment of all available positive and negative evidence, and therefore no valuation allowance was recorded.

Net operating loss carryforwards for income tax purposes were $6.1 million as of December 31, 2019 and $6.5 million in 2018. The carryforwards were acquired in 2017 in the Premier acquisition and expire from 2027 to 2034, and will be utilized subject to annual Internal Revenue Code Section 382 limitations.

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, 2019, 2018 and 2017, 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, 2019 and December 31, 2018.

	December 31,	
	2019	2018
	(in thousands)	
Contract Amount		
Commitments to Extend Credit	$ 117,826	$108,348
Unfunded Commitments under lines of credit	$ 148,127	$122,212
Commercial and Standby letters of credit	$ 11,258	$ 6,912

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 2019, 2018 or 2017.

First Guaranty currently has one new facility under construction with total construction commitment of $10.1 million of which $6.8 million has been incurred as of December 31, 2019.

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, 2019 includes corporate debt and municipal securities.

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, 2019 and 2018 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, 2019 and 2018, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	December 31,	
	2019	2018
	(in thousands)	
Available for Sale Securities Fair Value Measurements Using:		
Level 1: Quoted Prices in Active Markets For Identical Assets	$ 497	$ 483
Level 2: Significant Other Observable Inputs	330,539	291,733
Level 3: Significant Unobservable Inputs	9,398	4,761
Securities available for sale measured at fair value	$ 340,434	$ 296,977

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

The change in Level 1 securities available for sale from December 31, 2018 was due principally to changes in market values on Level 1 securities. The change in Level 2 securities available for sale from December 31, 2018 was due principally to a reduction in agency, municipal and corporate bonds related to sales and maturities. There were no transfers between Level 1 and 2 securities available for sale from December 31, 2018 to December 31, 2019.

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

	Level 3 Changes	
	December 31,	
	2019	2018
	(in thousands)	
Balance, beginning of year	$ 4,761	$ 6,533
Total gains or losses (realized/unrealized):		
Included in earnings	-	(15)
Included in other comprehensive income	146	(79)
Purchases, sales, issuances and settlements, net	4,491	(1,886)
Transfers in and/or out of Level 3	-	208
Balance as of end of year	$ 9,398	$ 4,761

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, 2019.

The following table measures financial assets and financial liabilities measured at fair value on a non-recurring basis as of December 31, 2019, segregated by the level of valuation inputs within the fair value hierarchy utilized to measure fair value:

	December 31,	
	2019	2018
	(in thousands)	
Fair Value Measurements Using: Impaired Loans		
Level 1: Quoted Prices in Active Markets For Identical Assets	$ -	$ -
Level 2: Significant Other Observable Inputs	-	-
Level 3: Significant Unobservable Inputs	4,046	3,620
Impaired loans measured at fair value	$ 4,046	$ 3,620
Fair Value Measurements Using: Other Real Estate Owned		
Level 1: Quoted Prices in Active Markets For Identical Assets	$ -	$ -
Level 2: Significant Other Observable Inputs	4,158	1,012
Level 3: Significant Unobservable Inputs	721	126
Other real estate owned measured at fair value	$ 4,879	$ 1,138

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, 2019 and 2018 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, 2019 and 2018 are presented in the following table:

	December 31,			
	2019		2018	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
	(in thousands)			
Assets				
Cash and cash equivalents	$ 67,425	$ 67,425	$ 127,965	$ 127,965
Securities, available for sale	$ 340,434	$ 340,434	$ 296,977	$ 296,977
Securities, held to maturity	$ 86,579	$ 86,817	$ 108,326	$ 104,840
Federal Home Loan Bank stock	$ 3,308	$ 3,308	$ 2,393	$ 2,393
Loans held for sale	$ -	$ -	$ 344	$ 379
Loans, net	$ 1,514,561	$ 1,515,277	$1,214,492	$1,193,886
Accrued interest receivable	$ 8,412	$ 8,412	$ 6,716	$ 6,716
Liabilities				
Deposits	$ 1,853,013	$ 1,863,179	$1,629,622	$1,625,827
Borrowings	$ 72,010	$ 71,969	$ 19,838	$ 19,853
Junior subordinated debentures	$ 14,737	$ 14,762	$ 14,700	$ 14,537
Accrued interest payable	$ 6,047	$ 6,047	$ 3,952	$ 3,952

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, 2019. 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.

Approximately 33.0% of First Guaranty's deposits are derived from local governmental agencies at December 31, 2019. 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 $610.7 million at December 31, 2019.

Note 23. Litigation

First Guaranty is subject to various legal proceedings in the normal course of its business. First Guaranty assesses its liabilities and contingencies in connection with outstanding legal proceedings. Where it is probable that First Guaranty will incur a loss and the amount of the loss can be reasonably estimated, First Guaranty records a liability in its consolidated financial statements. First Guaranty does not record a loss if the loss is not probable or the amount of the loss is not estimable. First Guaranty is a defendant in a lawsuit alleging overpayment of interest on a loan with a possible loss range of $0.0 million to $0.5 million. Judgment has been rendered against First Guaranty for the full amount, but First Guaranty is exercising its appeal rights. First Guaranty had an accrued liability of $0.1 million at December 31, 2019 related to this lawsuit. First Guaranty is also a defendant in a lawsuit alleging fault for a loss of funds by a customer with a possible loss range of $0.0 million to $1.5 million. No accrued liability has been recorded related to this lawsuit.

Note 24. Condensed Parent Company Information

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

First Guaranty Bancshares, Inc.
Condensed Balance Sheets

	December 31,	
	2019	2018
	(in thousands)	
Assets		
Cash	$ 633	$ 8,069
Investment in bank subsidiary	224,677	169,880
Other assets	4,427	4,724
Total Assets	$229,737	$182,673
Liabilities and Shareholders' Equity		
Senior long-term debt	48,558	19,838
Junior subordinated debentures	14,738	14,700
Other liabilities	406	851
Total Liabilities	63,702	35,389
Shareholders' Equity	166,035	147,284
Total Liabilities and Shareholders' Equity	$229,737	$182,673

First Guaranty Bancshares, Inc.
Condensed Statements of Income

	December 31,		
	2019	2018	2017
		(in thousands)	
Operating Income			
Dividends received from bank subsidiary	$ 13,982	$11,788	$10,622
Net gains on sale of equity securities	196	-	54
Other income	424	289	171
Total operating income	14,602	12,077	10,847
Operating Expenses			
Interest expense	1,795	1,675	1,518
Salaries & Benefits	208	133	495
Other expenses	953	916	1,147
Total operating expenses	2,956	2,724	3,160
Income before income tax benefit and increase in equity in undistributed earnings of subsidiary	11,646	9,353	7,687
Income tax benefit	494	540	834
Income before increase in equity in undistributed earnings of subsidiary	12,140	9,893	8,521
Increase in equity in undistributed earnings of subsidiary	2,101	4,320	3,230
Net Income	$ 14,241	$14,213	$11,751

First Guaranty Bancshares, Inc.
Condensed Statements of Cash Flows

	December 31,		
	2019	2018	2017
	(in thousands)		
Cash flows from operating activities:			
Net income	$ 14,241	$14,213	$11,751
Adjustments to reconcile net income to net cash provided by operating activities:			
Increase in equity in undistributed earnings of subsidiary	(2,101)	(4,320)	(3,230)
Depreciation and amortization	80	43	43
Gain on sale of securities	(196)	-	(54)
Net change in other liabilities	(444)	136	187
Net change in other assets	(601)	1,360	(1,306)
Net cash provided by operating activities	**10,979**	**11,432**	**7,391**
Cash flows from investing activities:			
Proceeds from maturities, calls and sales of AFS securities	-	-	134
Proceeds from sales of equity securities	1,196	-	-
Funds invested in bank subsidiary	-	-	(3,750)
Purchases of premises and equipment	(136)	-	-
Cash paid in acquisition	(43,383)	-	(10,108)
Net cash used in investing activities	**(42,323)**	**-**	**(13,724)**
Cash flows from financing activities:			
Proceeds from long-term debt, net of costs	32,465	-	3,750
Repayment of long-term debt	(3,754)	(2,941)	(3,081)
Proceeds from junior subordinated debentures, net of costs	-	-	-
Common stock issued in private placement	1,000	-	-
Dividends paid	(5,803)	(5,636)	(5,210)
Net cash provided by (used in) financing activities	**23,908**	**(8,577)**	**(4,541)**
Net (decrease) increase in cash and cash equivalents	(7,436)	**2,855**	**(10,874)**
Cash and cash equivalents at the beginning of the period	8,069	5,214	16,088
Cash and cash equivalents at the end of the period	$ 633	**$ 8,069**	**$ 5,214**

Item 9 - Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There were no changes in or disagreements with accountants on accounting and financial disclosures for the year ended December 31, 2019.

Item 9A - Contracts and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, an evaluation was carried out under the supervision and with the participation of First Guaranty's management, including its Chief Executive Officer (Principal Executive Officer) and its Chief Financial Officer (Principal Financial Officer), of the effectiveness of its disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934). Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that these disclosure controls and procedures were effective.

For further information, see "Management's annual report on internal control over financial reporting" below. There was no change in First Guaranty's internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) that occurred during the quarter ended December 31, 2019, that has materially affected, or is reasonably likely to materially affect, First Guaranty's internal control over financial reporting.

Management's Annual Report on Internal Control over Financial Reporting

The Management of First Guaranty Bancshares, Inc. has prepared the consolidated financial statements and other information in our Annual Report in accordance with accounting principles generally accepted in the United States of America and is responsible for its accuracy. The financial statements necessarily include amounts that are based on Management's best estimates and judgments. In meeting its responsibility, Management relies on internal accounting and related control systems. The internal control systems are designed to ensure that transactions are properly authorized and recorded in our financial records and to safeguard our assets from material loss or misuse. Such assurance cannot be absolute because of inherent limitations in any internal control system.

Management is responsible for establishing and maintaining the adequate internal control over financial reporting, as such term is defined in the Exchange Act Rules 13 – 15(f). Management did not assess the effectiveness of internal controls of the acquired business from Union Bancshares, Incorporated (“Union”). First Guaranty acquired Union effective close of business on November 7th, 2019. The acquisition of Union represented approximately fifteen percent of consolidated assets of First Guaranty. Under the supervision and with the participation of Management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. This section relates to Management's evaluation of internal control over financial reporting including controls over the preparation of the schedules equivalent to the basic financial statements and compliance with laws and regulations. Our evaluation included a review of the documentation of controls, evaluations of the design of the internal control system and tests of the effectiveness of internal controls.

Based on our evaluation under the framework in *Internal Control – Integrated Framework*, Management concluded that internal control over financial reporting was effective as of December 31, 2019.

This annual report does not include an attestation report of First Guaranty's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by First Guaranty's independent registered public accounting firm pursuant to the rules of the Securities and Exchange Commission that permit First Guaranty to provide only management's report in this annual report.

Item 9B - Other Information

None

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 under the symbol "FGBI". As of December 31, 2019, there were approximately 1,500 holders of record of our common stock.

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 106 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 our 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. did not repurchase any of its shares of common stock during the fourth quarter of 2019.

First Guaranty Bank
CORPORATE INFORMATION

ANNUAL MEETING
The Annual Meeting of Shareholders will convene at 2:00 PM Central Daylight Saving Time (CDT) on Thursday, May 21, 2020 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: (888) 375-3093

SHAREHOLDER SERVICES
First Guaranty Bank
Post Office Box 2009
Hammond, Louisiana 70404-2009
Contact: Vanessa R. Drew
Telephone: (985) 375-0343
Email: investorrelations@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..

Visit www.fgb.net for additional information.