

First Bancshares, Inc.

120 North Street, Bellevue, Ohio 44811

419-483-7340 - Fax 419-483-0006

www.fnblifetime.com

July 25, 2019

Dear Shareholder,

The board of directors of First Bancshares, Inc. have declared a second quarter dividend in the amount of twenty-nine cents (\$0.29) per share which is one cent higher than the previous payment. The company's earnings for the second quarter increased over the first part of the year which will be discussed in more detail below. We have enclosed this payment or it has been direct deposited for those that are not participants in the dividend reinvestment plan.

Attached to this letter are the financial highlights that reflect the results of the first half of the year compared to the same period in 2018. Interest rates have increased over the last year resulting in higher interest income along with higher interest expense. However, net interest income is up \$118,451 or almost 3% compared to the first six months of 2018.

Total loan balances continue to show growth which has required us to fund our loan loss reserve this year when last year there was no expense during the first half of the year. Non-interest income was down slightly on a year to year basis. We did see an increase in non-interest expense which is mainly due to personnel costs being higher this year when compared to the first 6 months of the prior year.

There are two main components of this increase. Overall wages are up roughly 3% which is reasonable given the current strength of the labor market. The other factor is that total benefit costs are higher mainly due to an increase in health care costs provided as benefits to the staff. We have been fortunate that our existing provider had minimal rate hikes over the last several years when our industry and many others were seeing double digit increases almost yearly. While we continuously monitor our benefit plans for competitiveness, we felt that this recent increase was more than justified given the history of the program.

These variables resulted in lower net income for the company on a year to date basis, however the second quarter results were significantly better than the first three months of 2019. For the first quarter of 2019 we reported net income of roughly \$482,000. The second quarter net income was just over \$658,000 which was more than a 36% improvement. This significant increase in earnings is expected to stay on track as the economy continues to remain on solid footing.

The per share data reflects nice growth and return for the shares that you own. The reported financial ratios are down from last year but still show solid results when compared to our peers. We continue to see balance sheet growth at a manageable level driven by both loans and deposits. Our expansion into the newer markets continue to be a good investment for the bank and our staff help drive new business to those offices.

While the United States economy remains strong, there are signs of weakness on a global basis that warrant continued monitoring of potential economic risks that may impact our local markets. The monetary policy of the Federal Reserve is being watched closely by all industries and impacts of any interest rate changes will be managed on our balance sheet as deemed appropriate. We remain optimistic that the bank is positioned well to provide solid returns to our shareholders.

As always, on behalf of our directors, officers, and staff, we appreciate your support. Feel free to let us know if you have any questions or comments.

Sincerely,



Steven L. Mays, DVM
Chairman



Dean J. Miller
President and CEO