

First Bancshares, Inc.

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April 27, 2022

Dear Shareholder,

The Board of Directors of First Bancshares, Inc. have declared a first quarter dividend in the amount of thirty-two cents (\$0.32) per share which is enclosed or has been direct deposited per your instructions. For those who are having their dividend reinvested for additional stock, those funds have been provided to American Stock Transfer so they can purchase your additional shares. This payment is consistent with the regular dividend we have paid for the last five quarters notwithstanding the extra five cents that was paid out in the last quarterly payment.

As expected, the first quarter earnings were not as strong as they were a year ago when we were benefitting from residential mortgage lending activity as well as income from the Paycheck Protection Program (PPP). That program was put in play to help businesses maintain their workforce during the onset of the pandemic. We generated just under 500 loans totaling slightly over 35 million dollars that supported roughly 400 businesses owners and their employees. All but two of these loans have been processed and forgiven by the SBA reducing our net interest income by just under 4% through the first three months of this year compared to 2021. With the tightening residential real estate market and increasing interest rates, our mortgage loan sales were down moderately resulting in lower non-interest income by almost 15% less than the first quarter of 2021. We also experienced an increase of expenses during this period due to a number of factors including wage pressure, increasing professional fee costs and general maintenance. The overall result is that net income for the first quarter is considerably lower than the same period in 2021 which was not unexpected.

Our balance sheet did see a shift in the makeup of assets and liabilities but maintained a similar total size to 2021. As explained above regarding the PPP loans, our loan totals dropped from last year due to this factor. As we've shared in prior letters, there is still a considerable amount of liquidity in the economy which is reflected in the increase in total deposits on hand. The additional impact of all this liquidity with only moderate loan demand is the need to deploy these deposits into higher earning assets in the form of investment securities. Doing so in a low-rate environment without creating long term interest rate risk is critical especially as interest rates start to increase.

The Federal Reserve recently increased the Federal Funds Rate for the first time since December 2019. Prior to this rate hike, treasury yields had already been trending upward and 30-year mortgage rates exceeded 5% for the first time in quite a while. Supply chain disruptions and the impact of the war in Ukraine are driving up costs significantly with inflation hitting a 40-year high mark. We will be monitoring how fast and far the Fed tightens monetary policy with the hope that it won't drive us into a recession.

About the time you receive this letter with your dividend, we will be opening our ninth location in Norwalk with plans to expand our client base in the Huron County market. The official opening date is April 26th with a ribbon cutting and Open House on May 10th. Please drop by to see the new location and meet our new staff.

In closing, our hearts go out to the people in Ukraine with hopes that this conflict can be resolved and ended soon. Our directors, management and staff appreciate your continued support of First Bancshares.

Sincerely,



James V. Stouffer Jr.
Chairman



Dean J. Miller
President and CEO