

FIRST GUARANTY BANK ENTERS INTO A DEFINITIVE AGREEMENT TO ACQUIRE  
HOMESTEAD BANCORP, INC.

HAMMOND, LOUISIANA AND PONCHATOULA, LOUISIANA, January 4, 2007 — First Guaranty Bank and Homestead Bancorp, Inc. (OTC: HSTD.PK), parent company for Homestead Bank, jointly announced today that they had entered into a definitive agreement pursuant to which Homestead Bancorp will be acquired for approximately \$13 million in cash.

Prior to completion of the acquisition, it is anticipated that First Guaranty Bancshares, Inc., currently a wholly-owned subsidiary of First Guaranty Bank, will become the registered bank holding company of First Guaranty Bank pursuant to a share exchange transaction that has previously been approved by the shareholders of First Guaranty Bank. Following the holding company formation, First Guaranty Bancshares will accomplish the acquisition of Homestead Bancorp by virtue of the merger of a wholly-owned subsidiary of First Guaranty Bancshares with and into Homestead Bancorp.

Under the terms of the agreement, First Guaranty Bancshares will acquire all of the issued and outstanding shares of common stock of Homestead Bancorp for the cash purchase price of \$17.60 per share. In addition, each outstanding and unexercised option to acquire a share of common stock of Homestead Bancorp will be converted into the right to receive cash in an amount equal to \$17.60 less the exercise price of such option. The transaction has been approved by the board of directors of First Guaranty Bank, First Guaranty Bancshares and Homestead Bancorp. The acquisition is subject to customary conditions, including the approval of the shareholders of Homestead Bancorp as well as certain bank regulatory authorities in the United States.

Michael R. Sharp, President and Chief Executive Officer of First Guaranty Bank and First Guaranty Bancshares commented, “We are delighted to have the opportunity to associate with Homestead Bancorp and expand our operations. This acquisition will expand our presence into Walker, Louisiana in Livingston Parish, which is one of the fastest growing parishes in the state. This acquisition will strengthen our number one position in terms of having the largest deposit base in Amite and Hammond, Louisiana. In addition, Homestead Bank is a major home loan lender in our area. We expect that their expertise and knowledge of their respective markets will enhance the combined entity’s mortgage lending activities. This partnership should make us the 5<sup>th</sup> largest state bank in Louisiana. First Guaranty Bank welcomes current Homestead Bank customers to our corporate family. ”

Lawrence C. Caldwell, Jr., President and Chief Executive Officer of Homestead Bancorp added, “We are pleased to join with First Guaranty Bank. Our customers can look forward to their 19 locations throughout Louisiana and utilizing the additional products and services that First Guaranty Bank offers. In addition, this transaction provides our shareholders with a significant premium to the market prices of our stock. We believe the merger is in the best interests of our shareholders and our customers.”

The aggregate purchase price to be paid in the acquisition represents 1.26 times Homestead

Bancorp's fully diluted book value at September 30, 2006. At September 30, 2006, Homestead Bancorp had \$132.3 million in total assets, \$68.9 million in total loans, \$69.5 million in total deposits and \$10.3 million in shareholders' equity.

Homestead Bank, based in Ponchatoula Louisiana, was founded in 1911 as a mutually-owned, federally-chartered savings and loan association. Homestead Bank formed a mutual holding company in 1994, and Homestead Bancorp, Inc. was formed in 1998, in conjunction with the conversion from a mutual holding company to a stock holding company structure. Homestead Bank currently has three banking offices located in Ponchatoula, Amite and Walker, Louisiana.

First Guaranty Bank was founded in 1934 and has 16 banking offices located throughout Louisiana. At September 30, 2006, First Guaranty Bank had \$740.5 million in total assets, \$511.0 million in total loans, \$639.6 million in total deposits and \$57.6 million in shareholders' equity.

Upon completion of the proposed transaction, it is anticipated that the combined financial institution will have approximately \$863.6 million in total assets, \$579.5 million in total loans, \$709.1 million in total deposits and \$57.6 million in shareholders' equity on a proforma basis as of September 30, 2006. The combined financial institution will serve the Florida Parishes with locations in Hammond (2), Ponchatoula (3), Independence, Amite (2), Kentwood, Denham Springs and Walker, Louisiana. In addition, other branch locations include two in southwest Louisiana and six in North Louisiana, for a total of 19 branch locations.

"We are pleased that both First Guaranty Bank and Homestead Bank share a common goal of serving our customers, our stockholders, our employees and our community as we continue to build an exceptional community bank offering competitive products and great customer service," said Mr. Sharp.

Under the agreement, Mr. Caldwell will become an officer and part of the First Guaranty Bank management team.

The merger is expected to close in the second quarter of 2007. Jenkins & Gilchrist, P.C., Austin, Texas, acted as legal counsel to First Guaranty Bank. Howe Barnes Hoefler & Arnett, Inc., Chicago, Illinois, acted as financial adviser to Homestead Bancorp and Elias, Matz, Tiernan & Herrick, LLP, Washington, D.C., acted as Homestead's legal counsel.

Homestead Bancorp intends to mail a proxy statement to its shareholders. Before making any voting decision with respect to the proposed merger, investors and shareholders of Homestead Bancorp are urged to read the proxy statement when it becomes available, because it will contain important information about the parties and the proposed merger. This press release may be deemed to be solicitation material with respect to the proposed merger. Homestead Bancorp and its directors and executive officers may be deemed to be participants in the proposed merger. Information about the directors and executive officers of Homestead Bancorp and their ownership of Homestead Bancorp common stock is set forth in the proxy statement dated March 10, 2006, for Homestead Bancorp's 2006 annual meeting of shareholders. Additional

information about the interest of those participants may be obtained from the definitive proxy statement regarding the proposed merger when it becomes available.

Certain statements contained in this release, including without limitation statements including the word “believes”, “anticipates,” “intends,” “expects” or words of similar import, constitute “forward-looking statements” within the meaning of section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the parties to be materially different from any future results, performance or achievements of the parties expressed or implied by such forward-looking statements. Such factors include, among others, general economic and business conditions, changes in business strategy or development plans, the satisfaction of all conditions to the merger, including receipt of required regulatory approvals and the approval of the merger by Homestead Bancorp’s shareholders and other factors referenced in this release. Given these uncertainties, prospective investors are cautioned not to place undue reliance on such forward-looking statements. The parties disclaim any obligation to update any such factors or to publicly announce the results of any revisions to any of the forward-looking statements contained herein to reflect future events or developments.

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