

# *First Bancshares, Inc.*

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[www.fnblifetime.com](http://www.fnblifetime.com)

January 25, 2019

Dear Shareholder,

The Board of Directors have declared and paid a fourth quarter dividend of twenty-eight cents (\$0.28) per share. This is the fifth consecutive quarter that the dividend has been increased. This additional one-cent per share payment is just under a four percent (4%) increase over the prior quarter. The payment is enclosed with this letter or has been direct-deposited per your instructions. Dividend Reinvestment Plan participants will have their proceeds used to purchase additional shares without paying any type of brokerage fee. For those receiving cash payments, you can still sign up for the DRIP program if you would like.

The attachment included provides a snapshot of our year end balance sheet and the full year financial results. We are happy to report that 2018 is a record year for net earnings of the consolidated company. Some detailed highlights include an increase in net interest income of over \$214,000 which is 2.7% higher than 2017 along with an increase of non-interest earnings of over \$173,000. Operating expenses were slightly higher in 2018 mainly due to an increase in personnel expenses and occupancy expense. One area that you will notice having a major impact on the bottom line is Federal Income tax expense. Last year, we reported that due to the tax reform, we had a one-time adjustment that increased our tax liability due to revaluation of our tax deferred assets. This year the lower tax rates allowed us to almost fully recoup that adjustment and is reflected in our net income for the year.

Our balance sheet grew by almost \$13M equating to a 6% increase. We had nice growth in our loan portfolio and because of higher deposit totals we were able to fund a good portion of the increased loan balances. The financial ratios reflect the full year results with an improvement in our return on assets as well as a solid return on equity of over 12%.

As we start out this new year with an economy that is in decent shape but a government that is currently in shutdown mode, we are cautiously optimistic that the bank will continue to perform well, and our clients are positioned to take advantage of a very strong labor market and relatively low inflation.

Overall, we are happy to share the good results from the 2018 year and feel that 2019 should continue the trend of generating solid financial results. This has allowed us to provide adequate dividends to our stockholders as well as growing the book value of your shares. In the upcoming month, our auditors will be on site to certify these numbers so we can prepare our annual report. The next correspondence you receive from us will include that report along with your proxy material for the annual meeting.

On behalf of our directors, officers, and staff we want to thank you for your investment in First Bancshares. We will continue to move forward in providing the quality service and products our clients deserve so we can maintain the trust they have placed in us. As always, please feel free to contact us with any comments or questions.



Steven L. Mays, DVM  
Chairman

Sincerely,



Dean J. Miller  
President and CEO