

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31 , 2023

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____.

Commission file number: 001-37621



FIRST GUARANTY BANCSHARES, INC.

(Exact name of registrant as specified in its charter)

Louisiana

26-0513559

(State or other jurisdiction incorporation or organization)

(I.R.S. Employer Identification Number)

400 East Thomas Street

Hammond, Louisiana

(Address of principal executive offices)

70401

(Zip Code)

(985) 345-7685

(Registrant's telephone number, including area code)

Not Applicable

(Former name or former address, if changed since last report)

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$1 par value	FGBI	The Nasdaq Stock Market LLC
Depository Shares (each representing a 1/40th interest in a share of 6.75% Series A Fixed-Rate Non-Cumulative perpetual preferred stock)	FGBIP	The Nasdaq Stock Market LLC

Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes ☐ No ☒

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months.

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ Smaller reporting company ☒
Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes ☐ No ☒

The aggregate market value of the voting common stock held by non-affiliates of the registrant as of June 30, 2023 was approximately \$ 66,517,000 based upon the price from the last trade of \$11.25.

As of March 14, 2024, there were issued and outstanding 12,504,717 shares of the Registrant's Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE:

(1) Proxy Statement for the 2024 Annual Meeting of Shareholders of the Registrant (Part III).

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PART I

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 their 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", "future", "likely" 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; risks related to our acquisition strategy, 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.

Item 1 – Business

Our Company

First Guaranty Bancshares, Inc. ("First Guaranty") is a Louisiana corporation, and bank holding company headquartered in Hammond, Louisiana. Our wholly owned subsidiary, First Guaranty Bank (the "Bank"), a Louisiana state-chartered commercial bank, provides personalized commercial banking services mainly to Louisiana and Texas customers through 36 banking facilities primarily located in the metropolitan/micropolitan statistical areas ("MSAs"), of Hammond, Baton Rouge, Lafayette, Shreveport-Bossier City, Lake Charles, Alexandria, Dallas-Fort Worth-Arlington, Waco, Texas. First Guaranty expanded into Kentucky and West Virginia, our Mideast markets, in 2021 with loan and deposit production offices in Vanceburg, Kentucky. The Vanceburg location is now a branch of the bank.

Our principal business consists of attracting deposits from the general public and local municipalities in our market areas and then investing those deposits. We also generate funds from operations, borrowings in lending and investing in securities. We serve the credit needs of our customer base, including commercial real estate loans, commercial and industrial loans, commercial leases, one-to-four-family residential real estate loans, construction and land development loans, agricultural and farmland loans, and to a lesser extent, consumer and multifamily loans. We also participate in certain syndicated loans, including shared national credits, with other financial institutions.

We offer a variety of deposit accounts to consumers, small businesses and municipalities, including personal and business checking and savings accounts, time deposits and money market accounts. In addition, we offer a broad range of consumer services, including credit cards, mobile deposit capture, safe deposit boxes, official checks and automated teller machines. For our business customers we are pleased to offer additional solutions such as credit cards, merchant services, remote deposit capture, ACH origination, and lockbox services. First Guaranty continues to expand our digital services through an enhanced online banking system (including mobile app) which includes bill pay, budgeting tools, Biller Direct, Credit Aware powered by Savvy Money, and Card Swap. For our micro and small businesses, we offer Autobooks via our online banking channel. We remain committed to embracing new technology and strive to offer our customers new digital offerings as they are developed.

We invest a portion of our assets in securities issued by the United States Government and its agencies, state and municipal obligations, corporate debt securities, mutual funds, and equity securities. We also invest in mortgage-backed securities primarily issued or guaranteed by United States Government agencies or enterprises.

At December 31, 2023, we had consolidated total assets of \$3.6 billion, total deposits of \$3.0 billion and total shareholders' equity of \$249.6 million.

Our History and Growth

First Guaranty Bank was founded in Amite, Louisiana on March 12, 1934. While the origins of First Guaranty Bank go back 90 years, we began our modern history in 1993 when an investor group, led by Marshall T. Reynolds, our Chairman, invested \$3.6 million in First Guaranty Bank as part of a recapitalization plan with the objective of building a community-focused commercial bank in our Louisiana markets. Since the implementation of that recapitalization plan, we have grown from six branches and \$159 million in assets at the end of 1993 to 36 locations currently and \$3.6 billion in assets at December 31, 2023. We have also paid a quarterly dividend on our common stock for 122 consecutive quarters as of December 31, 2023. On July 27, 2007, we formed First Guaranty Bancshares and completed a one-for-one share exchange that resulted in First Guaranty Bank becoming the wholly-owned subsidiary of First Guaranty Bancshares (the "Share Exchange") and First Guaranty Bancshares becoming an SEC reporting public company. In November 2015, First Guaranty completed a public stock offering selling 626,560 shares and raising \$9.3 million in net proceeds. In connection with the completion of the stock offering, First Guaranty's common shares began trading on the Nasdaq Global Market.

In 2021 we issued \$34.5 million of preferred stock and depositary shares that trades on the Nasdaq Global Market.

In 2023 we issued \$20.0 million of common stock through two separate private placements.

Since our Share Exchange, we have supplemented our organic growth with four acquisitions, which added stable deposits that provided funding for our lending business and extended our geographic footprint in the Baton Rouge, Hammond, Alexandria, Dallas-Fort Worth-Arlington, and Waco MSAs.

The following table summarizes the four acquisitions:

Acquired Institution/Market	Date of Acquisition	Deal Value (dollars in thousands)	Fair Value of Total Assets Acquired (dollars in thousands)
Union Bancshares, Incorporated	November 7, 2019	\$ 43,383	\$ 275,159
<i>Alexandria MSA</i>			
Premier Bancshares, Inc.	June 16, 2017	\$ 20,954	\$ 158,313
<i>Dallas-Fort Worth-Arlington and Waco MSA</i>			
Greensburg Bancshares, Inc.	July 1, 2011	\$ 5,308	\$ 89,386
<i>Baton Rouge MSA</i>			
Homestead Bancorp, Inc.	July 30, 2007	\$ 12,140	\$ 129,606
<i>Hammond MSA</i>			

Our Markets

Our primary market areas include the Louisiana MSAs of Hammond, Baton Rouge, Lafayette, Shreveport-Bossier City, Lake Charles and Alexandria along with the Texas MSAs of Dallas-Fort Worth-Arlington and Waco. Most of our branches are located along the major Louisiana interstates of I-12, I-55, I-10, I-49 and I-20. We have four branches in the Dallas-Fort Worth metroplex and one branch in Waco, Texas. We have a loan production office in Lake Charles, Louisiana. In 2021, First Guaranty expanded into Kentucky and West Virginia. We have a branch located in Vanceburg, Kentucky and a loan and deposit production office in Bridgeport, West Virginia that are not in MSAs. We refer to this region as our Mideast market.

Hammond MSA. We are headquartered in Hammond, Louisiana and approximately 46% of our deposits are in the Hammond MSA, our largest deposit concentration market. We had a deposit market share of 41.2% (at June 30, 2023) in the Hammond MSA, placing us first overall. Hammond is the principal city of the Hammond MSA, which includes all of Tangipahoa Parish, and is located approximately 50 miles north of New Orleans and 30 miles east of Baton Rouge. The Hammond MSA has a population of approximately 135,000. Hammond is intersected by I-55 and I-12, which are two heavily traveled interstate highways. As a result of Hammond's close proximity to New Orleans and Baton Rouge, Hammond and Tangipahoa Parish are among the fastest growing cities and Parishes in Louisiana. There is an abundance of new development, both commercial and residential, as well as numerous hotels which absorb overflowing demand for rooms near major events in New Orleans. Hammond is also the home of the main campus of Southeastern Louisiana University, with an enrollment of approximately 14,000 students.

The Hammond Northshore Regional Airport is a backup landing site for the Louis Armstrong New Orleans International Airport. The Louisiana National Guard maintains a 56-acre campus at the airport, which is home to the 1/244th Air Assault Helicopter Battalion. Port Manchac, which provides egress via Lake Pontchartrain with the Gulf of Mexico, is located 15 miles south of Hammond. The Hammond Amtrak Station located in downtown Hammond is on Amtrak's City of New Orleans route, which runs from New Orleans to Chicago, Illinois. The combination of highway, air, sea and rail transportation has made Hammond a major transportation and commercial hub of Louisiana. Hammond hosts numerous warehouses and distribution centers, and is a major distribution point for Wal-Mart and Winn Dixie.

Baton Rouge MSA. Baton Rouge is the capital of Louisiana and the MSA has a population of approximately 854,000. As the capital city, Baton Rouge is the political hub for Louisiana. The state government is the largest employer in Baton Rouge. Baton Rouge is the farthest inland port on the Mississippi River that can accommodate ocean-going tankers and cargo carriers. As a result, Baton Rouge's largest industry is petrochemical production and manufacturing. The ExxonMobil facility in Baton Rouge is one of the largest oil refineries in the country. Baton Rouge also has a diverse economy comprised of healthcare, education, finance and motion pictures. The main campus of Louisiana State University, with an enrollment of approximately 37,000 students, and Southern University, with an enrollment of approximately 8,000 students, are located in Baton Rouge.

Our market areas in the Baton Rouge MSA also include the Livingston and St. Helena Parishes. Livingston Parish's growth is tied to Baton Rouge as it is a suburban community with many of its residents commuting to Baton Rouge for employment. The economy for St. Helena Parish is comprised primarily of forestry operations, construction, manufacturing, educational services, health care, and social assistance.

Lafayette MSA. Lafayette is Louisiana's fourth largest city and deposit market, and is located in the Lafayette-Acadiana region. The Lafayette MSA has a population of approximately 480,000. Its major industries include oil and gas, healthcare, construction, manufacturing and agriculture. With respect to agriculture, sugarcane and rice are the leaders among the plant producers within the area, with approximately 30,000 acres of sugarcane and 51,000 acres of rice plantings. Lafayette also has numerous beef producers and fisheries. We finance agricultural loans, predominately out of our Abbeville and Jennings branches, in Southwest Louisiana. Lafayette is home to the University of Louisiana at Lafayette, with an enrollment of approximately 16,000 students.

Shreveport-Bossier City MSA. Our primary market areas in northwest Louisiana are in the Bossier and Caddo Parishes, which are a part of the Shreveport-Bossier City MSA. The Shreveport and Bossier City MSA has a population of approximately 394,000. Shreveport and Bossier City are located in northern Louisiana on I-20, approximately 15 miles from the Texas state border and 185 miles east of Dallas, Texas. Our primary market area has a diversified economy with employment in services, government and wholesale/retail trade constituting the basis of the local economy, with service jobs being the largest component. The majority of the services are health care related as Shreveport has become a regional hub for health care. The casino gaming industry, with its Las Vegas-style gaming, year-round festivals and local dining, also supports a significant number of service jobs. The energy sector has a prominent role in the regional economy, resulting from oil and gas exploration and drilling. Bossier Parish is also the home to the Barksdale Air Force Base, which has 15,000 employees.

Lake Charles MSA. First Guaranty established a loan production office in Lake Charles, LA in 2018. Lake Charles is the fifth largest city in Louisiana. The Lake Charles MSA had a population of approximately 241,000. Its major industries include petrochemical, gambling, aircraft repair, and education. Lake Charles has been the fastest growing MSA in Louisiana.

Alexandria MSA. The Union acquisition expanded First Guaranty into the Alexandria MSA with branches in Rapides and Avoyelles parishes. Alexandria is the ninth largest city in Louisiana with a population of approximately 48,000 and is located along Interstate I-49. The Alexandria MSA has an overall population of approximately 152,000.

Dallas-Fort Worth-Arlington MSA. The Dallas-Fort Worth-Arlington MSA has a population of approximately 7.5 million people and is located in the heart of North Texas. The metroplex has a thriving economy that is well diversified. There are currently approximately 40 colleges and universities in the Dallas-Fort Worth-Arlington MSA. Also, DFW International Airport is perfect for international commerce with its size and central location. We currently are operating four branches located in Fort Worth (Tarrant County), Denton (Denton County), McKinney (Collin County), and Garland (Dallas County).

Waco MSA. The Waco MSA is located between the Dallas Forth Worth MSA and Austin, Texas with a population of approximately 302,000. The economy in the Waco MSA is also well diversified and has a small airport with regional service, although it is located around 100 miles from DFW International and Austin International Airports. Waco is the home of Baylor University with approximately 21,000 students.

Mideast Market. First Guaranty's branch in Vanceburg, Kentucky is located approximately 90 miles from Cincinnati, Ohio and 95 miles from Lexington, Kentucky. First Guaranty's office in Bridgeport, West Virginia is located approximately 35 miles from Morgantown, West Virginia and 105 miles from Pittsburgh, Pennsylvania.

Our Strategy

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 desire to grow our market share along Louisiana's key interstate corridors of major interstates I-12, I-55, I-10, I-49 and I-20. We plan to continue expanding our Texas markets in Dallas Fort-Worth-Arlington and Waco both organically and through strategic acquisitions. We opened loan and deposit production offices in Vanceburg, Kentucky and Bridgeport, West Virginia in late 2021. The Vanceburg, Kentucky location opened as a branch in January 2023. This mission involves not only expanding our geographical footprint but also evolving as an institution and staying relevant while offering new ways of banking. To achieve all of this, we seek to implement the following strategies:

Continue to Increase Total Loans as a Percentage of Assets. We plan to continue to change our asset composition by growing our loan portfolio to increase our total loans as a percentage of our assets. Our loan to deposit ratio was 91.3% as of December 31, 2023. The growth in our loan portfolio has broadened our customer base and reduced our exposure to fixed rate investment securities. We have invested in the internal development of our lending department along with the select addition of experienced lenders. We continue to upgrade our technology to efficiently handle both our loan and deposit customers.

We intend to continue to grow our loan portfolio organically by targeting small and medium-sized businesses engaged in manufacturing, agriculture, petrochemicals, real estate, healthcare and other professional services. The recent expansion into the Mideast markets located in Kentucky and West Virginia should help us accelerate our loan portfolio growth.

Our commercial lending team is organized around our regional market areas of Louisiana, Texas, and the new Mideast markets in Kentucky and West Virginia. A senior experienced lender leads each market team and ensures that our lenders deliver timely service to customers, meet and exceed expectations of loan approval time, and broaden customer relationships through referrals.

We are expanding upon our successful small business lending program with a new emphasis on growing our SBA, USDA and commercial leasing lending programs. We have invested in training key personnel to focus on this market as we believe that SBA, USDA and commercial leasing loans can serve as new market opportunities for our Bank. We will continue to be a leading agricultural lender and grow our Farm Service Agency lending.

Over the last 16 years, we have pursued a focused program to participate in syndicated loans (loans made by a group of lenders, including us, who share or participate in a specific loan, which is typically secured by business assets or equipment, and also commercial real estate) with a larger regional financial institution as the lead lender. Our focus has been to finance middle market companies whose borrowing needs typically range from \$25 million to \$75 million. Syndicated loans diversify our loan portfolio, increase our yield and mitigate interest rate risk due to the variable rate pricing structure of the loans. We expect to continue our syndicated lending program, but our local loan originations remain our funding priority.

We intend to grow our consumer loan portfolio principally through our residential mortgage program. We intend to leverage our existing branch network to expand our retail lending. We have expanded our technology to make it easier for both individual and business customers to bank with us through mobile and internet banking.

Expand Individual and Business Deposits and Maintain our Public Funds Program. Our deposit strategy is focused on continuing to expand our individual and business deposit bases while maintaining our public funds deposit program. Our deposit strategy leverages off the market share dominance that we have in several of our markets, such as the Hammond MSA where we had a 41.2% deposit market share at June 30, 2023, placing us first overall. Our commercial and consumer lending teams focus on building business and individual deposits concurrent with loans. Our public funds department is dedicated to maintaining strong relationships with our well diversified base of public entities. We provide a variety of services to our public funds clients. Our public funds deposit program has provided us with a stable source of funding. We will continue to concentrate on keeping many of these funds under contract as we are often the fiscal agent for these governmental agencies which helps maintain this funding.

Maintain Strong Asset Quality. We emphasize a disciplined credit culture based on intimate market knowledge, close ties to our customers, sound underwriting standards and experienced loan officers. First Guaranty has taken pro-active measures to address the challenging operating environment that began following the onset of the COVID-19 pandemic. First Guaranty provided various loan relief measures as provided by the CARES Act such as loan payment deferrals and SBA Paycheck Protection loans (PPP) that were designed to assist business customers. First Guaranty continues to monitor its loan portfolio given the ongoing economic uncertainty.

Pursue Strategic Acquisitions. Our strategy is to supplement our organic growth by executing a targeted and disciplined acquisition strategy of community banks and non-banking financial companies as opportunities arise. We have successfully integrated prior acquisitions as demonstrated by our acquisitions of Union Bancshares, Inc. in 2019, Premier Bancshares, Inc. in 2017, Greensburg Bancshares, Inc. in 2011 and Homestead Bancorp, Inc. in 2007. Our board of directors' broad experiences across many industries assists us in expanding our business. Our Chairman, Marshall T. Reynolds, has more than 40 years of experience in managing the growth of commercial banks both organically and through acquisitions throughout the United States.

We believe our ability to execute an acquisition strategy has been enhanced by our internal investments in the areas of operations, compliance, finance, credit and information technology that provide us with a scalable platform for growth. Our focus will be on targets with quality loan portfolios and a long-term deposit customer base, particularly those with high levels of consumer and retail checking accounts, low cost deposits and favorable market share. We intend to pursue opportunities that will be accretive to earnings, result in a tangible book value earn back of approximately three years, strengthen our franchise, and ultimately enhance shareholder value.

Seek Innovative Partnerships. We are committed to staying on top of the industry trends and continue to educate ourselves in the ways our customers want to do business. Creating partnerships with innovative companies will allow us to stay relevant and meet the needs of our current and new customers. We use the nCino platform to improve the management of our loan process. The expansion of our Q2 online banking platform has given us numerous opportunities to increase our offering of digital banking services to both consumer and commercial clients through strategic partners already aligned with this service.

Lending Activities

We offer a broad range of loan and lease products with a variety of rates and terms throughout our market areas, including business loans to primarily small to medium-sized businesses and professionals, as well as loans to individuals. Our lending operations consist of the following major segments: non-farm, non-residential loans secured by real estate, commercial and industrial loans, one- to four-family residential loans, construction and land development loans, agricultural loans, farmland loans, commercial leases, consumer and other loans, and multifamily loans.

Non-Farm Non-Residential Loans. Non-farm non-residential loans are an integral part of our operating strategy. We expect to continue to emphasize this business line in the future with loans to small businesses and real estate projects in our market area. At December 31, 2023 loans secured by non-farm non-residential properties totaled \$1.0 billion, or 37.9% of our total loan portfolio. Our non-farm non-residential loans are secured by commercial real estate generally located in our market area, which may be owner-occupied or non-owner occupied. We may originate, participate in, or purchase real estate loans outside of our market area in order to diversify our portfolio. Our owner-occupied commercial real estate loans totaled \$349.0 million, or 33.4% of total non-farm non-residential loans at December 31, 2023. Permanent loans on non-farm non-residential properties are generally originated in amounts up to 85% of the appraised value of the property for owner-occupied commercial real estate properties and up to 80% of the appraised value of the property for non- owner-occupied commercial real estate properties. We consider a number of factors in originating non-farm non-residential loans. We evaluate the qualifications and financial condition of the borrower (including credit history), profitability and expertise, as well as the value and condition of the mortgaged property securing the loan. We consider the financial resources of the borrower, the borrower's experience in owning or managing similar property and the borrower's payment history with us and other financial institutions. In evaluating the property securing the loan, the factors we consider include the net operating income of the mortgaged property before debt service and depreciation, the debt service coverage ratio (the ratio of net operating income to debt service) to ensure that the borrower's net operating income together with the borrower's other sources of income is at least 125% of the annual debt service and the ratio of the loan amount to the appraised value of the mortgaged property. We generally obtain personal guarantees from the borrower or a third party as a condition to originating commercial real estate loans. All non-farm non-residential loans are appraised by outside independent appraisers approved by the board of directors.

Our non-farm non-residential loans are diversified by borrower and industry group, and generally secured by improved property such as hotels, office buildings, healthcare facilities, retail stores, gaming facilities, warehouses, manufacturing facilities, church buildings and other non-residential buildings. Non-farm non-residential loans are generally made at rates that adjust at or above the prime rate as reported in the *Wall Street Journal*, that mature in three to five years and with principal amortization for a period of up to 20 years. We will also originate fixed-rate, non-farm non-residential loans that mature in three to five years with principal amortization of up to 20 years. We have recently developed a fully amortizing loan product that will have periodic interest rate price resets which now represents the majority of our new origination and renewed loans. Our largest concentration of non-farm non-residential loans is secured by hotels, and such loans are generally made only to hotel operators known to management.

Loans secured by non-farm non-residential real estate are generally larger and involve a greater degree of risk than residential real estate loans. The borrower's creditworthiness and the feasibility and cash flow potential of the project is of primary concern in non-farm non-residential real estate lending. Loans secured by income properties are generally larger and involve greater risks than residential mortgage loans, because payments on loans secured by income properties are often dependent on the successful operation or management of the properties. As a result, repayment of such loans may be subject to a greater extent than residential real estate loans to adverse conditions in the real estate market or the economy.

Commercial and Industrial Loans. Commercial and industrial loans totaled \$335.0 million, or 12.1% of our total loan portfolio at December 31, 2023. Commercial and industrial loans (excluding syndicated loans) are generally made to small and mid-sized companies located within Louisiana and Texas. We also participate in government programs which guarantee portions of commercial and industrial loans such as the SBA and USDA. During 2020 and 2021, First Guaranty participated in the Paycheck Protection Program or PPP loan program. In most cases, we require collateral of equipment, accounts receivable, inventory, chattel or other assets before making a commercial business loan. We have a dedicated staff within our credit department that monitors asset-based lending and regularly conducts reviews of borrowing based certificates, aging and inventory reports, and on-site audits. Our commercial term loans totaled \$130.7 million at December 31, 2023, or 39.0% of total commercial and industrial loans. Our commercial and industrial maximum loan to value limit is 80%. Our commercial term loans are generally fixed interest rate loans, indexed to the prime rate, with terms of up to five years, depending on the needs of the borrower and the useful life of the underlying collateral. Our commercial lines of credit totaled \$134.8 million at December 31, 2023, or 40.2% of total commercial and industrial loans. Typically, our commercial lines of credit are adjustable rate lines, indexed to the prime interest rate, which generally mature yearly or within three years. Our underwriting standards for commercial and industrial loans include a review of the applicant's tax returns, financial statements, credit history, the underlying collateral and an assessment of the applicant's ability to meet existing obligations and payments on the proposed loan based on cash flow generated by the applicant's business. We generally obtain personal guarantees from the borrower or a third party as a condition to originating commercial and industrial loans.

Over the last 16 years, we pursued a focused program to participate in syndicated loans (loans made by a group of lenders, including us, who share or participate in a specific loan) with a larger regional financial institution as the lead lender. Syndicated loans are typically made to large businesses (which are referred to as shared national credits) or middle market companies (which do not meet the regulatory definition of shared national credits), both of which are secured by business assets or equipment, and also commercial real estate. The syndicate group for both types of loans usually consists of two to three other financial institutions. These loans are adjustable-rate loans generally tied to LIBOR. Our participation amounts typically range between \$5.0 million and \$15.0 million. Our focus has been to finance middle market companies whose borrowing needs typically range from \$25.0 million to \$75.0 million. Syndicated loans diversify our loan portfolio, increase our yield and mitigate interest rate risk due to the variable rate pricing structure of the loans. We have a defined set of credit guidelines that we use when evaluating these credits. Our credit department independently reviews all syndicate loans and our board of directors has created a special committee to oversee the underwriting and approval of these loans. At December 31, 2023, syndicated loans secured by assets other than commercial real estate totaled \$51.7 million, or 15.4% of the commercial and industrial loan portfolio, of which \$23.9 million were shared national credits.

Commercial and industrial loans generally involve increased credit risk and, therefore, typically yield a higher return. The increased risk in commercial and industrial loans derives from the expectation that such loans generally are serviced principally from the operations of the business, and those operations may not be successful. Any interruption or discontinuance of operating cash flows from the business, which may be influenced by events not under the control of the borrower such as economic events and changes in governmental regulations, could materially affect the ability of the borrower to repay the loan. In addition, the collateral securing commercial and industrial loans generally includes movable property such as equipment and inventory, which may decline in value more rapidly than we anticipate exposing us to increased credit risk. As a result of the foregoing, commercial and industrial loans require extensive administration and servicing.

One- to Four-Family Residential Real Estate Loans At December 31, 2023, our one- to four-family residential real estate loans totaled \$444.9 million, or 16.1% of our total loan portfolio. We originate one- to four-family residential real estate loans that are secured primarily by residential property in Louisiana and Texas. We generally originate loans in amounts up to 95% of the lesser of the appraised value or purchase price of the mortgaged property. We currently offer one- to four-family residential real estate loans with terms up to 30 years that are generally underwritten according to Fannie Mae guidelines, and we refer to loans that conform to such guidelines as "conforming loans". We generally originate fixed-rate mortgage loans in amounts up to the maximum conforming loan limits as established by the Federal Housing Finance Agency, which at December 31, 2023 was \$726,200 for single-family homes in our market area. At December 31, 2023, we held \$19.6 million in jumbo loans exceeded the conforming loan limit at origination. We generally hold our one- to four-family residential real estate loans in our portfolio. We also originate one- to four-family residential real estate loans secured by non-owner occupied properties, but less frequently. Our fixed-rate one- to four-family residential real estate loans include loans that generally amortize on a monthly basis over periods between 10 to 30 years with maturities that range from eight to 30 years. Fixed rate one- to four-family residential real estate loans often remain outstanding for significantly shorter periods than their contractual terms because borrowers have the right to refinance or prepay their loans. We do not offer one- to four-family residential real estate loans specifically designed for borrowers with sub-prime credit scores, including interest-only, negative amortization or payment option adjustable-rate mortgage loans.

Our one- to four-family loans also include home equity lines of credit that have second mortgages. At December 31, 2023, we had \$1.5 million in home equity lines of credit, which represented 0.3% of our one- to four-family residential real estate loans. Our home equity products are originated in amounts, that when combined with the existing first mortgage loan, do not generally exceed 80% of the loan-to-value ratio of the subject property.

All of our one- to four-family residential mortgages include "due on sale" clauses, which are provisions giving us the right to declare a loan immediately payable if the borrower sells or otherwise transfers an interest in the property to a third party.

Property appraisals on real estate securing our single-family residential loans are made by state certified and licensed independent appraisers approved by the board of directors. Appraisals are performed in accordance with applicable regulations and policies. At our discretion, we obtain either title insurance policies or attorneys' certificates of title, on all first mortgage real estate loans originated. We also require fire and casualty insurance on all properties securing our one- to four-family residential loans. We also require the borrower to obtain flood insurance where appropriate. In some instances, we charge a fee equal to a percentage of the loan amount, commonly referred to as points.

Multifamily Loans. On occasion we will originate loans secured by multifamily real estate. At December 31, 2023, we had \$118.9 million or 4.3% of our total loan portfolio in multifamily loans. Such loans may be either fixed- or adjustable-rate loans tied to the prime rate with maturity or repricing dates up to five years and amortization schedules of up to 20 years. We will originate multifamily loans in amounts up to 80% of the value of the multifamily property. Nearly all of our multifamily loans are secured by properties in Louisiana and Texas. The underwriting of multifamily loans follows the general guidelines for our non-farm non-residential loans.

Loans secured by multifamily real estate generally involve a greater degree of credit risk than one- to four-family residential mortgage loans and carry larger loan balances. This increased credit risk is a result of several factors, including the concentration of principal in a limited number of loans and borrowers, the effects of general economic conditions on income producing properties, and the increased difficulty of evaluating and monitoring these types of loans. Furthermore, the repayment of loans secured by multifamily real estate typically depends upon the successful operation of the real estate property securing the loans. If the cash flow from the project is reduced, the borrower's ability to repay the loan may be impaired.

Construction and Land Development Loans. We offer loans to finance the construction of various types of commercial and residential property. At December 31, 2023, \$399.4 million, or 14.5% of our total loan portfolio consisted of construction and land development loans. Construction loans to builders generally are offered with terms of up to 24 months and interest rates are tied to the prime lending rate. These loans generally are offered as fixed or adjustable-rate loans. We will originate residential construction loans for individual borrowers and builders, provided all necessary plans and permits have been obtained. Construction loan funds are disbursed as the project progresses. We will originate construction loans up to 80% of the estimated completed value of the project and we will originate land development loans in amounts up to 75% of the value of the property as developed. We will originate owner occupied one-to-four family residential construction loans up to 90% of the estimated completed value of the property.

Construction and land development financing is generally considered to involve a higher degree of risk of loss than long-term financing on improved, occupied real estate. Risk of loss on a construction loan is dependent largely upon the accuracy of the initial estimate of the property's value at completion of construction and development and the estimated cost (including interest) of construction. During the construction phase, a number of factors could result in delays and cost overruns. If the estimate of construction costs proves to be inaccurate, we may be required to advance funds beyond the amount originally committed to permit completion of the project. Additionally, if the estimate of value proves to be inaccurate, we may be confronted, at or prior to the maturity of the loan, with a project having a value which is insufficient to assure full repayment.

Agricultural Loans. We are the leading lender for agricultural loans in our Southwest Louisiana market. Our agricultural lending includes loans to farmers for the purpose of cultivating rice, sugarcane, soybeans, timber, poultry and cattle. Agricultural loans are generally secured by crops, but may include additional collateral such as farm equipment or vehicles. Agricultural loans totaled \$41.0 million, or 1.5% of our total loan portfolio at December 31, 2023. Such loans are generally offered with fixed rates at a margin above prime for a term of generally one year. We will originate agricultural loans in those instances where the borrower's financial strength and creditworthiness has been established. Agricultural loans generally bear higher interest rates than residential loans, but they also may involve a higher risk of default since their repayment is generally dependent on the successful operation of the borrower's business. A large number of our originated agricultural loans are guaranteed by the U.S. Farm Service Agency. We generally obtain personal guarantees from the borrower or a third party as a condition to originating agricultural loans.

The underwriting standards used for agricultural loans include a determination of the borrower's ability to meet existing obligations and payments on the proposed loan from normal cash flows generated in the borrower's business. The financial strength of each applicant also is assessed through review of financial statements and tax returns provided by the applicant. The creditworthiness of a borrower is derived from a review of credit reports as well as a search of public records. Once originated, agricultural loans are reviewed periodically. Financial statements are requested at least annually and are reviewed for substantial deviations or changes that might affect repayment of the loan. Loan officers also visit the premises of borrowers to observe the business premises, facilities, and personnel and to inspect the collateral. Underwriting standards for agricultural loans are different for each type of loan depending on the financial strength of the borrower and the value of collateral offered as security.

Farmland Loans. We originate first mortgage loans secured by farmland. At December 31, 2023, farmland loans totaled \$32.5 million, or 1.2% of our total loan portfolio. Such loans are generally fixed-rate loans at a margin over the prime rate with terms up to five years and amortization schedules of up to 40 years. Loans secured by farmland may be made in amounts up to 80% of the value of the farm. However, we will originate farmland loans in amounts up to 100% of the value of the farm if the borrower is able to secure a guarantee from the U.S. Farm Service Agency. Generally, we obtain personal guarantees of the borrower on all loans secured by farmland.

Commercial Leases. We have a commercial lease program that we have operated for seven years. We work with third parties to facilitate the sourcing of lease financing opportunities. Commercial leases generally have higher yields and shorter average lives than real estate secured loans. The weighted average size of our commercial leases was approximately \$14.1 million at December 31, 2023. Commercial leases totaled \$285.4 million, or 10.4% of our total loan portfolio at December 31, 2023.

Consumer and Other Loans. We make various types of secured consumer loans that are collateralized by deposits, boats and automobiles as well as unsecured consumer loans. These loans totaled \$54.5 million in aggregate, or 2.0% of our total loan portfolio at December 31, 2023.

Consumer loans generally have a fixed rate at a margin over the prime rate and have terms of three years to ten years. At December 31, 2023, \$20.4 million of our consumer loans were unsecured. Our procedure for underwriting consumer loans includes an assessment of the applicant's credit history and ability to meet existing obligations and payments for the proposed loan, as well as an evaluation of the value of the collateral security, if any.

Consumer loans generally entail greater risk than other types of loans, particularly in the case of loans that are unsecured or are secured by assets that tend to depreciate in value, such as automobiles. As a result, consumer loan collections are primarily dependent on the borrower's continuing financial stability and thus are more likely to be adversely affected by job loss, divorce, illness or personal bankruptcy. In these cases, repossessed collateral for a defaulted consumer loan may not provide an adequate source of repayment for the outstanding loan, and the remaining value often does not warrant further substantial collection efforts against the borrower.

Loan Originations, Sales, Purchases and Participations. Loan originations are derived from a number of sources such as referrals from our board of directors, existing customers, borrowers, builders, attorneys and walk-in customers. We generally retain the loans that we originate in our loan portfolio and only sell loans infrequently. We had \$93.4 million at December 31, 2023 in purchased loan participations that were not syndicated loans. We had \$115.3 million in purchased loans, primarily secured by real estate, at December 31, 2023. At December 31, 2023, we had \$76.7 million in syndicated loans, of which \$23.9 million were shared national credits.

Loan Approval Authority. We establish various lending limits for executive management and also maintain a loan committee comprised of our directors and management. Generally, loan officers have authority to approve secured loan relationships in amounts up to \$150,000 and unsecured loan relationships in amounts up to \$25,000, while Regional Managers and Presidents have secured loan approval authority up to \$500,000 and unsecured approval authority up to \$100,000. For loans exceeding a loan officer's approval authority, we utilize three methods for approvals: (1) credit officers, (2) Management Loan Committee, and (3) the Bank's director loan committee. Loan relationships between \$500,000 and \$1,500,000 are approved by a combination of credit officers and executive management. The management loan committee approves new money loans between \$1,500,001 - \$2,500,000. The director loan committee approves loan relationships of between \$2,500,001 and up to \$20.0 million. Syndicated loans and commercial leases are approved by the Bank's director loan committee in amounts up to \$20.0 million. Any loan relationship exceeding \$20.0 million requires the approval of the board of directors.

Our lending activities are also subject to Louisiana statutes and internal guidelines limiting the amount we can lend to any one borrower. Subject to certain exceptions, under Louisiana law the Bank may not lend on an unsecured basis to any single borrower (i.e., any one individual or business entity and his or its affiliates) an amount in excess of 20% of the sum of the Bank's capital stock and surplus, or on a secured basis an amount in excess of 50% of the sum of the Bank's capital stock and surplus. At December 31, 2023, our secured legal lending limit was approximately \$117.1 million and our unsecured legal lending limit was approximately \$46.8 million.

Deposit Products

Consumer and commercial deposits are attracted principally from within our primary market area through the offering of a selection of deposit instruments including noninterest-bearing and interest-bearing demand, savings accounts and time accounts. Deposit account terms vary according to the minimum balance required, the time period the funds must remain on deposit, and the interest rate. At December 31, 2023, we held \$3.0 billion in deposits.

We actively seek to obtain public funds deposits. At December 31, 2023, public funds deposits totaled \$1.2 billion. We have developed a program for the retention and management of public funds deposits. These deposits are from local government entities such as school districts, hospital districts, sheriff departments and other municipalities. The majority of these deposits are under contractual terms of up to three years. 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 clients received funds associated with the CARES Act during 2021 and 2022 which increased average balances. These balances from CARES Act relief funds are anticipated to decline over time. Public funds deposit accounts are collateralized by FHLB letters of credit, reciprocal deposit insurance programs, Louisiana municipal bonds and eligible government and government agency securities such as those issued by the FHLB, FFCB, Fannie Mae, and Freddie Mac.

The interest rates paid by us on deposits are set at the direction of our executive management. Interest rates are determined based on our liquidity requirements, interest rates paid by our competitors, and our growth goals and applicable regulatory restrictions and requirements. At December 31, 2023, we had \$251.2 million in brokered deposits, of which \$175.8 million were time deposits and \$75.4 million were money market deposits.

Investments

The objectives of our investment policy are to provide a source of liquidity, to provide an appropriate return on funds invested, to manage interest rate risk and to meet pledging requirements for our public funds and other borrowings. Our investment securities consist of: (1) U.S. Treasury obligations; (2) U.S. government agency obligations; (3) mortgage-backed securities; (4) collateralized mortgage obligations; (5) corporate and other debt securities and (6) municipal bonds. Our U.S. Government agency securities comprise the largest share of our investment securities, having a fair value of \$204.4 million all of which were classified as held to maturity at December 31, 2023.

The Bank's management asset liability committee and board investment committee are responsible for regular review of our investment activities and the review and approval of our investment policy. These committees monitor our investment securities portfolio and direct our overall acquisition and allocation of funds, with the goal of structuring our portfolio such that our investment securities provide us with a stable source of income but without exposing us to an excessive degree of market risk. During the last five years, our securities portfolio has generated \$61.7 million of pre-tax income. For the year ended December 31, 2023, we had no allowance for credit losses on available for sale securities and a \$0.1 million allowance on held to maturity securities.

Competition

We face intense competition both in making loans and attracting deposits. Our market areas in Louisiana, Texas, Kentucky and West Virginia have a high concentration of financial institutions, many of which are branches of large money center, super-regional and regional banks that have resulted from consolidation of the banking industry in Louisiana, Texas, Kentucky and West Virginia. Many of these competitors have greater resources than we do and may offer services that we do not provide, including more attractive pricing than we offer and more extensive branch networks for which they can offer their financial products.

Our larger competitors have a greater ability to finance wide-ranging advertising campaigns through their greater capital resources. Our marketing efforts depend heavily upon referrals from officers, directors and shareholders, selective advertising in local media and direct mail solicitations. We compete for business principally on the basis of personal service to customers, customer access to our officers and directors and competitive interest rates and fees. We also offer new technologies such as our mobile app and mobile check deposit for consumers and remote deposit capture for commercial customers.

In the financial services industry in recent years, intense market demands, technological and regulatory changes and economic pressures have eroded industry classifications that were once clearly defined. Financial institutions have been forced to diversify their services, increase rates paid on deposits and become more cost effective as a result of competition with one another and with new types of financial services companies, including non-banking competitors. Some of the results of these market dynamics in the financial services industry have been a number of new bank and non-bank competitors, increased merger activity, and increased customer awareness of product and service differences among competitors. These factors could affect our business prospects.

Human Capital Resources

First Guaranty Bank recently reached the milestone of 90 years in operation, and throughout our history, we have worked to build and grow trust and relationships, operating with a strong commitment to the welfare of our customers and communities. Our workforce drives this success and longevity. Our employees are our most valuable asset. They are the face and voice of our institution. At First Guaranty we promote respect, support, and teamwork. Honesty, integrity, and fairness are paramount in all that we do. We actively recruit new employees who operate by these core values, and we continue to instill and promote these principles. We also work to cultivate professionalism, dedication, and an environment of openness, where all can contribute new ideas and innovations. This culture results in employees with passion, drive, and a deep commitment to our customers and communities. The Bank was named the number one "Best Small Bank" in the United States for the third consecutive year by Newsweek in its "America's Best Banks" survey. We thank our employees for this distinction.

We strive to be socially responsible corporate citizens by supporting our communities and helping them to improve. Our employees are actively involved, volunteering with local charitable organizations, and helping during times of need, such as in the aftermath of hurricanes and other natural disasters. In 2023 our employees volunteered approximately 4,500 hours of service across Louisiana, in Texas, and in our newest market, the Mideast market in West Virginia and Kentucky. Employees serve both in their personal time and during work hours. In furtherance of our employees' commitment to service, the Bank contributed over \$692,000 in 2023 to charitable organizations in our communities.

Our employees' personal and professional growth is important to First Guaranty Bank. We offer comprehensive compensation and benefits packages to our employees including a 401(k) Plan, healthcare and insurance benefits, health and childcare flexible spending accounts, and paid vacation and sick time. First Guaranty also provides tuition reimbursement for employees and support for continuing education and advanced certifications. We are an Equal Opportunity Employer committed to workplace diversity, inclusion, equity, and opportunity for everyone.

At December 31, 2023, we had 486 full-time and 17 part-time employees. None of our employees is represented by a collective bargaining group or are parties to a collective bargaining agreement. We believe that our relations with our employees are very good.

Subsidiaries

Other than our wholly-owned bank subsidiary, First Guaranty Bank, we have no subsidiaries.

Supervision and Regulation

General

First Guaranty Bank is a Louisiana-chartered commercial bank and is the wholly-owned subsidiary of First Guaranty Bancshares, a Louisiana-chartered bank holding company. First Guaranty Bank's deposits are insured up to applicable limits by the FDIC. First Guaranty Bank is subject to extensive regulation by the Louisiana Office of Financial Institutions (the "OFI"), as its chartering agency, and by the FDIC, its primary federal regulator and deposit insurer. First Guaranty Bank is required to file reports with, and is periodically examined by, the FDIC and the OFI concerning its activities and financial condition and must obtain regulatory approvals prior to entering into certain transactions, including, but not limited to, mergers with or acquisitions of other financial institutions. As a registered bank holding company, First Guaranty Bancshares is regulated by the Federal Reserve Board.

The regulatory and supervisory structure establishes a comprehensive framework of activities in which an institution can engage and is intended primarily for the protection of depositors and the deposit insurance funds, rather than for the protection of shareholders and creditors. The regulatory structure also gives the regulatory authorities extensive discretion in connection with their supervisory and enforcement activities and examination policies, including policies concerning the establishment of deposit insurance assessment fees, classification of assets and establishment of adequate loan loss reserves for regulatory purposes. Any change in such regulatory requirements and policies, whether by the Louisiana legislature, the OFI, the FDIC, the Federal Reserve Board or the United States Congress, could have a material adverse impact on the financial condition and results of operations of First Guaranty Bancshares and First Guaranty Bank.

Set forth below is a summary of certain material statutory and regulatory requirements applicable to First Guaranty Bancshares and First Guaranty Bank. The summary is not intended to be a complete description of such statutes and regulations and their effects on First Guaranty Bancshares and First Guaranty Bank.

The Dodd-Frank Act

The Dodd-Frank Act significantly changed bank regulation and has affected the lending, investment, trading and operating activities of depository institutions and their holding companies. The Dodd-Frank Act also created the Consumer Financial Protection Bureau (CFPB) with extensive powers to supervise and enforce consumer protection laws. The CFPB has broad rule-making authority for a wide range of consumer protection laws that apply to all banks and savings institutions, including the authority to prohibit "unfair, deceptive or abusive" acts and practices.

The Economic Growth, Regulatory Relief and Consumer Protection Act of 2018

On May 24, 2018, The Economic Growth, Regulatory Relief and Consumer Protection Act of 2018 (the "EGRRCPA") was enacted, which repeals or modifies certain provisions of the Dodd-Frank Act and eases regulations on all but the largest banks. The EGRRCPA's provisions include, among other things: (i) exempting banks with less than \$10 billion in assets from the ability-to-repay requirements for certain qualified residential mortgage loans held in portfolio; (ii) not requiring appraisals for certain transactions valued at less than \$400,000 in rural areas; (iii) exempting banks that originate fewer than 500 open-end and 500 closed-end mortgages from HMDA's expanded data disclosures; (iv) clarifying that, subject to various conditions, reciprocal deposits of another depository institution obtained using a deposit broker through a deposit placement network for purposes of obtaining maximum deposit insurance would not be considered brokered deposits subject to the FDIC's brokered-deposit regulations; (v) raising eligibility for the 18-month exam cycle from \$1 billion to banks with \$3 billion in assets; and (vi) simplifying capital calculations by requiring regulators to establish for institutions under \$10 billion in assets a community bank leverage ratio at a percentage not less than 8% and not greater than 10% that such institutions may elect to replace the general applicable risk-based capital requirements for determining well-capitalized status. In addition, the law required the Federal Reserve Board to raise the asset threshold under its Small Bank Holding Company Policy Statement from \$1 billion to \$3 billion for bank or savings and loan holding companies that are exempt from consolidated capital requirements, provided that such companies meet certain other conditions such as not engaging in significant nonbanking activities.

The Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”)

The CARES Act, which became law on March 27, 2020, provided over \$2 trillion to combat the coronavirus disease (COVID-19) and stimulate the economy. The law had several provisions relevant to financial institutions, including:

- Allowing institutions not to characterize loan modifications relating to the COVID-19 pandemic as a troubled debt restructuring and also allowing them to suspend the corresponding impairment determination for accounting purposes;
- Temporarily reducing the community bank leverage ratio alternative available to institutions of less than \$10 billion of assets to 8%. The ratio increased to 8.5% for 2021 and reverted to 9% thereafter;
- The establishment of the Paycheck Protection Program (the “PPP”), a specialized low-interest forgivable loan program funded by the U.S. Treasury Department and administered through the SBA’s 7(a) loan guaranty program to support businesses affected by the COVID-19 pandemic; and
- The ability of a borrower of a federally-backed mortgage loan (VA, FHA, USDA, Freddie Mac and Fannie Mae) experiencing financial hardship due, directly or indirectly, to the COVID-19 pandemic, to request forbearance from paying their mortgage by submitting a request to the borrower’s servicer affirming their financial hardship during the COVID-19 emergency. Such a forbearance could be granted for up to 180 days, subject to extension for an additional 180-day period upon the request of the borrower. During that time, no fees, penalties or interest beyond the amounts scheduled or calculated as if the borrower made all contractual payments on time and in full under the mortgage contract could accrue on the borrower’s account. Except for vacant or abandoned property, the servicer of a federally-backed mortgage was prohibited from taking any foreclosure action, including any eviction or sale action, for not less than the 60-day period beginning March 18, 2020, which period was subsequently extended several times by federal mortgage-backing agencies prior to its expiration in 2021.

Louisiana Bank Regulation

As a Louisiana-chartered bank, First Guaranty Bank is subject to the regulation and supervision of the OFI. Under Louisiana law, First Guaranty Bank may establish additional branch offices within Louisiana, subject to the approval of OFI. After the Dodd-Frank Act, we can also establish additional branch offices outside of Louisiana, subject to prior regulatory approval, as long as the laws of the state where the branch is to be located would permit such expansion. In addition, First Guaranty Bank is the primary source of First Guaranty’s dividend payments, and its ability to pay dividends will be subject to any restrictions applicable to the Bank. Under Louisiana law, a Louisiana bank may not pay cash dividends unless the bank has unimpaired surplus equal to 50% of its outstanding capital stock, both before and after giving effect to the dividend payment. Subject to satisfying such requirement, First Guaranty Bank may pay dividends to First Guaranty without the approval of the OFI so long as the amount of the dividend does not exceed its net profits earned during the current year combined with its retained earnings for the immediately preceding year. The OFI must approve any proposed dividend in excess of this threshold.

Federal Regulations

Capital Requirements. Federal regulations require FDIC-insured depository institutions to meet several minimum capital standards: a common equity Tier 1 capital to risk-based assets ratio of 4.5%, a Tier 1 capital to risk-based assets ratio of 6.0%, a total capital to risk-based assets of 8%, and a 4% Tier 1 capital to total assets leverage ratio.

For purposes of the regulatory capital requirements, common equity Tier 1 capital is generally defined as common stockholders’ equity and retained earnings. Tier 1 capital is generally defined as common equity Tier 1 and additional Tier 1 capital. Additional Tier 1 capital includes certain noncumulative perpetual preferred stock and related surplus and minority interests in equity accounts of consolidated subsidiaries. Total capital includes Tier 1 capital (common equity Tier 1 capital plus additional Tier 1 capital) and Tier 2 capital. Tier 2 capital is comprised of capital instruments and related surplus, meeting specified requirements, and may include cumulative preferred stock and long-term perpetual preferred stock, mandatory convertible securities, intermediate preferred stock and subordinated debt. Also included in Tier 2 capital is the allowance for loan and lease losses limited to a maximum of 1.25% of risk-weighted assets and, for institutions such as First Guaranty Bank, that have exercised an opt-out election regarding the treatment of Accumulated Other Comprehensive Income (“AOCI”), up to 45% of net unrealized gains on available for sale equity securities with readily determinable fair market values. Calculation of all types of regulatory capital is subject to deductions and adjustments specified in the regulations.

In determining the amount of risk-weighted assets for purposes of calculating risk-based capital ratios, all assets, including certain off-balance sheet assets (e.g., recourse obligations, direct credit substitutes, residual interests) are multiplied by a risk weight factor assigned by the regulations based on the risks believed inherent in the type of asset. Higher levels of capital are required for asset categories believed to present greater risk. For example, a risk weight of 0% is assigned to cash and U.S. government securities, a risk weight of 50% is generally assigned to prudently underwritten first lien one-to four-family residential mortgages, a risk weight of 100% is assigned to commercial and consumer loans, a risk weight of 150% is assigned to certain past due loans and a risk weight of between 0% to 600% is assigned to permissible equity interests, depending on certain specified factors.

In addition to establishing the minimum regulatory capital requirements, the regulations limit capital distributions and certain discretionary bonus payments to management if the institution does not hold a “capital conservation buffer” consisting of 2.5% of common equity Tier 1 capital to risk-weighted asset above the amount necessary to meet its minimum risk-based capital requirements.

In assessing an institution’s capital adequacy, the FDIC takes into consideration, not only these numeric factors, but qualitative factors as well, and has the authority to establish higher capital requirements for individual institutions where deemed necessary.

Notwithstanding the foregoing, pursuant to the EGRRCPA, the FDIC finalized a rule, effective January 1, 2020, that established a community bank leverage ratio (tier 1 capital to average consolidated assets) at 9% for institutions under \$10 billion in assets that such institutions may elect to utilize in lieu of the general applicable risk-based capital requirements under Basel III. Such institutions that meet the community bank leverage ratio and certain other qualifying criteria will automatically be deemed to be well-capitalized. The CARES Act required that the community bank leverage ratio be temporarily lowered to 8% effective for the second quarter of 2020, and the requirement transitioned back to 9% in the first quarter of 2022. Eligible institutions may opt into and out of the community bank ratio framework on their quarterly call report. First Guaranty Bank did not elect to follow the community bank leverage ratio as of December 31, 2023.

At December 31, 2023, First Guaranty Bank exceeded all regulatory capital requirements and was considered to be well-capitalized based on FDIC guidelines.

Standards for Safety and Soundness. As required by statute, the federal banking agencies have adopted final regulations and Interagency Guidelines Establishing Standards for Safety and Soundness to implement safety and soundness standards. The guidelines set forth the safety and soundness standards that the federal banking agencies use to identify and address problems at insured depository institutions before capital becomes impaired. The guidelines address internal controls and information systems, internal audit system, credit underwriting, loan documentation, interest rate exposure, asset growth, asset quality, earnings, compensation, fees and benefits and, more recently, safeguarding customer information. If the appropriate federal banking agency determines that an institution fails to meet any standard prescribed by the guidelines, the agency may require the institution to submit to the agency an acceptable plan to achieve compliance with the standard.

Concentrated Commercial Real Estate Lending Regulations. The federal banking agencies have promulgated guidance governing financial institutions with concentrations in commercial real estate lending, which outlines their expectations for managing concentration risks. The guidance provides that an institution has a concentration in commercial real estate lending if (i) total reported loans for construction, land development, and other land represent 100% or more of total capital or (ii) total reported loans secured by multi-family and non-farm residential properties and loans for construction, land development, and other land represent 300% or more of total capital and the outstanding balance of such loans has increased 50% or more during the prior 36 months. If a concentration is present, management must employ heightened risk management practices including board and management oversight and strategic planning, development of underwriting standards, risk assessment and monitoring through market analysis and stress testing and increasing capital requirements. First Guaranty Bank is subject to these regulations.

Business and Investment Activities. Under federal law, all state-chartered FDIC-insured banks have been limited in their activities as principal and in their equity investments to the type and the amount authorized for national banks, notwithstanding state law. Federal law permits exceptions to these limitations. For example, certain state-chartered banks may, with FDIC approval, continue to exercise state authority to invest in common or preferred stocks listed on a national securities exchange and in the shares of an investment company registered under the Investment Company Act of 1940, as amended. The maximum permissible investment is the lesser of 100.0% of Tier 1 capital or the maximum amount permitted by Louisiana law.

The FDIC is also authorized to permit state banks to engage in state authorized activities or investments not permissible for national banks (other than non-subsidiary equity investments) if they meet all applicable capital requirements and it is determined that such activities or investments do not pose a significant risk to the FDIC insurance fund. The FDIC has adopted regulations governing the procedures for institutions seeking approval to engage in such activities or investments. The Gramm-Leach-Bliley Act of 1999 specified that a state bank may control a subsidiary that engages in activities as principal that would only be permitted for a national bank to conduct in a "financial subsidiary," if a bank meets specified conditions and deducts its investment in the subsidiary for regulatory capital purposes.

Prompt Corrective Regulatory Action. Federal law requires, among other things, that federal bank regulatory authorities take "prompt corrective action" with respect to banks that do not meet minimum capital requirements. For these purposes, the law establishes five capital categories: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized.

An institution is deemed to be "well capitalized" if it has a total risk-based capital ratio of 10.0% or greater, a Tier 1 risk-based capital ratio of 8.0% or greater, a leverage ratio of 5.0% or greater and a common equity Tier 1 ratio of 6.5% or greater. An institution is "adequately capitalized" if it has a total risk-based capital ratio of 8.0% or greater, a Tier 1 risk-based capital ratio of 6.0% or greater, a leverage ratio of 4.0% or greater and a common equity Tier 1 ratio of 4.5% or greater. An institution is "undercapitalized" if it has a total risk-based capital ratio of less than 8.0%, a Tier 1 risk-based capital ratio of less than 6.0%, a leverage ratio of less than 4.0% or a common equity Tier 1 ratio of less than 4.5%. An institution is deemed to be "significantly undercapitalized" if it has a total risk-based capital ratio of less than 6.0%, a Tier 1 risk-based capital ratio of less than 4.0%, a leverage ratio of less than 3.0% or a common equity Tier 1 ratio of less than 3.0%. An institution is considered to be "critically undercapitalized" if it has a ratio of tangible equity (as defined in the regulations) to total assets that is equal to or less than 2.0%.

"Undercapitalized" banks must adhere to growth, capital distribution (including dividend) and other limitations and are required to submit a capital restoration plan. A bank's compliance with such a plan must be guaranteed by any company that controls the undercapitalized institution in an amount equal to the lesser of 5% of the institution's total assets when deemed undercapitalized or the amount necessary to achieve the status of adequately capitalized. If an "undercapitalized" bank fails to submit an acceptable plan, it is treated as if it is "significantly undercapitalized." "Significantly undercapitalized" banks must comply with one or more of a number of additional measures, including, but not limited to, a required sale of sufficient voting stock to become adequately capitalized, a requirement to reduce total assets, cessation of taking deposits from correspondent banks, the dismissal of directors or officers and restrictions on interest rates paid on deposits, compensation of executive officers and capital distributions by the parent holding company. "Critically undercapitalized" institutions are subject to additional measures including, subject to a narrow exception, the appointment of a receiver or conservator within 270 days after it obtains such status.

As of December 31, 2023, First Guaranty Bank was considered well-capitalized.

Transactions with Related Parties. Transactions between a bank and its affiliates are limited by Sections 23A and 23B of the Federal Reserve Act, applicable to FDIC-insured state nonmember banks by Section 18(j) of the Federal Deposit Insurance Act, and its implementing regulations. An affiliate of a bank is any company or entity that controls, is controlled by or is under common control with the bank. In a holding company context, the parent bank holding company and any companies which are controlled by such parent holding company are affiliates of the bank. Generally, Sections 23A and 23B of the Federal Reserve Act limit the extent to which the bank or its subsidiaries may engage in "covered transactions" with any one affiliate to 10% of such institution's capital stock and surplus and contain an aggregate limit on all such transactions with all affiliates to an amount equal to 20% of such institution's capital stock and surplus. The term "covered transaction" includes the making of loans, purchase of assets, issuance of a guarantee and similar transactions. In addition, loans or other extensions of credit by the institution to the affiliate are required to be collateralized in accordance with specified requirements. The law also requires that affiliate transactions be on terms and conditions that are substantially the same, or at least as favorable to the institution, as those provided to non-affiliates.

First Guaranty Bank's authority to extend credit to its directors, executive officers and 10% shareholders, as well as to entities controlled by such persons, is currently governed by the requirements of Sections 22(g) and 22(h) of the Federal Reserve Act, applicable to FDIC-insured state nonmember banks by Section 18(j) of the Federal Deposit Insurance Act, and Regulation O of the Federal Reserve Board, generally applicable to FDIC-supervised institutions by Section 337.3 of the FDIC Rules and Regulations. Among other things, these provisions generally require that extensions of credit to insiders:

- be made on terms that are substantially the same as, and follow credit underwriting procedures that are not less stringent than, those prevailing for comparable transactions with unaffiliated persons and that do not involve more than the normal risk of repayment or present other unfavorable features; and
- not exceed certain limitations on the amount of credit extended to such persons, individually and in the aggregate, which limits are based, in part, on the amount of First Guaranty Bank's capital.

In addition, extensions of credit in excess of certain limits must be approved by First Guaranty Bank's board of directors. Extensions of credit to executive officers are subject to additional limits based on the type of extension involved.

Enforcement. The FDIC has extensive enforcement authority over insured state banks, including First Guaranty Bank. That enforcement authority includes, among other things, the ability to assess civil money penalties, issue cease and desist orders and remove directors and officers. In general, enforcement actions may be initiated in response to violations of laws and regulations and unsafe or unsound practices. The FDIC also has authority under federal law to appoint a conservator or receiver for an insured bank under certain circumstances. The FDIC is required, with certain exceptions, to appoint a receiver or conservator for an insured state non-member bank if that bank was "critically undercapitalized" on average during the calendar quarter beginning 270 days after the date on which the institution became "critically undercapitalized."

Federal Insurance of Deposit Accounts. The maximum amount of deposit insurance for banks, savings institutions and credit unions is \$250,000 per depositor.

Assessments for most insured depository institutions are now based on financial measures and supervisory ratings derived from statistical modeling estimating the probability of failure within three years.

The FDIC has authority to increase insurance assessments. Any significant increases would have an adverse effect on the operating expenses and results of operations of First Guaranty Bank. Management cannot predict what assessment rates will be in the future.

As a result of the bank failures during early 2023 and in an effort to strengthen public confidence in the banking system and protect depositors, regulators imposed a special assessment on banking organizations based on a banking organization's estimated uninsured deposits as of December 31, 2022, excluding the first \$5 billion in estimated uninsured deposits. Based on our calculation, we do not expect the Bank to be impacted by this special assessment.

Insurance of deposits may be terminated by the FDIC upon a finding that an institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC. We do not currently know of any practice, condition or violation that may lead to termination of our deposit insurance.

Community Reinvestment Act. Under the Community Reinvestment Act ("CRA"), a bank has a continuing and affirmative obligation, consistent with its safe and sound operation, to help meet the credit needs of its entire community, including low- and moderate-income neighborhoods. The CRA does not establish specific lending requirements or programs for financial institutions nor does it limit an institution's discretion to develop the types of products and services that it believes are best suited to its particular community. The CRA does require the FDIC, in connection with its examination of a bank, to assess the institution's record of meeting the credit needs of its community and to take such record into account in its evaluation of certain applications by such institution, including applications to establish or acquire branches and merger with other depository institutions. The CRA requires the FDIC to provide a written evaluation of an institution's CRA performance utilizing a four-tiered descriptive rating system. First Guaranty Bank's latest FDIC CRA rating, dated October 11, 2022, was "satisfactory."

The federal banking agencies approved additional rules in 2023, which begin to take effect on April 1, 2024, aimed at strengthening and modernizing the CRA.

Federal Reserve System. The Federal Reserve Board regulations require banks to maintain non interest-earning reserves against their transaction accounts (primarily negotiable order of withdrawal (NOW) and regular checking accounts). In March 2020, due to a change in its approach to monetary policy due to COVID-19, the Federal Reserve Board issued an interim rule to amend Regulation D requirements and reduce reserve requirement ratios to zero. The Federal Reserve Board has indicated that it has no plans to re-impose reserve requirements, but may do so in the future if conditions warrant.

FHLB System. First Guaranty Bank is a member of the FHLB System, which consists of eleven regional FHLBs. The FHLB System provides a central credit facility primarily for member institutions as well as other entities involved in home mortgage lending. As a member of the FHLB of Dallas, First Guaranty Bank is required to acquire and hold a specified amount of shares of capital stock in the FHLB. As of December 31, 2023, First Guaranty Bank was in compliance with this requirement.

Other Regulations

Interest and other charges collected or contracted for by First Guaranty Bank are subject to state usury laws and federal laws concerning interest rates. First Guaranty Bank's operations are also subject to federal laws applicable to credit transactions, such as the:

- Truth-In-Lending Act, governing disclosures of credit terms to consumer borrowers;
- Real Estate Settlement Procedures Act, requiring that borrowers for mortgage loans for one-to four-family residential real estate receive various disclosures, including good faith estimates of settlement costs, lender servicing and escrow account practices, and prohibiting certain practices that increase the cost of settlement services;
- Home Mortgage Disclosure Act, requiring financial institutions to provide information to enable the public and public officials to determine whether a financial institution is fulfilling its obligation to help meet the housing needs of the community it serves;
- Equal Credit Opportunity Act, prohibiting discrimination on the basis of race, creed or other prohibited factors in extending credit;
- Fair Credit Reporting Act, governing the use and provision of information to credit reporting agencies;
- Fair Debt Collection Act, governing the manner in which consumer debts may be collected by collection agencies;
- Truth in Savings Act; and
- Rules and regulations of the various federal agencies charged with the responsibility of implementing such federal laws.

The operations of First Guaranty Bank also are subject to the:

- Right to Financial Privacy Act, which imposes a duty to maintain confidentiality of consumer financial records and prescribes procedures for complying with administrative subpoenas of financial records;
- Electronic Funds Transfer Act and Regulation E promulgated thereunder, which govern automatic deposits to and withdrawals from deposit accounts and customers' rights and liabilities arising from the use of automated teller machines and other electronic banking services;
- Check Clearing for the 21st Century Act (also known as "Check 21"), which gives "substitute checks," such as digital check images and copies made from that image, the same legal standing as the original paper check;
- USA PATRIOT Act, which requires banks operating to, among other things, establish broadened anti-money laundering compliance programs, due diligence policies and controls to ensure the detection and reporting of money laundering. Such required compliance programs are intended to supplement existing compliance requirements, also applicable to financial institutions, under the Bank Secrecy Act and the Office of Foreign Assets Control regulations;
- Anti-Money Laundering Act of 2020, including the Corporate Transparency Act; and
- Gramm-Leach-Bliley Act, which places limitations on the sharing of consumer financial information by financial institutions with unaffiliated third parties. Specifically, the Gramm-Leach-Bliley Act requires all financial institutions offering financial products or services to retail customers to provide such customers with the financial institution's privacy policy and provide such customers the opportunity to "opt out" of the sharing of certain personal financial information with unaffiliated third parties.

Holding Company Regulation

As a bank holding company, First Guaranty is subject to examination, regulation, and periodic reporting under the Bank Holding Company Act of 1956, as amended, as administered by the Federal Reserve Board. We are required to obtain the prior approval of the Federal Reserve Board to acquire all, or substantially all, of the assets of any bank or bank holding company. Prior Federal Reserve Board approval would be required for us to acquire direct or indirect ownership or control of any voting securities of any bank or bank holding company if it would, directly or indirectly, own or control more than 5% of any class of voting shares of the bank or bank holding company.

A bank holding company is generally prohibited from engaging in, or acquiring, direct or indirect control of more than 5% of the voting securities of any company engaged in non-banking activities. One of the principal exceptions to this prohibition is for activities found by the Federal Reserve Board to be so closely related to banking or managing or controlling banks as to be a proper incident thereto. Some of the principal activities that the Federal Reserve Board has determined by regulation to be closely related to banking are: (1) making or servicing loans; (2) performing certain data processing services; (3) providing securities brokerage services; (4) acting as fiduciary, investment or financial advisor; (5) leasing personal or real property under certain conditions; (6) making investments in corporations or projects designed primarily to promote community welfare; and (7) acquiring a savings association.

The Gramm-Leach-Bliley Act of 1999 authorizes a bank holding company that meets specified conditions, including depository institutions subsidiaries that are "well capitalized" and "well managed," to opt to become a "financial holding company." A "financial holding company" may engage in a broader array of financial activities than permitted a typical bank holding company. Such activities can include insurance underwriting and investment banking. First Guaranty has elected "financial holding company" status.

Bank holding companies with greater than \$3 billion in total consolidated assets are subject to consolidated regulatory capital requirements. Although we had over \$3.0 billion in assets at December 31, 2023, under Federal Reserve guidance, First Guaranty will maintain its status as a "small bank holding company" until March 31, 2024 or earlier in certain circumstances. Once we are no longer a small bank holding company, both the Bank and First Guaranty will be required to maintain specified ratios of capital to risk-weighted assets.

A bank holding company is generally required to give the Federal Reserve Board prior written notice of any purchase or redemption of then outstanding equity securities if the gross consideration for the purchase or redemption, when combined with the net consideration paid for all such purchases or redemptions during the preceding 12 months, is equal to 10% or more of the company's consolidated net worth. The Federal Reserve Board may disapprove such a purchase or redemption if it determines that the proposal would constitute an unsafe and unsound practice, or would violate any law, regulation, Federal Reserve Board order or directive, or any condition imposed by, or written agreement with, the Federal Reserve Board. The Federal Reserve Board has adopted an exception to that approval requirement for well-capitalized bank holding companies that meet certain other conditions.

The Federal Reserve Board has issued a policy statement regarding the payment of dividends by bank holding companies. In general, the Federal Reserve Board's policies provide that dividends should be paid only out of current earnings and only if the prospective rate of earnings retention by the bank holding company appears consistent with the organization's capital needs, asset quality and overall financial condition. The Federal Reserve Board's policies also require that a bank holding company serve as a source of financial strength to its subsidiary banks by using available resources to provide capital funds during periods of financial stress or adversity and by maintaining the financial flexibility and capital-raising capacity to obtain additional resources for assisting its subsidiary banks where necessary. The Dodd-Frank Act codified the source of strength policy. Under the prompt corrective action laws, the ability of a bank holding company to pay dividends may be restricted if a subsidiary bank becomes undercapitalized. Federal Reserve Board guidance provides for consultation with and supervisory review by the Federal Reserve Board prior to the payment of dividends or stock redemptions or repurchases under certain circumstances. These regulatory policies could affect our ability to pay dividends, repurchase shares of our common stock or otherwise engage in capital distributions.

We are affected by the monetary and fiscal policies of various agencies of the United States Government, including the Federal Reserve System. In view of changing conditions in the national economy and in the money markets, it is impossible for management to accurately predict future changes in monetary policy or the effect of such changes on our business or financial condition.

Federal Securities Laws

First Guaranty's common stock is registered with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. First Guaranty is subject to the information, proxy solicitation, insider trading restrictions and other requirements under the Securities Exchange Act of 1934.

Sarbanes-Oxley Act

The Sarbanes-Oxley Act addresses, among other issues, corporate governance, auditing and accounting, executive compensation, and enhanced and timely disclosure of corporate information. As directed by the Sarbanes-Oxley Act, our Chief Executive Officer and Chief Financial Officer are required to certify that our quarterly and annual reports do not contain any untrue statement of a material fact. We have policies, procedures and systems designed to ensure compliance with these regulations.

Item 1A. – Risk Factors

An investment in shares of our common stock involves substantial risks. You should carefully consider, among other matters, the factors set forth below as well as the other information included in this Annual Report on Form 10-K. If any of the risks described herein develop into actual events, our business, financial condition, liquidity, results of operations and prospects could be materially and adversely affected, the market price of our common stock could decline and you may lose all or part of your investment.

Risks Related to Our Lending

Adverse events in Louisiana and Texas, where our business is concentrated, along with our new Mideast markets in Kentucky and West Virginia could adversely affect our results of operations and future growth.

Our business, the location of our branches and the real estate used as collateral on our real estate loans are primarily concentrated in Louisiana and North Central Texas. We anticipate continued future loan growth in our new Mideast markets located in Kentucky and West Virginia. At December 31, 2023, approximately 78.8% of the secured loans in our loan portfolio were secured by real estate and other collateral located in our market area. As a result, we are exposed to risks associated with a lack of geographic diversification. The occurrence of an economic downturn in Louisiana and North Central Texas, or adverse changes in laws or regulations in Louisiana and Texas could impact the credit quality of our assets, the businesses of our customers and our ability to expand our business. Our success significantly depends upon the growth in population, income levels, deposits and housing in our market area. If the communities in which we operate do not grow or if prevailing economic conditions locally or nationally are unfavorable, our business may be negatively affected.

Material fluctuations in the price of oil and gas could adversely affect our business. At December 31, 2023, approximately \$77.3 million, or 2.8% of our total loan portfolio was comprised of loans to businesses engaged in support or service activities for oil and gas operations. At December 31, 2023 we had \$55.0 million in unfunded loan commitments related to these businesses. In addition, the market value of the real estate securing loans as collateral could be adversely affected by unfavorable changes in market and economic conditions. Adverse developments affecting commerce or real estate values in the local economies in our primary market areas could increase the credit risk associated with our loan portfolio. In addition, substantially all of our loans are to individuals and businesses in Louisiana and North Central Texas. Our business customers may not have customer bases that are as diverse as businesses serving regional or national markets. Consequently, any decline in the economy of our market area could have an adverse impact on our revenues and financial condition. In particular, we may experience increased loan delinquencies, which could result in a higher provision for loan losses and increased charge-offs. Any sustained period of increased non-payment, delinquencies, foreclosures or losses caused by adverse market or economic conditions in our market area could adversely affect the value of our assets, revenues, results of operations and financial condition.

We have a significant number of loans secured by real estate, and a downturn in the local or national real estate market could negatively impact our profitability.

At December 31, 2023, approximately 74.0% of our total loan portfolio was secured by real estate, most of which is located in Louisiana and North Central Texas. Future declines in the real estate values in our Louisiana and North Central Texas markets could significantly impair the value of the particular collateral securing our loans and our ability to sell the collateral upon foreclosure for an amount necessary to satisfy the borrower's obligations to us. First Guaranty may participate in or purchase real estate loans located outside of our traditional markets which may be affected by national or other localized market trends. This could require increasing our allowance for credit losses to address the decrease in the value of the real estate securing our loans which could have a material adverse effect on our business, financial condition, results of operations and growth prospects.

Our loan portfolio consists of a high percentage of loans secured by non-farm non-residential real estate. These loans carry a greater credit risk than loans secured by one- to four-family properties.

Our loan portfolio includes non-farm non-residential real estate loans, primarily loans secured by commercial real estate such as office buildings, hotels and retail facilities. At December 31, 2023, our non-farm non-residential loans totaled \$1.0 billion, or 37.9% of our total loan portfolio. Commercial real estate values have decreased in recent quarters in response to higher interest rates and a number of other factors; in response, bank regulators have been increasing scrutiny on banks' exposure to commercial real estate.

Our non-farm non-residential real estate loans expose us to greater risk of nonpayment and loss than one- to four-family family residential mortgage loans because repayment of the loans often depends on the successful operation and income stream of the borrowers. If we foreclose on these loans, our holding period for the collateral typically is longer than for a one- to four-family residential property because there are fewer potential purchasers of the collateral. In addition, non-farm non-residential real estate loans typically involve larger loan balances to single borrowers or groups of related borrowers compared to one- to four-family residential loans. Accordingly, charge-offs on non-farm non-residential loans may be larger on a per loan basis than those incurred with our residential or consumer loan portfolios. An unexpected adverse development on one or more of these types of loans can expose us to a significantly greater risk of loss compared to an adverse development with respect to a one- to four-family residential mortgage loan.

A portion of our loan portfolio is comprised of commercial and industrial loans secured by accounts receivables, inventory, equipment or other commercial collateral, the deterioration in value of which could increase the potential for future losses.

At December 31, 2023, \$335.0 million, or 12.1% of our total loans, was comprised of commercial and industrial loans to businesses collateralized by general business assets including, among other things, accounts receivable, inventory and equipment and generally backed by a personal guaranty of the borrower or principal. These commercial and industrial loans are typically larger in amount than loans to individuals and, therefore, have the potential for larger losses on a single loan basis. Additionally, the repayment of commercial and industrial loans is subject to the ongoing business operations of the borrower. The collateral securing such loans generally includes movable property such as equipment and inventory, which may decline in value more rapidly than we anticipate, or may be difficult to market and sell, exposing us to increased credit risk. Significant adverse changes in the economy or local market conditions in which our commercial lending customers operate could cause rapid declines in loan collectability and the values associated with general business assets, resulting in inadequate collateral coverage that may expose us to credit losses and could adversely affect our business, financial condition and results of operations.

A portion of our loan portfolio is comprised of commercial leases secured by equipment or other commercial collateral, the deterioration in value of which could increase the potential for future losses.

At December 31, 2023, \$285.4 million, or 10.4% of our total loans, was comprised of commercial leases. These commercial leases are typically larger in amount than loans to individuals and, therefore, have the potential for larger losses on a single loan basis. Additionally, the repayment of commercial leases is subject to the ongoing business operations of the borrower. The collateral securing leases includes equipment and other assets which may decline in value more rapidly than we anticipate, or may be difficult to market and sell, exposing us to increased credit risk. Significant adverse changes in the economy or local market conditions in which our commercial leasing customers operate could cause rapid declines in loan collectability and the values associated with lease assets, resulting in inadequate collateral coverage that may expose us to credit losses and could adversely affect our business, financial condition and results of operations.

A portion of our loan portfolio consists of syndicated loans, including syndicated loans known as shared national credits, secured by assets located generally outside of our market area. Syndicated loans may have a higher risk of loss than other loans we originate because we are not the lead lender and we have limited control over credit monitoring.

Over the last 16 years, we have pursued a focused program to participate in select syndicated loans (loans made by a group of lenders, including us, who share or participate in a specific loan) with a larger regional financial institution as the lead lender. Syndicated loans are typically made to large businesses (which are referred to as shared national credits) or middle market companies (which do not meet the regulatory definition of shared national credits), both of which are secured by business assets or equipment, and commercial real estate located generally outside of our market area. The syndicate group for both types of loans usually consists of two to three other financial institutions. First Guaranty's commitment typically ranges between \$5.0 million to \$15.0 million. At December 31, 2023, we had \$76.7 million in syndicated loans, or 2.8% of our total loan portfolio. At December 31, 2023, we had \$52.8 million in syndicated loans that were not shared national credits. On December 21, 2017, the Federal Reserve, FDIC, and Office of Comptroller of the Currency issued a change to the definition of a Shared National Credit. Effective January 1, 2018, the aggregate loan commitment threshold for inclusion in the Shared National Credit (SNC) program increased from \$20 million to \$100 million. First Guaranty's syndicated loans that meet the revised definition at December 31, 2023 were \$23.9 million. Syndicated loans may have a higher risk of loss than other loans we originate because we rely on the lead lender to monitor the performance of the loan. Moreover, our decision regarding the classification of a syndicated loan and loan loss provisions associated with a syndicated loan are made in part based upon information provided by the lead lender. A lead lender also may not monitor a syndicated loan in the same manner as we would for other loans that we originate. If our underwriting of these syndicated loans is not sufficient, our non-performing loans may increase and our earnings may decrease.

If our nonperforming assets increase, our earnings will be adversely affected.

At December 31, 2023, our non-performing assets, which consist of non-performing loans and other real estate owned, were \$41.7 million, or 1.17% of total assets. Our non-performing assets adversely affect our net income in various ways:

- we record interest income only on the cash basis or cost-recovery method for nonaccrual loans and we do not record interest income for other real estate owned;
- we must provide for probable loan losses through a current period charge to the provision for loan losses;
- noninterest expense increases when we write down the value of properties in our other real estate owned portfolio to reflect changing market values;
- there are legal fees associated with the resolution of problem assets, as well as carrying costs, such as taxes, insurance, and maintenance fees; and
- the resolution of non-performing assets requires the active involvement of management, which can distract them from more profitable activity.

If additional borrowers become delinquent and do not pay their loans and we are unable to successfully manage our non-performing assets, our losses and troubled assets could increase significantly, which could have a material adverse effect on our financial condition and results of operations.

If the allowance for credit losses is not sufficient to cover actual loan losses, earnings could decrease.

Loan customers may not repay their loans according to the terms of their loans, and the collateral securing the payment of their loans may be insufficient to assure repayment. We may experience significant credit losses, which could have a material adverse effect on our operating results. Various assumptions and judgments about the collectability of the loan portfolio are made, including the creditworthiness of borrowers and the value of the real estate and other assets serving as collateral for the repayment of many loans. In determining the amount of the allowance for loan and lease losses, management reviews the loans and the loss and delinquency experience and evaluates economic conditions.

At December 31, 2023, our allowance for credit losses as a percentage of total loans, net of unearned income, was 1.13% and as a percentage of total non-performing loans was 76.41%. The determination of the appropriate level of allowance is subject to judgment and requires us to make significant estimates of current credit risks and future trends, all of which are subject to material changes. If assumptions prove to be incorrect, the allowance for loan and lease losses may not cover inherent losses in the loan portfolio at the date of the financial statements. Significant additions to the allowance would materially decrease net income. Non-performing loans may increase and non-performing or delinquent loans may adversely affect future performance. Any future credit deterioration, could require us to increase our allowance for credit losses in the future. In addition, federal and state regulators periodically review the allowance for loan and lease losses and may require an increase in the allowance for loan and lease losses or recognize further loan charge-offs. Any significant increase in our allowance for credit losses or loan charge-offs as required by these regulatory agencies could have a material adverse effect on our results of operations and financial condition.

Emphasis on the origination of short-term loans could expose us to increased lending risks.

At December 31, 2023, \$1.5 billion, or 54.5% of our total loans consisted of short-term loans, defined as loans whose payments are typically based on ten to 20-year amortization schedules but have maturities typically ranging from one to five years. This results in our borrowers having significantly higher final payments due at maturity, known as a "balloon payment." In the event our borrowers are unable to make their balloon payments when they are due, we may incur significant losses in our loan portfolio. Moreover, while the shorter maturities of our loan portfolio help us to manage our interest rate risk, they also increase the reinvestment risk associated with new loan originations. During an economic slow-down, we might incur significant losses as our loan portfolio matures.

The level of our commercial real estate loan portfolio subjects us to additional regulatory scrutiny.

The FDIC and the other federal bank regulatory agencies have promulgated joint guidance on sound risk management practices for financial institutions with concentrations in commercial real estate lending. Under the guidance, a financial institution that, like us, is actively involved in commercial real estate lending should perform a risk assessment to identify concentrations. A financial institution may have a concentration in commercial real estate lending if, among other factors, (i) total reported loans for construction, land acquisition and development, and other land represent 100% or more of total capital, or (ii) total reported loans secured by multifamily and non-owner occupied, non-farm, non-residential properties, loans for construction, land acquisition and development and other land, and loans otherwise sensitive to the general commercial real estate market, including loans to commercial real estate related entities, represent 300% or more of total capital. Based on these factors, we have a concentration in loans of the type described in (ii), above, or 369% of our total capital at December 31, 2023. The purpose of the guidance is to assist banks in developing risk management practices and capital levels commensurate with the level and nature of real estate concentrations. The guidance states that management should employ heightened risk management practices including board and management oversight and strategic planning, development of underwriting standards, risk assessment and monitoring through market analysis and stress testing. Our bank regulators could require us to implement additional policies and procedures consistent with their interpretation of the guidance that may result in additional costs to us or that may result in a curtailment of our commercial real estate and multifamily lending and/or the requirement that we maintain higher levels of regulatory capital, either of which would adversely affect our loan originations and profitability.

We are subject to regulatory enforcement risk, reputation risk and litigation risk regarding our participation in the PPP and Main Street Lending Program and we are subject to the risk that the SBA may not fund some or all PPP loan guarantees.

The CARES Act included the PPP as a loan program administered through the SBA and the Main Street Lending Program ("MSLP") administered through the U.S. Treasury Department. Under the PPP, small businesses and other entities and individuals applied for loans from existing SBA lenders and other approved regulated lenders that enrolled in the program, subject to detailed qualifications and eligibility criteria.

Because of the short timeframe between the passing of the CARES Act and implementation of the PPP, some of the rules and guidance relating to PPP were issued after lenders began processing PPP applications. Also, there was and continues to be uncertainty in the laws, rules and guidance relating to the PPP. Since the opening of the PPP, several banks have been subject to litigation regarding the procedures used in processing PPP applications, and several banks have been subject to litigation regarding the payment of fees to agents that assisted borrowers in obtaining PPP loans. In addition, some banks and borrowers have received negative media attention associated with PPP loans. Although we believe that we have administered the PPP in accordance with all applicable laws, regulations and guidance, we may be exposed to litigation risk and negative media attention related to our participation in the PPP. If any such litigation is not resolved in our favor, it may result in significant financial liability to us or adversely affect our reputation. In addition, litigation can be costly, regardless of outcome. Any financial liability, litigation costs or reputational damage caused by PPP-related litigation or media attention could have a material adverse impact on our business, financial condition, and results of operations.

The PPP has also attracted interest from federal and state enforcement authorities, oversight agencies, regulators, and U.S. Congressional committees. State Attorneys General and other federal and state agencies may assert that they are not subject to the provisions of the CARES Act and the PPP regulations entitling us to rely on borrower certifications, and take more aggressive action against us for alleged violations of the provisions governing the PPP. Federal and state regulators can impose or request that we consent to substantial sanctions, restrictions and requirements if they determine there are violations of laws, rules or regulations or weaknesses or failures with respect to general standards of safety and soundness, which could adversely affect our business, reputation, results of operation and financial condition, and thereby adversely affect your investment.

We also have credit risk on PPP loans if the SBA determines that there is a deficiency in the manner in which we originated, funded or serviced loans, including any issue with the eligibility of a borrower to receive a PPP loan. In the event of a loss resulting from a default on a PPP loan and a determination by the SBA that there was a deficiency in the manner in which we originated, funded or serviced a PPP loan, the SBA may deny its liability under the guaranty, reduce the amount of the guaranty or, if the SBA has already paid under the guaranty, seek recovery of any loss related to the deficiency from us.

We were also a participating lender in the Federal Reserve's MSLP. The Federal Reserve established the MSLP to support lending to small and mid-sized for-profit businesses and nonprofit organizations that were in sound financial condition before the onset of the COVID-19 pandemic. The program was terminated on January 8, 2021. We were able to transfer/sell 95% of the originated principal loan balances to a special purpose vehicle created by the Federal Reserve; however, we retained 5% of the originated principal balance, including the associated credit risk on such amounts. In addition, we are subject to potential litigation risk with respect to the entire loans, including the transferred/sold portions of the loan balances.

The foreclosure process may adversely impact our recoveries on non-performing loans.

The judicial foreclosure process is protracted, which delays our ability to resolve non-performing loans through the sale of the underlying collateral. The longer timelines were the result of the economic crisis, additional consumer protection initiatives related to the foreclosure process, increased documentary requirements and judicial scrutiny, and, both voluntary and mandatory programs under which lenders may consider loan modifications or other alternatives to foreclosure. These reasons, historical issues at the largest mortgage loan servicers, and the legal and regulatory responses have impacted the foreclosure process and completion time of foreclosures for residential mortgage lenders. This may result in a material adverse effect on collateral values and our ability to minimize our losses.

We are subject to environmental liability risk associated with lending activities.

A significant portion of our loan portfolio is secured by real property. During the ordinary course of business, we may foreclose on and take title to properties securing certain loans. In doing so, there is a risk that hazardous or toxic substances could be found on these properties. If hazardous or toxic substances are found, we may be liable for remediation costs, as well as for personal injury and property damage. Environmental laws may require us to incur substantial expenses to address unknown liabilities and may materially reduce the affected property's value or limit our ability to use or sell the affected property. In addition, future laws or more stringent interpretations or enforcement policies with respect to existing laws may increase our exposure to environmental liability. Although we have policies and procedures to perform an environmental review before initiating any foreclosure action on nonresidential real property, these reviews may not be sufficient to detect all potential environmental hazards. The remediation costs and any other financial liabilities associated with an environmental hazard could have a material adverse effect on our financial condition and results of operations.

Risks Related to Interest Rates

Interest rate shifts may reduce net interest income and otherwise negatively impact our financial condition and results of operations.

The majority of our banking assets are monetary in nature and subject to risk from changes in interest rates. Like most financial institutions, our earnings and cash flows depend to a great extent upon the level of our net interest income, or the difference between the interest income we earn on loans, investments and other interest-earning assets, and the interest we pay on interest-bearing liabilities, such as deposits and borrowings. Changes in interest rates can increase or decrease our net interest income, because different types of assets and liabilities may react differently, and at different times, to market interest rate changes. The Federal Reserve increased interest rates significantly during 2022 and continued to increase interest rates in 2023. Both the pace of these increases and the resulting interest rate levels are unprecedented in recent times. This new interest rate environment could have a number of effects on our business, which may include reduced loan demand, increased delinquencies and increased loan paydowns and payoffs. Conversely, a decrease in the general level of interest rates may affect us through, among other things, increased prepayments on our loan portfolio and increased competition for deposits. Accordingly, changes in the level of market interest rates affect our net yield on interest-earning assets, loan origination volume, loan portfolio and our overall results. Although our asset-liability management strategy is designed to control and mitigate exposure to the risks related to changes in market interest rates, those rates are affected by many factors outside of our control, including governmental monetary policies, inflation, deflation, recession, changes in unemployment, the money supply, international disorder and instability in domestic and foreign financial markets.

When interest-bearing liabilities mature or reprice more quickly, or to a greater degree than interest-earning assets in a period, an increase in interest rates could reduce net interest income. Similarly, when interest-earning assets mature or reprice more quickly, or to a greater degree than interest-bearing liabilities, falling interest rates could reduce net interest income. Additionally, an increase in interest rates may, among other things, reduce the demand for loans and our ability to originate loans and decrease loan repayment rates. A decrease in the general level of interest rates may affect us through, among other things, increased prepayments on our loan portfolio and increased competition for deposits. Accordingly, changes in the level of market interest rates affect our net yield on interest-earning assets, loan origination volume and our overall results. Although our asset-liability management strategy is designed to control and mitigate exposure to the risks related to changes in market interest rates, those rates are affected by many factors outside of our control, including governmental monetary policies, inflation, deflation, recession, changes in unemployment, the money supply, international disorder and instability in domestic and foreign financial markets.

Risks Related to Liquidity

A lack of liquidity could adversely affect our operations and jeopardize our business, financial condition and results of operations.

Liquidity is essential to our business. We rely on our ability to generate deposits and effectively manage the repayment and maturity schedules of our loans and investment securities, respectively, to ensure that we have adequate liquidity to fund our operations. An inability to raise funds through deposits, borrowings, the sale of our investment securities, the sale of loans and other sources could have a substantial negative effect on our liquidity. Our most important source of funds is deposits. Deposit balances can decrease when customers perceive alternative investments as providing a better risk/return tradeoff. Recent increases in interest rates have resulted in increased competition for deposits. If customers move money out of bank deposits and into other investments such as money market funds, we would lose a relatively low-cost source of funds, increasing our funding costs and reducing our net interest income and net income. As stated above, public funds are a sizeable portion of our deposits. Loss of a large public funds depositor at the end of a contract would negatively impact liquidity.

Other primary sources of funds consist of cash flows from operations and maturities and sales of investment securities. Additional liquidity is provided by the ability to borrow from the FHLB or the Federal Reserve. We also may borrow funds from third-party lenders, such as other financial institutions. Our access to funding sources in amounts adequate to finance or capitalize our activities, or on terms that are acceptable to us, could be impaired by factors that affect us directly or the financial services industry or economy in general, such as disruptions in the financial markets or negative views and expectations about the prospects for the financial services industry. Our access to funding sources could also be affected by a decrease in the level of our business activity as a result of a downturn in our target markets or by one or more adverse regulatory actions against us.

Any decline in available funding could adversely impact our ability to originate loans, invest in securities, meet our expenses, or to fulfill obligations such as repaying our borrowings or meeting deposit withdrawal demands, any of which could have a material adverse impact on our liquidity, business, financial condition and results of operations.

Public funds deposits are an important source of funds for us and a reduced level of those deposits may hurt our profits.

Public funds deposits are a significant source of funds for our lending and investment activities. At December 31, 2023, \$1.2 billion, or 39.7% of our total deposits, consisted of public funds deposits from local government entities such as school districts, hospital districts, sheriff departments and other municipalities, which are collateralized by letters of credit from the Federal Home Loan Bank ("FHLB"), investment securities, and reciprocal deposit insurance programs. Given our dependence on high-average balance public funds deposits as a source of funds, our inability to retain such funds could significantly and adversely affect our liquidity. Further, our public funds deposits are primarily demand deposit accounts or short-term time deposits and are therefore more sensitive to interest rate risks. If we are forced to pay higher rates on our public funds accounts to retain those funds, or if we are unable to retain such funds and we are forced to resort to other sources of funds for our lending and investment activities, such as borrowings from the FHLB, the interest expense associated with these other funding sources may be higher than the rates we are currently paying on our public funds deposits, which would adversely affect our net income.

Risks Related to Business Strategy

Our strategy of pursuing acquisitions exposes us to financial, execution and operational risks that could have a material adverse effect on our business, financial condition, results of operations and growth prospects.

We intend to continue pursuing a strategy that includes acquisitions. An acquisition strategy involves significant risks, including the following:

- finding suitable candidates for acquisition;
- attracting funding to support additional growth within acceptable risk tolerances;
- maintaining asset quality;
- retaining customers and key personnel;
- obtaining necessary regulatory approvals;
- conducting adequate due diligence and managing known and unknown risks and uncertainties;
- integrating acquired businesses; and
- maintaining adequate regulatory capital.

The market for acquisition targets is highly competitive, which may adversely affect our ability to find acquisition candidates that fit our strategy and standards. To the extent that we are unable to find suitable acquisition targets, an important component of our growth strategy may not be realized. Acquisitions will be subject to regulatory approvals, and we may be unable to obtain such approvals. Acquisitions of financial institutions also involve operational risks and uncertainties, and acquired companies may have unknown or contingent liabilities with no available manner of recourse, exposure to unexpected problems such as asset quality, the retention of key employees and customers and other issues that could negatively affect our business. We may not be able to complete future acquisitions or, if completed, we may not be able to successfully integrate the operations, technology platforms, management, products and services of the entities that we acquire and to realize our attempts to eliminate redundancies. The integration process may also require significant time and attention from our management that they would otherwise be able to direct toward servicing existing business and developing new business. Acquisitions typically involve the payment of a premium over book and market trading values and, therefore, some dilution of our tangible book value and net income per common share may occur in connection with any future acquisition of a financial institution or service company, and the carrying amount of any goodwill that we acquire may be subject to impairment in future periods. Failure to successfully integrate the entities we acquire into our existing operations may increase our operating costs significantly and adversely affect our business, financial condition and results of operations.

We may not be able to successfully maintain and manage our growth.

Continued growth depends, in part, upon the ability to expand market presence, to successfully attract core deposits, and to identify attractive commercial lending opportunities. Management may not be able to successfully manage increased levels of assets and liabilities. We may be required to make additional investments in equipment and personnel to manage higher asset levels and loan balances, which may adversely impact our efficiency, earnings and shareholder returns. In addition, franchise growth may increase through acquisitions and de novo branching. The ability to successfully integrate such acquisitions into our consolidated operations will have a direct impact on our financial condition and results of operations.

Risks Related to Earnings

We depend primarily on net interest income for our earnings rather than noninterest income.

Net interest income is the most significant component of our operating income. For the year ended December 31, 2023, our net interest income totaled \$84.7 million in comparison to our total noninterest income of \$10.6 million earned during the same year. We do not rely on nontraditional sources of fee income utilized by some community banks, such as fees from sales of insurance, securities or investment advisory products or services. The amount of our net interest income is influenced by the overall interest rate environment, competition, and the amount of interest-earning assets relative to the amount of interest-bearing liabilities. In the event that one or more of these factors were to result in a decrease in our net interest income, we have limited sources of noninterest income to offset any decrease in our net interest income.

We obtain a significant portion of our noninterest revenue through service charges on core deposit accounts, and regulations impacting service charges could reduce our fee income.

A significant portion of our noninterest revenue is derived from service charge income. During the year ended December 31, 2023, service charges, commissions and fees represented \$3.4 million, or 32.2% of our total noninterest income excluding losses on securities. During the year ended December 31, 2022, service charges, commissions and fees represented \$3.2 million, or 28.7% of our total noninterest income excluding gains on securities. The largest component of this service charge income is overdraft-related fees. Management believes that changes in banking regulations pertaining to rules on certain overdraft payments on consumer accounts have and will continue to have an adverse impact on our service charge income. Additionally, changes in customer behavior, as well as increased competition from other financial institutions, may result in declines in deposit accounts or in overdraft frequency resulting in a decline in service charge income. A reduction in deposit account fee income could have a material adverse effect on our earnings.

Risks Related to Competition

We may be unable to successfully compete with others for business.

The area in which we operate is considered attractive from an economic and demographic viewpoint, and is a highly competitive banking market. We compete for loans and deposits with numerous regional and national banks and other community banking institutions, as well as other kinds of financial institutions and enterprises, such as securities firms, insurance companies, savings associations, credit unions, mortgage brokers and private lenders. Many competitors have substantially greater resources than we do. The differences in resources may make it harder for us to compete profitably, reduce the rates that we can earn on loans and investments, increase the rates we must offer on deposits and other funds, and adversely affect our overall financial condition and earnings.

Risks Related to Operations

We face risks related to our operational, technological and organizational infrastructure.

Our ability to grow and compete is dependent on our ability to build or acquire the necessary operational and technological infrastructure and to manage the cost of that infrastructure as we expand. Similar to other large corporations, operational risk can manifest itself in many ways, such as errors related to failed or inadequate processes, faulty or disabled computer systems, fraud by employees or outside persons and exposure to external events. As discussed below, we are dependent on our operational infrastructure to help manage these risks. In addition, we are heavily dependent on the strength and capability of our technology systems which we use both to interface with our customers and to manage our internal financial and other systems. Our ability to develop and deliver new products that meet the needs of our existing customers and attract new ones depends on the functionality of our technology systems. Additionally, our ability to run our business in compliance with applicable laws and regulations is dependent on these infrastructures.

We continuously monitor our operational and technological capabilities and make modifications and improvements when we believe it will be cost effective to do so. In some instances, we may build and maintain these capabilities ourselves. We also outsource some of these functions to third parties. These third parties may experience errors or disruptions that could adversely impact us and over which we may have limited control. We also face risk from the integration of new infrastructure platforms and/or new third party providers of such platforms into its existing businesses.

A failure in our operational systems or infrastructure, or those of third parties, could impair our liquidity, disrupt our businesses, result in the unauthorized disclosure of confidential information, damage our reputation and cause financial losses.

Our businesses are dependent on their ability to process and monitor, on a daily basis, a large number of transactions, many of which are highly complex, across numerous and diverse markets. These transactions, as well as the information technology services we provide to clients, often must adhere to client-specific guidelines, as well as legal and regulatory standards. Due to the breadth of our client base and following the Premier and Union mergers, our geographical reach, developing and maintaining our operational systems and infrastructure is challenging, particularly as a result of rapidly evolving legal and regulatory requirements and technological shifts. Our financial, accounting, data processing or other operating systems and facilities may fail to operate properly or become disabled as a result of events that are wholly or partially beyond our control, such as a spike in transaction volume, cyber-attack or other unforeseen catastrophic events, which may adversely affect our ability to process these transactions or provide services.

In addition, our operations rely on the secure processing, storage and transmission of confidential and other information on our computer systems and networks. Although we take protective measures to maintain the confidentiality, integrity and availability of information across all geographic and product lines, and endeavor to modify these protective measures as circumstances warrant, the nature of the threats continues to evolve. As a result, our computer systems, software and networks may be vulnerable to unauthorized access such as a business email compromise, loss or destruction of data (including confidential client information), account takeovers, unavailability of service, computer viruses or other malicious code, cyber-attacks and other events that could have an adverse security impact. Despite the defensive measures we take to manage our internal technological and operational infrastructure, these threats may originate externally from third parties such as foreign governments, organized crime and other hackers, and outsourced or infrastructure-support providers and application developers, or may originate internally from within our organization. Given the increasingly high volume of our transactions, certain errors may be repeated or compounded before they can be discovered and rectified. Such incidents may result in required notifications to customers and or regulators resulting in reduced reputation and liability to legal proceedings.

Risks Related to Accounting

Changes in accounting policies or in accounting standards could materially affect how we report our financial condition and results of operations.

Accounting policies are essential to understanding our financial condition and results of operations. Some of these policies require the use of estimates and assumptions that may affect the value of our assets or liabilities and financial results. Some of our accounting policies are critical because they require management to make difficult, subjective, and complex judgments about matters that are inherently uncertain, and because it is likely that materially different amounts would be reported under different conditions or using different assumptions. If such estimates or assumptions underlying our financial statements are incorrect, we may experience material losses.

From time to time, the Financial Accounting Standards Board ("FASB") and the Securities and Exchange Commission change the financial accounting and reporting standards or the interpretation of those standards that govern the preparation of our financial statements. These changes are beyond our control, can be difficult to predict and could materially affect how we report our financial condition and results of operations. We could also be required to apply a new or revised standard retroactively, which may result in our restating our prior period financial statements.

In June 2016, the FASB issued a standard, *Financial Instruments – Credit Losses*, that will significantly change how banks measure and recognize credit impairment for many financial assets from an incurred loss methodology to a current expected loss model. The current expected credit loss model will require banks to immediately recognize an estimate of credit losses expected to occur over the remaining life of the financial assets that are in the scope of the standard. First Guaranty adopted this standard effective January 1, 2023.

We hold certain intangible assets that could be classified as impaired in the future. If these assets are considered to be either partially or fully impaired in the future, our earnings and the book values of these assets would decrease.

We are required to test goodwill and core deposit intangible assets for impairment on a periodic basis. The impairment testing process considers a variety of factors, including macroeconomic conditions, industry and market considerations, cost factors, and financial performance. If an impairment determination is made in a future reporting period, our earnings and the book value of these intangible assets will be reduced by the amount of the impairment which would adversely affect our financial performance.

Failure to maintain effective internal controls over financial reporting in the future could impair our ability to accurately and timely report our financial results or prevent fraud.

Effective internal controls over financial reporting are necessary to provide reliable financial reports and prevent fraud. As a bank holding company, we are subject to regulation that focuses on effective internal controls and procedures. Such controls and procedures are modified, supplemented, and changed from time-to-time as necessary in relation to our growth and in reaction to external events and developments. Any failure to maintain, in the future, an effective internal control environment could impact our ability to report our financial results on an accurate and timely basis, which could result in regulatory actions, loss of investor confidence, and adversely impact our business.

We could recognize losses on securities held in our securities portfolio, particularly if interest rates increase or economic and market conditions deteriorate.

While we attempt to invest a significant percentage of our assets in loans (our loan to deposit ratio was 91.3% at December 31, 2023), we invest a portion of our total assets (11.4% at December 31, 2023) in investment securities with the primary objectives of providing a source of liquidity, generating an appropriate return on funds invested, managing interest rate risk, meeting pledging requirements of our public funds deposits and meeting regulatory capital requirements. At December 31, 2023, the carrying value of our securities portfolio was \$404.1 million. Factors beyond our control can significantly influence the fair value of securities in our portfolio and can cause potential adverse changes to the fair value of these securities. For example, fixed-rate securities are generally subject to decreases in market value when interest rates rise. Additional factors include, but are not limited to, rating agency downgrades of the securities, defaults by the issuer or individual borrowers with respect to the underlying securities, and instability in the credit markets. Any of the foregoing factors could cause a credit related impairment in future periods and result in realized losses. The process for determining whether impairment is credit related usually requires difficult, subjective judgments about the future financial performance of the issuer and any collateral underlying the security in order to assess the probability of receiving all contractual principal and interest payments on the security. At December 31, 2023, First Guaranty had no allowance for credit losses on available for sale securities. Because of changing economic and market conditions affecting interest rates, the financial condition of issuers of the securities and the performance of the underlying collateral, we may recognize realized and/or unrealized losses in future periods, which could have an adverse effect on our business, financial condition and results of operations.

Other General Business Risks

Hurricanes or other adverse weather conditions can have an adverse impact on our market areas.

Our market area in Southeast Louisiana is close to New Orleans and the Gulf of Mexico, areas which are susceptible to hurricanes, tropical storms, flooding and other natural disasters and adverse weather conditions which could result in a disruption of our operations and increases in loan losses. In August 2021, Hurricane Ida affected several of our markets in Southeast Louisiana. Similar future events could potentially cause widespread property damage, require the relocation of an unprecedented number of residents and business operations, and severely disrupt normal economic activity in our market areas, which may have an adverse effect on our operations, loan originations and deposit base. Our Texas market was impacted by an ice storm in February 2021. Moreover, our ability to compete effectively with financial institutions whose operations are not concentrated in areas affected by hurricanes or other adverse weather conditions or whose resources are greater than ours will depend primarily on our ability to continue normal business operations following such event. The severity and duration of the effects of hurricanes or other adverse weather conditions will depend on a variety of factors that are beyond our control, including the amount and timing of government, private and philanthropic investments including deposits in the region, the pace of rebuilding and economic recovery in the region and the extent to which a hurricane's property damage is covered by insurance. The occurrence of any such event could have a material adverse effect on our business, financial condition and results of operations.

We rely on our management team and our board of directors for the successful implementation of our business strategy.

Our success depends significantly on the continued service and skills of our senior management team and our board of directors, particularly Marshall T. Reynolds, our Chairman, Alton B. Lewis Jr., our President and Chief Executive Officer and Eric J. Dosch, our Chief Financial Officer. The implementation of our business and growth strategies also depends significantly on our ability to attract, motivate and retain highly qualified executives and directors. The loss of services of one or more of these individuals could have a negative impact on our business because of their skills, years of industry experience and difficulty of promptly finding qualified replacement personnel.

Risks Related to Laws, Regulations and Industry

We operate in a highly regulated environment and may be adversely affected by changes in federal, state and local laws and regulations.

We are subject to extensive regulation, supervision and examination by federal and state banking authorities. Any change in applicable regulations or federal, state or local legislation could have a substantial impact on us and our operations. Additional legislation and regulations that could significantly affect our powers, authority and operations may be enacted or adopted in the future, which could have a material adverse effect on our financial condition and results of operations. Further, regulators have significant discretion and authority to prevent or remedy unsafe or unsound practices or violations of laws by banks and bank holding companies in the performance of their supervisory and enforcement duties. The exercise of regulatory authority may have a negative impact on our results of operations and financial condition. Like other bank holding companies and financial institutions, we must comply with significant anti-money laundering and anti-terrorism laws. Under these laws, we are required, among other things, to enforce a customer identification program and file currency transaction and suspicious activity reports with the federal government. Government agencies have substantial discretion to impose significant monetary penalties on institutions which fail to comply with these laws or make required reports.

Federal and state regulators periodically examine our business, and we may be required to remediate adverse examination findings.

The Federal Reserve Board, the FDIC and the OFI, periodically examine our business, including our compliance with laws and regulations. If, as a result of an examination, a banking agency were to determine that our financial condition, capital resources, asset quality, earnings prospects, management, liquidity or other aspects of any of our operations had become unsatisfactory, or that we were in violation of any law or regulation, it may take a number of different remedial actions as it deems appropriate. These actions include the power to enjoin "unsafe or unsound" practices, to require affirmative action to correct any conditions resulting from any violation or practice, to issue an administrative order that can be judicially enforced, to direct an increase in our capital, to restrict our growth, to assess civil monetary penalties against our officers or directors, to remove officers and directors and, if it is concluded that such conditions cannot be corrected or there is an imminent risk of loss to depositors, to terminate our deposit insurance and place us into receivership or conservatorship. If we become subject to any regulatory actions, it could have a material adverse effect on our business, results of operations, financial condition and growth prospects.

We may be required to raise additional capital in the future, but that capital may not be available when it is needed, or it may only be available on unacceptable terms, which could adversely affect our financial condition and results of operations.

We are required by federal and state regulatory authorities to maintain adequate levels of capital to support our operations. We may at some point, however, need to raise additional capital to support continued growth or be required by our regulators to increase our capital resources. Our ability to raise additional capital, if needed, will depend on conditions in the capital markets at that time, which are outside of our control, and on our financial performance. Accordingly, we may not be able to raise additional capital, if needed, on terms acceptable to us. If we cannot raise additional capital when needed, our ability to further expand our operations and pursue our growth strategy could be materially impaired and our financial condition and liquidity could be materially and adversely affected. In addition, if we are unable to raise additional capital when required by our bank regulators, we may be subject to adverse regulatory action.

We are subject to the CRA and fair lending laws, and failure to comply with these laws could lead to material penalties.

The CRA, the Equal Credit Opportunity Act, the Fair Housing Act and other fair lending laws and regulations impose nondiscriminatory lending requirements on financial institutions. The CFPB, the United States Department of Justice and other federal agencies are responsible for enforcing these laws and regulations. A successful challenge to an institution's performance under the CRA or fair lending laws and regulations could result in a wide variety of sanctions, including the required payment of damages and civil money penalties, injunctive relief, imposition of restrictions on mergers and acquisitions activity and restrictions on expansion activity. Private parties may also have the ability to challenge an institution's performance under fair lending laws in private class action litigation.

Difficult market conditions have adversely affected the industry in which we operate.

If capital and credit markets experience volatility and disruption as they did during the past financial crisis and during the COVID-19 pandemic, we may face the following risks:

- increased regulation of our industry;
- compliance with such regulation may increase our costs and limit our ability to pursue business opportunities;
- market developments and the resulting economic pressure on consumers may affect consumer confidence levels and may cause increases in delinquencies and default rates, which, among other effects, could affect our charge-offs and provision for loan losses. Competition in the industry could intensify as a result of the increasing consolidation of financial institutions in connection with the current market conditions;
- market disruptions make valuation even more difficult and subjective, and our ability to measure the fair value of our assets could be adversely affected. If we determine that a significant portion of our assets have values significantly below their recorded carrying value, we could recognize a material charge to earnings in the quarter in which such determination was made, our capital ratios would be adversely affected and a rating agency might downgrade our credit rating or put us on credit watch;
- depositor confidence may be shaken, which could lead to deposit outflows that could cause liquidity concerns; and
- the downgrade of the United States government's sovereign credit rating, any related rating agency action in the future, and the downgrade of the sovereign credit ratings for several European nations could negatively impact our business, financial condition and results of operations.

The rapid rise in interest rates during 2022, the resulting industry-wide reduction in the fair value of securities portfolios, and the related bank runs that led to the failures of Silicon Valley Bank and Signature Bank (New York) in March 2023, among other events, have resulted a current state of volatility and uncertainty with respect to the health of the U.S. banking system, particularly around liquidity, uninsured deposits and customer concentrations. While we are unable to predict the full impact of this turmoil, it is likely to result in among other things, increased regulatory pressures, which could have material adverse effects on our business, results of operations, financial condition and growth prospects.

Our FDIC deposit insurance premiums and assessments may increase, which would reduce our profitability.

The deposits of the Bank are insured by the FDIC up to legal limits and, accordingly, subject to the payment of FDIC deposit insurance assessments. The Bank's regular assessments are determined by its risk classification, which is based on a number of factors, including regulatory capital levels, asset growth and asset quality. During 2023, the FDIC imposed a special assessment to recover losses resulting from the resolution of Silicon Valley Bank, Santa Clara, California, and Signature Bank, New York, New York; similar special assessments or permanent increases may result in increased FDIC deposit insurance assessments incurred by the Bank. In addition, other changes to the assessment regime, including as a result of additional bank failures and any potential increase in the statutory deposit insurance limits or rates are likely to result in increased deposit insurance costs to the Bank. Any future special assessments, increases in assessment rates or required prepayments in FDIC insurance premiums could reduce our profitability or limit our ability to pursue certain business opportunities, which could have a material adverse effect on our business, financial condition and results of operations.

Changes in the policies of monetary authorities and other government action could adversely affect our profitability.

Our results of operations are affected by credit policies of monetary authorities, particularly the policies of the Federal Reserve. The instruments of monetary policy employed by the Federal Reserve Board include open market operations in U.S. government securities, changes in the discount rate or the federal funds rate on bank borrowings and changes in reserve requirements against bank deposits. In view of changing conditions in the national economy and in the money markets, particularly in light of the continuing threat of terrorist attacks, the current military operations in the Middle East, COVID-19, changes in rates of inflation, and uncertainty with the recent conflict in Eastern Europe, we cannot predict possible future changes in interest rates, deposit levels, loan demand or our business and earnings. Furthermore, the actions of the United States government and other governments in responding to such terrorist attacks, the military operations in the Middle East, or uncertainty in Eastern Europe, may result in currency fluctuations, exchange controls, market disruption and other adverse effects.

Curtailment of government guaranteed loan programs could affect a segment of our business, and government agencies may not honor their guarantees if we do not originate loans in compliance with their guidelines.

As of December 31, 2023, \$55.4 million, or 2.0% of our total loan portfolio, was comprised of loans where all or some portion of the loans were guaranteed through the SBA, USDA or FSA lending programs, and we intend to grow this segment of our portfolio in the future. From time to time, the government agencies that guarantee these loans reach their internal limits and cease to guarantee loans. In addition, these agencies may change their rules for loans or Congress may adopt legislation that would have the effect of discontinuing or changing the loan programs. Non-governmental programs could replace government programs for some borrowers, but the terms might not be equally acceptable. Therefore, if these changes occur, the volume of loans to small business, industrial and agricultural borrowers of the types that now qualify for government guaranteed loans could decline. Also, the profitability of these loans could decline.

In addition, while we follow the SBA's, USDA's and FSA's underwriting guidelines, our ability to do so depends on the knowledge and diligence of our employees and the effectiveness of controls we have established. If our employees do not follow the SBA, USDA or FSA guidelines in originating loans and if our loan review and audit programs fail to identify and rectify such failures, the government agencies that guarantee these loans may refuse to honor their guarantee obligations and we may incur losses as a result.

Risk Associated with an Investment in our Securities

An active, liquid market for our securities may not be sustained.

Our shares of common stock began trading on the Nasdaq Global Market in November 2015. An active trading market for shares of our common stock may not be sustained on Nasdaq due to our existing float and trading volume. An inactive market may also impair our ability to raise capital by selling our common stock and may impair our ability to expand our business by using our common stock as consideration in an acquisition.

Although the depositary shares underlying our 6.75% Series A Fixed-Rate Non-Cumulative perpetual preferred stock (the "Series A Preferred Stock") are currently traded on the Nasdaq Global Market, there is currently very low liquidity, and we do not expect an active trading market for our depositary shares to develop or be sustained. Because of this, it may be more difficult for holders of our depositary shares to sell their depositary shares.

We have several large shareholders, and such shareholders may independently vote their shares in a manner that you may not consider to be consistent with your best interest or the best interest of our shareholders as a whole.

Our principal shareholders (Marshall T. Reynolds, William K. Hood and Edgar R. Smith III) beneficially own, approximately 44% of our outstanding common stock as of December 31, 2023. Each of these shareholders will continue to have the ability to independently vote a meaningful percentage of our outstanding common stock on all matters put to a vote of our shareholders, including the election of our board of directors and certain other significant corporate transactions, such as a merger or acquisition transaction. On any such matter, the interests of these shareholders may not coincide with the interests of the other holders of our common stock and any such difference in interests may result in that shareholder voting its shares in a manner inconsistent with the interests of other shareholders.

Our ability to declare and pay dividends is limited.

We have no obligation to continue paying dividends, and we may change our dividend policy at any time without prior notice to our common shareholders. In addition, our ability to pay dividends will continue to be subject, among other things, to certain regulatory guidance and/or restrictions. Future dividends, if any, will be declared and paid at the discretion of our board of directors and will depend on a number of factors, including our and First Guaranty Bank's capital levels. Subject to certain exceptions, the terms of our senior debt and subordinated debt prohibit us from paying dividends on shares of our capital stock at times when we are deferring the payment of interest on such subordinated debt. Moreover, our ability to pay dividends on our common stock is limited by the terms of our Series A Preferred Stock which provides that if we have not paid dividends on the Series A Preferred Stock for the most recently completed dividend period, then no dividend or distribution shall be declared, paid, or set aside for payment on shares of our common stock.

Our principal source of funds used to pay cash dividends on our common stock will be cash we may hold from time to time as well as dividends that we receive from First Guaranty Bank. Although First Guaranty Bank's asset quality, earnings performance, liquidity and capital requirements will be taken into account before we declare or pay any future dividends on our capital stock, our board of directors will also consider our liquidity and capital requirements and our board of directors could determine to declare and pay dividends without relying on dividend payments from First Guaranty Bank.

Federal and state banking laws and regulations and state corporate laws restrict the amount of dividends we may declare and pay and that First Guaranty Bank may declare and pay to us. For example, Federal Reserve regulations implementing the capital rules required under Basel III do not permit dividends unless capital levels exceed certain higher levels applying capital conservation buffers. In addition, the Federal Reserve has issued supervisory guidance advising bank holding companies to eliminate, defer or reduce dividends paid on common stock and other forms of capital, like the Series A Preferred Stock, where the company's net income available to shareholders for the past four quarters, net of dividends previously paid during that period, is not sufficient to fully fund the dividends, the company's prospective rate of earnings retention is not consistent with the company's capital needs and overall current and prospective financial condition or the company will not meet, or is in danger of not meeting, minimum regulatory capital adequacy ratios. Recent supplements to this guidance reiterate the need for bank holding companies to inform their applicable reserve bank sufficiently in advance of the proposed payment of a dividend in certain circumstances.

The Series A Preferred Stock constitutes an equity security and ranks junior to all of our indebtedness and will rank junior to our and First Guaranty Bank's future indebtedness.

Shares of the Series A Preferred Stock are equity interests in First Guaranty and do not constitute indebtedness. Accordingly, shares of the Series A Preferred Stock and the related depositary shares are and will be junior in right of payment to any existing and all future indebtedness and other non-equity claims of First Guaranty with respect to assets available to satisfy claims on us, including in a liquidation of First Guaranty. In the event of our bankruptcy, liquidation, dissolution or winding-up, our assets will be available to pay obligations on the Series A Preferred Stock and any parity stock only after all of our liabilities have been paid and any obligations we owe on any securities that rank senior to the Series A Preferred Stock then outstanding, if any, have been satisfied. In case of such bankruptcy, liquidation, dissolution or winding-up, the Series A Preferred Stock will rank equally with any parity stock in the distribution of our assets. Holders of the depositary shares may be fully subordinated to interests held by the U.S. government in the event of a receivership, insolvency, liquidation or similar proceeding. In addition, our existing indebtedness restricts payment of dividends on the Series A Preferred Stock, and any future indebtedness may further restrict payment of dividends on the Series A Preferred Stock.

The Series A Preferred Stock and the depositary shares representing the Series A Preferred Stock effectively rank junior to any existing and all future liabilities of our subsidiary First Guaranty Bank.

First Guaranty is a financial holding company and conducts substantially all of our operations through our subsidiary First Guaranty Bank. Our right to participate in any distribution of the assets of our subsidiaries upon any liquidation, reorganization, receivership or conservatorship of any subsidiary (and thus the ability of the holder of the Series A Preferred Stock and the holders of the depositary shares to benefit indirectly from such distribution) will rank junior to the prior claims of that subsidiary's creditors. In the event of bankruptcy, liquidation or winding-up, there may not be sufficient assets remaining, after paying our and our subsidiaries' liabilities, to pay amounts due on any or all of the Series A Preferred Stock and the depositary shares representing the Series A Preferred Stock then outstanding.

The Series A Preferred Stock and the depositary shares representing the Series A Preferred Stock places no restrictions on our business or operations or on our ability to incur indebtedness or engage in any transactions, subject only to the limited voting rights of the shares of Series A Preferred Stock.

Dividends on the Series A Preferred Stock are non-cumulative and discretionary. If our board of directors does not authorize and declare a dividend for any dividend period, the holder of the Series A Preferred Stock, and therefore the holders of the depositary shares, will not be entitled to receive a dividend for such period, and such undeclared dividend will not accrue and be payable. We will have no obligation to pay dividends for such dividend period, whether or not dividends are authorized and declared for any subsequent dividend period with respect to the Series A Preferred Stock. Our board of directors may determine that it would be in our best interests to pay less than the full amount of the stated dividends on the Series A Preferred Stock or no dividend for any dividend period even if funds are available. Factors that would be considered by our board of directors in making this determination include our financial condition, liquidity and capital needs, the impact of current and pending legislation and regulations, economic conditions, our ability to service any equity or debt obligations senior to the Series A Preferred Stock, any credit agreements to which we are a party, tax considerations and such other factors as our board of directors may deem relevant.

Unlike indebtedness, where principal and interest would customarily be payable on specified due dates, in the case of preferred stock like the Series A Preferred Stock dividends are payable only when, as and if authorized and declared by our board of directors or a duly authorized committee of the board and, as a Louisiana corporation and financial holding company, we are subject to restrictions on payments of dividends out of lawfully available funds as described elsewhere in this Annual Report on Form 10-K.

The holders of the Series A Preferred Stock, and therefore the holders of the depositary shares representing the Series A Preferred Stock, have limited voting rights.

Until and unless we are in arrears on our dividend payments on the Series A Preferred Stock for six quarterly dividend periods, whether consecutive or not, the holders of the Series A Preferred Stock, and therefore the holders of the depositary shares, have no voting rights with respect to matters that generally require the approval of voting shareholders, except with respect to certain fundamental changes in the terms of the Series A Preferred Stock, and except as may be required by the rules of any securities exchange or quotation system on which the Series A Preferred Stock is listed, traded or quoted or by Louisiana law. If dividends on the Series A Preferred Stock are not paid in full for six dividend periods, whether consecutive or not, the holders of Series A Preferred Stock, voting together as a class with any other equally ranked series of preferred stock that have similar voting rights then outstanding, if any, will have the right, at the first annual meeting or special meeting held thereafter and at subsequent annual meetings, to elect two directors to our board. The terms of the additional directors so elected will end upon the payment or setting aside for payment by us of continuous noncumulative dividends for at least twelve consecutive months on the Series A Preferred Stock and any other equally ranked series of preferred stock then outstanding, if any.

Holders of the depositary shares must act through the depositary to exercise any voting rights of the Series A Preferred Stock. Although each depositary share is entitled to 1/40th of a vote, the depositary can only vote whole shares of Series A Preferred Stock. While the depositary will vote the maximum number of whole shares of Series A Preferred Stock in accordance with the instructions it receives, any remaining fractional votes of holders of the depositary shares underlying such shares of Series A Preferred Stock will not be voted.

First Guaranty and First Guaranty Bank have incurred indebtedness, and may in the future incur additional indebtedness, which have rights that are senior to those of First Guaranty's shareholders.

At December 31, 2023, First Guaranty had an aggregate of \$54.1 million of senior and subordinated indebtedness outstanding. The notes we have issued, as well as any note we may issue in the future, rank senior to shares of First Guaranty's common and preferred stock. In addition, any indebtedness owed by First Guaranty Bank is and will be structurally senior to the rights of the holders of First Guaranty's common and preferred stock. In the event of any bankruptcy, dissolution or liquidation of First Guaranty, these notes, along with First Guaranty's other indebtedness, would have to be repaid before First Guaranty's shareholders would be entitled to receive any of the assets of First Guaranty.

First Guaranty or First Guaranty Bank may from time to time issue, or assume in connection with an acquisition, additional subordinated indebtedness that would have to be repaid before First Guaranty's shareholders would be entitled to receive any of the assets of First Guaranty or First Guaranty Bank.

An investment in our common stock or depositary shares is not an insured deposit and is not guaranteed by the FDIC.

An investment in our common stock or depositary shares is not a bank deposit and, therefore, is not insured against loss or guaranteed by the FDIC, any other deposit insurance fund or by any other public or private entity. An investment in our common stock or depositary shares is inherently risky for the reasons described herein and our shareholders will bear the risk of loss if the value or market price of our common stock or depositary shares is adversely affected.

Item 1B – Unresolved Staff Comments

None.

Item 2 - Properties

First Guaranty does not directly own any real estate, but it does own real estate indirectly through the Bank. The Bank operates 36 banking facilities. The following table sets forth certain information relating to each office. The net book value of premises and equipment at all branch locations, including the raw land of branches under development, at December 31, 2023 totaled \$69.8 million. We believe that our properties are adequate for our business operations as they are currently being conducted.

Location	Use of Facilities	Year Facility Opened or Acquired	Owned/Leased
First Guaranty Square 400 East Thomas Street Hammond, LA 70401	First Guaranty Bank's Main Office	1975	Owned
2111 West Thomas Street Hammond, LA 70401	Guaranty West Banking Center	1974	Owned
455 West Railroad Avenue Independence, LA 70443	Independence Banking Center	1979	Owned
301 Avenue F Kentwood, LA 70444	Kentwood Banking Center	1975	Owned
189 Burt Blvd Benton, LA 71006	Benton Banking Center	2010	Owned
126 South Hwy. 1 Oil City, LA 71061	Oil City Banking Center	1999	Owned
401 North 2nd Street Homer, LA 71040	Homer Main Banking Center	1999	Owned
10065 Hwy 79 Haynesville, LA 71038	Haynesville Banking Center	1999	Owned
117 East Hico Street Dubach, LA 71235	Dubach Banking Center	1999	Owned
102 East Louisiana Avenue Vivian, LA 71082	Vivian Banking Center	1999	Owned
500 North Cary Avenue Jennings, LA 70546	Jennings Banking Center	1999	Owned
799 West Summers Drive Abbeville, LA 70510	Abbeville Banking Center	1999	Owned
2231 S. Range Avenue Denham Springs, LA 70726	Denham Springs Banking Center	2005	Owned
500 West Pine Street Ponchatoula, LA 70454	Ponchatoula Banking Center	2016	Owned
29815 Walker Rd S Walker, LA 70785	Walker Banking Center	2007	Owned
6151 Hwy 10 Greensburg, LA 70441	Greensburg Banking Center	2011	Owned
723 Avenue G Kentwood, LA 70444	Kentwood West Banking Center	2011	Owned
35651 Hwy 16 Montpelier, LA 70422	Montpelier Banking Center	2011	Owned
33818 Hwy 16 Denham Springs, LA 70706	Watson Banking Center	2011	Owned
8951 Synergy Dr. #100 McKinney, TX 75070	McKinney Banking Center	2017	Owned
7600 Woodway Drive Waco, TX 76712	Waco Banking Center	2017	Owned
2209 W. University Dr. Denton, TX 76201	Denton Banking Center	2017	Owned
2001 N. Handley Ederville Road Fort Worth, TX 76118	Fort Worth Banking Center	2017	Owned
603 Main Street #101 Garland, TX 75040	Garland Banking Center	2017	Leased
4221 Airline Drive Bossier City, LA 71111	Bossier City Banking Center	2017	Owned
4740 Nelson Rd #320 Lake Charles, LA 70605	Lake Charles Loan Production Office	2019	Leased
632 West Oak Street Amite, LA 70422	Amite Banking Center	2019	Owned
1701 Metro Drive Alexandria, LA 71301	Alexandria Banking Center	2019	Owned

1110 Shirley Road Bunkie, LA 71322	Bunkie Banking Center	2019	Owned
2705 Main Street Hessmer, LA 71341	Hessmer Banking Center	2019	Owned
305 North Main Street Marksville, LA 71351	Marksville Banking Center	2019	Owned
211 East Tunica Drive Marksville, LA 71351	Tunica Banking Center	2019	Owned
10710 Highway 1 Moreauville, LA 71355	Moreauville Banking Center	2019	Owned
40 Pinecrest Drive Pineville, LA 71360	Pineville Banking Center	2019	Owned
15 Second Street Vanceburg, Kentucky 41179	Vanceburg Banking Center	2021	Owned
173 Bombardier Way, Jct. Routes 50 and 76 Bridgeport, West Virginia 26330	Bridgeport Loan and Deposit Production Office	2021	Leased

Item 3 - Legal Proceedings

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 was a defendant in a lawsuit alleging overpayment on a loan related to a disputed interest rate. This lawsuit was settled in the first quarter of 2023 for \$0.6 million. First Guaranty Bank is a defendant in a lawsuit alleging fault for a loss of funds by a customer related to fraud by a third party, with a possible loss range of \$0.0 million to \$1.5 million. The Bank denies the allegations and intends to vigorously defend against this lawsuit, which is in early stages, and no trial has been set. 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 by a claim against First Guaranty's insurer. In the opinion of management, neither First Guaranty nor First Guaranty Bank is currently involved in such legal proceedings, either individually or in the aggregate, that the resolution is expected to have a material adverse effect on First Guaranty's consolidated results of operations, financial condition, or cash flows. However, one or more unfavorable outcomes in these ordinary claims or litigation against First Guaranty or First Guaranty Bank could have a material adverse effect for the period in which they are resolved. In addition, regardless of their merits or ultimate outcomes, such matters are costly, divert management's attention, and may materially and adversely affect the reputation of First Guaranty and First Guaranty Bank, even if resolved favorably.

Item 4 - Mine Safety Disclosures

Not applicable.

PART II

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, 2023, there were approximately 1,600 holders of record of our common stock.

The depositary shares underlying our Series A Preferred Stock are traded on the Nasdaq Global Market under the symbol "FGBIP".

Our common and preferred 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 quarterly cash dividends on our common stock for each of the last 122 quarters dating back to the third quarter of 1993. The Board of Directors intends to continue to pay regular quarterly cash dividends on both our common and preferred stock. 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 2023.

Item 6 - [Reserved]

Item 7 - 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 our audited consolidated financial statements and the accompanying notes included elsewhere in this Annual Report on Form 10-K. A discussion regarding significant changes in our financial condition from December 31, 2021 to December 31, 2022 and our results of operations for the year ended December 31, 2021 can be found under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC on March 16, 2023, which is available on the SEC's website at www.sec.gov and First Guaranty's website, www.fgb.net. 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.

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 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 \$3.6 billion at December 31, 2023 and \$3.2 billion at December 31, 2022. Total deposits were \$3.0 billion at December 31, 2023 and \$2.7 billion at December 31, 2022. Total loans were \$2.7 billion at December 31, 2023, an increase of \$229.6 million, or 9.1%, compared with \$2.5 billion at December 31, 2022. Total shareholders' equity was \$249.6 million and \$235.0 million at December 31, 2023 and December 31, 2022, respectively.

Net income was \$9.2 million and \$28.9 million for the years ended December 31, 2023 and 2022, 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. The decrease in net income was caused principally by a decrease in net interest income of \$15.3 million and an increase in noninterest expense of \$8.7 million, partially offset by a decrease in income tax expense of \$4.8 million.

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. 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. As the economy transitioned from an extended period of historically low interest rates to a period of higher interest rates in 2022-2023, 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 2023 and 2022:

- Total assets increased \$401.4 million, or 12.7%, to \$3.6 billion at December 31, 2023 when compared with December 31, 2022. Total loans at December 31, 2023 were \$2.7 billion, an increase of \$229.6 million, or 9.1%, compared with December 31, 2022. Total deposits were \$3.0 billion at December 31, 2023, an increase of \$285.3 million, or 10.5% compared with December 31, 2022. Retained earnings were \$68.0 million at December 31, 2023, a decrease of \$8.4 million compared to \$76.4 million at December 31, 2022. Shareholders' equity was \$249.6 million and \$235.0 million at December 31, 2023 and December 31, 2022, respectively.
- Net income for each of the years ended December 31, 2023 and 2022 was \$9.2 million and \$28.9 million, respectively.
- Earnings per common share were \$0.62 for the year ended December 31, 2023 and \$2.48 for the year ended December 31, 2022. Total weighted average common shares outstanding were 11,165,303 and 10,716,796 at December 31, 2023 and December 31, 2022, respectively.
- 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, 2023, First Guaranty had remaining Round 1 PPP loans of \$0.1 million and Round 2 PPP loans of \$2.8 million. \$16,000 in PPP fees were recognized during 2023 compared to \$1.3 million in PPP fees recognized in 2022.
- The allowance for credit losses was 1.13% of total loans at December 31, 2023 compared to 0.93% at December 31, 2022. The adoption of the CECL model under ASC 326 was the main component of the increase.
- The provision for credit losses totaled \$3.7 million for 2023 and 2022.
- Net interest income for 2023 was \$84.7 million compared to \$100.0 million for 2022.
- Noninterest income for 2023 was \$10.6 million compared to \$11.0 million for 2022.
- The net interest margin was 2.69% for 2023 and 3.47% for 2022. First Guaranty attributed the decrease in the net interest margin to the increase in market interest rates that began in 2022 and continued through the third quarter of 2023 that increased the cost of liabilities. Loans as a percentage of average interest earning assets increased to 82.8% at December 31, 2023 compared to 79.8% at December 31, 2022.
- Investment securities totaled \$404.1 million at December 31, 2023, a decrease of \$47.4 million when compared to \$451.5 million at December 31, 2022. Losses on the sale of securities were \$0 for 2023 as compared to \$17,000 for 2022. At December 31, 2023, available for sale securities, at fair value, totaled \$83.5 million, a decrease of \$48.0 million when compared to \$131.5 million at December 31, 2022. At December 31, 2023, held to maturity securities, at amortized cost and net of the allowance for credit losses, totaled \$320.6 million as compared to \$320.1 million at December 31, 2022. A provision for credit losses on HTM securities of \$0.1 million was recorded in the third quarter of 2023, and the allowance for credit losses for HTM securities was \$0.1 million at December 31, 2023.
- Total loans net of unearned income were \$2.7 billion at December 31, 2023 compared to \$2.5 billion at December 31, 2022. Total loans net of unearned income are reduced by the allowance for credit losses which totaled \$30.9 million at December 31, 2023 and \$23.5 million at December 31, 2022. First Guaranty adopted ASC 326 effective January 1, 2023 and recorded a cumulative adoption adjustment to the allowance of \$7.1 million.
- Nonaccrual loans increased \$11.6 million to \$25.2 million at December 31, 2023 compared to \$13.6 million at December 31, 2022.
- First Guaranty adopted ASU 2016-13, "Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments." (CECL) effective January 1, 2023. The total adjustment for CECL was \$10.0 million which includes \$7.0 million for the ACL, \$0.1 million for HTM securities, and \$2.9 million for unfunded loan commitments. The \$2.9 million for unfunded loan commitments is recorded in other liabilities.
- Return on average assets was 0.28% and 0.97% for the years ended December 31, 2023 and 2022, respectively. Return on average common equity was 3.36% and 13.64% for 2023 and 2022, 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 \$17.36 as of December 31, 2023 compared to \$18.84 as of December 31, 2022. Tangible book value per common share was \$16.03 as of December 31, 2023 compared to \$17.23 as of December 31, 2022. The decrease was due primarily to a decrease in retained earnings associated with the adoption of CECL, the recent issuances of new shares, and changes in accumulated other comprehensive income ("AOCI"). AOCI is comprised of unrealized gains and losses on available for sale securities, including unrealized losses on available for sale securities at the time of transfer to held to maturity.
- First Guaranty's Board of Directors declared cash dividends of \$0.64 per common share in 2023 and 2022. First Guaranty has paid 122 consecutive quarterly dividends on its common stock as of December 31, 2023.
- First Guaranty paid preferred cash dividends of \$2.3 million during 2023 and 2022.
- First Guaranty issued \$20.0 million of common stock through two separate private placements during 2023.

- First Guaranty was a defendant in a lawsuit alleging overpayment on a loan related to a disputed interest rate. First Guaranty settled this lawsuit in February of 2023 for \$0.6 million.
- On January 6, 2023, we entered into a definitive agreement to acquire Lone Star Bank, a Texas state-chartered bank with its main office in Houston, Texas. On July 10, 2023, First Guaranty, First Guaranty Bank, and Lone Star entered into a Mutual Termination Agreement and Release pursuant to which the parties mutually agreed to terminate the Merger Agreement. First Guaranty estimates that total costs associated with the Lone Star acquisition was approximately \$0.5 million through December 31, 2023.
- On October 5, 2023, we entered into a Loan Agreement (the "Loan Agreement") with Summit Community Bank, Inc. ("Lender") pursuant to which Lender made (i) a term loan in the principal amount of \$40.3 million (the "Term Loan"), and (ii) a revolving line of credit in the maximum principal amount of up to \$20.0 million (the "Line of Credit," and, together with the Term Loan, the "Loans"). The principal sum outstanding under the Term Loan will bear interest at a rate equal to the Prime Index Rate as published by the Wall Street Journal, reset quarterly, minus 0.50% per annum, with a floor of 4.49% per annum. The principal sum outstanding under the Line of Credit will bear interest at a rate equal to the Prime Index Rate as published by the Wall Street Journal, reset monthly, with a floor of 4.49% per annum. The principal amount due and payable under the Term Loan will be amortized over a period of forty (40) quarters and will be in quarterly installments of principal, plus accrued interest, with the final payment equal to the then-outstanding principal balance and all accrued and unpaid interest, penalties and fees due thereon due at maturity of October 5, 2033. Any outstanding amounts under the Line of Credit will be repaid with monthly installments of interest only, followed by a final payment equal to the then-outstanding principal balance and all accrued and unpaid interest, penalties and fees due thereon at maturity on October 5, 2024, unless renewed. The proceeds of the Term Loan were used to repay in full all outstanding amounts under the existing indebtedness from First Horizon Bank (formerly known as First Tennessee Bank National Association).

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 Credit Losses.

The allowance for credit losses is established through a provision for loan losses charged to expense. Loans are charged against the allowance for credit losses when management believes that the collectability of the principal is unlikely. The allowance is based on management's evaluation of expected credit losses over the life of the loans in the portfolio, in accordance with ASC 326. The loan portfolio is divided into segments to evaluate expected losses. Loans that do not share risk characteristics with a segment are evaluated individually. Management estimates the allowance balance using available information such as past events, current conditions and reasonable forecasts. Adjustments to historical information are made using qualitative and qualitative factors developed by management.

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.

The allowance consists of specific, general, and unallocated components. The specific component relates to loans that are classified as doubtful, substandard, and individually evaluated for impairment. For such loans that are also classified as individually evaluated for impairment, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the loan is lower than the carrying value of that loan. 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, 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 credit losses on unfunded commitments represents expected credit losses over the contractual period for which First Guaranty is exposed to credit risk from a contractual obligation to extend credit. No allowance is recorded if there is an unconditional right to cancel the obligation. The allowance is reported as a component of Other Liabilities on the Consolidated Balance Sheets. Adjustments to the allowance for unfunded commitments are included in the provision for credit losses on the Consolidated Statements of Income.

Financial Condition

Assets

Our total assets were \$3.6 billion at December 31, 2023, an increase of \$401.4 million, or 12.7%, from total assets of \$3.2 billion at December 31, 2022. Assets increased primarily due to increases in net loans of \$222.2 million and cash and cash equivalents of \$203.2 million, partially offset by a decrease in investment securities of \$47.4 million at December 31, 2023 compared to December 31, 2022.

Loans

Net loans increased \$222.2 million, or 8.9%, to \$2.7 billion at December 31, 2023 from \$2.5 billion at December 31, 2022. Construction and land development loans increased \$166.3 million principally due to advances on existing construction lines and new originations that was partially offset by the conversion of loans to permanent financing. Non-farm non-residential loan balances increased \$52.9 million primarily due to new originations. One-to four-family loans increased \$78.5 million primarily due to new originations. Farmland loans increased \$7.7 million due to increases on agricultural loan commitments. Consumer and other loans increased \$6.6 million primarily due to new originations. Agricultural loans increased \$2.0 million primarily due to seasonal activity. Multifamily loans decreased \$0.9 million primarily due to pay downs on the existing multifamily loan portfolio. Commercial lease loan balances decreased \$32.2 million primarily due to pay downs on the existing lease portfolio. First Guaranty's commercial lease portfolio generally has higher yields than commercial real estate loans but shorter average lives. Commercial and industrial loans decreased \$50.3 million primarily due to payoffs. SBA PPP loans totaled \$2.8 million at December 31, 2023 compared to \$5.9 million at December 31, 2022. These totals are included in commercial and industrial loans. Round 1 SBA PPP loans decreased from \$2.0 million at December 31, 2022 to \$0.1 million at December 31, 2023 due to SBA loan forgiveness and payments received. Round 2 SBA PPP loans decreased from \$3.9 million at December 31, 2022 to \$2.8 million at December 31, 2023 due to SBA loan forgiveness and payments received. First Guaranty had approximately 2.8% of funded and 2.0% 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 \$182.3 million at December 31, 2023. As part of the management of risks in our loan portfolio, First Guaranty had previously established an internal guidance limit of approximately \$200.0 million for its hotel and hospitality portfolio. First Guaranty had \$375.7 million in loans related to our Texas markets at December 31, 2023 which was an increase of \$41.8 million or 12.5% from \$333.8 million at December 31, 2022. First Guaranty anticipates additional growth opportunities in Texas. First Guaranty had \$278.1 million in loans related to our new Mideast markets in Kentucky and West Virginia at December 31, 2023 which was an increase of \$67.2 million or 31.8% from \$210.9 million at December 31, 2022. Syndicated loans at December 31, 2023 were \$76.7 million, of which \$23.9 million were shared national credits. Syndicated loans decreased \$11.6 million from \$88.3 million at December 31, 2022.

As of December 31, 2023, 74.0% of our loan portfolio was secured by real estate. The largest portion of our loan portfolio, at 37.9% as of December 31, 2023, was non-farm non-residential loans secured by real estate. As of December 31, 2023, approximately 45.8% of the loan portfolio was based on a floating rate tied to the prime rate, the Secured Overnight Financing Rate ("SOFR") or Treasury rates. 54.5% of the loan portfolio is scheduled to mature within five years from December 31, 2023. First Guaranty initiated a process to transfer any LIBOR indexed loans to alternative reference rates such as the prime rate or SOFR as LIBOR was discontinued for repricings after June 30, 2023.

Commercial real estate ("CRE") has received increased regulatory scrutiny in recent quarters due to valuation concerns associated with the increase in market interest rates and the impact of the COVID-19 pandemic. First Guaranty has utilized enhanced risk management practices for CRE concentration analysis for several years. First Guaranty Bank's credit department conducts an annual stress test for CRE related loans that is presented to the Bank's board of directors. The stress test analyses the impact of changes in interest rates and cash flow on loan customers with credit exposures of \$2.5 million or greater. First Guaranty generally requires personal guarantees on CRE loans. First Guaranty generally approves CRE loans with loan-to-values of 80% or less. First Guaranty also generally requires for construction related CRE loans that the borrower provides their equity contribution upfront before loan funds are advanced.

First Guaranty has diversified its CRE portfolio across both industries and geographic location. The following is a summary of the largest CRE related loans associated with hotel and motels, office properties, apartment complexes, healthcare related properties, and properties under construction as of December 31, 2023. The largest CRE loan secured by a hotel or motel totaled \$21.1 million. The property is a flagged hotel located in Texas. The largest CRE loan secured by an office related property totaled \$21.7 million and is located in West Virginia. The largest CRE loan secured by an apartment complex totaled \$25.9 million and is located in Texas. The largest healthcare related loan is a \$17.7 million property secured by an assisted living center located in Louisiana. The largest CRE loan under construction totaled \$37.9 million for an apartment complex and is secured by a property located in Louisiana.

Loan Portfolio Maturities. The following tables summarize the scheduled repayments of our loan portfolio at December 31, 2023. 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, 2023				
	One Year or Less	More Than One Year Through Five Years	More Than Five Years Through Fifteen Years	After Fifteen Years	Total
<i>(in thousands)</i>					
Real Estate:					
Construction & land development	\$ 63,230	\$ 134,139	\$ 110,357	\$ 91,709	\$ 399,435
Farmland	2,467	7,639	2,689	19,735	32,530
1- 4 family	24,666	39,977	44,447	335,760	444,850
Multifamily	4,596	28,257	23,927	62,141	118,921
Non-farm non-residential	117,559	428,913	145,871	353,522	1,045,865
Total Real Estate	212,518	638,925	327,291	862,867	2,041,601
Non-Real Estate:					
Agricultural	14,739	6,554	8,738	10,977	41,008
Commercial and industrial	59,614	254,436	14,665	6,257	334,972
Commercial leases	71,908	207,205	6,302	—	285,415
Consumer and other	10,940	37,113	6,077	355	54,485
Total Non-Real Estate	157,201	505,308	35,782	17,589	715,880
Total Loans Before Unearned Income	\$ 369,719	\$ 1,144,233	\$ 363,073	\$ 880,456	\$ 2,757,481
Less: Unearned income					(8,773)
Total Loans Net of Unearned Income					\$ 2,748,708

The following table sets forth the scheduled repayments of fixed and adjustable-rate loans at December 31, 2023 that are contractually due after December 31, 2023.

	Due After December 31, 2023		
	Fixed	Floating	Total
<i>(in thousands)</i>			
One year or less	\$ 268,864	88,884	357,748
One to five years	782,754	357,981	1,140,735
Over five to 15 years	88,490	269,918	358,408
Over 15 years	334,337	541,066	875,403
Subtotal	\$ 1,474,445	\$ 1,257,849	\$ 2,732,294
Nonaccrual loans			25,187
Total			\$ 2,757,481

Included in floating rate loans are loans that adjust to a floating rate following an initial fixed rate period. The initial fixed rate periods are typically one, three, or five year periods.

Non-performing Assets

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

The following table shows the principal amounts and categories of our non-performing assets at December 31, 2023 and 2022.

(in thousands)	December 31,	
	2023	2022
Nonaccrual loans:		
Real Estate:		
Construction and land development	\$ 530	\$ 225
Farmland	836	290
1- 4 family	6,985	3,826
Multifamily	537	—
Non-farm non-residential	9,740	3,746
Total Real Estate	18,628	8,087
Non-Real Estate:		
Agricultural	1,369	1,622
Commercial and industrial	1,581	819
Commercial leases	1,799	1,799
Consumer and other	1,810	1,239
Total Non-Real Estate	6,559	5,479
Total nonaccrual loans	25,187	13,566
Loans 90 days and greater delinquent & still accruing:		
Real Estate:		
Construction and land development	—	427
Farmland	—	—
1- 4 family	124	332
Multifamily	—	157
Non-farm non-residential	14,711	103
Total Real Estate	14,835	1,019
Non-Real Estate:		
Agricultural	57	—
Commercial and industrial	395	123
Commercial leases	—	—
Consumer and other	—	—
Total Non-Real Estate	452	123
Total loans 90 days and greater delinquent & still accruing	15,287	1,142
Total non-performing loans	\$ 40,474	\$ 14,708
Other real estate owned and foreclosed assets:		
Real Estate:		
Construction and land development	251	—
Farmland	—	—
1- 4 family	309	113
Multifamily	—	—
Non-farm non-residential	690	—
Total Real Estate	1,250	113
Non-Real Estate:		
Agricultural	—	—
Commercial and industrial	—	—
Commercial leases	—	—
Consumer and other	—	—
Total Non-Real estate	—	—
Total other real estate owned and foreclosed assets	1,250	113
Total non-performing assets	\$ 41,724	\$ 14,821
Non-performing assets to total loans	1.52 %	0.59 %
Non-performing assets to total assets	1.17 %	0.47 %

nonperforming assets to total assets	1.11 %	0.91 %
Non-performing loans to total loans	1.47 %	0.58 %
Nonaccrual loans to total loans	0.92 %	0.54 %
Allowance for loan and lease losses to nonaccrual loans	122.79 %	173.36 %

For the years ended December 31, 2023 and 2022, gross interest income which would have been recorded had the non-performing loans been current in accordance with their original terms amounted to \$1.2 million and \$0.5 million, respectively. We recognized \$0.3 million and \$0.2 million of interest income on such loans during the years ended December 31, 2023 and 2022, respectively. For the years ended December 31, 2023 and 2022, gross interest income which would have been recorded had the troubled debt restructured loans been current in accordance with their original terms amounted to \$0.1 million and \$0.1 million, respectively. We recognized \$0.1 million and \$0.1 million of interest income on such loans during the years ended December 31, 2023 and 2022, respectively.

Non-performing assets were \$41.7 million, or 1.17%, of total assets at December 31, 2023, compared to \$14.8 million, or 0.47%, of total assets at December 31, 2022, which represented an increase in non-performing assets of \$26.9 million. The increase in non-performing assets occurred primarily due to an increase in nonaccrual loans, 90 days or greater delinquent and still accruing, and other real estate owned. Nonperforming loans included loans previously classified as purchase credit deteriorated following the adoption of CECL.

Nonaccrual loans increased from \$13.6 million at December 31, 2022 to \$25.2 million at December 31, 2023. The increase in nonaccrual loans was concentrated primarily in non-farm non-residential, one- to four-family, commercial and industrial, and consumer and other loans. Non-performing assets included \$1.9 million in loans with a government guarantee, or 4.45% of non-performing assets. These are structured as net loss guarantees in which up to 90% of loss exposure is covered.

At December 31, 2023 loans 90 days and greater delinquent and still accruing totaled \$15.3 million, an increase of \$14.1 million or 1238.6% from \$1.1 million at December 31, 2022. The increase in loans 90 days or greater delinquent and still accruing was concentrated primarily in non-farm non-residential, commercial and industrial, and agricultural loans.

Other real estate owned at December 31, 2023 totaled \$1.3 million, an increase of \$1.1 million from \$0.1 million at December 31, 2022. The increase was primarily due to the addition of a \$0.8 million non-farm non-residential property during the first quarter of 2023. This property was related to a loan that was on nonaccrual status at December 31, 2022.

At December 31, 2023, our largest non-performing assets were comprised of the following nonaccrual loans and 90 days or greater delinquent and still accruing loans: (1) a non-farm non-residential loan that totaled \$13.6 million; (2) a non-farm non-residential loan that totaled \$4.7 million; (3) a \$2.1 million loan relationship that is classified as purchased credit deteriorated; (4) a commercial lease loan that totaled \$1.8 million; (5) a non-farm non-residential loan secured by a mobile home facility that totaled \$1.3 million.

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 increase in classified assets at December 31, 2023 as compared to December 31, 2022 was due to a \$45.6 million increase in substandard loans and a \$1.6 million increase in doubtful loans. The increase in substandard loans was primarily the result of the downgrade of one real estate secured loan relationship in the second quarter of 2023 with an aggregate principal balance of \$36.5 million as of December 31, 2023. The loans are secured by shopping centers. While the loans are over collateralized based upon recent appraisals totaling \$47.4 million, there is no certainty that the Bank will receive full repayment upon liquidation should that become necessary. The increase in doubtful loans was primarily the result of the downgrade of several loan relationships from substandard to doubtful. Special mention loans increased by \$28.4 million in 2023. The increase in special mention loans was primarily the result of the downgrade of one commercial real estate loan from pass status to special mention totaling \$15.0 million and the downgrade of one commercial lease loan relationship from pass status to special mention totaling \$13.0 million.

Allowance for Credit Losses

First Guaranty adopted FASB ASC Topic 326 "Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments" Update No. 2016-13 ("ASU 2016-13") on January 1, 2023. ASU 2016-13, referred to as the Current Expected Credit Loss ("CECL") standard, requires financial assets measured on an amortized cost basis, including loans and held-to-maturity debt securities, to be presented at an amount net of an allowance for credit losses, which reflects expected losses for the full life of the financial asset. Unfunded lending commitments are also within the scope of this topic. Under prior GAAP losses were not recognized until the occurrence of the loss was probable. See Recent Accounting Pronouncements for more information on the adoption of ASC 326.

The allowance for credit losses on loans is maintained to absorb expected losses over the life of the loans 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 expected loan losses and to maintain the allowance commensurate with management's evaluation of the risks inherent in the loan portfolio. Various factors are taken into consideration when determining the amount of the provision and the adequacy of the allowance. These factors include but are not limited to:

- past due and non-performing assets;
- specific internal analysis of loans requiring special attention;
- the current level of regulatory classified and criticized assets and the associated risk factors with each;
- changes in underwriting standards or lending procedures and policies;
- charge-off and recovery practices;
- national and local economic and business conditions;
- nature and volume of loans;
- overall portfolio quality, 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, or collateral dependent. For such loans that are also classified as collateral dependent, an allowance is established when the collateral value is lower than the carrying value of that loan. 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 balance in the allowance for credit losses is principally influenced by the provision for loan losses, recoveries, and by net loan loss experience. Additions to the allowance are charged to the provision for credit 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 allowance for credit losses was \$30.9 million at December 31, 2023 compared to \$23.5 million at December 31, 2022.

The balance in the allowance for credit 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 credit 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 credit losses for the years indicated. As previously disclosed, the adoption of the CECL model in ASC 326 was the cause of most of the increase in the allowance.

	At or For the Years Ended December 31,	
	2023	2022
<i>(dollars in thousands)</i>		
Balance at beginning of year	\$ 23,518	\$ 24,029
ASC 326 Adoption Day 1 Adjustment	8,120	—
Charge-offs:		
Real Estate:		
Construction and land development	—	(65)
Farmland	—	—
1- 4 family	(964)	(94)
Multifamily	—	—
Non-farm non-residential	(138)	(603)
Total Real Estate	(1,102)	(762)
Non-Real Estate:		
Agricultural	—	(460)
Commercial and industrial loans	(1,694)	(563)
Commercial leases	—	(150)
Consumer and other	(2,975)	(4,151)
Total Non-Real Estate	(4,669)	(5,324)
Total charge-offs	(5,771)	(6,086)
Recoveries:		
Real Estate:		
Construction and land development	7	340
Farmland	—	—
1- 4 family	93	76
Multifamily	—	452
Non-farm non-residential	230	349
Total Real Estate	330	1,217
Non-Real Estate:		
Agricultural	414	133
Commercial and industrial loans	205	91
Commercial leases	—	5
Consumer and other	426	473
Total Non-Real Estate	1,045	702
Total recoveries	1,375	1,919
Net (charge-offs) recoveries	(4,396)	(4,167)
Provision for loan losses	3,684	3,656
Balance at end of year	\$ 30,926	\$ 23,518
Ratios:		
Net loan charge-offs to average loans	0.17 %	0.18 %
Net loan charge-offs to loans at end of year	0.16 %	0.17 %
Allowance for loan and lease losses to loans at end of year	1.13 %	0.93 %
Net loan charge-offs to allowance for loan and lease losses	14.21 %	17.72 %
Net loan charge-offs to provision charged to expense	119.33 %	113.98 %

A provision for credit losses of \$3.7 million was made during each of the years ended December 31, 2023 and 2022. The provisions made in 2023 included a \$0.1 million negative provision for credit losses related to unfunded commitments and a \$0.1 million provision for credit losses on HTM securities. The provisions made were taken to provide for current credit losses and to maintain the allowance proportionate to risks inherent in the loan portfolio.

The loan portfolio factors in 2023 that primarily affected the allocation of the allowance included the following:

- The adoption of the CECL methodology under ASU 2016-13 was the largest contributor to changes in both the size and allocation of the allowance for credit losses. First Guaranty also made adjustments of certain qualitative factors to take into account the current estimated impact of COVID-19, changes in other market conditions, loan concentrations including those related to commercial real estate and loan relationships and related economic conditions on borrowers' ability to repay loans and for allocations to individually evaluated for impairment loans within their respective categories.
- Construction and land development loans increased during 2023 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, 2023. The allowance increase related to this portfolio was due to growth in the portfolio along with changes in the qualitative analysis of the portfolio and the adoption of CECL.
- One-to-four family residential loans increased during 2023. The allowance increase related to this portfolio was due to changes in the qualitative analysis of the portfolio, portfolio growth, and also the adoption of CECL.
- Multifamily loans decreased during 2023. The allowance related to this portfolio increased due primarily to the adoption of CECL.
- Non-farm non-residential loans increased during 2023. The allowance increase related to this portfolio was due primarily to growth in the portfolio and also to the adoption of CECL.
- Commercial and industrial loans decreased during 2023. The allowance increase related to this portfolio was due to the adoption of the CECL methodology.
- Commercial leases decreased during 2023. The allowance decrease related to this portfolio was due to the reduction in this portfolio and due to changes in the qualitative analysis of the portfolio. Commercial leases declined during 2023 from \$317.6 million at December 31, 2022 to \$285.4 million at December 31, 2023.
- Consumer and other loans increased during 2023. The decrease in the related loan loss allowance balance was due primarily to qualitative analysis, charge-offs on consumer loans and the adoption of the CECL methodology.

First Guaranty charged off \$5.8 million in loan balances during the year ended December 31, 2023 as compared to \$6.1 million for 2022. Recoveries totaled \$1.4 million for the year ended December 31, 2023 and \$1.9 million during 2022. The details of the \$5.8 million in charged-off loans were as follows:

1. First Guaranty charged off \$0.3 million in consumer loans related to Hurricane Ida relief loans during 2023. These loans were originated in the Fall of 2021 following Hurricane Ida that impacted Southeast Louisiana on August 29, 2021.
2. First Guaranty charged off \$0.8 million on a real estate secured loan in the fourth quarter of 2023. This loan had no remaining principal balance at December 31, 2023. This loan was previously acquired in the 2019 Union Bancshares acquisition.
3. First Guaranty charged off \$0.3 million on a commercial and industrial loan during the fourth quarter of 2023. This loan had no remaining principal balance at December 31, 2023.
4. Smaller loans and overdrawn deposit accounts comprised the remaining \$4.4 million of charge-offs for 2023. These charge offs were concentrated in equipment, vehicle, and unsecured loans.

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,					
	2023			2022		
	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
<i>(dollars in thousands)</i>						
Real Estate:						
Construction and land development	\$ 5,845	18.9 %	14.5 %	\$ 1,232	5.2 %	9.2 %
Farmland	36	0.1 %	1.2 %	83	0.4 %	1.0 %
1- 4 family	6,653	21.5 %	16.1 %	1,761	7.5 %	14.5 %
Multifamily	1,614	5.2 %	4.3 %	746	3.2 %	4.7 %
Non-farm non-residential	10,596	34.3 %	37.9 %	9,280	39.5 %	39.3 %
Non-Real Estate:						
Agricultural	97	0.3 %	1.5 %	240	1.0 %	1.5 %
Commercial and industrial	2,711	8.8 %	12.1 %	2,194	9.3 %	15.3 %
Commercial leases	1,948	6.3 %	10.4 %	4,879	20.7 %	12.6 %
Consumer and other	1,426	4.6 %	2.0 %	2,506	10.7 %	1.9 %
Unallocated	—	— %	—	597	2.5 %	—
Total Allowance	\$ 30,926	100.0 %	100.0 %	\$ 23,518	100.0 %	100.0 %

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

	December 31, 2023			December 31, 2022		
	Net (Charge-offs) Recoveries	Average Loans Outstanding ¹	Net Charge-offs During Period to Average Loans Outstanding	Net (Charge-offs) Recoveries	Average Loans Outstanding ¹	Net Charge-offs During Period to Average Loans Outstanding
<i>(in thousands except for %)</i>						
Real Estate:						
Construction & land development	\$ 7	\$ 333,107	— %	\$ 275	\$ 203,364	0.1 %
Farmland	—	29,089	— %	—	27,343	— %
1- 4 Family	(871)	414,007	(0.2) %	(18)	330,752	— %
Multifamily	—	120,522	— %	452	103,194	0.4 %
Non-farm non-residential	92	1,037,722	— %	(254)	957,858	— %
Non-Real Estate:						
Agricultural	414	44,308	0.9 %	(327)	38,175	(0.9) %
Commercial and industrial	(1,489)	343,041	(0.4) %	(472)	390,183	(0.1) %
Commercial leases	—	290,559	— %	(145)	273,367	(0.1) %
Consumer and other	(2,549)	49,370	(5.2) %	(3,678)	48,301	(7.6) %

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

Investment Securities

Investment securities at December 31, 2023 totaled \$404.1 million, a decrease of \$47.4 million, or 10.5%, compared to \$451.5 million at December 31, 2022. The portfolio consists of both available for sale (AFS) and held to maturity securities (HTM). The securities designated as held to maturity are agency and corporate debt securities that are part of First Guaranty's investment strategy and public funds collateralization program. 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, 2023, the U.S. Government and Government agency securities and municipal bonds qualified as securities available to collateralize public funds. Securities pledged as collateral totaled \$192.2 million at December 31, 2023 and \$260.8 million at December 31, 2022. 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.

Our available for sale securities portfolio totaled \$83.5 million at December 31, 2023, a decrease of \$48.0 million, or 36.5%, compared to \$131.5 million at December 31, 2022. The decrease was primarily due to the maturity of U.S. Treasury securities.

Our held to maturity securities portfolio had an amortized cost of \$320.6 million, net of allowance at December 31, 2023, compared to \$320.1 million at December 31, 2022.

There were no credit related impairment of available for sale securities during 2023. An allowance for credit losses of \$0.1 million for held to maturity securities was recorded upon the adoption of ASC 326. There was one charge-off, net of recovery of \$0.1 million recognized on a corporate security classed as held to maturity during 2023. There was a provision of \$0.1 million was recorded in the third quarter of 2023. The allowance for credit losses for held to maturity securities was \$0.1 million at December 31, 2023.

The following tables set forth the stated maturities and weighted average yields of our investment securities at December 31, 2023.

	At December 31, 2023							
	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
<i>(in thousands except for %)</i>								
Available for sale:								
U.S. Treasuries	\$ 49,830	1.0 %	\$ —	— %	\$ —	— %	\$ —	— %
U.S. Government Agencies	—	— %	—	— %	—	— %	2.3	— %
Corporate debt securities	—	— %	—	— %	15,474	5.4 %	—	— %
Municipal bonds	807	3.4 %	2,763	3.6 %	3,290	4.3 %	6,321	3.5 %
Mortgage-backed securities	—	— %	1	3.4 %	4	5.4 %	4,995	5.0 %
Total available for sale securities	\$ 50,637	1.0 %	\$ 2,764	3.6 %	\$ 18,768	5.2 %	\$ 11,316	4.2 %
Held to maturity:								
U.S. Government Agencies	\$ —	— %	\$ —	— %	\$ 62,756	2.3 %	\$ 203,140	2.5 %
Corporate debt securities	\$ —	— %	\$ 2,004	3.1 %	\$ 52,818	3.2 %	\$ —	— %
Total held to maturity securities	\$ —	— %	\$ 2,004	3.1 %	\$ 115,574	2.7 %	\$ 203,140	2.5 %

At December 31, 2023, \$50.6 million, or 12.5%, 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 \$209.5 million, or 51.8%, of the total portfolio at December 31, 2023. 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.

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, 2022 to December 31, 2023, total deposits increased \$285.3 million, or 10.5%, to \$3.0 billion. Noninterest-bearing demand deposits decreased \$81.7 million, or 15.6% to \$442.8 million at December 31, 2023. The decrease in noninterest-bearing demand deposits was primarily due to increased competition in the marketplace for interest bearing deposits. Interest-bearing demand deposits increased \$66.4 million, or 4.5%, to \$1.5 billion at December 31, 2023. The increase in interest-bearing demand deposits was primarily concentrated in public funds interest-bearing demand deposits. Savings deposits increased \$13.2 million, or 6.4%, to \$219.0 million at December 31, 2023, primarily related to increases in business and individual savings deposits. Time deposits increased \$287.4 million, or 53.9%, to \$820.7 million at December 31, 2023, primarily due to increases in consumer and business time deposits along with increased brokered time deposits of approximately \$175.6 million. These new brokered time deposits had maturities of two and three years. The proceeds from the new deposits were used to reduce short-term FHLB borrowings.

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.

At December 31, 2023, public funds deposits totaled \$1.2 billion compared to \$1.1 billion at December 31, 2022. Public funds time deposits totaled \$50.9 million at December 31, 2023 compared to \$32.4 million at December 31, 2022. Public funds deposits increased due to new balances from existing customers that was primarily attributed to seasonal fluctuations. First Guaranty has developed a program for the retention and management of public funds deposits. Since the end of 2012, First Guaranty has 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 \$591.7 million at December 31, 2023 compared to \$576.3 million at December 31, 2022.

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

	At December 31,	
	2023	2022
<i>(in thousands except for %)</i>		
Public Funds:		
Noninterest-bearing Demand	\$ 6,471	\$ 11,730
Interest-bearing Demand	1,090,527	1,022,760
Savings	46,606	46,354
Time	50,934	32,427
Total Public Funds	\$ 1,194,538	\$ 1,113,271
Total Deposits	\$ 3,009,094	\$ 2,723,792
Total Public Funds as a percent of Total Deposits	39.7 %	40.9 %

At December 31, 2023, the aggregate amount of outstanding certificates of deposit in amounts greater than or equal to \$250,000 was approximately \$196.9 million. At December 31, 2023, approximately \$34.6 million of our certificates of deposit greater than or equal to \$250,000 had a remaining term greater than one year.

The total amount of our uninsured deposits (deposits in excess of \$250,000, as calculated in accordance with FDIC regulations) was estimated at \$302.6 million at December 31, 2023. This total excludes public funds deposits that are collateralized by securities or FHLB letters of credit. The amount of uninsured deposits including collateralized public funds deposits was estimated at \$880.6 million at December 31, 2023.

The following table sets forth the maturity of certificates of deposits greater than \$250,000 at December 31, 2023.

<i>(in thousands)</i>	December 31, 2023	
Three months or less	\$	76,884
Three to six months		27,222
Six months to one year		39,559
One to three years		19,612
More than three years		4,105
Total certificates of deposit greater than \$250,000	\$	167,382

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 \$66.3 million in short-term borrowings outstanding at December 31, 2023 compared to \$146.4 million outstanding at December 31, 2022. The short-term borrowings at December 31, 2023 were comprised of short-term Federal Home Loan Bank advances of \$50.0 million, a line of credit of \$20.0 million with an outstanding balance of \$10.0 million and repurchase agreements of \$6.3 million. The short-term borrowings outstanding at December 31, 2022 were comprised of \$120.0 million of short-term Federal Home Loan Bank advances of \$120.0 million, a line of credit of \$20.0 million with an outstanding balance of \$20.0 million and repurchase agreements of \$6.4 million. First Guaranty had available lines of credit of \$20.0 million, with \$10.0 million outstanding at December 31, 2023. A net availability of \$10.0 million remained.

First Guaranty had long-term borrowings from the FHLB that totaled \$155.0 million at December 31, 2023. First Guaranty converted previous short-term floating rate borrowings from the FHLB into long-term lower fixed rate borrowings in order to reduce interest expense. First Guaranty has a \$20.0 million FHLB advance that matures in the first quarter of 2025, a \$100.0 million FHLB advance that matures in the second quarter of 2027, and \$35.0 million FHLB advance that matures in the third quarter of 2027.

At December 31, 2023, we had \$513.3 million in FHLB letters of credit outstanding obtained primarily for collateralizing public deposits compared to \$388.6 million at December 31, 2022.

First Guaranty had senior long-term debt totaling \$39.1 million at December 31, 2023 and \$21.9 million at December 31, 2022. The change in senior long-term debt occurred when First Guaranty refinanced its outstanding balance on a revolving line of credit into a long term credit facility in October 2023.

First Guaranty also had subordinated debt totaling \$15.0 million at December 31, 2023 and \$15.0 million at December 31, 2022.

Shareholders' Equity

Total shareholders' equity increased to \$249.6 million at December 31, 2023 from \$235.0 million at December 31, 2022. The increase in shareholders' equity was principally the result of an increase of \$19.0 million in surplus and a \$2.3 million decrease in accumulated other comprehensive loss, partially offset by a decrease of \$8.4 million in retained earnings. The \$19.0 million increase in surplus was due to common stock issued in private placements and common stock issued under the Equity Bonus Plan during 2023. The decrease in accumulated other comprehensive loss was primarily attributed to the decrease in unrealized losses on available for sale securities during the year ended December 31, 2023. The \$8.4 million decrease in retained earnings was primarily due to the adoption of CECL which had a \$7.9 million after tax reduction to retained earnings, \$7.4 million in cash dividends paid on shares of our common stock and \$2.3 million in cash dividends paid on shares of our preferred stock, partially offset by net income of \$9.2 million during the year ended December 31, 2023.

Results of Operations

A discussion regarding significant changes in our financial condition from December 31, 2021 to December 31, 2022 and our results of operations for the year ended December 31, 2021 can be found under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC on March 16, 2023, which is available on the SEC's website at www.sec.gov and on our website, www.fgb.net.

Performance Summary

Year ended December 31, 2023 compared with year ended December 31, 2022. Net income for the year ended December 31, 2023 was \$9.2 million, a decrease of \$19.7 million, or 68.1%, as compared to \$28.9 million for the year ended December 31, 2022. The decrease in net income of \$19.7 million for the year ended December 31, 2023 was the result of several factors. First Guaranty experienced an increase in interest income. This increased income was offset by an increase in interest expense, an increase in the provision for credit losses, 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 and repricing of existing loans to higher market rates, including loan fees recognized as an adjustment to yield. Securities interest income increased due to an increase in the average yield of the investment portfolio. Factors that offset the increase in net income included an increase in interest expense due to increases in volume and market interest rates. The increase in the provision was related to changes within the portfolio. Noninterest income decreased primarily due a decrease on the sale of loans. Noninterest expense increased primarily due to increased personnel expenses, legal and professional fees, software expense, regulatory assessment, and data processing expenses. Earnings per common share for the years ended December 31, 2023 was \$0.62 per common share, a decrease of 75.0% or \$1.86 per common share from \$2.48 per common share for the year ended December 31, 2022.

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, SOFR 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. These rates increased in 2022 and 2023 due to the impact of inflation and the Federal Reserve's actions to reduce inflation by increasing interest rates. 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, 2023 compared with year ended December 31, 2022 Net interest income for the years ended December 31, 2023 and 2022 was \$84.7 million and \$100.0 million, respectively. The decrease in net interest income for the year ended December 31, 2023 as compared to the prior year was primarily due to an increase in the average balance of our total interest-bearing liabilities and an increase in the average rate of our total interest-bearing liabilities, partially offset by an increase in the average balance of our total interest-earning assets and an increase in the average yield of our total interest-earning assets. For the year ended December 31, 2023, the average balance of our total interest-bearing liabilities increased by \$320.8 million to \$2.5 billion due to growth in interest-bearing deposits and borrowings. The average rate of our total interest-bearing liabilities increased by 224 basis points to 3.90% from 1.66% for the year ended 2022. The rise in market interest rates, particularly associated with Treasury rates, contributed to the increase in our liabilities cost. The primary source of the increase in liabilities cost was associated with interest bearing demand deposits for public funds that are primarily indexed to Treasury rates. For the year ended December 31, 2023, the average balance of our total interest-earning assets increased by \$267.2 million to \$3.1 billion due to an improved mix of higher yielding assets. The average yield of our interest-earning assets increased by 107 basis points to 5.81% from 4.74% for the year ended December 31, 2022 due to an improved mix of higher yielding assets. As a result, our net interest rate spread decreased 117 basis points to 1.91% for the year ended December 31, 2023 from 3.08% for the year ended December 31, 2022. Our net interest margin decreased 78 basis points to 2.69% for the year ended December 31, 2023 from 3.47% for the year ended December 31, 2022.

Interest Income

Year ended December 31, 2023 compared with year ended December 31, 2022 Interest income increased \$46.4 million, or 34.0%, to \$183.0 million for the year ended December 31, 2023 as compared to the prior year. First Guaranty's loan portfolio expanded during 2023 due to growth associated with our loan originations and existing loans repriced to higher market rates. These factors contributed to the increase in interest income as the average balance of our total interest-earning assets, primarily associated with loans, increased, and the average yield of interest-earning assets increased. The average balance of our interest-earning assets increased \$267.2 million to \$3.1 billion for the year ended December 31, 2023 as compared to the prior year. The average yield of interest-earning assets increased by 107 basis points to 5.81% for the year ended December 31, 2023 compared to 4.74% for the year ended December 31, 2022.

Interest income on securities increased \$0.4 million to \$9.6 million for the year ended December 31, 2023 as compared to the prior year primarily as a result of an increase in average yield of securities. The average yield on securities increased by 26 basis points to 2.31% for the year ended December 31, 2023 from 2.05% for the year ended December 31, 2022 due to the decrease in lower yielding Treasury securities that matured in 2023. The average balance of securities decreased \$36.7 million to \$415.5 million for the year ended December 31, 2023 from \$452.2 million for the year ended December 31, 2022 primarily due to a decrease in the average balance of our U.S. Treasuries securities portfolio compared to the prior year.

Interest income on loans increased \$41.1 million, or 32.6%, to \$167.1 million for the year ended December 31, 2023 as a result of an increase in the average balance and average yield of loans. The average balance of loans (excluding loans held for sale) increased by \$308.8 million to \$2.6 billion for the year ended December 31, 2023 from \$2.3 billion for the year ended December 31, 2022 as a result of new loan originations. The average yield on loans (excluding loans held for sale) increased by 93 basis points to 6.41% for the year ended December 31, 2023 from 5.48% for the year ended December 31, 2022 due to the improved mix of loans along with an increase in market interest rates.

Interest Expense

Year ended December 31, 2023 compared with year ended December 31, 2022 Interest expense increased \$61.8 million, or 169.1%, to \$98.3 million for the year ended December 31, 2023 from \$36.5 million for the year ended December 31, 2022 due primarily to an increase in market interest rates and due to an increase in the average balance of interest-bearing liabilities. The average rate of interest-bearing demand deposits increased by 259 basis points during the year ended December 31, 2023 to 4.16% as compared to 1.57% for the prior year. The increase in market interest rates, particularly U.S. Treasury rates, contributed to the increase in rates paid on interest-bearing demand deposits. The largest concentration of interest-bearing demand deposits is associated with public funds deposits that are primarily indexed to Treasury rates. Treasury rates increased as the Federal Reserve increased rates to address increased inflation in the U.S. economy. The average rate of time deposits increased 163 basis points during the year ended December 31, 2023 to 3.58% as compared to 1.95% for the prior year. The increase in the average rate of time deposits was due to changes in market rates. The average balance of interest-bearing liabilities increased by \$320.8 million during the year ended December 31, 2023 to \$2.5 billion. This increase was a result of a \$86.2 million increase in the average balance of interest-bearing demand deposits, a \$0.7 million increase in the average balance of savings deposits, a \$122.9 million increase in the average balance of time deposits, and a \$111.1 million increase in the average balance of borrowings.

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, 2023			December 31, 2022		
	Average Balance	Interest	Yield/Rate	Average Balance	Interest	Yield/Rate
<i>(in thousands except for %)</i>						
Assets						
Interest-earning assets:						
Interest-earning deposits with banks(1)	\$ 125,417	\$ 6,268	5.00 %	\$ 130,406	\$ 1,324	1.02 %
Securities (including FHLB stock)	415,504	9,601	2.31 %	452,213	9,250	2.05 %
Federal funds sold	374	—	— %	256	—	— %
Loans held for sale	—	—	— %	—	—	— %
Loans, net of unearned income (6)	2,607,074	167,140	6.41 %	2,298,273	126,002	5.48 %
Total interest-earning assets	3,148,369	183,009	5.81 %	2,881,148	136,576	4.74 %
Noninterest-earning assets:						
Cash and due from banks	18,729			18,833		
Premises and equipment, net	61,733			58,197		
Other assets	27,514			29,509		
Total Assets	\$ 3,256,345			\$ 2,987,687		
Liabilities and Shareholders' Equity						
Interest-bearing liabilities:						
Demand deposits	\$ 1,448,597	60,243	4.16 %	\$ 1,362,396	21,419	1.57 %
Savings deposits	213,025	3,554	1.67 %	212,329	915	0.43 %
Time deposits	669,661	23,967	3.58 %	546,776	10,682	1.95 %
Borrowings	187,019	10,540	5.64 %	75,962	3,518	4.63 %
Total interest-bearing liabilities	2,518,302	98,304	3.90 %	2,197,463	36,534	1.66 %
Noninterest-bearing liabilities:						
Demand deposits	481,456			552,786		
Other	18,672			9,669		
Total Liabilities	3,018,430			2,759,918		
Shareholders' Equity	237,915			227,769		
Total Liabilities and Shareholders' Equity	\$ 3,256,345			\$ 2,987,687		
Net interest income		\$ 84,705			\$ 100,042	
Net interest rate spread(2)			1.91 %			3.08 %
Net interest-earning assets(3)	\$ 630,067			\$ 683,685		
Net interest margin(4)(5)			2.69 %			3.47 %
Average interest-earning assets to interest-bearing liabilities			125.02 %			131.11 %

(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 2.69% and 3.48% for the years ended December 31, 2023 and 2022. A 21% tax rate was used to calculate the effect on securities income from tax exempt securities for the years ended December 31, 2023 and 2022.

(6) Includes loan fees of \$6.0 million and \$7.8 million for the years ended December 31, 2023 and 2022. PPP loan fee income of \$16,000 and \$1.3 million was recognized for the years ended December 31, 2023 and 2022, 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, 2023 vs. 2022		
	Increase (Decrease) Due To		
	Volume	Rate	Increase/ Decrease
<i>(in thousands except for %)</i>			
Interest earned on:			
Interest-earning deposits with banks	\$ (52)	\$ 4,996	\$ 4,944
Securities (including FHLB stock)	(788)	1,139	351
Federal funds sold	—	—	—
Loans held for sale	—	—	—
Loans, net of unearned income	18,198	22,940	41,138
Total interest income	17,358	29,075	46,433
Interest paid on:			
Demand deposits	1,437	37,387	38,824
Savings deposits	3	2,636	2,639
Time deposits	2,825	10,460	13,285
Borrowings	6,115	907	7,022
Total interest expense	10,380	51,390	61,770
Change in net interest income	\$ 6,978	\$ (22,315)	\$ (15,337)

Provision for Credit and Loan Losses

A provision for credit and loan losses is a charge to income in an amount that management believes is necessary to maintain an adequate allowance for credit losses. The allowance for credit losses is calculated under ASC 326 and is management's evaluation of expected credit losses over the life of the loans in the portfolio. 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. Past events, current conditions, and reasonable forecasts, along with quantitative and qualitative adjustments, are used in calculating the allowance for credit losses. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available or as future events change.

We recorded a \$3.7 million provision for credit losses for the year ended December 31, 2023 compared to \$3.7 million for 2022. The \$3.7 million provision included a \$0.1 million negative provision for credit losses related to unfunded commitments and a \$0.1 million provision for credit losses on HTM securities. Total charge-offs were \$5.8 million for year ended December 31, 2023 and \$6.1 million for 2022. Charge-offs for 2023 were concentrated in consumer relief loans associated with Hurricane Ida, a non-farm non-residential loan, and a commercial and industrial loan. Hurricane Ida consumer relief loans charge-offs totaled \$0.3 million during 2023. Partially offsetting these charge-offs were recoveries that totaled \$1.4 million for the year ended December 31, 2023 and \$1.9 million for the same period in 2022.

We believe that the allowance is adequate to cover expected losses in the loan portfolio. Economic uncertainty may result in additional increases to the allowance for credit losses in future periods.

Noninterest Income

Our primary sources of recurring noninterest income are customer service fees, ATM and debit card fees, loan fees, gains on the sales 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 \$10.6 million for the year ended December 31, 2023, a decrease of \$0.4 million from \$11.0 million for the year ended December 31, 2022. The decrease was primarily due to reduced gains on the sale of loans. Net securities losses were \$0 for the year ended December 31, 2023 as compared to net securities losses of \$17,000 for 2022. Service charges, commissions and fees totaled \$3.4 million for the year ended December 31, 2023 as compared to \$3.2 million for 2022. ATM and debit card fees totaled \$3.2 million for the year ended December 31, 2023 and \$3.4 million for 2022. Net gains on the sale of loans were \$12,000 for the year ended December 31, 2023 and \$1.8 million for 2022. Other noninterest income totaled \$3.9 million and \$2.7 million for the years ended December 31, 2023 and 2022, respectively.

Noninterest Expense

Noninterest expense includes salaries and employee benefits, occupancy and equipment expense and other types of expenses. Noninterest expense totaled \$79.7 million for the year ended December 31, 2023 and \$71.0 million for the year ended December 31, 2022. Salaries and benefits expense totaled \$40.4 million for the year ended December 31, 2023 and \$36.7 million for the year ended December 31, 2022. The increase was primarily due to the increase in personnel expense from new hires. Occupancy and equipment expense totaled \$9.0 million for the year ended December 31, 2023 and \$8.9 million for the year ended December 31, 2022. Other noninterest expense totaled \$30.2 million for the year ended December 31, 2023 and \$25.4 million for 2022. The largest increase in other noninterest expense was a \$1.5 million increase in legal fees, which included a \$0.6 million settlement payment to the SEC and legal fees related to the proposed merger with Lone Star Bank. Regulatory assessments increased \$1.1 million to \$3.1 million in 2023, compared to \$2.0 million in 2022.

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

<i>(in thousands)</i>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Other noninterest expense:		
Legal and professional fees	\$ 5,709	\$ 4,159
Data processing	2,100	1,596
ATM fees	1,804	1,750
Marketing and public relations	1,927	1,747
Taxes - sales, capital, and franchise	2,263	1,949
Operating supplies	778	728
Software expense and amortization	5,282	4,191
Travel and lodging	1,362	1,236
Telephone	382	406
Amortization of core deposits	696	696
Donations	595	638
Net costs from other real estate and repossessions	157	393
Regulatory assessment	3,136	1,997
Other	4,032	3,888
Total other expense	<u><u>\$ 30,223</u></u>	<u><u>\$ 25,374</u></u>

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 and the statutory tax rate. The provision for income taxes for the years ended December 31, 2023 and 2022 was \$2.7 million and \$7.5 million, respectively. The provision for income taxes in 2023 decreased as compared to 2022 due to the decrease in income before income taxes. First Guaranty's statutory tax rate was 21.0% for the years ended December 31, 2023 and 2022.

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 deflation.

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.

The Federal Reserve increased interest rates during 2022 and 2023 to address rising inflation in the U.S. The impact of rising interest rates associated with inflation impacted First Guaranty's net interest income and net interest margin along with the value of its financial assets.

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.

(in thousands except for %)	At or For the Years Ended December 31,				
	2023	2022	2021	2020	2019
Year End Balance Sheet Data:					
Investment securities	\$ 404,123	\$ 451,526	\$ 364,156	\$ 238,548	\$ 426,516
Federal funds sold	\$ 341	\$ 423	\$ 183	\$ 702	\$ 914
Loans, net of unearned income	\$ 2,748,708	\$ 2,519,077	\$ 2,159,359	\$ 1,844,135	\$ 1,525,490
Allowance for loan and lease losses	\$ 30,926	\$ 23,518	\$ 24,029	\$ 24,518	\$ 10,929
Total assets	\$ 3,552,772	\$ 3,151,347	\$ 2,878,120	\$ 2,473,078	\$ 2,117,216
Total deposits	\$ 3,009,094	\$ 2,723,792	\$ 2,596,492	\$ 2,166,318	\$ 1,853,013
Borrowings	\$ 275,396	\$ 183,369	\$ 49,635	\$ 116,630	\$ 86,747
Shareholders' equity	\$ 249,631	\$ 234,991	\$ 223,889	\$ 178,591	\$ 166,035
Common shareholders' equity	\$ 216,573	\$ 201,933	\$ 190,831	\$ 178,591	\$ 166,035
Performance Ratios and Other Data:					
Return on average assets	0.28 %	0.97 %	1.01 %	0.87 %	0.76 %
Return on average common equity	3.36 %	13.64 %	14.06 %	11.36 %	8.99 %
Return on average tangible assets (1)	0.30 %	0.99 %	1.04 %	0.90 %	0.78 %
Return on average tangible common equity (1)	3.98 %	15.31 %	15.98 %	13.08 %	9.68 %
Net interest margin	2.69 %	3.47 %	3.44 %	3.35 %	3.41 %
Average loans to average deposits	92.69 %	85.94 %	83.65 %	81.25 %	78.59 %
Efficiency ratio (2)	83.62 %	63.94 %	63.63 %	58.95 %	67.48 %
Efficiency ratio (excluding amortization of intangibles and securities transactions) (2)	82.89 %	63.30 %	63.32 %	68.44 %	66.77 %
Full time equivalent employees (year end)	491	472	470	429	431

(Footnotes follow on next page)

At or For the Years Ended December 31,

(in thousands except for % and share data)

	2023	2022	2021	2020	2019
Capital Ratios:					
Average shareholders' equity to average assets	7.31 %	7.62 %	7.65 %	7.62 %	8.42 %
Average tangible equity to average tangible assets (3)	6.82 %	7.08 %	7.02 %	6.86 %	8.02 %
Common shareholders' equity to total assets	6.10 %	6.41 %	6.63 %	7.22 %	7.84 %
Tangible common equity to tangible assets (3)	5.65 %	5.89 %	6.04 %	6.51 %	6.99 %
Income Data:					
Interest income	\$ 183,009	\$ 136,576	\$ 111,917	\$ 100,684	\$ 91,643
Interest expense	\$ 98,304	\$ 36,534	\$ 22,299	\$ 26,017	\$ 29,966
Net interest income	\$ 84,705	\$ 100,042	\$ 89,618	\$ 74,667	\$ 61,677
Provision for loan losses	\$ 3,714	\$ 3,656	\$ 2,055	\$ 14,877	\$ 4,860
Noninterest income (excluding securities transactions)	\$ 10,577	\$ 11,026	\$ 10,046	\$ 8,989	\$ 8,456
Securities (losses) gains	\$ —	\$ (17)	\$ 714	\$ 14,791	\$ (157)
Noninterest expense	\$ 79,672	\$ 71,005	\$ 63,868	\$ 58,033	\$ 47,219
Earnings before income taxes	\$ 11,896	\$ 36,390	\$ 34,455	\$ 25,537	\$ 17,897
Net income	\$ 9,219	\$ 28,884	\$ 27,297	\$ 20,318	\$ 14,241
Net income available to common shareholders	\$ 6,890	\$ 26,556	\$ 25,913	\$ 20,318	\$ 14,241
Per Common Share Data:					
Net earnings	\$ 0.62	\$ 2.48	\$ 2.42	\$ 1.90	\$ 1.34
Cash dividends paid	\$ 0.64	\$ 0.64	\$ 0.60	\$ 0.58	\$ 0.54
Book value	\$ 17.36	\$ 18.84	\$ 17.81	\$ 16.66	\$ 15.49
Tangible book value (4)	\$ 16.03	\$ 17.23	\$ 16.13	\$ 14.92	\$ 13.68
Dividend payout ratio for Common and Preferred	105.20 %	31.81 %	28.49 %	30.68 %	40.74 %
Weighted average number of shares outstanding	11,165,303	10,716,796	10,716,796	10,716,796	10,666,055
Number of shares outstanding	12,475,424	10,716,796	10,716,796	10,716,796	10,716,796
Asset Quality Ratios:					
Non-performing assets to total assets	1.17 %	0.47 %	0.70 %	1.25 %	1.04 %
Non-performing assets to total loans	1.52 %	0.59 %	0.93 %	1.68 %	1.44 %
Non-performing loans to total loans	1.47 %	0.58 %	0.83 %	1.55 %	1.12 %
Loan loss reserve to non-performing assets	74.12 %	158.68 %	119.95 %	79.33 %	49.86 %
Net charge-offs to average loans	0.17 %	0.18 %	0.13 %	0.08 %	0.36 %
Provision for loan and lease loss to average loans	0.14 %	0.16 %	0.10 %	0.89 %	0.37 %
Allowance for loan and lease loss to total loans	1.13 %	0.93 %	1.11 %	1.33 %	0.72 %

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

Non-GAAP Financial Measures

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

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

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

(in thousands except for share data and %)	At December 31,				
	2023	2022	2021	2020	2019
Tangible Common Equity					
Total shareholders' equity	\$ 249,631	\$ 234,991	\$ 223,889	\$ 178,591	\$ 166,035
Adjustments:					
Preferred Stock	33,058	33,058	33,058	—	—
Goodwill	12,900	12,900	12,900	12,900	12,942
Acquisition intangibles	3,658	4,355	5,051	5,815	6,527
Other intangibles	100	—	—	—	—
Tangible common equity	\$ 199,915	\$ 184,678	\$ 172,880	\$ 159,876	\$ 146,566
Common shares outstanding	12,475,424	10,716,796	10,716,796	10,716,796	10,716,796
Book value per common share	\$ 17.36	\$ 18.84	\$ 17.81	\$ 16.66	\$ 15.49
Tangible book value per common share	\$ 16.03	\$ 17.23	\$ 16.13	\$ 14.92	\$ 13.68
Tangible Assets					
Total Assets	\$ 3,552,772	\$ 3,151,347	\$ 2,878,120	\$ 2,473,078	\$ 2,117,216
Adjustments:					
Goodwill	12,900	12,900	12,900	12,900	12,942
Acquisition intangibles	3,658	4,355	5,051	5,815	6,527
Other intangibles	100	—	—	—	—
Tangible Assets	\$ 3,536,114	\$ 3,134,092	\$ 2,860,169	\$ 2,454,363	\$ 2,097,747
Tangible common equity to tangible assets	5.65 %	5.89 %	6.04 %	6.51 %	6.99 %

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:

(in thousands except for share data and %)	For the Year Ended December 31,				
	2023	2022	2021	2020	2019
GAAP-based efficiency ratio	83.62 %	63.94 %	63.63 %	58.95 %	67.48 %
Noninterest expense	\$ 79,672	\$ 71,005	\$ 63,868	\$ 58,033	\$ 47,219
Amortization of intangibles	696	696	764	711	390
Noninterest expense, excluding amortization	78,976	70,309	63,104	57,322	46,829
Net interest income	84,705	100,042	89,618	74,667	61,677
Noninterest income	10,577	11,009	10,760	23,780	8,299
Adjustments:					
Securities transactions	—	(17)	714	14,691	(157)
Noninterest income, excluding securities transactions	\$ 10,577	\$ 11,026	\$ 10,046	\$ 9,089	\$ 8,456
Efficiency ratio	82.89 %	63.30 %	63.32 %	68.44 %	66.77 %

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 \$286.5 million at December 31, 2023 compared to \$83.2 million at December 31, 2022. Loans maturing within one year or less at December 31, 2023 totaled \$357.7 million compared to \$372.1 million at December 31, 2022. At December 31, 2023, time deposits maturing within one year or less totaled \$503.7 million compared to \$312.9 million at December 31, 2022. Time deposits maturing after one year through three years totaled \$214.0 million at December 31, 2023 compared to \$183.0 million at December 31, 2022. Time deposits maturing after three years totaled \$103.0 million at December 31, 2023 compared to \$37.4 million at December 31, 2022. First Guaranty's held to maturity ("HTM") investment securities portfolio at December 31, 2023 was \$320.6 million or 79.3% of the investment portfolio compared to \$320.1 million at December 31, 2022. First Guaranty's available for sale ("AFS") portfolio was \$83.5 million, or 20.7% of the investment portfolio at December 31, 2023 compared to \$131.5 million, or 29.1% at December 31, 2022. 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 \$259.6 million and \$369.5 million at December 31, 2023 and December 31, 2022, respectively with \$205.0 million and \$120.0 million in FHLB advances outstanding at December 31, 2023 and December 31, 2022, respectively. The advances outstanding at December 31, 2023 were comprised of three long term advances totaling \$155.0 million and two short-term advances that totaled \$50.0 million. 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, 2023, we had outstanding letters of credit from the FHLB in the amount of \$513.3 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 one revolving line of credit totaling \$20.0 million secured by a pledge of the Bank's common stock, with a \$10.0 million outstanding balance at December 31, 2023. We also have a discount window line with the Federal Reserve Bank that totaled \$219.1 million at December 31, 2023. 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 \$249.6 million at December 31, 2023 from \$235.0 million at December 31, 2022. The increase in shareholders' equity was principally the result of an increase of \$19.0 million in surplus and a \$2.3 million decrease in accumulated other comprehensive loss, partially offset by a decrease of \$8.4 million in retained earnings. The \$19.0 million increase in surplus was due to common stock issued in private placements and common stock issued under the Equity Bonus Plan during 2023. The decrease in accumulated other comprehensive loss was primarily attributed to the decrease in unrealized losses on available for sale securities during the year ended December 31, 2023. The \$8.4 million decrease in retained earnings was primarily due to the adoption of CECL which had a \$7.9 million after tax reduction to retained earnings, \$7.4 million in cash dividends paid on shares of our common stock and \$2.3 million in cash dividends paid on shares of our preferred stock, partially offset by net income of \$9.2 million during the year ended December 31, 2023.

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, 2023, First Guaranty Bank was classified as well-capitalized. First Guaranty Bank's capital conservation buffer was 3.20% at December 31, 2023.

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

	"Well Capitalized Minimums"	At December 31, 2023	"Well Capitalized Minimums"	At December 31, 2022
Tier 1 Leverage Ratio	5.00 %	8.94 %	5.00 %	9.35 %
Tier 1 Risk-based Capital Ratio	8.00 %	10.31 %	8.00 %	10.31 %
Total Risk-based Capital Ratio	10.00 %	11.20 %	10.00 %	11.16 %
Common Equity Tier One Capital	6.50 %	10.31 %	6.50 %	10.31 %

Off-balance sheet commitments

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

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

The notional amounts of the financial instruments with off-balance sheet risk at December 31, 2023 and 2022 are as follows:

Contract Amount

(in thousands)

	December 31, 2023	December 31, 2022
Commitments to Extend Credit	\$ 304,218	\$ 246,968
Unfunded Commitments under lines of credit	\$ 214,546	\$ 253,906
Commercial and Standby letters of credit	\$ 13,971	\$ 14,222

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, 2023, 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, 2023 and 2022. The reserve for credit losses on unfunded commitments was \$2.8 million at December 31, 2023.

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, 2023 illustrated below reflects a liability-sensitive position with a negative cumulative gap on a one-year basis.

	December 31, 2023				
	Interest Sensitivity Within				
	3 Months Or Less	Over 3 Months thru 12 Months	Total One Year	Over One Year	Total
<i>(dollars in thousands)</i>					
Earning Assets:					
Loans (including loans held for sale)	\$ 681,614	\$ 327,423	\$ 1,009,037	\$ 1,739,671	\$ 2,748,708
Securities (including FHLB stock)	63,574	453	64,027	353,486	417,513
Federal Funds Sold	341	—	341	—	341
Other earning assets	273,237	—	273,237	—	273,237
Total earning assets	\$ 1,018,766	\$ 327,876	\$ 1,346,642	\$ 2,093,157	\$ 3,439,799
Source of Funds:					
Interest-bearing accounts:					
Demand deposits	\$ 1,526,628	\$ —	\$ 1,526,628	\$ —	\$ 1,526,628
Savings deposits	218,986	—	218,986	—	218,986
Time deposits	220,856	282,798	503,654	317,071	820,725
Short-term borrowings	60,000	—	60,000	6,115	66,115
Senior long-term debt	39,099	—	39,099	155,000	194,099
Junior subordinated debt	15,000	—	15,000	—	15,000
Noninterest-bearing, net	—	—	—	598,246	598,246
Total source of funds	\$ 2,080,569	\$ 282,798	\$ 2,363,367	\$ 1,076,432	\$ 3,439,799
Period gap	\$ (1,061,803)	\$ 45,078	\$ (1,016,725)	\$ 1,016,725	
Cumulative gap	\$ (1,061,803)	\$ (1,016,725)	\$ (1,016,725)	\$ —	
Cumulative gap as a percent of earning assets	(30.9)%	(29.6)%	(29.6)%		

Item 8 - Financial Statements and Supplementary Data

Griffith, DeLaney, Hillman & Lett, CPAs, PSC

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 consolidated balance sheets of First Guaranty Bancshares, Inc. and Subsidiary (First Guaranty) as of December 31, 2023 and 2022, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2023, 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, 2023, 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, 2023 and 2022, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2023, 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, 2023, based on criteria established in Internal Control—Integrated Framework (2013) issued by COSO.

Basis for Opinion

First Guaranty's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on First Guaranty's financial statements and an opinion on First Guaranty's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to First Guaranty in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

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

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

Critical Audit Matters

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

Allowance for Credit Losses

As described in Notes 1, 5 and 6 to the financial statements, at December 31, 2023, First Guaranty's total loans were \$2.7 billion and the associated allowance for credit losses balance was \$30.9 million. The allowance for credit losses is management's evaluation of expected credit losses over the life of the loans in the portfolio in accordance with Accounting Standards Codification ASC 326: Financial Instruments – Credit Losses. The Company uses the discounted cash flow method to estimate expected losses for all of the Company's loan segments that exhibit similar risk characteristics and loans that do not share risk characteristics are evaluated on an individual basis. For each loan segment, the Company generates cash flow projections at the instrument level adjusting payment expectations for estimated prepayment speed, curtailments, time to recovery, probability of default and loss given default. Additional qualitative adjustments are applied for risk factors that are not considered within the modeling process but are relevant in assessing the expected credit losses within the loan segments. Consideration is given to the following factors: changes in lending policies, procedures and strategies; changes in nature and volume of the portfolio; staff experience; changes in volume and trends in classified loans, delinquencies and nonaccruals; concentration risk; trends in underlying collateral values; external factors such as competition, legal and regulatory environment; changes in the quality of the loan review system; and economic conditions.

Auditing management's estimate of the allowances for loan credit losses, and more specifically the qualitative factor adjustments applied in the ACL, is a critical audit matter. The principal consideration for our determination of the critical audit matter is a high degree of subjectivity of the assumptions utilized in calculating the qualitative reserve component within the model. Furthermore, certain inputs and assumptions lack observable data and, therefore, applying audit procedures required a higher degree of auditor judgement and subjectivity due to the nature and extent of audit evidence and effort required to address this matter.

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

- Obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the reliability and accuracy of data used to calculate and estimate the various components of the ACL including:
 - Loan data completeness and accuracy,
 - Grouping of loans by segment,
 - Model inputs utilized,
 - Approval of model assumptions selected, and
 - Qualitative factors have been appropriately identified, are adequately supported, and accurately applied.
- Evaluated and tested the data and inputs utilized within the ACL calculation for completeness and accuracy including mathematical accuracy of the calculation.
- Evaluated the qualitative factors for appropriate identification and application including reasonableness of the basis for adjustment.
- Analyzed the total qualitative factor adjustment applied to each loan segment, in comparison to changes in the Company's quantitatively driven expected credit losses and loan segments and evaluated the appropriateness of the total qualitative factor adjustments applied in the overall allowance.



We have served as First Guaranty's auditor since 2022.

Ashland, Kentucky

March 15, 2024

FIRST GUARANTY BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

	December 31, 2023	December 31, 2022
Assets		
Cash and cash equivalents:		
Cash and due from banks	\$ 286,114	\$ 82,796
Federal funds sold	341	423
Cash and cash equivalents	286,455	83,219
Investment securities:		
Available for sale, at fair value	83,485	131,458
Held to maturity, at cost and net of allowance for credit losses of \$ 80 and \$ 0 (estimated fair value of \$ 253,584 and \$ 242,560 , respectively)	320,638	320,068
Investment securities	404,123	451,526
Federal Home Loan Bank stock, at cost	13,390	6,528
Loans held for sale	—	—
Loans, net of unearned income	2,748,708	2,519,077
Less: allowance for credit losses	30,926	23,518
Net loans	2,717,782	2,495,559
Premises and equipment, net	69,792	58,206
Goodwill	12,900	12,900
Intangible assets, net	4,298	4,979
Other real estate, net	1,250	113
Accrued interest receivable	15,713	13,002
Other assets	27,069	25,315
Total Assets	\$ 3,552,772	\$ 3,151,347
Liabilities and Shareholders' Equity		
Deposits:		
Noninterest-bearing demand	\$ 442,755	\$ 524,415
Interest-bearing demand	1,526,628	1,460,259
Savings	218,986	205,760
Time	820,725	533,358
Total deposits	3,009,094	2,723,792
Short-term advances from Federal Home Loan Bank	50,000	120,000
Short-term borrowings	10,000	20,000
Repurchase agreements	6,297	6,442
Accrued interest payable	11,807	4,289
Long-term advances from Federal Home Loan Bank	155,000	—
Senior long-term debt	39,099	21,927
Junior subordinated debentures	15,000	15,000
Other liabilities	6,844	4,906
Total Liabilities	3,303,141	2,916,356
Shareholders' Equity		
Preferred stock, Series A - \$ 1,000 par value - 100,000 shares authorized		
Non-cumulative perpetual; 34,500 shares issued and outstanding, respectively	\$ 33,058	\$ 33,058
Common stock, \$ 1 par value - 100,600,000 shares authorized; 12,475,424 and 10,716,796 shares issued and outstanding	12,475	10,717
Surplus	149,085	130,093
Retained earnings	67,972	76,351
Accumulated other comprehensive (loss) income	(12,959)	(15,228)
Total Shareholders' Equity	249,631	234,991
Total Liabilities and Shareholders' Equity	\$ 3,552,772	\$ 3,151,347

See Notes to Consolidated Financial Statements.

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

	Years Ended December 31,	
	2023	2022
<i>(in thousands, except share data)</i>		
Interest Income:		
Loans (including fees)	\$ 167,140	\$ 126,002
Deposits with other banks	6,268	1,324
Securities (including FHLB stock)	9,601	9,250
Federal funds sold	—	—
Total Interest Income	183,009	136,576
Interest Expense:		
Demand deposits	60,243	21,419
Savings deposits	3,554	915
Time deposits	23,967	10,682
Borrowings	10,540	3,518
Total Interest Expense	98,304	36,534
Net Interest Income	84,705	100,042
Less: Provision for credit losses	3,714	3,656
Net Interest Income after Provision for Credit Losses	80,991	96,386
Noninterest Income:		
Service charges, commissions and fees	3,401	3,160
ATM and debit card fees	3,242	3,406
Net gains (losses) on securities	—	(17)
Net gains on sale of loans	12	1,774
Other	3,922	2,686
Total Noninterest Income	10,577	11,009
Noninterest Expense:		
Salaries and employee benefits	40,422	36,699
Occupancy and equipment expense	9,027	8,932
Other	30,223	25,374
Total Noninterest Expense	79,672	71,005
Income Before Income Taxes	11,896	36,390
Less: Provision for income taxes	2,677	7,506
Net Income	9,219	28,884
Less: Preferred stock dividends	2,329	2,328
Net Income Available to Common Shareholders	\$ 6,890	\$ 26,556
Per Common Share:		
Earnings	\$ 0.62	\$ 2.48
Cash dividends paid	\$ 0.64	\$ 0.64
Weighted Average Common Shares Outstanding	11,165,303	10,716,796

See Notes to Consolidated Financial Statements

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

(in thousands)	Years Ended December 31,	
	2023	2022
Net Income	\$ 9,219	\$ 28,884
Other comprehensive income:		
Unrealized gains (losses) on securities:		
Unrealized holding gains (losses) arising during the period	2,872	(10,897)
Reclassification adjustments for losses (gains) included in net income	—	17
Change in unrealized gains (losses) on securities	2,872	(10,880)
Tax impact	(603)	2,285
Other comprehensive income (loss)	2,269	(8,595)
Comprehensive Income	\$ 11,488	\$ 20,289

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
Balance December 31, 2021	\$ 33,058	\$ 10,717	\$ 130,093	\$ 56,654	\$ (6,633)	\$ 223,889
Net income	—	—	—	7,585	—	7,585
Other comprehensive income (loss)	—	—	—	—	(7,425)	(7,425)
Preferred stock dividends	—	—	—	(582)	—	(582)
Cash dividends on common stock (\$ 0.16 per share)	—	—	—	(1,715)	—	(1,715)
Balance March 31, 2022	\$ 33,058	\$ 10,717	\$ 130,093	\$ 61,942	\$ (14,058)	\$ 221,752
Net income	—	—	—	8,124	—	8,124
Other comprehensive income (loss)	—	—	—	—	(1,043)	(1,043)
Preferred stock dividends	—	—	—	(582)	—	(582)
Cash dividends on common stock (\$ 0.16 per share)	—	—	—	(1,715)	—	(1,715)
Balance June 30, 2022	\$ 33,058	\$ 10,717	\$ 130,093	\$ 67,769	\$ (15,101)	\$ 226,536
Net income	—	—	—	8,053	—	8,053
Other comprehensive income (loss)	—	—	—	—	(855)	(855)
Preferred stock dividends	—	—	—	(582)	—	(582)
Cash dividends on common stock (\$ 0.16 per share)	—	—	—	(1,714)	—	(1,714)
Balance September 30, 2022	\$ 33,058	\$ 10,717	\$ 130,093	\$ 73,526	\$ (15,956)	\$ 231,438
Net income	—	—	—	5,122	—	5,122
Other comprehensive income	—	—	—	—	728	728
Preferred stock dividends	—	—	—	(582)	—	(582)
Cash dividends on common stock (\$ 0.16 per share)	—	—	—	(1,715)	—	(1,715)
Balance December 31, 2022	\$ 33,058	\$ 10,717	\$ 130,093	\$ 76,351	\$ (15,228)	\$ 234,991

	Preferred Stock \$ 1,000 Par	Common Stock \$ 1 Par	Surplus	Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total
Balance December 31, 2022	\$ 33,058	\$ 10,717	\$ 130,093	\$ 76,351	\$ (15,228)	\$ 234,991
Net income	—	—	—	3,468	—	3,468
Cumulative effect of adoption of ASC Topic 326, net of tax	—	—	—	(7,900)	—	(7,900)
Other comprehensive income	—	—	—	—	414	414
Preferred stock dividends	—	—	—	(582)	—	(582)
Cash dividends on common stock (\$ 0.16 per share)	—	—	—	(1,715)	—	(1,715)
Balance March 31, 2023	\$ 33,058	\$ 10,717	\$ 130,093	\$ 69,622	\$ (14,814)	\$ 228,676
Net income	—	—	—	2,676	—	2,676
Common stock issued in private placement, 714,287 shares	—	714	9,286	—	—	10,000
Other comprehensive income (loss)	—	—	—	—	(84)	(84)
Preferred stock dividends	—	—	—	(582)	—	(582)
Cash dividends on common stock (\$ 0.16 per share)	—	—	—	(1,829)	—	(1,829)
Balance June 30, 2023	\$ 33,058	\$ 11,431	\$ 139,379	\$ 69,887	\$ (14,898)	\$ 238,857
Net income	—	—	—	1,772	—	1,772
Other comprehensive income	—	—	—	—	605	605
Preferred stock dividends	—	—	—	(582)	—	(582)
Cash dividends on common stock (\$ 0.16 per share)	—	—	—	(1,830)	—	(1,830)
Balance September 30, 2023	\$ 33,058	\$ 11,431	\$ 139,379	\$ 69,247	\$ (14,293)	\$ 238,822
Net income	—	—	—	1,303	—	1,303
Common stock issued in private placement, 1,000,000 shares	—	1,000	9,000	—	—	10,000
Common stock issued under Equity Bonus Plan, 44,341 shares	—	44	706	—	—	750
Other comprehensive income	—	—	—	—	1,334	1,334
Preferred stock dividends	—	—	—	(582)	—	(582)
Cash dividends on common stock (\$ 0.16 per share)	—	—	—	(1,996)	—	(1,996)
Balance December 31, 2023	\$ 33,058	\$ 12,475	\$ 149,085	\$ 67,972	\$ (12,959)	\$ 249,631

See Notes to Consolidated Financial Statements

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

	Years Ended December 31,	
	2023	2022
<i>(in thousands)</i>		
Cash Flows From Operating Activities:		
Net income	\$ 9,219	\$ 28,884
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	3,714	3,656
Depreciation and amortization	4,026	4,109
Amortization/Accretion of investments	987	1,801
(Gain) loss on sale/call of securities	—	17
Gain on sale of assets	(35)	(1,857)
Reposessed asset write downs, gains and losses on dispositions	150	96
FHLB stock dividends	(358)	(20)
Change in other assets and liabilities, net	4,011	179
Net Cash Provided by Operating Activities	21,714	36,865
Cash Flows From Investing Activities:		
Proceeds from maturities, calls and sales of AFS securities	51,406	52,986
Funds invested in AFS securities	(2,626)	(153,053)
Proceeds from maturities and calls of HTM securities	289	—
Proceeds from sale/redemption of Federal Home Loan Bank stock	2,425	2,182
Funds invested in Federal Home Loan Bank stock	(8,929)	(7,331)
Funds invested in intangibles	(100)	—
Net increase in loans	(234,123)	(362,543)
Purchases of premises and equipment	(14,855)	(2,643)
Proceeds from sales of premises and equipment	324	70
Proceeds from sales of other real estate owned	101	2,421
Net Cash Used In Investing Activities	(206,088)	(467,911)
Cash Flows From Financing Activities:		
Net increase in deposits	285,302	127,300
Net (decrease) increase in federal funds purchased and short-term borrowings	(80,145)	140,003
Proceeds of long-term borrowings, net of costs	195,097	—
Repayment of long-term borrowings	(22,946)	(5,783)
Common stock issued in private placement	20,000	—
Dividends paid on preferred stock	(2,328)	(2,328)
Dividends paid on common stock	(7,370)	(6,859)
Net Cash Provided By Financing Activities	387,610	252,333
Net (Decrease) Increase In Cash and Cash Equivalents	203,236	(178,713)
Cash and Cash Equivalents at the Beginning of the Period	83,219	261,932
Cash and Cash Equivalents at the End of the Period	\$ 286,455	\$ 83,219
Noncash Activities:		
Acquisition of real estate in settlement of loans	\$ 1,388	\$ 558
Transfer of securities from AFS to HTM	\$ —	\$ 176,181
Common stock issued for stock grants	\$ 750	\$ —
Cash Paid During the Period:		
Interest on deposits and borrowed funds	\$ 90,786	\$ 36,725
Federal income taxes	\$ 3,100	\$ 7,600
State income taxes	\$ 330	\$ 20

See Notes to 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-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.

On January 1, 2023 the Bank adopted ASC 326, which requires expected credit related losses on available for sale debt securities to be recorded through an allowance for credit losses, while non-credit related losses or declines in fair value continue to be recognized through other comprehensive income. Under the new guidance, First Guaranty is also required to evaluate held to maturity debt securities for expected credit losses.

Management evaluates securities for impairment at least on a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. In estimating losses, management considers the 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 an allowance for credit losses. For debt securities that do not meet the aforementioned criteria, the amount of impairment is split into two components as follows: 1) impairment related to credit loss, which must be recognized in the income statement and 2) impairment 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 but cannot be more than the difference between amortized cost and the fair value of the security.

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 credit 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 nonaccrual, or continuing on accrual status, depending on the individual facts and circumstances of the borrower. TDRs are subject to policies governing accrual and nonaccrual 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.

The TDR requirements became inapplicable to First Guaranty upon our adoption of CECL on January 1, 2023.

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.

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 credit losses

The allowance for credit losses is established through a provision for loan losses charged to expense. Loans are charged against the allowance for credit losses when management believes that the collectability of the principal is unlikely. The allowance is based on management's evaluation of expected credit losses over the life of the loans in the portfolio, in accordance with ASC 326. The loan portfolio is divided into segments to evaluate expected losses. Loans that do not share risk characteristics with a segment are evaluated individually. Management estimates the allowance balance using available information such as past events, current conditions and reasonable forecasts. Adjustments to historical information are made using qualitative and quantitative factors developed by management.

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.

The allowance consists of specific, general, and unallocated components. The specific component relates to loans that are classified as doubtful, substandard, and individually evaluated for impairment. For such loans that are also classified as individually evaluated for impairment, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the loan is lower than the carrying value of that loan. 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, 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 credit losses on unfunded commitments represents expected credit losses over the contractual period for which First Guaranty is exposed to credit risk from a contractual obligation to extend credit. No allowance is recorded if there is an unconditional right to cancel the obligation. The allowance is reported as a component of Other Liabilities on the Consolidated Balance Sheets. Adjustments to the allowance for unfunded commitments are included in the provision for credit losses on the Consolidated Statements of Income.

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 2019. 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 2023.

Note 2. Recent Accounting Pronouncements

Accounting Standards Adopted in 2023

First Guaranty adopted FASB ASC Topic 326 "Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments" Update No. 2016-13 ("ASU 2016-13") on January 1, 2023. ASU 2016-13, referred to as the Current Expected Credit Loss ("CECL") standard, requires financial assets measured on an amortized cost basis, including loans and held-to-maturity debt securities, to be presented at an amount net of an allowance for credit losses, which reflects expected losses for the full life of the financial asset. Unfunded lending commitments are also within the scope of this topic. Under prior GAAP losses were not recognized until the occurrence of the loss was probable.

CECL requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts and requires enhanced disclosures related to the significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an organization's portfolio. The CECL methodology requires that lifetime expected credit losses be recorded at the time the financial asset is originated or acquired, and be adjusted each period as a provision for credit losses for changes in expected lifetime credit losses. ASU 2016-13 does not specify the method for measuring expected credit losses, and an entity is allowed to apply methods that reasonably reflect its expectations of the lifetime credit loss estimate. First Guaranty developed a CECL model methodology that calculates expected credit losses over the life of the portfolio by analyzing the composition, characteristics and quality of the loan and securities portfolios, as well as prevailing economic conditions and forecasts. First Guaranty's CECL calculation estimates loan losses using a combination of discounted cash flow and remaining life analyses.

First Guaranty adopted ASU 2016-13 using the modified retrospective approach for all loans and off-balance sheet credit exposures measured at amortized cost, other than purchased credit deteriorated ("PCD") financial assets. Results for reporting periods beginning after December 31, 2022 are presented in accordance with ASU 2016-13 while prior period amounts continue to be reported in accordance with previously applicable GAAP.

ASU 2016-13 also amended the accounting model for purchased financial assets and replaced the guidance for purchased credit impaired ("PCI") financial assets with the concept of PCDs. For PCD assets, the CECL estimate is recognized through the allowance for credit losses with an offset to the amortized cost basis of the PCD asset at the date of acquisition. Subsequent changes in the allowance for credit losses for PCD assets are recognized through a provision for credit losses on loans. First Guaranty used the prospective transition approach for PCD loans that were previously classified as PCI and accounted for under ASC 310-30, "Loans and Debt Securities Acquired with Deteriorated Credit Quality" ("ASC 310-30"). First Guaranty determined that certain PCI assets no longer met the criteria of PCD assets as of the date of adoption.

First Guaranty adopted ASU 2016-13 on January 1, 2023, and recorded a one-time, cumulative effect adjustment as shown in the table below (dollars in thousands).

	Impact of ASU		
	December 31, 2022	2016-13 Adoption	January 1, 2023
Assets:			
Allowance for credit losses	\$ (23,518)	\$ (8,220)	\$ (31,738)
Deferred tax asset	6,420	2,100	8,520
Remaining purchase discount on loans	(1,120)	1,120	—
Liabilities:			
Reserve for unfunded loan commitments	—	(2,900)	(2,900)
Stockholders' Equity			
Retained earnings	76,351	(7,900)	68,451

In addition, ASU 2016-13 amends the accounting for credit losses on available for sale ("AFS") securities, requiring expected credit losses on AFS securities to be recorded in an allowance for credit losses rather than as a write-down of the securities' amortized cost. Declines in the fair value of AFS securities that are not considered credit related are recognized in accumulated other comprehensive income. In addition, expected credit losses on held to maturity ("HTM") securities are required to be recorded in an allowance for credit losses rather than as a write-down of the securities' amortized cost basis. First Guaranty's AFS securities portfolio was not materially impacted by the adoption of ASC 326. A \$ 100,000 allowance for HTM securities was recorded at the adoption of ASC 326.

The allowance for credit losses is measured on a pool basis when similar risk characteristics exist and is maintained at an amount which management believes is a current estimate of the expected credit losses for the full life of the relevant pool of loans and related unfunded lending commitments. For modeling purposes, loan pools include: Real Estate based pools for construction and land development, farmland, 1-4 family residential, multifamily, and non-farm non-residential and non-real-estate pools for agricultural, commercial and industrial, commercial leases and consumer and other. Management periodically reassesses each pool to confirm the loans within the pool continue to share similar characteristics and risk profiles and to determine whether further segmentation is necessary. The loss rates computed for each pool and expected pool-level funding rates are applied to the related unfunded lending commitments to calculate an allowance for credit losses.

Loans that do not share similar risk characteristics with other loans are excluded from the loan pools and individually evaluated for impairment. Individually evaluated loans are loans for which it is probable that all the amounts due under the contractual terms of the loan will not be collected.

FASB ASC Topic 326 "Financial Instruments – Credit Losses, Troubled Debt Restructurings and Vintage Disclosures" Update No. 2022-02 ("ASU 2022-02"). ASU 2022-02 became effective for First Guaranty on January 1, 2023 and is applied prospectively. ASU 2022-02 amends Topic 326 to eliminate the accounting guidance for troubled debt restructurings ("TDRs") by creditors that have adopted ASU 2016-13 and, instead, requires that an entity evaluate whether the modification represents a new loan or a continuation of an existing loan. The amendment also requires that public business entities disclose current-period gross charge-offs by year of origination for financing receivables and net investments in leases. The adoption of ASU 2022-02 did not have a material impact on First Guaranty's consolidated financial statements.

Accounting Pronouncements Not Yet Adopted

ASU No. 2023-09, "Improvements to Tax Disclosures" ("ASU 2023-09") is intended to enhance the transparency and decision usefulness of income tax disclosures primarily through changes to the rate reconciliation and income taxes paid information. This update is effective for annual periods beginning after December 15, 2024, though early adoption is permitted. We do not expect it to have a material effect on First Guaranty's consolidated financial statements.

Note 3. Cash and Due from Banks

Certain reserves are required to be maintained at the Federal Reserve Bank. There was no reserve requirement as of December 31, 2023 and 2022. At December 31, 2023 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 \$ 1.2 million. At December 31, 2022 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 \$ 4.6 million.

Note 4. Securities

A summary comparison of securities by type at December 31, 2023 and 2022 is shown below.

	December 31, 2023				December 31, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<i>(in thousands)</i>								
Available for sale:								
U.S. Treasuries	\$ 50,048	\$ —	\$ (218)	\$ 49,830	\$ 100,642	\$ —	\$ (2,142)	\$ 98,500
U.S. Government Agencies	—	—	—	—	—	—	—	—
Corporate debt securities	16,750	3	(1,279)	15,474	16,750	—	(752)	15,998
Municipal bonds	13,522	31	(372)	13,181	14,742	31	(426)	14,347
Mortgage-backed securities	5,144	—	(144)	5,000	2,711	—	(98)	2,613
Total available for sale securities	\$ 85,464	\$ 34	\$ (2,013)	\$ 83,485	\$ 134,845	\$ 31	\$ (3,418)	\$ 131,458
Held to maturity:								
U.S. Government Agencies	\$ 265,896	\$ —	\$ (61,532)	\$ 204,364	\$ 265,032	\$ —	\$ (69,503)	\$ 195,529
Corporate debt securities	54,822	—	(5,602)	49,220	55,036	—	(8,005)	47,031
Total held to maturity securities	\$ 320,718	\$ —	\$ (67,134)	\$ 253,584	\$ 320,068	\$ —	\$ (77,508)	\$ 242,560

The scheduled maturities of securities at December 31, 2023, 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, 2023	
	Amortized Cost	Fair Value
<i>(in thousands)</i>		
Available for sale:		
Due in one year or less	\$ 50,858	\$ 50,637
Due after one year through five years	2,784	2,762
Due after five years through 10 years	20,041	18,764
Over 10 years	6,637	6,322
Subtotal	80,320	78,485
Mortgage-backed Securities	5,144	5,000
Total available for sale securities	\$ 85,464	\$ 83,485
Held to maturity:		
Due in one year or less	\$ —	\$ —
Due after one year through five years	2,004	1,865
Due after five years through 10 years	115,574	100,500
Over 10 years	203,140	151,219
Total held to maturity securities	\$ 320,718	\$ 253,584

At December 31, 2023 and 2022 the carrying value of pledged securities totaled \$ 192.2 million and \$ 260.8 million, respectively.

Accrued interest receivable on First Guaranty's investment securities was \$ 1.8 million and \$ 2.0 million at December 31, 2023 and 2022, respectively, and was included in accrued interest receivable on the consolidated balance sheet. First Guaranty had a \$ 0.1 million allowance for credit losses related to the held to maturity portfolio at December 31, 2023.

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, 2023.

(in thousands)	December 31, 2023								
	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
Available for sale:									
U.S. Treasuries	—	\$ —	\$ —	3	\$ 49,830	\$ (218)	3	\$ 49,830	\$ (218)
U.S. Government Agencies	—	—	—	—	—	—	—	—	—
Corporate debt securities	—	—	—	15	14,471	(1,279)	15	14,471	(1,279)
Municipal bonds	12	3,417	(6)	41	5,895	(366)	53	9,312	(372)
Mortgage-backed securities	2	2,606	(21)	5	2,394	(123)	7	5,000	(144)
Total available for sale securities	14	\$ 6,023	\$ (27)	64	\$ 72,590	\$ (1,986)	78	\$ 78,613	\$ (2,013)
Held to maturity:									
U.S. Government Agencies	—	\$ —	—	29	\$ 204,364	\$ (61,532)	29	\$ 204,364	\$ (61,532)
Corporate debt securities	—	—	—	57	49,220	(5,602)	57	49,220	(5,602)
Total held to maturity securities	—	\$ —	\$ —	86	\$ 253,584	\$ (67,134)	86	\$ 253,584	\$ (67,134)

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, 2022.

(in thousands)	December 31, 2022								
	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
Available for sale:									
U.S. Treasuries	—	\$ —	\$ —	6	\$ 98,500	\$ (2,142)	6	\$ 98,500	\$ (2,142)
U.S. Government Agencies	—	—	—	—	—	—	—	—	—
Corporate debt securities	14	14,628	(622)	2	1,370	(130)	16	15,998	(752)
Municipal bonds	46	5,854	(394)	6	673	(32)	52	6,527	(426)
Mortgage-backed securities	3	2,608	(98)	4	5	—	7	2,613	(98)
Total available for sale securities	63	\$ 23,090	\$ (1,114)	18	\$ 100,548	\$ (2,304)	81	\$ 123,638	\$ (3,418)
Held to maturity:									
U.S. Government Agencies	13	\$ 89,695	(21,724)	16	\$ 105,834	\$ (47,779)	29	\$ 195,529	\$ (69,503)
Corporate debt securities	59	47,031	(8,005)	—	—	—	59	47,031	(8,005)
Total held to maturity securities	72	\$ 136,726	\$ (29,729)	16	\$ 105,834	\$ (47,779)	88	\$ 242,560	\$ (77,508)

As of December 31, 2023, 164 of First Guaranty's debt securities had gross unrealized losses totaling 17.2 % of the individual securities' amortized cost basis and 17.0 % of First Guaranty's total amortized cost basis of the investment securities portfolio. 150 of the 164 securities had been in a continuous loss position for over 12 months at such date. The 150 securities had an aggregate amortized cost basis of \$ 395.3 million and an unrealized loss of \$ 69.1 million at December 31, 2023. Management has the intent and ability to hold these debt securities until maturity or until anticipated recovery.

Securities are evaluated for impairment from credit losses at least quarterly and more frequently when economic or market conditions warrant such evaluation. Consideration is given to (i) 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 credit impaired. First Guaranty has the ability and intent to hold these securities until recovery, which may not be until maturity.

There was one charge-off, net of recovery, of \$ 0.1 million recognized on a corporate security during the year ended December 31, 2023. There was a \$ 0.1 million provision for credit losses recognized on securities during the year ended December 31, 2023.

Gross realized gains on sales of securities were \$ 0 and \$ 0.1 million for the years ended December 31, 2023 and 2022, respectively. Gross realized losses were \$ 0 and \$ 0.1 million for the years ended December 31, 2023 and 2022. The tax applicable to these transactions amounted to \$ 0 and \$ 3,000 for 2023 and 2022, respectively. Proceeds from sales of securities classified as available for sale amounted to \$ 0 and \$ 3.1 million for the years ended December 31, 2023 and 2022, respectively.

Net unrealized losses on available for sale securities included in accumulated other comprehensive income (loss) ("AOCI"), net of applicable income taxes, totaled \$ 13.0 million and \$ 15.2 million at December 31, 2023 and 2022. During 2023 net gains, net of tax, reclassified out of AOCI into earnings totaled \$ 0 . During 2022 net gains, net of tax, reclassified out of AOCI into earnings totaled \$ 13,000 .

At December 31, 2023, First Guaranty's exposure to investment securities issuers that exceeded 10% of shareholders' equity was as follows:

<i>(in thousands)</i>	December 31, 2023	
	Amortized Cost	Fair Value
U.S. Government Treasuries (U.S.)	\$ 50,048	\$ 49,830
Federal Home Loan Bank (FHLB)	32,196	26,109
Federal Home Loan Mortgage Corporation (Freddie Mac-FHLMC)	97,488	69,941
Federal Farm Credit Bank (FFCB)	138,730	110,707
Total	\$ 318,462	\$ 256,587

Note 5. Loans

The following table summarizes the components of First Guaranty's loan portfolio as of December 31, 2023 and December 31, 2022:

	December 31, 2023		December 31, 2022	
	Balance	As % of Category	Balance	As % of Category
<i>(in thousands except for %)</i>				
Real Estate:				
Construction & land development	\$ 399,435	14.5 %	\$ 233,091	9.2 %
Farmland	32,530	1.2 %	24,823	1.0 %
1- 4 Family	444,850	16.1 %	366,330	14.5 %
Multifamily	118,921	4.3 %	119,785	4.7 %
Non-farm non-residential	1,045,865	37.9 %	992,929	39.3 %
Total Real Estate	2,041,601	74.0 %	1,736,958	68.7 %
Non-Real Estate:				
Agricultural	41,008	1.5 %	39,045	1.5 %
Commercial and industrial ⁽¹⁾	334,972	12.1 %	385,279	15.3 %
Commercial leases	285,415	10.4 %	317,574	12.6 %
Consumer and other	54,485	2.0 %	47,864	1.9 %
Total Non-Real Estate	715,880	26.0 %	789,762	31.3 %
Total Loans Before Unearned Income	2,757,481	100.0 %	2,526,720	100.0 %
Unearned income	(8,773)		(7,643)	
Total Loans Net of Unearned Income	\$ 2,748,708		\$ 2,519,077	

(1) Includes PPP loans fully guaranteed by the SBA of \$ 2.8 million and \$ 5.9 million at December 31, 2023 and December 31, 2022, respectively.

Accrued interest receivable on First Guaranty's loans totaled \$ 13.9 million and \$ 11.0 million at December 31, 2023 and December 31, 2022, respectively, and is included in accrued interest receivable on the consolidated balance sheet. Accrued interest receivable is excluded from First Guaranty's estimate of the allowance for credit losses.

The following table summarizes fixed and floating rate loans by contractual maturity, excluding nonaccrual loans, as of December 31, 2023 and December 31, 2022 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, 2023			December 31, 2022		
	Fixed	Floating	Total	Fixed	Floating	Total
<i>(in thousands)</i>						
One year or less	\$ 268,864	\$ 88,884	\$ 357,748	\$ 234,921	\$ 137,203	\$ 372,124
One to five years	782,754	357,981	1,140,735	900,960	339,894	1,240,854
Five to 15 years	88,490	269,918	358,408	114,425	216,251	330,676
Over 15 years	334,337	541,066	875,403	261,209	308,291	569,500
Subtotal	\$ 1,474,445	\$ 1,257,849	2,732,294	\$ 1,511,515	\$ 1,001,639	2,513,154
Nonaccrual loans			25,187			13,566
Total Loans Before Unearned Income			2,757,481			2,526,720
Unearned income			(8,773)			(7,643)
Total Loans Net of Unearned Income			\$ 2,748,708			\$ 2,519,077

Included in floating rate loans are loans that adjust to a floating rate following an initial fixed rate period. The initial fixed rate periods are typically one, three, or five years.

The following tables present the age analysis of past due loans at December 31, 2023 and December 31, 2022:

As of December 31, 2023							
(in thousands)	30-89 Days Past Due	90 Days or Greater Past Due	Total Past Due	Current	Total Loans	Recorded Investment 90 Days Accruing	
Real Estate:							
Construction & land development	\$ 1,281	\$ 530	\$ 1,811	\$ 397,624	\$ 399,435	\$ —	
Farmland	97	836	933	31,597	32,530	—	
1- 4 family	3,929	7,109	11,038	433,812	444,850	124	
Multifamily	824	537	1,361	117,560	118,921	—	
Non-farm non-residential	1,020	24,451	25,471	1,020,394	1,045,865	14,711	
Total Real Estate	7,151	33,463	40,614	2,000,987	2,041,601	14,835	
Non-Real Estate:							
Agricultural	240	1,426	1,666	39,342	41,008	57	
Commercial and industrial	2,483	1,976	4,459	330,513	334,972	395	
Commercial leases	—	1,799	1,799	283,616	285,415	—	
Consumer and other	1,037	1,810	2,847	51,638	54,485	—	
Total Non-Real Estate	3,760	7,011	10,771	705,109	715,880	452	
Total Loans Before Unearned Income	\$ 10,911	\$ 40,474	\$ 51,385	\$ 2,706,096	2,757,481	\$ 15,287	
Unearned income					(8,773)		
Total Loans Net of Unearned Income					\$ 2,748,708		
As of December 31, 2022							
(in thousands)	30-89 Days Past Due	90 Days or Greater Past Due	Total Past Due	Current	Total Loans	Recorded Investment 90 Days Accruing	
Real Estate:							
Construction & land development	\$ 1,029	\$ 652	\$ 1,681	\$ 231,410	\$ 233,091	\$ 427	
Farmland	357	290	647	24,176	24,823	—	
1- 4 family	4,512	4,158	8,670	357,660	366,330	332	
Multifamily	874	157	1,031	118,754	119,785	157	
Non-farm non-residential	1,133	3,849	4,982	987,947	992,929	103	
Total Real Estate	7,905	9,106	17,011	1,719,947	1,736,958	1,019	
Non-Real Estate:							
Agricultural	120	1,622	1,742	37,303	39,045	—	
Commercial and industrial	1,369	942	2,311	382,968	385,279	123	
Commercial leases	—	1,799	1,799	315,775	317,574	—	
Consumer and other	1,997	1,239	3,236	44,628	47,864	—	
Total Non-Real Estate	3,486	5,602	9,088	780,674	789,762	123	
Total Loans Before Unearned Income	\$ 11,391	\$ 14,708	\$ 26,099	\$ 2,500,621	2,526,720	\$ 1,142	
Unearned income					(7,643)		
Total Loans Net of Unearned Income					\$ 2,519,077		

The tables above include \$ 25.2 million and \$ 13.6 million of nonaccrual loans for December 31, 2023 and 2022, 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:

(in thousands)	As of December 31, 2023		
	With Related Allowance	Without Related Allowance	Total
Real Estate:			
Construction & land development	\$ 530	\$ —	\$ 530
Farmland	511	325	836
1 - 4 family	5,417	1,568	6,985
Multifamily	—	537	537
Non-farm non-residential	8,730	1,010	9,740
Total Real Estate	15,188	3,440	18,628
Non-Real Estate:			
Agricultural	399	970	1,369
Commercial and industrial	1,581	—	1,581
Commercial leases	—	1,799	1,799
Consumer and other	1,810	—	1,810
Total Non-Real Estate	3,790	2,769	6,559
Total Nonaccrual Loans	\$ 18,978	\$ 6,209	\$ 25,187

(in thousands)	As of December 31, 2022
Real Estate:	
Construction & land development	\$ 225
Farmland	290
1- 4 family	3,826
Multifamily	—
Non-farm non-residential	3,746
Total Real Estate	8,087
Non-Real Estate:	
Agricultural	1,622
Commercial and industrial	819
Commercial leases	1,799
Consumer and other	1,239
Total Non-Real Estate	5,479
Total Nonaccrual Loans	\$ 13,566

The following table presents First Guaranty's loan portfolio by credit quality classification and origination year as of the date indicated:

As of December 31, 2023									
(in thousands)	Term Loans by Origination Year						Revolving Loans	Total	
	2023	2022	2021	2020	2019	Prior			
Real Estate:									
Construction & land development:									
Pass	\$ 134,527	\$ 140,068	\$ 75,884	\$ 3,369	\$ 8,533	11,940	\$ 18,907	\$ 393,228	
Special Mention	789	1,579	170	—	90	250	—	2,878	
Substandard	—	716	458	263	94	1,668	—	3,199	
Doubtful	—	39	91	—	—	—	—	130	
Total Construction & land development	135,316	142,402	76,603	3,632	8,717	13,858	18,907	399,435	
Current period gross charge-offs	—	—	—	—	—	—	—	—	
Farmland									
Pass	9,513	4,032	3,340	1,768	253	2,730	2,162	23,798	
Special Mention	—	194	—	514	—	359	—	1,067	
Substandard	—	251	1,369	3,877	115	653	1,355	7,620	
Doubtful	—	—	—	—	—	—	45	45	
Total Farmland	9,513	4,477	4,709	6,159	368	3,742	3,562	32,530	
Current period gross charge-offs	—	—	—	—	—	—	—	—	
1- 4 family									
Pass	112,636	110,978	70,599	41,766	19,542	47,374	17,215	420,110	
Special Mention	1,307	2,505	749	1,544	775	997	667	8,544	
Substandard	48	2,625	5,368	1,357	1,956	3,086	773	15,213	
Doubtful	—	122	391	—	239	159	72	983	
Total 1- 4 family	113,991	116,230	77,107	44,667	22,512	51,616	18,727	444,850	
Current period gross charge-offs	—	—	—	—	—	964	—	964	
Multifamily									
Pass	9,945	76,217	6,121	15,131	1,877	2,311	5,110	116,712	
Special Mention	—	—	—	—	—	1,648	24	1,672	
Substandard	—	—	—	—	—	537	—	537	
Doubtful	—	—	—	—	—	—	—	—	
Total Multifamily	9,945	76,217	6,121	15,131	1,877	4,496	5,134	118,921	
Current period gross charge-offs	—	—	—	—	—	—	—	—	
Non-farm non-residential									
Pass	162,234	247,182	111,054	88,039	73,797	256,032	33,907	972,245	
Special Mention	708	369	1,014	388	15,846	5,191	1,525	25,041	
Substandard	247	18,930	18,488	—	—	6,125	4,723	48,513	
Doubtful	—	—	—	66	—	—	—	66	
Total non-farm non-residential	163,189	266,481	130,556	88,493	89,643	267,348	40,155	1,045,865	
Current period gross charge-offs	—	—	—	138	—	—	—	138	
Total Real Estate	431,954	605,807	295,096	158,082	123,117	341,060	86,485	2,041,601	
Non-Real Estate:									
Agricultural									
Pass	2,555	10,406	3,142	1,336	1,532	2,378	16,259	37,608	
Special Mention	—	104	—	81	—	—	25	210	
Substandard	—	—	692	279	20	2,100	57	3,148	
Doubtful	—	—	—	—	—	42	—	42	
Total Agricultural	2,555	10,510	3,834	1,696	1,552	4,520	16,341	41,008	
Current period gross charge-offs	—	—	—	—	—	—	—	—	
Commercial and industrial									
Pass	41,105	27,800	48,097	53,585	5,613	27,634	119,886	323,720	

Special Mention	63	37	4,382	146	—	53	598	5,279
Substandard	45	283	178	602	27	4,531	145	5,811
Doubtful	—	—	—	—	—	162	—	162
Total Commercial and industrial	41,213	28,120	52,657	54,333	5,640	32,380	120,629	334,972
Current period gross charge-offs	29	791	133	532	—	209	—	1,694
Commercial leases								
Pass	74,456	117,566	67,615	6,087	4,428	—	—	270,152
Special Mention	—	11,867	1,597	—	—	—	—	13,464
Substandard	—	1,799	—	—	—	—	—	1,799
Doubtful	—	—	—	—	—	—	—	—
Total Commercial leases	74,456	131,232	69,212	6,087	4,428	—	—	285,415
Current period gross charge-offs	—	—	—	—	—	—	—	—
Consumer and other loans								
Pass	21,257	8,770	6,463	6,164	650	7,887	150	51,341
Special Mention	36	151	255	87	15	19	—	563
Substandard	164	1,077	790	265	86	68	—	2,450
Doubtful	—	—	34	79	2	16	—	131
Total Consumer and other loans	21,457	9,998	7,542	6,595	753	7,990	150	54,485
Current period gross charge-offs	598	1,126	820	359	28	44	—	2,975
Total Non-Real Estate	139,681	179,860	133,245	68,711	12,373	44,890	137,120	715,880
Total Loans								
Pass	568,228	743,019	392,315	217,245	116,225	358,286	213,596	2,608,914
Special Mention	2,903	16,806	8,167	2,760	16,726	8,517	2,839	58,718
Substandard	504	25,681	27,343	6,643	2,298	18,768	7,053	88,290
Doubtful	—	161	516	145	241	379	117	1,559
Total Loans Before Unearned Income	\$ 571,635	\$ 785,667	\$ 428,341	\$ 226,793	\$ 135,490	\$ 385,950	\$ 223,605	\$ 2,757,481
Unearned income								(8,773)
Total Loans Net of Unearned Income								\$ 2,748,708
Total Current Period Gross Charge-offs	\$ 627	\$ 1,917	\$ 953	\$ 1,029	\$ 28	\$ 1,217	\$ —	\$ 5,771

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 date indicated:

(in thousands)	As of December 31, 2022				
	Pass	Special Mention	Substandard	Doubtful	Total
Real Estate:					
Construction & land development	\$ 229,416	\$ 2,846	\$ 829	\$ —	\$ 233,091
Farmland	19,722	35	5,066	—	24,823
1- 4 family	347,842	8,667	9,821	—	366,330
Multifamily	117,081	444	2,260	—	119,785
Non-farm non-residential	968,861	15,071	8,997	—	992,929
Total Real Estate	1,682,922	27,063	26,973	—	1,736,958
Non-Real Estate:					
Agricultural	34,827	198	4,020	—	39,045
Commercial and industrial	374,947	2,016	8,316	—	385,279
Commercial leases	315,775	—	1,799	—	317,574
Consumer and other	45,225	1,031	1,608	—	47,864
Total Non-Real Estate	770,774	3,245	15,743	—	789,762
Total Loans Before Unearned Income	\$2,453,696	\$ 30,308	\$ 42,716	\$ —	2,526,720
Unearned income					(7,643)
Total Loans Net of Unearned Income					\$2,519,077

Purchased Credit Deteriorated 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, 2022.

(in thousands)	As of December 31, 2022
Real Estate:	
Construction & land development	\$ 301
Farmland	—
1- 4 family	1,311
Multifamily	—
Non-farm non-residential	1,904
Total Real Estate	3,516
Non-Real Estate:	
Agricultural	—
Commercial and industrial	742
Commercial leases	—
Consumer and other	—
Total Non-Real Estate	742
Total	\$ 4,258

Note 6. Allowance for Credit Losses on Loans

A summary of changes in the allowance for credit losses, by portfolio type, for the years ended December 31, 2023 and 2022 are as follows:

(in thousands)	For the Year ended December 31,					
	2023					
	Beginning Allowance (12/31/2022)	ASC 326 Adoption Day 1 Adjustment	Charge-offs	Recoveries	Provision	Ending Allowance (12/31/2023)
Real Estate:						
Construction & land development	\$ 1,232	\$ 1,891	\$ —	\$ 7	\$ 2,715	\$ 5,845
Farmland	83	(39)	—	—	(8)	36
1- 4 family	1,761	3,465	(964)	93	2,298	6,653
Multifamily	746	1,418	—	—	(550)	1,614
Non-farm non-residential	9,280	307	(138)	230	917	10,596
Total Real Estate	13,102	7,042	(1,102)	330	5,372	24,744
Non-Real Estate:						
Agricultural	240	(98)	—	414	(459)	97
Commercial and industrial	2,194	2,971	(1,694)	205	(965)	2,711
Commercial leases	4,879	(162)	—	—	(2,769)	1,948
Consumer and other	2,506	(1,042)	(2,975)	426	2,511	1,426
Unallocated	597	(591)	—	—	(6)	—
Total Non-Real Estate	10,416	1,078	(4,669)	1,045	(1,688)	6,182
Total	\$ 23,518	\$ 8,120	\$ (5,771)	\$ 1,375	\$ 3,684	\$ 30,926

(in thousands)	For the Year ended December 31,					
	2022					
	Beginning Allowance (12/31/2021)	Charge-offs	Recoveries	Provision	Ending Allowance (12/31/2022)	
Real Estate:						
Construction & land development	\$ 769	\$ (65)	\$ 340	\$ 188	\$ 1,232	
Farmland	478	—	—	(395)	83	
1- 4 family	1,921	(94)	76	(142)	1,761	
Multifamily	940	—	452	(646)	746	
Non-farm non-residential	12,730	(603)	349	(3,196)	9,280	
Total Real Estate	16,838	(762)	1,217	(4,191)	13,102	
Non-Real Estate:						
Agricultural	183	(460)	133	384	240	
Commercial and industrial	2,363	(563)	91	303	2,194	
Commercial leases	2,486	(150)	5	2,538	4,879	
Consumer and other	1,371	(4,151)	473	4,813	2,506	
Unallocated	788	—	—	(191)	597	
Total Non-Real Estate	7,191	(5,324)	702	7,847	10,416	
Total	\$ 24,029	\$ (6,086)	\$ 1,919	\$ 3,656	\$ 23,518	

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

A summary of the allowance along with loans and leases individually and collectively evaluated are as follows:

	As of December 31, 2023					
	Allowance Individually Evaluated	Allowance Collectively Evaluated	Total Allowance for Credit Losses	Loans Individually Evaluated	Loans Collectively Evaluated	Total Loans before Unearned Income
(in thousands)						
Real Estate:						
Construction & land development	\$ —	\$ 5,845	\$ 5,845	\$ 1,389	\$ 398,046	\$ 399,435
Farmland	—	36	36	5,670	26,860	32,530
1- 4 family	316	6,337	6,653	5,066	439,784	444,850
Multifamily	—	1,614	1,614	537	118,384	118,921
Non-farm non-residential	3,047	7,549	10,596	46,571	999,294	1,045,865
Total Real Estate	3,363	21,381	24,744	59,233	1,982,368	2,041,601
Non-Real Estate:						
Agricultural	1	96	97	1,466	39,542	41,008
Commercial and industrial	758	1,953	2,711	4,464	330,508	334,972
Commercial leases	—	1,948	1,948	1,799	283,616	285,415
Consumer and other	—	1,426	1,426	—	54,485	54,485
Unallocated	—	—	—	—	—	—
Total Non-Real Estate	759	5,423	6,182	7,729	708,151	715,880
Total	\$ 4,122	\$ 26,804	\$ 30,926	\$ 66,962	\$ 2,690,519	\$ 2,757,481
Unearned Income						(8,773)
Total Loans Net of Unearned Income						\$ 2,748,708

All loans individually evaluated for impairment as of December 31, 2023 were considered collateral dependent loans.

[illegible]

As of December 31, 2023 and 2022, First Guaranty had loans totaling \$ 25.2 million and \$ 13.6 million, respectively, not accruing interest. As of December 31, 2023, and 2022, First Guaranty had loans past due 90 days or more and still accruing interest totaling \$ 15.3 million and \$ 1.1 million, respectively. The average outstanding balance of nonaccrual loans in 2023 was \$ 22.5 million compared to \$ 12.8 million in 2022.

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. Payment status, collateral value and the probability of collecting scheduled principal and interest payments when due are considered in evaluating loan impairment. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired.

The following is a summary of impaired loans, excluding loans acquired with deteriorated credit quality, by class as of the date indicated:

	As of December 31, 2022				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
<i>(in thousands)</i>					
Impaired Loans with no related allowance:					
Real Estate:					
Construction & land development	\$ 68	\$ 68	\$ —	\$ 68	\$ —
Farmland	4,240	4,240	—	4,242	51
1- 4 family	949	949	—	949	5
Multifamily	—	—	—	—	—
Non-farm non-residential	1,814	1,814	—	1,817	56
Total Real Estate	7,071	7,071	—	7,076	112
Non-Real Estate:					
Agricultural	2,366	2,521	—	2,366	7
Commercial and industrial	4,871	4,988	—	4,988	33
Commercial leases	—	—	—	—	—
Consumer and other	—	—	—	—	—
Total Non-Real Estate	7,237	7,509	—	7,354	40
Total Impaired Loans with no related allowance	14,308	14,580	—	14,430	152
Impaired Loans with an allowance recorded:					
Real estate:					
Construction & land development	—	—	—	—	—
Farmland	—	—	—	—	—
1- 4 family	—	—	—	—	—
Multifamily	—	—	—	—	—
Non-farm non-residential	2,281	2,855	666	2,279	5
Total Real Estate	2,281	2,855	666	2,279	5
Non-Real Estate:					
Agricultural	—	—	—	—	—
Commercial and industrial	1,048	1,048	412	1,112	35
Commercial leases	1,799	1,812	1,799	1,817	27
Consumer and other	—	—	—	—	—
Total Non-Real Estate	2,847	2,860	2,211	2,929	62
Total Impaired Loans with an allowance recorded	5,128	5,715	2,877	5,208	67
Total Impaired Loans	\$ 19,436	\$ 20,295	\$ 2,877	\$ 19,638	\$ 219

Note 7. Premises and Equipment

The components of premises and equipment at December 31, 2023 and 2022 are as follows:

<i>(in thousands)</i>	December 31, 2023	December 31, 2022
Land	\$ 15,541	\$ 15,284
Bank premises	55,452	54,423
Furniture and equipment	31,681	31,109
Construction in progress	14,368	1,854
Acquired value	117,042	102,670
Less: accumulated depreciation	47,250	44,464
Net book value	\$ 69,792	\$ 58,206

Depreciation expense amounted to \$ 3.0 million and \$ 3.1 million for 2023 and 2022, respectively. Interest cost capitalized as a construction cost was \$ 0 for 2023 and 2022, 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, such as core deposit intangibles and loan servicing 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, 2023 and 2022. Other intangible assets not subject to amortization totaled \$ 0.1 million and \$ 0 at December 31, 2023 and 2022.

The following table summarizes intangible assets subject to amortization.

<i>(in thousands)</i>	December 31, 2023			December 31, 2022		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Core deposit intangibles	\$ 16,266	\$ 12,607	\$ 3,659	\$ 16,266	\$ 11,911	\$ 4,355
Loan servicing assets	2,198	1,659	539	2,195	1,571	624
Total	\$ 18,464	\$ 14,266	\$ 4,198	\$ 18,461	\$ 13,482	\$ 4,979

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 5.3 years.

Amortization expense relating to purchase accounting intangibles totaled \$ 0.7 million for the years ended December 31, 2023 and 2022, respectively.

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

For the Years Ended	Estimated Amortization Expense <i>(in thousands)</i>
December 31, 2024	\$ 696
December 31, 2025	\$ 696
December 31, 2026	\$ 696
December 31, 2027	\$ 696
December 31, 2028	\$ 696

Note 9. Other Real Estate

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

<i>(in thousands)</i>	December 31, 2023	December 31, 2022
Real Estate Owned Acquired by Foreclosure:		
Residential	\$ 309	\$ 113
Construction & land development	251	—
Non-farm non-residential	690	—
Total Other Real Estate Owned and Foreclosed Property	1,250	113
Allowance for Other Real Estate Owned losses	—	—
Net Other Real Estate Owned and Foreclosed Property	\$ 1,250	\$ 113

Loans secured by one-to-four family residential properties in the process of foreclosure totaled \$ 1.3 million as of December 31, 2023.

Note 10. Deposits

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

<i>(in thousands)</i>	December 31, 2023
2024	\$ 505,561
2025	179,990
2026	32,228
2027	10,520
2028 and thereafter	92,426
Total	\$ 820,725

The table above includes \$ 175.1 million in brokered deposits for December 31, 2023. The aggregate amount of jumbo time deposits, each with a minimum denomination of \$250,000 totaled \$ 196.9 million and \$ 155.0 million at December 31, 2023 and 2022, respectively.

Note 11. Borrowings

Short-term borrowings are summarized as follows:

<i>(in thousands)</i>	December 31, 2023	December 31, 2022
Federal Home Loan Bank advances	\$ 50,000	\$ 120,000
Repurchase agreements	6,297	6,442
Line of credit	10,000	20,000
Total short-term borrowings	\$ 66,297	\$ 146,442

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 \$ 66.3 million in short-term borrowings outstanding at December 31, 2023 compared to \$ 146.4 million outstanding at December 31, 2022. First Guaranty has available lines of credit of \$ 20.0 million, with \$ 10.0 million outstanding balance at December 31, 2023.

Available lines of credit totaled \$ 589.2 million at December 31, 2023 and \$ 505.5 million at December 31, 2022.

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

<i>(in thousands except for %)</i>	December 31,	
	2023	2022
Outstanding at year end	\$ 66,297	\$ 146,442
Maximum month-end outstanding	\$ 152,659	\$ 146,442
Average daily outstanding	\$ 67,102	\$ 42,149
Weighted average rate during the year	5.78 %	5.12 %
Weighted average rate at year end	5.65 %	4.86 %

Long-term debt is summarized as follows:

Senior long-term debt with a commercial bank, priced at floating Wall Street Journal Prime less 70 basis points (6.80 %), totaled \$ 21.9 million at December 31, 2022. First Guaranty refinanced this note in October of 2023.

Senior long-term debt with a commercial bank, priced at floating Wall Street Journal Prime less 50 basis points (currently 8.00 %), totaled \$ 39.1 million at December 31, 2023 and \$ 0 at December 31, 2022. First Guaranty refinanced this note on October 2023. First Guaranty pays \$ 1.0 million principal plus interest quarterly. First Guaranty refinanced this note on October 2023. This loan has a contractual maturity date of October 5, 2033. This long-term debt is secured by a pledge of 86.77 % (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 (9.25 % as of December 31, 2023), totaled 15.0 million at December 31, 2023 and December 31, 2022. First Guaranty pays interest quarterly. The Note is unsecured and ranks junior in right of payment to any senior indebtedness and obligations to general and secured creditors. The current Note is scheduled to mature on June 21, 2032. The Note qualifies for treatment as Tier 2 capital for regulatory capital purposes.

First Guaranty maintains one revolving line of credit. A \$ 20.0 million line of credit with an availability of \$ 10.0 million at December 31, 2023. This line of credit is secured by a pledge of 86.77 % (4,823,899 shares) of First Guaranty's interest in First Guaranty Bank (a wholly owned subsidiary) and is priced at 8.50 %.

At December 31, 2023, letters of credit issued by the FHLB totaling \$ 513.3 million were outstanding and carried as off-balance sheet items, all of which expire by 2024. At December 31, 2022, letters of credit issued by the FHLB totaling \$ 388.6 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, 2023 obligations on long-term advances from FHLB, senior long-term debt and junior subordinated debentures totaled \$ 209.1 million.

The scheduled payments are as follows:

<i>(in thousands)</i>	Long-term Advances from FHLB	Senior Long-term Debt	Junior Subordinated Debentures
2024	\$ —	\$ 4,031	\$ —
2025	20,000	4,031	—
2026	—	4,031	—
2027	135,000	4,031	—
2028	—	4,031	—
2029 and thereafter	—	19,149	15,000
Subtotal	\$ 155,000	\$ 39,304	\$ 15,000
Debt issuance costs	—	(205)	—
Total	\$ 155,000	\$ 39,099	\$ 15,000

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, 2023 and 2022, 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 3.20 % at December 31, 2023.

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 has not elected to follow the Community Bank Leverage Ratio.

As of December 31, 2023, 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, 2023 and 2022 are presented in the following table.

	Actual		Minimum Capital Requirements		Minimum to be Well Capitalized Under Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<i>(in thousands except for %)</i>						
December 31, 2023						
Total Risk-based Capital:	\$ 330,944	11.20 %	\$ 236,321	8.00 %	\$ 295,402	10.00 %
Tier 1 Capital:	\$ 304,553	10.31 %	\$ 177,241	6.00 %	\$ 236,321	8.00 %
Tier 1 Leverage Capital:	\$ 304,553	8.94 %	\$ 121,821	4.00 %	\$ 152,277	5.00 %
Common Equity Tier One Capital:	\$ 304,553	10.31 %	\$ 132,931	4.50 %	\$ 192,011	6.50 %
December 31, 2022						
Total Risk-based Capital:	\$ 308,510	11.16 %	\$ 221,066	8.00 %	\$ 276,333	10.00 %
Tier 1 Capital:	\$ 284,992	10.31 %	\$ 165,800	6.00 %	\$ 221,066	8.00 %
Tier 1 Leverage Capital:	\$ 284,992	9.35 %	\$ 121,884	4.00 %	\$ 152,355	5.00 %
Common Equity Tier One Capital:	\$ 284,992	10.31 %	\$ 124,350	4.50 %	\$ 179,616	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 2024 without permission will be limited to 2024 earnings plus the undistributed earnings of \$ 3.9 million from 2023.

Accordingly, at January 1, 2024, \$ 298.4 million of First Guaranty's equity in the net assets of the Bank was restricted. In addition, dividends paid by the Bank to First Guaranty would be prohibited if the effect thereof would cause the Bank's capital to be reduced below applicable minimum capital requirements.

Note 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, 2023 and 2022 follows:

(in thousands)	December 31,	
	2023	2022
Balance, beginning of year	\$ 89,735	\$ 93,270
Net (Decrease) Increase	(33,850)	(3,535)
Balance, end of year	\$ 55,885	\$ 89,735

Unfunded commitments to First Guaranty and Bank directors and executive officers totaled \$ 19.6 million and \$ 45.6 million at December 31, 2023 and 2022, respectively. At December 31, 2023 First Guaranty and the Bank had deposits from directors and executives totaling \$ 54.8 million. There were no participations in loans purchased from affiliated financial institutions included in First Guaranty's loan portfolio in 2023 or 2022.

During the years ended 2023 and 2022, First Guaranty paid approximately \$ 0.3 million, respectively, for printing services and supplies and office furniture and equipment to Champion Industries, Inc., of which Mr. Marshall T. Reynolds, the Chairman of First Guaranty's Board of Directors, is 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 "2015 Note") to Edgar Ray Smith III, a director of First Guaranty. The 2015 Note had a ten-year term (non-callable for first five years) and bore interest at a fixed annual rate of 4.0 % for the first five years of the term and then adjusted 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. On June 21, 2022, First Guaranty issued a \$ 15.0 million subordinated note (the "2022 Note") to Mr. Smith, and used the proceeds of such issuance to redeem the 2015 Note in full. The 2022 Note has a ten-year term, maturing on June 21, 2032, is non-callable for the first five years , and bears interest at a floating rate based on the Prime Rate as reported by the *Wall Street Journal* plus 75 basis points. During the years ended 2023 and 2022, First Guaranty paid interest of \$ 1.2 million and \$ 0.7 million, respectively, under the 2015 Note and the 2022 Note.

During the years ended 2023 and 2022, First Guaranty paid approximately \$ 0.1 million 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 2023 and 2022, First Guaranty paid approximately \$ 0.7 million and \$ 58,000 , 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 2023 and 2022, First Guaranty paid approximately \$ 0.8 million and \$ 0.7 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 \$ 80,000 and \$ 440,000 in 2023 and 2022, 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 2023 or 2022. As of December 31, 2023, the ESOP held 1,003 shares. First Guaranty is in the process of terminating the plan.

On May 19, 2022 the shareholders of First Guaranty adopted the First Guaranty Bank Equity Bonus Plan. The plan established an equity bonus pool of 80,000 shares. All full time employees of First Guaranty are eligible to participate. In December 31, 2023, 44,341 shares were distributed to a total of 311 employees. Grant date fair market value of the shares issued was \$ 750,000 . All shares were vested on the date of issuance.

Note 16. Other Expenses

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

	December 31,	
	2023	2022
<i>(in thousands)</i>		
Other noninterest expense:		
Legal and professional fees	\$ 5,709	\$ 4,159
Data processing	2,100	1,596
ATM Fees	1,804	1,750
Marketing and public relations	1,927	1,747
Taxes - sales, capital and franchise	2,263	1,949
Operating supplies	778	728
Software expense and amortization	5,282	4,191
Travel and lodging	1,362	1,236
Telephone	382	406
Amortization of core deposits	696	696
Donations	595	638
Net costs from other real estate and repossessions	157	393
Regulatory assessment	3,136	1,997
Other	4,032	3,888
Total other noninterest expense	\$ 30,223	\$ 25,374

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 for 2023 and 2022.

Note 17. Income Taxes

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

(in thousands)	December 31,	
	2023	2022
Current	\$ 2,857	\$ 7,761
Deferred	(180)	(255)
Total	\$ 2,677	\$ 7,506

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:

(in thousands except for %)	December 31,	
	2023	2022
Statutory tax rate	21.0 %	21.0 %
Federal income taxes at statutory rate	\$ 2,452	\$ 7,642
Tax exempt municipal income	(102)	(108)
Other	107	(28)
State tax expense	220	—
Total	\$ 2,677	\$ 7,506

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, 2023 and 2022 are as follows:

(in thousands)	December 31,	
	2023	2022
Deferred tax assets:		
Allowance for credit losses	\$ 7,101	\$ 4,939
Other real estate owned	18	5
Unrealized losses on available for sale securities	416	711
Unrealized losses on available for sale securities transferred to held to maturity	3,029	3,337
Net operating loss	914	1,006
Other	473	648
Gross deferred tax assets	11,951	10,646
Deferred tax liabilities:		
Depreciation and amortization	(1,871)	(2,116)
Core deposit intangibles	(768)	(914)
Unrealized gains on available for sale securities	—	—
Discount on purchased loans	(180)	(60)
Other	(927)	(880)
Gross deferred tax liabilities	(3,746)	(3,970)
Net deferred tax assets (liabilities)	\$ 8,205	\$ 6,676

First Guaranty determined that the net deferred tax asset at December 31, 2023 and 2022 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 \$ 4.4 million as of December 31, 2023 and \$ 4.8 million in 2022. 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, 2023 and 2022, 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, 2023 and December 31, 2022.

Contract Amount	December 31, 2023		December 31, 2022	
(in thousands)				
Commitments to Extend Credit	\$	304,218	\$	246,968
Unfunded Commitments under lines of credit	\$	214,546	\$	253,906
Commercial and Standby letters of credit	\$	13,971	\$	14,222

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 2023 or 2022.

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, 2023 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, 2023 and 2022 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, 2023 and 2022, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

(in thousands)	December 31, 2023	December 31, 2022
Available for Sale Securities Fair Value Measurements Using:		
Level 1: Quoted Prices in Active Markets For Identical Assets	\$ 49,830	\$ 98,466
Level 2: Significant Other Observable Inputs	23,172	21,890
Level 3: Significant Unobservable Inputs	10,483	11,102
Securities available for sale measured at fair value	\$ 83,485	\$ 131,458

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, 2022 to December 31, 2023 was due to a net decrease in Treasury bills of \$ 48.6 million. There were no transfers between Level 1 and 2 securities available for sale from December 31, 2022 to December 31, 2023. There were no transfers between Level 2 and Level 3 from December 31, 2022 to December 31, 2023.

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

(in thousands)	Level 3 Changes	
	December 31, 2023	December 31, 2022
Balance, beginning of year	\$ 11,102	\$ 12,305
Total gains or losses (realized/unrealized):		
Included in earnings	—	—
Included in other comprehensive income	(38)	(676)
Purchases, sales, issuances and settlements, net	(581)	(527)
Transfers in and/or out of Level 3	—	—
Balance as of end of year	\$ 10,483	\$ 11,102

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, 2023.

The following table measures financial assets and financial liabilities measured at fair value on a non-recurring basis as of December 31, 2023 and December 31, 2022, segregated by the level of valuation inputs within the fair value hierarchy utilized to measure fair value:

(in thousands)	At December 31, 2023	At December 31, 2022
Fair Value Measurements Using: Loan Individually Evaluated for Impairment		
Level 1: Quoted Prices in Active Markets For Identical Assets	\$ —	\$ —
Level 2: Significant Other Observable Inputs	—	—
Level 3: Significant Unobservable Inputs	8,083	2,251
Impaired loans measured at fair value	\$ 8,083	\$ 2,251
Fair Value Measurements Using: Other Real Estate Owned		
Level 1: Quoted Prices in Active Markets For Identical Assets	\$ —	\$ —
Level 2: Significant Other Observable Inputs	1,250	—
Level 3: Significant Unobservable Inputs	—	113
Other real estate owned measured at fair value	\$ 1,250	\$ 113

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.

Loan individually evaluated for impairment.

Fair value 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, 2023 and 2022 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, 2023 were as follows:

(in thousands)	Carrying Amount	Fair Value Measurements at December 31, 2023 Using				
		Level 1	Level 2	Level 3	Total	
Assets						
Cash and due from banks	\$ 286,114	\$ 286,114	\$ —	\$ —	\$ 286,114	
Federal funds sold	341	341	—	—	341	
Securities, available for sale	83,485	49,830	23,172	10,483	83,485	
Securities, held for maturity	320,638	—	253,584	—	253,584	
Loans, net	2,717,782	—	—	2,581,979	2,581,979	
Cash surrender value of BOLI	5,861	—	—	5,861	5,861	
Accrued interest receivable	15,713	—	—	15,713	15,713	
Liabilities						
Deposits	\$ 3,009,094	\$ —	\$ —	\$ 3,001,498	3,001,498	
Short-term advances from Federal Home Loan Bank	50,000	—	—	50,000	50,000	
Short-term borrowings	10,000	—	—	10,000	10,000	
Repurchase agreements	6,297	—	—	6,285	6,285	
Accrued interest payable	11,807	—	—	11,807	11,807	
Long-term advances from Federal Home Loan Bank	155,000	—	—	152,299	152,299	
Senior long-term debt	39,099	—	—	39,304	39,304	
Junior subordinated debentures	15,000	—	—	15,000	15,000	

The carrying amounts and estimated fair values of financial instruments at December 31, 2022 were as follows:

(in thousands)	Carrying Amount	Fair Value Measurements at December 31, 2022 Using				
		Level 1	Level 2	Level 3	Total	
Assets						
Cash and due from banks	\$ 82,796	\$ 82,796	\$ —	\$ —	\$ 82,796	
Federal funds sold	423	423	—	—	423	
Securities, available for sale	131,458	98,466	21,890	11,102	131,458	
Securities, held for maturity	320,068	—	242,560	—	242,560	
Loans, net	2,495,559	—	—	2,404,402	2,404,402	
Cash surrender value of BOLI	5,712	—	—	5,712	5,712	
Accrued interest receivable	13,002	—	—	13,002	13,002	
Liabilities						
Deposits	\$ 2,723,792	\$ —	\$ —	\$ 2,717,471	2,717,471	
Short-term advances from Federal Home Loan Bank	120,000	—	—	120,000	120,000	
Short-term borrowings	20,000	—	—	20,000	20,000	
Repurchase agreements	6,442	—	—	6,509	6,509	
Accrued interest payable	4,289	—	—	4,289	4,289	
Long-term advances from Federal Home Loan Bank	—	—	—	—	—	
Senior long-term debt	21,927	—	—	21,938	21,938	
Junior subordinated debentures	15,000	—	—	15,000	15,000	

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, 2023. 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 39.7 % of First Guaranty's deposits are derived from local governmental agencies at December 31, 2023. 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 \$ 1.2 billion at December 31, 2023.

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 Bank is a defendant in a lawsuit alleging fault for a loss of funds by a customer related to fraud by a third party with a possible loss range of \$ 0.0 million to \$ 1.5 million. The Bank denies the allegations and intends to vigorously defend against this lawsuit, which is in early stages and no trial date has been set. 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 by a claim against First Guaranty's insurer. In the opinion of management, neither First Guaranty nor First Guaranty Bank is currently involved in such legal proceedings, either individually or in the aggregate, that the resolution is expected to have a material adverse effect on First Guaranty's consolidated results of operations, financial condition, or cash flows. However, one or more unfavorable outcomes in these ordinary claims or litigation against First Guaranty or First Guaranty Bank could have a material adverse effect for the period in which they are resolved. In addition, regardless of their merits or ultimate outcomes, such matters are costly, divert management's attention, and may materially and adversely affect the reputation of First Guaranty and First Guaranty Bank, even if resolved favorably.

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:

		December 31,	
		2023	2022
<i>(in thousands)</i>			
Assets			
Cash	\$	8,955	\$ 3,324
Investment in bank subsidiary		302,327	287,019
Other assets		2,952	2,375
Total Assets	\$	314,234	\$ 292,718
Liabilities and Shareholders' Equity			
Short-term debt		10,000	20,000
Senior long-term debt		39,099	21,927
Junior subordinated debentures		15,000	15,000
Other liabilities		504	800
Total Liabilities		64,603	57,727
Shareholders' Equity		249,631	234,991
Total Liabilities and Shareholders' Equity	\$	314,234	\$ 292,718

		December 31,	
		2023	2022
<i>(in thousands)</i>			
Operating Income			
Dividends received from bank subsidiary	\$	10,579	\$ 21,863
Net gains on sale of equity securities		—	—
Other income		638	526
Total operating income		11,217	22,389
Operating Expenses			
Interest expense		4,532	2,703
Salaries & Benefits		313	252
Other expenses		2,365	1,783
Total operating expenses		7,210	4,738
Income before income tax benefit and increase in equity in undistributed earnings of subsidiary		4,007	17,651
Income tax benefit		1,273	910
Income before increase in equity in undistributed earnings of subsidiary		5,280	18,561
Increase in equity in undistributed earnings of subsidiary		3,939	10,323
Net Income	\$	9,219	\$ 28,884

First Guaranty Bancshares, Inc.
Condensed Statements of Cash Flows

	December 31,	
	2023	2022
<i>(in thousands)</i>		
Cash flows from operating activities:		
Net income	\$ 9,219	\$ 28,884
Adjustments to reconcile net income to net cash provided by operating activities:		
Increase in equity in undistributed earnings of subsidiary	(3,939)	(10,323)
Depreciation and amortization	24	225
Net change in other liabilities	(296)	350
Net change in other assets	(580)	1,482
Net cash provided by operating activities	4,428	20,618
Cash flows from investing activities:		
Proceeds from sales of equity securities	—	—
Funds invested in equity securities	—	—
Funds invested in bank subsidiary	(17,000)	(30,000)
Net cash used in investing activities	(17,000)	(30,000)
Cash flows from financing activities:		
Net (decrease) increase in short-term borrowings	(10,000)	20,000
Proceeds from long-term borrowings, net of costs	40,097	—
Repayment of long-term debt	(22,946)	(3,250)
Net proceeds from issuance of common stock	20,000	—
Subsidiary payment for stock grants issued	750	—
Dividends paid	(9,698)	(9,187)
Net cash provided by financing activities	18,203	7,563
Net (decrease) increase in cash and cash equivalents	5,631	(1,819)
Cash and cash equivalents at the beginning of the period	3,324	5,143
Cash and cash equivalents at the end of the period	\$ 8,955	\$ 3,324

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

None

Item 9A - Controls 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, 2023, 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, 2023.

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, 2023.

Item 9B - Other Information

(a) None

(b) During the three months ended December 31, 2023, no First Guaranty director or officer adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in item 408(a) of Regulation S-K.

Item 9C - Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable

Part III

Item 10 – Directors, Executive Officers and Corporate Governance

Pursuant to General Instruction G (3) to Form 10-K, information called for by this item will be incorporated by reference from First Guaranty's Definitive Proxy Statement to be filed within 120 days of fiscal year end.

Item 11 - Executive Compensation

Pursuant to General Instruction G (3) to Form 10-K, information called for by this item will be incorporated by reference from First Guaranty's Definitive Proxy Statement to be filed within 120 days of fiscal year end.

Item 12 - Security Ownership of Certain Beneficial Owners, Management and Related Shareholder Matters

Pursuant to General Instruction G (3) to Form 10-K, information called for by this item will be incorporated by reference from First Guaranty's Definitive Proxy Statement to be filed within 120 days of fiscal year end.

In addition, the information required by Item 201(d) of Regulation S-K will be incorporated by reference from First Guaranty's Definitive Proxy Statement.

Item 13 - Certain Relationships and Related Transactions and Director Independence

Pursuant to General Instruction G (3) to Form 10-K, information called for by this item will be incorporated by reference from First Guaranty's Definitive Proxy Statement to be filed within 120 days of fiscal year end.

Item 14 - Principal Accountant Fees and Services

Pursuant to General Instruction G (3) to Form 10-K, information called for by this item will be incorporated by reference from First Guaranty's Definitive Proxy Statement to be filed within 120 days of fiscal year end.

Part IV

Item 15 - Exhibits and Financial Statement Schedules

(a) 1 **Consolidated Financial Statements**

Item	Page
First Guaranty Bancshares, Inc. and Subsidiary	
Report of Independent Registered Public Accounting Firm (PCAOB Firm ID No. 6982)	67
Consolidated Balance Sheets - December 31, 2023 and 2022	70
Consolidated Statements of Income – Years Ended December 31, 2023 and 2022	71
Consolidated Statements of Comprehensive Income – Years Ended December 31, 2023 and 2022	72
Consolidated Statements of Changes in Shareholders' Equity – Years Ended December 31, 2023 and 2022	73
Consolidated Statements of Cash Flows - Years Ended December 31, 2023 and 2022	75
Notes to Consolidated Financial Statements	76

2 **Consolidated Financial Statement Schedules**

All schedules to the consolidated financial statements of First Guaranty Bancshares, Inc. and its subsidiary have been omitted because they are not required under the related instructions or are inapplicable, or because the required information has been provided in the consolidated financial statements or the notes thereto.

3 **Exhibits**

The exhibits required by Regulation S-K are set forth in the following list and are filed either by incorporation by reference from previous filings with the Securities and Exchange Commission or by attachment to this Annual Report on Form 10-K as indicated below.

Exhibit Number	Exhibit
2.1	Agreement and Plan of Merger, by and among First Guaranty Bancshares, Inc., First Guaranty Bank and Lone Star Bank, dated January 6, 2023 (17).
3.1	Restated Articles of Incorporation of First Guaranty Bancshares, Inc. (1)
3.2	Articles of Amendment to the Restated Articles of Incorporation of First Guaranty Bancshares, Inc.(2)
3.3	Articles of Amendment to the Restated Articles of Incorporation of First Guaranty Bancshares, Inc. (1).
3.4	Bylaws of First Guaranty Bancshares, Inc.(3)
3.5	Amendment to Bylaws of First Guaranty Bancshares, Inc.(4)
4.1	Form of Common Stock Certificate of First Guaranty Bancshares, Inc.(5)
4.2	Subordinated Note, dated as of June 21, 2022, by and between First Guaranty Bancshares, Inc. and Edgar Ray Smith, III. (6)
4.3	Description of Common Stock (23).
4.4	Preferred Stock Specimen Certificate (10)
4.5	Description of Preferred Stock(18).
4.6	Deposit Agreement, dated as of April 27, 2021, by and between First Guaranty Bancshares, Inc. and Zions Bancorporation, National Association, and the holders from time to time of the depositary receipts described herein (12)
4.7	Form of Depositary Receipt representing Depositary Shares (12)
10.1	Subordinated Note Purchase Agreement, dated as of June 21, 2022, by and between First Guaranty Bancshares, Inc. and Edgar Ray Smith, III. (7)
10.1	Loan Agreement, dated as of October 5, 2023, by and between First Guaranty Bancshares, Inc. and Summit Community Bank, Inc. (19)
10.2	Term Note, dated as of October 5, 2023, by and between First Guaranty Bancshares, Inc. and Summit Community Bank, Inc. (20)
10.3	Revolving Credit Note, dated as of October 5, 2023, by and between First Guaranty Bancshares, Inc. and Summit Community Bank, Inc. (21)
10.4	Pledge and Security Agreement, dated as of October 5, 2023, by and between First Guaranty Bancshares, Inc. and Summit Community Bank, Inc. (22)
10.11	First Guaranty Bank Equity Bonus Plan (17).
10.12	Form of Voting Agreement (16).
14.3	First Guaranty Bancshares, Inc. and Subsidiary Code of Conduct and Ethics for Employees, Officers and Directors (13).
14.4	First Guaranty Bancshares, Inc. Code of Ethics for Senior Financial Officers (14).
21	Subsidiaries of the First Guaranty Bancshares, Inc.(8)
23.1	Consent of Griffith, DeLaney, Hillman & Lett CPA, PSC.
31.1	Certification of principal executive officer pursuant to Exchange Act Rule 13(a)-15(e) pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of principal financial officer pursuant to Exchange Act Rule 13(a)-15(e) pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of principal executive officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of principal financial officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
97.1	Clawback policy
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase.
101.DEF	XBRL Taxonomy Extension Definition Linkbase.
101.PRE	XBRL Taxonomy Extension Label Linkbase.
101.LAB	XBRL Taxonomy Extension Presentation Linkbase.
104	Cover Page Interactive Data (formatted as Inline XBRL and included in Exhibit 101).
(1)	Incorporated by reference to Exhibit 3.1 of the Current Report on Form 8-K12G3 filed by First Guaranty Bancshares, Inc. with the Securities and Exchange Commission on August 2, 2007.
(2)	Incorporated by reference to Exhibit 3.1 of the Current Report on Form 8-K filed by First Guaranty Bancshares, Inc. with the Securities and Exchange Commission on September 23, 2011.
(3)	Incorporated by reference to Exhibit 3.2 of the Current Report on Form 8-K12G3 filed by First Guaranty Bancshares, Inc. with the Securities and Exchange Commission on August 2, 2007.
(4)	Incorporated by reference to Exhibit 3.3 of the Current Report on Form 8-K12G3 filed by First Guaranty Bancshares, Inc. with the Securities and Exchange Commission on August 2, 2007.

- (5) Incorporated by reference to Exhibit 4 of the Current Report on Form 8-K12G3 filed by First Guaranty Bancshares, Inc. with the Securities and Exchange Commission on August 2, 2007.
- (6) Incorporated by reference to Exhibit 4.1 of the Current Report on Form 8-K filed by First Guaranty Bancshares, Inc. with the Securities and Exchange Commission on June 23, 2022.
- (7) Incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed by First Guaranty Bancshares, Inc. with the Securities and Exchange Commission on June 23, 2022.
- (8) Incorporated by reference to Exhibit 21 of the Registration statement on Form S-1 filed by First Guaranty Bancshares, Inc. with the Securities and Exchange Commission on October 24, 2014.
- (9) Reserved
- (10) Incorporated by reference to Exhibit 4.1 of the Current Report on Form 8-K filed by First Guaranty Bancshares, Inc. with the Securities and Exchange Commission on April 27, 2021.
- (11) Incorporated by reference to Exhibit 3.1 of the Current Report on Form 8-K filed by First Guaranty Bancshares, Inc. with the Securities and Exchange Commission on April 27, 2021.
- (12) Incorporated by reference to Exhibit 4.2 of the Current Report on Form 8-K filed by First Guaranty Bancshares, Inc. with the Securities and Exchange Commission on April 27, 2021.
- (13) Incorporated by reference to Exhibit 14.3 of the Annual Report on Form 10-K for the year ended December 31, 2021 filed by First Guaranty Bancshares, Inc. with the Securities and Exchange Commission on March 16, 2022.
- (14) Incorporated by reference to Exhibit 14.4 of the Annual Report on Form 10-K for the year ended December 31, 2021 filed by First Guaranty Bancshares, Inc. with the Securities and Exchange Commission on March 16, 2022.
- (15) Incorporated by reference to Exhibit 2.1 of the Current Report on Form 8-K filed by First Guaranty Bancshares, Inc. with the Securities and Exchange Commission on January 9, 2023.
- (16) Incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed by First Guaranty Bancshares, Inc. with the Securities and Exchange Commission on January 9, 2023.
- (17) Incorporated by reference to Appendix A to the Definitive Proxy Statement file by First Guaranty Bancshares, Inc. on April 15, 2022.
- (18) Incorporated by reference to Exhibit 4.5 of the Annual Report on Form 10-K for the year ended December 31, 2022 filed by First Guaranty Bancshares, Inc. with the Securities and Exchange Commission on March 16, 2023.
- (19) Incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed by First Guaranty Bancshares, Inc. with the Securities and Exchange Commission on October 12, 2023.
- (20) Incorporated by reference to Exhibit 10.2 of the Current Report on Form 8-K filed by First Guaranty Bancshares, Inc. with the Securities and Exchange Commission on October 12, 2023.
- (21) Incorporated by reference to Exhibit 10.3 of the Current Report on Form 8-K filed by First Guaranty Bancshares, Inc. with the Securities and Exchange Commission on October 12, 2023.
- (22) Incorporated by reference to Exhibit 10.4 of the Current Report on Form 8-K filed by First Guaranty Bancshares, Inc. with the Securities and Exchange Commission on October 12, 2023.
- (23) Incorporated by reference to Exhibit 4.3 of the Annual Report on Form 10-K for the year ended December 31, 2022 filed by First Guaranty Bancshares, Inc. with the Securities and Exchange Commission on March 16, 2023.

*Management contract or compensatory plan or arrangement.

Item 16 - Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, First Guaranty has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FIRST GUARANTY BANCSHARES, INC.

Dated: March 15, 2024

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed below by the following persons on behalf of First Guaranty and in the capacities and on the dates indicated.

<u>/s/ Alton B. Lewis</u> Alton B. Lewis	President, Chief Executive Officer and Director (Principal Executive Officer)	March 15, 2024
<u>/s/ Eric J. Dosch</u> Eric J. Dosch	Chief Financial Officer, Secretary and Treasurer (Principal Financial and Accounting Officer)	March 15, 2024
<u>/s/ Marshall T. Reynolds</u> Marshall T. Reynolds	Chairman of the Board	March 15, 2024
<u>/s/ William K. Hood</u> William K. Hood	Director	March 15, 2024
<u>/s/ Jack Rossi</u> Jack Rossi	Director	March 15, 2024
<u>/s/ Edgar R. Smith, III</u> Edgar R. Smith, III	Director	March 15, 2024
<u>/s/ Vanessa R. Drew</u> Vanessa R. Drew	Director	March 15, 2024

EXHIBIT 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-264610) and Form S-8 (No. 333-274294) of First Guaranty Bancshares, Inc. of our report dated March 15, 2024, with respect to the consolidated financial statements of First Guaranty Bancshares, Inc. and subsidiary, and the effectiveness of internal control over financial reporting of First Guaranty Bancshares, Inc. and subsidiary included in this Annual Report on Form 10-K of for the year end December 31, 2023, included in the Annual Report on Form 10-K of First Guaranty Bancshares, Inc. for the year ended December 31, 2023.

/s/ Griffith, DeLaney, Hillman & Lett CPA, PSC

Ashland, Kentucky

March 15, 2024

EXHIBIT 31.1

Certification of Chief Executive Officer

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Alton B. Lewis, certify that:

1. I have reviewed this Annual Report on Form 10-K of First Guaranty Bancshares, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves Management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Alton B. Lewis

Alton B. Lewis Chief Executive Officer

(Principal Executive Officer)

March 15, 2024

EXHIBIT 31.2

Certification of Chief Financial Officer

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Eric J. Dosch, certify that:

1. I have reviewed this Annual Report on Form 10-K of First Guaranty Bancshares, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves Management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Eric J. Dosch

Eric J. Dosch
Chief Financial Officer,
Secretary and Treasurer
(Principal Financial & Accounting Officer)
March 15, 2024

EXHIBIT 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of First Guaranty Bancshares, Inc. (the "Company") on Form 10-K as of and for the year ended December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Alton B. Lewis, Chief Executive Officer of the Company, certify that to the best of my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Alton B. Lewis
Alton B. Lewis
Chief Executive Officer
(Principal Executive Officer)

March 15, 2024

EXHIBIT 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of First Guaranty Bancshares, Inc. (the "Company") on Form 10-K as of and for the year ended December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Eric J. Dosch, Chief Financial Officer of the Company, certify that to the best of my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Eric J. Dosch

Eric J. Dosch

Chief Financial Officer

Secretary and Treasurer

(Principal Financial & Accounting Officer)

March 15, 2024

FIRST GUARANTY BANCSHARES, INC.

POLICY FOR THE RECOVERY OF
ERRONEOUSLY AWARDED COMPENSATION

A. OVERVIEW

In accordance with the applicable rules of the Nasdaq Stock Market (the **Nasdaq Rules**), Section 10D and Rule 10D-1 of the Securities Exchange Act of 1934, as amended (the **Exchange Act**), the Board of First Guaranty Bancshares, Inc. (the **Company**) has adopted this Policy (the **Policy**) to provide for the recovery of erroneously awarded Covered Compensation (as defined herein) from executive officers of the Company or its wholly-owned subsidiary, First Guaranty Bank (collectively, **Executive Officers**). All capitalized terms used and not otherwise defined herein shall have the meanings set forth in Section V below.

A. CLAWBACK EVENTS

A. *Restatement Clawback*

If the Company is required to undertake a Restatement, then the Board will review all incentive-based compensation (whether in the form of cash or equity, including any award of stock options, restricted stock, performance shares, phantom stock, deferred stock units or restricted stock units) granted, earned or vested based wholly or in part upon the attainment of a Financial Reporting Measure (**Covered Compensation**) received by any Executive Officer of the Company or its wholly-owned subsidiary, First Guaranty Bank during the Applicable Period. If the amount of Covered Compensation received by such an Executive Officer would have been lower had it been determined based on such restated financial results, the Board shall require the forfeiture and/or return of the full amount of the excess portion of such Covered Compensation (on a pre-tax basis) (a **Restatement Clawback**). For purposes of this policy, an Executive Officer is deemed to have "received" Covered Compensation on the date that the applicable Financial Reporting Measure is *satisfied* or *attained*, regardless of when the Covered Compensation is actually awarded, vested or paid.

For the avoidance of doubt, if the conditions necessary to trigger a Restatement Clawback exist, the Board is required to seek reimbursement of the applicable amount of Covered Compensation under this policy, without giving consideration to any mitigating circumstances, including the relative culpability, if any, of the impacted Executive Officer(s) in the events that gave rise to the triggering Restatement. Notwithstanding the foregoing, if in connection with a Restatement Clawback: (i) after making a reasonable attempt to recover the excess Covered Compensation, the Board reasonably determines that the direct expense to be paid to a third party to recover such excess Covered Compensation would exceed the amount of the Covered Compensation to be recovered and, therefore, that recovery is impracticable, or (ii) the recovery of the Covered Compensation would cause the Company's tax qualified retirement plan to fail to meet the requirements of Internal Revenue Code Section 401(a)(13), then in each case, the Company will not be required to seek recovery hereunder.

A. *Improper Conduct Clawback*

If any Executive Officer has engaged in Improper Conduct that either has resulted in, or could reasonably be expected to result in, an Adverse Effect, then the Board may, if it determines appropriate in its sole discretion, after evaluating the associated costs and benefits, seek to recover all or any portion of Covered Compensation (on a pre- or post-tax basis, as determined by the Board in its sole discretion) paid to any such Executive Officer during the Applicable Period (an **Improper Conduct Clawback**).

In determining the remedies, if any, to pursue in the event of an Executive Officer's Improper Conduct, the Board may take into account all relevant factors, including without limitation:

- a. the nature and severity of the Improper Conduct and its impact on the Company and its subsidiaries;
- b. the likelihood of success in taking action relative to the effort involved (e.g., the expense of recovering the applicable incentive compensation does not exceed the amount sought to be recovered);
- c. any pending or threatened legal proceedings relating to, directly or indirectly, the acts or omissions outlined herein, and any actual or anticipated resolution;
- d. whether taking action may prejudice the Company's or its subsidiaries' interests in any way; and
- e. the tax consequences to the Company or its subsidiaries of taking action.

For the avoidance of doubt, in exercising its business judgment in connection with an Improper Conduct Clawback, the Board may consider any other factors it deems relevant in its determination.

A. DISCLOSURE

The Company shall disclose to its shareholders not later than the filing of the next following proxy statement the actions taken or the decision not to take action with regard to recovery or non-recovery, as the case may be, of Covered Compensation (including reporting the

aggregate amounts recovered) related to any Restatement or to any Improper Conduct, so long as such event was previously disclosed in the Company's filings with the SEC.

A. GENERAL

This Policy shall apply to any Covered Compensation received by an Executive Officer from and after the date of adoption of this policy, regardless of the date on which such Covered Compensation was first granted or awarded to an Executive Officer). Notwithstanding the foregoing, the Improper Conduct Clawback does not apply to an Executive Officer that is party to any employment agreement (or other similar arrangement) with the Company.

Both the Restatement Clawback and the Improper Conduct Clawback may be enforced by reducing or cancelling outstanding incentive compensation or equity awards, by requiring the return of shares issued in settlement of an award or the proceeds realized in any sale of the same, and by legal process asserting a claim for repayment. In addition, the Board may take such other action to enforce an Executive Officer's obligations to the Company as it may deem appropriate in view of all of the facts surrounding the particular case. The vesting, payment or other receipt of any rights or benefits awarded by the Company to an Executive Officer which are subject to this policy may be suspended pending an investigation and final determination by the Board with regard to any accounting restatement or alleged Improper Conduct that may be subject to a determination by the Board under this policy.

For the avoidance of doubt, the Board may, in its sole discretion and in the reasonable exercise of its business judgment, determine whether and to what extent additional action is appropriate to address the circumstances surrounding such Restatement or such Improper Conduct so as to minimize the likelihood of any recurrence and to impose such other discipline as it deems appropriate.

Except as expressly provided herein, any determination of the Board with respect to the application and operation of this policy shall be conclusive and binding on the Company and the relevant Executive Officer.

By accepting any compensation as to which this policy applies, each Executive Officer agrees to the foregoing and agrees to forfeit and/or return compensation to the Company as provided by this policy, as the same may be modified by, or superseded by any replacement policy adopted by, the Board.

A. DEFINITIONS

For purposes of this Policy, the following terms shall have the following meanings:

- a. **"Adverse Effect"** means any significant adverse impact on the reputation of, or a significant adverse economic consequence for, the Company or any of its affiliated companies, or any division or segment thereof.
 - a. **"Applicable Period"** means (i) in the case of any Restatement, the three-year period immediately preceding the date on which the Company is required to prepare the Restatement and any "transition period" as prescribed under Rule 10D-1 under the Exchange Act and (ii) in the case of any Improper Conduct, the three-year period preceding the date of the Improper Conduct, as determined by the Board.
 - a. **"Board"** means the Board of Directors of the Company, the Compensation Committee of the Board of Directors or such other committee of the Board of Directors that, at the relevant time, has the authority for making determinations as to the compensation of Executive Officers.
 - a. **"Financial Reporting Measure"** means any measure determined and presented in accordance with the accounting principles used in preparing the Company's consolidated financial statements (and any measures that are derived wholly or in part from those measures), including GAAP and non-GAAP measures, as well as stock price and total shareholder return (TSR).
 - a. **"Improper Conduct"** means an Executive Officer's willful misconduct (including, but not limited to, fraud, bribery or other illegal acts) or gross negligence, which, in either case, includes any failure to report properly, or to take appropriate remedial action with respect to, such misconduct or gross negligence by another person.
 - a. **"Restatement"** means any required accounting restatement (occurring after the effective date of this Policy) or any of the Company's consolidated financial statements that have been filed with the SEC, due to material non-compliance with any financial reporting requirement under the Exchange Act or the Securities Act of 1933, as amended, to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if that error were corrected in the current period or left uncorrected in the current period. For purposes hereof, the Company will be deemed to have been "required" to prepare an accounting restatement on the date that is the earlier of (i) the date the Board, any committee thereof or any officers of the Company authorized to take such action concludes, or reasonably should have concluded, that the Company is required to prepare an accounting restatement due to material noncompliance with any financial reporting requirements under the federal securities laws or (ii) the date a court, regulator or other legally authorized body directs the Company to prepare an accounting restatement.
 - a. **"SEC"** means the Securities and Exchange Commission.
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Clawback Policy Acknowledgement

I, the undersigned Executive Officer of the Company, agree and acknowledge that I am fully bound by, and subject to, all of the terms and conditions of the First Guaranty Bancshares, Inc. Clawback Policy (as may be amended, restated, supplemented or otherwise modified from time to time, the "Policy"). In the event of any inconsistency between the Policy and the terms of any employment agreement (or similar arrangement) to which I am a party, or the terms of any compensation plan, program or agreement under which any compensation has been granted, awarded, earned or paid, the terms of the Policy shall govern (except with respect to an Improper Conduct clawback). In the event it is determined by the Board that any amounts granted, awarded, earned or paid to me must be forfeited or reimbursed to the Company, I will promptly take any action necessary to effectuate such forfeiture and/or reimbursement. Any capitalized terms used in this Acknowledgment without definition shall have the meaning set forth in the Policy.

By:

Printed Name:

Title:

Date: