FIRST GUARANTY BANCSHARES, INC.

www.fgb.net

2020 FIRST GUARANTY BANCSHARES, INC. ANNUAL REPORT

FIRST GUARANTY BANCSHARES, INC.

#1 Best Small Bank in the U.S.

ANNUAL REPORT 2020

BEST SMALL BANK

FGB Named #1 Best Small Bank 2021

In Newsweek's first ranking of the financial institutions that best serve their customers' needs in today's challenging times, First Guaranty Bank was named the No. 1 BEST SMALL BANK IN THE U.S.! And when compared to all other banks in the state of Louisiana, we were named the No. 1 BEST SMALL BANK IN LOUISIANA, too! This recognition is amazing and a true testament to the hard work of the entire team. We hold this title with pride and commit to continuing to be the best small bank in the U.S. for all time.

"This is a totally unexpected and overwhelming honor. It is a tribute to each and every one of our First Guaranty Bank members and to our dedication and determination to be a true community bank providing the best service possible to our communities and customers. This is the goal of all of us from the Board of Directors throughout the entire Bank."

- Alton B. Lewis, President & CEO

"It is truly a great honor to be the #1 Bank in the country and the best small bank in Louisiana. This is a testament to the efforts and contributions of every team member at FGB. Although we have known it for a while, I'm excited that the rest of the country will get to learn about the great team at FGB!"

- Randy Vicknair CRC, Chief Lending Officer

First Guaranty Bank

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Visit www.fgb.net for additional information.

NASDAQ Stock Ticker Symbol: FGBI

Member FDIC

EQUAL HOUSING LENDER

First Guaranty Bancshares, Inc.
Financial Snapshot

First Guaranty Bancshares, Inc.

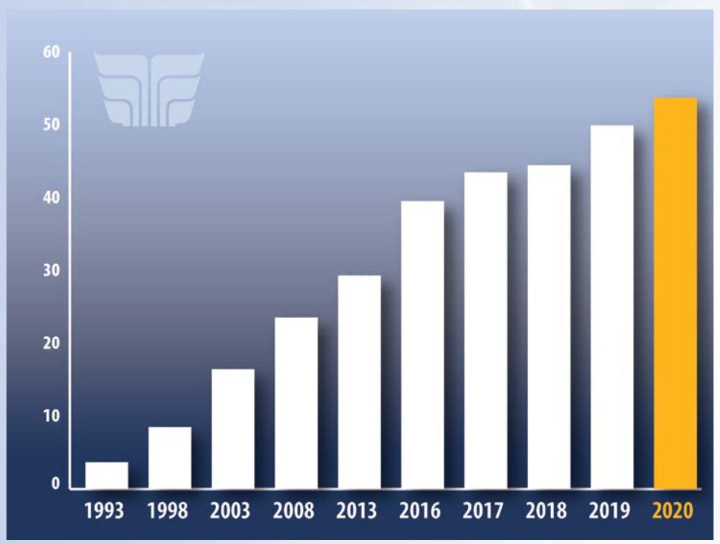
At December 31, 2020, total assets were $2.47 billion, net income was $20.3 million and earnings per common share were $2.09. Return on average assets was 0.87% and return on average common equity was 11.36%. First Guaranty Bancshares, Inc. shares traded at the NASDAQ Global Market Exchange and has paid quarterly dividends for 110 consecutive quarters at December 31, 2020. First Guaranty Bancshares, Inc. is committed to customer service and shareholder value. **#1 Best Small Bank in the U.S.!**

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 33 branch locations and one loan production office. Headquartered in Hammond, Louisiana, the Company had 422 employees as of December 31, 2020.

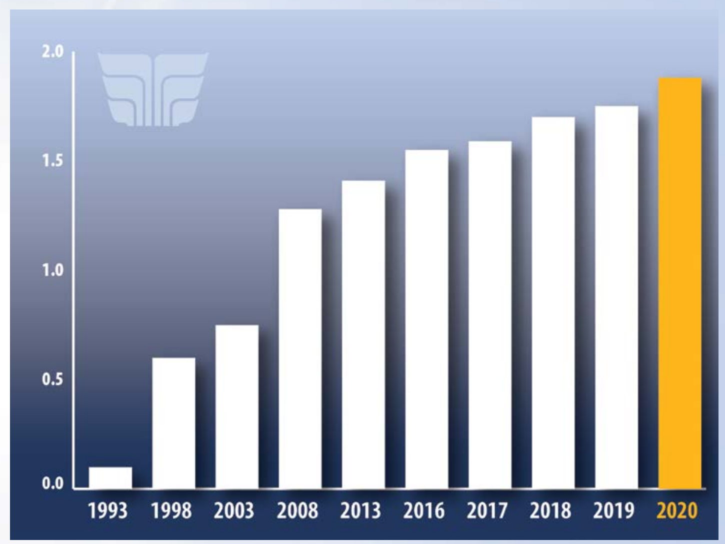
PERFORMANCE GRAPHS

Book Value Growth Per One 1993 Share [1]
(per common share)

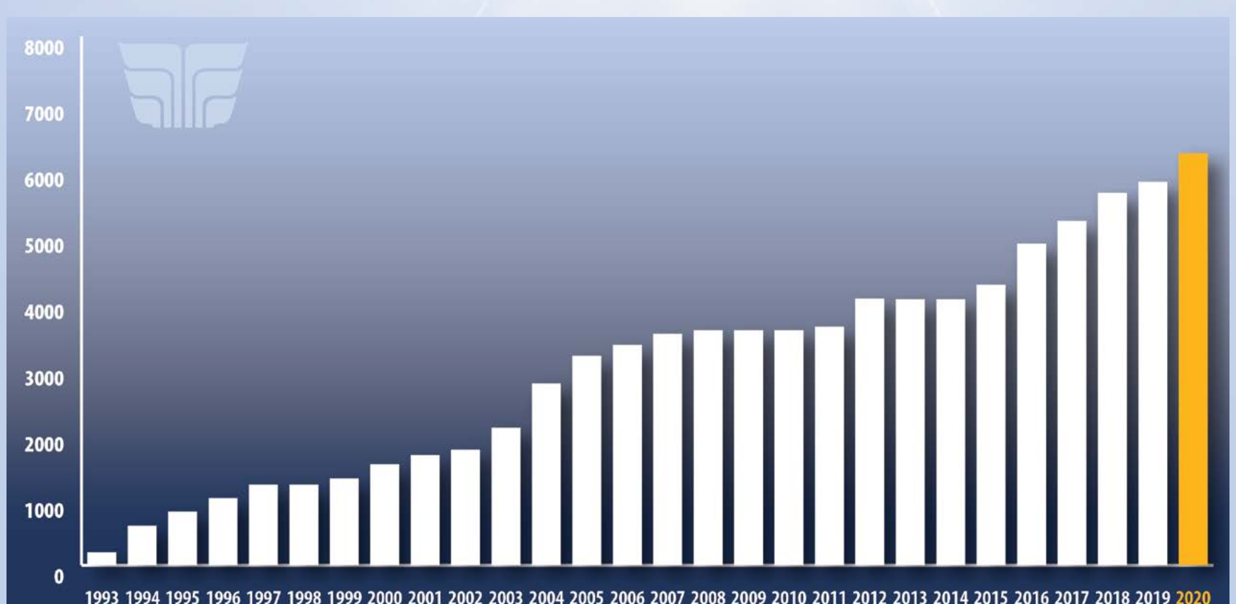


Book Value per one 1993 share has increased from **$3.70** to **$53.71** since 1993.

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 **$84,569,000** in Cash Dividends to common shareholders since 1993.

First Guaranty Bancshares, Inc.
2020 Snapshot

Branches
33

ATMs
46

Total Assets
$2.5 Billion

Deposits
$2.2 Billion

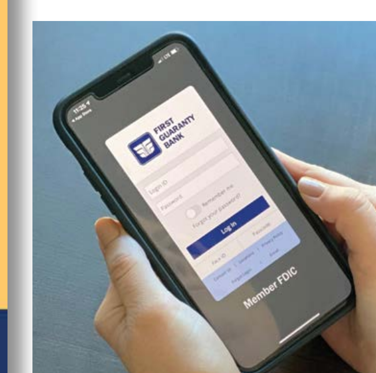
Total Loans
$1.84 Billion

$20.3 Million
2020 Earnings

110
(and counting)
Consecutive Dividends Paid

86
Years in Banking

Member FDIC



#1 Best Small Bank in the U.S.

Contained in his December letter to Shareholders, Alton B. Lewis, President and CEO of First Guaranty Bancshares, Inc. and First Guaranty Bank shared outstanding news regarding a strong fourth quarter performance, which closed a robust 2020.

The fourth quarter began with First Guaranty Bank being named America's Best Small Bank for 2021 by Newsweek/Lending Tree.

This positive news was followed by continued strong loan growth in the Fourth Quarter. First Guaranty grew the loan portfolio to $1.8 billion. First Guaranty also increased the loan loss reserve in order to manage for continued economic uncertainty associated with COVID-19.

Fourth quarter and year-end results demonstrate strong operational profits with significant progress toward enhancing shareholder value and strengthening a decade's long dedication to a fortress balance sheet. Shareholders received their 110th consecutive quarterly dividend payment from First Guaranty Bancshares, Inc.!

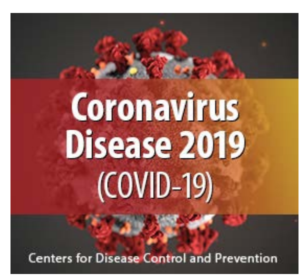
With impressive profitability and reliable dividends, 2020 marked another successful year, especially amid the COVID-19 worldwide pandemic, the strongest hurricane season on record and a presidential election. Earthquakes, floods, wildfires and unemployment were all on the minds of customers, employees and fellow Americans.

In addition to a strong balance sheet and financial performance, why was First Guaranty Bank named #1 Best Small bank? At First Guaranty Bank, people care about each other, customers, shareholders and community. The Bank's culture of financial responsibility, coupled with its culture of caring contributes to this distinction.

New Product

2020 brought a new Online Banking system and mobile app with state-of-the-art banking functionality, convenience and security.

Download the new and improved MyFGB App from your app store!



Outstanding Employees and Teamwork

First Guaranty Bank acted swiftly, responsibly and with an adaptable emergency plan to effectively manage health and safety issues. Concern for customers, employees and the community were paramount and considered first above all else. Employee morale and health, customer service and safety, combined with community involvement were all vital elements addressed and rank among the many reasons First Guaranty Bank is named The Best Small Bank in the U.S.! First Guaranty steadfastly maintains a culture of caring. Although many in-person events were cancelled, FGB continued to give. (Please see pages 8 for COVID-19 details and 64 for FGB Gives Back featuring organizations and charities we support.)

Banks were designated essential businesses and remained open. FGB Front Line teams were literally on the front lines serving customers, and remain so today, providing important financial services.

Those employees located within any one department at headquarters were divided among other locations to ensure an entire department did not contract COVID, thus allowing continuity of customer service and greater health.

Wearing masks, cleaning counters, staying behind plexiglass and urging everyone stay six feet apart were all key components of our safety procedures. Masks are required for customers to enter the bank and employees wear them when they are not in their separate offices. Leslie, a First Guaranty Bank employee in Texas, made creative mustache masks, making it a bit more fun to wear! ***Hats off to Leslie!***

Focus on Small Businesses

Beyond the Front Line at each location, First Guaranty Bank assisted 917 small businesses through the SBA's Paycheck Protection Program (PPP) with $111.1 million in loans. First Guaranty Bank was quick to facilitate PPP loans for small business owners and implemented a plan named Team Midnight. Team Midnight should be commended for their amazing efforts as they worked around the clock to complete their tasks. The Bank received over 1,000 telephone calls per day, twice the normal volume.

This hard work was recognized during the annual shareholders meeting and shared on the First Guaranty Bank website and social media. "Helping customers is always our top priority and we couldn't do it without our employees! A special thanks to our ENTIRE lending and support teams. They have worked tirelessly to get these loans through the system quickly!" A sincere desire to help our customers is fundamental to FGB being named #1 Small Bank. This degree of care and concern also fuels employee motivation and satisfaction.

Commitment

First Guaranty Bank's training and education continued while communication was enhanced. We offered a myriad of ways for customers to easily complete all of their banking needs including mobile pay, online banking and ATMs/ITMs. Many people simply call their local branch for personal assistance. To ensure all customers were properly served, the Customer Support Center began Saturday hours.

Additionally, in order to help customers, particularly those who could not work or experienced layoffs, ALL NSF and overdraft fees were waived through April 15th.

From a business involvement standpoint, Randy Vicknair was named one of Independent Banker's 40 Under 40.

In addition, other employees completed continuing Banking education classes, such as Leadership Banking School, while others served on various committees in their local areas.

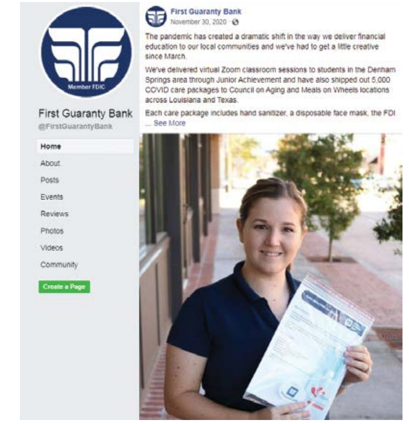
Eventful

Celebrations and giving continued, albeit remotely. Many events and galas were not held, yet fundraising continued to serve the needs of the many organizations throughout the communities and service areas of all 34 FGB locations.

First Guaranty Bank celebrated its 86th anniversary, complete with cake and an Apple Pack giveaway for customers.

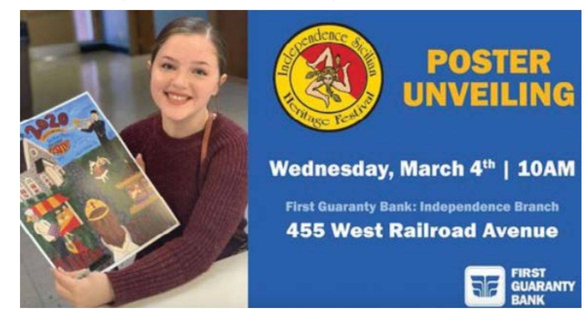
Three employees celebrated their 30th anniversaries with the bank including Jeanette Ernst, Elisa Costanza and Dot Frazier. Vanessa Drew was also honored with an event and cake recognizing her 40th anniversary. Congratulations and thank you to these dedicated team members!

Employee morale boosting events and other team building endeavors were enjoyed during 2020. Christmas branch and door decorating, a Santa Mask coloring contest and employee events during Thanksgiving and Halloween are several examples during fourth quarter.



Innovative ways to meet, donate and be involved with the community included Zoom classroom sessions with Denham Springs students for Junior Achievement.

Similar to FGB employee morale efforts, First Guaranty strived to involve customers and community too. For the annual Independence Sicilian Heritage Festival, which First Guaranty supports each year, the poster contest winner



was the youngest ever. It just so happened that Gracie, the selected artist, is also the daughter of an employee, Casie Qualls! Now that's a wonderful way to involve the Bank, family and community!

Holden High School softball champions

2020 was a year of achievement, success and championships, particularly for Holden High School softball who earned the state championship! St. Thomas Aquinas girls basketball team was crowned state champions when they won the 2020 Allstate Sugar Bowl/LHSAA tournament. ***Congratulations to ALL of our local teams!***

St. Thomas Aquinas girls basketball

The focus in 2020 resides in our commitment to customer service. First Guaranty invested in facilities and enjoyed Central Louisiana Open Houses. (Please see the article on page 30.)

First Guaranty Bank is thrilled, honored and humbled to be named #1 Small Bank in Louisiana and the U.S.! Please see the Newsweek/Lending Tree article on pages 10 and 11. We will continue on our established path to continue to earn this title. As mentioned in the 2019 annual report, resilience, knowledge and passion with an overarching desire to be valuable to other individuals and businesses is fundamental to First Guaranty's success. First Guaranty Bancshares, Inc. is committed to customer service and shareholder value. We take this opportunity to thank all of our customers, employees, officers, Board of Directors and shareholders.

BANKING & COVID-19

When the pandemic started, we knew this was going to be something never experienced before in our lives. Thinking quickly to keep operations open and everyone safe were at the forefront of our minds. We acted decisively and thoughtfully to put measures in place to ensure we were as close to business as usual while keeping everyone as safe as possible. The following highlights the messaging we put out to our employees and customers.

Banking may look a little different these days. Whether you're utilizing mobile pay, online banking, or our ATMs/ITMs—First Guaranty Bank offers banking alternatives at your local branch. Don't forget: our lobbies are appointment only, but you can still visit us via the drive thru or make an appointment at your local branch. ***Additional information and links are available online at www.fgb.net.***

- **Online Banking.** View your account balances and detailed transaction history, transfer money between accounts, and pay bills online, It's fast, free, and easy to sign up!
- **Mobile Banking.** Take fanatical banking wherever you go with the convenience of the MyFGB app. Bank on the go with easy mobile check deposit, seamless money transfers and convenient bill pay – all in palm of your hand.
- **Call us.** Our Customer Support Center is here to help you with any of your banking needs! You can also use Telephone Banking 24/7 for basic account information like account balances and a list of recent transactions.
- **Mobile Check Deposit.** Sign, snap, and deposit checks without ever leaving home.

- **Mobile Pay.** Pay for things you need right from your smartphone, smartwatch or tablet – no need to handle cash. It's password protected by the security of the app and your phone.
- **ATMs.**
- **ITMs.** Our Interactive Teller Machines, also known as MiBYs, are unique state-of-the-art, face-to-face experiences that provide faster service and extended drive-thru banking hours. Use an ITM for the following transactions: make deposits, withdraw cash, check balances, transfer funds, make loan payments, and cash checks.

For the latest bank updates, visit our website: www.fgb.net/covid-19.

We are following federal guidelines to keep you and our employees safe.

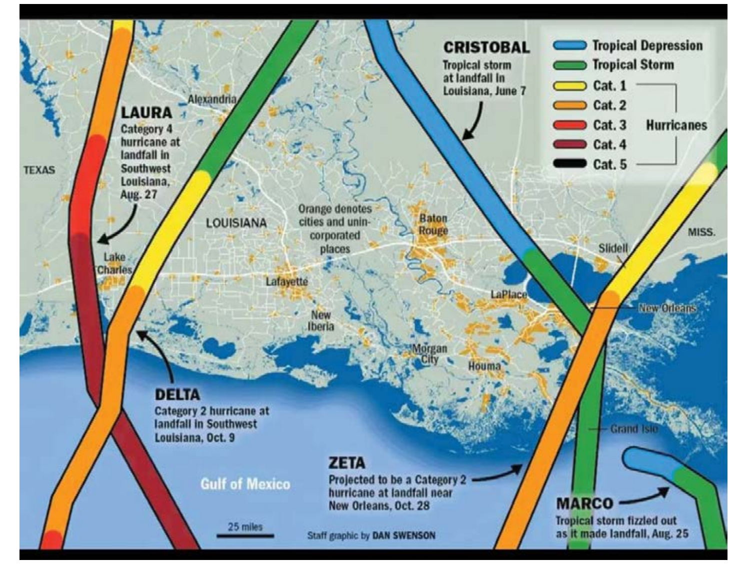
- Prior to entering, masks should be lowered for identification purposes, but may be worn after identification has been established
- Markers will be applied every six feet on our lobby floors and at our entrances. Please adhere to social distancing guidelines.
- Shields are placed at each teller counter
- Customer flow will be limited in our lobbies
- Public restrooms will not be available at this time
- If you have a fever or have tested positive for COVID-19 within the last 14 days, please use our drive thru.

First Guaranty Bank management meets frequently to update and improve plans for this unprecedented time. Updates can be found online at www.fgb.net or on social media.

What We're Doing

When visiting one of our 34 locations, know that we have ramped up cleaning in common areas, follow CDC guidelines and provide CDC-approved hand-sanitizer.

2020 HURRICANE SEASON



Because Hurricanes Katrina and Rita devastated Louisiana in 2005 and the Great Flood of 2016 impacted both the Bank and its customers, hurricane season remains on the FGBI radar.

The extremely active 2020 Atlantic hurricane season had a record-breaking 30 named storms and 12 landfalling storms in the continental United States.

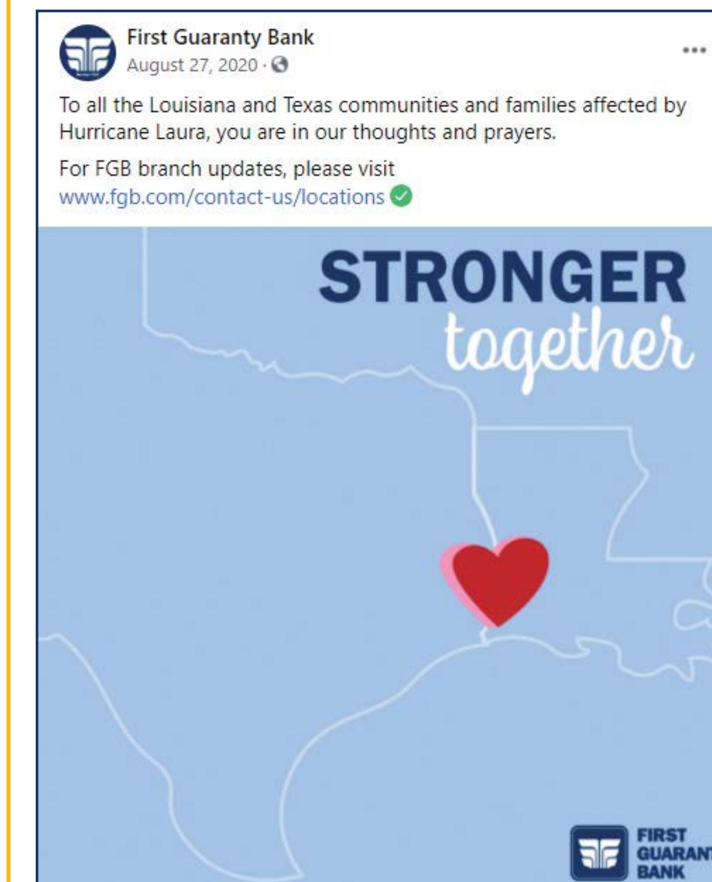
NOAA's seasonal hurricane outlooks accurately predicted a high likelihood of an above-normal season with a strong possibility of it being extremely active. In total, the 2020 season produced 30 named storms (top winds of 39 mph or greater), of which 13 became hurricanes (top winds of 74 mph or greater), including six major hurricanes (top winds of 111 mph or greater). This is the most storms on record, surpassing the 28 from 2005, and the second-highest number of hurricanes on record.

The 2020 season got off to an early and rapid pace with a record nine named storms from May through July, and then quickly exhausted the 21-name Atlantic list when Tropical Storm Wilfred formed on September 18. For only the second time in history, the Greek alphabet was used for the remainder of the season, extending through the 9th name in the list, Iota.

This historic hurricane season saw record water levels in several locations, including the Gulf Coast where Hurricane Sally brought the highest observed water levels since Hurricane Katrina in 2005 to Pensacola, Florida.

Emerging Stronger

Living and working in Louisiana, Texas and the Gulf Coast region requires hurricane season preparation. With sufficient experience and respect for natural disasters, 2020 delivered the added challenge of hurricane season during a pandemic. Hurricane Laura devastated Lake Charles, Louisiana and it was followed shortly thereafter by Hurricane Zeta. The FGB Loan Production Office in Lake Charles assisted the community with loans, including PPP loans. Hurricanes Delta and Zeta required FGB to reschedule central Louisiana Open Houses. In October alone, FGB closed offices early in advance of the storms in more than half of the branch locations. Safety remained the most important factor in all decisions.



Because First Guaranty had already incorporated technology and guidelines to make banking easier, more convenient and safer for COVID-19, many of those same measures served both customers and employees well during hurricanes. Online and mobile banking advances, an enhanced telephone system and availability of ITMs reduced the necessity for in-person banking.

Through these challenges, First Guaranty Bank emerged stronger and better equipped to best fulfill its mission. The mindset and ability to adapt, change and grow allows First Guaranty to continue emerging stronger.

https://www.noaa.gov/media-release/record-breaking-atlantic-hurricane-season-draws-to-end

BY *NEWSWEEK* – SHARE

Introducing *Newsweek*'s first ranking of the financial institutions that best serve their customers' needs in today's challenging times

Like virtually every other aspect of our lives—work, school, shopping, dating, entertainment, you name it—the pandemic is changing the way Americans bank. And those changes, in turn, are creating a new set of challenges and opportunities when it comes to picking the financial institution that best suits our banking needs.

For one thing, we have a newfound need and affection for savings accounts, evidenced by a more-than-doubling of the personal savings rate over the past several months, as the idea of building a solid emergency fund morphed from being an aspiration to an economic imperative. "The savings growth has been record-breaking," says Ken Tumin, founder of the bank comparison site DepositAccounts.com. But it's tougher than ever to find a suitable account to house those savings—one that doesn't actually cost you money after factoring in fees, given that the average savings rate is now near zero due to the Federal Reserve's efforts to stimulate the economy via low interest rates.

Meanwhile, lockdown mode is pushing many of us to finally embrace online banking in a major way. Traffic at local banks is down substantially compared to last year, with about half of customers who previously relied on physical branches and ATMs saying they've increased their use of mobile apps and 35 percent making more use of their bank's website, according to a recent survey by Kearney, a management consulting group. Experts believe the shift is likely to stick. "Once you get used to the technology and how easy and convenient it is to bank this way, it's hard to go back," says Tumin.

Customer service is also becoming a more important consideration, as complaints about financial services providers have surged during the pandemic, up 50 percent from March through July compared with the same time period in 2019, according to the consumer advocacy group U.S. PIRG. "The record level of consumer complaints is a blaring red light signaling the huge challenges consumers are facing during the COVID-19 pandemic," says Gideon Weissman of Frontier Group, who co-authored the organization's report.

To help you navigate this new financial landscape and find the institution that best serves your needs, *Newsweek* has partnered with LendingTree, the online loan marketplace and comparison site for financial services, for our first-ever Best Banks rankings. From a universe of more than 2,500 FDIC-insured institutions, we assessed U.S. banks and the savings and checking accounts they offer based on 55 separate factors to come up with a best-in-class option in 19 categories—including the best big and small bank in every state, because banking in many ways remains a local endeavor. One or more of these winning banks may be the perfect choice for your family.

—**Diane Harris**, *Deputy Editor in Chief.*

STATE	WINNER
Louisiana	First Guaranty Bank

Methodology

To identify America's Best Banks, LendingTree in consultation with Newsweek culled candidates from an initial universe of more than 2,500 FDIC-insured financial institutions (credit unions were excluded from consideration).

LendingTree then applied a series of filters to create a short list of eligible candidates in each category, based on the most salient features for each bank type or account; LendingTree supplied the data and made recommendations for a proprietary scoring system developed by Newsweek, based on the factors that would be most important to consumers for that type of bank or account.

Data sources for the project included DepositAccounts.com, information published by each bank, quarterly call reports filed with the FDIC, Consumer Financial Protection Bureau complaints and mobile app reviews. All together, 55 separate factors were assessed, covering a wide variety of fees, current and historical interest rates, account terms, consumer service features, mobile app satisfaction and bank profile.

Among the specific data collected: the average service charges collected on deposit accounts during the second quarter of 2020; average interest paid on deposit accounts during the second quarter of 2020; the number of complaints submitted to the Consumer Financial Protection Bureau and how quickly the bank responded, the kinds of loan and account products offered; mobile app scores; and, depending on the best bank accolade, branch presence.

For best bank state winners, the best big bank in each state needed to have at least one branch per 100,000 residents and at least $10 billion in assets, while the best small bank in each state had less than $10 billion in assets and had to be among the five banks with the most branches in the state. A bank couldn't have more than one branch to be considered for best online bank, with factors like mobile app score carrying greater weight in this ranking.

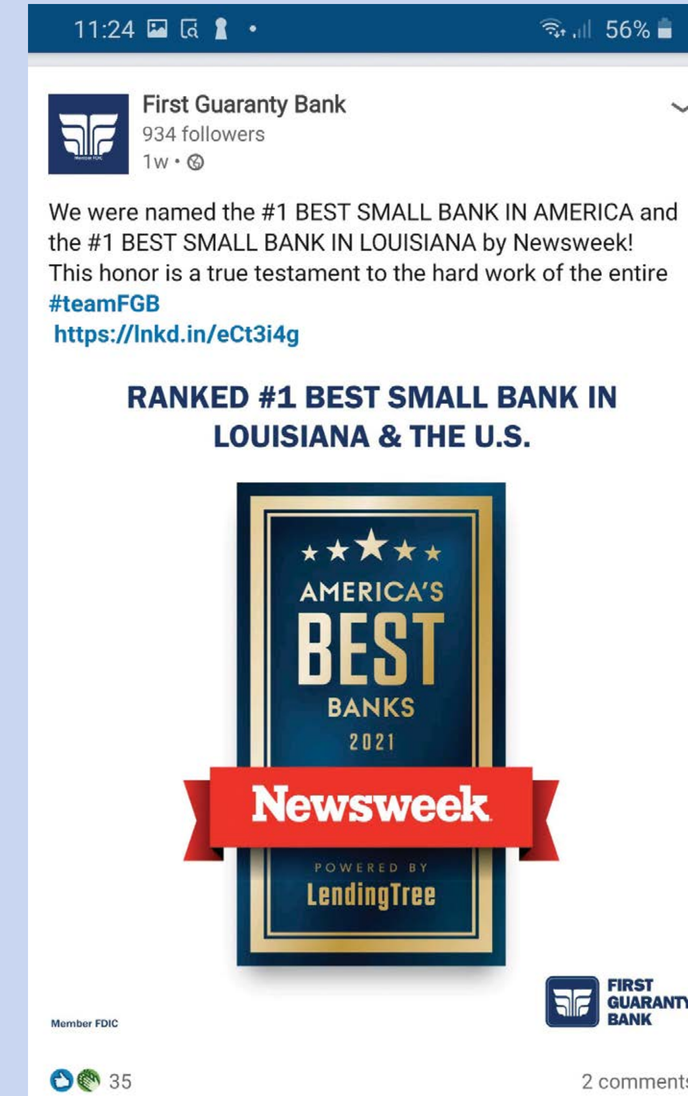
For best customer service, a bank had to have responded to at least 97 percent of complaints filed with the CFPB in a timely fashion to be considered; other features such as languages provided on the bank's website and app as well as banking and credit card service lines were also evaluated.

Individual best bank account winners were selected based on different criteria, including: current interest rate; average interest rate over the past year; minimum deposit required to open an account, the monthly service fee changed to maintain the account, fees charged for nonsufficient funds, overdraft, or/and overdraft protection; amount charged to use an out-of-network ATM; amount refunded for out-of-network ATM usage; cost to replace debit card; and the bank's average mobile app score.

To be considered for best online savings or online checking accounts, a bank had to have fewer than 100 branches, while banks needed more than 100 branches to win for either the best checking or best savings account award.

The weighting given to each factor varied depending on the best bank accolade; Newsweek exercised final editorial judgment when selecting winners. Current interest rate information is accurate as of September 24, 2020 and represents the highest possible rate a customer could earn, if all qualifications are met (common qualifications include having direct deposit tied to the account, having more than one account with the bank or making a certain minimum number of debit-card transactions a month). The complete data set was last updated by LendingTree on September 10, 2020.

www.newsweek.com/americas-best-banks-2021/best-small-banks-state



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

Marshall T. Reynolds

Chairman of the Board

FIRST GUARANTY BANCSHARES, INC.

Dear Shareholders,

The year 2020 was quite a year for our bank. Not only for the excellent results but also for the positioning for the coming year.

First Guaranty Bank made twenty million dollars for the year 2020. This compares to a fourteen million dollar year in 2019. That was a forty-three percent increase in profitability. Also, the bank made a substantial contribution to loan loss reserve during 2020 bringing our total LLR to 1.33% – that is what I call "Building a Fortress Balance Sheet."

As you are aware loans are probably the most important part of banking. During 2019 we ended the year with $1,525,000 in loans. By the end of 2020 we were at $1,844,000 in loans outstanding. This is a whopping $319,000,000 dollar increase. Randy Vicknair (Chief Lending Officer) and Jordan Lewis (Texas Area President) did an outstanding job, as did Bill Hood and the Directors Loan Committee who vetted every loan. But the good news is yet to come. We will have growth in loans both in the first and second quarter as the pipeline is full.

I wholeheartedly commend these admirable results from the Board of Directors, Management and All of the Employees I want to say, "Thank You."

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

#1 Best Small Bank in Louisiana and the U.S.

Dear Shareholders,

Being named the Best Small Bank in The United States and Louisiana by Newsweek Magazine and Lending Tree is certainly a great indicator that we did something right in 2020. Recording record earnings for the year is another indicator that we did some things right in 2020. Recording record earnings for the year while also adding approximately $14 million to the loan loss reserve in recognition of continued COVID uncertainty is another strong indicator that we did some things right in 2020. Increasing our loan portfolio by approximately 20% during the Covid pandemic is another indicator that we have done some things right in 2020.

There is no doubt that 2020 was an outstanding year for First Guaranty Bancshares, Inc.. With the leadership of the Board of Directors, strategies were developed, and actions were taken to quickly and effectively deal with the adversities presented and to succeed in spite of those adversities. We should enjoy our success.

But 2020 is now history. It is our goal at First Guaranty Bancshares, Inc. to simply use 2020 as a stepping stone toward greater success, toward better banking, toward increased growth, toward increased earnings, toward enhanced shareholder value, and toward a fortress balance sheet.

Thank you for your support. Please do not hesitate to contact me if you have any questions.

Sincerely,

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

Eric J. Dosch

Chief Financial Officer

#1 Best Small Bank in the U.S.

First Guaranty Bancshares, Inc. continued its consistent track record of loan growth, dividend payments, and capital growth in 2020 while managing through the COVID-19 pandemic. First Guaranty took decisive action at the beginning of the COVID-19 crisis to protect the bank, our employees and help our customers. The actions taken reflect First Guaranty's business philosophy provided by the Board of Directors. It is not surprising that Newsweek and Lending Tree ranked First Guaranty Bank as the number one small bank in the United States. We are honored by this tribute and will continue to make our bank better every day.

First Guaranty's COVID-19 response included the following notable actions. We increased on balance sheet liquidity by $100 million through FHLB borrowings and brokered deposits. These funds were profitably invested in corporate securities that provided both liquidity and earnings during 2020. First Guaranty provided relief loans to employees and customers prior to participation in the SBA Paycheck Protection Program (PPP). We provided loan payment deferments to over 1,000 loans that totaled $590 million. First Guaranty waived or suspended several fees during the onset of the crisis. 901 SBA PPP loans were originated that totaled $111.1 million before SBA forgiveness payments reduced balances at the end of 2020. Our employees worked countless extra hours ensuring that our branches remained open and that our customers received their essential banking services during the COVID-19 pandemic.

First Guaranty continued to execute its plan to grow loans as a percentage of our balance sheet despite the significant economic headwinds associated with the pandemic. Loans grew by 20.9% or $318.6 million from $1.53 billion in 2019 to $1.84 billion in 2020. Included in this growth were $92.3 million in SBA PPP loans. First Guaranty continued to expand its commercial lease lending program which is included in total loans. Commercial leases grew $34.0 million to $104.1 million in 2020. We increased loan interest income by $11.9 million in 2020. The loan portfolio finished December 31, 2020 at 75% of total assets. Five years ago, the loan portfolio was only 58% of assets at December 31, 2015. The loan to deposit ratio was 85.1% at December 31, 2020 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 averaged 5.46% for 2020 even though market interest rates declined significantly during 2020.

The Texas loan portfolio grew to $244.9 million at December 31, 2020 which is a $40.4 million increase from $204.5 million at December 31, 2019. Texas loans have grown a total of $116.9 million from $128.0 million at the acquisition date in June 2017. Texas deposits grew to $275.2 million at December 31, 2020 from $230.5 million at December 31, 2019. Texas deposits have grown a total of $148.0 million from $127.2 million at June 2017.

First Guaranty improved the composition and cost of its deposit portfolio during 2020. Total interest expense declined $3.9 million in 2020. First Guaranty increased non-interest bearing deposits $85.5 million or 26% during 2020. Total cost of interest bearing liabilities declined to 1.48% for 2020 compared to 2.06% for 2019. The net interest margin was 3.35% for 2020. Total common shareholder's equity increased $12.6 million from $166.0 million in 2019 to $178.6 million in 2020. Retained earnings increased $14.1 million from $43.3 million in 2019 to $57.4 million in 2020. The loan loss reserve increased to $24.5 million at the end of 2020 compared to $10.9 million at the end of 2019. First Guaranty increased the loan loss reserve to manage for uncertainty related to COVID-19 and to accommodate the strong loan growth in the latter half of 2020. Earnings per common share were $2.09 in 2020 compared to $1.47 in 2019. Tangible book value per share increased from $15.05 at December 31, 2019 to $16.41 at December 31, 2020. Return on average assets was 0.87% for 2020. Return on average common equity was 11.36% in 2020. First Guaranty Bancshares, Inc. paid a total of $6,234,400 in cash dividends to common shareholders in 2020. The Company has paid 110 consecutive quarters of dividends as of December 31, 2020.

First Guaranty continues to build strength for the future. We increased loans and capital in 2020 despite the challenges due to COVID-19. First Guaranty continues to maintain a leading deposit market share in the communities that we serve in Louisiana. We continue to expand our business in Texas. Our continuing investment in the education of our employees and our planning and reporting systems has increased productivity. We believe that the combination of these efforts will lead to a strong and profitable future for First Guaranty Bancshares, Inc.

Sincerely,

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

Report from the
Chief Lending Officer

Randy S. Vicknair

Senior Vice President/ Chief Lending Officer

2020 was a great year for First Guaranty Bank!

We were successful in assisting our customers and the community with relief programs related to COVID19 and multiple hurricanes, providing PPP loans to our customers and non-customers, implementing multiple new software platforms to improve our efficiency, growing our loan portfolio by 21%, and achieving a ranking of #1 bank in the country! All of this was accomplished while working through the economic/staffing challenges created by the COVID19 virus and government mandated shutdowns. This accomplishment is a direct result of the guidance of our Board of Directors combined with the focus, determination, and collaboration of our team.

In 2020, the total loan portfolio grew to $1.844 billion which was a $319 million increase over the previous year end of $1.525 billion. Our strong growth is due to the contributions of multiple lines of business including commercial real estate loans, commercial and industrial loans, mortgage loans, and commercial leases. We were able to maintain loan yields despite significant reductions in interest rate indexes and competition creating downward pressure on loan pricing. Loan yields were 5.46% in 2020 as compared to 5.99% in 2019. This is only a 0.53% year-over-year decrease while our major index, Wall Street Journal Prime, decreased by 1.50%. Additionally, loan interest income was $90.8 million in 2020 compared to $78.9 million in 2019, an increase of $11.9 million or 15%. This was achieved primarily from our loan growth.

The focus of First Guaranty Bank continues to be our local markets and customers. We added six new Financial Relationship Manager positions in 2020, with at least one position in each of our regions. These new team members will enable us to better service our existing client base while pursuing additional new client relationships. Additionally, we created two new positions to focus on the training and development of our Financial Relationship Managers and Loan Assistants. This new initiative will continue to build on the growth of our teams, our markets, and our customer service. The bank's markets remained strong in 2020, with significant contributions from our Texas, North Louisiana, and Southeast Louisiana regions. Our Southwest Louisiana region had a great first half of 2020 with hurricanes slowing their progress for the 2nd half of 2020.

It takes focus, commitment, and teamwork to be #1. In 2020, our team showed what we are capable of accomplishing and we are ready to deliver another great performance in 2021!

Sincerely,

Randy S. Vicknair
Senior Vice President/Chief Lending Officer
FIRST GUARANTY BANK

Report from the
Central Louisiana Area President

Darrel D. Ryland

Director/Central Louisiana Area President

When we first met last year in January, little did we know how interesting 2020 would be. It is easy to lament the unfortunate events of the year; at the same we must celebrate the personal and professional achievements of the First Guaranty Bank officers and staff.

Of course, I am referring to the recognition of First Guaranty Bank as the Best Small Bank in America, and the preeminent bank in the Central Louisiana market. Over 2,500 FDIC insured financial institutions were eligible candidates for this honor. First Guaranty Bank was ranked number one not only for financial metrics, but for offering its customers the best banking experience in the State of Louisiana. PERIOD.

Financial customers in Central Louisiana, we call this area CENLA, now have access to state-of-the-art online banking options which are being utilized now more than ever. Even technologically reluctant customers comment about the ease of online banking at First Guaranty Bank. This in turn increases customer satisfaction to an all time high. This was our highest goal.

Finally, as our state and national economies improve, the need for loans will increase. First Guaranty Bank stands ready to approve qualified borrowers much faster than our markets competitors.

Shareholders can rest assured that their investments will grow; depositors can rest assured that their assets are safe and secure; and borrowers can rest assured that First Guaranty Bank will accommodate their every need.

Yes, 2020 was an interesting year. Here at First Guaranty Bank, we are resolved to make 2021 even better for our customers, employees, and shareholders.

Sincerely,

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

Credit: Louisiana Travel

JORDAN M. LEWIS
Texas Area President

Best Small Bank

The perfect may be the enemy of the good, but a champion never accepts what is good enough when it really matters.

In 2020, First Guaranty Bank showed it is a champion: that it had the heart of a champion in serving its communities in times of crisis, and that it had the focus of a champion in improving every aspect of its customer experience despite tremendous challenges throughout the year. Nowhere was the bank's grit, determination to prevail, and strength of character more on display in 2020 than in Texas.

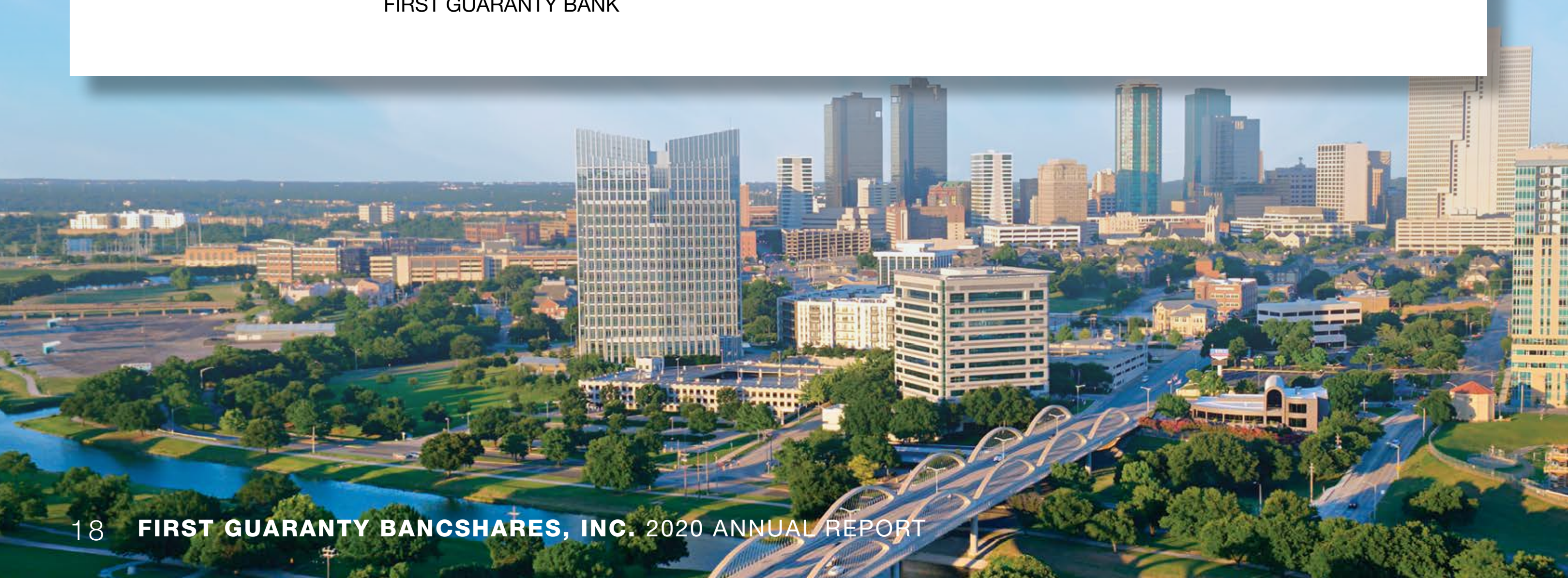
The 2020 numbers tell part of the story: not including PPP loans, First Guaranty Bank increased its Texas loan new money production by 34% (+$138 million), almost tripled its total loans originated, and grew its loan portfolio by 20% (+$40.4 million). Deposits increased 20% across its five branches to $275 million. Profitability grew and cost of funds dropped.

But that part of the story seems inconsequential to the real story: countless hours of communicating, planning, and collaborating by leaders from departments across the bank working out how to keep local economies rolling while keeping team members and their families safe; schedules constantly disrupted and plans changed on a dime due to an ever-changing and dangerous environment. Team members who moved quickly and willingly to fill gaps in personnel chains with incredible attitudes despite significant personal sacrifice. A unified force working to make sure our customers were never let down – not even for a second – during a national emergency.

Dedicated employees of First Guaranty Bank across Texas and Louisiana in 2020 showed what it means to be the best: to care, to do one's best, and to go the extra effort even when the situation is at its worst. Their heart and focus demonstrated that they were champions of what banking should be. They showed that they are prepared for anything, and that the future is in good hands.

Ever onward,

Jordan M. Lewis
Texas Area President
FIRST GUARANTY BANK



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

The Southwest Louisiana Region of First Guaranty Bank continues to be persistent and treat customers as they would like to be treated. Surely, this has helped the bank to be named #1 Best Small Bank in the United States.

Our hotel/motel owners survived 2020 with the help of PPP loans, extensions and deferments. Their room rentals seem to be getting better and should fully recover after most people receive the coronavirus vaccine. Other commercial business customers have also taken advantage of available federal aid and should be able to survive.

Our agriculture business was also affected by coronavirus, especially crawfish farmers. They had a decent year in catching but were not able to sell the product due to so many restaurants either closing or serving to-go only, and the demand for crawfish fell. Demand was also affected by the many company, friend and family crawfish boils cancelled due to the disease. Rice and sugarcane yields were good with stable prices, and the majority of farmers were able to meet their financial obligations.

Jennings deposits ended the year with $38.6 million compared to $40.6 million from the previous year, resulting in a decrease of $2 million. Abbeville deposits ended with $142.2 million compared to $137.3 million from the previous year, or $4.9 million above one year ago. Combined deposits for this region ended at $2.9 million above a year ago. Jennings loan volume ended at $11.4 million compared to $14.3 million the previous year, a $2.9 million decrease. Abbeville loan volume ended with $74.5 million compared to $73.1 million the previous year, or a $1.4 million increase. Lake Charles loan production office ended with $18.9 million in loans compared to $17.9 from the previous year, or an increase of $1 million. Combined loan volume was $104.8 million compared to last year of $105.3 million, a decrease of $500,000.

With the continued support of our loyal customers, dedicated employees, management and our Board of Directors, we should be able to increase loan volume, deposits and our customer base.

Sincerely,

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

Charles "Chuck" Brister, Director

2020 was a challenging year in many ways and we mourned the loss of Chuck Brister on November 23rd, while honoring his 25 years of service to First Guaranty Bank and the Board of Directors.

Born in Independence, Louisiana on September 26, 1951 to J.H. and Betty Brister of Roseland, Chuck Brister graduated from Amite High School. He was a resident of Amite and a member of First Baptist Church.

He is survived by his wife of 51 years, Mary Ellen Brister and two daughters and sons-in-law, four grandchildren, a sister, brother-in-law and one niece.

Chuck began his business in November 1972 as Chuck's Glass & Radiator Works in Roseland. In 1975, he moved to Amite and started Amite Glass & Radiator Works. In 1985, they sold Amite Glass Works and Chuck took over his father's manufacturing business of Go Karts, known as Brister's Thunder Karts. Under his leadership, Thunder Karts earned national recognition and developed utility vehicles named the Chuck Wagon.

Chuck lived life fully and enjoyed boating, flying, car shows, traveling and his many friends. His greatest enjoyment was spending time with his wife, children and grandchildren and being involved in their activities. He served as the 2008 Amite Oyster King and was a board member of Smitty's Supply.

Chuck Brister was always committed to First Guaranty Bank and served as a board member since May, 1996. He sat on the Directors Loan Committee and the IT Steering Committee.

The Board of Directors of First Guaranty Bank are proud to have had the pleasure of serving with Mr. Charles "Chuck" Brister and will cherish the wisdom, guidance and joy he provided.

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* *(Photo taken pre-Covid 19)*

ANTHONY J. BERNER, JR.
Consultant, Gold Star Food Group.
Former President of Pon Food Corporation of Ponchatoula.

GLORIA M. DYKES
Owner of Dykes Beef Farm and Part Owner of Dykes Feed & Fertilizer Inc. and Bluff Creeks Properties.

DR. PHILLIP E. FINCHER
North Louisiana Advisory Board.
Retired Economics/Finance Professor of Louisiana Tech University.
Board member of Claiborne Electric Cooperative.
Owner of C & B Ranch since 1969.

ROBERT H. GABRIEL
President of Gabriel Building Supply Company of Ponchatoula and Amite.

ANDREW GASAWAY, JR.
Secretary, Board of Directors of First Guaranty Bank.
President of Gasaway-Gasaway-Bankston Architects.

WILLIAM K. HOOD
Chairman of the Audit Committee, Directors' Loan Committee.
President, Hood Automotive Group.

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

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

BRUCE MCANALLY
Registered pharmacist, Director of Paragon HealthCare in Dallas, RxPreferred Benefits in Nashville and Best Value Pharmacies in Ft. Worth.

MORGAN S. NALTY
Investment Banking Executive and Partner in the firm of Johnson Rice & Company, LLC.

JACK M. REYNOLDS
Vice President of Trifecta Productions, Vice President of Pritchard Electric and Secretary, ADJ Corporation.
Board member of Energy Services of America, The Harrah and Reynolds Corporation and Citizens Deposit Bank.

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

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

JACK ROSSI
Chairman of First Guaranty Bancshares Audit Committee.
Certified Public Accountant in West Virginia and Vice President Business Development at Summit Community Bank in West Virginia and Virginia, on the Board of Trustees of the West Virginia Investment Management Board, a member of the Charleston Area Alliance Board and the Treasurer and Past Chairman and the Charleston Regional Chamber Of Commerce Board and West Virginia University Business Economics Visiting Committee.

DARREL RYLAND
First Guaranty Bank Central Louisiana Area President.
Darrel D. Ryland, LLC, attorney and owns Red River Ranch, a cattle operation.

RICHARD W. "DICKIE" SITMAN
Director of Dixie Electric Membership Corporation.
Board President of Dixie Business Center.
Past owner of Jos. M. Sitman, Inc. He is a past board member of CoBank ABC 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 CEO of Smitty's Supply, Inc.
Chairman and CEO of Latch Oil, Cam2 International, Big 4 Trucking and Big 4 Investments.

#1 Best Small Bank in the U.S.

First Guaranty Bank
ADVISORY BOARD

Left to Right: Britt L. Synco, Thomas "Tommy" D. Crump, Gil Dowies, III, Dr. Philip E. Fincher

Not pictured: John D. Gladney, M.D.

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

The five men who make up the North Louisiana Advisory Board were all born and reared in Claiborne Parish and have deep roots in the communities and business affairs of this area. In the period where big banks began to buy up small and medium size banks across the country, it became apparent to us that the banking needs of individuals and small businesses were not being met by these megabanks in our area of Northwest Louisiana. These concerns led the Advisory Group to join with others to form a new community bank for Claiborne Parish. Shortly after the formation of this bank, the group had the opportunity to join with FIRST GUARANTY BANK to create a stronger and better institution to meet the banking needs of a much larger community of individuals and businesses across the whole area of Northwest Louisiana. As First Guaranty has grown in size and strength, it has never failed to fulfill its mission to function as a true, community-oriented bank–like all those which had preceded it in our rural communities.

The ranking of First Guaranty as the best small bank in the U.S. by a national publication only confirms what the Advisory Group has known for a long time—our bank is one of the best things that has happened in our area in the last 20 years!

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

Chairman

MARSHALL T. REYNOLDS*
Chairman of the Board

Executive Officers

ALTON B. LEWIS*
President and CEO

ERIC J. DOSCH*
Chief Financial Officer

Senior Vice Presidents

THOMAS F. BROTHERS
Director of Internal Audit

SCHELIA M.DAVIS
Operations Officer

MARK J. DUCOING
Chief Deposit Officer

GLENN A. DUHON, SR.
Regional Manager
Abbeville

RONALD R. FOSHEE
Director of Lending Development

KEVIN J. FOSTER
Regional Manager
Denham Springs

ADAM J. JOHNSTON
Regional Manager
North Louisiana

MIKKI M. KELLEY
Human Resources Department
Manager

JORDAN M. LEWIS
Texas Area President

GREGORY P. PRUDHOMME
Regional Manager
Central Louisiana

DARREL D. RYLAND
Central LA Area President

CRAIG E. SCELFO
Regional Manager
Ponchatoula & St. Tammany

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 Lending Officer

CHRISTY L. WELLS
Regional Manager
Hammond

MATTHEW B. WISE
Chief Credit Officer

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ASHLEY N. BELL
BETTY A. BONEY
BRENDA A. BRISCOE
CHERYL Q. BRUMFIELD
KATHERINE K. CAMPBELL,
Controller
CHRISTINA M. CARTER
TIMOTHY L. CHESNEY
ROBERT W. CLIFTON,
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RONALD W. EDMONDS
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BSA Officer
MICHAEL D. KNIGHTEN
TERRIE E. MCCARTNEY
COLTON C. MCDANIEL
JASON D. NORMAND
STEVEN F. OSMAN
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LISA K. STOKER
JOHN A. SYNCO

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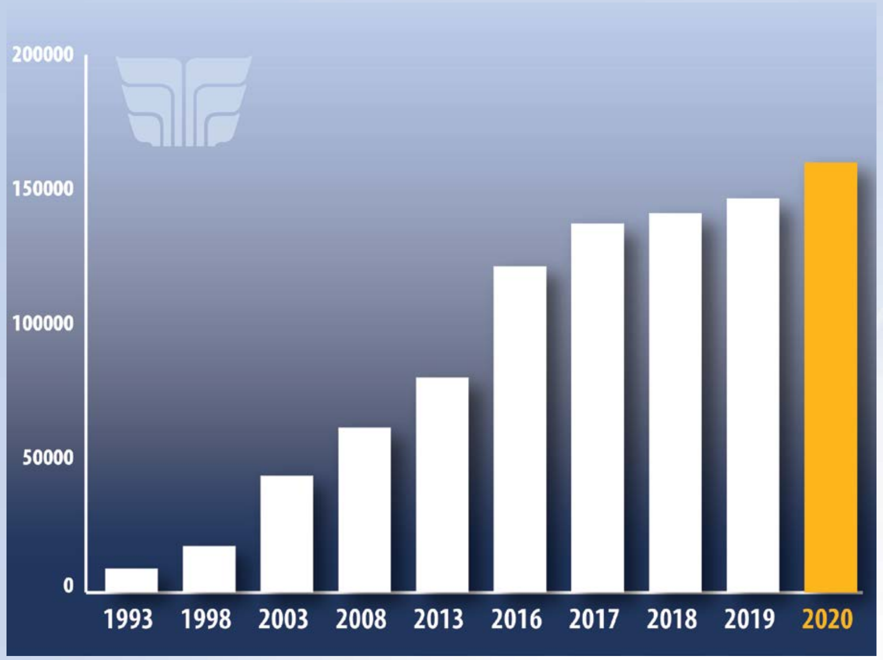
LESLIE A. HINZMAN
A. SHANE HUGHES
KEITH T. KLEIN
PAMELA R. NORMAND
DEV M. PATEL
RAHUL R. PATEL
NIEKITSHA S. RIDLEY
MELINA V. WEST

Officers

REBECCA G. BROWN
CALVIN P. DUCOTE
JEANNETTE N. ERNST
KRISTIN M. WILLIAMS

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

Tangible Common Equity [3]
(in thousands)

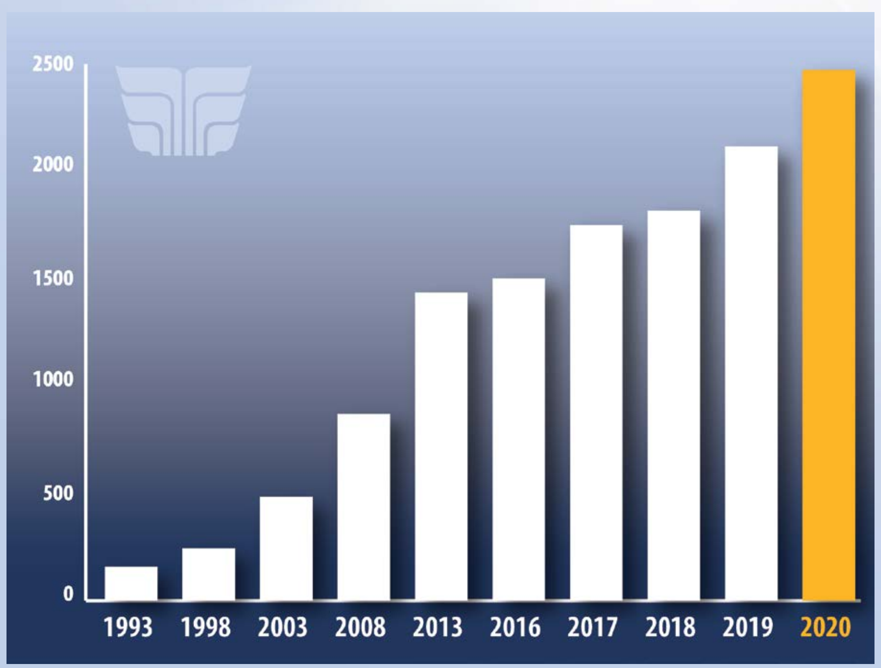


Tangible Common Equity
(in thousands)

1993	$9,005
1998	$17,376
2003	$43,557
2008	$61,429
2013	$80,033
2016	$121,372
2017	$137,262
2018	$141,108
2019	$146,566
2020	$159,876

Tangible Common Equity has increased **$150.9 million** since 1993.

Total Assets
(in millions)



Total Assets
(in millions)

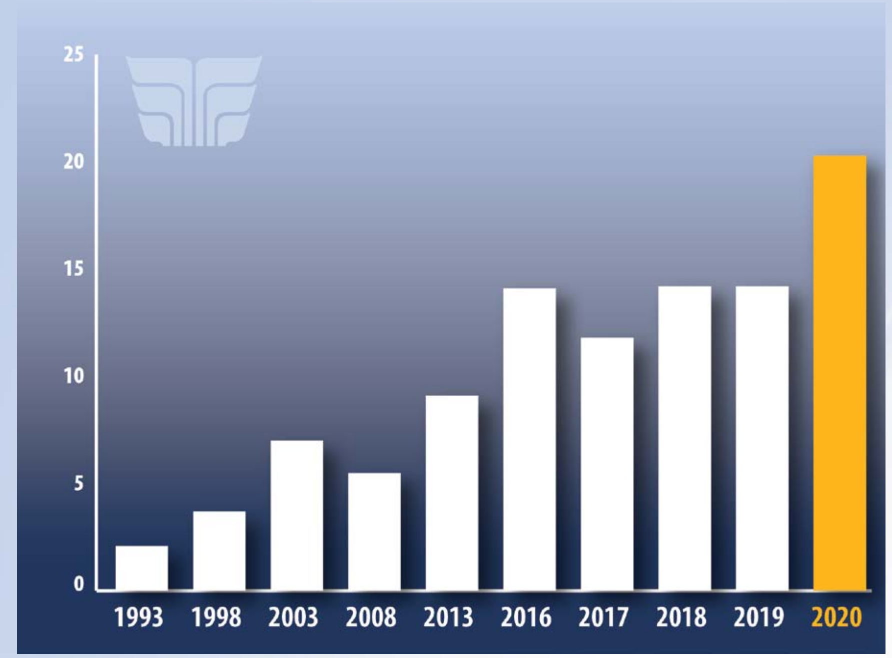
1993	$159
1998	$245
2003	$485
2008	$871
2013	$1,436
2016	$1,501
2017	$1,750
2018	$1,817
2019	$2,117
2020	$2,473

First Guaranty Assets have increased **1,455%** since 1993.

[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

First Guaranty Bank
PERFORMANCE GRAPHS

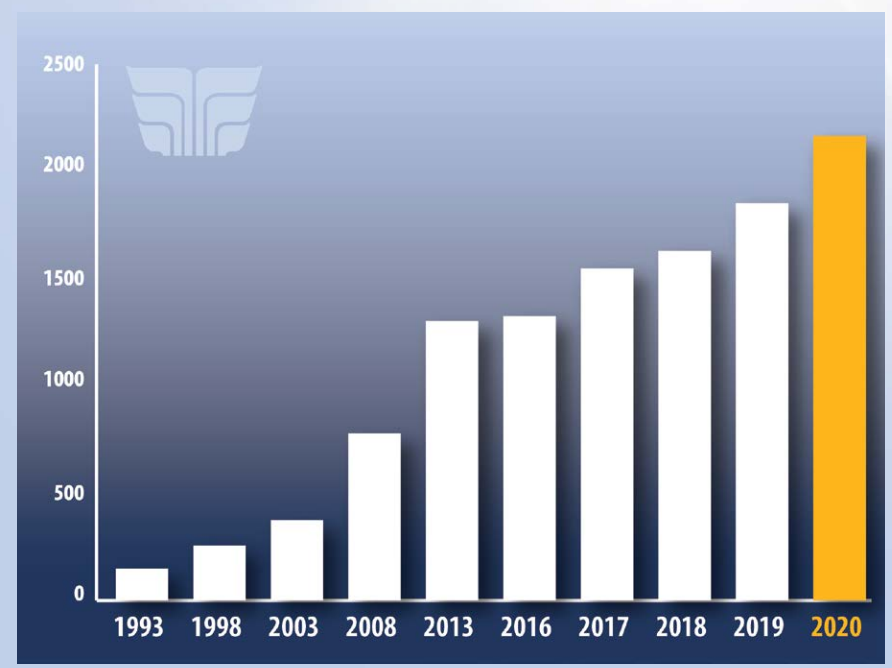
Net Income
(in millions)



Net Income
(in millions)

1993	$2.1
1998	$3.7
2003	$7.0
2008	$5.5
2013	$9.1
2016	$14.1
2017	$11.8
2018	$14.2
2019	$14.2
2020	$20.3

Total Deposits
(in millions)

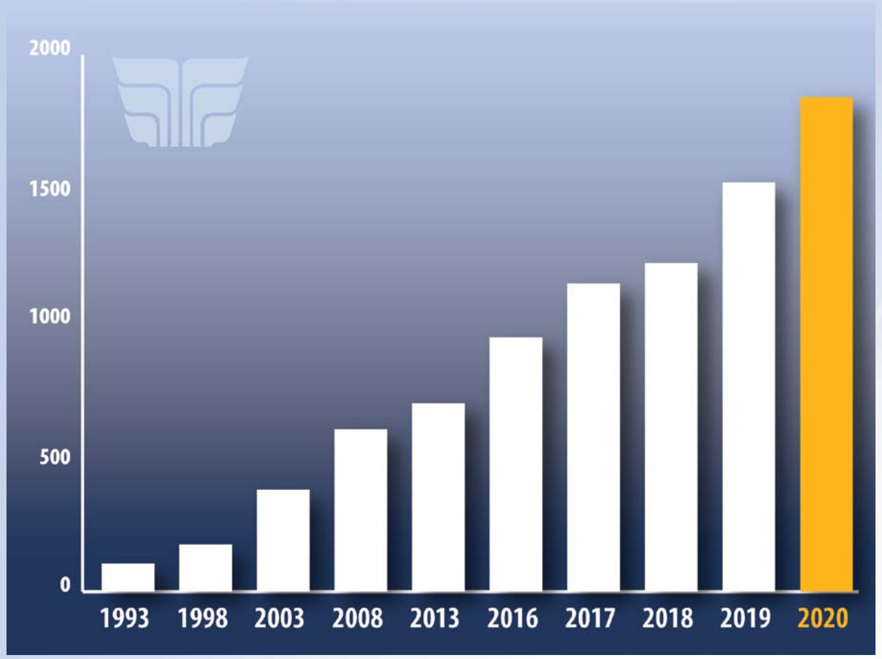


Total Deposits
(in millions)

1993	$149
1998	$257
2003	$376
2008	$780
2013	$1,303
2016	$1,326
2017	$1,549
2018	$1,630
2019	$1,853
2020	$2,166

PERFORMANCE GRAPHS

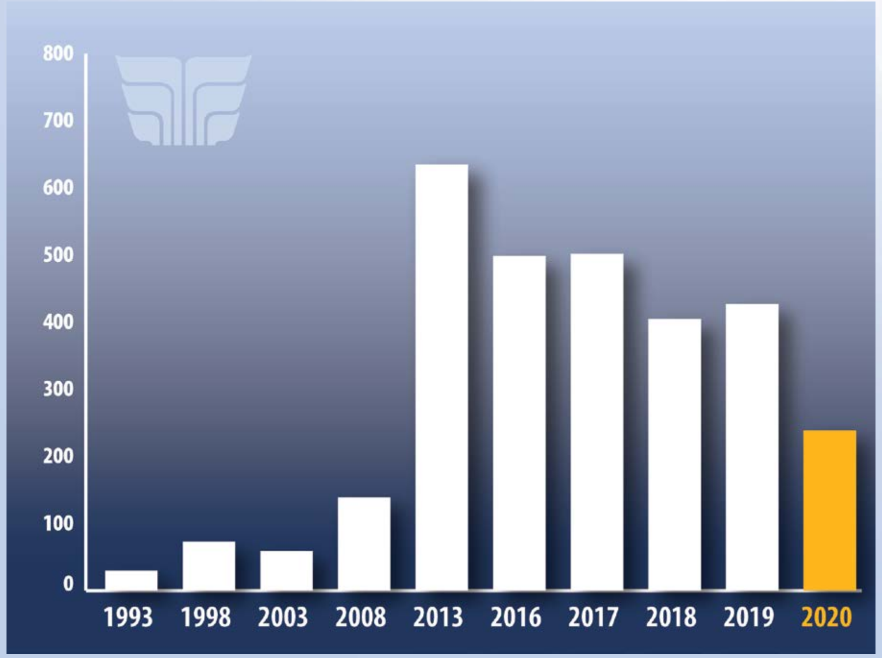
Loans, Net of Unearned Income
(in millions)



Loans, Net of Unearned Income
(in millions)

1993	$105
1998	$177
2003	$381
2008	$606
2013	$703
2016	$949
2017	$1,149
2018	$1,225
2019	$1,525
2020	$1,844

Investments [4]
(in millions)



Investments
(in millions)

1993	$30
1998	$73
2003	$59
2008	$139
2013	$635
2016	$499
2017	$502
2018	$405
2019	$427
2020	$239

The FGB Center

Photo courtesy of Phillip Colwart

The FGB Center is officially complete and we couldn't be more excited! This beautiful 3-story building sits in the heart of Hammond, LA, (right across the street from our main operations center) and houses our IT, Customer Support Center, ITM Agents and Learning & Development Departments. With our future in mind, we have additional space available for growth.

To round out this beautiful center, we have two new training rooms and a large auditorium. All rooms are equipped with state-of-the-art audio/visual equipment to enhance learning, collaboration and networking. Already, the training rooms are being used not only by the L&D Department, but also other departments to continue their education outside of their offices. The auditorium will be used for larger internal gatherings such as our Annual Shareholders meetings, Chamber After Hours events, and internal conferences.

Our Customer Support Center, along with our ITM Agents, have settled in nicely as they have room to spread out and room for growth. Our IT Department has also officially settled in and enjoying the space for all the servers and security functions that keep the bank running without skipping a beat.

We are so proud of this new building; we will take any opportunity to show it off. That's why it was the location for our main office photo shoot for this year's annual report and was also the location for our newest TV commercials.

We look forward to continuous growth and filling this building to capacity in the near future.

First Guaranty Bank
2020 Accomplishments and Highlights

"#1 RANKED BEST SMALL BANK IN LOUISIANA & THE U.S."
— Newsweek Magazine

- Celebrated open houses in Central Louisiana branches
- 100% COMMITMENT 110TH CONSECUTIVE DIVIDEND PAID 100% OF THE TIME
- Earnings increased by $6.1 million from $14.2 million in 2019 to **$20.3 million** for 2020
- Provided **900 PPP loans** to small businesses for a total of $111.1 million
- STRONG Growth: The allowance for loan losses increased from $10.9 million at December 31, 2019 to **$24.5 million** at December 31, 2020
- Opened the FGB Center
- Completed acquisition of The Union Bank
- Technology Updates: FGB has **7 installed Interactive Teller Machines** (ITMs) in:
  - Amite
  - Denham Springs
  - Guaranty West (Hammond)
  - Hammond Main Office
  - Ponchatoula
  - Bossier City
  - Kentwood

- **New Product:** Updated MyFGB app
- Initiated Customer Surveys
- Upgraded Telephone System (FGB experienced high call volume due to PPP and more customers utilizing banking by phone.)

FGBI STOCK WATCH NEWS:

April 2020 Zacks Equity Research named First Guaranty Bancshares (FGBI) as a "company to watch" with a Zack's Rank of #2 (Buy) and an A for Value. Zack's evaluated and commended FGBI's equity, book value, stock price and operating cash flow. Zack's concluded FGBI stock was undervalued and had a strong earnings outlook.

EARNINGS & DIVIDENDS

	Earnings	Total Common Dividends Paid	Cumulative Retained Earnings (Deficit)*	Notable Events
1993	$2.1 million	$ 200,000	$(4,984,000)	▪ Investors purchased $3.6 million of common stock
1994	$1.7 million	$ 601,000	$(3,879,070)	
1995	$2.1 million	$ 815,000	$(2,796,000)	▪ Investors purchased $337,000 of common stock
1996	$3.3 million	$1,020,000	$ (774,000)	▪ Three-for-two stock split
1997	$3.4 million	$1,223,000	$ 1,205,000	
1998	$3.4 million	$1,223,000	$ 3,482,000	
1999	$3.4 million	$1,316,000	$ 4,473,000	▪ Investors purchased $9.6 million of common stock ▪ Acquired 13 branches from Bank One of Louisiana ▪ Acquired First Southwest Bank
2000	$5.0 million	$1,530,000	$ 5,027,000	▪ Gains from sale of acquired branches net of tax totaling $2.8 million
2001	$6.0 million	$1,668,000	$ 8,638,000	▪ Acquired Woodlands Bancorp ▪ Gains from sale of acquired branches net of tax totaling $1.3 million
2002	$3.5 million	$1,751,000	$10,426,000	
2003	$7.0 million	$2,086,000	$13,967,000	
2004	$8.6 million	$2,752,000	$19,771,000	
2005	$6.0 million	$3,173,000	$23,351,000	▪ Four-for-three stock split
2006	$8.4 million	$3,335,000	$28,402,000	
2007	$9.8 million	$3,503,000	$34,671,000	▪ Acquired Homestead Bancorp
2008	$5.5 million	$3,558,000	$36,626,000	
2009	$7.6 million	$3,558,000	$40,069,000	
2010	$10.0 million	$3,558,000	$45,203,000	
2011	$8.0 million	$3,610,000	$47,650,000	▪ Acquired Greensburg Bancshares
2012	$12.1 million	$4,035,000	$53,702,000	▪ 10% common stock dividend ▪ Dividend rate per share remains $0.16 per quarter
2013	$9.1 million	$4,027,000	$58,102,000	▪ Total loans exceeded $700 million
2014	$11.2 million	$4,027,000	$64,905,000	▪ Retained earnings grew by $6.8 million ▪ Total loans reached $790 million
2015	$14.5 million	$4,247,000	$73,445,000	▪ 10% common stock dividend ▪ Listed in NASDAQ ▪ Redeemed SBLF Preferred Stock
2016	$14.1 million	$4,870,000	$82,668,000	▪ Loans totaled $949 million
2017	$11.8 million	$5,210,000	$89,209,000	▪ Grand openings of Bossier City, LA Banking Center ▪ 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	▪ Grand opening of Lake Charles, LA Loan Production Office ▪ Total loans surpassed $1.2 billion
2019	$14.2 million	$5,803,000	$106,244,000	▪ Acquisition of Union Bank and addition of seven new Louisiana locations
2020	**$20.3 million**	**$6,234,000**	**$120,328,000**	▪ **110th consecutive quarterly dividend** ▪ **Named the No. 1 BEST SMALL BANK IN THE U.S.!** ▪ **Assisted 917 Small Businesses through PPP with $111.1 million in loans.** ▪ **Retained earnings of $57.4 million** ▪ **Strengthened loan loss reserve and strong loan growth**
	$226.3 million	**$84,569,000**		

** 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.*

#1 Best Small Bank in the U.S.

First Guaranty Bank

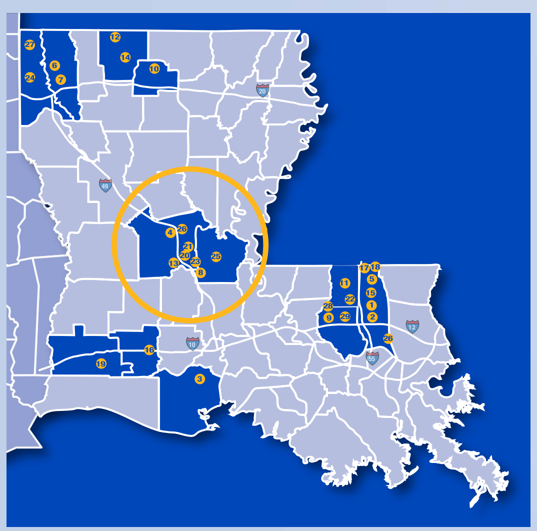
Central Louisiana Open Houses

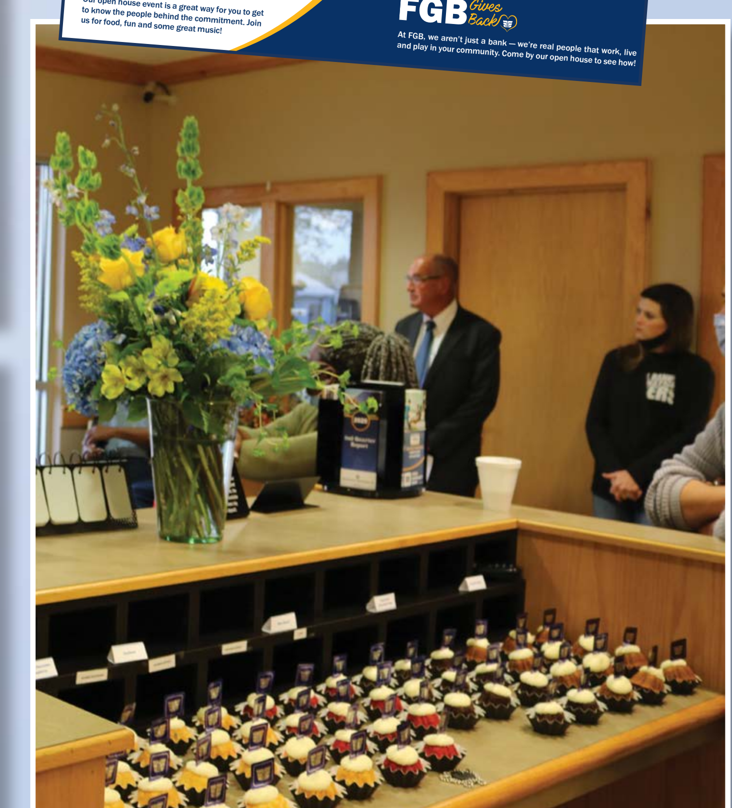
Our Open House events allow customers, employees and the surrounding communities to come together and get to know us through an afternoon of food and fun. During these events, we also highlight local charities and give back with donations.

This year, each Central Louisiana branch hosted their own Open House event with the purpose of introducing FGB, better banking and the people behind that promise to the community. After dodging hurricanes and planning through a pandemic, we were able to host the events safely, albeit slightly different from those of years past.

Beneficiaries included:

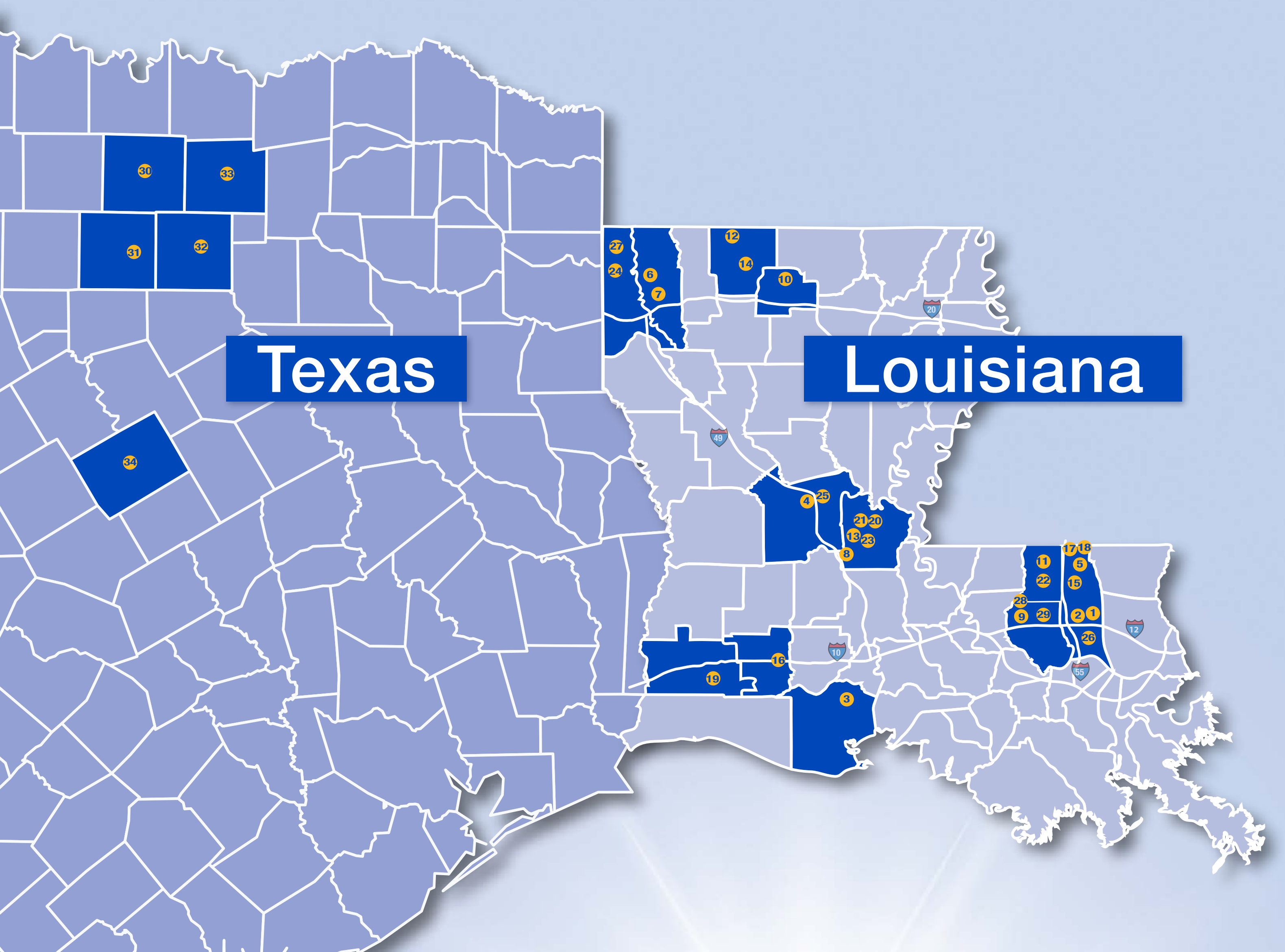
- Food Bank of Central Louisiana
- Open Hands
- Avoyelles Council on Aging, Inc.
- Save CENLA
- Children's Advocacy Network
- Rotary Club of Bunkie
- Boudreaux's Animal Rescue Krewe





#1 Best Small Bank in the U.S.

BANKING BRANCHES



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

TEXAS

FORT WORTH, TX**
2001 North Handley Ederville Road

WACO, TX*
7600 Woodway Drive

ITM LOCATIONS*

All MiBY hours are
Monday-Friday: 7:00 AM to 6:00 PM
Saturday: 7:00 AM to 3:00 PM

AMITE, LA*
632 West Oak Street

BOSSIER CITY, LA*
4221 Airline Drive

DENHAM SPRINGS, LA*
2231 South Range Avenue

GUARANTY WEST*
2111 West Thomas Street

HAMMOND MAIN OFFICE*
400 East Thomas Street

KENTWOOD*
723 Avenue G

PONCHATOULA, LA*
500 West Pine Street

*Deposit Enabled
***Coming Soon*

#1 Best Small Bank in the U.S.

FGB employees are a team. This year's photographs utilized social distancing and some departments were divided into smaller groups for safety.

Guaranty Square

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

APPRAISAL REVIEW
Front: Bailey Janke
Middle: Starr Bernier
Back: Luke Orlando
Not Pictured: Aaron Flores, Emma Willman

BSA MAIN
Front (Left to Right): Sharmaine Robertson, Linda Miller, Taylor Barnard
Middle (Left to Right): JoEllen Juhasz, Jonathan Fandal
Back: Christe Feimster

BSA WALKER
Kendra Fairburn

BSA MARKSVILLE
Front: Lucinda Jacobs
Back: Cathy Butter

COLLATERAL
Front (Left to Right): Sarah Sheridan, Heather Coslan, Emily McIntyre, Lauryn Coburn
Middle (Left to Right): Tylishia Randell, Krystal Gregory, Sarah Jenkins
Back (Left to Right): Cate Mathes, Paul Lee

COMPLIANCE MARKSVILLE
Pamela Landry

COMPLIANCE MAIN
Front (Left to Right): Christina Carter, Sara Schaffer
Back (Left to Right): Becky Brown, Ann Morgan

CREDIT CARD DEPARTMENT:

Front: Debbie Dubuisson

Back (Left to Right): Jason Wilson, Derhonda Gaines

CREDIT MCKINNEY

Front (Left to Right): Ben Golane, Michael Wiggins

Back (Left to Right): Stacy Dutcher

Not Pictured: Keith Klein, Adam Smith

CREDIT MAIN

Row 1 (Left to Right): Matthew Wise, Madison Amos, Benjamin Lopez, Brittanie Wallace

Row 2 (Left to Right): Corey Hayden, Louis Cusimano, Lana Quinn, Colton McDaniel

Row 3 (Left to Right): Joshua Madere, Claire Roberts, Megan Elkins, Jakayla Brown

Row 4 (Left to Right): Ethan Hunt, Davon Mitchell, Heidi Romefanger

CUSTOMER SUPPORT CENTER:

Front (Left to Right): Destiny Brumfield, Tasha Jackson, Leila Spears, Danyelle Green

Back (Left to Right): Eboni Jackson, Victoria Boren

DEPOSIT MANAGEMENT AND PUBLIC FUNDS

Front (Left to Right): Holly Tamburello, Brandi Steffek

Middle (Left to Right): Mark Ducoing, Mary Mayo, Steve Osman

Not Pictured: Areeb Rashid

DEPOSIT MANAGEMENT NORTH LOUISIANA

Daniel Loe

DEPOSIT MANAGEMENT FORT WORTH:

Le'Triche Miller

DEPOSIT OPERATIONS

Front (Left to Right): Lori Lloyd, Shirley Jones

Middle (Left to Right): Glenda Saucier, Maya Loving, Amanda Johnson

Back (Left to Right): Letitia Cox, Megan Nelson

DEPOSIT OPERATIONS REMOTE

Divetta Stallworth, Tammy Graves and Sandra Edwards

EXECUTIVE

Front (Left to Right): Alton Lewis, Kristin Williams

Back (Left to Right): Vanessa Drew

FINANCE MAIN

Front (Left to Right): Wendy Caillouet, Katherine Campbell, Karli Montero, Donna Scamardo

Middle (Left to Right): Pemba Sherpa, Eric Dosch, Rhesha Lamonte, Chandra McKinney

Back (Left to Right): Chuck Lyles, Brody McDaniel, Lauren Bush, Michael Moye

FINANCE MARKSVILLE

Calvin Ducote

FINANCE TEXAS

Charles Baggs

FINANCE MAIN REMOTE

Front (Left to Right): Eric Fuller, Jessica West

Back (Left to Right): Diane Lanier, Laquita Johnson

FRONTLINE MAIN:

Front (Left to Right): Emma McDonald, Breanna Bankston

Middle (Left to Right): Vickie Vanlandingham, Ashley Oliver, Jessica Merriman

Back (Left to Right): Latonia Cotton, Jeannette Ernst

Not pictured: Kyleen Tulion, Laura Day, Brittany Gill

HUMAN RESOURCES MAIN

Front: Mikki Kelly

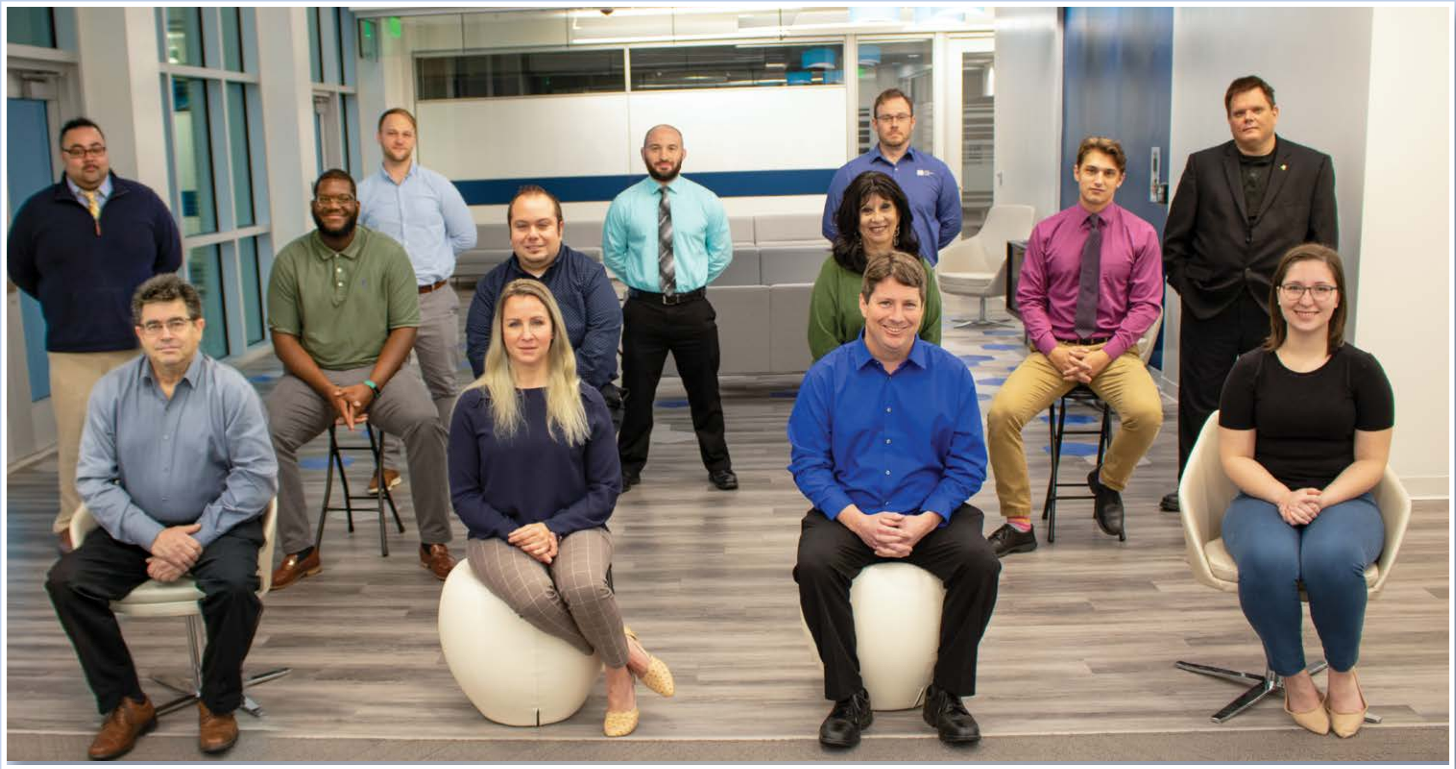
Back (Left to Right): Casey Waters, Mandi Aguillard, Danielle Willie

HUMAN RESOURCES MARKSVILLE

Jason Normand

HUMAN RESOURCES MAIN REMOTE

Landa Domangue



INFORMATION TECHNOLOGY MAIN

Front (Left to Right): Mark Montalbano, Michelle Saucier, David Couvillon, Samantha Petracek

Middle (Left to Right): Joshua Valladares, Averi Dickerson, Moises Rodriguez, Star Lala, Austin Grant, Keith Mills

Back (Left to Right): Julian Oseng, Tim Chesney, Nick Schmitt

Not Pictured: Joshua Elliott, Christopher Hoffman, Keldrick Allums, Merrill Magday

INFORMATION TECHNOLOGY MARKSVILLE

Front: Juan Bautista

Back: Tyler Roy

INFORMATION TECHNOLOGY WACO

Federico Guerrero

INTERACTIVE BANKERS:

Front (Left to Right): Tierra Parker, Danyelle Green, Stevie Bourg

Middle (Left to Right): James Lewis, Brittany Berryhill, Ethan Sansoni

Back (Left to Right): Cassandra Brumfield, Chasity Williams, Leila Spears

Not Pictured: Laura Ard, Elizabeth Roy

INTERNAL AUDIT, LOAN REVIEW, & INFORMATION SECURITY MAIN

Front (Left to Right): Tae Anderson, Hannah Primes

Middle (Left to Right): Travis Hester, Michelle Dionne, Cristen Williams

Back (Left to Right): Tom Brothers, Bill Worthy

Not Pictured: Rob Clifton

AUDIT FORT WORTH

Nancy Rodriguez

INFORMATION SECURITY WACO

Kenny Wilson

LEARNING AND DEVELOPMENT:

Top (Left to Right): Amber Smith, Casie Qualls, Kendra Phipps

Middle (Left to Right): Kristen Bell, Miranda Derveloy

Bottom (Left to Right): Sue Tillman, Vikki Dupaquier

LENDING MAIN

Front (Left to Right): Catherine Egnew, Christy Wells, Jane Wear

Middle (Left to Right): Vickie Jenkins, Michael Knighten

Back: Daryl Ferrara

Not Pictured: Dev Patel

LENDING MAIN

Front: Randy Vicknair

Back: Melanie Gottschalck

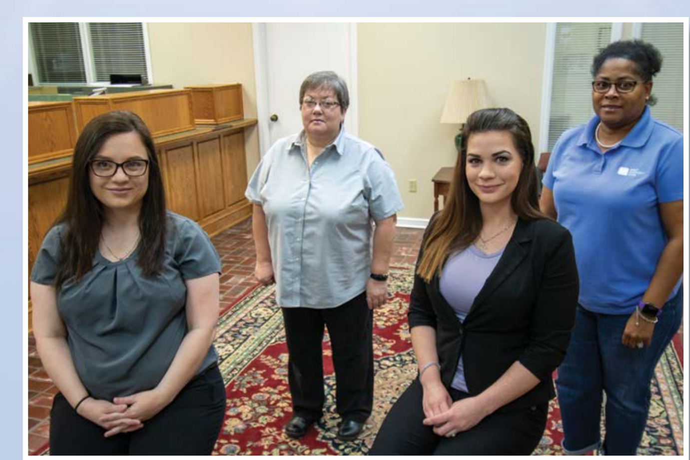
LOAN OPERATIONS MAIN

Front (Left to Right): Kellie DeMarco, Allison Duke, Leah Hunter, Destiny Bankston

Middle (Left to Right): Bonnie Griener, Audrey Carter, Luke Lavergne, Laura LaCoste, Donna Hodges

Back (Left to Right): Sharon Rogers, Christy Frierson, Julie Carmo

Not Pictured: Darlene Albert, Clifton Fincher



LOAN OPERATIONS MARKSVILLE

Front (Left to Right): Brittany Dauzat, Stephanie Moses

Back (Left to Right): Carolyn Bordelon, Melissa Small

Not Pictured: Christy Marcotte

LOAN OPERATIONS MCKINNEY:

Top to Bottom:

Lisa Stoker

Carmen Murphy

Jenny Bae

Not Pictured: Jan Brownd

MARKETING

Front (Left to Right): Desiree Simmons, Lauren Lee, April Alford

Middle (Left to Right): Allison Ryan, Brian Friel

Back: Carl Duplessis

MERGERS & ACQUISITIONS

Front: Evan Singer

Back: Jake Schembre

OPERATIONS MAIN

Front (Left to Right): Betty Boney, Carla Cook, Denise Rehage

Middle (Left to Right): Jessica Spears, Scheila Davis

Back (Left to Right): Julie Nevels, Richard Stark, Elisa Costanza

Not Pictured: Susan Kimmerling

MORTGAGE MAIN

Front (Left to Right): Melissa Duchmann, Christine Zeringue

Middle (Left to Right): Anna Borgstede, Megan Braden, Theresa Steward

Back (Left to Right): Joshua Wooley, Brandon Wear

Not pictured: Lisa Armstrong, Nikki Hall

MORTGAGE TX

Angela Moore

OPERATIONS MAIN REMOTE

Front: Pam Stafford

Back: Tracey Robertson

OPERATIONS TEXAS:

Ashley Bell

OPERATIONS CENTRAL LOUISIANA:

Chanyon Robertson

OPERATIONS SOUTHEAST LOUISIANA:

Marsha Spring

OPERATIONS NORTH LOUISIANA:

Shane Hughes

PURCHASING
Front: Donna Turnage
Middle: Darryl Boudreaux
Back: Joseph Ernest

PURCHASING MARKSVILLE
Front: Stravis St. Romain
Back: Armenio Magday

SPECIAL ASSETS
Front (Left to Right): Kriss Patterson, Lee Ann Sibley
Back (Left to Right): Ronnie Pittman, Luke Hammonds

SPECIAL ASSETS MARKSVILLE
(Left to Right): Benjamin Wood, Joann Moreau

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

Sitting (Left to Right): Amy Broussard, Gretchen Meaux, Tanya Menard
Standing (Left to Right): Lisa Kritzer, Melina West, Ruth Cuevas, Glenn Duhon, Diane Frederick
Not Pictured: Cody Gil, Terry Fendley

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

Front (Left to Right): Jeanette Brown, Jajuanna Pardue
Back (Left to Right): Lani Thompson, Rachel Hazelton
Not Pictured: Pam Normand, Becki Normand

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

Front (Left to Right): Jenny Sue Weedman, Nicole D Brown, Suzette Brooks, Roxane Williams

Middle (Left to Right): Miranda Rainey, Tammy Chavers, Shana Wells, Stephanie Campo, Saleatha Gordon

Back (Left to Right): Wiletha Brown, Scott Schilling

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

Front (Left to Right): Jordan Colvin, Courtney Tramiel

Back (Left to Right): Benita Douglas, Erika Taylor, Lynn Henry

Not Pictured: Matthew Hudnall, Stephanie Medford Dempsey

Adam Johnston

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

Front (Left to Right): Donna Cummings, Alisha Blankenship

Back (Left to Right): Larry Ross, Monique Rochelle, Karen Varilek, Linda Blankenship

Not Pictured: Stephanie Bracken

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

Front (Left to Right): Rebekah Turner, Rikki Deaville

Back (Left to Right): Cheri Moses, Dominique Wilson

Not Pictured: Erica O'Neal, Kim Ferguson

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

Front: Courtney Lachney, Brittanie Wallace
Middle (Left to Right): Jennifer Rizzi, Clint Trant, Ludrick Hidalgo, Sharon Moore
Back (Left to Right): Michelle O'Quin, Kathie Alimia, Robyn Giacone
Not Pictured: Kevin Foster

Ronnie Foshee

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

Front (Left to Right): Judy Wilkerrson, Sue Yates
Middle (Left to Right): Diane Shoemaker, Kemberlin Locks
Back (Left to Right): Christine Harrel, Kristy Puckett

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

Front (Left to Right): Evan Baranosky, Leslie Hinzman
Back (Left to Right): Sandra Whittington, Daniel Prince, Karen Stevenson

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

Front (Left to Right): Indra Pant, Alyssa Al Sabi, Briana Eilert
Not Pictured: Amanda Arizpe, Dot Frazier, Briana Ochoa, Maty Sanchez

Front (Left to Right): Callistus Amajoyi, Corinne Forbes, Jennifer Petty
Back (Left to Right): Angelia Simmers, Brenda Briscoe, Sara Wayne
Not Pictured: Amy Turner, Perla Alvizo

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

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

Front (Left to Right): Chris Martin, Latoria Burnett, Christina Lacara
Back (Left to Right): Keema Muse, Brittany Morgan

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

Front (Left to Right): Trella Page, Melissa Smith
Back (Left to Right): Paige Rushing, Harrison Gill, Deionna Frank
Not Pictured: Kelsey Travis

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

Front (Left to Right): Hailee Ray, Tammy Burley
Back: Julia Tabor
Not Pictured: Jane Cleveland

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

Front: Katherine Ponthieux

Back (Left to Right): Courtney Lacombe, Lakin Lemoine

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

Sitting (Left to Right): Ranelle Stovall, C'nya Anderson, Candie White, Ashley Bailey

Standing (Left to Right): Debra Spigener, Caree Bailey, Aleshia Lee, Laura Pair

Homer Lending

Front: Tristan Lowe

Back: John Synco

Not Pictured: Ron Edmonds, Jamie Williams, Kitsha Ridley

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

Front (Left to Right): Caitlyn Doty, Peggy Garon, Karen Paille

Back (Left to Right): Sonja Johnson, Chelsey Weedman, Cheryl Brumfield

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

Front (Left to Right): Chanyon Robinson, Gwendolyn Pete

Back (Left to Right): Keisha Miller, Amanda Crochet

Kentwood Branch

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

Front (Left to Right): Lindsey George, Connie Butler, Karen Griffin
Back (Left to Right): Christopher Geraci, Kelsey Travis, Jhameilla McCray Anderson
Not Pictured: Lisa Rushing

Just living the dream!

The greatness of all truly great human beings, lies not so much in their specific accomplishments as in the way they lived. People who enrich their environment have one thing in common: they consciously commit the full measure of their talents to serving a need beyond their personal desires. Whatever the goal, choosing to dedicate their lives to something larger than themselves enlarges the scope of their influence.[1]

Lance Davis is remembered by customers and fellow team members who adored him and his easy-going ways. Lance was generous, helpful, respectful, genuine and compassionate. When a person possesses these virtues, they are appreciated and, thus, remembered. In addition to his thoughtful and kind ways, Lance was known for a few quotes and quips. When asked how he was, he would enthusiastically reply, "Just living the dream!" He would sometimes reply, "Just another day in paradise!"

Harrison Gill shared a special, touching experience shortly after Lance Davis passed. On a Toledo Bend fishing trip, his guide service was named "Just Living the Dream!" and their catch was bountiful! His buddy was looking out for him and letting him know he is indeed Living the Dream.

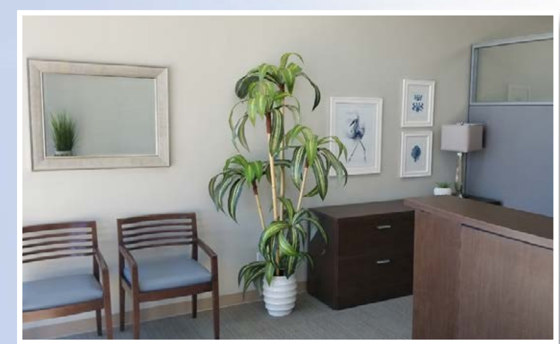
Lance Davis joked a lot and was kind to all. What a fine legacy to leave to customers, coworkers and his son, Noah, whom he loved more than anything. Lance is spoken of affectionately and missed daily. Customers tell his coworkers that they have big shoes to fill. It is an honor to have known Lance and to strive to be like him. God Bless America and God Bless Lance Davis.

[1] https://goodmenproject.com/featured-content/how-to-be-remembered-after-your-death-hlg/

Kentwood West Branch

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

Left to Right: Ruby Carter, Allison Keating
Not Pictured: Cara Garner



Lake Charles - Loan Production Office

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

Lobby Hours: By Appointment

Rahul Patel

Marksville Branch

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

Marksville Front Line

Front (Left to Right): Liz Lemoine, Lakin Lemoine

Middle (Left to Right): Sheila Smith, Ronald Chatelain, Ariel Jueschke

Back (Left to Right): Colleen McGehee, Ronny Green, Ann Tassin

Marksville Main Lending

Front (Left to Right) Greg Prudhomme, Samantha Lachney

Back (left to Right) Jana Joshua, Josiah Blood

Marksville - Tunica Branch

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

Front (Left to Right): Nickie Dauzat, Tammy Washington

Back (Left to Right): Claire Lacombe, Cynthia Wyatt, Elizabeth Bordelon

Not Pictured: Casey Brouillette, Katherine Scallan

Tunica- Tag and Title

Front: Minnie Deshotel

Back: Kenneth Ducote

McKinney Branch

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

Jordan Lewis

McKinney Front Line

Front (Left to Right): Deborah King, Linda Kolosey

Back: Rebecca McKenna

McKinney Lending

Front: Krista Peterson

Back: Conrad Arrambide

Montpelier Branch

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

Front (Left to Right): Trella Page, Betsy Ehret

Back (Left to Right): Heather Burrell, Elizabeth Zito

Not Pictured: Christina Lacara

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

Front (Left to Right): Laura Dufore, Susan Desoto
Back (Left to Right): Steve Osman, Melinda Kidder, Chanyon Robinson

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

Front (Left to Right): Chaston Price, Lynn James
Middle (Left to Right): Evelyn Pickney, Jajuanna Pardue
Back (Left to Right): Austin Mathews, Luis Juneau

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

Front (Left to Right): Emma Rolling, Dollie Ogletree
Middle (Left to Right): Tina Gay, Qanisha Thomas
Back (Left to Right): Elaine Bounds, Lacie Walton
Not Pictured: Glenda Graham

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

Front (Left to Right): Renee Stewart, Amiee Gervais
Middle (Left to Right): Laura Perez, Denise Fletcher, Misty Chauvin
Back (Left to Right): Craig Scelfo, Philip Jeanfreau, III, Ashton Wilson

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

Front (Left to Right): Caroline Caldwell, Heather Webb, Nancy Garsee
Middle (Left to Right): Glenda Sepulveda, Brandy Moon
Back (Left to Right): Megan Hall, Stacy Thompson
Not Pictured: Lisa Milligan, Shawn Hall

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

Front: Pam Lambert
Middle (Left to Right) Russell Daniel, Christopher Henderson
Back (Left to Right): Amy Dennis, Terrie McCartney
Not Pictured: Angelia Simmers

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

Front: Angela Wales, Sheila Lofton
Back (Left to Right): Sylvia Moore, Maryan Jillo, Nicole Mouton

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

Ludrick Hidalgo

Front: Bill Smith
Back (Left to Right): Judy Hughes, Emily Galviano
Not Pictured: Krystal Dunaway

FGB Gives Back

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 2020.

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 $281,306 in 2020.

A contribution was presented to Ponchatoula High School Lady Wave Basketball. Left to right: Amiee Gervais, Amaya Gervais, PHS Lady Wave Basketball Player and Keema Muse.

Vanessa Drew presented a contribution to Pastor Dennis Hebert for the Beacon Light Academy program.

Vanessa Drew presented a contribution to Patti Roubique, Executive Director of Louisiana Children's Discovery Center.

A contribution was presented to Christmas on Caddo. Left to right, Emma Rolling, Tina Gay, Cassie Hartley, Christmas On Caddo Vice President and Glenda Graham.

Steve Osman presented a contribution to John Barbry, Director of Development & Programming for the Tunica- Biloxi Tribe of Louisiana.

Catherine Egnew presented a contribution to Coach Blanchard for the Springfield High School Baseball team.

Jason Wilson presented a contribution to Hammond – Ponchatoula Sunrisers Rotary for the Hammond – Ponchatoula Chili Cookoff. Left to right, are John Daniel Guerin, Jason Wilson and Deek Deblieux.

Melina West presented a contribution to Samantha, School Secretary, for the Safe and Sober program following prom for Hathaway High School.

Kelsey Travis and Jhameilla Anderson presented a contribution to Yolanda Callahan of the Town of Kentwood.

Adam Johnston presented a contribution to Ashley Busada, VP Government Relations & Business Development for the North Louisiana Economic Partnership.

Kristin Williams presented a contribution to Heather Poole, Development Manager & Marketing Director, of Our Daily Bread.

Jason Wilson presented a contribution for Geaux Yoga to Erica Kelt, Director of Development of Mary Bird Perkins Cancer Center of Hammond.

FGB Gives Back

A contribution was presented to Southeastern Louisiana University. Left to right are CEO Alton Lewis, Jay Artigues, Athletic Director, Allie Crain, Assistant to the Athletic Director, Kristin Williams and Desiree Simmons.

JoEllen Juhasz presented a contribution to Rob Carlisle, Chief Executive Officer and Lauren Reynolds, Community Outreach Director, of Child Advocacy Services, for the Threading Hope "Social Media-Thon" event.

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

Desiree Simmons presented a contribution to Michelle Gallo, CEO/Executive Director of Crime Stoppers of Tangipahoa, Inc. for the Drive In Concert event.

Courtney Tramiel presented a contribution to Eddie Hamilton for the Airline High school basketball team.

Evan Singer presented a contribution to Chesteron Frye, Band Director and Brandon Dorsey, Assistant Band Director for the St. Helena Marching Band.

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

Alton Lewis presented a contribution to Pastor Dennis Hebert for the Beacon Light Academy program.

A contribution was made to Independence High School. In the photo is Principal Collier.

A contribution was presented to the Independence Volunteer Fire Department. In the photo, left to right are: Assistant Fire Chief Eric Anthony, Firefighter Daniel Yonker and Captain Tommie Spencer.

Evan Singer presented a contribution to Brandon Fontenot, principal of St. Helena's College and Career Academy for Lena's Closet.

Jason Wilson and Daryl Ferrara presented a contribution to John Hair, Executive Director of Our Daily Bread.

FGB Gives Back

Melanie Gottschalck presented a contribution to LT. Calvin Miller and Chief Edwin Bergeron, for the Hammond Union of Police for the Annual Policeman's Ball.

Vanessa Drew presented a contribution to Debi Fleming, Executive Director of Tangipahoa Council on Aging.

Courtney Tramiel, Tristan Lowe, and Joedi Snipes presented a contribution to Jessica Milan Miller, Executive Director and other members of the Gingerbread House Organization.

Cody Gil presented a contribution to the Officers of the Abbeville Police Department.

Courtney Tramiel presented a contribution to Coach J.A. Anglin, Head Men's Basketball Coach of Bossier Parish Community College.

Adam Johnston and Joedi Snipes presented a contribution to the Bossier High School Boys Basketball. In the photo, left to right: Coach Marlon, Joedi Snipes, Coach Bo and Adam Johnston.

Courtney Tramiel presented a contribution to Gwendolyn Hamilton, Executive Director for AMI Kids Caddo.

A contribution was made to the Independence Magnet High School Baseball Program. In this photo are Chasity Collier, Independence High Magnet School Principal and Vernon Willie, Head Baseball Coach

We contributed to the Springhill Piggly Wiggly St. Jude Steak Cook Off. Left to right: Lowell Kenyan, Mark Lowery, Dollie Ogletree, Bobby Vidrine.

FGB Gives Back

A contribution was made to the Independence Magnet High School Basketball Program. In this photo are Chasity Collier, Independence High Magnet School Principal and Desmond Hunter, Head Basketball Coach.

A

Abbeville Police Department
Albany High School – softball team sign
American Legion Auxillary #47 – Girls State Program
AMI Kids – Caddo
Amite Oyster Festival
Amy's Friends dba New Friends New Life
Avoyelles High School-Baseball and Lady Mustangs
Avoyelles Parish School Board

B

Baton Rouge Little League
Beacon Light Baptist Church
Bossier Chamber of Commerce – Pack the Bus School Supplies
Bossier High School – Boys Basketball Championship Rings
Boy Scouts of America – Istrouma Area Council
Bunkie High School – Panther Club and Shootout Sponsor

C

Cajun Navy 2016 – Rescue Supplies
CASA of Collin County Inc.
Cavalier Athletic Association – Basketball contribution
Child Advocacy Services
Child Advocacy Center of Collin County – Back to School Fair
Children's Advocacy Network – Hessmer Open House
Christmas on Caddo – Fireworks Festival
Claiborne Academy - Billboard
Claiborne Chamber of Commerce – Platinum Sponsor
Claiborne Charity Inc.
Claiborne Parish School Board – Teacher Token Program and Bicycle Award
Claiborne Scholars Committee – Scholastic Banquet
Crimestoppers of Tangipahoa – Drive In Concert Sponsor and Deputy Duck Derby
Crying Eagle Brewing Company – Concert Supporter

D

Denton Parks Foundation – Senior Center Dances Sponsor
Doyle High School – Girls Basketball Championship Rings
Dubach Restoration and Beautification Organization – Chicken Festival
Dubach School – Adopt-A-School
Town of Dubach – Santa Run Sponsor

F

Fairhaven Denton – Grand Opening
Fifth Ward Community Center – Bingo Fundraiser
Herbert S. Ford Memorial Museum
Fuzzy Friends Rescue – 2020 Barkin' Ball

G

Gingerbread House Bossier/Caddo
Greenville Park Leadership Academy – Teachers Appreciation Week Sponsorship

H

City of Hammond – Back to School Bash
Hammond Area Recreation District 1 – Chappapeela Sports Park and Coloring Contest Sponsors
Hammond High Magnet School – Girls Soccer Booster Club
Hammond Police Union Local 345 – Policeman's Ball Sponsor
Hathaway High School – Safe and Sober Prom
Haynesville High School – Teacher Token Program
Homer Country Club
Homer Golf Club – Tee Box Sign
Homer High School – Pelican Quarterback Club

I

Independence High School – Graduation, Tiger Basketball Club Sponsor, Baseball Sponsor
Independence Sicilian Heritage
Independence Summer Baseball
Independence Volunteer Fire – Smokin' on the Tracks Sponsor

J

Jeff Davis Sheriff's Office – Golf Tournament Sponsor
Jennings Festival Association
Jennings High School – Operation Graduation and Key Club
Jennings High School Jazzers

K

Kedron Baptist Church – Hole Sponsor
Kentwood Baseball/Softball Association – Baseball Sign
Kentwood High Magnet School
Kentwood Rotary Club
Town of Kentwood – School Supply Giveaway
Knights of Columbus – Le Jour de Cajun Fundraiser
Knights of Columbus Marksville Council 1217 – Bass Fishing Tournament Sponsor

L

LA Childrens Discovery Center – Bubble Zone Exhibit
Lake Arthur High School – Safe and Sober Event
Lallie Kemp Foundation – Gala Sponsor
Lincoln Parish Sheriff
Loranger High School – Football Sponsor
Louisiana Corn Festival
LSU Ag Center – 5 Grand Champion Buckles
LSU Ag Center – Vermilion Parish – Rice Education

M

Main Street Homer – Golf Tournament
City of Marksville – Doll and Toy Fund
Marksville High/Avoyelles Parish School Board – Tiger Touchdown Club
Mary Bird Perkins Cancer Center – Geaux Yoga Sponsorship
Monterey Country Club – Curing Carrie Benefit and Golf Tournament
Moreauville Volunteer Fire Department – Back to School Bash
Richard Murphy Hospice Foundation – Hospice Gala Sponsor

N

N Stitches Customer Monogramming
NAACP – 2020 Scholarships
New Beginnings Outreach Ministries – Outreach Program
North Tangi Support Group Inc. – Mardi Gras Parade Gold Sponsor

O

Oak Forest Academy – Golf Tournament
Oak Grove Church of Christ – Annual Food Fest
Open Hands Sharing God's Love – Moreauville Open House
Options, Inc.
Our Daily Bread of Tangipahoa – Food Bank

P

Pancreatic Cancer Action Network Inc. – Purple Stride 5K Walk/Run
Petra Foundation - Fundraiser
Piggly Wiggly – St. Jude's Steak Cook Off
Ponchatoula Chamber of Commerce
Ponchatoula High School – Teacher Appreciation, Lady Wave Basketball, Project Graduation and Cheerleader Sponsorship

R

Rotary Club of Denton, Texas – Flag Program
Rotary Club of Hammond – Chili Cookoff and Shamrock Run
Rotary Club of Oil City – Auction Sponsor
Rotary Club of Ponchatoula – Scholarship Fund
Rusheon Middle School – Football Uniforms

S

St. Genevieve Ladies Altar Society – Catfish Dinner
St. Helena Marching Bank
St. Helena School Board – Lena's Closet
St. Thomas Aquinas High School – Boys and Girls State Championship Rings
Southeastern Louisiana University Athletic Association
Southeastern Louisiana University Columbia Theatre for the Arts
SLU Foundation – College of Business, Columbia Theatre, Community Music School, SLU Partner Sponsor, Chefs Evening Platinum Sponsor and Channel Sponsorship
Special Olympics Louisiana – Trivia Night
Springfield High School – Baseball Sponsor
Summerfield High School – Softball Team

T

Tangi Professional Women's Organization – Women Mean Business Conference
Tangipahoa Parish School System – Tangipahoa Schools Talented Theatre Program and Streamliner Project
Tangipahoa Parish Sheriff's Office – Mounted Division Rodeo Sponsor
Village of Tangipahoa – Bike Drive
Tangipahoa Voluntary Council on Aging
The Mission Church Hammond Inc. – Christmas Ministry
The Riff Ridgel Crawfish Cookoff
Troop 2020
Tunica-Biloxi Indians Political Action Committee – Golf Tournament and BBQ Cookoff
Tunica-Biloxi Tribe of Louisiana – Pow Wow Sponsor

W

Westminster Homes Inc.
Westminster Place – Meal Delivery Contribution

Banks Headquartered in Louisiana

Ranked by Asset Size as of December 31, 2020

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

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,				
	2020	2019	2018	2017	2016
	(in thousands, except for % and share data)				
Year End Balance Sheet Data:					
Investment securities	$ 238,548	$ 426,516	$ 405,303	$ 501,656	$ 499,336
Federal funds sold	$ 702	$ 914	$ 549	$ 823	$ 271
Loans, net of unearned income	$ 1,844,135	$ 1,525,490	$ 1,225,268	$ 1,149,014	$ 948,921
Allowance for loan losses	$ 24,518	$ 10,929	$ 10,776	$ 9,225	$ 11,114
Total assets	$ 2,473,078	$ 2,117,216	$ 1,817,211	$ 1,750,430	$ 1,500,946
Total deposits	$ 2,166,318	$ 1,853,013	$ 1,629,622	$ 1,549,286	$ 1,326,181
Borrowings	$ 116,630	$ 86,747	$ 34,538	$ 52,938	$ 43,230
Shareholders' equity	$ 178,591	$ 166,035	$ 147,284	$ 143,983	$ 124,349
Common shareholders' equity	$ 178,591	$ 166,035	$ 147,284	$ 143,983	$ 124,349
Performance Ratios and Other Data:					
Return on average assets	0.87%	0.76%	0.82%	0.71%	0.97%
Return on average common equity	11.36%	8.99%	9.98%	8.59%	11.18%
Return on average tangible assets (1)	0.90%	0.78%	0.85%	0.73%	0.98%
Return on average tangible common equity (1)	13.08%	9.68%	10.77%	9.15%	11.64%
Net interest margin	3.35%	3.41%	3.41%	3.33%	3.39%
Average loans to average deposits	81.25%	78.59%	75.39%	72.23%	68.57%
Efficiency ratio (2)	58.95%	67.48%	69.46%	62.64%	56.85%
Efficiency ratio (excluding amortization of intangibles and securities transactions) (2)	68.44%	66.77%	66.63%	63.38%	60.19%
Full time equivalent employees (year end)	429	431	346	338	293
Capital Ratios:					
Average shareholders' equity to average assets	7.62%	8.42%	8.20%	8.31%	8.63%
Average tangible equity to average tangible assets (3)	6.86%	8.02%	7.86%	8.01%	8.44%
Common shareholders' equity to total assets	7.22%	7.84%	8.10%	8.23%	8.28%
Tangible common equity to tangible assets (3)	6.51%	6.99%	7.79%	7.87%	8.10%
Income Data:					
Interest income	$ 100,684	$ 91,643	$ 78,390	$ 67,546	$ 58,532
Interest expense	$ 26,017	$ 29,966	$ 21,366	$ 14,393	$ 10,140
Net interest income	$ 74,667	$ 61,677	$ 57,024	$ 53,153	$ 48,392
Provision for loan losses	$ 14,877	$ 4,860	$ 1,354	$ 3,822	$ 3,705
Noninterest income (excluding securities transactions)	$ 8,989	$ 8,456	$ 7,110	$ 6,943	$ 5,656
Securities (gains) losses	$ 14,791	$ (157)	$ (1,830)	$ 1,397	$ 3,799
Noninterest expense	$ 58,033	$ 47,219	$ 43,275	$ 38,521	$ 32,885
Earnings before income taxes	$ 25,537	$ 17,897	$ 17,675	$ 19,150	$ 21,257
Net income	$ 20,318	$ 14,241	$ 14,213	$ 11,751	$ 14,093
Net income available to common shareholders	$ 20,318	$ 14,241	$ 14,213	$ 11,751	$ 14,093
Per Common Share Data:					
Net earnings	$ 2.09	$ 1.47	$ 1.47	$ 1.24	$ 1.53
Cash dividends paid	$ 0.64	$ 0.60	$ 0.58	$ 0.54	$ 0.53
Book value	$ 18.33	$ 17.04	$ 15.20	$ 14.86	$ 13.51
Tangible book value (4)	$ 16.41	$ 15.05	$ 14.57	$ 14.17	$ 13.18
Dividend payout ratio	30.68%	40.74%	39.65%	44.34%	34.56%
Weighted average number of shares outstanding	9,741,253	9,695,131	9,687,123	9,468,145	9,205,635
Number of shares outstanding	9,741,253	9,741,253	9,687,123	9,687,123	9,205,635
Asset Quality Ratios:					
Non-performing assets to total assets	1.25%	1.04%	0.55%	0.84%	1.48%
Non-performing assets to total loans	1.68%	1.44%	0.82%	1.28%	2.34%
Non-performing loans to total loans	1.55%	1.12%	0.73%	1.17%	2.30%
Loan loss reserve to non-performing assets	79.33%	49.86%	107.48%	62.88%	50.04%
Net charge-offs to average loans	0.08%	0.36%	(0.02)%	0.54%	0.23%
Provision for loan loss to average loans	0.89%	0.37%	0.12%	0.36%	0.42%
Allowance for loan loss to total loans	1.33%	0.72%	0.88%	0.80%	1.17%

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.*"

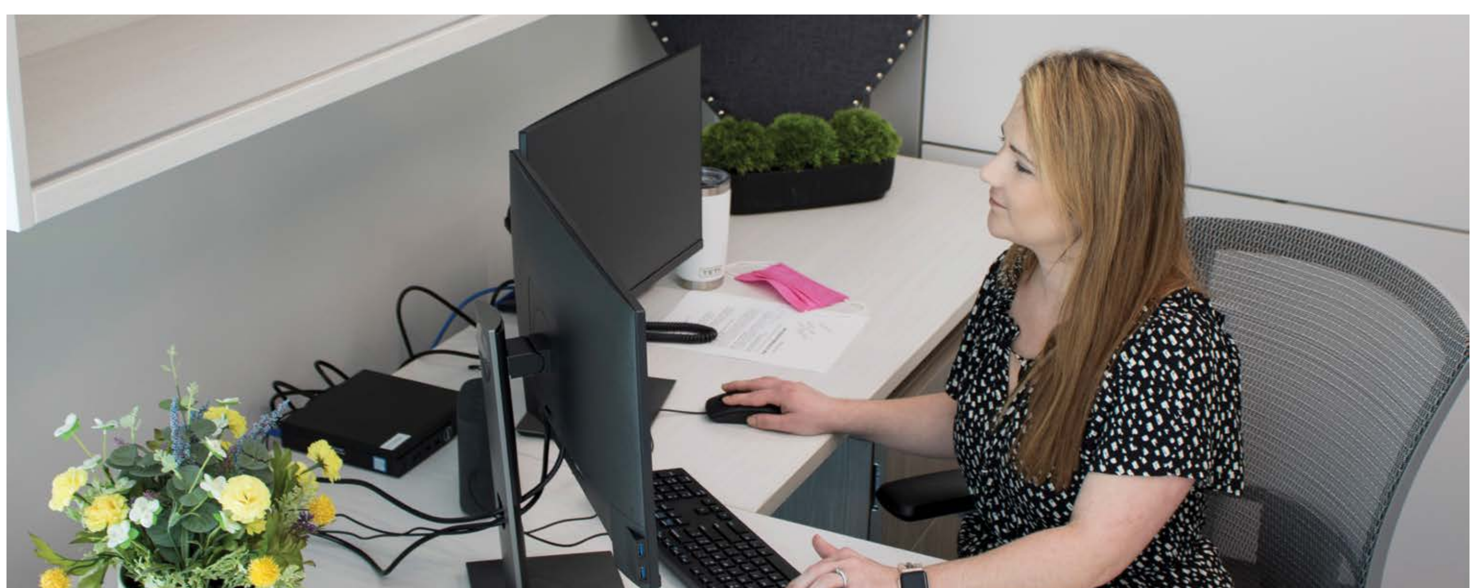
Non-GAAP Financial Measures

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,				
	2020	2019	2018	2017	2016
	(in thousands, except for share data and %)				
Tangible Common Equity					
Total shareholders' equity	$ 178,591	$ 166,035	$ 147,284	$ 143,983	$ 124,349
Adjustments:					
Preferred	-	-	-	-	-
Goodwill	12,900	12,942	3,472	3,472	1,999
Acquisition intangibles	5,815	6,527	2,704	3,249	978
Tangible common equity	**$ 159,876**	**$ 146,566**	**$ 141,108**	**$ 137,262**	**$ 121,372**
Common shares outstanding	9,741,253	9,741,253	9,687,123	9,687,123	9,205,635
Book value per common share	$ 18.33	$ 17.04	$ 15.20	$ 14.86	$ 13.51
Tangible book value per common share	$ 16.41	$ 15.05	$ 14.57	$ 14.17	$ 13.18
Tangible Assets					
Total Assets	$ 2,473,078	$ 2,117,216	$ 1,817,211	$ 1,750,430	$ 1,500,946
Adjustments:					
Goodwill	12,900	12,942	3,472	3,472	1,999
Acquisition intangibles	5,815	6,527	2,704	3,249	978
Tangible Assets	**$ 2,454,363**	**$2,097,747**	**$1,811,035**	**$ 1,743,709**	**$ 1,497,969**
Tangible common equity to tangible assets	**6.51%**	**6.99%**	**7.79%**	**7.87%**	**8.10%**



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,				
	2020	2019	2018	2017	2016
	(in thousands, except for share data and %)				
GAAP-based efficiency ratio	**58.95%**	**67.48%**	**69.46%**	**62.64%**	**56.85%**
Noninterest expense	$58,033	$47,219	$43,275	$38,521	$32,885
Amortization of intangibles	711	390	545	432	320
Noninterest expense, excluding amortization	57,322	46,829	42,730	38,089	32,565
Net interest income	74,667	61,677	57,024	53,153	48,392
Noninterest income	23,780	8,299	5,280	8,340	9,455
Adjustments:					
Securities transactions	14,691	(157)	(1,830)	1,397	3,739
Noninterest income, excluding securities transactions	$ 9,089	$ 8,456	$ 7,110	$ 6,943	$ 5,716
Efficiency ratio	**68.44%**	**66.77%**	**66.63%**	**63.38%**	**60.19%**

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, but not limited to, changes in general economic conditions, either nationally or in our market areas, that are worse than expected; the impact of the COVID-19 pandemic; 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.

Total assets were $2.5 billion at December 31, 2020 and $2.1 billion at December 31, 2019. Total deposits were $2.2 billion at December 31, 2020 and $1.9 billion at December 31, 2019. Total loans were $1.8 billion at December 31, 2020, an increase of $318.6 million, or 20.9%, compared with $1.5 billion at December 31, 2019. Total shareholders' equity was $178.6 million and $166.0 million at December 31, 2020 and December 31, 2019, respectively.

Net income was $20.3 million, $14.2 million and $14.2 million for the years ended December 31, 2020, 2019 and 2018, respectively. We generate most of our revenues from interest income on loans, interest income on securities, sales of securities, ATM and debit card fees 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, conditions in domestic and foreign financial markets and in 2020 the economic and social effects of the COVID-19 pandemic. 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 2020 and 2019:

- Total assets at December 31, 2020 increased $355.9 million, or 16.8%, to $2.5 billion when compared with December 31, 2019. Total loans at December 31, 2020 were $1.8 billion, an increase of $318.6 million, or 20.9%, compared with December 31, 2019. Total deposits were $2.2 billion at December 31, 2020, an increase of $313.3 million, or 16.9% compared with December 31, 2019. Retained earnings were $57.4 million at December 31, 2020, an increase of $14.1 million compared to $43.3 million at December 31, 2019. Shareholders' equity was $178.6 million and $166.0 million at December 31, 2020 and December 31, 2019, respectively.
- Net income for each of the years ended December 31, 2020 and 2019 was $20.3 million and $14.2 million, respectively.
- Earnings per common share were $2.09 for the year ended December 31, 2020 and $1.47 for the year ended December 31, 2019. Total weighted average shares outstanding were 9,741,253 at December 31, 2020 compared to 9,695,131 at December 31, 2019. The increase in shares was due to the issuance of 54,130 shares of stock in a private placement in November 2019.
- The allowance for loan losses was 1.33% of loans at December 31, 2020 compared to 0.72% at December 31, 2019. First Guaranty attributes the increase in the allowance to provisions made for the COVID-19 pandemic, for growth in the loan portfolio and other identified risks. Loan discounts related to acquisition accounting from the Union transaction was approximately $1.8 million at December 31, 2020. First Guaranty had $92.3 million at December 31, 2020 of SBA guaranteed PPP loans (as defined below) that have no related allowance due to the 100% government guarantee in accordance with regulatory guidance.
- The provision for loan losses totaled $14.9 million for 2020 compared to $4.9 million in 2019. The impact of the COVID-19 pandemic, growth in the loan portfolio and other identified risks were the main factors that resulted in an increased provision for 2020 compared to 2019.
- First Guaranty undertook several COVID-19 related actions during 2020 that began in the first quarter of 2020. First Guaranty increased on-balance sheet liquidity by approximately $100 million prior to March 31, 2020 through borrowings with the FHLB and brokered deposits. These borrowings remained at December 31, 2020. First Guaranty is participating in the SBA Paycheck Protection Program ("PPP") under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). The CARES Act authorized the SBA to guarantee loans under a new 7(a) loan program known as the PPP. As a qualified SBA lender, we were automatically authorized to originate PPP loans. The SBA will guarantee 100% of the PPP loans made to eligible borrowers. First Guaranty funded over 900 loans under the SBA PPP program that totaled approximately $111.1 million at the peak of the program. Fees generated by the SBA PPP program were $3.4 million. $2.2 million in fees were recognized in 2020. $1.2 million in fees were deferred as of December 31, 2020. First Guaranty has processed forgiveness applications for PPP loans with payoffs of $19.0 million in the fourth quarter of 2020. First Guaranty also waived service related charges and other fees for several weeks following the onset of the COVID-19 crisis.
- First Guaranty originally granted loan deferments to over 1,000 loans that totaled approximately $590 million as part of its COVID-19 related actions during 2020. These deferments were typically for 90 days. As of December 31, 2020, approximately $18.3 million of these loans remain on deferral status.
- First Guaranty, in furtherance of the strategy adopted in March 2020, initiated a plan to manage for economic uncertainty by converting unrealized gains in the securities portfolio to realized gains in the fourth quarter of 2020. First Guaranty sold approximately $140 million in mortgage-backed securities and $150 million in corporate securities in October 2020. First Guaranty generated $12.1 million in pre-tax gains from the sales. First Guaranty has proceeded to reinvest the proceeds in securities and loans and subsequently reduced FHLB borrowings by $50.0 million in February 2021.
- Net interest income for 2020 was $74.7 million compared to $61.7 million for 2019.
- Noninterest income for 2020 was $23.8 million compared to $8.3 million for 2019.
- The net interest margin was 3.35% for 2020 and 3.41% for 2019. First Guaranty attributed the decrease in the net interest margin to the significant actions related to COVID-19 that impacted balance sheet composition for both assets and liabilities along with decreased rates on assets and liabilities. Loans as a percentage of average interest earning assets increased to 74.7% at December 31, 2020 compared to 72.7% at December 31, 2019.
- Investment securities totaled $238.5 million at December 31, 2020, a decrease of $188.0 million when compared to $426.5 million at December 31, 2019. Gains on the sale of securities were $14.8 million for 2020 as compared to losses of $0.2 million for 2019. At December 31, 2020, available for sale securities, at fair value, totaled $238.5 million, a decrease of $101.4 million when compared to $339.9 million at December 31, 2019. At December 31, 2020, held to maturity securities, at amortized cost, totaled $0, a decrease of $86.6 million when compared December 31, 2019. First Guaranty terminated its held to maturity securities portfolio in the first quarter of 2020 following the sale of certain securities previously designated as held to maturity.
- Total loans net of unearned income were $1.8 billion at December 31, 2020 compared to $1.5 billion at December 31, 2019. Total loans net of unearned income are reduced by the allowance for loan losses which totaled $24.5 million at December 31, 2020 and $10.9 million at December 31, 2019.
- Total impaired loans decreased $4.8 million to $15.9 million at December 31, 2020 compared to $20.7 million at December 31, 2019.
- Nonaccrual loans increased $1.2 million to $15.6 million at December 31, 2020 compared to $14.4 million at December 31, 2019.
- Return on average assets was 0.87% and 0.76% for the years ended December 31, 2020 and 2019, respectively. Return on average common equity was 11.36% and 8.99% for 2020 and 2019, 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 by average common equity.
- Book value per common share was $18.33 as of December 31, 2020 compared to $17.04 as of December 31, 2019. Tangible book value per common share was $16.41 as of December 31, 2020 compared to $15.05 as of December 31, 2019. The increase in book value was due primarily to an increase in retained earnings, offset by a decrease in accumulated other comprehensive income ("AOCI"). 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 2020. First Guaranty also declared cash dividends of $0.64 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 has paid 110 consecutive quarterly dividends as of December 31, 2020.
- First Guaranty terminated its At-The-Market Equity Offering program ("ATM Offering"). First Guaranty did not sell any shares of common stock under the ATM Offering during 2020 or 2019. First Guaranty renewed its shelf registration in the fourth quarter of 2020.
- First Guaranty completed the data conversion with the Union Bancshares, Incorporated acquisition. Total one-time merger related costs were $0.5 million for 2020. The data conversion was completed on March 27, 2020.
- First Guaranty currently has one new facility under construction in order to facilitate future expansion. This construction commitment totals $11.4 million with $11.1 million incurred as of December 31, 2020.

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. Qualitative factors include analysis of levels and trends in delinquencies, nonaccrual loans, charge-offs and recoveries, loan risk ratings, trends in volume and terms of loans, changes in lending policy, credit concentrations, portfolio stress test results, national and local economic trends including the impact of COVID-19, industry conditions, and other relevant 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 reporting unit fair value is less than the carrying amount, a loss would be recognized in other noninterest expense to reduce the carrying amount. The qualitative test allows management to assess whether qualitative factors indicate that it is more likely than not that impairment exists. 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 quantitative assessment would be necessary. The step one test 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 goodwill for that reporting unit exceeds the estimated 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, 2020. Further, no events or changes in circumstances between October 1, 2020 and December 31, 2020 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

Assets.

Our total assets were $2.5 billion at December 31, 2020, an increase of $355.9 million, or 16.8%, from total assets of $2.1 billion at December 31, 2019. Assets increased primarily due to increases in cash and cash equivalents of $232.2 million and net loans of $305.1 million, partially offset by a decrease in investment securities of $188.0 million at December 31, 2020 compared to December 31, 2019.

Loans.

Net loans increased $305.1 million, or 20.1%, to $1.8 billion at December 31, 2020 from $1.5 billion at December 31, 2019. Non-farm non-residential loan balances increased $207.6 million primarily due to new originations and the transition of construction and land development loans to permanent financing in the first quarter of 2020. Included in the new loan originations were the purchase of approximately $95.0 million in performing commercial real estate secured loans the majority of which were located outside of First Guaranty's Louisiana and Texas markets. The average size of these loans was $0.7 million with the largest credit totaling $4.9 million. These loans provide additional diversification to First Guaranty's portfolio. Commercial and industrial loans increased $84.8 million primarily due to new originations associated with the SBA PPP lending program that occurred in the second and third quarters of 2020. SBA PPP loans totaled $111.1 million at the end of the third quarter in 2020 which decreased to $92.3 million at December 31, 2020 as loans were subsequently processed for forgiveness and paid off by the SBA. Consumer and other loans increased $39.9 million primarily due to new originations in First Guaranty's commercial lease program. First Guaranty has continued to expand its commercial lease portfolio which generally have higher yields than commercial real estate loans but shorter average lives. First Guaranty's lease portfolio totaled $104.1 million at December 31, 2020 compared to $70.1 million at December 31, 2019. Multifamily loans increased $22.0 million primarily due to the conversion of existing construction loans to permanent financing. Farmland loans increased $4.1 million due to increases on agricultural loan commitments. Agricultural loans increased $1.6 million primarily due to seasonal activity. Construction and land development loans decreased $21.4 million principally due to paydowns and the conversion of interim construction loans to permanent financing that occurred in the first quarter of 2020. One-to four-family loans decreased $18.4 million primarily due to paydowns. First Guaranty had approximately 5.7% of funded and 2.5% of unfunded commitments in our loan portfolio to businesses engaged in support or service activities for oil and gas operations. First Guaranty's hotel and hospitality portfolio totaled $120.1 million at December 31, 2020. As part of the management of risks in our loan portfolio, First Guaranty had previously established an internal guidance limit of approximately $160.0 million for its hotel and hospitality portfolio. First Guaranty had $244.9 million in loans related to our Texas markets at December 31, 2020 which was an increase of $40.4 million or 19.8% from $204.5 million at December 31, 2019. First Guaranty continues to have significant loan growth associated with its Texas branches. We anticipate additional growth opportunities in Texas as it contains four major cities in Austin, Dallas, Houston, and San Antonio, plus the continued growth and development of these areas is exceeding that of other areas of the country. Syndicated loans at December 31, 2020 were $75.2 million, of which $29.3 million were shared national credits. Syndicated loans increased $35.3 million from $39.9 million at December 31, 2019.

As of December 31, 2020, 71.4% of our loan portfolio was secured by real estate. The largest portion of our loan portfolio, at 44.6% as of December 31, 2020, was non-farm non-residential loans secured by real estate. Approximately 34.2% of the loan portfolio was based on a floating rate tied to the prime rate or LIBOR as of December 31, 2020. 74.5% of the loan portfolio is scheduled to mature within five years from December 31, 2020.

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,									
	2020		2019		2018		2017		2016	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
	(in thousands, except for %)									
Real Estate:										
Construction & land development	$ 150,841	8.2%	$ 172,247	11.3%	$ 124,644	10.1%	$ 112,603	9.8%	$ 84,239	8.9%
Farmland	26,880	1.4%	22,741	1.5%	18,401	1.5%	25,691	2.2%	21,138	2.2%
1- 4 Family	271,236	14.7%	289,635	18.9%	172,760	14.1%	158,733	13.8%	135,211	14.2%
Multifamily	45,932	2.5%	23,973	1.6%	42,918	3.5%	16,840	1.4%	12,450	1.3%
Non-farm non-residential	824,137	44.6%	616,536	40.3%	586,263	47.7%	530,293	46.1%	417,014	43.9%
Total Real Estate	**1,319,026**	**71.4%**	**1,125,132**	**73.6%**	**944,986**	**76.9%**	**844,160**	**73.3%**	**670,052**	**70.5%**
Non-Real Estate:										
Agricultural	28,335	1.5%	26,710	1.8%	23,108	1.9%	21,514	1.9%	23,783	2.5%
Commercial and industrial	353,028	19.1%	268,256	17.5%	200,877	16.4%	230,638	20.0%	193,969	20.4%
Consumer and other	148,783	8.0%	108,868	7.1%	59,443	4.8%	55,185	4.8%	63,011	6.6%
Total Non-Real Estate	**530,146**	**28.6%**	**403,834**	**26.4%**	**283,428**	**23.1%**	**307,337**	**26.7%**	**280,763**	**29.5%**
Total Loans Before Unearned Income	**1,849,172**	**100.0%**	**1,528,966**	**100.0%**	**1,228,414**	**100.0%**	**1,151,497**	**100.0%**	**950,815**	**100.0%**
Less: Unearned income	(5,037)		(3,476)		(3,146)		(2,483)		(1,894)	
Total Loans Net Of Unearned Income	**$1,844,135**		**$1,525,490**		**$1,225,268**		**$1,149,014**		**$948,921**	

Loan Portfolio Maturities.

The following tables summarize the scheduled repayments of our loan portfolio at December 31, 2020 and 2019. 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, 2020			
	One Year or Less	More Than One Year Through Five Years	After Five Years	Total
	(in thousands)			
Real Estate:				
Construction & land development	$ 23,276	$ 111,615	$ 15,950	$ 150,841
Farmland	6,078	12,147	8,655	26,880
1– 4 family	37,604	65,011	168,621	271,236
Multifamily	5,030	29,127	11,775	45,932
Non-farm non-residential	105,623	494,690	223,824	824,137
Total Real Estate	**177,611**	**712,590**	**428,825**	**1,319,026**
Non-Real Estate:				
Agricultural	12,356	5,795	10,184	28,335
Commercial and industrial	40,484	293,984	18,560	353,028
Consumer and other	37,866	103,315	7,602	148,783
Total Non-Real Estate	**90,706**	**403,094**	**36,346**	**530,146**
Total Loans Before Unearned Income	**$ 268,317**	**$ 1,115,684**	**$ 465,171**	**$ 1,849,172**
Less: unearned income				(5,037)
Total Loans Net Of Unearned Income				**$ 1,844,135**

	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**

The following table sets forth the scheduled repayments of fixed and adjustable-rate loans at December 31, 2020 that are contractually due after December 31, 2021.

	Due After December 31, 2021 (in thousands)		
	Fixed	Floating	Total
One to five years	740,358	368,259	1,108,617
Over five to 15 years	128,860	91,032	219,892
Over 15 years	146,830	92,325	239,155
Subtotal	$ 1,016,048	$ 551,616	$ 1,567,664
Nonaccrual loans			15,576
Total			$ 1,583,240

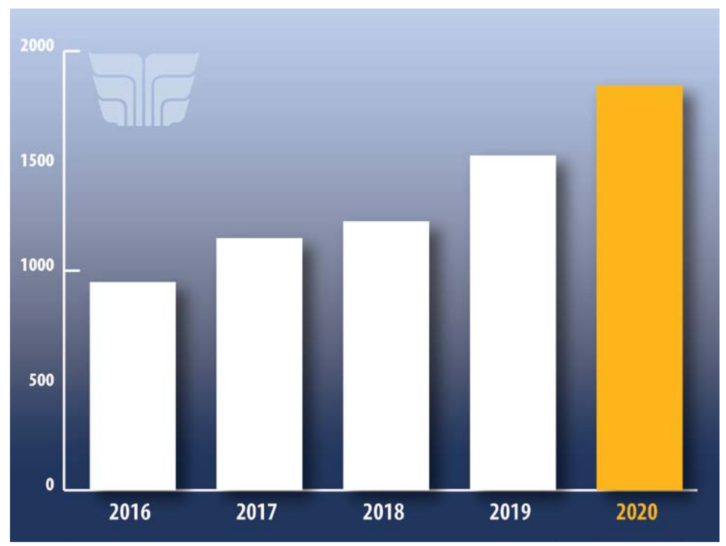
As of December 31, 2020, $305.0 million of floating rate loans were at their interest rate floor. At December 31, 2019, $153.3 million of floating rate loans were at the floor rate. Nonaccrual loans have been excluded from these totals.

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, 2020, 2019, 2018, 2017 and 2016.

	December 31,				
	2020	2019	2018	2017	2016
	(in thousands)				
Nonaccrual loans:					
Real Estate:					
Construction and land development	$ 621	$ 381	$ 311	$ 371	$ 551
Farmland	857	1,274	1,293	65	105
1- 4 family	2,227	2,759	2,246	1,953	2,242
Multifamily	-	-	-	-	5,014
Non-farm non-residential	7,449	4,646	864	3,758	2,753
Total Real Estate	11,154	9,060	4,714	6,147	10,665
Non-Real Estate:					
Agricultural	3,472	4,800	3,651	1,496	1,958
Commercial and industrial	701	327	317	4,826	8,070
Consumer and other	249	216	61	81	981
Total Non-Real Estate	4,422	5,343	4,029	6,403	11,009
Total nonaccrual loans	15,576	14,403	8,743	12,550	21,674
Loans 90 days and greater delinquent & still accruing:					
Real Estate:					
Construction and land development	1,000	48	-	-	34
Farmland	-	-	-	-	-
1- 4 family	4,980	923	26	-	145
Multifamily	366	-	-	-	-
Non-farm non-residential	4,699	1,603	-	-	-
Total Real Estate	11,045	2,574	26	-	179
Non-Real Estate:					
Agricultural	67	-	-	41	-
Commercial and industrial	1,856	15	53	798	-
Consumer and other	123	50	66	-	-
Total Non-Real Estate	2,046	65	119	839	-
Total loans 90 days and greater delinquent & still accruing	13,091	2,639	145	839	179
Total non-performing loans	$28,667	$17,042	$ 8,888	$13,389	$21,853
Other real estate owned and foreclosed assets:					
Real Estate:					
Construction and land development	311	669	241	304	-
Farmland	-	-	-	-	-
1- 4 family	131	559	120	23	71
Multifamily	-	-	-	-	-
Non-farm non-residential	1,798	3,651	777	954	288
Total Real Estate	2,240	4,879	1,138	1,281	359
Non-Real Estate:					
Agricultural	-	-	-	-	-
Commercial and industrial	-	-	-	-	-
Consumer and other	-	-	-	-	-
Total Non-Real Estate	-	-	-	-	-
Total other real estate owned and foreclosed assets	2,240	4,879	1,138	1,281	359
Total non-performing assets	$30,907	$21,921	$10,026	$14,670	$22,212
Non-performing assets to total loans	1.68%	1.44%	0.82%	1.28%	2.34%
Non-performing assets to total assets	1.25%	1.04%	0.55%	0.84%	1.48%
Non-performing loans to total loans	1.55%	1.12%	0.73%	1.17%	2.30%

For the years ended December 31, 2020 and 2019, gross interest income which would have been recorded had the non-performing loans been current in accordance with their original terms amounted to $0.6 million and $0.9 million, respectively. We recognized $22,000 and $69,000 of interest income on such loans during the years ended December 31, 2020 and 2019, respectively. For the years ended December 31, 2020 and 2019, gross interest income which would have been recorded had the troubled debt restructured loans been current in accordance with their original terms amounted to $0.1 million and $0, respectively. We recognized $11,000 and $0 of interest income on such loans during the years ended December 31, 2020 and 2019, respectively.

Non-performing assets were $30.9 million, or 1.25%, of total assets at December 31, 2020, compared to $21.9 million, or 1.04%, of total assets at December 31, 2019, which represented an increase in non-performing assets of $9.0 million. The increase in non-performing assets occurred as a result of several factors.

Nonaccrual loans increased from $14.4 million at December 31, 2019 to $15.6 million at December 31, 2020. The increase in nonaccrual loans was concentrated primarily in non-farm non-residential loans. Non-performing assets included $3.6 million in loans with a government guarantee, or 11.8% of non-performing assets. These are structured as net loss guarantees in which up to 90% of loss exposure is covered.

At December 31, 2020 loans 90 days and greater delinquent and still accruing totaled $13.1 million, an increase of $10.5 million from $2.6 million at December 31, 2019. The increase in loans 90 days or greater delinquent and still accruing was concentrated primarily in one-to four-family residential loans, non-farm non-residential loans and commercial and industrial loans. One-to four-family loans in the 90 day category included loans acquired from the Union acquisition that have contractually matured but have not been renewed due to operations issues following the acquisition. First Guaranty expects to satisfactorily renew the majority of these acquired loans and return them to performing status.

Other real estate owned at December 31, 2020 totaled $2.2 million, a decrease of $2.6 million from $4.9 million at December 31, 2019. The largest piece of property in other real estate owned is a former retail shopping center that totals $2.0 million. First Guaranty established a reserve for other real estate owned losses in the third quarter of 2020. This reserve totaled $0.4 million at December 31, 2020. Total write-downs and or reserves related to other real estate owned were $1.4 million in 2020 compared to $0.2 million in 2019. These expenses were included in other non-interest expense.

At December 31, 2020, our largest non-performing assets were comprised of the following nonaccrual loans, 90 day plus and still accruing loans and other real estate owned: (1) a non-farm non-residential loan secured by a hotel that totaled $3.6 million that is classified as a troubled debt restructured loan or TDR; (2) a $2.0 million non-farm non-residential property included in other real estate owned; (3) a non-farm non-residential loan for $2.4 million secured by commercial real estate that has contractually matured and was 90 days past due and still accruing; (4) a non-farm non-residential loan secured by a hotel that totaled $1.8 million; (5) a non-farm non-residential loan secured by a sports facility that totaled $1.3 million which has a partial government guarantee; (6) a non-farm non-residential loan for $1.1 million secured by commercial real estate that has contractually matured and was 90 days past due and still accruing; (7) an agricultural/ farmland loan relationship that totaled $1.1 million; (8) an agricultural loan relationship that totaled $1.0 million; and (9) an agricultural loan relationship that totaled $1.0 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.

Under section 4013 of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), which was signed into law on March 27, 2020 and subsequently modified by later legislation, financial institutions have the option to temporarily suspend certain requirements under U.S. generally accepted accounting principles related to troubled debt restructurings for a limited period of time to account for the effects of COVID-19. This provision allows a financial institution the option to not apply the guidance on accounting for troubled debt restructurings to loan modifications, such as extensions or deferrals, related to COVID-19 made between March 1, 2020 and the earlier of (i) January 1, 2022 or (ii) 60 days after the end of the COVID-19 national emergency. The relief can only be applied to modifications for borrowers that were not more than 30 days past due as of December 31, 2019. First Guaranty elected to adopt these provisions of the CARES Act.

The following is a summary of loans restructured as TDRs at December 31, 2020, 2019 and 2018:

	At December 31,		
	2020	2019	2018
	(in thousands)		
TDRs:			
In Compliance with Modified Terms	$ -	$ -	$ 1,288
Past Due 30 through 89 days and still accruing	-	-	-
Past Due 90 days and greater and still accruing	-	-	-
Nonaccrual	3,591	-	304
Restructured Loans that subsequently defaulted	-	-	-
Total TDR	**$ 3,591**	**$ -**	**$ 1,592**

At December 31, 2020, First Guaranty had one outstanding TDR which was a $3.6 million non-farm non-residential loan secured by commercial real estate that is on nonaccrual. The restructuring of this loan was related to interest rate and amortization concessions. The loan is secured by a hotel facility. This loan was not eligible for a CARES act modification.

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, 2020, 2019 and 2018. Classified assets totaled $50.1 million at December 31, 2020, and included $28.7 million of non-performing loans.

	At December 31,		
	2020	2019	2018
	(in thousands)		
Classification of Loans:			
Substandard	$50,062	$53,072	$46,792
Doubtful	-	-	523
Total Classified Assets	**$50,062**	**$53,072**	**$47,315**
Special Mention	$99,201	$24,083	$26,413

The decrease in classified assets at December 31, 2020 as compared to December 31, 2019 was due to a $3.0 million decrease in substandard loans. The decrease in substandard loans during 2020 was primarily due to paydowns of impaired loans. Substandard loans at December 31, 2020 consisted of $16.0 million in non-farm non-residential, $12.7 million in one- to four-family residential, $7.9 million in multifamily, $4.1 million in agricultural, $3.7 million in commercial and industrial, $1.0 million in construction and land development, $4.0 million in farmland, and the remaining $0.6 million comprised of consumer and other loans. Special mention loans increased by $75.1 million in 2020 primarily due to the downgrade of loans in the portfolio. The increase in special mention loans was primarily the result of loan relationships that were downgraded due to the COVID-19 pandemic or relationship specific issues. Special mention loans at December 31, 2020 were concentrated in the following at risk industries affected by the COVID-19 pandemic. Approximately $27.6 million in loans were associated with oil and gas related industries; $29.3 million were associated with hotels or hospitality industries, and $5.8 million were loans associated with childcare related services. These loan relationships accounted for $62.7 million or 63% of special mention loans at December 31, 2020.

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 including the COVID-19 pandemic;
- nature and volume of loans;
- overall portfolio quality and portfolio stress test results;

- 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 $24.5 million at December 31, 2020 compared to $10.9 million at December 31, 2019.

Our allowance level was significantly impacted by the continuing effects of the COVID-19 pandemic.

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,				
	2020	2019	2018	2017	2016
	(dollars in thousands)				
Balance at beginning of year	$ 10,929	$ 10,776	$ 9,225	$ 11,114	$ 9,415
Charge-offs:					
Real Estate:					
Construction and land development	(265)	-	-	-	-
Farmland	-	-	-	-	-
1- 4 family	(154)	(552)	(99)	(33)	(244)
Multifamily	-	-	-	-	-
Non-farm non-residential	(550)	(2,603)	(404)	(1,291)	(1,373)
Total Real Estate	**(969)**	**(3,155)**	**(503)**	**(1,324)**	**(1,617)**
Non-Real Estate:					
Agricultural	(110)	(40)	(300)	(162)	(83)
Commercial and industrial loans	(265)	(879)	(179)	(3,629)	(579)
Consumer and other	(1,083)	(1,190)	(907)	(1,247)	(635)
Total Non-Real Estate	**(1,458)**	**(2,109)**	**(1,386)**	**(5,038)**	**(1,297)**
Total charge-offs	**(2,427)**	**(5,264)**	**(1,889)**	**(6,362)**	**(2,914)**
Recoveries:					
Real Estate:					
Construction and land development	-	-	3	43	4
Farmland	-	-	-	-	-
1- 4 family	39	39	90	92	45
Multifamily	-	-	20	40	401
Non-farm non-residential	178	5	89	85	16
Total Real Estate	**217**	**44**	**202**	**260**	**466**
Non-Real Estate:					
Agricultural	70	-	26	138	113
Commercial and industrial loans	128	267	1,642	30	146
Consumer and other	724	246	216	223	183
Total Non-Real Estate	**922**	**513**	**1,884**	**391**	**442**
Total recoveries	**1,139**	**557**	**2,086**	**651**	**908**
Net (charge-offs) recoveries	**(1,288)**	**(4,707)**	**197**	**(5,711)**	**(2,006)**
Provision for loan losses	14,877	4,860	1,354	3,822	3,705
Balance at end of year	**$ 24,518**	**$ 10,929**	**$10,776**	**$ 9,225**	**$ 11,114**
Ratios:					
Net loan charge-offs to average loans	0.08%	0.36%	(0.02)%	0.54%	0.23%
Net loan charge-offs to loans at end of year	0.07%	0.31%	(0.02)%	0.50%	0.21%
Allowance for loan losses to loans at end of year	1.33%	0.72%	0.88%	0.80%	1.17%
Net loan charge-offs to allowance for loan losses	5.25%	43.07%	(1.83)%	61.91%	18.05%
Net loan charge-offs to provision charged to expense	8.66%	96.85%	(14.55)%	149.42%	54.14%

A provision for loan losses of $14.9 million was made during the year ended December 31, 2020 as compared to $4.9 million for 2019. The provisions made in 2020 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 primary reason for the increase in the provison in 2020 compared to 2019 was due to the impact of the COVID-19 pandemic and due to growth in First Guaranty's loan portfolio and other identified risks.

First Guaranty made provisions to the allowance during the year of $14.9 million with $4.6 million incurred during the first three quarters of the year and $10.3 million incurred in the final quarter of 2020. First Guaranty made adjustments to its allowance provisions as facts and circumstances evolved due to COVID-19. The actions taken at the onset of the pandemic such as loan payment deferrals under the CARES Act along with SBA PPP relief loans were considered to improve the financial capacity of First Guaranty loan customers. There was, however, significant uncertainty as to the duration of the relief. Economic conditions began to improve by the middle part of the third quarter as loan customers ended their payment deferral periods and resumed normal payments. Both Louisiana and Texas lifted or reduced several COVID-19 restrictions. First Guaranty also experienced strong loan growth.

During the latter part of 2020, First Guaranty continued to experience strong loan growth but COVID-19 cases significantly increased that resulted in new economic uncertainty. Louisiana reinstituted restrictions that had previously been lifted. The qualitative and quantitative analysis of the loan portfolio resulted in an increased provision to the allowance as of a result of the new COVID-19 related economic uncertainty along with the increased loan growth.

First Guaranty's qualitative and quantitative factors accounted for the changes in economic conditions driven by the COVID-19 pandemic. The key factors included the following: industry specific conditions, changes in loan risk ratings, lending policy, and national and local economic trends. First Guaranty continued to update its analysis of these factors throughout 2020.

The loan portfolio factors in 2020 that primarily affected the allocation of the allowance included the following:

- The loan portfolio risks that changed and affected the allocation of the allowance were due to the adjustments of certain qualitative factors to take into account the possible impact of COVID-19 and related economic conditions on borrowers' ability to repay loans and for allocations to impaired loans within their respective categories. First Guaranty increased allocations within its qualitative and quantitative factors to account for possible COVID-19 related losses. The largest provision allocation was associated with non-farm non-residential loans primarily those associated with the hospitality and hotel industries.

- Construction and land development loans declined during 2020 as several loans transitioned to permanent financing. The majority of these loans are now included in the non-farm non-residential category as of December 31, 2020. The increase in the provision related to this portfolio in 2020 compared to 2019 was primarily related to changes in the qualitative analysis of the portfolio related to COVID-19.

- One- to four-family residential loans decreased moderately in 2020. The provision increase related to this portfolio in 2020 compared to 2019 was related to changes in the qualitative analysis of the portfolio related to COVID-19.

- Non-farm non-residential loans increased during 2020 with the largest increases during the third and fourth quarters. The growth in this portfolio contributed to the increased provision associated with this category along with the provisions previously noted for hospitality and hotel related loans.

- Commercial and industrial loans increased during 2020. The majority of the increase was associated with SBA guaranteed PPP loans which do not have an allowance balance associated with them. The provision increase related to this portfolio in 2020 compared to 2019 was related to changes in the qualitative analysis of the portfolio related to COVID-19.

- Consumer and other loans increased during 2020. The increase in the balance was concentrated in commercial leases. The provision made in 2020 was primarily related to qualitative analysis of the consumer portfolio related to COVID-19.

- First Guaranty continues to monitor the acquired loans from the Union acquisition on November 7, 2019. Discounts on the acquired Union loans were approximately $1.8 million at December 31, 2020.

First Guaranty charged off $2.4 million in loan balances during the year ended December 31, 2020 as compared to $5.3 million for 2019. Recoveries totaled $1.1 million for the year ended December 31, 2020 and $0.6 million during 2019. The charged-off loan balances were concentrated in five loan relationships which totaled $1.0 million or 40.7% of the total charged off amount during the year ended December 31, 2020. The details of the $1.0 million in charged off loans were as follows:

- First Guaranty charged off $0.1 million on a purchased consumer loan pool during 2020. This pool had a remaining principal balance of $0.7 million at December 31, 2020.

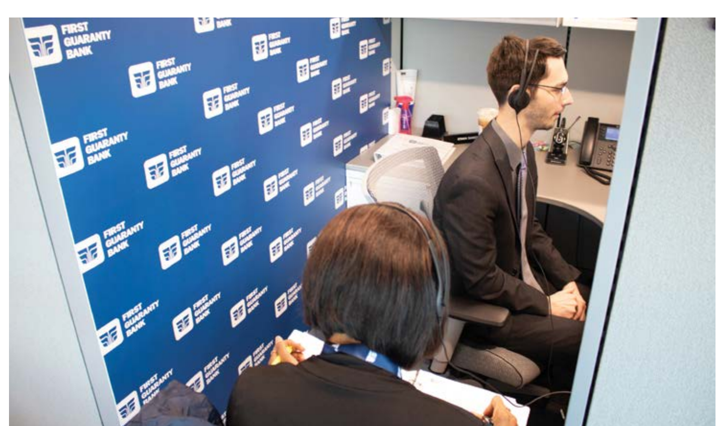
- First Guaranty charged off $0.3 million on a non-farm non-residential loan relationship during the third quarter of 2020. This relationship had no remaining principal balance at December 31, 2020.

- First Guaranty charged off $0.3 million on a construction and land development loan during the third quarter of 2020. This loan had a remaining principal balance of $0.3 million at December 31, 2020.

- First Guaranty charged off $0.2 million on a non-farm non-residential loan during the third quarter of 2020. This loan had a remaining principal balance of $0.1 million at December 31, 2020.

- First Guaranty charged off $0.1 million on a one- to four-family residential loan during the third quarter of 2020. This loan had no remaining principal balance at December 31, 2020.

- Smaller loans and overdrawn deposit accounts comprised the remaining $1.4 million of charge-offs for 2020.



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,					
	2020			2019		
	Allowance for Loan Losses	Percent of Allowance to Total Allowance for Loan Losses	Percent of Loans in Each Category to Total Loans	Allowance for Loan Losses	Percent of Allowance to Total Allowance for Loan Losses	Percent of Loans in Each Category to Total Loans
	(dollars in thousands)					
Real Estate:						
Construction and land development	$ 1,029	4.2%	8.2%	$ 423	3.9%	11.3%
Farmland	462	1.9%	1.4%	50	0.4%	1.5%
1- 4 family	2,510	10.2%	14.7%	1,027	9.4%	18.9%
Multifamily	978	4.0%	2.5%	1,038	9.5%	1.6%
Non-farm non-residential	15,064	61.5%	44.6%	5,277	48.3%	40.3%
Non-Real Estate:						
Agricultural	181	0.7%	1.5%	95	0.9%	1.8%
Commercial and industrial	2,802	11.4%	19.1%	1,909	17.5%	17.5%
Consumer and other	1,490	6.1%	8.0%	1,110	10.1%	7.1%
Unallocated	2	-%	-%	-	-%	-%
Total Allowance	$ 24,518	100.0%	100.0%	$ 10,929	100.0%	100.0%

	At December 31,					
	2018			2017		
	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	$ 581	5.4%	10.1%	$ 628	6.8%	9.8%
Farmland	41	0.4%	1.5%	5	0.1%	2.2%
1- 4 family	911	8.5%	14.1%	1,078	11.7%	13.8%
Multifamily	1,318	12.2%	3.5%	994	10.8%	1.4%
Non-farm non-residential	4,771	44.3%	47.7%	2,811	30.4%	46.1%
Non-Real Estate:						
Agricultural	339	3.1%	1.9%	187	2.0%	1.9%
Commercial and industrial	1,909	17.7%	16.4%	2,377	25.8%	20.0%
Consumer and other	891	8.3%	4.8%	1,125	12.2%	4.8%
Unallocated	15	0.1%	-%	20	0.2%	-%
Total Allowance	$ 10,776	100.0%	100.0%	$ 9,225	100.0%	100.0%

	At December 31, 2016		
	Allowance for Loan Losses	Percent of Allowance to Total Allowance for Loan Losses	Percent of Loans in Each Category to Total Loans
	(dollars in thousands)		
Real Estate:			
Construction and land development	$ 1,232	11.1%	8.9%
Farmland	19	0.2%	2.2%
1- 4 family	1,204	10.8%	14.2%
Multifamily	591	5.3%	1.3%
Non-farm non-residential	3,451	31.0%	43.9%
Non-Real Estate:			
Agricultural	74	0.7%	2.5%
Commercial and industrial	3,543	31.9%	20.4%
Consumer and other	972	8.7%	6.6%
Unallocated	28	0.3%	-%
Total Allowance	$ 11,114	100.0%	100.0%

Investment Securities.

Investment securities at December 31, 2020 totaled $238.5 million, a decrease of $188.0 million, or 44.1%, compared to $426.5 million at December 31, 2019. The entire investment portfolio consisted of available for sale securities at December 31, 2020. First Guaranty terminated its held to maturity portfolio in the first quarter of 2020 following the sale of certain securities previously designated as held 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.

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, 2020, the U.S. Government and Government agency securities and municipal bonds qualified as securities available to collateralize public funds. Securities pledged as collateral totaled $184.0 million at December 31, 2020 and $212.8 million at December 31, 2019. 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, 2020		2019		2018	
	(in thousands)					
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Available for sale:						
U.S. Treasuries	$ 3,000	$ 3,000	$ -	$ -	$ -	$ -
U.S. Government Agencies	169,986	169,658	16,380	16,393	146,911	141,389
Corporate debt securities	36,153	36,489	94,561	95,369	76,310	72,878
Municipal bonds	27,381	28,162	30,297	32,153	32,956	33,901
Collateralized mortgage obligations	-	-	16,400	16,397	918	904
Mortgage-backed securities	1,208	1,239	179,546	179,625	48,434	47,422
Total available for sale securities	$ 237,728	$238,548	$337,184	$339,937	$305,529	$296,494
Held to maturity:						
U.S. Government Agencies	-	-	18,175	18,143	28,172	27,091
Municipal bonds	-	-	5,107	5,289	5,227	5,126
Mortgage-backed securities	-	-	63,297	63,385	74,927	72,623
Total held to maturity securities	$ -	$ -	$ 86,579	$ 86,817	$108,326	$104,840

Our available for sale securities portfolio totaled $238.5 million at December 31, 2020, a decrease of $101.4 million, or 29.8%, compared to $339.9 million at December 31, 2019. The decrease was primarily due to the sale of securities and called bonds. First Guaranty had securities sales of $187.9 million in mortgage-backed securities, $168.9 million in corporate securities, $4.2 million in municipal securities and $2.2 million in U.S. Government agency securities. First Guaranty plans to reinvest the proceeds in securities and loans and reduce borrowings. First Guaranty had $14.1 million in U.S. Government agency securities and $15.4 million of corporate securities called during 2020 due to the decrease in interest rates.

Our held to maturity securities portfolio had an amortized cost of $0 at December 31, 2020, a decrease of $86.6 million, or 100.0%, compared to December 31, 2019. First Guaranty terminated its held to maturity portfolio in the first quarter of 2020 following the sale of certain securities previously designated as held to maturity.

The following tables set forth the stated maturities and weighted average yields of our investment securities at December 31, 2020 and 2019.

At December 31, 2020								
	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	$ 3,000	-%	$ -	-%	$ -	-%	$ -	-%
U.S. Government Agencies	-	-%	-	-%	29,958	1.2%	139,700	2.0%
Corporate and other debt securities	5,633	3.5%	2,038	4.3%	27,762	4.9%	1,056	5.5%
Municipal bonds	1,037	4.1%	4,956	3.9%	10,692	3.9%	11,477	3.2%
Collateralized mortgage obligations	-	2.0%	-	-%	-	-%	-	-%
Mortgage-backed securities	-	-%	3	0.9%	3	2.0%	1,233	1.0%
Total available for sale securities	$ 9,670	2.5%	$ 6,997	4.0%	$ 68,415	3.1%	$ 153,466	2.1%

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%
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%	$ 211,314	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, 2020, $9.7 million, or 4.1%, 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 $152.2 million, or 63.8%, of the total portfolio at December 31, 2020. 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.

First Guaranty, in furtherance of the strategy adopted in March 2020, initiated a plan to manage for economic uncertainty caused by the COVID-19 pandemic by converting unrealized gains in the securities portfolio to realized gains in the fourth quarter of 2020. First Guaranty sold approximately $140 million in mortgage-backed securities and $150 million in corporate securities in October 2020. First Guaranty generated $12.1 million in pre-tax gains from the sales. First Guaranty has proceeded to reinvest the proceeds in securities and loans and subsequently reduced FHLB borrowings by $50.0 million in February 2021.

At December 31, 2020, 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, 2020	
	Amortized Cost	Fair Value
	(in thousands)	
Freddie Mac	110,177	109,856
Federal Farm Credit Bank	54,263	54,279
Total	$ 164,440	$ 164,135

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, 2019 to December 31, 2020, total deposits increased $313.3 million, or 16.9%, to $2.2 billion. Noninterest-bearing demand deposits increased $85.5 million, or 26.2% to $411.4 million at December 31, 2020. The increase in noninterest-bearing demand deposits was primarily due to economic conditions associated with the CARES Act and the SBA PPP program. First Guaranty consumer and business customers have increased their deposits due to the receipt of stimulus funds and proceeds from SBA PPP program loans. Interest-bearing demand deposits increased $224.5 million, or 35.3%, to $860.4 million at December 31, 2020. The increase in interest-bearing demand deposits was primarily concentrated in individual, business, and public funds interest-bearing demand deposits. Savings deposits increased $33.7 million, or 25.0%, to $168.9 million at December 31, 2020, primarily related to increases in individual savings deposits. Time deposits decreased $30.4 million, or 4.0%, to $725.6 million at December 31, 2020, primarily due to decreases in business deposits.

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.

	For the Years Ended December 31,								
Total Deposits	**2020**			**2019**			**2018**		
	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	$ 393,734	19.2%	-%	$ 262,379	15.7%	-%	$ 252,531	16.3%	-%
Interest-bearing Demand	722,433	35.3%	0.8%	592,113	35.4%	1.8%	556,528	35.9%	1.5%
Savings	163,332	8.0%	0.2%	115,682	6.9%	0.4%	111,134	7.2%	0.4%
Time	767,075	37.5%	2.2%	703,685	42.0%	2.4%	628,457	40.6%	1.7%
Total Deposits	$2,046,574	100.0%	1.1%	$1,673,859	100.0%	1.7%	$1,548,650	100.0%	1.3%

	For the Years Ended December 31,								
Individual and Business Deposits	**2020**			**2019**			**2018**		
	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	$ 382,940	27.5%	-%	$ 256,099	23.7%	-%	$ 246,550	26.7%	-%
Interest-bearing Demand	280,587	20.1%	1.0%	241,290	22.3%	1.4%	204,405	22.1%	1.1%
Savings	127,804	9.2%	0.1%	86,972	8.0%	0.1%	84,844	9.2%	0.1%
Time	600,887	43.2%	2.5%	498,521	46.0%	2.6%	388,623	42.0%	1.7%
Total Individual and Business Deposits	$1,392,218	100.0%	1.3%	$1,082,882	100.0%	1.5%	$ 924,422	100.0%	1.0%

	For the Years Ended December 31,								
Public Fund Deposits	**2020**			**2019**			**2018**		
	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	$ 10,794	1.7%	-%	$ 6,280	1.1%	-%	$ 5,981	1.0%	-%
Interest-bearing Demand	441,846	67.5%	0.7%	350,823	59.3%	2.0%	352,123	56.4%	1.8%
Savings	35,528	5.4%	0.4%	28,710	4.9%	1.6%	26,290	4.2%	1.4%
Time	166,188	25.4%	1.1%	205,164	34.7%	2.1%	239,834	38.4%	1.7%
Total Public Fund Deposits	$ 654,356	100.0%	0.8%	$ 590,977	100.0%	1.9%	$ 624,228	100.0%	1.7%

At December 31, 2020, public funds deposits totaled $715.3 million compared to $610.7 million at December 31, 2019. Public funds time deposits totaled $158.9 million at December 31, 2020 compared to $146.4 million at December 31, 2019. Public funds deposits increased due to seasonal fluctuations. 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. The majority of these funds 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. 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 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. First Guaranty has been growing the proportion of its public funds portfolio that is collateralized by reciprocal deposit insurance as an alternative to pledging securities or utilizing FHLB letters of credit. First Guaranty initiated this strategy to more efficiently invest these deposits in higher yielding loans to improve the net interest margin and earnings. Total public funds collateralized by reciprocal deposit insurance programs increased to $217.7 million at December 31, 2020 compared to $86.1 million at December 31, 2019.

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

	At December 31,		
	2020	**2019**	**2018**
	(in thousands except for %)		
Public Funds:			
Noninterest-bearing Demand	$ 5,109	$ 9,944	$ 6,930
Interest-bearing Demand	514,416	424,732	364,692
Savings	36,862	29,570	26,903
Time	158,925	146,420	247,004
Total Public Funds	$ 715,312	$ 610,666	$ 645,529
Total Deposits	$2,166,318	$1,853,013	$1,629,622
Total Public Funds as a percent of Total Deposits	33.0%	33.0%	39.6%

At December 31, 2020, the aggregate amount of outstanding certificates of deposit in amounts greater than or equal to $100,000 was approximately $505.5 million. At December 31, 2020, approximately $234.5 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, 2020.

	December 31, 2020
	(in thousands)
Due in one year or less	$ 270,939
Due after one year through three years	143,159
Due after three years	91,378
Total certificates of deposit greater than or equal to $100,000	$ 505,476

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 $56.1 million in short-term borrowings outstanding at December 31, 2020 compared to $19.9 million outstanding at December 31, 2019. The short-term borrowings at December 31, 2020 were comprised of Federal Home Loan Bank advances of $50.0 million and repurchase agreements of $6.1 million. The $50.0 million short term Federal Home Loan Bank advance was the result of First Guaranty's COVID-19 related liquidity actions taken in the first quarter of 2020. Subsequent to December 31, 2020, First Guaranty redeemed this $50.0 million short term advance in February 2021. The long term Federal Home Loan Bank advance of $3.4 million and the repurchase agreements were assumed as a result of the Union acquisition in November 2019. First Guaranty has a line of credit for $6.5 million, with no outstanding balance at December 31, 2020.

At December 31, 2020, we had $365.8 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,		
	2020	**2019**	**2018**
	(in thousands, except for %)		
Balance at end of year	$56,121	$19,919	$ -
Maximum month-end outstanding	$57,048	$19,919	$37,000
Average daily outstanding	$48,277	$ 3,320	$ 7,119
Total weighted average rate during the year	0.95%	2.00%	2.21%
Weighted average rate at the end of the year	0.89%	2.00%	-%

First Guaranty had senior long-term debt totaling $42.4 million at December 31, 2020 and $48.6 million at December 31, 2019.

First Guaranty also had junior subordinated debentures totaling $14.8 million at December 31, 2020 and $14.7 million at December 31, 2019.

Shareholders' Equity

Total shareholders' equity increased to $178.6 million at December 31, 2020 from $166.0 million at December 31, 2019. The increase in shareholders' equity was principally the result of an increase of $14.1 million in retained earnings offset by a decrease of $1.5 million in accumulated other comprehensive income. The decrease in accumulated other comprehensive income was primarily attributed to the decrease in unrealized gains on available for sale securities during the year ended December 31, 2020. The $14.1 million increase in retained earnings was due to net income of $20.3 million during the year ended December 31, 2020, partially offset by $6.2 million in cash dividends paid on shares of our common stock.

TOTAL COMMON SHAREHOLDERS' EQUITY

In Millions

Results of Operations

Performance Summary

Year ended December 31, 2020 compared with year ended December 31, 2019. Net income for the year ended December 31, 2020 was $20.3 million, an increase of $6.1 million, or 42.7%, as compared to $14.2 million for the year ended December 31, 2019. The increase in net income of $6.1 million for the year ended December 31, 2020 was the result of several factors. First Guaranty experienced an increase in interest income associated with loans, increased noninterest income due to increased securities sales and lower interest expense. This was partially offset by an increase in the provision for loan losses and increased noninterest expense. Loan interest income increased due to the growth in First Guaranty's loan portfolio, including the loans acquired in the fourth quarter of 2019 in the Union acquisition and loan fees recognized as an adjustment to yield from the origination of the SBA guaranteed PPP loans. Noninterest income increased due to larger securities gains on sales for the year ended December 31, 2020 compared to losses on securities sales for the year ended December 31, 2019. Interest expense declined due to declines in market interest rates and First Guaranty's strategy to reduce interest expense. Interest expense declined during 2020 even after factoring in the additional deposit balances acquired from the Union acquisition, an increase in deposit balances associated with SBA PPP loans and stimulus payments, and additional borrowings associated with our COVID-19 contingency plans. Factors that partially offset income include increased noninterest expense primarily associated with the Union acquisition including one-time merger related expenses of $0.5 million paid in 2020 for the data conversion. The provision for loan losses increased to provide for current loan losses and to maintain the allowance proportionate to risks inherent in the loan portfolio, including risks emerging from the COVID-19 pandemic and portfolio growth. Earnings per common share for the years ended December 31, 2020 was $2.09 per common share, an increase of 42.2% or $0.62 per common share from $1.47 per common share for the year ended December 31, 2019. Earnings per share was affected by the increase in earnings.

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. 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 proportionate 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.

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, 2020 compared with year ended December 31, 2019. Net interest income for the years ended December 31, 2020 and 2019 was $74.7 million and $61.7 million, respectively. The increase in net interest income for the year ended December 31, 2020 as compared to the prior year was primarily due to an increase in the average balance of our total interest-earning assets and a decrease in the average rate of our total interest-bearing liabilities, partially offset by a decrease in the average yield of our total interest-earning assets and by an increase in the average balance of our total interest-bearing liabilities. For the year ended December 31, 2020, the average balance of our total interest-earning assets increased by $417.3 million to $2.2 billion due to the assets acquired from the Union acquisition, COVID-19 related lending activities, including SBA PPP loans and loan growth. The average yield of our interest-earning assets decreased by 54 basis points to 4.52% from 5.06% for the year ended December 31, 2019 due to the general decline in market interest rates that affect the pricing of our assets and due to the increased lower yielding average cash balances on the balance sheet. For the year ended December 31, 2020, the average balance of our total interest-bearing liabilities increased by $310.9 million to $1.8 billion as our average deposits and average borrowings increased due to COVID-19 related contingency planning and government relief programs, and the average rate of our total interest-bearing liabilities decreased by 58 basis points to 1.48% from 2.06% for the year ended December 31, 2019 due to the decrease in market rates. As a result, our net interest rate spread increased four basis points to 3.04% for the year ended December 31, 2020 from 3.00% for the year ended December 31, 2019. Our net interest margin decreased six basis points to 3.35% for the year ended December 31, 2020 from 3.41% for the year ended December 31, 2019.

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.

Interest Income

Year ended December 31, 2020 compared with year ended December 31, 2019. Interest income increased $9.0 million, or 9.9%, to $100.7 million for the year ended December 31, 2020 as compared to the prior year. First Guaranty's loan portfolio expanded during 2020 due to growth associated with the SBA PPP lending program and our other loan originations such as commercial leases and non-farm non-residential loans. These factors contributed to the increase in interest income as the average balance of our total interest-earning assets, both loans and securities, including assets from the Union acquisition increased, partially offset by a decrease in the average yield of interest-earning assets due to the decline in market interest rates. The average balance of our interest-earning assets increased $417.3 million to $2.2 billion for the year ended December 31, 2020 as compared to the prior year. The average yield of interest-earning assets decreased by 54 basis points to 4.52% for the year ended December 31, 2020 compared to 5.06% for the year ended December 31, 2019.

Interest income on securities decreased $0.3 million to $9.5 million for the year ended December 31, 2020 as compared to the prior year primarily as a result of a decrease in the average yield on securities. The average balance of securities increased $31.7 million to $381.0 million for the year ended December 31, 2020 from $349.2 million for the year ended December 31, 2019 due to an increase in balances, particularly corporate securities, as part of First Guaranty's strategy initiated at the end of the first quarter in 2020 to provide earnings and liquidity during the COVID-19 pandemic. The average yield on securities decreased by 32 basis points to 2.49% for the year ended December 31, 2020 from 2.81% for the year ended December 31, 2019 due to the decrease in market interest rates.

Interest income on loans increased $11.9 million, or 15.1%, to $90.8 million for the year ended December 31, 2020 as a result of an increase in the average balance of loans. The average balance of loans (excluding loans held for sale) increased by $347.4 million to $1.7 billion for the year ended December 31, 2020 from $1.3 billion for the year ended December 31, 2019 as a result of new loan originations, primarily SBA PPP loans, commercial leases, non-farm non-residential loans, and acquired loans from the Union acquisition. The average yield on loans (excluding loans held for sale) decreased by 53 basis points to 5.46% for the year ended December 31, 2020 from 5.99% for the year ended December 31, 2019 due to the decrease in market interest rates and the impact of SBA PPP loans which have a 1.0% interest rate.

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.

Interest Expense

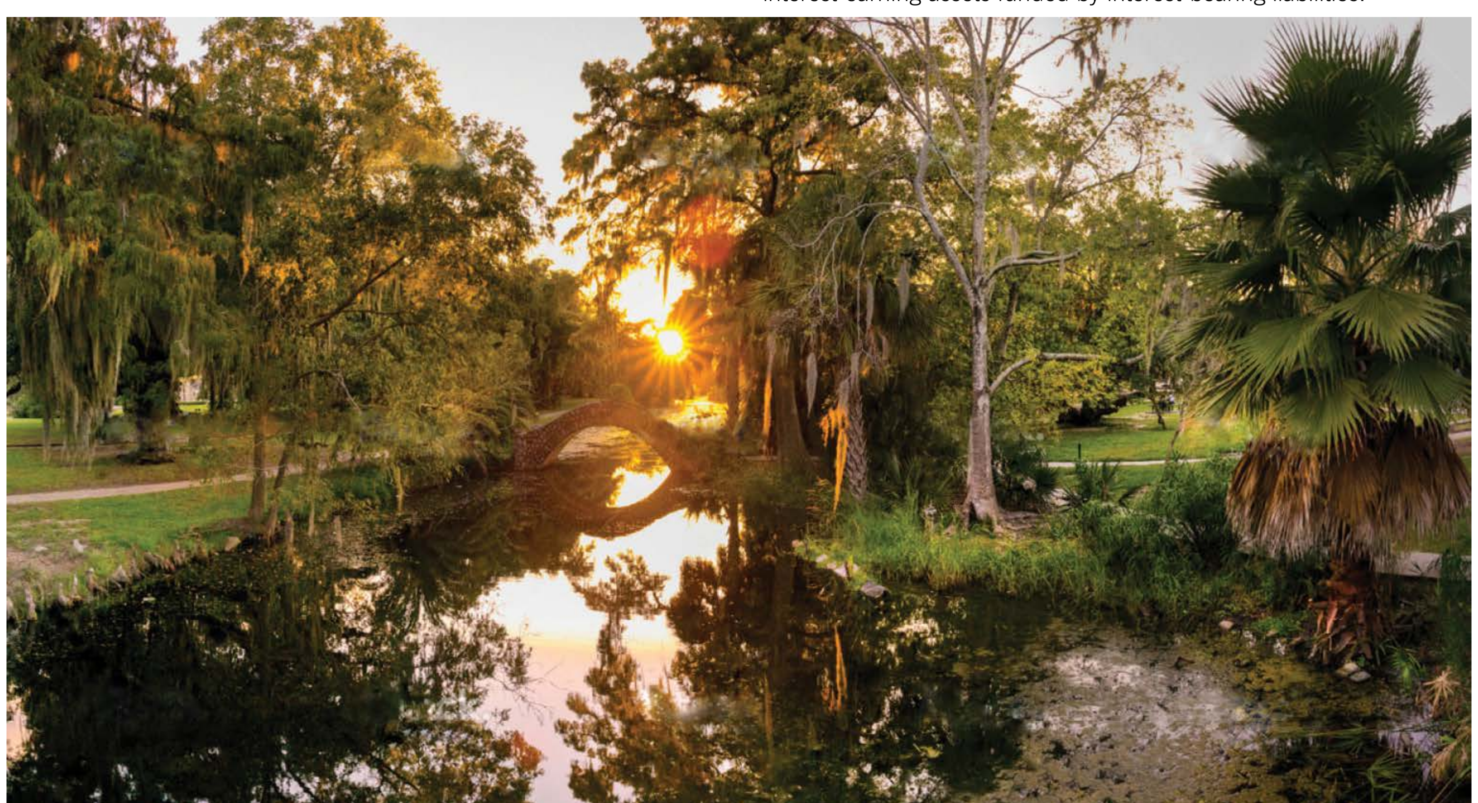
Year ended December 31, 2020 compared with year ended December 31, 2019. Interest expense decreased $3.9 million, or 13.2%, to $26.0 million for the year ended December 31, 2020 from $30.0 million for the year ended December 31, 2019 due primarily to a decrease in market interest rates partially offset by an increase in the average balance of interest-bearing liabilities. The average rate of interest-bearing demand deposits decreased by 92 basis points during the year ended December 31, 2020 to 0.84% as compared to 1.76% for the prior year. The decrease in the average rate on interest-bearing demand deposits was due to those deposits, primarily public funds NOW and DDA 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 that declined sharply beginning in the first quarter of 2020. The average rate of time deposits decreased 24 basis points during the year ended December 31, 2020 to 2.20% as compared to 2.44% for the prior year. The decrease in the average rate of time deposits was due to First Guaranty's strategy to reduce deposit costs by expanding non-interest bearing and lower cost interest bearing deposits that has provided an alternative to higher cost time deposits and has helped First Guaranty maintain liquidity while lowering rates on time deposits. Partially offsetting the decrease in interest expense was an increase in the average balance of interest-bearing liabilities, which increased $310.9 million during the year ended December 31, 2020 to $1.8 billion as compared to the prior year as a result of a $130.3 million increase in the average balance of interest-bearing demand deposits, a $69.5 million increase in the average balance of borrowings, a $63.4 million increase in the average balance of time deposits and a $47.7 million increase in the average balance of savings deposits.

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 was designed to fund loan growth and increase long term funding for the Bank.

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, 2020			December 31, 2019			December 31, 2018		
	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)	$ 182,339	$ 404	0.22%	$ 144,298	$ 2,956	2.05%	$ 39,005	$ 612	1.57%
Securities (including FHLB stock)	380,991	9,471	2.49%	349,247	9,800	2.81%	465,399	12,941	2.78%
Federal funds sold	678	1	0.08%	592	1	0.25%	531	1	0.23%
Loans held for sale	377	21	5.56%	324	24	7.41%	1,330	84	6.32%
Loans, net of unearned income	1,662,875	90,787	5.46%	1,315,524	78,862	5.99%	1,167,458	64,752	5.55%
Total interest-earning assets	**2,227,260**	**100,684**	**4.52%**	**1,809,985**	**91,643**	**5.06%**	**1,673,723**	**78,390**	**4.68%**
Noninterest-earning assets:									
Cash and due from banks	12,955			11,951			10,013		
Premises and equipment, net	58,411			45,037			38,502		
Other assets	49,859			15,256			13,805		
Total assets	**$2,348,485**			**$1,882,229**			**$1,736,043**		
Liabilities and Shareholders' Equity									
Interest-bearing liabilities:									
Demand deposits	$ 722,433	6,089	0.84%	$ 592,113	10,447	1.76%	$ 556,528	8,531	1.53%
Savings deposits	163,332	268	0.16%	115,682	527	0.46%	111,134	407	0.37%
Time deposits	767,075	16,908	2.20%	703,685	17,141	2.44%	628,457	10,690	1.70%
Borrowings	110,292	2,752	2.50%	40,766	1,851	4.54%	39,150	1,738	4.44%
Total interest-bearing liabilities	**1,763,132**	**26,017**	**1.48%**	**1,452,246**	**29,966**	**2.06%**	**1,335,269**	**21,366**	**1.60%**
Noninterest-bearing liabilities:									
Demand deposits	393,734			262,379			252,531		
Other	12,714			9,204			5,870		
Total Liabilities	**2,169,580**			**1,723,829**			**1,593,670**		
Shareholders' equity	**178,905**			**158,400**			**142,373**		
Total liabilities and shareholders' equity	**$2,348,485**			**$1,882,229**			**$1,736,043**		
Net interest income		**$74,667**			**$61,677**			**$57,024**	
Net interest rate spread(2)			**3.04%**			**3.00%**			**3.08%**
Net interest-earning assets(3)	**$ 464,128**			**$ 357,739**			**$ 338,454**		
Net interest margin(4)(5)			**3.35%**			**3.41%**			**3.41%**
Average interest-earning assets to interest-bearing liabilities			**126.32%**			**124.63%**			**125.35%**

(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 3.36%, 3.42% and 3.42% for the years ended December 31, 2020, 2019 and 2018. A 21% tax rate was used to calculate the effect on securities income from tax exempt securities for the years ended December 31, 2020, 2019 and 2018.

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, 2020 vs. 2019			For the Years Ended December 31, 2019 vs. 2018		
	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	$ 621	$ (3,173)	$ (2,552)	$ 2,105	$ 239	$ 2,344
Securities (including FHLB stock)	846	(1,175)	(329)	(3,259)	118	(3,141)
Federal funds sold	-	-	-	-	-	-
Loans held for sale	4	(7)	(3)	(72)	12	(60)
Loans, net of unearned income	19,433	(7,508)	11,925	8,618	5,492	14,110
Total interest income	20,904	(11,863)	9,041	7,392	5,861	13,253
Interest paid on:						
Demand deposits	1,943	(6,301)	(4,358)	570	1,346	1,916
Savings deposits	163	(422)	(259)	18	102	120
Time deposits	1,473	(1,706)	(233)	1,400	5,051	6,451
Borrowings	2,032	(1,131)	901	73	40	113
Total interest expense	5,611	(9,560)	(3,949)	2,061	6,539	8,600
Change in net interest income	$ 15,293	$ (2,303)	$ 12,990	$ 5,331	$ (678)	$ 4,653

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 $14.9 million provision for loan losses for the year ended December 31, 2020 compared to $4.9 million for 2019. The allowance for loan losses at December 31, 2020 was $24.5 million or 1.33% of total loans, compared to $10.9 million or 0.72% of total loans at December 31, 2019. The increase in the provision was attributable to the increase in the loan portfolio, the effects of the COVID-19 pandemic and charge-offs not previously provided for. Total charge-offs were $2.4 million for year ended December 31, 2020 and $5.3 million for 2019. We believe that the allowance is adequate to cover potential losses in the loan portfolio given the current economic conditions that are significantly influenced by the COVID-19 pandemic, and current expected net charge-offs and non-performing asset levels. We expect economic uncertainty to continue which may result in additional increases to the allowance for loan losses in future periods.

For the year ended December 31, 2019, the provision for loan losses was $4.9 million 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.

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 $23.8 million for the year ended December 31, 2020, an increase of $15.5 million from $8.3 million for the year ended December 31, 2019. The increase was primarily due to gains on the sale of securities. Net securities gains were $14.8 million for the year ended December 31, 2020 as compared to net securities losses of $0.2 million for 2019. The gains on securities sales occurred as First Guaranty sold investment securities in order to fund loan growth and convert unrealized gains into realized earnings as previously noted as part of First Guaranty's plan to manage for economic uncertainty. Service charges, commissions and fees totaled $2.6 million for the year ended December 31, 2020 as compared to $2.8 million for 2019. The decline in these fees for 2020 compared to 2019 was the result of waivers initially provided for during the beginning of the COVID-19 pandemic. ATM and debit card fees totaled $3.0 million for the year ended December 31, 2020 and $2.3 million for 2019. The increase in these fees can be attributed to growth from the Union acquisition and to changes in customer behavior associated with the COVID-19 pandemic as customers used their debit cards as an alternative to cash. Net gains on the sale of loans were $1.1 million for the year ended December 31, 2020 and $1.4 million for 2019. Other noninterest income totaled $2.3 million and $2.0 million for the years ended December 31, 2020 and 2019, respectively.

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 Expense

Noninterest expense includes salaries and employee benefits, occupancy and equipment expense and other types of expenses. Noninterest expense totaled $58.0 million for the year ended December 31, 2020 and $47.2 million for the year ended December 31, 2019. Salaries and benefits expense totaled $29.6 million for the year ended December 31, 2020 and $25.0 million for the year ended December 31, 2019. The increase in salaries and benefits expense was primarily due to the increase in personnel expense from the Union acquisition, new hires and expenses associated with COVID-19. Occupancy and equipment expense increased to $7.7 million for the year ended December 31, 2020 from $6.1 million for the year ended December 31, 2019 due to the new offices acquired in the Union acquisition. Other noninterest expense totaled $20.7 million for the year ended December 31, 2020 and $16.1 million for 2019. The following are notable changes occurred within noninterest expense. Marketing and public relations expense declined $0.4 million during 2020 primarily due to the impacts of COVID-19. Software expense and amortization increased $1.0 million in 2020 compared to 2019 due to the Union acquisition and the continued development of First Guaranty's loan and deposit platforms. The amortization of core deposits increased $0.3 million due to the Union acquisition. Net costs from other real estate owned and repossessions increased by $1.2 million as First Guaranty established a reserve for other real estate expense and wrote down other real estate properties. First Guaranty's regulatory assessment increased by $1.0 million in 2020 compared to 2019 due to the Union acquisition and the substantial growth in deposits associated with COVID-19.

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 acquisition. Other noninterest expense totaled $16.1 million for the year ended December 31, 2019 and $14.8 million for 2018. The following are notable changes within noninterest expense. Legal and professional fees increased approximately $0.3 million in 2019 compared to 2018 principally due to the Union acquisition. Data processing increased approximately $0.3 million principally due to the Union acquisition.

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

	December 31, 2020	December 31, 2019	December 31, 2018
		(in thousands)	
Other noninterest expense:			
Legal and professional fees	$ 2,919	$ 2,648	$ 2,362
Data processing	2,465	1,972	1,692
ATM fees	1,332	1,217	1,214
Marketing and public relations	1,046	1,456	1,329
Taxes - sales, capital and franchise	1,251	1,094	1,066
Operating supplies	921	674	562
Software expense and amortization	2,354	1,308	1,119
Travel and lodging	726	908	978
Telephone	256	193	208
Amortization of core deposits	712	390	545
Donations	393	603	380
Net costs from other real estate and repossessions	1,653	422	186
Regulatory assessment	1,716	683	941
Other	2,980	2,536	2,204
Total other expense	$ 20,724	$ 16,104	$ 14,786

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, 2020, 2019 and 2018 was $5.2 million, $3.7 million and $3.5 million, respectively. The provision for income taxes in 2020 increased as compared to 2019 due to the increase in income before income taxes. First Guaranty's statutory tax rate was 21.0% for the years ended December 31, 2020, 2019 and 2018.

Impact of Inflation

Our consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K 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.

First Guaranty's cash and cash equivalents totaled $299.6 million at December 31, 2020 compared to $67.4 million at December 31, 2019. Loans maturing within one year or less at December 31, 2020 totaled $265.9 million. At December 31, 2020, time deposits maturing within one year or less totaled $355.1 million. Time deposits maturing after one year through three years totaled $234.1 million at December 31, 2020 compared to $167.9 million at December 31, 2019. Time deposits maturing after three years totaled $136.5 million at December 31, 2020 compared to $243.4 million at December 31, 2019. First Guaranty increased interest-bearing deposits associated with brokered money market funds in order to increase on-balance sheet liquidity. Approximately $50.0 million of additional brokered money market funds were acquired in order to manage uncertainty associated with the COVID-19 crisis. First Guaranty's held to maturity ("HTM") investment securities portfolio at December 31, 2020 was $0 compared to $86.6 million or 20.3% of the investment portfolio at December 31, 2019. First Guaranty's available for sale ("AFS") portfolio was $238.5 million, or 100.0% of the investment portfolio at December 31, 2020 compared to $339.9 million, or 79.7% at December 31, 2019. 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 $161.2 million and $170.3 million at December 31, 2020 and December 31, 2019, respectively with $53.4 million and $16.6 million in FHLB advances outstanding at December 31, 2020 and December 31, 2019, respectively. At December 31, 2020, we had outstanding letters of credit from the FHLB in the amount of $365.8 million that were primarily used to collateralize public funds deposits. We also have a discount window line with the Federal Reserve Bank that totaled $29.0 million at December 31, 2020. First Guaranty had loans eligible to be pledged under the Federal Reserve's PPP lending facility that totaled $92.3 million at December 31, 2020. First Guaranty did not have any advances under this facility at December 31, 2020. We also maintain federal funds lines of credit at various correspondent banks with borrowing capacity of $100.5 million at December 31, 2020. We have a revolving line of credit for $6.5 million, with no outstanding balance at December 31, 2020 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 $178.6 million at December 31, 2020 from $166.0 million at December 31, 2019. The increase in shareholders' equity was principally the result of an increase of $14.1 million in retained earnings offset by a decrease of $1.5 million in accumulated other comprehensive income. The $14.1 million increase in retained earnings was due to net income of $20.3 million during the year ended December 31, 2020, partially offset by $6.2 million in cash dividends paid on our common stock. The decrease in accumulated other comprehensive income was primarily attributed to the decrease in unrealized gains on available for sale securities during the year ended December 31, 2020.

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, 2020, First Guaranty Bank was classified as well-capitalized. First Guaranty Bank's capital conservation buffer was 4.22% at December 31, 2020.

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

	"Well Capitalized Minimums"	At December 31, 2020	"Well Capitalized Minimums"	At December 31, 2019
Tier 1 Leverage Ratio	5.00%	8.58%	5.00%	10.44%
Tier 1 Risk-based Capital Ratio	8.00%	10.97%	8.00%	11.96%
Total Risk-based Capital Ratio	10.00%	12.22%	10.00%	12.61%
Common Equity Tier One Capital	6.50%	10.97%	6.50%	11.96%

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, 2020, 2019 and 2018 are as follows:

Contract Amount	December 31, 2020	December 31, 2019	December 31, 2018
		(in thousands)	
Commitments to Extend Credit	$ 154,047	$ 117,826	$ 108,348
Unfunded Commitments under lines of credit	$ 169,151	$ 148,127	$ 122,212
Commercial and Standby letters of credit	$ 11,728	$ 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 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, 2020, 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, 2020, 2019 and 2018.

Contractual Obligations

The following table summarizes our fixed and determinable contractual obligations and other funding needs by payment date at December 31, 2020. 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, 2020			
	Less Than One Year	One to Three Years	Over Three Years	Total
	(in thousands)			
Operating leases	$ 141	$ 150	$ -	$ 291
Software contracts	2,717	4,903	1,165	8,785
Time deposits	355,093	234,058	136,478	725,629
Short-term advances from Federal Home Loan Bank	50,000	-	-	50,000
Repurchase agreements	1,406	1,993	2,722	6,121
Long-term advances from Federal Home Loan Bank	-	-	3,366	3,366
Senior long-term debt	4,531	12,082	25,795	42,408
Junior subordinated debentures	-	-	15,000	15,000
Total contractual obligations	$ 413,888	$ 253,186	$ 184,526	$ 851,600

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, 2020 illustrated below reflects a liability-sensitive position with a negative cumulative gap on a one-year basis.

	December 31, 2020				
	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)	$ 562,022	$ 195,966	$ 757,988	$ 1,086,147	$ 1,844,135
Securities (including FHLB stock)	11,019	2,002	13,021	228,878	241,899
Federal Funds Sold	702	-	702	-	702
Other earning assets	287,744	-	287,744	-	287,744
Total earning assets	**$ 861,487**	**$ 197,968**	**$1,059,455**	**$ 1,315,025**	**$ 2,374,480**
Source of Funds:					
Interest-bearing accounts:					
Demand deposits	$ 860,394	$ -	$ 860,394	$ -	$ 860,394
Savings deposits	168,879	-	168,879	-	168,879
Time deposits	196,861	158,137	354,998	370,631	725,629
Short-term borrowings	50,000	-	50,000	5,902	55,902
Senior long-term debt	42,366	-	42,366	3,366	45,732
Junior subordinated debt	-	-	-	14,777	14,777
Noninterest-bearing, net	-	-	-	503,167	503,167
Total source of funds	**$ 1,318,500**	**$ 158,137**	**$ 1,476,637**	**$ 897,843**	**$ 2,374,480**
Period gap	$ (457,013)	$ 39,831	$ (417,182)	$ 417,182	
Cumulative gap	$ (457,013)	$ (417,182)	$ (417,182)	$ -	
Cumulative gap as a percent of earning assets	(19.2)%	(17.6)%	(17.6)%		

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, 2020. 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 -25 basis points) from base case. We do not present shifts less than 25 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, 2020	
Instantaneous Changes in Interest Rates (basis points)	Percent Change in Net Interest Income
+400	(7.18)%
+300	(7.08)%
+200	(6.99)%
+100	(2.71)%
Base	0%
-25	2.84%

Gradual Changes in Interest Rates (basis points)	Percent Change in Net Interest Income
+400	(5.96)%
+300	(4.96)%
+200	(3.43)%
+100	(1.32)%
Base	0%
-25	2.40%

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.

First Guaranty continues to pursue its strategy to increase loans as a percentage of average assets compared to securities. First Guaranty has also been collateralizing more of its public funds deposits with either FHLB letters of credit or with reciprocal deposit insurance programs. This facilitates the investment of our deposits in higher yielding loans rather than lower yielding securities that generally have higher interest rate risk. This strategy is designed to reduce interest rate risk and improve net interest income. New loans that are originated generally are either floating rate or were fixed rate with maturities that did not exceed five years. Loans as a percentage of average interest-earning assets increased to 74.7% in 2020 compared to 72.7% in 2019. Securities as a percentage of average interest-earning assets decreased from 19.3% in 2019 to 17.1% in 2020.

FGB hosted Chamber After Hours Mardi Gras event!

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 and Internal Control over Financial Reporting

We have audited the accompanying balance sheets of First Guaranty Bancshares, Inc. and Subsidiary (First Guaranty) as of December 31, 2020 and 2019, and the related statements of income, comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2020, and the related notes collectively referred to as the financial statements. We also have audited First Guaranty's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of First Guaranty as of December 31, 2020 and 2019 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, First Guaranty maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by COSO.

Basis for Opinion

First Guaranty's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on First Guaranty's financial statements and an opinion on First Guaranty's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements 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. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Castaing Hussey & Lolan, LLC
— Certified Public Accountants

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Allowance for Loan Losses

As described in Notes 1, 6 and 7 to the financial statements, at December 31, 2020 First Guaranty's total loans were $1.8 billion and the associated allowance for loan losses balance was $24.5 million. The allowance for loan losses is management's best estimate of probable losses inherent in its loan portfolio and is based on historical loss experience by loan segment and class with adjustments for current events and conditions. These factors include, among others, loan loss experience, current loan portfolio quality, present economic, political and regulatory conditions, specific credit risks, industry concentrations, and unidentified losses inherent in the current loan portfolio.

We identified management's asset quality ratings of loans and determination of qualitative factors, which is based on general economic conditions and other qualitative risk factors both internal and external to First Guaranty, both of which are used in the allowance for loan losses calculation, as a critical audit matter. First Guaranty uses asset quality risk ratings to monitor portfolio performance and trends and to adjust historical loss percentages for classified loans. First Guaranty stratifies loans into pools based on collateral and type of loan, based on regulatory guidelines, and estimates inherent loss rates for each of the loan pools, which are used in the calculation of the allowance for loan losses. The general valuation allowance portion of the allowance for loan losses is used to estimate losses and is based on management's evaluation of various factors that are not captured in the historical credit loss factors or on the specific impairment component. Auditing management's judgments regarding the determination of the quantitative and qualitative portion of the allowance for loan losses involved a high degree of subjectivity.

The primary procedures we performed to address the critical audit matters included:

- Testing the design, implementation, and operating effectiveness of controls relating to management's calculation of the allowance for loan losses, including controls over the accuracy of asset quality ratings of loans, the loan pools based on collateral type, and the determination of the qualitative and quantitative factors of the allowance for loan losses.
- Testing a risk-based targeted selection of loans to gain substantive evidence that First Guaranty is appropriately rating these loans in accordance with its policies, and that the asset quality ratings for the loans are reasonable.
- Obtaining management's analysis and supporting documentation related to the qualitative factors and testing whether the qualitative risk factors both internal and external to First Guaranty used in the calculation of the allowance for loan losses are supported by the analysis provided by management.
- Testing of loans excluded from the qualitative general reserve calculations.
- Testing the appropriateness of the methodology and assumptions used in the calculation of the allowance for loan losses, and testing the calculation itself, including completeness and accuracy of the data used in the calculation, application of the qualitative factors determined by management and used in the calculation, and recalculation of the allowance for loan losses balance.

Castaing, Hussey & Lolan, LLC

We have served as First Guaranty's auditor since 2001.

Castaing, Hussey & Lolan, LLC
New Iberia, Louisiana

March 16, 2021

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

	December 31, 2020	December 31, 2019
	(in thousands, except share data)	
Assets		
Cash and cash equivalents:		
Cash and due from banks	$ 298,903	$ 66,511
Federal funds sold	702	914
Cash and cash equivalents	299,605	67,425
Investment securities:		
Available for sale, at fair value	238,548	339,937
Held to maturity, at cost (estimated fair value of $0 and $86,817, respectively)	-	86,579
Investment securities	238,548	426,516
Federal Home Loan Bank stock, at cost	3,351	3,308
Loans held for sale	-	-
Loans, net of unearned income	1,844,135	1,525,490
Less: allowance for loan losses	24,518	10,929
Net loans	1,819,617	1,514,561
Premises and equipment, net	59,892	56,464
Goodwill	12,900	12,942
Intangible assets, net	6,587	7,166
Other real estate, net	2,240	4,879
Accrued interest receivable	11,933	8,412
Other assets	18,405	15,543
Total Assets	$ 2,473,078	$ 2,117,216
Liabilities and Shareholders' Equity		
Deposits:		
Noninterest-bearing demand	$ 411,416	$ 325,888
Interest-bearing demand	860,394	635,942
Savings	168,879	135,156
Time	725,629	756,027
Total deposits	2,166,318	1,853,013
Short-term advances from Federal Home Loan Bank	50,000	13,079
Repurchase agreements	6,121	6,840
Accrued interest payable	5,292	6,047
Long-term advances from Federal Home Loan Bank	3,366	3,533
Senior long-term debt	42,366	48,558
Junior subordinated debentures	14,777	14,737
Other liabilities	6,247	5,374
Total Liabilities	2,294,487	1,951,181
Shareholders' Equity		
Common stock:		
$1 par value - authorized 100,600,000 shares; issued 9,741,253 shares	9,741	9,741
Surplus	110,836	110,836
Retained earnings	57,367	43,283
Accumulated other comprehensive income (loss)	647	2,175
Total Shareholders' Equity	178,591	166,035
Total Liabilities and Shareholders' Equity	$ 2,473,078	$ 2,117,216

See Notes to the Consolidated Financial Statements.

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

	Years Ended December 31,		
	2020	2019	2018
	(in thousands, except share data)		
Interest Income:			
Loans (including fees)	$ 90,808	$ 78,886	$ 64,836
Deposits with other banks	404	2,956	612
Securities (including FHLB stock)	9,471	9,800	12,941
Federal funds sold	1	1	1
Total Interest Income	100,684	91,643	78,390
Interest Expense:			
Demand deposits	6,089	10,447	8,531
Savings deposits	268	527	407
Time deposits	16,908	17,141	10,690
Borrowings	2,752	1,851	1,738
Total Interest Expense	26,017	29,966	21,366
Net Interest Income	74,667	61,677	57,024
Less: Provision for loan losses	14,877	4,860	1,354
Net Interest Income after Provision for Loan Losses	59,790	56,817	55,670
Noninterest Income:			
Service charges, commissions and fees	2,571	2,808	2,988
ATM and debit card fees	3,022	2,254	2,122
Net gains (losses) on securities	14,791	(157)	(1,830)
Net gains on sale of loans	1,054	1,376	278
Other	2,342	2,018	1,722
Total Noninterest Income	23,780	8,299	5,280
Noninterest Expense:			
Salaries and employee benefits	29,600	25,019	22,888
Occupancy and equipment expense	7,709	6,096	5,601
Other	20,724	16,104	14,786
Total Noninterest Expense	58,033	47,219	43,275
Income Before Income Taxes	25,537	17,897	17,675
Less: Provision for income taxes	5,219	3,656	3,462
Net Income	$ 20,318	$ 14,241	$ 14,213
Per Common Share:			
Earnings	$ 2.09	$ 1.47	$ 1.47
Cash dividends paid	$ 0.64	$ 0.60	$ 0.58
Weighted Average Common Shares Outstanding	9,741,253	9,695,131	9,687,123

See Notes to Consolidated Financial Statements

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

	Years Ended December 31,		
	2020	2019	2018
		(in thousands)	
Net Income	$ 20,318	$ 14,241	$ 14,213
Other comprehensive income:			
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the period	12,757	11,435	(8,508)
Reclassification adjustments for gains (losses) included in net income	(14,791)	353	1,830
Reclassification of OTTI losses included in net income	100	-	-
Change in unrealized gains (losses) on securities	(1,934)	11,788	(6,678)
Tax impact	406	(2,475)	1,402
Other comprehensive income (loss)	(1,528)	9,313	(5,276)
Comprehensive Income	$ 18,790	$ 23,554	$ 8,937

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)		
Balance December 31, 2017	$ 9,687	$ 109,788	$26,064	$ (1,556)	$ 143,983
Reclassification of stranded tax effects in accumulated other comprehensive income	-	-	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)	-	-	(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 (loss)	-	-	-	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
Net income	-	-	20,318	-	20,318
Other comprehensive income	-	-	-	(1,528)	(1,528)
Cash dividends on common stock ($0.64 per share)	-	-	(6,234)	-	(6,234)
Balance December 31, 2020	$ 9,741	$ 110,836	$ 57,367	$ 647	$ 178,591

See Notes to Consolidated Financial Statements

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

	Years Ended December 31,		
	2020	2019	2018
		(in thousands)	
Cash Flows From Operating Activities:			
Net income	$ 20,318	$ 14,241	$ 14,213
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	14,877	4,860	1,354
Depreciation and amortization	3,781	3,057	3,289
Amortization/Accretion of investments	2,594	1,347	1,445
Gain (loss) on sale/call of securities	(14,791)	157	1,830
Other than temporary impairment charge on securities	100	-	-
Gain on sale of assets	(1,054)	(1,304)	(301)
Repossessed asset writedowns, gains and losses on dispositions	1,245	90	(47)
FHLB stock dividends	(43)	(63)	(42)
Net decrease in loans held for sale	-	344	964
Change in other assets and liabilities, net	(3,268)	6,349	4,184
Net Cash Provided by Operating Activities	23,759	29,078	26,889
Cash Flows From Investing Activities:			
Proceeds from maturities and calls of HTM securities	34,022	21,190	11,197
Proceeds from maturities, calls and sales of AFS securities	1,242,559	279,590	384,549
Funds Invested in AFS securities	(1,078,450)	(274,437)	(309,346)
Net increase in loans	(322,745)	(123,553)	(76,354)
Purchases of premises and equipment	(6,313)	(11,933)	(3,787)
Proceeds from sales of premises and equipment	127	12	46
Proceeds from sales of other real estate owned	2,345	550	484
Cash paid in excess of cash received in acquisition	-	(23,325)	-
Net Cash (Used In) Provided By Investing Activities	(128,455)	(131,906)	6,789
Cash Flows From Financing Activities:			
Net increase in deposits	313,210	18,408	80,336
Net increase (decrease) in federal funds purchased and short-term borrowings	36,202	(28)	(15,500)
Proceeds from long-term borrowings, net of costs	-	32,465	-
Repayment of long-term borrowings	(6,302)	(3,754)	(2,941)
Common stock issued in private placement	-	1,000	-
Dividends paid	(6,234)	(5,803)	(5,636)
Net Cash Provided By Financing Activities	336,876	42,288	56,259
Net Increase (Decrease) in Cash and Cash Equivalents	232,180	(60,540)	89,937
Cash and Cash Equivalents at the Beginning of the Period	67,425	127,965	38,028
Cash and Cash Equivalents at the End of the Period	$ 299,605	$ 67,425	$ 127,965
Noncash Activities:			
Acquisition of real estate in settlement of loans	$ 951	$ 2,789	$ 297
Transfer of securities from HTM to AFS	$ 52,553	$ -	$ -
Cash Paid During the Period:			
Interest on deposits and borrowed funds	$ 26,772	$ 27,871	$ 19,902
Federal income taxes	$ 4,800	$ 3,250	$ 2,400
State income taxes	$ 25	$ 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-six 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 including the impact of the COVID-19 pandemic, 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. Qualitative factors include analysis of levels and trends in delinquencies,non-accrual loans, charge-offs and recoveries, loan risk ratings, trends in volume and terms of loans, changes in lending policy, credit concentrations, portfolio stress test results, national and local economic trends including the impact of COVID-19, industry conditions, and other relevant 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. Goodwill represents the excess of the purchase price over the fair value of the net identifiable assets acquired in an acquisition. 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 in accordance with ASC Topic 350.

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 or to the allowance for other real estate. 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 instrument

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 2017. 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 2020.

Note 2. Recent Accounting Pronouncements

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 a smaller reporting company and has delayed the adoption of ASU 2016-13.

In December 2019, the FASB issued ASU 2019-12, "Simplifying the Accounting for Income Taxes (Topic 740)." The amendments in this ASU simplify the accounting for income taxes by removing certain exceptions to the general principles in the Topic 740. The amendments also improve the consistent application of and simplify GAAP for other areas of Topic 740 by clarifying and amending existing guidance. The amendments in the ASU are effective for fiscal years and interim periods beginning after December 15, 2020. First Guaranty is currently assessing the impact of adoption of this guidance.

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 $9.4 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 finalized the purchase price allocations related to the Union acquisition during the fourth quarter of 2020. Based on management's valuation of tangible and intangible assets acquired and liabilities assumed, the purchase price for the Union acquisition is allocated in the table below.

	Union Bancshares, Incorporated
	(in thousands)
Cash and due from banks	$ 20,063
Securities available for sale	38,813
Loans	184,344
Premises and equipment	7,223
Goodwill	9,428
Intangible assets	4,213
Other real estate	1,595
Other assets	9,480
Total assets acquired	**$ 275,159**
Deposits	205,078
FHLB borrowings	16,617
Repurchase agreements	6,863
Other liabilities	3,218
Total liabilities assumed	**$ 231,776**
Net assets acquired	**$ 43,383**

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, 2020 and 2019. At December 31, 2020 First Guaranty had no accounts at correspondent banks, excluding the Federal Reserve Bank, that exceeded the FDIC insurable limit of $250,000. At December 31, 2019 First Guaranty had only two 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 $5.7 million.

Note 5. Securities

A summary comparison of securities by type at December 31, 2020 and 2019 is shown below.

	December 31, 2020				December 31, 2019			
	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	$ 3,000	$ -	$ -	$ 3,000	$ -	$ -	$ -	$ -
U.S. Government Agencies	169,986	77	(405)	169,658	16,380	15	(2)	16,393
Corporate debt securities	36,153	604	(268)	36,489	94,561	1,110	(302)	95,369
Municipal bonds	27,381	781	-	28,162	30,297	1,870	(14)	32,153
Collateralized mortgage obligations	-	-	-	-	16,400	40	(43)	16,397
Mortgage-backed securities	1,208	31	-	1,239	179,546	317	(238)	179,625
Total available for sale securities	$ 237,728	$ 1,493	$ (673)	$ 238,548	$ 337,184	$ 3,352	$ (599)	$ 339,937
Held to maturity:								
U.S. Government Agencies	$ -	$ -	$ -	$ -	$ 18,175	$ -	$ (32)	$ 18,143
Municipal bonds	-	-	-	-	5,107	182	-	5,289
Mortgage-backed securities	-	-	-	-	63,297	200	(112)	63,385
Total held to maturity securities	$ -	$ -	$ -	$ -	$ 86,579	$ 382	$ (144)	$ 86,817

The scheduled maturities of securities at December 31, 2020, 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, 2020	
	Amortized Cost	Fair Value
	(in thousands)	
Available for sale:		
Due in one year or less	$ 9,635	$ 9,670
Due after one year through five years	6,994	6,995
Due after five years through 10 years	67,675	68,412
Over 10 years	152,216	152,232
Subtotal	**236,520**	**237,309**
Mortgage-backed Securities	1,208	1,239
Total available for sale securities	$ 237,728	$ 238,548

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, 2020.

	At December 31, 2020								
	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	12	131,455	(405)	-	-	-	12	131,455	(405)
Corporate debt securities	17	10,286	(144)	4	1,254	(124)	21	11,540	(268)
Municipal bonds	1	66	-	-	-	-	1	66	-
Mortgage-backed securities	-	-	-	6	11	-	6	11	-
Total available for sale securities	30	$141,807	$ (549)	10	$ 1,265	$ (124)	40	$143,072	$ (673)

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)
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)

As of December 31, 2020, 40 of First Guaranty's debt securities had unrealized losses totaling 0.5% of the individual securities' amortized cost basis and 0.3% of First Guaranty's total amortized cost basis of the investment securities portfolio. 10 of the 40 securities had been in a continuous loss position for over 12 months at such date. The 10 securities had an aggregate amortized cost basis of $1.4 million and an unrealized loss of $0.1 million at December 31, 2020. 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. There was one security with an other-than-temporary impairment loss at December 31, 2020. 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 was one other-than-temporary impairment loss of $100,000 recognized on securities during the years ended December 31, 2020. The security had an original book value of $0.1 million and was in default. First Guaranty's analysis of the company and the current market value of the security resulted in the determination that a write down was warranted. There were no other-than-temporary impairment losses recognized on securities during the years ended December 31, 2019, and 2018.

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, 2020, 2019, and 2018:

	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018
	(in thousands)		
Beginning balance of credit losses at beginning of year	$ -	$ 60	$ 60
Other-than-temporary impairment credit losses on securities not previously OTTI	100	-	-
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	$ 100	$ -	$ 60

In 2020, 2019 and 2018 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, 2020 and 2019 the carrying value of pledged securities totaled $184.0 million and $212.8 million, respectively.

Gross realized gains on sales of securities were $14.7 million, $0.8 million and $0.1 million for the years ended December 31, 2020, 2019 and 2018, respectively. Gross realized losses were $0.1 million, $1.1 million and $1.9 million for the years ended December 31, 2020, 2019 and 2018. The tax applicable to these transactions amounted to $3.1 million, $(79,000), and $(0.4) million for 2020, 2019 and 2018, respectively. Proceeds from sales of securities classified as available for sale amounted to $394.9 million, $90.5 million and $114.5 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Net unrealized gains on available for sale securities included in accumulated other comprehensive income (loss) ("AOCI"), net of applicable income taxes, totaled $0.6 million at December 31, 2020. At December 31, 2019 net unrealized gains included in AOCI, net of applicable income taxes, totaled $2.2 million. During 2020 net gains, net of tax, reclassified out of AOCI into earnings totaled $11.7 million. During 2019 net losses, net of tax, reclassified out of AOCI into earnings totaled $0.3 million.

At December 31, 2020, First Guaranty's exposure to investment securities issuers that exceeded 10% of shareholders' equity was as follows:

	December 31, 2020	
	Amortized Cost	Fair Value
	(in thousands)	
Federal Home Loan Mortgage Corporation (Freddie Mac-FHLMC)	110,177	109,856
Federal Farm Credit Bank (FFCB)	54,263	54,279
Total	$ 164,440	$ 164,135

Note 6. Loans

The following table summarizes the components of First Guaranty's loan portfolio as of December 31, 2020 and December 31, 2019:

	December 31,			
	2020		2019	
	Balance	As % of Category	Balance	As % of Category
	(in thousands, except for %)			
Real Estate:				
Construction & land development	$ 150,841	8.2%	$ 172,247	11.3%
Farmland	26,880	1.4 %	22,741	1.5%
1- 4 Family	271,236	14.7%	289,635	18.9%
Multifamily	45,932	2.5%	23,973	1.6%
Non-farm non-residential	824,137	44.6%	616,536	40.3%
Total Real Estate	1,319,026	71.4%	1,125,132	73.6%
Non-Real Estate:				
Agricultural	28,335	1.5%	26,710	1.8%
Commercial and industrial	353,028	19.1%	268,256	17.5%
Consumer and other	148,783	8.0%	108,868	7.1%
Total Non-Real Estate	530,146	28.6%	403,834	26.4%
Total Loans Before Unearned Income	1,849,172	100.0%	1,528,966	100.0%
Unearned income	(5,037)		(3,476)	
Total Loans Net of Unearned Income	$ 1,844,135		$ 1,525,490	

The following table summarizes fixed and floating rate loans by contractual maturity, excluding nonaccrual loans, as of December 31, 2020 and December 31, 2019 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,					
	2020			2019		
	(in thousands)					
	Fixed	Floating	Total	Fixed	Floating	Total
One year or less	$ 186,252	$ 79,680	$ 265,932	$ 205,596	$ 104,859	$ 310,455
One to five years	740,358	368,259	1,108,617	509,455	286,131	795,586
Five to 15 years	128,860	91,032	219,892	147,502	65,713	213,215
Over 15 years	146,830	92,325	239,155	143,695	51,612	195,307
Subtotal	$ 1,202,300	$ 631,296	1,833,596	$1,006,248	$ 508,315	1,514,563
Nonaccrual loans			15,576			14,403
Total Loans Before Unearned Income			1,849,172			1,528,966
Unearned income			(5,037)			(3,476)
Total Loans Net of Unearned Income			$ 1,844,135			$ 1,525,490

As of December 31, 2020, $305.0 million of floating rate loans were at their interest rate floor. At December 31, 2019, $153.3 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, 2020 and December 31, 2019:

	As of December 31, 2020					
	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	$ 8,088	$ 1,621	$ 9,709	$ 141,132	$ 150,841	$ 1,000
Farmland	227	857	1,084	25,796	26,880	—
1- 4 family	6,050	7,207	13,257	257,979	271,236	4,980
Multifamily	190	366	556	45,376	45,932	366
Non-farm non-residential	15,792	12,148	27,940	796,197	824,137	4,699
Total Real Estate	30,347	22,199	52,546	1,266,480	1,319,026	11,045
Non-Real Estate:						
Agricultural	143	3,539	3,682	24,653	28,335	67
Commercial and industrial	663	2,557	3,220	349,808	353,028	1,856
Consumer and other	1,176	372	1,548	147,235	148,783	123
Total Non-Real Estate	1,982	6,468	8,450	521,696	530,146	2,046
Total Loans Before Unearned Income	$ 32,329	$28,667	$60,996	$1,788,176	1,849,172	$13,091
Unearned income					(5,037)	
Total Loans Net of Unearned Income					$ 1,844,135	

	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	

The tables above include $15.6 million and $14.4 million of nonaccrual loans for December 31, 2020 and 2019, 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, 2020	As of December 31, 2019
	(in thousands)	
Real Estate:		
Construction & land development	$ 621	$ 381
Farmland	857	1,274
1- 4 family	2,227	2,759
Multifamily	-	-
Non-farm non-residential	7,449	4,646
Total Real Estate	11,154	9,060
Non-Real Estate:		
Agricultural	3,472	4,800
Commercial and industrial	701	327
Consumer and other	249	216
Total Non-Real Estate	4,422	5,343
Total Nonaccrual Loans	$ 15,576	$ 14,403

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, 2020					As of December 31, 2019				
	Pass	Special Mention	Sub-standard	Doubtful	Total	Pass	Special Mention	Sub-standard	Doubtful	Total
	(in thousands)									
Real Estate:										
Construction & land development	$ 139,032	$ 10,785	$ 1,024	$ -	$ 150,841	$ 163,808	$ 6,180	$ 2,259	$ -	$ 172,247
Farmland	22,822	46	4,012	-	26,880	18,223	3,177	1,341	-	22,741
1- 4 family	251,315	7,252	12,669	-	271,236	271,392	4,751	13,492	-	289,635
Multifamily	36,146	1,841	7,945	-	45,932	16,025	805	7,143	-	23,973
Non-farm non-residential	756,760	51,355	16,022	-	824,137	589,800	7,743	18,993	-	616,536
Total Real Estate	1,206,075	71,279	41,672	-	1,319,026	1,059,248	22,656	43,228	-	1,125,132
Non-Real Estate:										
Agricultural	24,180	92	4,063	-	28,335	21,529	48	5,133	-	26,710
Commercial and industrial	321,957	27,388	3,683	-	353,028	262,416	1,199	4,641	-	268,256
Consumer and other	147,697	442	644	-	148,783	108,618	180	70	-	108,868
Total Non-Real Estate	493,834	27,922	8,390	-	530,146	392,563	1,427	9,844	-	403,834
Total Loans Before Unearned Income	$ 1,699,909	$ 99,201	$ 50,062	$ -	$ 1,849,172	$1,451,811	$ 24,083	$53,072	$ -	1,528,966
Unearned income					(5,037)					(3,476)
Total Loans Net of Unearned Income					$ 1,844,135					$1,525,490

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, 2020 and 2019.

	As of December 31, 2020	As of December 31, 2019
	(in thousands)	
Real Estate:		
Construction & land development	$ 397	$ 526
Farmland	-	-
1- 4 family	4,102	6,402
Multifamily	900	-
Non-farm non-residential	2,396	2,294
Total Real Estate	7,795	9,222
Non-Real Estate:		
Agricultural	343	-
Commercial and industrial	1,017	1,198
Consumer and other	-	-
Total Non-Real Estate	1,360	1,198
Total	$ 9,155	$ 10,420

For those purchased loans disclosed above, there was no allowance for loan losses at December 31, 2020 or December 31, 2019.

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, 2020 and 2019.

	Year Ended December 31, 2020	Year Ended December 31, 2019
	(in thousands)	
Balance, beginning of period	$ 3,647	$ 613
Acquisition accretable yield	30	3,367
Accretion	(785)	(831)
Net transfers from nonaccretable difference to accretable yield	-	498
Balance, end of period	$ 2,892	$ 3,647

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, 2020, 2019 and 2018 are as follows:

	As of December 31,									
	2020					2019				
	Beginning Allowance (12/31/19)	Charge-Offs	Recoveries	Provision	Ending Allowance (12/31/20)	Beginning Allowance (12/31/18)	Charge-Offs	Recoveries	Provision	Ending Allowance (12/31/19)
	(in thousands)									
Real Estate:										
Construction & land development	$ 423	$ (265)	$ -	$ 871	$ 1,029	$ 581	$ -	$ -	$ (158)	$ 423
Farmland	50	-	-	412	462	41	-	-	9	50
1- 4 family	1,027	(154)	39	1,598	2,510	911	(552)	39	629	1,027
Multifamily	1,038	-	-	(60)	978	1,318	-	-	(280)	1,038
Non-farm non-residential	5,277	(550)	178	10,159	15,064	4,771	(2,603)	5	3,104	5,277
Total Real Estate	**7,815**	**(969)**	**217**	**12,980**	**20,043**	**7,622**	**(3,155)**	**44**	**3,304**	**7,815**
Non-Real Estate:										
Agricultural	95	(110)	70	126	181	339	(40)	-	(204)	95
Commercial and industrial	1,909	(265)	128	1,030	2,802	1,909	(879)	267	612	1,909
Consumer and other	1,110	(1,083)	724	739	1,490	891	(1,190)	246	1,163	1,110
Unallocated	-	-	-	2	2	15	-	-	(15)	-
Total Non-Real Estate	**3,114**	**(1,458)**	**922**	**1,897**	**4,475**	**3,154**	**(2,109)**	**513**	**1,556**	**3,114**
Total	**$10,929**	**$ (2,427)**	**$1,139**	**$14,877**	**$24,518**	**$ 10,776**	**$ (5,264)**	**$ 557**	**$ 4,860**	**$10,929**

	As of December 31,				
	2018				
	Beginning Allowance (12/31/17)	Charge-Offs	Recoveries	Provision	Ending Allowance (12/31/18)
	(in thousands)				
Real Estate:					
Construction & land development	$ 628	$ -	$ 3	$ (50)	$ 581
Farmland	5	-	-	36	41
1- 4 family	1,078	(99)	90	(158)	911
Multifamily	994	-	20	304	1,318
Non-farm non-residential	2,811	(404)	89	2,275	4,771
Total Real Estate	**5,516**	**(503)**	**202**	**2,407**	**7,622**
Non-Real Estate:					
Agricultural	187	(300)	26	426	339
Commercial and industrial	2,377	(179)	1,642	(1,931)	1,909
Consumer and other	1,125	(907)	216	457	891
Unallocated	20	-	-	(5)	15
Total Non-Real Estate	**3,709**	**(1,386)**	**1,884**	**(1,053)**	**3,154**
Total	**$ 9,225**	**$ (1,889)**	**$ 2,086**	**$ 1,354**	**$ 10,776**

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, 2020							
	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	$ -	$ -	$ 1,029	$ 1,029	$ -	$ 397	$ 150,444	$ 150,841
Farmland	-	-	462	462	543	-	26,337	26,880
1- 4 family	266	-	2,244	2,510	1,480	4,102	265,654	271,236
Multifamily	-	-	978	978	-	900	45,032	45,932
Non-farm non-residential	2,280	-	12,784	15,064	9,800	2,396	811,941	824,137
Total Real Estate	**2,546**	**-**	**17,497**	**20,043**	**11,823**	**7,795**	**1,299,408**	**1,319,026**
Non-Real Estate:								
Agricultural	-	-	181	181	2,531	343	25,461	28,335
Commercial and industrial	97	-	2,705	2,802	1,544	1,017	350,467	353,028
Consumer and other	-	-	1,490	1,490	-	-	148,783	148,783
Unallocated	-	-	2	2	-	-	-	-
Total Non-Real Estate	**97**	**-**	**4,378**	**4,475**	**4,075**	**1,360**	**524,711**	**530,146**
Total	**$ 2,643**	**$ -**	**$ 21,875**	**$ 24,518**	**$ 15,898**	**$ 9,155**	**$ 1,824,119**	**$ 1,849,172**
Unearned Income								(5,037)
Total Loans Net of Unearned Income								**$ 1,844,135**

	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, 2020, 2019 and 2018, First Guaranty had loans totaling $15.6 million, $14.4 million and $8.7 million, respectively, not accruing interest. As of December 31, 2020, 2019 and 2018, First Guaranty had loans past due 90 days or more and still accruing interest totaling $13.1 million, $2.6 million and $0.1 million, respectively. The average outstanding balance of nonaccrual loans in 2020 was $19.8 million compared to $12.0 million in 2019 and $8.9 million in 2018.

As of December 31, 2020, 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, 2020:

	As of December 31, 2020					
	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	-	543	-	-
1- 4 family	511	534	-	527	-	-
Multifamily	-	-	-	-	-	-
Non-farm non-residential	1,227	1,227	-	1,218	80	72
Total Real Estate	2,281	2,313	-	2,288	80	72
Non-Real Estate:						
Agricultural	2,531	2,661	-	2,594	-	-
Commercial and industrial	601	601	-	821	48	47
Consumer and other	-	-	-	-	-	-
Total Non-Real Estate	3,132	3,262	-	3,415	48	47
Total Impaired Loans with no related allowance	5,413	5,575	-	5,703	128	119
Impaired Loans with an allowance recorded:						
Real estate:						
Construction & land development	-	-	-	-	-	-
Farmland	-	-	-	-	-	-
1- 4 family	969	969	266	969	5	5
Multifamily	-	-	-	-	-	-
Non-farm non-residential	8,573	8,619	2,280	7,550	60	80
Total Real Estate	9,542	9,588	2,546	8,519	65	85
Non-Real Estate:						
Agricultural	-	-	-	-	-	-
Commercial and industrial	943	943	97	981	79	57
Consumer and other	-	-	-	-	-	-
Total Non-Real Estate	943	943	97	981	79	57
Total Impaired Loans with an allowance recorded	10,485	10,531	2,643	9,500	144	142
Total Impaired Loans	$15,898	$16,106	$ 2,643	$15,203	$ 272	$ 261

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

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 restructured one loan that is considered TDR in the years ended December 31, 2020 and 2019. At December 31, 2020, First Guaranty had one outstanding TDR.

Under section 4013 of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), which was signed into law on March 27, 2020, financial institutions have the option to temporarily suspend certain requirements under U.S. generally accepted accounting principles related to troubled debt restructurings for a limited period of time to account for the effects of COVID-19. This provision allows a financial institution the option to not apply the guidance on accounting for troubled debt restructurings to loan modifications, such as extensions or deferrals, related to COVID-19 made between March 1, 2020 and the earlier of (i) December 31, 2020 or (ii) 60 days after the end of the COVID-19 national emergency. The relief can only be applied to modifications for borrowers that were not more than 30 days past due as of December 31, 2019. First Guaranty elected to adopt these provisions of the CARES Act.

The following table is an age analysis of TDRs as of December 31, 2020 and December 31, 2019:

	December 31, 2020				December 31, 2019			
	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	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Farmland	-	-	-	-	-	-	-	-
1- 4 Family	-	-	-	-	-	-	-	-
Multifamily	-	-	-	-	-	-	-	-
Non-farm non residential	-	-	3,591	3,591	-	-	-	-
Total Real Estate	-	-	3,591	3,591	-	-	-	-
Non-Real Estate:								
Agricultural	-	-	-	-	-	-	-	-
Commercial and industrial	-	-	-	-	-	-	-	-
Consumer and other	-	-	-	-	-	-	-	-
Total Non-Real Estate	-	-	-	-	-	-	-	-
Total	$ -	$ -	$ 3,591	$ 3,591	-	$ -	$ -	-

The following table discloses TDR activity for the twelve months ended December 31, 2020.

	Trouble Debt Restructured Loans Activity								
	Twelve Months Ended December 31, 2020								
	Beginning balance (December 31, 2019)	New TDRs	Charge-Offs post-modification	Transferred to ORE	Paydowns	Construction to permanent financing	Restructured to market terms	Other adjustments	Ending balance (December 31, 2020)
					(in thousands)				
Real Estate:									
Construction & land development	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Farmland	-	-	-	-	-	-	-	-	-
1- 4 family	-	-	-	-	-	-	-	-	-
Multifamily	-	-	-	-	-	-	-	-	-
Non-farm non-residential	-	3,613	-	-	(22)	-	-	-	3,591
Total Real Estate	-	3,613	-	-	(22)	-		-	3,591
Non-Real Estate:									
Agricultural	-	-	-	-	-	-	-	-	-
Commercial and industrial	-	-	-	-	-	-	-	-	-
Consumer and other	-	-	-	-	-	-	-	-	-
Total Non-Real Estate	-	-	-	-	-	-	-	-	-
Total Impaired Loans with no related allowance	$ -	$ 3,613	$ -	$ -	$ (22)	$ -	$ -	$ -	$ 3,591

There were no commitments to lend additional funds to debtors whose terms have been modified in a troubled debt restructuring at December 31, 2020.

Note 8. Premises and Equipment

The components of premises and equipment at December 31, 2020 and 2019 are as follows:

	December 31, 2020	December 31, 2019
	(in thousands)	
Land	$ 15,180	$ 15,180
Bank premises	40,906	40,536
Furniture and equipment	28,511	27,255
Construction in progress	13,562	9,534
Acquired value	**98,159**	**92,505**
Less: accumulated depreciation	38,267	36,041
Net book value	**$ 59,892**	**$ 56,464**

Depreciation expense amounted to $2.8 million, $2.3 million and $2.1 million for 2020, 2019 and 2018, respectively. Interest cost capitalized as a construction cost was $55,000, $91,000 and $54,000 for 2020, 2019 and 2018.

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 at December 31, 2020 and 2019, respectively.

The following table summarizes intangible assets subject to amortization.

	December 31, 2020			December 31, 2019		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	(in thousands)					
Core deposit intangibles	$ 16,266	$ 10,451	$ 5,815	$ 16,266	$ 9,739	$ 6,527
Loan servicing assets	1,826	1,054	772	1,558	919	639
Total	**$ 18,092**	**$ 11,505**	**$ 6,587**	**$ 17,824**	**$ 10,658**	**$ 7,166**

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 10.0 years.

Amortization expense relating to purchase accounting intangibles totaled $0.7 million, $0.4 million, and $0.5 million for the years ended December 31, 2020, 2019, and 2018, 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, 2021	$644
December 31, 2022	$576
December 31, 2023	$576
December 31, 2024	$576
December 31, 2025	$576

Note 10. Other Real Estate

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

	December 31, 2020	December 31, 2019
	(in thousands)	
Real Estate Owned Acquired by Foreclosure:		
Residential	$ 131	$ 559
Construction & land development	311	669
Non-farm non-residential	2,203	3,651
Total Other Real Estate Owned and Foreclosed Property	2,645	4,879
Allowance for Other Real Estate Owned losses	(405)	-
Net Other Real Estate Owned and Foreclosed Property	$ 2,240	$ 4,879

Note 11. Deposits

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

	December 31, 2020
	(in thousands)
2021	$ 355,093
2022	125,678
2023	108,380
2024	113,745
2025 and thereafter	22,733
Total	$ 725,629

The table above includes $3.4 million in brokered deposits for December 31, 2020. The aggregate amount of jumbo time deposits, each with a minimum denomination of $250,000 totaled $248.8 million and $290.3 million at December 31, 2020 and 2019, respectively.

Note 12. Borrowings

Short-term borrowings are summarized as follows:

	December 31, 2020	December 31, 2019
	(in thousands)	
Federal Home Loan Bank advances	$ 50,000	$ 13,079
Repurchase agreements	6,121	6,840
Line of credit	-	-
Total short-term borrowings	$ 56,121	$ 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 $56.1 million in short-term borrowings outstanding at December 31, 2020 compared to $19.9 million outstanding at December 31, 2019. First Guaranty has an available line of credit of $6.5 million, with no outstanding balance at December 31, 2020.

Available lines of credit totaled $297.2 million at December 31, 2020 and $278.8 million at December 31, 2019.

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

	December 31, 2020	December 31, 2019	December 31, 2018
	(in thousands, except for %)		
Outstanding at year end	$56,121	$19,919	$ -
Maximum month-end outstanding	$57,048	$19,919	$37,000
Average daily outstanding	$48,277	$ 3,320	$ 7,119
Weighted average rate during the year	0.95%	2.00%	2.21%
Weighted average rate at year end	0.89%	2.00%	-%

Long-term debt is summarized as follows:

Long-term Federal Home Loan Bank advance, fixed at 2.12%, totaled $3.4 million at December 31, 2020 and $3.5 million at December 31, 2019. 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 Wall Street Journal Prime less 25 basis points (3.00%), totaled $14.0 million at December 31, 2020. First Guaranty pays $697,715 principal plus interest quarterly. This loan was renewed in December 2020 and has a contractual maturity date of December 22, 2025. 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). This senior long-term debt was priced at floating 3-month LIBOR plus 250 basis points (4.61%), totaled $16.9 million at December 31, 2019. This loan was originated in December 2015.

Senior long-term debt with a commercial bank, priced at floating Wall Street Journal Prime less 70 basis points (3.00%), totaled $28.4 million at December 31, 2020 and $31.7 million at December 31, 2019. First Guaranty pays $812,500 principal plus interest quarterly. This loan was renewed 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 $14.8 million at December 31, 2020 and $14.7 million at December 31, 2019. 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, 2020. 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 4.25%.

At December 31, 2020, letters of credit issued by the FHLB totaling $365.8 million were outstanding and carried as off-balance sheet items, all of which expire by 2024. 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. 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, 2020 obligations on long-term advances from FHLB, senior long-term debt and junior subordinated debentures totaled $60.5 million. The scheduled payments are as follows:

	Long-term Advances from FHLB	Senior Long-term Debts	Junior Subordinated Debentures
		(in thousands)	
2021	$ -	$ 4,531	$ -
2022	-	6,041	-
2023	-	6,041	-
2024	-	22,291	-
2025	-	3,504	15,000
2026 and thereafter	3,366	-	-
Subtotal	$ 3,366	$ 42,408	$ 15,000
Debt issuance costs	-	(42)	(223)
Total	$ 3,366	$ 42,366	$ 14,777

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, 2020 and 2019, 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. First Guaranty Bank's capital conservation buffer was 4.22% at December 31, 2020.

In addition, as a result of the legislation, the federal banking agencies have developed a "Community Bank Leverage Ratio" (the ratio of a bank's Tier 1 capital to average total consolidated assets) for financial institutions with assets of less than $10 billion. A "qualifying community bank" that exceeds this ratio will be deemed to be in compliance with all other capital and leverage requirements, including the capital requirements to be considered "well capitalized" under Prompt Corrective Action statutes. The federal banking agencies may consider a financial institution's risk profile when evaluating whether it qualifies as a community bank for purposes of the capital ratio requirement. The federal banking agencies set the new Community Bank Leverage Ratio at 9%. Pursuant to the CARES Act, the federal banking agencies set the Community Bank Leverage Ratio at 8% beginning in the second quarter of 2020 through the end of 2020. Beginning in 2021, the Community Bank Leverage Ratio will increase to 8.5% for the calendar year. Community banks will have until Jan. 1, 2022, before the Community Bank Leverage Ratio requirement will return to 9%. A financial institution can elect to be subject to this new definition. The new rule took effect on January 1, 2020. The Bank did not elect to follow the Community Bank Leverage Ratio.

As of December 31, 2020, 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, 2020 and 2019 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, 2020						
Total Risk-Based Capital:	$ 233,391	12.22%	$ 152,805	8.00%	$ 191,006	10.00%
Tier 1 Capital:	$ 209,507	10.97%	$ 114,604	6.00%	$ 152,805	8.00%
Tier 1 Leverage Capital:	$ 209,507	8.58%	$ 97,683	4.00%	$ 122,104	5.00%
Common Equity Tier One Capital:	$ 209,507	10.97%	$ 85,953	4.50%	$ 124,154	6.50%
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:	$ 203,034	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%

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 2021 without permission will be limited to 2021 earnings plus the undistributed earnings of $5.7 million from 2020.

Accordingly, at January 1, 2021, $223.1 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, 2020 and 2019 follows:

	December 31, 2020	December 31, 2019
	(in thousands)	
Balance, beginning of year	$ 61,820	$ 63,907
Net Increase (Decrease)	17,579	(2,087)
Balance, end of year	$ 79,399	$ 61,820

Unfunded commitments to First Guaranty and Bank directors and executive officers totaled $40.8 million and $21.6 million at December 31, 2020 and 2019, respectively. At December 31, 2020 First Guaranty and the Bank had deposits from directors and executives totaling $50.3 million. There were no participations in loans purchased from affiliated financial institutions included in First Guaranty's loan portfolio in 2020 or 2019.

During the years ended 2020, 2019 and 2018, First Guaranty paid approximately $0.5 million, $0.5 million and $0.3 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 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 2020, 2019 and 2018 for this note.

During the years ended 2020, 2019 and 2018, First Guaranty paid approximately $27,000, $0.1 million and $0.2 million, 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 2020, 2019 and 2018, First Guaranty paid approximately $0.1 million, $69,000 and $0.7 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 2020, 2019 and 2018, First Guaranty paid approximately $0.5 million, $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 $173,000, $149,000 and $292,000 in 2020, 2019 and 2018, 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 2020, 2019 or 2018. As of December 31, 2020, the ESOP held 2,770 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,		
	2020	2019	2018
	(in thousands)		
Other noninterest expense:			
Legal and professional fees	$ 2,919	$ 2,648	$ 2,362
Data processing	2,465	1,972	1,692
ATM Fees	1,332	1,217	1,214
Marketing and public relations	1,046	1,456	1,329
Taxes - sales, capital and franchise	1,251	1,094	1,066
Operating supplies	921	674	562
Software expense and amortization	2,354	1,308	1,119
Travel and lodging	726	908	978
Telephone	256	193	208
Amortization of core deposits	712	390	545
Donations	393	603	380
Net costs from other real estate and repossessions	1,653	422	186
Regulatory assessment	1,716	683	941
Other	2,980	2,536	2,204
Total other noninterest expense	$20,724	$16,104	$14,786

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 $0.4 million, $0.8 million and $0.9 million for 2020, 2019 and 2018, 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,		
	2020	2019	2018
	(in thousands, except for %)		
Current	$ 8,964	$ 3,770	$ 3,929
Deferred	(3,745)	(114)	(467)
Total	$ 5,219	$ 3,656	$ 3,462

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,		
	2020	2019	2018
	(in thousands, except for %)		
Statutory tax rate	21.0%	21.0%	21.0%
Federal income taxes at statutory rate	$ 5,363	$ 3,758	$ 3,712
Tax exempt municipal income	(124)	(140)	(166)
Other	(20)	38	(84)
Total	$ 5,219	$ 3,656	$ 3,462

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, 2020 and 2019 are as follows:

	December 31,	
	2020	2019
	(in thousands)	
Deferred tax assets:		
Allowance for loan losses	$ 4,748	$ 1,720
Other real estate owned	239	257
Unrealized losses on available for sale securities	-	-
Net operating loss	1,190	1,282
Other	581	508
Gross deferred tax assets	6,758	3,767
Deferred tax liabilities:		
Depreciation and amortization	(1,952)	(2,010)
Core deposit intangibles	(1,214)	(1,359)
Unrealized gains on available for sale securities	(172)	(578)
Discount on purchased loans	(161)	(267)
Other	(625)	(670)
Gross deferred tax liabilities	(4,124)	(4,884)
Net deferred tax assets (liabilities)	$ 2,634	$ (1,117)

First Guaranty determined that the net deferred tax asset at December 31, 2020 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 $5.7 million as of December 31, 2020 and $6.1 million in 2019. 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, 2020, 2019 and 2018, 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, 2020 and December 31, 2019.

	December 31,	
	2020	2019
	(in thousands)	
Contract Amount		
Commitments to Extend Credit	$ 154,047	$ 117,826
Unfunded Commitments under lines of credit	169,151	$ 148,127
Commercial and Standby letters of credit	$ 11,728	$ 11,258

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 2020, 2019 or 2018.

First Guaranty currently has one new facility under construction with total construction commitment of $11.4 million of which $11.1 million has been incurred as of December 31, 2020.

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, 2020 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, 2020 and 2019 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, 2020 and 2019, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	December 31,	
	2020	2019
	(in thousands)	
Available for Sale Securities Fair Value Measurements Using:		
Level 1: Quoted Prices in Active Markets For Identical Assets	$ 3,000	$ -
Level 2: Significant Other Observable Inputs	209,359	330,539
Level 3: Significant Unobservable Inputs	26,189	9,398
Securities available for sale measured at fair value	$ 238,548	$ 339,937

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, 2019 was due principally to a net increase in Treasury bills of $3.0 million. The change in Level 2 securities available for sale from December 31, 2019 was due principally to the transfer of mortgage-backed and municipal securities from the held for sale to available for sale portfolio and the transfer of securities between Level 2 and 3. $6.8 million in corporate securities and $1.4 million in municipal securities were transferred from Level 3 to Level 2 from December 31, 2019 to December 31, 2020. There were no transfers between Level 1 and 2 securities available for sale from December 31, 2019 to December 31, 2020.

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

	Level 3 Changes	
	December 31,	
	2020	2019
	(in thousands)	
Balance, beginning of year	$ 9,398	$ 4,761
Total gains or losses (realized/unrealized):		
Included in earnings	-	-
Included in other comprehensive income	256	146
Purchases, sales, issuances and settlements, net	5,361	4,491
Transfers in and/or out of Level 3	11,174	-
Balance as of end of year	$ 26,189	$ 9,398

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, 2020.

The following table measures financial assets and financial liabilities measured at fair value on a non-recurring basis as of December 31, 2020 and December 31, 2019, segregated by the level of valuation inputs within the fair value hierarchy utilized to measure fair value:

	December 31,	
	2020	2019
	(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	7,842	4,046
Impaired loans measured at fair value	$ 7,842	$ 4,046
Fair Value Measurements Using: Other Real Estate Owned		
Level 1: Quoted Prices in Active Markets For Identical Assets	$ -	$ -
Level 2: Significant Other Observable Inputs	363	4,158
Level 3: Significant Unobservable Inputs	1,877	721
Other real estate owned measured at fair value	$ 2,240	$ 4,879

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.

Cash Surrender of BOLI.

The cash surrender value of BOLI approximates fair value.

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, 2020 and 2019 the fair value of guarantees under commercial and standby letters of credit was not material.

The carrying amounts and estimated fair values of financial instruments at December 31, 2020 were as follows:

	Fair Value Measurements at December 31, 2020 Using				
	Carrying Value	Level 1	Level 2	Level 3	Total
	(in thousands)				
Assets					
Cash and due from banks	$ 298,903	$ 298,903	$ -	$ -	$ 298,903
Federal funds sold	702	702	-	-	702
Securities, available for sale	238,548	3,000	209,359	26,189	238,548
Loans held for sale	-	-	-	-	-
Loans, net	1,819,617	-	-	1,846,738	1,846,738
Cash surrender value of BOLI	5,427	-	-	5,427	5,427
Accrued interest receivable	11,933	-	-	11,933	11,933
Liabilities					
Deposits	$ 2,166,318	$ -	$ -	$ 2,179,004	$ 2,179,004
Short-term advances from Federal Home Loan Bank	50,000	-	-	50,000	50,000
Repurchase agreements	6,121	-	-	6,154	6,154
Accrued interest payable	5,292	-	-	5,292	5,292
Long-Term advances from Federal Loan Bank	3,366	-	-	3,366	3,366
Senior long-term debt	42,366	-	-	42,408	42,408
Junior subordinated debentures	14,777	-	-	14,452	14,452

The carrying amounts and estimated fair values of financial instruments at December 31, 2019 were as follows:

	Fair Value Measurements at December 31, 2019 Using				
	Carrying Value	Level 1	Level 2	Level 3	Total
	(in thousands)				
Assets					
Cash and due from banks	$ 66,511	$ 66,511	$ -	$ -	$ 66,511
Federal funds sold	914	914	-	-	914
Securities, available for sale	339,937	-	330,539	9,398	339,937
Loans held for sale	86,579	-	86,817	-	86,817
Loans, net	1,514,561	-	-	1,515,277	1,515,277
Cash surrender value of BOLI	5,288	-	-	5,288	5,288
Accrued interest receivable	8,412	-	-	8,412	8,412
Liabilities					
Deposits	$ 1,853,013	$ -	$ -	$ 1,863,179	$ 1,863,179
Short-term advances from Federal Home Loan Bank	13,079	-	-	13,079	13,079
Repurchase agreements	6,840	-	-	6,840	6,840
Accrued interest payable	6,047	-	-	6,047	6,047
Long-Term advances from Federal Loan Bank	3,533	-	-	3,533	3,533
Senior long-term debt	48,558	-	-	48,599	48,599
Junior subordinated debentures	14,737	-	-	14,762	14,762

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, 2020. 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, 2020. 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 $715.3 million at December 31, 2020.

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, 2020 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,	
	2020	2019
	(in thousands)	
Assets		
Cash	$ 1,796	$ 633
Investment in bank subsidiary	228,869	224,677
Other assets	5,665	4,427
Total Assets	$236,330	$229,737
Liabilities and Shareholders' Equity		
Senior long-term debt	$ 42,366	$ 48,558
Junior subordinated debentures	14,777	14,738
Other liabilities	596	406
Total Liabilities	57,739	63,702
Shareholders' Equity	178,591	166,035
Total Liabilities and Shareholders' Equity	$236,330	$229,737

First Guaranty Bancshares, Inc.
Condensed Statements of Income

	December 31,		
	2020	2019	2018
	(in thousands)		
Operating Income			
Dividends received from bank subsidiary	$ 17,100	$ 13,982	$11,788
Net gains on sale of equity securities	-	196	-
Other income	332	424	289
Total operating income	17,432	14,602	12,077
Operating Expenses			
Interest expense	2,197	1,795	1,675
Salaries & Benefits	132	208	133
Other expenses	1,225	953	916
Total operating expenses	3,554	2,956	2,724
Income before income tax benefit and increase in equity in undistributed earnings of subsidiary	13,878	11,646	9,353
Income tax benefit	720	494	540
Income before increase in equity in undistributed earnings of subsidiary	14,598	12,140	9,893
Increase in equity in undistributed earnings of subsidiary	5,720	2,101	4,320
Net Income	$ 20,318	$ 14,241	$14,213

First Guaranty Bancshares, Inc.
Condensed Statements of Cash Flows

	December 31,		
	2020	2019	2018
		(in thousands)	
Cash flows from operating activities:			
Net income	$ 20,318	$ 14,241	$ 14,213
Adjustments to reconcile net income to net cash provided by operating activities:			
Increase in equity in undistributed earnings of subsidiary	(5,720)	(2,101)	(4,320)
Depreciation and amortization	92	80	43
Gain on sale of securities	-	(196)	-
Net change in other liabilities	189	(444)	136
Net change in other assets	(1,301)	(601)	1,360
Net cash provided by operating activities	13,578	10,979	11,432
Cash flows from investing activities:			
Proceeds from sales of equity securities	10	1,196	-
Purchases of premises and equipment	-	(136)	-
Cash paid in acquisition	-	(43,383)	-
Net cash used in investing activities	10	(42,323)	-
Cash flows from financing activities:			
Proceeds from long-term debt, net of costs	-	32,465	-
Repayment of long-term debt	(6,191)	(3,754)	(2,941)
Common stock issued in private placement	—	1,000	-
Dividends paid	(6,234)	(5,803)	(5,636)
Net cash (used in) provided by financing activities	(12,425)	23,908	(8,577)
Net increase (decrease) in cash and cash equivalents	1,163	(7,436)	2,855
Cash and cash equivalents at the beginning of the period	633	8,069	5,214
Cash and cash equivalents at the end of the period	$ 1,796	$ 633	$ 8,069

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, 2020.

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, 2020, 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). 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, 2020.

First Guaranty's independent registered public accounting firm has also issued an attestation report, which expresses an unqualified opinion on the effectiveness of First Guaranty's internal control over financial reporting as of December 31, 2020.

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 Market under the symbol "FGBI". As of December 31, 2020, there were approximately 1,600 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 110 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 2020.

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 20, 2021 in the FGB Center, 206 S. Orange Street, Hammond, LA 70403

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.