2021 FIRST GUARANTY BANCSHARES, INC. ANNUAL REPORT

FGB

FIRST GUARANTY BANCSHARES, INC.

ANNUAL REPORT 2021

FGB

LEARN

GROW

LISTEN

SERVE

STRONG

First Guaranty Bancshares, Inc.

At December 31, 2021, total assets were $2.9 billion, net income was $27.3 million and earnings per common share were $2.42. Return on average assets was 1.01% and return on average common equity was 14.06%. First Guaranty Bancshares, Inc. shares trade on the NASDAQ Global Market Exchange and has paid quarterly dividends for 114 consecutive quarters at December 31, 2021. A 10% common stock dividend was awarded to all First Guaranty Bancshares, Inc.'s shareholders on December 17, 2021. First Guaranty Bancshares, Inc. is committed to customer service and shareholder value.

We continue to learn, grow, listen and serve. For the second consecutive year, First Guaranty was named the #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 36 locations. Headquartered in Hammond, Louisiana, the Company had 463 employees as of December 31, 2021.

PERFORMANCE

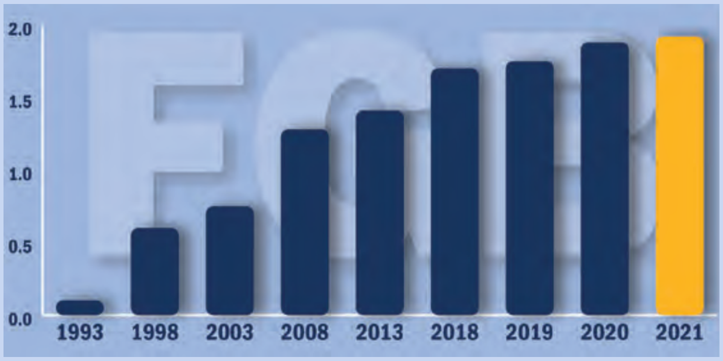
PERFORMANCE GRAPHS

Book Value Growth Per One 1993 Share [1]

(per common share)

Book Value per one 1993 share has increased from **$3.70** to **$57.35** since 1993.

Dividends Per One 1993 Common Share [2]



[1] Book value has been adjusted for cumulative stock splits and dividends of 3.22 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.

PROFITABILITY

Cash Dividends on Common Stock

(In thousands)

First Guaranty has paid **$90,962,000** in Cash Dividends to common shareholders since 1993.

Visit www.fgb.net for additional information.

NASDAQ Stock Ticker Symbol: FGBI and FGBIP

FGB

FIRST GUARANTY BANCSHARES, INC.

Learn, Grow, Listen, and Serve

Since our founding, First Guaranty has been committed to superior customer service. With nearly a century of dedication and focus on our customers, a culture of service has been forged at First Guaranty whereby all employees and directors search for new and inspiring opportunities to better serve our customers. We know that this commitment earns trust and allows us to strengthen our banking relationships, as well as enhance shareholder value.

This sincere commitment to service, combined with our relentless attention on a fortress balance sheet, has established a firm foundation built with meticulous care and expertise. As a community bank holding company, First Guaranty Bancshares, Inc. serves a wide variety of personal and commercial customers. We invest in our employees with continuing education, training and opportunities by promoting from within. Likewise, we invest in communities served by providing useful financial information, education and contributions to enhance these communities. Residing throughout communities we serve also strengthens our hometown banking relationships.

Addressing challenges presented by Coronavirus and Hurricane Ida, First Guaranty moved quickly and decisively to assist our customers and employees with loans to minimize the financial hardship. Led by an active and involved Board of Directors, First Guaranty Bancshares, Inc. responded with bold, decisive actions and intelligent solutions.

Learn, Grow, Listen, and Serve

At First Guaranty Bancshares, Inc., we learn, grow, listen, and serve. We accomplish these concepts as a company and professionally as individual employees, while inspiring and motivating customers to take full advantage of the First Guaranty experience.

LEARN

Not only do we utilize new bank technologies, explore new markets, and navigate hurdles, but also First Guaranty teaches Financial Literacy and Fraud Training in our communities.

FGB FINANCIAL *Literacy*

GROW

Learning is a part of growth. First Guaranty Bancshares, Inc. measures and records assets, loans, number of employees, number of locations, sizes of accounts, and its investments. First Guaranty grows the number of convenient locations to serve customers, and we grow in our banking relationships. We invest time, interest, and energy into each employee, location, personal account, business account, and in all the communities we serve. First Guaranty Bancshares, Inc. recently added Kentucky and West Virginia locations. Further, we serve the community by loan growth, assisting businesses and individuals accomplish their goals and dreams with necessary financing in today's ever-changing environment.

> ***"Vital to quality of life is the ability to work together, learn from each other, and help each other grow."***
>
> — Stephen Covey

Learn, Grow, Listen, and Serve

LISTEN

One of the truest signs of caring for someone and about another is to stop and listen attentively. To listen requires consideration of what is being said, not simply hearing the words. We know it is important that you are heard. At First Guaranty, we are attentive and listen to our customers. **As your Best Small Bank, we care about you – we want to hear about your wants, needs and challenges. We understand the importance of connection and are committed to your success.**

SERVE

Superior customer service is a key factor in managing a successful business. The First Guaranty team shares our helpful, friendly attitude with customers. Commitment to customer service remains the essence of our financial institution. At First Guaranty, our employees are active in the communities we serve and volunteer time, effort and financial aid to professional, charitable and community organizations. We are involved in activities which support community interests, culture and needs. From Back to School drives and sports championship celebrations, to immediate needs in times of hurricane or flood, First Guaranty Bancshares, Inc. serves and strives to be a good neighbor.

Learn, Grow, Listen, and Serve

First Guaranty rewarded shareholders with a 10% common stock dividend and the 114th consecutive quarterly dividend paid.

Our mission is to increase shareholder value while providing services for and contributing to the growth and welfare of the communities that we serve. As home to "Fanatical Banking" our mission is to become the bank of choice for small business and consumer customers who are located in both metropolitan and rural markets.

We continue to forge our vision of expanding our geographical footprint, evolving as an institution and staying competitive while offering new banking products and technologies. First Guaranty Bancshares, Inc. is strong, stable, and secure with a concentration on profitability.

Our First Guaranty team is friendly, understanding and knowledgeable, you might even say fanatical! We are resilient and continue to achieve consistent, strong progress and growth as we serve our customers, community, and shareholders.

Marshall T. Reynolds

Chairman of the Board

FIRST GUARANTY BANCSHARES, INC.

Dear Shareholders,

Last year I wrote about the positioning of our bank for the coming years. 2021 was truly a great year for our bank, our ROA went from .87% to 1.01% and the all-important ROE went from 11.36% to 14.06%. There is an old saying in the Banking industry if we can get to 15% ROE nothing else matters.

I am truly excited about our adding loan production offices and deposit production offices in West Virginia and Kentucky. A young man whom I have a lot of confidence in is heading up this team. His name is Mike Mineer and I have worked with Mike for eighteen years. He has committed to having $150 million in loans by June 30, 2022 and $300 million by December 31, 2022. I have never had Mike lie to me, so I am putting these projections down in stone. Also on this team is Dan Pack and Sam Gallo, two formidable bankers.

If you look at the loan growth from FGB and the outstanding job that Randy Vicknair is doing and add $300 million to it as out of market loans, then we should have a phenomenal year in loans outstanding. When you combine that with loan quality which we have attested to by the Texas ratio falling to 6.56% at December 31, 2021.

Well so much for loans and my excitement for the core FGB loans as well as the Kentucky-West Virginia addition. I want to turn to the operations as a whole. Evan Singer was put in charge of OREO the first of the year and the aforementioned Texas ratio coming down to 6.56%. This is certainly a positive reflection on Evan as well as Randy Vicknair as they were the two-driving forces in obtaining this number. Remember that the goal was and still is 5%. However, this is really excellent progress from the 11.65% at December 31, 2020.

Tangipahoa Parish has only one locally owned bank. That bank is First Guaranty Bank, and we have 37% of the deposits in our home parish. Although there are a lot of competitors, we still plan to improve on this number. I could not write this letter without mentioning Jordan Lewis, our Texas area President. Loans in Texas have about doubled in size since the acquisition date in 2017 while deposits have nearly tripled.

In closing I would like to add my sincere heart felt thanks to all the members of the Board, Management and all the Employees.

MARSHALL T. REYNOLDS
Chairman of the Board
FIRST GUARANTY BANCSHARES, INC.
Chairman of the Board
FIRST GUARANTY BANK

STRONG

PERFORMANCE

PROFITABILITY

Alton B. Lewis

Chief Executive Officer & President

Dear Shareholders,

2021 was not only a year of strong earnings for First Guaranty Bancshares, Inc.; it was a year in which we took big steps forward to improve First Guaranty Bancshares, Inc. and your investment in First Guaranty Bancshares, Inc.

While wearing the crown of Best Small Bank in the United States for the year 2021, we also received notification that we have been named the Best Small Bank in the United States for the year 2022. That shows the consistency in excellence which we wish to be the hallmark of First Guaranty Bancshares, Inc.

We made a bold step in our growth as we added Loan Production Offices and Deposit Production Offices in both Kentucky and West Virginia. We were presented with an opportunity to expand our presence and expand our loan portfolio strongly while, at the same time, improving the utilization and the yield on excess liquidity. All of this was done, while at the same time, enhancing our profitability.

2021 brought better asset quality as our Texas ratio decreased from 11.65% to 6.56%. The lower Texas ratio the better. Our bank diluted cost of funds have continued to decline as it was reduced from 1.53% as of December 2019 to 0.79% as of December 2021. Our loan portfolio grew by 17% during 2021 as we broke through the $2 billion mark to a total of $2,159,359,000 in loans. We closed approximately $1.4 billion in loans for the year 2021. Our total interest income increased by 11.2% year over year while our total interest expense declined by 14.3%. Net interest income after provision for loan losses grew from $59.8 million in 2020 to $87.6 million in 2021, an improvement of 46.5% year over year.

2021 was a strong year for First Guaranty Bancshares, Inc. It is now our mission to build upon the results of 2021 and continue to make First Guaranty Bancshares, Inc. not only bigger, but, stronger. We will continue to improve First Guaranty Bancshares, Inc. in all aspects, including a fortress balance sheet. We will continue to enhance shareholder value.

In 2020, our earnings were $1.90 per share, in 2021, our earnings were $2.42 per share, this is a 27.4% increase. It would be easy to say that we are successful. That is not our mindset. Our mindset is, that is good, but what can it be? Let's do better.

Thank you for your support.

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

STRONG PERFORMANCE PROFITABILITY

Eric J. Dosch

Chief Financial Officer

Learn, Grow, Listen, and Serve

First Guaranty Bancshares, Inc. continued its consistent track record of loan growth, dividend payments, capital growth and outstanding customer service in 2021. Newsweek and Lending Tree ranked First Guaranty Bank as the number one small bank in the United States for the second year in a row. We are honored by this tribute and will continue to make our bank better every day.

First Guaranty continued to execute its plan to grow loans as a percentage of our balance sheet and reduce funding costs. Loans and leases grew 17.1% or $315.2 million from $1.84 billion in 2020 to $2.16 billion in 2021. First Guaranty increased loan interest income by $12.5 million in 2021. The loan to deposit ratio was 83.2% at December 31, 2021 which still leaves room for additional growth. Loan yields averaged 5.13% for 2021. Interest expense declined $3.7 million in 2021. The weighted average rate on deposits fell from 1.14% for 2020 to 0.84% for 2021.

First Guaranty total earnings improved to $27.3 million for 2021, a 34% improvement over the 2020 earnings of $20.3 million. Earnings per common share were $2.42 in 2021 compared to $1.90 in 2020.

First Guaranty issued $34.5 million in preferred stock in April 2021 in order to provide capital for our continued growth. Proceeds from the issuance were also used to reduce debt as First Guaranty paid off $13.3 million in long term debt. First Guaranty reduced its long term debt to equity ratio from 32% in 2020 to 18% in 2021. First Guaranty paid $1.4 million in preferred stock dividends in 2021.

The Texas loan portfolio grew to $257.8 million at December 31, 2021. which is a $12.6 million increase from $245.2 million at December 31, 2020. Texas loans have grown a total of $129.8 million from $128.0 million at the acquisition date in June 2017. Texas deposits grew to $339.5 million at December 31, 2021 from $275.2 million at December 31, 2020. Texas deposits have grown a total of $212.3 million from $127.2 million at June 2017.

First Guaranty entered the new Mid-East market with offices in Kentucky and West Virginia in late 2021. A total of $64.5 million in loans were in this loan portfolio at December 31st, 2021.

Total common shareholder's equity increased $12.2 million from $178.6 million in 2020 to $190.8 million in 2021. Retained earnings increased $19.6 million from $37.1 million in 2020 to $56.7 million in 2021.

Tangible book value per share increased from $14.92 at December 31, 2020 to $16.13 at December 31, 2021.

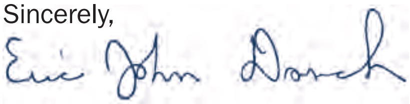
The net interest margin improved from 3.35% for 2020 to 3.44% for 2021.

Return on average assets was 0.87% for 2020 and improved to 1.01% for 2021. Return on average common equity was 11.36% for 2020 and increased to 14.06% for 2021.

First Guaranty Bancshares, Inc. paid a total of $6,393,000 in cash dividends to common shareholders in 2021. The Company has paid 114 consecutive quarters of dividends as of December 31, 2021. First Guaranty declared and paid its fifth common stock dividend in December 2021 and maintained the same $0.16 per share dividend rate. This resulted in an increase in cash dividends paid to shareholders.

First Guaranty continues to build strength for the future. We increased loans and capital in 2021. First Guaranty continues to maintain a leading deposit market share in the communities that we serve in Louisiana. We continue to grow our business in Texas and look forward to serving our new mideast markets in Kentucky and West Virginia. Our continuing investment in our products and systems will help our employees be more productive and better serve our customers. 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

Randy S. Vicknair

Senior Vice President/ Chief Lending Officer

2021 was a solid performance for the First Guaranty Bank team!

Our strong growth continued in 2021 with 17% net loan growth, which contributed to a 14% increase in loan interest income. We faced a familiar challenge throughout the year with COVID still prevalent, combined with a few new challenges such as the Ice Storm and Hurricane Ida. These events provided the opportunity for us to do what we do best: serving our communities via our outreach and relief programs. As we learned new and innovative ways to serve our customers, we fostered new relationships that contributed to our success in 2021.

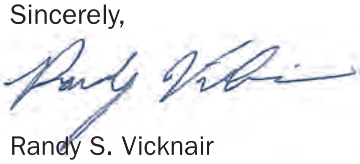
First Guaranty Bank's total loan portfolio grew to $2.159 billion at December 31, 2021, which was a $315 million increase over the previous year end of $1.844 billion. Our strong loan growth is due to the contributions of multiple lines of business including commercial real estate loans, commercial and industrial loans, mortgage loans, and commercial leases. One key factor to consider is the First Guaranty Bank team closed over $1 billion in new money loans with over $700 million in new loan fundings, which was partially offset by early loan payoffs exceeding $350 million, including Paycheck Protection Program loan payoffs and normal portfolio amortization. In addition to strong loan growth, we successfully added new loans to the portfolio at an average yield of 5.28% while payoffs had an average yield of 3.90%. This is a 1.38% improvement in the yield related to those loans which provides about $5 million in additional interest income each year. Overall loan interest income, excluding fees, was $96.1 million as of December 31, 2021 compared to $84.5 million at December 31, 2020, an increase of $11.6 million or 14%. This significant increase was achieved by a combination of yield improvement and loan growth.

It is important to note that the loan growth and yield improvement success were not achieved by sacrificing credit quality. First Guaranty Bank remains diligent in our underwriting and review of each loan with our Chief Credit Officer, Matt Wise, and his team ensuring that we adhere to strict credit standards. Steadfast standards combined with contributions from all the teams at First Guaranty Bank, enabled us to be successful in not just maintaining credit quality, but also improving it. This is reflected in our Texas ratio reducing 5.09% for the year, from 11.65% at December 31, 2020 to 6.56% at December 31, 2021.

First Guaranty Bank expanded our markets in 2021 with the addition of Loan Production Offices in Kentucky and West Virginia. Mike Mineer joins our team as the Mideast Area President for these offices and brings with him 12 individuals with significant successful banking experience and growth potential via their existing local customer relationships. Kentucky and West Virginia fit perfectly into the First Guaranty family and are already complementing our team's loan growth efforts. We anticipate the region to be cash-flow positive in early 1st quarter 2022. First Guaranty Bank's existing markets remained strong in 2021, with significant contributions from our Central Louisiana, Southwest Louisiana, North Louisiana, Southeast Louisiana, and Texas regions. The best part about their contributions is that each region contributed at different times throughout the year to create a successful and profitable 2021.

First Guaranty Bank is honored and humbled to repeat as the #1 Small Bank in the country. This award is truly a testament to the leadership of our board combined with the dedication and commitment of our management and team members. We had a solid year in 2021 and remain focused on continuing our success into 2022!

Sincerely,



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

STRONG PERFORMANCE PROFITABILITY

JORDAN M. LEWIS

Texas Area President

The Humility of the Bold

To be strong does not mean to be proud. Strength is earned through thoughtful investment of one's best effort exerted over and again, day in and day out, despite excuses. Strength is the potential of the bold.

For First Guaranty Bank in Texas, 2021 was a year of strength training. The year began with an unprecedented statewide ice storm, shutting down power and water for millions for over a week. Recognizing the needs of those around them, First Guaranty Bank rallied to respond to its neighbors, providing funding and volunteers to support those in need of care and shelter as well as emergency loans to individuals whose homes or businesses were affected by the freeze. The year continued with another round of PPP loans and a tremendous amount of market uncertainty related to COVID issues. Several other catastrophes hit our communities hard. In the midst of so many unexpected developments, it was incumbent upon the leaders of First Guaranty Bank in Texas to keep everyone focused on improving their processes and their understanding of how to serve our clients better each and every day.

Despite the distractions, the Texas region of First Guaranty Bank showed strength. Across the five branches in Texas, deposits rose 23.37% over the year. The region saw over $60 million in paydowns due to shifting economic pressures, yet the loan portfolio still grew by almost $13 million (+5.27%) on $120 million in new production. Despite tremendous growth in deposits, Texas saw its cost of funds drop by 16.76%, resulting in an increase of its contribution to First Guaranty Bank's gross revenue of over 16.61% compared to 2020.

Growth in the midst of adversity is the result of daily work. First Guaranty Bank earned Texas customers' business and trust by listening carefully, improving internal processes, and learning from both internal and external experts how to better perform. As the people of First Guaranty Bank in Texas step forward into 2022, they are now better equipped, better prepared, more on mission, and ready to serve. No matter what the future has in store, our communities can rely upon our strength and our confidence.

Ever onward,

Jordan Montgomery Lewis

Jordan M. Lewis

Texas Area President

FIRST GUARANTY BANK

STRONG PERFORMANCE PROFITABILITY

Michael R. Mineer

Kentucky/West Virginia Area President

Geographical asset diversification with technological and integration solutions

The Kentucky/West Virginia market is a new market for First Guaranty Bank. While new to the bank, this market is well known by our Chairman, Marshall Reynolds. Our journey to bring this market to the bank began after the sale of Premier Financial, “PFBI” a two-bank holding company, also chaired by Mr. Reynolds.

Our team is comprised of a highly cohesive group of tenured commercial real estate relationship managers and support staff that stretches from the Cincinnati/Northern Kentucky market to the Bridgeport/Morgantown area of West Virginia. The group joined FGB in mid-November and by the end of the year already recorded over $60 million in loans on the books of First Guaranty Bank. This balance sufficiently covers the carrying cost of the new team. At year end, an additional $40 million in loans was approved and the team pumped an additional $40 million into the pipeline. Our team is marching toward the first self-imposed milestone of $150 million in loans by mid-2022.

As our Kentucky-West Virginia team assimilates into the processes of closing loans under the First Guaranty process, we intend to increase our efficient delivery of closed loan packages to our customers. Additionally, as we learn these processes, we will incorporate our experience with technological and integration solutions to further enhance our customer experience. This will also create new efficiencies as we combine best practices on closing and booking of loans in the most proficient manner.

With great excitement we bring geographical asset diversification and a tenured, proven team to First Guaranty Bank! We are a team of relationship bankers with a customer base that follows their banker’s best advice. We focus on high quality borrowers and strive to provide the highest level of customer service. Our team is excited to join the FGB team where we can continue to take care of our customers as we have in the past. The end result is our customers, shareholders and employees of First Guaranty Bank will all be winners.

Sincerely,

Michael R. Mineer

Michael R. Mineer
Kentucky/West Virginia Area President
FIRST GUARANTY BANK

STRONG PERFORMANCE PROFITABILITY

Glenn A. Duhon, Sr.

Senior Vice President/ Regional Manager

Strong growth!

First Guaranty Bank had an excellent year in 2021 and the Southwestern Region of First Guaranty Bank showed strong growth in deposits and loan production during this 12-month period.

The hospitality industry is slowly strengthening as occupancy begins to normalize and people return to their travels. Travel strengthening has resulted in many of our customers in this industry meeting all of their obligations in 2021 and we are excited about the growth that will occur as these trends continue.

Our agricultural businesses had a strong year in 2021 in sugarcane and rice. The crawfishing industry is facing issues that have affected sales and lowered production; however, most were able to meet their financial obligations using other crop proceeds.

The Abbeville Branch ended 2021 with $184.7 million in deposit accounts showing extreme growth with an increase of $42.5 million over 2020. Abbeville's loan volume followed that trend with a total of $92.3 million in loans at year end. This represents an increase of $16.7 million over 2020.

Jennings deposit accounts ended 2021 with $41 million, an increase of $2.5 million over 2020. Jennings loan production also showed an increase of $6.2 million over 2020 for a total of $17.6 million in loan volume at year's end.

Our Lake Charles Loan Production Office also proved to have a very successful year in 2021 with a massive increase of $33.8 million in loan production over the prior year with a total of $52.7 million in loan volume.

The Southwest Region as a whole ended the 2021 year with an increase of $44.9 million in deposits and an increase in loan volume of $56.6 million over the prior year.

As consistently done in the past, we will continue to treat and service our customers as we expect to be treated. With the support of our employees, management, and board of directors, and customer loyalty we should continue to see strong growth throughout First Guaranty Bank's Southwestern Region!

Sincerely,

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

STRONG PERFORMANCE PROFITABILITY

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*

(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, Inc.

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.

JACK ROSSI
Chairman of First Guaranty Bancshares, Inc. 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 of the Charleston Regional Chamber Of Commerce Board, and West Virginia University Business Economics Visiting Committee.

RICHARD W. "DICKIE" SITMAN
Director of Dixie Electric Membership Corporation.
Board President of Dixie Business Center.
Board member of the Association of Louisiana Electric Co-ops.

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. Committee member of the Ray Smith Memorial Fund.

EDGAR R. SMITH, III
Chairman and CEO of Smitty's Supply, Inc. and its affiliates, Cam 2 International, Big 4 Trucking, Big 4 Investments, Jaxon Energy, and Xeray Systems.

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 for the second consecutive year 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.

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

JORDAN M. LEWIS
Texas Area President

MICHAEL MINEER
Mideast Area President

THOMAS F. BROTHERS
Director of Internal Audit

TIMOTHY L. CHESNEY, JR.
Chief Information 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

GREGORY P. PRUDHOMME
Regional Manager
Central Louisiana

CRAIG E. SCELFO
Regional Manager
Ponchatoula & St. Tammany

DESIREE B. SIMMONS
Chief Administrative Officer

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

Vice Presidents

ASHLEY N. BELL

BRENDA A. BRISCOE

CHERYL Q. BRUMFIELD

KATHERINE K. CAMPBELL
Controller

CHRISTINA M. CARTER

LOUIS J. CUSIMANO, JR.

VIKKI W. DUPAQUIER

RONALD W. EDMONDS

CLIFTON A. FINCHER, JR.

DENISE D. FLETCHER

ANTHONY S. HUGHES

SHIRLEY P. JONES

JOELLEN K. JUHASZ
BSA Officer

MICHAEL D. KNIGHTEN

TERRIE E. MCCARTNEY

COLTON C. MCDANIEL

MARY T. MAYO

JASON D. NORMAND

STEVEN F. OSMAN

SCOTT B. SCHILLING

AMBER L. SMITH

MARSHA V. SPRING

LISA K. STOKER

JOHN A. SYNCO

LAURYN H. WAITS

MELINA V. WEST

Assistant Vice Presidents

CONRAD H. ARRAMBIDE III

DARRYL P. BOUDREAUX

MIRANDA M. DERVELOY

SUSAN M. DESOTO

MICHELLE M. DIONNE

LANDA G. DOMANGUE

VANESSA R. DREW

HARRISON R. GILL

LUDRICK P. HIDALGO

LESLIE A. HINZMAN

DONNA S. HODGES

MATTHEW P. HUDNALL

KEITH T. KLEIN

DANIEL L. LOE

CATHERINE E. MATHES

PAMELA R. NORMAND

DOLLIE D. OGLETREE

DEV M. PATEL

RAHUL R. PATEL

KRISTY PUCKETT

AREEB RASHIB

NIEKITSHA S. RIDLEY

CHANYON O. ROBINSON

STACY J. THOMPSON

COURTNEY M. TRAMIEL

Officers

MANDI B. AGUILLARD

CALVIN P. DUCOTE

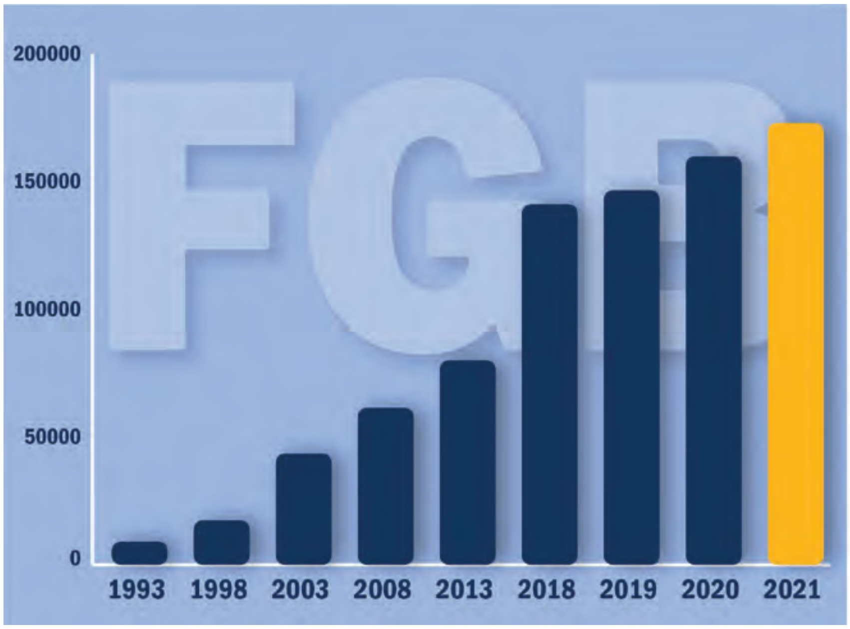
JEANNETTE N. ERNST

KRISTIN M. WILLIAMS

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

Tangible Common Equity [3]

(in thousands)



Tangible Common Equity

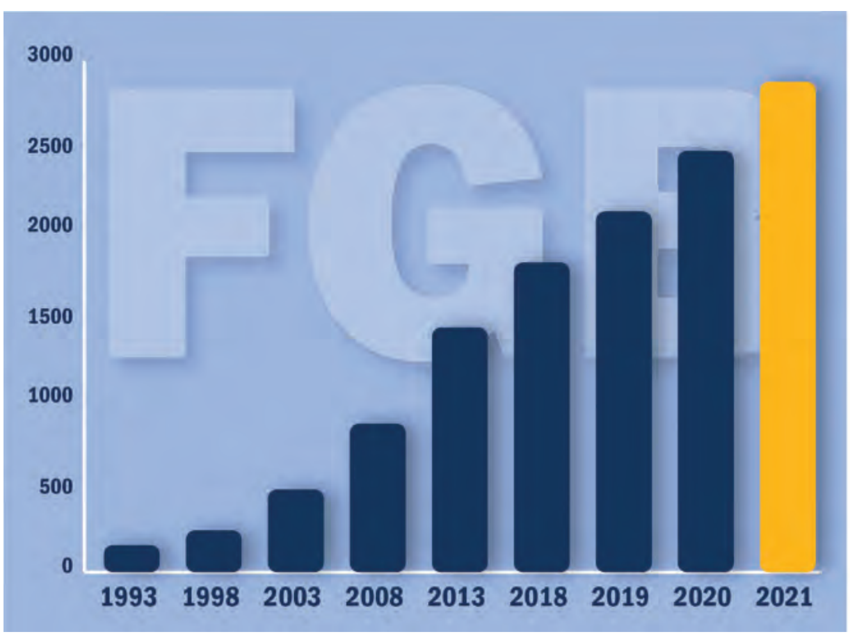
(in thousands)

1993	$ 9,005
1998	$ 17,376
2003	$ 43,557
2008	$ 61,429
2013	$ 80,033
2018	$141,108
2019	$146,566
2020	$159,876
2021	$172,880

Tangible Common Equity
has increased
$163.9 million since 1993.

Total Assets

(in millions)



Total Assets

(in millions)

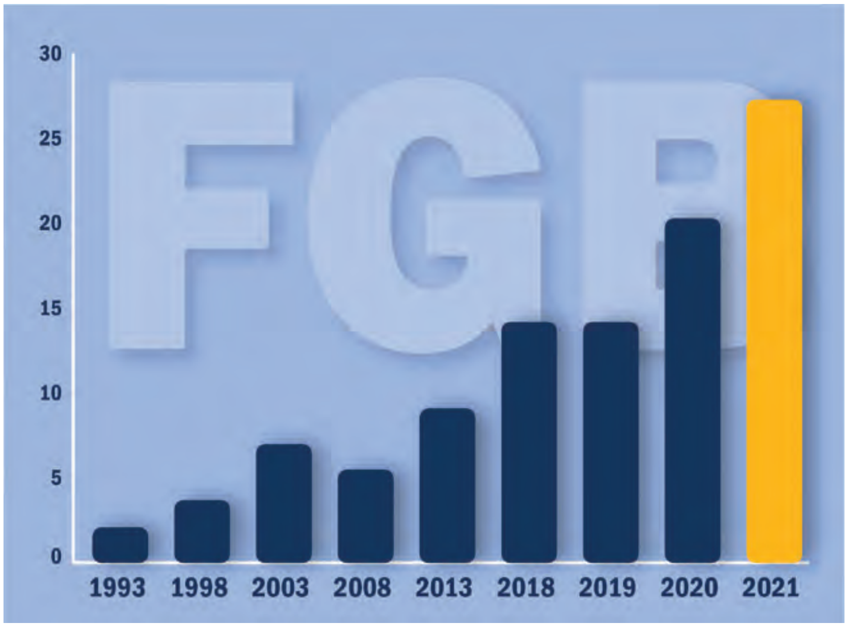
1993	$ 159
1998	$ 245
2003	$ 485
2008	$ 871
2013	$1,436
2018	$1,817
2019	$2,117
2020	$2,473
2021	$2,878

First Guaranty Assets
have increased
1,710% since 1993.

[3]Total equity less preferred equity, goodwill and acquisition intangibles, principally core deposit intangibles, net of accumulated amortization.

Net Income

(in millions)



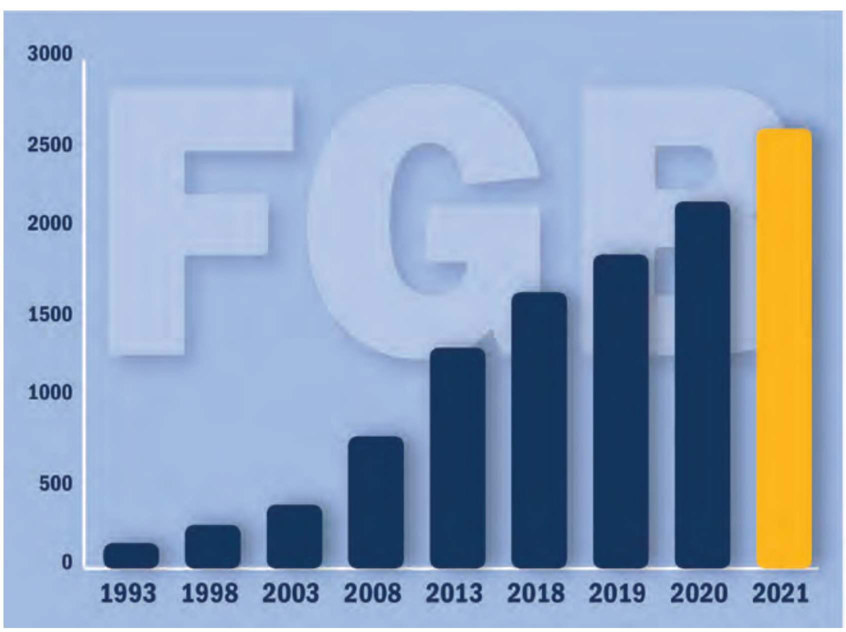
Net Income

(in millions)

1993	$2.1
1998	$3.7
2003	$7.0
2008	$5.5
2013	$9.1
2018	$14.2
2019	$14.2
2020	$20.3
2021	$27.3

Total Deposits

(in millions)



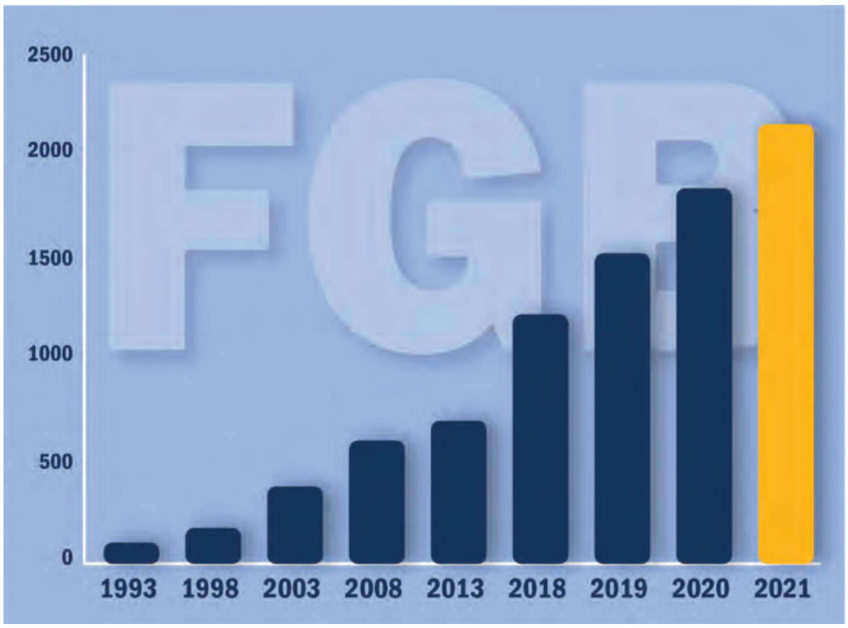
Total Deposits

(in millions)

1993	$ 149
1998	$ 257
2003	$ 376
2008	$ 780
2013	$1,303
2018	$1,630
2019	$1,853
2020	$2,166
2021	$2,596

Loans, Net of Unearned Income

(in millions)



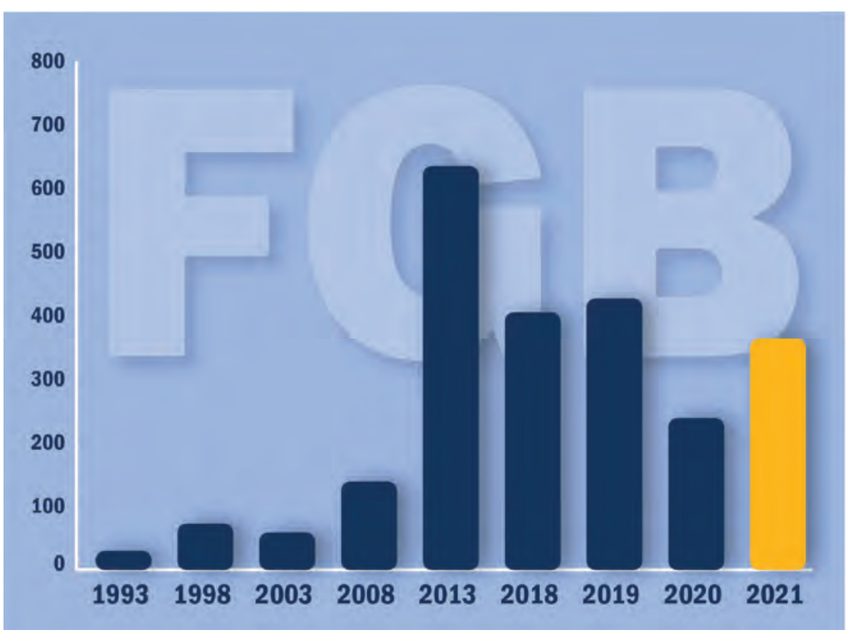
Loans, Net of Unearned Income

(in millions)

1993	$ 105
1998	$ 177
2003	$ 381
2008	$ 606
2013	$ 703
2018	$1,225
2019	$1,525
2020	$1,844
2021	$2,159

Investments [4]

(in millions)



Investments

(in millions)

1993	$ 30
1998	$ 73
2003	$ 59
2008	$139
2013	$635
2018	$405
2019	$427
2020	$239
2021	$364

[4] Available for sale securities at fair value, held to maturity at amortized cost

114th consecutive quarterly dividend and year-end 10% stock dividend

For the SECOND CONSECUTIVE Year, Named the No. 1 BEST SMALL BANK IN THE U.S.!

Asset quality increased as Texas Capital Ratio decreased from 11.65% to 6.56%.

Expansion into Mideast Markets: Bridgeport, West Virginia and Vanceburg, Kentucky

Strong Earnings

Loan Portfolio increase of 17%, year over year.

Fortress Balance Sheet

Celebrated 87 years in banking and we thank our customers, employees and shareholders.

FGB Earnings & Dividends

	Earnings	Total Common Dividends Paid	Cumulative Retained Earnings (Deficit)*	Notable Events
1993	$2.1 million	$ 200,000	$(4,984,000)	▪ Investors purchased $3.6 million of common stock
1994	$1.7 million	$ 601,000	$(3,879,070)	
1995	$2.1 million	$ 815,000	$(2,796,000)	▪ Investors purchased $337,000 of common stock
1996	$3.3 million	$1,020,000	$ (774,000)	▪ Three-for-two stock split
1997	$3.4 million	$1,223,000	$ 1,205,000	
1998	$3.4 million	$1,223,000	$ 3,482,000	
1999	$3.4 million	$1,316,000	$ 4,473,000	▪ Investors purchased $9.6 million of common stock ▪ Acquired 13 branches from Bank One of Louisiana ▪ Acquired First Southwest Bank
2000	$5.0 million	$1,530,000	$ 5,027,000	▪ Gains from sale of acquired branches net of tax totaling $2.8 million
2001	$6.0 million	$1,668,000	$ 8,638,000	▪ Acquired Woodlands Bancorp ▪ Gains from sale of acquired branches net of tax totaling $1.3 million
2002	$3.5 million	$1,751,000	$10,426,000	
2003	$7.0 million	$2,086,000	$13,967,000	
2004	$8.6 million	$2,752,000	$19,771,000	
2005	$6.0 million	$3,173,000	$23,351,000	▪ Four-for-three stock split
2006	$8.4 million	$3,335,000	$28,402,000	
2007	$9.8 million	$3,503,000	$34,671,000	▪ Acquired Homestead Bancorp
2008	$5.5 million	$3,558,000	$36,626,000	
2009	$7.6 million	$3,558,000	$40,069,000	
2010	$10.0 million	$3,558,000	$45,203,000	
2011	$8.0 million	$3,610,000	$47,650,000	▪ Acquired Greensburg Bancshares
2012	$12.1 million	$4,035,000	$53,702,000	▪ 10% common stock dividend ▪ Dividend rate per share remains $0.16 per quarter
2013	$9.1 million	$4,027,000	$58,102,000	▪ Total loans exceeded $700 million
2014	$11.2 million	$4,027,000	$64,905,000	▪ Retained earnings grew by $6.8 million ▪ Total loans reached $790 million
2015	$14.5 million	$4,247,000	$73,445,000	▪ 10% common stock dividend ▪ Listed in NASDAQ ▪ Redeemed SBLF Preferred Stock
2016	$14.1 million	$4,870,000	$82,668,000	▪ Loans totaled $949 million
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	▪ Retained earnings of $57.4 million ▪ Strengthened loan loss reserve and strong loan growth
2021	**$25.9 million**	**$6,393,000**	**$139,849,000**	▪ ***114th consecutive quarterly dividend and year-end 10% common stock dividend*** ▪ ***For the SECOND CONSECUTIVE Year, Named the No. 1 BEST SMALL BANK IN THE U.S.!*** ▪ ***Asset quality increased as Texas Capital Ratio decreased from 11.65% to 6.56%.*** ▪ ***Expansion into Mideast Markets***
	$252.2 million	**$90,962,000**		

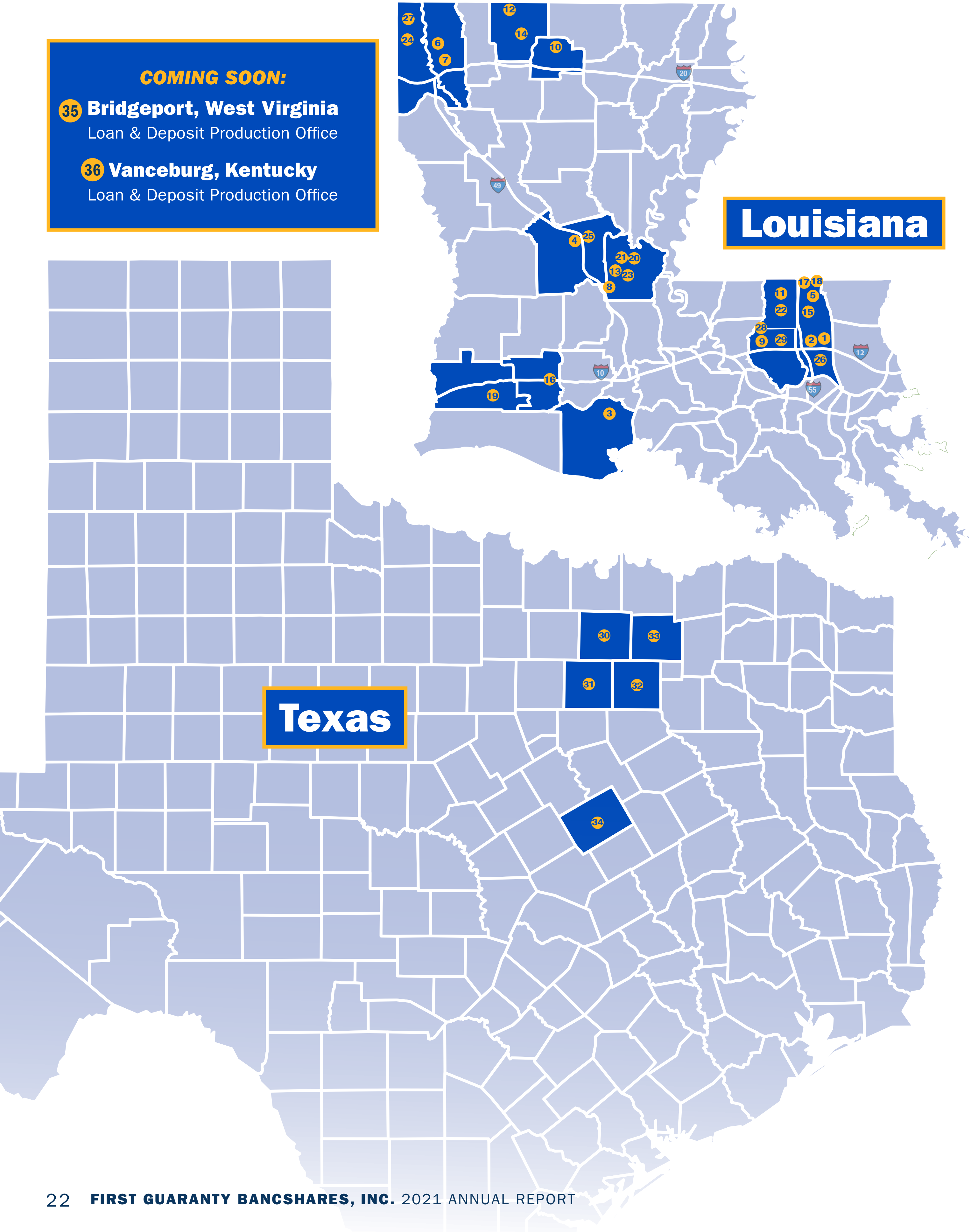
** Retained earnings has not been adjusted to consider stock splits or stock dividends. This better reflects earnings that have been retained as capital. Retained earnings is the product of Company earnings less common and preferred dividends. The accumulated deficits in 1993 through 1996 were due to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

FGB First Guaranty Bank Banking Locations

COMING SOON:

35 Bridgeport, West Virginia
Loan & Deposit Production Office

36 Vanceburg, Kentucky
Loan & Deposit Production Office



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
35. Bridgeport, WV *(coming soon)*
36. Vanceburg, KY *(coming soon)*

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
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

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

LEARN

GROW

LISTEN

SERVE

Guaranty Square

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

APPRAISAL REVIEW:
(Left to Right)
Starr Bernier, Emma Willman, Sarah DiMarco, Luke Orlando

BSA MARKSVILLE:
Front: Cathy Butter
Back: Lucinda Jacobs

BSA MAIN:
(Left to Right)
Front: JoEllen Juhasz, Christe Feimster, Jonathan Fandal
Back: Kendra Fairburn, Taylor Barnard, Linda Miller
Not Pictured: Sharmaine Robertson

COLLATERAL:
(Left to Right)
Front: Emily McIntyre, Heather Coslan, Lauryn Waits
Middle: Sharon Rogers, Tylishia Randell, Cate Mathes, Sarah Sheridan, Brandi Addison
Back: Sarah Jenkins, Krystal Gregory
Not Pictured: Amy King

COMPLIANCE & LOAN REVIEW:
(Left to Right)
Front: Crystal Ward, Hannah Primes
Middle: Ann Morgan, Christina Carter, Lisa Armstrong
Back: Brianda Robinson, Allison Duke

CREDIT MAIN:
(Left to Right)
Row 1 : Lana Quinn, Brittanie Wallace, Madison Amos, Jane Wear
Row 2: Rene Puissegur, Ben Lopez, Claire Roberts, Heidi Romelfanger, Corey Hayden, Matt Wise
Row 3: Colton McDaniel, Jakayla Brown, Louis Cusimano, Joshua Madere
Row 4: Patrick Meyers, Davon Mitchell
Not Pictured: Jamie Davis

CREDIT TEXAS:
(Left to Right)
Front: Stacy Dutcher, Ben Golan
Back: Keith Klein
Not Pictured: Adam Smith

CREDIT CARD DEPARTMENT:
(Left to Right)
Front: Jason Wilson, Derhonda Gaines
Back: Debbie Dubuisson

CUSTOMER SUPPORT CENTER:
(Left to Right)
Front: Laura Ard, Danyelle Green
Back: Devenair Fultz, Jasmine Henry, Norma Volkers
Not Pictured: Matthew Sullivan, Madison Gatlin, Destiny Brumfield, Stevie Vazquez

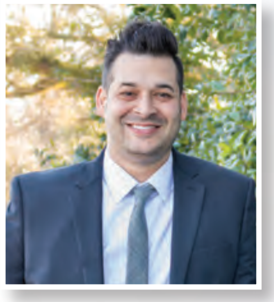
DEPOSIT OPERATIONS MAIN:
(Left to Right)
Front: Stefanie Addison, Christopher Williard, Shirley Jones, Sandra Edwards
Middle Sitting: Lori Lloyd, Tracey Robertson, Kim Fletcher
Standing: Craishan Bridges, Tammy Graves, Laura Huszar, Glenda Saucier, Amanda Johnson, Christina Lacara

DEPOSIT MANAGEMENT & PUBLIC FUNDS MAIN:

(Left to Right)
Front: Steve Osman
Middle: Holly Tamburello, Brandi Steffek
Back: Mark Ducoing

DEPOSIT MANAGEMENT SOUTHEAST LA:
Mary Mayo

DEPOSIT MANAGEMENT TEXAS:
Areeb Rashid



DEPOSIT MANAGEMENT CENTRAL:
Chanyon Robinson

DEPOSIT MANAGEMENT NORTH LA:
Daniel Loe

EFT SERVICES:

(Left to Right)
Front: Michelle Verneuil, Alyssa Guillory
Middle: Alexa Salpietra, Susan Kimmerling, Chandler Guess
Back: Elisa Costanza, Nicole Jackson
Not Pictured: Makaila White

EXECUTIVE:
(Left to Right)
Vanessa Drew, Kristin Williams, Alton Lewis

FINANCE DEPARTMENT MAIN:
(Left to Right)
Front: Rhesha Lamonte, LaQuita Johnson, Emilie McCutcheon, Chuck Lyles
Middle: Wendy Caillouet, Diane Lanier, Karli Montero, Chandra McKinney, Katherine Campbell, Donna Scamardo
Back: Brody McDaniel, Jessica West, Eric Dosch, Jannifer Knighten, Michael Moye, Avery Ferrara

FINANCE MARKSVILLE:
(Photo at Left)
Calvin Ducote

FRONTLINE MAIN:
(Left to Right)
Front: Sarah Matthews, Jeannette Ernst, Briana Lowe
Back: Jozey Pfister, Latonia Cotton, Richard Hamilton
Not Pictured: Vickie Vanlandingham, Edrea Jackson

HUMAN RESOURCES MAIN:
(Left to Right)
Front: Christin Bacile, Landa Domangue
Back: Danielle Willie, Mikki Kelley, Ike Long, Mandi Aguillard

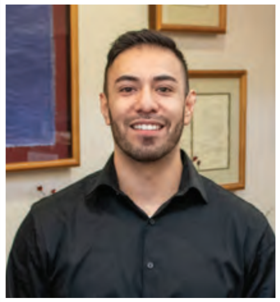
HUMAN RESOURCES MARKSVILLE:
Jason Normand

INFORMATION TECHNOLOGY MAIN:

(Left to Right)
Row 1: Averi Dickerson, Joshua Elliott, Merill Magday, Wendy Kinchen, Star Lala
Row 2: Keith Mills, Mia Edwards, Ramya Tummala
Row 3: Scott Klausing, Samantha Petracek
Row 4: Michelle Saucier, Austin Grant
Row 5: Mark Montalbano, Joshua Valladares
Not Pictured: Timothy Chesney, David Couvillon, Brian Lejeune

INFORMATION TECHNOLOGY FORT WORTH:
Moises Rodriguez

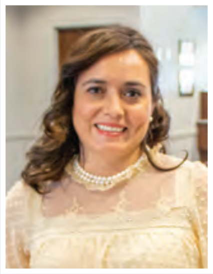
INFORMATION TECHNOLOGY MARKSVILLE:
Front: Tyler Roy
Back: Juan Bautista



INFORMATION TECHNOLOGY WACO:
Fed Guerrero

INFORMATION SECURITY WACO:
Kenny Wilson

INTERNAL AUDIT MAIN:
(Left to Right)
Front: Nicole Ferrante, Michelle Dionne
Middle: Travis Hester, Tom Brothers
Back: Tae Anderson



INTERNAL AUDIT FORT WORTH:
Nancy Rodriguez

LEARNING & DEVELOPMENT NORTH LA:
Kendra Phipps, Amber Smith

LEARNING & DEVELOPMENT MAIN:
(Left to Right)
Front: Summer Brignac, Casie Qualls
Back: Vikki Dupaquier, Wil Brown, Miranda Derveloy

LENDING MAIN:
(Left to Right)
Randy Vicknair, Melanie Gottschalck

Ronnie Foshee

LENDING MAIN 2:
(Left to Right)
Front: Vickie Jenkins, Catherine Egnew
Back: Dev Patel, Christy Wells, Mike Knighten

LOAN OPERATIONS MAIN:

(Left to Right)
Row 1: Elizabeth Roy, Virginia Lambert, Kellie DeMarco
Row 2: April Coker, Breanna Bankston
Row 3: Angela Fields, Leah Hunter, Melissa Nevels
Row 4: Audrey Carter, Laura Lacoste,
Row 5: Juliette Carmo, Darlene Albert, Donna Hodges, Kaley Millet, Kimberly Drury
Row 6: Luke Lavergne, Cliff Fincher

LOAN OPERATIONS MARKSVILLE:
Front: Stephanie Moses
Back: Melissa Small, Brittany Dauzat

LOAN OPERATIONS MCKINNEY:
Front: Jenny Bae, Lisa Stoker
Back: Janet Culberson, Jan Brownd

MARKETING:

(Left to Right)
Front: Carl Duplessis, Desiree Simmons
Middle: Elliot Koss, April Alford
Back: Allison Ryan, Lauren Lee

MERGERS & ACQUISITIONS:

(Left to Right)
Front: Heath Arnold
Back: Evan Singer

MORTGAGE MAIN:
(Left to Right)
Front: Kimberly Lecumberri, Melina West
Middle: Christine Zeringue,
Megan Nelson, Megan Braden
Back: Kyleen Tulion, Brandon Wear,
Anna Borgstede, Melissa Duchmann

MORTGAGE MARKSVILLE:
Becky Sellers

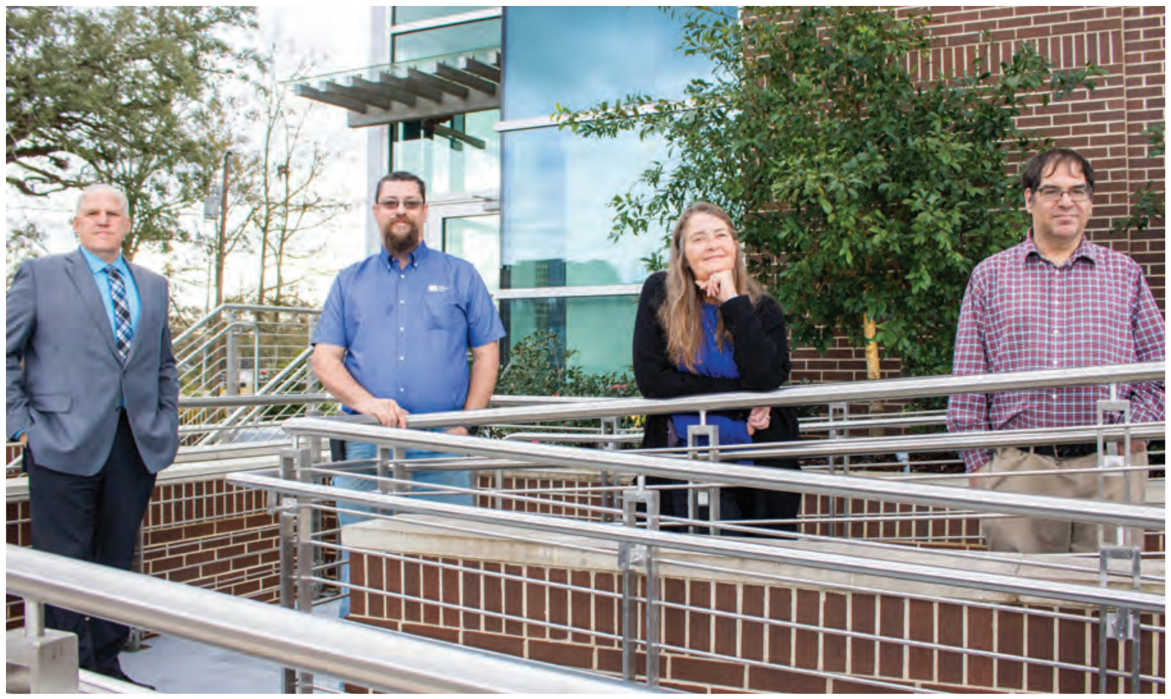
MORTGAGE TEXAS:
Linda Kolosey

OPERATIONS MAIN:
(Left to Right)
Melinda Lenz, Richard Stark
Not Pictured: Julie Nevels, Denise Rehage, Tasha Jackson

OPERATIONS TEXAS:
Ashley Bell

OPERATIONS SOUTHEAST LA:
Marsha Spring

OPERATIONS NORTH LA AND CENTRAL LA:
Shane Hughes



PURCHASING MARKSVILLE:
Armenio Magday

PURCHASING MAIN:
(Left to Right)
Darryl Boudreaux, Chip Campbell, Donna Turnage, Joseph Ernest

SPECIAL ASSETS MARKSVILLE:
Joann Moreau

SPECIAL ASSETS MAIN:
(Left to Right)
Luke Hammonds, Christian Baer, Lee Ann Sibley
Not Pictured: Kriss Patterson

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

(Left to Right)
Front: Ruth Huron, Diane Frederick
Middle: Gretchen Meaux, Rhesa Decuir, Lisa Guidry
Back: Kathryn Desormeaux, Cody Gil, Glenn Duhon, Saxon Fuqua
Not Pictured: Amy Broussard, Roxanne Trahan

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

(Left to Right)
Front: Jeanette Brown, Lisa Hernandez
Back: Pam Normand, Rachel Hazelton, Jajuanna Pardue
Not Pictured: Brooke Moore

Amite

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

(Left to Right)
Front: Saleatha Gordon, Nicole Brown, Shana Wells
Middle: Roxane Williams, Sharon Smith
Back: Scott Schilling
Not Pictured: Stephanie Campo, Jenny Weedman, Elizabeth Zito, Ebony Solomon

Benton

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

(Left to Right)
Front: Kendria Smith, Monique Rochelle
Back: Donna Cummings, Evelyn Saul, Jennifer Purcell, Karen Varilek
Not Pictured: Stephanie Brackens

Bossier City

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

(Left to Right)
Front: Erika Taylor, Stephanie Dempsey, Matt Hudnall, Janet Parmer
Back: Nancy Garsee, Benita Douglas, Linda Blankenship, Lynn Henry
Not Pictured: Courtney Tramiel

Adam Johnston

Bunkie

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

(Left to Right)
Front: Jadelyn Hall
Middle: Kim Ferguson, Rebekah Turner,
Back: Dominique Wilson
Not Pictured: Cheri Moses, Casey Brouillette

Denham Springs

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

(Left to Right)
Front: Kathie Alimia, Michelle O'Quin
Middle: Ludrick Hidalgo, Courtney Lachney, Reynold Lagarrigue
Back: Clint Trant, Angela Wales, Kevin Foster
Not Pictured: Sharon Moore, Jennifer Rizzi

Denton

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

(Left to Right)
Front: Leslie Hinzman, Sandra Whittington
Back: Matthew Jefferson
Not Pictured: Jerad Boardman, Karen Stevenson

Dubach

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

(Left to Right)
Front: Angela Thomas
Middle: Diane Shoemaker, Angela Brown
Back: Kristy Puckett
Not Pictured: Kemberlin Levingston, Iesha Johnson

Fort Worth

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

(Left to Right)
Front: Montavious Morehouse
Back: Teresa Ortiz, Indra Pant
Not Pictured: Dot Frazier, Ifeanyi Ezugwu, Alyssa Al Sabi

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

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

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

(Left to Right)
Front: Melissa Smith, Emma McDonald, Harrison Gill
Back: Paige Rushing, Trella Page, Beau Brumley
Not Pictured: Cortne Coleman, Deionna Frank

(Left to Right)
Front: Epris Mcknight
Middle: Brittany Morgan, Callie Guillot
Back: Laura Day, Christopher Martin, Harley Ribando

Hammond – Guaranty West

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

(Left to Right)
Julia Tabor, Jane Cleveland, Tammy Burley

Haynesville

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

Hessmer

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

(Left to Right)
Front: Lakrishia Brossette
Middle: Rikki Deaville
Back: Jacquelyn Tullos
Not Pictured: Katherine Ponthieux, Becki Normand

Homer

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

(Left to Right)
Front: Tristan Lowe, Ron Edmonds, Candie White
Middle: Caree Bailey, Niekitsha Ridley, Aleshia Lee, John Synco
Back: Shanya Cowser, Debbie Spigener, Ashley Bailey, Laura Pair, C'nya Anderson
Not Pictured: Jamie Wiliams

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

(Left to Right)
Front: Peggy Garon, Karen Paille, Caitlin Doty
Back: Cheryl Brumfield, Susann Schliegelmeyer
Not Pictured: Chelsey Weedman

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

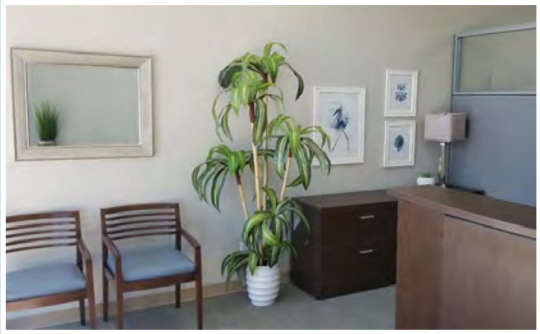
(Left to Right)
Front: Keisha Miller
Back: Brenda Mallett, Amanda Crochet
Not Pictured: Georgette Miller, Erica O'Neal, Gwendolyn Pete

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

(Left to Right)
Front: Pamela Newman, Lindsey George, Kelsey Travis
Back: Christopher Geraci, Connie Butler, Lisa Rushing

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

(Left to Right)
Front: Allison Keating
Back: Cara Garner
Not Pictured: Ruby Carter



Rahul Patel

Lake Charles:

LOAN PRODUCTION OFFICE

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

Marksville

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

MARKSVILLE FRONT LINE:

(Left to Right)
Front: Liz Lemoine, Ronald Chatelain, Sheila Smith
Back: Ann Tassin, Ronny Green, Cynthia Wyatt, Colleen McGehee

MARKSVILLE LEGAL:

(Left to Right)
Amanda Theriot, Samantha Lachney

MARKSVILLE MAIN LENDING:

(Left to Right)
Front: Jana Joshua
Middle: Kristen Nelson
Back: Gregory Prudhomme

Marksville - Tunica

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

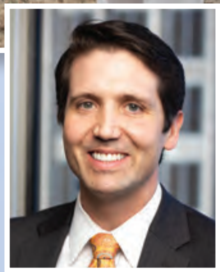
(Left to Right)
Front: Christen Cooper, Nickie Dauzat, Katherine Scallan
Back: Ariel Deming, Colton Campbell, Josiah Blood, Carolyn Bordelon
Not Pictured: Angel Williams, Dusti Marcotte

TUNICA - TAG AND TITLE/ INSURANCE:
(Left to Right)
Minnie Deshotel, Pamela Landry

McKinney

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

(Left to Right)
Front: Jie Rong, Deborah King
Back: Gustavo Melendez, Daniel Prince
Not Pictured: Conrad Arrambide, Corinne Forbes



Jordan Lewis

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

(Left to Right)
Front: Betsy Ehret
Back: Brianna Chaney, Heather Burrell

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

(Left to Right)
Front: Melinda Fontenot
Middle: Courtney Lacombe, Susan Desoto
Back: Laura Dufour
Not Pictured: Elizabeth Bordelon, Lakin Lemoine

Oil City

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

(Left to Right)
Front: Dollie Ogletree, Glenda Graham
Back: Emma Rolling, Shawn Hall, Tina Gay
Not Pictured: Mika Rodgers

Pineville

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

(Left to Right)
Front: Evelyn Pickney, Taylor Peavy
Back: Robyn Patterson, Chaston Price, Lynn James, Monchondria Allen

Ponchatoula

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

(Left to Right)
Front: Laura Serpas, Renee Stewart
Middle: Craig Scelfo, Joan Thibodeaux, Amiee Gervais, Elliot Goorley
Back: Phillip Jeanfreau, Misty Chauvin
Not Pictured: Lori Robertson, Denise Fletcher

Vivian

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

(Left to Right)
Front: Elizabeth Cash, Caroline Caldwell
Middle: Taylor Wilson, Brandy Moon
Standing: Sherile Hartline, Tammy Boatman, Stacy Thompson
Not pictured: Glenda Sepulveda

Waco

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

(Left to Right)
Front: Terrie McCartney, Amy Dennis, Jessica Garcia
Middle: Angelia Simmers, Veronica Davis, Pam Lambert, Candice Mitchell
Back: Joshua Collier

Walker

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

(Left to Right)
Front: Sheila Lofton, Sylvia Moore
Back: Nicole Mouton, Joey Amadeo, Adriana Johnson

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

(Left to Right)
Front: Tammy Chavers
Back: Judy Hughes, Bill Smith
Not Pictured: Emily Glaviano

Bridgeport, West Virginia
Loan & Deposit Production Office

COMING SOON!

(Left to Right)
Front: Lisa Blackwell, Lisa Musgrave, Diana Kinder
Back: Jason Turner, Sam Gallo, Christopher Parr, Craig Hriblan

Vanceburg, Kentucky
Loan & Deposit Production Office

COMING SOON!

(Left to Right)
Mike Mineer, Jane Muehlbauer, Marty Cole, Adam Christy
Not pictured: Ammon Cooper, Daniel Pack

Our Mission

The mission of First Guaranty Bank and First Guaranty Bancshares, Inc. 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

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 2021.

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 $431,500+ in 2021.

Keisha Miller presented two seniors from Welsh High School a contribution for the Graduation Safe and Sober Party.

Casie Qualls and Miranda Derveloy presented a contribution to Mayor Pete Panepinto and Desiree Dotey, Camp Director for Hammond Area Recreation Department Summer Camp.

Conrad Arrambide presented a contribution to Jessica Bartnick, Co-Founder & CEO of Foundation For C.H.O.I.C.E.

Steven Osman presented a contribution to Scott Laborde, Director of Bands & Choral Activities for Avoyelles Public Charter School to purchase band equipment.

Donna Hodges presented a contribution to Katie Landry for the Albany High School Softball Team.

FGB Gives Back

Caroline Caldwell, Stacy Thompson, and Shane Hughes presented a contribution to Tim and Lou Ann Dodge, owners of the Vivian Fire House.

Becky Sellers presented a contribution to Angela Walters, Member Services Coordinator for the Baton Rouge Board of Realtors.

Mikki Kelley presented a contribution to Cammie Proctor, Director, Resource Department of United Way of Southeast Louisiana for the United Way Campaign.

Matt Hudnall and Adam Johnston attended the "Floor Signing" at the St. Jude Dream Home. This contribution allowed us the opportunity for the sponsors to leave a message for the kids of St. Jude and sign their names on the floor – that'll stay with the home forever.

Matt Hudnall and Adam Johnston presented a contribution to Philip and Jenny Rodgers of Rodgers Homes and Construction for the St. Jude Dream Home in Bossier.

Glenda Graham and Dollie Ogletree presented a contribution to Pinnacle Search & Rescue. The donation allows them to serve low income youth and further their mission to provide college and career access opportunities for the underprivileged.

Courtney Tramiel presented a contribution to Coach J.A. Anglin of the Cavalier Athletic Association (Bossier Parish Community College Basketball).

Cheryl Brumfield presented a contribution to Molli Rae Kinchen representing the Tangi High School Rodeo.

Amy Dennis presented a contribution to Fuzzy Friends Rescue in Waco.

Daryl Ferrara presented a contribution to Patti Roubique, Executive Director of Louisiana Children's Discovery Center for their Mad Hatter Brunch.

FGB Gives Back

Elliot Goorley presented a contribution to Danny Elstrott of the Ponchatoula Rotary for the "Golfin' Dollars for Scholars" golf tournament.

First Guaranty Bank presented a contribution to Sacred Heart Catholic Church for Vacation Bible School. Left to right: Charissa Lemoine, Kim Adams, Father Brian Seiler, Steven Osman, Carolyn Bordelon, Davied Boe, Esher Boe, Andre Spruill, Margaret Borrel, and Liz Lemoine.

Kristin Williams presented a contribution to Vanessa Prentice, Director of Development for Southeastern Louisiana University Foundation.

Courtney Tramiel presented a contribution to Dianne Clark with Sci-Port. First Guaranty Bank sponsored the Sno-Port Exhibit.

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

First Guaranty Bank presented a contribution to North Oaks Foundation for the Covid-100 initiative. Left to right: Alton Lewis, Randy Vicknair, Amber Smith, Latonia Cotton, and Eric Dosch.

FGB presented a contribution to the Town of Cheneyville. Left to right: Ronald Chatelain, Colleen McGehee, Cynthia Wyatt, Derrick Johnson, Ronny Green, Elizabeth Lemoine, and Sheila Smith.

First Guaranty Bank presented a contribution to Brother Bill's Helping Hand. Left to right: Areeb Rashid, Laurel Green of Brother Bill's Helping Hand, and Ashley Bell.

First Guaranty Bank contributed to the Independence Sicilian Heritage Festival. Left to right: Cheryl Brumfield; Ryan Oliphant, Sponsorship; Robin Abrams, Public Relations; and Lisa Paine, Treasurer.

First Guaranty Bank presented a contribution to Junior Achievement of the Chisolm Trail Inc. In the photo left to right is Kathleen Barbee, Director of Strategic Partnerships, Junior Achievement of the Chisholm Trail, Alyssa Al Sabi, and Indra Pant.

Courtney Lacombe presented a contribution to the Hessmer Sports Club.

Matt Wise presented a contribution to Vanessa Pentice, Director of Development and Wendy Lauderdale, Executive Director Southeastern Foundation for the Chefs Under the Stars Event.

First Guaranty Bank presented a contribution (and king cakes) to the Adopt-A-School program for Dubach Elementary School. Left to right: Kemberlin Locks, Marilyn Rushing, Dubach Elementary School secretary/clerk, and Kristy Puckett.

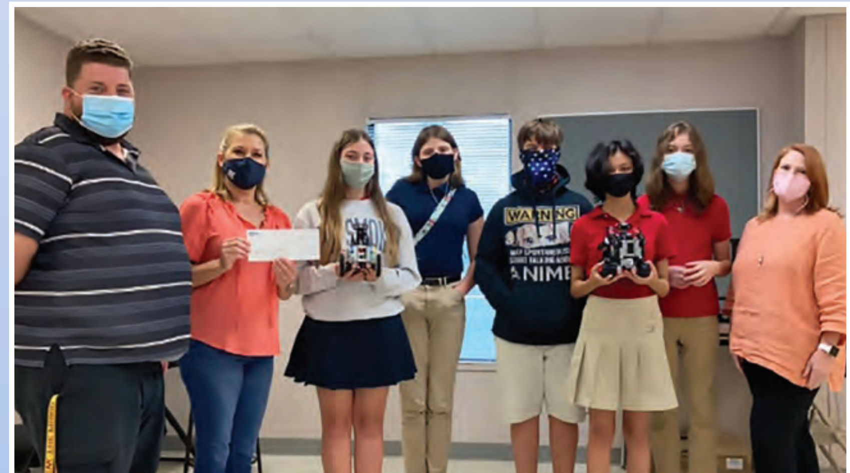
Jane Wear presented a contribution to Jivka Duke for the SLU Community Music School.

Pam Normand and William Voelker presented a contribution to Michelle Purl, CEO, for United Way.

Crystal Ward and Casie Navarre presented a contribution to Genevieve Silverman, President & CEO and Kristi Richardson, Program & Event Coordinator for the BizTech Challenge.

Cheryl Brumfield presented a contribution to the Independence Volunteer Fire Department. Left to right: Otis Ellison, Cheryl Brumfield, Fire Chief John Polito, and Tommie Spencer, Jr.

Alton Lewis and Kristin Williams presented a contribution to Michelle Gallo, CEO/Executive Director of Crime Stoppers of Tangipahoa, Inc. and Rayne Beal, Crime Stoppers Outreach Coordinator for the Duck Derby event.



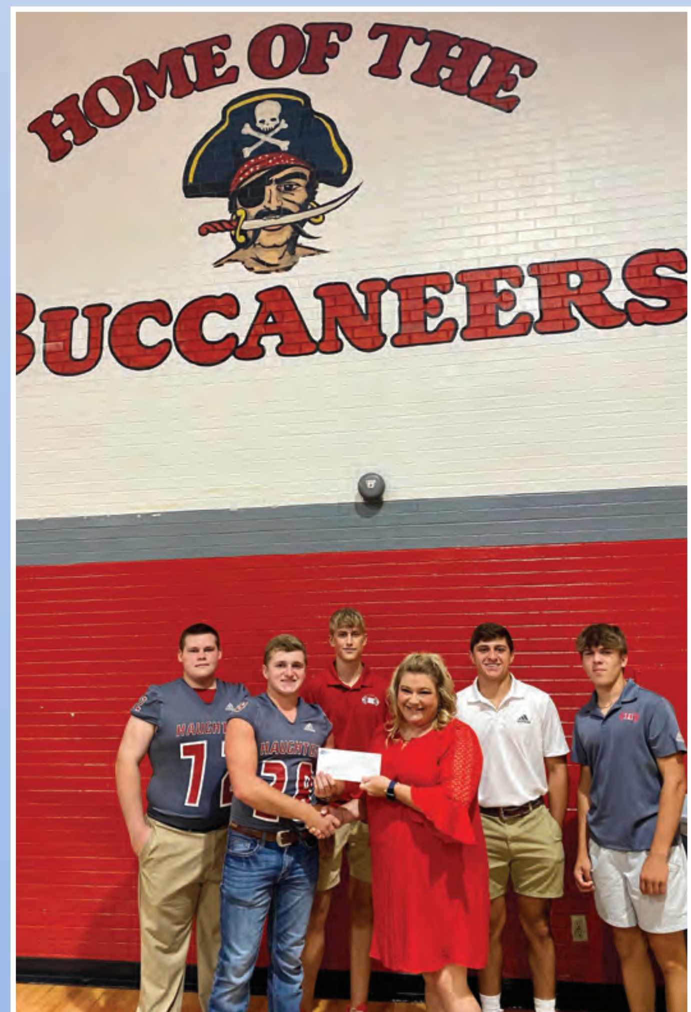
First Guaranty Bank contributed to the Loranger Middle School Robotics Team, the Wolf-Bytes.

Chaston Price presented a contribution to the Family Justice Center of Central LA.

First Guaranty Bank presented a contribution to the Abbeville Fire Department for the fire safety program called "Fire Pup." Left to right: Diane Frederick, Gretchen Meaux, Captain Cory Bourque, Fireman Eric Meaux, Ruth Huron, and Lisa Guidry.

Miranda Derveloy and Casie Qualls presented a contribution to Patrick Coudrain, Kiwanis President, for Trivia Night.

Matt Hudnall and Adam Johnston presented a contribution to Logan Lewis, Director of Marketing & Membership for the Independence Bowl.



Kendra Phipps presented a contribution to the Haughton Football team.

Casie Qualls presented a contribution to Charley Vance, Talented Theatre Teacher and the Amite and Jewel Sumner High School's students for the Tangipahoa Parish School Board's Talented Theatre Program.

Becky Sellers presented a contribution to Dax Roy, President of Greater Central Louisiana Realtor Association and Angela Lavais, Account Executive of Greater Central Louisiana Realtor Association, for the 2021 Greater Central Louisiana Realtor Association Installation and Awards Banquet.

Trella Page presented a contribution to Marquetta L. Anderson, MS, MPA for the St. Helena Farmer's Market.

FGB Gives Back

Cody Gil and Gretchen Meaux presented a contribution to the Chief of Police, William Spearman for the Abbeville Police Department.

First Guaranty Bank presented a contribution to Christmas on Caddo Festival. Left to right: Mika Rodgers, Shawn Hall, Emma Rolling, Casey Hartley (President, Christmas on Caddo), Glenda Graham, and Tina Gay.

Adam Johnston presented a contribution to Lion Frank Russell for the Lions International Bossier City.

Catherine Egnew presented a contribution to Coach Christopher Blanchard, Baseball Coach, for Springfield High School.

First Guaranty Bank presented a contribution to Kentwood Middle School football team for the purchase of new uniforms. Left to right: Rochell Bates, Kentwood High Magnet School Principal, Chris Geraci, and Teddy Hookfin, Kentwood Middle Football Coach.

Courtney Tramiel presented a contribution to Coach Eddie Hamilton for the Airline High School Boys Basketball.

Leslie Hinzman presented a contribution to Andie Jackson, UNT Student Activity Coordinator for the UNT Mean Green Fling.

First Guaranty Bank presented a contribution to Gingerbread House Children's Advocacy House. Left to right, Aelania Auzenne, Sophia M. Herron, Jordan Hughes, Jessica Milan Miller, from the Gingerbread House, Courtney Tramiel, and Stephanie Dempsey.

FGB Gives Back

Casie Qualls presented a contribution to Dana Monistere for the Project Graduation event for Loranger High School.

Daryl Ferrara presented a contribution to Melissa Griffin, Executive Director of the Hammond Regional Arts Center.

Keisha Miller presented a contribution to Mr. Jimmy Segura for the JHS Alumni Tournament.

Dollie Ogletree presented a contribution to Jill Lucero, Regional Director of American Heart Association Northwest Louisiana Area for the Northwest Louisiana Go Red for Women Celebration.

Alton Lewis and Kristin Williams presented a contribution to Mayor Pete Panepinto and Guy Recotta for the Back to School Bash.

Melinda Kidder presented a contribution to Chief James Gaspard of the Bordelonville Fire Department.

Philip Jeanfreau presented a contribution to Owen Bateman of the Ponchatoula High School Band.

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

Brandi Steffek presented a contribution to Carolyn Strahan with Greenville Park Leadership Academy for the upcoming teachers appreciation event.

Cheryl Brumfield presented a contribution to Jeanette Patanella for the Mater Dolorosa Catholic School Steak Dinner.

FGB Gives Back

Adam Johnston presented a contribution to Angela "Angie" White, Executive Vice President of the North Louisiana Economic Partnership.

Greg Prudhomme presented a contribution to Coach Nick Pujol of Bunkie High School.

Randy Vicknair presented a contribution to Dr. Tará Burnthorne Lopez, Interim Dean and Professor of Marketing at Southeastern Louisiana University for Business Week.

Desiree Simmons presented a contribution to Randy Settoon, Director, for the Southeastern Channel.

Angela Wales presented a contribution for the Kiwanis Club of Denham Springs. In the photo with Angela Wales are Live Oak High Key Club and Denham Springs High Key Club.

Melina West presented a contribution to Jodee Hoover, Executive Director and Donna Olivia, House Administrator, for the Richard Murphy Hospice Foundation.

First Guaranty Bank contributed to the Salute the Lions event hosted by FeLions. Front row, left to right: Christina Carter, Jan Labbe, and Joann Giannobile. Back row, left to right: Peggy Hoover, Libby Covington, and Peggy Matheu.

FGB Gives Back

A

City of Abbeville – Fire Safety Education
Abbeville Police Department
Albany High School – Softball Team Sign
ALSAC/St. Jude's Hospital
American Heart Association Inc.
Avoyelles Council on Aging, Inc.
Avoyelles High School – Baseball Team Sponsor
Avoyelles Parish School Board – High School Spirit Squad
Avoyelles Parish Charter School – Band Equipment

B

Bordelonville Fire Department
Bossier Chamber of Commerce
Bossier City Lions Club – High School Football Jamboree
Bossier Parish School Board – Airline High Basketball
Boy Scouts of America
Boys and Girls Club of Acadiana
Brother Bill's Helping Hand
Bunkie High School – Football Stadium Scoreboard

C

Caddo Parish School Board – Positive Behavior Program
Cajun Navy – Rescue Supplies
CASA Services, Inc.
Cavalier Athletic Association
Town of Cheneyville – Founders Day Festival
Chisholm Trail RSVP, Inc. – Golf Tournament Sponsor
Christmas on Caddo
Claiborne Academy – Billboard
Claiborne Charity Inc. – Silver Sponsor
Claiborne Parish School Board – Haynesville Elementary
CLHG Avoyelles LLC – Nursing Staff Crawfish Boil
Commission for Women of Bossier City Inc. – Inspiring Women Luncheon Sponsor

D

Delta Waterfowl Foundation – Banquet Sponsor
Dubach Restoration and Beautification Organization – Chicken Festival
Dubach School – Adopt-A-School and Teacher Appreciation Week
Town of Dubach – Santa Run Sponsor, Trunk or Treat and Veterans' Lunch

F

Faith House, Inc.
Family Justice Center of Central Louisiana Inc.
Foundation for CHOICE – Mentoring Program for At-Risk High School Students
Fuzzy Friends Rescue – Barkin' Ball

G

Gingerbread House Bossier/Caddo
Good Samaritans of Garland Inc.
Greater Bossier Development Foundation
Greater Central Louisiana Realtor Association
Greenville Park Leadership Academy – Teachers Appreciation
Gujarati Samaj of Mississippi – Annual Banquet Sponsor

H

Hammond Area Recreation District – Movie in the Park and Chappapella Sports Park Sponsor
Hammond – Downtown Development District – Railroad Bench, Community Garden, and Picnic in the Park
Hammond Chamber of Commerce – Chillin' with the Chamber Title Sponsor, LHSAA Soccer & Basketball Tournaments
City of Hammond – Back to School Bash
City of Hammond Recreation Department – Summer Camp
Hammond Eastside Magnet School – Fall Festival
Hammond Regional Arts Center
Haughton High School – Football program and Baseball Tournament Sponsor
Haynesville Beautification Committee
Hessmer Sports Club – Sign
Holy Ghost Catholic Church – Sparklers Sponsorship
Homer Golf Club – Tee Box Sponsor
Homer Main Street La Legends Festival and Golf Sponsorship

I

Independence Bowl Foundation, Inc.
Independence Sicilian Heritage Festival
Independence Summer Baseball
Independence Volunteer Fire Department – Smokin' on the Track BBQ

J

Jeff Davis Chamber of Commerce – Gold Tournament Sponsor
Jennings High School – JHS Alumni Softball Tournament Sponsor
Jennings Police Association – Shop with a Cop
Junior Achievement of Chisholm Trail Inc.
Junior Achievement of Greater Baton Rouge & Acadia

K

Kentwood Baseball/Softball Association
Kentwood High Magnet School – Baseball Program
Kentwood Rotary Club – Golf Tournament
Town of Kentwood – School Supply Giveaway
Kim's Stitches & Inks, LLC – Football T-Shirts
Kiwanis Club of Denham Springs – Christmas Parade, Clay Shoot
Kiwanis Club of Hammond
Knights of Columbus Marksville Council 1217

L

LA Children's Discovery Center – Mad Hatter Brunch and Bubble Zone Exhibit Sponsor
Launch
Livestock Committee of Garland
Loranger High School – Project Graduation
Loranger Middle School – Wolf-Bytes Robotics Team Diamond Sponsor
Loranger Youth Basketball
Louisiana 4-H Foundation – Jr. Livestock Show – 5 Belt Buckles
Louisiana Cattlemen's Association – Banquet Sponsor
Louisiana Realtors – Spring Into Action
Louisiana Technology Park – Biz Tech Challenge Sponsor

M

City of Marksville – Doll and Toy Fund
Marksville High/Avoyelles Parish School Board
Marksville Little League – T-Ball All Stars
Mater Dolorosa Catholic Church – Steak Dinner Eagle Sponsorship
Monterey County Club
Moreauville Volunteer Fire Department
Mothers Against Drunk Driving
Richard Murphy Hospice Foundation

N

North Louisiana Economic Partnership
North Oaks Foundation – COVID Vaccination Incentive

O

Oak Forest Academy – Golf Tournament
Oak Grove Church of Christ
Open Hands Sharing God's Love
Options, Inc.

P

Ponchatoula Chamber of Commerce
Ponchatoula High School – Lady Wave Basketball, Band Sponsor and Senior Breakfast

R

Rotary Club of Denton, Texas – Flag Program
Rotary Club of Ponchatoula – Golfin' Dollars for Scholars

S

Sacred Heart Church – Fall Fair Fundraiser and Vacation Bible School
St. Genevieve – Sunday Missal Ad
St. Helena Cattle Company – Farmers Market Sponsorship
St. Helena Parish Police Jury
St. Mary's Assumption School – Athletics Silver Sponsor
St. Thomas Aquinas High School Basketball Team and National Championship Rings
SCI-PORT Discovery Center
Shriners Hospitals for Children
Jordan Smith Benefit
Southeastern Louisiana University – Golf Tournament
Southeastern Louisiana University – Columbia Theatre for the Arts
SLU Athletic Association – Sports Package and Salute the Lions
SLU Foundation – Business Perspectives Week Sponsor, Southeastern Alumni Association, Southeastern Giving Day, Community Music School, Channel Sponsorship, Chefs Evening
Southeast Community Health System
Southeast regional Officials Association
Southern University System Foundation Inc.
Special Olympics Louisiana
Springfield High School – Baseball Team
Stirling Properties – Golf Tournament
Sumner High School

T

Tangi High School Rodeo – Barrel Racing Sponsor
Tangipahoa Parish School System – Talented Theatre and PHS Cheer
Terzia's Inc. – Chicken Festival
Texas Bankers Association
Tunica-Biloxi Indians PAC – Golf Tournament
Twin Steeples, Inc.

U

United by BBQ
United Way of Central Louisiana Inc.
United Way of Southeast Louisiana
University of North Texas – Mean Green Fling Sponsor and University Day Sponsor

V

Varsity Brands Holding Co., Inc. – Kentwood Junior High Football Team
Vivian Fire House LLC – Museum

W

Westminster Place – Holiday Meals/Gifts for Thanksgiving and Christmas
WHS Class of 2021 – Safe and Sober After Graduation Party
Woodland Park Magnet School – Teacher Appreciation Week

Banks Headquartered in Louisiana

Ranked by Asset Size as of December 31, 2021

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

First Guaranty Bancshares, Inc.
CORPORATE INFORMATION

ANNUAL MEETING
The Annual Meeting of Shareholders will convene at 2:00 PM Central Daylight Saving Time (CDT) on Thursday, May 19, 2022 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 Bancshares, Inc.
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.

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,				
	2021	2020	2019	2018	2017
		(in thousands, except for % and share data)			
Year End Balance Sheet Data:					
Investment securities	**$ 364,156**	$ 238,548	$ 426,516	$ 405,303	$ 501,656
Federal funds sold	**$ 183**	$ 702	$ 914	$ 549	$ 823
Loans, net of unearned income	**$ 2,159,359**	$ 1,844,135	$ 1,525,490	$ 1,225,268	$ 1,149,014
Allowance for loan and lease losses	**$ 24,029**	$ 24,518	$ 10,929	$ 10,776	$ 9,225
Total assets	**$ 2,878,120**	$ 2,473,078	$ 2,117,216	$ 1,817,211	$ 1,750,430
Total deposits	**$ 2,596,492**	$ 2,166,318	$ 1,853,013	$ 1,629,622	$ 1,549,286
Borrowings	**$ 49,635**	$ 116,630	$ 86,747	$ 34,538	$ 52,938
Shareholders' equity	**$ 223,889**	$ 178,591	$ 166,035	$ 147,284	$ 143,983
Common shareholders' equity	**$ 190,831**	$ 178,591	$ 166,035	$ 147,284	$ 143,983
Performance Ratios and Other Data:					
Return on average assets	**1.01%**	0.87%	0.76%	0.82%	0.71%
Return on average common equity	**14.06%**	11.36%	8.99%	9.98%	8.59%
Return on average tangible assets (1)	**1.04%**	0.90%	0.78%	0.85%	0.73%
Return on average tangible common equity (1)	**15.98%**	13.08%	9.68%	10.77%	9.15%
Net interest margin	**3.44%**	3.35%	3.41%	3.41%	3.33%
Average loans to average deposits	**83.65%**	81.25%	78.59%	75.39%	72.23%
Efficiency ratio (2)	**63.63%**	58.95%	67.48%	69.46%	62.64%
Efficiency ratio (excluding amortization of intangibles and securities transactions) (2)	**63.32%**	68.44%	66.77%	66.63%	63.38%
Full time equivalent employees (year end)	**470**	429	431	346	338
Capital Ratios:					
Average shareholders' equity to average assets	**7.65%**	7.62%	8.42%	8.20%	8.31%
Average tangible equity to average tangible assets (3)	**7.02%**	6.86%	8.02%	7.86%	8.01%
Common shareholders' equity to total assets	**6.63%**	7.22%	7.84%	8.10%	8.23%
Tangible common equity to tangible assets (3)	**6.04%**	6.51%	6.99%	7.79%	7.87%

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CONSECUTIVE
DIVIDEND PAID

Income Data:					
Interest income	**$ 111,917**	$ 100,684	$ 91,643	$ 78,390	$ 67,546
Interest expense	**$ 22,299**	$ 26,017	$ 29,966	$ 21,366	$ 14,393
Net interest income	**$ 89,618**	$ 74,667	$ 61,677	$ 57,024	$ 53,153
Provision for loan losses	**$ 2,055**	$ 14,877	$ 4,860	$ 1,354	$ 3,822
Noninterest income (excluding securities transactions)	**$ 10,046**	$ 8,989	$ 8,456	$ 7,110	$ 6,943
Securities (losses) gains	**$ 714**	$ 14,791	$ (157)	$ (1,830)	$ 1,397
Noninterest expense	**$ 63,868**	$ 58,033	$ 47,219	$ 43,275	$ 38,521
Earnings before income taxes	**$ 34,455**	$ 25,537	$ 17,897	$ 17,675	$ 19,150
Net income	**$ 27,297**	$ 20,318	$ 14,241	$ 14,213	$ 11,751
Net income available to common shareholders	**$ 25,913**	$ 20,318	$ 14,241	$ 14,213	$ 11,751
Per Common Share Data [5]:					
Net earnings	**$ 2.42**	$ 1.90	$ 1.34	$ 1.33	$ 1.13
Cash dividends paid	**$ 0.60**	$ 0.58	$ 0.54	$ 0.53	$ 0.49
Book value	**$ 17.81**	$ 16.66	$ 15.49	$ 13.82	$ 13.51
Tangible book value [4]	**$ 16.13**	$ 14.92	$ 13.68	$ 13.24	$ 12.88
Dividend payout ratio for Common and Preferred	**28.49%**	30.68%	40.74%	39.65%	44.34%
Weighted average number of shares outstanding	**10,716,796**	10,716,796	10,666,055	10,657,245	10,416,337
Number of shares outstanding	**10,716,796**	10,716,796	10,716,796	10,657,245	10,657,245
Asset Quality Ratios:					
Non-performing assets to total assets	**0.70%**	1.25%	1.04%	0.55%	0.84%
Non-performing assets to total loans	**0.93%**	1.68%	1.44%	0.82%	1.28%
Non-performing loans to total loans	**0.83%**	1.55%	1.12%	0.73%	1.17%
Loan loss reserve to non-performing assets	**119.95%**	79.33%	49.86%	107.48%	62.88%
Net charge-offs to average loans	**0.13%**	0.08%	0.36%	(0.02)%	0.54%
Provision for loan and lease loss to average loans	**0.10%**	0.89%	0.37%	0.12%	0.36%
Allowance for loan and lease loss to total loans	**1.11%**	1.33%	0.72%	0.88%	0.80%

1. Tangible calculation eliminates goodwill and acquisition intangibles, principally core deposit intangibles, net of accumulated amortization, net of tax. See below for our reconciliation of non-GAAP financial measures to their most directly comparable GAAP financial measures under the caption "Selected Historical Consolidated Financial and Other Data— *Non-GAAP Financial Measures.*"
2. Efficiency ratio represents noninterest expense divided by the sum of net interest income and noninterest income. We calculate both a GAAP and a non-GAAP efficiency ratio. The GAAP-based efficiency ratio is noninterest expenses divided by net interest income plus noninterest income. See below for our reconciliation of non-GAAP financial measures to their most directly comparable GAAP financial measures under the caption "Selected Financial Data— *Non-GAAP Financial Measures*."
3. We calculate tangible common equity as total shareholders' equity less preferred stock, goodwill and acquisition intangibles, principally core deposit intangibles, net of accumulated amortization, and we calculate tangible assets as total assets less goodwill and core deposit intangibles. Tangible common equity to tangible assets is a non-GAAP financial measure, and, as we calculate tangible common equity to tangible assets, the most directly comparable GAAP financial measure is total shareholders' equity to total assets. See below for our reconciliation of non-GAAP financial measures to their most directly comparable GAAP financial measures under the caption "Selected Historical Consolidated Financial and Other Data— *Non-GAAP Financial Measures*."
4. We calculate tangible book value per common share as total shareholders' equity less preferred stock, goodwill and acquisition intangibles, principally core deposit intangibles, net of accumulated amortization at the end of the relevant period, divided by the outstanding number of shares of our common stock at the end of the relevant period. Tangible book value per common share is a non-GAAP financial measure, and, as we calculate tangible book value per common share, the most directly comparable GAAP financial measure is book value per common share. See below for our reconciliation of non-GAAP financial measures to their most directly comparable GAAP financial measures under the caption "Selected Financial Data— *Non-GAAP Financial Measures*."
5. All share and per share amounts have been restated to reflect the ten percent stock dividend paid December 17, 2021 to shareholders of record as of December 15, 2021.

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,				
	2021	2020	2019	2018	2017
	(in thousands, except for share data and %)				
Tangible Common Equity					
Total shareholders' equity	$ 223,889	$ 178,591	$ 166,035	$ 147,284	$ 143,983
Adjustments:					
Preferred Stock	33,058	-	-	-	-
Goodwill	12,900	12,900	12,942	3,472	3,472
Acquisition intangibles	5,051	5,815	6,527	2,704	3,249
Tangible common equity	**$ 172,880**	**$ 159,876**	**$ 146,566**	**$ 141,108**	**$ 137,262**
Common shares outstanding[1]	10,716,796	10,716,796	10,716,796	10,657,245	10,657,245
Book value per common share[1]	$ 17.81	$ 16.66	$ 15.49	$ 13.82	$ 13.51
Tangible book value per common share[1]	$ 16.13	$ 14.92	$ 13.68	$ 13.24	$ 12.88
Tangible Assets					
Total Assets	$ 2,878,120	$ 2,473,078	$ 2,117,216	$ 1,817,211	$ 1,750,430
Adjustments**:**					
Goodwill	12,900	12,900	12,942	3,472	3,472
Acquisition intangibles	5,051	5,815	6,527	2,704	3,249
Tangible Assets	**$ 2,860,169**	**$ 2,454,363**	**$ 2,097,747**	**$ 1,811,035**	**$ 1,743,709**
Tangible common equity to tangible assets	**6.04%**	**6.51%**	**6.99%**	**7.79%**	**7.87%**

[1]All share amounts have been restated to reflect the ten percent stock dividend paid December 17, 2021 to shareholders of record as of December 15, 2021.

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,				
	2021	2020	2019	2018	2017
	(in thousands, except for share data and %)				
GAAP-based efficiency ratio	**63.63%**	**58.95%**	**67.48%**	**69.46%**	**62.64%**
Noninterest expense	$63,868	$58,033	$47,219	$43,275	$38,521
Amortization of intangibles	764	711	390	545	432
Noninterest expense, excluding amortization	63,104	57,322	46,829	42,730	38,089
Net interest income	89,618	74,667	61,677	57,024	53,153
Noninterest income	10,760	23,780	8,299	5,280	8,340
Adjustments:					
Securities transactions	714	14,691	(157)	(1,830)	1,397
Noninterest income, excluding securities transactions	$ 10,046	$ 9,089	$ 8,456	$ 7,110	$ 6,943
Efficiency ratio	**63.32%**	**68.44%**	**66.77%**	**66.63%**	**63.38%**

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 on Form 10-K. 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 on Form 10-K, 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 36 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, Waco, Texas and our new Mideast markets in Kentucky and West Virginia. 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 $2.9 billion at December 31, 2021 and $2.5 billion at December 31, 2020. Total deposits were $2.6 billion at December 31, 2021 and $2.2 billion at December 31, 2020. Total loans were $2.2 billion at December 31, 2021, an increase of $315.2 million, or 17.1%, compared with $1.8 billion at December 31, 2020. Total shareholders' equity was $223.9 million and $178.6 million at December 31, 2021 and December 31, 2020, respectively.

Net income was $27.3 million, $20.3 million and $14.2 million for the years ended December 31, 2021, 2020 and 2019, 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 and 2021 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 2021 and 2020:

- Total assets increased $405.0 million, or 16.4%, to $2.9 billion at December 31, 2021 when compared with December 31, 2020. Total loans at December 31, 2021 were $2.2 billion, an increase of $315.2 million, or 17.1%, compared with December 31, 2020. Total deposits were $2.6 billion at December 31, 2021, an increase of $430.2 million, or 19.9% compared with December 31, 2020. Retained earnings were $56.7 million at December 31, 2021, an increase of $19.5 million compared to $37.1 million at December 31, 2020. Shareholders' equity was $223.9 million and $178.6 million at December 31, 2021 and December 31, 2020, respectively.
- Net income for each of the years ended December 31, 2021 and 2020 was $27.3 million and $20.3 million, respectively.

- Earnings per common share were $2.42 for the year ended December 31, 2021 and $1.90 for the year ended December 31, 2020. Total weighted average common shares outstanding were 10,716,796 at December 31, 2021 and December 31, 2020.
- First Guaranty participated 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 and will forgive such loans. The program has been conducted in two phases which First Guaranty classifies as Round 1 loans (originated in 2020) and Round 2 loans (originated in 2021). As of December 31, 2021, First Guaranty had remaining Round 1 PPP loans of $12.7 million with deferred fees of $0.3 million and Round 2 PPP loans of $22.6 million with deferred fees of $1.1 million remaining. $2.0 million in PPP fees were recognized during 2021 compared to $2.2 million in PPP fees recognized in 2020.
- The allowance for loan and lease losses was 1.11% of total loans at December 31, 2021 compared to 1.33% at December 31, 2020. First Guaranty attributes the decrease in the allowance as a percentage of loans to the improvement in factors related to the COVID-19 pandemic offset by growth in the loan portfolio identified risks. First Guaranty had acquisition related loan discounts that totaled approximately $1.4 million at December 31, 2021. First Guaranty had $35.4 million at December 31, 2021 of SBA guaranteed PPP loans that have no related allowance due to the 100% government guarantee in accordance with regulatory guidance.
- First Guaranty had approximately $12.4 million of loans on deferral as of December 31, 2021 due to Hurricane Ida that impacted Southeast Louisiana on August 29, 2021.
- The provision for loan losses totaled $2.1 million for 2021 compared to $14.9 million in 2020. The provision was primarily elevated in 2020 due to COVID-19 related economic conditions and due to growth in the loan portfolio.
- Net interest income for 2021 was $89.6 million compared to $74.7 million for 2020.
- Noninterest income for 2021 was $10.8 million compared to $23.8 million for 2020. Excluding the impact of securities gains, noninterest income for 2021 improved to $10.0 million from $9.0 million for 2020. The increase was primarily due to higher ATM and debit card fees.
- The net interest margin was 3.44% for 2021 and 3.35% for 2020. First Guaranty attributed the increase in the net interest margin to an improved mix of loans compared to securities and cash along with continued reduction in First Guaranty's cost of funds. Loans as a percentage of average interest earning assets increased to 77.3% at December 31, 2021 compared to 74.7% at December 31, 2020.
- Investment securities totaled $364.2 million at December 31, 2021, an increase of $125.6 million when compared to $238.5 million at December 31, 2020. Gains on the sale of securities were $0.7 million for 2021 as compared $14.8 million for 2020. At December 31, 2021, available for sale securities, at fair value, totaled $210.6 million, a decrease of $27.9 million when compared to $238.5 million at December 31, 2020. At December 31, 2021, held to maturity securities, at amortized cost, totaled $153.5 million as compared to $0 at December 31, 2020.
- Total loans net of unearned income were $2.2 billion at December 31, 2021 compared to $1.8 billion at December 31, 2020. Total loans net of unearned income are reduced by the allowance for loan and lease losses which totaled $24.0 million at December 31, 2021 and $24.5 million at December 31, 2020.
- Total impaired loans decreased $0.9 million to $15.0 million at December 31, 2021 compared to $15.9 million at December 31, 2020.
- Nonaccrual loans increased $1.1 million to $16.7 million at December 31, 2021 compared to $15.6 million at December 31, 2020.
- First Guaranty is a smaller reporting company and has delayed the adoption of ASU 2016-13, "Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments." First Guaranty uses the incurred loss model for the calculation of its allowance.
- Return on average assets was 1.01% and 0.87% for the years ended December 31, 2021 and 2020, respectively. Return on average common equity was 14.06% and 11.36% for 2021 and 2020, 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 $17.81 as of December 31, 2021 compared to $16.66 as of December 31, 2020. Tangible book value per common share was $16.13 as of December 31, 2021 compared to $14.92 as of December 31, 2020. The increase in book value was due primarily to an increase in retained earnings partially offset by changes 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 2021, which was the equivalent of $0.60 per common share after adjusting for the 10% common stock dividend paid in December 2021. First Guaranty also declared cash dividends of $0.64 in 2020, which was the equivalent of $0.58 per common share after adjusting for the 10% common stock dividend paid in December 2021. First Guaranty has paid 114 consecutive quarterly dividends as of December 31, 2021.
- On April 27, 2021, First Guaranty issued 34,500 shares of 6.75% Series A Fixed-Rate Non-Cumulative Perpetual Preferred Stock, par value $1,000 per share, with a liquidation preference of $1,000 per share through an underwritten public offering of 1,380,000 depositary shares, each representing a 1/40th ownership interest in a share of the Series A Preferred Stock. Total gross proceeds from the preferred stock offering were $34.5 million. The shares are listed on NASDAQ under the symbol FGBIP. The proceeds were used to redeem $13.3 million in senior debt and increase the bank subsidiary capital by $20.0 million effective April 30, 2021. First Guaranty paid preferred cash dividends of $1.4 million during 2021.

Recent Developments

As disclosed in previous filings by First Guaranty Bancshares, Inc., for approximately 15 years First Guaranty Bank, a subsidiary of First Guaranty Bancshares, Inc. has utilized an “Employee Stock Grant Program” to incentivize and reward bank employees for performance. Each quarter, the Board of Directors of First Guaranty Bank allocates a $75,000 payment to an attorney to be used to purchase, on the open market, shares of stock with First Guaranty Bancshares, Inc. The attorney receives nominations which come from managers throughout the Bank for awards to employees which range from clerical through top Management. An average of just over 100 employees receive awards, in full ownership with no vesting nor other requirements, each quarter with an average award of approximately 37 shares per employee awarded.

The total cost of this program per year is approximately $300,000 with total shares awarded of approximately 15,000 shares.

In addition, the same process is utilized by First Guaranty Bancshares, Inc. at the conclusion of each year for the grant of stock bonuses to members of Management of First Guaranty Bank, selected by the Board of Directors of First Guaranty Bancshares, Inc. Those awards have averaged approximately $275,000 or 12,500 shares per year.

The SEC has requested information concerning this practice. No process has been instituted; only, a request for information.

Critical Accounting Estimates

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

We have identified the following critical accounting estimate that is critical to an understanding of our financial condition and results of operations.

Allowance for Loan and Lease Losses.

The allowance for loan and lease losses is established through a provision for loan losses charged to expense. Loans are charged against the allowance for loan and lease 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.

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 and lease 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 and lease 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 and lease 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.

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 and lease 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. The fair value is estimated using an analysis of expected cash flows to be received from the loan and may include the use of third party appraisals to assist in the calculation. Performing acquired loans are subsequently evaluated for any required allowance at each reporting date.

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. First Guaranty typically receives appraisals from independent third parties to facilitate this calculation.

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. For example, in 2020 and 2021 economic conditions related to the COVID-19 pandemic resulted in a higher allocation within this component of the allowance to hotel loans. First Guaranty's commercial lease originations increased in 2021 which resulted in an increased allocation within this component of the allowance primarily related to the trend in increased volume.

An unallocated component is maintained to cover uncertainties that could affect the estimate of probable losses.

The allowance for loan and lease 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.

Financial Condition

Assets.

Our total assets were $2.9 billion at December 31, 2021, an increase of $405.0 million, or 16.4%, from total assets of $2.5 billion at December 31, 2020. Assets increased primarily due to increases in net loans of $315.7 million and investment securities of $125.6 million, partially offset by a decrease in cash and cash equivalents of $37.7 million at December 31, 2021 compared to December 31, 2020.

Loans.

Net loans increased $315.7 million, or 17.4%, to $2.1 billion at December 31, 2021 from $1.8 billion at December 31, 2020. Commercial lease loan balances increased $141.9 million primarily due to new lease originations. First Guaranty has continued to expand its commercial lease portfolio which generally have higher yields than commercial real estate loans but shorter average lives. Non-farm non-residential loan balances increased $62.3 million primarily due to new originations. Commercial and industrial loans increased $45.4 million primarily due to new originations. SBA PPP loans totaled $35.4 million at December 31, 2021 compared to $92.3 million at December 31, 2020. These totals are included in commercial and industrial loans. Round 1 SBA

PPP loans decreased from $92.3 million at December 31, 2020 to $12.7 million at December 31, 2021 due to SBA loan forgiveness. Partially offsetting these payoffs were Round 2 SBA PPP loan originations with total balances net of forgiveness payments of $22.6 million at December 31, 2021. Construction and land development loans increased $23.5 million principally due to advances on existing construction lines and new originations. Multifamily loans increased $19.9 million primarily due to the conversion of existing construction loans to permanent financing. One-to four-family loans increased $17.1 million primarily due to new originations. Farmland loans increased $4.9 million due to increases on agricultural loan commitments. Consumer and other loans increased $3.5 million primarily due to new originations. Agricultural loans decreased $1.6 million primarily due to seasonal activity. First Guaranty had approximately 5.2% of funded and 2.4% 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 $182.8 million at December 31, 2021. As part of the management of risks in our loan portfolio, First Guaranty had previously established an internal guidance limit of approximately $187.0 million for its hotel and hospitality portfolio. First Guaranty had $257.8 million in loans related to our Texas markets at December 31, 2021 which was an increase of $12.9 million or 5.3% from $244.9 million at December 31, 2020. 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, 2021 were $47.4 million, of which $17.6 million were shared national credits. Syndicated loans decreased $27.8 million from $75.2 million at December 31, 2020.

As of December 31, 2021, 66.8% of our loan portfolio was secured by real estate. The largest portion of our loan portfolio, at 40.9% as of December 31, 2021, was non-farm non-residential loans secured by real estate. Approximately 31.9% of the loan portfolio was based on a floating rate tied to the prime rate or LIBOR as of December 31, 2021. 77.3% of the loan portfolio is scheduled to mature within five years from December 31, 2021. First Guaranty had $53.6 million in loans that were priced off of the LIBOR index rate at December 31, 2021. As it is anticipated that LIBOR will be discontinued after 2021, First Guaranty is reviewing its loan documents to determine alternative reference rates and does not anticipate there will be a significant financial statement impact with the transition.

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,									
	2021		2020		2019		2018		2017	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
	(in thousands, except for %)									
Real Estate:										
Construction and land development	$ 174,334	8.1%	$ 150,841	8.2%	$ 172,247	11.3%	$ 124,644	10.1%	$ 112,603	9.8%
Farmland	31,810	1.5%	26,880	1.4%	22,741	1.5%	18,401	1.5%	25,691	2.2%
1- 4 Family	288,347	13.3%	271,236	14.7%	289,635	18.9%	172,760	14.1%	158,733	13.8%
Multifamily	65,848	3.0%	45,932	2.5%	23,973	1.6%	42,918	3.5%	16,840	1.4%
Non-farm non-residential	886,407	40.9%	824,137	44.6%	616,536	40.3%	586,263	47.7%	530,293	46.1%
Total Real Estate	**1,446,746**	**66.8%**	**1,319,026**	**71.4%**	**1,125,132**	**73.6%**	**944,986**	**76.9%**	**844,160**	**73.3%**
Non-Real Estate:										
Agricultural	26,747	1.2%	28,335	1.5%	26,710	1.8%	23,108	1.9%	21,514	1.9%
Commercial and industrial	398,391	18.4%	353,028	19.1%	268,256	17.5%	200,877	16.4%	230,638	20.0%
Commercial leases	246,022	11.4%	104,141	5.6%	70,125	4.6%	25,906	2.1%	26,434	2.3%
Consumer and other	48,142	2.2%	44,642	2.4%	38,743	2.5%	33,537	2.7%	28,751	2.5%
Total Non-Real Estate	**719,302**	**33.2%**	**530,146**	**28.6%**	**403,834**	**26.4%**	**283,428**	**23.1%**	**307,337**	**26.7%**
Total Loans Before Unearned Income	**2,166,048**	**100.0%**	**1,849,172**	**100.0%**	**1,528,966**	**100.0%**	**1,228,414**	**100.0%**	**1,151,497**	**100.0%**
Less: Unearned income	(6,689)		(5,037)		(3,476)		(3,146)		(2,483)	
Total Loans Net Of Unearned Income	**$2,159,359**		**$1,844,135**		**$1,525,490**		**$1,225,268**		**$1,149,014**	

Loan Portfolio Maturities.

The following tables summarize the scheduled repayments of our loan portfolio at December 31, 2021 and 2020. 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, 2021				
	One Year or Less	More Than One Year Through Five Years	More Than Five Years Through Fifteen Years	After Fifteen Years	Total
			(in thousands)		
Real Estate:					
Construction & land development	$ 36,038	$ 134,546	$ 3,370	$ 380	$ 174,334
Farmland	5,985	13,461	1,977	10,387	31,810
1– 4 family	30,670	64,472	30,069	163,136	288,347
Multifamily	13,159	44,879	6,618	1,192	65,848
Non-farm non-residential	107,855	597,919	106,218	74,415	886,407
Total Real Estate	**193,707**	**855,277**	**148,252**	**249,510**	**1,446,746**
Non-Real Estate:					
Agricultural	10,467	6,426	4,196	5,658	26,747
Commercial and industrial	120,888	205,725	68,241	3,537	398,391
Commercial leases	30,690	215,332	-	-	246,022
Consumer and other	8,552	31,608	3,410	4,572	48,142
Total Non-Real Estate	**170,597**	**459,091**	**75,847**	**13,767**	**719,302**
Total Loans Before Unearned Income	**$ 364,304**	**$ 1,314,368**	**$ 224,099**	**$ 263,277**	**$ 2,166,048**
Less: Unearned Income					(6,689)
Total Loans Net Of Unearned Income					**$ 2,159,359**

	December 31, 2020				
	One Year or Less	More Than One Year Through Five Years	More Than Five Years Through Fifteen Years	After Fifteen Years	Total
			(in thousands)		
Real Estate:					
Construction & land development	$ 23,276	$ 111,615	$ 13,349	$ 2,601	$ 150,841
Farmland	6,078	12,147	2,156	6,499	26,880
1– 4 family	37,604	65,011	29,236	139,385	271,236
Multifamily	5,030	29,127	10,276	1,499	45,932
Non-farm non-residential	105,623	494,690	144,689	79,135	824,137
Total Real Estate	**177,611**	**712,590**	**199,706**	**229,119**	**1,319,026**
Non-Real Estate:					
Agricultural	12,356	5,795	5,664	4,520	28,335
Commercial and industrial	40,484	293,984	14,789	3,771	353,028
Commercial leases	29,503	74,638	-	-	104,141
Consumer and other	8,363	28,677	2,406	5,196	44,642
Total Non-Real Estate	**90,706**	**403,094**	**22,859**	**13,487**	**530,146**
Total Loans Before Unearned Income	**$ 268,317**	**$ 1,115,684**	**$ 222,565**	**$ 242,606**	**$ 1,849,172**
Less: Unearned Income					(5,037)
Total Loans Net Of Unearned Income					**$ 1,844,135**

The following table sets forth the scheduled repayments of fixed and adjustable-rate loans at December 31, 2021 that are contractually due after December 31, 2022.

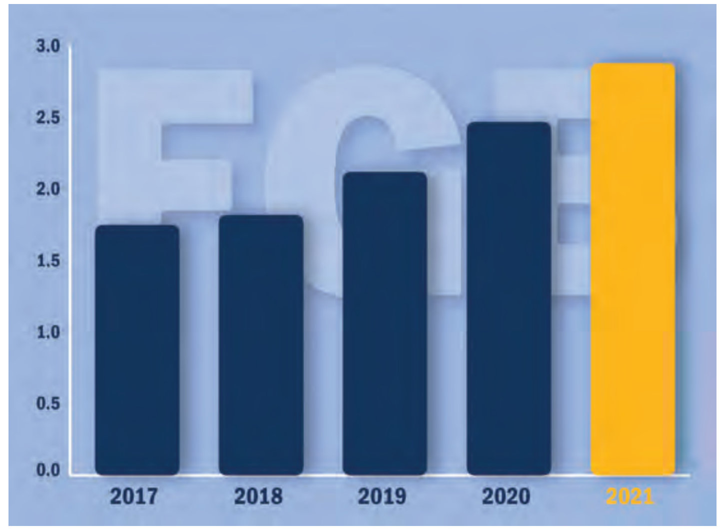
	Due After December 31, 2022 (in thousands)		
	Fixed	Floating	Total
One to five years	926,640	385,509	1,312,149
Over five to 15 years	114,976	106,579	221,555
Over 15 years	179,522	78,987	258,509
Subtotal	**$ 1,221,138**	**$ 571,075**	**$ 1,792,213**
Nonaccrual loans			16,715
Total			**$ 1,808,928**

As of December 31, 2021, $349.1 million of floating rate loans were at their interest rate floor. At December 31, 2020, $305.0 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, 2021, 2020, 2019, 2018 and 2017.

	December 31,				
	2021	2020	2019	2018	2017
			(in thousands)		
Nonaccrual loans:					
Real Estate:					
Construction and land development	$ 530	$ 621	$ 381	$ 311	$ 371
Farmland	787	857	1,274	1,293	65
1- 4 family	2,861	2,227	2,759	2,246	1,953
Multifamily	-	-	-	-	-
Non-farm non-residential	8,733	7,449	4,646	864	3,758
Total Real Estate	**12,911**	**11,154**	**9,060**	**4,714**	**6,147**
Non-Real Estate:					
Agricultural	2,302	3,472	4,800	3,651	1,496
Commercial and industrial	699	701	327	317	4,826
Commercial leases	-	-	-	-	-
Consumer and other	803	249	216	61	81
Total Non-Real Estate	**3,804**	**4,422**	**5,343**	**4,029**	**6,403**
Total nonaccrual loans	**16,715**	**15,576**	**14,403**	**8,743**	**12,550**
Loans 90 days and greater delinquent & still accruing:					
Real Estate:					
Construction and land development	246	1,000	48	-	-
Farmland	-	-	-	-	-
1- 4 family	514	4,980	923	26	-
Multifamily	162	366	-	-	-
Non-farm non-residential	281	4,699	1,603	-	-
Total Real Estate	**1,203**	**11,045**	**2,574**	**26**	**-**
Non-Real Estate:					
Agricultural	-	67	-	-	41
Commercial and industrial	23	1,856	15	53	798
Commercial leases	-	-	-	-	-
Consumer and other	19	123	50	66	-
Total Non-Real Estate	**42**	**2,046**	**65**	**119**	**839**
Total loans 90 days and greater delinquent & still accruing	**1,245**	**13,091**	**2,639**	**145**	**839**
Total non-performing loans	**$17,960**	**$28,667**	**$17,042**	**$ 8,888**	**$13,389**

	December 31,				
	2021	2020	2019	2018	2017
			(in thousands)		
Other real estate owned and foreclosed assets:					
Real Estate:					
Construction and land development	-	311	669	241	304
Farmland	-	-	-	-	-
1- 4 family	817	131	559	120	23
Multifamily	-	-	-	-	-
Non-farm non-residential	1,255	1,798	3,651	777	954
Total Real Estate	2,072	2,240	4,879	1,138	1,281
Non-Real Estate:					
Agricultural	-	-	-	-	-
Commercial and industrial	-	-	-	-	-
Commercial leases	-	-	-	-	-
Consumer and other	-	-	-	-	-
Total Non-Real Estate	-	-	-	-	-
Total other real estate owned and foreclosed assets	2,072	2,240	4,879	1,138	1,281
Total non-performing assets	$20,032	$30,907	$21,921	$10,026	$14,670
Non-performing assets to total loans	0.93%	1.68%	1.44%	0.82%	1.28%
Non-performing assets to total assets	0.70%	1.25%	1.04%	0.55%	0.84%
Non-performing loans to total loans	0.83%	1.55%	1.12%	0.73%	1.17%
Nonaccrual loans to total loans	0.77%	0.84%	0.94%	0.71%	1.09%
Allowance for loan and lease losses to nonaccrual loans	143.76%	157.41%	75.88%	123.25%	73.51%

For the years ended December 31, 2021 and 2020, gross interest income which would have been recorded had the non-performing loans been current in accordance with their original terms amounted to $0.8 million and $0.6 million, respectively. We recognized $0.1 million and $22,000 of interest income on such loans during the years ended December 31, 2021 and 2020, respectively. For the years ended December 31, 2021 and 2020, gross interest income which would have been recorded had the troubled debt restructured loans been current in accordance with their original terms amounted to $0.2 million and $0.1 million, respectively. We recognized $0.2 million and $11,000 of interest income on such loans during the years ended December 31, 2021 and 2020, respectively.

Non-performing assets were $20.0 million, or 0.70%, of total assets at December 31, 2021, compared to $30.9 million, or 1.25%, of total assets at December 31, 2020, which represented a decrease in non-performing assets of $10.9 million. The decrease in non-performing assets occurred primarily due to a reduction in 90 day past due and still accruing loans and other real estate owned offset by an increase in nonaccrual loans.

Nonaccrual loans increased from $15.6 million at December 31, 2020 to $16.7 million at December 31, 2021. The increase in nonaccrual loans was concentrated primarily in non-farm non-residential loans. Non-performing assets included $2.6 million in loans with a government guarantee, or 13.2% of non-performing assets. These are structured as net loss guarantees in which up to 90% of loss exposure is covered.

At December 31, 2021 loans 90 days and greater delinquent and still accruing totaled $1.2 million, a decrease of $11.8 million or 90 percent from $13.1 million at December 31, 2020. The decrease 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, commercial and industrial loans and construction and land development loans. One-to-four family loans in the 90 day category included loans acquired from the Union acquisition that contractually matured but had not been renewed due to operations issues following the acquisition. First Guaranty initiated a sustained effort that resulted in satisfactorily renewing the majority of these acquired loans and returning them to performing status.

Other real estate owned at December 31, 2021 totaled $2.1 million, a decrease of $0.2 million from $2.2 million at December 31, 2020. The largest piece of property in other real estate owned is a retail shopping center that totals $1.7 million. First Guaranty has a reserve for other real estate owned losses. This reserve totaled $0.5 million at December 31, 2021 compared to $0.4 million at December 31, 2020. Total write downs and or reserves related to other real estate owned were $0.6 million in 2021 compared to $1.4 million in 2020. These expenses were included in other non-interest expense.

At December 31, 2021, 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 $3.4 million that is classified as a troubled debt restructured loan or TDR; (2) a non-farm non-residential loan secured by a childcare facility that totaled $1.8 million; (3) a $1.7 million non-farm non-residential property included in other real estate owned; (4) a non-farm non-residential loan secured by a mobile home facility that totaled $1.3 million; (5) a non-farm non-residential loan secured by a waste treatment facility that totaled $0.9 million; and (6) an agricultural/farmland loan relationship that totaled $0.9 million. The agricultural loan is 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, 2021, 2020 and 2019:

	At December 31,		
	2021	2020	2019
	(in thousands)		
TDRs:			
In Compliance with Modified Terms	$ -	$ -	$ -
Past Due 30 through 89 days and still accruing	-	-	-
Past Due 90 days and greater and still accruing	-	-	-
Nonaccrual	3,382	3,591	-
Restructured Loans that subsequently defaulted	-	-	-
Total TDR	$ 3,382	$ 3,591	$ -

At December 31, 2021, First Guaranty had one outstanding TDR which was a $3.4 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 and lease 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 and lease 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, 2021, 2020 and 2019. Classified assets totaled $53.4 million at December 31, 2021, and included $18.0 million of non-performing loans.

	At December 31,		
	2021	2020	2019
	(in thousands)		
Classification of Loans:			
Substandard	$ 53,353	$ 50,062	$ 53,072
Doubtful	-	-	-
Total Classified Assets	$ 53,353	$ 50,062	$ 53,072
Special Mention	$ 138,718	$ 99,201	$ 24,083

The increase in classified assets at December 31, 2021 as compared to December 31, 2020 was due to a $3.3 million increase in substandard loans. Substandard loans at December 31, 2021 consisted of $18.8 million in non-farm non-residential, $9.8 million in one- to four-family residential, $8.8 million in commercial and industrial, $7.0 million in multifamily, $4.1 million in farmland, $2.7 million in agricultural, $1.1 million in construction and land development, and the remaining $1.0 million comprised of consumer and other loans. Special mention loans increased by $39.5 million in 2021 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 ongoing economic conditions associated with COVID-19 or relationship specific issues. The increase was concentrated with hotel loans. First Guaranty anticipates upgrading several loan relationships from special mention to pass status in the upcoming quarters.

Allowance for Loan Losses.

The allowance for loan and lease 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, loan concentrations 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 $24.0 million at December 31, 2021 compared to $24.5 million at December 31, 2020.

The balance in the allowance for loan and lease 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 and lease losses for the years indicated.

	At or For the Years Ended December 31,				
	2021	2020	2019	2018	2017
	(dollars in thousands)				
Balance at beginning of year	$ 24,518	$ 10,929	$ 10,776	$ 9,225	$ 11,114
Charge-offs:					
Real Estate:					
Construction and land development	(92)	(265)	-	-	-
Farmland	-	-	-	-	-
1- 4 family	(266)	(154)	(552)	(99)	(33)
Multifamily	(12)	-	-	-	-
Non-farm non-residential	(1,020)	(550)	(2,603)	(404)	(1,291)
Total Real Estate	**(1,390)**	**(969)**	**(3,155)**	**(503)**	**(1,324)**
Non-Real Estate:					
Agricultural	(149)	(110)	(40)	(300)	(162)
Commercial and industrial loans	(89)	(265)	(879)	(179)	(3,629)
Commercial leases	-	-	-	-	(802)
Consumer and other	(1,494)	(1,083)	(1,190)	(907)	(445)
Total Non-Real Estate	**(1,732)**	**(1,458)**	**(2,109)**	**(1,386)**	**(5,038)**
Total charge-offs	**(3,122)**	**(2,427)**	**(5,264)**	**(1,889)**	**(6,362)**
Recoveries:					
Real Estate:					
Construction and land development	-	-	-	3	43
Farmland	90	-	-	-	-
1- 4 family	44	39	39	90	92
Multifamily	-	-	-	20	40
Non-farm non-residential	7	178	5	89	85
Total Real Estate	**141**	**217**	**44**	**202**	**260**
Non-Real Estate:					
Agricultural	17	70	-	26	138
Commercial and industrial loans	96	128	267	1,642	30
Commercial leases	4	388	-	-	-
Consumer and other	320	336	246	216	223
Total Non-Real Estate	**437**	**922**	**513**	**1,884**	**391**
Total recoveries	**578**	**1,139**	**557**	**2,086**	**651**
Net (charge-offs) recoveries	**(2,544)**	**(1,288)**	**(4,707)**	**197**	**(5,711)**
Provision for loan losses	**2,055**	**14,877**	**4,860**	**1,354**	**3,822**
Balance at end of year	**$ 24,029**	**$ 24,518**	**$ 10,929**	**$ 10,776**	**$ 9,225**
Ratios:					
Net loan charge-offs to average loans	0.13%	0.08%	0.36%	(0.02)%	0.54%
Net loan charge-offs to loans at end of year	0.12%	0.07%	0.31%	(0.02)%	0.50%
Allowance for loan and lease losses to loans at end of year	1.11%	1.33%	0.72%	0.88%	0.80%
Net loan charge-offs to allowance for loan and lease losses	10.59%	5.25%	43.07%	(1.83)%	61.91%
Net loan charge-offs to provision charged to expense	123.80%	8.66%	96.85%	(14.55)%	149.42%

A provision for loan losses of $2.1 million was made during the year ended December 31, 2021 as compared to $14.9 million for 2020. The provisions made in 2021 were taken to provide for current loan losses and to maintain the allowance proportionate to risks inherent in the loan portfolio. First Guaranty's incurred loan loss calculation method incorporates risk factors in the loan portfolio such as historical loss rates along with qualitative and quantitative factors. The composition of the loan portfolio affects the final allowance calculation. First Guaranty attributes the primary decrease in the provision was due to economic improvement in 2021 as compared to the COVID-19 uncertainty and economic conditions present in 2020.

First Guaranty's qualitative and quantitative factors accounted for the changes in economic conditions driven by the COVID-19 pandemic in both 2020 and 2021. The key factors included the following: industry specific conditions, loan growth, changes in specific concentrations, 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 and 2021.

The loan portfolio factors in 2021 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 changes in historical loss rates, adjustments of certain qualitative factors to take into account the current estimated 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 adjusted allocations within its qualitative and quantitative factors to account for changes in potential COVID-19 related losses. Loan portfolio risks associated with COVID-19 declined in 2021 compared to 2020.

- Construction and land development loans increased during 2021 due to advances on existing construction lines of credit and new loan originations. Several loans previously in this category moved to permanent financing and are now included in the multifamily loan category as of December 31, 2021. The provision decrease related to this portfolio was due to changes in the qualitative analysis of the portfolio related to COVID-19 and improving economic conditions.

- One- to four-family residential loans increased during 2021. The provision decrease related to this portfolio was due to changes in the qualitative analysis of the portfolio related to COVID-19 and improving economic conditions.

- Multifamily loans increased during 2021. The provision related to this portfolio remained in line with the related provision from 2020 as improved economic conditions reduced portfolio risk even as the portfolio increased by $19.9 million during 2021.

- Non-farm non-residential loans increased during 2021. The provision decrease related to this portfolio was due to changes in the qualitative analysis of the portfolio related to COVID-19 and historical loss rates. First Guaranty continues to maintain a significant allowance for hotel loans based on qualitative factors primarily related to COVID-19 and related credit ratings for hotel loans. The associated allowance for hotels did decline in 2021 compared to 2020 due to improved economic conditions.

- Commercial and industrial loans increased during 2021. The provision decrease related to this portfolio was due to the changes in historical loss rates and changes in the qualitative analysis of the portfolio related to COVID-19 and improving economic conditions.

- Commercial leases increased during 2021. The increase in the related loan loss allowance balance was due primarily to the increased balances associated with commercial leases. Commercial leases grew during 2021 from $104.1 million at December 31, 2020 to $246.0 million at December 31, 2021.

- First Guaranty continues to monitor the acquired loans from the Union acquisition on November 7, 2019. Discounts on the acquired Union loans were approximately $1.4 million at December 31, 2021.

First Guaranty charged off $3.1 million in loan balances during the year ended December 31, 2021 as compared to $2.4 million for 2020. Recoveries totaled $0.6 million for the year ended December 31, 2021 and $1.1 million during 2020. The charged-off loan balances were concentrated in two loan relationships which totaled $1.0 million or 31.0% of the total charged off amount during the year ended December 31, 2021. The details of the $1.0 million in charged off loans were as follows:

- First Guaranty charged off $0.6 million on a non-farm non-residential loan secured by a waste treatment facility during the fourth quarter of 2021. This loan had a remaining principal balance of $0.9 million at December 31, 2021.

- First Guaranty charged off $0.4 million on a non-farm non-residential loan secured by a mobile home facility during the fourth quarter of 2021. This loan had a remaining principal balance of $1.3 million at December 31, 2021.

- Smaller loans and overdrawn deposit accounts comprised the remaining $2.1 million of charge-offs for 2021.

Allocation of Allowance for Loan and Lease Losses.

The following tables set forth the allowance for loan and lease losses allocated by loan category and the percent of loans in each category to total loans at the dates indicated. The allowance for loan and lease 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,					
	2021			2020		
	Allowance for Loan and Lease Losses	Percent of Allowance to Total Allowance for Loan and Lease Losses	Percent of Loans in Each Category to Total Loans	Allowance for Loan and Lease Losses	Percent of Allowance to Total Allowance for Loan and Lease Losses	Percent of Loans in Each Category to Total Loans
	(dollars in thousands)					
Real Estate:						
Construction and land development	$ 769	3.2%	8.1%	$ 1,029	4.2%	8.2%
Farmland	478	2.0%	1.5%	462	1.9%	1.4%
1- 4 family	1,921	8.0%	13.3%	2,510	10.2%	14.7%
Multifamily	940	3.9%	3.0%	978	4.0%	2.5%
Non-farm non-residential	12,730	53.0%	40.9%	15,064	61.5%	44.6%
Non-Real Estate:						
Agricultural	183	0.8%	1.2%	181	0.7%	1.5%
Commercial and industrial	2,363	9.8%	18.4%	2,802	11.4%	19.1%
Commercial leases	2,486	10.3%	11.4%	583	2.4%	5.6%
Consumer and other	1,371	5.7%	2.2%	907	3.7%	2.4%
Unallocated	788	3.3%	-	2	-	-
Total Allowance	$ 24,029	100.0%	100.0%	$ 24,518	100.0%	100.0%

	At December 31,					
	2019			2018		
	Allowance for Loan and Lease Losses	Percent of Allowance to Total Allowance for Loan and Lease Losses	Percent of Loans in Each Category to Total Loans	Allowance for Loan and Lease Losses	Percent of Allowance to Total Allowance for Loan and Lease Losses	Percent of Loans in Each Category to Total Loans
	(dollars in thousands)					
Real Estate:						
Construction and land development	$ 423	3.9%	11.3%	$ 581	5.4%	10.1%
Farmland	50	0.4%	1.5%	41	0.4%	1.5%
1- 4 family	1,027	9.4%	18.9%	911	8.5%	14.1%
Multifamily	1,038	9.5%	1.6%	1,318	12.2%	3.5%
Non-farm non-residential	5,277	48.3%	40.3%	4,771	44.3%	47.7%
Non-Real Estate:						
Agricultural	95	0.9%	1.8%	339	3.1%	1.9%
Commercial and industrial	1,909	17.5%	17.5%	1,909	17.7%	16.4%
Commercial leases	568	5.1%	4.6%	262	2.4%	2.1%
Consumer and other	542	5.0%	2.5%	629	5.9%	2.7%
Unallocated	-	-	-	15	0.1%	-
Total Allowance	$ 10,929	100.0%	100.0%	$ 10,776	100.0%	100.0%

	At December 31,		
	2017		
	Allowance for Loan and Lease Losses	Percent of Allowance to Total Allowance for Loan and Lease Losses	Percent of Loans in Each Category to Total Loans
		(dollars in thousands)	
Real Estate:			
Construction and land development	$ 628	6.8%	9.8%
Farmland	5	0.1%	2.2%
1- 4 family	1,078	11.7%	13.8%
Multifamily	994	10.8%	1.4%
Non-farm non-residential	2,811	30.4%	46.1%
Non-Real Estate:			
Agricultural	187	2.0%	1.9%
Commercial and industrial	2,377	25.8%	20.0%
Commercial leases	805	8.7%	2.3%
Consumer and other	320	3.5%	2.5%
Unallocated	20	0.2%	-%
Total Allowance	**$ 9,225**	**100.0%**	**100.0%**

The following table presents net charge-offs during the period to average loans outstanding:

	December 31, 2021			December 31, 2020		
	Net Charge-offs	Average Loans Outstanding[1]	Net Charge-offs During Period to Average Loans Outstanding	Net Charge-offs	Average Loans Outstanding[1]	Net Charge-offs During Period to Average Loans Outstanding
			(in thousands, except for %)			
Real Estate:						
Construction and land development	$ (92)	$ 168,269	(0.1)%	$ (265)	$ 139,516	(0.2)%
Farmland	90	28,596	0.3%	-	25,536	-%
1- 4 family	(222)	281,835	(0.1)%	(115)	278,561	-%
Multifamily	(12)	95,936	-%	-	35,293	-%
Non-farm non-residential	(1,013)	845,428	(0.1)%	(372)	727,965	(0.1)%
Non-Real Estate:						
Agricultural	(132)	30,888	(0.4)%	(40)	30,791	(0.1)%
Commercial and industrial	7	357,746	-%	(137)	349,138	-%
Commercial leases	4	220,747	-%	388	80,268	0.5%
Consumer and other	(1,174)	43,957	(2.7)%	(747)	42,288	(1.8)%

[1]*Average loans outstanding was calculated using the trailing four quarters total for loans.*

Investment Securities.

Investment securities at December 31, 2021 totaled $364.2 million, an increase of $125.6 million, or 52.7%, compared to $238.5 million at December 31, 2020. 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, 2021, the U.S. Government and Government agency securities and municipal bonds qualified as securities available to collateralize public funds. Securities pledged as collateral totaled $234.9 million at December 31, 2021 and $184.0 million at December 31, 2020. 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,					
	2021		2020		2019	
	(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	116,733	116,110	169,986	169,658	16,380	16,393
Corporate debt securities	79,344	78,225	36,153	36,489	94,561	95,369
Municipal bonds	15,543	15,699	27,381	28,162	30,297	32,153
Collateralized mortgage obligations	-	-	-	-	16,400	16,397
Mortgage-backed securities	576	586	1,208	1,239	179,546	179,625
Total available for sale securities	**$ 212,196**	**$ 210,620**	**$ 237,728**	**$ 238,548**	**$ 337,184**	**$ 339,937**
Held to maturity:						
U.S. Government Agencies	153,536	150,585	-	-	18,175	18,143
Municipal bonds	-	-	-	-	5,107	5,289
Mortgage-backed securities	-	-	-	-	63,297	63,385
Total held to maturity securities	**$ 153,536**	**$ 150,585**	**$ -**	**$ -**	**$ 86,579**	**$ 86,817**

Our available for sale securities portfolio totaled $210.6 million at December 31, 2021, a decrease of $27.9 million, or 11.7%, compared to $238.5 million at December 31, 2020. The decrease was primarily due to the sale of securities, called bonds, and the transfer of AFS securities to the HTM portfolio in the first quarter of 2021.

Our held to maturity securities portfolio had an amortized cost of $153.5 million at December 31, 2021, compared to $0 at December 31, 2020. The held to maturity portfolio was terminated in the first quarter of 2002 due to economic conditions associated with COVID-19.

The following tables set forth the stated maturities and weighted average yields of our investment securities at December 31, 2021 and 2020.

	At December 31, 2021							
	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	-	-%	-	-%	-	-%	116,110	2.3%
Corporate and other debt securities	-	-%	348	5.7%	77,877	2.9%	-	-%
Municipal bonds	643	3.3%	3,411	3.2%	3,513	3.9%	8,132	3.6%
Mortgage-backed securities	-	-%	2	0.8%	6	1.4%	578	1.4%
Total available for sale securities	**$ 643**	**3.3%**	**$ 3,761**	**3.5%**	**$ 81,396**	**3.0%**	**$ 124,820**	**2.4%**
Held to maturity:								
U.S. Government Agencies	$ -	-%	$ -	-%	$ 19,455	1.6%	$ 134,091	2.3%
Total held to maturity securities	**$ -**	**-%**	**$ -**	**-%**	**$ 19,445**	**1.6%**	**$ 134,091**	**2.3%**

	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, 2021, $0.6 million, or 0.2%, of the securities portfolio was scheduled to mature in less than one year. Securities, not including mortgage-backed securities and collateralized mortgage obligations, with contractual maturity dates over 10 years totaled $258.3 million, or 70.9%, of the total portfolio at December 31, 2021. 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 mortgage-backed securities and corporate securities in October 2020. First Guaranty generated $12.2 million in pre-tax gains in the fourth quarter of 2020. 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, 2021, 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, 2021	
	Amortized Cost	Fair Value
	(in thousands)	
Federal Home Loan Bank	$ 33,333	$ 33,071
Freddie Mac	95,230	93,401
Federal Farm Credit Bank	142,279	140,807
Total	**$ 270,842**	**$ 267,279**

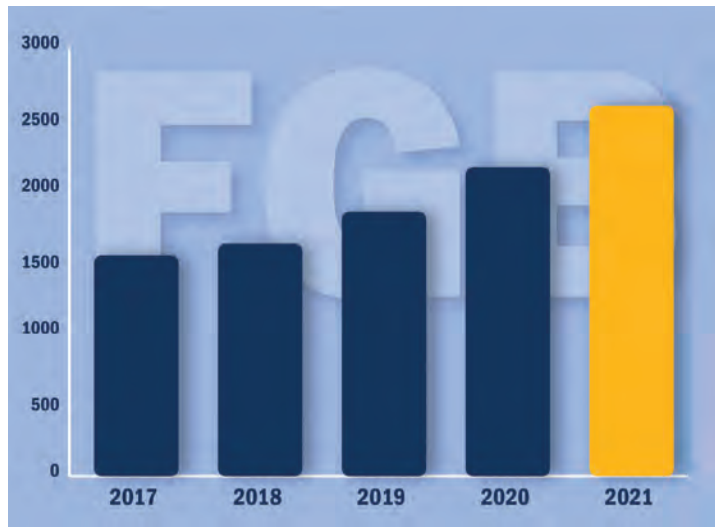
Deposits.

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, 2020 to December 31, 2021, total deposits increased $430.2 million, or 19.9%, to $2.6 billion. Noninterest-bearing demand deposits increased $121.2 million, or 29.4% to $532.6 million at December 31, 2021. The increase in noninterest-bearing demand deposits was due to growth of compensating balances associated with new loan originations, economic conditions associated with the CARES Act, proceeds from the SBA PPP program, and additional stimulus payments made due to pandemic relief to First Guaranty's consumer and business customers. Interest-bearing demand deposits increased $415.2 million, or 48.3%, to $1,275.5 million at December 31, 2021. The increase in interest-bearing demand deposits was primarily concentrated in public funds interest-bearing demand deposits. Included in the increase in interest-bearing demand deposits were public funds time deposits that converted into interest-bearing deposits that were primarily collateralized by reciprocal deposit insurance. Savings deposits increased $32.8 million, or 19.4%, to $201.7 million at December 31, 2021, primarily related to increases in individual savings deposits. Time deposits decreased $139.0 million, or 19.2%, to $586.7 million at December 31, 2021, primarily due to the transition of several public funds customers from time deposits to interest-bearing deposits.

As we seek to strengthen our net interest margin and improve our earnings, attracting non-interest-bearing or lower cost deposits will be a primary emphasis. Management will continue to evaluate and update our product mix and related technology 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. In the year 2022, First Guaranty has approximately $236.5 million in non-public funds time deposits that are scheduled to mature and represent an opportunity for repricing to more favorable market terms. This includes approximately $89.5 million in one year time deposits at an average rate of 0.56%, $41.1 million in two year time deposits at an average rate of 1.22%, and approximately $77.1 million in greater than two year time deposits at an average rate of 2.61% that are scheduled to mature in the year 2022. First Guaranty has over $200 million in time deposits with average rates in excess of 3.00% that are scheduled to mature during 2022 through 2024 with the majority of the maturities in 2023 and 2024. First Guaranty expects to renew the majority of these time deposits at lower market rates.

TOTAL DEPOSITS

In Millions



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

Total Deposits	For the Years Ended December 31, 2021			2020			2019		
	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	$ 477,802	19.8%	-%	$ 393,734	19.2%	-%	$ 262,379	15.7%	-%
Interest-bearing Demand	1,082,922	45.0%	0.7%	722,433	35.3%	0.8%	592,113	35.4%	1.8%
Savings	191,967	8.0%	0.1%	163,332	8.0%	0.2%	115,682	6.9%	0.4%
Time	655,025	27.2%	2.0%	767,075	37.5%	2.2%	703,685	42.0%	2.4%
Total Deposits	$2,407,716	100.0%	0.8%	$2,046,574	100.0%	1.1%	$1,673,859	100.0%	1.7%

Individual and Business Deposits	For the Years Ended December 31, 2021			2020			2019		
	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	$ 471,371	29.7%	-%	$ 382,940	27.5%	-%	$ 256,099	23.7%	-%
Interest-bearing Demand	390,481	24.6%	1.0%	280,587	20.1%	1.0%	241,290	22.3%	1.4%
Savings	154,560	9.8%	0.1%	127,804	9.2%	0.1%	86,972	8.0%	0.1%
Time	569,924	35.9%	2.2%	600,887	43.2%	2.5%	498,521	46.0%	2.6%
Total Individual and Business Deposits	$1,586,336	100.0%	1.0%	$1,392,218	100.0%	1.3%	$1,082,882	100.0%	1.5%

Public Fund Deposits	For the Years Ended December 31, 2021			2020			2019		
	Average Balance	Percent	Weighted Average Rate	Average Balance	Percent	Weighted Average Rate	Average Balance	Percent	Weighted Average Rate
	(in thousands except for %)								
Noninterest-bearing Demand	$ 6,431	0.8%	-%	$ 10,794	1.7%	-%	$ 6,280	1.1%	-%
Interest-bearing Demand	692,441	84.3%	0.5%	441,846	67.5%	0.7%	350,823	59.3%	2.0%
Savings	37,407	4.5%	0.2%	35,528	5.4%	0.4%	28,710	4.9%	1.6%
Time	85,101	10.4%	0.8%	166,188	25.4%	1.1%	205,164	34.7%	2.1%
Total Public Fund Deposits	$ 821,380	100.0%	0.5%	$ 654,356	100.0%	0.8%	$ 590,977	100.0%	1.9%

At December 31, 2021, public funds deposits totaled $957.9 million compared to $715.3 million at December 31, 2020. Public funds time deposits totaled $31.4 million at December 31, 2021 compared to $158.9 million at December 31, 2020. The decline in public funds time deposits was the result of certain deposits moving into demand or money market deposits from time deposits. Public funds deposits increased due to new balances from existing customers along with First Guaranty's expansion of its public funds deposits program in the Texas market. 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 expanded reciprocal deposit insurance programs, by Louisiana municipal bonds and by eligible government and government agency securities such as those issued by the FHLB, FFCB, Fannie Mae, and Freddie Mac. First Guaranty continues to grow 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 $496.4 million at December 31, 2021 compared to $217.7 million at December 31, 2020.

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

	At December 31, 2021	2020	2019
	(in thousands except for %)		
Public Funds:			
Noninterest-bearing Demand	$ 5,919	$ 5,109	$ 9,944
Interest-bearing Demand	882,156	514,416	424,732
Savings	38,432	36,862	29,570
Time	31,365	158,925	146,420
Total Public Funds	**$ 957,872**	**$ 715,312**	**$ 610,666**
Total Deposits	$2,596,492	$2,166,318	$1,853,013
Total Public Funds as a percent of Total Deposits	**36.9%**	**33.0%**	**33.0%**

At December 31, 2021, the aggregate amount of outstanding certificates of deposit in amounts greater than or equal to $250,000 was approximately $159.1 million. At December 31, 2021, approximately $80.3 million of our certificates of deposit greater than or equal to $250,000 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 $250,000 at December 31, 2021.

	December 31, 2021
	(in thousands)
Due in one year or less	$ 78,804
Due after one year through three years	73,409
Due after three years	6,864
Total certificates of deposit greater than or equal to $250,000	**$ 159,077**

The total amount of our uninsured deposits (deposits in excess of $250,000, as calculated in accordance with FDIC regulations) were estimated at $667.5 million at December 31, 2021.

The following table sets forth the maturity of certificates of deposits greater than $250,000 at December 31, 2021.

	December 31, 2021
	(in thousands)
Three months or less	$ 22,525
Three to six months	16,434
Six months to one year	30,605
One to three years	57,580
More than three years	6,683
Total certificates of deposit greater than $250,000	**$ 133,827**

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 $6.4 million in short-term borrowings outstanding at December 31, 2021 compared to $56.1 million outstanding at December 31, 2020. The short-term borrowings at December 31, 2021 were comprised of repurchase agreements of $6.4 million. The advances outstanding at December 31, 2020 were comprised of a short-term advance that was originated in response to the COVID-19 pandemic that totaled $50.0 million and a long-term advance that totaled $3.4 million. First Guaranty paid off the short-term advance acquired in response to the COVID-19 pandemic during the first quarter of 2021. First Guaranty participated in the Federal Reserve Paycheck Protection Program Liquidity Facility ("PPPLF") in the second quarter of 2021. These borrowings were paid off during the third quarter of 2021. First Guaranty has a long term FHLB advance that was acquired from the Union transaction that totaled $3.2 million at December 31, 2021 compared to $3.4 million at December 31, 2020. First Guaranty had available lines of credit of $26.5 million, with no outstanding balance at December 31, 2021.

At December 31, 2021, we had $250.7 million in FHLB letters of credit outstanding obtained primarily for collateralizing public deposits. The decline in the usage of FHLB letters of credit is due to First Guaranty utilizing reciprocal deposit insurance programs as an alternative collateralization solution to FHLB letters of credit.

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, 2021	2020	2019
	(in thousands, except for %)		
Balance at end of year	$ 6,439	$56,121	$19,919
Maximum month-end outstanding	$56,369	$57,048	$19,919
Average daily outstanding	$10,458	$48,277	$ 3,320
Weighted average rate during the year	1.40%	0.95%	2.00%
Weighted average rate at the end of the year	2.23%	0.89%	2.00%

First Guaranty had senior long-term debt totaling $25.2 million at December 31, 2021 and $42.4 million at December 31, 2020. First Guaranty paid off $13.3 million in senior long-term debt using proceeds from its preferred stock capital offering during the second quarter of 2021.

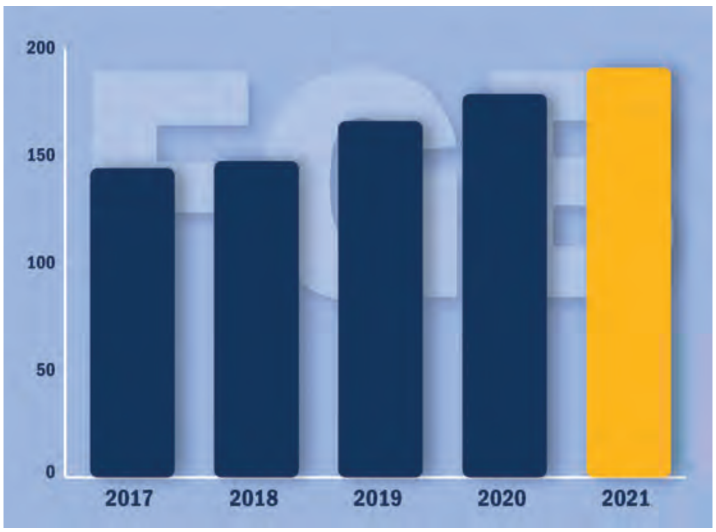
First Guaranty also had junior subordinated debentures totaling $14.8 million at December 31, 2021 and December 31, 2020.

Shareholders' Equity

Total shareholders' equity increased to $223.9 million at December 31, 2021 from $178.6 million at December 31, 2020. The increase in shareholders' equity was principally the result of an increase of $33.1 million in preferred stock and an increase of $19.5 million in retained earnings, partially offset by a decrease of $7.3 million in accumulated other comprehensive income. The $33.1 million increase in preferred stock was the result of the issuance of 34,500 shares of non-cumulative perpetual preferred stock on April 27, 2021. The $19.5 million increase in retained earnings was due to net income of $27.3 million during the year ended December 31, 2021, partially offset by $6.4 million in cash dividends paid on shares of our common stock and $1.4 million in cash dividends paid on shares of our preferred stock. The decrease in accumulated other comprehensive income was primarily attributed to the increase in unrealized losses on available for sale securities during the year ended December 31, 2021.

TOTAL COMMON SHAREHOLDERS' EQUITY

In Millions



Results of Operations

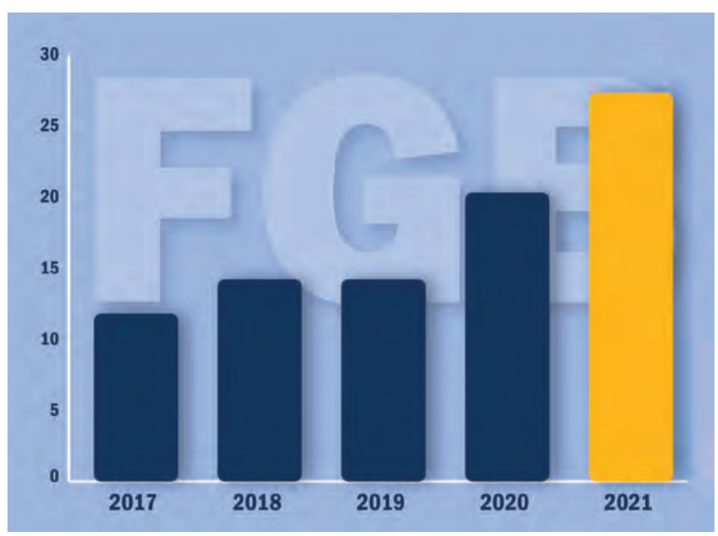
Performance Summary

Year ended December 31, 2021 compared with year ended December 31, 2020. Net income for the year ended December 31, 2021 was $27.3 million, an increase of $7.0 million, or 34.3%, as compared to $20.3 million for the year ended December 31, 2020. The increase in net income of $7.0 million for the year ended December 31, 2021 was the result of several factors. First Guaranty experienced an increase in interest income associated with loans, a decrease in interest expense and a decrease in the provision for loan losses. This was partially offset by a decrease in interest income associated with securities, a decrease in noninterest income and an increase in noninterest expense. Loan interest income increased due to the growth in First Guaranty's loan portfolio, including loan fees recognized as an adjustment to yield from the origination of the SBA guaranteed PPP loans. Interest expense declined due to declines in market interest rates and First Guaranty's plan to reduce interest expense by increasing core deposits. Interest expense declined in 2021 even after factoring in an increase in deposit balances associated with SBA PPP loans and stimulus payments, and additional borrowings associated with our COVID-19 contingency plans. First Guaranty attributes the primary decrease in the provision to economic improvement in 2021 as compared to the COVID-19 uncertainty and economic conditions present in 2020. Factors that partially offset the increase in net income included decreased securities interest income due to the decrease in average balance of the investment portfolio. Noninterest income decreased primarily due to lower securities gains. Noninterest expense increased primarily due to increased personnel expenses, higher occupancy and equipment expenses, software expense, marketing and public relations expenses, legal fees, ATM fees, taxes and higher regulatory assessments due to increased deposit balances. Earnings per common share for the years ended December 31, 2021 was $2.42 per common share, an increase of 27.4% or $0.52 per common share from $1.90 per common share for the year ended December 31, 2020 (as adjusted for the 10% stock dividend in December 2021). Earnings per share was affected by the increase in earnings.

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 $1.90 per common share, an increase of 41.8% or $0.56 per common share from $1.34 per common share for the year ended December 31, 2019 (as adjusted for the 10% stock dividend in December 2021). Earnings per share was affected by the increase in earnings.

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. First Guaranty's assets and liabilities are generally most affected by changes in the Federal Funds rate, LIBOR rate, short term Treasury rates such as one month and three month Treasury bills, and longer term Treasury rates such as the U.S. ten year Treasury rate. Our net interest income is affected by changes in the amount and mix of interest-earning assets and interest-bearing liabilities. There may also be a time lag in the effect of interest rate changes on assets and 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 changing interest rate environment in recent periods and our interest sensitivity position is discussed below.

Year ended December 31, 2021 compared with year ended December 31, 2020. Net interest income for the years ended December 31, 2021 and 2020 was $89.6 million and $74.7 million, respectively. The increase in net interest income for the year ended December 31, 2021 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 an increase in the average balance of our total interest-bearing liabilities. For the year ended December 31, 2021, the average balance of our total interest-earning assets increased by $379.4 million to $2.6 billion due to increased cash and due average balances, and strong growth in commercial leases and our other loan portfolios. The average yield of our interest-earning assets decreased by 23 basis points to 4.29% from 4.52% for the year ended December 31, 2020 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, 2021, the average balance of our total interest-bearing liabilities increased by $249.3 million to $2.0 billion due to the growth in low cost deposits and the average rate of our total interest-bearing liabilities decreased by 37 basis points to 1.11% from 1.48% for the year ended December 31, 2020 due to the decrease in market rates. As a result, our net interest rate spread increased 14 basis points to 3.18% for the year ended December 31, 2021 from 3.04% for the year ended December 31, 2020. Our net interest margin increased nine basis points to 3.44% for the year ended December 31, 2021 from 3.35% for the year ended December 31, 2020.

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.

Interest Income

Year ended December 31, 2021 compared with year ended December 31, 2020. Interest income increased $11.2 million, or 11.2%, to $111.9 million for the year ended December 31, 2021 as compared to the prior year. First Guaranty's loan portfolio expanded during 2021 due to growth associated with our loan originations, including commercial leases. These factors contributed to the increase in interest income as the average balance of our total interest-earning assets, primarily associated with loans, 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 $379.4 million to $2.6 billion for the year ended December 31, 2021 as compared to the prior year. The average yield of interest-earning assets decreased by 23 basis points to 4.29% for the year ended December 31, 2021 compared to 4.52% for the year ended December 31, 2020.

Interest income on securities decreased $1.2 million to $8.2 million for the year ended December 31, 2021 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 $48.4 million to $332.6 million for the year ended December 31, 2021 from $381.0 million for the year ended December 31, 2020 primarily due to a decrease in the average balance of our mortgage-backed securities and corporate securities portfolios compared to the prior year. The average yield on securities decreased by one basis point to 2.48% for the year ended December 31, 2021 from 2.49% for the year ended December 31, 2020 due to the decrease in market interest rates.

Interest income on loans increased $12.5 million, or 13.8%, to $103.4 million for the year ended December 31, 2021 as a result of an increase in the average balance of loans. The average balance of loans (excluding loans held for sale) increased by $351.2 million to $2.0 billion for the year ended December 31, 2021 from $1.7 billion for the year ended December 31, 2020 as a result of new loan originations. The average yield on loans (excluding loans held for sale) decreased by 33 basis points to 5.13% for the year ended December 31, 2021 from 5.46% for the year ended December 31, 2020 due to the decrease in market interest rates and the impact of SBA PPP loans which have a 1.00% interest rate.

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.

Interest Expense

Year ended December 31, 2021 compared with year ended December 31, 2020. Interest expense decreased $3.7 million, or 14.3%, to $22.3 million for the year ended December 31, 2021 from $26.0 million for the year ended December 31, 2020 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 17 basis points during the year ended December 31, 2021 to 0.67% as compared to 0.84% for the prior year. The decrease 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 that declined during the current period. The average rate of time deposits decreased 23 basis points during the year ended December 31, 2021 to 1.97% as compared to 2.20% for the prior year. The decrease in the average rate of time deposits was due to a significant decline in market interest rates primarily associated with the economic conditions from the COVID-19 pandemic. Partially offsetting the decrease in interest expense was an increase in the average balance of interest-bearing liabilities, which increased $249.3 million during the year ended December 31, 2021 to $2.0 billion as compared to the prior year as a result of a $360.5 million increase in the average balance of interest-bearing demand deposits, a $28.6 million increase in the average balance of savings deposits, which were partially offset by a $112.1 million decrease in the average balance of time deposits and a $27.7 million decrease in the average balance of borrowings.

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.

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, 2021			December 31, 2020			December 31, 2019		
	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]	$ 258,916	$ 316	0.12%	$ 182,339	$ 404	0.22%	$ 144,298	$ 2,956	2.05%
Securities (including FHLB stock)	332,566	8,248	2.48%	380,991	9,471	2.49%	349,247	9,800	2.81%
Federal funds sold	1,052	-	-%	678	1	0.08%	592	1	0.25%
Loans held for sale	16	-	-%	377	21	5.56%	324	24	7.41%
Loans, net of unearned income[6]	2,014,095	103,353	5.13%	1,662,875	90,787	5.46%	1,315,524	78,862	5.99%
Total interest-earning assets	**2,606,645**	**111,917**	**4.29%**	**2,227,260**	**100,684**	**4.52%**	**1,809,985**	**91,643**	**5.06%**
Noninterest-earning assets:									
Cash and due from banks	15,077			12,955			11,951		
Premises and equipment, net	59,739			58,411			45,037		
Other assets	26,551			49,859			15,256		
Total assets	**$2,708,012**			**$2,348,485**			**$1,882,229**		
Liabilities and Shareholders' Equity									
Interest-bearing liabilities:									
Demand deposits	$ 1,082,922	7,237	0.67%	$ 722,433	6,089	0.84%	$ 592,113	10,447	1.76%
Savings deposits	191,967	204	0.11%	163,332	268	0.16%	115,682	527	0.46%
Time deposits	655,025	12,893	1.97%	767,075	16,908	2.20%	703,685	17,141	2.44%
Borrowings	82,565	1,965	2.38%	110,292	2,752	2.50%	40,766	1,851	4.54%
Total interest-bearing liabilities	**2,012,479**	**22,299**	**1.11%**	**1,763,132**	**26,017**	**1.48%**	**1,452,246**	**29,966**	**2.06%**
Noninterest-bearing liabilities:									
Demand deposits	477,802			393,734			262,379		
Other	10,619			12,714			9,204		
Total Liabilities	**2,500,900**			**2,169,580**			**1,723,829**		
Shareholders' Equity	**207,112**			**178,905**			**158,400**		
Total Liabilities and Shareholders' Equity	**$2,708,012**			**$2,348,485**			**$1,882,229**		
Net interest income		**$89,618**			**$74,667**			**$61,677**	
Net interest rate spread[2]			**3.18%**			**3.04%**			**3.00%**
Net interest-earning assets[3]	**$ 594,166**			**$ 464,128**			**$ 357,739**		
Net interest margin[4][5]			**3.44%**			**3.35%**			**3.41%**
Average interest-earning assets to interest-bearing liabilities			**129.52%**			**126.32%**			**124.63%**

(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 3.44%, 3.36% and 3.42% for the years ended December 31, 2021, 2020 and 2019. A 21% tax rate was used to calculate the effect on securities income from tax exempt securities for the years ended December 31, 2021, 2020 and 2019.
(6) Includes loan fees of $7.2 million, $6.3 million and $3.5 million for the years ended December 31, 2021, 2020 and 2019. PPP loan fee income of $2.0 million and $2.2 million was recognized for the years ended December 31, 2021 and 2020, respectively.

Volume/Rate Analysis

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

	For the Years Ended December 31, 2021 vs. 2020			For the Years Ended December 31, 2020 vs. 2019		
	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	$ 133	$ (221)	$ (88)	$ 621	$ (3,173)	$ (2,552)
Securities (including FHLB stock)	(1,201)	(22)	(1,223)	846	(1,175)	(329)
Federal funds sold	-	(1)	(1)	-	-	-
Loans held for sale	(10)	(11)	(21)	4	(7)	(3)
Loans, net of unearned income	18,278	(5,712)	12,566	19,433	(7,508)	11,925
Total interest income	**17,200**	**(5,967)**	**11,233**	**20,904**	**(11,863)**	**9,041**
Interest paid on:						
Demand deposits	2,594	(1,446)	1,148	1,943	(6,301)	(4,358)
Savings deposits	42	(106)	(64)	163	(422)	(259)
Time deposits	(2,317)	(1,698)	(4,015)	1,473	(1,706)	(233)
Borrowings	(664)	(123)	(787)	2,032	(1,131)	901
Total interest expense	**(345)**	**(3,373)**	**(3,718)**	**5,611**	**(9,560)**	**(3,949)**
Change in net interest income	**$ 17,545**	**$ (2,594)**	**$ 14,951**	**$ 15,293**	**$ (2,303)**	**$ 12,990**

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 and lease 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 $2.1 million provision for loan losses for the year ended December 31, 2021 compared to $14.9 million for 2020. The allowance for loan losses at December 31, 2021 was $24.0 million or 1.11% of total loans, compared to $24.5 million or 1.33% of total loans at December 31, 2020. The decrease in the provision was attributable to economic improvement in 2021 as compared to the COVID-19 uncertainty and economic conditions present in 2020. Total charge-offs were $3.1 million for the year ended December 31, 2021 and $2.4 million for 2020. 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 due to the ongoing COVID-19 pandemic to continue which may result in additional increases to the allowance for loan losses in future periods.

For the year ended December 31, 2020, the provision for loan losses was $14.9 million 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 the year ended December 31, 2020 and $5.3 million for 2019.

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 $10.8 million for the year ended December 31, 2021, a decrease of $13.0 million from $23.8 million for the year ended December 31, 2020. The decrease was primarily due to decreased gains on the sale of securities. Net securities gains were $0.7 million for the year ended December 31, 2021 as compared to net securities gains of $14.8 million for 2020. 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 $2.7 million for the year ended December 31, 2021 as compared to $2.6 million for 2020. ATM and debit card fees totaled $3.6 million for the year ended December 31, 2021 and $3.0 million for 2020. The increase in these fees can be attributed 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 $0.9 million for the year ended December 31, 2021 and $1.1 million for 2020. Other noninterest income totaled $2.8 million and $2.3 million for the years ended December 31, 2021 and 2020, respectively.

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 Expense

Noninterest expense includes salaries and employee benefits, occupancy and equipment expense and other types of expenses. Noninterest expense totaled $63.9 million for the year ended December 31, 2021 and $58.0 million for the year ended December 31, 2020. Salaries and benefits expense totaled $32.2 million for the year ended December 31, 2021 and $29.6 million for the year ended December 31, 2020. The increase in salaries and benefits expense was primarily due to the increase in personnel expense from new hires. Occupancy and equipment expense increased to $8.7 million for the year ended December 31, 2021 from $7.7 million for the year ended December 31, 2020 due to the new facilities put into service during 2021. Other noninterest expense totaled $23.0 million for the year ended December 31, 2021 and $20.7 million for 2020. The following are notable changes that occurred within noninterest expense. Marketing and public relations expense increased $0.7 million during 2021 compared to 2020 as these expenses were lower during 2020 primarily due to the impacts of COVID-19. Tax expense increased primarily due to higher capital taxes in 2021. Software expense and amortization increased $0.7 million in 2021 compared to 2020 due to the continued development of First Guaranty's loan and deposit platforms. First Guaranty's regulatory assessment increased by $0.2 million in 2021 compared to 2020 due to the growth in deposits. Data processing expense declined in 2021 compared to 2020 as First Guaranty did not have data conversion expenses in 2021 related to the Union merger.

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 that 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.

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

	December 31, 2021	December 31, 2020	December 31, 2019
		(in thousands)	
Other noninterest expense:			
Legal and professional fees	$ 3,375	$ 2,919	$ 2,648
Data processing	1,794	2,465	1,972
ATM fees	1,760	1,332	1,217
Marketing and public relations	1,711	1,046	1,456
Taxes - sales, capital and franchise	1,755	1,251	1,094
Operating supplies	853	921	674
Software expense and amortization	3,071	2,354	1,308
Travel and lodging	826	726	908
Telephone	398	256	193
Amortization of core deposits	764	712	390
Donations	564	393	603
Net costs from other real estate and repossessions	801	1,653	422
Regulatory assessment	1,945	1,716	683
Other	3,391	2,980	2,536
Total other expense	**$ 23,008**	**$ 20,724**	**$ 16,104**

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, 2021, 2020 and 2019 was $7.2 million, $5.2 million and $3.7 million, respectively. The provision for income taxes in 2021 increased as compared to 2020 due to the increase in income before income taxes. First Guaranty's statutory tax rate was 21.0% for the years ended December 31, 2021, 2020 and 2019.

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 $261.9 million at December 31, 2021 compared to $299.6 million at December 31, 2020. Loans maturing within one year or less at December 31, 2021 totaled $357.1 million compared to $265.9 million at December 31, 2020. At December 31, 2021, time deposits maturing within one year or less totaled $267.0 compared to $355.1 million at December 31, 2020. Time deposits maturing after one year through three years totaled $269.7 million at December 31, 2021 compared to $234.1 million at December 31, 2020. Time deposits maturing after three years totaled $50.0 million at December 31, 2021 compared to $136.5 million at December 31, 2020. First Guaranty's held to maturity ("HTM") investment securities portfolio at December 31, 2021 was $153.5 million or 42.2% of the investment portfolio compared to $0 at December 31, 2020. First Guaranty's available for sale ("AFS") portfolio was $210.6 million, or 57.8% of the investment portfolio at December 31, 2021 compared to $238.5 million, or 100.0% at December 31, 2020. 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 $456.3 million and $161.2 million at December 31, 2021 and December 31, 2020, respectively with $3.2 million and $53.4 million in FHLB advances outstanding at December 31, 2021 and December 31, 2020, respectively. The advances outstanding at December 31, 2020 were comprised of a short-term advance that was originated in response to the COVID-19 pandemic that totaled $50.0 million and a long-term advance that totaled $3.4 million. First Guaranty paid off the short-term advance acquired in response to the COVID-19 pandemic during the first quarter of 2021. In the second quarter of 2021, First Guaranty increased liquidity by utilizing a $49.4 million advance under the Federal Reserve PPPLF. First Guaranty redeemed the PPPLF advance during the third quarter of 2021 as the additional liquidity was not required. At December 31, 2021, First Guaranty maintained the $3.2 million long-term FHLB advance acquired from the Union acquisition. The change in borrowing capacity with the Federal Home Loan Bank was due to changes in the value that First Guaranty receives on pledged collateral and due to First Guaranty's usage of the line. First Guaranty has increasingly transitioned public funds deposits into reciprocal deposit programs for collateralization as an alternative to FHLB letters of credit. At December 31, 2021, we had outstanding letters of credit from the FHLB in the amount of $250.7 million that were primarily used to collateralize public funds deposits. We also maintain federal funds lines of credit at various correspondent banks with borrowing capacity of $100.5 million and two revolving lines of credit totaling $26.5 million secured by a pledge of the Bank's common stock, with no outstanding balance at December 31, 2021. We also have a discount window line with the Federal Reserve Bank that totaled $14.2 million at December 31, 2021. First Guaranty had loans eligible to be pledged under the Federal Reserve's PPP lending facility that totaled $35.4 million at December 31, 2021. First Guaranty did not have any advances under this facility at December 31, 2021. 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 $223.9 million at December 31, 2021 from $178.6 million at December 31, 2020. The increase in shareholders' equity was principally the result of an increase of $33.1 million in preferred stock and an increase of $19.5 million in retained earnings, partially offset by a decrease of $7.3 million in accumulated other comprehensive income. The $33.1 million increase in preferred stock was the result of the issuance of 34,500 shares of non-cumulative perpetual preferred stock on April 27, 2021. The $19.5 million increase in retained earnings was due to net income of $27.3 million during the year ended December 31, 2021, partially offset by $6.4 million in cash dividends paid on our common stock and $1.4 million in cash dividends paid on shares of our preferred stock. The decrease in accumulated other comprehensive income was primarily attributed to the increase in unrealized losses on available for sale securities during the year ended December 31, 2021.

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, 2021, First Guaranty Bank was classified as well-capitalized. First Guaranty Bank's capital conservation buffer was 3.22% at December 31, 2021.

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

	"Well Capitalized Minimums"	At December 31, 2021	"Well Capitalized Minimums"	At December 31, 2020
Tier 1 Leverage Ratio	5.00%	8.71%	5.00%	8.58%
Tier 1 Risk-based Capital Ratio	8.00%	10.22%	8.00%	10.97%
Total Risk-based Capital Ratio	10.00%	11.22%	10.00%	12.22%
Common Equity Tier One Capital	6.50%	10.22%	6.50%	10.97%

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 Credit Department enjoys the photo shoot!

The notional amounts of the financial instruments with off-balance sheet risk at December 31, 2021, 2020 and 2019 are as follows:

Contract Amount	December 31, 2021	December 31, 2020	December 31, 2019
		(in thousands)	
Commitments to Extend Credit	$ 198,444	$ 154,047	$ 117,826
Unfunded Commitments under lines of credit	$ 250,231	$ 169,151	$ 148,127
Commercial and Standby letters of credit	$ 13,787	$ 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 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, 2021, 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, 2021, 2020 and 2019.

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, 2021 illustrated below reflects a liability-sensitive position with a negative cumulative gap on a one-year basis.

	December 31, 2021				
	Interest Sensitivity Within				
	3 Months Or Less	Over 3 Months thru 12 Months	Total One Year	Over One Year	Total
	(dollars in thousands)				
Earning Assets:					
Loans (including loans held for sale)	$ 608,701	$ 175,726	$ 784,427	$ 1,374,932	$ 2,159,359
Securities (including FHLB stock)	1,669	333	2,002	363,513	365,515
Federal Funds Sold	183	-	183	-	183
Other earning assets	249,294	-	249,294	-	249,294
Total earning assets	**$ 859,847**	**$ 176,059**	**$ 1,035,906**	**$ 1,738,445**	**$ 2,774,351**
Source of Funds:					
Interest-bearing accounts:					
Demand deposits	$ 1,275,544	$ -	$ 1,275,544	$ -	$ 1,275,544
Savings deposits	201,699	-	201,699	-	201,699
Time deposits	80,741	186,996	267,737	318,934	586,671
Short-term borrowings	-	-	-	5,988	5,988
Senior long-term debt	25,170	-	25,170	3,208	28,378
Junior subordinated debt	-	-	-	14,818	14,818
Noninterest-bearing, net	-	-	-	661,253	661,253
Total source of funds	**$ 1,583,154**	**$ 186,996**	**$ 1,770,150**	**$ 1,004,201**	**$ 2,774,351**
Period gap	$ (723,307)	$ (10,937)	$ (734,244)	$ 734,244	
Cumulative gap	$ (723,307)	$ (734,244)	$ (734,244)	$ -	
Cumulative gap as a percent of earning assets	(26.1)%	(26.5)%	(26.5)%		

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, 2021. 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.

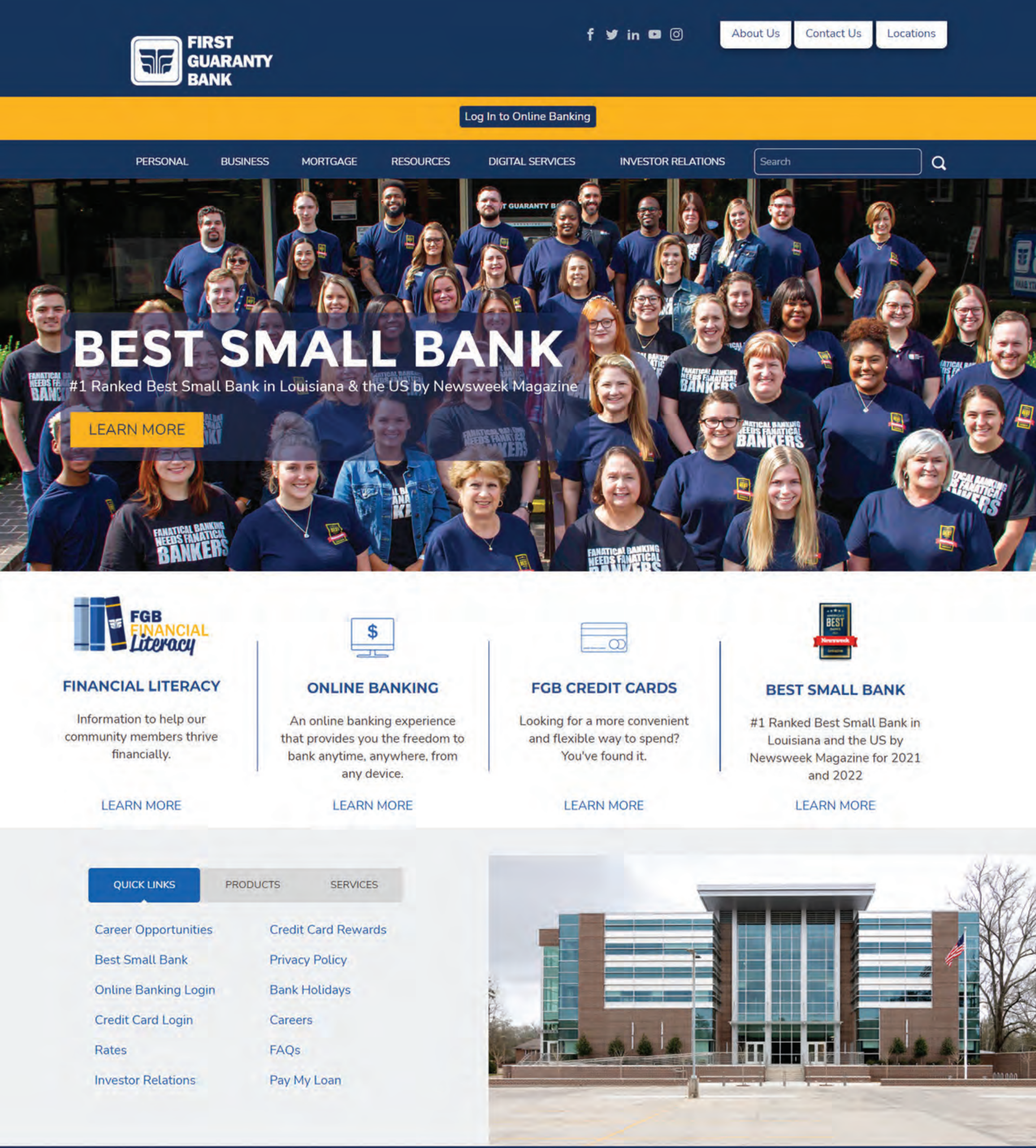
December 31, 2021	
Instantaneous Changes in Interest Rates (basis points)	**Percent Change in Net Interest Income**
+400	5.68%
+300	4.83%
+200	3.96%
+100	2.57%
Base	0%
-25	(1.17)%

Gradual Changes in Interest Rates (basis points)	Percent Change in Net Interest Income
+400	0.94%
+300	1.03%
+200	0.9%
+100	0.63%
Base	0%
-25	(0.10)%

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 77.3% in 2021 compared to 74.7% in 2020. Securities as a percentage of average interest-earning assets decreased from 17.1% in 2020 to 12.8% in 2021.

FGB



STRONG PERFORMANCE PROFITABILITY

REPORT RESUMES ON PAGE 110

Castaing
Hussey &
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Lori D. Percle, CPA
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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.

Opinions 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, 2021 and 2020, 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, 2021, 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, 2021, 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, 2021 and 2020 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2021, 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, 2021, 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.

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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.

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.

<u>Allowance for Loan and Lease Losses</u>

As described in Notes 1, 5 and 6 to the financial statements, at December 31, 2021 First Guaranty's total loans were $2.1 billion and the associated allowance for loan and lease losses balance was $24.0 million. The allowance for loan and lease losses is management's best estimate of probable incurred 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 and lease 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 and lease losses. The general valuation allowance portion of the allowance for loan and lease 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 and lease 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 and lease 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 and lease 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 and lease losses are supported by the analysis provided by management.

- Testing the appropriateness of the methodology and assumptions used in the calculation of the allowance for loan and lease 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 and lease 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, 2022

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

	December 31, 2021	December 31, 2020
	(in thousands, except share data)	
Assets		
Cash and cash equivalents:		
Cash and due from banks	$ 261,749	$ 298,903
Federal funds sold	183	702
Cash and cash equivalents	**261,932**	**299,605**
Investment securities:		
Available for sale, at fair value	210,620	238,548
Held to maturity, at cost (estimated fair value of $150,585 and $0, respectively)	153,536	-
Investment securities	**364,156**	**238,548**
Federal Home Loan Bank stock, at cost	1,359	3,351
Loans held for sale	-	-
Loans, net of unearned income	2,159,359	1,844,135
Less: allowance for loan and lease losses	24,029	24,518
Net loans	**2,135,330**	**1,819,617**
Premises and equipment, net	58,637	59,892
Goodwill	12,900	12,900
Intangible assets, net	5,922	6,587
Other real estate, net	2,072	2,240
Accrued interest receivable	12,047	11,933
Other assets	23,765	18,405
Total Assets	**$ 2,878,120**	**$ 2,473,078**
Liabilities and Shareholders' Equity		
Deposits:		
Noninterest-bearing demand	$ 532,578	$ 411,416
Interest-bearing demand	1,275,544	860,394
Savings	201,699	168,879
Time	586,671	725,629
Total deposits	**2,596,492**	**2,166,318**
Short-term advances from Federal Home Loan Bank	-	50,000
Repurchase agreements	6,439	6,121
Accrued interest payable	4,480	5,292
Long-term advances from Federal Home Loan Bank	3,208	3,366
Senior long-term debt	25,170	42,366
Junior subordinated debentures	14,818	14,777
Other liabilities	3,624	6,247
Total Liabilities	**2,654,231**	**2,294,487**
Shareholders' Equity		
Common stock:		
Preferred stock, Series A - $1,000 par value - 100,000 shares authorized Non-cumulative perpetual; 34,500 and 0 shares issued and outstanding, respectively	$ 33,058	$ -
Common stock, $1 par value - 100,600,000 shares authorized and 10,716,796 shares issued[1]	10,717	10,717
Surplus	130,093	130,093
Retained earnings	56,654	37,134
Accumulated other comprehensive (loss) income	(6,633)	647
Total Shareholders' Equity	**223,889**	**178,591**
Total Liabilities and Shareholders' Equity	**$ 2,878,120**	**$ 2,473,078**

See Notes to the Consolidated Financial Statements.

[1] All share and per share amounts have been restated to reflect the ten percent stock dividend paid December 17, 2021 to shareholders of record as of December 15, 2021.

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

	Years Ended December 31,		
	2021	2020	2019
	(in thousands, except share data)		
Interest Income:			
Loans (including fees)	$ 103,353	$ 90,808	$ 78,886
Deposits with other banks	316	404	2,956
Securities (including FHLB stock)	8,248	9,471	9,800
Federal funds sold	-	1	1
Total Interest Income	**111,917**	**100,684**	**91,643**
Interest Expense:			
Demand deposits	7,237	6,089	10,447
Savings deposits	204	268	527
Time deposits	12,893	16,908	17,141
Borrowings	1,965	2,752	1,851
Total Interest Expense	**22,299**	**26,017**	**29,966**
Net Interest Income	**89,618**	**74,667**	**61,677**
Less: Provision for loan losses	2,055	14,877	4,860
Net Interest Income after Provision for Loan Losses	**87,563**	**59,790**	**56,817**
Noninterest Income:			
Service charges, commissions and fees	2,699	2,571	2,808
ATM and debit card fees	3,562	3,022	2,254
Net gains (losses) on securities	714	14,791	(157)
Net gains on sale of loans	942	1,054	1,376
Other	2,843	2,342	2,018
Total Noninterest Income	**10,760**	**23,780**	**8,299**
Noninterest Expense:			
Salaries and employee benefits	32,179	29,600	25,019
Occupancy and equipment expense	8,681	7,709	6,096
Other	23,008	20,724	16,104
Total Noninterest Expense	**63,868**	**58,033**	**47,219**
Income Before Income Taxes	**34,455**	**25,537**	**17,897**
Less: Provision for income taxes	7,158	5,219	3,656
Net Income	**27,297**	**20,318**	**14,241**
Less: Preferred stock dividends	1,384	-	-
Net Income Available to Common Shareholders	**$ 25,913**	**$ 20,318**	**$ 14,241**
Per Common Share[1]:			
Earnings	$ 2.42	$ 1.90	$ 1.34
Cash dividends paid	$ 0.60	$ 0.58	$ 0.54
Weighted Average Common Shares Outstanding	10,716,796	10,716,796	10,666,055

See Notes to Consolidated Financial Statements

[1] All share and per share amounts have been restated to reflect the ten percent stock dividend paid December 17, 2021 to shareholders of record as of December 15, 2021.

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

	Years Ended December 31,		
	2021	2020	2019
		(in thousands)	
Net Income	$ 27,297	$ 20,318	$ 14,241
Other comprehensive income:			
Unrealized (losses) gains on securities:			
Unrealized holding (losses) gains arising during the period	(8,501)	12,757	11,435
Reclassification adjustments for (gains) losses included in net income	(714)	(14,791)	353
Reclassification of OTTI losses included in net income	-	100	-
Change in unrealized (losses) gains on securities	**(9,215)**	**(1,934)**	**11,788**
Tax impact	1,935	406	(2,475)
Other comprehensive (loss) income	**(7,280)**	**(1,528)**	**9,313**
Comprehensive Income	**$ 20,017**	**$ 18,790**	**$ 23,554**

See Notes to Consolidated Financial Statements

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

	Preferred Stock $1,000 Par	Common Stock $1 Par	Surplus	Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total
			(in thousands, except share data)			
Balance December 31, 2018	$ -	$ 10,657	$ 128,938	$ 14,827	$ (7,138)	$ 147,284
Net Income	-	-	-	14,241	-	14,241
Common stock issued in private placement, 59,551 shares[1]	-	60	1,155	(215)	-	1,000
Other comprehensive income	-	-	-	-	9,313	9,313
Cash dividends on common stock ($0.54 per share)[1]	-	-	-	(5,803)	-	(5,803)
Balance December 31, 2019	$ -	$ 10,717	$ 130,093	$ 23,050	$ 2,175	$ 166,035
Net income	-	-	-	20,318	-	20,318
Other comprehensive income (loss)	-	-	-	-	(1,528)	(1,528)
Cash dividends on common stock ($0.58 per share)[1]	-	-	-	(6,234)	-	(6,234)
Balance December 31, 2020	$ -	$ 10,717	$ 130,093	$ 37,134	$ 647	$ 178,591
Net income	-	-	-	27,297	-	27,297
Preferred stock issued, 34,500 shares, net of costs	33,058		-	-	-	33,058
Other comprehensive income (loss)	-	-	-	-	(7,280)	(7,280)
Preferred stock dividends	-		-	(1,384)	-	(1,384)
Cash dividends on common stock ($0.60 per share)[1]	-	-	-	(6,393)	-	(6,393)
Balance December 31, 2021	$ 33,058	$ 10,717	$ 130,093	$ 56,654	$ (6,633)	$ 223,889

See Notes to Consolidated Financial Statements

[1] All share and per share amounts have been restated to reflect the ten percent stock dividend paid December 17, 2021 to shareholders of record as of December 15, 2021.

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

	Years Ended December 31,		
	2021	2020	2019
	(in thousands)		
Cash Flows From Operating Activities:			
Net income	$ 27,297	$ 20,318	$ 14,241
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	2,055	14,877	4,860
Depreciation and amortization	4,775	3,781	3,057
Amortization/Accretion of investments	(104)	2,594	1,347
Gain (loss) on sale/call of securities	(714)	(14,791)	157
Other than temporary impairment charge on securities	-	100	-
Gain on sale of assets	(965)	(1,054)	(1,304)
Repossessed asset writedowns, gains and losses on dispositions	536	1,245	90
FHLB stock dividends	(13)	(43)	(63)
Net decrease in loans held for sale	-	-	344
Change in other assets and liabilities, net	(6,347)	(3,268)	6,349
Net Cash Provided by Operating Activities	**26,520**	**23,759**	**29,078**
Cash Flows From Investing Activities:			
Proceeds from maturities and calls of HTM securities	-	34,022	21,190
Proceeds from maturities, calls and sales of AFS securities	417,557	1,242,559	279,590
Funds invested in AFS securities	(551,563)	(1,078,450)	(274,437)
Funds invested in preferred securities	(1,000)	-	-
Proceeds from redemption of preferred securities	1,500	-	-
Proceeds from sale/redemption of Federal Home Loan Bank stock	2,160	-	-
Funds invested in Federal Home Loan Bank stock	(155)	-	-
Net increase in loans	(320,347)	(322,745)	(123,553)
Purchases of premises and equipment	(2,204)	(6,313)	(11,933)
Proceeds from sales of premises and equipment	77	127	12
Proceeds from sales of other real estate owned	1,330	2,345	550
Cash paid in excess of cash received in acquisition	-	-	(23,325)
Net Cash Used In Investing Activities	**(452,645)**	**(128,455)**	**(131,906)**
Cash Flows From Financing Activities:			
Net increase in deposits	430,174	313,210	18,408
Net (decrease) increase in federal funds purchased and short-term borrowings	(49,682)	36,202	(28)
Proceeds from long-term borrowings, net of costs	-	-	32,465
Repayment of long-term borrowings	(17,321)	(6,302)	(3,754)
Net proceeds from issuance of preferred stock	33,058	-	-
Common stock issued in private placement	-	-	1,000
Dividends paid on preferred stock	(1,384)	-	-
Dividends paid common stock	(6,393)	(6,234)	(5,803)
Net Cash Provided By Financing Activities	**388,452**	**336,876**	**42,288**
Net (Decrease) Increase in Cash and Cash Equivalents	(37,673)	232,180	(60,540)
Cash and Cash Equivalents at the Beginning of the Period	299,605	67,425	127,965
Cash and Cash Equivalents at the End of the Period	**$ 261,932**	**$ 299,605**	**$ 67,425**
Noncash Activities:			
Acquisition of real estate in settlement of loans	$ 1,782	$ 951	$ 2,789
Transfer of securities from HTM to AFS	$ -	$ 52,553	$ -
Transfer of securities from AFS to HTM	$ 160,014	-	-
Cash Paid During the Period:			
Interest on deposits and borrowed funds	$ 23,111	$ 26,772	$ 27,871
Federal income taxes	$ 11,400	$ 4,800	$ 3,250
State income taxes	$ 36	$ 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 and a financial holding company 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 offers a wide range of financial services and focuses on building client relationships and providing exceptional customer service. 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-six banking facilities and forty-nine automated teller machines (ATMs) in Southeast, Southwest, Central and North Louisiana, North Central Texas, Kentucky and West Virginia.

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.

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 and lease 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 and lease 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 and lease 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 and lease 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 and lease losses. Performing acquired loans are subsequently evaluated for any required allowance at each reporting date. An allowance for loan and lease 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 and lease losses

The allowance for loan and lease losses is established through a provision for loan losses charged to expense. Loans are charged against the allowance for loan and lease 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.

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 and lease 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 and lease 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 and lease 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 and lease 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 and lease 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 instruments

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

Income taxes

First Guaranty and its subsidiary file a consolidated federal income tax return on a calendar year basis. In lieu of Louisiana state income tax, the Bank is subject to the Louisiana bank shares tax, which is included in noninterest expense in First Guaranty's consolidated financial statements. With few exceptions, First Guaranty is no longer subject to U.S. federal, state or local income tax examinations for years before 2018. 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 19 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 2021, 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 2021.

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.

Note 3. Cash and Due from Banks

Certain reserves are required to be maintained at the Federal Reserve Bank. There was no reserve requirement as of December 31, 2021 and 2020. At December 31, 2021 First Guaranty had three accounts at correspondent banks, excluding the Federal Reserve Bank, that exceeded the FDIC insurable limit of $250,000. These accounts were over the insurable limit by $2.0 million. 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.

Note 4. Securities

A summary comparison of securities by type at December 31, 2021 and 2020 is shown below.

	December 31, 2021				December 31, 2020			
	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	116,733	-	(623)	116,110	169,986	77	(405)	169,658
Corporate debt securities	79,344	732	(1,851)	78,225	36,153	604	(268)	36,489
Municipal bonds	15,543	156	-	15,699	27,381	781	-	28,162
Mortgage-backed securities	576	10	-	586	1,208	31	-	1,239
Total available for sale securities	$ 212,196	$ 898	$ (2,474)	$ 210,620	$ 237,728	$ 1,493	$ (673)	$ 238,548
Held to maturity:								
U.S. Government Agencies	$ 153,536	$ -	$ (2,951)	$ 150,585	$ -	$ -	$ -	$ -
Total held to maturity securities	$ 153,536	$ -	$ (2,951)	$ 150,585	$ -	$ -	$ -	$ -

First Guaranty designated available for sale U.S. Government Agency securities with an amortized cost of $160.0 million and a corresponding fair value of $152.9 million for held to maturity status in the first quarter of 2021. The net unrealized loss net of taxes at the date of transfer was $5.7 million. This was done following the review of guidance for held to maturity portfolios in light of the COVID-19 pandemic. First Guaranty had terminated its held to maturity portfolio in the first quarter of 2020 due to the economic conditions associated with COVID-19. ASC 320-10-25 provides an exemption for events that are isolated, nonrecurring, and unusual for the reporting entity. The termination of the held to maturity portfolio in the first quarter of 2020 did not taint the portfolio under this guidance. The securities designated as held to maturity are agency securities that are part of First Guaranty's investment strategy and public funds collateralization program.

The fair value of the held to maturity securities at the date of transfer becomes the securities' new cost basis. The unrealized holding loss at the time of transfer continues to be reported in accumulated other comprehensive income, net of tax and is amortized over the remaining lives of the securities as an adjustment of the yield. The amortization of the unamortized holding loss reported in accumulated other comprehensive income will directly offset the effect on interest income from the accretion of the reduced amortized cost for the transferred securities. Because of this transfer, the total losses less than 12 months and greater than 12 months reported in the table below will not agree to the unrealized losses reported in the inventory of held to maturity securities. The inventory table reports unrealized gains and losses based upon the transferred securities adjusted cost basis and current fair value. The reporting of losses less than 12 months and greater than 12 months represents that actual period of time that these securities have been in an unrealized loss position and the securities amortized cost basis as if the transfer did not occur.

The scheduled maturities of securities at December 31, 2021, 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, 2021	
	Amortized Cost	Fair Value
	(in thousands)	
Available for sale:		
Due in one year or less	$ 641	$ 643
Due after one year through five years	3,885	3,759
Due after five years through 10 years	82,320	81,390
Over 10 years	124,774	124,242
Subtotal	**211,620**	**210,034**
Mortgage-backed Securities	576	586
Total available for sale securities	**$ 212,196**	**$ 210,620**
Held to maturity:		
Due in one year or less	$ -	$ -
Due after one year through five years	-	-
Due after five years through 10 years	19,445	19,122
Over 10 years	134,091	131,463
Total held to maturity securities	**$ 153,536**	**$ 150,585**

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, 2021.

	At December 31, 2021								
	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	13	116,110	(623)	-	-	-	13	116,110	(623)
Corporate debt securities	61	61,551	(1,677)	2	445	(174)	63	61,996	(1,851)
Municipal bonds	1	66	-	-	-	-	1	66	-
Mortgage-backed securities	-	-	-	6	9	-	6	9	-
Total available for sale securities	**75**	**$177,727**	**$(2,300)**	**8**	**$ 454**	**$ (174)**	**83**	**$178,181**	**$ (2,474)**
Held to maturity									
U.S. Government Agencies	16	$ 150,585	$(2,951)	-	$ -	$ -	16	$150,585	$ (2,951)
Total held to maturity securities	**16**	**$150,585**	**$(2,951)**	**-**	**$ -**	**$ -**	**16**	**$150,585**	**$ (2,951)**

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)

As of December 31, 2021, 99 of First Guaranty's debt securities had unrealized losses totaling 1.6% of the individual securities' amortized cost basis and 1.5% of First Guaranty's total amortized cost basis of the investment securities portfolio. Eight of the 99 securities had been in a continuous loss position for over 12 months at such date. The 8 securities had an aggregate amortized cost basis of $0.6 million and an unrealized loss of $0.2 million at December 31, 2021. 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 were no securities with an other-than-temporary impairment loss at December 31, 2021. First Guaranty believes that the remaining issuers will be able to fulfill the obligations of these securities based on evaluations described above. First Guaranty has the ability and intent to hold these securities until they recover, which could be at their maturity dates.

There were no other-than-temporary impairment losses recognized on securities during the year ended December 31, 2021. There was one other-than-temporary impairment loss of $100,000 recognized on securities during the year 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 year December 31, 2019.

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, 2021, 2020, and 2019:

	Year Ended December 31, 2021	Year Ended December 31, 2020	Year Ended December 31, 2019
		(in thousands)	
Beginning balance of credit losses at beginning of year	$ 100	$ -	$ 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	(100)	-	(60)
Ending balance of cumulative credit losses recognized in earnings at end of year	$ -	$ 100	$ -

In 2021, 2020 and 2019 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, 2021 and 2020 the carrying value of pledged securities totaled $234.9 million and $184.0 million, respectively.

Gross realized gains on sales of securities were $1.0 million, $14.7 million and $0.8 million for the years ended December 31, 2021, 2020 and 2019, respectively. Gross realized losses were $0.4 million, $0.1 million and $1.1 million for the years ended December 31, 2021, 2020 and 2019. The tax applicable to these transactions amounted to $0.1 million, $3.1 million, and $(79,000) for 2021, 2020 and 2019, respectively. Proceeds from sales of securities classified as available for sale amounted to $49.7 million, $394.9 million and $90.5 million for the years ended December 31, 2021, 2020 and 2019, respectively.

Net unrealized losses on available for sale securities included in accumulated other comprehensive income (loss) ("AOCI"), net of applicable income taxes, totaled $6.6 million at December 31, 2021. At December 31, 2020 net unrealized gains included in AOCI, net of applicable income taxes, totaled $0.6 million. During 2021 net gains, net of tax, reclassified out of AOCI into earnings totaled $0.6 million. During 2020 net gains, net of tax, reclassified out of AOCI into earnings totaled $11.7 million.

At December 31, 2021, First Guaranty's exposure to investment securities issuers that exceeded 10% of shareholders' equity was as follows:

	December 31, 2021	
	Amortized Cost	Fair Value
	(in thousands)	
Federal Home Loan Bank (FHLB)	$ 33,333	$ 33,071
Federal Home Loan Mortgage Corporation (Freddie Mac-FHLMC)	95,230	93,401
Federal Farm Credit Bank (FFCB)	142,279	140,807
Total	**$ 270,842**	**$ 267,279**

Note 5. Loans

The following table summarizes the components of First Guaranty's loan portfolio as of December 31, 2021 and December 31, 2020:

	December 31,			
	2021		2020	
	Balance	As % of Category	Balance	As % of Category
	(in thousands, except for %)			
Real Estate:				
Construction & land development	$ 174,334	8.1%	$ 150,841	8.2%
Farmland	31,810	1.5%	26,880	1.4%
1- 4 Family	288,347	13.3%	271,236	14.7%
Multifamily	65,848	3.0%	45,932	2.5%
Non-farm non-residential	886,407	40.9%	824,137	44.6%
Total Real Estate	**1,446,746**	**66.8%**	**1,319,026**	**71.4%**
Non-Real Estate:				
Agricultural	26,747	1.2%	28,335	1.5%
Commercial and industrial	398,391	18.4%	353,028	19.1%
Commercial leases	246,022	11.4%	104,141	5.6%
Consumer and other(1)	48,142	2.2%	44,642	2.4%
Total Non-Real Estate	**719,302**	**33.2%**	**530,146**	**28.6%**
Total Loans Before Unearned Income	**2,166,048**	**100.0%**	1,849,172	**100.0%**
Unearned income	(6,689)		(5,037)	
Total Loans Net of Unearned Income	**$ 2,159,359**		**$ 1,844,135**	

(1) Includes PPP loans fully guaranteed by the SBA of $35.4 million and $92.3 million at December 31, 2021 and December 31, 2020, respectively.

The following table summarizes fixed and floating rate loans by contractual maturity, excluding nonaccrual loans, as of December 31, 2021 and December 31, 2020 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,					
	2021			2020		
	(in thousands)					
	Fixed	Floating	Total	Fixed	Floating	Total
One year or less	$ 239,423	$ 117,697	$ 357,120	$ 186,252	$ 79,680	$ 265,932
One to five years	926,640	385,509	1,312,149	740,358	368,259	1,108,617
Five to 15 years	114,976	106,579	221,555	128,860	91,032	219,892
Over 15 years	179,522	78,987	258,509	146,830	92,325	239,155
Subtotal	**$ 1,460,561**	**$ 688,772**	**$ 2,149,333**	**1,202,300**	**$ 631,296**	**1,833,596**
Nonaccrual loans			16,715			15,576
Total Loans Before Unearned Income			**2,166,048**			**1,849,172**
Unearned income			(6,689)			(5,037)
Total Loans Net of Unearned Income			**$ 2,159,359**			**$ 1,844,135**

As of December 31, 2021, $349.1 million of floating rate loans were at their interest rate floor. At December 31, 2020, $305.0 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, 2021 and December 31, 2020:

	As of December 31, 2021					
	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	$ 956	$ 776	$ 1,732	$ 172,602	$ 174,334	$ 246
Farmland	17	787	804	31,006	31,810	-
1- 4 family	3,932	3,375	7,307	281,040	288,347	514
Multifamily	1,669	162	1,831	64,017	65,848	162
Non-farm non-residential	1,352	9,014	10,366	876,041	886,407	281
Total Real Estate	**7,926**	**14,114**	**22,040**	**1,424,706**	**1,446,746**	**1,203**
Non-Real Estate:						
Agricultural	97	2,302	2,399	24,348	26,747	-
Commercial and industrial	1,233	722	1,955	396,436	398,391	23
Commercial leases	-	-	-	246,022	246,022	-
Consumer and other	920	822	1,742	46,400	48,142	19
Total Non-Real Estate	**2,250**	**3,846**	**6,096**	**713,206**	**719,302**	**42**
Total Loans Before Unearned Income	**$ 10,176**	**$ 17,960**	**$ 28,136**	**$2,137,912**	**2,166,048**	**$ 1,245**
Unearned income					(6,689)	
Total Loans Net of Unearned Income					**$ 2,159,359**	

	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
Commercial leases	180	-	180	103,961	104,141	-
Consumer and other	996	372	1,368	43,274	44,642	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**	

The tables above include $16.7 million and $15.6 million of nonaccrual loans for December 31, 2021 and 2020, 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,	
	2021	2020
	(in thousands)	
Real Estate:		
Construction & land development	$ 530	$ 621
Farmland	787	857
1- 4 family	2,861	2,227
Multifamily	-	-
Non-farm non-residential	8,733	7,449
Total Real Estate	**12,911**	**11,154**
Non-Real Estate:		
Agricultural	2,302	3,472
Commercial and industrial	699	701
Commercial leases	-	
Consumer and other	803	249
Total Non-Real Estate	3,804	4,422
Total Nonaccrual Loans	$ 16,715	$ 15,576

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, 2021					As of December 31, 2020				
	Pass	Special Mention	Sub-standard	Doubtful	Total	Pass	Special Mention	Sub-standard	Doubtful	Total
					(in thousands)					
Real Estate:										
Construction & land development	$ 151,220	$ 21,997	$ 1,117	$ -	$ 174,334	$ 139,032	$ 10,785	$ 1,024	$ -	$ 150,841
Farmland	27,678	40	4,092	-	31,810	22,822	46	4,012	-	26,880
1- 4 family	270,866	7,644	9,837	-	288,347	251,315	7,252	12,669	-	271,236
Multifamily	56,686	2,212	6,950	-	65,848	36,146	1,841	7,945	-	45,932
Non-farm non-residential	795,495	72,103	18,809	-	886,407	756,760	51,355	16,022	-	824,137
Total Real Estate	**1,301,945**	**103,996**	**40,805**	**-**	**1,446,746**	**1,206,075**	**71,279**	**41,672**	**-**	**1,319,026**
Non-Real Estate:										
Agricultural	23,952	128	2,667	-	26,747	24,180	92	4,063	-	28,335
Commercial and industrial	355,407	34,220	8,764	-	398,391	321,957	27,388	3,683	-	353,028
Commercial leases	245,869	-	153		246,022	103,961	-	180	-	104,141
Consumer and other	46,804	374	964	-	48,142	43,736	442	464	-	44,642
Total Non-Real Estate	672,032	34,722	12,548	-	719,302	493,834	27,922	8,390	-	530,146
Total Loans Before Unearned Income	$ 1,973,977	$138,718	$ 53,353	$ -	$2,166,048	$1,699,909	$ 99,201	$ 50,062	$ -	1,849,172
Unearned income					(6,689)					(5,037)
Total Loans Net of Unearned Income					$2,159,359					$1,844,135

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, 2021 and 2020.

	As of December 31, 2021	As of December 31, 2020
	(in thousands)	
Real Estate:		
Construction & land development	$ 146	$ 397
Farmland	-	-
1- 4 family	1,848	4,102
Multifamily	-	900
Non-farm non-residential	2,192	2,396
Total Real Estate	**4,186**	**7,795**
Non-Real Estate:		
Agricultural	159	343
Commercial and industrial	798	1,017
Commercial leases	-	-
Consumer and other	-	-
Total Non-Real Estate	**957**	**1,360**
Total	**$ 5,143**	**$ 9,155**

For those purchased loans disclosed above, there was an allowance for loan and lease losses of $0.7 million at December 31, 2021 and $0.5 million at December 31, 2020.

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, 2021 and 2020.

	Year Ended December 31, 2021	Year Ended December 31, 2020
	(in thousands)	
Balance, beginning of period	$ 2,892	$ 3,647
Acquisition accretable yield	-	30
Accretion	(514)	(785)
Net transfers from nonaccretable difference to accretable yield	-	-
Balance, end of period	**$ 2,378**	**$ 2,892**

Note 6. Allowance for Loan and Lease Losses

A summary of changes in the allowance for loan and lease losses, by loan type, for the years ended December 31, 2021, 2020 and 2019 are as follows:

	As of December 31,									
	2021					2020				
	Beginning Allowance (12/31/20)	Charge-Offs	Recoveries	Provision	Ending Allowance (12/31/21)	Beginning Allowance (12/31/19)	Charge-Offs	Recoveries	Provision	Ending Allowance (12/31/20)
	(in thousands)									
Real Estate:										
Construction & land development	$ 1,029	$ (92)	$ -	$ (168)	$ 769	$ 423	$ (265)	$ -	$ 871	$ 1,029
Farmland	462	-	90	(74)	478	50	-	-	412	462
1- 4 family	2,510	(266)	44	(367)	1,921	1,027	(154)	39	1,598	2,510
Multifamily	978	(12)	-	(26)	940	1,038	-	-	(60)	978
Non-farm non-residential	15,064	(1,020)	7	(1,321)	12.730	5,277	(550)	178	10,159	15,064
Total Real Estate	**20,043**	**(1,390)**	**141**	**(1,956)**	**16,838**	**7,815**	**(969)**	**217**	**12,980**	**20,043**
Non-Real Estate:										
Agricultural	181	(149)	17	134	183	95	(110)	70	126	181
Commercial and industrial	2,802	(89)	96	(446)	2,363	1,909	(265)	128	1,030	2,802
Commercial leases	583	-	4	1,899	2,486	568	-	388	(373)	583
Consumer and other	907	(1,494)	320	1,638	1,371	542	(1,083)	336	1,112	907
Unallocated	2	-	-	786	788	-	-	-	2	2
Total Non-Real Estate	**4,475**	**(1,732)**	**437**	**4,011**	**7,191**	**3,114**	**(1,458)**	**922**	**1,897**	**4,475**
Total	**$24,518**	**$(3,122)**	**$ 578**	**$ 2,055**	**$24,029**	**$10,929**	**$(2,427)**	**$1,139**	**$14,877**	**$24,518**

	As of December 31,				
	2019				
	Beginning Allowance (12/31/18)	Charge-Offs	Recoveries	Provision	Ending Allowance (12/31/19)
	(in thousands)				
Real Estate:					
Construction & land development	$ 581	$ -	$ -	$ (158)	$ 423
Farmland	41	-	-	9	50
1- 4 family	911	(552)	39	629	1,027
Multifamily	1,318	-	-	(280)	1,038
Non-farm non-residential	4,771	(2,603)	5	3,104	5,277
Total Real Estate	**7,622**	**(3,155)**	**44**	**3,304**	**7,815**
Non-Real Estate:					
Agricultural	339	(40)	-	(204)	95
Commercial and industrial	1,909	(879)	267	612	1,909
Commercial leases	262	-	-	306	568
Consumer and other	629	(1,190)	246	857	542
Unallocated	15	-	-	(15)	-
Total Non-Real Estate	**3,154**	**(2,109)**	**513**	**1,556**	**3,114**
Total	**$ 10,776**	**$ (5,264)**	**$ 557**	**$ 4,860**	**$ 10,929**

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

	As of December 31, 2021							
	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	$ -	$ -	$ 769	$ 769	$ -	$ 146	$ 174,188	$ 174,334
Farmland	19	-	459	478	496	-	31,314	31,810
1- 4 family	258	-	1,663	1,921	961	1,848	285,538	288,347
Multifamily	-	-	940	940	-	-	65,848	65,848
Non-farm non-residential	1,822	509	10,399	12,730	10,899	2,192	873,316	886,407
Total Real Estate	**2,099**	**509**	**14,230**	**16,838**	**12,356**	**4,186**	**1,430,204**	**1,446,746**
Non-Real Estate:								
Agricultural	-	-	183	183	1,383	159	25,205	26,747
Commercial and industrial	72	216	2,075	2,363	1,286	798	396,307	398,391
Commercial leases	-	-	2,486	2,486	-	-	246,022	246,022
Consumer and other	-	-	1,371	1,371	-	-	48,142	48,142
Unallocated	-	-	788	788	-	-	-	-
Total Non-Real Estate	**72**	**216**	**6,903**	**7,191**	**2,669**	**957**	**715,676**	**719,302**
Total	**$ 2,171**	**$ 725**	**$ 21,133**	**$ 24,029**	**$ 15,025**	**$ 5,143**	**$ 2,145,880**	**$ 2,166,048**
Unearned Income								(6,689)
Total Loans Net of Unearned Income								**$ 2,159,359**

	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	334	12,450	15,064	9,800	2,396	811,941	824,137
Total Real Estate	**2,546**	**334**	**17,163**	**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	142	2,563	2,802	1,544	1,017	350,467	353,028
Commercial leases	-	-	583	583	-	-	104,141	104,141
Consumer and other	-	-	907	907	-	-	44,642	44,642
Unallocated	-	-	2	2	-	-	-	-
Total Non-Real Estate	**97**	**142**	**4,236**	**4,475**	**4,075**	**1,360**	**524,711**	**530,146**
Total	**$ 2,643**	**$ 476**	**$ 21,399**	**$ 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, 2021, 2020 and 2019, First Guaranty had loans totaling $16.7 million, $15.6 million and $14.4 million, respectively, not accruing interest. As of December 31, 2021, 2020 and 2019, First Guaranty had loans past due 90 days or more and still accruing interest totaling $1.2 million, $13.1 million and $2.6 million, respectively. The average outstanding balance of nonaccrual loans in 2021 was $17.1 million compared to $19.8 million in 2020 and $12.0 million in 2019.

As of December 31, 2021, 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, 2021:

	As of December 31, 2021					
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized	Interest Income Cash Basis
			(in thousands)			
Impaired Loans with no related allowance:						
Real Estate:						
Construction & land development	$ -	$ -	$ -	$ -	$ -	$ -
Farmland	-	-	-	-	-	-
1- 4 family	-	-	-	-	-	-
Multifamily	-	-	-	-	-	-
Non-farm non-residential	5,164	5,818	-	5,935	137	101
Total Real Estate	**5,164**	**5,818**	**-**	**5,935**	**137**	**101**
Non-Real Estate:						
Agricultural	1,383	1,668	-	1,412	-	-
Commercial and industrial	470	470	-	479	30	33
Commercial leases	-	-	-	-	-	-
Consumer and other	-	-	-	-	-	-
Total Non-Real Estate	**1,853**	**2,138**	**-**	**1,891**	**30**	**33**
Total Impaired Loans with no related allowance	**7,017**	**7,956**	**-**	**7,826**	**167**	**134**
Impaired Loans with an allowance recorded:						
Real estate:						
Construction & land development	-	-	-	-	-	-
Farmland	496	626	19	515	-	-
1- 4 family	961	961	258	968	56	62
Multifamily	-	-	-	-	-	-
Non-farm non-residential	5,735	5,996	1,822	5,842	90	95
Total Real Estate	**7,192**	**7,583**	**2,099**	**7,325**	**146**	**157**
Non-Real Estate:						
Agricultural	-	-	-	-	-	-
Commercial and industrial	816	816	72	875	28	52
Commercial leases	-	-	-	-	-	-
Consumer and other	-	-	-	-	-	-
Total Non-Real Estate	**816**	**816**	**72**	**875**	**28**	**52**
Total Impaired Loans with an allowance recorded	**8,008**	**8,399**	**2,171**	**8,200**	**174**	**209**
Total Impaired Loans	**$15,025**	**$16,355**	**$ 2,171**	**$16,026**	**$ 341**	**$ 343**

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
Commercial leases	-	-	-	-	-	-
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**

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 and lease losses. First Guaranty has not restructured any loans that are considered TDRs in the year ended December 31, 2021. First Guaranty restructured one loan that is considered TDR in the year ended December 31, 2020. At December 31, 2021, 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, 2021 and December 31, 2020:

	December 31, 2021				December 31, 2020			
	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	-	-	3,382	3,382	-	-	3,591	3,591
Total Real Estate	-	-	3,382	3,382	-	-	3,591	3,591
Non-Real Estate:								
Agricultural	-	-	-	-	-	-	-	-
Commercial and industrial	-	-	-	-	-	-	-	-
Commercial leases	-	-	-	-	-	-	-	-
Consumer and other	-	-	-	-	-	-	-	-
Total Non-Real Estate	-	-	-	-	-	-	-	-
Total	$ -	$ -	$ 3,382	$ 3,382	-	$ -	$ 3,591	$3,591

The following table discloses TDR activity for the year ended December 31, 2021.

	Trouble Debt Restructured Loans Activity								
	Year Ended December 31, 2021								
	Beginning balance (December 31, 2020)	New TDRs	Charge-Offs post-modification	Transferred to ORE	Paydowns	Construction to permanent financing	Restructured to market terms	Other adjustments	Ending balance (December 31, 2021)
	(in thousands)								
Real Estate:									
Construction & land development	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Farmland	-	-	-	-	-	-	-	-	-
1- 4 family	-	-	-	-	-	-	-	-	-
Multifamily	-	-	-	-	-	-	-	-	-
Non-farm non-residential	3,591	-	-	-	(250)	-	-	41	3,382
Total Real Estate	3,591	-	-	-	(250)	-		41	3,382
Non-Real Estate:									
Agricultural	-	-	-	-	-	-	-	-	-
Commercial and industrial	-	-	-	-	-	-	-	-	-
Commercial leases	-	-	-	-	-	-	-	-	-
Consumer and other	-	-	-	-	-	-	-	-	-
Total Non-Real Estate	-	-	-	-	-	-	-	-	-
Total Impaired Loans with no related allowance	$ 3,591	$ -	$ -	$ -	$ (250)	$ -	$ -	$ 41	$ $3,382

There were no commitments to lend additional funds to debtors whose terms have been modified in a troubled debt restructuring at December 31, 2021.

Note 7. Premises and Equipment

The components of premises and equipment at December 31, 2021 and 2020 are as follows:

	December 31,	
	2021	2020
	(in thousands)	
Land	$ 15,284	$ 15,180
Bank premises	53,899	40,906
Furniture and equipment	30,481	28,511
Construction in progress	536	13,562
Acquired value	**100,200**	**98,159**
Less: accumulated depreciation	41,563	38,267
Net book value	**$ 58,637**	**$ 59,892**

Depreciation expense amounted to $3.4 million, $2.8 million and $2.3 million for 2021, 2020 and 2019, respectively. Interest cost capitalized as a construction cost was $61,000, $55,000, and $91,000 for 2021, 2020, and 2019, respectively.

Note 8. Goodwill and Other Intangible Assets

Goodwill and intangible assets deemed to have indefinite lives are no longer amortized, but are subject to impairment testing. Other intangible assets continue to be amortized over their useful lives. Goodwill represents the purchase price over the fair value of net assets acquired from the Homestead Bancorp in 2007, 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, 2021 and 2020, respectively.

The following table summarizes intangible assets subject to amortization.

	December 31,					
	2021			2020		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	(in thousands)					
Core deposit intangibles	$ 16,266	$ 11,215	$ 5,051	$ 16,266	$ 10,451	$ 5,815
Loan servicing assets	2,133	1,262	871	1,826	1,054	772
Total	**$ 18,399**	**$ 12,477**	**$ 5,922**	**$ 18,092**	**$ 11,505**	**$ 6,587**

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 7.3 years.

Amortization expense relating to purchase accounting intangibles totaled $0.8 million, $0.7 million, and $0.4 million for the years ended December 31, 2021, 2020, and 2019, 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, 2022	$696
December 31, 2023	$696
December 31, 2024	$696
December 31, 2025	$696
December 31, 2026	$696

Note 9. Other Real Estate

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

	December 31,	
	2021	2020
	(in thousands)	
Real Estate Owned Acquired by Foreclosure:		
Residential	$ 817	$ 131
Construction & land development	-	311
Non-farm non-residential	1,776	2,203
Total Other Real Estate Owned and Foreclosed Property	2,593	2,645
Allowance for Other Real Estate Owned losses	(521)	(405)
Net Other Real Estate Owned and Foreclosed Property	$ 2,072	$ 2,240

Note 10. Deposits

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

	December 31, 2021
	(in thousands)
2022	$ 267,016
2023	152,920
2024	116,771
2025	19,482
2026 and thereafter	30,482
Total	**$ 586,671**

The table above includes $3.4 million in brokered deposits for December 31, 2021. The aggregate amount of jumbo time deposits, each with a minimum denomination of $250,000 totaled $159.1 million and $248.8 million at December 31, 2021 and 2020, respectively.

Note 11. Borrowings

Short-term borrowings are summarized as follows:

	December 31, 2021	December 31, 2020
	(in thousands)	
Federal Home Loan Bank advances	$ -	$ 50,000
Repurchase agreements	6,439	6,121
Total short-term borrowings	**$ 6,439**	**$ 56,121**

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 $6.4 million in short-term borrowings outstanding at December 31, 2021 compared to $56.1 million outstanding at December 31, 2020. First Guaranty has available lines of credit of $26.5 million, with no outstanding balance at December 31, 2021.

Available lines of credit totaled $597.6 million at December 31, 2021 and $297.2 million at December 31, 2020.

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

	December 31,		
	2021	2020	2019
	(in thousands, except for %)		
Outstanding at year end	$ 6,439	$56,121	$19,919
Maximum month-end outstanding	$56,369	$57,048	$19,919
Average daily outstanding	$10,458	$48,277	$ 3,320
Weighted average rate during the year	1.40%	0.95%	2.00%
Weighted average rate at year end	2.23%	0.89%	2.00%

Long-term debt is summarized as follows:

Long-term Federal Home Loan Bank advance, fixed at 2.12%, totaled $3.2 million at December 31, 2021 and $3.4 million at December 31, 2020. 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 $0 at December 31, 2021 and $14.0 million at December 31, 2020. First Guaranty paid off this loan using proceeds from its preferred stock capital offering during the second quarter of 2021. This long-term debt was secured by a pledge of 85% (4,823,899 shares) of First Guaranty's interest in First Guaranty Bank (a wholly owned subsidiary).

Senior long-term debt with a commercial bank, priced at floating Wall Street Journal Prime less 70 basis points (3.00%), totaled $25.2 million at December 31, 2021 and $28.4 million at December 31, 2020. 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, 2021 and 2020. 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. The Note qualifies for treatment as Tier 2 capital for regulatory capital purposes.

First Guaranty maintains two revolving lines of credit. A $6.5 million line of credit with an availability of $6.5 million at December 31, 2021. 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%. A $20.0 million line of credit with an availability of $20.0 million at December 31, 2021. This line of credit is secured by a pledge of 85% (4,823,899 shares) of First Guaranty's interest in First Guaranty Bank (a wholly owned subsidiary) and is priced at 3.00%.

At December 31, 2021, letters of credit issued by the FHLB totaling $250.7 million were outstanding and carried as off-balance sheet items, all of which expire by 2024. 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. 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, 2021 obligations on long-term advances from FHLB, senior long-term debt and junior subordinated debentures totaled $43.2 million.

The scheduled payments are as follows:

	Long-term Advances from FHLB	Senior Long-term Debts	Junior Subordinated Debentures
		(in thousands)	
2022	$ -	$ 3,250	$ -
2023	-	3,250	-
2024	-	18,687	-
2025	-	-	-
2026	-	-	15,000
2026 and thereafter	3,208	-	-
Subtotal	**$ 3,208**	**$ 25,187**	**$ 15,000**
Debt issuance costs	-	(17)	(182)
Total	**$ 3,208**	**$ 25,170**	**$ 14,818**

Note 12. 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, 2021 and 2020, 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 assets above the amount necessary to meet its minimum risk-based capital requirements. First Guaranty Bank's capital conservation buffer was 3.22% at December 31, 2021.

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 increased 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, 2021, 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, 2021 and 2020 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, 2021						
Total Risk-Based Capital:	$ 268,002	11.22%	$ 191,069	8.00%	$ 238,837	10.00%
Tier 1 Capital:	$ 243,973	10.22%	$ 143,302	6.00%	$ 191,069	8.00%
Tier 1 Leverage Capital:	$ 243,973	8.71%	$ 112,018	4.00%	$ 140,023	5.00%
Common Equity Tier One Capital:	$ 243,973	10.22%	$ 107,476	4.50%	$ 155,244	6.50%
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%

Note 13. 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 2022 without permission will be limited to 2022 earnings plus the undistributed earnings of $8.7 million from 2021.

Accordingly, at January 1, 2022, $246.6 million of First Guaranty's equity in the net assets of the Bank was restricted. In addition, dividends paid by the Bank to First Guaranty would be prohibited if the effect thereof would cause the Bank's capital to be reduced below applicable minimum capital requirements.

Note 14. 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, 2021 and 2020 follows:

	December 31,	
	2021	2020
	(in thousands)	
Balance, beginning of year	$ 79,399	$ 61,820
Net Increase (Decrease)	13,871	17,579
Balance, end of year	**$ 93,270**	**$ 79,399**

Unfunded commitments to First Guaranty and Bank directors and executive officers totaled $45.4 million and $40.8 million at December 31, 2021 and 2020, respectively. At December 31, 2021 First Guaranty and the Bank had deposits from directors and executives totaling $64.0 million. There were no participations in loans purchased from affiliated financial institutions included in First Guaranty's loan portfolio in 2021 or 2020.

During the years ended 2021, 2020 and 2019, First Guaranty paid approximately $0.3 million, $0.5 million and $0.5 million, respectively, for printing services and supplies and office furniture and equipment to Champion Industries, Inc., of which Mr. Marshall T. Reynolds, the Chairman of First Guaranty's Board of Directors, is President, Chief Executive Officer, Chairman of the Board of Directors and a major shareholder of Champion.

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. During the years ended 2021, 2020 and 2019, First Guaranty paid interest of $0.8 million, $0.6 million and $0.6 million, respectively, for this note.

During the years ended 2021, 2020 and 2019, First Guaranty paid approximately $0.1 million, $27,000 and $0.1 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 2021, 2020 and 2019, First Guaranty paid approximately $0, $0.1 million and $69,000, respectively, for architectural services in relation to bank branches to Gasaway Gasaway Bankston Architects, of which bank subsidiary board member Andrew B. Gasaway is part owner.

During the years ended 2021, 2020 and 2019, First Guaranty paid approximately $0.6 million, $0.5 million and $0.3 million, respectively, to Centurion Insurance, an insurance brokerage agency, to bind coverage at market terms for property casualty insurance and health insurance. First Guaranty owns a 50% interest in Centurion and accounts for this investment under the equity method.

Note 15. Employee Benefit Plans

First Guaranty has an employee savings plan to which employees, who meet certain service requirements, may defer 1% up to the IRS legal limit of their base salaries, 6% of which may be matched up to 100%, at its sole discretion. Contributions to the savings plan were $396,000, $173,000 and $149,000 in 2021, 2020 and 2019, 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 2021, 2020 or 2019. As of December 31, 2021, the ESOP held 3,047 shares. First Guaranty is in the process of terminating the plan.

Note 16. Other Expenses

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

	December 31,		
	2021	2020	2019
	(in thousands)		
Other noninterest expense:			
Legal and professional fees	$ 3,375	$ 2,919	$ 2,648
Data processing	1,794	2,465	1,972
ATM Fees	1,760	1,332	1,217
Marketing and public relations	1,711	1,046	1,456
Taxes - sales, capital and franchise	1,755	1,251	1,094
Operating supplies	853	921	674
Software expense and amortization	3,071	2,354	1,308
Travel and lodging	826	726	908
Telephone	398	256	193
Amortization of core deposits	764	712	390
Donations	564	393	603
Net costs from other real estate and repossessions	801	1,653	422
Regulatory assessment	1,945	1,716	683
Other	3,391	2,980	2,536
Total other noninterest expense	$23,008	$20,724	$16,104

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 $1.0 million, $0.4 million and $0.8 million for 2021, 2020 and 2019, respectively.

Note 17. Income Taxes

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

	December 31,		
	2021	2020	2019
	(in thousands, except for %)		
Current	$ 7,970	$ 8,964	$ 3,770
Deferred	(812)	(3,745)	(114)
Total	$ 7,158	$ 5,219	$ 3,656

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,		
	2021	2020	2019
	(in thousands, except for %)		
Statutory tax rate	21.0%	21.0%	21.0%
Federal income taxes at statutory rate	$ 7,236	$ 5,363	$ 3,758
Tax exempt municipal income	(81)	(124)	(140)
Other	3	(20)	38
Total	$ 7,158	$ 5,219	$ 3,656

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, 2021 and 2020 are as follows:

	December 31,	
	2021	2020
	(in thousands)	
Deferred tax assets:		
Allowance for loan and lease losses	$ 4,817	$ 4,748
Other real estate owned	219	239
Unrealized losses on available for sale securities	331	-
Net operating loss	1,098	1,190
Other	781	581
Gross deferred tax assets	7,246	6,758
Deferred tax liabilities:		
Depreciation and amortization	(1,917)	(1,952)
Core deposit intangibles	(1,059)	(1,214)
Unrealized gains on available for sale securities	-	(172)
Discount on purchased loans	(164)	(161)
Other	(687)	(625)
Gross deferred tax liabilities	(3,827)	(4,124)
Net deferred tax assets (liabilities)	$ 3,419	$ 2,634

First Guaranty determined that the net deferred tax asset at December 31, 2021 and 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 $5.2 million as of December 31, 2021 and $5.7 million in 2020. 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, 2021, 2020 and 2019, 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 18. 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. The same credit policies are used in making commitments and conditional obligations as it does for balance sheet 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, 2021 and December 31, 2020.

	December 31,	
	2021	2020
	(in thousands)	
Contract Amount		
Commitments to Extend Credit	$ 198,444	$ 154,047
Unfunded Commitments under lines of credit	$ 250,231	$ 169,151
Commercial and Standby letters of credit	$ 13,787	$ 11,728

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 2021, 2020 or 2019.

Note 19. 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, 2021 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, 2021 and 2020 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, 2021 and 2020, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	December 31,	
	2021	2020
	(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	198,315	209,359
Level 3: Significant Unobservable Inputs	12,305	26,189
Securities available for sale measured at fair value	**$ 210,620**	**$ 238,548**

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, 2020 was due to a net decrease in Treasury bills of $3.0 million. The change in Level 2 securities available for sale from December 31, 2020 was due to the increase in corporate securities offset by the transfer of $152.9 million in U.S. Government agency securities from the available for sale to the held to maturity portfolio. $1.8 million in corporate securities and $3.1 million in municipal securities were transferred from Level 3 to Level 2 from December 31, 2020 to December 31, 2021. There were no transfers between Level 1 and 2 securities available for sale from December 31, 2020 to December 31, 2021.

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

	Level 3 Changes December 31, 2021	2020
	(in thousands)	
Balance, beginning of year	$ 26,189	$ 9,398
Total gains or losses (realized/unrealized):		
Included in earnings	-	-
Included in other comprehensive income	(195)	256
Purchases, sales, issuances and settlements, net	(8,845)	5,361
Transfers in and/or out of Level 3	(4,844)	11,174
Balance as of end of year	$ 12,305	$ 26,189

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, 2021.

The following table measures financial assets and financial liabilities measured at fair value on a non-recurring basis as of December 31, 2021 and December 31, 2020, segregated by the level of valuation inputs within the fair value hierarchy utilized to measure fair value:

	December 31, 2021	2020
	(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	12,836	7,842
Impaired loans measured at fair value	$ 12,836	$ 7,842
Fair Value Measurements Using: Other Real Estate Owned		
Level 1: Quoted Prices in Active Markets For Identical Assets	$ -	$ -
Level 2: Significant Other Observable Inputs	817	363
Level 3: Significant Unobservable Inputs	1,255	1,877
Other real estate owned measured at fair value	$ 2,072	$ 2,240

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 20. 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.

The fair value of customer deposits, excluding certificates of deposit, is the amount payable on demand. Market values of certificates of deposit 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. 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, 2021 and 2020 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, 2021 were as follows:

	Fair Value Measurements at December 31, 2021 Using				
	Carrying Amount	Level 1	Level 2	Level 3	Total
	(in thousands)				
Assets					
Cash and due from banks	$ 261,749	$ 261,749	$ -	$ -	$ 261,749
Federal funds sold	183	183	-	-	183
Securities, available for sale	210,620	-	198,315	12,305	210,620
Securities, held for maturity	153,536	-	150,585	-	150,585
Loans, net	2,135,330	-	-	2,152,590	2,152,590
Cash surrender value of BOLI	5,568	-	-	5,568	5,568
Accrued interest receivable	12,047	-	-	12,047	12,047
Liabilities					
Deposits	$ 2,596,492	$ -	$ -	$ 2,606,635	$ 2,606,635
Short-term advances from Federal Home Loan Bank	-	-	-	-	-
Repurchase agreements	6,439	-	-	6,462	6,462
Accrued interest payable	4,480	-	-	4,480	4,480
Long-Term advances from Federal Loan Bank	3,208	-	-	3,208	3,208
Senior long-term debt	25,170	-	-	25,187	25,187
Junior subordinated debentures	14,818	-	-	15,000	15,000

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 Amount	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
Securuties, held for maturity	-	-	-	-	-
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

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 21. 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, 2021. 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 36.9% of First Guaranty's deposits are derived from local governmental agencies at December 31, 2021. 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 $957.9 million at December 31, 2021.

Note 22. 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, 2021 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. First Guaranty settled a case in the third quarter of 2021 for $1.1 million. A receivable for $0.9 million has been recorded for recovery through First Guaranty's insurance coverage.

Note 23. 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,	
	2021	2020
	(in thousands)	
Assets		
Cash	$ 5,143	$ 1,796
Investment in bank subsidiary	255,291	228,869
Other assets	3,893	5,665
Total Assets	**$264,327**	**$236,330**
Liabilities and Shareholders' Equity		
Senior long-term debt	$ 25,170	$ 42,366
Junior subordinated debentures	14,818	14,777
Other liabilities	450	596
Total Liabilities	**40,438**	**57,739**
Shareholders' Equity	**223,889**	**178,591**
Total Liabilities and Shareholders' Equity	**$264,327**	**$236,330**

First Guaranty Bancshares, Inc.
Condensed Statements of Income

	December 31,		
	2021	2020	2019
		(in thousands)	
Operating Income			
Dividends received from bank subsidiary	$ 20,733	$ 17,100	$13,982
Net gains on sale of equity securities	-	-	196
Other income	414	332	424
Total operating income	**21,147**	**17,432**	**14,602**
Operating Expenses			
Interest expense	1,624	2,197	1,795
Salaries & Benefits	198	132	208
Other expenses	1,298	1,225	953
Total operating expenses	**3,120**	**3,554**	**2,956**
Income before income tax benefit and increase in equity in undistributed earnings of subsidiary	**18,027**	**13,878**	**11,646**
Income tax benefit	568	720	494
Income before increase in equity in undistributed earnings of subsidiary	**18,595**	**14,598**	**12,140**
Increase in equity in undistributed earnings of subsidiary	8,702	5,720	2,101
Net Income	**$ 27,297**	**$ 20,318**	**$14,241**

First Guaranty Bancshares, Inc.
Condensed Statements of Cash Flows

	December 31,		
	2021	2020	2019
	(in thousands)		
Cash flows from operating activities:			
Net income	$ 27,297	$ 20,318	$ 14,241
Adjustments to reconcile net income to net cash provided by operating activities:			
Increase in equity in undistributed earnings of subsidiary	(8,702)	(5,720)	(2,101)
Depreciation and amortization	102	92	80
Gain on sale of securities	-	-	(196)
Net change in other liabilities	(145)	189	(444)
Net change in other assets	1,235	(1,301)	(601)
Net cash provided by operating activities	**19,787**	**13,578**	**10,979**
Cash flows from investing activities:			
Proceeds from sales of equity securities	1,500	10	1,196
Funds invested in equity securities	(1,000)	-	-
Funds invested in bank subsidiary	(25,000)	-	-
Purchases of premises and equipment	-	-	(136)
Cash paid in acquisition	-	-	(43,383)
Net cash (used in) provided by investing activities	**(24,500)**	**10**	**(42,323)**
Cash flows from financing activities:			
Proceeds from long-term debt, net of costs	-	-	32,465
Repayment of long-term debt	(17,221)	(6,191)	(3,754)
Net proceeds from issuance of preferred stock	33,058	-	-
Common stock issued in private placement	-	-	1,000
Dividends paid	(7,777)	(6,234)	(5,803)
Net cash provided by (used in) financing activities	**8,060**	**(12,425)**	**23,908**
Net increase (decrease) in cash and cash equivalents	3,347	1,163	(7,436)
Cash and cash equivalents at the beginning of the period	1,796	633	8,069
Cash and cash equivalents at the end of the period	**$ 5,143**	**$ 1,796**	**$ 633**

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, 2021.

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, 2021, 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, 2021.

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, 2021.

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, 2021, there were approximately 1,500 holders of record of our common stock.

Our shareholders are entitled to receive dividends when, and if, declared by the Board of Directors, out of funds legally available for dividends. We have paid consecutive quarterly cash dividends on our common stock for each of the last 114 quarters dating back to the third quarter of 1993. The Board of Directors intends to continue to pay regular quarterly cash dividends. The ability to pay dividends in the future will depend on our earnings and financial condition, liquidity and capital requirements, regulatory restrictions, the general economic and regulatory climate and ability to service any equity or debt obligations senior to common stock. There are legal restrictions on the ability of First Guaranty Bank to pay cash dividends to First Guaranty Bancshares, Inc. Under federal and state law, we are required to maintain certain surplus and capital levels and may not distribute dividends in cash or in kind, if after such distribution we would fall below such levels. Specifically, an insured depository institution is prohibited from making any capital distribution to its shareholders, including by way of dividend, if after making such distribution, the depository institution fails to meet the required minimum level for any relevant capital measure including the risk-based capital adequacy and leverage standards.

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

First Guaranty Bancshares, Inc. did not repurchase any of its shares of common stock during the fourth quarter of 2021.

FIRST GUARANTY BANCSHARES, INC.

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