



# **First Bancshares, Inc.**

Bellevue, Ohio

**First Bancshares, Inc. is a one-bank holding company. Its principal subsidiary, First National Bank, is a full-service bank with offices in Bellevue, Catawba, Clyde, Fremont, Norwalk, Perkins, Port Clinton, Put-in-Bay and Sandusky, Ohio.**

## Message to Shareholders

March 4, 2025

Dear Shareholder:

Each year when the process of generating this letter comes around, we tend to look forward to the date when the annual meeting occurs as we know the early stages of spring will be here soon. This winter has been a bit more of a challenge than recent history as we've had more snow and much cooler temperatures compared to the last couple of years.

The information in this annual report will wrap up the culmination of data that we provide throughout the year when we send out the quarterly dividend. Our hope is that you find this correspondence useful to monitor the company's progress each quarter. Obviously, the data provided in the annual report is much more comprehensive and contains a host of other schedules and information to meet the auditing standards our accounting firm must adhere to.

The financial results for 2024 were similar to what we achieved in 2023. Net income was roughly the same and our balance sheet saw a modest decline. The growth in our deposit balances allowed us to pay off some borrowings we had on our balance sheet which ultimately has reduced our cost of funds. There were many factors impacting our operating income as we continue to deal with an interest rate environment that contains a relatively flat yield curve. This scenario makes it challenging to rely on the net margins we were accustomed to. Recent short-term rate reductions and a run-off in our investment portfolio have provided for some pickup in this part of the income statement as reflected in the higher net interest income for 2024. Our total expenses for the year were fairly stable aside from an increase in our data processing costs and state income tax.

As we look ahead, there are challenges as well as opportunities in front of us that we'll look to manage through. It appears that the new administration may provide some benefit to our industry by reigning in the amount of regulatory pressure we have been subject to in recent history. The costs associated with the amount of oversight we deal with on a regular basis makes it difficult for community banks that don't have the size and scale to absorb this overhead. Of course, we realize that safety and soundness are critical to the confidence of our clients so the trade-off must be taken into consideration.


We are excited to celebrate the bank's 150-year anniversary on September 30, 2025. Being chartered as a national bank at that time and managing through a depression, two world wars, the great recession and a host of many other notable events over the years is a testament to the leadership and dedication of many people throughout this time. There will be a number of ways we will recognize this great achievement leading up to a dedication event at the main office on September 30<sup>th</sup>.


In early 2025, we provided notice that we will have a change in our leadership after 19 years. Most likely, there will be an announcement of a new CEO by the time of our annual meeting in late April. We will provide updates on the progress of the transition as the information is available.

The business portion of the annual meeting will only consist of re-election of directors as there are no other business items to address this year. As you receive your proxy with the report, please vote your shares no matter how much stock you own so that we can assure the election can be finalized at the annual meeting.

As always, we appreciate your ownership interest in First Bancshares, Inc. and thank you for your continued support.

Sincerely,

  
James V. Stouffer Jr.  
Chairman

  
Dean J. Miller  
President and CEO



# DIXON, DAVIS, BAGENT & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

1205 WEAVER DRIVE • GRANVILLE, OHIO 43023 • 740-321-1000 • FAX 740-321-1100

## INDEPENDENT AUDITOR'S REPORT

The Audit Committee of the Board of Directors  
First Bancshares, Inc.  
Bellevue, Ohio

### Opinion

We have audited the accompanying consolidated financial statements of First Bancshares, Inc., which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of First Bancshares, Inc. as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of First Bancshares, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about First Bancshares, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of First Bancshares, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude, whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about First Bancshares, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Dixon, Davis, Bagent & Company

Granville, Ohio  
February 24, 2025

**First Bancshares, Inc.**  
**Bellevue, Ohio**

<b>Consolidated Balance Sheet</b>		
	December 31, 2024	December 31, 2023
<b>Assets</b>		
Cash and due from banks (Note 2)	\$ 8,919,890	\$ 6,120,859
Federal funds sold	6,227,000	691,000
Interest-bearing deposits in banks	-	-
Total cash and cash equivalents	15,146,890	6,811,859
Investment securities – Available for sale (Note 3)	78,451,551	85,063,692
Investment securities – Held to maturity (Note 3)	4,913,000	5,033,000
Other securities (Note 3)	978,017	1,175,367
Loans – Net of allowance for credit losses of \$2,240,298 and \$2,239,362 in 2024 and 2023, respectively (Note 4)	176,265,252	183,058,527
Foreclosed assets	-	-
Premises and equipment (Note 5)	6,905,989	7,152,271
Accrued interest receivable	1,020,057	1,157,747
Cash surrender value of life insurance	5,189,717	5,070,817
Other assets (Note 12)	4,808,934	4,522,549
Total assets	\$ 293,679,407	\$ 299,045,829
<b>Liabilities and Stockholders' Equity</b>		
<b>Liabilities</b>		
Deposits (Note 6)		
Noninterest-bearing	\$ 70,274,370	\$ 68,127,254
Interest-bearing	194,020,788	186,796,495
Total deposits	264,295,158	254,923,749
Federal Home Loan Bank advances (Note 7)	1,250,000	6,250,000
Federal Reserve Bank term funding	-	10,000,000
Bank line of credit (Note 8)	-	-
Subordinated debt	8,000,000	8,000,000
Accrued interest payable	254,624	565,437
Accrued and other liabilities	2,730,820	2,523,101
Total liabilities	276,530,602	282,262,287
<b>Stockholders' Equity</b>		
Preferred stock – no par value; authorized 750,000 shares; 0 shares issued and outstanding	-	-
Common stock - \$5.00 par value; authorized 750,000 shares; issued and outstanding 660,600 shares	1,101,000	1,101,000
Treasury stock – At cost; 116,381 and 122,981 shares at December 31, 2024 and 2023, respectively	(2,471,496)	(2,611,654)
Additional paid-in capital	1,136,267	1,118,026
Retained earnings	28,388,782	27,787,174
Accumulated other comprehensive income	(11,005,748)	(10,611,004)
Total stockholders' equity	17,148,805	16,783,542
Total liabilities and stockholders' equity	\$ 293,679,407	\$ 299,045,829

**First Bancshares, Inc.**  
**Bellevue, Ohio**

**Consolidated Statement of Operations**

	Year Ended	
	December 31, 2024	December 31, 2023
<b>Interest Income</b>		
Loans – including fees	\$ 11,695,632	\$ 10,423,687
Debt securities:		
Taxable	1,183,203	1,398,183
Tax-exempt	706,256	738,152
Other	922,577	604,385
Total interest income	14,507,668	13,164,407
<b>Interest Expense</b>		
Deposits	4,522,911	4,056,982
Borrowings	967,798	803,425
Total interest expense	5,490,709	4,860,407
<b>Net Interest Income</b>	9,016,959	8,304,000
<b>Provision for Credit Losses</b> (Note 4)	-	(375,728)
<b>Net Interest Income After Provision for Credit Losses</b>	9,016,959	8,679,728
<b>Noninterest Income</b>		
Service charges – Deposits	260,762	318,089
Net gain on sale of loans	26,337	42,061
Writedown of other real estate owned	9,051	-
Rental fees and commissions	21,000	21,000
Gain (loss) on sale of investment securities	-	(243,544)
Gain (loss) on sale of other assets	-	-
Visa interchange fees	286,001	370,665
Other	337,482	435,941
Total noninterest income	940,633	944,212
<b>Noninterest Expenses</b>		
Salaries and employee benefits (Note 12)	4,747,105	4,700,480
Occupancy and equipment	1,154,451	1,123,047
Data processing	952,431	904,597
State tax	157,545	(3,676)
Professional fees	225,967	223,355
FDIC insurance	134,040	139,442
Advertising	84,127	89,089
Director fees	123,000	122,800
Other	879,384	817,002
Total noninterest expenses	8,458,050	8,116,136
<b>Income – Before income taxes</b>	1,499,542	1,507,804
<b>Income Tax Expense</b> (Note 13)	183,922	175,681
<b>Net Income</b>	\$ 1,315,620	\$ 1,332,123

**First Bancshares, Inc.**  
**Bellevue, Ohio**

**Consolidated Statement of Comprehensive Income**

	<u>2024</u>	<u>2023</u>
Net income	\$ 1,315,620	\$ 1,332,123
Other comprehensive income (loss), net of tax:		
Unrealized net holding gain (loss) on securities available-for-sale, net of income taxes of \$(104,932) and \$189,629 for the years ended December 31, 2024 and 2023, respectively	(394,744)	713,368
Reclassification adjustment for gains (losses) realized, net of income taxes of \$- and \$(51,144) for the years ended December 31, 2024 and 2023, respectively	<u>-</u>	<u>(243,544)</u>
Other comprehensive income (loss)	<u>(394,744)</u>	<u>469,824</u>
Comprehensive income (loss)	<u>\$ 920,876</u>	<u>\$ 1,801,947</u>

**Consolidated Statement of Changes in Stockholders' Equity**

	<u>Preferred Stock</u>	<u>Common Stock</u>	<u>Treasury Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Total</u>
<b>Balance</b> – December 31, 2022	\$ -	\$ 1,101,000	\$(2,611,654)	\$ 1,118,026	\$ 27,164,708	\$(11,080,828)	\$ 15,691,252
Comprehensive income:							
Net income	-	-	-	-	1,332,123	-	1,332,123
Change in net unrealized gain on securities – Net of tax of \$138,485	-	-	-	-	-	469,824	<u>469,824</u>
Total comprehensive Income	-	-	-	-	-	-	1,801,947
Dividends declared \$1.32 per share	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(709,657)</u>	<u>-</u>	<u>(709,657)</u>
<b>Balance</b> – December 31, 2023	-	\$ 1,101,000	\$(2,611,654)	\$ 1,118,026	\$ 27,787,174	\$(10,611,004)	\$ 16,783,542
Comprehensive income:							
Net income	-	-	-	-	1,315,620	-	1,315,620
Change in net unrealized gain on securities – Net of tax of \$(104,932)	-	-	-	-	-	(394,744)	<u>(394,744)</u>
Total comprehensive Income (loss)	-	-	-	-	-	-	920,876
Stock grants (6,600 shares)			140,158	18,241			158,399
Dividends declared \$1.32 per share	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(714,012)</u>	<u>-</u>	<u>(714,012)</u>
<b>Balance</b> – December 31, 2024	<u>\$ -</u>	<u>\$ 1,101,000</u>	<u>\$(2,471,496)</u>	<u>\$ 1,136,267</u>	<u>\$ 28,388,782</u>	<u>\$(11,005,748)</u>	<u>\$ 17,148,805</u>

**First Bancshares, Inc.**  
**Bellevue, Ohio**

**Consolidated Statement of Cash Flows**

	Year Ended December 31,	
	2024	2023
<b>Cash Flows from Operating Activities</b>		
Net Income	\$ 1,315,620	\$ 1,332,123
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation expense	463,308	469,355
Provision for loan losses	-	(375,728)
Accretion and amortization of securities	547,478	628,716
(Gain) loss on sale of investments	-	243,544
Deferred income taxes	(50,519)	19,546
Change in cash surrender value of life insurance	(118,899)	(112,704)
Net change in:		
Accrued interest receivable and other assets	26,298	(103,988)
Accrued interest payable and other liabilities	(123,052)	777,198
Net cash provided by operating activities	2,060,234	2,878,062
<b>Cash Flows from Investing Activities</b>		
Activity in available-for-sale securities:		
Proceeds from sale	-	5,659,365
Maturities, prepayments, and calls	9,057,650	9,596,154
Purchases	(3,372,252)	(2,688,000)
Redemption of FHLB stock	197,350	209,100
Net change in loans	6,793,275	(14,860,461)
Additions to premises and equipment	(217,023)	(145,953)
Net cash used in investing activities	12,459,000	(2,229,795)
<b>Cash Flows from Financing Activities</b>		
Net change in deposits	9,371,409	(4,553,760)
Payments on Federal Home Loan Bank advances	(5,000,000)	-
Proceeds from FHLB advances	-	500,000
Proceeds from FRB term funding	-	10,000,000
Payments on FRB term funding	(10,000,000)	-
Change in short-term borrowed funds	-	(5,412,854)
Issuance of treasury stock for stock grants	158,400	-
Dividends paid	(714,012)	(709,653)
Net cash provided by financing activities	(6,184,203)	(176,267)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	8,335,031	472,000
<b>Cash and Cash Equivalents – Beginning of year</b>	6,811,859	6,339,859
<b>Cash and Cash Equivalents – End of year</b>	\$ 15,146,890	\$ 6,811,859
<b>Supplemental Cash Flow Information</b>		
Cash paid for:		
Interest	\$ 5,801,552	\$ 4,331,687
Income taxes	248,000	109,207
Loans transferred to other real estate	-	-



**Note 1 – Nature of Business and Significant Accounting Policies**

**Basis of Presentation and Consolidation** – The consolidated financial statements include the accounts of First Bancshares, Inc. (the “Corporation”) and its wholly owned subsidiaries, First National Bank (the “Bank”) and First Bellevue Properties, Inc. All significant intercompany balances and transactions have been eliminated in consolidation.

**Nature of Operations** – The Bank provides a full range of financial services to individuals and corporate customers in the Ohio counties of Huron, Sandusky, Erie, Ottawa, and Seneca. First Bellevue Properties, Inc. is used for property management.

**Use of Estimates** – In preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, the valuation of investment securities, and deferred tax assets.

**Cash and Cash Equivalents** – For the purpose of the consolidated statement of cash flows, cash and cash equivalents include cash and balances due from banks, federal funds sold, and interest-bearing deposits in banks which mature within 90 days.

**Investment Securities** – Debt securities classified as held-to-maturity (HTM) are those debt securities the Bank has both the intent and ability to hold to maturity regardless of changes in market conditions, liquidity needs, or changes in general economic conditions. These securities are carried at cost, adjusted for amortization of premium and accretion of discount, computed using the interest method, over their contractual lives. With the adoption of ASU 2016-13, expected credit losses on HTM securities are measured on a collective basis by major security type, when similar risk characteristics exist. Risk characteristics for segmenting HTM debt securities include issuer, maturity, coupon rate, yield, payment frequency, source of repayment, bond payment structure, and embedded options. Upon assignment of the risk characteristics to the major security types, management may further evaluate the qualitative factors associated with these securities to determine the expectation of credit losses, if any. Impairments below cost in the estimated fair value of individual HTM debt securities that are attributable to credit losses are recorded through an allowance for HTM credit losses. Such losses are limited to the amount that amortized cost exceeds fair value, even if the amount of the credit loss is greater. Impairment below cost attributable to other factors are realized in noninterest income in the statements of income.

Debt securities classified as available-for-sale (AFS) are those debt securities that the Bank intends to hold for an indefinite period of time but not necessarily to maturity. Any decision to sell a security classified as AFS would be based on various factors, including significant movement in interest rates, changes in the maturity mix of the Bank’s assets and liabilities, liquidity needs, regulatory capital considerations, and other similar factors. These securities are carried at estimated fair value based on information provided by a third party pricing service with any unrealized gains or losses excluded from net income and reported in accumulated other comprehensive income (loss), which is reported as a separate component of shareholders’ equity, net of the related deferred tax effect. Management assesses the financial condition and near-term prospects of the issuer, industry and/or geographic conditions, credit ratings as well as other indicators at the individual security level. Impairments below cost in the estimated fair value of individual AFS debt securities when there is an intent to sell or for which it more likely than not the Bank will be required to sell before the impairment is recovered, are realized in noninterest income in the statements of income. When there is not an intent to sell or it is more likely than not the Bank will not be required to sell the security before the impairment is recovered, management assesses whether the decline in fair value has resulted from credit losses or other factors. If the present value of discounted cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for AFS credit losses is recorded. Such losses are limited to the amount that amortized cost exceeds fair value, even if the amount of the credit loss is greater. Any future changes in the allowance for credit losses is recorded as provision for (reversal of) credit losses. Losses attributable to other factors are charged to accumulated other comprehensive income.

Gains and losses realized on sales of investment debt securities, determined using the adjusted cost basis of the specific securities sold, are included in noninterest income in the statements of income.

**Note 1 – Nature of Business and Significant Accounting Policies**  
**(Continued)**

Dividend and interest income, including amortization of premium and accretion of discount arising at acquisition, from all categories of investment securities are included in interest income in the statement of income.

Restricted stock is stock from the Federal Home Loan Bank of Cincinnati (“FHLB”) and the United Bankers Bank, which are restricted as to their marketability. Because no ready market exists for these investments and they have no quoted market value, the Bank’s investment in these stocks are carried at cost. A determination as to whether there has been an impairment of a restricted stock investment is performed on a quarterly basis and includes a review of the current financial condition of the issuer.

**Loans and Allowance for Credit Losses** – Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are carried at amortized cost, which consists of the amount of unpaid principal, adjusted for deferred loan fees and origination costs. Interest on loans is accrued based on the principal amounts outstanding. Nonrefundable loan fees and related direct costs are deferred and the net amount is amortized to income as a yield adjustment over the life of the loan using the interest method. When principal or interest is delinquent for ninety days or more, the Bank evaluates the loan for nonaccrual status.

After a loan is placed on nonaccrual status, all interest previously accrued but not collected is reversed against current period interest income. Subsequent collections of interest payments on nonaccrual loans are recognized as interest income unless ultimate collectability of the loan is in doubt. Cash collections on loans where ultimate collectability remains in doubt are applied as reductions of the loan principal balance and no interest income is recognized until the principal balance has been collected.

With the adoption of ASU 2016-13 on January 1, 2023 an allowance for credit losses is established upon origination for all loans through a provision for credit losses charged to earnings. ASU 2016-13 replaced the previous probable incurred loss model, which incorporated only known information as of the balance sheet date. The expected credit loss model is based on management’s best estimate of lifetime expected credit losses inherent in the Bank’s relevant financial assets. There are two components of the allowance for credit losses: reserves on pooled loans sharing risk characteristics (portfolio segments) and individually evaluated loans that do not fit within a portfolio segment. For loans, expected credit losses are typically estimated using quantitative methods that consider a variety of factors such as historical loss experience, the current credit quality of the portfolio as well as supportable forecasts of the economic outlook over the life of the loan. When management determines that foreclosure is probable, expected credit losses are accrued based on the differences between the loan balance and 1) the value of collateral, if such loans are considered to be collateral dependent and in the process of collection, 2) the present value of future cash flows, or 3) the loan’s value as observable in the secondary market. Adjustments are made for selling costs, as appropriate. When management believes the loan is not collectible, the loan is charged off against the allowance. Subsequent recoveries, if any, are credited to the allowance.

Allowance factors and overall size of the allowance may change from period to period based on management’s assessment and the relative weights given to each factor. In addition, various regulatory agencies periodically review the allowance for credit losses. These agencies may require the Association to make additions to the allowance for credit losses based on their judgments of collectability supported by information available to them at the time of their examination.

**Loan Charge-Offs** – The Bank’s charge-off policy states after all collection efforts have been exhausted and the loan is deemed to be a loss, it will be charged to the Bank’s established allowance for credit losses. Consumer loans subject to the Uniform Retail Credit Classification are charged-off as follows: (a) closed end loans are charged-off no later than 120 days after become delinquent, (b) consumer loans to borrowers who subsequently declare bankruptcy, where the Bank is an unsecured creditor, are charged-off within 60 days of receipt of the notification from the bankruptcy court (c) fraudulent loans are charged-off within 90 days of discovery and (d) death of a borrower will cause a charge-off to be incurred at such time an actual loss is determined. All other types of loans are generally evaluated for loss potential at the 90 days past due threshold, and any loss is recognized no later than the 120<sup>th</sup> day past due threshold; each loss is evaluated on its specific facts regarding the appropriate timing to recognize the loss.

**Note 1 – Nature of Business and Significant Accounting Policies**  
**(Continued)**

**Loan Modifications** – In situations where, for economic or legal reasons related to a borrower’s financial difficulties, the Bank grants a concession for other than an insignificant period of time to the member that the Bank would not otherwise consider, the related loan is classified as a loan modification. The Bank strives to identify borrowers in financial difficulty early and work with them to modify to more affordable terms before their loan reaches nonaccrual status. These modified terms may include rate reductions, principal forgiveness, payment forbearance and other actions intended to minimize the economic loss and to avoid foreclosure or repossession of the collateral.

**Off-balance-sheet Instruments** – In the ordinary course of business, the Corporation has entered into commitments under commercial letters of credit and standby letters of credit. Such financial instruments are recorded when they are funded.

**Servicing** – Servicing assets are recognized as separate assets when rights are acquired through sale of financial assets. Capitalized servicing rights are reported in other assets and are amortized into noninterest income in proportion to, and over the period of, the estimated future net servicing income of the underlying financial assets. Servicing assets are evaluated for impairment based upon the fair value of the rights as compared to amortized cost. Impairment is determined by stratifying rights by predominant characteristics, such as interest rates and terms. Fair value is determined using prices for similar assets with similar characteristics, when available, or based upon discounted cash flows using market-based assumptions. Impairment is recognized through a valuation allowance for an individual stratum, to the extent that fair value is less than the capitalized amount for the stratum.

Loans serviced for others are not included in the accompanying consolidated balance sheet. The unpaid principal balances of mortgage loans serviced for others were \$75.1 million and \$81.0 million at December 31, 2024 and 2023, respectively. The related mortgage servicing rights, included in other assets, were \$924,113 and \$1,025,816 at December 31, 2024 and 2023, respectively. At December 31, 2024 and 2023, the book value of the servicing rights approximated fair value and no valuation allowances were required.

**Foreclosed Assets** – Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value at the date of the foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in net expenses from foreclosed assets.

**Premises and Equipment** – Land is carried at cost. Buildings and equipment are carried at cost, less accumulated depreciation computed on the straight-line method over the estimated useful lives of the assets.

**Bank-owned Life Insurance** – The Bank has purchased life insurance policies on certain key officers. Bank-owned life insurance is recorded at its cash surrender value, or the amount that can be realized.

**Postretirement Benefits** – The Corporation has endorsement split-dollar life insurance policies and agreements with individuals to provide a benefit extending to postretirement periods. The liability in connection with these agreements was recorded effective January 1, 2008 as a decrease in retained earnings of \$161,060 when the accounting treatment for such agreements changed. At December 31, 2024 and 2023, the Corporation had a liability of \$270,129 and \$256,357, respectively, in connection with these benefits.

**Stock Based Compensation** – Compensation cost is recognized for stock options and stock awards issued to employees based on the fair value of these awards at the date of the grant. Fair value of the stock options is determined by the mean between the lowest bid and highest bid asked prices on the grant date. Compensation cost is recognized over the required service period, generally defined as the vesting period.

**Treasury Stock** – Treasury stock is stated at cost. Cost is determined by the average cost method.

**Income Taxes** - Income taxes are provided for the tax effects reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis of available-for-sale securities, allowance for loan losses, accumulated depreciation, and accrued employee benefits. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred tax assets and liabilities are reflected at income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized or settled. As

**Note 1 – Nature of Business and Significant Accounting Policies**  
**(Continued)**

changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. First Bancshares, Inc. files consolidated income tax returns with its subsidiaries on a calendar year basis.

**Fair Value Measurements** – First Bancshares, Inc. follows the guidance of FASB ASC 825, *Financial Instruments*, and FASB ASC 820, *Fair Value Measurement*. This guidance permits entities to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This guidance clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Under this guidance, fair value measurements are not adjusted for transaction costs. This guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

**Comprehensive Income** – Accounting principles generally require that recognized revenue, expenses, gains, and losses be included in net income. Certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the equity section of the consolidated balance sheet; such items, along with net income, are components of comprehensive income.

The components of other comprehensive income and related tax effects are as follows:

	2024	2023
Net income	\$ 1,315,620	\$ 1,332,123
Other comprehensive income		
Unrealized holding gains (losses) on available-for-sale securities	(394,744)	764,512
Reclassification adjustment for gains (losses) on sale recognized in income	-	(243,544)
Net unrealized gains (losses)	(394,744)	520,968
Tax effect for recognized gains (losses)	-	(51,144)
Other comprehensive income (loss)	<u>\$ 920,876</u>	<u>\$ 1,801,947</u>

**Reclassification** – Certain amounts appearing in the prior year's financial statements have been classified to conform to the current year's financial statements.

**Subsequent Events** – The consolidated financial statements and related disclosures include evaluation of events up through and including February 24, 2025, which is the date the consolidated financial statements were available to be issued.

**Note 2 – Restriction on Cash and Amounts Due from Banks**

The Bank is required to maintain average balances on hand or with the Federal Reserve Bank. At December 31, 2024 and 2023, these reserve balances amounted to \$250,000 and \$250,000, respectively.

**Notes to Consolidated Financial Statements**  
**December 31, 2024 and 2023**

**Note 3 – Securities**

The amortized cost and fair value of securities, with gross unrealized gains and losses, are as follows:

<b>2024</b>				
	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Estimated Market Value</u>
Available-for-sale securities:				
U.S. government and federal agency	\$ 985,205	\$ -	\$ (110,845)	\$ 847,360
Mortgage backed	63,894,127	11,209	(10,769,287)	53,136,049
State and municipal	27,503,546	118,210	(3,180,614)	24,441,142
Total available-for-sale securities	<u>\$ 92,382,878</u>	<u>\$ 129,419</u>	<u>\$ (14,060,746)</u>	<u>\$ 78,451,551</u>
Held-to-maturity securities:				
Corporate bonds	\$ 3,600,000	\$ -	\$ -	\$ 3,600,000
State and municipal	1,313,000	-	-	1,313,000
Total held-to-maturity securities	<u>\$ 4,913,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,913,000</u>
<b>2023</b>				
	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Estimated Market Value</u>
Available-for-sale securities:				
U.S. government and federal agency	\$ 2,060,709	\$ 13,584	\$ (234,548)	\$ 1,839,745
Mortgage backed	68,418,156	-	(10,706,651)	57,711,505
State and municipal	28,016,476	237,877	(2,741,911)	25,512,442
Total available-for-sale securities	<u>\$ 98,495,341</u>	<u>\$ 251,461</u>	<u>\$ (13,683,110)</u>	<u>\$85,063,692</u>
Held-to-maturity securities:				
Corporate bonds	\$ 3,600,000	\$ -	\$ -	\$ 3,600,000
State and municipal	1,433,000	-	-	1,433,000
Total held-to-maturity securities	<u>\$ 5,033,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,033,000</u>

At December 31, 2024 and 2023 securities with a carrying value of \$54,940,015 and \$62,427,342, respectively, were pledged to secure borrowings, public deposits, and for other purposes required or permitted by law.

The amortized cost and fair value of debt securities by contractual maturity at December 31, 2024 are as follows:

	<u>Securities Held to Maturity</u>		<u>Securities Available for Sale</u>	
	<u>Amortized Cost</u>	<u>Market Value</u>	<u>Amortized Cost</u>	<u>Market Value</u>
Due in one year or less	\$ -	\$ -	\$ 37,000	\$ 37,000
Due in one through five years	-	-	4,618,386	4,371,140
Due in five years through ten years	4,913,000	4,913,000	8,725,941	7,803,675
Due after ten years	-	-	15,107,424	13,103,687
Mortgage-backed securities	-	-	63,894,127	53,136,049
Total	<u>\$ 4,913,000</u>	<u>\$ 4,913,000</u>	<u>\$ 92,362,878</u>	<u>\$ 78,451,551</u>

**Notes to Consolidated Financial Statements**  
**December 31, 2024 and 2023**

**Note 3 – Securities (Continued)**

Information pertaining to securities with gross unrealized losses at December 31, 2024 and 2023, aggregated by investment category and length of time that individual securities have been in a continuous loss position, is as follows:

		2024			
		Less Than Twelve Months		Over Twelve Months	
		Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Available-for-sale securities:					
U.S. government and federal agency	\$	-	\$ -	\$ (110,845)	\$ 874,360
State and municipal		-	-	(3,180,614)	21,813,769
Mortgage backed		-	-	(10,769,287)	52,992,937
Total available-for-sale securities	\$	-	\$ -	\$ (14,060,746)	\$ 75,681,066

		2023			
		Less Than Twelve Months		Over Twelve Months	
		Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Available-for-sale securities:					
U.S. government and federal agency	\$	-	\$ -	\$ (234,548)	\$ 1,611,376
State and municipal		-	-	(2,741,911)	3,498,507
Mortgage backed		-	-	(10,706,652)	46,271,236
Total available-for-sale securities	\$	-	\$ -	\$ (13,683,111)	\$51,381,119

Unrealized losses on securities have not been recognized into income because the issuers' bonds are of high credit quality, the Bank has the intent and ability to hold the securities for the foreseeable future, and the decline in fair value is primarily due to increased market interest rates. The fair value is expected to recover as the bonds approach the maturity date.

Other securities consist of restricted Federal Home Loan Bank stock, Federal Reserve Bank stock and United Bankers' Bank stock. These stocks are carried at cost, which approximates market value.

**Note 4 – Loans**

A summary of the balances of loans is as follows:

	2024	2023
Mortgage loans on real estate:		
Residential 1-4 family	\$ 44,597,693	\$ 44,181,015
Commercial	105,330,304	108,361,419
Total mortgage loans on real estate	149,927,997	152,542,434
Commercial and agricultural loans	26,184,047	29,951,549
Consumer loans	2,393,506	2,803,906
Total loans	\$178,505,550	\$185,297,889
Less allowances for credit losses	2,240,298	2,239,362
Net loans	<u>\$176,265,252</u>	<u>\$183,058,527</u>

**Note 4 – Loans (Continued)**

An analysis of the allowance for loan losses is as follows:

	2024	2023
Balance at beginning of year	\$ 2,239,362	\$ 2,623,529
Provision for credit losses	-	(375,728)
Loans charged off	(2,333)	(11,645)
Recoveries of loans previously charged off	3,269	3,206
Balance at end of year	<u>\$ 2,240,298</u>	<u>\$ 2,239,362</u>

The following is a summary of information pertaining to impaired loans:

	2024	2023
Impaired loans without a valuation allowance	\$ 293,612	\$ 334,881
Impaired loans with a valuation allowance	-	-
Total impaired	<u>\$ 293,612</u>	<u>\$ 334,881</u>
Valuation allowance related to impaired loans	\$ -	\$ -
Total nonaccrual loans	228,158	334,881
Average investment in impaired loans during the year	314,247	275,457

No interest income has been recognized on impaired loans during the years ended December 31, 2024 and 2023. No additional funds are committed to be advanced in connection with impaired loans.

In the ordinary course of business, the Bank has granted loans to principal officers, directors, and their affiliates amounting to \$320,000 and \$553,739 as of December 31, 2024 and 2023, respectively. No new commitments occurred in 2024 and payments amounted to \$25,739.

**Notes to Consolidated Financial Statements**  
**December 31, 2024 and 2023**

**Note 4 – Loans (Continued)**

December 31, 2024

	Total 1-4 Family Residential Mortgages	Multifamily Consumer Loans	Total Construction And Land Development	Total Nonfarm Nonresidential Loans	Total Farmland Mortgages	Commercial & Industrial Loans	Total Consumer Loans	All Other Types of Loans	Total
Allowance for Loan Loss:									
Beginning Balance	\$ 561,597	\$ 122,060	\$ 49,738	\$ 1,051,751	\$ 102,825	\$ 262,714	\$ 67,009	\$ 21,668	\$ 2,239,362
Provision for loan losses	-	-	-	-	-	-	-	-	-
Loan charge-offs	-	-	-	-	-	-	(2,333)	-	(2,333)
Recoveries	-	-	-	3,269	-	-	-	-	3,269
Total ending allowance balance	<u>\$ 561,597</u>	<u>\$ 122,060</u>	<u>\$ 49,738</u>	<u>\$ 1,055,020</u>	<u>\$ 102,825</u>	<u>\$ 262,714</u>	<u>\$ 64,676</u>	<u>\$ 21,668</u>	<u>\$ 2,240,298</u>
Specific Reserves-Impaired Loans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
General Reserves	561,597	122,060	49,738	1,055,020	102,825	262,714	64,676	21,668	2,240,298
Total	<u>\$ 561,597</u>	<u>\$ 122,060</u>	<u>\$ 49,738</u>	<u>\$ 1,055,020</u>	<u>\$ 102,825</u>	<u>\$ 262,714</u>	<u>\$ 64,676</u>	<u>\$ 21,668</u>	<u>\$ 2,240,298</u>
Loans individually evaluated for impairment	\$ 235,427	\$ -	\$ -	\$ 58,185	\$ -	\$ -	\$ -	\$ -	\$ 293,612
Loans collectively evaluated for impairment	44,362,266	9,693,021	3,949,819	83,463,705	8,165,574	20,862,737	5,321,311	1,720,625	177,539,057
Total	<u>\$44,597,693</u>	<u>\$ 9,693,021</u>	<u>\$ 3,949,819</u>	<u>\$ 83,521,890</u>	<u>\$8,165,574</u>	<u>\$20,862,737</u>	<u>\$5,321,311</u>	<u>\$1,720,625</u>	<u>\$177,832,669</u>
	<u>Impaired Loans With Allowance</u>			<u>Impaired Loans With No Allowance</u>					
	<u>Principal Balance</u>	<u>Recorded Investment</u>	<u>Allocated Allowance for Loan Loss</u>		<u>Principal Balance</u>	<u>Recorded Investment</u>			
Impaired Loans and Related Allowance:									
Residential Mortgages	\$ -	\$ -	\$ -		\$ 284,386	\$ 235,427			
Consumer Loans	-	-	-		-	-			
Commercial Loans	-	-	-		-	-			
Agricultural Loans	-	-	-		-	-			
Commercial Real Estate Mortgages	-	-	-		108,595	58,185			
Agricultural Real Estate Mortgages	-	-	-		-	-			
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ 392,981</u>	<u>\$ 293,612</u>			



**Notes to Consolidated Financial Statements**  
**December 31, 2024 and 2023**

**Note 4 – Loans (Continued)**

December 31, 2023

	Total 1-4 Family Residential Loans	Multifamily Consumer Loans	Total Construction and Land Development	Total Nonfarm Nonresidential Loans	Total Farmland Mortgages	Commercial & Industrial Loans	Total Consumer Loans	All Other Types of Loans	Total
Allowance for Loan Loss:									
Beginning Balance	\$ 576,133	\$ 87,734	\$ 88,630	\$ 1,271,541	\$ 83,227	\$ 397,533	\$ 80,757	\$ 37,974	\$ 2,623,529
Provision for loan losses	(50,133)	(30,734)	(39,630)	(39,385)	(24,227)	(165,533)	(21,112)	(4,974)	(375,728)
Loans charge-offs	-	-	-	-	-	-	(11,645)	-	(11,645)
Recoveries	-	-	-	3,206	-	-	-	-	3,206
Total ending allowance balance	<u>\$ 526,000</u>	<u>\$ 57,000</u>	<u>\$ 49,000</u>	<u>\$ 1,235,362</u>	<u>\$ 59,000</u>	<u>\$ 232,000</u>	<u>\$ 48,000</u>	<u>\$ 33,000</u>	<u>\$ 2,239,362</u>
Specific Reserves-Impaired Loans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
General Reserves	526,000	57,000	49,000	1,235,362	59,000	232,000	48,000	33,000	2,239,362
Total	<u>\$ 526,000</u>	<u>\$ 57,000</u>	<u>\$ 49,000</u>	<u>\$ 1,235,362</u>	<u>\$ 59,000</u>	<u>\$ 232,000</u>	<u>\$ 48,000</u>	<u>\$ 33,000</u>	<u>\$ 2,239,362</u>
Loans individually evaluated for impairment	\$ 265,157	\$ -	\$ -	\$ 69,724	\$ -	\$ -	\$ -	\$ -	\$ 334,881
Loans collectively evaluated for impairment	43,921,843	6,920,000	4,131,000	90,416,276	8,320,000	23,792,000	4,856,000	2,069,000	184,426,119
Total	<u>\$44,187,000</u>	<u>\$6,920,000</u>	<u>\$4,131,000</u>	<u>\$90,486,000</u>	<u>\$8,320,000</u>	<u>\$23,792,000</u>	<u>\$4,856,000</u>	<u>\$2,069,000</u>	<u>\$184,761,000</u>

	<u>Impaired Loans With Allowance</u>			<u>Impaired Loans With No Allowance</u>	
	Principal Balance	Recorded Investment	Allocated Allowance for Loan Loss	Principal Balance	Recorded Investment
Impaired Loans and Related Allowance:					
Residential Mortgages	\$ -	\$ -	\$ -	\$ 290,351	\$ 265,157
Consumer Loans	-	-	-	-	-
Commercial Loans	-	-	-	-	-
Agricultural Loans	-	-	-	-	-
Commercial Real Estate Mortgages	-	-	-	117,794	69,724
Agricultural Real Estate Mortgages	-	-	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 408,145</u>	<u>\$ 334,881</u>

**Notes to Consolidated Financial Statements**  
**December 31, 2024 and 2023**

**Note 4 – Loans (Continued)**

December 31, 2024

Credit Quality Indicators by Type of Loan:	1-4 Family Residential Loans	Multifamily Residential Loans	Construction and Land Development	Nonfarm Nonresidential Loans	Farmland Mortgage	Commercial & Industrial Loans	Consumer Loans	All Other Types of Loans	Total	Grade
Grade										
Pass	\$44,597,693	\$9,693,021	\$3,949,819	\$82,453,523	\$8,124,276	\$20,581,245	\$5,321,311	\$1,720,625	\$176,441,512	1-4
Special Mention	-	-	-	312,600	-	-	-	-	312,600	5
Substandard	-	-	-	755,767	41,298	281,492	-	-	1,078,557	6
Doubtful	-	-	-	-	-	-	-	-	-	7
Loss	-	-	-	-	-	-	-	-	-	8
Total	<u>\$44,597,693</u>	<u>\$9,693,021</u>	<u>\$3,949,819</u>	<u>\$83,521,890</u>	<u>\$8,165,574</u>	<u>\$20,862,737</u>	<u>\$5,321,311</u>	<u>\$1,720,625</u>	<u>\$177,832,669</u>	

Aging analysis of Past Due Loans and Nonaccrual Loans:	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days or Nonaccrual	Total Past Due Loans	Total Current Loans	Total Loans	Recorded Investment Past Due >90 Days and Still Accruing
1-4 Family Residential Mortgages	\$ 53,425	\$ 55,488	\$ 80,687	\$ 189,600	\$ 44,408,096	\$ 44,597,693	\$ -
Multifamily Residential Loans	-	-	-	-	9,693,021	9,693,021	-
Construction & Loan Development Loans	-	-	-	-	3,949,819	3,949,819	-
Nonfarm Nonresidential Loans	25,782	-	-	25,782	83,496,108	83,521,890	-
Farmland Mortgage Loans	-	-	-	-	8,165,574	8,165,574	-
Commercial & Industrial Loans	-	-	-	-	20,862,737	20,862,737	-
Consumer Loans	11,979	4,165	3,081	19,225	5,302,086	5,321,311	-
Other Types of Loans	-	-	-	-	1,720,625	1,720,625	-
Total	<u>\$ 91,186</u>	<u>\$ 59,653</u>	<u>\$ 83,768</u>	<u>\$ 234,607</u>	<u>\$177,598,063</u>	<u>\$177,832,670</u>	<u>\$ -</u>

**Notes to Consolidated Financial Statements**  
**December 31, 2024 and 2023**

**Note 4 – Loans (Continued)**

December 31, 2023

Credit Quality Indicators by Type of Loan:	Residential <u>Mortgages</u>	Consumer <u>Loans</u>	Commercial <u>Loans</u>	Agricultural <u>Loans</u>	Commercial Real Estate <u>Mortgages</u>	Agricultural Real Estate <u>Mortgages</u>	<u>Total</u>	<u>Grade</u>
Grade								
Pass	\$44,187,000	\$ 2,627,213	\$29,932,999	\$ 1,628,788	\$91,774,431	\$ 5,318,092	\$175,468,523	1-4
Special Mention	-	-	-	10,250	275,903	41,931	328,084	5
Substandard	-	-	84,492	-	383,995	27,424	495,911	6
Doubtful	-	-	-	-	-	-	-	7
Loss	-	-	-	-	-	-	-	8
Total	<u>\$44,187,000</u>	<u>\$ 2,627,213</u>	<u>\$30,017,491</u>	<u>\$ 1,639,038</u>	<u>\$92,434,329</u>	<u>\$ 5,387,447</u>	<u>\$176,292,518</u>	
							Recorded Investment Past Due >90 Days and Still <u>Accruing</u>	
Aging analysis of Past Due Loans and Nonaccrual Loans:	30-59 Days <u>Past Due</u>	60-89 Days <u>Past Due</u>	Greater than 90 Days or <u>Nonaccrual</u>	Total Past Due <u>Loans</u>	Total Current <u>Loans</u>	Total <u>Loans</u>		
1-4 Family Residential Mortgages	\$ 26,343	\$ 63,223	\$ 100,293	\$ 189,859	\$ 43,997,141	\$ 44,187,000	\$ -	
Multifamily Residential Loans	-	-	-	-	6,920,000	6,920,000	-	
Construction & Loan Development Loans	-	-	-	-	4,131,000	4,131,000	-	
Nonfarm Nonresidential Loans	-	-	-	-	90,486,000	90,486,000	-	
Farmland Mortgage Loans	-	-	-	-	8,320,000	8,320,000	-	
Commercial & Industrial Loans	-	-	-	-	23,792,000	23,792,000	-	
Consumer Loans	11,568	-	2,219	13,787	4,842,213	4,856,000	-	
Other Types of Loans	-	-	-	-	2,069,000	2,069,000	-	
Total	<u>\$ 37,911</u>	<u>\$ 63,223</u>	<u>\$ 102,512</u>	<u>\$ 203,646</u>	<u>\$184,557,354</u>	<u>\$184,761,000</u>	<u>\$ -</u>	

**Note 4 – Loans (Continued)**

Troubled debt restructurings for which there was a payment default within twelve months following the modification during the year ending December 31, 2024 consists of loans totaling \$0 at December 31, 2024.

Troubled debt restructurings for which there was a payment default within twelve months following the modification during the year ending December 31, 2023 consists of loans totaling \$0 at December 31, 2023.

**Note 5 – Bank Premises and Equipment**

A summary of the cost and accumulated depreciation of premises and equipment is as follows:

	2024	2023
Land	\$ 1,728,263	\$ 1,728,263
Buildings and building improvements	8,669,158	8,571,237
Furniture, fixtures, and equipment	3,493,581	3,269,765
Vehicles	91,354	102,065
Construction in progress	55,140	159,852
Total	14,037,496	13,831,182
Accumulated depreciation	(7,131,507)	(6,678,911)
Net premises and equipment	\$ 6,905,989	\$ 7,152,271

Depreciation expense for the years ended December 31, 2024 and 2023 amounted to \$463,308 and \$469,355 respectively.

**Note 6 – Deposits**

The following is a summary of the distribution of deposits at December 31:

	2024	2023
Demand deposits	\$ 70,274,370	\$ 68,127,254
NOW accounts	51,257,288	56,252,549
Savings and money market accounts	83,832,983	76,701,075
Time:		
Under \$100,000	20,401,523	18,714,579
\$100,000 and over	38,528,994	35,128,292
Total	\$264,295,158	\$254,923,749

At December 31, 2024, the scheduled maturities of time deposits are as follows:

2025	\$ 35,644,945
2026	20,332,704
2027	756,082
2028	313,148
2029	983,638
Total	\$ 58,930,517

**Note 7 – Federal Home Loan Bank Advances**

The Bank has a borrowing arrangement with the Federal Home Loan Bank of Cincinnati. Advances under the borrowing arrangement are supported by individual agreements.

The advances are collateralized by loans outstanding with a carrying value of \$55,960,000 at December 31, 2024.

**Note 7 – Federal Home Loan Bank Advances (Continued)**

At December 31, 2024, the advances mature as follows:

2025	\$ -
2026	-
2027	1,250,000
2028	-
2029	-
2030 and thereafter	-
Total	<u>\$ 1,250,000</u>

**Note 8 – Bank Line of Credit**

During 2008, the Corporation entered into a \$5,000,000 line of credit arrangement with a bank. The line of credit is collateralized by First National Bank stock owned by the Corporation. The Corporation makes quarterly interest-only payments and the principal balance is due on demand and subject to an annual review. The balance outstanding as of December 31, 2024 and 2023 was \$0 and \$0, respectively. The interest rate was 7.50 percent and 7.50 percent as of December 31, 2024 and 2023, respectively.

**Note 9 – Long-Term Debt**

At year end, long-term debt was as follows:

	2024		2023	
	Principal	Unamortized Discount And Debt Issuance Costs	Principal	Unamortized Discount And Debt Issuance Costs
Noninterest bearing note, due 2024	\$ 8,000,000	\$ 138,564	\$ 8,000,000	\$ 161,342
Total	<u>\$ 8,000,000</u>	<u>\$ 138,564</u>	<u>\$ 8,000,000</u>	<u>\$ 161,342</u>

**Note 10 – Minimum Regulatory Capital Requirements**

Banks are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off balance sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgements by regulators. Failure to meet capital requirements can initiate regulatory action. The net unrealized gain or loss on available for sale securities is not included in computing regulatory capital. Management believes as of December 31, 2023 the bank meets all capital adequacy requirements to which they are subject.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At year-end 2024 and 2023, the most recent regulatory notifications categorized the bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the institution's category.

In 2019, the federal banking agencies jointly issued a final rule that provides for an optional, simplified measure of capital adequacy, the community bank leverage ratio framework (CBLR framework), for qualifying community banking organizations, consistent with Section 201 of the Economic Growth, Regulatory Relief, and Consumer Protection Act. The final rule became effective on January 1, 2020 and was elected by the bank as of March 31, 2020.

**Note 10 – Minimum Regulatory Capital Requirements**  
**(Continued)**

In April 2020, the federal banking agencies issued an interim final rule that makes temporary changes to the CBLR framework, pursuant to sections 4012 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, and a second interim final rule that provides a graduated increase in the community bank leverage ratio requirement after the expiration of the temporary changes implemented pursuant to sections 4012 of the CARES Act.

The community bank leverage ratio removes the requirement for qualifying banking organizations to calculate and report risk-based capital but rather only requires a Tier 1 to average assets (leverage) ratio. Qualifying banking organizations that elect to use the community bank leverage ratio framework and that maintain a leverage ratio greater than required minimums will be considered to have satisfied the generally applicable risk based and leverage capital requirements in the agencies' capital rules (generally applicable rule) and, if applicable, will be considered to have met the capitalized ratio requirements for purposes of section 38 of the Federal Deposit Insurance Act. Under the interim final rules the community bank leverage ratio minimum requirement is 8% as of December 31, 2020, 8.5% for calendar year 2021, and 9% for calendar year 2022 and beyond. The interim rule allows for a two-quarter grace period to correct a ratio that falls below the required amount, provided that the bank maintains a leverage ratio of 7% as of December 31, 2020, 7.5 % for calendar year 2022 and beyond.

Under the final rule, an eligible banking organization can opt out of the CBLR framework and revert back to the risk-weighting framework without restriction. As of December 31, 2024, the bank was a qualifying community banking organization as defined by the federal banking agencies and elected to measure capital adequacy under the CBLR framework.

Actual and required capital amounts (in thousands) and ratios are presented below at year-end.

(000's omitted)	<u>Amount</u>	<u>Ratio</u>	To be Well Capitalized Under Prompt Corrective <u>Action Regulations (CBLR Framework)</u>	
			<u>Amount</u>	<u>Ratio</u>
As of December 31, 2024				
Tier 1 (CORE) capital to average				
Total assets	\$35,854	12.0%	\$26,911	9.0%

(000's omitted)	<u>Amount</u>	<u>Ratio</u>	To be Well Capitalized Under Prompt Corrective <u>Action Regulations (CBLR Framework)</u>	
			<u>Amount</u>	<u>Ratio</u>
As of December 31, 2023				
Tier 1 (CORE) capital to average				
Total assets	\$34,505	11.8%	\$26,394	9.0%

**Note 11 – Restrictions on Dividends**

Banking regulations place certain restrictions on dividends paid and loans or advances made by the Bank to the Corporation. Prior approval of the Bank's federal regulator is required if the total dividends declared by the Bank exceed the sum of the net profits of the Bank for the current year-to-date and the net profits of the Bank for the preceding two years, less any required transfers to surplus. In addition, dividends paid by the Bank would be prohibited if the effect thereof would cause the Bank's capital to be reduced below applicable minimum standards. At December 31, 2024, retained earnings of approximately \$6,317,000 was available for the payment of dividends without regulatory approval.

**Note 12 – Employee Benefit Plan**

The Bank sponsors a defined contribution benefit plan for substantially all employees. Bank contributions are based on matching one-half of participant contributions up to 6 percent of the participant's salary. Additional contributions may be made at the discretion of the board of directors. Discretionary contributions of \$120,784 and \$119,099 were made for the years ended December 31, 2024 and 2023, respectively. Bank contributions to the plan totaled \$84,061 and \$88,387 for the years ended December 31, 2024 and 2023, respectively.

**Note 13 – Income Taxes**

The components of the net deferred tax assets, included in other assets are as follows:

	2024	2023
Deferred tax assets:		
Allowance for loan losses	\$ 332,231	\$ 332,231
Net deferred loan fees	16,932	25,709
Accrued employee benefits	202,753	194,680
Impairment on investment securities	229,031	229,031
Net unrealized loss on securities available for sale	2,925,579	2,820,646
Total deferred tax assets	<u>\$ 3,706,526</u>	<u>\$ 3,602,297</u>
Deferred tax liabilities:		
Depreciation	\$ 113,470	\$ 141,456
Mortgage servicing rights	194,064	215,421
Federal Home Loan Bank stock dividends	58,065	58,065
Other	13,707	35,134
Total deferred tax liabilities	<u>379,306</u>	<u>450,076</u>
Net deferred tax assets (liabilities)	<u>\$ 3,327,220</u>	<u>\$ 3,152,221</u>

The components of deferred taxes are valued using the 21% federal income tax rate.

Allocation of income tax recovery between current and deferred portions is as follows:

	2024	2023
Current	\$ 182,637	\$ 195,228
Deferred	1,285	(19,547)
Total	<u>\$ 183,922</u>	<u>\$ 175,681</u>

The reasons for the difference between the income tax (recovery) expense at the federal statutory income tax rate and the recorded income tax (recovery) expense are summarized as follows:

	2024	2023
Income tax expense at federal statutory rate of 21%	\$ 314,904	\$ 316,639
Increases resulting from nondeductible expenses	21,677	18,052
Decreases resulting from nontaxable investment income	(128,821)	(132,347)
Decreases resulting from life insurance contract income	(24,969)	(23,668)
Other	1,131	(2,995)
Total	<u>\$ 183,922</u>	<u>\$ 175,681</u>

**Note 14 – Commitments and Credit Risk**

**Credit-related Financial Instruments** – The Corporation is a party to credit-related financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, standby letters of credit, and commercial letters of credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheet.

The Corporation's exposure to credit loss is represented by the contractual amount of these commitments. The Corporation follows the same credit policies in making commitments as it does for on-balance-sheet instruments. The Corporation has \$40,000 allowance for credit loss related to the outstanding commitments as of December 31, 2024.

At December 31, 2024 and 2023, the following financial instruments were outstanding whose contract amounts represent credit risk:

	Contract Amount	
	2024	2023
Commitments to grant loans and unused lines of credit	\$52,165,000	\$53,597,000
Commercial and standby letters of credit	224,000	72,000

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The commitments for equity lines of credit may expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if it is deemed necessary by the Corporation, is based on management's credit evaluation of the customer.

Unfunded commitments under commercial lines of credit, revolving credit lines, and overdraft protection agreements are commitments for possible future extensions of credit to existing customers. These lines of credit are generally collateralized and may not be drawn upon to the total extent to which the Corporation is committed.

Commercial and standby letters of credit are conditional commitments issued by the Corporation to guarantee the performance of a customer to a third party. Those letters of credit are used primarily to support public and private borrowing arrangements. The credit risk involved is extending loan facilities to customers. The Corporation generally holds collateral supporting those commitments if deemed necessary.

**Collateral Requirements** – To reduce credit risk related to the use of credit-related financial instruments, the Corporation might deem it necessary to obtain collateral. The amount and nature of the collateral obtained are based on the Corporation's credit evaluation of the customer. Collateral held varies but may include cash, securities, accounts receivable, inventory, property, plant, and equipment, and real estate.

If the counterparty does not have the right and ability to redeem the collateral or the Corporation is permitted to sell or repledge the collateral on short notice, the Corporation records the collateral in its balance sheet at fair value with a corresponding obligation to return it.

**Legal Contingencies** – Various legal claims arise from time to time in the normal course of business. In the opinion of management, any outstanding claims will not have a material effect on the Corporation's consolidated financial statements.



**Note 15 – Condensed Financial Statements of Parent Company**

Presented below is condensed financial information as to financial position, results of operations, and cash flows of the Corporation as of and for the years ended December 31:

**Balance Sheet**

	2024	2023
Cash	\$ 318,598	\$ 924,540
Investment in common stock of subsidiaries	24,846,503	23,895,306
Other assets	163,482	118,518
Total assets	<u>\$ 25,328,583</u>	<u>\$ 24,938,364</u>
Liabilities – Borrowings	\$ 8,000,000	\$ 8,000,000
Other liabilities	179,778	154,822
Stockholders' equity	17,148,805	16,783,542
Total liabilities and stockholders' equity	<u>\$ 25,328,583</u>	<u>\$ 24,938,364</u>

**Statement of Operations**

	2024	2023
Total income – Dividends from subsidiaries	\$ -	\$ -
Operating expenses	(420,153)	(475,455)
Income (loss) before equity in undistributed net income of subsidiaries and income tax benefit	(420,153)	(475,455)
Equity in undistributed net income of subsidiaries	1,647,542	1,707,732
Income tax benefit	88,232	99,846
Net income	<u>\$ 1,315,621</u>	<u>\$ 1,332,123</u>

**Statement of Cash Flows**

	2024	2023
Cash flows from operating activities:		
Net income	\$ 1,315,621	\$ 1,332,123
Adjustments to reconcile net income to net cash from operating activities:		
Distributions from subsidiaries in excess of net income equity in undistributed net income of subsidiaries	(1,296,399)	(1,640,033)
Net change in other assets	68,248	3,152
Net change in other liabilities	(2,178)	22,778
Net cash provided by (used by) operating activities	<u>85,292</u>	<u>(281,980)</u>
Cash flows from financing activities:		
Cash dividends paid on common stock	(714,012)	(709,657)
Debt issuance costs	22,778	22,301
Net cash provided by (used by) in financing activities	<u>(691,234)</u>	<u>(687,356)</u>
Net increase (decrease) in cash	(605,942)	(969,336)
Cash – Beginning of year	924,540	1,893,876
Cash – End of year	<u>\$ 318,598</u>	<u>\$ 924,540</u>

**Note 16 – Fair Value of Financial Instruments**

The fair value of a financial instrument is the current amount that would be exchanged between willing parties, other than in a forced liquidation. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Corporation's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instruments. FAS ASC 825 excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented may not necessarily represent the underlying fair value of the Corporation.

The following methods and assumptions were used by the Corporation in estimating fair value disclosures for financial instruments:

**Cash and Cash Equivalents** – The carrying amounts of cash and cash equivalents approximate fair value.

**Securities** – Fair values of securities are based on quoted market prices. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities. The carrying value of Federal Home Loan Bank and Federal Reserve Bank stock approximates fair value based on the redemption provisions of the issuers.

**Loan Receivable** – For variable-rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values. Fair values for other loans are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. Fair values of nonperforming loans are estimated using discounted cash flow analyses or underlying collateral values, where applicable.

**Deposit Liabilities** – The fair values disclosed for demand deposits are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amounts). The carrying amounts of variable-rate, fixed term money market accounts and certificates of deposit approximate their fair values at the reporting date. Fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on time deposits.

**Federal Home Loan Bank Advances and Bank Line of Credit** – The fair values of the Corporation's borrowings are estimated using discounted cash flow analyses based on the Corporation's current incremental borrowing rates for similar types of borrowing arrangements.

**Accrued Interest** – The carrying amounts of accrued interest approximate fair value.

**Other Financial Instruments** – The fair value of other financial instruments, including loan commitments and unfunded letters of credit, based on discounted cash flow analyses, is not material.

**Note 16 – Fair Value of Financial Instruments (Continued)**

The estimated fair values and related carrying or notional amounts of the Corporation's financial instruments are as follows (000s omitted):

		(Dollars in thousands)			
		Fair Value Measurements			
	Carrying <u>Amount</u>	<u>Fair Value</u>	Quoted Prices <u>(Level 1)</u>	Significant Other Observable Inputs <u>(Level 2)</u>	Significant Unobservable Inputs <u>(Level 3)</u>
December 31, 2024					
FINANCIAL ASSETS					
Cash and cash equivalents	\$ 15,147	\$ 15,147	\$ 15,147	\$ -	\$ -
Investment securities available-for-sale	78,452	78,452	-	78,111	341
Investment securities held-to-maturity	4,913	4,913	-	-	4,913
Net loans	176,265	173,623	-	-	173,623
FINANCIAL LIABILITIES					
Deposits	\$264,295	\$225,619	\$ -	\$ -	\$225,619
Subordinated debt	8,000	8,000	-	-	8,000
FHLB advances	1,250	1,252	-	-	1,252
FRB term funding	-	-	-	-	-
December 31, 2023					
FINANCIAL ASSETS					
Cash and cash equivalents	\$ 6,812	\$ 6,812	\$ 6,812	\$ -	\$ -
Investment securities available-for-sale	85,064	85,064	-	84,479	585
Investment securities held-to-maturity	5,033	5,033	-	-	5,033
Net loans	183,058	177,863	-	-	177,863
FINANCIAL LIABILITIES					
Deposits	\$254,924	\$229,748	\$ -	\$ -	\$229,748
Subordinated debt	8,000	8,000	-	-	8,000
FHLB advances	6,250	6,219	-	-	6,219
Line of credit	10,000	10,000	-	-	10,000

**Note 17 – Fair Value Measurements**

Accounting standards require certain assets and liabilities be reported at fair value in on the financial statements and provides a framework for establishing other fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following table presents information about the Corporation's assets and liabilities measured at fair value on a recurring basis at December 31, 2024, and the valuation techniques used by the Corporation to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Corporation has the ability to access.

**Note 17 – Fair Value Measurements (Continued)**

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, similar techniques taking into account the characteristics of the asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Corporation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

**Assets Measured at Fair Value on a Recurring Basis at December 31, 2024 and 2023**

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31
2024 – Investment securities available for sale	\$ -	\$ 78,111,440	\$ 340,111	\$ 78,451,551
2024 – Investment securities held to maturity	\$ -	\$ -	\$ 4,913,000	\$ 4,913,000
2023 – Investment securities available for sale	\$ -	\$ 84,478,959	\$ 584,733	\$ 85,063,692
2023 – Investment securities held to maturity	\$ -	\$ -	\$ 5,033,000	\$ 5,033,000

The Corporation also has certain assets that are measured at fair value on a nonrecurring basis. These assets are not measured at fair value on an ongoing basis; but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment).

Held-to-maturity investment securities categorized as Level 3 assets consist of tax-exempt bonds issued by local municipalities and trust preferred securities. The balance of these Level 3 securities was \$4,913,000 and \$5,033,000 at December 31, 2024 and 2023, respectively. The Corporation estimates the fair value of these investments based on the present value of expected future cash flows using management's best estimate of key assumptions, including forecasted interest yield and payment rates, credit quality, and a discount rate commensurate with the current market and other risks involved. Both observable and unobservable inputs may be used to determine the fair value of Level 3 assets.

The fair value of impaired loans is estimated using either discounted cash flows or collateral value. Those impaired loans not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceed the recorded investments in such loans. At December 31, 2024, substantially all of the total impaired loans were evaluated based on the fair value of the collateral. Impaired loans are categorized as Level 3 assets because the values are based on available collateral (typically based on outside appraisals) and customized discounting criteria, if deemed necessary. At December 31, 2024 and 2023 impaired loans total \$293,612 and \$334,881, respectively. The change in fair value of impaired loans is accounted for in the allowance for loan losses (see Note 4).

**First Bancshares, Inc.**  
**First National Bank and First Bellevue Properties, Inc.**

*DIRECTORS*

**Adam L. Crockett**  
Sec/Treas. – Co-Owner  
Green Hills Golf Course & Inn, Inc.

**Steven L. Mays, DVM**  
Retired  
Doctor of Veterinary Medicine

**Jerri A. Miller**  
CPA/County Auditor  
Sandusky County, Ohio

**Kula Hoty-Lynch**  
Attorney/Corporate Counsel  
Hoty Enterprises, Inc.

**Duffield E. Milkie**  
Attorney/Chief Legal Officer  
Waste Dynamics

**James V. Stouffer, Jr.**  
President/CEO  
Catawba Island Club

**Zachary S. Jones**  
President/Janotta & Herner:  
CEO/JHI Group

**Dean J. Miller**  
President/CEO  
First Bancshares, Inc.

**Michael K. Winthrop**  
Retired: President/CEO  
The Bellevue Hospital

**First National Bank**

*OFFICERS*

**Senior Management Team**

Dean Miller, President & CEO  
Edmund Schafer, Senior Vice President/CFO  
David Benavides, Senior Vice President/CLO  
David Jarvis, Senior Vice President/CTO  
Peter Schwager, Senior Vice President/CPIO

**Customer Service/Branch Support Team**

Brenda Ginnever, Vice President/Retail Manager  
Elizabeth Hayes, Vice President/Retail Manager  
Antoinette Corrado, Vice President/Retail Operations Officer  
Hollie Reinhart, Vice President  
Douglas Brisendine, Branch Manager  
Jennie Hipp, Branch Manager  
John MacDonald, Branch Manager  
Hayden Olsen, Branch Manager  
Jessica Szuch, Branch Manager  
Judy Knipp, Assistant Branch Manager  
Pam Orman, Assistant Branch Manager

**Human Resources Management**

**Administration Support**

**FNB Wealth Management Services**

**Lending Team**

Brandon Barr, Vice President  
Pawan Riviotta, Assistant Vice President  
Christina Rufer, Assistant Vice President  
Kim Zoller, Assistant Vice President  
Tony White, Residential/Consumer Lender

**Lending Support Team**

Sheryl Diehr, Vice President/Credit Analyst  
Roberta Dauch, Credit Analyst  
Logan Foos, AVP/Loan Operations Supervisor  
Darlene Fullen, Loan Operations Officer  
Karalee Siesel, Loan Operations Officer  
Jennifer Baker, Loan Operations Clerk  
Jonah Adkins, Commercial Loan Clerk

**Accounting Support Team**

Diane Ackerman, Accounting Operations Officer

Kristine Weiss, Assistant Vice President

Deborah Hawkins, Corporate Secretary

Andrea Taylor, Administrative Services Officer

James Deer, Vice President/Investment Executive

*STAFF*

Marcy Baker  
Karrie Ballard  
Gabrielle Below  
Jordan Benjamin  
Valorie Borton  
Kelly Bullerwell  
Heather Bullion  
Cassandra Cooper  
Joslyn Costello  
Katherine Dahmen

Ardielee Fearing  
Sherry Gooslin  
Emily Guseman  
April Guy  
Brianna Gwinner  
Kyann Hay  
Patricia Heyman  
Sabrina Hicks  
Dawn Loveland  
Jennifer Miller

Tina Miller  
Melissa Moore-Adolph  
Paul Orshoski, Jr.  
Daniel Potts  
Angela Saam  
Shannon Schneider  
Brittany Sells  
Traci Tutorius  
Amber Walter  
Elizabeth Welsh