First Bancshares, Inc.

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October 28, 2020

Dear Shareholder,

The board of directors of First Bancshares, Inc. have declared a third quarter dividend in the amount of twenty-eight cents ($0.28) per share that is enclosed or has been direct deposited per your instructions. Those in the dividend reinvestment program will receive additional shares per the plan. This payment is the same amount that has been paid the last two quarters. While the financial performance is still very solid, we feel it is prudent to remain at this payout level until there is more clarity as to how the pandemic and the economic downturn will impact credit quality within the loan portfolio.

The additional page we include has the financial results through the third quarter compared to the same period a year ago. You will see the results are very positive and several specific areas contribute to what we are reporting. Year to date net income is up over $403,000 which is a 23% increase. Much of this is driven by an increase in our non-interest income which improved by 26% or more than $337,000. In addition, we increased our loan loss provision expense by roughly $426,000 bringing the ratio to 1.3% of total loans. Very importantly during this period our non-interest expense decreased by just over $182,000 an improvement of 3% over the prior year.

As you review the ratio section of the data provided, you can see that these numbers reflect a strong picture with a solid increase in the book value per share. As reported last quarter, the balance sheet growth has occurred from an influx of deposits along with the PPP loans that were generated in the second quarter. The low interest rate environment is putting pressure on net interest margins within the industry but we are quite pleased we have been able to manage ours so there is not much of a decline. These low interest rates are also generating a very large volume of residential loan activity through refinancing and home purchases. This has driven the majority of the increase in non-interest revenue for the bank and we still maintain a significant pipeline that will drive that area throughout the remainder of the year.

As mentioned in the beginning, there is much uncertainty around how the present situation will play out into 2021 and beyond. While there are signs of stress within certain industries and consumers, we are not seeing this impact credit quality or delinquencies to any great extent within our loan portfolio. We do know that the longer this environment affects how businesses such as restaurants, hotels and other retail establishments operate, it is likely there will be negative impact to the companies or individuals we deal with and their ability to repay loans or even stay in business. Due to this unknown we are building up our reserves for potential loan losses and retaining capital to help support us through the period of recovery once the economy can stabilize and start a rebound.

All of our directors, officers, and staff want to thank you for your support and we appreciate your commitment to the organization. We surely hope each of you are able to stay safe and healthy through this pandemic.

Sincerely,

John A. Coppeler
Chairman

Dean J. Miller
President and CEO