

First Bancshares, Inc.

120 North Street, Bellevue, Ohio 44811

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

www.fnblifetime.com

October 27, 2022

Dear Shareholder,

The Board of Directors have declared and paid a third-quarter dividend of thirty-three cents (\$0.33) per share. This payment reflects a one cent (\$0.01) increase which is roughly 3% higher than the prior amount. The payment is enclosed with this letter or has been direct deposited per your instructions. All others that are enrolled in the Dividend Reinvestment Plan will have shares purchased for your benefit.

As you review the income statement results at the top of the attached page, net interest income after provision is nearly the same as last year. In comparing non-interest income for the same period, the 2022 result is less mainly due to less fee income because of a drop in loan demand resulting from higher interest rates. A large piece of non-interest income comes from gain on sales of residential mortgage loans to the secondary market. This year is considerably less due to a lower demand as mortgage rates have risen to much higher levels. Non-interest expenses were higher in 2022 by roughly 3.6%. This is attributable to several areas driven by an increase in occupancy expenses due to the new branch opening in April and professional fees related to costs to improve our digital offerings to accommodate technology needs brought on by the pandemic. The bottom line is that net income was lower by just over \$300,000 or 13% which was not unexpected given the 2021 boost in revenue from the PPP programs and influx of deposits over the last couple of years.

As we continue to see a more normalization of loan and deposit balances, our balance sheet has declined as well. Loan totals as of 9/30/22 are less than last year as PPP loans were forgiven during 2021 lowering our totals. We've shared in previous communication that equity is lower as the rising interest rates have negatively impacted the value of our investment portfolio which then flows through the capital calculations. This is quite prevalent in our industry during this rate environment and is an area we monitor closely.

As we were heading into 2022, there was much speculation about where interest rates could go during the year. By most accounts, there was a general consensus that rates would be mostly flat with some speculation that the Federal Reserve may raise short term rates slightly at some point during the year. We are now more than nine months into the year and interest rates have risen significantly since January 1st and likely will continue to increase more. As you are well aware, inflation has impacted the cost of our food, fuel, housing costs and most other products and services we need to manage our households and businesses. Therefore, to try and bring this under control, the Federal Reserve has been very aggressive in their actions to slow the economy and bring inflation under control. We will monitor this closely and are positioning ourselves to manage through likely scenarios the economy will face.

These are very interesting times that we have not seen for many years and in some cases have never seen. We continue to manage the company in a prudent way to protect your interest as shareholders while also generating a fair return on your investment.

As we approach the end of another year and look forward to the holiday season that is coming quickly, we want to thank you for your trust in us and appreciate your support.

Sincerely,



James V. Stouffer Jr.
Chairman



Dean J. Miller
President and CEO